



MACROECONOMIC PROJECTIONS FOR SPAIN 2025-27

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1. GLOBAL ENVIRONMENT
2. RECENT DEVELOPMENTS IN THE SPANISH ECONOMY
3. MACROECONOMIC PROJECTIONS 2025-27
4. FOCAL POINTS
 - 4.1 TARIFFS
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A black and white photograph of a highly ornate building facade, likely a historical Spanish structure. It features a large clock face with Roman numerals, intricate carvings, statues, and a tall spire topped with a globe. The image is positioned on the left side of the slide, partially overlapping the orange background.

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Uncertainty

Uncertainty has risen to historically high levels on several fronts



Activity

Global economic activity has slowed, especially in the US, impacted by the tariff war and the high level of uncertainty



Monetary policy

The mixed outlook for inflation and growth globally has led to the adoption of divergent monetary policies in the last few months



Financial markets

The escalation of the tariff war in early April triggered a marked episode of financial turmoil that has been receding in recent weeks



Inflation

For now, the disinflation process continues worldwide, underpinned by lower energy prices. In any event, inflation expectations in the US have risen



Euro area

GDP growth quickened in 2025 Q1 and inflation continued to ease gradually. The June Eurosystem projections revised down slightly euro area GDP growth in 2026 and inflation in 2025 and 2026



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RECENT DEVELOPMENTS IN THE SPANISH ECONOMY: ACTIVITY

Quarterly National Accounts 2025 Q1

GDP growth moderated in 2025 Q1 to 0.6% and was revised down for previous quarters

Employment

Employment performed slightly less buoyantly in 2025 Q2 than in previous quarters

Confidence

Both the manufacturing and services PMI declined in recent months

Business Activity

The Banco de España Business Activity Survey (EBAE) suggests that Spanish firms' turnover has fallen slightly in seasonally adjusted terms in Q2

Financial conditions

The cost of credit has continued to decline in recent months, boosting households' and firms' demand for financing



An analysis of the available indicators points to quarter-on-quarter GDP growth of between 0.5% and 0.6% in Q2

RECENT DEVELOPMENTS IN THE SPANISH ECONOMY: PRICES

Headline inflation (HICP)

Headline inflation slowed to 1.9% in May, in line with the March projections, but with upward surprises in services and downward surprises in energy

Core inflation

Core inflation climbed to 3% in April, partly due to the effect of Easter on tourism-related services prices, a development which reversed partially in May

Other prices

- Food inflation moderated and, within the core component, non-energy industrial goods inflation remained highly contained

Collective bargaining agreements

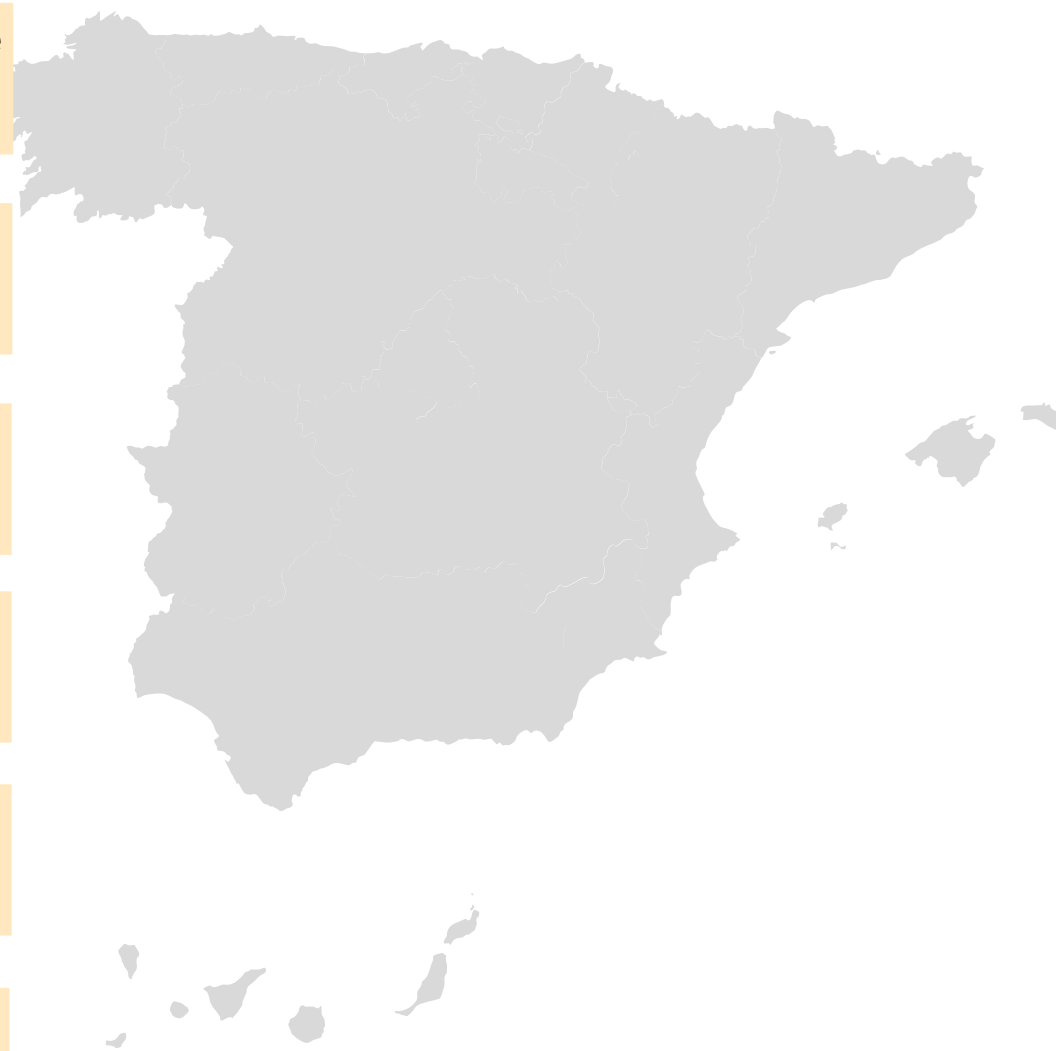
Up to April, the agreements for 2025 include a 3.4% wage increase for that year (compared with 3% in the fifth Employment and Collective Bargaining Agreement)

Labour costs

Compensation per employee slowed in 2025 Q1, although unit labour costs (ULCs) remained on the upward trend that began in late 2024

Producer prices

The growth rates of producer prices remained relatively moderate

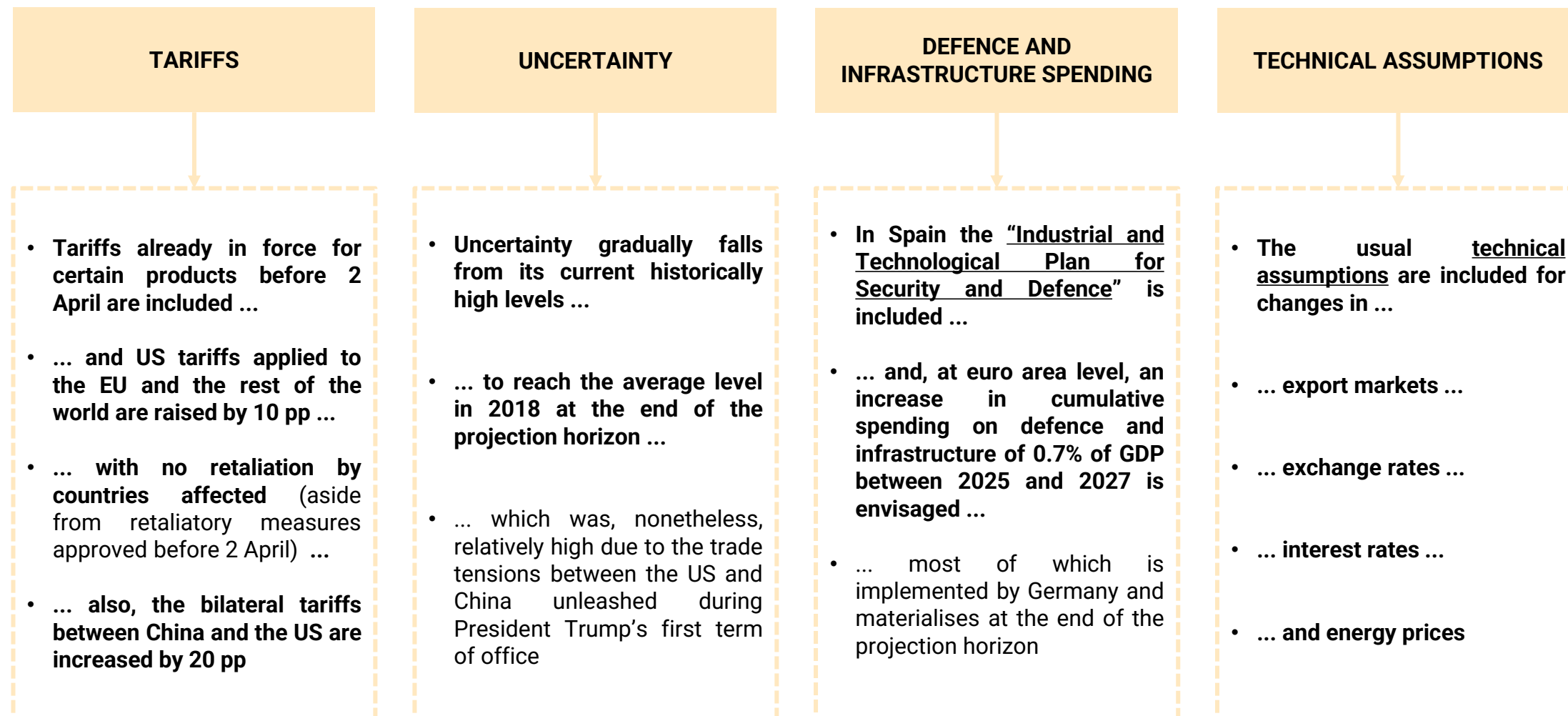


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MAIN FEATURES OF THE BASELINE SCENARIO OF THESE PROJECTIONS FOR THE SPANISH ECONOMY (WHICH IS CONSISTENT WITH THAT ENVISAGED IN THE EUROSISTEM'S JUNE JOINT PROJECTION EXERCISE)



MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY 2025-27. SUMMARY

| | | JUNE 2025 PROJECTIONS (a) | | | DIFFERENCE WITH RESPECT TO THE MARCH PROJECTIONS | | |
|---|-------|------------------------------|-------|-------|--|------|------|
| Annual rate of change (%), unless otherwise indicated | 2024 | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 |
| GDP | 3,2 | 2,4 | 1,8 | 1,7 | -0,3 | -0,1 | 0,0 |
| Harmonised index of consumer prices (HICP) | 2,9 | 2,4 | 1,7 | 2,5 | -0,1 | 0,0 | 0,1 |
| HICP excl. energy and food | 2,8 | 2,6 | 2,1 | 1,9 | 0,4 | 0,1 | 0,0 |
| Unemployment rate (% of labour force). Annual average | 11,3 | 10,5 | 10,2 | 9,7 | 0,0 | 0,2 | 0,2 |
| General government net lending (+)/net borrowing (-) (% of GDP) | -3,2 | -2,8 | -2,6 | -2,6 | 0,0 | 0,0 | 0,0 |
| General government debt (% of GDP) | 101,8 | 101,4 | 101,4 | 101,3 | 0,1 | -0,2 | 0,3 |

More details

Sources: Banco de España and INE. Latest QNA figure published: 2025 Q1 flash estimate. (a) Projections cut-off date: 21 May 2025.

THE GDP GROWTH RATE PROJECTED FOR 2025 IS REVISED DOWN BY 0.3 PP TO 2.4% ...



Upward revisions due to:

- Boost to activity from defence spending plan (+0.1 pp)*

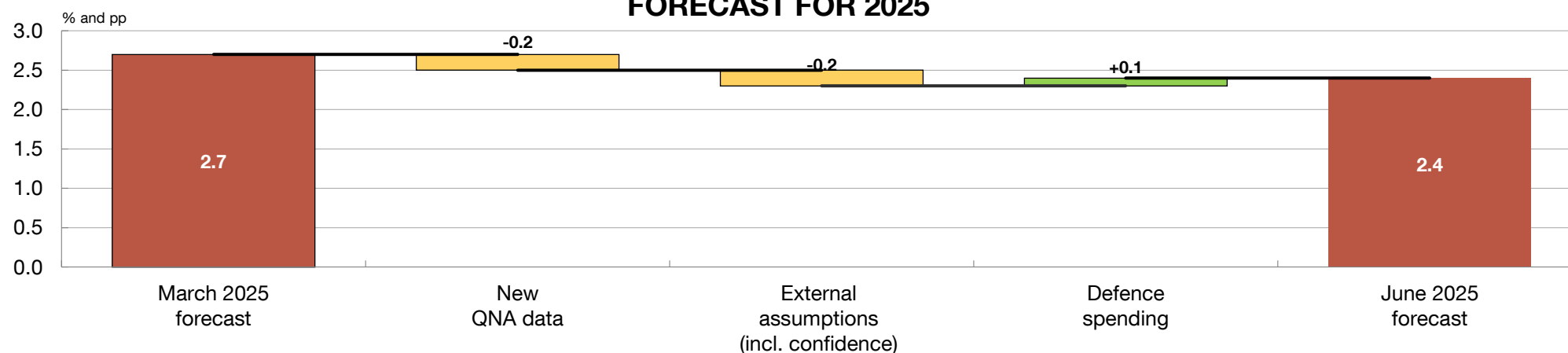
*Estimated additional spending on defence is 0.2 pp, which would have an impact of 0.1 pp on GDP in 2025 as simulated by the Quarterly Macroeconometric Model of the Banco de España (MTBE)



Downward revisions due to:

- New National Accounts data (-0.2 pp)
- New technical assumptions (especially, about export markets) and greater uncertainty compared with March (-0.2 pp)

CHANGES IN THE GDP GROWTH FORECAST FOR 2025

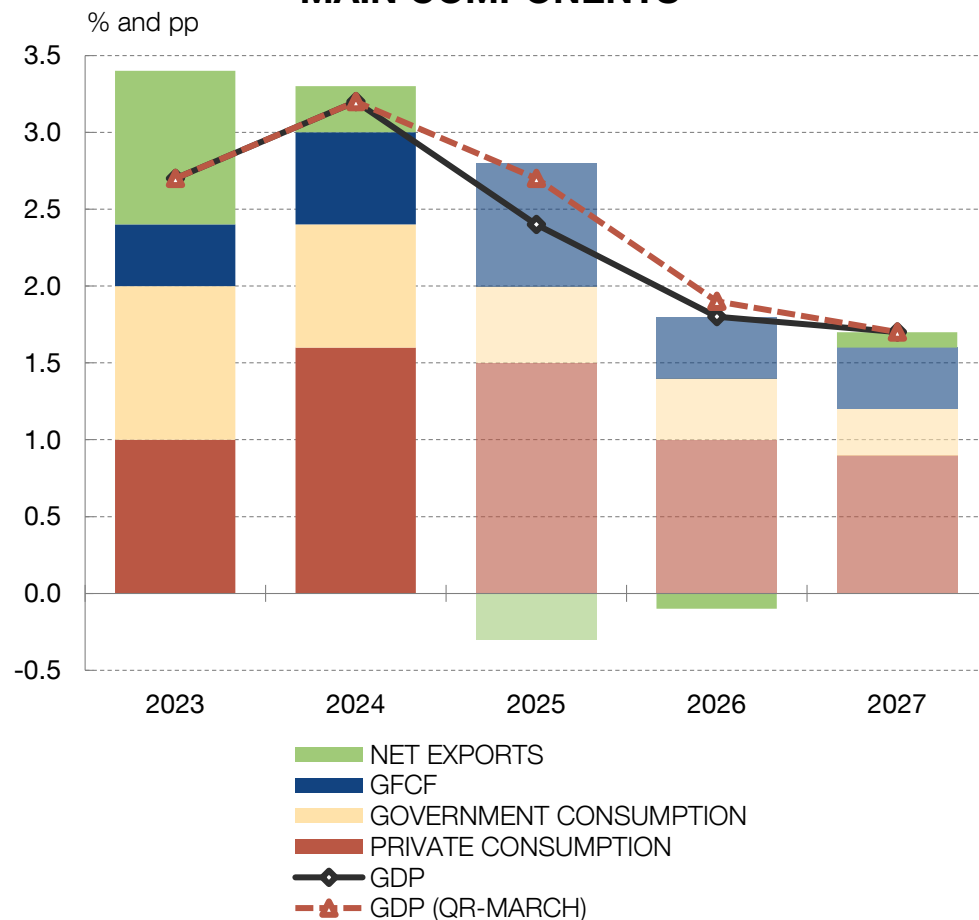


Source: Banco de España.

... THE PROJECTED GDP GROWTH RATE FOR 2026 IS ALSO REVISED DOWN BY 0.1 PP, TO 1.8%, ESSENTIALLY DUE TO A MORE UNFAVOURABLE INTERNATIONAL SETTING AND HIGHER LEVELS OF UNCERTAINTY

GROWTH OVER THE NEXT FEW YEARS WILL BE UNDERPINNED BY DOMESTIC DEMAND AND WILL GRADUALLY SLOW TO RATES CLOSE TO POTENTIAL GROWTH

GDP GROWTH AND CONTRIBUTION OF MAIN COMPONENTS



Sources: Banco de España and INE.

Private consumption

- This item will be the largest contributor to growth, as a result of the projected positive performance of disposable income, employment and population growth, although greater uncertainty and lower confidence point to this demand component slowing somewhat

Government consumption

- The contribution of government consumption, which was notably strong in recent years, to activity growth is expected to moderate in the coming years

Investment

- Investment will be stronger in 2025 after rising at the end of 2024 and in the light of certain recent qualitative indicators
- It will also continue to grow at relatively robust rates in 2026 and 2027, due to the roll-out of NGEU funds, better financing conditions and stronger growth in residential investment

Net exports

- The contribution of net exports to GDP growth will be slightly negative in 2025-26, in a setting where (i) services exports, which were very buoyant in recent years, are expected to gradually slow down, (ii) goods exports will decline in 2025 – in a highly complex international setting – and (iii) imports will recover slightly driven by rising investment

AVERAGE HEADLINE INFLATION FOR 2025 IS REVISED DOWN BY 0.1 PP, TO 2.4%



Upward revisions due to:

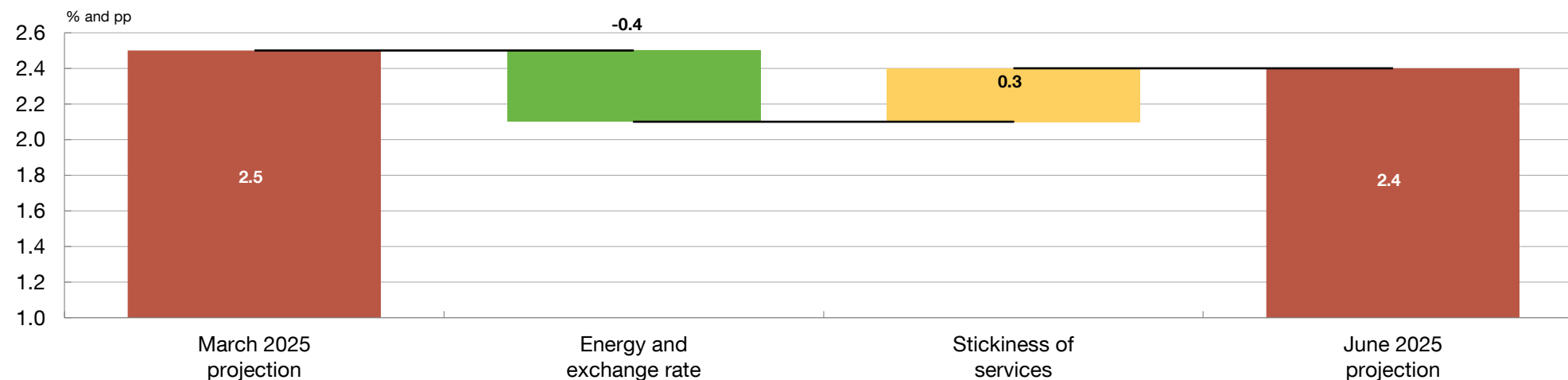
- Greater momentum than expected in travel services, although this development may have reversed partially in May ...
- ... and more persistent demand pressures in services for the summer than expected in March



Downward revisions due to:

- Lower energy prices ...
- ... and exchange rate appreciation

CHANGES IN THE AVERAGE HEADLINE INFLATION RATE IN 2025

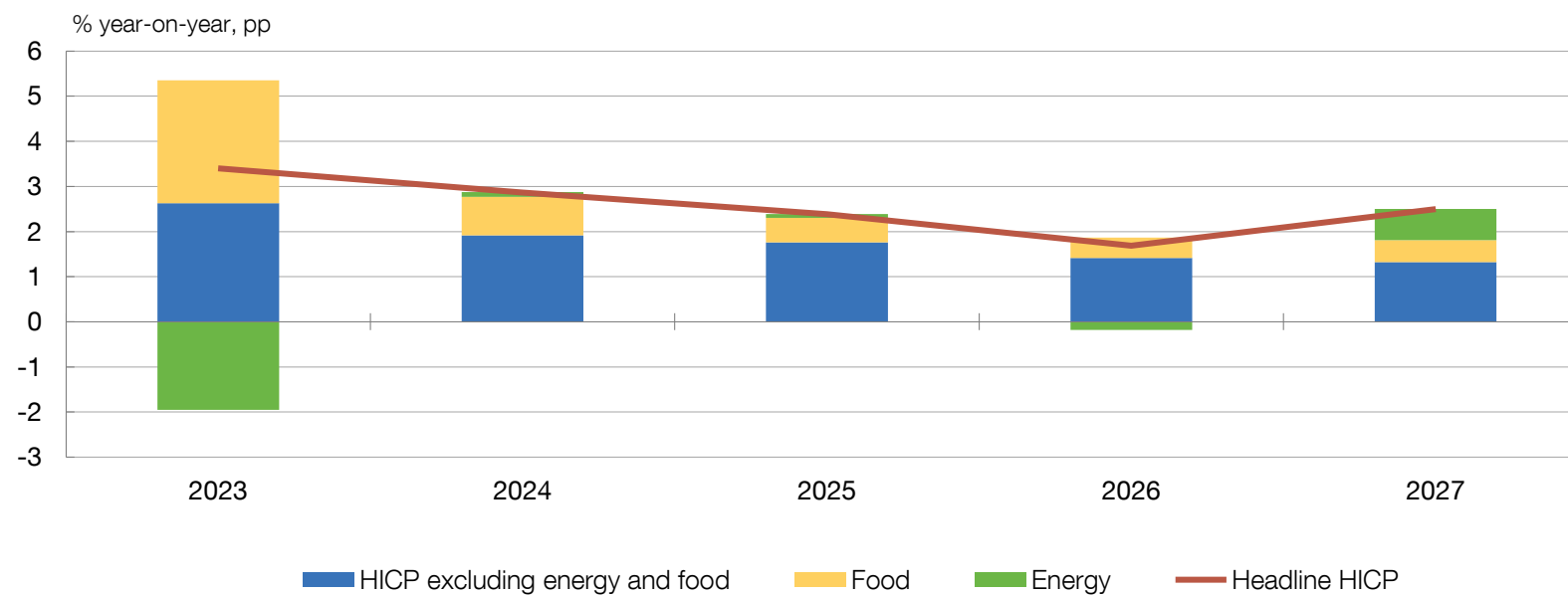


Source: Banco de España.

IN THE COMING MONTHS HEADLINE INFLATION WILL ACCELERATE SLIGHTLY AND THEN START TO DECLINE AFTER THE SUMMER, TO CLOSE TO 2%

- In the coming months headline inflation is expected to rise slightly, to around 2.5%, driven by the energy component and the scheduled withdrawal of the public transport subsidies in July
- It would then start to slow gradually, underpinned by the progressive moderation of food prices and core inflation, although the latter is revised up for 2025 and 2026
- The pick-up in headline inflation anticipated in 2027 is essentially due to the planned introduction in that year of a new European emissions trading system (EU ETS2)

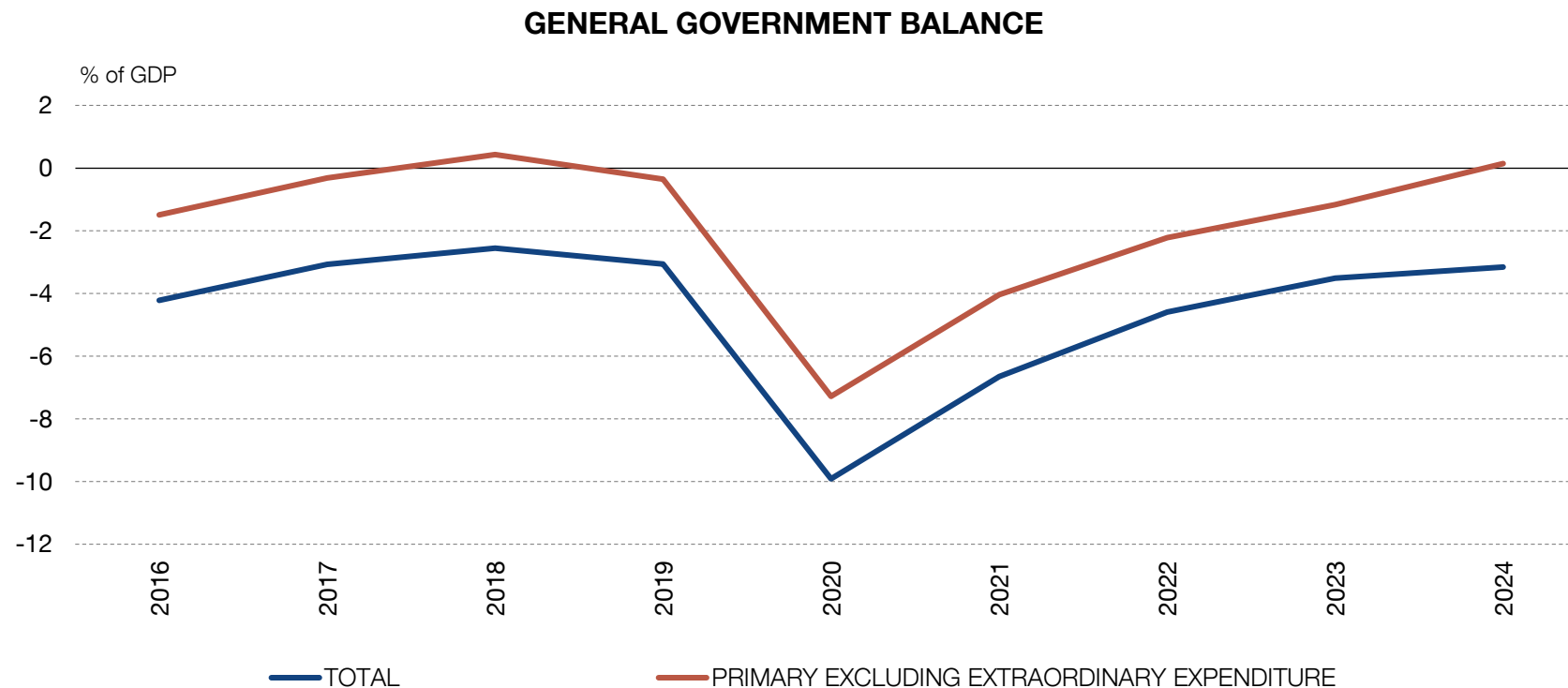
CONTRIBUTIONS TO HICP GROWTH BY COMPONENT



Sources: Banco de España and INE.

AT END-2024 THE GOVERNMENT DEFICIT STOOD AT 3.2% OF GDP, LOWER THAN EXPECTED, AND EVEN MORE SO IF THE EXTRAORDINARY COMPONENTS ARE EXCLUDED

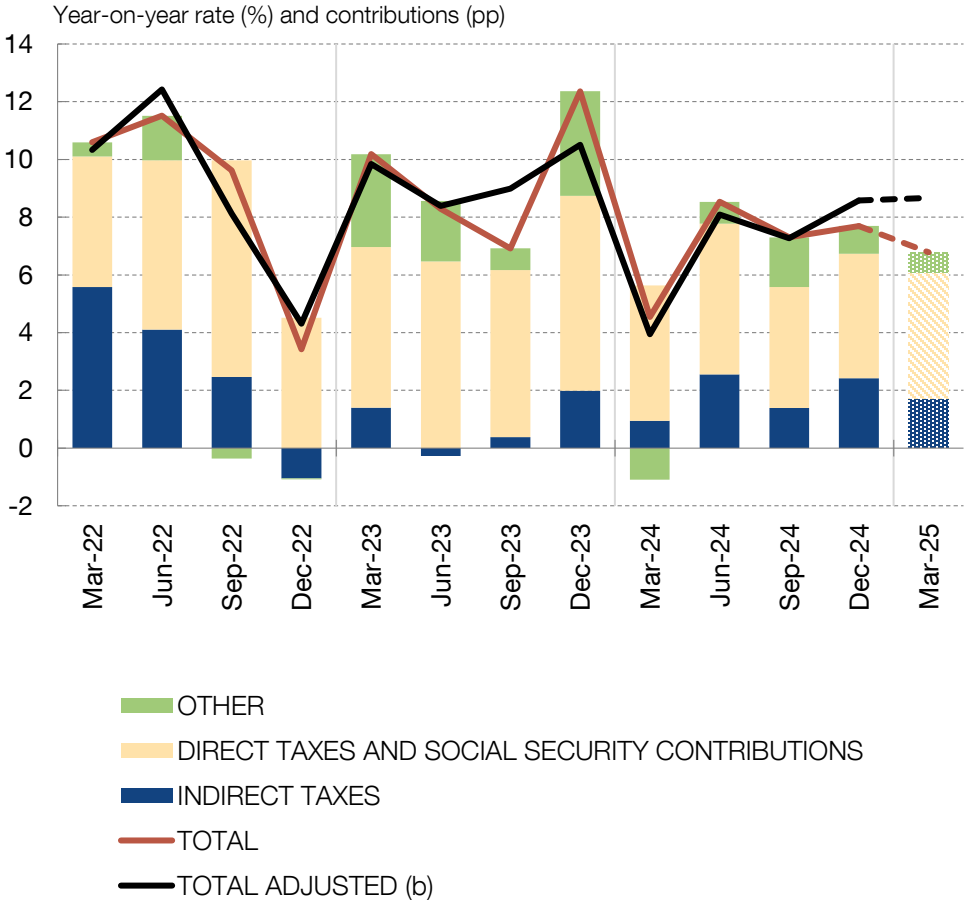
- The improvement in the general government balance in 2024 would have been more pronounced if the atypical components had been excluded, such as the extraordinary expenses relating to the autumn flash floods (0.35 pp) and various court decisions against the Government (0.6 pp)



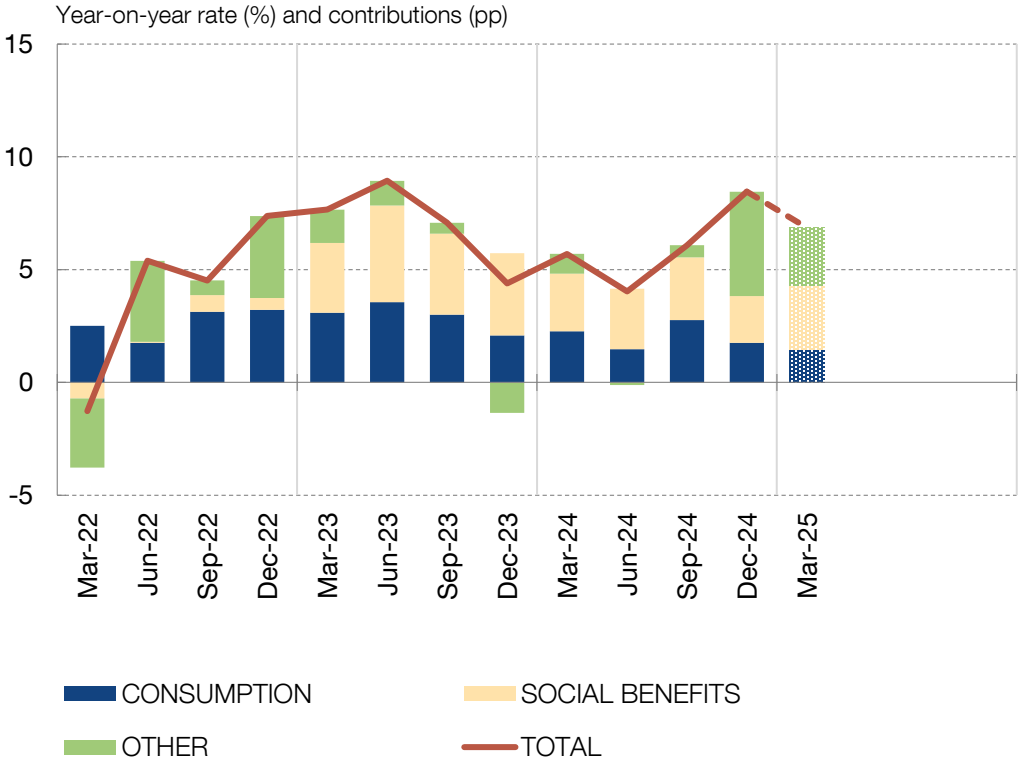
Sources: IGAE, INE and Banco de España.

IN THE EARLY MONTHS OF 2025 GOVERNMENT REVENUE WAS HIGHLY BUOYANT – EXCLUDING ATYPICAL COMPONENTS – WHILE EXPENDITURE SLOWED

CHANGE IN GOVERNMENT REVENUE (a)



CHANGE IN GOVERNMENT EXPENDITURE (a)

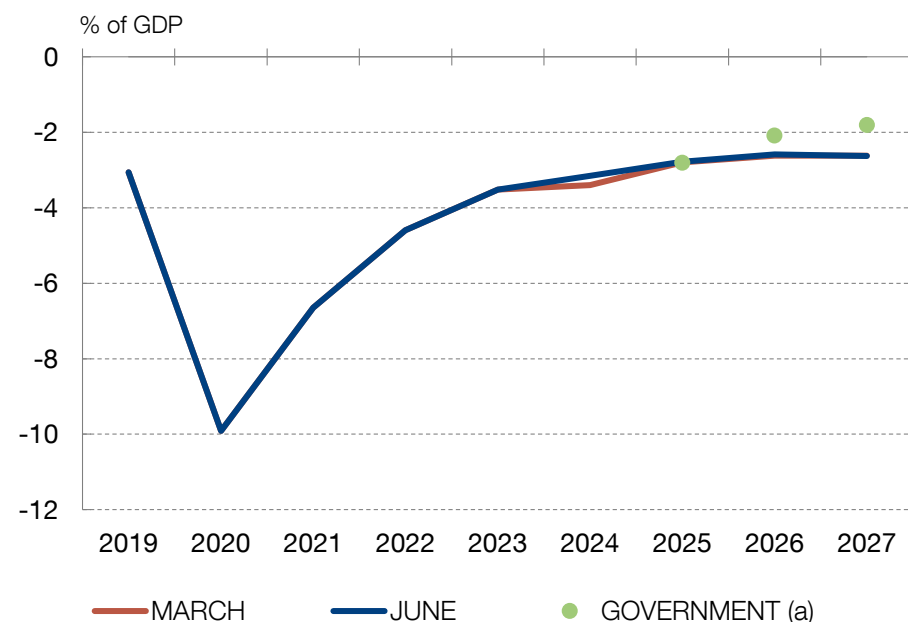


Sources: IGAE and Banco de España. (a) The data for the last quarter exclude local government. (b) Rates adjusted for atypical monthly developments due to measures adopted.

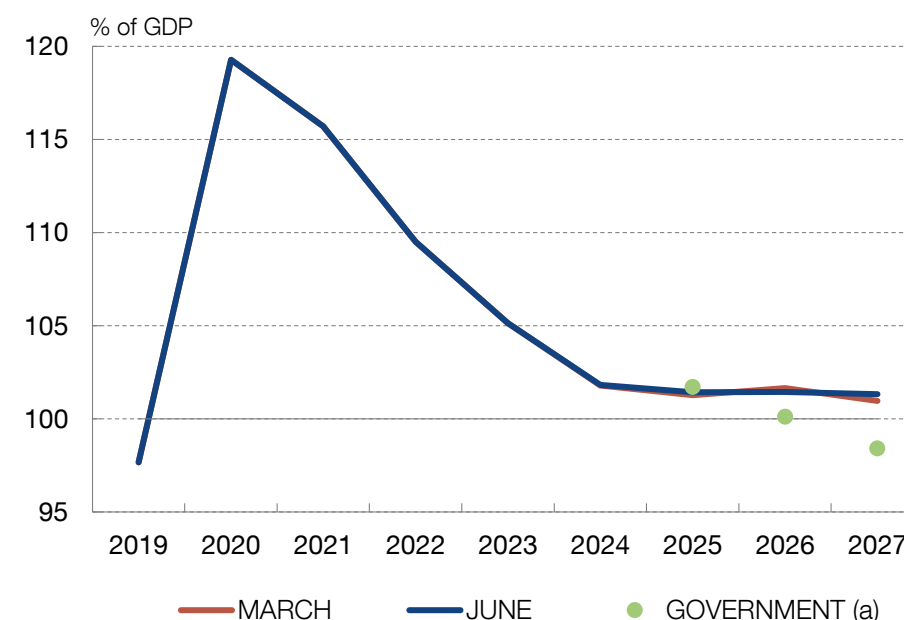
THE FORECASTS FOR GOVERNMENT DEFICIT AND DEBT RATIOS REMAIN LARGELY UNCHANGED FROM THOSE ENVISAGED IN MARCH

- In 2025 the general government deficit forecast remains unchanged at 2.8% of GDP – in line with the Government's estimates – as a result of two opposing factors: a better fiscal year-end than expected in 2024 entails a better starting position for public finances in 2025, which offsets the adverse impact on such public finances of the downward revision to economic growth and the increase in defence spending

GENERAL GOVERNMENT BALANCE



GENERAL GOVERNMENT DEBT



Sources: IGAE, INE and Banco de España. (a) 2025 Progress Report (for 2025) and Medium-Term Fiscal-Structural Plan 2025-2028 (for 2026 and 2027).

DEVELOPMENTS IN CURRENT TRADE TENSIONS

PERFORMANCE OF GLOBAL FINANCIAL MARKETS

**ECONOMIC AGENTS' LEVEL OF
CONFIDENCE/CERTAINTY
IN SPENDING DECISIONS**

**SIZE AND COMPOSITION OF
NGEU FUNDS AND DEFENCE SPENDING
IN THE SPANISH ECONOMY
OVER THE COMING YEARS**



**THE RISKS SURROUNDING THE BASELINE SCENARIO IN THESE PROJECTIONS ARE TILTED TO THE DOWNSIDE
FOR ACTIVITY AND BALANCED FOR INFLATION**



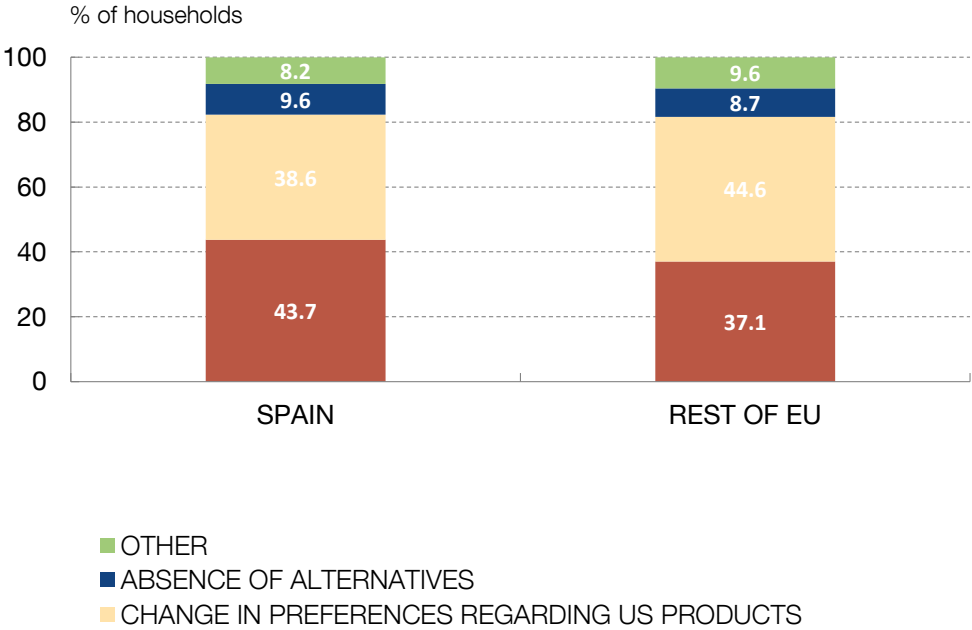
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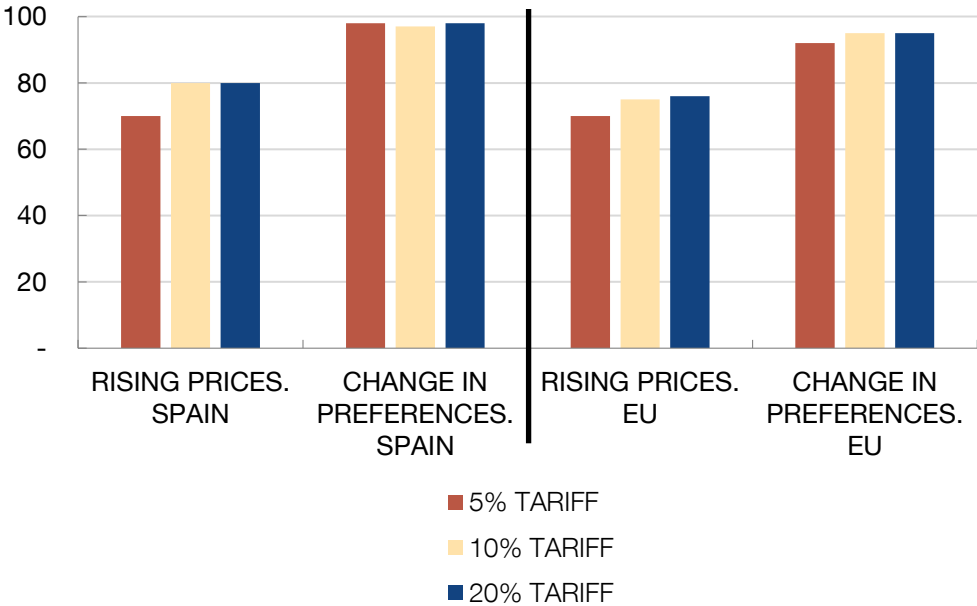
IN MARCH HOUSEHOLDS ANTICIPATED POSSIBLE CHANGES IN THEIR CONSUMPTION DECISIONS FOLLOWING THE ANNOUNCEMENT OF TARIFFS BY THE UNITED STATES

- Households’ responses show they are highly inclined to shift their consumption away from US products
- The change in preferences would exacerbate the substitution effect deriving from the rise in prices of products from the United States in a hypothetical scenario of higher tariffs

MAIN REASON FOR SHIFTING CONSUMPTION OF US PRODUCTS



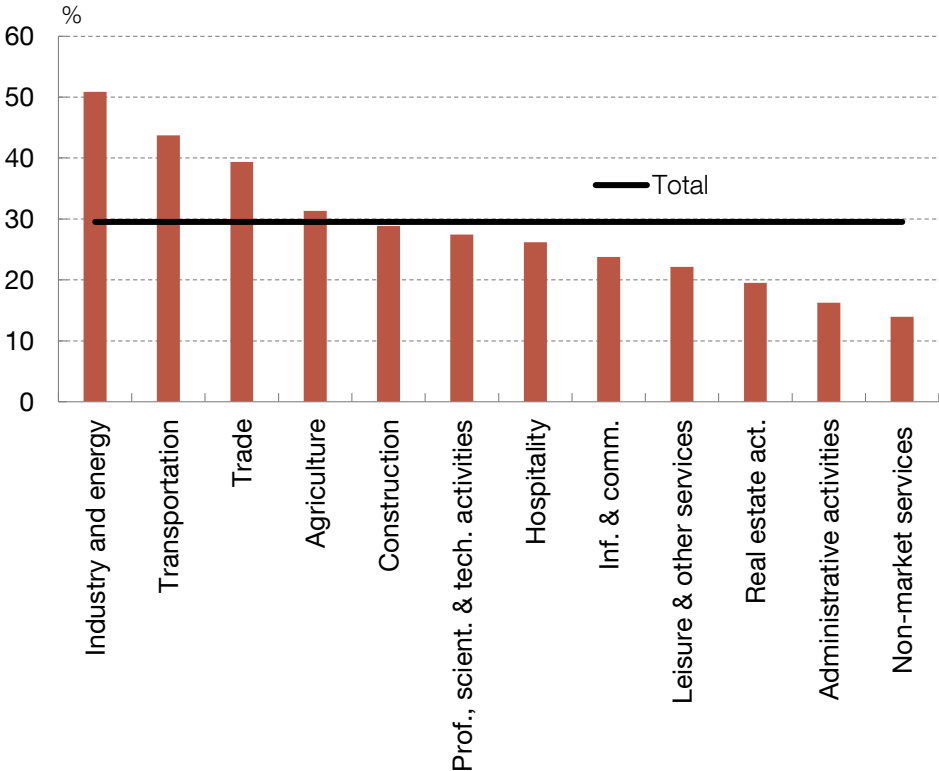
MEDIAN SUBSTITUTION SCORE AFTER TARIFFS, BASED ON REASON FOR SUBSTITUTION AND TARIFF SIZE



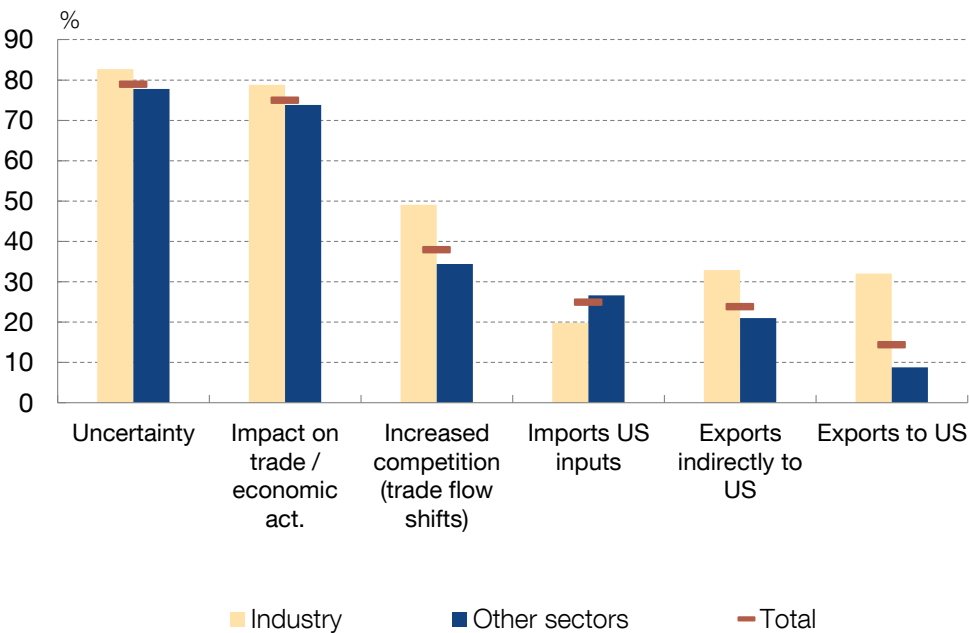
Sources: ECB (Consumer Expectations Survey) and Banco de España.

30% OF SPANISH FIRMS WOULD BE AFFECTED BY THE TARIFF WAR, ALTHOUGH MAINLY THROUGH INDIRECT CHANNELS

FIRMS ADVERSELY AFFECTED BY THE INCREASE IN TARIFFS (a)



RELEVANCE OF THE FACTORS EXPLAINING THE ADVERSE IMPACT OF THE TARIFFS (b)



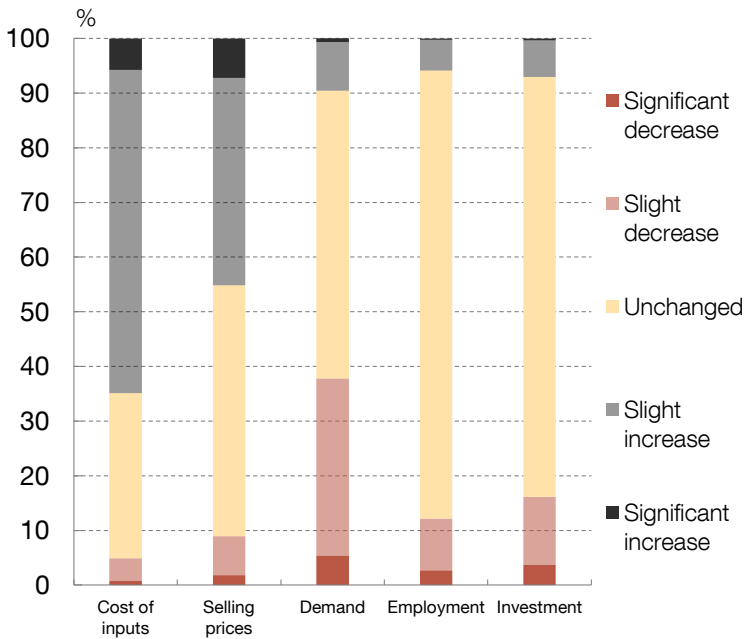
Source: Banco de España (EBAE).

(a) Question: "The new US Administration has announced sweeping new tariffs on imports from various countries, including Spain. In response, this could prompt tariff increases on Spanish imports from the United States. What kind of effect do you think these higher tariffs could have on your firm?" Possible answers: "Very adverse", "Adverse", "No effect", "Positive", "Very positive".

(b) Question: "If your firm could be adversely affected by the new tariffs, please indicate the relevance of each of the following reasons in explaining that impact". Possible answers: "Not relevant", "Of little relevance", "Relevant", "Highly relevant".

THE GREATEST IMPACT WOULD BE ON COSTS AND DEMAND. NEARLY ONE HALF OF FIRMS WOULD PASS THE HIGHER COSTS ON TO PRICES

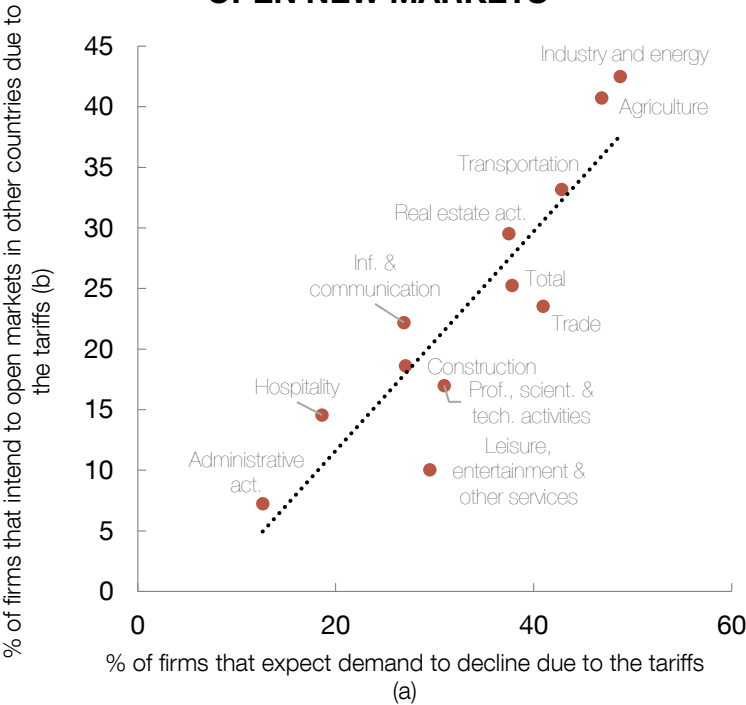
EFFECT OF TARIFF INCREASE ON BUSINESS VARIABLES (a)



FIRMS' MEASURES IN RESPONSE TO THE TRADE WAR (b)



RELATIONSHIP BETWEEN THE DECLINE IN DEMAND DUE TO TARIFFS AND THE INTENTION TO OPEN NEW MARKETS

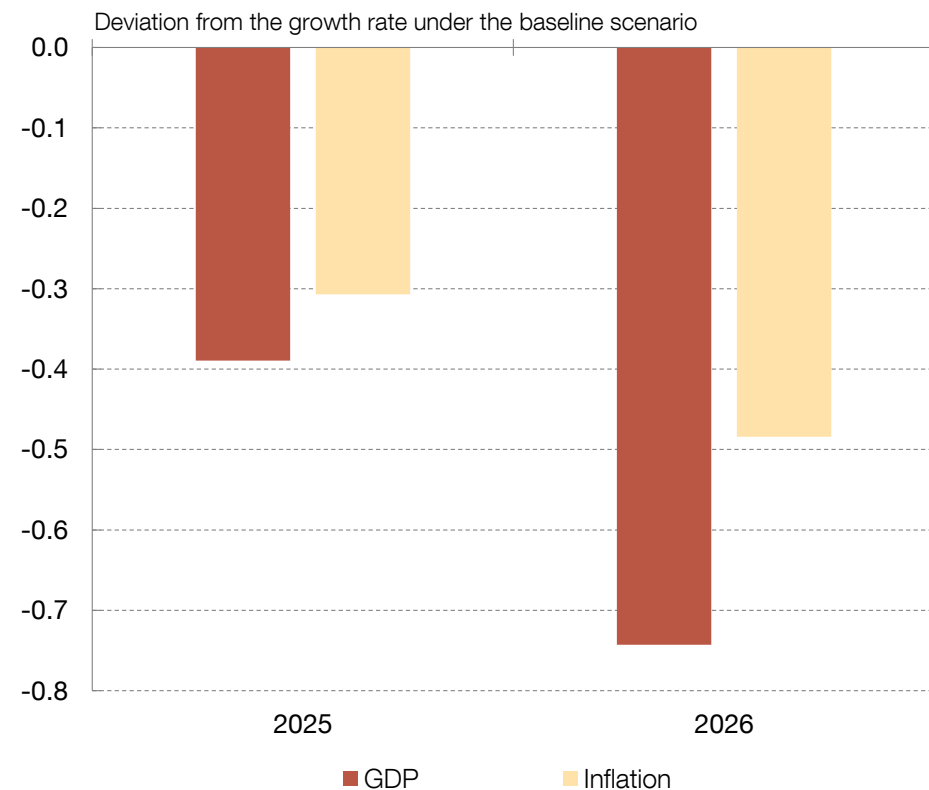


Source: Banco de España (EBAE).
(a) Question: "What effect do you expect the tariff increase to have on the following variables at your firm?" Possible answers: "Significant decrease", "Slight decrease", "Unchanged", "Slight increase", "Significant increase".
(b) Question: "Has your firm adopted, or does it plan to adopt, measures in response to the new US tariffs and to potential retaliatory measures by other countries?" Possible answers: Yes, No.

SPAIN IN AN ADVERSE SCENARIO WITH HIGHER TARIFFS, RETALIATORY MEASURES, GREATER UNCERTAINTY AND HEIGHTENED FINANCIAL TENSIONS → LOWER GDP AND LESS INFLATION

| | Baseline scenario | Adverse scenario |
|--------------------------------|---|--|
| Increase in tariffs on: | | |
| - EU | 10% without retaliatory measures = +8.9 pp implicit tariff | 2 April with retaliatory measures = +4.9 pp (+16.2 pp retaliatory measure) |
| - Spain | 10% without retaliatory measures = +8.9 pp implicit tariff | 2 April with retaliatory measures = +6.5 pp (+12.9 pp retaliatory measure) |
| - China | 20% reciprocal tariff | US-China trade war (Scenario 4 IA) |
| - Rest of the world | 10% without retaliatory measures | 2 April with retaliatory measures |
| Uncertainty | Uncertainty levels decline gradually from their current highs to their 2018 levels at the end of the projection horizon | Uncertainty remains high, with an adverse impact on investment and consumption calibrated based on a VAR model |
| Financial conditions | Technical assumptions | Amplified financial turmoil, resulting in rising corporate spreads and a fall in stock market prices |

IMPACT OF TARIFFS ON SPAIN UNDER THE ADVERSE SCENARIO



Source: Banco de España.



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THE MACRO IMPACT OF INCREASED DEFENCE SPENDING DEPENDS ON THE ACTUAL VOLUME OF SPENDING AND ON MULTIPLE OTHER FACTORS

COMPOSITION OF EXPENDITURE BY ITEM

The impact on activity over the medium-term may be greater if spending is concentrated in **R&D&I**

COMPOSITION OF EXPENDITURE BY SECTOR

The impact on activity may be greater if spending is concentrated in **sectors with a greater knock-on effect**

IMPORT CONTENT OF EXPENDITURE

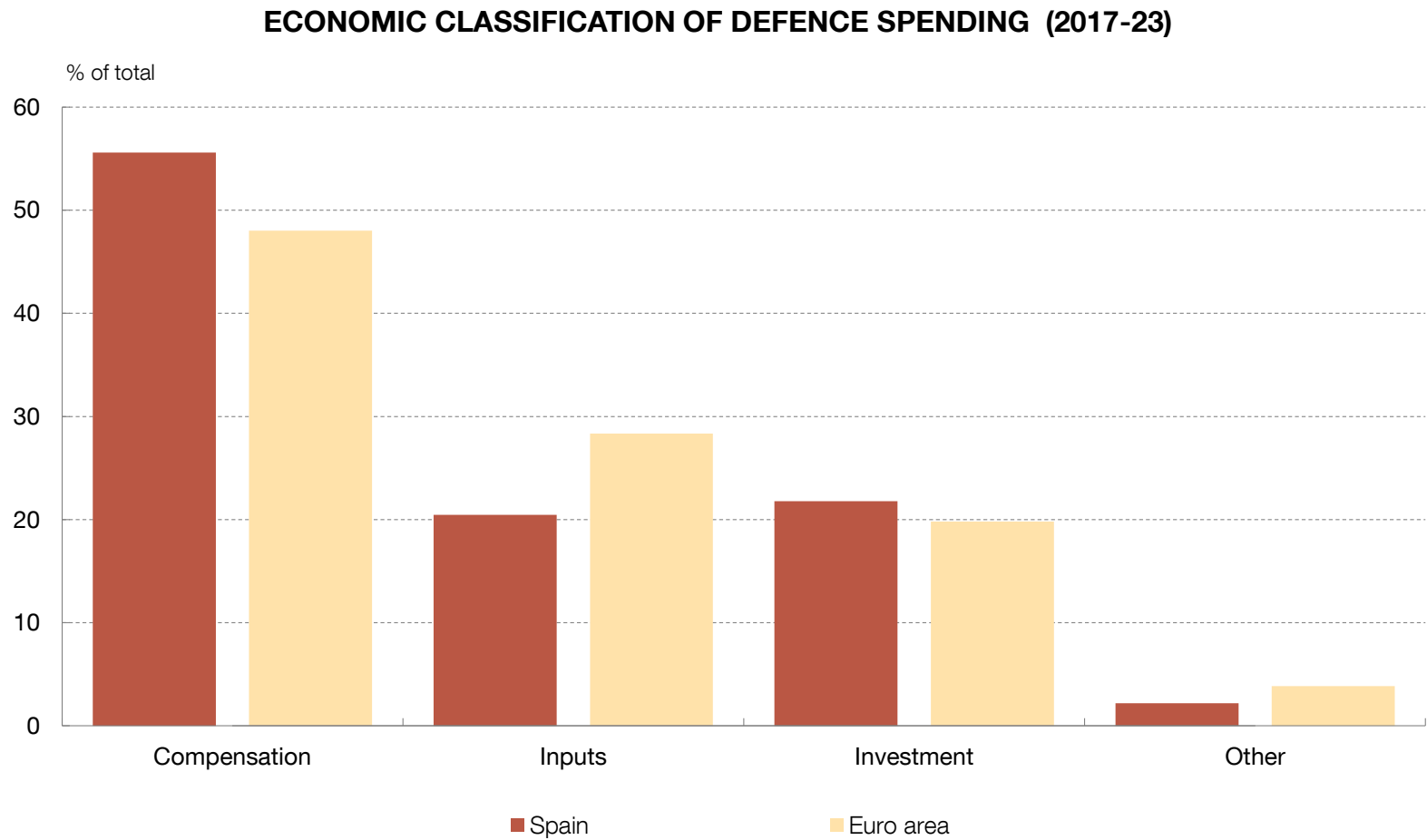
The impact on activity may be greater if spending is concentrated in **domestically-produced goods and services**

OTHER FACTORS

Among others, the cyclical position, the financing strategy and the monetary policy stance

... In any event, the nature of defence spending entails a time lag between the execution of contracts and their recording in the National Accounts

BY ITEM, THE COMPOSITION OF DEFENCE SPENDING IN SPAIN IS SIMILAR TO THAT IN THE EURO AREA, WITH A SOMEWHAT HIGHER SHARE ALLOCATED TO EMPLOYEE COMPENSATION



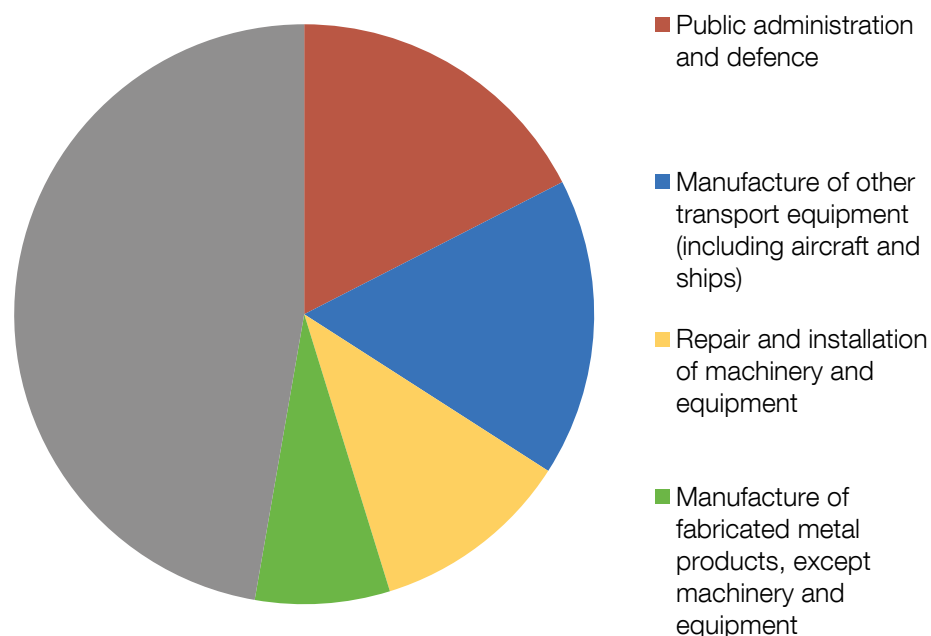
Source: Eurostat.

BY SECTOR, DEFENCE SPENDING IS CONCENTRATED IN MANUFACTURING, WHICH COULD GIVE RISE TO INFLATIONARY PRESSURES IN THIS SECTOR

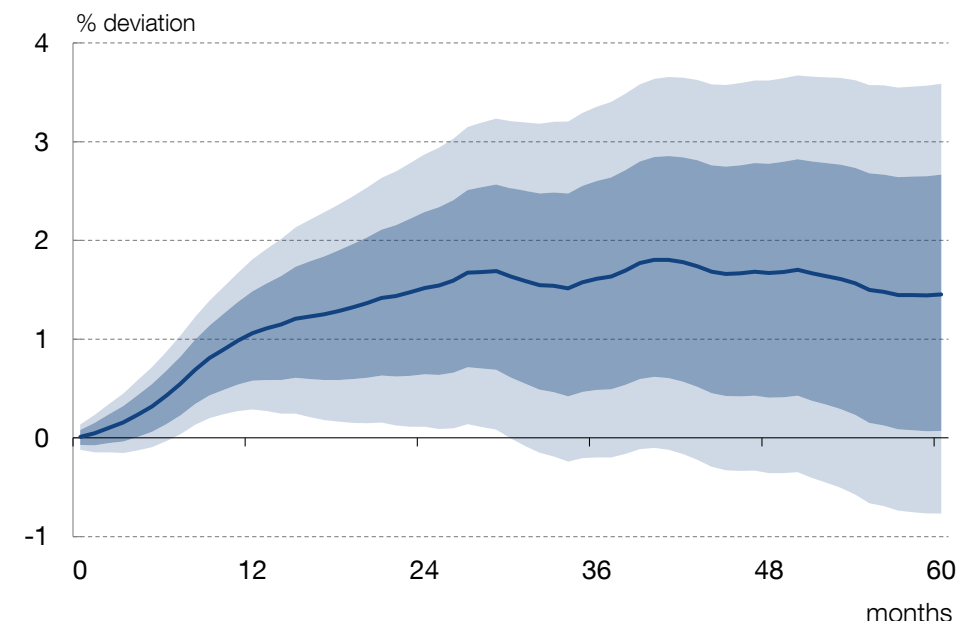
Defence spending is primarily concentrated in manufacturing of machinery and transport

An increase in defence procurement would push up producer prices, especially capital goods prices

**DEFENCE CONTRACTS BY ECONOMIC SECTOR
(2000-17 AVERAGE) (a)**



**RESPONSE OF THE PRODUCER PRICE INDEX TO
A DEFENCE SPENDING SHOCK (b)**



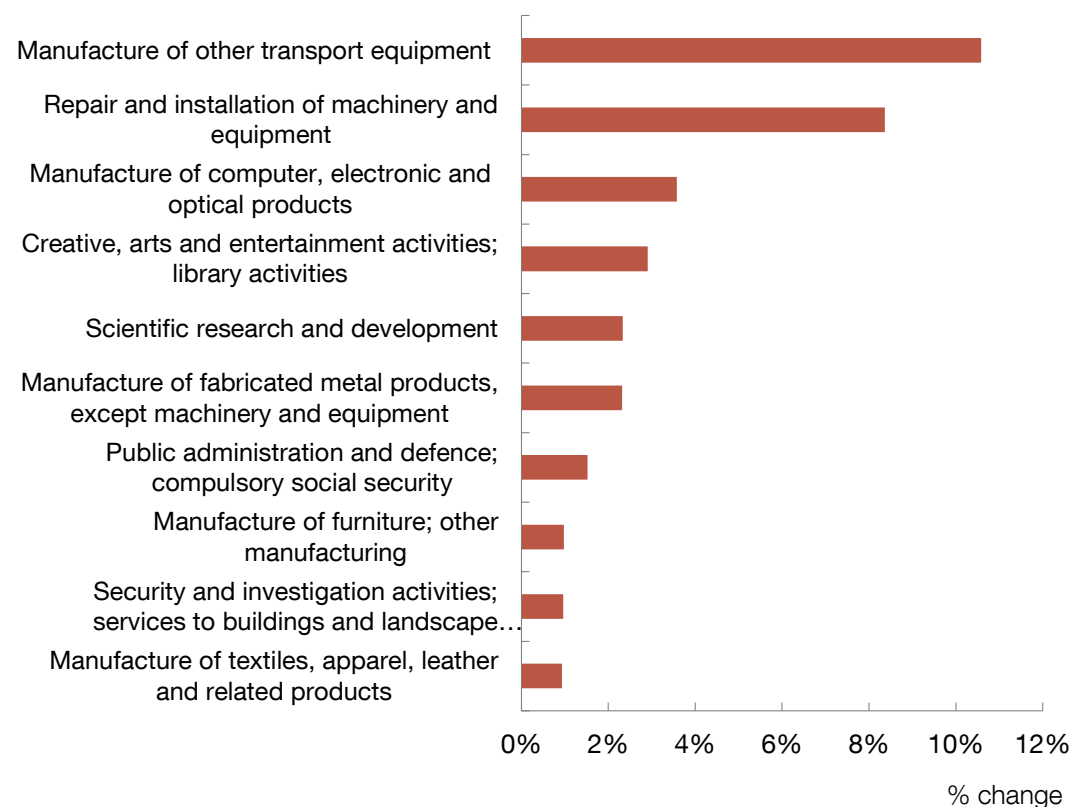
Source: Ministerio de Defensa. (a) Series constructed based on the sectorisation of the monthly procurement records of the Ministry of Defence's Statistical Yearbook. (b) Response of the producer price index's capital goods component to an increase equivalent to 0.1% of GDP in the contracts awarded by the Ministry of Defence. Estimate calculated using local projections (coefficients expressed as the five-period centred moving average). The bands show the 68% and 90% confidence intervals.

SECTORAL DISTRIBUTION IS KEY TO UNDERSTANDING THE TRANSMISSION MECHANISM OF AN INCREASE IN DEFENCE SPENDING

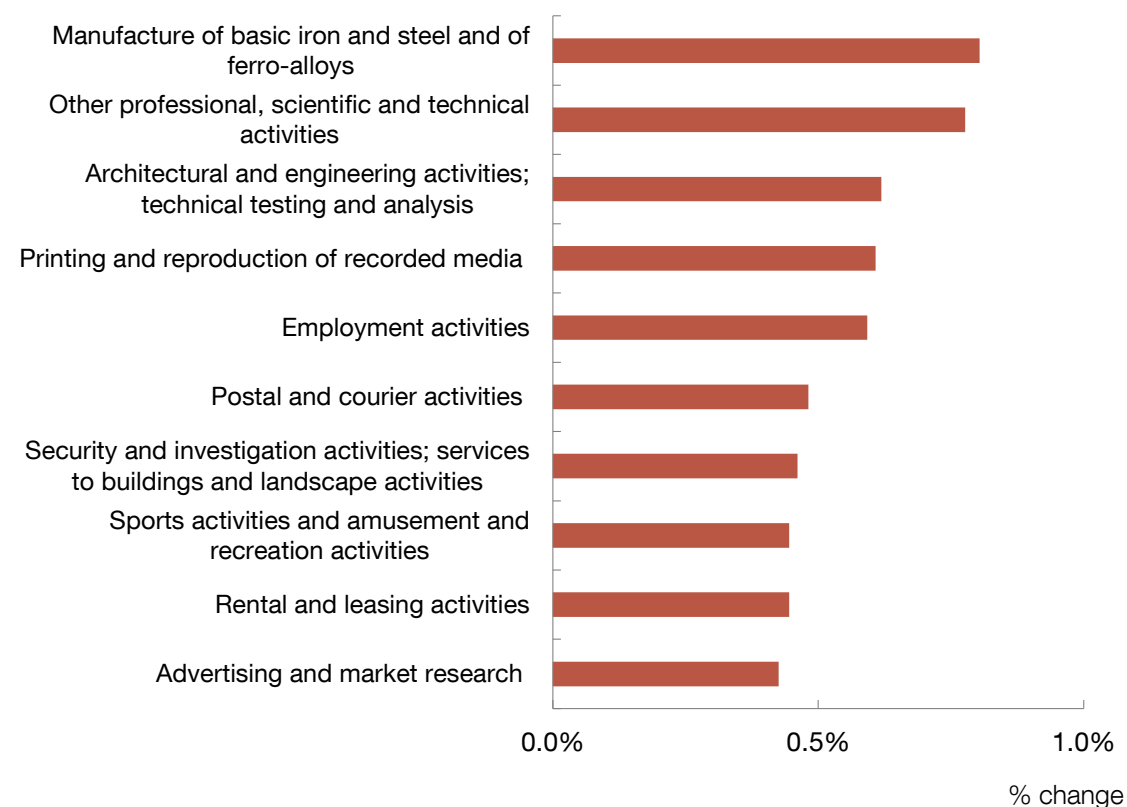
The direct impact of the fiscal stimulus would be highly concentrated in industry ...

... although the knock-on effect associated with that stimulus would be more evenly distributed

SECTORAL DISTRIBUTION OF THE DIRECT IMPACT ON GROSS VALUE ADDED

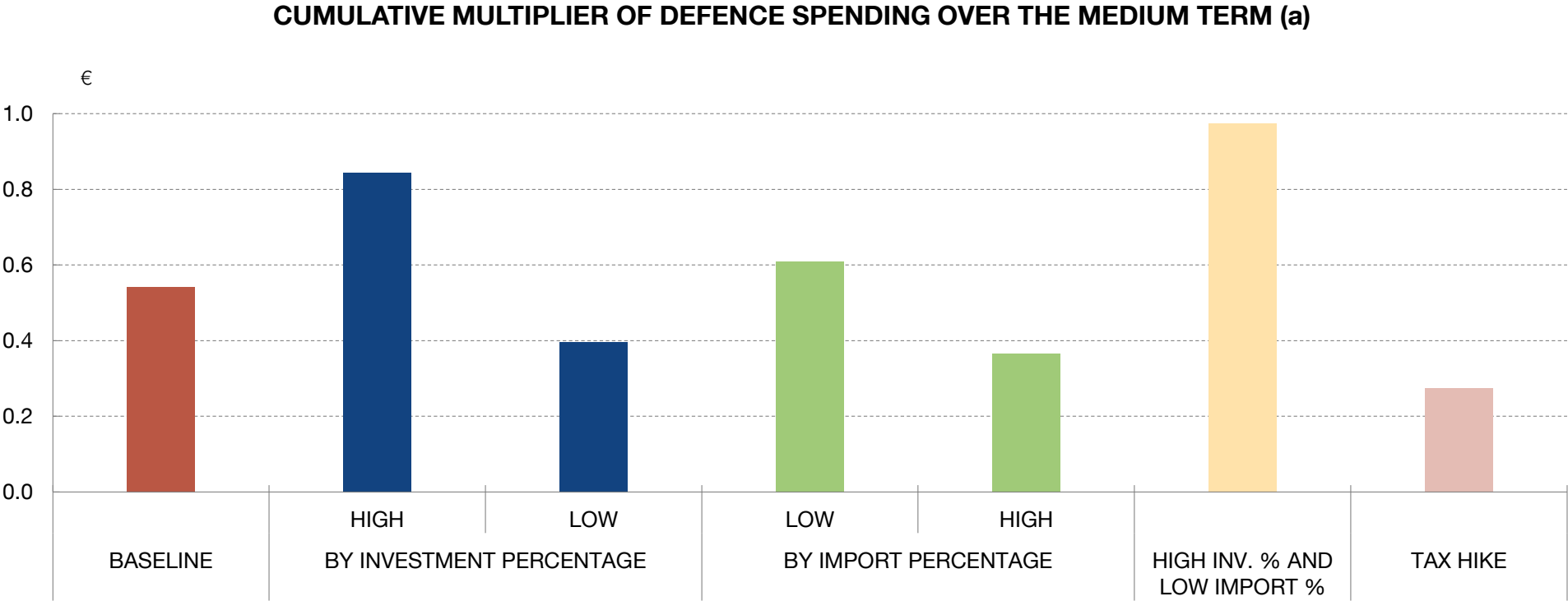


SECTORAL DISTRIBUTION OF THE KNOCK-ON EFFECT ON GROSS VALUE ADDED



Source: Banco de España. Note: The charts show the impact of a defence shock on the sectoral output of Spain's ten largest sectors, measured by gross value added. The simulation has been conducted based on an input-output model that takes into account sectoral interaction at domestic level and with the rest of the European Union.

FISCAL MULTIPLIERS ASSOCIATED WITH HIGHER DEFENCE SPENDING UNDER VARIOUS SCENARIOS

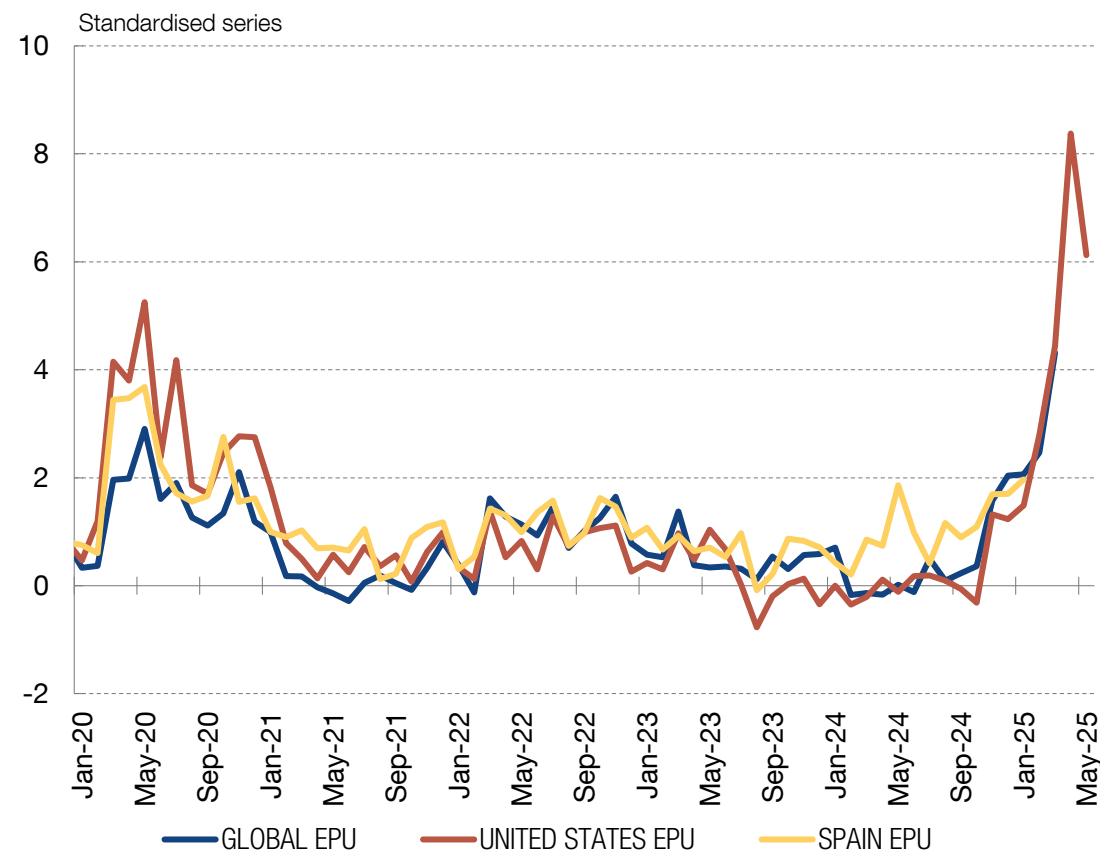


Source: Banco de España. (a) The cumulative multipliers refer to the ratio of the cumulative increase (in euro) in real GDP over the medium-term (2027) per euro of public spending increase. In the simulations with the highest and lowest level of investment, the percentage of this component stands at 80% and 10%, respectively. It is also assumed that around 20% of defence spending would take place in external markets, calculated as the increase in imports by Spanish productive sectors to cover the demand stemming from the increase in defence spending (this percentage varies between 10% and 50% in the sensitivity simulations with the lowest and highest import dependency, respectively). The tax hike scenario assumes defence spending is financed via increases in taxes on labour income (instead of via government debt as in the other scenarios). All the risk scenarios are calculated as the average of various macroeconomic general equilibrium models.

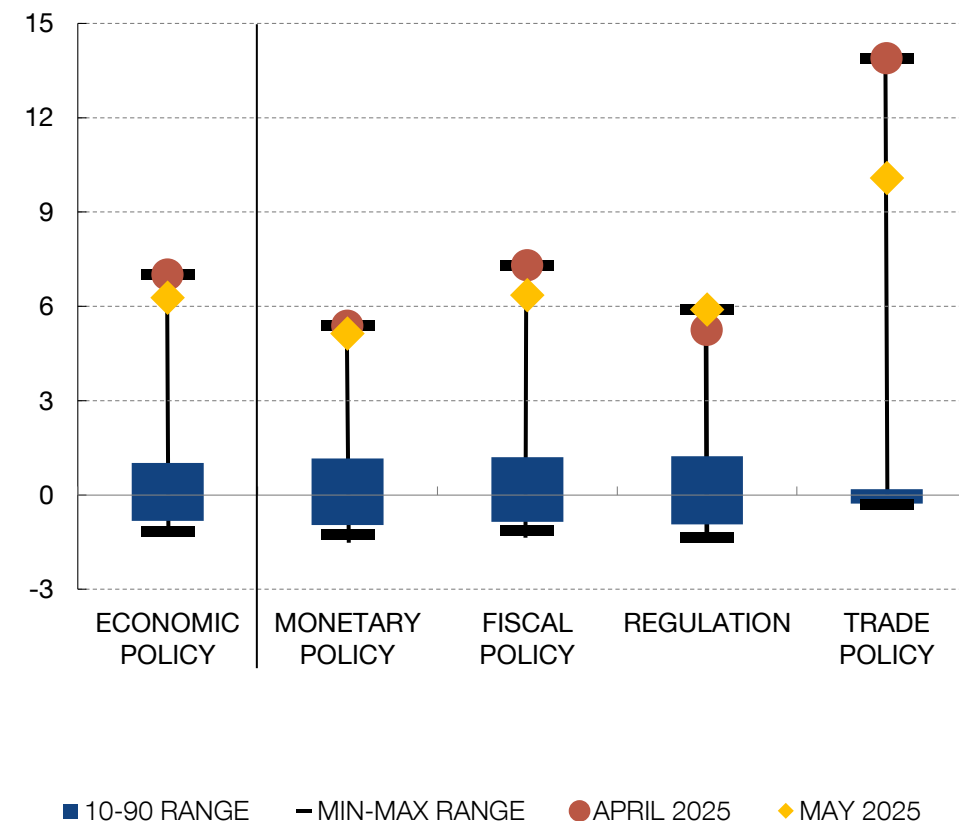
Thank you very much

DESPITE THE DROP IT EXPERIENCED IN MAY, UNCERTAINTY REMAINS AT HISTORICALLY HIGH LEVELS

GLOBAL UNCERTAINTY



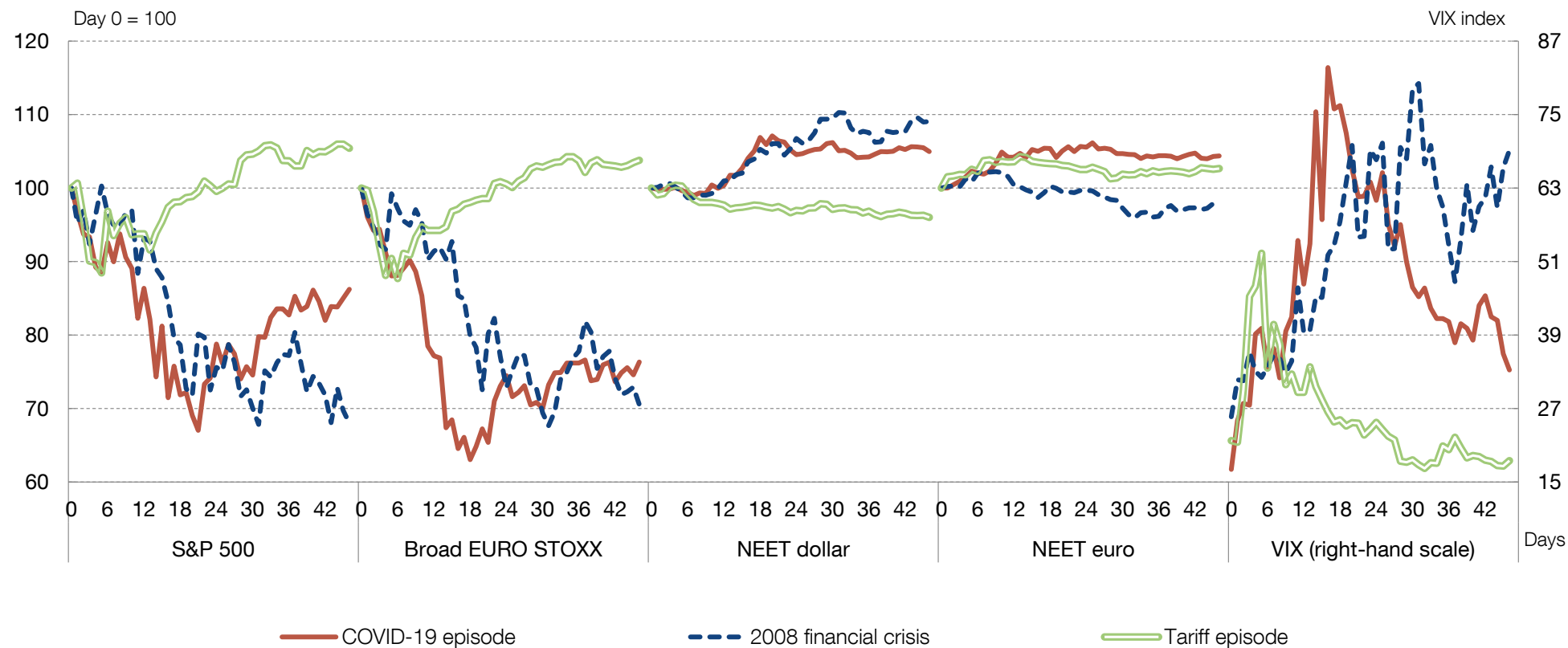
US POLICY UNCERTAINTY



Source: US Economic Policy Uncertainty Index – Categorical classification. https://www.policyuncertainty.com/categorical_epu.htm.

THE EPISODE OF FINANCIAL TURBULENCE ASSOCIATED WITH THE “RECIPROCAL TARIFF” ANNOUNCEMENT WAS INTENSE, BUT SHORT-LIVED

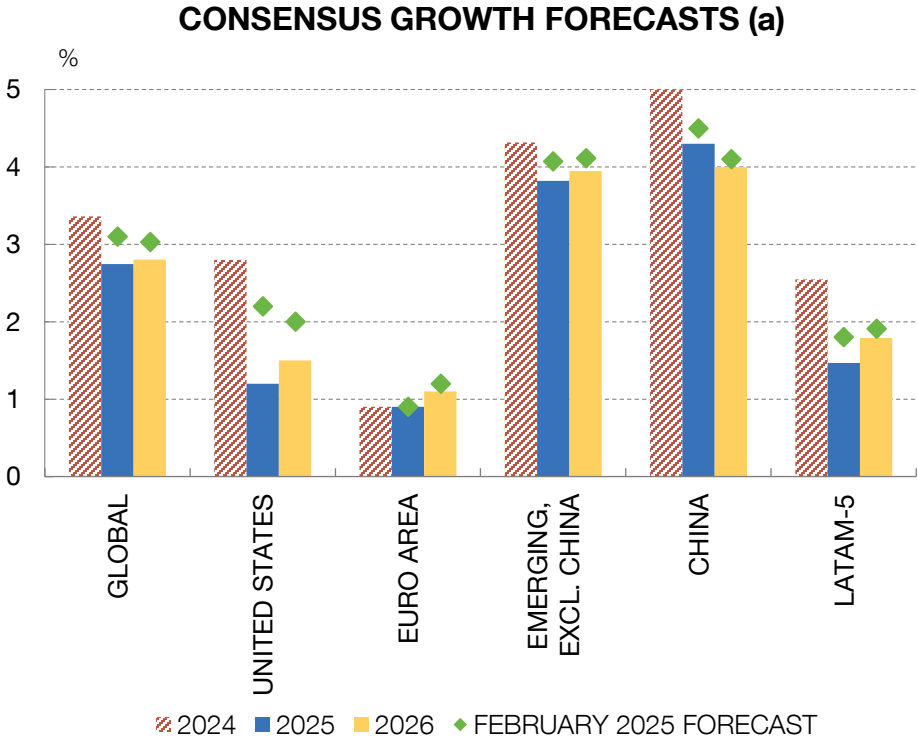
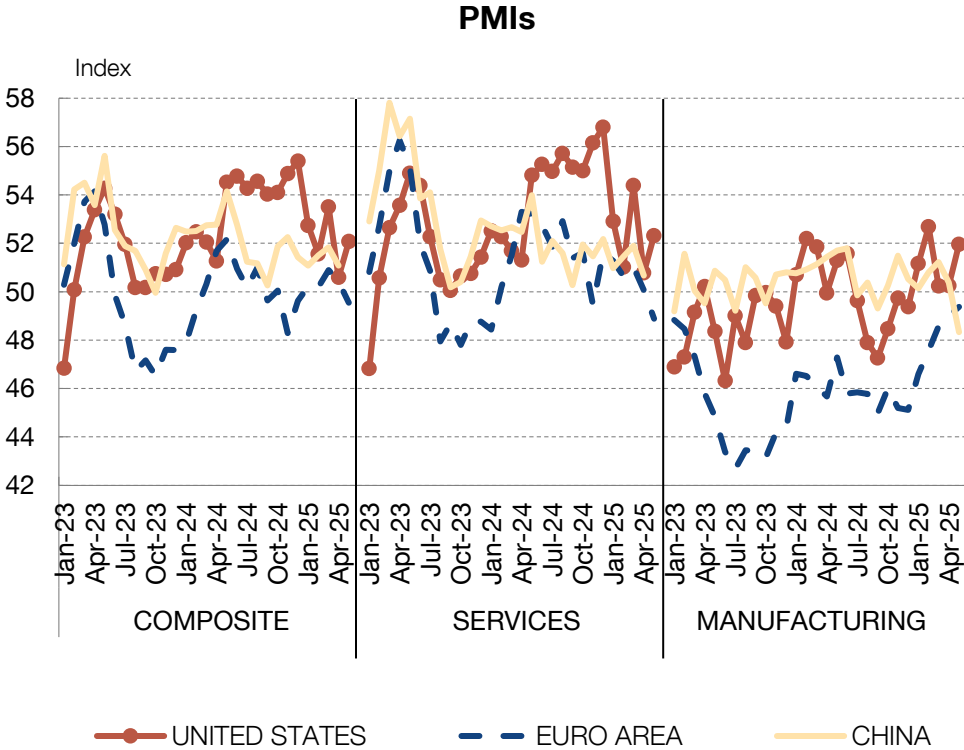
STOCK MARKET INDICES, EXCHANGE RATES AND VOLATILITY DURING PERIODS OF STOCK MARKET TURBULENCE (a)



Source: LSEG Datastream. (a) Changes in the VIX, the S&P 500, the broad EURO STOXX and the nominal effective exchange rates (NEET) for the dollar and the euro during the COVID-19 episode (from 21/02/2020 to 27/04/2020), the 2008 financial crisis (from 12/09/2008 to 17/11/2008) and the tariff episode (from 01/04/2025 to 05/06/2025).

HEIGHTENED UNCERTAINTY IS AFFECTING GLOBAL ECONOMIC ACTIVITY, WHICH IS SLOWING

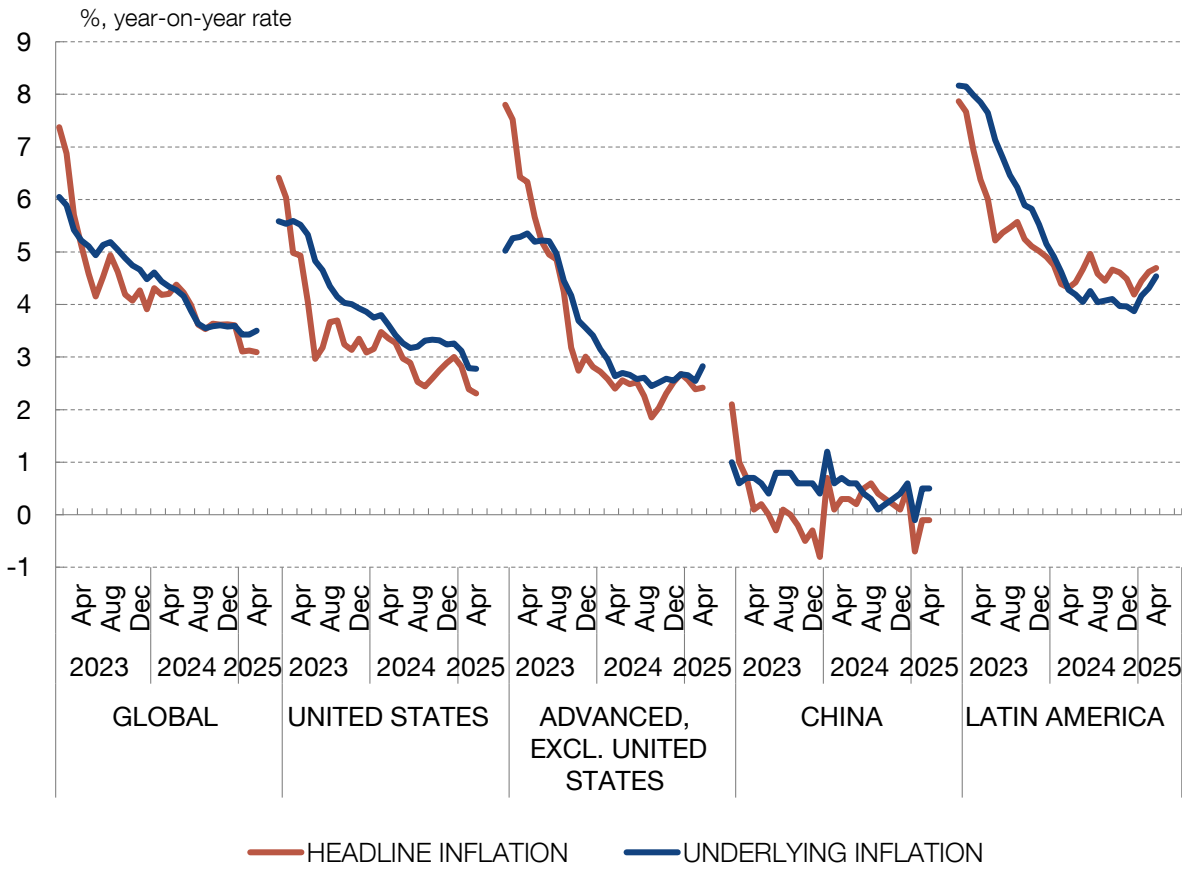
- The services sector, which underpinned activity in 2024, is slowing, while manufacturing has recovered noticeably in recent months, likely owing to the frontloading of goods trade flows ahead of a potential tariff increase
- Trade tensions and uncertainty are weighing on US GDP, which contracted slightly in 2025 Q1 but could once again grow in the current quarter
- In any event, consensus forecasts for global and US GDP growth have been substantially revised down in recent months



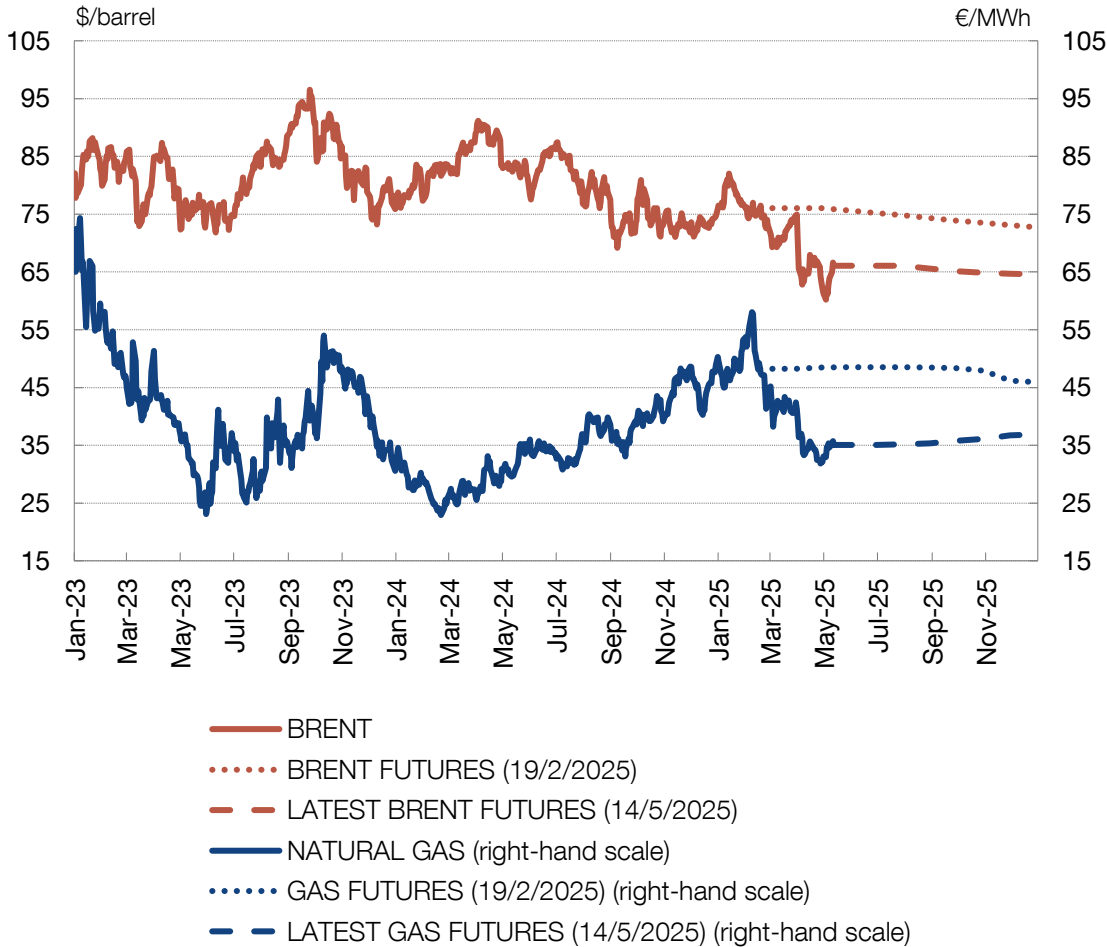
Sources: S&P Global and Consensus Economics. (a) The May 2025 forecasts (bars) are compared with the February 2025 forecasts (diamonds).

THE DISINFLATION PROCESS CONTINUES WORLDWIDE, UNDERPINNED BY LOWER ENERGY PRICES

INFLATION



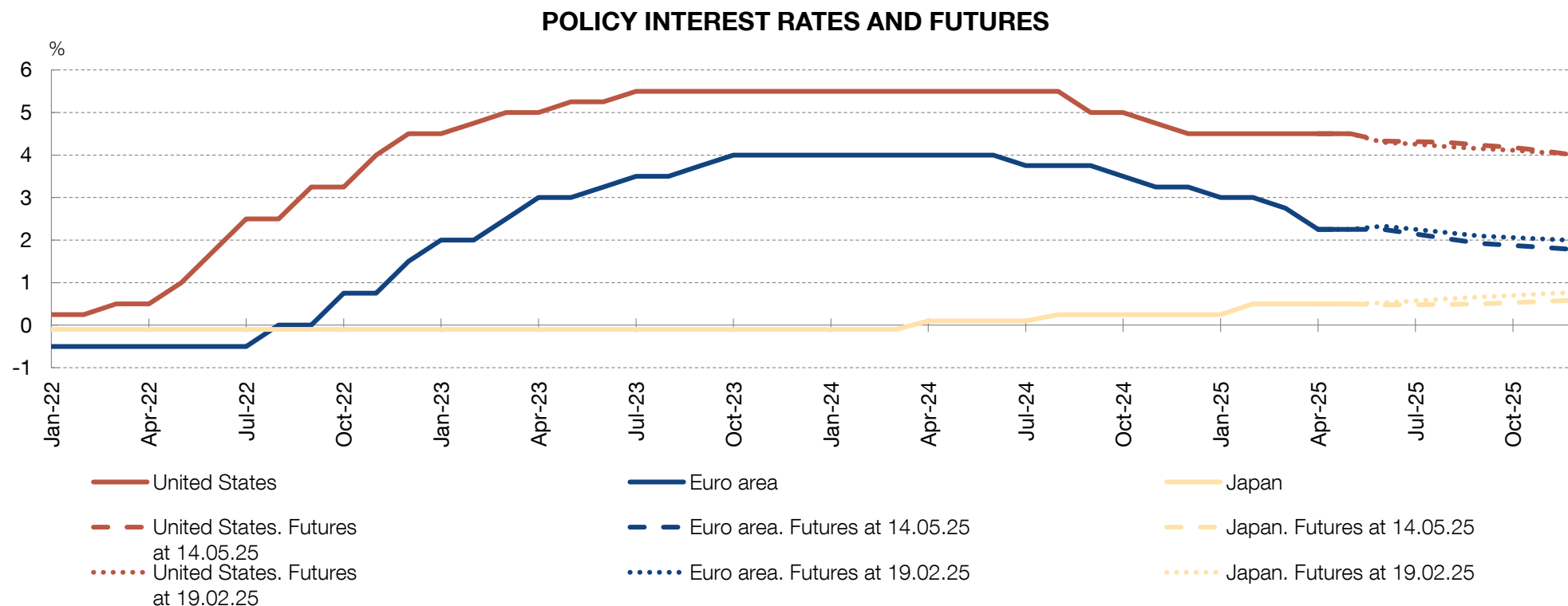
GAS AND OIL PRICES AND FUTURES



Source: LSEG Datastream.

THE MIXED OUTLOOK FOR INFLATION AND GROWTH GLOBALLY HAS LED TO DIVERGENT MONETARY POLICY DECISIONS

- In the advanced economies, since early 2025, there have been cuts to official interest rates in the euro area, the United Kingdom and Canada, among others.
- In the United States, however, the Federal Reserve System has held its rates unchanged since December 2024 and, at its most recent monetary policy meeting, it noted that the risks of higher unemployment and higher inflation had increased, in a context of rising uncertainty

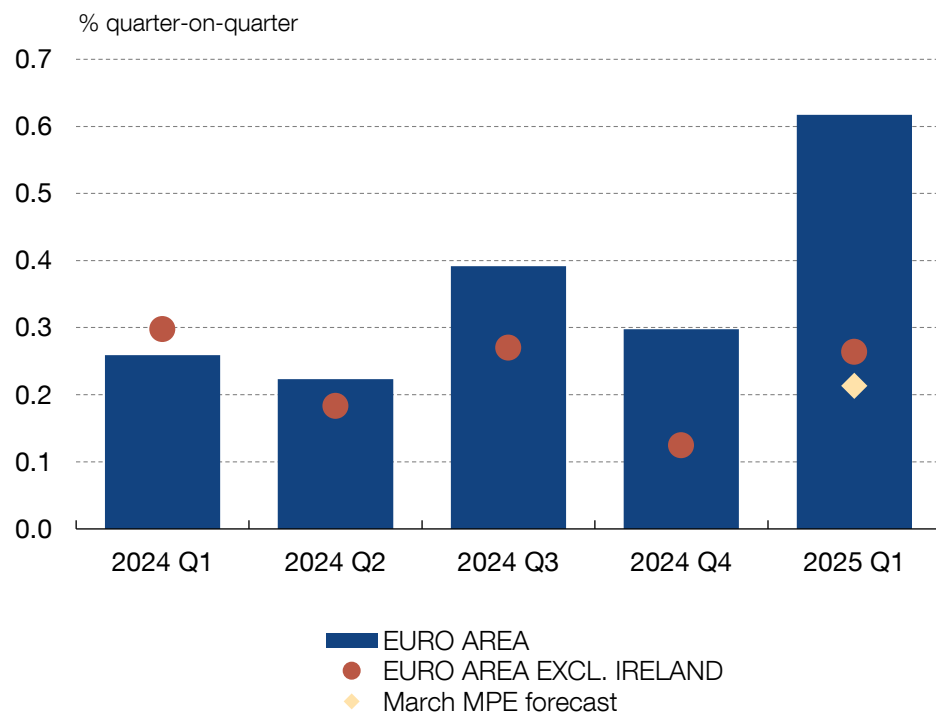


Sources: Refinitiv Datastream, Banco de España and Federal Reserve System.

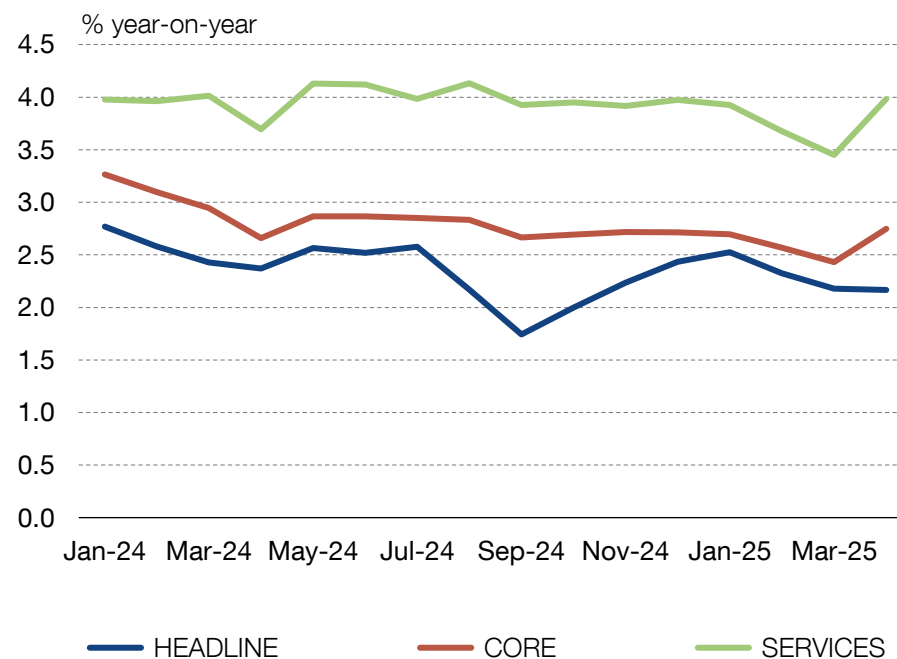
IN 2025 Q1 EURO AREA ECONOMIC ACTIVITY GREW MORE THAN EXPECTED AND INFLATION REMAINED ON A SMOOTH DOWNWARD TREND

- Euro area GDP rose by 0.6% in 2025 Q1, more than projected, although highly influenced by growth in Ireland (9.7%)
- Some of the recent momentum of euro area activity – particularly in manufacturing – appears to be attributable to some frontloading of exports in order to avoid a potential tariff increase
- Headline inflation fell to 1.9% in May and core inflation decreased to 2.3%. After rising in April, services inflation fell by 0.8 pp in May, to 3.2%

EURO AREA GDP



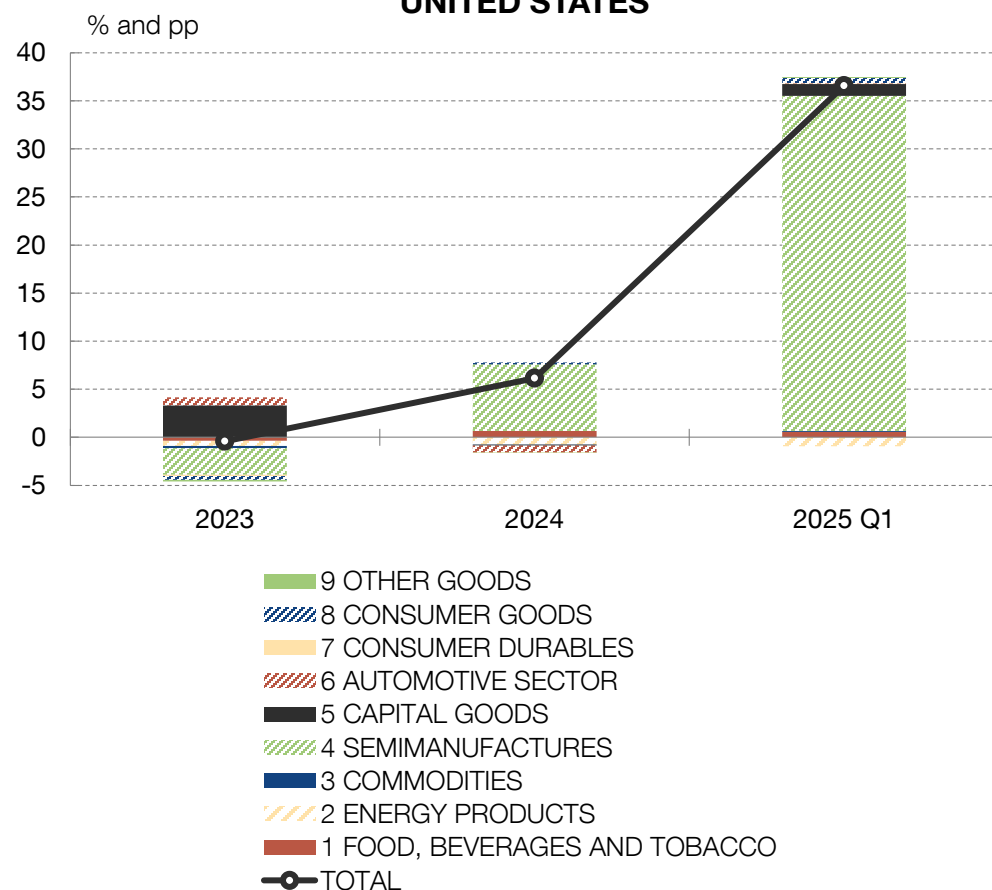
EURO AREA INFLATION



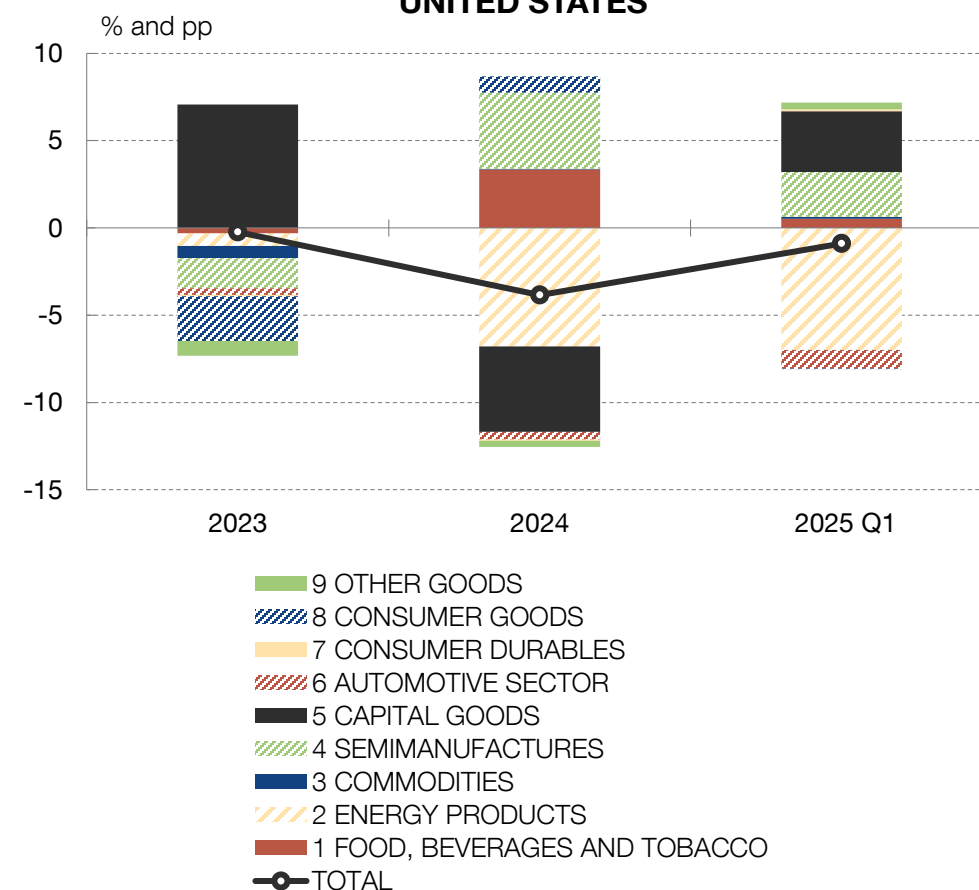
Source: Eurostat.

IN NOMINAL TERMS, EXPORTS TO THE UNITED STATES FROM THE EURO AREA – AND ALSO FROM SPAIN – ACCELERATED IN THE FIRST FEW MONTHS OF THE YEAR

CONTRIBUTIONS TO THE YEAR-ON-YEAR RATE OF CHANGE OF EURO AREA EXPORTS TO THE UNITED STATES



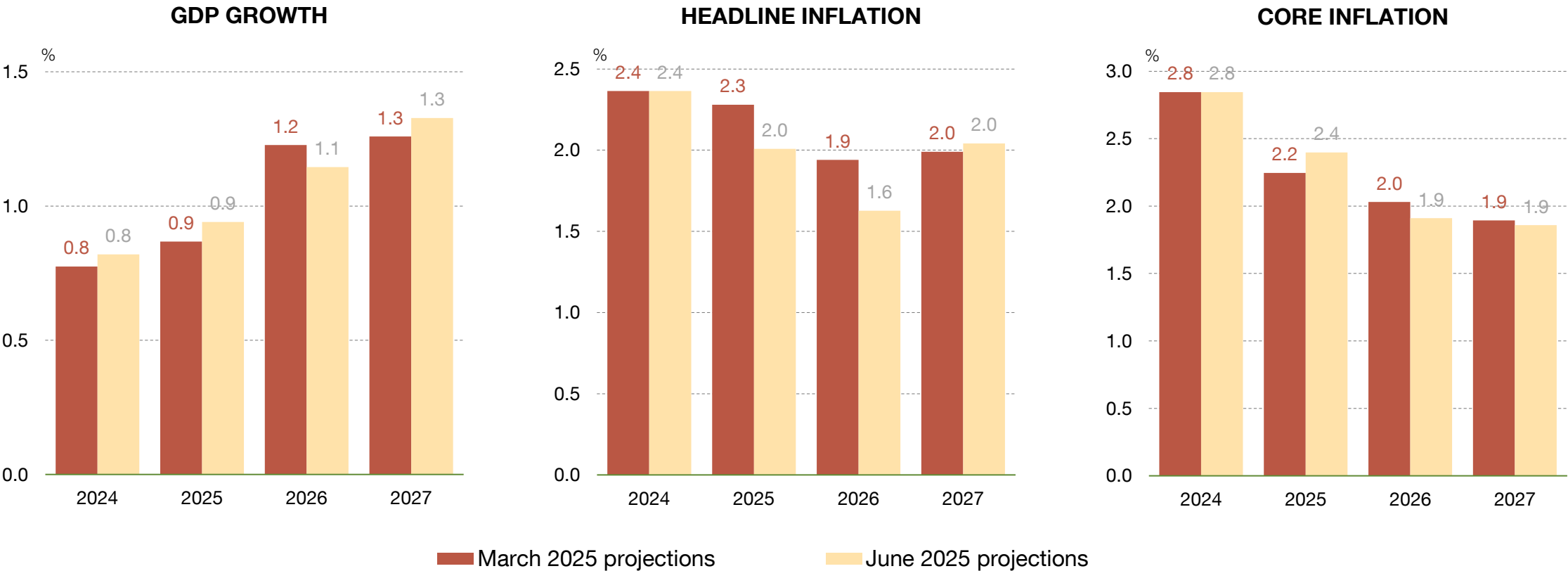
CONTRIBUTIONS TO THE YEAR-ON-YEAR RATE OF CHANGE OF SPANISH EXPORTS TO THE UNITED STATES



Source: Eurostat.

THE JUNE EUROSISTEM STAFF PROJECTIONS REVISE DOWN GDP FOR 2026 AND HEADLINE INFLATION FOR 2025 AND 2026

- The June Eurosystem staff projections revise down slightly GDP growth for 2026, while headline inflation is revised down for 2025 and 2026
- Under the baseline scenario, activity is still projected to accelerate gradually, underpinned by domestic demand and some fiscal impulse linked to higher government spending on defence and infrastructure in the EU

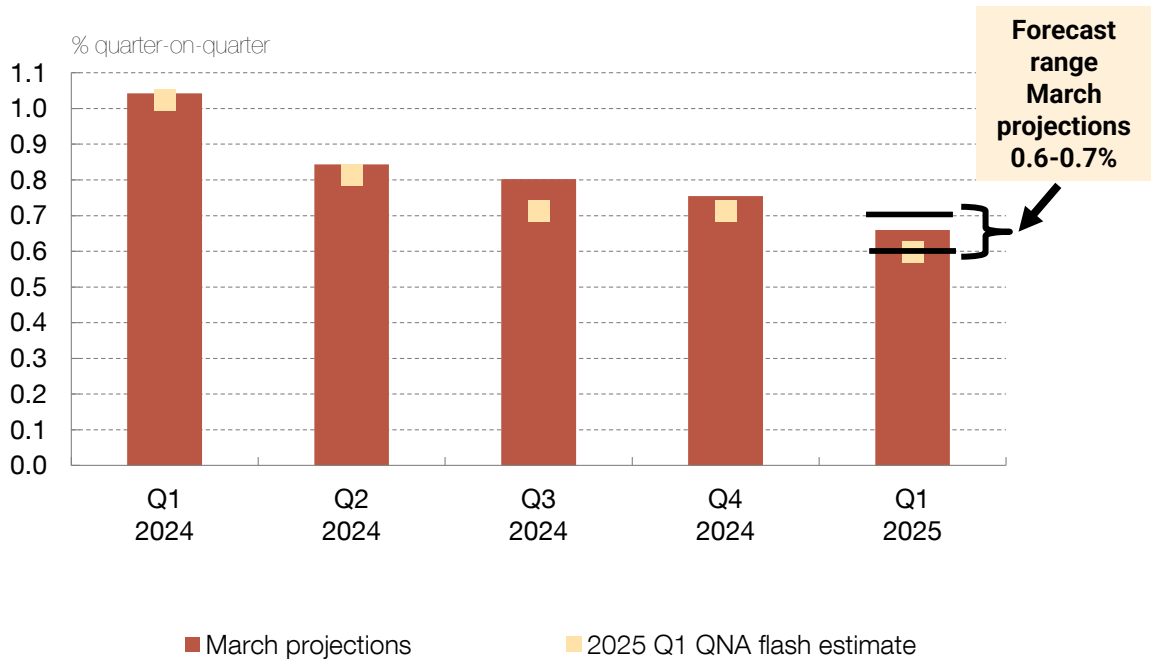


Source: Eurosystem.

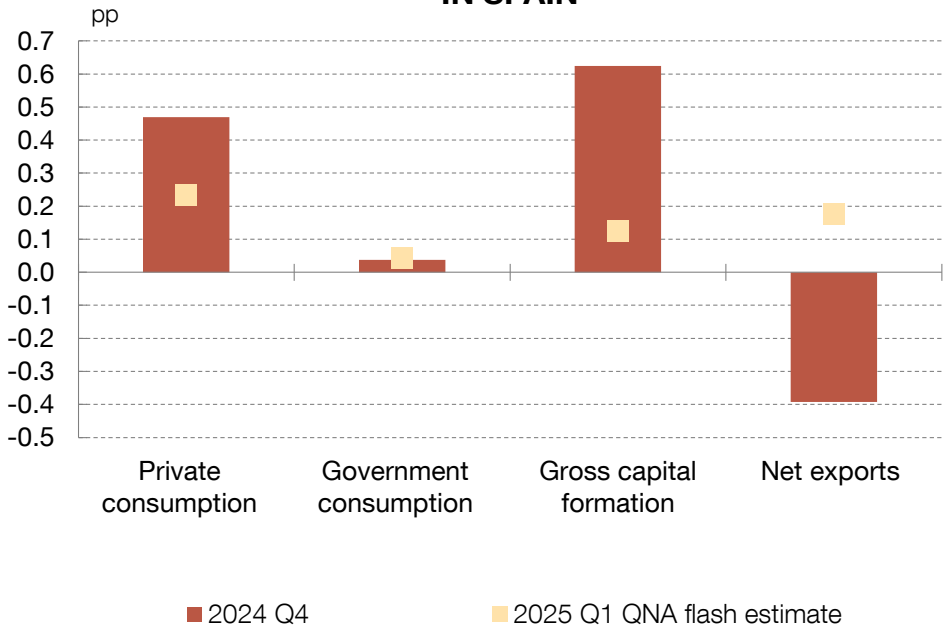


- GDP grew by 0.6% in 2025 Q1, down slightly on the rate recorded in the last two quarters of 2024 (which has been revised down marginally, to 0.7%) and at the lower end of the growth range envisaged in the March Banco de España projection exercise (0.6-0.7%).
- Prominent in the slowdown in activity was the pronounced easing of private consumption and investment, which had grown very considerably in 2024 Q4. This could, at least partly, reflect the adverse impact of uncertainty on households' and firms' spending decisions

SPANISH GDP



CONTRIBUTIONS TO QUARTERLY GDP GROWTH IN SPAIN

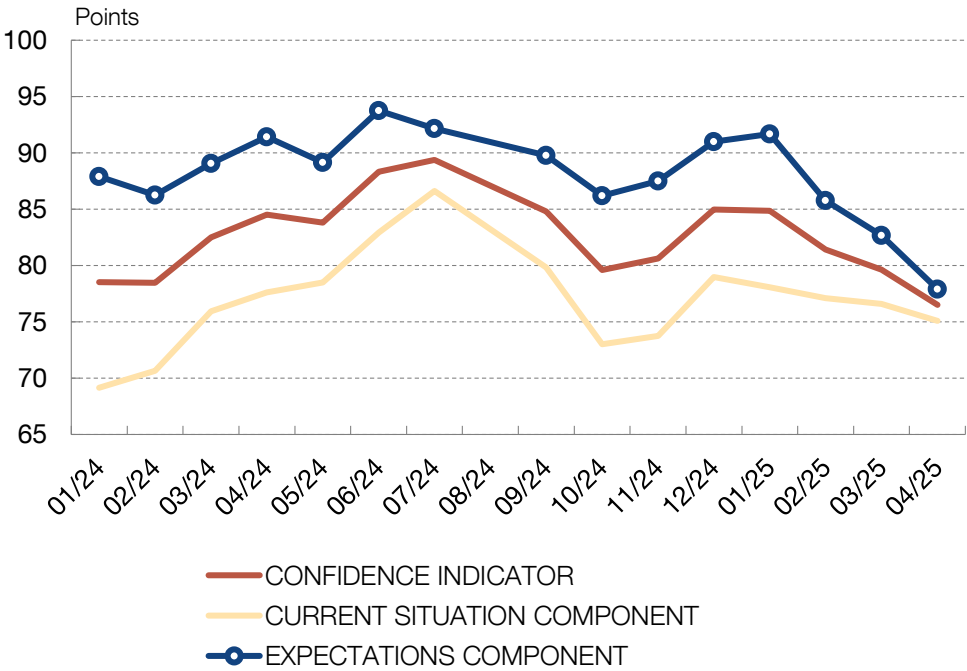


Sources: INE and Banco de España.

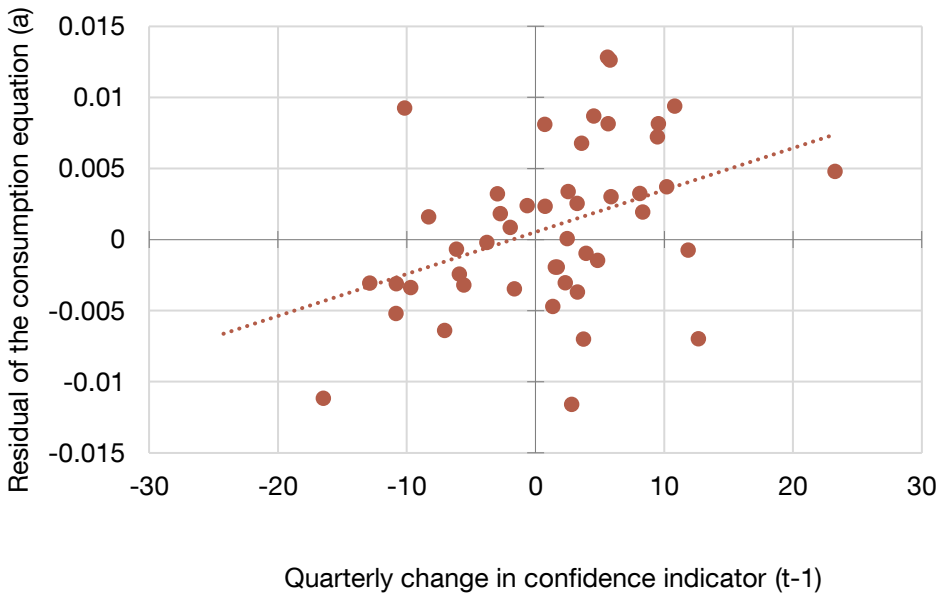
CONSUMER CONFIDENCE HAS DECREASED OVER RECENT MONTHS

- Consumer confidence has been deteriorating since the beginning of the year, in terms of both the current situation and the outlook for the future
- This fall in confidence is weighing on household consumption

CONSUMER CONFIDENCE



CONSUMER CONFIDENCE AND SURPRISES IN CONSUMPTION

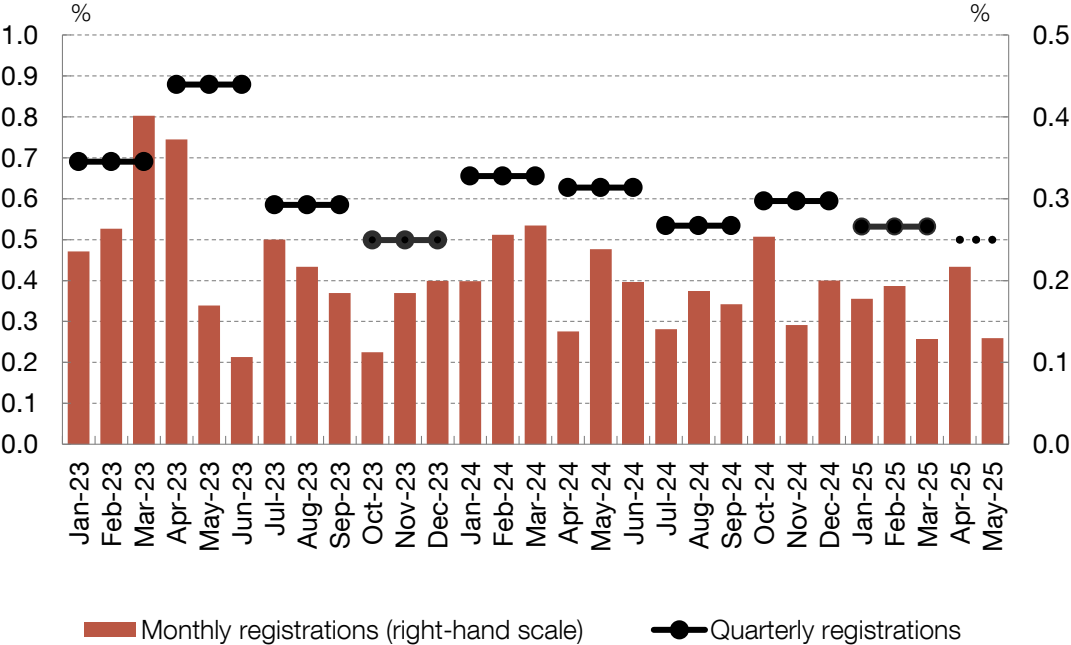


Sources: CIS, INE and Banco de España. (a) Difference between the quarter-on-quarter rate of growth of consumption and that forecast by the Quarterly Macroeconometric Model of the Banco de España (MTBE) for this aggregate.

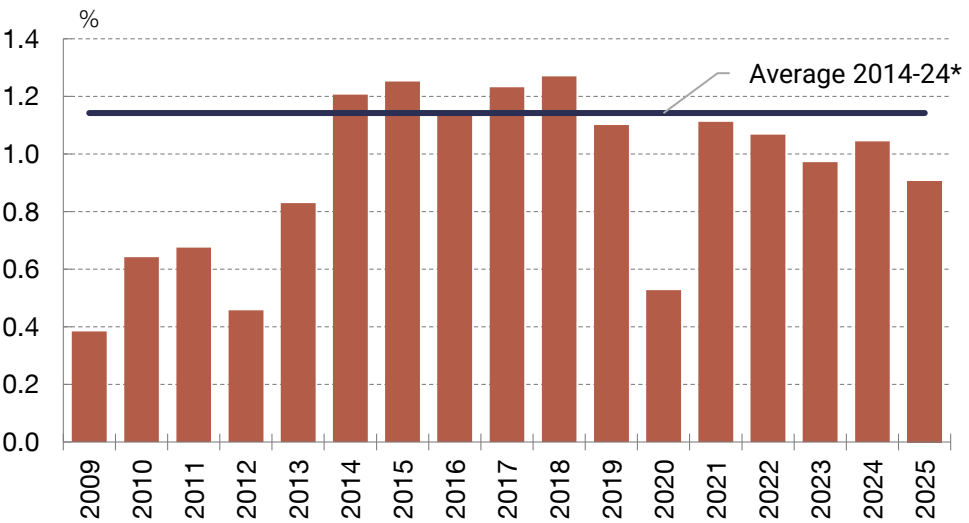
FOLLOWING A STRONG APRIL, EMPLOYMENT GROWTH SLOWED IN MAY

- These recent dynamics appear to signal a slight moderation of employment in Q2 as a whole

MONTHLY AND QUARTERLY CHANGE IN SOCIAL SECURITY REGISTRATIONS (a)

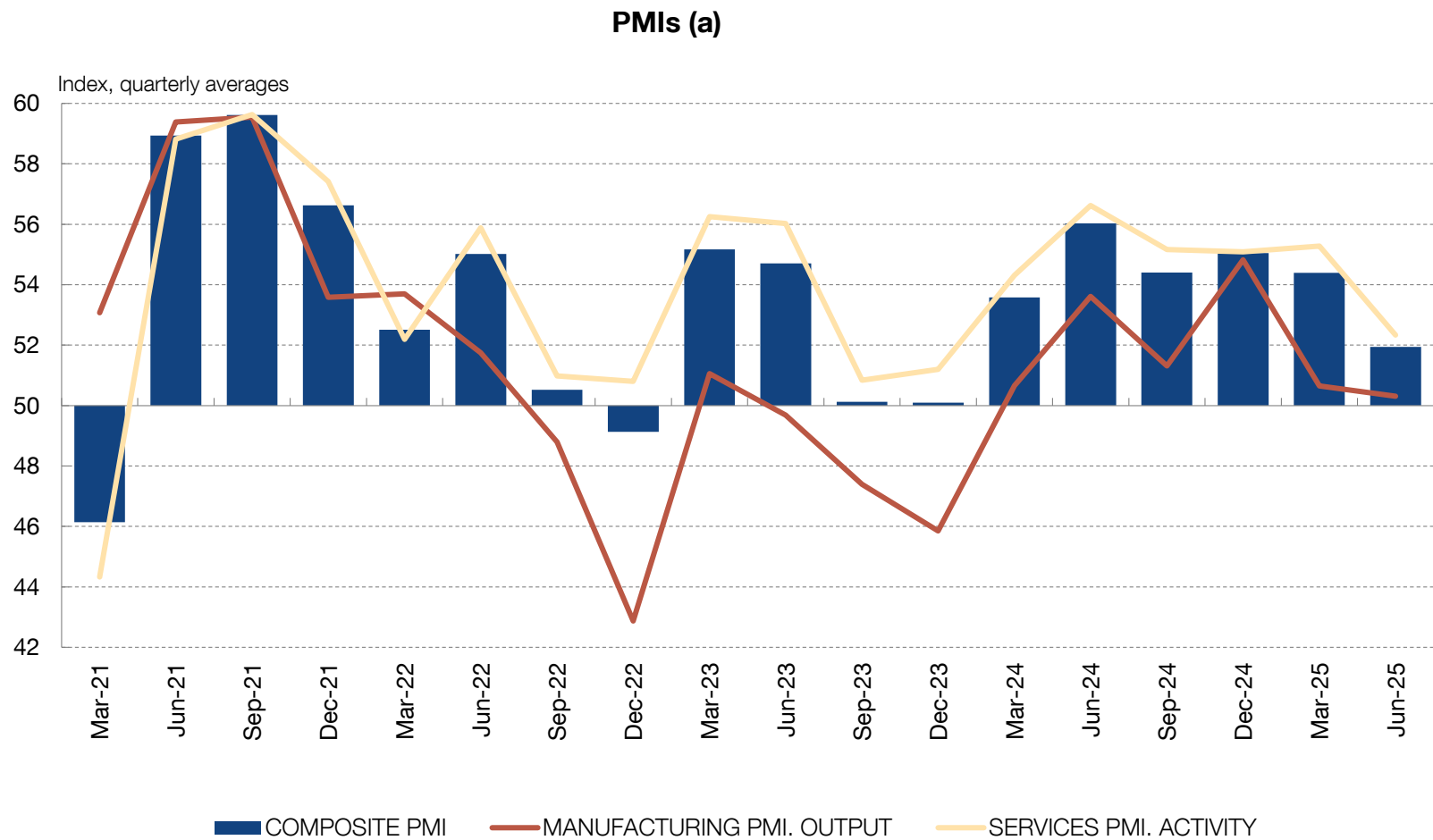


MONTHLY CHANGE IN NUMBERS REGISTERED WITH SOCIAL SECURITY IN MAY (b)



Sources: Ministerio de Inclusión, Seguridad Social y Migraciones and Banco de España. (a) Seasonally adjusted series. The 2025 Q2 figure is a projection. (b) Unadjusted series. The average for 2014-24 excludes 2020 and 2021.

THE MANUFACTURING AND SERVICES PMIs HAVE DECLINED IN SPAIN IN RECENT MONTHS



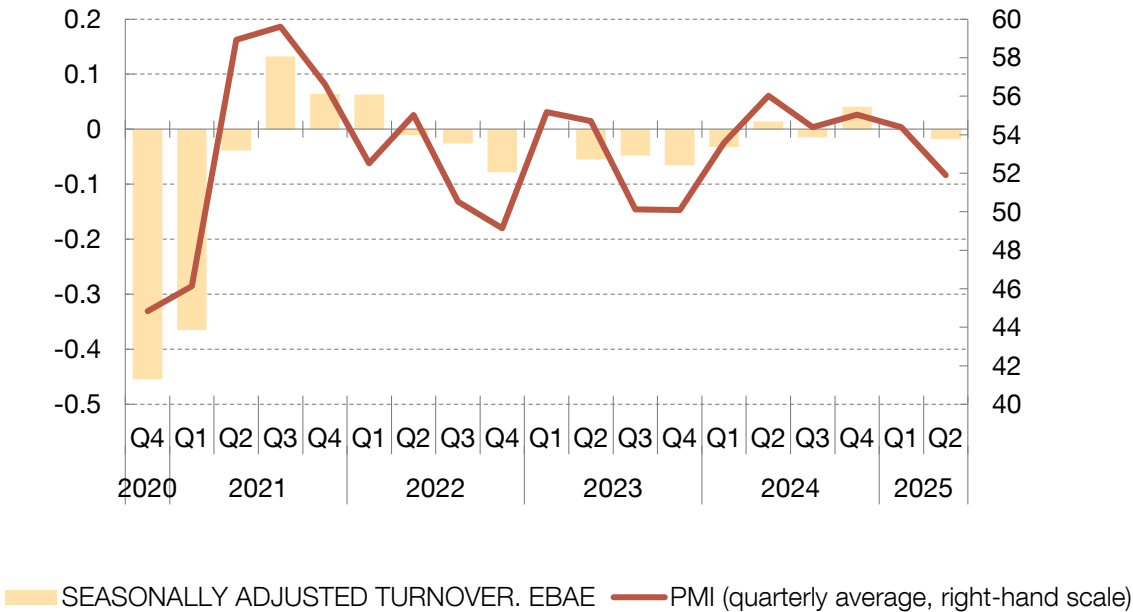
Source: S&P Global. (a) 2025 Q2 includes information to May.



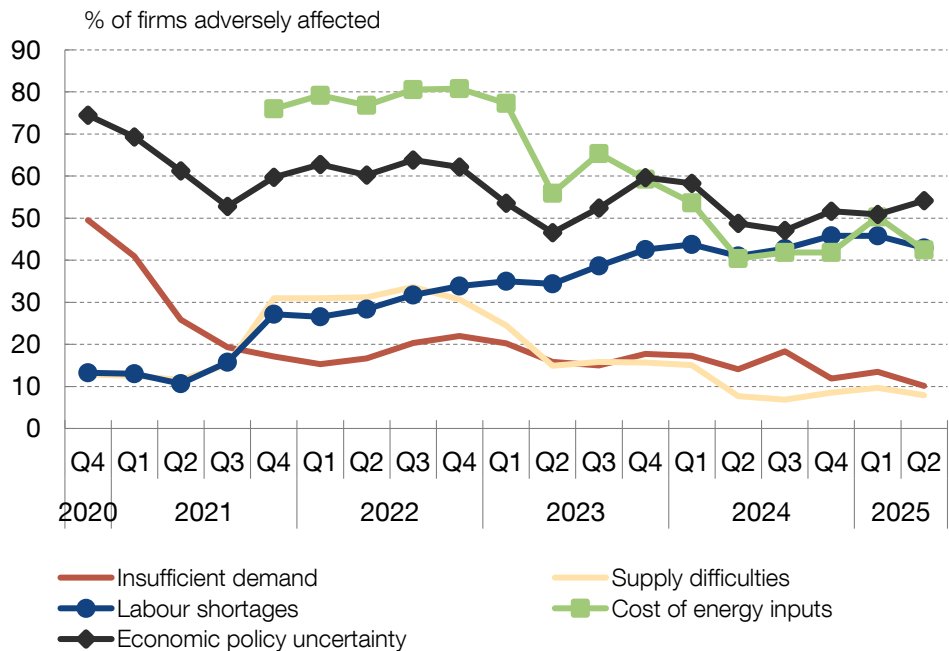
ACCORDING TO THE EBAE, BUSINESS TURNOVER HAS DECREASED SLIGHTLY IN 2025 Q2, IN LINE WITH THE FALL IN THE COMPOSITE PMI

- Firms' concern over economic policy uncertainty is rising, but the adverse impact of the other constraints on activity is decreasing

COMPOSITE PMI AND SEASONALLY ADJUSTED TURNOVER IN THE EBAE (a)



CONSTRAINTS ON BUSINESS ACTIVITY

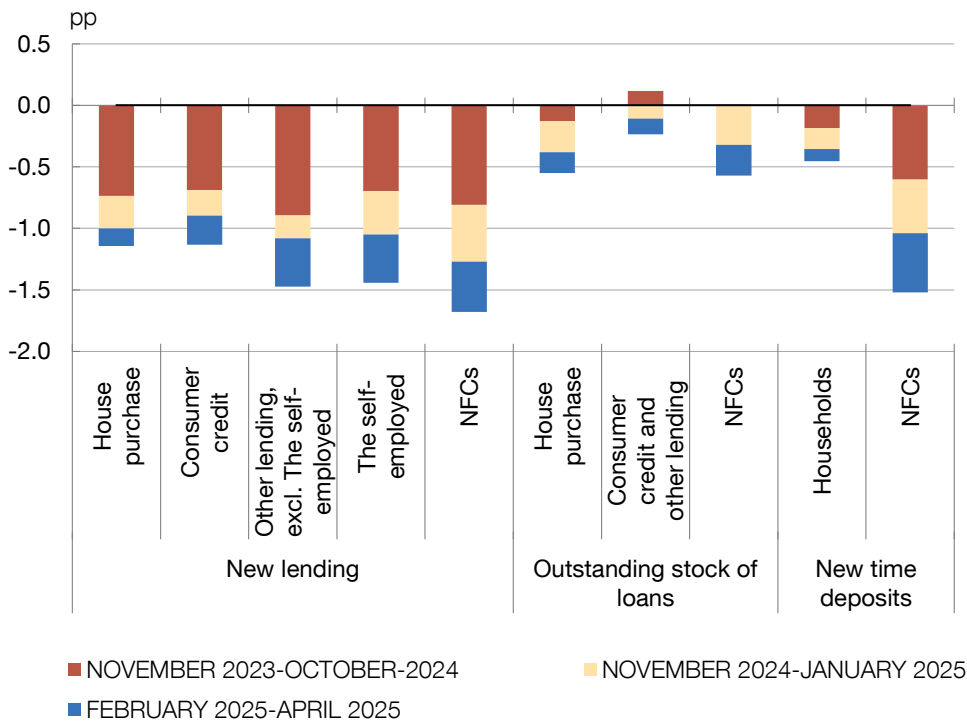


Sources: Banco de España (EBAE) and S&P Global. (a) Index constructed by assigning the following values to firms' qualitative responses: significant increase = 2, slight increase = 1, unchanged = 0, slight decrease = -1, significant decrease = -2.

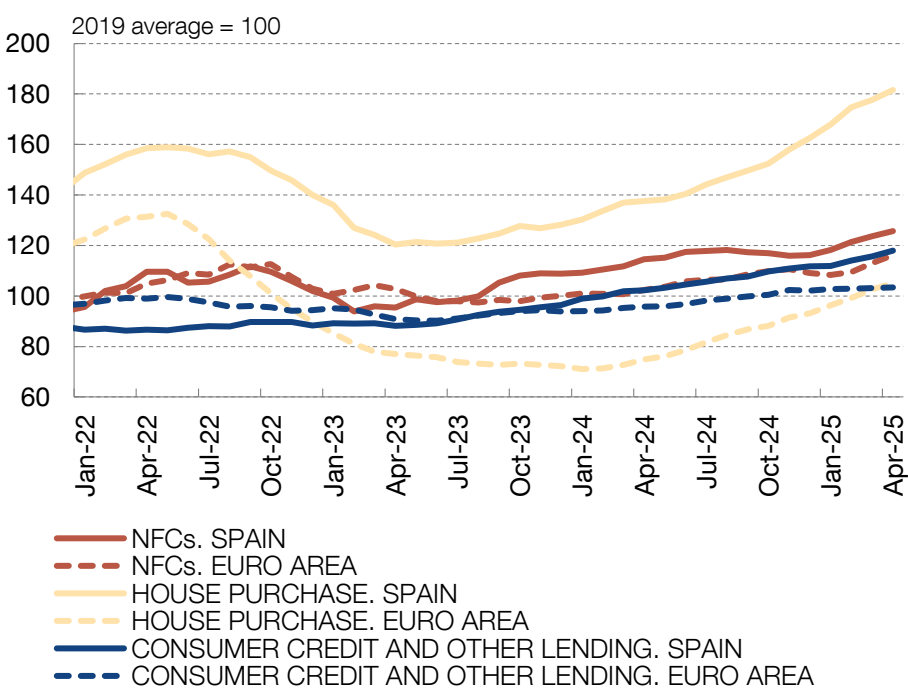
THE LOWER COST OF CREDIT HAS CONTINUED TO BOOST HOUSEHOLDS' AND FIRMS' DEMAND FOR FINANCING

- The cost of new loans has continued to fall in recent months, which has also been reflected in a decline in the average cost of the outstanding stock of lending
- Broadly speaking, the cost of new lending is decreasing more sharply in Spain than in the euro area
- New lending has continued to rise across all segments

CHANGE IN BANK INTEREST RATES IN SPAIN (a)



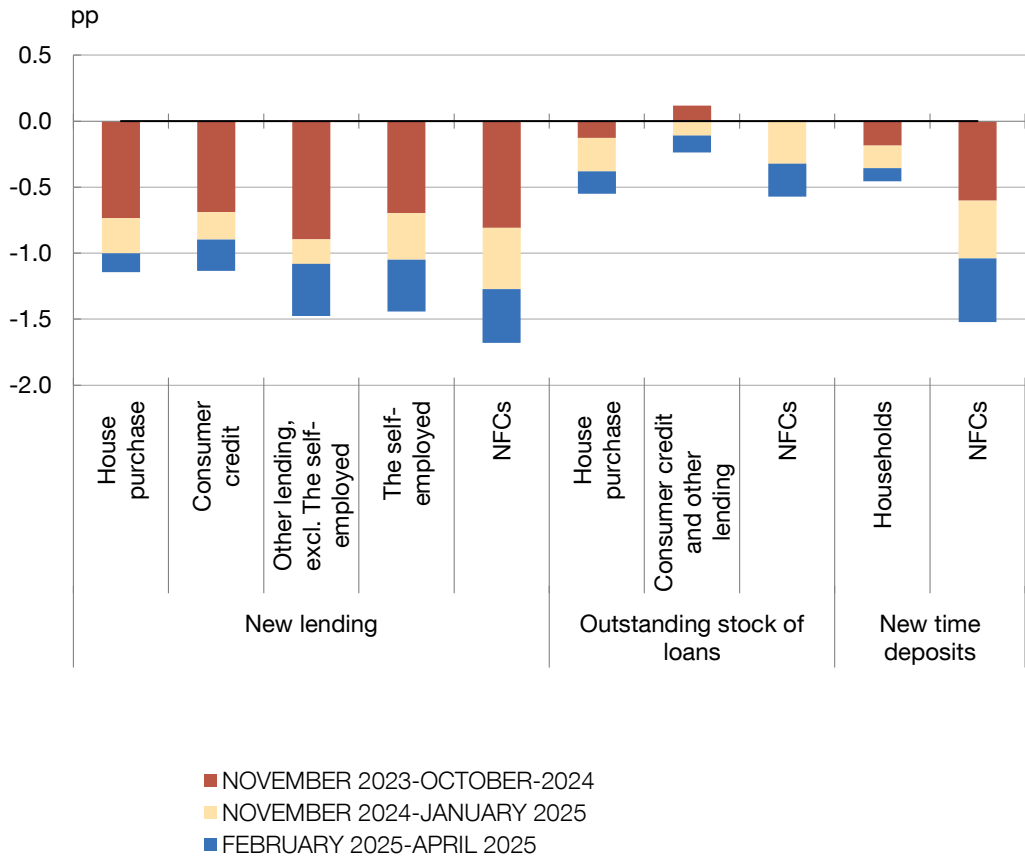
VOLUME OF NEW LOANS (a)



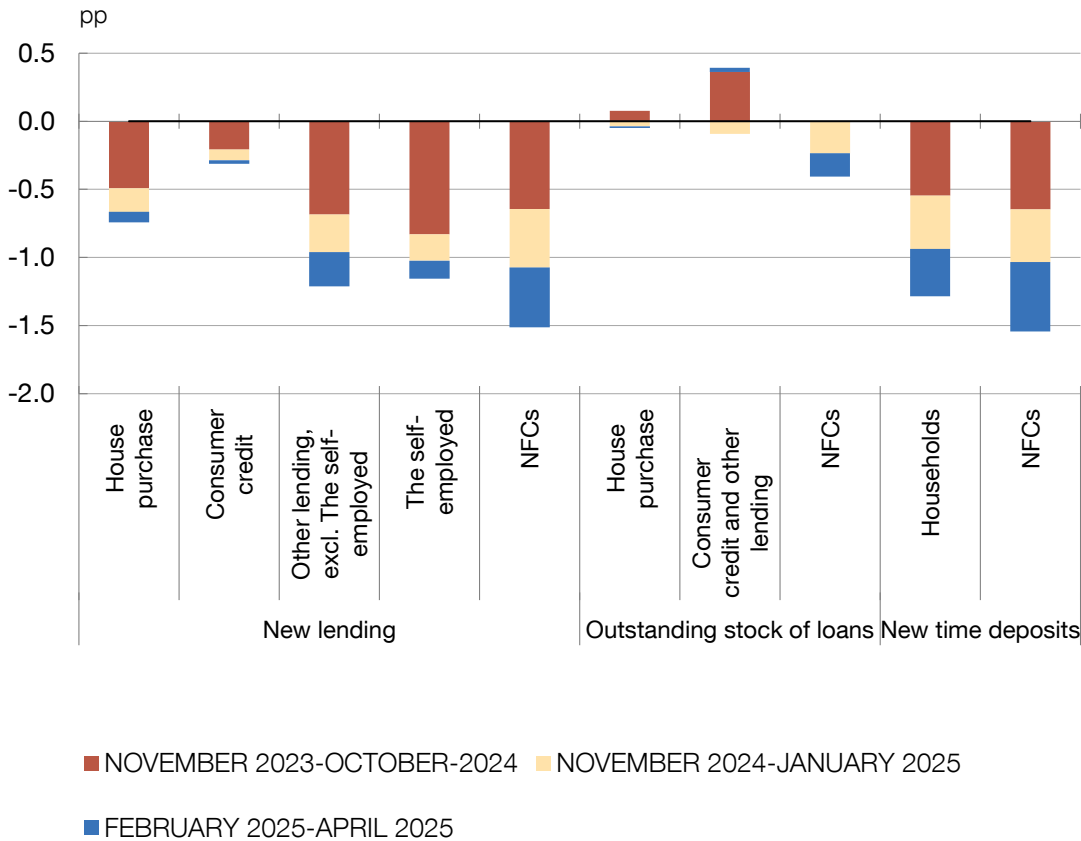
Sources: ECB and Banco de España. (a) NDER. Interest rates on new loans are seasonally adjusted and adjusted for the irregular component.

BROADLY SPEAKING, THE COST OF NEW LENDING IS DECREASING MORE SHARPLY IN SPAIN THAN IN THE EURO AREA

CHANGE IN BANK INTEREST RATES IN SPAIN (a)



CHANGE IN BANK INTEREST RATES IN THE EURO AREA (a)

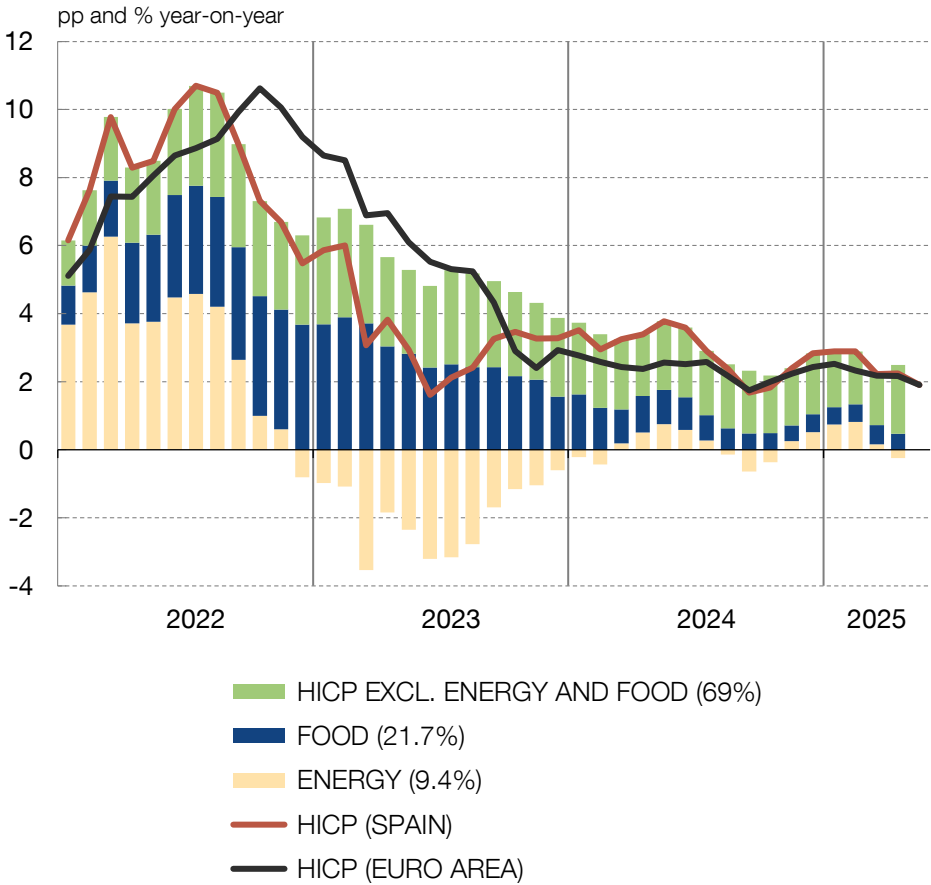


Sources: ECB and Banco de España. (a) NDER. Interest rates on new loans are seasonally adjusted and adjusted for the irregular component.

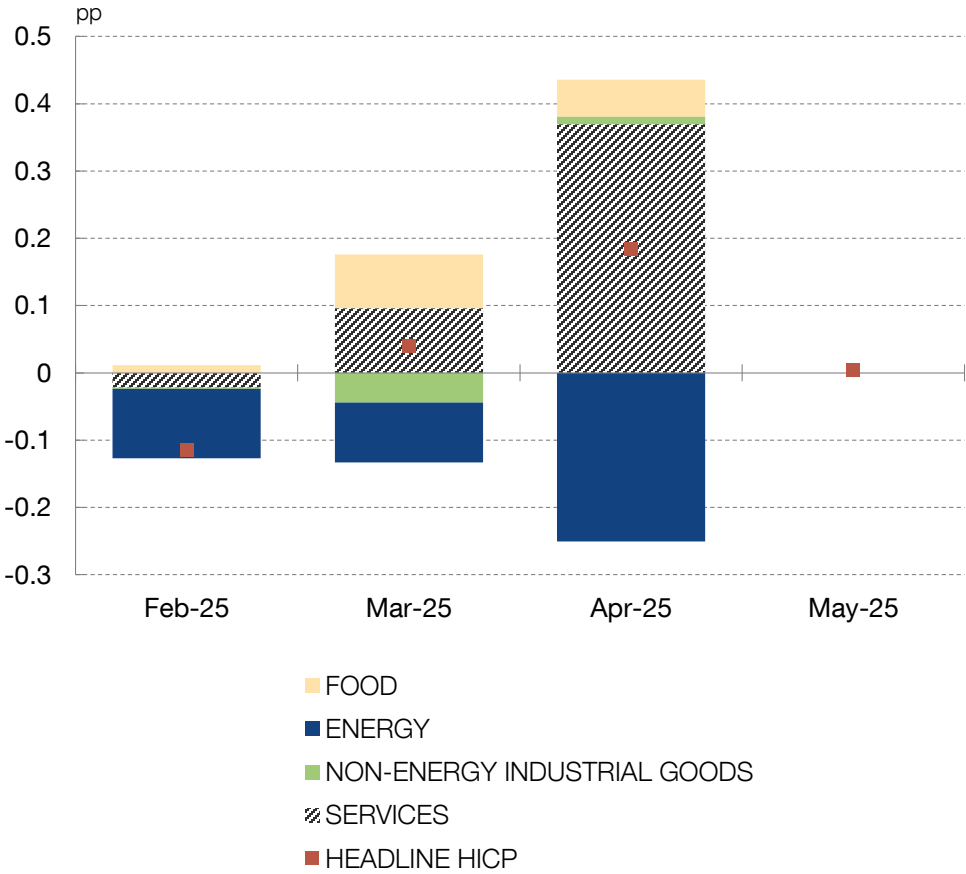


INFLATION EASED TO 1.9% IN MAY DUE TO LOWER ENERGY PRICES OFFSETTING THE POSITIVE SURPRISE IN SERVICES

HEADLINE HICP: CHANGE AND CONTRIBUTIONS (a)



HEADLINE HICP: DIFFERENCE RELATIVE TO THE MARCH PROJECTIONS

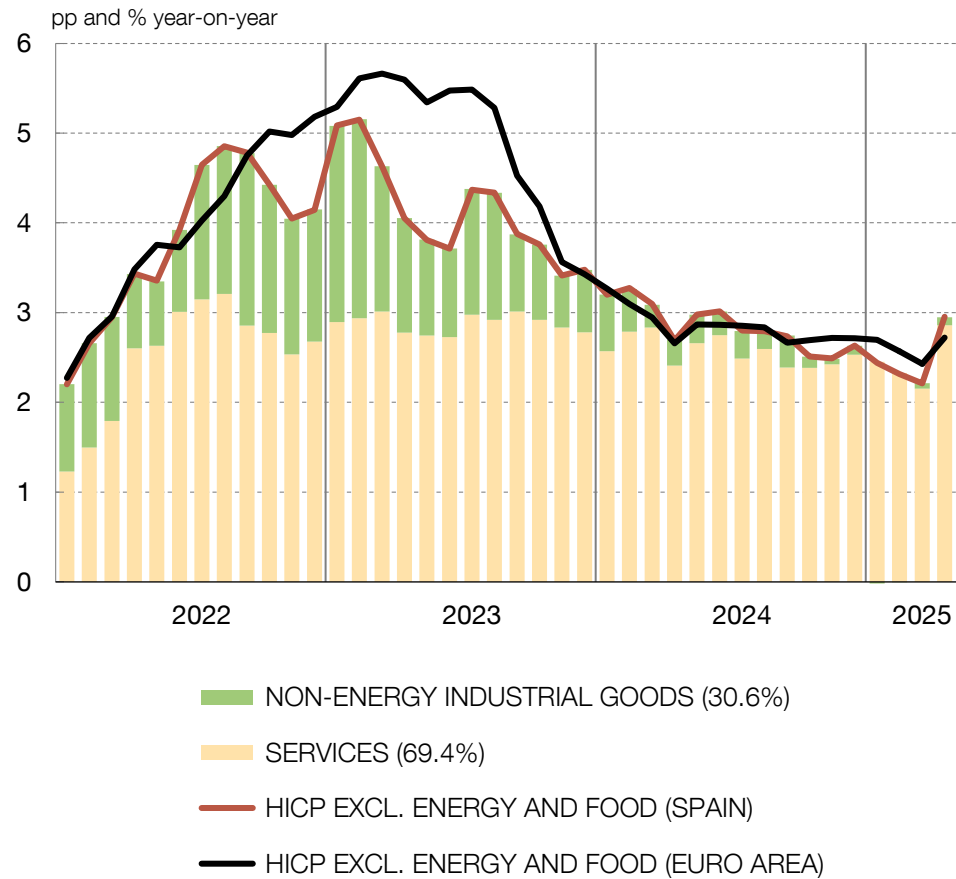


Sources: Eurostat and Banco de España. (a) The weight of each component in headline HICP for 2025 is given in brackets.

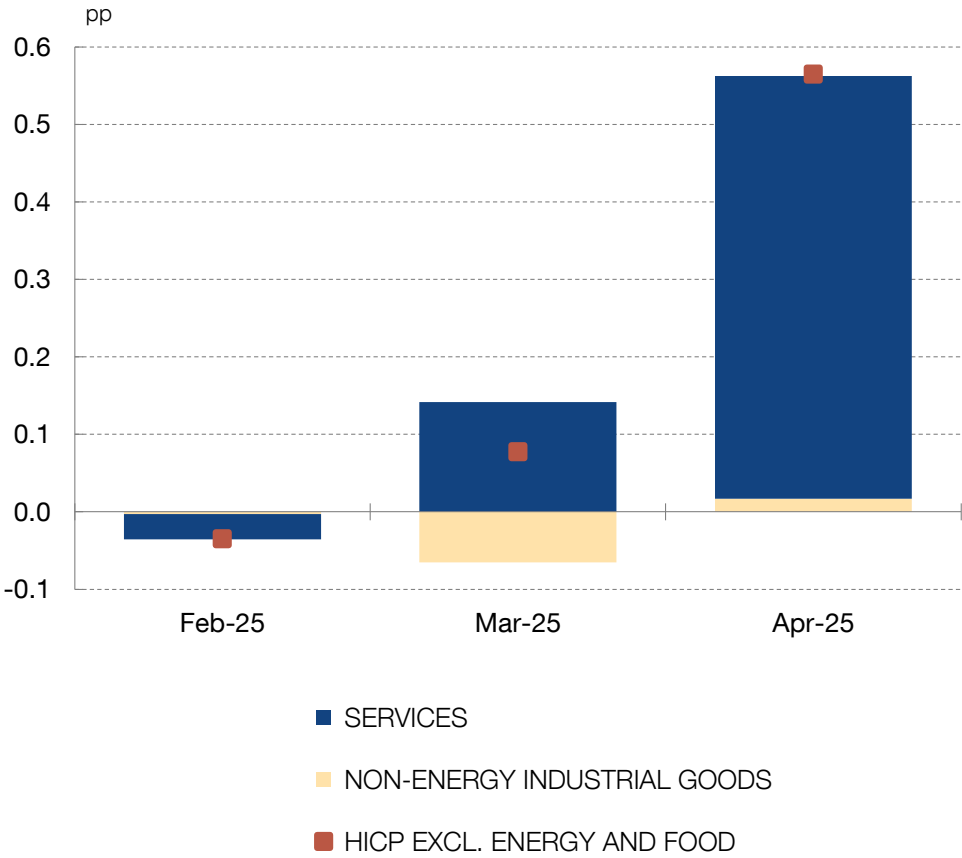


CORE INFLATION ROSE NOTABLY IN APRIL, WITH A SIGNIFICANT SURPRISE IN SERVICES ...

HICP EXCL. ENERGY AND FOOD: CHANGE AND CONTRIBUTIONS (a)



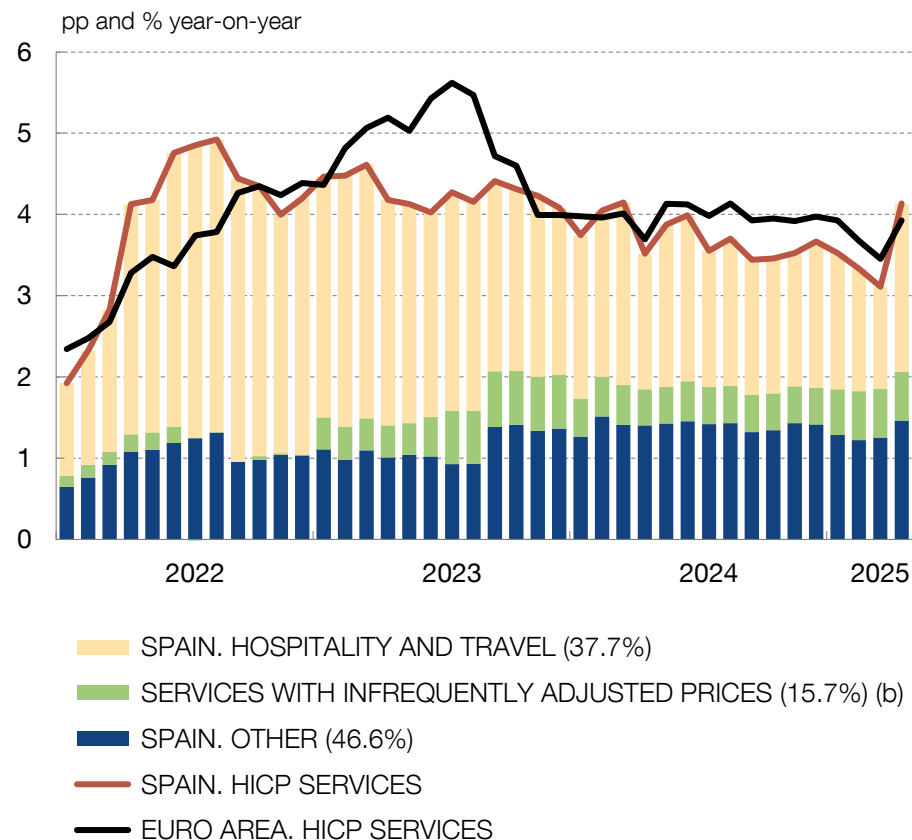
CORE HICP: DIFFERENCE RELATIVE TO THE MARCH PROJECTIONS



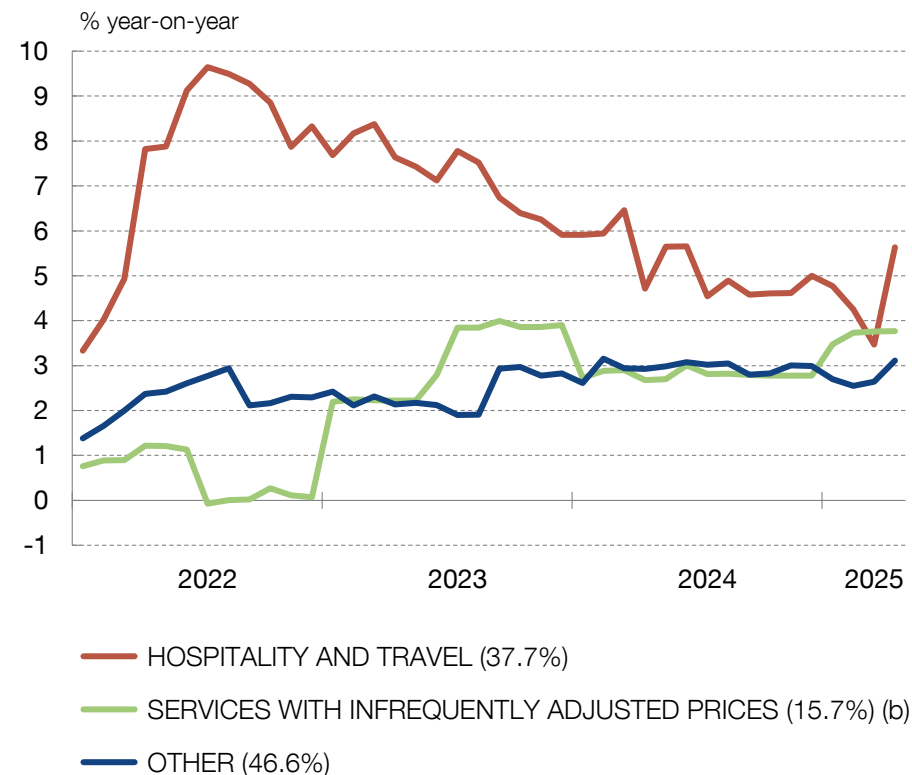
Sources: Eurostat and Banco de España. (a) The weight of each component in core HICP for 2025 is given in brackets.

... ESPECIALLY IN TOURISM-RELATED SERVICES ...

HICP SERVICES: RATES AND CONTRIBUTIONS (a)



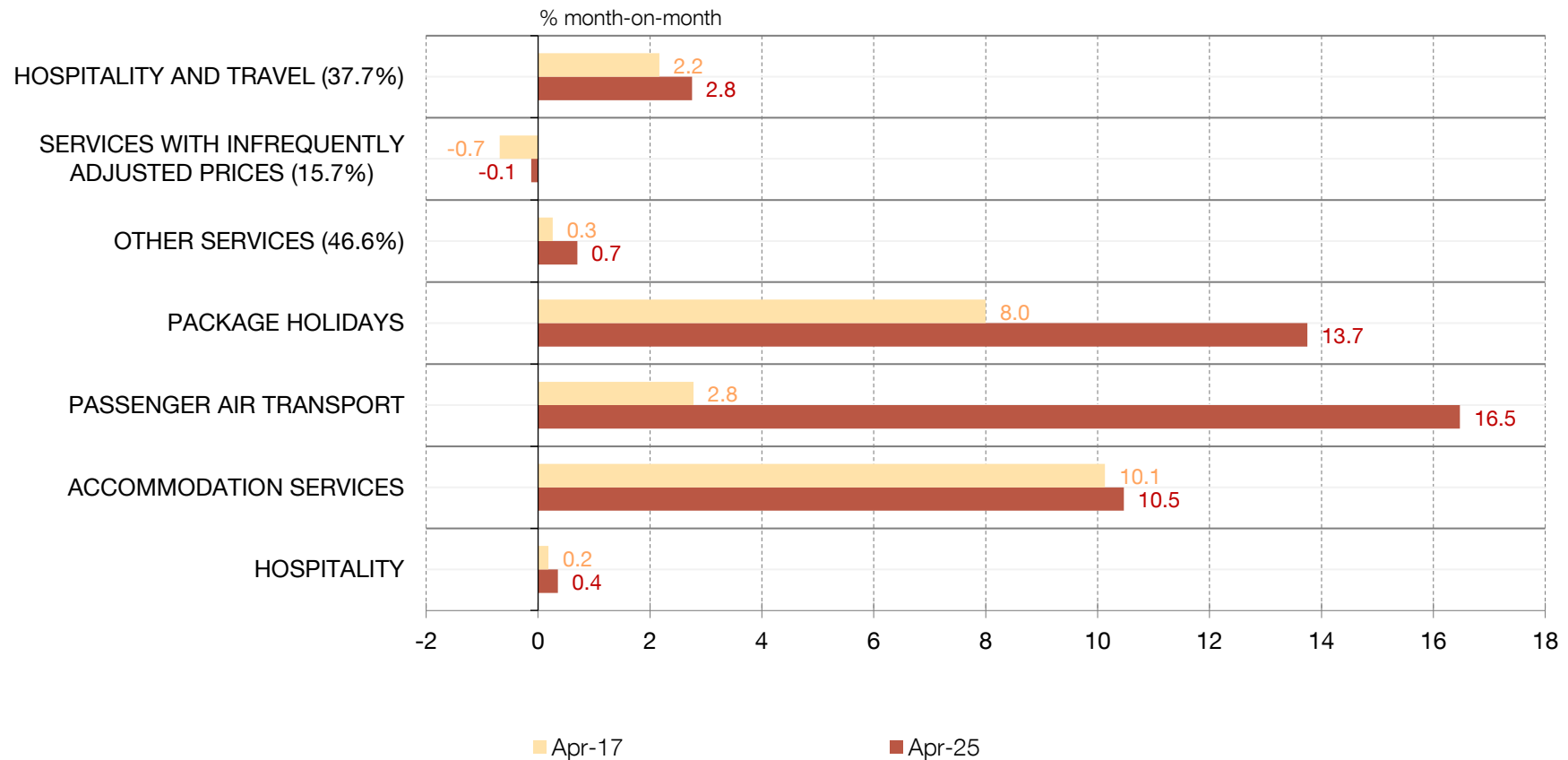
HICP SERVICES (a)



Sources: Eurostat and Banco de España. (a) The weight of each component in HICP services for 2025 is given in brackets. (b) Including refuse collection, sewerage collection, telephone and telefax services, television and radio licence fees and subscriptions, education (excluding education not definable by level), insurance, charges by banks and post offices and other services not elsewhere classified (excluding funeral services).

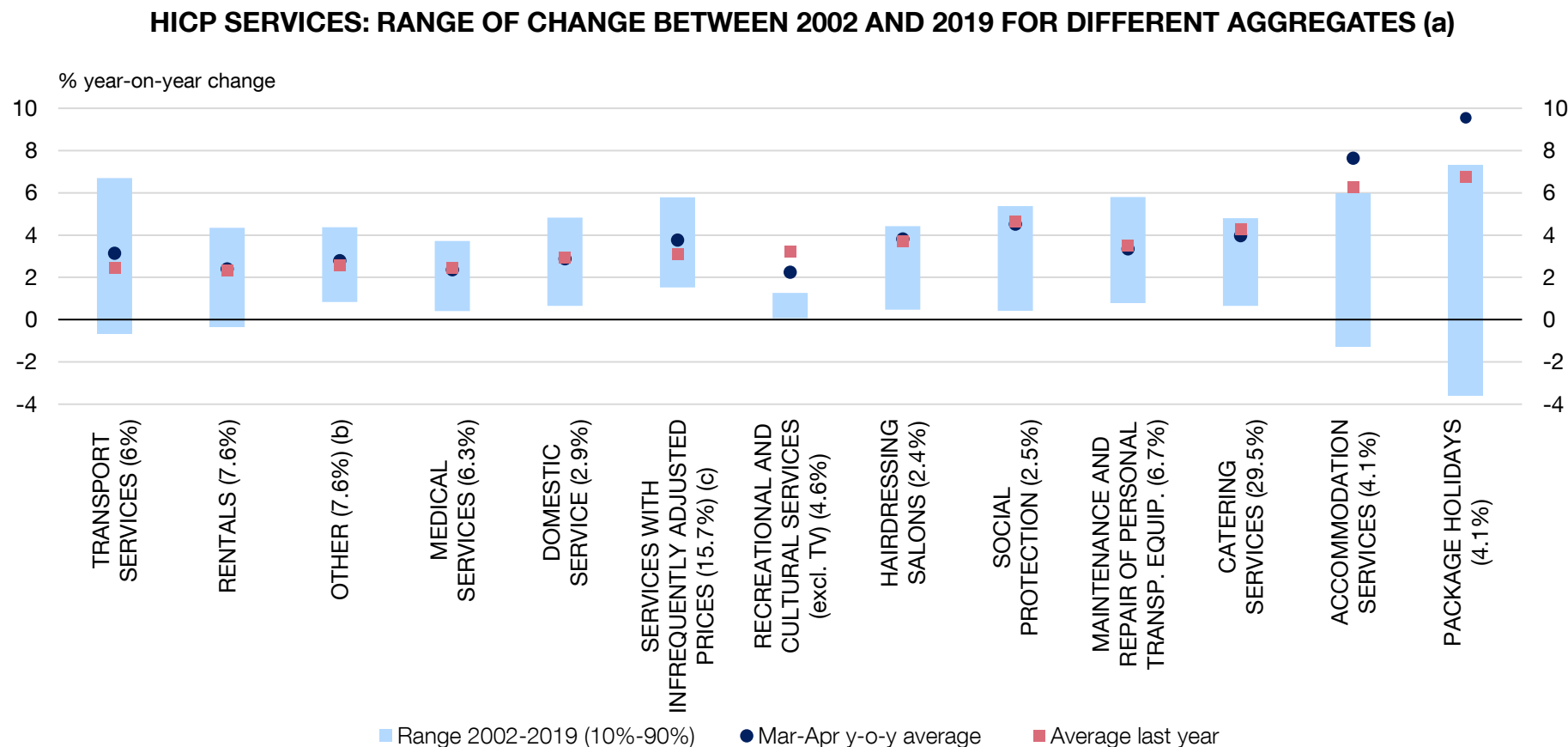
... AND PARTICULARLY IN COMPONENTS LINKED TO AIR TRANSPORT AND PACKAGE HOLIDAYS ...

SPAIN: MONTH-ON-MONTH GROWTH IN APRIL 2017 AND APRIL 2025
(years in which Easter fell in April after falling entirely in March the year before)



Sources: INE and Banco de España.

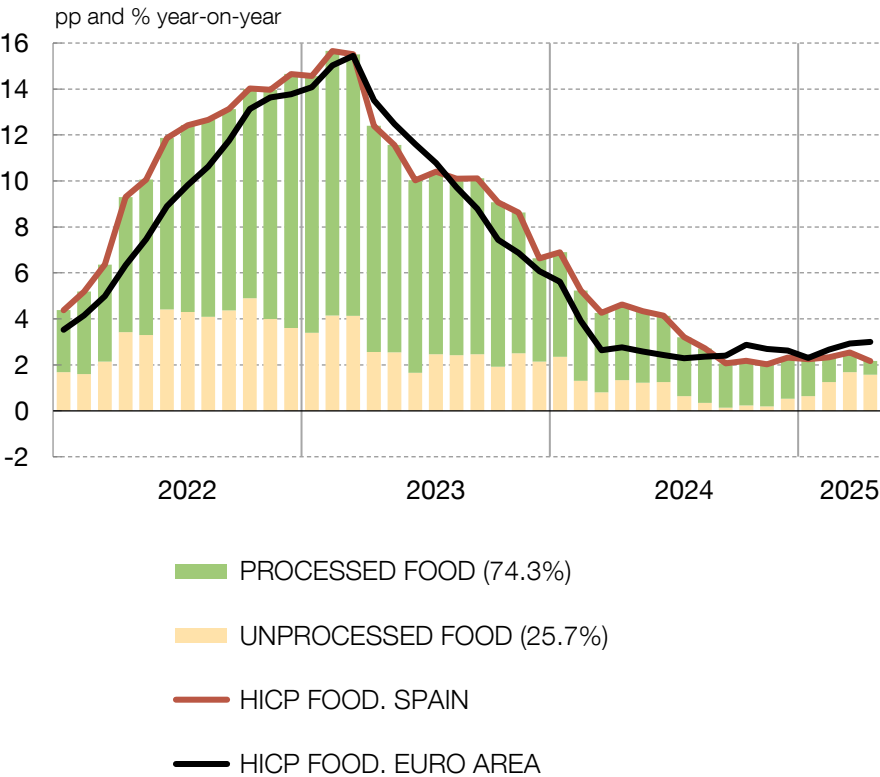
... WHERE APRIL'S INCREASE EXCEEDED THE AVERAGE RANGE OF CHANGE BETWEEN 2002 AND 2019



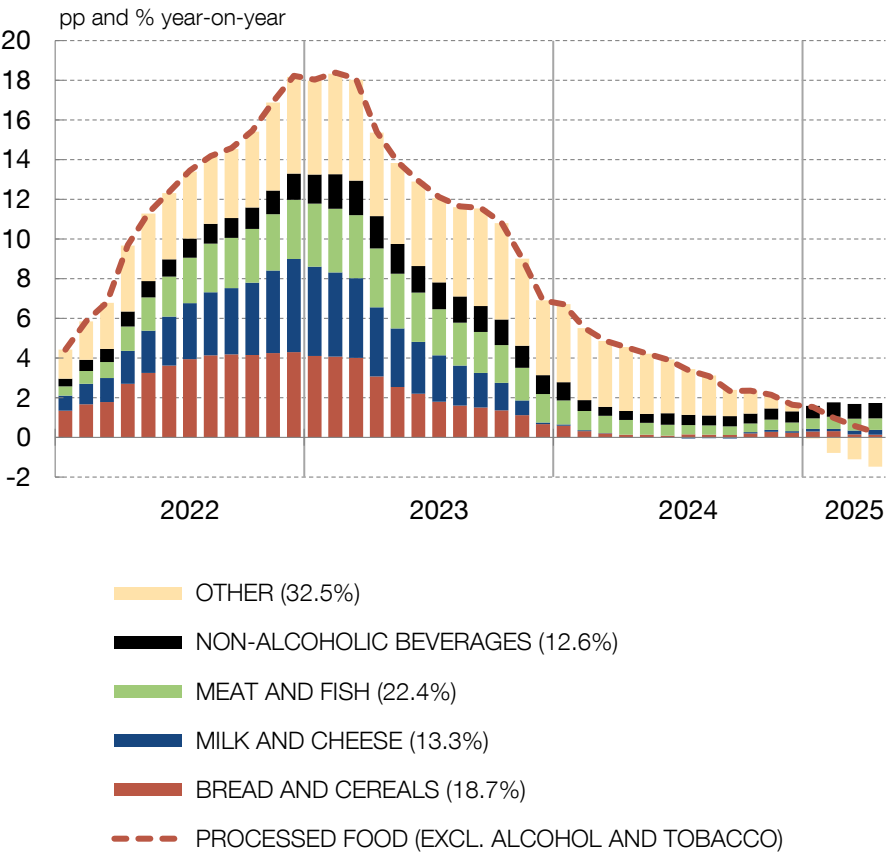
Sources: INE and Banco de España. Latest observation: April 2025. (a) The weight of each aggregate in HICP services for 2025 is given in brackets. (b) "Other" includes services for the maintenance and repair of the dwelling, other services related to the dwelling, other postal services, veterinary and other services for pets, education not definable by level and funeral services. (c) "Services with infrequently adjusted prices" refers to services with fewer than five month-on-month price adjustments (excludes transport services). They include refuse collection, sewerage collection, telephone and telefax services, television and radio licence fees and subscriptions, education (excluding education not definable by level), insurance, charges by banks and post offices and other services not elsewhere classified (excluding funeral services).

FOOD PRICES DECELERATED IN APRIL, AFTER SEVERAL MONTHS OF SLIGHT ACCELERATION DRIVEN BY UNPROCESSED FOOD

HICP FOOD, BEVERAGES AND TOBACCO (a)

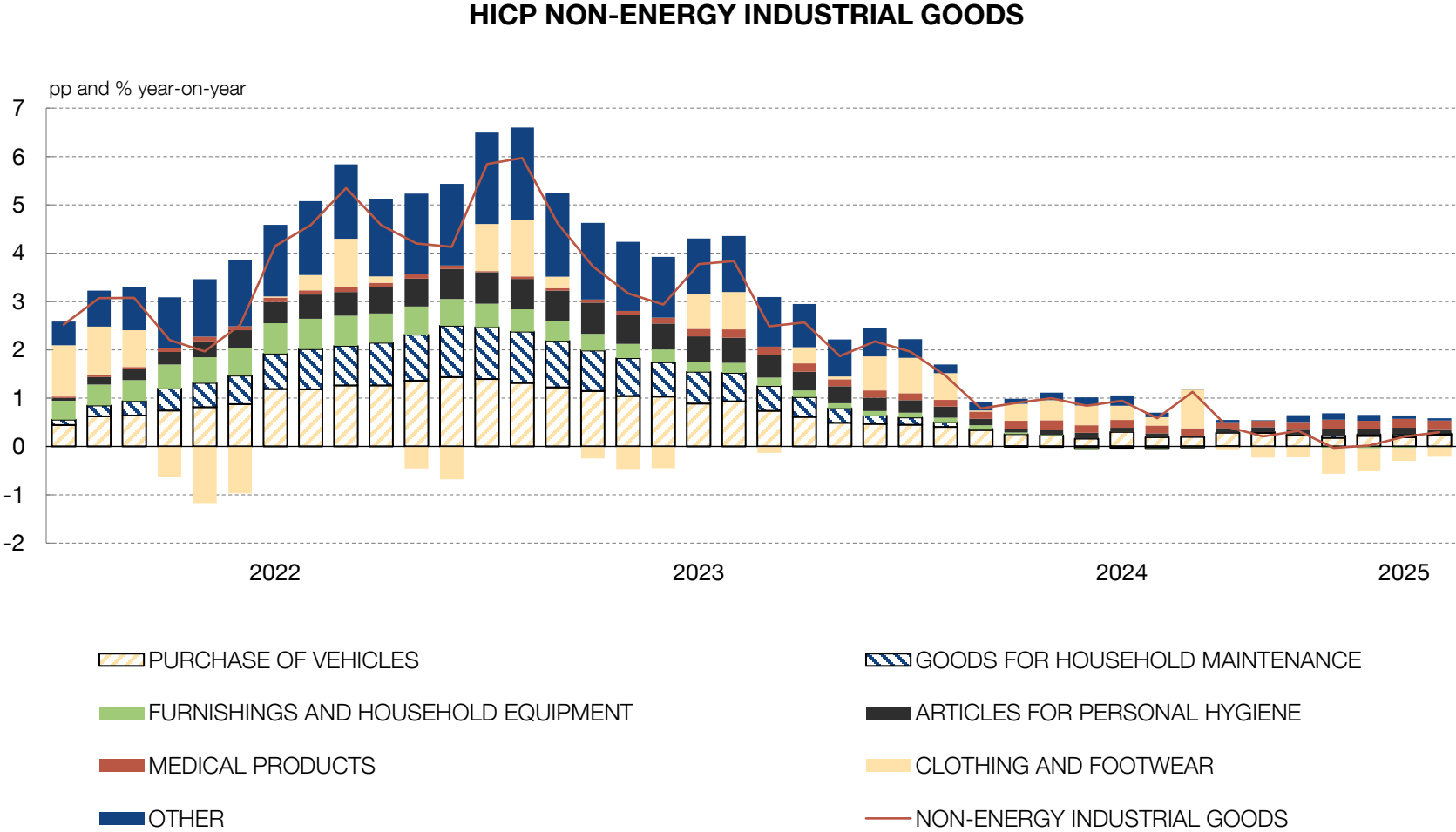


PROCESSED FOOD
(EXCL. ALCOHOL AND TOBACCO) (b)



Sources: Eurostat and Banco de España. (a) The weight of each component in HICP food for 2025 is given in brackets. (b) The weight of each component in HICP processed food (excl. alcohol and tobacco) for 2025 is given in brackets.

NON-ENERGY INDUSTRIAL GOODS INFLATION REMAINS HIGHLY CONTAINED

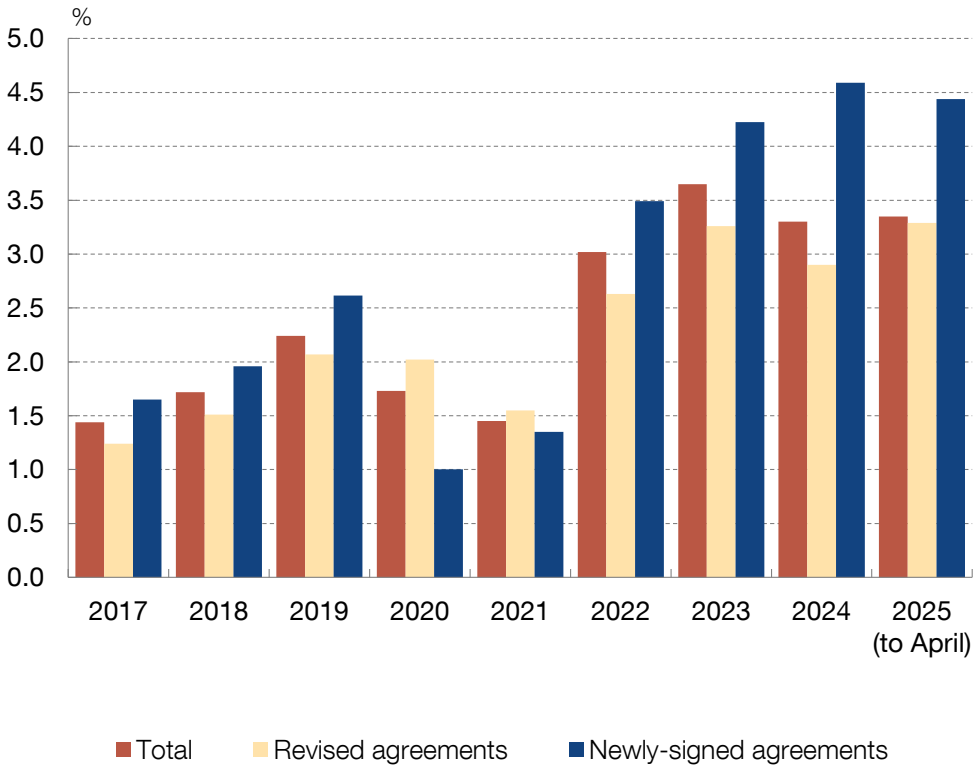


Source: INE.

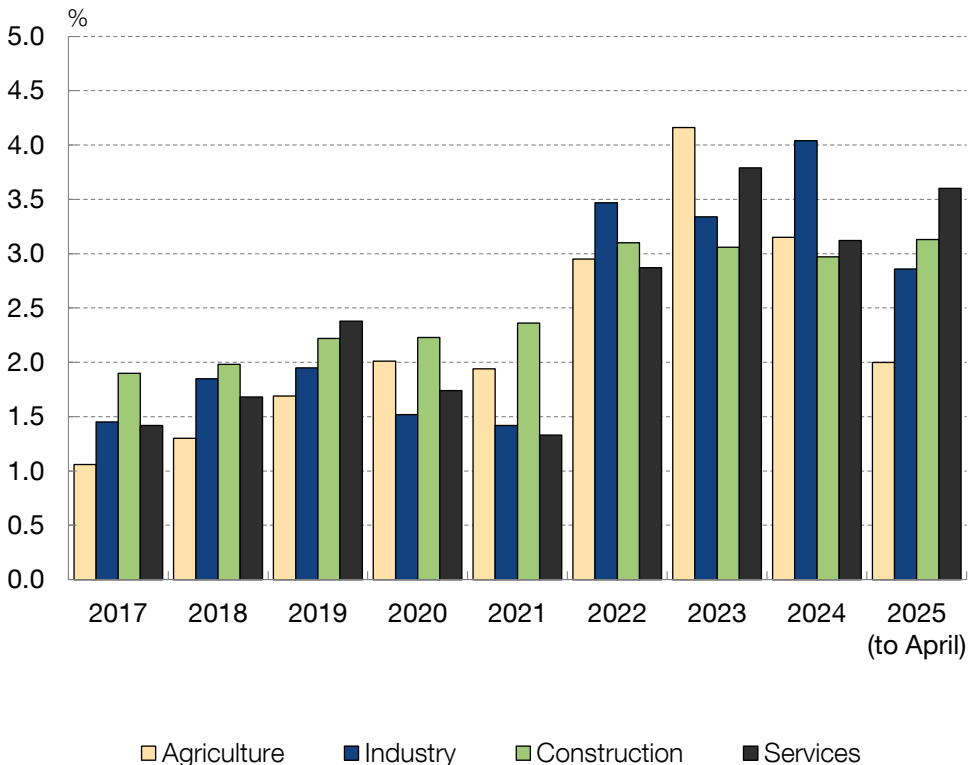


WAGE AGREEMENTS SIGNED FOR 2025 INCLUDE A 3.4% WAGE RISE, FOLLOWING AN INCREASE IN WAGE SETTLEMENTS IN SERVICES

WAGE SETTLEMENTS



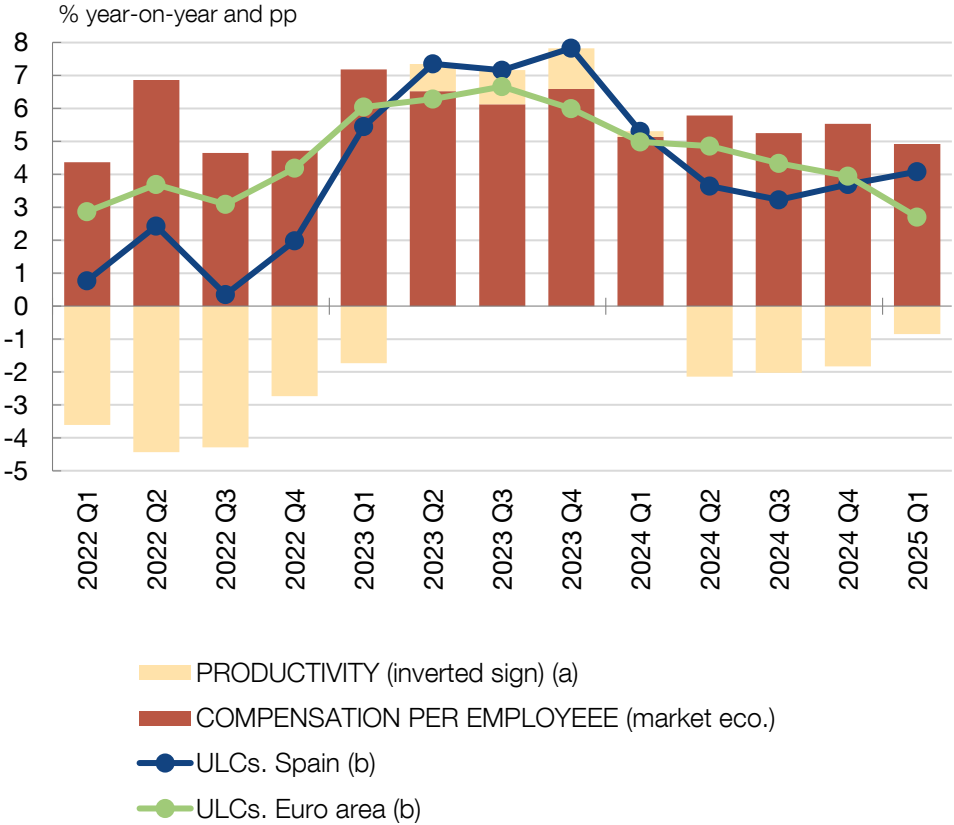
WAGE SETTLEMENTS BY ECONOMIC SECTOR



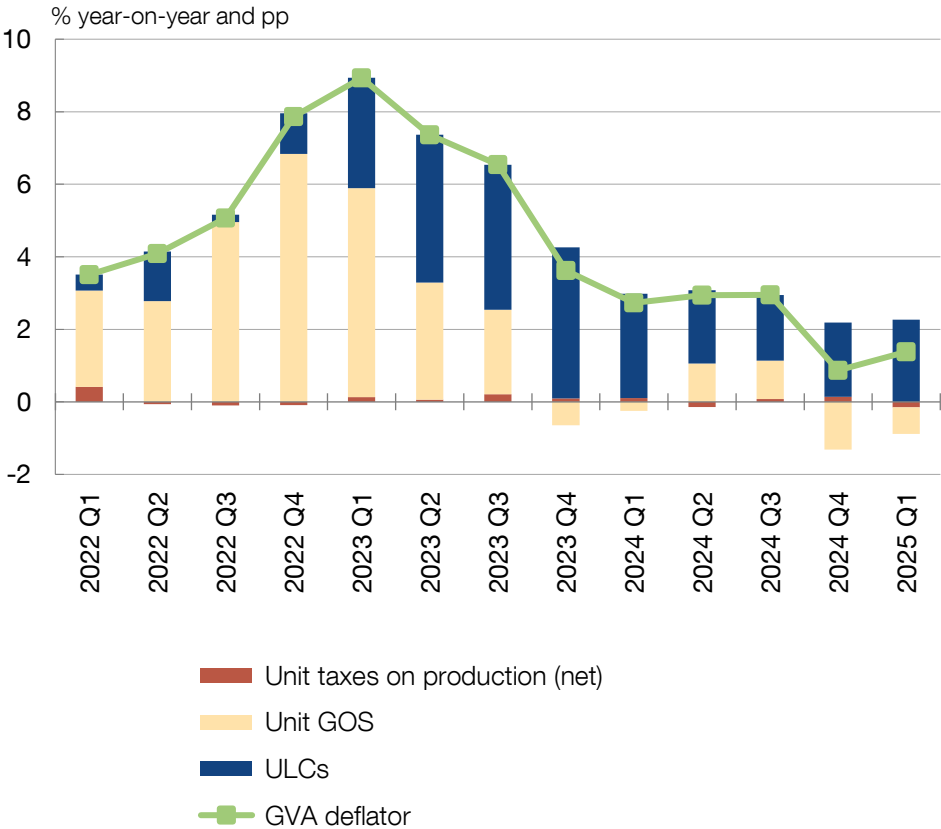
Source: Ministerio de Trabajo y Economía Social.

THE RISE IN ULCs QUICKENED IN 2025 Q1, WHILE PROFITS CONTINUED TO MITIGATE DOMESTIC INFLATIONARY PRESSURES

ULCs AND CONTRIBUTIONS



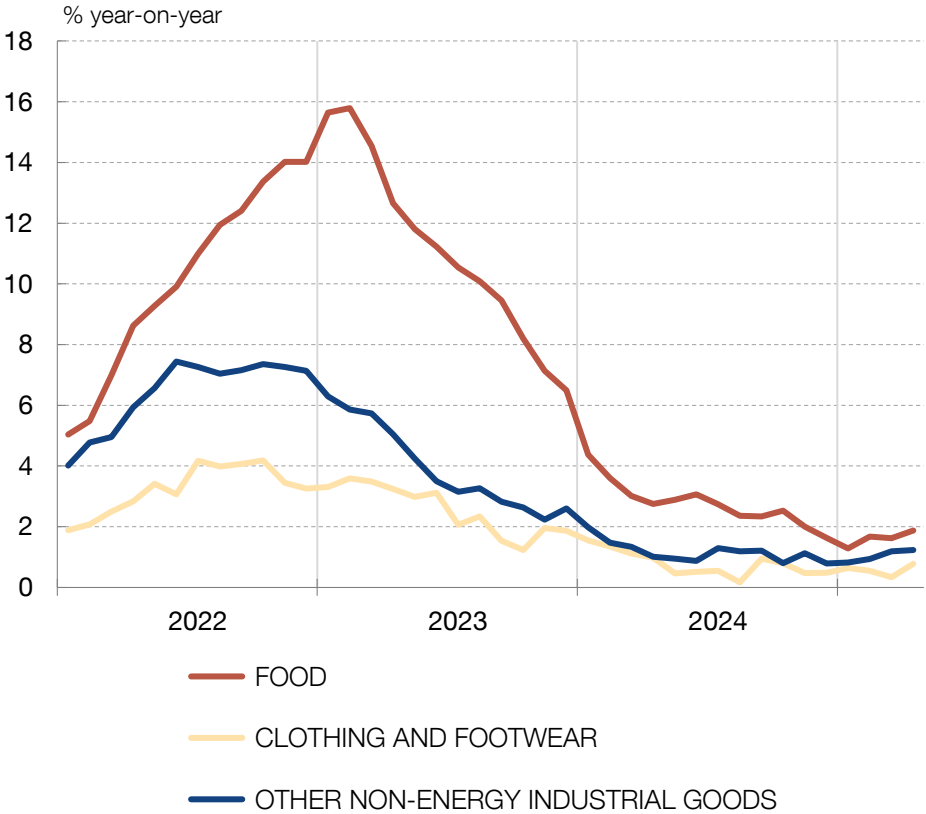
MARKET ECONOMY VALUE ADDED DEFLATOR. CONTRIBUTIONS



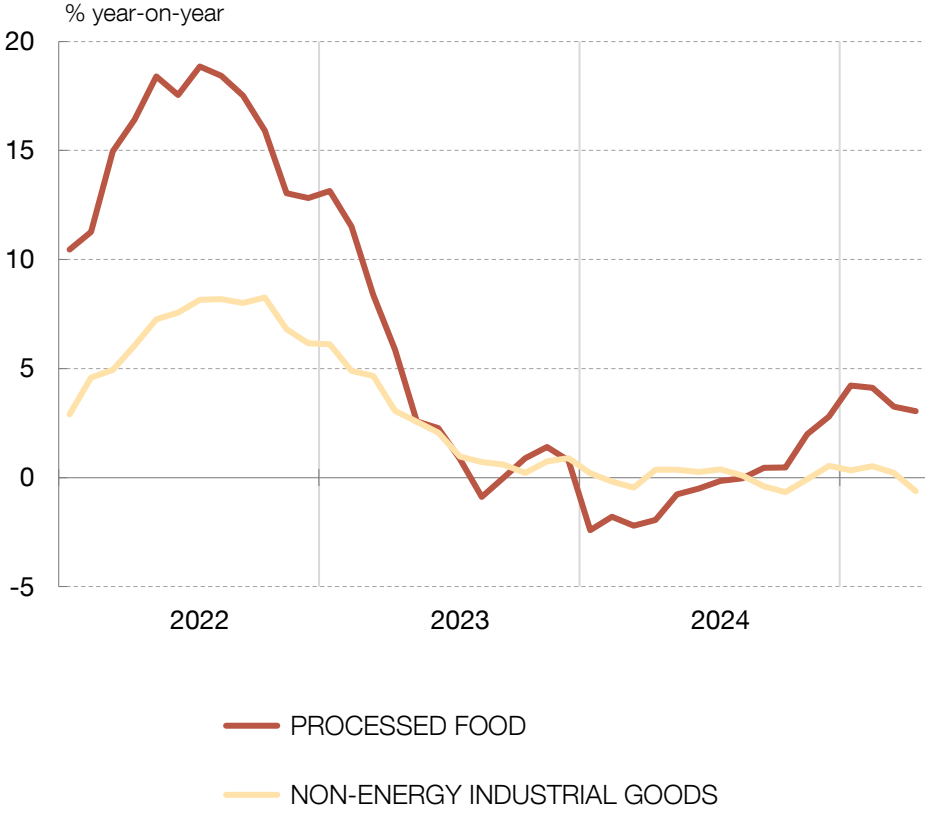
Sources: INE, Eurostat and Banco de España. (a) Productivity is defined as GVA divided by the total number of employees in a given sector. (b) The change in ULCs can be proxied as the sum of the change in compensation per employee and the change in productivity (with an inverted sign). Therefore, a positive (negative) contribution of productivity in the chart reflects the effect of a decrease (increase) in productivity.

INDUSTRIAL PRODUCER PRICE INFLATION REMAINS VERY MODEST, WITH A SLIGHT SLOWDOWN IN INDUSTRIAL IMPORT PRICES

INDUSTRIAL PRICE INDICATORS (a)



INDUSTRIAL IMPORT PRICE INDICATORS (a)

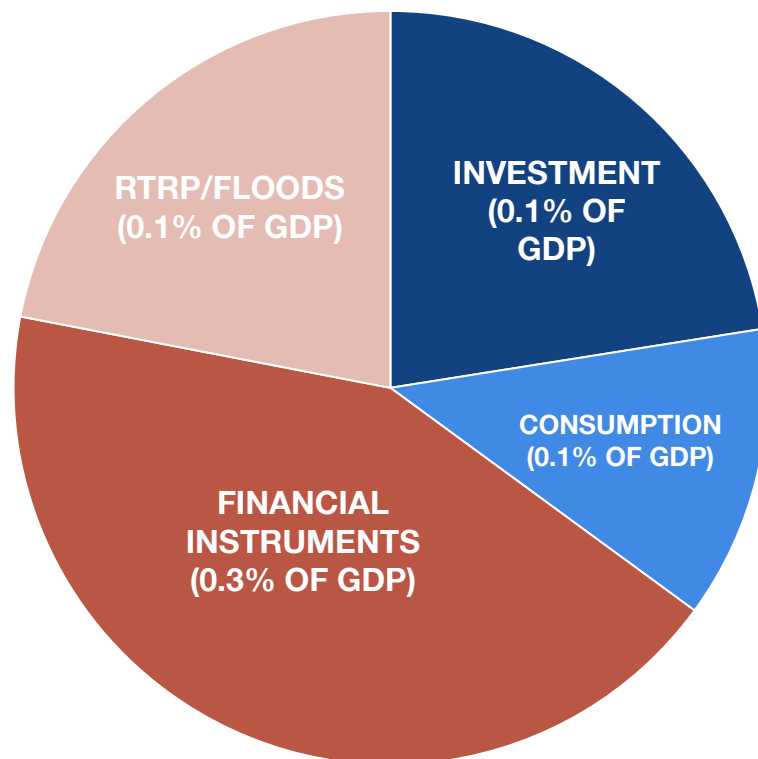


Sources: Eurostat and Banco de España. Latest available figure: April 2025. (a) Indicators calculated on the basis of the corresponding subgroups of the Producer Price Index (PPI)/Import Price Index for Industrial Products (IPRIM), weighted by their respective weight in the CPI consumption basket.

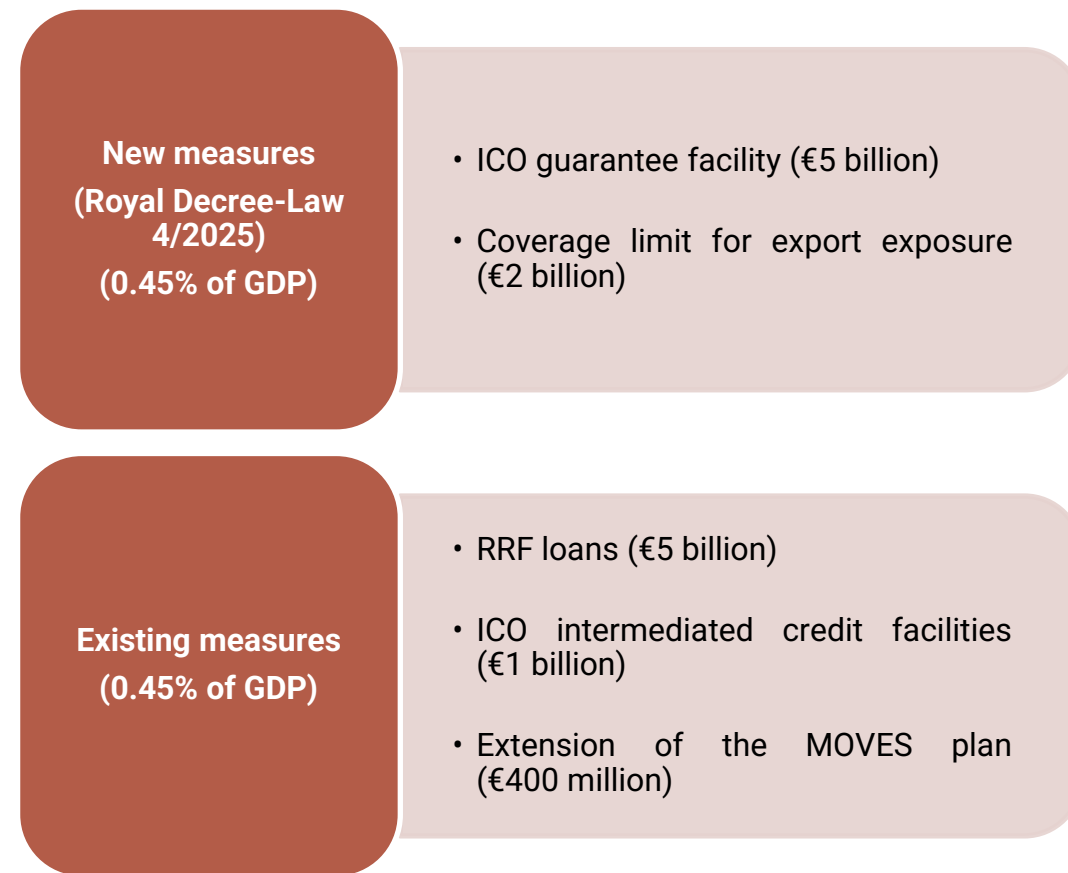


THE SPANISH GOVERNMENT RECENTLY IMPLEMENTED TWO NEW PLANS IN RESPONSE TO THE NEW GEOPOLITICAL ENVIRONMENT

INDUSTRIAL AND TECHNOLOGICAL PLAN FOR SECURITY AND DEFENCE



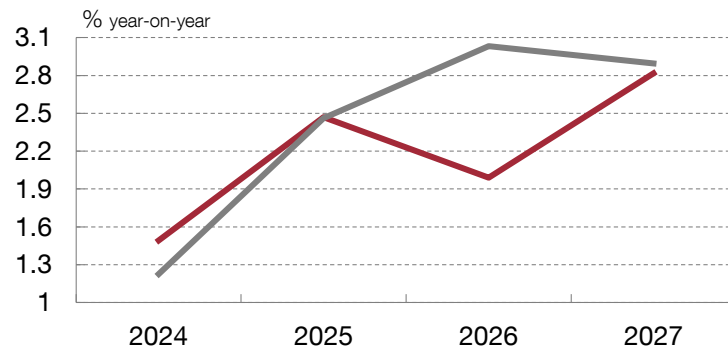
TRADE RESPONSE AND RELAUNCH PLAN



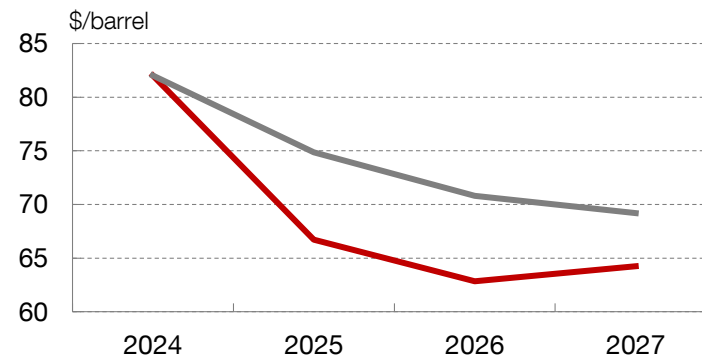
Sources: IGAE, Gobierno de España, Ministerio de Economía and INE.

TECHNICAL ASSUMPTIONS OF THE PROJECTION EXERCISE

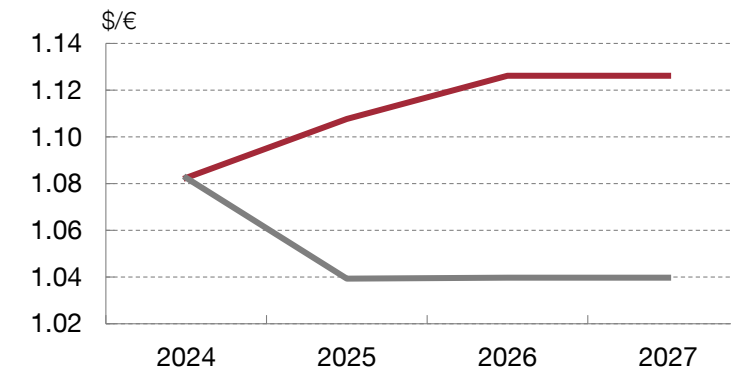
EXPORT MARKETS (a)



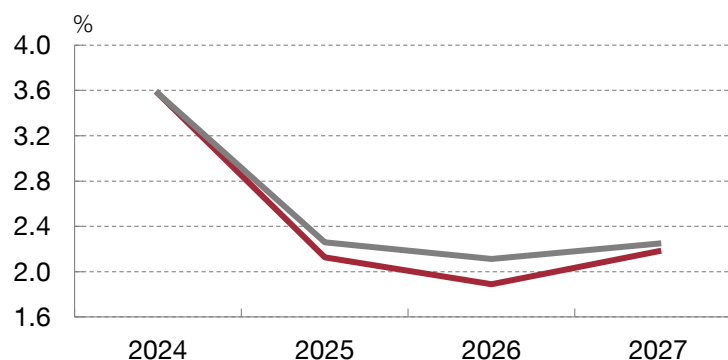
OIL PRICE



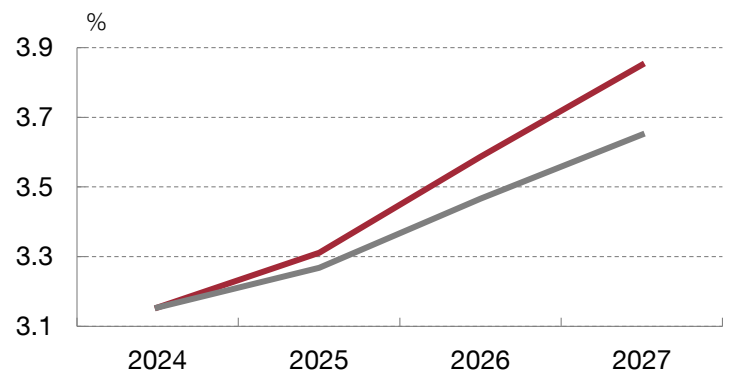
EXCHANGE RATE



SHORT-TERM INTEREST RATES



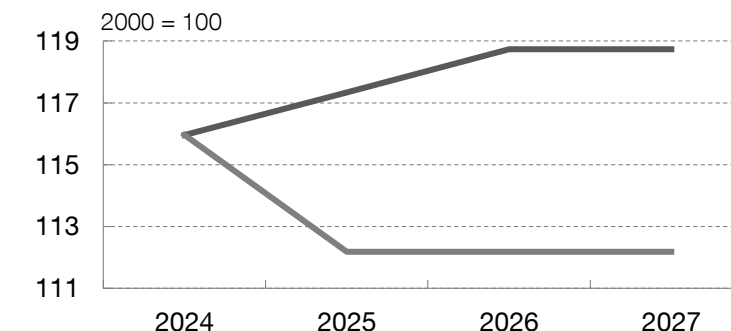
LONG-TERM INTEREST RATES



— MARCH 2025

— JUNE 2025

NOMINAL EFFECTIVE EXCHANGE RATE VIS-À-VIS THE NON-EURO AREA



Source: Banco de España. (a) The growth projection for Spain's export markets in 2025 is similar to the March projection, reflecting two opposing factors. First, on Q1 data they performed better than expected, due to trade frontloading in response to a possible tariff increase. Second, export market growth is revised down for the rest of the year, to offset this frontloading effect and on account of the more uncertain scenario.

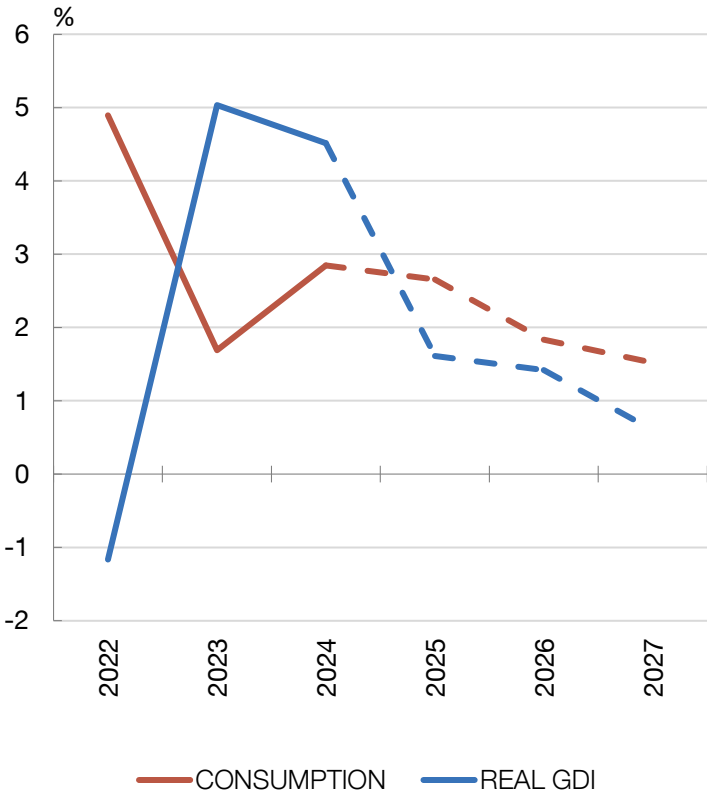
MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY (2025-27). BREAKDOWN OF MAIN AGGREGATES

| | June 2025 projections | | | | March 2025 projections | | | Difference between current and March projections | | |
|---|-----------------------|-------|-------|-------|------------------------|-------|-------|--|------|------|
| | 2024 | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 |
| GDP | 3.2 | 2.4 | 1.8 | 1.7 | 2.7 | 1.9 | 1.7 | -0.3 | -0.1 | 0.0 |
| Private consumption | 2.9 | 2.7 | 1.8 | 1.5 | 3.3 | 2.1 | 1.8 | -0.6 | -0.3 | -0.3 |
| Government consumption | 4.1 | 2.5 | 1.8 | 1.7 | 2.2 | 1.8 | 1.7 | 0.3 | 0.0 | 0.0 |
| Gross capital formation | 1.9 | 3.6 | 2.3 | 2.1 | 3.0 | 2.5 | 1.9 | 0.6 | -0.2 | 0.2 |
| Gross fixed capital formation | 3.0 | 4.2 | 2.2 | 2.2 | 3.2 | 2.5 | 2.3 | 1.0 | -0.3 | -0.1 |
| Exports of goods and services | 3.1 | 1.9 | 2.3 | 2.7 | 2.9 | 2.9 | 2.9 | -1.0 | -0.6 | -0.2 |
| Imports of goods and services | 2.4 | 3.0 | 2.8 | 2.7 | 4.0 | 3.5 | 3.2 | -1.0 | -0.7 | -0.5 |
| Domestic demand (contribution to growth) | 2.9 | 2.7 | 1.9 | 1.6 | 2.9 | 2.0 | 1.7 | -0.2 | -0.1 | -0.1 |
| Net exports (contribution to growth) | 0.3 | -0.3 | -0.1 | 0.1 | -0.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Nominal GDP | 6.2 | 4.8 | 3.6 | 3.8 | 4.7 | 3.9 | 4.0 | 0.1 | -0.3 | -0.2 |
| GDP deflator | 3.0 | 2.3 | 1.8 | 2.0 | 2.0 | 1.9 | 2.2 | 0.3 | -0.1 | -0.2 |
| Harmonised index of consumer prices (HICP) | 2.9 | 2.4 | 1.7 | 2.5 | 2.5 | 1.7 | 2.4 | -0.1 | 0.0 | 0.1 |
| HICP excluding energy and food | 2.8 | 2.6 | 2.1 | 1.9 | 2.2 | 2.0 | 1.9 | 0.4 | 0.1 | 0.0 |
| Employment (people) | 2.2 | 2.2 | 1.0 | 1.0 | 1.9 | 1.2 | 1.0 | 0.3 | -0.2 | 0.0 |
| Employment (hours) | 1.9 | 1.0 | 1.0 | 1.0 | 1.7 | 1.2 | 1.0 | -0.7 | -0.2 | 0.0 |
| Unemployment rate (% of labour force). Annual average | 11.3 | 10.5 | 10.2 | 9.7 | 10.5 | 10.0 | 9.5 | 0.0 | 0.2 | 0.2 |
| Net lending (+) / net borrowing (-) of the nation (% of GDP) | 4.2 | 3.7 | 3.7 | 3.5 | 3.8 | 3.7 | 3.1 | -0.1 | 0.0 | 0.4 |
| General government net lending (+)/net borrowing (-) (% of GDP) | -3.2 | -2.8 | -2.6 | -2.6 | -2.8 | -2.6 | -2.6 | 0.0 | 0.0 | 0.0 |
| General government debt (% of GDP) | 101.8 | 101.4 | 101.4 | 101.3 | 101.3 | 101.6 | 101.0 | 0.1 | -0.2 | 0.3 |

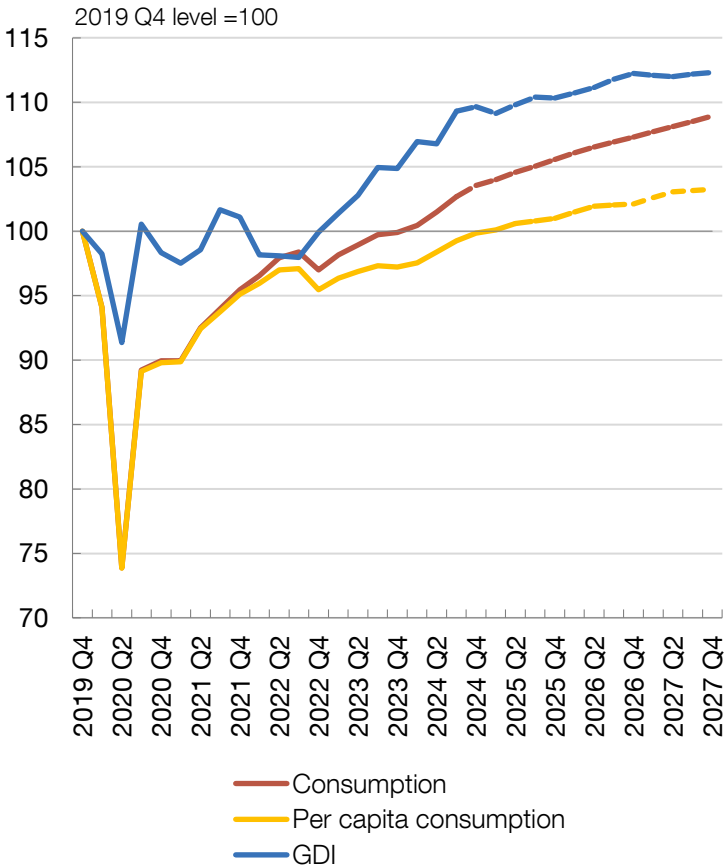
Sources: Banco de España and INE. Latest QNA figure published: 2025 Q1 flash estimate. (a) Projections cut-off date: 21/05/2025.

CONSUMPTION IS EXPECTED TO GRADUALLY MODERATE, ALBEIT WITH GROWTH RATES EXCEEDING THOSE OF INCOME → DECLINE IN THE SAVING RATE

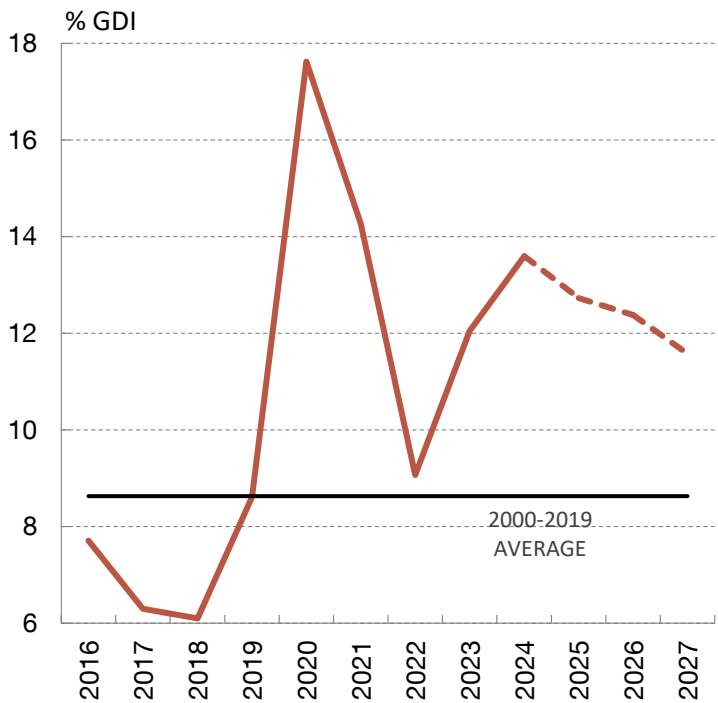
RATE OF GROWTH OF CONSUMPTION AND GDI



CONSUMPTION, GDI AND PER CAPITA CONSUMPTION



HOUSEHOLD SAVING RATE



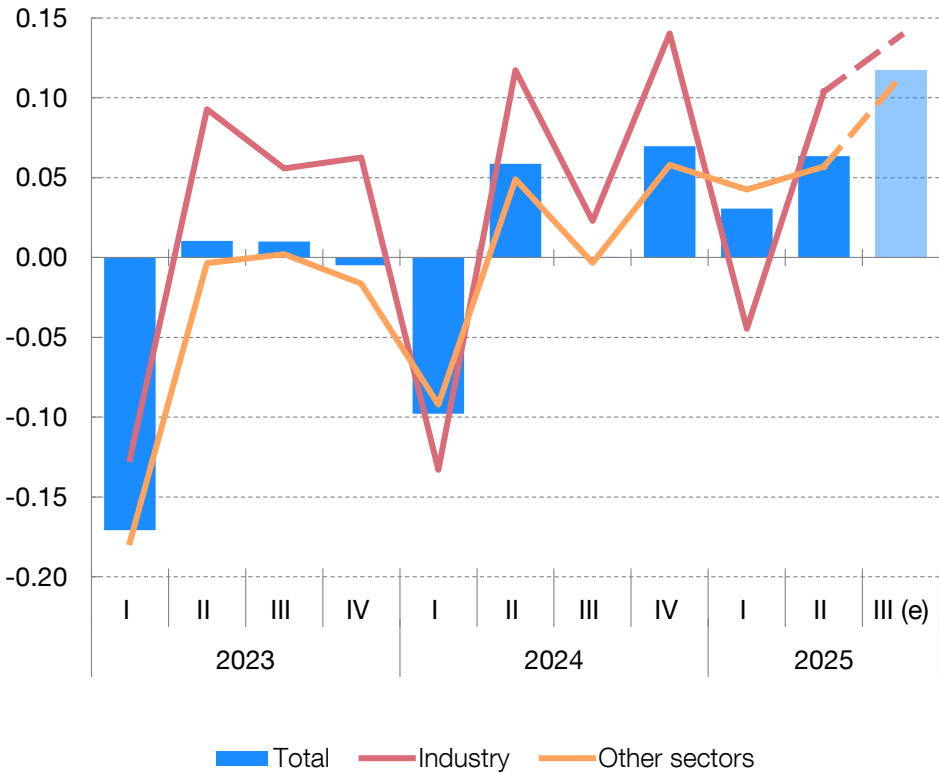
Sources: INE and Banco de España.

THE LATEST QUALITATIVE INDICATORS POINT TO A SLIGHT REBOUND IN INVESTMENT IN 2025 Q2

PMI FOR CAPITAL GOODS



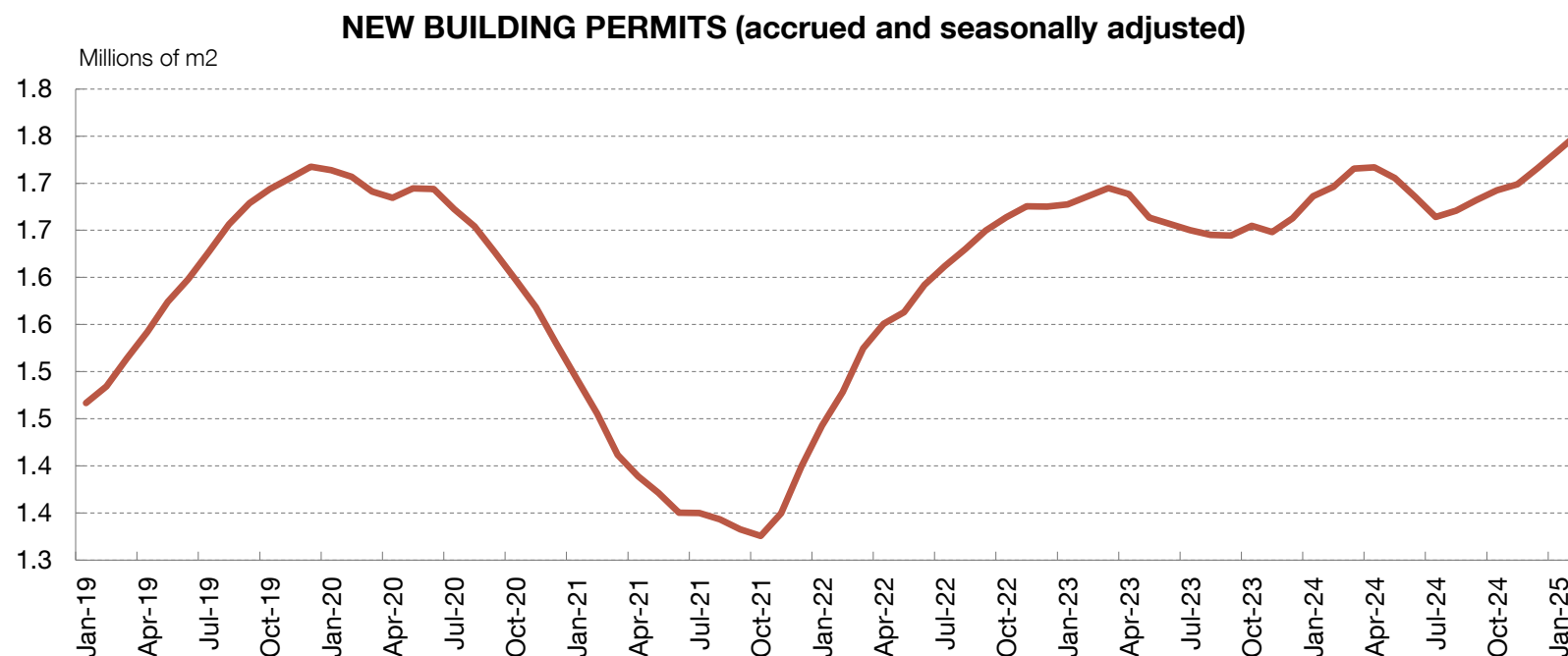
QUARTERLY CHANGE IN INVESTMENT (a)



Sources: S&P Global and Banco de España (EBAE). Latest PMI data available: May 2025. (a) Index constructed by assigning the following values to firms' qualitative responses: significant increase = 2, slight increase = 1, unchanged = 0, slight decrease = -1, significant decrease = -2.

NEW BUILDING PERMITS CONTINUE TO TREND UPWARDS, REACHING THEIR HIGHEST LEVELS SINCE 2008, INDICATING AN UPTICK IN HOUSING INVESTMENT IN 2025

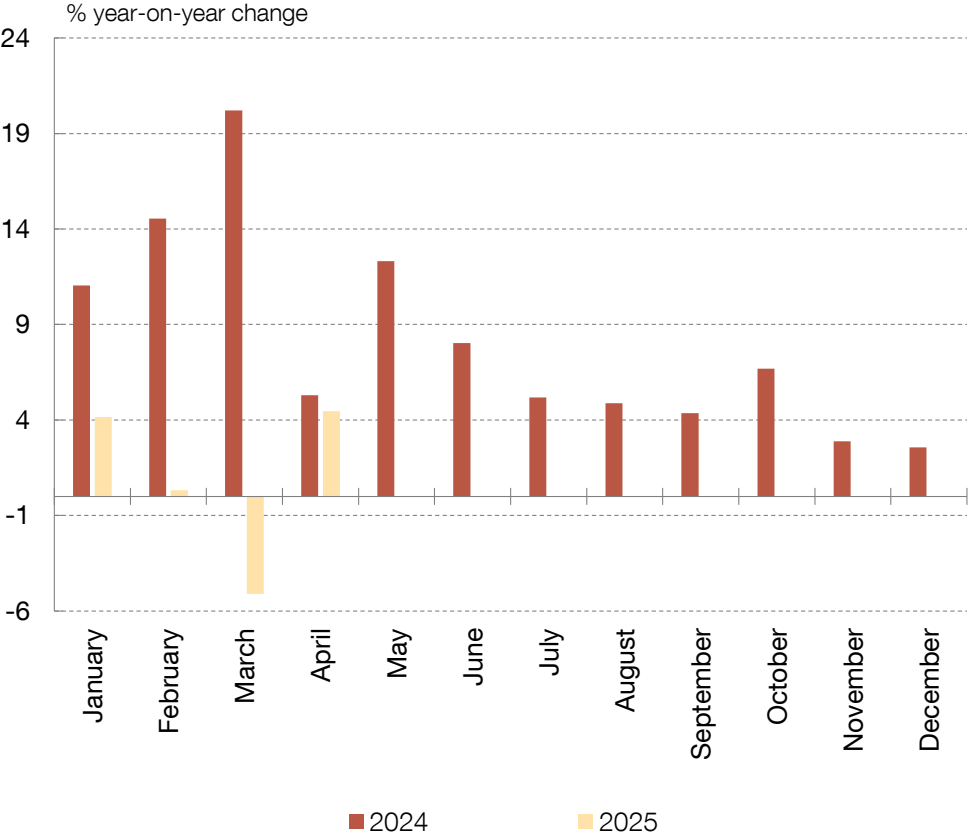
- Nevertheless, house prices maintain their upward trend against a backdrop of high demand, having risen by more than 12% year-on-year in 2025 Q1.



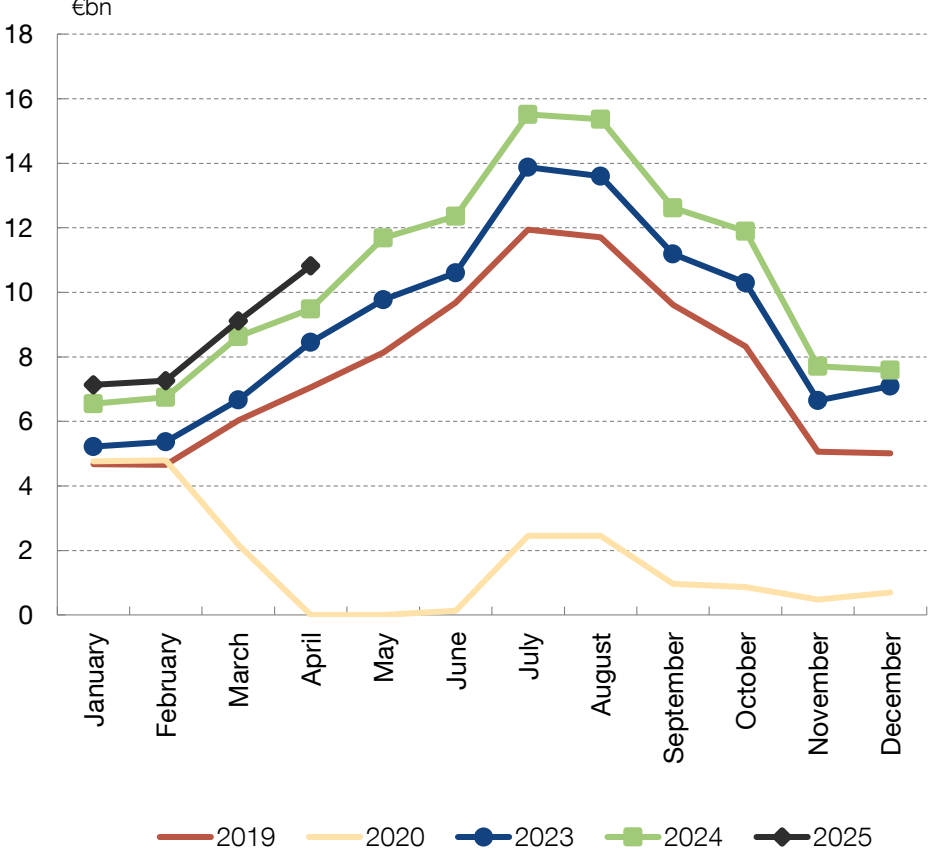
Source: Ministerio de Transportes y Movilidad Sostenible.

THE BUOYANCY OF INBOUND TOURISM IS GRADUALLY MODERATING

OVERNIGHT STAYS IN HOTELS IN SPAIN BY NON-RESIDENT TOURISTS



SPENDING BY NON-RESIDENT TOURISTS

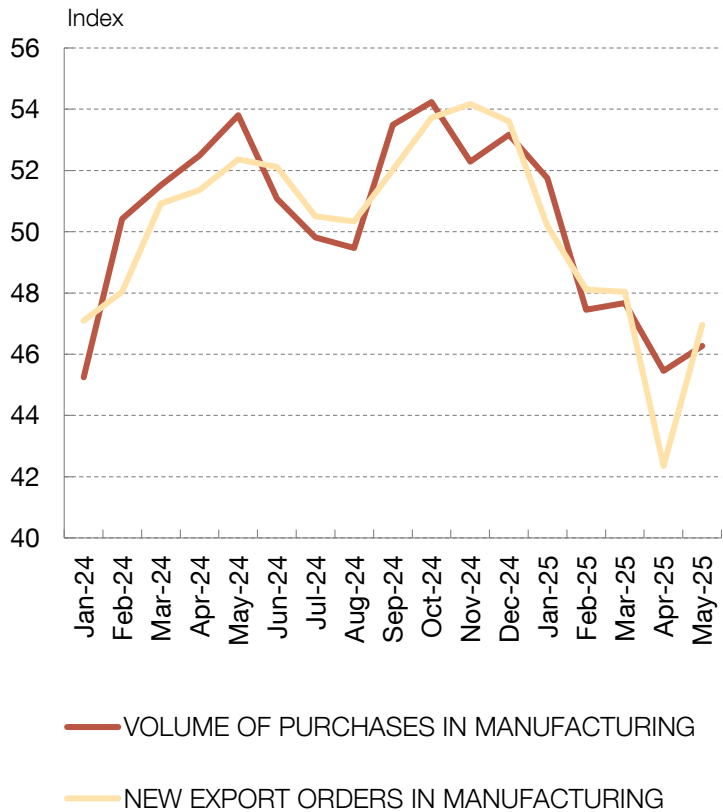


Source: INE.

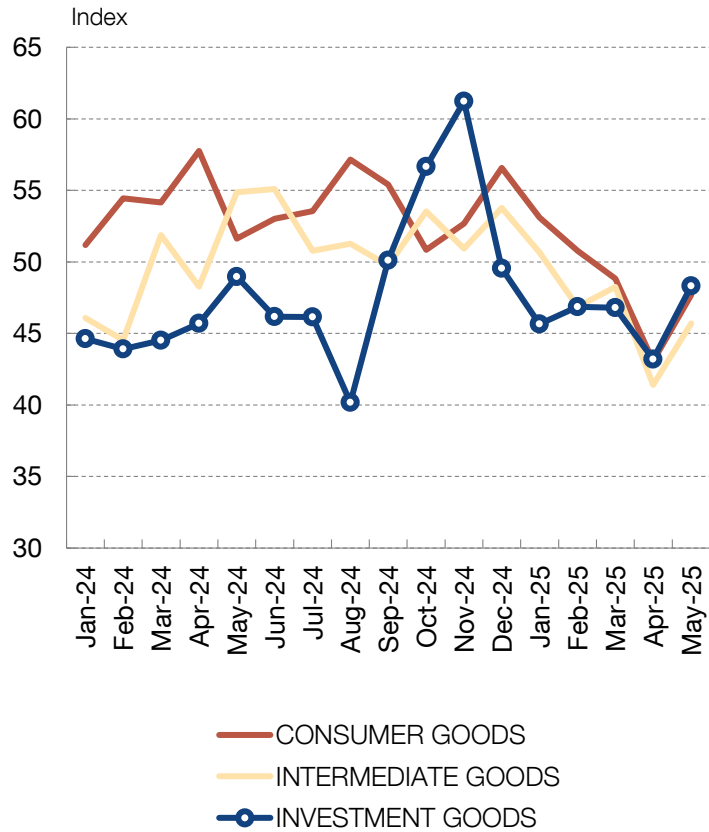


THE QUALITATIVE INDICATORS POINT TO AN ADVERSE SCENARIO FOR GOODS EXPORTS AMID EXCEPTIONALLY HIGH UNCERTAINTY

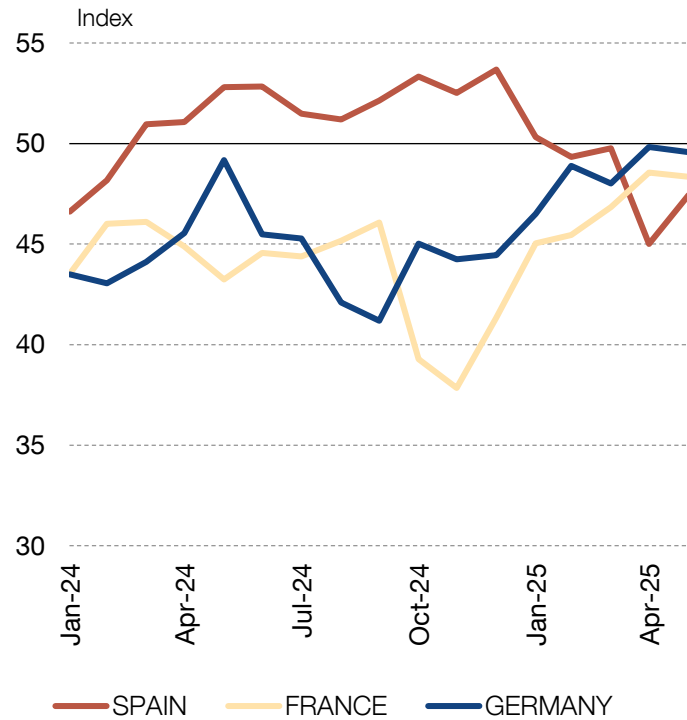
MANUFACTURING PMI. INDICATORS
OF EXPORTS AND IMPORTS



MANUFACTURING PMI. NEW
EXPORT ORDERS



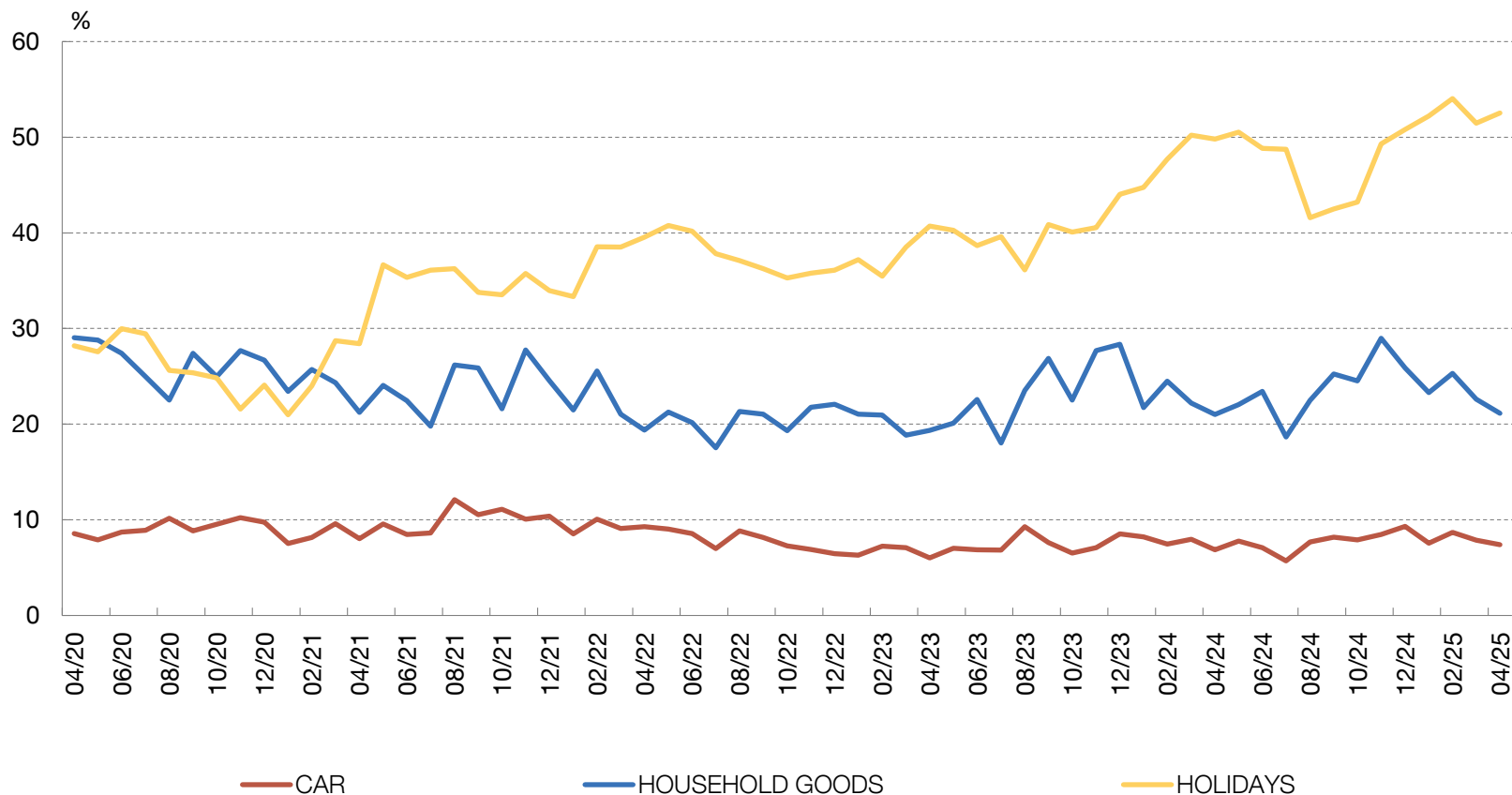
COMPOSITE PMI - NEW EXPORT
ORDERS



Source: S&P Global. Latest observation: May 2025. Note: More than 50 points indicate growth.

A SIGNIFICANT REBALANCING OF SPENDING TOWARDS TRAVEL SERVICES SEEMS TO BE CONSOLIDATING IN HOUSEHOLDS' CONSUMPTION BASKET

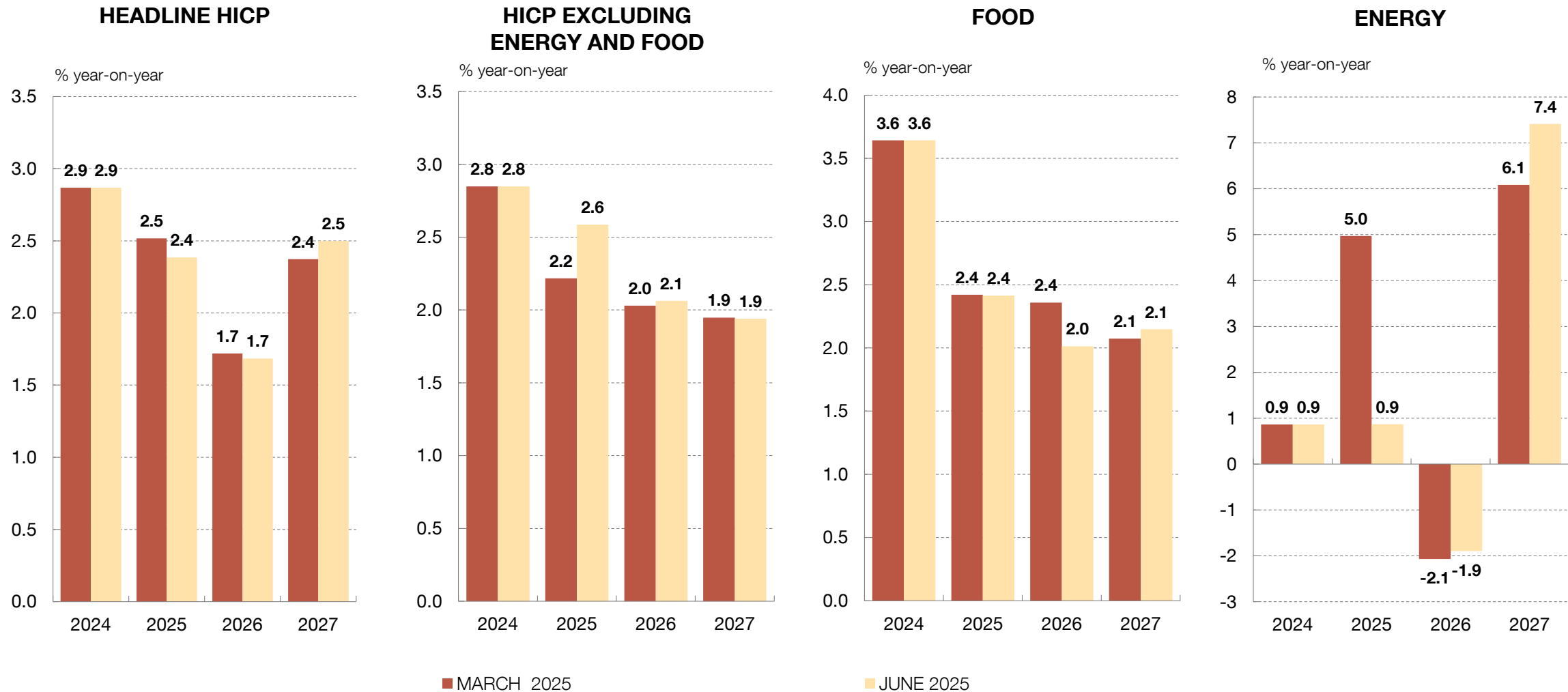
HOUSEHOLDS PLANNING TO SPEND ON MAJOR ITEMS (NEXT 12 MONTHS)



Source: ECB (Consumer Expectations Survey). Latest observation: April 2025.



HEADLINE INFLATION AND ITS MAIN COMPONENTS IN 2025-27: FORECAST AND REVISIONS

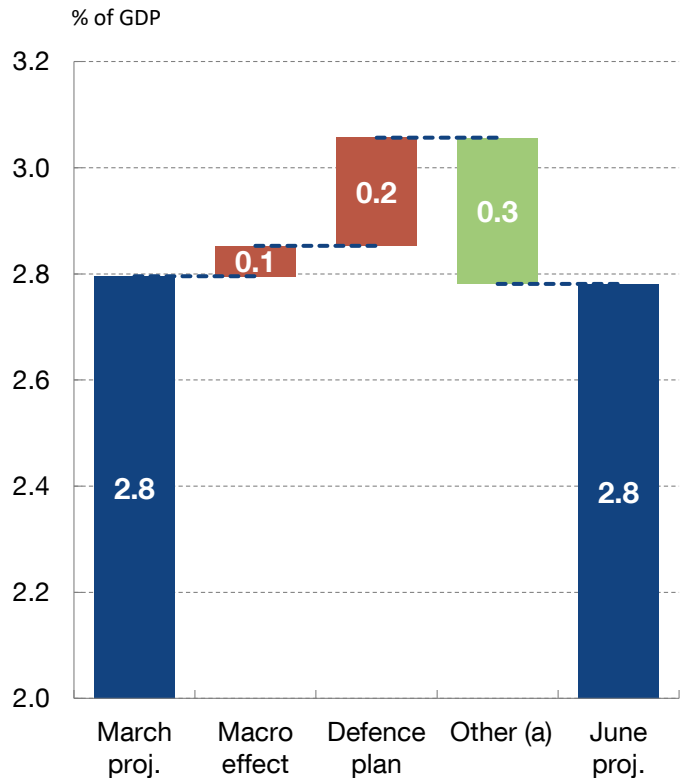


Sources: Banco de España and INE.

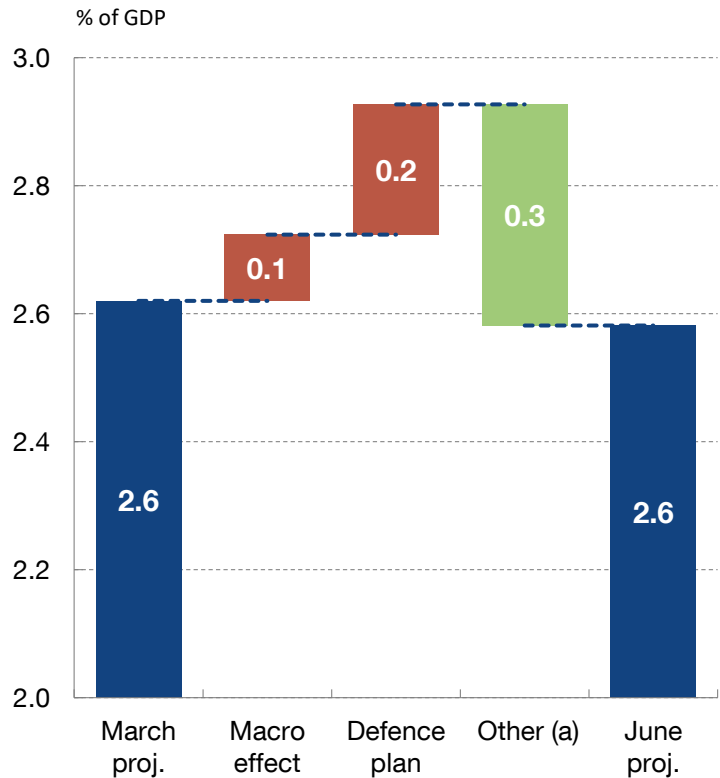


CHANGES IN GOVERNMENT DEFICIT FORECASTS BETWEEN THE MARCH AND JUNE PROJECTION EXERCISES OF THE BANCO DE ESPAÑA

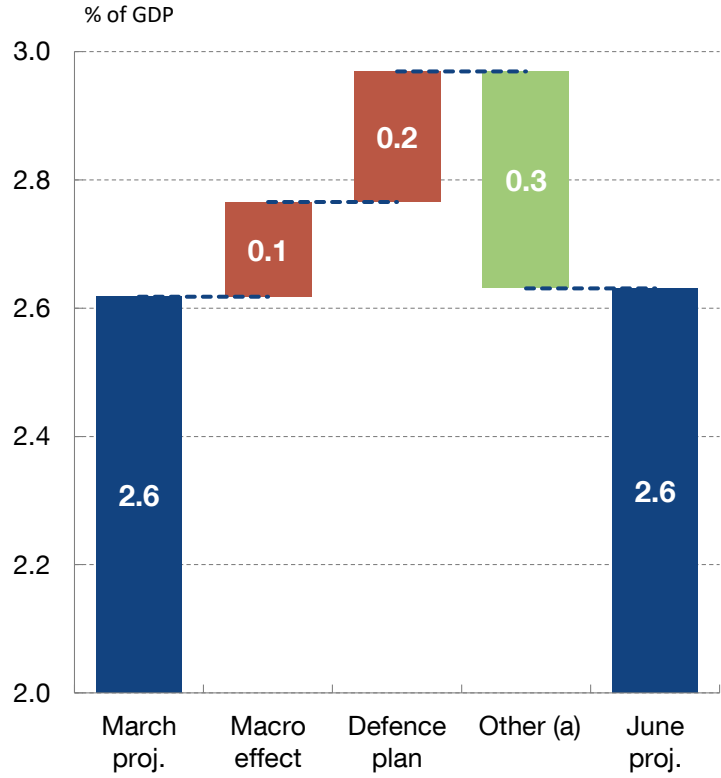
GOVERNMENT DEFICIT IN 2025



GOVERNMENT DEFICIT IN 2026



GOVERNMENT DEFICIT IN 2027



Sources: IGAE, INE and Banco de España. (a) "Other" includes the impact of 2024 year-end data and some advance payments in 2024 (associated with court decisions) projected for subsequent years in the March projection exercise.

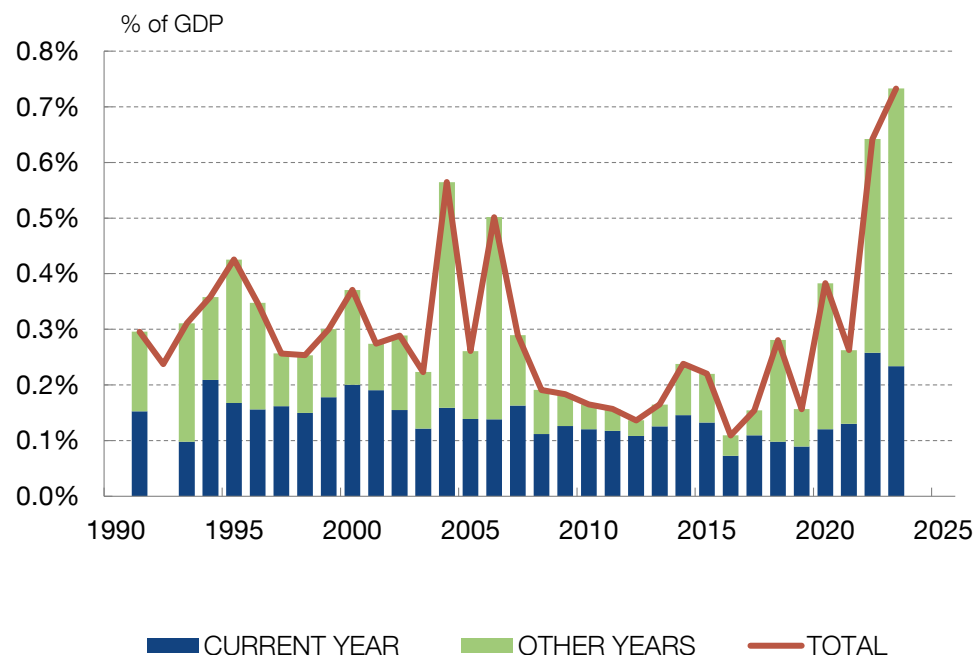


DEFENCE SPENDING, DUE TO ITS CHARACTERISTICS, ENTAILS A TIME LAG BETWEEN THE EXECUTION OF CONTRACTS AND THEIR RECORDING IN THE NATIONAL ACCOUNTS

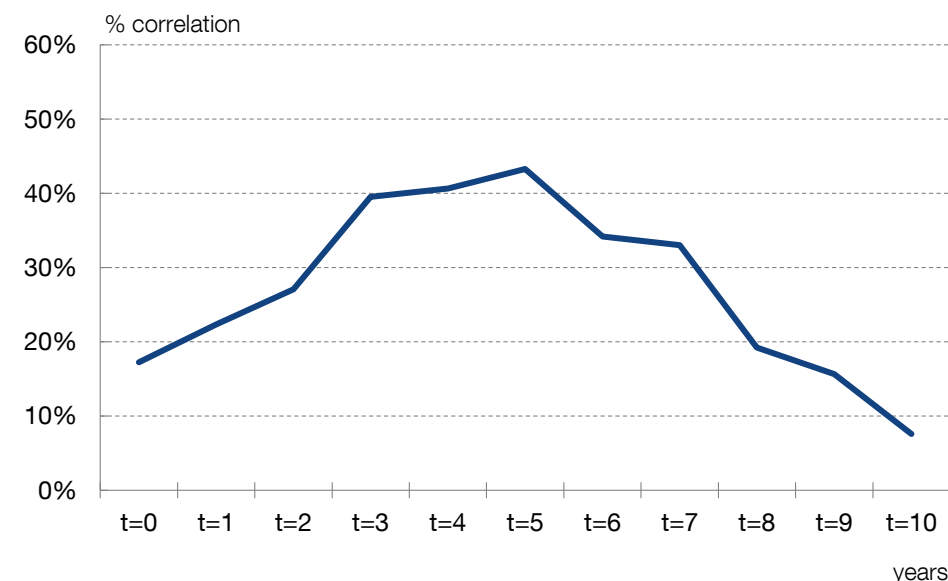
Some defence spending is multi-year in nature: defence contracts accounted for close to 0.7% of GDP in 2023, but more than 0.5 pp related to contracts that will have an impact in future years

There is a time lag between the awarding of contracts and recording them in terms of the National Accounts (and impact on deficit). In average terms, this time lag could span several years

CHANGES IN DEFENCE CONTRACTS (a)



DYNAMIC CORRELATION BETWEEN PROCUREMENT AND DEFENCE SPENDING IN NATIONAL ACCOUNTS IN THE COMING YEARS (b)



Sources: Ministerio de Defensa and IGAE. (a) Series constructed based on the digitalisation of the monthly procurement records of the Ministry of Defence's Statistical Yearbook since 1991. (b) Three-year moving average.