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SPAIN'S ECONOMIC GROWTH

The three facets to Spain's economic growth

The coming year will be a politically important one for Europe, including early elections to be held in Spain on 29 November. Three of Europe's major economies will head to the polling stations within the next twelve months, and Spain is going to kick off this latest round of elections with its economy on a particularly solid footing. Romain Faquet, an economist & strategist at Ofi Invest AM, discusses the three main aspects driving Spain's economic expansion.

Spain is the euro zone's fourth-biggest economy and has delivered exceptionally strong economic growth by European standards in recent years, even outdoing the USA. Its economic performance contrasts with the euro zone's far more modest average, despite the fact that the government has not had the parliamentary majority needed to pass a new budget for the past three years.

The country's economic performance has been instrumental in improving its public finances in recent years. It has enabled it to slash its debt burden as its public debt ratio has dropped from over 119% of GDP in 2020 to below 100% this year and is set to continue falling over the years ahead.

The markets have also rewarded the country's robust economic and fiscal performances as Spain's ten-year government bond spread (a measure of the risk premium demanded by investors) has been below France's since 2024.

DEMAND-LED GROWTH

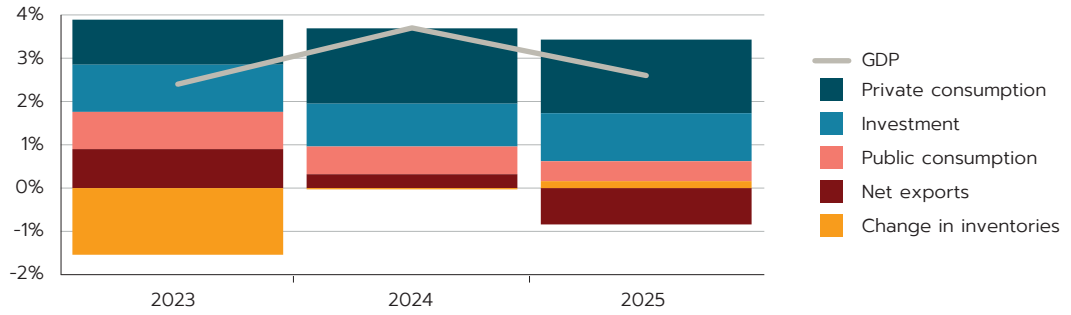
Spain's GDP growth rate has been the envy of the euro zone's other big economies, reaching 2.4% in 2023, 3.7% in 2024, 2.6% in 2025 and probably 2.6% again in 2026[1]. From a demand perspective, there are three key factors driving its rapid growth.

[1] *Spain's embedded annual GDP growth by the end of the third quarter was already 2.4%.*

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CONTRIBUTIONS TO GDP GROWTH



Sources: Macrobond, Ofi Invest Asset Management as of 19/11/2026

First of all, **consumer spending has benefited from a rapid increase in purchasing power** driven by strong job growth (annual growth in total employment has reached 2% to 3% in recent years, more than three times faster than in the euro zone as a whole). Moreover, Spain's households have tapped into their savings in recent quarters: the savings rate hovered between 12% and 13% of disposable household income from 2023 to 2025, before beginning to gradually trend downwards. It remains above its pre-Covid average nonetheless; in other words, there is still potentially some scope to boost consumer spending while inflationary pressures are in play.

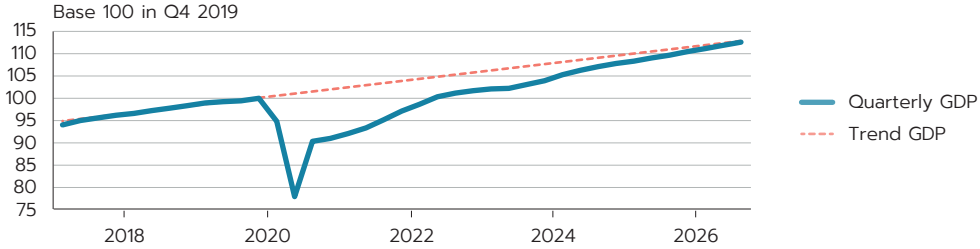
Secondly, the economy has been supported by **a rapid increase in investment spending** - particularly on intangible assets - thanks to Europe's post-Covid NextGenEU stimulus package[2]. Spain has received €77bn from the fund since 2021[3], corresponding to around three-quarters of its allocation, and the money has gone primarily towards the green transition, digitisation and the modernisation of Spain's industrial fabric. A recent assessment suggests that European funds added between 1.4 and 2.1 percentage points to Spain's GDP between 2021 and 2025[4]. On 30 September 2026, Spain officially asked the European Commission for the last remaining quarter of its allocation in accordance with the NGEU timeline (the programme expires at the end of 2026). As a result, Spain's economic growth is by no means going to fall off a cliff in the coming quarters, despite the programme's imminent closure, as the final tranche has yet to be allocated and some of the funds already allocated have not actually been spent yet[5].

Thirdly, **Spain's economy is drawing in more and more tourists**. Spain is hot on France's heels as the world's leading tourist destination, with the number of tourists visiting the country probably exceeding 100 million in 2026 for the first time ever, and its tourism revenues are already far higher than France's. This tourism boom has done wonders for Spain's current account balance, which is at a historical high of over 3% of GDP.

CATCH-UP GROWTH

Spain's GDP is demand-led and currently 13% above its pre-Covid level, well ahead of Italy (9%), France (6%) and Germany (2%). But does this mean that Spain's economy is overheating? We think not, since Spain's GDP has only just reverted to its pre-Covid trend[6].

GDP LEVEL



Sources: Macrobond, Ofi Invest Asset Management as of 19/11/2026

[2] NextGenerationEU is Europe's post-Covid stimulus package funded from the proceeds of joint bonds issued by the European Union and aimed at financing investments and reforms to spur the EU's growth, ecological transition and digital transition.
[3] Of which €60 billion of grants and €17 billion of loans. Cf. Recovery and Resilience Scoreboard, European Commission.
[4] Gonzalez, Rodriguez, Lopez (2026), "El impacto de los fondos Next Generation en la economía española", Funcas.
[5] At end-2025, Spain had actually spent only 55% of the funds received. Cf. Gonzalez et al., op. cit.
[6] We refer here to the average growth rate for 2018 and 2019. Prior to this, the country's economy had bounced back strongly after a period of austerity in the early 2010s; it was probably not until 2017 that Spain closed its output gap, according to the main estimates available. Cf. Guillet, Virely, Rousset, Lagouge (2018), "Supply tensions and the position of the economy in the cycle", Insee.

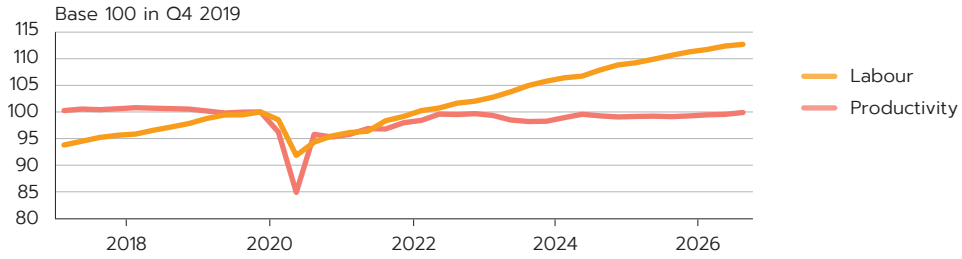
This is no mean feat considering that France and Germany, in particular, are nowhere near this point. Spain has been able to catch up as its economy has proved more resilient against the series of geopolitical shocks that have hit the rest of the euro zone. This is because Spain's energy sourcing is highly diversified: pre-2022, Russia was the EU's no.1 source of energy but only 7th on Spain's list of suppliers[7]. It is also because its economy's sectoral structure is more service-based and therefore less dependent on energy-intensive industrial sectors and less exposed to Chinese competition[8].

Spain is close to macroeconomic equilibrium, so we believe its economic growth will be able to continue exceeding the euro zone average over the coming years and approach its potential growth rate, which recent estimates put at between 1.5% and 2% by the end of this decade[9].

JOB-RICH GROWTH

In recent years Spain's economy has met its demand by deploying more labour rather than by boosting its average productive efficiency. The country's vibrant domestic demand and tourism demand have been met thanks to job creations and migration flows, whereas its average productivity per person employed has stalled.

LABOUR AND PRODUCTIVITY



Sources: Macrobond, Ofi Invest Asset Management as of 19/11/2026

In concrete terms, Spain is in the midst of a demographic winter, with a fertility rate of below 1.2 children per woman, mostly because of the cost of housing. It is therefore turning to immigration to keep its labour market running. Two thirds of the jobs created since 2022 have been filled by foreigners or those with dual nationality[10], and the jobless rate has fallen by 3 percentage points from 13% to 10%.

Spain's rising employment rate has been the main factor pushing its living standards upwards in recent years, even though its GDP per capita remains about 8% below Italy's, 11% below France's and 21% below Germany's[11].

CONCLUSION

The new coalition government to be formed after the elections will inherit a vibrant economy and a relatively healthy fiscal position. Economic growth has enabled Spain to keep its public finances on a sustainable footing. Its primary balance is sure to return to quasi-equilibrium, giving the new government a good starting point from which to reduce the country's public debt from its current level of 100% of GDP over the coming years. The big issue for the new coalition will therefore be to safeguard the growth drivers that are fuelling this economic momentum while rising to the country's structural challenges, such as its housing crisis and measly productivity gains as mentioned earlier.

[7] Nex Balteanu, Viani (2023), "The energy dependency of the EU and Spain", Bank of Spain.
[8] Cerezo, Kataryniuk, Rodriguez (2023), "The Spanish economy's greater resilience vis-à-vis the euro area in 2023: the role of sectoral composition", Bank of Spain.
[9] Guillemette (2025), "New OECD long-run scenarios focus on the trade-off between carbon mitigation and climate damage", OCDE ; Dominguez-Diaz, Garcia-Rodriguez, Quintana, Veiga-Duarte (2026), "Estimación del crecimiento potencial de la economía española: una revisión metodológica", Bank of Spain.
[10] Torres, Fernandez, Diaz (2025), "The Spanish economy's growth cycle: constraints and outlook through 2027", Funcas.
[11] Cf. These comparisons are based on estimates of GDP per capita at purchasing power parity established by the World Bank.

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