Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Spain, eight years of statistical mirage and real impoverishment



Spaniards vote on 29 November in a snap election. The government is campaigning on the claim, repeated by international media, that Spain is Europe's fastest-growing large economy. The headline is partially accurate and the conclusion is false. Spain is not Europe's fastest-growing economy.

In Eurostat's chain-linked volume data, 14 EU members grew faster than Spain between 2018 and 2025, including Greece and Portugal. It may show the "fastest growth of the large euro area countries", but that narrows the comparison to a group of historically stagnant nations.

Regardless of this, the fact is that eight years of aggregate growth have come with stagnant productivity, falling real take-home pay and a state that collects more than ever while delivering less.

Let us start with growth. Between 2018 and 2025 Spain's real GDP rose by 12.2%, ahead of the EU-27 (9.7%), Italy (8.0%), France (7.8%) and Germany (1.9%). Divide that output by the people who must share it and the ranking reverses.

Real GDP per capita grew by only 6.2%, below the EU average of 7.9% and far behind Italy's 9.7%. Output per employed person fell by 1.5%, while in the EU it rose by 3.0%.

Spain has grown by adding population, EU funds, political spending and hours rather than productivity, and that never raises living standards.

The state has taken the difference, and more

Using the OECD Taxing Wages methodology, the real net wage of a single worker on the average salary, after taxes and deflated by harmonised consumer prices, fell by 3.2% between 2018 and 2025. In Germany it rose by 6.0% and in Italy by 1.1%.

The Instituto Juan de Mariana estimates that real take-home pay in the second quarter of 2026 was 3.8% below its level in early 2018, while the income tax and contributions paid by the worker rose 17.6% in real terms. Gross wages have broadly kept pace with prices. The state has taken the difference, and more.

> Between December 2019 and December 2024 registered unemployment fell by more than 600,000 people, while effective unemployment fell by only about 72,000

The official survey unemployment rate was 10.18% in the third quarter of 2026, and Spain's rate remains the second highest in the European Union, compared with 6.5% in the euro area. Greece, which had the highest unemployment rate in 2018, has reduced it faster than Spain.

Registered unemployment stood at 2.42 million in October, but that figure excludes more than 800,000 idle workers on permanent seasonal contracts (the so-called "fijos discontinuos" inactive jobs) and on furlough, as well as jobseekers with limited availability. Including them, the union USO counts 3,810,410 people who want to work and do not, roughly 15% of the labour force.

Fedea, a mainstream think tank, calculated that between December 2019 and December 2024 registered unemployment fell by more than 600,000 people, while effective unemployment fell by only about 72,000.

None of this is due to a lack of resources

Poverty data confirm the diagnosis. One in four residents, 25.7%, remains at risk of poverty or social exclusion, and the rate rises to 33.9% among children under sixteen.

Severe material and social deprivation, affecting households unable to afford basics

such as heating or an unexpected expense, affected 8.1% of the population in 2025, up from 7.7% in 2019, the first full year of this government.

None of this is due to a lack of resources. Tax revenue reached a record €325.4 billion in 2025, 56% more than in 2018, and rose another 10% in the first nine months of 2026.

> The interest bill now exceeds €43 billion a year, and the social security system owes €136 billion in loans from the central government to cover its deficits

With the largest tax receipts in its democratic history and unprecedented European funds (more than any other EU nation), public debt hit a record €1.767 trillion in September, about €603 billion more than when Sánchez took office and, at 100.3% of GDP, still above the 98.1% of mid-2018.

The interest bill now exceeds €43 billion a year, and the social security system owes €136 billion in loans from the central government to cover its deficits.

The flagship housing pledge of up to 260,000 affordable homes announced since 2018 had produced just 1,249 homes listed on the state housing agency's portal by November, less than 10% of the 13,000 promised for this year alone. That is squandering.

The minimum wage mirage

The minimum wage is the clearest illustration of the mirage. The government has raised it from €735.90 a month in 2018 to €1,286 from January 2027, a nominal increase of 75%, approved by decree twelve days before the vote.

It hides a fiscal trap for everyone else. The minimum wage is exempt from income tax, but the tax brackets have not been indexed to inflation, a stealth tax rise worth around €17 billion according to employers' confederation CEOE.

> For the employer, the 2027 rise adds about €1,210 a year in labour costs for a worker who receives €910 more in gross pay

Social contributions have risen through the "intergenerational equity mechanism", a surcharge that has climbed from 0.6% to 0.9% of salary and generates no additional pension rights, through above-inflation increases in the maximum contribution base, and through a new "solidarity" levy on higher salaries.

For the employer, the 2027 rise adds about €1,210 a year in labour costs for a worker who receives €910 more in gross pay. Economist Santiago Calvo calculates that for anyone earning between €18,004 and €20,000 in 2027, income tax and contributions will absorb between 75% and 84% of every euro of a pay rise. Progress is punished.

The choice on 29 November

The result is a compression of the wage structure. The most common gross salary in Spain was €16,520 in 2024, virtually that year's minimum wage and 10.5% lower than in 2018.



Spain has become a country where the minimum wage is the typical wage - Daniel Lacalle

Two-thirds of workers now earn at most twice the minimum wage, compared with 45% a decade ago. The new minimum exceeds 75% of

the average wage in 28 of Spain's 50 provinces, and 90% in Jaén, Huelva, Badajoz and Almería, according to INE and reported by El Economista.

Spain has become a country where the minimum wage is the typical wage, because the middle has been taxed down towards a floor raised by decree.

On 29 November voters are being asked to judge the economy by its aggregate GDP. They should judge it by what reaches their pockets. Eight years of record taxes, record debt and falling real wages describe a statistical illusion paid for by the middle class.

Spain needs to index income tax to inflation, remove contribution surcharges that penalise employment, and audit public spending. The alternative is more of the same: an economy that keeps getting bigger while its citizens keep getting poorer.