BBVA Research

DECEMBER 2025

Economic Outlook Spain

Main messages. Global

The global economy remains unstable but is faring better than expected. The AI boom is boosting aggregate demand, adding to other tailwinds like fiscal stimulus, lower interest rates, financial wealth effects, and low energy prices. Together, they are offsetting the negative—but so far milder than expected—effects of protectionism, migration curbs, and uncertainty.

Global growth will likely be around 3.2% between 2025 and 2027, higher than previously anticipated, but slightly below the two-decade average. Growth is projected to stay near 2% in the US, slightly above 1% in the Eurozone, and to slow in China from 5% in 2025 to 4% in 2027. Short-term forecasts have been revised slightly upwards, mainly due to positive incoming data.

Inflation prospects remain broadly unchanged. In the US, tariffs and other shocks will likely keep inflation near 3%, limiting the Fed's room to further cut rates. In the Eurozone, inflation is expected to stay around 2%, with no further monetary easing anticipated. In China, deflation concerns may prompt some (limited) rate cuts.

Risks are now somewhat more balanced. Tariffs, migration policies, US policy uncertainty, and geopolitical tensions remain key concerns. However, upside risks linked to AI are growing. Beyond boosting demand, AI could eventually lift productivity. A stock market correction, however, remains a distinct possibility.

Key points. Spain

GDP growth is expected to reach 2.9% in 2025 (0.1 percentage points lower than forecast in October) Growth is strong, increasingly dependent on domestic demand and job creation, although with limited progress in productivity and real wages.

In 2026 and 2027, expansion is expected to continue with GDP growth of 2.4% (0.1 percentage points higher than in October) and 2.0%, respectively. Non-tourism service exports will grow faster than GDP. The labor will continue to grow. Improvements in competitiveness will be consolidated. The domestic demand will continue to be supported by the improvement in households, disposable income, the decline in interest rates, and the faster execution of the RRF funds.

The ongoing slowdown stems from the moderation in the contribution of foreign tourism, the continued difficulties faced by goods exports, and a fiscal policy that will become contractionary from the second half of 2026.

The outlook is positive, although structural challenges persist, such as the stagnation in goods exports, the need to increase investment in key sectors, the shortage of labor, the high unemployment rate, the sustainability of migration flows, the consolidation of the increase in TFP by leveraging AI, and compliance with an ambitious fiscal path.

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1. December 2025

Global

The global economy remains unstable, but is faring better than expected

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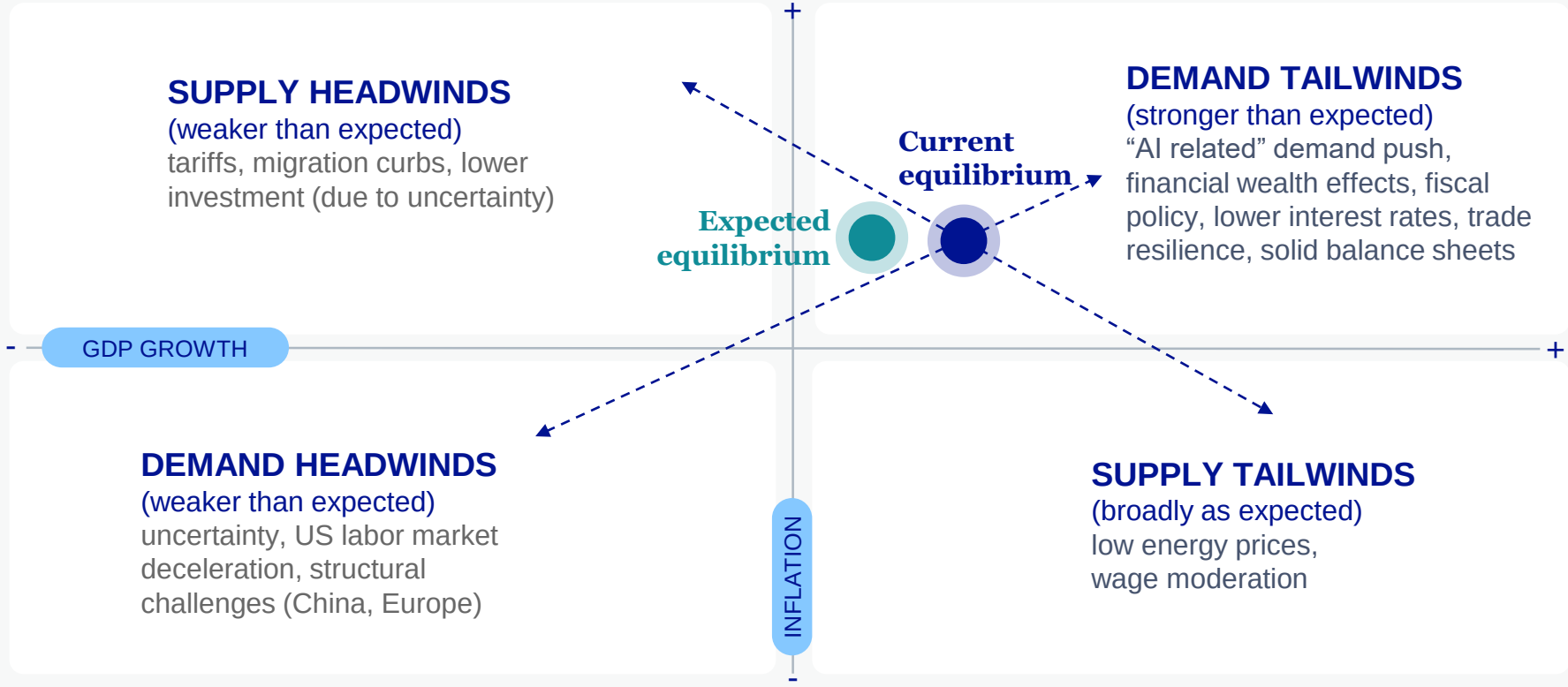
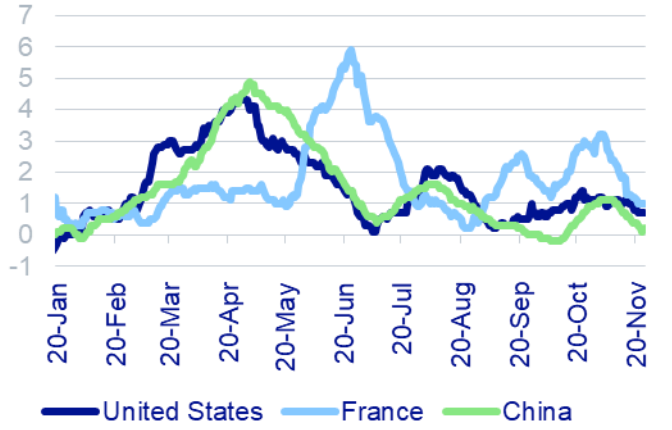
GLOBAL ECONOMY: KEY DRIVERS OF THE CURRENT EQUILIBRIUM



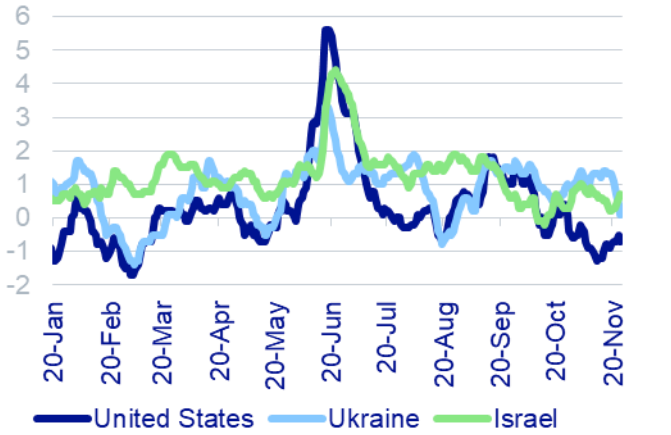
Supply and demand headwinds: uncertainty remains in place, despite recent signs of easing

ECONOMIC POLICY UNCERTAINTY INDEX: 2025 (HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)



Source: BBVA Research

GEOPOLITICAL RISK INDEX: 2025 (HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)



Source: BBVA Research

The US-China trade deal, US tariff cuts (mostly on some agricultural goods), the Gaza ceasefire, talks about a peace deal in Ukraine, among other factors, have contributed to reduce concerns on economic policies and geopolitics in the last few months

Demand headwinds: labor markets are losing steam, mainly in the US

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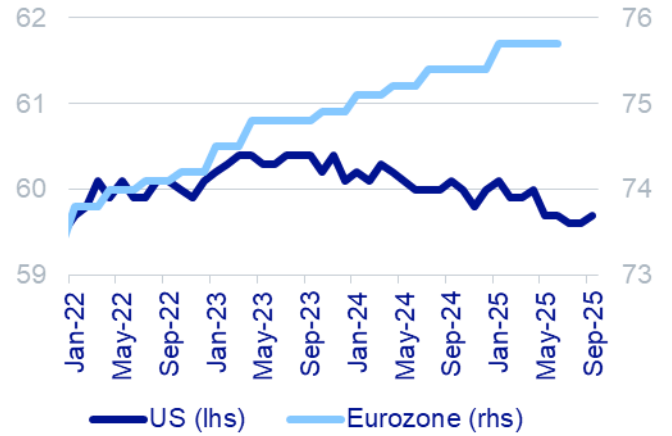
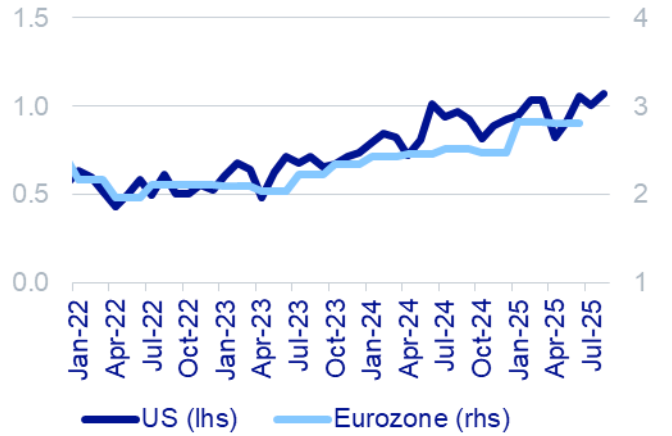
EMPLOYMENT-POPULATION RATIO
(%)



Source: BBVA Research based on data from Fred and Eurostat

UNEMPLOYED PERSONS PER JOB VACANCY (NUMBER OF PERSONS)



Source: BBVA Research based on data from Fred and Eurostat

The unemployment rate has reached 4.4% in Sep/25 in the US, 1pp higher than the post-pandemic low, but still relatively low; in the Eurozone, it remains close to historical lows (6.3% in Sep/25)

Supply headwinds: US tariffs have recently declined, with effective rates in general below statutory levels

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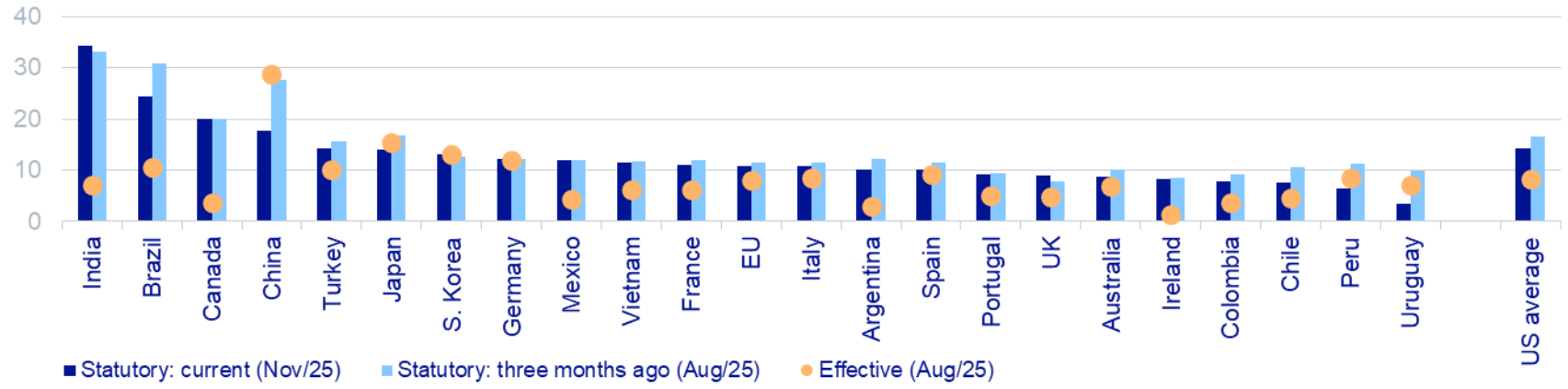
US STATUTORY AND EFFECTIVE TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025 (*) (PP)



(*) Statutory tariffs: BBVA Research calculation following recent trade deals and US announcements. Based on general tariffs set for each country (reciprocal and/or fentanyl), specific tariffs on some sectors (steel, aluminum, automobiles, autoparts, pharma...) and exempted goods (selected electronics, oil...). Considering measures announced untill November 26. Sectoral weights are calculated according to 2024 trade flows.
Effective tariffs: BBVA Research calculations (total US tariff revenues divided by total US imports, by country) based on data from the USITC.
Source: BBVA Research

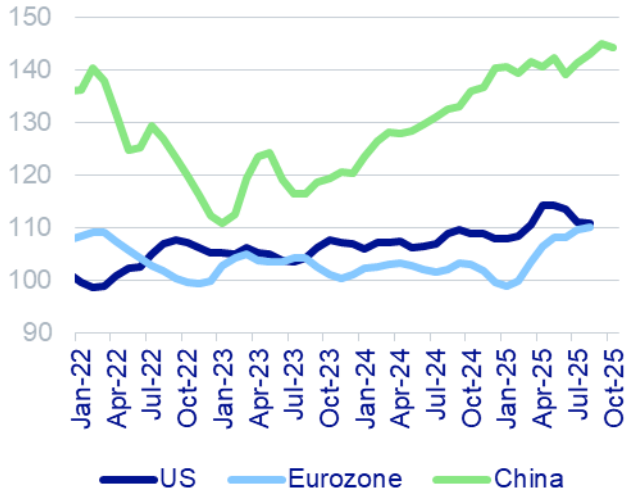
US trade deals—including with China—and exemptions for some goods (mainly agricultural) imply lower tariff levels; yet uncertainty persists, mainly due to possible legal overruling of reciprocal and fentanyl tariffs

Demand tailwinds: global trade has surged ahead of tariffs; and it remains resilient despite moderation signs

EXPORTS OF GOODS (VOLUME): WORLD
(4Q19=100; THREE-MONTH MOVING AVERAGE)

Source: BBVA Research based on data from Haver

EXPORTS OF GOODS (VOLUME): US, CHINA AND EUROZONE
(4Q19=100; THREE-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from Haver

Demand tailwinds: the AI boom is supporting US demand

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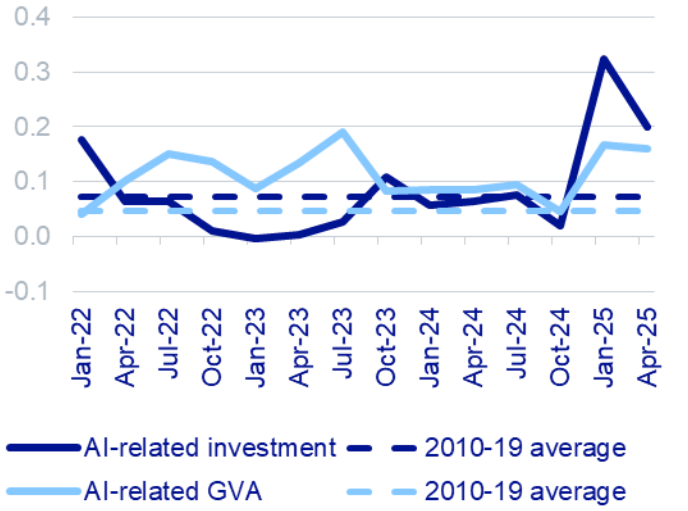
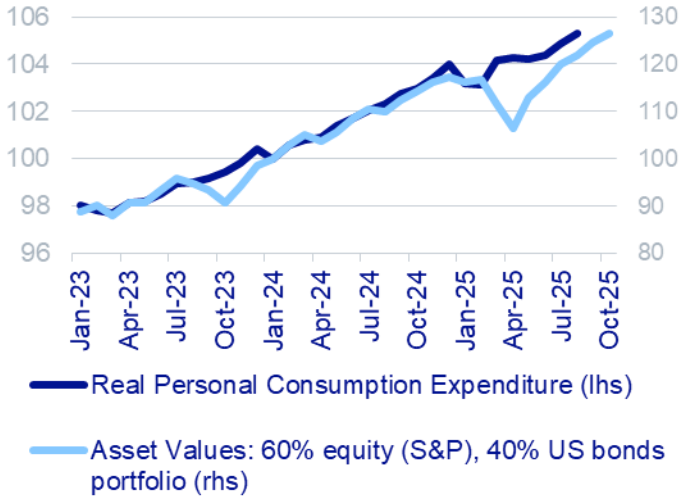
US: AI-RELATED INVESTMENT AND GROSS VALUE ADDED (GVA) (*)

(CONTRIBUTION TO QUARTERLY GDP GROWTH: PP)



US: PERSONAL CONSUMPTION AND ASSET VALUES: IN REAL TERMS (*)

(INDEX: JAN/24=100)



(*) AI-related investment defined as investment in information processing and investment in softwares.
Source: BBVA Research based on data from FRED and US Census Bureau

Source: BBVA Research based on data from FRED and Haver

Demand tailwinds: fiscal policy remains supportive, and lower interest rates are now feeding through the economy

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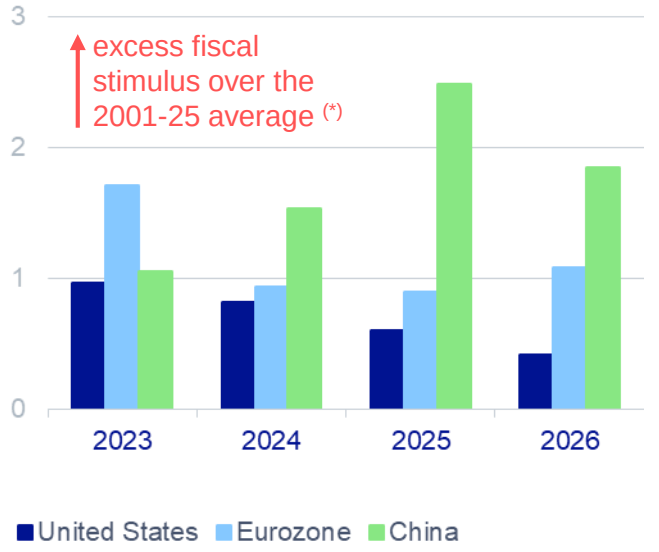
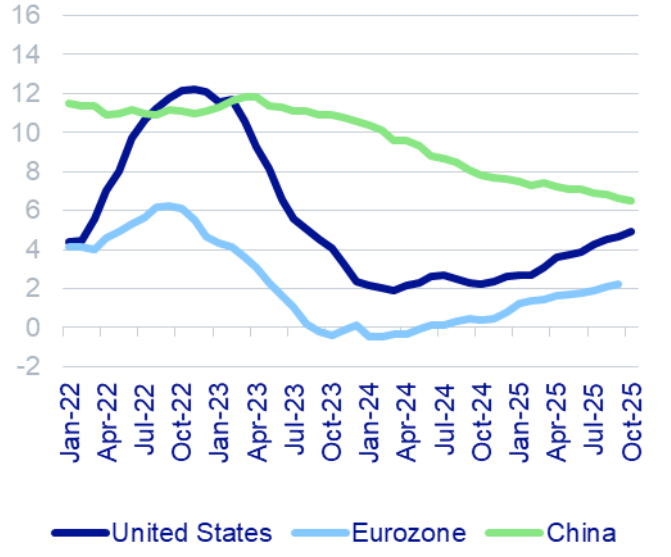
CYCLICALLY-ADJUSTED PRIMARY FISCAL BALANCE GAP (*) (% OF GDP)



BANKING CREDIT: STOCK

(Y/Y %)



(*) Deviation of the cyclically-adjusted primary balance (CAPB) from its estimated equilibrium (average relationship between the CAPB and GDP growth over 2001–2025). 2025 and 2026 estimates are based on GDP and fiscal forecasts by the IMF.
Source: BBVA Research based on data from the IMF

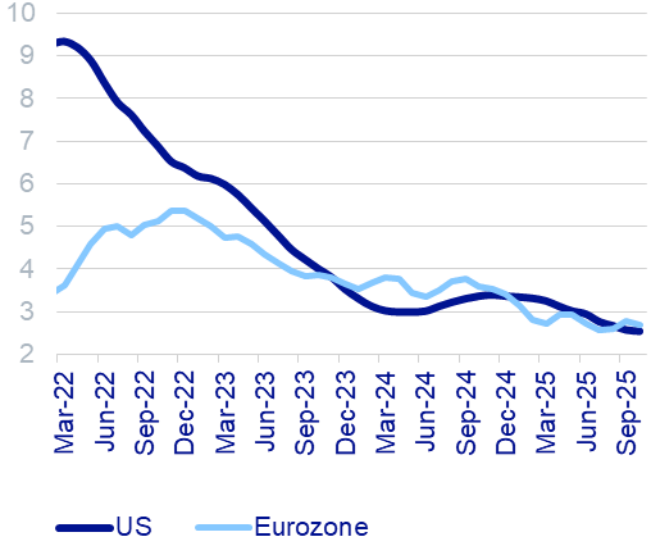
Source: BBVA Research based on data from FRED and Eurostat

Supply tailwinds: energy prices remain at low levels, while wages continue to slow

BRENT PRICES
(USD PER BRENT BARREL)

Source: BBVA Research based on data from Haver

NOMINAL WAGES: INDEED WAGE TRACKER
(Y/Y %, 3-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from Indeed

Activity: GDP growth has remained broadly resilient, in general exceeding expectations

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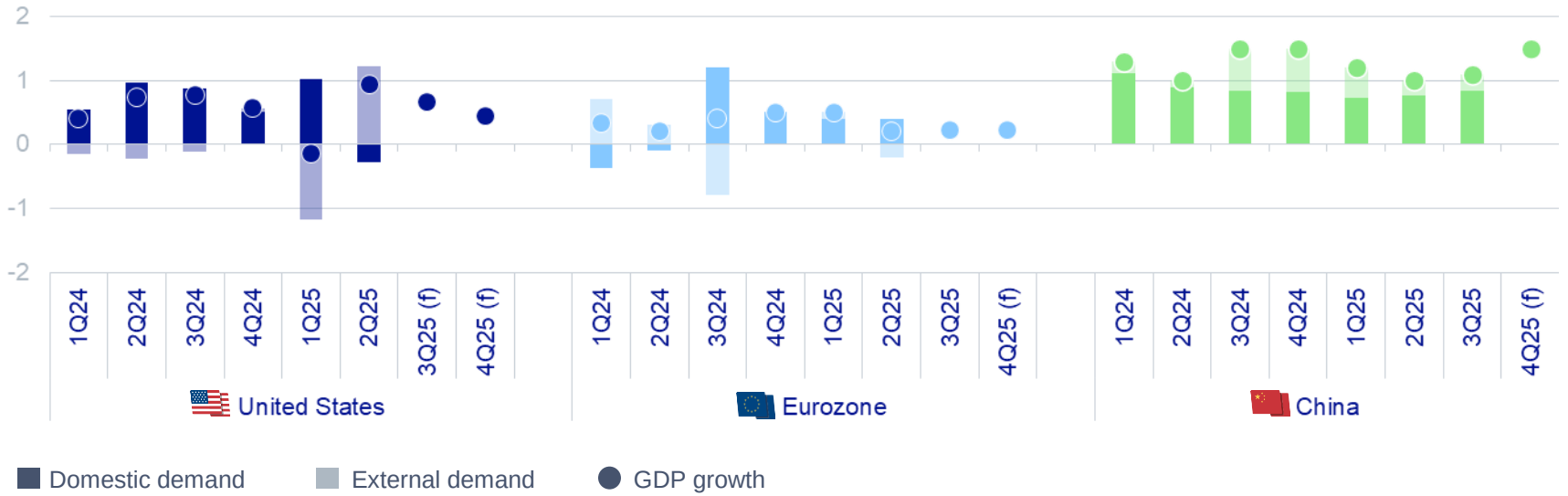
GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMANDS TO GDP GROWTH (*)

(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)



(*) BBVA Research forecast for 3Q25 in the US, and for the 4Q25 in the US, Eurozone and China
Source: BBVA Research based on data from Haver and China's NBS

Inflation: increasing due to tariff effects in the US, stable around 2% in the Eurozone, and still very low in China

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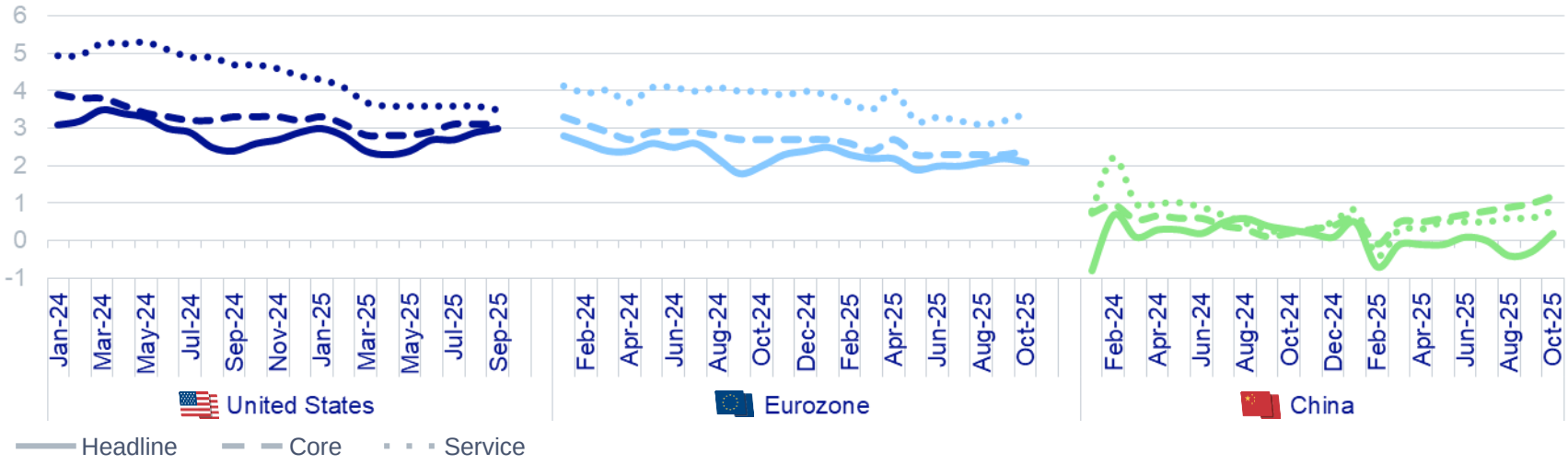
CPI INFLATION: HEADLINE, CORE AND SERVICE (Y/Y %)



Source: BBVA Research based on data from Haver

In the US, goods inflation is rising amid high tariffs, offsetting the deceleration in services, led by a moderation in shelter prices; in contrast, industrial prices are under control and service prices are increasing at a faster pace in the Eurozone, and to some extent, also in China

Rate expectations: a more gradual easing and a higher terminal rate for the Fed and stability for the ECB

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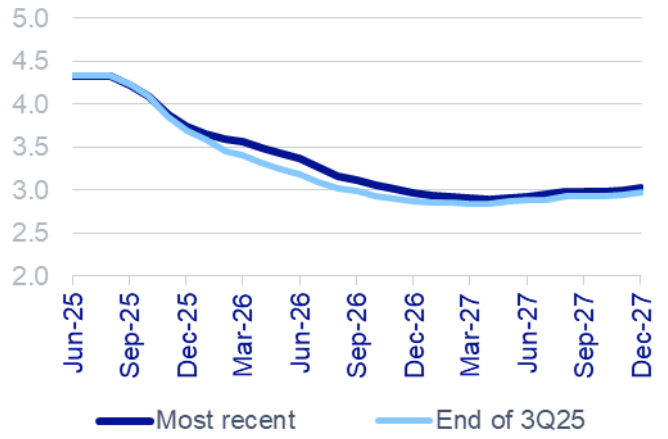
US: IMPLICIT RATE IN FED FUND FUTURES

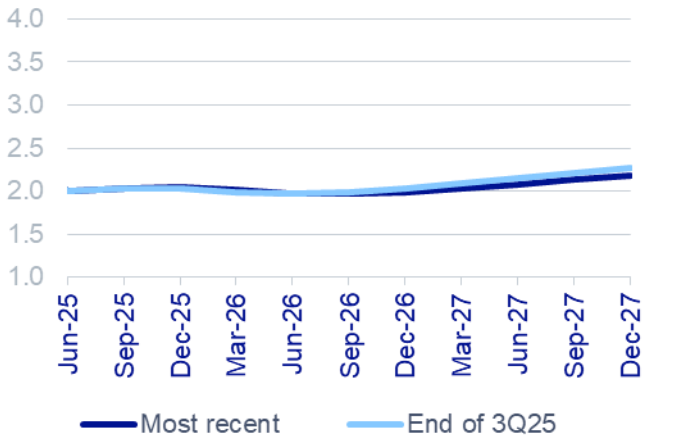
(%)



Source: BBVA Research based on data from Haver

EZ: IMPLICIT RATE IN EURIBOR FUTURES

(%)



Source: BBVA Research based on data from Haver

The Fed has cut rates by 25 bps in each of its last two meetings to reduce risks of labor market deceleration, but has recently sounded more hawkish de to rising inflation; the ECB has kept rates unchanged at 2% lately and indicated that risks are now more balanced

Markets: prospects of higher US rates have driven yields up, backed the USD, and helped triggering an equity correction

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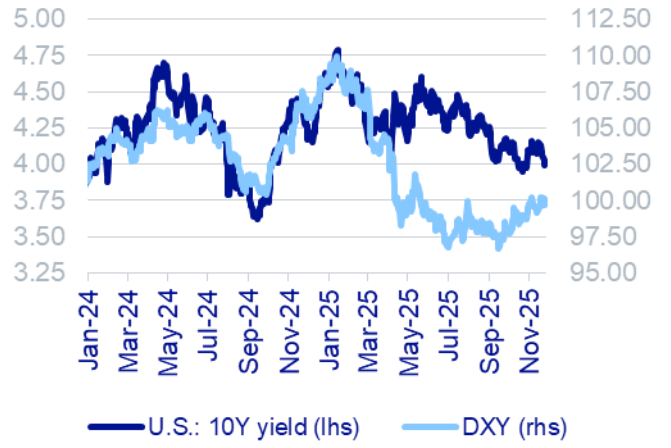
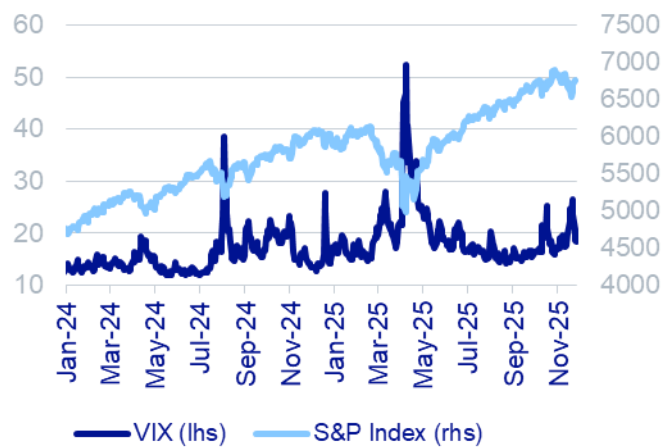
US SOVEREIGN YIELDS; US DOLLAR (DXY)
(%)



Source: BBVA Research based on data from Haver

VOLATILITY (VIX); US EQUITY (S&P)
(INDEXES)



Source: BBVA Research based on data from Haver

Following a rally in US equity markets, driven by AI-related stocks, concerns have recently emerged over excessive valuations, with subsequent market corrections and increased volatility

Growth forecasts have been revised slightly to the upside, mostly on incoming data

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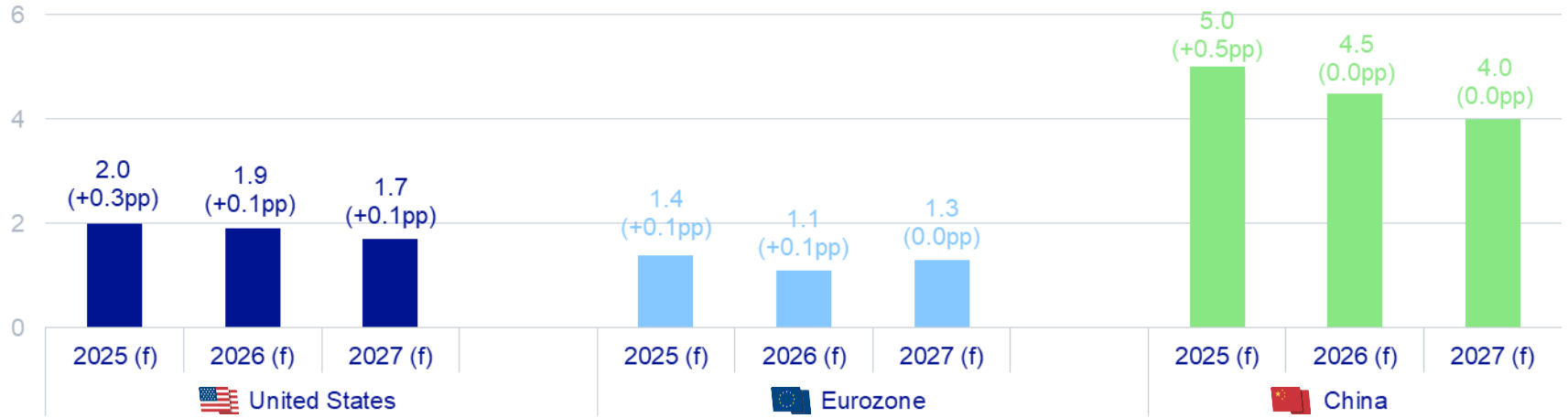
GDP GROWTH (*) (%, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

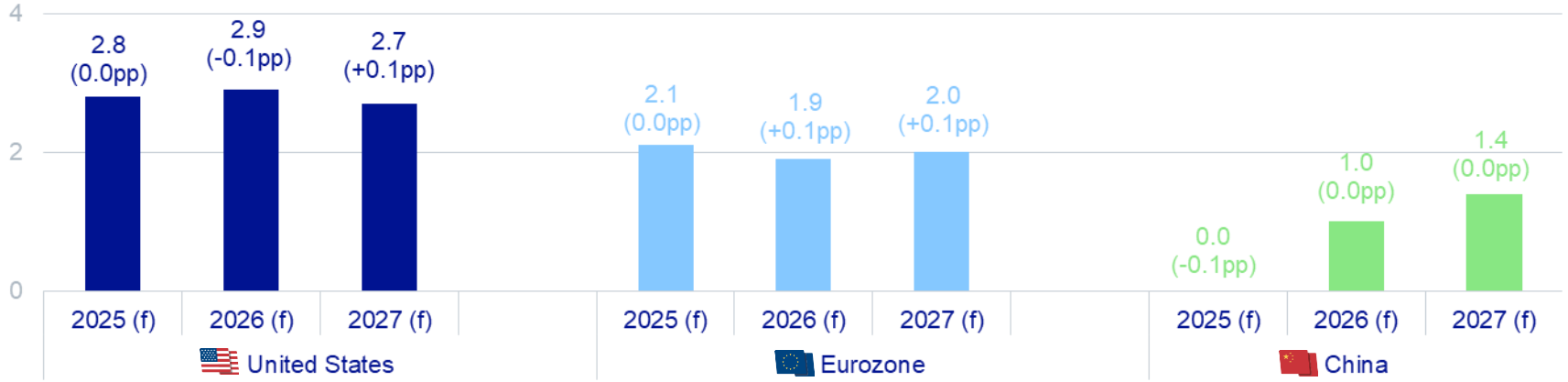


(*) Global GDP is forecast to grow 3.2% in 2025, 3.1% in 2026 and 3.2% in 2027, respectively 0.2pp, 0.0pp and 0.0 higher than the previous forecasts.
(f): forecast.
Source: BBVA Research

The negative impact of tariffs and other supply shocks is expected to be broadly offset by AI demand (mainly in the US) and fiscal spending (mainly in the Eurozone); higher AI-driven productivity is an upward risk in the medium term; a structural slowdown is still expected in China

Inflation prospects remain broadly unchanged

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



(f): forecast.
Source: BBVA Research

Inflation is still expected to hover around 3% in the US, driven by tariffs, and near 2% in the Eurozone; in China, while further government measures are anticipated to address deflation concerns, risks remain tilted to the downside

Growth resilience and inflation pressures will limit the Fed easing; no additional cuts by the ECB are expected

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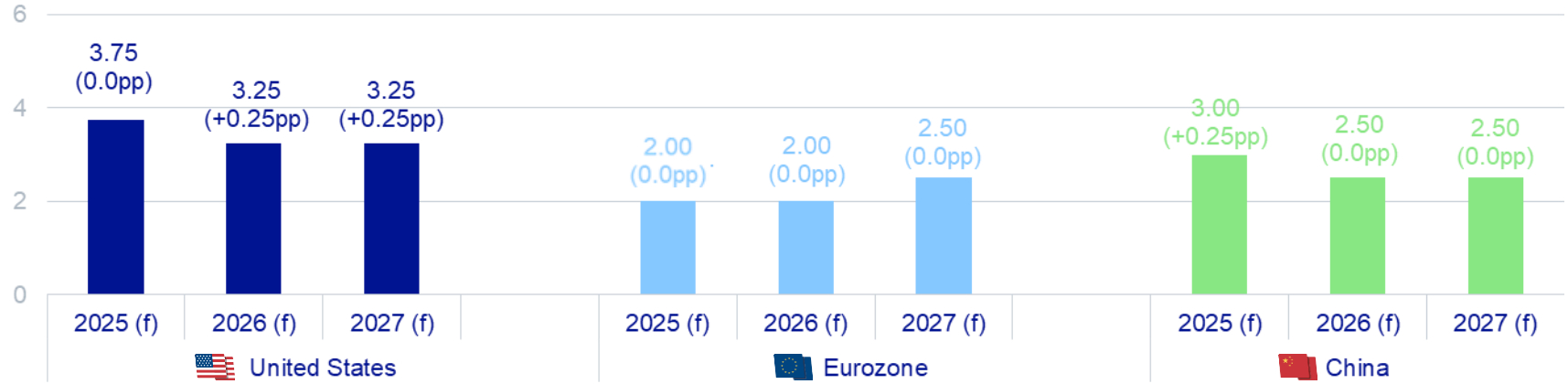
POLICY INTEREST RATES (*) (%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.
(*) In the case of the Eurozone, interest rates of the deposit facility.
Source: BBVA Research

US rates are now closer to neutral levels and the convergence to the (higher-than-expected) terminal rate could be more gradual, but there is uncertainty related to the upcoming changes in the Fed board; in the Eurozone, there is room for rates to get closer to the estimated neutral rate in the medium run

More balanced risks: rising odds of medium-term AI productivity gains amid persistent supply concerns

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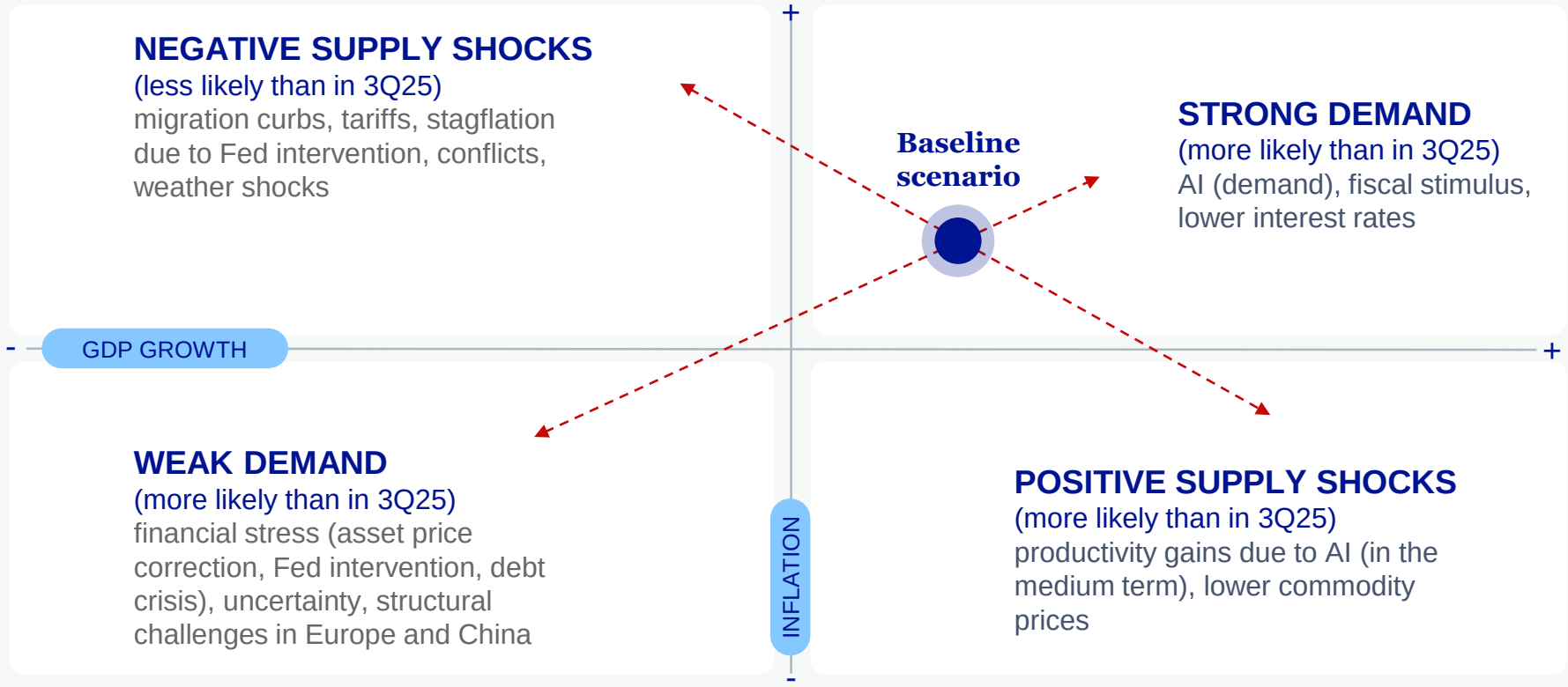
GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO



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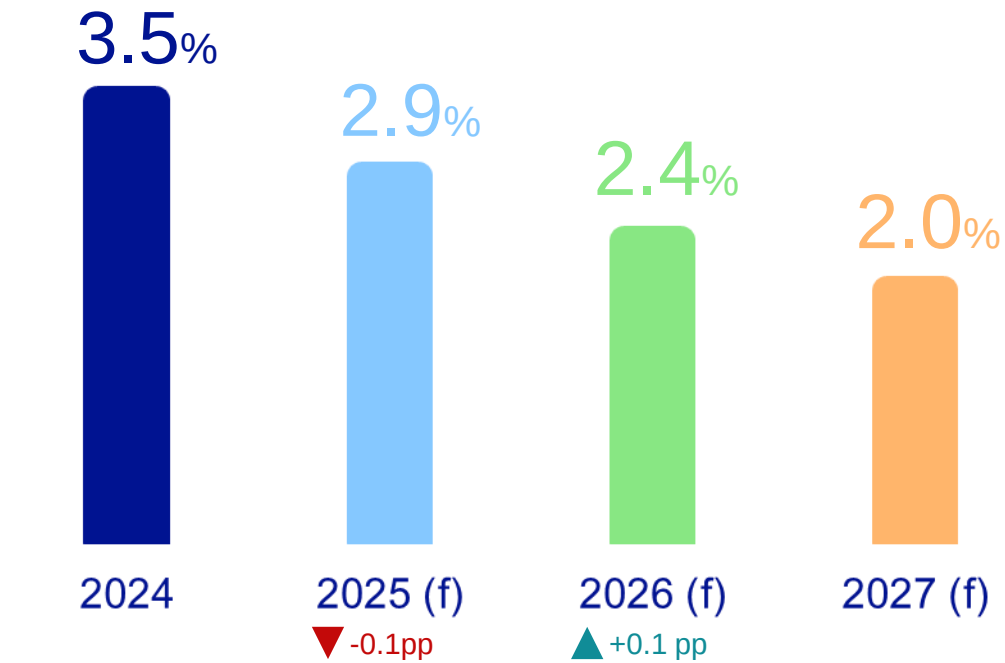
2. December 2025

Spain

The outlook is positive, although relevant structural challenges persist



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

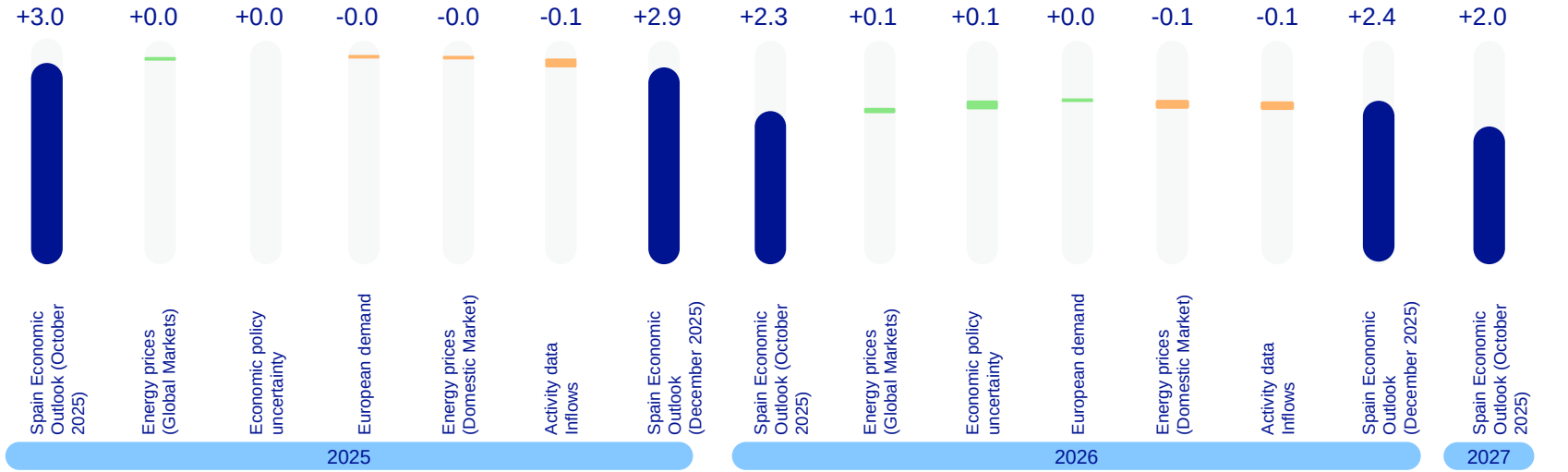
Outlook revised upward

Outlook unchanged

Outlook revised downward

The outlook is positive, although significant structural challenges remain

CHANGE IN GDP GROWTH FORECASTS AND FACTOR CONTRIBUTIONS (PERCENTAGE POINTS AND PERCENTAGE)



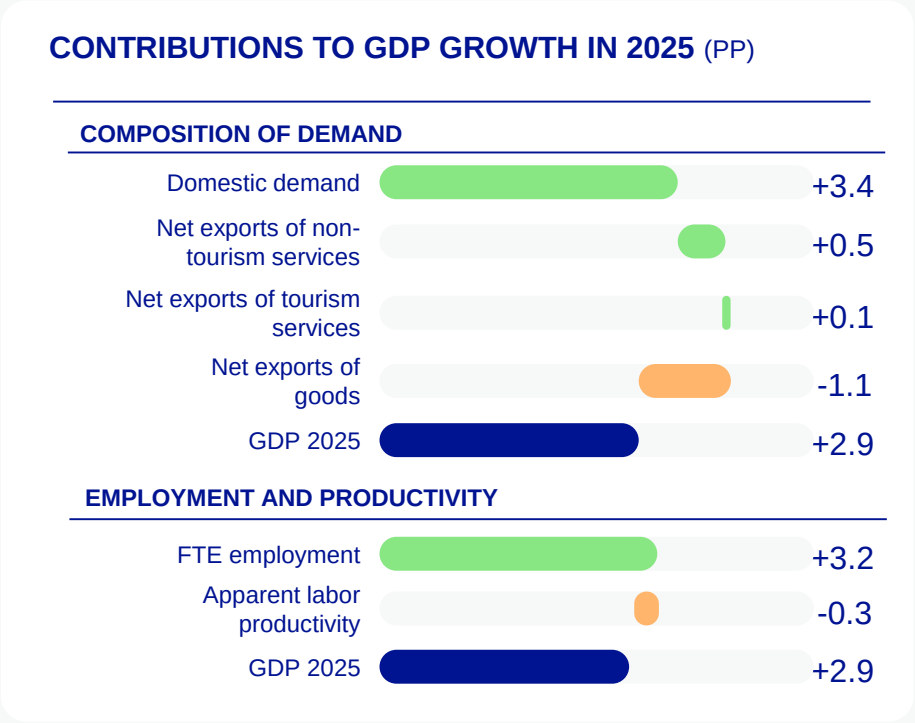
Source: BBVA Research, based on INE data

Compared with the October forecasts, the revision is downward for 2025 (0.1 percentage points, mainly due to weaker GDP data in 3Q25) and upward for 2026 (0.1 percentage points) due to stronger expected GDP in 4Q25. The increase in electricity costs is offset by a reduction in external uncertainty

The context is that of relatively high growth

The economy is increasingly dependent on domestic demand and job creation

- The average increase in GDP this year is expected to be 2.9%, **significantly above the average** of the last 30 years (2.1%) and the growth of the Eurozone (1.4%).
- **Domestic demand is benefiting** from the increase in private consumption and investment, with 2025 marking the return of **negative contributions from external demand** to growth.
- **The recovery has been intensive in job creation** and is consistent with the decline observed in labor productivity and the limited growth in real wages.



Source: BBVA Research, based on INE data

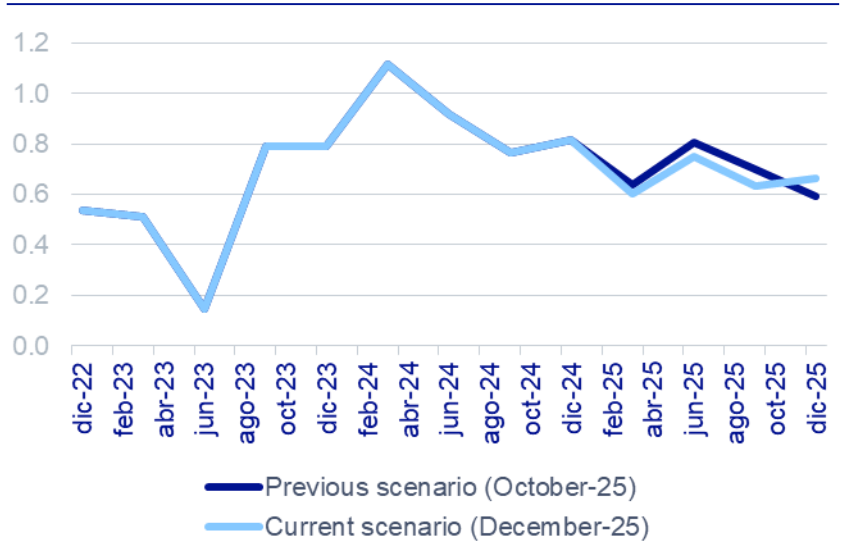
The context is that of relatively high growth

GDP could increase by 0.7 percent quarter on quarter in Q4 2025, above that observed in Q3 2025

- Social Security enrolment points **to greater job creation in the latter part of the year than in 3Q25.**
- **The contribution of domestic demand to growth is expected to remain positive** in 4Q25, but lower than in 3Q25, with external demand less negative.

QUARTER-ON-QUARTER GDP GROWTH

(%)



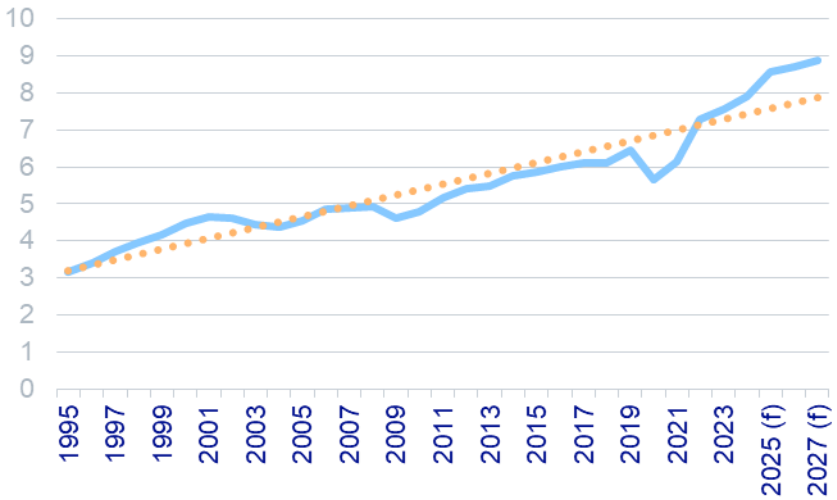
Source: BBVA Research based on INE data

In 2026 and 2027 the expansion will continue

Services exports have room to sustain high growth

- **The supply constraints** that may affect other sectors (tourism) **would be less rigid,** as they depend more on the adoption of new technologies and on the digitalization and automation of processes.
- **Changes in working practices have become established, and market share can continue to be gained.**

EXPORTS OF NON-TOURIST SERVICES
(PERCENTAGE OF GDP)

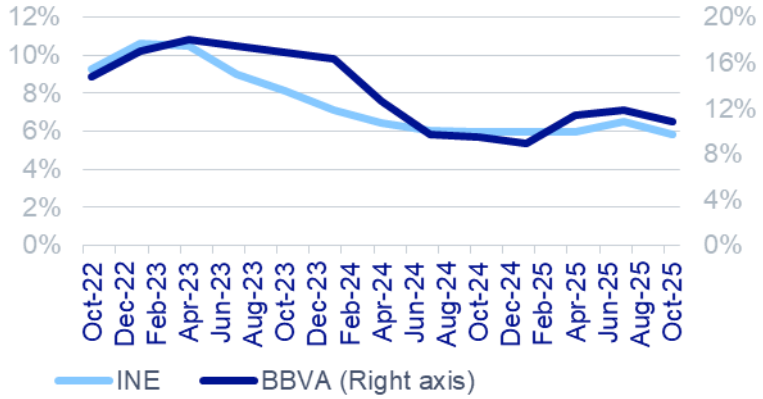


Source: BBVA Research based on INE data

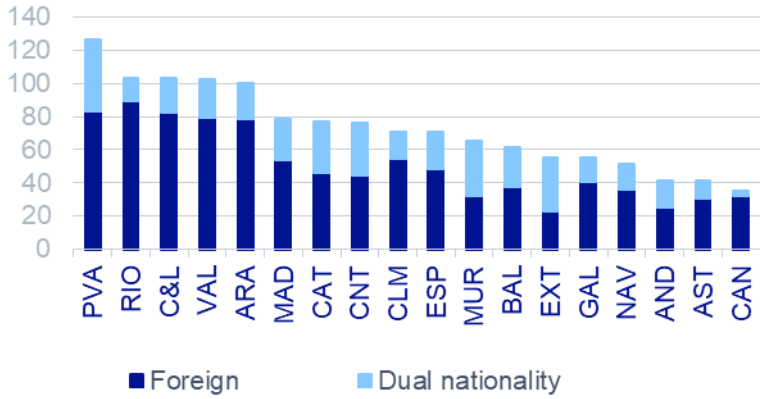
In 2026 and 2027 the expansion will continue

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

FOREIGN POPULATION AGED 20 YEARS OR OLDER
(YEAR-ON-YEAR CHANGE IN PERCENTAGE)



JOB CREATION BETWEEN Q1–Q3 2022 AND Q1–Q3 2025 EXPLAINED BY THE FOREIGN AND DUAL-NATIONALITY POPULATION (%)



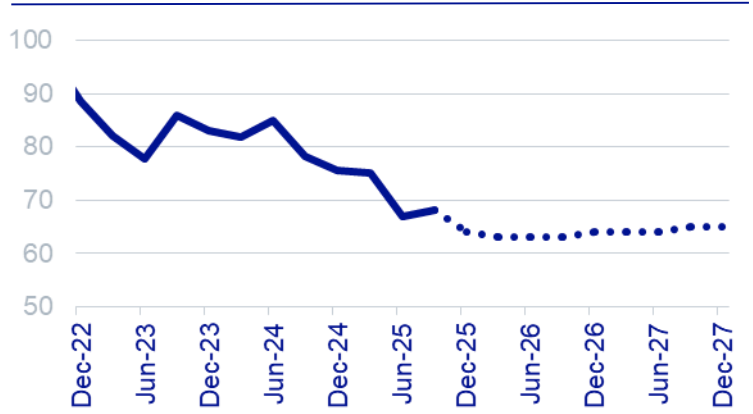
BBVA's indicator is constructed from the number of customers with foreign nationality or dual nationality. Nationality is determined by the country of origin and the type of document (DNI or NIE).
Source: BBVA Research, with data from INE and BBVA

The labor force is expected to increase by around 400,000 people in both 2026 and 2027, in line with what was observed in 2025. This will allow for the creation of approximately 480,000 jobs per year on average over the next two years

In 2026 and 2027 the expansion will continue

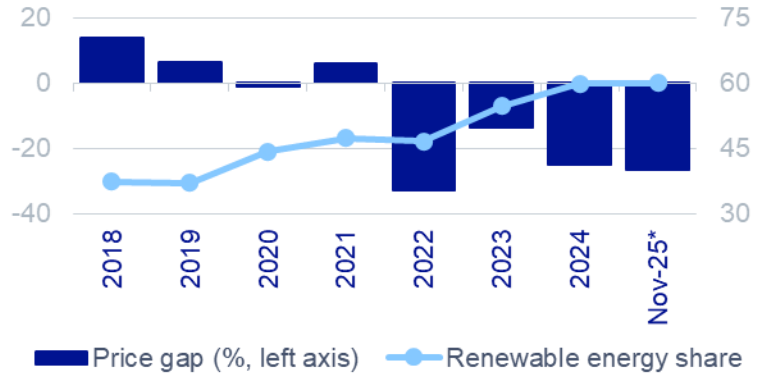
Fuel and electricity costs will remain relatively low, contributing to business competitiveness and the recovery of household purchasing power

OIL PRICE AND FORECAST
(DOLLARS PER BARREL, QUARTERLY AVERAGE)



Source: BBVA Research

WHOLESALE ELECTRICITY PRICE GAP AND SHARE OF RENEWABLES
(% OF EUROPEAN MEDIAN, LEFT; %, RIGHT)



*Accumulated twelve months until Nov-25.
Source: BBVA Research from Ember

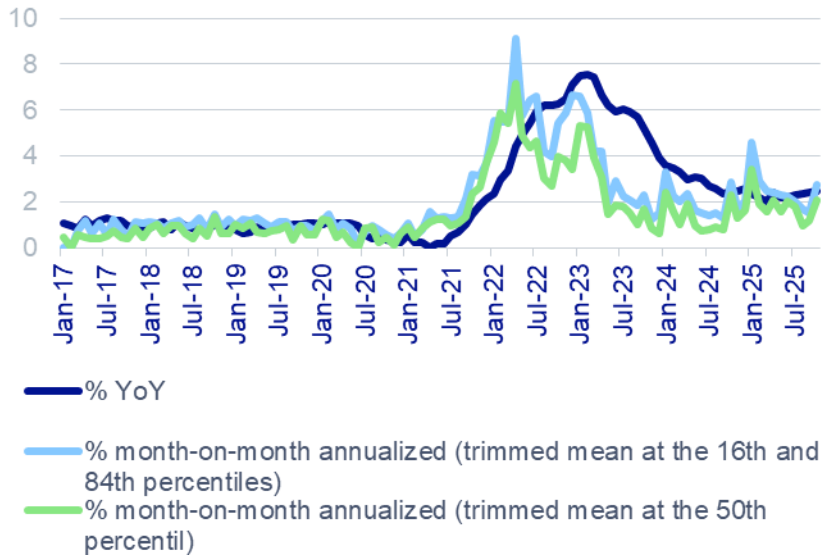
The price of oil is expected to remain at around 65 dollars per barrel, significantly below the levels observed during 2023 and 2024. The wholesale electricity price continues to be more than 20 percent lower than what is paid in the rest of Europe

In 2026 and 2027 the expansion will continue

Inflation will continue its slow decline (2.5% and 2.2% in 2026 and 2027, respectively), which will facilitate the recovery of the purchasing power of wages

- In addition to energy-cost trends, **the appreciation of the euro against the dollar will continue** over the next two years (1.18 and 1.21 dollars per euro as the annual average for 2026 and 2027).
- **The rise in import prices will be limited** by the weak cyclical position of the European industry and the moderation of labor costs.
- Although in recent months inflation in Spain has been higher than that observed in the euro area as a whole, **trend indicators**, which exclude the most volatile components**, are consistent with the medium-term decline toward levels close to 2%.**

ALTERNATIVE INFLATION TREND METRICS
(%)

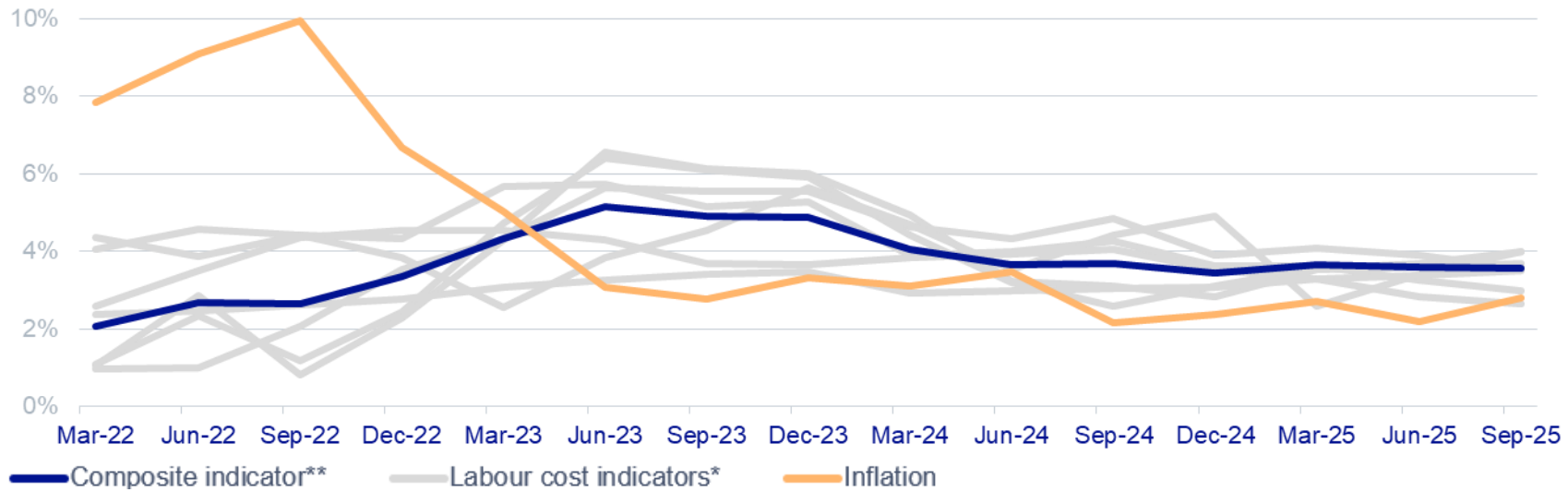


Source: BBVA Research, based on INE data

In 2026 and 2027 the expansion will continue

The gradual improvement in households' disposable income will support the recovery of private consumption

LABOR COST AND INFLATION INDICATORS
(YEAR-ON-YEAR CHANGE IN PERCENTAGE. (CVEC DATA)

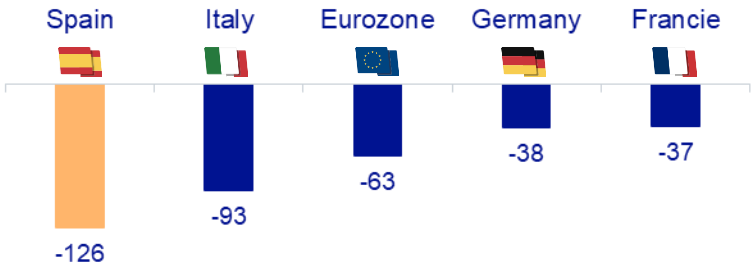


* Unit labor cost (ULC) per employee, ULC per hour worked, total cost per worker, total cost per hour worked, salary agreed in collective bargaining agreement, gross remuneration per worker in large companies and Indeed Wage Tracker.
** First main component of the series of unit labor costs, total costs, salary agreed in collective agreement and gross remuneration per worker.
Source: BBVA Research based on AEAT, INE, Ministry of Labor and Social Economy and Indeed Hiring Lab

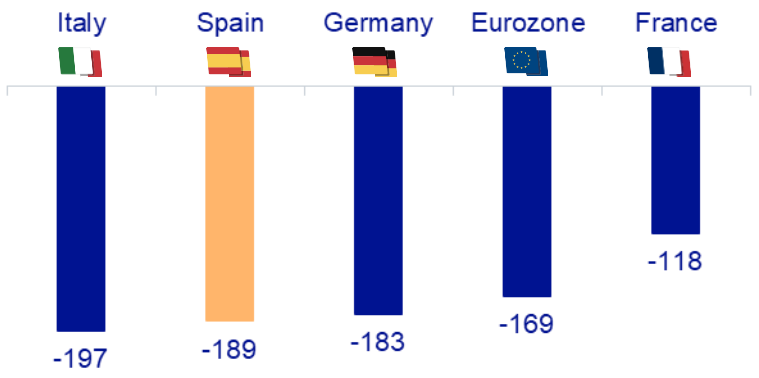
In 2026 and 2027 the expansion will continue

Monetary policy will be expansionary, which, together with the healthy balance sheets of businesses, households, and banks, will drive financing.

INTEREST RATE: NEW MORTGAGE LENDING TO HOUSEHOLDS
(CHANGE FROM SEP-23 TO SEP-25. BASIS POINTS



INTEREST RATE: NEW LENDING TO COMPANIES
(CHANGE FROM SEP-23 TO SEP-25. BASIS POINTS



Source: BBVA Research, based on BCE data

The sharp decline in financing costs for households and businesses, together with the expectation that no further reductions will occur and the anticipated growth of GDP in Spain, should stimulate financing and support a cyclical recovery in durable goods consumption and investment, particularly in capital-intensive sectors

In 2026 and 2027 the expansion will continue

The gradual improvement in households' disposable income and the increase in financing will support the growth of consumption, especially of durable goods.

DOMESTIC PRIVATE CONSUMPTION
(2019 AVERAGE = 100. REAL TERMS)

(f) Forecast.
Source: BBVA Research, based on INE data

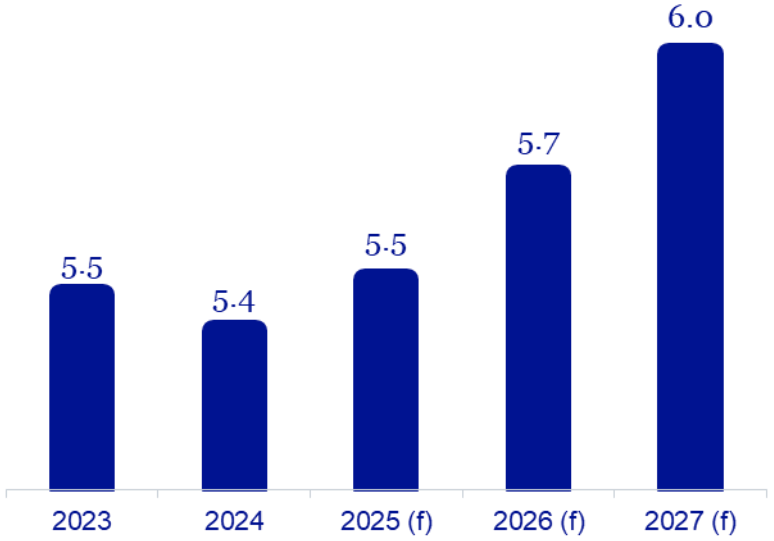
One example is car sales, which could exceed 1,200,000 units, a level similar to that observed in 2019

In 2026 and 2027 the expansion will continue

Investment in housing will accelerate over the coming years, supported by the tailwinds that will drive demand

- **Home sales will remain virtually stable** in 2025 and 2026, at around 725,000 units per year.
- **A trend that does not reflect a weakening of demand**—which continues to be supported by solid fundamentals, such as strong employment growth, household formation, immigration, the increase in compensation per employee, or stable interest rates—**but rather by the lack of available supply and the consequent rise in housing prices.**
- **The expected improvement in corporate margins will encourage the start of new housing,** and building permits are expected to increase by between 10 and 12 percent in 2025 and 2026, reaching between 140,000 and 155,000 units per year.

INVESTMENT IN HOUSING
(PERCENTAGE OF REAL GDP)



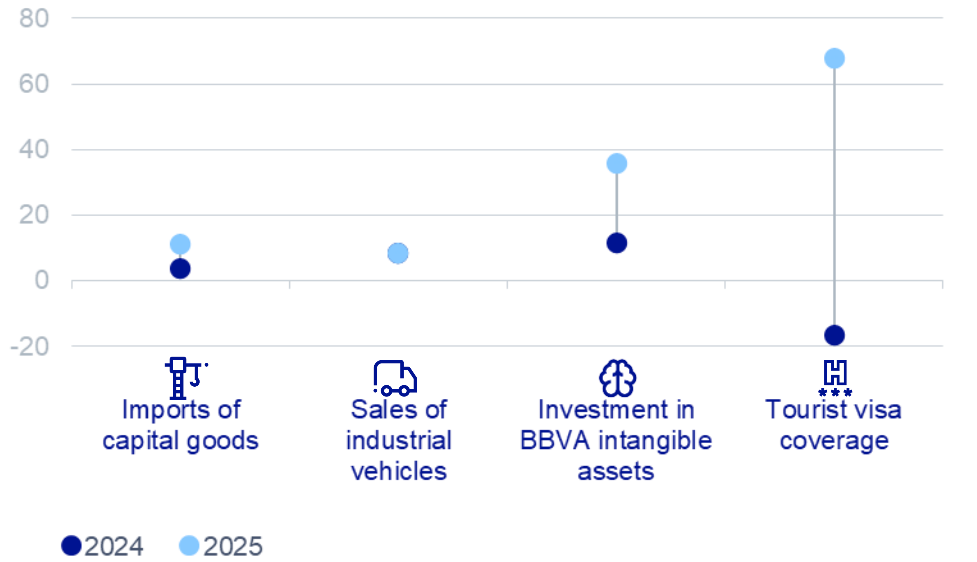
(f): forecast.
Source: BBVA Research, based on INE data

In 2026 and 2027 the expansion will continue

The decline in financing costs and the positive growth expectations for demand will support the increase in investment.

- **Capital acquisition appears to be accelerating,** as confirmed by indicators related to the purchase of transport equipment, capital goods imports, and investment in intangibles.

INVESTMENT INDICATORS
(YEAR-ON-YEAR GROWTH)



Note: Investment in intangibles in nominal terms
Source: BBVA Research based on Datastream and MITMA

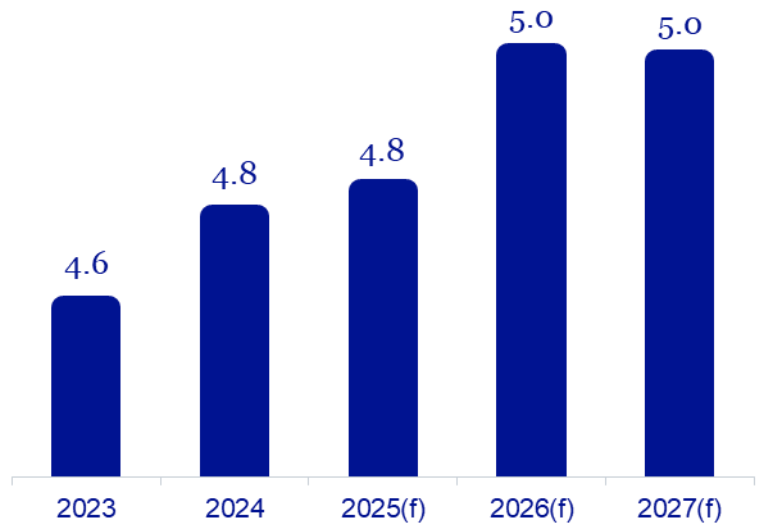
In 2026 and 2027 the expansion will continue

The accelerated disbursement of funds linked to the Recovery and Resilience Facility and the increase in defense spending will support the growth of domestic demand.

- **Achieving the target of** spending all the funds associated with the RRF within the established timeframe (before August 2026) **would imply an increase of more than 60 percent in execution compared with 2025,** which could lead to non-residential construction investment rising by 6.7 percent in 2026, almost double the increase expected this year.

- The commitments made to improve European security have brought an **avalanche of agreements in the Council of Ministers:** Since April of this year, the approval has been granted to spend nearly 40 billion euros on defense.

INVESTMENT IN OTHER CONSTRUCTION
(PERCENTAGE OF REAL GDP)

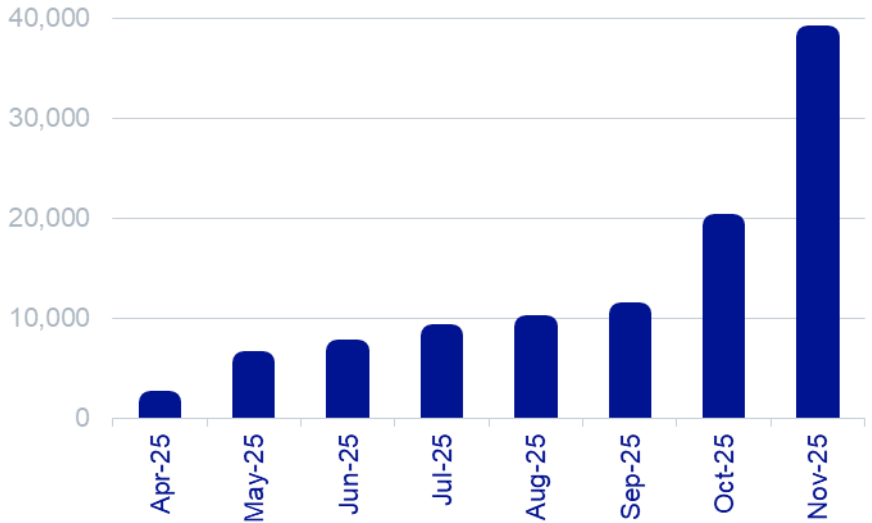


Source: BBVA Research, based on INE data

Factors that will support economic activity

The multiplier effects of increased defense spending depend on the stage of the economic cycle and the import content of the goods and services demanded

AGREEMENTS OF THE COUNCIL OF MINISTERS ON DEFENCE EXPENDITURE
(ACCORDING TO THE PLANNED BUDGET, CUMULATED MILLIONS OF EUROS)



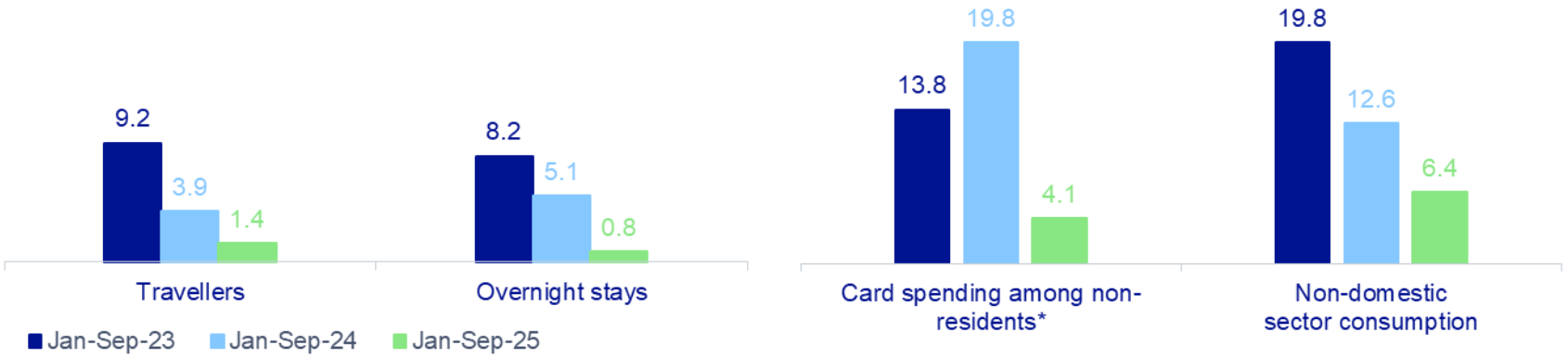
Source: BBVA Research from the Ministry of Finance

Source: BBVA Research

A moderate slowdown will be observed going forward

Exhaustion of the contribution of foreign tourism to growth

ANNUAL CHANGE IN NON-RESIDENTS' TRAVELERS, OVERNIGHT STAYS, AND EXPENDITURE (%)



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

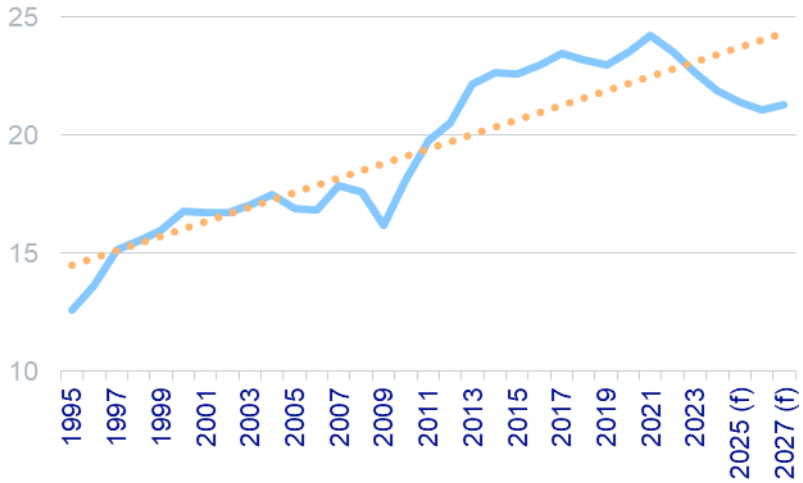
Non-resident consumption in 2025 will be 28 percent above 2019 levels. However, a slowdown is underway, with spending holding up better. This seems to be associated with a weakening of demand in countries of origin

A moderate slowdown will be observed going forward

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

- **The loss of competitiveness** observed due to the increase in export costs and the appreciation of the euro against the dollar could have more lasting effects than initially estimated.
- **It is estimated that this last factor alone could reduce export growth by around 2 pp** compared with the scenario in which the exchange rate had remained closer to parity.
- **Tariffs have had significant consequences for exports** to the U.S., particularly in goods such as steel, perfumes, footwear, ceramics, and chemical products, where substantial declines have been observed.

EXPORTS OF GOODS
(PERCENTAGE OF GDP)



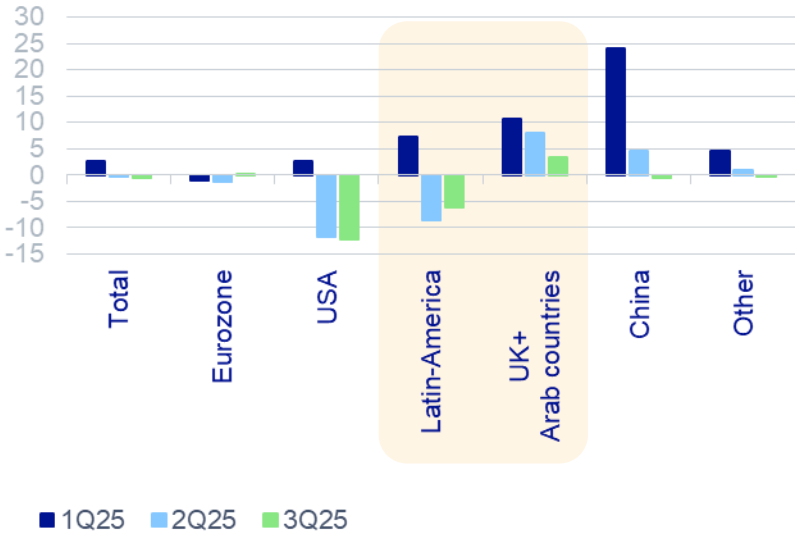
Source: BBVA Research based on DataComex

A moderate slowdown will be observed going forward

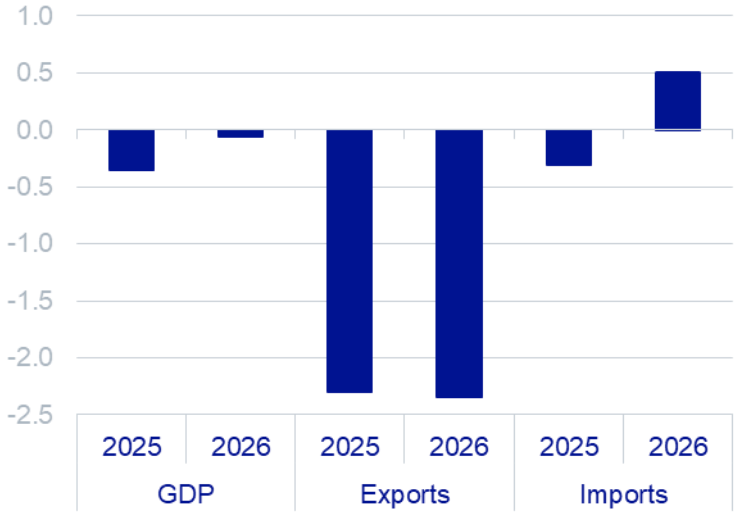
Rising tariffs, the appreciation of the euro and stagnation in the EU weigh on the growth of goods exports

SPANISH EXPORTS OF GOODS

(YEAR-ON-YEAR CHANGE, %)



IMPACT OF THE APPRECIATION OF THE EURO AGAINST THE DOLLAR (pp)



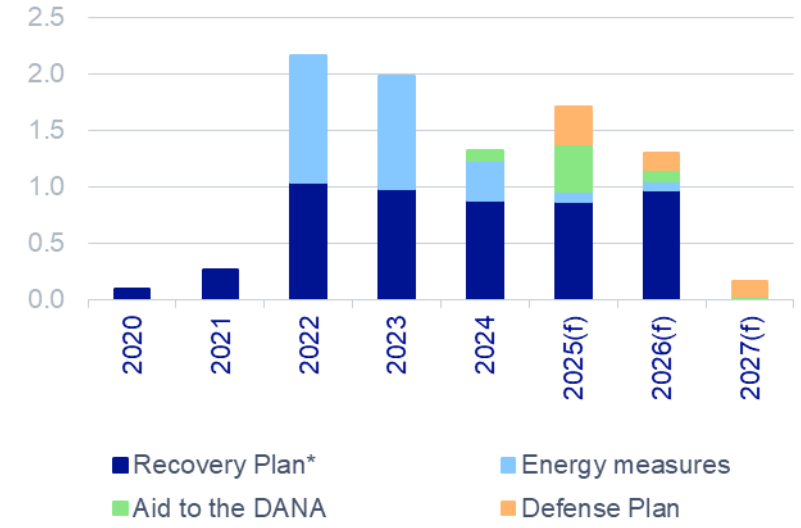
Note: Arab countries include: Morocco, Algeria, Tunisia, Libya, Egypt, Sudan, Mauritania, Djibouti, Somalia, Comoros, Lebanon, Syria, Iraq, Jordan, Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Yemen.
Source: BBVA Research, based on Haver

A moderate slowdown will be observed going forward

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

- **The stimulus associated** with the resources needed to support individuals and companies affected **by the DANA (torrential rain and severe flooding in Valencia) will gradually be exhausted.** In recent months, the amount of compensation and benefits appears to be increasing only marginally, and their impact on demand will gradually diminish.
- **A "cliff effect" may be observed as a result of the depletion of the funds associated with the RRF.** Although many of the projects will continue over the coming years, the need to make certain expenditures in the first half of 2026 to meet the committed deadlines may bring volatility in investment and a sharp decline during the second half of the following year. Finally, compliance with fiscal rules should intensify these trends.

DISCRETIONARY FISCAL STIMULUS
(% OF GDP)



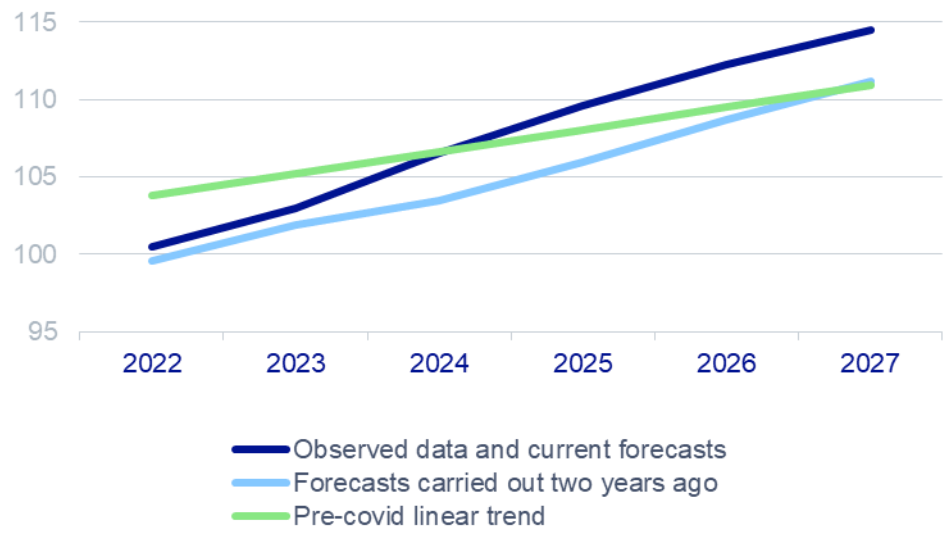
*: It is assumed that all investments financed with RRF transfers will be completed by August 2026.
Source: BBVA Research from the Ministry of Finance, PLACSP, CCS and BDNS

Prospects are positive, but with structural challenges

The upward revision in the GDP and investment series shows a greater growth capacity of the economy

- **The recent upward revision to the GDP** series suggests that the economy has already reached the level of activity that would have been recorded had trend growth since 2019 continued. The latter appears consistent with gains of around 2%.
- **Maintaining these levels will depend on the ability to sustain the drivers** that explain this growth so far.

GDP LEVEL
(INDEX 4Q19=100)



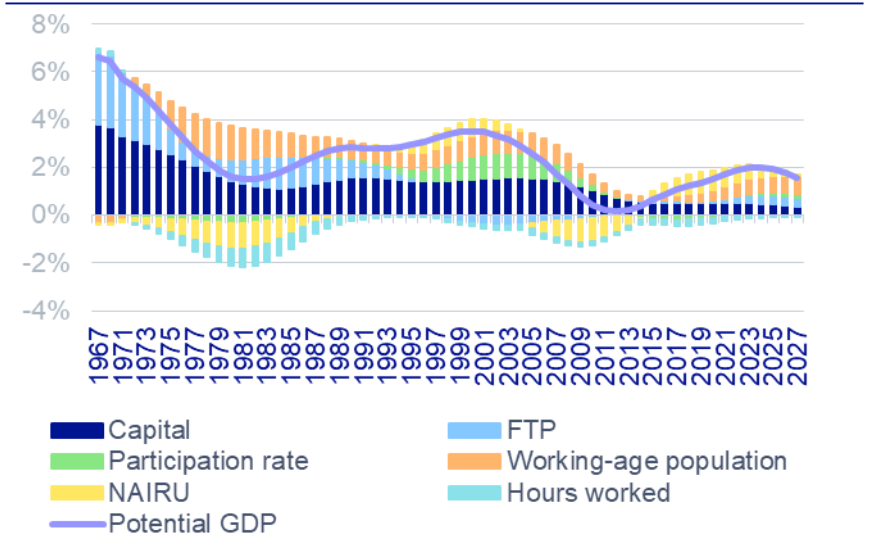
Source: BBVA Research, based on INE data

Prospects are positive, but with structural challenges

The upward revision in the GDP and investment series shows a greater growth capacity of the economy

- **Around half of the increase in** output is driven by a positive contribution from job-creation capacity.
- **The reforms introduced in 2012 and 2022** have helped to reduce employment volatility.
- In any case, the strongest boost to job-creation capacity comes from the sharp increase that has occurred in the working-age population **as a result of immigration.**

BREAKDOWN OF POTENTIAL GDP CHANGE



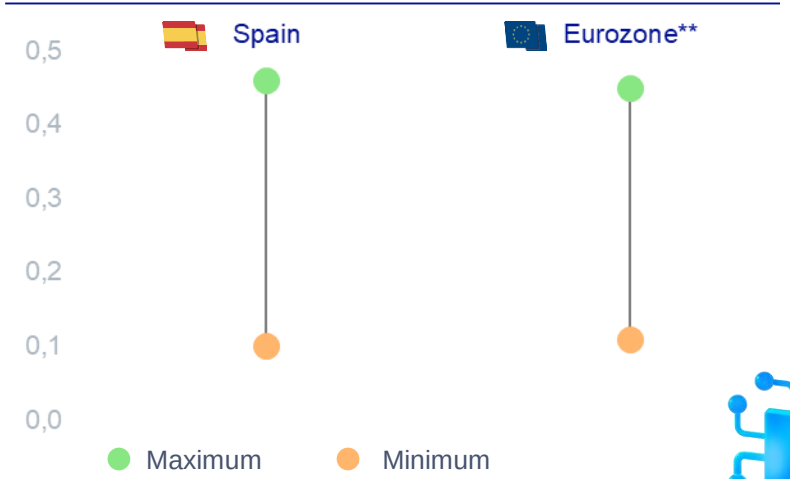
Source: BBVA Research, based on INE data

Prospects are positive, but with structural challenges

The upward revision in the GDP and investment series shows a greater growth capacity of the economy.

- **Another notable positive development is the increase in total factor productivity (TFP).**
- In an environment of weak growth in labor productivity and disappointing increases in investment, **what is occurring is a rise in capital productivity.**
- **The ongoing increase in investment in artificial intelligence presents an opportunity** to reinforce this positive trend in TFP.

CONTRIBUTION OF AI TO ANNUAL TFP GROWTH. 5-10 YEAR SCENARIOS* (RANGE IN PP)



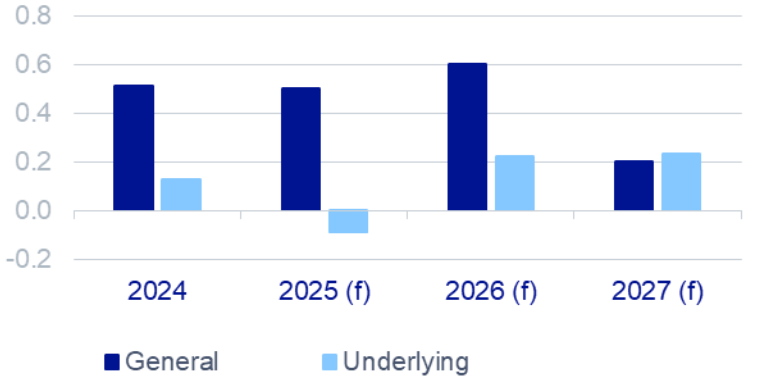
*The range of the contribution depends on assumptions about: (i) the exposure of each occupation to AI and (ii) the AI adoption rates by sector of activity. Extreme scenarios are excluded.
**European average in Misch et al. (2025).

Source: BBVA Research based on Bergeaud (2024), Bergeaud et al. (2025) and Misch et al. (2025)

Prospects are positive, but with structural challenges

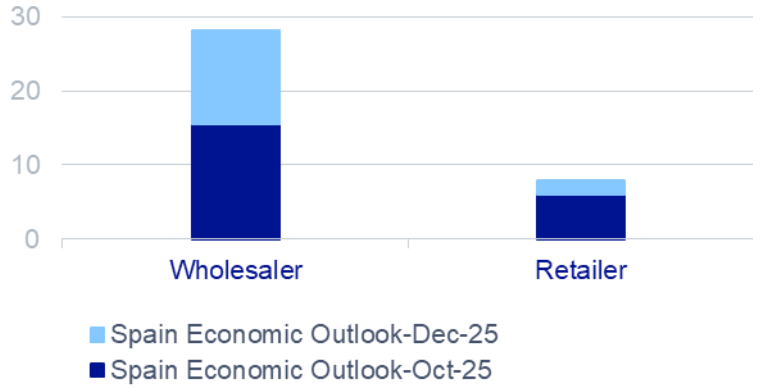
Unfavorable inflation differentials compared with key trading partners are re-emerging.

INFLATION DIFFERENTIAL WITH RESPECT TO THE EMU (PERCENTAGE POINTS)



Source: BBVA Research

INCREASE IN ELECTRICITY PRICES SINCE APRIL
(SWDA DATA, %)



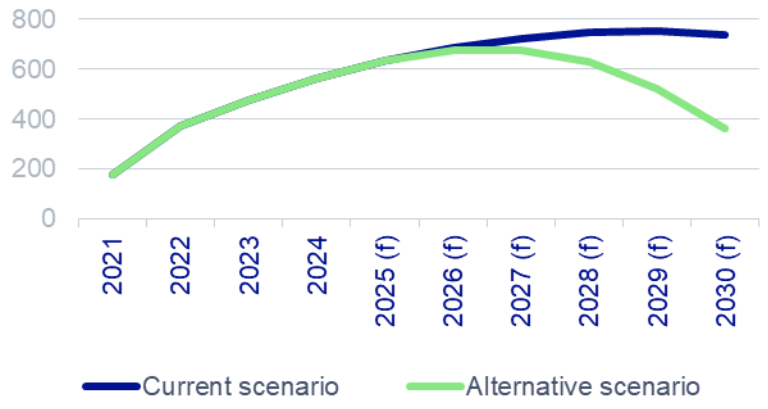
Source: BBVA Research based on Red Eléctrica and INE

From April, the CPI for electricity has risen by 8.0%. Although the rebound is much smaller than in the wholesale market, it is estimated that it could subtract slightly more than one-tenth of a percentage point from growth in 2025 and 2026

Positive outlook, but with structural challenges

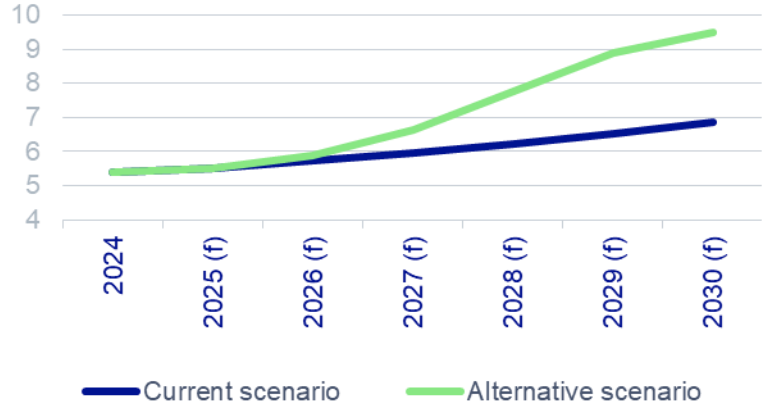
The housing market will continue to be a bottleneck and a source of tension in improving the well-being of the population

HOUSING DEFICIT IN SPAIN
(THOUSANDS OF HOMES)



Alternative scenario: the housing deficit needs to be cut by half for 2030.
Source: BBVA Research based on INE and MVAU

INVESTMENT IN HOUSING
(% REAL GDP)



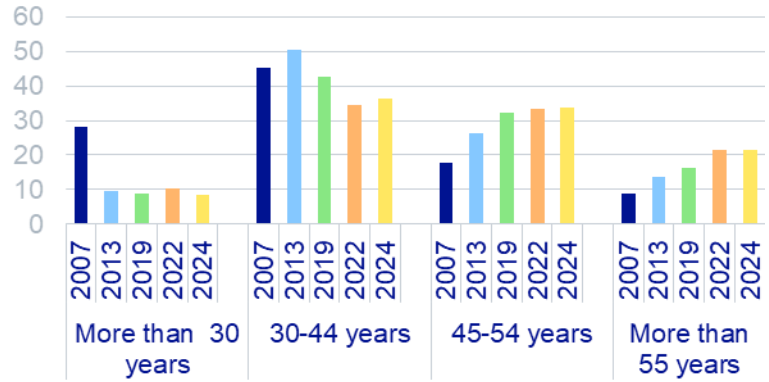
Alternative scenario: the housing deficit needs to be cut by half for 2030.
Source: BBVA Research based on INE and MVAU

The scenario proposed to halve the housing deficit by 2030 (down to 370,000 homes) would require much higher investment growth rates (an average of 15 percent between 2027 and 2030). As a percentage of GDP, this means reaching 10 percent in 2030, close to the 2007 peak (11.7 percent)

Positive outlook, but with structural challenges

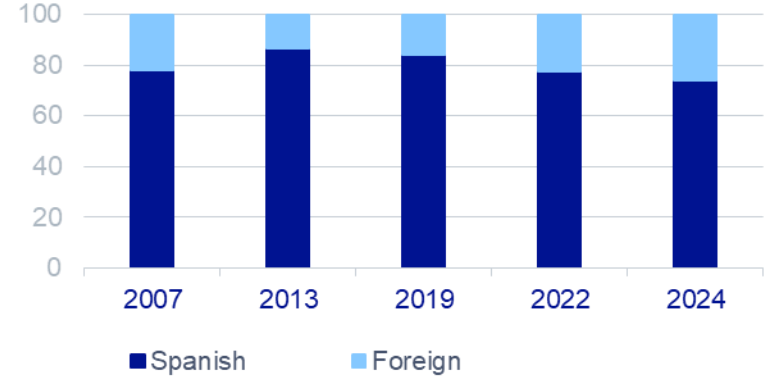
There is a lack of labor in some sectors and occupations despite immigration

WORKERS IN THE CONSTRUCTION TRADE BY AGE GROUP (PERCENTAGE OF TOTAL)



Source: BBVA Research based on INE data (Labor Force Survey)

NATIONALITY OF CONSTRUCTION WORKRS (PERCENTAGE OF TOTAL)



Source: BBVA Research, based on INE data (EPA)

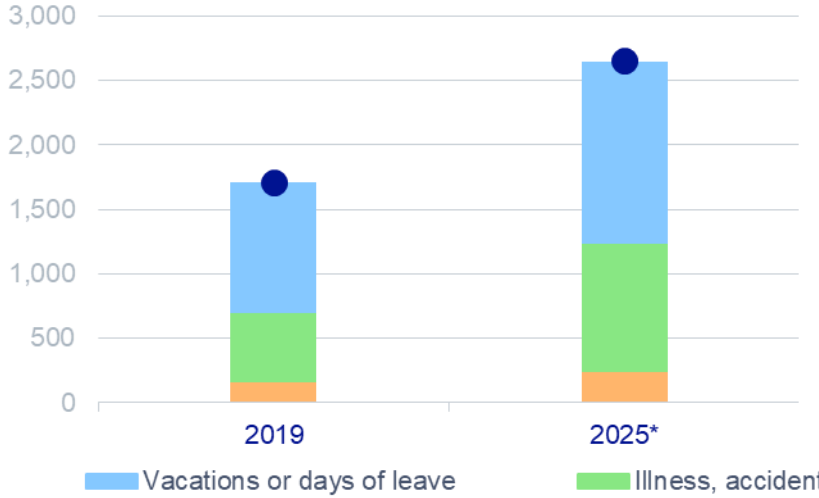
The shortage of labor in construction affects all levels (trades, middle management, university graduates) and is symptomatic of the lack of fit between labor demand and supply in the Spanish economy as a whole. Immigration helps, but it does not solve the problem

Positive outlook, but with structural challenges

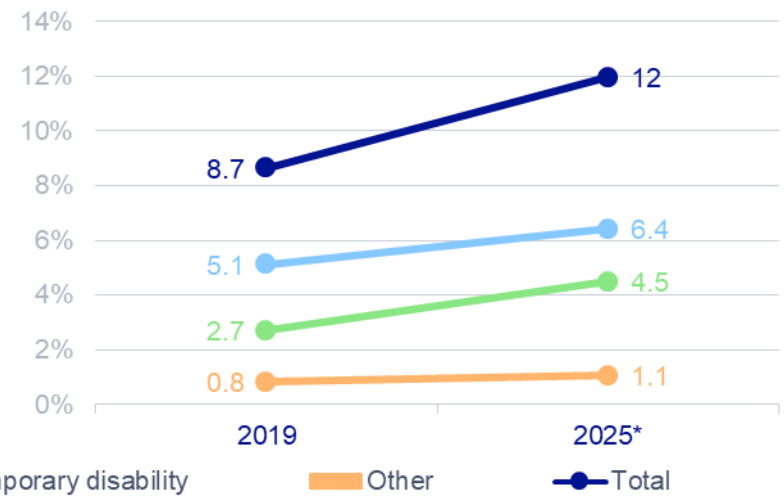
The number of people not working is increasing.

EMPLOYED PERSONS WHO DID NOT WORK DURING THE REFERENCE WEEK BY REASON

(THOUSANDS OF EMPLOYED PERSONS. (SWDA DATA)



(PERCENTAGE OF EMPLOYED PERSONS. (SWDA DATA)



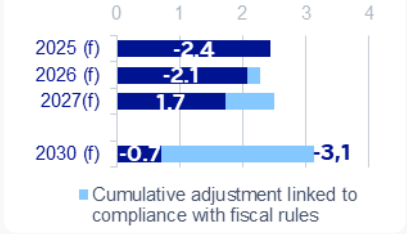
*Average 1Q25 - 3Q25.
Source: BBVA Research, based on INE data

Positive outlook, but with structural challenges

Spain faces a daunting reduction in the public deficit, with growing expenditure needs

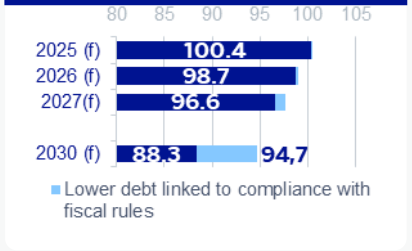
INITIAL SITUATION

PUBLIC DEFICIT (% GDP)



Source: BBVA Research

PUBLIC DEBT (% GDP)



Source: BBVA Research

FISCAL RULES

High debt levels, an unclear fiscal adjustment path, and rigid spending.

Average annual adjustment of the structural primary balance of 0.4 pp of GDP.

AGING

Increased spending on pensions, health and care

+ 5 pp of GDP until 2070

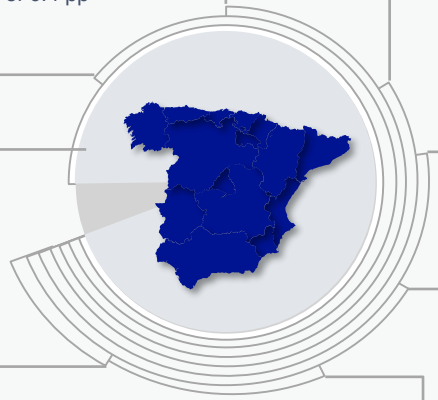
PUBLIC INVESTMENT

Quality investment needs to be promoted: Green or digital infrastructures, research and development, education and health, etc.

DEFENSE SPENDING

Commitments to increase defense spending.

Up to 3 percent of GDP in the European Commission's ReArm Plan, or 5 percent of GDP in NATO.



REGIONAL IMBALANCES

Control over potential fiscal deviations by regional governments.

Cancellation of regional debt.

Reform of the regional funding system.

STRUCTURAL REFORMS

Aimed at increasing productivity, expanding the tax bases, and improving the efficiency of public expenditure.

PARLIAMENTARY FRAGMENTATION

Difficulty in reaching stable agreements, delaying key decisions needed to ensure the sustainability of the public accounts.

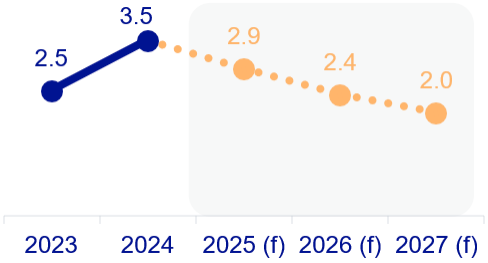
BBVA Research

3. December 2025

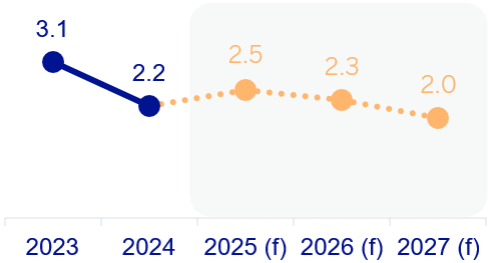
Forecasts

Forecasts

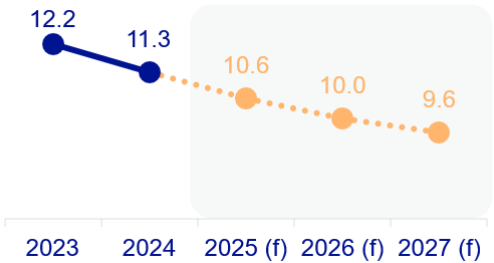
GDP GROWTH
(%)



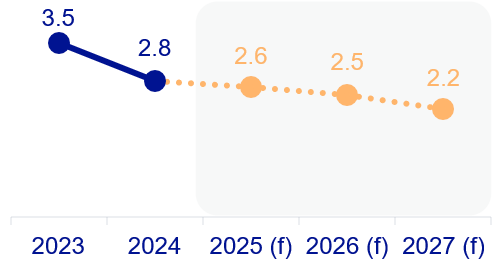
EMPLOYMENT GROWTH — EPA (LABOR FORCE SURVEY) (%)



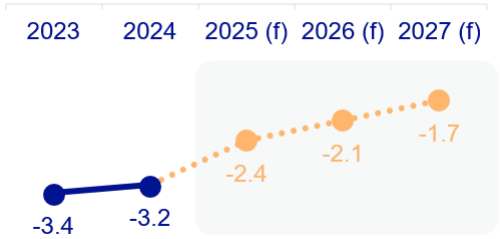
UNEMPLOYMENT RATE
(%)



AVERAGE ANNUAL INFLATION
(ANNUAL AVERAGE, %)



PUBLIC DEFICIT
(% OF GDP)



PUBLIC DEBT
(% OF GDP)

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

Forecasts

% YoY	2023	2024	2025 (f)	2026 (f)	2027 (f)
National final consumption expenditure	**2.5**	**3.0**	**3.0**	**2.7**	**1.9**
Private consumption	1.8	3.1	3.4	2.9	2.0
Government expenditure	4.5	2.9	1.7	2.0	1.7
Gross fixed capital formation	**5.9**	**3.6**	**5.6**	**6.4**	**5.1**
Equipment and machinery	2.6	1.9	8.2	4.2	2.9
Construction	5.5	4.0	4.3	6.3	4.3
Housing	0.8	2.1	4.8	6.2	6.4
Domestic demand*	**1.6**	**3.3**	**3.4**	**3.4**	**2.5**
Exports	**2.2**	**3.2**	**3.4**	**1.8**	**3.1**
Exports of goods	-1.5	0.1	0.6	0.9	3.0
Exports of services	11.3	9.8	9.0	3.3	3.2
Non-tourist services	6.6	8.1	11.6	3.9	4.1
Final consumption among non-residents in Spain	19.1	12.4	5.2	2.3	1.8
Imports	**0.0**	**2.9**	**5.5**	**5.0**	**4.7**
External demand*	**0.9**	**0.2**	**-0.5**	**-1.0**	**-0.5**
Real GDP at market prices (mp)	**2.5**	**3.5**	**2.9**	**2.4**	**2.0**

*: Contribution to GDP growth.
(f): Forecast.
Source: BBVA Research, based on INE and Bank of Spain data

Forecasts

% YoY	2023	2024	2025 (f)	2026 (f)	2027 (f)
Employment (full-time equivalent)	3.6	2.8	3.2	2.4	1.7
Employment, Labor Force Survey (EPA)	3.1	2.2	2.5	2.3	2.0
Unemployment rate (% of the labor force)	12.2	11.3	10.6	10.0	9.6
CPI (annual average)	3.5	2.8	2.6	2.5	2.2
GDP deflator	6.4	3.0	2.4	2.1	2.0
Public deficit (% of GDP)	-3.4	-3.2	-2.4	-2.1	-1.7
Public debt (% of GDP)	105.2	101.7	100.4	98.7	96.6

(f): Forecast.
Source: BBVA Research, based on INE and Bank of Spain data

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