Spain Economic Outlook
October 2022

Growth forecast UPGRADED for 2022 but DOWNGRADED for 2023

While GDP GROWTH PICKED UP in the second quarter of the year, the data now point to STAGNATION in the third quarter due to:

- Positive impact of the COVID-19 vaccination process now losing steam
- Loss of purchasing power
- Increased uncertainty
- Rising interest rates

AVERAGE CPI CHANGE IN THE PERIOD (%)

Households are in a better position to cope with rising interest rates than they were during the 2008 financial crisis.

Inflation is probably near to turning the corner.

There are no major imbalances to be seen in the real estate market.

Export activity remains strong.

FINANCIAL BURDEN ON HOUSEHOLDS (% OF GROSS DISPOSABLE INCOME)

DEVIATION OF GDP GROWTH FROM THE SCENARIO IN THE ABSENCE OF NGEU (PP)

THE STAGNATION PERIOD WILL BE SHORT-LIVED and the recovery will RESUME in early 2023

RISKS

- Inflation
- Labor market
- Insufficient skilled labor to meet the demands of companies
- Reduction in temporary employment through permanent intermittent work contracts that entail a reduction in the number of hours worked.
- Unless an income pact is formalized, labor unrest is likely to increase over the coming months.
- Significant structural imbalances in public finances
- Barriers to investment can dampen competitiveness, reduce the availability of housing or slow the impact of NGEU funds.

For more information, see our Economic Outlook Spain – October 2022
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