

World

Booming Spain is on track to a new age of prosperity

Isambard Wilkinson reports from Oviedo, a regional city thriving after a surge of tourists and migrant workers

Forsaking Castile's arid tableland, the high-speed train shoots out of the mountain tunnel into another world, the lush uplands of Asturias. The economic effect of the new rail link between Madrid and Oviedo, the capital of the northern Spanish region, has been "astonishing", says Adrián Barbón, head of the Asturias government.

A million passengers have used the service since it opened a year ago, double the predicted figure. The stretch of tunnels is a feat of Spanish engineering and opening the route has contributed to the region's record numbers of tourists and jobs.

The boom in Asturias (population: one million) represents in miniature Spain's bullish economic growth. Pedro Sánchez, the Socialist prime minister, is fond of saying his country is going "like a rocket". He told an audience in the region this month that "Asturias and Spain are experiencing one of the best moments in history in terms of economic growth and employment".

A decade after the country was written off as a basket case, The Economist named Spain as the best-performing rich economy of 2024. The IMF shared its view. Last year GDP grew by 3.2 per cent and the central bank predicts at least 2.5 per cent this year, leading southern Europe's rally as the continent's northern economic engines stall.

The success of the eurozone's fourth-largest economy is all the more notable against the backdrop of Sánchez's in effect paralysed and fragile minority government, which has been unable to pass a budget since he retained power after inconclusive elections in 2023. He has, however, managed to negotiate a pensions rise and extend free public transport concessions.

The increase in GDP is fuelled in part by Spain's reliance on tourism, economists say, which explains why it took longer to recover from the pandemic but is now flourishing. Yet that is only one factor behind the growth.

"Competitiveness is one reason, due to relatively cheap labour costs, combined with low energy prices, such as that of electricity, which is at least 20 per cent lower than the eurozone average," said Raymond Torres, director for macroeconomic analysis at Funcas, an economics think tank.

Energy prices are low partly because its renewable power generation has soared in the past decade. It generated almost 60 per cent of its electricity from



The Somiedo nature reserve in Asturias has recorded an increase in visitors, reflected in the 10 per cent rise in tourism in Spain

renewable energy in the first half of last year, offsetting the impact of reduced supplies of natural gas from Russia and higher overall power prices. Foreign direct investment in Spain is soaring too. It stood at €5.68 billion in 2023, up 12 per cent from the previous year.

The other main driver of the economy is a surge in immigration, Torres said, "mostly Latin Americans, who assimilate easily due to a common language". He added: "It's possible that nearly half of economic growth over the last two years reflects the integration of foreign labour".

Since 2019 the country's foreign-born workforce has risen by about 1.2 million, Sánchez said in October. "There are 150,000 job vacancies in Spain. There is a need for labour. Therefore it is imperative that Europe builds a positive discourse on migration."

But Torres and other economists urge caution. Not all is sunny in the Spanish economy. Attesting to that is the fact that the vast majority of Spaniards cite in opinion polls the "economic situation" as a serious concern.

Discontent is in the air in Ana Villanueva's restaurant, in Oviedo's historic city centre, as waiters splash the region's famed cider from a height into glasses in keeping with the Asturian tradition.

Villanueva concedes that business is good but complains that "taxes are too high for job creators, the government is giving too many handouts and prices are too high and so the economy is bad".

Barbón, a Socialist, has said he is battling "popular misconceptions". Asturias generated employment at a faster rate than the country as a whole and created 17,000 jobs in 2023. Nationally, Sánchez has said, 2.3 million jobs have been created since he came to power in 2018, which is due in part to his labour reforms.

The number of working-age foreigners has increased from 2.8 million in 2018 to 3.9 million last year. Of the jobs created last year, 40 per cent (202,616 out of a total of 505,315) were filled by

foreigners. Immigrant labour has enabled the tourism sector to flourish. Barbón estimates that tourism in Asturias has risen as much as 20 per cent year-on-year, reflecting the rise in Spain as a whole, which a record 94 million foreigners visited last year — 10 per cent more than in 2023.

Tourism represents around 13 per cent of the economy in the world's most-visited country after France.

Home to wolves and bears, the Somiedo Natural Park in Asturias's mountains has enjoyed soaring tourism. "The number of the park's visitors has shot up from 20,000 to 30,000, with notably more foreigners," said Belarmino Fernandez, the local mayor.

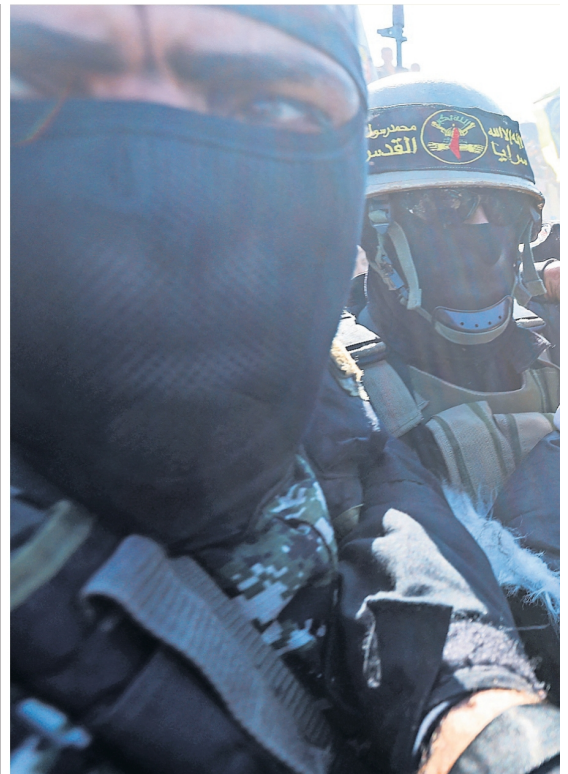
Barbón has acknowledged growing anti-tourism sentiment, which has prompted protests in other parts of Spain. In response, Asturias has reformed its law to limit tourist apartments. "Asturias long ago introduced laws to protect its natural resources, its coastline and mountains," he said.

Carlos Cuerpo, the national economy minister, said tourism was becoming more balanced, noting that visits were growing fastest outside the peak months of July and August. The geographic distribution was also becoming more even, he said, with visitors increasingly heading to northern parts of Spain such as Asturias as well as the Mediterranean coast.

Barbón is optimistic about the future. In the context of climate change, Asturias's milder weather and plentiful water supply, he says, make the region "a land of opportunity".

So too, more generally, is Spain, according to Torres. "It has a unique opportunity to create its own road to sustained economic growth and prosperity and improve its position in Europe. But it must seize it by, for example, putting the public budget in order."

Will it do so? Torres has doubts. "There are many weaknesses — for example, in the education system — and nobody is talking about them," he said. "The political paralysis makes it very difficult."



Hostages freed outside home of dead Hamas chief

Hamas and its allied militant group Palestinian Islamic Jihad freed eight more hostages from Gaza yesterday in chaotic scenes that briefly threatened the

continuing ceasefire deal with Israel (Richard Spencer writes).

Two Israeli hostages and five Thai migrant workers, who had also been held captive since the Hamas massacre of October 7,

2023, were escorted through an unruly crowd of gunmen and onlookers in the town of Khan Yunis, southern Gaza.

As a mark of Hamas's continued "resistance", the handover took place in front of the home of the late Yahya Sinwar, the group's head in Gaza and mastermind of the attack, who was killed in the fighting last October.

Arbel Yehoud, 29, the last remaining