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Analysis of today
Assessment of tomorrow

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Spain Leads the Misery Index in Europe, But It's The Tip Of The Iceberg

The Misery Index has always been used as a simple gauge of a country's economic problems by adding the current unemployment and inflation rates.

On August 22, 2025, Bloomberg data shows that most European economies remain burdened by elevated Misery Index levels, with Spain (13.10%), Greece (10.99%), Portugal (8.64%), Italy (7.96%), and even the broader Euro Area (8.20%) all demonstrating a high level of economic weakness. These figures show a significant difference with the United States, at 6.90%.

The biggest concern is that the Misery Index does not even start to paint a realistic picture of the unemployment problem in Europe. For example, Spain does not officially classify many individuals as unemployed, even if they are not working and are receiving unemployment benefits.

The official Active Population Survey (EPA in Spanish) does not count as unemployed the 736,528 inactive permanent seasonal workers nor the 10,518 affected by ERTE (furloughed jobs or temporary layoff schemes) at the end of June 2025.

The total number of unemployed registered at the unemployment service, SEPE, sits above 3.14 million in June, practically the same as in June 2018 (3.18 million). Thus, effective unemployment in Spain has not fallen since 2018.

The activity rate in June 2025, 59.03%, is practically the same as in June 2018, 58.80%, according to the INE, Spain's National Statistics Office.

Public employment paid with rising debt

Between June 2018 and June 2025, public employment in Spain, paid for with rising debt, has increased by approximately 600,000 people, a growth of about 24% since Pedro Sánchez came to office.

Social Security affiliation in Spain is inflated by almost 600,000 people holding multiple jobs, a constant increase in public employment paid with debt, and the growth of contracts with hardly any remuneration.

The evidence of the failure of PM Sánchez's employment policy is seen in the number of hours worked per affiliation, which has dropped from 34.5 to 33 hours per week.

> This is happening in the middle of the largest stimulus package, the Next Generation EU Fund

According to Eurostat, Spain has the highest labour market slack rate (unemployment and underemployment) at 18.3%, even surpassing Greece's 16.5%. The EU average is 10.9%.

Labour market slack includes the unemployed (actively seeking work), underemployed part-time workers (wanting but unable to get more hours), individuals seeking work but not immediately available, and those available to work but not seeking.

This is relevant because it is happening in the middle of the largest stimulus package, the Next Generation EU Fund, in years and a dovish stance from the European Central Bank as well as flexible fiscal rules.

Spain's persistent high unemployment and above-target inflation

The elevated spending and expansionary fiscal stimulus packages after COVID-19 have contributed to persistent inflation from 2022 onwards. Elevated prices for essentials like housing, energy, and food persist due to the enormous increase in government spending (+25% since 2019) and the constant intervention in the market.

Spain's annual inflation rate (2.7%) is clearly higher than both the EU average (2.4%) and the Eurozone average (2.0%), making it one of the countries currently facing above-target inflation across the region. Core inflation in Spain also stands at 2.3%, still above the core Eurozone figure, according to Eurostat.

Funcas and other analysts confirm net salaries remain below pre-pandemic and even pre-2008 crisis levels, with real net income down around 2.9% compared to the pre-COVID reference.

> Despite some improvements since the pandemic's peak, Spain deals with persistently high unemployment and higher inflation rates

Spain stands out with the region's highest Misery Index (13.10%) despite headline GDP figures showing high growth. This is also because GDP has been supported by rising immigration and an increase of 25% in government spending, leading to a 500 billion euro rise in public debt.

Total public debt in Spain stands at 2.17 trillion euro, 135% of GDP. Public debt using the excessive deficit protocol stands at 1.67 trillion, or 103% of GDP.

Despite some improvements since the pandemic's peak, Spain deals with persistently high unemployment and higher inflation rates exacerbated by rising government spending, interventionist laws, and labour market rigidity.

A poorer country despite some GDP growth

The number of inactive permanent seasonal workers in Spain has skyrocketed after the regulatory change requiring unique service contracts or seasonal contracts to be made "permanent seasonal". This means that thousands of workers do not appear in official unemployment figures when they are not working.

These poor figures are even more alarming considering that the Sánchez government has received the largest monetary and fiscal stimulus in the history of Spanish democracy - Daniel Lacalle

This legislative change, often criticised as a way of disguising real unemployment, has turned a figure once used as a bridge to reach stable, quality contracts into one that hides joblessness because those people are not counted in official jobless figures when not working.

Thus, inactive permanent seasonal workers in June 2025 are more than triple what was recorded in June 2018. The 736,258 inactive permanent seasonal workers recorded in June 2025 do not represent a success in employment or stability; rather, they illustrate an exercise in statistical manipulation due to regulatory changes.

Moreover, if the government truly cared about quality employment and stability, it would be alarmed by the figure of more than 4 million job seekers and the drop in contract duration and hours worked.

When effective unemployment does not fall, Social Security affiliation is inflated by multiple job holders, hours worked and contract duration are worse than in 2018, and the activity rate is stagnant, it shows the failure of 2022's labour market reform.

However, these poor figures are even more alarming considering that the Sánchez government has received the largest monetary and fiscal stimulus in the history of Spanish democracy.

The Misery Index is concerning; however, if we considered the real unemployment rate, which includes inactive and furloughed jobs, it would be even more alarming.

A persistently high Misery Index impacts consumer confidence, spending, productivity, and ultimately investment. Elevated unemployment suppresses wage growth, while inflation erodes the purchasing power of salaries, leading to a poorer country despite some GDP growth.