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# Spain is not Europe's fastest-growing economy



Spain is not an economic miracle but a **statistical mirage**. The country is not, in any meaningful sense, the fastest-growing economy in Europe.

Once employment, productivity, and real wages are considered, the celebrated GDP story begins to unravel.

For months, the media have portrayed Spain as Europe's economic locomotive, largely due to its 2.8% **real GDP growth** in 2025, a rate that clearly exceeds the euro area average.

On this basis, the government and many commentators have constructed a narrative of Spanish exceptionalism and economic leadership.

That narrative, however, depends on a selective frame. It typically compares Spain only with the largest euro area economies, many of which have stagnated for years, while ignoring both the broader European ranking and the weak structural indicators that tell a very different story.

## Growth in context

Spain has indeed posted stronger headline GDP growth than Germany, France, and Italy. However, when we examine unemployment, productivity, and real net wage growth, Spain lags behind even these stagnant economies.

When immigration and external funds inflate GDP, the headline figure loses relevance. Expanding the comparison to the entire European Union shows that Spain lags behind most member states.

Limiting the benchmark to a convenient group of large but sluggish economies, and looking only at GDP, creates the appearance of leadership but is analytically misleading.

The longer timeframe is even more revealing. Over 2019–2025, **Spain** looks far less impressive because it suffered one of the deepest collapses in 2020. A sharp rebound after a steeper fall is not evidence of superior

long-term performance.

The picture becomes even less comfortable for triumphalism as the time horizon widens. When we analyse 2019–2025, Spain is no longer the fastest-growing economy and falls to the back of the pack in GDP recovery.

The reason is simple: it was one of the hardest-hit countries in 2020, and the subsequent recovery is insufficient.

By the end of 2025, official figures show that most European economies have not only comfortably recovered their pre-pandemic GDP levels but have exceeded them, while Spain has barely surpassed its 2019 level.

The so-called domestic miracle does not withstand comparison with accumulated growth over the past decade. In terms of cumulative GDP level change from 2019 to 2025, Spain is closer to the lower half of the EU distribution.

**In 2019, Spain was the sixth country in the EU in risk of poverty and social exclusion; by 2024, it has climbed to third place**

IMF and OECD data are far less complacent than the government's narrative. Spain is not converging in per capita income (PPP) with the OECD average; on the contrary, it is drifting further away.

In 2018, the Spanish economy stood at 90.8% of the average; by 2025 it falls to 88.4%. After the 2020 collapse, the recovery has been too weak to prevent a loss of relative weight.

The same pattern is evident within the European Union. In per capita GDP adjusted for purchasing power, Spain was at 91 out of 100 (EU average) in 2018 and only at 92 in 2025.

Seven years and tens of billions in stimulus and funds, and the result is a marginal advance that does not justify the rhetoric of leadership.

According to **IMF projections**, Spain's

percapita GDP between 2018 and 2027 will grow by just 0.9%, below the euro area's 1.0%. This is not a miracle, but stagnation: GDP driven by more population via immigration and more public spending financed with debt, without a productivity leap to sustain a lasting improvement in welfare.

Productivity per worker remains, after the pandemic, at levels very similar to those before the 2020 shock. The rebound in GDP has not been accompanied by a jump in value added per worker, but by more intensive use of labour in lowwage, lowtechnology sectors.

Far from consolidating any supposed boom, net real wages have deteriorated. Since 2019, they have fallen by around 3%.

The loss of household purchasing power is visible in social indicators that rarely appear in official messaging: severe material deprivation rises from 7.7% to 8.1% in 2025, and the risk of poverty and social exclusion hovers around 19.5% of the population.

In 2019, Spain was the sixth country in the EU in risk of poverty and social exclusion; by 2024, it has climbed to third place. A decade of stimulus, European funds, and record debt has left a country with higher public spending but without consistent improvements in productivity or percapita income.

## The labour market reality

The realities of the labour market shatter the narrative of economic success. The May data indicate that over 3.8 million people are truly unemployed, including the officially jobless, inactive permanent seasonal workers, and other unlisted but unemployed groups. There has been no substantial improvement in effective unemployment compared with 2019.

The activity rate remains practically stuck around 58.9%, a low figure for a country that claims to be experiencing an employment boom.

Social Security registrations are reaching

record highs, but these are driven by the rise in multiple jobholding, immigration, and the proliferation of contracts with very few hours and low pay.

Spain has the highest **unemployment rate** in the European Union, surpassing even Greece, and does so with around 900,000 inactive people who neither appear in unemployment statistics nor participate in a healthy labour market. It is a form of "leadership" that no government includes in its campaigns.

**The economy advances on paper, but too many citizens are moving backwards in their daily lives**

If we broaden the focus to wellbeing indicators, the contrast becomes even sharper. Spain ranks as the leader in the EU misery index (a combination of inflation and unemployment, popularised by Okun and periodically updated by various media and analysts), while net real wages erode and inequality persists.

The rise in severe material deprivation and the risk of poverty shows that growth is not translating into meaningful improvements in living conditions for large segments of the population.

The economy advances on paper, but too many citizens are moving backwards in their daily lives.

In this context, boasting of European leadership in growth without mentioning social deterioration is, at best, a serious omission and, at worst, deliberate political marketing.

## No real convergence

If Spain were genuinely outperforming Europe, we would expect to see convergence in **income per capita**. That has not happened.

Spain has not meaningfully closed the gap with

either the OECD or EU averages in purchasing power adjusted income per person.

**Aggregate GDP can rise for reasons that do not improve average prosperity**

The country has recovered part of the ground lost during the pandemic, but not enough to justify claims of an economic miracle.

This distinction matters because aggregate GDP can rise for reasons that do not improve average prosperity.

Population growth, immigration, tourism, and debt-financed public spending can all boost output without generating stronger productivity or higher living standards.

## Productivity and wages

This is precisely where the Spanish economic narrative is weakest.

**Productivity** per worker remains broadly flat, and the economy continues to rely heavily on labour-intensive sectors with relatively low added value.

**Despite positive GDP headlines, many households have seen their purchasing power stagnate or decline**

Real net wages are also disappointing. Despite positive GDP headlines, many households have seen their purchasing power stagnate or decline, which helps explain why the upbeat macroeconomic message feels disconnected from social reality.

An economy can only credibly claim success if output grows, workers become more productive, and families feel better off. In that sense, Spain's recent expansion looks wide rather than deep.

## The labour market problem

The labour market remains the most damaging counterargument to the triumphant narrative. Spain continues to suffer from chronically **high unemployment**, weak participation, and a heavy concentration of precarious or low-hour jobs.

Even with record Social Security affiliation, the underlying picture is far less reassuring.

**Broader measures of effective unemployment paint a much worse picture than the official rate suggests**

Multiple jobholding has risen, underemployment remains substantial, and broader measures of effective unemployment paint a much worse picture than the official rate suggests.

This evidence is why claims of a jobs miracle are difficult to sustain. A country that still combines high unemployment, fragile job quality, and stagnant participation cannot seriously present itself as Europe's model economy.

## Debt, stimulus, and weak structural returns

The problem is even more striking given the extraordinary support Spain has received. The country has benefited from ultra-loose monetary policy, massive fiscal expansion, and substantial European funding designed to modernise the economy.

Yet the structural payoff remains limited. Public debt has surged, interest costs have increased, and the state has expanded.

**Spain has enjoyed the strongest economic tailwind in decades and still has not produced a convincing convergence story**

But the core indicators that matter for durable prosperity – productivity, income per capita, and labour market strength – have not improved sufficiently to support the official rhetoric.

In other words, Spain has enjoyed the strongest economic tailwind in decades and still has not produced a convincing convergence story.

## Why the myth persists

The answer is simple: the slogan is politically useful. “Fastest growing major economy” sounds impressive, is technically selective, and allows a weak comparative result to be presented as a continental success story.

However, readers should ask a more serious question: if Spain is truly Europe’s star performer, why does it still have one of the worst labour markets in the EU, stagnant productivity, and disappointing real wage performance?



*If Spain is truly Europe’s star performer, why does it still have one of the worst labour markets in the EU, stagnant productivity, and disappointing real wage performance - Daniel Lacalle*

At that point, the GDP miracle stops looking like an economic transformation and starts looking like a communications strategy.

Spain is not an economic miracle. It is an economy that has grown faster than some large euro area peers for a limited period, largely after having fallen harder than many of them, while failing to deliver convincing gains

in productivity, labour market quality, and household prosperity.

To call it the fastest growing economy in Europe is, at best, a marketing slogan. To treat it as proof of deep economic success is to confuse a short-term statistical rebound with real convergence.

The warning is simple. The Spanish government is following the same formula that Greece followed before 2008.

Bloating GDP with immigration, public sector spending, and debt creates the illusion of growth but generates long-term structural problems that burst when stimulus funds fade and the economic cycle turns.