

Growth of the Spanish economy: quantity and quality?

To take the pulse of the economy, we usually look at GDP growth. From this perspective, the latest dynamics in the Spanish economy are turning out to be somewhat better than expected. Furthermore, if we expand the perspective to cover the last few decades and look at how Spain's economy has evolved compared with the biggest European economies, the message is also a positive one. However, an analysis of the factors that have driven growth offers a more nuanced view of this apparent strong performance.

Let us put some figures to these claims. The Spanish economy ended 2022 with a growth rate of 5.5%. This is a significant rate and very similar to what was envisaged at the beginning of last year, prior to the outbreak of the war in Ukraine. It is also well above the expectations of mid-2022, when it was feared that the impact of the conflict could be substantial. Thus, for the time being, the Spanish economy is managing to evade the impact of the energy crisis better than the major European countries. Those countries ended last year with growth rates between 1.5 and 2.5 pps lower than that recorded in Spain. In any case, it should also be noted that part of this difference is due to the greater cyclical momentum of the Spanish economy, as it is still recovering the ground lost during the pandemic.

Spain's advantage over the main European countries also continues to apply if we take a longer reference period into account. For instance, since the year 2000 the Spanish economy has grown at an average rate of 1.6%, well above that of Germany or France (specifically, 0.4 and 0.3 pps higher, respectively). As for Italy, the advantage in terms of growth is even greater, at 1.2 pps. These are not insignificant figures, especially when maintained for so long.

However, the factors on which the growth is supported are just as important, if not more so. In other words, quality is just as or more important than quantity. In the case of the Spanish economy, GDP growth has been accompanied by a significant increase in the population. Specifically, since 2000, the country's population has grown at an average rate of 0.7% per year. The populations of Germany, France and Italy, in contrast, have grown at an average annual rate of just 0.1%, 0.5% and 0.2%, respectively.

Thus, Spain's GDP per capita in 2022 was 14% higher than it was in 2000, but it should be noted that the bulk of the progress was concentrated in the years prior to the financial and real estate crisis. In fact, it was only last year that the GDP per capita previously reached in 2007 was recovered.

Germany stands out in terms of GDP per capita growth, substantially widening the gap versus Spain over the last two decades. Although Germany's GDP growth is lower than Spain's, it is supported by higher productivity growth. This more solid base is what ultimately allows for a bigger improvement in the quality of life of the population as a whole. In France, the increase in GDP per capita since 2000 has been similar to that of Spain. On the other hand, the Italian economy is at the opposite end of the spectrum: it has been stagnant for two decades, with virtually no growth either in absolute terms or relative to its population. Thus, Italy's GDP per capita in 2022 was very similar to where it stood in the year 2000.

The path an economy takes is not written; rather, it depends on the public policies that are implemented and on the entrepreneurial and innovative capacity of its population. Relative to the major European countries, the Spanish economy lies somewhere in the middle. It could have taken a worse path, but also a much better one.

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