QUARTERLY REPORT

BANCO DE ESPAÑA
Eurosistema

March 2026. Infographic.

27/03/2026

	2025	(Forecast) 2026	(Forecast) 2027
GDP	2.8%	2.3% ▲0.1 pp	1.7% ▼0.2 pp
Inflation	2.7%	3% ▲0.9 pp	2.5% ▲0.6 pp
Unemployment rate	10.5%	9.9% ▼0.1 pp	9.6% =
Deficit	2.5%	2.3% ▲0.2 pp	2.3% ▼0.2 pp

Spain's economic growth will slow down and prices will rise as a result of the war in the Middle East, but its effect will be mitigated by the Government's latest support measures

Job creation and the reduction in the unemployment rate will ease off over the coming years

The expected increase in economic momentum should lead to a **lower budget deficit, but progress will slow in 2026 due to the measures adopted in response to the war**

These projections are subject to especially high uncertainty, linked to the duration and intensity of the conflict

The Banco de España expects a slowdown in the economy

MAIN ASPECTS TO CONSIDER

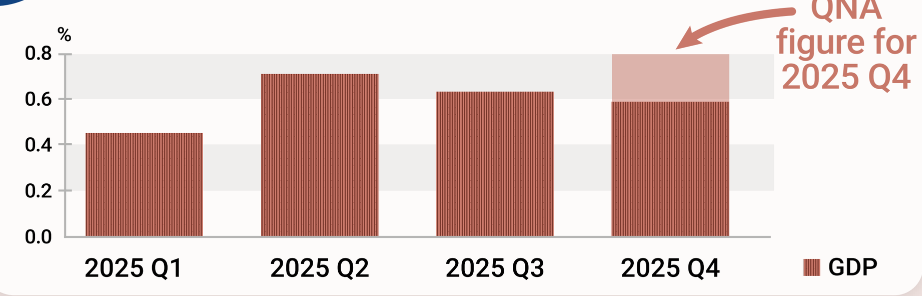
Compared with the December projections, the outlook for the forecast horizon as a whole is more unfavourable, due above all to the higher energy prices as a result of the war in the Middle East

Exports will slow down notably — 2025 +3.6%, 2026 +2.4%

Wholesale **oil and gas prices will be significantly higher** than expected some months ago

Short and long-term **interest rates will rise** in 2026 and 2027

Meanwhile, the **Spanish economy grew faster than expected in 2025**



CHANGES TO THE FORECASTS

GDP

- The **increase in energy prices** stemming from the war **will be the factor that trims most growth** from GDP for 2026
- However, **it will be offset by the strong growth figures** before the conflict and **the support measures**
- In **2027**, the "return to fiscal normality" and the inflationary shock will entail a **downward revision to the growth forecast**

Inflation

- Prices have been **higher than expected since December**, forcing an upward revision to the inflation forecast for 2026
- The **increase in oil and gas prices** since the war in the Middle East began will also push up the inflation rate for the year
- **Food prices** are also expected to **rise**
- The Government's **tax cuts will bring down average inflation in 2026** but will act in the opposite direction in 2027

The Government support measures

The key change in fiscal policy is the Royal Decree-Law to mitigate the effects on prices of the conflict in the Middle East

Cost of €5 billion

Temporary: in force until June

The measures, which seek to contain the surge in energy costs and its effects on households and firms, rest on two pillars:

1 ENERGY TAX REDUCTIONS

- Cut to VAT rate on fuel, electricity, gas and firewood (VAT 21% → 10%)
- Reduction in excise duty on hydrocarbons
- Lower excise duty on electricity
- Suspension of the tax on electricity production

2 SUBSIDIES AND AID FOR THE SECTORS AFFECTED

- Additional tax rebate of €0.20 per litre of diesel for the transport, agricultural and livestock sectors
- Aid for the industrial and energy sectors
- Transfers to the primary sector and maritime transport
- Measures to protect consumers:
  1. greater flexibility in electricity and natural gas contracts
  2. extension of heating cost discount scheme
  3. personal income tax deductions for purchase of electric vehicles

HOW DO THE MEASURES AFFECT THE ECONOMY?

- By lowering energy bills for households and firms and, therefore, dampening inflation
- By increasing households' disposable income and lowering costs for firms, thereby supporting consumption and investment
- In the absence of the measures, inflation would be 0.5 pp higher in 2026 (3.5%) and growth would be 0.3 pp lower (2%)

It is worth remembering that the budgetary cost of the measures is sizeable and, therefore, they must be temporary, selective and aimed at the most vulnerable households

What if the war lasts longer?

The changeable nature of the conflict makes it advisable to consider different alternative assumptions.
With this in mind, the Banco de España has prepared this illustrative exercise, to calibrate more accurately the risks

SCENARIOS

Adverse scenario

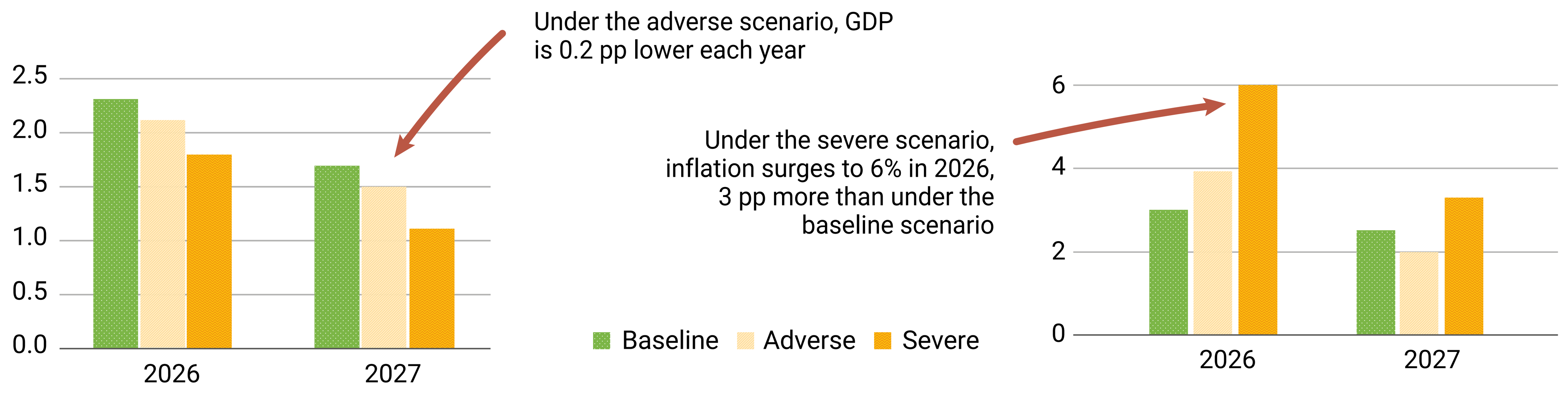
- Under this scenario, oil and electricity prices rise more than in the baseline scenario, but the disruption is transitory
- Energy infrastructure in the Middle East is not significantly damaged
- Energy commodity prices begin to return to normal in 2026 H2

Severe scenario

- A more intense and protracted war, with more disruption to energy flows due to the extensive destruction of energy infrastructure
- The situation does not begin to return to normal until early 2027

IMPACTS

GDP growth under the three scenarios — **CPI growth under the three scenarios**



For comparison purposes, neither of these scenarios envisages an extension of the Government's support measures

More information in our publication **Macroeconomic projections and quarterly report on the Spanish economy. March 2026**
www.bde.es

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