

The impact of a rise in the price of oil and gas in Spain: possible scenarios

The war that broke out on 24 February between Russia and Ukraine was immediately reflected in the rise in the prices of oil and gas, two products that make up a significant portion of Spanish imports (see table). Specifically, in 2021, imports of oil and derivative products amounted to 33,696 million euros (2.8% of GDP), making it the largest category of imports into Spain. As for gas, imports in 2021 amounted to 9,602 million euros (0.8% of GDP), placing it in ninth position.¹

It should also be borne in mind that the demand for these goods is often rather insensitive to price variations. Therefore, when their prices increase, households' ability to purchase other goods is reduced, as is companies' capacity to invest. Given the importance of this matter, in this article we analyse the impact that changes in the price of energy could have on Spain's GDP growth.

The price of oil and gas

Having oscillated at around 85 dollars a barrel throughout January, the price of oil climbed to almost 100 dollars a barrel after Russia launched its attack on Ukraine in late February. The price of gas soared too, reaching over 130 euros/MWh also in late February (see chart).²

To show the impact of rising energy prices, we will use an annual average increase of 10 dollars/barrel in the price of oil and of 30 euros/MWh in the price of gas as a benchmark.³ This increase would result in a rise in net imports of around 8.1 billion euros, or 0.6% of GDP (assuming that the demand for oil and gas were not able to adjust to this short-term price rise). In terms of growth, we estimate that such a rise in energy prices would subtract 0.5 pps from Spain's annual GDP growth.

The impact on growth is somewhat smaller than the direct impact on imports would suggest, for two reasons. Firstly, the lower spending that would come as a result of the rise in energy prices would, in turn, lead to a fall in

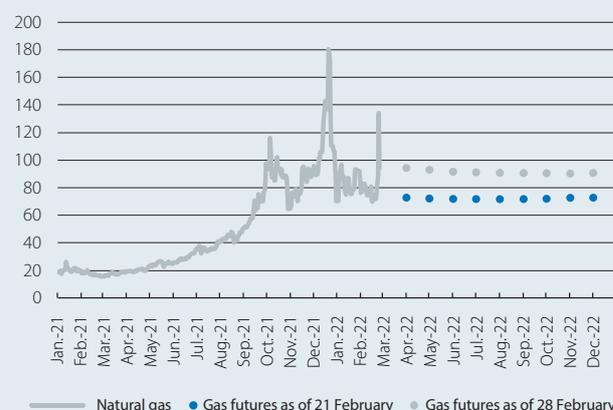
Spain: imports of goods in 2021: top 10 categories *

	EUR millions	% of the total
Oil and derivative products	33,696	9.8
Motor vehicles and tractors	32,841	9.6
Machinery and mechanical equipment	30,997	9.0
Electrical appliances and equipment	29,447	8.6
Pharmaceutical products	20,863	6.1
Plastic materials and articles thereof	13,326	3.9
Organic chemicals	12,013	3.5
Cast iron and steel	11,219	3.3
Gas	9,602	2.8
Optical, measuring and medical devices	8,402	2.5

Note: * Grouping of goods based on Taric groups at the two-digit level, with the exception of the oil and derivative products and gas categories, which have been obtained from the four-digit Taric classification.

Source: CaixaBank Research, based on data from the Customs department.

Gas price (€/MWh)



Note: TTF Natural Gas, European benchmark.

Source: CaixaBank Research, based on data from Bloomberg.

imports of non-energy goods and services. Secondly, households are likely to cushion, to some extent, their reduced purchasing power by drawing from their savings. In this regard, it would be important to see to what extent fiscal policy would mitigate the impact of the rising gas prices on households' electric bills.

Conclusions

The current environment presents a very high degree of uncertainty. This uncertainty, which greatly complicates

1. In terms of net imports, oil accounts for 16,269 million euros (1.4% of GDP) and gas, 8,526 million euros (0.7% of GDP).

2. The market movements described are with data up to 28 February.

3. The 10-dollar increase in the oil price is then translated into euros at the current exchange rate, which is around 1.13 dollars per euro.

the generation of a baseline, or «more plausible», scenario, forces the analyst to rely on the generation of hypothetical scenarios that allow him or her to capture the impacts that could occur as the uncertainty materialises through one channel or another. In this article, we have assessed the sensitivity of Spain's GDP growth to changes in the price of crude oil and gas, two of the products most affected by the current geopolitical crisis. However, it must also be said that the conflict in Ukraine could affect the economic recovery through other channels as well, such as through its harmful effect on confidence or exports, as a result of the deterioration in the international environment.

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