

# SPAIN INVESTORS DAY AND THE PROSPECTS FOR THE SPANISH ECONOMY

The XV edition of the **Spain Investors Day (SID)** was held on January 15<sup>th</sup> and 16<sup>th</sup>, 2025, in Madrid, bringing together **more than 200 global investors, along with more than 40 listed companies.**

The SID has provided investors with valuable insights into the **dynamic Spanish economy and its leading companies.** Within a challenging international landscape, Spain offers **a wealth of secure and attractive investment opportunities.** At the same time, **Spanish companies must focus on achieving greater scale** and pursuing consolidation to remain competitive.

**Current market conditions are set to accelerate corporate transactions, particularly through mergers and acquisitions.**

International investors consistently underscore the need for **a stable and predictable institutional framework,** paired with **strong legal certainty,** as **essential conditions to drive increased investment.**

To sustain the momentum for Foreign Direct Investment in Spain, additional critical factors must be considered. First, **genuine public-private partnerships** are crucial for addressing complex challenges effectively. Second, **competitive fiscal policies** are vital, particularly in the face of intensifying global competition. Third, **simplifying regulations** and streamlining permitting processes will enhance agility and attract more investment. Finally, **strengthening capital markets** is fundamental for resilience, underscoring the urgent need for a unified EU capital market.

**Geopolitics is redefining the global economy in a tripolar world,** centered on the US, China and the increasingly prominent role played by transnational technology companies. This shift is occurring alongside **other ongoing transformations,** such as increased state intervention, climate change, the digital and AI revolution and an aging population.

These global changes present **numerous opportunities for those who are prepared,** but **also pose significant risks** that are disrupting industries and societies. Thus, **the current era of volatility requires the integration of predictive capabilities, flexibility and resilience.**

In this complex international scenario, **forecasts point to modest global economic growth in 2025,** with the balance of risks tilted to the downside and unemployment rates at historic lows.

After four years of **unprecedented shocks** that drove prices sharply higher, **inflation eased in 2024,** aided by a restrictive monetary policy. In this context, **major central banks have already changed their monetary policy stance.**

Hence, **attention and concern are increasingly focused on the sustainability of public finances.** The significant accumulation of public debt highlights the urgent need to rebuild fiscal buffers to better manage future crises and address growing spending pressures, including those related to defense and retirement.



**In this complex international landscape, the Spanish economy has managed to maintain its dynamism in 2024, growing above eurozone average.**

According to our latest estimates at Equipo Económico (Ee), **Spanish GDP is set to have closed the year 2024 with 3.1% growth**, accelerating from 2.7% in 2023 and surpassing the growth of the other three major Eurozone economies -Germany, France, and Italy- as well as the US.

**Consumption is among the main factors behind Spain's dynamism.** On the one hand, the significant growth rate of **public consumption** was noteworthy. On the other hand, private consumption has been boosted by **the strength of the labor market in terms of job creation**, which is largely based on **immigration**.

**Services exports**, both tourism and non-tourism, emerged as another **key driver of Spanish GDP growth**. **International tourist** arrivals continued to set new records, and we estimate that their spending is equivalent to an **additional population of 9.2 million people in Spain in terms of consumption**. Meanwhile, exports of **non-tourism services** rose **9% year-on-year in the first nine months of the 2024**, reaching a new high for the period of 75.9 billion euros.

**Spanish dynamism is set to persist in 2025. Hence, we have raised our forecast for Spanish growth in 2025 to 2.8%.**

**This upward revision is primarily attributed to the positive trajectory of consumption.** Public consumption is expected to grow at very significant rates, while private consumption is likely to contribute increasingly, fueled by job creation and a recovery in real incomes. This improvement comes within a favorable context of lower inflation and declining interest rates

Meanwhile, the expected acceleration of imports (for which we forecast a 2.9% growth) will result in a **lower contribution from the foreign sector. We also expect the contribution of investment to increase only gradually**, to 2.1% in 2025.

Later on, **Spanish GDP** growth will moderate towards levels closer to potential growth, so that it **would grow by 2.2% in 2026**.

With respect to **inflationary pressures**, we foresee that **they will continue their downward path over this year, approaching levels closer to the ECB's target**, with the average annual inflation rate expected to stand at 2.2% in 2025 and 2% in 2026.

**Despite these figures, the Spanish economy faces significant structural challenges, with its growth seemingly driven more by quantity than by quality.**

**This is hampering the Spanish convergence in terms of GDP per capita with Europe. Investment in Spain is stagnating**, and, in fact, Gross Fixed Capital Formation was still below pre-pandemic levels in the third quarter of 2024 (last available data), despite the progressive role that NGEU funds should be playing. This results in **lower productivity dynamism for the country compared to its main European peers**.

## CHART 1: EQUIPO ECONÓMICO'S (Ee) FORECASTS FOR MAIN MACROMAGNITUDES OF THE SPANISH ECONOMY IN 2024-2026.

	2023	2024*	2025*	2026*
<b>GDP % annual growth</b>	<b>2.7</b>	<b>3.1</b>	<b>2.8</b>	<b>2.2</b>
Household consumption	1.7	2.7	2.6	2.0
Government consumption	5.2	5.0	3.1	1.9
Investment (GFCF)	2.1	1.8	2.1	2.4
Exports	2.8	3.0	3.4	2.5
Imports	0.3	2.0	2.9	2.1
<b>CPI % annual average</b>	<b>3.5</b>	<b>2.8</b>	<b>2.2</b>	<b>2.0</b>
<b>Underlying CPI % annual average</b>	<b>6.0</b>	<b>2.9</b>	<b>2.3</b>	<b>2.0</b>
<b>Total employment % annual growth</b>	<b>3.1</b>	<b>2.4</b>	<b>2.0</b>	<b>1.6</b>
<b>Unemployment % active population</b>	<b>12.2</b>	<b>11.5</b>	<b>11.3</b>	<b>10.9</b>
<b>Current account balance % of GDP</b>	<b>2.7</b>	<b>3.1</b>	<b>2.7</b>	<b>2.0</b>
<b>Public deficit % of GDP</b>	<b>-3.5</b>	<b>-3.2</b>	<b>-3.0</b>	<b>-3.0</b>

(\*) Forecast by Equipo Económico (Ee).

Source: INE, Banco de España, Equipo Económico (Ee).

This is compounded by **high levels of unemployment**, with an estimated unemployment rate of 11.5% in 2024, the highest in the European Union. In addition, our projections suggest that the unemployment rate will remain high during 2025, at 11.3%.

Moreover, **certain supply-side constraints persist**, as evidenced by the **real estate market**. Additionally, there is a significant **intergenerational imbalance**, driven by policies that benefit the elderly population more than younger generations.

On the other hand, the **significant imbalance in public accounts continues**, driven by the increased role of the public sector and the lack of fiscal discipline. We estimate that the public deficit will still stand at 3% of GDP in 2025 amid **high uncertainty about the approval of a General State Budget for 2025**. Meanwhile, **high levels of public debt** (104.3% of GDP in the third quarter of 2024, equivalent to 1.64 trillion euros, a new all-time high) reflect that **the country has less room for fiscal maneuver** to address the significant challenges and risks it faces.

Political instability and the failure to establish parliamentary majorities grounded in sound economic principles are **hindering sustainable, long-term growth**.

**There is therefore a pressing need to promote reforms that address these structural challenges and constitute the essential pillars of sustainable economic growth.**

This is also **the path to maintaining momentum for FDI flows into Spain!**

**EQUIPO ECONÓMICO (Ee)** is a professional services firm established in 2006 with wide-ranging experience in corporate consultancy on economic, financial and tax matters, and commercial law. Ee employs a qualified team of professionals with a proven track record in taking strategic decisions on a corporate and institutional, and national and international level.

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