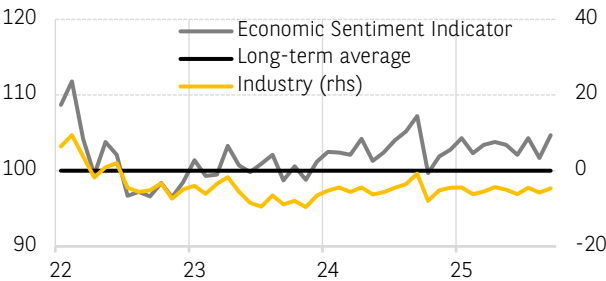


Spain: Growth expected to be stronger than anticipated in 2025

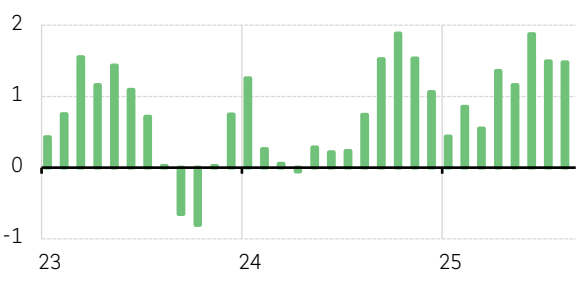
Business climate: Economic sentiment survey



Source: European Commission, BNP Paribas

Business confidence strengthened in September (ESI at 104.7; +3 points m/m) and remains well above its long-term average. In industry, the index remains in contraction territory but is improving (-4.7; +1.1 pts m/m). Production expectations for the coming months have risen significantly since spring (3.2 vs. -0.4 on average in Q2), although they are down compared with last month (-1.1 pts).

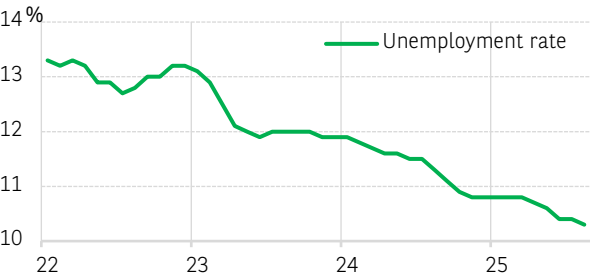
Households: Retail trade (% change m/m, volume)



Source: INE, BNP Paribas.

Household consumption and confidence continue to improve. Retail sales volume grew by 1.5% q/q in August. Household confidence improved significantly (50.9 in August according to the Ipsos index, up 3.1 points m/m) and returned to its highest level ever. Given these positive trends, private consumption is likely to remain the main driver of Spanish growth in Q3.

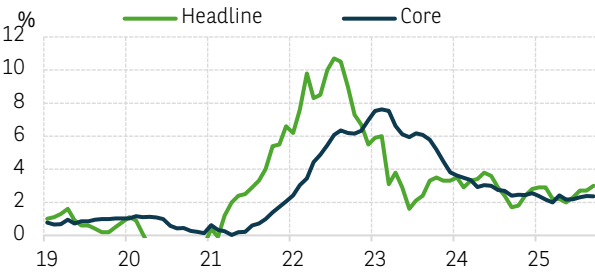
Labour market: Unemployment rate



Source: Eurostat, BNP Paribas.

The labour market remains robust. Employment rose in August (21.7 million people registered with social security; +2.2% y/y) and the business climate index in industry regarding hiring expectations improved (1.1: +4.2 points). The unemployment rate is approaching the 10% mark (10.3% in July), while tensions persist: the ratio of job vacancies to unemployed people remains particularly high. Negotiated wage increases continued (+3.5% y/y in July and August, compared with +3.4% in June).

Inflation (% change y/y)



Source: INE, BNP Paribas.

Inflation continues to rebound, before slowing down? Harmonised inflation returned to its highest level since June 2024 (+3.0% y/y in September; +0.3pp m/m), while the core measure remained stable (+2.4%). However, inflation is expected to slow: producer prices fell sharply in August (-4.5% y/y; the lowest since October 2024) due to the drop in energy prices.

GDP growth q/q: actual, carry-over and forecasts

Actual			Carry-over	Actual		Forecast		Annual forecasts (y/y)		
Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2024 (observed)	2025	2026
0.9	0.8	0.8	1.2	0.6	0.8	0.6	0.6	3.5	2.9	2.3

Source: Refinitiv, BNP Paribas

Spanish growth will remain strong in the second half of the year. After an upward revision in Q2 (+0.8% q/q), due to a better contribution from public consumption and exports, we forecast a growth of +0.6% q/q per quarter in H2. This would continue to be driven by private consumption and investment.

Lucie Barette (completed on October 2, 2025)



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