

Spain continues to be one of the growth engines of the eurozone

Spain continues to be a strong performer in terms of GDP growth within the euro area, according to the latest GDP report. Spanish GDP grew by 0.8% quarter-on-quarter in the third quarter of 2024. Meanwhile, inflation slightly increased to 1.8% in October



Thousands of tourists descend on Sardinero beach in Santander in August. Spanish tourism continues to soar

Third-quarter GDP growth remains strong

The Spanish economy grew by 0.8% quarter-on-quarter (QoQ) in the third quarter of 2024, according to preliminary data from the National Institute of Statistics INE, in line with the QoQ growth in the second quarter of 2023. We had already seen signs that growth would remain strong as several soft indicators, such as the Purchasing Manager Indices, improved last quarter, but this growth still exceeded market expectations by 0.2 percentage points QoQ, resulting in 3.4% YoY growth.

With this new data, Spain continues to be one of the growth engines of the eurozone. Heavily reliant on tourism, Spain was hit hard by the Covid-19 crisis, but since then has been on a faster growth trajectory than its 2013-19 average. Tourism has rebounded and continues to hit record levels. In August, Spain received 7.3% more international tourists than in the same month in 2023.

Government consumption has benefited from the funds allocated under the Next Generation EU programme, while a strong labour market has boosted consumption. The unemployment rate, which measures the number of unemployed persons relative to the number of active persons in the economy, decreased to 11.21% in the third quarter, the lowest level since the financial crisis.

Spanish headline inflation rises to 1.8%

Spanish inflation rose from 1.5% in September to 1.8% in October, primarily due to an increase in energy prices. As ECB President Christine Lagarde mentioned in her last speech, inflation numbers in the eurozone are expected to be slightly higher at the end of this year due to base effects from significant energy price declines a year ago. Harmonised inflation increased to 1.8% in October from 1.7% in September. Core inflation, which excludes volatile fresh food and energy prices, rose to 2.5% year-on-year, up from 2.4% in September.

While overall inflation remains subdued, there is a risk of higher inflation in Spain if the divergence in economic growth within the eurozone also leads to a divergence in price pressures. Recently, decreasing interest rates have improved housing affordability in Spain, putting upward pressure on housing prices. After rising by 4% in 2023, nominal house prices increased by 7.9% year-on-year in the second quarter of 2024, with prices for new buildings rising by 11.2%. We expect house price growth of 5.5% this year. Construction activity decreased by 1.4% in the third quarter of 2024, but we believe this might pick up as housing supply typically follows demand with a delay.

Overall, we anticipate GDP growth to reach 2.8% this year, with harmonised inflation projected at 2.9%.

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.

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 <http://www.ing.com>.