



GDP will grow in a context of slowdown

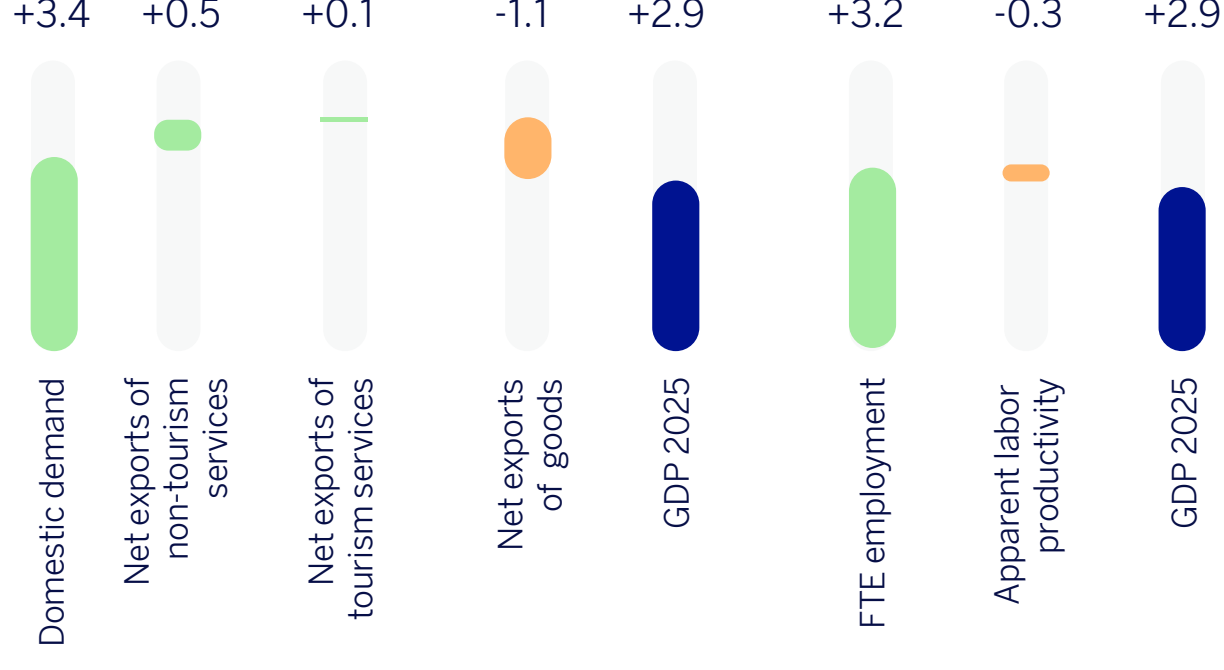
	2025 (f)	2026 (f)	2027 (f)
GDP*	2.9% ▼ -0.1 pp	2.4% ▲ +0.1 pp	2.0%
Inflation*	2.6% ▲ +0.1 pp	2.5% ▲ +0.2 pp	2.2%
Unemployment rate**	10.6% ▲ +0.1 pp	10.0% ▲ +0.1 pp	9.6%

▲ Forecast revised upwards ▶ Forecast unchanged ▼ Forecast revised downwards
* Average annual variation. ** Average annual.
(f): Forecasts. Source: BBVA Research based on INE data.



Positive balance sheet for 2025

CONTRIBUTIONS TO GDP GROWTH IN 2025 (PERCENTAGE POINTS)



Composition of demand

Employment and productivity

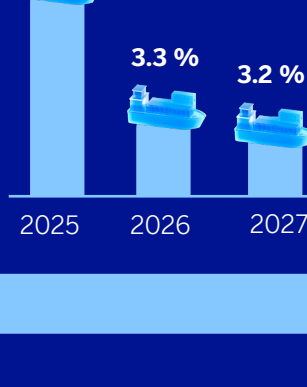
Source: BBVA Research based on INE data.

In 2026 and 2027 the recovery will continue



Service exports are **slowing**, but with **relatively strong growth**

GROWTH IN SERVICES EXPORTS



The **labor force will continue to increase**, thanks in part to immigration

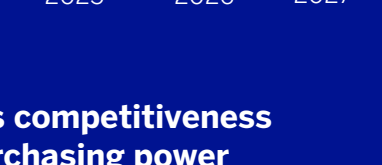
EMPLOYMENT GROWTH - EPA (LABOR FORCE SURVEY)



Inflation will **continue to decline** and support private consumption growth

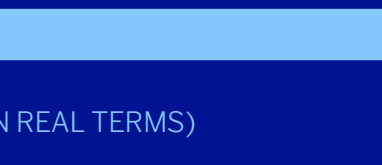
Energy prices will fall

BRENT OIL PRICE (DOLLARS PER BARREL, ANNUAL AVERAGE)

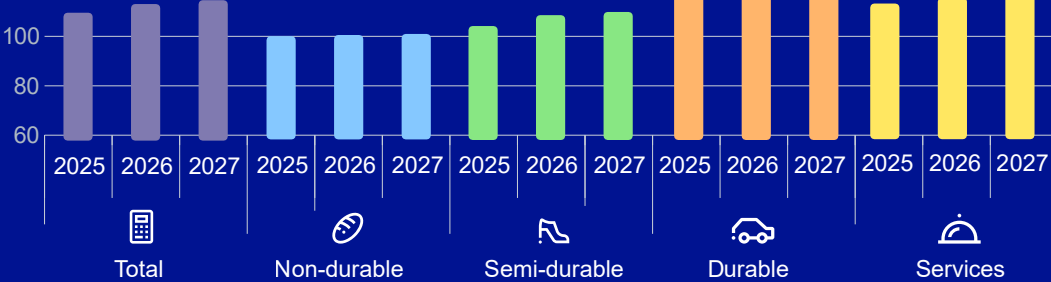


Improves business competitiveness and household purchasing power

GROWTH IN REAL GROSS DISPOSABLE HOUSEHOLD INCOME



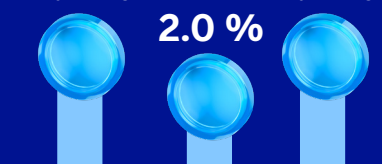
DOMESTIC PRIVATE CONSUMPTION (2019 AVERAGE = 100, IN REAL TERMS)



The contribution of investment to growth will **become increasingly significant**

Rates will remain at relatively low levels

DEPOSIT INTEREST RATE (ANNUAL AVERAGE)

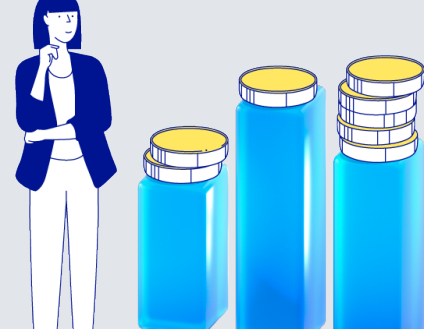


Acceleration of investments linked to the Recovery and Resilience Facility and to defense spending. In the past eight months, nearly 40 billion euros in defense spending have been approved.

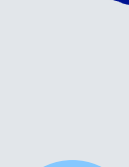
COUNCIL OF MINISTERS' AGREEMENTS RELATED TO DEFENSE SPENDING (ACCORDING TO THE PLANNED BUDGET)



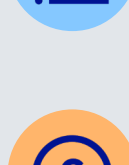
Forecasts. Source: BBVA Research based on INE, ECB and La Moncloa data.



What is behind the slowdown in activity?



A **weakening in tourism's contribution** to growth is evident.

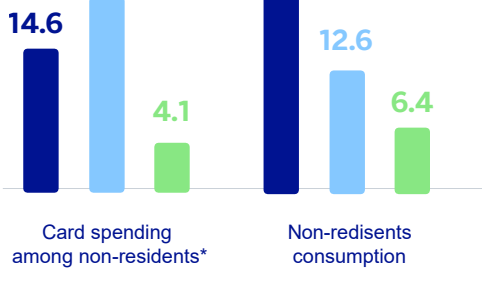


Rising tariffs, the appreciation of the euro and stagnation in the EU **weigh on the growth of goods exports**.



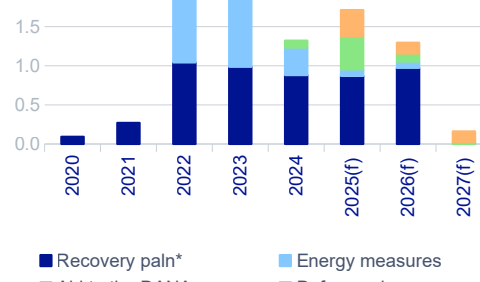
Exhaustion of fiscal stimulus measures.

ANNUAL CHANGE IN TOURIST EXPENDITURE (%)



* Raw data deflated using the non-residents' consumption deflator in the economic territory. Source: BBVA Research based on INE and BBVA.

DISCRETIONARY FISCAL IMPULSE (% OF GDP)



* It is assumed that all investments financed with RRF transfers will be completed by August 2026. Source: BBVA Research from the Ministry of Finance, PLACSP, CCS and BDNS.

The outlook is positive, although the economy faces structural challenges



1

The recent **upward revision in the GDP** series means that the economy would have already reached the level of activity that would have occurred if trend growth had been maintained since 2019.



2

Potential growth improves to levels around 2%.



3

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



4

Home sales are moderating, not due to a lack of buyers, but because of limited supply and intensifying price increases.



5

Lack of labor in some sectors and occupations despite immigration.



6

Fiscal consolidation will be a challenge for the future.

