

The rise in energy prices, also taking its toll on Spain's current account balance

As the pandemic appeared to be entering a new phase and COVID-19 looked set to take on a weaker, more flu-like form, we hoped that 2022 would be the year of the definitive revival of foreign exchanges, especially in the case of tourism.¹ This boost was going to allow us to recover a current account surplus, which the pandemic had reduced from 2.1% of GDP in 2019 to 0.8% of GDP in 2020. These forecasts, however, have been truncated by the war in Ukraine.

Firstly, the rise in the price of energy imports will drive up the energy deficit, which in 2021 reached its worst level in six years (25,326 million euros, compared to 14,528 million in 2020), in a context of a recovery in the volume of imports and a sharp rally in prices.² Given that a \$10/barrel rise in the price of Brent and a €20/MWh rise in gas prices pushes up net imports by some 6.2 billion euros (0.5% of GDP), we estimate that Spain's energy deficit in 2022 could rise to around 45 billion euros, the highest figure since 2010, although the existence of long-term contracts could alleviate this increase.

Secondly, while Spain's trade relations with Russia and Ukraine are limited (in 2019, imports from the two countries accounted for 1.1% and 0.5% of the total, respectively), our dependence is high in the case of certain supplies. In particular, 11% of the energy products we import come from Russia, while 16% of cereals and 10% of oils and fats come from Ukraine.³ In addition, the war will also have an indirect impact on foreign trade flows through reduced demand from our main trading partners.

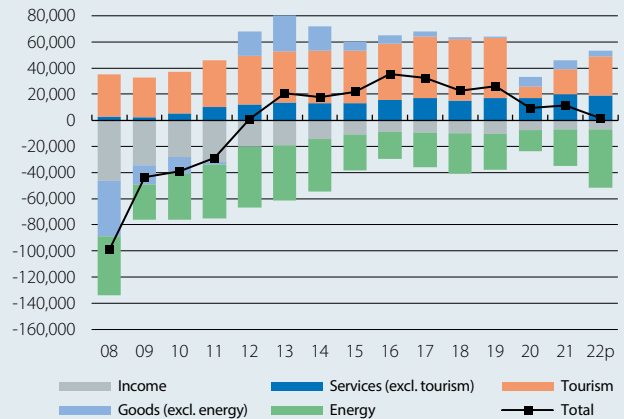
As far as tourist flows are concerned, Spain's direct exposure to Russian tourism is limited (it accounted for 1.6% of all nationalities that visited us in 2019), although the country's tourists have a high average spending (they contributed almost 2 billion euros in the same year, 2.2% of the total). Undoubtedly the biggest impact will come from the uncertainty that the conflict could cause in tourism from European countries, the main source of visitors to our country. That said, the perception of Spain as a safe destination could mitigate this impact.

In 2021, a year marked by an incomplete recovery in international tourism flows as a result of the successive waves of the pandemic and the irruption of the Omicron variant in the closing stages of the year, the data for

1. This is a sector of vital importance to the Spanish economy, since its revenues amounted to 5.7% of GDP in 2019.
 2. Energy imports grew by 72.3% in 2021, corresponding to an increase of 32.8% in prices (based on the Unit Value Indices) and of 31.3% in terms of volume. According to CUCI data from the Customs department.
 3. The dependence on sunflower oil deserves special mention: Ukraine and Russia account for almost 80% of global exports, so the possibility of its substitution with other producers is very low.

Spain: current account balance

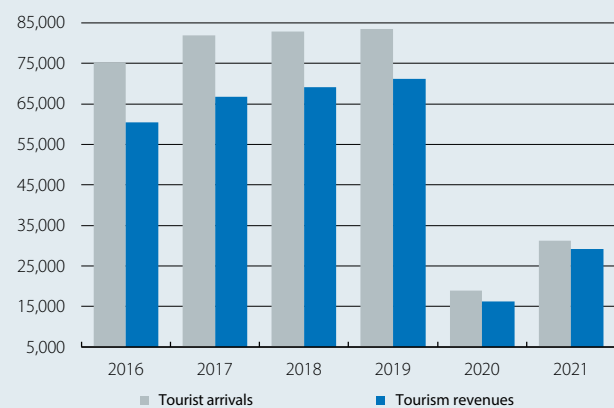
EUR millions



Source: CaixaBank Research, based on data from the Customs department and the Bank of Spain.

Spain: evolution of tourism

Thousands of people and EUR millions



Source: CaixaBank Research, based on data from the National Statistics Institute and the Bank of Spain.

tourism in Spain were encouraging: the surplus registered an extraordinary growth of 122%, reaching 19,158 million euros. While a good figure, this is still a far cry from the 46,387 million reached in 2019. Almost 31.2 million tourists arrived in our country, a 62.7% reduction compared to the 83.5 million who visited us in 2019. In 2022, assuming that tourist arrivals recover to around 85% of 2019 levels, a tourism surplus of around 30 billion euros could be achieved.

In short, in this scenario, we expect a sharp deterioration in the energy deficit this year, offset only in part by the expansion of the tourism surplus. As a result, the current account surplus will shrink considerably to around 0.1% of GDP, from 0.9% in 2021.

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