

## Spanish consumer confidence improved in November

Falling inflationary pressures and energy prices that are well below their peak levels led to a cautious rise in consumer confidence in November. However, this is not enough to prevent a contraction in the fourth quarter



Inflation and high energy prices are forcing 40% of Spaniards to cut their daily expenses

### Spanish consumers slightly more upbeat, but still at depressed levels

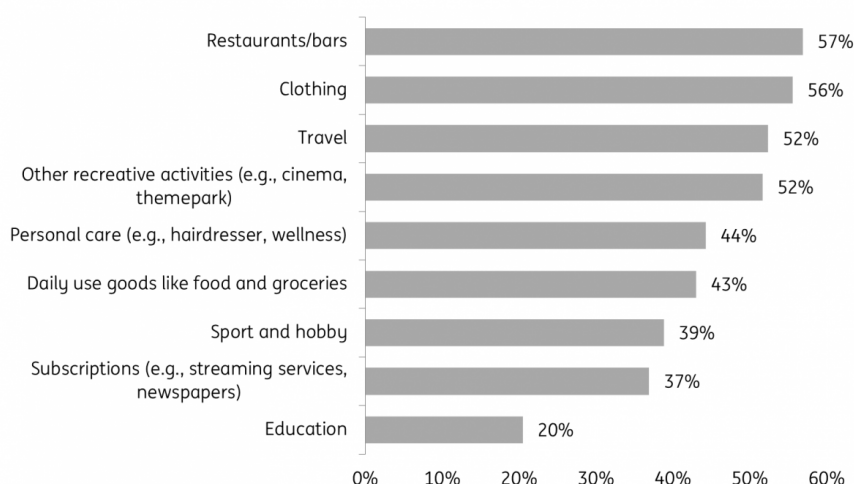
Spanish consumer confidence rose to -28.7 in November, from -31.6 in October, as published by the Ministry of the Economy and Finance this morning. A faster-than-expected fall in inflation and energy prices that are well below their peak levels is providing some relief for consumers. As reported yesterday, the [Spanish inflation rate fell in November](#) for the fourth month in a row and is now already four percentage points below its July peak level. The fall is likely to continue as price pressures higher up the production chain are starting to ease. Both commodity prices, freight costs for transport, and factory prices have already decreased considerably. Energy prices have also moderated somewhat since the end of the summer. Despite this, the index remains at recessionary levels.

## Inflation and energy prices force four in ten Spaniards to cut daily expenses

Despite the improvement, the negative economic impact of high inflation and energy prices remains in place. A new ING survey on a representative panel conducted by IPSOS in early November shows that almost four in ten Spaniards are saving on daily expenses, like fresh food and groceries. More than half of Spaniards are also cutting back on restaurant visits, travel, and leisure activities to cope with the rising cost of living. With high energy prices, Spaniards are also looking to save on energy consumption. Almost half of the respondents say they are more economical with the use of electrical appliances, such as dishwashers, while a third say they are cutting back on heating.

## Many Spaniards are cutting back on their spending

Due to rising prices, I try to save on... (% of respondents)



Source: ING consumer survey November 2022

## Not out of the danger zone yet

The Spanish economy has already slowed significantly in the third quarter and is likely to contract in the fourth quarter. The cost-of-living crisis leads households to consume less, which slows down economic activity. The less tight energy markets and a faster-than-expected drop in inflationary pressures are likely to ease the winter contraction, allowing Spain to narrowly avoid a recession. However, the overall outlook for next year remains subdued.

Some favourable factors, such as mild weather and lower liquefied natural gas (LNG) demand from China, have brought some relief this year, but the situation remains very precarious. Next year will be a lot harder to replenish gas supplies, given the reduction in Russian supply. A strong recovery in China is also likely to put strong pressure on the oil and gas market, which could cause another jump in energy prices. The resulting loss of competitiveness of European businesses, together with ECB interest rate hikes that will not take full effect until 2023, will limit Spain's growth potential next year. Therefore, we expect the Spanish economy to grow by less than 1% next year.