

The strength of exports

The Spanish economy has been performing better than expected in recent months. To date, not only has it managed to avoid the dreaded recession, but it has also maintained a significant growth rate in both economic activity and employment. This leads us to improve our scenario. The GDP growth forecast for this year now stands at 2.0%, 0.7 percentage points above the previous scenario. In part, this improvement is due to the easing of energy prices, which has occurred earlier than expected. The measures adopted, both in Spain and in most developed countries, have helped to cushion the impact of the energy crisis. In Spain, moreover, the foreign sector has performed much better than expected.

Domestic demand has been declining for two quarters now. Between Q4 2022 and Q1 2023 it registered a cumulative decline of more than 1.5% in real terms. But this has been more than offset by the buoyancy of goods and services exports, which grew by 10.2% year-on-year in Q1. The good performance of the foreign sector is also reflected in the current account, which last year remained in surplus despite the sharp rise in the cost of energy imports: it fell by just 0.4 percentage points compared to 2021, to 0.6% of GDP. This is one of the smallest declines among all developed countries. In Germany, France and Italy, for example, the current account balance fell by around 4 pps – a remarkable difference.

If we analyse the evolution of purchases from abroad in a little more detail, we see that the cost of energy imports rose substantially. The deficit in the energy balance increased from 27,842 million euros in 2021 to 56,551 million in 2022. However, in terms of GDP, the figure for 2022 (4.3%) did not exceed that of 2012 (4.5%). This is partly due to a milder-than-usual winter, and also due to the efforts made to cut energy consumption. If we take a broader perspective, we see a marked improvement in the energy production mix thanks to an increase in the role of renewables. In particular, whereas in 2007 just 20% of electricity production came from renewables, in 2022 this figure stood at 43%, and so far this year it is above 50%. Investing in renewable energies is not just essential for tackling climate change. It also makes the economy much more resilient to external shocks.

When we look at the evolution of exports, three elements stand out. Firstly, the improvement has been widespread across both goods and services. In particular, two-thirds of the categories of goods show double-digit growth rates in the period January-March. Among services, the boom in

tourism stands out, as revenues grew by 38.8% year-on-year in Q1 and are now well above pre-pandemic levels, while transportation and services to companies also registered strong export growth (+19.2% and 18.6%, respectively, in Q4 2022). Among goods, the automotive sector stands out (+32% in Q1). Secondly, the strong growth rate is also widespread by destination, and is especially intense in the case of the main markets: exports of goods to the euro area (accounting for 56% of the total) grew by 14.3%, especially those destined for Germany and France (+18.9% and +15.2%, respectively). Thirdly, this pattern is not widespread across developed countries. Germany, France and Italy, for example, are experiencing less buoyant growth in their exports of goods: 7.8%, 9.5% and 9.8%, respectively, compared to the 14.6% registered by Spain.

Although Spain's exports have been surprisingly strong in the current context, this good performance stretches back a long time. It began during the financial and sovereign debt crisis of a decade ago, when many Spanish companies were forced to look abroad for business opportunities in the face of weak domestic demand. Supported by the recovery of the Spanish economy's competitiveness, the number of companies that export on a regular basis has not stopped growing, increasing from 35,000 in 2010 to 57,000 last year. The relative weight of exports of goods and services has increased too, climbing more than 15 pps to 41.6% of GDP.

Over the coming months, the growth of Spanish exports could lose some steam. The slowdown anticipated in the major developed countries, which is where the bulk of Spain's exports go to, will be difficult to get around. In any case, this should not cause us to lose sight of the excellent trajectory of recent years, which once again has been key to dampening the impact of a challenging context.

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