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Economic and Business Outlook

June 2025
(closing date: 13th of June)

Overview

The global economy

- The OECD, in line with other international organisations, points to a slowdown in global growth in 2025 due to tariff increases.
- Upward revision of growth in the Eurozone strongly influenced by Ireland's strong performance.
- Oil prices continued to fall in May, although in the first days of June this trend has been reversed by tensions in the Middle East.

The Spanish economy

- The OECD and the Bank of Spain have lowered their growth forecasts for Spain to 2.4% in 2025 due to the impact of the tariff war. This estimate is in line with other national and international institutions and organisations, including CEOE (2.5%). For 2026, the OECD points to GDP growth of 1.9% and the Bank of Spain of 1.8%.
- The economy could be losing even more dynamism in Q2 due to the deterioration of expectations and the international context.
- Social Security registrations increased again in May, driven largely by the boost from the tourism sector, although the year-on-year growth rate eased slightly. The total number of contributors reached a new all-time high of nearly 21.8 million people.
- Inflation declined in May to 2.0% due to lower energy prices and a slowdown in core inflation.
- Strong public spending has so far prevented the State from reducing its deficit through April, despite surprisingly robust tax revenues.

Business activity

- Turnover maintained its year-on-year growth in March, although large companies saw a slowdown in sales in April due to weaker domestic market activity.
- The number of highly indebted companies has declined in 2024, but the proportion of firms facing significant financial pressure remains largely unchanged.
- The post-pandemic recovery of the business sector continues, though progress varies considerably across different industries and company sizes.

The International Scenario

Global economic weakness persists despite tariff truce

Trade tensions and uncertainty over the evolution of tariff negotiations continued to be the economic focus of the last few weeks in the international arena. Mutual accusations between China and the United States of failing to honour the terms of their tariff truce sparked some volatility in global stock markets, although negotiations now appear to be back on track. This is compounded by uncertainty over court decisions in the United States on the validity of most of the Trump administration's tariffs, as well as the increase in steel and aluminium tariffs to 50%. Nevertheless, most stock markets have remained bullish.

Meanwhile, the OECD notes a weakening global economic outlook, with GDP growth expected to slow from 3.3% in 2024 to 2.9% in both 2025 and 2026. This loss of momentum is attributed to rising trade barriers, elevated uncertainty weighing on trade and investment, and declining business and consumer confidence. According to the institution, the slowdown will be more pronounced in the United States, Canada, Mexico, and China, while other economies are likely to experience more moderate downward adjustments.

OECD Forecasts (June 2025)

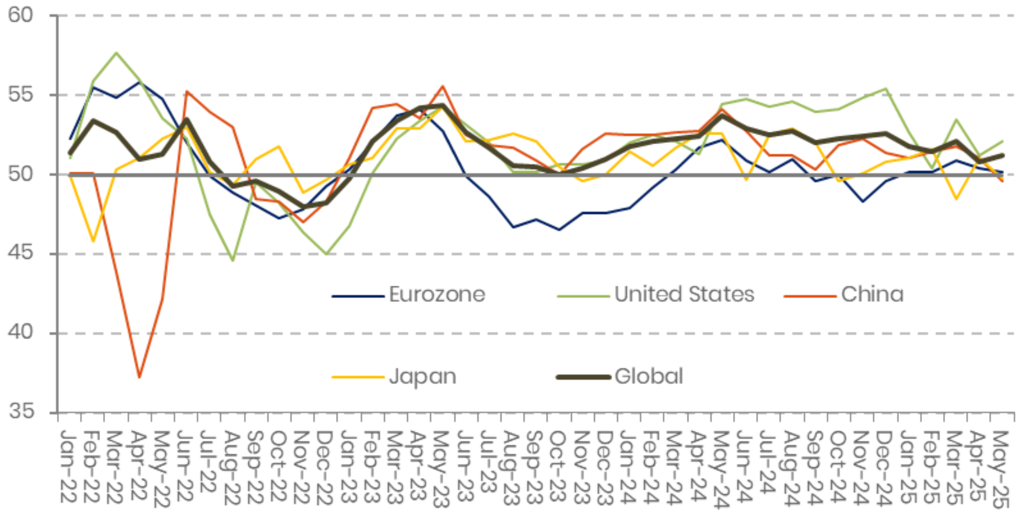
	GDP			Inflation		
(y-o-y rate)	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
World	3.3	2.9	2.9			
OECD	1.8	1.4	1.5	5.2	4.2	3.2
United States	2.8	1.6	1.5	2.5	3.2	2.8
Japan	0.2	0.7	0.4	2.7	2.8	2.0
United Kingdom	1.1	1.3	1.0	2.5	3.1	2.3
Eurozone	0.8	1.0	1.2	2.4	2.2	2.0
Germany	-0.2	0.4	1.2	2.5	2.4	2.1
France	1.1	0.6	0.9	2.3	1.2	1.7
Spain	3.2	2.4	1.9	2.9	2.4	1.9
Italy	0.7	0.6	0.7	1.1	2.0	1.9
China	5.0	4.7	4.3	0.2	-0.1	1.4
India	6.2	6.3	6.4	4.6	4.1	4.0
Brazil	3.4	2.1	1.6	4.4	5.7	5.0
Mexico	1.5	0.4	1.1	4.7	3.4	3.2
World trade	3.8	2.8	2.2			

Source: OECD

These projections are subject to significant risks, including the fragmentation of global trade that could lead to disruptions in supply chains and further hinder growth. In addition, more persistent inflation would lead to tighter monetary policies, thereby putting further pressure on economic activity. There are also concerns about rising debt and tighter financial conditions, mainly in emerging countries. On the other hand, the removal of trade barriers would boost global growth prospects and reduce inflation. In addition, a peaceful resolution of the war in Ukraine and the various conflicts in the Middle East could improve confidence and incentives for investment.

Meanwhile, PMIs continue to reflect the weakness of the global economy. In May, the Global Composite PMI registered 51.2, slightly above the previous month, but still near its lowest level since December 2023 (excluding April). The United States and the United Kingdom showed signs of improvement, although the UK remains below the 50-point threshold. In contrast, the indices for the Eurozone, Japan, and China declined, with China falling below 50 for the first time since December 2022. By sector, gains were concentrated in services, while manufacturing slipped back into contraction. The most resilient sectors include insurance and telecommunications services, whereas metals and mining, along with automobiles and components, are expected to see the sharpest declines.

Global Composite PMI Index



Source: Prepared-in house based on data from Markit Economics

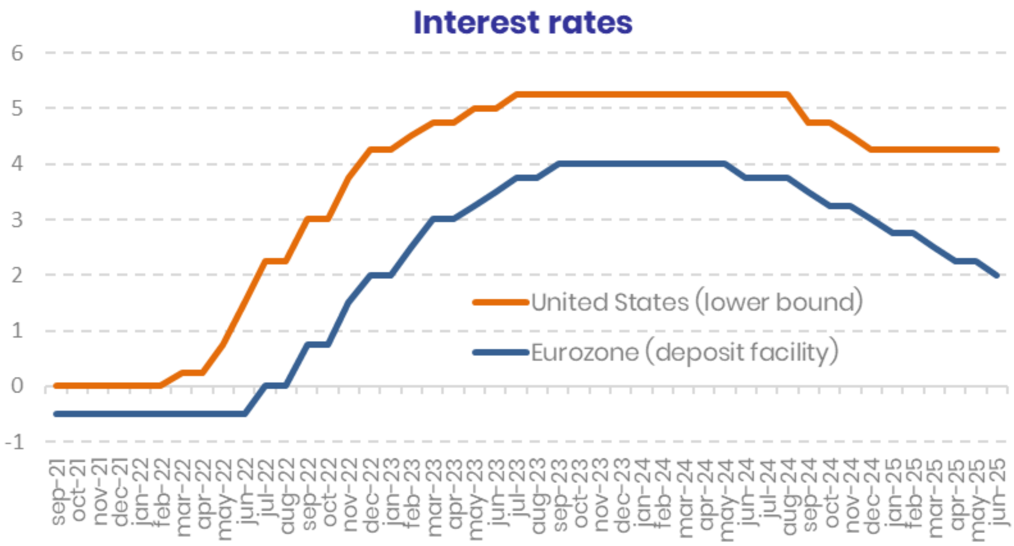
The U.S. labour market continues to demonstrate notable resilience, with 139,000 jobs added in May and the unemployment rate holding steady at 4.2%. Wage growth reached 3.9%, outpacing inflation and boosting workers' purchasing power, thus helping to mitigate the risk of an economic slowdown. Inflation rose by one tenth in May to 2.4%, while core inflation remained stable at 2.8%. Given the strong labour market and persistent, though contained, inflation, the Federal Reserve is expected to keep interest rates unchanged in June at the current range of 4.25% to 4.5%.

On the other hand, although consumer confidence remains weak, April's trade balance is the least negative in the last year and a half, offsetting some of the poor figures for Q1. And in May, PMIs have improved, both for manufacturing and services.

The Eurozone revised its growth in Q1 upward to 0.6%, following 0.3% in Q4 2024, driven by the strong performance of the external sector and investment. However, this figure is skewed by Ireland, which saw a remarkable 9.7% quarter-on-quarter GDP increase, largely fuelled by robust exports ahead of anticipated tariff hikes. Ireland alone accounted for more than half of the Eurozone’s Q1 growth, suggesting that a slowdown in the bloc's overall momentum is likely in Q2.

As for employment, it continued to improve, although it shows a clear slowdown in year-on-year terms. The unemployment rate fell by 0.1 percentage points in April to 6.2%, marking a record low. Retail trade volumes also edged up in April, contrasting with May’s PMI readings, which point to very subdued economic activity, particularly in the services sector. Inflation declined by 0.3 percentage points in May to 1.9%, the lowest level since September 2024, while core inflation also fell by 0.3 points to 2.4%, reaching its lowest level since January 2022.

The ECB has slightly revised its growth projections, maintaining its forecast of 0.9% GDP growth in 2025, with a stronger Q1 followed by a weaker outlook for the remainder of the year. For 2026, growth is now expected at 1.1% (down 0.1 percentage points), while the 2027 forecast remains unchanged at 1.3%. On the inflation front, the ECB has lowered its forecasts to 2.0% for 2025 and 1.6% for 2026 (both down 0.3 percentage points from previous estimates) before returning to 2.0% in 2027. Against this backdrop, the ECB cut interest rates by 25 basis points in June, lowering the deposit facility to 2.0%. This marks the seventh consecutive rate cut and the eighth since the easing cycle began a year ago. Following the move, the ECB signalled that the rate-cutting cycle may be nearing its end, although an additional cut before year-end has not been ruled out.



Source: Prepared-in house based on data from the European Central Bank (ECB) and the Federal Reserve

The Chinese economy is showing mixed signals. In May, PMIs declined, with the composite index falling to 50—the lowest level since December 2022, primarily due to a slowdown in manufacturing. Exports continued to rise, but at a much slower pace year-on-year (4.8% in May versus 8.1% in April), largely reflecting a sharp decline in shipments to the United States (-34.5% year-on-year). This drop has been partially offset by a strategic shift toward other markets, particularly in Asia, with Vietnam standing out as a key destination. On the other hand, the weakness of domestic consumption and the continued fragility of the real estate sector are being alleviated with new economic stimuli to sustain activity. The measures include increasing the budget deficit to 4%, the highest since 2010, reducing banking sector reserves and lowering reserve requirements for banks, and cutting both short-term interest rates and mortgage rates. The goal is to support key sectors such as housing and automobiles, while stimulating broader domestic demand.

Oil prices continued their downward trend in May, with Brent crude oil at $64.5/barrel, on average 21.2% lower than a year ago and the lowest level since February 2021. Rising OPEC+ production and the prospect of a global economic slowdown are putting downward pressure on prices. However, in the first days of June, the trend has changed due to increased tensions in the Middle East and production problems in some countries. For the coming months, there is high uncertainty about the evolution of oil prices, which will be conditioned by the tariff negotiations between the United States and its trading partners and, mainly, by the geopolitical situation between Israel and Iran.

The Spanish Economy

Favourable cyclical position, but with pending challenges and imbalances

The OECD and the Bank of Spain have lowered their growth forecasts for Spain to 2.4% in 2025, due to the impact of the tariff war. This aligns with estimates from other national and international bodies, including the CEOE, which forecasts slightly higher growth at 2.5%. Despite this, Spain is expected to remain one of the most dynamic economies in Europe. For 2026, the OECD anticipates GDP growth of 1.9%, while the Bank of Spain projects a slightly lower rate of 1.8%. Inflation is expected to remain just below 2.5% in 2025 and decline to 2% in 2026. The unemployment rate is forecast to fall modestly in both years, reaching an average of 10.1% in 2026 according to the OECD, and 9.7% according to the Bank of Spain. Meanwhile, the current account balance is projected to stay stable at around 3% of GDP in both years.

Therefore, the overall outlook for the Spanish economy is favourable, but amidst a very uncertain environment, where risks are clearly on the downside. Moreover, significant macroeconomic imbalances persist, which must be addressed to increase Spain's flexibility during crises and to enhance its long-term growth potential. In this context, the European Commission's recommendations for Spain, outlined in its latest European Semester report, reaffirm the major challenges ahead. Among the key issues highlighted are:

1) The need to implement a medium-term fiscal plan and improve the efficiency and quality of public spending, to generate fiscal space for policies that increase productivity, close the innovation gap with Europe and reduce the high levels of child poverty.
2) The need to boost investment in innovation and digitalisation, without losing sight of the specific training of the workforce needed to reduce skill shortages.
3) The need to increase the housing supply by facilitating investment, streamlining procedures, ensuring regulatory stability, and reducing bottlenecks in the public administration.
4) The need to reduce the administrative and regulatory burden for the business sector and strengthening the regulatory framework. It is essential to simplify the complexity and volume of regulation, foster collaboration between the different levels of the administration and reduce delays in the judicial system. All this is an obstacle to private investment, especially for SMEs. In fact, the percentage of companies identifying regulation as the biggest obstacle to investment rises to 60.4%, compared to 24.5% in the EU.
5) The need to keep advancing on the green transition.

Demand and Activity

The economy could be losing further dynamism in Q2

Based on limited data available for Q2, the Spanish economy appears to have continued the slowdown that began in Q1. CEOE estimates, which align with recent projections from the Bank of Spain, suggest quarterly growth of between 0.5% and 0.6%. Despite the slowdown, this is still a relatively strong performance, particularly compared to the expected growth in the broader Eurozone.

In general, expectations are deteriorating, as the economic context continues to present many uncertainties and companies continue to suffer significant increases in production costs. However, other variables, such as inflation and interest rates, are more stable, which could be a driving force.

Specifically, in April, household confidence declined further, reflecting growing pessimism about both the current state of the economy and, more notably, its outlook. This deterioration, combined with a recent slowdown in employment growth, may be weighing on household spending decisions in Q2 2025. As a result, private consumption is expected to see only a modest increase, following a significant deceleration in Q1- from 0.8% quarter-on-quarter growth in Q4 2024 to 0.4%. However, several supportive factors could help offset this weakness. These include easing inflation, which is now increasing at a more moderate pace, rising wages, accumulated household savings, and falling interest rates. In this context, household lending has continued to gain momentum in recent months, driven by strong demand for consumer credit and mortgages. This trend is supported by lower financing costs, both for new loans and outstanding credit.

With regard to the industrial sector, the available data for Q2 show a slight improvement in its outlook, with a slight rebound in May to above the 50 level for the first time since January. This improvement may have been due to a moderation in tariff policies, although it is more likely that it is an indirect effect of the improvement in the international context (as production also increased in France, Italy, and Germany) than the direct impact of tariffs on Spanish companies. Moreover, companies report a slower pace of order declines and reduced inflationary pressures on inputs. In this context of rising orders and lower inflationary pressures, companies are applying lower selling prices and continuing to maintain employment levels.

In the services sector, signs of a gradual slowdown persist amid a climate of heightened uncertainty and weakening growth prospects, trends that were already evident in Q1. While the services PMI still reflects a positive outlook, in May it posted its lowest reading since November 2023, 51.3 vs. 53.4 in April. Against this backdrop of weaker demand growth and continued, though moderating, increases in wages and input costs, companies are beginning to scale back their hiring activity.

From the point of view of the external sector, customs data for Q1 2025 indicate a renewed acceleration in foreign goods flows, particularly in March. However, the growth was significantly stronger for imports (9.3%) than for exports (2.6%), resulting in a much larger external trade deficit compared to Q1 2024 (€15.1 billion, up from €8.1 billion a year earlier). The deterioration in the trade balance was primarily driven by a sharp increase in the non-energy goods deficit, which reached €8.1 billion, compared to a €8.8 billion surplus during the same period in 2024.

Similarly, Balance of Payments data from the Bank of Spain show that the current account surplus stood at 2.5% of GDP in the twelve months to March 2025, slightly down from 2.7% in the same period of the previous year. This modest decline reflects a widening deficit in the balance of goods and non-tourism services (-0.4% of GDP, compared to -0.1% a year earlier), which was partially offset by a higher surplus in tourism services (4.3% of GDP, up from 4.1%). The improvement in the tourism balance is tied to strong growth in international tourist arrivals in early 2025. Between January and April, Spain welcomed over 25.6 million international visitors, a 7.1% increase compared to the same period in 2024. In April alone, arrivals rose by 10.1% year-on-year to 8.6 million tourists. Additionally, total tourist spending reached €34.3 billion in the first four months of the year, up 9.3% from the previous year. Daily expenditure also increased modestly, rising 0.9% to €187 in April.

The Labour Market

Social Security registrations slow in May, but all signs point to a favourable Q2 for the labour market

In May, Social Security registrations continued to rise, primarily driven by the strength of the tourism sector. Although the year-on-year growth rate eased slightly, the number of contributors reached a new all-time high, approaching 21.8 million. Moreover, the trend in seasonally adjusted registrations indicates that employment is likely to maintain a quarterly growth rate in Q2 similar to the one recorded in Q1.

Social Security registrations rose by 195,736 in May, representing a 0.9% month-on-month increase. However, both figures are lower than typically seen in May and, in fact, mark the most moderate growth for this month since 2013, excluding 2020 due to the pandemic. In seasonally adjusted terms, the trend was notably weaker than in recent months. According to the Ministry of Inclusion, Social Security and Migration, seasonally adjusted registrations increased by just 20,790 people, the lowest monthly gain since July 2024. Nevertheless, the total number of Social Security contributors continues to edge closer to the 22-million mark, reaching a new all-time high of 21,784,375.

In gross terms, the increase in Social Security registrations in May was largely due to the momentum of the private sector, which generated 185,643 jobs. The public sector added 10,093 new workers, meaning that almost 95% of the new contributors found employment in the private sector.

By branch of activity, the hospitality industry recorded the largest increase in Social Security registrations in May, with 78,476 new contributors, reaffirming its central role in employment growth. Between January and May, the sector added more than 281,000 new workers, accounting for 40.9% of the total increase in registrations during that period (688,560 people overall), a strong reflection of the tourism sector's momentum. However, despite this continued outperformance, there are emerging signs of a slowdown in job creation within hospitality. Even so, its growth rate remains above the average for total registrations.

In year-on-year terms, the growth rate of Social Security registrations declined by 0.1 percentage points in May to 2.2%, following a slight rebound in April. Current indicators suggest that employment growth in Q2 will likely be similar to, or slightly below, the pace recorded in Q1. In the private sector, the year-on-year growth rate also eased by 0.1 percentage points to 2.1%. In contrast, the public sector experienced a more pronounced deceleration, with the growth rate falling by 0.6 percentage points, to 2.4%.

By economic sector, job creation continues to show a heterogeneous pattern in year-on-year terms. Construction maintained its gradual improvement, with its growth rate rising by 0.1 percentage points in May to 2.6%, overtaking services as the most dynamic sector in terms of Social Security registrations. In contrast, the services sector saw fell by 0.2 percentage points to 2.4%, extending its trend of gradual deceleration. The industrial sector remained stable, with a steady growth rate of 1.5%. Meanwhile, agriculture continued to shed jobs, though the pace of contraction slowed further in May, with a year-on-year rate of –1.1%

The decline in registered unemployment in May was more favourable than the evolution of employment. The number of unemployed fell below 2.5 million, reaching 2,454,883 people, the lowest level since July 2008. Unemployment fell by 57,835 people in May, a drop comparable to the same month last year, though still less pronounced than the declines typically seen in the pre-pandemic period. The decrease affected all major economic sectors, with the most significant reduction in services, as well as among individuals previously unemployed. In seasonally adjusted terms, unemployment dropped by 12,250, marking the sharpest monthly decline since January. In addition, the number of jobseekers with an employment relationship—which includes those on inactive status under permanent contracts for intermittent work—fell by 21,017, a larger drop than recorded in May 2023 or 2024.

The number of workers under furloughs continues to fall, averaging 14,350 in May, although the pace of decline has slowed markedly. However, this figure is half of the almost 30,000 people reached in November, after the DANA storm.

Pending the release of the Social Security registration figures for June, all indications suggest that employment will maintain a positive trajectory in Q2. According to CEOE estimates, seasonally adjusted effective registrations (excluding workers on furlough) are expected to increase by approximately 0.6% quarter-on-quarter in Q2, a rate similar to that observed in Q1.

Inflation

Inflation eases in May due to lower energy prices and a slowdown in the core CPI

Inflation eased again in May, falling to 2.0%, two tenths of a percentage point lower than in April. Core inflation also declined by 0.2 percentage points, reaching 2.2%. This moderation reflects, on the one hand, a slower rate of increase in energy prices, and, on the other, a deceleration in the rise of services prices within core inflation.

Energy prices have experienced a marked deceleration in recent months, registering a 2.9% year-on-year decline in May, largely driven by a nearly 10% drop in fuel and lubricant prices. The impact of the return to the standard VAT rate on electricity (set at 21% from March to June 2024) has also been offset. As a result, electricity prices increased by 8.9% in May, a sharp moderation compared to the 28.1% rise in February, while fuel prices fell by 9.2%, in line with the downward trend in international oil prices.

The decline in core inflation in May was mainly driven by a slowdown in the rise of service prices, which increased by 3.3%, down from 3.9% in April. Despite this moderation, services remain the core CPI component with the highest rate of price growth. In contrast, prices of Non-energy industrial goods saw a slight acceleration, with their annual rate rising by 0.1 percentage points to 0.6%. Similarly, Processed food, beverages, and tobacco registered an increase in their rate of change, up 0.3 points to 1.0%.

In the Monetary Union, inflation fell by three tenths of a percentage point to 1.9%, while in Spain it fell by two tenths of a percentage point to 2.0%, so the differential turned slightly positive.

Inflation is expected to remain subdued in 2025, although a temporary uptick is anticipated from July onwards due to base effects stemming from last year's changes in electricity VAT. However, the inflation outlook remains highly uncertain and could be influenced by several external factors such as the evolution of commodity prices, which are increasingly volatile amidst a context of heightened geopolitical tensions, including the recent conflict between Israel and Iran.

The Public Sector

Strong public spending has so far prevented the State from reducing its deficit through April, despite surprisingly robust tax revenues.

The consolidated general government deficit, excluding local governments, stood at -0.30% of GDP at the end of March, slightly above the -0.26% recorded in the same period of 2024. As for the central government, data up to April show a deficit of -0.1% of GDP, in contrast to the surplus recorded during the same period last year. Excluding interest payments, the primary balance was positive at 0.6% of GDP, although this represents a decrease compared to 2024.

It is worth highlighting the strength of public revenues, which grew by 8.2% year-on-year up to April, outpacing the increase in nominal GDP. However, expenditures rose even more sharply, with a cumulative growth rate of 10.4%.

Taxes accounted for 86.0% of total public resources, with a notable increase of 9.4% in the first four months of 2025. This upward trend was broad-based across the main tax categories. In particular, VAT revenues grew by 9.2% year-on-year, partly due to the reinstatement of standard VAT rates on electricity and food. Personal income tax receipts rose by 13.4%, while corporate income tax revenues increased by 12.9%.

However, two changes introduced in 2025 had a negative impact on tax revenues amounting to €1.506 billion:

- The temporary levy is not applied to the energy sector.
- The temporary levy on credit and financial institutions has been replaced by a tax on net interest income and commissions of certain credit institutions, which follows a different collection schedule this year.

On the other hand, public spending rose sharply, partly due to the costs associated with the DANA storm, which amounted to €2.022 billion—of which €1.763 billion were transfers to local governments. This contributed to a 10.6% increase in transfers between public administrations, the largest expenditure item, accounting for 59% of total spending. Notably, this category also reflects increased allocations to the Social Security system. Other significant increases include a 37.1% rise in subsidies and a 31.6% increase in Spain's contribution to the EU based on VAT and GNI resources. Interest payments also continued to rise sharply, with a 14.5% increase up to April. Overall, most spending components are growing at a strong pace.

Business Activity

- **Turnover consolidates its year-on-year growth in March, with the energy sector as the main driver. Large company sales moderated in April due to the slower expansion of the domestic market.**

- **The weight of highly indebted companies declined in 2024, while the proportion of firms facing high financial pressure remained broadly stable.**

- **Although confidence in the Spanish economy continues to improve moderately, there are signs of emerging weaknesses. In particular, the composite PMI has declined, driven mainly by a deterioration in the services sector.**

- **The total number of companies is slightly above pre-pandemic levels, with the smallest still lagging behind. Agriculture and industry remain the hardest hit sectors.**

- **Employment growth is mainly coming from large companies.**

Turnover and sales

Business turnover stagnated in March compared to the previous month but maintained solid year-on-year growth. According to the Business Turnover Indices (BTI), the **annual rate stood at 5.5%** in the seasonally and calendar-adjusted series. Month-on-month, the General Business Turnover Index (ICNE) remained unchanged. **All sectors posted positive year-on-year rates**, with the most significant increase recorded in **Electricity, water supply, sewerage, and waste management, which posted +37.2%.** Trade (+6.0%) and Non-financial market services (+5.1%) also showed notable dynamism. In contrast, Mining and quarrying and manufacturing reported more modest growth at just 0.4%

Based on the Bank of Spain's EBAE survey for Q2, turnover is expected to have declined slightly in seasonally adjusted terms, maintaining a similar trend to that observed in Q1. However, companies anticipate a notable improvement in turnover in Q3, reversing the decline seen in the same period of 2024. At the aggregate level, **business investment** also **remained dynamic in Q2, after the more modest increase in the previous quarter, with 18.5% of surveyed firms reporting increased investment**. As for the trade war, almost 30% of Spanish companies report being negatively affected, and 45% of these firms indicate they intend to pass on cost increases from new tariffs to their sales prices.

Large Company sales, adjusted for seasonal and calendar effects, grew by 3.4% year-on-year in April, marking a slight slowdown from the 3.7% recorded in March and falling below the 4% average growth in Q1 2025. **The moderation observed in April is mainly due to the slower**

expansion in the domestic market, which grew by 4.1% (down 0.2 percentage points from March)**.** In contrast**, exports gained momentum,** increasing by 1.8% year-on-year, up from 0.8% the previous month.

Labour costs

In May, the average wage variation agreed in collective bargaining agreements was the same as that recorded the previous month. Thus, the average wage increase was 3.35% (2.96% in May 2024), with the Services sector leading the increase with 3.57%. As of 31 May, there were 2,517 agreements with known economic effects and registered for 2025, affecting 803,950 companies and 7,931,366 workers. **Seventy-seven per cent of the workers covered by agreements record a wage increase of more than 2.5 per cent.** Moreover, wage increases agreed in sectoral and company group agreements were higher than those in company-level agreements, standing at 3.38% and 2.77%, respectively. By sector of activity, Services recorded the highest wage increase (3.57%), followed by Construction (3.13%), Industry (2.85%) and Agriculture (2.01%).

Financing conditions and costs

Corporate lending rates continued to fall in April, in line with the ECB's easing of their monetary policy. Thus, interest rates on new loans to companies were between 3.3% and 3.6%. Although these **lower financial costs might have favoured the increase in new business lending, there was a less vigorous increase in all tranches compared with March.** Of note was the modest increase in transactions between € 250,000 and € 1 million (2.4% vs. 21.7% in March).

According to data from the Central Balance Sheet Office Quarterly Survey (CBSO-Q), the percentage of firms with high indebtedness declined and the percentage of those with high financial pressure remained stable in 2024. 17.4% of the firms in the CBSO sample had a high level of indebtedness, lower than in 2023 and below 21.8% of the historical average since 2007. On the other hand, 14.5% of firms were under high financial pressure (with profits not covering interest payments), very similar to 2023 and also below the historical average (16.4%).

Business confidence

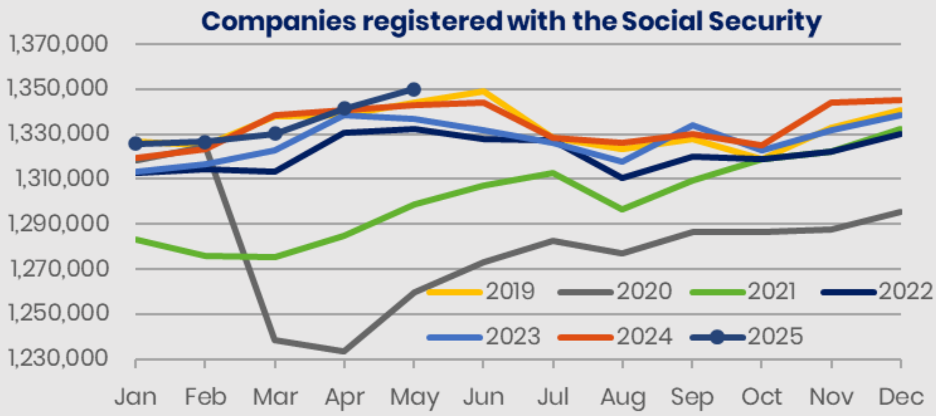
While the Eurozone economy narrowly avoids stagnation, Spain continues to register positive growth, although signs of weakening momentum persist. Spain's composite PMI came in at 51.4, down from 52.5 in April and on a decreasing trend for the last three months. The manufacturing PMI showed signs of recovery for the first time since January (50.5 in May, up from 48.1 in April). This improvement in confidence may reflect a slight easing of uncertainty following the short-term pause in tariff measures. The services sector, on the other hand, declined sharply (51.3, down from 53.4 in April), reaching its lowest level since November 2023.

The European Commission's Economic Sentiment Indicator shows a slight decline but remains at favourable levels compared with the historical average. In May, it reached 103.4, down from 103.8 in April.

Business dynamism

In May, the number of companies registered with Social Security barely exceeded the levels of 2019, although the construction sector stands out for leading the recovery of the business fabric. Specifically, the Social Security registered 5,928 more companies than in the same month of 2019, representing a slight increase of 0.4%. **By size, micro-companies with 1 to 2 employees (which make up 52% of the total) continue to be below pre-pandemic levels, with 26,201 fewer companies registered in May.** By sector, both agriculture and industry still have not reached the levels before the pandemic. Construction is the only sector that has made a sustained recovery, while services have yet to show consistent improvement.

Employment in Social Security-registered firms continued to grow at a solid pace in May, with a year-on-year increase of 3.7%. However, significant differences persist by company size. Small firms (with between 1 and 9 employees) recorded only a modest increase in employment, with growth of 0.8%, while large firms (more than 250 employees) posted a 5.6% increase.



Source: Prepared-in-house based on data from the MInistry of Labour and Social Economy

Main Business Indicators
(last update: June 2025)

Indicator	2021	2022	2023	2024	Penultimate data	Last data	Last given period
Turnover and sales							
	Annual rate				Year-on-year rate		
Business turnover index corrected for seasonal and calendar effects	17.7	23.4	-2.2	0.3	3.7	5.5	Mar-25
Sales indicator for large companies	6.1	5.8	1.5	1.9	3.7	3.4	Apr-25
Labour costs							
	Annual rate				Year-on-year rate		
Labour cost per worker	5.9	4.2	5.5	4.0	4.4	3.6	Q4 24
Business dynamism							
	Annual average level				Monthly level		
Companies registered with the Social Security	1,301,461	1,321,657	1,327,404	1,333,914	1,341,240	1,350,011	May-25
Financing conditions and costs							
	Annual average level				Monthly level		
Interest rates applied to new credit transactions up to 250 thousand Euros	1.9	2.3	4.8	4.9	3.6	3.6	Apr-25
Interest rates applied to new credit transactions from 250 thousand to 1 million Euros	1.5	2.0	4.6	4.6	3.4	3.3	Apr-25
Interest rates applied to new credit transactions over 1 million Euros	1.3	1.7	4.5	4.6	3.5	3.5	Apr-25
	Annual rate				Year-on-year rate		
New corporate loans up to 250 thousand Euros	-5.9	15.7	12.8	16.6	15.0	4.0	Apr-25
New corporate loans from 250 thousand to 1 million Euros	-28.9	8.9	9.0	13.7	21.7	2.4	Apr-25
New corporate loans over 1 million Euros	-19.6	25.7	-17.6	16.0	5.4	10.0	Apr-25
Business confidence							
	Annual average level				Monthly or quarterly level		
Economic sentiment indicator	105.2	101.2	100.5	103.0	103.8	103.4	May-25
Business confidence indicator	120.8	126.8	132.7	136.1	137.0	137.1	Q2 25
Composite PMI Index	55.3	51.8	52.5	54.8	52.5	51.4	May-25
Manufacturing PMI Index	57.0	51.0	48.0	52.2	48.1	50.5	May-25
Services PMI Index	55.0	52.5	53.6	55.3	53.4	51.3	May-25
Stock markets							
	Annual averages level				Monthly level		
IBEX 35 Index	8,645.2	8,252.5	9,441.5	11,127.2	13,287.8	14,152.2	May-25

Source: INE, Bank of Spain, Eurostat, Ministry of Labour and Social Economy, Tax Agency, Ministry of Economy, Trade and Business, Madrid Stock Market.

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(last update: June 2025)

Annual rates of change, unless otherwise indicated

	2019	2020	2021	2022	2023	2024	2025	2026
GDP	2.0	-10.9	6.7	6.2	2.7	3.2	2.5	2.0
Private consumption expenditure	1.0	-12.2	7.2	4.9	1.7	2.8	2.7	1.8
Government consumption expenditure	2.2	3.5	3.6	0.6	5.2	4.1	2.0	1.4
Gross fixed capital formation	4.9	-8.9	2.6	3.3	2.1	3.0	3.8	2.2
-Tangible fixed assets	5.8	-10.2	1.4	2.2	2.4	3.3	4.2	2.2
Construction	8.4	-8.4	0.5	2.2	3.0	3.5	3.6	2.1
Equipment and cultivated assets	2.0	-13.0	2.9	2.4	1.3	2.9	5.3	2.4
-Intangible fixed assets	0.4	-2.7	8.4	7.7	1.0	1.5	1.8	2.4
Domestic demand (*)	1.6	-8.8	7.0	3.9	1.7	2.9	2.6	1.8
Exports	2.3	-20.1	13.4	14.3	2.8	3.1	2.9	3.5
Imports	1.3	-15.1	15.0	7.7	0.3	2.4	3.4	3.3
External demand (*)	0.4	-2.2	-0.4	2.3	1.0	0.2	-0.1	0.2
GDP current prices	3.4	-9.9	9.4	11.2	9.1	6.2	4.9	4.0
GDP deflator	1.5	1.0	2.7	5.0	6.4	3.0	2.4	2.0
CPI (average annual rate)	0.7	-0.3	3.1	8.4	3.5	2.8	2.4	1.9
CPI (Dec/Dec)	0.8	-0.5	6.5	5.7	3.1	2.8	2.2	2.1
Core CPI (average annual rate)	0.9	0.7	0.8	5.2	6.0	2.9	2.2	2.1
Employment (Quarterly National Accounts) (**)	3.1	-7.1	7.3	4.1	3.2	2.4	2.2	1.7
Employment (LFS)	2.3	-2.9	3.3	3.6	3.1	2.2	2.1	1.7
Unemployment rate (LFS) (% active population)	14.1	15.5	14.9	13.0	12.2	11.3	10.5	10.0
Productivity per occupied person (***)	-1.1	-4.2	-0.5	2.0	-0.5	0.7	0.4	0.3
Compensation per employee	3.0	3.2	0.7	3.9	5.6	4.7	3.2	2.7
Unit labour cost (ULC)	4.1	7.7	1.2	1.9	6.1	4.0	2.8	2.4
Current Account Balance (% of GDP)	2.1	0.8	0.8	0.4	2.7	3.0	2.6	2.2
General government net lending (+) / net borrowing (–) (% of GDP) (1)	-3.1	-9.9	-6.7	-4.6	-3.5	-3.2	-2.8	-2.7
Interest rates USA (Dec)	1.75	0.25	0.25	4.50	5.50	4.50	4.00	3.50
Interest rates Eurozone (Dec) (****)	-0.50	-0.50	-0.50	2.00	4.00	3.00	2.00	1.50
Brent Oil ($)	64.4	41.8	70.7	100.8	82.5	80.5	69.5	65.2

Source: CEOE, INE (National Statistics Institute), Banco de España, Eurostat

(*) Contribution to GDP growth

(**) Full-time equivalent jobs

(***) It refers to productivity per full-time equivalent job

(****) This interest rate refers to the interest rate on the deposit facility, which is the new reference adopted by the ECB as a guide for the orientation of monetary policy.

(1) Public deficit in 2024 taking into account the expenses linked to the DANA storm.