



# MACROECONOMIC PROJECTIONS FOR SPAIN 2025-2027\*

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\* English translation from the original in Spanish.



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1. GLOBAL ENVIRONMENT
2. RECENT DEVELOPMENTS IN THE SPANISH ECONOMY
3. MACROECONOMIC PROJECTIONS (2025-2027)
4. FOCAL POINT: FOOD PRICES

A black and white photograph of a highly ornate building facade, likely a historical Spanish structure. It features a large clock face with Roman numerals, a decorative clock tower with a globe on top, and various statues and architectural details. The image is positioned on the left side of the slide, partially overlapping the orange background.

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## Activity

Global growth remains in line with the pace observed in previous quarters: relatively robust, but heterogeneous across regions and sectors



## International financial markets

Despite some recent corrections, the financial markets continue to show relatively high valuations and low risk premia



## Inflation

There are certain signs that the global disinflation process is stalling: some downside stickiness persists in services inflation and energy inflation rises



## Monetary policy

There is some divergence among the monetary policies of the major world central banks, in line with heterogeneous outlooks for inflation and economic activity



## Uncertainty

Uncertainty and trade and geopolitical tensions have increased significantly globally



## Euro area

Growth remains subdued and has been revised down in the latest ECB projections. Inflation continues to moderate, but energy inflation has risen





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## 2024 Q4 Quarterly National Accounts (QNA)

- GDP growth in 2024 Q4 once again surprised on the upside: +0.8% quarter-on-quarter and +3.5% year-on-year
- This growth was driven by the strength of domestic demand, with upside surprises in investment and government consumption, ...
- ... while the negative contribution of net external demand to growth was greater than expected



### Employment

The positive performance of employment persists in 2025 Q1. Since the pandemic, the pattern of job creation has changed compared with that seen in 2013-2019



### Business Activity

The results of the Banco de España Business Activity Survey (EBAE) suggest that firms' turnover remained practically stable in early 2025, after increasing slightly at end-2024



### Confidence

The purchasing managers' indexes (PMIs) point to a slight loss of momentum in activity in 2025 Q1, although the composite PMI and the services PMI remain in expansionary territory



### Financing conditions

The cost of credit has decreased in recent months, boosting households' and firms' demand for financing



Analysis of the available indicators suggests that the GDP growth rate in 2025 Q1 remains robust and could stand at between 0.6% and 0.7% quarter-on-quarter

## Headline harmonised index of consumer prices (HICP)

- In recent months the headline inflation rate has risen in Spain, from 1.8% in October to 2.9% in February
- This increase, envisaged in the December projection exercise, was somewhat sharper than expected, due to a higher acceleration in the energy component than forecast three months ago
- This upside surprise in energy was partly offset by the rest of components, which have shown lower inflationary pressures than expected
- Food inflation remains steady at around 2.3%, surprising slightly on the downside



### Core inflation (HICP excluding energy and food)

- Core inflation stood at 2.4% in January, 0.5 pp below that projected in December
- The surprise was due to a sharper slowdown than anticipated in non-energy industrial goods ...
- ... and to the extension of public transport discounts until June 2025 (a measure that was not considered in December), ...
- ... while other services prices have continued to show a slightly higher than anticipated downward stickiness



### Domestic inflationary pressures

- Negotiated wage increases still stand at around 3%, yet labour costs rose more due to the persistence of a positive wage drift
- In any event, the growth rate of unit labour costs (ULCs) has moderated in 2024, thanks to the increase in productivity
- The slowdown in ULCs and the relative stability of profit margins have helped ease domestic inflationary pressures



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# MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY (2025-2027).

## SUMMARY TABLE

					MARCH 2025 PROJECTIONS (a)			DIFFERENCE WITH RESPECT TO THE DECEMBER PROJECTIONS		
	2021	2022	2023	2024	2025	2026	2027	2025	2026	2027
GDP	6.7	6.2	2.7	3.2	2.7	1.9	1.7	0.2	0.0	0.0
Harmonised index of consumer prices (HICP)	3.0	8.3	3.4	2.9	2.5	1.7	2.4	0.4	0.0	0.0
HICP excl. energy and food	0.6	3.8	4.1	2.8	2.2	2.0	1.9	-0.1	0.1	0.1
Unemployment rate (% of labour force). Annual average	14.9	13.0	12.2	11.3	10.5	10.0	9.5	-0.3	-0.4	-0.4
General government net lending (+) / net borrowing (-) (% of GDP)	-6.7	-4.6	-3.5	-3.4	-2.8	-2.6	-2.6	0.1	0.1	0.1
General government debt (% of GDP)	115.7	109.5	105.1	101.8	101.3	101.6	101.0	-1.3	-0.9	-0.8

Sources: Banco de España and INE. Latest QNA figure: 2024 Q4 flash estimate.  
 (a) Projections cut-off date: 21 February 2025.

# PROJECTED GDP GROWTH FOR 2025 IS REVISED UP BY 0.2 PP TO 2.7%



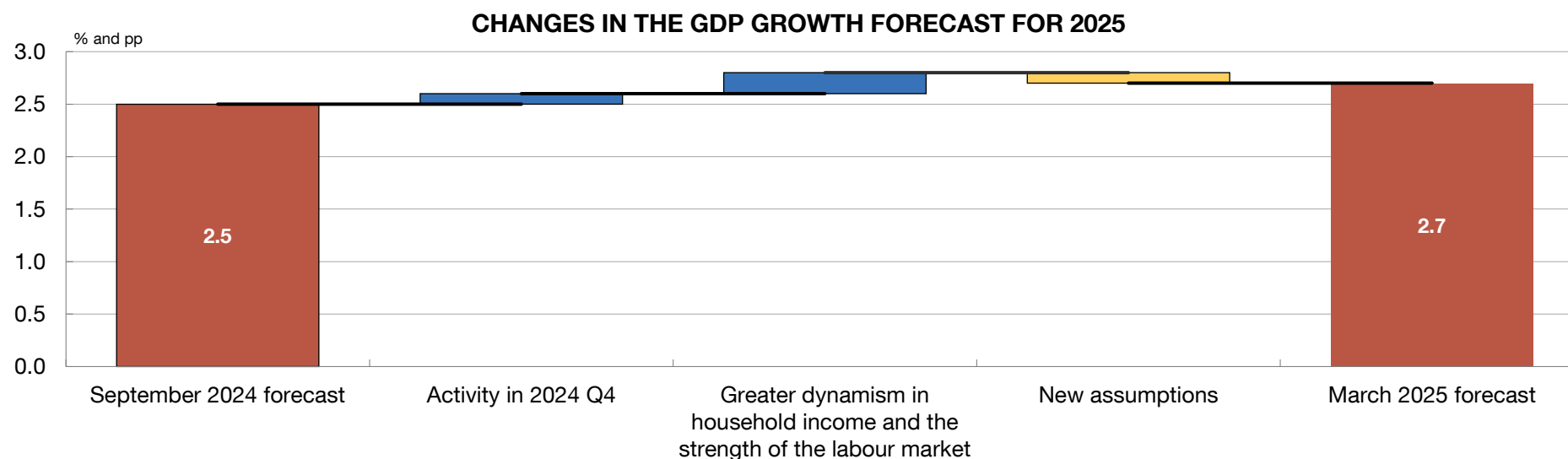
## Upward revision owing to:

- The carry-over effect of activity's performance in 2024 Q4 being stronger than projected in December (+0.1 pp)
- More favourable outlook for the behaviour of household income (on the basis of new data for 2024 H2 and the ongoing robustness of the labour market) (+0.2 pp)



## Downward revision owing to:

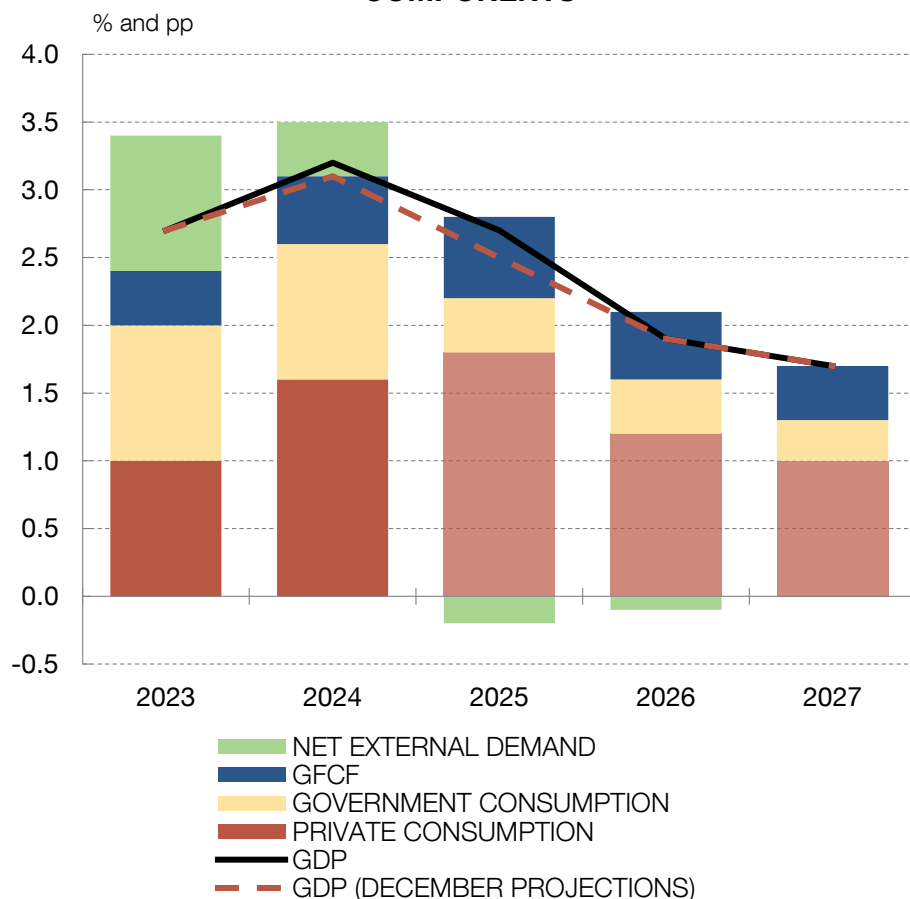
- New assumptions, which were slightly less favourable for activity than those made for the December projections (-0.1 pp)
- Mainly higher energy prices, a slightly weaker recovery in export markets and slightly more restrictive financing conditions



Source: Banco de España.

# GROWTH IN THE COMING YEARS WILL BE DRIVEN BY DOMESTIC DEMAND AND WILL GRADUALLY SLOW AS IT NEARS THE POTENTIAL GROWTH RATE

**GDP GROWTH AND CONTRIBUTIONS OF MAIN COMPONENTS**



## Private consumption

- This component will make the largest contribution to growth to 2027, thanks to the strong performance projected for disposable income and employment, and the projected population growth



## Government consumption

- This drove 39% and 27% of GDP growth in 2023 and 2024, respectively, but its contribution to activity is expected to ease in the years ahead



## Investment

- Although it is expected to decelerate somewhat in 2025 Q1 (relative to 2024 Q4), productive investment is expected to make a greater contribution to GDP growth in the coming years, backed by the deployment of NextGenerationEU funds and improved financing conditions
- Residential investment will also likely pick up



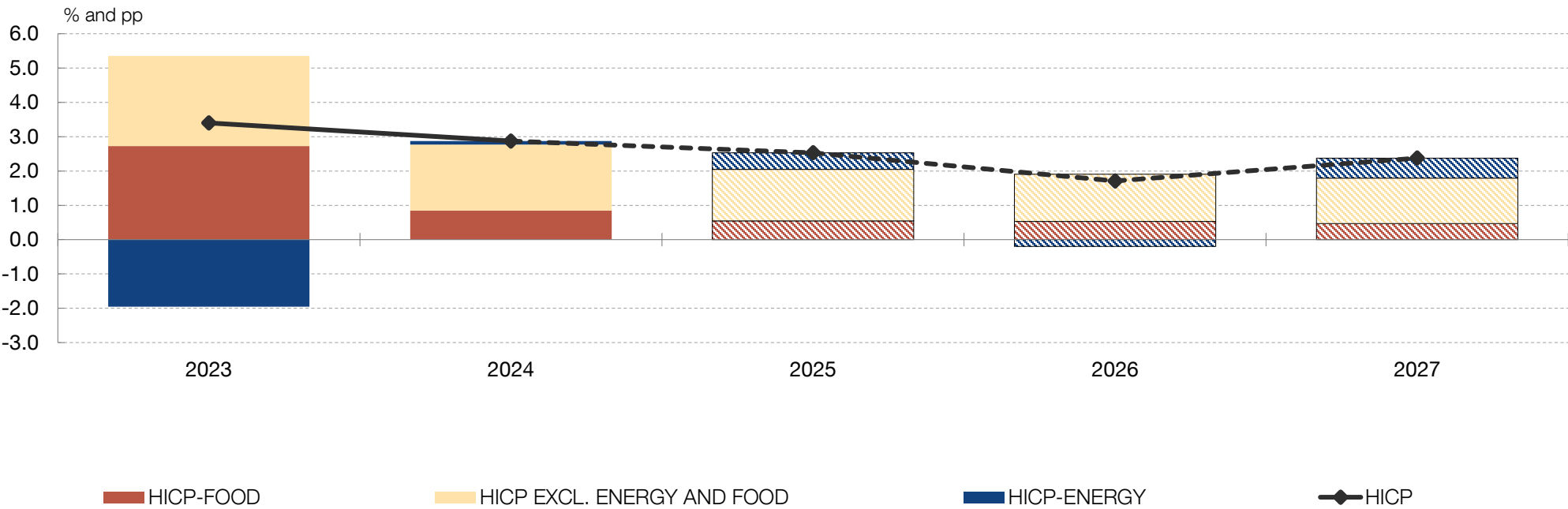
## Net external demand

- A gradual deceleration is expected in services exports (which have grown strongly in recent years), along with a recovery in goods exports, owing to improvement in the export markets
- Greater dynamism in future imports, driven by exports and the uptick in investment

Sources: INE and Banco de España.

IN THE COMING MONTHS HEADLINE INFLATION IS EXPECTED TO EMBARK ON A  
DOWNWARD TRAJECTORY TOWARDS LEVELS CLOSE TO 2%

CONTRIBUTIONS TO HICP GROWTH, BY COMPONENT



Sources: INE and Banco de España.



# THE ENERGY COMPONENT WILL BE THE MAIN DRIVER OF THE EXPECTED FLUCTUATIONS IN HEADLINE INFLATION IN 2025-27

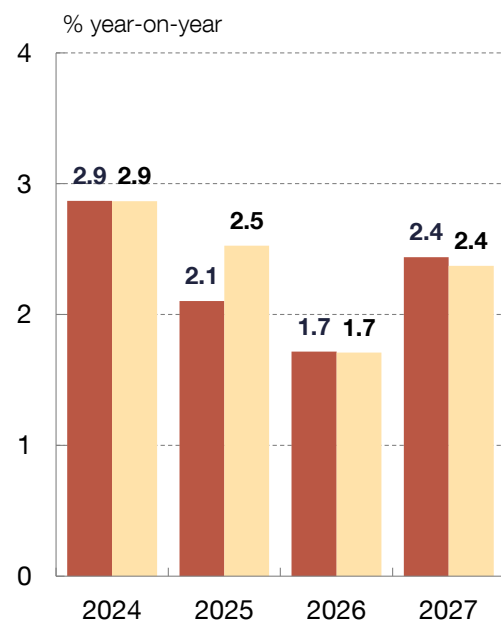


- In 2027 headline inflation will likely rise owing to the envisaged introduction of the European Union's new emissions trading system (EU ETS2)

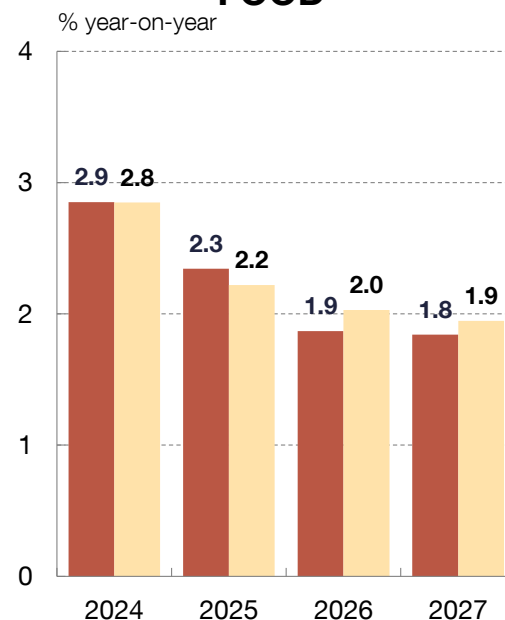


- The projection moderation of core inflation and food inflation is in line with developments seen in industrial prices and the increasingly broadly based disinflation process

## HEADLINE HICP

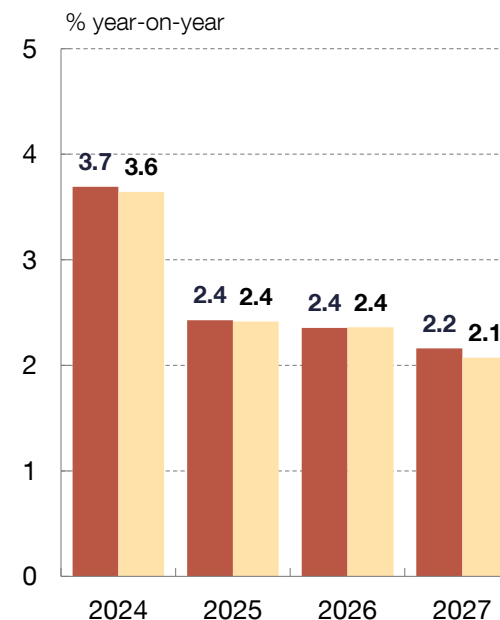


## HICP EXCL. ENERGY AND FOOD



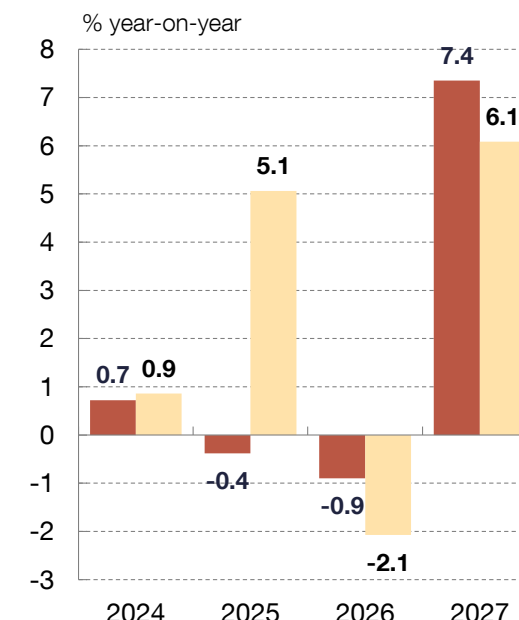
■ DECEMBER 2024

## HICP-FOOD



■ MARCH 2025

## HICP-ENERGY



Sources: INE and Banco de España.

# AVERAGE HEADLINE INFLATION IN 2025 IS REVISED UPWARDS BY 0.4 PP TO 2.5%



## Downward revisions owing to:

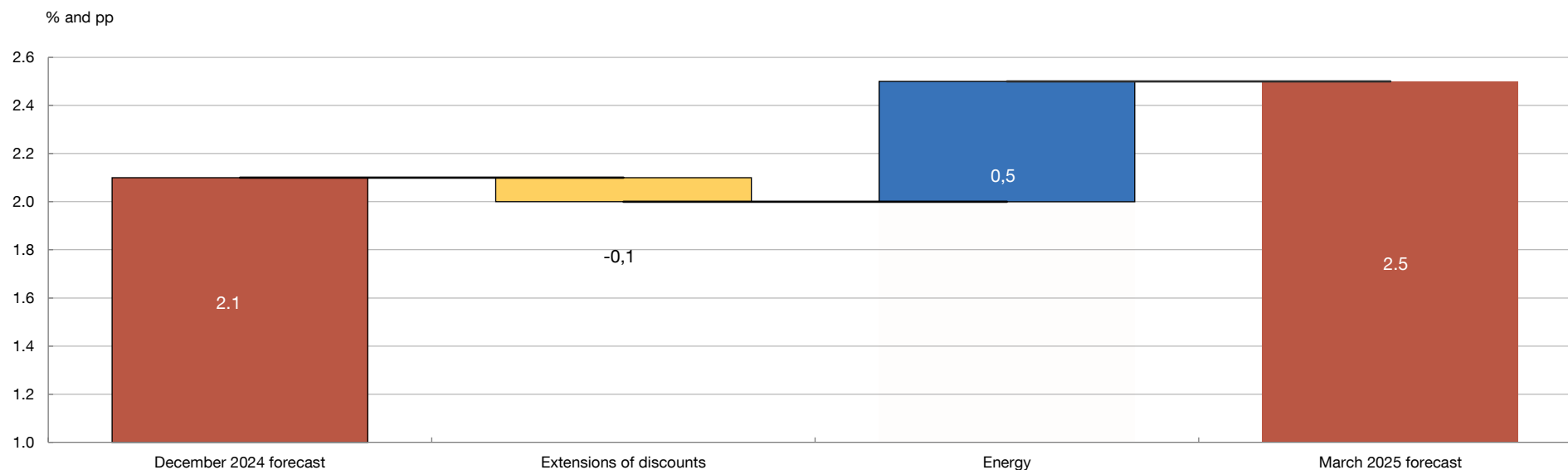
- Extension of the public transport discounts to June 2025, which was not envisaged in the December projections exercise. (-0.1 pp)



## Upward revisions owing to:

- Energy prices in recent months being above expectations and the future path being higher than forecast in December (+0.5 pp)

CHANGES IN THE INFLATION FORECAST FOR 2025

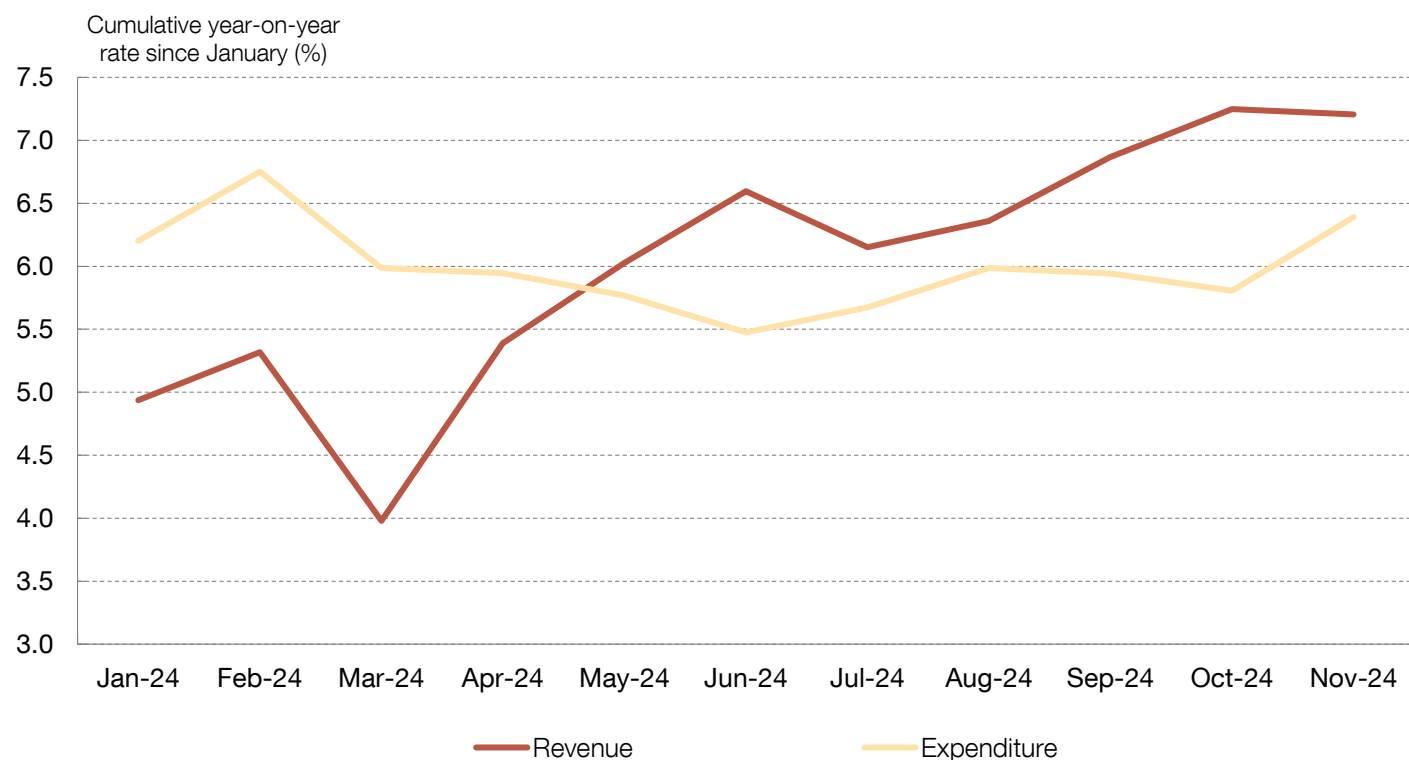


Source: Banco de España.

# PUBLIC FINANCES: GOVERNMENT REVENUE AND EXPENDITURE REMAINED HIGH TO NOVEMBER (LATEST DATA AVAILABLE)



## GENERAL GOVERNMENT REVENUE AND EXPENDITURE (a)



To November, government revenue (excluding local government) grew by 7.2% year-on-year, driven by:

- the dynamism of activity and, in particular, of wage income, which boosted income tax receipts by 8.5%
- the gradual reversal of the tax cuts introduced in response to the energy crisis

Government spending, meanwhile, rose by 6.4% year-on-year:

- partly owing to flash flood-related costs ...
- ... but also owing to rising interest expenses (10%) and social security benefits (7.2%)

Sources: IGAE and Banco de España. (a) Excluding local government.

# PUBLIC FINANCES: THE GENERAL GOVERNMENT DEFICIT IS EXPECTED TO FALL FROM 3.4% IN 2024 TO 2.8% IN 2025 AND 2.6% IN 2026

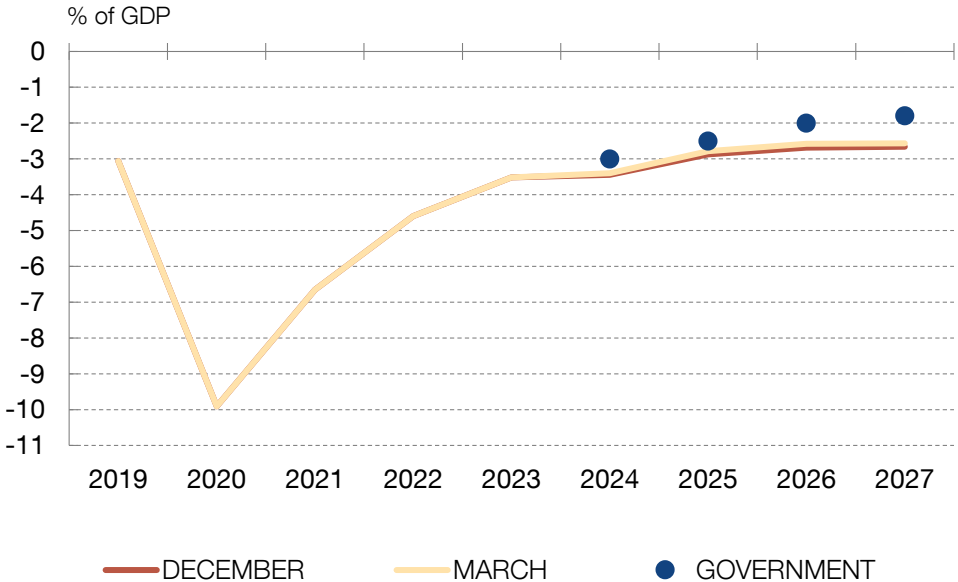


- In 2024 the general government deficit would likely stand at around 3.4% of GDP, partly as a result of the extraordinary flash flood-related spending and to some court rulings against the Government

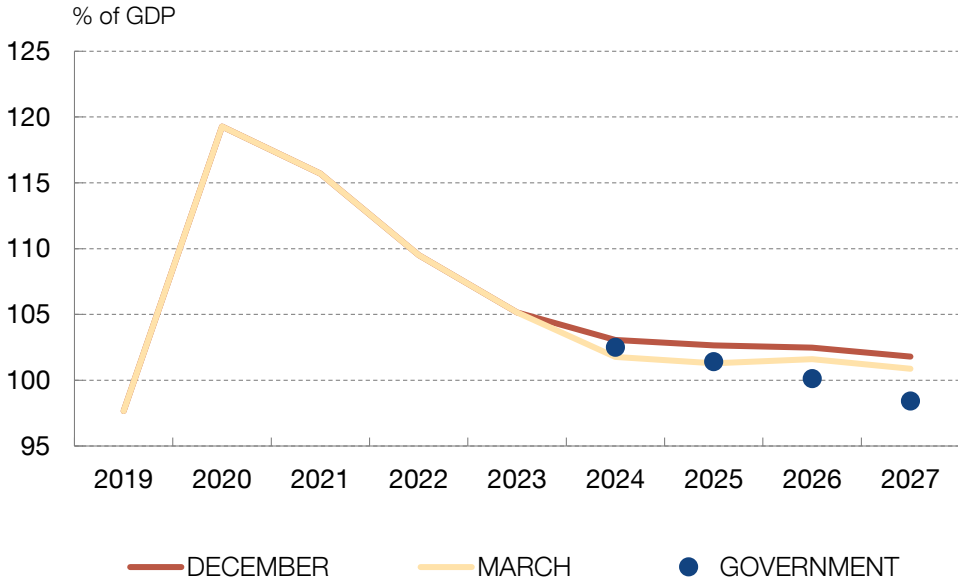


- In 2025-2027 the projections for the government budget include stronger growth in both economic activity and household incomes
- They also include the temporary levy on energy utilities not being extended and the public transport discounts being continued to June 2025

**GENERAL GOVERNMENT BALANCE**



**GENERAL GOVERNMENT DEBT**



Sources: IGAE, INE and Banco de España.



# MAIN SOURCES OF RISK IN A HIGHLY COMPLEX MACRO-FINANCIAL AND GEOPOLITICAL ENVIRONMENT



The baseline scenario for these projections explicitly **EXCLUDES** the following:



The possible adverse impact on activity of heightening uncertainty and geopolitical tensions seen worldwide in recent months

An increase in US tariffs on imports from Mexico, Canada and the European Union (EU)

Higher defence spending in the EU and Spain in the coming years



Other sources of risk



The possibility of sharp correction episodes in financial markets

Activity in Spain being more sensitive to the economic weakness seen in the euro area, especially in France and Germany, two of Spain's main trading partners

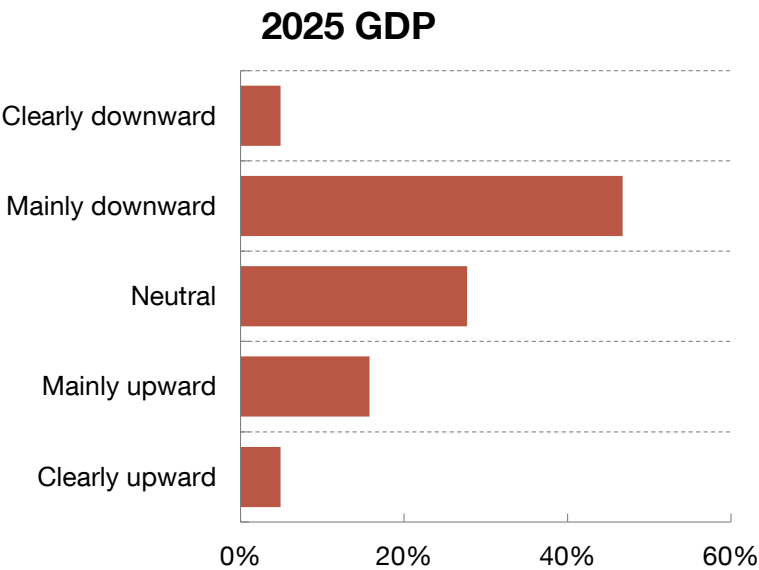
Future developments in labour costs and profit margins, along with business investment, which could react more strongly than expected to the weakness envisaged in profit margins

The behaviour of government consumption and compliance with the medium-term fiscal-structural plan 2025-2028

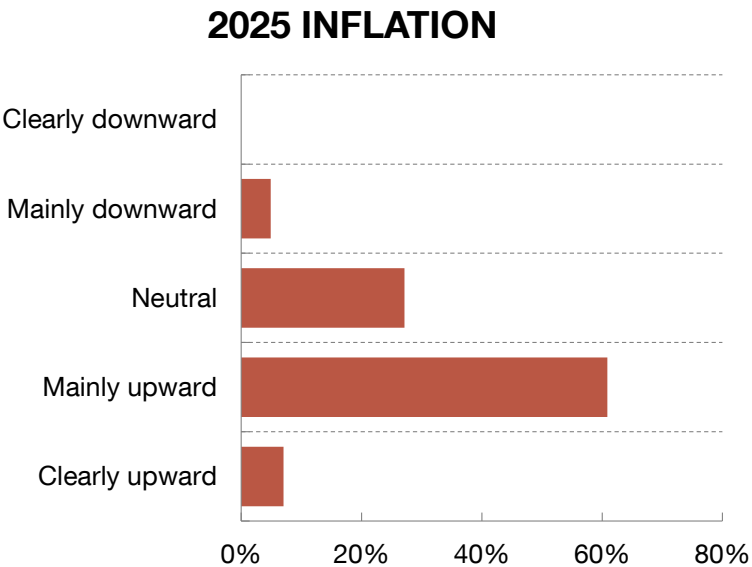


**RISK ASSESSMENT SURVEY CONDUCTED AMONG BANCO DE ESPAÑA ECONOMISTS**

**Downside risks in activity**



**Upside risks in inflation**



Source: Banco de España. Survey conducted among the economists in the Directorate General Economics. The horizontal axis indicates the share of each of the five possible responses.



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# RELATIVE FOOD PRICES: A HISTORICAL PERSPECTIVE



## FOOD PRICES VS. PRICES OF THE "CORE INFLATION" BASKET

Rising trend since the 2000s not observed in previous decades



## FOOD PRICES VS. SERVICES PRICES

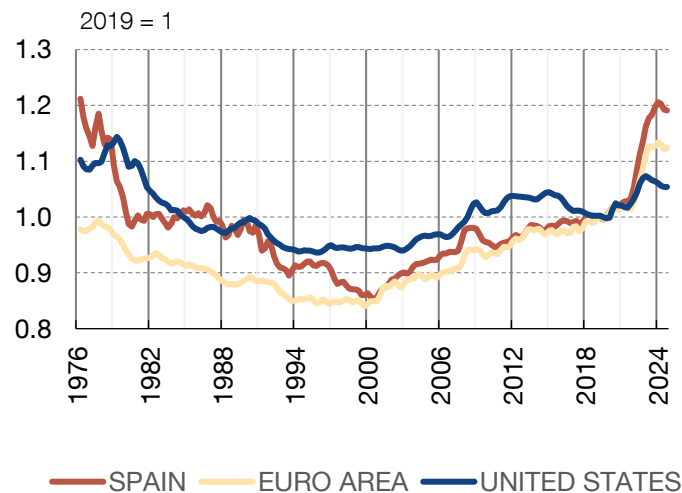
Since the 2000s, food and services prices have performed similarly (until they recently diverged)



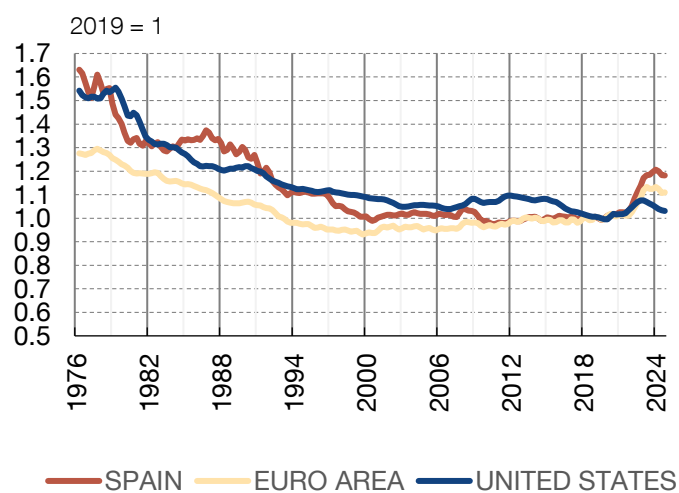
## FOOD PRICES VS. NEIG PRICES

Relatively lower non-energy industrial goods (NEIG) prices would explain the upward path observed between 2000 and 2019 in the ratio of food prices to the prices of the underlying basket

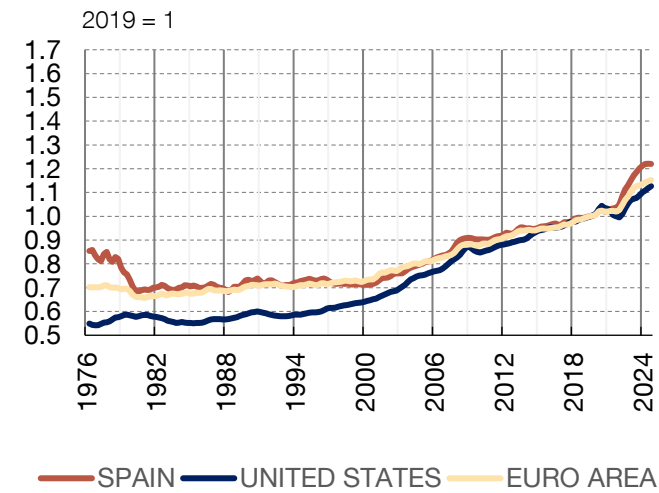
**RELATIVE PRICE OF FOOD CPI VS. HEADLINE CPI EXCL. FOOD AND ENERGY (a)**



**RELATIVE PRICE OF FOOD CPI VS. SERVICES CPI (a)**



**RELATIVE PRICE OF FOOD CPI VS NEIG (a)**



Sources: Eurostat, FRED and OECD. Latest data: December 2024. (a) The CPI is used for Spain and the HICP for the euro area. Six-month moving average.



SINCE THE PANDEMIC, FOOD PRICES HAVE BECOME MORE EXPENSIVE IN SPAIN AND THE EURO AREA THAN IN THE UNITED STATES



- Higher cumulative increase in food commodity and energy prices in the euro area ...

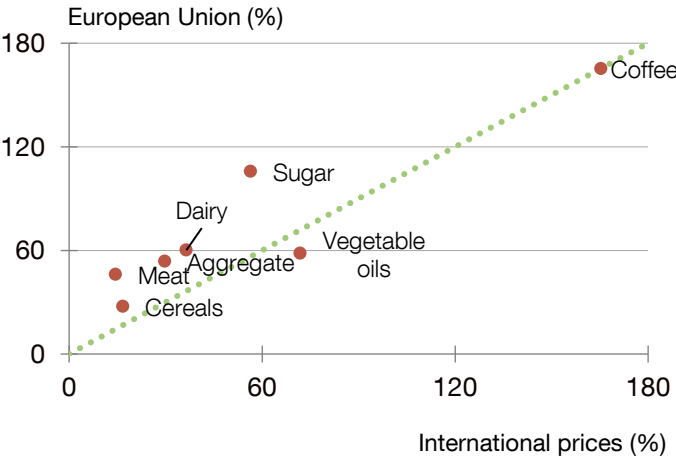


- ... is reflected in higher producer and consumer food prices

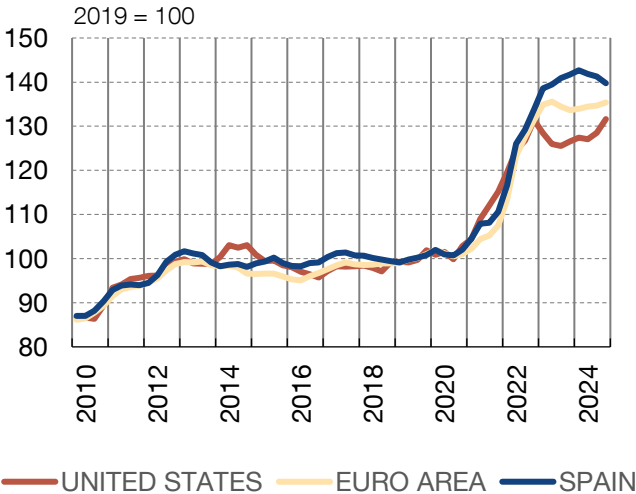


- Not only is the numerator important: the increase in the HICP excluding food and energy was higher in the United States

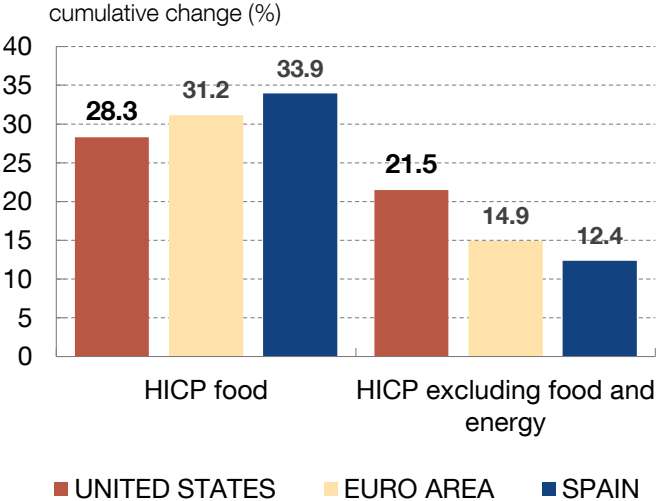
CUMULATIVE INCREASE IN  
FOOD COMMODITY PRICES  
(2019 Q4 – 2024 Q4)



PRODUCER PRICE INDEX:  
PROCESSED FOOD



CONSUMER FOOD AND NON-FOOD  
PRICE GROWTH (2019 Q4 – 2024 Q4)

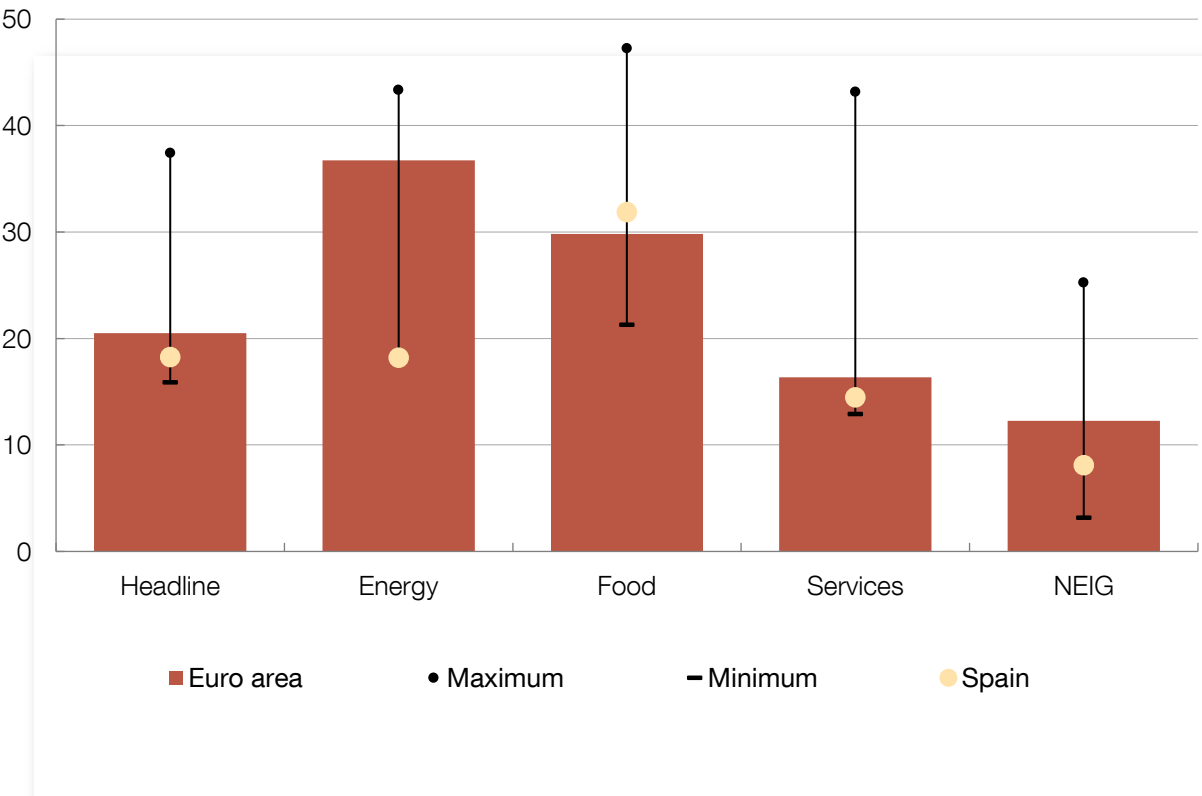


Sources: Banco de España, EUROSTAT, FAO and INE. Latest observation: December 2024. Food includes ECOICOP Division 1.

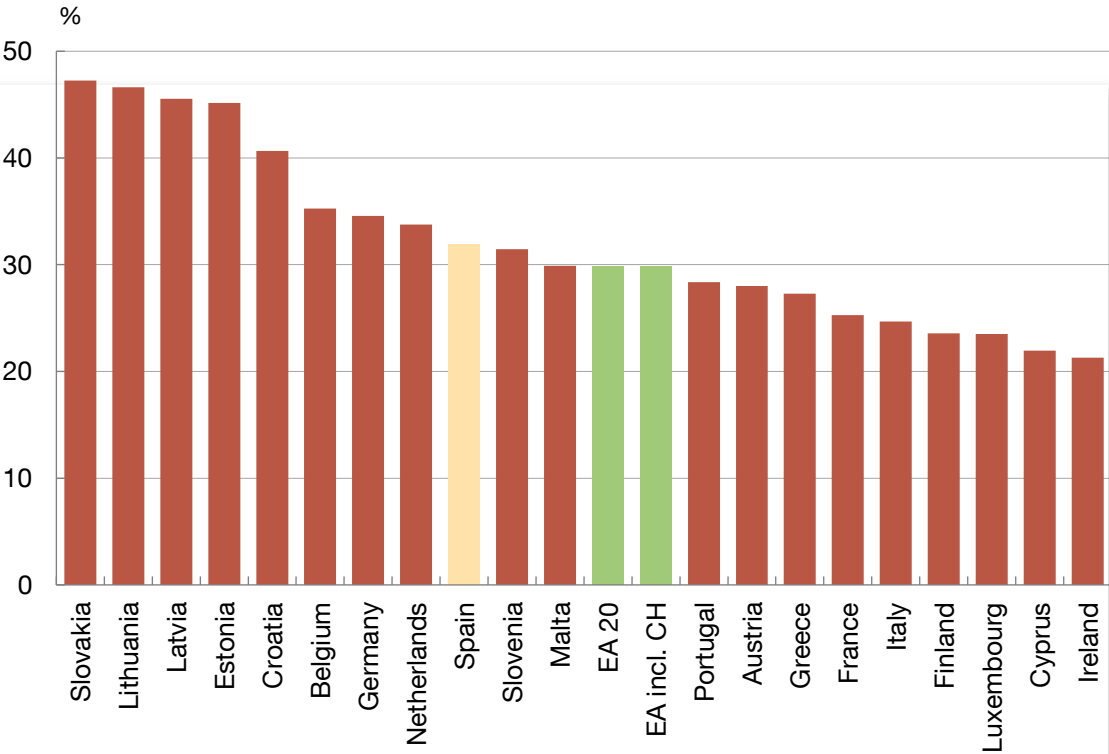
SINCE 2019 FOOD PRICES HAVE ALSO INCREASED SLIGHTLY MORE IN SPAIN THAN THE EURO AREA AVERAGE ...

CUMULATIVE PRICE RISE BETWEEN 2019 Q4 AND 2024 Q4

HEADLINE HICP AND FOOD COMPONENTS



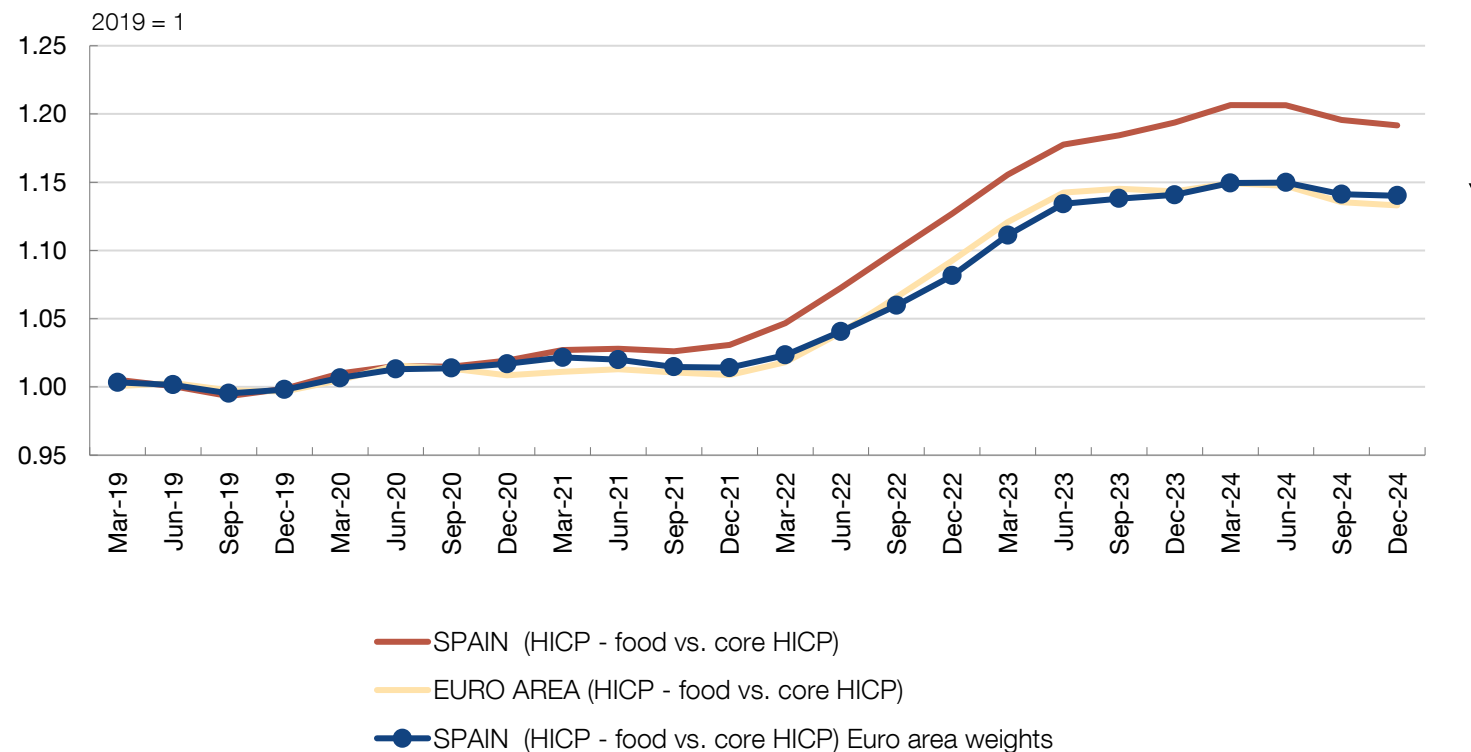
FOOD



Source: Eurostat. Latest observation: 2024 Q4. Note: food includes alcohol and tobacco.

## ... BUT THIS IS LARGELY DUE TO THE DIFFERENT COMPOSITION OF SPAIN'S AND THE EURO AREA'S CONSUMPTION BASKETS

### RELATIVE PRICES – HICP-FOOD VS. CORE HICP: COMPOSITION EFFECT (a)

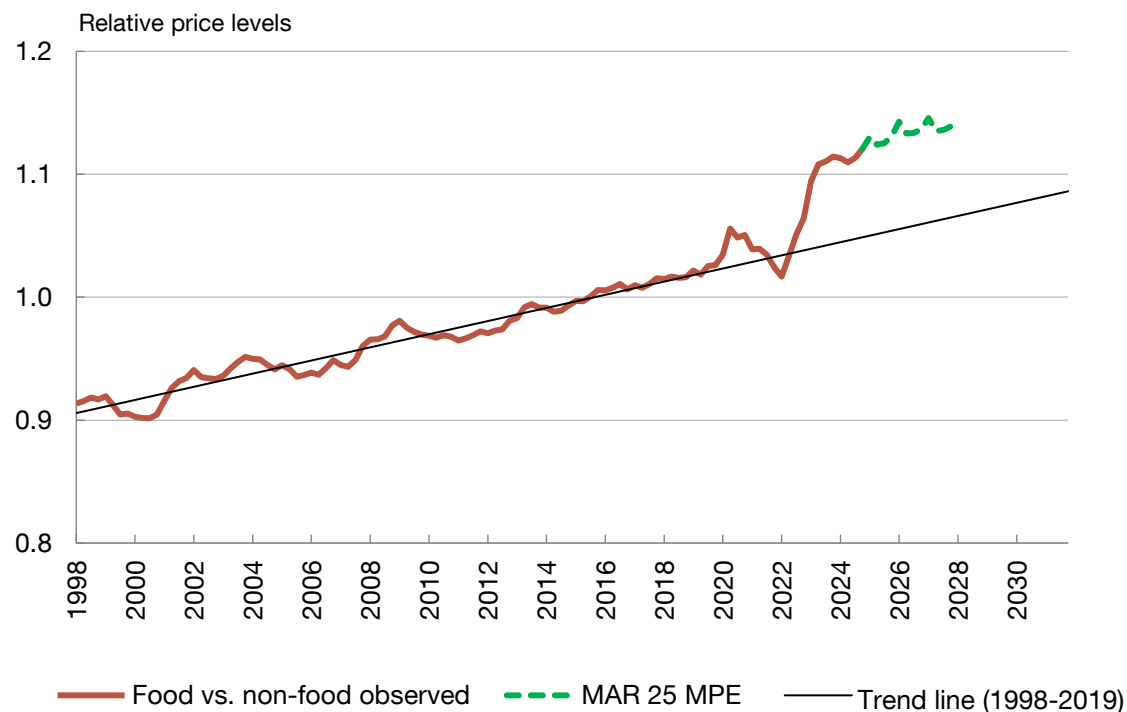


- The different composition of Spain's and the euro area's consumption baskets is a key factor
- When a hypothetical HICP is calculated for Spain by taking into account the weights of the euro area's consumption basket, the difference in recent performance narrows considerably

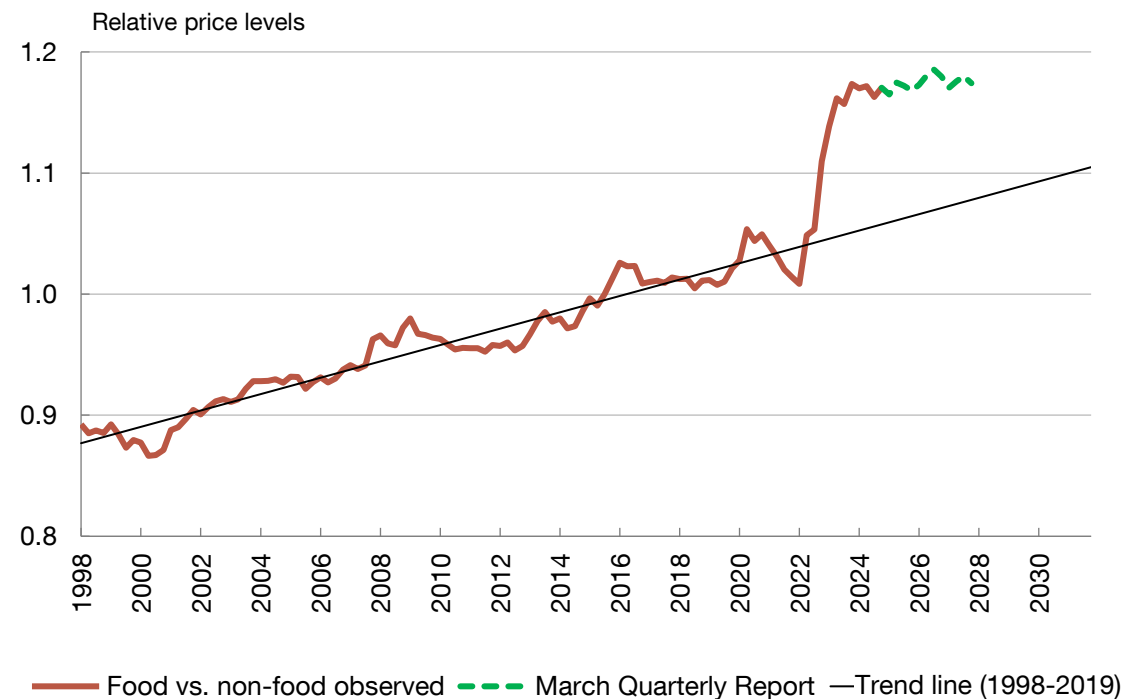
Source: Banco de España. Latest observation: 2024 Q4. (a) Food includes ECOICOP Division 1, core inflation refers to headline HICP excluding food and energy. Six-month moving average.

# THE PROJECTION OF RELATIVE FOOD PRICES IN SPAIN IS EXPECTED TO BE CONSISTENT WITH THEM STABILISING AROUND CURRENT LEVELS

## PROJECTIONS: EURO AREA



## PROJECTIONS: SPAIN



Sources: ECB and Banco de España. Latest observation: 2024 Q4.



Thank you very much for your attention

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GLOBAL ECONOMIC ACTIVITY HAS CONTINUED TO GROW AT A ROBUST RATE, ALBEIT WITH REGIONAL AND SECTORAL DIFFERENCES

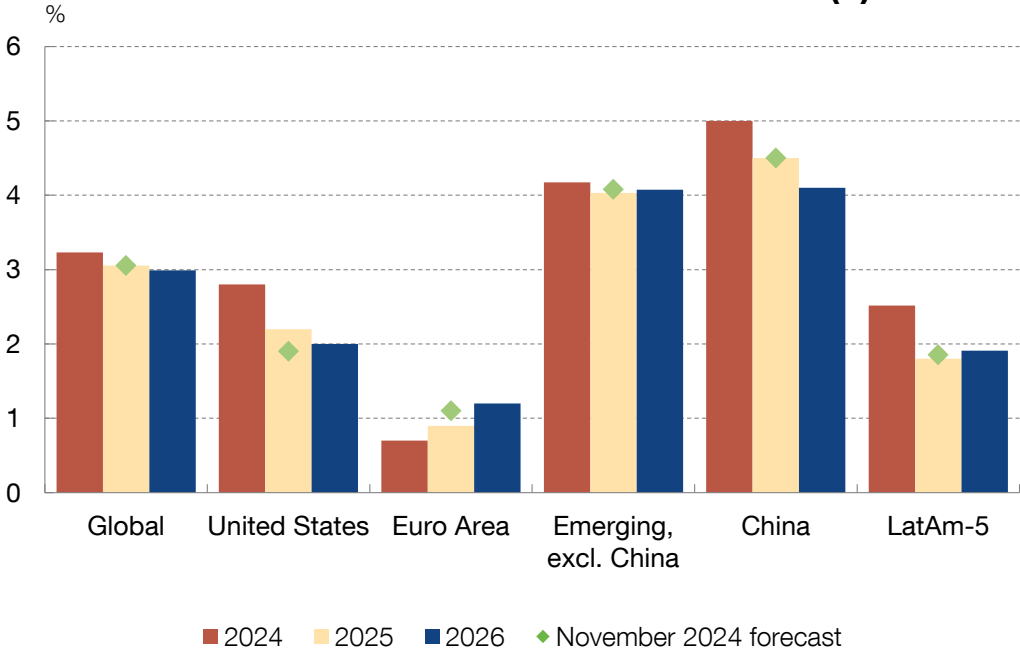


- At end-2024 activity remained highly buoyant in the United States and China, while the euro area saw more modest growth
- Analysts' consensus expects global economic growth in 2025 and 2026 similar to that of 2024, albeit with a slight deceleration in the United States and China

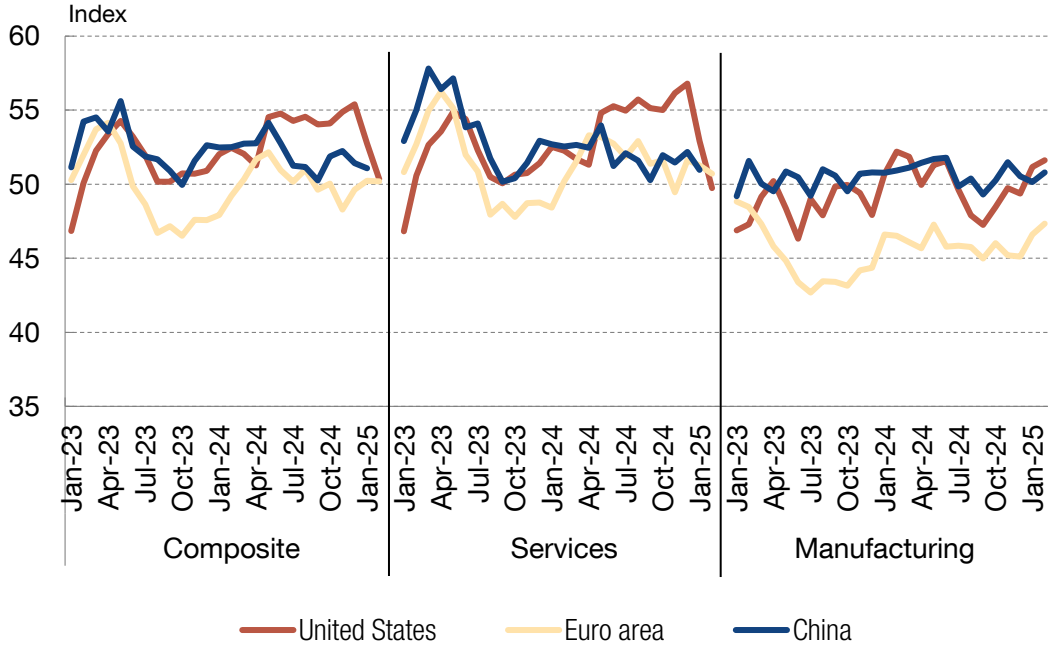


- Services remains stronger than manufacturing, although there have been some signs recently of weakness in services and a recovery in manufacturing
- Some indicators point to an appreciable deterioration in economic sentiment, particularly in the United States

CONSENSUS GROWTH FORECASTS (a)



PMIs

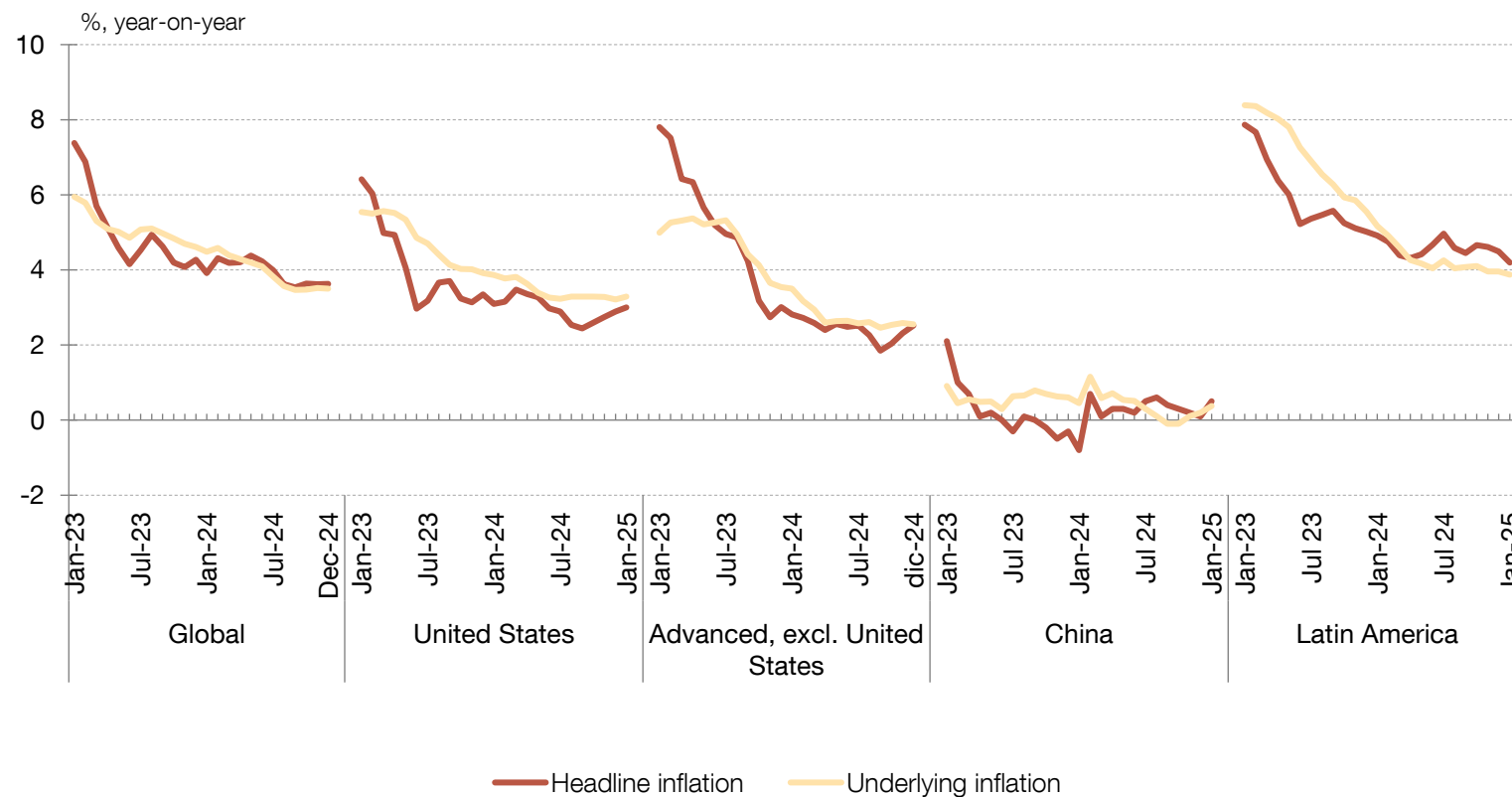


Sources: S&P Global and Consensus Economics. (a) Comparison of the February 2025 forecasts (bars) with the November forecasts (diamonds).

# THERE ARE SOME SIGNS THAT THE GLOBAL DISINFLATION PROCESS IS STUTTERING



## INFLATION

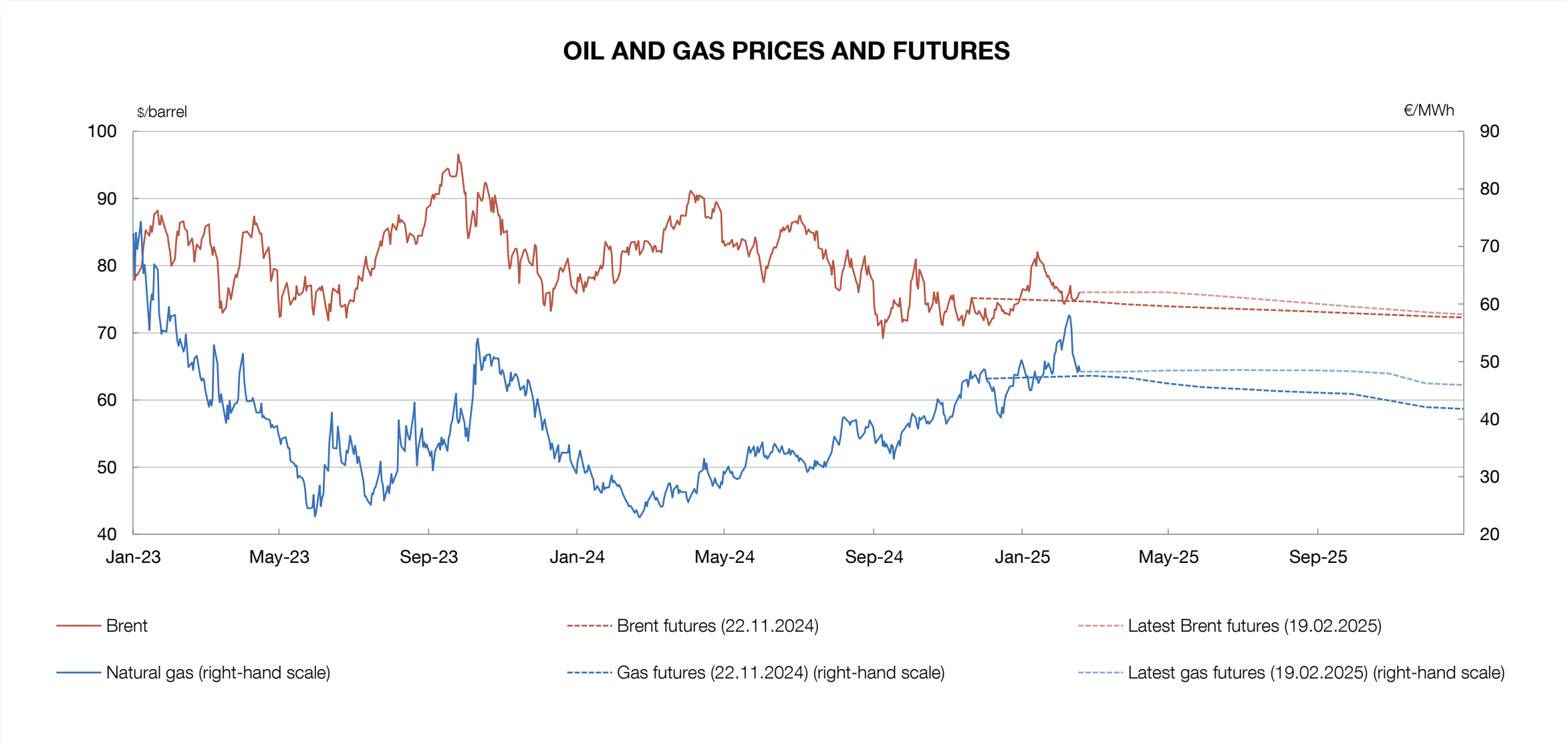


Since November, headline and underlying inflation have remained relatively steady worldwide, reflecting:

- The ongoing downward stickiness of services inflation
- Higher energy prices in the final stretch of last year and early 2025, which have partly eased in recent weeks

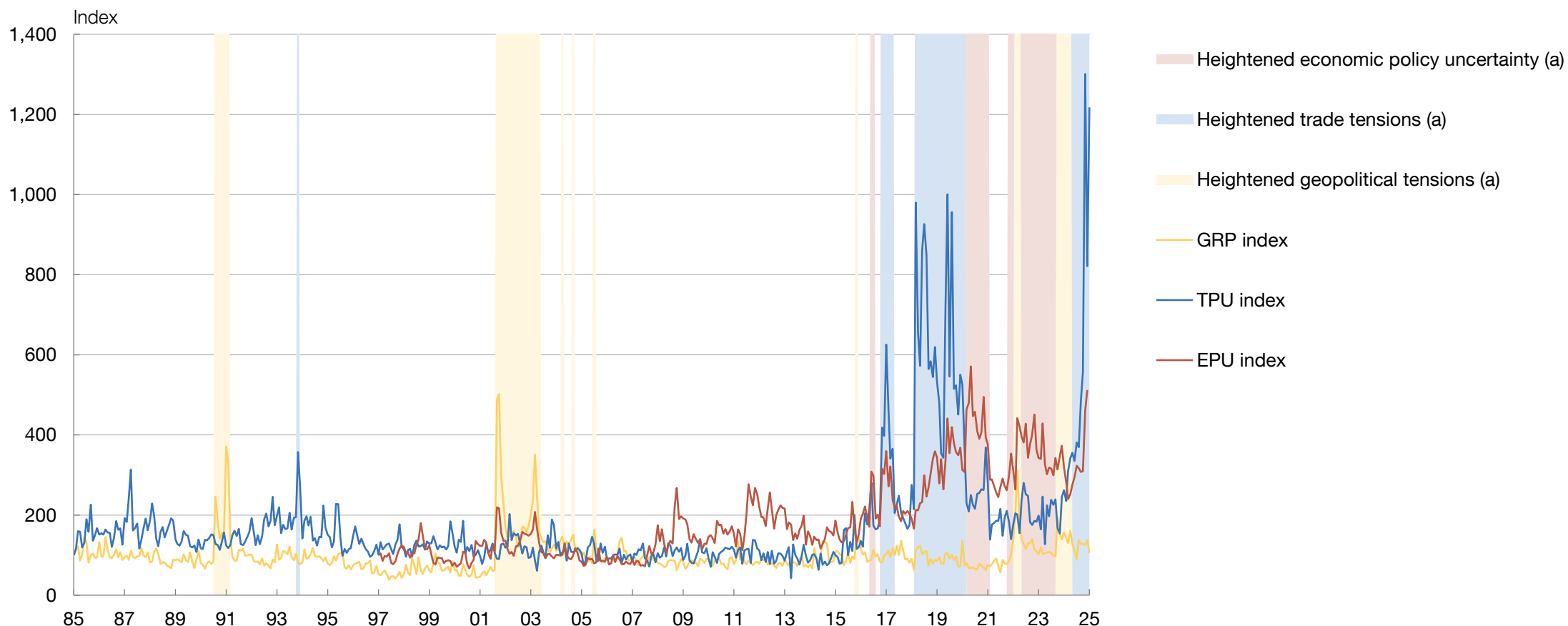
As a result of these two factors, and of the possible impact of the trade and fiscal policy measures announced by the new US Administration, analysts' consensus forecasts for inflation have been revised upwards in recent months.

ENERGY PRICES HAVE SHOWN CONSIDERABLE VOLATILITY IN RECENT MONTHS,  
PRIMARILY FOR GEOPOLITICAL REASONS



Source: LSEG Datastream.

# HEIGHTENED TRADE AND GEOPOLITICAL TENSIONS AND GROWING UNCERTAINTY ABOUT ECONOMIC POLICIES IN MANY SYSTEMIC COUNTRIES



Sources: GPR index: Caldara and Iacoviello (2022). TPU index: Baker, Bloom and Davis (2016). (a) Blue (TPU index), red (EPU index) and yellow (GRP index) bands are used to show periods in which the level of the index exceeds its historical mean by more than one standard deviation. Latest data: February 2025 for the GPR and TPU indices; January 2025 for the global EPU index.

# DEVELOPMENTS IN LONG-TERM INTEREST RATES AND STOCKS HAVE DIFFERED BY REGION



Long-term sovereign rates have risen for much of Q1. In recent weeks this trend has intensified in the euro area (owing to a possible fiscal expansion) and reverted in the United States (owing to weak macroeconomic data)

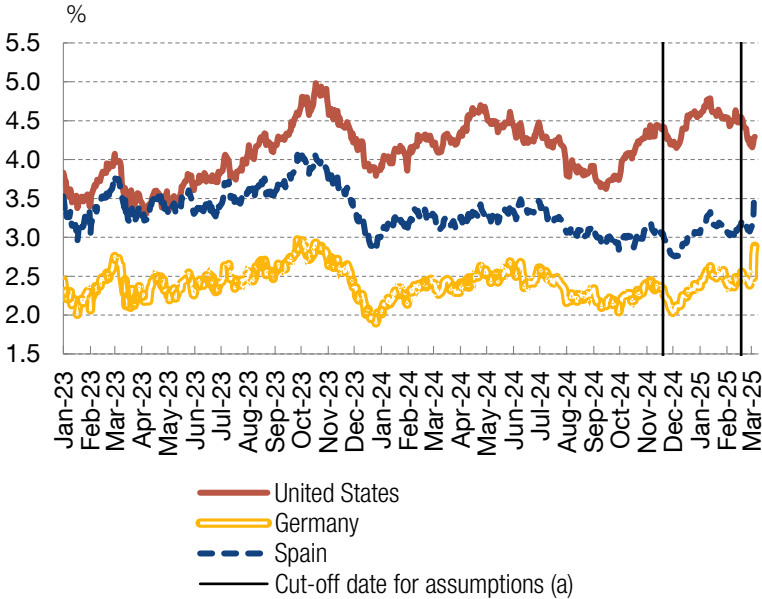


Bullish European stocks in 2025 Q1 (owing to the greater relative weight of banks in the indices and the possible boost from the defence sector), with a recent correction in the US stock market (owing to uncertainty and the weakness shown by the technological sector)

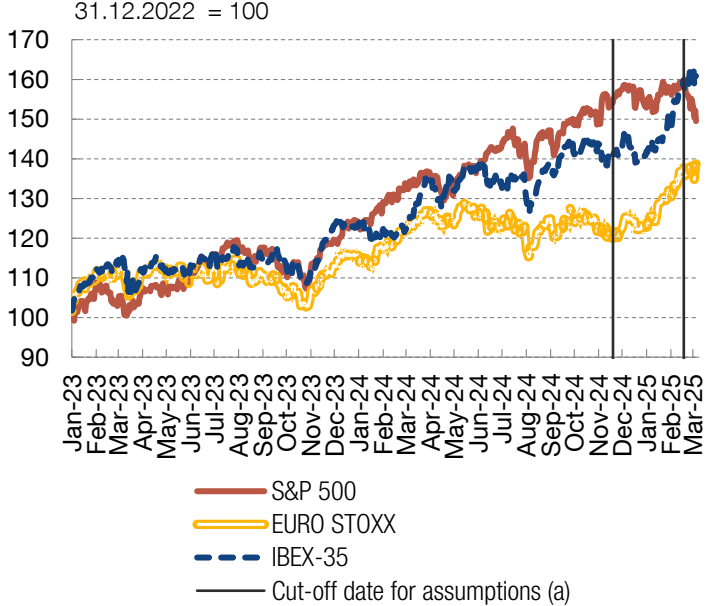


Back and forth movements in the currency markets, in line with the fluctuations seen in long-term interest rates  
The euro has recovered 3.9% against the dollar and 1.5% in effective terms in the year to date

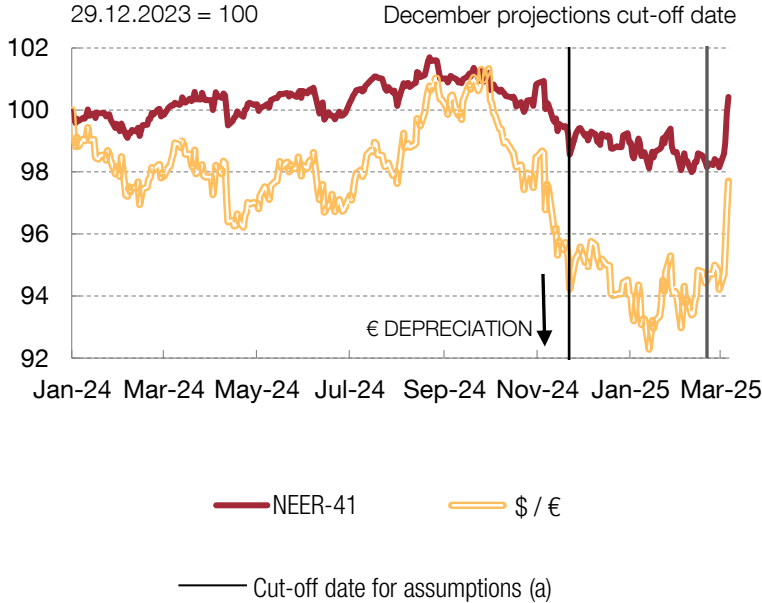
### 10-YEAR SOVEREIGN BOND YIELDS



### STOCK MARKET INDICES



### EURO EXCHANGE RATE



Source: Refinitiv Datastream. Latest data: 06/03/2025. (a) 22 November 2024 and 19 February 2025 for the December and March Banco de España projection exercises, respectively.

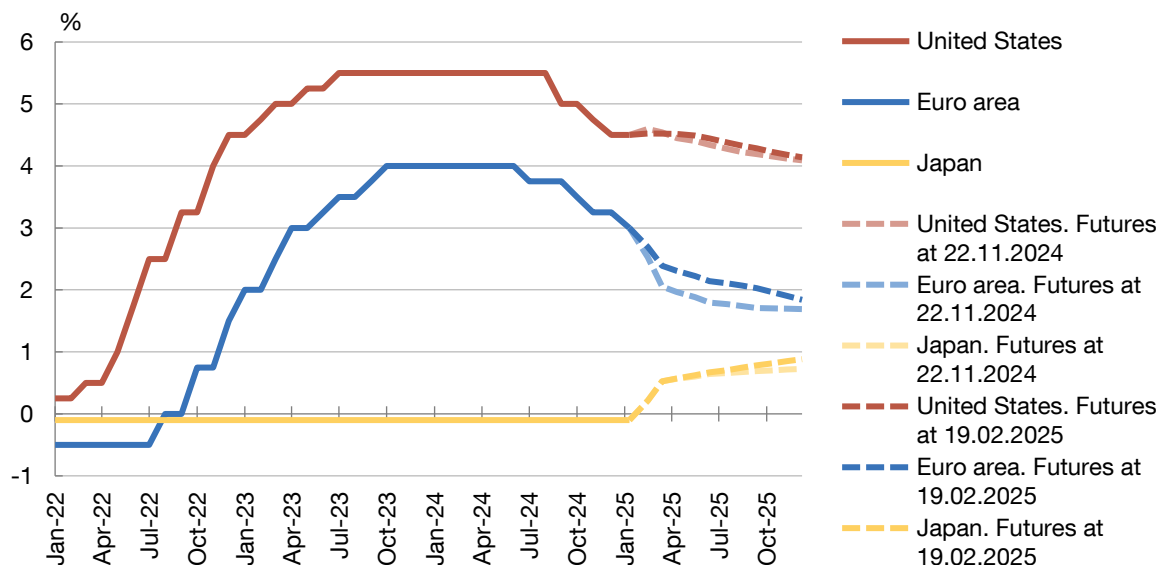


# MONETARY POLICIES IN THE WORLD'S MAIN ECONOMIES HAVE RECENTLY FOLLOWED DIVERGENT PATHS

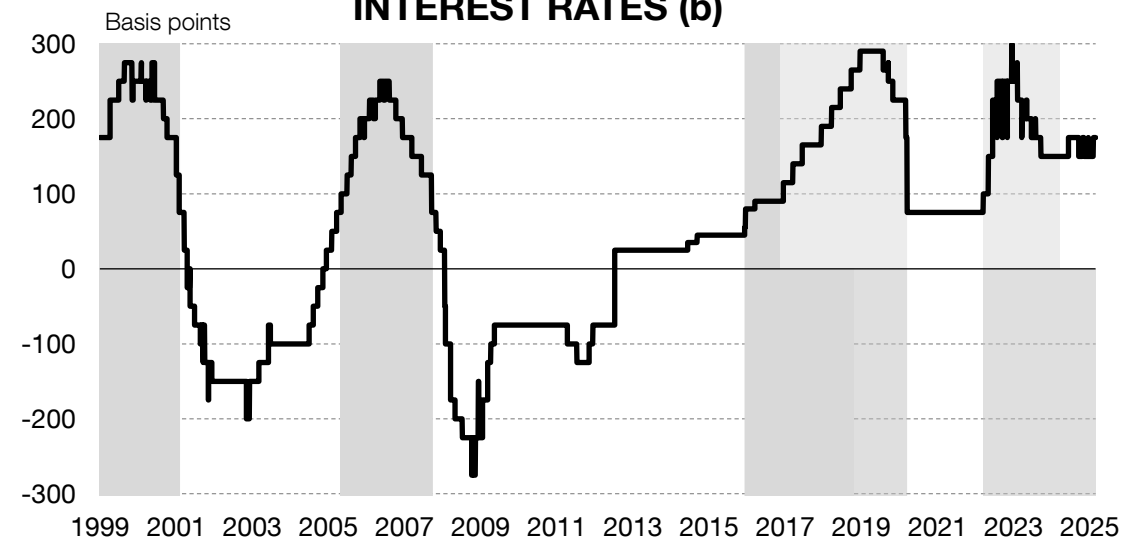


- Among the advanced economies there have been cuts in policy interest rates in the euro area, the United Kingdom, Canada and Sweden, among other countries. However, the US Federal Reserve System decided in January to pause its rate cuts and the Bank of Japan increased its policy interest rates
- Financial market expectations generally assume that monetary policies at global level will remain on divergent paths in the coming months

**POLICY INTEREST RATES AND FUTURES (a)**



**DIFFERENCE IN US-EURO AREA POLICY INTEREST RATES (b)**

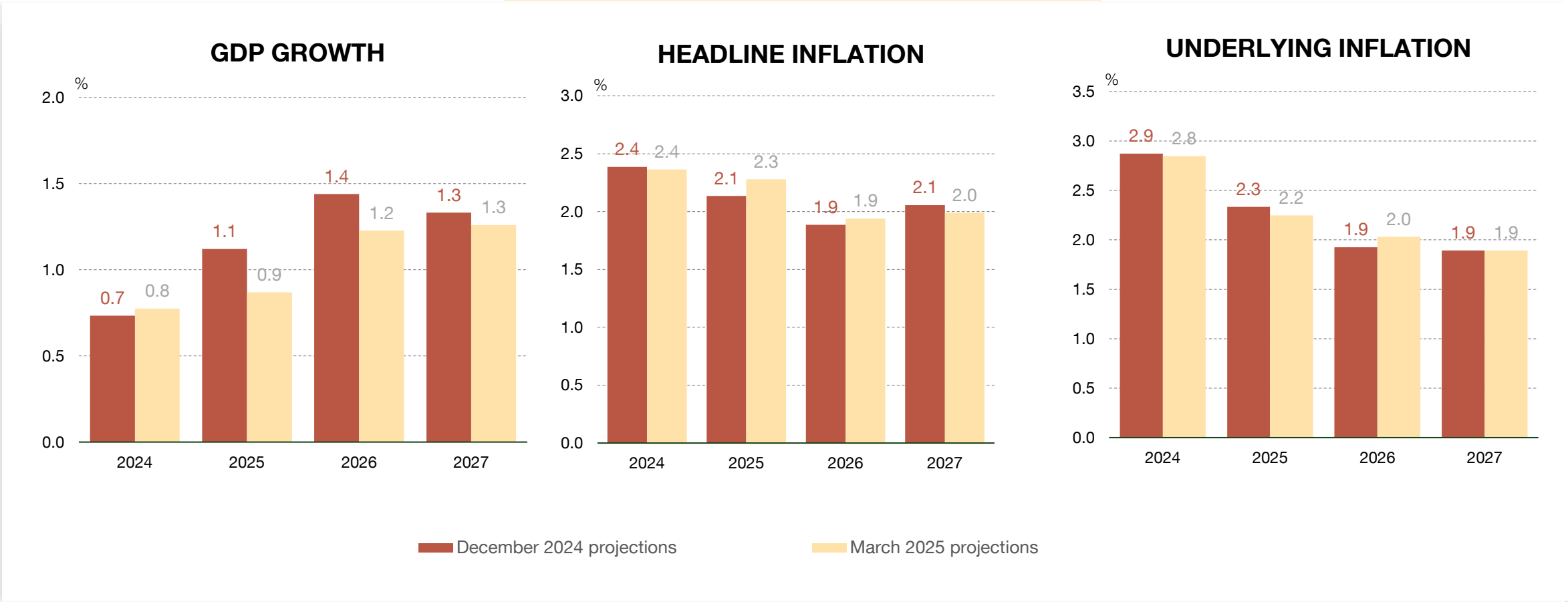


Sources: Refinitiv and Banco de España. (a) Interest rates priced in by the respective futures markets. The dates indicate the assumptions cut-off. (b) The shaded areas show the periods in which the policy rate differential is above its median value. The policy rate for the euro area is the MRO until the DFR reaches zero. From then onwards the DFR is used.

EURO AREA GDP GROWTH IN 2025-2027 HAS BEEN REVISED DOWN, WHILE INFLATION IS REVISED UP SLIGHTLY FOR 2025 AND 2026



PROJECTIONS FOR THE EURO AREA



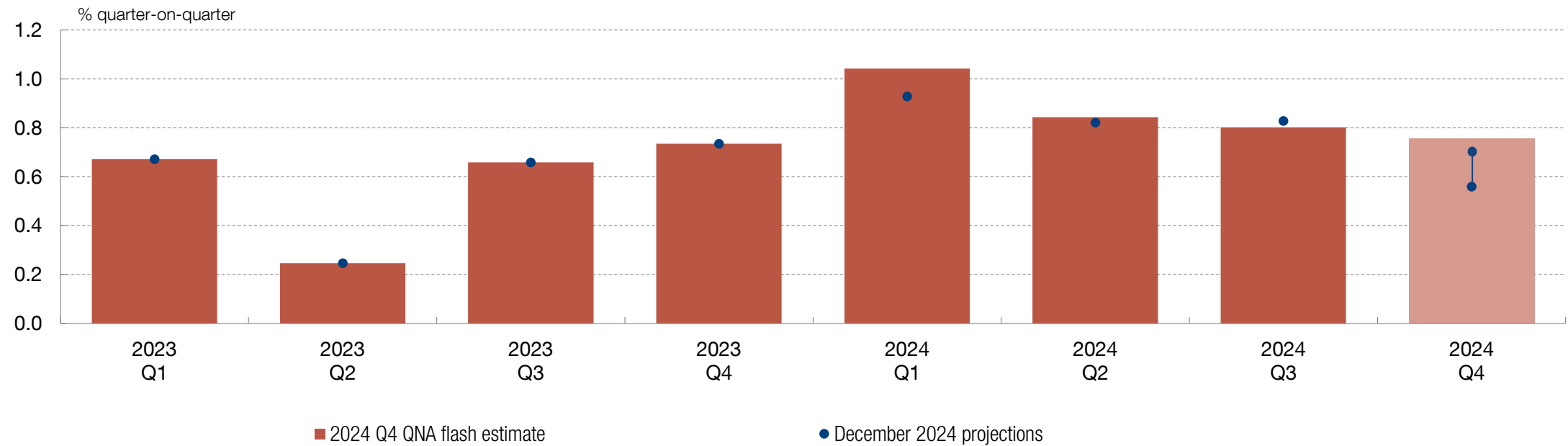
Source: ECB.

GDP GROWTH IN 2024 WAS 3.2%, AFTER GROWING MORE THAN EXPECTED IN 2024 Q4 AND FOLLOWING THE REVISION TO THE FIGURES FOR THE PREVIOUS QUARTERS



- At end-2024 the Spanish economy’s GDP stood 7.6% above its pre-pandemic level, a 2.9 pp wider gap than in the euro area.

**QUARTER-ON-QUARTER GDP GROWTH IN SPAIN**

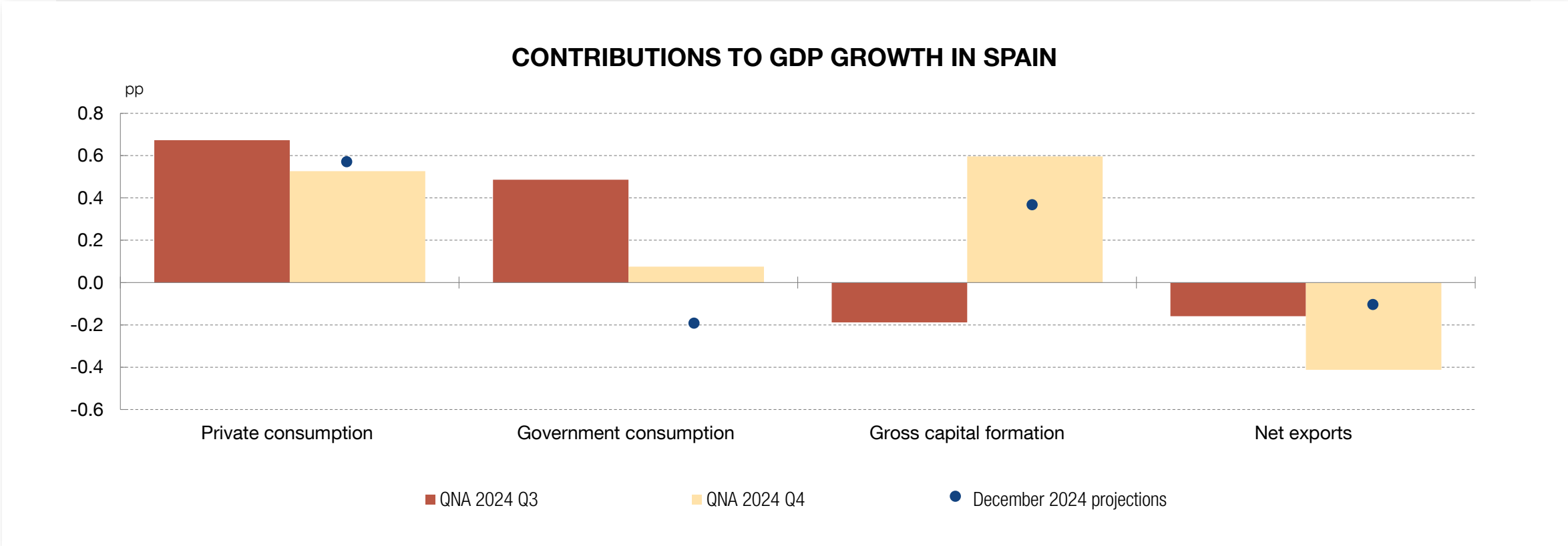


Sources: INE and Banco de España.

# GROWTH IN 2024 Q4 WAS SPURRED BY DOMESTIC DEMAND, WHILE NET EXTERNAL DEMAND MADE A NEGATIVE CONTRIBUTION TO GDP GROWTH



- Domestic demand (primarily private consumption and investment) contributed 1.2 pp to GDP growth in 2024 Q4. After making a negative contribution in the previous quarter, the contribution of investment was greater than expected. Government consumption slowed down in Q4, but less than anticipated
- The external sector surprised with a more negative contribution than expected (-0.4 pp), mainly owing to the rise in imports (of both goods and services) and the fall in goods exports.



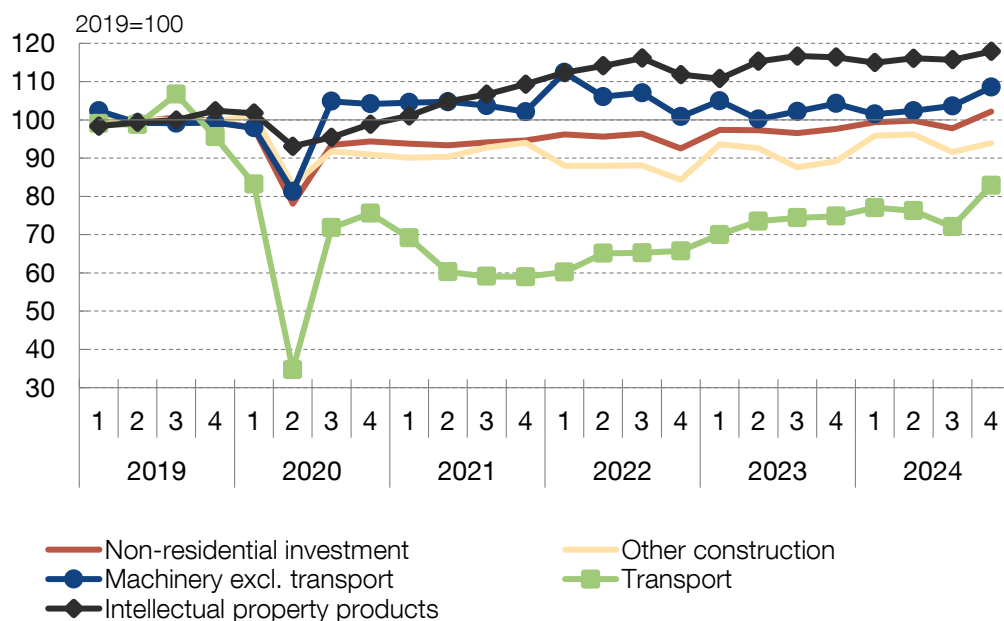
Sources: INE and Banco de España.

# FOLLOWING A CONTRACTION IN 2024 Q3, ALL COMPONENTS OF PRODUCTIVE INVESTMENT SURGED IN Q4

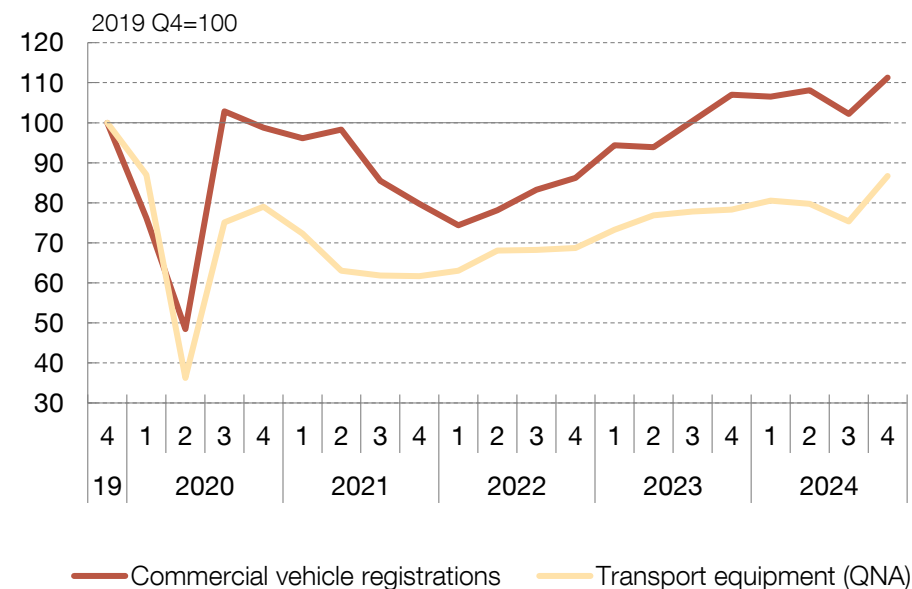


- Investment in transport equipment was notably buoyant, which appears to have been driven in part by the strong increase in commercial vehicle registrations
- However, the recovery of this investment category has lagged significantly behind since the pandemic, owing primarily to weak investment in such goods by firms in the transport sector

## PRODUCTIVE INVESTMENT BY COMPONENT



## COMMERCIAL VEHICLE REGISTRATIONS



Sources: INE and Banco de España.

THE NEGATIVE CONTRIBUTION OF NET EXTERNAL DEMAND TO GROWTH AT END-2024 WAS ATTRIBUTABLE TO THE BUOYANCY OF IMPORTS

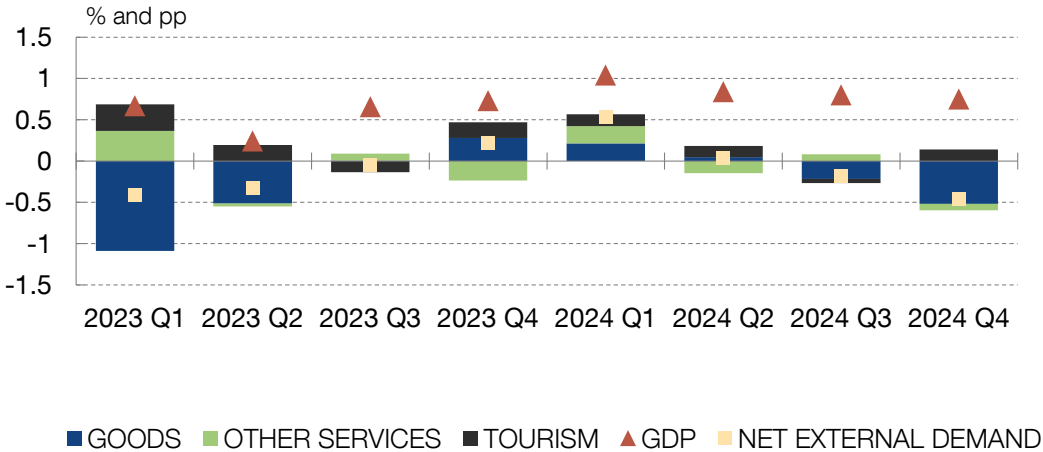


- Strong investment was conducive to the rise in imports of goods, ...
- ... although imports of services, particularly tourism services, also increased

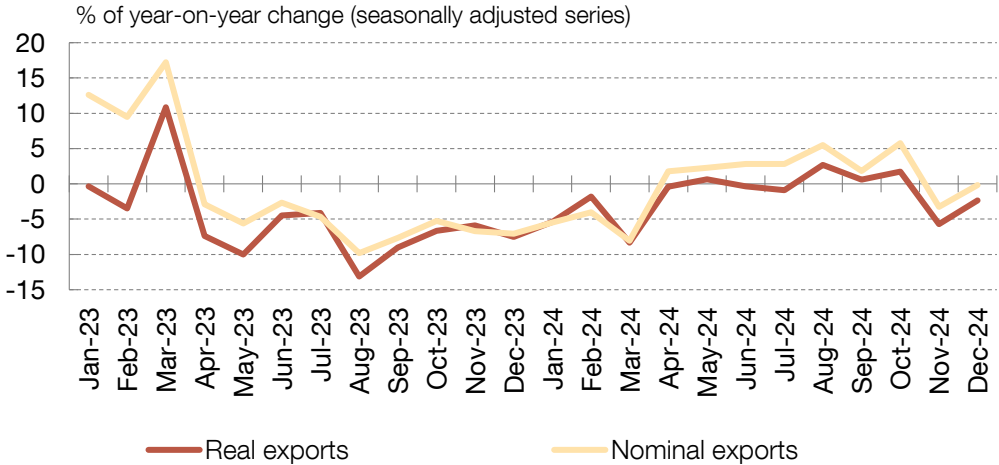


- Meanwhile, sales abroad slowed, as a result of a fall in goods exports (-1.1%), ...
- ... which more than offset the quickening of services exports (+2.3%)

CONTRIBUTIONS OF  
NET EXTERNAL DEMAND COMPONENTS TO  
QUARTER-ON-QUARTER GDP GROWTH



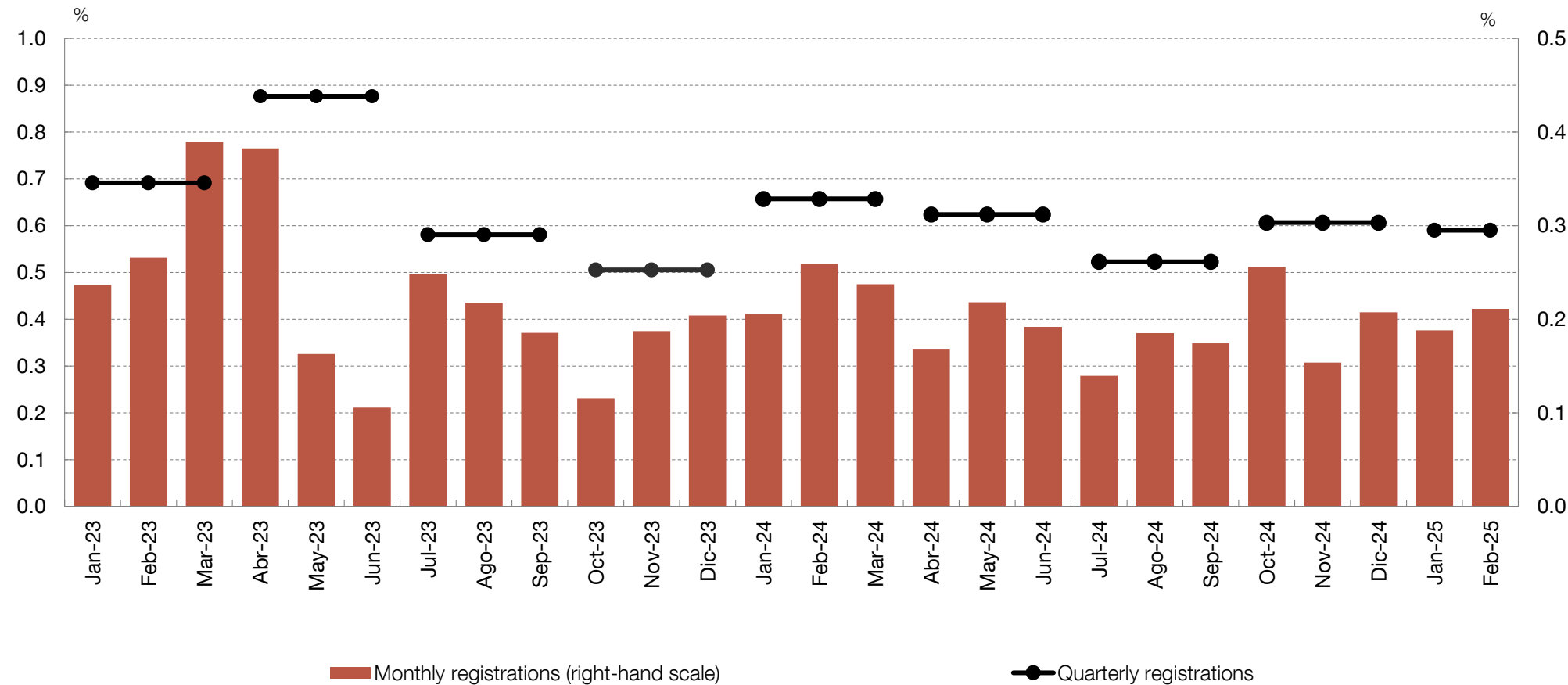
TOTAL GOODS EXPORTS



Sources: INE and Banco de España.

THE SOCIAL SECURITY REGISTRATIONS DATA SUGGEST THAT MOMENTUM IN EMPLOYMENT IN 2025 Q1 WILL BE SIMILAR TO THAT OBSERVED IN LATE 2024

MONTHLY AND QUARTERLY RATES OF SOCIAL SECURITY REGISTRATIONS (a)



Sources: Ministerio de Inclusión, Seguridad Social y Migraciones and Banco de España. (a) Seasonally adjusted series.

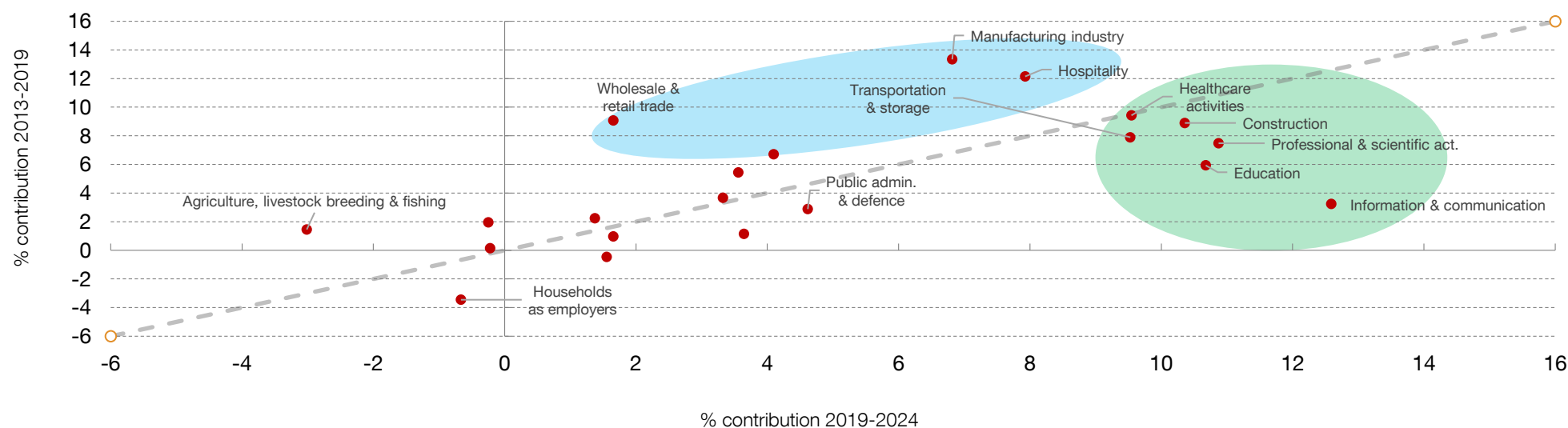


# SINCE THE PANDEMIC, THE PATTERN OF JOB CREATION HAS SHIFTED WITH RESPECT TO THAT OBSERVED IN 2013-2019



- Since the pandemic, employment growth has been driven mainly by the information and communication, professional, technical and scientific activities, education and construction sectors, with these sectors accounting overall for approximately 45% of total cumulative employment growth between end-2019 and end-2024
- This pattern of job creation contrasts with that observed between 2013 and 2019, when the increase in employment was concentrated more in manufacturing, hospitality and wholesale and retail trade

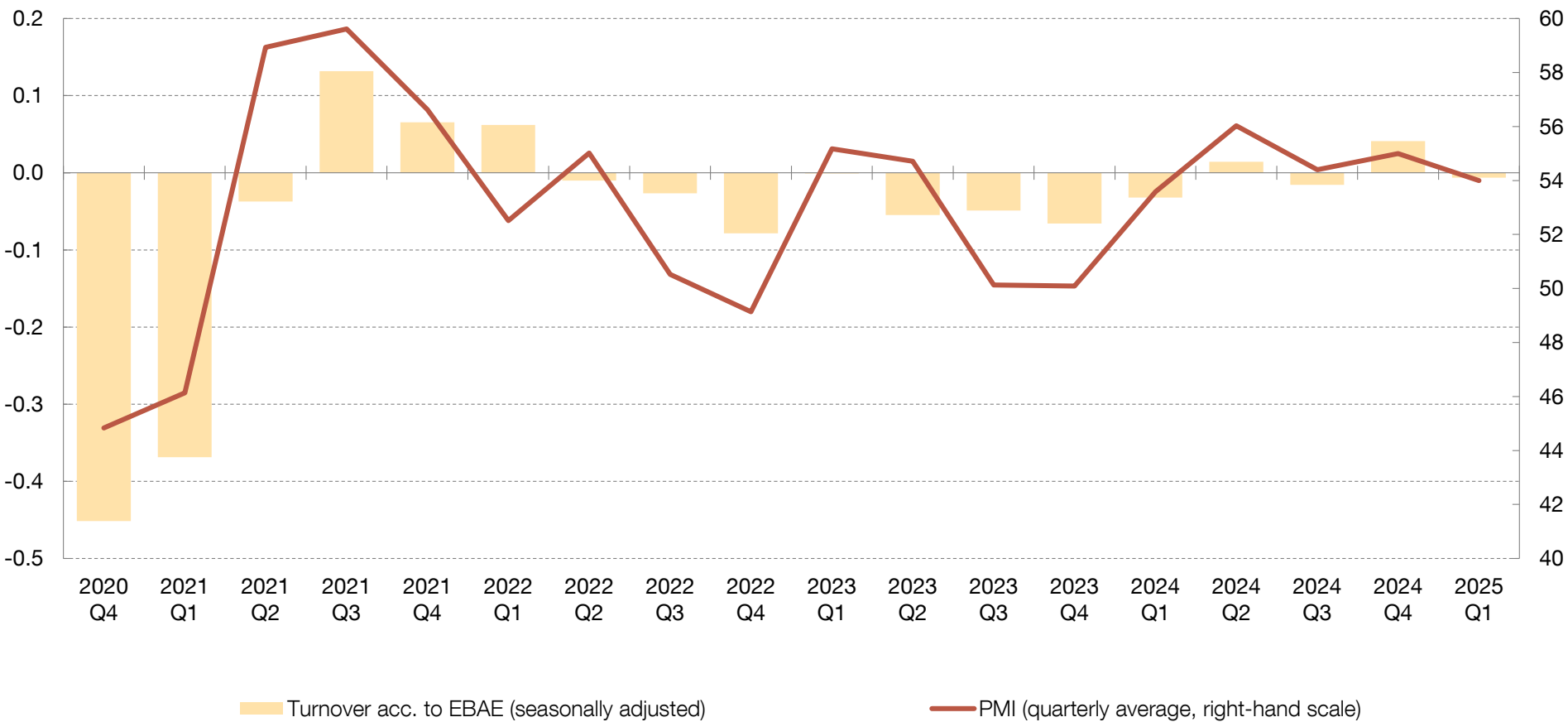
## CONTRIBUTIONS OF SECTORS (pp) TO TOTAL EMPLOYMENT GROWTH (a)



Sources: Ministerio de Inclusión, Seguridad Social y Migraciones and Banco de España. (a) Gross series.

ACCORDING TO THE EBAE, FIRMS' TURNOVER HAS REMAINED PRACTICALLY UNCHANGED IN 2025 Q1, IN LINE WITH THE COMPOSITE PMI

SEASONALLY ADJUSTED TURNOVER ACCORDING TO THE EBAE AND COMPOSITE PMI



Sources: Banco de España (EBAE) and S&P Global.

ALTHOUGH THE PMIs REMAIN IN EXPANSIONARY TERRITORY, THEY EASED IN THE FIRST TWO MONTHS OF THE YEAR

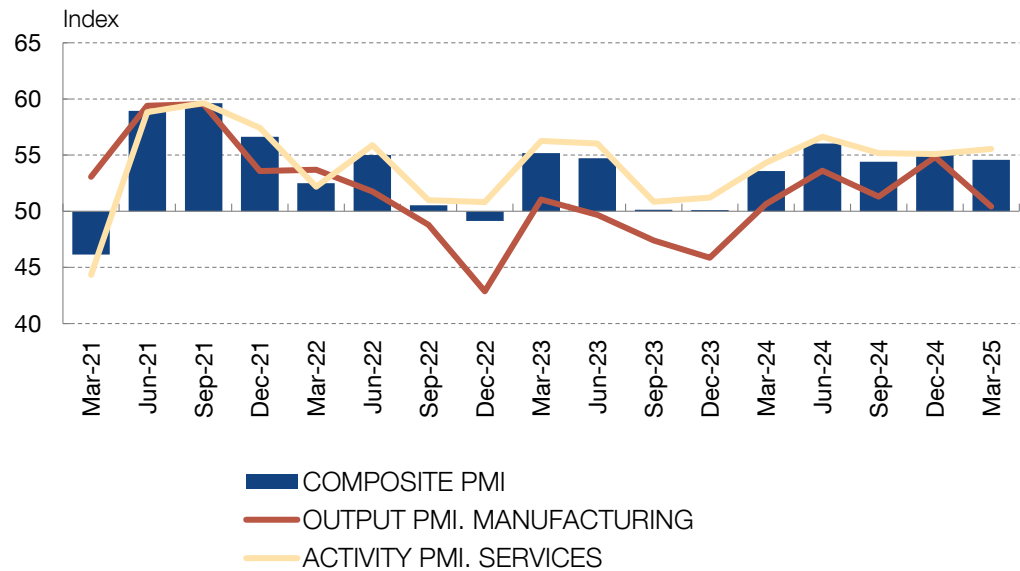


- Despite remaining in expansionary territory in January-February, the composite PMI decreased slightly, weighed down by the deterioration in confidence in the manufacturing sector

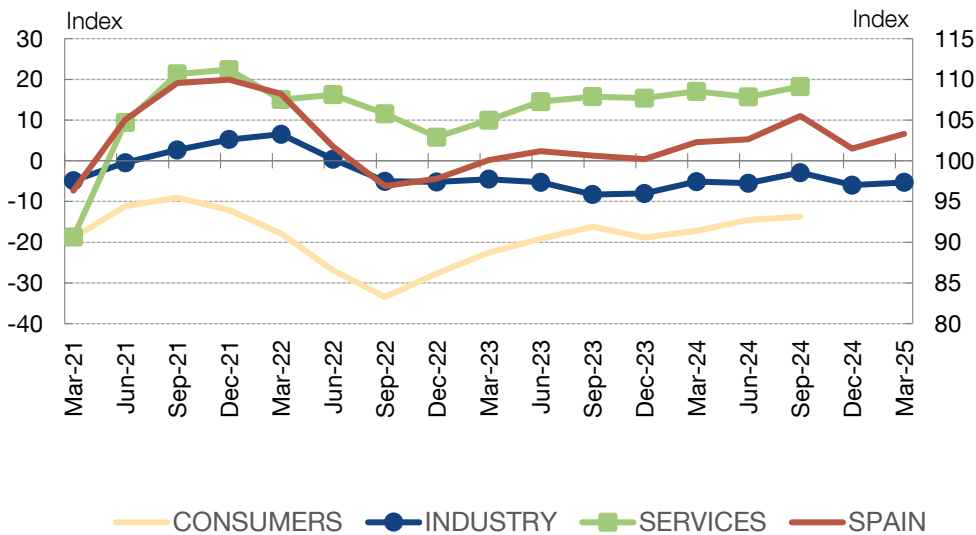


- The economic sentiment indicator has picked up slightly in 2025 Q1, but has not fully reversed the decline recorded in the previous quarter

PURCHASING MANAGERS' INDICES (a)



ECONOMIC SENTIMENT INDICATOR (a)



Sources: European Commission and S&P Global. (a) The first quarter includes information up to February.

# THE COST OF CREDIT HAS DECLINED IN RECENT MONTHS, BOOSTING HOUSEHOLDS' AND FIRMS' DEMAND FOR FINANCING

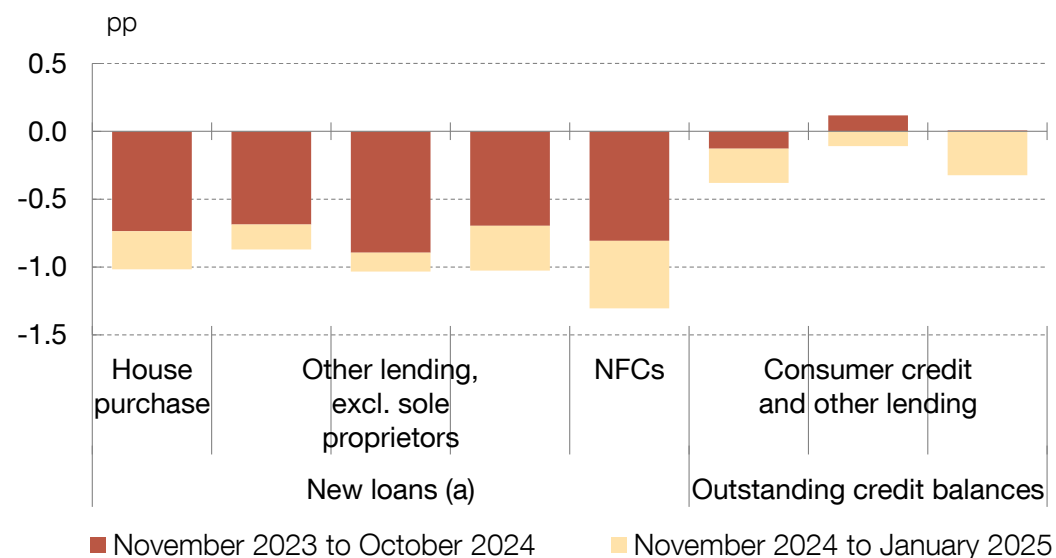


- Interest rates on new loans have continued to decrease, and the average cost of outstanding loans has begun to decline

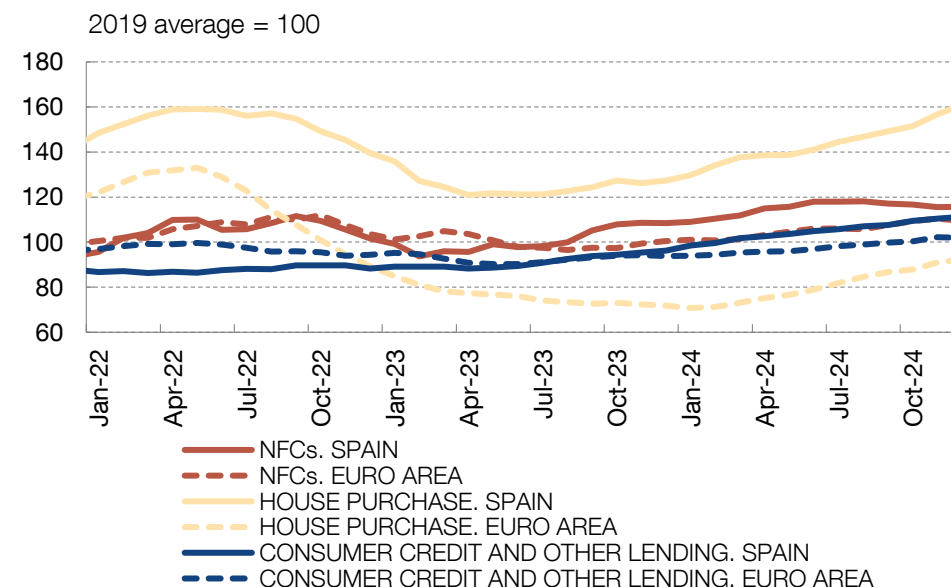


- Growth in new loans has continued to be stronger in Spain than in the euro area
- All this, against a background in which, broadly speaking, credit standards are holding unchanged and the increase in credit demand is taking root

## CHANGE IN THE COST OF CREDIT DURING THE MONETARY POLICY NORMALISATION PHASE (a)



## VOLUME OF NEW LOANS (b)



Sources: ECB and Banco de España. Latest data: December 2024. (a) NDER. Those on new loans are adjusted for seasonal and irregular components. (b) Three-month cumulative seasonally adjusted flows. Does not include renegotiated loans.

BROADLY SPEAKING, CREDIT STANDARDS ARE HOLDING UNCHANGED, WHILE THE INCREASE IN CREDIT DEMAND IS TAKING ROOT

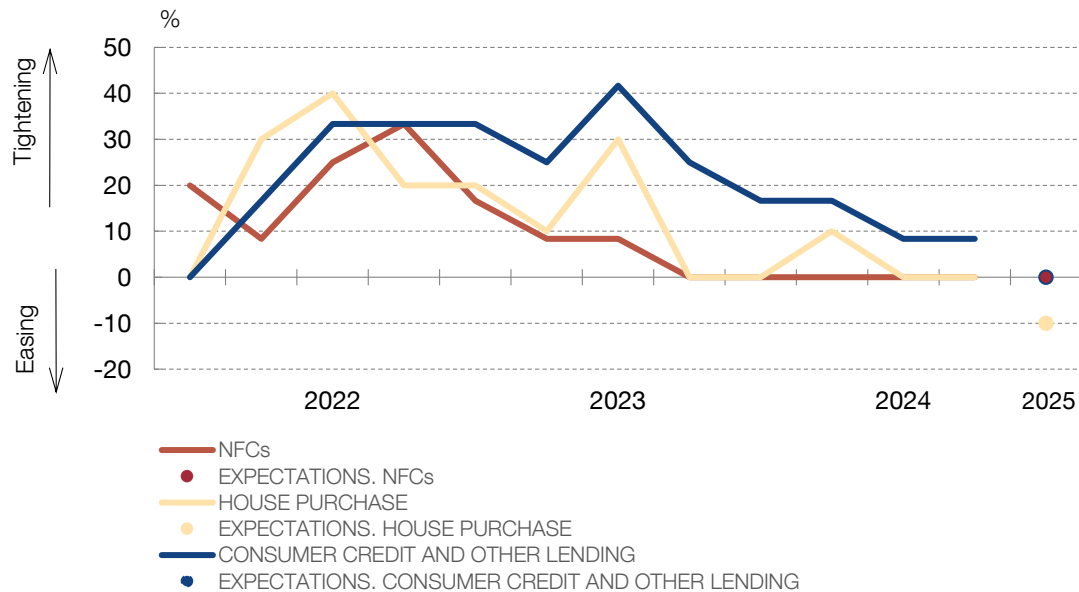


- According to the Bank Lending Survey, credit standards were largely unchanged in 2024 Q4
- They tightened slightly only for consumer credit and other loans to households

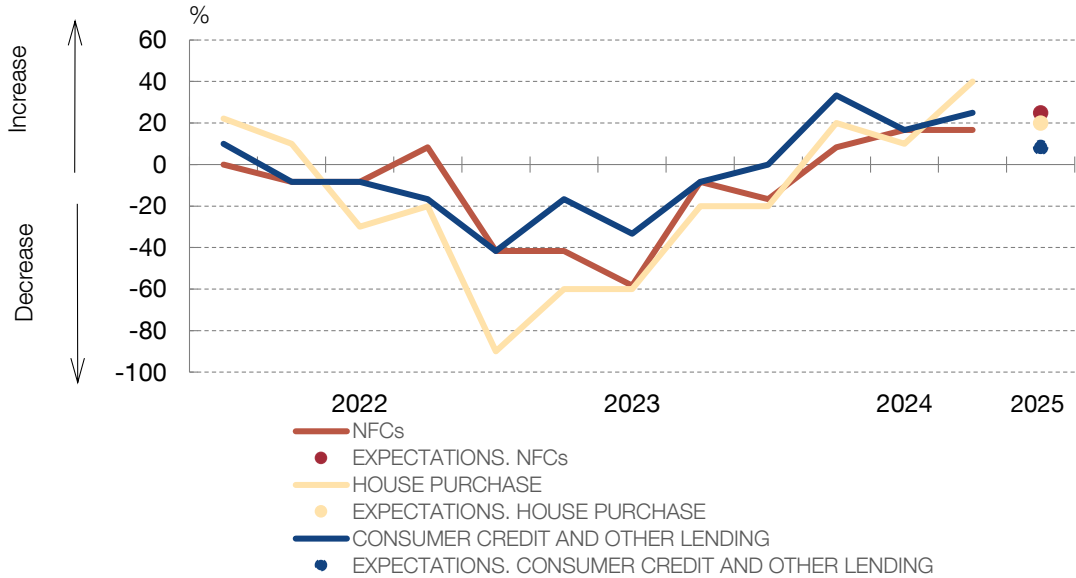


- According to the same survey, credit demand grew once again in 2024 Q4
- The respondent banks expect demand for loans to continue increasing across all segments in early 2025

CHANGE IN CREDIT STANDARDS FOR LOANS IN SPAIN (a)



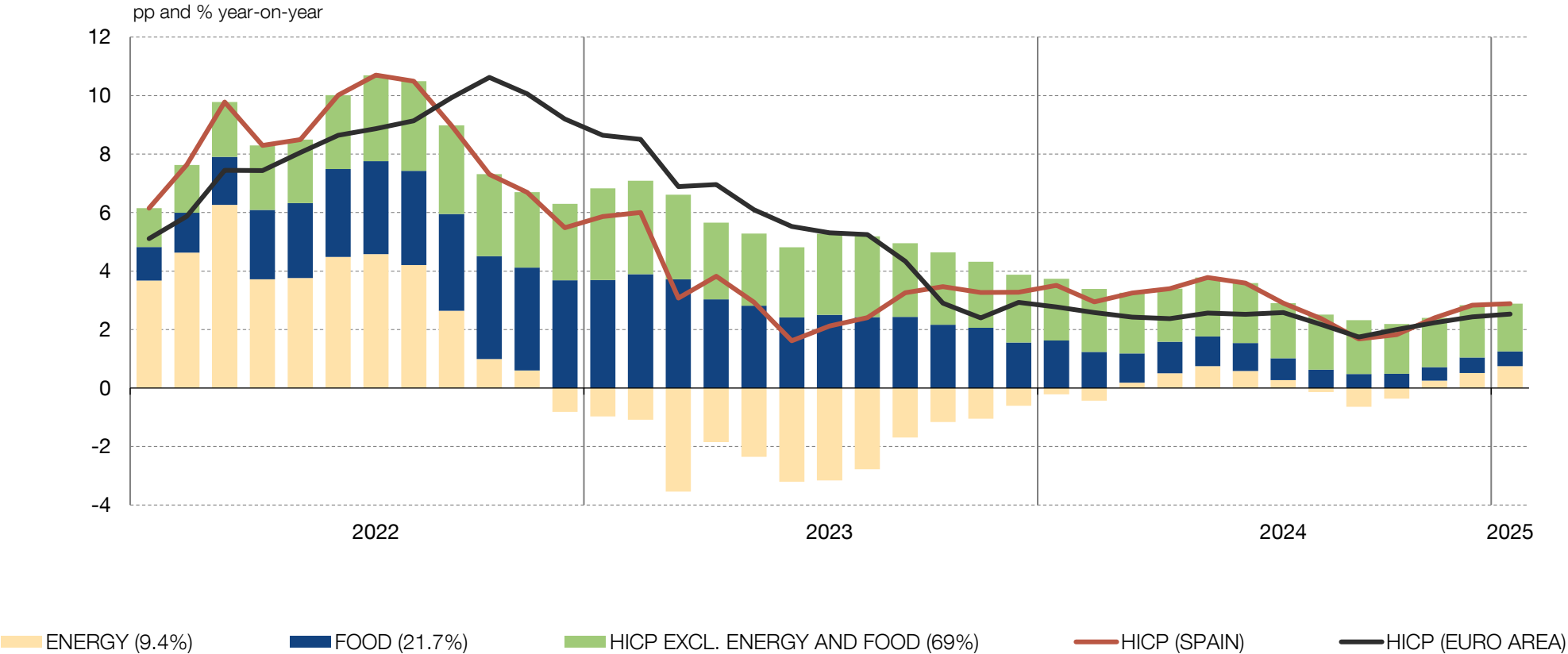
CHANGE IN DEMAND FOR LOANS IN SPAIN (a)



Sources: ECB and Banco de España. Latest data: 2024 Q4. (a) Percentage of banks reporting a tightening/increase less the percentage reporting an easing/decrease.

THE HEADLINE INFLATION RATE HAS PICKED UP IN SPAIN IN RECENT MONTHS,  
DRIVEN BY THE ENERGY COMPONENT

HEADLINE HICP AND CONTRIBUTIONS (a)



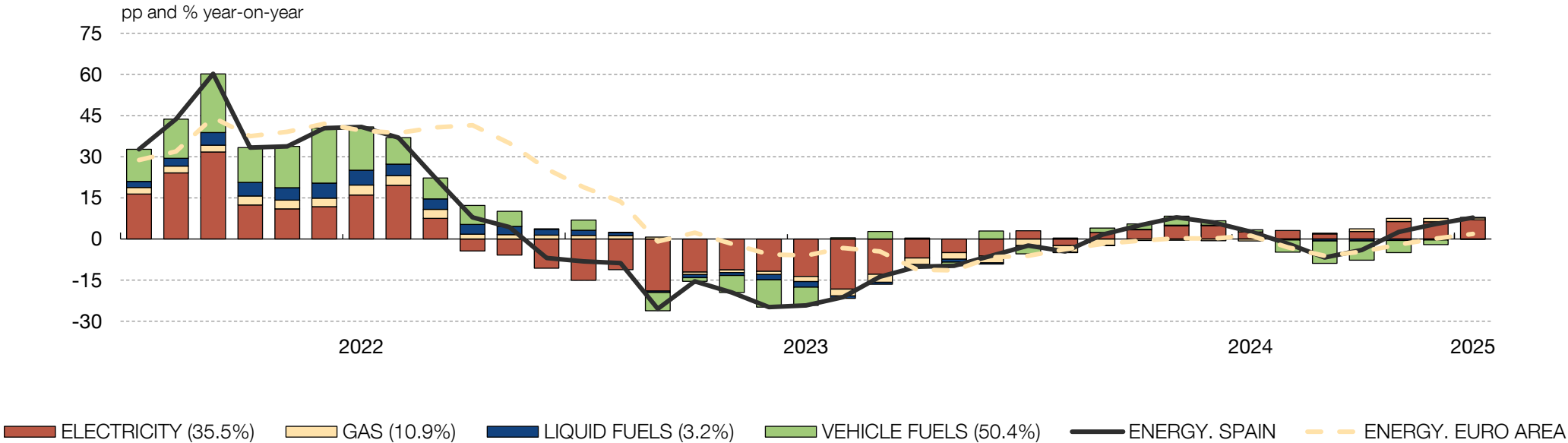
Sources: Eurostat and Banco de España. (a) The weight of each component in headline HICP for 2025 is given in brackets.

# ENERGY PRICES HAVE ACCELERATED AS A CONSEQUENCE OF THE RISE IN ELECTRICITY AND OIL PRICES



- Furthermore, January saw VAT on electricity rise from 10% to 12%

**HICP-ENERGY AND CONTRIBUTIONS (a)**

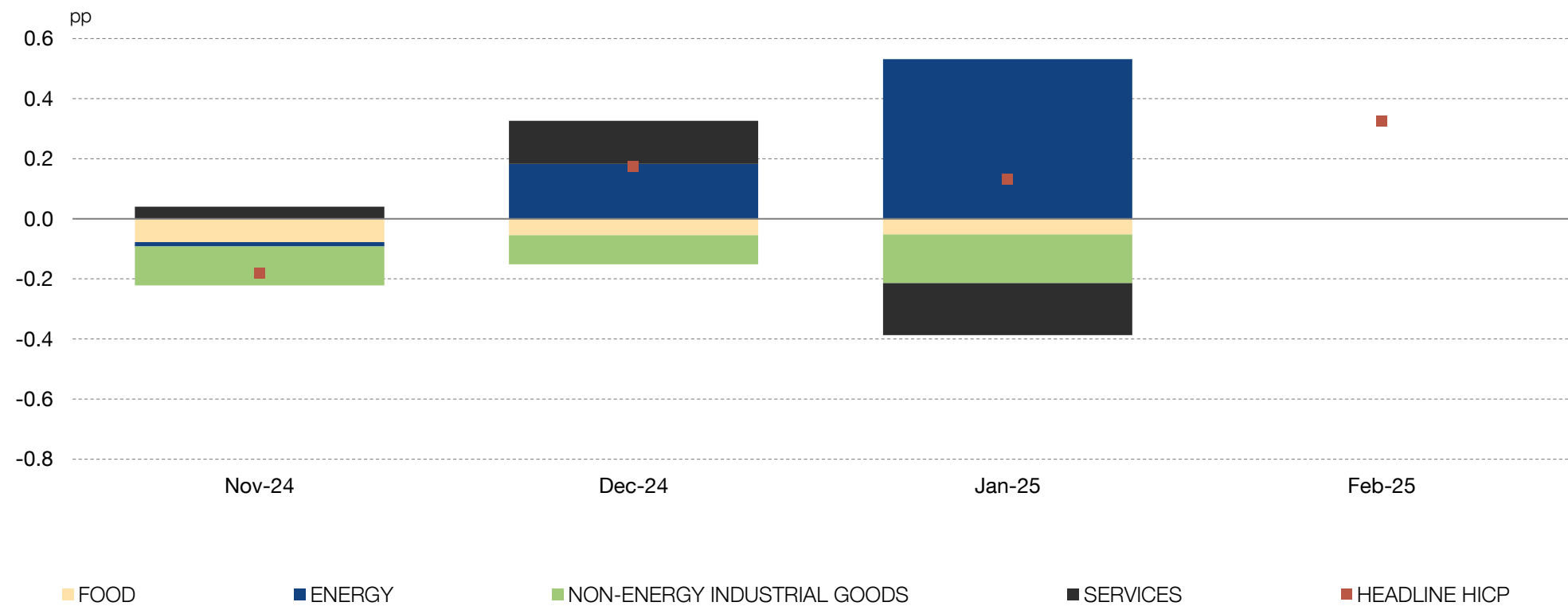


Sources: Eurostat and Banco de España. (a) The weight of each component in HICP-energy for 2025 is given in brackets.



THE COMPONENTS OF HEADLINE INFLATION SURPRISED IN OPPOSITE DIRECTIONS:  
ENERGY PRICES ON THE UPSIDE AND THE OTHER COMPONENTS ON THE DOWNSIDE

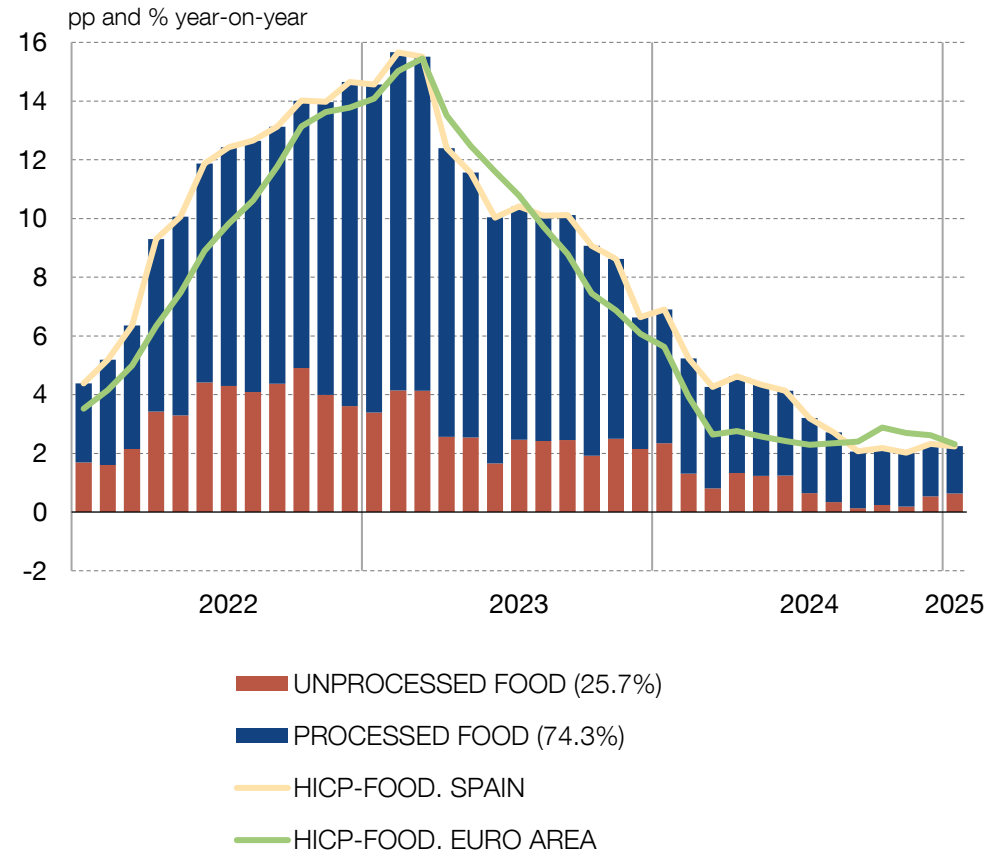
HEADLINE HICP: DIFFERENCE RELATIVE TO THE DECEMBER 2024 PROJECTIONS



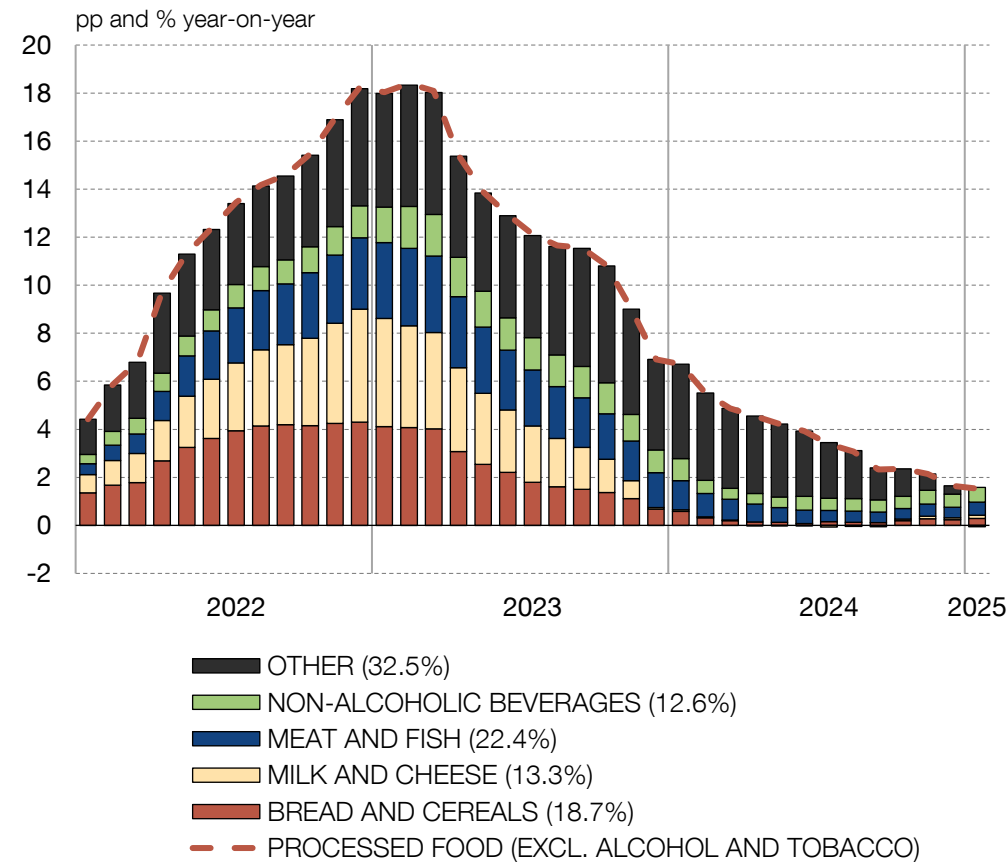
Sources: INE and Banco de España.

THE DECELERATION IN FOOD PRICES HAS SLOWED OWING TO THE UPTICK IN UNPROCESSED FOOD PRICES AND THE REVERSAL OF THE VAT REDUCTION IN JANUARY

HICP-FOOD, ALCOHOL AND TOBACCO (a)



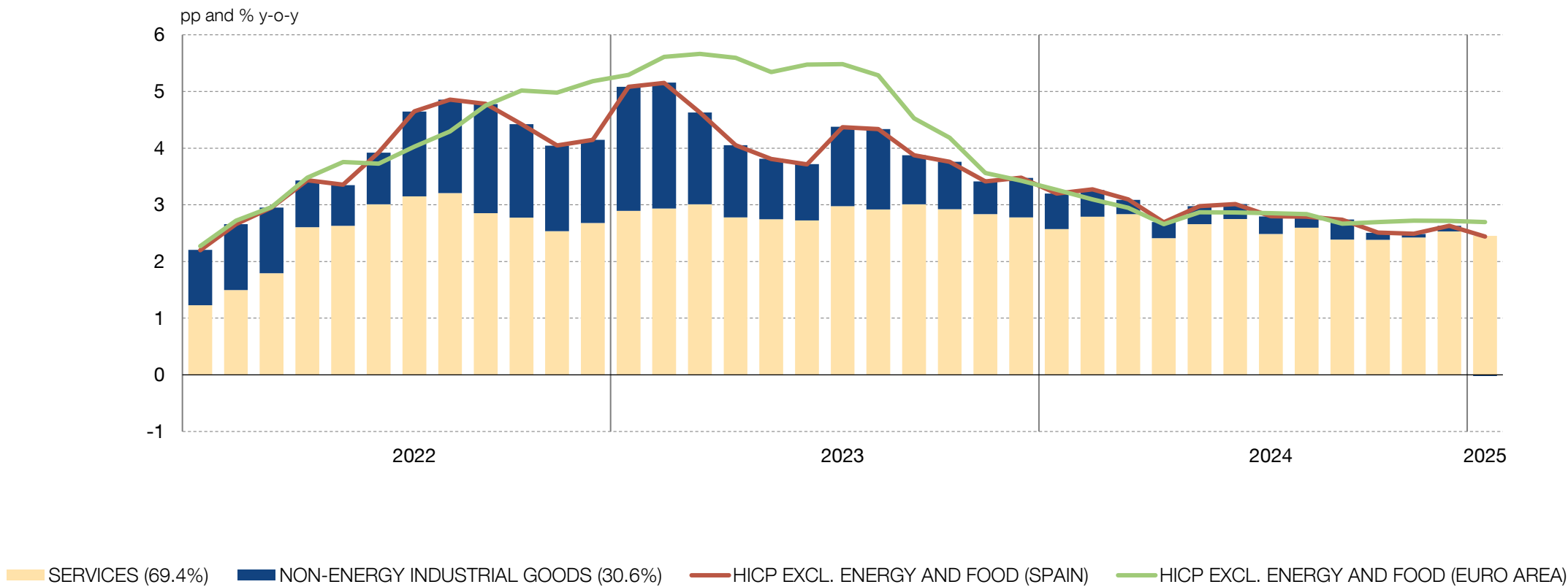
PROCESSED FOOD (EXCL. ALCOHOL AND TOBACCO) (b)



Sources: Eurostat and Banco de España. (a) The weight of each component in HICP-food for 2025 is given in brackets. (b) The weight of each component in HICP-processed food (excl. alcohol and tobacco) for 2025 is given in brackets.

CORE INFLATION STOOD AT 2.4% IN JANUARY, 0.55 PP LOWER THAN PROJECTED IN DECEMBER

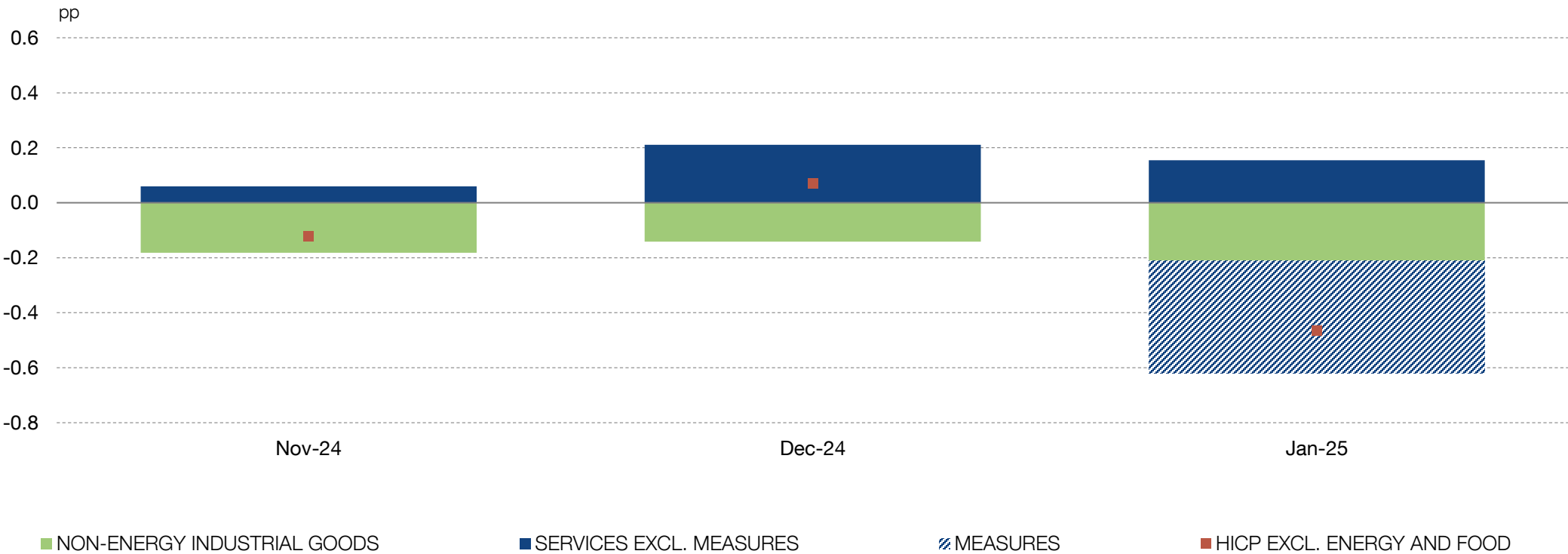
HICP EXCL. ENERGY AND FOOD: RATES AND CONTRIBUTIONS (a)



Sources: Eurostat and Banco de España. (a) The 2025 weight of each component in HICP excluding energy and food is given in brackets.

CONTRASTING SURPRISES IN CORE INFLATION: NEGATIVE IN “NEIG” AND POSITIVE IN SERVICES (EXCLUDING THE EXTENSION OF TRANSPORT SUBSIDIES)

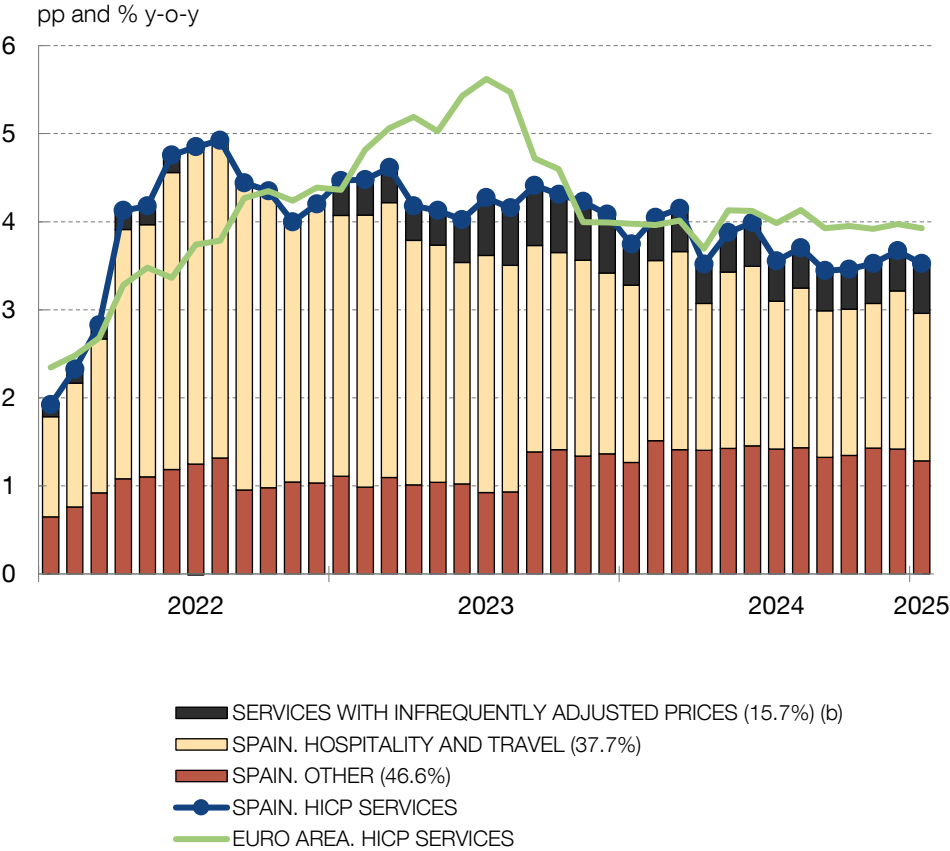
HICP EXCLUDING ENERGY AND FOOD: HICP: DIFFERENCE WITH RESPECT TO THE DECEMBER PROJECTIONS



Sources: INE and Banco de España.

INFLATION REMAINS PERSISTENT IN TRAVEL AND HOSPITALITY SERVICES, AND IN SERVICES WITH INFREQUENTLY ADJUSTED PRICES

HICP SERVICES: RATES AND CONTRIBUTIONS (a)



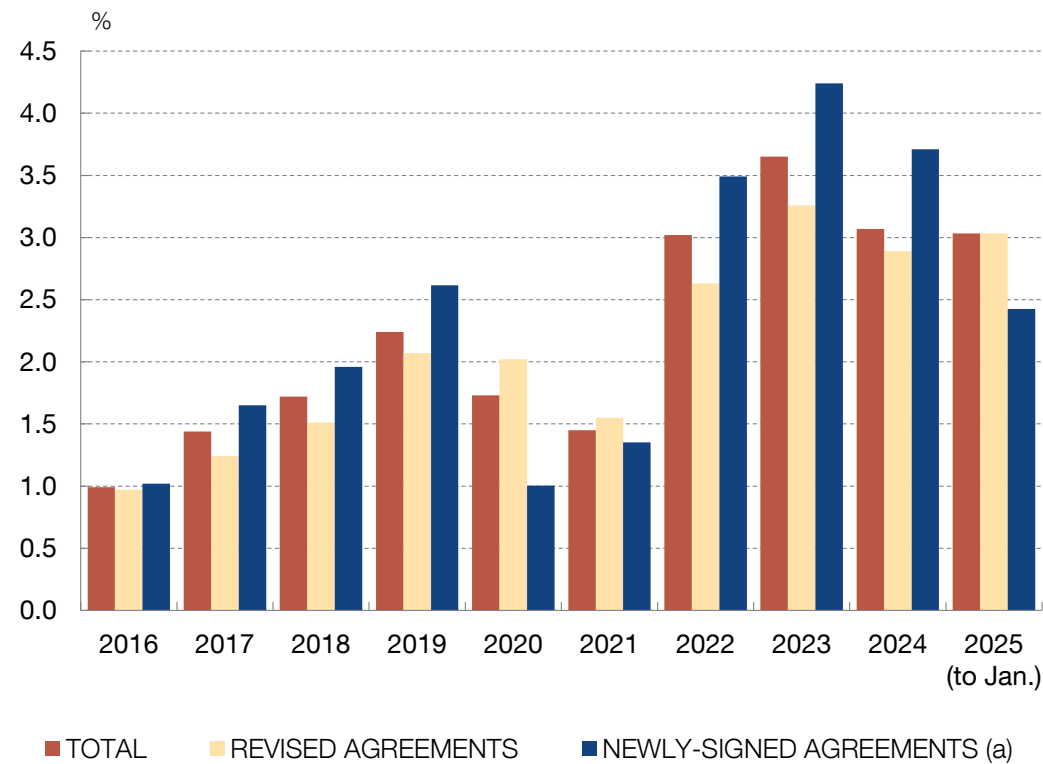
HICP SERVICES: HOSPITALITY, TRAVEL AND OTHER (a)



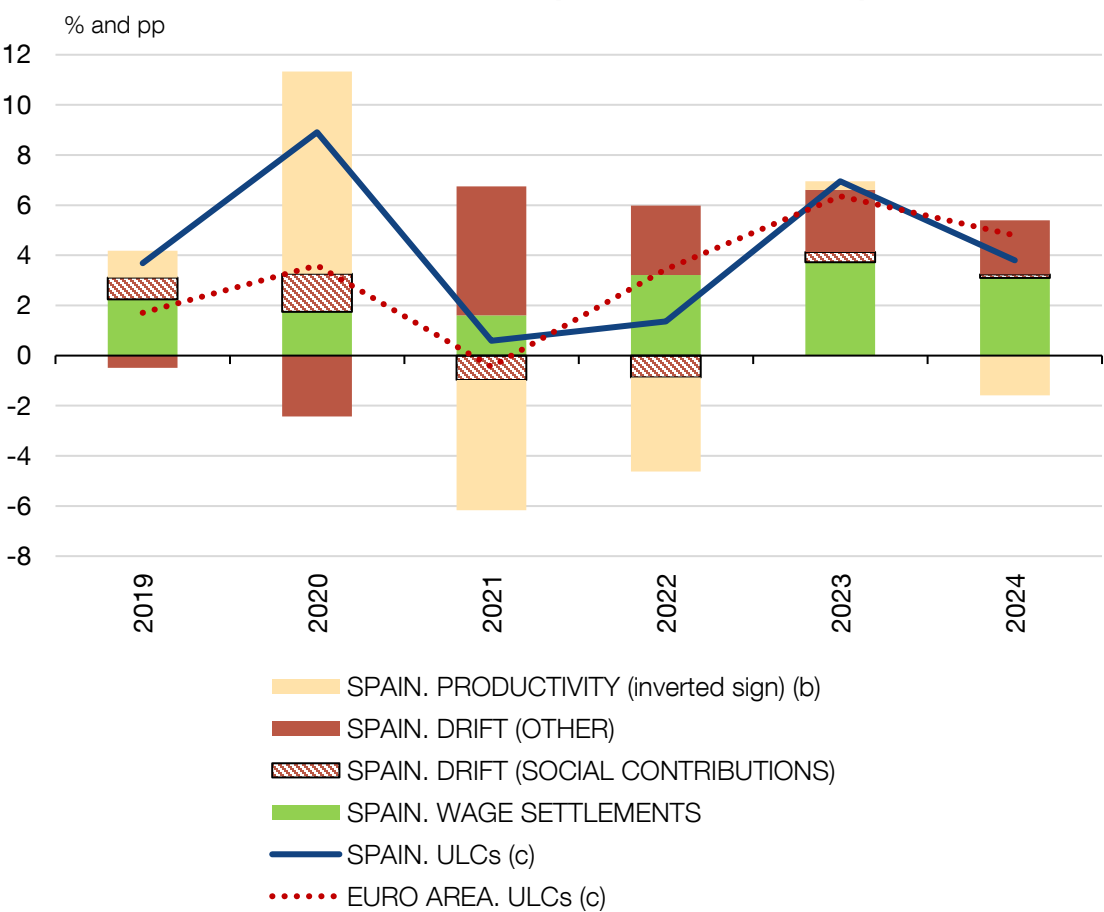
Sources: Eurostat and Banco de España. (a) The 2025 weight of each component in HICP Services is given in brackets.

NEGOTIATED WAGE SETTLEMENTS HELD CLOSE TO 3%, BUT LABOUR COSTS INCREASED FURTHER DUE TO POSITIVE WAGE DRIFT

WAGE SETTLEMENTS



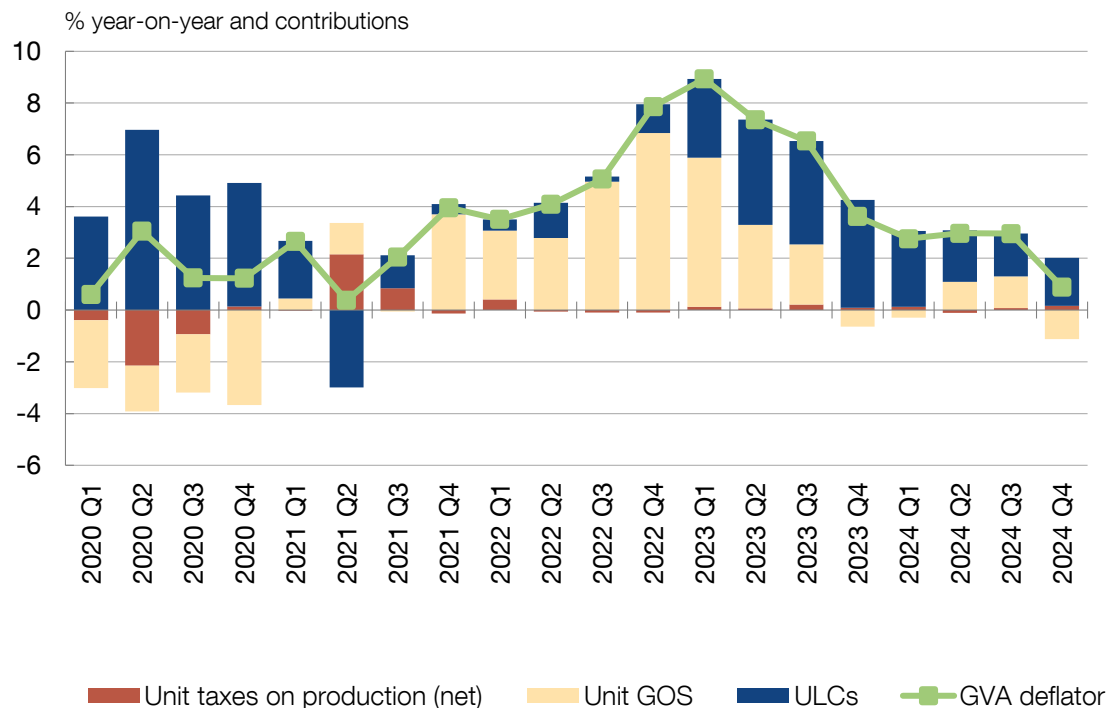
UNIT LABOUR COSTS. CHANGE AND CONTRIBUTIONS (market economy)



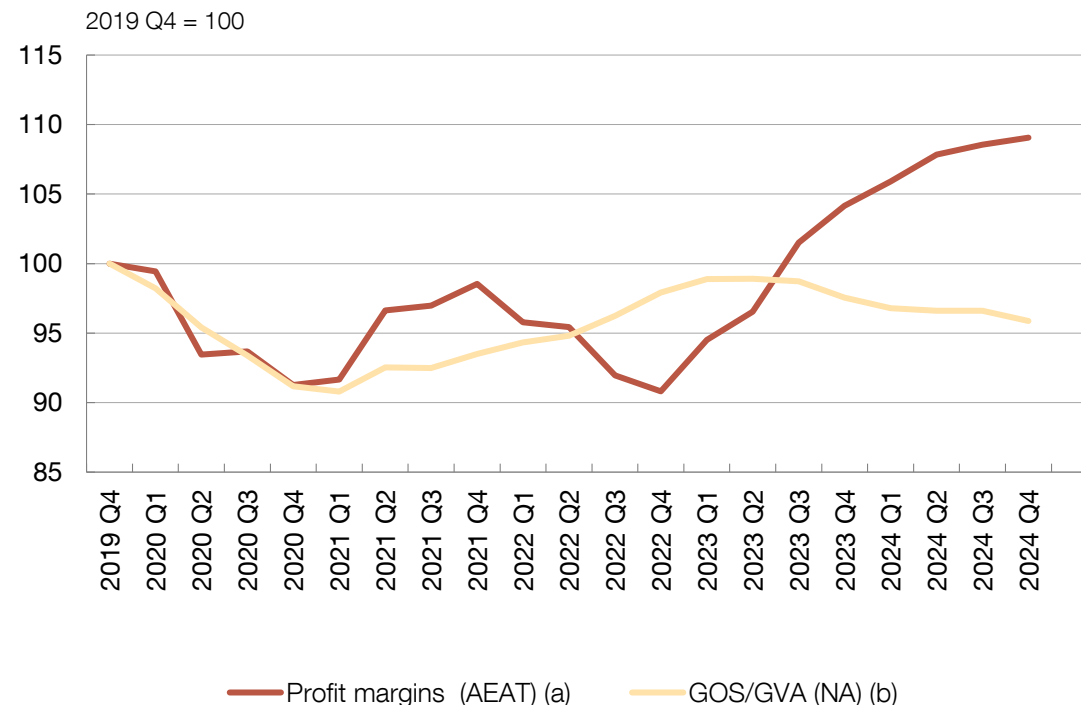
Sources: Ministerio de Trabajo y Economía Social, INE and Eurostat. (a) The newly signed agreements in January 2025 cover some 12 thousand workers. (b) Productivity is defined as gross value added per employee. (c) The change in unit labour costs can be proxied as the sum of the change in compensation per employee and the change in productivity (with an inverted sign). Therefore, a positive contribution of productivity in the chart is interpreted as the effect of a decline in productivity.

# THE MODERATION OF ULCs AND THE RELATIVE STABILITY OF PROFIT MARGINS HELP REDUCE DOMESTIC INFLATIONARY PRESSURES

## GROSS VALUE ADDED DEFLATOR. MARKET ECONOMY



## CHANGE IN PROFIT MARGINS



Sources: Banco de España, Instituto Nacional de Estadística and tax forms for VAT and withholdings on labour income and income from economic activities (AEAT). (a) All firms excluding petroleum refining (NACE 19) wholesale of fuels (NACE 4671) and gas and electricity (NACE 35) sectors. Margin on sales is defined as the ratio of GOP to turnover. Four-quarter cumulative data, current population. (b) Four-quarter average.



# MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY 2025-2027.

## MAIN ITEMS

	March 2025 projections				December 2024 projections			Difference between the March and December projections		
	2024	2025	2026	2027	2025	2026	2027	2025	2026	2027
GDP	3.2	2.7	1.9	1.7	2.5	1.9	1.7	0.2	0.0	0.0
Private consumption	2.9	3.3	2.1	1.8	2.9	2.0	1.8	0.4	0.1	0.0
Government consumption	4.9	2.2	1.8	1.7	1.9	1.8	1.7	0.3	0.0	0.0
Gross capital formation	1.2	3.0	2.5	1.9	3.1	2.2	1.9	-0.1	0.3	0.0
Gross fixed capital formation	2.3	3.2	2.5	2.3	3.1	2.5	1.9	0.1	0.0	0.4
Exports of goods and services	2.9	2.9	2.9	2.9	3.0	3.2	2.9	-0.1	-0.3	0.0
Imports of goods and services	2.0	4.0	3.5	3.2	3.8	3.5	3.2	0.2	0.0	0.0
Domestic demand (contribution to growth)	2.8	2.9	2.0	1.7	2.6	1.9	1.7	0.3	0.1	0.0
Net external demand (contribution to growth)	0.4	-0.2	-0.1	0.0	-0.1	0.0	0.0	-0.1	-0.1	0.0
Nominal GDP	6.3	4.7	3.9	4.0	4.8	3.8	4.0	-0.1	0.1	0.0
GDP deflator	3.0	2.0	1.9	2.2	2.2	1.8	2.2	-0.2	0.1	0.0
HICP	2.9	2.5	1.7	2.4	2.1	1.7	2.4	0.4	0.0	0.0
HICP excl. energy and food	2.8	2.2	2.0	1.9	2.3	1.9	1.8	-0.1	0.1	0.1
Employment (people)	2.2	1.9	1.2	1.0	1.6	1.1	1.0	0.3	0.1	0.0
Employment (hours)	1.9	1.7	1.2	1.0	1.3	1.1	1.0	0.4	0.1	0.0
Unemployment rate (% of the labour force). Annual average	11.3	10.5	10.0	9.5	10.8	10.4	9.9	-0.3	-0.4	-0.4
Net lending (+) / net borrowing (-) of the nation (% of GDP)	4.1	3.8	3.7	3.1	4.2	4.2	3.6	-0.4	-0.5	-0.5
General government net lending (+) / net borrowing (-) (% of GDP)	-3.4	-2.8	-2.6	-2.6	-2.9	-2.7	-2.7	0.1	0.1	0.1
General government debt (% of GDP)	101.8	101.3	101.6	101.0	102.6	102.5	101.8	-1.3	-0.9	-0.8

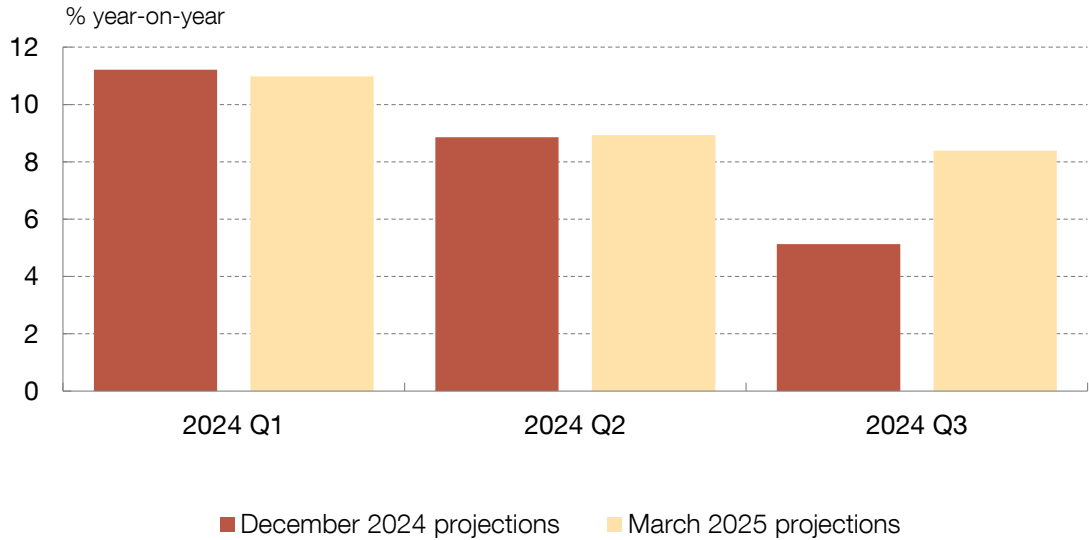
Sources: Banco de España and Instituto Nacional de Estadística. Latest QNA figure: 2024 Q4 flash estimate. Projections cut-off date: 21 February 2025.

# BOTH HOUSEHOLD DISPOSABLE INCOME IN 2024 Q3 AND COMPENSATION PER EMPLOYEE IN 2024 Q4 WERE MORE BUOYANT THAN EXPECTED

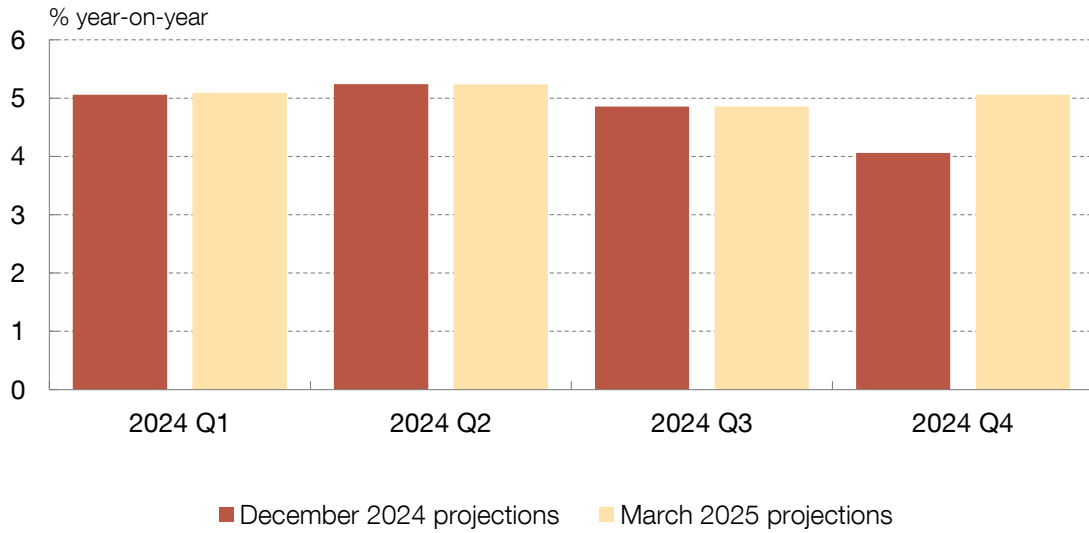


- Household disposable income comes from the Quarterly National Accounts for the Institutional Sectors. Latest figure: 2024 Q3 (published 30 December 2024)
- Compensation per employee comes from the Quarterly National Accounts. Latest figure: 2024 Q4 (published 29 January 2025)
- The positive surprises recorded in both variables, along with the continued strength of the labour market, would point to more vigorous private consumption than envisaged in the December projections

## HOUSEHOLD DISPOSABLE INCOME



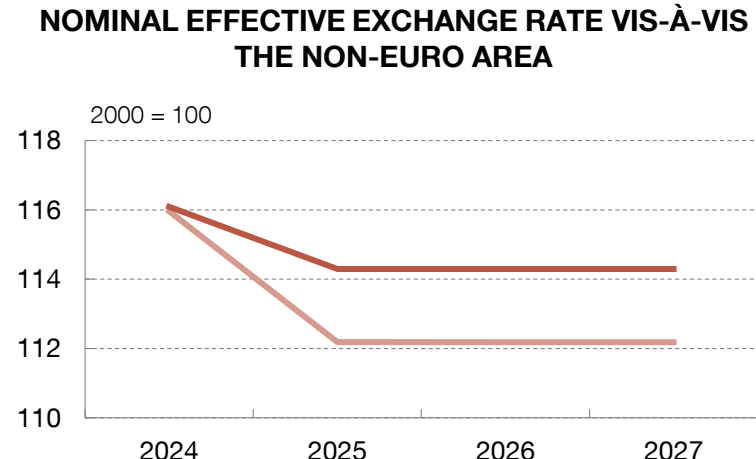
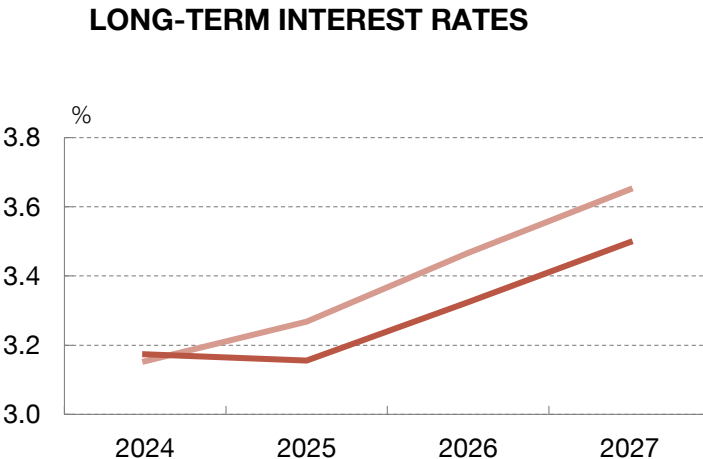
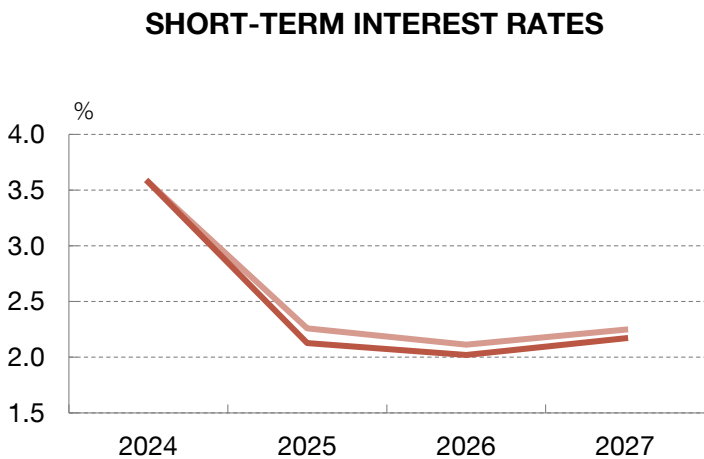
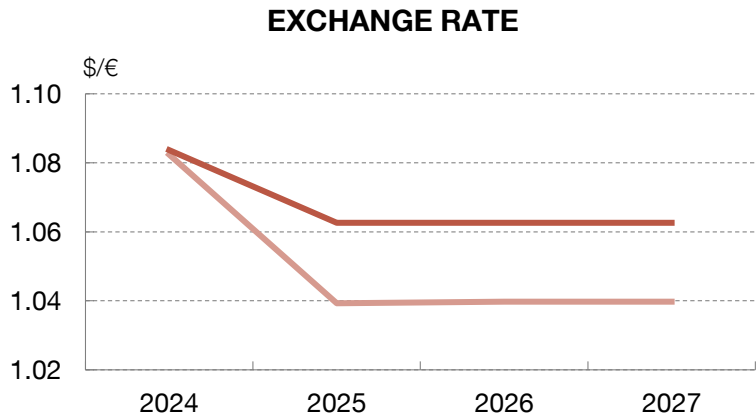
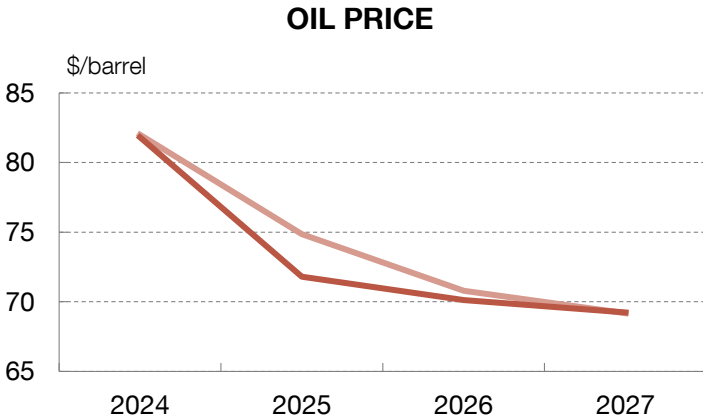
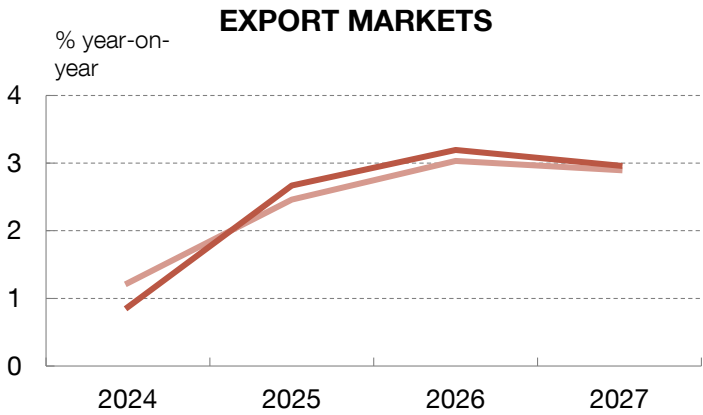
## COMPENSATION PER EMPLOYEE



Sources: Instituto Nacional de Estadística and Banco de España.



THE NEW ASSUMPTIONS IMPLY SOMEWHAT MORE FAVOURABLE CONDITIONS FOR ACTIVITY THAN IN DECEMBER



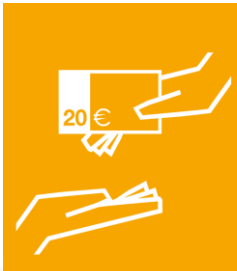
Sources: ECB and Banco de España.



JOB CREATION WILL CONTINUE OVER THE PROJECTION HORIZON, ALBEIT AT A SLIGHTLY SLOWER PACE THAN IN RECENT QUARTERS

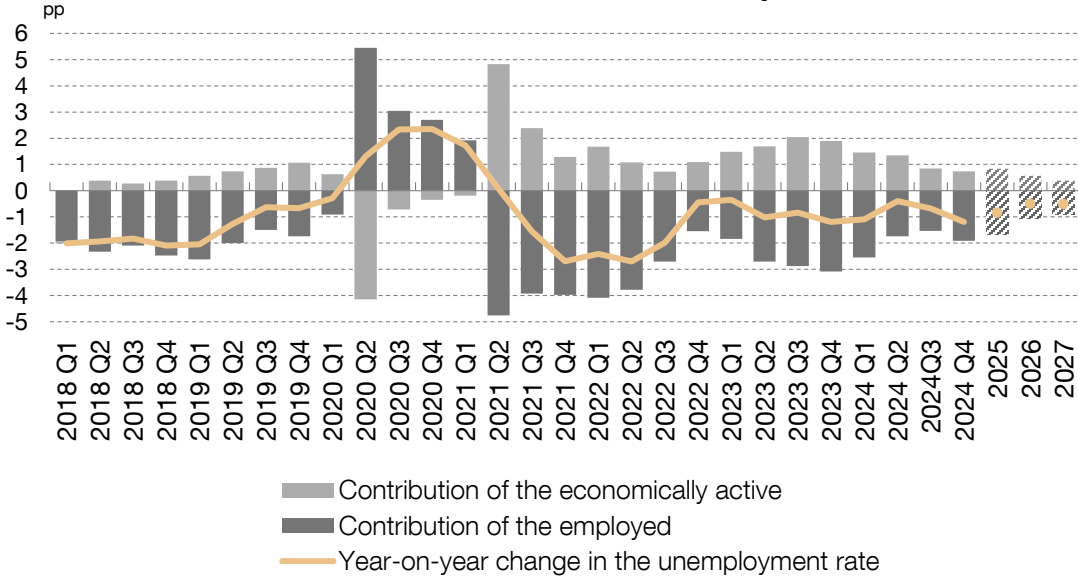


- The unemployment rate will continue to fall over the 2025-2027 horizon, against a backdrop of lower job creation and a somewhat slower increase in the labour force



- This employment growth rate forecast, below that projected for GDP, will lead to higher productivity per person employed in 2025-2027, growing at a slightly slower pace than in 2024, but somewhat above the rates recorded on average in the period 2000-2019

UNEMPLOYMENT RATE (YEAR-ON-YEAR RATE OF CHANGE AND CONTRIBUTION OF THE EMPLOYED AND ECONOMICALLY ACTIVE)



PRODUCTIVITY



Sources: INE and Banco de España.

# THE MOST RECENT QUALITATIVE INDICATORS POINT TO PRODUCTIVE INVESTMENT GROWING MORE MODERATELY IN EARLY 2025 THAN IN 2024 Q4



## PMI

Following the uptick observed at end-2024, new orders have entered contractionary territory



## CONFIDENCE

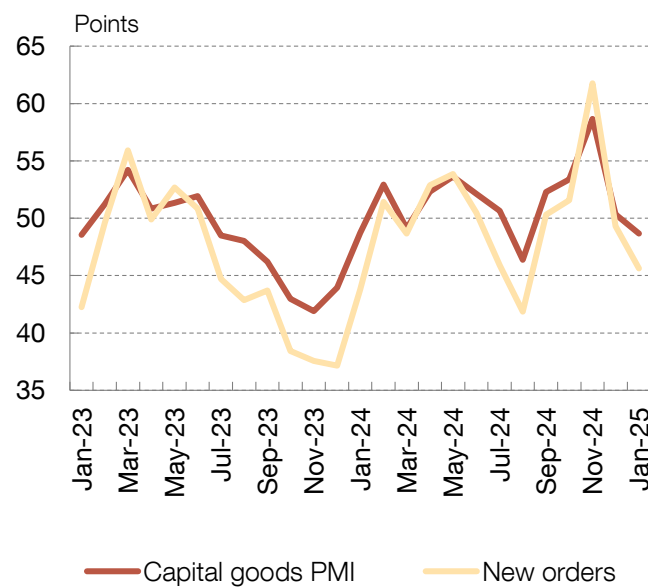
Industrial confidence shows signs of relative stability



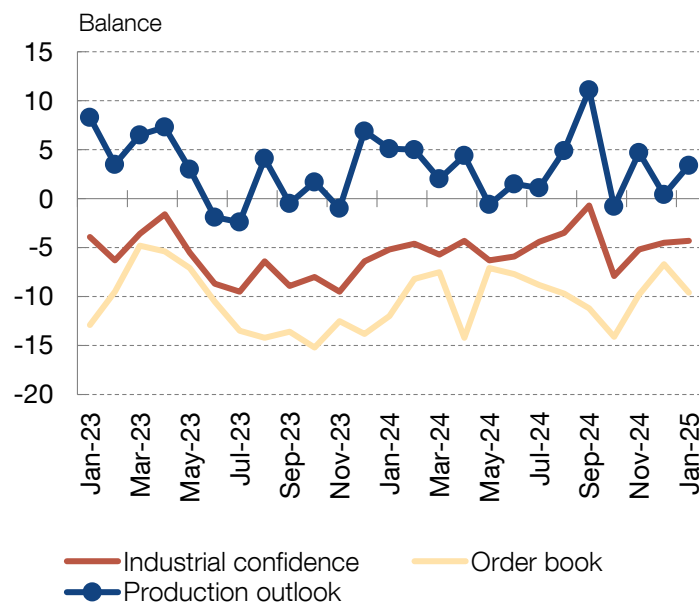
## EBAE

Investment will continue to grow in 2025 Q1 for the fourth consecutive quarter, albeit at a somewhat slower pace than in 2024 Q4

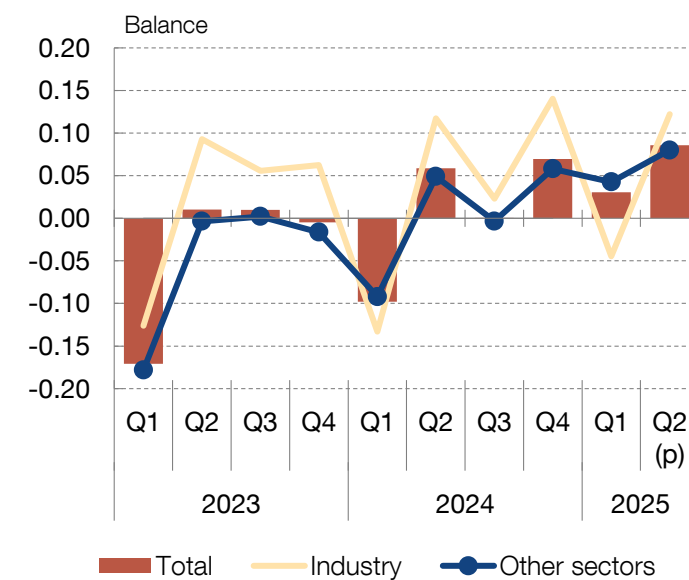
### CAPITAL GOODS PMI



### INDUSTRIAL CONFIDENCE



### EBAE: INVESTMENT



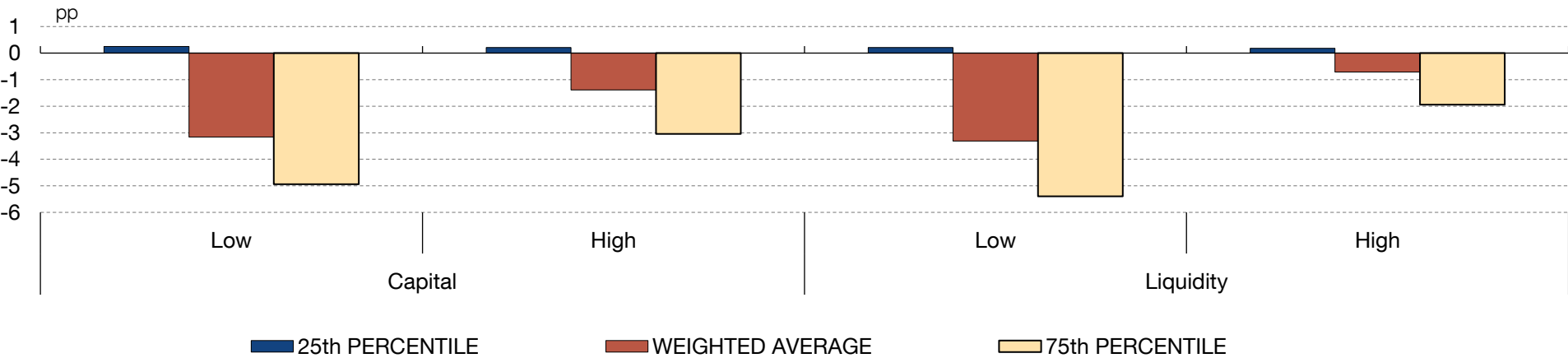
Sources: S&P Global, European Commission and Banco de España.

IN 2022-2023 THE INCREASE IN THE COST OF DEBT REDUCED INVESTMENT. THE DECLINE IN THIS COST OVER THE COMING QUARTERS COULD BOOST INVESTMENT



- According to [Banco de España estimates](#), the increase in the cost of debt between 2022 and 2023 led to a sharper fall in investment for firms with low capital and liquidity ratios. In aggregate terms, investment fell owing to the increase in the cost of debt (all else being constant) by 16.4% relative to 2021
- The expected decline in the cost of debt between December 2023 and June 2025 could raise business investment by 6.5% relative to its 2023 level

ECONOMIC EFFECTS OF THE COST OF CORPORATE FUNDING ON THE RATIO OF INVESTMENT TO TOTAL ASSETS BASED ON THE CAPITAL AND LIQUIDITY RATIOS



Source: [Banco de España](#).

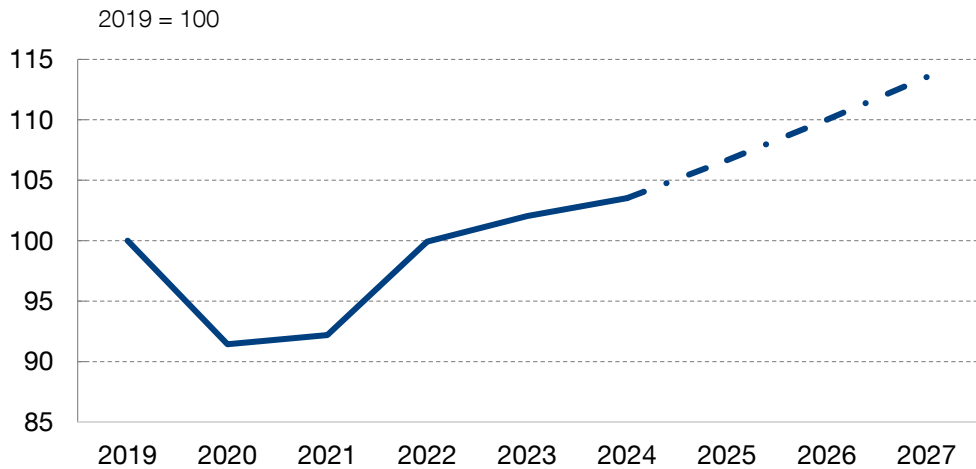


# IN THE COMING YEARS RESIDENTIAL SUPPLY AND INVESTMENT ARE EXPECTED TO PICK UP GRADUALLY

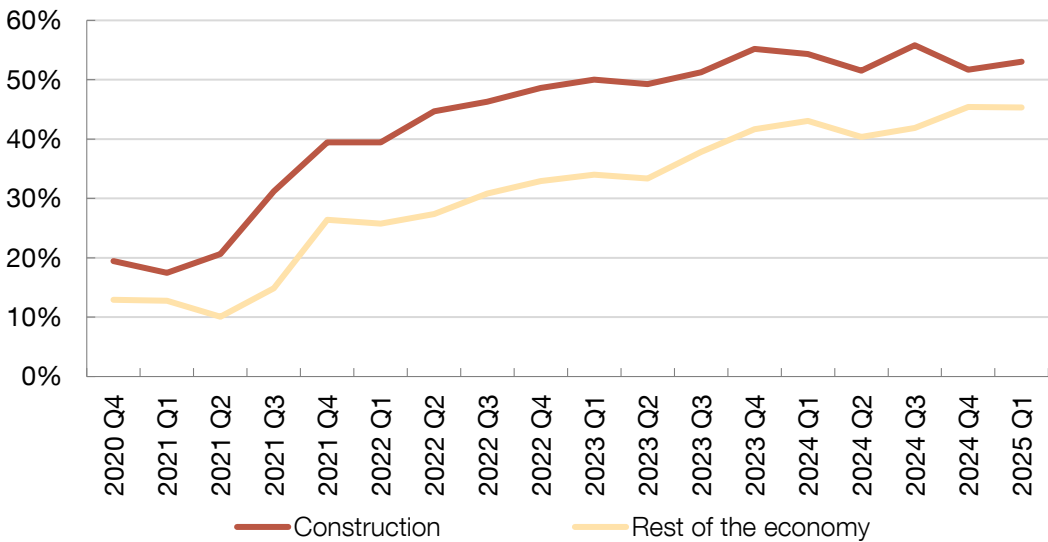


- This uptick in housing market activity would be more conducive to economic growth if some of the bottlenecks currently affecting the construction sector could be resolved and if productivity in this sector could be boosted

## RESIDENTIAL INVESTMENT



## FIRMS AFFECTED BY LABOUR SHORTAGES



Sources: INE and Banco de España (EBAE).

# THE SLOWDOWN ENVISAGED IN TOURISM EXPORTS MAY BE AFFECTED BY EXCHANGE RATE DEVELOPMENTS

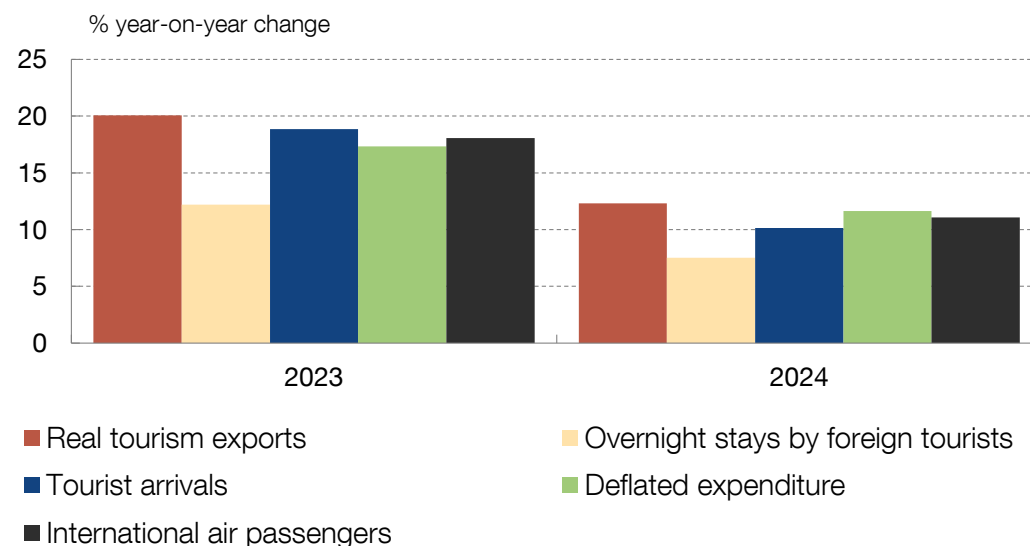


- In recent quarters, the main tourism indicators in Spain, while continuing to grow relatively robustly, have shown clear signs of deceleration

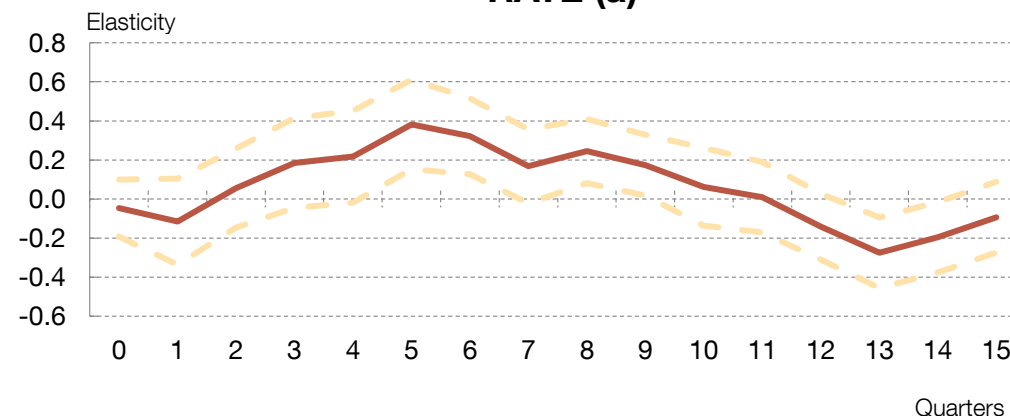


- In a highly complex international environment, exchange rates have recently been experiencing significant volatility
- Historical evidence suggests that a depreciation of the euro may reach its maximum positive effect on tourist flows to Spain after a delay of around five quarters

## MAIN INDICATORS OF TOURISM



## RESPONSE OF HOTEL OVERNIGHT STAYS BY FOREIGN TOURISTS IN SPAIN TO A DEPRECIATION IN THE EURO EXCHANGE RATE (a)

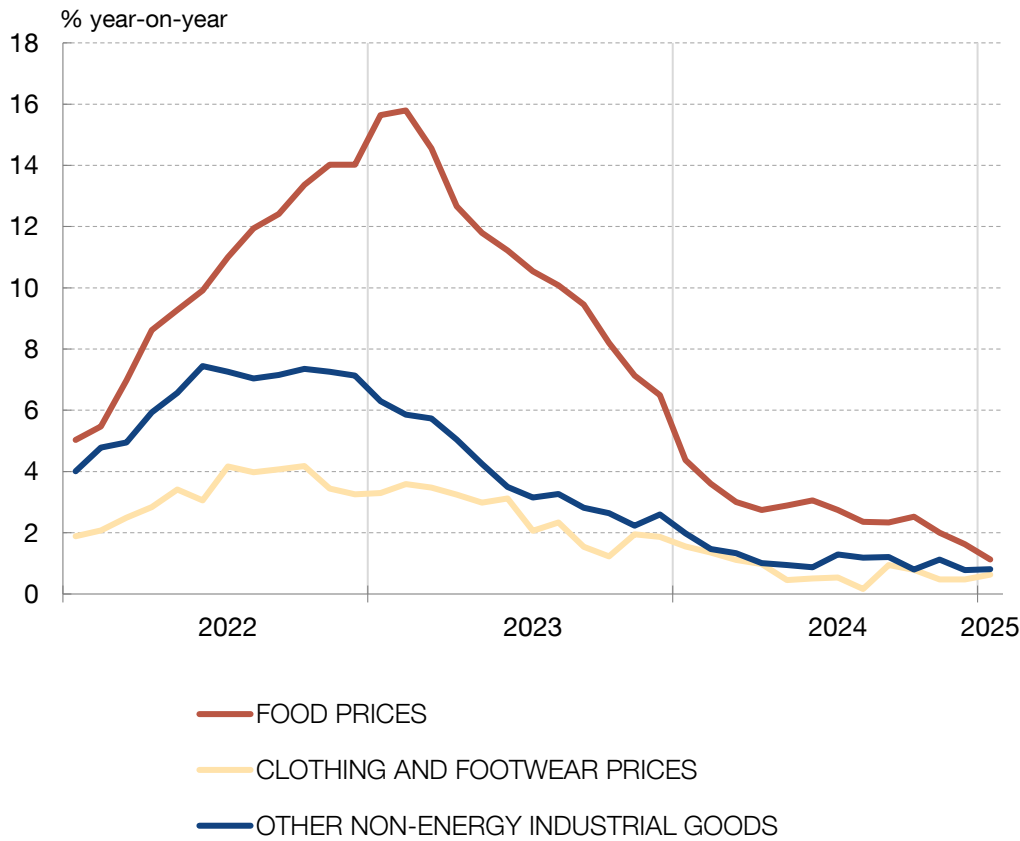


Sources: INE, AENA and Banco de España. (a) Impact of a depreciation of 1% in the exchange rate of the euro against the dollar. 90% confidence interval.

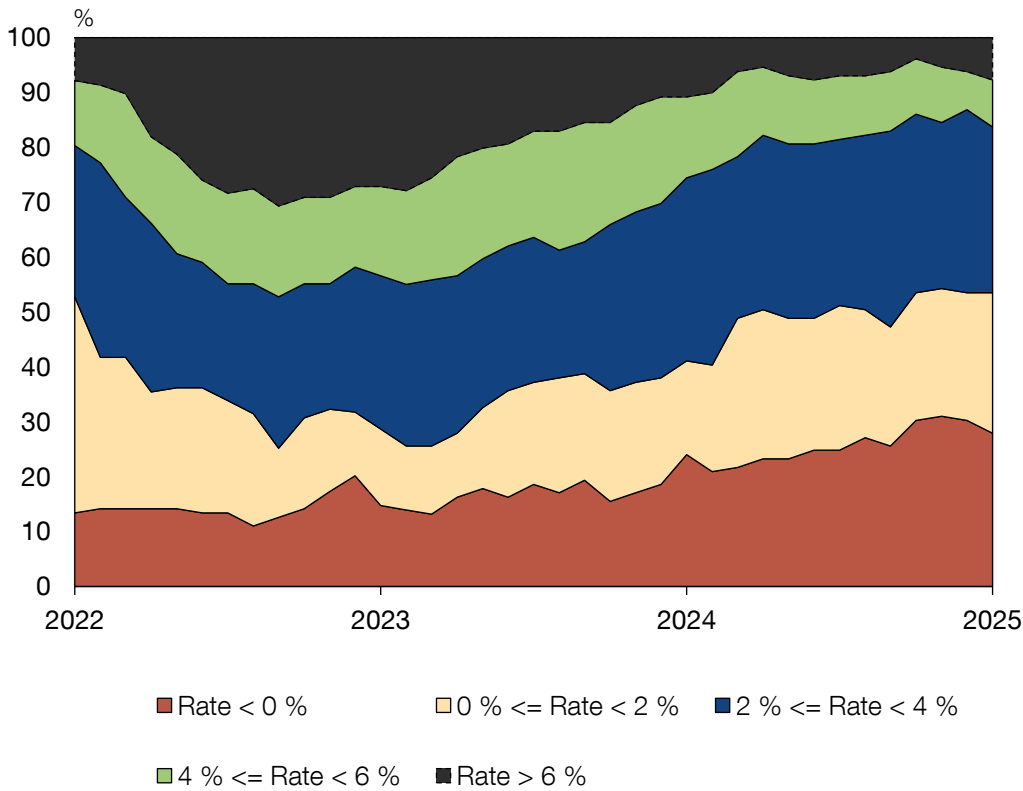


INDUSTRIAL PRICES. THE DISINFLATION PROCESS HAS BECOME INCREASINGLY MORE WIDESPREAD ACROSS COMPONENTS

INDUSTRIAL PRICE INDICATORS



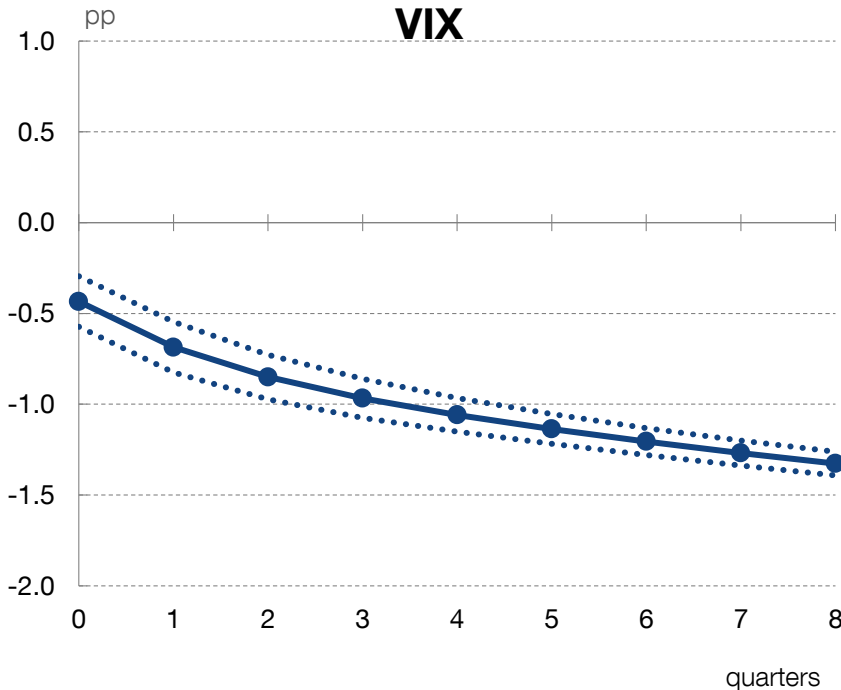
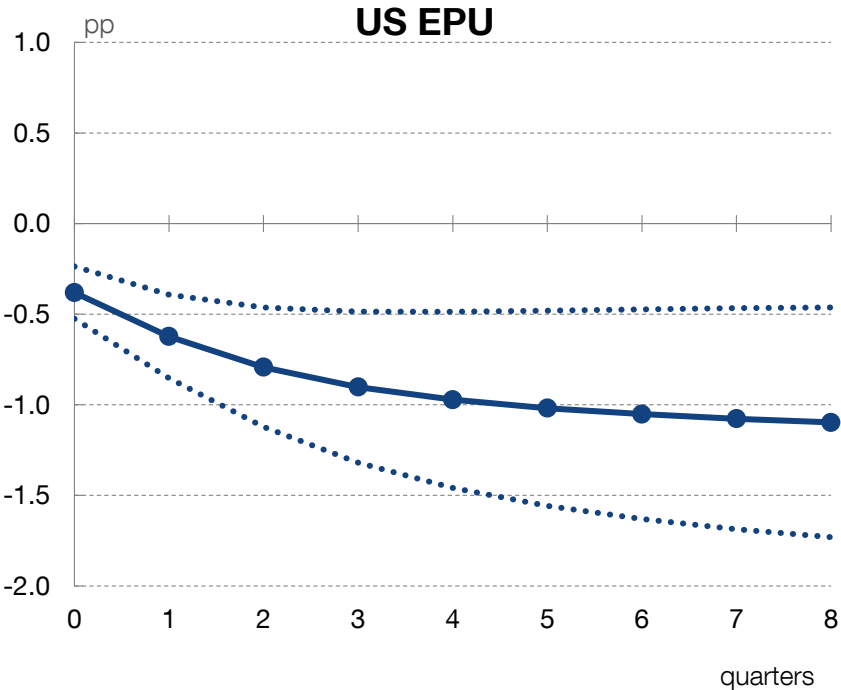
HICP EXCL. ENERGY AND FOOD: PERCENTAGE OF SUBINDICES BY RANGE OF YEAR-ON-YEAR GROWTH (a)



Sources: INE and Banco de España. (a) Latest data: January 2025.

HEIGHTENED GLOBAL UNCERTAINTY TENDS TO BE LINKED TO FALLS IN ECONOMIC ACTIVITY IN SPAIN, ESPECIALLY IN INVESTMENT

CUMULATIVE IMPACT ON SPANISH GDP LEVELS OF A ONE STANDARD DEVIATION INCREASE IN GLOBAL UNCERTAINTY



Source: Banco de España. 95% confidence interval.

# THERE IS UNCERTAINTY ABOUT HOW PERSISTENT THE DECOUPLING OBSERVED BETWEEN ECONOMIC ACTIVITY IN SPAIN AND THE EURO AREA MAY BE



- The analysts' consensus points to Spain continuing to grow considerably more than the euro area, France and Germany in 2025-2026

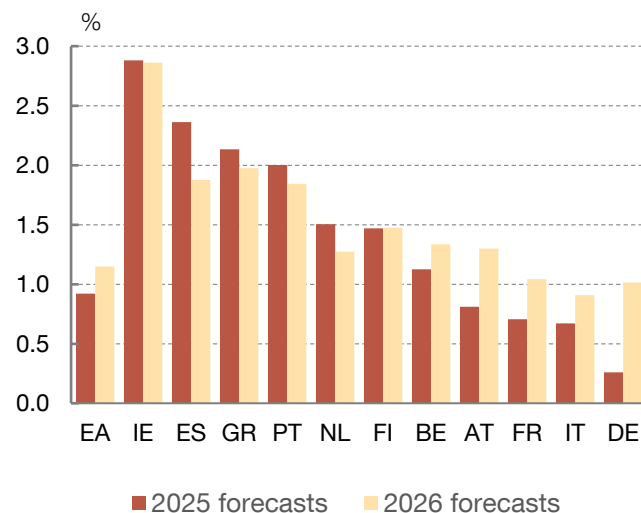


- Based on historical regularities, for each percentage point fall in economic activity in the euro area, Spanish exports are expected to fall by 0.5%-0.6%.

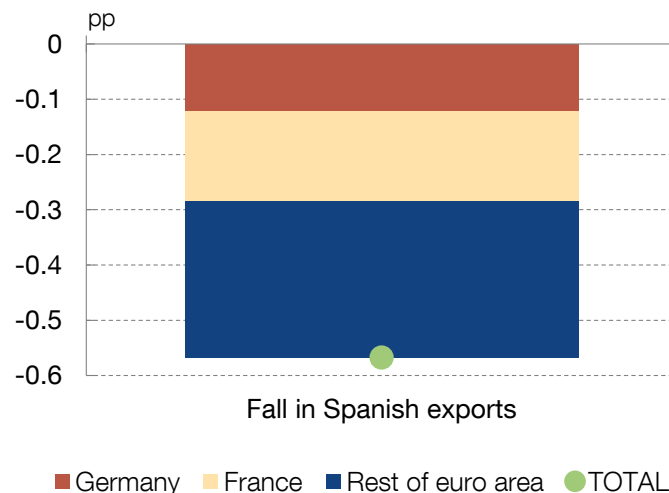


- This sensitivity has been lower in recent quarters partly because Spanish exports seem to be replacing German exports in certain European markets
- Will this be permanent or temporary?

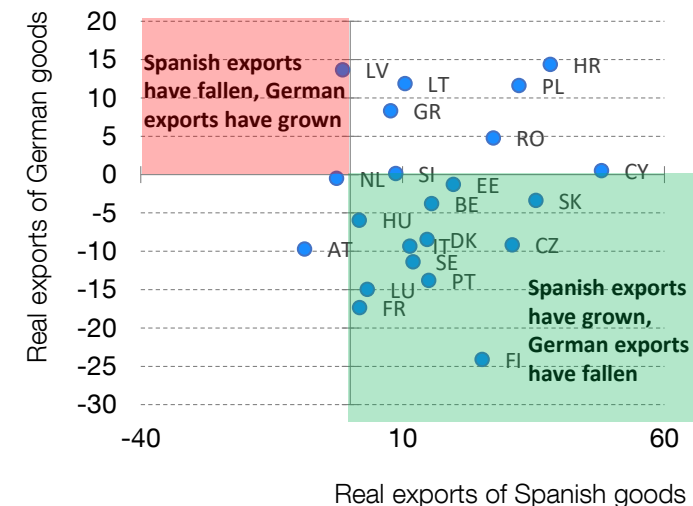
## GDP GROWTH



## RESPONSE OF SPANISH EXPORTS TO A 1 PP FALL IN EURO AREA TOTAL IMPORTS



## GERMAN EXPORTS VS SPANISH EXPORTS. RATES OF CHANGE 2024-2019

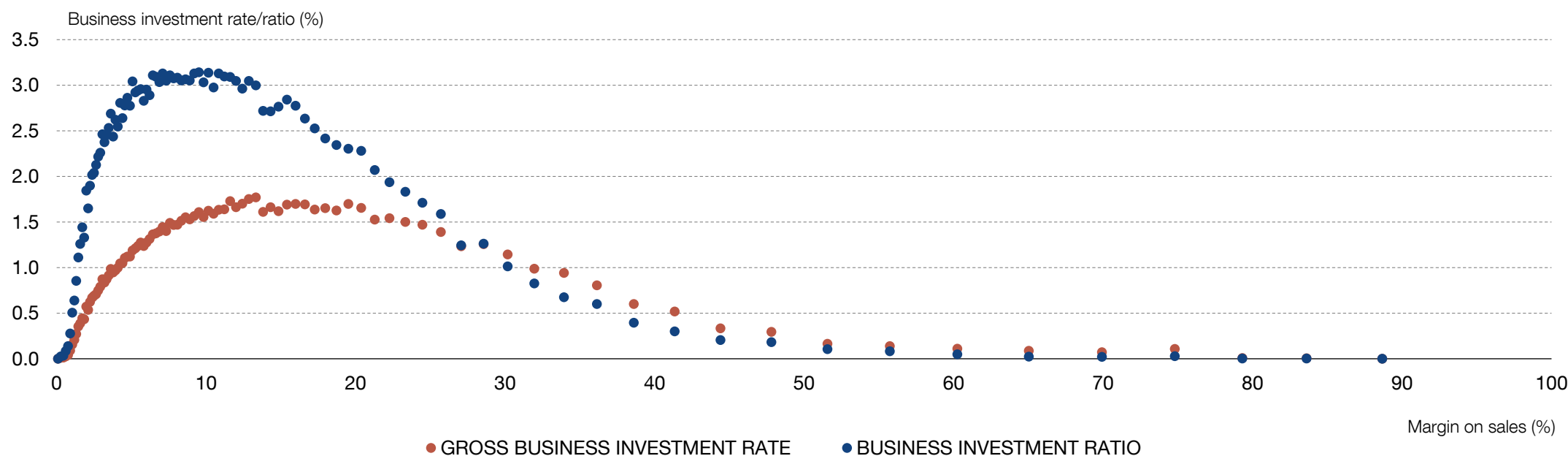


Sources: Consensus Economics, Eurostat and Banco de España.

# PROFIT MARGINS ARE PROJECTED TO BE RELATIVELY SLUGGISH IN THE FUTURE, WHICH MIGHT STIFLE THE RECOVERY OF INVESTMENT



- A [recent study by the Banco de España](#) estimates that the relationship between profit margins and investment in the Spanish economy takes the form of an inverted U-curve: for low levels of profit margins it is positive, whereas for high levels of profit margins the opposite occurs



Source: [Banco de España](#).