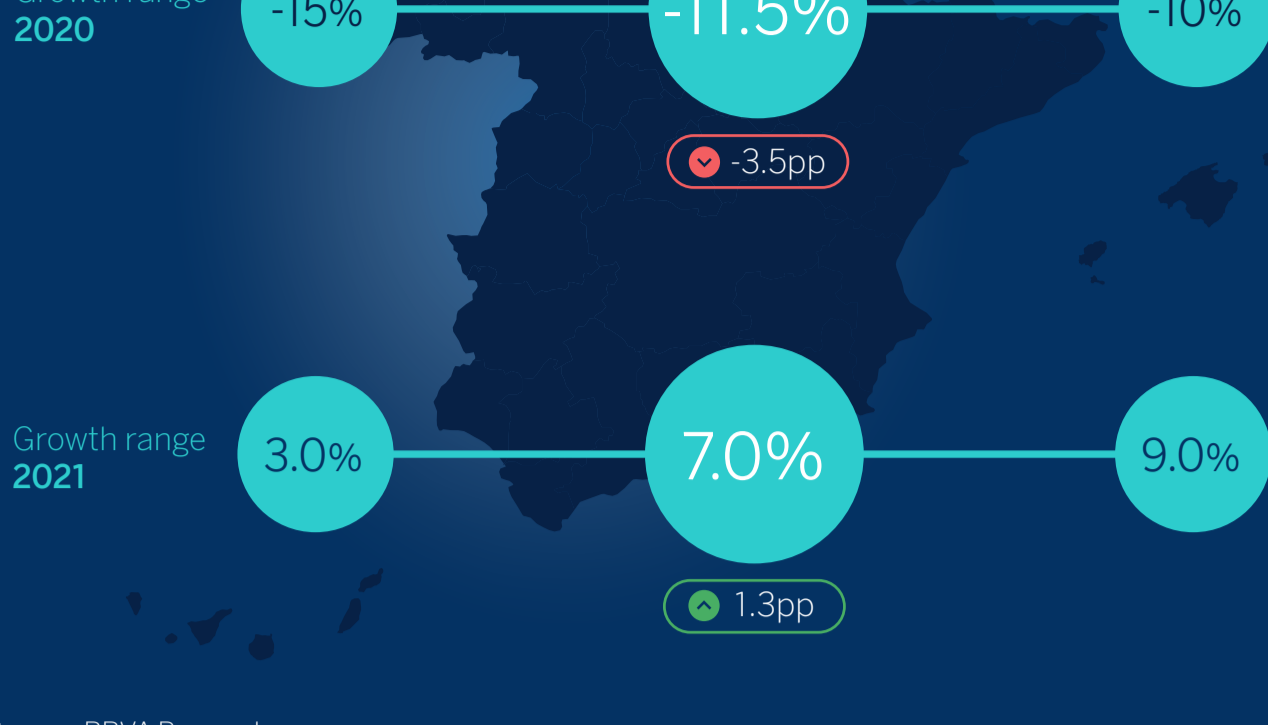


# SPAIN OUTLOOK

## 3Q20

Spanish GDP revised downward for 2020 and upward for 2021

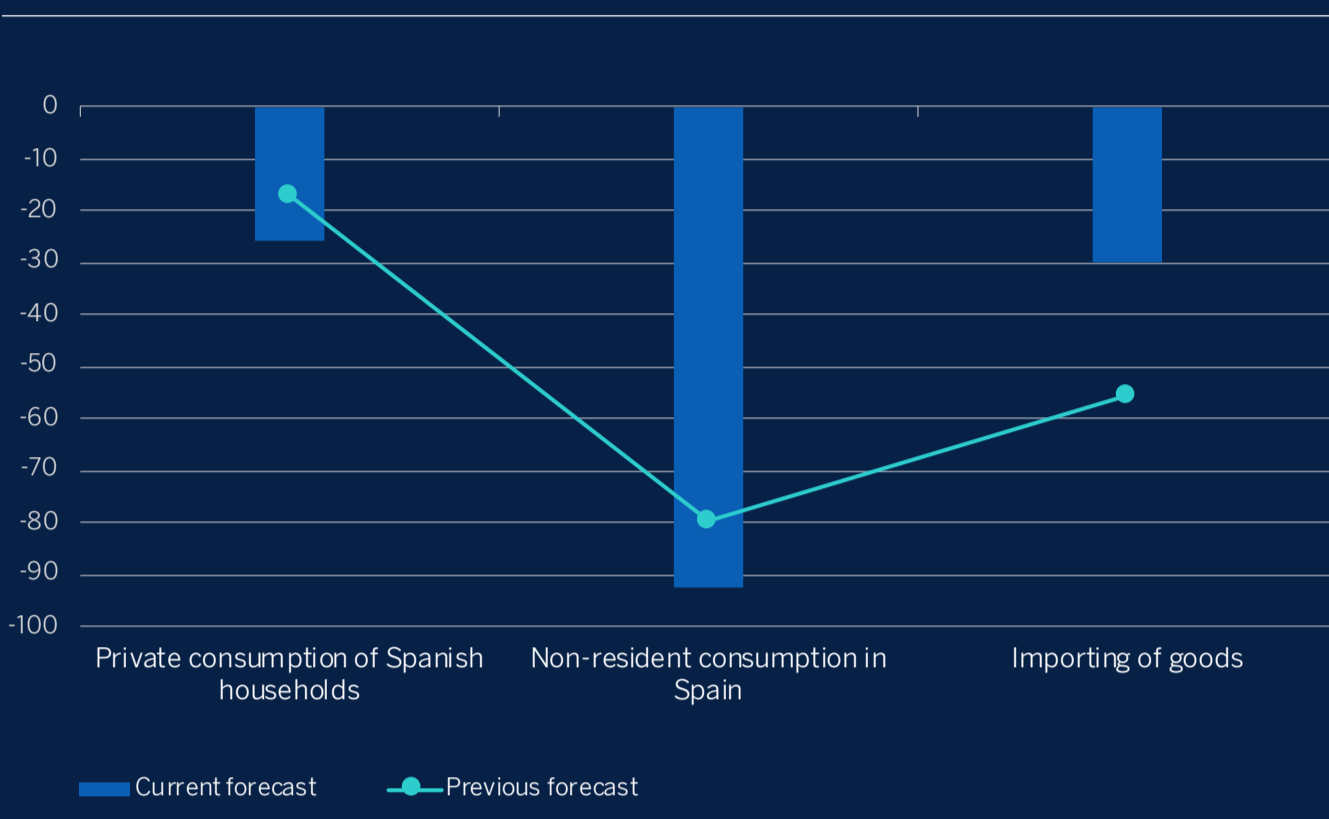


Source: BBVA Research

The larger contraction in 2020 is attributable to:

- A greater impact on domestic demand** due to restrictions
- The interim extension of lockdown measures**
- Reduced expenditure on domestically produced goods and services**
- A prolonged contraction of the tourism sector**

Cumulative change between 4Q19 and 2Q20 (%)

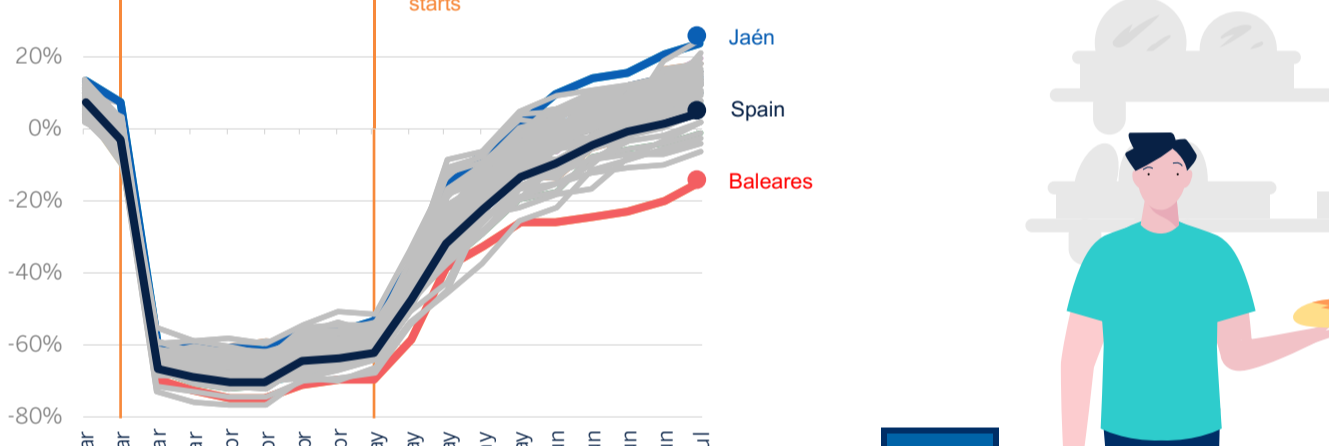


Source: BBVA Research based on INE data

Recovery begins as the pandemic is brought under control

- Business activity** picks up as restrictions are relaxed
- The first sectors to start up again** are the first to **bounce back**
- Household consumption** could increase by around **20% quarter-on-quarter in 3Q20**
- Containing the spread of the virus** in neighboring countries boosts the **recovery** of trade flows

Opening up trade in Spain province by province (year-on-year growth in the number of BBVA POS operating between March and June 2020, %)



Source: BBVA Research based on BBVA data

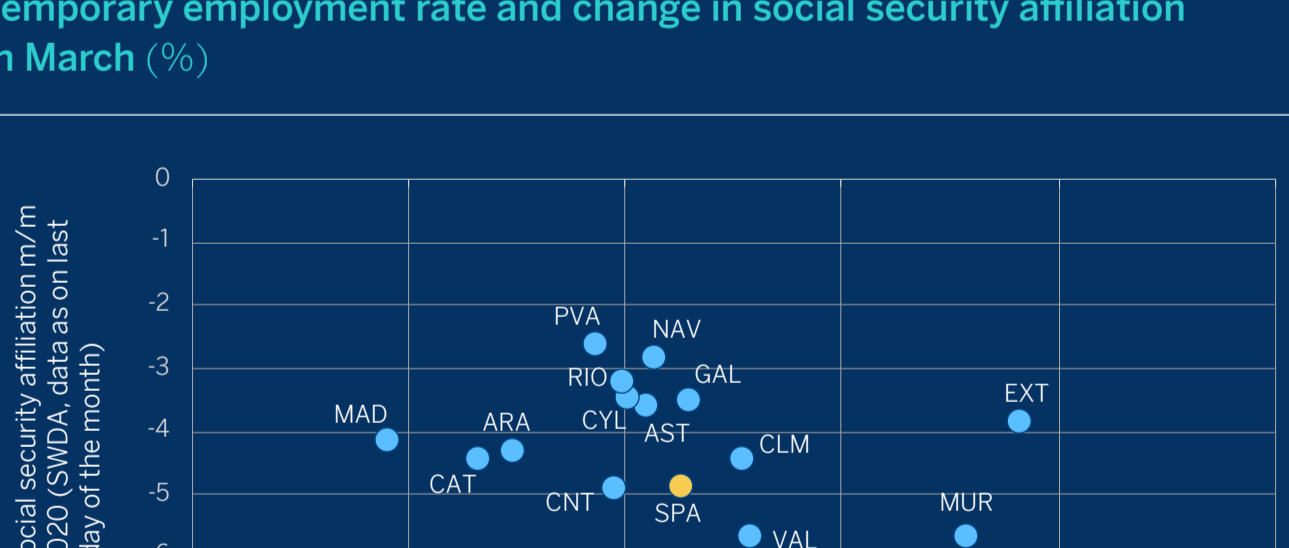
### Factors supporting recovery

- Exports will increase** on par with Economic and Monetary Union (EMU) growth
- Public policies are preventing a **further contraction** of business activity
- The provision of guarantees**, together with the actions taken by the European Central Bank (ECB) and the banking sector, softened the fall in GDP by 4.5 percentage points in 2Q20

### Risks

- Emergence of new outbreaks** without a suitable exit strategy
- The momentum generated by the easing of restrictions **diminishes at each phase**
- The high levels of **temporary employment** in the labor market in some communities may increase regional disparity
- Achieving a V-shaped recovery will be more difficult in the **sectors with greatest exposure to the crisis**
- Limited fiscal space:** the deficit could be around 14.4% of GDP in 2020 and 8.4% in 2021

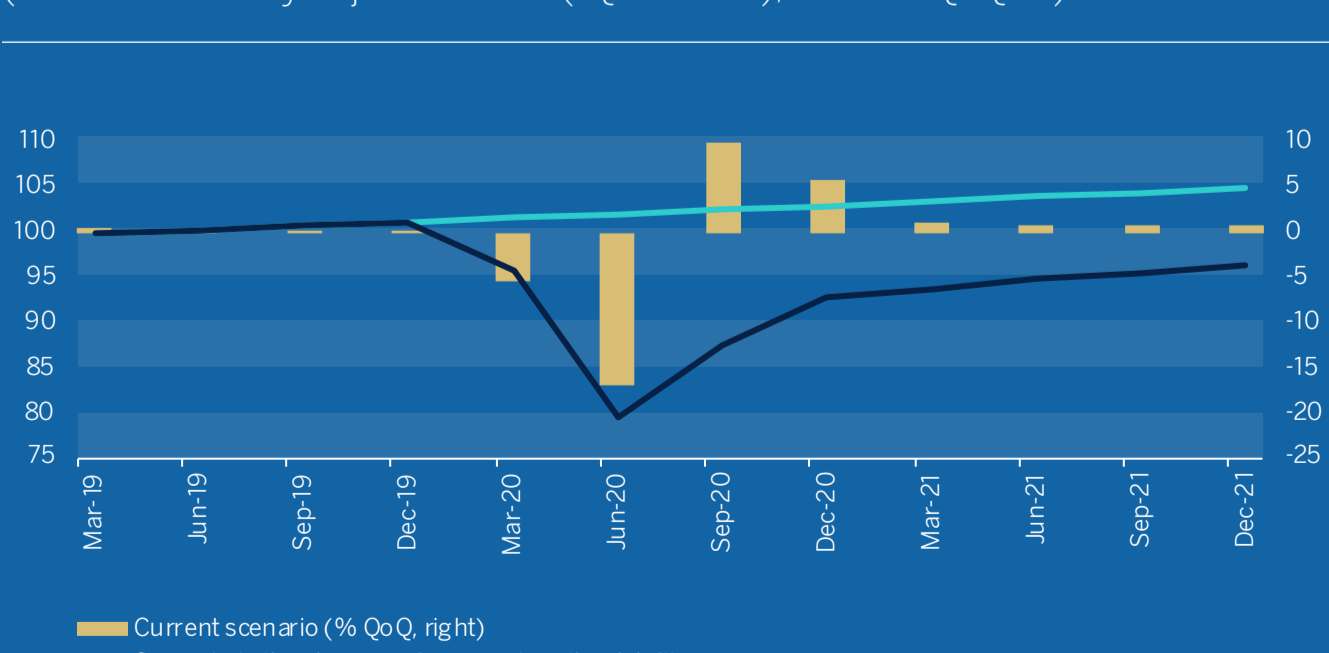
Temporary employment rate and change in social security affiliation in March (%)



Source: BBVA Research based on INE data

From 2H20, the recovery will be intense but will not be enough to reach pre-crisis levels

GDP: level and growth (Level: Seasonally adjusted index (1Q19 = 100); Growth: QoQ %)



Source: BBVA Research based on INE data

Seizing the **opportunities** will generate **more positive scenarios**

- Demand policies will **remain expansionary** for a long period of time
- The **European recovery fund** offers an unprecedented opportunity