

# SPAIN

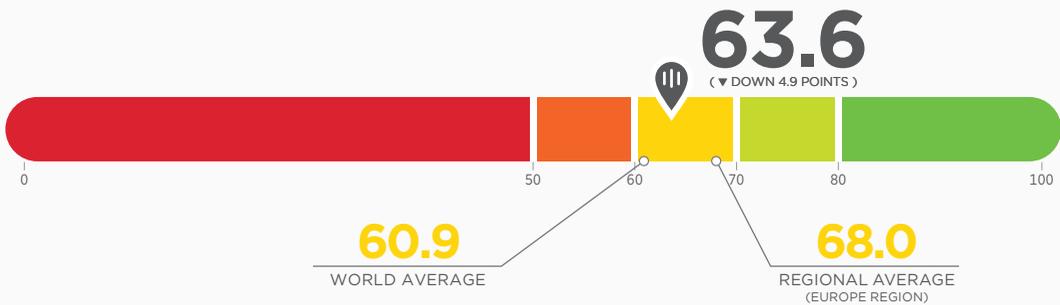
Spain's economy has experienced a notable rebound facilitated by structural reforms. Ongoing efforts have focused on reducing the inefficient and oversized government sector and reforming the labor market. Top income tax rates on individuals and corporations have been lowered as well.

Spain's ongoing economic recovery, however, remains highly vulnerable to challenges related to ensuring fiscal stability and restoring the financial sector's competitiveness. Despite relatively sound economic institutions and transparent regulatory and judicial systems, the indebted public sector is still a drag on overall economic dynamism. A lack of progress in fiscal consolidation has resulted in a high level of public debt that is close to the size of the economy.

WORLD RANK: **69** | REGIONAL RANK: **31**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

## ECONOMIC FREEDOM SCORE

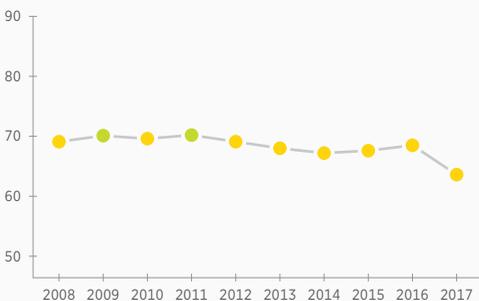


**NOTABLE SUCCESSES:**  
Open Markets and Monetary Stability

**CONCERNS:**  
Fiscal Health, Government Spending, and Judicial Effectiveness

**OVERALL SCORE CHANGE SINCE 2013:**  
-4.4

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
46.4 million

**GDP (PPP):**  
\$1.6 trillion  
3.2% growth in 2015  
5-year compound annual growth -0.1%  
\$34,820 per capita

**UNEMPLOYMENT:**  
21.9%

**INFLATION (CPI):**  
-0.5%

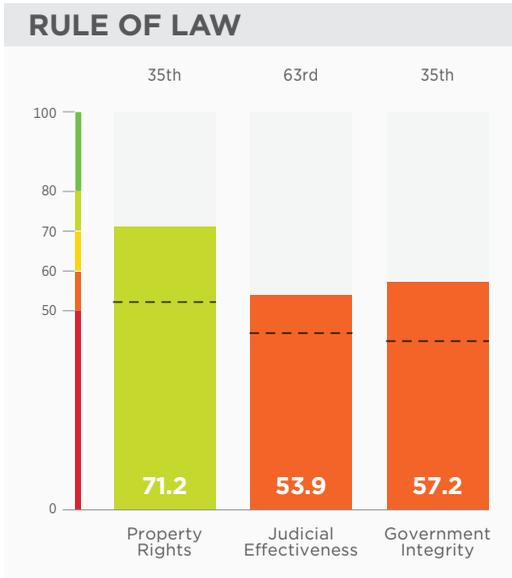
**FDI INFLOW:**  
\$9.2 billion

**PUBLIC DEBT:**  
99.0% of GDP

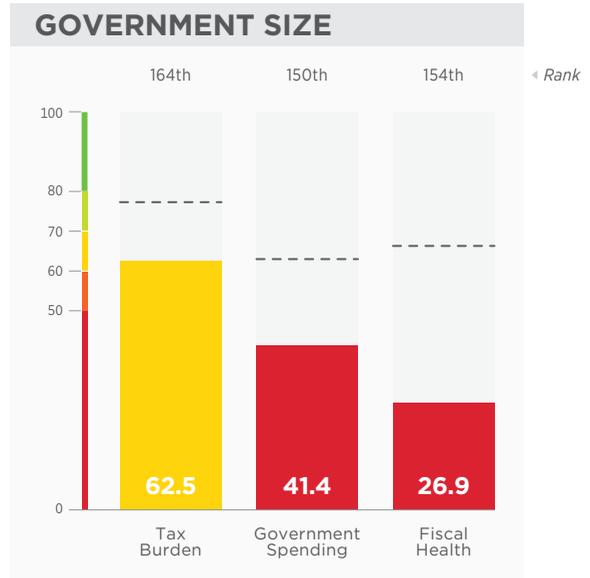
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Although Prime Minister Mariano Rajoy's conservative Popular Party won a decisive plurality of parliamentary seats among the four major parties in the June 2016 elections, it did not secure an outright majority. Rajoy was not able to form a minority government to begin his second term in office until October. Despite the political turmoil, Spain's economic growth in 2016 was the fastest in the euro-zone and new jobs were created. Nevertheless, unemployment remains a major problem, especially for young job-seekers, due to Spain's excessively rigid labor laws. Other problems include high debt levels, unsustainable pension obligations, and over-spending by regional governments.

# 12 ECONOMIC FREEDOMS | SPAIN



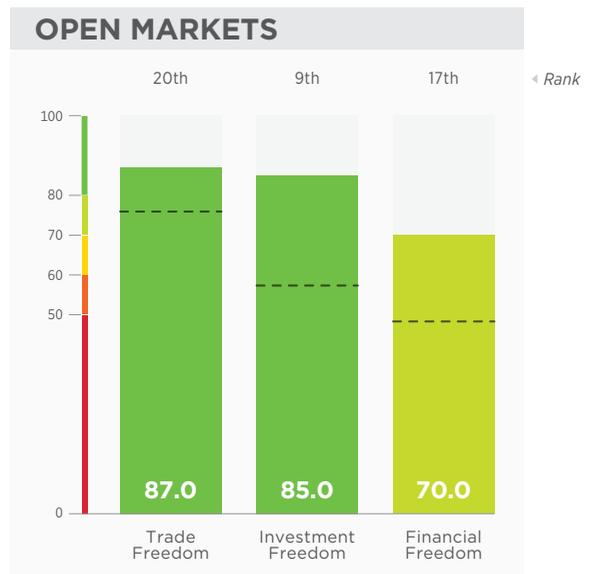
Spanish law protects property rights, although enforcement of contracts is slow. The courts have a solid record of investigating and prosecuting cases of corruption, but their high workload means that they are often overburdened. Spain enforces anticorruption laws on a generally uniform basis. In addition to public officials, several wealthy and well-connected business executives have been prosecuted successfully for corruption.



The top individual income tax rate has been cut to 45 percent, and the top corporate tax rate has been cut to 25 percent. Other taxes include a value-added tax. The overall tax burden equals 33.2 percent of total domestic income. Government spending has amounted to 44.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.8 percent of GDP. Public debt is equivalent to 99.0 percent of GDP.



Procedures for setting up a business have been streamlined, and the number of licensing requirements has been reduced. Despite some progress, labor regulations remain restrictive. Price controls have all but disappeared except in sectors still controlled by the national government, such as farm insurance, stamps, public transport, and medicines. Regional governments also control a few prices in their jurisdictions.



Trade is important to Spain's economy; the value of exports and imports taken together equals 64 percent of GDP. The average applied tariff rate is 1.5 percent. In general, foreign and domestic investors are treated equally under the law, and most sectors of the economy are open to foreign investment. The financial sector continues to improve its overall conditions, with the banking sector regaining stability. The share of nonperforming loans remains high.