

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.