

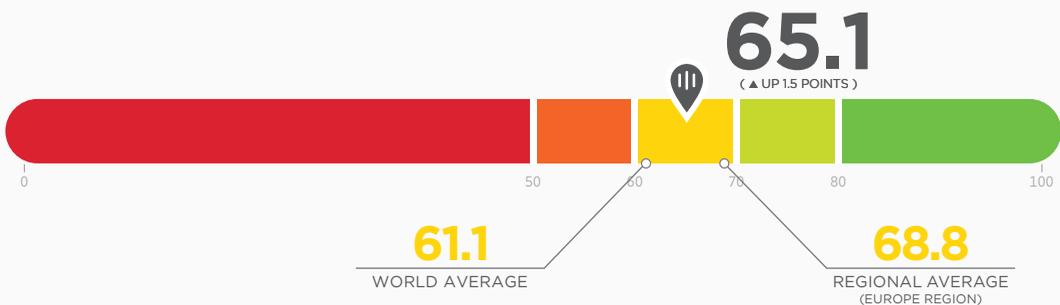
# SPAIN

Spain's economic freedom score is 65.1, making its economy the 60th freest in the 2018 *Index*. Its overall score has increased by 1.5 points, with improvements in **fiscal health**, **judicial effectiveness**, and **labor freedom** outpacing lower scores for the **government integrity** and **business freedom** indicators. Spain is ranked 30th among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

The severe 2017 constitutional crisis triggered by Catalonia's push for separation will test the strength of Spain's post-financial crisis economy, the rebound of which was facilitated by structural reforms highlighted by a reduction of the inefficient and oversized government sector, labor market reforms, and restoration of the financial sector's competitiveness. Resolution of the crisis could threaten fiscal stability. Despite relatively sound economic institutions and transparent regulatory and judicial systems, the indebted public sector is still a drag on growth.



## ECONOMIC FREEDOM SCORE

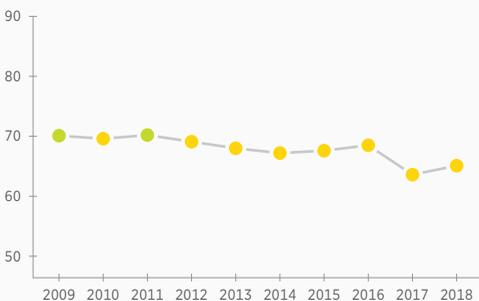


**NOTABLE SUCCESSES:**  
Open Markets and Monetary Stability

**CONCERNS:**  
Fiscal Health, Government Spending, and Government Integrity

**OVERALL SCORE CHANGE SINCE 2014:**  
-2.1

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
46.3 million

**GDP (PPP):**  
\$1.7 trillion  
3.2% growth in 2016  
5-year compound annual growth 0.6%  
\$36,416 per capita

**UNEMPLOYMENT:**  
19.4%

**INFLATION (CPI):**  
-0.2%

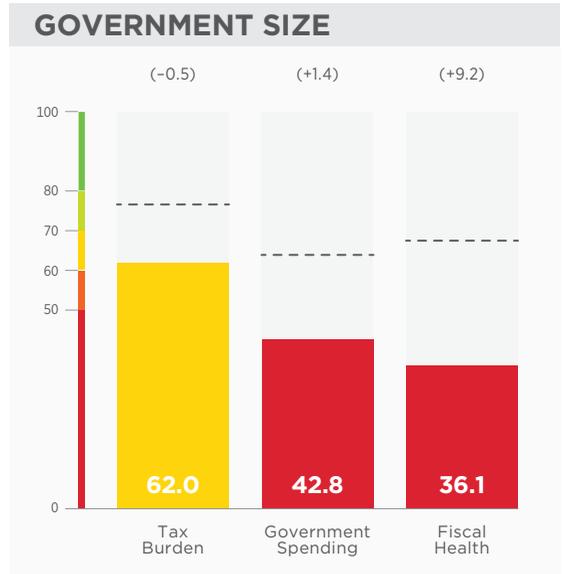
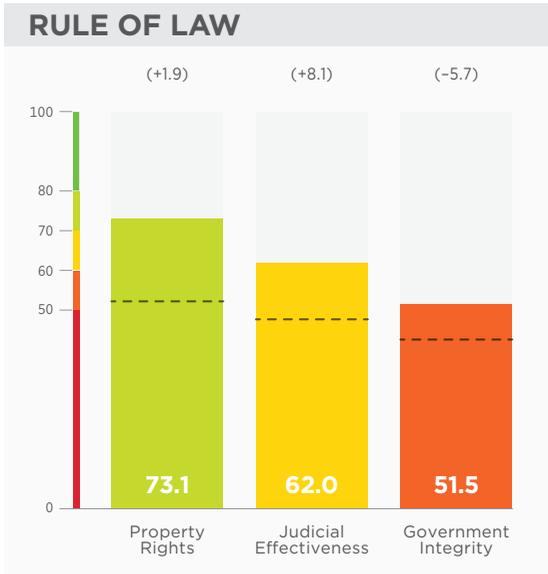
**FDI INFLOW:**  
\$18.7 billion

**PUBLIC DEBT:**  
99.3% of GDP

2016 data unless otherwise noted. Data compiled as of September 2017

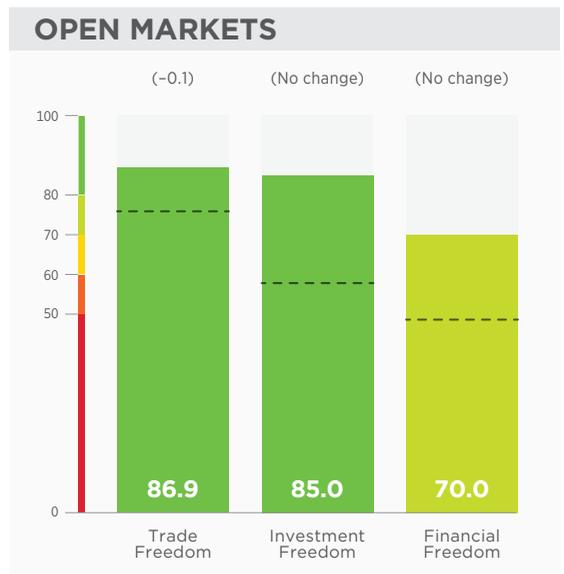
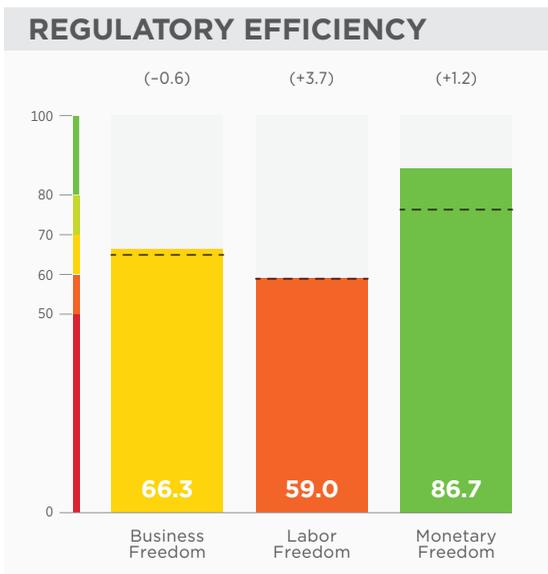
**BACKGROUND:** Since returning to democracy in 1975, Spain has become the eurozone's fourth-largest economy. Prime Minister Mariano Rajoy's conservative Popular Party won a decisive parliamentary plurality in June 2016, but Rajoy was not able to form a minority government to begin his second term in office until October. He survived a vote of no confidence in June 2017. Leading sectors of Spain's diversified economy include manufacturing, financial services, pharmaceuticals, textiles and apparel, footwear, chemicals, and a booming tourism industry. Unemployment has decreased but remains a major problem, especially for young job seekers. The government in Madrid removed the rogue regional government of Catalonia from office after declaring that an October 2017 independence referendum vote was illegal.

# 12 ECONOMIC FREEDOMS | SPAIN



Although enforcement of contracts is slow, Spanish law protects property rights effectively. The courts have a solid record of investigating and prosecuting corruption cases, but the high workload means that courts are often overburdened, and cases proceed very slowly. Spain's score in Transparency International's *Corruption Perceptions Index* has dropped steeply in recent years. Enforcement of anticorruption statutes is weak.

The top individual income tax rate has been cut to 45 percent. The top corporate tax rate has been cut to 25 percent. Other taxes include a value-added tax. The overall tax burden equals 33.8 percent of total domestic income. Over the past three years, government spending has amounted to 43.7 percent of total output (GDP), and budget deficits have averaged 5.3 percent of GDP. Public debt is equivalent to 99.3 percent of GDP.



Efforts to improve the entrepreneurial environment have stagnated in recent years as attention has focused on fiscal stability. Labor costs have moderated to some extent but are still high. Price controls have all but disappeared in Spain except in a few sectors, such as farm insurance, stamps, public transport, and medicines.

Trade is significant for Spain's economy; the combined value of exports and imports equals 63 percent of GDP. The average applied tariff rate is 1.6 percent. Nontariff barriers impede some trade. In general, government policies do not significantly deter foreign investment. The financial sector has largely recovered from the banking crisis. Reforms have included the establishment of a new framework for bank supervision.