SPAIN
2024-2025 SCENARIO

ECONOMIC RESILIENCE

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Ticiano Brunello

WORKING EVERY DAY IN YOUR INTEREST AND FOR SOCIETY

GROUP ECONOMIC RESEARCH

ECONOMIC RESILIENCE

Key points of the scenario

- **Inflation is slowing with the moderation in energy and food prices.**
- **Household finances are improving.**
- **Rising wage costs and interest expenses are weighing on businesses.**
- **Weak foreign demand will be offset by domestic demand.**

	2022	2023	2024	2025
GDP y/y, %	5,8	2,5	1,9	2,0
Domestic demand contribution to GDP, pps	0,0	0,0	0,0	0,0
Private consumption y/y, %	4,7	1,8	1,8	2,1
Investment y/y, %	2,4	0,8	0,7	3,2
Stockbuilding contribution to GDP, pps	-0,1	-0,1	0,2	0,0
Net exports contribution to GDP, pps	2,8	0,7	0,2	0,1
Inflation y/y, %	8,3	3,4	3,3	2,2
Unemployment rate %	13,0	12,1	11,7	11,3
Fiscal balance % of GDP	-4,7	-4,1	-3,5	-3,4

Sources: Crédit Agricole S.A./ECO

The Spanish economy is going through the final phase of the inflationary cycle that began in 2021 when global supply chains were disrupted owing to the end of the pandemic and gas prices came under pressure due to the war in Ukraine. After growth of 2.5% in 2023, we expect the Spanish economy to grow more moderately in 2024 owing to rising interest rates and the slowdown in the tourism sector, which is already operating at higher levels than in 2019. But economic activity will be bolstered throughout 2024 by the lessening impact of past interest rate hikes (starting in the second half) together with the decrease in inflation and acceleration in NGEU spending. Overall, we expect GDP growth to come out at 1.9% this year and increase modestly to 2% in 2025.

Core inflation dynamics will be moderate, in line with the latter part of 2023. We expect headline inflation to fall from 3.5% in 2023 to 3.3% in 2024, but core inflation will fall more sharply, from 4.4% in 2023 to 2.5% in 2024.

ECONOMIC RESILIENCE

HOUSEHOLDS SUPPORT GROWTH IN 2024

The Spanish economy is going through the final phase of the inflationary cycle that began in 2021 when global supply chains were disrupted owing to the end of the pandemic and gas prices came under pressure due to the war in Ukraine. Economic activity remained buoyant in the final stretch of 2023. Despite the rise in interest rates, average growth in H2 2023 remained virtually the same as in H1 (0.5% quarter-on-quarter) owing to a Q3 rebound in private consumption driven by a robust labour market and lower inflation.

Our assumptions for this scenario are based on a slowdown in global activity (particularly in China and the United States) and an increase in Eurozone GDP of 0.7% in 2024, after 0.5% in 2023. Key rates should start to fall in Q2 2024, with the ECB refinancing rate decreasing from an average 4.5% in 2023 to 3.4% in 2024 and 2.6% in 2025. Our forecasts point to a slight increase in the Brent price, from an average $82 in 2023 to $85 in 2024 and $88 in 2025.

After gaining 2.5% in 2023, we expect the Spanish economy to grow more modestly in 2024. First, because we believe the increase in interest rates starting in 2022 will impact economic activity until the first half of 2024. Second, because Spain will no longer benefit from the robust performance of the tourism sector, which is already operating at higher levels than in 2019. However, economic activity will be bolstered throughout 2024 by the lessening impact of past interest rate increases (starting in the second half) together with the fall in inflation and acceleration in spending related to NextGenerationEU. Overall, we expect GDP growth to come out at 1.9% this year and increase modestly to 2% in 2025.

Growth in 2024 will be driven by domestic demand. The latter will be bolstered by private consumption as inflation moderates, the labour force grows more strongly (increased immigration) and income increases robustly on rising employment and a recovery in wage purchasing power. We expect private consumption to increase 1.8% in 2024, just above the 1.7% recorded in 2023. However, investment will increase just 0.3% in 2024, starting with an extremely negative growth overhang in Q4 2023, but will accelerate throughout 2024 as productive investment stages a gradual recovery.

We expect core inflation momentum to be moderate, in line with the latter part of 2023. But this trend will be concealed in part by the gradual withdrawal of tax measures, including the VAT bonus on electricity, gas and food. As such, even though we expect headline inflation to fall from 3.5% in 2023 to 3.3% in 2024, core inflation will fall more sharply, from 4.4% in 2023 to 2.5% in 2024. Core inflation is slowing because input costs are no longer being passed on to the prices of end products and services and because the impact of second-round effects (from increasing wage costs and margins) is waning. This assumption is backed up by data on the latest wage negotiations, showing a decrease in the average change in negotiated wages from 3.5% in December 2023 to 2.8% in January 2024.

ECONOMIC RESILIENCE

HOUSEHOLDS SUPPORT GROWTH IN 2024

Though growth will slow, the labour market should continue to generate jobs. The increase in employment will continue to drive down the unemployment rate. But the decrease will be modest owing to the upwards revision of labour force growth, motivated primarily by the increase in immigration since last year. We expect the unemployment rate to fall from 12.1% in 2023 to 11.7% in 2024 and 11.3% in 2025.

International background assumptions

	2022	2023	2024	2025	2022				2023				2024				2025			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
World GDP y/y, q/q, %	3,5	2,8	2,6	2,6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States GDP y/y, q/q, %	1,9	2,5	1,8	0,4	-2,0	-0,6	2,7	2,6	2,2	2,1	4,9	3,2	1,5	1,1	0,5	-0,8	-0,5	1,1	1,4	2,0
Eurozone GDP y/y, q/q, %	3,4	0,5	0,7	1,5	0,6	0,8	0,5	0,0	0,0	0,1	-0,1	-0,1	0,2	0,3	0,4	0,4	0,3	0,4	0,3	0,3
China GDP y/y, q/q, %	3,0	5,2	4,4	4,2	0,6	-2,1	4,0	0,6	0,0	0,1	-0,1	-0,1	0,2	0,3	0,4	0,4	0,3	0,4	0,3	0,3
ECB refinancing rate end of period, %	2,50	4,50	3,40	2,65	0,00	0,00	1,25	2,50	3,50	4,00	4,50	4,50	4,50	4,25	3,65	3,40	3,15	2,90	2,65	2,65
Federal Reserve funds rate end of period, %	4,50	5,50	5,00	3,50	0,50	2,50	3,25	4,50	5,00	5,50	5,50	5,50	5,50	5,50	5,25	5,00	4,50	4,00	3,50	3,50
Exchange rate average, EUR/USD	1,05	1,08	1,07	1,10	1,12	1,06	1,01	1,02	1,07	1,09	1,09	1,08	1,08	1,07	1,06	1,05	1,07	1,09	1,10	1,12
Brent average, USD/barrel	99,1	82,3	85,0	88,0	98,0	112,1	97,7	88,6	82,2	77,9	85,9	83,0	83.0	85.0	85.0	87.0	85.0	87.0	90.0	90.0

Sources: Crédit Agricole S.A./ECO

LATEST ECONOMIC NEWS

A GOOD START TO THE YEAR

GDP growth in Q4 2023 surprised on the upside. At 0.6% quarter-on-quarter, it was well above the Eurozone average (0%). Growth remained highly dependent on public consumption (+1%) but was impacted by weak investment (-1.6%). Private consumption increased 0.2% and export growth (2.7%) exceeded import growth (2.5%).

Activity got off to a good start in 2024. The signals are particularly positive in the industrial sector, which is going through a particularly weak patch. For example, the manufacturing PMI rose 2.3 points to 51.5 in February, showing an expansion in activity for the first time in eleven months on increased production and new orders in response to rising demand, primarily domestic. Industry employment trends also proved positive, with the headcount growing 1.9% yoy in the sector in February. The expansion is also confirmed by the PMI for the services sector, which now stands at 54.7 points (up from 52.1), the highest level since May 2023. In consumption, the outlook for households is improving and the consumer confidence indicator published by the European Commission reached a six-month high of -17.4 points in February (compared with -18.8 in January).

Job creations in February were the highest since April 2023, and the quarterly growth rate of effective employment (seasonally adjusted non-ERTE affiliates) accelerated to 0.5% in Q1 2024 (0.4% in the two previous quarters).

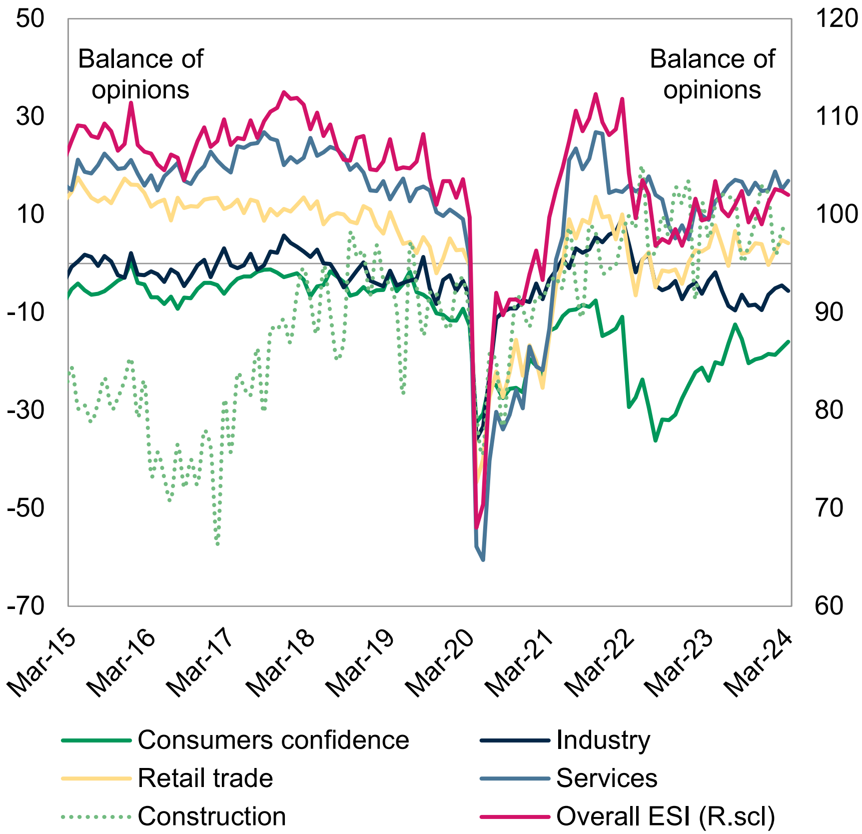
According to the leading CPI indicator of the Spanish Statistical Office, INE, inflation rose 0.4 percentage points in March. However, core inflation (which excludes energy and unprocessed food) dipped slightly to 3.3% (from 3.5% in February). For the INE, the rise in the general index is mainly due to higher electricity and fuel prices. But the slowdown in food price growth helped to contain the rise in inflation. Prices of volatile components (energy and unprocessed food) rose 2.7% yoy (3.4pp higher than in February).

Housing demand was better than expected in 2023 with 587,000 transactions completed, the second-best figure since 2007, though 9.7% below the extraordinary peak of 2022 (650,265 transactions). Demand slowed less than expected at the beginning of the year, thanks to the resilience of new-home transactions (-4.8% yoy, vs. -10.8% for existing homes) and purchases by non-nationals, which already account for 15% of sales, compared with 13% in the pre-pandemic period 2015-2019. As a result of these developments, the growth pace of real estate prices accelerated once again. The annual rate of the estimated value of homes rose to 5.3% in Q4 2023 from 4.2% previously.

LATEST ECONOMIC NEWS

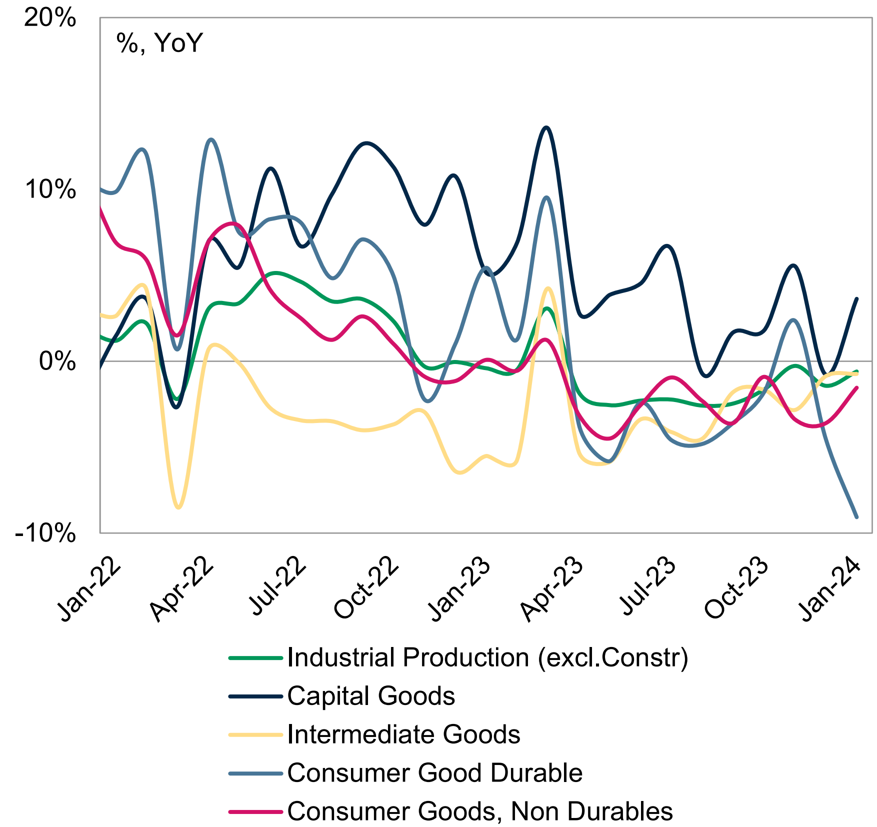
A GOOD START TO THE YEAR

ESI survey and components



Sources: European Commission, Crédit Agricole S.A./ECO.

Industrial output



Sources: Eurostat, Crédit Agricole S.A./ECO.

HOUSEHOLDS

HOUSEHOLDS SAVINGS RISE

Household disposable income is growing much faster than consumer spending

Household gross disposable income (GDI) increased by an impressive 9.8% yoy in Q4 2023, considerably outstripping the inflation rate (3.3%). This generated a considerable recovery in purchasing power after the loss triggered by the inflationary shock in 2022. GDI increased 11% yoy in 2023. Disposable income was driven upwards by a strong labour market performance. Employee compensation increased 8.7% yoy in Q4, reflecting the increase in employment (+3.8%) and stronger wage momentum (+5.1%). Social benefits increased 10.2% yoy, driven by the 8.4% increase in pensions in 2023. Meanwhile, thanks to higher dividend payments and other investment income, property income more than offset the increase in net interest payments, up 19% yoy in Q4 2023.

The rise in gross disposable income was accompanied by an increase in the number of households, the population having increased 525,000 in Q3 2023 compared with Q3 2022 as a result of immigration. In net terms, 285,000 homes were created in 2023.

However, consumer spending increased less than disposable income and the savings rate increased to 13.1% in Q4 (9.1% in Q3), far exceeding the 2015-2019 average (6.8%).

Household finances are improving

Not all savings were invested, generating an increase in household financing capacity. The latter was used to acquire financial assets, to the tune of €10.6bn in the first nine months of 2023 (latest available data), and to reduce debt (by €14bn compared with end-2022).

Regarding the breakdown of net asset acquisitions, since end-2022 financial assets have shifted from deposits to more profitable instruments such as treasury bonds and investment funds. Over the period, households invested €19.8bn in public debt securities and €18.4bn in equities and investment funds, and reduced cash and deposits by €28.2bn. In liabilities, families continued to deleverage in the first three quarters of 2023, reducing debt by €14.4bn compared with end-2022 (-2.1%) to €689bn. This figure is equal to 48% of GDP, 4.3pp less than at end-2022 and the lowest since 2002.

The net financial wealth of households increased to 142.9% of GDP in Q4 2023, from 140.5% at the end of 2022. In short, the stronger financial situation of families is fuelling a certain degree of optimism as to the consumption and investment potential of households.

HOUSEHOLDS

HOUSEHOLDS SAVINGS RISE

Job creation momentum remains strong, underpinned by the activity of non-nationals

The number of people paying into the social security system increased 0.3% in February. Employment momentum was particularly impressive in the market economy, notably in agriculture and hospitality. For 2023 as a whole, employment was boosted by non-national workers, with average growth of 9.5% compared with 1.7% for Spanish social security contributors.

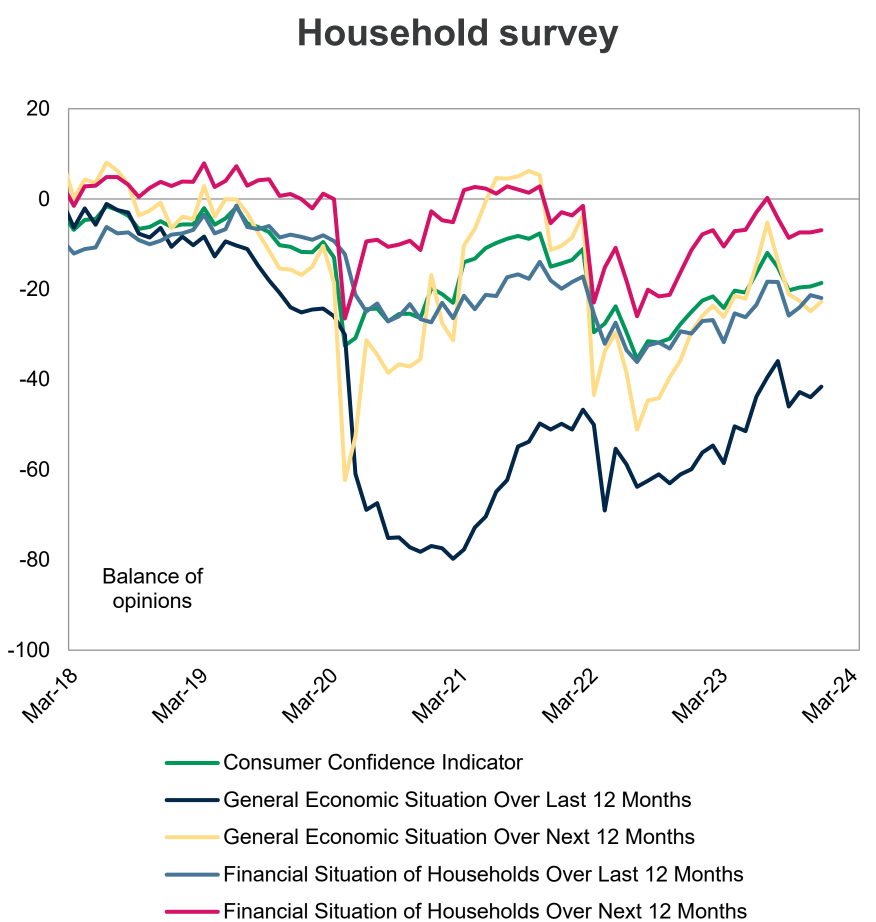
This trend has continued in 2024, with year-on-year increases in February of 8.3% and 1.9% for foreign and domestic contributors, respectively. In recent quarters, the increase in the employment of non-nationals has helped to ease tensions in sectors where companies are reporting the greatest labour shortages, such as hotels and construction. In 2023, the largest increases in the number of foreign employees came in the hotel and construction sectors, which, according to the Banco de España survey on business activity, have the most pressing labour shortages.

Consumption to remain strong over our forecast horizon

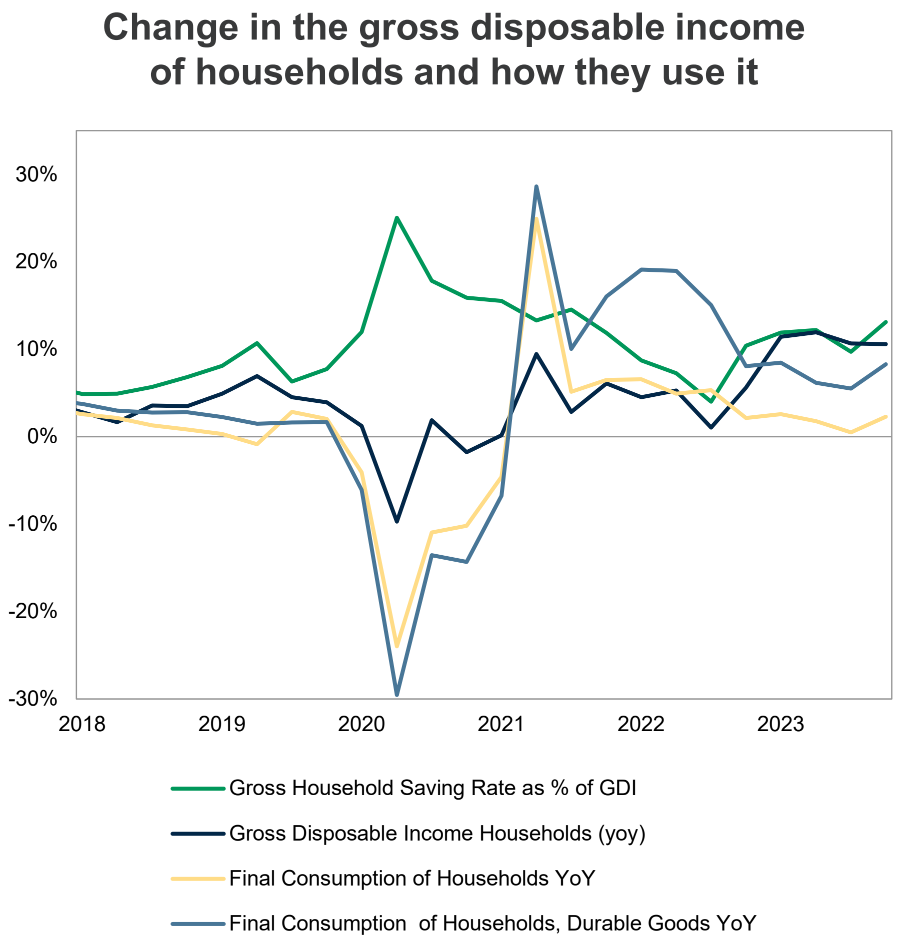
The slowdown in private consumption in the last few months of 2023 continued in early 2024. Recent developments in consumer credit and car sales suggest that the support for consumption provided by household spending on durable goods is fading. Household spending is expected to continue to expand at a rate of 1.8% in 2024 and 2025 as inflationary pressures diminish, the labour market remains robust and financial conditions improve somewhat.

HOUSEHOLDS

HOUSEHOLDS SAVINGS RISE



Sources: European Commission, Crédit Agricole S.A./ECO.



Sources: Eurostat, Crédit Agricole S.A./ECO.

BUSINESSES

RISING WAGE COSTS AND INTEREST EXPENSES ARE WEIGHING ON BUSINESSES

Gross fixed capital formation (GFCF) contracted 1.6% in Q4 2023. Larger than in Q3 (-0.7%), the decline was widespread, though particularly emphatic in investment in machinery and equipment (-4.5%). A series of larger-than-expected reversals may suggest that the structural weakness in business investment is greater than was anticipated a few months ago. The negative trend in business confidence and new orders for capital goods points to a fragility in investment at the start of the year.

Corporate margins stabilised in 2023

The margin rate of non-financial companies stood at 39%, slightly lower than before the pandemic. But the trend differs from one sector to the next. For example, the margin rate of the manufacturing sector is higher than in 2019 while that of the construction sector is lower. Gross operating income increased 3.6% in 2023 as remuneration (+10%) increased more than value added (+7.5%). Gross corporate savings fell 4.3% due to the substantial increase in interest expenses in 2023. This is eroding the investment capacity of businesses, consistent with the lacklustre performance of GFCF in 2023 (0.6%). Assuming inflation stabilises at around 3% this year and monetary policy is less restrictive, our forecasts for product investment are -0.2% in 2024 (after -1.8% in 2023), the consequence of an extremely negative growth overhang in Q4 2023, followed by a sharp rebound in 2025 to 6.5%.

Construction is holding up well in an adverse environment

Housing investment, which grew by 0.9% at the end of 2023, is expected to maintain positive growth in Q1 2024 in the light of the recent trend of the housing starts indicator. Growth is underpinned by the increase in house prices (4.2% yoy at end-2023), the result primarily of insufficient supply. The number of new building permits stagnated (-0.2% yoy, with 109,000 permits in the last 12 months). These data should be seen as positive since the environment has not been favourable to new home production. Construction costs remain high, financing costs have risen and uncertainty persists as to the resilience of demand given rising rates. As a result, supply remains considerably lower than structural demand due to demographic change. We expect investment in construction to increase 0.7% in 2024 and 1.2% in 2025.

The impetus of NGEU funds

NGEU funds available for Spain total some €163bn. Spain has included €35.9bn in the 2023 budget for the Recovery and Resilience Mechanism, the main instrument of the NGEU.

The Spanish state paid out around €16bn to final beneficiaries over the year, compared with €24bn for the entire 2021-2022 period. The level of execution in this initial phase of the plan thus came out at over €40bn, i.e. 59% of the budgeted funds (compared with 34.5% at the end of 2022). This shows that execution is gradually picking up the pace after a somewhat hesitant start.

BUSINESSES

RISING WAGE COSTS AND INTEREST EXPENSES ARE WEIGHING ON BUSINESSES

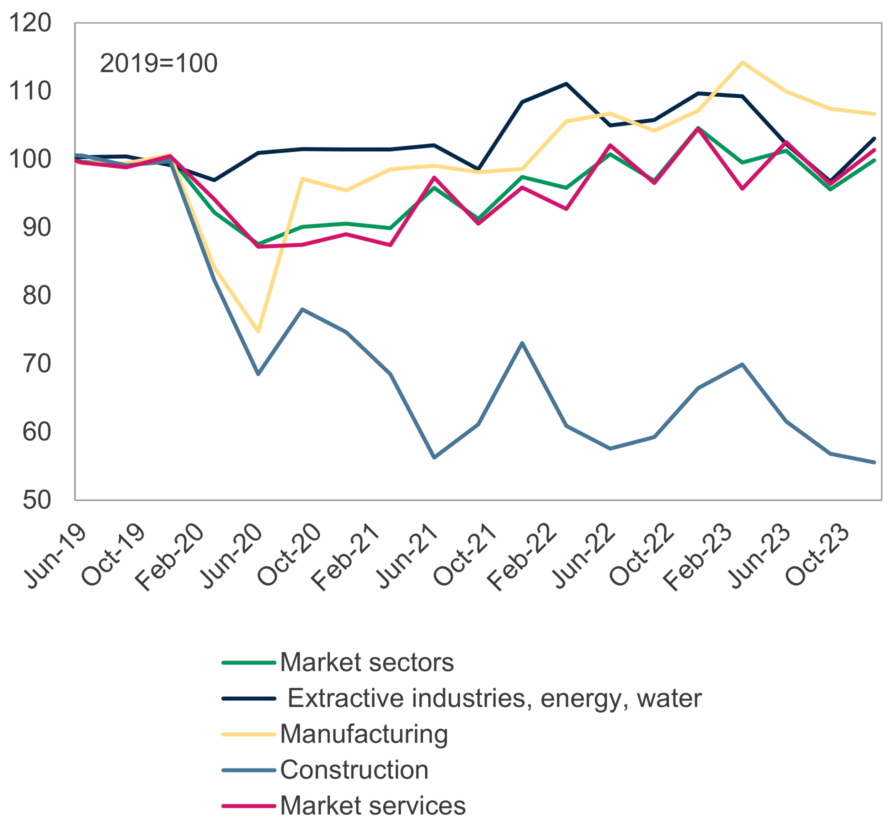
Regarding Spain's Strategic Projects for Economic Recovery and Transformation (PERTE), an instrument in which companies play a fundamental role and for which they receive public funds, calls for projects concluded have accumulated nearly €12bn (including €7bn corresponding to 2023), out of an available total of more than €41bn. Strong execution contrasts exist between PERTE projects with higher endowments. The smart electric vehicle project reached has been executed to the tune of €3.6bn and the renewable energy project €3.3bn, while projects on semiconductors and the water cycle are still in their initial stages. The complexity of these ambitious projects is reflected in the state of execution of the funds, which will need to accelerate to use up the resources in 2026. If the funds not executed in 2023 are executed in 2024, the total amount could be around €20bn, meaning that the NGEU's contribution to GDP growth in 2024 could reach a substantial 0.4pp. Ultimately, these funds will continue to be a key pillar of investment in a less business-friendly environment.

Which is why our GFCF forecasts for the first half of the year remain cautious (0.5% on average per quarter), picking up from H2. Investment is expected to grow 0.3% this year (after 0.6% in 2022) owing to an extremely negative overhang in Q4 2023, before rebounding sharply in 2025 to 6.5%.

BUSINESSES

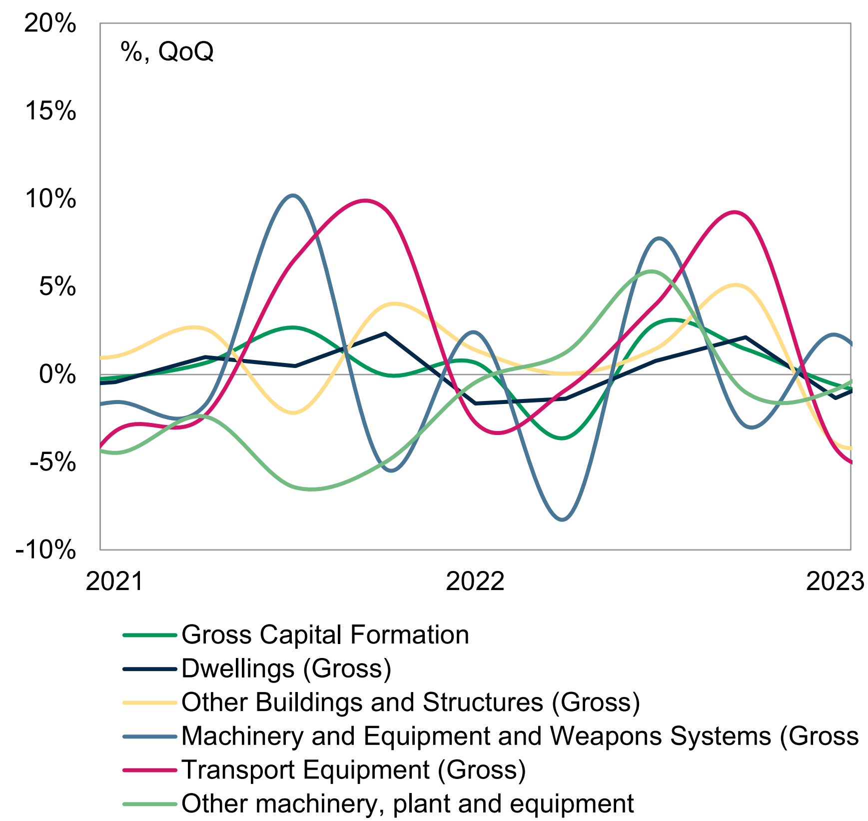
RISING WAGE COSTS AND INTEREST EXPENSES ARE WEIGHING ON BUSINESSES

Trend in business margins (GOI/GVA)



Source: INE, Crédit Agricole S.A.

Investment components



Sources: INE, Crédit Agricole S.A./ECO.

INTERNATIONAL TRADE

STRONG INCREASE IN THE CURRENT ACCOUNT SURPLUS IN 2023

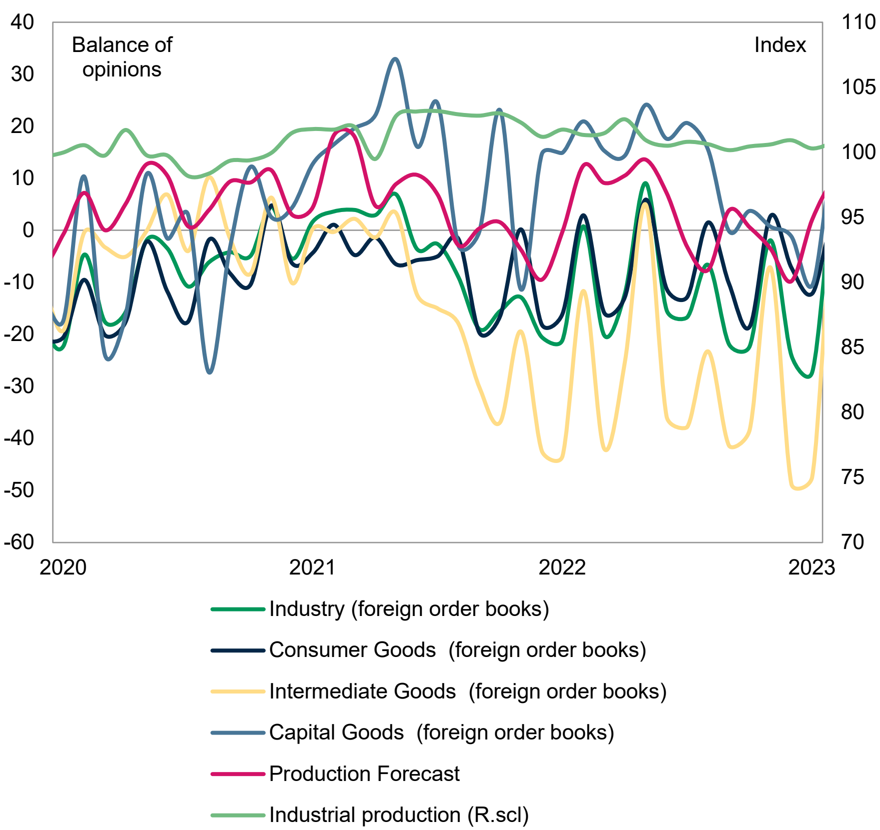
The current account ended 2023 with a surplus of 2.5% of GDP, 1.9 points higher than the previous year and the best result since 2017. With the exception of property income, impacted by rising interest rates, all investment components contributed to the improvement in the current account balance. The trade deficit in goods narrowed sharply, to -2.4% of GDP (-4.4% in 2022), thanks to the correction in the energy deficit (-2.3% vs. -3.9%) owing to a sharp drop in prices, and, to a lesser extent, the deficit in non-energy goods (-0.1% vs. -0.5% in 2022), attributable to the decline in imports. The services balance recorded a historic surplus, both for non-tourism services (2.4% of GDP, vs. 2% previously) and tourism services (4.1%, vs. 3.6% in 2022). In tourism, after the record year in 2023, with nearly 85.2 million international tourists spending more than €108bn, the most recent data confirm that tourism activity remains dynamic, even in the low season. Some 4.77 million foreign tourists arrived in the country in January 2024, 15.3% more than in January 2022 and 13.6% more than in January 2019.

The contribution of net external demand to GDP growth in Q4 2023 (-0.1pp) was based on a more substantial improvement in exports (2.7% vs. Q3 2023, in particular exports of goods, +3.7%) than imports (2.5%). Based on recent developments in the foreign order book and the PMI indicator of new export orders, this positive trend in goods exports is expected to continue in Q1 2024. Imports of goods are likely to continue to be held back by the expected lack of momentum in business investment. The trend in net merchandise exports in the coming months could be strongly influenced by the development of geopolitical tensions in the Red Sea and by a possible escalation of protests in the European agricultural sector. Net foreign demand is thus expected to contribute marginally to GDP growth in 2024 and 2025, by 0.2pp and 0.1pp respectively.

INTERNATIONAL TRADE

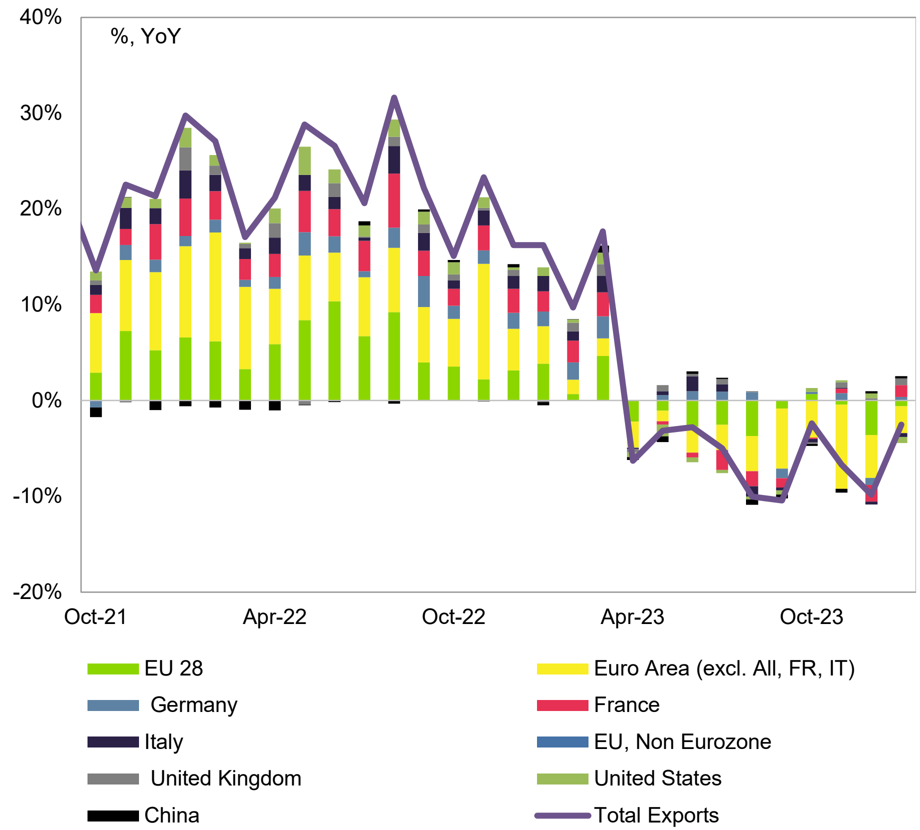
STRONG INCREASE IN THE CURRENT ACCOUNT SURPLUS IN 2023

Export order books



Sources: Business sentiment survey, Ministry of Industry and Commerce, Crédit Agricole S.A./ECO.

Exports by destination



Sources: Bank of Spain, Crédit Agricole S.A./ECO.

PUBLIC FINANCES

PUBLIC DEFICIT CORRECTION IN 2023

The public deficit in 2023 stood at 3.7% of GDP (after 4.7% in 2022), i.e. 0.6pp higher than before the pandemic. Government revenues increased 28.1% compared with 2019, while spending was 29.0% higher than in 2019.

Spending rose €41bn in 2023, driven by the increase in social transfers (+10.1% yoy, largely due to the +8.5% increase in pensions) and employee compensation (+5.5% yoy). The reduction in 2023 in the amount of measures to limit the impact of high inflation on families and businesses did not suffice to cut spending. These measures represented around 1% of GDP (1.6% in 2022), in addition to those on reducing taxes on electricity and gas. Interest expenses rebounded to 2.5% of GDP in 2023 after 2.4% in 2022, a limited increase despite tighter financing conditions.

Government revenues increased €51bn compared with 2022, mainly due to higher tax inflows resulting from strong economic momentum and inflation, which remained relatively high. Taxes increased 7.0%, slightly below the nominal GDP growth rate of 8.6%. Direct taxes rose 11.0% year-on-year, driven by a strong labour market and rising wages and pensions, while indirect taxes increased just 3.3% year-on-year (with VAT up 1.2%), slowed by VAT tax cuts on electricity, gas and certain food products. Social security contributions increased 9.3% year-on-year, reflecting the strong labour market in 2023.

In 2024, government revenues are expected to increase slightly more than nominal GDP growth (above 5%). Spending is expected to grow moderately but less than income, thanks to the easing of inflationary pressures (pensions will increase 3.8% in 2024), controlled expenditure due to the extension of 2023 budgets, and the partial and gradual withdrawal of measures introduced in response to rising energy prices (from a budget cost of 1% of GDP in 2023 to around 0.4% in 2024). As such, we expect the public deficit to continue to narrow in 2024, to -3.2% of GDP.

RISKS

ECONOMIC RESILIENCE

No recession

Disinflation continues

Activity and employment hold up

Wage purchasing power increases

Financing conditions ease

Recession

Geopolitical conflicts escalate

Growth weakens and income and profits deteriorate

Financing conditions remain strict

THE SCENARIO IN FIGURES

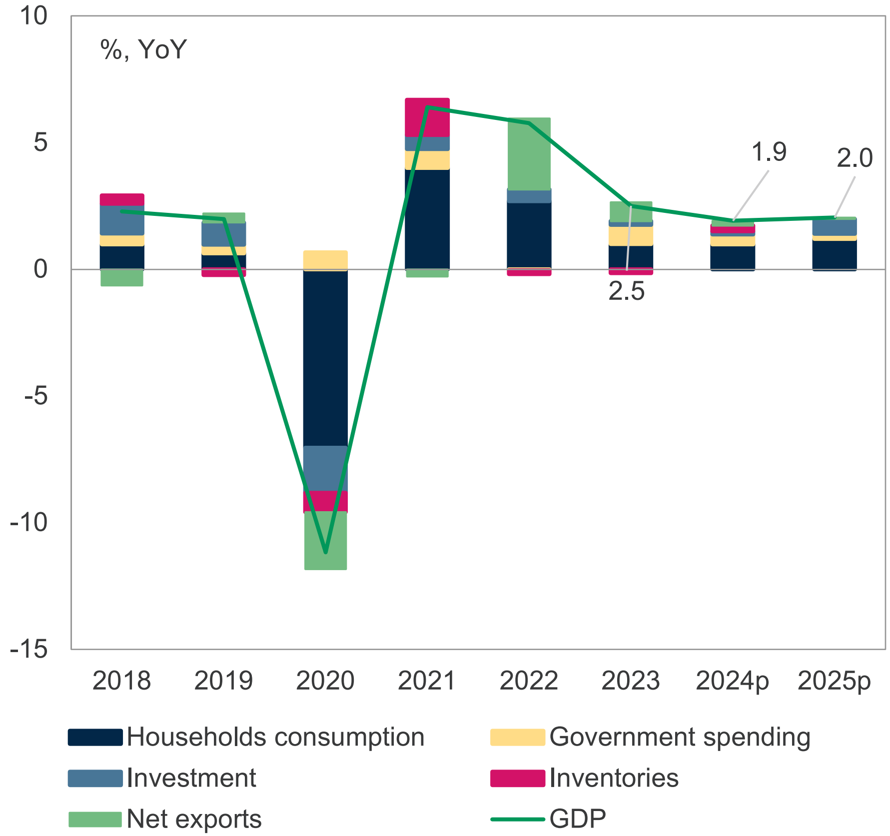
SUMMARY TABLE

	2022	2023	2024	2025	2022				2023				2024				2025			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP y/y, q/q, %	5,8	2,5	1,9	2,0	0,3	2,5	0,5	0,5	0,5	0,5	0,4	0,6	0,4	0,4	0,6	0,5	0,6	0,5	0,4	0,2
Domestic demand contribution to GDP, pps	3,1	1,9	1,5	2,0	0,4	0,5	1,8	-1,3	0,7	0,9	0,9	0,0	0,2	0,3	0,5	0,5	0,6	0,5	0,4	0,4
Private consumption y/y, q/q, %	4,7	1,8	1,8	2,1	-0,1	1,4	2,5	-1,5	0,3	0,6	1,2	0,2	0,3	0,3	0,4	0,5	0,6	0,7	0,5	0,4
Public consumption y/y, q/q, %	-0,2	3,8	1,9	1,0	-0,2	-1,3	1,4	1,6	0,1	1,3	1,6	1,0	0,0	0,0	0,1	0,1	0,5	0,2	0,3	0,3
Investment y/y, q/q, %	2,4	0,8	0,7	3,2	2,7	0,0	0,7	-3,6	2,9	1,4	-0,6	-1,6	0,4	0,7	1,3	1,1	0,7	0,6	0,4	0,4
Stockbuilding contribution to GDP, pps	-0,1	-0,1	0,2	0,0	-0,7	-0,4	-0,5	1,0	-0,5	-0,2	-0,1	0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net exports contribution to GDP, pps	2,8	0,7	0,2	0,1	0,6	2,4	-0,7	0,7	0,3	-0,2	-0,4	0,2	0,2	0,1	0,2	0,0	0,0	0,0	0,0	-0,1
Exports y/y, q/q, %	15,2	2,3	2,6	3,6	3,7	6,9	-2,6	0,6	4,7	-2,5	-3,6	2,7	1,3	1,1	1,3	1,2	0,8	0,7	0,7	0,4
Imports y/y, q/q, %	7,0	0,3	2,4	3,9	2,2	0,2	-0,7	-1,6	4,5	-2,3	-2,8	2,5	0,9	1,0	1,0	1,5	0,8	0,8	0,8	0,8
Inflation y/y, q/q, %	8,3	3,4	3,3	2,2	1,9	3,7	1,0	-0,2	0,4	1,6	0,8	0,5	1,1	0,9	0,5	0,5	0,6	0,7	0,2	0,5
Core inflation y/y, q/q, %	3,8	4,1	2,8	2,2	-0,5	3,5	-0,1	1,3	0,2	2,4	0,2	0,6	-0,1	2,1	0,0	0,7	-0,6	2,0	0,0	0,8
Unemployment rate %	13,0	12,1	11,7	11,3	13,2	12,8	12,8	13,0	12,8	12,0	11,9	11,8	12,2	12,0	11,2	11,2	11,8	11,6	11,0	10,9
Current account balance % of GDP	0,6	2,5	1,1	0,9	-1,1	0,7	1,0	1,8	2,8	2,3	2,9	1,9	-0,5	1,3	1,8	1,9	-0,2	0,9	1,3	1,5
Fiscal balance % of GDP	-4,7	-4,1	-3,5	-3,4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public debt % of GDP	111,6	108,7	106,9	105,7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

THE SCENARIO IN PICTURES

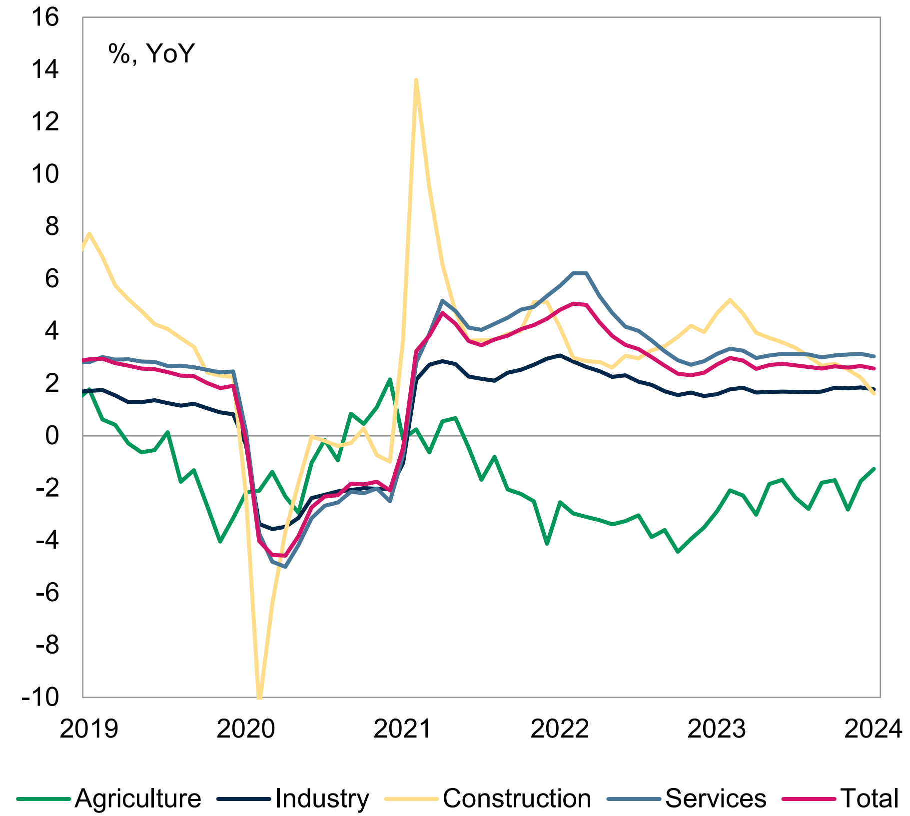
ACTIVITY PROVED RESILIENT IN 2023

External and domestic demand are supporting growth…



Sources: Crédit Agricole S.A./ECO.

… encouraged by a dynamic employment market

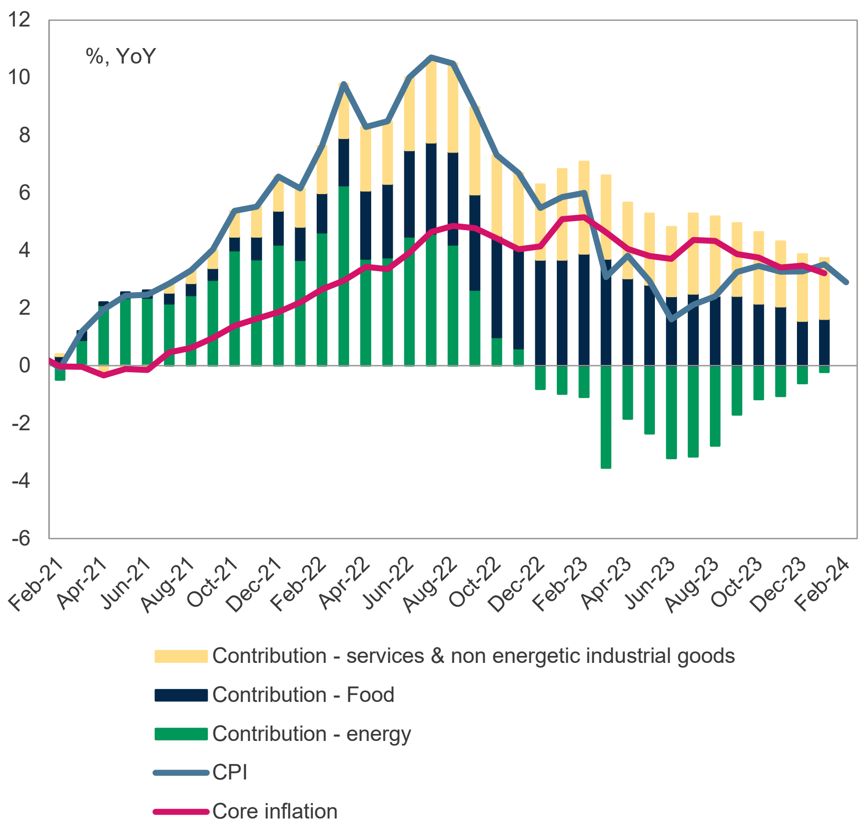


Sources: Ministry of Labour, Crédit Agricole S.A./ECO.

THE SCENARIO IN PICTURES

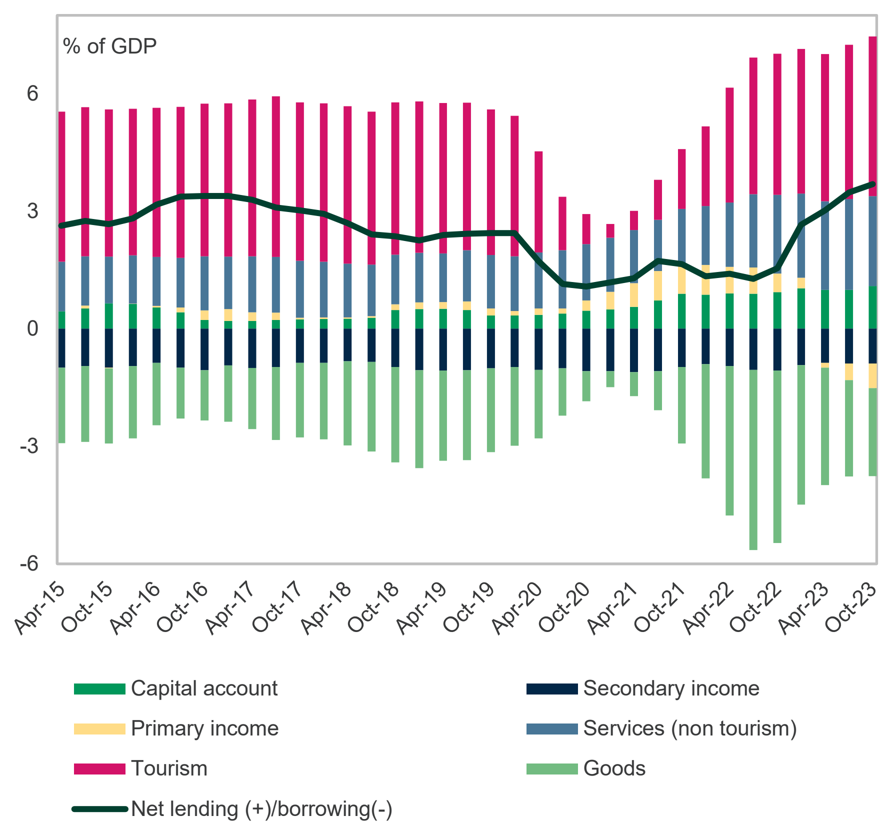
ACTIVITY PROVED RESILIENT IN 2023

Inflation dips…



Sources: INE, Crédit Agricole S.A.

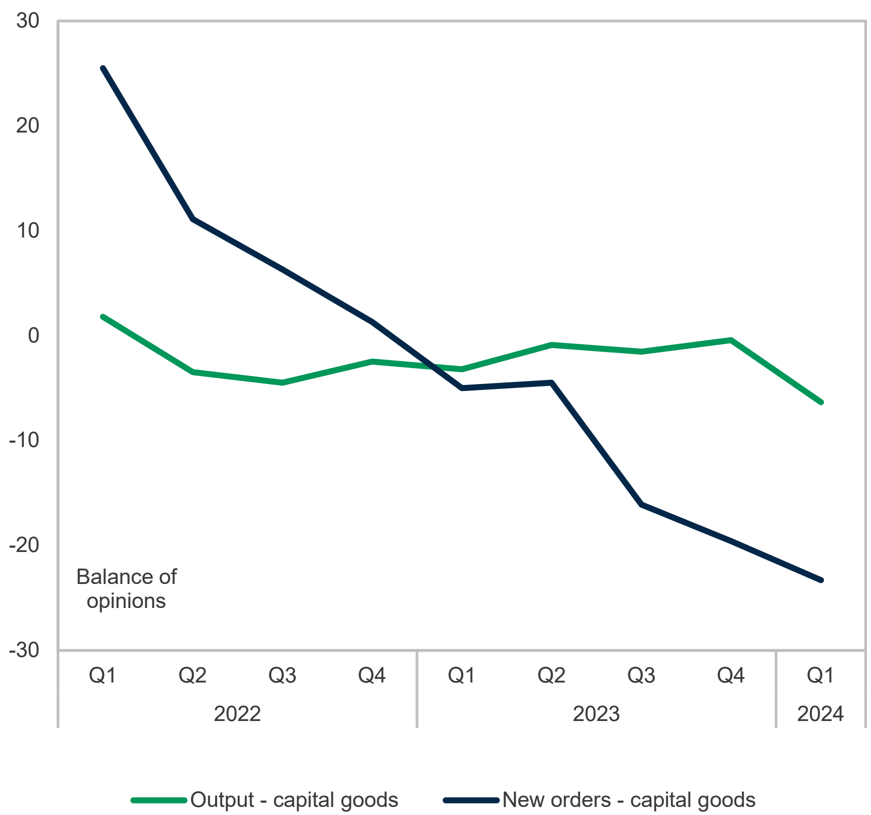
… and tourist services remain robust



Sources: Bank of Spain, Crédit Agricole S.A./ECO.

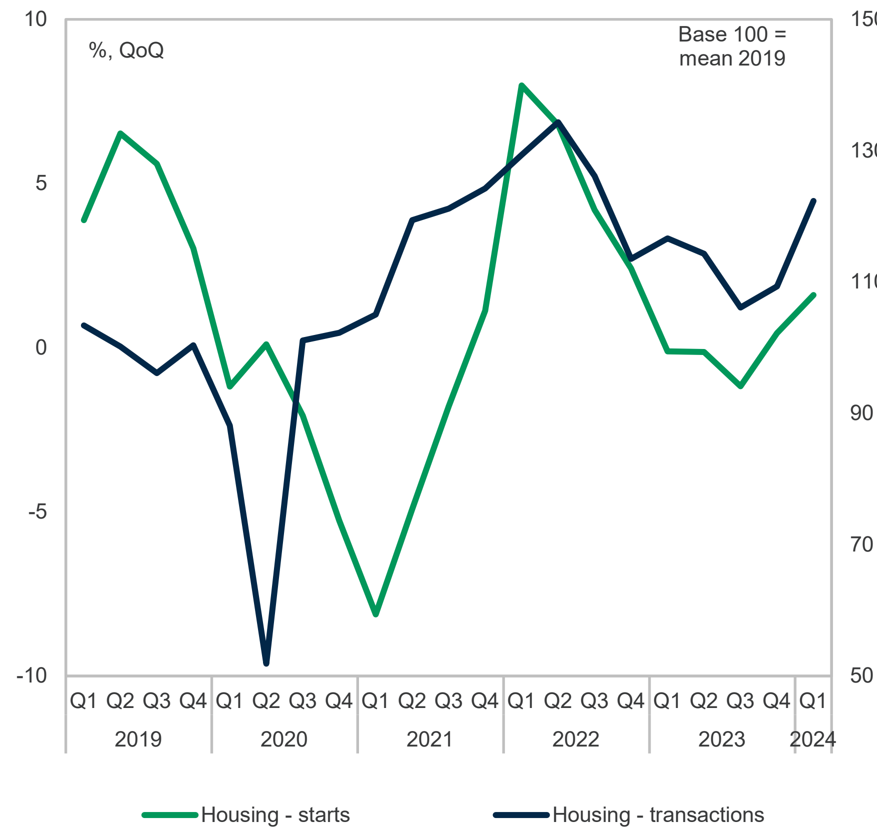
WEAK INVESTMENT OUTLOOK AT THE START OF THE YEAR

Weak business investment could continue into H1 2024...



Sources: European Commission, Crédit Agricole S.A./ECO.

… while construction is more optimistic



Sources: INE, Crédit Agricole S.A.

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Ticiano BRUNELLO

ticiano.brunello@credit-agricole-sa.fr

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12 place des Etats-Unis – 92127 Montrouge Cedex

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Editor: Fabienne Pesty
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