

# Spain Economic Outlook

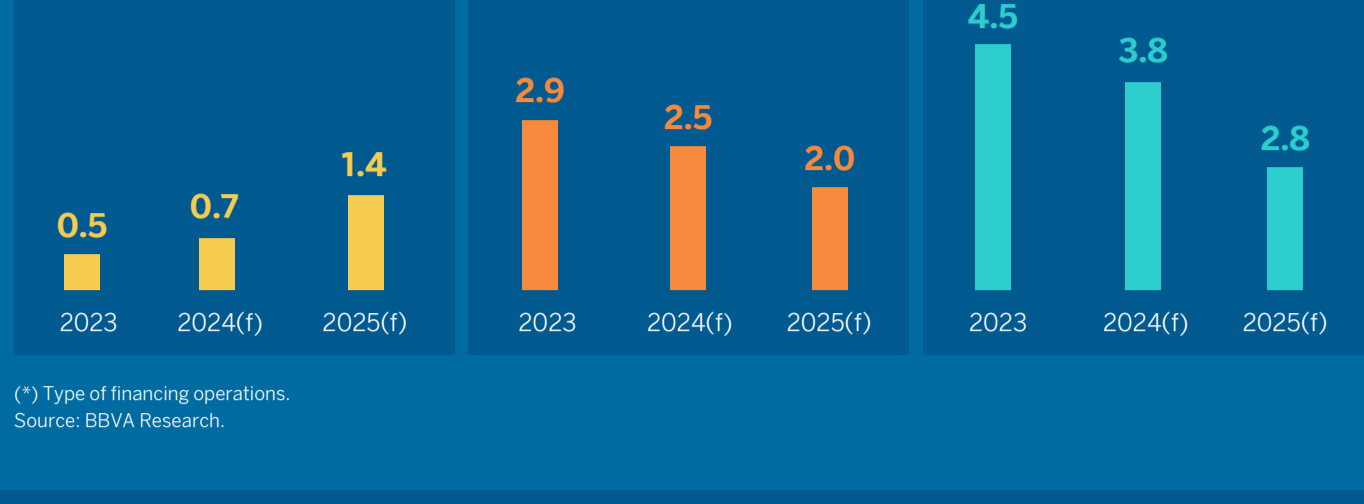
MARCH 2024

## GLOBAL

Weaker growth and lower inflation in the eurozone anticipate **lower key ECB interest rates.**

### EUROZONE: GDP, INFLATION AND POLICY INTEREST RATES

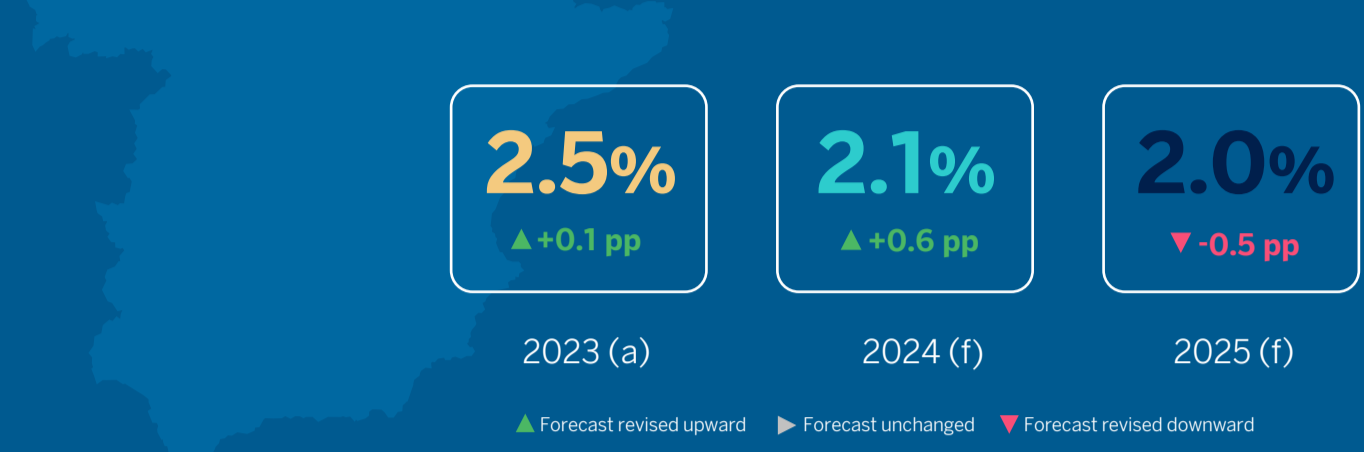
(GDP GROWTH: %, INFLATION: YOY %, EOP, POLICY INTEREST RATES: %, EOP)



(\*) Type of financing operations. Source: BBVA Research.

Growth is revised **upward** in 2024 and **downward** in 2025

## SPAIN



▲ Forecast revised upward ▶ Forecast unchanged ▼ Forecast revised downward

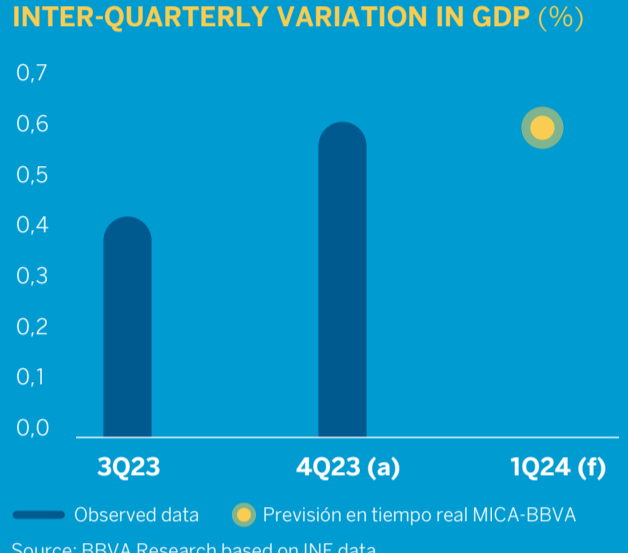
(a): Advance. (f): Forecast. Source: BBVA Research based on INE data.

## THE ECONOMY WILL GROW more than expected in 2024

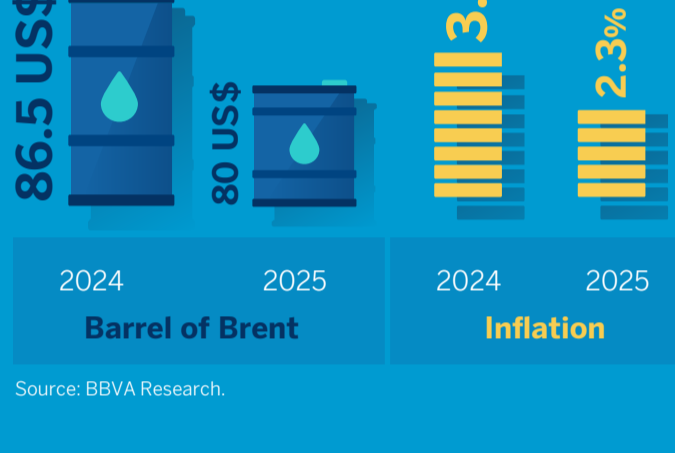
The **observed data** shows **an acceleration since 3Q23**



### INTER-QUARTERLY VARIATION IN GDP (%)



Source: BBVA Research based on INE data.



Source: BBVA Research.

The economy's **competitiveness improves**

as **energy prices fall** and **inflation moderates.**

Interest rate cuts are brought forward



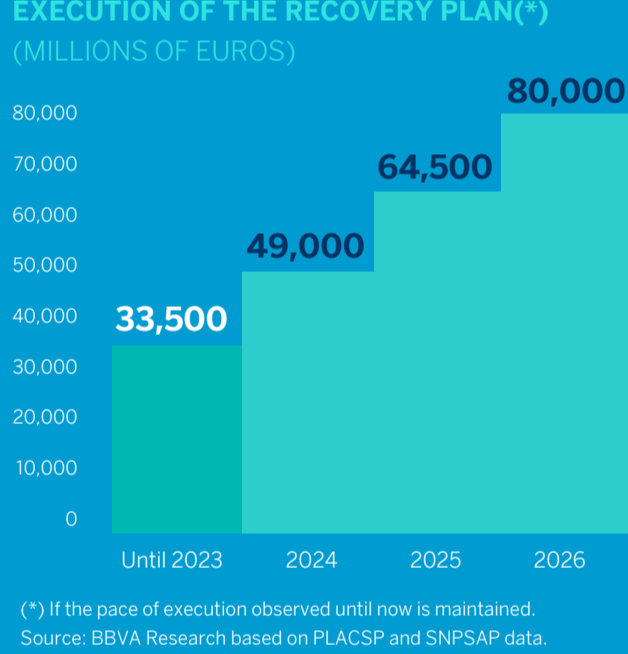
Fiscal policy will be **more expansionary than expected in 2024**

The implementation of the **Recovery Plan funds has reached cruising speed,**

and could be **sufficient to be fully implemented** by 2026.



### EXECUTION OF THE RECOVERY PLAN(\*)

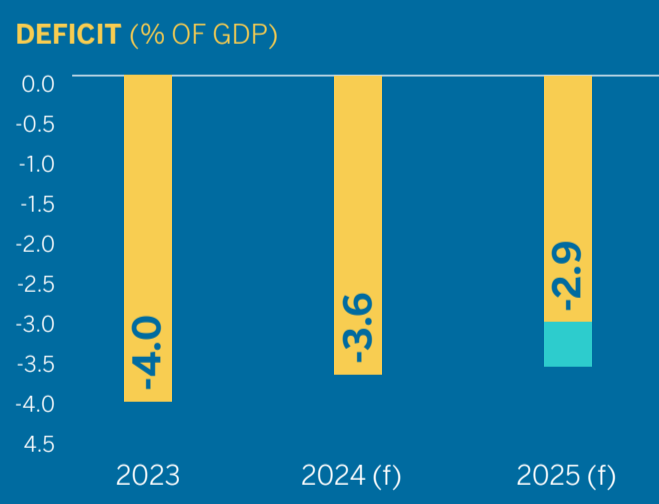


(\*) If the pace of execution observed until now is maintained. Source: BBVA Research based on PLACSP and SNPSAP data.

## GROWTH IS REVISED downwards in 2025

**Structural problems**

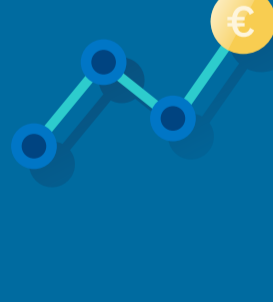
in **certain sectors and countries** of the eurozone.



■ Adjustment required Source: BBVA Research based on data from the INE and the Ministry of Finance.

The new tax rules will require **significant and sustained adjustments**

over time starting in 2025.

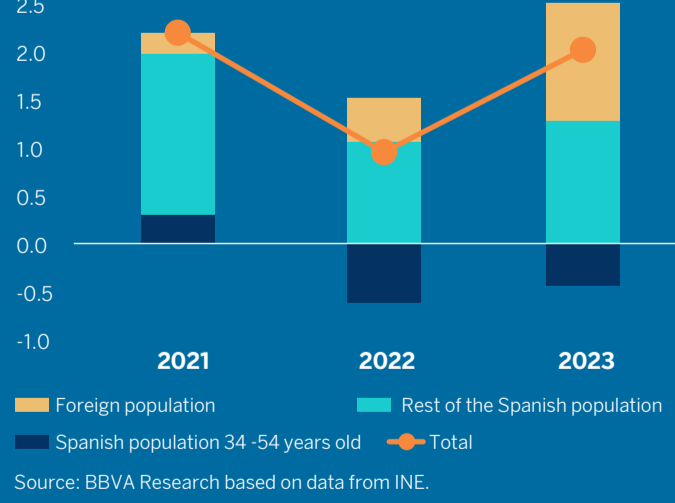


**Private investment is suffering**

from **stagnation** in the eurozone, still **high interest rates** and, above all, **economic policy uncertainty.**



### CONTRIBUTIONS TO YEAR-ON-YEAR GROWTH OF THE WORKING-AGE POPULATION (% AND PP)



Source: BBVA Research based on data from INE.

**Weak productivity**

and limits to **employment growth.**



## MEDIUM- AND LONG-TERM uncertainty factors

**01 The agri-food sector** is facing **structural changes** driven by **labor shortages, rising labor costs** and **drought.**

**02 Policies to boost housing demand** or **price fixing** could have **harmful long-term effects on the sector.**

**03 The PRTR Addendum loans** will have a **more immediate effect on economic activity** than the transfers, but **the extent** of their impact is **uncertain.**

**04 Uncertainty** about **future economic policy** remains.

