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# **Economic and Business Outlook**

April 2026  
(closing date: April 20)

# Overview

## The Global Economy

- The global economy is entering a period of heightened uncertainty driven by the escalating conflict in the Middle East and growing energy risks.
- Global growth slowed in March, as both manufacturing and services experienced weaker expansion according to PMI data.
- The International Monetary Fund has revised its forecasts downward and expects slower growth and rising inflation.
- Defence, artificial intelligence, and critical minerals will be the three key forces shaping the global economy over the medium term.

## The Spanish Economy

- The outlook for the Spanish economy is shifting due to the impact of the war in Iran, with rising oil prices as the main transmission channel, along with higher costs for key inputs used in transportation and industry. This is unfolding in a context of elevated uncertainty, where a prolonged conflict increases the risk that inflation expectations remain high and that growth is adversely affected.
- Rising energy prices pushed inflation up to 3.4% in March.
- Social Security registrations rebounded strongly in March, although this was not enough to offset a slight loss of momentum over Q1 as a whole.
- In 2025, wage costs rose faster than inflation, leading to an increase in purchasing power, and slightly exceeded the 3% benchmark agreed in the Agreement for Employment and Collective Bargaining (AENC).
- The public deficit for the general government sector declined to 2.4% of GDP in 2025, or 2.2% excluding DANA-storm related spending. Meanwhile, the tax burden continued to rise, reaching a new historical high.

## Business Activity

- January marks a turning point in business activity, with the first decline in turnover after 16 months of growth.
- The composite PMI improved, driven by services, while the manufacturing PMI tempered economic optimism.
- The number of micro-enterprises saw a sharp decline, while employment grew, driven by large companies.

## The International Scenario

### The global economy in the shadow of conflict and transformation

The global economy is at a critical turning point, with its resilience being tested by a new wave of geopolitical shocks. The outbreak of war in the Middle East in late February has abruptly darkened the global outlook, raising the risk of a severe energy crisis due to potential disruptions to hydrocarbon supplies through the Strait of Hormuz. The current environment is characterized by exceptionally high uncertainty and increasing geo-economic fragmentation.

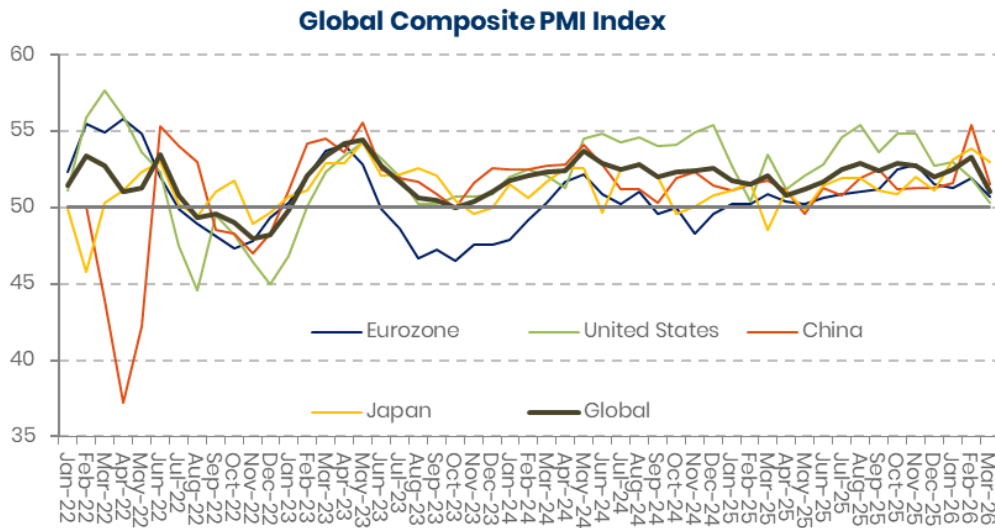
In its April report, the International Monetary Fund outlines a baseline scenario in which the conflict would be of limited duration, and its effects would gradually dissipate by mid-2026. Under this assumption, the IMF projects moderate global growth of 3.1% in 2026 and 3.2% in 2027, representing a 0.2-point downward revision for 2026 compared to its January prediction. At the same time, global inflation is expected to spike, rising to 4.4% in 2026 due to higher energy and food prices, before moderating to 3.7% in 2027. However, the IMF warns of significant risks. If a more adverse scenario unfolds, with a prolonged conflict and greater damage to infrastructure, global growth could slow to 2%.

Beyond the current conflict, the evolution of the global economy will be shaped by three main structural factors. First, rising defence spending, which is increasing rapidly for the first time in decades, may support demand in the short term but also raises concerns about the long-term sustainability of public debt. Second, artificial intelligence is emerging as a major driver of productivity, with the potential to boost global growth in the medium term. Finally, dependence on critical minerals, especially rare earths, which are largely concentrated in China, poses a strategic vulnerability, as any disruption in their supply could trigger significant declines in GDP in advanced economies.

In March, global economic activity lost some momentum. The Global Composite Purchasing Managers' Index fell to 51.0 points, its lowest level in eleven months, compared with 53.3 in February, which had marked a 21-month high. The slowdown was broad based, affecting both manufacturing and services. Specifically, manufacturing output stood at 51.4 points, while services activity registered 50.8 points.

From a more detailed perspective, five of the six subsectors analysed (business services, consumer goods, financial services, intermediate goods, and capital goods) managed to increase their output, although, in all cases, at a weaker pace

than the previous month, reflecting a widespread loss of momentum in the global economy.



Source: Prepared-in house based on data from S&P Global

Leading indicators suggest that private-sector activity in the United States barely managed to advance in March. Thus, the composite PMI stood at 50.3 points, indicating very slight growth and representing a clear slowdown from the 51.9 recorded in February, while also marking its lowest level since September 2023. This slowdown is attributed to weakness in the services sector, which fell to 49.8, entering contractionary territory and reaching its worst reading in over three years. Many companies blamed this deterioration on the impact of the conflict in the Middle East, which has negatively affected customer confidence and fuelled fears of rising prices. This contraction offset the stronger momentum observed in manufacturing output, which stood at 52.3 points.

The United States labour market added 178,000 nonfarm jobs in March, marking the strongest monthly increase since 2025. At the same time, the unemployment rate declined to 4.3 percent, slightly below the 4.4 percent recorded in February.

Overall inflation reached 3.3% in March, nearly one percentage point above the 2.4% recorded in the previous month. Core inflation, which excludes food and energy prices, edged up to 2.6% after remaining at 2.5% over the prior two months. The Federal Reserve's Beige Book, published in mid-April and used as a reference for the upcoming policy meeting, reported no significant changes. It noted that the economy continues to grow at a moderate pace, supported by a stable labour market. It also pointed to the limited impact of artificial intelligence so far, while highlighting that rising uncertainty linked to the situation in the Middle East is

affecting hiring, prices, and investment decisions. No change in interest rates is expected at the upcoming meeting, which will be the last to be chaired by Jerome Powell.

The Eurozone economy lost momentum in March, with the composite PMI falling to 50.7 points from 51.9. The slowdown was driven by the services sector, where the index declined to 50.2 points, its lowest level in ten months, indicating near stagnant activity. In contrast, industry showed greater dynamism, with the manufacturing PMI rising to 51.6 points from 50.8. Overall, growth moderated amid rising cost pressures.

Industrial production recorded a slight recovery in February, following the contraction in the previous month. On a seasonally adjusted basis, it increased by 0.4% compared to January, after falling by 0.8% in that same month. However, on a year-on-year basis, the balance remains slightly negative, with a decline of -0.6% compared to February 2025. By type of goods, the trend was mixed. Increases were observed in energy (2.0%) and capital goods (2.5%). In contrast, intermediate goods (-1.5%), durable consumer goods (-1.9%), and, more sharply, non-durable consumer goods (-5.4%) declined.

The labour market in the Eurozone has remained relatively strong in the first months of 2026. In February, the unemployment rate stood at 6.2%, one-tenth of a percentage point above the January figure, but still below the 6.3% recorded in the same month of the previous year.

Inflation in Eurozone countries accelerated in March to 2.6% year-on-year, exceeding both the preliminary estimate of 2.5% and the 1.9% recorded in February. The main upward pressure on prices came from the energy component, which rose 5.1% compared to the same period a year earlier. Core inflation moderated in March to 2.3% year-over-year, down from 2.4% in February.

At its March 19 meeting, the European Central Bank Governing Council decided to keep official interest rates unchanged. However, the conflict in the Middle East has heightened uncertainty, generating upward pressure on prices, particularly energy, and increasing downside risks to economic growth and inflation. In this context, the European Central Bank will continue to follow a data dependent approach, assessing inflation developments, related risks, and the transmission of monetary policy at each meeting.

In China, GDP growth in Q1 2026 was 1.3% quarter-on-quarter and 5% year-on-year. The March trade balance reveals that exports have experienced a sharp slowdown, rising by just 2.5%, while imports surged by 27.8%, driven by rising energy costs due to the conflict in the Middle East. Economic activity data for March, which is already

beginning to reflect in part the initial impact of the conflict in the Middle East, paints a mixed picture. On the one hand, retail sales rose by 1.7%, while industrial production increased by 5.7%. On the other hand, real estate investment continued to contract, posting an annual decline of 11.2%. Meanwhile, the inflation rate stood at 1% in March, down from 1.3% in the previous month.

In March, Brent crude oil averaged \$102.01 per barrel, 43.9% higher than in February. On a year-on-year basis, it was 40.3% higher in dollar terms and 30.7% higher in euro terms. In the first half of April, oil prices saw a sharp rebound, averaging around \$122 per barrel, although announcements of potential negotiations with Iran and the ceasefire have led to a decline in recent days. Uncertainty regarding the resolution of the conflict and the announcement in OPEC's April monthly report, which indicated that production plummeted by approximately 27% in March compared to February, suggests that this price moderation should be interpreted with caution.

# The Spanish Economy

With attention focused on the impact of geopolitical tensions arising from the war in Iran

The outlook for the Spanish economy is shifting due to the consequences of the war in Iran, with the main transmission channel being rising oil prices and higher costs for key inputs in transportation and industry. This is taking place against a backdrop of high uncertainty, where a prolonged conflict increases the likelihood that inflation expectations remain anchored at elevated levels, as well as the negative impact on growth.

While Spain benefits from advantages in energy supply and pricing and remains an attractive and safe tourist destination, higher inflation, which could return to around 3% on average in 2026, will reduce households' disposable income and weaken consumption. In addition, rising business costs are reducing competitiveness, and the weakness of our main trading partners is weighing on exports.

In this context, several institutions and agencies are beginning to revise their forecasts for the Spanish economy. In its baseline scenario, the Bank of Spain estimates GDP growth of 2.3% in 2026, matching the projections of CEOE and AIREF, and 1.7% in 2027, compared with 1.8% forecast by CEOE. Domestic demand is expected to moderate but it remains the main driver of growth. The Bank of Spain also projects a notable increase in inflation to 3% in 2026, slightly below AIREF's forecast of 3.2%, followed by 2.5% in 2027. Employment growth is expected to continue, although at a slower pace than in previous years. In a more adverse scenario considered by the institution, in which the conflict persists until the end of the year, GDP growth would slow to 1.9% in 2026, while inflation would rise significantly to an average of 5.9%.

The IMF projects GDP growth of 2.1% in 2026 and 1.8% in 2027, both above the Eurozone's expected rates of 1.1% and 1.2%, respectively. Inflation forecasts have also been revised upward to 3% and 2.3% for these years and remain higher than in the Eurozone, where inflation is expected at 2.6% in 2026 and 2.2% in 2027.

Lastly, the general government deficit closed the 2025 fiscal year at -2.4% of GDP (including DANA-storm related spending), compared to -3.2% of GDP in 2024<sup>1</sup>.

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<sup>1</sup> For more information, see the Public Sector section.

## Demand and Activity

### The Spanish economy slows slightly in Q1 and the outlook deteriorates

The new estimate published by the National Statistics Institute (INE) for Q4 2025 confirms the 0.8% figure released a month ago. However, there are some changes in the composition of growth between the two estimates. Specifically, on an annual basis, there is a notable increase in public spending, which rises from 1.8% to 2.4% for the year, and a significant moderation in equipment investment, which registers a 7.4% increase compared to the 9.0% in the preliminary estimate.

The Quarterly Non-Financial Accounts for the Institutional Sectors (CTNFSI) for Q4 2025 have also been published. For 2025 as a whole, the Spanish economy recorded a net lending of €66.741 billion, or 4.0% of GDP, compared to €68.712 billion, or 4.3% of GDP, in the previous year. Of this net lending, €48.664 billion corresponds to households, €20.487 billion to non-financial corporations, and €37.920 billion to financial institutions, while the general government sector reported a net borrowing requirement of €40.330 billion.

Pending the preliminary figures for Q1, to be published on April 30, the available indicators suggest that the Spanish economy may have shown somewhat weaker momentum during these first months of the year, at around 0.4–0.5% quarter-on-quarter. This slowdown may have been influenced by adverse weather conditions and disruptions to rail transport. At the same time, the timing of Holy Week, which fell at the end of March, is likely to have provided a boost to hiring and household spending over that period.

Q1 was also marked by a resurgence of international uncertainty, driven by the outbreak of war in Iran and its spread to other parts of the Persian Gulf, with the collapse of maritime traffic in the Strait of Hormuz standing out as the most prominent example. The implications of this conflict for the Spanish economy are expected to arise mainly through higher inflation, a trend already visible since March, as well as the potential tightening of monetary policy by the European Central Bank if inflation expectations remain high.

In this context of heightened uncertainty, expectations across productive sectors are deteriorating. The manufacturing PMI returned to contraction territory in March, marking three contractions in the past four months. Both output and new orders declined, reflecting weakening confidence, rising input prices, and supply chain disruptions that are extending delivery times. Employment also showed a notable contraction, the sharpest since October 2023. April's data is expected to show a

more significant deterioration, as new orders and international demand posted their worst results since April 2025. Furthermore, there are concerns about the prospect of a global economic slowdown due to rising energy and transportation costs and supply chain disruptions, particularly if the conflict drags on or leads to the destruction of energy infrastructure.

During Q1, the services PMI continued to show notable momentum, albeit at a slightly slower pace than in Q4 of 2025. Companies continued to increase production and employment in these first three months, but rising uncertainty and inflationary pressures have also weighed on new orders in the services sector, particularly in the case of export orders, which fell at the sharpest rate since January 2024. Service sector firms are particularly concerned about inflation and its impact on production costs, which were already under significant strain.

Balance of Payments data published by the Bank of Spain for the twelve-month period ending in January 2026 indicate that the current account surplus stood at 2.9% of GDP, compared to 3.1% in the same period of the previous year. This figure, which remains very positive, is the result of a tourism balance surplus equivalent to 4.2% of GDP, which has offset the negative balance of the goods and non-tourism services account and the primary and secondary income account. Thus, regarding foreign trade in goods, customs data available for January 2026 shows a contraction in both exports and imports of goods, although much more pronounced in the case of imports. This divergence between the trends in exports and imports has led to a significant reduction in the trade deficit compared to that recorded in January 2025 (-4.01 billion euros, compared to -6.193 billion euros). This reduction was primarily due to a smaller trade deficit in energy goods.

On the other hand, the latest available data on the tourism sector shows that the number of international tourists continues to rise, albeit at a more moderate pace. In the first two months of 2026, nearly 10.7 million international tourists arrived, 2.0% more than in the same period of 2025.

## The Labour Market

Social Security registrations rebounded significantly in March, although this was not enough to prevent a slight loss of momentum over Q1 as a whole

The number of people registered with the Social Security increased notably in March, following weaker figures in January and February. This recovery was supported by the early timing of Holy Week and its positive impact on tourism related employment. Seasonally adjusted data also point to an improvement in labour market conditions compared with the previous two months. However, despite this stronger performance, overall employment growth in Q1 as a whole showed a slight moderation.

Social Security registrations increased by 211,510 people in March, representing a month-on-month change of 0.98%, a high figure, though comparable to the same month in previous years, when Holy Week also landed in late March or early April (as was the case in 2023 and 2024). Thus, the total number of people registered with the Social Security stood at 21,882,147, reaching an all-time high.

In seasonally adjusted terms, registrations showed a notable increase in March, extending the upward trend that began in February and indicating that employment improved steadily throughout Q1. According to the Ministry of Inclusion, Social Security, and Migration, seasonally adjusted registrations rose by 80,274 people, marking the highest increase recorded in the past three years.

Pending the results of the Labour Force Survey, which will be published on April 28, available data suggests that employment lost some momentum in Q1. In particular, seasonally adjusted registrations, excluding furloughed workers, increased by 0.5% quarter-on-quarter in Q1, compared to the 0.6% recorded in Q4 of 2025.

Looking at the raw data, the rise in Social Security registrations in March was driven mainly by the private sector, which created 187,739 jobs. By contrast, the public sector added 23,772 workers, meaning that nearly 90 percent of new jobs were generated in the private sector.

By industry, the strong growth in registrations in the accommodation and food service activities (+81,750 people) stand out, reflecting higher activity linked to Holy Week. Also notable are the gains in construction (+19,483 people), administrative and support services (+18,467 people) and education (+16,370 people).

In year-on-year terms, registrations rebounded in March by 0.3 percentage points, reaching 2.5%, following three months of deceleration. Both the private and public sectors improved their growth rates, reaching 2.4% and 3.0%, respectively. In contrast, for Q1 as a whole, Social Security registrations slowed by 0.1 percentage points to 2.3%. In the private sector, the year-on-year rate also moderated slightly in March to 2.2%, while the public sector maintained its growth at 2.9%.

By economic sector, all sectors recorded an improvement in March, although year-on-year growth rates varied. Construction remains the most dynamic sector and rebounded significantly, reaching 4.4%, the highest since mid-2023. Industry and services increased by one-tenth of a percentage point, to 1.8% and 2.5%, respectively, after posting somewhat weaker results at the start of 2026. Meanwhile, agriculture was a pleasant surprise, with growth of 0.8%, the first positive figure since January 2025.

In March, registered unemployment fell by 22,934 people, a moderate decrease compared with other years in which Holy Week fell on similar dates. As a result, the total number of unemployed stood at 2,419,712 people, the lowest level for this month since 2008. Meanwhile, the number of job seekers who are employed or in an employment relationship, including workers with permanent contracts for seasonal work who are currently inactive, decreased by 82,019 in March, a sharper decline than in 2023 and 2024, when Holy Week was also celebrated early.

According to the Quarterly Labour Cost Survey, the year-on-year growth rate of labour costs per worker per month accelerated to 3.8% in Q4. Within this, wage costs increased by 3.6%, while other costs rose more sharply to 4.4%, partly driven by a stronger increase in social security contributions, which grew by 4.5%. For 2025 as a whole, labour costs increased by 3.4% compared with 2024, reflecting a 3.2% rise in wage costs and a 3.9% increase in other costs. Overall, wage growth exceeded the average inflation rate for the year (2.7%), resulting in gains in purchasing power and slightly surpassing the 3% agreed under the Agreement for Employment and Collective Bargaining (AENC) for 2025.

## Inflation

### Inflation rose to 3.4% in March, mainly due to energy products

Headline inflation rose to 3.4% in March, while core inflation also accelerated, reaching 2.9%.

Energy prices rebounded sharply in March, increasing by 7.3% compared with -3.1% in February. This was mainly driven by higher fuel prices, which rose by 8.6% after falling 5.3% in February, and electricity prices, which increased by 4.3% compared with 0.3% the previous month. It should be noted that these increases already partly reflect the measures approved by the government to mitigate the effects of the war in the Middle East, which took effect in the last week of March and include reductions in tax rates applied to electricity, gas, motor fuels, and heating oils.

Unprocessed food prices recorded a significant 1.7 percentage point decline in their year-on-year rate, falling to 4.8%.

Within core inflation, different trends are observed across its components, but overall, they have resulted in a certain acceleration in underlying prices. Services, which recorded the largest increase, were up 0.2 percentage points year-on-year to 3.7%, partly explained by the fact that Holy Week fell in March this year and in April last year. Industrial goods excluding energy products accelerated by 0.6 percentage points to 1.6%. By contrast, processed foods, beverages, and tobacco kept their year-on-year rate unchanged at 2.3%.

The rising cost of oil and other energy products, such as gas, is already being reflected in energy prices, but the impact could be greater and spread to the prices of other goods if the conflict continues. As of mid-April, shipping traffic through the Strait of Hormuz remains virtually non-existent, so oil prices remain elevated, standing slightly below \$100 per barrel.

CEOE currently forecasts CPI to average 2.9% in 2026, assuming the conflict is resolved relatively quickly, although temporary price increases above 3% are likely while it persists. It should be noted that if the conflict continues, higher energy and raw material costs could be passed on to other items in the consumer basket and keep inflation expectations anchored at elevated levels.

### **Comparison between the Inflationary Impact of the Iran Conflict and the War in Ukraine**

The conflict in Iran has led to higher oil and gas prices: since the start of the conflict, Brent crude has risen by 40% (from \$70/barrel to \$100/barrel), and Mibgas, the benchmark gas price in the Iberian market, has increased by 100% (from approximately €30/MWh to €60/MWh), although in April it fell to around €45/MWh.

However, the reaction has been less intense than in 2022, when Russia invaded Ukraine and an energy crisis was triggered. At that time, oil prices reached over \$180/barrel and Mibgas climbed to €200. Another favorable factor compared to the Ukraine conflict is the reduced dependence on supplies from the Gulf. Qatar accounts for 1.7% of Spain's imported gas, with our main suppliers being Algeria (34.6%) and the U.S. (30%). Furthermore, the impact of gas prices on electricity prices is lower in Spain due to our energy mix.

The conflict in Ukraine also caused a very sharp increase in unprocessed food prices, since the region is a major exporter of grains. In the case of the conflict in Iran, an inflationary effect on unprocessed food is also expected, as fertilizer prices from the Persian Gulf have risen. In March 2022, urea reached nearly \$900 per ton, up from \$550 before the conflict, an increase of about 80%. So far in April, it has been trading at around \$750 per ton, compared with \$464 per ton at the end of February, a rise of about 46%.

In March 2022, inflation in Spain reached 10.8% and remained at very high levels, between 8% and 11.5%, until September. It then stayed above 6% through March 2023, when it began to moderate due to base effects. Energy inflation rose by as much as 60%, although tax cuts helped contain it to around 35%, after which it gradually eased through the end of the year. Just as the energy shock was starting to fade, prices for processed and unprocessed food began rising sharply, making it harder for inflation to slow. Other components, such as services and non-energy industrial goods, also saw stronger price increases as production costs rose and second round effects, including wage gains, fed through the economy.

However, the current situation is far from the one triggered in February 2022 by Russia's invasion of Ukraine. In the case of Europe and Spain, dependence on the region for energy and trade is significantly lower, so forecasts for inflation trends are expected to be much more moderate, and the European Central Bank's potential response is also likely to be more restrained.

## The Public Sector

The general government deficit fell to  $-2.4\%$  of GDP in 2025. The tax burden continued its upward trend, reaching a new all-time high

The public deficit for the General Government sector closed fiscal year 2025 at  $-2.4\%$  of GDP (including spending related to the DANA storm), down from  $-3.2\%$  in 2024 and below the government's target of  $-2.5\%$ . This is the lowest deficit since before the financial crisis. It is also worth noting that the primary balance, which excludes interest payments, was almost at balance, with a slight deficit of 16 million euros, compared with  $-0.8\%$  of GDP in 2024. Excluding DANA-related spending of 3.55 billion euros, the deficit stood at  $-2.2\%$  of GDP. Since fiscal rules allow disaster-related expenditures to be excluded, this is the figure reported to the European Commission.

It is worth noting that, as there have been no updated budgets since the last one approved for fiscal year 2023, no information is available on compliance with the various expenditure and revenue items, making it impossible to assess the budgetary targets.

The Central Government accounts for the bulk of the 2025 deficit, at  $-2.0\%$  of GDP, although this represents an improvement over the  $-3.0\%$  of GDP recorded in 2024. Regional governments exceed the 2024 deficit, with a  $-0.4\%$  of GDP in 2025, while local governments slightly reduce their surplus to  $0.3\%$  of GDP. Social Security funds reduce their deficit by nearly two-tenths of a percentage point to  $-0.3\%$  of GDP.

Once again, the strength of public revenues has been key to analysing the fiscal adjustment. According to National Accounts data, this is the result of a  $7.5\%$  increase in resources in 2025, exceeding nominal GDP growth ( $5.8\%$ ), and uses, which grew by  $5.5\%$ . According to information from the Tax Agency, tax revenue in 2025 reached €325.356 billion,  $10.4\%$  more than the revenue recorded in 2024. This remarkable growth is explained by the increase in the tax base (provisionally estimated at  $7\%$ ) and the positive impact of regulatory and management measures (7.82 billion). Nominal GDP increased by  $5.8\%$  in 2025, reaching €1.687152 billion, with the tax burden increasing to  $19.2\%$ , marking a new all-time high.

Finally, the General Government debt stood at  $100.7\%$  of GDP in Q4 of 2025, compared to  $101.7\%$  of GDP in 2024. Central government debt reached  $92.6\%$  of GDP, that of the autonomous communities stood at  $20.2\%$ , and that of local governments at  $1.2\%$ .

## Business Activity

- **After sixteen months of growth, business turnover turned negative in January, amid a gradual slowdown since the summer and despite the positive results of 2025.**
- **The composite PMI rose to 52.4 points, driven by the services sector, but the decline in manufacturing tempered economic optimism.**
- **Interest rates for businesses remained stable in February, while large-scale lending rebounded strongly despite its high volatility.**
- **The sharp decline in micro-enterprises signals an uneven recovery across the business sector, despite job growth.**

### Turnover and Sales

**For the year 2025 as a whole, the General Business Turnover Index rose by 3.8%, but January revealed a year-on-year decline of -0.2%**, thus entering negative territory after 16 consecutive months of positive results. **This data reinforces the slowdown trend observed since the summer.** The seasonally and calendar-adjusted indices showed positive annual rates of change in two of the four sectors analysed. **Non-financial market services recorded the largest increase (3.3%), while extractive and manufacturing industries recorded the largest decline (-3.1%).**

**The results of the Bank of Spain Business Activity Survey (EBAE) indicate that in Q1 2026 business activity showed signs of moderation.** Turnover declined, in line with the usual seasonal pattern at the beginning of the year; however, even after adjusting for these effects, a slight fall is observed, breaking the sustained growth trend of previous quarters. This pattern is consistent with other activity indicators, which point to a slowdown in the opening months of the year and is broadly reflected across most sectors, with declines somewhat steeper than in previous years. Meanwhile, investment recorded a slight decrease after seven consecutive quarters of expansion, with a more pronounced contraction in industry, although this was partly influenced by seasonal factors. Even so, expectations point to a potential recovery in investment in Q2 2026.

**Total sales by large enterprises, deflated and adjusted for seasonal and calendar variations, increased by 1.2% in February compared to the same month last year,** a rate that is nearly one percentage point lower than in January. This loss of momentum is explained both by the contraction in exports and by the moderation of domestic

demand. **Domestic sales rose by 1.9% in February, down from the 3.1% recorded the previous month.** Meanwhile, **the external sector showed weaker performance, with exports falling by 1.8%**, marking a steeper decline of approximately 1.5 percentage points compared to January. Although the decline was concentrated in exports to third countries, the drop in these exports was somewhat smaller than in January (-4.4% compared to -5% in January). Growth in exports to the EU moderated to 1% from the previous 2.6%.

### **Labour Costs**

**As of the end of March, there are 2,240 collective bargaining agreements with known economic effects registered for 2026, covering 720,991 companies and 7,394,685 people.** The **wage increase agreed** upon in negotiations with economic effects in 2026, registered as of March 31, **stands at 2.92% (3.29% in the same month of 2025).** In national-level sectoral agreements, the wage increase is 2.97%; in regional agreements, 2.92%; and in provincial agreements, 2.98%. By sector of activity and taking into account the provisional nature of the data and possible statistical effects, construction recorded the highest wage increase, 3.00%, followed by services, 2.98%, industry, 2.71%, and the agricultural sector, 2.68%.

### **Financing Conditions and Costs**

**Average interest rates on new business loans remained unchanged in February**, both for amounts **up to €250,000 (3.3%) and for those between €250,000 and €1 million (3.2%).** Meanwhile, the average interest rate for loans exceeding €1 million fell by two-tenths of a percentage point to 3.2%. New loans for amounts up to €250,000 grew by 2.1%, while those between €250,000 and €1 million grew by only 0.6%. Loans exceeding €1 million increased by 23.9%, although it should be noted that this segment is historically the most volatile of all.

### **Business Confidence**

**Confidence in Spain is rising, driven by expansion in the services sector. The composite PMI index stood at 52.4 points in March**, marking an increase of nearly one point **after two consecutive months of declines. This increase is due to the performance of the services sector, whose PMI reached 53.3 points, while the manufacturing PMI fell to 48.7 points.**

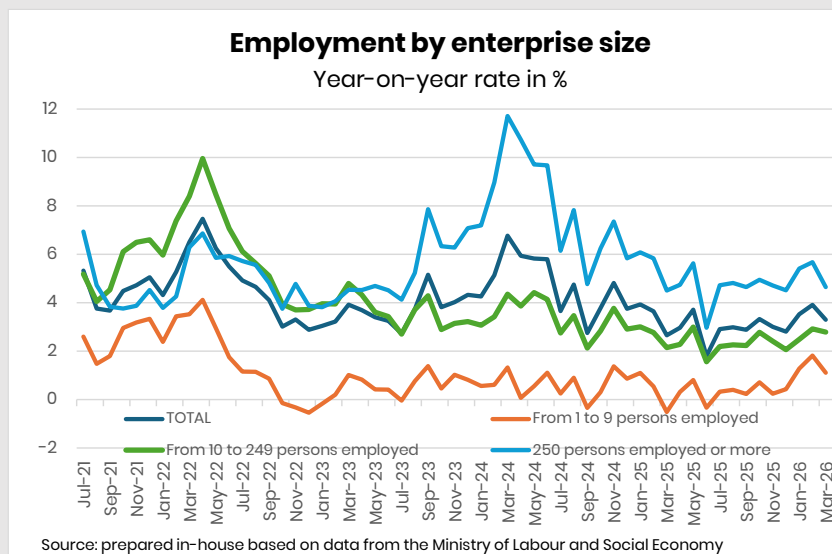
In March, **Spain's Economic Sentiment Index stood at 103.7 points, 2.4 points lower than the previous month.** Despite this decline, **it has now recorded 28 consecutive months with a confidence level above its historical average.**

The Business Confidence Indicator fell by 2.3% in Q2 of 2026 compared to Q1. 21.0% of businesses expect a favourable quarter (up from 19.7%), while 16.2% are pessimistic about their business outlook (up from 15.2%). Confidence declined across all sectors compared to the previous quarter, with Transportation and Hospitality (-3.7%) showing the sharpest drop.

### Business Activity

In March, the Social Security registered only 4,268 more companies than in the same month of 2019. By size, the smallest companies with 1 to 2 employees (which account for 51.4% of all registered companies) still have not reached pre-pandemic levels. In fact, far from showing signs of improvement, March ended with a decline of -31,492 micro-enterprises compared to the same month in 2019. It is worth noting that in February, this figure stood at -22,000 micro-enterprises, making the situation for companies of this size particularly vulnerable. It is surprising that, this month, this number has only gone up by 455 in relation to the previous month. By sector, the number of registered companies remains below pre-pandemic levels in agriculture and industry. Year-on-year, construction is facing its third consecutive month of declines. Specifically, construction companies registered with the Social Security have decreased by 6.4% year-on-year.

Employment at companies registered with Social Security rose by 3.3% in March compared to a year ago, six-tenths of a percentage point lower than in the previous month. Job creation continues to be concentrated mainly in companies with more than 250 employees, which saw a year-over-year increase of 4.7% (5.7% in February). In contrast, in smaller companies (1 to 9 workers), employment grew by only 1.1% year-on-year.



Main Business Indicators (last update: April 2026)								
Indicator	2021	2022	2023	2024	2025	Penultimate data	Last data	Last given period
<b>Turnover and sales</b>								
	Annual rate				Year-on-year rate			
Business turnover index corrected for seasonal and calendar effects	21.2	23.4	-2.2	0.3	3.8	2.3	-0.2	Jan-26
Sales indicator for large companies	6.1	5.8	1.5	1.9	3.8	2.1	1.2	Feb-26
<b>Labour costs</b>								
	Annual rate				Year-on-year rate			
Labour cost per worker	5.9	4.2	5.5	4.0	3.4	3.0	3.8	Q4 25
<b>Business dynamism</b>								
	Annual average level				Monthly level			
Companies registered with the Social Security	1,301,461	1,321,657	1,327,404	1,333,914	1,336,306	1,341,508	1,341,963	Mar-26
<b>Financing conditions and costs</b>								
	Annual average level				Monthly level			
Interest rates applied to new credit transactions up to 250 thousand Euros	1.9	2.3	4.8	4.9	3.5	3.3	3.3	Feb-26
Interest rates applied to new credit transactions from 250 thousand to 1 million Euros	1.5	2.0	4.6	4.6	3.2	3.2	3.2	Feb-26
Interest rates applied to new credit transactions over 1 million Euros	1.3	1.7	4.5	4.6	3.4	3.4	3.2	Feb-26
	Annual rate				Year-on-year rate			
New corporate loans up to 250 thousand Euros	-5.9	15.7	12.8	16.4	3.3	-1.7	2.1	Feb-26
New corporate loans from 250 thousand to 1 million Euros	-28.9	8.9	9.0	13.7	7.3	-0.6	0.6	Feb-26
New corporate loans over 1 million Euros	-19.6	25.7	-17.6	16.0	15.7	28.9	23.9	Feb-26
<b>Business confidence</b>								
	Annual average level				Monthly or quarterly level			
Economic sentiment indicator	105.2	101.1	100.4	103.1	103.1	106.1	103.7	Mar-26
Business confidence indicator	120.8	126.8	132.7	136.1	137.4	137.0	133.9	Q2 26
Composite PMI Index	55.3	51.8	52.5	54.8	54.0	51.5	52.4	Mar-26
Manufacturing PMI Index	57.0	51.0	48.0	52.2	50.9	50.0	48.7	Mar-26
Services PMI Index	55.0	52.5	53.6	55.3	54.5	51.9	53.3	Mar-26
<b>Stock markets</b>								
	Annual average level				Monthly level			
IBEX 35 Index	8,645.2	8,252.5	9,441.5	11,127.2	14,561.1	18,360.8	17,049.6	Mar-26

Source: INE, Bank of Spain, Eurostat, Ministry of Labour and Social Economy, Tax Agency, Ministry of Economy, Trade and Business, Madrid Stock Market.

## Forecasts

Economic forecasts for Spain								
(last update: April 2026)								
Annual rates of change, unless otherwise indicated								
	2020	2021	2022	2023	2024	2025	2026	2027
<b>GDP</b>	-10.9	6.7	6.4	2.5	3.5	2.8	2.3	1.8
<i>Private consumption expenditure</i>	-12.2	7.2	4.9	1.7	3.0	3.3	2.4	2.0
<i>Government consumption expenditure</i>	3.5	3.6	0.8	4.5	2.9	2.4	1.5	1.1
<b>Gross fixed capital formation</b>	-8.9	2.6	4.2	5.9	3.6	5.8	4.5	2.6
<i>-Tangible fixed assets</i>	-10.2	1.4	3.1	4.4	3.3	6.0	4.5	2.2
<i>Construction</i>	-8.4	0.5	4.0	5.5	4.0	5.2	5.4	2.8
<i>Equipment and cultivated assets</i>	-13.0	2.9	1.6	2.4	2.1	7.4	2.8	1.2
<i>-Intangible fixed assets</i>	-2.7	8.4	9.4	12.3	4.6	5.3	4.6	4.1
<i>Domestic demand (*)</i>	-8.8	7.0	4.1	1.6	3.4	3.7	2.7	1.9
<i>Exports</i>	-20.1	13.4	14.2	2.2	3.2	3.6	2.9	2.8
<i>Imports</i>	-15.1	15.0	7.7	0.0	2.9	6.2	4.3	3.3
<i>External demand (*)</i>	-2.2	-0.4	2.2	0.9	0.1	-0.9	-0.5	-0.1
<b>GDP current prices</b>	-9.9	9.4	11.4	8.9	6.5	5.2	5.0	3.6
<b>GDP deflator</b>	1.1	2.6	4.7	6.2	3.0	2.4	2.7	1.8
<b>CPI (average annual rate)</b>	-0.3	3.1	8.4	3.5	2.8	2.7	2.9	1.9
<b>CPI (Dec/Dec)</b>	-0.5	6.5	5.7	3.1	2.8	2.9	3.3	1.8
<b>Core CPI (average annual rate)</b>	0.7	0.8	5.2	6.0	2.9	2.3	2.8	2.6
<b>Employment (Quarterly National Accounts)**)</b>	-7.1	7.3	4.4	3.6	2.8	3.1	2.0	1.5
<b>Employment (LFS)</b>	-2.9	3.3	3.6	3.1	2.2	2.6	2.0	1.5
<b>Unemployment rate (LFS) (% active population)</b>	15.5	14.9	13.0	12.2	11.3	10.5	9.9	9.5
<b>Productivity per occupied person (***)</b>	-4.2	-0.5	1.9	-1.1	0.6	-0.3	0.3	0.3
<b>Productivity per hour worked</b>	0.3	-0.8	1.2	-0.2	1.2	0.7	0.4	0.3
<b>Compensation per employee</b>	3.2	0.7	3.7	4.6	4.0	3.8	2.9	2.8
<b>Unit labour cost (ULC)</b>	7.7	1.2	1.8	5.8	3.3	4.1	2.7	2.5
<b>Current Account Balance (% of GDP)</b>	0.8	0.8	0.4	2.7	3.2	2.9	2.0	1.8
<b>General government net lending (+) / net borrowing (-) (% of GDP) (i)</b>	-9.9	-6.7	-4.6	-3.5	-3.2	-2.4	-2.3	-2.0
<b>Interest rates USA (Dec)</b>	0.25	0.25	4.50	5.50	4.50	3.75	3.50	3.25
<b>Interest rates Eurozone (Dec) (****)</b>	-0.50	-0.50	2.00	4.00	3.00	2.00	2.00	2.00
<b>Brent Oil (\$)</b>	41.8	70.7	100.8	82.5	80.5	69.1	85.5	75.4

Source: CEOE, INE (National Statistics Institute), Banco de España, Eurostat

(\*) Contribution to GDP growth

(\*\*) Full-time equivalent jobs

(\*\*\*) It refers to productivity per full-time equivalent job

(\*\*\*\*) This interest rate refers to the interest rate on the deposit facility, which is the new reference adopted by the ECB as a guide for the orientation of monetary policy.

(i) Public deficit in 2024 and 2025 taking into account the expenses linked to the DANA storm.