Beat: Business

Spanish GDP will lose 9.2% this year and unemployment will rise to 19%

As a consequence of the pandemic

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USPA NEWS - The Spanish economy will lose 9.2% of GDP this year as a result of the Coronavirus pandemic, which will also increase unemployment to 19 percent at the end of the year. The Spanish Government presented this Friday, May 1, the Stability Program 2020-2021 and the National Reform Program of 2020 for submission to the European Commission. The shipment is made in compliance with the obligation of all member states to submit each year in April to the European Commission their National Reform Programs and Stability Programs, within the framework of the European Semester for the coordination of policies economic.

Following the new community guidelines, the information submitted includes the macroeconomic and fiscal perspectives for 2020 and 2021, and the set of actions carried out to contain the pandemic and counteract the effects of COVID-19 on the economy. The Stability Program includes the macroeconomic scenario for 2020 and 2021 supported by the latest available economic and health information, consistent with the epidemiological scenario that serves as the basis for the plan to de-escalate and reactivate the economy.

In recent years, the Spanish economy has been registering positive growth rates higher than the Euro Zone average in recent quarters. The emergence of COVID-19 and its impact on the economy have caused the growth cycle begun in 2014 to be abruptly slowed down. The Stability Program includes the new scenario derived from the measures established in the state of alarm aimed at reducing mobility to stop the spread of the pandemic, as well as the approved actions to mitigate the impact of COVID-19 on families, workers, self-employed workers and companies.

The new macroeconomic framework, endorsed by the Independent Authority for Fiscal Responsibility, presents a very high impact in the short term and a progressive return to normality throughout 2021. In this sense, a special incidence of the effects of COVID-19 is expected in the economy in the first two quarters of 2020 and the start of the recovery in activity in the second half of this year. As a consequence, a fall in Gross Domestic Product of 9.2% is estimated for the whole of 2020 and a significant recovery in 2021, with an expected growth rate of 6.8%.

The measures to protect workers and to make the Temporary Employment Regulatory Records more flexible, adopted in Spanish companies - a figure that allows the contracts of workers to be suspended, keeping their jobs for when activity resumes - reduce the impact on activity and employment. The unemployment rate is expected to stand at 19% in 2020, to decrease in 2021 to around 17%.

According to the Spanish Government, “all the initiatives to support families, workers and companies have mitigated the social and economic effects of the pandemic, although they are representing a great effort in terms of budget support, so that the deficit is expected to public in 2020 stands at 10.3% and public debt at 115.5% ".

The Government estimates that public spending will stand at 51.5% of GDP, which represents an increase of almost 10 percentage points compared to public spending in 2019. For its part, the forecast is that public revenue will decrease by 25,711 million and will stand at 41.2% of GDP. This percentage is higher than that of the previous year because the greater contraction of GDP affects the calculation of this ratio, but in absolute terms there is a significant drop in public revenue. Thus, the forecast is that the public deficit in 2020 will increase to 115,671 million, which is equivalent to 10.34% of GDP. It would represent the largest deficit since 2012, when it reached 10.7%.

National Reform Program

The Government also referred the European Commission for the National Reform Program (PNR). The document has been prepared in an extraordinary context determined by the COVID-19 crisis and, following the guidelines of the European Commission, its content has been reoriented to incorporate the measures adopted to face the socioeconomic challenges derived from the pandemic.

The Spanish Government has adopted successive packages of measures that make up a decisive response to the spread of the virus in three areas: health, economic and social. The economic and social measures adopted aim to weave a safety net that protects citizens and preserves economic activity and employment.

At the economic level, measures have been adopted to protect the productive fabric, paying special attention to small and medium-sized enterprises (Pymes, Spanish acronym) and the self-employed. At the social level, measures have been put in place to support the incomes of families and workers, cushioning the impact of the crisis on the most vulnerable groups and also supporting the maintenance of incomes and internal demand.

Likewise, important structural reforms have been addressed whose positive impact will spread in the future, once the health crisis is under control. Among the measures adopted, the following stand out: the establishment of an agile regime of Temporary Employment Records in order to improve the functioning of the Spanish labor market and the efficiency of companies; the implementation of an efficient information management system in the health field, the promotion of telework; the promotion of digitization in the educational field, in companies, particularly in pymes, in Justice and in the Public Employment Service; the development of an effective management system for Social Security benefits through professional mutual insurance companies and the development of applications based on artificial intelligence for mobility management.

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Editorial office and responsibility:
V.i.S.d.P. & Sect. 6 MDStV (German Interstate Media Services Agreement): Jose A. Martin

Editorial program service of General News Agency:
United Press Association, Inc.
3651 Lindell Road, Suite D168
Las Vegas, NV 89103, USA
(702) 943.0321 Local
(702) 943.0233 Facsimile
info@unitedpressassociation.org
info@gna24.com
www.gna24.com