

# 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



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## 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.

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