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# Macroeconomic projections and quarterly report on the Spanish economy

BANCO DE **ESPAÑA**  
Eurosistema



# MACROECONOMIC PROJECTIONS AND QUARTERLY REPORT ON THE SPANISH ECONOMY

JUNE 2026

This publication presents the analyses of and projections for the Spanish economy prepared by the Directorate General Economics. It is published four times a year. The February and October reports analyse recent developments in the Spanish economy, within the global and euro area context, and include the Banco de España's projections for the current year and the following (February) or next two years (October). The June and December reports only update the macroeconomic projections.

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## Update to the macroeconomic projections for the Spanish economy (2026-27)

### Takeaways

- The international environment continues to be dominated by elevated energy commodity prices and high geopolitical uncertainty stemming from the conflict in the Middle East. However, the recent peace agreement has reduced the likelihood of further escalation and somewhat improved the outlook for energy markets.
- Euro area activity growth has been revised down to 0.8% in 2026 and 1.2% in 2027, while euro area inflation has been revised up and is expected to stand at 3% this year and 2.3% next year.
- The Spanish economy continues to grow robustly, although domestic demand is showing signs of slowing. Economic activity is projected to grow by 2.3% in 2026 and 1.7% in 2027, with no change to the March projections.
- The inflation rate in Spain has also been revised up as a result of the energy shock to 3.6% in 2026 and 2.6% in 2027.

### International environment and global financial markets

In recent months, global economic developments have been shaped by the disruptions to energy commodity supplies stemming from the closure of the Strait of Hormuz and the war in the Middle East. Compared with the [different scenarios considered in March](#), at the cut-off date for the information on which this update is based (27 May), oil prices had risen by more than envisaged in the baseline scenario and were closer to the levels assumed under the adverse scenario. More recently, the prospect of a peace agreement between the United States and Iran has reduced the likelihood of further escalation and somewhat improved the outlook for energy markets. However, uncertainty remains high, as the effective implementation of the commitments made and the signing of a final agreement remain subject to political and technical risks. While the most extreme risks have receded, the baseline scenario for the global economy continues to be characterised by a fragile geopolitical environment. Thus, compared with expectations three months ago, the global economic baseline scenario continues to be characterised by substantially more elevated oil prices, higher interest rates and a somewhat stronger euro exchange rate (Table 1).

The conflict in the Middle East has also largely influenced the behaviour of international financial markets in the current quarter, although investor sentiment has improved. In Q2 and up to the cut-off date for the projection exercise, the main stock market indices posted gains, underpinned by the positive performance of corporate earnings, particularly in the United States, and by expectations of a possible resolution of the conflict in the Middle East. Specifically, amid a buoyant

**Table 1**  
**International environment and monetary and financial conditions (a)**

Annual rate of change (%), unless otherwise indicated

	2025	June 2026 projections		Difference between the current projections and the March 2026 projections (b)	
		2026	2027	2026	2027
<b>International environment</b>					
Spain's export markets (growth rate) (c)	4.1	2.1	2.7	0.2	0.0
Oil price in dollars/barrel (level)	69.1	96.9	82.2	15.6	10.1
Wholesale electricity price in €/MWh (level)	65.5	65.8	57.4	-4.7	-3.9
<b>Monetary and financial conditions</b>					
Dollar/euro exchange rate (level)	1.1	1.2	1.2	0.0	0.0
Nominal effective exchange rate against non-euro area countries (d) (2000 = 100)	119.6	123.4	123.3	0.7	0.9
Short-term interest rate (3-month EURIBOR; level) (e)	2.2	2.4	2.8	0.1	0.3
Long-term interest rate (10-year Spanish government bond yield; level) (e)	3.2	3.5	3.7	0.1	0.0

**SOURCES:** Banco de España and ECB.

- a** Cut-off date for assumptions: 21 May. Figures expressed as levels are annual averages, figures expressed as rates are calculated on the basis of the related annual averages.
- b** Differences calculated based on figures rounded to one decimal place, except in the case of the exchange rate, which is rounded to two decimal places.
- c** The assumptions regarding the behaviour of Spain's export markets presented in the table are obtained from the Eurosystem staff macroeconomic projections.
- d** A positive percentage change in the nominal effective exchange rate denotes an appreciation of the euro.
- e** For the projection period, the figures in the table are technical assumptions, prepared following the Eurosystem's methodology. These assumptions are based on futures market prices or on proxies thereof and should not be interpreted as a Eurosystem prediction as to the path of these variables.

stock market performance of AI-related firms, the S&P 500 index rose by 15.2% over the period, outpacing the 9.3% rise in the Euro STOXX. In sovereign debt markets, ten-year government bond yields rose in the United States, while they declined in the euro area.<sup>1</sup> In this setting of improved investor sentiment, euro area sovereign spreads against the German Bund generally narrowed. In foreign exchange markets, the US dollar depreciated by 0.7% against the euro and by 1.9% in nominal effective terms, partially reversing its appreciation in the previous quarter following the outbreak of the conflict.

## Global and euro area activity and inflation

Against an adverse and particularly uncertain international economic environment, the **latest Eurosystem staff projections** envisage a significant slowdown in global economic growth outside the euro area, to 3% in 2026 (down from 3.6% in 2025), before picking up slightly in 2027 to 3.2%. Compared with the March forecast, global economic growth for 2026 has been revised down by

<sup>1</sup> Between the cut-off date for the assumptions underlying the March exercise (11 March) and that for the current exercise (21 May), sovereign bond yields in the euro area and Spain increased by 11 and 12 basis points respectively. Accordingly, the current projection exercise incorporates slightly higher long-term interest rates than those projected three months earlier (Table 2).

0.3 percentage points (pp), owing to the adverse effects of the war in the Middle East. Meanwhile, global inflation (excluding the euro area) is expected to rise from 3.1% in 2025 to 3.5% in 2026, driven by higher energy and non-energy commodity prices, before moderating to 3% in 2027. Compared with the March projections, these figures represent upward revisions to global inflation of 0.4 pp for 2026 and 0.3 pp for 2027.

This global environment has led to a downward revision of the outlook for euro area activity. According to the latest Eurosystem forecasts, GDP will grow by 0.8% in 2026 and 1.2% in 2027, 0.1 pp less in each year than projected three months ago. On the inflation side, the Eurosystem exercise anticipates euro area inflation of 3% this year and 2.3% in 2027, 0.4 pp and 0.3 pp higher, respectively, than envisaged in March.

With regard to monetary policy, at its June meeting the Governing Council of the European Central Bank (ECB) decided to raise the three policy interest rates by 25 basis points (bp), bringing the deposit facility rate to 2.25%. This decision reflects rising inflationary pressures, particularly those stemming from higher energy prices, and the risk that these pressures could be transmitted more persistently to underlying inflation in a highly uncertain environment. Looking ahead, the Governing Council will continue to follow a data-dependent and meeting-by-meeting approach, without pre-committing to any particular rate path. Market expectations, influenced by the energy shock, point to further increases in policy interest rates. In particular, markets are pricing in an additional cumulative increase of around 42 bp in the ECB reference rate by the end of the year.<sup>2</sup> In the United States, the monetary policy outlook has shifted from expectations of rate cuts to expectations of rate hikes. Specifically, markets assign a high probability to the Federal Reserve raising its reference rate by 25 bp over the remainder of the year.

## Macroeconomic projections for the Spanish economy

### Activity

Despite the deterioration in the international environment, the Spanish economy continued to grow robustly in 2026 Q1, although it showed signs of slowing. GDP grew by 0.6% quarter-on-quarter, in line with the Banco de España's March forecast of between 0.5% and 0.6%, and 0.2 pp below the growth recorded in 2025 Q4. This slight slowdown in activity is explained by the loss of momentum in domestic demand – particularly in private consumption and investment – despite the positive contribution of the external sector to output growth, as imports contracted more than exports. For Q2, forecasting models based on the latest short-term indicators suggest that GDP could grow by between 0.5% and 0.6% relative to Q1.

Economic activity is projected to grow by 2.3% in 2026 and 1.7% in 2027, identical rates to those forecast in March (Table 2). Nevertheless, the fact that these figures have not been revised masks

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<sup>2</sup> This is equivalent to almost two further 25 bp hikes on top of the one in June, which would bring the interest rate at year-end to around the levels forecast by the market at the close of the previous quarter.

Table 2

**Projections for the main macroeconomic aggregates of the Spanish economy (a)**

Annual rate of change in volume terms and % of GDP

	2025	June 2026 projections		Difference between the current projections and the March 2026 projections (b)	
		2026	2027	2026	2027
GDP	2.8	2.3	1.7	0.0	0.0
Private consumption	3.4	2.6	1.6	-0.1	0.1
Government consumption	2.4	1.5	1.7	-0.3	-0.2
Gross capital formation	5.8	4.1	2.2	-1.4	0.1
Exports of goods and services	3.6	0.8	2.6	-1.6	0.0
Imports of goods and services	6.2	2.1	2.8	-2.8	-0.1
Domestic demand (contribution to growth)	3.5	2.7	1.7	-0.3	0.0
Net exports (contribution to growth)	-0.7	-0.4	0.0	0.3	0.0
Nominal GDP	5.8	5.0	4.3	0.4	-0.1
GDP deflator	2.9	2.7	2.5	0.4	-0.2
HICP	2.7	3.6	2.6	0.6	0.1
HICP excluding energy and food	2.6	3.2	3.2	0.5	0.5
Employment (persons)	2.7	2.2	1.5	0.0	0.2
Employment (hours)	2.1	1.8	1.2	-0.4	0.0
Unemployment rate (% of labour force). Annual average	10.5	10.0	9.8	0.1	0.2
Net lending (+) / net borrowing (-) of the nation (% of GDP)	4.0	3.1	2.6	-0.1	-0.3
General government net lending (+) / net borrowing (-) (% of GDP)	-2.4	-2.4	-2.3	-0.1	0.0
General government debt (% of GDP)	100.7	98.9	97.9	-0.3	-0.2

**SOURCES:** INE and Banco de España.**a** Projections cut-off date: 27 May 2026. Latest QNA figure published: 2026 Q1 flash estimate.**b** Differences calculated based on figures rounded to one decimal place.

changes in the drivers of this growth owing to the effect of various factors that offset one another. First, the deterioration of the international environment will mean a slower pace of growth in activity in both years. Second, this adverse impact will be offset in 2026 by somewhat higher activity in Q2 than was envisaged in March and in 2027 by higher population growth. The latter reflects the updated demographic assumptions used over the projection horizon, which include higher projected migratory flows than were previously envisaged.

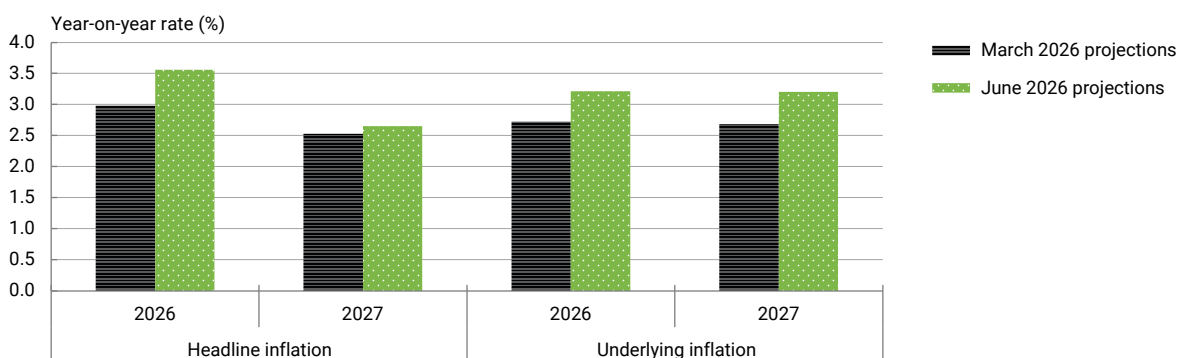
## Inflation

The inflation rate – measured by the Harmonised Index of Consumer Prices (HICP) – has picked up significantly in recent months, from 2.5% in February to 3.6% in May. This increase reflects the impact of the energy shock associated with the conflict in the Middle East (whose effect has been mitigated by the fiscal support measures approved in March) and, to a lesser extent, higher non-energy industrial goods prices, influenced by volatile developments in clothing and footwear prices. Services prices accelerated to 4.3% in May and continued to show the stickiness observed

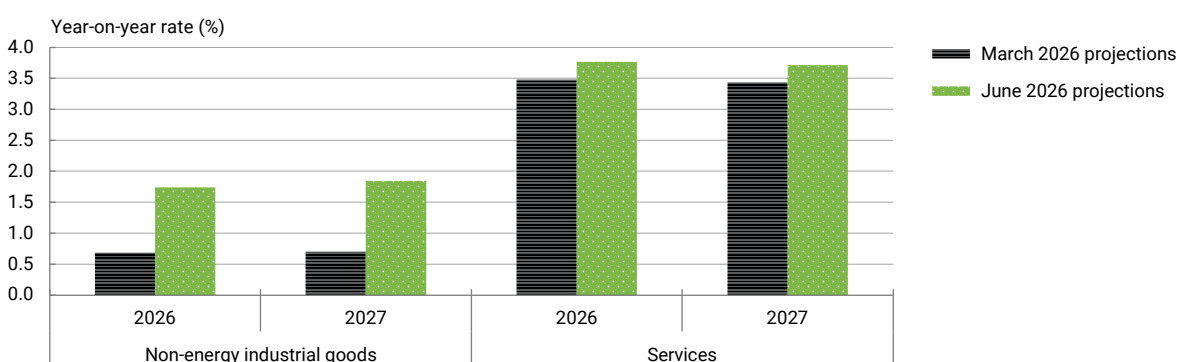
Chart 1

## Change in the projected inflation rate

### 1.a Projected headline and underlying inflation rates



### 1.b Projected inflation rates for goods and services



SOURCE: Banco de España.

in recent years, while food prices edged down slightly. As a result, core inflation (defined as HICP excluding energy and food) also climbed to 3.7% in May, its highest level since late 2023.

Looking ahead, average inflation is projected to stand at 3.6% in 2026 and 2.6% in 2027. This means that the rates projected in the March exercise have been revised upwards by 0.6 pp and 0.1 pp, respectively (Table 2). The projected increase in inflation for 2026 (which is closer to the adverse scenario considered in March) is mainly due to the upward revision of the energy price assumptions, as well as to the higher prices of non-energy industrial goods and services, against a backdrop where more expensive energy inputs are being partially passed through to underlying inflation (Chart 1). The smaller upward revision to inflation for 2027 is a result of energy prices falling more markedly than was envisaged in March which partially offsets the higher underlying inflation forecast for that year.

## Labour market

The resilient labour market, buoyant activity and strong migratory flows are expected to support a robust, albeit moderating pace of job creation over the projection horizon, with growth of 2.2% in

2026 and 1.5% in 2027. The unemployment rate is projected to decline from 10.5% in 2025 to 10% in 2026 and 9.8% in 2027. The projected unemployment rate for 2027 is 0.2 pp higher than anticipated in March, as a result of the increase in the labour force stemming from the new demographic projections included in the exercise.

### Public finances

In the public sector, the general government deficit is expected to stand at 2.4% of GDP in 2026, on a par with its level in 2025. In 2027, the deficit is projected to narrow by 0.1 pp to 2.3% of GDP. Compared with the March projection exercise, this figure represents an upward revision of 0.1 pp in 2026, as a result of a higher estimate of the impact of extraordinary expenditure in that year, based on the information in the [Annual Progress Report of 2026](#). Net expenditure growth is expected to exceed the limits set in the Medium-Term Fiscal Structural Plan (MTP) in both years. However, given the request to activate the escape clause for higher defence spending, no new measures would be needed to comply with the MTP until 2027.

Public debt would fall to 97.9% of GDP in 2027, down 2.8 pp on the figure for 2025 and down 0.2 pp on that for March, as a result of the upward revision to nominal GDP growth.