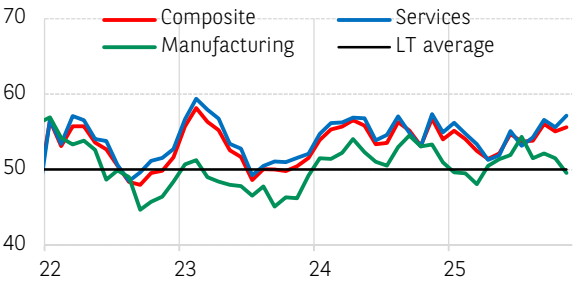


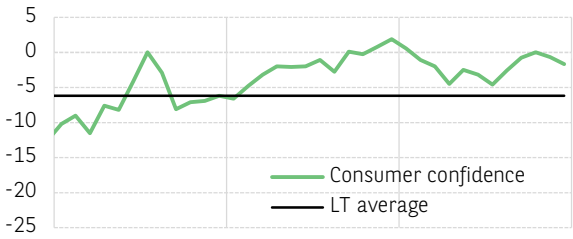
Spain: Services continue to drive growth

Business climate: Economic sentiment survey



Source: European Commission, BNP Paribas

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

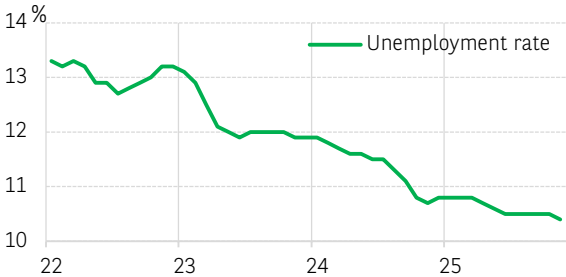


Source: INE, BNP Paribas.

The business climate is strengthening. The composite PMI improved significantly in Q4 (55.6 on average; +1.5 points compared to Q3), driven by the services index (56.4, compared to 54.2 in Q3). Strong domestic demand has led to an increase in activity and expectations for new orders. In manufacturing, the situation deteriorated in Q4 (51.1; -1.5 points q/q) due to a decline in production in December. Nevertheless, expectations for new business were rising, suggesting that the deterioration is temporary.

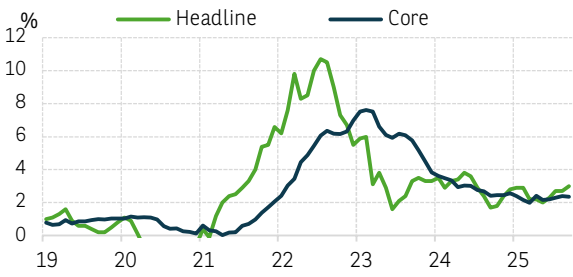
High consumer confidence is supporting private consumption. Despite a slight decline over the last three months, consumer confidence remains high. Combined with a still-dynamic labour market, it supports consumption, with retail sales continuing to grow at a steady pace (+5.0% y/y on average in October–November). Private consumption is therefore likely to remain the main driver of Spanish growth in Q4, a trend that is expected to continue in 2026.

Labour market: Unemployment rate



Source: Eurostat, BNP Paribas.

Inflation (% change y/y)



Source: INE, BNP Paribas.

The labour market remains dynamic. Employment continues to rise (to 21.9 million jobs in December; +2.4% y/y), mainly in construction (+4.0% y/y in Q4) and services (+2.6% y/y). The unemployment rate continues to decline (10.4% in November; -0.3% y/y), while the unemployment-to-job-vacancy ratio remains particularly high, indicating persistent labour market tightness. Wage growth (negotiated hourly) continues (+3.5% y/y in Q4; stable compared to Q3) and remains above inflation, leading to an increase in households' purchasing power.

Inflation edged up slightly at the end of 2025 (+3.1% y/y on average in Q4; +0.3 pp compared with Q3) driven by services and energy prices. However, in 2026, inflation prospects are tilted to the downside, due to the expected evolution of energy prices. In addition, producer prices continued to decline in Q4 (-0.8% y/y on average in October–November, compared with -0.3% in Q3).

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

ACTUAL	OBSERVED			FORECAST (q/q)			ANNUAL FORECASTS (y/y)			
Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024 (observed)	2025	2026	2027
1.2	0.6	0.7	0.6	0.7	0.5	0.5	3.5	2.9	2.4	2.3

Source: Refinitiv, BNP Paribas

Spanish growth is expected to remain strong in Q4 2025 (+0.7% q/q according to our forecasts), supported by household consumption and a resilient labour market, bringing the annual average to 2.9% in 2025. For 2026, we expect growth to remain above the Eurozone average, standing at 2.4% on annual average, compared with 1.6% in the euro area.

Lucie Barette (completed on 21 January 2026)



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