

Kingdom of Spain

Rating report

Rating rationale

Robust economic resilience: Spain's economy is projected to expand by 2.9% in 2025, supported by dynamic domestic demand, robust labour market performance, and sustained public and private investment, propelled in part by EU recovery funds and monetary easing. We expect growth to moderate to 2.5% in 2026, as temporary drivers subside and the external environment becomes less supportive. Still, Spain's medium-term outlook remains supported by labour market reforms, a strengthened external position, and continued economic diversification, particularly in high-value-added and non-tourism service sectors.

Sustained fiscal consolidation: Spain's budget deficit reduction is underscored by sustained revenue growth and constrained expenditures given the recurring rollover of the 2023 budget. We expect a steady improvement in the primary balance, offsetting moderate interest expense increases. The central government's strategy allows regional governments to maintain their fiscal positions without further tightening, supporting overall policy implementation. The cyclical improvement of the economy alongside higher taxes and contained expenditures has enabled the government to provide support for the DANA storm, increase defence expenditures, and reduce the overall deficit. A lack of government majority amid a fragmented parliament constrains the implementation of a prolonged fiscal consolidation strategy and hinders the government's capacity to respond to shocks.

Rating challenges: i) still high public debt levels; ii) budgetary pressures stemming from long-term spending trends, notably from ageing dynamics; iii) elevated unemployment; and iv) parliamentary fragmentation.

Figure 1: Spain's sovereign-rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	aaa	EUR	Spain	0	A
Public finance risk		20%	bbb+			- 1/3	
External economic risk		10%	bb			0	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	a-	[+1]	[-0]	0	
	Social factors	7.5%	b			- 1/3	
	Governance factors	12.5%	aa-			0	
Sovereign Quantitative Model***		a+				-1	
Additional considerations						0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

***The Rating Committee approved an indicative rating of 'a+'.

****The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt/Outlook

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

Local currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt/Outlook

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

Lead Analyst

Carlo Capuano

+49 174 7446891

c.capuano@scoperatings.com

Team Leader

Alvise Lennkh-Yunus

+49 69 6677389-85

a.lennkh@scoperatings.com

Credit strengths and challenges

Credit strengths

- Resilient and diversified economy
- Robust growth outlook
- Favourable debt profile
- Euro area membership

Credit challenges

- Still high public debt burden
- Budgetary pressures stemming from long-term spending trends, notably from ageing dynamics
- Elevated structural unemployment
- Parliamentary fragmentation

Outlook and rating triggers

The **Positive** Outlook reflects Scope's view that risks to the ratings are skewed to the upside over the next 12 to 18 months.

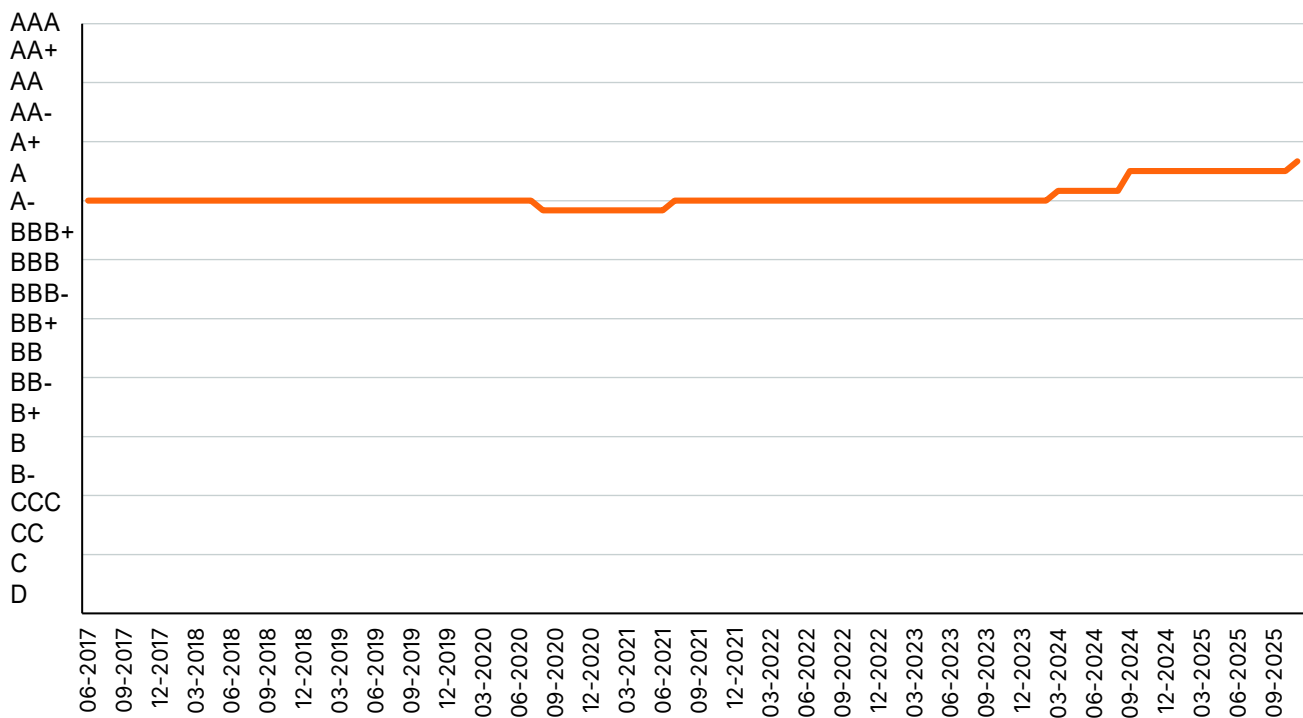
Positive rating-change drivers

- Government debt-to-GDP on a firm downward trajectory, supported by sustained commitment to fiscal consolidation
- Sustained economic growth, for instance driven by improved labour markets and diversification into emerging sectors
- Marked improvement in external competitiveness resulting in a stronger external position

Negative rating-change drivers

- Weaker economic growth or public finances, reversing the declining debt-to-GDP trajectory
- Higher domestic political risk, materially deteriorating Spain's economic conditions and public finances

Figure 2: Rating history



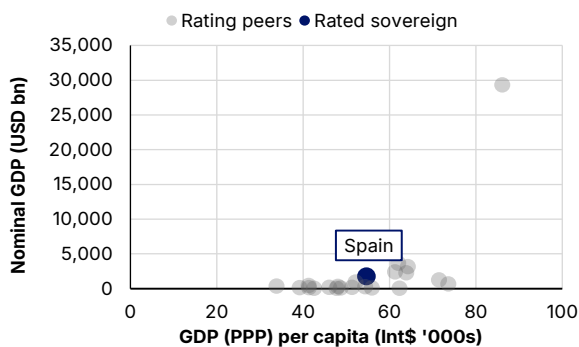
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Spain's Domestic Economic Risk

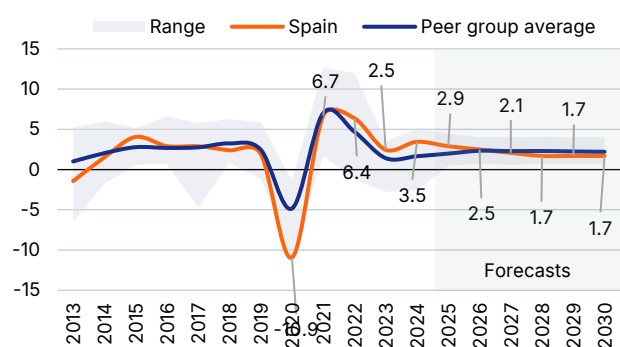
SQM ¹ indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Neutral	0	Moderate growth potential in line with peers
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank
	Macroeconomic stability and sustainability	Neutral	0	Large and diversified economy but still elevated unemployment; improvements in the labour market driven by recent reforms and sustained migrants intake

Figure 3: Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



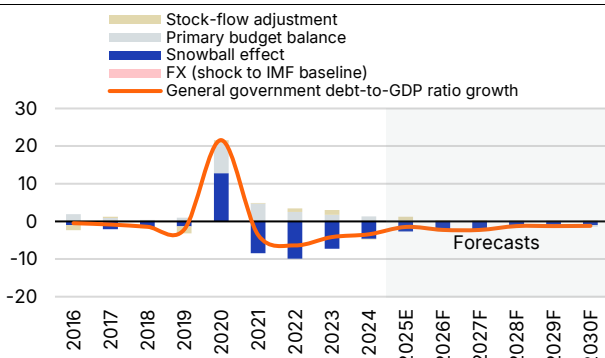
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Spain's Public Finance Risk

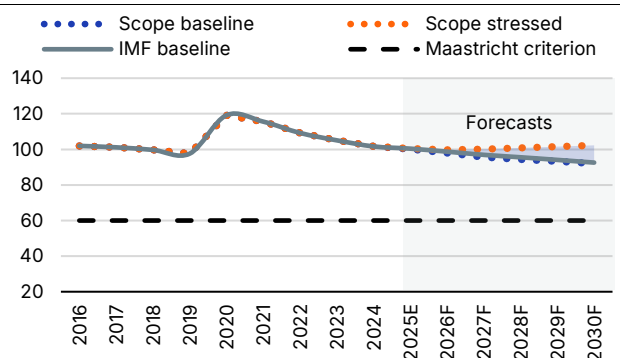
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Fiscal policy framework	Weak	- 1/3	Long-term budgetary pressures from pension costs; weak government capacity to implement a pro-active fiscal consolidation strategy; persistent rollover of budgets since 2023
	Long-term debt trajectory	Neutral	0	High public debt to decline gradually over medium term
	Debt profile and market access	Neutral	0	Strong market access and solid investor base; safe debt composition with large central bank holdings

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



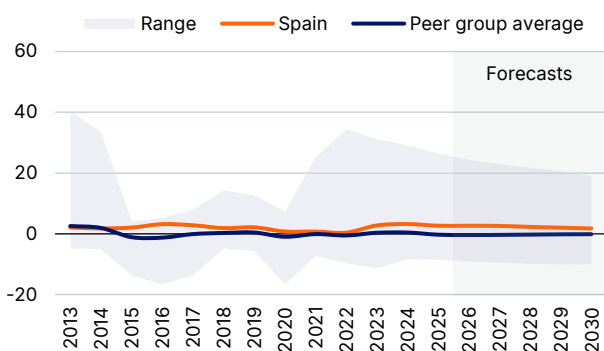
Source: IMF WEO, Scope Ratings forecasts

External economic risk

Overview of Scope's assessments of Spain's *External Economic Risk*

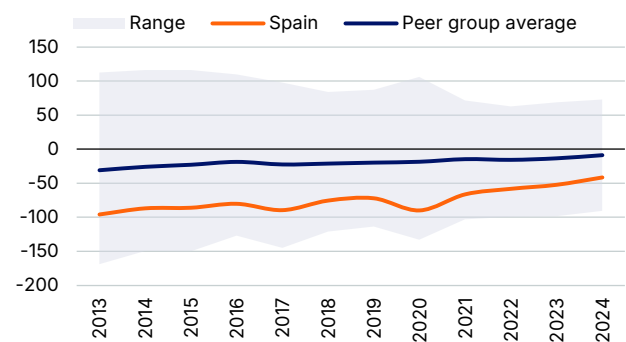
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Current account resilience	Neutral	0	Improving trade balance and increased non-tourism exports reflect enhancements in competitiveness
	External debt structure	Neutral	0	Ongoing external rebalancing; meaningful shares by the government and central bank
	Resilience to short-term external shocks	Neutral	0	Euro area membership shields against short-term external shocks

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



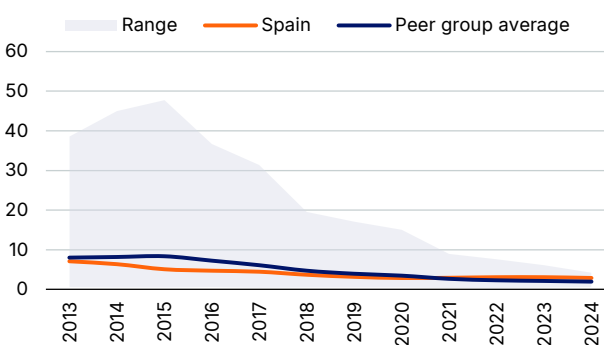
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Spain's *Financial Stability Risk*

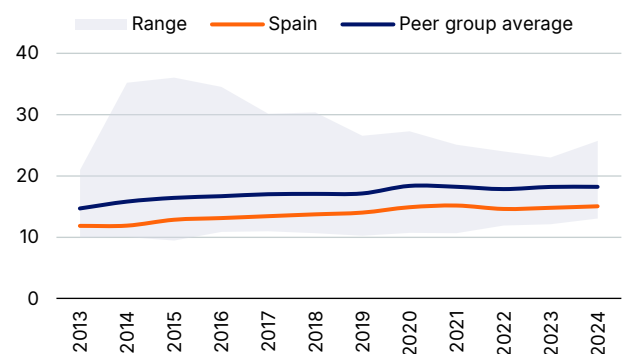
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Banking-system capitalisation remains sound, improvements in profitability
	Financial sector oversight and governance	Neutral	0	Effective oversight under European Banking Union authorities and the Bank of Spain
	Financial imbalances	Neutral	0	Private sector deleveraging process ongoing, in line with euro area peers but housing affordability worsens

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



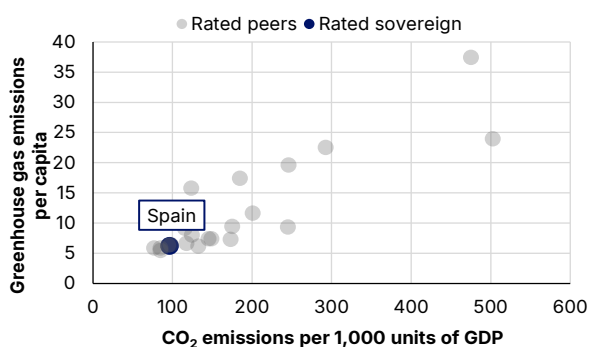
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Spain's ESG Risk

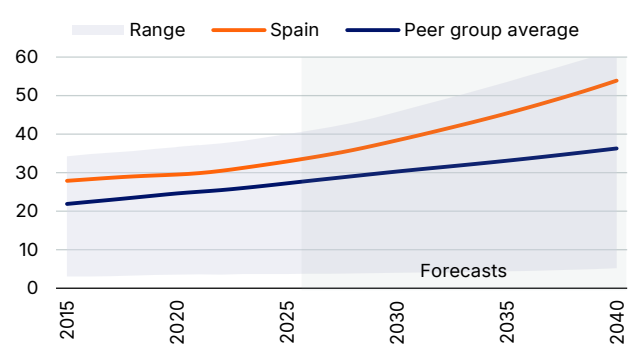
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Environmental factors	Neutral	0	Exposure to natural disasters; ambitious commitment to achieve carbon neutrality by 2050
	Social factors	Weak	- 1/3	Significant structural unemployment and regional disparities, and low wages compared to rating peers
	Governance factors	Neutral	0	Minority government; improved relations with regions, including Catalonia; recent reform momentum

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

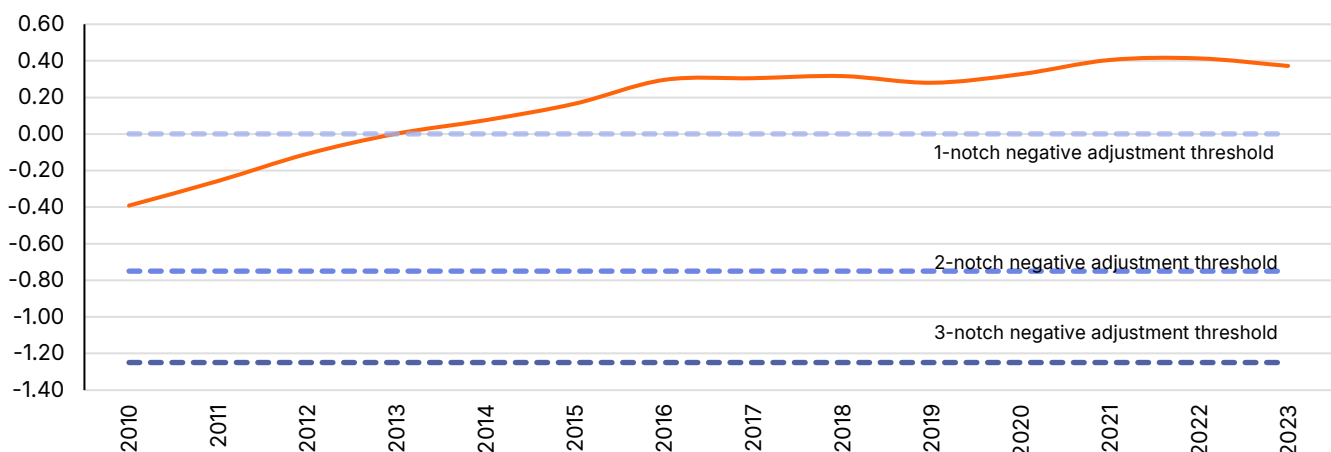
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Spain, 3-year moving average



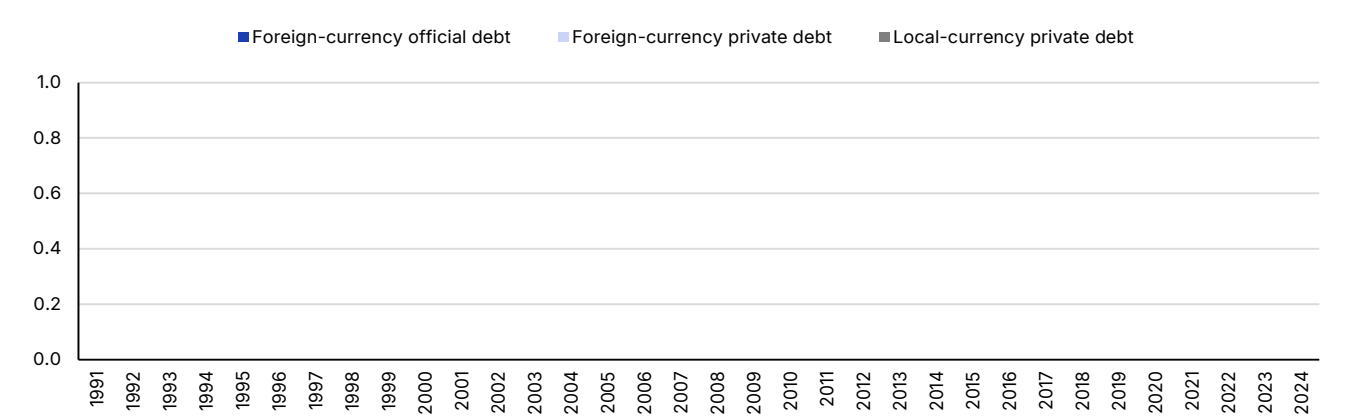
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
France
Italy
Poland
Portugal
Slovakia

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 17 November 2025	22

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	43.9	39.3	44.0	49.5	52.0	54.7
	Nominal GDP, USD bn	IMF	1,404	1,289	1,462	1,450	1,620	1,725
	Real growth, %	IMF	2.0	-10.9	6.7	6.4	2.5	3.5
	CPI inflation, %	IMF	0.8	-0.3	3.0	8.3	3.4	2.9
	Unemployment rate, %	WB	14.1	15.5	14.9	13.0	12.2	11.3
Public Finance	Public debt, % of GDP	IMF	97.6	119.2	115.6	109.2	105.1	101.6
	Net interest payment, % of government revenue	IMF	5.2	4.9	4.5	5.0	4.3	4.3
	Primary balance, % of GDP	IMF	-1.0	-8.0	-4.7	-2.5	-1.7	-1.3
External Economic	Current-account balance, % of GDP	IMF	2.1	0.8	0.8	0.4	2.7	3.2
	Total reserves, months of imports	WB	1.7	2.3	2.0	1.7	1.8	1.8
	NIIP, % of GDP	IMF	-72.2	-90.0	-66.4	-58.3	-52.4	-41.7
Financial Stability	NPL ratio, % of total loans	IMF	3.2	2.9	2.9	3.1	3.1	2.9
	Tier 1 ratio, % of risk-weighted assets	IMF	13.7	13.7	14.8	14.9	14.8	14.7
	Credit to the private sector, % of GDP	WB	94.4	107.6	98.4	88.3	78.3	74.3
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	114.9	108.7	110.8	106.8	96.3	93.0
	Income share of bottom 50%, %	WID	22.5	22.5	22.5	22.5	22.5	-
	Labour-force participation rate, %	WB	73.8	72.3	73.7	74.3	74.6	74.6
	Old-age dependency ratio, %	UN	29.3	29.5	29.9	30.5	31.3	32.1
	Composite governance indicators*	WB	0.9	0.8	0.9	0.8	0.8	-
	Political stability, index	WB	0.3	0.3	0.4	0.4	0.4	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

Lead Analyst

Carlo Capuano
+49 1747446891
c.capuano@scoperatings.com

Associate Analyst

Alessandra Poli
+49 8700274-98
a.poli@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Applied methodologies

[Sovereign Rating Methodology](#), January 2025

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com



Bloomberg: RESP SCOP
[Scope contacts](#)
[scoperatings.com](https://www.scoperatings.com)

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