

# PERSPECTIVES OF THE SPANISH ECONOMY WITHIN THE EUROPEAN CONTEXT: CHALLENGES AND ROLE OF THE NGEU

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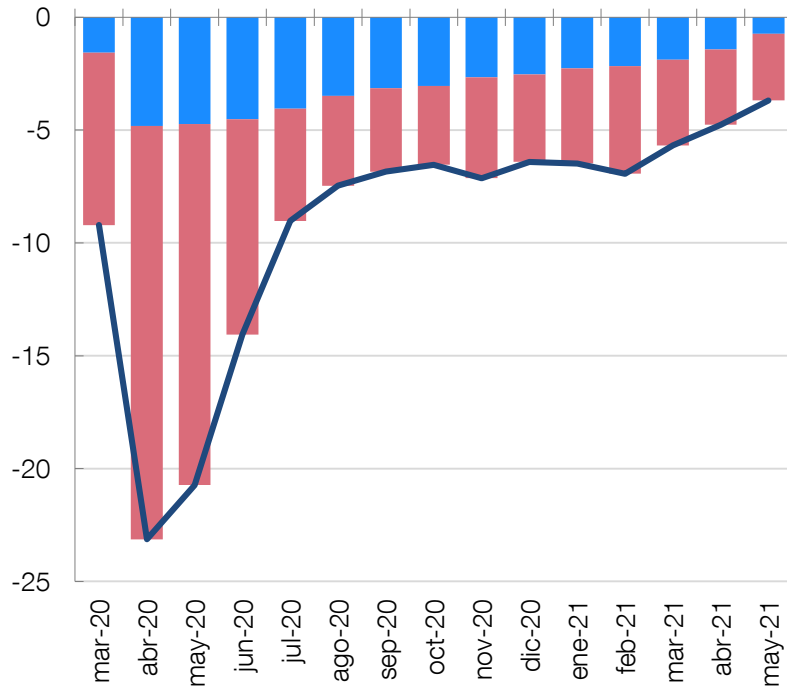
Madrid

21 June 2021



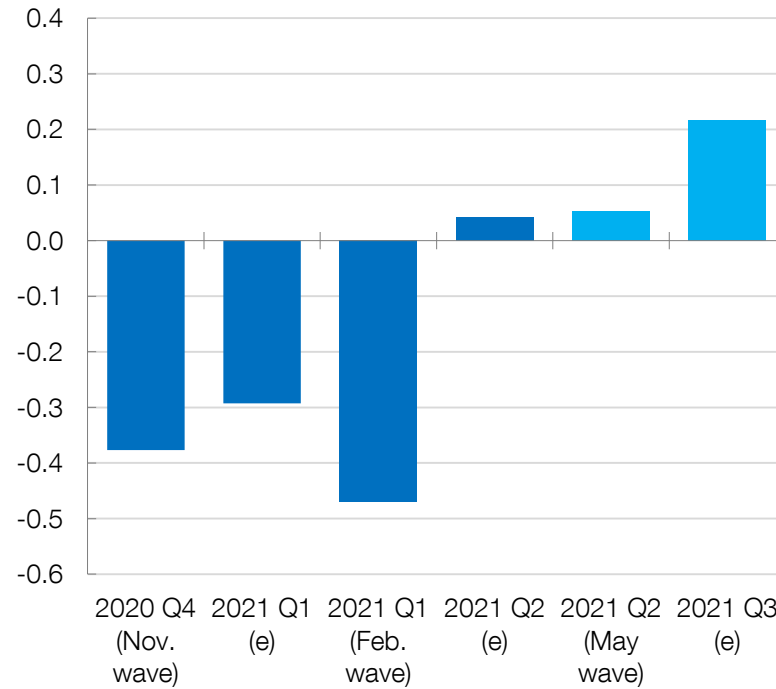
# SHORT-TERM INDICATORS SHOW AN IMPROVEMENT IN ACTIVITY IN THE SPANISH ECONOMY SINCE MARCH, WHICH HAS ACCELERATED MORE RECENTLY

**TOTAL REGISTRATIONS, FURLOUGHED WORKERS AND ACTUAL REGISTRATIONS: CHANGE SINCE FEBRUARY 2020 (%)**

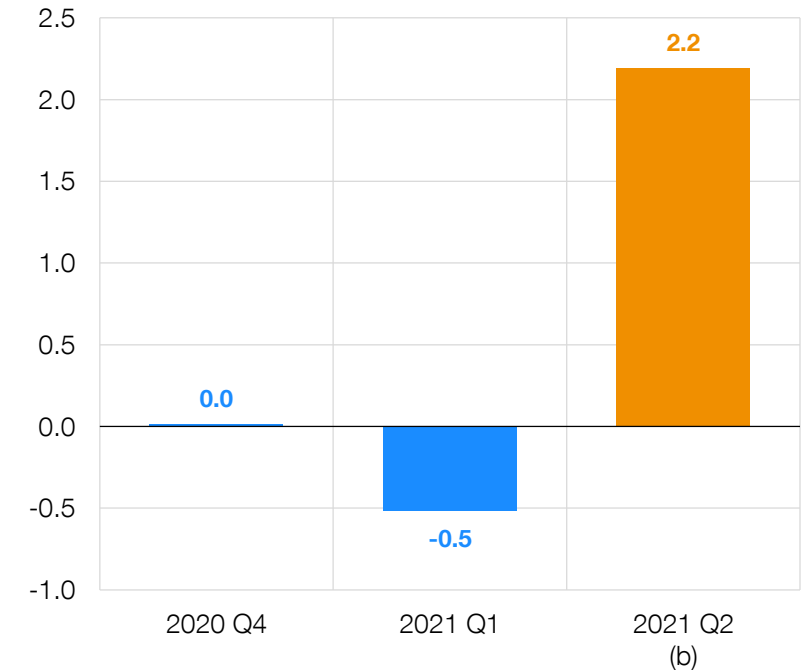


■ FURLOUGHED WORKERS    ■ TOTAL REGISTRATIONS  
— ACTUAL REGISTRATIONS

**TURNOVER. QUARTERLY DEVELOPMENTS (a)**



**Q-O-Q GDP GROWTH (%)**



Sources: Banco de España, Instituto Nacional de Estadística and Ministerio de Inclusión, Seguridad Social y Migraciones.

(a) Index calculated as: "Significant decline" = -2; "Slight decline" = -1; "Stability" = 0; "Slight increase" = 1; "Significant increase" = 2. Encuesta del Banco de España sobre la actividad empresarial (EBAE).

(b) Macroeconomic Projections, June 2021, Banco de España.

# THE CURRENT ECONOMIC AND HEALTH CONTEXT IS CHARACTERIZED BY HIGH DEGREE OF UNCERTAINTY (CAPTURED BY ALTERNATIVE SCENARIOS)

## MAIN SOURCES OF UNCERTAINTY:

Pandemic

Private consumption/saving

Foreign tourism

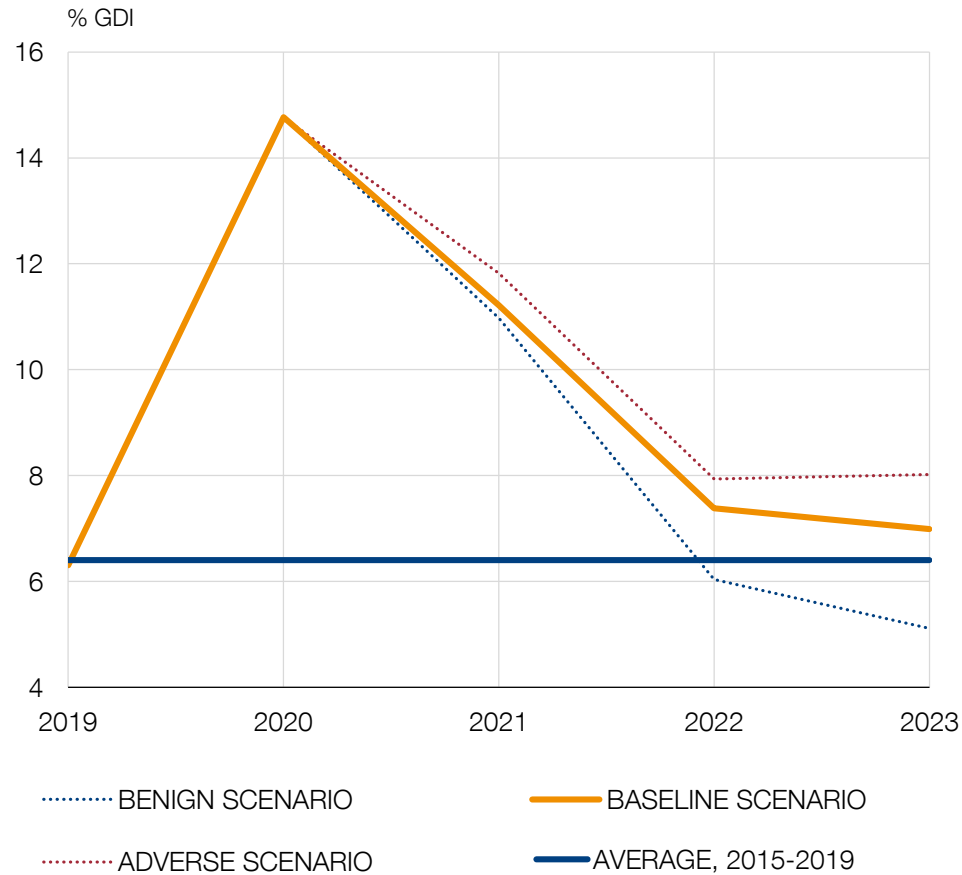
NGEU: degree of execution and multiplier effect

Persistent effects of the crisis on potential growth

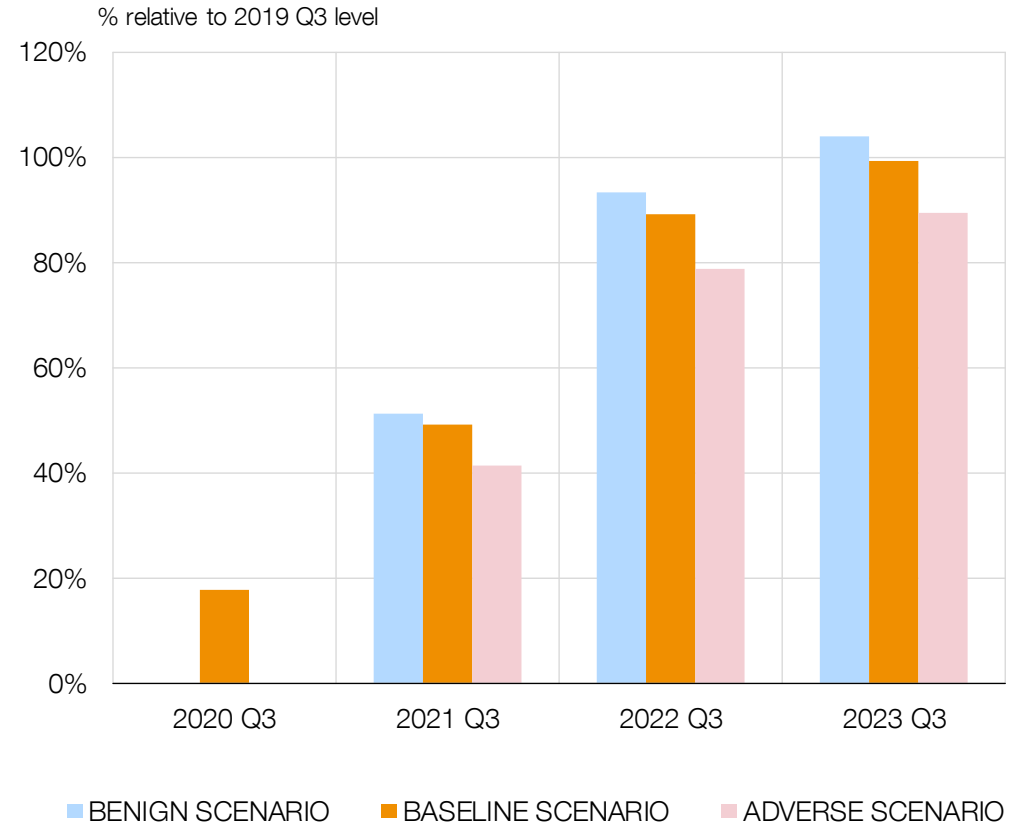
Effectiveness of public policies

# FACTORS DETERMINING THE INTENSITY OF THE RECOVERY INCLUDE THE PACE OF (I) HOUSEHOLDS CONVERTING CUMULATIVE SAVINGS INTO EXPENDITURE AND (II) THE RETURN OF TOURISM

## SAVING RATE

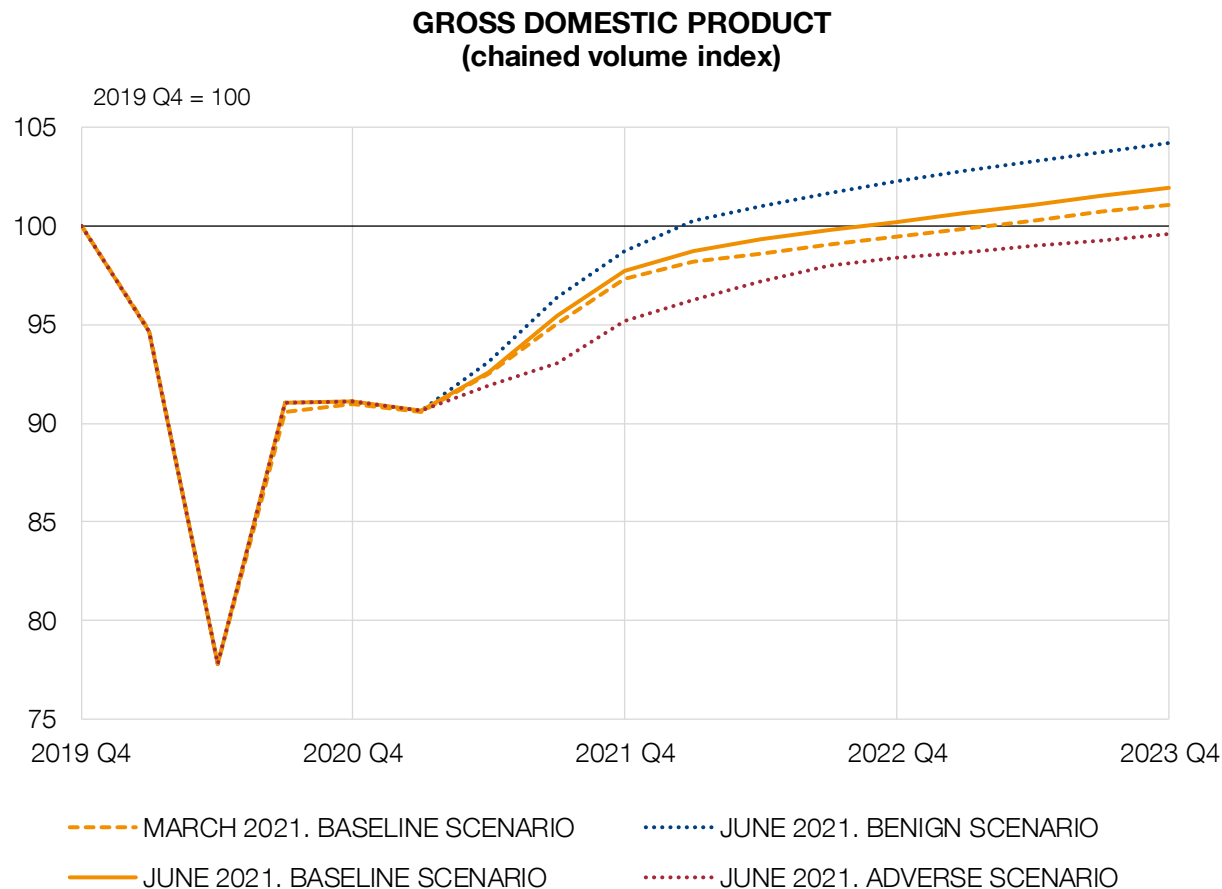


## TOURISM EXPORTS



Sources: Banco de España and Instituto Nacional de Estadística.

# A GRADUAL RECOVERY OF GDP IS EXPECTED, FAVORED BY THE CONTINUATION OF EXPANSIONARY POLICIES (AND, IN PARTICULAR, BY THE NGEU)



	2020	JUNE 2021 PROJECTIONS			MARCH 2021 PROJECTIONS		
		2021	2022	2023	2021	2022	2023
<b>GDP</b>	-10.8	6.2	5.8	1.8	6.0	5.3	1.7
<b>Harmonised index of consumer prices (HICP)</b>	-0.3	1.9	1.2	1.2	1.4	0.8	1.2

## CHANGES IN GDP FORECASTS IN THE JUNE BASELINE SCENARIO COMPARED WITH THAT FOR MARCH

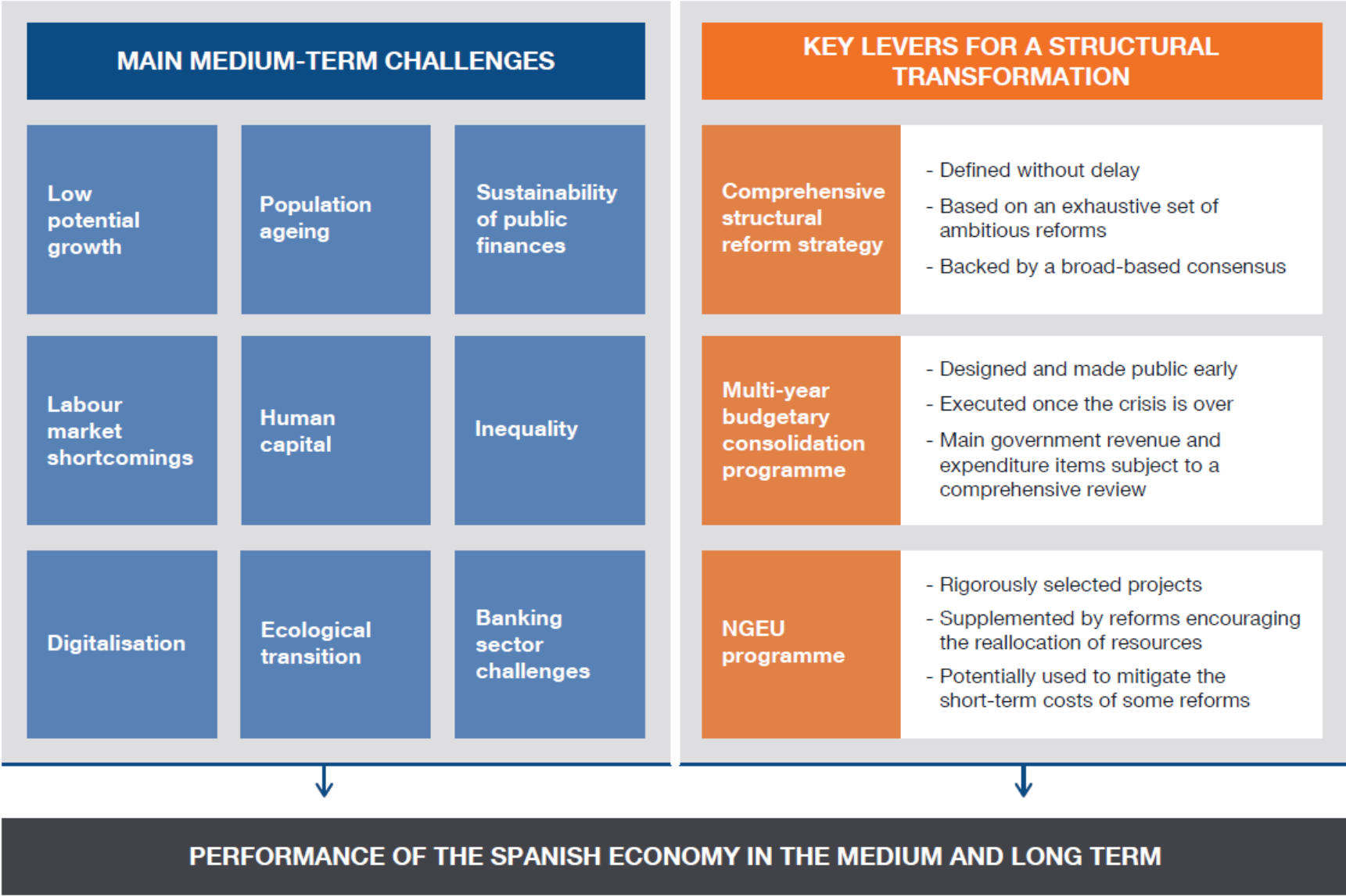
**2021:** ↑ Changes in exogenous variables and upward revision for the current quarter

↓ Revisions of past data

**2022:** ↑ Changes in exogenous variables and re-estimation of the degree of absorption of the NGEU

**2023:** ↑ Changes in exogenous variables

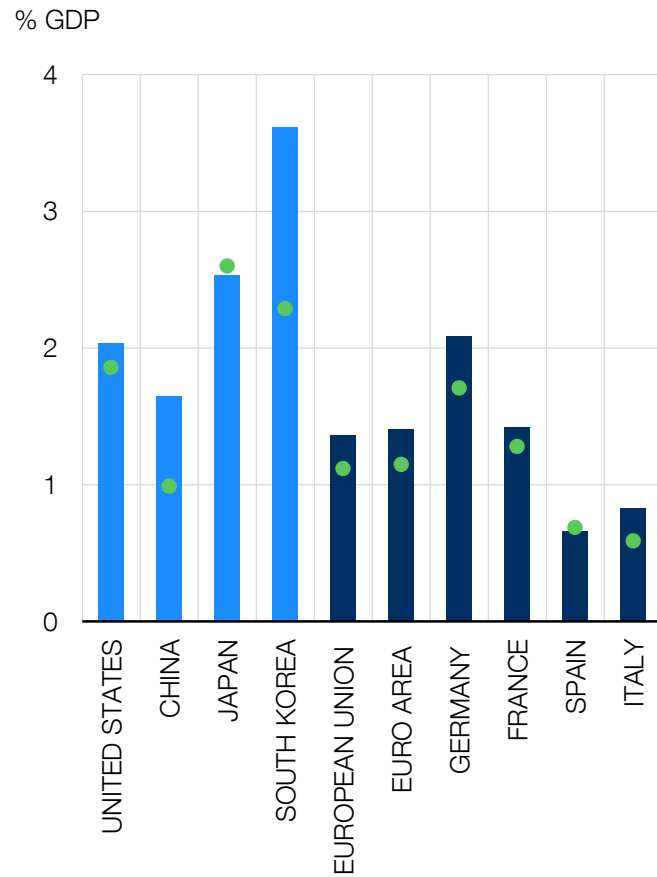
# CHALLENGES FOR THE SPANISH ECONOMY IN THE MEDIUM TO LONG RUN AND MAIN POLICY LEVERS TO ADDRESS THEM



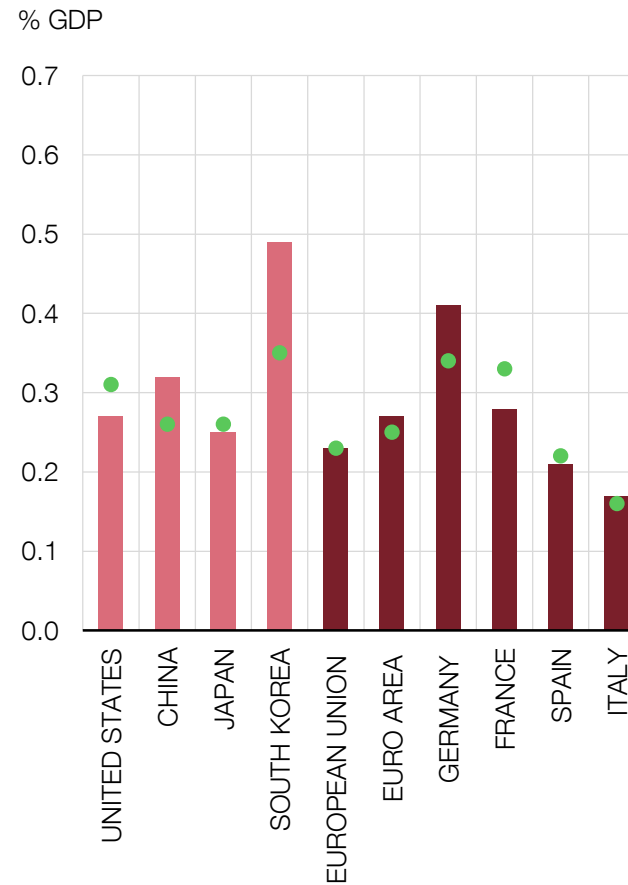
Source: Banco de España.

# SPAIN SHARES WITH THE REST OF EUROPE IMPORTANT LONG-TERM CHALLENGES, SUCH AS DRIFTING AWAY FROM THEIR COMPETITORS ON FIELDS LIKE INNOVATION AND ENTREPRENEURSHIP

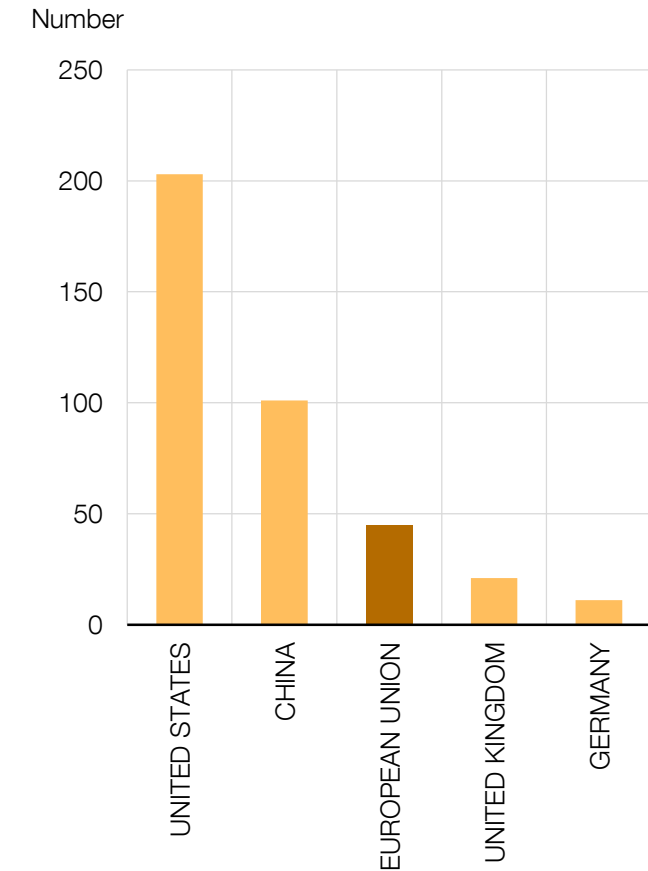
### EXPENDITURE IN R&D: BUSINESS SECTOR



### EXPENDITURE IN R&D: PUBLIC SECTOR



### UNICORN COMPANIES OCTOBER 2019 (a)

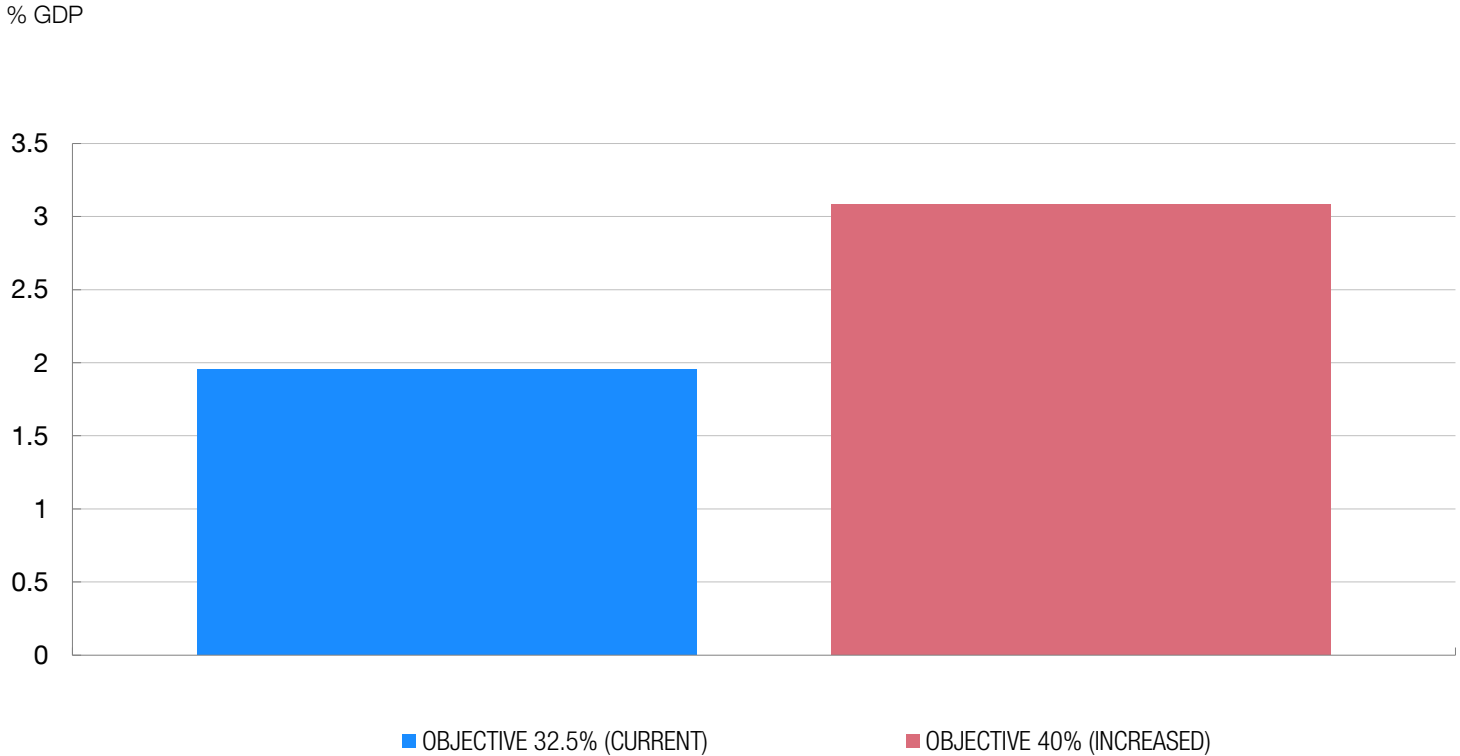


Sources: CB-insights and Eurostat

(a) Technological companies with a market valuation of more than 1 billion dollars.

# EUROPE MUST ALSO FACE SOME COSTLY STRUCTURAL CHALLENGES, LIKE CLIMATE CHANGE

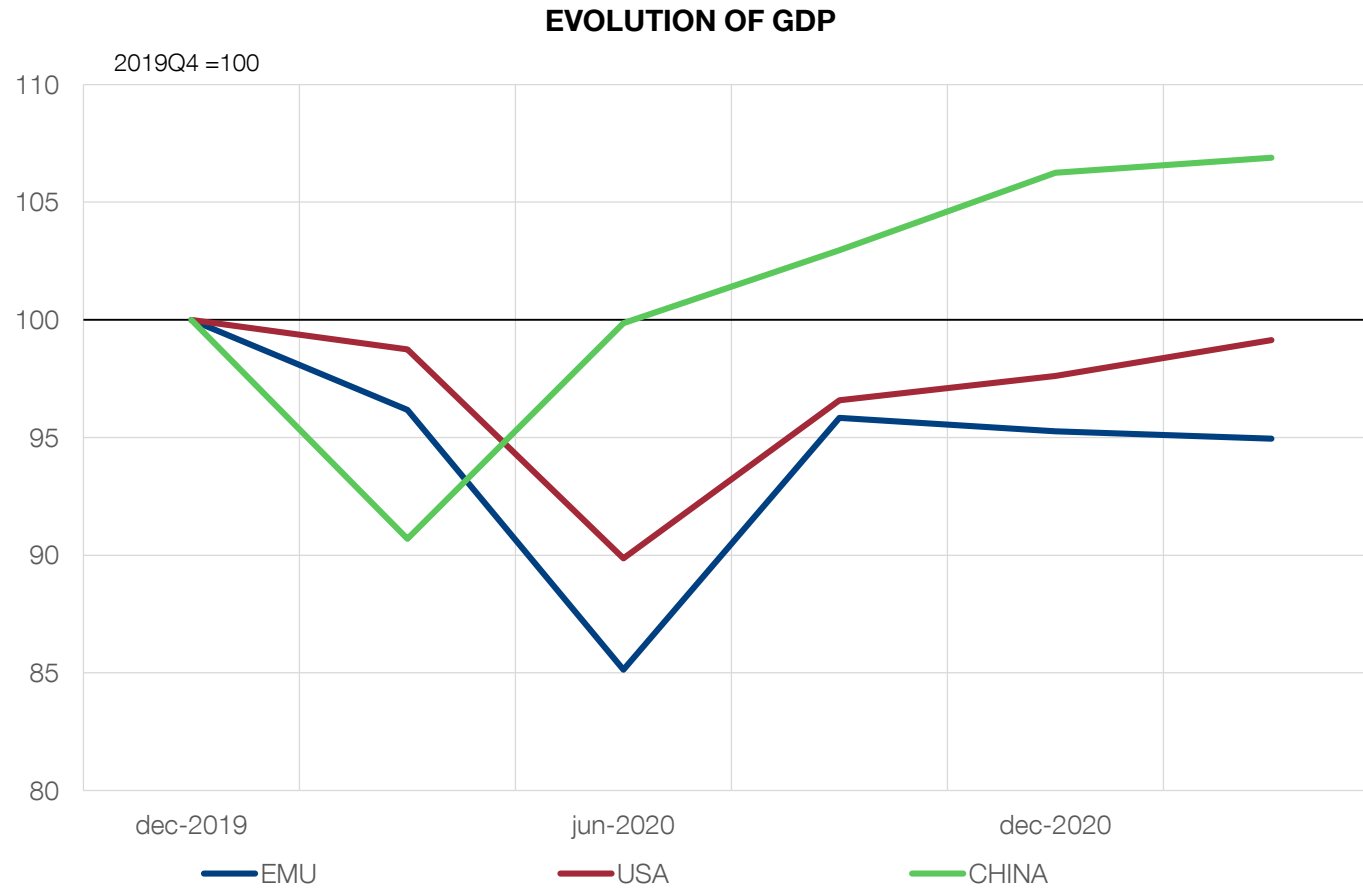
**ADDITIONAL ANNUAL INVESTMENT NEEDS IN THE EU-27 TO COMPLY WITH THE CLIMATE OBJECTIVES**



Sources: European Commission.



# THE RELATIVE INITIAL CONDITION WILL NOT HELP: THE PANDEMIC HAS HAD A HIGHER IMPACT ON EUROPE THAN ON THE LEADING GLOBAL ECONOMIC AREAS

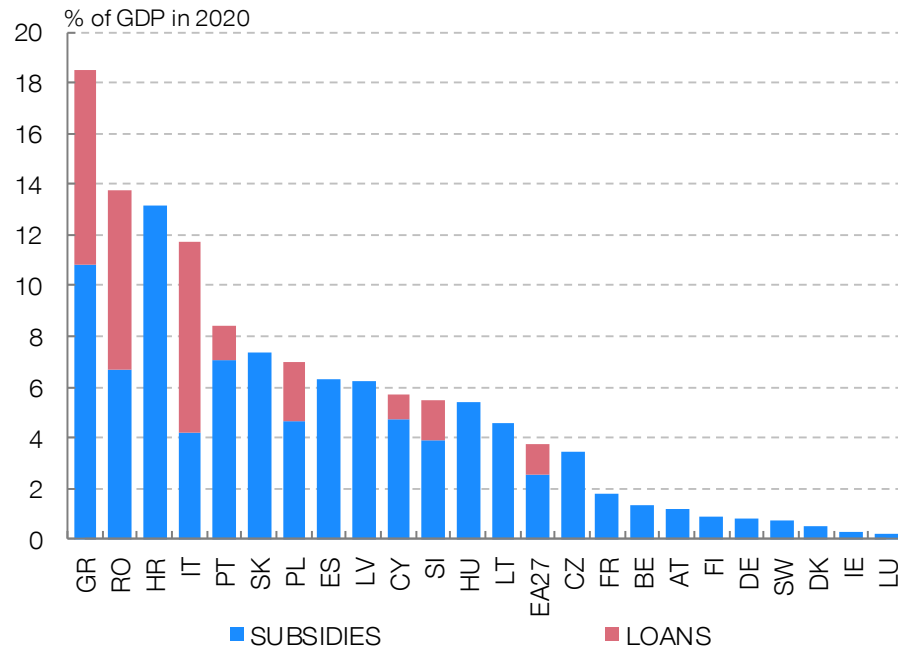


Sources: Refinitiv.

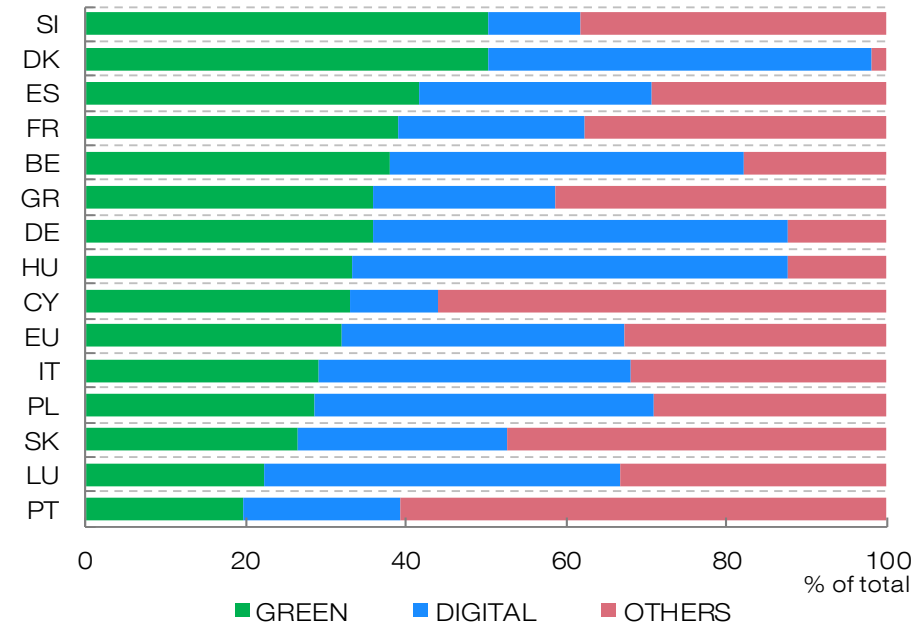
# AN IMPORTANT LEVER FOR EUROPE TO REDUCE ITS GAP WITH THE GLOBAL LEADERSHIP BY THE USA AND CHINA IS THE NGEU

- The NGEU seeks not only to contribute to economic recovery, but also to catalyze the transformation of the economies (ecological and digital transition).
- The Recovery and Resilience Mechanism (RRM) is the main instrument of the NGEU (€ 723.8 billion) and represents an unprecedented fiscal boost in some countries.
- The main objectives of the investments financed with the RRM are the ecological transition (37%) and the digital transformation (20%).

SUBSIDIES AND LOANS PROVIDED IN THE PRR



DISTRIBUTION OF EXPENDITURE BY OBJECTIVES

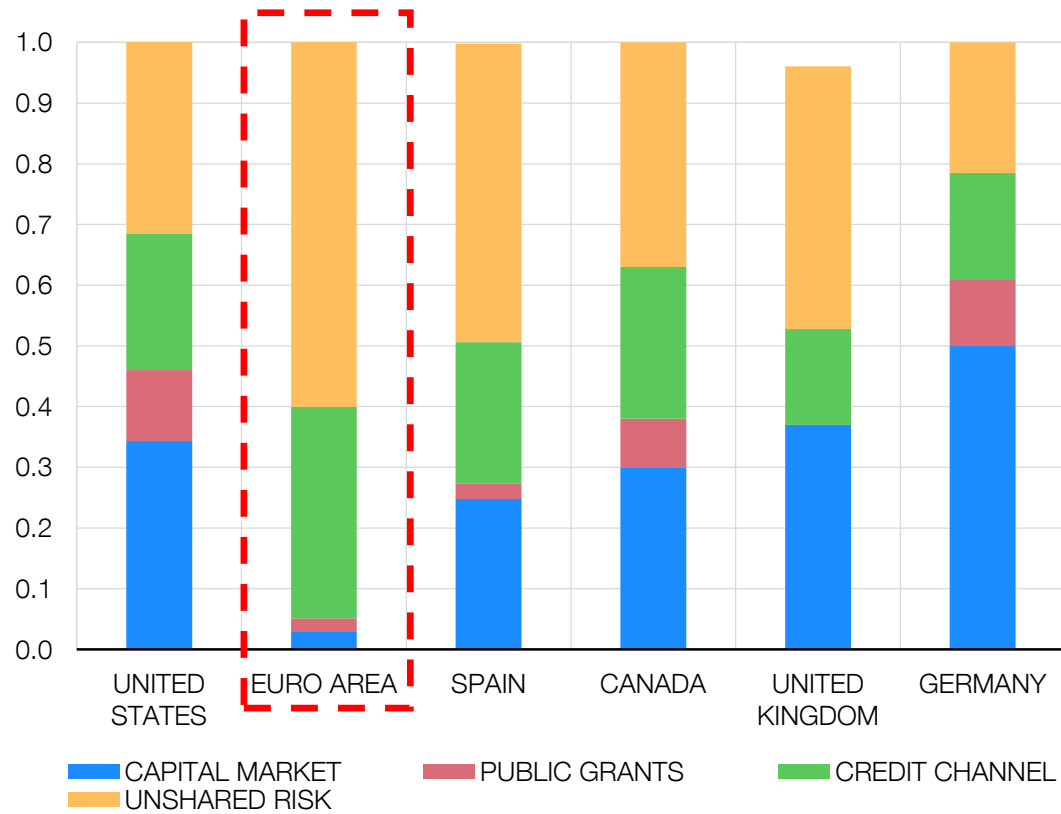


Source: Own elaboration, based on Bruegel.

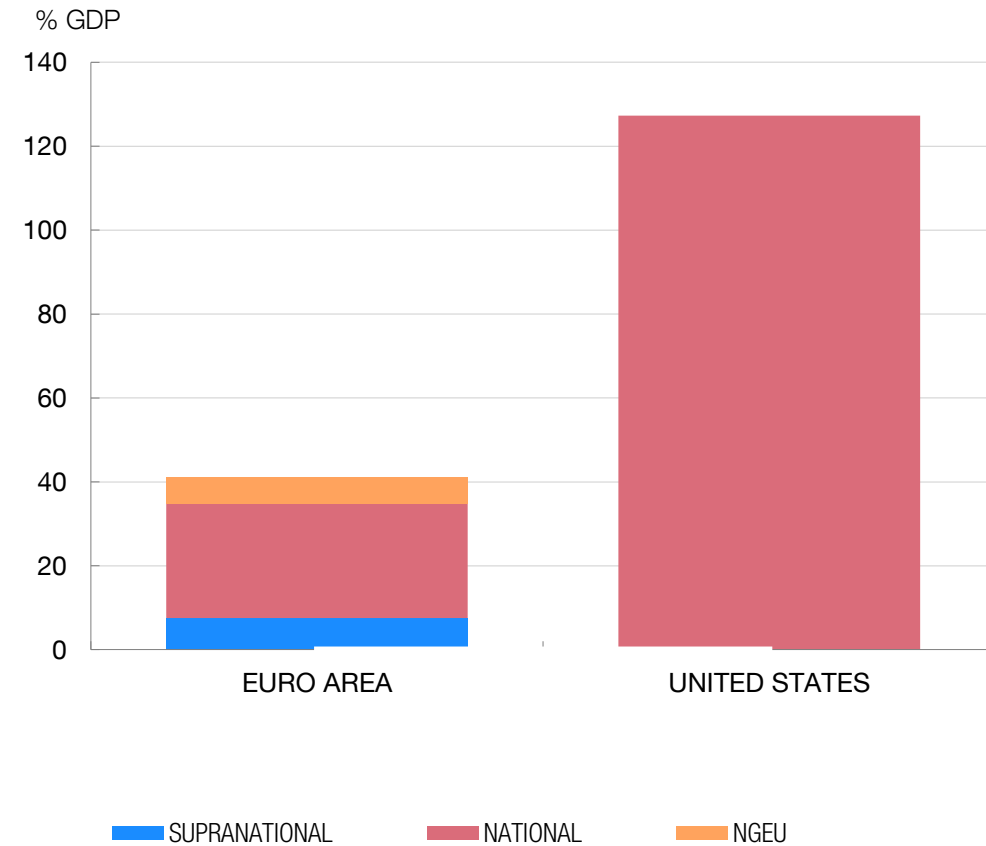
a In some cases, part of the spending from the PRRs aims, at the same time, to the ecological transition (i.e. green investment) and to digital transition. For presentation purposes, it is assumed that said expenditure is distributed equally between green and digital investment.

# NGEU SHOULD ALSO HELP TO ALLEVIATE SOME STRUCTURAL WEAKNESSES, SUCH AS THE ABSENCE OF RISK-SHARING MECHANISMS OR THE SCARCITY OF SAFE ASSETS

**STRENGTH OF RISK-SHARING CHANNELS**



**STOCK OF SAFE ASSETS**

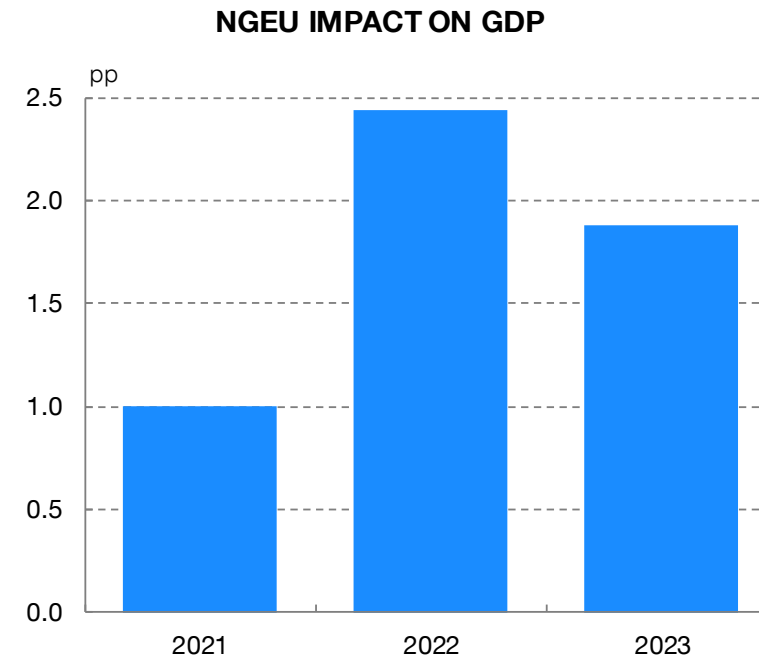
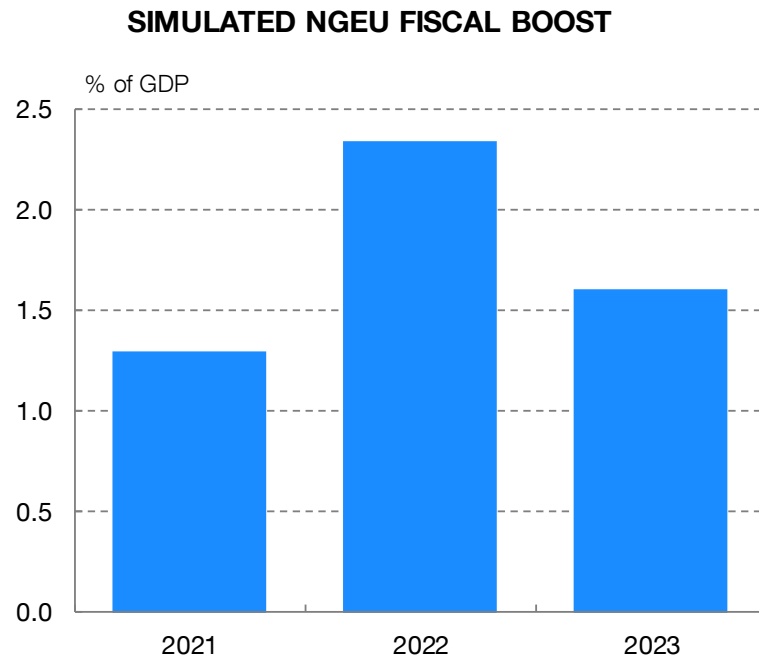


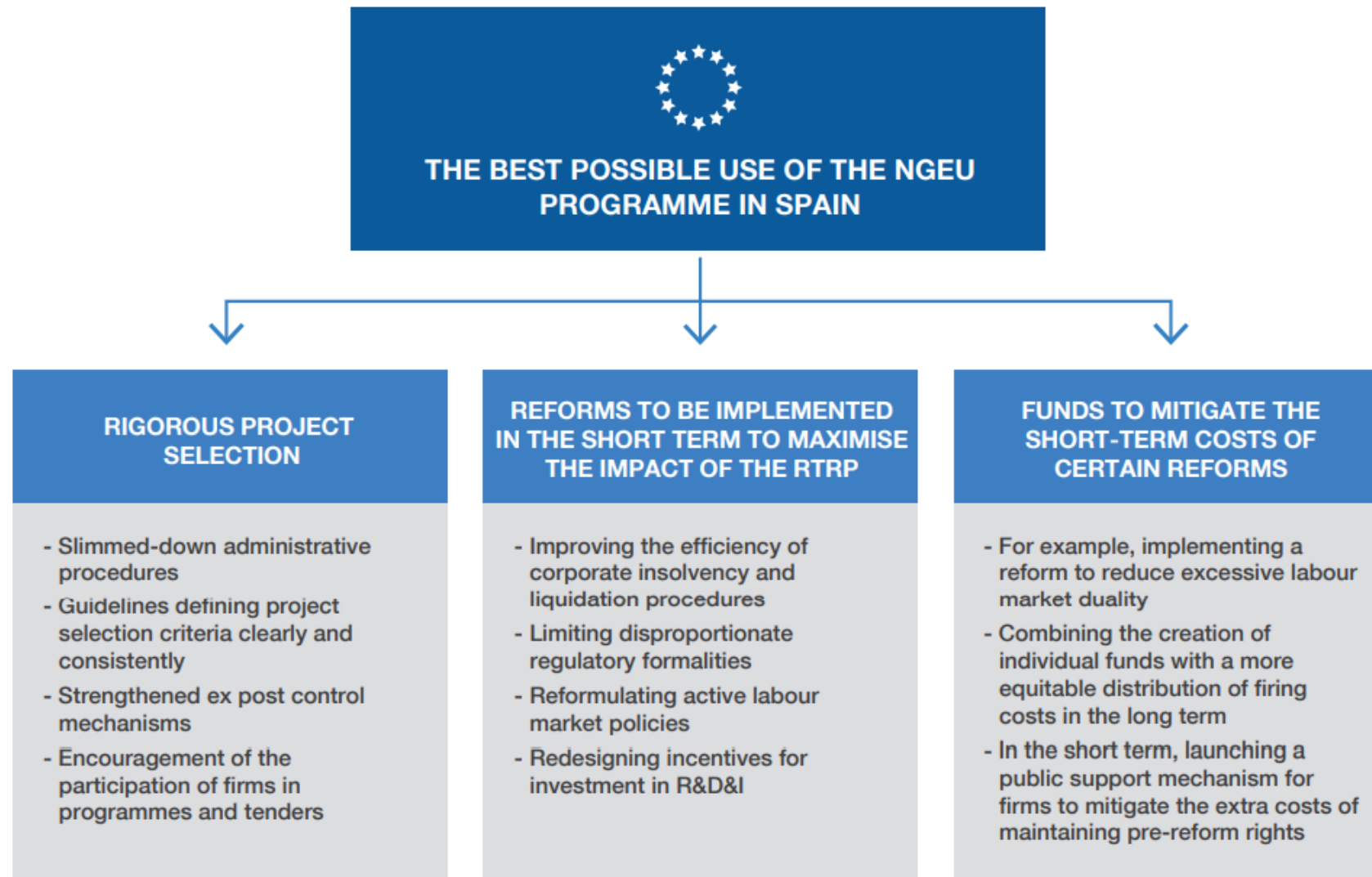
Sources: Cimadomo et al (2019), European Commission, Eurostat and national statistics.

(a) Long-term public debt. Credit rate AAA/AA+ S&P. National of the European Union includes Germany, Austria, Denmark, Finland, Luxembourg, Netherlands and Sweden.

# THE LARGE AMOUNT OF NGEU RESOURCES ALLOCATED TO SPAIN COULD MAKE A SUBSTANTIAL CONTRIBUTION TO ECONOMIC GROWTH

- The Spanish Government PRTR plans to absorb 96% of the funds available for transfers between 2021 and 2023 (€ 66.8 mm) and announces (although without further details) that loans will also be used.
- The detailed analysis of the PRTR carried out by the Banco de España leads to the assessment that the fiscal impulse between 2021 and 2023 will be significant.
- According to the Quarterly Model of the Banco de España, it is estimated that GDP could increase, on an annual average basis, by up to 1.8 pp in 2021-2023.





THANK YOU FOR YOUR ATTENTION

