The Spanish economy ended 2024 on a strong note and faces 2025 with optimism

Economic activity has shown remarkable buoyancy in a challenging environment. The Spanish economy grew by 3.2% in 2024 and exceeded our forecast of a year ago of 1.4%, despite the geopolitical uncertainty, high inflation and interest rates still at restrictive levels. This growth was driven by the strength of the foreign sector, tourism (which contributed 0.7 pps to growth) and the gradual revival of private consumption, which is gaining prominence to the detriment of public consumption, which was strong up until Q3. In 2025, the economy is expected to continue to grow above the euro area average, supported by strong household consumption, thanks to the recovery of purchasing power, and the recovery of investment. The major geopolitical challenges and Europe's weak growth represent the main risk factors.

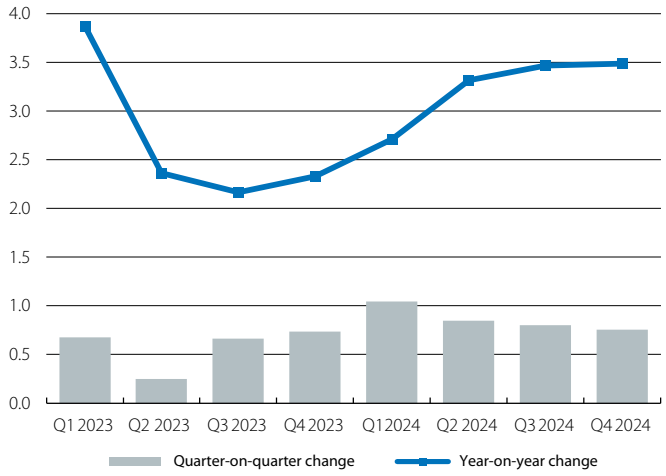
Spain's GDP grows rapidly in Q4 2024 and exceeds expectations. In Q4 2024, GDP grew by 0.8% quarter-on-quarter and 3.5% year-on-year, maintaining the same pace as in Q3. This growth contrasts with the stagnation of the euro area. In 2024 as a whole, GDP grew by 3.2%, 0.5 pps more than in 2023, and it stood 7.6% above the pre-pandemic level. The positive surprise of the figure for Q4 GDP growth will lead us to revise upwards our 2025 growth forecast, which currently lies at 2.3%, due to the knock-on effect of the increased growth during the second half of last year. The labour market also offered good news: according to the Labour Force Survey, the unemployment rate fell to 10.6% in Q4, its lowest level since Q2 2008, and the number of people in employment increased by 34,800 over the previous quarter, an improvement compared to the Q4 average in the period 2014-2019 (+28,300).

Domestic demand, especially private consumption and investment, was the main driver of growth in Q4, contributing 1.2 pps to quarter-on-quarter GDP growth. Private consumption grew by an impressive 1.0% quarter-on-quarter, while investment, especially in equipment and construction, also registered a significant increase. In contrast, foreign demand had a negative contribution of 0.4 pps to quarter-on-quarter growth due to the fall in exports of goods (–1.1% quarter-on-quarter) and stronger imports.

The first activity indicators available for 2025 paint a broadly positive picture, albeit with a slower pace of growth than in Q4 2024. According to Social Security affiliation data, the year started on a good footing. Although the number of registered workers fell, as is usual in the month of January, in seasonally adjusted terms employment registered an increase of 35,750 workers. The PMI for the services sector, for its part, stood at 54.9 points in January, remaining in expansionary

Spain: GDP

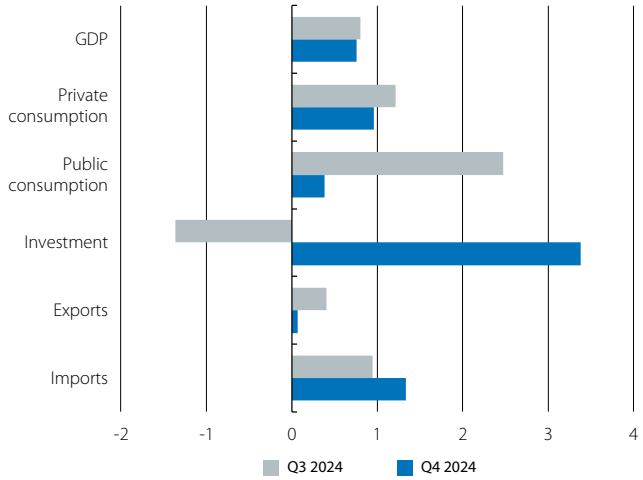
Change (%)



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: components of GDP

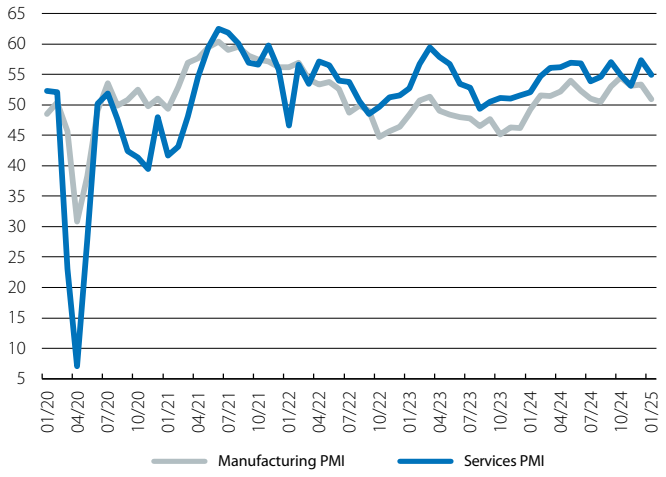
Quarter-on-quarter change (%)



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: PMI

Level



Source: *CaixaBank Research, based on data from S&P Global PMI.*

territory (>50), albeit below the figure for December (57.3). However, the signals from industry were less encouraging, as the manufacturing PMI fell to 50.9 points in January, just above the expansion/contraction threshold and below the December figure (53.3), weighed down by the slowdown in new orders and production. Also, on the consumption side, the CaixaBank Research consumption tracker shows that spending activity with Spanish cards remained buoyant in January with a growth of 3.9% year-on-year, compared to 3.2% in December and 4.1% in November.

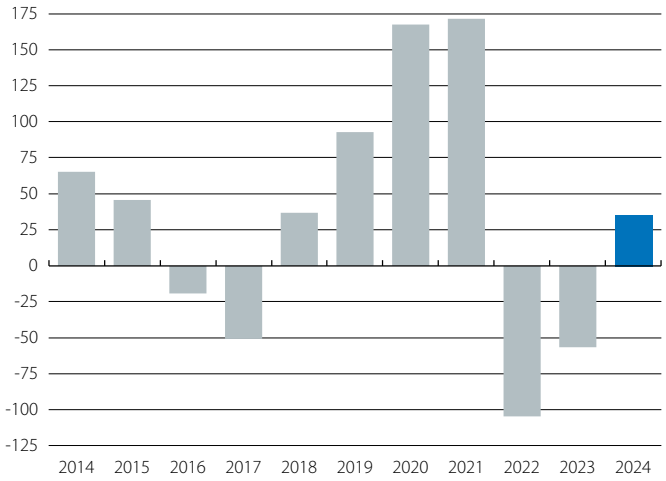
Core inflation continues to decline in January, while headline inflation picks up slightly due to energy. Headline inflation rose to 3.0% in January, 0.2 pps above the December figure. In contrast, core inflation (excluding energy and unprocessed food) fell 0.2 pps to 2.4% (3.6% a year ago). The slight uptick in headline inflation in January is explained by the increase in fuel prices and, to a lesser extent, electricity prices due to the rise in taxes on electricity bills (e.g. VAT on electricity rose from 10% to 21% on 1 January). On the positive side, the fall in core inflation seems to indicate that the underlying price trends continue to follow a downward path, beyond the upturn in the headline indicator.

House sales in Spain continue to grow at double-digit rates. Sales grew rapidly again in November (15% year-on-year), consolidating the exceptional increases observed in previous months (51% year-on-year in October). The shift in monetary policy in recent months accounts for much of the sector's revival in 2024. Between January and November, 591,500 transactions were completed, marking a year-on-year growth of 8.1%. The buoyancy in sales, coupled with the acceleration of prices in a context of thriving demand and with supply responding at the same pace, has led us to raise our price and sales forecasts for 2024 and 2025, as explained in detail in the Focus «New forecasts for the Spanish real estate sector: the expansionary cycle takes hold in 2025» in this same report.

The tourism boom in Spain enables an improvement in the current account balance despite sluggish exports of goods. In the current year to November, exports of goods stagnated in year-on-year terms, while imports fell (–0.26% year-on-year), although the latter are steadily rising. Thus, the trade deficit to November stood at –2.3% of GDP, representing an improvement compared to the –2.5% recorded in the first 11 months of the previous year. The surplus of services for the current year to November, meanwhile, rose to 6.5% of GDP (6.3% in November 2023), hoisted up by the enviable strength of tourism, which closed 2024 with exceptional figures. In 2024, tourist arrivals reached around 94 million, 10.1% more than in 2023, and they spent 16.1% more than in 2023.

Spain: persons in employment

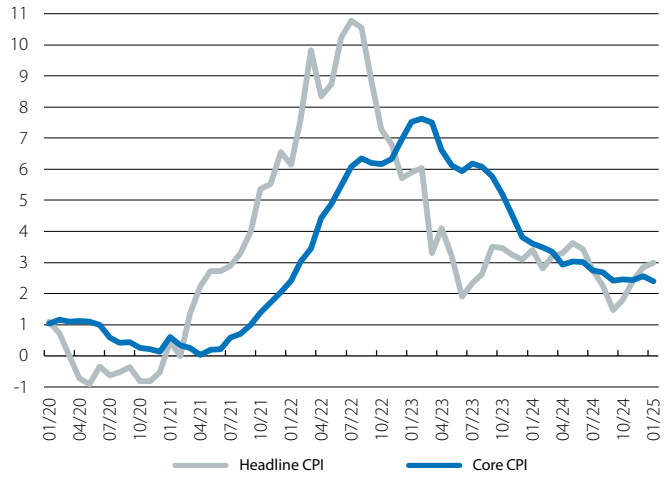
Quarterly change in Q4 (thousands)



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE, Labour Force Survey).*

Spain: CPI

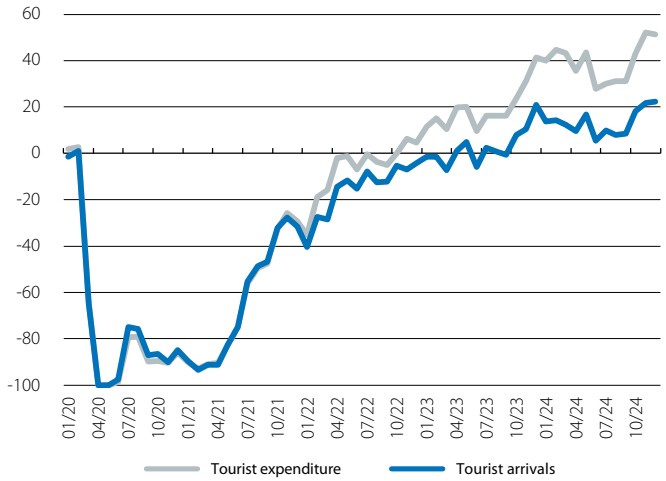
Year-on-year change (%)



Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: foreign tourism indicators

Change versus the same month of 2019 (%)



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