

Sectoral Observatory

S1 2025

Sectoral strengths to navigate
a complex environment

The growth of services
sustains the strength
of the Spanish
economy in 2025

Outlook for the Spanish
economy and its sectors
in 2025-2026

Tariff tensions and
reconfiguration of trade
flows: impact on Spain

Spain and its new
energy advantage



SECTOR REPORT Observatory (First Semester) 2025

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Summary

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02 THE GROWTH OF SERVICES SUSTAINS THE STRENGTH OF THE SPANISH ECONOMY IN 2025

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09 OUTLOOK FOR THE SPANISH ECONOMY AND ITS SECTORS IN 2025-2026

The outlook for the Spanish economy and its sectors in 2025 and 2026 is strong. Although high uncertainty persists, we expect Spain's GDP could grow by 2.4% in 2025 and by 2.0% in 2026.



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Between 2018 and 2024, Spain's industry has gone from having higher energy costs than its European competitors to having lower energy costs. This has facilitated the manufacturing sector's good performance in recent years.

«Cause and effect cannot be discovered through reasoning, but rather by experience.»

DAVID HUME



Sectoral Observatory

SECTORAL SITUATION IN 2025



The Spanish economy is moderating its growth rate in a context of trade tensions

SUPPORT FACTORS

Moderating inflation
Falling interest rates
Favourable household and business finances

ADVERSE FACTORS

Trade tensions
Weakening global growth
Geopolitical uncertainty

Most exposed branches of manufacturing:

- Pharmaceutical and chemicals industry
- Metallurgy and construction
- Manufacture of machinery and equipment
- Less exposure in services

SECTORAL OUTLOOK FOR 2025-2026

HIGH GROWTH



Information and communication technologies (ICT), professional and administrative activities

Pharmaceutical industry

Tourism sector

Primary and agrifood sectors

Construction

- High-added-value services driven by digitalisation and the adoption of new technologies.
- High-value-added growth driver, although vulnerable to potential tariffs.
- Benefited by its specialisation and international competitiveness.
- Recovery thanks to favourable weather conditions and lower costs.
- Driven by the housing demand and urban regeneration.

AVERAGE GROWTH



Manufacturing industry

Wholesale trade

- Benefited by lower energy costs, but exposed to trade risks.
- Supported by private consumption and the improvement in disposable income.

WEAK GROWTH



Textile industry

Paper industry

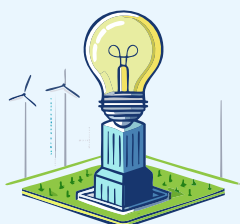
Retail trade

- Affected by international competitive pressure and negative trends.
- Facing challenges similar to those of textiles.
- Impacted by the rise of e-commerce and changes in consumption habits.

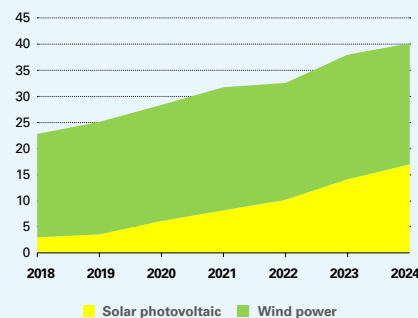
Source: CaixaBank Research.

ENERGY: A NEW COMPETITIVE ADVANTAGE FOR SPAIN'S MANUFACTURING SECTOR

Lower electricity prices compared to European competitors have facilitated the manufacturing sector's good performance in recent years

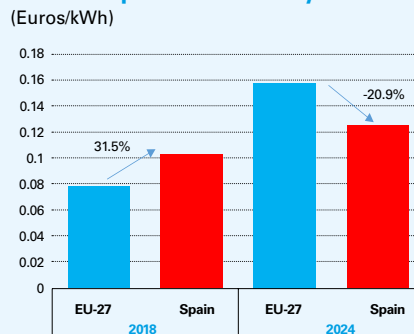


Percentage of electricity generated from renewable energies



Source: CaixaBank Research, based on data from the Spanish national grid (Red Eléctrica).

Industrial price of electricity (Euros/kWh)



Note: Prices for consumers in the ID band (between 2,000 and 19,999 MWh) without charges or taxes. Source: CaixaBank Research, based on data from Eurostat.

Executive summary

Sectoral strengths to navigate a complex environment

The Spanish economy has kicked off the year with a very dynamic tone, albeit a slightly more moderate one than in 2024, and with widespread growth across most of its sectors. Despite this good initial performance, the major geopolitical challenges and the protectionist shift by the current US administration have led us to slightly revise downwards our growth forecasts for the Spanish economy: to 2.4% in 2025 and to 2.0% in 2026 (0.1 pp less in both cases compared to April's scenario, which already incorporated a negative impact of a couple of tenths of a percentage point for 2025 due to the tariffs and the heightened uncertainty).

For now, the **CaixaBank Research Sectoral Indicator** – a tool which incorporates information from various activity indicators, the labour market and the external sector – shows a low dispersion in the growth rates of the various economic sectors. This behaviour suggests that, before the impact of the tariff shock, the Spanish economy was going through a phase of stability within the business cycle, after having largely absorbed the shocks of recent years: the pandemic, the disruptions to supply chains, the energy crisis and the tightening of monetary policy.

In addition, although the growth rate of the Spanish economy is showing signs of moderation, we note a recent increase in the number of sectors in expansion: half of the branches of the economy find themselves in this phase in the first few months of 2025, compared to 20% in 2024. Some of the most dynamic sectors include the chemicals and pharmaceutical industries. On the other hand, around 25% of the branches of economic activity are now in a phase of weakness, compared to 34% in the previous year. Finally, almost 30% of sectors remain in a stable situation.

While the US tariff hikes are expected to have a limited impact on the Spanish economy, and lower than in other advanced economies, some economic sectors could be more affected. Our forecasts by sector, set out in the second article of this report, envisage that the impact will be concentrated on the branches of

manufacturing, either directly through trade links or indirectly due to heightened uncertainty and weakening global growth. Depending on which scenario finally materialises, other indirect channels could be activated that would affect a broader spectrum of sectors, including some services, especially those more oriented towards the foreign market, more capital-intensive or integrated into industrial value chains. In this context, Spanish firms could adopt mitigation strategies, either through direct investment in the US to maintain market access, or by diversifying into alternative markets, in particular those with which the EU is deepening its trade relations.

In the third article of this report, we present a series of metrics with which we evaluate the potential of Spanish firms to redirect their exports to the world's top 50 markets, including an assessment of the similarity of their patterns of demand with respect to the US, competition from other countries and the degree of trade accessibility to the market in question. Lastly, we analyse the implications of a scenario with a decoupling of China and the US, which could trigger a sharper global slowdown and a significant increase in competition, with a particularly strong impact on Spain's consumer goods sector.

Finally, in the last article, we focus our attention on a very positive development that has occurred in recent years: the increased role of renewable energies in electricity generation has given Spain a competitive advantage in terms of energy costs over its main European competitors. This factor is key to explaining the better performance of the country's manufacturing sector compared to its European counterparts. Given that Spain's competitive advantage in low-cost renewable electricity generation is supported by physical factors (the high level of solar radiation and the abundant space for onshore wind energy production), this is emerging as a fundamental strategic factor for sustaining and enhancing the competitiveness of Spain's manufacturing sector in the medium and long term.



Situation and outlook

The growth of services sustains the strength of the Spanish economy in 2025

The Spanish economy has shown a positive tone in the opening months of 2025, driven, above all, by the revival of domestic demand. Although growth is expected to be slightly more moderate than last year, the decline in inflation and interest rates will act as important support factors in an international context marked by uncertainty. The CaixaBank Research Sectoral Indicator reflects this buoyancy in the opening months of the year and shows an increase in the number of sectors in expansion, although the picture is somewhat mixed.

Excellent closure to 2024 and positive dynamics that extend into 2025

The Spanish economy once again surpassed expectations in 2024, registering a solid GDP growth of 3.2%, in contrast to the modest 0.9% advance observed in the euro area as a whole. This momentum continued at the beginning of 2025, with growth above potential: GDP increased by 0.6% quarter-on-quarter and 2.8% year-on-year in Q1, in line with the CaixaBank Research forecasts.

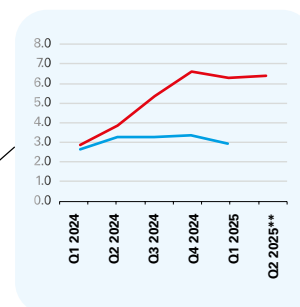
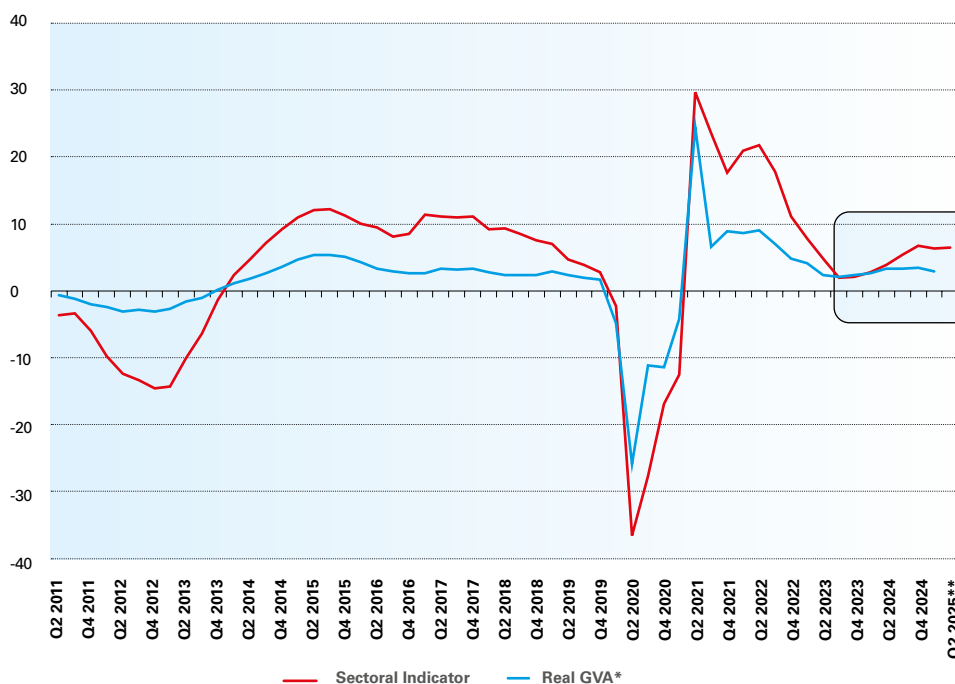
For 2025, we anticipate GDP growth of 2.4%, following a pattern similar to that observed at the end of 2024 and primarily sustained on strong domestic demand. This forecast is supported by three key assumptions: a moderation in inflation that would allow the ECB to continue to lower rates down to 1.75%, a contained oil price, and a lower contribution from the foreign sector due to weak growth in the euro area and a moderate impact of the trade tensions. In this regard, it is important to clarify that CaixaBank Research's baseline forecast scenario contemplates that the tariff tensions will remain limited and that the uncertainty will gradually dissipate over the coming months. This would entail the trade tensions having only a limited and transitory impact on the Spanish economy, given its low exposure to the US in terms of trade and the fact that the main risks are derived from the knock-on effects of geopolitical uncertainty and lower global growth, as we analyse in the article of this same *Sectoral Observatory* «Tariff tensions and reconfiguration of trade flows: impact on Spain».

In this context, the CaixaBank Research Sectoral Indicator, which encompasses information from 17 variables for economic activity, the labour market and the external sector,¹ shows that the Spanish economy continues to enjoy dynamic growth in 2025, similar to the rate recorded in the closing months of last year. The indicator is giving a more positive signal than the national accounting figures, as can be seen in the chart below. In particular, the indicator suggests that the growth rate remains high in the second quarter, although it should be noted that the information for that quarter is still incomplete given that, as of the closing date of this report, only the data on the number of registered workers affiliated with Social Security for the month of April are available. Nevertheless, those data beat expectations and reflect the widespread good performance of the labour market across the different sectors of the economy.²

① This indicator is calculated monthly for 24 economic sectors, including the four major sectors: the primary sector (agriculture, forestry & fishing), manufacturing, construction and services, and it compiles data from January 2011. It should be recalled that the indicator does not incorporate the activity of the energy, financial, general government or health sectors.

② See Brief Note: «La creación de empleo gana tracción en abril | CaixaBank Research» (content available in Spanish).

CaixaBank Research Sectoral Indicator and real GVA* Year-on-year change (%)



Notes: (*) Real GVA excludes the general government and defence, education and health, and energy and financial sectors. (**) The data for Q2 2025 is very preliminary, since it corresponds only to the data for April and is calculated with only one indicator (registered workers affiliated with Social Security).

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Spanish Tax Agency (AEAT), the Ministry of Inclusion, Social Security and Migration (MISSEM), DataComex and the Spanish national grid (REE).

The CaixaBank Research Sectoral Indicator shows that the Spanish economy continues to enjoy dynamic growth



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Sectoral Traffic Light for the Spanish economy: the number of sectors in expansion is on the rise

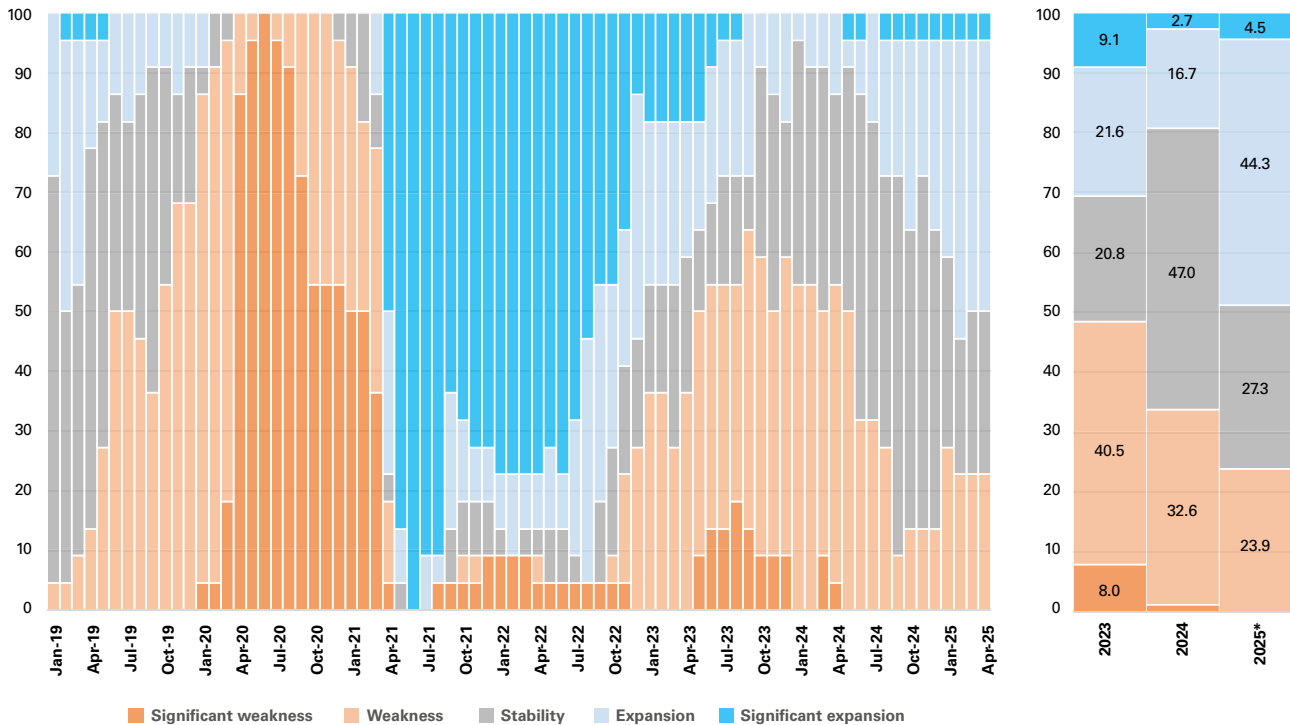
The Sectoral Traffic Light for the Spanish economy, a graphical tool that classifies sectors into five categories according to the intensity of their rate of growth or contraction, shows that around 30% of the branches of activity are in a stable situation. This is a similar percentage to that recorded on average during the pre-pandemic period of 2017-2019, indicating a greater degree of consistency in the growth rates between sectors. Indeed, the Spanish economy is entering a more stable phase of the business cycle as the major shocks of recent years – such as the pandemic, the disruptions to supply chains, the energy crisis and the tightening of monetary policy – are left behind us.³

③ The measures of dispersion (standard deviation of the growth between sectors) remain at very contained levels in historical terms in the series available since 2011, although they have increased slightly in the opening months of 2025.

According to the Sectoral Traffic Light, in the opening months of 2025 around 50% of the branches of economic activity are in expansion – most notably the chemicals and pharmaceutical industries – compared to 30% in the second half of 2024 and 20% on average that year. Moreover, the number of sectors in difficulty has declined: just 24% showed weakness in the first few months of 2025, compared to 34% in 2024. Of particular note is the improvement in the two sectors that showed the worst performance in 2024, namely the mining and quarrying industry and the textile industry, and this has supported the improvement of the aggregate sectoral indicator.

Sectoral Traffic Light for the Spanish economy

(% of the total number of sectors)



Notes: The traffic light chart indicates the percentage of sectors classified in each of the five growth categories, which are defined as follows: «significant weakness» if the value taken by the sectoral indicator lies below the 15th percentile (P15) of that indicator's historical distribution; a position of «weakness» when it takes a value between P15 and P40; «stability» between P40 and P60; «expansion» between P60 and P85, and «significant expansion» when the indicator lies above P85. (*) 2025 corresponds to the average for the year to date (January-April).

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Spanish Tax Agency (AEAT), the Ministry of Inclusion, Social Security and Migration (MISSM), DataComex and the Spanish national grid (REE).

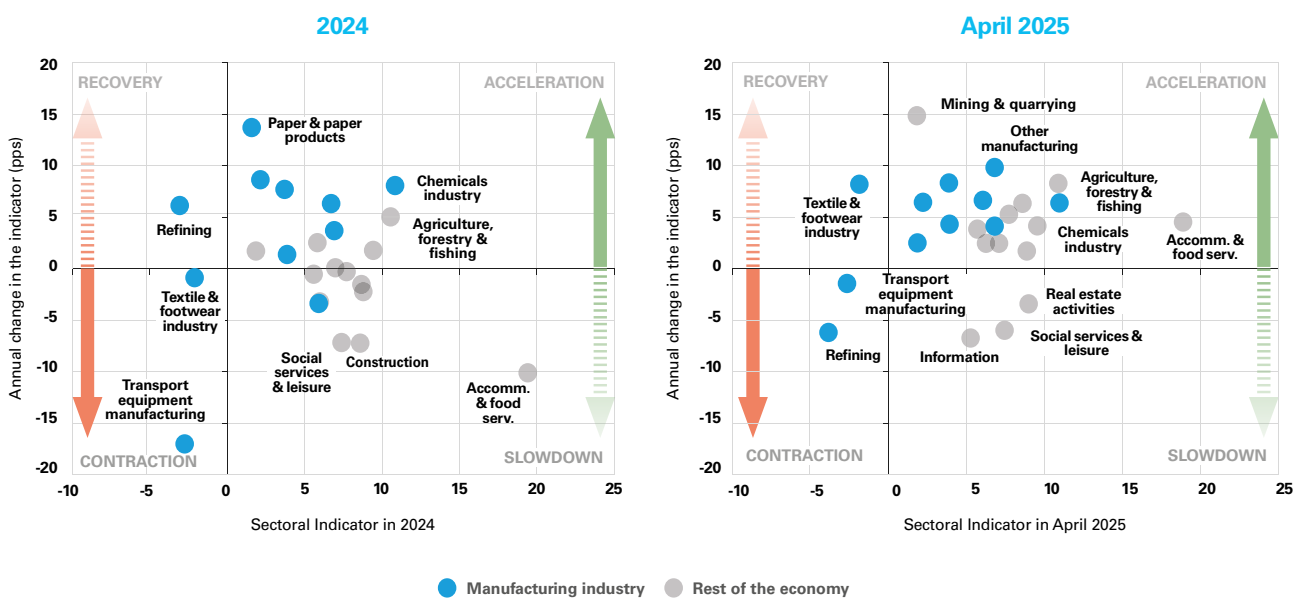
At what point in the cycle is each sector?

This improvement in the sectoral composition of the Spanish economy is also evident in the CaixaBank Research Sector Clock, a chart which compares the situation of each sector in 2024 with that of 2025 to date (with data up to April at the closing date of this report).⁴

④ The information available for the month of April is still very incomplete, as it only includes registered workers affiliated with Social Security.

Firstly, visually, we see how the number of sectors in the acceleration quadrant increases (going from 9 in 2024 as a whole to 16 in April 2025) and also how the number of sectors in the slowdown quadrant has reduced (from 8 sectors in 2024 to just 3 in April).

CaixaBank Research Sectoral Clock



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Spanish Tax Agency (AEAT), the Ministry of Inclusion, Social Security and Migration (MISMM), DataComex and the Spanish national grid (REE).

Among the sectors that have improved the most, of particular note is the **accommodation and food services industry**, which in 2025 has resumed positive growth rates and continues to top the indicator's ranking, following the slowdown recorded in 2024 due to a base effect after the exceptional rebound in 2023 linked to the post-pandemic recovery. In a similar situation we find **retail trade**, which also showed signs of cooling in 2024, but which has accelerated again in the first few months of 2025, thanks to the recovery of households' purchasing capacity. Finally, the **mining and quarrying industry, the wood and furniture industry, and other manufacturing** (rubber manufacturing and machinery repair), all of which are energy-intensive, have jumped from contraction to acceleration at the beginning of this year, without passing through a recovery phase.



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At the other end of the spectrum, that is, among the sectors that have deteriorated, two particularly significant cases are worth highlighting. Firstly, the **refining sector** has moved from the recovery quadrant to the contraction quadrant, registering a decrease in refining margins that is affecting the sector's lower production (which was down 5% year-on-year in Q1 2025). Secondly, the **automotive sector** remains in the contraction quadrant and continues to experience significant weakness: industrial production fell by 14% in Q1, exports have been registering negative year-on-year rates since the end of 2024 and some 8,000 jobs have been destroyed in the 12 months to April.

What characterises the sectors that are leading and trailing in our sector ranking?

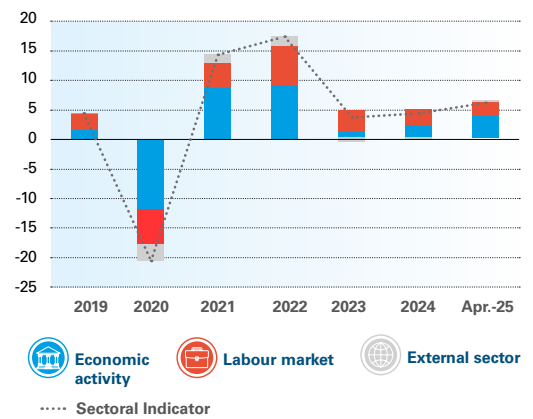
In order to identify patterns in the current behaviour of the various economic sectors, we have analysed the ranking according to the Sectoral Indicator and identified the characteristics that are shared by the sectors at the top and the distinctive features of those at the bottom. This analysis is based on the contribution of the three pillars that make up the Sectoral Indicator: economic activity, the labour market and the external sector.⁵

⁵The 17 variables that make up the indicator are grouped into three pillars (economic activity, labour market and external sector), allowing us to analyse the contribution of each of these spheres to the performance of each economic sector. For further details on which indicators make up each pillar, see the Methodology note: CaixaBank Research Sectoral Indicator.

Sectoral ranking and pattern of the pillars of the Sectoral Indicator

	Sectoral ranking (April 2025)	Pillars		
		Economic activity	Labour market	Foreign sector
Accomm. & food serv.	1	Improvement	Deterioration	Improvement
Chemicals industry	2	Stable	Improvement	Stable
Agriculture, forestry & fishing	3	Improvement	Stable	Improvement
Professional & administrative act.	4	Improvement	Stable	Improvement
Real estate activities	5	Deterioration	Stable	Improvement
Transport & logistics	6	Deterioration	Stable	Deterioration
Construction	7	Stable	Improvement	Improvement
Water supply & waste management	8	Stable	Stable	Deterioration
Social services & leisure	9	Stable	Stable	Deterioration
Other manufacturing	10	Improvement	Deterioration	Improvement
Food products	11	Stable	Stable	Improvement
Retail trade	12	Improvement	Improvement	Deterioration
Machinery & equipment	13	Improvement	Deterioration	Stable
Wholesale trade	14	Improvement	Deterioration	Stable
Information	15	Deterioration	Deterioration	Deterioration
Construction	16	Deterioration	Improvement	Deterioration
Timber & furniture	17	Improvement	Deterioration	Deterioration
Paper & paper products	18	Deterioration	Deterioration	Deterioration
Mining & quarrying	19	Improvement	Deterioration	Deterioration
Textile & footwear industry	20	Deterioration	Deterioration	Stable
Transport equipment manufacturing	21	Improvement	Deterioration	Deterioration
Refining	22	Deterioration	Deterioration	Deterioration

Contribution of the pillars to the Sectoral Indicator (pps)



Notes: The blue-shaded sectors belong to the manufacturing industry. The patterns in the pillars reflect the trends over the past 12 months for each sector and each pillar.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Spanish Tax Agency (AEAT), the Ministry of Inclusion, Social Security and Migration (MISSM), DataComex and the Spanish national grid (REE).

In general, it should be noted that the sectors that top the ranking are characterised by an improvement in the indicators within the economic activity pillar:



- The **accommodation and food services industry** has improved thanks to the positive contribution of all of the indicator's pillars, with the economic activity indicators standing out, having made their greatest contribution since 2022.



- The **chemicals and pharmaceutical industries** have registered gradual and widespread improvements in all pillars. In this case, the labour market has been the main driver of this sector's recent buoyancy.

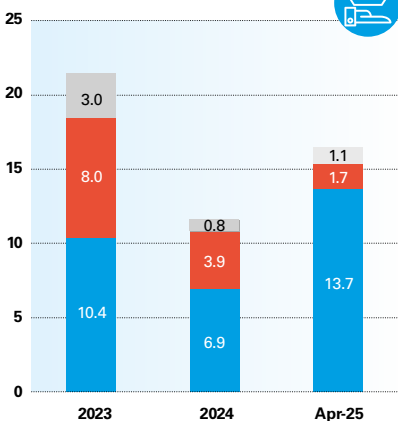


- The **agriculture, forestry & fishing sectors**, previously affected by the increase in energy prices and the drought, has experienced a revival in 2024 and 2025, as reflected in the activity and foreign sector indicators, while the improvement in the labour market is more modest.

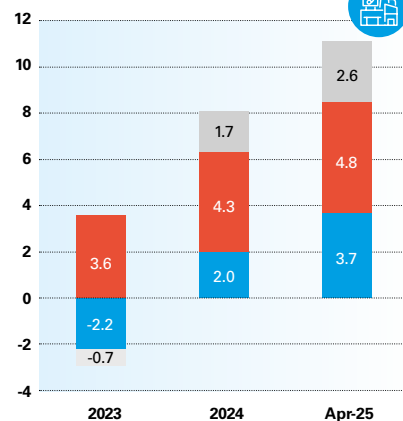
The economic activity indicators have reached their greatest contribution since 2022

Contribution of the pillars to the Sectoral Indicator in the sectors that lead the ranking (pps)

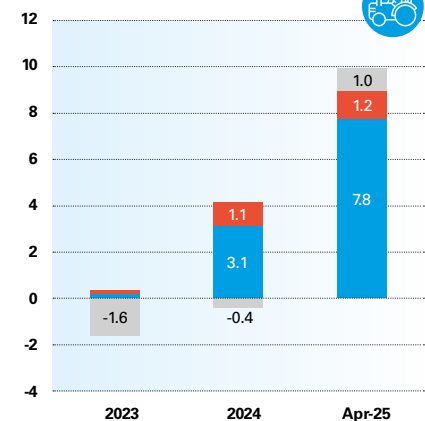
Accomm. & food serv.



Chemicals industry



Agriculture, forestry & fishing



Economic activity



Labour market



External sector

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Spanish Tax Agency (AEAT), the Ministry of Inclusion, Social Security and Migration (MISSM), DataComex and the Spanish national grid (REE).



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In contrast, among the sectors found at the bottom of the ranking there is no clear pattern, as their deterioration has been driven by different factors in each case:



• **Refining** occupies the last position, affected by a reduction in refining margins as well as other more structural factors linked to the energy transition. Despite this adverse context, the tone in the sector's labour market remains upbeat, in line with the trend observed in recent years.



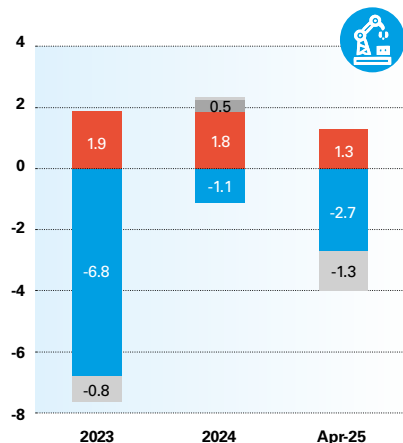
• The **transport equipment manufacturing sector** shows a slight deterioration, caused by the weakness of the labour market (significant job destruction) and the deterioration of the foreign environment (exports have registered negative year-on-year rates since the end of 2024).



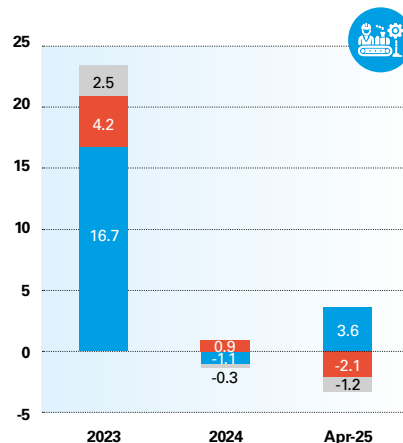
• The **textile industry**, affected by relocation and the boom in online consumption, has entered a recovery phase thanks to the activity and foreign sector pillars, although it continues to face difficulties in the labour sphere.

Contribution of the pillars to the Sectoral Indicator in the sectors at the bottom of the ranking (pps)

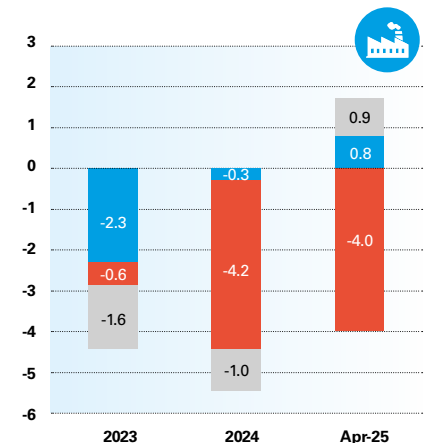
Refining



Transport equipment manufacturing



Textile & footwear industry



Economic activity



Labour market



Foreign sector

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Spanish Tax Agency (AEAT), the Ministry of Inclusion, Social Security and Migration (MISMM), DataComex and the Spanish national grid (REE).

Finally, it is worth mentioning that the manufacturing branches of the economy are located in the mid-lower part of the ranking, largely due to the weakness of the foreign sector. This pillar will most likely continue to exert downward pressure over the coming quarters due to the trade tensions. However, the competitive advantage enjoyed by the Spanish economy in terms of energy costs should support the performance of the country's manufacturing sector in the medium and long term. These two aspects – trade tensions and energy costs – are analysed in further detail in the articles «Tariff tensions and reconfiguration of trade flows: impact on Spain» and «Spain and its new energy advantage» in this same report.

Forecasts

Outlook for the Spanish economy and its sectors in 2025-2026

The outlook for the Spanish economy and its sectors in 2025 and 2026 is strong. Although there remains a high level of uncertainty surrounding the rules that govern global trade, we expect Spain's GDP to grow by 2.4% in 2025 and by 2.0% in 2026, in a scenario in which the trade tensions remain contained. Our forecasts envisage that the impact of the tariff hikes will be concentrated in the manufacturing sectors, although other indirect channels could affect other sectors more broadly, including services, depending on how the scenario pans out. Some of the key supporting factors include the lower price of energy inputs for Spain's industry compared to that of other European countries, which will help Spain's sector to grow at a similar rate to the economy as a whole despite the tariffs. We expect to see stronger-than-average performance in high-value-added sectors such as information and communication technologies, professional services and the pharmaceutical industry. In contrast, branches of industry with a high exposure to international competition and cost pressures – such as the textile and paper industries – are expected to record more modest growth.

Recent evolution of Spain's economic sectors

In 2024, the Spanish economy grew by 3.2%, accelerating significantly compared to the 2.5% recorded in 2023. In addition, this improvement was widespread across all sectors: the services sector, manufacturing and the primary sector all showed greater buoyancy.

- **Services:** although the tourism sector registered a slight slowdown in 2024 (it grew by 6.0% compared to 7.6% in 2023), the strength of high-value-added services – such as professional and scientific activities, which grew by 4.2% – and the solid performance of real estate activities (8.5%) boosted the services sector as a whole, which registered growth of 3.7% in 2024, up from the 3.3% recorded in 2023.



- **Manufacturing:** the gross value added (GVA) of the manufacturing industry grew by a solid 3.5% in 2024, driven in part by lower energy costs compared to its European competitors, as analysed in the article «Spain and its new energy advantage» in this same Sectoral Observatory. Some of the sectors with the best performance are the chemicals and pharmaceutical industries, with an estimated growth of 8.8%, and the agrifood industry, at 4.0%. In contrast, some branches with negative structural trends, such as the textile and footwear industry or the wood and furniture industry, registered falls. These sectors continue to be affected by significant international competition and strong price pressure.

- **Primary sector:** the primary sector (agriculture, forestry and fishing) continued to recover in 2024, with GVA growth of 8.3%, after recording an advance of 6.5% in 2023 and a sharp 20.3% contraction in 2022. This improvement was driven by better weather conditions and the reduction of agricultural production costs. Thanks to this recovery, the sector is approaching the activity levels reached in 2021.

Our forecasts envisage that the impact of the tariff hikes will be concentrated in the manufacturing sectors

Positive outlook for 2025-2026

Although the pace of GDP growth is expected to moderate from 3.2% in 2024 to 2.4% in 2025 and to 2.0% in 2026, the Spanish economy is expected to continue to grow above its long-term potential, albeit gradually converging towards this benchmark. This scenario is dependent on two key factors, with conflicting effects. On the one hand, the global trade tensions and the associated uncertainty are exerting downward pressure and will particularly affect sectors more exposed to the US market, or those that are more export-oriented – due to the global slowdown – and those that are investment-intensive. We analyse these direct and indirect channels in the article «Tariff tensions and reconfiguration of trade flows: impact on Spain» in this same *Sectoral Observatory*. On the other hand, Spain's competitive advantage when it comes to electricity costs compared to its European competitors acts as a driving factor for growth, especially for those most energy-intensive branches of manufacturing. The growth rates of the various sectors will also be determined by medium- and long-term structural trends. Thus, sectors with persistent challenges, such as the textile industry, will continue to show more moderate growth.

Based on the projected growth for 2025-2026, we can group the different sectors into three broad categories: **1.** Sectors with high growth, **2.** Sectors with growth around the average and **3.** Sectors with weak growth.





1. High-growth sectors

These sectors show a high potential for expansion, either because of the boost provided by favourable structural trends or due to a particularly favourable economic context in the case of construction, the primary sector and the agrifood sector.

High-value-added services: both the information and communication technologies (ICT) sector and professional and administrative activities will continue to grow above the Spanish economy's average, thus increasing its relative weight in the productive fabric of the economy. The ICT sector is benefiting from a sustained structural boost, favoured by digitalisation and the adoption of new technologies. It is expected to grow by 3.3% in 2025, accelerating to 3.7% in 2026. Professional and administrative activities also show a positive structural trend, as reflected in our projections for growth in excess of 4.0% in 2025-2026.

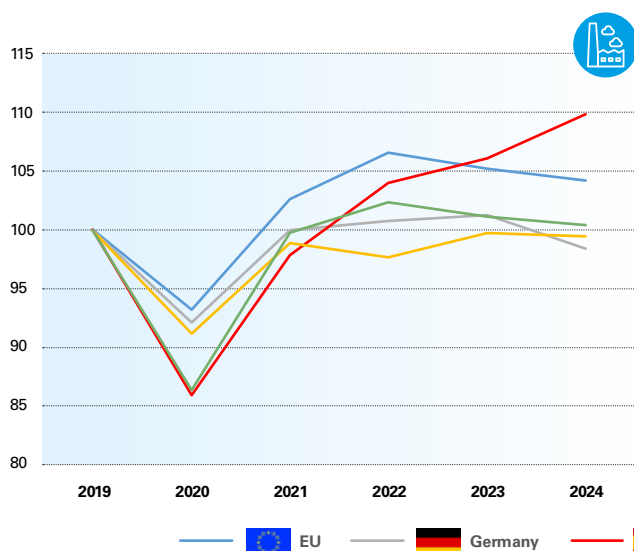
Pharmaceutical industry: the pharmaceutical industry has gained significant prominence in the last 25 years, acting as a high-value-added growth driver for the Spanish economy. In 2024, the chemicals and pharmaceutical industry as a whole grew by 8.8% according to CaixaBank Research estimates. While this sector is particularly vulnerable to potential tariffs that the Trump administration could impose, due its high exposure to the US economy, we expect it to slow to what is still a strong growth rate of +5% in 2025 and to grow by +7% in 2026.



Tourism Sector: the tourism sector continues to benefit from a high degree of specialisation and competitiveness, which allows it to maintain higher growth than the Spanish economy as a whole. After expanding by 6.0% in 2024 and far exceeding its 2019 level of activity, growth in the sector is expected to moderate towards more contained rates of around 3.5%, although this is still well above the economy's average. Some of the main economic factors supporting this strength are the high level of savings in the main source countries and the increase in gross disposable income, in a context marked by the normalisation of inflation towards the 2% target in the euro area. It should be stressed that the sector's competitiveness is reflected in its performance relative to that of other large European economies. The aggregate of trade, transportation and accommodation and food services – which includes most tourism-related activities in the national accounting records – has grown more in Spain since 2019 than in the EU as a whole or in any of the continent's major economies, despite having suffered a deeper fall during the pandemic, as reflected in the following chart.

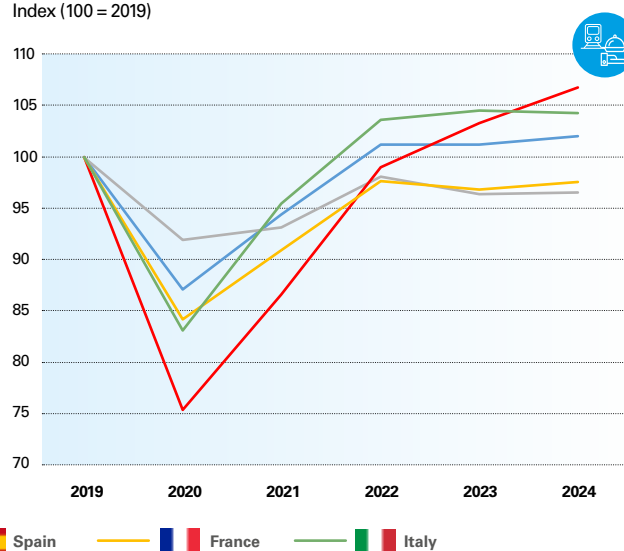
GVA of the manufacturing sector

Index (100 = 2019)



GVA of trade, transportation and accommodation and food services

Index (100 = 2019)



Source: CaixaBank Research, based on data from Eurostat.

Agrifood sector: in 2025 the primary sector (agriculture, forestry and fishing) is expected to grow by 6.6%, while the agrifood industry (food products) will grow by around 4.0%. This upturn will allow the primary sector in 2025 to recover a level of activity similar to that of 2021. For this reason, more moderate growth is expected in 2026, in line with its potential.



Construction sector: the sector grew a modest 2.1% in 2024, in a context in which the supply of housing began to reactivate, although it remains far below the demand derived from net household formation. For the period 2025–2026, lower interest rates, the housing deficit accumulated in recent years and the execution of Next Generation EU (NGEU) funds are expected to boost both residential construction and urban regeneration projects, thus favouring further growth in the construction sector.

2. Sectors with average growth

Manufacturing industry: the industry enjoyed a solid performance in 2024, with growth of 3.5%, outperforming the economy as a whole. This growth was favoured by the lower cost of energy inputs compared to other European countries, which has boosted the competitiveness of Spanish manufacturing. As a result, the sector grew substantially above the EU average. As shown in the chart above, the GVA of Spanish manufacturing has grown by 9.9% since 2019. This compares with growth of 4.3% in the EU as a whole, a decline of 1.6% Germany and one of 0.5% in the case of France. Nevertheless, manufacturing is the sector of the Spanish economy most exposed to the tariffs imposed by the US, both through the direct channel – due to its high export-intensity – and through indirect channels. The uncertainty stemming from the swings in US trade policy could adversely affect investment, posing a risk to what is a capital-intensive sector. Although the competitive advantage derived from energy prices is expected to persist, the headwinds associated with international trade policy suggest that we will see a slowdown in the sector's growth rate, placing it slightly above 2.0% in 2025 and 2026.

Wholesale trade: we expect it to benefit from the high level of savings and the growth of Spanish households' gross disposable income. These factors, coupled with the decline in inflation and robust job creation, point to a strong performance from private consumption during this year and next. The strength of private consumption leads us to anticipate that wholesale trade will grow in line with the economy as a whole in 2025 and 2026.

Some sectors will show growth below the economy's average



3. Sectors with weak growth

Our baseline scenario does not contemplate any downturn in activity in any sector during the period 2025-2026. However, some sectors will show growth clearly below the economy's average. These include:

Textile industry: for which we anticipate annual growth below 1% in both years, after three consecutive years of contraction. This industry is facing negative structural trends, marked by intense international competitive pressure, and it is not expected to recover its 2019 activity levels within the forecast horizon.

Paper industry: it shares some of these challenges and will also remain below its 2019 production level, although slightly higher growth rates are expected, at around 1.5% per year.

Finally, and despite the good outlook for consumption, we expect that **retail trade** will have the most modest performance. Retail is facing significant headwinds, including competition from digital platforms that act as intermediaries (and which are not included in retail), and changes in consumer habits, especially among younger generations. We expect it to grow by 1.5% in 2025 and by 1.3% in 2026.



Sectoral Observatory

Forecasts for GVA growth by sector

Annual change (%)

	2015-2019	2020	2021	2022	Estimate 2023	Estimate 2024	Forecast 2025	Forecast 2026
Agriculture, forestry & fishing	1.5	-2.0	7.0	-20.3	6.5	8.3	6.6	1.5
Mining & quarrying	12.1	-2.2	31.7	37.0	-30.1	0.4	-	-
Manufacturing	2.6	-14.1	13.9	6.3	2.1	3.5	2.3	2.1
Food products	0.9	-16.0	11.7	14.0	-1.5	4.5	4.0	2.0
Textiles	1.1	-14.6	9.8	-2.1	-3.0	-2.0	0.7	0.7
Paper & paper products	0.3	-11.0	3.3	-5.8	-1.0	2.0	1.5	1.5
Refining	100.8	-100.0	-464.2	110.7	-0.8	3.5	-	-
Chemicals	1.4	2.6	5.1	-12.6	5.0	8.8	5.0	7.0
Construction	0.9	-6.2	-8.9	-6.7	-1.0	2.0	-	-
Machinery & equipment	3.6	-11.5	15.5	3.3	5.5	3.5	2.0	2.0
Transport equipment	1.0	-16.9	13.1	29.3	11.8	4.5	2.3	2.3
Timber & furniture	3.5	-16.0	26.4	3.1	-3.5	-1.0	-	-
Other manufacturing	3.1	-6.4	13.6	9.8	1.5	-0.2	-	-
Water supply & waste management	1.6	-2.8	10.9	13.7	-15.1	-	-	-
Construction	3.8	-14.7	-1.0	9.2	2.1	2.1	3.4	2.9
Services	2.7	-11.1	7.0	8.5	3.3	3.7	2.8	2.6
Wholesale trade	3.9	-7.1	6.9	5.4	4.3	2.7	2.0	1.8
Retail trade	3.6	-9.1	6.1	-7.7	2.6	2.5	1.5	1.3
Transport & logistics	2.5	-27.5	15.5	25.8	3.1	3.2	1.9	1.7
Accommodation & food services	3.4	-55.3	46.6	47.8	17.3	5.2	2.7	2.7
Information	5.4	-4.8	8.4	12.4	5.0	3.7	3.3	3.6
Real estate activities ¹	3.4	-2.6	4.6	16.8	5.4	8.5	5.5	2.6
Professional, scientific & technical act.	5.6	-11.7	12.0	12.3	1.2	4.2	4.2	4.2
Social services & leisure	3.1	-20.8	1.5	13.4	6.3	2.5	1.8	1.8
Total economy	2.7	-10.9	6.7	6.2	2.7	3.2	2.4	2.0
Tourism GDP²	4.6	-54.9	37.4	58.6	7.6	6.0	3.6	3.4

Notes: The figures shaded in blue and dark grey are internal estimates and forecasts. (1) Real estate activities excluding attributed rents. (2) Tourism GDP is shown separately, since tourism demand includes activities in several sectors (accommodation and food services, trade, transportation, etc.). Tourism GDP data since 2016.

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

Tariffs

Tariff tensions and reconfiguration of trade flows: impact on Spain

The US' tariff hikes of between 10 and 20 pps should have a limited impact on the Spanish economy, less than in other advanced economies, but some sectors could be more affected. Among the most exposed sectors, we find many of the branches of manufacturing and the mining and quarrying industry, either directly due to their trade links or indirectly due to the increase in uncertainty and weakening global growth. Although less exposed overall, services will also face challenges, especially those that are more export-oriented, capital-intensive or which form part of industrial value chains. Given this scenario, Spanish companies will have to adopt different mitigation strategies, either through direct investment in the US in order to sell their products there, or by seeking alternative markets, including the regions with which the EU is deepening its trade relations. A scenario with a sudden decoupling between China and the US would entail a more pronounced global slowdown and the risk of a sharp increase in competition, which would affect the consumer goods sector in Spain to a greater extent.





The US' protectionist shift will have significant repercussions for the global economy, as the IMF warned in its latest World Economic Outlook report. Although the impact on the Spanish economy is estimated to be contained and much lower than in other advanced economies, some economic sectors could be more affected. In this article, we analyse the different channels through which an increase in tariffs could impact the various sectors of the Spanish economy, and we assess the possible mitigation strategies that can be implemented.



Sectoral Observatory

IMPACT CHANNELS OF INCREASED TARIFFS



CHANNEL	METRIC	MOST AFFECTED BRANCHES OF MANUFACTURING	OTHER SECTORS MOST AFFECTED	
 TRADE	Exposure to trade with the US (direct and indirect).	Gross value added of global exports of goods to the US.	Pharmaceuticals, metallurgy, construction, chemicals, machinery and equipment.	Mining and quarrying, trade, transportation and administrative services.
 GLOBAL SLOWDOWN	Lower international demand for the most export-oriented sectors.	Export intensity (exports as a % of GVA).	Automotive, refining, chemicals, pharmaceuticals, machinery manufacturing.	Transportation and logistics, information, professional, scientific and technical activities.
 UNCERTAINTY	Postponement of investment decisions.	Investment intensity (investment as a % of GVA) and volatility of investment.	Paper, pharmaceuticals, metallurgy, automotive.	Mining and quarrying, transportation and storage.
 RECONFIGURATION OF TRADE FLOWS	Excess supply of products not absorbed by the US	Combination of the tariff applied and the similarity of exports to the US with imports from the rest of the world.	Consumer goods, machinery and equipment.	

Source: CaixaBank Research.

The measures announced on 2 April by the Trump administration entailed a substantial increase in the effective average tariff applied by the US on Spanish imports following the imposition of a «reciprocal tariff» of 20% on products coming from the EU. However, a week later, this decision was suspended for 90 days, during which period a universal tariff of 10% has been applied to all countries with the exception of China, in addition to the 25% previously in force on steel, aluminium and the automotive sector. In any event, the outlook for tariffs remains highly uncertain, so the final impact is difficult to estimate, as it not only depends on the tariffs that are finally imposed on the EU, but also those imposed on other countries and the countermeasures that the countries concerned may take in response.⁶ Moreover, the evolution of key economic variables, such as the exchange rate and the elasticity of demand from US importers to the tariff hikes, will also be decisive for the final impact on trade flows.

⁶ For example, different reciprocal tariffs that vary from country to country, rather than a universal tariff, can alter relative prices between countries and affect each economy's final competitive position.

Trade channel: Spain's exposure to trade with the US is relatively low

In 2024, exports of Spanish goods to the US represented 1.1% of GDP, compared to 3.2% for the EU.⁷ If we take into account both direct and indirect exports (i.e. what we export to other countries which in turn ends up being exporting to the US), only 1.3% of the value added generated in Spain ends up being sold in the US (0.8% as direct exports and the remaining 0.5% through exports from other countries to the US).⁸ Overall, therefore, the Spanish economy's exposure through the trade channel is relatively low.

In addition to the direct effect for firms that export directly to the US, the tariffs also affect other sectors of the economy through global value chains and exports from other countries to the US.

The degree of exposure varies widely from sector to sector, and in some cases it is significantly higher than for the economy as a whole. The table on the following page shows the sectors with the highest percentage of value added generated in Spain that depends on global exports to the US, including:

- Some **branches of the manufacturing industry** such as the pharmaceutical sector (8.3% of the sector's value added ends up in the US as its final destination), metallurgy (6.1%), construction (6.0%), chemicals (5.5%) and machinery and equipment (4.9%).
- The **mining and quarrying industry** also shows significant exposure (3.0%).
- In contrast, **agriculture** has a relatively low exposure to the US as a whole (2.4% of the sector's value added), although some products appear to be more exposed, such as olive oil, wine and some canned vegetables.⁹
- Services generally have a low exposure through the trade channel, although in some cases, such as **trade, transportation** and **administrative services**, the exposure is higher than the economy average. These data highlight the complexity of global value chains and the critical role of service activities as providers of the necessary inputs in manufacturing processes.

⁷ Exports of goods to the US accounted for 4.7% of the total exports of Spanish goods. For details of the products exported, see the article «The importance of the trade in goods between Spain and the United States» published in the *Monthly Report* of December 2024.

⁸ Data for 2023, estimated using data from the ICIO/TIVA tables for 2019 and updated with trade flows from COMTRADE. For an explanation of the value-added data, based on the inter-country input-output tables produced by the OECD, see the article «Exposure of the European economy to a US tariff hike: a perspective through values chains», published in the *Monthly Report* of January 2025.

⁹ In 2024, 16.5% of the olive oil that Spain exported went to the United States (the second largest market after Italy). In fact, Spain was the leading source country for US imports of olive oil, at more than 1 billion euros. See «Bilateral Special Report: United States 2024», Ministry of Agriculture, Fisheries and Food (MAPA, content available in Spanish).



Spain's exposure to global exports of goods to the US

CNAE code	Sector	Exposure to the US ⁽¹⁾	Exporting country ⁽²⁾		
			Spain	Rest	
A	Agriculture	2.4	1.9	0.6	
B	Mining	3.0	2.0	1.0	
C	Manufacturing	4.9	3.5	1.4	
D	Electricity	1.3	0.8	0.5	
E	Sanitation	2.3	1.3	1.0	
F	Construction	0.3	0.2	0.1	
SERVICES	G	Trade	1.7	0.7	1.0
	H	Transportation	1.6	0.7	0.9
	I	Accomm. & food serv.	0.2	0.1	0.1
	J	ICT	0.7	0.2	0.5
	K	Financial serv.	0.6	0.3	0.3
	L	Real estate serv.	0.3	0.1	0.1
	M	Professional serv.	1.0	0.4	0.6
	N	Administrative serv.	1.7	0.8	0.8
	O	Gen. government	0.3	0.1	0.1
	P	Education	0.1	0.1	0.1
	Q	Health	0.1	0.1	0.1
	R	Entertainment	0.4	0.2	0.2
	S	Other services	0.6	0.3	0.3
	TOTAL		1.3	0.8	0.5

CNAE code	Manufacturing branch	Exposure to the US ⁽¹⁾	Exporting country ⁽²⁾	
			Spain	Rest
10-12	Food products	2.0	1.7	0.3
13-15	Textiles	2.9	2.1	0.8
16	Timber	4.1	3.1	1.0
17-18	Paper	3.0	2.0	0.9
19	Refining	5.4	4.6	0.8
20	Chemicals	5.5	3.4	2.1
21	Pharmaceuticals	8.3	6.9	1.5
22	Rubber & plastic	4.4	2.7	1.7
23	Construction	6.0	5.1	0.9
24	Metallurgy	6.1	2.8	3.3
25	Metal products	4.0	2.4	1.6
26	Computer products	2.7	1.7	0.9
27	Electrical equipment	4.7	3.2	1.4
28	Machinery & equipment	4.9	3.6	1.3
29	Automotive	3.9	2.2	1.6
30	Other transportation	3.7	2.1	1.6
31-33	Other manufacturing	1.9	1.4	0.5

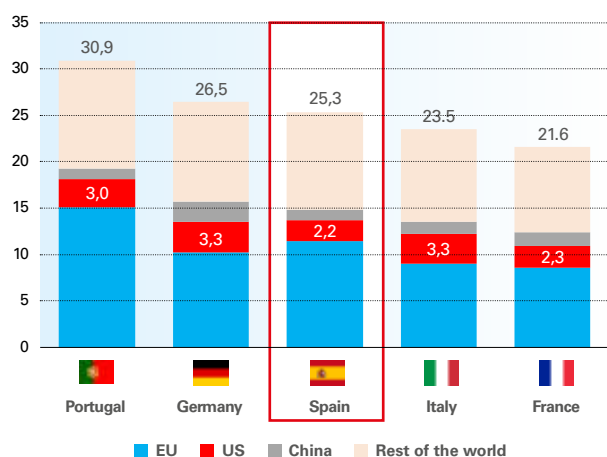
Notes: The data in the first table correspond to 2023, estimated using data from the ICIO/TiVA tables for 2019 and updated with trade flows from COMTRADE. The data in the second table (manufacturing branches) are from 2019. (1) Exposure to the US measures the percentage of value added produced in Spain that is incorporated into global exports to the US, as a percentage of the total value added of each sector. (2) The exporting country breaks down the total exposure between direct exposure (exported from Spain) and indirect exposure, distinguishing exports from other EU countries and those from the rest of the world.

Source: CaixaBank Research, based on data from the OECD, Comtrade and Eurostat.

Finally, the impact of the trade tensions on domestic employment could be significant: 25.3% of employment in Spain depends on final foreign demand, including tourism. Although only 2.2% of employment is linked to final US demand, this percentage is somewhat greater than that of the exposure in terms of value added (1.3%). Again, compared to other countries, the exposure in terms of employment is lower in Spain than in other countries such as Germany or Italy (3.3% of domestic employment depends on final US demand). Within Spain, the differences between sectors are significant: the mining and quarrying industry, manufacturing and agriculture are the most exposed, while services and especially construction have less external dependence.

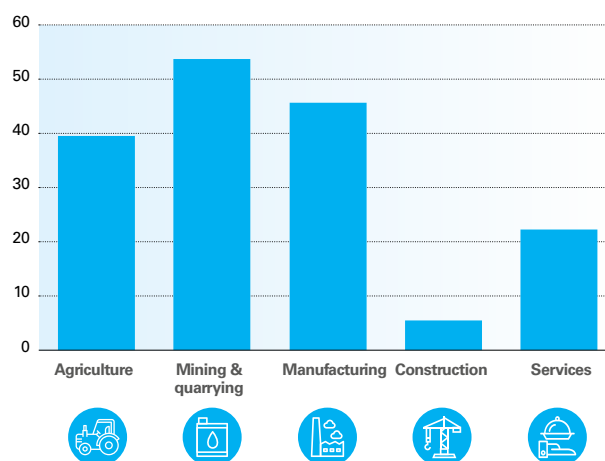
Domestic employment dependent on final foreign demand

(% of total employment in the domestic country)



Spain: employment in each sector that depends on foreign final demand

(% of the total employment in each sector)



Notes: The chart shows the percentage of employment in each country that depends on final demand in the destination countries (the EU, the US, China and the rest of the world). Data for 2019.

Source: CaixaBank Research, based on data from the OECD.

Indirect channels: global slowdown, uncertainty and financial conditions

In addition to the trade channel, the Spanish economy and its sectors could be affected by several indirect channels that might amplify the initial shock of the tariff hikes. These include, first of all, the deterioration of the global economic outlook, which could affect more export-oriented sectors to a greater extent. Secondly, they include the heightened uncertainty, which often leads to a postponement of business investment decisions, especially in more investment-intensive sectors or those in which investment is more volatile. Thirdly, a tightening of the financial conditions could make it harder for firms to access external financing. Below, we will explain each of these channels.

The slowdown of the main trading partners and the uncertainty will affect the investment decisions and the activity of Spain's productive sectors

Global slowdown

The IMF, in its latest World Economic Outlook report, presented a scenario characterised by increased protectionism, the fragmentation of international trade and geopolitical tensions, which would slow global economic growth. In particular, the entity has revised its global economic growth forecast for 2025 and 2026 in total down by 0.8 pps. Besides the US, for which the growth projection for 2025 has been lowered to 1.8% (revision of -0.9 pps), the other economies hardest hit are Mexico, where GDP is expected to contract by 0.3% (revision of -1.7 pps), and China, with growth of 4.0% forecast (-0.6 pps). For the euro area, the revision is more contained (-0.2 pps), but its economies will show the lowest growth (0.8%), with the exception of Spain, for which it forecasts GDP growth of 2.5% in 2025, in line with the CaixaBank Research scenario.

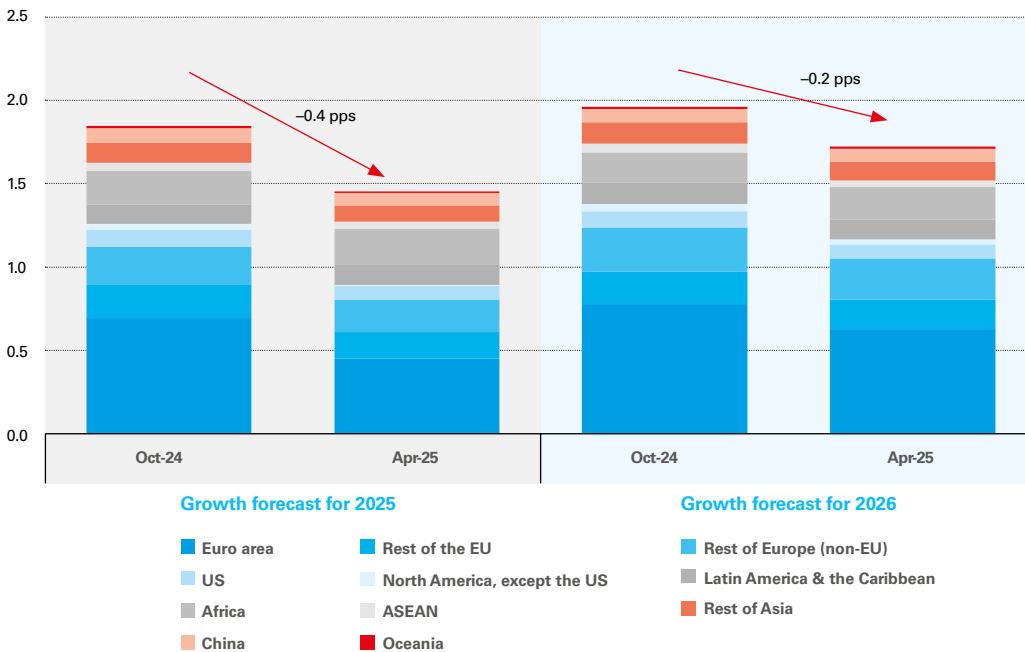


According to these forecasts, the expected slowdown of Spain’s trading partners is not minor: whereas in October 2024 growth of 1.8% was anticipated for 2025, the latest estimate places it at around 1.4%, representing a downward revision of around 0.4 pps. For 2026, the impact is smaller: going from the 2.0% expected in October 2024 to the 1.7% anticipated in April 2025 (–0.24 pps).¹⁰

¹⁰ We apportion the IMF’s GDP growth forecasts for each country according to the relative weight of Spanish exports of goods to each country in 2024.

Expected GDP growth of Spain’s trading partners

Change (%)



Note: IMF’s real GDP growth forecasts for each country for 2025 and 2026, apportioned according to the relative weight of Spanish exports of goods to each country in 2024.

Source: CaixaBank Research, based on data from the IMF (WEO) and Datacomex.

In this environment of lower global growth and slowing trade flows, the sectors that are more open to foreign markets are the ones that could be the hardest hit. The table on the next page shows the export intensity of the various sectors, measured as the percentage of their turnover that comes from sales abroad. The sectors most exposed include some branches of manufacturing, such as the automotive, refining, chemicals and pharmaceutical industries, and machinery and equipment. Within services, although the impact should be more contained due to their lower investment intensity, some of the sectors most exposed are those that in recent years have increased their sales abroad, which include the scientific and technical professional activities, and the information and communications sector.¹¹

¹¹ See the article «Excellent records in the foreign sector in 2024» published in the *Monthly Report* of March 2025.

Export and investment intensity by economic sector

	GVA (% of total)	Exports (% of total revenues)	Export intensity ¹	Investment ³ (% of GVA)	Investment intensity ¹	Standard deviation of investment	Volatility of investment ¹
Agriculture, forestry & fishing ²	3.0%	10%	Low	16.8%	Medium	2.1%	Low
Mining & quarrying	0.4%	27%	Medium	28.0%	High	13.5%	High
Manufacturing	12.5%	39%	High	27.1%	High	4.5%	Medium
Food products	2.3%	22%	Medium	21.6%	High	1.6%	Medium
Textiles	0.7%	33%	High	10.3%	Low	0.8%	Low
Paper & paper products	0.5%	25%	Medium	17.6%	Medium	2.3%	High
Refining ²	0.2%	59%	High	37.6%	High	-	-
Chemicals	1.8%	46%	High	18.7%	Medium	1.9%	Medium
Construction	2.3%	36%	High	16.9%	Medium	1.6%	Medium
Machinery & equipment	1.8%	41%	High	10.5%	Low	0.4%	Low
Transport equipment	1.5%	64%	High	20.7%	High	4.7%	High
Timber & furniture	0.7%	21%	Medium	13.6%	Low	1.5%	Medium
Other manufacturing	0.6%	38%	High	19.0%	High	2.0%	High
Water supply & waste management	1.2%	7%	Low	26.3%	Medium	15.6%	High
Construction ²	5.7%	7%	Low	11.3%	Low	4.9%	Medium
Services	43.2%	13%	Low	14.2%	Medium	-	-
Wholesale trade ⁴	8.3%	15%	Medium	12.0%	Medium	1.6%	Low
Retail trade	5.4%	4%	Low	-	-	-	-
Transport & logistics	4.0%	19%	Medium	30.3%	High	8.4%	High
Accomm. & food serv.	4.3%	7%	Low	7.3%	Low	1.8%	Low
Information	3.9%	19%	Medium	29.3%	High	4.9%	Medium
Real estate activities	4.1%	2%	Low	5.7%	Low	2.1%	Low
Professional, scientific & technical act.	9.1%	16%	Medium	20.8%	Medium	3.5%	Medium
Social services & leisure	4.1%	5%	Low	10.7%	Low	6.5%	High

Notes: Data corresponding to 2019 (exports) and the 2018-2022 average (investment). (1) A sector is considered to have 'High' intensity/volatility when it is above the 66th percentile (P66), 'Medium' when it is between P66 and P33, and 'Low' if it is below P33. (2) Data for these sectors have been obtained from the database of the Spanish Tax Agency (AEAT). (3) Includes investment in buildings (not housing), machinery and capital goods, biological resources and intellectual property. In the case of manufacturing, the GVA at factor cost is considered. (4) The investment data does not distinguish between wholesale and retail trade; rather, the aggregate figure is provided (CNAE category G).

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

The global slowdown will affect the sectors that are more open to foreign markets, such as some branches of manufacturing, and professional and communications services



Uncertainty and postponement of investment decisions

The increased uncertainty regarding trade policies and, in general, about the new rules of play that will govern international trade can lead companies to adopt a more cautious stance, delaying planned projects and reducing expenditure on capital goods. Consequently, more investment-intensive sectors, or those in which investment is more volatile, are the ones which *a priori* are likely to be the hardest hit. The table reveals that the paper, pharmaceutical, metallurgy, automotive, and mining and quarrying industries are among the most exposed. On the services side, transportation and storage stand out.

Since the US tariff announcements, volatility in the financial markets has surged. Financial conditions have come under stress, reflecting heightened uncertainty and risk aversion. Although the impact through this channel is very limited for now, we cannot rule out the possibility that the amplifying effects of the shock could end up leading to more stringent conditions for accessing credit, which would affect companies more dependent on external financing.

Reconfiguration of trade flows: risks and opportunities

The increase in tariffs on products imported by the US means that they are now more expensive than the domestic supply within the US market. Given this situation, depending on the level at which the tariffs end up, and considering the change in the cost structure, exporting firms in Spain that want to maintain their share of sales in the US can choose to establish or increase their productive capacity inside the US or, alternatively, somewhere where the tariff treatment ends up being relatively more favourable (e.g. in Canada or Mexico, as preferred US partners under the USMCA).

Spanish firms must adopt different mitigation strategies, either through direct investment in the US in order to sell their products there or by seeking alternative markets

Another option is for exporting firms in Spain to seek to redirect their sales to other foreign markets. The potential for this reconfiguration will depend on a number of factors, including the similarity of demand patterns with respect to the US market, the competition from firms from other countries in a similar situation to the Spanish ones, the volume of the target market and the degree of accessibility in terms of trade to the country in question.

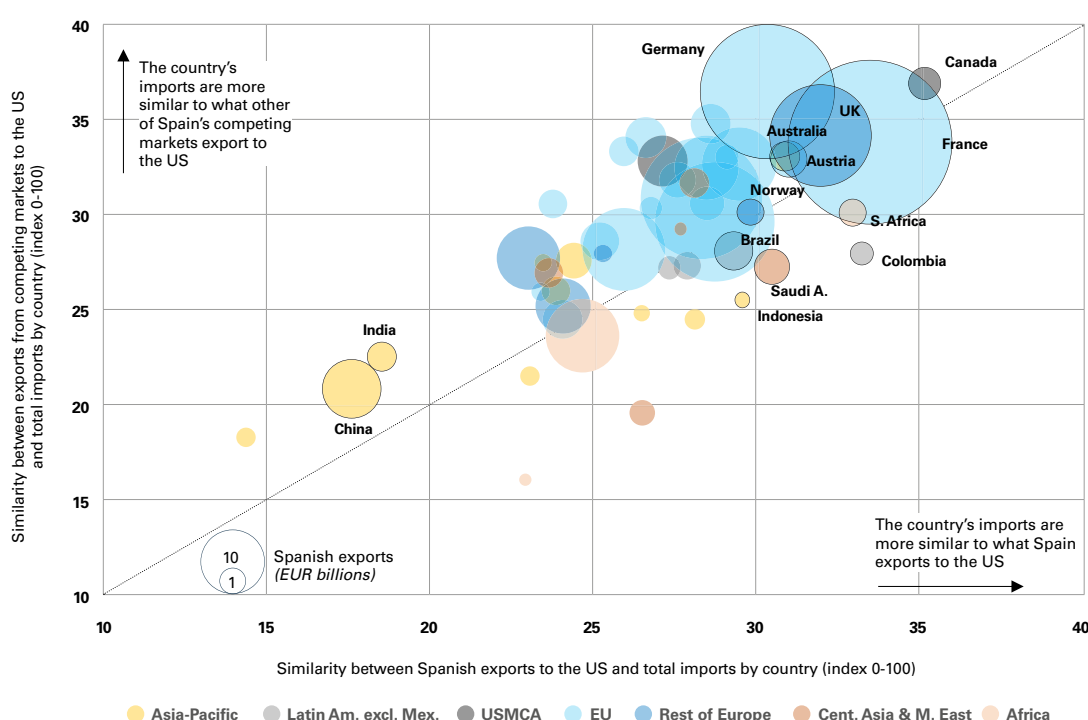
To round off the analysis, we examined how similar Spanish exports to the US are to the total imports from the world's major markets (see the following bubble chart). To this end, we used a **product structure similarity index**,¹² emphasising the highest values in traditional export markets that are geographically close and of a considerable size, such as Germany, France and the United Kingdom, as well as others in regions with which the EU is deepening its trade relations, such as Canada, Australia and Brazil. On the other hand, two of the major world markets, China and India, have a very different import structure to that of Spanish exports to the US, which limits the ability to redirect trade flows to these countries.

¹²The export similarity index measuring the similarity of trade flows between two countries is produced by taking the sum of the lower value between the two countries of the proportion of the total corresponding trade flow that each product represents. The index ranges from 0 (totally different trade structures) to 1 (identical trade structures). See, for example, its application in: The Fed - The Sectoral Evolution of China's Trade.

It is also important to note that, in a scenario with higher tariffs to enter the US market, Spanish firms will not be alone seeking alternative destinations and they will need to take into account the greater level of **competition from other producing countries**. Moreover, as shown by the arrangement of the bubbles along the diagonal line in the chart, it is precisely in these aforementioned markets that demand is more similar to Spain's exports to the US, and in which competition will also be potentially high. In this regard, the relative positioning of Spanish firms seems to be somewhat more favourable in Colombia, South Africa, Saudi Arabia and Indonesia.

Main alternative markets for Spanish exports to the US

Similarity index (between 0 and 100)



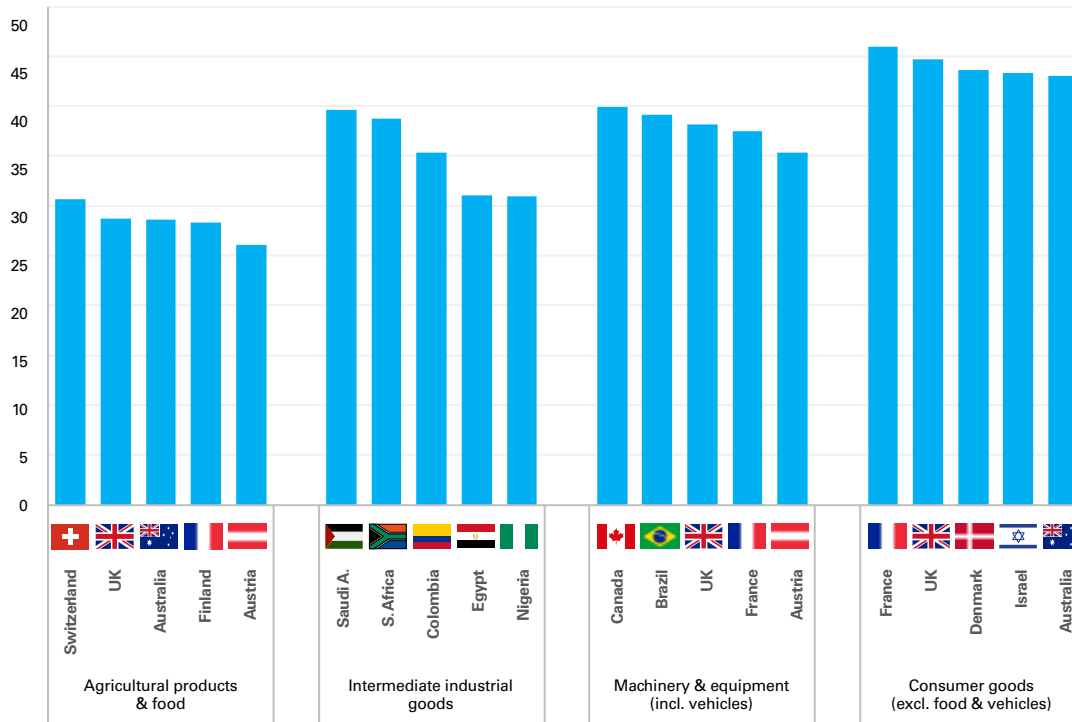
Note: Based on product trade flows at the 6-digit level of detail per the HS classification; USMCA includes Canada and Mexico.
Source: CaixaBank Research, based on data from COMTRADE.

This analysis shows a more varied picture when we use the same **similarity index according to product groups** (see the following chart). Generally speaking, the structure of Spanish exports of consumer goods, machinery and equipment to the US is more similar to what the rest of the world imports when compared to intermediate industrial goods or agricultural and food products, indicating a greater degree of specialisation within these latter products for the US market.



Alternative markets most similar to Spanish exports to the US by product group

Similarity index relative to the total imports by country (between 0 and 100)



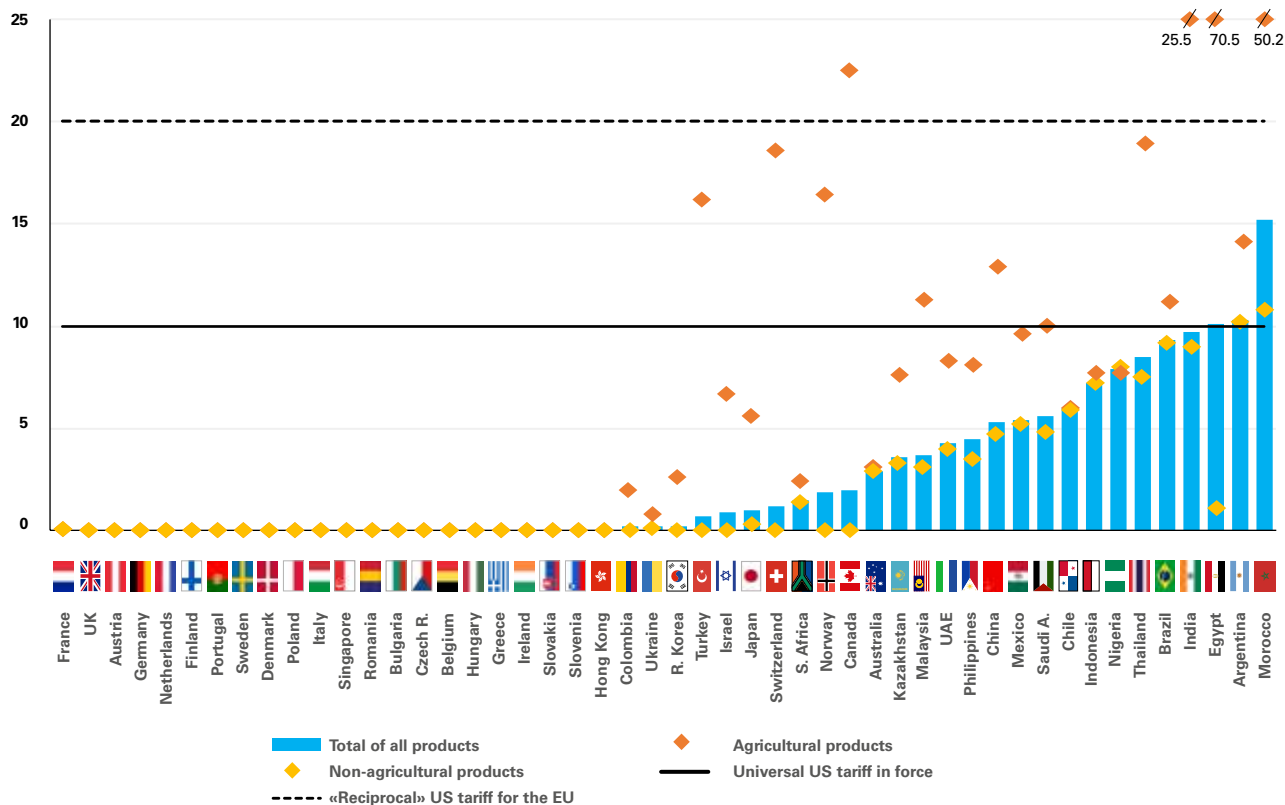
Note: Based on trade flows by product at the 6-digit level of detail per the HS classification.
Source: CaixaBank Research, based on data from COMTRADE.

Among the most similar markets for each product group, a large part of the countries mentioned above appear. Most notably, they include the United Kingdom, which is in the top 5 in three of the four categories; France and Australia, which do so in two of them, as does Austria, and Canada, which leads the machinery and equipment category (including cars). Among the rest, Switzerland is the market that shows the best potential fit with Spain's agrifood exports to the US, unlike what is indicated by the aggregate similarity index for all products. On the other hand, emerging and developing economies top the list in the case of intermediate industrial goods, although it should be considered that the size of their markets and the current penetration of Spanish exports are relatively limited.

An important factor in the analysis of alternative destinations for Spanish exports to the US is the **degree of accessibility** to these markets. As an approximation, we take as a point of reference the average tariff applied in each country for products from the EU, differentiating between agricultural and non-agricultural products (see the following chart). Compared to the current level of the universal tariff applied by the US (10%), the tax on European imports is significantly lower in the vast majority of alternative destinations and not only among members of the European Common Market. It would be even more so if the so-called «reciprocal» tariff on EU products announced on 2 April (of 20%), which are currently suspended for 90 days, end up being applied.

Tariff applied on imports of Spanish products (%)

(%)



Note: Weighted average tariff for EU products; tariff above 25% for agricultural products in the case of India, Egypt and Morocco.
Source: CaixaBank Research, based on data from the WTO.

The main exceptions to this scenario of lower tariffs compared to the US are found in emerging and developing economies. For instance, Morocco has an average total tariff of 15%, while for Argentina, Egypt, India and Brazil it is around the 10% mark of the US universal tariff. There are also notably higher values in other markets in the case of imports of agricultural products, which are much more protected than other goods in countries such as Turkey, Canada and Norway, with tariffs in excess of 15%. A similar case is that of Switzerland, which we previously mentioned as a market with a potentially attractive agrifood demand for diverting Spanish exports away from the US.

To complement this analysis, it is worth mentioning some additional factors that are relevant for the reconfiguration of trade flows as a result of the US tariff hikes and which once again shows that Spanish exporters are not alone in the search for alternative destinations for their products.

On the one hand, given the greater relative integration of Spain with respect to the common market, close attention will need to be paid to the repositioning of European firms, both through direct investment decisions and through the diversion of trade, which could have an impact on the participation of Spain's productive sectors in regional EU value chains.



On the other hand, while the US has established a universal tariff of 10% on imports from the rest of the world, the treatment proposed in the announcements of reciprocal tariffs on 2 April would entail a widely varying rate from country to country, with significant changes in relative entry prices into the US market. For instance, exporters in the EU were significantly less penalised than those in South-East Asia, where potential tariffs were proposed in some cases in excess of 40%.

Scenario with a China-US decoupling: how could it affect Spain?

This asymmetry in the tariff treatment is already in force today for products coming from China and we expect this situation will be maintained, given the tendency of the Trump administration to increasingly distance the US economy from that of China (decoupling), even in a scenario with a favourable bilateral negotiation. Under these new conditions, the main potential effects on the rest of the world's economies include, as was the case in the first phase of the trade war in 2018-2019, the possible rerouting of Chinese exports towards other Southeast Asian countries in order to access the US market. However, the extent of this factor will depend on whether these countries maintain the current universal tariff of 10% or whether the US adopts a tougher position on the rules of origin for products.

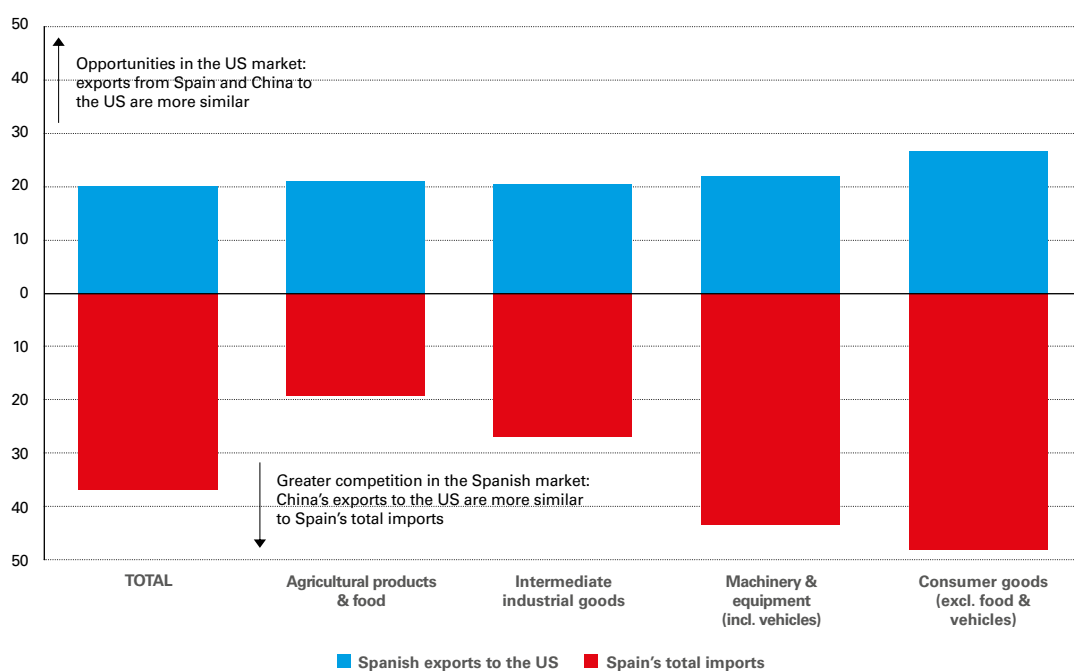
The China-US decoupling could lead to a sharp increase in competition, which would particularly affect the production of consumer goods

In terms of what could affect Spain the most, we find factors with an opposite effect. On the one hand, given the stark difference in the increase in tariffs compared to those imposed on Chinese products, opportunities may well arise to increase Spain's presence in the US market due to its exports now being relatively cheaper than those coming from China. It should be noted here that the elasticity of demand between imports of different origins is usually greater than that it is between domestic and foreign products. This means that US consumers and firms could end up seeking alternative suppliers if the tariffs on goods from China are high enough to cancel out the current price gap (up to 50% cheaper than imports from the rest of the world for a large number of goods). To assess the potential impact of this factor for Spanish firms, we compared the structure of exports to the US with that of Chinese products in the same market (see the upper bars in the chart on the following page). In general, we estimate that the opportunities would be limited, with the degree of similarity being slightly higher within the machinery, equipment and consumer products group, and probably more contained overall if we were to consider the actual degree of substitution among the characteristics within each product line (reflecting, for example, quality differences).

On the contrary, the establishment of tariffs on Chinese products over and above those imposed on other countries could lead to a significant diversion of these goods to other markets, including to Spain, with the consequent increase in competition for local producers given the aforementioned price differences. To measure these risks, we will now compare the structure of Chinese exports to the US with that of imports from Spain (see the lower bars in the chart). In this case, the values of the similarity indices are significantly higher than those of the opportunity indicator, and they are particularly high in the final product categories, both for consumption and for investment. In this case, it is also important to be aware of the actual differences between goods of the same product, as well as the possibility of the EU responding with further tariffs if it perceives significant risks of a «flood» of Chinese exports in the European market. In any case, in this risk scenario, greater disinflationary pressures in international trade are to be expected.

Similarity between Spain's trade and the structure of China's exports to the US

Index between 0 and 100



Note: Based on trade flows by product at the 6-digit level of detail per the HS classification.

Source: CaixaBank Research, based on data from COMTRADE.



Final reflections

While a US tariff hike of between 10 and 20 pps should have a limited impact on the Spanish economy, a trade war is not good for anyone and some sectors could be affected through different channels. Some branches of manufacturing, such as the machinery and equipment, metallurgy, chemicals, and mining and quarrying industries, are the ones most directly exposed through the trade channel. Through indirect channels, the automotive sector is one of the most likely to be impacted due to its greater export and investment intensity, as well as some service sectors, especially those with a greater share in industrial value chains, those more open to foreign markets and those that are more investment-intensive, such as transportation and logistics, and information and communications.

In this challenging environment, some opportunities could also arise to redirect exports now subject to higher US entry tariffs. Spanish firms must adopt different mitigation strategies, either through direct investment in this market or by seeking alternative destinations with a similar demand structure. Our analysis shows that the opportunities will be greater for consumer products, machinery and equipment. By region, the most attractive opportunities are found not only in traditional export markets in Europe, but also in other regions with which the EU has been deepening its trade relations in recent years.

These opportunities will not be exempt from a high dose of competition from exporters from the rest of the world that find themselves in a similar situation to Spanish firms, seeking alternative destinations to redirect their sales to the US. Thus, a scenario involving a sudden decoupling between China and the US could lead to a sharp increase in competition for the EU, due to it receiving a barrage of Asian goods originally destined for the US market, thus importing disinflationary pressures and greater challenges for the export sector. In Spain, this risk scenario would particularly affect the production of consumer goods.

Energy

Spain and its new energy advantage

Between 2018 and 2024, the Spanish economy experienced a substantial improvement in its relative electricity and gas prices, going from paying more than the European average to benefiting from lower rates. This decline is a result of the significant growth of solar photovoltaic and onshore wind power, the two forms of electricity generation with the lowest cost. Lower electricity prices compared to European competitors have facilitated the manufacturing sector's good performance in recent years. This advantage in the generation of sustainable and low-cost electricity gives Spain's industry a competitive edge over its competitors.

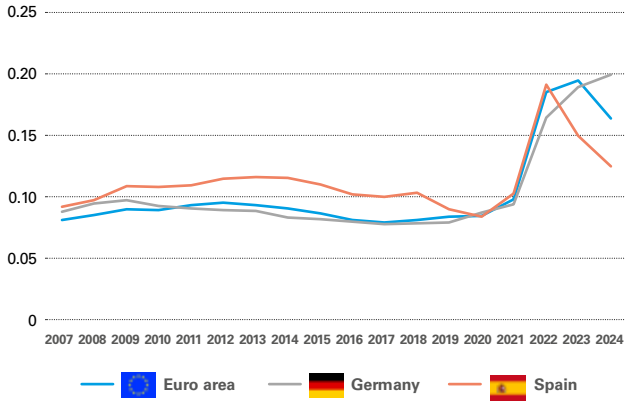
Historically, Spanish manufactures have faced the challenge of having higher energy input prices than their European competitors. According to data from Eurostat, in the entire period for which data are available up until 2018, the industrial price of electricity in Spain was above the euro area average (see the chart on the next page). This has contributed to the fact that, also according to Eurostat data, the gross value added (GVA) of Spanish manufactures grew at a lower rate than that of the euro area as a whole between 1997 and 2018. In this period, the compound annual growth rate (CAGR) of Spain's manufacturers stood at 0.6%, while in the euro area it was 1.6%. In the same period, both France (1.3%) and Germany (2.0%) experienced growth rates of their manufacturing GVA more than double that of Spain. This growth differential contributed to the fact that, according to Eurostat data, Spanish manufactures' share of GDP contracted between 1997 and 2018 faster in Spain (-5.9 pps) than in Germany (-0.0 pps), France (-4.6 pps) or Italy (-3.7 pps).



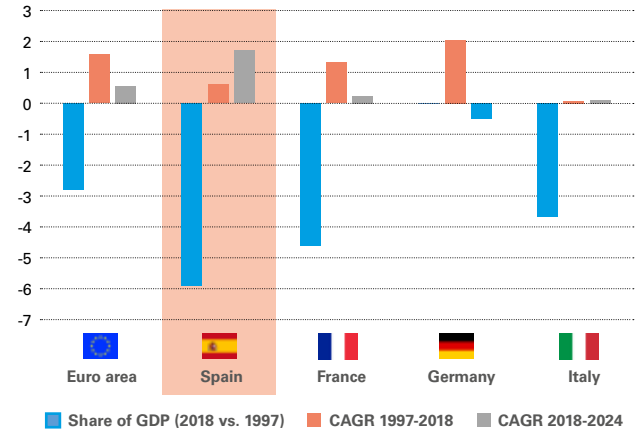


Sectoral Observatory

Industrial price of electricity (euros/kWh)



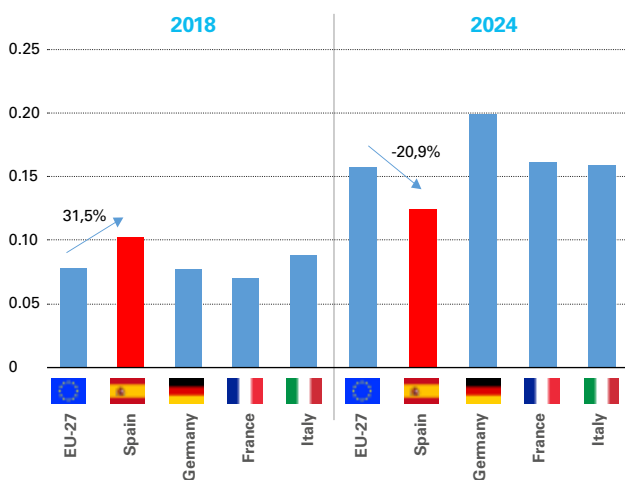
Growth of manufacturing GVA (pps for share of GDP and % for CAGR)



Note: Prices for consumers in the ID band (between 2,000 and 19,999 MWh) before charges and taxes.
Source: CaixaBank Research, based on data from Eurostat.

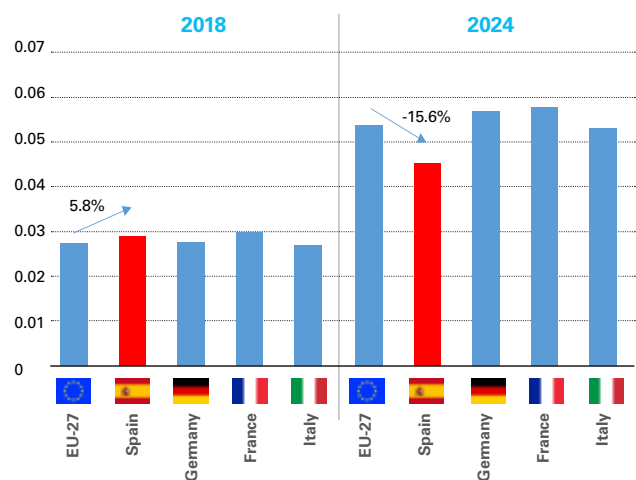
This adverse circumstance for Spain's industry has been reversed in recent years. Between 2018 and 2024, relative energy prices for industrial use shifted substantially in Spain's favour compared to the rest of Europe. Whereas in 2018 Spain's industry was paying 31.5% more for its electricity than European industry, in 2024 it paid 20.9% less. Spain's industry has also experienced a favourable relative price change in the case of gas, which between 2018 and 2024 went from being 5.8% more expensive than in the rest of Europe to being 15.6% cheaper. In this same period, the annualised growth of Spanish manufacturers has been above that of the euro area (+1.7% vs. 0.6%).

Industrial price of electricity (euros/kWh)



Note: Prices for consumers in the ID band (between 2,000 and 19,999 MWh) before charges and taxes.
Source: CaixaBank Research, based on data from Eurostat.

Industrial price of natural gas (euros/kWh)



Note: Prices for consumers in the I3 band (between 1,000 and 9,999 GJ) before charges and taxes.
Source: CaixaBank Research, based on data from Eurostat.

This positive shock in the terms of trade is a response to two key factors. On the one hand, Spain was less exposed to Russian gas and, therefore, has suffered less disruption as a result of Russia's invasion of Ukraine. According to Bundesnetzagentur, Germany's energy regulator, the country imported 52% of its natural gas in 2021 through pipelines connecting it to Russia. In contrast, the poor energy connections between the Iberian Peninsula and the rest of the European continent – a historical disadvantage for Spain – meant that the effects of the closure of the Russian gas pipelines were minor for Spain.

On the other hand, Spain has a competitive advantage over Europe for the two types of electricity generation with the lowest cost: solar photovoltaic and onshore wind. According to data from the US Energy Information Administration,¹³ these two generation sources produce the least expensive electricity. While electricity generation through coal combustion or combined cycle costs 89.33 dollars/MWh and 42.27 dollars/MWh respectively, onshore wind and solar photovoltaic costs 31.07 dollars/MWh and 23.33 dollars/MWh. A German study (by Fraunhofer-ISE)¹⁴ corroborates these results for Europe, finding a similar order in the cost of electricity generation from each source.

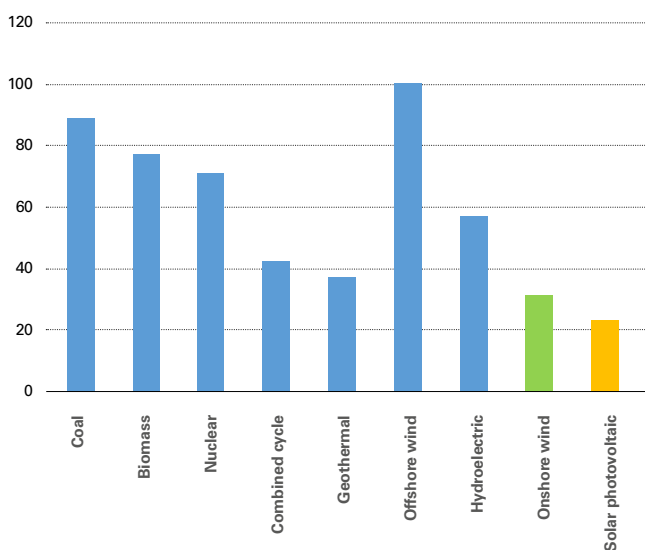
According to data from Spain's national grid (Red Eléctrica), between 2018 and 2024, low-cost renewable electricity generation increased from 22.8% to 40.2% of total electricity production in Spain. This increase is mainly due to the increase in solar photovoltaic production, which went from 3% to 17% of total production in the same period. This increase in low-cost renewable electricity generation has a significant impact on electricity prices. In a recent study,¹⁵ the Bank of Spain estimated that wholesale electricity prices are 40% lower today than they would have been if wind and solar energy production had remained at 2019 levels.

¹³ «Estimated levelized cost of electricity (LCOE) U.S. Energy Information Administration», Annual Energy Outlook, 2023.

¹⁴ Christopher Kost. «Study: Levelized Cost of Electricity – Renewable Energy Technologies». Fraunhofer ISE.

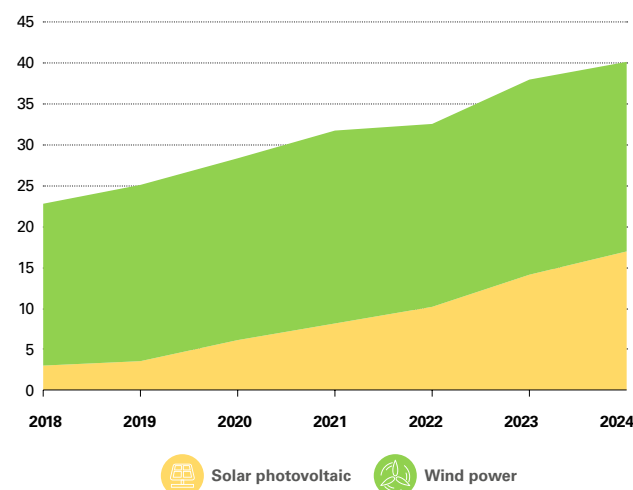
¹⁵ J. Quintana «The impact of renewable energies on wholesale electricity prices». Bank of Spain, Economic Bulletin 2024/3.

Average electricity price by source in the US in 2023
(dollars/MWh)



Note: The price includes taxes and charges.
Source: CaixaBank Research, based on data from the U.S Energy Information Administration.

Electricity generated in Spain with low-cost renewables
(%)



Source: CaixaBank Research, based on data from the Spanish national grid (Red Eléctrica).

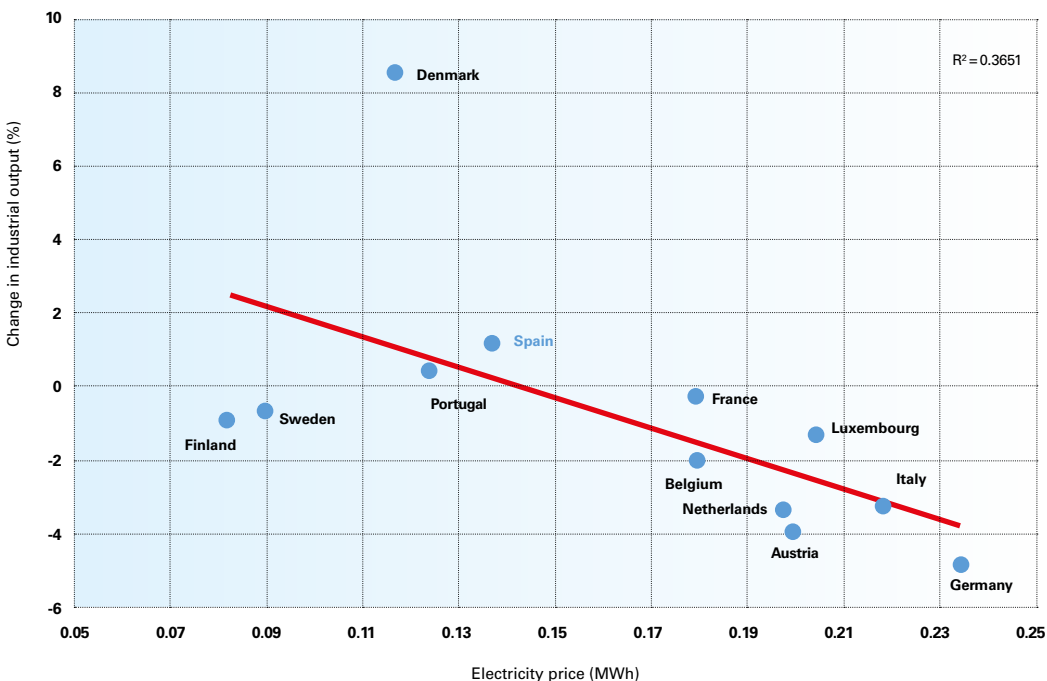


Spain has competitive advantages when it comes to renewable energy generation, as it receives a high level of solar radiation and has significant wind potential thanks to a combination of natural, geographical, political and economic factors. In particular, it has favourable climatic and geographical conditions, such as large areas of land with low population density which facilitate the installation of wind turbines. Moreover, in the late 1990s, policies were introduced to support this industry, and this led to the development of Spain's world-leading wind industry. While the competitive advantage associated with gas prices is expected to be temporary, that associated with electricity prices is more sustainable in the long term. Lower gas prices in Spain are based on geopolitical circumstances which could change in the long term, for instance, if the conflict in Ukraine were to end or other European countries were to boost their capacity to absorb liquefied natural gas. On the other hand, the competitive advantage in electricity prices is more sustainable in the long term, as the factors behind it are physical ones that are not expected to change in the short or medium term.

Energy costs are key to manufacturing output

Energy input prices are closely associated with manufacturing performance. Electricity prices in 2024 show a strong negative correlation with the growth of manufacturing output. The Nordic countries and Spain, with their more competitive electricity rates, have performed better, while industrial output in Italy, Austria and Germany is suffering the effects of high electricity costs.

Relationship between industrial output growth and electricity prices in Western Europe in 2024



Source: CaixaBank Research, based on data from Eurostat.



Renewable energy is boosting the competitiveness of Spain's manufacturing industry

With a longer time horizon, we use panel data from European economies between 2007 and 2024 to analyse the relationship between the growth of manufacturing GVA and electricity prices for industrial producers.¹⁶ Our estimate suggests that a 10-cent increase in the price per kWh is associated with a reduction in the growth of manufacturing GVA of between 2.0 and 2.7 pps, depending on the statistical specification and the sample used.¹⁷ According to this estimate, electricity prices in 2018 exerted a negative pressure on Spain's manufacturing sector of approximately 0.6 pps relative to the growth of the euro area as a whole. On this basis, the lower relative electricity prices in Spain in 2024 explain the fact that Spain's industrial output grew by around 0.8 pps above that of the euro area as a whole. Given that Spain's industrial GVA grew 1 pp less than that of the euro area in the period 1995-2018, and that it grew 1.1 pp higher in the period 2018-2024, the electricity price differential appears to explain both the majority of the poorer past performance and the current improvement.

¹⁶The econometric specification includes fixed country and year effects that allow us to control for factors that are constant across every country or year. It should be recalled that these estimates should be interpreted as correlations, since other factors not included in the analysis could affect this relationship.

¹⁷In particular, we exclude small countries and those where the manufacturing sector is insignificant.



CaixaBank Research Sectoral Indicator

	Average 2011-2014	Average 2015-2019	2020	Average 2021-2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025 ⁽²⁾	Change in the past (pps)		
										3 months	6 months	12 months
Agriculture, forestry & fishing	5.0	10.3	-1.3	0.7	3.8	8.3	8.3	10.5	10.8	0.3	2.5	6.9
Mining & quarrying	-7.6	3.6	-13.8	2.9	-10.9	-4.8	0.6	1.9	1.8	0.0	1.2	12.8
Manufacturing	-1.8	5.1	-16.5	4.5	0.7	2.5	4.1	3.8	4.0	0.2	-0.1	3.3
Food products	0.6	6.1	-10.3	5.8	2.7	2.9	6.3	7.0	6.9	-0.1	0.6	4.2
Textiles	-1.1	3.1	-34.0	7.6	-7.1	-2.2	-2.2	-2.2	-1.8	0.4	0.4	5.2
Paper & paper products	-6.5	1.9	-18.1	3.7	-0.2	2.4	2.7	1.5	1.8	0.3	-0.9	2.1
Refining	2.1	0.6	-18.5	0.0	5.9	2.6	0.6	-2.8	-3.6	-0.7	-4.1	-9.5
Chemicals	-0.2	4.4	-7.4	6.6	6.2	11.3	11.2	10.8	11.1	0.3	-0.1	4.9
Construction	-7.8	4.9	-20.7	5.2	-2.5	3.5	4.8	3.6	3.9	0.3	-0.9	6.4
Machinery & equipment	-3.3	6.8	-14.3	6.4	-1.1	1.6	5.1	5.9	6.1	0.2	1.0	7.2
Transport equipment	3.7	5.8	-19.8	5.3	-2.0	-3.2	1.5	-2.8	-2.5	0.2	-4.0	-0.5
Timber & furniture	-11.6	8.4	-21.0	6.2	-3.5	0.5	3.2	2.1	2.2	0.1	-0.9	5.7
Other manufacturing	-1.2	4.6	-14.7	4.2	-2.2	-0.2	5.0	6.7	6.9	0.2	1.9	9.1
Water supply & waste management	-2.8	6.0	-7.0	10.3	4.4	8.3	8.1	7.7	7.7	0.0	-0.4	3.3
Construction	-27.0	12.6	-17.6	9.9	2.5	4.8	8.3	8.6	8.6	0.0	0.2	6.1
Services	-0.3	10.6	-24.9	12.3	4.8	5.6	6.8	7.0	7.1	0.1	0.3	2.3
Wholesale trade	-0.4	8.5	-18.7	7.4	2.6	4.3	5.9	5.9	5.8	-0.1	-0.1	3.2
Retail trade	-0.1	8.8	-16.1	11.6	2.9	3.1	5.0	5.9	6.2	0.3	1.2	3.3
Transport & logistics	-1.3	9.8	-22.6	17.1	7.5	11.0	10.2	8.8	8.9	0.1	-1.3	1.5
Accommodation & food services	6.2	14.4	-87.2	47.5	13.8	10.5	14.3	19.6	18.9	-0.7	4.6	5.1
Information	2.2	11.8	-11.2	13.9	10.8	8.4	6.9	5.7	5.3	-0.4	-1.6	-5.4
Real estate activities	-0.7	15.3	-15.9	16.9	11.0	11.2	7.9	8.6	9.0	0.5	1.1	-2.0
Professional, scientific & technical act.	0.5	11.8	-21.1	15.5	6.3	6.1	8.6	9.4	9.6	0.2	1.0	3.3
Social services & leisure	1.2	14.6	-34.1	18.6	13.2	11.8	8.2	7.4	7.5	0.1	-0.7	-5.7
Total economy⁽¹⁾	-1.3	9.0	-20.8	10.3	3.8	5.4	6.7	6.3	6.5	0.1	-0.2	2.6

Notas: (1) Excludes general government and defence, education and health activities, as well as highly regulated sectors (the energy and financial sectors). (2) Q2 2025 corresponds to data for April.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Spanish Tax Agency (AEAT), the Ministry of Inclusion, Social Security and Migration (MISSM) and the Spanish national grid (REE).

CaixaBank Research

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