

June 2026

Spain Economic Outlook

Key messages. Global

Global activity continues to show resilience.



This is despite the rebound in inflation and some (limited) financial tightening stemming from the consequences of the conflict in Iran, which is lasting longer than expected.

The AI boom and other favorable factors continue to support global growth.

Growth will be lower than expected, especially in Europe.



Nevertheless, a sharp slowdown is likely to be avoided if energy prices moderate from the second half of the year onward and no severe supply disruptions are triggered that would generate significant non-linear effects.

Inflation will be higher than expected and will exceed 3% in both the U.S. and Europe in the first half of 2026.



In the absence of second-round effects, it should moderate in 2027. The Fed is likely to keep rates unchanged at least until mid-2027, while the ECB is expected to adjust them slightly upward.

Risks are high and tilted to the downside.



The use of oil reserves has prevented a sharper adjustment in demand, but this buffer is temporary and vulnerabilities will increase if the conflict persists. In addition to geopolitical risks, risks include AI, U.S. policies and sovereign debt markets, among others.

Key messages. Spain

The deterioration of the external context worsens the outlook.



Higher energy and other key input prices will weigh on activity in the second half of the year and push inflation higher. Interest rates will be higher than expected and the EMU will be one of the regions most affected by the crisis, compared with the U.S. and China. Consumer confidence is falling, economic policy uncertainty is rising and investment spending may suffer.

Growth will remain above 2% (2.4% in 2026 and 2.1% in 2027).



Job creation maintains a positive momentum, partly supported by immigration. Services exports continue to drive activity, while private consumption remains supported by its fundamentals. Investment, especially in construction, will continue to grow and fiscal policy will be more expansionary in the short term.

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



Diversifying goods export destinations is key, taking advantage of agreements such as the one signed with Mercosur. The geopolitical context is redirecting tourists toward Spain. The regularization of immigrants will support formal job creation. The Housing Plan is one more factor that will boost residential construction.

Challenges that could intensify the slowdown over the coming months also persist.



Progress in housing construction remains insufficient. Savings may be key to sustaining private consumption, but they are distributed unevenly. The growth model remains based on slow productivity gains. Fiscal policy will become increasingly less expansionary over the coming quarters. Economic policy uncertainty may rise again.

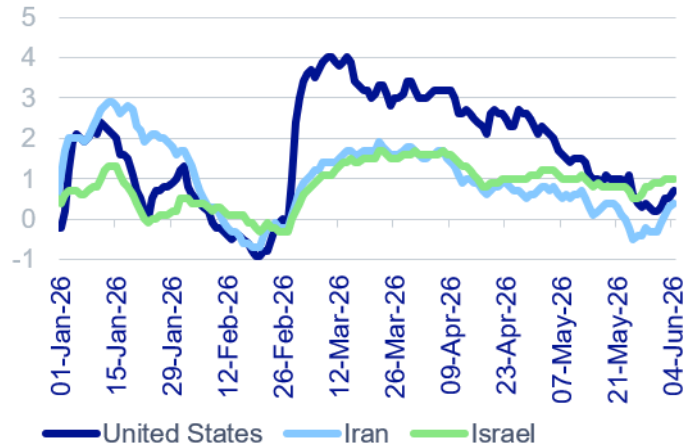
June 2026

Global Economic Outlook

The conflict in Iran continues to put pressure on energy prices, despite the ceasefire and prospects for an agreement

GEOPOLITICAL RISK INDEX

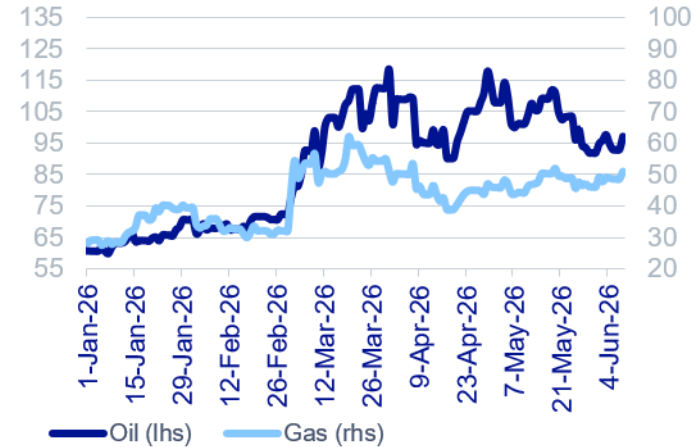
(AVERAGE = 0; 28-DAY MOVING AVERAGE)



Source: BBVA Research based on BBVA.

BRENT AND EUROPEAN GAS PRICES

(DOLLARS PER BARREL; EUROS PER MWh)

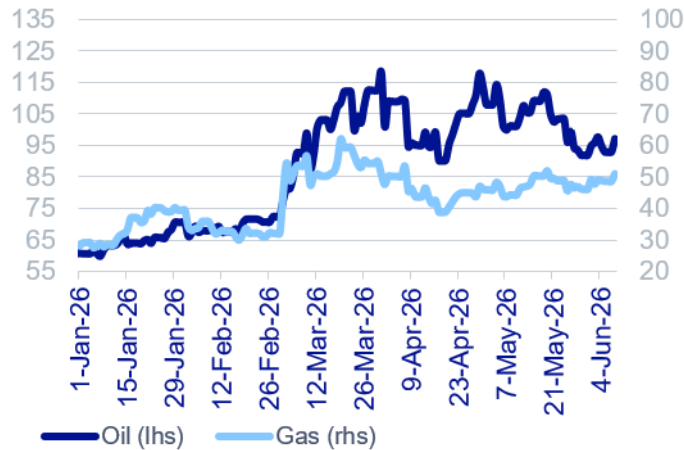


Source: BBVA Research based on Haver.

Although an agreement to end the conflict in Iran appears more feasible, the situation remains highly uncertain and the risks of prolonged tensions remain significant.

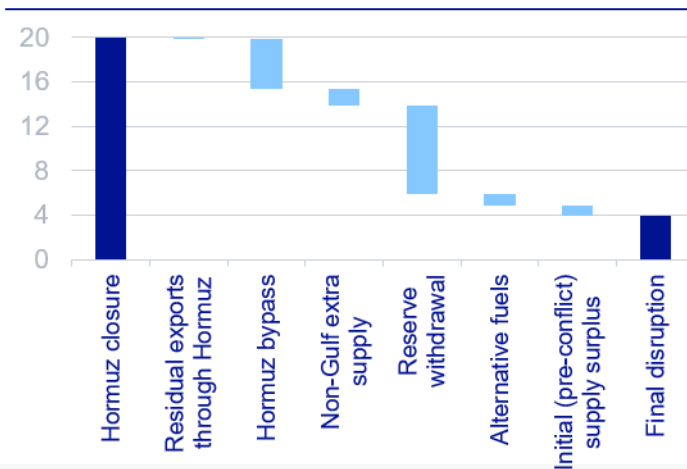
The factors offsetting oil supply disruptions are insufficient and temporary

TRAFFIC THROUGH THE STRAIT OF HORMUZ
(NUMBER OF VESSELS)



Source: BBVA Research based on Haver.

OIL MARKET BALANCE IN THE EVENT OF THE STRAIT OF HORMUZ CLOSURE
(MILLION BARRELS PER DAY)



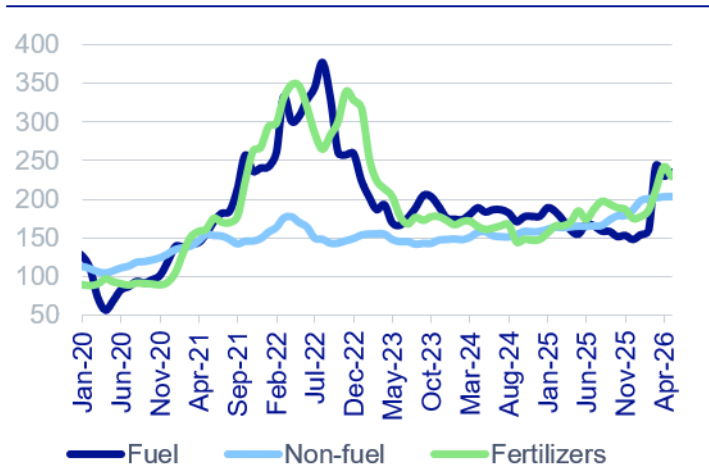
Source: BBVA Research.

With the Strait of Hormuz effectively closed, countries have drawn on reserves to avoid sharper demand adjustments. A more prolonged war entails significant risks: inventories could be depleted in the coming months.

Geopolitical tensions are also affecting non-energy inputs and supply chains

COMMODITY PRICES

(SPOT PRICES, INDEXES: 2016=100)



Source: BBVA Research based on the IMF.

GLOBAL SUPPLY CHAIN PRESSURE INDEX

(STANDARD DEVIATIONS FROM THE AVERAGE)



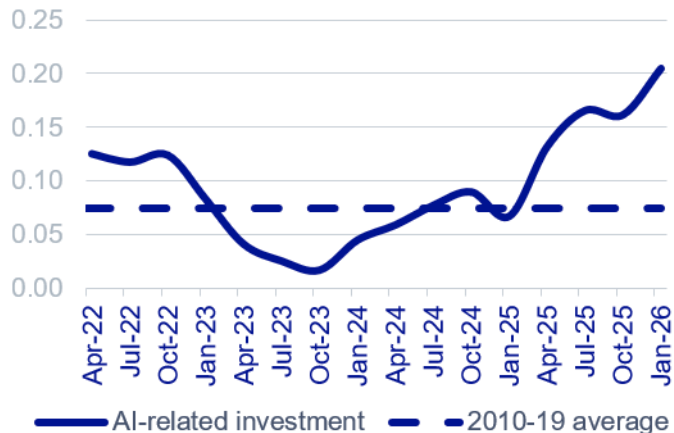
Source: BBVA Research based on the NY Fed.

Fuel and fertilizer prices have risen more sharply than after the invasion of Ukraine in 2022, putting pressure on other inputs and supply chains, but commodities and bottlenecks remain less strained than four years ago and lower oil intensity cushions the impact.

Despite the war, the AI boom and other favorable factors continue to support growth and markets

U.S.: AI-RELATED INVESTMENT*

(CONTRIBUTION TO QUARTERLY GDP GROWTH; 4-QUARTER MOVING AVERAGE IN PP)

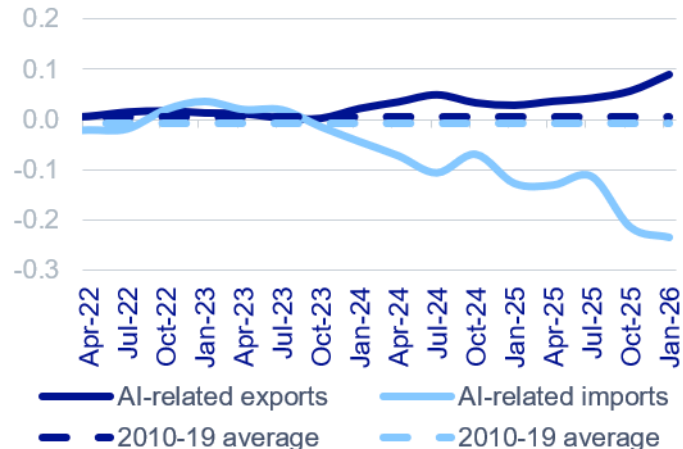


* AI-related investment is defined as investment in information processing, software and data centers.

Source: BBVA Research based on FRED and the U.S. Census Bureau.

U.S.: AI-RELATED GLOBAL TRADE*

(CONTRIBUTION TO QUARTERLY GDP GROWTH; 4-QUARTER MOVING AVERAGE IN PP)



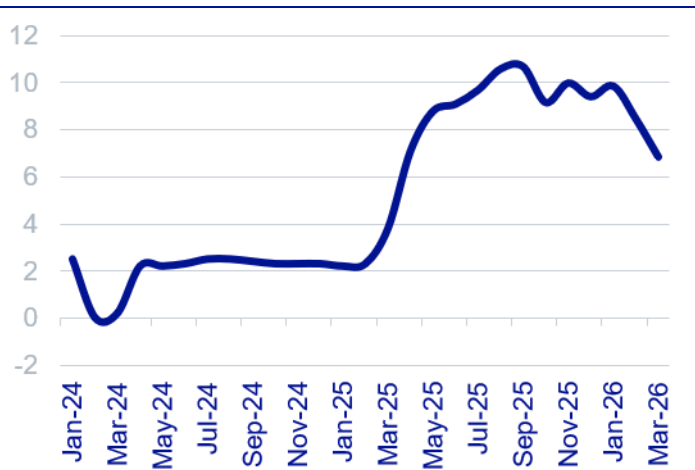
* AI-related exports (imports) are defined as exports (imports) of computers, peripherals and components, as well as telecommunications, computer and information services.

Source: BBVA Research based on the U.S. Census Bureau.

AI is driving economic activity through investment, trade and consumption (through wealth effects), especially in the U.S. Fiscal stimulus, defense spending, strong labor markets, healthy private-sector balance sheets and demand for green technologies are also contributing.

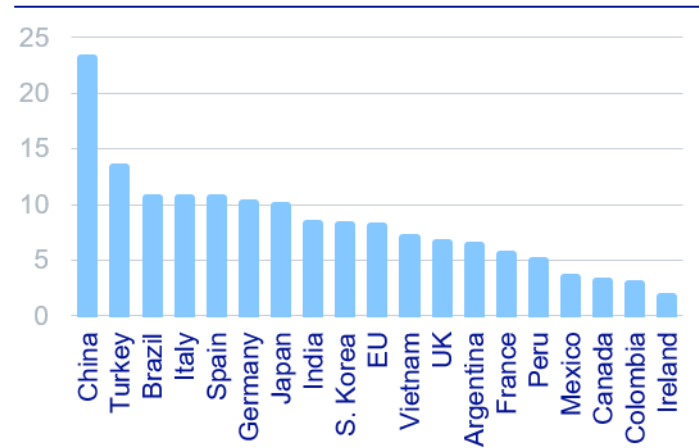
U.S. tariffs have declined, but recent developments point to new protectionist measures

U.S. EFFECTIVE TARIFF
(PERCENTAGE POINTS)



Source: BBVA Research based on USITC.

U.S. EFFECTIVE TARIFF IN MARCH 2026
(PERCENTAGE POINTS)



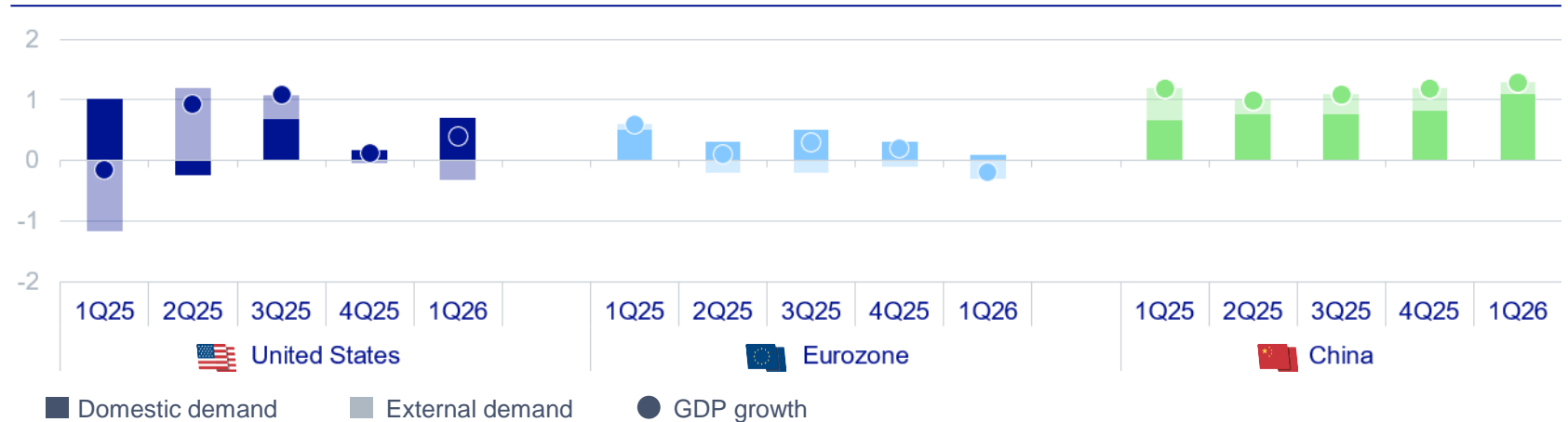
Source: BBVA Research based on USITC.

The U.S. could raise tariffs on European automobiles from 15% to 25% and replace the temporary 10% universal tariffs with new tariffs of at least 10% under Section 301 of the Trade Act of 1974.

Growth was weaker than expected in 1Q26, with the Eurozone stagnating and greater resilience in the U.S. and China

GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMAND TO GDP GROWTH

(QUARTERLY GDP GROWTH: %. CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)

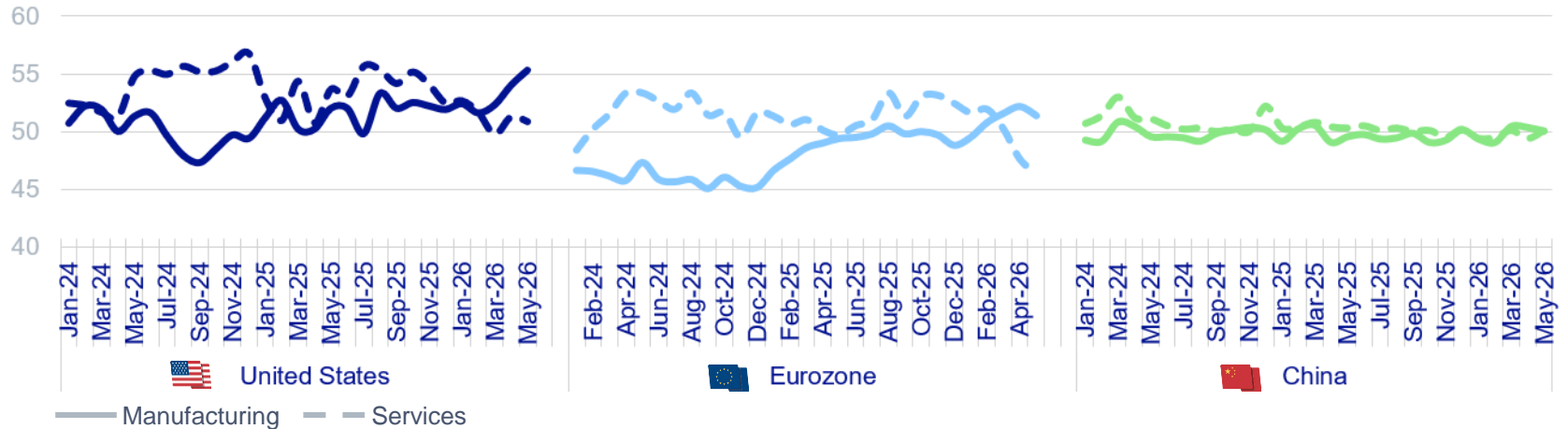


Source: BBVA Research based on Haver.

Consumption and net exports weighed on growth in the U.S. and the Eurozone in Q1 26, although AI investment supported the former. In China, domestic demand remains constrained by the real estate adjustment, but exports have sustained activity.

Recent data show an impact of tensions on activity, particularly in Europe and in services

PMI INDICATORS (ABOVE 50: EXPANSION; BELOW 50: CONTRACTION)

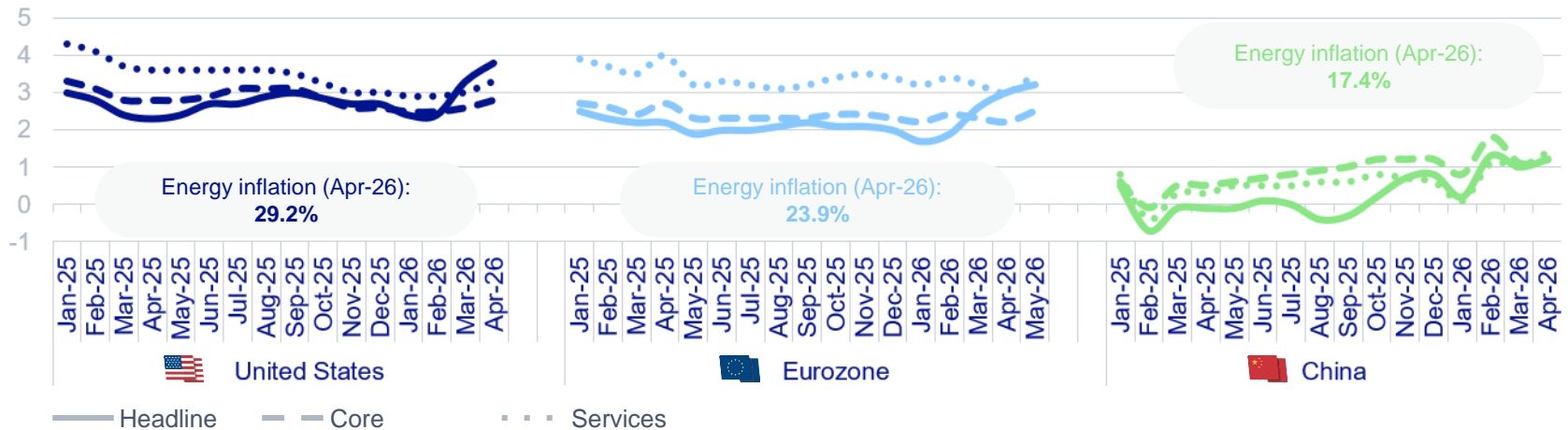


Source: BBVA Research based on Haver.

The manufacturing sector continues to improve, possibly due to the AI boom. Labor markets show resilience and even some improvement in the U.S., while confidence indicators are deteriorating in Europe.

Inflation has accelerated following the energy rebound, with no clear signs of second-round effects for now

HEADLINE, CORE AND SERVICES INFLATION; CPI-BASED (Y/Y CHANGE, %)

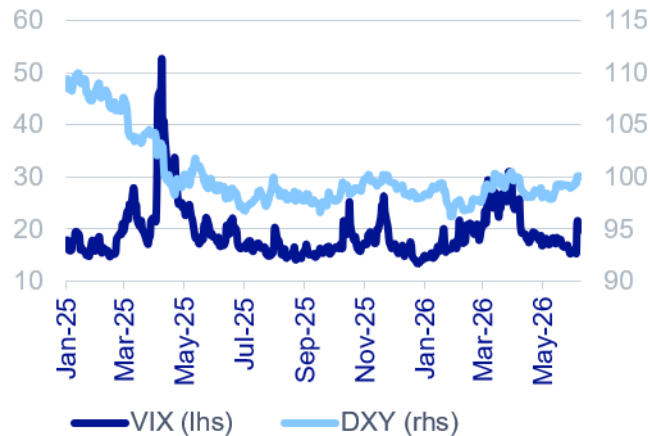


Source: BBVA Research based on Haver.

Core inflation has picked up slightly since tensions in Iran began. Wages continue to grow less than in previous years, despite some persistence. Short-term inflation expectations have risen, but long-term expectations remain anchored.

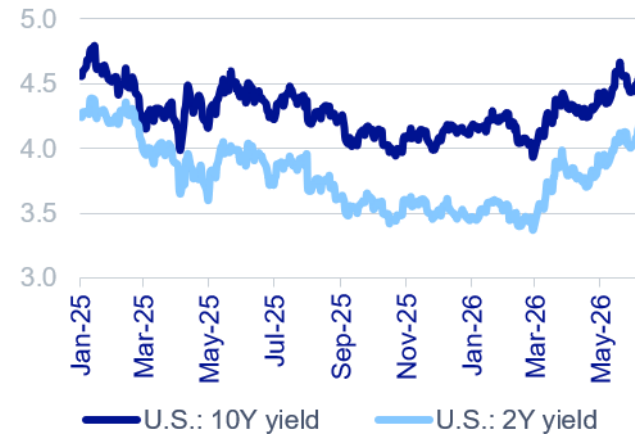
Markets remain optimistic, but sovereign yields continue to rise due to inflation and fiscal risks

VOLATILITY (VIX); DOLLAR (DXY)
(INDEXES)



Source: BBVA Research based on Haver data.

U.S. SOVEREIGN DEBT YIELDS (%)

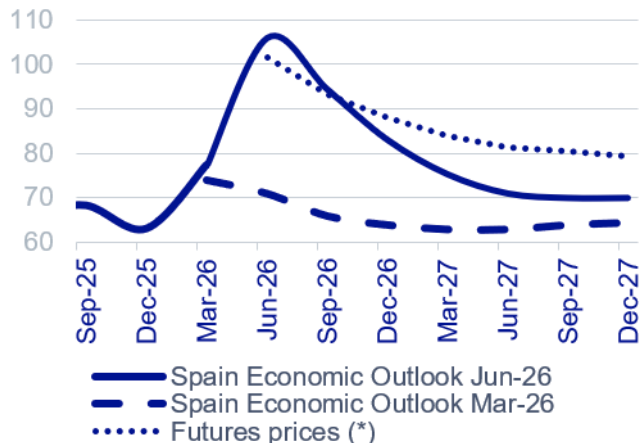


Source: BBVA Research based on Haver.

Markets are now pricing in a 25 basis point hike by the Fed and two additional 25 basis point hikes by the ECB this year.

The baseline scenario assumes a more adverse and prolonged shock from the war in Iran than initially anticipated

BRENT PRICES: BBVA RESEARCH FORECASTS AND FUTURES (USD/BARREL)



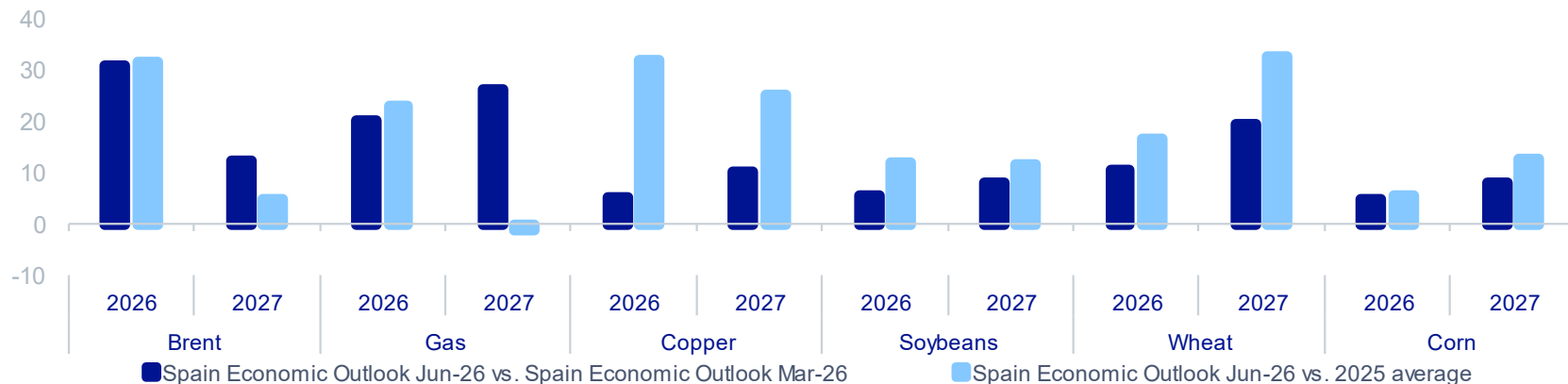
	2026 (average)	2027 (average)
Spain Economic Outlook Jun-26	90	72
Spain Economic Outlook Mar-26	69	64

- Tensions lasting longer than expected, consistent with a reopening of Hormuz around mid-year.
- **Slow normalization of energy prices:**
 - persistence of the geopolitical risk premium.
 - affected production infrastructure.
 - slow logistics normalization.
 - restocking of strategic reserves.
- **Factors supporting low energy prices:**
 - UAE outside OPEC (price war).
 - possible lifting of sanctions on Iran.
- **Higher non-energy input prices and bottlenecks amplify the shock.**

* At the beginning of June 2026.
Source: BBVA Research based on Haver.

Commodity prices would remain above both previous forecasts and 2025 levels in 2026-27

COMMODITY PRICES FORECASTS: CHANGE RELATIVE TO THE PREVIOUS FORECAST AND TO 2025
(%, ANNUAL AVERAGES)



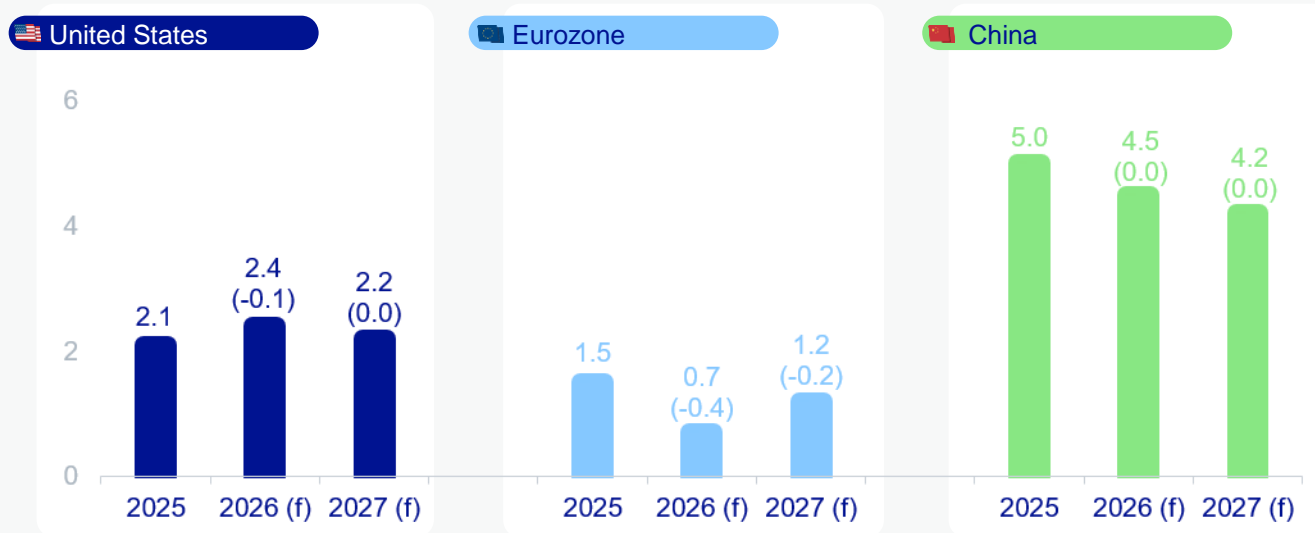
Source: BBVA Research based on Haver.

Higher energy prices pass through to the rest of commodities through increased production costs and demand for biofuels. In addition, the closure of Hormuz disrupts the global supply of fertilizers and other critical inputs, putting upward pressure on food and metal prices.

Solid growth in the U.S. and China and weaker growth in Europe; a sharp slowdown will be avoided if the war is not prolonged

GDP GROWTH*

(%, CHANGE FROM PREVIOUS FORECAST IN PARENTHESES)



Data from the first quarter of 2026 and the prolongation of the conflict imply a slight downward revision to U.S. growth and a larger one for the Eurozone.

In China, the outlook is unchanged despite the robustness of exports and activity.

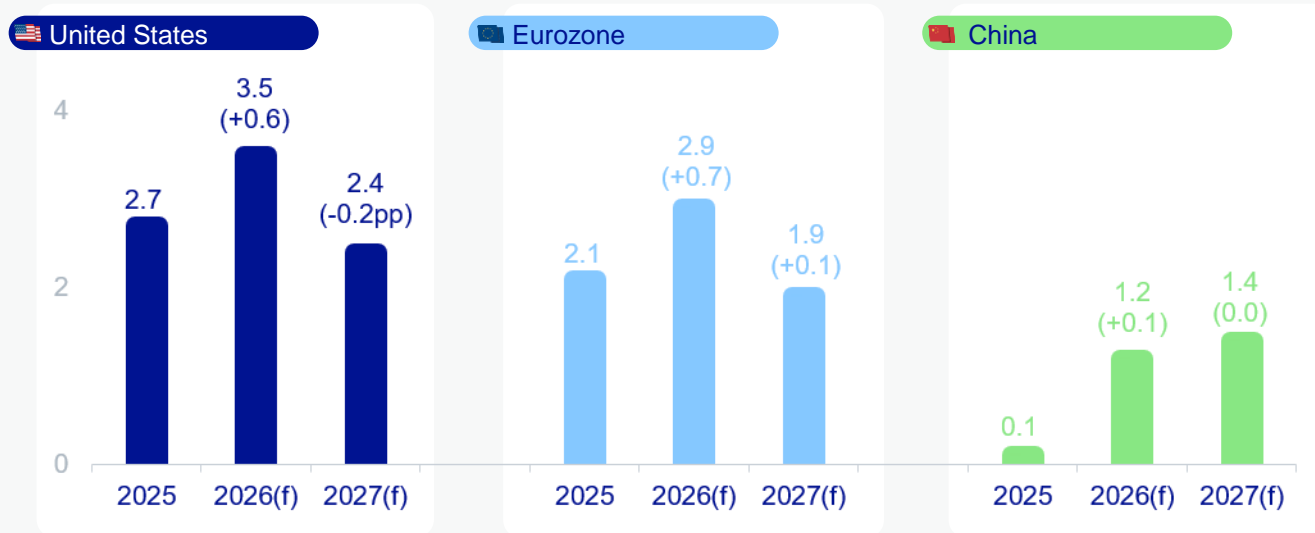
* After growing by 3.5% in 2025, global GDP is expected to expand by 3.1% in 2026 (0.1 pp below the previous forecast) and by 3.3% in 2027 (unchanged from the previous forecast). (f): forecast.

Source: BBVA Research.

Inflation rebounds sharply in 2026, but should moderate in 2027 without widespread second-round effects

HEADLINE INFLATION (CPI)

(Y/Y CHANGE, %, PERIOD AVERAGE, CHANGE FROM PREVIOUS FORECAST IN PARENTHESES)



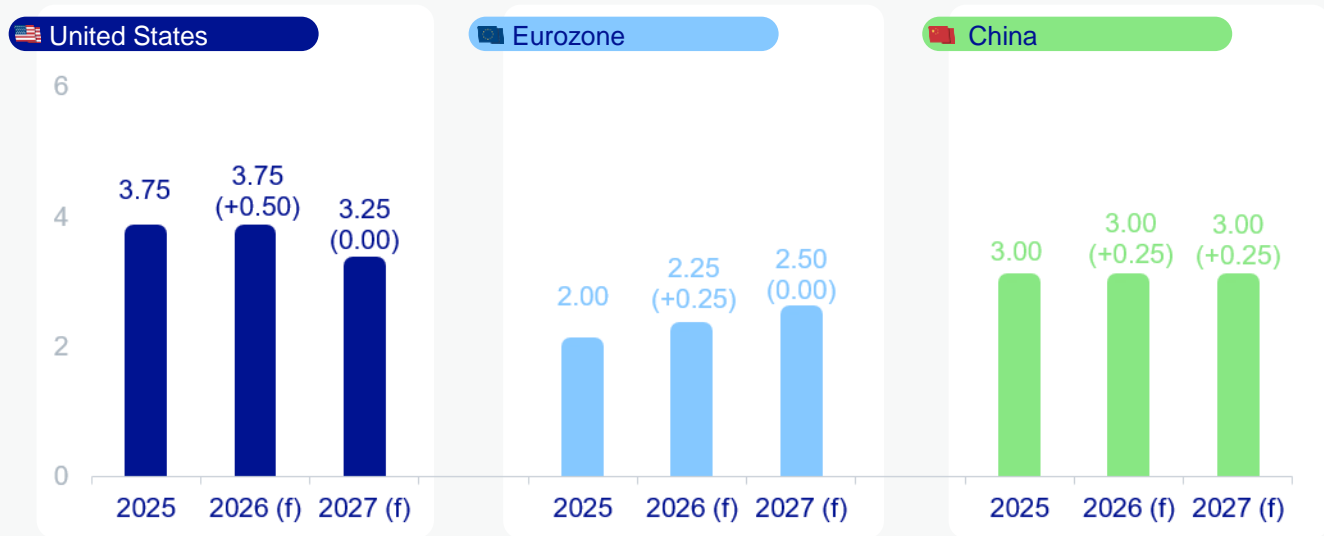
Inflation forecasts have been revised upward due to recent data and higher energy and food prices. With limited second-round effects, core inflation will remain between 2% and 3% in the U.S. and the Eurozone, with upside risks if the Strait of Hormuz remains closed.

(f): forecast.
Source: BBVA Research.

Inflation leads central banks to be more cautious and set rates higher than expected, especially in 2026

MONETARY POLICY INTEREST RATES*

(%, END OF PERIOD, CHANGE FROM PREVIOUS FORECAST IN PARENTHESES)



Rates will remain unchanged until mid-2027 in the U.S. and for longer in China. The ECB, facing a sharper dilemma between growth and inflation, will bring forward a rate hike.

(f): forecast.

* In the case of the eurozone, deposit facility interest rates.

Source: BBVA Research.

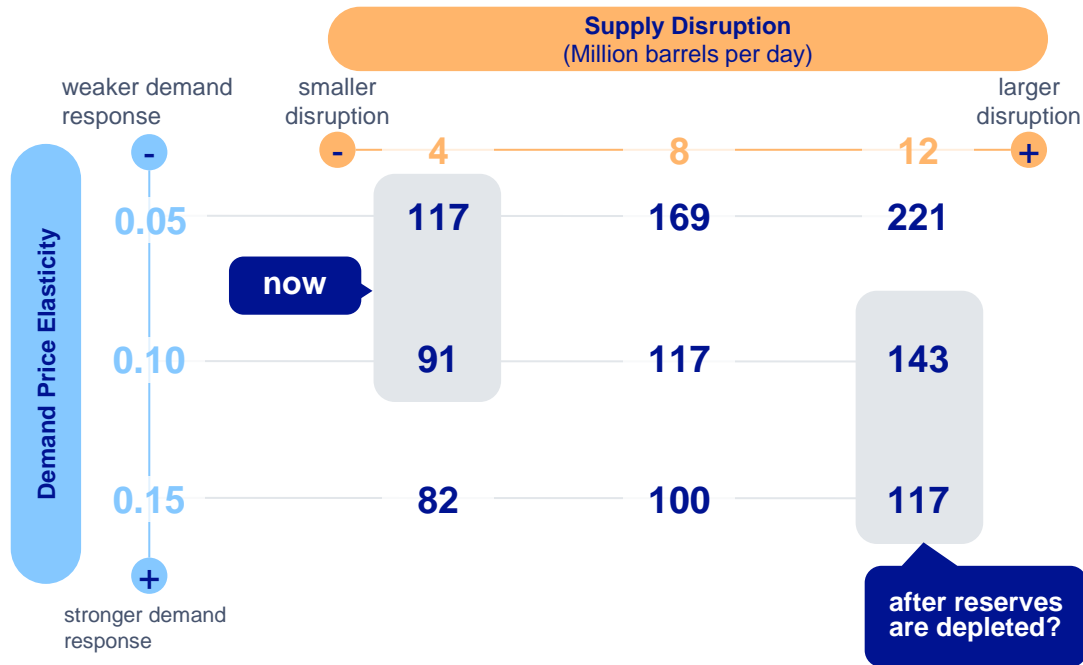
Risks

If the conflict drags on, falling reserves could send crude prices sharply higher, with non-linear effects

Risks go beyond geopolitics

1. AI: risks in both directions.
2. U.S.: Fed, tariffs, institutions and elections.
3. Financial stability: sovereign debt, private credit, equity markets and shadow banking.
4. China: structural slowdown, real estate market and deflation.
5. Other: climate and demographics.

OIL PRICES UNDER DIFFERENT COMBINATIONS OF SUPPLY DISRUPTIONS AND DEMAND PRICE ELASTICITY* (U.S. DOLLARS PER BARREL)



* Based on an oil equilibrium price of \$65.
Source: BBVA Research.

June 2026

Spain Economic Outlook

GDP growth will exceed 2% over the two-year period



GDP GROWTH (PERCENTAGE)

3.5%



2024

2.8%



2025

2.4%



2026 (f)



2.1%



2027 (f)

▼ -0.3 pp



Forecast revised
upward



Forecast
unchanged



Forecast revised
downward

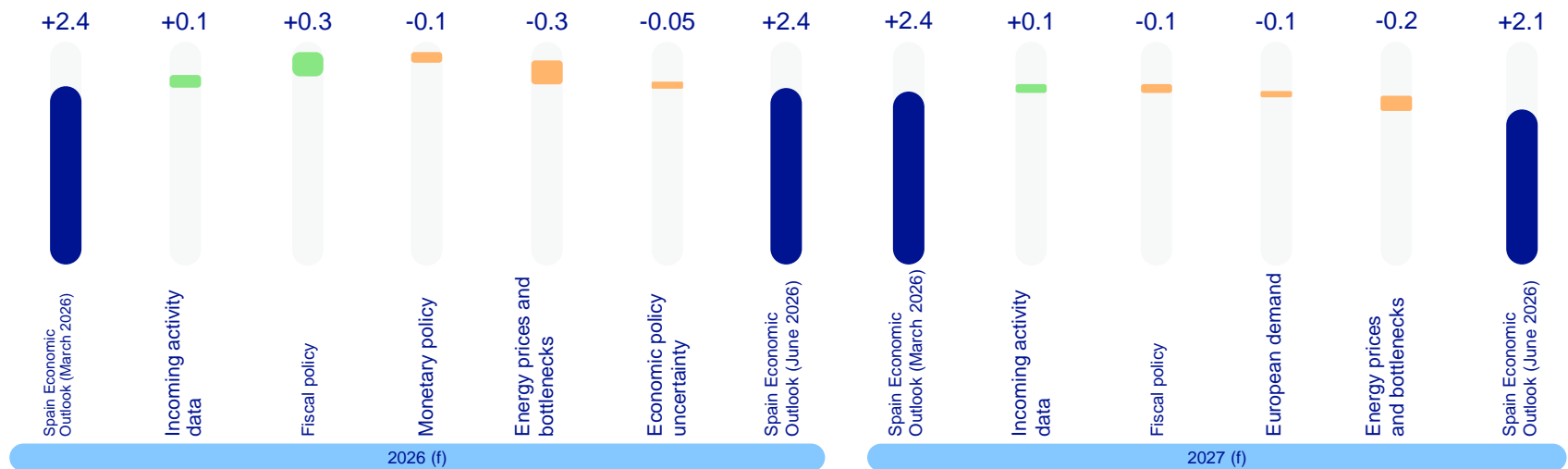
(f): forecast.
Source: BBVA Research based on INE.



The GDP growth forecast for 2026 is maintained and revised downward for 2027

CHANGE IN GDP GROWTH FORECASTS AND CONTRIBUTIONS BY FACTOR

(PERCENTAGE POINTS AND PERCENTAGE)



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

In the short term, the momentum of economic activity and fiscal measures offset the deterioration associated with higher import prices. However, the fading of positive factors and the rising costs of key inputs lead to lower growth in 2027.

01

**The deterioration
of the external
environment
worsens the
outlook**

02

Growth will remain
above 2%

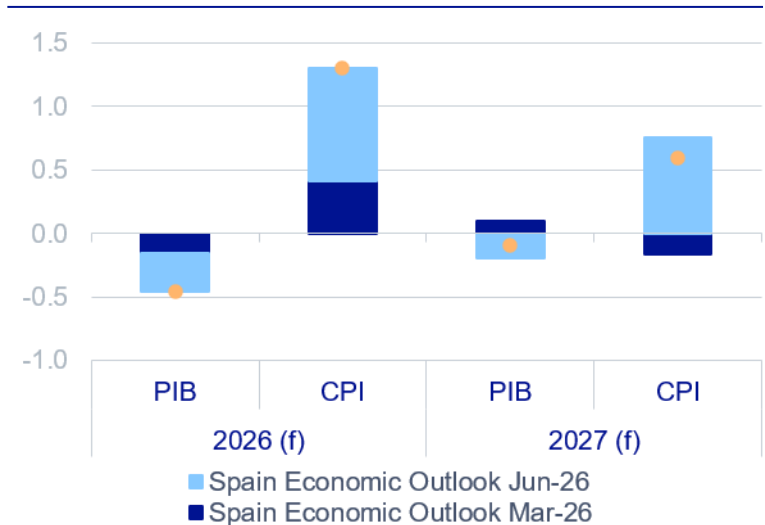
03

Opportunities and
challenges ahead

The rise in key input prices has been sharper and more persistent than expected three months ago

- The conflict in the Middle East is lasting longer than expected three months ago.
- The impact goes beyond oil: the closure of the Strait of Hormuz is raising the cost of strategic inputs (gas, petrochemicals, fertilizers, aluminum and methanol), reactivating logistics bottlenecks and undermining confidence.
- The global economy can temporarily absorb the shock thanks to adjustment mechanisms, but offsetting measures are limited.
- In the baseline scenario, higher oil and gas prices would add between 0.8 and 0.9 pp to inflation over 2026-2027 and subtract between 0.4 and 0.5 pp from growth.

IMPACT OF THE SUPPLY SHOCK* AFTER THE CONFLICT IN THE MIDDLE EAST
(PERCENTAGE POINTS OF THE ANNUAL GROWTH RATE)

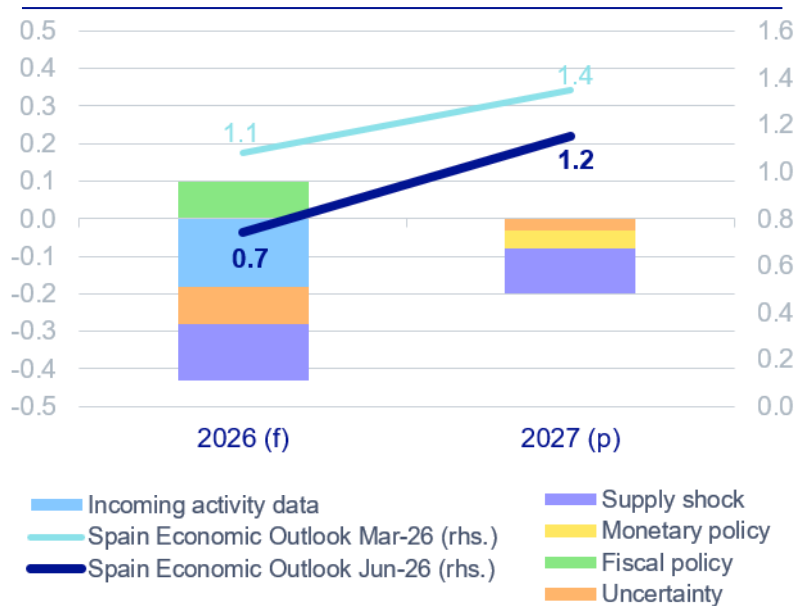


*Includes higher energy prices, bottlenecks in value chains and pressure on fertilizer prices.
(f): forecast.
Source: BBVA Research based on INE.

The deterioration of the European context could affect the momentum of Spanish exports

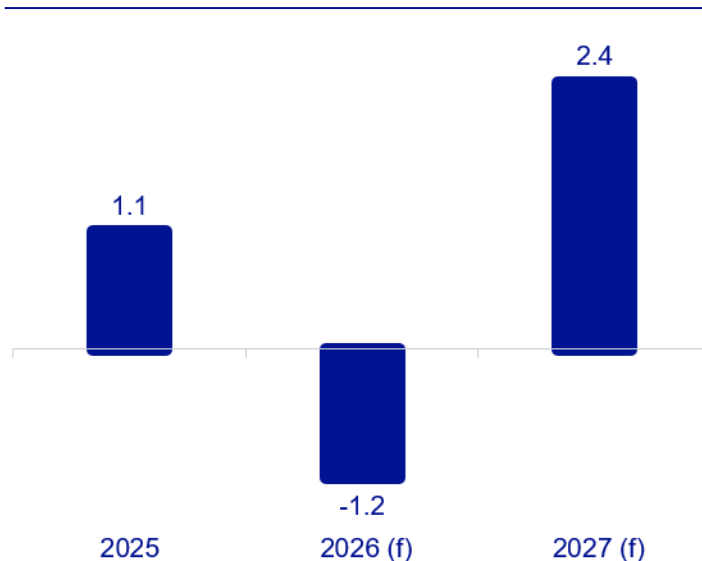
EMU: REVISION OF GDP GROWTH RELATIVE TO THE MAR-26 SCENARIO

(PERCENTAGE POINTS AND PERCENTAGE)



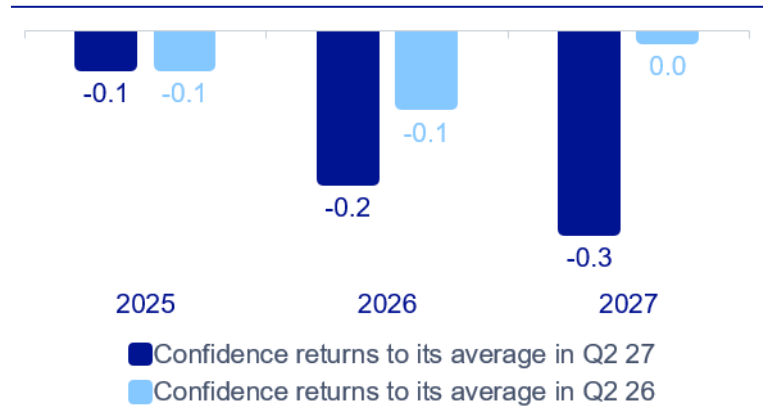
SPANISH GOODS EXPORTS

(ANNUAL AVERAGE. PERCENTAGE CHANGE)



Inflation uncertainty erodes household confidence, with a moderate impact on consumption

CONTRIBUTION OF CHANGES IN CONFIDENCE TO CONSUMPTION GROWTH (PERCENTAGE POINTS)



CPI (ANNUAL AVERAGE. PERCENTAGE CHANGE)

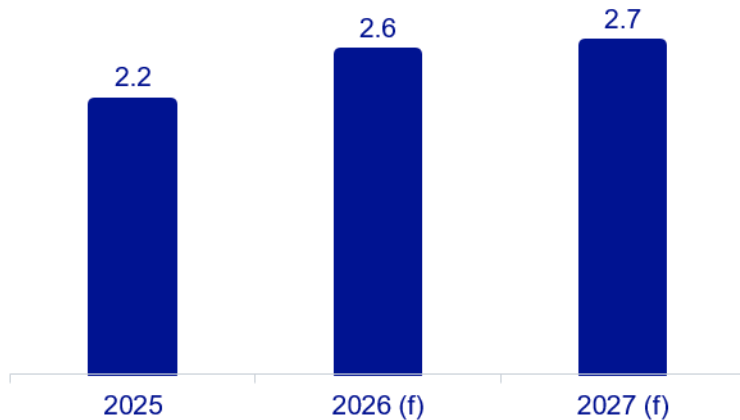


Source: BBVA Research based on the EC and INE.

Household confidence has deteriorated due to fears of a rebound in inflation and the memory of the loss of purchasing power in 2022. If the deterioration persists, it could have a significant impact on domestic demand growth, particularly household spending.

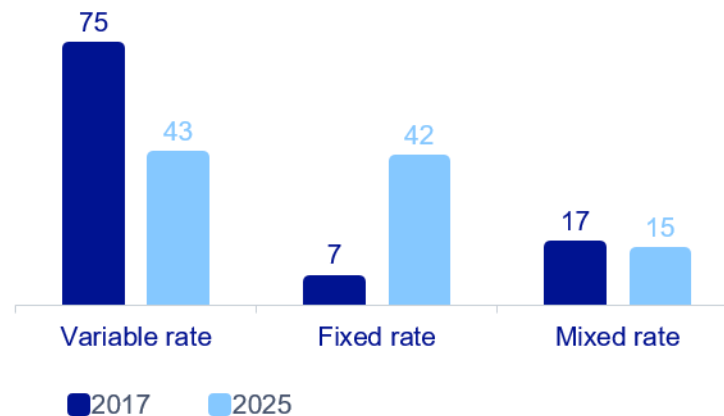
The rise in interest rates will continue to affect a still-relevant share of households

12M EURIBOR
(ANNUAL AVERAGE IN PERCENTAGE)



Source: BBVA Research based on Bank of Spain data.

COMPOSITION OF THE OUTSTANDING MORTGAGE PORTFOLIO BY INTEREST RATE TYPE (PERCENTAGE)

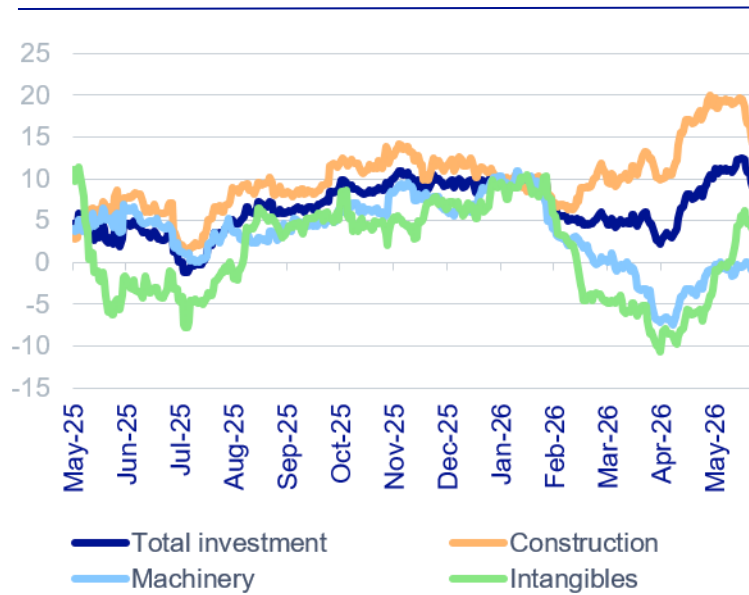


Source: BBVA Research based on AHE.

The mortgage payment on an average variable-rate loan taken out a year ago could increase by 770 euros per year at its 2026 reset. The impact will be smaller than in the past due to the higher share of fixed-rate mortgages. Even so, 58% remain fully or partially exposed to rate changes.

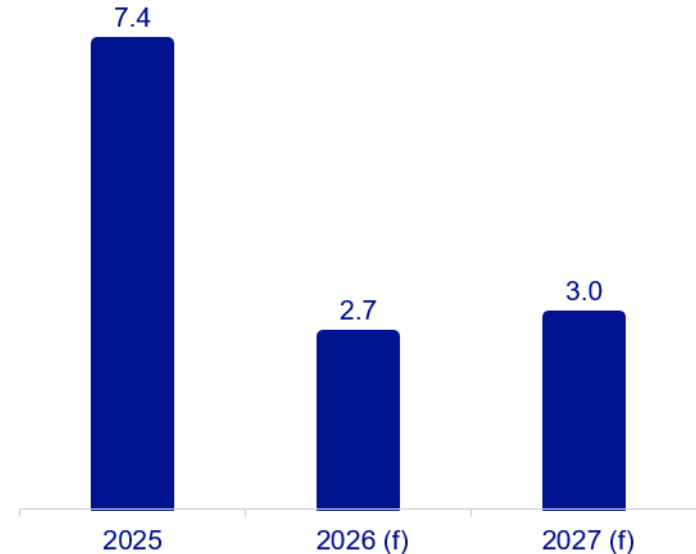
Global uncertainty and weak exports are curbing investment, especially in machinery and equipment

INVESTMENT (BIG DATA INDICATOR. REAL TERMS, 91-DAY AVERAGE, Y/Y CHANGE IN %)



Source: BBVA Research based on BBVA (last update: May 31, 2026).

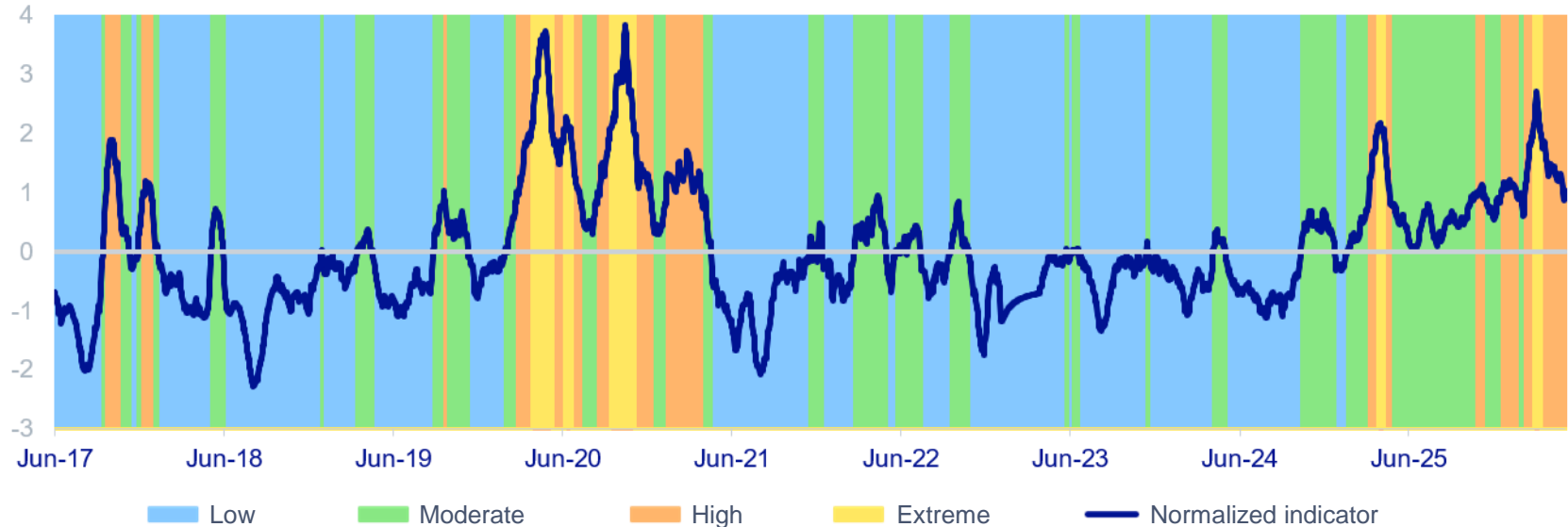
INVESTMENT IN MACHINERY AND EQUIPMENT (ANNUAL AVERAGE, PERCENTAGE CHANGE)



Source: BBVA Research based on INE.

Economic policy uncertainty has been rising since 2024. It reached extreme levels in 2025-2026

BBVA RESEARCH ECONOMIC POLICY UNCERTAINTY INDEX*
(NATIONAL MEDIA AVERAGE SINCE 2017 EQUAL TO 0; 28-DAY MOVING AVERAGE)



* Low range (values below 0), moderate range (values between 0 and 1), high range (values between 1 and 2), extreme range (values above 2).
Latest available data: June 3, 2026.
Source: BBVA Research.

01

The deterioration of the external environment worsens the outlook

02

Growth will remain above 2%

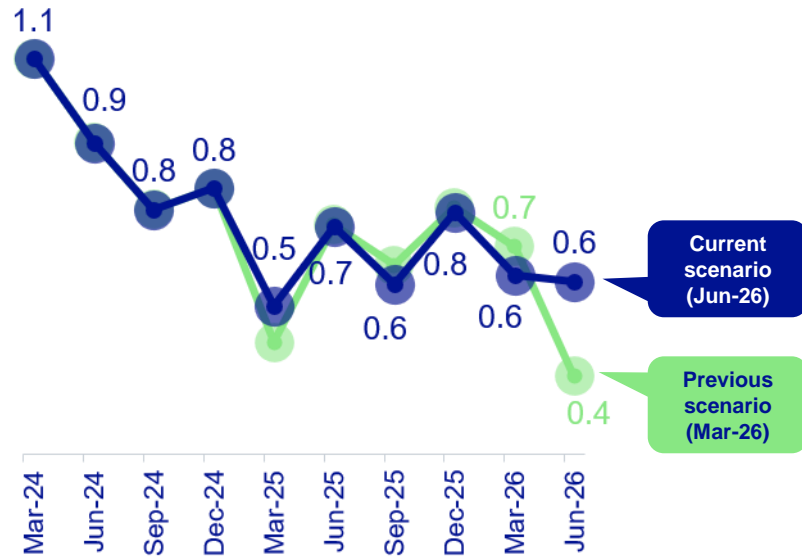
03

Opportunities and challenges ahead

Recent data point to quarterly GDP growth above that assumed in the March scenario

GDP

(QUARTERLY CHANGE IN PERCENTAGE)

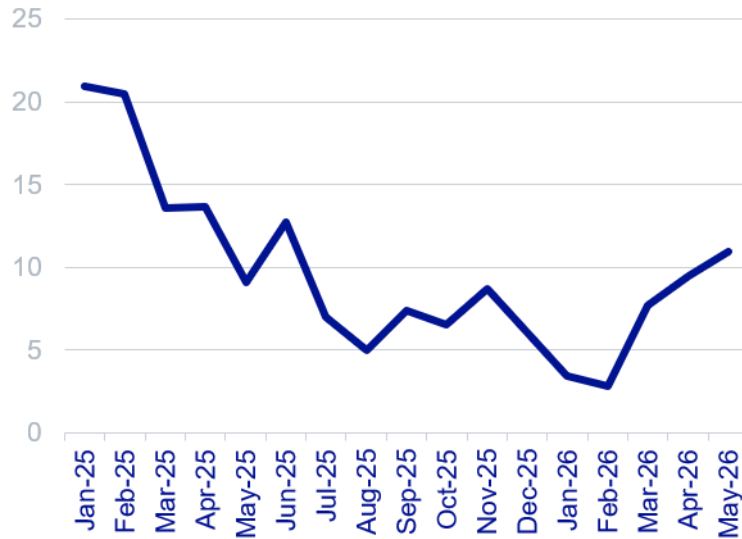


- **GDP increased by 0.6% in 1Q26**, in line with BBVA Research's forecast (0.6-0.7%), **marking a moderate slowdown from 4Q25 (0.8%)**.
- **Both consumption and investment met expectations of lower growth**, while goods exports consolidated the poor performance that real-time data had been showing.
- **For the time being, Social Security affiliation data show that job creation is holding up**, pending the effects that higher fuel prices may bring.

Foreigners' spending is accelerating again and could benefit from greater geopolitical uncertainty

IN-PERSON CARD SPENDING BY FOREIGNERS IN SPAIN*

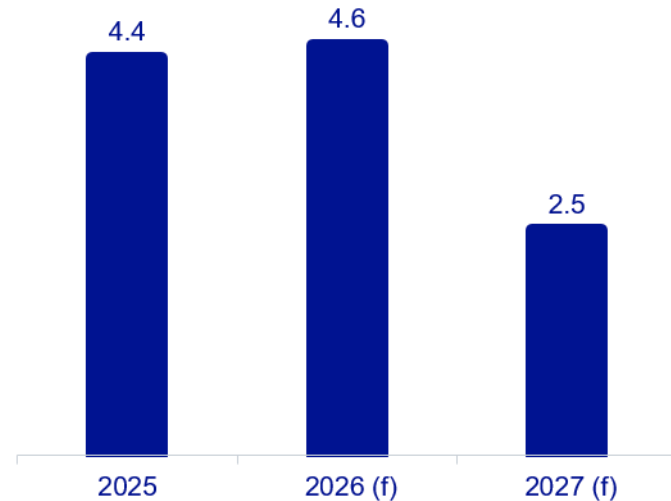
(Y/Y CHANGE IN PERCENTAGE)



*In-person spending with foreign cards at BBVA POS terminals. Non-in-person spending with foreign cards on transport in Madrid is included. Source: BBVA Research based on BBVA.

NON-RESIDENT CONSUMPTION IN THE DOMESTIC TERRITORY

(ANNUAL AVERAGE. PERCENTAGE CHANGE)

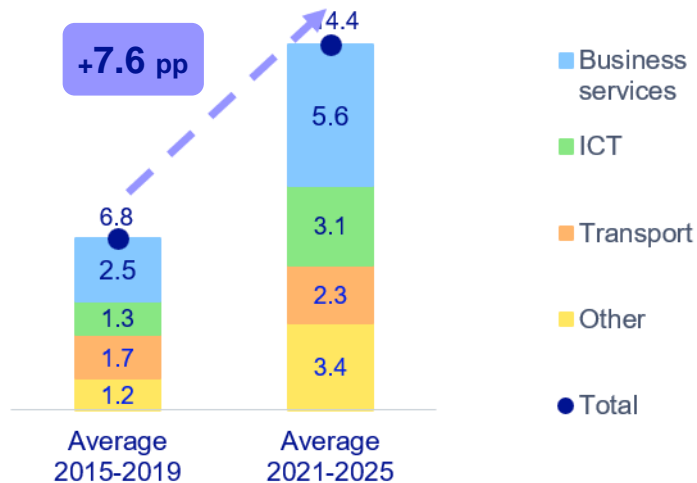


(f): forecast.
Source: BBVA Research based on INE.

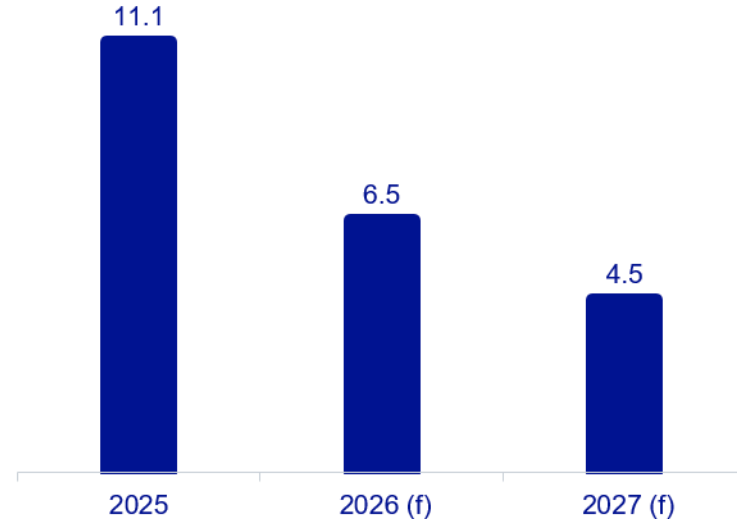


Exports of non-tourism services will continue to be one of the growth drivers

CONTRIBUTION TO THE ANNUAL CHANGE IN SPANISH EXPORTS OF NON-TOURISM SERVICES BY TYPE OF SERVICE (TOTAL % AND PP)

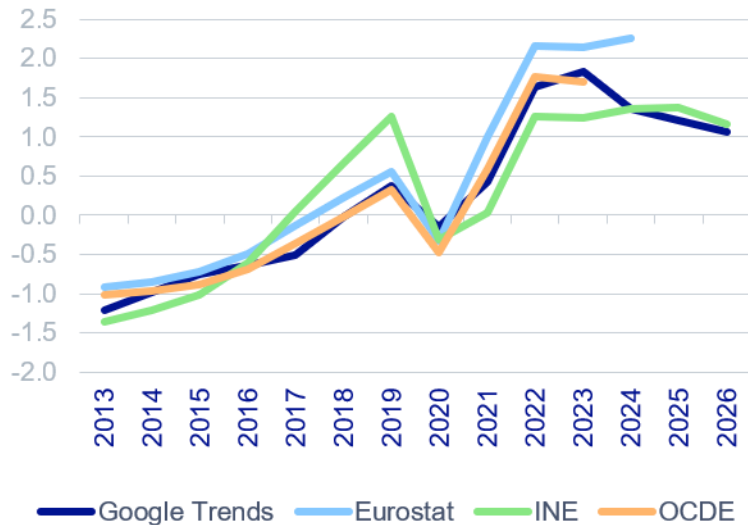


SPANISH EXPORTS OF NON-TOURISM SERVICES (ANNUAL AVERAGE. PERCENTAGE CHANGE)

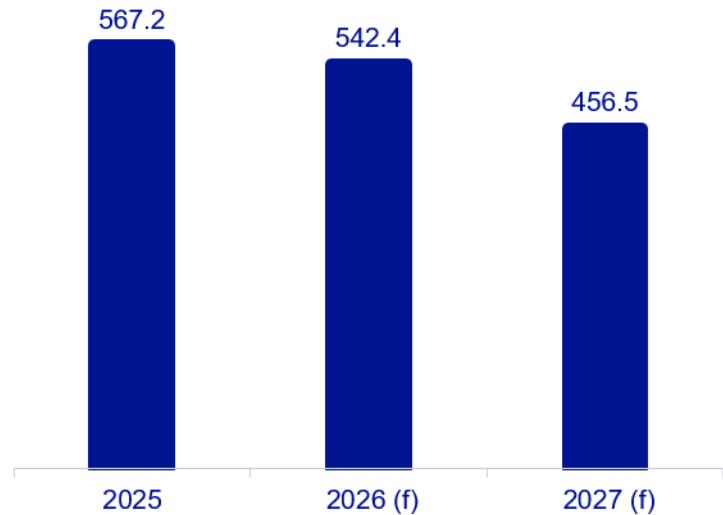


Immigration and higher labor force participation among Spanish nationals will continue to drive employment

IMMIGRATION TO SPAIN (GOOGLE TRENDS IMMIGRATION INDEX AND NORMALIZED OFFICIAL SERIES)



LFS EMPLOYMENT (ANNUAL AVERAGE. CHANGE IN THOUSANDS OF PEOPLE)



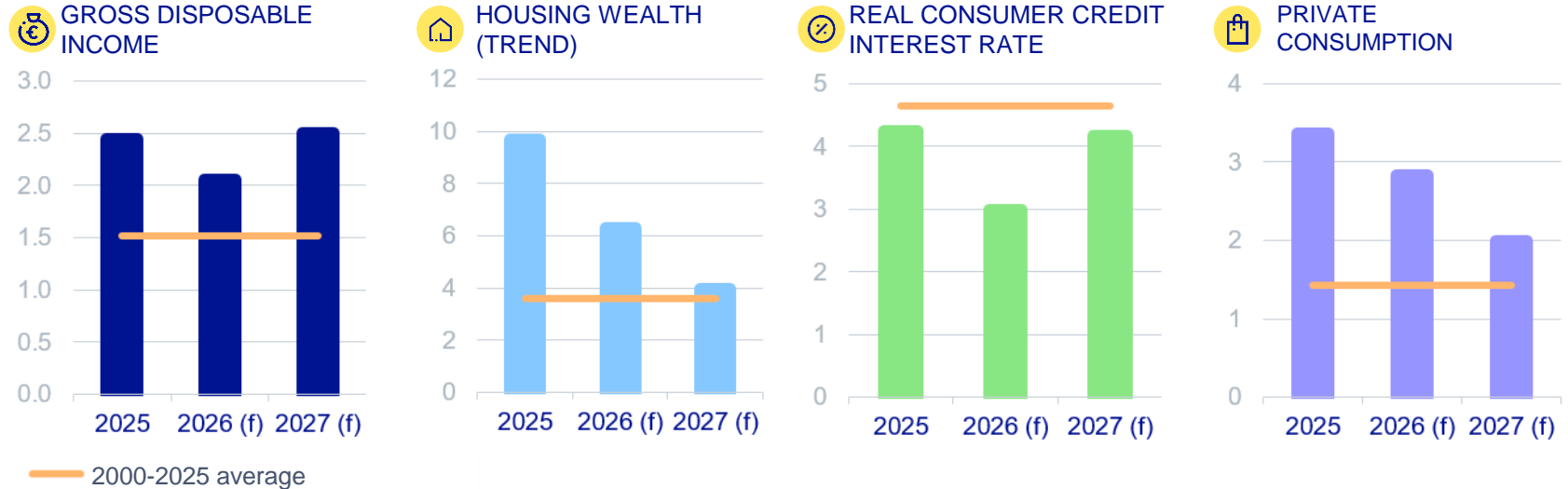
Source: BBVA Research based on Google Trends, OECD, Eurostat and INE. Note: the Google Trends figure for 2026 uses information from January to May; the INE series is annualized through January 2026.

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

Improvements in household income and wealth will support their consumption spending

MAIN DETERMINANTS OF PRIVATE CONSUMPTION

(PERCENTAGES, IN REAL TERMS, AVERAGE ANNUAL CHANGE, EXCEPT INTEREST RATE)



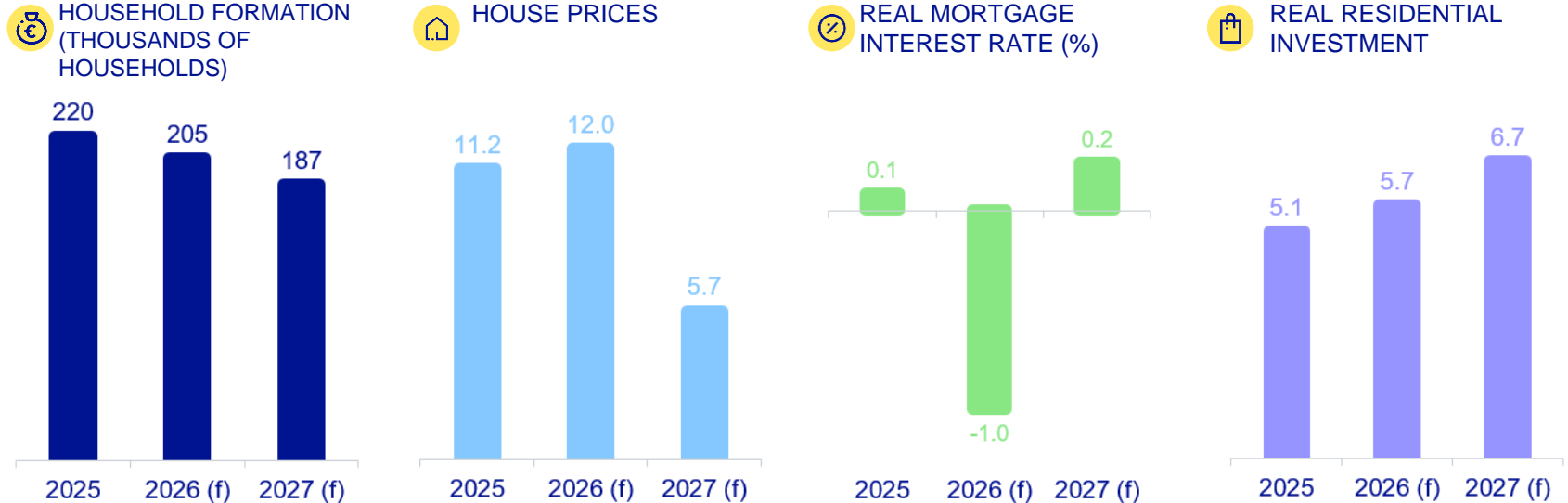
(f): forecast.

Source: BBVA Research based on INE and Bank of Spain.

Household formation, employment trends and financial conditions will favor residential investment

MAIN DETERMINANTS OF RESIDENTIAL INVESTMENT

(AVERAGE ANNUAL CHANGE IN PERCENTAGE, UNLESS OTHERWISE INDICATED)



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

Fiscal policy is proving more expansionary than expected and will reverse part of the improvement observed in the public deficit



Measures to address the cost of fuel:

- **Rapid:** Implemented weeks after the price shock.
- **Sufficient:** €5bn (0.3% of GDP), reducing inflation by 1 pp.
- **Temporary:** Fiscal space is limited; high prices incentivize the energy transition.
- **Targeting:** If they persist, they should focus on the most vulnerable groups.

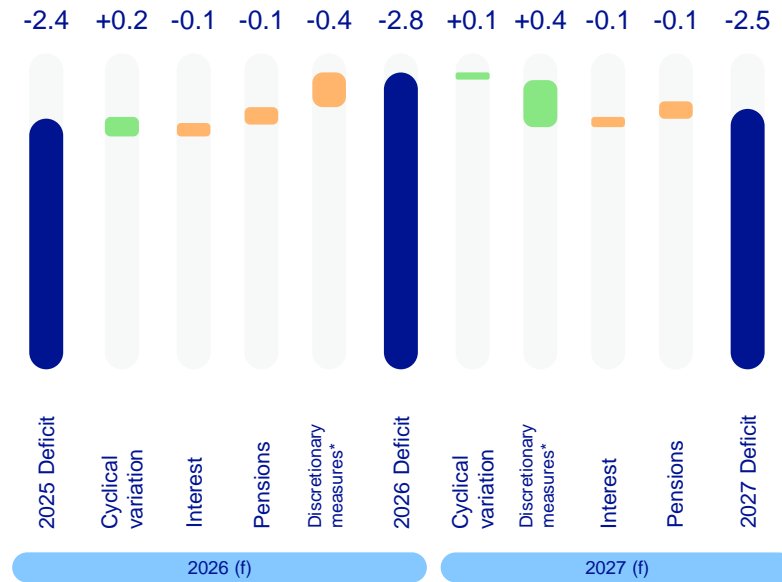


Measures to support those affected by storms: €7bn plan (0.4 pp of GDP) to mitigate damage from the beginning of the year.



Pensions: the increase in inflation implies higher growth this year and next.

Breakdown of the Change in the Public Deficit (% of GDP)



* Net impact of the measures approved to mitigate the effects of the DANA, the war in the Middle East and the storms at the beginning of the year, the effect of court rulings and the increase in defense spending.

Source: BBVA Research based on the Ministry of Finance and INE.

01

The deterioration of the external environment worsens the outlook

02

Growth will remain above 2%

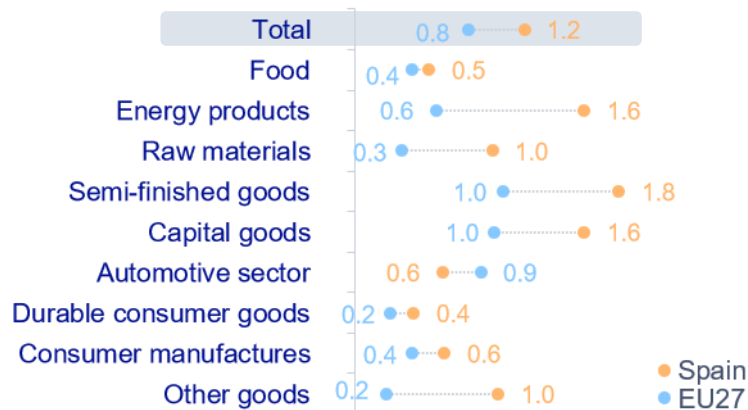
03

Opportunities and challenges ahead

Goods exports could benefit from diversification of destinations through agreements such as Mercosur

MERCOSUR'S SHARE IN GOODS EXPORTS BY SECTOR

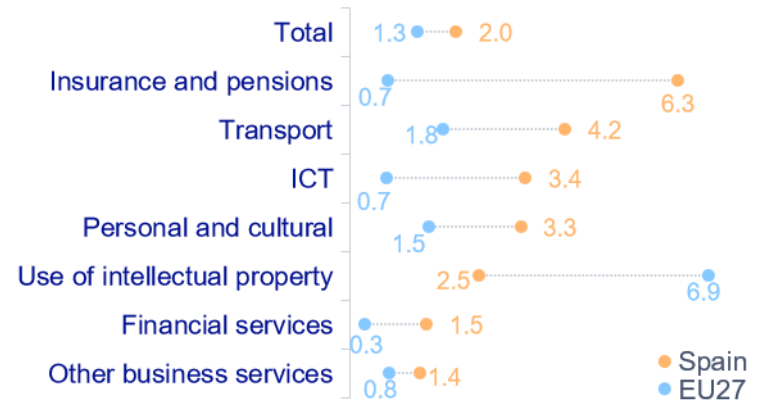
(PERCENTAGE OF TOTAL SECTOR EXPORTS, 2025)



Source: BBVA Research based on Datacomex.

MERCOSUR'S* SHARE IN SERVICES EXPORTS BY SECTOR

(PERCENTAGE OF TOTAL SECTOR EXPORTS, 2024)



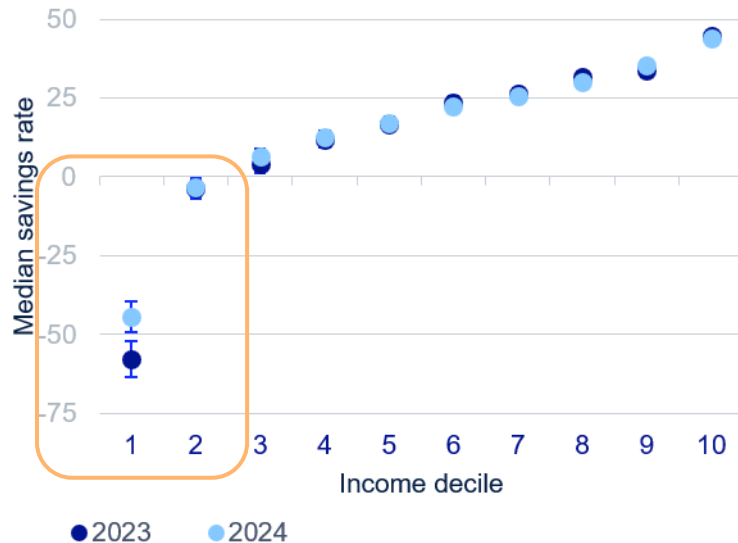
* In the case of Paraguay, sector-level figures are not available, only figures for total services.
Source: BBVA Research based on Eurostat.

The agreement will support trade and investment by reducing tariff and regulatory barriers and improving access to public procurement markets, benefiting Spanish sectors such as capital goods, machinery, chemicals, pharmaceuticals, insurance, transport and information technologies.

Insufficient savings limits vulnerable households' capacity to absorb the impact of inflation

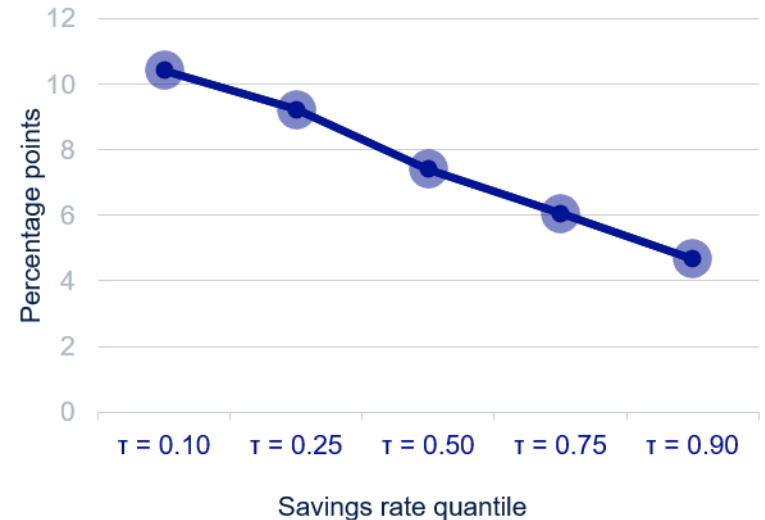
SPAIN: HOUSEHOLD SAVINGS RATE* BY REPORTED INCOME DECILE

(PERCENTAGE OF NET INCOME, 2023 AND 2024)



ESTIMATED EFFECT OF +€10,000 IN ANNUAL INCOME ON THE SAVINGS RATE*

(PERCENTAGE POINTS BY SAVINGS QUANTILE, 2024)

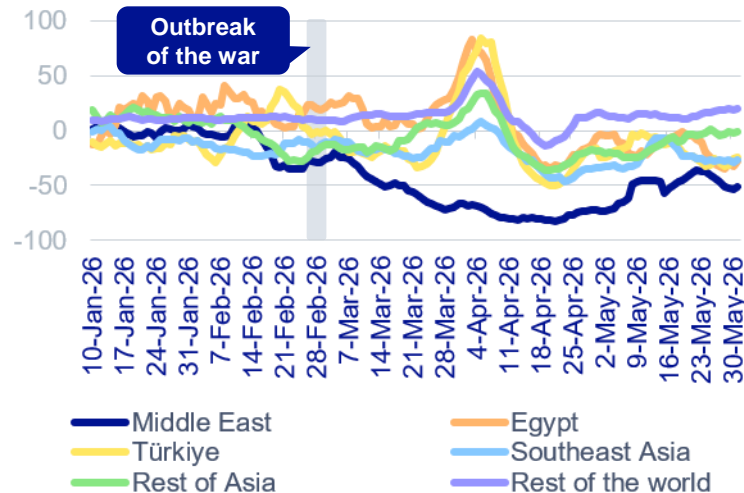


* The savings rate is defined as the difference between household net income and consumption expenditure, expressed as a share of net income. Net income and expenditure include all household sources, monetary and non-monetary. 95% confidence intervals.
Source: own estimates based on a statistical matching of INE's Living Conditions Survey and Household Budget Survey. The working paper will be published shortly.

*Own estimates based on a quantile regression of the household savings rate. The chart shows the estimated effect of a €10,000 increase in annual net income on the savings rate, by savings quantile. The specification controls for household size, housing tenure status, employment status, age, population density and gender. All coefficients shown are significant at 99%.

Lower perceived safety in other destinations could help sustain growth in the tourism sector

IN-PERSON SPENDING BY BBVA CUSTOMERS ABROAD BY DESTINATION AREA*
(Y/Y CHANGE, 7-DAY MOVING AVERAGE, %)



- Conflicts in the Middle East and disruptions to air routes to Asia could **divert tourist flows toward Spain**, as occurred in previous crises.
- **Spending by Spaniards in the Middle East** has fallen by close to 80%, and in Southeast Asia by around 40% since the end of February.
- For now, **this lower tourism activity abroad has not translated into an increase in domestic tourism spending.**
- If part of this spending is redirected to Spain or foreign tourist arrivals increase, the **impact on Spain's tourism sector would be positive.**

Middle East: United Arab Emirates, Bahrain, Israel, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia. Southeast Asia: Brunei, Indonesia, Cambodia, Myanmar, Maldives, Malaysia, Philippines, Singapore, Thailand, East Timor and Vietnam

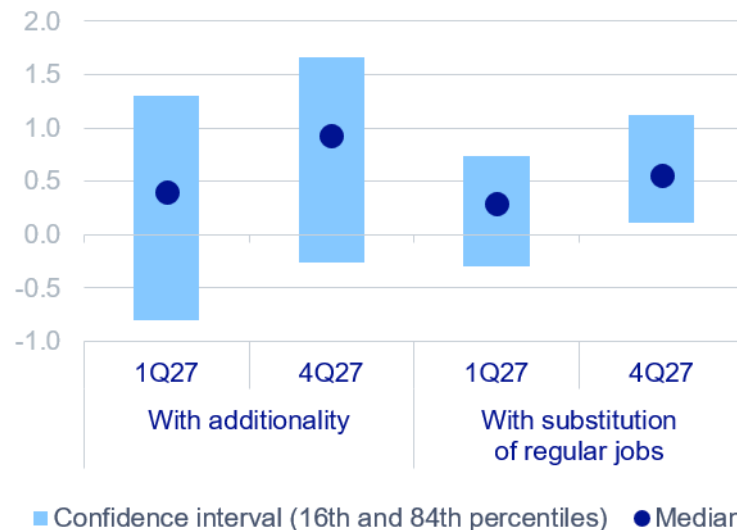
* In-person card spending by BBVA customers abroad. Includes cash withdrawals

Source: BBVA Research based on BBVA.

The regularization of foreign workers could boost activity, but a zero effect cannot be ruled out

- The regularization of foreign workers could increase **Social Security affiliation** by around 550,000 people (+17%).
- The impact on GDP is uncertain, since much of the effect would involve shifting employment from the informal sector to the formal sector.
- Regularization could **raise productivity and labor force participation**, as well as boost consumption by expanding regularized immigrants' access to goods and services.
- The measure could raise the average social contribution rate, hours worked and prices (proxied by the GDP deflator), and moderate real wage growth.

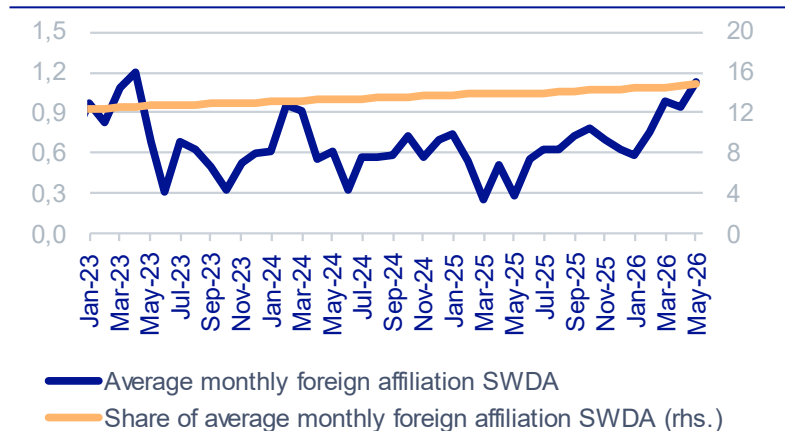
IMPACT ON GDP OF THE EXTRAORDINARY REGULARIZATION SHOCK* (DEVIATION IN PP FROM THE SCENARIO IN THE ABSENCE OF THE SHOCK)



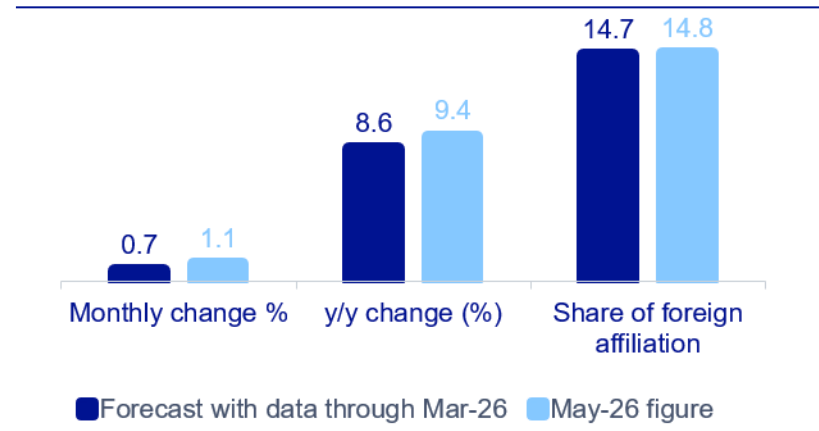
*Estimates obtained by BBVA Research from an SVAR identified with narrative, sign and elasticity restrictions and structural scenarios.
Source: BBVA Research based on INE, the Ministry of Economy and the Ministry of Labour and Social Economy.

The regularization of foreign workers could boost activity, but a zero effect cannot be ruled out

AVERAGE FOREIGN SOCIAL SECURITY AFFILIATION (MONTHLY CHANGE AND SHARE OF TOTAL AFFILIATION IN PERCENTAGE. SWDA DATA)



AVERAGE FOREIGN SOCIAL SECURITY AFFILIATION IN MAY-26 (CHANGE AND SHARE OF TOTAL AFFILIATION IN PERCENTAGE. SWDA DATA)



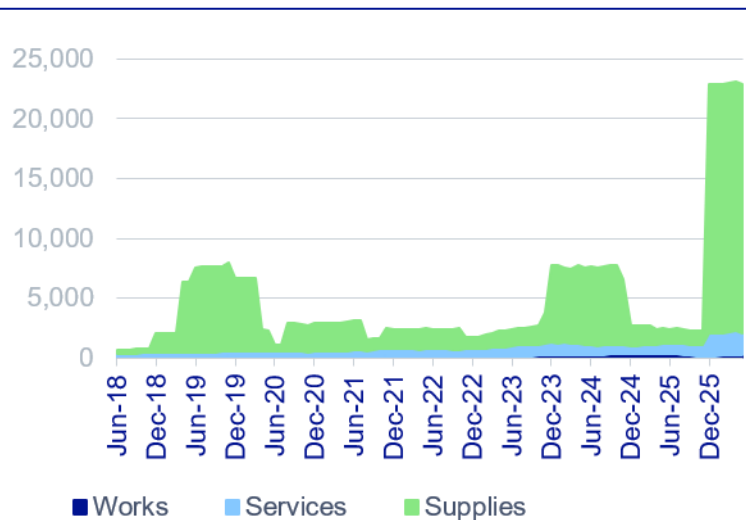
Source: BBVA Research based on the Ministry of Inclusion, Social Security and Migration and the Ministry of Economy, Trade and Business.

For the time being, May Social Security affiliation data show no relevant changes in the hiring trend for people of foreign nationality.

Higher defense spending represents an opportunity for Spanish companies that manage to adapt

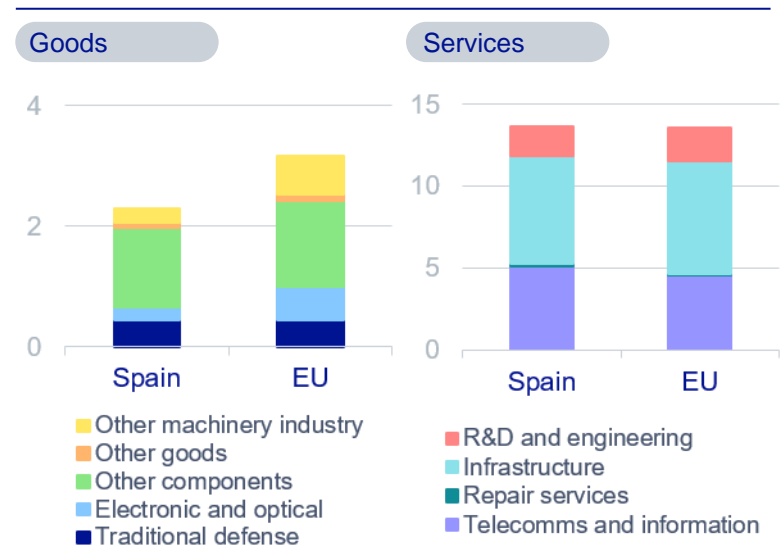
DEFENSE TENDERS, AMOUNT AWARDED EXCLUDING TAXES

(12-MONTH MOVING SUM. MILLION EUROS)



Source: BBVA Research based on PLACSP (with data through May 10, 2026).

CORPORATE VALUE ADDED BY SECTOR (AVERAGE 2021-2023, SECTOR'S SHARE OF TOTAL)



Source: BBVA Research based on Eurostat.

The Housing Plan is moving in the right direction, but requires reforms in land, labor and legal certainty

The 2026-2030 Housing Plan is a step forward

Investment:

Public and affordable housing increases (resources tripled to €7bn).

Collaboration:

Promotes the public-private model for affordable housing.

Consensus:

The announced agreement with regional governments is positive.

Public Stock:

Commitment to permanent ring-fencing (current 2% vs EU average 8%).

Profitability:

Improved through subsidies for urban development and industrialization.



Limitations and management challenges

Governance

Fragmentation of powers and potential lack of coordination with local governments and autonomous communities.

Limited scope

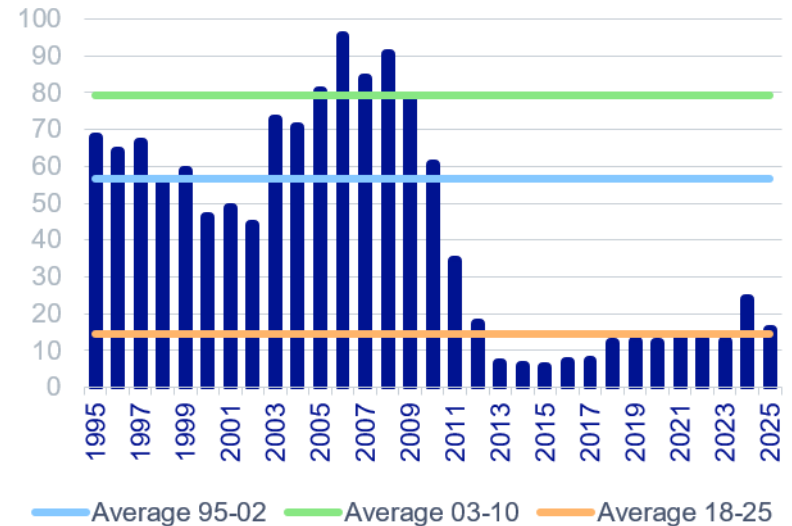
The budget would only allow the stock to increase by barely 33,000 units.

Bottlenecks

Lack of land, labor and legal certainty



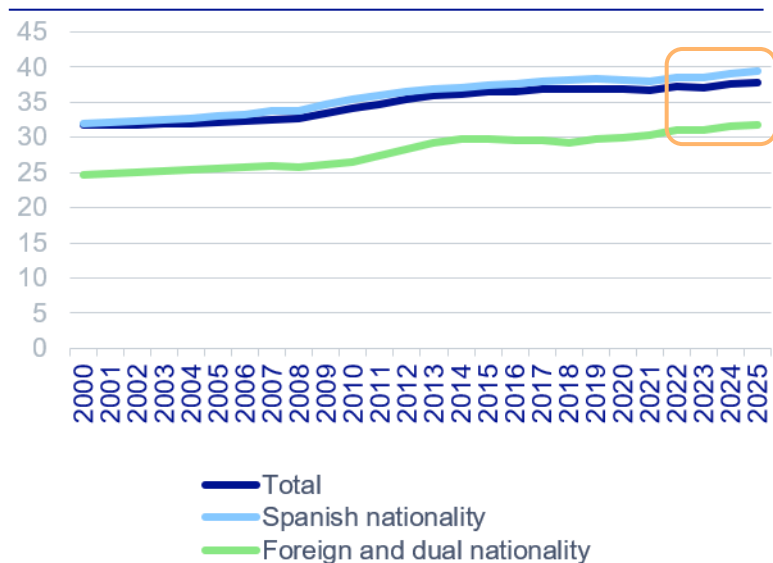
NUMBER OF HOUSING UNITS WITH PROVISIONAL PROTECTED STATUS (THOUSANDS, STATE AND REGIONAL PLANS)



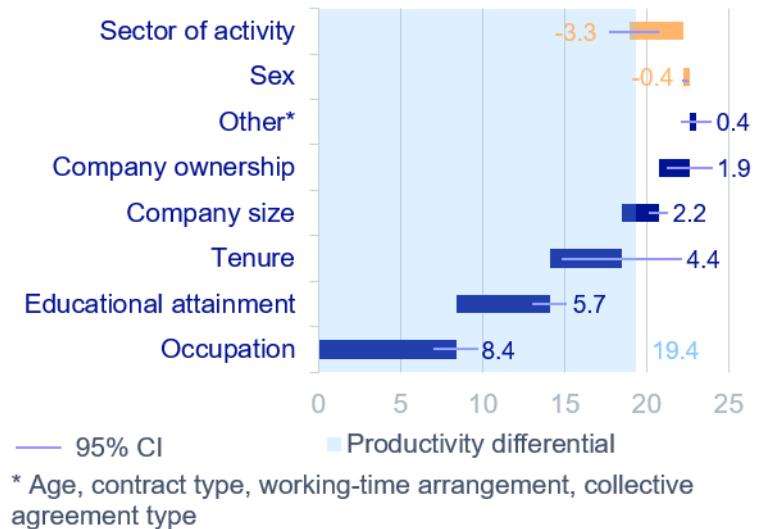
Source: BBVA Research based on the Ministry of Housing and Urban Agenda.

The productivity gap between the foreign and Spanish populations affects the average wage

GDP PER HOUR WORKED
(CONSTANT 2020 EUROS)



CONTRIBUTIONS TO THE PRODUCTIVITY PER HOUR GAP BETWEEN THE FOREIGN AND SPANISH POPULATIONS (SINCE 2022, PP)



Note: the productivity per hour worked gap between the foreign-nationality population and the Spanish-nationality population is approximated using the estimate of the wage gap explained by observable characteristics of workers and firms, such as age, educational attainment, tenure, size of the contribution account center, occupation, sector of activity, etc.
Source: BBVA Research based on INE (National Accounts and the Four-Yearly Wage Structure Survey - ECES).

Without NGEU funds, per capita investment in other structures would not have recovered 2019 levels

REAL INVESTMENT IN OTHER BUILDINGS AND STRUCTURES PER CAPITA

(INDEX 2019 = 100)

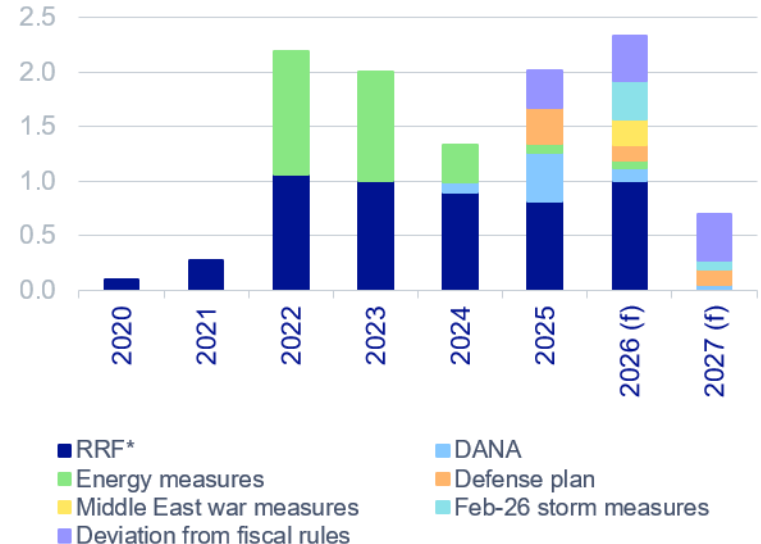


- **NGEU funds have been key to sustaining investment in non-residential construction**, which would have been 8.8% lower without their contribution.
- The gradual completion of funded projects creates a **risk of a slowdown in investment** over the coming quarters.
- Without the boost from European funds, investment in non-residential construction would remain **below 2019 levels** at the end of 2025.
- There is a possibility that **part of the funds financed projects that would have been carried out in any case**, which would reduce their transformative capacity for the production model.

Fiscal policy will change its tone over the coming months, becoming less expansionary

- From 2027 onward, **several discretionary measures will come to an end**, so the fiscal policy stance will become less expansionary.
- On the one hand, there is a **risk of not executing all the funds linked to the Recovery Plan** within the planned timetable.
- On the other hand, **the resources allocated to mitigate natural disasters** (DANA in Valencia, storms in Andalusia) **and higher input costs** following the conflict in the Middle East will gradually be depleted.
- **Failure to comply with fiscal rules** continues to be a source of uncertainty going forward.

DISCRETIONARY FISCAL IMPULSE
(% OF GDP)



* It is assumed that all investments financed with RRF transfers up to August 2026 are completed. (f): Forecast.

Source: BBVA Research based on the Ministry of Finance, PLACSP, CCS and BDNS.

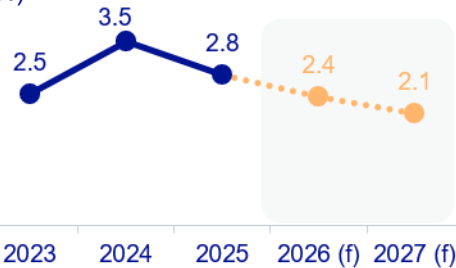
3. June 2026

Forecasts

Forecasts

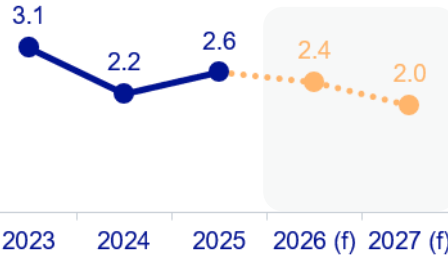
GDP growth

(%)



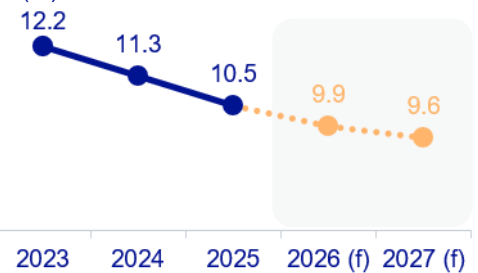
LFS Employment Growth

(%)



Unemployment Rate

(%)



Average Annual Inflation

(%)



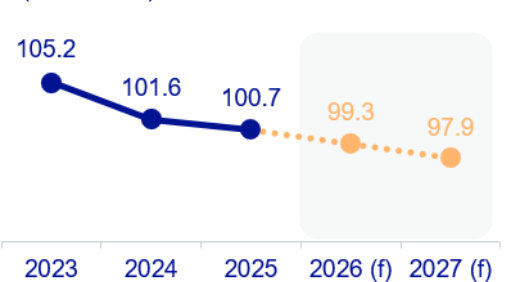
Public Deficit

(% of GDP)



Public Debt

(% of GDP)



Forecasts

% y/y	2023	2024	2025	2026 (f)	2027 (f)
National Final Consumption Expenditure	2.5	3.0	3.1	2.7	2.1
Private Consumption	1.8	3.1	3.4	2.8	2.0
Public Consumption	4.5	2.9	2.4	2.2	2.5
Gross Fixed Capital Formation	5.9	3.6	5.8	5.0	5.5
Equipment and Machinery	2.6	1.9	7.4	2.7	3.0
Construction	5.5	4.0	5.2	5.6	4.9
Housing	0.8	2.1	5.1	5.7	6.7
Domestic demand*	1.6	3.3	3.6	3.0	2.7
Exports	2.2	3.2	3.6	1.4	2.9
Goods exports	-1.5	0.1	1.1	-1.2	2.4
Services exports	11.3	9.8	8.4	5.7	3.7
Non-tourism services	6.6	8.1	11.1	6.5	4.5
Final consumption of non-residents in the economic territory	19.1	12.4	4.4	4.6	2.5
Imports	0.0	2.9	6.2	3.2	5.1
External demand*	0.9	0.2	-0.7	-0.5	-0.6
Real GDP at market prices	2.5	3.5	2.8	2.4	2.1

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

Forecasts

% y/y	2023	2024	2025	2026 (f)	2027 (f)
QNA Employment (Full-Time Equivalent)	3.6	2.8	3.1	2.5	1.7
Employment, LFS	3.1	2.2	2.6	2.4	2.0
Unemployment rate (% labor force)	12.2	11.3	10.5	9.9	9.6
CPI (annual average)	3.5	2.8	2.7	3.8	2.8
GDP deflator	6.4	3.0	3.0	3.2	2.6
Public deficit (% of GDP)	-3.4	-3.2	-2.4	-2.8	-2.5
Public debt (% of GDP)	105.2	101.6	100.7	99.3	97.9

(f): forecast.

Source: BBVA Research based on INE and Bank of Spain.

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