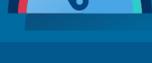


# Spain Economic Outlook November 2023



## Global environment



### Global growth should be relatively slower

over the next two years as inflation eases and interest rates fall.

#### FORECASTS FOR EUROPE (%)

	2023 (f)	2024 (f)	2025 (f)
GDP growth	0.4	0.7	1.7
Inflation	3.8	2.4	1.5
Key interest rate	4.5	4.0	3.0

(f): Forecast. Source: BBVA Research.

## SPAIN

**GDP growth should hold steady in 2023, slow in 2024 and potentially regain momentum in 2025.**

#### FORECASTS (%)

	2022	2023 (f)	2024 (f)	2025 (f)
GDP (% y/y)	5.5	2.4	1.5	2.5
CPI (annual average)	8.4	3.7	3.5	2.3
Unemployment rate (% of labor force)	12.9	12.2	11.8	11.2

(f): Forecast. Source: BBVA Research.

## 2023

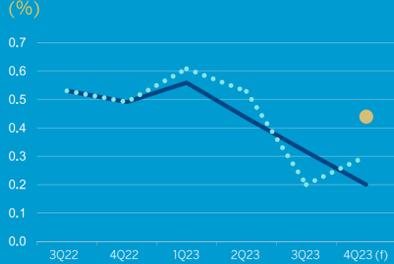


**Robust domestic demand should underpin growth in 2023.**

Quarterly growth in 4Q23 could be around



#### QUARTER-ON-QUARTER CHANGE IN GDP (%)



(f): Forecast. Source: BBVA Research based on data from INE.

## 2024

### OUTLOOK FOR SLOWER growth in the eurozone.

### WEAKNESS AND LOSS of industry leadership in key sectors, e.g. automotive.

#### GEOGRAPHICAL BREAKDOWN OF ELECTRIC CAR IMPORTS (NOMINAL AMOUNTS IN MILLIONS OF EUROS)



(\*) Sum of imports from France, the Netherlands, Germany and Italy. Source: BBVA Research based on data from Datacomex.

### LABOR MARKET INFLEXIBILITY and shortage of skilled labor.

#### AVERAGE AGE OF EMPLOYED WORKERS (YEARS)



Source: BBVA Research based on data from INE.

### SLOWER EXECUTION of Recovery Plan funds.

#### IMPACT OF RECOVERY PLAN TRANSFERS ON GDP GROWTH (INTERVAL IN P.P.)



Source: BBVA Research.

### HEIGHTENED uncertainty over economic policy.

## 2025

### CAPACITY FOR GROWTH in the tourism sector.

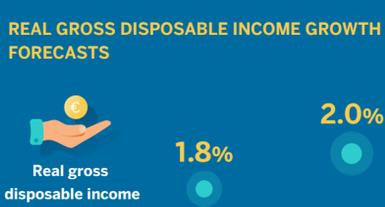
#### PERMITS FOR BUILDINGS EARMARKED FOR TOURISM, RECREATION AND SPORTS (% CHG. JAN-AUG 2023 VS JAN-AUG 2019)



Source: MITMA.

### PRICES SHOULD LAG the growth in household income for the first time since 2020.

#### REAL GROSS DISPOSABLE INCOME GROWTH FORECASTS



(f): Forecast. Source: BBVA Research.

### LOWER interest rates will boost activity.

#### YEAR-ON-YEAR GROWTH OF THE LABOR FORCE JAN-SEPT 2023 (CONTRIBUTION BY NATIONALITY AND TERM OF RESIDENCE)



Source: BBVA Research based on data from INE.

## CHALLENGES

**MAKE** fiscal adjustment while minimizing the impact on economic activity.

**SPEED** up execution of NGEU funds and increase their impact.

**REFORM** unemployment benefits to reduce the jobless rate.

**CONTINUED** to reform the regional government funding scheme.

**ENCOURAGE** investment by removing uncertainty and eliminating bottlenecks.

**RAISE** productivity, allowing for higher wages.