

## The Spanish economy amid the outbreak of war in the Middle East

The outbreak of the war in the Middle East has once again triggered a spike in global uncertainty. As has occurred repeatedly in recent years, we yet again find ourselves in a context in which it is very difficult to make reliable forecasts. It happened during the pandemic, after Russia's invasion of Ukraine and, more recently, when Donald Trump launched the barrage of tariffs. Although the nature of the shocks and the transmission channels have been different each time, the feeling that we are moving towards an uncertain future is repeated. Once again, it is time to reassess where the Spanish economy stands and analyse its strengths and vulnerabilities in relation to the channels through which this new shock could spread.

The starting point for the Spanish economy is relatively positive. The year 2025 ended with dynamic growth, exceeding expectations and outperforming most advanced economies. In the opening weeks of 2026, the activity indicators have shown a slight weakening, partly due to the bad weather that has hit several regions. Even so, economic activity remains broadly strong and has sufficient support to continue growing. CaixaBank Research's forecast scenario points to a growth rate of 2.4% this year. However, the outbreak of the war has significantly increased the downside risks. The potential deviation from the forecast figure will depend on the duration and intensity of the conflict, its geographical scope, and any structural damage caused to Gulf countries' energy infrastructure. These factors will determine the intensity and durability of the rebound in energy prices, as well as the extent to which trade flows, financial conditions and confidence will be affected.

In this regard, it is worth noting that the share of energy imports that reach Spain via the Strait of Hormuz is relatively low: around 5% in the case of oil and slightly less than 2% for gas. The increase in renewable energy production and the diversification of imports have become valuable assets in tense situations like the current one. Although the Spanish economy should not face supply problems, it will be affected by rising energy costs. For reference, a 10-euro increase in the price of oil typically deducts around 0.15 pps from GDP growth; in the case of gas, the sensitivity is

somewhat lower, at around 0.10 pps. Considering the increase recorded to date and the duration of the upturn anticipated by the markets as of 9 March, Spain's economy could still grow by around 2.0%. However, the impact would vary considerably from sector to sector: industry, being more energy-intensive, would be the hardest hit; on the other hand, in tourism, the perception as a safe destination could offset the effect of the demand shock. Regarding inflation, the anticipated moderation to 2.4% for the year as a whole may not materialise and it could remain at levels similar to those of 2025, close to 3%.

The current situation also invites a reassessment of the macro-financial position of the Spanish economy. If inflationary pressures end up intensifying, then the ECB will be forced to raise interest rates, and global financial conditions will tighten if uncertainty and risk aversion remain high. In this regard, it is worth noting that Spain is facing the scenario from a stronger position than a few years ago. Private debt – both household and corporate – has been declining for years and lies well below the euro area average. Net external debt has also seen a steady and significant decline for more than a decade, reducing the economy's vulnerability to shifts in international investor sentiment. Public debt, meanwhile, has also embarked on a downward trend, although its reduction is more gradual – just 1 pp in the last year – and it remains high, at around 100% of GDP. Even so, its performance has been more positive than that of other advanced economies and it has helped to maintain a relatively low risk premium.

The final channel through which the Spanish economy could be affected is confidence. If households and businesses, concerned about the geopolitical context, overreact and reduce their consumption and investment for precautionary reasons, then the impact of the shock would be significant. This should not be the case. Spain's economy has started the year on the right foot, it has a relatively low trade exposure to Middle Eastern countries, and it is in a reasonably solid macro-financial position. Nevertheless, for the good of all – and especially for the men and women of the Middle East – let us hope that the war ends as soon as possible.

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