

# Spain: Continued dynamism

**Dynamic business climate except in the automotive sector.** The composite PMI (55.1 in February compared with 54 in January) was buoyed by the services component (PMI at 56.2; +1.3 pt). Nevertheless, industrial activity is deteriorating sharply, with industrial output down by 1% y/y in January (-22.8% y/y for vehicles) and the manufacturing PMI falling below 50 for the first time in over a year in February (49.7; -1.3 pt).

**Household consumption should remain the main driver of growth** in the first quarter and during the year as a whole. This is confirmed by the latest hard data available: retail sales volumes rose by 2.2% y/y in January (compared with 2.6% y/y on average in Q4) and new vehicle registrations rose by 8.2% y/y on average over January-February (compared with +7.2% in 2024).

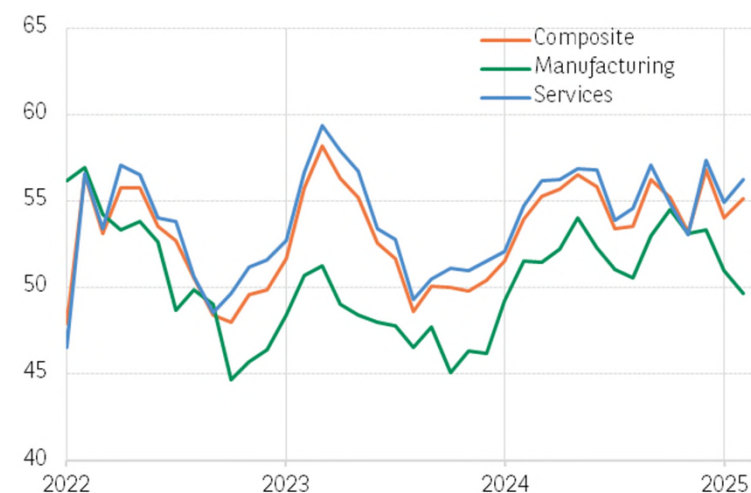
**The labour market remains buoyant.** The number of people registered with the social security system rose by 100,340 in February (the second-best February since 2007), including 31,118 in education, 27,076 in the hotel and catering sector and 20,572 in construction. In addition, the number of unemployed has fallen (-5,994 people; 2.6 million unemployed).

**Inflation stable at a high level.** Harmonised inflation held steady at 2.9% y/y in February. Core inflation continues to slow (2.1%; -0.3 pp), and is gradually approaching the ECB's target. Nevertheless, the persistent rise in the producer price index (+2.6% y/y in January compared with -3.8% y/y in October) could be passed on to consumer prices in the months ahead.

**Spanish growth should continue to outperform its Eurozone peers in 2025.** We expect real GDP to grow by 0.7% q/q in Q1, and then by 0.5% over the next three quarters.

Lucie Barette, article completed on 14/03/2025

## PMI - Spain (February 2025)



Source: European Commission, BNP Paribas calculations

## GDP GROWTH (q/q) : observed, carry-over, forecast

Actual				Carry-over	Forecast			Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
1.0	0.8	0.8	0.8	1.2	0.7	0.5	0.5	3.2	2.7	1.8

Source: Refinitiv, BNP Paribas