
Kingdom of Spain's rating reaffirmed at 'CareEdge A/Stable'

Issuer rating (Long-Term Foreign Currency)

CareEdge A/Stable (Unsolicited)

Rating action

CareEdge Global has reaffirmed its Long-Term Foreign Currency issuer rating of the **Kingdom of Spain** at '**CareEdge A/Stable**' (Unsolicited).

Rationale

Spain's credit profile is supported by its large, diversified, high-income economy, and a sustained current account surplus, primarily driven by strong services exports, particularly tourism. Spain also benefits from its membership in the euro area. In recent years, the country has demonstrated robust economic performance, consistently outperforming its European Union (EU) peers, while labour market conditions have continued to improve. Additionally, improvement in asset quality and profitability have strengthened the banking sector.

However, adverse demographic trends are a structural constraint on long-term growth, while weak fiscal metrics continue to weigh on the overall credit profile. General government debt remains elevated and is projected to stay around 97% of GDP over 2026-2028. Nevertheless, the fiscal deficit is expected to gradually narrow over the same period.

Persistent budgetary rigidity, as seen in the third consecutive extension of the 2023 national budget into 2026, confirms ongoing political fragmentation. Key monitorables include the effective absorption and deployment of Recovery and Resilience Facility (RRF) funds, as well as shifting domestic political dynamics, particularly renewed tensions involving the Catalan independence movement.

Outlook: Stable

The stable outlook is based on our expectation that Spain will remain on a gradual fiscal consolidation path, with general government debt continuing to trend down to below 96% of GDP over the next five years. This is supported by relatively favourable growth prospects compared with the EU average; Spain's economy is expected to expand ~1.8% over the medium term.

Upside scenario

A positive rating action would be considered if Spain reduces public debt faster than expected, supported by sustained economic momentum and effective implementation of structural reforms that enhance growth potential and fiscal resilience.

Downside scenario

A negative rating action could be triggered by fiscal slippage that leads to a reversal in debt reduction, particularly if driven by higher expenditure or weaker growth. A deterioration in external balances, such as narrowing of the current account surplus amid global trade tensions, could also weaken the profile.

Key rating drivers

Economic structure & resilience

Spain's economic strength is defined by its impressive scale and position as one of the fastest-growing economies in the EU. With nominal GDP estimated at USD 1.9 trillion in 2025, the region's fourth-largest economy benefits from resilient domestic demand and a well-diversified economic base. Its services-oriented structure, anchored by a robust tourism sector contributing over 10% of GDP, remains a key growth driver.

Economic prospects remain favourable, with real GDP growth projected to average 1.8% over 2026-2030. This outlook factors in a consistently robust labour market, where sustained migration inflows, particularly from Latin America, bolster labour supply and private consumption. Spain has made notable progress in reducing unemployment, from a peak of 26.1% in 2013 to ~10.5% in 2025, driven by structural labour market reforms and demographic support from migration.

To ensure growth resilience, the economy is gradually diversifying towards higher value-added services such as financial, information, communications & technology (ICT), and business services. Additionally, Spain's expanding green energy infrastructure provides a competitive edge through lower electricity costs for firms. Continued support from the RRF will support investment through 2026. However, managing the transition as these funds are phased out remains a critical monitorable.

Fiscal strength

Spain's weak fiscal metrics remain a key credit constraint, reflecting elevated public debt levels, which averaged 106.4% of GDP over 2021-2025. Nonetheless, the government is committed to deleveraging. The pace of consolidation is expected to be gradual, driven by strong economic growth and buoyant revenue rather than significant expenditure rationalisation. Political fragmentation heightens the fiscal risks, as the government has been unable to pass a new budget since 2023, reducing visibility over future revenue and expenditure measures, while constraining consolidation efforts. Over the longer term, ageing-related spending pressures are expected to weigh on fiscal sustainability.

On the positive side, Spain benefits from comfortable debt affordability, supported by relatively low borrowing costs and moderate interest payments relative to revenue. The fiscal deficit has been steadily narrowing and is projected to decline to 2.7% of GDP in 2025 and to 2.3% by 2028.

External position & linkages

Spain's external profile is supported by a sustained current account surplus, estimated at ~2.7% of GDP in 2025, driven by strong services exports, particularly tourism. The surplus is expected to moderate slightly to ~2.3% of GDP over 2026-30.

However, the net international investment position (NIIP) is still significantly negative, at approximately -44.5% of GDP as of Q3 2025. In addition, external debt remains elevated, at ~163% of GDP in 2024, although gradual deleveraging is underway. On the positive side, foreign direct investment inflows have been robust, at ~2.5% of GDP (as of 2024), led by the UK, Germany, and the US.

Monetary & financial stability

Spain is a member of the European Economic and Monetary Union and uses the Euro as its official currency. Inflation remained somewhat above the 2% target throughout 2025, primarily due to persistent services inflation. However, it is expected to gradually converge towards the European Central Bank target over 2026-2027.

The Spanish banking sector continues to support the economy, backed by sound asset quality. The ratio of non-performing loans to total loans was ~2.8% as of December 2025, reflecting ongoing balance sheet strengthening.

Rising geopolitical tensions in the Middle East could lead to a temporary increase in energy prices. However, the impact on Spain is likely to be partly mitigated by its relatively high share of renewable energy in the power mix.

Institutions & quality of governance

Following the 2023 general elections, Pedro Sánchez of the Spanish Socialist Workers' Party secured another term as prime minister. However, the current administration is a fragile minority coalition reliant on support from the regional parties. In particular, the inclusion of Catalan pro-independence parties heightens the risk of renewed tensions related to the Catalan independence movement.

The government's minority position has constrained policymaking, with no new budget having been passed since 2023 and difficulties in approving a spending ceiling for 2026 limiting fiscal visibility. At the same time, the authorities have proposed the establishment of a sovereign wealth fund to support growth and prioritise strategic sectors following the withdrawal of the RRF. Progress on this initiative will bear watching.

Spain - Select indicators									
	Unit	2020	2021	2022	2023	2024	2025 F	2026 F	2027F
Economic indicators									
Nominal GDP	USD billion	1,289	1,462	1,450	1,620	1,725	1,891	2,042	2,130
GDP per capita (constant-PPP)	USD	41,342	44,025	46,247	46,856	48,031	48,788	49,157	49,490
Real GDP growth	%	-10.9	6.7	6.4	2.5	3.5	2.9	2.3	1.9
GFCF/GDP	%	20.6	20.2	20.4	19.7	19.5	-	-	-
Gross domestic savings/GDP	%	21.4	22.6	23.1	23.9	24.4	24.3	24.4	24.2
Exports (G&S)/GDP	%	30.5	33.8	39.7	37.8	37.1	-	-	-
Working age (15-64) population (% share in total)	%	66.2	66.3	66.2	66.1	65.9	65.7	65.5	65.2
Old age (65+) population (% share in total)	%	19.6	19.8	20.2	20.7	21.1	21.6	22.2	22.7
Fiscal indicators – general government									
Fiscal balance/GDP	%	-10.0	-6.7	-4.6	-3.5	-3.1	-2.7	-2.5	-2.4
Revenue/GDP	%	41.4	42.8	41.7	41.9	42.2	42.2	42.6	41.7
Expenditure/GDP	%	51.4	49.5	46.4	45.5	45.3	44.9	45.1	44.1
GG gross debt/GDP	%	119.2	115.6	109.2	105.1	101.6	100.4	98.7	96.9
GG external debt (by creditor)/GG gross debt	%	47.3	42.6	43.9	45.0	44.3	-	-	-
Interest/revenue	%	5.4	5.0	5.5	5.6	5.8	-	-	-
External indicators									
Current account balance/GDP	%	0.8	0.8	0.4	2.7	3.2	2.7	2.6	2.6
FDI, net inflows/GDP	%	2.9	4.4	4.7	2.9	2.5	-	-	-
Outstanding FII liabilities/GDP	%	113.6	96.0	80.3	84.3	83.0	-	-	-
NIIP/GDP	%	-90.0	-66.4	-57.0	-50.3	-39.4	-	-	-
Foreign exchange reserves	USD billion	81	92	93	103	107	127	-	-
Import cover	Months	2.61	2.32	1.99	2.25	2.28	-	-	-
External debt/GDP	%	198.9	190.8	171.0	163.6	162.7	-	-	-
Monetary and financial indicators									
CPI inflation	%	-0.3	3.0	8.3	3.4	2.9	2.4	2.0	2.5
Exchange rate (average)	LC per USD	0.9	0.9	1.0	0.9	0.9	0.9	-	-
Non-performing loans/total gross loans	%	2.9	2.9	3.1	3.1	2.9	-	-	-
Private debt, loans and debt securities/GDP	%	170.8	159.2	143.0	130.1	124.0	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - forecast; PPP – purchasing power parity; GFCF – gross fixed capital formation; exports (G&S) – exports of goods and services; GG – general government; FDI – foreign direct investment; FII – foreign institutional investment; NIIP – net international investment position. Data refers to fiscal/calendar year and actual/estimate as reported by the source. Where general government data is unavailable, central government data is used. The latest available data for 2024

Solicitation status

The rating is unsolicited, but with limited interaction with the relevant authorities of the government.

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A/Stable	March 27, 2026
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A/Stable	April 03, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A	October 03, 2024

Criteria applied

[CareEdge Sovereign Rating Methodology](#)

Analytical contacts

Kiran Kavala

kiran.kavala@careedgeglobal.com

Shobana Krishnan

C-shobana.krishnan@careedge.in

Shivani Sahu

shivani.sahu@careedgeglobal.com

Media contact

Mradul Mishra

mradul.mishra@careedge.in

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(A subsidiary of CARE Ratings Ltd.)
501, FlexOne, GIFT SEZ, Block 15, Gandhinagar, Gujarat – 382050, India. Phone: +91-79-6519 0701 | www.careedgeglobal.com
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