

Spanish momentum slows in February

Spanish economic momentum continued to ease in February. The S&P Global Composite Purchasing Manager Index (PMI) fell from 53.5 to 51.9, below expectations, reflecting a deceleration in the services sector while manufacturing activity remained broadly stagnant



We expect Spanish GDP growth to slow to 2.3% in 2026, down from 2.8% in 2025

Services sector loses steam while manufacturing stagnates

The slowdown in overall economic momentum is primarily driven by a cooling in the services sector. Following an extended period of robust expansion, services value added grew at an annualised pace of 3.4% in Q4 2026. Activity is moderating in the first quarter of 2026 as demand – particularly from abroad – normalises.

A similar pattern is visible in manufacturing. After two consecutive months in contraction, with the PMI below 50, the February reading of 50 signals stagnation. Survey evidence suggests that declines in both order books and export orders are easing, broadly in line with signals from the European Commission's DG ECFIN economic sentiment indicators.

Firms largely attribute softer foreign demand to heightened US trade uncertainty and the strength of the euro. Recent trade tensions with the US administration, including threats to halt trade with Spain, add to the uncertainty. Such threats are not unprecedented and have not always materialised in the past, however. Moreover, the United States accounts for a smaller share of

Spanish trade than for several other European economies, and any direct disruptions could be partially mitigated through rerouting trade via neighbouring countries. As a result, the expected macroeconomic impact remains limited.

More significant for the near-term outlook is the impact of rising energy prices following recent geopolitical tensions. If current disruptions only last a few weeks, higher energy prices could temporarily slow growth, mainly in Q2 2026.

Overall, signals from leading economic indicators are consistent with our baseline scenario of a normalisation in economic growth in 2026. We continue to expect Spanish GDP growth to slow to 2.3% in 2026, down from 2.8% in 2025.

Price pressures are on the rise

PMI data also points to renewed cost pressures in both manufacturing and services, driven by rising input costs. This development predates the recent escalation in US-Iran tensions and the associated volatility in energy markets. With Spain's headline inflation at 2.5% in February, a temporary rise in energy prices – if disruptions remain short-lived – could push inflation close to 3% in Q2 2026.

Barring a prolonged shock, inflation is expected to ease again later in the year as energy effects fade.

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