Spain’s economic freedom score is 65.0, making its economy the 51st freest in the 2023 Index. Its score is 3.2 points lower than last year. Spain is ranked 29th out of 44 countries in the Europe region, and its overall score is above the world and regional averages.

Spain’s progress toward greater economic freedom has been limited and uneven. Regulatory efficiency and the rule of law have been relatively well maintained, but long-term gains have been modest. Fiscal freedom, government spending, and financial freedom challenges are significant. Fiscal deficits and high public debt reflect a need to reform financial management.

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**BACKGROUND:** Spain returned to democracy in 1975 and is the eurozone’s fourth-largest economy. The government in Madrid removed a rogue regional government in Catalonia after an illegal 2017 independence referendum, but February 2021 regional elections returned a pro-independence Catalanian majority to power. Prime Minister Pedro Sánchez’s center-left Spanish Socialist Workers Party (PSOE) heads a minority coalition with the radical-left Podemos party. The center-right People’s Party has won a series of regional elections including a June 2022 vote in Andalusia, typically a PSOE stronghold. Spain’s diversified economy includes manufacturing, financial services, pharmaceuticals, textiles and apparel, footwear, chemicals, and a booming tourism industry.
The overall rule of law is well respected in Spain. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

The top individual and corporate tax rates are, respectively, 47 percent and 25 percent. The tax burden equals 36.6 percent of GDP. Three-year government spending and budget balance averages are, respectively, 48.2 percent and –6.7 percent of GDP. Public debt equals 118.6 percent of GDP.

Regulations are transparent. 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 and burdensome. Monetary stability has been relatively well maintained, but inflationary pressures continue.

The trade-weighted average tariff rate (common among EU members) is 3.2 percent, and more than 600 EU-mandated nontariff measures are in force. Many sectors of the economy are open to foreign investment. The banking sector has been relatively stable.