

Spain: The Eurozone outlier

After growing four times faster than the Eurozone in 2024 (3.2% as an annual average versus 0.8% respectively), the Spanish economy is set to maintain its dynamism throughout 2025. On the back of growth of 0.8% q/q in the last three quarters of the year, real GDP is set to continue its momentum, with expected growth of 0.7% q/q in Q1 2025, marking the seventh consecutive quarter of growth above or equal to 0.7%.

The European Commission's Economic Sentiment Indicator (ESI) is in line with this, continuing its upward trend in January (104.4; +1.5 pts over one month). However, the Manufacturing PMI pointed to weaker growth in activity in the sector this month (50.9; -2.4 pts): production (50.2; -4.2 pts) and new orders (51.3; -1.6 pts) in particular grew at significantly lower rates than last month.

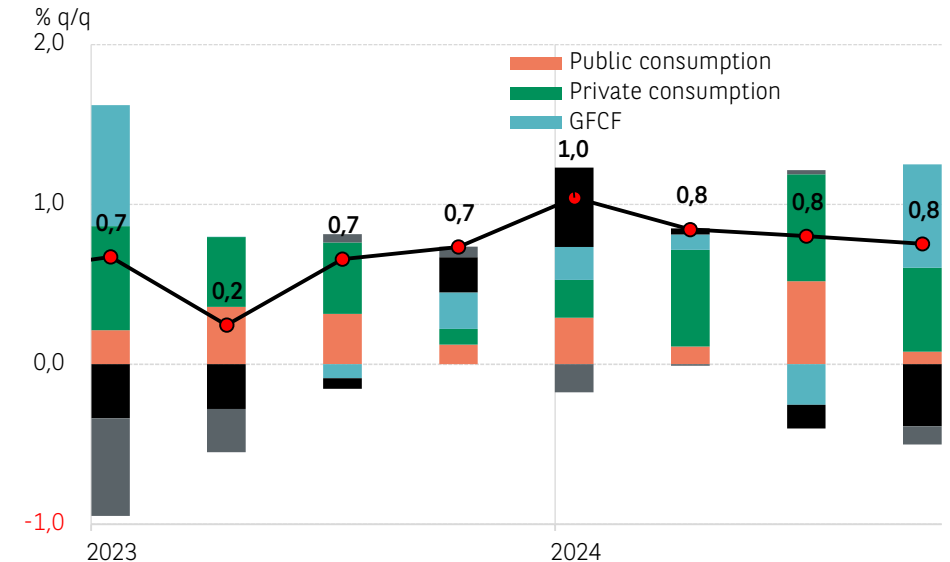
On the labour market front, the trend is still positive: in December, the unemployment rate fell back below 11% for the first time since 2008 (10.6%; -1.3 pts y/y). Although still high by European standards, it fell more among women than among men (11.9% (-1.5 pts y/y) versus 9.5% (-1 pt) respectively). Finally, unsurprisingly, and not least because of the record tourist arrivals recorded during the year, the service sector recorded the biggest fall in the unemployment figures in Q4 (-34,400), followed by agriculture (-16,200) and industry (-12,100).

Harmonised inflation rose for the fourth consecutive month in January (2.9% y/y; +0.1 pp over one month). The base effect on fuel prices, the abolition of the reduced VAT rate on basic foodstuffs and tax cuts on electricity contributed to this rise. The underlying component continues to slow down (2.4%; -0.2 pp).

Growth in negotiated wages (3.1% y/y in Q4) and the 4.4% increase in the minimum wage approved in January should enable private consumption to remain the driving force behind Spanish growth. But this support will be dampened by the negative contribution of foreign trade due to the greater rise in imports, as was already the case in the last two quarters of 2024 (see chart).

Lucie Barette, article completed on 3 February 2025

Contributions to spanish real GDP growth



Source: Eurostat, Macrobond, BNP Paribas

GDP growth

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