

Spain in world's economy

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Spain in World's Economy al Affiliation Spain is the third largest country in Europe. Over the years it has enjoyed a remarkable growth in the economy; this economy included a small deficit or an even surplus. Since the country joined the Eurozone, it has had many benefits on low rates. These rates increased the number of people owning their own homes. A financial crisis broke out in 2008, resulting to a recession that created the highest unemployment rate in Spain. The country`s borrowing rate increased, hence the interest rates increased leaving the investors in absolute panic because of solvency. Since 2010, the Government has tried to curb this deficit, which even brought down the center Government. This recession has not only affected the country but also the economy of the rest of the world. Most of the affected people were investors who invested in the economy of Spain, the exporters who largely export most of their products to Eurozone countries, and the employees of Spain who were got unemployed. Keywords: Spain, Unemployment, Deficit, Surplus, Government, Economy, Eurozone, Euro, Interest rates. Spain, Europe`s third largest nation, is divided into five different regions namely; Green Spain, Inland Spain, The Pyrenees, Mediterranean Spain and Southern Spain. Spain`s climate is less temperate than the rest of Europe (Kohen and Elias, 1992). Over the years, Spain has enjoyed remarkable growth in its economy; this is because it kept a strict budgetary order of either having a small deficit or a surplus. The country enjoyed many benefits after joining the Euro Zone, as it delighted in low rates. With this aid, Spain got the highest rates of homeownership; more than 8 of every 10, Spanish owed a home (The New York Times, 2012). In 2008, a financial crisis broke out, resulting to a recession that caused

Spain's unemployment rate to increase rapidly. Its borrowing rates increased, leading to concerns over solvency by investors who, had to pay high interest rates. Due to the size of Spain's economy and the weakening of banks, it became the worst scenario facing the European Union. Since 2010, Spain has tried to push a series of austerity measures that are meant to curb its deficit. This crisis brought down the center-left Government in Spain. Austerity is an economic policy aimed at reducing the Government's deficit. In April 2012, Spain's unemployment rate reached 24.4%, they recorded the highest percentage in Europe and many employees were laid off from the public sector. In September the same year, the European Central Bank promised to buy endless amounts of bonds so as to lower the interest rate for Spain, who were pushed towards the economic edge by the markets. Many people are becoming concerned about the costs incurring from further delays because this may threaten Spain's economy into deeper recession. In October 2012, Spain's unemployment rate increased to 25%, a sign of deepening recession (The New York Times, 2012). Spain's economy plays an important role in the World's economy. This is because different countries and businesses in the World depend on the economy of Spain. If the Euro or the European banks fall, the lenders will feel the pain of lending, because it's closely connected to the financial system of the U. S. The manufacturers will continue to suffer if the Euro decreases. The recession can cause unemployment and a dying economy in the U. S. If the banks in the U. S freeze, it will be hard to borrow or get loans for cars or houses. This will cause a market meltdown (CBS News, 2012). People tend to think of the fall of the Euro as a European or debt crisis but many economists state that it's

not a debt crisis but a currency crisis. This is because of the losses the manufacturers like General motors, Ford, Whirlpool and Apple incur. During the second quarter of the year they reported losses of \$361 million. These companies counted losses during this period of recession (CNN, 2012). The economy of Spain creates threats to some of the World's exports; most of the exports from the U. S go to countries like Spain, making it one of the biggest trading partners. The great recession occurring in the Eurozone, has created tension in the U. S. business. Many U. S. industries depend on the European trade and these companies are invested in Europe. The U. S. economy couldn't be so bad, if they didn't depend on Europe for their export, as it makes a 15% of U. S. gross (USA Today, 2012). Spain has become a concern to many countries in the world, this is because the Euro is the most preferred currency, and this has affected many countries that rely on it for export or exchange. Some of the reasons that have caused this worry are: the high interest rate demanded by the Government for the last decade which has increased to above 6%. People are concerned that Spain will follow the path of Greece, and it will not be able to pay its debts. Spain is releasing so much money in the economy, which has created a merger-cum-rescue for small regional saving banks. Fears of a vicious cycle have been predicted; if more money leaves the banks, this means that the banks will not accumulate enough money to supply to the Government. With the introduction of the Euro in 1999, many banks, developers and investors borrowed large amounts of money; this resulted to tripling in the pricing of property. This has become a concern to the world because it has resulted to an increase in unemployment by 24%, which means that fewer people are

paying taxes and hence demands for government benefits. Spain has had a problem with overspending, this was experienced during imports and exports since its imports are cheap and its exports very costly. This made the Spain spend more than it was earning, therefore its currency was overvalued.

Consequently, Spanish workers became uncompetitive in trying to rebuild their economy, and this became a concern because Spain will always borrow money from the rest of the world (BBC News Business, 2012). In conclusion, Spain has faced a deeper recession that has affected its economy. The

country has been forced to survive on borrowed money; this was as a result of cheap imports and costly exports. This recession has affected many people including exporters and the workers of Spain. These exporters lost a lot of money during the 2008 recession and the workers were laid off,

therefore creating an increase in unemployment. Reference List BBC News Business. (2012). Spanish Economy: What is to Blame for its Problems?

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