



SPAIN

2026-2027 SCENARIO

Quarterly – April 2026



Spain – Between a global slowdown and domestic support

Growth in the Spanish economy remains solid at the start of 2026, although it is showing signs of moderating in a more uncertain international environment. Domestic demand – underpinned by private consumption and investment – remains the main driver of economic activity, buoyed by a labour market that remains dynamic and by the impetus of public policies. At the same time, the external sector is making a more limited contribution, against a backdrop of weak global trade, despite the resilience of the services sector. The combination of moderately rising labour costs, sluggish productivity and targeted fiscal support is helping to stabilise growth in the short term, whilst revealing potential vulnerabilities. The economy is thus entering the coming quarters with robust fundamentals, but with increased dependence on domestic dynamics and greater vulnerability to changes in the geopolitical landscape.

A solid starting point in the face of a more uncertain environment

The Spanish economy ended 2025 on a robust note, with GDP growth of 2.8%, significantly higher than that of the eurozone. This momentum continued into early 2026, with activity indicators remaining solid, albeit slightly down on the previous year. This relatively favourable starting point enables the economy to weather the geopolitical shock linked to the conflict in the Middle East under better conditions. However, the extent of its impact remains highly uncertain and will depend mainly on its duration, its effects on energy prices, on the viability of trade routes and, *ultimately*, on global financial conditions and economic agents' confidence. At this stage, the risks to the scenario are clearly skewed to the downside.

The composition of growth in 2025 confirms a rebalancing of the drivers of economic activity. Domestic demand has taken over as the main driver of expansion, with a significant contribution from private consumption and investment, whilst net external demand has made a negative contribution for the first time in several years. This decline does not reflect a loss of competitiveness, but rather a less favourable external environment, marked by a slowdown among the main trading partners, a tightening of US trade policies and a sustained rise in imports, linked to the strength of domestic investment.

Data for the fourth quarter of 2025 confirm this trend. GDP grew by 0.8% quarter-on-quarter, at a faster pace than initial forecasts (0.6%), driven mainly by private consumption (+1.0%) and particularly robust gross fixed capital formation (+2.2%). The latter benefited from a broad-based increase across its components. At the same time, external demand provided a positive surprise, with exports rising by 0.8% over the quarter, driven mainly by services (+2.3% q/q), both tourism-related and non-tourism-related. This improvement in recent GDP momentum comes despite the persistent weakness of goods exports and the decline in public consumption, and helps to strengthen the economic starting point for 2026.

“The Spanish economy enters 2026 with solid cyclical fundamentals, but in a more uncertain external environment”

Beyond these short-term factors, several elements continue to underpin growth potential. The population grew by 1.0% in 2025, a rate significantly higher than that observed before the pandemic (0.4% on average between 2014 and 2019), mainly driven by migration flows. This demographic trend, even if it moderates, is expected to continue fuelling the expansion of the labour force. The labour market has, so far, absorbed this increase without signs of imbalance: the employment rate rose from 52.1% in 2024 to 52.8% in 2025. Against this backdrop, the absence of significant tensions suggests that this trend could continue in the short term, thereby helping to underpin demand and economic activity.

In short, the Spanish economy enters 2026 with solid economic fundamentals, but in a more uncertain external environment. Recent resilience has relied mainly on the strength of domestic demand and favourable demographic factors, whilst developments in the international context now constitute the main short-term risk factor.

	2024	2025	2026	2027
GDP (y/y, %)	3,5	2,8	2,0	1,6
Domestic demand (contribution to GDP, pps)	3,0	3,4	2,6	1,8
Change in inventories (contribution to GDP, pps)	0,3	0,0	0,0	0,0
Net exports (contribution to GDP, pps)	0,2	-0,8	-0,5	0,0
Private consumption (y/y, %)	3,1	3,4	2,6	1,6
Investment (y/y, %)	3,6	6,3	4,1	2,1
Inflation (y/y, %)	2,9	2,7	3,5	2,7
Unemployment rate (%)	11,4	10,5	9,6	9,2
Fiscal balance (% of GDP)	-3,2	-2,5	-2,4	-2,3



Activity remains solid, but is losing momentum

The latest data point to GDP growth of 0.5% quarter-on-quarter in Q1 2026. Nevertheless, the risk associated with this forecast is skewed to the downside. On the one hand, the labour market is showing signs of running out of steam: social security enrolment rose by 0.5% between January and March, the slowest pace since Q2 2024. In the absence of an acceleration in productivity, this slowdown in employment could automatically lead to a moderation in economic activity. On the other hand, several temporary factors have weighed on demand, notably rail disruptions as well as episodes of heavy rain and flooding, particularly in Andalusia, which have affected consumption and investment decisions, as well as tourist and trade flows.

Supply-side indicators confirm this slowdown in the pace of growth. The PMI indices remain in expansionary territory, but signal a loss of momentum. In industry, the manufacturing PMI stood at 50 points in February, following several months of decline, marking a stabilisation but at a level that remains low. On average for Q1 2026, it reached 49.6 points, compared with 51.1 points in Q4 2025, suggesting that activity is broadly stagnant. The services sector, the main driver of the economy, is also showing signs of moderation: the PMI stood at 51.9 points in February, with a quarterly average of 52.7 points, down from the levels seen at the end of 2025.

The property market reflects a similar trend. Activity levels remain historically high, with 714,237 transactions in 2025, well above the annual average of 428,000 observed between 2014 and 2019. However, the pace of growth is slowing significantly: transactions rose by an average of 20.9% year-on-year in the first half of 2025, compared with 4.5% in the second half. Despite this slowdown, price pressures persist due to insufficient supply. Residential property prices rose by 13.1% year-on-year in Q4 2025, the highest increase of the current cycle. In real terms, however, prices remain around 25% below 2007 levels, suggesting room for recovery against a backdrop of a structural housing shortage.

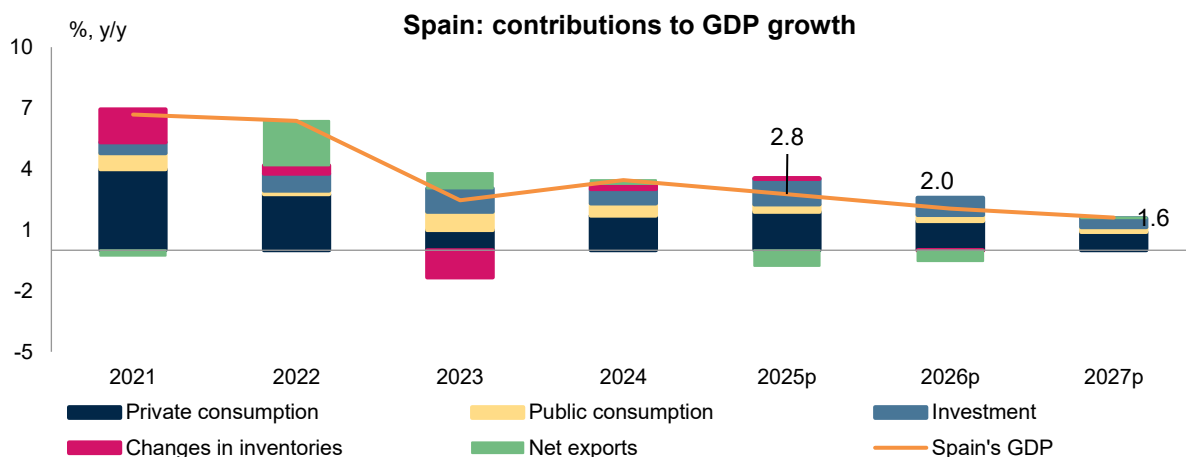
Finally, the external sector continues to act as a buffer against economic fluctuations. In 2025, the current account recorded a surplus of 2.9% of GDP, slightly lower than the 3.2% recorded in 2024, but higher than the average of 2.3% observed between 2014 and 2019. This performance masks divergent trends: the trade balance deteriorated, driven by the tightening of trade policies and the slowdown in trade with the United States, whilst the services surplus strengthened, reaching 7.1% of GDP. The latter is supported by the strength of non-tourism services, whilst the tourism balance shows signs of moderation. Overall, these factors confirm a scenario of a gradual slowdown in economic activity, with no sharp break at this stage.

Productivity and labour costs: contained but persistent pressures

Recent developments in the Spanish labour market highlight a persistent decoupling between employment growth and productivity growth. Whilst job creation remains robust, with employment set to rise by 2.3% in 2025 and similar prospects in the short term, apparent productivity per capita continues to show signs of stagnation, or even a slight contraction. This pattern reflects extensive growth, driven more by an increase in the labour input than by efficiency gains, which limits medium-term growth potential.

Against this backdrop, wage dynamics remain relatively robust, albeit uneven. Compensation per employee rose at a rate of around 2.9% year-on-year in February, exceeding inflation (2.5%), resulting in a slight gain in real purchasing power. However, in the absence of a significant improvement in productivity, this rise in wages automatically translates into an increase in unit labour costs, estimated at around 3.2%. This trend remains, at this stage, compatible with price stability, but it reduces firms' room for manoeuvre, particularly in sectors exposed to international competition.

The sectoral composition of employment also contributes to this dynamic. A significant proportion of job creation is concentrated in services, particularly



Sources: Eurostat, Crédit Agricole S.A. / ECO



those with low productivity, which weighs on aggregate productivity. At the same time, more technology-intensive sectors, such as business services or information technology-related activities, continue to grow, but at a pace that is still insufficient to fully offset this compositional effect. This structural duality limits overall efficiency gains.

In the short term, the absence of significant labour market tensions suggests that this situation could persist. The employment rate continues to rise (52.8% in 2025), with no obvious signs of overheating, whilst wage growth remains moderate by historical standards. Nevertheless, several factors could alter this balance: a possible reduction in working hours, an acceleration in nominal wages or a slowdown in job creation against a backdrop of greater external uncertainty. Against this backdrop, the unemployment rate continued to fall in the final quarter of 2025, reaching 10.2% on a seasonally adjusted basis, and the labour supply continued to grow thanks to a rise in the labour force participation rate. This growth has been driven mainly by immigration and the higher labour force participation rate among nationals aged over 45, although in recent quarters the rise in the labour force participation rate among natives aged 25 to 44 has also been notable.

Ultimately, the current momentum rests on a relatively stable trade-off between employment and wages, but at the cost of sluggish productivity. Whilst this situation helps to sustain demand in the short term, it raises concerns for competitiveness and medium-term growth potential, particularly in an environment where corporate margins could come under pressure.

A global price shock against a backdrop of reconfigured vulnerability

The conflict in Iran is triggering a major energy shock, though one that differs significantly in nature from previous episodes, notably due to the changes in Europe’s supply structure since 2022. In Spain’s case, direct exposure to energy flows transiting the Strait of Hormuz remains limited, accounting for around 5% of

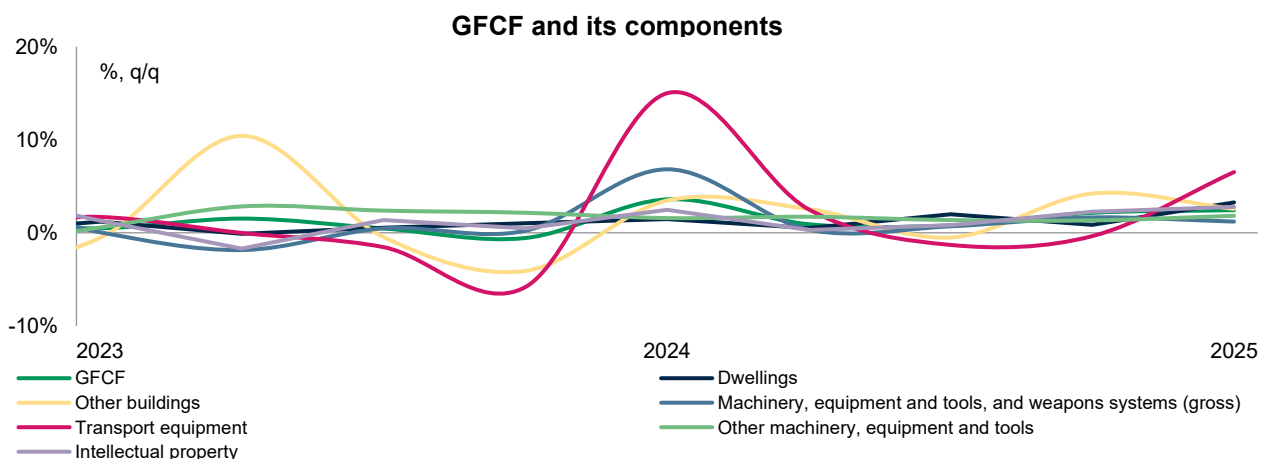
oil imports and less than 2% of gas imports. This significantly reduces the risk of a physical supply disruption. This low direct dependence contrasts with the indirect sensitivity to oil and gas prices on international markets, which have reacted swiftly to geopolitical tensions. The current shock is thus characterised less by a constraint on volumes than by a generalised rise in the marginal cost of energy, affecting all importing economies.

In this context, the structure of the Spanish energy system is a key mitigating factor. The country benefits from a high degree of supply diversification, combining pipeline flows (mainly from Algeria) with a liquefied natural gas (LNG) import capacity unrivalled in Europe, featuring six regasification terminals accounting for around a third of the European Union’s total capacity. This infrastructure allows for flexibility in the allocation of flows, facilitating the use of alternative suppliers such as the United States, which now accounts for around 35% of Spanish gas imports, whilst LNG as a whole exceeds 60% of total supply. This diversification significantly limits the risks of bilateral dependence and gives Spain the ability to adjust rapidly in the event of disruptions to international flows.

At the same time, changes in the energy mix help to reduce the transmission of shocks to domestic prices. The growing share of renewables reduces dependence on gas in the formation of wholesale electricity prices. This structural transformation partly explains the relatively lower volatility of electricity prices in Spain compared with other European economies that are more dependent on gas as a marginal source of generation. Nevertheless, this mitigation remains partial: gas continues to play a decisive role in certain segments, particularly for industry and during periods of low renewable generation, which maintains an active transmission channel between international markets and domestic costs.

Growth still driven by domestic demand, amid external uncertainty

The central scenario for 2026 is based on a continuation of the trends observed in 2025, with GDP



Sources: Eurostat, Crédit Agricole S.A. / ECO



growth expected to be 2% in 2026 and then 1.6% in 2027, following 2.8% in 2025. This trajectory remains, however, contingent on the evolution of the conflict in the Middle East, whose potential effects on energy prices, trade flows and financial conditions constitute the main source of uncertainty. Against this backdrop, domestic demand would remain the main driver of economic activity, whilst the contribution from the external sector would turn negative, due to the combined effect of more moderate exports and buoyant imports driven by domestic strength.

Private consumption would continue to benefit from solid fundamentals. It is projected to grow by 2.6% in 2026 and 1.6% in 2027. This pace, which is higher than the average over the last 25 years (+0.5 pp), would bring real income to nearly 15% above its 2019 level. This momentum is driven primarily by job creation, with over one million jobs expected over two years (546,000 in 2026 and 507,000 in 2027). Wage growth, although more moderate, remains above inflation. Furthermore, the appreciation of property assets is currently acting as a factor supporting consumption, by boosting the perceived wealth of homeowner households. The appreciation of financial assets, despite volatility, is also contributing to this effect. Finally, the continued high savings rate suggests potential for additional consumption in the event of a gradual normalisation.

Investment is also expected to remain buoyant, supported by the accelerated disbursement of European funds and increased public spending, particularly on defence. The end of 2026 marks a turning point, as it is the final deadline for utilising funds from the European programme. The scenario assumes an intensification in the pace of disbursement, with around €16 billion mobilised in 2026, compared with an annual average of €15 billion between 2023 and 2025. The objective of exhausting available resources by August 2026 would imply a sharp acceleration in

disbursements, likely to stimulate investment in non-residential construction (+7.4% in 2026, more than 2 percentage points above 2025).

As regards the external sector, the contribution is expected to remain mixed. Non-resident consumption is set to continue growing (4.5% in 2026 and 2.5% in 2027), supported by the resilience of the tourism sector and by geographical substitution effects linked to tensions in the Middle East. Past events have shown that shocks in certain tourist areas can redirect flows towards Spain. At the same time, exports of non-tourism services are expected to continue growing at a steady pace (4.9% in 2026 and 4.4% in 2027), extending a robust trend (+12.8% annual average between 2022 and 2025). This momentum is driven by higher value-added segments (business services, information technology, engineering) and by demand concentrated in Europe (over 60% of recent growth) and the United States. Despite these positive factors, the expected weakness in global trade would limit the overall contribution of the external sector.

The labour market is expected to remain generally buoyant in the short term. Employment is projected to rise by 2.3% in 2026, bringing the unemployment rate down to 9.6%. Nevertheless, this scenario remains sensitive to developments in the international environment. A sustained rise in energy prices, a deterioration in global trade or a tightening of financial conditions could quickly affect hiring decisions.

Ultimately, the Spanish economy has sufficient internal drivers in 2026 to sustain growth, mainly through consumption and investment. However, the external environment, particularly geopolitical developments, introduces a high degree of uncertainty, making the outlook heavily dependent on exogenous factors over the coming quarters.



ECONOMIC AND FINANCIAL FORECASTS

EUROPEAN MACROECONOMIC SCENARIO

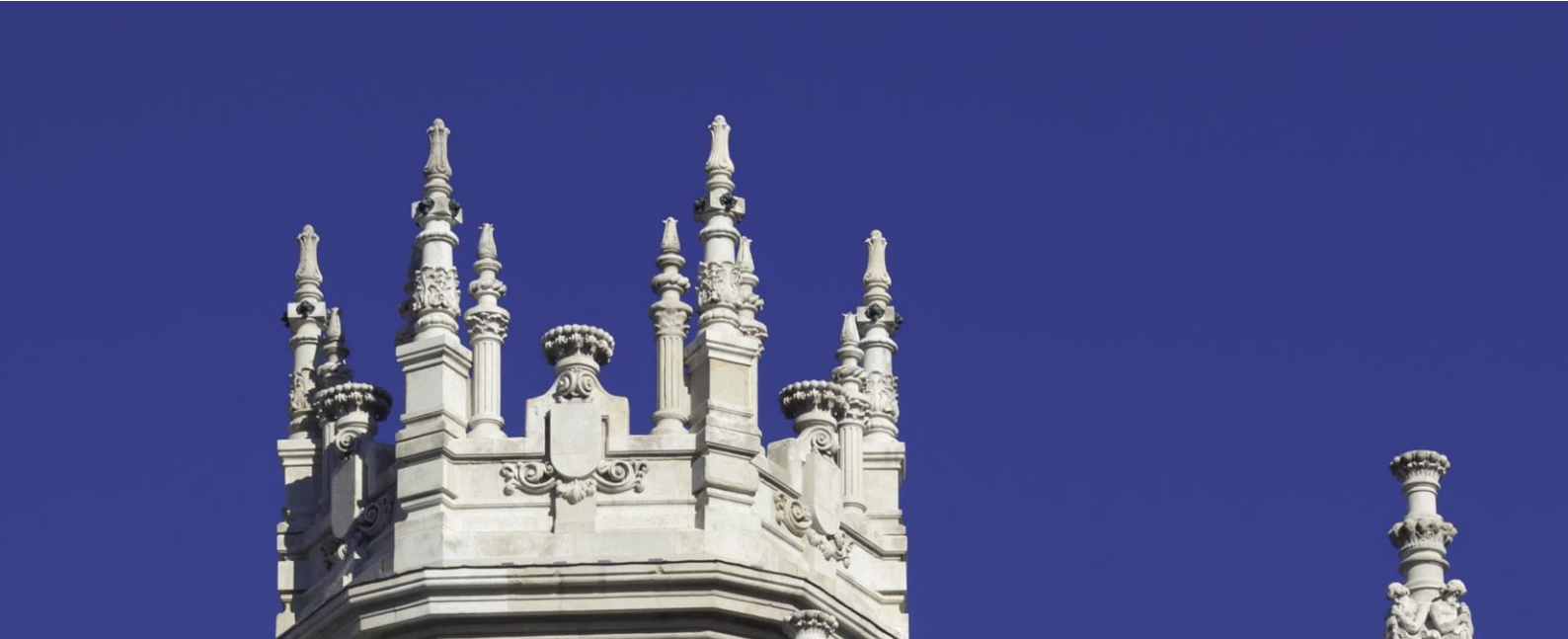
International forecasts

	2024	2025	2026	2027	2025				2026				2027				
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	
Eurozone GDP (y/y, q/q, %)	0,9	1,5	0,8	1,1	0,6	0,1	0,3	0,2	0,2	0,1	0,2	0,3	0,3	0,3	0,3	0,4	0,4
United States GDP (y/y, q/q, annualised, %)	2,8	2,1	2,2	1,9	-0,6	3,8	4,4	0,7	3,0	1,8	2,1	2,1	2,0	2,1	1,9	1,8	1,8
China GDP (y/y, q/q, %)	5,0	5,0	4,7	4,5	-	-	-	-	-	-	-	-	-	-	-	-	-
ECB deposit rate (end of period, %)	3,00	2,00	2,75	2,50	2,50	2,00	2,00	2,00	2,00	2,00	2,50	2,75	2,75	2,75	2,50	2,50	
Federal Reserve funds rate (end of period, %)	4,50	3,75	3,75	3,50	4,50	4,50	4,25	3,75	3,75	3,75	3,75	3,75	3,75	3,50	3,50	3,50	
Exchange rate (average, EUR/USD)	1,08	1,13	1,14	1,15	1,05	1,13	1,17	1,16	1,16	1,14	1,12	1,13	1,13	1,14	1,16	1,17	
Brent (average, USD/barrel)	81,2	69,3	96,0	85,0	76,0	68,0	69,0	64,0	89,0	110,0	100,0	85,0	85,0	85,0	85,0	85,0	

Spain

	2024	2025	2026	2027	2024				2025				2026				2027			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	3,5	2,8	2,0	1,6	1,1	0,9	0,8	0,8	0,5	0,7	0,6	0,8	0,5	0,3	0,3	0,5	0,4	0,4	0,4	0,4
Domestic demand (contribution to GDP, pps)	3,0	3,5	2,6	1,6	0,7	0,8	0,9	1,2	0,5	0,7	1,3	1,0	0,5	0,3	0,3	0,4	0,4	0,4	0,4	0,4
Private consumption (y/y, q/q, %)	3,1	3,4	2,6	1,6	0,5	1,2	1,2	0,9	0,4	0,9	1,0	1,0	0,6	0,3	0,3	0,5	0,4	0,4	0,4	0,4
Public consumption (y/y, q/q, %)	2,9	1,8	1,5	1,2	0,6	0,0	1,6	0,1	0,2	0,0	1,3	0,1	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3
Investment (y/y, q/q, %)	3,6	6,3	4,1	2,1	1,5	0,5	-0,6	3,6	1,3	0,9	2,2	2,2	0,4	0,4	0,4	0,5	0,6	0,5	0,5	0,6
Change in inventories (contribution to GDP, pps)	0,3	0,0	0,0	0,0	0,1	0,1	0,1	0,0	-0,2	0,2	0,0	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net exports (contribution to GDP, pps)	0,2	-0,8	-0,5	0,0	0,3	0,0	-0,2	-0,4	0,1	-0,2	-0,7	-0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Exports (y/y, q/q, %)	3,2	3,4	1,9	2,0	2,2	0,6	0,3	0,1	2,1	1,3	-0,7	0,8	0,6	0,5	0,5	0,5	0,5	0,5	0,5	0,4
Imports (y/y, q/q, %)	2,9	6,3	3,8	2,0	1,3	0,6	1,2	1,2	2,0	2,0	1,3	1,4	0,7	0,6	0,5	0,5	0,5	0,5	0,5	0,5
Inflation (y/y, %)	2,9	2,7	3,5	2,7	3,2	3,6	2,3	2,4	2,7	2,2	2,8	3,1	2,9	4,0	3,5	3,4	3,4	3,0	2,5	2,1
Core inflation (y/y, %)	2,9	2,6	2,9	2,4	5,0	3,9	4,2	3,6	3,2	2,9	2,8	2,5	2,3	2,7	2,7	2,6	2,5	2,1	2,0	2,0
Unemployment rate (%)	11,4	10,5	9,6	9,2	11,8	11,6	11,3	10,8	10,9	10,6	10,5	10,1	9,9	9,7	9,5	9,4	9,3	9,2	9,1	9,0
Current account balance (% of GDP)	3,2	2,8	1,7	1,5	3,3	3,4	3,8	2,3	2,4	3,4	3,6	1,8	1,8	1,7	1,7	1,5	1,5	1,5	1,5	1,5
Fiscal balance (% of GDP)	-3,2	-2,5	-2,4	-2,3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	101,6	100,1	97,6	96,7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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