

Record Exports Give Spanish Recovery Some Tiger Economy Sheen

by Maria Tadeo

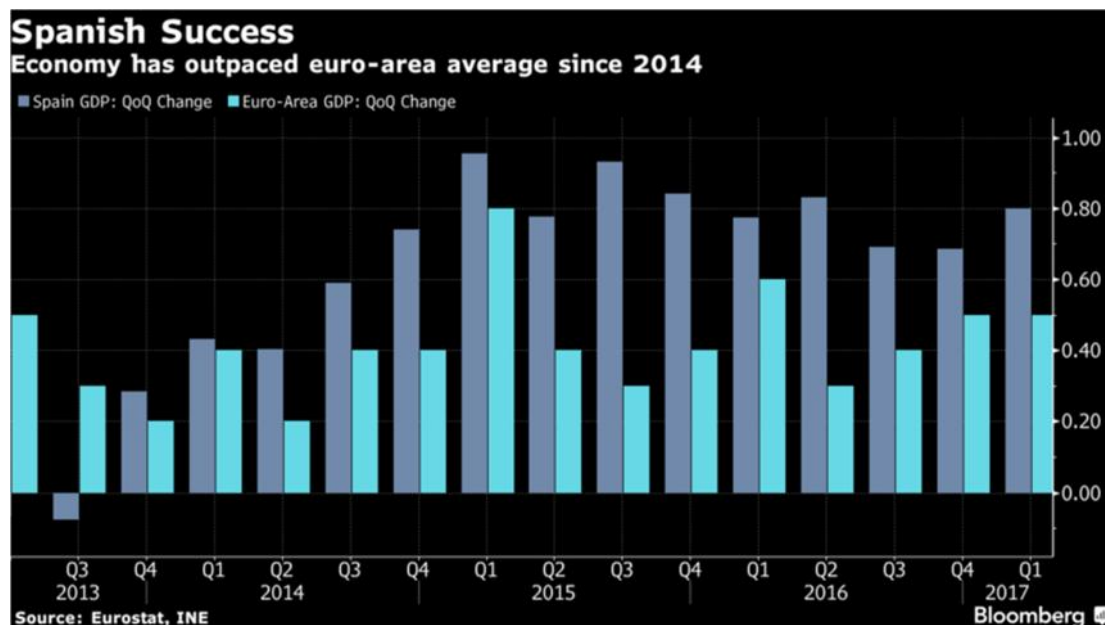
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Exports surged 14% to record high in the first quarter

) Global trade pickup may help sustain economy's performance

From his native Seville, shoemaker Antonio Fagundo sells his specialty leather-made footwear to more than 90 countries. Next on his list: China.

Forced by Spain's economic crisis to look elsewhere for buyers, Fagundo has doubled his number of foreign markets since 2010. That's not only paying dividends for his business. There are also benefits for the economy -- now in its fourth year of continuous growth -- as Fagundo's success abroad means hiring more workers at home.



“We started selling through catalogs, now we’re mostly online and 65 percent of our sales come from abroad,” he said in an interview from Seville. “We make shoes that make men look taller -- our next move is China, we’ve hired three people joining us starting June. Expanding abroad is our focus.”

Having already gotten a boost from job creation and consumer spending, Spain's economy can now take advantage of a [stronger euro area](#) and a pickup in global trade, which is showing the fastest annual growth in six years. Spanish expansion accelerated in the first quarter and it's forecast to remain the best-performing major economy in the currency bloc this year.

“As the euro zone heals, Spanish exports should gain dynamism -- building on the expansion seen during on the crisis -- and should ultimately push growth,” said Estefania Ponte, research director at BNP Paribas Personal Investors in Madrid. “All indicators point to positive external demand.”

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The economy grew 0.8 percent in the three months through March, outpacing the euro region's 0.5 percent, according a report by the National Statistics Office on Thursday that confirmed an April estimate. The expansion was driven by an increase in exports, which rose 8.4 percent from a year earlier, and investment in machinery and equipment, which climbed 5 percent. Meanwhile, household consumption continued to lose steam.

The increase in export activity is offsetting the slowdown in household spending as the impact of easier financing conditions, pent-up demand and cheaper fuel prices fade. From a year ago, the Spanish economy expanded 3 percent.

The latest health-check on Spain comes after separate trade data this week showed exports rose 14.1 percent to a [record 69.7 billion euros](#) in the quarter, with more than two thirds of sales to other European Union nations.



The surge is part of a wider trend that has seen Spain gain in competitiveness versus its euro peers and correct massive imbalances. Foreign sales have risen every year since 2010 and the nation is now posting current-account surpluses after previously running unsustainable deficits.

Even so, challenges remain. Companies have benefited from an internal devaluation through salaries and they may now face pressure to raise wages as inflation accelerates.

For exporters, there's also been support from the weaker euro, though the currency -- already near a six-month high -- could appreciate as the European Central Bank edges closer to unwinding some of its [stimulus](#).

For now, Spain is reaping the benefits of the tailwind, with growth set to hit 2.7 percent this year after 3.2 percent in 2015 and 2016, according to Bloomberg's monthly survey. That's faster than the 1.7 percent expected for both the euro region and Germany, its largest economy.

"It's exceptional," said Daniel Fuentes, senior economist at Analistas Financieros Internacionales in Madrid. "Exports have risen and there has been a degree of import substitution, which is unusual for Spain in an expansive phase. That points to structural competitive gains."