

## Spain: Tourism and employment boom puts economy back on track

The first quarter of 2022 will be impacted by the Omicron wave, but from the second quarter onwards we expect the economy to grow faster again. A strong labour market, an uplift in public investment, and a further recovery of the tourism sector will boost economic activity. Inflation is high, but we expect it to come down this year



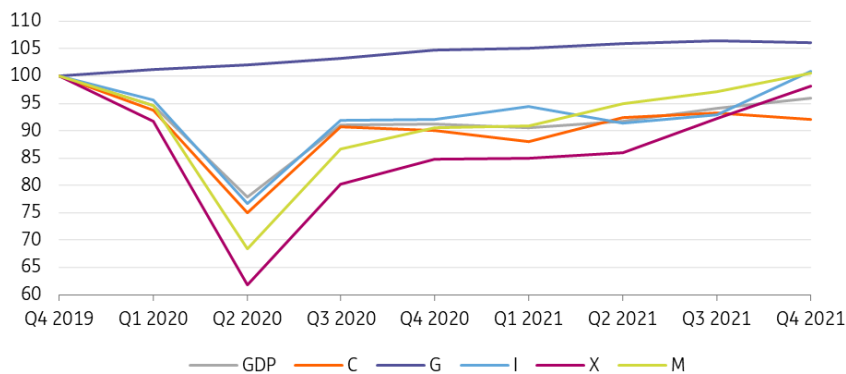
Spain's tourism sector has not yet fully recovered from the Covid-19 pandemic, but this gives more potential to support growth in the years to come

### Stronger growth from 2Q onwards

The Spanish economy ended 2021 on a strong note. GDP growth came in at 2% quarter-on-quarter, which was higher than expectations. Due to the Covid-19 Omicron wave consumption contracted, but investment and exports grew sharply. The economy is now about 4% smaller than pre-pandemic levels. This is in contrast to the eurozone as a whole, which reached its pre-pandemic level in 4Q21.

Survey data, however, points to a weakening in the first quarter of this year caused by Omicron. But from the second quarter onwards we expect the economy to grow faster again. The main reasons for this are a vibrant labour market, a boost to public investment, and a continued recovery of the tourism sector. High inflation, however, is currently a threat, even though we think it will come down over the year.

## Evolution of GDP and components during the pandemic (4Q 2019 = 100)



Source: Refinitiv

## A very strong labour market will support consumption

Historically, the negative impact of a recession on the Spanish labour market is quite extreme and long-lasting. But the impact of the pandemic is already digested. Indeed, there are currently more people registered with the social security system and fewer people are jobless than before the pandemic. The unemployment rate was 13.3% in the final quarter of 2021, which is lower than before the pandemic. Looking ahead, it is likely that the unemployment rate will continue to fall. Demand remains strong as industrial companies indicate that their order books are richly filled, even more so than before the pandemic. And the number of businesses that report labour shortages is still limited, certainly compared to the eurozone.

## Figure 2: Spanish companies are less labour strapped (% of businesses saying that labour limits their production)



Source: Refinitiv

## Structural problems in the labour market are still with us

All this is obviously good news for short-term economic activity, but that does not mean the structural problems in the labour market are history. Indeed, the Spanish unemployment rate is still almost double the rate of the eurozone, youth unemployment is very high, and almost one in four Spanish workers is on a temporary contract.

The latest labour market reform, which tweaks the 2012 measures and focuses on limiting the use of temporary contracts, caused a lot of discussion on the political front. It is backed by businesses and unions, but initially it did not have sufficient support in parliament. Surprisingly, it did pass recently... by [accident](#). This could obviously cause some political tension.

## Rise in public investment will support growth

The labour reform is also important for short-to-medium term activity as it would help to secure new NextGenerationEU (NGEU) funds which should boost public investment. The Spanish government wants to frontload the EU money and spend 77% of the €70bn in grants (about 4.5% of 2021 GDP) over the period 2021-23. The next instalment of €14bn should be requested before April. Even though we think this rate of absorption is very ambitious, the NGEU will still have a positive impact on growth in 2022 and 2023.

Another issue that will support public investment is the budget for 2022, the largest in Spanish history. It was approved at the end of last year, which lowered political uncertainty and includes €40bn of investments (including NGEU funds).

## Tourism sector will further recover

During the first quarter of this year, the tourism sector will still be affected by the Omicron wave, but we think that from the second quarter onwards the sector will be able to continue its recovery. In 2021 the tourism sector was able to recuperate but less than expected due to travel restrictions and new Covid waves. The number of international tourists grew from about 19 million in 2020 to about 31 million in 2021, but this is still about 52 million (!) less than in 2019. Since this sector has not yet fully recovered, this of course gives more potential to support growth in the years to come.

## Inflation should come down during 2022

As for the whole of Europe, rising inflation is a threat to the Spanish economy. Headline inflation was about 0% at the beginning of 2021, but in January 2022 it equalled about 6%. Core inflation started to rise in the middle of 2021 from about 0.2% to 2.4% in January 2022. The biggest contributor to the rise was higher energy prices, and this item has a larger weight in Spain than the eurozone as a whole. But the sharp rise of core inflation warrants caution. Indeed, higher energy prices can feed into other consumer prices and on top of that more and more companies are saying that they will increase their selling prices. We nevertheless expect that inflation will come down during 2022 as we do not expect energy prices to rise as much in 2022 as they did in 2021. They might even come down. However, due to second-round effects, we expect about 2.5% headline inflation at the end of 2022, which is higher than pre-pandemic levels of about 1.0%.

## Conclusion

All in all, the economic outlook is good for Spain. We expect the economy to grow by about 5.0% in 2022, matching the 5.0% growth in 2021. For 2023 we expect about 3% growth. In this scenario the Spanish economy would reach its pre-pandemic level in the first half of 2023. Indeed, the firm labour market, a push of public investment, a further recovery of the tourism sector and declining inflation should all help to push the economy further.

### The Spanish economy in a nutshell (%YoY)

	2020	2021F	2022F	2023F
GDP	-10.8	5.0	5.0	3.0
Private Consumption	-12.0	4.6	5.0	3.2
Investment	-11.4	6.6	9.0	4.4
Government Consumption	3.3	3.0	1.6	1.4
Net trade contribution	-1.7	0.5	0.7	0.2
Headline CPI	-0.3	3.0	4.0	2.2
Unemployment rate (%)	15.6	14.8	12.0	9.5
Budget balance in % of GDP	-11.0	-8.2	-4.7	-3.0
Government debt in % of GDP	120	120	115	113

Source: Refinitiv Datastream, all forecasts ING estimates

## Author

### Olivia Grace

Editor

[olivia.grace@ing.com](mailto:olivia.grace@ing.com)

### Julian Geib

Junior Economist, Global Trade

[julian.geib@ing.de](mailto:julian.geib@ing.de)

### Zoltán Homolya

Economic research trainee

[zoltan.homolya@ing.com](mailto:zoltan.homolya@ing.com)

### Amrita Naik Nimbalkar

Junior Economist, Global Macro

[amrita.naik.nimbalkar@ing.com](mailto:amrita.naik.nimbalkar@ing.com)

### Mateusz Sutowicz

Senior Economist, Poland

[mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

### Alissa Lefebre

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

### Deepali Bhargava

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### Ruben Dewitte

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

### Kinga Havasi

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

**Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China

[lynn.song@ing.com](mailto:lynn.song@ing.com)

**Michiel Tukker**

Senior UK & Eurozone Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Senior Economist, Healthcare & Technology

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@ing.com](mailto:min.joo.kang@ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT

[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**

Senior Economist, Services and Leisure

[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**

Sector Strategist, Financials

[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**

Junior Economist

[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**

Senior Economist, Germany

[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**

Deputy Global Head of Editorial and Supervisory Analyst

[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**

Credit Strategist

[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Antoine Bouvet**

Head of European Rates Strategy

[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**

Global Head of Sector Research

[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare

[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics

[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**

Sector Economist

[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**

Senior Credit Analyst

[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**

Consumer Economist

[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**

Senior Sector Economist, Energy

[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**

Head of Corporate Sector Strategy

[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**

Behavioural Scientist

+31(0)611172684

[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri

[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**

Senior Macro Economist

[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**

Head of Global IFRS9 ME Scenarios

[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**

Asia Chief Economist

+65 6232-6020

**Martin van Vliet**

Senior Interest Rate Strategist

+31 20 563 8801

[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Karol Pogorzelski**

Senior Economist, Poland

[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro  
[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**  
Foreign Exchange Strategist  
+44 20 7767 6405  
[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**  
Global Head of Editorial Content  
+44 (0) 207 767 5331  
[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**  
Chief Economist, Netherlands  
[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**  
Chief Economist, Belgium, Luxembourg, Eurozone  
[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**  
Senior Rates Strategist  
[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**  
Global Head of Markets and Regional Head of Research for UK & CEE  
[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**  
Chief Economist, LATAM  
+1 646 424 6464  
[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**  
Economist, Digital Finance  
+44 20 7767 5306  
[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)