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RETAIL PROJECT



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ADDITIONAL MATERIALS COVID19 IMPACT ON THE RETAIL SECTOR IN SPAIN

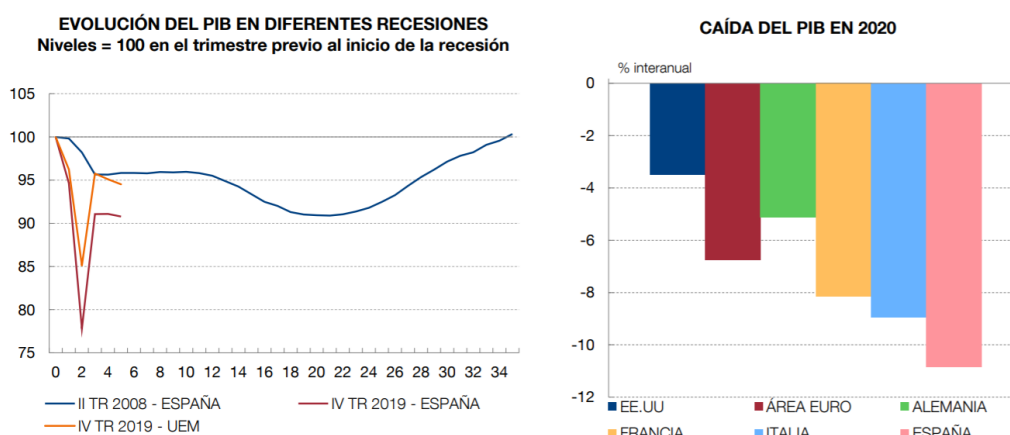
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1. IMPACT OF COVID-19 ON THE SPANISH ECONOMY	2
2. SPANISH PLAN AGAINST COVID 19	3
3. SANITARY MESURES FOR SHOPS IN SPAIN	4
4. FIRST ELEMENTS OF RECOVERY	6
5. CONCLUSIONS	7
SOURCES	9

1. Impact of COVID-19 on the Spanish economy

In Spain, GDP (Gross Domestic Product) suffered an unprecedented setback in the first half of 2020. Compared to other countries, this contraction was even greater due to the higher weight of “social” activities and SMEs. The economic activity rebounded in the third quarter of 2020, but then stopped again in the last quarter and the first of 2021, following the different waves of the pandemic.



Fuentes: Bureau of Economic Analysis, Eurostat e Instituto Nacional de Estadística. Última observación: primer trimestre de 2021.

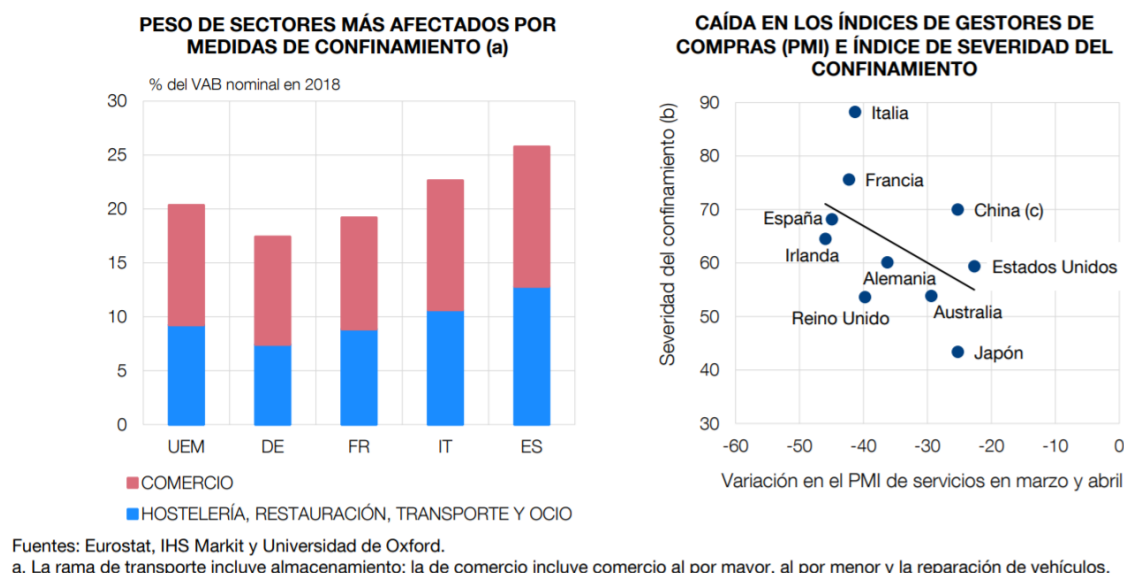
Graph 1: GDP EVOLUTION IN DIFFERENT RECESSIONS (levels = 100 in the quarter prior to the beginning of the recession)

Graph 2: GDP FALL IN 2020

Retail is a key sector of the Spanish economy, on which 17% of jobs and 13% of GDP depend. The economic shutdown had a dramatic effect on retailers: around 15% of retailers who lowered the shutters of their store in March 20, have not raised them again. According to data from the National Institute of Statistics (INE), in 2020 total sales in Spain fell by 7.1%. The impact of the third wave has resulted in a decrease of 10.9% in January 2021 compared to the same month of the previous year, which represents a chain of 11 months of year-on-year setbacks.¹

¹ <https://www.eleconomista.es/empresas-finanzas/noticias/11106972/03/21/El-sector-del-comercio-apunta-a-la-recuperacion-a-partir-de-junio.html>

Here are 2 graphs from the BDE (Banco de España) that allow us compare the Spanish situation with other countries²:



Graph 3: WEIGHT OF SECTORS MOST AFFECTED BY CONFINING MEASURES (a - The transportation branch includes warehousing; trade includes wholesaling, retailing, and vehicle repair. Red=Retail / Blue= Hospitality, restaurants, transport and leisure)

Graph 4: DROP IN THE INDICES OF MANAGERS OF PURCHASES (PMI) AND SEVERITY INDEX OF LOCKDOWN in March and April 2020

2. Spanish Plan against Covid 19

In December 2020, the Spanish government approved a Plan for urgent aid to the tourism, hospitality and retail sectors to alleviate the devastating effects of the coronavirus pandemic.

The EU's new mechanism will provide Spain with up to 140,000 million euros in transfers and credits in the period 2021-2026. On June 16th, 2021, the Spanish plan of recovery, transformation and resilience was published, after approval by the

²

<https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/IntervencionesPublicas/Gobernador/hdc010720.pdf>



European Commission for the use of exceptional funds allocated by the EU for the recovery after the COVID-19 crisis. The Plan focuses on the first phase of execution and details the investments and reforms in the 2021-2023 period, mobilising close to 70,000 million euros of transfers from the Recovery and Resilience Mechanism in order to boost recovery and achieve maximum impact.

This plan is based on 3 main pillars: Industry, Tourism and Retail. For the Retail sector, support to sustainable markets is planned, with a series of funds dedicated to:

- Aid to support commercial activity in rural areas
- Aid for the strengthening of commercial activity in tourist areas
- Aid to support markets, commercial urban areas, non-sedentary commerce and short marketing channels

3. Sanitary measures for shops in Spain

The current sanitation rules that apply in Spanish shops are compiled in the “protocol and guide of good practices aimed at the retail activity in physical and non-sedentary shops”³ from the Spanish Ministry of Commerce and Tourism (Mincotur). This protocol includes:

- General prevention measures:
 - o Social distancing
 - o Use of masks
 - o Use of hydroalcoholic sanitising solutions
 - o Cleaning
 - o Ventilation
 - o Hygiene and protection of workers measures
 - o Hygiene and protection in the establishment
 - o Specific protection measures in air conditioning and ventilation systems

³ https://www.mincotur.gob.es/es-es/COVID-19/Documents/Protocolo_y_Guia_de_buenas_practicas_para_establecimientos_de_comercio.pdf

- Specific measures, including
 - o Organisation (planning of prevention measures and activities, etc.)
 - o Mode of action in the case of infected staff or staff at risk (they should leave the shop immediately in case of any symptoms).
 - o Etc...

Cumple el protocolo

CORONAVIRUS - COVID19



Si te proteges,
nos proteges a todos



Y recuerda, si es posible paga con tarjeta



#compraenSoria

Cámara
Soria



This protocol also contains specific recommendations per sector: food, textile, shoes, jewellery, technology, phone and culture, furniture, ceramics, hats, gas oil shops.

Finally, it includes a series of measures dedicated to pop-up shops, who also must apply organisational measures, and safety measures at stalls used for sales to the public. And the application of additional hygiene and safety measures transport and street vending vehicles (frequent cleaning and disinfection, use of vivyl / acrylonitrile gloves)

4. First elements of recovery

In 2020, new digital channels of sales saved the retail sector from an even greater disaster, with an increase of 36% of sales through e-commerce. Spain was then the third country in the world with the major progression of online sales.

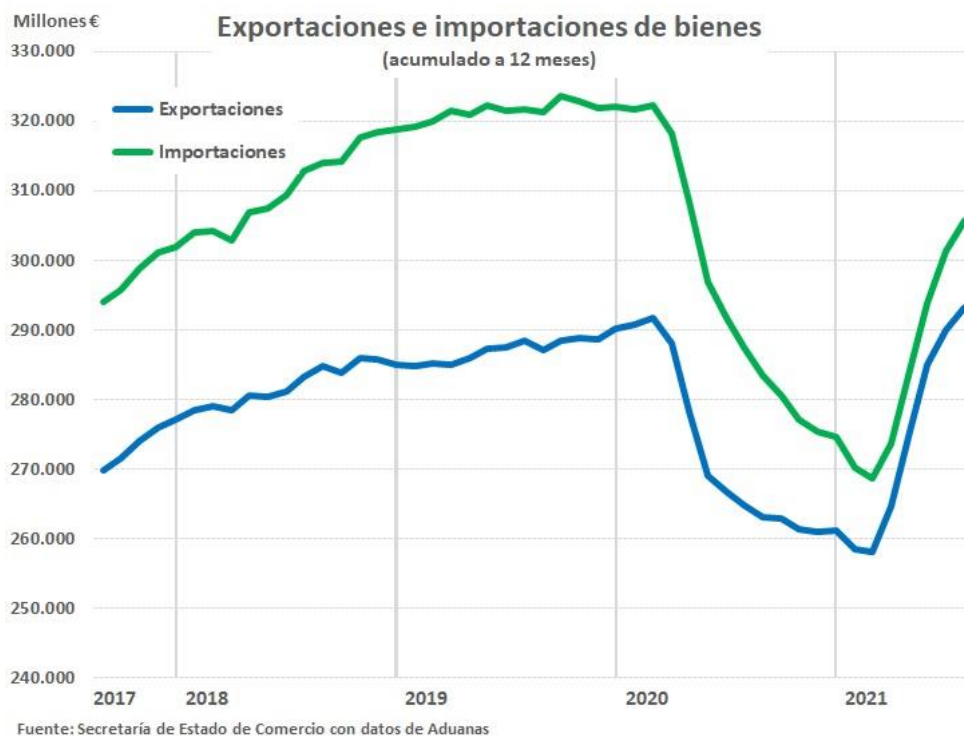
There are still important factors of uncertainty that will determine the rate of recovery of the Spanish economy; starting with eventual new waves of the pandemic, but also the application of the recovery plan, possible changes in consumers behaviours (evolution of private consumption and rate of saving), recovery of international tourism, among others.

However, with the improvement of the epidemiological situation and the progress of vaccination in Spain, the economic perspectives for the retail sector in 2021 are improving. Economists estimate that recovery will start during the second half of 2021, and retailers expect the Christmas season to reach a historic turnover⁴.

Furthermore, Spain could take advantage of the changes in international trade after COVID. This is mainly due to the increase of online services and the competitiveness of Spanish companies compared to domestic ones in international trade in business services. In 2021, Spanish exports grew by 21.7% up to July, a historical maximum for this period. The trade deficit for the first seven months of 2021 was 11.2% lower than for the same period of 2020.⁵

⁴ <https://www.eleconomista.es/empresas-finanzas/noticias/11106972/03/21/El-sector-del-comercio-apunta-a-la-recuperacion-a-partir-de-junio.html>

⁵ https://comercio.gob.es/es-es/NotasPrensa/2021/Paginas/210920_Comex_Julio_2021.aspx



To sum up, despite the strong impact of COVID 19 on the Spanish economy, and the retail sector, in particular, economists and companies are optimistic about the economic perspectives for the years to come. Levels of invoicing should not come back at the same levels as before the crisis before 2022 or 2023, but recovery will see a start in the second half of 2021. Regarding new strategies after COVID-19, companies mainly say that they will place the digital transformation at the core of their activity⁶.

5. Conclusions

COVID-19 generated a huge crisis in the retail sector in Spain. Many shops were not able to survive the lockdown and had to close. Those in the non-essential products that could survive did though in a large proportion thanks to the online sales.

COVID-19 hit the national economy with more violence than in other EU countries, however, the immediate recovery should also be more intense in Spain due to a “rebound effect” (we start from much lower). According to OECD prevision, the Spanish GDP should increase about 5.7% in 2021 and 4.8% in 2022, which is very encouraging for the retail sector.

⁶ <https://home.kpmg/es/es/home/tendencias/2021/02/perspectivas-espana-2021.html>



COVID-19 accelerated the change of consumer behaviours toward online shopping. This should be a long-lasting trend, as experts expect that e-commerce will continue to increase in 2021 and in the following years.



Sources

Information of interest about the impact of Covid-19 in the commerce sector:

<https://www.mincotur.gob.es/es-es/COVID-19/comercio/Paginas/index.aspx>

The commerce sector points to recovery from June:

<https://www.eleconomista.es/empresas-finanzas/noticias/11106972/03/21/El-sector-del-comercio-apunta-a-la-recuperacion-a-partir-de-junio.html>

Information from the Spanish Chamber of Commerce on COVID:

<https://www.camara.es/camara-de-espana-coronavirus>

Reports from the Banco de España on the impact of COVID-19 on the Spanish economy:

<https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/IntervencionesPublicas/Gobernador/hdc010720.pdf>

OECD information on COVID-19 and retail sector: impact and political responses:

<https://www.oecd.org/coronavirus/policy-responses/covid-19-y-el-sector-minorista-impacto-y-respuestas-politicas-886315e6/>