

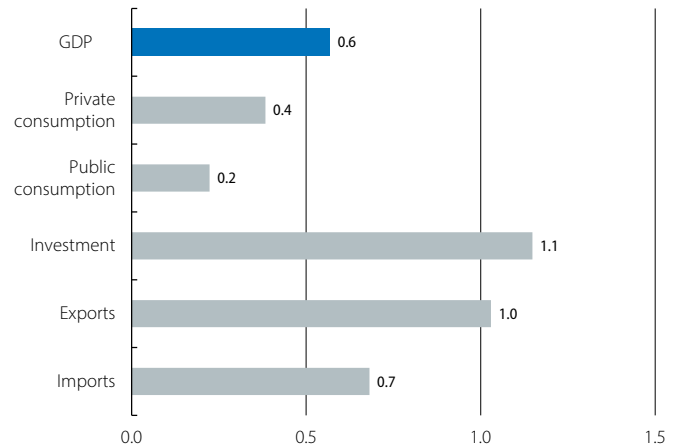
## The Spanish economy weathers the uncertainty storm

These first few months of 2025 have been marked by several announcements by the Trump administration to increase tariffs on imports from the US' main trading partners, including the euro area. Although part of these tariffs remain suspended until July pending negotiations, the back-and-forth barrage of announcements regarding US trade policy has entailed an unprecedented increase in uncertainty. This situation has led to a downward revision of the IMF's global growth forecasts. The Spanish economy, however, has been spared. In fact, the IMF has given a positive assessment of Spain's lower exposure to the US and its good growth dynamics to date, leading it to revise upwards its growth forecast for the Spanish economy to 2.5%.

**Spain's GDP growth remains strong.** During Q1 2025, GDP grew by 0.6% quarter-on-quarter, 0.1 pp below the previous quarter's growth rate. Thus, the Spanish economy continues to show resilience in an increasingly unfavourable environment. The breakdown by component reveals a solid pattern of growth, with domestic demand contributing 0.4 pps to quarterly GDP growth and foreign demand contributing 0.2 pps after two quarters of negative contributions. On the side of domestic demand, of particular note was the 1.1% quarter-on-quarter growth recorded by investment, in spite of the context of heightened uncertainty, while private consumption grew 0.4% quarter-on-quarter. As for foreign demand, exports grew faster than imports, driven by exports of non-tourism services. The Q1 GDP figure is in line with our forecasts, which already incorporated a slight slowdown derived from the increase in uncertainty linked to the trade tensions.

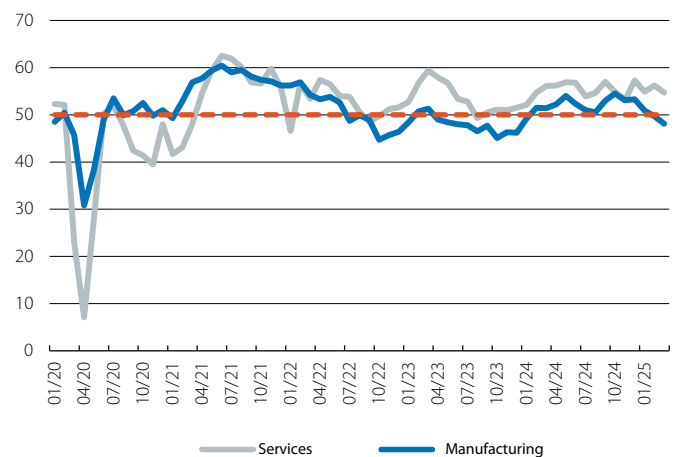
**The gap between services and industry persists.** The main economic activity indicators remained marked by a gap between the services and manufacturing sectors, with the latter being more affected by the trade tensions. On the one hand, the Purchasing Managers' Index (PMI) for the services sector stood at 54.7 points in April, above the threshold denoting growth in the sector (50 points), albeit slightly below the 56.2 points of the prior month. On the other hand, the PMI for the manufacturing sector suffered another setback, standing at 48.1 points and remaining below the 50-point threshold for the second consecutive month. Respondent firms point out the impact derived from the US trade policies as one of the factors behind the deterioration. Finally, consumption remained strong in April, growing by 3.9% year-on-year, according to data from the [CaixaBank Research consumption tracker](#). However, this figure is skewed slightly upwards by Easter, which fell this year in April but last year in March. In any case, if we take the average growth of the last two months as a benchmark, growth stands at 3.6%, slightly exceeding that of Q1.

**Spain: GDP and its components**  
Quarter-on-quarter change in Q1 2025 (%)



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

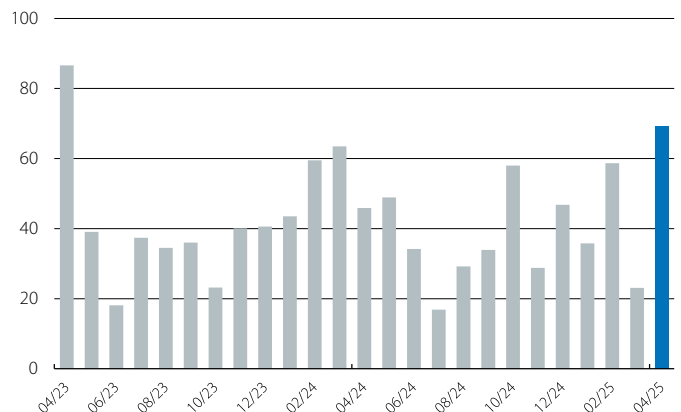
**Spain: PMI**  
Level



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

**Spain: registered workers affiliated with Social Security \***

Month-on-month change (thousands of people)



Note: \* Series corrected for seasonality.

Source: CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSEM).

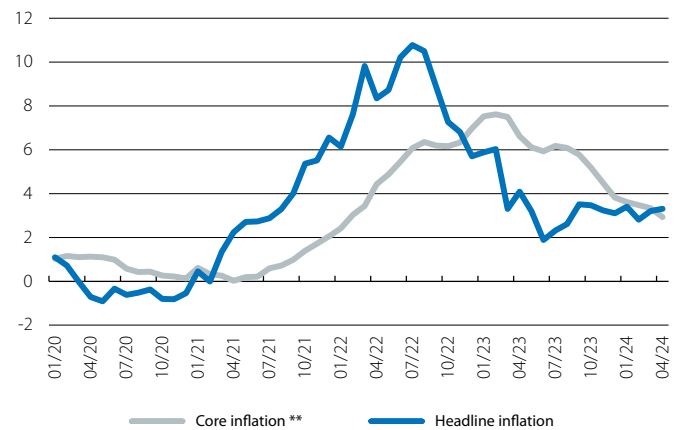
**Job creation gains traction.** In April, the labour market provided a positive surprise with the number of registered workers affiliated with Social Security increasing by 230,993 (a monthly growth rate of 1.1%). This represents a bigger increase than the average growth of 174,000 affiliates in the months of April during the period 2014-2019 or the 200,000 recorded last year, although Easter fell in April this year. With this latest figure, the total number of registered workers stands at 21,588,639, marking a new record and representing 487,134 more than a year ago. The temporary employment rate stabilised at an all-time low: of the total number of affiliates registered under the General Scheme, 11.8% were temporary workers. This is the third consecutive month at this same rate, which itself is 0.8 pps lower than a year ago.

**Inflation continues to decline thanks to energy.** In April, headline inflation resumed its downward trend, falling 0.1 pp to 2.2%, according to the flash indicator published by the National Statistics Institute (INE). This marked the second decline following the inflationary spike that occurred between September and February, and it was primarily driven by the fall in electricity and fuel prices. However, core inflation, which excludes energy and unprocessed food, rebounded by 0.4 pps to 2.4%. This increase could be a response to Easter, which this year fell in April (whereas in 2024 it fell in March), as this period tends to see a temporary spike in the price of tourism services.

**The trade deficit continued to rise in February.** The foreign sector is experiencing a slight deterioration in an environment still marked by the weakness of the euro area and uncertainty surrounding trade policy. In particular, in February the trade deficit increased to -3.96 billion euros, compared to the -2.23 billion recorded in February last year. This was driven by import growth of 3.5% year-on-year, while exports grew by just 0.4%, weighed down by declines in the energy and automotive sectors, especially those destined for France, Germany, Italy and the United Kingdom. The increase in the trade deficit contrasts with the surplus in service exports of 6.7% of GDP (trailing 12-month total), primarily driven by the strength of tourism exports.

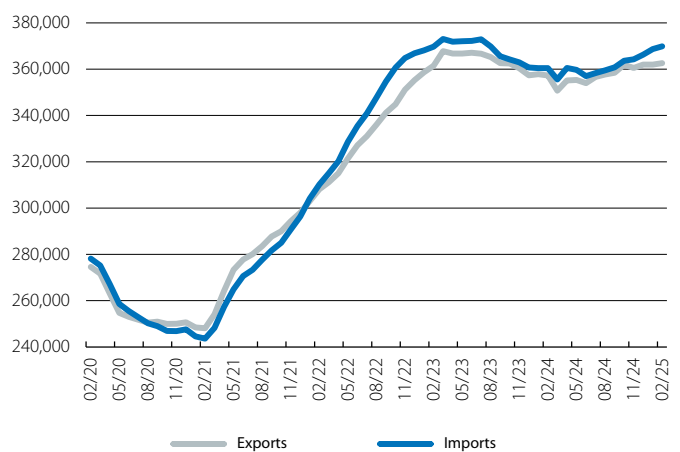
**Residential activity in Spain records the best start to the year since 2007.** In February, house sales were up 13.9% year-on-year, a growth rate 2.9 pps higher than in January. This buoyancy is driven by widespread activity growth in both new housing and existing homes, with increases of 22% and 12% year-on-year, respectively. In the first two months of the year, a total of 120,300 sales were closed, the highest figure for this period since 2007. By region and in total for the past 12 months, the biggest increases were registered in Asturias, La Rioja and Castilla-La Mancha, with growth rates in excess of 20% year-on-year. Andalusia was the only region among the major markets where sales grew above the average.

**Spain: headline and core inflation \***  
Change (%)



Notes: \* The data for April are preliminary. \*\* Core inflation excludes unprocessed food and energy. Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

**Spain: foreign trade in goods \***  
Trailing 12-month total (EUR millions)



Notes: \*Nominal data, series not seasonally adjusted. Excludes energy. Source: CaixaBank Research, based on data from the Customs Department.

**Spain: house sales**  
Trailing 12-month total (thousands of homes)



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