

## Spanish business sentiment rises despite cooling tourism growth

Business sentiment in Spain improved slightly in September, driven by a recovery in the services sector, while manufacturing lost momentum – reversing the trend seen in August. At the same time, underlying trends point to easing price pressures ahead, even though headline inflation reached 2.9% in September



### Business sentiment edges up amid sectoral reversals

Business sentiment in Spain edged up to 53.8 in September, remaining in expansionary territory according to S&P Global's PMI data. This headline figure masks a notable reversal in the underlying sectoral dynamics compared to August. Services sentiment rebounded to 54.3, up from 53.2, outperforming expectations despite purchasing managers indicating a softening in tourism-related activity.

Putting this into perspective, it indicates a deceleration from previously elevated levels: tourism spending grew by 6.7% year-on-year in August, roughly half the rate observed a year earlier but still resulting in record-high tourist arrivals and spending.

Conversely, manufacturing sentiment declined to 51.5, down from 54.3 in August, confirming the

trend highlighted in DG ECFIN's business surveys. This suggests a cooling in industrial momentum following robust production growth, which had reached 2.5% year-on-year in July.

## Positive signals at the end of Q3 heading into Q4

Spain's economic data continues to point to solid momentum at the close of the third quarter. This momentum is also supported by an upward revision of second-quarter GDP growth from 0.7% to 0.8% quarter-on-quarter, even though this revision revealed that second-quarter growth was more heavily driven by inventory restocking than initially thought.

Looking ahead, the economic growth outlook remains positive with signs of growth normalisation, with a growth rate on track to reach 2.7% year-on-year in 2025.

## Headline inflation is up, but trend is downward

On the price front, purchasing managers from the service sector reported selling prices rising at their weakest pace in four months in September, while manufacturing output prices were reported to have fallen for the first time in three months. This evolution is not yet reflected in headline numbers, though, as inflation increased to 2.9% in September, up from 2.7% in August, mainly driven by the base effect. The monthly variation was -0.4%, marking the third month with a monthly price change not in positive territory and providing indications of a downward trend.

We expect this downward trend to start being reflected in headline inflation in the coming months, especially as base effects are starting to fade. Underlying inflation, for its part, already edged down to 2.3% in September.

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