Flash Economics

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Is there a Spanish miracle?

Spain's growth has been strong since 2016 (with, of course, the exception of a decline in GDP in 2020). This performance may seem surprising due to the low efficiency of the education system, the low skill level of the workforce, the limited investment in Research and Development and automation, and the decline in productivity.

This strong growth can be explained by:

- the low cost of labor, which is attractive to foreign investors;
- the development of tourism;
- abundant immigration;
- European funding.

The problem is the sustainability of strong growth if structural issues (low skill levels, declining productivity, weak research efforts...) are not addressed.

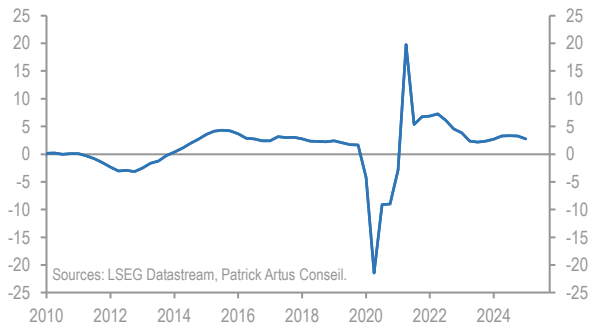
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A surprising growth performance given the fundamental characteristics of the economy

After the eurozone crisis (2010–2013), **Spain returned to strong growth** (**Chart 1**).

Chart 1
Spain: Real GDP (Y/Y as %)



Yet, Spain faces numerous **structural economic problems**:

- low skill level of the workforce (**Table 1**);

Table 1: Results of the OECD PIAAC survey (by decreasing score from the 2023 survey, overall score*)

Country	2016	2023
Finland	285	289
Japan	292	285
Sweden	279	281
Netherlands	282	276
Canada	269	267
Germany	271	267
England (UK)	267	266
France	258	253
Spain	249	246
Italy	249	240

*In 2016, average score in numeracy and literacy
Source: OECD

- low efficiency of the education system (**Table 2**);

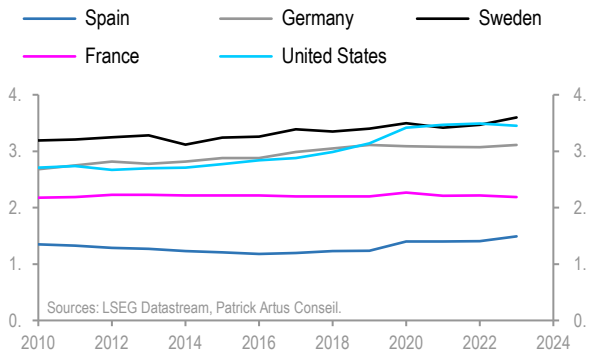
Table 2: Results of OECD PISA surveys (overall score, by decreasing score in the 2022 survey)

Country	2012	2015	2018	2022
Japan	540	529	520	533
Canada	522	523	517	506
Finland	529	523	516	495
United Kingdom	502	500	503	494
Sweden	482	496	503	487
Germany	515	508	500	482
Netherlands	519	508	502	480
France	500	496	494	478
Spain	490	491	482	477
Italy	490	485	477	477

Source: OECD

- low level of Research and Development spending (**Chart 2**);

Chart 2
Total R&D spending (as % of nominal GDP)



- low industrial automation (Table 3);

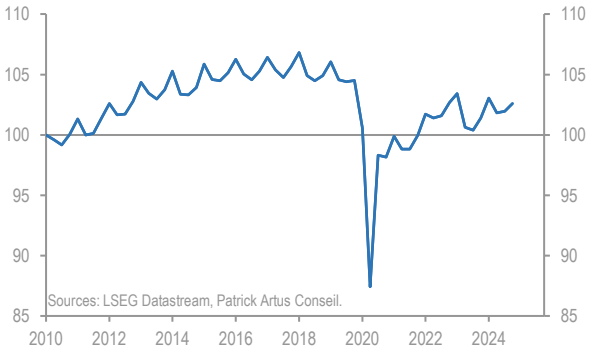
Table 3 : Robots installed per 10,000 employees in the manufacturing industry (2023)

Country	Robots installed per 10,000 employees
South Korea	1012
Chinq	470
Germany	429
Japan	419
Sweden	347
Denmark	306
Slovenia	306
Switzerland	302
United States	295
Netherlands	264
Austria	245
Italy	228
Canada	225
Belgium	224
Czech Republic	207
Slovakia	201
France	186
Spain	174
Finland	173

Source: World Robotics 2024.

- decline in productivity (Chart 3).

Chart 3
Spain: Productivity per head (100: 2010.Q1)



How can this strong Spanish growth be explained?

Four explanations for Spain's strong growth since 2016

1. Attractive level of labor cost

Table 4 shows the labor cost in the industry of major European countries.

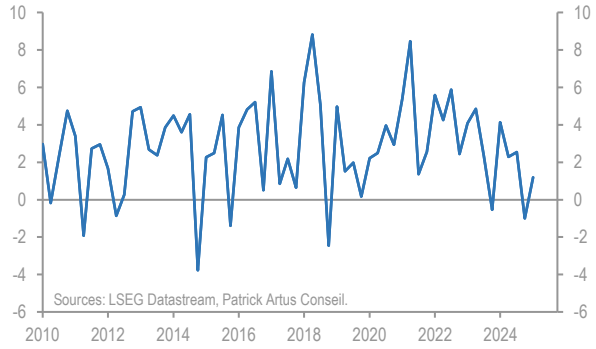
Table 4 : Mean nominal hourly labor cost per employee in the manufacturing sector (2024, €)

Country	Mean nominal hourly labour cost (€)
Germany	48.3
France	46.3
Sweden	45.1
Netherlands (2023)	44.7
Italy	31.7
Spain	27.2

Source: Eurostat

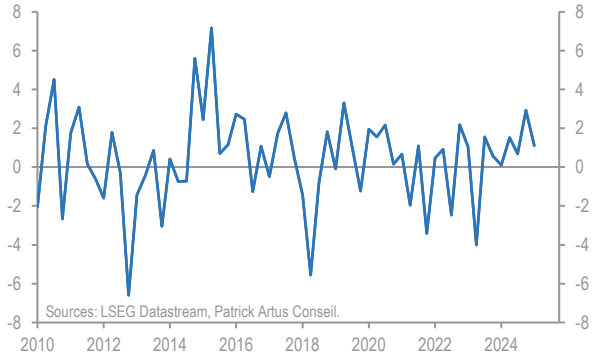
Spain's competitiveness is strong compared to other European countries, hence Spain's attractiveness for foreign investments (Charts 4a/b).

Chart 4A
Spain: Direct investment inflows*
(as % of nominal GDP)



(*) Direct investment inflows are capital inflows leading to an increase in liabilities (in this case for Spain) and therefore have a positive sign.

Chart 4B
Spain: Net direct investment* (as % of nominal GDP)

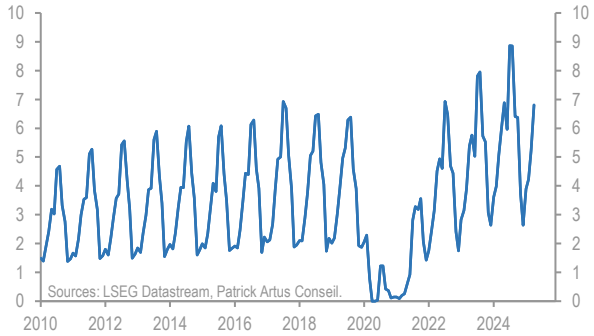


(*) A negative balance of direct investment corresponds to net capital inflows (an increase in liabilities), while a positive balance reflects net capital outflows (an increase in assets).

1. Development of tourism

Chart 5 shows the travel trade balance in Spain.

Chart 5
Spain: Travel trade balance
(monthly data, € bn)

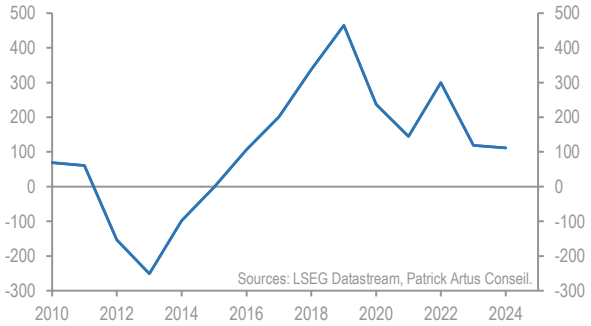


A high level of revenue from foreign tourists in Spain can be observed.

2. Abundant immigration

From 2017 to 2022, Spain had a high net immigration (Chart 6), with recent figures for legal immigration being lower.

Chart.6
Spain: Net migration (thousands of people, annual data)



Moreover, the Spanish government announced in December 2025 a reform that will facilitate the recognition of undocumented immigrants. This reform could lead to the recognition of 300,000 immigrants per year over the next three years.

3. Use of European funding

The **Next Generation EU** plan includes 80 billion euros in grants and 83 billion euros in loans to invest in Spain. To date, 30% of these funds have been disbursed to Spain to finance the energy transition and digital transition. Overall, the plan represents 10.2% of Spain's GDP (in 2024), with the funds disbursed so far amounting to 3.1% of Spain's GDP.

Summary: Is Spain's strong growth sustainable?

Spain's real GDP grew by 3.2% in 2024 and by 0.6% in the first quarter of 2025. This strong growth is linked to investments attracted by low labor costs, tourism development, immigration, and European funding.

However, the sustainability of this strong growth is questionable due to low skills, low efficiency of the education system, low levels of Research and Development and automation, and the resulting decline in productivity.

On average, Spain's growth model consists of creating many low-skilled jobs.

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