BBVA Research

Creating Opportunities

Spain Economic Outlook

DECEMBER 2024

Forecast GDP **growth for 2024 revised up.**
The outlook is for a **slowdown in 2025 and 2026**

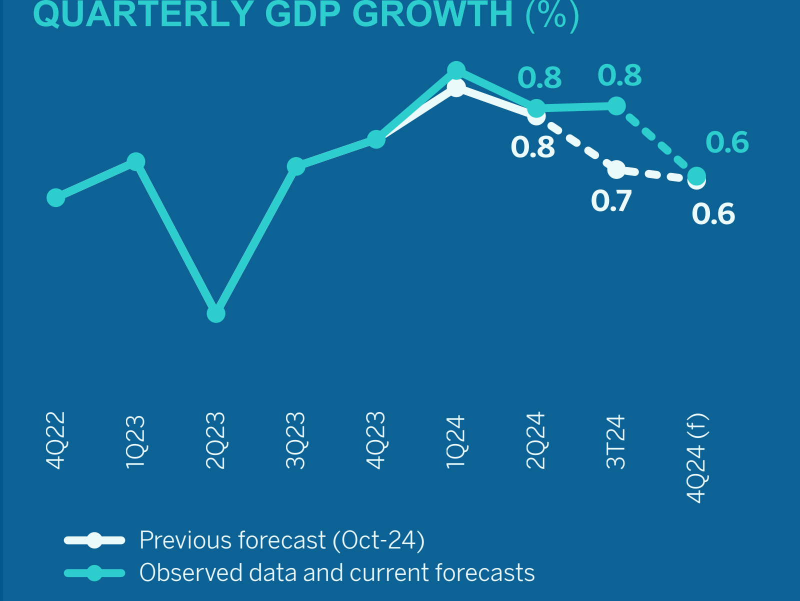
	2024 (f)	2025 (f)	2026 (f)
GDP*	3.1% ▲ +0.3 pp	2.3% ▼ -0.1 pp	1.7%
Inflation (average for the period)	2.8% ▶	1.8% ▶	1.9%
Unemployment rate	11.4% ▼ -0.1 pp	10.7% ▼ -0.1 pp	10.4%

▲ Outlook raised ▶ Outlook unchanged ▼ Outlook lowered

* Average annual change.
(f): Annual average forecasts.
Source: BBVA Research based on INE data.

2024 GDP has OUTPERFORMED recently

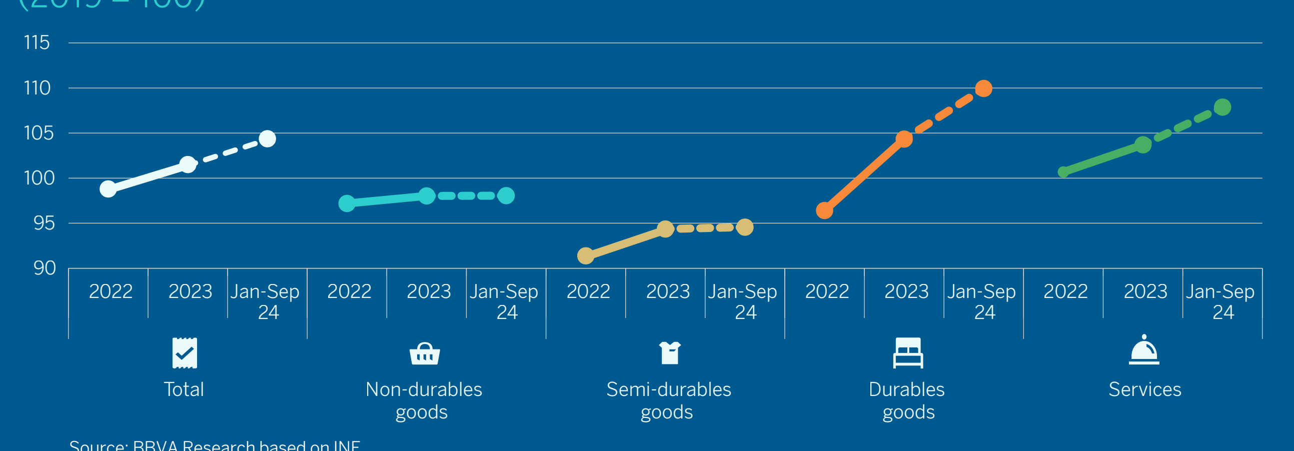
QUARTERLY GDP GROWTH (%)



(f): forecast.
Source: BBVA Research based on INE.

Private consumption
was the largest growth driver.

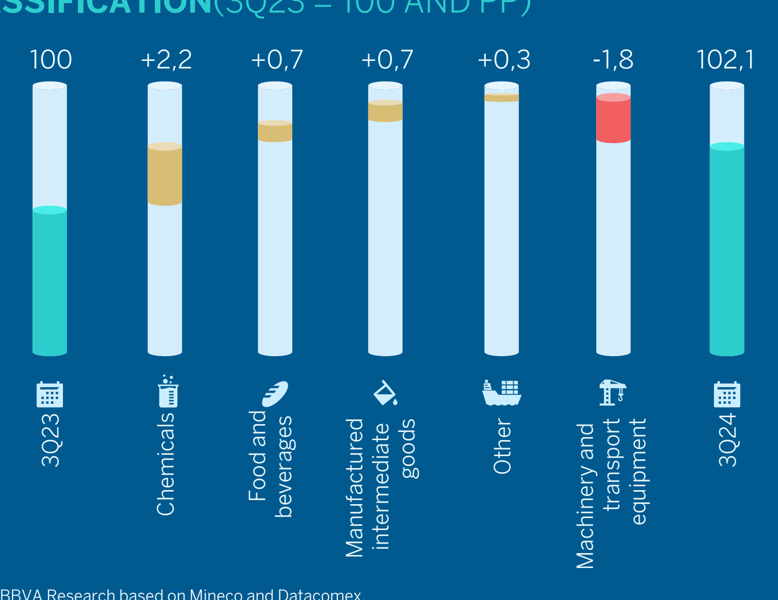
SPAIN: HOUSEHOLD DOMESTIC CONSUMPTION (2019 = 100)



Source: BBVA Research based on INE.

Exports showed solid growth, despite stagnating investment, a slowdown in the eurozone and challenges in the automotive sector.

REAL GOODS EXPORTS: CONTRIBUTION TO THE ANNUAL CHANGE ACCORDING TO THE CUCI DATABASE CLASSIFICATION (3Q23 = 100 AND PP)

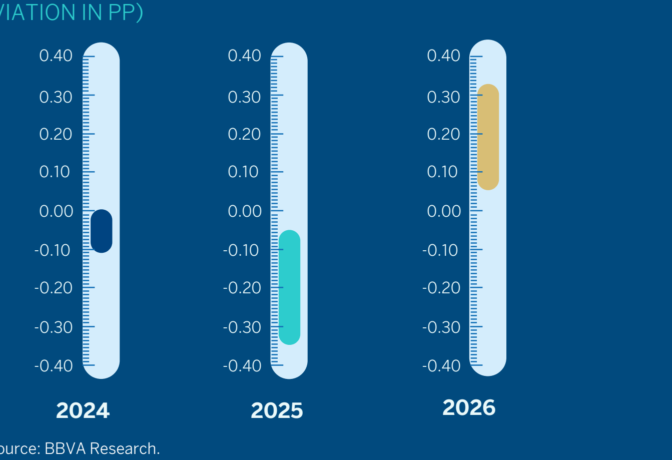


Source: BBVA Research based on Mineco and Datacomex.

Two **recent events should dictate how the economy performs** over the coming months

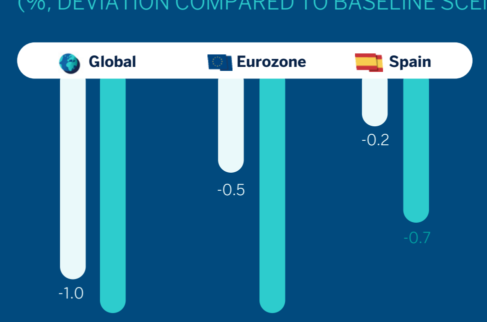
The DANA will have a **negative, but limited,** impact on GDP

SPAIN: IMPACT OF THE DANA ON AVERAGE ANNUAL GDP GROWTH (DEVIATION IN PP)



Source: BBVA Research.

POTENTIAL IMPACT OF TARIFF HIKES ON GDP (%, DEVIATION COMPARED TO BASELINE SCENARIO IN PP)



Note: Estimated impact of an additional 10% tariff on EU and 60% tariff on Chinese goods coming into the U.S.
Source: BBVA Research.

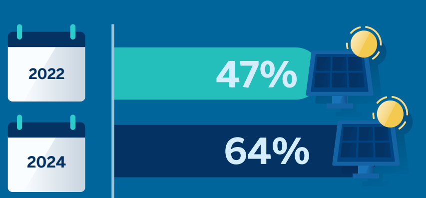
Potential changes in U.S. trade policy **could affect exports**

2025 2026 The recovery looks set to CONTINUE IN 2025 AND 2026

HIGHER HOUSEHOLD SPENDING

Stabilization of inflation at levels around 2%, driven by moderating energy prices and reduced pressure on food prices following the end of the drought.

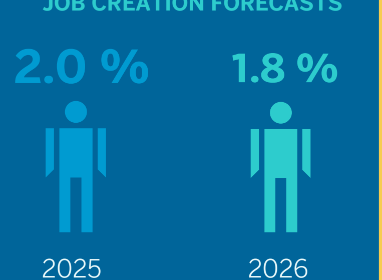
SHARE OF RENEWABLE ENERGIES IN THE DAILY WHOLESALE MARKET



Note: excludes hydropower.
Source: BBVA Research based OMIE, SENDECO and MIBGAS data.

The higher share of renewables **is estimated to have reduced wholesale prices by approximately 10%.**

JOB CREATION FORECASTS



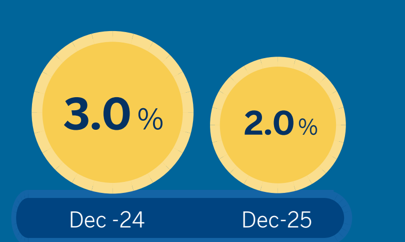
Source: BBBVA Research based on INE data (Labor Force Survey).

Higher household disposable income driven by a robust labor market and wage growth.

INVESTMENT COULD REBOUND

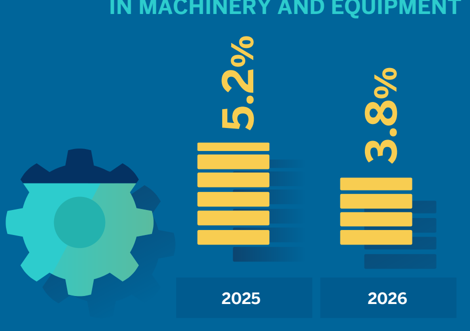
Lower interest rates

DEPOSIT FACILITY RATE FORECASTS



Source: BBVA Research based on ECB.

GROWTH FORECAST FOR INVESTMENT IN MACHINERY AND EQUIPMENT



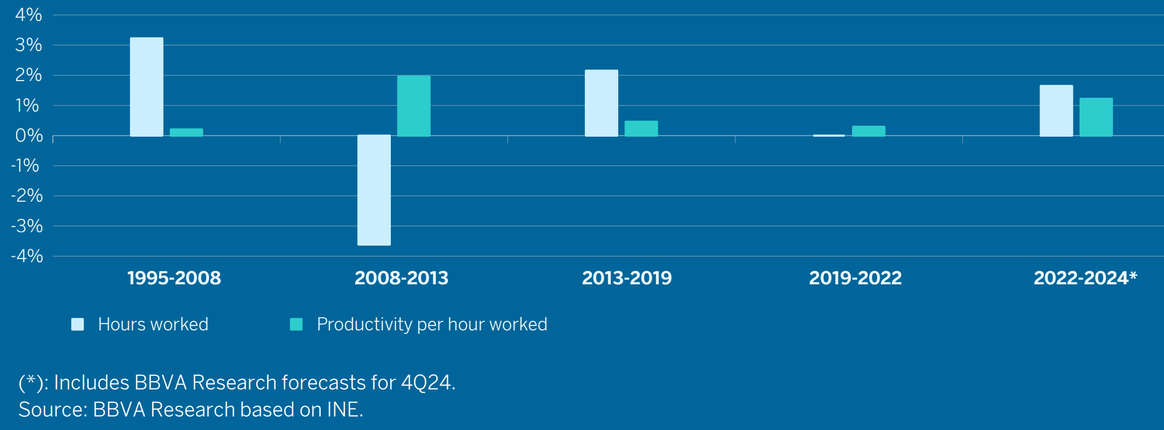
Source: BBVA Research based on INE.

Need to expand productive capacity in certain sectors

HIGHER POTENTIAL GROWTH

Thanks to immigration and increases in hourly productivity

SPAIN: HOURS WORKED AND PRODUCTIVITY PER HOUR WORKED (% AVERAGE ANNUAL GROWTH RATES FOR THE REFERENCE PERIOD)

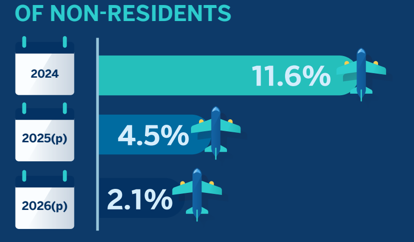


(*): Includes BBVA Research forecasts for 4Q24.
Source: BBVA Research based on INE.

The challenges to maintaining high growth will intensify

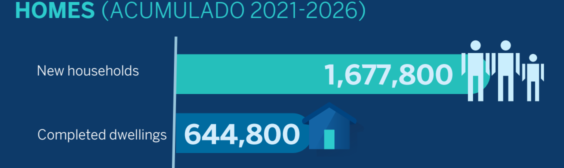
1 Exports of services could moderate as tourism reaches its growth limit

TRENDS IN FINAL CONSUMPTION OF NON-RESIDENTS



Source: BBVA Research based on INE.

NEW AND FINISHED HOMES (ACUMULADO 2021-2026)

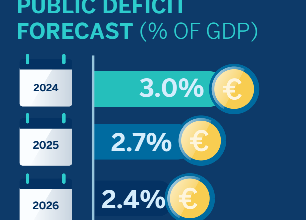


Source: BBVA Research based on MIVAU and INE.

2 Housing construction looks set to remain insufficient to address the ongoing imbalance between demand and supply

3 Doubts regarding fiscal adjustment

PUBLIC DEFICIT FORECAST (% OF GDP)



Source: BBVA Research based on Ministry of the Treasury and INE data.

For more information see our **Spain Economic Outlook December2024**
www.bbvaresearch.com