



Spain



Did you know...?

History During the 16th century, Spain became the most powerful nation in Europe, due to the immense wealth derived from its presence in the Americas.

Food Tomatoes, potatoes, avocados, tobacco, and cacao were all imported into Europe by Spain.

Art Many famous artists such as Salvador Dali, Francisco Goya, Diego Velazquez, and Pablo Picasso are from Spain.

Literature "Don Quixote" is the most influential work of literature to emerge from the Spanish Golden Age. It was written by Miguel de Cervantes Saavedra.

Culture The earliest recorded Spanish bull-fight took place in the year 1133 to celebrate the crowning of King Alfonso VIII.

Fun Fact Every year the city of Bunol, in the Valencia region of Spain, hosts the world's largest tomato fight, "La Tomatina".

An overview of Spain's economy

After the Spanish economic miracle ended with the burst of the housing bubble in 2007/2008, Spain's economy now faces severe challenges.

The Spanish success story ended suddenly.

Spain has been progressing economically since the end of the Spanish Civil War in 1939 when its economy was devastated. Spain saw the fastest economic development in Western Europe since the 1960's, and its ascent which came to be known as the "Spanish Miracle". Today, tourism, industry and agriculture play a major role in the country's economy.

Spain joined the European Union in 1986, along with Portugal. The accession of these two countries brought the EU membership to 12. Spain was among the first 11 countries to adopt the Euro in 1999, and introduced Euro notes and coins in 2002. Although Spain was often described as a European success story, the success proved to be unstable as much of its growth was driven by a housing bubble. The real estate bubble was caused by a combination of low interest rates, financial deregulation, rising domestic incomes as well as strong demand from foreign investors, and overshadowed Spain's falling competitiveness. In addition, many of the new jobs created were restricted to low-wage, low-productivity parts of the economy, such as construction and domestic services, while other more lucrative economic sectors remained sluggish. Eventually, the burst of the housing bubble and

the global financial crisis brought the Spanish economy into a severe downturn.

Spain faces huge economic challenges.

The IMF has cautioned that the sustained increase in private sector indebtedness, which is reflected in the widening of the government deficit, and the need to regain competitiveness within EMU entail a possibly prolonged period of slow growth. Worsening consumer confidence, higher oil and food prices, and tighter credit conditions associated with the financial crisis, as well as the country's changing demographic profile and a decline in EU structural funds pose further challenges to the economy. More over, the economic sector remains a vulnerability for the nation's economy. In order to restore growth and reduce its very high rate of unemployment, Spain needs to undertake ambitious labor market reforms and competition-enhancing efforts, as well as banking sector reforms.





Spain's Economy – Key Facts

- Spain is a decentralized country with 17 autonomous regions and two autonomous cities. Distinct traditional regional identities within Spain include the Basques, Catalans, Galicians and Castilians, among others.
- The economy of Spain is the 5th largest in Europe. Until 2008 it had been regarded as one of the most dynamic within the EU, attracting significant amounts of foreign investment.
- Trade plays an important role in the nation's economy, accounting for more than half of its GDP. Major trade partners are Germany, France, Portugal and Italy.
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked Spain 36th out of 142 countries. Spain's competitiveness performance continues to be boosted by the large market available to its national companies, strong technological adoption and first-class infrastructure. On a more negative note, there has been a measurable weakening of the country's macroeconomic stability. The greatest area of concern remains the highly inflexible labor market which commentators claim discourages job creation.
- The World Bank's Doing Business Report ranked Spain 44th out of 183 countries.
- According to the European Commission's Spring 2011 forecast, real GDP will contract by 0.8%, followed by a moderate positive growth of 1.5% in 2012. The government deficit was 9.2% of GDP in 2010 and is expected to fall to 6.3% in 2011 and to 5.3% in 2012. The reduction in the headline public deficit is due to the consolidation efforts undertaken by the authorities, including a partial reversal of the 2009 stimulus package.

References

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Economy Spain's mixed capitalist economy is the fifth largest in the European Union. Its per capita income is slightly above the EU average.

Agriculture At more than 40% of the world's production, Spain is the largest producer of olive oil in the world.

Competitiveness High private debt and weak external competitiveness cause long adjustments. Spain cannot devalue the currency to bolster competitiveness, so reforms that cut costs and improve productivity are key.

Unemployment The country's unemployment rate has skyrocketed to 20.6% in 2011, more than twice the 8.3% jobless rate clocked in 2007. Forecasts show 2012 scarcely improving at an expected 20.1%.

Housing Market In 2006 Spain started nearly 800,000 homes – more than Germany, France, Italy, and the UK combined. However, the 2007 funding crunch brought the boom to a halt, and adjustment will take time given a large inventory.

Inflation Spain's core inflation rate has generally been above the EU average. Now, it is at 3%, and will result in less real disposable income for household spending.