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What explains Spain's strong growth at a time when the other euro area countries are growing slowly?

Spain's growth reached 2.5% in 2023, 3.5% in 2024 and 2.8% in 2025, whereas euro area growth stood at 0.4%, 0.9% and 1.4% respectively. In quarter-on-quarter terms, Spain's growth came to 0.6% in the first quarter of 2026 and 0.7% in the second quarter of 2026. Excluding Spain, euro area GDP rose by only 0.2% in 2023, 0.6% in 2024 and 1.2% in 2025.

The possible explanations for this growth gap between Spain and the rest of the euro area are:

- employment growth, underpinned by the contribution of immigration;
- the importance of tourism, and of services exports other than tourism;
- low labour costs in Spain, which enhance the country's attractiveness to investors;
- the rapid rise in the purchasing power of wages;
- catch-up in labour productivity, which had grown only slowly until 2021.

The question remains whether Spain's growth might run out of steam, given the weak skills of the labour force, the low educational attainment of young people, the very low youth employment rate, population ageing and inadequate research and development, particularly in the business sector.

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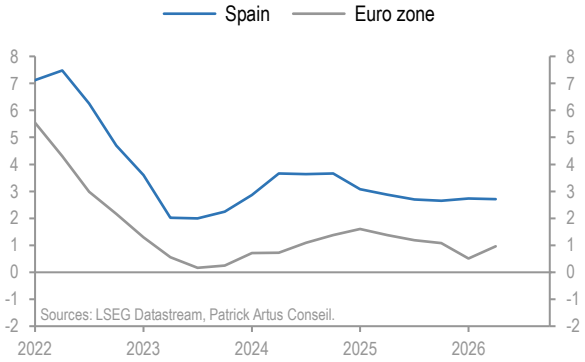
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Strong growth in Spain

Since 2022, **Spain's growth** has been markedly stronger than that of the euro area as a whole (**Chart 1**).

Chart 1
Real GDP (Y/Y, %)



Spain's strong growth adds around 0.2 percentage point to growth in the euro area as a whole, with Spain accounting for 8.9% of euro area GDP. We first examine **the mechanisms underlying this strong growth in Spain**.

Five mechanisms underlying Spain's strong growth

1. Immigration and employment growth

Immigrants now account for 15.9% of the labour force in Spain, compared with 10.4% twenty years ago, and immigration inflows remain substantial (**Chart 2**). The Spanish government has moreover launched a regularisation procedure covering some 500,000 people in an irregular situation. In addition, foreign workers are increasingly present in high value-added activities. **Immigration is thus enabling Spain to record rapid employment growth** (**Chart 3**), despite population ageing (**Chart 4**).

Chart.2
Spain: Net migration (thousand persons, annual data)

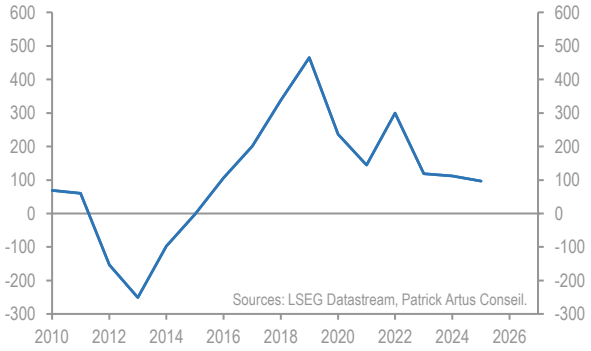


Chart 3
Employment (Y/Y as %)

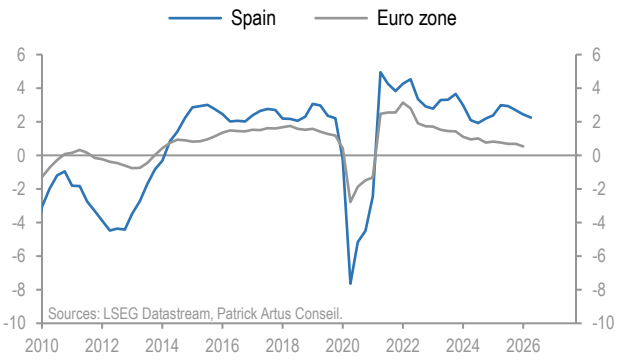
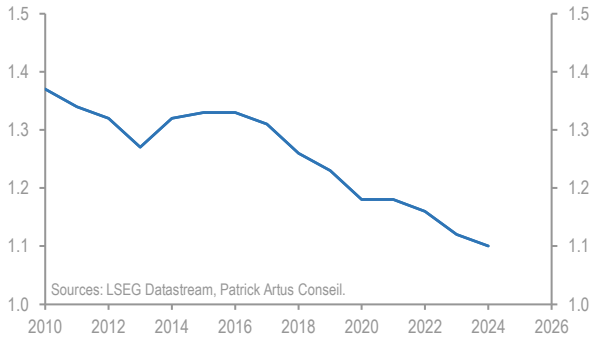


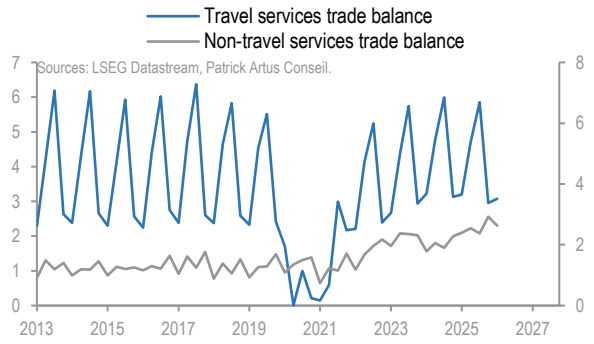
Chart 4
Spain: Fertility rate (births per woman)



2. The importance of tourism and of services exports other than tourism

Chart 5 shows the **trade balance for tourism and for other services**. It brings out the growing surpluses on services trade (business services, technology services) and on tourism.

Chart 5
Spain: services trade balance
(% of GDP)



3. Low labour costs in Spain

Labour costs are low in Spain relative to the other Western European countries (Table 1).

Table 1 : Mean nominal hourly labour cost per employee in the manufacturing sector (2024, EUR)

Country	Mean nominal hourly cost (EUR)
Germany	48.3
France	46.3
Italy	31.7
Slovenia	27.8
Spain	27.2
Slovakia	18.1

Source : ILO

This makes **the country highly attractive for investment** (Chart 6), which explains the resilience of manufacturing output since 2017 (Chart 7).

Chart 6
Spain: inward direct investment (as % of GDP)

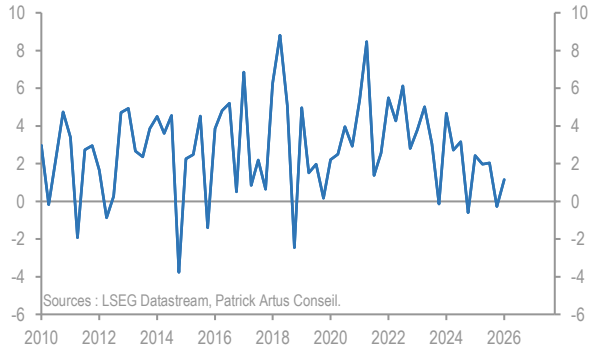
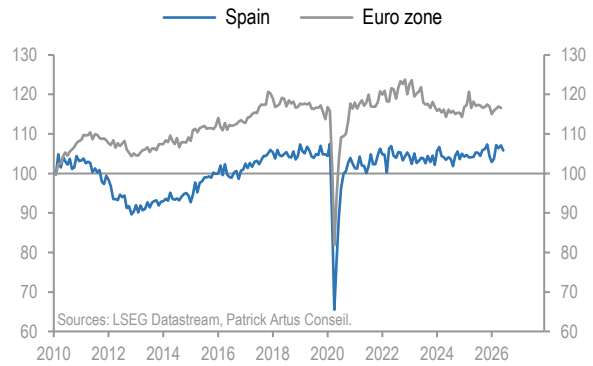


Chart 7
Manufacturing production (2010.M1 = 100)



4. Rapid growth in the purchasing power of wages

Driven in part by the rapid increase in the minimum wage (€1,100 gross per month in 2021, €1,380 gross per month in the first half of 2026), **the purchasing power of wages has been rising rapidly in Spain since 2022**, after having declined between 2010 and 2014 during the euro area crisis (**Chart 8**). This increase is supporting household consumption (**Chart 9**).

Chart 8
Spain: Real compensation per employee, deflated by the HICP (2010 Q1 = 100)

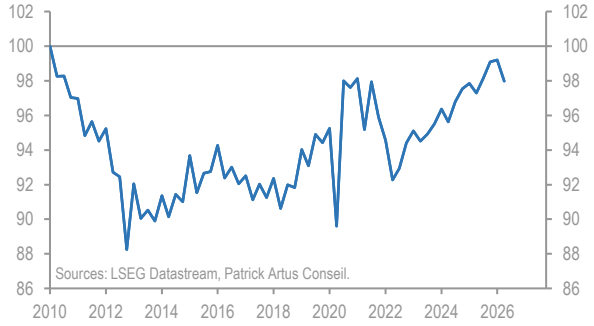


Chart 9
Spain: Evolution of household consumption expenditure (in volume terms, Y/Y as %)



5. Catch-up in labour productivity

From 2022 onwards, labour productivity has been recovering in Spain (**Chart 10**) and is growing faster than in the euro area as a whole.

Chart 10
Labour productivity per hour worked (2010 Q1 = 100)



Could Spain's growth run out of steam?

A number of factors could nevertheless lead Spain's growth to run out of steam:

- the weak skills of the labour force (Table 2);

Table 2: 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
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 : OIT

- the low educational attainment of young people (Table 3);

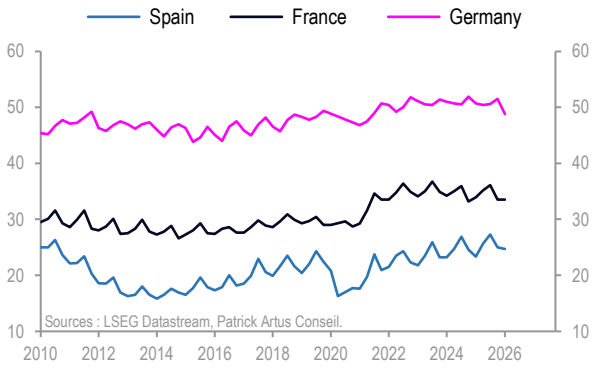
Table 3: Results of OECD PISA surveys (overall score, by decreasing score in the 2022 survey)

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
United States	n.d	488	495	489
Sweden	482	496	503	487
Germany	515	508	500	482
France	500	496	494	478
Spain	490	491	482	477
Italy	490	485	477	477

Source : OECD

- the low youth employment rate (Chart 11);

Chart 11
Employment rate of population aged 15 to 24 (as %)



- **inadequate research and development spending** (Chart 12A), and inadequate business spending (Chart 12B);
- **population ageing** (see Chart 4 above).

Chart 12A
Gross domestic expenditure on R&D (as % of GDP)

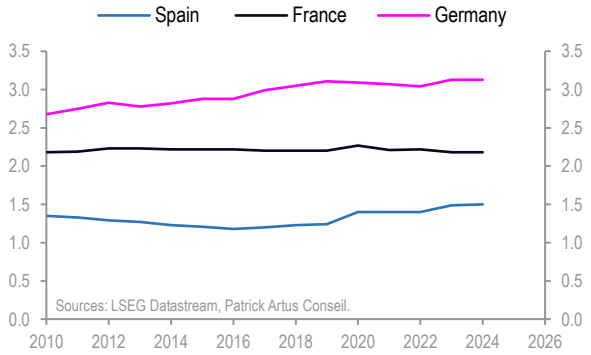
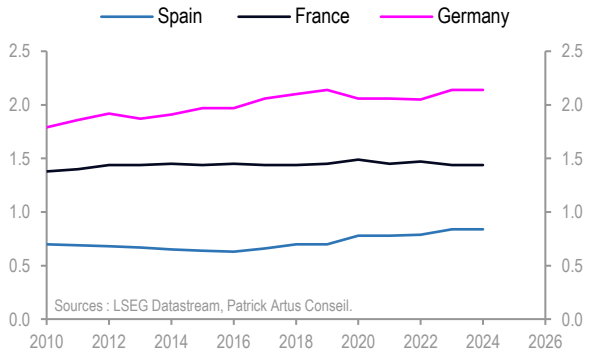


Chart 12B
Business enterprise expenditure on R&D (as % of GDP)



Summary: should one be optimistic or pessimistic about Spain's economic outlook?

Spain owes its strong growth in the recent period to immigration, to the importance of its exports of tourism and of services other than tourism, to low labour costs, to the rapid growth in purchasing power and to the recovery in labour productivity. Spain is nevertheless penalised by the weak skills of its labour force, the low educational attainment of young people, the low youth employment rate, inadequate research and development spending and population ageing.

These weaknesses cannot be durably offset by immigration, even though it increasingly involves skilled workers. In the absence of an effort to improve skills and the quality of the education system, and of a stepping-up of the innovation effort, Spain's growth is very likely to slow gradually.

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