

## Spain: GDP growth boosted by strong exports

Spanish GDP grew by 0.5% quarter on quarter in the final quarter of 2019. This was better than expected and mainly due to a strong export performance



Exports grew by 1.5% quarter on quarter, up from 0.0% in the third quarter and the only component of GDP to accelerate. Private consumption growth fell to 0.1% from 0.8%, while government consumption growth remained at 0.6%. Cross capital formation fell by 2.5%, the largest fall in investments since the second quarter of 2013.

Imports dropped by 1.2%, having risen by 1.8% in the previous quarter. This is not surprising - private consumption and investment both weakened in the fourth quarter. Net exports contributed strongly to growth.

The new data implies that the growth figure for 2019 as a whole equals 1.9%, compared to 2.4% in 2018. The economy slowed - mainly due to lower investment, especially in the construction sector, and lower inventory buildup. Private consumption grew at a similar rate as in 2018, even though the unemployment rate stopped falling. The increase in minimum wage probably supported consumption but could also have contributed to the slower decline in the unemployment rate.

Even though the economy performed quite well at the end of 2019, we still expect it to slow further in 2020. We do not see much reason to expect a sharp drop in the unemployment rate - employment expectations have fallen and remain low. The effects of the Corona virus aside, the international context has improved a bit over the last couple of months. A 2020 export performance as strong as in 2019 seems unlikely and we keep our forecasts for 1.5% growth in 2020 followed by 1.4% in 2021.

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