



SPAIN

2026–2027 SCENARIO

Quarterly – June 2026



Spain – Strong domestic demand in a deteriorating global environment

The Spanish economy continues to show relatively robust growth in the first half of 2026, supported by private consumption, investment and a dynamic services sector. However, the conflict between the United States and Iran is gradually undermining the macroeconomic environment, driven by rising energy prices, a slowdown in global trade and tighter financial conditions. Against this backdrop, domestic demand remains the main driver of economic activity, underpinned by a still-robust labour market, high savings rates and fiscal measures designed to cushion the impact of inflation. Exports of services also continue to play a stabilising role, particularly through tourism and digital activities. Despite these supportive factors, economic activity is expected to slow gradually over the coming quarters, whilst inflation is likely to remain persistently higher than anticipated at the start of the year.

Economic activity remains robust despite international tensions

As we reach the middle of 2026, the Spanish economy is facing a tense geopolitical environment. More than three months after the outbreak of war between the United States and Iran, the ceasefire signed in mid-June remains very fragile, maintaining significant uncertainty over energy prices, global financial conditions and international trade. Against this backdrop, **Spain continues to benefit from a relatively favourable cyclical position, thanks to strong domestic demand and the positive momentum carried over from 2025.** Nevertheless, rising energy costs and the slowdown in the global economy are gradually beginning to weigh on economic activity and are reigniting inflationary pressures.

Before the conflict began, the Spanish economy maintained robust momentum. In the first quarter of 2026, GDP grew by 0.6 per cent quarter-on-quarter, maintaining a faster pace of growth than that of the eurozone. The composition of growth remained favourable: private consumption (+0.6%) continued to play a central role, supported by growth in employment and real incomes, whilst investment (+0.4%) showed more subdued growth following several very strong quarters. As for external demand, the contribution from net exports was slightly positive in the first quarter, due to a sharper fall in imports (-1.2%) than in exports (-0.5%). Exports of services, particularly tourism, maintained a sustained pace of growth, illustrating Spain's ability to remain highly attractive despite the global slowdown. The main area of weakness remains trade in goods. Manufacturing exports continue to operate in a challenging environment, characterised by protectionist measures in the United States and logistical disruptions linked to tensions in the Middle East. However, this external weakness has not, at this stage, called into question the overall balance of growth. **The economy continues to benefit from a relatively diversified economic structure, which limits the immediate impact of external shocks.**

“ Spain still enjoys a relatively favourable cyclical position, thanks to robust domestic demand and the positive momentum carried over from 2025.”

Early indicators for the second quarter nevertheless suggest a period of moderation.

Employment growth remains solid and consumption indicators remain positive, but certain qualitative survey signals point to **a gradual deterioration in the economic climate.** In particular, PMI surveys in the services sector point to a slowdown in activity and a weakening of business confidence. This development appears to reflect an adjustment in the pace of growth rather than a cyclical reversal, but it confirms that the economy is gradually becoming more sensitive to the deterioration in the international environment. At the same time, inflationary pressures have increased significantly in recent months. Inflation rose from 2.5 per cent in February to 3.6 per cent in May, driven primarily by the energy shock caused by the conflict in the Middle East. The fiscal support measures adopted in the spring helped to limit its impact, though they did not prevent price rises from spreading more widely. Prices for services accelerated to +4.3% in May, continuing the trend observed over several years, whilst non-energy industrial goods also contributed to the rise in inflation, particularly in the clothing and

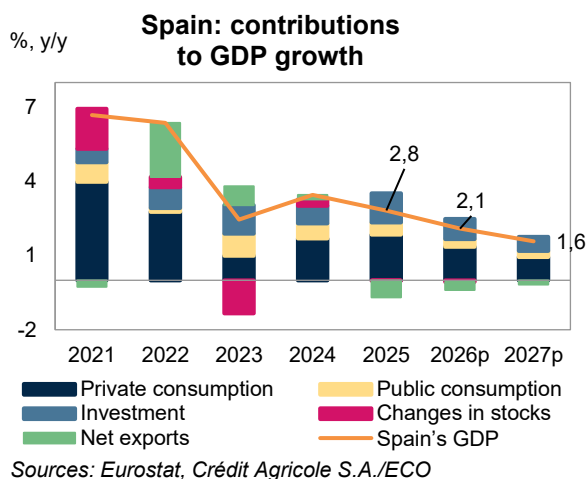
	2024	2025	2026	2027
GDP (y/y, %)	3,5	2,8	2,1	1,6
Domestic demand (contribution to GDP, pps)	3,0	3,4	2,6	1,8
Change in inventories (contribution to GDP, pps)	0,3	0,0	-0,1	0,0
Net exports (contribution to GDP, pps)	0,2	-0,7	-0,3	-0,2
Private consumption (y/y, %)	3,1	3,4	2,4	1,7
Investment (y/y, %)	3,6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

Sources: Eurostat, Crédit Agricole SA / ECO



footwear sectors. Against this backdrop, core inflation reached 3.7%, its highest level since the end of 2023.

Ultimately, **the Spanish economy retains solid fundamentals and greater resilience than many other European economies.** However, the combination of a prolonged energy shock, a less favourable trade environment and more persistent inflation is likely to lead to a gradual normalisation of the pace of growth over the coming quarters.



International context

The first signs of a resurgence in inflation linked to rising energy prices began to emerge as early as April. The inflationary shock could, however, be less severe than anticipated in our previous scenario. Following the announcement of the memorandum of understanding between the United States and Iran, signs of a de-escalation in the Middle East have led to a reduction in pressure on Brent crude prices, with spot prices now trading below \$80, down from a peak of over \$100 per barrel in March. Market expectations also point to an extension of the ceasefire and a gradual resumption of shipping traffic through the Strait of Hormuz in the coming weeks, as reflected in the *futures* curve, which suggests prices will stabilise at around \$72 by 2027. Whilst the news on this front is certainly more encouraging, **several factors continue to fuel upside risk to these expectations.**

On the one hand, the memorandum initiates a long and complex negotiation process that remains, in practice, fragile. Furthermore, even if traffic through the strait were to resume, it would face the challenge of clearing sensitive areas of mines, as well as issues relating to marine insurance and the return of oil tanker and LNG carrier fleets that have been redeployed to the Atlantic basin. Given these constraints, traffic is expected to remain 20 per cent below its pre-crisis level for the foreseeable future, with freight rates for tankers and LNG carriers continuing to trend upwards, though without returning to their pre-crisis levels. In addition to the normalisation of traffic, the issue of oil and gas

production in the region also arises. Indeed, the damage caused to oil and gas infrastructure in the Gulf by the clashes is expected to allow only a gradual return to normal oil production in the region. Finally, in the event of a further prolonged shutdown, the risk of oil stocks running out by the end of 2026 constitutes an adverse scenario that cannot be entirely ruled out.

The gas market faces a similar situation. Qatar's liquefied natural gas (LNG) production capacity has also been partially reduced, depriving Europe of part of its supplies and thereby slowing the replenishment of stocks. These stocks are in fact running a substantial deficit of 18 billion m³, which is lower than the level seen during the 2022 energy crisis. A delayed resumption of supplies from Qatar could put further pressure on European gas prices as early as the summer.

The inflationary shock therefore risks weighing more heavily on growth prospects in the eurozone. Despite relatively robust fundamentals, growth is forecast at 0.8% in 2026 (excluding Ireland) and 0.9% in 2027. Inflation is expected to remain above 3% until February 2027, before converging towards an annual average of 2.4% in 2027, with second-round effects remaining limited. Against this backdrop, the ECB, having raised its deposit rate to 2.25% on 11 June, could implement one or two further rate rises in 2026, with French and Italian yields not expected to rise significantly above 4%.

The US economy, meanwhile, stands out as an exception due to its status as a net exporter. Whilst household consumption is expected to slow, weighed down by inflation that remains high at 3.2% in 2026, economic activity would remain buoyed by continued substantial investment in artificial intelligence and the fiscal support provided by the *'Big, Beautiful Bill'*. Growth is forecast at 2.1 per cent in 2026 and 1.9 per cent in 2027. For 2027, inflation is expected to ease gradually, with second-round effects remaining contained, and inflation forecast at 2.3 per cent. Against this backdrop, the *Fed*, which recently saw the appointment of its new chair, is not expected to change its interest rates throughout 2026, with the upper bound of the *Fed funds* rate remaining at 3.75 per cent, despite a stance that remains cautious and focused on price stability.

Significant government support in the face of inflationary pressures

In response to the energy shock caused by the war between the United States and Iran, **the Spanish government swiftly adopted a package of support measures aimed at limiting the pass-through of rising energy prices to domestic inflation and private demand.** The plan, announced in March 2026 and worth around €5 billion, combines tax cuts, targeted aid and support schemes for households and



businesses. In particular, it provides for a general reduction in energy taxation: the VAT rate on fuel, electricity and natural gas has been lowered from 21 per cent to 10 per cent, the special tax on electricity has been reduced to its statutory minimum, and the tax on electricity generation has been temporarily suspended. The government has also capped the prices of butane and propane and introduced direct aid of 20 centimes per litre of fuel for sectors heavily reliant on these fuels, notably transport, agriculture, fisheries and certain industrial activities.

Beyond the energy measures, **the package also aims to prevent second-round effects on consumption and production costs.** The authorities have extended certain elements of the 'social shield', increased the energy allowance for vulnerable households and introduced monitoring mechanisms to ensure that tax cuts are effectively passed on to final prices. Specific subsidies have also been introduced for electricity-intensive industries, with a reduction of up to 80 per cent in electricity charges. At the same time, several tax incentives have been introduced to accelerate investment in renewable energy, heat pumps and electric vehicle charging infrastructure, with a view to reducing dependence on imported hydrocarbons.

The aim of these measures is to cushion the short-term impact of inflation and to safeguard households' real disposable income, in order to prevent an overly sharp slowdown in domestic demand. According to the government's initial estimates, the plan could directly benefit nearly 20 million households and more than 3 million businesses. It also helps to limit the risks of the energy shock spilling over into inflation expectations and wage negotiations, against a backdrop where service prices are already rising rapidly.

Growth remains resilient thanks to internal buffers and despite a more challenging environment

The conflict in the Middle East is affecting the Spanish economy through three main channels. The first is **inflation**, mainly via rising oil and gas prices, which increase production costs and reduce households' purchasing power. The second relates to **external demand**, against a backdrop of a slowdown among Spain's main trading partners and disruptions to international trade flows. Finally, the third transmission channel relates **to macro-financial conditions**: increased uncertainty and the prospect of a prolonged period of restrictive monetary policy are likely to contribute to a gradual tightening of financing conditions.

Despite this less favourable environment, several factors continue to underpin economic activity. The first is **fiscal policy**. The measures announced in March are expected to have a positive impact of around

0.2 percentage points of GDP on growth, despite the early expiry of certain provisions, which slightly reduces the effect initially estimated at 0.3 percentage points of GDP. A partial extension of these measures remains possible if fuel price pressures persist. In practice, fiscal policy therefore continues to act as a cyclical stabiliser, limiting the transmission of the energy shock to private demand.

The second favourable factor stems from **the financial situation of households**. The experience of 2022 showed that Spanish households had absorbed part of the inflationary shock linked to the war in Ukraine by reducing their savings rate, thereby enabling a rise in real consumption. This mechanism is expected to recur in 2026, particularly as the savings rate is slightly higher than at the start of 2022 (11.3 per cent of gross disposable income in the first quarter of 2026, compared with 10.1 per cent in Q1 2022).

The third supporting factor relates **to tourism**. Geopolitical tensions in the Middle East could redirect some international tourist flows towards alternative destinations deemed safer, including Spain. This trend already appeared to be taking hold in March. Admittedly, this positive effect could be partially offset by disruptions to international air travel or by a decline in the purchasing power of potential tourists from certain countries. However, at this stage, the effect of geographical substitution is expected to predominate and continue to support tourism.

Against this backdrop, the growth trajectory of the Spanish economy in 2026 is expected to remain broadly comparable to that observed in 2025. Domestic demand would remain the main driver of economic activity, supported by consumption and investment, whilst exports of services (both tourism-related and non-tourism-related) would continue to show favourable momentum. **We forecast GDP growth of 2.1 per cent in 2026 and 1.6 per cent in 2027.**

The labour market is expected to continue to provide significant support to the economy

Net job creation is expected to remain high, and the unemployment rate is set to fall gradually to 10 per cent of the labour force in 2026 and 9.5 per cent in 2027. This trend is driven by both immigration and an increase in the labour force participation rate among the Spanish-born population. In an environment where the services and construction sectors continue to generate strong demand for labour, labour market tightness is expected to support nominal wages. Consequently, private consumption is set to continue growing (+2.4 per cent in 2026 and +1.7 per cent in 2027), although the pace of growth is expected to slow due to uncertainty and rising inflation. At the same time, the persistent imbalance between very strong demand and a constrained labour supply continues to exert



upward pressure on residential property prices. During the first quarter of 2026, house prices rose by 3.8 per cent quarter-on-quarter (3.6 per cent in Q4 2025), bringing their annual growth rate to 13.9 per cent, compared with 13.1 per cent in the fourth quarter of 2025. This rise in property valuations and the resulting wealth effect are particularly pronounced in countries such as Spain, where household wealth is largely concentrated in property.

Investment is also expected to remain buoyant (3.9% in 2026 and 2.7% in 2027), 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 assumed here envisages an acceleration 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 aim of utilising all available resources by August 2026 would require a sharp acceleration in disbursements, which is likely to stimulate investment in non-residential construction.

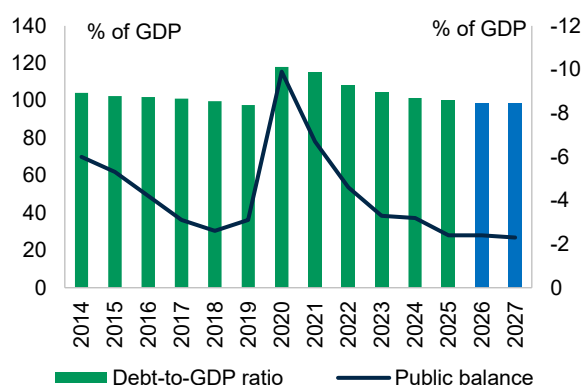
Exports of services remain resilient

Exports of goods are expected to remain weaker, due to the slowdown in global trade and persistent geopolitical tensions. By contrast, on the services side, alongside tourism, exports of non-tourism services are expected to remain one of the main drivers of growth. This segment remains relatively unexposed to international trade tensions and less dependent on oil prices than traditional industrial activities. Between 2021 and 2025, these exports grew by an average of 14.4 per cent per year, despite relatively weak growth in the eurozone. This momentum continues to be underpinned by several structural advantages: the quality of digital infrastructure, the development of data centres, the availability of a skilled workforce and the expansion of renewable energy, which is gradually reducing the country's energy dependence. Overall, the strong growth in imports needed to meet domestic demand is expected to keep the contribution of foreign trade negative.

Public finances

As regards public finances, the general government deficit is expected to remain relatively stable at 2.4 per cent of GDP in 2026, before falling slightly to 2.3 per cent in 2027. Compared with the March projections, this forecast has been revised slightly upwards due to the package of measures adopted in March. The rate of growth in net expenditure is expected to exceed the limits set by the European fiscal framework, but the activation of the defence expenditure exemption clause would obviate the need for further adjustment measures before 2027. Finally, public debt is expected to continue falling, reaching 98.7 per cent of GDP in 2027 – nearly two percentage points lower than in 2025 – thanks to growth in nominal GDP.

Spanish general government debt and deficit





ECONOMIC AND FINANCIAL FORECASTS

INTERNATIONAL 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 (YoY, QoQ, %)	0,9	1,5	0,2	0,9	0,7	0,1	0,3	0,2	-0,2	0,1	0,1	0,2	0,2	0,3	0,3	0,3
United States GDP (YoY, QoQ, annualised, %)	2,8	2,1	2,1	1,9	-0,6	3,8	4,4	0,5	1,6	2,5	1,8	1,8	2,0	2,0	1,9	1,9
China GDP (YoY, QoQ, %)	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	2,25	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	1,14	1,13	1,13	1,14	1,16	1,17
Brent (average, USD/barrel)	81,2	69,3	94,3	80,8	76	68	69	64	89	110	91	87	82	85	78	78

GDP trends

	2024	2025	2026	2027	2025				2026				2027			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0,9	1,5	0,2	0,9	0,7	0,1	0,3	0,2	-0,2	0,1	0,1	0,2	0,2	0,3	0,3	0,3
Germany	-0,5	0,3	0,6	0,9	0,4	-0,2	0,0	0,2	0,3	0,0	0,1	0,2	0,2	0,3	0,3	0,4
France	1,4	0,9	0,6	0,8	0,1	0,3	0,4	0,2	-0,1	0,1	0,1	0,2	0,2	0,2	0,3	0,3
Italy	0,6	0,7	0,5	0,6	0,3	0,0	0,2	0,3	0,3	-0,2	0,0	0,1	0,2	0,2	0,4	0,3
Spain	3,5	2,8	2,1	1,6	0,5	0,7	0,6	0,8	0,6	0,3	0,3	0,3	0,4	0,4	0,5	0,5
Netherlands	1,1	1,8	1,0	1,0	0,4	0,3	0,5	0,4	0,1	0,2	0,2	0,2	0,3	0,3	0,4	0,4
Belgium	1,1	1,0	0,7	0,7	0,4	0,2	0,2	0,1	0,2	0,1	0,1	0,2	0,1	0,2	0,3	0,3
Ireland	2,6	12,4	-6,7	5,1	8,8	-1,0	-0,2	-4,2	-12,1	11,2	2,2	1,5	0,0	0,1	0,2	0,2
Portugal	2,2	1,9	1,7	1,6	-0,3	0,7	0,6	0,9	0,0	0,3	0,3	0,5	0,4	0,4	0,4	0,3
Greece	2,1	2,2	1,7	1,5	0,5	0,4	0,6	0,7	0,2	0,2	0,4	0,4	0,3	0,4	0,4	0,3
Finland	0,4	0,2	1,3	0,9	0,1	-0,2	0,0	0,3	0,9	0,1	0,2	0,2	0,2	0,3	0,3	0,3
Luxembourg	0,3	0,6	1,0	1,1	0,4	0,5	1,2	0,0	0,0	0,2	0,3	0,3	0,1	0,3	0,4	0,4
Austria	-0,8	1,0	0,8	0,6	0,4	0,1	0,4	0,2	0,2	0,1	0,1	0,1	0,2	0,2	0,2	0,2
Slovenia	1,7	0,9	2,1	0,7	-0,7	1,0	1,0	0,4	0,7	0,3	0,2	0,2	0,1	0,1	0,1	0,1
Malta	6,2	3,6	2,6	1,7	1,7	1,1	0,9	1,1	1,1	-0,2	-0,2	0,5	0,6	0,6	0,6	0,6

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	2,1	1,6	1,1	0,9	0,8	0,8	0,5	0,7	0,6	0,8	0,6	0,3	0,3	0,3	0,4	0,4	0,5	0,5
Domestic demand (contribution to GDP, pps)	3,0	3,5	2,5	1,8	0,7	0,8	0,9	1,2	0,6	0,6	1,2	1,0	0,5	0,3	0,3	0,4	0,5	0,5	0,5	0,5
Private consumption (y/y, q/q, %)	3,1	3,4	2,4	1,7	0,5	1,2	1,2	0,9	0,5	0,8	0,9	0,9	0,6	0,3	0,3	0,4	0,4	0,5	0,6	0,6
Public consumption (y/y, q/q, %)	2,9	2,4	1,5	1,2	0,6	0,0	1,6	0,1	0,6	0,2	1,4	0,2	0,2	0,3	0,3	0,3	0,3	0,3	0,3	0,3
Investment (y/y, q/q, %)	3,6	5,8	3,9	2,7	1,5	0,5	-0,6	3,6	1,0	0,8	2,1	2,1	0,4	0,4	0,4	0,7	0,8	0,7	0,7	0,6
Change in inventories (contribution to GDP, pps)	0,3	0,0	-0,1	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	-0,7	-0,3	-0,2	0,3	0,0	-0,2	-0,4	0,1	-0,1	-0,7	-0,1	0,2	0,0	0,0	-0,1	-0,1	0,0	0,0	0,0
Exports (y/y, q/q, %)	3,2	3,6	1,1	2,5	2,2	0,6	0,3	0,1	2,3	1,4	-0,7	0,7	-0,5	0,7	0,7	0,8	0,5	0,5	0,7	0,5
Imports (y/y, q/q, %)	2,9	6,2	2,2	3,3	1,3	0,6	1,2	1,2	2,2	1,7	1,4	1,2	-1,2	0,9	0,9	1,2	0,7	0,6	0,7	0,6
Inflation (y/y, %)	2,9	2,7	3,7	3,1	3,2	3,6	2,3	2,3	2,7	2,2	2,8	3,1	2,8	4,0	4,0	4,0	3,4	3,5	3,0	2,5
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	10,0	9,6	11,8	11,6	11,3	10,8	10,8	10,6	10,5	10,2	10,3	10,1	9,9	9,8	9,7	9,6	9,5	9,4
Current account balance (% of GDP)	3,2	2,9	1,7	1,5	3,3	3,4	3,8	2,3	2,4	3,4	3,5	2,4	1,8	1,7	1,7	1,5	1,5	1,5	1,5	1,5
Fiscal balance (% of GDP)	-3,2	-2,4	-2,4	-2,3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	101,6	100,7	99,1	98,7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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