Spain

An economy maintaining its momentum once again

After expanding more strongly than expected in 2026 despite the Middle East energy shock, growth will moderate to 2.2% in 2027 but remain clearly above that of the euro area. Inflation will continue moving towards the European Central Bank (ECB)'s target and employment will keep climbing, while the main challenges of raising productivity and improving housing affordability will persist.

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Solid domestic demand supports above-euro-area growth. The Spanish economy will enter 2027 having once again surprised on the upside during 2026. Despite the deterioration in the international environment caused by the conflict in the Middle East, the temporary increase in energy prices and heightened geopolitical uncertainty, economic activity has shown remarkable resilience. Gross domestic product (GDP) growth continues to perform stronger than expected, allowing the 2026 forecast to be revised upwards to 2.6%, supported primarily by robust private consumption, strong employment growth and the solid performance of services exports.

In 2027, we expect growth to moderate to 2.2%, but it will stay clearly above that of the euro area, maintaining the growth differential: since 2023, Spain has been growing at three times the rate of the euro area.

As before, domestic demand will be the main driver of economic activity. Private consumption will continue to grow faster than GDP, supported by improving real disposable income and a labour market that will continue to generate employment. Investment will moderate from the strong growth recorded in 2025 and 2026, with investment in construction performing better than investment in capital goods, driven by the persistent imbalance between housing supply and demand, while investment in intangible assets will continue to grow above the average, consolidating the structural shift towards higher-value-added activities. A key upside risk is the implementation of European funds, which concluded in 2026 and whose effects could become more evident in 2027.

At the same time, in the external sector, services exports will continue to grow faster than goods exports. However, imports will also hold strong, in line with domestic demand, meaning that the external sector's contribution to GDP will be close to zero. Tourism will grow broadly in line with GDP, as Spain will continue to benefit from its position as a safe, higher-value-added destination, with tourism expenditure growing faster than visitor numbers. Meanwhile, non-tourism services exports will continue to consolidate their position as one of the main structural drivers of growth.

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Despite the positive outlook for the Spanish economy, there will still be uncertainties, the main one being the international environment. Developments in energy prices, persistent geopolitical tensions and still relatively restrictive financial conditions could constrain growth in private investment.

Employment remains strong, but productivity is the key challenge. The labour market will retain its position as one of the main pillars of the Spanish economy. In 2027, the pace of job creation will moderate to around 2%, in line with the normalisation of economic growth, but that will be enough to keep reducing the unemployment rate, despite the continued increase in the labour force.

The challenge from 2027 onwards will be to improve productivity. The Spanish economy continues to grow primarily thanks to the incorporation of more workers and higher total hours worked across the economy, yet productivity gains are still limited, constraining medium-term growth potential.

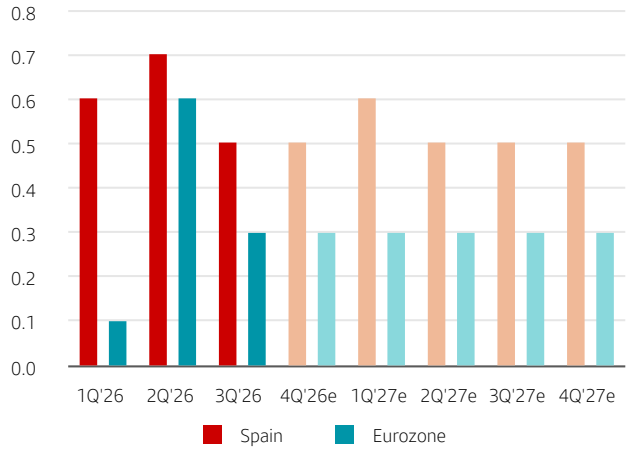
Easing energy pressures support further disinflation. We expect inflation to moderate gradually in 2027, but it will stay above the ECB's target until 2028. Although the energy component is expected to cease exerting the pressure observed during 2026, core inflation will continue to show some persistence owing to developments in services, where moderation typically occurs with a greater lag. The main risk will be the emergence of second-round effects, which have not materialised so far.

The housing market will continue to be shaped by two opposing forces. On the one hand, worsening affordability — driven by rising interest rates and house prices outpacing wages — will weigh on effective demand. On the other, persistent supply constraints will widen the housing shortfall in 2027, as household formation continues to significantly outpace housing completions. House price growth is expected to continue moderating from its Q1 2026 peak, but still stand well above inflation.

In conclusion, in 2027 Spain will continue to grow faster than the euro area, supported by solid domestic demand, dynamic services exports and a labour market that will continue to generate employment. The challenge will no longer be merely to maintain growth above the European rate, but to improve its quality. Increasing productivity and accelerating investment will be key to consolidating sustainable growth in an international environment that is likely to remain characterised by high uncertainty.

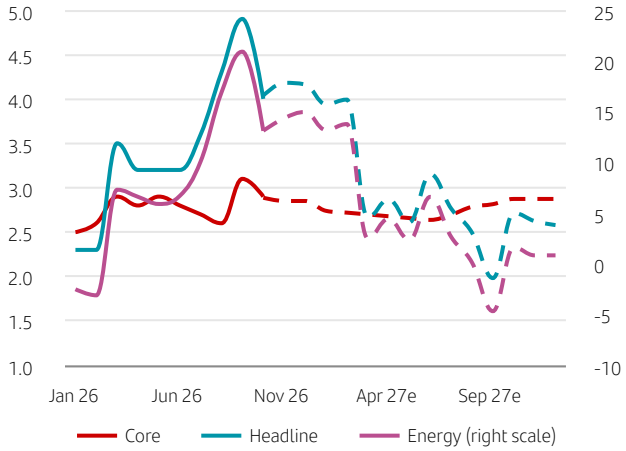
Spain

Spain: GDP growth in Spain vs the euro area
(%, q/q)



Sources: Refinitiv and Santander Research.

Spain: Inflation is expected to moderate in 2027
(%, y/y)



Sources: INE and Santander Research.

Macroeconomic forecasts

	2026e	2027e	2028e
GDP growth (%)	2.6	2.2	1.8
Unemployment rate	9.9	9.4	9.2
CPI inflation	3.6	2.9	2.1

Source: Santander Research. Annual average.

The 'silent engine' of the Spanish economy

Not all of Spain's services exports are related to tourism. There is another, less well-known export engine that may represent a significant structural change in the Spanish economy: non-tourism services exports. What is included in this category and how has it evolved?

The growth in non-tourism services exports — i.e. services provided to foreign clients other than tourism, such as business services, financial activities and transport services — has doubled from an average of 6.8% in 2014–2019 to 14.5% in 2025. In contrast, tourism exports have increased only from 5.5% to 6.9% over the same period. Non-tourism services account for 60% of total services exports, and their share of gross domestic product (GDP) is increasing (to almost 8% in 2025). The European Union (EU) is still the main destination for Spanish exports, while the United States is the leading non-EU market, particularly for technology-intensive services.

What types of services does Spain export and where?

Non-tourism services are concentrated in three broad segments that together account for 75% of Spain's non-tourism services exports: business services — the main structural driver and closely linked to corporate internationalisation; information and communications technology (ICT)-related services; and transport services, which are more dependent on the trade cycle. Since the pandemic, business and ICT-related services have grown fastest (by more than 15% on average), increasing the weight of high value-added, productive and knowledge-intensive activities in Spain's export mix and strengthening its long-term growth potential[1].

What is driving the stronger growth in non-tourism services exports?

Following the global financial crisis[2], wage moderation made it possible to reduce relative labour costs versus the euro area, supporting the internationalisation of many services companies and the growth of their exports. However, the current competitive advantage no longer rests on lower costs, but on structural factors.

At the global level[3], there has been a strong increase in demand for services, driven by digitalisation and remote working, which have reduced barriers to international trade in services. Spain has continued to internationalise its companies and has increased investment in intangible assets (the area of investment that has grown the most in Spain since the pandemic), boosting provision of higher value-added services. In addition, Spain has competitive advantages for the development of digital services, such as fibre-optic coverage in 95% of households[4] (versus 69% across Europe) and more than 30 submarine cables connecting it with Europe, Africa and the Americas[5].

[1] ICT-related services: services related to information and communication technologies, including telecommunications, computer and digital services, software development, data processing and other IT-related activities.
[2] Banco de España (2023), 'Recent Developments in Spain's Non-Tourism Services Exports', Economic Bulletin, 2023/Q3, Article 05, July.
[3] Banco de España (2026), 'Annual Report 2025', Box 1.5: Investment in Intangible Assets and the Expansion of Spain's Non-Tourism Services Exports.
[4] European Commission (2024), 'Digital Decade Country Report – Spain' (formerly DESI).
[5] TeleGeography, 'Submarine Cable Map' (consultation 2025/2026).

Spain In focus

Benefits for Spain's growth model

One of the most beneficial aspects of Spanish growth becoming more dependent on non-tourism services exports is that, unlike tourism, their performance is much less reliant on the economic cycle, so they act as a stabiliser, as happened during the pandemic. While tourism suffered a drop of more than 70% in 2020, non-tourism services recorded more moderate declines of around 10%, and some segments, especially digital ones, even continued to grow thanks to the possibility of providing many of these services remotely.

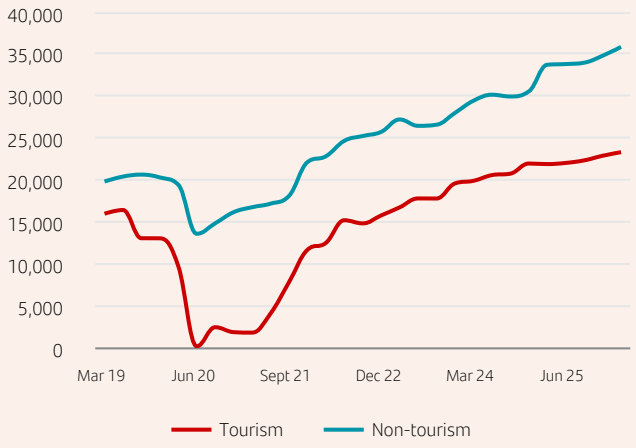
In addition, non-tourism services exports have become the second pillar of Spain's external balance behind tourism. In 2025, according to balance of payments data, both generated a trade surplus of 3.8% of GDP, offsetting the deterioration in the goods balance (-3%) and reducing dependence on tourism alone.

Another important benefit is the type of employment these activities generate. Business and ICT services tend to be knowledge-intensive and reliant on highly skilled workers, supporting demand for professionals in areas such as engineering, technology, consultancy and research and development (R&D). Their expansion therefore also contributes to a gradual shift towards higher-productivity and higher value-added employment.

Conclusion

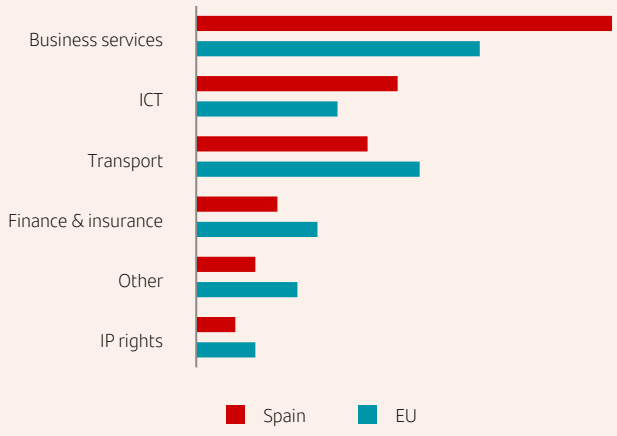
Overall, non-tourism services exports may represent a significant structural change in the Spanish economy. Their expansion has diversified the export base, strengthened the external balance and consolidated high-value-added, knowledge-intensive activities that are less exposed to the economic cycle and have considerable growth potential.

Spain: Services exports
(EUR mn)



Source: Spanish National Statistics Institute (INE).

Spain: Composition of non-tourism services exports
(% of total, 2024)



Source: Eurostat.