



# Spain

## Macroeconomic & Financial Outlook

CaixaBank Research

# January 2026

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Activity	<ul style="list-style-type: none"><li>▶ We expect the ECB to stay remain on hold over the coming quarters, keeping the depo rate at 2.00% and reaffirming a data-dependent and meeting-by-meeting approach amid resilient activity and inflation near target. Market expectations remain aligned with this stance.</li><li>▶ Spanish GDP expanded by 0.6% qoq in Q3 (2.8% yoy), outperforming the euro area average (0.3% qoq) and in line with expectations. Growth was driven by robust domestic demand, as strong private consumption and investment offset weaker goods exports.</li><li>▶ Activity indicators have been stronger than expected in Q4. PMIs sit firmly in expansion territory. Employment creation accelerated, with social security affiliation rising 0.7% qoq (vs. 0.5% in Q3). As a result, there have been 506k new affiliates in 2025, exceeding the 502k recorded in 2024. The CaixaBank Research Consumption Monitor shows domestic spending up 4.6% yoy in Q4 — the fastest pace since early 2023 — while foreign tourism continues to grow at a solid pace.</li><li>▶ Our nowcasting model points to Q4 GDP growth of 0.9% qoq, exceeding expectations. The strong performance of activity indicators in Q4 (Q4 GDP figure is to be released on January 30), introduces upward risks to our current 2026 growth forecast of 2.1%.</li><li>▶ We expect GDP growth to remain dynamic in 2026 supported by domestic private demand, lower interest rates, a gradual recovery in household purchasing power, demographic growth and NGEU funding.</li><li>▶ The Bank of Spain revised in December its GDP growth forecasts to 2.9% for 2025 (+0.3pp) and 2.2% for 2026 (+0.4pp), broadly in line with our outlook.</li><li>▶ Inflation ended December 2025 at 2.9%, down 0.1 pp compared with November. The annual average stood at 2.7%, slightly above our forecast due to greater-than-expected persistence in energy and services inflation. The return to the 2% target is likely to be slower than previously anticipated.</li><li>▶ Home sales remain strong (706k over the past 12 months to October), despite signs of recent moderation. Building permits issued in the same period (136k) continue to fall short of household formation (220k), further widening the housing deficit.</li><li>▶ 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 October points to a deficit amounting to around 2.5% of GDP (deficit in 2024: 3.2%), driven by strong fiscal revenue growth (+7.8% yoy).</li></ul>
Banking Sector	<ul style="list-style-type: none"><li>▶ New lending continues to show strong momentum. Higher activity levels in Nov'25 continue to drive new lending, accelerating the growth of the stock of credit. Domestic NPL ratio remains stable around 2.8% in October, below year-ago levels and in line with the historical average prior to the financial crisis. Although profitability declines slightly (ROE reaches 14.9% in 3Q25) in any case remains close to the maximum of the last ten years (vs. 10.7% in Euro Zone).</li></ul>

# Main economic forecasts

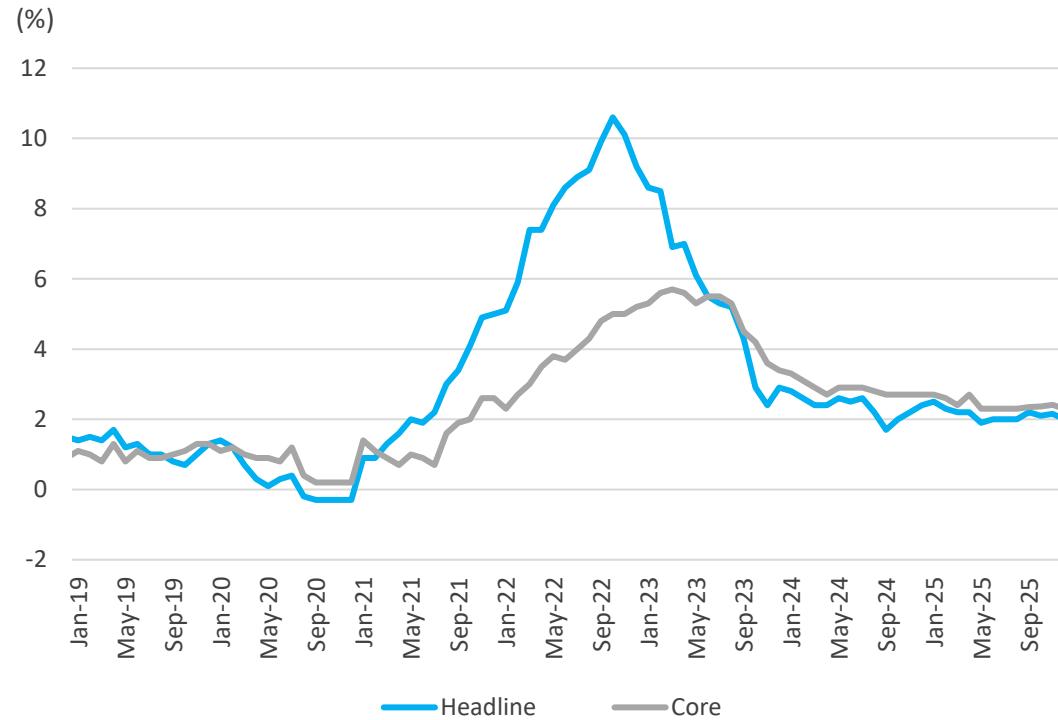
%. YoY. unless otherwise specified	Forecast								
	2024	2025	2026						
GDP	2.9	2.9	2.4	2.0	-10.9	6.7	6.4	2.5	3.5
Private Consumption	2.6	3.1	1.8	1.0	-12.2	7.2	4.9	1.7	3.0
Public Consumption	0.9	1.0	2.1	2.2	3.5	3.6	0.8	4.5	2.9
Gross Fixed Capital Formation (GFCF)	2.0	6.8	6.5	4.9	-8.9	2.6	4.2	5.9	3.6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

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

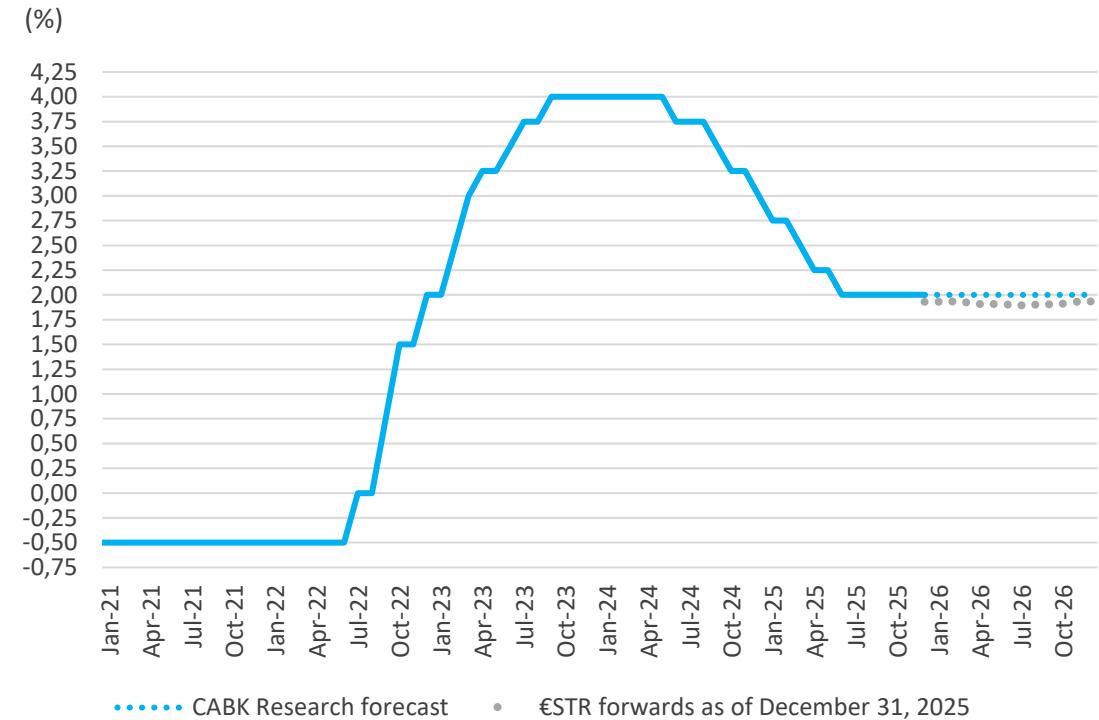
Source: CaixaBank Research.

# 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 December (depo at 2.00% since June 2025) as it strikes a balance between an uncertain global scenario, 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).

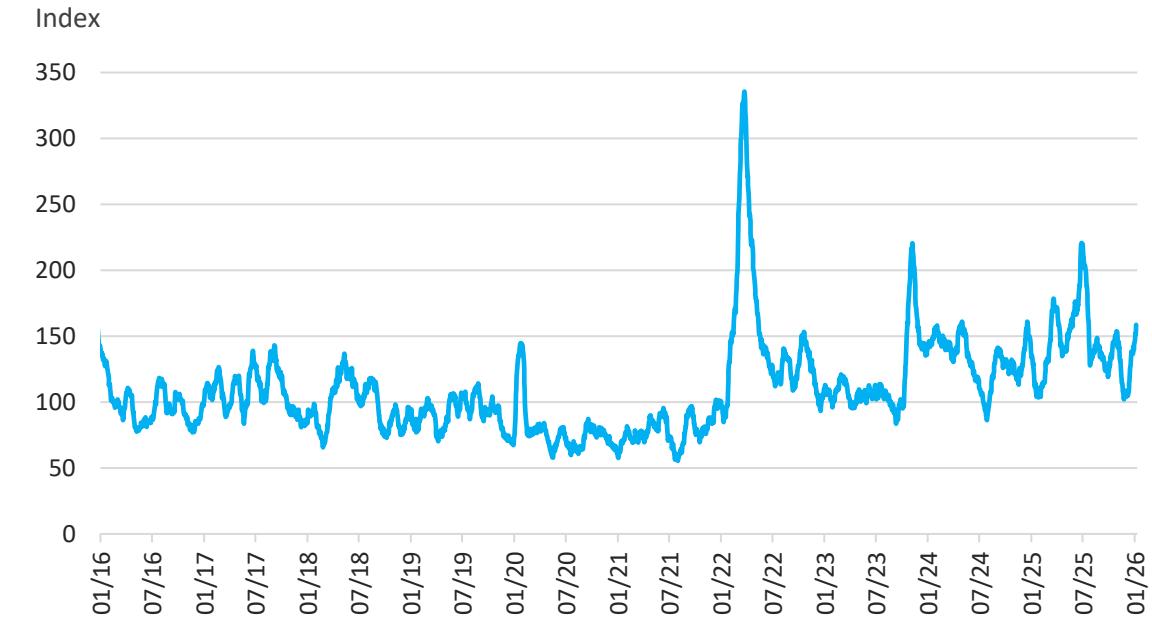
# Geopolitical risks intensify, but abundant energy supply eases market tensions

## Brent oil prices (and futures)



Source: CaixaBank Research, based on data from Bloomberg.

## Geopolitical risk



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

- ▶ **Oil continued to weaken throughout 2025, but uncertainty has increased after recent geopolitical events.** Brent crude ended the year at around \$61 per barrel, posting an 18% decline over the year and accelerating the downward trend seen in 2024 (-8%). During the first trading sessions of January, the price rebounded to 64 dollars, driven by heightened uncertainty stemming from social unrest in Iran. We expect global imbalances between crude supply and demand to persist in 2026, driven by the surplus from OPEC+ and non-OPEC producers alongside moderate growth in global demand. However, geopolitical factors (war in Ukraine, Venezuela, Middle East, Greenland, Taiwan) will continue to inject volatility into the risk premium on crude prices.
- ▶ **Regarding Venezuela, we anticipate a limited impact on prices given its current low production levels (below 900k b/d), though we believe that in the medium term, a recovery in production capacity will increase supply and exert downward pressure on prices. In another area of tension, Iranian protests have put supply risk back on the oil radar, although the current market oversupply could offset any escalation in tensions. We forecast Brent at \$65.1 in 2026 (\$65.3 by Dec-26), though we do not rule out a downward revision should the supply surplus persist.**
- ▶ **European Natural gas prices are at a four-year low.** The Dutch TTF gas closed December at around €28/MWh (-43% in 2025), thanks to steady LNG flows and slowing gas demand in Europe. We project €32/MWh in 2026 (€32.3 by Dec-26).

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

## Main Spanish goods exports to the US in 2024

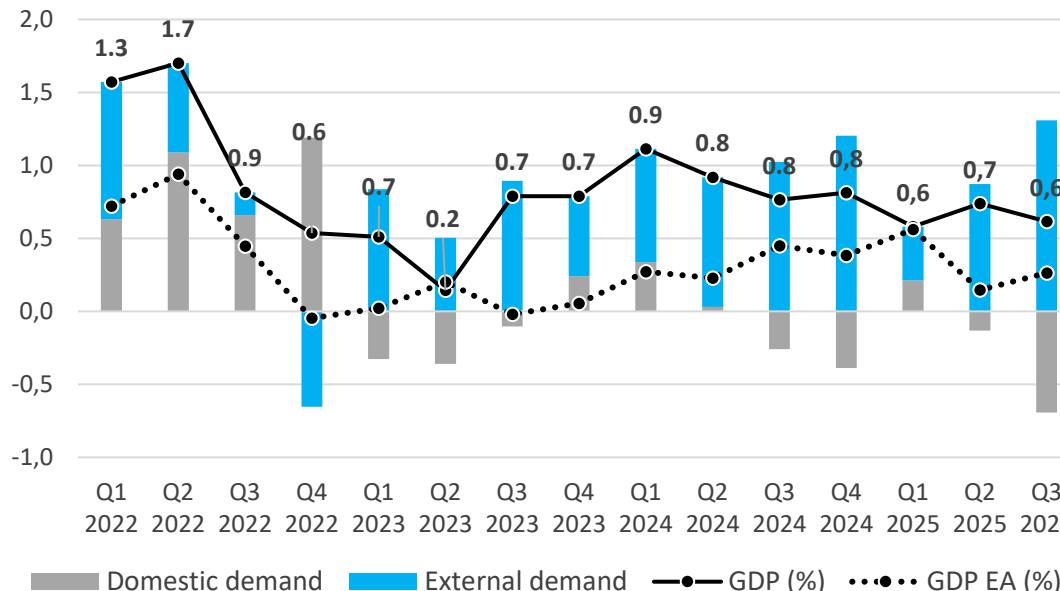
	Mill. €	% of total	% of sector
Chemical products (including pharma)	3,545	19.5	5.6
Industrial machinery	1,735	9.5	9.1
Electrical appliances	1,338	7.4	8.7
Energy products	1,219	6.7	3.9
Fats and oils	1,149	6.3	16.8
Construction materials	1,062	5.8	13.1
Fruits and vegetables	610	3.4	2.6
Engines	586	3.2	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
<b>TOTAL</b>	<b>18,179</b>	<b>100.0</b>	<b>4.7</b>

- ▶ 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 (%)

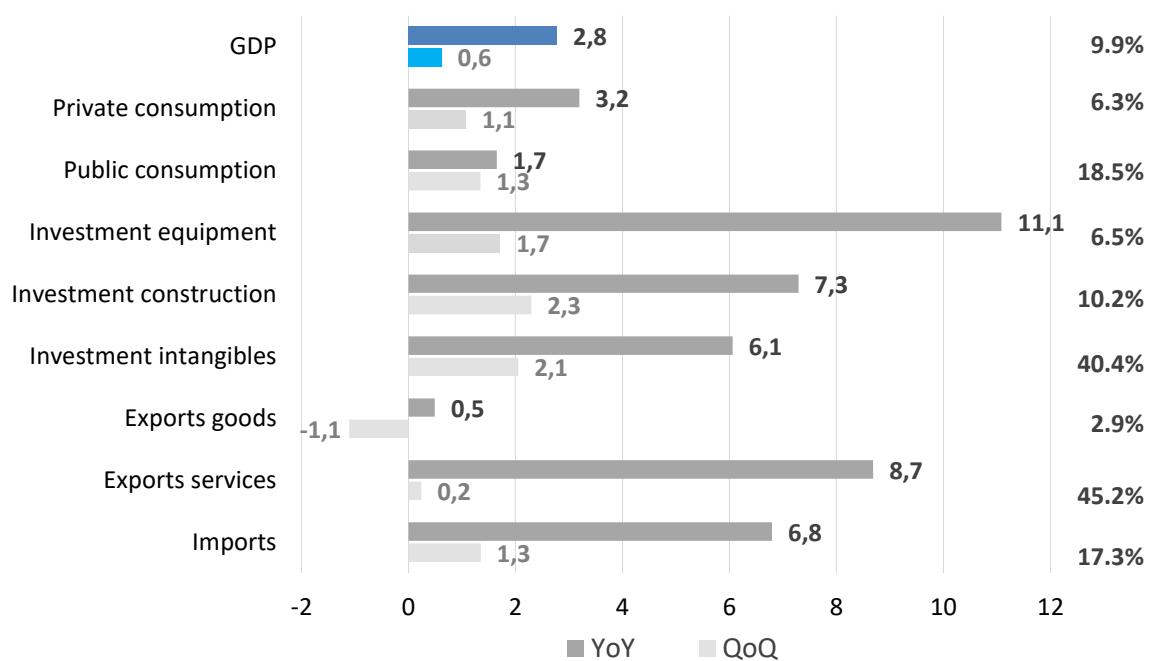


Note: GDP is quarter-on-quarter variation.

## GDP and its components

Variation (%)

vs. Q4-19



- ▶ 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 2.1% qoq and is now 40.4% 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. 0.3% qoq), with GDP now 9.9% above pre-pandemic levels compared to 6.5% 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)
<b>GDP</b>	2.6	3.5	2.9	2.1
<b>Private consumption</b>	2.2	3.0	3.1	2.4
<b>Public consumption</b>	1.3	2.9	1.3	0.9
<b>Investment</b>	5.0	3.6	5.3	3.3
<b>Exports</b>	4.0	3.2	4.2	2.2
<b>Imports</b>	4.4	2.9	5.4	2.9

## GDP: forecasts by other analysts

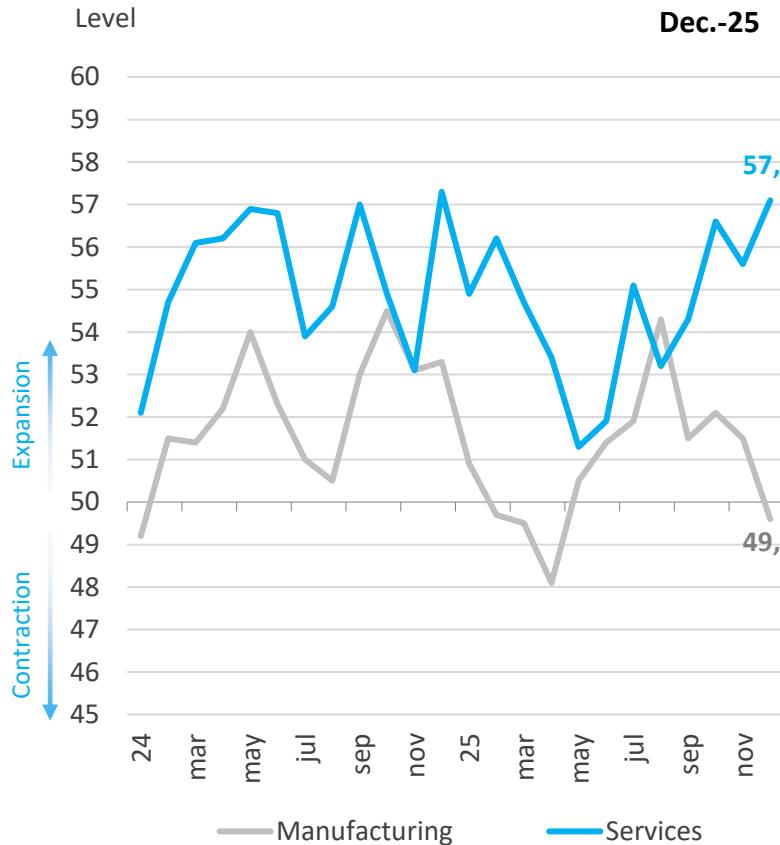
Year-on-year (%)

Ordered by forecast of 2026	2025	2026
BBVA Research (Dec. 3)	2.9	2.4
European Commission (Nov. 17)	2.9	2.3
Airef (Dec. 8)	2.9	2.2
Bank of Spain (Dec. 23)	2.9	2.2
Consensus Forecasts (Dec. 8)	2.9	2.2
Government (Nov. 18)	2.9	2.2
OECD (Nov. 26)	2.9	2.2
<b>CaixaBank Research (Sep. 29)</b>	<b>2.9</b>	<b>2.1</b>
Funcas panel (Nov. 13)	2.9	2.1
IMF (Oct. 14)	2.9	2.0
Funcas (Oct. 22)	2.9	1.9

- ▶ **Domestic private demand is expected to be the main driver of growth in 2026.** Household consumption is expected to remain the main pillar of growth thanks to the decline in interest rates, some recovery of purchasing power and demographic growth. 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 is just 2.1% above pre-pandemic levels, indicating significant room for recovery.
- ▶ **Bank of Spain (BoS) has raised its growth forecasts for 2025 and 2026.** GDP is now expected to grow by 2.9% in 2025 and 2.2% in 2026, reflecting stronger-than-anticipated recent data and more favorable assumptions for domestic demand and non-tourism service exports. Inflation for 2026 has also been revised upward by 0.4 points to 2.1%, driven by positive surprises in recent inflation figures. Overall, the scenario outlined by BoS is now very similar to CaixaBank's macro scenario.
- ▶ **GDP growth in 2026 is expected to remain robust, though slightly slower than in 2025.** The economy will continue to benefit from lower interest rates, high household savings, strong job creation, and NGEU funds. However, weaker global trade—affected by U.S. protectionist measures—along with strong import growth driven by domestic demand, and ongoing fiscal consolidation will moderate the pace of expansion.

# Spain: upside risks on our Q4 GDP growth forecast

## PMI indices



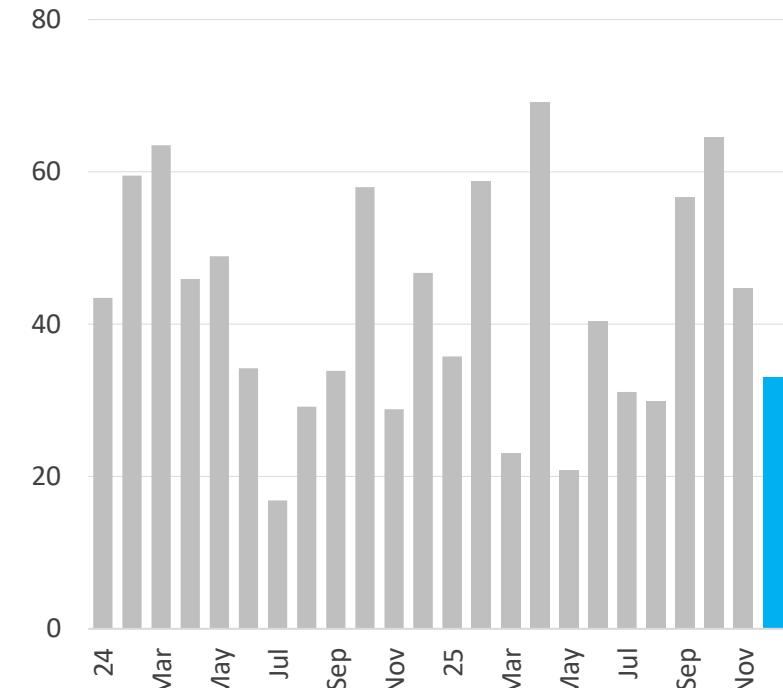
## Indicators of economic activity

	Q4 2025	Q3 2025	Data up to
Workers registered to the Social Security system (qoq growth in %, SA)	0.7	0.5	Dec.
CaixaBank Consumption Monitor (yoy growth in %)	4.6	3.2	Dec.
Retail sales (qoq growth %, SA, real)	1.0	1.0	Nov.
Industrial production (qoq growth %, SA, real)	1.4	0.6	Nov.
Manufacture PMI level, >50 expansion	51.1	52.6	Dec.
Services PMI level, >50 expansion	56.4	54.2	Dec.

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)



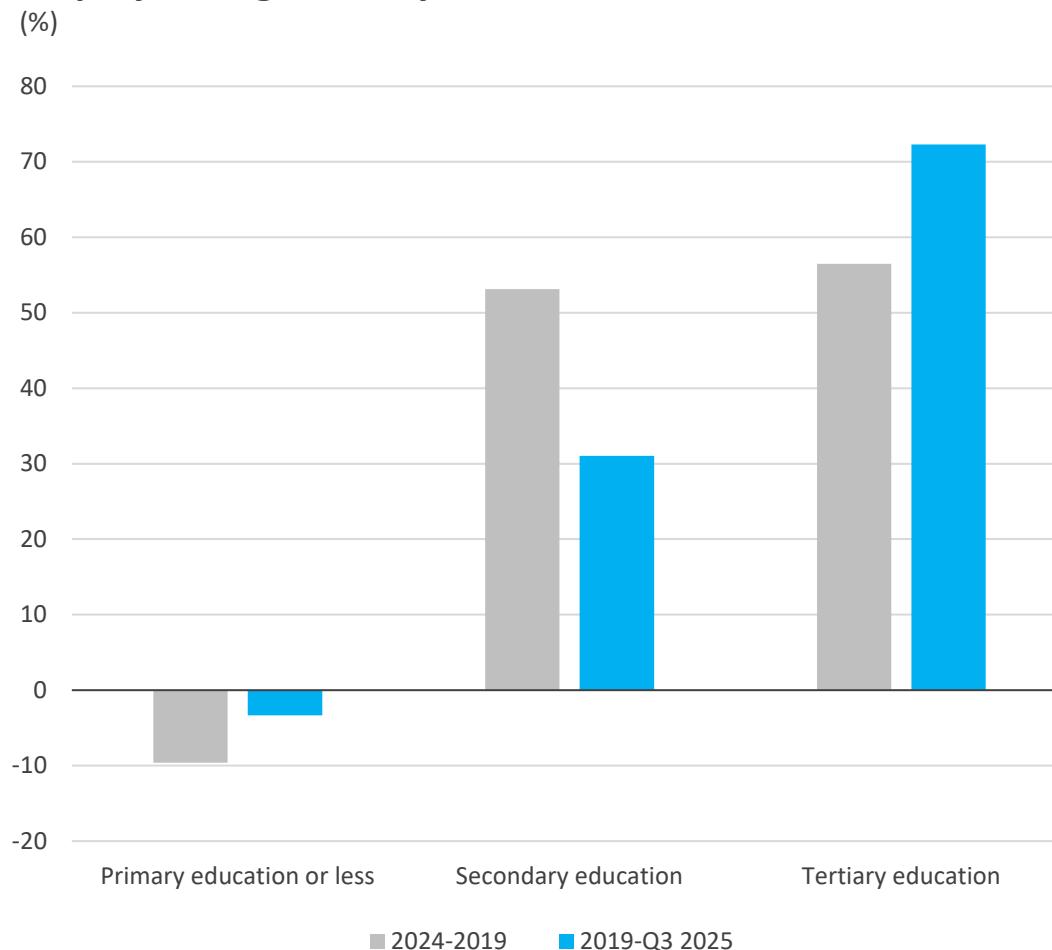
Note: (\*) Seasonally adjusted.

Source: CaixaBank Research, with data from the MISSM.

- Indicators of economic activity remain solid in Q4. Employment (according to Social Security registries) in Q4 was 0.7% higher than in Q3, marking an acceleration from the previous quarter's 0.5% quarter-on-quarter growth. As a result, there were + 506,000 new affiliates in 2025, surpassing the +502,000 figure in 2024. The Services PMI reached in December a 12-month maximum, at 57.1 points, while the manufacturing PMI declined from 51.5 to 49.5.
- Consumption related indicators have fared well, both according to the Retail Sales indicator as well as our own internal indicator. The CaixaBank Research Consumption Monitor shows domestic spending up 4.6% yoy in Q4 — the highest growth since early 2023 —.
- 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 0.9% qoq. Airef's nowcasting model is predicting growth of 0.7%.

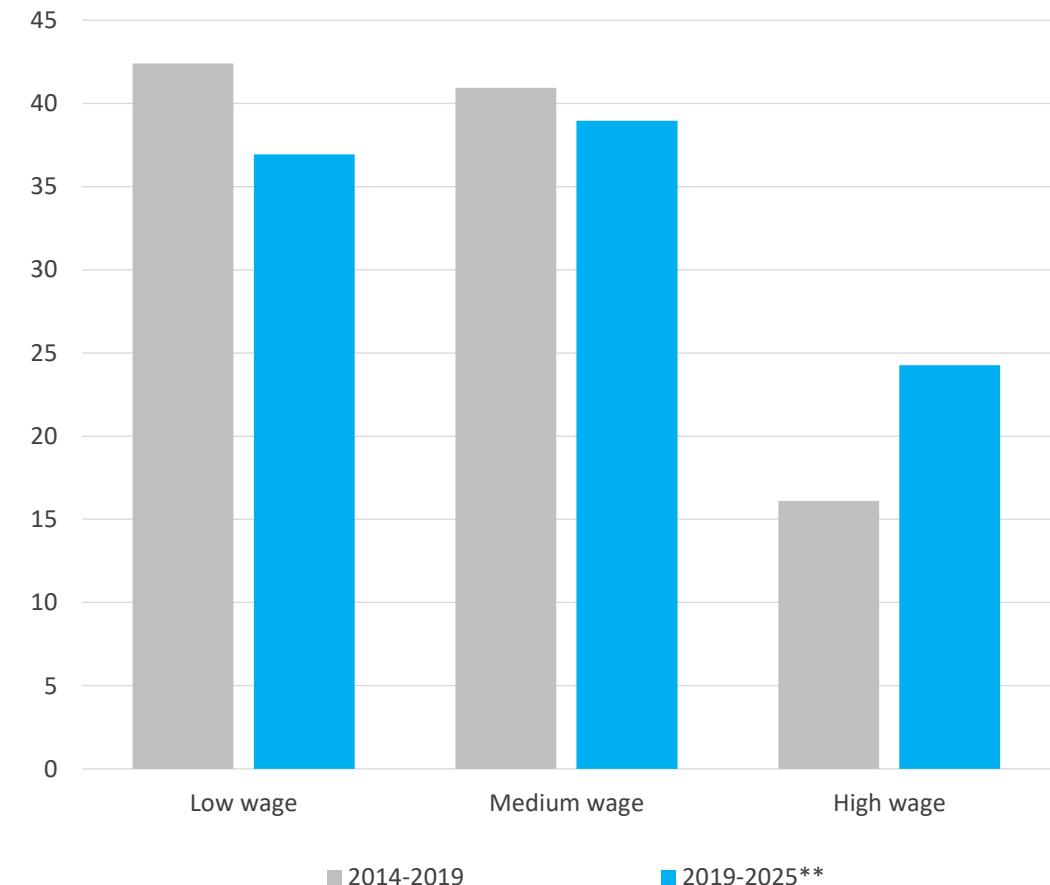
# Quality of employment growth has improved

## Employment growth by educational attainment



## Employment growth\*

% over total employment growth

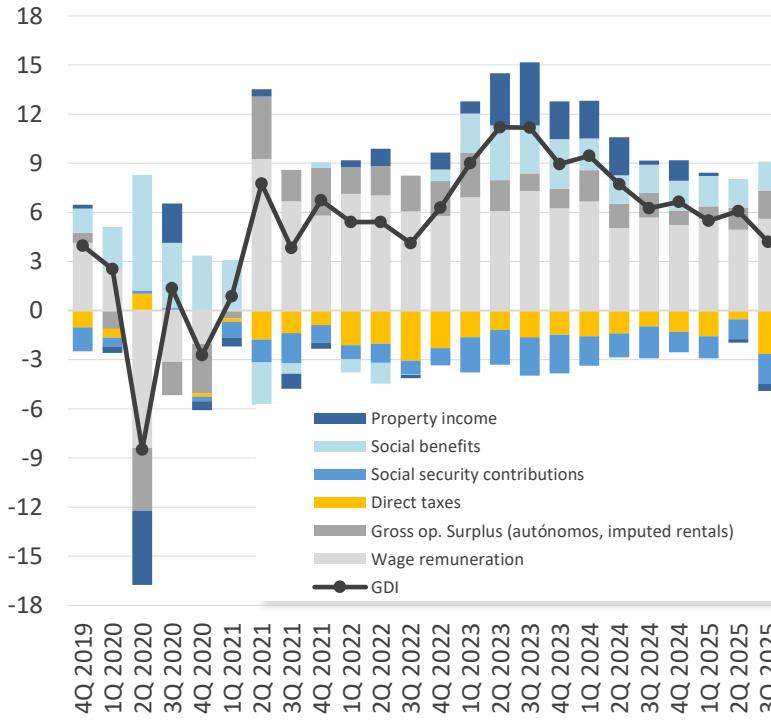


Notes: (\*) By sectors classified according to wage range. Workers registered to S. S.  
(\*\*) 12 month average up to September.

# The savings rate remains high but starts decreasing

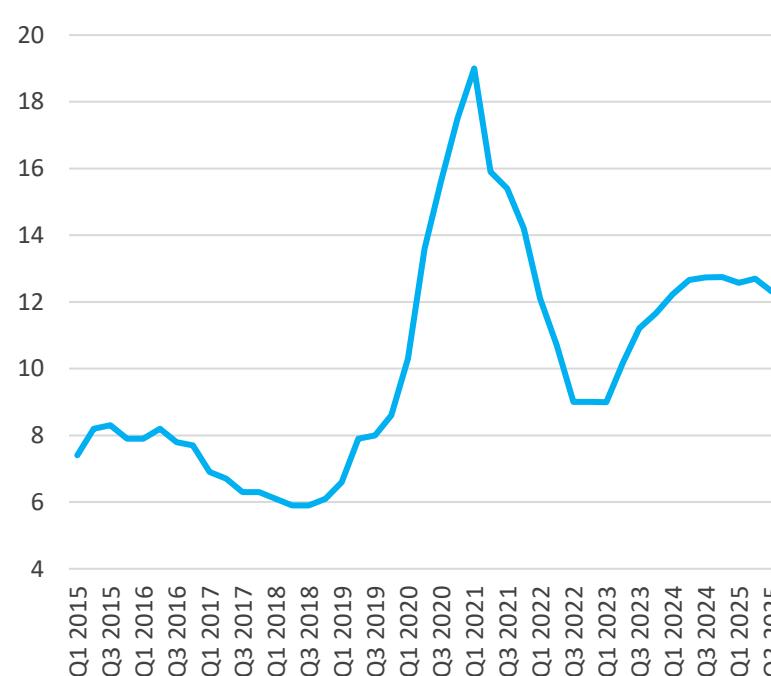
## Gross disposable income (GDI)

Year-on-year variation (%) and contributions



## Savings rate

% Gross Disposable Income

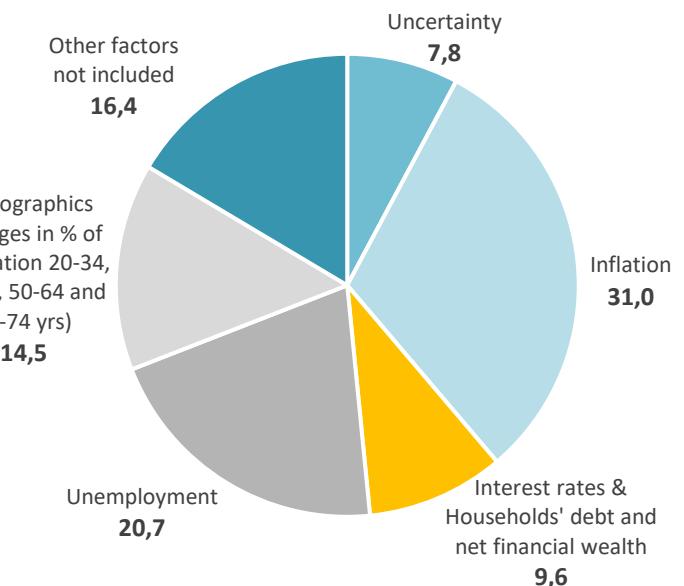


Note: Accumulated data four quarters.

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.

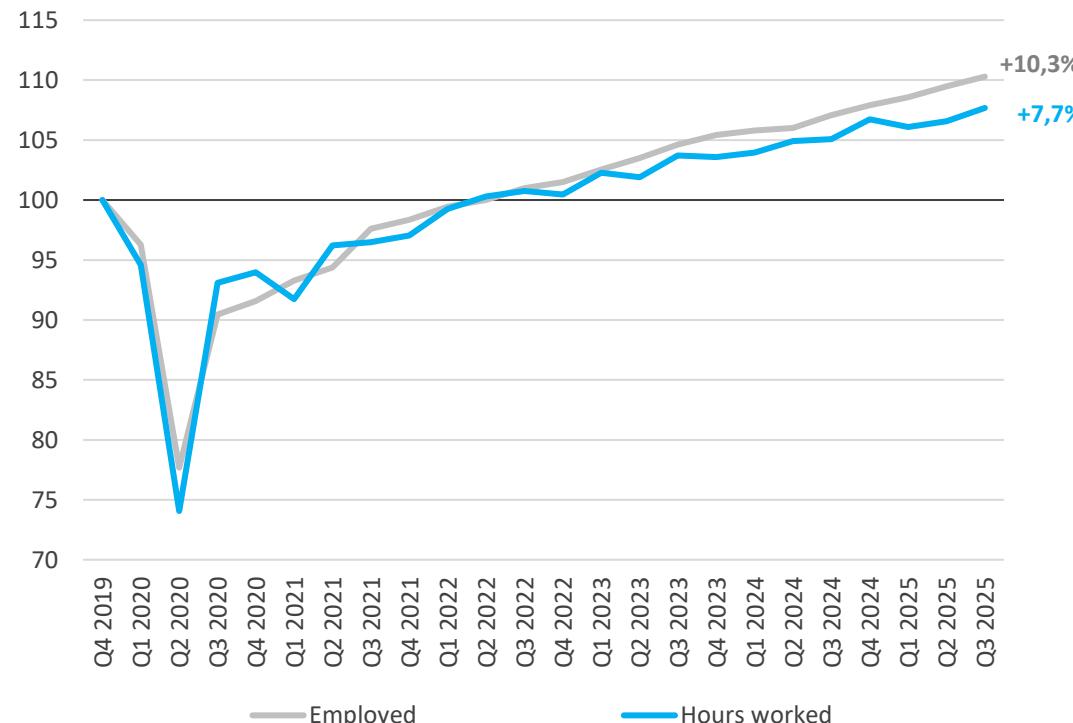
Source: CaixaBank Research.

- The savings rate in Q3 25 (cum. 4 quarters) sits at 12.3%, 0.4 pp lower than in Q2 2025, but significantly above the long-term average of 8.6% (2000-2019).
- GDI grew 4.2% YoY in Q3, driven by a dynamic labor market (employees' total compensation rose 6.9% YoY), partially offset by a negative public sector contribution, as increases in direct taxes and social contributions outweighed social transfers. Given that consumption continues to grow at a solid pace (6.0% year-on-year) and above disposable income, the savings rate shows a slight moderation.
- The financial position of households remains strong: in Q3 households debt stood at 43.1% of GDP (vs. 50.6% in the euro area), the lowest level since the first quarter of 2000.
- Inflation and unemployment have been the key drivers of household savings rate variation in Spain over the past 25 years, explaining more than half of its total variance. This supports our view that the savings rate will decline in the coming quarters as the unemployment rate continues to decrease.

# Decoupling between productivity per hour worked and productivity per employee

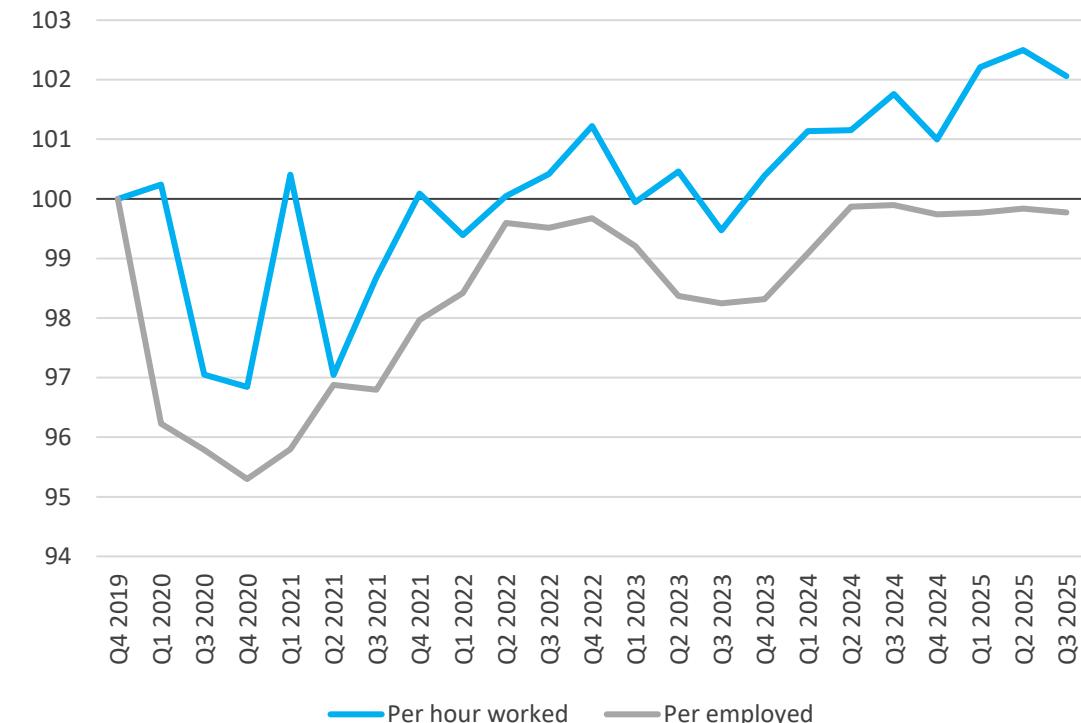
## Employment and hours worked

Level (Q4 2019 = 100)



## Productivity

Level (Q4 2019 = 100)



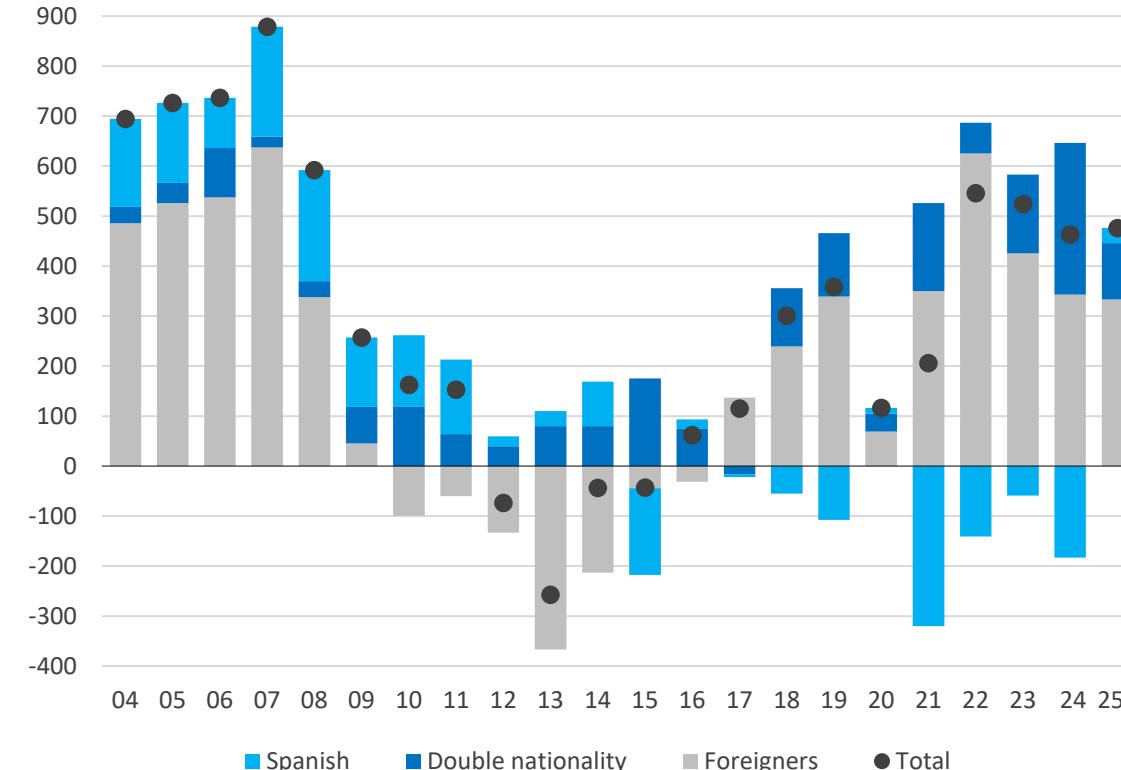
**Note:** The Q2 2020 datapoint has been skipped to ease the readability of the chart.

- ▶ **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. **GDP per worker has also grown by 0.8% since 2022** (0.3% in 2015–2019) but remains 0.2% 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



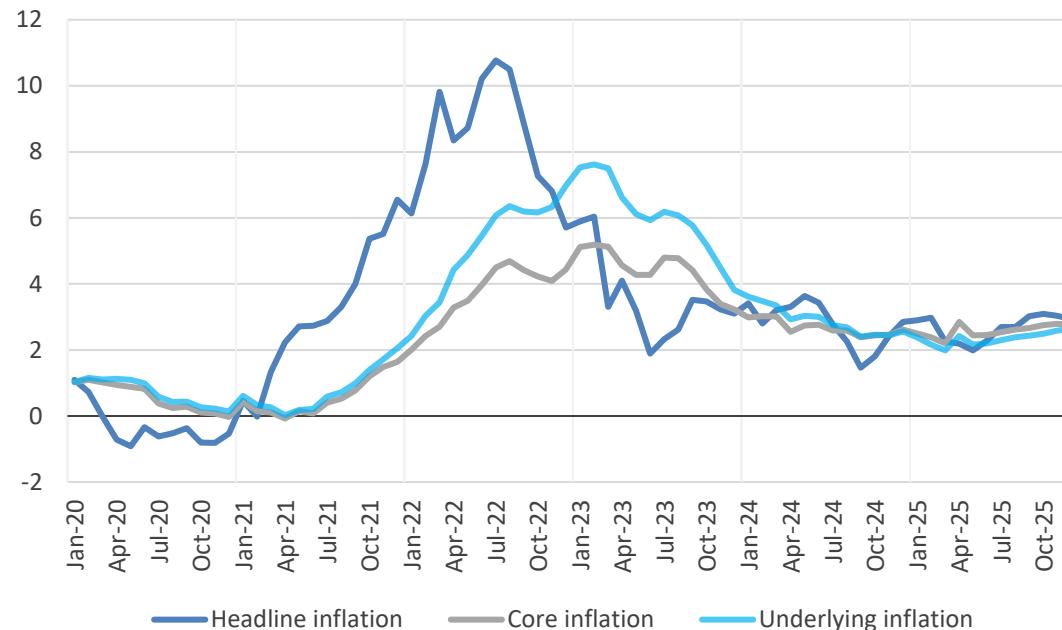
Source: CaixaBank Research, with data from EPA.

- ▶ **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 0.7 pp below Q3 2024.

# Inflation closes 2025 higher than expected

## 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	2026 (f)
<b>Headline inflation</b>	2.8	2.7	2.0
<b>Underlying inflation</b> (excl. energy and non processed food)	2.9	2.6	2.2
<b>Core inflation</b> (excluding energy and food)	2.7	2.6	2.4
- Industrial goods	0.7	0.6	0.5
- Services	3.5	3.4	3.2
<b>Food, beverages &amp; tobacco</b>	3.6	2.7	1.7
<b>Energy</b>	1.0	3.4	-0.5

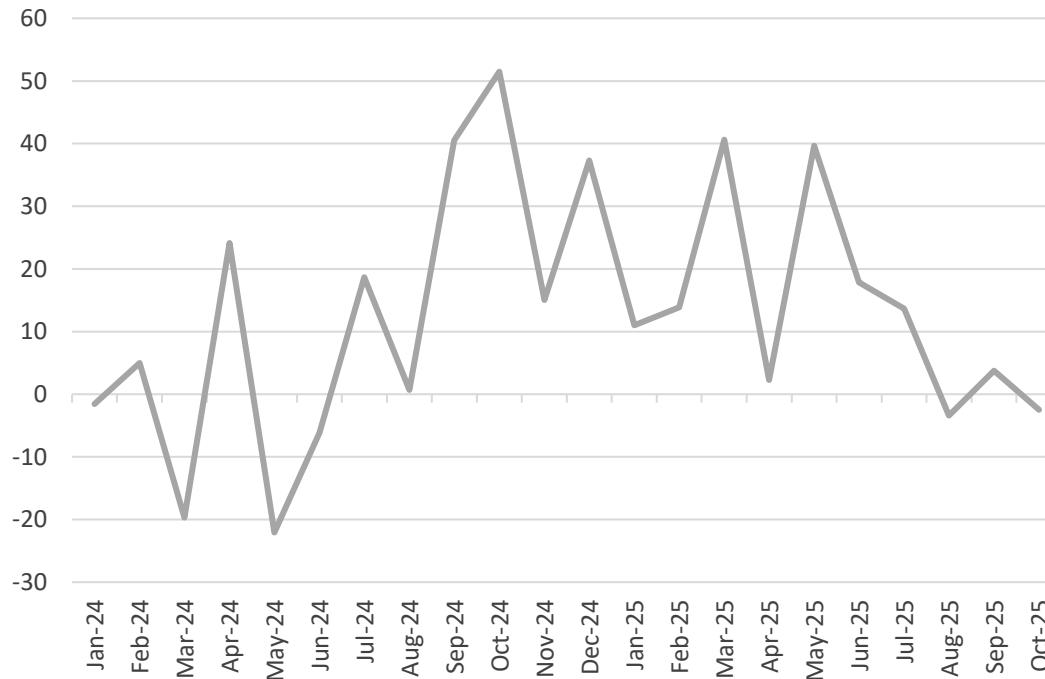
**Source:** CaixaBank Research, based on data from INE.

- ▶ **Headline inflation eased by 0.1pp in December to 2.9%, while core inflation remained unchanged at 2.6%.** The decline, driven mainly by lower fuel prices, extends the moderation that began in November, though it is modest compared with the rebound between May and October.
- ▶ **Inflation averaged 2.7% in 2025**, shaped by persistent services inflation and increases in electricity and fresh food prices. Services inflation hovered around 3.4%, reflecting the growing weight of labor-intensive sectors and those subject to annual indexation. Electricity prices rose due to VAT normalization to 21% and higher free-market tariffs, while fresh food saw sharp increases—particularly eggs and beef—amid livestock epidemics.
- ▶ According to our internal monitor, **private sector wages increased by 2.7% year-on-year in Q4**, similar to the 2.6% growth recorded in Q3.
- ▶ Looking ahead, convergence toward the 2.0% inflation target will likely be slower than anticipated. Persistent inflation in core components pose upside risks to our 2026 forecast of 2.0%.

# Housing transactions remain strong but have recently moderated

## Spain: House transactions

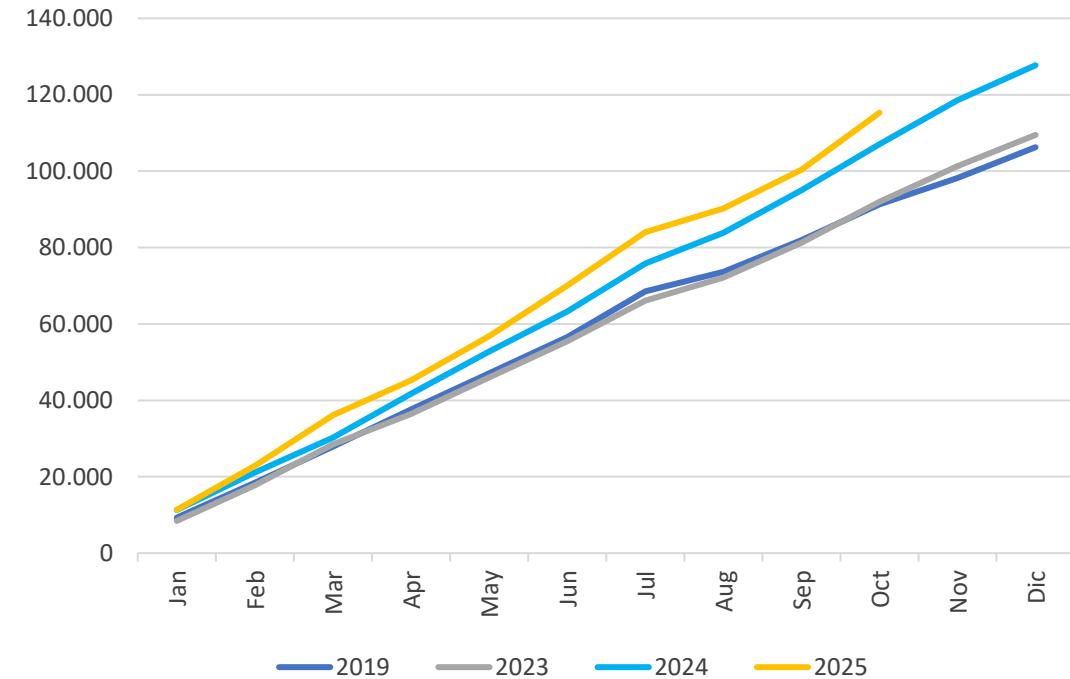
Year-on-year change (%)



Source: CaixaBank Research, based on data from INE.

## Spain: Housing permits

Level. Year-to-date



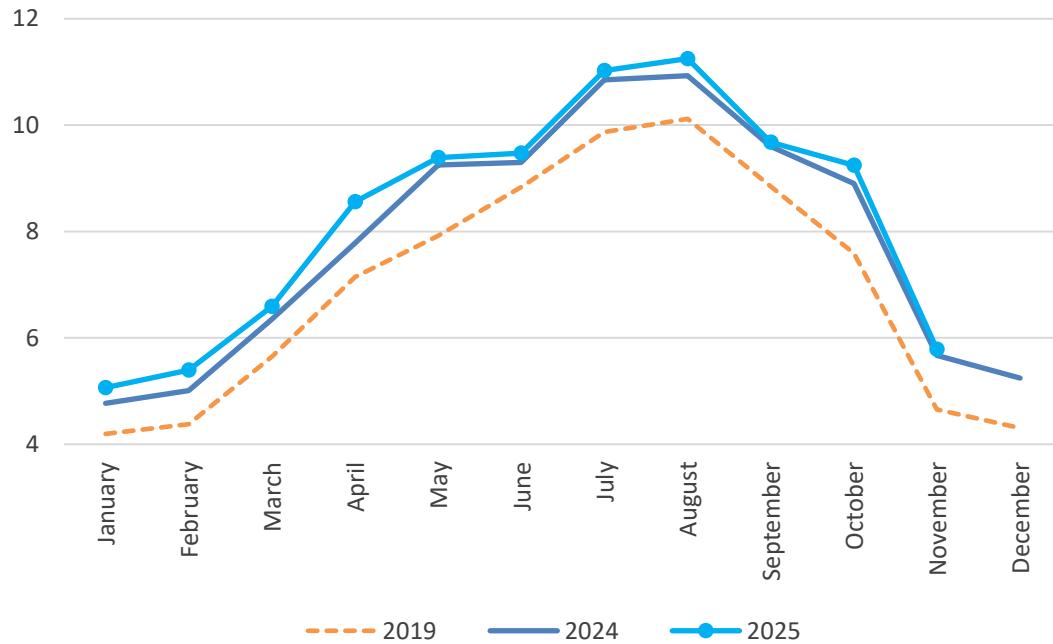
Source: CaixaBank Research, based on data from MITMA.

- **Transactions have shown high volatility in recent months.** After several months of double-digit increases, sales have slightly declined in 2 out of the last 3 months up to October. This weaker behaviour is not unexpected, as year-on-year comparisons have become less favorable following the strong rebound in the second half of 2024. At any rate, residential activity remains historically strong, with 706,000 transactions recorded in the 12 months to October, according to INE figures.
- **Housing supply continues to grow steadily,** but at a slower pace than net household formation. Over the 12 months to October, 136,000 new housing permits were issued, representing a 9.0% increase compared to the same period last year. This growth is slower than in 2024, when permits rose by 12%.
- **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 in Q3 vs. 12.7% in Q2) 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

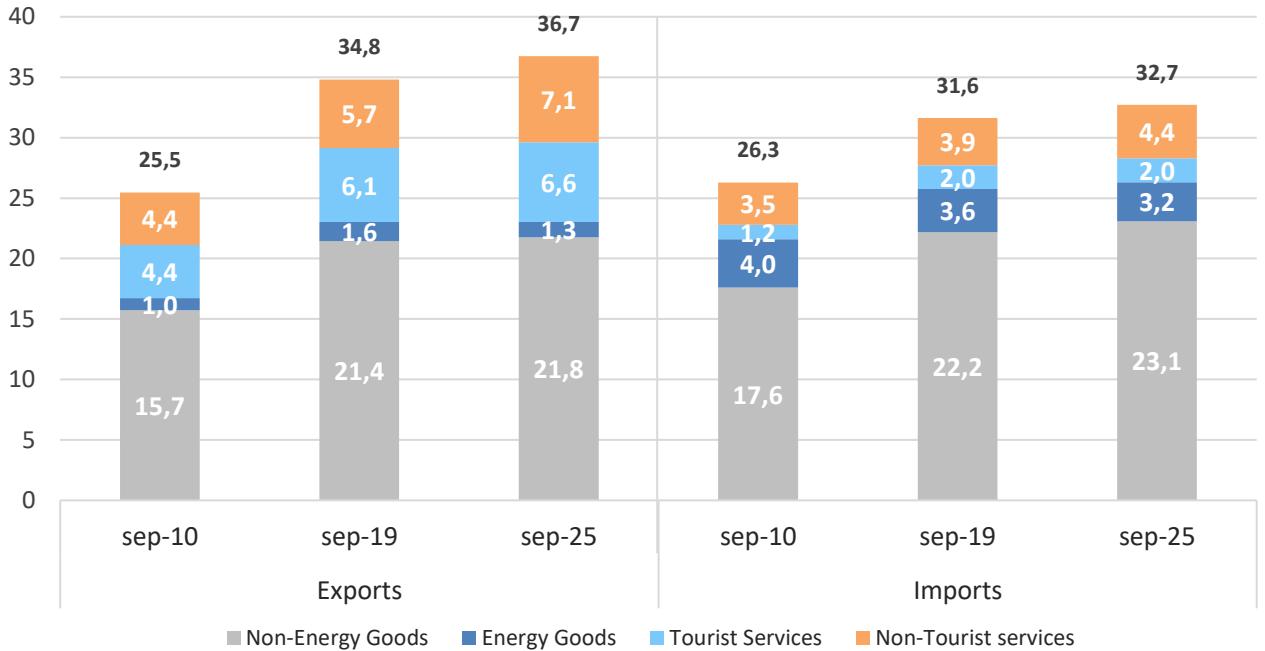
## International tourists that visit Spain

Millions of people



## Exports and Imports of Goods and Services

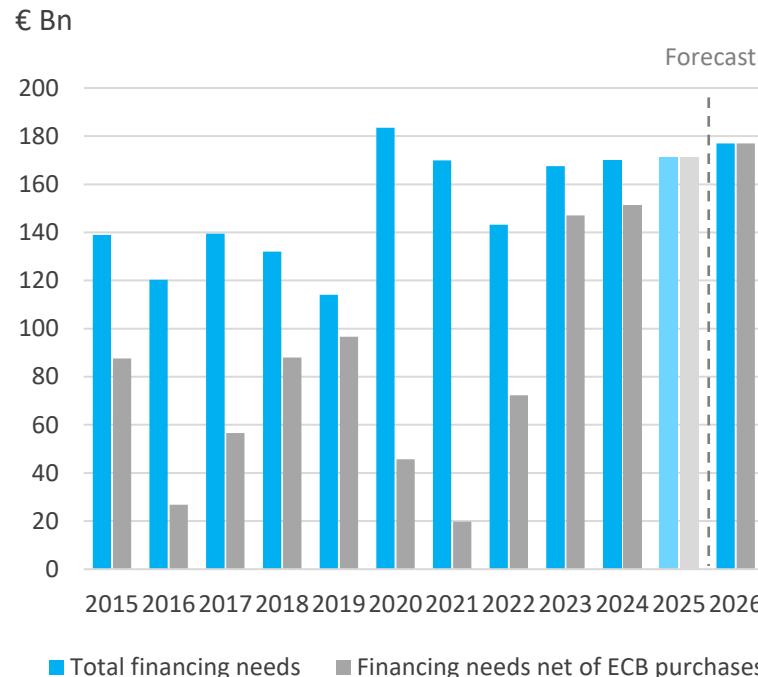
Year-to-date (% of GDP)



- ▶ **The tourism sector continues to grow, albeit at a more modest pace.** In the first eleven months of 2025, international arrivals rose 3.4% year-on-year, while international tourist expenditure increased by 6.9% 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 November, Spain welcomed 91.5 million international tourists, 3.0 million more than in the same period last year. Overnight stays by residents in tourist accommodations were nearly flat January to November (+0.4% 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.
- ▶ **Upside risks in the current account.** An exceptional 10.2% year-on-year increase in energy goods exports in October coupled with the resilience of non-energy exports led to a 3.9% YoY growth for exports compared to 3.2% YoY for imports. As a result, a trade surplus of €7 billion was recorded, 8.6% higher than the same month last year. On a 12-month cumulative basis up to October 2025 the current account recorded a surplus of 3.1% of GDP, the highest figure of the year, although below October 2024, which stood at 3.3% of GDP. This introduces upside risks to our 2025 forecast for the current account (2.3% of GDP).

# The Treasury projects a moderate increase in financing needs for 2026, expected to be comfortably absorbed thanks to robust demand

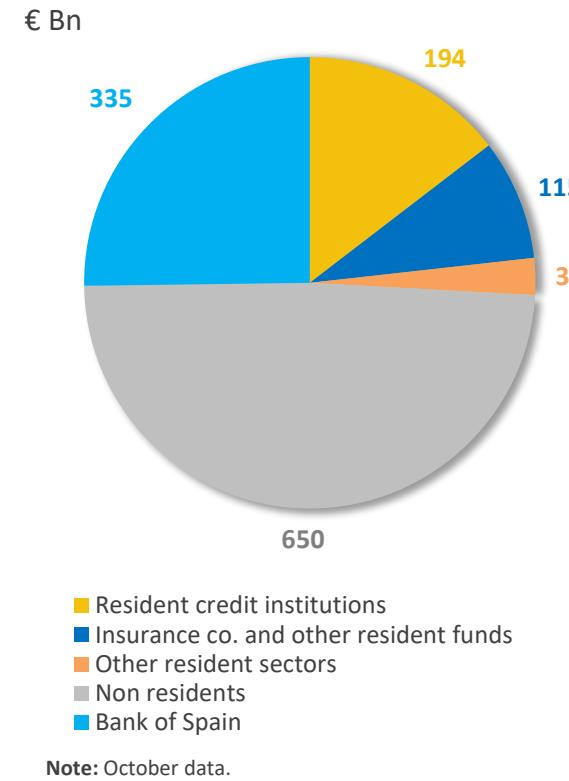
## Spain: Gross financing needs



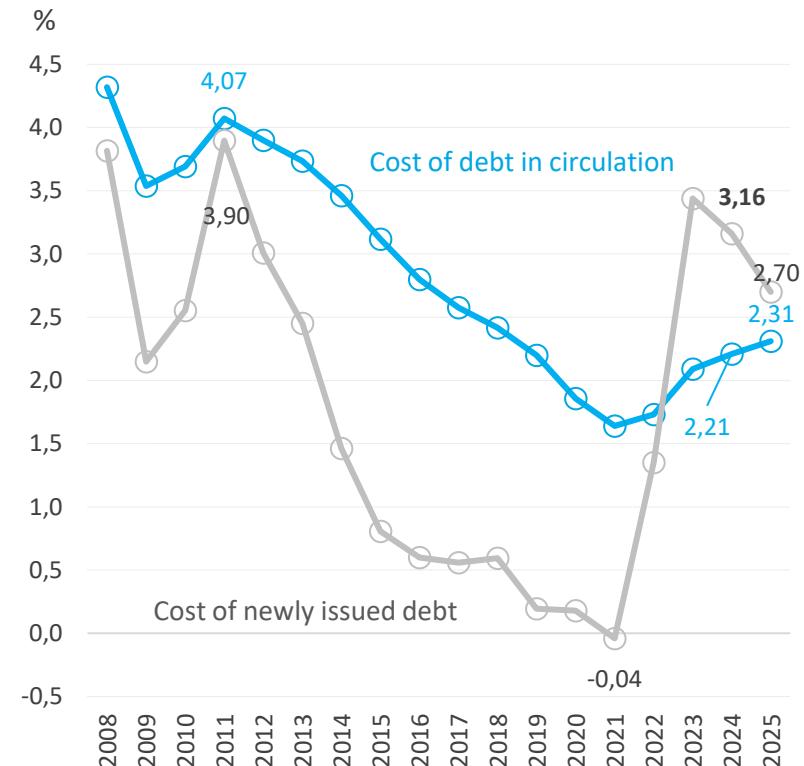
Note: \*Amortisation funds do not include short-term bills.

Source: CaixaBank Research, with data from the Directorate-General for the Treasury.

## Public debt holdings (excl. bills)



## Cost of debt: State

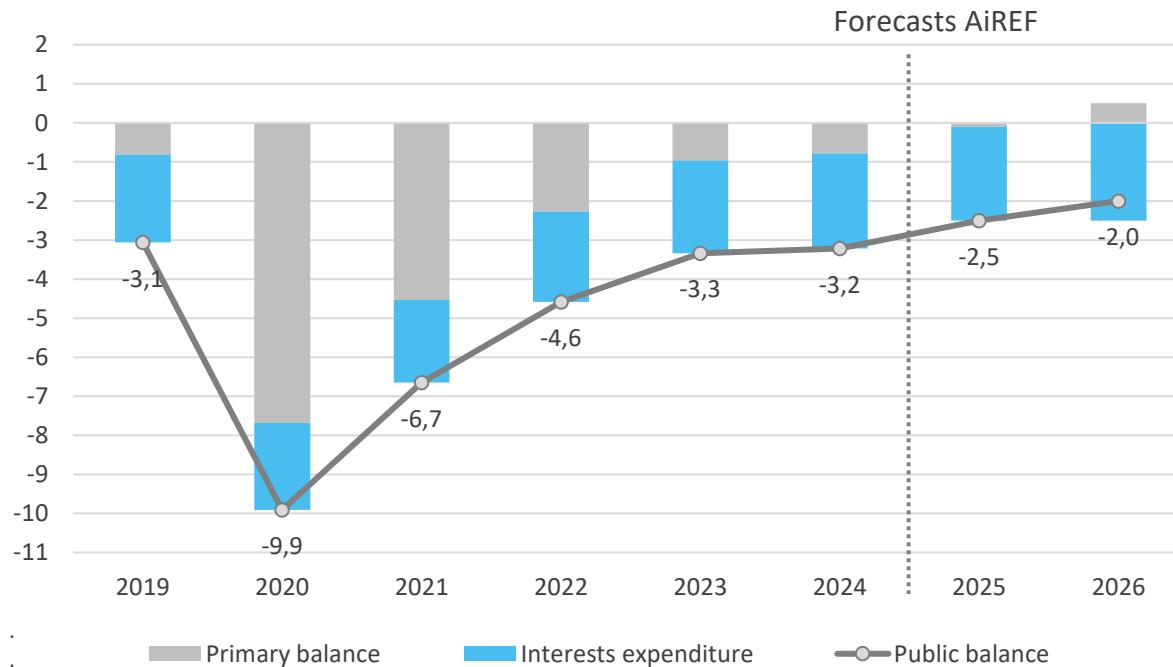


- **Gross funding needs in 2026** will be slightly above those of 2021-2025 net of ECB purchases. However, higher interest rates with respect to pre-pandemic levels should maintain the appeal of public debt holdings for investors and facilitate the absorption of Spain's financing needs.
- **Government debt is diversified across holders.** In 2025 (data up to October) foreign investors increased their holdings of Spanish debt (excl. bills) by €74bn, which suggests there is appetite for this type of investment. Retail investors have increased Treasury Bills holdings by €17.4bn since December 2022 (but -€5.5bn w.r.t. December 2024, more than offset by an increase of + € 11.4bn in foreign investors holdings of bills).
- **In 2026, the average cost of debt is expected to keep at contained levels.** The average lifespan of the stock of debt is elevated (c. 8 years), so the share of debt that needs to be re-financed every year is small. Interest payments on debt of the public administrations could stand at 2.5% of GDP in 2026, a similar level to that of 2025, but much lower than a decade ago (in 2014, it was 3.5%).

# Public deficit expected to fall in 2025

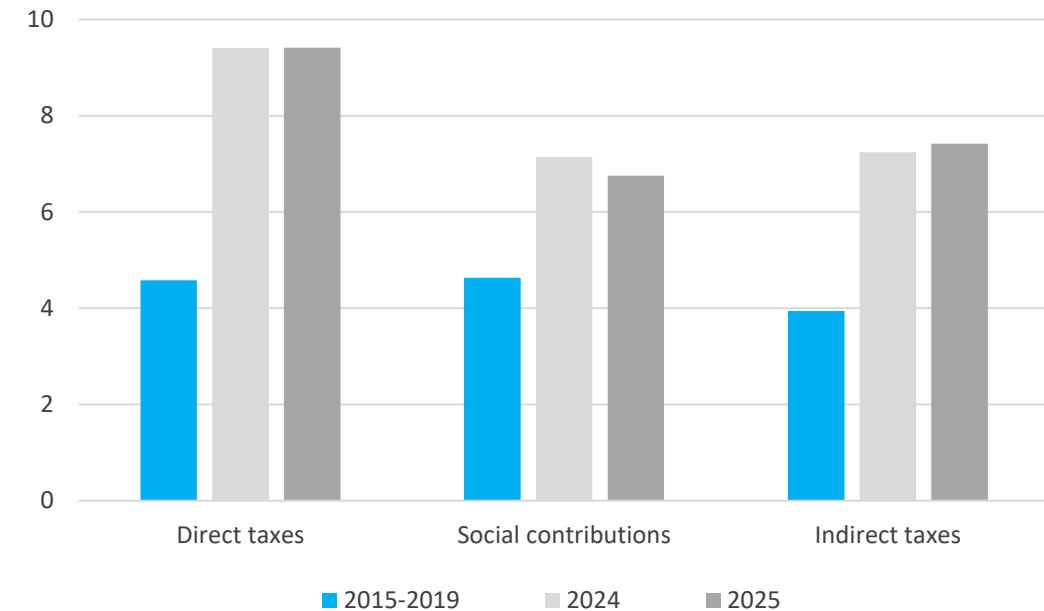
## Balance Public Administrations

% GDP



## Tax revenues: consolidated general government taxes\*

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



Note: \*Excluded Local Corporations.

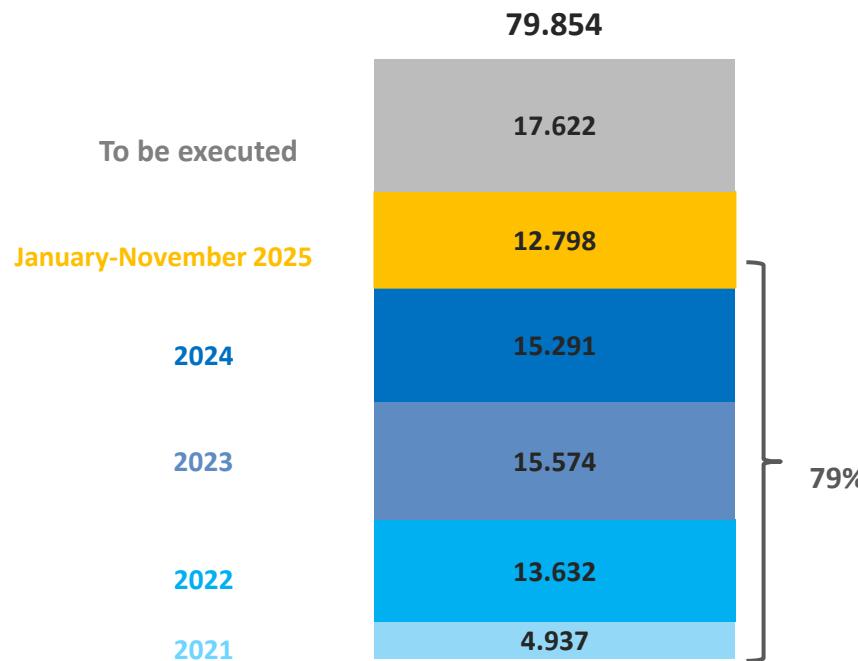
Source: CaixaBank Research, with data from IGAE.

- In the first 10 months of the year, **fiscal revenues** (taxes plus social contributions) grew at a yoy rate of 7.8%, while expenditures rose by 6.1% (+5.3% 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). We estimate that public deficit could be close to 2.5% of GDP, consistent with AiREF forecasts.
- Downward path for the public debt ratio:** AiREF projects public debt at 100.3% of GDP in 2025 (-1.3 p.p. compared to 2024) and 99.1% in 2026. This trajectory is reasonable considering strong budget execution and lower disbursements of NGEU loans following the simplified Addendum, which reduces the requested loans from €83.2 billion to €22.8 billion.

# NGEU: The Recovery Plan keeps being deployed

## Execution of PRTR

### Total grants (Million euros)

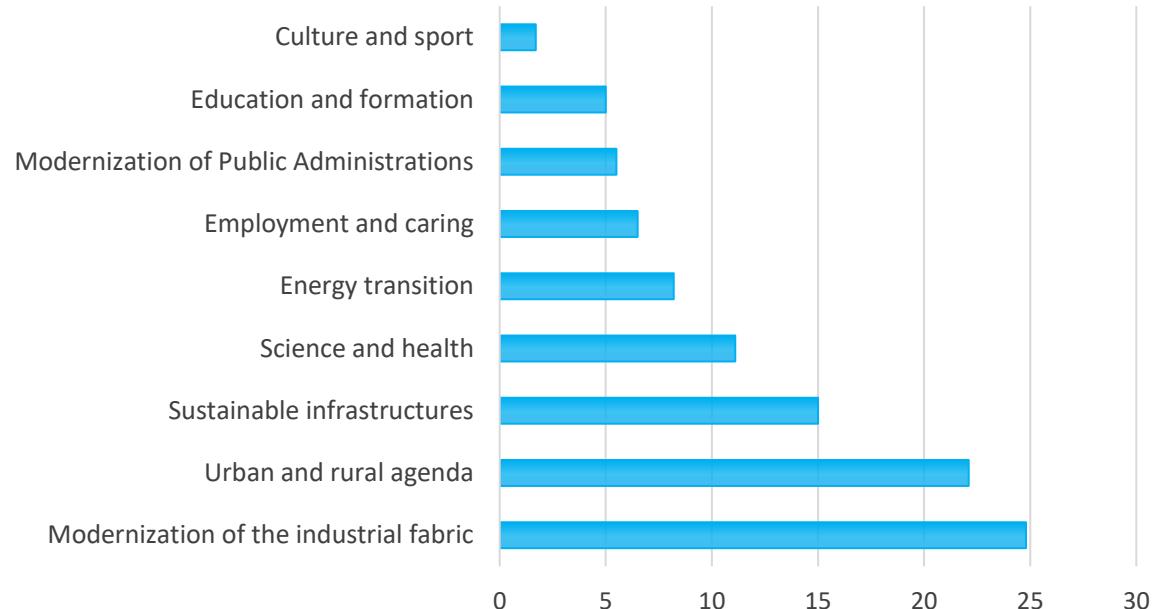


**Note:** Execution is defined as the awarding of tenders and grants.

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

## Resolved calls by area

% over the total resolved

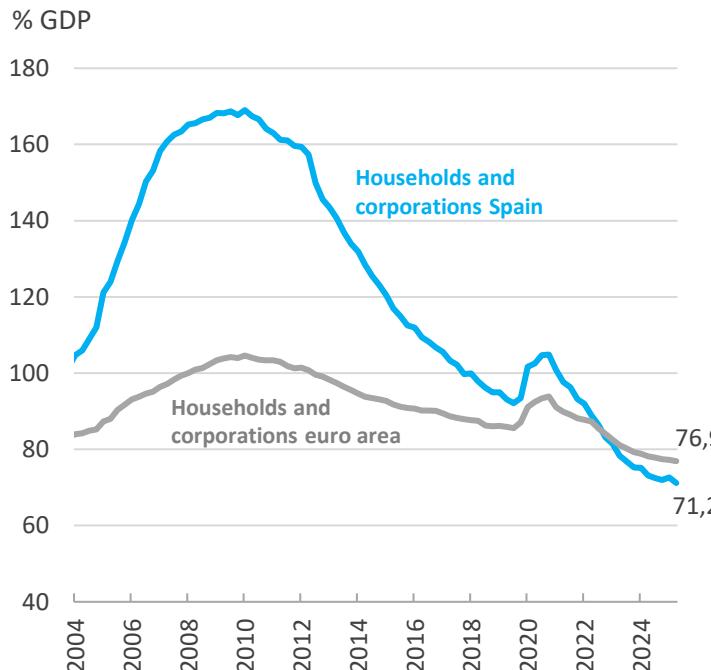


**Source:** CaixaBank Research, based on data from the ELISA portal, Government of Spain.

- ▶ By the end of November, **€63.0 billion had been executed**—79% of the total grant allocation (almost €80 billion).
- ▶ Grant execution from January to November 2025 amounted to €12.8 billion (slightly below the €13.1 billion recorded in January–November 2024). This year also marks the start of loan execution, with approved operations totaling €7 billion.
- ▶ With the **new Addendum** already approved by the European Commission, Spain will request only €22.8 billion in NGEU loans (including the €16.27 billion already received) out of a total of €83.2 billion. The Government argues that NGEU loan costs are currently very similar to market financing. Spain will request 100% of the grants and expects to execute all pending amounts by 2026. The allocation for the Green ICO Line has been reduced from €22 billion to €300 million, and for the Entrepreneurs & Companies Line from €8.15 billion to €600 million.
- ▶ Following the milestone simplification under the new Addendum, Spain has met 53% of the milestones and objectives of the Recovery Plan. The deadline to meet the remaining ones is August 2026. There are 230 milestones left, linked to €24.8 billion in grants (Spain has already received €55 billion) and €6.5 billion in loans (Spain has already received €16.27 billion).

# Banking system: robust credit growth

## Bank credit to the private sector



Note: latest data available as of Sep-25.

Source: Caixabank Research with data from ECB, Eurostat.

## Private domestic credit

Year-on-year (%)

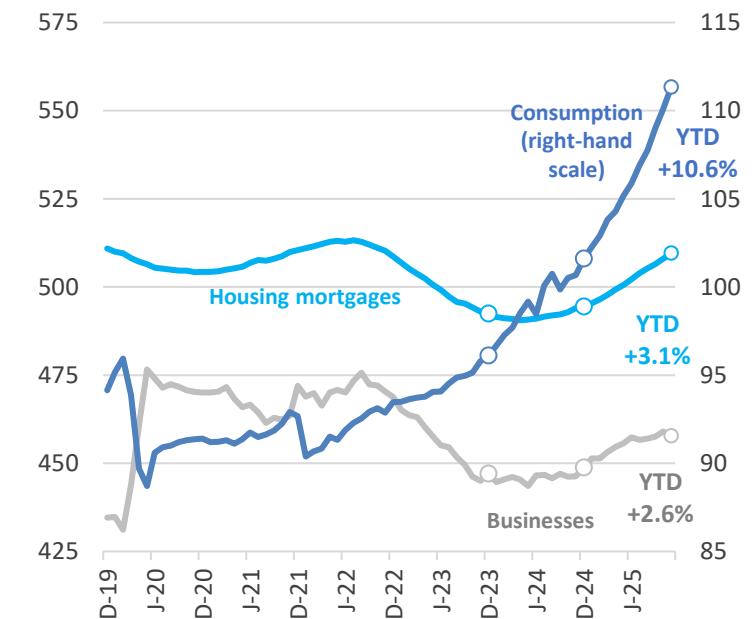
	Dec-24	Nov-25 (latest)	2025 (forecast)
	% yoy	% yoy	% yoy
<b>Total credit</b>	<b>0.7%</b>	<b>3.1%</b>	<b>3.8%</b>
<b>Households</b>	<b>0.9%</b>	<b>3.5%</b>	<b>3.9%</b>
Housing mortgages	0.3%	3.1%	3.8%
Other purposes	2.3%	4.5%	4.1%
Of which consumption	5.8%	10.6%	7.0%
Businesses	0.4%	2.5%	3.7%
Non-real estate developers <sup>1</sup>	0.0%	2.2%	-
Real estate developers <sup>1</sup>	1.9%	3.1%	-

Note: (1) latest data available Sep-25.

Source: Caixabank Research with data from Bank of Spain.

## Private domestic credit

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



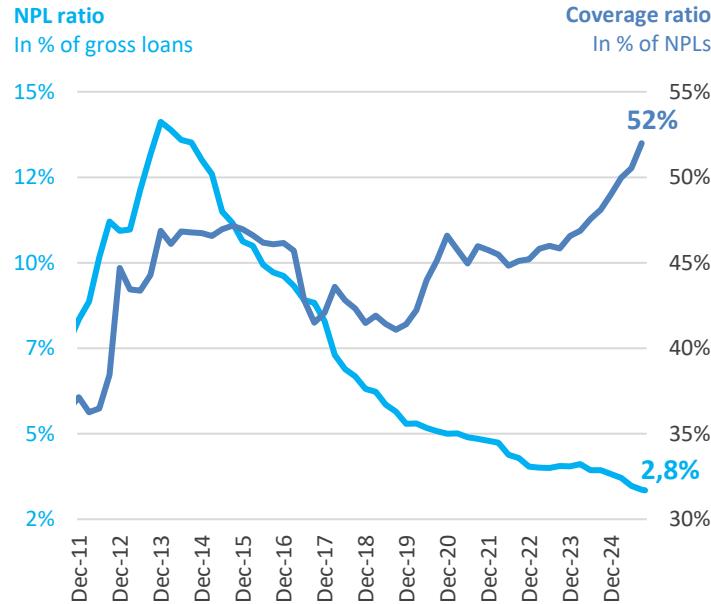
Note: latest data available as of Nov-25.

Source: Caixabank Research with data from Bank of Spain.

- **Households and corporate debt levels** (including debt securities) remain below euro area averages in 3Q25. Both sectors have deleveraged in terms of GDP, sitting below pre-pandemic levels.
- **New mortgage production** continues to show notable dynamics in Nov-25 with the change in interest rate expectations (accumulated new lending from January to November grows +25.2% yoy).
- **New lending for consumption** increases favored by improvements of consumer confidence (accumulated new lending from January to November grows +20.4% yoy).
- **New lending to corporates** grows especially in loans above 1M€, but also in smaller ones (accumulated new lending from January to November grows +9.4% yoy).
- **Consequently, the growth of the stock of credit to the Spanish resident private sector accelerates up to November.** 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

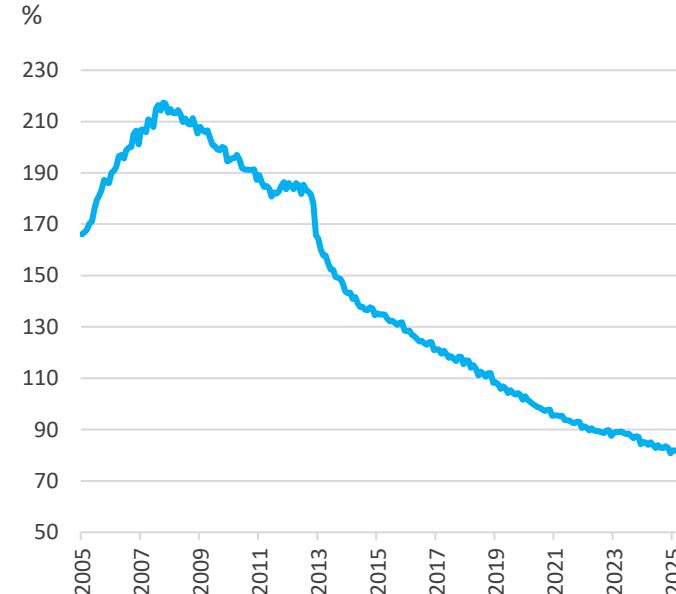
## NPLs and coverage ratios<sup>1</sup>



Note: (1) latest available data Oct-25 and Sep-25, respectively

Source: CaixaBank Research with data from Bank of Spain.

## HHs & NFCs loan to deposit ratio



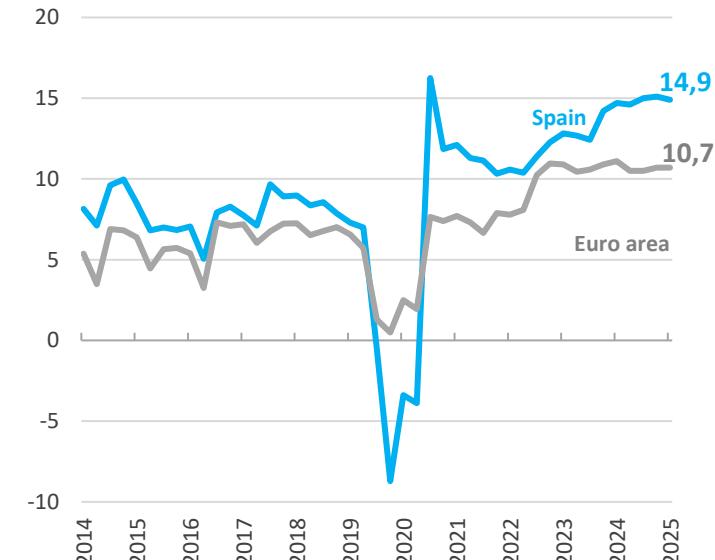
Note: loans and deposits to residents in Spain, on a non-consolidated basis.

Latest data available Nov-25.

Source: CaixaBank Research with data from Bank of Spain.

## Banks' profitability

ROE % (Q3 25; annualised)



Source: CaixaBank Research with data from EBA (Dashboard-Q3 25).

- ▶ **NPLs remain stable below 3.0%.** The share of stage 2 loans on a group level stood at 6.2% in 3Q25 (unchanged from 2Q), remaining below the EU average.
- ▶ **Household and non-financial corporation (NFC) deposits reached an all-time high in November 2025, reflecting the high savings rate.** Seasonally adjusted data show strong growth (+4.9% yoy). Loan to deposit ratio remains stable at very comfortable levels (c. 80%)
- ▶ **Profitability declined slightly with ROE at 14.9% in 3Q25 vs 15.1% in 2Q25.** The decrease, driven by lower net interest income as rates adjusted downward, was partially offset by higher loan volumes, increased fees, and reduced loan loss provisions. The extraordinary bank tax (with rates ranging from 1% to 7%) is accrued quarterly in 2025, compared to full accrual in the 1Q24.
- ▶ **The capital position of Spanish banks remains comfortable with a 13.3% CET1 ratio in 3Q25.** 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<sup>1</sup>, show that the Spanish banking sector's capital position provides a considerable level of aggregate resilience in the face of various adverse scenarios.