The Spanish economy defies the global environment and beats expectations

The Spanish economy continues to show significant dynamism, with better performance than expected, driven by domestic demand (both private consumption and investment). Among other factors, this is thanks to the strong financial situation of both households and firms, favourable financing conditions, the normalisation of inflation and the strength of the labour market.

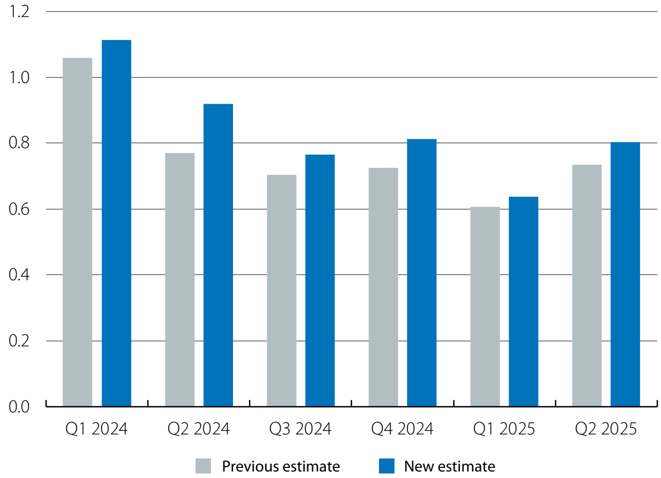
This good performance has exceeded initial expectations and has even offset the negative impact of a higher-than-expected increase in US tariffs. In addition, the National Statistics Institute (INE) has revised its previous GDP estimates upwards by 0.5%, placing growth for 2024 at 3.5%, compared to 3.2% previously, and this introduces a positive knock-on effect on the forecasts. As a result, we have adjusted our GDP growth forecast for 2025 to 2.9%, 0.5 pps more than in the previous estimate, and to 2.1% for 2026, 0.1 pp more than before (see the Focus «New scenario for the Spanish economy: dynamism in a fragile environment» in this same report).

The INE's statistical revision improves the starting point. The INE has raised the quarter-on-quarter GDP growth of Q2 2025 by 0.1 pp, to 0.8%, compared to 0.6% in the previous quarter, which means that the Spanish economy was even able to intensify its growth rate in an unfavourable global environment. In addition, in its new estimates the INE has revised upwards the quarterly growth rates for most of 2024. With this new picture, domestic demand is 9.0% above the level of Q4 2019, compared to the previously estimated 8.3%, driven mainly by investment, which is now 11.4% above the pre-pandemic level, instead of 6.8%; this is the result of the significant revision of investment in non-residential construction, which has gone from being 0.5% below to 9.4% above that level.

Economic activity remains dynamic in Q3 2025, with the PMIs consolidated in expansive territory, tourism reaching new highs and employment growing at a steady pace. The PMI for the services sector has increased to an average of 54.2 points in Q3, 2 points more than in the previous quarter. This improvement has been supported by strong demand, especially for commercial activities, which in turn are being driven by the tourism sector as it continues to set new highs despite the normalisation of its growth rate. In particular, in July-August, 22.3 million foreign tourists arrived in our country, spending 32.8 billion euros, which represents an increase of 2.3% and 6.4% year-on-year, respectively (see the Focus «The tourism sector closes the high season with solid figures» in this same report). As for industry, the manufacturing sector PMI stood at 52.6 points on average in July-September (50.0 in Q2); after the turbulent international context of the previous months, both production and new orders are now on the rise amid an improvement in expectations. The labour market, meanwhile, continues to be one of the pillars of growth, and Social Security affiliation is growing at a year-on-year rate of 2.4% in September, i.e. 500,000 more workers than a year ago.

Spain: GDP

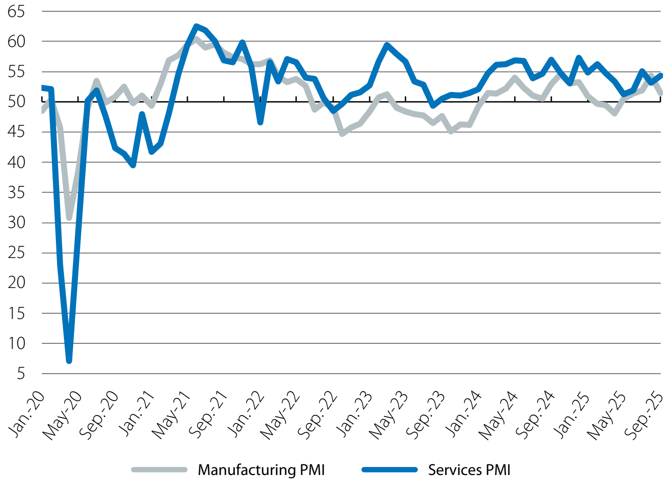
Quarter-on-quarter change (%)



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

Spain: PMI

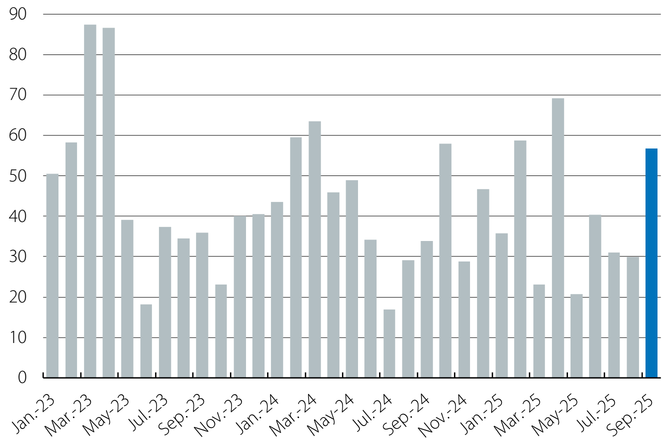
Index (>50 expansion; <50 contraction)



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

Spain: registered workers affiliated with Social Security

Month-on-month change (thousands)



Note: *Seasonally adjusted series.*

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

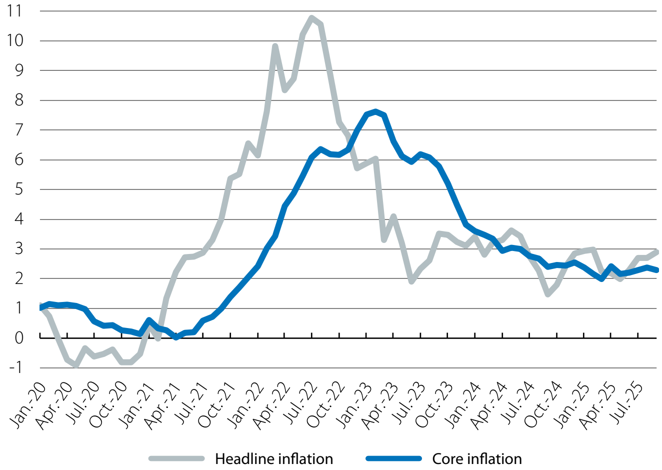
This recent strength in the labour market has translated into a notable increase in households' gross disposable income (GDI), which in Q2 grew by a year-on-year rate of 6.0%, driven by a 7.0% rise in wage-earners' remuneration, and slightly above the increase in household spending (5.9%). Thus, the savings rate, in cumulative terms for the last four quarters, has risen to 12.8% of GDI, compared to 12.6% in the previous quarter. This places it well above the average recorded in the period 2015-2019 (7.2%) and increases households' future spending capacity.

On the consumption side, the latest indicators point to a moderation of its growth rate, following a very dynamic Q2. In particular, the CaixaBank Research indicator for Spanish card activity shows year-on-year growth of 2.7% in Q3, compared to 4.3% in the previous quarter, albeit with a steady improvement throughout the quarter. The data for passenger car registrations offer better signals, with an acceleration in their growth rate in Q3 to 16.9% year-on-year (13.7% previously), marking the fastest pace since Q1 2023. In annualised terms, registrations exceed 1.1 million units, the highest number since prior to the outbreak of the pandemic.

Inflationary pressures are contained. According to the CPI flash indicator, headline inflation rose by 0.2 pps in September to 2.9%, the highest rate since February, but this was due to a base effect on fuels and electricity, as their prices fell less than in September 2024; in fact, core inflation, which excludes energy and unprocessed food, fell by 0.1 pp to 2.3%. The inflation rebound which began in May is likely to have come to an end and for the coming months, in line with the containment in energy and fresh food prices anticipated by the markets, we expect inflation to steadily moderate and to end the year at around 2%.

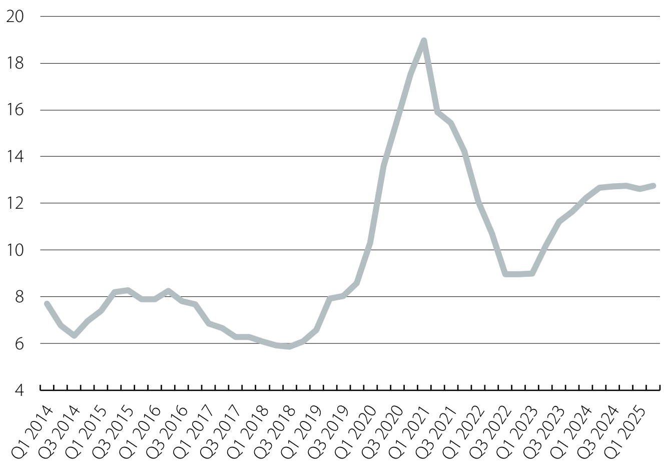
The housing market continues to climb. Sales once again recorded rapid growth in July (13.7% year-on-year), and this growth was widespread across different regions and types of housing, with growth in the demand for new homes (22.3%) being more dynamic than that of existing homes (11.6%). The picture for the year to date is one of a booming housing market, with sales up 19% and exceeding 422,200 transactions, marking the highest level of activity in the first seven months of the year since 2007. A more dovish monetary policy, the current strength of the economy, that of the labour market, as well as population growth together explain the strength of the demand for housing, in contrast with a revived but still insufficient supply. In the last 12 months up until May, 132,000 new homes have been approved, compared to a rate of household creation exceeding 190,000, according to the Continuous Population Statistics. In this context of imbalance between supply and demand, the main house price indicators continue to show significant growth, as is the case of the appraisal value of unsubsidised housing published by the Ministry of Housing and Urban Agenda (3.0% quarter-on-quarter in Q2 vs. 3.1% in Q1) or the Housing Price Index published by the INE (4.0% quarter-on-quarter vs. 3.5% in Q1).

Spain: evolution of the CPI
Year-on-year change (%)



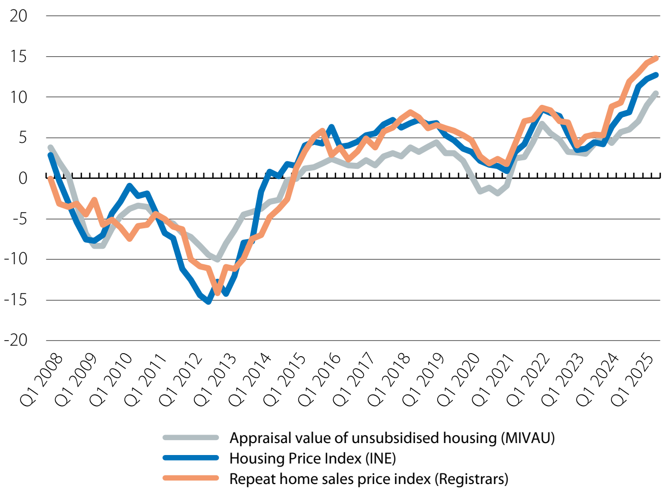
Source: *CaixaBank Research, based on data from the National Statistics Institute (INE).*

Spain: household savings rate
(% of gross disposable income)



Note: *Four-quarter cumulative data.*
Source: *CaixaBank Research, based on data from the National Statistics Institute (INE).*

Spain: house prices
Year-on-year change (%)



Source: *CaixaBank Research, based on data from the National Statistics Institute (INE), the Ministry of Housing and Urban Agenda (MIVAU) and the Association of Property Registrars.*