Spain Economic Outlook 1Q22

Growth will remain high throughout 2022 and 2023.

Inflation continues to surprise on the upside. Pension reform worsens the deficit and reduces intergenerational equality.

In Q3 21, GDP grew below our estimate three months ago, but this is likely to be offset by higher growth in Q4 21.

**BREAKDOWN OF 2021 GDP GROWTH REVISION (PERCENTAGE POINTS)**

- IMPACT ON SPANISH EXPORTS OF THE DOWNWARD REVISION IN ACTIVITY ACROSS EUROPE (DEVIATION FROM BASELINE SCENARIO IN PP): +5.2, -0.6
- IMPACT OF HIGHER ELECTRICITY PRICES ON GDP GROWTH (DEVIATION FROM BASELINE SCENARIO IN PP): +5.1

**2022 - 2023**

- We expect a slowdown at the beginning of the two-year period...
- EMU growth revised downward.
- Unprecedented disruption of production supply chains.
- Increased energy costs.
- … even so, growth will remain strong in 2022 and 2023.

The rising contagion rate will have an increasingly limited impact on activity.

Containment of the pandemic will consolidate the recovery of tourism.

The transfer of NGEU funds is moving forward, and budget implementation will accelerate in the coming years.

The rising contagion rate will have an increasingly limited impact on activity.

Suitable allocation of NGEU funds could drive digital skills enhancement and investment in intangibles, which are key to productivity gains.

For more information see our Spain Economic Outlook 4Q21: www.bbvaresearch.com