

OCTOBER 2026

Spain Economic Outlook

Main messages

The global economy continues to grow,



with higher but contained inflation and limited financial stress. AI, defense spending and central banks' commitment to containing inflation are helping offset the effects of Middle East tensions, which are keeping energy prices high, and rising long-term sovereign yields.

Growth prospects remain broadly unchanged.



In the US, GDP is expected to grow by just over 2%, while growth in China will continue to slow toward 4%. In the Eurozone, this year's outlook has improved, while next year's outlook remains unchanged despite higher oil prices, rates and inflation.

Commodity prices will keep inflation elevated



in the short term. Inflation is likely to moderate in 2027 if geopolitical tensions subside. Tighter monetary policy will also help contain inflation: policy rates could soon rise to 4.25% in the US and 2.75% in the Eurozone.

Uncertainty remains very high.



Escalation in the Middle East or Ukraine, climate shocks, rising public debt and sovereign yields, and protectionism could erode global resilience and push inflation and interest rates higher. More favorable scenarios are possible if energy prices fall faster or thanks to AI.

Main messages. Spain

The deterioration in the external environment worsens the outlook.



Persistently higher energy and other key input costs, together with higher interest rates, will moderate activity growth and keep inflation elevated. Higher imported inflation reduces consumers' purchasing power and squeezes corporate margins. Investment may be the component most affected by an environment of uncertainty and more expensive credit.

Growth will remain above 2% (2.6% in 2026 and 2.1% in 2027).



Real-time data suggest that GDP continues to grow at a strong pace (0.6% quarterly). Job creation remains solid, supported by immigration, while services exports are driving activity, and private consumption is benefiting from favorable fundamentals. Investment, particularly in housing, will continue to grow. Fiscal policy remains expansionary.

Some upside risks could support stronger growth.



Non-resident consumption has accelerated, supported partly by the geopolitical backdrop, but also by greater diversification of destinations within Spain. Inflation shows no significant second-round effects. Households and firms are better prepared to withstand increases in interest rates. Higher defense spending may have larger effects than anticipated. AI adoption is an opportunity to boost productivity.

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



The simultaneous electrification of the entire economy will exacerbate grid congestion. Generational replacement requires a strategy to attract foreign workers, retain senior talent and close the gender gap in employment rates. Uncertainty remains over how fiscal consolidation will be addressed going forward. Economic policy uncertainty could rise again.

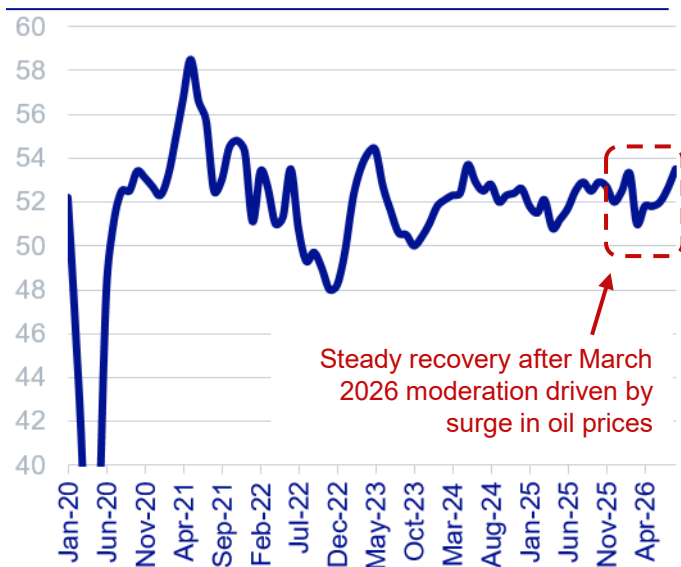
October 2026

Global Economic Outlook

The global economy has remained resilient despite multiple shocks, which have shown little sign of abating

GLOBAL COMPOSITE PMI

(HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)



GLOBAL HEADWINDS

- geopolitical fragmentation, conflicts
- energy and commodity shocks
- climate shocks
- rising public debt and long-term yields
- policy uncertainty
- protectionism
- China's structural slowdown
- population aging

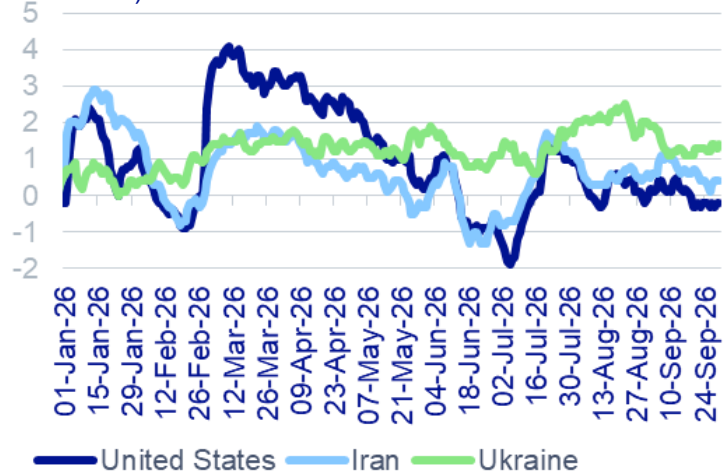
GLOBAL TAILWINDS

- AI adoption
- defense spending
- inflation-focused central banks
- solid private balance sheets
- fiscal impulse
- resilient labor markets
- supply-chain reconfiguration
- green investment, energy diversification

US-Iran tensions are escalating, with conflict spreading to the Red Sea, pushing up energy prices and uncertainty

GEOPOLITICAL RISK INDEX

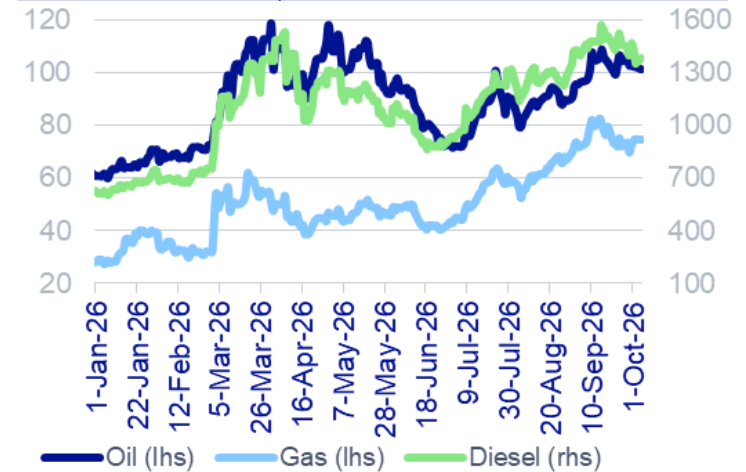
(AVERAGE SINCE JAN 1, 2017 = 0; 28-DAY MOVING AVERAGE)



Source: BBVA Research

BRENT, EUROPEAN GAS AND DIESEL PRICES^(*)

(USD PER BARREL; USD PER METRIC TON; EUR PER MWh)



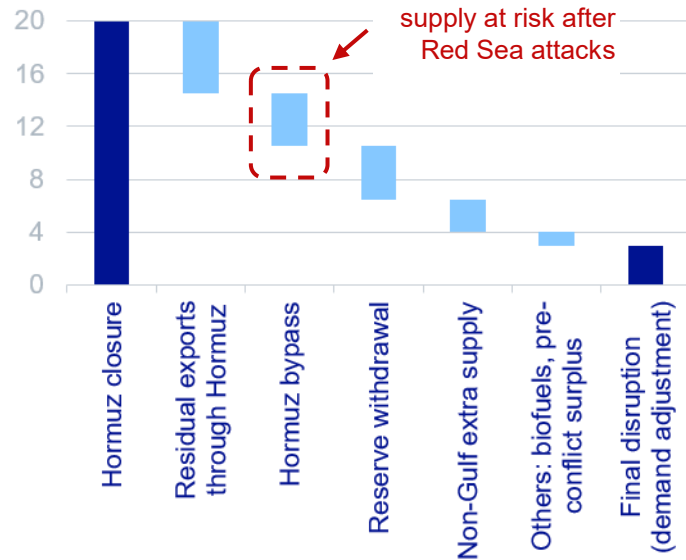
(*) Diesel: low-sulfur gasoil futures contract (ICE Futures Europe)

Source: BBVA Research based on data from Haver

US-Iran diplomacy stalled over ceasefire terms and control of Hormuz; Washington then intensified economic pressure by expanding sanctions on Iran's allies; fighting has since resumed, with the Houthis attacking alternative oil routes in the Red Sea.

Energy supply disruptions persist, with some offsetting factors now at risk, increasing energy price volatility.

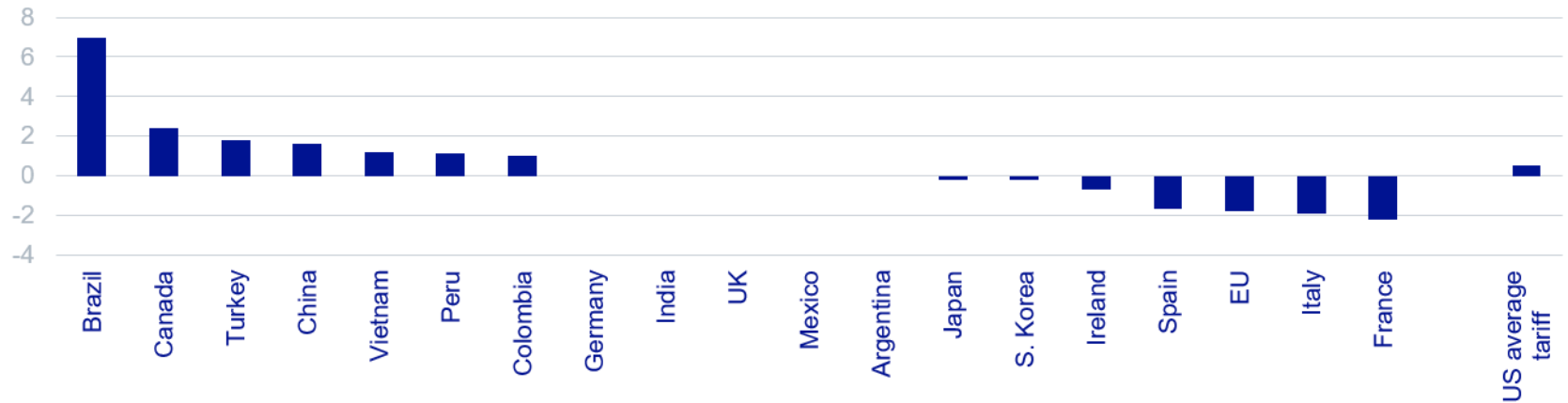
OIL MARKET BALANCE: AUG/26
(MILLION BARRELS A DAY)



- Despite data uncertainty, there are signs that oil exports through Hormuz have increased, due to a larger flow of oil from US allies
- Shipping routes through the Red Sea have helped cushion supply losses, but attacks in the region have caused fresh, seemingly temporary disruptions
- Releases of oil reserves, particularly by China, continue to provide support, but risks of nonlinear price movements remain
- Higher production in other countries, especially in the Americas, is also preventing oil prices from moving even higher

Tariffs: the recent changes leave the average US tariff mostly unchanged, despite varying effects across countries

US STATUTORY TARIFFS: CHANGES DUE TO THE EXPIRATION OF “UNIVERSAL” TARIFFS (BASED ON SECTION 122), ADOPTION OF “FORCED LABOR” TARIFFS (BASED ON SECTION 301) AND NEW TARIFFS ON CANADA AND BRAZIL (*) (PP)



(*) This excludes higher tariffs on Canadian cars, trucks, auto parts and steel announced for January 2027, nor the recently announced tariff cuts between the US and China, which are still pending implementation.

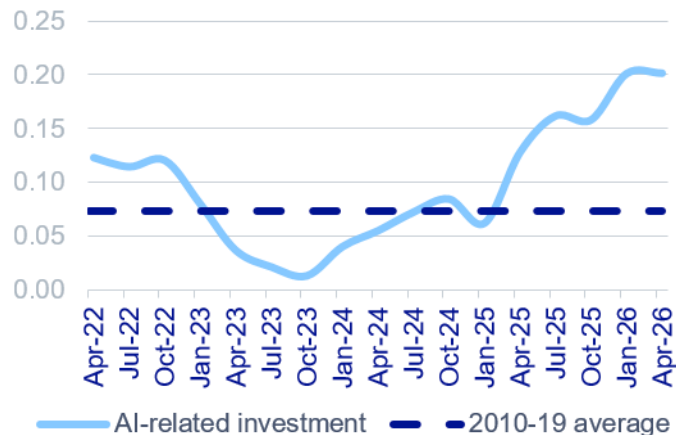
Source: BBVA Research

The average effective US tariff is likely to remain close to 7%; additional US tariffs planned for next year would raise the tariff on Canadian imports by 2–6 pp, depending on whether USMCA exemptions remain in place; the recent US-China deal could reduce tariffs on Chinese imports by 1–2 pp.

Rising AI investment is supporting aggregate demand, mainly in the US, but also in other countries

US: AI-RELATED INVESTMENT (*)

(CONTRIBUTION TO QUARTERLY GDP GROWTH;
FOUR-QUARTERS MOVING AVERAGE: PP)

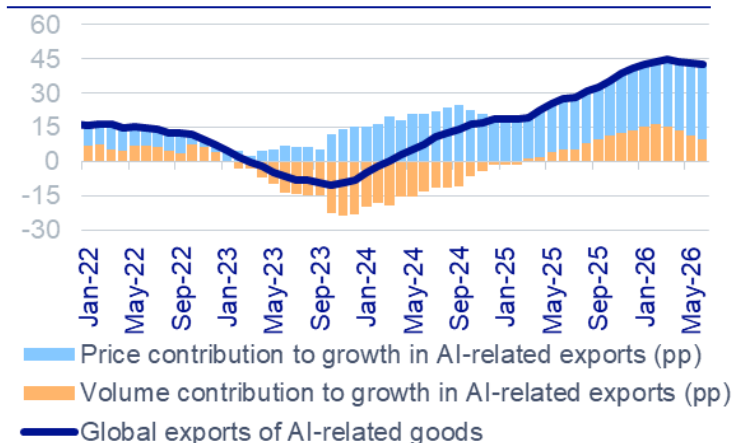


(*) AI-related investment defined as investment in information processing, software and data centers.

Source: BBVA Research based on data from FRED and US Census Bureau

GLOBAL EXPORTS OF AI-RELATED GOODS

(Y/Y%, 12-MONTH MOVING AVERAGE)



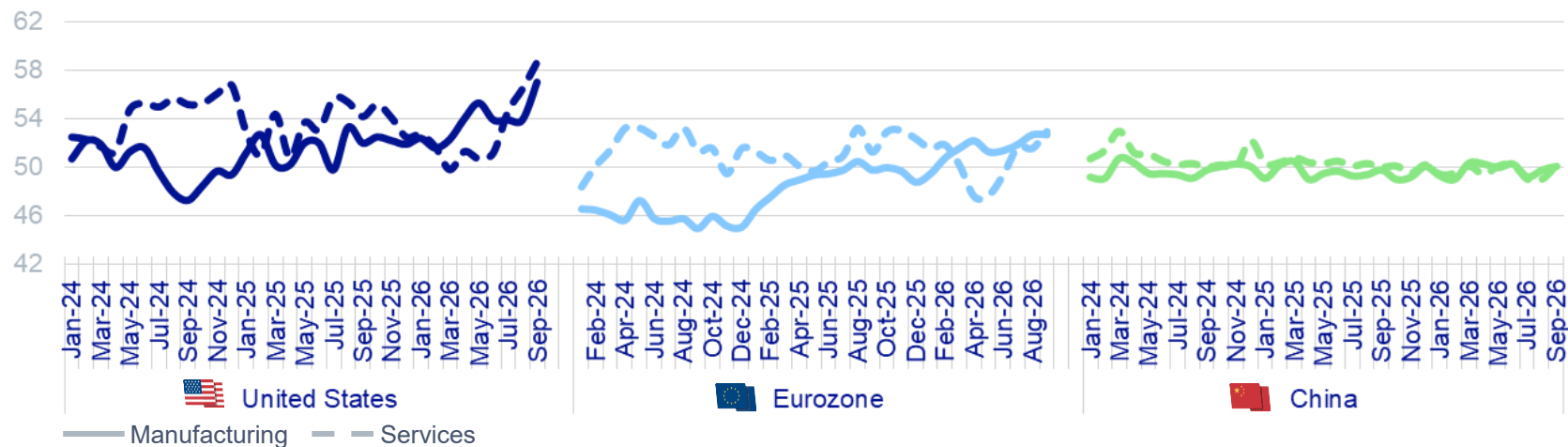
(*) AI-related goods exports include key inputs at the 6-digit level (energy and power, the semiconductor ecosystem, AI hardware, and connectivity) used in AI production.

Source: BBVA Research based on data from UN Comtrade, China's GAC, and Taiwan Customs.

Strong AI demand is also pushing up prices for related goods and services, potentially posing risks to global inflation.

High-frequency indicators reinforce the view that growth is still robust in the US and is improving in Europe

PMI INDICATORS (HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)

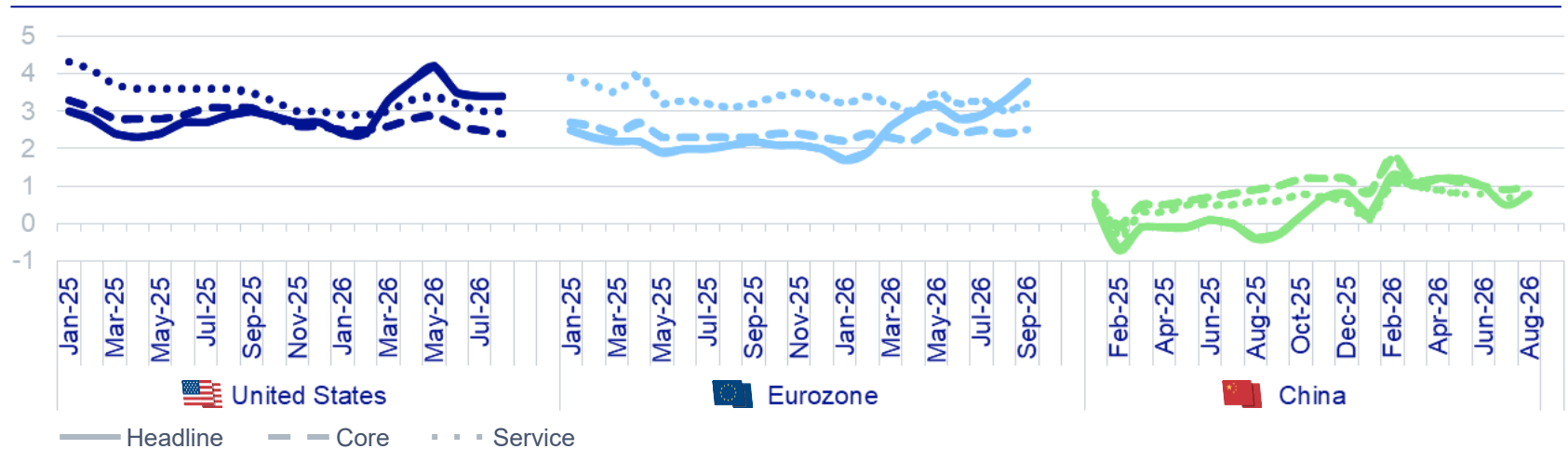


Source: BBVA Research based on data from Haver

2Q26 GDP surprised to the upside in the eurozone, supported by resilient consumption and stronger net exports, but disappointed in the US despite robust domestic demand, and even more so in China despite strong export performance.

Inflation exceeds 3% in both the US and the Eurozone amid higher energy prices and resilient demand

CPI INFLATION: HEADLINE, CORE AND SERVICES (Y/Y %)

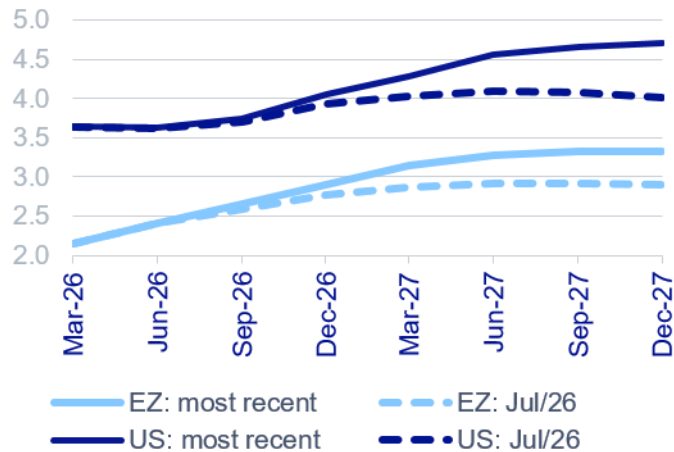


Source: BBVA Research based on data from Haver

Although headline inflation continues to be under pressure, core and services inflation have shown a slight downward trend over the last few months, with no significant second-round effects observed from the commodity shock so far.

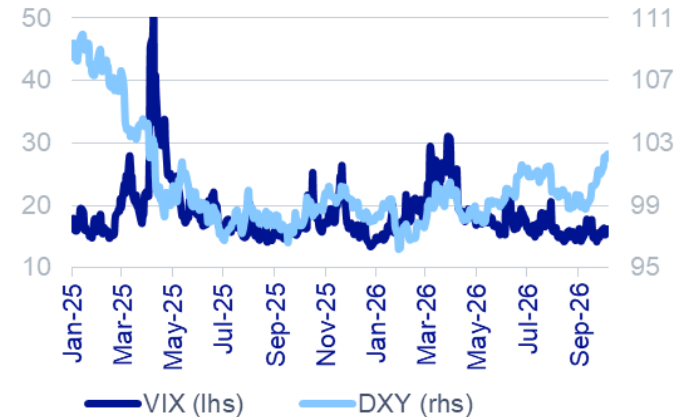
Markets expect both the Fed and the ECB to continue tightening monetary conditions

INTEREST RATES IMPLIED BY FED FUNDS
AND EURIBOR FUTURES (%)



Source: BBVA Research based on data from Haver

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



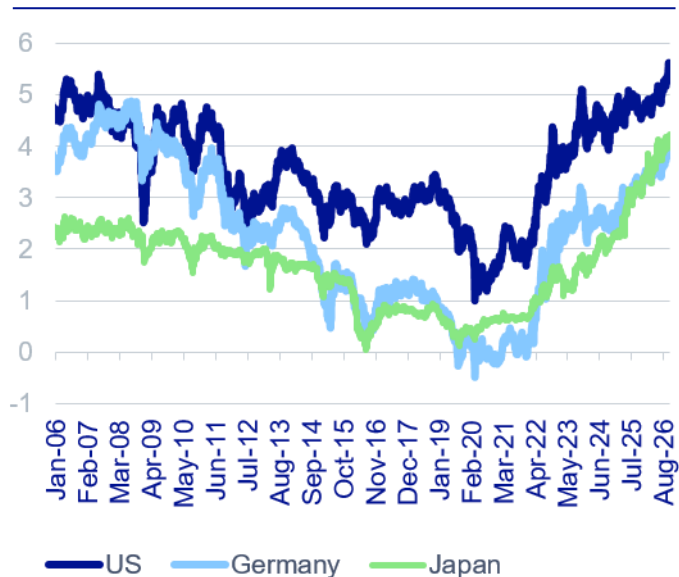
(*) A higher DXY represents a stronger US dollar
Source: BBVA Research based on data from Haver

The ECB and the Fed have recently raised rates to 2.5% and 4.0%, respectively, with markets pricing in further hikes; the VIX has remained subdued, while the US dollar has appreciated somewhat.

Long-term sovereign yields continue to rise, prompting a policy response from the US Treasury

30-YEAR SOVEREIGN YIELDS

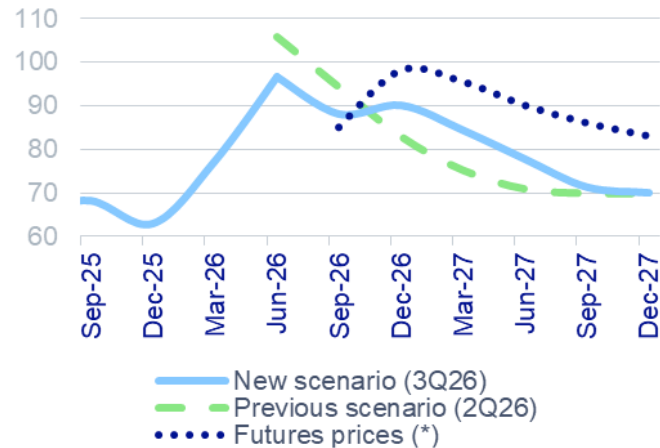
(%)



- **Long-term sovereign yields have continued to trend up**, accelerating recently, mostly due to higher real interest rates, driven by inflation pressures and resilient growth; while the term premium remains higher than in recent years, mainly for fiscal reasons.
- **The US Treasury has tried to contain the trend** by bond buybacks and supporting the yen, while seeking to limit Japan's sales of US Treasuries.
- **These measures have had only a limited impact** as they do not address the structural drivers of rising yields and could conflict with the Fed's objectives.

Our scenario assumes that oil prices will be contained and decline gradually next year, despite risks

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



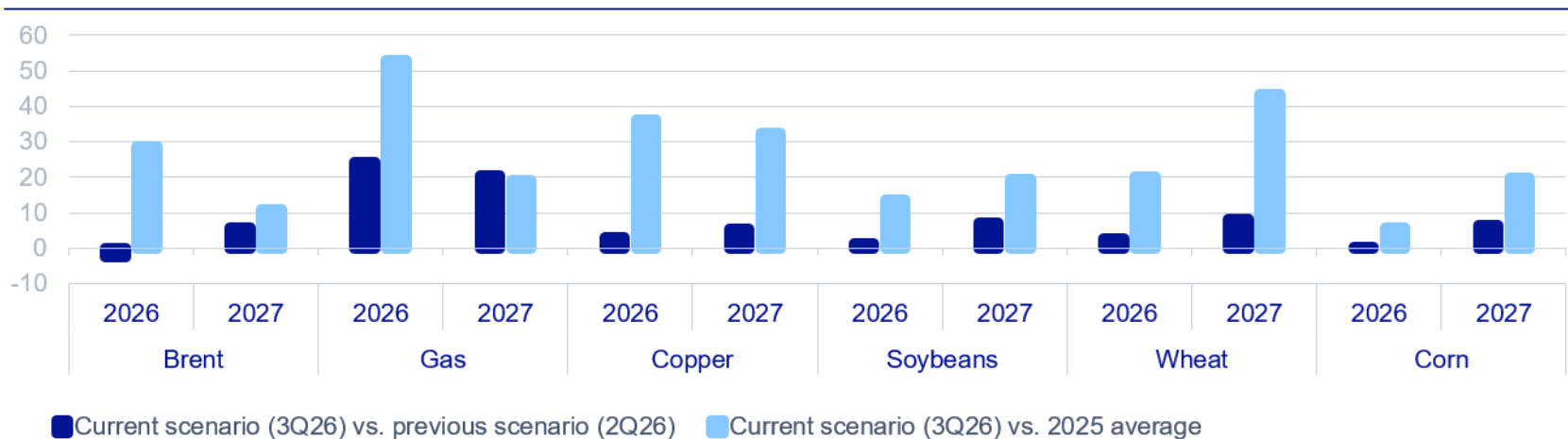
	2026 (average)	2027 (average)
New baseline scenario (3Q26)	88	76
Previous baseline scenario (2Q26)	90	72

- **With Hormuz transit constrained for longer,** prices are assumed to be slightly higher than previously assumed, although below what had been expected in 2Q26.
- **The new scenario assumes a gradual improvement in energy flows through the Strait of Hormuz.**
- **Upside risks to oil prices persist:** tensions could prevent the Strait of Hormuz from reopening, severely disrupt alternative routes through the Red Sea, and trigger nonlinear movements in crude oil prices.
- **But oil prices could decline faster than forecast** if geopolitical tensions ease.

(*) In early October 2026.
Source: BBVA Research based on data from Haver

Commodity prices will rise amid geopolitical tensions, weather shocks and AI demand

COMMODITY PRICE FORECASTS, COMPARED TO PREVIOUS FORECASTS AND 2025 LEVELS
(%, ANNUAL AVERAGES)



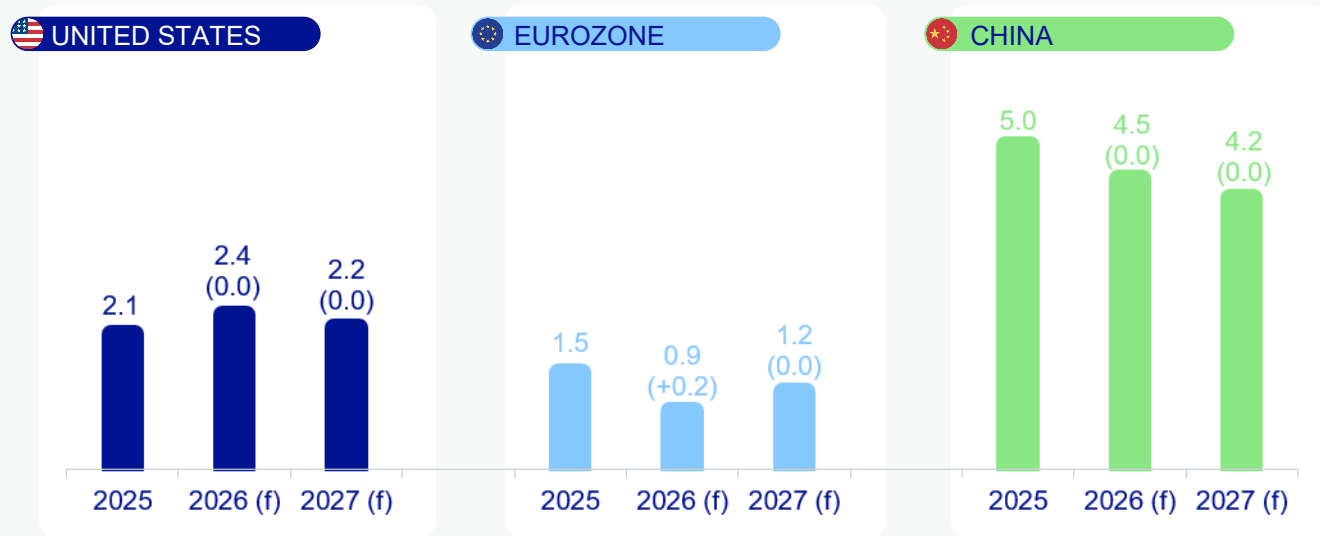
Source: BBVA Research

The conflict in the Middle East is pushing up energy and fertilizer prices. Additional pressure comes from low gas inventories, the effects of the Russia-Ukraine war on some agricultural products, adverse weather events and stronger demand for metals linked to AI development.

GDP forecasts remain broadly unchanged despite an improved outlook for Europe this year on stronger data

GDP GROWTH (*)

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



Growth is expected to be slightly above 2% in the US and converge to 4% in China, despite 2Q26 negative surprises.

In **Europe**, the impact of higher interest rates will be mostly offset by the effects of a weaker euro.

(*) After expanding by 3.5% in 2025, global GDP is still forecast to grow by 3.1% in 2026 and by 3.3% in 2027 (unchanged figures).

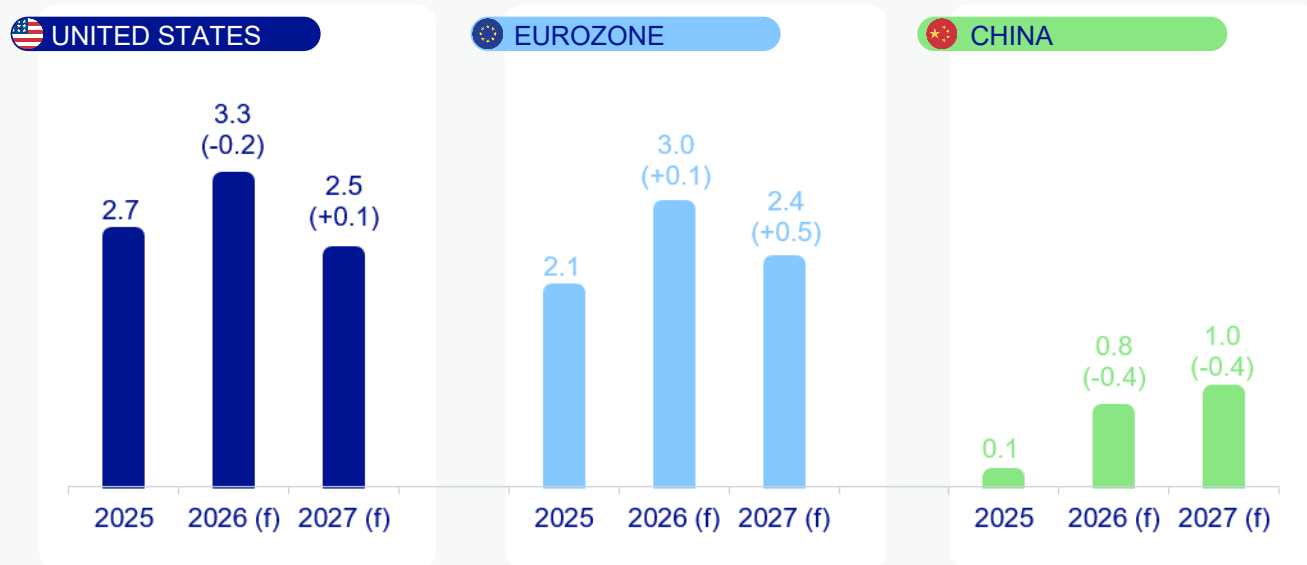
(f): forecast.

Source: BBVA Research

Commodity prices and demand resilience will help to keep inflation under pressure, at least in the short term

HEADLINE CPI INFLATION

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



Inflation will remain high, above previous expectations in Europe, amid higher energy prices and resilient growth.

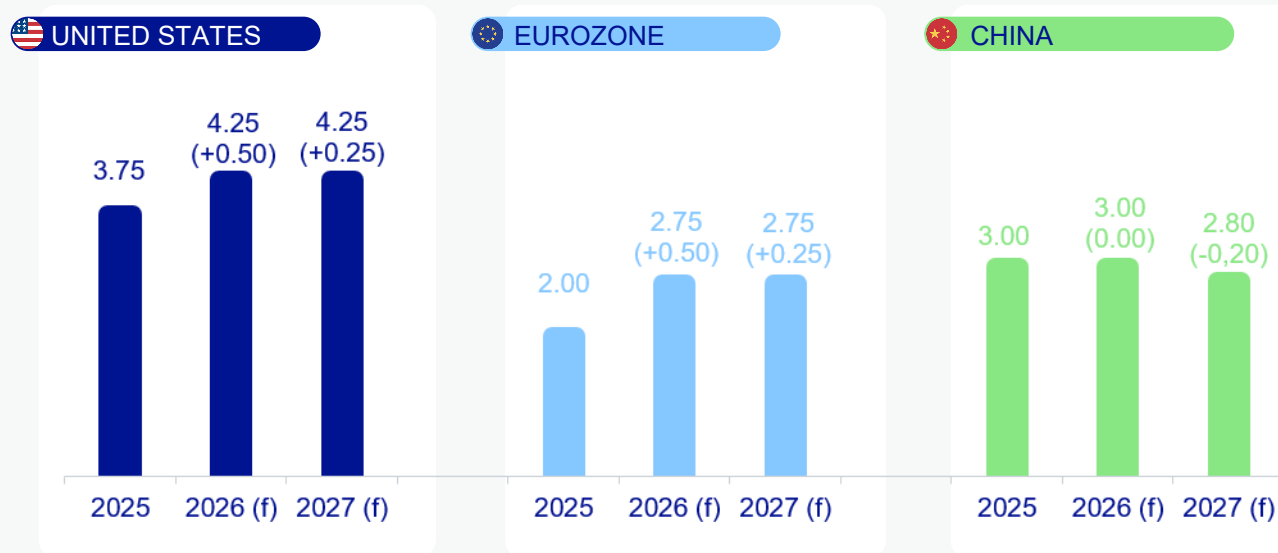
It is forecast to ease next year, with core prices staying contained, provided energy prices decline as assumed.

(f): forecast.
Source: BBVA Research

The Fed and the ECB could raise rates again in Dec/26 and keep them unchanged in 2027, despite upside risks

POLICY INTEREST RATES (*)

(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



Policy rates will be higher than previously expected to address increasingly challenging inflation risks.

Further tightening will likely be limited, if inflation eases as expected during 2027, but risks are tilted upwards.

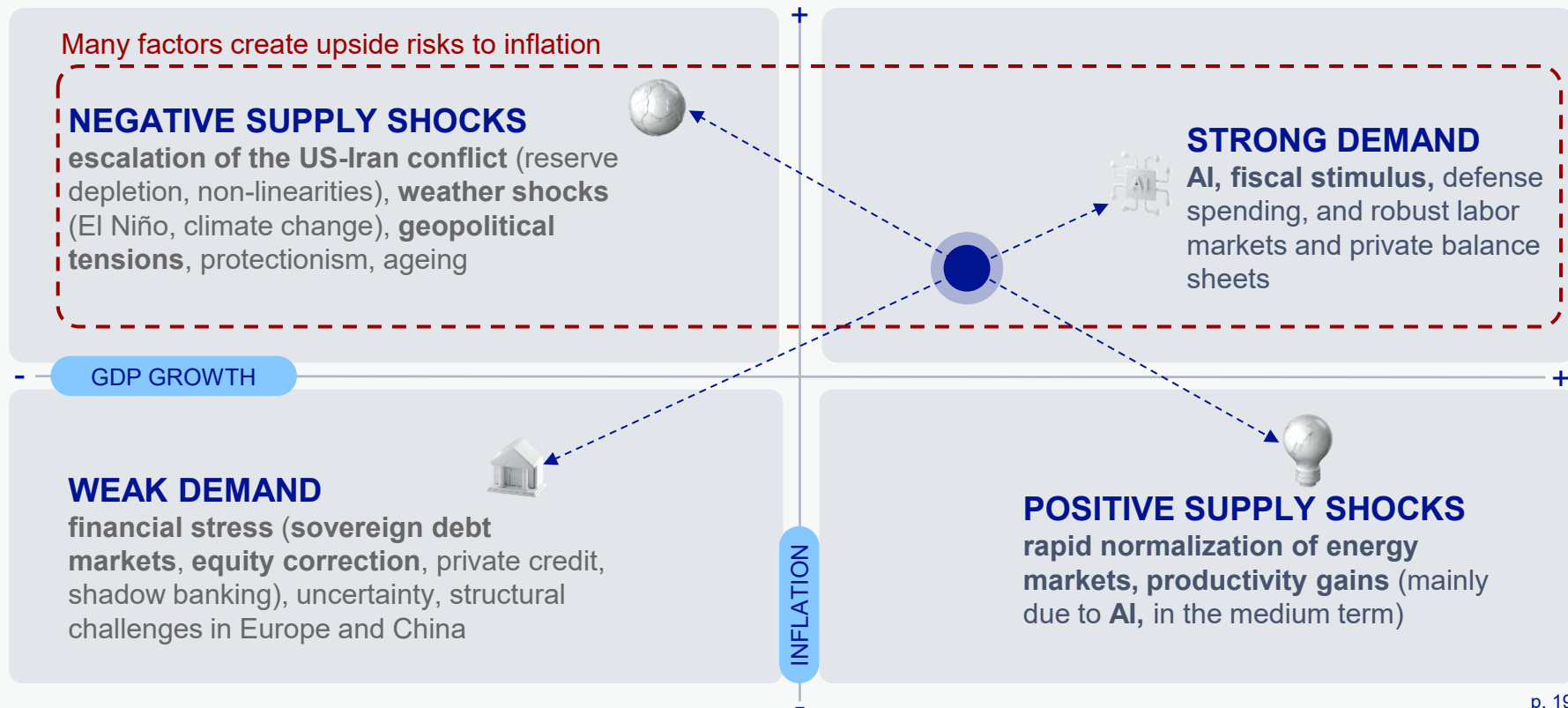
(f): forecast.

(*) In the case of the Eurozone, interest rates of the deposit facility.

Source: BBVA Research

Risks: geopolitical conflicts, weather shocks and financial stress, but also stronger demand

GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO



October 2026

Spain Economic Outlook

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



GDP growth (Percentage)

3.7%



2024

2.6%



2025

2.6%



2026 (f)

▲ +0.2

2.1%



2027 (f)



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



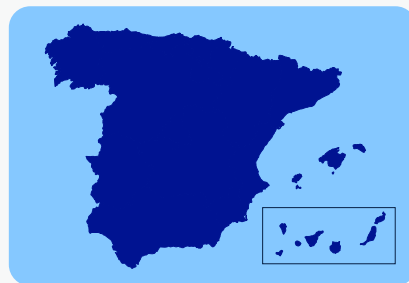
Forecast revised up



Forecast unchanged



Forecast revised down



01

Prolonged global uncertainty could slow GDP growth in Spain

02

Growth will remain above 2%

03

Scenario risks: opportunities and challenges ahead

Persistently higher key input prices are weighing on growth and fueling inflation

- The **conflict in the Middle East is lasting longer** than expected three months ago.
- The **impact goes beyond oil**: the blockade of the Strait of Hormuz is raising the cost of strategic inputs (gas, petrochemicals, fertilizers, aluminum and methanol), renewing logistical bottlenecks and weakening confidence.
- The **global economy can temporarily absorb the shock** thanks to adaptation mechanisms, but compensatory 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* FOLLOWING THE CONFLICT IN THE MIDDLE EAST. 2026-2027 (PERCENTAGE-POINT IMPACT ON ANNUAL GROWTH)

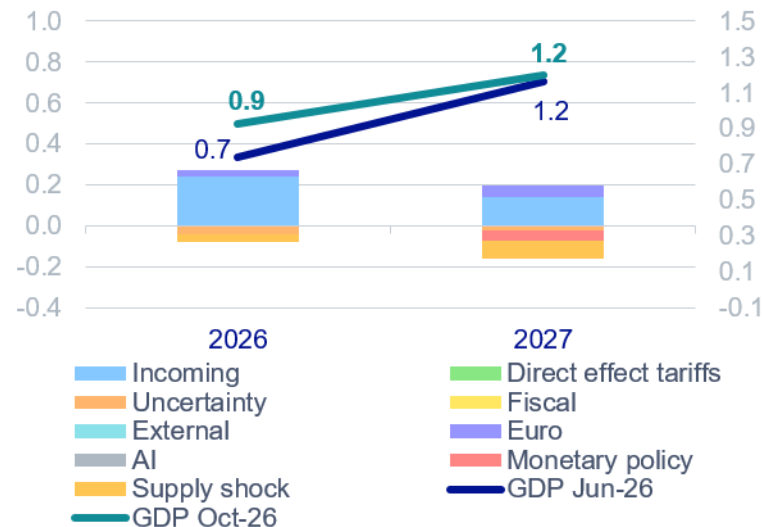


*Includes higher energy costs, bottlenecks in value chains and upward pressure on fertilizer prices.
(f): forecast.
Source: BBVA Research based on INE

Higher costs weigh on goods exporters in the short term, but stronger EMU growth in 2027 could support a recovery

EMU: GDP GROWTH REVISION VERSUS THE JUN-26 SCENARIO

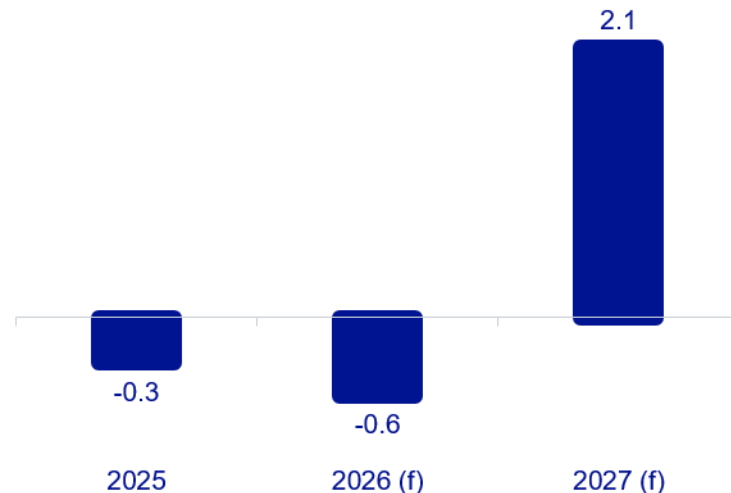
(PERCENTAGE POINTS AND PERCENTAGE)



Source: BBVA Research based on Eurostat

SPANISH GOODS EXPORTS

(REAL TERMS. ANNUAL AVERAGE. PERCENTAGE CHANGE)



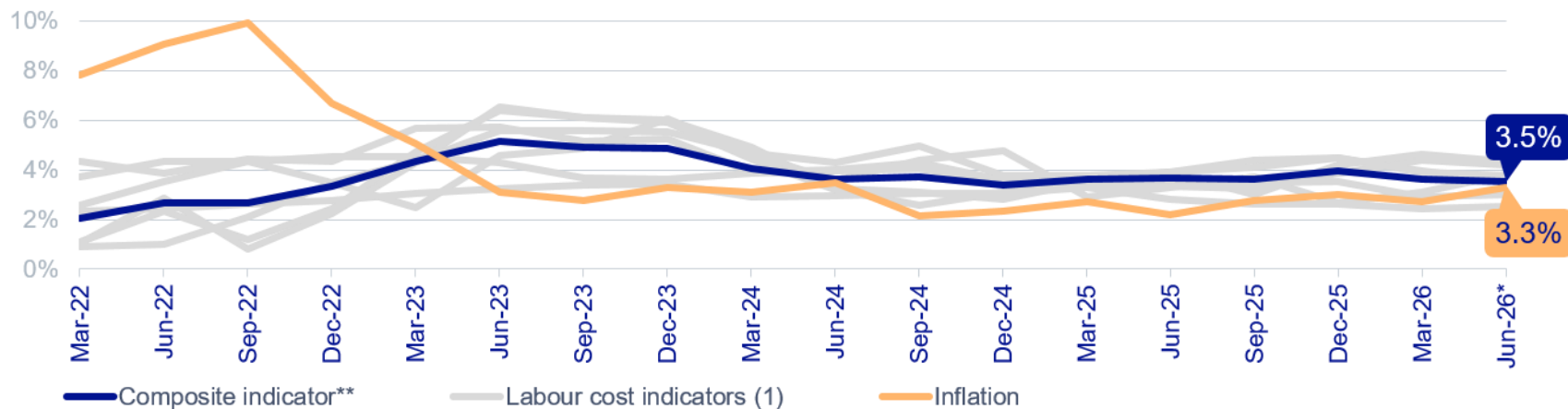
Source: BBVA Research based on INE



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

LABOR COST AND INFLATION INDICATORS

(YEAR-ON-YEAR GROWTH IN PERCENTAGE)



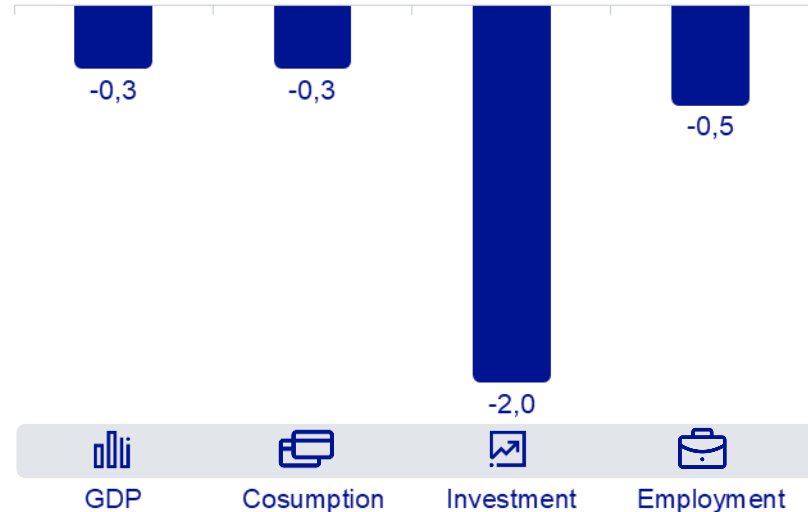
(1) Unit labor cost (ULC) per employee, ULC per hour worked, total cost per worker, total cost per hour worked, collectively agreed wage, gross compensation per worker at large companies and Indeed Wage Tracker. ** First principal component of the series included in (1).

Source: BBVA Research based on AEAT, INE, Ministry of Labor and Social Economy and Indeed Hiring Lab

The synthetic labor cost indicator rose by 3.5% y/y in the second quarter, 0.2 percentage points less than in the previous quarter. Growth in compensation per employee and per hour, as well as in wages agreed under newly signed collective agreements, slowed.

The change in the interest-rate scenario could have a negative impact on GDP

IMPACT OF THE CHANGE IN THE INTEREST-RATE SCENARIO (CUMULATIVE CHANGE IN 2026 AND 2027 GROWTH, PP)



- The change in the interest-rate scenario (around 50 bps higher over the next 15 months across the yield curve) **could reduce GDP growth** in 2026 and 2027 by up to 0.3 pp.
- The most negative effect would be on **investment**, which could fall by up to 2 pp.
- More expensive financing will reduce **demand for credit** and increase the financial burden on households and firms, with negative effects on consumption and investment.
- In addition, it will **reduce the fiscal space available to the public sector** to support the most vulnerable.

01

Prolonged global uncertainty could slow GDP growth in Spain

02

Growth will remain above 2%

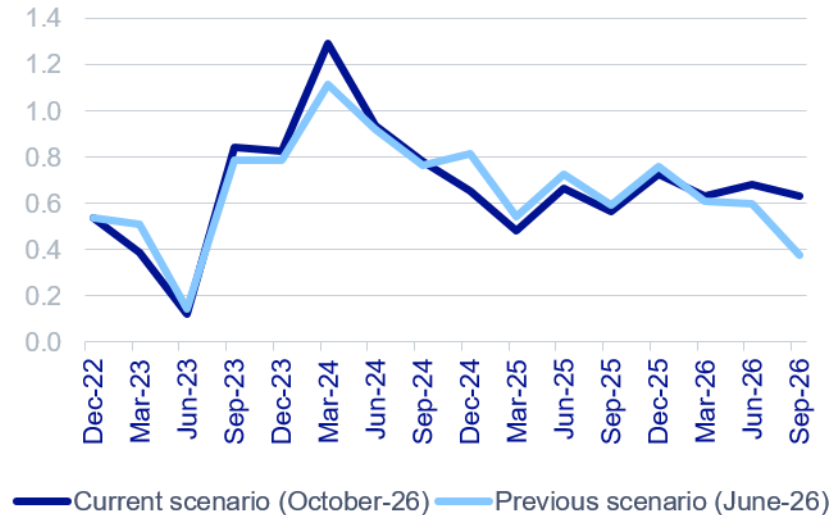
03

Risks to the outlook: opportunities and challenges ahead

Real-time activity data show that quarterly GDP growth would remain strong

GDP

(QUARTERLY PERCENTAGE CHANGE)

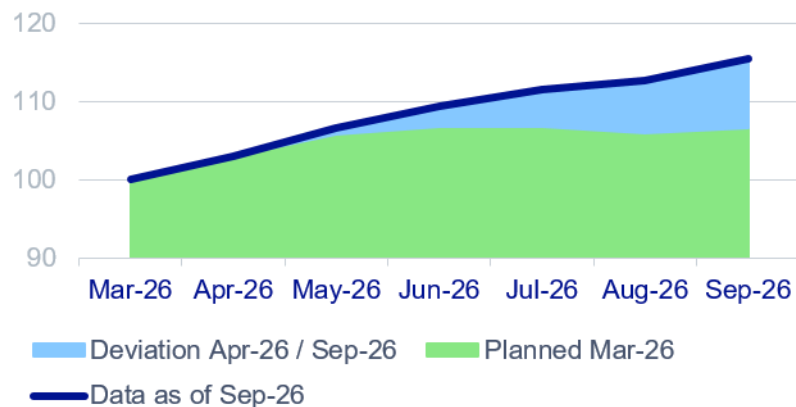


- GDP is expected to grow by 0.6% q/q in Q3 26, slightly below the rate observed in Q2 26 (0.7%), but above the June forecast (0.4%).
- Although **Social Security enrollment has accelerated** since April, this **has been influenced by the extraordinary regularization process for immigrants**.

The extraordinary regularization has boosted Social Security enrollment, but its effect on activity is uncertain

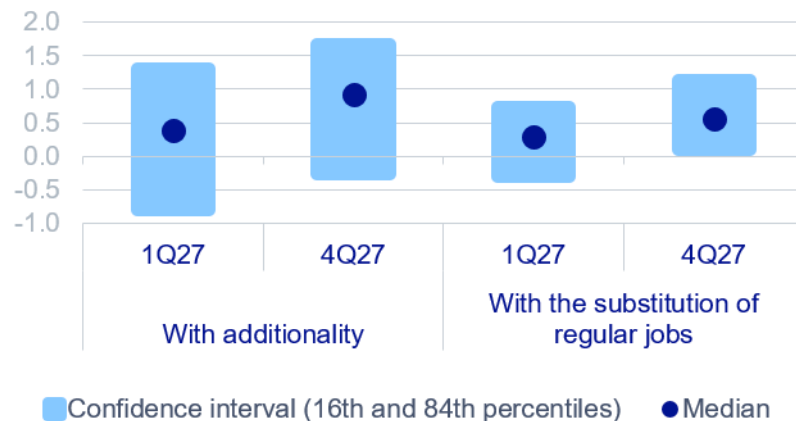
FOREIGN WORKERS' SOCIAL SECURITY REGISTRATIONS

(MAR-26 = 100. UNADJUSTED DATA)



IMPACT ON GDP OF THE EXTRAORDINARY REGULARIZATION SHOCK* (DEVIATION IN PP FROM THE NO-SHOCK SCENARIO)

(DEVIATION IN PP FROM THE NO-SHOCK SCENARIO)



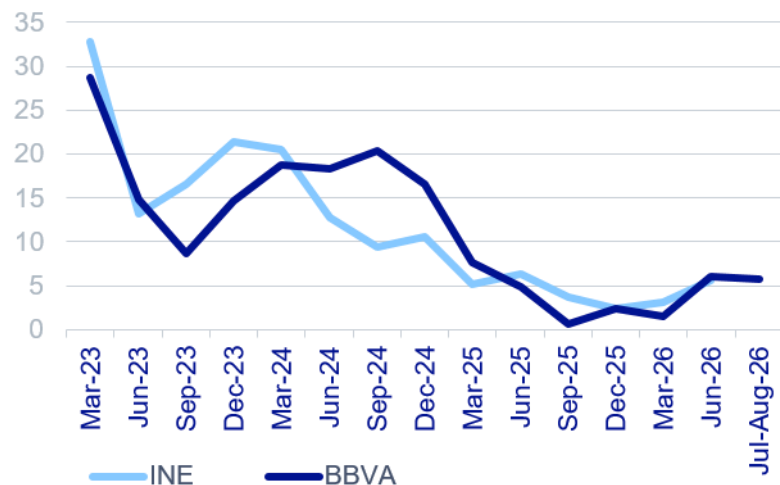
*Estimates obtained by BBVA Research from an SVAR identified with narrative, sign and elasticity restrictions and structural scenarios.

Source: BBVA Research based on INE, Ministry of Economy and Ministry of Labor and Social Economy

In the absence of the regularization, Social Security enrollment among foreign workers are estimated to have increased by 210,000 people since April, 275,000 fewer than observed. The impact on growth will depend, among other factors, on how many of the newly registered workers reflect the replacement of informal employment with formal employment.

Spending by foreigners is accelerating again and could benefit from heightened geopolitical uncertainty.

IN-PERSON SPENDING WITH FOREIGN CARDS* IN SPAIN AND NON-RESIDENT CONSUMPTION ACCORDING TO NATIONAL ACCOUNTS (YEAR-ON-YEAR PERCENTAGE CHANGE, IN REAL TERMS**)

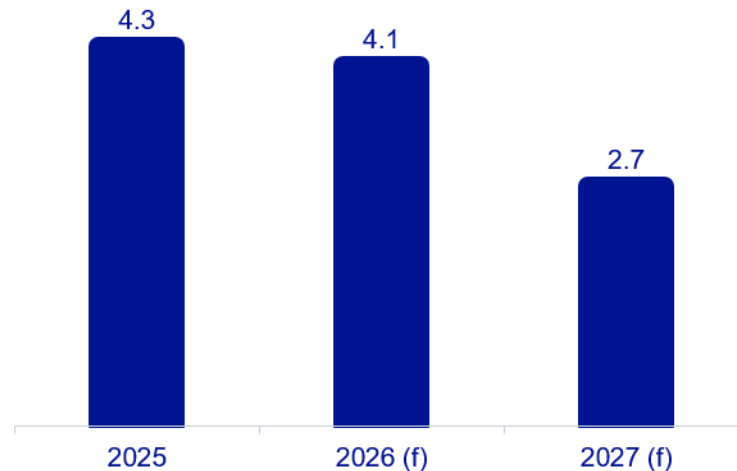


*In-person spending with foreign cards at BBVA POS terminals.

**Deflated by the implicit deflator for non-resident consumption according to National Accounts.

Source: BBVA Research based on BBVA and INE

NON-RESIDENT CONSUMPTION IN SPAIN (REAL TERMS. ANNUAL AVERAGE. PERCENTAGE CHANGE)

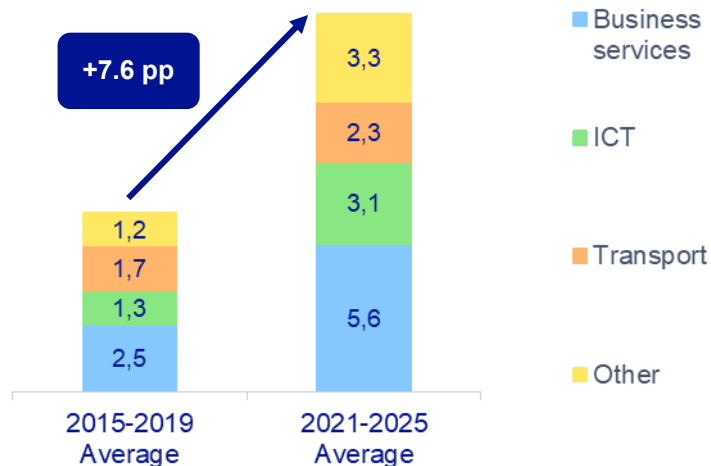


(f): forecast.

Source: BBVA Research based on INE

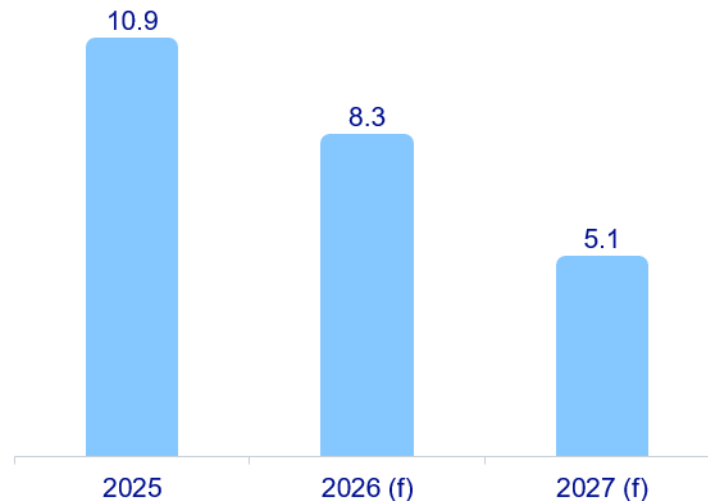
Exports of non-tourism services will continue to be one of the drivers of growth

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



Source: BBVA Research based on Eurostat

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



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

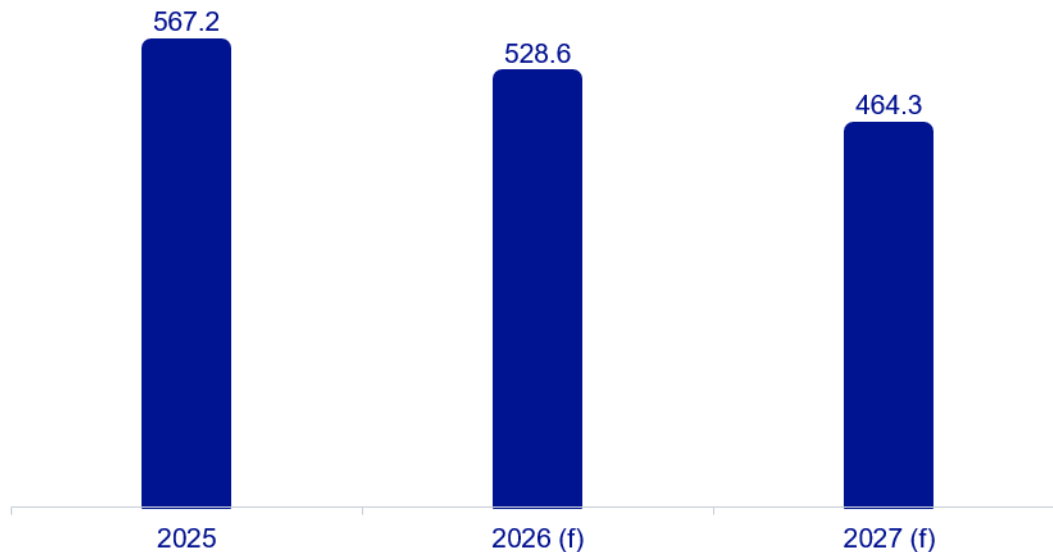


Immigration and greater labor force participation among Spanish nationals will continue to drive employment

- Both non-resident consumption and non-tourism services **exports benefit from the availability of foreign-born workers.**
- **Employment is expected to grow by 2.4% this year and 2.0% next year** as a result of the increase in the labor force, supported by a higher labor force participation rate.

LFS EMPLOYMENT

(ANNUAL AVERAGE. CHANGE IN THOUSANDS OF PEOPLE)



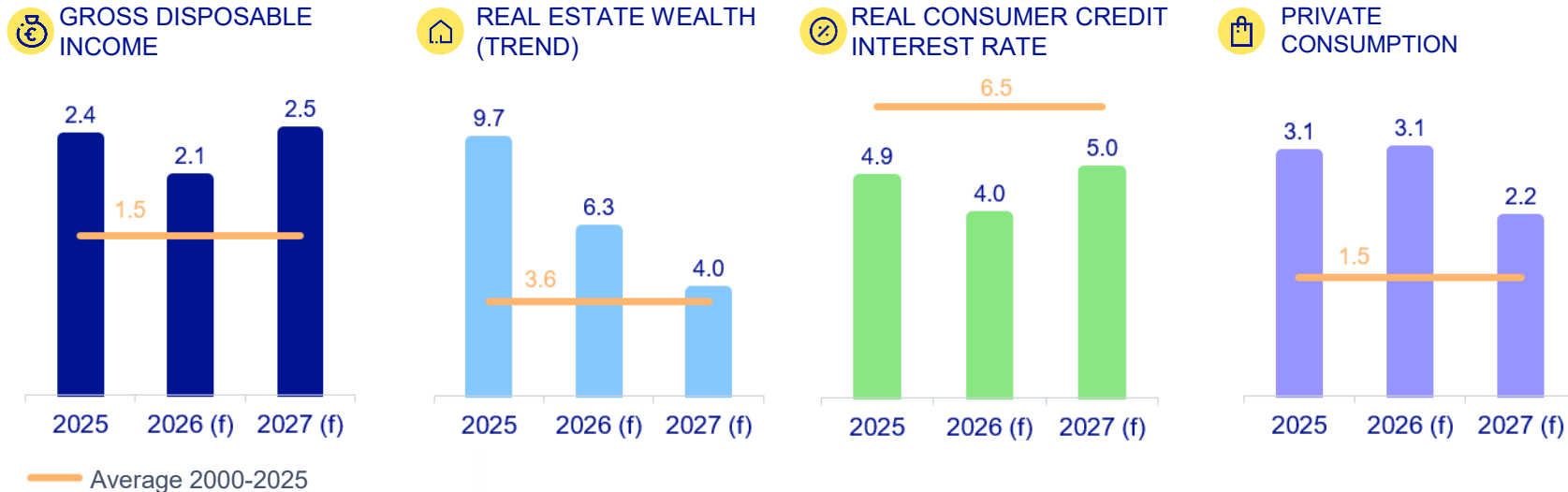
(f): forecast.
Source: BBVA Research based on INE



Rising household income and wealth will support consumer spending

MAIN DETERMINANTS OF PRIVATE CONSUMPTION

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



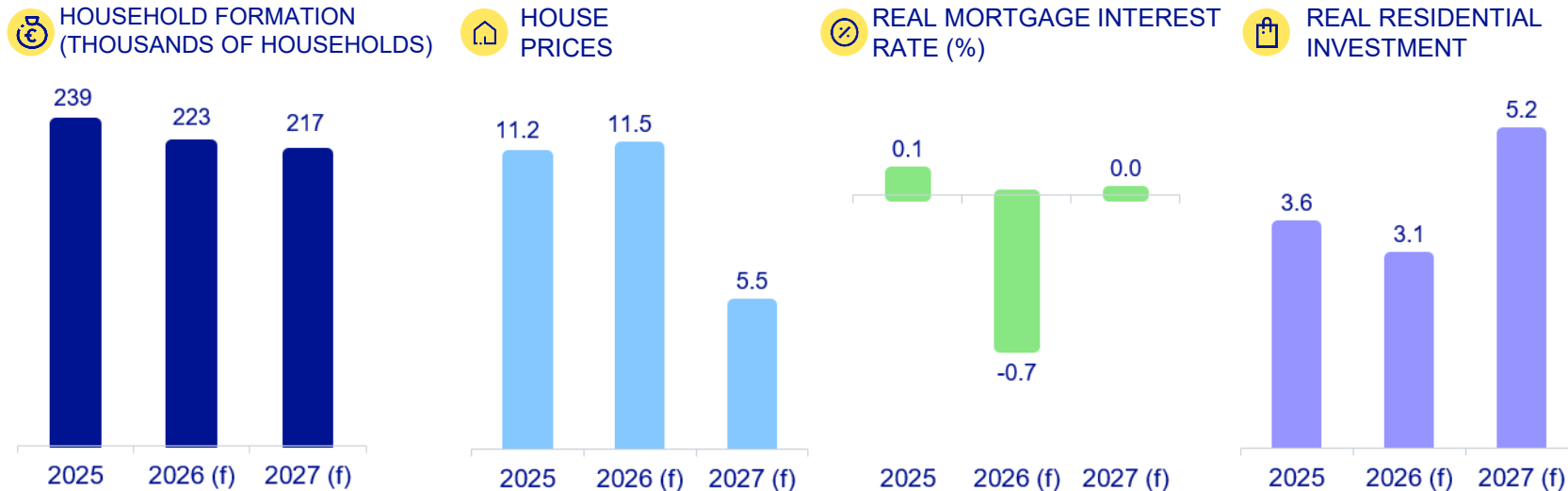
(*) Variables deflated by the private consumption deflator. (f): Forecast.

Source: BBVA Research based on INE and BdE

Household formation, employment growth and financial conditions will support residential investment

MAIN DETERMINANTS OF RESIDENTIAL INVESTMENT

(ANNUAL AVERAGE PERCENTAGE CHANGE, UNLESS OTHERWISE INDICATED)



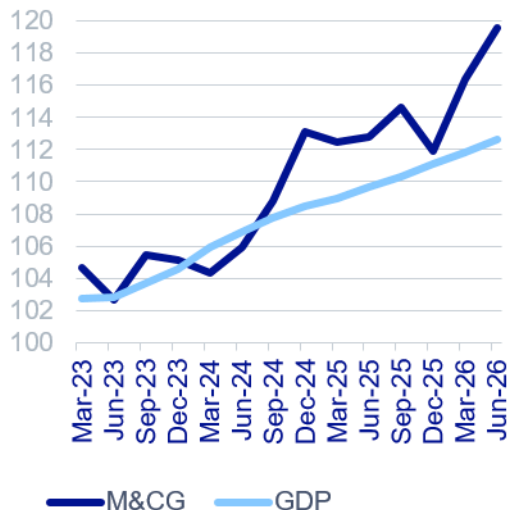
(f): forecast.

Source: BBVA Research based on INE and BdE

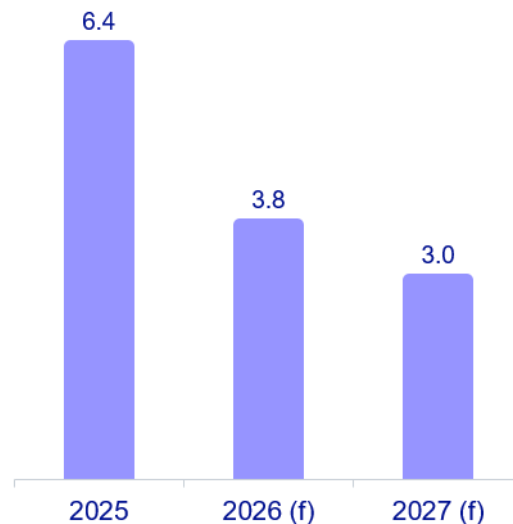
Machinery and equipment investment gains momentum and strengthens productive capacity

- Machinery and equipment investment leads the **increase in investment**, with growth of 3.8% forecast for 2026 and 3.0% for 2027.
- **This component of demand is** more than 20% above its end-2019 level.
- Its strength enhances future growth potential, although **higher interest rates, uncertainty and the end of NGEU funds point to moderation.**

INVESTMENT IN MACHINERY, EQUIPMENT* AND GDP
(2019 = 100)



INVESTMENT IN MACHINERY AND EQUIPMENT (REAL TERMS. ANNUAL AVERAGE PERCENTAGE CHANGE)

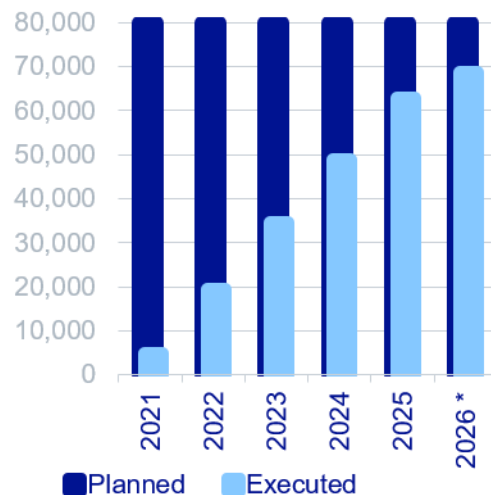


*Excludes transport equipment.
Source: BBVA Research based on INE

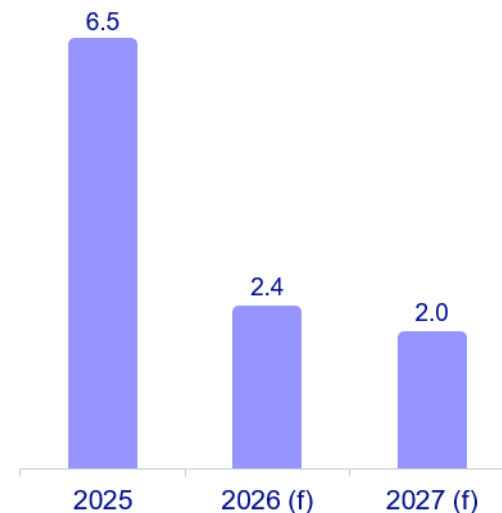
Investment in non-residential construction moderates as the Recovery Plan winds down

- Investment in non-residential construction has been supported by the Recovery Plan, whose boost will gradually fade after it ends.
- However, **other factors could continue to support activity** in the coming years. These include the 2021-2027 Multiannual Financial Framework, whose more gradual rollout **will extend its support for investment.**

IMPLEMENTATION OF THE RECOVERY PLAN (EUR MILLION)



INVESTMENT IN OTHER CONSTRUCTION (ANNUAL AVERAGE PERCENTAGE CHANGE)



* Through August 2026.

Source: BBVA Research based on PLACSP and BDNS (data through September 12, 2026) and INE

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



A larger contribution from the economic cycle to deficit reduction, especially in 2026.

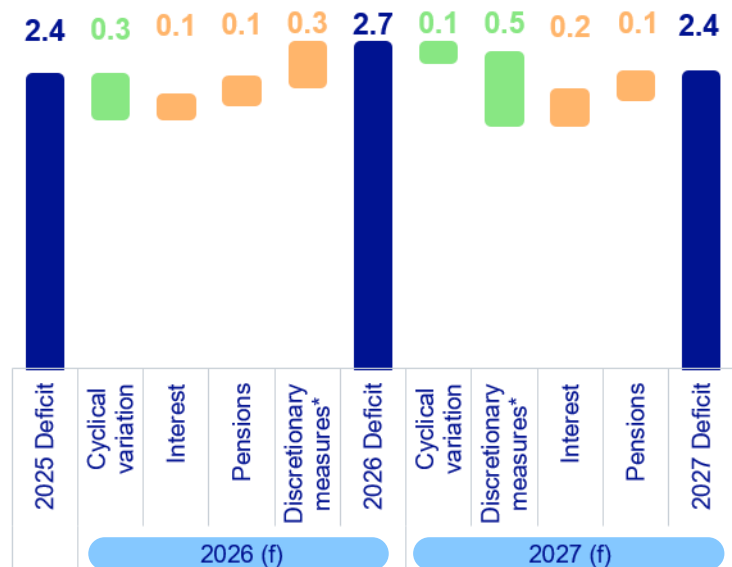


Spending pressures persist due to the effect of inflation on pensions and the increase in interest expenditure associated with higher interest rates.



Discretionary measures have mixed effects: the smaller impact of storm-related measures and the first Middle East war package partly offsets their extension and the new spending needs arising from wildfires and the Ceuta crisis.

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, the storms at the beginning of the year, the summer wildfires and the Ceuta crisis, as well as the impact arising from court rulings and the increase in defense spending.

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

01

Prolonged global uncertainty could slow GDP growth in Spain

02

Growth will remain above 2%

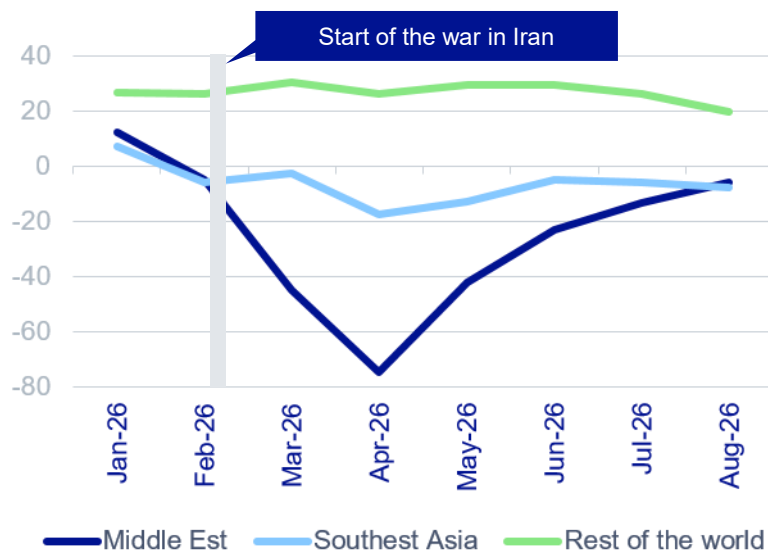
03

**Risks to the outlook:
opportunities and challenges ahead**

Non-resident consumption could keep growing amid geopolitical tensions and greater geographic diversification

IN-PERSON SPENDING BY BBVA CUSTOMERS ABROAD BY DESTINATION REGION

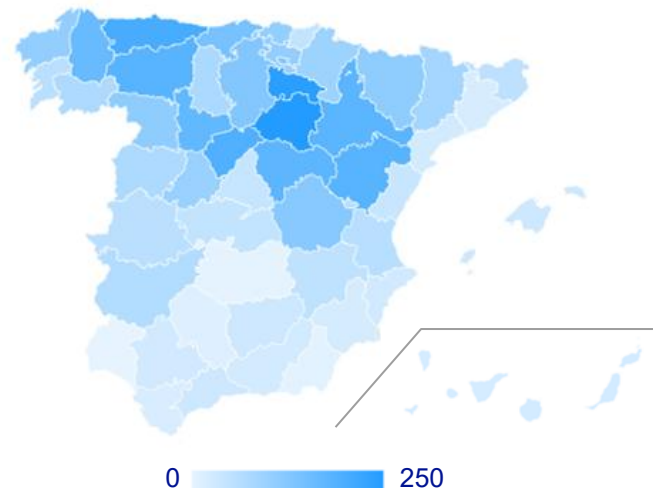
(YEAR-ON-YEAR PERCENTAGE CHANGE, MONTHLY AVERAGE)



Note: 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, Timor-Leste and Vietnam. *In-person card spending by BBVA customers abroad. Includes cash withdrawals. Source: BBVA Research based on BBVA

IN-PERSON SPENDING WITH CARDS ISSUED BY FOREIGN INSTITUTIONS AT BBVA POS TERMINALS BY DESTINATION PROVINCE

(YEAR-ON-YEAR CHANGE DURING THE WEEK OF THE SOLAR ECLIPSE*, 7-DAY MOVING AVERAGE, PERCENTAGE)



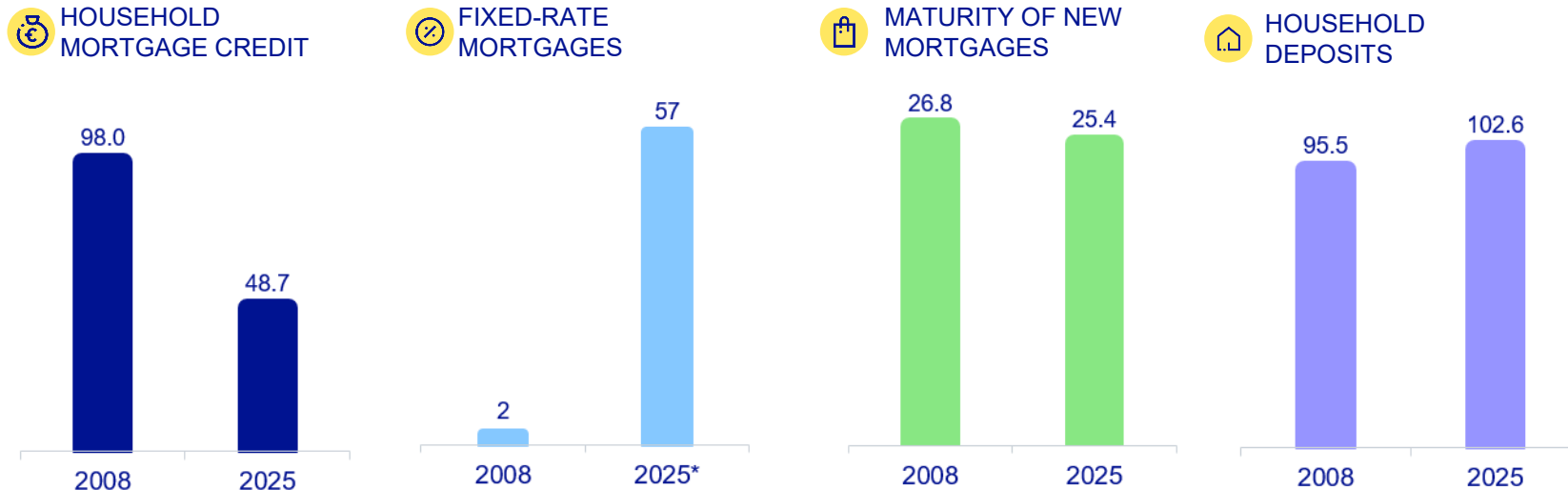
* August 10-16.

Source: BBVA Research based on BBVA

Higher interest rates could have a smaller impact on the private sector than in previous episodes

RELEVANT INDICATORS OF HOUSEHOLDS' FINANCIAL POSITION

(% OF GROSS DISPOSABLE INCOME, FIXED-RATE MORTGAGES AS A PERCENTAGE OF THE MORTGAGE STOCK, MATURITY OF NEW MORTGAGE LOANS (YEARS) AND % OF GROSS DISPOSABLE INCOME)



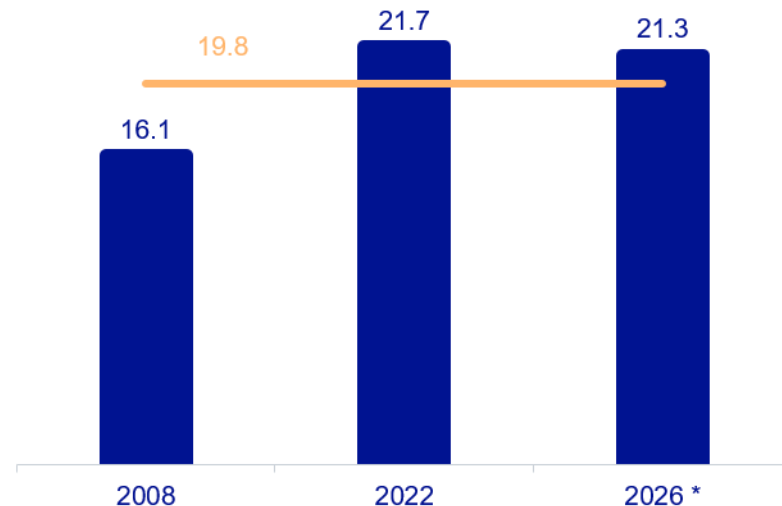
*Also includes mixed-rate mortgages. Exclusively fixed-rate mortgages represent 42%.

Source: BBVA Research based on Banco de España, INE, Colegio de Registradores de España and Asociación Hipotecaria de España

Greater saving capacity reduces the vulnerability of households and firms

- The private sector saving rate remains at **historically high levels**, at around 21% of GDP.
- This savings buffer strengthens the **capacity of households and firms to absorb the effects** of higher interest rates and the rebound in inflation.
- The private sector's stronger financial position **reduces its vulnerability to shocks**, although the higher cost of financing will continue to moderate consumption and, especially, investment.

PRIVATE SECTOR SAVING RATE, EXCLUDING FINANCIAL INSTITUTIONS
(% OF GDP)



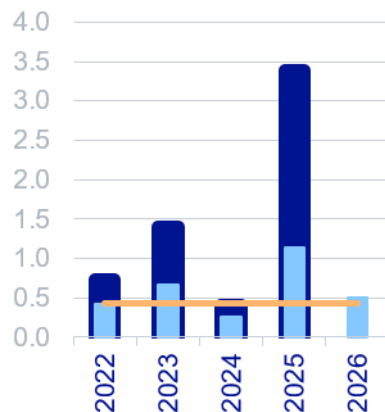
* Four-quarter moving sum through Jun-26.
Source: BBVA Research based on INE

Higher defense spending may have multiplier effects on the economy

DEFENSE SPENDING COMMITMENTS

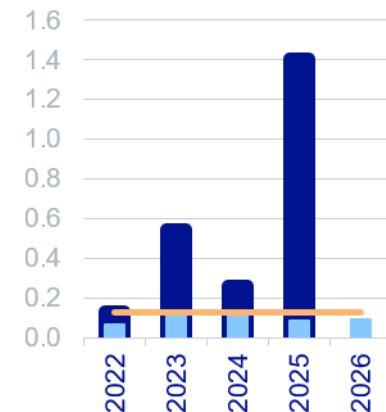
(% OF GDP)

COUNCIL OF MINISTERS
AGREEMENTS



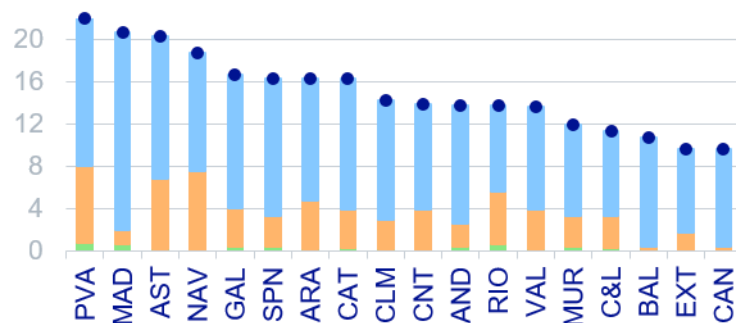
■ Annual expenditure
■ Year-to-date (Jan-Aug)
— Average Jan-Aug 2016–2026

OFFICIAL PROCUREMENT,
AWARDED AMOUNT



■ Year-to-date (Jan-Aug)

NUMBER OF EMPLOYEES IN COMPANIES IN SECTORS DIRECTLY AND INDIRECTLY LINKED TO DEFENSE* (2022-2025 AVERAGE, % OF TOTAL)



■ Service sectors indirectly related to defense
■ Sectors producing goods indirectly related to defense
■ Traditional defense
● Total

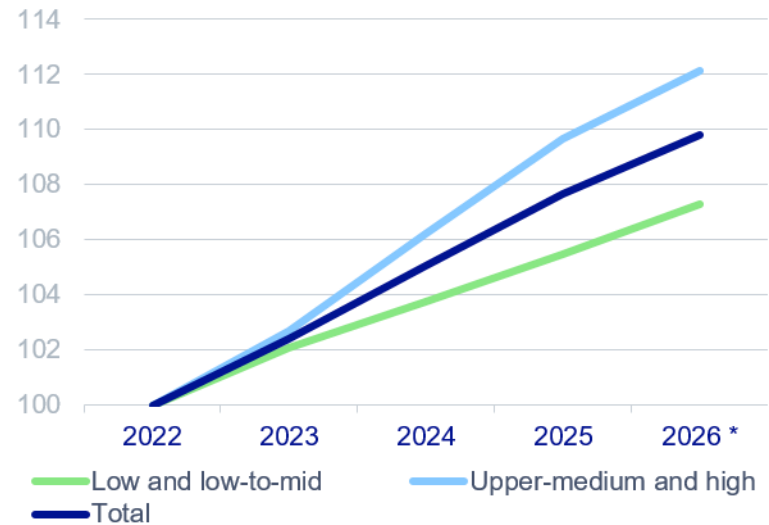
Source: BBVA Research based on Council of Ministers' published summaries (data through August 31, 2026) and PLACSP (data through September 12, 2026)

* Three-digit CNAE breakdown. The number of employees is calculated based on the available information by size bracket.
Source: BBVA Research based on INE

AI is an opportunity to transform occupations and boost productivity

- The Spanish economy has created 2.5 million jobs since 2019 (12.3%), but GDP per employed person has fallen by 0.3% and productivity per hour worked has grown by only 1.7%.
- In this context, AI presents an opportunity. It will replace some tasks, complement others and create new occupations, freeing up time for higher-value activities. Its impact will depend on adoption, regulation, business organization and the population's skills.
- Since 2022, employment in occupations most exposed to AI has grown faster than in other occupations, with lower rates of temporary employment and underemployment. **So far, there is no apparent negative relationship between AI exposure and employment levels.**

JOB CREATION BY DEGREE OF EXPOSURE TO AI
(2022 = 100)



* Data through Q2 2026.

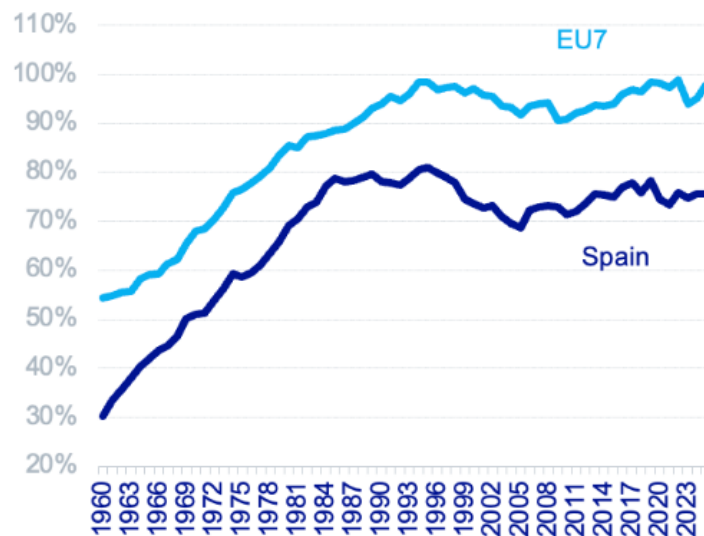
Source: BBVA Research and Fedea based on the ILO-NASK 2025 index (Global Index of Occupational Exposure) and INE (LFS). See OTMT (2026)

Productivity is growing at an insufficient pace to converge with the EU

- **The recovery in labor productivity remains fragile and volatile**, with occasional gains that have not translated into sustained growth.
- Since the end of 2019, productivity per hour worked has increased by barely 1.7%, while GDP per full-time-equivalent job has fallen by 2.9%, and GDP per employed person has remained unchanged.
- **Expected productivity growth over 2026-2027**, in line with the average gains of the past two decades, **will be insufficient to close the productivity gap with the EU.**

GDP PER HOUR WORKED, 1960-2024

(CURRENT PPPs, US = 100)



Source: BBVA Research based on de la Fuente and Doménech (2023), OECD and European Commission.
EU7: Germany, Austria, Belgium, Denmark, Finland, the Netherlands and Sweden



Among the bottlenecks facing the Spanish economy, particular attention should be paid to grid congestion

Forecast growth in electricity demand:

45%
through 2030



DRIVERS THAT WILL BOOST DEMAND



Households

Heat pumps, electric heating and cooling, and electric vehicles will increase power requirements per home



Industry

The electrification of production processes will increase connection requirements



Transport

The expansion of the charging network will require new electricity capacity



Data centers

Some projects exceed 100 MW and can consume as much power as entire municipalities

88%
of distribution nodes have less than 1 MW



Improve the allocation of available capacity

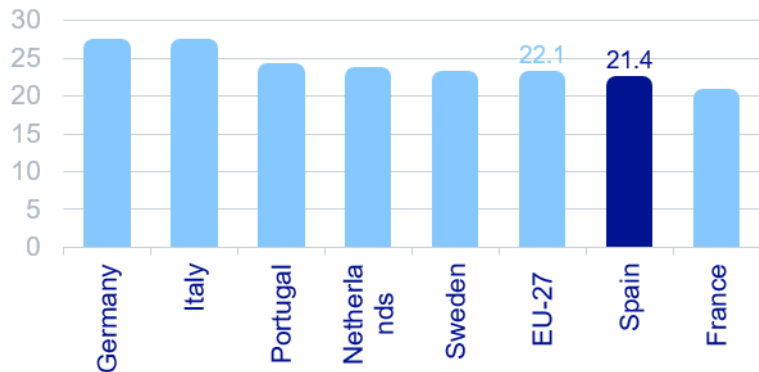
Accelerate investment in electricity grids and stay ahead of future development.

Improve coordination between urban planning and electricity planning

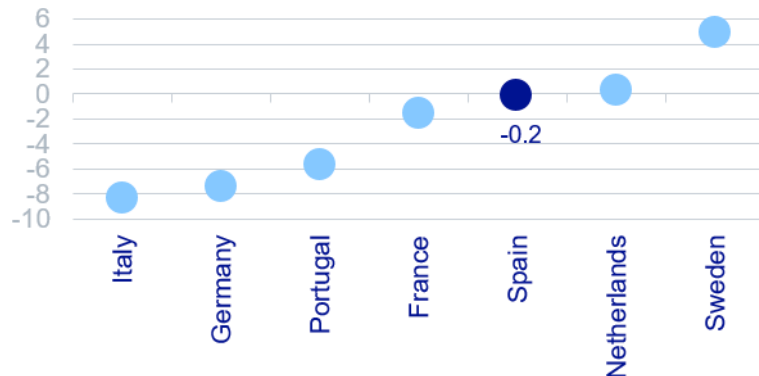
Promote storage and system flexibility

Generational replacement requires a strategy to attract foreign workers, retain senior talent and close the gender gap in employment rates

EMPLOYED POPULATION AGED 55-69 IN 2025:
EXPECTED RETIREMENTS OVER THE NEXT 15
YEARS (PERCENTAGE, 2025)



JOB CREATION BETWEEN 2025 AND 2040
ASSUMING EMPLOYMENT RATES REMAIN AT 2025
LEVELS* (PERCENTAGE)



*Eurostat demographic projections (EUROPOP 2025) are taken as given.

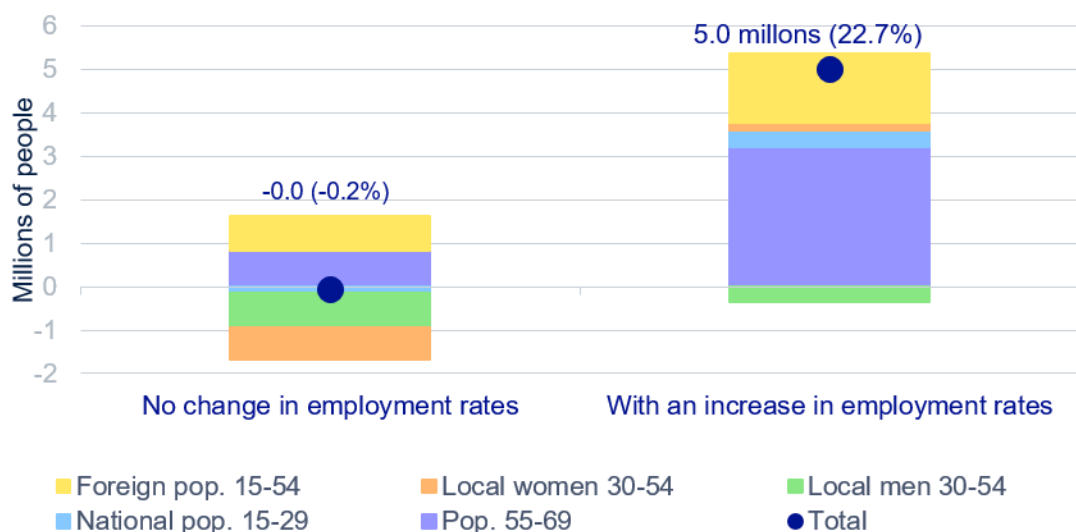
Source: BBVA Research based on Eurostat

By 2040, between 20% and 25% of the employed population in the main European countries will retire (4.7 million people in Spain). Projected demographic trends jeopardize generational replacement if employment rates do not rise.

Generational replacement requires a strategy to attract foreign workers, retain senior talent and close the gender gap in employment rates

- In Spain, generational replacement will be possible if employment prospects remain strong for the cohorts aged 55–69 in 2040.
- The expected increase in the foreign population will not, on its own, offset the negative impact of domestic demographics among the most economically active age groups.

SPAIN. JOB CREATION BETWEEN 2025 AND 2040*
(MILLIONS OF PEOPLE AND PERCENTAGE)



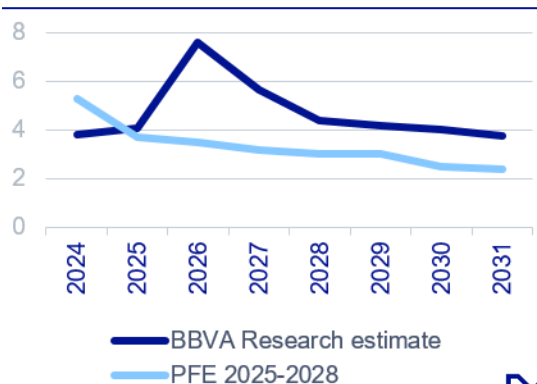
* Eurostat baseline demographic scenario. Employment rates projected through 2040 based on their 2014-2025 trend for the scenario of rising employment rates. See BBVA Research (2026).
Source: BBVA Research based on Eurostat.

Uncertainty persists over how the fiscal consolidation process will be addressed

FISCAL RULES

Meeting European fiscal commitments will require an additional effort to contain spending.

CHANGE IN NET PRIMARY EXPENDITURE (PERCENTAGE)



Source: BBVA Research



EXPENDITURE RULE AND STABILITY TARGETS

Expenditure rule: 4.0%

Deficit: 1.8% in 2027, 1.6% in 2028 and 1.5% in 2029

Not ratified.



REGIONAL GOVERNMENT DEBT RESTRUCTURING

It does not address the underlying imbalances and creates perverse fiscal incentives.

Under parliamentary consideration.



GENERAL STATE BUDGET

The 2023 General State Budget has been rolled over for three years amid a lack of consensus.



REGIONAL FINANCING REFORM

A good starting point, subject to parliamentary approval.



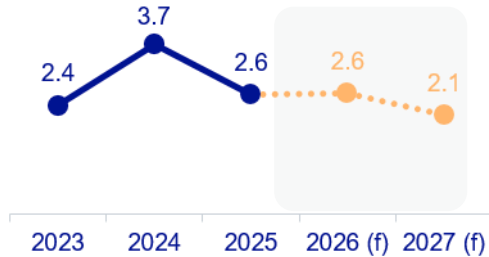
October 2026

Forecasts

Forecasts

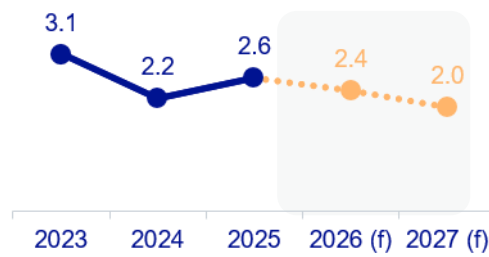
GDP GROWTH

(%)



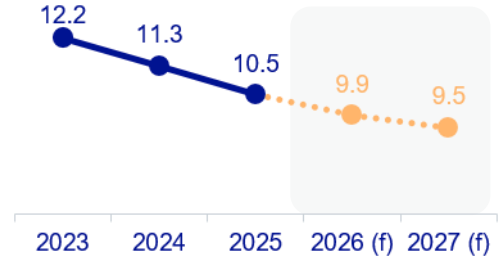
LFS EMPLOYMENT GROWTH

(%)



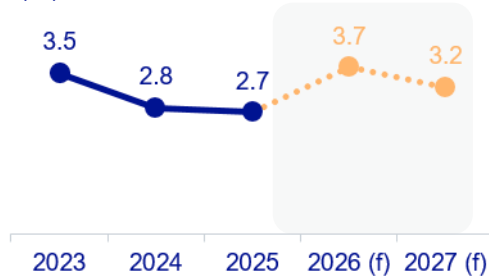
UNEMPLOYMENT RATE

(%)



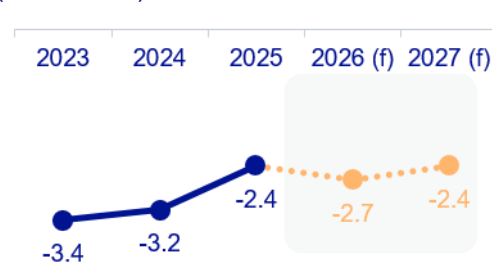
AVERAGE ANNUAL INFLATION

(%)



PUBLIC DEFICIT

(% OF GDP)



PUBLIC DEBT

(% OF GDP)



Forecasts

% y/y	2023	2024	2025	2026 (f)	2027 (f)
National Final Consumption Expenditure	2.5	3.2	2.9	3.0	2.3
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*	1.5	3.3	3.4	3.0	2.8
Exports	2.2	3.8	2.6	2.1	2.9
Goods exports	-1.5	1.1	-0.3	-0.6	2.1
Services exports	11.3	9.8	8.2	6.7	4.2
Non-tourism services	6.6	8.1	10.9	8.3	5.1
Final consumption of non-residents in the economic territory	19.1	12.3	4.3	4.1	2.7
Imports	-0.1	3.3	5.5	3.7	5.1
External demand*	0.9	0.3	-0.8	-0.4	-0.6
Real GDP at market prices	2.4	3.7	2.6	2.6	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)	3.5	2.8	3.0	2.2	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	9.5
CPI (annual average)	3.5	2.8	2.7	3.7	3.2
GDP deflator	6.4	3.2	3.1	2.7	2.9
Public deficit (% of GDP)	-3.4	-3.2	-2.4	-2.7	-2.4
Public debt (% of GDP)	105.3	101.4	100.5	99.2	97.4

(f): forecast.

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

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