

Spain: Still searching for quality rather than quantity-driven growth

Spain was again a eurozone outperformer in 2025 and enters 2026 with solid fundamentals but faces the challenge of shifting from quantity-driven growth to a sustainable, productivity-led model. Investments, particularly EU-funded projects, will be pivotal in shaping this trajectory, while easing inflation should provide a supportive backdrop



The Spanish Prime Minister, Pedro Sánchez, at the Conference of Ambassadors last week

2025 marks another year of strong growth

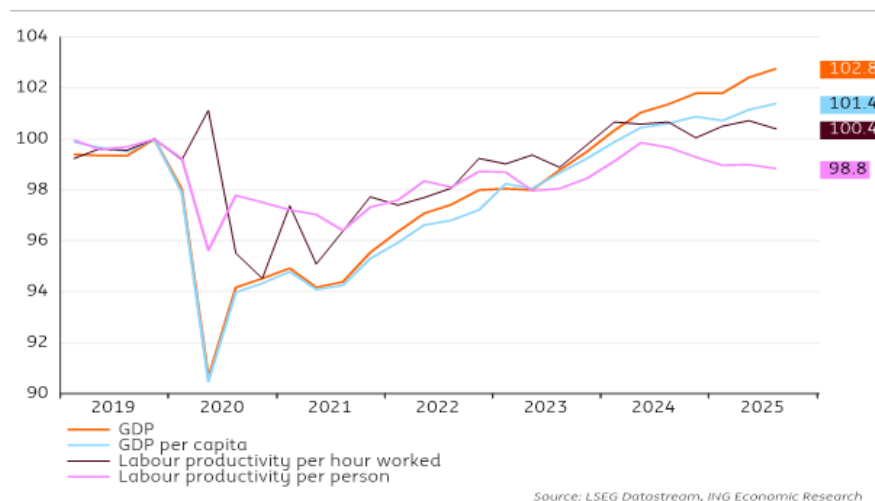
Spain remains a eurozone outperformer, with GDP growth projected at 2.9% in 2025, following 3.5% growth in 2024. Since the end of 2019, Spain's economy has grown 2.8 percentage points faster than the eurozone's, despite the tourism sector being severely affected during the pandemic. Yet, much of this momentum has been quantity rather than quality-driven. Immigration policies have boosted the labour force by 6.4% over the same period, compared to 3.6% in the eurozone.

This demographic tailwind masks weaker productivity dynamics: GDP per capita outpaced the eurozone by only 1.4% and labour productivity per hour barely improved (+0.4%), while it even

declined when measured per person (-1.2%) relative to the eurozone.

Spanish immigration policy fuels quantity-driven growth

Variable evolution compared to eurozone, 4Q 2019 = 100



2026: normalisation and investment-led growth

Although Spain's statistical office expects immigration flows to moderate in the coming years, they should remain sufficient to sustain average population growth of about 1% over the next five years, even as the Spanish-born population declines. So immigration will continue to help support consumption, though its impact will gradually fade. With monetary easing likely concluded, a structurally higher savings rate, and a labour market expanding at a slower pace, household spending growth is expected to moderate.

At the same time, government consumption will remain subdued in the absence of a new budget, supporting fiscal consolidation under favourable growth conditions. Public debt is forecasted to fall below 100% of GDP again in 2026, from 101.6% in 2024.

Net exports are also set to soften, reflecting a stronger euro and the normalisation of tourism exports after record tourism in 2024-2025. Tourism remains critical, accounting for 12.6% of GDP in 2024, so slower growth will be felt, even as non-tourism services such as IT and business services continue to expand.

The main growth driver in 2026 will, therefore, be investment. Spain still has around €20 billion in EU Recovery and Resilience Facility (RRF) grants to disburse by August 2026, roughly 6% of annual investment spending. Importantly, [45% of firms using NGEU funds](#) would not otherwise have invested, making these flows largely additive. With [ECB estimates](#) suggesting euro area potential growth could rise by 0.10-0.15 percentage points per year over 2020-2033 due to these funds, effective use of them could mark the start of a shift towards quality-led growth for Spain.

Inflation set to ease

Headline inflation started 2025 on a declining trend but rebounded to 3% by year-end, driven mainly by energy and food prices, while services inflation also stayed above the 2% target. The spike in energy inflation reflected the expiry of pandemic-era tax reductions and price

adjustments, which had driven the sharp declines in 2024; these factors will not recur in 2026.

As these effects fade and real wage growth slows, inflation is expected to ease from 2.6% in 2025 to 2.2% in 2026. Meanwhile, unemployment will likely continue its downward trend, reaching 10.7% in 2026 (from 11.8% in 2024), supporting household income but at a more moderate pace.

The Spanish economy in a nutshell (%YoY)

	2024	2025F	2026F	2027F
GDP	3.5	2.9	2.3	2.1
Private consumption	3.1	3.4	2.9	1.9
Government consumption	2.9	1.9	2	2.1
Investment	3.6	5.9	3.8	1.7
Exports	3.2	3.7	2	3.8
Imports	2.9	6.2	3.9	3.6
Headline HCPI	2.9	2.6	2.2	2.2
Unemployment rate (%)	10.8	10	10	10
Budget balance as % of GDP	-3.2	-2.5	-2.1	-2.1
Government debt as % of GDP	101.6	100	100	98

Source: ING research

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