



Spain

Macroeconomic & Financial Outlook

CaixaBank Research

May 2026

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Activity

- ▶ **Middle East conflict: fragile truce to advance negotiations amid deep mutual mistrust.** Key areas of the negotiations are Iran's renunciation of uranium enrichment; the reopening of the Strait of Hormuz; and the easing of sanctions on Iran. The Strait of Hormuz remains virtually closed, and the final duration, intensity, and magnitude of disruptions in energy markets remain uncertain. Markets continue to price in a de-escalation of the conflict. Oil and gas prices remain clearly above pre-conflict levels.
- ▶ **Market expectations fluctuate between two and three ECB hikes this year**, with a first hike now seen in June with around 90% probability, a clear shift from pre-conflict expectations of stable rates.
- ▶ **Spain enters this period of heightened geopolitical uncertainty from a position of relative strength**, supported by resilient recent performance in 2025 & Q1 2026 and structural factors underpinning domestic demand, including demographic growth, a strong financial position, diversified energy imports, and the continued deployment of NGEU funds.
- ▶ **The starting point is solid, as reflected in Q1 GDP growth of 0.6% quarter-on-quarter and 2.7% year-on-year**, slightly above our pre-conflict baseline; growth remains well balanced, driven by domestic demand—particularly household consumption and investment—while services exports continue to show resilience in both tourism and non-tourism segments.
- ▶ **If the conflict were resolved swiftly and energy markets eased, the shock should have a moderate impact on the Spanish economy.** GDP growth would likely fall short of the 2.4% envisaged in our baseline scenario of February but should remain still slightly above 2.0%. The negative impact from higher energy costs should be partly offset by fiscal support and recent growth momentum. We will review our projections next month, incorporating all new information released since our last forecast, including the impact of the ongoing conflict in the Middle East.
- ▶ **Spain's direct trade exposure to the Middle East is limited:** around 10% of oil imports and less than 2% of gas imports come from the region, while goods exports account for only 0.5% of GDP.
- ▶ **Inflation eased to 3.2% in April (March:3.4%) but remains above 3%.** Higher fuel prices linked to the conflict point to average inflation in 2026 above 3%, and therefore above last year's level (2.7%).
- ▶ **Early activity indicators for Q2 suggest growth remains dynamic**, underpinned by solid job creation and resilient consumption, although some moderation is emerging, particularly in services sentiment. Household spending remains robust in segments sensitive to perceptions of the economic outlook, such as leisure and hospitality, suggesting that household confidence remains high despite the conflict.
- ▶ **Spain complied with European fiscal rules in 2025** according to the Annual Progress Report submitted by the Government to the European Commission.

Banking Sector

- ▶ **New lending maintains positive momentum, supported by strong activity levels and, as a result, credit stock growth remains at an elevated pace in March.** The domestic NPL ratio remains contained (around 2.7% in February), and profitability stands at historically high levels (14.9% in 4Q25 vs. 10.4% in the euro area). While Spanish banks' exposure to the Middle East conflict is very limited, the war introduces downside risks to the outlook, potentially weighing on credit dynamics and non-investment products, with deposits partly supported by higher precautionary savings.

Main economic forecasts

Forecasts have not been updated after the Middle East war.

UNDER REVIEW

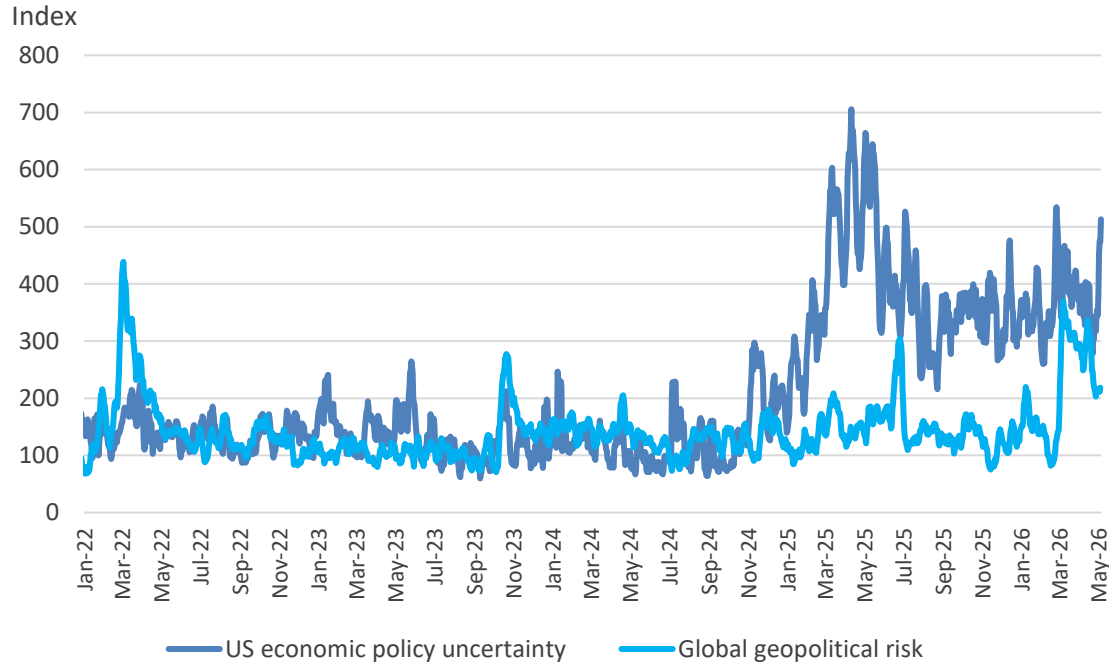
| % YoY. unless otherwise specified | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Forecast | | |
|---|-------|-------|------|------|-------|-------|-------|-------|----------|-------|------|
| | | | | | | | | | 2024 | 2025 | 2026 |
| GDP | 2,9 | 2,9 | 2,4 | 2,0 | -10,9 | 6,7 | 6,4 | 2,5 | 3,5 | 2,8 | 2,4 |
| Private Consumption | 2,6 | 3,1 | 1,8 | 1,0 | -12,2 | 7,2 | 4,9 | 1,7 | 3,0 | 3,3 | 3,0 |
| Public Consumption | 0,9 | 1,0 | 2,1 | 2,2 | 3,5 | 3,6 | 0,8 | 4,5 | 2,9 | 2,4 | 1,4 |
| Gross Fixed Capital Formation (GFCF) | 2,0 | 6,8 | 6,5 | 4,9 | -8,9 | 2,6 | 4,2 | 5,9 | 3,6 | 5,8 | 5,2 |
| GFCF - equipment | 1,6 | 9,1 | 4,2 | 1,7 | -13,5 | 3,3 | 2,1 | 2,6 | 1,9 | 7,4 | 4,4 |
| GFCF - construction | 0,9 | 6,8 | 10,1 | 8,4 | -8,4 | 0,5 | 4,0 | 5,5 | 4,0 | 5,2 | 5,6 |
| Exports | 5,4 | 5,6 | 1,7 | 2,3 | -20,1 | 13,4 | 14,2 | 2,2 | 3,2 | 3,6 | 2,1 |
| Imports | 2,6 | 6,7 | 3,9 | 1,3 | -15,1 | 15,0 | 7,7 | 0,0 | 2,9 | 6,2 | 4,1 |
| Unemployment rate | 19,6 | 17,2 | 15,3 | 14,1 | 15,5 | 14,9 | 13,0 | 12,2 | 11,3 | 10,5 | 9,8 |
| CPI (average) | -0,2 | 2,0 | 1,7 | 0,7 | -0,3 | 3,1 | 8,4 | 3,5 | 2,8 | 2,7 | 2,4 |
| External current account balance (% GDP) | 3,1 | 2,8 | 1,9 | 2,1 | 0,8 | 0,8 | 0,4 | 2,7 | 3,2 | 2,9 | 2,7 |
| General Government Balance (% GDP) | -5,3 | -3,0 | -2,6 | -3,1 | -9,9 | -6,7 | -4,6 | -3,3 | -3,2 | -2,4 | -2,1 |
| General government debt (% GDP) | 101,9 | 101,2 | 99,8 | 97,7 | 119,3 | 115,7 | 109,3 | 105,2 | 101,7 | 100,7 | 99,0 |
| Housing prices | 1,9 | 2,4 | 3,4 | 3,2 | -1,1 | 2,1 | 5,0 | 3,9 | 5,8 | 11,2 | 6,3 |
| Risk premium (vs. 10Y Bund. bps. Dec.) | 124 | 120 | 97 | 88 | 86 | 67 | 104 | 102 | 81 | 58,9 | 44,7 |
| 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 | 3,5 | 4,5 |

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

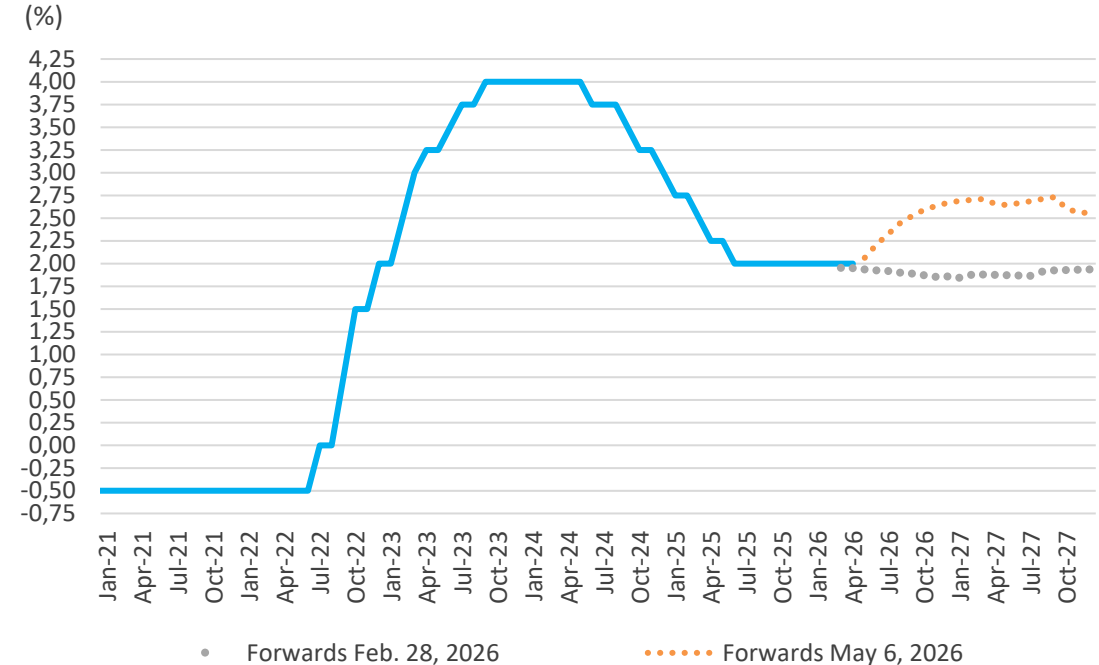
Source: CaixaBank Research.

Markets eye a measured ECB hiking cycle due to the Middle East conflict

Policy uncertainty and geopolitical risk



ECB deposit rate

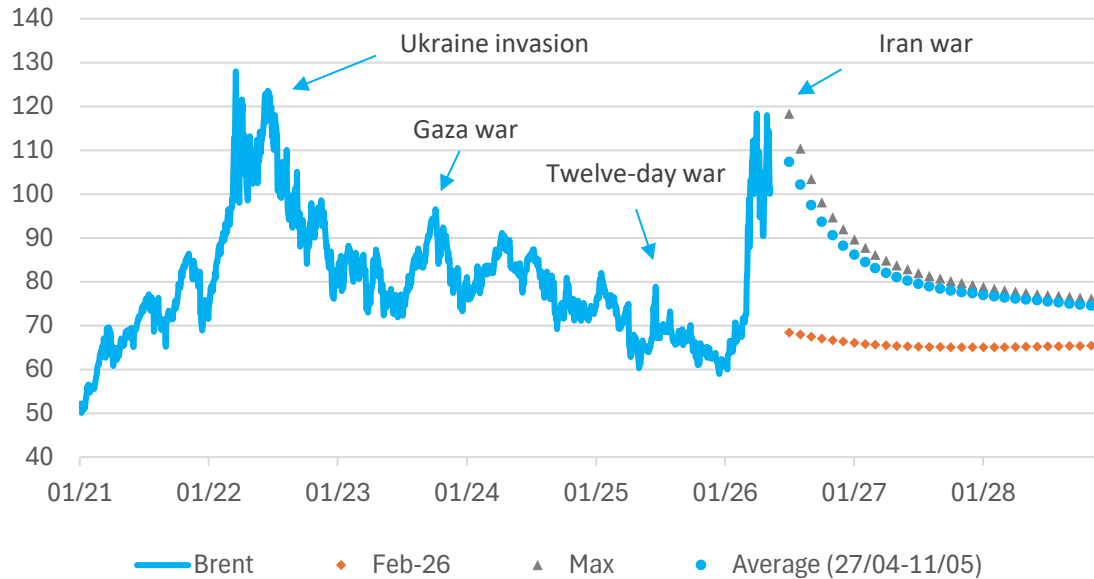


- ▶ **The ECB signals a measured increase in interest rates.** At its April meeting, the ECB kept policy unchanged (depo at 2.00%) but started moving towards a scenario of “a meaningful but not-too-persistent rebound in inflation” due to the Middle East conflict – a scenario that would warrant a measured tightening of policy. Officials even discussed the possibility of an April rate hike but opted to wait for a comprehensive reassessment of the outlook in June (when new economic projections are due). Market pricing has fluctuated between two and three ECB hikes in 2026, with early-May forward rates eyeing a depo rate at 2.25% in June with 90% probability and reaching 2.50% by September and 2.75% by end-2026 (vs. a pre-conflict pricing of stable rates at 2.00% with a dovish tilt [market-implied 30% probability of one cut]).
- ▶ **The ECB sets off from a “good place”, mitigating the need of a forceful adjustment.** It can rely on anchored inflation expectations, a neutral monetary policy stance (vs. highly expansionary in the run-up to the Ukraine shock), moderate demand growth and decelerating wages. Yet the ECB must be cautious about amplification risks from lingering price inertia, Ukraine-inflation memories and tariff-related risks of supply disruptions.
- ▶ **Financial conditions have not tightened significantly.** After an initial risk-off reaction to the Middle East conflict, stock markets rebounded throughout April – supported by a strong earnings season and renewed investor risk appetite, with the tech sector leading gains among U.S. and European stocks. Markets see a meaningful impact on short-term inflation (while long-term expectations remain anchored) and have adopted a hawkish bias in their monetary policy expectations, triggering a jump in sovereign yields. Although euro area peripheral spreads tightened, they remain remarkably low (at the start of the year, they reached lows not seen since 2008 [except for France]).

The Middle East war is having a significant impact on energy prices

Brent oil prices and futures

\$ per barrel

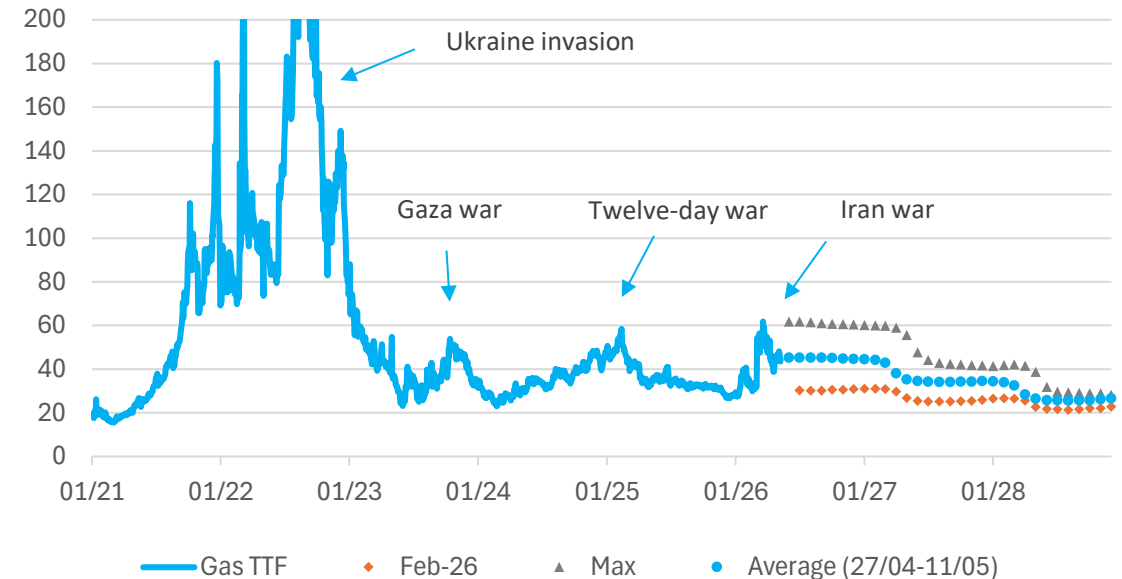


Note: Graph elaborated with data as of May 11th.

Source: CaixaBank Research, based on data from Bloomberg.

TTF gas prices and futures

€ per MWh



Note: Graph elaborated with data as of May 11th.

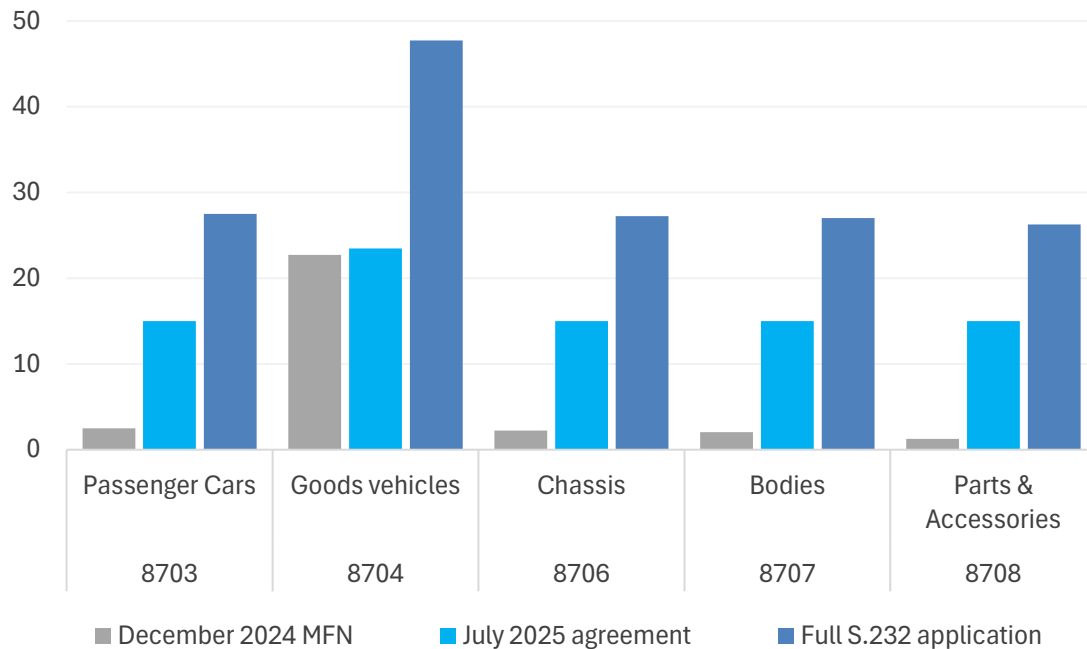
Source: CaixaBank Research, based on data from Bloomberg.

- ▶ **Oil prices.** Front-end oil prices (delivery in 2 months) have remained highly volatile over the past weeks, as a fragile ceasefire holds, within the 90-110\$/b range. Futures' prices for delivery in December 2026 have remained above the 85\$/barrel floor (vs. avg. 66\$/b in Feb-26), as the duration of the disruption in the Strait of Hormuz widens and hopes of a fast recovery of energy flows have abated. This would point to an average Brent for 2026 close to 90\$/b (vs. 67.2\$/b CABK Research Feb-26 forecast), while the average for 2027 nears 80\$/b (vs. 65.4\$/b CABK Research Feb-26 forecast).
- ▶ **Gas prices.** Front-end prices (delivery in 1 month) have stood around 45€/MWh over the past weeks, with futures into the end of the 2026-27 winter season above 40€/MWh (vs. avg. c. 30€/MWh in Feb-26). Using current futures, the average TTF price for 2026 would stand slightly below 45€/MWh (vs. 31€/MWh CABK Research Feb-26 forecast), while the average price for 2027 would be close to 35€/MWh (vs. 26 €/MWh CABK Research Feb-26 forecast).
- ▶ **Asymmetric upside risks.** While stocks have helped absorb the energy shock so far, current demand and supply conditions point to a persistent 6mb/d deficit. Absent a significant resumption of global oil supplies, particularly of flows via SoH, this imbalance eventually will have to be met with further demand destruction, as stocks approach critical levels. Furthermore, an increase in perceived geopolitical risks could increase risk-premia and inventory build-up incentives post-conflict, adding further upside pressure on prices over the medium-term. While infrastructure damage appears so far limited, the speed of recovery of production once the geopolitical context stabilises, of oil and natural gas as well as of other commodities such as aluminium and fertilisers, remains uncertain.

New tariff threats on EU exports, amid ongoing legal setbacks for Trump

Tariff rates on motor vehicles and parts

Percentage average by 4-digit HS product group

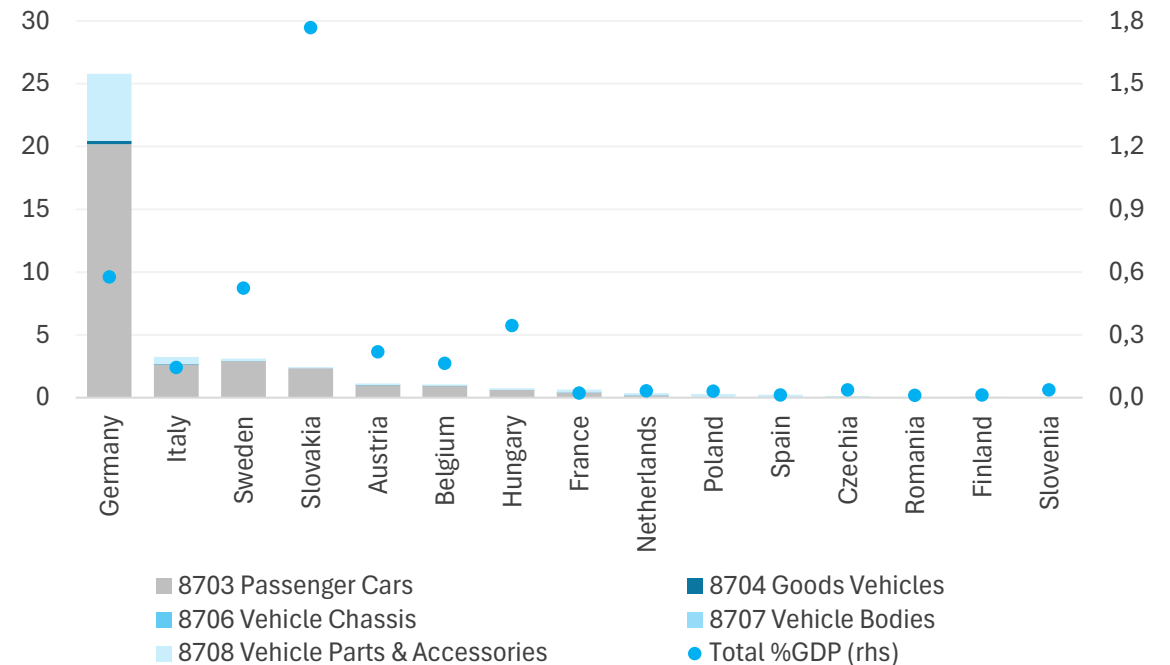


Note: MFN = Most Favoured Nation. S.232 = Section 232 of the Trade Expansion Act.

Source: CaixaBank Research, based on data from the WTO and the White House.

EU exports to the US of motor vehicles and parts (2025)

Top 15 exporters, in billions of euros and percentage of GDP



Note: Total is the sum of 8703, 8704, 8706, 8707 and 8708.

Source: CaixaBank Research, based on data from Eurostat.

- ▶ **New tariff threats mainly target EU auto exports.** Following delays in the European Parliament’s approval of tariff elimination for U.S. industrial products under the July 2025 agreement, Trump has threatened to raise duties on EU motor vehicles and parts under Section 232. The move would breach the 15% cap agreed last summer, lifting tariffs on passenger cars to 27.5% and on vehicle bodies —the group’s second main product line— to 27%.
- ▶ **Central-Eastern Europe’s auto value chain would be the most affected.** Germany is by far the largest auto exporter to the U.S., with around €20bn in passenger cars and over €5bn in vehicle bodies, amounting to 0.6% of GDP. Italy, Sweden and Slovakia follow, each exporting €2.5–3bn, with Slovakia showing the highest relative exposure (1.8% of GDP). Among large economies, France and Spain are the least directly exposed.
- ▶ **Trade tensions with partners and renewed legal uncertainty return to the fore.** Beyond autos, Trump issued a two-month ultimatum for the EU to advance the July 2025 agreement, also citing the lack of progress on reducing non-tariff barriers. Separately, the U.S. Court of International Trade —the same court that initially ruled IEEPA tariffs illegal before the Supreme Court reversal— has struck down the new 10% tariffs approved in late February, reinforcing ongoing legal setbacks.

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

Main Spanish goods exports to the US in 2025

| | Mill. € | % of total | % of sector |
|--------------------------------------|---------------|--------------|-------------|
| Chemical products (including pharma) | 3,249 | 19.4 | 4.9 |
| Industrial machinery | 1,675 | 10.0 | 8.8 |
| Electrical appliances | 1,621 | 9.7 | 9.9 |
| Construction materials | 957 | 5.7 | 12.4 |
| Engines | 860 | 5.1 | 19.1 |
| Fats and oils | 843 | 5.0 | 11.5 |
| Energy products | 768 | 4.6 | 3.2 |
| Fruits and vegetables | 579 | 3.5 | 2.2 |
| Processed food products | 385 | 2.3 | 5.5 |
| Automotive sector | 380 | 2.3 | 0.8 |
| Iron and Steel | 378 | 2.3 | 4.3 |
| Beverages | 358 | 2.1 | 6.7 |
| Transport equipment | 302 | 1.8 | 2.0 |
| Fishing products | 283 | 1.7 | 4.9 |
| Textiles | 264 | 1.6 | 1.4 |
| Sugar, coffee and cocoa | 246 | 1.5 | 5.8 |
| Meat | 244 | 1.5 | 1.9 |
| Precision equipment | 235 | 1.4 | 7.0 |
| Paper | 200 | 1.2 | 4.0 |
| Furniture | 186 | 1.1 | 5.7 |
| TOTAL | 16,716 | 100.0 | 4.3 |

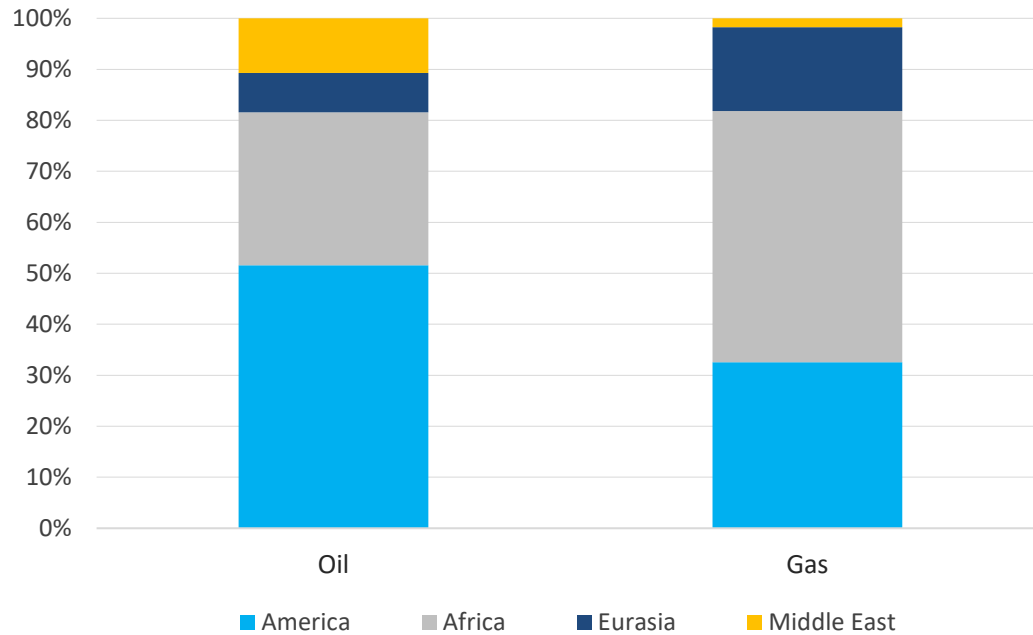
Source: CaixaBank Research, with data from Data Comex.

- ▶ We estimate that, following Trump's announcements after the Supreme Court ruling, the average tariff on Spanish exports to the United States will remain below 15%. This is consistent with the Spanish Minister of Economy's statement that the Court's decision reduced the average tariff to 12.6%, from 14.4%. Overall, the impact of the tariff increase—relative to the pre-Trump period—amounts to slightly below 0.2% of GDP, including both direct exposure through exports to the U.S. and indirect exposure via Spanish value added embedded in third-country exports. Sectors with the highest exposure to tariff increases include chemicals, capital goods (machinery, engines, electrical equipment), oils, and construction materials.

Spain: limited direct exposure to the Gulf region

Oil and gas imports by region

Percentage over total (%)

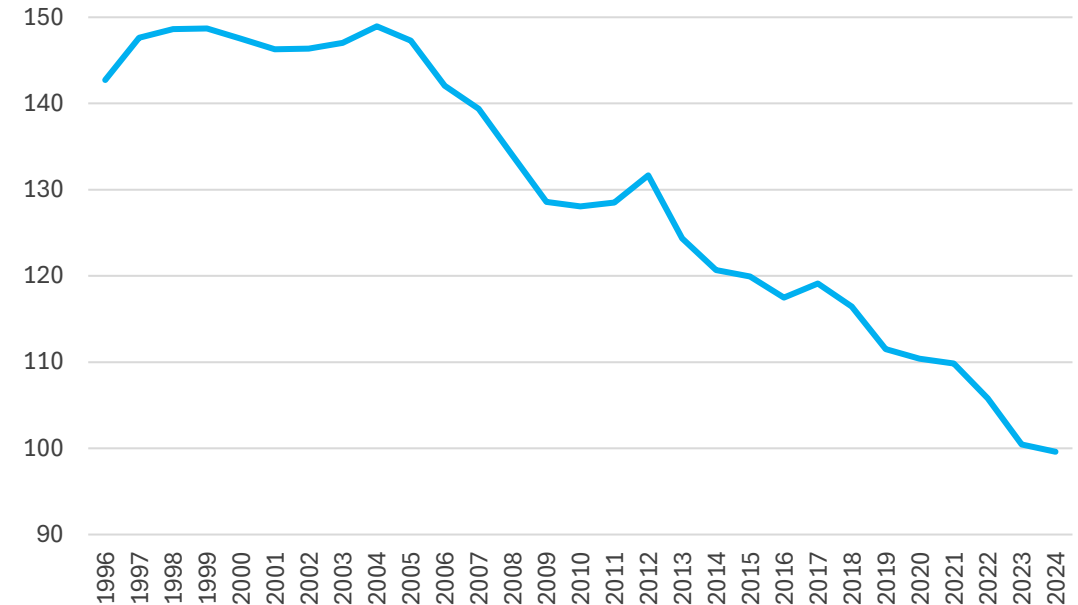


Note: Data from 2025.

Source: CaixaBank Research, based on data from CORES.

Energy intensity

Units of energy per thousands of GDP (kg of CO₂ eq.)



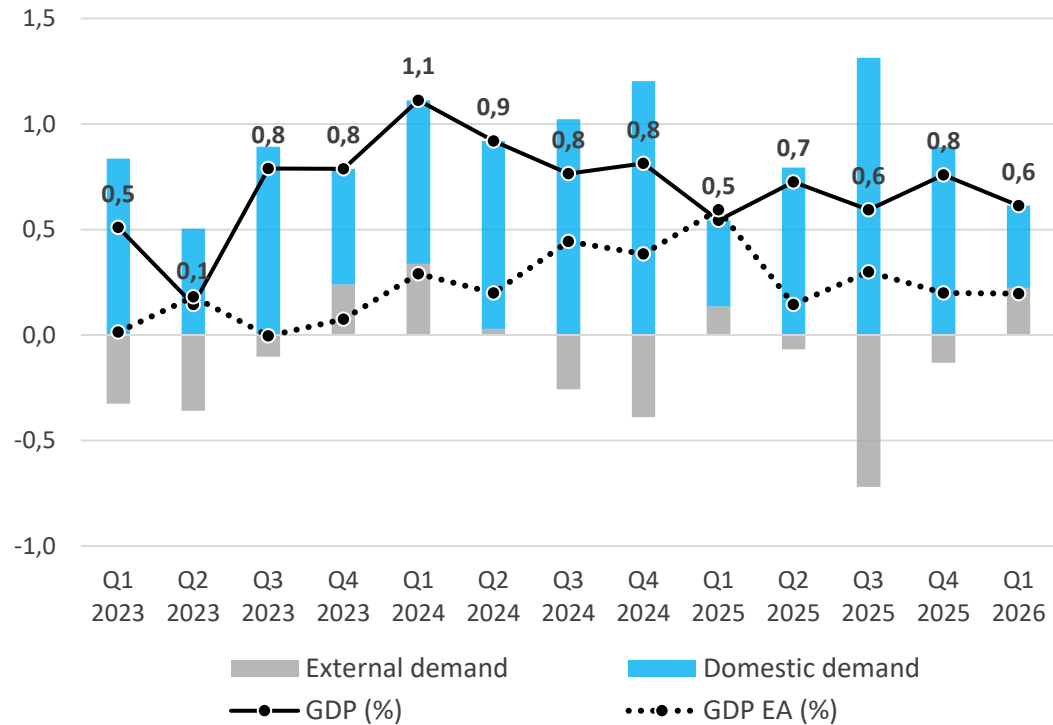
Note: Real GDP. Units of energy correspond to gross available energy, which includes primary production, recovered & recycled products, net exports and stock changes.

Source: CaixaBank Research, based on data from Eurostat.

- ▶ **Spain's direct exposure to Middle East energy exports is relatively limited.** Around 10% of Spain's imported oil comes from the Middle East, while less than 2% of imported gas originates from the region. In both cases, close to 80% of imports come from the Americas and Africa.
- ▶ **Lower energy intensity, while energy dependence remains high.** Spain's energy intensity—measured as the amount of energy required to produce €1,000 of real GDP—has fallen by one third since the early 2000s, placing the country slightly below the euro area average. However, Spain continues to show a high reliance on external energy sources.
- ▶ **Limited trade exposure.** The Gulf accounts for 2.3% of Spain's goods exports and a further 2.3% of non-tourism services exports, all of which is equivalent to roughly 0.7% of GDP. On the goods side, exports are concentrated in machinery, perfumery products, electrical equipment and vehicles. Imports from the region are even smaller—just 1.8% of Spain's total—two-thirds of which is energy. The remainder is largely plastics and aluminium, while fertilizer purchases from the Gulf are negligible.

Contribution to quarterly GDP growth

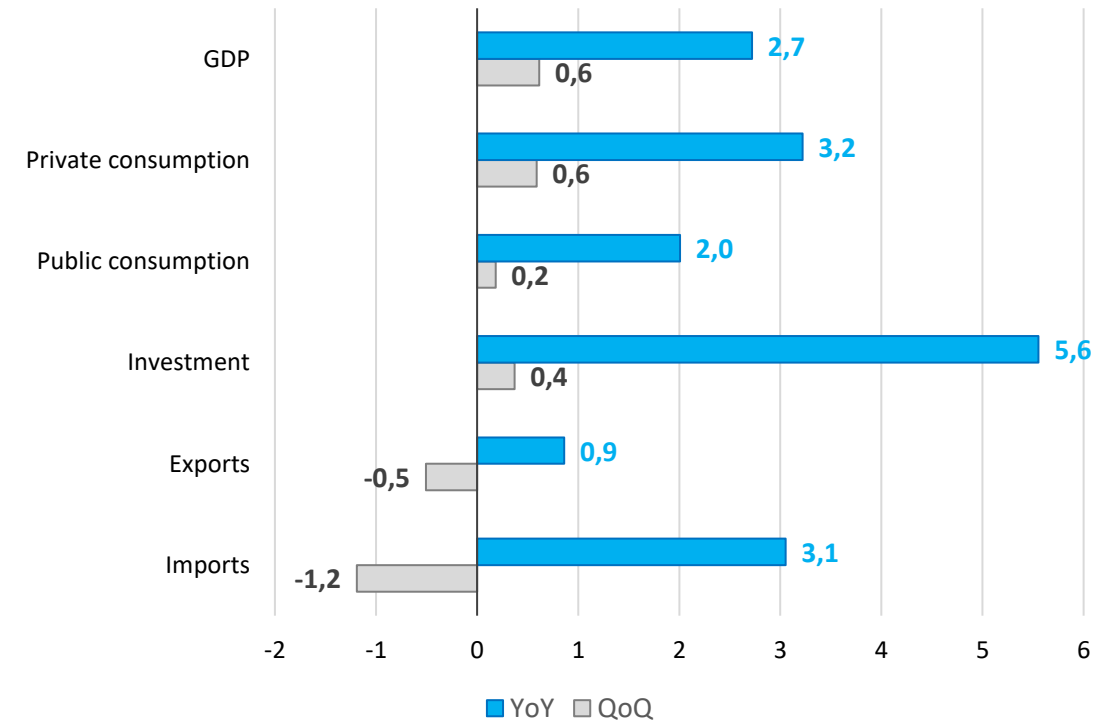
Percentage points and percentage change (%)



Note: GDP is quarter-on-quarter variation.

Q1 2026 GDP and its components

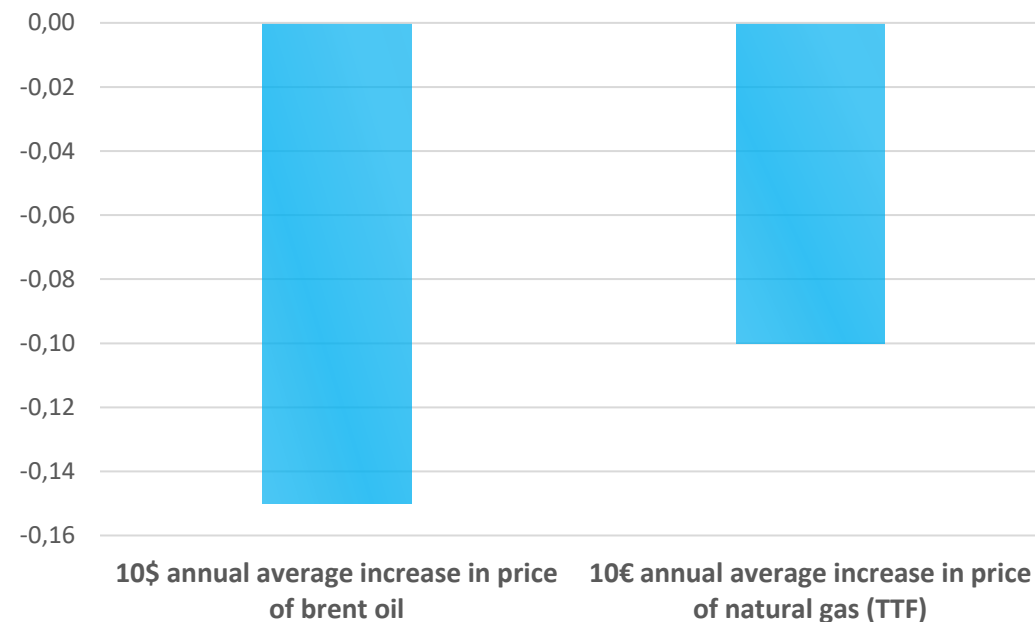
Quarter-on-quarter variation (%)



- ▶ **GDP grew 0.6% qoq (2.7% yoy) in Q1 2026**, slightly exceeding our expectations (0.5%) and outperforming the euro area's growth of 0.2% qoq. In year-on-year terms, growth accelerated 0.1 p. p. compared to previous quarter. Again, on an annual perspective, growth was supported by private consumption and investment, which grew at a rate of 3.2% and 5.6%, respectively. Internal demand contributed 3.4 p. p. out of 2.7 p. p. to annual GDP growth. Net trade deducted 0.7 p. p. to annual growth, as goods exports remain weak while import growth proceeds at a robust pace. Services exports, instead, maintain a good performance (both tourist as well as non-tourist services), with a 4.6% yoy growth rate.
- ▶ The mechanical incorporation of the Q1 GDP growth figure would introduce a slight upside bias to our forecast for GDP growth in 2026, currently at 2.4%. However, as the impact of the conflict in Iran has yet to be incorporated, a modest downward revision is likely. **The information available so far, together with the strong Q1 performance, reinforces our view that, provided the conflict does not become prolonged, its impact on 2026 growth should be limited, amounting to only a few tenths of GDP.**

GDP growth: elasticity to energy prices

Percentage points



GDP: analysts' forecast

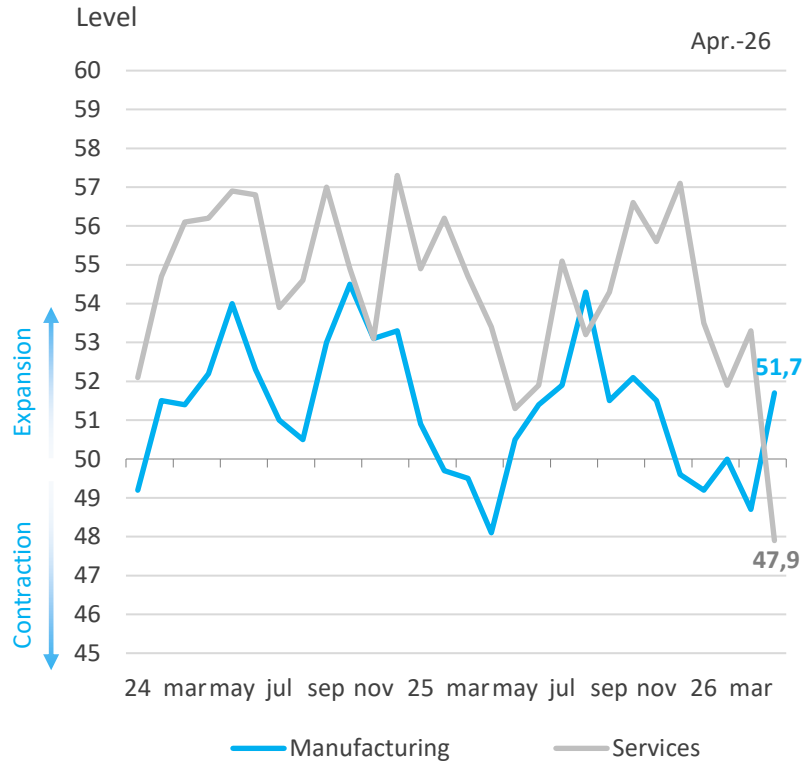
Year-on-year change (%)

| Ordered by forecast of 2026 | 2026 | 2027 |
|-------------------------------------|------------|------------|
| BBVA Research (Mar. 16) | 2.4 | 2.4 |
| CaixaBank Research (Feb. 23) | 2.4 | 2.0 |
| Funcas (Feb. 19) | 2.4 | 1.8 |
| European Commission (Nov. 17) | 2.3 | 2.0 |
| Funcas panel (Mar. 17) | 2.3 | 2.0 |
| Bank of Spain (Mar. 27) | 2.3 | 1.7 |
| Airef (Apr. 15) | 2.3 | - |
| Consensus Forecasts (Apr. 17) | 2.2 | 1.9 |
| Government (Apr. 28) | 2.2 | - |
| IMF (Mar. 20) | 2.1 | 1.8 |
| OECD (Mar. 26) | 2.1 | 1.7 |

- ▶ **As a rule of thumb, a €10 increase in the price of oil typically subtracts around 0.15 pp from GDP growth; in the case of natural gas, the sensitivity is somewhat smaller, at around 0.10 pp.**
- ▶ Based on oil and gas futures over the past two weeks, the conflict-related impact on Spain's GDP growth in 2026 is estimated at around -0.5 pp. This would be partly offset by economic policy measures (c.+0.2pp), resulting in a net negative impact of roughly -0.3 pp, which would lower our 2026 GDP growth forecast to just above 2.0%, from 2.4% prior to the conflict. That said, the situation remains highly fluid, and if ongoing negotiations lead to a rapid resolution, the impact could be even smaller.
- ▶ **The Spanish economy faces the current context of geopolitical uncertainty from a position of relative strength.** Its recent performance has been very strong and several domestic demand factors will provide ongoing support. Private consumption will be supported by demographic growth and a good financial position—private-sector debt, both among households and firms, has been declining for years and now stands clearly below the euro area average—. Investment should benefit from a faster deployment of NGEU funds as they enter their final year.
- ▶ **The expansion of renewable energy production and the diversification of import sources have become valuable assets in periods of tension such as the current one.** Although Spain should not face supply disruptions, the economy will be affected by higher energy prices related to the Middle East war.
- ▶ **Bank of Spain, the IMF and the OECD have revised their macroeconomic forecasts to incorporate the Iran crisis.** In all cases, the effects are assessed as moderate, with 2026 GDP growth projections ranging between 2.1% and 2.3%.

Spain: Mixed signals from early Q2 indicators

PMI indices



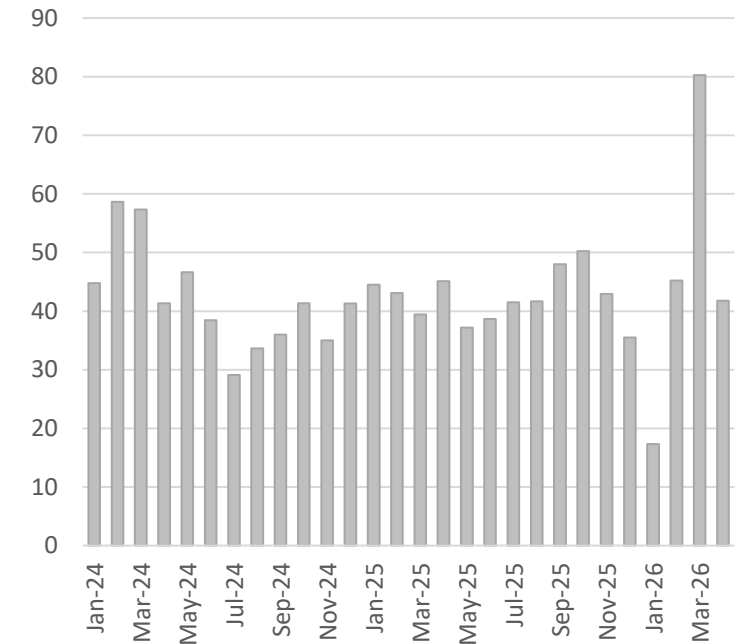
Indicators of economic activity

| | Q2 2026 | Q1 2026 | Data up to |
|---|---------|---------|------------|
| Workers registered to the Social Security system (qoq growth in % SA) | 0.5 | 0.5 | Apr. |
| CaixaBank Consumption Monitor (yoy growth in %) | 1.8 | 3.5 | Apr. |
| Manufacture PMI level, >50 expansion | 51.7 | 49.3 | Apr. |
| Services PMI level, >50 expansion | 47.9 | 52.9 | Apr. |

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.

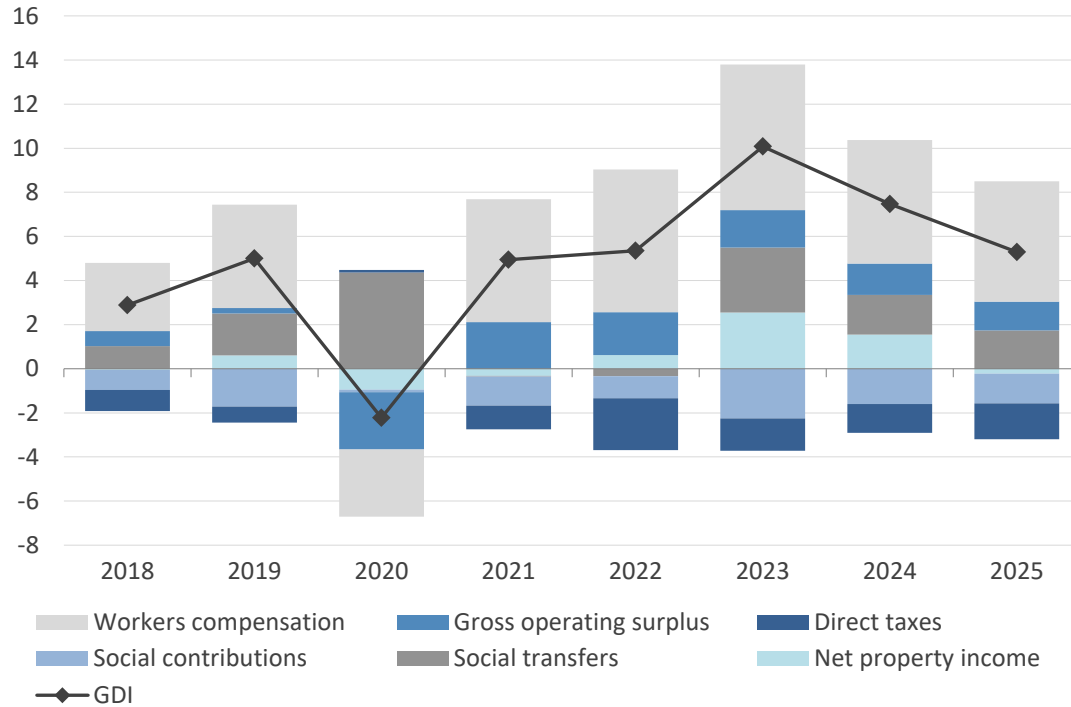
Source: CaixaBank Research, with data from the MISSM.

- ▶ **Early indicators of economic activity for Q2 provide mixed signals, with growth in employment proceeding at a robust pace while sentiment deteriorates.** Job creation remains solid, with seasonally adjusted Social Security registrations posting 42k new additions, a rate very similar to the 47k monthly average from the first quarter of 2026. Instead, the PMIs provide mixed signals. In April, the manufacturing PMI stood at 51.7, almost three points higher than in the previous month and well into the expansionary region of the indicator (>50). By contrast, the services PMI declined sharply, falling from 53.3 to 47.9 points, its lowest level since August 2023. The improvement in manufacturing could be partly driven by front-loaded purchases aimed at avoiding potential severe disruptions to global supply chains stemming from the conflict in the Middle East.
- ▶ **CaixaBank's Consumption Monitor grew by 1.8% in April, negatively affected by the timing of Easter.** Focusing on both March and April, to abstract from Easter related seasonality effects, average monthly domestic consumption growth in those two months stood at 3.2%, slightly below the pace recorded in Q1 2026, but still consistent with solid growth momentum.
- ▶ Information available so far for Q2 remains very limited. With due caution, current readings suggest that growth remains dynamic, albeit at a slower pace than in the previous quarter.

The savings rate remains high but decreased in 2025

Gross disposable income (GDI)

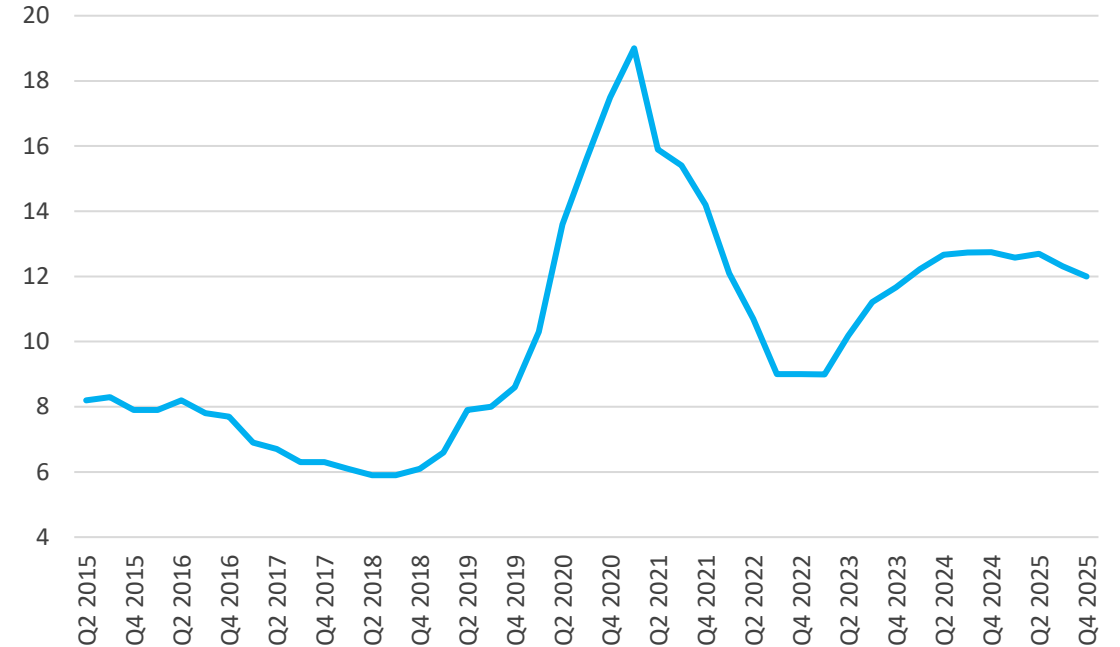
Year-on-year variation (%) and contributions



Source: CaixaBank Research, based on data from INE.

Savings rate

% Gross Disposable Income



Note: Accumulated data four quarters.

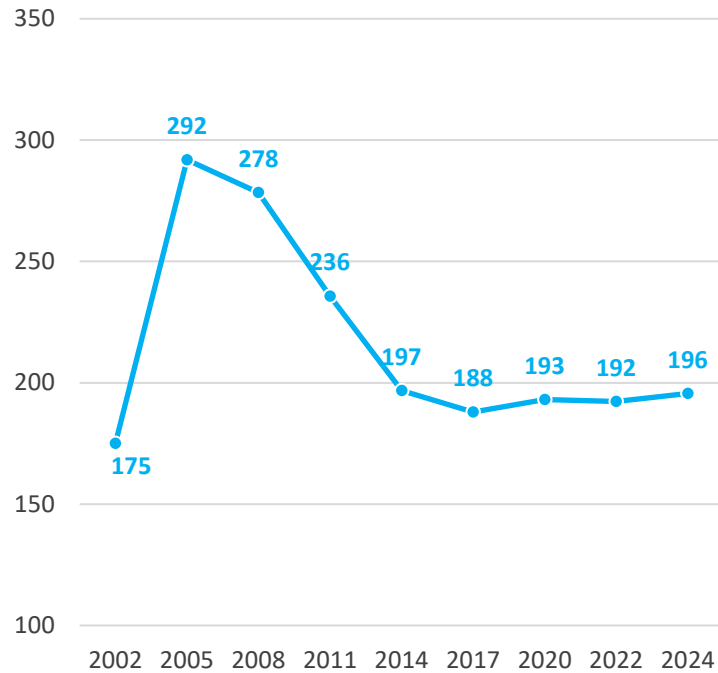
Source: CaixaBank Research, based on data from INE.

- ▶ **The savings rate in 2025** (cum. 4 quarters) **sits at 12.0%**, 0.7 pp lower than in 2024, but significantly above the long-term average of 8.6% (2000-2019).
- ▶ **GDI** grew 5.3% YoY in 2025, driven by a dynamic labor market (employees' total compensation rose 7.2% YoY), partially offset by a negative public sector contribution, as increases in direct taxes and social contributions outweighed social transfers. Given that consumption grew at a solid pace (6.2% year-on-year) and above disposable income, the savings rate showed a slight moderation.
- ▶ **The financial position of households remains strong**: in Q425 households debt stood at 42.8% of GDP (vs. 50.4% in the euro area), the lowest level since 1999.
- ▶ Before the escalation in the Middle East, our baseline expected the household saving rate to fall by around 0.5pp in 2026; The impact of the Middle East conflict on savings rate is uncertain. The inflationary shock of 2022 was so intense that households reduced their saving rate to keep real consumption levels stable. As the current shock is proving more contained, we could see households increase their saving rate for precautionary reasons.

Spain: Households were in 2024 in a good financial position, according to the Encuesta Financiera de las Familias

Total gross wealth

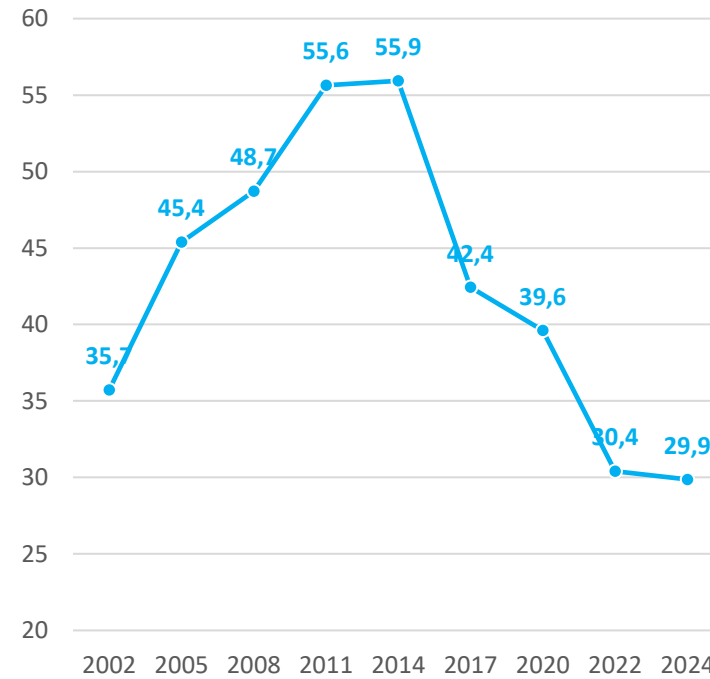
Median (thousand of 2024 euros)



Note: Gross wealth is defined as the sum of all financial assets and real assets and the median value is expressed in real terms (base year 2024).

Debt

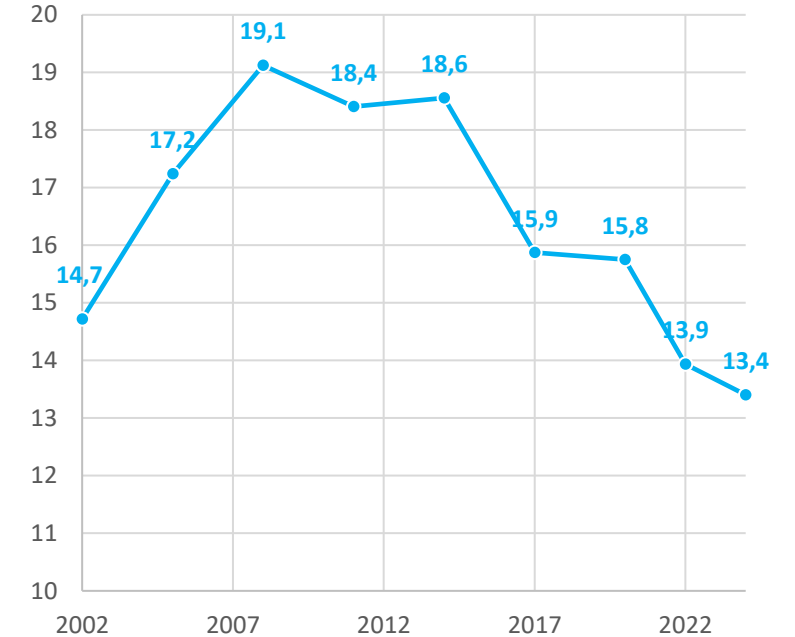
Median value for indebted households (Thousand of 2024 euros)



Note: It includes all types of debt, not only mortgages.

Debt service-to-income ratio

Median (%) for indebted households



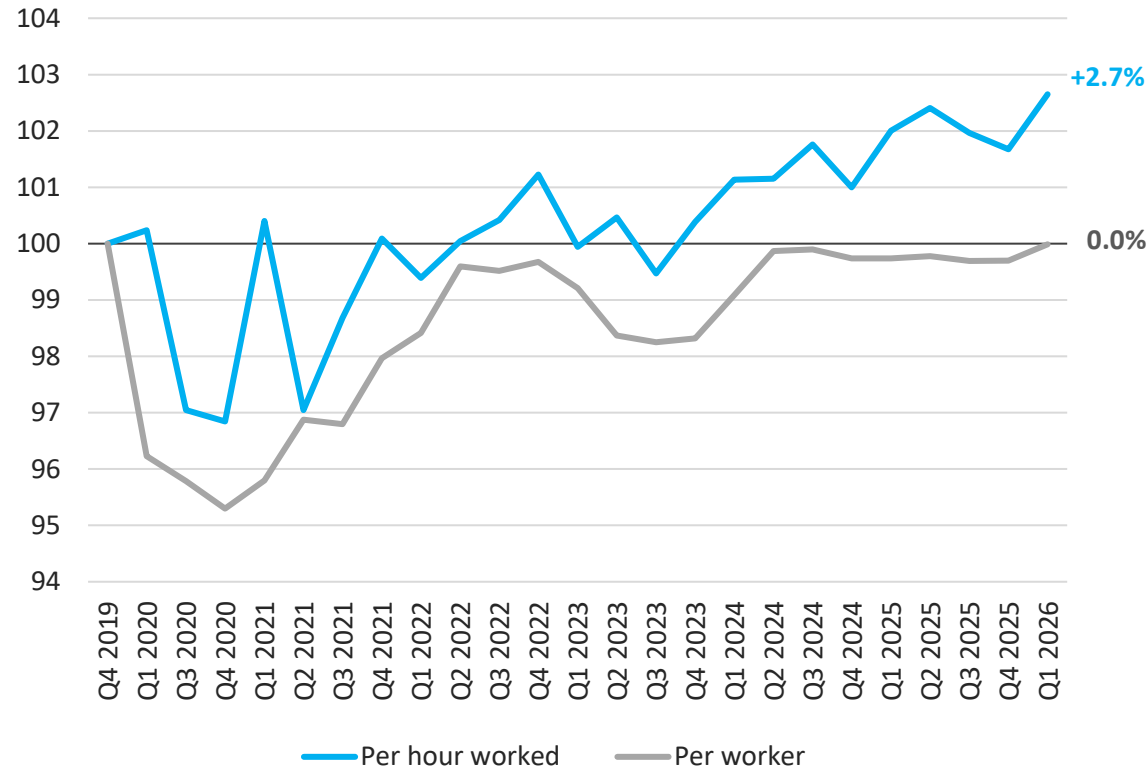
Note: The debt service-to-income ratio is the ratio of total payments households make to service its debts (including principal repayments and interest) divided by total household income. Total debts are considered (including consumption loans).

- ▶ **Median gross household income** (2023 data, referring to income earned in the previous year) has surpassed its 2001 peak in real terms, reaching €36,100 before tax, after growing by an average of 3.9% per year over 2021–23. By age group, only households aged 65 and over have exceeded their previous income peak.
- ▶ **Median gross household wealth reached €195,650 in 2024**, after growing by 0.9% per year in real terms since 2022. It remains 0.6% below its 2014 level. **Median net household wealth rose to €160,800** (+3.0% per year since 2022). Thanks to household deleveraging, net wealth has performed better than gross wealth and is already 8.0% above its 2014 level. Younger households show a much weaker performance: among those under 35, median wealth stands 50% below its 2014 level, and 29% below for the 35–44 age group. The decline is more limited for 45–54-year-olds (–10%) and 55–64-year-olds (–3%).
- ▶ Median household debt stood at €29,870 in 2024, remaining broadly stable compared with 2022.
- ▶ **The financial burden (debt service over income among indebted households) declined to 13.4%, the lowest level since 2002.** The share of households with a financial burden above 40% fell by 0.6 pp to 7.9%, the lowest since 2005. This reflects the decline in outstanding mortgage debt and rising household income, despite higher interest rates.

Decoupling between productivity per hour worked and productivity per employee

Labor productivity

Level (Q4 2019 = 100)



Average annual productivity growth (%)

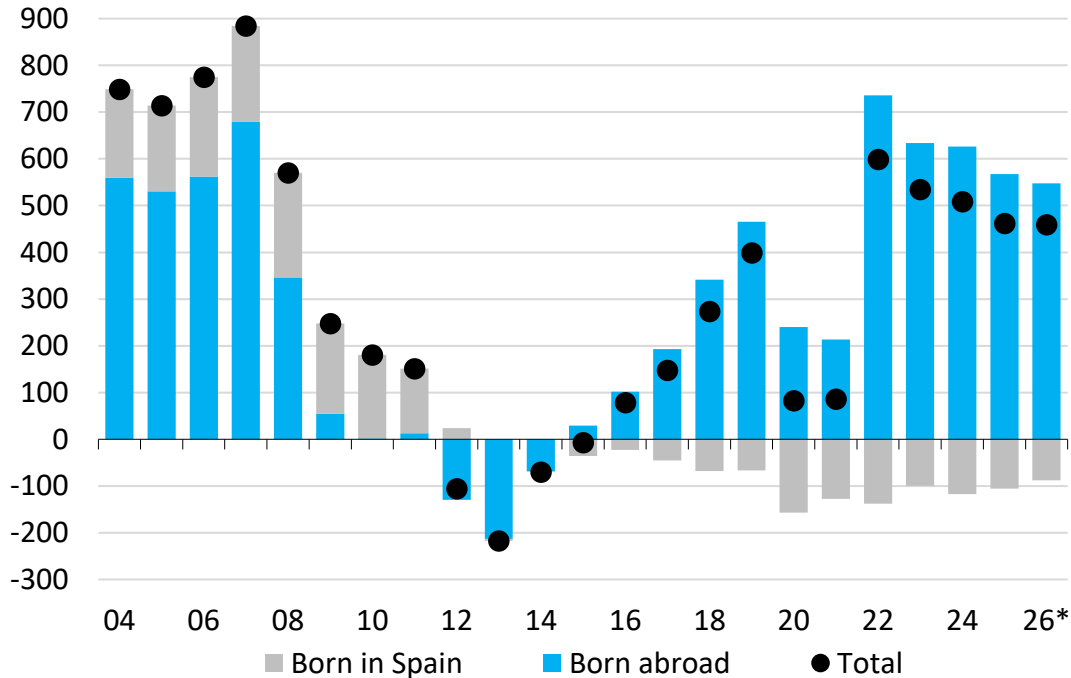
| | Last 3 years | Last 2 years | Last year | Since Q4-19 | Q4.14-Q4.19 | Since Q4-14 |
|-----------------|--------------|--------------|-----------|-------------|-------------|-------------|
| Per worker | 0.3 | 0.5 | 0.3 | 0.0 | 0.3 | 0.1 |
| Per hour worked | 0.9 | 0.7 | 0.6 | 0.4 | 0.5 | 0.5 |

▶ **Productivity per hour worked in Q1 26 is 2.7% above the level at the end of 2019, while per worker is just at the same level.** The difference between productivity per hour worked and per worker reflects the fall in hours worked per employee. Main factors behind: increase in work permits and in temporary sick leaves.

Demographics and the labor market continue to drive growth

Total population

Annual variation in thousands

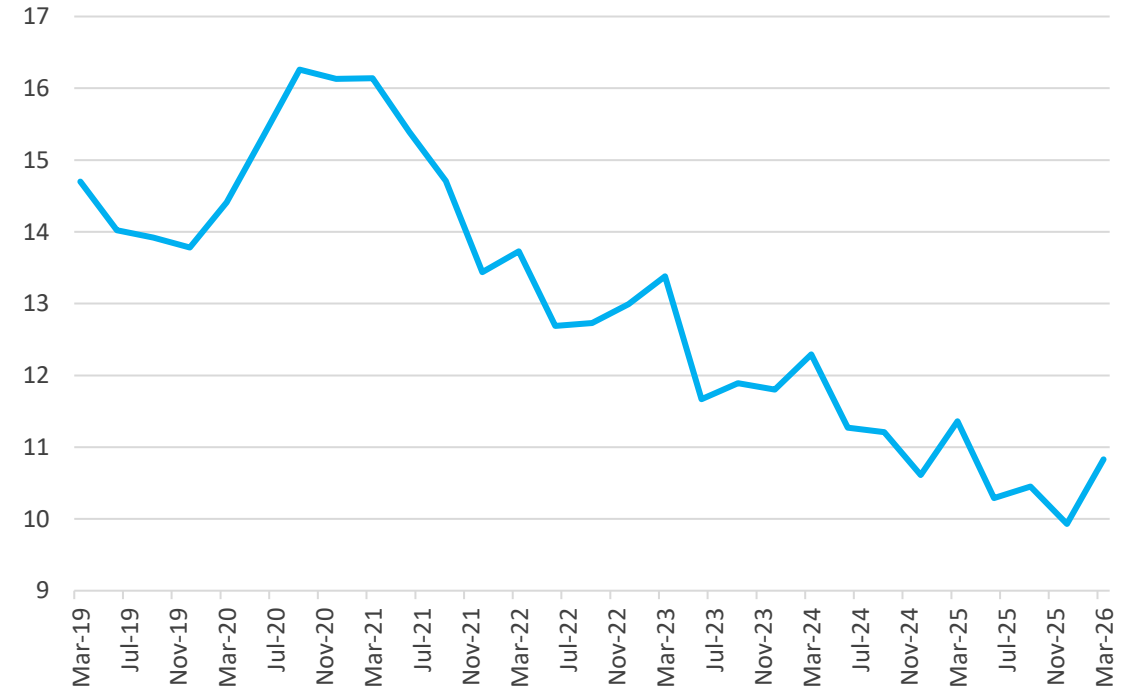


Note (*) Q126 vs. Q125.

Source: CaixaBank Research, with data from INE (ECP)

Unemployment rate

% of active population



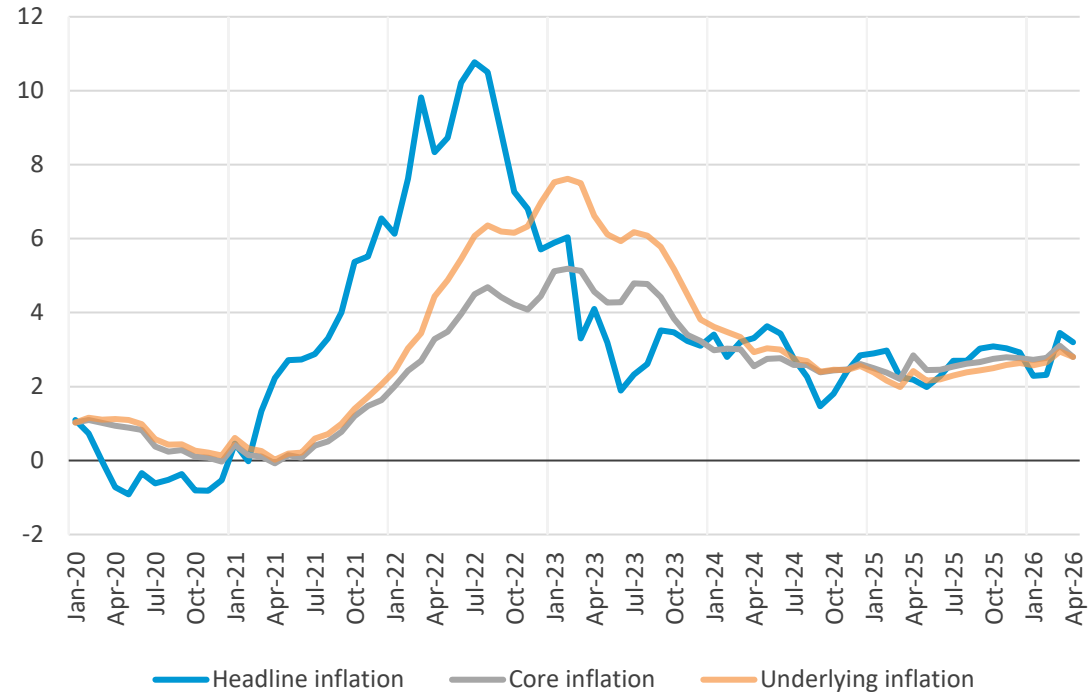
Source: CaixaBank Research, with data from EPA.

- ▶ **Employment in Spain grew by 2.4% yoy in Q1 2026**, a 0.4pp deceleration from the previous quarter, reflecting the usual post-Christmas adjustment and weaker-than-expected activity due to weather conditions. The active population grew by 1.8% yoy, slightly moderating from Q4 but remaining close to the 1.7% average recorded in 2023–2025.
- ▶ **The unemployment rate rose to 10.8% due to seasonal effects** but remained 0.6pp lower than a year earlier. Adjusted for seasonality, the unemployment rate stood at 10.3%, down 0.1pp from the previous quarter.
- ▶ In Q1 2026, the population grew by 0.9% year on year.
- ▶ **The ongoing immigration regularisation process —with 500,000 to 800,000 potential beneficiaries— may facilitate the shift from informal to formal work**, improving labour-market outcomes and broadening the fiscal base through higher social contributions and tax revenues.

Conflict in the Persian Gulf keeps inflation above 3% in April

Inflation

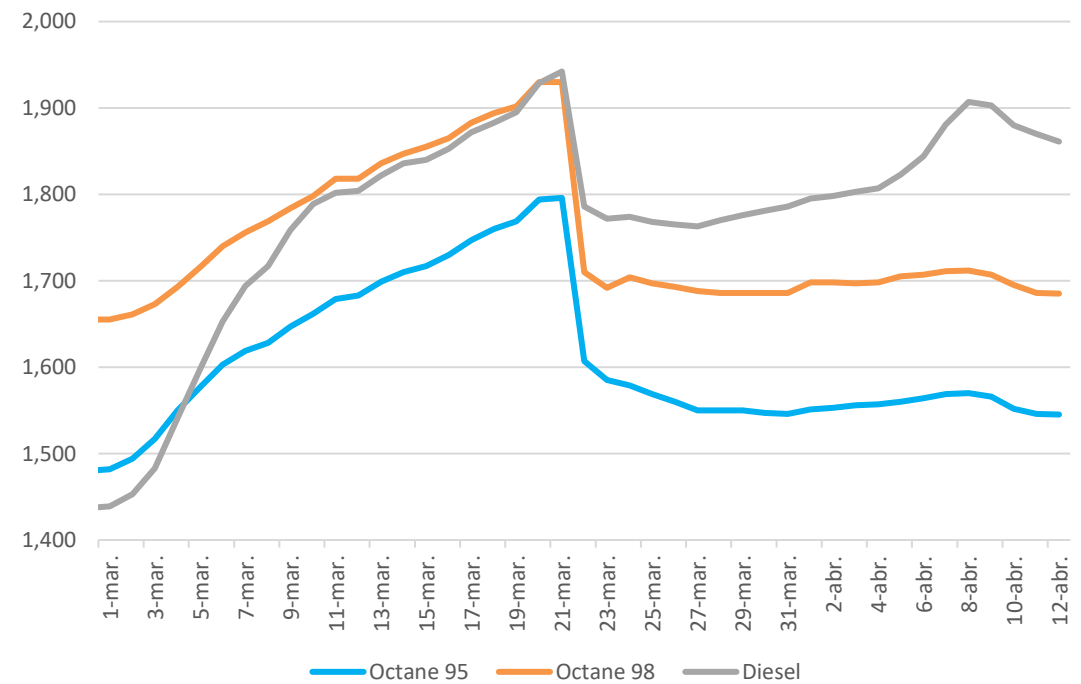
Year-on-year change (%)



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

Fuel prices at gas stations in Spain

€/litre



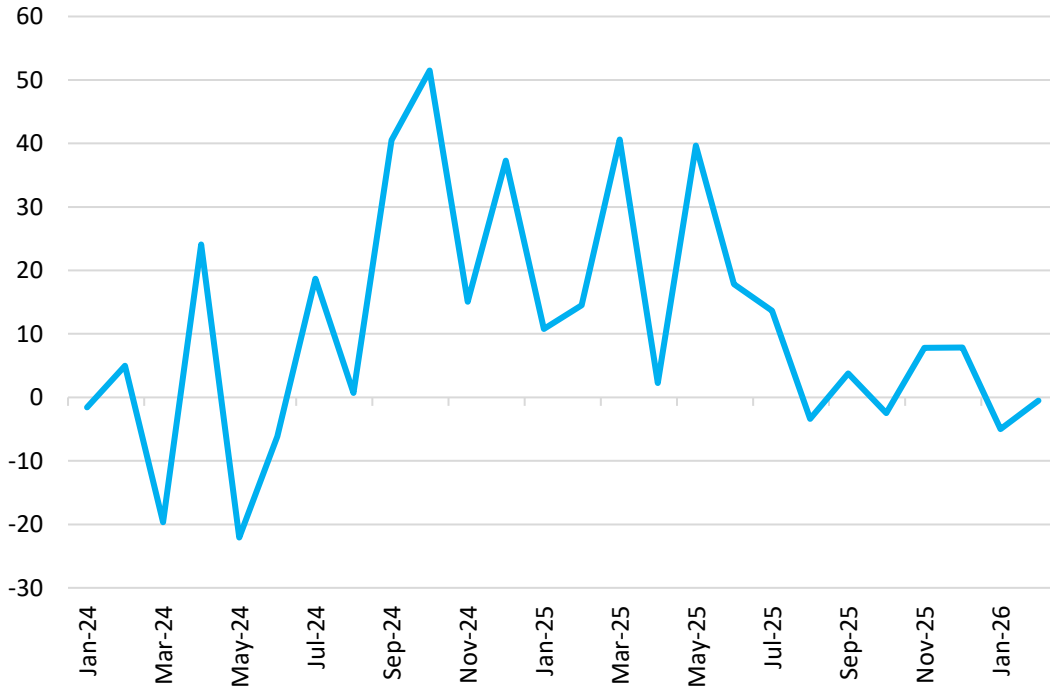
Source: CaixaBank Research, based on data from MITECO.

- ▶ **Headline inflation eased by 0.2pp in April to 3.2% (March: 3,4%), driven by lower electricity, but remains clearly above pre-Middle East conflict levels (February: 2.3%).** Fuel prices remain elevated, particularly diesel, despite the government’s fiscal cuts.
- ▶ **Average inflation in 2026 is expected to stand slightly above 3.0%,** assuming energy prices evolve broadly in line with recent futures curves and taking into account the measures approved by the government.
- ▶ **We do not expect indirect effects to have a material impact in 2026.** Experience from the post-pandemic inflation episode suggests that the pass-through of an energy shock to other components does not begin to materialize until 9 to 12 months later.

Residential demand stabilizes at historically high levels

Spain: House transactions

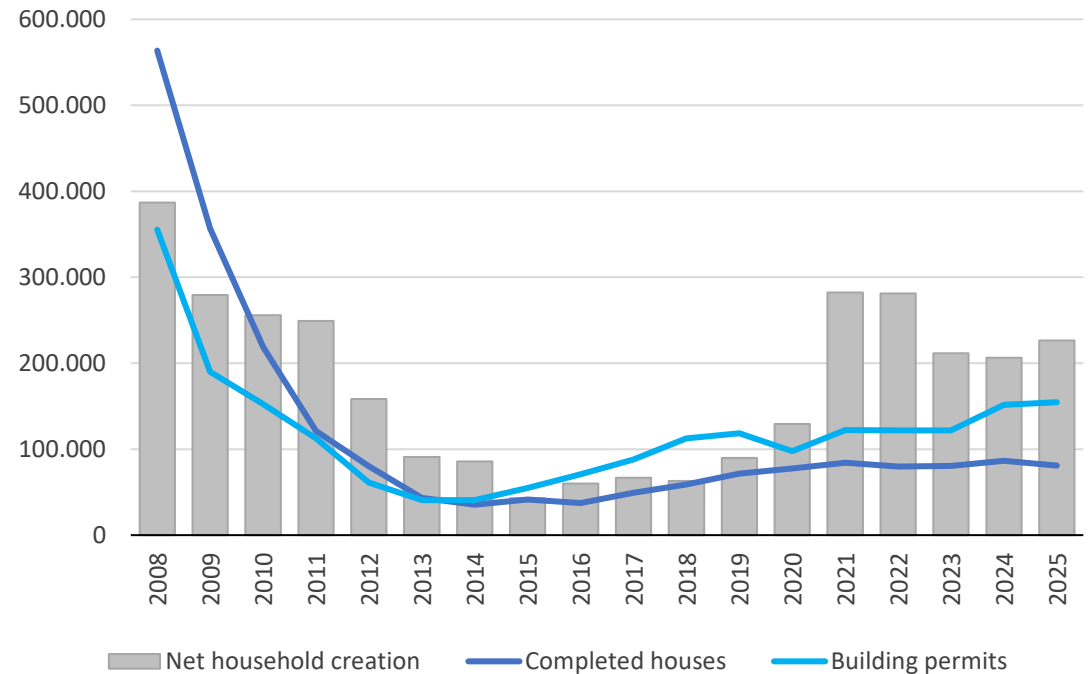
Year-on-year change (%)



Source: CaixaBank Research, based on data from INE.

Spain: Housing Supply Deficit

Level



Notes: Permits and completed houses include affordable houses.

Source: CaixaBank Research, based on data from MITMA, INE (ECP).

- ▶ **Home sales declined at the start of the year in year-on-year terms**, although activity remains at very high levels (around 711,000 transactions over the twelve months to February). While the main demand fundamentals remain solid, a tightening of financial conditions could dampen demand going forward. Looking ahead, we expect home sales to remain very dynamic in 2026, at around 700,000 transactions.
- ▶ **The supply of new housing has strengthened in recent months**: over the twelve months to February, building permits reached 141,135 units (+9.0% year on year). Nevertheless, this remains below the pace of new household formation (around 242,000) and, as a result, the housing deficit, continues to widen.
- ▶ **House prices continue to rise at strong nominal rates**. In Q1 2026, the repeat-sales house price index (Registrars) saw an acceleration in year-on-year growth, from 17.0% in Q4 2025 up to 17.7%. In Q4 2025, the appraisal-based house price index (MIVAU) accelerated to 13.1% year on year (from 12.1% in Q3), while the transaction-based index (INE) increased by 12.9% (from 12.8%).

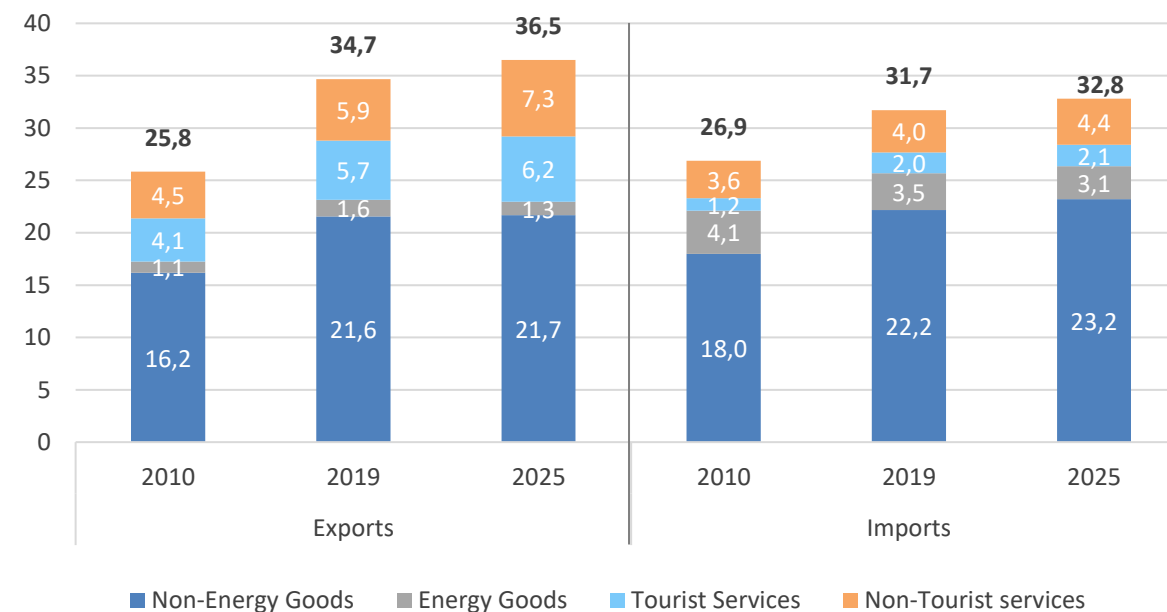
International tourist expenditure by origin

| Country | February 2026 (YoY) | March and April 2026 (YoY) | Difference March- April vs February (p.p) |
|--------------------------|---------------------|----------------------------|---|
| United Kingdom | 9,4 | 12,6 | 3,2 |
| France | 8,3 | 13,7 | 5,4 |
| Germany | 7,8 | 6,0 | -1,8 |
| Italy | 12,1 | 3,8 | -8,3 |
| Rest of Western Europe | 7,0 | 8,5 | 1,5 |
| United States of America | 8,6 | 14,1 | 5,5 |
| South America | 26,6 | 24,3 | -2,3 |
| China | 40,4 | 2,6 | -37,8 |
| South Korea | 16,4 | 5,8 | -10,6 |
| Japan | 29,7 | 4,8 | -24,9 |
| Rest of Asia and Oceania | 28,9 | 8,2 | -20,7 |
| Middle East | -1,8 | -0,3 | 1,5 |

Source: CaixaBank Research, with data from CaixaBank Points of Sales.

Exports and Imports of Goods and Services

(% of GDP)



- ▶ **The tourism sector continues to grow, albeit at a modest pace.** In March 2026, international arrivals rose by 3.3% year-on-year, while international tourist expenditure increased by 5.4% yoy. We estimate that tourism GDP grew by +2.7% in 2025. Overnight stays by residents in tourist accommodations had a solid start to 2026 (+3.9% yoy in the first three months, although this is skewed by part of the easter holidays being in March this year).
- ▶ If the conflict in the Middle East de-escalates and the Strait of Hormuz is reopened, while uncertainty in the region remains, the Spanish tourism sector could benefit, with upside risks of around 1.0 p.p. to 2026 tourism GDP growth (from 2.1% to 3.1%), as tourist flows are redirected towards destinations perceived as safer. Internal high-frequency trackers of international card spending at CaixaBank POS terminals point to an acceleration in tourism spending in March–April by European and American tourists. By contrast, spending by Asian tourists has softened, partly reflecting disruptions to long-haul travel via the Middle East.
- ▶ **Trade surplus as a percentage of GDP is clearly higher in 2025 than in the pre-COVID period.** For the whole of 2025, the trade surplus reached 3.7% of GDP, 0.7 pp above the level of 2019. This improvement is mainly driven by the strong performance of services exports, which rose by 2 pp of GDP compared to pre-pandemic levels.
- ▶ **Goods and services balance reached a strong surplus of 4% of GDP in February (12-month cumulative),** driven mainly by services which recorded a surplus of 7.2% of GDP, with services exports growing faster than imports (9.6% vs 6.9% YoY). The goods balance remains in deficit (-3.2% of GDP), reflecting solid domestic demand, with goods imports outpacing exports (3% vs 0.5% YoY). Looking ahead, higher oil and gas prices due to the Middle East conflict pose downside risks to the goods balance, potentially reducing the projected surplus for 2025 from 3.5% of GDP to 3.1%.

The Council of Ministers held on March 20, 2026, approved a plan to mitigate the economic impact of the war in the Middle East, mainly based on energy tax cuts and sectoral aid. The package mobilizes around €5,000 million ($\approx 0.3\%$ of GDP), assuming a duration until June 30, 2026. If in April the year-on-year variation of the electricity and/or fuel CPI does not exceed 15%, the tax reductions on electricity and/or fuel will cease to apply in June.

Tax Reductions

- ▶ Reduction of VAT on electricity from 21% to 10%, with estimated savings of –€539M according to the Ministry of Hacienda.
- ▶ Reduction of the Special Electricity Tax from 5.11% to 0.5%.
- ▶ Suspension of the Tax on the Value of Electricity Production (IVPEE), with an estimated fiscal impact of €450M.
- ▶ Reduction of VAT on fuels from 21% to 10%, with estimated savings for individuals & companies of –€507M. It is estimated to reduce the cost of gasoline by €0.15/liter.
- ▶ Reduction of the Hydrocarbon Tax to the minimum allowed by the EU, with a revenue loss of –€657M.
- ▶ Reduction of VAT on gas from 21% to 10%.

Sectoral Measures

- ▶ Aid of €0.20/litre of professional diesel for farmers and transport(€367M).
- ▶ Extraordinary aid for the increase in farmers' costs due to the use of fertilizers (€500M).
- ▶ 80% discount on electricity tolls, with a compensation to the system estimated at €220M.
- ▶ Compensation for indirect CO₂ costs to industry: Direct aid amounting to €300M.

Social Measures

- ▶ Reinforcement of the Thermal Social Bonus (+€90M) and maintenance of the electricity social bonus.
- ▶ Ban on the cutting off of essential supplies (electricity, gas, water)
- ▶ Ban on layoffs in companies receiving public aid.

ICO Loans

- ▶ Guarantee line managed by ICO of up to €2,000M to facilitate financing for fuel purchases by transport operators (no direct impact on the deficit).
- ▶ Increase of €300M in the ICO-MAPA-SAECA credit line for the agri-food and fisheries sector.

Structural Measures

- ▶ Auto+ Program for the purchase of efficient vehicles (400 M€).
- ▶ Measures related to underground gas storage (45 M€)..
- ▶ Tax incentives for the energy transition: deductions in personal income tax (IRPF), accelerated depreciation in corporate tax (IS), and rebates on local taxes (property tax and taxes on constructions, installations, and works).

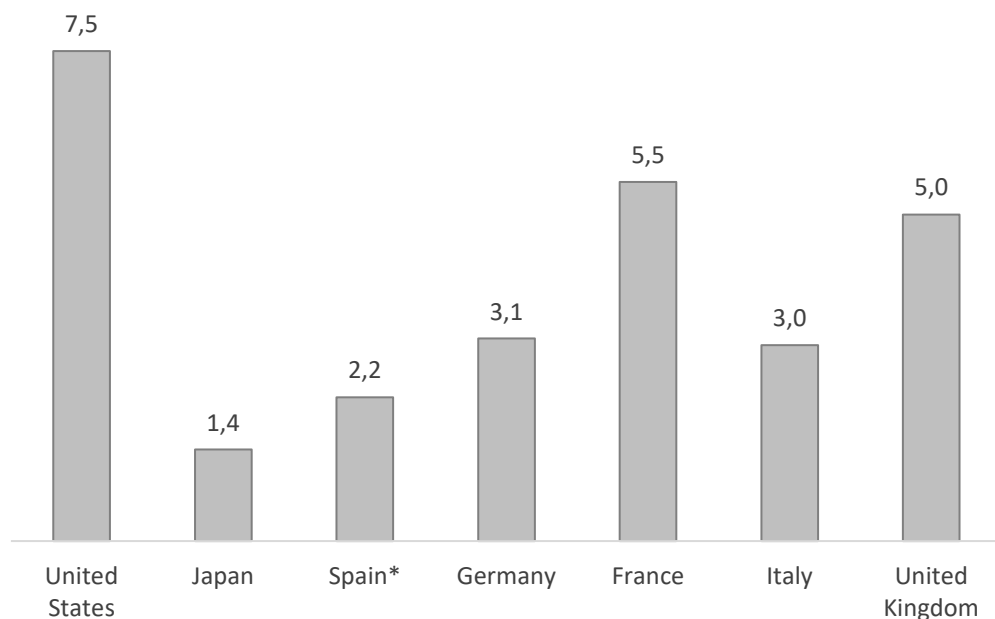
Assessment

- ▶ Easing households' energy bills is positive. With an approximate duration of three months, we estimate that these measures could reduce the impact of the shock on inflation by c.0.4 pp.
- ▶ They will cushion a significant share of the shock to GDP.
- ▶ Measures that are easy to implement but not very targeted.

Public deficit in 2025 has decreased sizably till 2.4% of GDP (2.2 w/o Dana exceptional spending)

Public deficit

% GDP



Note*: Doesn't include 0,2p.p. of Dana expenditure.

Government Fiscal Projections 2026

| Key elements | % GDP 2024 | % GDP 2025 | % GDP 2026 (f) |
|---|--------------|--------------|----------------|
| Public revenues* | 40.9 | 41.7 | 42.2 |
| Indirect taxes (VAT...) | 11.1 | 11.3 | 11.3 |
| Direct taxes | 12.5 | 13.1 | 13.7 |
| Capital taxes | 0.4 | 0.4 | 0.3 |
| Social contributions | 13.2 | 13.3 | 13.4 |
| Other revenues** | 3.7 | 3.6 | 3.5 |
| Public spending* | 44.2 | 44.1 | 44.2 |
| Worker salaries | 10.8 | 10.8 | 10.5 |
| Social transfers (excl. in-kind) | 16.9 | 17.0 | 17.1 |
| Gross Capital Formation (Nat.) | 2.4 | 2.5 | 2.7 |
| Interest payments | 2.4 | 2.4 | 2.5 |
| Subsidies | 1.2 | 1.2 | 1.3 |
| Other expenditures*** | 10.5 | 10.2 | 10.1 |
| Public balance | -3.2 | -2.4 | -2.1 |
| Public balance excl. Dana and floods | -2.9 | -2.2 | -1.6 |
| Structural balance | -3.0 | -2.7 | -1.9 |
| Public debt | 101.6 | 100.7 | 99.3 |

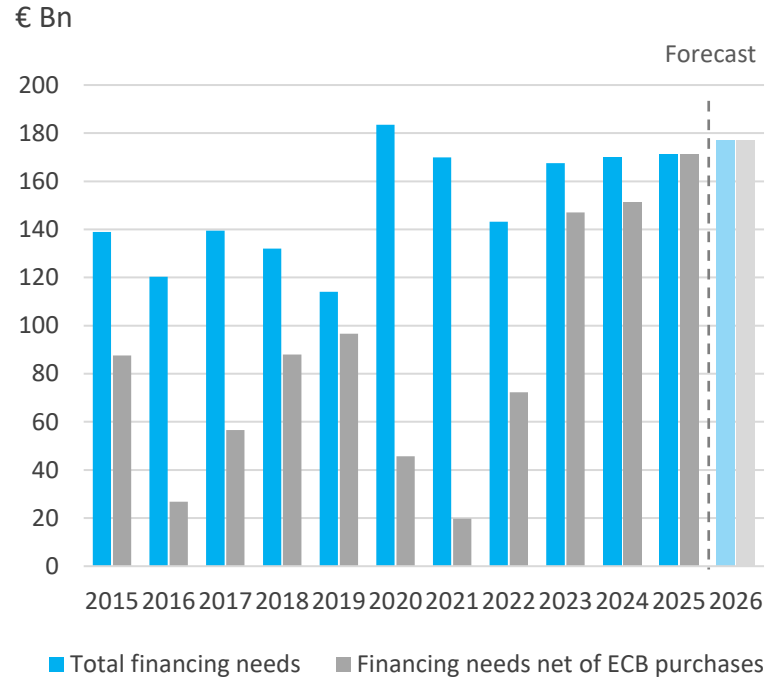
Notes: *Public revenues and spending excluding EU transfers.**It includes revenues linked to property income.***Intermediate consumption, in-kind transfers, capital transfers...

Source: Informe de Progreso Annual.

- ▶ **Deficit 2025:** The general government deficit declined to 2.4% of GDP, improving to 2.2% of GDP excluding exceptional DANA-related spending, and below the target (2.5% excl. DANA). Deficit 2024: 3.2% of GDP (2.9% excl. DANA).
- ▶ **2026 Fiscal Outlook.** Before the outbreak of the Iran conflict, our baseline envisaged a public deficit of 2.1% of GDP. Mild upside risks to the 2026 deficit stem from the deployment of energy relief measures to cushion the impact of the Middle East conflict—a package was approved in March and is in force until end-June, with a budgetary cost of around 0.3% of GDP—as well as extraordinary spending related to the February floods in southern Spain. These factors are partly offset by higher fiscal revenues driven by inflation and a somewhat better-than-expected starting point. The Government projects a 2.1% deficit, the Banco de España 2.3%, while AIREF forecasts 2.6%.
- ▶ According to the **Annual Progress Report of the Government**, in 2025 the primary expenditure net of new revenue measures has deviated with respect to the annual goal agreed in the fiscal plan in an amount equal to 0.3% of GDP. As deviations up to 0.3% of GDP are allowed, the deviation won't imply a breach of the fiscal rules. The Government projects a primary surplus of 0.4% of GDP in 2026 (0% in 2025). The primary structural balance was reduced by 0.8 percentage points over 2024–2025, in line with the agreed fiscal adjustment.

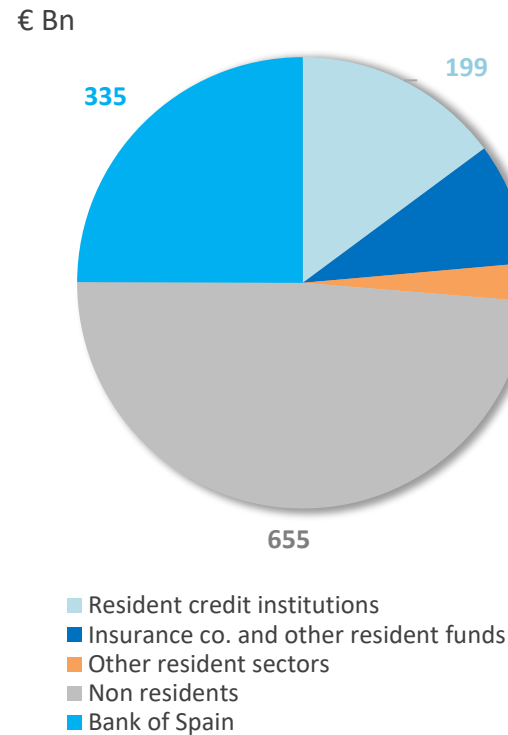
The Treasury projects a moderate increase in financing needs for 2026, expected to be comfortably absorbed thanks to robust demand

Spain: Gross financing needs



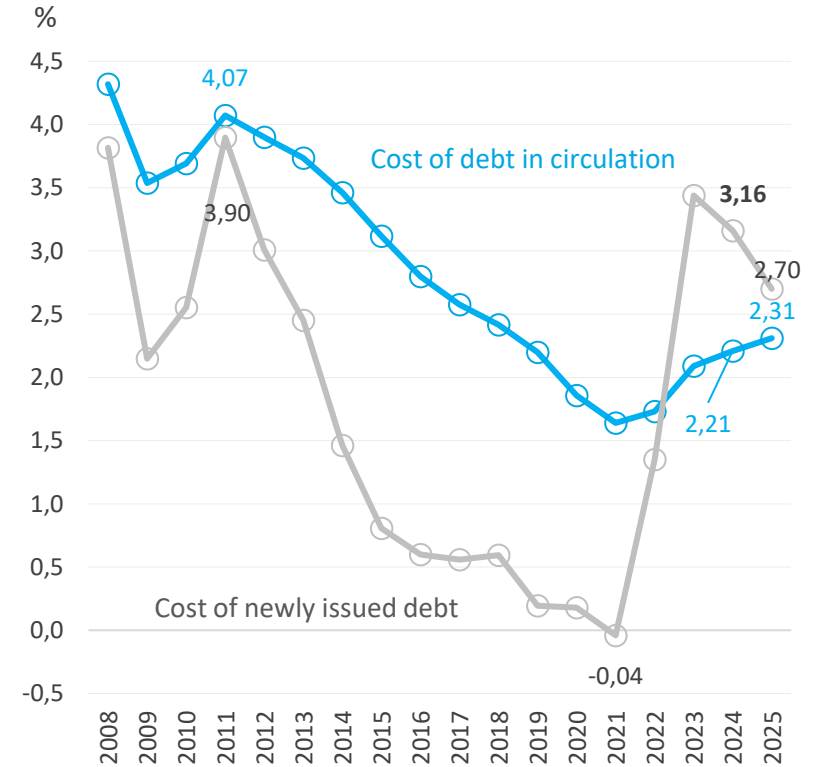
Note: *Amortisation funds do not include short-term bills.
Source: CaixaBank Research, with data from the Directorate-General for the Treasury.

Public debt holdings (excl. bills)



Note: December data.

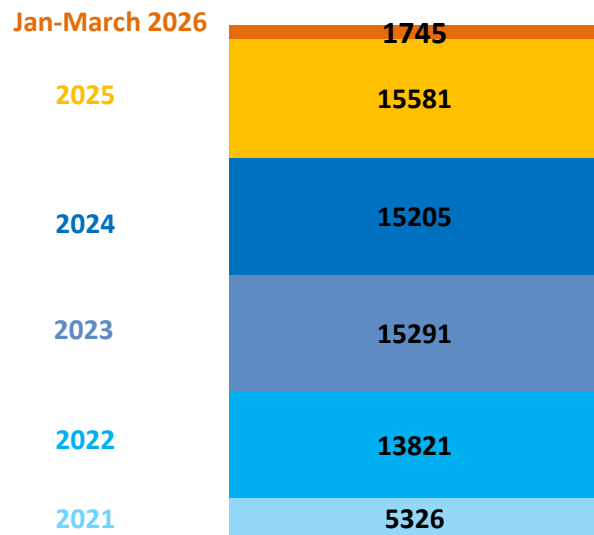
Cost of debt: State



- ▶ **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.** In 2025, foreign investors increased their holdings of Spanish debt (excluding T-bills) by €78.9bn, reflecting strong appetite for Spanish debt. Domestic retail investors reduced their positions in T-bills by €6.2bn since the end of 2024 —in line with the ECB's rate cuts—, but this decrease was more than offset by non-resident purchases of €13.0bn.
- ▶ **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%).

Execution of PRTR

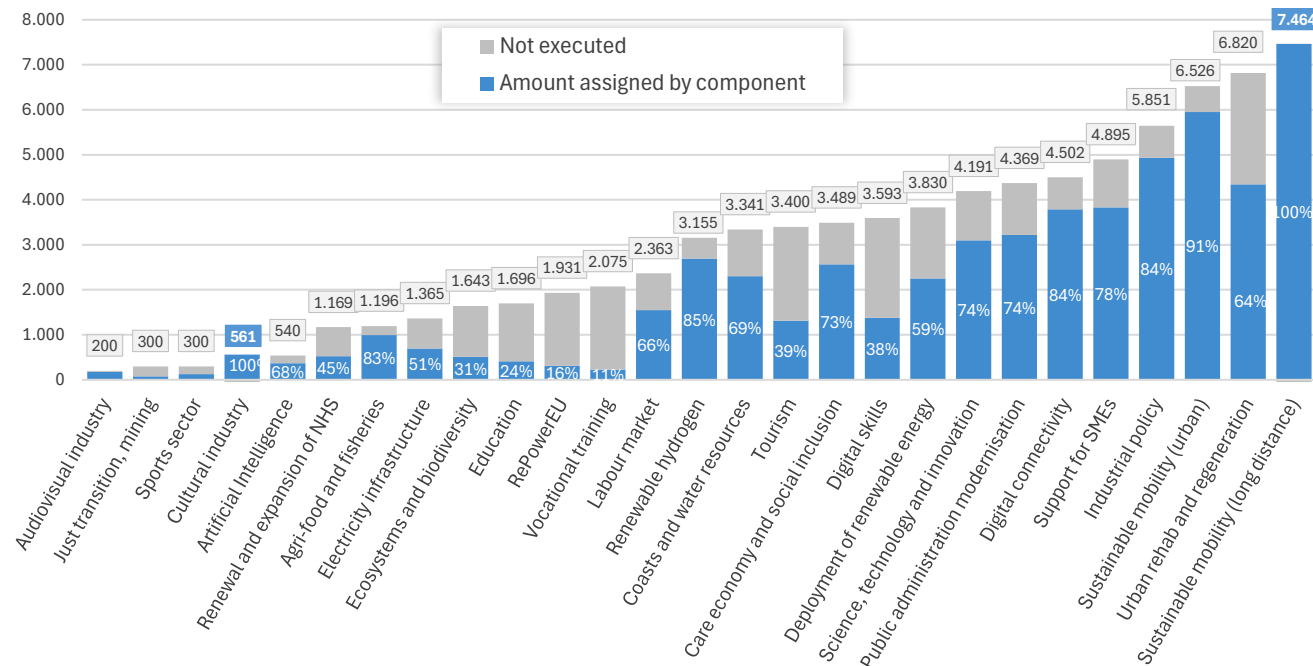
Total grants (Million euros)



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

Allocation and percentage executed by components

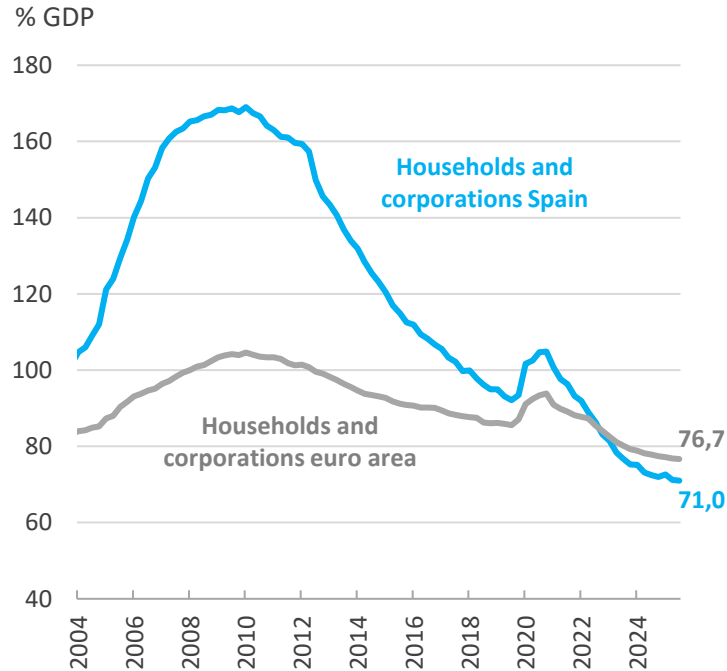
M€ (only grants) and %



Note: data until December 2025.
Source: AiREF Monitor.

- ▶ By the end of March, **€67.0 billion had been executed according to the Minister of Economy**—total grant allocation: almost €80 billion—, so the remaining 13.0bn have to be allocated before the end of August.
- ▶ Following the milestone simplification under the **new Addendum, Spain has met 54% of the milestones** and objectives of the Recovery Plan. The deadline to meet the remaining ones is August 2026. There are 224 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). In early March, Spain submitted the sixth payment request under the Recovery Plan. The total amount requested is €7.256 billion. Once the Commission validates this request, the share of milestones fulfilled by Spain will increase from 54% to 70%.
- ▶ After August 2026, investment projects linked to the Recovery and Resilience Facility will continue to be rolled out thanks to the creation of a €13.3 billion **Sovereign Fund (España Crece)**, financed with €10.5 billion in NGEU loans and €2.8 billion in NGEU grants. The fund will be managed by ICO and will always co-invest alongside the private sector through loans, guarantees, or equity instruments. Its objective is to prioritise strategic sectors that can strengthen the productivity and long-term growth potential of the Spanish economy.

Bank credit to the private sector



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

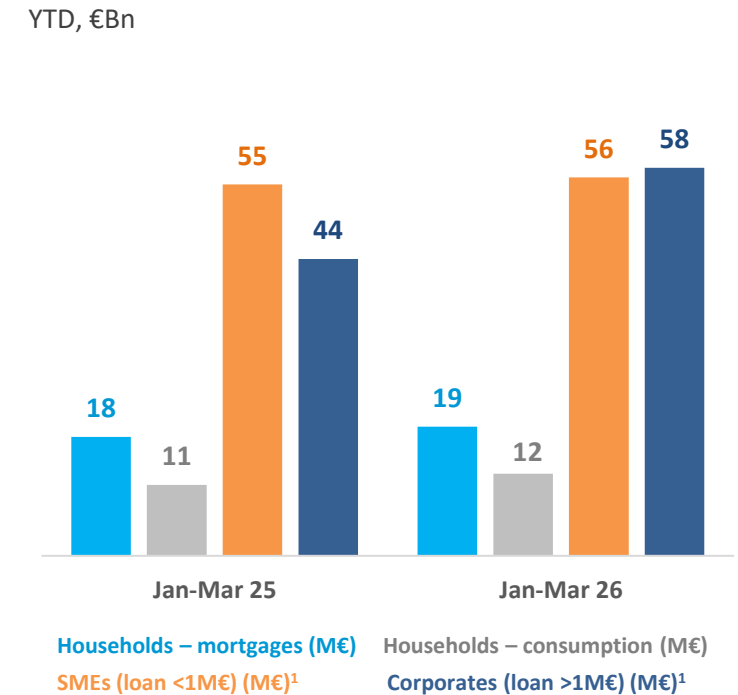
Private domestic credit

Year-on-year (%)

| | Dec-25 | Mar-26 (latest) | 2026 (forecast) |
|---|--------|-----------------|-----------------|
| | % yoy | % yoy | % yoy |
| Total credit | 3,5% | 3,7% | 4,5% |
| Households | 3,8% | 3,9% | 4,6% |
| Housing mortgages | 3,5% | 3,7% | 4,5% |
| Other purposes | 4,5% | 4,2% | 4,8% |
| Of which consumption | 10,4% | 10,8% | 8,6% |
| Businesses | 2,9% | 3,6% | 4,5% |
| Non-real estate developers ¹ | 3,2% | 3,2% | - |
| Real estate developers ¹ | 1,9% | 1,9% | - |

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

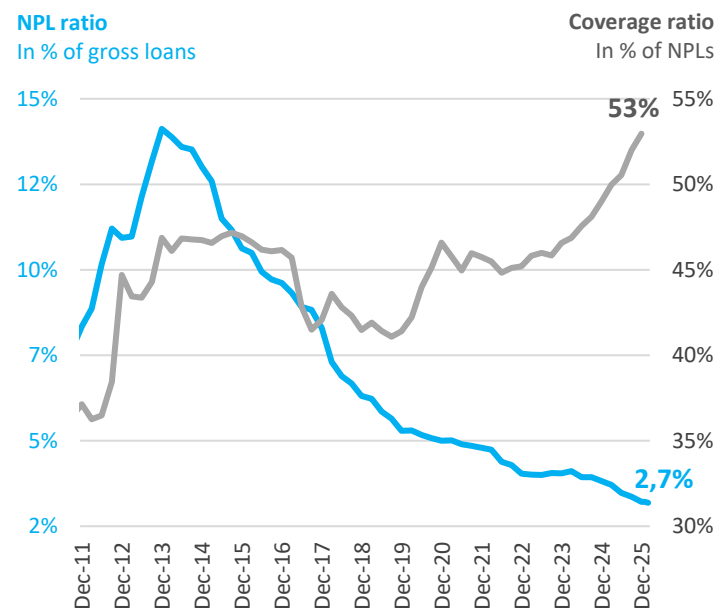
New lending activity by sector



Source: Caixabank Research with data from Bank of Spain.

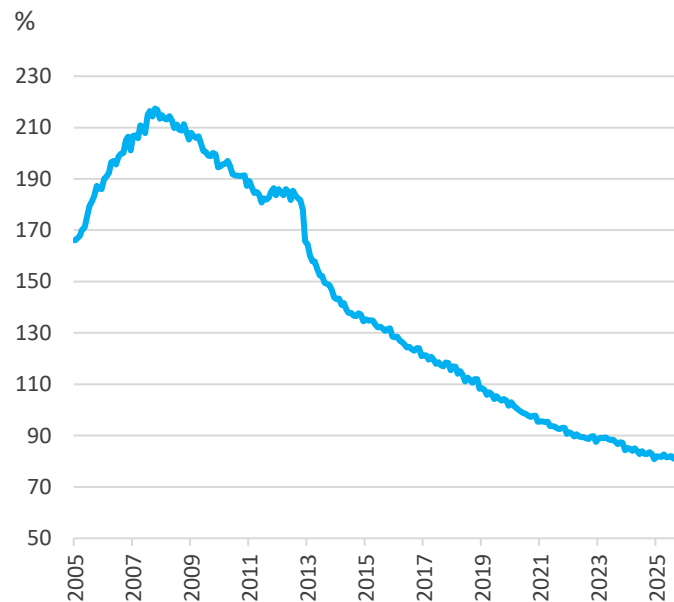
- ▶ **Households and corporate debt levels** (including debt securities) remain below euro area averages in 4Q25. Both sectors have deleveraged in terms of GDP, sitting below pre-pandemic levels.
- ▶ **New mortgage production** continues to grow, but at a more moderate pace after a period of strong expansion (accumulated new lending from January to March grows +8.6% yoy).
- ▶ **New lending for consumption** remains buoyant (accumulated new lending from January to March grows +15.5% yoy).
- ▶ **New lending to corporates** grows especially in loans above 1M€ (accumulated new lending from January to March grows +15.3 yoy).
- ▶ **Consequently, growth in the stock of credit to the Spanish resident private sector remains at an elevated pace through March.** We expect this trend to continue in the year and gradually converge to a growth rate below nominal GDP growth.

NPLs and coverage ratios¹



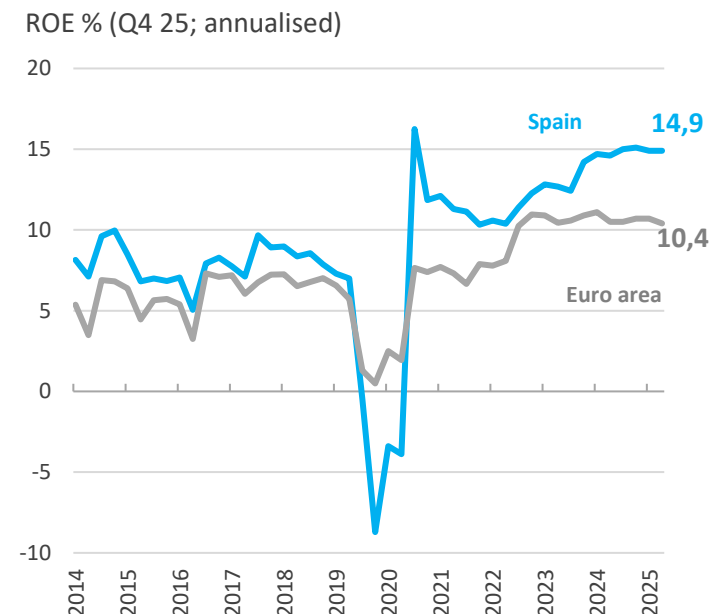
Note: (1) latest available data Feb-26 and Dec-25, respectively
Source: CaixaBank Research with data from Bank of Spain.

HHs & NFCs loan to deposit ratio



Note: loans and deposits to residents in Spain, on a non-consolidated basis.
 Latest data available Mar-26.
Source: CaixaBank Research with data from Bank of Spain.

Banks' profitability



Source: CaixaBank Research with data from EBA (Dashboard-Q4 25).

- ▶ **NPLs remain stable below 3.0%.** The share of stage 2 loans on a group level stood at 6.3% in 4Q25 (slightly up from 3Q25), remaining below the EU average.
- ▶ **Household and non-financial corporation (NFC) deposits reached an all-time high in March 2026, increasing by 5.8% yoy on a seasonally adjusted basis.** Loan to deposit ratio remains stable at very comfortable levels (c. 80%)
- ▶ **Profitability remained stable in 4Q25, with ROE at 14.9%, unchanged from 3Q25.** This performance reflects the strong resilience of net interest income amid declining interest rates, supported by positive loan volume growth, higher fee income, and lower 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 4Q25.** 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 2025-2029¹, 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.