

Snap | 29 October 2025

SPAIN

Spanish activity slows as tariffs start to bite

Spain's economy grew by 0.6% over the third quarter, following a robust second quarter, as external demand weakened. With signs of cooling in industrial activity and tourism, growth is expected to normalise over the coming quarters and into 2026



We expect Spain's GDP growth to reach 2.7% in 2025, followed by a further normalisation to 2.2% in 2026

Spain's economy slowed in line with expectations

Spain's economy has moderated to a still solid 0.6% quarter-on-quarter growth in the third quarter, following a robust second quarter with 0.8% growth, which was driven by private consumption, investment, and inventory restocking. On a year-on-year basis, GDP expanded by 2.8%.

Domestic demand remained resilient, with strong private consumption and investment reflecting increased household spending power and the continued impact of EU funding. However, external demand growth turned negative as export growth weakened, a trend likely to be seen across Europe as tariffs start to bite over the third quarter.

The slowdown was broad-based across non-primary sectors. Manufacturing growth eased from 0.8% to 0.6% quarter-on-quarter, and services activity slowed from 1.0% to 0.8%.

Construction experienced a more pronounced deceleration, falling from 2.4% to 0.8%, although it still posted a strong 6.1% year-on-year growth. A key concern remains productivity, which declined again in the third quarter. Both per worker and per hour worked, productivity fell by 0.4% compared to the previous quarter. On a year-on-year basis, productivity per hour worked rose only 0.3%, while per-worker productivity declined by 0.5%.

While Spain continues to be a [key driver of employment growth in the eurozone](#), translating this into more productive jobs to support GDP growth structurally will be crucial.

Economic growth is likely to normalise over the winter months

The latest figures suggest Spain is on a normalisation path from the height of a positive business cycle. Leading indicators such as manufacturing PMIs and DG ECFIN business surveys point to a cooling in industrial momentum. Tourism also shows signs of deceleration, albeit from elevated levels. In August, tourist spending grew by 6.7% YoY, which is roughly half the pace observed a year earlier, yet still resulted in record-high arrivals and expenditures. Retail sales, meanwhile, slowed to 4.2% YoY in September, down from 4.7%.

Further impact from US tariffs is likely to affect Spain to a lesser extent, given Spain's lower exposure to the US compared to the EU. Spain exported goods to the US equivalent to 1.26% of GDP in 2023, whereas the overall EU exposure was 2.9% of GDP for exports. In light of these developments, we expect GDP growth to reach 2.7% in 2025, followed by a further normalisation to 2.2% in 2026.

Author

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

THINK economic and financial analysis

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.