

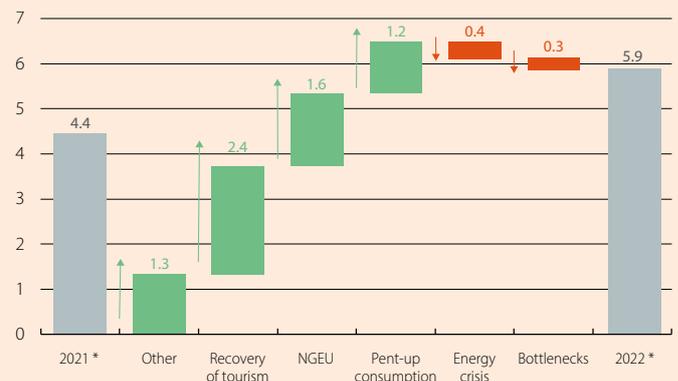
## Spain 2022, a key year for the consolidation of the recovery

### The architects of growth in 2022

2021 may be remembered as the year of the vaccines. After getting the vaccination roll-out underway in Q1, albeit with a few setbacks, the campaign accelerated rapidly beginning in Q2 such that, as we approach the end of the year, practically 90% of the population over the age of 12 has now been vaccinated. This speed of the vaccination roll-out allowed most of the restrictions on activity to be lifted in Q2 and paved the way for a recovery in economic activity which intensified in Q3 thanks to the revival of tourism activity. Thus, GDP is expected to grow by 4.4% in 2021. Although a relatively high growth rate, at the end of the year this still leaves us 5.2% below the level of Q4 2019.

The economic recovery is expected to be consolidated in 2022, with GDP growth accelerating to around 6.0%. The pandemic could still generate new waves, either through the emergence of new, more contagious variants or due to the arrival of the cold, but we expect that their impact on the health system would be limited thanks to the progress made with the vaccines and that reimposing severe restrictions on activity would not be necessary. Nevertheless, new waves could generate spikes in uncertainty, which ought to dissipate as the efficacy of the vaccines is confirmed. The emergence of new variants of the virus with greater resistance to the vaccines poses the main latent risk threatening the outlook.

**GDP in 2022: contributions to growth**  
(pps)



Note: \* Annual change (%).  
Source: CaixaBank Research.

Growth in 2022 will be largely supported by three main drivers: the recovery of the tourism sector, the impact of European funds and pent-up demand (see the first chart).

The driver that will provide the greatest contribution is tourism. This sector, hit hard by the pandemic, began to recover during the summer of 2021, driven mainly by the buoyancy of domestic and European tourism. The flows of visitors from outside Europe were still very contained.<sup>1</sup> For 2022, the recovery in international tourism is expected to be more vigorous, driven mainly by flows of tourists from the United Kingdom, the US and Latin America, and this will allow the sector to recover activity levels similar to those registered in 2017.

The other major protagonist of 2022 will be the European Funds under the NGEU programme. The Spanish government plans to spend some 27 billion euros in 2022, mainly on R&D&I and digitalisation (19.6% of the total), industry and energy (17.5%) and infrastructure and transportation (14.2%). Overall, we expect the NGEU funds to contribute 1.6 pps to GDP growth in 2022.<sup>2</sup>

Household consumption will also play an important role in 2022, although less than tourism and NGEU. During 2020, the restrictions on activity forced consumption to fall, and this, together with the income protection policies that were implemented (mainly the ERTE furlough schemes), generated pent-up savings of around 45 billion euros. This stock of savings has already begun to materialise during 2021, but it will continue to drive the recovery in consumption and economic activity during 2022.

Finally, 2022 will not be free of factors restricting economic activity. On the one hand, the current energy crisis in Europe, compounded by the start of the winter season, has led to sharp increases in energy prices which reduce households' purchasing power and put pressure on business margins. The impact of this crisis, although acute, should be temporary and its effects ought to moderate after the winter.<sup>3</sup> On the other hand, the disruptions to global supply chains will continue to hamper the industrial sector's ability to recover, especially during the first half of 2022.<sup>4</sup> However, we expect that the energy crisis and the logistical problems will end up having a relatively contained impact compared to the magnitude of the factors driving growth. Finally, we cannot forget the risk of new variants of the virus emerging, such as the recent Omicron. New variants could trigger episodes of uncertainty, affecting trade and tourism flows, although the progress of the vaccines at the global level and the ability to adapt the existing vaccines, if necessary, should prevent them from causing persistent problems for economic activity.

1. For instance, in August 2021, 5.2 million international tourists arrived. Although slightly more than double the number that came in August 2020, this is still 49% less than in August 2019.

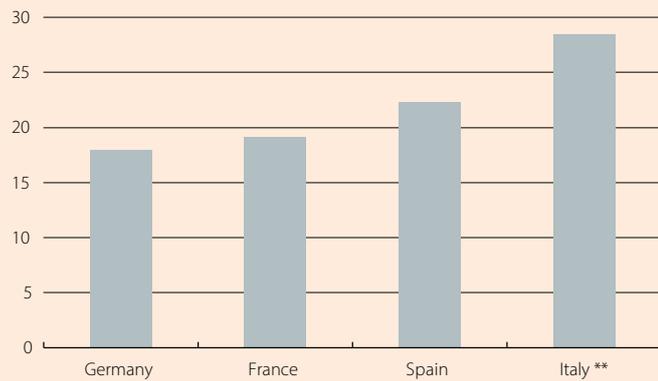
2. The lower-than-expected execution in 2021 will mean that part of the contribution in 2022 will come from investments which were planned for 2021 but the macroeconomic impact of which will not be reflected until 2022.

3. For more information, see the Focus «[The impact of the rise in electricity prices on the Spanish economy](#)» in this same *Monthly Report*.

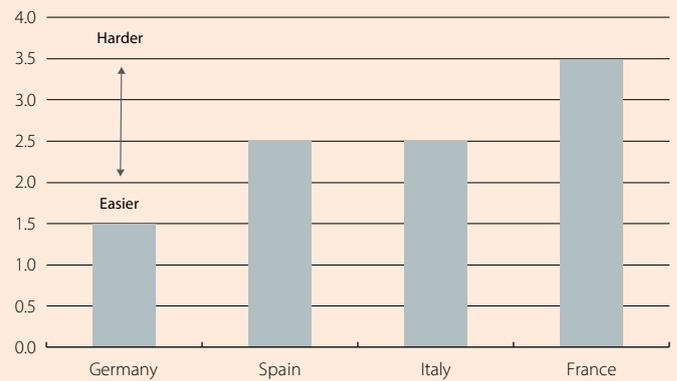
4. For more details, see the article «[Bottlenecks: from the causes to how long they will last](#)» in the Dossier of this same *Monthly Report*.

**Average compensation after unfair dismissal**

Number of monthly salaries (20 years of service)

**Ease of renewing and extending temporary contracts\***

Index (0-6)



Notes: \* Based on the maximum number of times a temporary contract can be renewed in a row and the maximum cumulative duration (in months) of temporary contracts according to each country's labour legislation. \*\*For Italy, only large corporations.

Source: CaixaBank Research, based on data from the OECD.

**2022, a crucial year for NGEU and reforms**

Beyond the economic impact of the investments that are planned, NGEU represents a unique window of opportunity to develop reforms that will modernise the Spanish economy. Indeed, the investments and reforms must go hand in hand, because when reforms are made with the right goal in mind, investments have a greater impact on growth.<sup>5</sup>

The key reforms envisaged include the labour reform (the bulk of this reform must be finalised before the end of 2021 and it is one of the conditions required for the payment of 12 billion euros in grants in June 2022), as well as the outstanding pension reforms (to promote company pension plans, changes in the social security contributions of self-employed workers, the extension of the period considered in calculating the pension,<sup>6</sup> and the plan to increase the maximum contribution base amount), and the modernisation of the general government administrations.<sup>7</sup>

The labour reform is essential within the framework of NGEU to address the endemic problems of the Spanish labour market, namely: the high incidence of temporary employment and the market's duality, and the mismatches between the qualifications that are most popular among students and those that are most sought after by companies.<sup>8</sup>

The issue of temporary employment is a pressing problem given its high prevalence in Spain. It particularly affects the most vulnerable workers, such as young people, as the pandemic has once again highlighted.<sup>9</sup> To address this issue, it will be important to implement measures that will facilitate the more widespread use of permanent contracts and discourage the excessive use of very short-term contracts.

This issue cannot be addressed without also tackling another endemic evil in Spain's labour market: the duality or segmentation that exists between highly protected workers and others with few rights. This is reflected in a wider gap, compared to many European counterparts, between the contractual conditions of those with permanent contracts and those with temporary work (see second chart).

Finally, the decoupling between job seekers' training and qualifications and the profiles that companies are seeking is another aspect that is essential to improve. A quick and permanent implementation of an internal adjustment mechanism, like the ERTE furlough schemes, would be very welcome. In this regard, it is encouraging to see that the labour reform includes forms of furlough that allow workers to be recycled and to shift to other sectors when structural changes occur. To reduce the decoupling, of course, it will also be important to redouble efforts to improve Spain's supply policies, such as strengthening active policies, modernising vocational training, giving education centres the autonomy to manage themselves, and enhancing synergies between the education system and the businesses that form the productive fabric of the economy. Moreover, such policies will need to be developed without lowering the standards of the education model.

*Oriol Carreras and Javier Garcia-Arenas*

5. See S. Albrizio and J.F. Geli (2021). «Un análisis empírico de los factores que pueden potenciar la efectividad del programa Next Generation EU». Economic Bulletin, Bank of Spain, nº 4 (content available in Spanish).

6. In principle, according to the recovery plan, to benefit workers with discontinuous careers and income fluctuations.

7. A law on the evaluation of public policies will be enacted.

8. In Spain, 83% of companies state that they face serious problems in hiring candidates for certain positions due to constraints in candidates' professional profiles. See M.L. Blázquez, R. Masclans and J. Canals (2020). «Las competencias profesionales del futuro: un diagnóstico y un plan de acción para promover el empleo juvenil después de la COVID-19». IESE (content available in Spanish).

9. See the article «[Employment, the key factor for reducing inequality](#)» in the Dossier of the MR10/21.