BBVA Research

OCTOBER 2025

Economic Outlook Spain

Key points – Global

Growing concern about U.S. policies. Tariffs have risen more than anticipated, and both immigration measures and attacks on the Fed have been harsher than expected. Despite signs of moderation, the global economy remains resilient. Growth has exceeded expectations, and inflation has surprised to the downside in the U.S. Markets have exhibited a favorable tone, supported by expectations of additional Fed cuts.

Global growth is expected to moderate from 3.3 % in 2024 to 3.0 % in 2025 and 3.1 % in 2026. Despite fiscal support, looser monetary conditions and the rise of AI, activity will be affected by increased protectionism, limits on immigration, uncertainty and geopolitical tensions. Still, recent data suggest that its impact will be more gradual than anticipated.

Tariffs will keep U.S. inflation relatively high, around 3 % in 2025-26. However, slowing growth would allow the Fed to lower interest rates to 3 % in 2026. In Europe, inflation would remain close to target and interest rates at 2 %.

The risks of more negative scenarios increase in an environment of high uncertainty, recurrent shocks, less global cooperation and possible disruptions. Along with trade and immigration policies, threats to the Fed's autonomy are among the biggest concerns.

Key points – Spain

The GDP growth forecast is revised upwards to 3.0% (+0.5 pp) in 2025 and 2.3% (+0.6 pp) in 2026. The improvement reflects resilience to rising tariffs, reduced tariff policy uncertainty, and a greater impact of NGEU funds. The revision of the historical series made by the INE also has an influence. This is despite the recent increase in the cost of electricity, the depreciation of the exchange rate and the impact of fires.

The recovery is expected to continue, supported by a positive, albeit waning, contribution from external demand. Exports of services will continue to grow above GDP, thanks to rising investment, improvements in competitiveness and increased immigration.

Domestic demand will continue to be the main source of growth. Inflation and interest rates are falling, which will allow the recovery of purchasing power and access to financing on more attractive terms. The acceleration of NGEU funds and increased spending on defense will also boost spending.

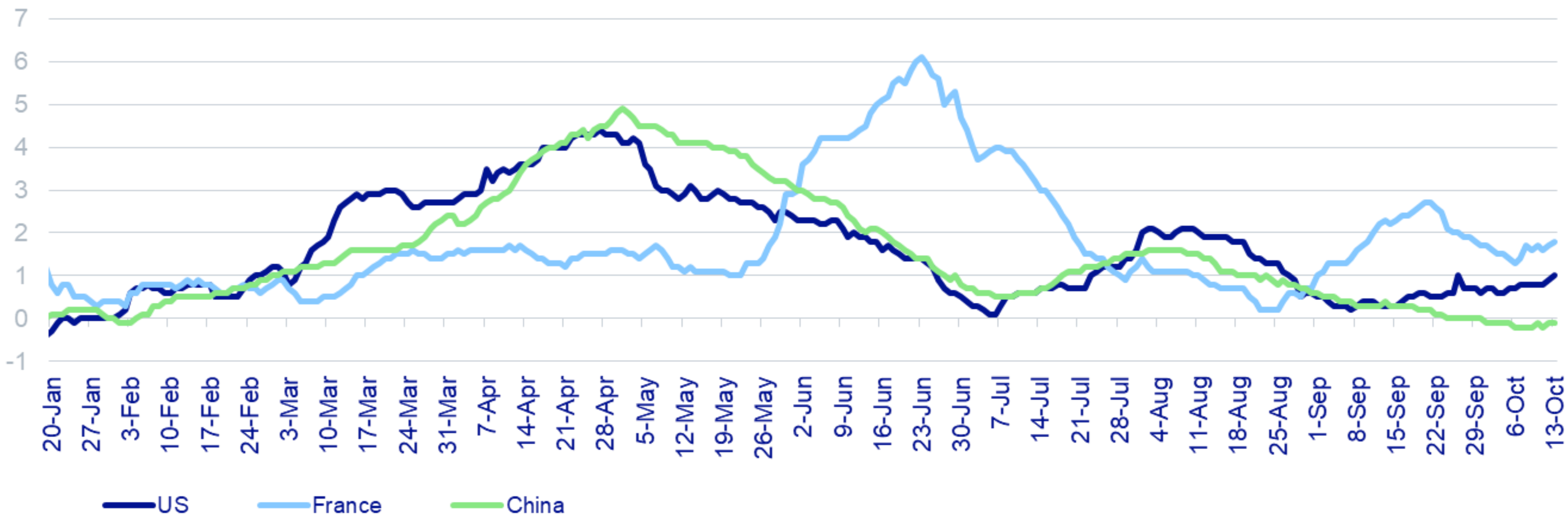
There are still bottlenecks that can slow progress. The lack of investment and/or labor in some key sectors stands out, as well as the stagnation in the automotive industry, the housing deficit, the low productivity growth per worker and the lack of consensus for solving some of these problems.

1. October 2025

Global

Protracted uncertainty on tariff news, pressure on the Fed, immigration policies, debt risks, geopolitical tensions…

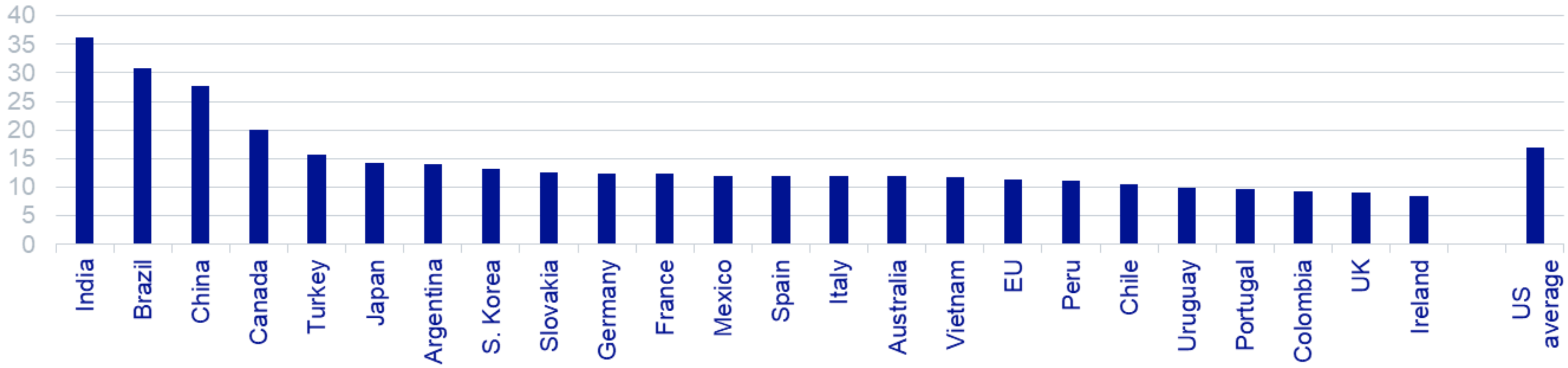
ECONOMIC POLICY UNCERTAINTY INDEX (2025): UNITED STATES, FRANCE AND CHINA (*)
(INDEX: HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)



(*) Last available data: October 13, 2025
Source: BBVA Research

Protectionism: US tariffs have reached high levels, especially for some targeted countries

US TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025 UNTIL OCTOBER 17 (*)
(PP)

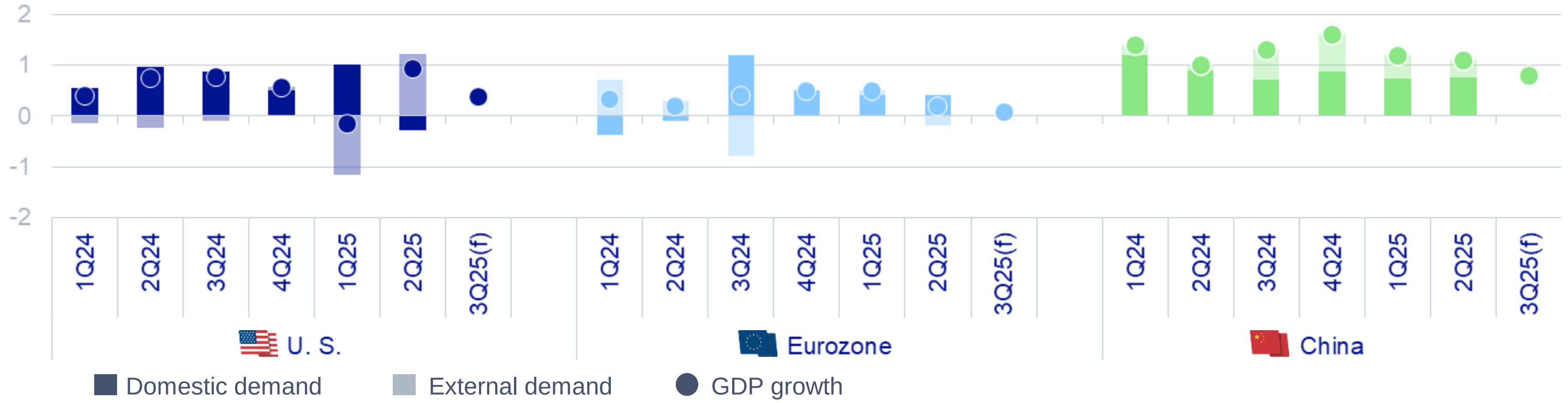


(*) Following recent trade deals and unilateral US announcements. Based on general tariffs set for each country (reciprocal and/or fentanyl), specific tariffs on some sectors (steel, aluminun, automobiles, autoparts...) and exempted goods (selected electronics, oil...). Sectoral weights are calculated according to 2024 trade flows.
Source: BBVA Research

Despite US trade deals with the EU, UK, Japan, Vietnam, etc., uncertainty on tariffs remain given still unsettled negotiations, legal challenges and the view that they are now part of the US policy toolkit; preliminary evidence suggest that effective tariffs are below face-value tariffs.

GDP growth has remained broadly resilient in the first half of the year, despite deceleration signs

GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMANDS TO GDP GROWTH
(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)



(f): BBVA Research forecast
Source: BBVA Research based on data from Haver and China's NBS

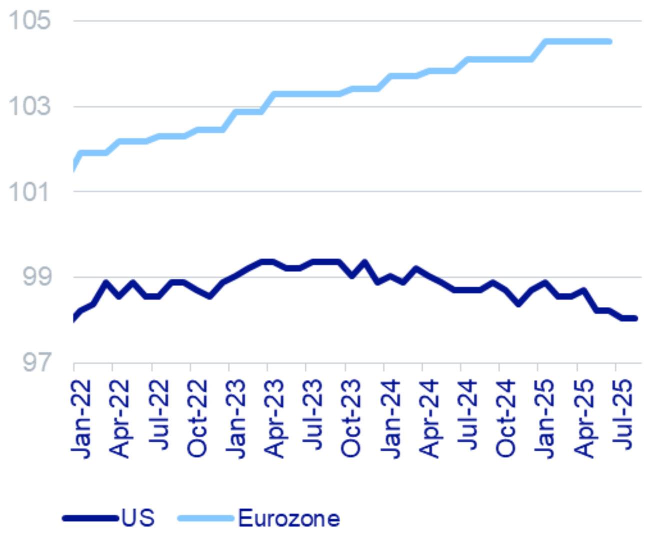
GDP data surprised upwards in the first half of 2025; consumption has slowed, but remained relatively robust; investment has been supported by AI spending; exports have stayed resilient.

Global trade surged ahead of tariffs, but has slowed lately; US labor markets have eased amid lower immigration flows

GLOBAL EXPORTS OF GOODS: VOLUME
(4Q19=100; THREE-MONTH MOVING AVERAGE)

Source: BBVA Research based on data from Haver

EMPLOYMENT-POPULATION RATIO
(INDEX: 2019 AVERAGE = 100)

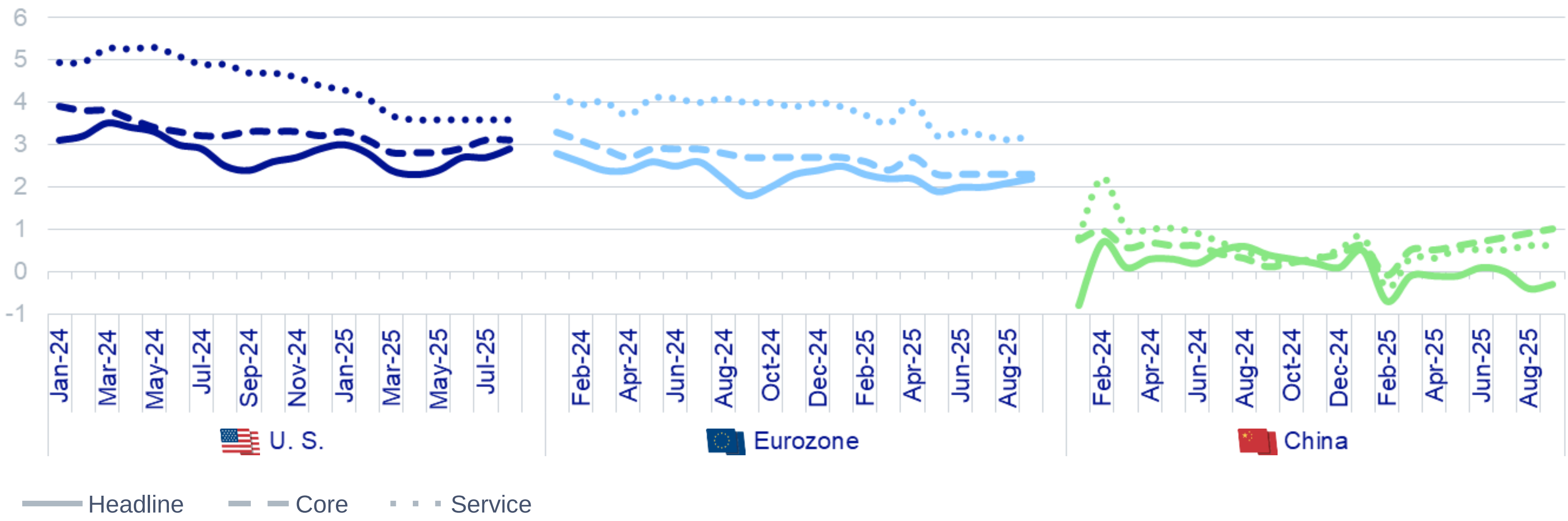


Source: BBVA Research based on data from Fred and Eurostat

Inflation has risen (but less than expected) in the US; it remains close to 2 % in the Eurozone and very low in China

CPI INFLATION: HEADLINE, CORE AND SERVICE

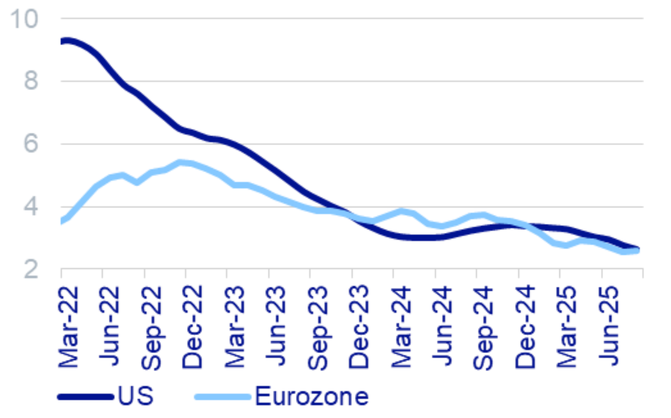
(Y/Y %)



Source: BBVA Research based on data from Haver

Wage moderation and lower energy prices have taken some pressure off inflation

NOMINAL WAGES: INDEED WAGE TRACKER
(Y/Y %, 3-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from Indeed

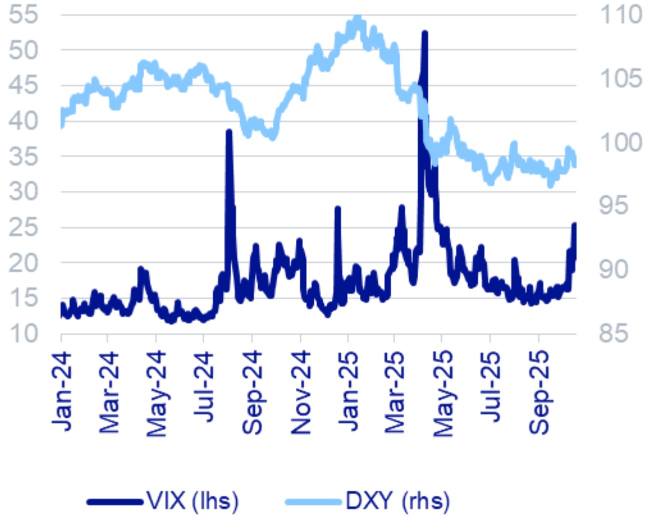
BRENT PRICES (*)
(USD PER BRENT BARREL)

(*) Last available data: October 17, 2025
Source: BBVA Research based on data from Haver

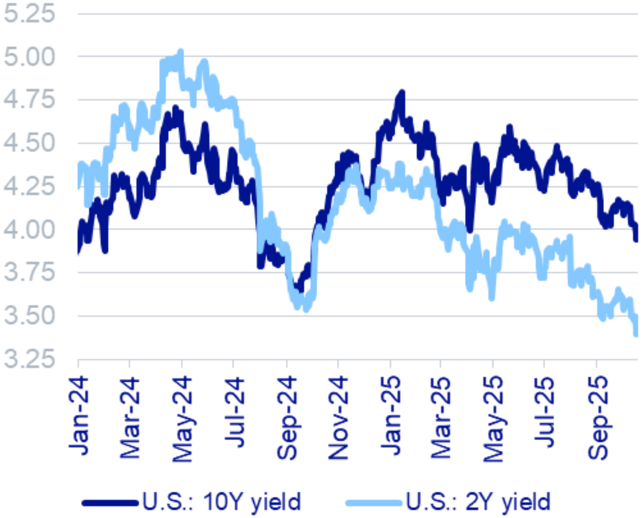
Wage growth has slowed while oil prices have remained low; their effects are helping to offset the initial impact of tariffs.

Financial markets continue to exhibit a positive tone, despite recent volatility

EQUITY VOLATILY (VIX); US DOLLAR (DXY)
(INDEXES)



US SOVEREIGN YIELDS
(%)



(*) A lower DXY represents a weaker US dollar. Last available data: October 17, 2025.
Source: BBVA Research based on data from Haver

(*) Last available data: October 17, 2025.
Source: BBVA Research based on data from Haver

Unsettling US policies are likely to hit the global economy, even though impact could be more gradual than expected

Global resiliency, so far, due to fiscal stimulus, AI boom, looser monetary conditions, weaker dollar, preemptive exports, effective tariffs below nominal levels, etc.

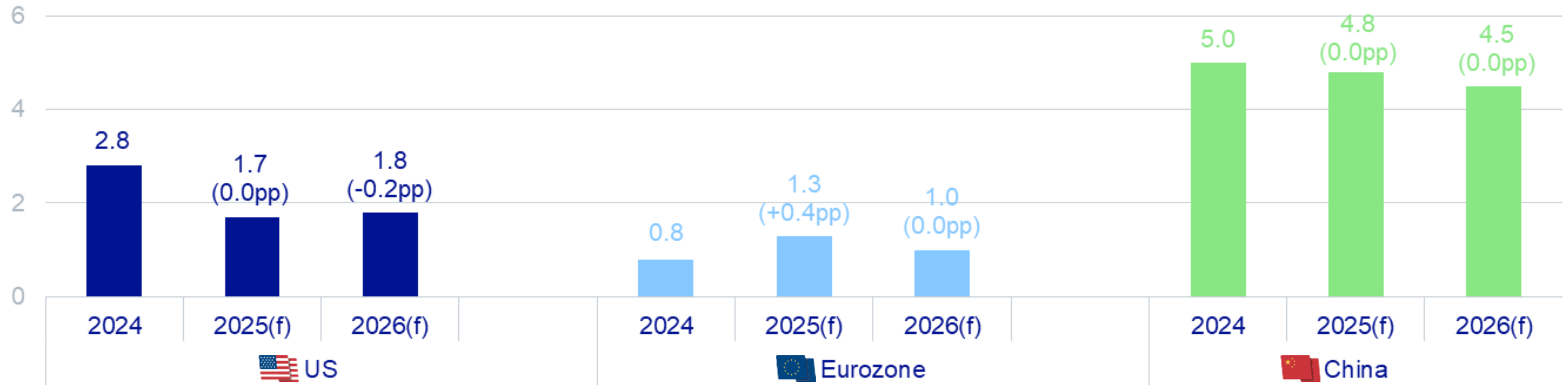
More disruptive US policies: tariffs rose beyond expectations, attacks on institutions and immigration curbs have been harsher than anticipated, fiscal deficits will stay high, geopolitical conflicts remain unresolved...

Global growth will likely slow; policy rates are expected to converge to 3 % in the US and remain at 2 % in Europe; inflation to remain high in the US, under control in Europe and low in China.

Risks are rising; they include more negative supply shocks on tariffs, immigration policies, stress due to Fed intervention, financial volatility; and also a positive AI wave.

Global growth is forecast to moderate gradually moving forward, from 3.3 % in 2024 to 3.0 % in 2025 and 3.1 % in 2026

GDP GROWTH (%, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



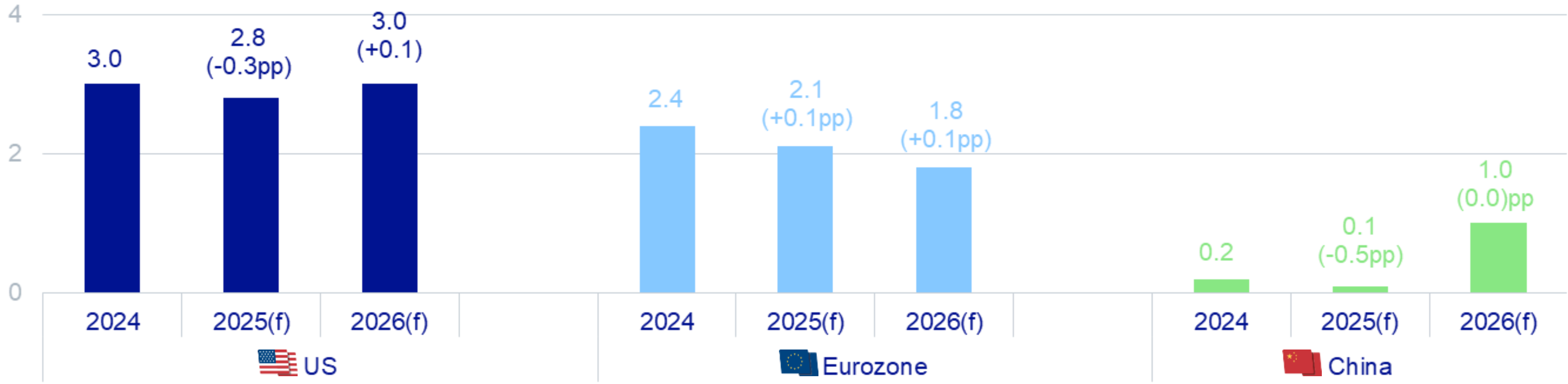
(*) Global GDP grew by 3.3 % in 2024 and is forecast to expand by 3.0 % in 2025 and 3.1 % in 2026, unchanged in comparison to previous forecasts.
(f): forecast.
Source: BBVA Research

In the US, more disruptive policies favor weaker growth despite supportive 2Q25 GDP data and positive AI effects; in Europe, recent data support higher growth in 2025, while 2026 outlook stays unchanged: defense stimulus to offset tariff impact; in China, slowdown prospects remain in place.

Inflation: tariff effects are still expected; mostly unchanged prospects in Europe; lingering deflation risks in China

HEADLINE CPI INFLATION

(Y/Y %, PERIOD AVERAGE, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

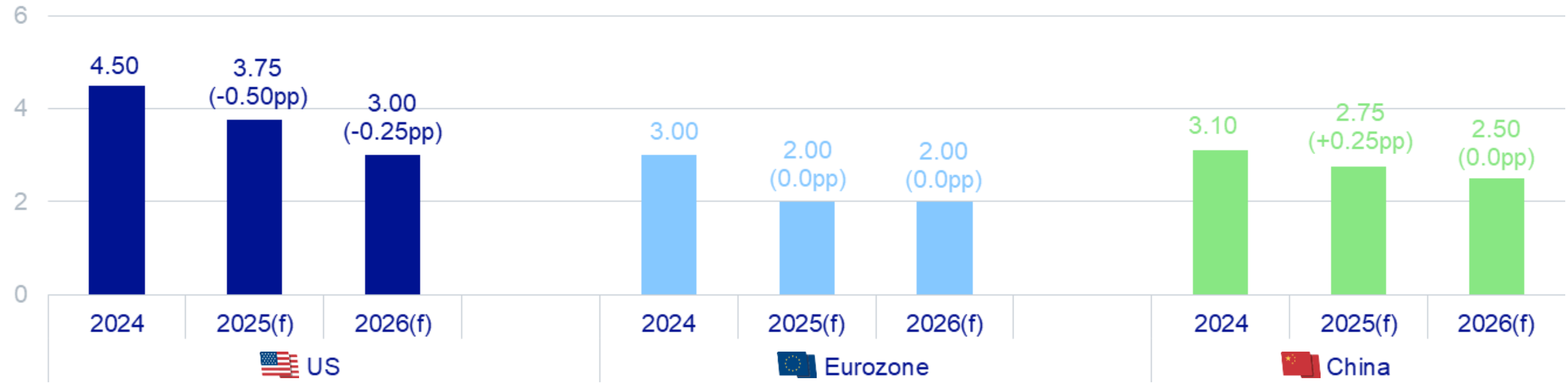


(f): forecast.
Source: BBVA Research

US inflation has surprised downward, but tariffs and immigration curbs will keep it around 3 %;
in the Eurozone inflation will likely be slightly higher than previous forecasts but still very close to 2 %;
In China, moving out of the low-inflation regime is proving increasingly challenging.

A more dovish Fed will keep easing monetary conditions, likely lowering rates to 3 % in 2026; ECB to hold at 2 %

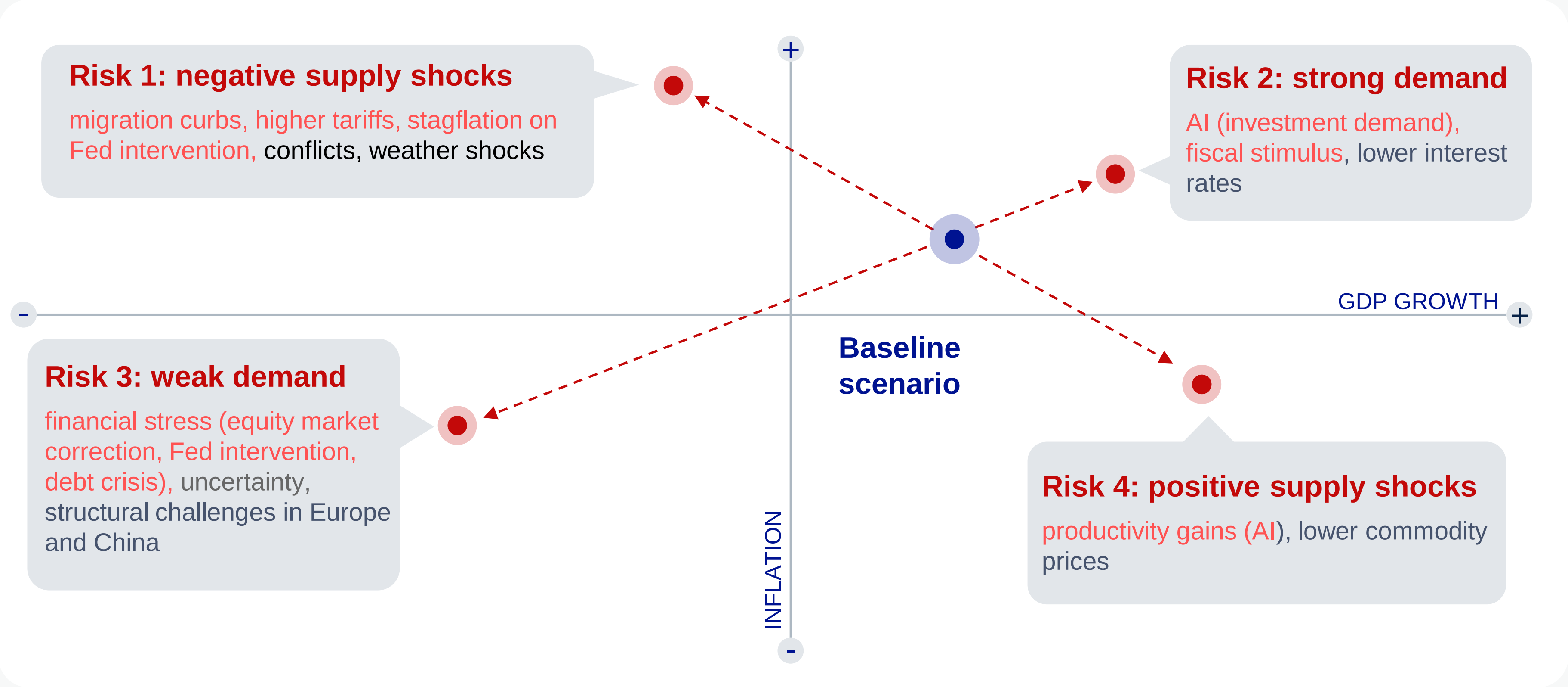
POLICY INTEREST RATES(*)
(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.
(*) In the case of the Eurozone, interest rates of the deposit facility.
Source: BBVA Research.

Fed's easing path towards 3 % in 2026 will depend on upcoming inflation and labor market outcomes; ECB expected to hold rates at 2 %, with risk of one more cut on weak growth, trade uncertainty, and euro strength.

Risks are mounting amid heightened uncertainty, recurring shocks, weaker global cooperation and potential non-linearities

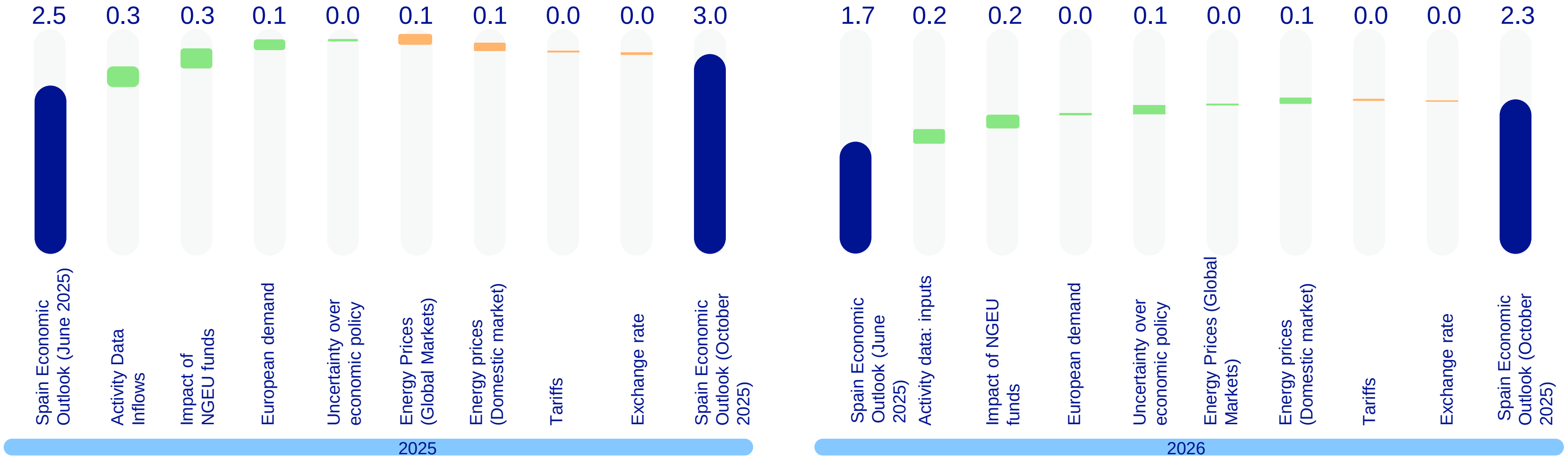


2. October 2025

Spain

The net balance of economic developments in the last quarter is positive for growth

CHANGE IN GDP GROWTH FORECASTS AND FACTOR CONTRIBUTIONS
(PERCENTAGE POINTS and PERCENTAGE)



Source: BBVA Research based on INE data.

The improved environment—with less uncertainty, higher European demand and recent favorable data—more than offsets the recent rise in energy prices.

2.1 Spain

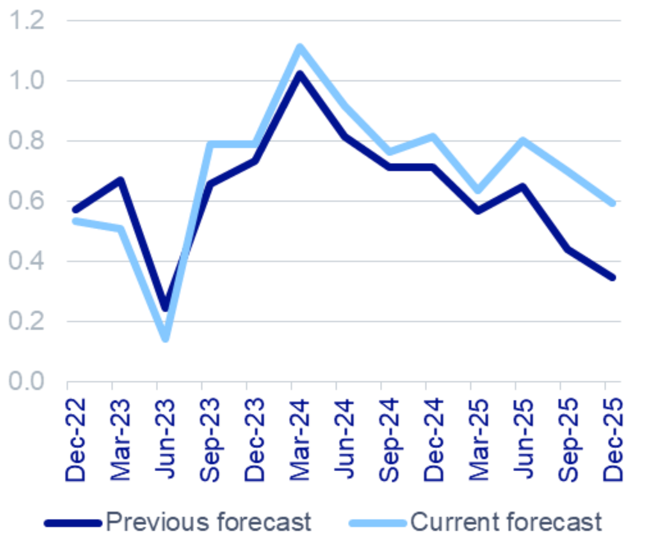
News

Updates to the economic scenario

The economy is growing more than expected and positive inertia remains

- **GDP grew by 0.8 % QoQ in 2Q25, surprising to the upside.** The INE has revised the trend in GDP the last few years upward, which also contributes to the improved forecast in 2025.
- **Real-time estimates point to average quarterly growth of between 0.6 % and 0.7 % for 2H25** (Previous forecast: 0.4 %).
- **The absence of a more intense slowdown** is explained by the relatively better performance of exports, particularly those of goods, and the solid growth of domestic demand**.**

QUARTERLY GDP GROWTH
(%)

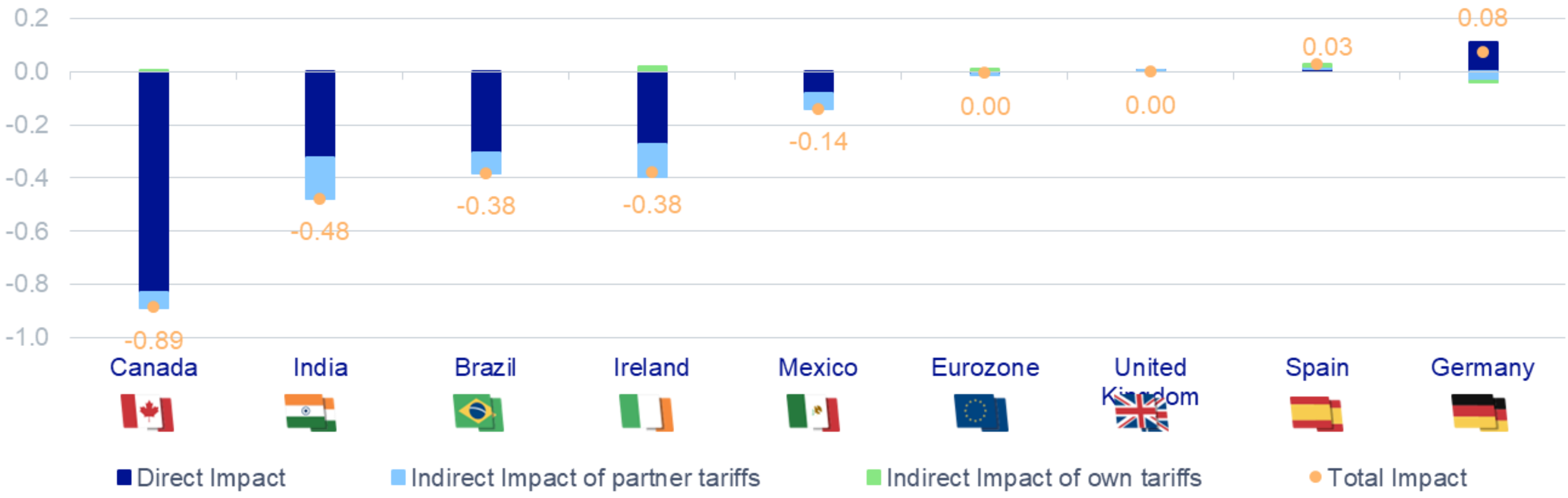


Source: BBVA Research.

Updates to the economic scenario

The trade agreement with the United States brings tariffs in line with expectations and lowers uncertainty

IMPACT ON GDP OF THE CHANGE IN THE SCENARIO AS A RESULT OF THE TARIFFS EXPECTED IN JUNE AND THOSE FINALLY AGREED* (PERCENTAGE POINTS, 2022)

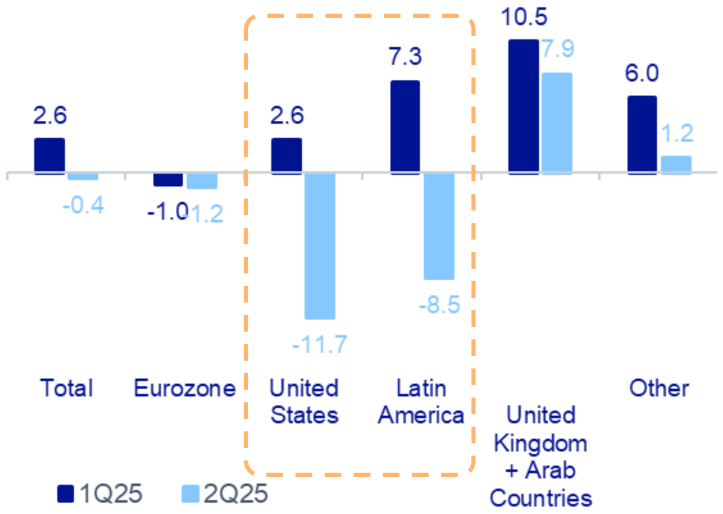


*Simulations carried out assuming an elasticity of import demand of 0.8.
Source: BBVA Research, based on the UNCTAD GVC Input-Output database.

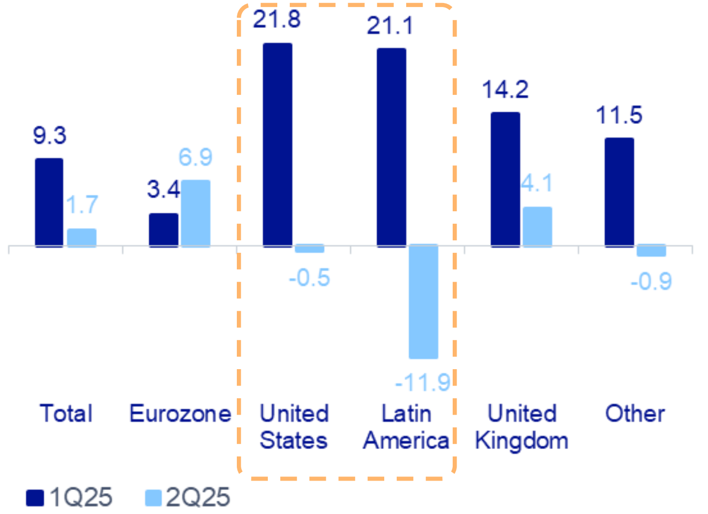
Updates to the economic scenario

Increased trade with other areas offsets the impact of higher tariffs

SPANISH EXPORTS OF GOODS
(TOTAL CHANGE % Y/Y)



SPANISH IMPORTS OF GOODS
(TOTAL CHANGE % Y/Y)



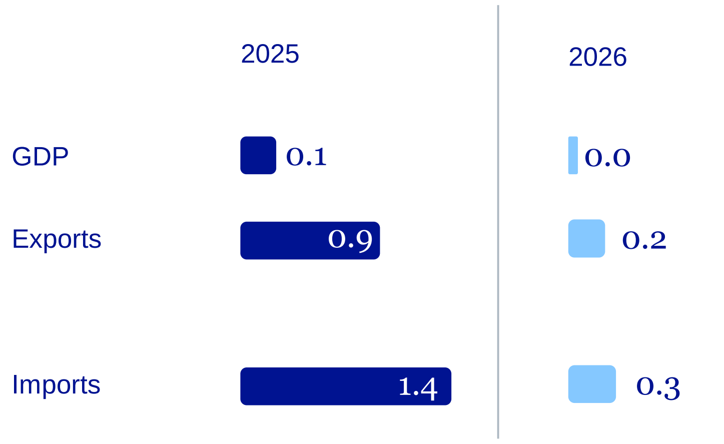
Note: Arab countries include: Morocco, Algeria, Tunisia, Libya, Egypt, Sudan, Mauritania, Djibouti, Somalia, Comoros, Lebanon, Syria, Iraq, Jordan, Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Yemen.
Source: BBVA Research, based on Haver.

Updates to the economic scenario

EMU growth revised upwards, although mainly due to past data

- **Euro area GDP will increase by 1.3 % this year, higher than expected** in July given the advance in the first half, and by 1.0 % next year if the stimulus from defense spending were to offset the effect of the tariff hike.
- **This revision partly explains the resilience shown by exports.** The increase in GDP growth expectations alone would provide an additional boost of 0.9 % to export growth.

IMPACT OF THE EUROPEAN DEMAND REVIEW
(PP)

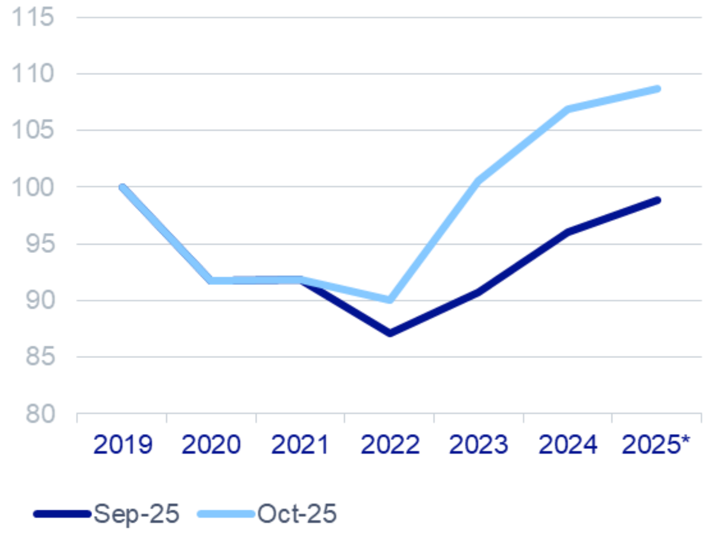


Source: BBVA Research.

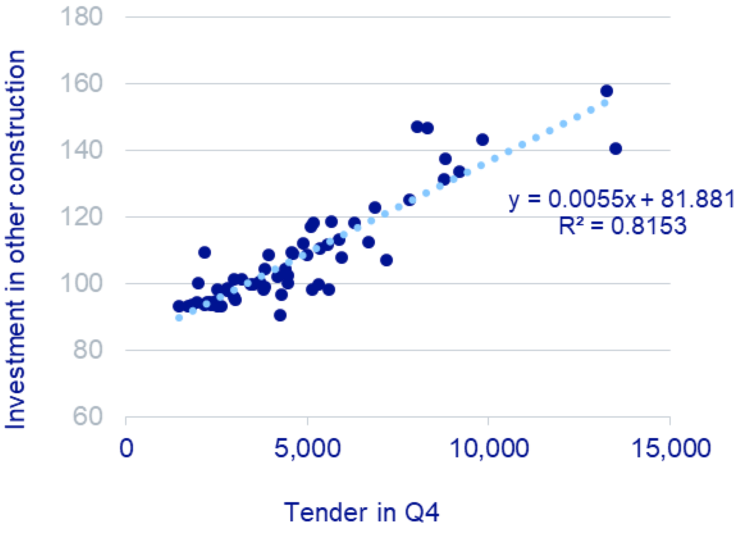
Updates to the economic scenario

The INE's review improves the performance of investment and the perception of the impact of the funds linked to NGEU

INVESTMENT IN OTHER CONSTRUCTION
(2019=100)



INVESTMENT IN OTHER CONSTRUCTION AND PUBLIC WORKS TENDERS
(INDEX 2020 = 100 AND MILLIONS OF REAL EUROS)



* Data at the end of 1H25.
Source: BBVA Research, based on INE data.

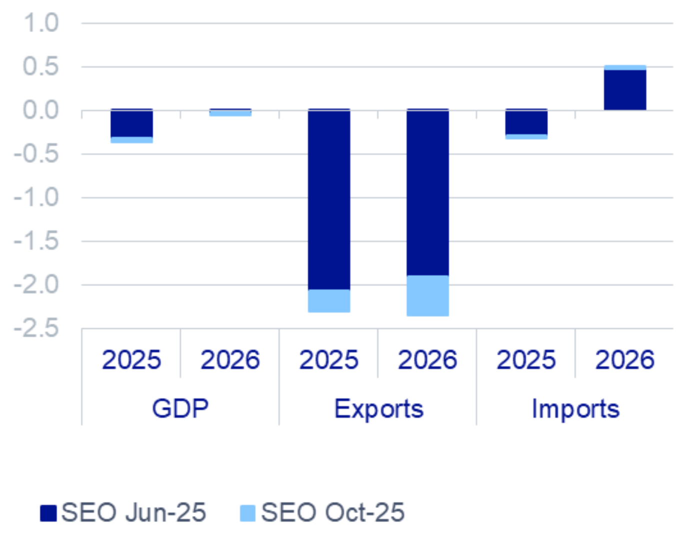
Source: BBVA Research, based on INE and SEOPAN.

Updates to the economic scenario

The euro has appreciated more than expected, which may affect competitiveness

- **The significant appreciation of the euro** against the dollar could knock more than 2.0 pp off the growth of Spanish exports in 2025 and 2026, respectively.
- It also adds credence to the idea that **the cost of exporting to the United States will be much more expensive** from now on, which would lead to reduced trade with this country.
- The **measures announced by the Government of Spain** to alleviate the effects of the tariff hikes replicate a roadmap that proved successful during the pandemic.

IMPACT OF THE APPRECIATION OF THE EURO AGAINST THE DOLLAR (PP)

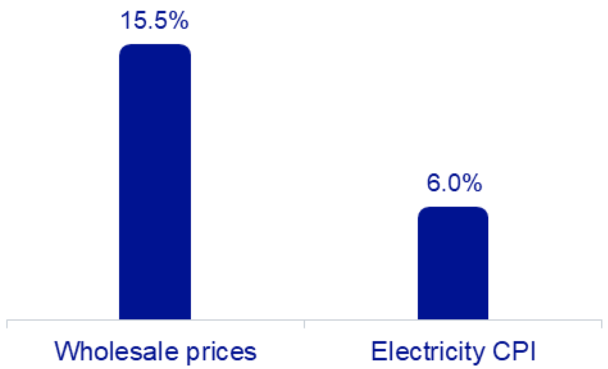


Source: BBVA Research.

Updates to the economic scenario

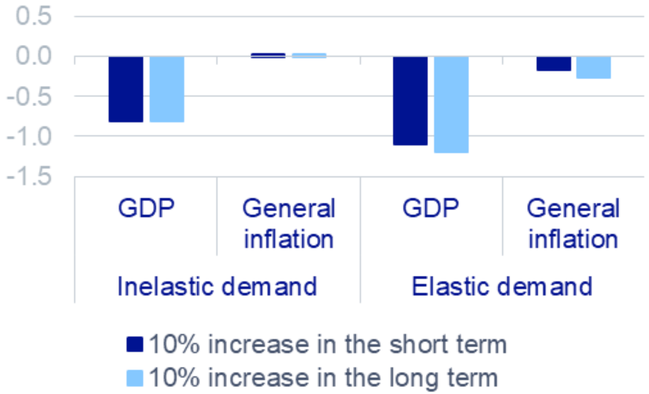
The price of electricity has been rising since April, which can affect the competitiveness of companies and the purchasing power of household income

INCREASE IN THE PRICE OF ELECTRICITY SINCE APRIL
DATA FROM CVEC, %)



Source: BBVA Research based on Red Eléctrica and INE.

IMPACT OF A 10% INCREASE IN THE FINAL PRICE OF ELECTRICITY
(PERCENTAGE POINTS)



Source: BBVA Research.

From April, the CPI for electricity has risen by 6.0 % (vs. 2.8 % in total energy). Although the rebound is much smaller than that of the wholesale market (15.5 %), if it continues over time, it could explain 0.3 pp of residual inflation and could subtract up to more than 1 pp from GDP growth in 2025.

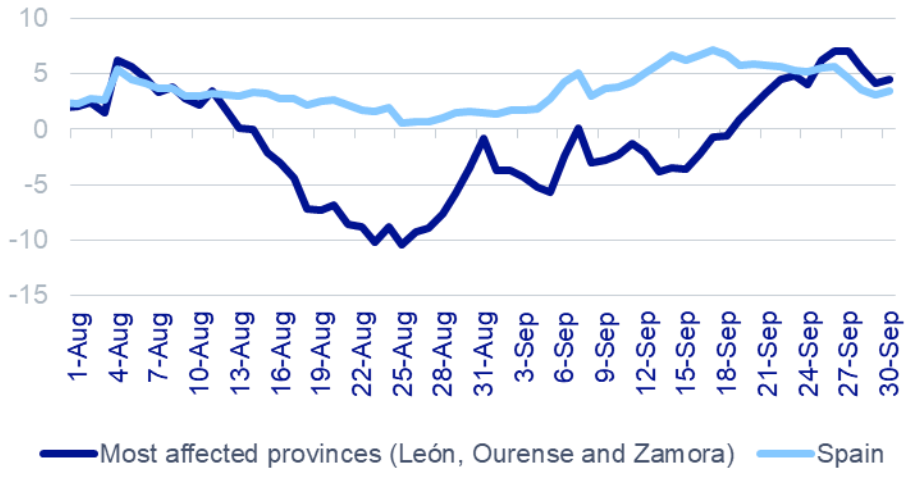
Updates to the economic scenario

The fires had a negative but temporary impact limited to the affected provinces

- **The mid-August wildfires and the disruptions to railroad lines** as a result of the fires affected spending by Spaniards in the provinces impacted.
- In particular, Ourense, León and Zamora took the biggest hit, registering falls of up to 10 % in annual terms in domestic card-based tourism spending.

CARD-BASED TOURISM SPENDING BY SPANIARDS OUTSIDE THEIR USUAL PROVINCE OF RESIDENCE BY PROVINCE OF DESTINATION*

(WEEKLY MOVING AVERAGE, YEAR-ON-YEAR CHANGE, %)

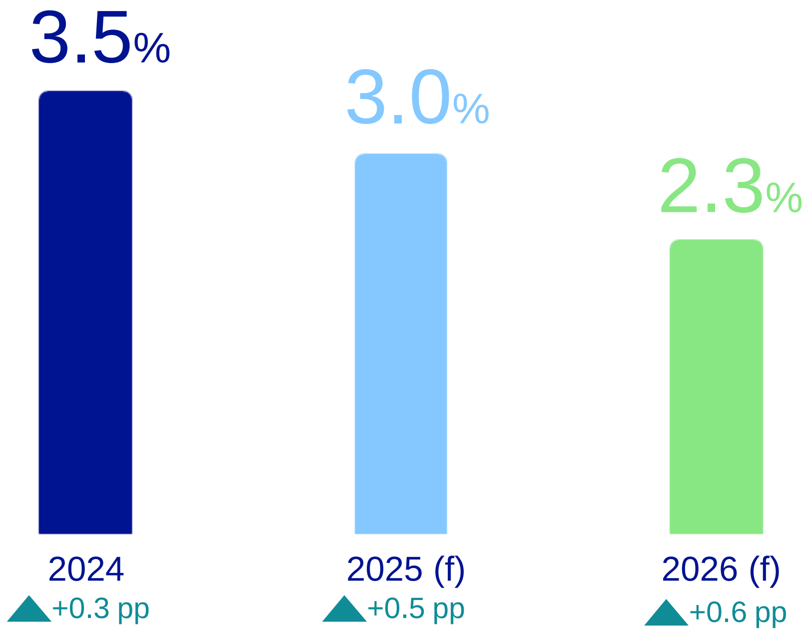


*Spending with cards issued by BBVA (Includes cash withdrawals and spending made by Spaniards abroad).
Source: BBVA Research from BBVA data.

2.2 Spain

Scenario

GDP will grow as the economy slows

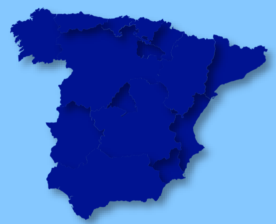


(f): forecast.
Source: BBVA Research, based on INE data.

▲ Outlook revised upward

▶ Outlook unchanged

▼ Outlook revised downward



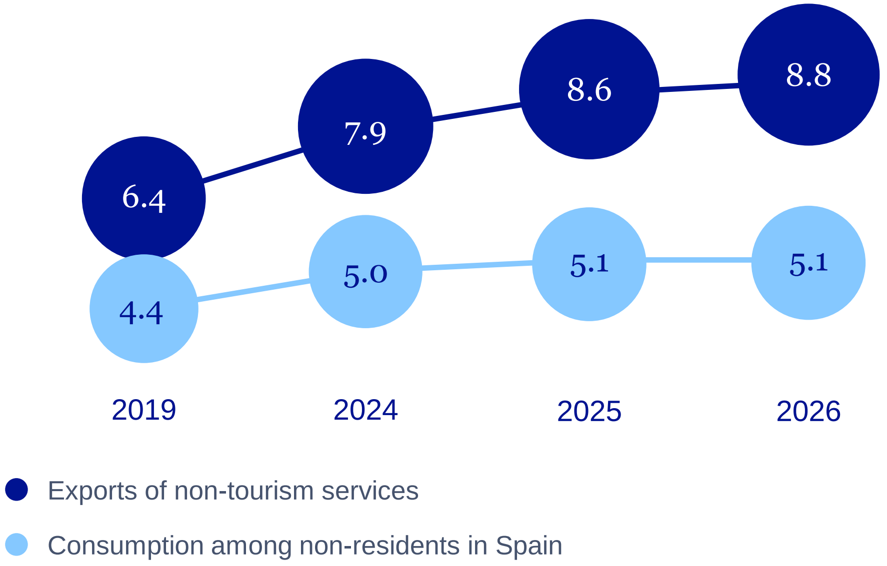
Factors that will support economic activity

Services exports slow, but growth will be similar to 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 latter factors will also support the expansion of exports of non-tourism services.

SERVICES EXPORTS AS A PERCENTAGE OF GDP

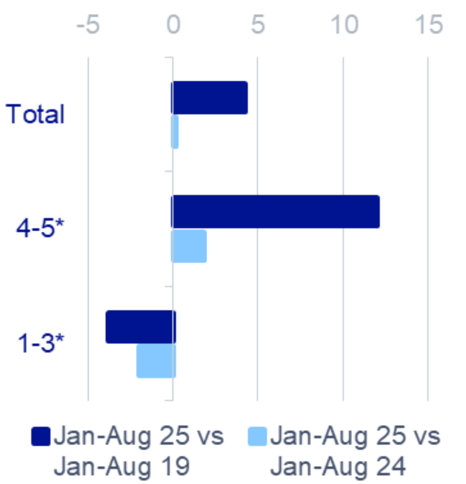


Source: BBVA Research, based on INE data.

Factors that will support economic activity

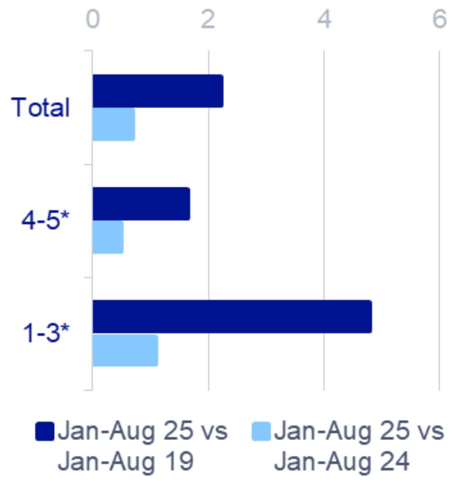
Services exports slow, but growth will be similar to GDP

VARIATION IN THE NUMBER OF ESTIMATED HOTEL BEDS (%)



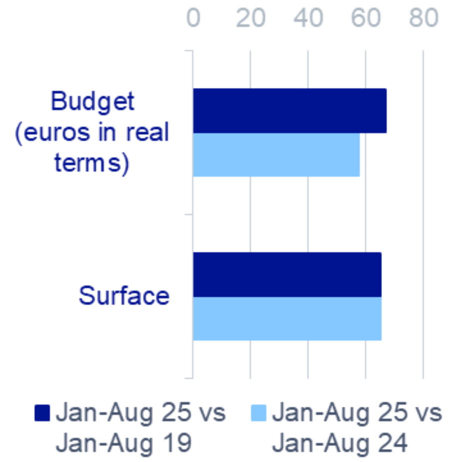
Source: BBVA Research, based on INE.

CHANGE IN THE OCCUPANCY RATE BY BED SPACES (PP)



Source: BBVA Research, based on INE.

NEW BUILDING PERMITS FOR BUILDINGS INTENDED FOR TOURISM, RECREATION AND SPORTS VARIATION (%)

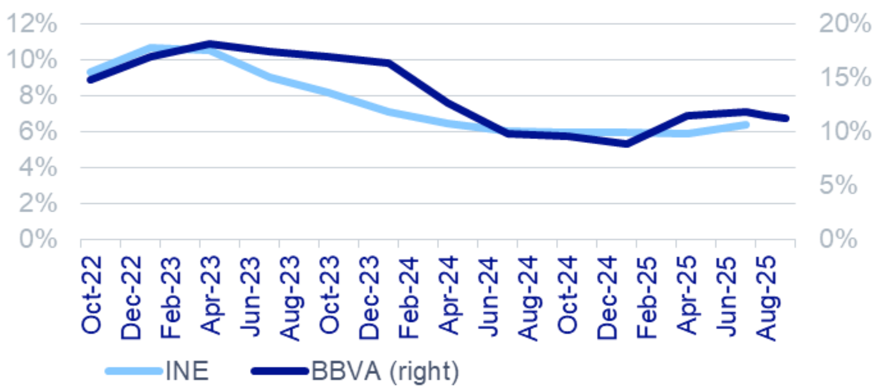


Source: BBVA Research, based on MITMA.

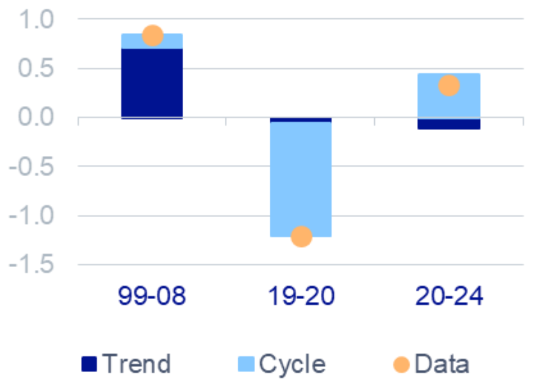
Factors that will support economic activity

Ongoing immigration and rising labor force participation

FOREIGN POPULATION AGED 20 YEARS OR OLDER
(YEAR-ON-YEAR CHANGE IN PERCENTAGE)



CONTRIBUTIONS TO THE YOY CHANGE IN THE EMPLOYMENT RATIO
(PERCENTAGE AND PERCENTAGE POINTS)



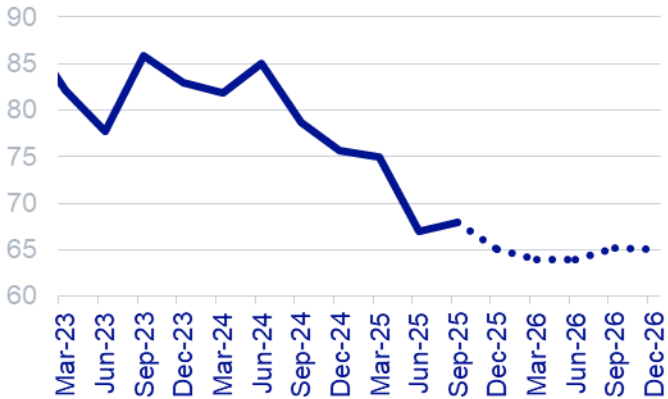
BBVA's indicator is constructed from the number of customers with foreign nationality or dual nationality. Nationality is determined by the country of origin and the type of document (DNI or NIE).
Source: BBVA Research, with data from INE and BBVA.

The extended expansion phase of the cycle explains the increase in the employment ratio after the pandemic, driven by a rise in labor market participation, especially among the Spanish population with secondary or higher education and foreign residents aged 25 to 54 with secondary education.

Factors that will support economic activity

There has been an improvement in the terms of trade due to falling energy prices

OIL PRICE AND FORECAST
(DOLLARS PER BARREL, QUARTERLY AVERAGE)



Source: BBVA Research.

IMPACT ON GDP OF THE FALL IN OIL PRICES BETWEEN 2024 AND 2025 (PP)

Source: BBVA Research.

The decrease in the cost of transport represents a significant improvement in the competitiveness of the export sector. It also helps to reduce inflation and boost the recovery of the purchasing power of household income.

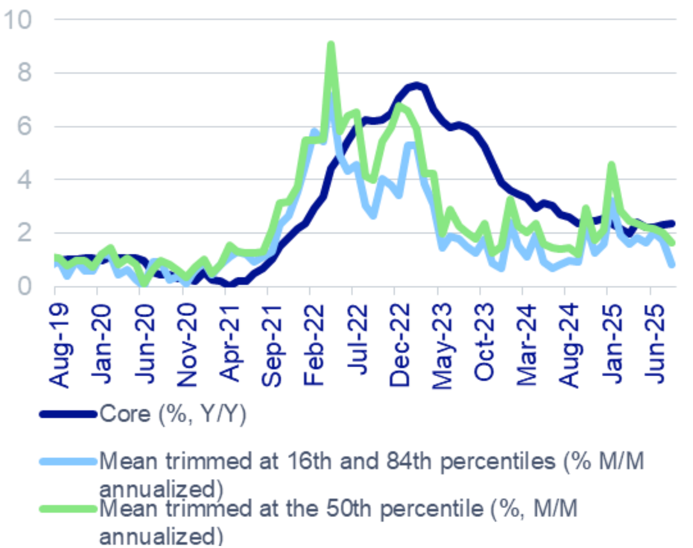
Factors that will support economic activity

Inflation converges to the ECB's target and will allow the progressive recovery of the purchasing power of household income

- **Inflation will remain around 2 %,** as inferred from different trend indicators that exclude the most volatile components.

- **Further reductions do not seem likely, given the resilience shown by the prices of some products.** Although the number of goods and services with extreme inflation rates has decreased, there is still a high proportion of products with price increases in the range of 2 % to 6 %.

ALTERNATIVE TREND INFLATION METRICS
(%)

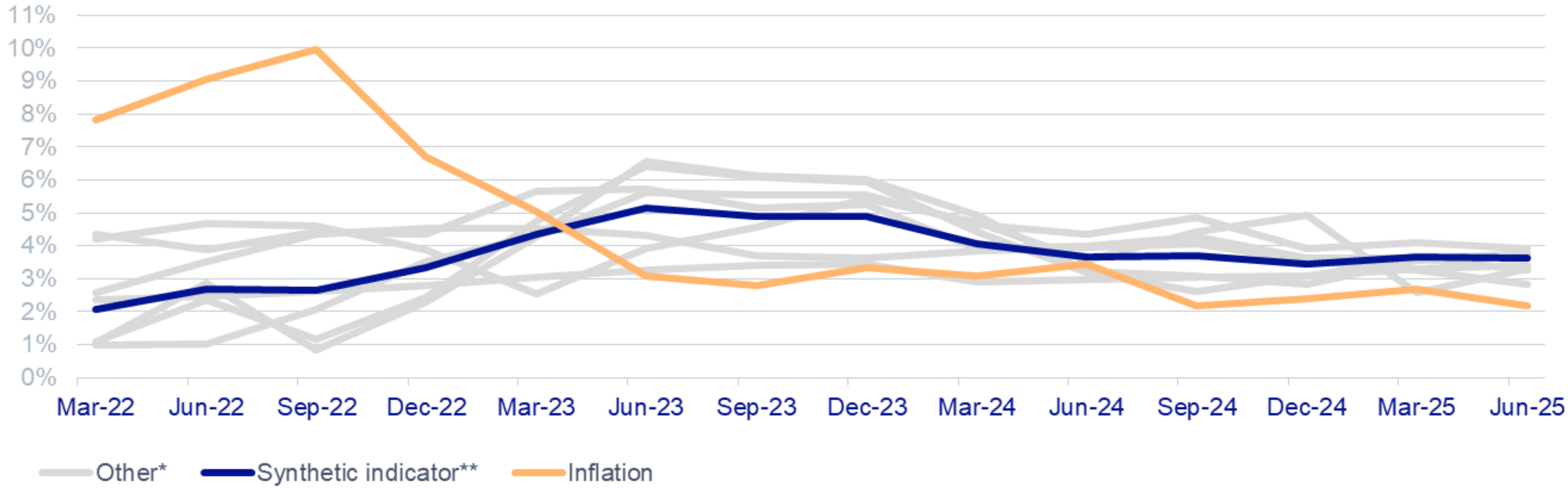


Source: BBVA Research, based on INE data.

Factors that will support economic activity

Domestic consumption will continue to be supported by the improvement in real wage income

LABOR COST AND INFLATION INDICATORS
(YEAR-ON-YEAR CHANGE IN PERCENTAGE. (CVEC DATA)

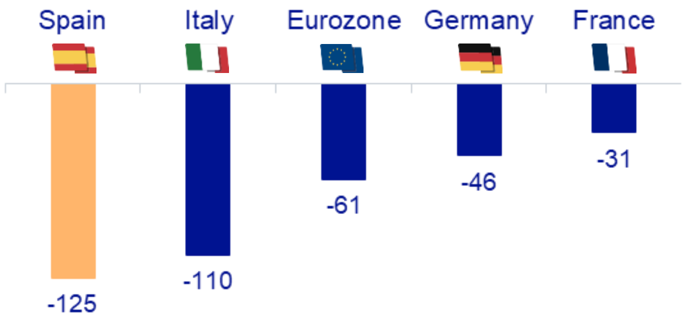


* Unit labor cost (ULC) per employee, ULC per hour worked, total cost per worker, total cost per hour worked, salary agreed in collective bargaining agreement, gross remuneration per worker in large companies and Indeed Wage Tracker.
** First main component of the series of unit labor costs, total costs, salary agreed in collective agreement and gross remuneration per worker.
Source: BBVA Research based on AEAT, INE, Ministry of Labour and Social Economy and Indeed Hiring Lab.

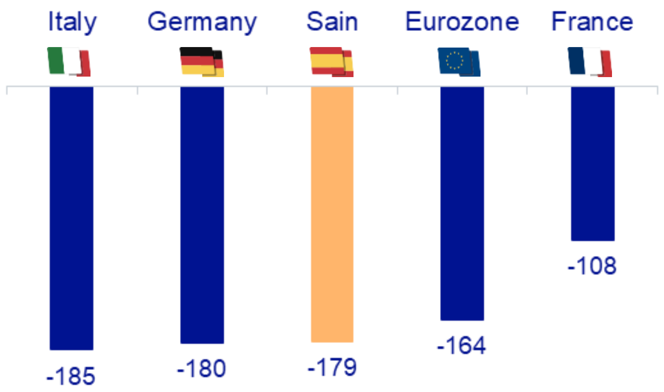
Factors that will support economic activity

Monetary policy will be moderately expansionary

INTEREST RATE: NEW MORTGAGE LENDING TO HOUSEHOLDS
(CHANGE FROM SEP-23 TO SEP-25. BASIS POINTS



INTEREST RATE: NEW LENDING TO COMPANIES
(CHANGE FROM SEP-23 TO SEP-25. BASIS POINTS



Source: BBVA Research, based on BCE data.

In line with the scenario presented by BBVA Research three months ago, the ECB cut the deposit interest rate to 2 % and could start a prolonged pause, conditioned by tariff and fiscal measures. Although the cycle of cuts is expected to have come to an end, rates will remain at relatively low levels, which could continue to boost new credit growth.

Factors that will support economic activity

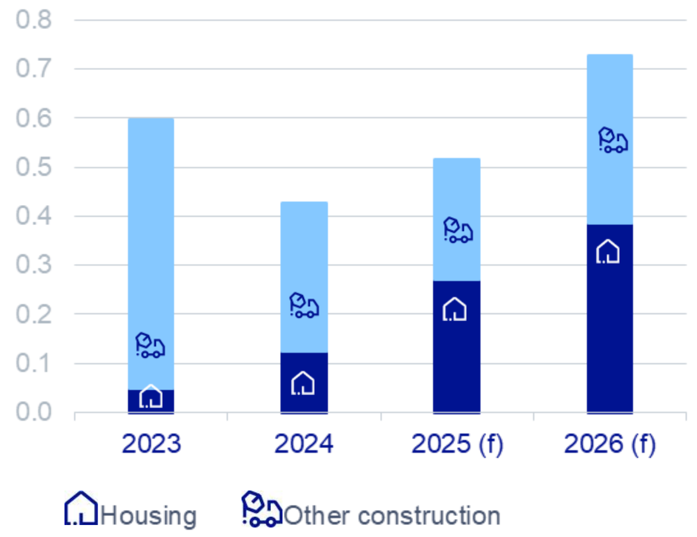
The construction sector will make an increasing contribution to growth

- The growth in demand and some of the measures announced to accelerate the increase in supply will allow **residential investment to increase its contribution to the growth in activity.**

- **The expansion of this component of domestic demand could reach 4.1 % in 2025 and 6.8 % in 2026.** The increase in prices is acting as a catalyst for investment in the sector and there has been a pick-up in new building permits.

- The government has announced the **PERTE housing program, whose target of 15,000 industrialized housing units** per year is ambitious (4,000 are currently produced).

CONTRIBUTION OF INVESTMENT IN CONSTRUCTION TO GDP GROWTH (PERCENTAGE POINTS)

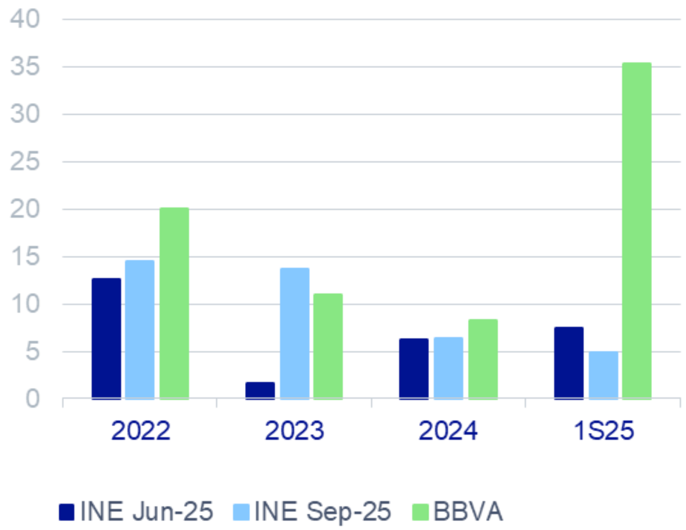


(f): forecast.
Source: BBVA Research, based on INE data.

Factors that will support economic activity

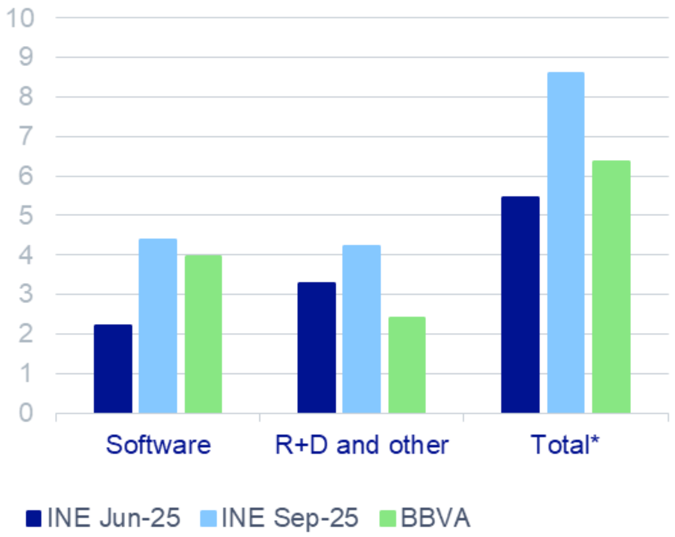
Investment in intangible assets is revised upward

INVESTMENT IN INTANGIBLES BBVA VS. INE
(NOMINAL ANNUAL GROWTH, NOT CVEC, PERCENTAGE)



Source: BBVA Research, based on INE data.

INVESTMENT IN INTANGIBLES BBVA VS. INE
(NOMINAL ANNUAL GROWTH AND CONTRIBUTION BY TYPE OF ASSET, NOT CVEC, PERCENTAGE)



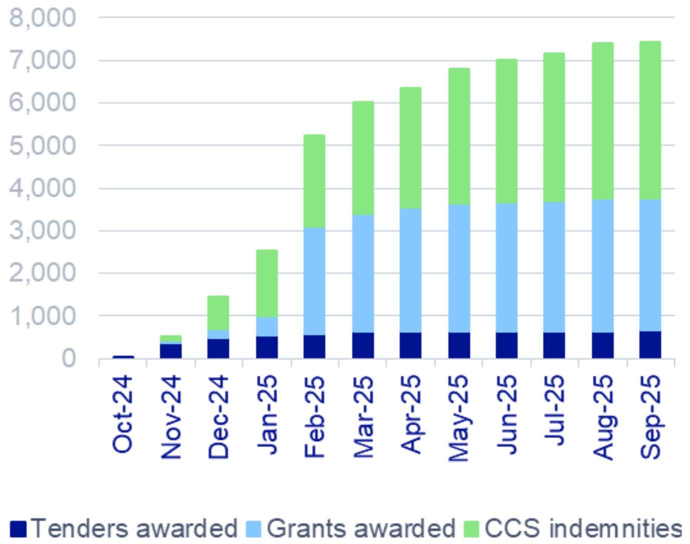
Source: BBVA Research, based on INE data.

Factors that will support economic activity

The fiscal stimulus from the flash floods continues, although it is becoming more moderate

- **Until the end of September 2025, aid has been granted and contracts have been awarded for 3.77 billion euros (0.2 % of GDP),** of which more than 1.75 billion are transfers from the central government to city councils for the reconstruction of their affected areas.
- **This is in addition to more than 3.65 billion euros (0.2 % of GDP) paid as compensation by the Insurance Compensation Consortium (CCS),** of which 32 % corresponds to vehicle compensation, 29 % to homes, and 20 % to retailers, warehouses and other properties.
- **The latest data shows a slowdown in tenders and aid concessions,** suggesting that the impact on the public accounts seems to have been concentrated in the first half of 2025.

PUBLIC EXPENDITURE TO MITIGATE THE EFFECTS OF THE FLASH FLOODS
(YTD, MILLIONS OF EUROS)



Note: Amount awarded excluding taxes and equivalent aid amount.
Source: BBVA Research, based on PLACSP, CCS and BDNS data.

Factors that will support economic activity

The execution of the NGEU funds could accelerate over the coming months as the deadline approaches

- **Two possible trajectories for the execution of the Recovery Plan are considered.**
  - High scenario: the execution accelerates, and 100 % of the investments funded by transfers are expected to be deployed by Aug-2026.
  - Low scenario: the current rate of monthly execution stays the same—around 1.1 billion euros—completing 90 % of the Plan's investments.
- **The CNTR's investment review has led to the NGEU multiplier being calibrated to 1.2** (previously 0.9).
- Under these assumptions, a cumulative impact on GDP (until 2028) of between 5.5 pp and 6.4 pp is estimated, depending on the execution scenario.
- In any case, the **execution of the Plan's loans is expected to be reduced**, with a marginal impact on growth.

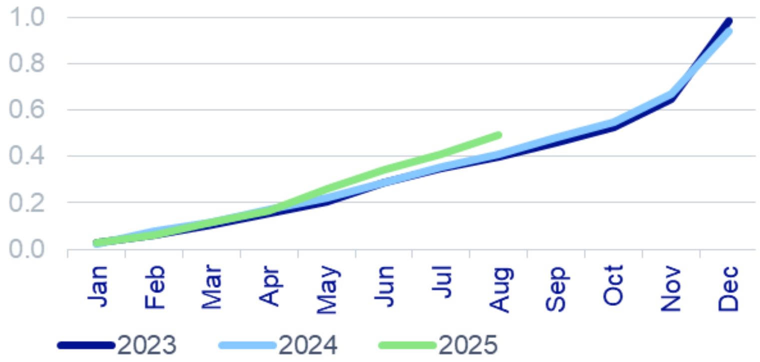
IMPACT OF NGEU ON ANNUAL GDP GROWTH
(PERCENTAGE POINTS)

Source: BBVA Research.

Factors that will support economic activity

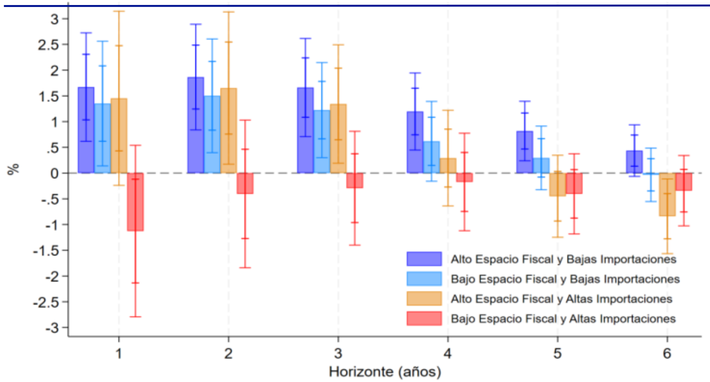
Defense spending could contribute to growth, especially if it ends up having a low import content

PGE: DEFENSE SPENDING
(RECOGNIZED OBLIGATIONS. % OF GDP)



Source: BBVA Research from the Ministry of Finance.

DEFENSE SPENDING MULTIPLIERS IN EUROPE ACCORDING TO THE DEGREE OF FISCAL SPACE AND IMPORT CONTENT



Source: BBVA Research.

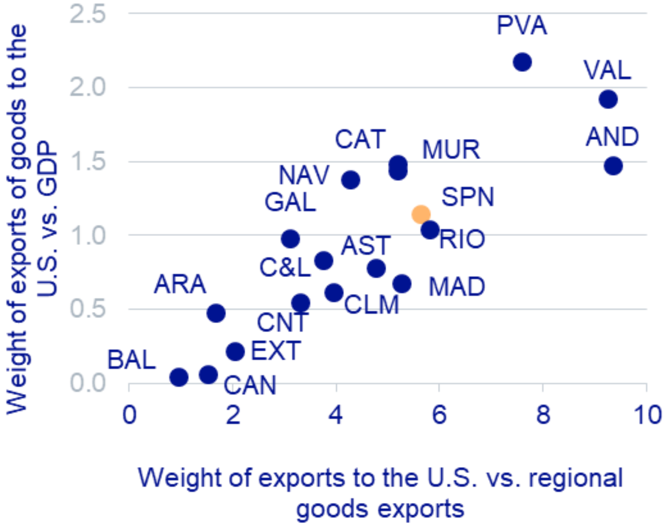
The available data on the execution of the General State Budget points to a certain acceleration in defense spending, particularly since May 2025. The increase in the remuneration of military personnel and, above all, capital transfers to other bodies (and in particular to the CNI or the Spanish Space Agency, to strengthen cybersecurity and international cooperation) are behind this boost in defense spending.

Bottlenecks to growth persist

Tariff hikes and the appreciation of the euro will continue to weigh on progress

EXPORTS OF GOODS TO THE UNITED STATES BY AUTONOMOUS COMMUNITY

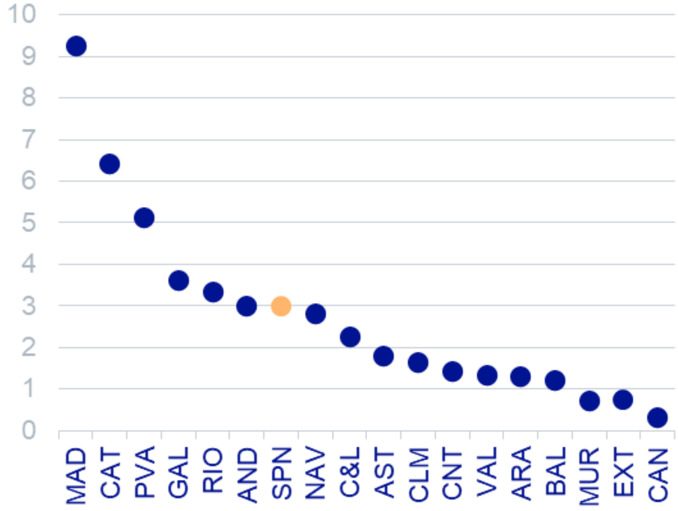
(%, 2024)



Source: BBVA Research based on DataComex.

HOTEL OVERNIGHT STAYS OF U.S. RESIDENTS BY AUTONOMOUS COMMUNITY

(% OF TOTAL HOTEL OVERNIGHT STAYS, 2024)

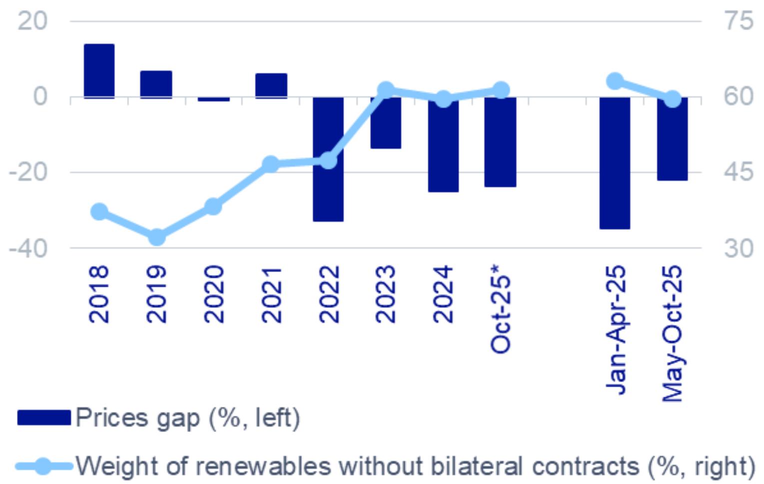


Source: BBVA Research based on DataComex.

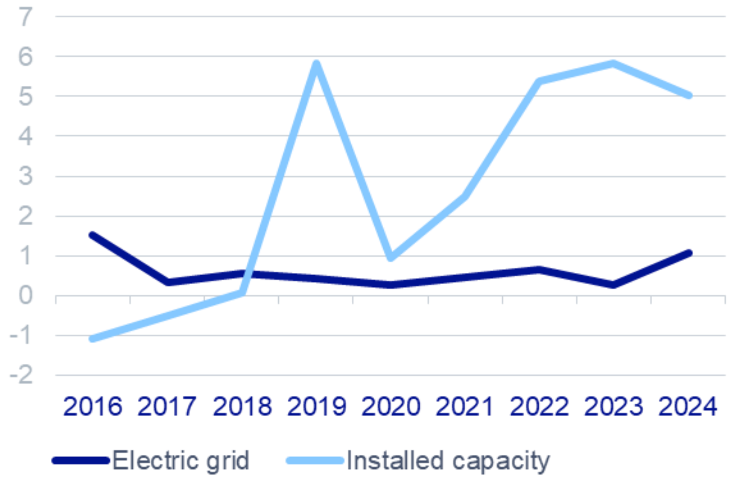
Bottlenecks to growth persist

Sustaining competitiveness improvements related to the cost of electricity requires additional investments

WHOLESALE ELECTRICITY PRICE GAP AND WIND AND SOLAR ENERGY SHARE IN THE ELECTRICITY MIX
(% OF EUROPEAN MEDIAN, LEFT; %, RIGHT)



EVOLUTION OF INSTALLED CAPACITY AND EXTENSION OF THE POWER GRID
(NETWORK KM AND MW/H OF CAPACITY, YEAR-OVER-YEAR GROWTH IN %)



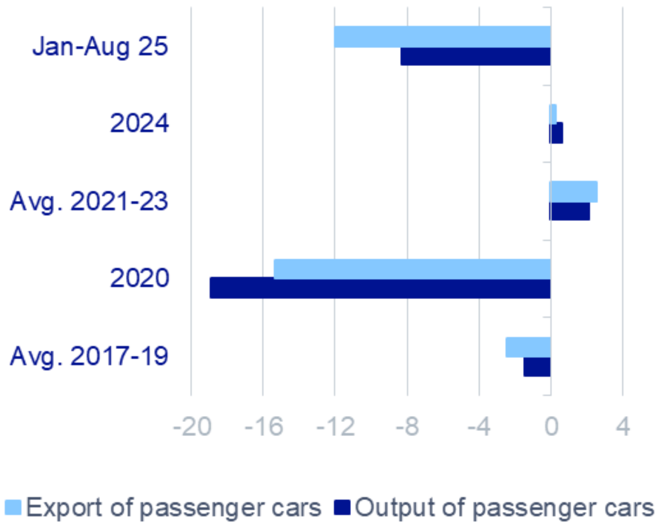
*Accumulated twelve months until Aug-25.
Source: BBVA Research from Ember.

Source: BBVA Research based on data from RE.

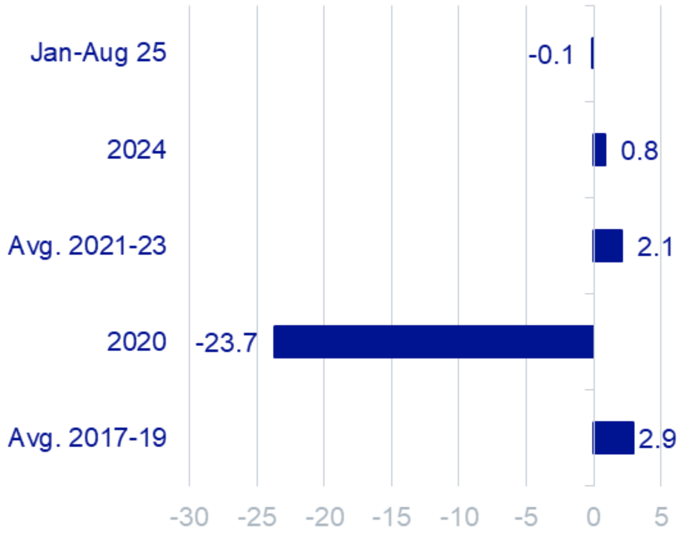
Bottlenecks to growth persist

Different factors restrict the growth of activity in the automotive sector

SPAIN: CAR PRODUCTION AND EXPORTS
(YOY CHANGE IN %)



PASSENGER CAR REGISTRATIONS IN THE EU27 (ANNUAL CHANGE IN %)



Source: BBVA Research based on ANFAC and ACEA.

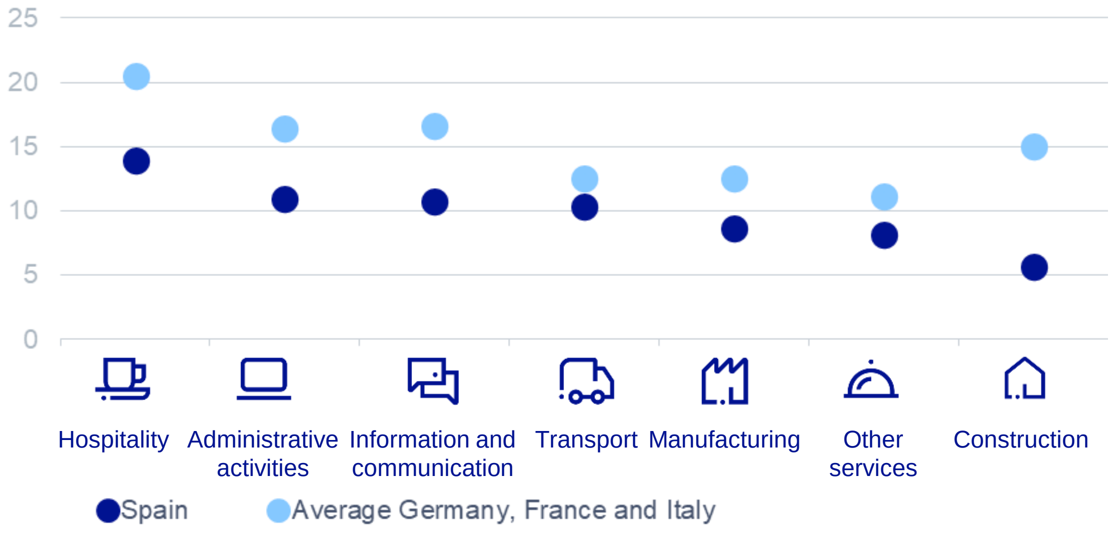
Bottlenecks to growth persist

The lack of investment may be a product of low profitability

Although there are cyclical factors that can explain part of the sluggishness, such as the increase in interest rates, the prolongation of the problem seems to point to structural factors. One of the most obvious is the **low profitability of Spanish companies** compared with their European counterparts.

This lower profitability is due to the already known productivity differential, owing to multiple factors, which limits the convergence process of the Spanish economy with the richest countries in the eurozone.

PROFITABILITY BY PRODUCTIVE SECTORS IN THE EU IN 2023
(ROE IN PERCENTAGE)

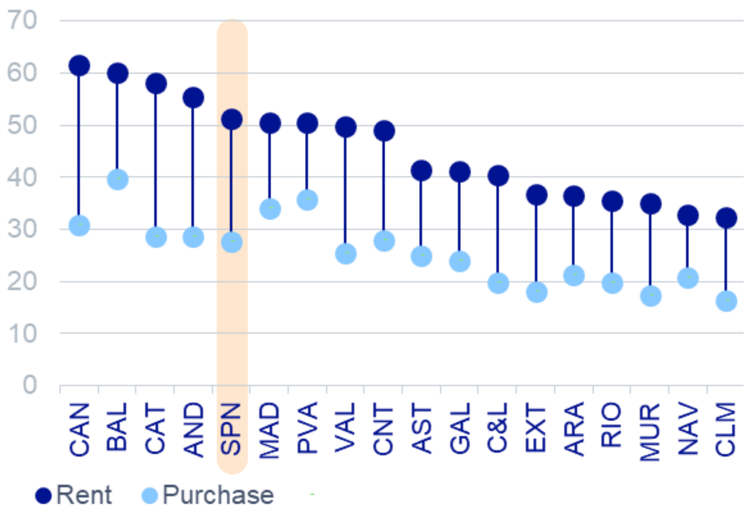


Note: the median RoE (return on equity) of each sector in each of the countries in the sample is analyzed.
Source: BBVA Research, based on BACH data.

Bottlenecks to growth persist

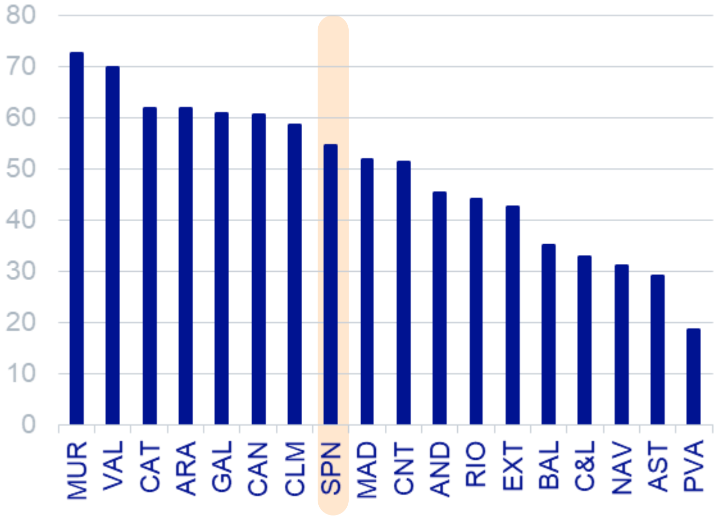
The housing market will continue to limit the growth in domestic demand

HOUSING ACCESS EFFORT IN 2024
(% HOUSEHOLD WAGE INCOME)



Source: BBVA Research, based on MIVAU, INE, Idealista and BdE.

HOUSING DEFICIT BY AUTONOMOUS COMMUNITY BETWEEN 2021 AND 2025* (% OF HOMES CREATED)

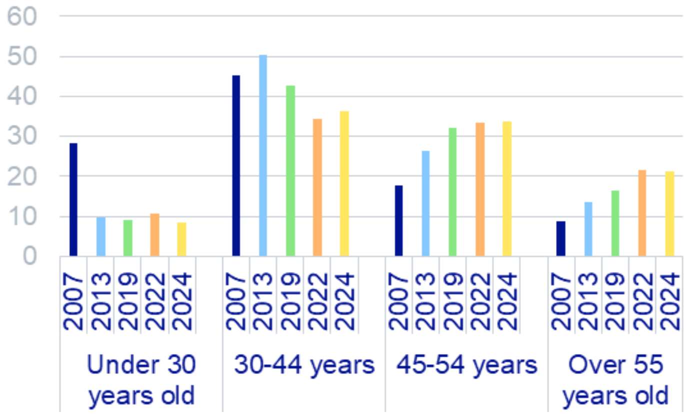


*Forecast of completed homes and housing units created in 2025.
Source: BBVA Research based on MITMA and INE.

Bottlenecks to growth persist

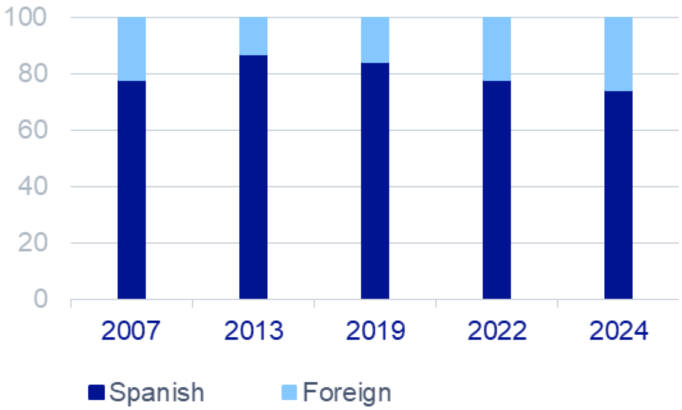
There is a lack of labor despite immigration

WORKERS IN THE CONSTRUCTION TRADE BY AGE GROUP (PERCENTAGE OF TOTAL)



Source: BBVA Research based on INE data (Labor Force Survey).

NATIONALITY OF CONSTRUCTION WORKRS (PERCENTAGE OF TOTAL)



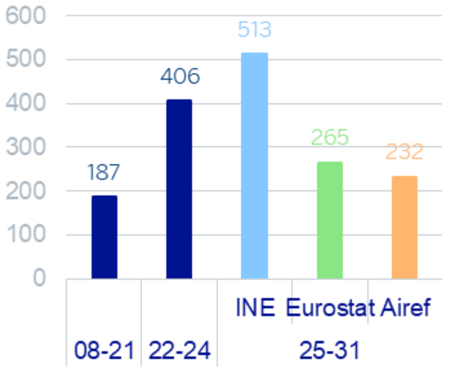
Source: BBVA Research, based on INE data (EPA).

The labor shortages that have held the sector back in recent years have stopped worsening and, thanks to immigration, there seems to have been a turning point in the aging observed across different trades.

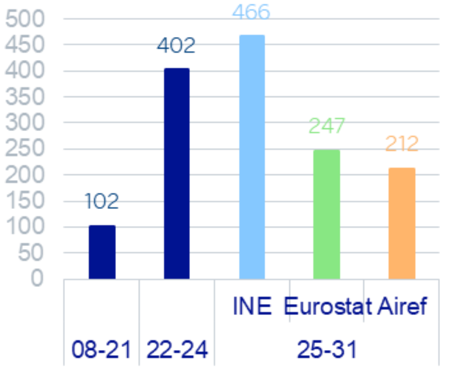
Bottlenecks to growth persist

Immigration could slow down

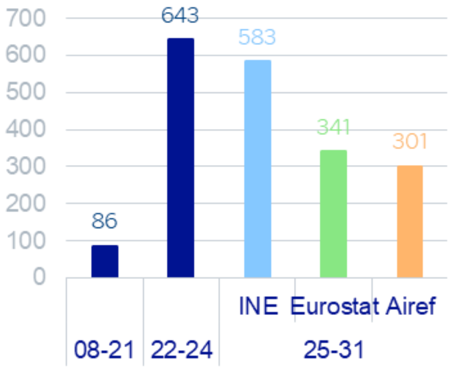
POPULATION
(YOY CHANGE IN THOUSANDS OF PEOPLE)



WORKING-AGE POPULATION
(15-74 YEARS. YOY CHANGE IN THOUSANDS OF PEOPLE)



MIGRATORY BALANCE (I-E)
(THOUSANDS OF PEOPLE)



Source: BBVA Research, based on Eurostat and INE.

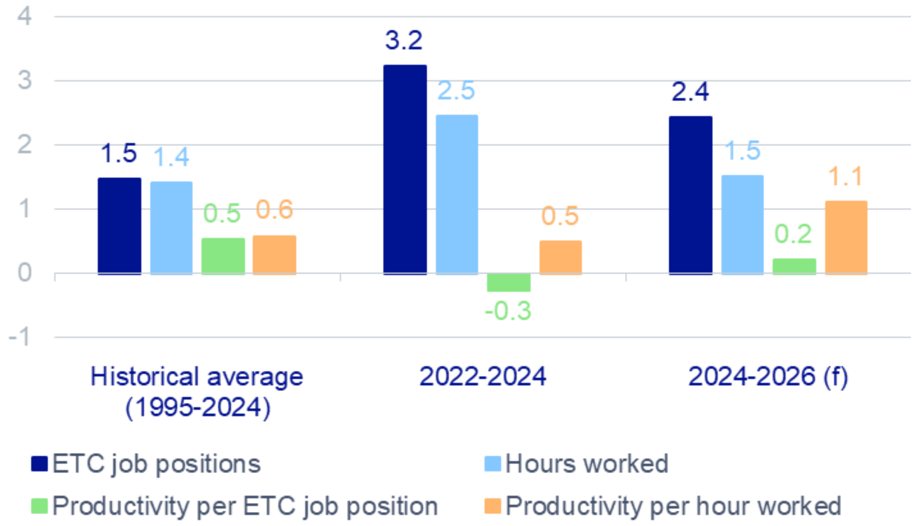
The most recent demographic projections suggest that moderation in migration flows will slow population growth, especially among the working-age population.

Bottlenecks to growth persist

Productivity is expected to converge to its historical values

- **Moving forward, growth may be constrained by the trend shown in productivity per worker** and the labor force participation rate.
- Although hourly productivity has been positive**, it is expected to grow below the average of the last thirty years. It is necessary to delve into the causes of this divergence** and reach a diagnosis as to whether it will persist over time.
- It is essential to analyze the **decline in the number of hours per worker and the contribution of sectoral composition, immigration, aging** (and its effect on work leave), the increase in the minimum wage, and the change in other public policies.

APPARENT LABOR PRODUCTIVITY
(CHANGE IN ANNUAL AVERAGE AS A PERCENTAGE)



Source: BBVA Research, based on INE data.

Bottlenecks to growth persist

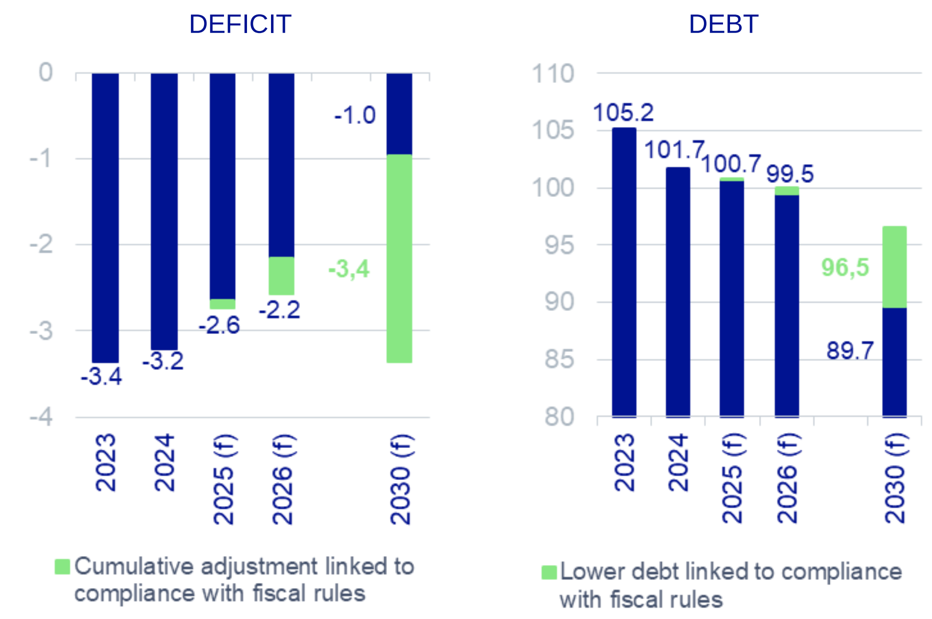
Spain faces a daunting reduction in the public deficit, with growing expenditure needs

- **Compliance with the fiscal rules will require a significant effort to control** the growth of public spending and an average annual structural adjustment of 0.4 pp of GDP over the next five years.

- **All of this is taking place in a context of growing spending needs**, linked, among other things, to population aging (with such spending expected to rise by more than 5 percentage points of GDP by 2070), defense and investment, which is currently at historic lows.

- In addition, **the reform of the regional financing system and the commitment to cancel part of the debt pose a challenge** for public finances.

DEFICIT AND PUBLIC DEBT (% OF GDP)



Source: BBVA Research, based on INE data.

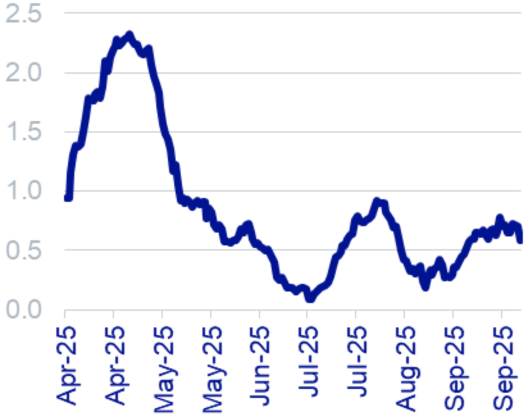
Bottlenecks to growth persist

While trade uncertainty is reducing, domestic uncertainty is increasing

BBVA RESEARCH ECONOMIC POLICY UNCERTAINTY INDEX IN 2025 *

(NATIONAL MEDIA AVERAGE SINCE 2017 SET TO 0; 28-DAY MOVING AVERAGE)

MAIN ISSUES ASSOCIATED WITH THE EPU
(APR 1-MAY 1, 2025)



MAIN ISSUES ASSOCIATED WITH THE UPR
(MAY 1-SEP 30, 2025)

The lack of agreements and consensus is a drag on growth.

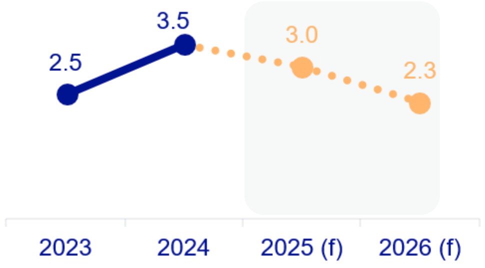
BBVA Research

3. October 2025

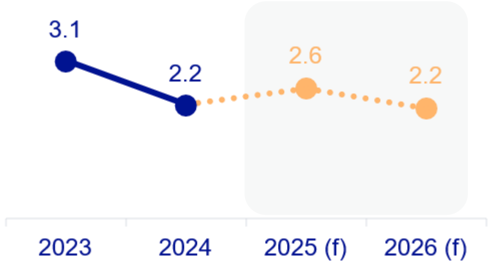
Forecasts

Forecasts

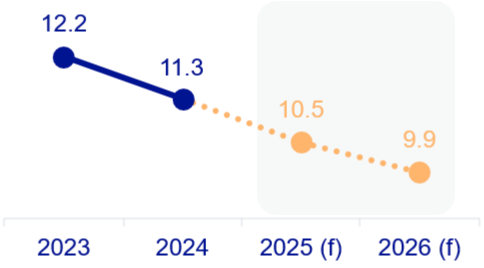
GDP GROWTH
(%)



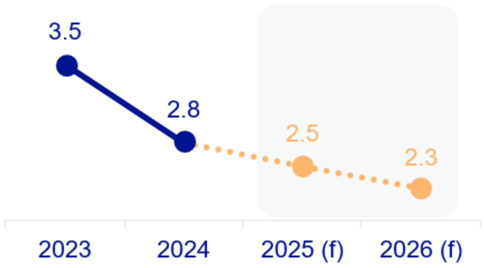
EMPLOYMENT GROWTH — EPA (LABOR FORCE SURVEY) (%)



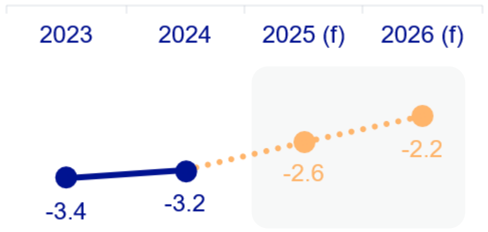
UNEMPLOYMENT RATE
(%)



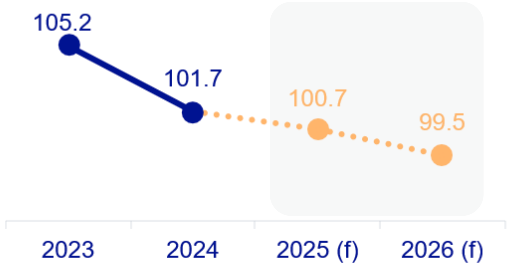
AVERAGE ANNUAL INFLATION
(ANNUAL AVERAGE, %)



PUBLIC DEFICIT
(% OF GDP)



PUBLIC DEBT
(% OF GDP)



(f): Forecast.
Source: BBVA Research based on INE and Bank of Spain data.

Forecasts

% YoY	2022	2023	2024	2025 (f)	2026 (f)
National final consumption expenditure	**3.8**	**2.5**	**3**	**2.8**	**2.2**
Private consumption	4.9	1.8	3.1	3.3	2.5
Government expenditure	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	5.5	4	4.9	6.8
Housing	9	0.8	2.1	4.7	6.8
Domestic demand*	**4.1**	**1.6**	**3.3**	**3.3**	**3**
Exports	14.2	2.2	3.2	4.7	3.3
Exports of goods	3.5	-1.5	0.1	2.2	3.1
Exports of services	48.5	11.3	9.8	9.4	3.8
Non-tourist services	25.7	6.6	8.1	12.2	4.4
Final consumption among non-residents in Spain	115.6	19.1	12.4	5.4	2.8
Imports	**7.7**	**0**	**2.9**	**6.3**	**5.8**
External demand*	**2.3**	**0.9**	**0.2**	**-0.3**	**-0.7**
Real GDP at market prices (mp)	**6.4**	**2.5**	**3.5**	**3**	**2.3**

*: Contribution to GDP growth

.

Forecasts

% YoY	2022	2023	2024	2025 (f)	2026 (f)
Employment (full-time equivalent)	4.4	3.6	2.8	2.9	1.9
Employment, Labor Force Survey (EPA)	3.6	3.1	2.2	2.6	2.2
Unemployment rate (% of the labor force)	13	12.2	11.3	10.5	9.9
CPI (annual average)	8.4	3.5	2.8	2.5	2.3
GDP deflator	5	6.4	3	2.2	1.9
Public deficit (% of GDP)	-4.5	-3.4	-3.2	-2.6	-2.2
Public debt (% of GDP)	109.3	105.2	101.7	100.7	99.5

(f): Forecast.
Forecast closing date: October 14th, 2025.
Source: BBVA Research, based on INE and Bank of Spain data.

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