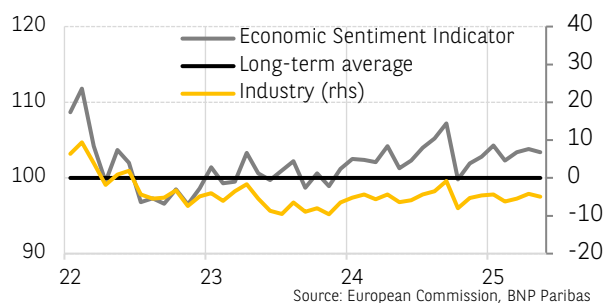
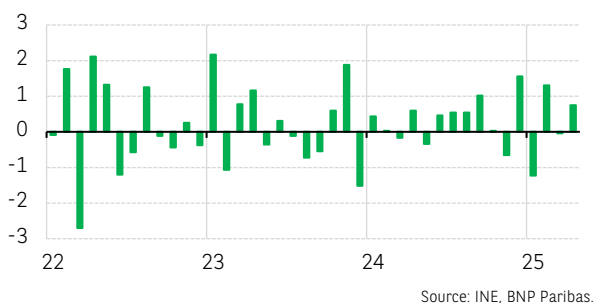


## Business climate: Economic Sentiment Survey



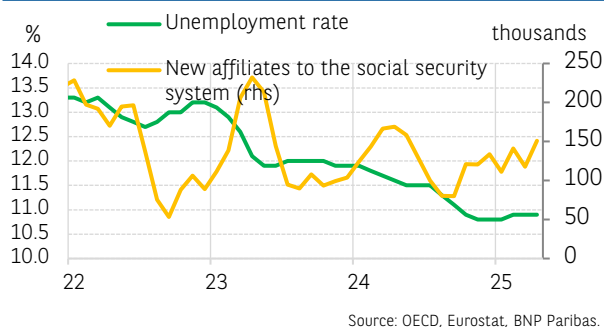
**Spanish outperformance.** Business sentiment contracted by 0.4 points in May, but remains above its long-term average and Eurozone's (94.8). The industrial indicator dropped by 0.8 points, after 3 months of improvement, but also remained above the European average (at -10.3). While the export orders index improved, those for production and employment weakened slightly.

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



**Household consumption and confidence are picking up.** Retail sales grew by +0.7% m/m in April, supported by a very sharp increase in food spending (+2.7% m/m). The Ipsos index of household economic sentiment rose for the second month in a row (+1.3 pt to 50.2) and is close to the peak reached in July 2024 (50.8).

## Labour market:



**The labour market continues to perform well.** The number of new workers affiliated to the social security system recorded its biggest monthly increase in two years in April (+69,200), with rises in all three major sectors (services, industry and construction). The unemployment rate remained below 11%, at 10.9%, as in the previous month. The increase in negotiated wage strengthened to +3.4% y/y in April, compared with +3.3% y/y in March.

## Inflation (% change y/y)



**Back to target.** Harmonised inflation continues to slow: +1.9% y/y in May compared with 2.2% in April. Core inflation also declined (-0.3 pp to 2.1%). Risks seem clearly on the downside: producer prices fell sharply in March-April (-6.9% cumulatively, the biggest fall ever recorded in two months).

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

Actual				Carry-over	Actual	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	0,7	0,7	1,1	0,6	0,5	0,5	3,2	2,5	2,2	

Source: Refinitiv, BNP Paribas

**Overperformance to continue.** Growth forecasts for Q2 and Q3 remain robust (+0.5% q/q) despite a slight slowdown compared with the first quarter (+0.6%). This would take average annual growth to 2.5% in 2025. We anticipate a slowdown in 2026, but growth would still be well above the Eurozone average (+2.2% compared with 1.3%).

Guillaume Derrien, with the help of Leslie Huynh (Intern, completed on June 5, 2025)

