

EthiFinance Ratings confirms the Kingdom of Spain's credit rating at "A-" with an stable trend

- For 2024, EthiFinance Ratings forecasts economic growth of 1.7%, influenced by factors such as tightening financial conditions, high inflation, and the expiration of tax cuts.
- The labor market shows a favorable evolution, with a historical enrollment of 20.8 million workers and unemployment rates below 12% at the end of 2023.
- The agency warns about the possibility of worsening geopolitical risks in Europe and the Middle East, which could have an adverse effect on the correction of inflation and monetary policy.

[Madrid, January 19, 2024](#) - EthiFinance Ratings, the European credit rating agency, has ratified the rating of the Kingdom of Spain at "A-" with a stable trend, supported by its most recent exhaustive analysis of the country's economic and financial situation.

This credit rating confirmation comes from the positive GDP growth outlook for 2023, estimated to reach 2.4%, and on the downward trend in inflation, which remains at 3.4%, although still above the long-term inflation target set by the central bank.

It is noteworthy that Spain's public debt has decreased to 109.8% of GDP at the close of the third quarter of 2023, while in terms of the cost of debt, a significant rebound in the average cost has been observed to 2.08%, exceeding the 1.64% recorded in 2021.

In any case, EthiFinance Ratings also highlights the persistence of downside risks that could affect the Kingdom of Spain's credit rating going forward. These risks include worsening geopolitical risks in Europe and the Middle East, which could impact inflation correction and monetary policy; a deeper-than-projected economic slowdown; continued high interest rates, which would hinder access to financing; and parliamentary fragmentation in Spain that could complicate the legislature.

In addition, the agency positively recognizes the effect of the Next Generation EU Funds on the medium and long-term growth potential of the Spanish economy. However, it emphasizes that their implementation depends to a large extent on governmental stability.

Regarding the global economic context, EthiFinance Ratings perceives a growth weakening in 2023, especially in developed countries and the eurozone, given the tightening of financial conditions and the persistently high inflation levels. However, Spain has shown greater resilience, driven by the positive performance of private consumption.

Similarly, EthiFinance Ratings anticipates growth for 2024 at 1.7% due to different factors, such as tightening financial conditions, high inflation, and the expiration of tax cuts. By 2025, the agency expects growth to recover to around 2%, driven by easing financial conditions in the eurozone.

As for the labor market, the analysis highlights the favorable evolution, with a historical enrollment of 20.8 million workers and an unemployment rate below 12% at the end of 2023. Nevertheless, the agency also underscores negative aspects such as job productivity loss and other challenges such as geopolitical risks, lack of purchasing power, and parliamentary fragmentation.

Regarding the external sector, the agency highlights that the standardization of energy prices and tourism has supported a current account surplus estimated at more than 1.3% of GDP in 2023. According to EthiFinance, a slight contraction will occur in 2024 due to the expected increase in oil prices.

In the area of public finances, the agency emphasizes the high levels of public debt and deficit, which could be a point of vulnerability to the reactivation of fiscal rules.

Despite the challenges and risks present in the economic and political landscape, this assessment certifies the resilience of the Spanish economy and its potential in the medium and long term, supported by structural reforms and the contribution of the NGEU Funds.

Key figures

	2019	2020	2021	2022	2023E	2024E
Real GDP (% change)	2.2%	-11.3%	5.5%	5.5%	2.4%	1.7%
GDP per capita (current, €)	26,425	23,668	25,204	27,312	29,481	30,713
CPI (annual change, %)	0.9%	-0.3%	3.1%	8.4%	3.4%	3.3%
Unemployment rate	13.7%	16.1%	14.8%	12.9%*	12.1%	12.1%
Population at risk of exclusion	25.3%	26.4%	-	-	-	-
Population (thousands of inhabitants)	47,134	47,382	47,619	47,857	48,225	48,369
Current income (annual variation, %)	54.3%	54.2%	54.0%	54.2%	-	-
Current expenditure (€ per inhabitant)	4,9%	4.5%	4.4%	3.9%	-	-
Gross savings (% current revenues)	0.5%	0.5%	0.5%	0.6%	-	-
Real investments (€ per inhabitant)	2.1%	0.8%	0.9%	0.5%	1.3%	1.0%
Debt (millions of euros)	-74%	-85.5%	-78.3%	-62.8%	-60.7%	-
Debt (€ per inhabitant)	-2.9%	-11.0%	-6.9%	-4.8%	-3.9%	3.8%
Debt (% current revenues)	96.0%	120.0%	118.7%	113.2%	110.6%	109,1%

**Quarterly PPS averages

Year-on-year macroeconomic picture

Table 1. Macroeconomic picture, Spain (4Q2021-1Q2023, y-o-y change, %)

	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1TQ023
Gross domestic product	6,6	6,3	7,7	4,9	3,1	4,2
Household final consumption expenditure	3,2	3,0	5,2	5,0	3,0	1,6
General government final consumption expenditure	-0,1	-2,6	-2,6	-1,3	2,5	1,4
Gross capital formation	15,5	6,8	6,8	1,9	-5,0	0,6
Domestic demand	4,9	4,6	3,7	2,9	1,1	1,4
Exports	16,4	17,1	20,1	14,2	7,2	10,2
Imports	11,6	12,6	8,6	8,8	2,1	3,3

Source: Statistics National Institute (Instituto Nacional de Estadística in Spanish)

About EthiFinance Ratings

EthiFinance Ratings is a European ratings, research and advisory group dedicated to sustainable finance and development, providing solutions to investors, companies and organizations to address financing challenges and environmental and social transformations. EthiFinance offers its services to a portfolio of major international clients under the brands Spread Research (independent credit research), EthiFinance Ratings (credit rating agency), EthiFinance Analytics (risk modeling), imug/rating (ESG rating and consulting) and EthiFinance (extra-financial rating and consulting agency).

As a highlight of the group's activity, in 2023 it integrated ESG analysis into its sovereign credit risk methodology in order to have a broader view of the potential risks faced by both organizations and countries, which, in the case of the latter, affect not only their economy and public finances, but also have possible long-term structural implications.

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