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Sector Article

Real estate

An unprecedented global

economic recessio

The spread of the coronavirus throughout the world has come as an unprecedented shock to the global economy. The Spanish economy has been particularly hard hit, partly because of its greater dependence on international tourism. In the second half of the year, we expect the economic recovery to take hold thanks to the easing of social distancing measures and the boost provided by the wide range of fiscal and monetary measures adopted. However, we believe the economy will continue to operate below potential over the next few years.

Content available in
Spanish Catalan



Judit Montoriol-Garriga

Senior economist



CaixaBank

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Global activity will fall sharply in 2020

At the beginning of the year, the forecasts pointed to Spain's real estate sector continuing to expand in 2020, albeit at a more moderate rate than in previous years. However, these scenarios were soon overtaken by the global spread of the coronavirus. Although it is still very difficult to calculate the precise economic consequences of this crisis (uncertainty remains very high), they will most probably be of an unprecedented nature, both for the world and for the Spanish economy and, specifically, for the real estate sector.

Global activity will fall sharply in 2020 (by around 4%), a far greater decline than the slump experienced during the Great Recession of 2009, due to the economic effects of the social distancing measures implemented by most countries to counteract the spread of the virus. To cope with this severe economic shock, a battery of fiscal and monetary measures of extraordinary scope and depth have been rapidly deployed, with the aim of protecting the balance sheets of both households and businesses. The major central banks are also acting quickly and decisively, ensuring abundant liquidity and easier access to credit, as well as anchoring a low interest rate environment. These measures will help to boost economic recovery as from the second half of 2020, a process that should culminate in strong growth in 2021 which could exceed 6% globally.

The global and Spanish economy are contracting dramatically, a slump that will

affect the real estate sector in 2020

The economic measures being implemented will support the recovery in activity

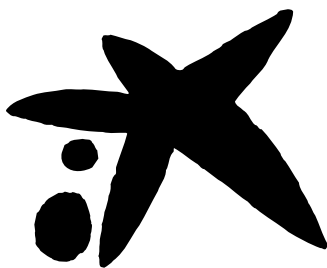
The Spanish economy is one of the developed economies with the largest decline in activity

The Spanish economy is one of the developed economies with the largest decline in activity in the first half of 2020 due to the severe impact of the pandemic and the country's greater dependence on tourism, a sector that has been seriously affected by the crisis as a result of restrictions on the international movement of people. Consequently, after plummeting by 5.2% quarter-on-quarter (-4.1% year-on-year) in the first quarter of the year (the biggest quarter-on-quarter drop since the National Statistics Institute's historical series began in 1995), all available indicators suggest that, in Q2, economic activity suffered a much bigger decline as more weeks were affected by the restrictions associated with the state of emergency. However, from May onwards the initial phases of the lifting of the lockdown helped to gradually reactivate economic activity, as shown by indicators such as electricity consumption and card spending.

Economic activity will continue to pick up in the second half of 2020

Nevertheless, the uncertainty surrounding the forecast scenario is exceptionally high, especially because it is not clear how the pandemic will evolve in the future. We have therefore chosen to present a central range of forecasts. One of the key assumptions is that social distancing measures will have to be maintained well into 2021, until an effective vaccine or treatment for COVID-19 is discovered. During this time, it is likely that further outbreaks of infection will occur but it is assumed these will be localised and temporary, and that another full lockdown will not be necessary. All this will hinder the economy's ability to recover which, although we expect to see a significant rebound in 2021, will be unlikely to return to pre-crisis activity levels before 2023.¹

1. For a detailed description of this scenario's assumptions and the complete macroeconomic picture, see the article "Economic activity begins to gradually reactivate as the lockdown is lifted", available at <https://www.caixabankresearch.com/en/economics-markets/recent-developments/economic-activity-begins-gradually-reactivate-lockdown-lifted>.



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Judit Montoriol-Garriga

Senior economist

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