

## **CaixaBank raises its macroeconomic forecasts thanks to the healthy performance of the Spanish economy**

- **CaixaBank Research, the bank's research team, estimates growth at 2.8% for 2024, 0.4 points above its previous GDP estimate, higher than the euro area average**
- **Households' sound financial health, the strength of exports, sectoral diversification and demographic growth are key factors in the pace of growth of the economy, which will retain its momentum in the coming years**
- **The labour market will continue to help drive internal demand and the number of new registrants in Social Security will reach almost 500,000 in 2024 and exceed 400,000 in 2025, according to CaixaBank**

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CaixaBank Research, the bank's research team, has raised its growth forecasts for the Spanish economy for 2024 and estimated gross domestic product (GDP) at 2.8%, 0.4 points above the previous estimate and above the euro area's average. The revision comes thanks to the healthy performance of several macroeconomic variables in the first half of the year, which are clearly above pre-pandemic levels.

For the next few years, the pace of growth is expected to remain dynamic, driven by the greater momentum of internal demand and, in particular, household consumer spending and investment. For 2025, the latest data boosts the factors signaling a GDP growth of 2.3%, which is dynamic but somewhat lower than in 2024. CaixaBank Research emphasises that the main challenges faced by the Spanish economy so far, such as the impact of inflation and rising interest rates, are beginning to subside. In addition, the ongoing recovery of household purchasing power, their solid financial position and an overall context that, although slightly deteriorated, is holding out and pointing towards relatively favourable perspectives.

The economy is showing, according to CaixaBank Research, remarkable resilience in a generally challenging environment. It has overcome the energy crisis, interruptions in the supply chain, the inflation shock and subsequent monetary tightening. Thus, in the second quarter of the year, GDP again exceeded expectations, with quarterly growth of 0.8%, far higher than the 0.2% seen in the euro area as a whole.

In addition, CaixaBank Research believes that future perspectives are still promising, with ample margin for continued growth. A number of factors would suggest that growth will remain above the historic average of 2%. These include the sound financial health of Spanish households, with low levels of debt (45% of GDP), compared to 81% in 2012. The high rate of household savings (13.4% of available gross income) is far above of the historic average of 8.6%. Accordingly, the starting point for continued vigorous growth in consumer spending in the coming years is favourable and will accelerate to the extent that inflation and interest rates normalise.

### **Exports and sectoral diversification**

A second source of strength at present is the diversified export base, which is fortifying the resilience of the economy. In the past decade, the number of export companies has increased by nearly 30%, which has lent a strong boost to foreign trade. Exports now account for 38% of the GDP, compared to 26% in 2013, with especially significant performance by those in the service industry, which are now 35% above pre-pandemic levels.

Sectoral diversification, according to analysis from CaixaBank Research, is an important element in growth that is partly driven by Next Generation funds. Tourism continues to be an essential driver, and it will close 2024 11.5% above 2019 levels. They also emphasise sectors such as the information and communications (23.4% above 2019), the real estate business (15.9%), professional activities (15.6%) and the manufacturing industry (10.2%).

Lastly, CaixaBank Research highlights the role of demographic growth and the diversification of the energy mix as engines of GDP growth. In the past two years, the population has increased by somewhat more than 1% a year, largely due to the arrival of a million people who were born abroad. This influx has increased and rejuvenated the work force, and projections suggest that the population will continue to grow at a similar pace over the coming years.

The labour market will continue to help drive internal demand and the number of new registrants in Social Security will reach almost 500,000 in 2024 and surpass 400,000 in 2025. CaixaBank estimates unemployment of 12.2% in 2024 and 11.6% in 2025, the same percentages as in the previous scenario.

In addition, they highlight the diversification of Spain's energy mix, with the growing weight of renewable energies in the production of electricity. Currently, renewables account for 50% of production, which amounts to a rise of 13 points since 2019. This factor reduces energy dependence, improves supply security and enables more energy-intensive sectors, such as the manufacturing industry, to make gains in competitiveness.