Spain Economic Outlook

June 2026

BBVA Research

Situation and outlook for the Spanish economy

Summary

Average annual GDP growth will exceed 2% over the two-year period: 2.4% in 2026 and 2.1% in 2027. Among the factors explaining the resilience of the Spanish economy are:

- Activity and employment are maintaining positive momentum (quarterly GDP growth in 2Q26 could stand between 0.6% and 0.7%, in line with the figure observed in 1Q26).
- Services exports continue to be one of the most dynamic components of aggregate demand (with average annual growth of 5.7% and 3.7% in 2026 and 2027).
- Immigration is supporting job creation (employment is expected to increase by 540,000 and 455,000 people in 2026 and 2027).
- Private consumption remains supported by its fundamentals (gross disposable income in real terms could increase by 2.0% and 2.5% in 2026 and 2027).
- Investment in housing construction (average annual growth of 5.7% in 2026 and 6.7% in 2027) will be supported by household formation, rising prices and the stance of economic policies.
- Fiscal policy will be more expansionary in the short term, due to measures to limit the impact of higher oil prices and to mitigate the effects of the storms at the beginning of the year, which would place the public deficit at 2.8% of GDP at the end of 2026 and at 2.5% in 2027.

The deterioration of the external environment worsens the outlook.

- Higher energy and key input prices will weigh on activity in the second half of this year and raise average annual inflation to 3.8% and 2.8% in 2026 and 2027.
- Interest rates will be higher than expected (the 12-month Euribor will stand at 2.7% at the end of both 2026 and 2027).
- The eurozone will be one of the regions most affected by the crisis, posting average annual GDP growth of 0.7% and 1.2% in 2026 and 2027, which will affect Spanish goods exports, which will fall by 1.2% in 2026 and increase by 2.4% in 2027.
- Consumer confidence is falling, uncertainty over economic policy is rising and investment spending may suffer.

Within the balance of risks, some factors could support a better performance.

- The diversification of goods export destinations, taking advantage of agreements such as the one signed with Mercosur, is key.
- The geopolitical context could end up redirecting a larger number of tourists towards Spain.
- The regularization of immigrants will support the creation of formal employment.
- The 2026-2030 Housing Plan is one of the factors that will drive residential construction.
- The increase in defense spending could have a more significant impact than initially expected through the indirect exposure of some goods and services sectors in Spain.

Challenges also persist that could limit growth over the coming months.

- The progress made in residential construction remains insufficient to absorb the housing deficit (around 800,000 units by the end of 2027).
- Although savings may be key to sustaining private consumption, they are distributed unevenly by income level and age.
- The growth model continues to be based on slow productivity gains.
- Fiscal policy will become increasingly less expansionary over the coming quarters.
- The end of NGEU funds may reveal the extent to which the recent evolution of investment has depended on the execution of these resources.

The deterioration of the external environment worsens the outlook

The increase in the prices of several key inputs for production processes has been more intense and persistent than expected three months ago. In the previous edition of this publication[1], the most likely scenario assumed that the closure of the Strait of Hormuz would last between 4 and 6 weeks, so the cost of a barrel of oil could stand slightly below 70 dollars per barrel, on average, over the whole of 2026. By comparison, the scenario now presented assumes prices close to 90 dollars per barrel, declining during the second half of the year as the Strait of Hormuz is progressively reopened. However, the challenge for the global economy does not stem only from the increase in oil costs, but from a combination of more expensive commodities, the reappearance of logistical bottlenecks and the deterioration of confidence. In particular, the blockade directly affects key inputs—petrochemicals, fertilizers, aluminum, methanol and natural gas—and indirectly affects numerous global value chains, which could lead to a deterioration of the outlook in the most exposed sectors.

The world can live for some time with this substantial increase in energy and other commodity prices with limited sacrifices in global growth, although the margin for error is narrowing rapidly. Although increases in the cost of fuels and fertilizers already exceed, in relative terms, those observed at the beginning of the war in Ukraine, prices started from lower levels. Oil and gas prices have remained contained in real terms, partly because companies, governments and institutions have reacted by developing alternative routes to guarantee supply, increasing fuel production outside the Gulf, using reserves and intensifying the shift towards other sources of energy. In any case, given the size of the disruption, these measures will only suffice temporarily.

Europe will be one of the economies most affected by the rise in oil prices, which explains the downward revision to the GDP growth outlook to 0.7% in 2026 and 1.2% in 2027, from 1.1% and 1.4%, respectively. The deterioration of the environment finds the European economy in a relatively vulnerable position. Eurozone GDP fell by 0.2% quarter-on-quarter in the first quarter of 2026, weighed down by weaker domestic demand, the decline in exports and the poor performance of GDP in Ireland. In this regard, the recent moderation in the momentum of private consumption is a concern. In particular, household confidence had already declined before the surge in oil prices, retail trade growth had softened and the savings rate remained high, all trends that may have intensified with the rise in energy goods prices. Meanwhile, although industry showed a tentative recovery in the first quarter of the year (excluding the pharmaceutical sector), with somewhat more traction in branches linked to technology and defense, the energy shock again calls into question the competitiveness of the most energy-intensive sectors. Unlike what happened in 2022, the current episode is mainly a disruption in the oil market, rather than in the gas market, which has partially contained electricity costs. However, the high dependence on crude oil of part of industry and transport services will entail a significant increase in costs and, therefore, greater weakness in activity going forward.

1: See Spain Economic Outlook. March 2026. BBVA Research (2026).

The ECB is entering a particularly delicate phase: inflation is rising again, but it is doing so in a context of more fragile growth and with a shock whose nature complicates the monetary policy response. In May, price growth in the eurozone reached 3.2% year-on-year, driven mainly by energy and, to a lesser extent, by fresh food, while core inflation stood at 2.5%. This nuance is important, because it makes it possible to distinguish between a first-round impact, concentrated in components sensitive to energy, and still limited second-round effects. In this context, the ECB Governing Council decided to keep the monetary policy interest rate at 2%.[2] In any case, it warned of the fragile balance between the downside risks hanging over economic activity and the upside risks to inflation. Although no steps were taken to increase the cost of financing, possible interest rate hikes were discussed. Going forward, the expected correction in energy prices, together with weak domestic demand in the eurozone and a labor market where tensions have eased, should lead to inflation expectations of around 2.9%, on average, in 2026 and 1.9% in 2027. This would be compatible with a 25-basis-point increase in the deposit rate at the June meeting, followed by another in the first half of 2027, with a terminal rate of 2.5%. It is therefore a preventive and front-loaded tightening strategy: acting early to preserve credibility, but without ignoring that excessive restriction could aggravate a slowdown already under way. In any case, the biases for prices and the cost of money are to the upside.

The impact on the Spanish economy will occur through different transmission channels that affect mainly goods exports and investment. The supply shock following the conflict in the Middle East could be subtracting around 0.5 percentage points (pp) from GDP in 2026 and increasing inflation by 1.3 pp compared with the scenario considered at the end of 2025. In addition, the impact in 2027 could reach -0.1 pp and +0.6 pp, respectively. This would be partly the result of the loss of competitiveness suffered by domestic producers and the transfers abroad that consumers will have to make. Higher transport and energy consumption costs stemming from disruptions in supply chains may be especially important for firms in the manufacturing sector, or, in the case of higher fertilizer prices, for the agri-food sector. Furthermore, the change in the scenario finds goods exports in an environment of secular stagnation, affected by supply problems weighing on sectors such as automobiles. In particular, this component of demand shows the same activity levels as in 2019 and no improving trend. Added to this are expectations of lower growth among the Spanish economy's main trading partners. As a consequence of the above, goods exports are expected to decline by 1.2% in 2026 and to advance only by 2.4% in 2027.

Investment in machinery and equipment is traditionally the component of demand most sensitive to changes in the environment and to the deterioration in the outlook for goods exports. Data based on BBVA customer transactions show that, from March onwards, the evolution of the different components of investment has diverged. In particular, capital accumulation has begun to show declines in the acquisition of machinery and equipment. This behavior stands in contrast to what was occurring in the immediately preceding months or what is currently observed in construction (more closely linked to domestic demand and with greater inertia in operations). Going forward, in the short term, both the increase in uncertainty over the global context and the drag from the observed stagnation in sales of goods abroad are

2 See Europe | Pause for now, June on the table. BBVA Research (2026).

expected to **limit growth in investment in machinery and equipment, with increases of 2.7% and 3.0% in 2026 and 2027, respectively, after advancing by 7.4% in 2025.**

The increase in inflation and the rise in interest rates may consolidate the recent deterioration in household confidence. This last indicator showed a decline in April, which was maintained in May. One of the factors that may explain this recent trend is the acceleration in prices, given the impact inflation has had in the past on measures of perceptions of the economic situation.[3] This may lead to a scenario of lower growth in domestic demand. In particular, CPI could increase by 3.8% in 2026 and 2.8% in 2027. Added to this is the increase in the main benchmark for the cost of credit: the 12-month Euribor has risen from around 2.2% in February to 2.8% in May. Both factors would be contributing to the worsening perception of the economy's evolution and could contribute in the future to weaker consumption dynamics, although the effects should be limited. For example, it is estimated that, if current Euribor levels are maintained, the increase in the monthly mortgage payment would reach, on average, 65 euros, and would apply to a smaller percentage of households than in the past. In particular, the share of fixed-rate financing has increased considerably in recent years and already accounts for 42% of total financing for home purchases (43% is variable-rate and 15% mixed-rate). Overall, the change in monetary policy relative to the previous edition of this publication is estimated to subtract 0.1 pp from growth in 2026.

Growth will remain above 2%

The National Accounts data confirmed that activity growth slowed by two tenths in Q1 26 to 0.6% quarter-on-quarter, slightly more than expected, due to the loss of momentum in domestic demand and the fall in goods exports. In particular, the start of the year was expected to bring slower growth in both private consumption and investment. However, while the performance of the former (0.6%) was in line with expectations (0.5%), the latter showed greater weakness (0.5% compared with 2.4%), with relatively weak behavior across all its components. In contrast, goods exports showed a significant decline (-2.1%, BBVA Research: 0.5%), which contrasts with the positive performance of non-resident consumption (1.5%, BBVA Research: 1.3%) and sales of non-tourism services abroad (2.5%, BBVA Research: 1.5%).[4]

The most recent data point to quarterly GDP growth of 0.6% in 2Q26, above that envisaged in the March scenario (0.4%). The dynamism of Social Security affiliation through May anticipates a 0.8% quarter-on-quarter increase in the second quarter, two tenths more than in the first. Therefore, it is reasonable to expect that, if these trends consolidate and there are no relevant changes in labor productivity, GDP will again show in 2Q26 an increase similar to that observed in 1Q26. One of the factors that could affect the relationship between affiliation and GDP is the effect that the ongoing regularization of immigrants may be having.

3: See: Stefanie Stantcheva, "Why Do We Dislike Inflation?", Brookings Papers on Economic Activity, No. 1 (Spring 2024): pp. 1-65.
4: See Spain | GDP grew 0.6% q/q in Q1 26, with less support from investment and trade, BBVA Research (2026).

However, data through May still do not show a significant change: the impact of the regularization would be 16,000 affiliations through May.[5]

Non-resident consumption maintains positive momentum and will again grow above GDP, although at more moderate rates than in previous years: 4.6% in 2026 and 2.5% in 2027. Spending with foreign cards in Spain shows an acceleration in year-on-year growth since March, reaching rates close to or above 10%. This is particularly positive, given the adverse weather conditions experienced in the first months of the year and the interruption in passenger transport to some key destinations. Part of the advance continues to be based on the increase in the number of tourists and overnight stays. Given the stagnation in investment observed in sun-and-beach destinations, and the lack of capacity to absorb more tourists in peak-demand months, deseasonalization and diversification of destinations will remain the main levers for sustaining growth. Another part of the advance appears to be explained by higher prices for accommodation, restaurants and transportation (before the rise in fuel prices). To the extent that this reflects the transition toward higher value-added services, it could help offset the weakness of European demand, as this type of tourism is less sensitive to the economic cycle.[6]

Non-tourism services exports will continue to be one of the engines of growth, increasing by 6.5% and 4.5% in 2026 and 2027, respectively. This component of external demand has remained insulated from uncertainty over tariff policies, which affect it only indirectly. In addition, it is less fuel-intensive, so the increase in oil prices does not entail such a significant loss of competitiveness. While it is true that it may be more sensitive to movements in electricity prices, Spain is better positioned than other countries to intensify the transition toward renewable energy sources and reduce its dependence on gas. It also appears to respond less to the economic cycle: between 2021 and 2025, it increased by 14.4% on average per year, and by around 8.6% over the last three years, during which the eurozone economy, its main market, recorded GDP growth of 1%. This should be supplemented by Spain's existing digital infrastructure, the ongoing construction of data centers and the availability of skilled labor as factors that will continue to drive these exports.[7]

The capacity to create jobs will continue to rise thanks to immigration and the increase in the participation rate of the population born in Spain. Employment is expected to increase by around 540,000 and 455,000 people in 2026 and 2027, and the unemployment rate to stand at 9.2% of the labor force by the end of the fourth quarter of 2027. In an environment in which services and construction will sustain demand for workers, this tension in the labor market will support wage growth, which will continue to act as an attraction factor for immigration and for residents in Spain currently outside the labor force. In particular, compensation per employee is expected to rise by 3.5% this year and 3.1% next year. Meanwhile, the situation in the countries of origin of a large share of foreigners emigrating to Spain will not improve sufficiently to stop the flow, while policies implemented in the U.S. will continue to encourage the redirection of workers to alternative destinations. The most recent

5: This is if the forecast error with information through March is assumed to be attributable only to that process. See Spain | Job creation extended its positive trend in May, BBVA Research (2026).
6: See Spain | Analysis of domestic tourism flows in real time. First four months of 2026. BBVA Research (2026).
7: See Spain | Recent evolution of Spanish non-tourism services exports. BBVA Research (2026).

data suggest that, although immigration appears to be moderating, it continues to increase at relatively high rates. For its part, a large share of the increase observed in Spain's activity rate is estimated to be cyclical and explained both by the growth in participation of the population born in the country and by the increase among the foreign population.[8]

Consumption will prolong its expansion thanks to the solid performance of its fundamentals, although at a slower pace amid greater uncertainty and the rebound in inflation. The increase in employment and wages will allow gross disposable income in real terms to rise by 2.0% and 2.5% in 2026 and 2027, respectively, above the average of the last 25 years (1.5%). Housing wealth will continue to grow, driven by rising house prices. The evidence suggests that this may particularly benefit consumption by homeowner households with lower wealth and improve access to credit.[9] In any case, the rise in inflation is expected to limit both the improvement in purchasing power and wealth overall. This is compounded by the increase in uncertainty and the deterioration in confidence indicators. Of particular importance will be the evolution of the household saving rate, which ended 2025 at 11.9% of its gross disposable income on a seasonally and calendar-adjusted basis, significantly above its average since 2000 (9.6%). This level could help absorb part of the shock caused by the increase in input costs, provided it is perceived as temporary.

Investment, particularly in housing construction (average annual growth of 5.7% in 2026 and 6.7% in 2027), will be favored by household formation, rising prices and the tone of economic policies. Both the increase in gross disposable income and demographic and social changes continue to support the creation of new household units, at around 200,000 per year. A large share of these households is concentrated in areas where housing supply is increasingly limited, which, together with relatively favorable financing conditions, puts upward pressure on purchase costs. Thus, house prices are expected to continue rising: by around 12.0% in 2026 and 5.7% in 2027. This will help incentivize supply, which will also benefit from the various measures implemented by regional and central governments to streamline the necessary processes and boost residential construction. In addition, access to financing will remain favorable, which, together with the increase in profitability, should attract more investment to the sector.[10]

Fiscal policy is proving more expansionary than expected a few months ago and will reverse part of the improvement observed in the public deficit, which will stand at 2.8% of GDP at the end of 2026 and 2.5% in 2027. In recent months, the government has announced various measures that support the growth of domestic demand. On the one hand, there are those focused on mitigating the effects of the closure of the Strait of Hormuz, including various tax cuts[11] and support for vulnerable groups. The measures have been timely, as they were implemented just a couple of weeks after the price shock, which has helped limit the impact on activity and inflation. In addition, the announced amount of 5bn euros (0.3% of GDP) seems

8: See Spain | The activity rate after COVID: a cyclical recovery. BBVA Research (2026).
9: See Garbinti, B. P. Lamarche and F. Savignac. Wealth Heterogeneity and the Marginal Propensity to Consume out of Wealth. September 2024, WP #962. Banque de France.
10: For a discussion of the factors affecting the profitability of the residential construction sector, see Spain | Outlook and profitability of the real estate sector. March 2026. BBVA Research (2026).
11: These include a reduction in VAT, from 21% to 10%, on electricity, gas and fuels, and in the special electricity tax from 5.11% to 0.5%; a temporary suspension of the tax on electricity generation and the elimination of the special hydrocarbon tax.

sufficient to address this environment of uncertainty, especially taking into account the temporary nature of the measures. In this regard, it is positive that the duration of some of the reductions has been linked to the evolution, for example, of electricity prices. This type of conditionality represents progress toward better public policy design. If high fuel or energy prices were to persist beyond June 30, the date on which the measures will expire, it would be advisable to redirect the limited fiscal space toward protecting the most vulnerable groups. On the other hand, in the first quarter of the year, the government launched a plan to help those affected by storms in the south of the country, amounting to 7bn euros. The sum of these two packages explains the deterioration in the outlook for the evolution of the imbalance in the public accounts but, in return, adds 0.3 pp to the GDP growth projected for 2026.

Opportunities and challenges ahead

Given the structural stagnation of goods exports and the role played by low European growth, greater diversification of destinations is necessary. The agreement signed with Mercosur is a step in the right direction. This market represents a strategic opportunity that is especially relevant for Spain, whose trade, financial and business relationship with the South American bloc is more intense than the European average. Mercosur, comprising economies with a combined 270 million consumers, constitutes a key partner both because of its demand capacity and its role as a supplier of critical raw materials, energy and essential food for the Spanish economy. The agreement will promote the progressive liberalization of trade, reduce tariff and regulatory barriers, facilitate investment and broaden access to public procurement markets, generating a more favorable environment for companies and services. Among the sectors that may benefit are Spanish exporters of capital goods, chemicals, pharmaceuticals, machinery, insurance, transportation and information technologies. Mercosur is also already the third-largest destination for Spanish foreign investment, with Brazil as the main recipient. Although some European agricultural and livestock sectors could face greater competition, the agreement incorporates protection mechanisms and safeguards to limit its effects.[12]

The deterioration in perceptions of safety in certain competing destinations could help sustain the already high growth in the tourism sector. In the past, episodes such as the Arab Spring or terrorist attacks have redirected visitor flows toward Spain. On this occasion, the interruption of some air traffic routes that are key for travel to Asia, together with attacks in Middle Eastern countries and areas of the eastern Mediterranean, could have similar effects. Indeed, credit card purchase data from BBVA customers show that Spanish consumption in Middle Eastern countries has posted year-on-year declines close to 80% since late February. Spending in Southeast Asian economies also shows declines of 40%. For the time being, this is not translating into higher spending in other destinations or greater demand for tourism services in the national territory by residents in Spain. In any case, to the extent that this surplus can be channeled into higher domestic consumption, or that foreign tourism increases as a result of this environment, the bias in forecasts for spending on tourism services produced in Spain is to the upside.

12: See Analysis and outlook for the EU-Mercosur Agreement. BBVA Research (2026).

The regularization of foreign workers could boost activity, but a null effect cannot be ruled out. It is estimated that, as a result of this policy, foreign Social Security affiliation could increase by around 17%, or approximately 550,000 people.[13] However, the final effect on the GDP path is uncertain, since in most cases there would be a redirection from jobs in the informal sector to the formal sector. Given that the Labor Force Survey captures the first type of employment, its contribution to GDP would already have been partially recorded. In any case, there could be a positive impact if the transition to formality were accompanied by an increase in productivity, or if the regularization process allowed greater participation in the labor market for these immigrants. In addition, regularization could make it easier for beneficiaries to access goods and services markets that they could not access while in an irregular situation. Finally, confidence and consumption may improve as a result of the greater certainty obtained with a work permit. The degree of additionality of the measure—that is, how much of the increase in affiliation is due to regularization and how much regular hiring is replaced by such regularization—does not significantly affect the result. On the other hand, regularization could raise the average social contribution rate (with an impact on the public deficit), hours worked and prices (proxied by the GDP deflator), and moderate real wage growth.

Higher defense spending represents an opportunity for Spanish companies that manage to adapt. The increase in defense spending in Spain, driven by the new commitments to NATO and the European autonomy strategy, will have economic effects that go beyond the traditional military industry. To assess its impact, a BBVA Research analysis distinguishes between sectors directly linked to defense—manufacturing of weapons, ammunition, explosives, aircraft, ships and military vehicles—and those that could benefit indirectly through supply chains and associated services. Among the sectors where opportunities are identified, in the industrial sphere, electronic and optical components, machinery, metallurgy and other materials stand out. Among services, telecommunications, infrastructure, engineering and R&D could benefit. The incorporation of these indirect sectors significantly broadens the economic scope of defense spending, raising its potential impact on manufacturing output and business value added. However, Spain's capacity to capture these effects is lower than that of countries such as Germany, France, Italy or Finland, due to lower defense specialization and greater dependence on imported inputs. Overall, the increase in defense spending will act as a significant economic stimulus, albeit with heterogeneous effects across sectors and territories.[14]

The 2026-2030 Housing Plan represents a significant step forward in addressing housing access problems in Spain, although its effects will take time to materialize if ambitious reforms are not undertaken. Specifically, the planned investment triples the available funds to 7bn euros. In addition, the plan seeks to strengthen the public housing stock through mechanisms that ensure its long-term permanence within it, correcting one of the historical weaknesses of the Spanish model. This measure is especially important considering that public housing currently represents barely 2% of the residential stock, well below the European Union average of 8%. Alongside this, public-private collaboration is being promoted

13: See Spain | Quarterly Labor Market Observatory Q4 2025. BBVA Research and Fedea (2026).
14: See Spain | Increase in defense spending: identification of beneficiary sectors. BBVA Research (2026).

as a way to accelerate the construction of affordable housing and mobilize additional resources. The program also seeks to improve project profitability through support for land development and the promotion of industrialized construction processes. The consensus reached with regional governments to advance this strategy is also positive. However, significant challenges persist. The main one is its limited scope, since, according to BBVA Research, the planned budget would only allow the public stock to increase by around 33,000 homes, compared with the estimated imbalance of 800,000 or with the 80,000 per year built in the 2003-2010 period. Added to this are governance challenges arising from the fragmentation of responsibilities and the necessary coordination among the central government, the autonomous communities and local councils. Finally, the shortage of available fully serviced land, the difficulty of finding sufficient labor and the need to strengthen legal certainty continue to constrain the capacity to increase the supply of any type of housing quickly and sustainably.

The loss of purchasing power resulting from inflation could affect low-income households more, as they have less liquid savings available to smooth consumption and exhibit a higher marginal propensity to consume. The main risk lies among groups in the lower income deciles, with little wealth, limited access to credit or assets that cannot be quickly converted into cash. It would therefore be desirable to design support measures targeted at this type of household, using the experience gained from the previous inflationary episode. In the absence of the above, the impact of price increases may generate greater inequality in spending.

It is estimated that the immigrant population has a negative productivity differential relative to those born in Spain and faces worse working conditions. Since the fourth quarter of 2019, GDP per employed person has not increased and productivity per hour has risen by barely 2.5%. The composition effect associated with immigration explains only a small part of this poor performance. According to BBVA Research estimates, GDP per hour worked among the foreign population or those with dual nationality is 19% lower than among Spanish nationals. Among the factors explaining these differences are some that could disappear over time, such as the ability to access managerial positions or tenure at the company. However, others, such as educational attainment or public employment, may require public training policies. On the other hand, the integration of the immigrant population entails specific challenges. People born abroad remain overrepresented in temporary contracts and, increasingly, in permanent seasonal contracts, although they have increased their presence in permanent employment[15]. They also work atypical hours more frequently, especially on weekends. This greater exposure is concentrated among the non-EU population with a shorter length of residence in Spain.[16]

Fiscal policy will change its tone over the coming months, becoming less expansionary. On the one hand, because there is a risk of not executing all the funds linked to the Recovery and Resilience Facility. Although the close of 1Q26 points to a slight acceleration in the

15: Since 2021, immigration, larger than the inflow in the 2000s, has been characterized by a higher average age and a higher level of education. The Quarterly Labor Market Observatory for Q4 25 showed that in the previous immigration wave, the foreign labor force complemented the native one (i.e., it increased more in those autonomous communities where the native labor force increased the most). By contrast, in the current wave, the immigrant labor force is offsetting the shortfall in growth of the native labor force..
16: See Spain | Quarterly Labor Market Observatory Q1 2026. BBVA Research and Fedea (2026).

average monthly pace of grants and tenders (1.13bn euros), the increase required to complete the committed investments within the planned timetable is still not being observed. If this pace is maintained, by the end of the Plan's execution period (August 2026) approximately 86% of the planned transfers (around 69bn euros) would have been completed. Even extending execution until December 2026, at the current pace only 94% of the planned investments would be reached. Therefore, to achieve 100% of the committed investment before the end of August, a clear shift in execution would be necessary, tripling the current pace. On the other hand, resources allocated to mitigating natural disasters (the DANA in Valencia, storms in Andalusia) and the rise in input costs following the conflict in the Middle East will gradually be exhausted. Finally, there is the responsibility to comply with European fiscal rules, which would require additional efforts to be included in next year's accounts.

The phase-out of the NGEU funds may reveal the weak performance of investment not associated with these resources, pending their impact on productivity. According to BBVA Research estimates, in a scenario without NGEU funds, per capita investment in non-residential construction would have been 8.8% lower than observed through the end of 2025. This highlights two risks going forward. The first relates to the end of the plan and the gap it leaves behind. Over the coming quarters, and as assigned projects are completed, investment may weaken. The second is the poor performance that this component of demand would have had without the boost from public funds. In particular, in the absence of the plan, in December 2025 it could still have stood 3 pp below that observed in 2019. All in all, it cannot be ruled out that projects were financed that would have been carried out anyway, which would be positive for the investment outlook, but less favorable regarding the possibility that the funds may have a transformative impact on the production model.

Tables

TABLE 1.1 GROSS DOMESTIC PRODUCT (ANNUAL AVERAGE, %)

	2023	2024	2025	2026	2027
United States	2.9	2.8	2.1	2.4	2.2
Eurozone	0.5	0.9	1.5	0.7	1.2
China	5.4	5.0	5.0	4.5	4.2
World	3.3	3.4	3.5	3.1	3.3

Forecast closing date: June 5, 2026.
Source: BBVA Research & IMF.I.

TABLE 1.2 INFLATION (ANNUAL AVERAGE. %)

	2023	2024	2025	2026	2027
United States	4.1	3.0	2.7	3.5	2.4
Eurozone	5.5	2.4	2.1	2.9	1.9
China	0.2	0.2	0.1	1.2	1.4
World	7.7	7.2	4.4	4.8	4.0

Forecast closing date: June 5, 2026.
Source: BBVA Research & IMF.

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

	2023	2024	2025	2026	2027
United States	3.96	4.21	4.29	4.38	4.32
Germany	2.45	2.34	2.63	2.92	2.99
Spain	3.48	3.15	3.23	3.36	3.51

Forecast closing date: June 5. 2026.
Source: BBVA Research & IMF

TABLE 1.4 EXCHANGE RATES (ANNUAL AVERAGE)

	2023	2024	2025	2026	2027
USD-EUR	0.92	0.92	0.89	0.85	0.83
EUR-USD	1.08	1.08	1.13	1.18	1.21

Forecast closing date: June 5, 2026.
Source: BBVA Research & IMF.

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

	2023	2024	2025	2026	2027
United States	5.50	4.50	3.75	3.75	3.25
Eurozone	4.00	3.00	2.00	2.25	2.50
China	3.45	3.10	3.00	3.00	3.00

Forecast closing date: June 5, 2026.
Source: BBVA Research & IMF.

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

	2022	2023	2024	2025	2026	2027
GDP at constant prices	**3.7**	**0.5**	**0.9**	**1.5**	**0.7**	**1.2**
Private consumption	5.3	0.6	1.4	1.6	0.9	1.1
Public consumption	1.3	1.5	2.3	1.6	1.5	1.2
Gross fixed capital formation	2.2	2.7	-2.6	3.1	1.7	2.6
Inventories (*)	0.3	-1.0	-0.1	0.2	0.0	0.0
Domestic demand (*)	**3.8**	**0.2**	**0.6**	**2.1**	**1.2**	**1.4**
Exports (goods and services)	7.6	-1.0	0.5	2.2	0.0	1.3
Imports (goods and services)	8.6	-1.8	-0.2	3.7	1.1	1.9
External demand (*)	**-0.1**	**0.3**	**0.3**	**-0.6**	**-0.5**	**-0.2**
Prices and Costs						
CPI	8.4	5.5	2.4	2.1	2.9	1.9
CPI Core	3.9	4.9	2.8	2.4	2.4	2.3
Labour Market						
Employment	2.4	1.5	1.0	0.7	0.4	0.4
Unemployment rate (% of labour force)	6.7	6.5	6.4	6.3	6.2	6.2
Public sector						
Surplus (+) / Deficit (-) (% GDP)*	-3.4	-3.5	-.03	-2.9	-3.3	-3.4
Public debt (% GDP)*	89.3	86.9	87	87.8	88.5	88.6
External Sector						
Current Account Balance (% GDP)	-0.3	1.7	2.7	1.7	1.5	1.6

Annual rate change in %. unless expressly indicated.
Forecast closing date: June 5, 2026.
(*) 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. %)	2023	2024	2025	2026	2027
Activity					
Real GDP	**2.5**	**3.5**	**2.8**	**2.4**	**2.1**
Private Consumption	1.8	3.1	3.4	2.8	2
Public Consumption	4.5	2.9	2.4	2.2	2.5
Gross Fixed Capital Formation	5.9	3.6	5.8	5	5.5
Equipment and machinery	2.6	1.9	7.4	2.7	3
Construction	5.5	4	5.2	5.6	4.9
Housing	0.8	2.1	5.1	5.7	6.7
Domestic Demand (contribution to growth)	**1.6**	**3.3**	**3.6**	**3**	**2.7**
Exports	2.2	3.2	3.6	1.4	2.9
Imports	0	2.9	6.2	3.2	5.1
External Demand (contribution to growth)	**0.9**	**0.2**	**-0.7**	**-0.5**	**-0.6**
GDP at current prices	8.9	6.4	5.8	5.7	4.7
(Billions of Euros)	1497.8	1594.3	1687.2	1782.6	1866.8
Labour market					
Employment. Labour Force Survey	3.1	2.2	2.6	2.4	2
Unemployment rate (% Labour force)	12.2	11.3	10.5	9.9	9.6
Employment. full time equivalent	3.6	2.8	3.1	2.5	1.7
Productivity	-1.2	0.6	-0.3	0	0.4
Prices and Costs					
CPI (average)	3.5	2.8	2.7	3.8	2.8
CPI (end of period)	3.1	2.8	2.9	4.3	2.5
GDP deflator	6.4	3.0	3.0	3.2	2.6
Compensation per employee	4.6	4	3.8	3.5	3.1
Unit Labour Cost (ULC)	5.8	3.3	4.1	3.6	2.7
External sector (*)					
Current Account Balance (% GDP)	2.9	3.4	3.2	2.7	1.7
Public sector					
Debt (% GDP)	105.2	101.6	100.7	99.3	97.9
Deficit (% GDP) (*)	-3.4	-3.2	-2.4	-2.8	-2.5
Households					
Gross disposable income	10.1	7.5	5.3	5.6	5.3
Savings rate (% nominal disposable income)	11.7	12.7	12	11.4	11.9

Annual rate change in %. unless expressly indicated.
Forecast closing date: June 5, 2026.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

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