Spain
Macroeconomic & Financial Outlook

CaixaBank Research

December 2025

Prepared with information available as of December 5h, 2025

CaixaBank

Key messages

Activity	▶ **The ECB opts for patience, keeping the depo rate at 2.00%** and reaffirming a data-dependent and meeting-by-meeting approach amid resilient activity and inflation near target. Markets align with this stance. ▶ **Spanish GDP grew by 0.6% QoQ in Q3 (2.8% YoY)**, well above the eurozone average (0.2% QoQ) and fully in line with expectations. Growth was driven by domestic demand, as strong private consumption and investment offset weaker goods exports. ▶ **Q4 indicators point to stronger-than-expected activity**. Employment, measured by SS affiliation, rose 0.6% qoq in October–November, compared with 0.5% in Q3, while PMIs remain solid and our internal consumption indicator shows clear acceleration. **We see upside risks to our qoq GDP growth forecast of 0.5% for Q4** (figure to be released on January 30, 2026). ▶ **We expect GDP growth to remain dynamic in 2026, at 2.1%**. Domestic private demand should remain the main driver, supported by lower interest rates, a gradual recovery in household purchasing power, demographic growth, and continued NGEU funding. ▶ **Headline inflation slightly edged down by 0.1pp in November to 3.0%**, ending a six-month upward trend. The drop was lower than expected. Inflation has been surprising on the upside for several months, mainly due to energy and, to a lesser extent, services and non-energy industrial goods. The latest data suggest that inflation will take longer than we anticipated to decline steadily toward 2%. ▶ **Housing prices continue to surge amid resilient demand**. Prices (appraisal value, MIVAU) rose 12.1% year-on-year in Q3 (10.4% in Q2), although in real terms they remain 27% below the 2007 peak. Housing sales remain strong but show early signs of moderation, consistent with a more mature stage of the cycle. The increase in housing supply, key to easing price pressures, remains slower than required. ▶ **The public deficit is expected to narrow in 2025**, supported by favorable macroeconomic conditions and the withdrawal of energy-related fiscal measures. Budget execution through September points to clear downward risks to our 2.7% deficit forecast thanks to strong fiscal revenue growth (+7.8% yoy).
Banking Sector	▶ **New lending shows strong dynamics**. Higher activity levels in Oct’25 continue to drive new lending, accelerating the growth of the stock of credit. Domestic NPL ratio remains stable around 2.9% in September, below year-ago levels and in line with the historical average prior to the financial crisis. Profitability is increasing and ROE has reached 15.1% in 2Q25 (vs. 10.7% in Euro Zone), driven by larger volumes of loans that offset the drop of the interest margin.

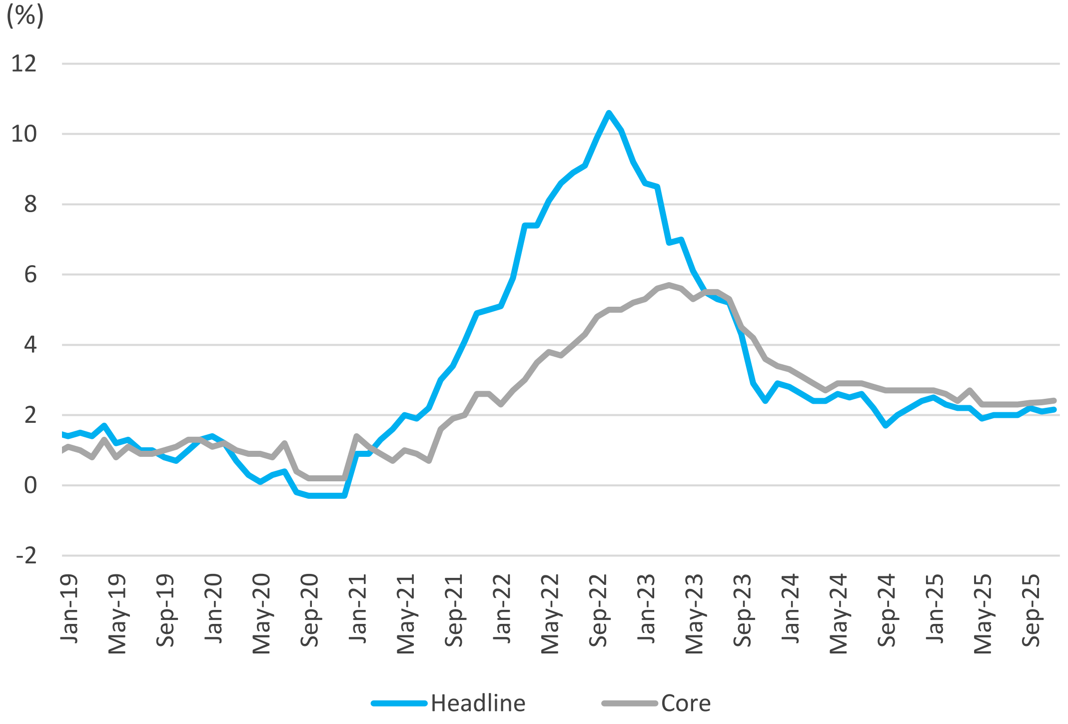
Main economic forecasts

%. YoY. unless otherwise specified	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (Forecast)	2026 (Forecast)
GDP	2.9	2.9	2.4	2.0	-10.9	6.7	6.4	2.5	3.5	2.9	2.1
Private Consumption	2.6	3.1	1.8	1.0	-12.2	7.2	4.9	1.7	3.0	3.1	2.4
Public Consumption	0.9	1.0	2.1	2.2	3.5	3.6	0.8	4.5	2.9	1.3	0.9
Gross Fixed Capital Formation (GFCF)	2.0	6.8	6.5	4.9	-8.9	2.6	4.2	5.9	3.6	5.3	3.3
GFCF - equipment	1.6	9.1	4.2	1.7	-13.5	3.3	2.1	2.6	1.9	8.6	3.3
GFCF - construction	0.9	6.8	10.1	8.4	-8.4	0.5	4.0	5.5	4.0	4.0	3.4
Exports	5.4	5.6	1.7	2.3	-20.1	13.4	14.2	2.2	3.2	4.2	2.2
Imports	2.6	6.7	3.9	1.3	-15.1	15.0	7.7	0.0	2.9	5.4	2.9
Unemployment rate	19.6	17.2	15.3	14.1	15.5	14.9	13.0	12.2	11.3	10.4	9.7
CPI (average)	-0.2	2.0	1.7	0.7	-0.3	3.1	8.4	3.5	2.8	2.5	2.0
External current account balance (% GDP)	3.1	2.8	1.9	2.1	0.8	0.8	0.4	2.7	3.1	2.3	2.5
General Government Balance (% GDP)	-5.3	-3.0	-2.6	-3.1	-9.9	-6.7	-4.6	-3.3	-3.2	-2.7	-2.5
General government debt (% GDP)	101.9	101.2	99.8	97.7	119.3	115.7	109.3	105.2	101.6	101.2	100.8
Housing prices	1.9	2.4	3.4	3.2	-1.1	2.1	5.0	3.9	5.8	9.6	6.3
Risk premium (vs. 10Y Bund. bps. Dec.)	124	120	97	88	86	67	104	102	81	63	73
Bank credit (to the private domestic sector)	-2.9	-1.9	-2.6	-1.2	2.5	0.5	-0.4	-3.4	0.7	3.8	4.5

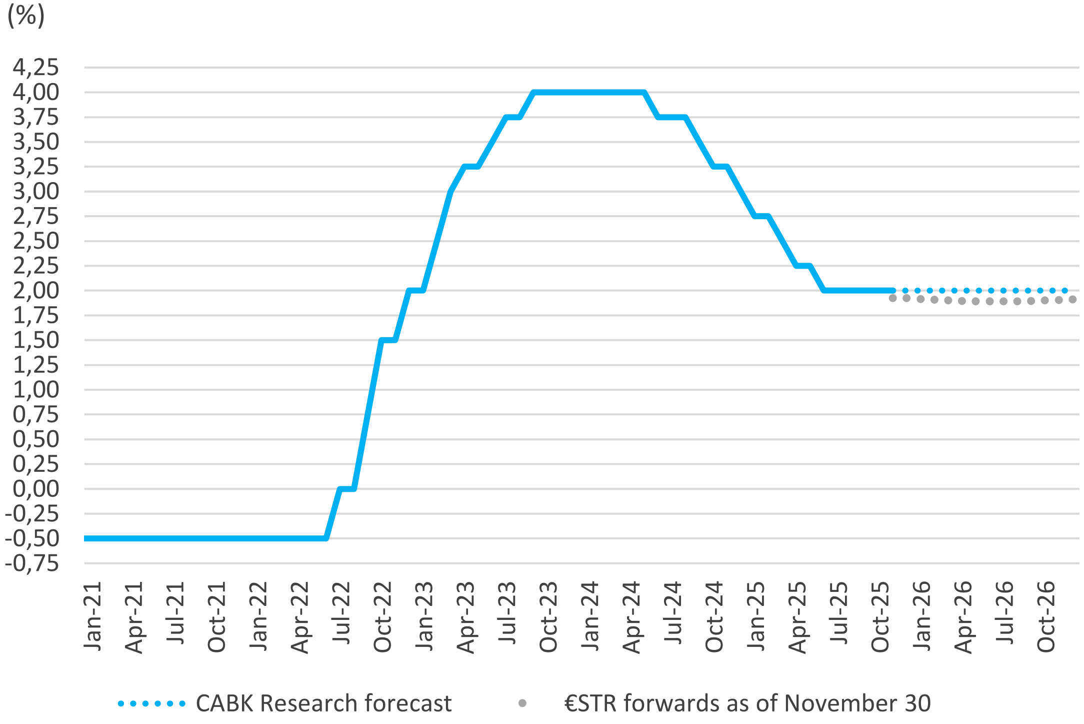
Note: All GDP figures are based on ESA-2010 methodology.
Source: CaixaBank Research.

The ECB sees rates “in a good place”

Euro area: HICP inflation



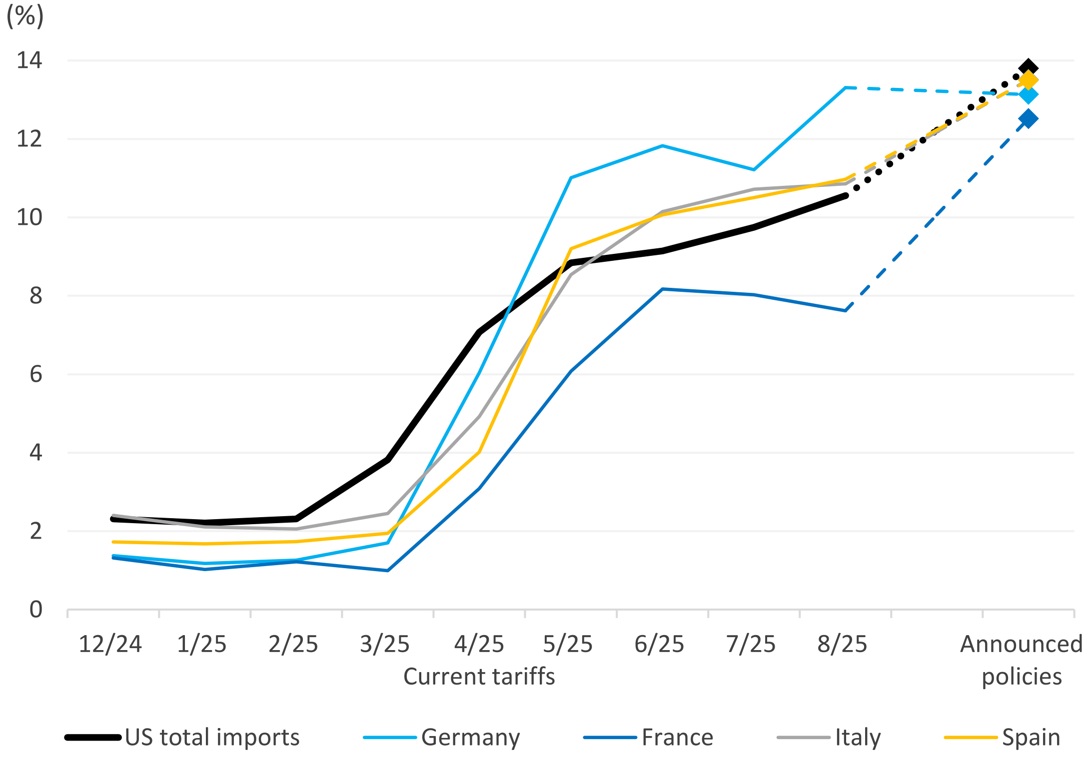
ECB deposit rate



- **The ECB embraces the option-value of waiting**. The ECB left interest rates unaltered in October (depo at 2.00% since June 2025) as it sees support from lower uncertainty, a cautiously positive assessment of activity (which it labels as “resilient”) and inflation data (“on target”). It is also refraining from providing forward guidance: policy will be assessed in a “meeting-by-meeting, data-dependent” way. Officials do not want to overengineer policy and ECB communications downplay small deviations in inflation.
- **We expect the ECB to stay put throughout the coming quarters**. Market expectations have adjusted in the same direction, and forwards also point to stable ECB rates (but with a slight dovish bias, as markets price a small probability of a cut in 2026 that lowers the depo rate to 1.75%). However, the balance of risks remains challenging. Activity needs to adapt to a higher-tariff environment, but may find support from infrastructure and defense spending plans. The inflation outlook is subject to both downside risks (weaker global demand, China’s rerouting of US trade towards Europe) and upside risks (disruptions in global supply chains, extreme weather events, etc.). A stronger euro could also put downward pressure on inflation – although we see a limited impact as EUR strength seems to be driven not only by renewed Fed cuts but also by positive investor sentiment towards Europe.
- **Bond markets’ uneasiness about debt remains targeted to countries with deteriorating dynamics** (e.g., the US and France). The ECB has tools to counteract unwarranted tensions and contagion if the situation in France worsens (e.g., TPI so long as tensions compromise monetary policy transmission and are not justified by country-specific fundamentals).

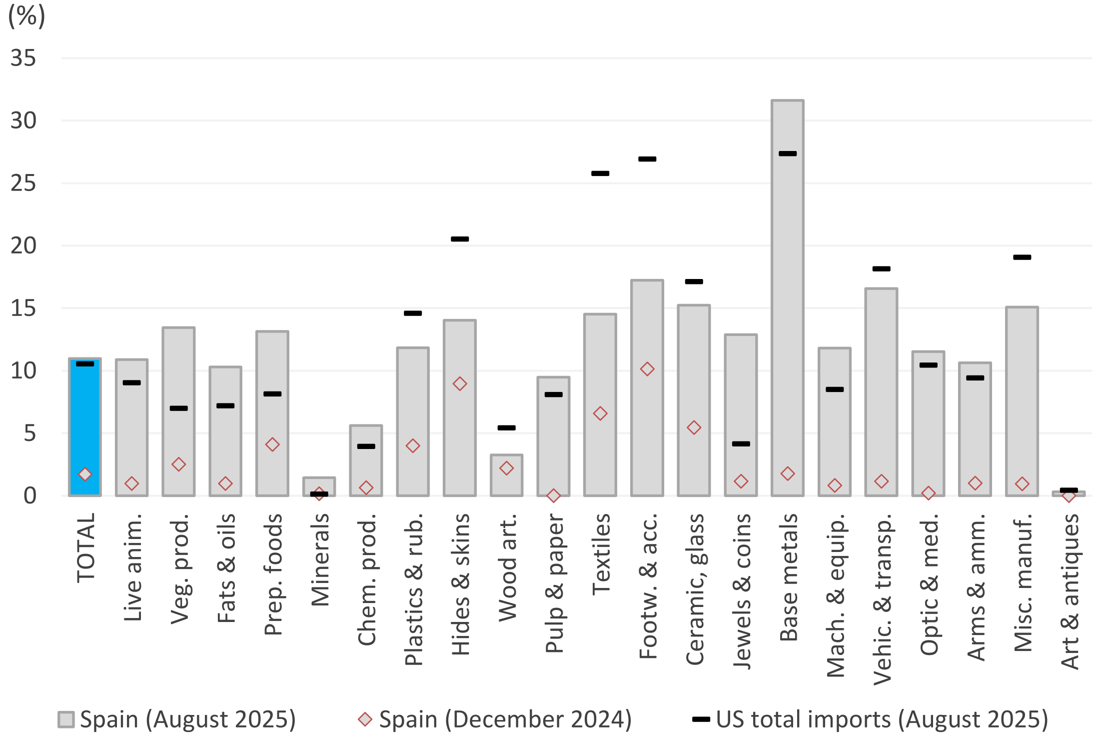
Trade tariffs continue converging toward announced US policies, while legal uncertainty persists

US average effective tariff rate: total and by EU trade partner



Note: Values for 'Announced policies' based on 2024 import structure.
Source: CaixaBank Research, based on data from USITC, BEA, Treasury Department and UN COMTRADE.

US effective tariff rate on imports from Spain by product group



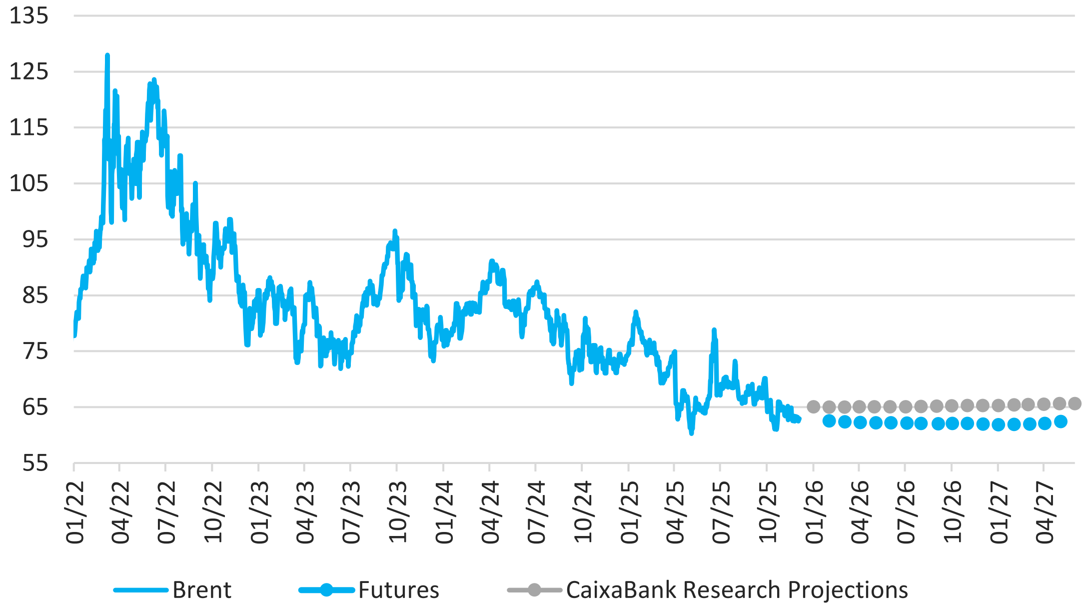
Source: CaixaBank Research, based on data from USITC, BEA, Treasury Department and UN COMTRADE.

- **Trade deals keep lowering tariff endpoint**: Following broad agreements with China and Switzerland, as well as exemptions on certain agricultural products, we now expect the average effective tariff on US imports to rise to 13.8% from 2.3% in December 2024. August data confirmed that current rates are accelerating convergence toward announced policies, with gaps narrower for EU countries than other regions (e.g. for Spain 11% observed in August vs. 13.5% endpoint). Attention has shifted to the Supreme Court's ruling on the legality of bilateral tariffs imposed in 2025 without congressional approval, as scepticism during the November 5 hearing increased the odds of an adverse ruling.
- **An asymmetric sectoral shock to Spanish exports**: US tariffs have risen across the board, but the intensity varies by product group. For Spain, the sharpest increase was in base metals (up to 32% in August from <2% in December), followed by machinery and equipment (including passenger vehicles). Agriculture and food also saw significant hikes, leaving Spain above the average level. Conversely, tariffs on other products –such as textile and footwear– have increased less compared to other global markets.

Geopolitical risks persist, but abundant energy supply eases market tensions

Brent oil prices (and futures)

$ per barrel



Source: CaixaBank Research, based on data from Bloomberg.

Geopolitical risk

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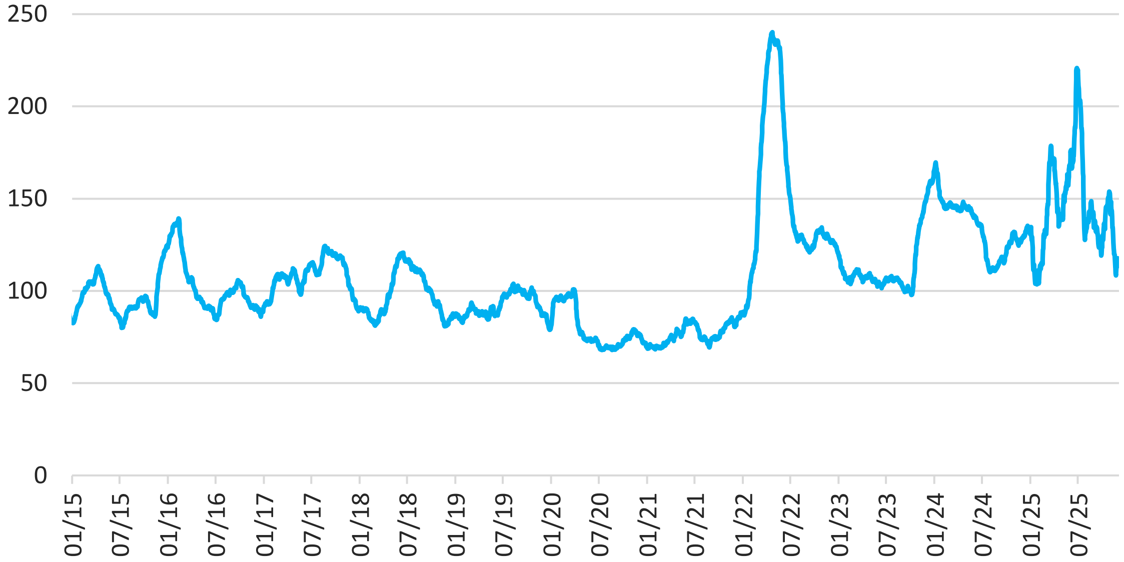

Source: CaixaBank Research, based on data from Caldara, D., & Iacoviello, M. (2022) "Measuring Geopolitical Risk" (downloaded from https://www.matteoiacoviello.com/gpr.htm).

- **Oil prices fell for the fourth straight month to around $63/b in November**, amid weak demand fundamentals and looming oversupply. OPEC+ will maintain its output freeze through Q1 2026, adopting a wait-and-see stance. International energy agencies expect supply oil growth to outpace demand, resulting in a global surplus in the coming quarters that will exert downward pressure on prices. However, geopolitical risks (Ukraine war, Middle East tensions, sanctions) should limit price declines. We forecast Brent at $68.6 in 2025 ($65.1 in Dec-25) and $65.1 in 2026 ($65.3 in Dec-26).
- **European gas prices hit a four-year low in November**, with Dutch TTF below €30/MWh thanks to steady LNG flows and storage at 75%. We project €37/MWh in 2025 (€33.4 in Dec-25) and €32/MWh in 2026 (€32.3 in Dec-26).
- **In the event of a peace agreement or ceasefire between Russia and Ukraine**, we anticipate a modest downward pressure on commodity prices in the short term. Currently, lower Russian crude output is being offset by supply from other producing countries, and restoring its production share would take several quarters. European natural gas prices should see little change, as the EU has drastically reduced Russian gas imports (to 18% in 2024) and is expected to fully phase out Russian supplies by 2027.

Trump 2.0: Spain's exposure to the US is relatively low

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Main Spanish goods exports to the US in 2024

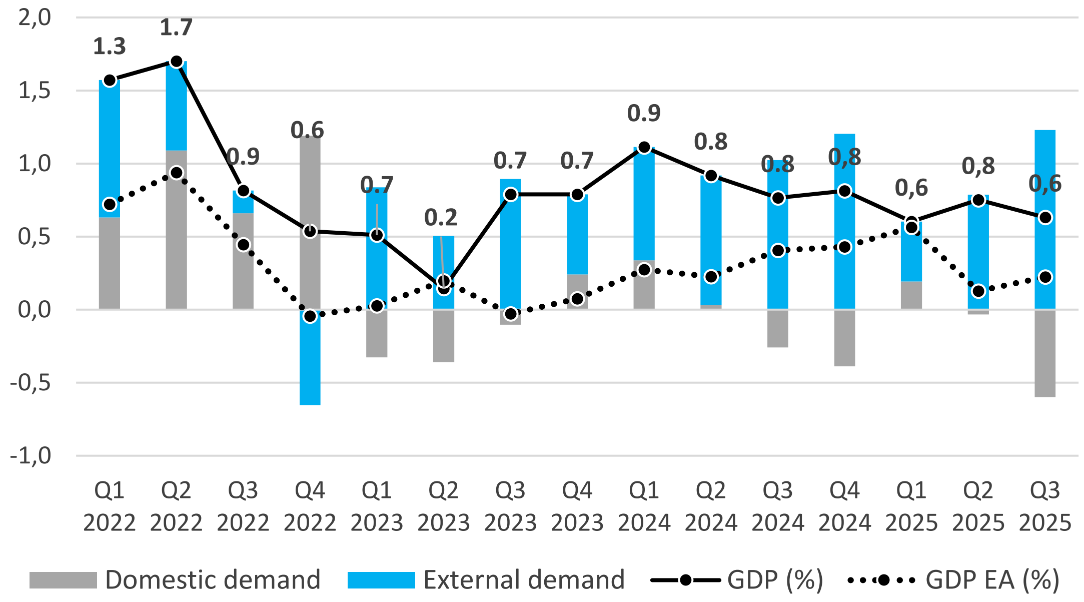
	Mill. €	% of total	% of sector
Chemical products (including pharma)	**3.545**	19,5	5,6
Industrial machinery	**1.735**	9,5	9,1
Electrical appliances	**1.338**	7,4	8,7
Energy products	**1.219**	6,7	3,9
Fats and oils	**1.149**	6,3	**16,8**
Construction materials	**1.062**	5,8	**13,1**
Fruits and vegetables	610	3,4	2,6
Engines	586	3,2	**17,1**
Automotive sector	535	2,9	1,0
Transport equipment	498	2,7	2,8
Iron and steel	413	2,3	4,0
Beverages	399	2,2	7,8
Processed food products	380	2,1	5,9
Textiles	297	1,6	1,6
Fishing products	290	1,6	5,4
Precision equipment	258	1,4	9,0
Tires and tubes	244	1,3	7,0
Sugar, coffee and cocoa	214	1,2	7,8
Footwear	213	1,2	6,1
Meat	208	1,1	1,7
TOTAL	**18.179**	**100,0**	**4,7**

- **In Spain, exports of goods and non-tourism services to the US represent 1.14% and 0.8% of GDP, respectively**. Sectors with higher exposure to tariff's increase (higher exports to US) are: chemical products, capital goods (machinery, engines, electrical equipment), oils, and construction materials.
- **Total value added in Spain embodied in direct merchandise exports or other countries' exports to the US amounts to c.1.3% of total value added in the economy** — 0.8% through direct exports and the remaining 0.5% via exports from other countries to the U.S — compared to 2.3% for the EU (estimated for 2023).
- **A 15-point increase in tariffs, as agreed between the US and the EU, has a 0.2% negative impact on Spanish GDP** through the trade channel, including both direct exposure from what we export to the US and indirect exposure through the content of our products in third-party exports.

Spain: Strong GDP growth in Q3 driven by domestic demand

Contribution to quarterly GDP growth

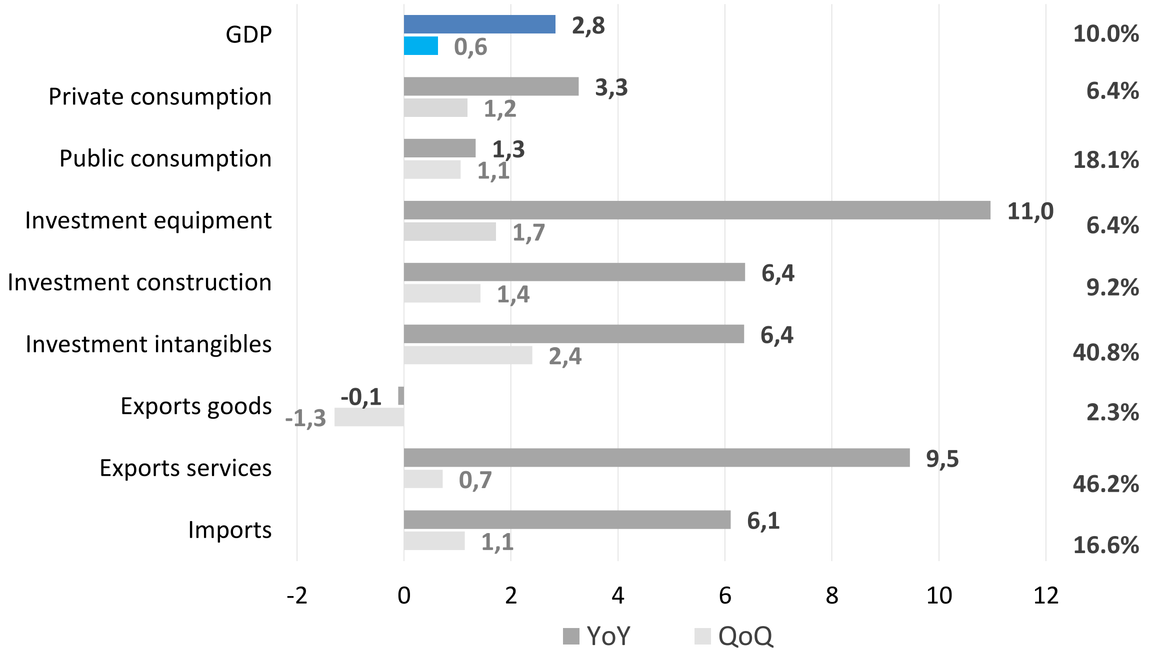
Percentage points and percentage change (%)



Note: GDP is quarter-on-quarter variation.

GDP and its components

Variation (%)



- **Spain's GDP grew 0.6% quarter-on-quarter in Q3 2025 (2.8% year-on-year)**, broadly in line with expectations. Growth was driven by robust domestic demand, supported by private and public consumption and investment. Year-on-year, private consumption and investment—both in equipment and construction—were the main contributors, while public consumption remained subdued.
- Growth of **investment in intangible fixed assets** accelerated; it rose by 2.4% qoq and is now 40% above 2019 levels.
- **Net trade detracted from growth** as exports fell and imports rose, with the decline in exports entirely due to goods, as services exports increased. This drop likely reflects the impact of the 15% tariff on EU exports to the US and the fading of front-loading exports ahead of its implementation.
- **Spain outperformed the euro area (0.6% vs. 0.2% qoq)**, with GDP now 10% above pre-pandemic levels compared to 6.4% in the euro area.
- **No impact on our forecast.** The Q3 figure did not alter our 2025 GDP growth forecast, at 2.9%, as Q3 growth matched expectations.

Spain: dynamic growth in 2026 fueled by internal demand

Breakdown of GDP

Year-on-year (%)

	2014-19	2024	2025 (f)	2026 (f)
GDP	2.6	3.5	2.9	2.1
Private consumption	2.2	3.0	3.1	2.4
Public consumption	1.3	2.9	1.3	0.9
Investment	5.0	3.6	5.3	3.3
Exports	4.0	3.2	4.2	2.2
Imports	4.4	2.9	5.4	2.9

GDP: forecasts by other analysts

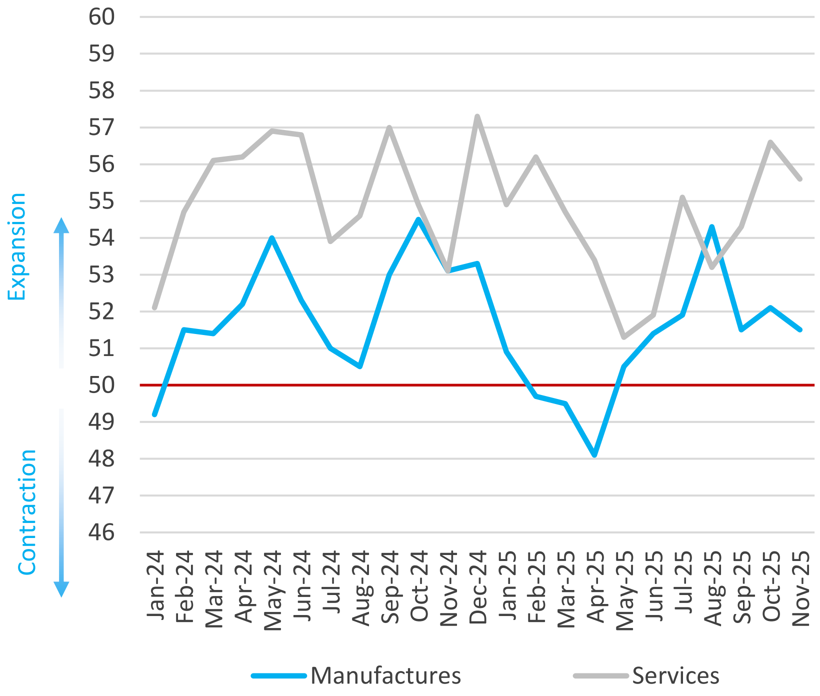
Year-on-year (%)

Ordered by forecast of 2025	**2025**	**2026**
Airef (Oct. 29)	3,0	2,1
BBVA Research (Dec. 3)	2,9	2,4
European Commission (Nov. 17)	2,9	2,3
Government (Nov. 18)	2,9	2,2
OECD (Nov. 26)	2,9	2,2
CaixaBank Research (Sep. 29)	**2,9**	**2,1**
Consensus Forecasts (Nov. 13)	2,9	2,1
Funcas panel (Nov. 13)	2,9	2,1
IMF (Oct. 14)	2,9	2,0
Funcas (Oct. 22)	2,9	1,9
Bank of Spain (Sep. 16)	2,6	1,8

- **Domestic private demand is expected to be the main driver of growth in 2025 and 2026.** Household consumption is expected to remain the main pillar of growth thanks to the decline in interest rates, some recovery of purchasing power (we expect gross disposable income per capita to grow by c.4.5% in 2025 vs. inflation at 2.5%), and demographic growth. The financial situation of households is solid (household debt-to-GDP stands at 44.0% vs 50.9% in the euro area) and the elevated savings rate points to additional room for growth (see slide 11). Investment has picked up recently and is expected to remain strong, benefitting from lower interest rates and ongoing NGEU execution. In real terms, investment by non-financial corporations remains below pre-pandemic levels, indicating significant room for recovery.
- **GDP growth in 2025 will remain dynamic but soften slightly compared to 2024**, due to the moderation of public consumption and the external sector — the latter affected by tourism normalization, weak Euro Area growth, and stronger imports driven by robust domestic demand.

Spain: upside risks on our Q4 GDP growth forecast

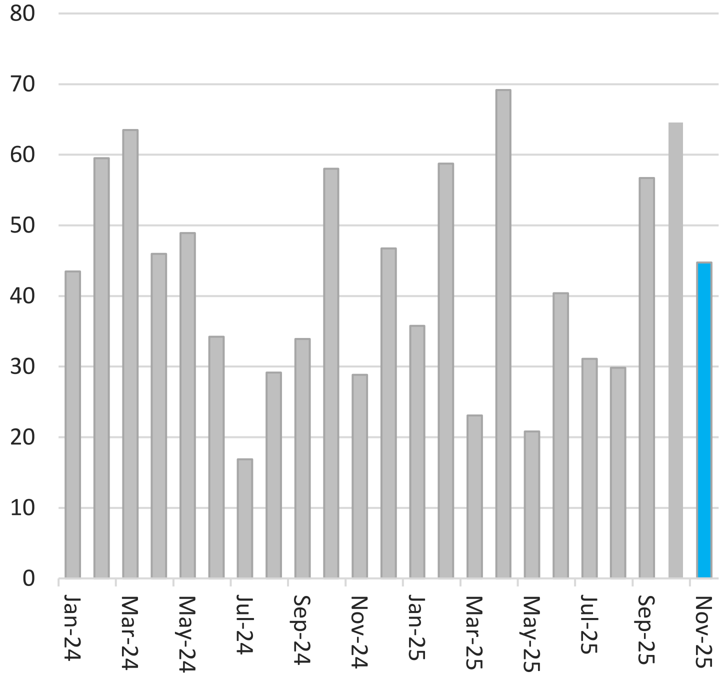
PMI indices
Level



	Q4 2025	Q3 2025	Data up to
Workers registered to the Social Security system (qoq growth in %, SA)	0.6	0.5	Nov.
CaixaBank Consumption Monitor (yoy growth in %)	4.1	3.2	Nov. 30th
Retail sales (qoq growth %, SA, real)	0.4	0.9	Oct.
Manufacture PMI level, >50 expansion	51.8	52.6	Nov.
Services PMI level, >50 expansion	56.1	54.2	Nov.

Note: (1) PMIs are in green if > 50.The remaining indicators, are in green if > 0.

Social Security registered members*
Month-on-month change (thousand)



Note: (*) Seasonally adjusted.
Source: CaixaBank Research, with data from the MISSM.

- **Indicators of economic activity remain solid in Q4.** Social Security enrollment rose by about 45k workers in November after seasonal adjustment. On average, employment in October and November was 0.6% higher than in Q3, marking a slight acceleration from the previous quarter's 0.5% growth. Meanwhile, the manufacturing PMI in November eased from 52.1 to 51.5 but stayed comfortably above the 50-point threshold that signals expansion, while the Services PMI remained at an elevated level, at 55.6 points.
- **CaixaBank Research's Consumption Indicator** shows spending picked up in the first two months of Q4.
- **Upside risks to our GDP growth forecast of 0.5% qoq for Q4 given the strength of activity indicators**. Based on available data, our nowcasting model predicts growth of 0.8% QoQ. Airef's nowcasting model is predicting a similar growth rate.

The savings rate remains high, strengthening households' future spending capacity

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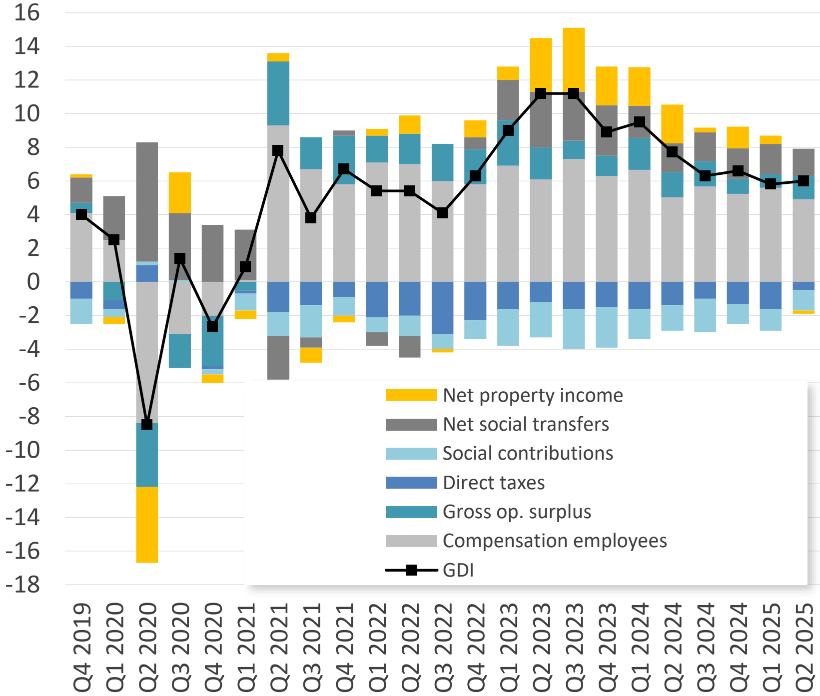
Gross disposable income (GDI)

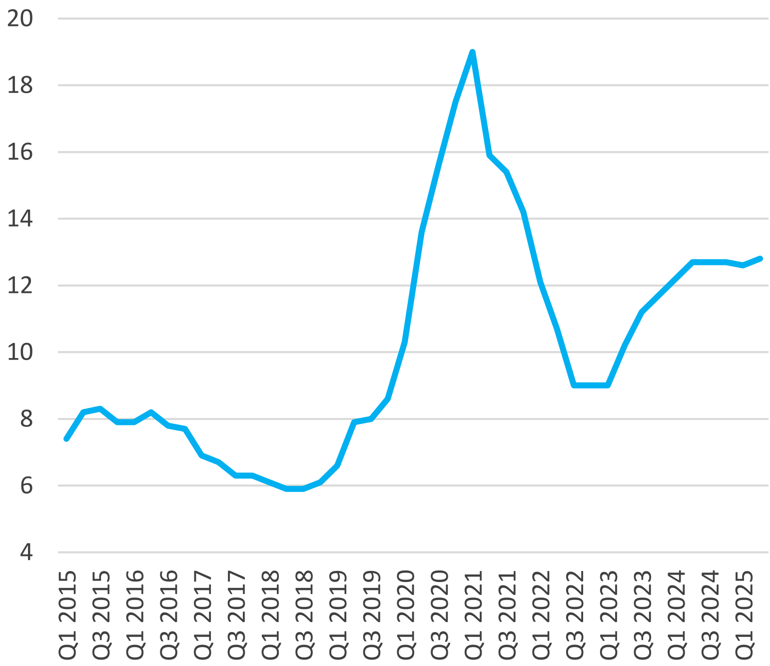
Year-on-year variation (%) and contributions



Source: CaixaBank Research, based on data from INE.

Savings rate

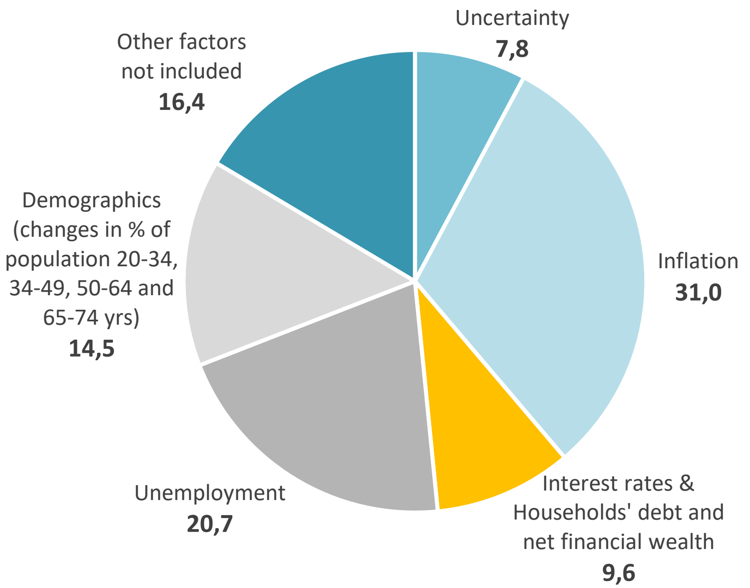
% Gross Disposable Income



Note: Accumulated data four quarters.
Source: CaixaBank Research, based on data from INE.

Factors Explaining the Variation in the Savings Rate

(% of the total variance)



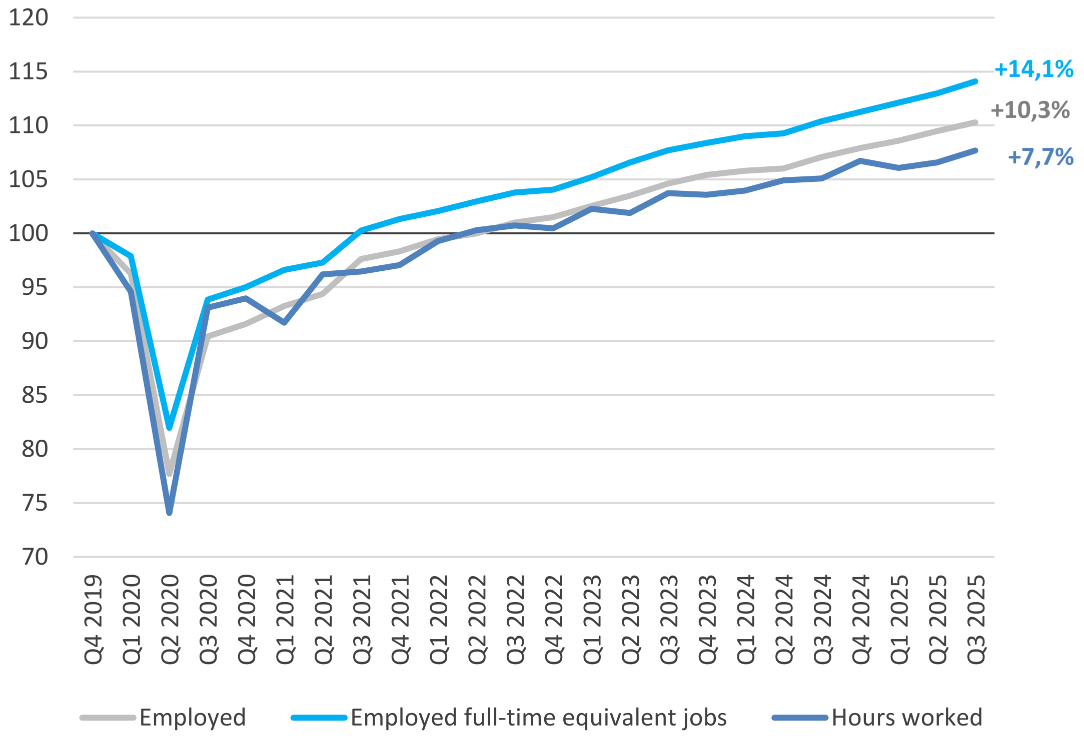
Note: The explanatory variables are also expressed as the difference from their value one year ago (in the case of inflation, this is by definition the year-on-year change). The variation in uncertainty is taken with a lag, as its impact is greater than with the contemporaneous value.
Source: CaixaBank Research.

- The savings rate in 2024 was 12.7% of GDI. **The savings rate in Q2 25** (cum. 4 quarters) **sits at 12.8%**, 0.2 pp higher than in Q1 2025 and significantly above the long-term average of 8.6% (2000-2019).
- **Inflation and the unemployment rate are the key factors** explaining the variation in the household savings rate in Spain over the past 25 years, accounting for more than half of the total variance. This gives us confidence that the savings rate will decline over the coming quarters and years. As the unemployment rate decreases, the savings rate should fall (since higher unemployment tends to increase savings due to precautionary motives). Moreover, as inflation stabilizes, its contribution will become more neutral.
- **The savings rate remains high, which strengthens future spending capacity**. After stabilizing in 2025, we expect a gradual decline in the coming years and to stabilize at around 10% by 2030. Each percentage point decrease in the savings rate raises GDP by approximately 0.45 p.p. Thus, the cumulative drop we estimate of 3 p.p. between 2026 and 2030 would contribute about 0.3 p.p. per year to GDP growth.

Decoupling between productivity per hour worked and productivity per employee

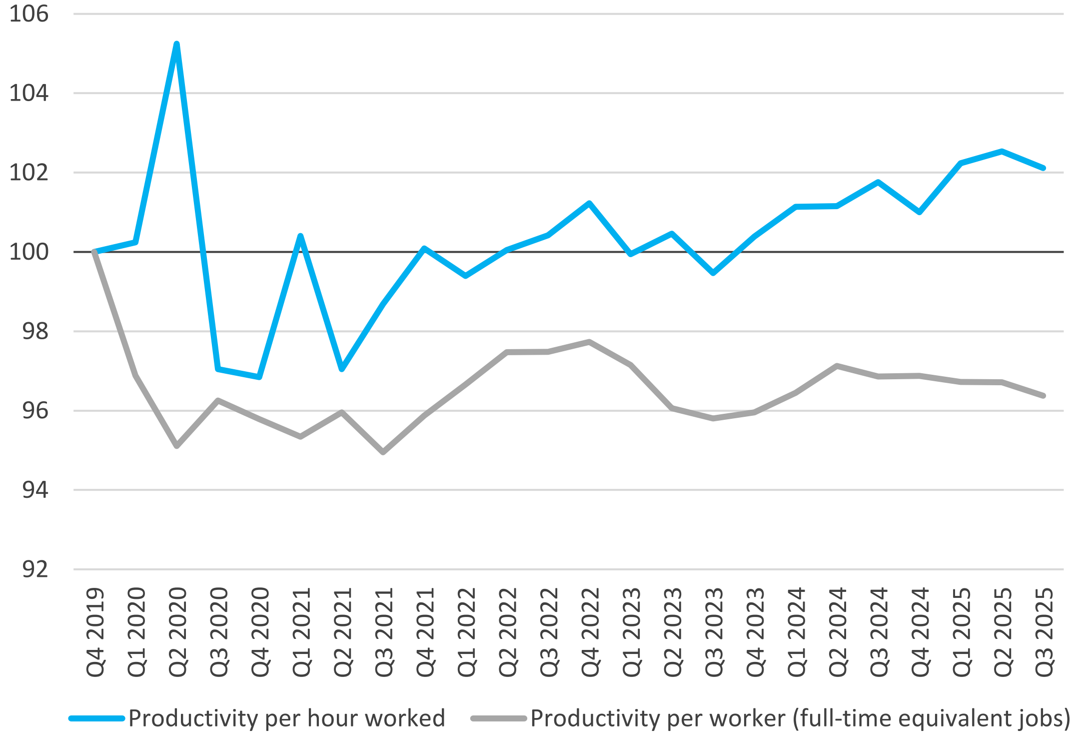
Employment and hours worked

Level (Q4 2019 = 100)



Productivity

Level (Q4 2019 = 100)

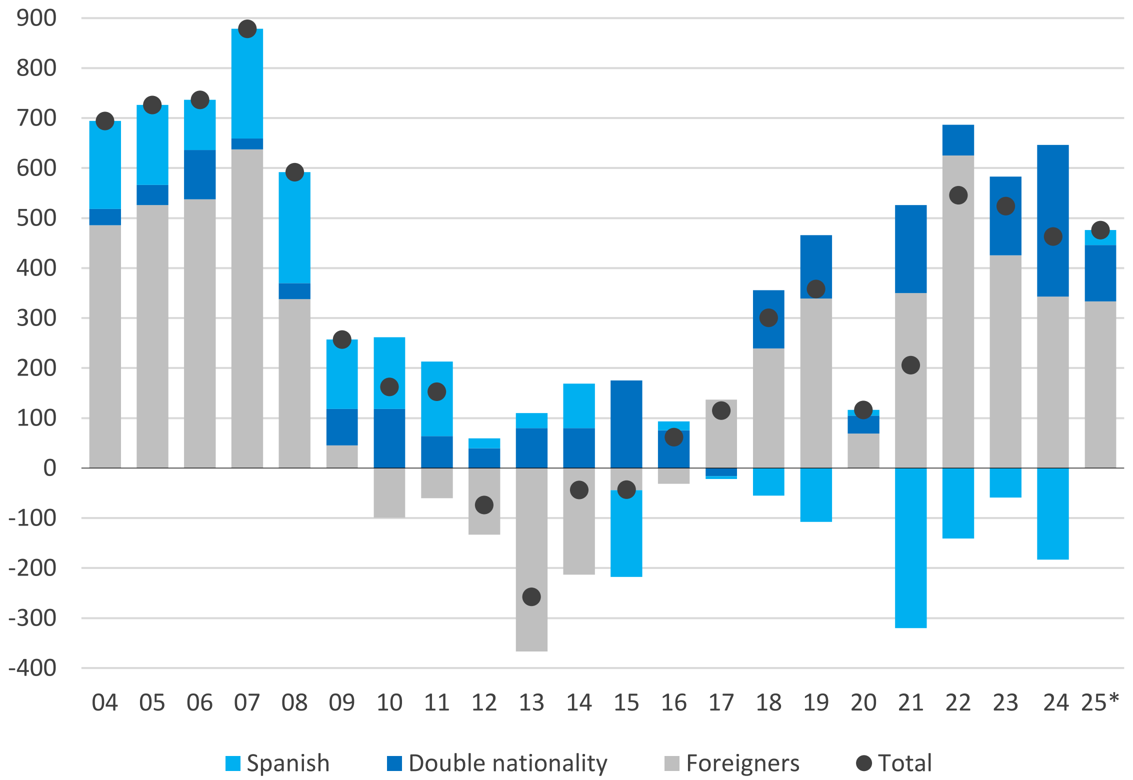


- **GDP per hour worked has grown by 0.8% annually since 2022**, twice the rate of the 2015–2019 period, and is now 2.1% above the pre-pandemic level. In contrast**, GDP per worker in full-time equivalent jobs terms has grown by 0.3% since 2022** (0.2% in 2015–2019) and remains 3.6% below the pre-pandemic level.
- The reason of the decoupling is a reduction of the average hours worked per worker. Main factors behind: Increase in work permits and in temporary disability leaves.
- The decoupling between the evolution of employment and hours worked is unlikely to persist much longer. Hence, growth of both variables should gradually converge in the medium run.

Demographics and the labor market continue to drive growth

Total population

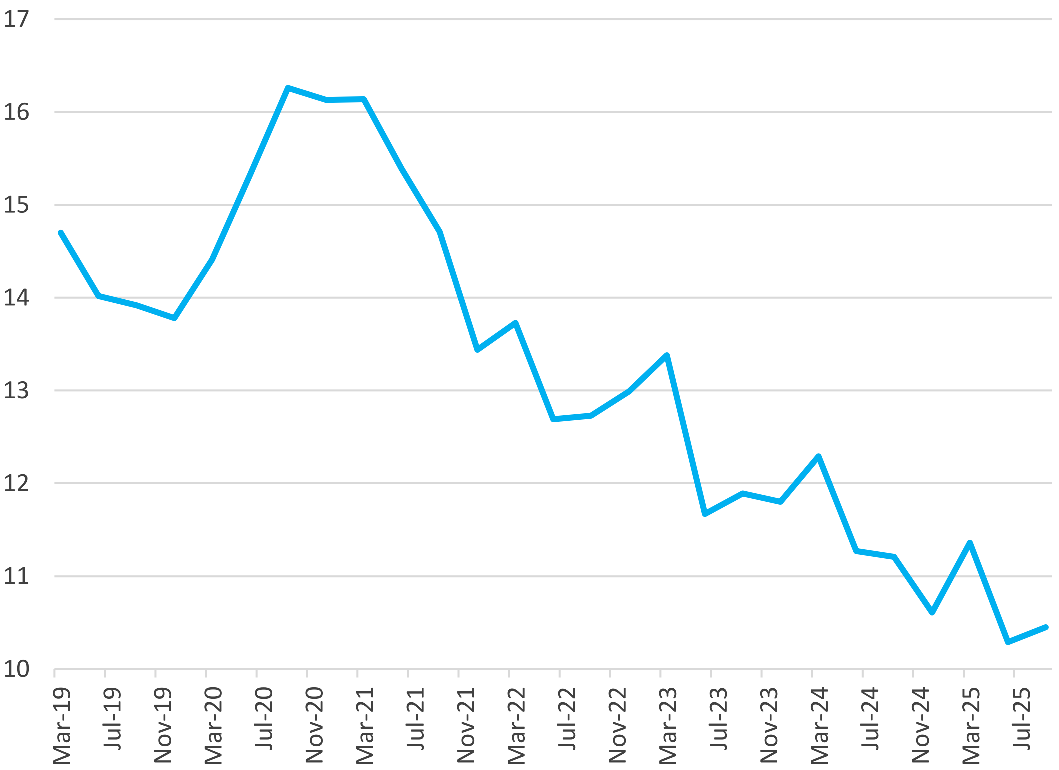
Annual variation in thousands



Note: (*) Q3.
Source: CaixaBank Research, with data from EPA.

Unemployment rate

% of active population



Source: CaixaBank Research, with data from EPA.

- **Employment in Spain** grew 2.6% yoy in Q3 2025, a 0.1pp deceleration compared to Q2 2025, but still dynamic.
- **Active population** increased 1.7% yoy in Q3 2025, up 0.1pp from Q2 2025. At the same time, total **population** grew 1.0% yoy, driven by strong migration flows.
- As a result of the rise in active population, the **unemployment rate** went up to 10.5% in Q3 (10.3% in Q2), still 0.7pp below Q3 2024.

Substantial heterogeneity in demographic growth

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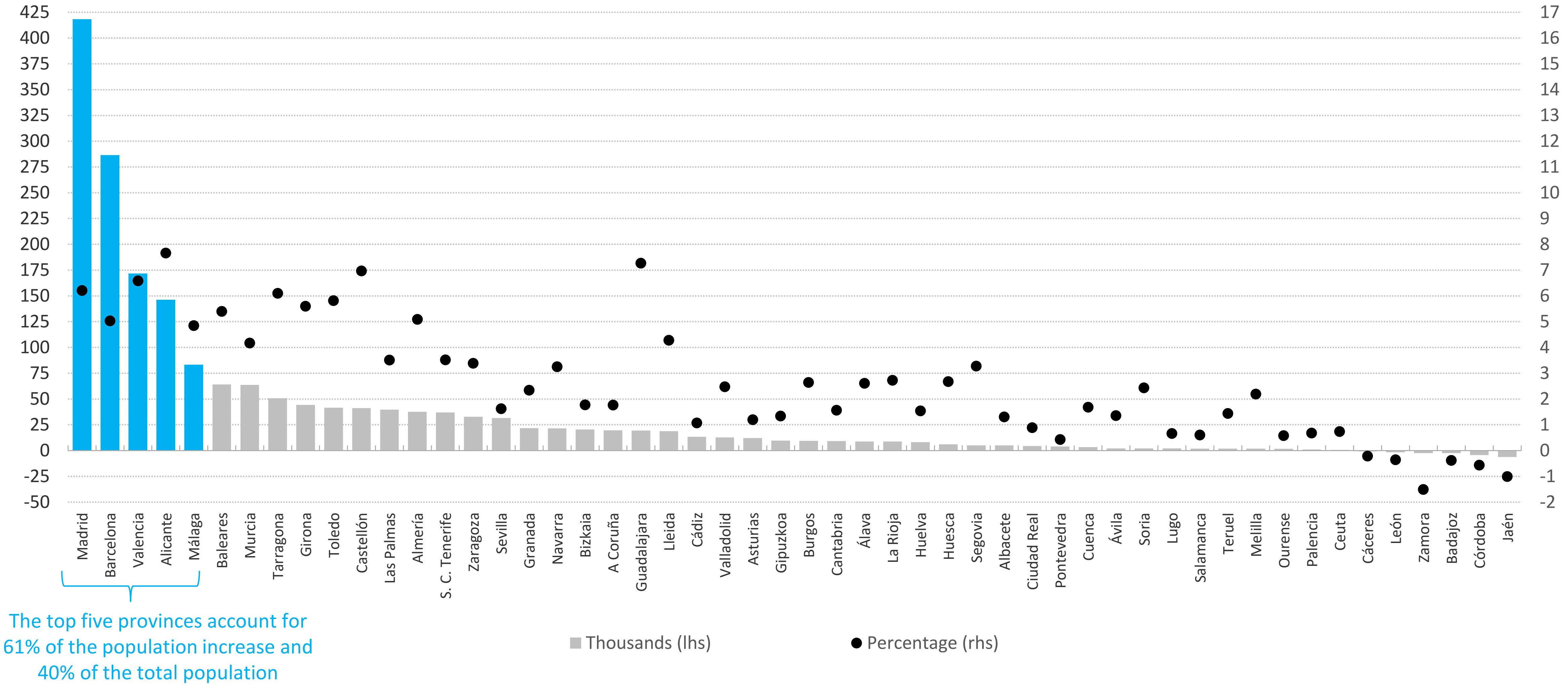
Population by province

Variation between January 1 2022 and July 1 2025 (3.5 years)



In November, inflation broke the upward trend it had shown since June

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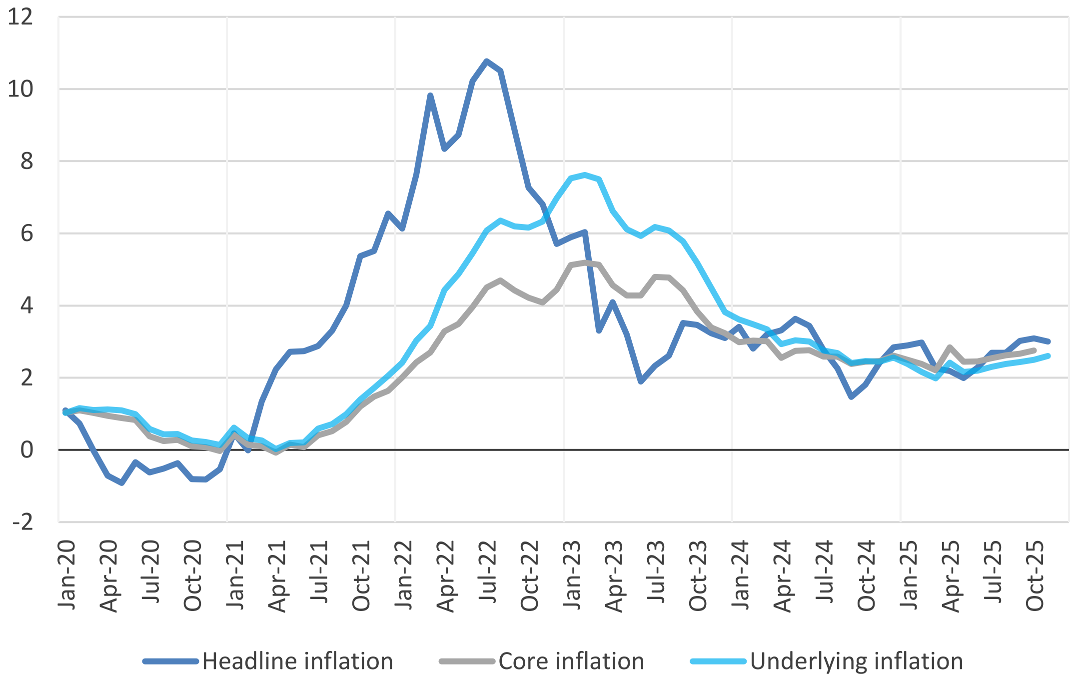
Inflation

Year-on-year change (%)



Note: Underlying inflation excludes energy and non-processed food. Core inflation excludes energy and food.
Source: CaixaBank Research, based on data from INE.

Inflation forecasts

Year-on-year change (%)

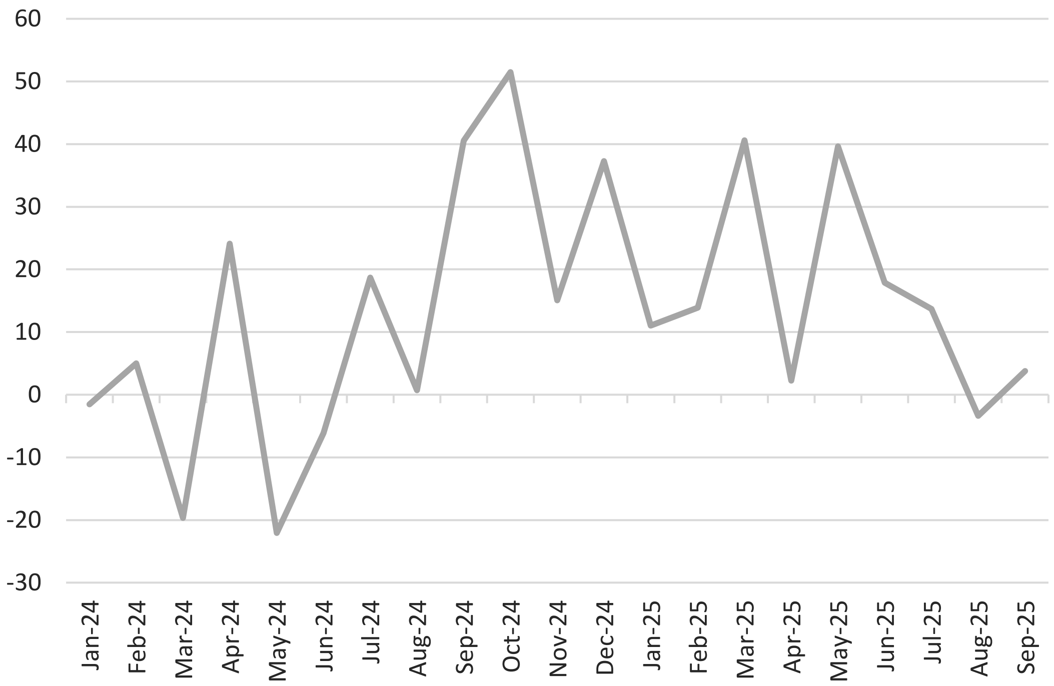
	2024	2025 (f)	2026 (f)
Headline inflation	2,8	2,5	2,0
Underlying inflation (excl. energy and non processed food)	2,9	2,2	2,2
Core inflation (excluding energy and food)	2,7	2,4	2,4
- Industrial goods	0,7	0,4	0,5
- Services	3,5	3,3	3,2
Food, beverages & tobacco	3,6	2,7	1,7
Energy	1,0	2,8	-0,5

- **Inflation in November marks the end of a six-month upward trend, a spike driven by rising energy and non-processed food prices.** Headline inflation fell by 0.1pp in November, down to 3.0%. The decline was more modest than we expected. This slight decrease was mainly driven by lower electricity prices, partially offset by upward contributions from food and the leisure and culture group.
- **The latest data suggest that inflation rates will take longer than we anticipated to decline steadily toward about 2%**. Inflation has surprised to the upside in recent months due to electricity and some services.
- **Inflation as a key reference for pension updates and wage negotiations in the public sector.** The November inflation figure of 3.0% places the average annual inflation rate over the past 12 months at 2.7%. If confirmed, this figure will be used to revalue contributory pensions in 2026. In parallel, wage agreement with civil servants sets salary increases in line with inflation for 2025 and 2026, but above inflation in 2027 (4.5% vs. a projected inflation rate slightly above 2.0%).

Housing transactions remain strong but have recently moderated

Spain: House transactions

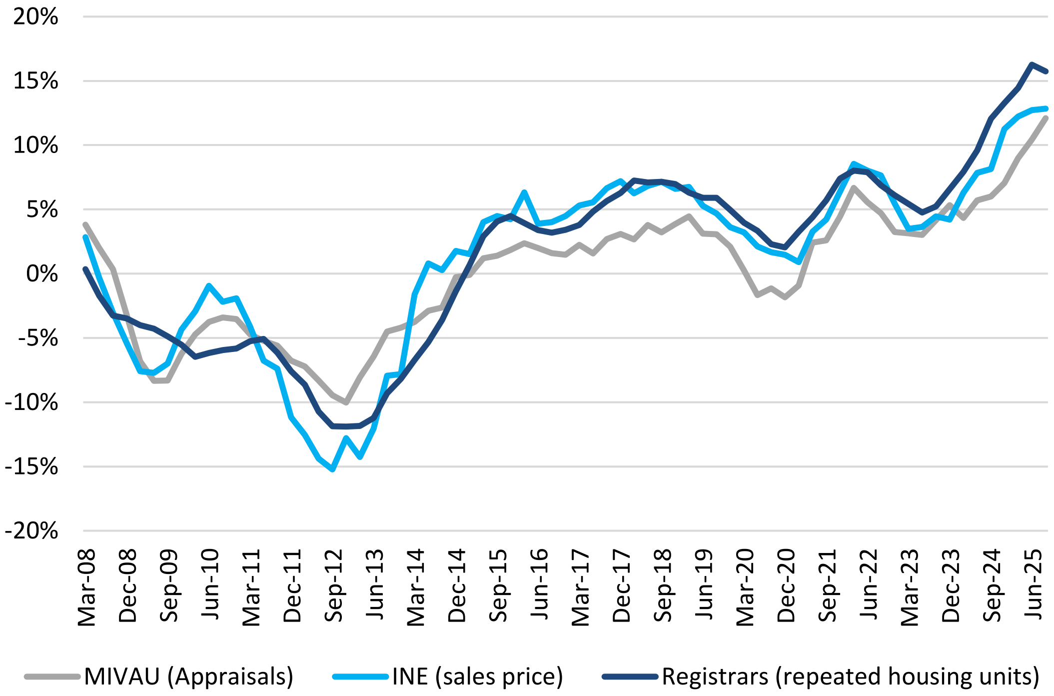
Year-on-year change (%)



Source: CaixaBank Research, based on data from INE.

Spain: Housing price indexes

Year-on-year change (%)



Source: CaixaBank Research, based on data from MITMA.

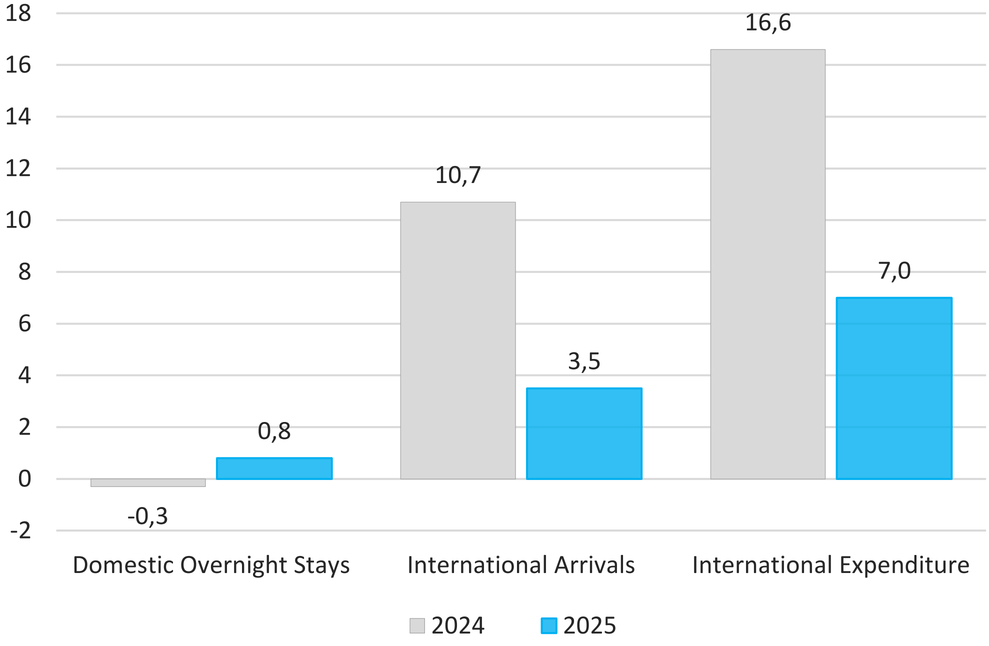
- **Housing transaction growth has eased slightly in the last two releases**. This moderation is not unexpected, as year-on-year comparisons have become less favorable following the strong rebound in the second half of 2024. After several months of double-digit increases, sales declined in August (-3.8% yoy) and posted only a marginal rise in September (+3.8% yoy). Even so, residential activity remains historically strong, with 707,800 transactions recorded in the 12 months to September, according to INE figures.
- While increasing housing supply is highly agreed as a key point to reduce pressures on prices, current data suggest that progress is slower than expected. **Building permits reached 133,000 in the 12 months to September**, up just 9% year-on-year, signaling a slowdown in future housing supply after a 17% increase in 2024.
- **Housing prices continue to grow at a strong pace in Q3 2025.** Recent data indicate that short-term price pressures remain. In Q3, price growth maintained its upward trend according to INE (12.8% YoY vs. 12.7%) and MIVAU (12.1% vs. 10.4%), while growth in the repeated-sales index from the Registers eased slightly for the first time since 2022 (15.7% YoY vs. 16.3%).

Positive outlook for the tourist and external sector

CaixaBank

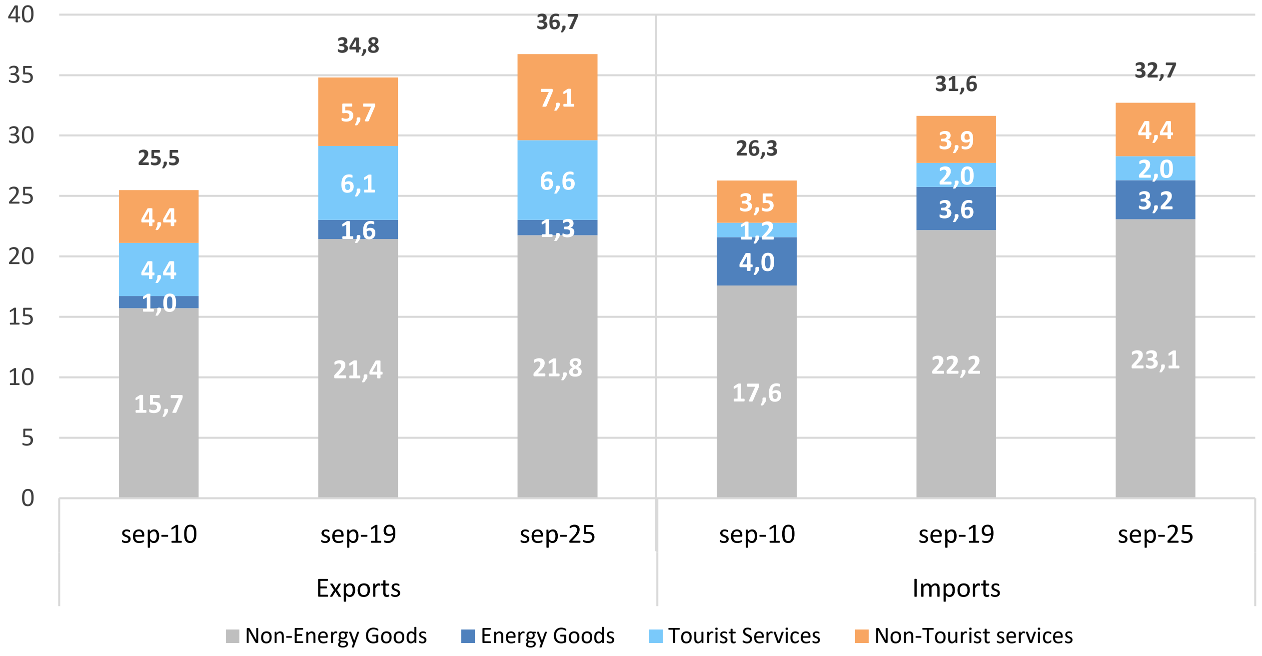
International Tourism

Year-on-year change in January-October(%)



Exports and Imports of Goods and Services

Year-to-date (% of GDP)

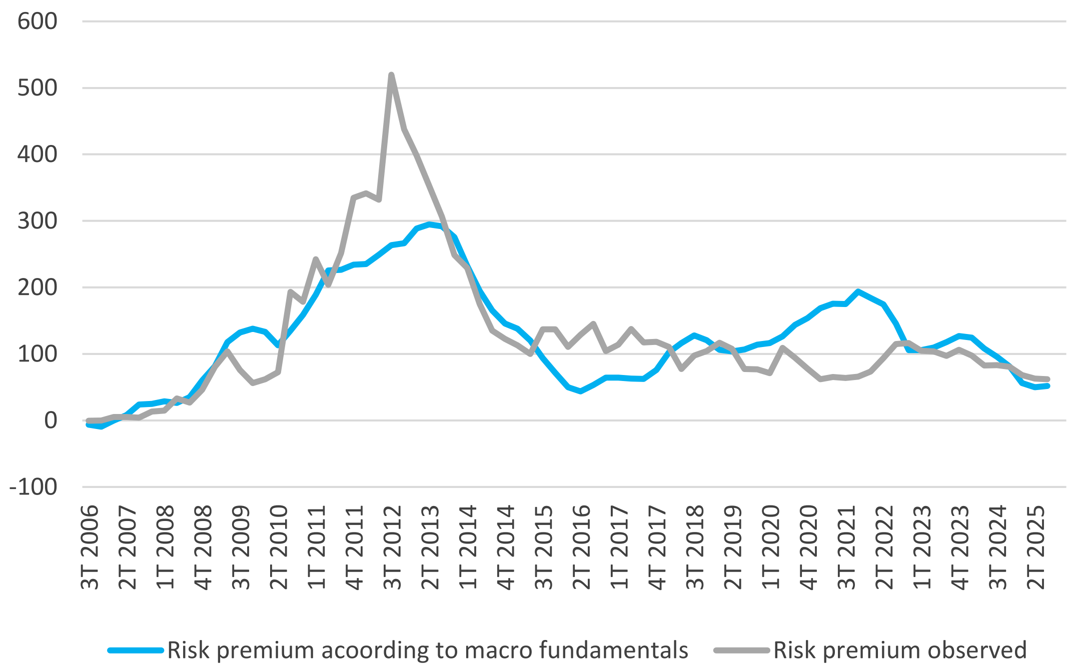


- **The tourism sector continues to grow, albeit at a more modest pace**. In the first ten months of 2025, international arrivals rose 3.5% year-on-year, while international tourist expenditure increased by 7.0% yoy. These figures represent a marked slowdown compared to the respective 10.7% and 16.6% increases recorded in the same period of 2024. This moderation supports our forecast for tourism GDP growth of +2.7% in 2025 and +2.5% in 2026 (vs. +6.0% in 2024). Between January and October, Spain welcomed 85.7 million international tourists, 2.9 million more than in the same period last year. Overnight stays by residents in tourist accommodations were nearly flat (+0.8% yoy). Looking ahead, we expect robust growth during the low season and more moderate growth in the high season.
- **Trade surplus as a percentage of GDP is 0.8 pp higher in 2025 than in the pre-COVID period**. From January to September 2025 (accumulated), the trade surplus reached 4.0% of GDP, 0.8 pp above the level in the same period of 2019. This improvement is mainly driven by the strong performance of services exports, which rose by 2.0 pp of GDP compared to pre-pandemic levels.
- **The increase in imports has put pressure on the trade balance**. Spain's external sector recorded a smaller trade surplus compared to the previous year, mainly due to higher imports of non-energy goods (+7.0% yoy, Jan–Sep), reflecting strong domestic demand for consumption and investment, versus a more modest 2.2% yoy rise in exports of these goods. Meanwhile, services continued to expand, with non-tourism services posting an exceptional 26.9% yoy growth. Overall, the trade balance registered a surplus of around €50 billion, down 8.5% yoy.

Spain: limited scope for contagion from France’s strained fiscal situation

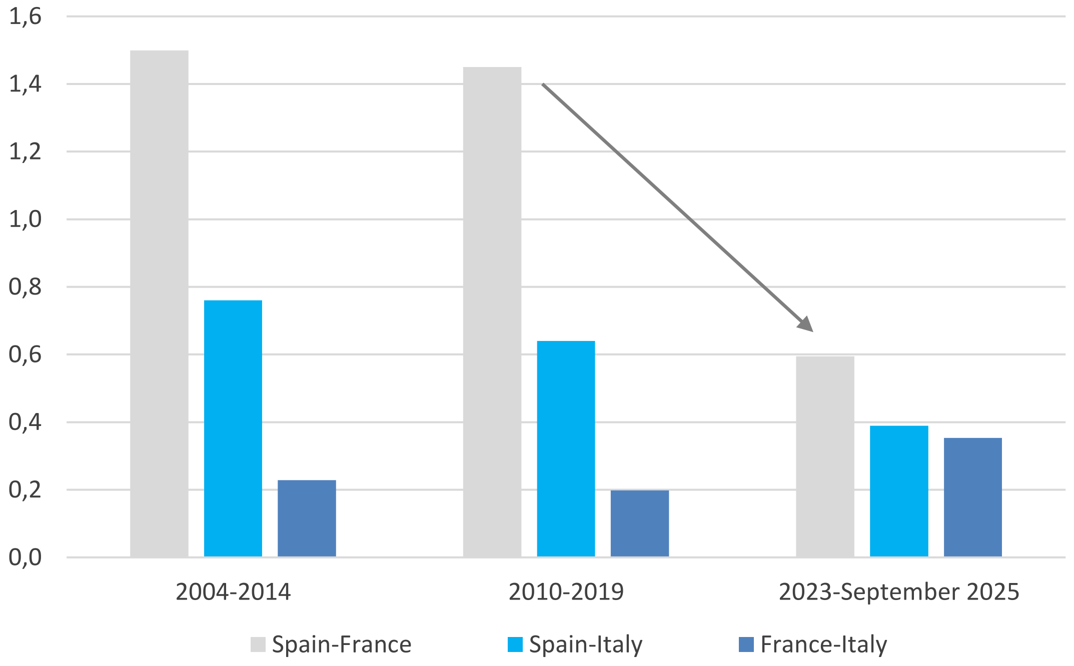
Spanish 10yr sovereign risk premium

Basis points



Sovereign risk premiums: pair-wise sensitivities

Basis points

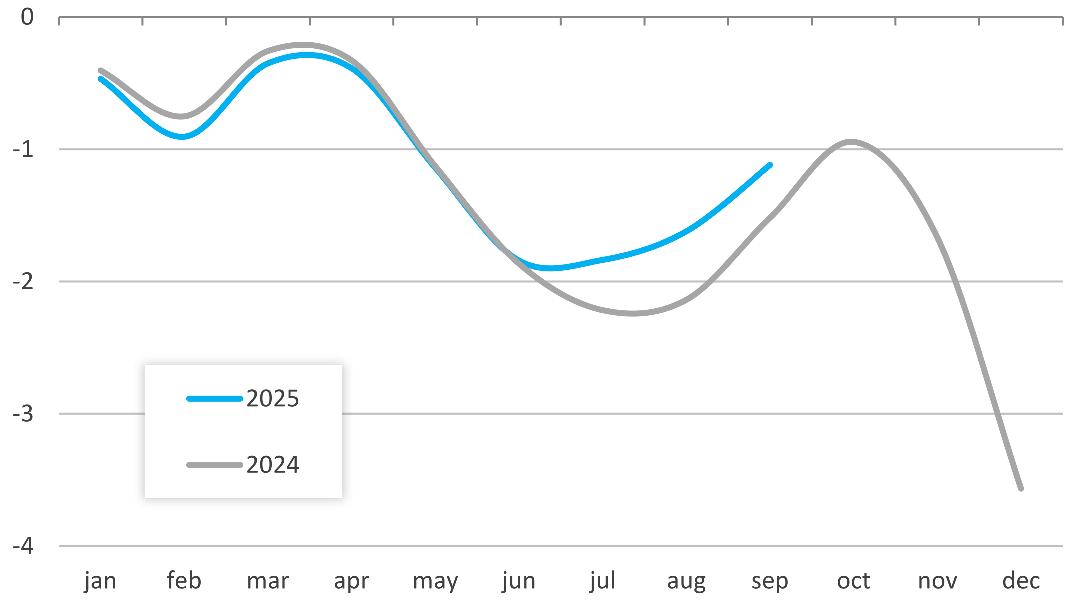


- French debt is rising to ~116% of GDP by year-end (from 109.8% in 2023), while Spain’s is declining from 115.7% in 2021 to just above 100% in 2025, though still above most developed peers. **Spain’s deficit is projected at slightly less than 2.7% of GDP in 2025** vs. 5.4% in France.
- **Spain maintains stable debt maturity (~8 years)**; France’s has slightly shortened.
- **Spain’s market risk premium is aligned with macro fundamentals** (growth, inflation, debt, ECB rates).
- Decoupling from Peers: **Spain’s risk premium has become significantly less sensitive to French and Italian spreads**—especially in 2023–2025 precisely when Spain’s risk premium has fully realigned with its macro fundamentals.
- **In September, S&P, Moody’s, and Fitch upgraded Spain’s credit rating**: S&P raised it from A to A+, Moody’s upgraded it from Baa1 to A3, and Fitch improved it from A- to A. These positive revisions contrast with Fitch’s downgrade of France’s rating from AA- to A+ in September 2025, followed by S&P lowering its rating to A+ in October, and Moody’s assigning a negative outlook later that month.

Public deficit expected to fall in 2025

Budgetary execution: Financing needs Public Administrations*

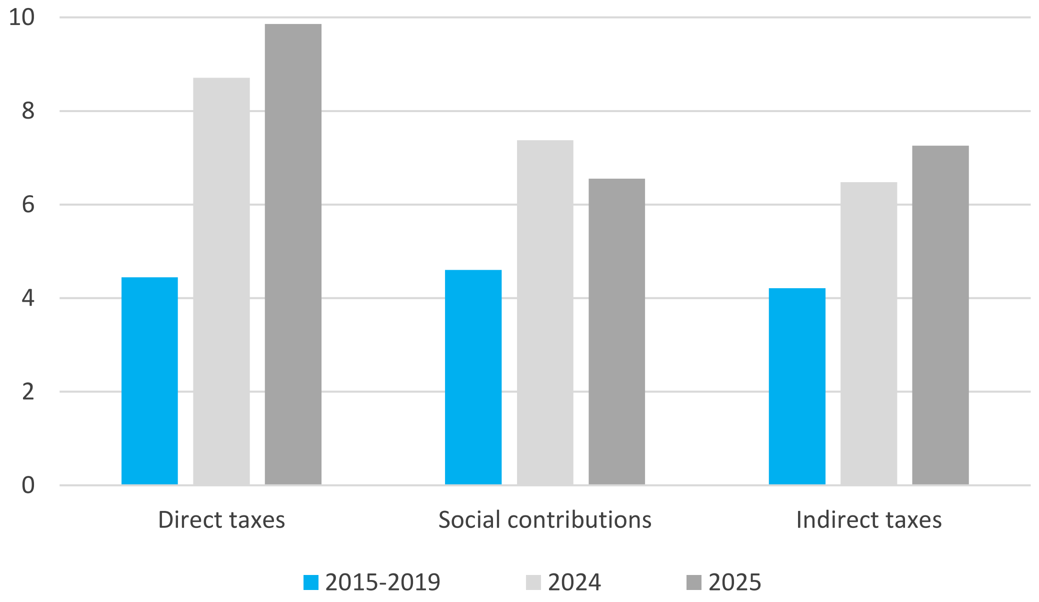
% GDP



Note: *Consolidated data excluding Local Corporations due to lack of data.
Source: CaixaBank Research, with data from IGAE.

Tax revenues: consolidated general government taxes*

Year-on-year change in the cumulative figure for the year to September in all years (%)



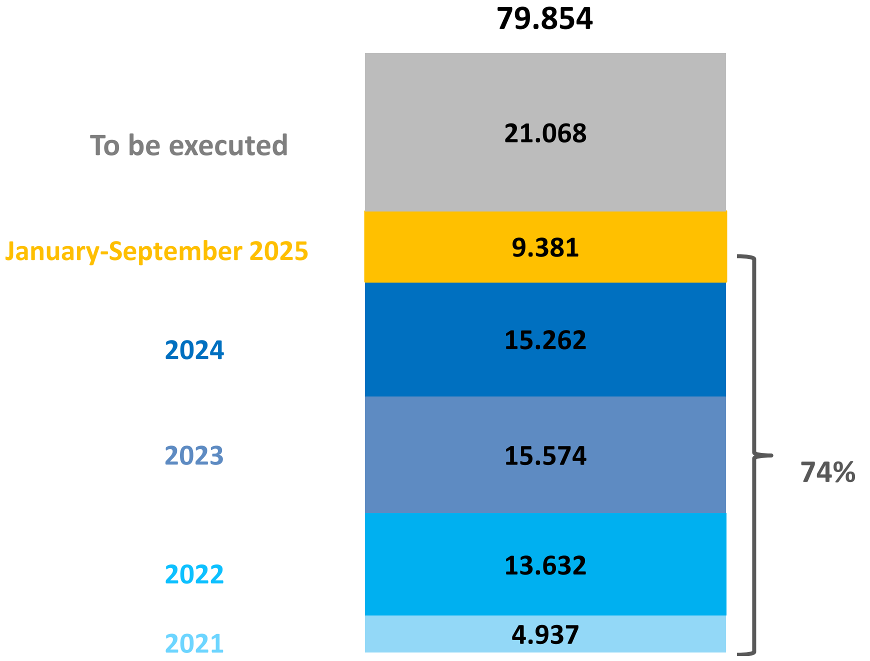
Note: *Excluded Local Corporations.
Source: CaixaBank Research, with data from IGAE.

- In the first 9 months of the year, **fiscal revenues** (taxes plus social contributions) grew at a yoy rate of 7.8%, while expenditures rose by 5.7% (+4.9% excluding extraordinary DANA-related spending), contributing to the reduction in the deficit. Direct taxes are growing at a very dynamic pace due to strong employment and the positive performance of capital withholdings and corporate profits. Indirect taxes are being boosted by the consumption dynamism and the end of tax discounts on VAT for electricity and food.
- Deficit 2024: 3.2% of GDP (including extraordinary DANA spending). **Recent budgetary execution has been very positive thanks to dynamic revenues growth and it points to downward risks to our 2.7% forecast deficit in 2025** (including extraordinary DANA spending). Public deficit could be close to 2.5% of GDP.
- **General compliance with fiscal rules in 2025–2026**: According to European Commission projections, Spain will show a slight deviation from the annual target for net primary expenditure (excluding interest, NGEU-related spending, and new revenue measures) in both 2025 and 2026, amounting to 0.3% of GDP each year, which is exactly at the permitted threshold under the fiscal framework. If we sum up the deviations for 2024–2026, the cumulative deviation would be 0.2% of GDP, well below the 0.6% limit, thanks to the buffer created in 2024. The government's medium-term commitment is that net primary expenditure cannot grow by more than 3.0% per year on average between 2025 and 2031.

NGEU: The Recovery Plan keeps being deployed

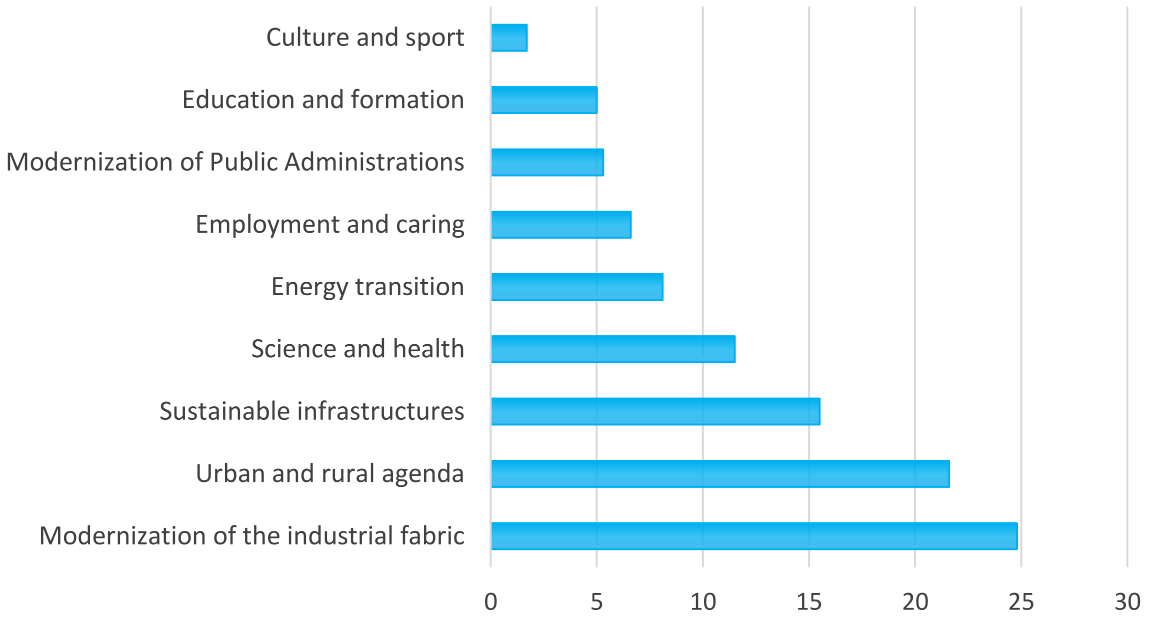
CaixaBank

Execution of PRTR
Total grants (Million euros)



Note: Execution is defined as the awarding of tenders and grants.
Source: CaixaBank Research, based on data from the ELISA portal, Government of Spain.

Resolved calls by area
% over the total resolved



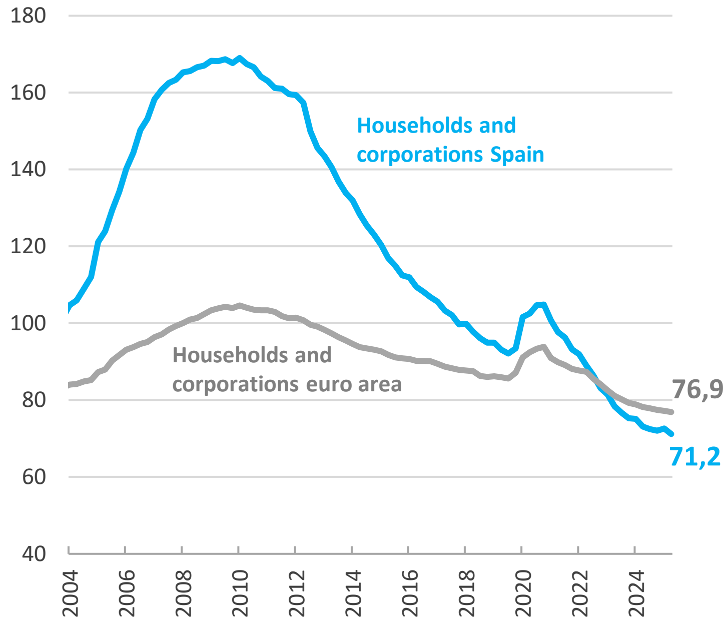
Source: CaixaBank Research, based on data from the ELISA portal, Government of Spain.

- **By the end of September, €58.8 billion have been executed**, representing 74% of the total allocation of grants from the Plan (almost €80 billion).
- **44%** of the milestones and targets of the Recovery Plan (considering grants+loans) have been completed. This corresponds to 49.4% for grants and 15.0% for loans.
- **The deadline to execute and justify all milestones required to implement the investments and reforms under the Plan is August 31, 2026**. Member States must submit payment requests by September 30, 2026, and disbursements of grants and loans from the European Commission to Member States can be made until December 31, 2026. The Ministry of Economy has confirmed that Spain will not request the full amount of NGEU loans (€83.2 billion allocated). The government is finalizing a new addendum to the Recovery Plan. So far, the EC has already transferred €16.27bn in loans.
- The **Kit Digital** program with a budget of 3.1 bn has exceeded EU targets by granting over 860,000 subsidies (127% of the goal), processing more than 1.2 million applications, and completing over 500,000 projects.
- The execution of grant-funded expenditures in January-September 2025 amounted to 9.38 billion (€9.36 billion in January-September 2024). **We expect execution to gain traction in in 2026** as virtually all grant-funded projects are now underway and some projects financed with loans from the Addendum will be executed next year (The Government has approved thus far loan-financed projects totaling nearly €7 billion).

Banking system: robust credit growth

Bank credit to the private sector

% GDP



Note: latest data available as of Sep-25.
Source: Caixabank Research with data from ECB, Eurostat.

Private domestic credit

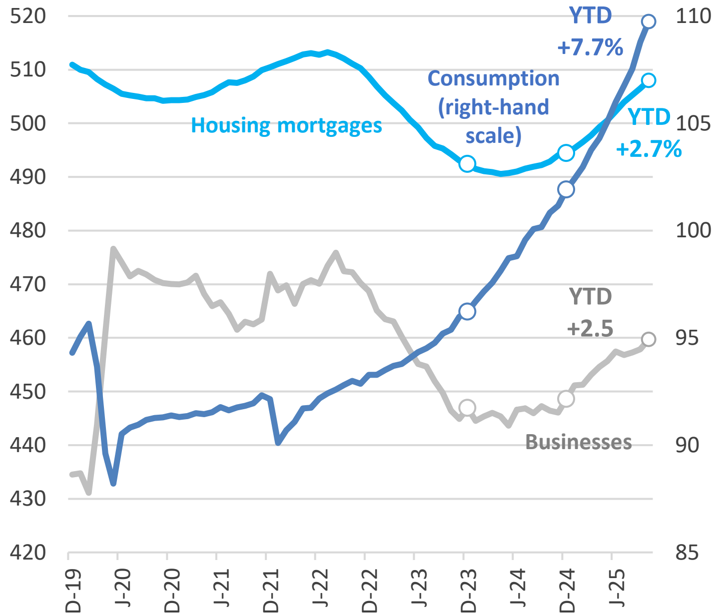
Year-on-year (%)

	Dec-24	Oct-25 (latest)	2025 (forecast)
	% yoy	% yoy	% yoy
Total credit	**0.7%**	**3.2%**	3.8%
Households	0.9%	3.4%	3.9%
Housing mortgages	0.3%	3.0%	3.8%
Other purposes	2.3%	4.3%	4.1%
Of which consumption	5.8%	9.6%	7.0%
Businesses	0.4%	3.0%	3.7%
Non-real estate developers[1]	0.0%	2.0%	-
Real estate developers[1]	1.9%	4.6%	-

Note: (1) latest data available Jun-25.
Source: Caixabank Research with data from Bank of Spain.

Private domestic credit

€Bn, Year-on-year % (seasonally adjusted)

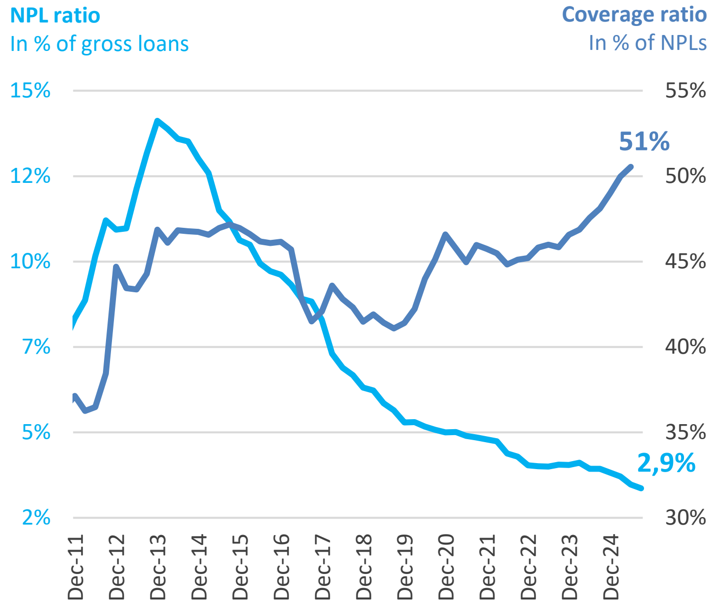


Note: latest data available as of Oct-25.
Source: Caixabank Research with data from Bank of Spain.

- **Households and corporate debt levels** (including debt securities) remain below euro area averages in 2Q25. Both sectors have deleveraged in terms of GDP, siting below pre-pandemic levels.
- **New mortgage production** continues to show notable dynamics in Oct-25 with the change in interest rate expectations (accumulated new lending from January to October grows +26.1% yoy).
- **New lending for consumption** increases favored by improvements of consumer confidence (accumulated new lending from January to October grows +19.8% yoy).
- **New lending to corporates** grows especially in loans above 1M€, but allso in smaller ones (accumulated new lending from January to October grows +9,6% yoy).
- **Consequently, the growth of the stock of credit to the Spanish resident private sector accelerates up to October.** We expect this trend to continue in the year and gradually converge to a growth rate barely below nominal GDP growth.

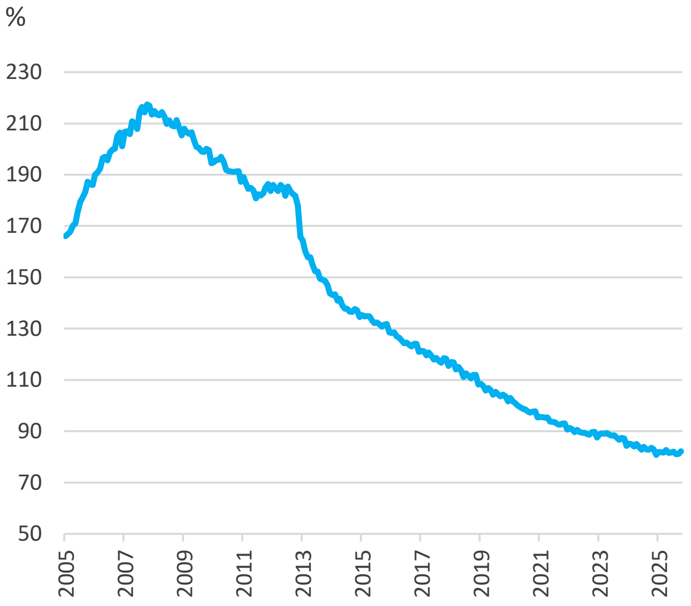
Banking system: solid financials

NPLs and coverage ratios[1]



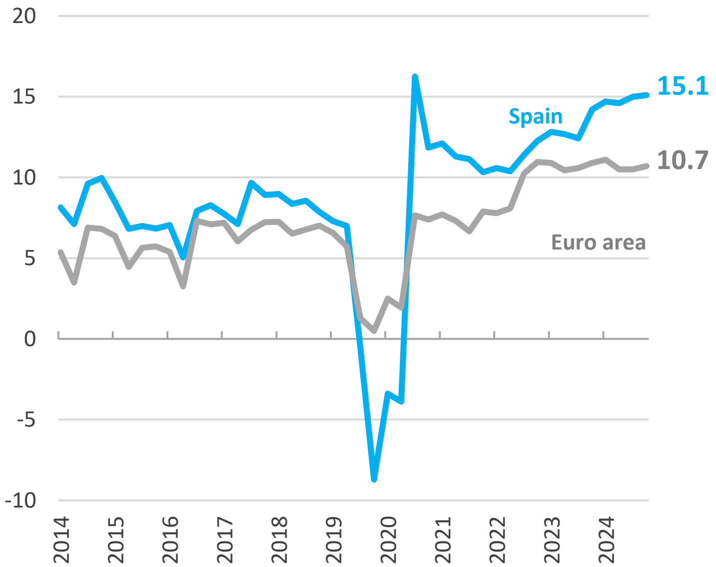
Note: (1) latest available data Sep-25 and Jun-25, respectively
Source: CaixaBank Research with data from Bank of Spain.

HHs & NFCs loan to deposit ratio



Note: loans and deposits to residents in Spain, on a non-consolidated basis. Latest data available Oct-25.
Source: CaixaBank Research with data from Bank of Spain.

Banks' profitability



Source: CaixaBank Research with data from EBA (Dashboard-Q2 25).

- **NPLs remain stable around 3.0%.** The share of stage 2 loans on a group level decreased to 6.2% in 2Q25, remaining below EU level.
- **Household and non-financial corporation (NFC) deposits reached a level in October close to the all-time high recorded in June 2025, reflecting the persistently high savings rate.** Seasonally adjusted data show strong growth (+4.8% yoy in Oct'25). Loan to deposit ratio remains stable at very comfortable levels (c. 80%)
- **Profitability is increasing (ROE stood at 15.1% in 2Q25)** thanks to higher loan volumes and solid fee growth, which offset the decline in net interest income and the impact of the extraordinary bank tax (rate that ranges between 1%-7%). This tax accrues quarterly in 2025 (compared to its full accrual in the first quarter of 2024).
- **The capital position of Spanish banks remains comfortable with a 13,2% CET1 ratio in 2Q25.** The latest stress tests, both EU-wide tests coordinated by the EBA for 2025-2027 and the Bank of Spain's own stress testing for 2025-2029[1], show that the Spanish banking sector's capital position provides a considerable level of aggregate resilience in the face of various adverse scenarios.

Note: (1) Forward-Looking Exercise on Spanish Banks (FLESB). Additional adverse shocks are applied to credit risk under the FLESB framework compared with the EBA exercise. Financial Stability Report Autumn, 2025. Bank of Spain.