

## Spain: Strong bounce-back in 3Q, but prospects for 4Q darken

Even though the number of infections started to grow as early as July, the economy managed to recover strongly in the third quarter. Recent figures related to the fourth quarter, however, point to a reversal.



A view of the completely empty CV-35 road in Valencia, eastern Spain, 19 March, 2020

Source: Shutterstock

After the 17.8% quarter-on-quarter contraction in the second quarter, the Spanish economy bounced back by 16.7% in the third. Compared to a year ago, however, the economy is still 8.7% smaller.

With the bounce-back being stronger than expected, we have revised upwards our forecast for 2020 as a whole, to -11.5%.

The pandemic in Spain is not losing speed. The number of infections started to grow during the summer months and has continued to do so. This has led the government to take new measures, including a nationwide curfew.

And we already see the effects on economic indicators. Survey data already indicated a weakening at the end of the third quarter, especially in the services sector, and retail sales growth

moved back into negative territory in September (at -0.3% month-on-month in September, seasonal and calendar adjusted, compared to +1.4% in August.)

We therefore think that the post-lockdown recovery had already come to a halt at the end of the third quarter and this does not bode well for the fourth quarter. We are moving from a "Nike Swoosh" recovery to a W-shaped one.