

Snap | 27 January 2023

SPAIN

Spanish economy shows resilience in fourth quarter

The Spanish economy grew by 0.2% on a quarterly basis, which was better than expected. The strong numbers, however, also mask some underlying weakness



Source: Shutterstock

Spain's GDP growth beats expectations

Spanish GDP grew by 0.2% in the fourth quarter, which was better than expected. This was revealed by figures released this morning by the Spanish statistics agency INE. Year-on-year growth came to 2.7% in the fourth quarter versus expectations of 2.2%. The good figures show that the Spanish economy is much more resilient than expected. However, the strong figures mask the fact that domestic demand weakened further, as both consumption and fixed investment fell in the fourth quarter compared to the previous one.

2023 will be a transition year

Lower energy prices are fuelling growing optimism. However, we must guard against too much euphoria. Despite the recent drop, energy prices are still a major competitive disadvantage for Europe, and it is likely that gas, electricity, and oil prices will rise again in the course of 2023. Any recovery this year will be modest. The erosion of purchasing power by high inflation will

continue unabated. Although inflation has fallen sharply since the summer thanks to lower energy prices, the acceleration of core inflation to 7% in December shows that price pressures in the economy remain high. Moreover, high inflation is eating away at the value of savings accumulated during the crisis. The savings rate is dropping back below pre-crisis levels, reducing the additional impetus for consumption. On the other hand, the strong performance of the labour market supports spending. The fourth quarter unemployment rate released yesterday showed that the jobless rate increased slightly to [12.87%](#), from 12.67% in the third.

Moreover, in its latest announcements, the European Central Bank has signalled that it will move interest rates further into restrictive territory. Tighter financial conditions coupled with falling demand and economic uncertainty will cause companies to delay investment. Higher interest rates will also weigh on interest rate-sensitive sectors such as real estate. Moreover, the high share of variable mortgage rates makes Spain especially vulnerable to sharply rising interest rates. But for now, there are no signs that things are heading in the wrong direction.

Spain likely to outperform eurozone average in 2023

For the whole of 2023, we forecast growth at 1.1%. Thanks to the lower dependence on gas and greater contribution from the services sector, we expect growth to be well above the eurozone average. The Spanish economy is likely to benefit from a further recovery of international tourism to pre-Covid levels. In the first 11 months of 2022, the number of foreign visitors was still 15% lower than in 2019. Thanks to a further recovery here, especially due to a growing number of Asian visitors, tourism will again be able to make a positive contribution to the Spanish growth figures.

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this

THINK economic and financial analysis

report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.