

Spain Economic Outlook

October 2026

Situation and outlook for the Spanish economy

Summary

Spain's GDP will grow by 2.6% in 2026 and moderate its pace to 2.1% in 2027. This performance will keep growth above or around the historical average of 2.1%. Growth will be driven by the strength of domestic demand, positive employment momentum and services exports. However, higher energy costs and tighter financial conditions will act as headwinds, slowing the pace of expansion.

The international environment will be marked by energy market pressures and modest growth in the eurozone. Restrictions on transit through the Strait of Hormuz will keep oil prices at around USD 90 per barrel at the end of 2026, before easing to an average of USD 76 in 2027, while gas prices will rise by more than 50% relative to 2025 levels. Against this backdrop, eurozone GDP will grow by 0.9% in 2026 and 1.2% in 2027.

Rising prices are forcing an adjustment in ECB monetary policy. Eurozone inflation will reach 3.0% in 2026 and 2.4% in 2027. To contain price pressures, the ECB will raise its policy rate by an additional 25 basis points (bps) to 2.75% in December, while 12-month Euribor will end 2026 at 3.25% and 2027 at 3.0%, increasing overall financing costs.

The Spanish economy will face a rebound in inflation that will affect incomes and margins. Spain's CPI is expected to stand at 3.7% in 2026 and 3.2% in 2027, limiting gains in household purchasing power and squeezing corporate margins. Higher energy prices will subtract between 0.4 and 0.5 percentage points (pp) from GDP and add between 0.8 and 0.9 pp to inflation through the end of 2027.

The change in the interest-rate outlook will have a negative impact of 0.3 pp on Spanish GDP through the end of 2027, with a greater effect on investment (-2.0 pp) and private consumption (-0.3 pp). This will result from more expensive financing, a higher debt-service burden and a higher opportunity cost of saving.

Private consumption and residential construction will support domestic demand. Household consumption expenditure will grow by 3.1% in 2026 and 2.2% in 2027, supported by employment and population growth. Residential investment could increase partly as a result of expectations for house-price growth (11.5% in 2026 and 5.5% in 2027), while investment in machinery and equipment will remain resilient despite the rise in interest rates.

The external sector will show diverging trends between goods and services. Goods exports will fall by 0.6% in 2026, hit by energy costs, but will rebound by 2.1% in 2027. By contrast,

services exports will maintain a solid expansion of 6.7% in 2026 and 4.2% in 2027, offsetting the deterioration in merchandise trade.

Expansionary fiscal policy will slow the consolidation of the public finances. Measures to mitigate the energy shock and higher budgetary spending will limit the reduction in the general government deficit (2.7% of GDP in 2026 and 2.4% in 2027). Higher financing costs and pension-related obligations will place additional pressure on the fiscal balance in the coming years.

Structural imbalances and bottlenecks are shaping the medium-term outlook. The momentum from artificial intelligence (AI) and investment in defense offer opportunities for productivity growth. However, the end of NGEU funds, congestion in electricity distribution networks, the shortage of supply at affordable prices and population aging threaten to constrain future growth capacity.

A prolonged period of international uncertainty, with higher inflation and interest rates, could slow GDP growth in Spain

The global economy has remained resilient despite multiple shocks, which show few signs of abating. For now, the available activity indicators show that growth in the major economies is holding up, even robustly, in a particularly uncertain environment. In this regard, the drag that some factors observed in recent months could impose appears to be offset by more positive developments. Among the factors posing downside risks to activity, there is particular concern over a protracted war between the United States and Iran and its consequences for the cost of several key inputs to the global economy, especially fuels. Added to this is the monetary policy response, the increase in risk premia on long-term sovereign debt and changes in US trade policy. On the other hand, the factors that have helped offset these headwinds include the increase in investment related to the development and adoption of artificial intelligence (AI), as well as efforts by several countries to improve their security by strengthening resilience to disruptions in value chains or boosting defense spending. At the same time, the economic policy response has been measured and consistent with maintaining a growth-friendly environment.

The persistence of restrictions on transit through the Strait of Hormuz will keep the prices of some key commodities above previous expectations over the coming months. Although trade flows in the affected area have not been fully restored, several factors have allowed oil prices to remain relatively in line with expectations. These include the use of alternative routes, increased crude-oil production in countries with spare capacity, inventory drawdowns and efficiency improvements. However, tensions have lasted longer than expected. BBVA Research's scenario assumes that oil prices will average around USD 90 per barrel during the latter part of this year and the beginning of 2027. From then on, they are expected to moderate gradually, reaching an average price of USD 76 per barrel in 2027. The European economy is also watching the rise in gas prices with concern: while, in BBVA Research's scenario, oil prices in 2026 would be around 30% above 2025 levels, gas prices would rise by more than 50%. This is

compounded by tensions in other refined fuels, certain metals such as copper, and some key inputs for the agri-food and technology industries.

The latest changes announced in US trade policy barely alter the average tariff, although their impact has been redistributed across countries. On July 23, the US government announced new tariffs under Section 301 of the Trade Act of 1974 on imports from 60 economies. These measures replace both the tariffs announced in 2025, later declared invalid by the Supreme Court, and the temporary duties introduced to replace them, which were due to expire on July 24. Economies such as Brazil have seen an increase in the effective tariff of between 6 and 8 percentage points above the level that would have resulted had the measures announced in 2025 remained in place. Other adversely affected countries include Canada and China. For the European Union, these changes are estimated to have been beneficial in relative terms, as the new tariff would be 2 percentage points below the level announced in 2025. To gauge the impact this outcome may have on trade with the United States, it is important to bear in mind that, according to BBVA Research estimates, European exports to the U.S. fell by around 2% in 2025 for each percentage-point increase in the tariff.

The eurozone GDP growth forecast is revised up to 0.9% in 2026 (+0.2 pp) and remains at 1.2% for 2027. Activity is showing solid momentum, with stable quarterly growth, especially when Ireland's volatile contribution is excluded. Consumption is particularly important and, despite higher inflation and changes in monetary policy, continues to account for most of the growth. This has been accompanied by an improved outlook for industry, where new orders in Germany are accelerating in tandem with the increase in defense spending. The strong performance of exports also stands out, particularly during the first half of the year. Meanwhile, investment potentially linked to the development and adoption of AI appears to be increasing, albeit modestly compared with the momentum observed in the United States, and is concentrated mainly in imported goods.

The persistence of higher energy prices implies higher inflation, although moderation is expected next year. Europe remains more exposed than other regions to higher fuel costs and is entering this winter with low gas inventories. These pressures are compounded by heat waves and drought, which could contribute to higher inflation over the coming months. Growth in defense and AI investment is affecting not only activity, but has also added pressure to the prices of some inputs. Fortunately, for now, the second-round effects that these shocks could have on the cost of services appear to be contained. In any event, the factor weighing most heavily on the outlook is the expected decline in oil and gas prices during the first half of 2027, in line with current expectations priced into futures markets. If this materializes, eurozone inflation would average 3.0% in 2026 and moderate to 2.4% in 2027.

BBVA Research forecasts point to the European Central Bank (ECB) raising its monetary policy rate by a further 25 bps in December, to 2.75%, while additional increases will depend on the data. Under the scenario described in this publication, moderating energy prices and the absence of significant second-round effects on the rest of the economy would allow the ECB to keep interest rates unchanged throughout 2027 after the increase expected at the end of this year. Together with the 25 bps rise recorded in September, this would add 50 bps to

financing costs relative to what was envisaged in the June scenario, which is expected to constrain private consumption and investment growth more than previously estimated. In this context, 12-month Euribor, the main benchmark in the financing market, could end 2026 at 3.25% and 2027 at 3.0%. This downward trend over the coming months would occur insofar as the decline in oil prices made a monetary policy stance as restrictive as the one currently priced in by the market unnecessary, bringing it more into line with BBVA Research's scenario. In any case, the bias around the future path of interest rates will continue to depend on the persistence of pressures on energy, transport and food costs. If these tensions persist, the ECB could be forced to shift monetary policy into a contractionary stance from its current position, which is close to a range considered neutral (2.0-2.5%).

Long-term government bond yields are rising in developed economies, not only because of inflation and changes in monetary policy. Since June, US and German bond yields have increased by around 50 bps, reaching levels not seen in more than 15 years. On the one hand, higher investment spending (AI, defense, value chains, alternative energy sources, etc.) is putting pressure on the demand for financing, increasing its cost in real terms. On the other hand, central banks have been reducing their holdings of sovereign debt in recent years. Finally, the increase in risk premia points to possible doubts about the determination of governments in several developed economies to advance fiscal consolidation and public debt reduction. In the absence of credible commitments, there is a risk of entering vicious circles in which higher financing costs increase interest expenditure, generating additional imbalances in the public finances, while the resulting higher leverage puts upward pressure on risk premia. Although the risks are not imminent, the current context makes the enforcement of fiscal rules in the eurozone more necessary.

In Spain, growth is expected to remain above 2.0%, although some moderation is anticipated over the coming quarters

Average GDP growth in Spain could stand at 2.6% in 2026, before continuing the slowdown observed in recent years and reaching 2.1% in 2027. For 2026, this represents an upward revision from the June forecast, when GDP growth of 2.4% was expected, while the growth outlook for 2027 remains unchanged. Both figures imply growth above the average of the past 30 years (2.1%). If this scenario materializes, around 530,000 jobs could be created this year and 465,000 the next, allowing the unemployment rate to fall to 9.9% in 2026 and 9.5% in 2027. Meanwhile, GDP per capita could rise by 1.3% per year in real terms over the two-year period and GDP per hour worked by 0.4%, both broadly in line with the averages observed since 1996 (1.3% and 0.6%, respectively).

The increase in oil and gas costs could subtract between 0.4 and 0.5 pp from GDP growth and add between 0.8 and 0.9 pp to inflation in Spain through the end of 2027. The longer the rise in energy costs persists, the greater the impact on activity. In the face of a temporary shock, households can initially cushion the loss of purchasing power by reducing their saving rate or turning to credit, while fiscal policy can temporarily limit the impact on incomes and costs.

However, the ability of these mechanisms to sustain spending diminishes as the tensions persist, increasing the likelihood that the adjustment will ultimately feed through to consumption and investment. Even so, the resilience currently shown by activity may reflect improvements in energy-use efficiency, firms' ability to adapt, the economy's reliance on sectors that are less fuel-intensive, or simply the fact that current prices are not particularly high in real terms when compared with levels reached in other periods in which activity was negatively affected. In any case, industry, transport and the agri-food sector (and the export sector more broadly) may be particularly affected given their dependence on energy. Low-income households located outside urban areas and without access to public transport may be especially affected.

Goods exports would fall by 0.6% in 2026, largely due to higher costs, although a recovery is expected in 2027, with growth of 2.1%. In addition to the loss of competitiveness associated with higher energy and transport costs, firms will have to continue coping with the lack of a stronger acceleration in the European economy. Structural adjustments appear to be continuing in some sectors affected by regulatory uncertainty, demographic changes or greater Chinese competition, such as automotive production. Lastly, some appreciation of the euro against the dollar is expected over the coming quarters, to a range of USD 1.15-1.20 per euro during 2027. Despite this, a gradual recovery in goods exports is expected over the following year. This would be supported by the completion of adjustments in certain specific sectors, the positive effects of investments made to boost electric-vehicle production and higher defense spending in Europe. The recovery would also benefit from the growing weight of export sectors that have shown stronger momentum in recent years, such as basic chemicals, pharmaceuticals, cleaning products, plastics and meat products.

The persistence of high fuel prices will keep inflation high (3.7% in 2026, 3.2% in 2027), even taking into account the measures announced by the Government. In September, CPI inflation had already reached 4.9% and will remain above 4% through the end of the year. This is despite the Government having reinstated some tax reductions, for example on the Hydrocarbon Tax, and made others conditional on price increases exceeding certain thresholds, such as the VAT rate on electricity or the Special Tax on Electricity. It has also capped increases in the regulated single gas tariff and extended support to groups particularly affected by this environment, such as the transport and agri-food sectors. It is positive that the Government continues to make support conditional on meeting certain criteria. Price controls are intended to phase in increases rather than indefinitely conceal the higher cost of gas or place the entire burden of the increase on firms. These rules will limit the fiscal cost associated with measures to mitigate the effects of higher energy costs, which is already among the highest in the eurozone in any case. Unfortunately, this, together with compliance with European commitments, reduces fiscal room for maneuver in the coming years.

The loss of household purchasing power, together with lower corporate margins, will weigh on domestic demand over the coming months. The various labor-cost measures point to trend increases of around 3.5%, suggesting that employees' incomes are falling in real terms. The fact that inflationary pressure stems from imported goods makes it less likely that the deterioration in household conditions will be offset by an improvement in firms' financial positions. In fact, the pass-through of higher fuel prices to the rest of the consumption basket is proving

slower than in previous similar episodes. This could be a sign that firms are absorbing part of the increase in oil, gas and fertilizer prices in their margins; it may also indicate that the measures announced by the Government and their design have so far prevented a larger pass-through of the shock to prices. In any event, higher inflation will limit the growth capacity of domestic spending over the coming months.

The change in the interest-rate outlook could have a negative impact of 0.3 pp on Spain's average GDP growth in 2026 and 2027. According to BBVA Research, the effect of a further 50 bps increase in monetary policy rates and its transmission along the rest of the Treasury financing curve would also result in private consumption growth 0.3 pp lower than it would have been without these changes, while the effect on investment would be considerably larger (2.0 pp lower). Several mechanisms will drive these effects. On the one hand, the increase in the debt-service burden may reduce the share of household and corporate income devoted to consumption and investment. This will be compounded by higher returns on savings instruments, which will raise the opportunity cost of spending today. In addition, access to financing will now be more expensive for both the private and public sectors. The latter will have less fiscal space to help the most vulnerable agents cope with the current situation of stress. The rise in interest rates is occurring in a context in which inflation is driven not by demand but by supply, so the effects of monetary policy in containing prices may be relatively limited despite the cost in terms of activity.

The resilience of growth is explained by strong employment momentum, robust services exports, solid consumption and healthy growth in certain investment components

Real-time activity data show that quarterly GDP growth in 3Q26 (0.6%) would remain relatively high, only slightly below the rate observed in 2Q26 (0.7%). Although Social Security registrations have accelerated since April, this has been influenced by the extraordinary regularization process for migrants. To isolate this effect, BBVA Research has estimated how registrations would have evolved in the absence of the regularization, based on the trend observed through March. For foreign workers, the counterfactual points to an increase of 210,000 registered workers between March and September, compared with the 474,000 actually observed. The difference between the two figures provides an approximation of the impact of the regularization. The same exercise for Spanish nationals, by contrast, shows registration growth below what might have been expected based on its evolution through March. This points to some slowdown in underlying job creation once the effect of the regularization is stripped out. According to these exercises, and excluding the impact of the regularization, Social Security registrations would have increased by 2.4% Y/Y in 2Q26 and 2.2% in 3Q26, rates similar to that recorded in 1Q26 (2.3%).

Services exports continue to grow faster than GDP (6.7% in 2026 and 4.2% in 2027). Since the end of 2019, this component has increased by almost 54% and is expected to maintain stronger momentum than the other components of demand. This is taking place in an

environment in which eurozone GDP growth has not been particularly high. Both non-resident consumption and non-tourism services exports are showing resilience, supported by labor availability as a result of migration flows, greater and better use of transport and accommodation infrastructure, and stronger digitalization capacity thanks to the sharp increase in investment in intangibles, as well as by structural changes taking place in global demand. These include population aging and income growth, which favor a larger share of household spending being devoted to services. In addition, the increase in trade barriers has been concentrated on transactions in goods. In any event, the slowdown observed in recent years is expected to consolidate over the forecast period. Factors that would explain this moderation include capacity constraints on absorbing further tourist inflows, higher prices, congestion problems and measures implemented in some regions to contain growth in the supply of rooms.

Private consumption will post solid growth in 2026 and 2027 (3.1% and 2.2%, respectively), supported by its fundamentals, although its pace will moderate as a result of higher prices and interest rates. Employment is expected to increase by 2.4% this year and 2.0% next year, as a result of growth in the labor force, to which immigration is the main contributor. The household saving rate would fall by 1.2 percentage points of gross disposable income in 2026 and by 0.2 pp in 2027, allowing household spending to continue rising despite higher prices. This is compounded by strong wealth dynamics, supported by increases in the value of real-estate assets, with house prices rising by 11.5% in 2026 and 5.5% in 2027, and by equities. Lastly, the measures approved by the Government to limit the impact of higher fuel and electricity costs will also help support private consumption. In any event, a convergence toward more moderate growth rates is expected, in a context of slower growth in the foreign-born population, relatively high energy prices and a monetary policy stance gradually becoming less expansionary.

Public consumption (2.5% and 2.4% in 2026 and 2027) continues to contribute to domestic-demand growth, supported by employee compensation and in an environment in which compliance with fiscal rules is becoming increasingly difficult. While GDP has increased by 12% since 4Q19, public consumption has risen by 20%. As a percentage of GDP, this variable stands 1.5 pp above the levels observed in 2007 and 0.5 pp above those of 2019. Given current trends and in the absence of fiscal-policy changes that constrain the increase in public spending, this component of domestic demand will continue to contribute to growth. In particular, the strong performance of tax revenues is allowing a significant transfer of resources to the Autonomous Communities that is not being used to reduce imbalances in the accounts of some regions or to reduce debt and is instead largely being devoted to the provision of public services.

Fiscal policy overall remains moderately expansionary in an environment of economic growth, slowing the improvement in the general government deficit (2.7% of GDP in 2026 and 2.4% in 2027). In addition to the measures approved to alleviate the effects of higher fuel prices, other measures announced in recent months must be added, such as increased resources following approval of the Dependency Law, greater flexibility in the use of some Autonomous Communities' 2025 surpluses for sustainable investment, and aid for those affected by the summer wildfires. This will cause the imbalance in the public accounts to deteriorate this

year compared with the previous year (2.4% of GDP), despite relatively high growth compared with the average of the past 20 years. Looking ahead to next year, in the absence of measures replacing these policies, the deficit could continue its improving trend, although this may be limited by the increase observed in inflation and interest rates. The former will put upward pressure on pensions, which will rise faster than GDP. As for financing costs, pressure will increase over the coming years if the scenario of higher rates persists and debt issued during the low-rate period has to be refinanced.

Gross fixed capital formation is showing uneven growth, with purchases of machinery and equipment, rising by 3.8% and 3.0% in 2026 and 2027, respectively, appearing to hold up better than construction (2.8% and 3.7%). The recent revision of the historical national accounts series by the National Statistics Institute (INE) has added one percentage point to investment growth between 2023 and 2025. The improvement is entirely explained by growth in investment in machinery and equipment, excluding transport equipment and armaments, which is now more than 20% above end-2019 levels. This result is particularly important for the future growth capacity of the Spanish economy and for assessing the multiplier effects of funds linked to the Recovery, Transformation and Resilience Plan (PRTR). However, investment in transport equipment continues to show a disappointing performance and remains virtually stagnant at levels 13% below those observed in 4Q19. Meanwhile, construction investment is stagnating in the non-residential segment and growing less than expected in housing. In both cases, recent developments are disappointing, especially taking into account the strong performance of employment, growth in domestic demand, pressing infrastructure needs (particularly in the residential sector) and support from resources linked to the PRTR. Over the coming quarters, the outlook for investment will also be conditioned by factors that could limit its growth. Higher interest rates, greater uncertainty and the end of NGEU funds would contribute to moderating purchases of capital goods and residential construction. In the latter case, however, these factors could be offset by rising house prices and the policies announced to boost supply. Overall, gross fixed capital formation is expected to maintain some momentum over the coming quarters.

Main biases to the scenario

The international environment will remain the main source of uncertainty for the Spanish economy, with risks concentrated on higher inflation and interest rates, while attention also focuses on the impact of the development of artificial intelligence. An escalation of the war between the United States and Iran, or further destruction of installed capacity in Russia or Ukraine that could place additional strain on fuel markets or have further consequences for international trade, could exacerbate price increases or, in extreme scenarios, require restrictions on energy consumption. This could be compounded by climate shocks, geopolitical conflicts in other parts of the world, further episodes of protectionism among the major economies or the effects of structural trends in labor markets such as population aging. Central banks' response to higher-inflation events could lead to turbulence in both private and public debt markets. The lack of credible fiscal consolidation plans or a less favorable political environment for ensuring the sustainability of the public finances could worsen the situation. On the other hand, strong growth

in investment in the development and adoption of AI could lead to productivity gains and have a multiplier effect on gross capital formation worldwide. This could even be accompanied by downward pressure on prices as a result of efficiency gains, which would help limit increases in financing costs.

In Spain, services exports continue to surprise on the upside in their ability to sustain strong growth, supported by both temporary factors and structural changes. For example, spending by foreign tourists has recovered since March, coinciding with the start of the war between the United States and Iran. BBVA credit-card spending data confirm this trend. Along the same lines, Spaniards have stopped visiting countries in the Middle East and, to a lesser extent, Southeast Asia, with the latter also affected by disruptions to air routes as a result of the conflict. Meanwhile, some of the regions and provinces where foreign tourism is growing the fastest are in the north, such as Galicia, Asturias, Cantabria, Navarre and Aragon. These are also the areas with the greatest remaining growth capacity, as shown by the differential impact of a one-off event such as the solar eclipse observed in the second week of August. The Spanish provinces with the greatest visibility of the phenomenon experienced the largest increases: +25.7% Y/Y in areas where the eclipse reached 100% coverage (+13.6 pp above the increase recorded in the previous week). These supports are more than offsetting the weakening seen in domestic tourism, the loss of competitiveness and congestion problems, particularly in traditional beach destinations.

For now, the inflation trend shows no significant second-round effects, which may be linked to greater resilience to increases in energy prices. In particular, fuel and electricity prices have trended more favorably than expected, even taking into account the lower tax burden. This may reflect the fact that investment in recent years has focused on increasing renewable-energy supply and that efficiency in fuel use has improved among both firms and households. In addition, the pass-through to food prices from higher transport costs and more expensive fertilizers has been smaller than expected, taking into account the experience during Russia's invasion of Ukraine. Lastly, besides efficiency improvements, producers may have made better decisions to hedge supply risks. In any event, risks are currently moderately tilted to the upside as long as inflation remains high in a context of solid growth.

Higher interest rates could have a smaller impact on the private sector than in previous episodes. Both households and firms are less vulnerable to higher financing costs than they were 20 years ago. Mortgage debt has fallen from almost 100% of gross disposable income in 2008 to less than 50% today. Whereas only 2% of mortgages were at fixed rates in the period before the global financial crisis, today 57% are fixed-rate. Finally, household deposits have risen from 96% of gross disposable income to 103%, which, together with lower indebtedness, has improved the net financial wealth of many households and made their exposure to interest-rate movements more resilient.

Fiscal policy could remain more expansionary than expected or have a greater effect on private investment and productivity. There is considerable uncertainty about when, and in what type of investment, the completion of the allocation of funds linked to the PRTR will become visible. In addition, the data suggest that the program has concluded with some degree of

underexecution, as only 86% of resources appear to have been allocated. For now, this higher spending and the reforms that were conditions for the disbursement of the funds coexist with relatively weak private investment and stagnant productivity per worker. However, it cannot be ruled out that the most important effects on these two key indicators of medium-term growth are still to come. In addition, higher defense spending could have transformative effects on Spanish industry, especially if the increase in demand also includes services, where the economy may have greater growth capacity.

The development and adoption of AI represent an opportunity to transform occupations and raise productivity. The Spanish economy has created 2.5 million jobs since 2019 (11.9%), but GDP per employed person has barely increased (0.2%) and productivity per hour worked has risen by only 2.4%. In this context, AI opens up an opportunity for transformation because it will replace some tasks, complement others and create new occupations, freeing up time for higher-value-added activities. Its impact will depend on adoption, regulation, business organization and the skills of the population. Since 2022, employment in occupations most exposed to AI has increased more than in other occupations, with lower temporary-employment and underemployment rates. So far, no negative relationship is apparent between exposure to AI and employment levels.

Supply constraints, such as insufficient investment in electricity distribution networks, threaten to limit growth going forward. Electricity demand could increase by around 45% over the next four years, driven by new uses in industry, transport, data centers and housing construction. However, 88% of distribution nodes currently have less than 1 MW available, limiting the connection of new projects of a certain scale. For example, more than 80,000 planned homes depend on the construction of new electricity infrastructure. The examples of Madrid, Barcelona, Valencia, Alicante, Seville, Malaga and Murcia, Spain's seven most populous provinces (47% of the total population), show that in many cases the greatest available electricity capacity does not always coincide with the areas where residential growth is strongest. In numerous developments, the grid will need to be expanded through new substations and reinforcements in order for the planned homes to be built.

Generational replacement requires a strategy to attract immigrants, retain senior talent and close the gender gap in employment rates. European labor markets are aging: the average age of employed people is around 43 in the EU-27, and senior workers already account for more than 20% of total employment, which is especially relevant in some sectors such as housing, at least in Spain. In most European countries, the number of employed people aged over 55 exceeds the number of young nationals in employment, jeopardizing generational replacement over the medium term. In Italy, Spain, Portugal and Germany, young national employment amounts to barely 60% of senior employment. Only in a few countries with more dynamic native populations (France, the Netherlands and Sweden) do the two groups still account for similar shares of employment. Therefore, without increases in employment rates and/or productivity, it will be difficult to replace the workers expected to retire by 2040. While Germany, Italy and Portugal share the weakest outlook, in Spain replacement capacity will depend on its ability to retain senior talent, attract foreign population and close the gender gap in employment rates.

The main problem in Spain's housing market is the shortage of supply at affordable prices. BBVA Research's diagnosis in recent years is that measures capable of addressing the problem should be structured around at least six pillars. The first should be to promote a national housing pact that provides long-term stability to the regulatory framework and supports investment. The second would involve bringing more housing onto the long-term rental market, mainly by improving legal certainty and, once this has been achieved, using tax policy. The third pillar should be to mobilize land and accelerate urban transformation by approving a new law in this area as soon as possible and working on mechanisms that significantly reduce the time required to build housing. The fourth is to boost public investment in the sector, seeking to correct the gap relative to other countries in the stock of public rental housing. The fifth would be to address the barriers preventing productivity gains in residential construction and to increase labor availability. Finally, alternative financing mechanisms need to be promoted.

The lack of consensus around solutions to key structural issues may begin to have negative effects on economic activity. Growth capacity could be exhausted over the coming quarters as activity increasingly runs into bottlenecks. The examples mentioned above include insufficient investment to expand productive infrastructure in key sectors such as tourism, the electricity distribution network and housing. Some public services have shown signs of congestion in recent months, particularly those related to transport and healthcare. If this causes migration flows to stop, the aging of the Spanish-born population will weigh on the economy's job-creation capacity. In the absence of reforms to promote the retention of senior talent, reduce the gender gap in the employment rate or increase productivity per worker, growth will lose momentum. At the same time, higher interest rates and, above all, high levels of general government debt and deficits argue for the introduction of a credible fiscal consolidation plan covering all levels of government. It would therefore be desirable to build a minimum degree of consensus around crucial issues that would allow progress in resolving these bottlenecks and, in turn, support long-term growth and improvements in household welfare.

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	1.1	1.3	0.9	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: October 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	3.3	2.5
Eurozone	5.5	2.4	2.1	3.0	2.4
China	0.2	0.2	0.1	0.8	1.0
World	7.7	7.2	4.4	4.6	3.9

Forecast closing date: October 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	4.55	4.72
Germany	2.45	2.34	2.63	3.14	3.37
Spain	3.96	4.21	4.29	4.55	4.72

Forecast closing date: October 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	0.86	0.85
EUR-USD	1.08	1.08	1.13	1.16	1.17

Forecast closing date: October 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	4.25	4.25
Eurozone(*)	4.00	3.00	2.00	2.75	2.75
China	3.45	3.10	3.00	3.00	2.80

(*)Deposit facility rate.

Forecast closing date: October 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	3.8	0.5	1.1	1.3	0.9	1.2
Private consumption	5.3	0.7	1.5	1.5	1.1	1.1
Public consumption	1.3	1.2	2.7	1.5	1.8	1.1
Gross fixed capital formation	2.5	2.8	-2.0	2.9	0.7	1.9
Inventories (*)	0.4	-1.0	-0.2	0.2	-0.2	0.0
Domestic demand (*)	3.9	0.2	0.8	1.9	0.9	1.2
Exports (goods and services)	7.6	-0.9	0.9	1.9	2.6	2.4
Imports (goods and services)	8.7	-1.7	0.3	3.6	2.9	2.7
External demand (*)	-0.1	0.3	0.3	-0.6	0.0	0.0
Prices and Costs						
CPI	8.4	5.5	2.4	2.1	3.0	2.4
CPI Core	4.8	6.1	2.9	2.5	2.4	2.3
Labour Market						
Employment	2.4	1.5	1.0	0.7	0.5	0.5
Unemployment rate (% of labour force)	6.7	6.5	6.4	6.3	6.3	6.2
Public sector						
Deficit (% GDP)	-3.4	-3.5	-3.0	-2.9	-3.2	-3.3
Public debt (% GDP)	89.3	86.9	87.0	87.8	88.9	89.4
External Sector						
Current Account Balance (% GDP)	-0.3	1.7	2.5	1.6	1.6	1.7

Annual rate change in %, unless expressly indicated.

Forecast closing date: October 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	2.4	3.7	2.6	2.6	2.1
Private Consumption	1.9	3.1	3.1	3.1	2.2
Public Consumption	4.3	3.3	2.4	2.5	2.4
Gross Fixed Capital Formation	5.3	4.9	5.4	4.4	5.0
Equipment and machinery	2.9	2.8	6.4	3.8	3.0
Construction	4.1	5.3	5.0	2.8	3.7
Housing	0.3	1.6	3.6	3.1	5.2
Domestic Demand (contribution to growth)	1.5	3.3	3.4	3.0	2.8
Exports	2.2	3.8	2.6	2.1	2.9
Imports	-0.1	3.3	5.5	3.7	5.1
External Demand (contribution to growth)	0.9	0.3	-0.8	-0.4	-0.6
GDP at current prices	8.8	6.8	5.7	5.4	5.1
(Billions of Euros)	1496.3	1598.6	1690.0	1780.5	1871.1
Labour market					
Employment. Labour Force Survey	3.1	2.2	2.6	2.4	2.0
Unemployment rate (% Labour force)	12.2	11.3	10.5	9.9	9.5
Employment. full time equivalent	3.5	2.8	3.0	2.2	1.7
Productivity	-1.1	0.9	-0.4	0.4	0.5
Prices and Costs					
CPI (average)	3.5	2.8	2.7	3.7	3.2
CPI (end of period)	3.1	2.8	2.9	4.1	2.5
GDP deflator	6.4	3.2	3.1	2.7	2.9
Compensation per employee	4.8	3.9	3.9	3.7	3.2
Unit Labour Cost (ULC)	5.9	3.0	4.3	3.3	2.7
External sector (*)					
Current Account Balance (% GDP)	2.9	3.6	3.4	2.1	1.3
Public sector					
Debt (% GDP)	105.3	101.4	100.5	99.2	97.4
Deficit (% GDP) (*)	-3.4	-3.2	-2.4	-2.7	-2.4
Households					
Real disposable income	9.8	7.9	4.6	5.3	5.4
Savings rate (% nominal disposable income)	11.4	12.8	11.9	10.7	10.5

Annual rate change in %, unless expressly indicated.

Forecast closing date: October 5, 2026.

(*) Excluding financial aid for Spanish banks.

Source: BBVA Research.

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