

## Spain: Decelerating growth, but not catastrophic

The Spanish economy grew by 0.7% QoQ in the fourth quarter of 2017. This marks a deceleration of growth for the second quarter in a row, the first time this has happened since the strong recovery started in late 2013



### A deceleration

The detailed figures are not yet available, but it is likely that the situation in Catalonia took its toll. Indeed, political uncertainty skyrocketed after the referendum in early October. So firms and consumers probably postponed their spending and investment, especially in Catalonia. Tourism also took a hit. Admittedly, since the central government took control of the autonomous region, the uncertainty dropped again. Nevertheless, the issue is far from resolved and the longer it lasts, the more harmful for the economy.

Other data also pointed towards a deceleration of economic activity. The composite PMI, for example, declined in 4Q compared to 3Q, due to a strong fall of the PMI of the service sector. Furthermore, the quarterly unemployment rate rose to 16.55% in 4Q from 16.38 in 3Q.

### But not catastrophic

Having said that, growth remains robust. Fourth quarter GDP figures of most other Eurozone countries are not yet published, but based on forecasts, Spain remained one of the fastest growing economies in the Eurozone in 2017. For the whole of 2017, Spain grew by 3.1%. This is the third year in a row of above 3% growth.

### Nevertheless, a continued deceleration is expected

Even though 2017 was an excellent year for Spain in terms of economic activity, we do expect that

the deceleration observed at the end of 2017 will continue. It looks as if the Catalan crisis will not be resolved in the short run, so some uncertainty will remain. Therefore, we expect the Spanish economy to grow by 2.6% in 2018 and by 2.0% in 2019.