

**28**  
number

# | 2022 economic report



CAMBRA  
DE COMERÇ  
INDÚSTRIA I SERVEIS  
D'ANDORRA

With the support of



**Andorran Banking**  
Associació de Bancs Andorrans

**EDITED BY**

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and Services of Andorra

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# 2022 | economic report



CAMBRA  
DE COMERÇ  
INDÚSTRIA I SERVEIS  
D'ANDORRA

## PRELIMINARY NOTE

In accordance with Article 16 of the Law of the Andorran Chamber of Commerce, Industry and Services, the Chamber is obliged to prepare, publish and transmit annually to the Andorran government an economic report that describes the development in and prospects for economic activities inside Andorran territory.

The preparation and collection of the data that appear in this report has involved contributions from companies, which collaborate with the Chamber by answering the periodical overall surveys, and also from the central government, Comu governments and other institutions and business associations which, through their provision of information, make our work possible and simpler. To all these, we would express our thanks, in the confidence that our work will be of use for understanding the economic reality of our country.

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# 2022 AT A GLANCE



## ESTIMATED POPULATION



*The population of Andorra reached a record high*

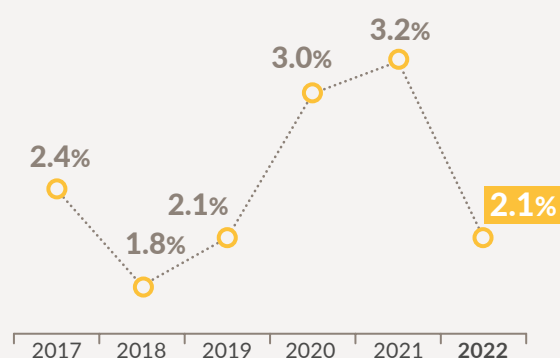


**+2.6%**

Variation compared to 2021

*The increase in population was led by foreigners, who already represent 52.4% of the total*

## LABOUR MARKET



*The unemployment rate falls close to record lows*

**49,775** >

Number of employed



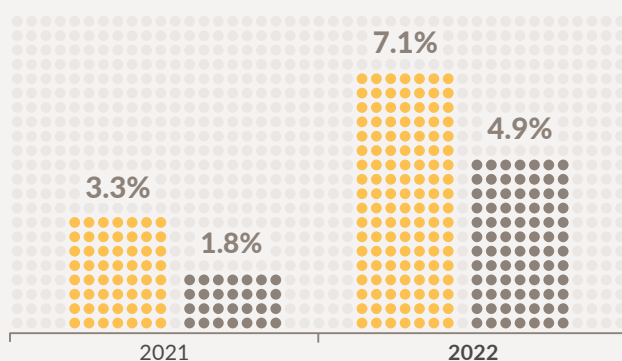
**+3.4%**

Variation compared to 2021

*Employment grows at the strongest rate in the last four years*

## INFLATION & WAGES

INTERANNUAL VARIATION



● Inflation ● Average wage

*Wages accelerate but grow below inflation*

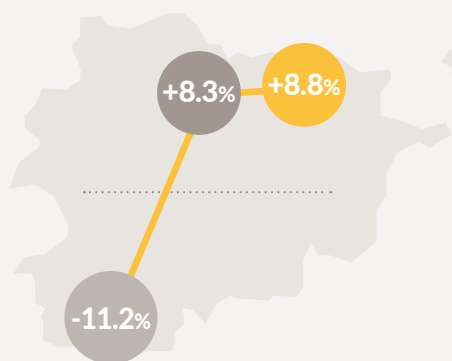


## REAL GDP

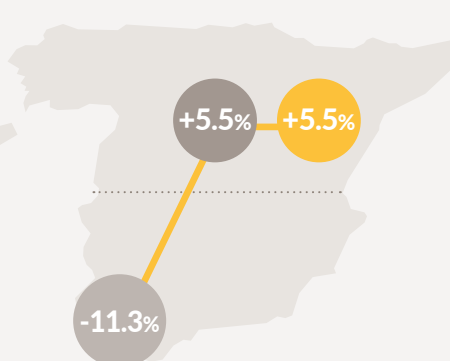
INTERANNUAL VARIATION

● 2020 ● 2021 ● 2022

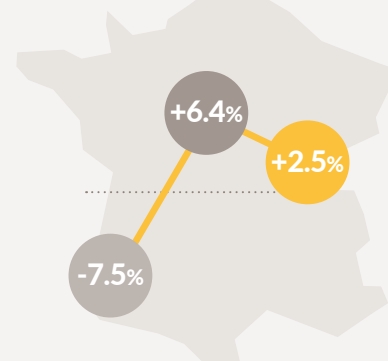
## ANDORRA



## SPAIN



## FRANCE

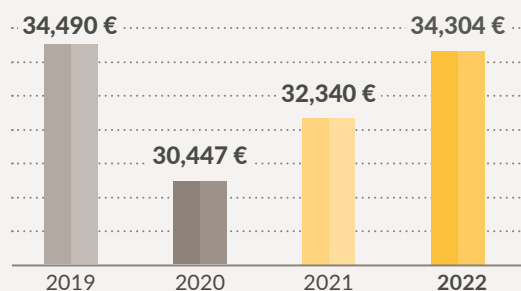


*The Andorran economy is growing more than its neighbouring countries and has already passed the pre-pandemic level*



GDP PER CAPITA

34,304 €

↑ +6.1%\*


\* Variation rate in real terms compared to 2021 | BASE YEAR 2010



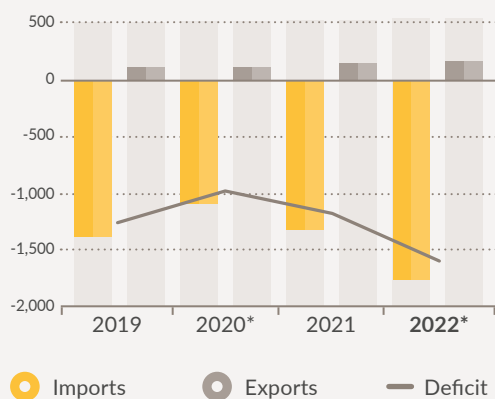
## TRADE DEFICIT

MILLIONS OF EUROS



**-1,601.66\***  
millions of euros

*The trade deficit reaches a historic high*

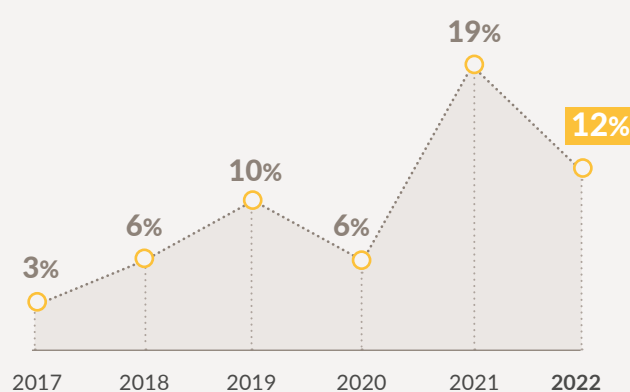


\* Excluding the entry for works of art and antiques because it saw an extraordinary increase in 2020 and 2022 which distorts the global result.



## FOREIGN INVESTMENT

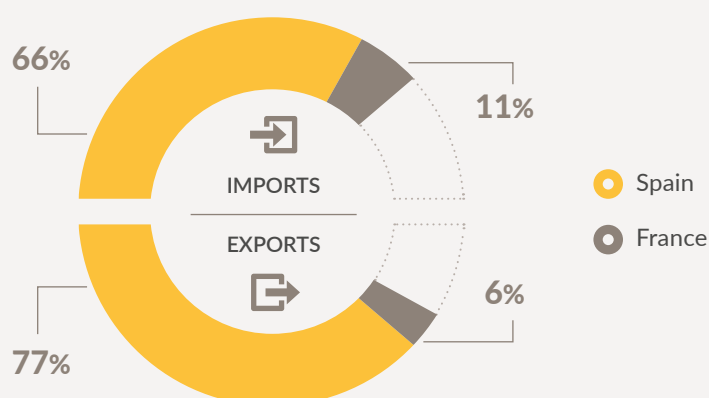
% OF GDP



*Second highest figure for foreign investment since the record in 2021*



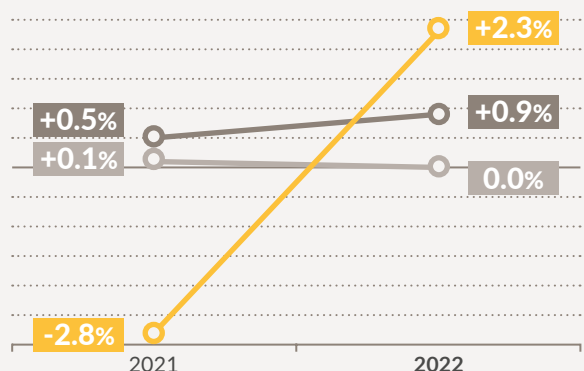
## FOREIGN TRADE WITH FRANCE AND SPAIN



*Spain strengthens its position as supplier to Andorra*

## PUBLIC BALANCES

% OF GDP



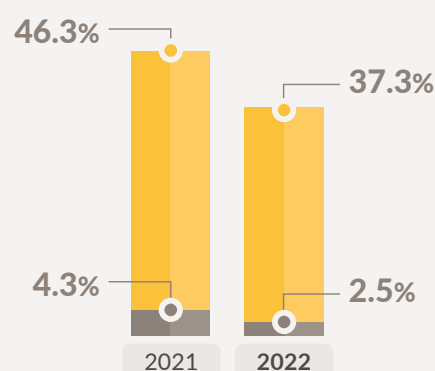
Central government Comú governments CASS

*The central and Comú governments obtained a surplus in 2022*

## DEBT PER PUBLIC AUTHORITY

% OF GDP

*Public debt shrank to about 40% of GDP*

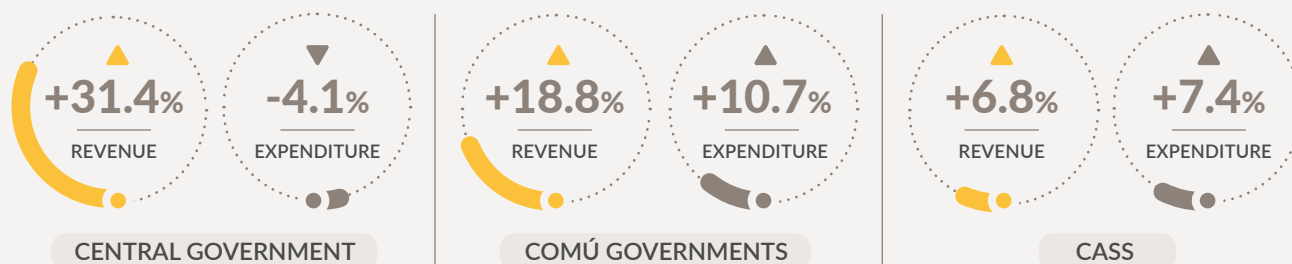


Central government Comú governments\*

\*Consolidated debt

## NON-FINANCIAL REVENUE AND EXPENDITURE

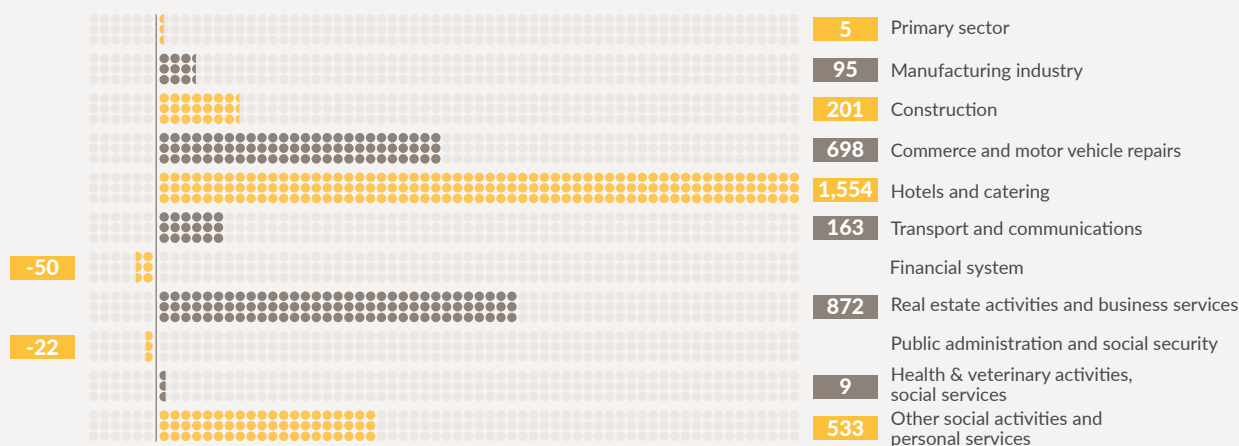
INTERANNUAL VARIATION



*Tax revenue has grown strongly*

## EMPLOYEES BY SECTOR

VARIATION IN THE NUMBER OF PEOPLE BETWEEN 2021 AND 2022

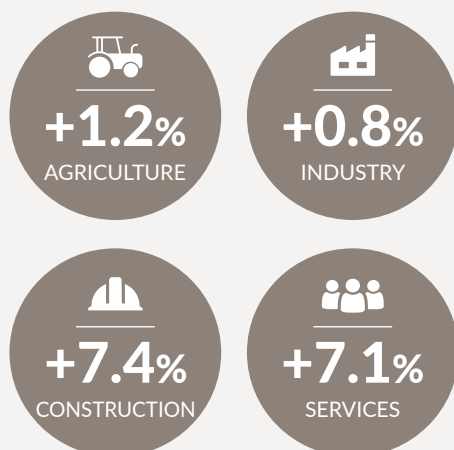


**+42.7%**

*Strong job creation in hotels and catering*

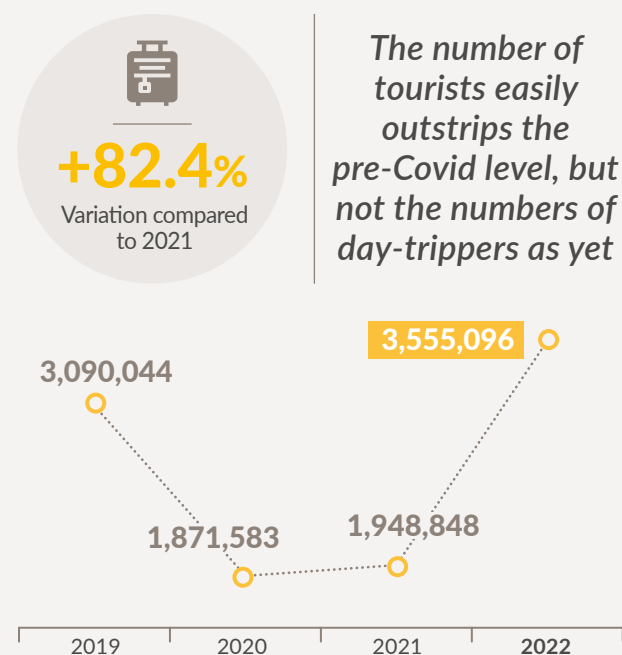
## GVA BY SECTORS

INTERANNUAL VARIATION RATE IN REAL TERMS



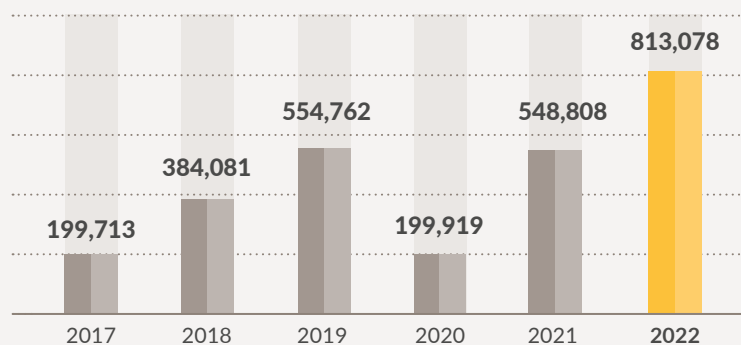
*Construction and services, the driving forces behind growth*

## NUMBER OF TOURISTS



## APPROVED SURFACE AREA

M<sup>2</sup>



**+48.2%**  
Variation compared to 2021

*The surface area of approved works reaches the highest figure since 2003*

# Introduction

---

This year, the Chamber of Commerce, Industry and Services of Andorra presents the twenty-eighth edition of the annual Economic Report of Andorra, providing an in-depth study of the most notable economic developments in 2022, both inside and outside Andorra, with a special section on each of the main sectors of the economy and an analysis of the prospects for 2023.

After a historic decline in global economic activity in 2020, as a result of the Covid-19 pandemic, and just when the economy was on the road to full recovery, the outbreak of war in Ukraine in February 2022 unleashed a serious energy and supply crisis which pushed up inflation around the world, impacting on global growth.

This high inflation led central banks around the world to implement interest rate rises with an eye to moderating economic activity and slowing price rises. So, the world's Gross Domestic Product (GDP) grew 3.5% in 2022, representing a major slowdown in comparison with the growth recorded in 2021.

Among the developed economies, the slowdown in GDP in the USA was notable, with a growth rate that was clearly below that of the Eurozone, something that had not happened since 2017. The European economy appeared resilient, due to the favourable trend in the labour market, which continued to create employment at a good pace, and the fiscal measures taken by governments to help families and businesses cope with inflation.

Within this context in 2022, the Andorran economy consolidated the recovery begun in 2021, with intense growth that exceeded that of the previous year and was also higher than that of the neighbouring economies of Spain and France. This good economic progress was reflected in the positive trend in the great majority of indicators of activity and demand. In particular, the two-figure increases in the number of visitors and imports were remarkable. In parallel, there was a clear improvement in the labour market situation, with a rise in employment.

Andorran GDP growth in real terms was 8.8% in 2022, higher than the 8.3% of 2021 and comparable to the dynamism observed in the years before the financial crisis. So, Andorran real GDP exceeded the pre-pandemic level, although still not in terms of real GDP per capita.

By major sectors of activity, note the high dynamism seen in construction, the second most important sector of the economy. Services, the main driving force of Andorra's economy and representing about 86% of Gross Value Added (GVA), also grew very strongly. The contribution from industry and the primary sector, which are activities with a lower percentage of total GVA, was much more modest, with very small increases in GVA.

Within services, the good performance of this sector was led by the activities most affected by the pandemic, tourism and commerce. These activities were largely propelled by the strong recovery in numbers of visitors to the country, which increased 55.4% to 8.4 million, exceeding pre-pandemic figures. Equally, the Chamber's surveys reflect a clear improvement in business opinions on the trend in business activity in the hotel sector in 2022. This confirms that tourism was the main driver of the Andorran economy in 2022.

Commerce also followed a clear pattern of recovery. The positive trend is demonstrated by the increases in numbers of establishments, numbers of employees and electricity consumption, as well as strong growth in the volume of imports without fuels – while recognising that part of the

increase in trade flows can be explained by price rises. Moreover, the Chamber's surveys have shown an improvement in business activity and rises in sales figures and investment.

Along the same line, financial, real estate, professional and technical activities have seen a pretty positive performance, with an estimated increase in GVA of 5.4%, added to the strong growth recorded in 2021. Remember that this branch of services is the most important in the economy, representing more than 37% of total GVA.

As for the specific case of the banking sector, the trend in 2022 was very positive, with 16.3% growth in the aggregate profits of all this country's institutions, favoured by a dynamic economy and rising interest rates. This increase was also accompanied by a 3.6% increase in the volume of assets under management. The improvement in the interest margin caused by the European Central Bank raising the interest rate helped to raise the profitability ratio of the banking sector's own resources to 7.57%, while the downward trend in the default rate continued. The institutions have sound balance sheets with solvency and liquidity ratios that are above the European bank average.

In the public sector, the end of the pandemic enabled the Government to continue the strategy of reducing public spending which started in 2021. Public sector actions took the form of a further reduction in central and Comú government current transfers which, in aggregate terms, was greater than in the previous year. In contrast, government operating costs and real investment increased overall, more than they did in 2021. In parallel, tax revenue grew strongly. Consequently, the central government went from a situation of deficit in 2021 to obtaining a budget surplus of 2.3% of GDP in 2022. Equally, the Comú governments increased their surplus by four tenths to 0.9% of GDP.

After this good financial year in 2022, the prospects for economic growth in Andorra in 2023 indicate slower economic growth, mainly held back by the impact of inflation on demand and rising interest rates, and also by the loss of momentum in the Eurozone.

Accordingly, GDP data for the first quarter of 2023 show a positive trend in the economy, with growth of 3.5% year on year in real terms (according to the first published estimate, still under review), which represents a slower rate of growth than the 5.2% recorded in the fourth quarter of 2022. The tendency towards moderating growth in Andorran economic activity is also reflected in the trend in the main available indicators of activity for the first few months of 2023, although the increases are still quite significant and indicate that the economy continues to grow at a strong pace.

In this context, one of the main concerns for the next few months is the loss of momentum in consumption due to steeply rising prices, but also the impact on activity of toughening finance conditions and the weakening external context – internationally and especially in Europe. These factors will continue to influence the progress of the Andorran economy in 2023 and limit its capacity for growth.

On the other hand, the lever that contributes most to growth will continue to be tourism. Developments in neighbouring countries, especially Spain, will be another factor supporting the Andorran economy. Spain is again one of the European countries with the best prospects for 2023. All in all, indications are that Andorran economic growth will be positive in 2023 but lower than in the previous year.

Within this relatively favourable economic situation, the Andorran economy must also continue to face structural challenges in 2023. The development of policies that improve productivity and

competitiveness within the fields of digitalisation, human capital, innovation and research, the energy transformation, etc., are still essential to encourage modernisation of the economy and drive sustainable economic growth and job creation in the medium and long term. The Chamber maintains its commitment to these goals and will continue to work alongside businesses to detect changes in their needs and communicate their requirements to the public authorities, as an advisory body.

Finally, once again, I would like to express the Chamber's gratitude to all the Andorran businesses that periodically answer the situation surveys; the internal and external staff who meticulously compile and analyse the information provided by the institutions, and the national associations and media who circulate the content of this document. We trust that this new edition of the report will help all those who hope for a better Andorra to find the information they need, in order to make the best possible decisions towards achieving it.

**Josep M. Mas Torres**  
President

# External environment of the Andorran economy

## I. International economy

### 1. Main features of economic development in 2022

After a historic fall in global economic activity in 2020 due to the Covid-19 pandemic, and just when the economy was on the road to full recovery, the outbreak of the war in Ukraine in February 2022 unleashed a serious energy and supply crisis which pushed up inflation around the world, impacting global growth.

The Russian invasion of Ukraine and the sanctions imposed on Russia by the western economies have led to substantial increases in the prices of commodities, oil, natural gas and some foodstuffs (sunflower oil, wheat, maize), causing inflation to rise considerably in much of the global economy. Subsequently, at different rates and intensities according to the country, these increases influenced other consumer products, so that the trend in underlying inflation also rose in 2022.

On the one hand, high inflation has led the central banks around the world to adopt a countercyclical policy (interest rate rises) to moderate economic activity and therefore the upward pressure on prices. On the other hand, most states have used their fiscal margin for manoeuvre to cushion the impact of rising prices on their population, partly offsetting the effect of the monetary policy.

**2022 was marked by high inflation and interest rate rises.**

According to the International Monetary Fund (IMF), world Gross Domestic Product (GDP) has grown 3.5% in 2022, representing a major slowdown in comparison with the growth recorded in 2021 (+6.3%), but not as significant as initially expected. In fact, the economy has appeared resilient in the face of one of the most important inflationary episodes in history, as the growth seen in 2022 is in line with the average over the period before the pandemic.

Although, in 2022, inflation reached levels not seen in recent decades, in the last quarter there were signs of moderation in the prices of natural gas and oil. The prices of food commodities and metals also stabilised at the end of the year. Moreover, the improvement seen in the bottlenecks that were affecting the global supply chains since the start of the pandemic and the fall

***Towards the end of the year, the supply crisis and inflation surge eased.***

in transport costs also helped to slow down inflation to some extent, especially notable in the USA and the European economies that are less dependent on Russian oil. In the USA, year-on-year inflation rose to 9.1% in June, but

since then, began to fall, reaching 4.0% in May 2023. In the Eurozone, inflation reached a high in October, of 10.6%, and slowly decreased to 6.1% in May 2023. In the developing economies, inflation increased more significantly in areas that are more dependent on Russian energy. On the other hand, in the Asia-Pacific economies, the inflationary effect was lower and only a moderate increase in food prices was recorded. Cooling growth in China due to the zero-Covid policy also resulted in lower inflation in that region.

## Accumulated savings, the dynamic labour market and international trade sustained the economy.

credit due to the contractionary monetary policies, slowed growth in household consumption and business investment. But the dynamic labour market and accumulated household savings, especially those with medium and high incomes, in the years of the pandemic (2020 and 2021), partly offset the impact of inflation and kept growth in internal demand positive. To this was added the good performance of the global trade in goods (+5.2%) and the recovery in tourism flows, which especially benefited economies with a major bias in the tourism sector, such as the Spanish economy.

One of the factors explaining why the economy resisted the onslaught of inflationary pressures better than expected in 2002 are the economic policy measures adopted to combat the effects of the pandemic that were still in place, combined with the aid approved by countries to offset the impact of surging inflation. Within Europe, the European Commission extended the temporary easing of the EU Stability and Growth Pact fiscal rules in 2022, allowing members states to take on debt without restrictions. Moreover, the European Commission authorised the first packages of NextGenerationEU funds for member states, containing 806,900 million euros<sup>1</sup> for the 2021-2027 period and representing the first European fiscal instrument financed by joint European debt. The aim of these funds is to stimulate environmental sustainability, promote the digital transformation and mitigate the economic and social impact of the pandemic. Added to these European-based measures are those that were introduced by members states which focus on reducing the effect of rising energy costs on households and businesses (tax breaks, transport discounts and direct aid to the most affected groups, among others). All these initiatives have played in favour of economic growth but also detracted from the anti-inflationary goal of monetary policy.

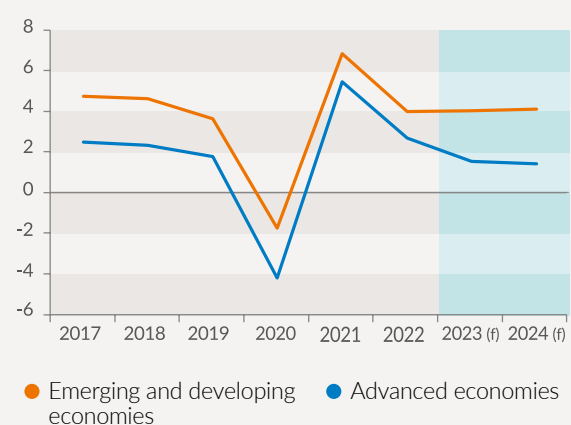
Growth in the world economy in 2022 was uneven by regions. So, advanced economies saw more moderate GDP growth (+2.7%) than in emerging and developing countries (+4.0%). In the latter group, note the major slowdown in activity in China (from +8.4% in 2021 to +3.0% in 2022), mainly due to the zero-Covid policy and problems linked to the real estate sector, as well as the significant moderation in growth in emerging countries of Europe due to the impact of the war in Ukraine (+7.3% in 2021 and +0.8% in 2022). As for the Middle East and central Asia, GDP increased 5.4% in 2022, being the only region to see higher

The inflationary process and consequent rise in interest rates around the world resulted in a slowdown in economic activity in 2022. The falling purchasing power of wages, caused by inflation, together with more expensive

## Measures to combat the effects of the Covid-19 pandemic and inflation contributed to economic recovery in 2022.

### GLOBAL GDP GROWTH

Annual variation rates at constant prices, in %



f: IMF forecasts (July 2023).

Source: IMF.

<sup>1</sup> Total at current prices (€750,000M at 2018 prices). The most important part of this package is the Recovery and Resilience Facility, with a budget of €723,800M (at current prices). Of the total amount, €338,000M will be non-returnable transfers and €385,800M will be loans.

growth than in the previous year (+4.4%). The reason is the upward trend in oil prices, which has benefited oil-exporting countries such as Saudi Arabia, Iraq and Iran. Finally, the block of Latin America and the Caribbean saw growth of 3.9% which, despite being lower than the 7.0% of the previous year, is considered to be a relatively positive rate, thanks to the good trend in prices of commodities, of which it is a major exporter.

**The slowdown in the Chinese economy limits the growth of emerging economies.**

GDP GROWTH - Annual variation rates, in %

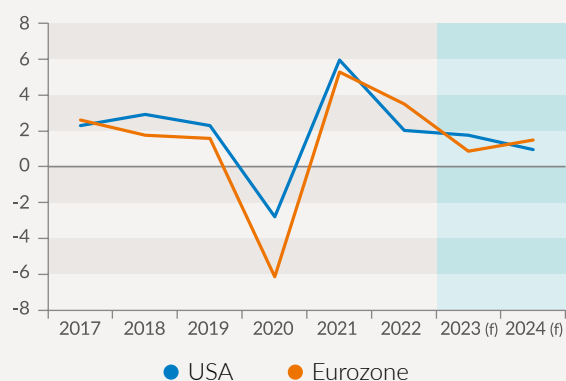


Chart 1.2

f: IMF forecasts (July 2023).

Source: IMF.

**The Eurozone economy grew more than that of the USA.**

In the group of developed economies, the slowdown in GDP in the USA was notable, going from growth of 5.9% in 2021 to 2.1% in 2022, clearly below the Eurozone growth estimated by Eurostat (+3.3%), something which had not happened since 2017. The two main factors that explain this lower economic growth in the USA are private consumption (+2.8% in 2022, well below the +8.3% in the previous year) and investment (-0.5% in 2022); these components were affected by the significant rise in interest rates, which was higher in the USA than in the Eurozone in 2022. Equally, the US labour market is showing great resilience, as demonstrated by the US unemployment rate falling to 3.5% in December 2022, the lowest in the last two decades, which is helping to maintain the high inflationary pressures due to the upward trend in wages. Finally, the reduction in the public deficit was very significant (from 12.1% of GDP

in 2021 to 4.2% in 2022, according to the Organisation for Economic Cooperation and Development, OECD), which occurred as a result of the withdrawal of the major economic incentives available to businesses and citizens during the pandemic and also due to the effect of the GDP rise on the ratio.

In 2022, the Eurozone economy slowed less than that of the USA, thanks to lower interest rates and the support of both the NextGenerationEU funds and the fiscal plans approved by member states. According to Eurostat, GDP in the Eurozone-19 grew 3.3% in 2022, compared with 5.4% in 2021. Despite the high dependency on Russian gas and oil, the Eurozone stocked up reserves and substituted Russian gas with liquid gas from the USA, mainly, thereby avoiding supply risks for winter 2022-2023.

**The European economy appears resilient, thanks to the good trend in the labour market.**

Despite the difficulties, the European economy has shown itself to be resilient in 2022, through the good trend in the labour market, which continued to create jobs at a good pace – the unemployment rate of the Economic Monetary Union (EMU) reached a historic low of 6.7% in December – and the fiscal measures taken by the governments to help households and businesses to cope with inflation. Although these measures were effective for mitigating the effect of inflation on activity, the international organisations have demanded that they be temporary and focus on the groups impacted most negatively, especially if they might compromise public debt sustainability.

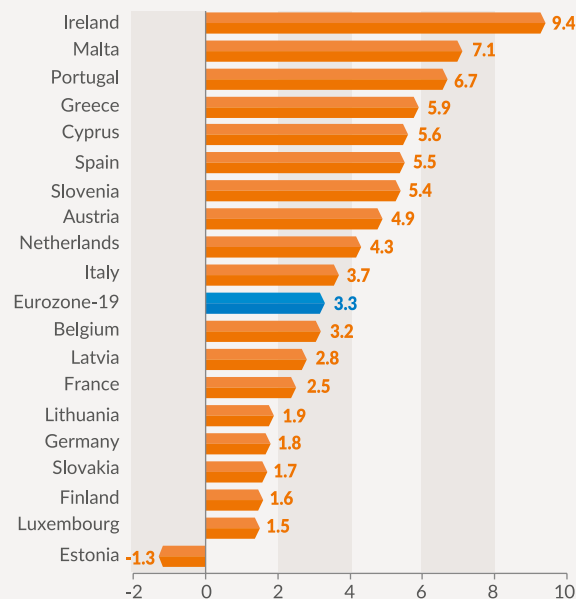
According to Eurostat, growth in 2022 was especially strong – over 5.5% – in Ireland, Malta, Portugal, Greece, Cyprus and Spain. But of these countries, it was only equal or higher than



## GDP GROWTH IN EUROZONE COUNTRIES. 2022

Annual variation rates, as %

Chart 1.3



Source: Eurostat.

in the previous year in Spain and Portugal. On the other hand, it grew below the Eurozone average in countries such as France (+2.5%) or Germany (+1.8%).

**Inflation reached figures that had not been seen in decades.**

The inflation rates rebounded notably in 2022, due to the outbreak of war in Ukraine, although prices started to climb in early 2021. The origin of this inflationary process can be explained by the major rise in energy and commodity prices, both basic foodstuffs (cereals, oil, meat, etc.) and metals (iron, copper, aluminium, nickel, etc.), although this later affected all other products. On annual average, Eurozone inflation was 8.4% in 2022, compared with 2.6% in the previous year. The underlying rate of inflation (excluding volatile components such as energy and unprocessed food) also saw a strong increase (from 1.5% to 4.8%) and ended

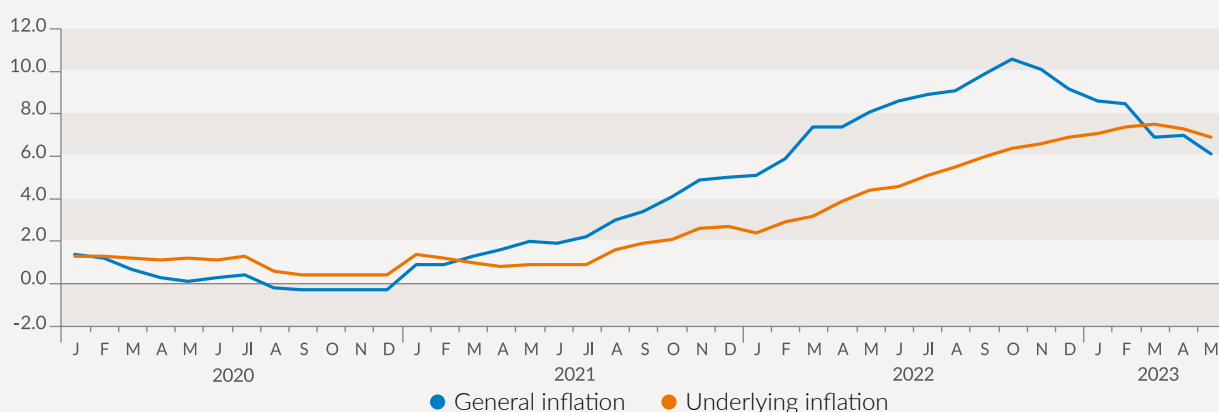
up well above the European Central Bank (ECB) monetary policy target (2%). The main Eurozone economies saw annual inflation rates that had not been seen in decades, including Italy (8.7%), Germany (8.7%), Spain (8.3%) and France (5.9%).

To combat inflation, the central banks resolutely increased the nominal interest rates throughout 2022. The US Federal Reserve began its restrictive policy before the European Central Bank (ECB). Between March 2022 and July 2023, the Federal Reserve made eleven rate rises, putting them at 5.25-5.50%, the highest level in 22 years. The ECB made nine consecutive rises between July 2022 and July 2023 and fixed the official rate at 4.25%. At the same time, the ECB reduced its unconventional monetary policy. In March 2022, the Pandemic Emergency Purchase Programme (PEPP) ended, a massive

**The central banks toughened their monetary policy to combat high inflation.**

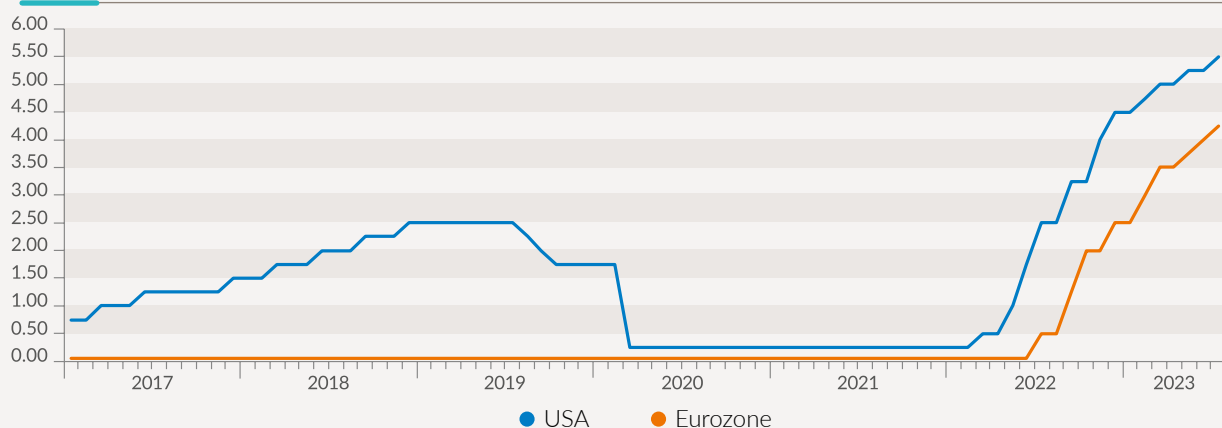
## TREND IN EUROZONE HARMONISED CONSUMER PRICES - Interannual variation rate, in %

Chart 1.4



Source: Eurostat.

## OFFICIAL INTEREST RATES IN THE USA AND EUROZONE - As %



Source: Federal Reserve and ECB.

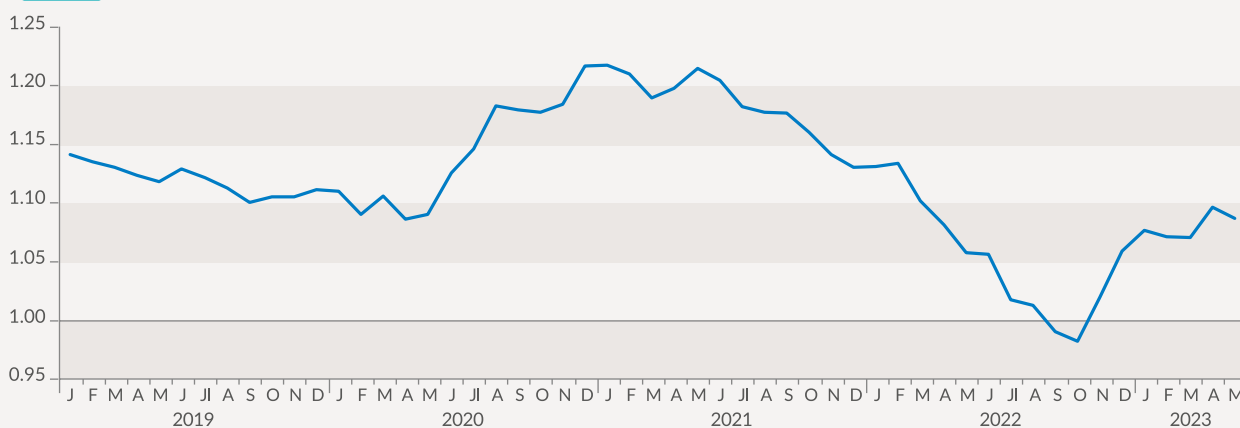
sovereign and private debt-purchasing programme approved during the pandemic (for a total amount of 1.85 billion euros), and in July 2022, the Asset Purchase Programme (APP) ended, which had been implemented during the 2010 sovereign debt crisis.

Public finances were strongly affected by the 2020 pandemic and, since then, have corrected gradually. The public debt has gone from a maximum of 7.1% of GDP in 2020 to 3.6% in 2022. The reduction in the deficit that occurred in the last year is the result of the decreasing GDP percentage of expenses (from 52.6% to 50.8%), as income shrank slightly (from 47.3% to 47.1%). The Eurozone countries with the highest public deficits (above 4%) are: Italy, Malta, Spain, France and Latvia. Remember that the European Commission has extended the suspension of fiscal rules setting a limit of 3% on the public deficit until 2024, since the priority is to continue supporting the recovery in growth.

**The Eurozone public deficit continued to moderate to 3.6% of GDP.**

In 2021 and until the autumn of 2022, the euro followed a downward trend in comparison with the dollar. The dollar/euro exchange rate fell below parity in September and October 2022. This weakness in the European currency is largely due to the differences between the monetary policies of the Federal Reserve and the European Central Bank, and also the search for a safe haven asset (the dollar) in times of economic uncertainty. With the start of the armed conflict,

## \$/€ EXCHANGE RATES



Source: ECB.

the euro continued to weaken, as the war was expected to have a greater impact on the Eurozone economy than on the US economy. Added to this is the steep rise in interest rates in the USA, which started earlier and has been stronger than in the EMU, encouraging investors to buy US public debt denominated in dollars. But, since November, the swift increase in Eurozone interest rates has led to significant appreciation of the euro which, by the end of the year, was priced at \$1.06, only 6% below December 2021 (\$1.13/€).

**In 2021 and much of 2022, the euro depreciated against the dollar.**

The rise in oil prices in 2021 and part of 2022 was a consequence of the strong economic recovery seen throughout the world and also the Ukraine war, after suffering a historic fall during the toughest months of the pandemic (first and second quarters of 2020). The price of oil reached \$122.7 per barrel in June, a level that had not been seen since 2012. Once the initial uncertainty caused by the outbreak of war was overcome, there was a downturn in oil prices towards the prices prior to the Russian invasion (around \$80/barrel).

**The stock markets continue to fall, except in the last months of the year.**

The capital markets continued the downward trend begun in 2021 for a good part of 2022, as financial conditions toughened due to the central banks raising interest rates, with

**OIL PRICES - \$ per barrel of Brent**



Source: Energy Information Administration of the US Government.

## IMF ECONOMIC OUTLOOKS FOR THE GLOBAL ECONOMY

	2021	2022	FORECASTS	
			2023	2024
<b>Global GDP</b>	<b>6.3</b>	<b>3.5</b>	<b>3.0</b>	<b>3.0</b>
<b>Advanced economies</b>	<b>5.4</b>	<b>2.7</b>	<b>1.5</b>	<b>1.4</b>
USA	5.9	2.1	1.8	1.0
Eurozone	5.3	3.5	0.9	1.5
Germany	2.6	1.8	-0.3	1.3
France	6.4	2.5	0.8	1.3
Italy	7.0	3.7	1.1	0.9
Spain	5.5	5.5	2.5	2.0
Japan	2.2	1.0	1.4	1.0
United Kingdom	7.6	4.1	0.4	1.0
Canada	5.0	3.4	1.7	1.4
<b>Emerging and developing countries</b>	<b>6.8</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
Sub-Saharan Africa	4.7	3.9	3.5	4.1
Emerging European economies	7.3	0.8	1.8	2.2
Russia	5.6	-2.1	1.5	1.3
Developing Asia	7.5	4.5	5.3	5.0
China	8.4	3.0	5.2	4.5
India	9.1	7.2	6.1	6.3
Middle East and Central Asia	4.4	5.4	2.5	3.2
Latin America & Caribbean	7.0	3.9	1.9	2.2
<b>World trade (goods and services)</b>	<b>10.7</b>	<b>5.2</b>	<b>2.0</b>	<b>3.7</b>

Source: IMF, July 2023.

a negative impact on risk asset prices. Now, in the last months of 2022, thanks to the better behaviour of inflation, the pace of interest rate rises slowed and this resulted in a recovery in the main stock market indexes. Over the year as a whole, the US Dow Jones lost 10.7% and the European Euro Stoxx 12.4%.

## 2. Prospects

2023 will be a year of weak economic growth on a global scale due to the economic disturbances in 2022, which largely continue within a context of major geopolitical uncertainty. Despite the fall in general inflation, toughening financial conditions will help to slow demand and moderate economic growth will be seen, well below its potential. However, forecasts do not indicate that the larger developed economies might enter recession, except Germany (-0.3% in 2023, according to the IMF).

GDP growth in the USA continued to slow down in the first quarter of 2023 due to the significant interest rate rises, with quarterly growth of 0.5%, compared with 0.6% in the previous

***The US economy slows down but consumption is still strong.***

quarter. However, the moderation in growth can mainly be explained by contraction in the variation in stocks and a slowdown in non-residential investment, only partly offset by acceleration in private consumption and exports and a smaller decline in residential investment. These data reflect that the US economy is still showing resilience, thanks to the strength of the labour market, which has boosted wages and consumption. Despite the economic slowdown, the OECD predicts that the US economy will grow 1.6% in 2023 and 1.0% in 2024, that average inflation will fall to 3.9% in 2023, and that the unemployment rate will reach 3.7%, only one tenth more than in 2022, when it reached a historic low. Finally, the public deficit is expected to increase almost one percentage point to 5.1% of GDP.

In the Eurozone, the data show that the economy stagnated in the first quarter, after seeing a slight contraction of 0.1% in the fourth quarter of 2022, and has therefore avoided a technical recession.

***The European economy avoids a technical recession in the first quarter.***

However, the performance varies according to country. Among those with growth are notably Spain (+0.5%), Italy (+0.6%) and especially Portugal (+1.6%), while France progressed 0.1%. In contrast, the German economy shrank

0.1%. The results of the first quarter can be explained by the negative contribution from internal demand, which was only partially offset by the positive contribution from the foreign balance. However, this negative GDP growth contrasts with employment growth, which has been 0.6% since the fourth quarter of 2022.

The forecasts by the three most important international bodies (OECD, IMF and European Commission) point to an increase in GDP of around 1% for the whole of 2023 and around 1.5% in 2024. General inflation, for its part, will decline due to falling energy prices, but underlying inflation could remain higher than estimates, depending on how wages evolve. This is how the OECD forecasts project it, indicating general inflation in the Eurozone of 5.8% in 2023 and 3.2% in 2024.

In summary, the world has again suffered a profound and transformative shock from the war between Ukraine and Russia, just when we were recovering from the global economic collapse caused by the pandemic. In general terms, inflation will continue to influence economic trends but with a tendency to moderate its impact as it decreases. The main risks to economic prospects

## OECD ECONOMIC PROSPECTS FOR THE MAJOR DEVELOPED COUNTRIES

Table 1.2

	GDP % annual variation			INFLATION <sup>(1)</sup> % annual variation			UNEMPLOYMENT RATE <sup>(2)</sup> % active population			CURRENT ACCOUNT BALANCE % of GDP			PUBLIC DEFICIT % of GDP		
	2022	2023f	2024f	2022	2023f	2024f	2022	2023f	2024f	2022	2023f	2024f	2022	2023f	2024f
USA	2.1	1.6	1.0	6.2	3.9	2.6	3.6	3.7	4.4	-3.7	-3.3	-3.3	-4.2	-5.1	-5.1
Japan	1.0	1.3	1.1	2.5	2.8	2.0	2.6	2.5	2.4	1.9	2.0	2.0	-5.9	-5.3	-3.5
United Kingdom	4.1	0.3	1.0	5.9	5.3	3.2	3.7	4.2	4.5	-3.8	-3.9	-3.7	-5.2	-4.8	-3.5
Eurozone	3.5	0.9	1.5	8.4	5.8	3.2	6.7	6.7	6.6	0.7	2.4	2.6	-3.6	-2.9	-2.2
Germany	1.9	0.0	1.3	5.5	5.8	3.0	3.1	2.9	2.8	3.7	5.4	5.9	-2.6	-1.8	-0.8
France	2.5	0.8	1.3	5.9	6.1	3.1	7.3	7.2	7.2	-2.2	-1.6	-1.5	-4.7	-4.8	-4.4
Spain	5.5	2.1	1.9	8.3	3.9	3.9	12.9	12.8	12.4	0.6	4.0	3.6	-4.8	-3.5	-3.2
OECD	3.0	1.4	1.4	9.3	6.9	4.3	5.0	5.0	5.2	-1.1	-0.6	-0.5	-3.6	-3.6	-3.1

(1) For the OECD and the USA, the private consumption deflator was used.

(2) Unemployment rate calculated using national definitions, not harmonised.

nd: data not available.

f: forecasts.

Source: OECD, June 2023.

### The economic forecasts for 2023 and 2024 will depend on controlling inflation and the effectiveness of monetary policy.

are: escalation of the Ukraine war, which could again cause a rebound in prices of energy and food commodities; that central banks will fail to contain inflation (general and underlying), which would cause interest rates to be higher

for longer; that episodes of financial tensions like those in March will reoccur, and that developed countries will struggle to finance their high levels of public debt. Whether the economies experience only a slowdown in economic growth or a more negative scenario will depend on whether or not such risks materialise.

## French economy

### 1. Main features of economic development in 2022

In 2022, the French economy grew 2.5%, after growing 6.4% in 2021, so that by the end of 2022, GDP was 1% higher than at the end of 2019 (compared with about -1% in Spain and 0.6% in Germany). The pace of economic activity in France slowed in 2022 with respect to the previous year but, in general, maintained a much more positive tone than initially expected, although it followed a downward trend in the last part of the year.

**The French economy appears resistant to rising energy prices and grows 2.5% in 2022.**

Activity has shown itself to be resistant within a context that was impacted by constant tensions, mainly in relation to energy prices and supply chains. The impetus from energy savings, combined

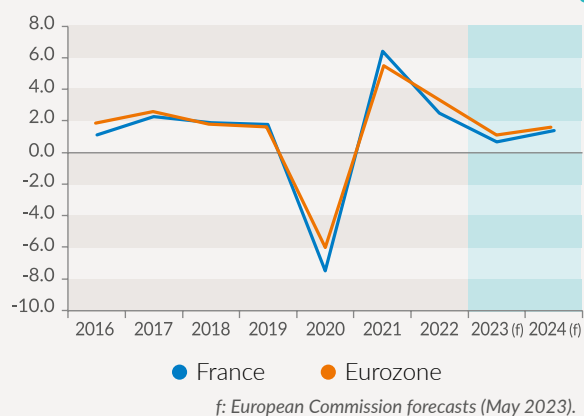
with milder-than-usual temperatures in winter, helped the French economy to remain resilient in the last months of 2022. Note that, as well as the production of coke and products distilled from oil, which was affected by the strikes in October, production in the manufacturing branches shrank only moderately, despite a significant fall in energy consumption by businesses in the sector. Households also showed positive consumption behaviour thanks to the good labour market dynamics, the measures taken to sustain purchasing power and the savings accumulated during the pandemic.

### Domestic demand explains GDP growth, while foreign demand made a negative contribution.

Regarding the contribution from the various components to the variation in French GDP in 2022, the expansion of domestic demand was the main explanatory factor, with a contribution of 2.3 percentage points (pp), added to which is an also positive contribution from inventories of 0.7 pp. For its part, foreign demand deducted 0.6 points from GDP growth. All the components of domestic demand have made a positive contribution and recorded a positive rate of a similar magnitude. So, private consumption – which represents 52% of GDP – increased 2.1%, and public consumption – which is 24% of GDP – 2.5%. Investment also increased, by 2.2%, after the strong recovery seen in the previous year (+10.3%). In contrast, foreign demand had a negative influence on GDP, unlike the previous year, due to stronger growth in imports of goods and services (+8.6%) than exports (+7.1%). The increase in energy imports, due to the temporary stoppage of some nuclear reactors, partly explains this trend. The deterioration in the trade balance helped to widen the current account balance deficit, from -0.4% of GDP in 2021 to -2.2% of GDP in 2022, according to the OECD.

Regarding the contribution from the various components to the variation in French GDP in 2022, the expansion of domestic demand was the main explanatory factor, with a contribution of 2.3 percentage points (pp), added to which

GDP GROWTH IN FRANCE AND THE EUROZONE - Interannual variation rates, as %



### The services sector leads growth in activity, while industry and construction shrink.

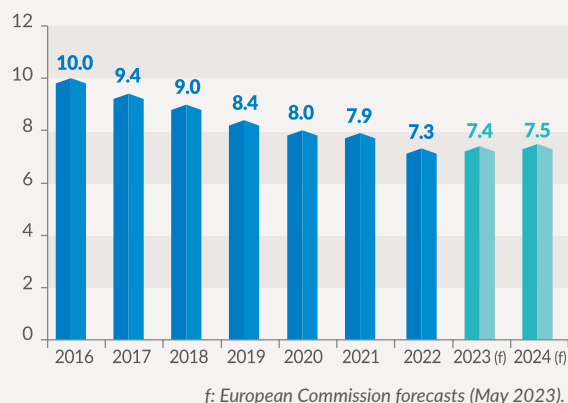
In relation to supply, services were the sector that contributed most to the positive trend in the economy in 2022, while industry and construction saw slight contractions (-1.5% in industry and -0.3% in construction), due to rising input prices and supply problems. Within services, the trend was uneven. The subsectors that saw the most significant increases were precisely those that suffered most from restrictions during the pandemic, such as cultural and recreational activities (+21.6% in 2022), and commerce, transport and hotels and catering (+4.4% in 2022). There was also strong growth in the sector of technology and communications (+6.2%) and professional and scientific activities (+4.8%).

### The unemployment rate continues to decline and reached the lowest historical value since 2008.

In 2022, the unemployment rate continued to decline, to reach 7.2% in the fourth quarter, i.e. 0.3 points below the level of one year before and the lowest percentage since 2008. Although employment and the workforce decelerated in the final part of the year, the number of employees in December was 1.3% higher than the figure one year earlier and also 4.5% above the level at the end of 2019 prior to the health crisis (almost 1.2 million additional jobs). For the year overall, the unemployment rate reached 7.3% and job growth 2.4%. The fact that, during the pandemic, the

## UNEMPLOYMENT RATE IN FRANCE As % of active population

Chart 2.2



Source: Eurostat.

labour adjustment was made by reducing the working hours rather than reducing numbers of staff – unlike in previous crises – explains the rapid recovery of the labour market in 2021 and 2022.

Although the direct exposure of France to energy supplies from Russia is limited, wholesale energy prices increased from the start of the war and influenced the rest of the prices in the basket of consumer goods, with added pressures from the impact of the European embargo on Russian oil in 2023, the major workforce shortage and the minimum wage indexation. The result was a rise in inflation (general and underlying) and in wages.

On the one hand, inflation saw an upward trend throughout the year, reaching a high of 7.1% in October and November, figures that had not been seen since the mid-eighties. On annual average, consumer prices in France increased 5.9% in 2022, a percentage that was much higher than that of 2021 (+2.1%) and also than the medium-term target of the ECB (+2.0%). Equally, the upward trend in prices was less than in the Eurozone overall (+8.4%). Underlying inflation, which better reflects the trend in core prices by excluding the volatile components (unprocessed food and energy), saw positive progress but more moderate than general inflation (+3.8% on annual average and +5.4% in December).

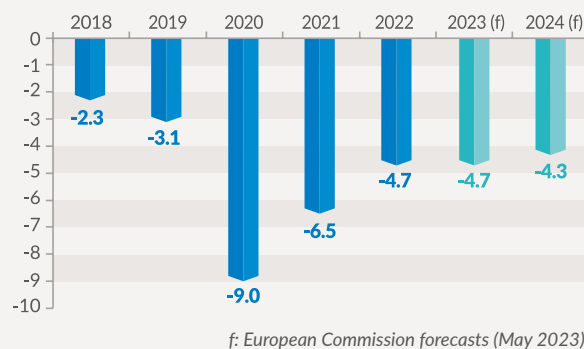
On the other hand, nominal wages per worker increased by 5%, a percentage that is higher than the 4.4% European average. This rise is much greater than that of labour productivity in businesses (+0.2%), which led to a loss of competitiveness of French businesses (in terms of real unit labour costs). Note that, on average in 2022, the purchasing power of employees slowed (+0.1% after +3.1% in 2021) in an unprecedented inflationary context. So, the increase in households' gross disposable income was similar to that in consumer prices, due to the support measures put in place in the second half of 2022 and also the dynamism in income from work and property.

The French government implemented important measures in 2022 to soften the impact of rising prices of energy and basic products. For example, it temporarily limited gas and electricity charges; increased energy consumption vouchers for the poorest households, and made a one-off, means-tested transfer to 38 million people.

The executive government also temporarily cut fuel tax; raised special conditional subsidies for businesses, and extended the loans guaranteed by the state. In July, faced with persistently high rates of inflation, the government approved another package of measures to protect citizens' purchasing power, which included the revaluation of pensions and other benefits by 4%, and 100-euro food cheques for vulnerable families. On the other hand, the implementation of the NextGenerationEU plan is providing support to growth in France, which will receive 40,000 million euros in European subsidies.

## THE FRENCH PUBLIC DEFICIT As % of GDP

Chart 2.3



Source: Eurostat.

The public deficit reached 124,900 million euros in 2022, representing 4.7% of GDP, after hitting 9.0% of GDP in 2020. As for public revenue, which represents 53.4% of GDP, this remained very dynamic (+7.3% in 2022 and +8.4% in 2021), thanks to the recovery of the French economy after Covid-19, and rising prices, which increase the bases (wages and business profits) of the main types of tax. As for public expenditure, which represents 58.1% of GDP, this rose to a similar rate to the previous year (+4%) mainly due to the increase in debt interest payments; increased remuneration of public employees, and the measures passed to help the groups most affected by rising inflation. Regarding the debt of the public administrations, according to the Maastricht definition, this fell slightly from 112.9% of GDP in 2021 to 111.6% in 2022.

**The public deficit shrank after the extraordinary increase due to the pandemic.**

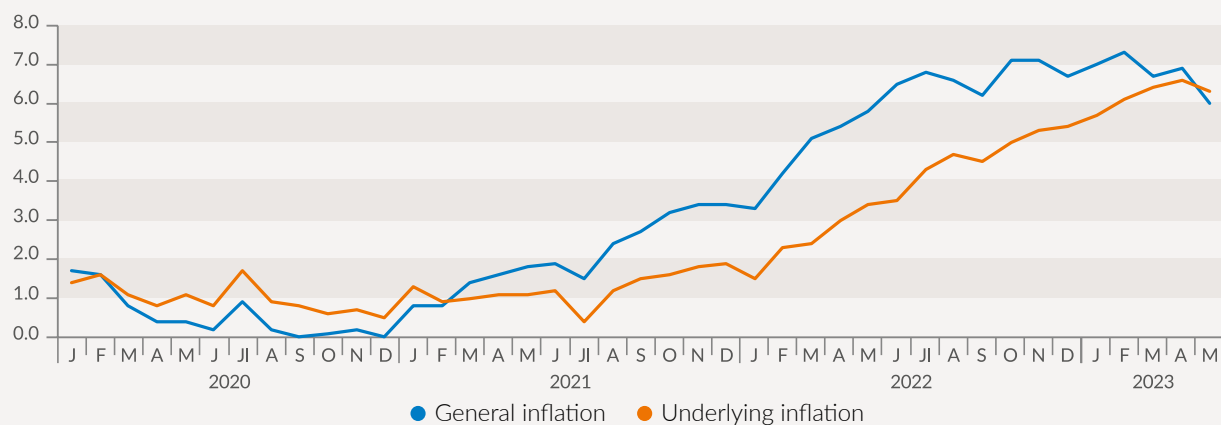
## 2. Prospects

One and a half years after the outbreak of war in Ukraine, and three and a half years after the first lockdown, one could say that western economies, including France, have resisted these shocks better than expected, but still run the risk of high inflation. However, not all countries are exposed to such challenges to the same extent. Within the Eurozone, France is probably less jeopardised than the countries that depended more on Russian gas before the war, so its economic prospects for 2023 and 2024 are somewhat more positive than those of other countries like Germany or the United Kingdom.

Early 2023 was characterised by a gradual easing of the supply chain problems and a reduction in energy prices, favouring a climate of greater confidence among businesses and households. Equally, French GDP grew moderately in the first quarter (0.1% quarter on quarter, exactly the same as in the fourth quarter of 2022). Moreover, the inflation rate fell modestly to 6.0% in May and the harmonised rate began to fall in the same month and reached 6.3%. Household consumption, which benefited from this drop in inflation and milder-than-usual weather in winter, remained stable, while investment fell slightly. In contrast, foreign trade made a positive contribution to GDP growth, because imports declined in this quarter while exports remained dynamic.

**In the first quarter of 2023, the French economy has seen moderate growth.**

THE CONSUMER PRICE TREND IN FRANCE - Interannual variation rates, as %



Source: Eurostat.



## Forecasts point to weak growth in 2023 and 2024, but rule out recession.

The forecasts published by the IMF, OECD and European Commission predict French GDP growth of around 0.8% in 2023 and 1.3% in 2024, much lower percentages than for potential growth in the French economy, and one tenth below the estimates for the Eurozone. All components of demand are expected to be affected to different degrees by the climbing interest rates, but the possibility of economic recession is ruled out. Apart from the geopolitical situation, these forecasts are still very dependent on the trend in inflation and the behaviour of households and businesses in this context. The constant strikes could also add uncertainty, but previous episodes of this kind have shown that although the effects could be significant in sectors that are affected directly (transport services, oil refineries, etc.) or even indirectly (e.g. accommodation services and catering), the macroeconomic impact is usually limited.

Even so, note that the forecast scenarios are subject to great uncertainty about the geopolitical situation around the war in Ukraine and the behaviour of prices, which will influence monetary policy.

### FRANCE. MAIN MACROECONOMIC AGGREGATES - Interannual variation rates

Table 2.1

	2020	2021	2022
<b>Components of demand</b>			
Private consumption	-6.6	5.1	2.1
Public consumption	-4.1	6.6	2.5
Gross fixed capital formation	-6.8	10.3	2.2
Domestic demand without inventories (a)	-6.1	6.7	2.3
Inventories (a)	-0.1	-0.6	0.7
Exports of goods & services	16.9	11.0	7.1
Imports of goods & services	-12.3	9.4	8.6
<b>Components of supply</b>			
Agriculture	-6.1	-4.4	7.5
Industry	-8.7	3.9	-1.5
Construction	-11.7	6.7	-0.3
Commerce, transport, hotels & catering	-13.1	8.0	4.4
Information & communications	-0.2	8.6	6.2
Financial activities	-4.1	14.2	-0.6
Real estate activities	-0.3	1.5	1.1
Scientific activities & professional services	-6.7	6.9	4.8
Public administrations, health & social services	-5.7	6.3	1.1
Cultural, recreational & other activities	-27.0	13.1	21.6
<b>GDP at market prices</b>	<b>-7.5</b>	<b>6.4</b>	<b>2.5</b>

(a): contribution to GDP growth at market prices.

Source: INSEE (demand) and Eurostat (supply).

23

## III. Spanish economy

### 1. Main features of economic development in 2022

For 2022 as a whole, Spanish GDP at current prices grew 10% against the previous year. However, in terms of volume, the economy recorded growth of 5.5%, identical to the previous year (+5.5%). The upward trend in the GDP deflator due to rising prices – which has reached record levels for the last four decades – explains this difference between the nominal and real variation rates.

The notable growth in GDP in the last two years has enabled the Spanish economy to approach the level of activity it was at before the pandemic (2019), after the major fall recorded in 2020 (-11.3%). But, although social and economic activities prior to the outbreak of Covid-19 normalised in 2022, the rate of economic growth moderated as the year progressed

**GDP grows 5.5% and approaches the level it was at before Covid-19.**

due to the impact of inflation and rising interest rates, from a year-on-year variation rate of 6.9% in the first quarter to 2.6% in the fourth.

The economic recovery impacted all economic sectors but at a different intensity. Services played a major role in the economic revival due to their relatively high importance (67% of GDP) and the major rebound seen in 2022 (+6.5%). Within services, the subsectors that saw the strongest

### Services linked to tourism and leisure lead growth in the Spanish economy.

growth were commerce, transport and hotels and catering, which increased 16.5% year on year in 2022 (and 15.6% in 2021, after falling 25.5% in 2020), and artistic and recreational activities (+13.8%). In contrast, gross value added (GVA) shrank 5.7% in financial activities; 1.4% in activities linked to public services (administration, health, education and social services), and 1.1% in agriculture. Industry, affected by the supply crisis, showed positive behaviour (+3%) but weaker than in overall GDP, and construction rebounded to 4.1% due to the reactivation of demand, despite rising building costs.

In 2022, the Spanish economy was one of those that grew most in the Eurozone, by 5.5%, easily better than the average for the Economic and Monetary Union (EMU) (+3.5%). This was largely the result of Spain's accumulated delay in the process of post-Covid recovery due to its strong dependence on the tourism sector - one of the sectors most crippled by the crisis. This improvement has already been reflected in this indicator in 2022.

The costs deriving from the considerable rise in inflation in 2022, together with the measures adopted by the European Central Bank to deal with this inflationary risk, have moderated the growth of the Spanish economy, but less than initially expected, which explains why the economic estimates were revised upwards, especially in the last part of the year.

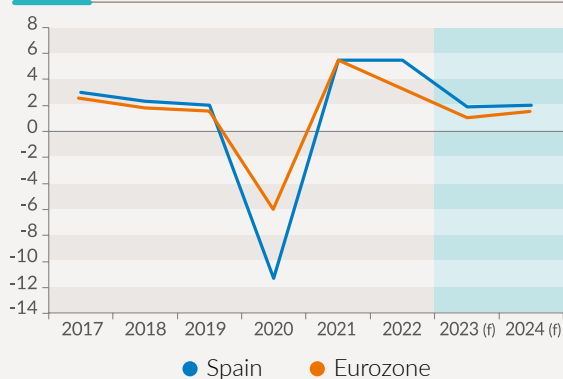
In 2022, both domestic and foreign demand made a positive contribution to GDP growth. On the one hand, national demand added 3.1 points to GDP growth, after 5.2 points in the previous year. On the other hand, foreign demand made a positive contribution of 2.4 points (0.3 points in 2021), thanks to the recovery in exports of both goods and services (tourism). Specifically, the inflow of foreign tourists reached 71.56 million in 2022, an increase of 129% against the previous year. This exceptional variation should be qualified in that foreign tourism is still 14.3% below the figure before Covid-19 (Spain received a historic high of 83.5 million foreign tourists in 2019). Finally, the Spanish economy ended 2022 with a surplus in the current account balance, for the tenth consecutive year, in this case 0.6% of GDP, a percentage that is still below the 2.1% achieved before the pandemic (2019).

Within domestic demand, private consumption was one of the main drivers of the economic recovery, especially in the first half of the year, since there were still pandemic restrictions in

growth were commerce, transport and hotels and catering, which increased 16.5% year on year in 2022 (and 15.6% in 2021, after falling 25.5% in 2020), and artistic and recreational activities (+13.8%). In contrast, gross value

### Spain recorded GDP growth that was much higher than in the Eurozone.

GDP GROWTH IN SPAIN AND THE EUROZONE - Annual variation rates, as %



f: European Commission forecasts (May 2023).  
Source: Eurostat.

### Domestic and foreign demand made a positive contribution, similar to GDP growth.

## Private consumption and investment grow at high rates.

the previous year. So, household consumption grew 4.5% in 2022 and, despite being lower than GDP growth (+5.5%), the importance of this component (representing 56% of GDP) meant that its contribution to GDP growth was 2.4 percentage points (practically half of the growth in the Spanish economy that year). In contrast, the trend in consumption by the public authorities was negative in 2022 (-0.7%), due to the major increase in public spending in the pandemic years, much of which has been reversed. Nevertheless, important measures were adopted in 2022 to offset the impact of rising energy and food prices on the most affected groups, for example the subsidy of €0.2/litre on fuel; the VAT reduction on the electricity bill, and direct aid to the most affected sectors. Moreover, a new line of credit was established, of 10,000 million euros (0.6% of GDP) for vulnerable businesses.

Investment also saw a very positive trend in 2022, with growth of 3.5%, although this was lower than the 5.9% recorded in the previous year. This dynamic is a clear sign of economic confidence and reflects the revival of a large number of the investment projects that were halted during the pandemic. Moreover, implementation of the NextGenerationEU funds represented additional resources, although the multiplier effect on private investment this year was still low.

The labour market provided a positive surprise with an upward trend that enabled a record number of registrations with the Social Security office, spurred on by implementation of the new labour reform. This legal framework led to a reduction of the temporary employment rate by 7 points in its first year, to a historic low of 17.9% by the end of 2022, a percentage that is close to the European average.

**The unemployment rate fell to 12.9%, the lowest since 2008.**

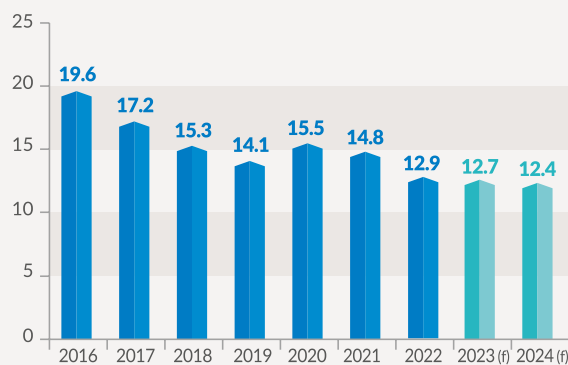
The number of full-time equivalent jobs grew 3.8% in 2022, but with a trend that was clearly more positive in the first half than in the second. This increase in employment led to a reduction in the unemployment rate from 14.8% in 2021 to 12.9% in 2022, the lowest since 2008, just before the outbreak of the financial crisis.

In 2022, wages per employee increased 2% in nominal terms (-4.5% in real terms), while productivity rose 1.6%. Accordingly, the real unit labour costs (ULC) grew 0.4%, meaning that the foreign competitiveness of Spanish companies worsened slightly.

## Inflation in July reaches the highest rate in decades.

2022 was marked by the most significant inflationary process of the last four decades, due to rising energy and food prices, a process that began in 2021 with the post-pandemic recovery and was aggravated by the outbreak of the war between Ukraine and Russia in February 2022. After hitting a high of 10.8% in July, general inflation began to moderate in the second part of the year until it reached 5.7% in December, as gas and oil prices fell, and partly thanks to implementation of the gas price cap on the Iberian peninsula, approved by Brussels

**UNEMPLOYMENT RATE IN SPAIN**  
As % of active population

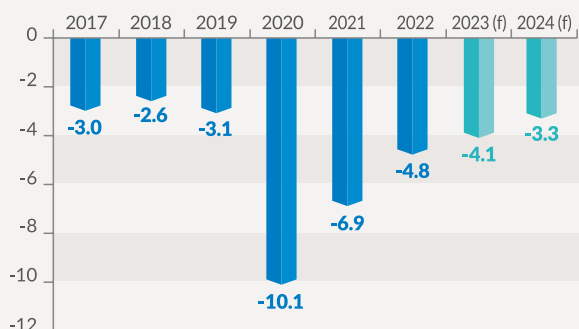


f: European Commission forecasts (May 2023).

Source: Eurostat.

## SPAIN'S PUBLIC DEFICIT \*

As % of GDP



f: European Commission forecasts (May 2023).

\*Includes aid to the financial sector.

Source: Eurostat.

Chart 3.3

### Spain has reduced the public deficit but retains a high level of public debt.

and 2022 (unlike in 2020), and another part can basically be explained by the increase in tax revenue linked to economic activity and rising prices (revenue rose 8.1% and expenditure 3.8%). The trend in the public deficit was more positive than the target set by the European Commission for this year (5% of GDP), thanks to the strong recovery in the labour market and high economic growth, which boosted fiscal revenue.

Nevertheless, the public debt of the Spanish administrations as a whole continued to rise to 1.5 billion euros by the end of 2022, 5.3% more than the previous year. This level of debt is equivalent to 113.2% of GDP, almost 5 points less than in the same quarter of the previous year. The debt reduction as a proportion of GDP can be explained because the nominal rise in GDP was 10%, much higher than the nominal debt increase (+5.3%).

## 2. Prospects

Although predicted growth for 2023 is lower than for the previous year, the economic forecasts have been revised upwards and the Spanish economy will be one of the larger Eurozone economies presenting higher growth. Spain's major specialisation in the services sector, especially tourism; the smaller rise in energy prices thanks to implementation of the "Iberian exception"; the impact of the labour reform; the implementation of the NextGenerationEU funds - which it is calculated will have a positive impact of between 1.5 and 2 GDP points, and the economic policies that have been introduced - such as VAT reductions on some products, the monthly €200 support for vulnerable families, free transport passes, the extension of energy tax cuts, and the increase in the minimum wage and pensions - have positioned Spain favourably within the European context.

**GDP growth will moderate in 2023 but less than initially forecast.**

**Spain will be one of the European economies to grow most in 2023, despite high uncertainty.**

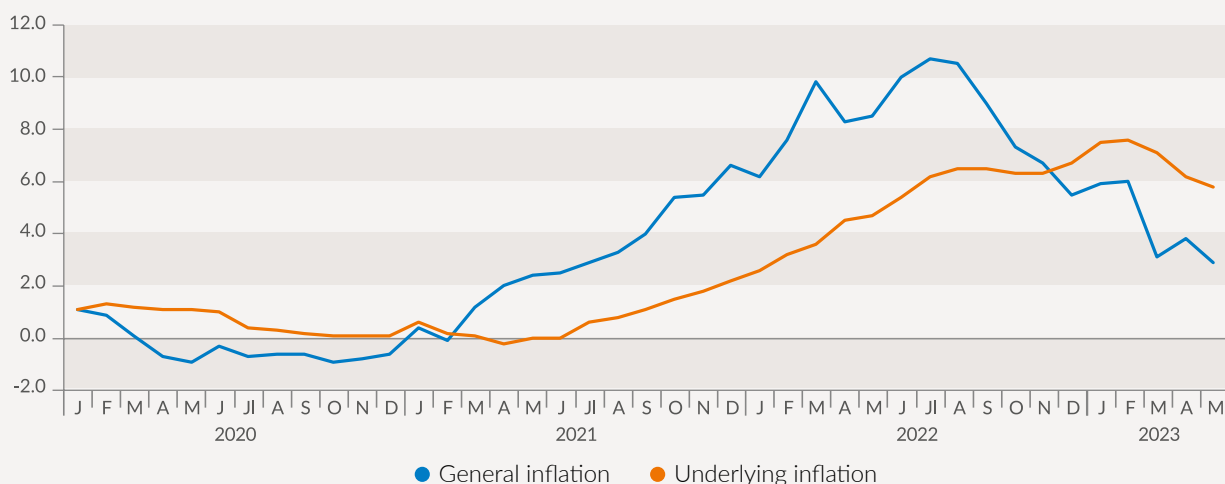
As a result, the rate of growth of the Spanish economy in 2023 will climb above 2% (the International Monetary Fund (IMF) revised its forecast in July to 2.5%), whereas forecasts pointed

("Iberian exception"). At the same time, underlying inflation (excluding unprocessed food and energy products) crept up, as costs were transferred to end prices in the other products in the basket of consumer goods, reaching 7% in December. For now, there appears to be no risk of a wage-price spiral, as wage increases are fairly contained, although this is affecting household consumption, as they see their purchasing power reduced.

In the sphere of public finance, the Spanish economy managed to reduce the public deficit in 2022, to 4.8% of GDP, after it had climbed to 10.1% in 2020 due to the major budgetary effort to tackle the economic effects of the pandemic (temporary employment regulations (ERTE/ERTO), self-employment support, minimum income scheme, etc.). Part of this decrease can be explained by the strong GDP growth in 2021

## TREND IN HARMONISED CONSUMER PRICES IN SPAIN - Interannual variation rate, as %

Chart 3.4



Source: Eurostat.

## SPAIN. MAIN MACROECONOMIC AGGREGATES - Interannual variation rates

Table 3.1

	2020	2021	2022
<b>Components of demand</b>			
Private consumption	-12.4	6.0	4.5
Public consumption	3.5	2.9	-0.7
Gross fixed capital formation	-13.2	5.9	3.5
Domestic demand (a)	-9.1	5.2	3.1
Exports of goods and services	-19.9	14.4	14.4
Imports of goods and services	-14.9	13.9	7.9
<b>Components of supply</b>			
Agriculture, livestock and fishing	4.5	2.1	-1.1
Industry	-13.1	6.6	3.0
Construction	-13.2	-3.0	4.1
Commerce, transport and hotels & catering	-25.5	15.6	16.5
Information and communications	-4.6	7.1	9.5
Financial and insurance activities	5.0	0.8	-5.7
Real estate activities	0.0	0.4	0.5
Professional activities	-13.8	7.2	7.8
Public administration, health and education	-1.4	1.1	-1.4
Artistic, recreational & other activities	-21.7	2.6	13.8
<b>GDP at market prices</b>	<b>-11.3</b>	<b>5.5</b>	<b>5.5</b>

(a): contribution to GDP growth at market prices.

Source: National Institute of Statistics (INE).

to 1% in autumn 2022. For 2024, GDP growth could also remain around 2%. As for inflation, estimates indicate that it will fall to 4%, while the unemployment rate could reach 12.7% in 2023, according to the European Commission.

**The positive trend in employment and falling inflation drive the economy in the first months of 2023.**

The Spanish economy regained momentum at the start of 2023 due to an improvement in business confidence, a rebound in job creation, the good results in the tourism sector and exports, and falling inflation. Harmonised inflation fell to 2.9% in May, and underlying inflation to 5.8% in the same month. Consequently, real GDP grew 0.5% in the first quarter from the fourth quarter (compared with the +0.4% recorded in the previous quarter), and the forecasts for the second quarter of the year are even more favourable. Equally, note the quarter-on-quarter falls in private and public consumption, of 1.3% and 1.6%, respectively. The decline in private consumption indicates the major process of adjustment that households are undergoing, faced with erosion of their purchasing power due to high inflation and the rising cost of credit. In contrast, investment has rebounded and foreign demand remains dynamic due to the strength of exports of goods and the strong recovery in international trade flows.

The level of uncertainty in economic forecasts for 2023 is particularly high and will depend on various factors. Firstly, on how prices evolve and to what extent the European Central Bank will raise interest rates to anchor price expectations at around 2%, while avoiding financial turbulence. To this uncertainty is added the behaviour of the labour market over the next few months, since its recent development was greatly influenced by the dynamics of post-pandemic recovery and the labour reform. Finally, the response to economic policies, both European and national, and the execution rate of the NextGenerationEU funds will also influence the trend in GDP in 2023 and 2024.

*The economic forecasts have been revised upwards but uncertainty is high.*

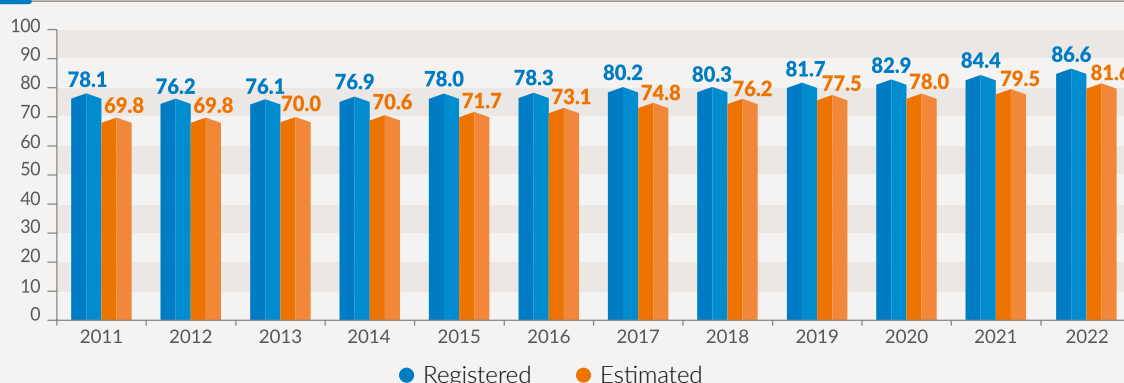
# Andorran economy: general developments

## IV. Population, labour market and education

### 1. Population and migratory flows

In 2022, the estimated population of Andorra rose to 81,588, the highest figure in the historical series, available since 2009. This was an increase of 2.6% since the previous year, the strongest growth since the start of the series. The population registered with the local Comú authorities (a different concept to the estimated population) reflects a similar dynamic, also with an increase of 2.6%, to 86,610, the highest total since the series started in 1947. The difference between the two population data sources is around 5,000 individuals.

REGISTERED AND ESTIMATED POPULATION - In thousands



Source: Parish censuses of the Comú governments / Department of Statistics.

The increase in the estimated population of Andorra was led by the increase in numbers of foreigners (+3.9%), much greater than in the previous year (+2.7%), while growth in the

Andorran population remained stable at 1.1% - there are 38,867 Andorran nationals, 48% of the total. So, for the second consecutive year, the trend continued for the foreign population to grow faster than the Andorran population, having stopped in 2020 due to the pandemic. Consequently, there are 42,721 registered foreigners, 3,854 more than the number of Andorrans and representing 52.4% of the total population. Moreover, this percentage exceeds the highest figure in the available historical series of estimated population (52.1% in 2010), but is still far from the 73.2% of registered inhabitants that it reached in 1982. These data confirm the attractiveness of the Andorran market to foreign workers, after momentum was lost in 2020 due to the health crisis.

***The population of Andorra has reached a historic high.***

The distribution by nationalities shows that the increase in foreigners was spread, with an especially notable contribution from the group of other nationalities (+12.4%), followed by the French (+3.3%) and Spanish (+2.5%). The segment of other nationalities is dominated by Argentines, British and Italians. The only group that saw a decline was the Portuguese (-1.2%),

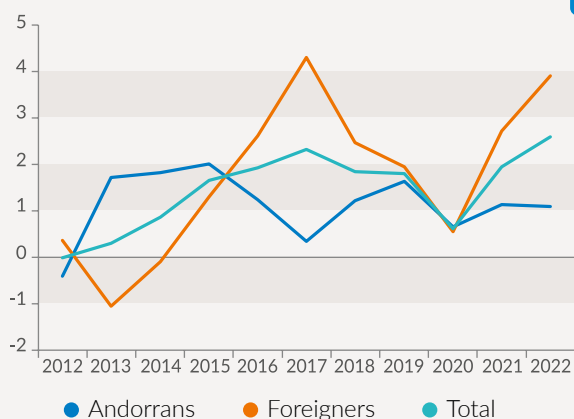
Chart 4.1

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### ESTIMATED POPULATION BY NATIONALITIES

Interannual variation rate (%)

Chart 4.2



Source: Parish censuses of the Comú governments / Department of Statistics.

### The foreign population rebounds after the pandemic.

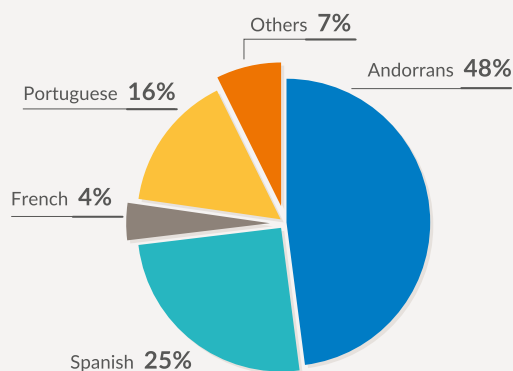
falling for the third consecutive year to the lowest figure in the available historical series for estimated population. The Spanish are still the largest foreign group, with 24.8% of the total population, followed by foreigners of other nationalities (12.3%), who exceed the numbers of Portuguese (10.8%), and almost triple the French (4.5%). It can therefore be stated that the trend towards geographical diversification of residents continued in 2022.

The inflow of foreigners into the country is also reflected in the strong rise in the number of valid immigration permits, following the steep downturn recorded in 2020 due to the pandemic. On 31 December 2022, there were 55,052 permits (including seasonal), 8% more than in the previous year and the highest figure in the historical series available since 2007. This strong growth can be explained, above all, by the recovery in seasonal permits, which reached a historic high of 6,526 and already exceed the 2019 pre-pandemic levels by 35%. Note also the 4% increase in working residence permits, which are the majority (68%), followed by non-working residence permits, which grew 5.5% to 9,090.

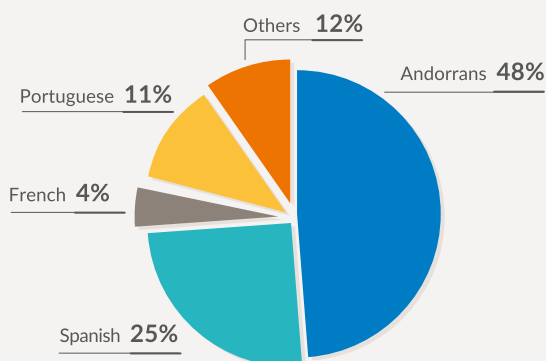
### ESTIMATED POPULATION BY NATIONALITIES - As % of total

Chart 4.3

2010



2022



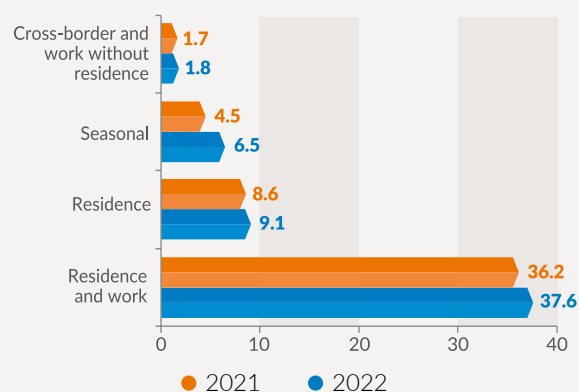
Source: Parish censuses of the Comú governments / Department of Statistics.

### The percentage of foreigners of other nationalities increased, lowering the percentage of Portuguese.

By parish, the increase in estimated population in 2022 was fairly well spread throughout the territory, in line with the trend of recent years.

### VALID IMMIGRATION PERMITS BY TYPE, AT THE END OF THE YEAR - In thousands

Chart 4.4



Source: Department of Immigration / Department of Statistics.



## Seasonal work permits already exceed pre-pandemic levels by 35%.

Note Canillo (+8.1%) and La Massana (+3.4%), Encamp and Ordino (+3.1% in both cases), while the other parishes saw more modest increases, between 1.3% and 2%. In absolute terms, Andorra la Vella is still the parish with most growth (+451 more inhabitants), followed by Canillo, Encamp and La Massana (around 360-380 more people).

## Canillo is the parish where the population grew most in relative terms.

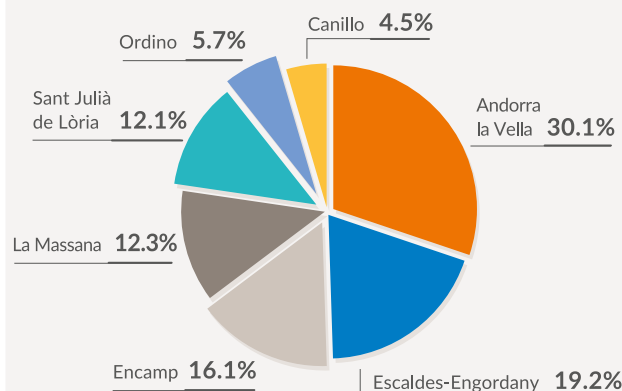
In Andorra la Vella, the most populated parish in the Principality, population growth was 2%, so its percentage of the total estimated population of Andorra continues to decline, slowly but constantly, as recorded since 2014, to reach 28.6%, the lowest level in the available historical series. In contrast, Canillo is still the least-populated parish (6.3%), despite the population dynamic it has seen in recent years, which has greatly reduced the difference between it and the second least-populated parish, Ordino (65 people, according to estimated population figures).

As for population change, the natural population increase in Andorra in 2022 was only 131 people, slightly higher than the previous year, but still well below pre-pandemic figures. This is the result of constantly low numbers of births (502), accompanied by falling numbers of deaths (to 371), after these reached a historic high in 2020. So, the population dynamics seen in Andorra in 2022 can largely be explained by the positive balance of migration (+1,922 individuals), calculated from the estimated population. In total, the estimated population saw a net increase of 2,053

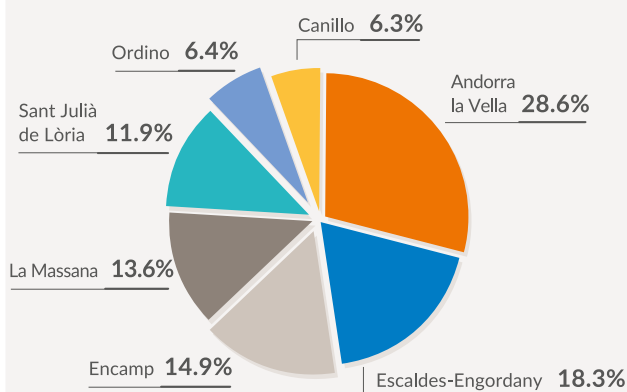
## ESTIMATED POPULATION BY PARISH As % of total

Chart 4.5

2010



2022



Source: Parish censuses of the Comú governments / Department of Statistics.

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## VARIATIONS IN THE ESTIMATED POPULATION

Table 4.1

	2021	2022
Births	503	502
Deaths	386	371
Natural increase	117	131
Birth rate (per thousand)	6.324	6.153
Death rate (per thousand)	4.853	4.547
Rate of natural increase (per thousand)	1.471	1.606
Increase from migration or census regularisation	1,403	1,922
Total population increase*	1,520	2,053
Marriages	355	349

\* Natural increase plus increase from migration.

Source: Department of Statistics.

people, much greater than in the years before the Covid-19 health crisis.

As for the structure of the estimated population by age and gender, men still outnumber women in all age brackets except in the segment of 80 years and above. In 2022, the male population was 6% larger than the female population – 2,362 more men; this difference can be explained by the size of the foreign workforce, which is traditionally mostly male and which also increased substantially in 2022.

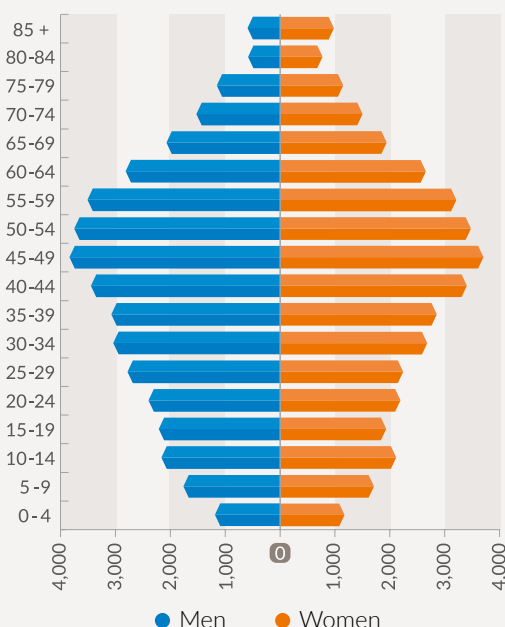
In parallel, the distribution of the estimated population by age and nationality shows that the proportion of foreigners clearly exceeds that of Andorrans in all age brackets from the age of 30. In contrast, the proportion of Andorrans in the under-30s bracket is much higher (71.2%), contrasting with the low proportion of Andorrans in the group of over-65s (38.9%).

**The population aged 65 and above already represents 15.1% of the total, and the average age has passed 42.**

**The number of deaths falls and the number of births stagnates at very low levels.**

STRUCTURE OF THE ESTIMATED POPULATION BY AGE AND GENDER. 2022

Chart 4.6



Source: Parish censuses of the Comú governments / Department of Statistics.

To complete the analysis of the population of Andorra, the distribution by ages in 2022 shows that the Andorran population continues to age progressively. Specifically, the downward trend in recent years in the estimated population of under-15s has persisted; its percentage of the total fell to 12.4%, four points less than in 2010. In contrast, the group aged 65 and above grew faster in 2022 (+4.9%), raising its share of the total to a new historic high of 15.1%, higher than the percentage of the population under the age of 15. In between, the working age population (ages 15-64) increased 2.7% and its percentage of the total remained practically the same at 72.6%. As a result, the average age of the Andorran population continued to rise in 2022, to 42.3.

## 2. Employment and unemployment

2022 was marked by an overall improvement in the labour market rates: an increase in employment, a decrease in unemployment and stabilisation of the inactive population.

According to data from the Workforce Survey (EFT), the number of unemployed fell 34% to 1,040 people, a figure that approaches the minimum recorded in 2018 (829). Along the same line, the unemployment rate shrank to 2.1%, the second lowest level in the historical series since 2018 and a much lower rate than in the neighbouring economies. Note that 92% of the unemployed are short term and only 8% have been looking for work for more than one year, although this proportion has increased by four tenths since 2021.

In relation to the active policies to support employment, note that, in parallel with the Employability Improvement Programme through the public sector and the social initiative bodies,

**The unemployment rate fell to 2.1%, one of the lowest values in the historical series.**

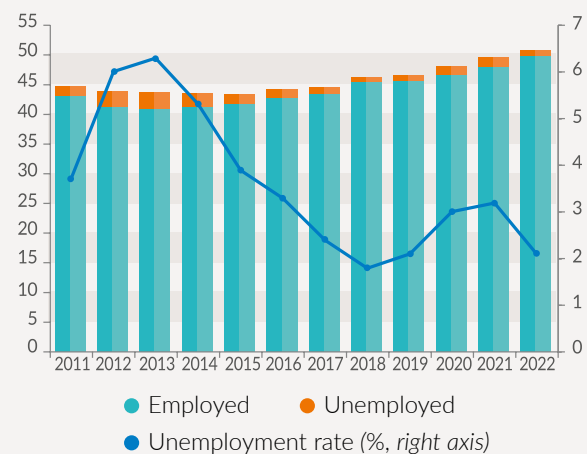
two special programmes were developed this year: 1) one fostering the recruitment and practical training within businesses of young, working-age people who have achieved skills from a programme of social inclusion through employment, and 2) another fostering recruitment in the private sector.

Unemployment continues to affect women - for whom the unemployment rate fell from 3.4% in 2021 to 2.3% in 2022 - more than men, for whom it fell from 3% to 1.8%. By ages, unemployment in the youngest bracket (ages 15-24) saw an improvement in 2022, falling almost five points to 10.4%. It also fell, but less, in the older bracket (ages 55-64) to reach 2%, and by almost one point in the segment of 25-54 years, to 1.3%.

In parallel, within the context of a growing working population, the number of employed aged 15 and over increased 3.4%, according to the Workplace Survey (EFT), to 49,775, the strongest growth in the last four years. Moreover, note that within the post-pandemic context, the number of those affected by furlough (STCT) or a reduction in working hours (RJL), who are counted as employed, fell to zero at the end of 2021, and stayed practically the same for the whole of 2022.

**EMPLOYED AND UNEMPLOYED POPULATION (AGED 15 AND OVER)**  
In thousands and %

Chart 4.7



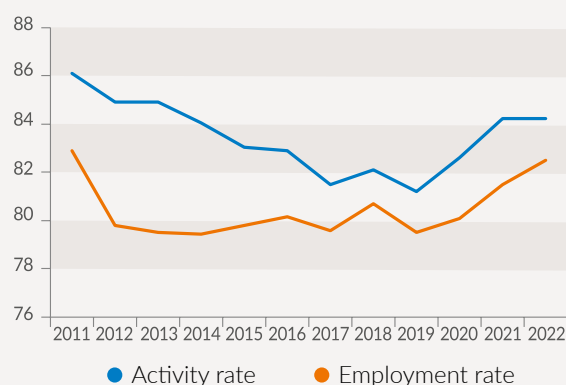
Source: Workforce Survey. Department of Statistics.

**The number of employed increased 3.4%, the strongest rate in the last four years.**

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**ACTIVITY RATE AND EMPLOYMENT RATE, AGES 15-64 - As %**

Chart 4.8



Source: Workforce Survey. Department of Statistics.

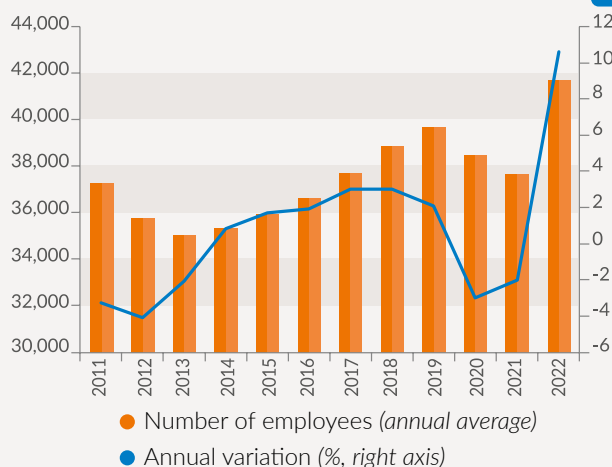
Consequently, the employment rate calculated from the population aged 15-64 increased one point, to 82.5%, the highest rate since 2011 and clearly above the European Union average (69.9%). Equally, the Andorran activity rate<sup>2</sup>, which stayed at 84.2% for the second consecutive year, easily exceeds the EU average (74.5%).

Of the total employed population aged 15 and above, 16.9% are self-employed and the rest are employees, divided between the private sector (66.7% of total employed) and the public sector (16.4%). Regarding education, 65% of the employed have at least secondary education, and regarding working hours, 91.8%

<sup>2</sup> The employment rate is the ratio of the number of employed to the working-age population between the ages of 15 and 64, and the activity rate is the ratio between the number of active people (employed or unemployed) and the working-age population between the ages of 15 and 64.

## NUMBER OF EMPLOYEES As annual average and %

Chart 4.9



Source: CASS (Andorran Social Security System) / Department of Statistics.

work full time and an average of 35.9 effective hours per week, while part-time workers work an average of 17.7 hours per week. In global terms, the employed population works 34.4 effective hours per week, practically one hour more than in 2021, due to the post-pandemic reactivation of the economy.

**The number of employees grew 10.6% due to reactivation of the economy.**

Data from the Andorran Social Security System (CASS) show a rapid recovery in the number of employees in 2022, even greater than the total reflected in the Workplace Survey. Specifically, they show that the number of employees increased 10.6% to 41,696, the highest level since 2007, just before the start

of the financial crisis. Equally, the average number of jobs rose 10.8%, after two years of decline due to the pandemic, to 50,519.

The steep increase in numbers of employed that was recorded in 2022 was spread between the main economic sectors. Specifically, construction has seen eight consecutive years of job creation (+5.4% in 2022) and the number of employees already exceeds 3,900, the highest number since 2010 but still 42% lower than the figure at the end of the previous cycle of expansion (2006).

In the case of industry, the trend in employees in 2022 was positive, with an increase of 5.8%, to 1,791 people, after the decline recorded in the previous year. The primary sector also saw an increase, breaking the downward trend of the previous five years, although its performance has a lower impact on the economy because it is an activity with a very small percentage of the labour market, with only 159 employees.

In 2022, services – the sector in Andorra with the highest level of employment – benefitted most from the total elimination of the restrictive measures adopted during the two pandemic years

## NUMBER OF EMPLOYEES

Table 4.2

	2022	% variation 2022/2021	% total 2022
Agriculture, livestock, hunting & forestry	159	3.0	0.4
Industry	1,791	5.8	4.3
Construction	3,919	5.4	9.4
Services	35,828	11.5	85.9
Commerce & motor vehicle repairs (etc.)	8,872	8.5	21.3
Hotels & catering	5,194	42.7	12.5
Financial system	1,716	-2.8	4.1
Public administration, defence & mandatory social security	4,652	-0.5	11.2
Others	15,394	11.0	36.9
<b>Total</b>	<b>41,696</b>	<b>10.6</b>	<b>100</b>

Source: CASS (Andorran Social Security System) / Department of Statistics.

(2020 and 2021). Specifically, the number of employees increased 11.5%, after two years of decline, and already exceeds the 2019 level by 4%. As a result, the service sector's percentage of total employees rose seven tenths to 85.9%.

**The increase in numbers of employees in 2022 was especially positive in the services sector.**

Among tertiary activities, there was a notably strong increase in employment in hotels and catering, growing 42.7% in 2022, increasing its relative share of the total to 12.5% and allowing it to recover the level it had before the outbreak of the pandemic. The numbers of employees in commerce, transport, real estate activities and business services also rose significantly, as they did in other social activities and services to the community. In contrast, there was a decline in the number of employees in the financial sector (-2.8%) and in public administration (-0.5%). Commerce and motor vehicle repairs are still the most important services subsector in terms of employment, with 21.3% of total employees. This is followed by real estate and rental activities and business services (15.6% of total employees), hotels and catering (12.5%) and public administration (11.2%).

**Within services, hotels and catering is the sector in which employment grew most due to the removal of restrictions.**

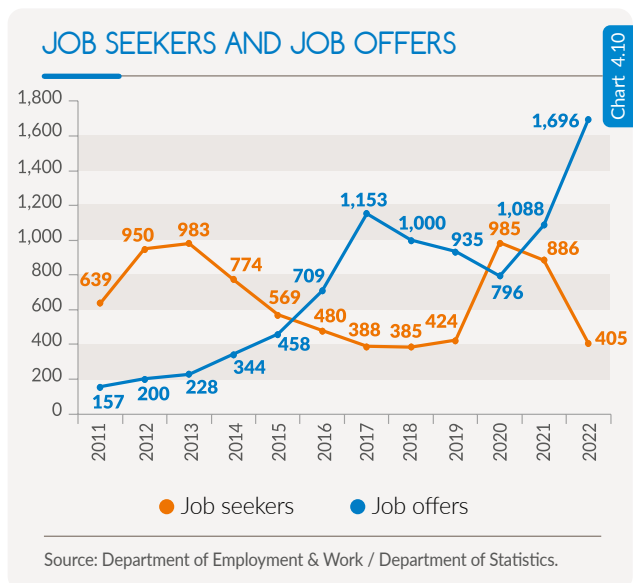
Within this context of economic expansion, the number of job seekers fell by more than half to 405. Along the same line, the number of people looking for a better job also fell significantly, from a high of 640 applicants in 2021 to 359 in 2022.

**The labour market has tightened because the number of jobseekers is less than half the number of job offers.**

In parallel, the number of jobs offered at the Job Service increased significantly (+56%), maintaining the positive trend of the previous year and raising the figure to almost 1,700 offers on monthly average; this amount is much higher than the number of job seekers (405). This trend reflects the reactivation of recruitment plans by businesses as activity recovered after the pandemic. The ratio of the number of job applicants to job offers has fallen from 1.4 in 2021 to 0.5 in 2022, so the job market has tightened substantially and certain sectors appear to be struggling to find workers.

The positive impact on the labour market of the recovery from the pandemic led to a significant decline in the number of people receiving unemployment benefits in 2022, from 134 to 20. This meant that the coverage rate for job seekers fell from 15% in 2021 to 5% in 2022. Remember that the coverage rate is still very low compared with that of European neighbours.

All age groups saw a decline in the number of job seekers. It fell 60% in the 18-25 age bracket, 62% in the 26-39 bracket and 50% in the 40-59 age bracket. It fell least in the bracket of 60 and above (-35%). Nevertheless, the majority of job seekers are aged 40-59 (46% of the total).



**The decline in numbers of job seekers affected all age groups.**

Another notable feature of the job seekers is that 8 of every 10 have been unemployed for less than six months. Now, the percentage of structural unemployment (unemployed for more than one year) increased from 6.9% in 2021 to 11.2% in 2022, according to the Job Service register, but according to the Workforce Survey data, this structural unemployment was lower in 2022, at 8%. All in all, this stems from a fairly flexible and dynamic labour market that does not create major structural imbalances.

### **The percentage of foreign job seekers falls to 56% of the total.**

To complete the analysis of job seekers, the distribution by nationalities demonstrates that there was a general decline in 2022, if slightly greater among foreigners (-58%) than Andorrans (-49%). Among the foreigners, the Spanish are still the largest group of applicants (122 individuals), with a figure that approaches the number of Andorrans (178).

Consequently, the percentage of foreigners in the total number of job seekers has shrunk to 56%, a similar percentage to that in the total estimated working-age population (55.9%). Equally, the Workforce Survey reflects the fact that in 2022, the unemployment rate of Andorrans fell 0.8 points to 3.5%, while the unemployment rate of foreigners fell 1.3 points to 1.1%, contrasting with 2019, when the unemployment rates of both groups were very similar. Note that this situation was also accompanied by significant differences in the inactivity rate of both groups. Specifically, the inactivity rate of Andorrans (32.7%) is more than ten points higher than that of foreigners (24.3%). This can be explained by the fact that part of the foreign population returns to their home countries when their work in Andorra ends or they reach retirement, or else they undergo naturalisation.

## **3. Education**

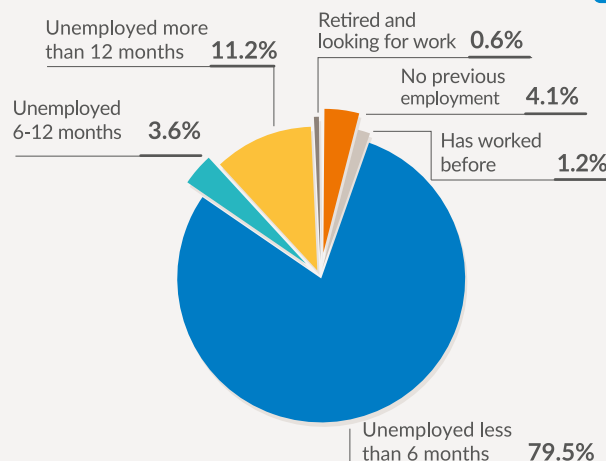
### **3.1. School population**

In the 2021-2022 academic year, there were 10,887 students at school level, 23 less than in the previous year (-0.2%) and the lowest level in the last eight years. This figure puts the schooling rate – calculated as the proportion of the school population to the global population at this level – at 65.4%.

By levels, 84.7% of school students are in kindergarten, primary and secondary education. The other 15.3% study the baccalaureate and vocational training. The trend in the last academic year was again marked by the reduction in

**JOB SEEKERS BY EMPLOYMENT SITUATION. 2022 - % of total**

Chart 4.11



Source: Department of Employment & Work / Department of Statistics.

**STUDENT POPULATION BY LEVELS**

Table 4.3

	2021-2022	% variation 21-22/20-21	% 2021-2022
Kindergarten	1,896	-5.1	17.4
Primary education	4,099	-0.3	37.7
Secondary education	3,226	2.2	29.6
Baccalaureate	1,106	-1.4	10.2
Vocational training	560	7.1	5.1
<b>Total</b>	<b>10,887</b>	<b>-0.2</b>	<b>100</b>

Source: Ministry of Education and Higher Education.

## ***Eighth consecutive year of annual decline in the number of kindergarten pupils.***

kindergarten students (-5.1%). This is the eighth consecutive decline, a trend that is related to the falling numbers of births in recent years. In contrast, the number of students in primary education remained almost constant, while rising in secondary education and vocational training, and falling at baccalaureate level.

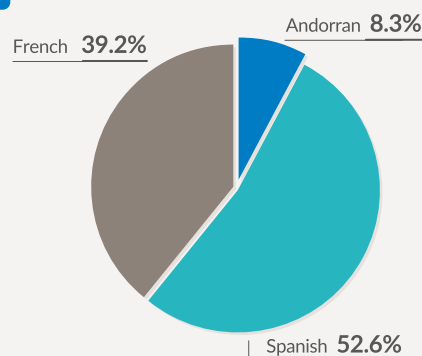
## ***The English educational system is the only one in which the number of students increased, reaching 1.6% of the total.***

The distribution by type of education shows that the Andorran educational system recorded a slight decline in the number of students for the second consecutive year (-0.4% in 2022), similar to that in the total (-0.2%), so its percentage of the total school population stayed at 41.4%, a historic high. The fall in the number of students in the Spanish educational system was more marked, by 1.7%, a trend that continues the progressive loss of importance of this system, observed since the beginning of the nineties. So, the Spanish educational system's percentage of the total fell to 25.4%, a figure that sets a new historic low and contrasts with the 52.6% it represented in 1991. For its part, the number of students in the French educational system also fell (-0.6%) and, as a result, its share of the total school population shrank one tenth to 31.6%. Finally, note that the English educational system, which started to operate in the 2018-2019 academic year, has continued to attract new students, with a 56.3% increase in the last academic year, raising its share of the total school population to 1.6%.

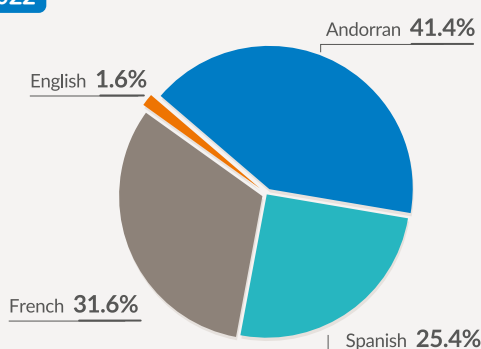
### **THE ANDORRAN SCHOOL POPULATION BY EDUCATIONAL SYSTEM - As % of total**

Chart 4.12

1991



2022



Source: Ministry of Education and Higher Education.

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## **3.2. University population**

According to the higher education statistics prepared by the Department of Statistics from data from the Ministry of Education and Higher Education, the number of people registered in higher education in the Principality of Andorra in the 2021-2022 academic year was 1,483. By gender, there were 751 men and 732 women.

***There are 1,483 students registered in higher education, 53.2% of whom are in a private institution.***

This year, the inclusion of the data on students registered at the privately-managed Carlemany University hampers an annual comparison of the number of students in higher education in Andorra and also represents a change regarding the proportion of students in public and private education. So, by type of institution, 53.2% of the registered students were at a private higher education centre, and 46.8% at a public higher education centre. The latter, despite increasing over recent years, no longer represents the majority of students studying higher educational courses in this country.



The higher education students are concentrated in the educational fields of business administration and law (33%), followed by social sciences, journalism and information (21.2%), and engineering, industry and construction (15.8%). The others are divided between the educational fields of information and communication technologies (7.5%), education and health and wellbeing (both 6.5%), natural sciences, mathematics and statistics (5.5%) and arts and humanities (4.1%).

By level of education of the students registered in higher education in the 2021-2022 academic year, 90.3% were registered for a bachelor's degree, 6.8% for a master's, 2.2% for a doctorate and the other 0.7% on a short-cycle education programme.

## V. Activity and demand

### 1. Developments in economic activity in 2022

With the Covid-19 pandemic over, in 2022, the Andorran economy consolidated the recovery that had begun in 2021, with stronger growth than in the previous year. This improvement occurred despite the geopolitical uncertainty and energy crisis which gripped the global environment after the outbreak of war in Ukraine in February 2022, bringing high inflation and rapid rises in interest

#### SUMMARY OF INDICATORS OF ACTIVITY AND DEMAND (interannual variation rates, %)

Activity	2021	2022
Establishments <sup>(1)</sup>	7.9	7.9
Employment (ages 15+)	3.1	3.4
Employees	-2.0	10.6
Industry	-3.3	5.8
Construction	6.9	5.4
Services	-2.9	11.5
Unemployment (ages 15+)	8.7	-34.1
Job seekers	-10.1	-54.3
Number of visitors	4.1	55.4
Electricity consumption <sup>(2)</sup>	8.0	9.2
Imports	1.0	34.0
<b>Demand</b>		
Average wage	1.8	4.9
Car registrations	23.5	-0.1
Industrial vehicle registrations	12.1	19.6
Imports of capital goods <sup>(3)</sup>	10.0	45.4
Imports of building materials <sup>(4)</sup>	48.7	37.0
Credit from banking entities <sup>(5)</sup>	10.4	4.0
Government operating expenses <sup>(6)</sup>	3.2	7.4
Government real investment <sup>(6)</sup>	6.2	7.1

(1) Establishments registered with the Registry of Commerce and Industry that carry out a commercial, industrial or service activity.

(2) Except domestic use, public lighting and other distributors.

(3) Includes chapters 84 and 85 under the Andorran Customs classification.

(4) In 2021, the definition of building materials was expanded and now includes chapters 25, 68-70, 72-76 and 78-81, under the Andorran Customs classification.

(5) Gross lending to customers.

(6) Settled figures, includes Central and Comú governments.

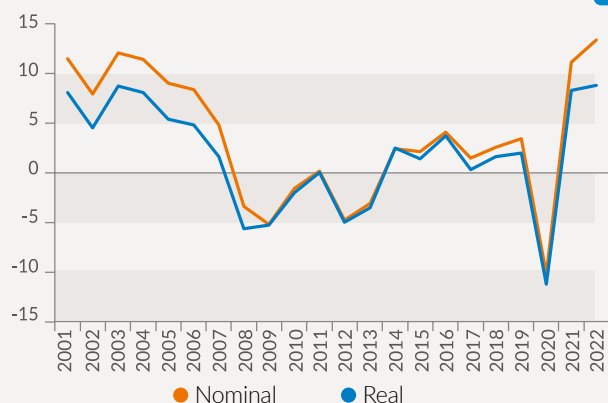
Source: own preparation, using data provided by the Department of Statistics, Central and Comú governments, CASS, FEDA and Andorran Banking.



rates. Within this context, however, growth in economic activity in Andorra diminished over the year, a trend that aligned it with the principal surrounding economies and reflected deterioration in the global situation but also gradual normalisation of economic growth after the Covid-19 crisis.

**TREND IN GDP IN ANDORRA**  
Interannual variation rate (%)

Chart 5.1



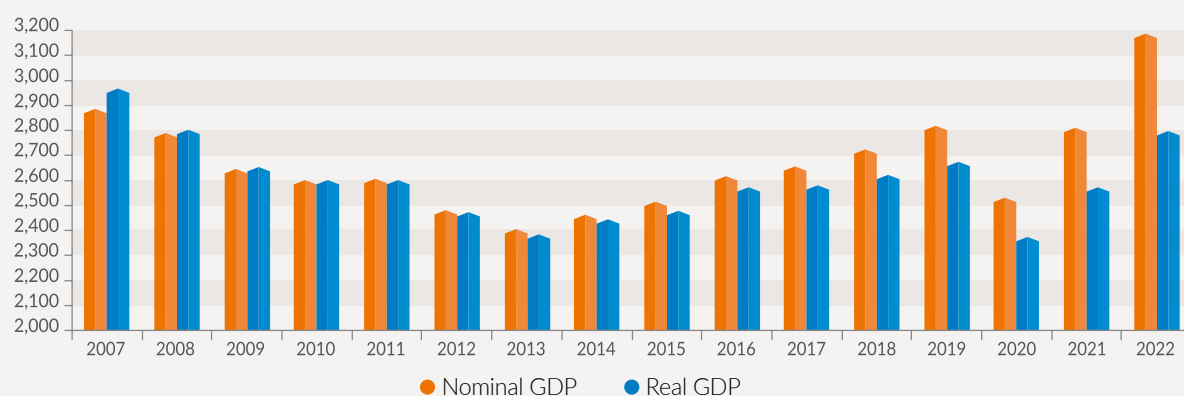
Source: Department of Statistics.

**A positive trend in the great majority of indicators of activity and demand.**

The progress of the economy in 2022 was reflected in the positive trend in the great majority of indicators of activity and demand. In particular, the two-digit increases in the number of visitors and in imports stand out. In parallel, there was a clear improvement in the labour market situation, with a 3.4% increase in the number of employed, according to the Workforce Survey, and a strong reduction in the number of unemployed (-34.1%). In terms of employees, the data also show a very positive trend, rising 10.6%, compared with

**NOMINAL AND REAL GDP - Millions of euros (base year 2010)**

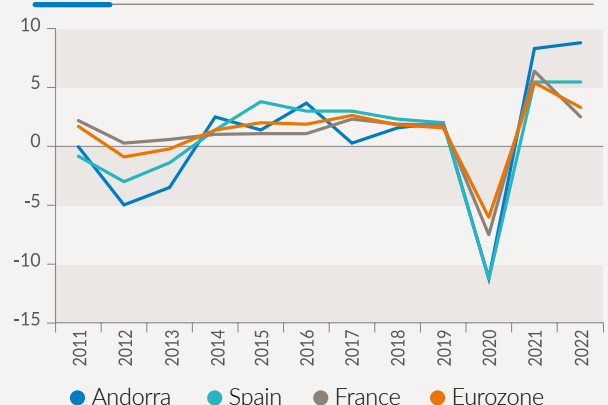
Chart 5.2



Source: Department of Statistics.

**TREND IN ANDORRAN GDP COMPARED WITH NEIGHBOURING ECONOMIES**  
Interannual variation rate (%)

Chart 5.3



Source: Eurostat and Department of Statistics.

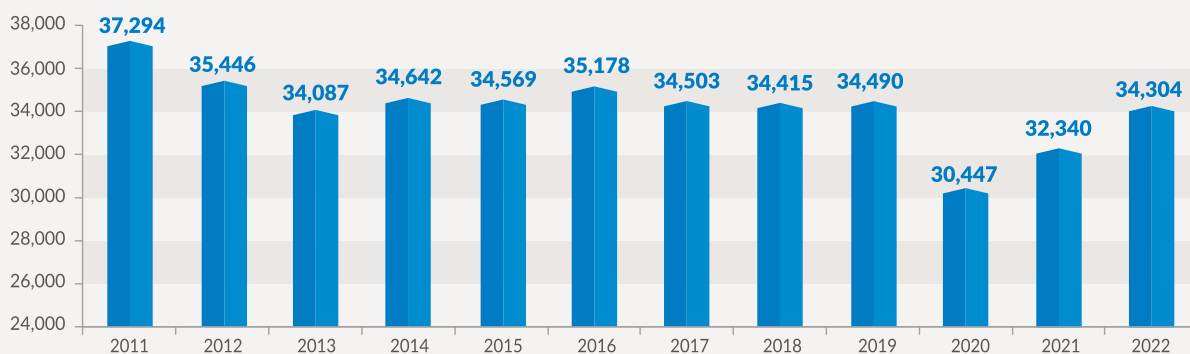
the 2% decline recorded in 2021. Moreover, the number of jobseekers fell by more than half and immigration permits rose 8%. This strong job creation, combined with wage growth, meant a boost to income from employment and consequently, more favourable consumption conditions for Andorran residents.

**Andorran real GDP grew 8.8% and exceeded the pre-pandemic level.**

The good performance of the Andorran economy in 2022 led to strong growth in Gross Domestic Product (GDP) in real terms, 8.8% according to advance figures published by the Government.

## REAL GDP PER CAPITA. IN EUROS (base year 2010)

Chart 5.4



Source: Department of Statistics.

This figure exceeds the 8.3% recorded in 2021 and is similar to the dynamism seen in the years prior to the financial crisis. So, real Andorran GDP exceeded the pre-pandemic level (+4.6%) and approached the threshold of €2,800 million, almost the same as in 2008. In nominal terms, the increase in GDP for the whole of 2022 was 13.4%, following the major growth of 11.1% seen in 2021. As a result, total nominal GDP in 2022 was €3,187.5 million and reached the highest value in the historical series.

**Economic dynamism was greater in Andorra than in neighbouring countries.**

In comparison with Europe, the dynamism of the Andorran economy in 2022 was much stronger than in Spain, France and the whole of the Eurozone. In fact, growth in the Principality was the second highest in Europe, only behind Ireland.

In parallel, the Andorran population has continued to grow (+2.6%), so that GDP per capita increased 6.1% in real terms, to reach €34,304 (base year 2010), still below the pre-pandemic levels. In contrast, in nominal terms, Andorran GDP per capita increased 10.5%, to €39,068, a figure that is clearly higher than in 2019 (+7.5%).

## 2. Developments in activity by sector

Economic growth in 2022 was driven by all the main sectors but with significant differences. In first place is the remarkable dynamism seen in construction, the second most important sector of the economy. Services, which are the main driving force behind the Andorran economy, with about 86% of gross value added (GVA), also grew strongly, led by activities linked to tourism, such as hotels, catering, commerce, travel agencies, passenger transport and cultural and leisure activities. The contribution from industry and the primary sector, which are activities with a very small impact on total GVA, was much more modest, with very small increases in GVA. So, GVA in construction and services was 19.9% and 5.4% higher than in 2019, respectively, while it is still 11.1% lower in industry and very close to the 2019 level in agriculture (-0.7%).

**Construction is the most dynamic sector again, with GVA growth of 7.4%.**

More specifically, growth in real GVA in the construction sector was 7.4%, continuing a period of seven consecutive years of increases, although slower than in 2021 (when it was +10.1%). As a result, its percentage of GVA increased to 8.5%, one tenth more than in 2021 (note that the

2021 figure has been revised downward since publication last year), although this is still well below the high it represented just before the property and financial crisis (+13% in 2006).

The strong dynamic in activity in the construction sector is reflected in the growth in other indicators, such as approved square metres (+48.2%), imports of building materials (+37%), property transactions (+6.4%) and public investment expenditure (+7.1%), although all these areas, except the last, grew at a slower rate than in 2021. All in all, this continued to favour job creation in this sector (a 5.4% increase in employees in 2022 and 6.9% in 2021), while growth in apartment prices accelerated, encouraged by the lively demand for property.

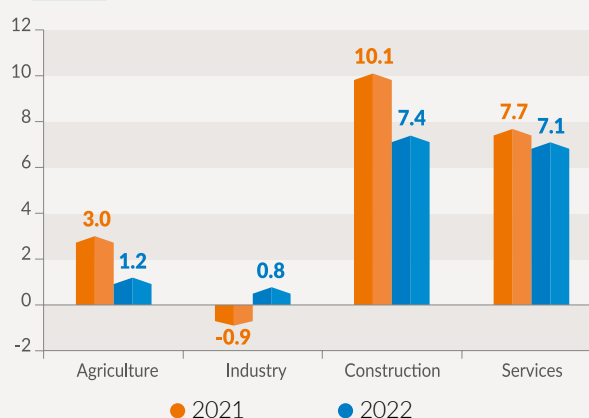
The results of the Chamber's surveys corroborate the good moment in the construction sector, with the evaluation of the business situation still at very high levels, thanks to the housing segment, although they also indicate a slowdown in activity. So, businesses have indicated that the volume of executed works is still high but that contracted works have dropped off. All this has led to significant increases in sales figures (+8.7%) and investment (+5.6%), but less intense than in the previous year.

Regarding industry and manufacturing, the trend in 2022 was moderately favourable, if we look at the real GVA data, which show growth of 0.8% compared with the downturn of 0.9% recorded in 2021. However, note that industry represents less than 5% of total GVA, meaning that any trend has a limited effect on the economy as a whole. The improvement in activity was also seen in a notably strong increase in the number of employees in the sector, by 5.8%, contrasting with the decline in the previous year (-3.3%).

Equally, the replies to the Chamber's surveys from businesses also depict a clear improvement in the industrial climate and business activity, so the confidence indicator increased on annual average

**TREND IN GVA BY SECTORS**  
Interannual variation rate in real terms (%)

Chart 5.5

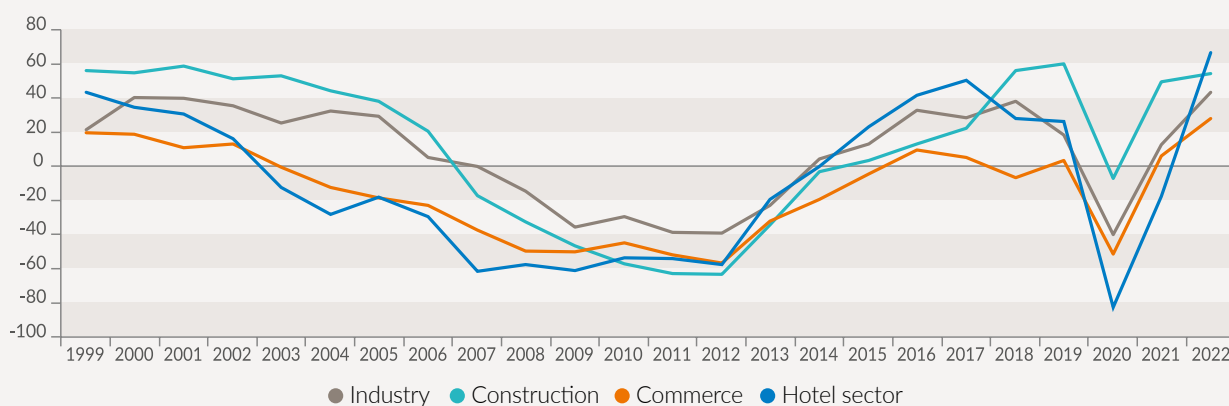


Source: Department of Statistics.

**The confidence indicator for industry hit record levels.**

**TREND IN BUSINESS ACTIVITY BY SECTOR**  
Balance between the percentage of positive and negative replies

Chart 5.6



Source: Chamber of Commerce, Industry and Services of Andorra.

## BUSINESSES' OPINIONS ON ECONOMIC DEVELOPMENTS IN 2022

Table 5.2

### Results of the situation survey in industry

#### 2022 COMPARED WITH 2021 (as % of businesses)

Turnover	Higher	38
	Same	56
	Lower	6
	Average variation (%)	7.3
Volume of investment	Higher	31
	Same	66
	Lower	3
	Average variation (%)	8.5
Number of employees	More	21
	Same	74
	Less	5

#### Prospects for 2023 (as % of businesses)

Trend in turnover	Upward	35
	Stable	60
	Downward	5
Trend in volume of investment	Upward	20
	Stable	70
	Downward	11

### Results of the situation survey in construction

#### 2022 COMPARED WITH 2021 (as % of businesses)

Turnover	Higher	44
	Same	41
	Lower	15
	Average variation (%)	8.7
Volume of investment	Higher	38
	Same	53
	Lower	9
	Average variation (%)	5.6
Number of employees	More	39
	Same	55
	Less	6

#### Prospects for 2023 (as % of businesses)

Trend in turnover	Upward	24
	Stable	71
	Downward	6
Trend in volume of investment	Upward	21
	Stable	71
	Downward	9

Source: Chamber of Commerce, Industry and Services of Andorra.

## Tourism was the main driver of the Andorran economy in 2022.

which can be explained by the fact that they had already largely recovered in 2021-2022, when they multiplied by eight to almost pre-pandemic levels.

to a record high. Evaluations of production levels also continued to improve modestly and the level of capacity utilisation rose, to above pre-pandemic levels. In this context, industrial companies indicated an increase in turnover of 7.3% - lower than the previous year - and in the investment rate (+8.5%), consolidating the recovery that began in 2021 after the declines in 2020.

As for services, 2022 was the year when they fully recovered normality and the rate of activity (after two years that were strongly impacted by the pandemic), with real GVA growth of 7.1%, continuing on the 7.7% growth recorded in 2021. This dynamism has also brought strong growth in job creation, with an 11.5% increase in the number of employed, raising the pre-Covid bar to achieve a record number of employees in the sector.

## The number of visitors fully recovered to exceed pre-pandemic levels.

By subsectors, the good performance in the service sector was led by the activities most affected by the pandemic, such as tourism and commerce. So, the subsector catalogued as "Commerce, hotels & catering, transport, information and communications" saw GVA growth of 11.8%, representing strong acceleration compared with the 3.6% increase in 2021, and raising its contribution to total GVA to 28.5%. This dynamism was largely driven by the strong recovery in the number of visitors, which increased 55.4% to 8.4 million, exceeding pre-pandemic levels (8.2 million visitors in 2019). We can therefore state that tourism was the main driver of the Andorran economy in 2022.

The other indicators linked to activity in the tourism sector also performed positively. So, in 2022, increases were recorded in the numbers of accommodations and beds, employees, total and average overnight stays, and in electricity consumption. In the case of ski days sold in the 2022-2023 season, these were almost stable compared with the previous season (+0.1%),

## BUSINESSES' OPINIONS ON ECONOMIC DEVELOPMENTS IN 2022

Table 5.3

### Results of the situation survey in retail trade

#### 2022 COMPARED WITH 2021 (as % of businesses)

		Total retail trade	Food	Clothing & footwear	Household equipment	Hygiene & health	IT & electronics	Vehicles & accessories	Other commerce	Large commercial establishments
Sales figures	Higher	42	46	41	50	35	41	25	42	83
	Same	40	37	38	33	43	41	58	40	0
	Lower	18	17	22	17	22	18	17	18	17
	Average variation (%)	5.0	7.0	0.4	7.3	2.2	8.1	0.2	5.6	12.5
Volume of investment	Higher	27	22	34	27	18	32	29	26	20
	Same	66	69	59	65	73	61	58	71	80
	Lower	7	8	6	8	9	7	13	3	0
	Average variation (%)	6.0	0.6	9.8	5.5	5.4	8.7	5.3	6.0	6.0
Number of employees	More	19	24	28	13	4	23	12	22	33
	Same	73	68	66	77	83	70	79	72	50
	Less	8	8	7	10	13	7	9	5	17

#### PROSPECTS FOR 2023 (as % of businesses)

Trend in sales figures	Upward	36	36	39	31	44	43	33	31	50
	Stable	48	48	49	55	44	36	52	54	33
	Downward	16	17	12	14	12	21	15	15	17
Trend in volume of investment	Upward	20	29	12	12	22	23	26	18	33
	Stable	66	60	79	78	57	57	59	69	50
	Downward	14	12	9	10	22	20	15	13	17

Source: Chamber of Commerce, Industry and Services of Andorra.

At the same time, the Chamber's surveys have seen a clear improvement in businesses' opinions about the trend in business activity in the hotel sector in 2022, to historically very high levels. So, hotels indicated a year-on-year increase in turnover of 14.7% on average and of 8.9% in investment, both much higher than in 2021. The level of occupancy, level of reservations and prices also increased significantly.

Commerce also followed a clear pattern of recovery. The positive trend can be seen in the increase in the number of establishments, number of employees and electricity consumption, and also strong growth in the volume of imports without fuels.

Moreover, the Chamber's surveys showed an improvement in business activity and increases in sales figures (+5%) and investment (+6%).

**Commerce also showed clear signs of recovery in activity.**

Along the same line, financial, real estate, professional and technical activities saw a quite positive trend, with an estimated increase in GVA of 5.4%, added to the strong growth recorded in 2021 (+12.8%). Remember that this branch of services is the most important in the economy, with over 37% of total GVA.

**The profitability of the Andorran banking sector continued to improve.**

The trend in the banking sector in 2022 was quite favourable, with growth in aggregate sector profits of 16.3%. This increase was accompanied by an increase in consolidated gross lending (+4%) due to the Lombard loans granted to private banking clients, and also an increase in deposits (+14.7%). The demand for lending in Andorra has seen limited growth in recent years for various reasons, including the process of deleveraging undergone by Andorran companies and by professionalisation of the sector, which has led companies to finance new

projects with their own funds, and also the recent Covid-19 pandemic which hindered the appearance of new business projects.

Banking sector profits were favoured by the economic dynamism and by the rise in interest rates. Altogether, this put the return on equity (ROE) of the banking sector in 2022 at 7.57%, higher than the 6.04% of the previous year, while the default ratio dipped to 3.28%, and levels of solvency (15.76% CET1 phase-in) and liquidity (201.29% LCR) were above the European bank average.

The improvement in results did not prevent continuation of the process of reducing numbers of employees in the bank sector (-3.1%), according to data provided by Andorran Banking, and numbers of branches (-10.8%); this even intensified in comparison with the decreases recorded in 2021. Equally, within the Andorran financial sector as a whole, the number of employees fell 2.8%. This dynamic reflects the complex process of mergers of entities, and also the digital transformation of the business which the sector is undergoing, in line with other European countries. In contrast, the average monthly wage rose 6.3%, much more than in the previous year (+1.2%), driven up by the high inflation rates that marked the financial year.

To complete the sectoral analysis, the primary sector – which only contributes 0.5% of total GVA – saw modest growth in 2022, of 1.2%, lower than the revised 2021 rate (+3%). The upward trend in activity was accompanied by an increase in the number of employees (3%), although the tobacco harvest declined (-2.1%), as did the utilised agricultural area (-0.4%), numbers of livestock (-5.4%) and numbers of establishments (-3.6%).

### 3. Developments in demand by components

The good performance of the Andorran economy in 2022 is also reflected in the data about demand, with an upward trend in the great majority of available indicators. Consumption was spurred by rising employment and nominal wages, although high inflation diminished consumers' purchasing power.

As for investment, all indicators show a positive trend, such as lorry and van registrations (+19.6%) or capital goods imports (+45.4%). Moreover, the Chamber's surveys relating to 2022 reflect increased investment in all the main sectors of the economy, especially strong in the hotel sector, although financial conditions became less favourable as interest rates rose progressively over the year. In fact, this factor could put a check on investment in the future.

As for the public sector, the end of the pandemic enabled the authorities to continue the route of cutting public spending that was started in 2021. So, public sector actions took the form of

## BUSINESSES' OPINIONS ON ECONOMIC DEVELOPMENTS IN 2022

Table 5.4

### Results of the situation survey in the hotel sector

#### 2022 COMPARED WITH 2021 (as % of businesses)

Turnover	Higher	59
	Same	38
	Lower	3
	Average variation (%)	14.7
Volume of investment	Higher	39
	Same	55
	Lower	6
	Average variation (%)	8.9
Number of employees	More	44
	Same	53
	Less	3

#### Prospects for 2023 (as % of businesses)

Trend in turnover	Upward	46
	Stable	49
	Downward	6
Trend in volume of investment	Upward	34
	Stable	54
	Downward	11

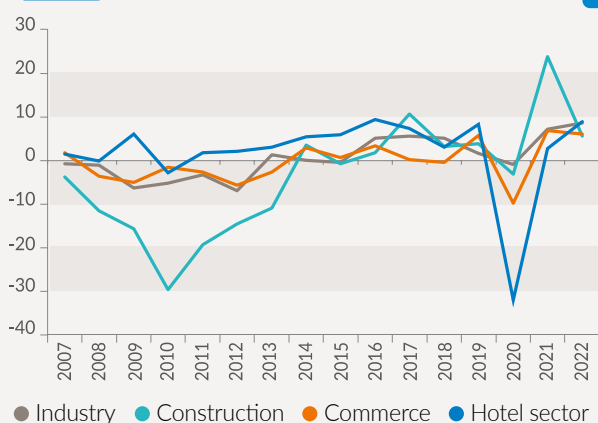
Source: Chamber of Commerce, Industry and Services of Andorra.

**The trend in business investment was positive, especially in the hotel sector.**

## TRENDS IN INVESTMENT BY SECTORS

### Interannual variation rate (%)

Chart 5.7



Source: Chamber of Commerce, Industry and Services of Andorra.

## Economic dynamism led to a strong increase in imports and the trade deficit.

both domestic demand and the demand generated by foreign visitors, although it should be noted that part of the increase in trade flows can be explained by rising prices. In parallel, exports saw an increase of 160.9%, although these were distorted by the performance of the chapter of works of art and antiques; if this branch is excluded, the growth in foreign sales is 19.2%, a rate that is still significant. All in all, this led to an increase in the trade deficit of 19%, and in the traditionally negative contribution from the trade balance to Andorran GDP.

Now, the most relevant contribution from the foreign sector to the Andorran economy is from the revenue from tourism services – the most important source of income for this country –which recovered remarkably in 2022 and enabled the economy to obtain a positive current account balance.

another reduction in current transfers from the Government and the Comú authorities, which, in aggregate terms, was greater than the one in the previous year. On the other hand, public administration as a whole increased operating costs (+7.4%) and real investment (+7.1%), more than in 2021. In parallel, tax revenue grew strongly. As a result, the central government went from a budget deficit in 2021 (-2.8% of GDP) to a budget surplus of 2.3% of GDP in 2022. Equally, the Comú authorities increased their surplus by four points, to 0.9% of GDP. All in all, this led to GVA growth in 2022 in the subsector of Public administration, education, health, social and personal services, of 4.1%, six tenths lower than growth in 2021.

Finally, analysis of the indicators for the foreign sector show that in 2022, imports shot up by 34% year on year, after the slight increase of 1% in 2021. This trend reflects the recovery in

## 4. Prospects

For 2023, the prospects point to a slowdown in Andorran economic growth, which will be mainly held back by the impact on demand from inflation and rising interest rates, and also the loss of dynamism in the Eurozone.

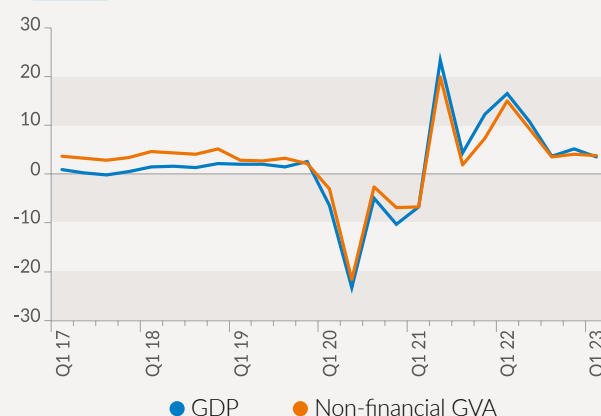
In this respect, GDP data for the first quarter of 2023 show a positive trend in the economy, with growth of 3.5% year on year in real terms (according to the first published estimate, still subject to review), representing a slowdown in growth in relation to the 5.2% noted in the fourth quarter of 2022.

By sectors, construction is still the most dynamic (+4.1%), although continuing to slow gradually. Services are still the main driver of the Andorran

## QUARTERLY TREND IN GDP AND NON-FINANCIAL GVA IN REAL TERMS

### Interannual variation rate (%)

Chart 5.8



Source: Department of Statistics.



## Andorran GDP slowed in the first quarter of 2023, to 3.5% year on year.

economy (+3.4%) with very similar growth to the previous quarter. Agriculture also saw a positive rate (+0.9%), but lost momentum compared with the rate in the second half of 2022, while industry stagnated in the first quarter after the fall in activity in the last quarter of 2022.

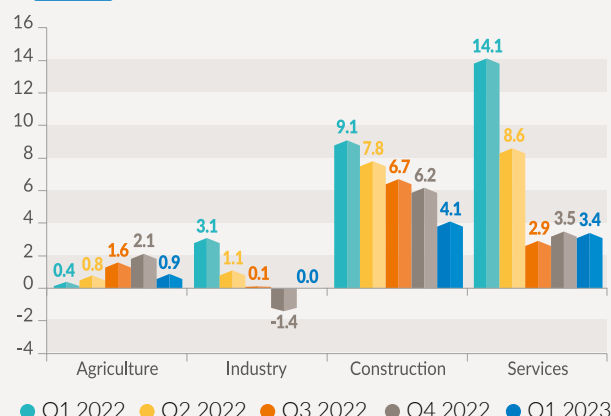
Within services, the subsector of financial, real estate, professional and technical services saw the greatest growth in GVA (+4%), with slight acceleration since the fourth quarter of 2022. This is followed closely by the subsector of commerce, hotels and catering, transport, information and communications (+3.7%), which lost momentum compared with the previous quarter, and further behind, the branch of public administration, education, health, social and personal services (+1.8%), which accelerated.

The tendency for the growth in Andorran economic activity to moderate can also be seen in the trend in the main indicators of activity available for the first few months of 2023, although the increases are still significant and point to the economy continuing to advance at a good pace. Specifically, a cumulative slowdown in growth was recorded over the first six months of the year in the two key indicators of numbers of visitors and imports, which are still at high levels (+14.5% and +8%, respectively), while there were falls in electricity demand (-2.4%) and vehicle registrations (-14.6%). Equally, the drop in imports of building materials is an indication of some exhaustion in the construction cycle. In parallel, the cumulative number of employees to April also lost momentum, although still growing at a notable rate of 6.6%, led by the sectors of hotels and catering and commerce. This meant that the number of job seekers continued to fall significantly in the first half (-11%). All in all, this suggests a positive trend in demand and economic activity during the first half of 2023, but with a tendency towards progressive loss of momentum.

In this context, one of the main preoccupations for the next few months is the loss of dynamism in consumption due to the steep rise in prices, but also the impacts on activity from toughening finance conditions and a weakening foreign context – internationally and especially in Europe.

## QUARTERLY TREND IN ANDORRAN GVA BY SECTORS

Interannual variation rate (%)



Source: Department of Statistics.

## The growth in numbers of visitors and imports moderated in the first half of 2023.

## SUMMARY OF FORECASTS FOR THE ANDORRAN ECONOMY 2023-2024

Interannual variation rate (%)

Year	GDP		GVA		TOTAL WAGE BILL	NUMBER OF EMPLOYEES	INTERNATIONAL GOODS TRADE (NOMINAL)		CONSUMER PRICE INDEX	
	Nominal	Real	Nominal	Real	Nominal		Imports	Exports	December	Annual average
2023	5.5	1.4	5.4	1.4	5.4	7.9	5.5	2.2	4.2	4.8
2024	5.6	2.2	5.4	2.1	5.4	4.5	4.6	7.8	2.9	3.6

Source: Department of Statistics.



## Andorran economic growth will be positive in 2023 but lower than in the previous year.

These factors will continue to influence the progress of the Andorran economy in 2023 and limit its capacity for growth. On the other hand, tourism will still offer the greatest contribution to growth. All in all, it appears that

Andorran economic growth will be positive in 2023 but less so than in the previous year.

The trend in neighbouring countries, especially Spain, will be another factor supporting the Andorran economy. So, Spain is again among the European countries with the most favourable outlooks for 2023 (the IMF has calculated an increase in GDP of 2.5%) and French economic growth is also expected to continue to be positive (+0.8%, according to the IMF).

In this vein, the official forecasts of the Department of Statistics published in June show Andorran real GDP growth for 2023 of 1.4%, which would be halfway between Spain and France, with a rate of inflation remaining at relatively high levels on average (over 4%). Equally, in Moody's review of Andorra's rating in July, the agency considered that the Andorran economy would continue to grow, more moderately, in 2023 and 2024, and that inflation would slow in 2024 and 2025 and stabilise from 2026.

## VI. Prices and costs

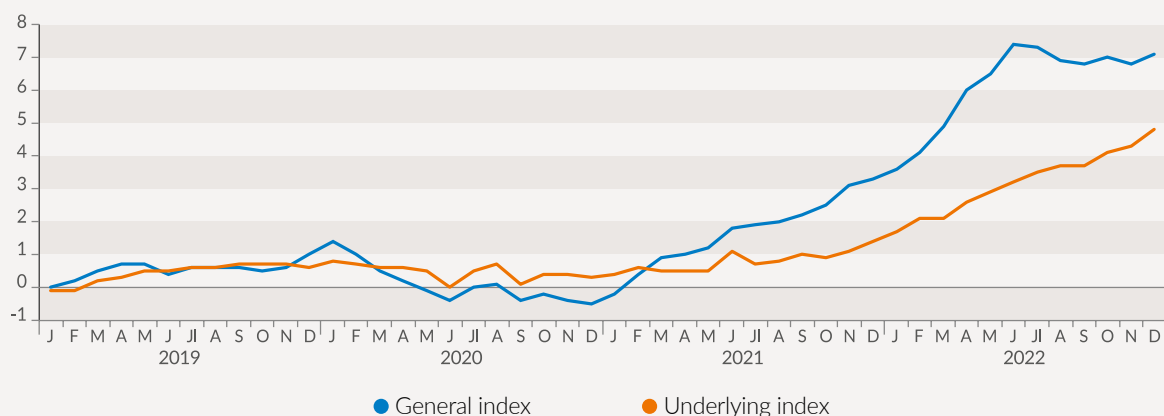
### 1. Consumer prices

Andorra did not escape the inflationary pressures affecting the whole of Europe in 2022, due to the effects of the outbreak of war in Ukraine in February on the prices of energy, commodities and food. The upward trend in Andorran inflation, which had already been felt throughout 2021, intensified in 2022, ending the year with a 7.1% rise, more than double the 3.3% of a year before and the highest rate in the historical series available since 2002.

In comparison with Europe, the rise in prices in Andorra was greater than in Spain (+5.7%), from where most consumer goods come, and

**Inflation ended 2022 at 7.1%, above the levels in Spain and France.**

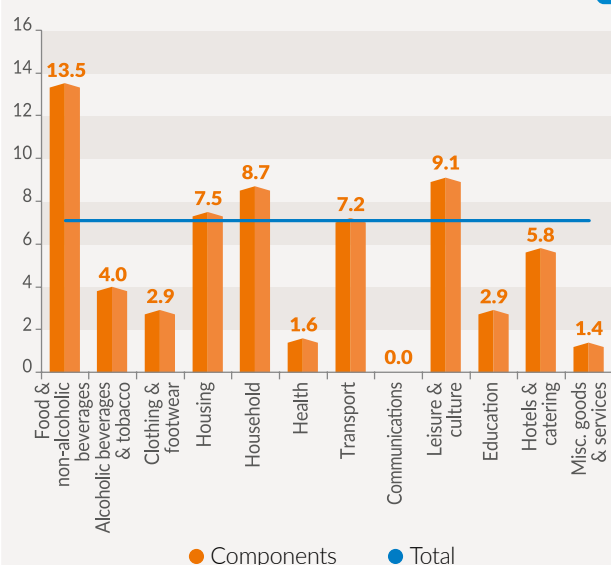
ANDORRAN CONSUMER PRICE INDEX - Interannual variation rate (%)



Source: Department of Statistics.

**CONSUMER PRICE INDEX. DECEMBER 2022**  
(base year 2021) Interannual variation rate (%)

Chart 6.2



Source: Department of Statistics.

### Food and non-alcoholic drinks led the rise in prices.

also well above the rate of one year earlier (+1.4%). Compared with the neighbouring economies, underlying inflation in Andorra in 2022 was lower than the harmonised rate for the whole of the Eurozone (+6.9%), Spain (+7%) or France (+5.4%).

Equally, this is a very significant increase that has extended throughout the first few months of 2023 and which, if not corrected within the next few months, could lead to further wage increases and "second-round effects",<sup>3</sup> with the risk of entrenched inflation at high levels. This risk is what led the European Central Bank to raise interest rates very quickly in 2022 and in the first half of 2023. The effects of this radical turnaround in European monetary policy are already being seen in inflation rates in Europe and also Andorra, where it fell to 4.4% in June 2023, although underlying inflation still seems resistant, at a level of 6.3% in that month.

## 2. Wages

The trend in wages in Andorra in 2022 was more moderate than in prices. Specifically, the average wage increased 4.9%, compared with 1.8% in 2021, to more than €2,300, the highest figure in the available historical series (in nominal terms) according to data from the CASS (Andorran Social Security System) and the Department of Statistics. Now, this increase was lower than in general inflation (+7.1%), for the second consecutive year, representing a loss of purchasing power and motivating the approval in June of Law 17/2022, on measures to improve citizens' purchasing power, with the aim of mitigating the effects of major price rises on the population.

<sup>3</sup> Second-round effects occur when incomes are revised according to inflation, to try to avoid the loss of purchasing power, leading to further inflationary pressures.

France (+5.9%), but remained below that of the Eurozone as a whole (+9.2% harmonised inflation at the end of the year).

The most notable rises in prices were in the components of food and non-alcoholic beverages (+13.5%), where the effects of the war in Ukraine were felt in some food products, and leisure, spectacles and culture (+9.1%), where prices were driven by the dynamism in post-Covid demand. At the other extreme is the remarkable stability of prices in the component of communications.

The trend by special groups shows a strong increase in the energy component (+28.5%), and also in fresh produce (+12.5%) and other foodstuffs (+14.2%), due to the impacts of the Ukraine war on the supply of gas and specific products such as cereals. In contrast, the prices of services have only risen 2.8%, contributing to the fact that underlying inflation (which excludes energy and foodstuffs and measures the trend in core prices) ended the year with an increase of 4.8%, much lower than general inflation, but

## Box 6.1

### LAW 17/2022, OF 9 JUNE, ON MEASURES TO IMPROVE CITIZENS' PURCHASING POWER

This Law proposes establishing certain measures within the financial and social fields to help improve citizens' purchasing power. Among the measures are notably:

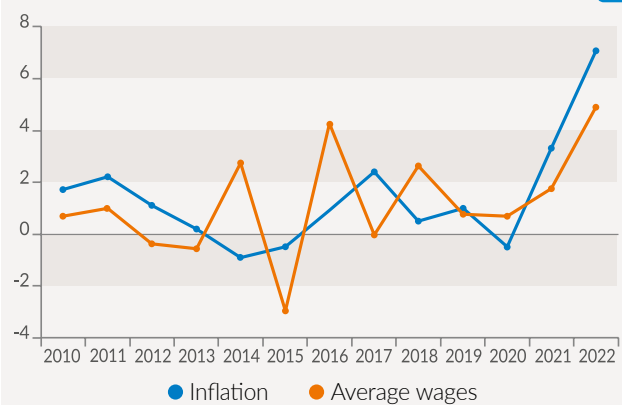
- Obliging businesses to raise, by at least 3.3%, wages that are below €27,130.44 per year and which have not been raised by this percentage in the last twelve months and are not new employment contracts signed in the last twelve months.
- A 3.67% increase to contributory retirement pensions, widows' pensions and disability allowances deriving from a non-occupational accident or common illness, and disability allowances deriving from an occupational accident or professional illness from 1 June 2022, for those who receive a monthly pension/allowance that is below the CASS interprofessional minimum wage, and who can show a minimum contribution period of 25 years.
- Modification of the indirect tax rate applied to certain products relating to feminine hygiene and baby care, so they come under the reduced tax rate.
- Regarding energy self-consumption, elimination of the limitation on producing electricity at the source of consumption. So, the Government is authorised to pass regulations to develop the figure of producer-consumer, the permitted territorial scope of self-consumption and the necessary aspects for effective implementation of the measure.
- Postponement of compliance with the obligation to file annual accounts with the Accounts Registry until the financial year starting in January 2023, to temporarily ease the legal requirements for businesses other than joint stock or limited companies that have an annual income of less than €150,000.

## Wages accelerate but grow below inflation for the second consecutive year.

The data from the Workforce Survey reflect a wage dynamic that is lower than the one shown by CASS data, with an increase in the average monthly wages of employees of 3.6%, to €2,229 gross. According to this source, in 2022, about 21% of private sector employees earned more than €2,534 gross, a percentage that rises to 38.5% in the case of the public and semi-public sector. In contrast, this is inverted in the case of the lowest wages (below €1,611), which are concentrated in the private sector (39.3% of the total) more than the public sector (20.9%). The Survey also shows that the average wages of employees increases with age to reach a maximum in the 45-54 age bracket, while tending to decrease in older brackets.

In the case of the minimum interprofessional wage, this was raised again in 2022, for the seventh consecutive year, in this case by 7.1%, much more than the average wage, as in the previous three years. Consequently, the minimum hourly wage rose to €6.93 (for workers aged 18 and over), the equivalent of €1,201.20 per month for a 40-hour week. The increases over the last few years meet the commitment for the minimum wage to be half of the average wage which,

AVERAGE WAGES AND INFLATION  
Interannual variation rate (%)



Source: CASS (Andorran Social Security System) / Department of Statistics.

## AVERAGE WAGES BY SECTORS (euros)

Table 6.1

	2022	% variation 2022/2021	Average index in Andorra = 100
Agriculture, livestock, hunting and forestry	1,682.26	4.8	72.9
Manufacturing industries (including extraction)	2,352.95	4.9	101.9
Production and distribution of electricity, gas and water	3,513.10	2.7	152.2
Construction	2,388.24	7.5	103.5
Commerce and motor vehicle repairs (etc.)	2,011.09	7.2	87.1
Hotels and catering	1,731.36	11.6	75.0
Transport, storage and communications	2,526.70	6.7	109.5
Financial system	5,059.92	6.3	219.2
Real estate & rental activities; business services	2,250.77	6.2	97.5
Public administration, defence & compulsory social security	2,784.86	4.5	120.7
Education	2,373.09	3.3	102.8
Health & veterinary activities, social services	2,458.05	3.7	106.5
Other social activities & community services, personal services	1,946.28	10.3	84.3
Households employing domestic staff	1,547.27	7.4	67.0
Extraterritorial bodies	2,820.36	1.6	122.2
Domestic work for the community	1,486.78	6.7	64.4
<b>Average</b>	<b>2,308.07</b>	<b>4.9</b>	<b>100</b>

Source: CASS (Andorran Social Security System) / Department of Statistics.

50

as said, is around €2,300, in keeping with the recommendations of the European Committee of Social Rights. (This goal was achieved for the first time in 2020). Moreover, the rise in 2022 enabled it to outstrip the minimum wage in Spain where, after the last increase in 2022, it reached €1,000 per month, with 14 monthly payments, for a 40-day week (the equivalent of €1,167 per month in 12 monthly payments). This played in Andorra's favour when competing to attract workers from the neighbouring country to work in the Principality.

**The minimum interprofessional wage rose for the seventh consecutive year, to €1,201 per month.**

By sectors, the trend in wages in 2022 was upwards overall, but at different rates depending on the activity. On the one hand, note the increases in hotels and catering (+11.6%) and Other social

**Hotels and catering lead wage increases and pass pre-pandemic nominal levels.**

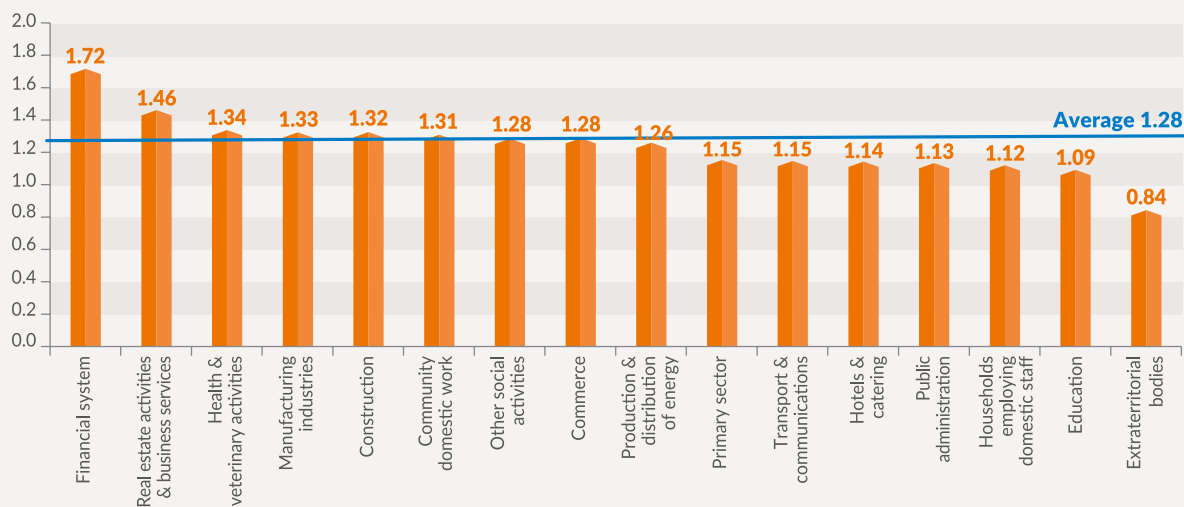
activities and community services (+10.3%) – in the context of the pandemic, these two branches saw reductions but, with the 2022 increase, exceed the nominal wages of 2019. At the other extreme, the most moderate wage rises were seen in extraterritorial bodies

(+1.6%) and production and distribution of electricity, gas and water (+2.7%), two sectors where wages were relatively less affected by the health crisis. Also note that in the case of other activities linked to the public sector (public administration, education, health activities), the increases were below average.

Consequently, the differences between sectors remained practically stable in 2022. So, the highest wage is 3.4 times higher than the lowest wage (as in the previous three years). More specifically, the highest pay can historically be found in the financial sector, where it is 2.2 times higher than the average. This level contrasts with that of domestic work for the community, the sector with the lowest pay and wages 36% below the average. The second sector in the

## WAGE QUOTIENT MEN/WOMEN BY SECTORS. 2022

Chart 6.4



Source: CASS (Andorran Social Security System) / Department of Statistics.

wage ranks is production and distribution of electricity, gas and water, with wages 52% above the average, followed by extraterritorial bodies with wages 22% above the average, and public administration which pays 21% more. Among the branches with below-average wages, note that commerce and hotels and catering, which employ a large percentage of employees (33.7% of total employees), improved their relative positions, although their wages are still 13% and 25% below the average, respectively.

Finally, in relation to the breakdown of wages by gender, the average wages of women, according to CASS data, are still below the average wages of men (€2,020 vs €2,579), with the gap narrowing in 2022 to 27.6%. This is a structural circumstance in all sectors, with the sole exception of

extraterritorial bodies, where women's wages exceed those of men, although this branch is insignificant within Andorran employment.

### *The financial sector and real estate activities present the widest gender pay gaps.*

The greatest differences are still found in the financial sector, where men's average wages are 72% higher than women's; in real estate activities and business services, where they are 46% higher, and in health and veterinary services (+34%). These figures highlight the fact that men mostly occupy the higher-level jobs in these sectors. On the other hand, the smallest differences are in education, household domestic staff and public administration, where men's average wages are 13%-9% higher than women's.

The gender pay gap is also reflected in the Workforce Survey, which indicates that women employees earn €1,988 gross per month on average, whereas men earn €2,463 gross. This figure means that women earn 19.3% less, more significant than in 2021 (-18.8%), although this gap is smaller than in the CASS data. One of the main reasons for these inequalities is that there are more women than men working part-time and in lower-paid sectors.

## VII. Foreign sector

### 1. Foreign trade flows

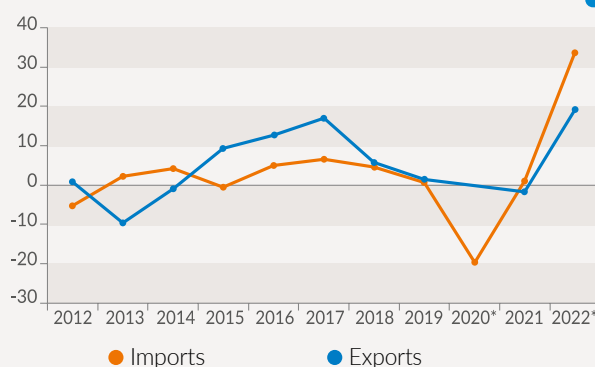
2022 was marked by a major rise in both exports and imports, which both achieved the highest values in the historical series. These results contrast with those obtained in the previous year, when the variations were very modest (+1% imports and -1.8% exports). However, it should be noted that part of this increase in trade flows – expressed in current euros – can be explained by the rising prices of most goods due to rising production costs.

**Exports (excluding works of art) grow 19.2% and imports 34%, reaching the highest values in the historical series.**

Specifically, in 2022, total Andorran imports rose to €1,773.1 million, a figure that represents an increase of 34% against the previous year. For their part, total exports rose to €367.5 million, representing a positive variation of 160.9% in relation to 2021. Now, without chapter 97 (Works of art, collector's items and antiques), which saw an unusual increase in February 2022, exports would have increased 19.2%. If we exclude chapter 97, the coverage rate (exports/imports) reached 9.4%, 1.2 points below the figure of the previous year, when the highest level in the historical series was reached (10.6%).

As has been seen, the volume of imports is traditionally greater than exports. This circumstance can be explained by the fact that the Andorran economy presents a high trade deficit, due to the importance of the demand for imported consumer goods (for both domestic use and tourism)

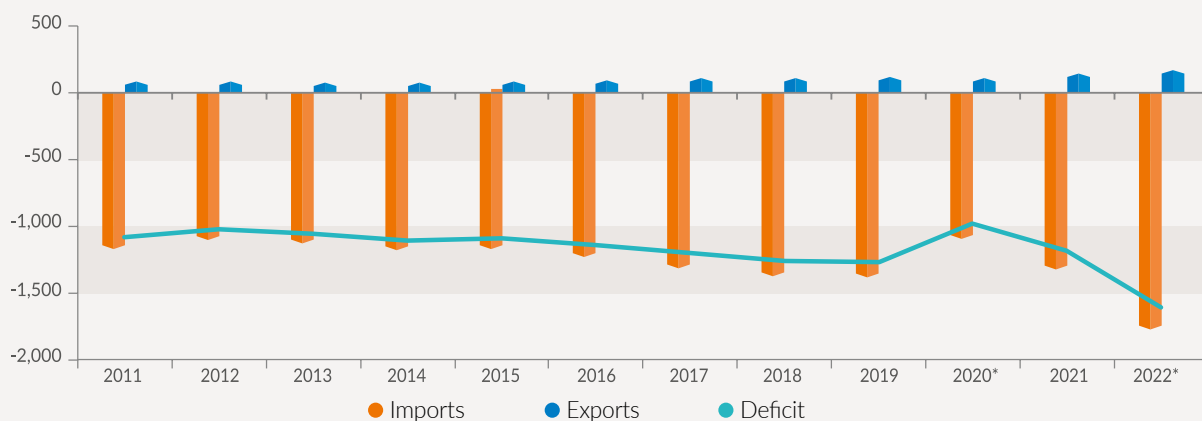
**FOREIGN TRADE**  
Interannual variation rate (%)



(\*) Excluding the entry for works of art and antiques because it saw an extraordinary increase in 2020 and 2022 which distorts the global result.

Source: Department of Tax and Frontiers.

**TRADE DEFICIT - Millions of euros**



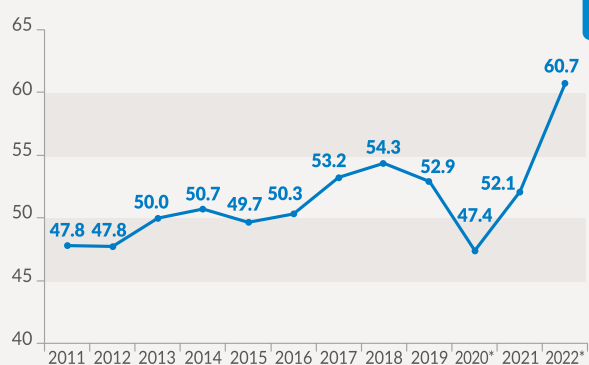
(\*) Excluding the entry for works of art and antiques because it saw an extraordinary increase in 2020 and 2022 which distorts the global result.

Source: Department of Tax and Frontiers and own preparation.

and investment, which easily exceeds the value of Andorran exports. In 2022, the trade deficit hit €1,405.6 million, 19% higher than in the previous year. If we exclude the chapter of works of art and antiques, this figure rises to €1,601.7 million. In both cases, the highest level of trade deficit in the historical series was reached in 2022.

## The trade deficit reaches a historic high.

### TRADE OPENNESS (% of GDP)



(\*) Excluding the entry for works of art and antiques because it saw an extraordinary increase in 2020 and 2022 which distorts the global result.

Source: Department of Tax and Frontiers and own preparation.

The described trend in trade flows led to an increase in the trade openness ratio (trade-to-GDP-ratio, the combined value of goods exports and imports expressed as a percentage of GDP), as foreign trade flows increased more than nominal GDP (+13.4%). In 2022, the trade openness ratio reached 60.7% if works of art and antiques are excluded (or 67.2% if the total values are considered), a much higher percentage than the 52.1% recorded in 2021.

## Both imports and exports are still greatly concentrated in a few sectors.

From the sectoral point of view, the degree of concentration of Andorran imports remained high in 2022. On the one hand, the five sectoral groups that are historically most significant in imports (food products, transport material, mineral products, machinery and electrical equipment, and products of the chemical industries) represent 62% of the total, demonstrating the high level of concentration in imports. On the other hand, exports are traditionally concentrated in four sectors (machinery and electrical equipment, transport material, textiles and optical, photographic and precision apparatus), but in 2022, these only represented 32.9% of total exports because the sector of works of art and antiques increased its percentage to 55%, which distorted the other groups.

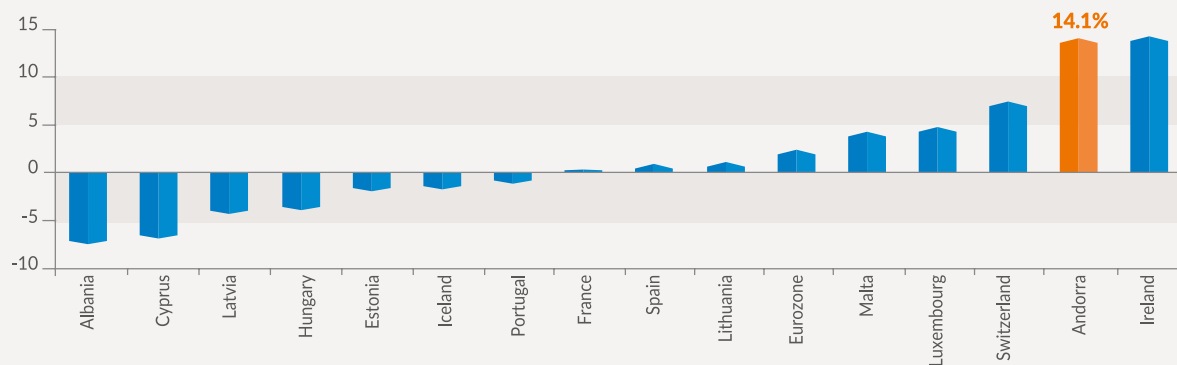
Note that part of the Andorran imports are subsequently re-exported. In fact, looking at the top ten import and export chapters, there are five matches: motor vehicles, perfumery, electrical machinery and equipment, mechanical apparatus and articles of apparel and clothing accessories, not knitted or crocheted. This overlap is considered to be indicative of so-called “intra-industry trade” or “bidirectional trade” (one country is both exporter and importer of the same types of product), in which the added value generated in the national economy or opportunism in commercial trading become essential factors and assets.

Both exchange rate trends and changes in international trade regulations are major factors influencing the re-exportation of products. In 2022, the euro depreciated, favouring Andorran exports outside the Eurozone but also creating less favourable conditions for importing products from countries outside the monetary union for subsequent re-exportation to the Eurozone.

As for regulation, Andorra is in the process of negotiating an association agreement with the EU. These negotiations started in 2015 and are currently ongoing. The Government has already announced its intention to hold a referendum for approval or refusal at the end of 2024. The association agreement finalises a process of standardising and opening up the country's economy with the goal of accessing the single market and European programmes. The understanding will include the adoption of a large part of the community acquis to enable balanced diversification and development of the national economy.

## CURRENT ACCOUNT BALANCE AS % OF GDP. 2021

Chart 7.4



Source: Department of Statistics.

Note that, at the beginning of 2023, the Secretary of State for Relations with the EU and the Chamber of Commerce, Industry and Services established a fixed information point about the Agreement with the EU, to answer queries from the business sector relating to aspects that have already been agreed in the negotiations, and also to gather any concerns and questions which need to be expressed as the conversations progress.

The results of the Balance of Payments and International Investment Position of the Andorran economy quantify the economic relationship between the residents of this economy and the residents of the rest of the world, according to the principles set out in the International Monetary Fund's (IMF) sixth *Balance of Payments and International Investment Position Manual* (BPM6). The 2021 balance of payments (latest available) shows that the Andorran economy has a financing capacity (current account + capital account) of €395.52 million, a slightly higher figure than the €393.23 million in 2020 but still lower than the €507.86 million in 2019. Of the total current account, the entry for goods and services shows a positive balance of €229.3 million; primary revenue (from work and investment) shows a positive balance of €213 million, and secondary income a negative balance of -€47.1 million. The importance of the goods and services account clearly demonstrates that the Principality of Andorra is an exporter of services (with a balance of +€1,351 million) and importer of goods (with a balance of -€1,122 million). The reduction in financing capacity in 2020 and 2021 compared with the pre-pandemic situation can basically be explained by the decline in the positive balance of services due to the incomplete recovery of tourism in 2021, and also the decline in the positive balance of investment income. Finally, the ratio of the current account balance as a percentage of GDP was 14.1% in 2021 (15.5% in 2020), lower than the 18% it represented in 2019 but still one of the highest among the European countries, together with Ireland, and also one of the highest in comparison with other demographically similar countries.

**The reduction in financing capacity in 2020 and 2021 can be explained by the fall in tourism.**

## 2. Geographical distribution of foreign trade

### 2.1. Imports

As mentioned, imports in 2022 saw an extraordinary increase of 34%, which can be explained by the strong recovery in domestic demand after the COVID-19 crisis. Imports from Europe – the main geographical source of Andorran purchases abroad – grew in line with the total and, therefore, remained at around 92.4%, one of the highest percentages in the historical series that started in 1991.



## Imports from Spain grow 36% and from France 43%.

In 2022, the trend in imports from all continents was very positive, but especially notable was the increase in purchases from Asia (+49.4%) – driven by the increase in imports from China (+47%) – which now represent 5.6% of the total. Imports from America, which only represent 1.2% of the total, saw lower but also notable relative growth (+25.7%), due partly to slower growth in purchases from the USA (+17.8%). Finally, imports from Africa rose almost 30%, although they only represent 0.2% of the total.

Within the European Union, purchases from Spain – Andorra's main supplier – grew 35.5%, causing the neighbouring country's percentage of total purchases to rise eight tenths to 65.8%. This percentage is the highest in the historical series if we ignore the atypical value in 2020.

The trend in imports from France was even more positive than from Spain, with an increase of 42.8%. Consequently, their percentage of the total rose by seven tenths to 11.4%, although this figure is still lower than before the pandemic and especially from what they represented in the 1990s (30%). Nevertheless, France is still the second largest supplier to Andorra, well above the next, Germany and Italy, which represent 5% and 2.8%, respectively, but which saw opposite behaviour in 2022 – whereas imports from Germany increased 22.9%, those from Italy shrank 1.7%. Due to this trend, Italy lost fourth place in the ranks to China. Note that, overall, Spain was the country that made the most positive contribution to the variation in imports in 2022 (23.1 points of the total variation of 34 percentage points), well ahead of the second, France, with a positive contribution of 4.6 points.

Regarding countries outside the EU-27 but inside Europe, the United Kingdom and Switzerland stand out. Imports from the United Kingdom saw a decline of 8%, reducing their percentage of the total from 1.8% to 1.3%. (Remember that the United Kingdom left the EU and this

## FOREIGN TRADE BY GEOGRAPHICAL AREAS

Table 7.1

	IMPORTS			EXPORTS		
	Meuros 2022	% variation 2022/2021	% total 2022	Meuros 2022	% variation 2022/2021	% total 2022
Spain	1,166.0	35.5	65.8	282.2	278.9	76.8
France	201.9	42.8	11.4	21.4	5.1	5.8
Germany	88.1	22.9	5.0	5.4	94.8	1.5
Italy	49.9	-1.7	2.8	1.7	11.7	0.5
Netherlands	13.4	25.4	0.8	2.4	-30.6	0.7
Portugal	14.2	38.4	0.8	0.2	21.9	0.1
<b>EU-27</b>	<b>1,581.8</b>	<b>34.5</b>	<b>89.2</b>	<b>321.0</b>	<b>200.3</b>	<b>87.3</b>
United Kingdom	22.4	-8.0	1.3	11.3	42.9	3.1
Switzerland	24.5	11.5	1.4	0.4	-54.6	0.1
<b>Europe</b>	<b>1,638.8</b>	<b>33.3</b>	<b>92.4</b>	<b>337.4</b>	<b>179.7</b>	<b>91.8</b>
USA	14.3	17.8	0.8	7.6	68.4	2.1
<b>America</b>	<b>22.1</b>	<b>25.7</b>	<b>1.2</b>	<b>11.2</b>	<b>80.0</b>	<b>3.0</b>
China	52.8	47.0	3.0	0.9	243.7	0.3
Vietnam	7.4	34.6	0.4	0.0	6,841.3	0.0
<b>Asia</b>	<b>99.0</b>	<b>49.4</b>	<b>5.6</b>	<b>6.9</b>	<b>103.8</b>	<b>1.9</b>
<b>World total</b>	<b>1,773.1</b>	<b>34.0</b>	<b>100</b>	<b>367.5</b>	<b>160.9</b>	<b>100</b>

Source: Department of Tax and Frontiers.

makes trading more difficult). In the case of Switzerland, imports rose 11.5%, representing a decline in its percentage of total imports of three tenths, to 1.4%.

**Purchases outside the EU increased, from Switzerland, the USA and China, among many other countries.**

As for imports from Asia, those from China are the most significant. As mentioned, the trend in purchases from China was very positive (+47%), so its percentage of the total increased by three tenths, to 3%, making it the fourth most important supplier to Andorra, only behind Spain, France and Germany. Within the Asian continent, Japan also stands out, although in recent years its volume of the total has fallen to 0.4%, far from the 6.2% it represented in the early nineties. This change is greatly related to the loss of attractiveness suffered by the Andorran electronics trade

**Spain strengthens its position as main supplier and China climbs to fourth position.**

sector over recent years. A large part of these purchases have been substituted by those from Vietnam, Taiwan and Bangladesh, countries that each represent between 0.4% and 0.5% of total imports (the same current percentage as Japan).

In summary, Spain strengthened its position as the main supplier to Andorra in 2022, concentrating two thirds of total imports. Purchases from France also increased substantially but their importance is relatively much lower than Spain's. Among the most distant countries, the growth of imports from China was notable, becoming the fourth most important supplier country.

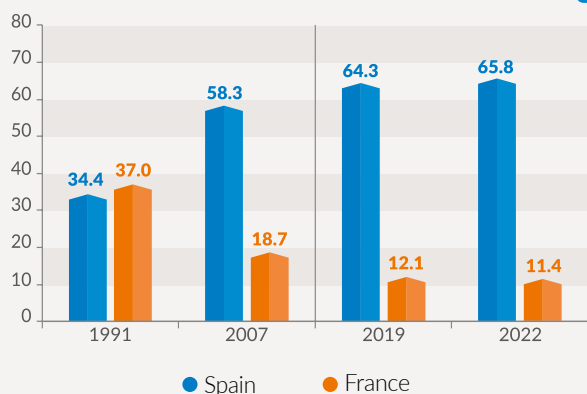
## 2.2. Exports

In 2022, exports to some countries, such as Spain, saw very significant rises due to the extraordinary increase in the chapter of works of art and antiques. This meant that exports to Europe grew 180%, that the European continent is still the main destination of Andorran exports and that its percentage of the total has increased to 91.8%. There was also extraordinary expansion in sales to other continents, such as America (+80%) or Asia (+104%), although their percentages of total imports are much smaller (3% and 1.9%, respectively).

Sales to Spain, the main consumer of products from Andorra, rose 279%, growth that was influenced by the atypical figure in exports of works of art and antiques. As a result of this trend, Spain's percentage of total exports went from 52.9% in 2021 to 76.8% in 2022, the highest

IMPORTS FROM ANDORRA'S NEIGHBOURING COUNTRIES - Percentage of total (%)

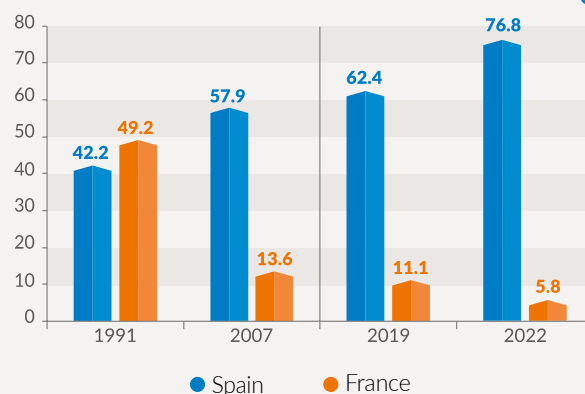
Chart 7.5



Source: Department of Tax and Frontiers.

EXPORTS TO ANDORRA'S NEIGHBOURING COUNTRIES - Percentage of total (%)

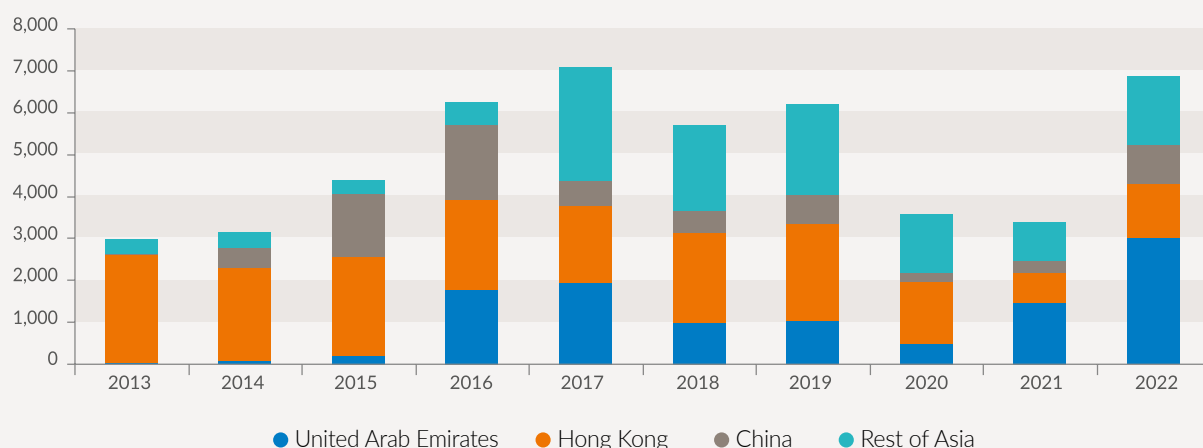
Chart 7.6



Source: Department of Tax and Frontiers.

## ANDORRAN EXPORTS TO ASIA - Thousands of euros

Chart 7.7



Source: Department of Tax and Frontiers.

value in the historical series. Exports to France, on the other hand, grew more modestly, by 5.1%, so this country's percentage shrank from 14.5% to 5.8%. Together, these two countries on the borders of Andorra represent 82.6% of exports but the balance between the two main partners tipped towards Spain in 2022; accordingly, the gap with Spain has widened, contrasting with the similar values held by the two countries in the early nineties.

**Exports to Spain increased 279%, while those to France grew 5.1%.**

Exports to Andorra's three next most important partners in the EU-27 (Germany, the Netherlands and Italy) also saw varying behaviour. Germany saw an increase of 94.8% putting its percentage at 1.5%, and overtook the Netherlands, which saw a major decline (-30.6%) that made it the fourth country within the EU with 0.7% of the total. Finally, Italy, with an 11.7% increase, saw its share fall to 0.5%.

Inside the European continent but outside the European Union is notably the United Kingdom (an increase of 42.9% in 2022), holding third place in the global exports ranks for Andorra, after Spain and France, with 3.1% of the total. For their part, exports to Norway rose 35.8% but its share fell to 1.2%. The percentages of the other European countries are less than 1% so their contribution is insignificant.

**Exports to Asia grew 104% and to America 80%.**

Outside the European continent, the increase in exports to the Asian continent is notable, rising 104% and putting this market at 1.9% of total foreign sales. In this case, the positive trend can

basically be explained by the increase in sales to China (+244%), Hong Kong (+80%) and the United Arab Emirates (+106%). These three countries are the most important within the Asian continent for Andorran exports, as they jointly account for 1.4% of the total.

The American continent also saw an increase in Andorran sales (80%). This can mainly be explained by the positive contribution of sales to the USA, which grew 68.4% and represent 2.1% of total foreign sales.

Lastly, note the decline in exports to Africa (-32.4%) after two years of strong growth, resulting in their share of the total falling from 2.4% to 0.6%.

In summary, Andorran exports in 2022 were greatly affected by the atypical data in foreign sales of works of art and antiques, which contributed to an extraordinary rise in exports to Spain and, in general, to the European continent. Also notable was the strong growth in sales to the Asian market, especially to the three countries with which it trades most. Note that exports benefitted from the post-pandemic global recovery and also euro depreciation in the case of exports outside the European continent, such as the USA, the United Kingdom and China.

### 3. Sectoral composition of foreign trade

#### 3.1. Imports

In 2022, all sectoral branches made a positive contribution to the trend in imports. Among the most notable were mineral products (+8.1 points), machinery and electrical equipment (+5.2 points), food, beverages and tobacco (+4.8 points) and chemical products (+2.3 points). The other branches made positive contributions of two points or less.

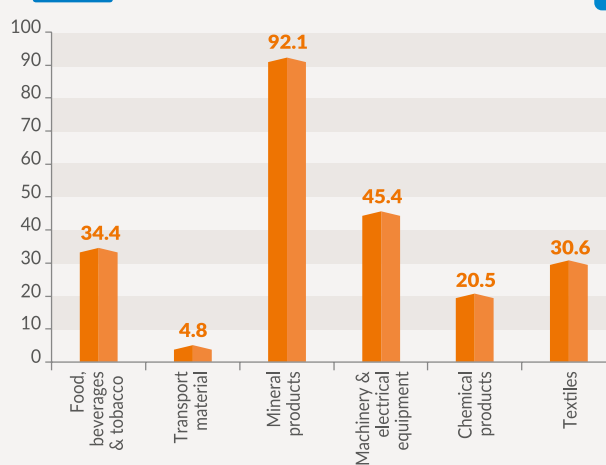
**Imports of food, beverages and tobacco increased 34.4%, due to the recovery in private consumption, and are now the most important group.**

More detailed analysis shows that in 2022, imports of food, beverages and tobacco – the most significant group – increased 34.4%. Consequently, its share of the total remained at 13.9% and it went from being the second most important group to first in the sectoral ranks. The most notable chapter within this section is beverages, alcoholic liquids and vinegars, with 5.4% of total imports, which saw an increase of 36.2% against the previous year. The second most important chapter is tobacco, with 2% of the total, which saw a rise of 52.4%, notably greater than for imports as a whole.

The second most important group in the imports ranks is transport material, which saw an increase of only 4.8% in 2022. Consequently, its share of total foreign purchases shrank from 16.4% to 12.9%. The explanation for this trend can be found mostly in the moderate increase in imports in the chapter of motor vehicles, tractors, motorcycles and bicycles (+4.7%) which benefitted less this year than last year from the increase in vehicle registrations.

Next, there are two branches with almost equal percentages to transport material – mineral products and machinery and electrical equipment, with 12.6% and 12.4%, respectively. Imports of mineral products saw an extraordinary increase of 92.1%, and machinery and electrical equipment by 45.4%. The behaviour of the latter segment can be explained by strong growth in both purchases of electrical machinery and equipment (+44.1%) and mechanical apparatus (+47%). For its part, the major increase in purchases of mineral products is due to an increase in the entry for fuels (which doubled between 2021 and 2022) due to a steep rise in oil prices.

**ANDORRA'S MAIN IMPORT SECTORS.**  
2022 - Interannual variation rate (%)



Source: Department of Tax and Frontiers.

**Imports of transport material, mineral products and machinery and electrical equipment are almost equal, with a relative weight of around 12%.**

## FOREIGN TRADE BY SECTORS

Table 7.2

	IMPORTS			EXPORTS		
	Meuros 2022	% variation 2022/2021	% total 2022	Meuros 2022	% variation 2022/2021	% total 2022
Live animals & animal products	79.2	26.1	4.5	0.3	51.7	0.1
Vegetable products	35.7	18.0	2.0	0.0	128.2	0.0
Fats & oils	8.3	50.5	0.5	0.2	114.5	0.1
Food products, beverages & tobacco	247.0	34.4	13.9	0.7	22.6	0.2
Mineral products	223.3	92.1	12.6	0.3	-15.3	0.1
Products of the chemical industries	181.7	20.5	10.2	4.6	-14.9	1.2
Plastics, rubber & articles thereof	42.3	45.9	2.4	1.4	116.0	0.4
Fur, leather & articles thereof	13.7	37.0	0.8	2.1	-8.9	0.6
Wood, cork & articles thereof	17.9	50.6	1.0	1.8	40.5	0.5
Paper & graphic arts	41.5	40.9	2.3	11.9	8.2	3.2
Textiles	113.9	30.6	6.4	8.1	-8.0	2.2
Footwear, headgear, umbrellas, etc.	41.0	47.8	2.3	5.9	1.2	1.6
Stone, cement & ceramic articles	27.8	57.1	1.6	0.4	43.1	0.1
Pearls, precious stones & metals	28.1	8.6	1.6	7.6	-17.9	2.1
Base metals & articles thereof	78.3	35.4	4.4	5.5	-1.4	1.5
Machinery & electrical equipment	219.0	45.4	12.4	56.4	62.4	15.3
Transport material	228.0	4.8	12.9	36.8	10.9	10.0
Optical, photographic, precision app.	61.5	16.1	3.5	19.8	14.3	5.4
Arms & ammunition	1.3	28.3	0.1	0.2	-26.1	0.0
Miscellaneous manufactured articles	77.0	50.3	4.3	2.0	7.9	0.5
Works of art, antiques	5.2	82.5	0.3	201.3	14,038.6	54.8
Others	1.5	85.6	0.1	0.5	-33.0	0.1
<b>Total</b>	<b>1,773.1</b>	<b>34.0</b>	<b>100</b>	<b>367.5</b>	<b>160.9</b>	<b>100</b>

Source: Department of Tax and Frontiers.

As for imports of chemical products, the trend was positive (+20.5%; +14.9% in 2021), but smaller than the overall variation, so its share shrank from 11.4% in 2021 to 10.2% in 2022.

The two most important chapters in the group saw upward trends: the chapter of perfumery, with 5.8% of the total, rose 32.5%, and pharmaceutical products, with a volume of 2.2%, grew 6%.

The next most important group of products is textiles, which represents 6.4% of total imports and saw an increase of 30.6% due to the recovery in private consumption. The other groups of products represent less than 5% of total foreign purchases and showed positive trends overall. By order of importance, there are the branch of live animals and animal products (4.5% of the total), the branch of base metals and articles thereof (4.4%) and miscellaneous manufactured articles (4.3%).

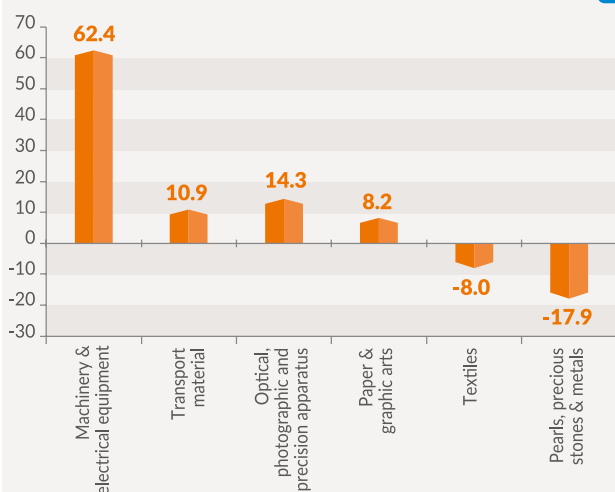
### 3.2. Exports

In 2022, Andorran exports rose 160.9%, due to an atypical increase in sales of works of art and antiques, making this chapter grow to 55% of total exports. So, this branch contributed 141.9 points to the total variation of 160.9 points this year (88% of the total). Of the other 21 branches, exports shrank in eight and increased in the other thirteen. The most important positive contributions were

**Strong increase in imports in the branch of mineral products due to rising oil prices.**

## ANDORRA'S MAIN EXPORT SECTORS. 2022 - Interannual variation rate (%)

Chart 7.9



(\*) Ignoring the sector of Works of art and antiques, which saw an increase of 14,039% in 2022.

Source: Department of Tax and Frontiers.

from the group of machinery and electrical equipment (+15.4 points), followed at a distance by transport material (+2.6 points) and optical and photographic products (+1.8 points). The other sectors made a positive or negative contribution of less than 1.2 points. Note that, this year, practically all areas saw a decrease in their percentage of the total due to the major increase in the chapter of works of art and antiques, the opposite of what occurred in 2021.

### Exports of machinery and electrical equipment continue to grow strongly (+15.3%).

If we ignore this chapter of works of art and antiques, the largest export group is still, since 2003, machinery and electrical equipment. With a year-on-year increase of 62.4%, it

reached 15.3% of the total. By chapters, this trend can be explained by both the increase in exports of electrical machinery and equipment (+65.2%) – the largest chapter in the group, with almost 12.6% of total foreign sales – and in mechanical apparatus (+50.6%) – representing 2.7% of total exports.

Second in the exports ranks is the branch of transport material, which saw an increase of 10.9% in 2022. This increase was less than for total imports, so its share of the total fell from 23.6% in

2021 – when it grew 67.2% – to 10% in 2022.

The chapter that determines this positive trend is motor vehicles, which represents 9.8% of total exports and saw an increase of 9.3%.

### Exports of transport material grow 10.9%.

Some way behind the previous groups, foreign sales of optical, photographic and precision apparatus, the third chapter by volume of exports, increased 14.3% in 2022, although its share of the total shrank to 5.4%. By chapters, the trend was positive in both the segment of optical and photographic products (+12.3%) – the most important in the group, with 4.4% of total exports – and clocks and watches (+26.5%), with a much smaller share of only 0.9%.

Next in the exports ranks by volume are the sectors of paper and graphic arts, textiles, and pearls, precious stones and metals. The trend in the group of paper and graphic arts was positive, with export growth of 8.2%. As a result, its share of the total represents 3.2%. The most important subgroup is paper and cardboard (2.1% of the total), with an increase of 1.5% year on year, followed by products of the printing or graphic industries (0.8% of the total), which increased 33.5%. Exports from the textiles sector saw a year-on-year decline of 8%, reducing its share to 2.2% of the total. Within this group are notably the chapter of articles of apparel and clothing accessories, not knitted or crocheted (with 1.4% of total exports), which shrank 7.2% in relation to 2021. Finally, the branch of pearls, precious stones and metals saw a decline of 17.9%, falling to 2.1% of overall Andorran exports.

The other groups represent proportions of less than 2% of total exports. Among these are notably footwear, headwear, umbrellas, with 1.6% of the total and an increase of 1.2%; base metals, with

1.5% and a negative variation of 1.4%, and chemical products, with a total percentage of 1.2% and a decline of 14.9% since the previous year.

#### 4. Foreign investment flows

2022 was a good year in terms of foreign investment, but did not reach the historic levels of the previous year, when there was a major revival after projects stopped during the pandemic in 2020. In 2022, 925 investment transactions were formalised before a notary, four more than the previous year, the highest value in the available series. The volume of investment associated with these transactions was €388.9 million, 28.5% less than the previous year, but still the second highest figure in the historical series. The data show that the average amount per investment has fallen, from €590,365 in 2021 to €420,443 in 2022.

**Foreign investment reaches 12.2% of GDP, the second highest figure in the historical series after 2021.**

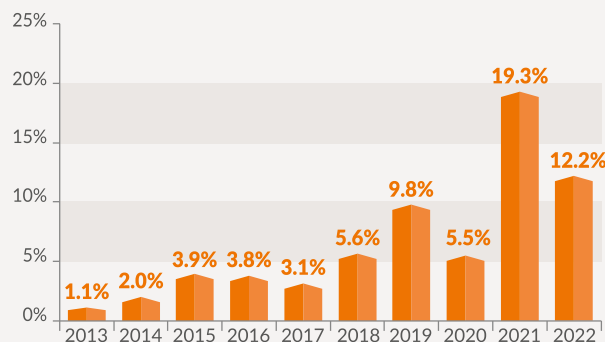
Due to this trend in investment and the increase in GDP, the percentage of Andorran GDP represented by foreign investment fell from 19.3% in 2021 to 12.2% in 2022, but is nonetheless the second highest figure in the historical series and much higher than the pre-pandemic figures.

**Spain concentrates 53% of foreign investment and France 16.2%.**

By geographical origin of the investment formalised in 2022, Spain concentrates 53% of the total, 30 percentage points more than in the previous year, thanks to the 66.2% growth seen in 2022. The second most important country this year is Luxembourg, representing 20% of foreign investment in Andorra. Investment from France represents 16% of the total, seeing an extraordinary increase of 177%. And investment from Andorra, which had been the main source of foreign investment until 2020, fell to 5% of total investment received. This latter figure relates to investments made by Andorran businesses in which more than

**VOLUME OF FOREIGN INVESTMENT AS % OF GDP**

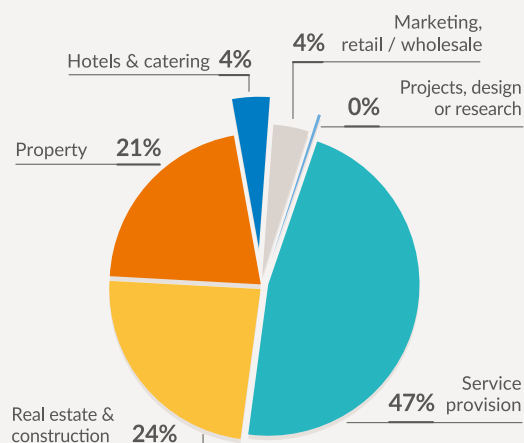
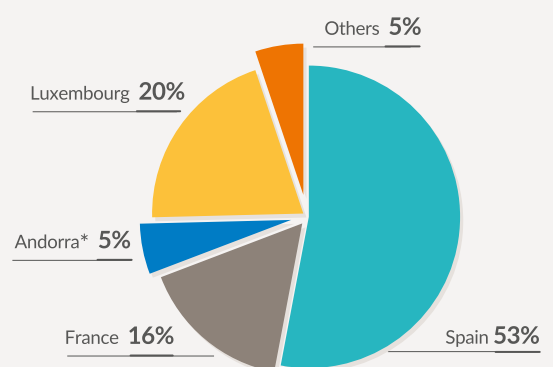
Chart 7.10



Source: Ministry of the Presidency, Economy, Work and Housing.

**FOREIGN INVESTMENT BY COUNTRIES AND SECTORS. 2022 - As % of total**

Chart 7.11



(\*) Andorran businesses with foreign capital (>50%) making a new investment.

Source: Ministry of the Presidency, Economy, Work and Housing.

50% is held by non-resident shareholders and which are making a new investment. The United Kingdom is the fourth foreign country with most investment in Andorra (with only 1.5% of the total figure), followed by Germany (with 0.8%), Colombia (0.7%) and Russia (0.4%). The rest is divided between various geographical locations and of little significance.

Globally, since the current Foreign Investment Law came into force in 2012, Spain has had an average concentration of 37.1% of the investments formalised in Andorra by amount, and France 14.1%. The rest is divided between many countries, notably Luxembourg (6.6%), Russia (1.6%), Belgium (1.4%) and Ireland (1.4%). Investments where "Andorra" is identified as the country of origin represent an average of 13.2% of the total over the period 2012-2022.

By sectors, note the strong rebound in 2022 in formalised foreign investment in service provision (from €42.1 million in 2021 to €181.4 million in 2022), reaching 46.7% of total investment.

**Rebound in foreign investment in service provision and real estate and construction.**

There was also a strong increase in investment in real estate and construction (from 16.4 to 91.9 million), which reached 23.6% of the total. The next most important sectors were – at some distance behind the above – hotels and catering (4% of the total) and the commercial sector (3.8% of the total). The others represent less than 1% of total investment. 2022 investment data saw significant growth in all kinds of activity, except in projects, design or research (-95.5%) and property (-81.1%). On analysing the period 2012-2022, the four sectors that received most investment are still property (44.3% of the total), service provision (23.5%), real estate and construction (14.7%) and the commercial sector (7.4%).

## VIII. Public sector

In 2022, the accounts of the Andorran public authorities saw an aggregate surplus, the result of a positive balance in the central and Comú governments, and practically balanced accounts in the Andorran Social Security System (CASS). Specifically, the central government had a surplus of 2.3% of GDP; this is the level of government that most improved the situation of its public accounts, with a 5.1 point reduction since the previous year (when there was a deficit of 2.8% of GDP). This correction was possible due to a strong recovery in tax revenue, through both economic growth and the inflationary process, combined with a cut in expenditure. The Comú governments, on the other hand, increased their surplus by four tenths from 0.5% of GDP in 2021 to 0.9% in 2022, due to revenue growing faster than expenditure. Finally, the CASS ended the year with an almost balanced budget, contrasting with the slight surplus of 0.1% of GDP in 2021.

**The central and Comú governments obtained a surplus, and the CASS ended the year with an almost balanced budget.**

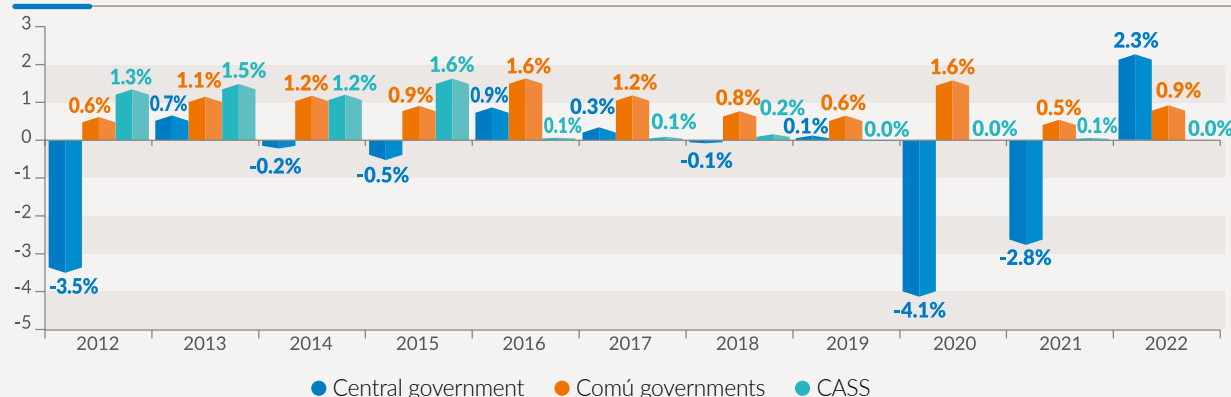
In 2022, statistics were prepared on public accounts execution for the whole of the public sector, i.e. all public authorities in Andorra, including publicly-owned companies, following the methodology of the 2010 European System

of Accounts (ESA 2010). According to this information, the settled non-financial expenditure of the consolidated public sector (discounting internal transfers) in 2022 amounted to €1,146.5 million, with an increase of 6.8% since the previous year, a figure that represents 36% of Andorran GDP. But if the total figures are considered instead of the consolidated ones, the non-financial expenditure of the Andorran public sector would be €1,324 million (41.5% of GDP) and the non-financial revenue €1,457 million (45.7% of GDP).



## NON-FINANCIAL CASH SURPLUS OR DEFICIT OF THE PUBLIC AUTHORITIES (% GDP)

Chart 8.1



Source: Ministry of Finance, Comú governments, CASS, Department of Statistics of the Government and own preparation.

The budget surplus recorded by the central and Comú governments in 2022 was accompanied by a reduction in their debt levels. So, the total debt of Andorra (central and Comú governments combined) reached €1,268 million, 10.8% less than in 2021. This amount is equal to 39.8% of GDP (whereas a historic high of 50.6% was reached in the previous year) and again falls below the 50% limit set by the Law on Public Finance Sustainability. In terms of inhabitants, the per capita debt (calculated using the estimated population) fell to €15,547, 13% less than in 2021 and breaking the upward trend that marked the last two years in a context of steep rises in expenditure to tackle the Covid crisis.

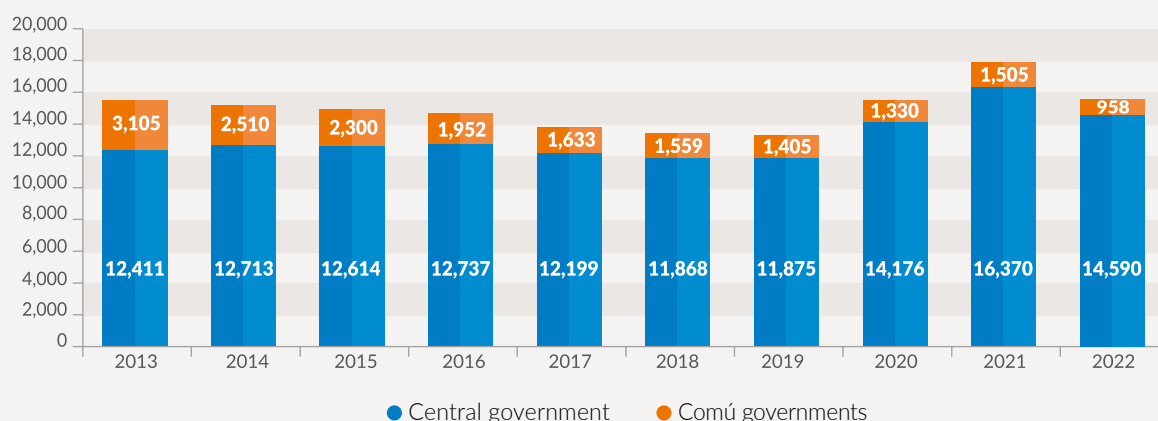
**The public debt shrank to around 40% of GDP, ten points less than in 2021.**

Note that, in 2022, the new Law 36/2021 of 16 December, on Comú Finances, entered into force, introducing changes in the way of calculating debt, so that the 2022 data are not wholly comparable to those of previous years. In principle, these changes in calculation methodology affect the consolidated debt of some Comú governments (with investees).

As for the tax burden, it is estimated that in 2022, according to the accrual principle, it increased 2.2 points to 26.9% of GDP, the highest value in the historical series. This upward trend is due

## PER CAPITA DEBT (€/person)

Chart 8.2



Notes:

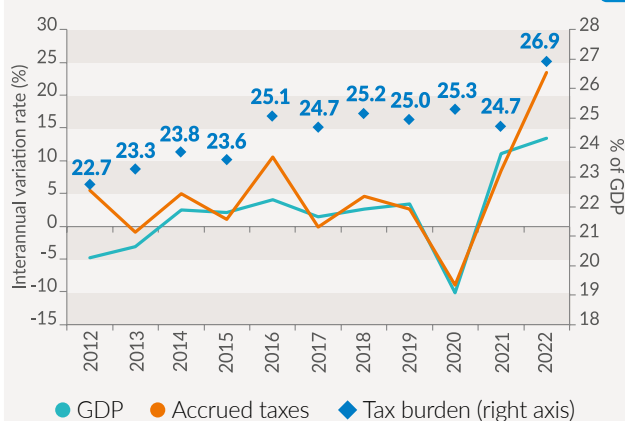
(1) Data published by the Comú governments for 2022 and data reviewed by the Court of Audit for the other years, except in the cases of Canillo, Sant Julià de Lòria and Escaldes-Engordany, for which the debt data for 2021 reviewed by the Court of Audit is not available, so the data published by the respective Comú governments are used.

(2) Calculated on the basis of the estimated population.

Source: Ministry of Finance, Comú governments, Court of Audit and own preparation.

## GDP, ACCRUED TAXES AND TAX BURDEN

Chart 8.3



Source: Department of Statistics.

**The tax burden has risen 2.2 points, to 26.9%, due to a greater increase in taxes than GDP.**

to a much greater increase in tax revenue (+23.5%) than nominal GDP (+13.4%), the ratio denominator, and was partly driven by the inflationary scenario, as well as the introduction of new forms of tax.

From a European perspective, Andorra's tax burden is much lower than the 41.6% European average (according to 2021 data for the EU-27) or the levels of our closest European neighbours: France (47%) and Spain (39%).

This means that Andorra is still a tax-friendly country. In fact, within the context of the EU-27, the only country with a lower tax burden than Andorra is Ireland (21.9%). Switzerland's is slightly higher than Andorra's (28%).

Among the tax figures, growth was notable in indirect revenue - taxes on production and imports - at 35.5%, much higher than in direct revenue (+22.7%), i.e. current taxes on income and property. This trend can be explained by the strong increase in consumption and the withdrawal of Covid-19 measures offsetting part of the income losses (e.g. the ERTO scheme). A significant increase in social contributions was also achieved, of 12.9%, as a result of rising employment and wage growth.

In 2022, the contribution to the tax burden from the different forms of tax was still mostly from indirect tax, which expanded to 40.5%, i.e. 3.6 percentage points more than in the previous year. On the other hand, the contribution from direct tax fell one tenth to 23.1%. Social contributions provided 36.5%, 3.4 points less than in 2021.

Below is an analysis of the public sector performance in 2022, according to each level of administration.

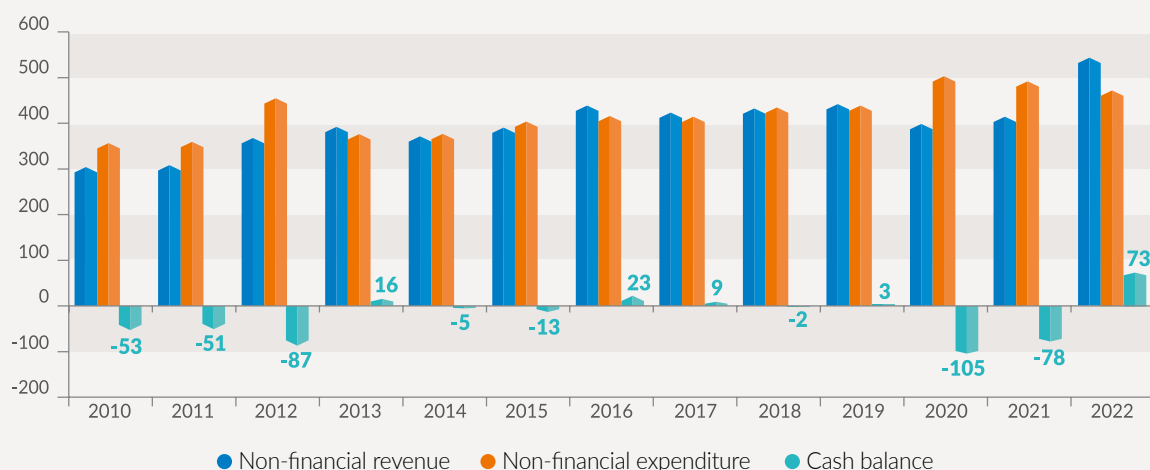
### 1. Central government

The central government (Govern) closed the accounts for 2022 with a non-financial cash surplus of €72.7 million, a figure that represents 2.3% of GDP and a variation of -198.2% in homogenous terms<sup>4</sup> when compared with the previous year. This deficit correction can be explained by the combination of a steep increase in revenue (+31.4%) and a decrease in expenditure (-4.1%). These trends were already observed in 2021 with the withdrawal of the Covid measures and the start of the economic recovery, but were accentuated this year. In the last 31 years (from 1992 to 2022 inclusive) there have been 24 years in which the Government ended the year with a deficit and only 7 in which it recorded a surplus, one of these being 2022.

<sup>4</sup> In 2022, revenue associated with putting euros into circulation among the country's banks is recognised in the chapter of investment income, whereas until 2021 they were included in the chapter of financial liabilities. For comparability, the 2021 figures have been reformulated to be homogenous with those of 2022.

## GOVERNMENT BUDGET EXECUTION - Millions of euros

Chart 8.4



Note: In 2022, revenue associated with putting euros into circulation among the country's banks (3,852 thousands of euros) are recognised in the chapter of investment income, whereas until 2021 they were included in the chapter of financial liabilities. In 2021, this revenue relating to euro circulation rose to 3,739 thousands of euros. So, if we were to follow the same criteria as in 2022, the 2021 cash deficit would be €74,092.09 thousands of euros (instead of 77,831.09) and the 2022/2021 variation would be -198.2%.

Source: Ministry of Finance.

If we add the financial transactions (changes in financial assets and liabilities) that were executed in 2022, a negative budget result of €15.4 million is obtained, representing the highest deficit since 2015. The increase in revenue from changes in financial assets and liabilities can mainly be explained by the newly-authorised debt and also funds raised to refinance part of the debt transactions maturing in 2022.

**The Government ended 2022 with a surplus of 2.3% of GDP.**

As for the breakdown of these financial transactions, the most notable movement this year was a debt transaction with issue date of 23 February 2022, for the amount of 500 million euros. This is an issue of social, sustainable bonds to be added to the one on 13 October 2021, both intended mainly to refinance various bond issues that matured in 2022.

**The global debt of the central government remained high, at around 1,190 million euros.**

The global debt of the central government was 1,190 million euros which, even though representing a reduction of 8.6% from the historic high in 2021 (1,302 million euros), is still the second highest figure in the historical series. Within the structure of this debt is notably the outstanding balance of public debt in national bonds, of 1,175 million. To this is only added a line of credit of €15 million with the Council of Europe Development Bank (CEB). The other sources of finance that the Government had active in 2022 are no longer active.

In proportion to GDP, this debt volume represents 37.3%, nine points less than in 2021. So, the debt ratio returned to below the 40% limit established in the Law on Public Finance Sustainability for the central government, after exceeding it in 2020 and 2021 due to the exceptional pandemic situation. (For this purpose, the Government presented a financial balance plan to restore budget stability).

The improvement in the public accounts is a pattern common to the other developed economies in 2022. Overall, Andorra still has lower levels of public debt than most European governments. As for the term structure of Andorran debt, for the first time since 1999, all public debt is long term,

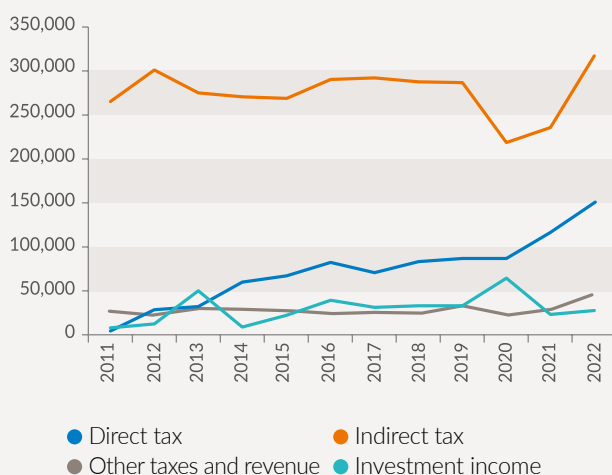
contrasting with the situation in the period 2017-2021, when it represented 68% on average, compared with 32% short-term debt. In this context, the International Monetary Fund (IMF) has supported the fiscal discipline process which has enabled Andorra to reduce public debt and meet the fiscal targets set for 2022.

## 1.1. Revenue

In 2022, non-financial revenue settled by the Government saw an increase of 31.4%, which is added to the 4% in 2021, after the decline of 9.9% it suffered in 2020 due to the impact of Covid-19. So, non-financial revenue reached €544.5 million, a figure that exceeds the pre-pandemic (2019) figure by 23.1% and represents a historic high. The increase extended to all the major entries, with the sole exception of current transfers, which practically disappeared in 2022.

### GOVERNMENT NON-FINANCIAL REVENUE Thousands of euros

Chart 8.5



Note: : In 2022, revenue associated with putting euros into circulation among the country's banks (3,852 thousands of euros) are recognised in the chapter of investment income, whereas until 2021 they were included in the chapter of financial liabilities. In 2021, this revenue relating to euro circulation rose to 3,739 thousands of euros. So, if we were to follow the same criteria as in 2022, the investment income chapter for 2021 would be 27,858.48 thousands of euros (instead of 24,119.48).

Source: Ministry of Finance.

**There was notably strong growth in revenue from IRPF and IS taxes due to the economic recovery.**

### Revenue from direct taxes hit a historic high.

More specifically, revenue from direct taxes increased 28.7%, to €150.8 million, a figure that represents a new historic record. So, this chapter's percentage of total non-financial income rose to 27.7% – having been practically zero only twelve years ago – to represent 32.2% of total direct and indirect taxes. In any case, it is still lower than the 40% limit set by the Law on Public Finance Sustainability passed in 2014.

By forms of tax, the rise in revenue from direct taxes can be explained by the very positive trend in both personal income tax (IRPF), rising 47%, and corporate tax (IS), by 32%. In contrast, the revenue from non-residents' income tax (IRNR) fell 44%. Note that the variations regarding the increase in IRPF (income tax) and IS (corporate tax) are related to the recovery in economic activity, which increased both business profits and the wage bill – thanks to the improvement in activity and also wage rises due to rising inflation and the difficulties finding staff in some sectors.

Among the direct taxes, the contribution from capital gains tax on property was also positive (+28%). This is a tax that is directly related to property transactions carried out within the country (on the increase in value of real property that appears in transfers). This data highlights the fact that activity in the property sector was still high in 2022. Finally, note that this year was the first in which the new tax on empty housing was charged, but the revenue obtained was very modest (little more than €5,000).

Regarding indirect taxes, revenue obtained in 2022 also saw a very positive dynamic, with an increase of 34.5% to €317.7 million, representing an increase of 10.7% over the 2019 pre-pandemic figure

***Revenue from indirect taxes has recovered pre-pandemic levels and reached a historic high.***

and the highest figure in the historical series. This entry is still by far the most important source of finance for the Government, with a percentage of total non-financial income of 58.4%, 1.3 points more than in 2021, although

it did not regain the volume it had in 2019 (64.9%) due to the strong increase in direct taxes.

Growth in 2022 can be explained by the positive contribution from the two main forms of indirect tax, value added tax (IGI) and the tax on foreign consumption, which were precisely among those most impacted by the pandemic restrictions. Moreover, two new forms of tax were introduced this year: the tax on stays in tourist accommodation (which collected €2.7 million, less than half of the budgeted amount) and the tax on CO<sub>2</sub> emissions, which taxes hydrocarbons according to their carbon dioxide emissions (€9.3 million in revenue, exceeding the initially budgeted figure). The indirect taxes for which revenue has fallen are: the property transfer tax (ITP) (despite maintaining historically high absolute values due to dynamic real estate transactions), special taxes and the tax on provision of insurance services (ISI).

Specifically, the increase in revenue from IGI, the tax on consumption in force since 2013 and the most important tax form by volume of revenue, was 29%, to a net settled figure of €148.6 million. As for consumption tax, which is a customs duty on agricultural products imported into Andorra (import chapters 1 to 24), with a notable percentage on imports of beverages and tobacco, this increased 51% and obtained revenue of €110.8 million (the second most important form of tax). Note that this increase is directly linked to the upward trend in food imports which, in turn, reflects the recovery in household consumption and the number of visitors.

Special taxes saw a slight downward trend compared with revenue in the previous year (-3%). These taxes are imposed on the importation and manufacture of specific products, such as alcohol, tobacco and hydrocarbons, so growth in 2022 is linked to the trend in imports of these products. However, note that, on entry into force of the CO<sub>2</sub> emissions tax, the rates applicable to special taxes linked to hydrocarbons have been reduced, affecting the overall revenue from this tax.

The other indirect taxes, with a lower percentage of total revenue, showed different trends. On the one hand, note the reduction in revenue from the ISI tax (-1%) and ITP tax (-7%), after a very positive year in 2021 for the real estate sector. On the other hand, significant increases occurred in the common tariff on foreign trade (+29%) and gambling tax (+55%).

Investment income saw a slight increase of 1%, to €28.2 million. Note that, this year, revenue associated with putting euros into circulation among the country's banks is recognised in the chapter of investment income, whereas until now, it was recorded in chapter 9 as financial liabilities. This reclassification is in keeping with the fact that the Government assumes no liability relating to this circulation of money. This budget chapter usually records its most important settlements through the distribution of dividends from public corporations (mainly Andorra Telecom and the electricity company FEDA) and other investment income such as the marketing of euros to the philatelic and numismatic trade. In 2022, the main change in investment income is associated with the increase in the amount from Andorra Telecom dividends, as FEDA did not pay dividends.

On the other hand, taxes and other income increased 62.2%, mostly due to the increase in confiscations. Finally, note the decline in current transfers to the almost insignificant amount of €50,857. This is related to the contributions made by the Comú governments to the Solidarity Fund in 2021, to tackle the Covid-19 health crisis. This revenue should be considered one-off. In the case of sales of real investments and capital transfers, zero revenue was obtained.

## EXECUTION OF THE GOVERNMENT BUDGET <sup>(1)</sup> (Millions of euros)

Table 8.1

	Settlement 2022	% variation 2022/2021	% execution 2022 <sup>(2)</sup>
Direct taxes	150.8	28.7	158
On capital gains on property	9.7	28.1	195
On personal income (IRPF)	57.6	46.7	152
On companies	76.2	32.5	181
On non-residents' income	7.1	-43.6	70
On empty housing	0.005	--	--
Indirect taxes	317.7	34.5	104
On property transfers	3.5	-6.6	124
On consumption of goods (IGI)	148.6	29.0	113
On insurance services provision (ISI)	3.4	-1.2	107
Accommodation tax	2.7	--	44
Special taxes	38.0	-3.4	88
CO <sub>2</sub> emissions tax	9.3	--	116
On foreign trade	112.0	50.7	102
On gambling	0.3	55.2	27
Other taxes and revenue	47.7	62.2	128
Current transfers	0.05	-99.3	93
Investment income	28.2	1.4	93
Real investment sales	0.0	-100.0	--
Capital transfers	0.0	-100.0	--
<b>Non-financial revenue</b>	<b>544.5</b>	<b>31.4</b>	<b>116</b>
Current expenditure	415.5	-4.3	93
Personnel costs	122.6	4.9	99
Consumption of goods and services	49.5	9.0	82
Financial expenditure	21.6	11.2	96
Current transfers	221.9	-12.1	92
Capital expenditure	56.2	-3.0	60
Real investments	23.1	-8.9	47
Capital transfers	33.1	1.5	73
<b>Non-financial expenditure</b>	<b>471.7</b>	<b>-4.1</b>	<b>87</b>

(1) The 2022 budget settlement is provisional.

(2) In the case of expenditure, this is calculated from the final budget, achieved by incorporating into the budget passed by the General Council the credit for obligations undertaken during the previous financial year relating to expenses postponed to the following financial year, and the modifications and increases in budgetary credit.

Source: Ministry of Finance.

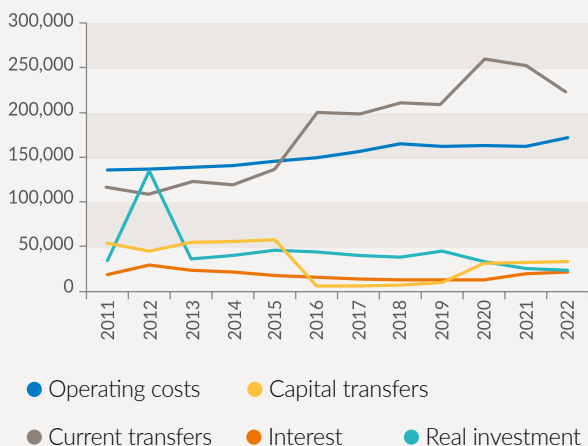
Regarding legal modifications, note the direct tax reform and amendment of other tax and customs regulations, passed in January 2023. One of the changes, for example, establishes that the minimum effective rate of company tax is always more than 3% if the company produces profits. It also streamlined the system of IGI (VAT) returns.

### 1.2. Expenditure

Non-financial expenditure settled in 2022 saw an adjustment that reached €471.7 million, 4.1% less than in the previous year, which is added to the decrease in 2021 (-2.2%), after a two-digit increase in 2020 (14.7%). This containment only affected current transfers and real investment. In contrast, operating costs, interest payments and capital transfers increased.

## GOVERNMENT NON-FINANCIAL EXPENDITURE - Thousands of euros

Chart 8.6



Note: In 2016, transfers to the Comú governments were no longer considered capital transfers (according to previous legislation, it was considered that the bulk of the transfers had to be allocated to investment by the Comú governments) and became current transfers (Comú governments may allocate these transfers to both current expenditure and capital expenditure and to reducing debt). From the 2020 budget onwards, it was decided to segregate the Comú transfers, between current and capital transfers, according to the proportion executed by the Comú governments in the last financial years.

Source: Ministry of Finance.

## Real investment by the Government falls to the lowest level in the last 30 years.

Total settled capital expenditure was €56.2 million, 3% less than the previous year. So, the investment effort both in absolute and relative terms (11.9% of total non-financial expenditure) is still far from the levels of the previous expansionary phase. By chapters, the reduction in capital expenditure can be explained by the cut in real investment (-8.9%) to €23.1 million, the lowest figure in nominal terms since 1992. In contrast, capital transfers increased moderately (+1.5%) to €33.1 million.

In the case of current expenditure, the decline recorded in 2022 can be explained exclusively by the chapter of current transfers (-12.1%), to €221.9 million, largely due to elimination of the aid provided in the pandemic (furlough and reduced working hours, support for leases and mortgage payments for commercial premises, etc.). As a result, current transfers' percentage of total non-financial expenditure fell four tenths to 47%, but is still by far the largest chapter of budget expenditure, compared with the second which is personnel costs.

## Rising interest rates drove financial expenditure upwards.

The other expenditure chapters saw increases in 2022. The entry that increased most was interest expenditure, 11.2%. The reasons can be found in the rise in expenditure on public debt interest, associated with the interest rate rise applied to renewals of debt issues and also the new volume of issued debt. In contrast, the decline in loan interest continued to play in favour of containing expenditure, but to a limited extent. Expenditure on bank fees also fell because fewer debt transactions were formalised this year than in the last. Altogether, this raised the share of total non-financial expenditure of the chapter of interest expenditure to 4.6%, the highest level since 2014.

Operating costs also rose in 2022. The largest increase was in the chapter of consumption of goods and services (+9%), to €49.5 million, while personnel costs rose 4.9% to €122.6 million.

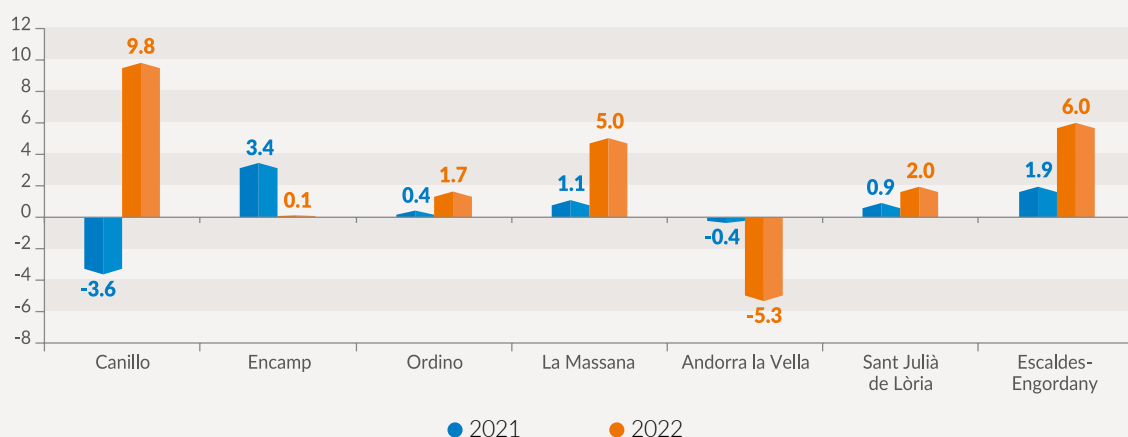
## 2. Comú governments

According to the data from the settled budgets of the Comú governments, including financial assets and liabilities, the total volume of Comú revenue reached the figure of €194.2 million in 2022, higher than the €174.9 million of settled expenditure. As a result, the combined balance of the Comú governments was positive (+19.3 million euros) for the third consecutive year, and also substantially more than in the previous year (when it was +3.9 million euros). This is the result of higher growth in total revenue than in total expenditure.

If the analysis is limited to non-financial revenue and expenditure, the total settled volume obtained was €187.6 million and €157.8 million, respectively, resulting in a non-financial cash surplus of

## SETTLED BUDGET BALANCE OF THE COMÚ GOVERNMENTS - Millions of euros

Chart 8.7



Source: Comú governments / Department of Statistics.

€29.7 million. This surplus represents 0.9% of GDP, 0.4 points more than in 2021.

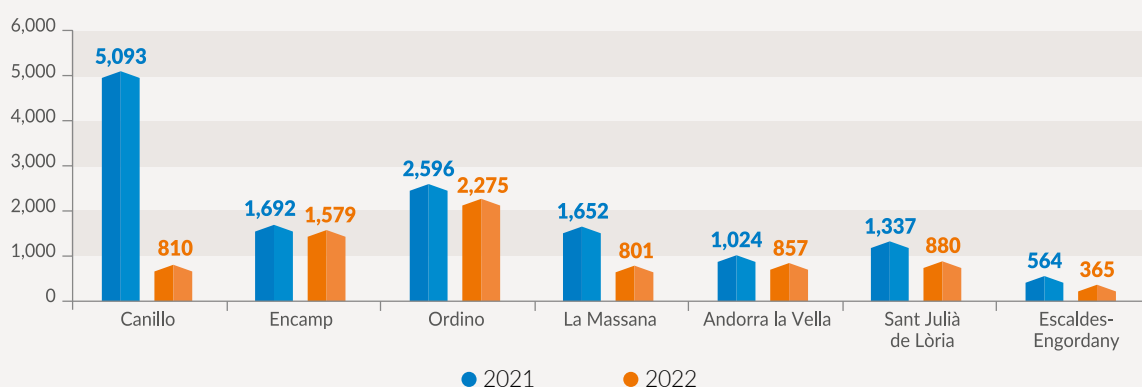
**The Comú governments' surplus increased from 3.9 million in 2021 to 19.3 million in 2022.**

In detail, it can be seen that only Andorra la Vella presented a deficit in 2022 and, moreover, one that increased from the previous year (from -0.4 million to -5.3 million). The other Comú governments presented positive balances that were better than the previous year, except Encamp, where it fell from 3.4 to 0.1 million. Among all the Comú governments, the one that most improved its budget situation was undoubtedly Canillo, going from a deficit of 3.6 million to a surplus of 9.8 million, the highest of them all.

As for the trend in debt, 2022 ended with an accumulated, consolidated Comú debt of €78 million, according to provisional data published by the corporations. This figure represents a decline of 34.7% since 2021 and the lowest level of debt in the historical series that started in 2007. So, all the Comú governments are below the legal debt limit (200% of average settled revenue in the last three years) for the ninth consecutive year, with percentages that vary between 99.8% for Ordino and 19% for Escaldes-Engordany, according to provisional data for 2022.

## COMÚ DEBT - Euros per capita

Chart 8.8



Note: Data published by the Comú governments for 2022 and data reviewed by the Court of Audit for 2021, except in the cases of Canillo, Sant Julià de Lòria and Escaldes-Engordany, for which the 2021 debt data reviewed by the Court of Audit are unavailable, so the data published by the respective Comú governments have been used.

Source: Comú governments, Court of Audit and Department of Statistics.



***The total debt of the Comú governments fell 35% and reached the lowest level in the historical series (2.5% of GDP).***

Within the context of the whole Andorran public sector, the Comú governments reduced their share of the total public debt (combined central government debt and Comú debt) to a historic low of 6.2%. This figure is well below the Comú share of non-financial public

expenditure (25.1%) and represents only 2.5% of Andorran GDP. All in all, this means that, in relative terms, they are much less indebted than the central government, the reverse of the situation before 2013, thanks to the fiscal consolidation efforts in recent years and improvements in their financing system.

By parish, the fall in debt was generalised, but the greatest cuts in relative terms occurred in Canillo (-83%), La Massana (-50%), Escaldes-Engordany (-34%) and Sant Julià de Lòria (-33%). In relation to the distribution of the debt in absolute terms, Encamp and Andorra la Vella each account for about one fourth of the total Comú debt. At the other extreme, the Comú with the lowest volume of public debt in 2022 was Canillo (5.3% of the total), less than Escaldes-Engordany (7.0% of the total), traditionally the parish with the least debt. Per capita, the parishes with the highest levels of debt are Ordino and Encamp, with €2,275 and €1,579 per capita debt, respectively. The debt per inhabitant of the others is below €900, and the lowest per capita debt is in Escaldes-Engordany, with €365/inhabitant.

## 2.1. Revenue

In 2022, the total settled revenue of the Comú governments saw an increase of 17.1%, much higher than the 1.4% in 2021. As a result, revenue reached a figure of €194.2 million, the highest level since 2008. In fact, settled revenue was slightly above the budgeted figure (103%), putting its percentage of total public sector revenue (combined central and Comú governments) at 15%, 1.9 points more than in 2021. Remember, however, that this percentage is distorted by the volume of financial liabilities of the central government, due to its debt requirements. In fact, if we only consider non-financial revenue, the Comú governments' share is 25.6%, two points less than in 2021 and a similar percentage to the parish corporations' share of total non-financial expenditure (25.1%).

By chapters, the increase in revenue was the result of an 18.8% increase in non-financial revenue, as financial transactions decreased 16.9%. Among the former, growth was similar between current income and capital income

***Comú revenue grew strongly in 2022, driven especially by the growth in direct taxes.***

(around +18%). The breakdown of current income by forms of tax shows disparate trends, with a notable double-digit increase in revenue from direct taxes (+15.3%) and a slight increase in indirect taxes (+0.7%), the opposite of the previous year. Other taxes and revenue also rose (+29.2%) as did investment income (+64.3%), while current transfers saw a slight decline (-0.7%).

Consequently, the percentage of other taxes and revenue rose to 31% of total non-financial revenue. These are followed in importance by direct taxes (23%), and current transfers (13%).

Moreover, capital income saw an increase of 18.3% due to strong momentum in capital transfers (+18.6%). This is the third most important chapter in Comú non-financial revenue, with 19% of the total. Income from transfers of real investments has remained much the same as the previous year and being a very small percentage of the total (0.3%), its contribution is insignificant.

The distribution by parish presented a positive trend in revenue overall, except Encamp, where there was a decline of 5.3%. Among the other parishes, there was a notable increase in Canillo (+103%) and Escaldes-Engordany (+30.7%). In 2022, Andorra la Vella still led the ranks by volume of total revenue, with €48.4 million (25% of the total), while Ordino is still the Comú with the least revenue, 6.9% of the total, equivalent to €13.3 million.

## 2.2. Expenditure

In 2022, the settled expenditure of the Comú governments saw growth of 8.0%, to €174.9 million, a trend that moderates the increase recorded in the previous year (+15.4%), but reaches the highest expenditure figure since 2008. Equally, non-financial expenditure saw an increase of 10.7%, while financial transactions decreased 12.1% due, above all, to the decrease in expenditure on financial assets, to which was added a slight increase in financial liabilities. Altogether, this put the percentage of execution of the total budgeted expenditure for 2022 at 92.5%, lower than the level of execution for revenue.

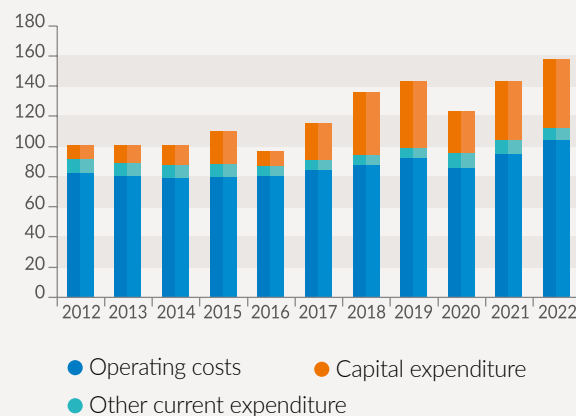
### Comú expenditure grew to the highest level since 2008.

Moreover, the Comú governments' percentage of total public sector expenditure (combined central and Comú governments) increased to 13.6%, a percentage that is still, however, below their share of total revenue (15%). However, if we only consider non-financial expenditure, the Comú percentage of total public administration expenditure rises to 25.1%, practically equal to their percentage of total non-financial revenue.

The analysis by chapters shows that the growth in Comú expenditure was concentrated in operating costs, financial expenditure and real

### NON-FINANCIAL EXPENDITURE OF THE COMÚ GOVERNMENTS - Millions of euros

Chart 8.9



Source: Comú governments / Department of Statistics.

### COMÚ BUDGET SETTLEMENTS (thousands of euros)

Table 8.2

	REVENUE			EXPENDITURE		
	2022	% variation 2022/2021	% total 2022	2022	% variation 2022/2021	% total 2022
Canillo	26,383	103.0	13.6	16,543	-0.4	9.5
Encamp	31,919	-5.3	16.4	31,792	5.0	18.2
Ordino	13,333	6.4	6.9	11,682	-3.4	6.7
La Massana	21,998	16.8	11.3	16,970	-4.2	9.7
Andorra la Vella	48,434	4.4	24.9	53,756	15.0	30.7
Sant Julià de Lòria	17,005	17.0	8.8	15,035	10.4	8.6
Escaldes-Engordany	35,130	30.7	18.1	29,094	16.7	16.6
<b>Total</b>	<b>194,202</b>	<b>17.1</b>	<b>100</b>	<b>174,871</b>	<b>8.0</b>	<b>100</b>

Source: Comú governments / Department of Statistics.

investment. Specifically, the chapter of personnel costs, the most important of all with 35% of the total, increased 5.1%, and consumption of goods and services, the second most important with 31% of the total, rose 15.4%. In contrast, current transfers saw a decline for the second consecutive year (-11.5%), after being the chapter that increased most in 2020 due to the support measures made through transfers to mitigate the effects of the health crisis. In contrast, financial expenditure saw strong growth (+23%), due to the rises in interest rates. As a result, current expenditure as a whole rose 8.2%. Growth in capital expenditure was much higher (+17.6%) due to the recovery in real investment (+17.7%) – the third most important chapter – while capital transfers shrank 10.6%, following the trend of the previous year after the exceptional increase in 2020 from the impact of the measures to tackle the effects of the Covid crisis.

**Growth in Comú expenditure was concentrated in operating costs and financial expenditure, and in real investment.**

To complete the analysis of Comú finances, note that the trend in expenditure rose for four Comú governments and fell in the other three. The most notable increases were in Escaldes-Engordany (+16.7%) and Andorra la Vella (+15.0%), followed by Sant Julià de Lòria (+10.4%). In contrast, expenditure fell to moderate rates in La Massana (-4.2%), Ordino (-3.4%) and Canillo (-0.4%).

### 3. Andorran Social Security System (CASS)

The settled budget of the CASS in 2022, including financial assets and liabilities, reached a total volume of revenue of €361.0 million, very similar to the €360.7 million of settled expenditure. So, the CASS obtained a small surplus of just over €200,000. If only non-financial revenue and expenditure are counted, in 2022, the CASS non-financial cash balance has a slight deficit of €156,778, due to slightly higher growth in expenditure than revenue, a figure that contrasts with the surplus of €1.7 million in 2021.

**The public accounts of the CASS are practically balanced.**

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#### 3.1. Revenue

The settled non-financial revenue of the CASS saw growth of 6.8% in 2022, higher than the percentage in the previous year (+3.3%), reaching the figure of €357.8 million.

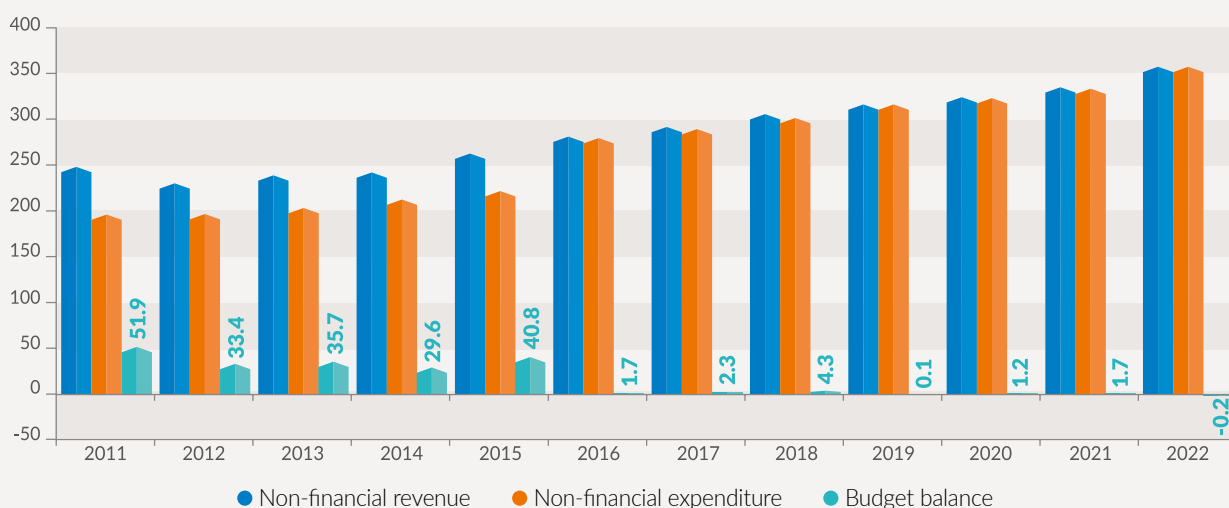
By chapters, social contributions, the most important source of revenue for the CASS, amounted to €312.5 million, representing 87.4% of total non-financial revenue. This figure includes employers' contributions, employees' contributions, self-employed contributions and settled contributions allocated to CASS financial benefits (retirement and widows' life pensions, permanent and temporary disability benefits). In 2022, social contributions saw an increase of 12.9%, after increasing by only 0.5% on average in 2020 and 2021, in a context of steep rises in the number of employees (+10.6%), the wage bill (+15.2%), and faster growth in the number of self-employed (+8.4%).

**Social contributions rise strongly again, after almost stagnating in 2020 and 2021.**

The second most important chapter in CASS revenue, with 12% of the total, is current transfers from the central government, which fell 23.3% in 2022, to €42.6 million, due to elimination of the transfers received to finance the measures to mitigate the pandemic. The non-financial revenue of the CASS is completed by a small contribution from other taxes and revenue, which increased by 8% in 2022, to represent 0.8% of the total. This year there was no investment income.

## CASS BUDGET SETTLEMENT - Millions of euros

Chart 8.10



Source: CASS (Andorran Social Security System) / Department of Statistics.

### 3.2. Expenditure

Growth in non-financial expenditure settled by the CASS accelerated in 2022 (+7.4% vs +3.2% in 2021), to reach the total of €358 million.

The distribution by chapters shows that current transfers, where benefits are accounted for, were €318.2 million, 6.2% more than in 2021, a trend that put its percentage of the total to 88.9%. This growth is lower than in contributions (+12.9%), unlike in the previous three years. Note that this entry also includes the non-contributory benefits financed by the Government through current transfers and contributory expenditure paid by the CASS, generated by authorised financial benefits.

The second most important entry in CASS expenditure is capital transfers (8.9% of the total), which grew 27.3% after five consecutive years of decline. The other expenditure, of lesser importance, is spread between personnel costs, which increased 0.2% and represent 1.6% of the total, and consumption of basic goods and services, which increased 5.1% but only represents 0.5%. Expenditure on real investment is insignificant, and there were no finance costs, as the CASS has no debt.

**CASS expenditure through current transfers grew less than revenue from contributions.**

### 3.3. General branch of the CASS

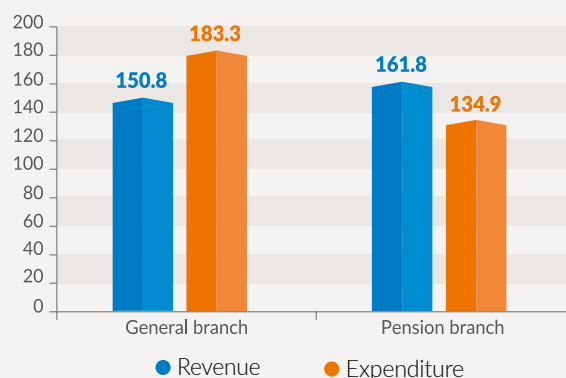
The distribution of CASS revenue and expenditure by branches shows that, in the case of the general branch, revenue from contributions rebounded 11.9% over the value of the previous year, to €150.8 million. This acceleration can be explained by the emergence from the health crisis, which led to a rise in the numbers of employees and self-employed.

Growth in expenditure on general branch benefits (+3.2%) was more modest than in revenue from contributions, reaching €183.3 million. Consequently, the budgetary cash deficit in this branch decreased to €31.8 million. The imbalance between revenue from contributions and expenditure on benefits in the general branch is a problem that began in 2007 and reached a peak in the economic crisis in 2015. This peak was exceeded in 2021 but fell again in 2022.

### ***The deficit in the general branch decreases, while the surplus in the pension branch increases.***

This imbalance in the general branch is financed by contributions from the Government budget (for €32.1 million), according to the provisions of Article 86.2f of the recast Law 17/2018, on social security. This situation has been repeated since 2012, after the cumulative reserves of this branch were depleted in 2011. The prospects of a progressively aging population and growth in chronic diseases would indicate that health costs will continue to rise, making it difficult to restore financial equilibrium if the current conditions for contributions and coverage are maintained.

**CASS REVENUE AND EXPENDITURE BY BRANCHES. 2022** (millions of euros)



Note: Data relating to revenue from contributions and expenditure on benefits.

Source: CASS (Andorran Social Security System).

### **3.4. Pension branch of the CASS**

Revenue from contributions in the pension branch saw an extraordinary increase of 13.7% in 2022, to €161.8 million, the highest level in the available series. In parallel, the upward trend in expenditure on benefits accelerated, with an increase of 10.7%, bringing the total to €134.9 million. As a result, the surplus in this branch increased to €31.9 million.

Any surplus from contributions produced in the pensions branch of the CASS is paid into the pension reserve fund, created in 2015 for management and financial efficiency, with the sole purpose of covering the future pensions of people who have contributed to the CASS. At the end of 2022, the fund's reserves were €1,472.5 million, 7.1% less than in the previous year, a variation that includes the contribution from the CASS and the return obtained from management of the fund.

The rise in expenditure on benefits in 2022 can partly be explained by a 5.5% increase in the number of retirement pensions (compared with +5.9% in 2021), reaching a total of 14,087 in December, compared with 13,350 in the previous year. In parallel, the number of pensioners with higher contributions and a longer time in the system is increasing progressively, as the pension system matures. On the other hand, the dependency ratio (active/passive ratio) reached 3.38 in December 2022, representing an improvement from the 3.33 recorded one year earlier, due to the economic recovery and increase in active population.

***The number of pensioners increased 5.5% to 14,087.***

Finally, a study of the pensions system commissioned by the CASS and prepared in 2021, with data at the end of 2020, concludes that there are insufficient funds in the pension branch for 2024. As soon as the technical balance of the pension branch becomes negative, the government will have to start to finance the deficit and use the reserves, which would run out in 2039.

In addition, on 8 March 2022, the proposals agreed by the Board of Directors of the CASS were published on the institutional website, summarised in a document titled "14 Measures for the Integral and Coherent Reform of Pensions in Andorra" and detailed in the box below.

## Box 8.1

SYNTHESIS OF THE MEASURES PROPOSED IN THE ASSESSMENT AND POSITIONING REPORT OF THE CASS “14 Measures for the Integral and Coherent Reform of Pensions in Andorra”<sup>1</sup>

1. Raise the contributions from 12% to 16% in the pensions branch on the basis of 1 percentage point/year.
2. Standardise the contribution periods of all workers (full-time equivalent).
3. Establish minimum bases (CASS minimum wage) and maximum contributions.
4. Introduce a system of “individual accounts” (accounting euros) to replace the system of “points accounts” for under-45s.
5. Increase the pension age to 67 gradually over eight years, on the basis of three months per year.
6. For workers who retire within the points system, penalise early retirement by 7% per year; the minimum age is 63 in accordance with the progression in the previous proposal.
7. For workers who retire within the points system, reward delayed retirement with a benefit of 4%, from the legal retirement age until 72.
8. Deferred period of fifteen years to have the right to receive the pension. Contributions paid into the pension branch that do not fulfil the deferred period of fifteen years will preferably be transferred to the Public Capitalisation Plan in Pillar II.
9. Within the Social Security system of individual accounts, pensions will be calculated as a lifetime income linked to life expectancy at the time of retirement. As an equivalent measure for pensioners in the points system (closed to newcomers), the conversion factor will go from 9.6 to 17 for 25 years from entry into force of the reform.
10. Supplement low pensions with non-contributory ones envisaged in the Law on social and social health services, avoiding disincentives which tend to lower contributory efforts.
11. Increase pensions according to the CPI (established in Law 2008).
12. When working in retirement, and the pension is fully compatible with the income from work, 8% of the wage must be contributed as a “solidarity contribution”. Workers with income compatibility will continue to make ordinary contributions to the pension branch, if they wish, in exchange for a periodical recalculation of the pensions.
13. Promote business or Pillar II plans, with an obligatory capitalisation system promoted by the business, and create a Pillar II public pensions plan (default plan) to manage the Pension Reserve Fund (FRJ). These plans will receive contributions of 1% from the business + 1% from the employee + 0.5% from the Government and will increase progressively until they reach a total of 5% within 5 years (2% + 2% + 1%).
14. Already envisaged in the IRPF Law (Personal Income Tax), Article 39; apply a 30% reduction in pension plans up to a maximum of the maximum contribution base of the Social Security.

<sup>1</sup> Available at: <<https://www.cass.ad/reformapensions>>.

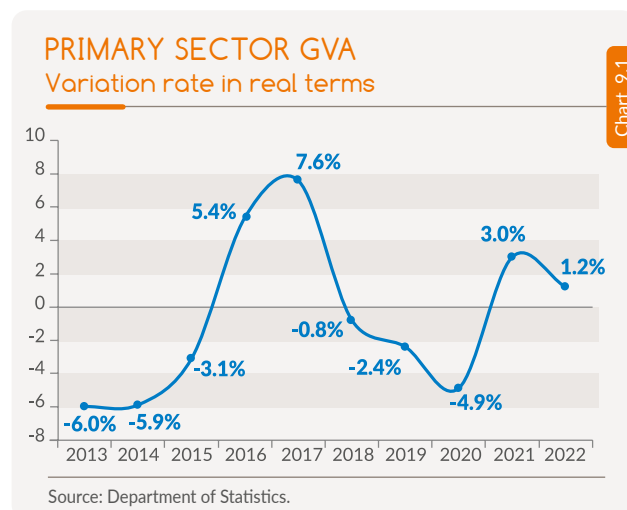
# Andorran economy: developments in the main sectors

## IX. Primary sector

The primary sector is the smallest sector of activity in the Andorran economy. It only represents 0.5% of Andorran GVA and 0.4% of employees. This means that changes in this sector do not significantly influence developments in the economy as a whole. The trend in GVA for the agricultural sector was positive in 2016 and 2017, but began a recessionary phase in 2018 that lasted until 2020. From 2021, it started a new expansionary period. Specifically, GVA in the agricultural sector saw an increase of 3% in 2021 and 1.2% in 2022.

In line with the increase in activity, the number of employees in the sector also saw a slight relative increase in 2022, from 154 in 2021 to 159 in 2022. On the other hand, the number of establishments in the primary sector fell from 28 to 27.

In keeping with the effort made to introduce improvements in the production process - note that the entry of agricultural products into the Customs Union is opening up new opportunities in the primary sector, encouraging crop and livestock farmers to make investments to obtain quality seals



**The GVA of the agricultural sector grew for the second consecutive year, after shrinking over the period 2018-2020.**

### FARMS AND UTILISED AGRICULTURAL AREA (UAA) BY PARISH. 2022

	Forms	UAA (m <sup>2</sup> )	% total UAA
Canillo	48	4,161,711	21
Encamp	43	1,937,434	10
Ordino	38	2,890,576	15
La Massana	55	3,232,487	16
Andorra la Vella	38	373,389	2
Sant Julià de Lòria	65	6,555,809	33
Escaldes-Engordany	28	689,684	3
<b>Total</b>	<b>315</b>	<b>19,841,090</b>	<b>100</b>

UAA: Utilised Agricultural Area.

Source: Department of Agriculture.

and increase productivity, especially in the wine and meat sectors – the monthly wages of employees rose cumulatively by 16% over the period 2016-2022, to an average of €1,682, the highest level in the series. Last year, with the added push from inflation, the wage increase was 4.8%.

**The number of crop farms has remained fairly stable since 2014.**

In 2022, there were 315 crop farms in the Principality, three more than in 2021. The parish with most activity is still Sant Julià de Lòria, with 65 farms, and at the other extreme, Escaldes-Engordany with only 28 farms. Over time, the number of farms has remained quite

AGRICULTURAL AREA BY TYPE OF CROP (in m<sup>2</sup>)

Table 9.2

	2018	2022	% variation 2018-2022	% total 2022
Pasture	12,666,389	13,322,329	5.2	63.8
Hay	5,427,116	4,895,996	-9.8	23.5
Tobacco	1,482,169	1,166,500	-21.3	5.6
Fallow	634,822	539,981	-14.9	2.6
Market gardening	163,100	136,381	-16.4	0.7
Potatoes	146,679	134,689	-8.2	0.6
Miscellaneous <sup>(1)</sup>	26,487	83,499	215.2	0.4
Vines	95,032	85,074	-10.5	0.4
Forage <sup>(2)</sup>	21,622	16,621	-23.1	0.1
Others	405,300	487,463	20.3	2.3
<b>Total</b>	<b>21,068,717</b>	<b>20,868,533</b>	<b>-1.0</b>	<b>100</b>
<b>Utilised Agricultural Area (UAA) - in m<sup>2</sup></b>	<b>20,028,595</b>	<b>19,841,090</b>	<b>-0.9</b>	<b>-</b>

(1) Fruit trees, raspberries, beet and aromatic and medicinal plants / (2) Forage for grazing.  
UAA: Utilised Agricultural Area.

Source: Department of Agriculture.

stable, around 312-316 since 2014, whereas the total land area under cultivation has followed a downward trend since 2017, except in 2021 when it rose slightly. In contrast, the total area under cultivation (UAA) fell slightly in 2022, from 19.9 km<sup>2</sup> in 2021 to 19.8 km<sup>2</sup> in 2022.

By type of crop, 63.8% of the total farmed area is used for pasture, 23.5% for hay, and 5.6% for tobacco. Over the last four years, the area used for pasture has increased whereas the area used for hay and tobacco has decreased. Also, the area used for fallow, market gardening, potatoes, vines and forage has diminished, whereas the area dedicated to miscellaneous crops (fruit trees, raspberries, beet and aromatic and medicinal plants) has more than tripled.

### The tobacco harvest has not recovered pre-pandemic levels.

As for the tobacco harvest, in 2022 this was paid in the same way as the previous year, according to the relevant category and not at a single fixed price, as in 2019 and 2020. For this reason, we

again have different data for before and after the payment adjustment. The 2022 harvest, after the payment adjustment, was 2.1% smaller than in 2021 and almost half that of 2019, before the

## TOBACCO HARVEST BY PARISHES AFTER THE PAYMENT ADJUSTMENT (kg) \*

Table 9.3

	2021	2022	% variation 2022/2021	% total 2022
Canillo	7,909	6,613	-16.4	5.5
Encamp	14,728	14,789	0.4	12.3
Ordino	15,835	15,406	-2.7	12.9
La Massana	22,771	22,194	-2.5	18.5
Andorra la Vella	15,040	14,885	-1.0	12.4
Sant Julià de Lòria	40,370	40,375	0.0	33.7
Escaldes-Engordany	5,699	5,570	-2.3	4.7
<b>Total</b>	<b>122,352</b>	<b>119,831</b>	<b>-2.1</b>	<b>100</b>

\* Kilogrammes adjusted to the agreed quotas, after the payment adjustment.

Source: Department of Agriculture / Association of Andorran Tobacco Manufacturers (AFPTA).



pandemic. Remember that the tobacco harvest in 2019 was almost 245,000 kg, whereas the figure fell to 119,831 kg in 2022. The 2022 harvest was affected by fungus and bad weather.

The customs integration process agreed by Andorra with the European Union establishes a 30-year transition period for the tobacco sector before inclusion in the Customs Union, from entry into force of the Association Agreement. From the seventh year, Andorra would have to start gradually waiving the current customs duties while adopting the EU acquis at the same time, with the final goal of completely removing customs duties. In exchange for approval of the preferential treatment period, Andorra must demonstrate that it is diversifying its economy to reduce its economic dependence on tobacco; that it is combatting fraud and smuggling, and that it undertakes not to increase the tobacco price differential between the EU and Andorra, especially with its neighbouring states.

As for apiaries, in 2022 there were 43, five less than in the previous year, with a total of 543 hives, 15 more than in 2021. This means that there are less apiaries but they are larger. Of these apiaries, 24 are dedicated exclusively to beekeeping while 19 practise apiculture as a side-line.

In 2022, the number of livestock fell 5.4%; 4,564 heads were recorded, 258 less than in 2021 – the lowest figure since the series started in 1988. The 2022 decline can be explained by the fall in numbers of sheep, by 10.4%, lowering their proportion of total livestock to 47%. Due to this major reduction, the number of heads of sheep returned to the 2008 figure. On the other hand, the number of goats increased (+3.5%), but are still relatively less important as they only represent 8% of total livestock, and the number of horses also increased, by 5.8%, representing 12% of the total. Finally, the number of cattle, the second most important livestock category, with 32% of the total, fell 3.4% last year.

**The number of livestock declined due to falling numbers of sheep and cattle.**

## NUMBER OF LIVESTOCK (adult heads)

	2021	2022	% variation 2022/2021	% total 2022
Total cattle (bulls, cows)	1,502	1,451	-3.4	31.8
Total horses (workhorses, studs, mares)	531	562	5.8	12.3
Total sheep (rams, ewes)	2,417	2,166	-10.4	47.5
Total goats (bucks, does)	372	385	3.5	8.4
<b>Total livestock</b>	<b>4,822</b>	<b>4,564</b>	<b>-5.4</b>	<b>100</b>

Source: Department of Agriculture.

The Government wishes to promote organic (ecological) certification with the help of the direct and indirect subsidies that were put in place in 2021 to assist the agricultural sector during the process of conversion to local, high quality, organic production. The subsidies are intended to compensate the effort and additional costs associated with this kind of production. Specifically, direct aid is offered exclusively to crop and livestock farmers for cultivating crops and developing livestock activities intended to produce organic agricultural and food products (the subsidy is €3,000/hectare/year for conversion to organic and €2,000/hectare/year for continued organic production). The indirect subsidies are offered to the owners of farms and businesses that carry out activities related to the production, transformation and subsequent marketing of organic agricultural and food products. In the case of indirect aid, the Government bears the cost of

financing the inspection, control and certification services required for conversion to organic production and continued organic production.

Beyond the drive towards organic certification, the Government also promotes the brand *Productes agrícoles i artesans d'Andorra* ("Agricultural and Craft Products of Andorra"). Law 31/2022, of 21 July, for the development and diversification of the livestock and agricultural sectors regulates, for example, the introduction of new crops, new infrastructures and innovative initiatives to produce quality products, and considers the search for alternatives that would enable new income sources to be generated through the development of complementary activities. Note that about thirty national producers already have the *Productes agrícoles i artesans d'Andorra* seal or certification, most of whom offer local food products or craft products linked to livestock or crop farming or gathering wild plants (mainly natural soaps and cosmetics). All of these follow traditional mountain agricultural practices and craft methods. The aim of this seal is to strengthen the legislative framework to protect authorised traders and promote local production.

Overall, according to the statistics on public aid to the agricultural sector, the total amount of aid granted by the central and local governments to the agricultural sector was €2.73 million in 2022, a figure that represents an increase of 2.4% since the previous year. This was mainly as aid to foster traditional mountain agricultural practices, which increased by €45,153 (+2.7%) and aid to foster specific agricultural practices designed to conserve the environment, which increased by about €32,000 (+108.7%). On the other hand, transfers from the Comú governments to agricultural and livestock activities shrank 7.6% to €45,106. Compared with the last five years, the amount of aid is slightly above the average for the period 2017-2021 (€2.54 million) and represents 19.7% of the gross value added (GVA) generated for the sector.

**The central and local governments have granted €2.73 million in aid to the agricultural sector.**

## X. Industry

In 2022, the industry and manufacturing sector recorded a slight increase in GVA of 0.8%, contrasting with the similar percentage of decline in the previous year (-0.9%). The sector has still not regained the 2019 level, as there was a steep downturn during the pandemic in 2020 (-10.9%). Equally, the industry and manufacturing sector as a whole represents a minor part of the Andorran economy when compared with its neighbouring countries, since in 2022, it only represented 4.7% of total GVA and 4.3% of employees. Moreover, it is more volatile than other economic sectors, because one of the main subsectors is energy production and distribution, which has a rather erratic component.

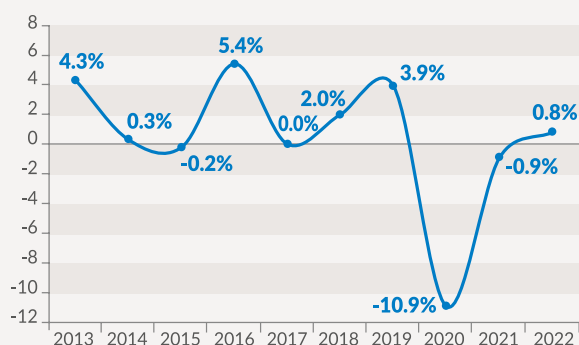
This slight increase in industrial activity was accompanied by an improvement in its labour market. Specifically, employment grew 5.8% to 1,791 employees, 98 more than in 2021. In contrast, the number of establishments fell to 397, the lowest figure in the last five years. Average wages also increased for the second consecutive year, by 4.4% in 2022, recovering all the losses since 2020. Specifically, the average wage reached €2,466, but there is a major difference between wages in the manufacturing industry branch (including extraction industry), which are €2,353, and wages in the branch of production

**The GVA of the industry and manufacturing sector grew slightly but has not recovered from the decline recorded in 2020.**

## GVA IN THE INDUSTRY AND MANUFACTURING SECTOR

Variation rate in real terms

Chart 10.1



Source: Department of Statistics.

## Employment and imports increased in the tobacco industry.

and distribution of electricity, gas and water, which are €3,513 - 49% higher than in the manufacturing industry branch. Finally, in 2022, industrial electricity consumption rose 19%, after growing 22% in 2021. These increases put electricity consumption at a historic high in 2022, 8.9% higher than the 2019 figure, which was a record year for consumption. This trend can be explained mostly by the recovery in industrial production, despite rising energy prices.

One of the main industries in Andorra is tobacco. In 2022, this sector saw an increase in the number of employees (from 239 to 256 workers), stability in the number of establishments (8) and extraordinary growth in tobacco imports (by 52.4% to €35.3 million). In 2022, the branch of tobacco represented 14% of total employment in industry, a fairly stable percentage since 2016 but far from the figure of almost one third that it represented in the early 1990s. Remember

## NUMBER OF EMPLOYEES IN THE INDUSTRY SECTOR

Table 10.1

	2021	2022	% variation 2022/2021	% total 2022
Manufacturing industries (including extraction)	1,522	1,617	6.2	90.3
Food and beverages	238	247	3.6	13.8
Tobacco industries	239	256	7.0	14.3
Textiles	33	26	-22.7	1.4
Wood and cork, except furniture; basketwork and esparto	127	138	8.8	7.7
Printing, graphic arts and reproduction of recorded media	197	197	0.1	11.0
Chemical industries	143	167	16.9	9.3
Rubber and plastic articles	20	26	32.5	1.4
Other non-metal mineral articles	43	44	0.2	2.4
Articles of metal, except machinery and equipment	144	158	9.2	8.8
Mechanical machinery and equipment	140	151	8.2	8.5
Office machinery and computer equipment	1	0	-83.3	0.0
Electrical machinery and equipment	9	10	5.4	0.5
Medico-surgical, precision, optical and clockmaking equipment and instruments	134	144	7.5	8.0
Motor vehicles, trailers and semi-trailers	3	3	0.0	0.2
Furniture; other manufacturing industries	29	27	-8.1	1.5
Recycling	22	25	14.1	1.4
Production and distribution of electricity, gas and water	171	174	1.7	9.7
<b>Total</b>	<b>1,693</b>	<b>1,791</b>	<b>5.8</b>	<b>100</b>

Source: CASS (Andorran Social Security System) / Department of Statistics.

that employment in the sector fell 13% between 2013-2016. Currently, the sector's share of employment is similar to that of the food and beverage industries, at around 14%.

Electricity production and distribution is the fourth most important subsector in terms of employment – after the tobacco, food and beverages industry, and printing and graphic arts. In 2022, it represented 9.7% of total employees, with a slight positive variation (+1.7%).

In 2022, national electricity production (calculated in 110 kV busbars) saw a year-on-year decrease of 4.5%. This decline can be explained by the major drop in hydroelectric power generation

***Electricity production fell 4.5% due to lower hydroelectric power generation, but solar power reached a historic high.***

(-13.4%), the lowest figure since 2008. On the other hand, solar energy production increased 216%, reaching the highest figure in the historical series. Thermal power generation increased more moderately, by 1.7%. Despite these trends, only hydroelectric power is

relatively important as an energy source, as it represents 12.4% of the total energy demand in the Principality; thermal power represents only 4.4% and solar power 1.4%.

#### Box 10.1

### ENVIRONMENTAL LEGISLATION

In the legal field, Law 21/2018, of 13 September, on the Energy Transition and Climate Change (Litecc), establishes the bases for the future of energy in Andorra and defines climate change goals. More recently, on 23 January 2020, the General Council passed a resolution recognising the climate crisis and declaring a state of climate and environmental emergency, entrusting the Government with various relevant actions.

In response to the commitments and the above-mentioned law, the 2020-2050 National Energy Strategy to combat climate change was passed in February 2021, the roadmap for Andorra to tackle climate change and increase the country's resilience to its impacts. As for emissions, its goal is carbon neutrality by 2050, and to achieve this target, the strategy also sets the reduction of the carbon footprint in the sectors that emit these gases in this country.

With this goal in mind, in January 2022, the Government passed the regulations on electricity production through government concessions, to streamline the granting of concessions to stakeholders in the sector to incentivise the installation of hydroelectric and solar power plants. These regulations allow the construction and exploitation, by the private sector, of electricity generating plants using renewable sources connected

to the national electricity network. Remember that Law 21/2018 on the Energy Transition and Climate Change sets the goal for national production to cover at least 33% of demand and for the percentage to reach 50% by 2050. New infrastructures will help to achieve the goal, such as construction of the wind farm that FEDA is studying and installation of solar panels on privately-owned land and roofs, an investment that has increased exponentially thanks to the grants and subsidies in the Renova Plan.

As for taxation, the amendment of the Law on special taxes passed in July 2021 set the date for application of the green tax for 1 January 2022. The green tax is a targeted tax form intended to reduce, mitigate and repair the effects of CO<sub>2</sub> emissions. The revenue will be destined for financing a green fund to make public transport accessible to everyone and improve home comfort. The green tax is indirect by nature and imposed on imports of hydrocarbons. Moreover, within the context of the major increase in fuel prices in 2022, temporary partial reductions of the special hydrocarbon tax were approved for some types of vehicle.

For housing, the Law on the Energy Transition and Climate Change establishes that from 2020, new-builds must have virtually zero energy consumption, obliging buildings to be well insulated and weatherproofed.

The hydroelectric power station of FEDA (Andorran electricity company), which generates nearly 70,000 MWh, is still the main source of national energy, 100% renewable. Although the volume of electricity generated in 2022 was lower than in 2021, due to the drought, the contribution from this infrastructure is invaluable. Added to this are the contributions from the waste recovery plant, Soldeu's combined heat and power plant, the mini hydroelectric plants and the solar power plants. The other 82% of the energy demand in Andorra is fed by imports from France (32% of the total) and Spain (50% of the total). The FEDA distribution area has 83 solar power installations connected to the network, 22 more than the 61 there were in 2021. Remember that in 2018, there were only 27 solar installations, so growth has been rapid. To incentivise low-voltage electrical installations, the Government passed regulations in January 2023 allowing for the installation of solar panels with an output of less than 20 kilowatts without the need for an engineering project.

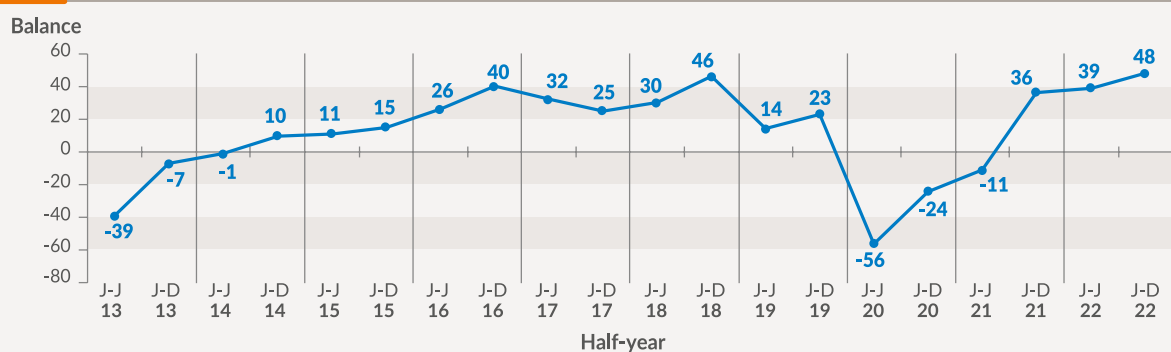
Of note over the last few years are: the mini hydroelectric power plant at Aixovall, which was put into operation in 2021, promoted by the renewable electricity production company PERSA and generating 1,380 MWh per year; FEDA's inauguration of the first national solar power plant in Grau Roig, at a cost of €1.2 million and allowing electricity generation to supply the equivalent of 250 homes, and the combined cooling and heating network put into operation in Escaldes-Engordany by FEDA Ecoterm – meeting the energy demand of 740 households in the first phase. This energy mix means that 67% of energy consumed in Andorra in 2022 was from renewable sources, a much higher percentage than in 2019, when it was only 36%, according to FEDA. Andorran electricity rates are the most competitive in the region, largely due to renewable production, and have been frozen in the last two years to help limit the impacts of the health and energy crises.

As for Andorra's energy demand (also measured in 110 kV busbars), this increased by 5.6% in 2022, due to two opposing forces: the strong recovery in activity and the implemented energy-saving measures. By sectors and according to data relating only to FEDA, electricity consumption increased in ski resorts (+40%), industry (+19%), hotels and catering (+20%) and distribution (+3%). On the other hand, consumption fell for households, construction, financial services, public lighting and other services, largely due to the measures adopted by the government to incentivise energy saving, with the aim of reducing consumption by 15%. The consumption data adjusted by the indicators of economic activity show that national savings were 4.2% in 2022.

As a result of the combination of an increase in demand and a decrease in production, energy imports rose 8.1% in 2022 to represent 82% of the total demand.

Imports of fuels (in litres) also increased 2.3%, but did not regain pre-pandemic figures. The growth in 2022 was the result of increased movement, both domestically and by foreign visitors.

## BUSINESS ACTIVITY - INDUSTRY SECTOR



Balance: Difference between opposing responses (positive and negative), as a percentage.

Source: Chamber of Commerce, Industry and Services of Andorra.

Chart 10.2

Specifically, imports of transport diesel rose 7.1%, and unleaded petrol 9.8%, but imports of heating oil fell 9.8%, partly because the winter was milder than usual. Also remember that the subsidies on purchasing fuel that were implemented in Spain and France for much of 2022 lowered the competitiveness of Andorran fuel sales. This situation reverted once the general subsidies were removed in the neighbouring countries in 2023. Accordingly, the price difference is again about 20 cents per litre compared with Spain and about 40 cents compared with France.

### Industrial production increases timidly, affected by rising costs and supply problems.

As for the industrial situation, according to the Chamber's business climate survey, the process of recovery has continued its course but is still weak, with very gradual, contained growth in activity. Industrial businesses indicated that

turnover increased year on year by 7.3% on average, compared with 10.9% in 2021. According to their evaluations, business activity remained within a positive range in the second half of 2022. Moreover, businesses indicate the most optimistic climate since the start of the pandemic.

## BUSINESSES' OPINIONS ON DEVELOPMENTS IN INDUSTRY (% of businesses)

Table 102

		2020			2021			2022		
		Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average
<b>1. Business activity</b> (reviewed half-year)	Good	4	14	9	22	49	36	48	57	53
	Normal	36	49	43	44	39	42	43	35	39
	Bad	60	38	49	33	13	23	9	9	9
	<b>Balance</b>	<b>-56</b>	<b>-24</b>	<b>-40</b>	<b>-11</b>	<b>36</b>	<b>13</b>	<b>39</b>	<b>48</b>	<b>44</b>
<b>2. Orders</b> (reviewed half-year)	High	7	1	4	10	19	15	11	15	13
	Normal	16	41	29	44	54	49	71	68	70
	Low	78	58	68	46	28	37	18	18	18
	<b>Balance</b>	<b>-71</b>	<b>-57</b>	<b>-64</b>	<b>-36</b>	<b>-9</b>	<b>-23</b>	<b>-7</b>	<b>-3</b>	<b>-5</b>
<b>3. Stocks of finished products</b> (reviewed half-year)	Excessive	14	8	11	4	1	3	3	4	4
	Adequate	39	38	39	42	50	46	57	56	57
	Insufficient	14	14	14	15	14	15	10	13	12
	No stocks	34	41	38	39	34	37	29	27	28
	<b>Balance</b>	<b>0</b>	<b>-6</b>	<b>-3</b>	<b>-11</b>	<b>-13</b>	<b>-12</b>	<b>-7</b>	<b>-9</b>	<b>-8</b>
<b>4. Average production capacity utilisation</b> (in %) (reviewed half-year)		50.1	54.3	52.2	58.8	67.1	62.9	69.1	72.8	71.0
<b>5. Production</b> (compared with same half-year of previous year)	Higher	7	1	4	33	52	43	39	48	44
	Similar	14	35	25	43	39	41	42	39	41
	Lower	79	63	71	24	9	17	18	13	16
	<b>Balance</b>	<b>-72</b>	<b>-62</b>	<b>-67</b>	<b>9</b>	<b>43</b>	<b>26</b>	<b>21</b>	<b>35</b>	<b>28</b>
<b>6. Sales prices</b> (compared with previous half-year)	Higher	2	3	3	14	27	21	35	38	37
	Equal	80	77	79	71	66	69	57	57	57
	Lower	18	20	19	15	7	11	7	6	7
	<b>Balance</b>	<b>-16</b>	<b>-17</b>	<b>-17</b>	<b>-1</b>	<b>20</b>	<b>10</b>	<b>28</b>	<b>32</b>	<b>30</b>
<b>7. Number of employees</b> (compared with previous half-year)	More	5	4	5	4	16	10	15	15	15
	Same	65	78	72	78	79	79	78	75	77
	Less	30	18	24	18	6	12	7	10	9
	<b>Balance</b>	<b>-25</b>	<b>-14</b>	<b>-20</b>	<b>-14</b>	<b>10</b>	<b>-2</b>	<b>8</b>	<b>5</b>	<b>7</b>

Source: Chamber of Commerce, Industry and Services of Andorra.

In contrast, if we consider the trend in industrial production, the improvement in activity is modest. So, businesses indicated an upward trend in volumes of production in the second half of 2022, but at a more moderate rate than in the same period of 2021, affected by rising production costs, problems in the global supply chains – despite these waning – and weakening of the main neighbouring economies.

In parallel, the average productive capacity utilisation continued to recover and reached 72.8% in the second half of 2022, a value that already puts it above the levels prior to the health crisis (70.5% on average in the period 2017-2019). However, this is still far from the historic highs of the series (around 77%).

Finally, sales prices pursued an upward trend, due to rising costs (mainly prices of energy and raw materials), while in the labour market, employment saw a positive trend throughout the year.

Of the factors limiting progress in business activity in the second half of 2022, the main obstacle is the rising cost of supplies and materials, with 74% of industries indicating this. Moreover, note the growing concern about operating costs, which has reached a record level (54% of the total), ahead of other factors such as the shortage of qualified workers and weak demand – both mentioned by 38% of those surveyed. Finally, note that supply problems, stock shortages, transport problems and its rising cost are still notable challenges for a significant number of industries, despite falling in importance since the first half of the year.

The business forecasts for the first half of 2023 confirm a continued recovery in the industrial sector but at a slower rate than expected a few months ago and also more moderate than in the three previous half years.

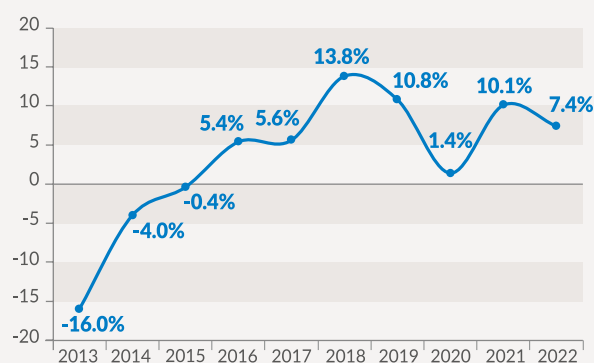
## XI. Construction and related industries

The sector of construction and related industries, which represented 8.5% of GVA in 2022, has seen a period of remarkable, sustained growth over recent years. This recovery began in 2016, after a long period of recession, and has continued until today. Throughout this whole period (2016-2022), the average annual growth in GVA has been 7.8%. Due to the COVID-19 restrictions decreed in 2020, annual growth in the sector slowed to 1.4%, but did not fall like in the other economic sectors. In 2021, growth accelerated again, to 10.1%, and moderated in 2022 to 7.4%, but both were very high rates.

**GVA in construction saw significant dynamism in 2021 and 2022.**

This positive trend seen by the construction sector occurred fundamentally in the housing segment, although public investment also grew for the second consecutive year.

**GVA IN THE CONSTRUCTION SECTOR**  
Variation rate in real terms



Source: Department of Statistics.

In parallel with the very dynamic activity, employment rose 5.4%, to 3,919 employees, the highest figure since 2010. The number of business establishments in the construction sector also increased, from 931 in 2021 to 954 in 2022. The good moment that the sector is experiencing, difficulties finding workers and rising inflation have resulted in an increase in average wages of 7.5%, reaching €2,388 per month. This figure exceeds the total average wage, after eleven years below the average. For its part, reactivation of the sector brought a notable rise in imports of building materials, for the second consecutive year - including traditional building products and also products made from ceramic, glass, iron and steel, copper, nickel, aluminium, lead, zinc, tin and other commodities - of 37%, although part of this growth can be explained by rising prices and supply bottlenecks.

In 2022, the surface area of approved projects grew strongly (+48.2%), to 813,078 m<sup>2</sup>, reaching the highest figure in the last nineteen years. The data shows that the sector is experiencing an extraordinarily positive period of activity and investor confidence.

The increase in approved surface area in 2022 can be explained by the strong momentum in new builds. In fact, 83% of the approved surface area relates to new builds, increasing by 77% since 2021. In contrast, 15% relates

***The surface area of approved building works grew 48.2%, reaching one of the highest values in the historical series, driven by new builds.***

#### Box 11.1

#### LAW 32/2022, OF 14 SEPTEMBER, TO PROMOTE SUSTAINABILITY IN URBAN DEVELOPMENT AND TOURISM

As indicated in the preamble, in recent years, urban development in Andorra has seen an inordinate increase in real estate development. This could have a negative impact on the targets for sustainable, balanced growth set out in the national agenda, generating particular concern about the pressure it puts on natural resources, services and infrastructures needed to guarantee the living standards of its citizens. In addition, the current energy crisis represents a substantial challenge to this country's resilience, considering the particular fragility of small states.

In response to this situation, the new Law establishes that within one year after it enters into force, the Comú governments must prepare a study of the maximum load capacity of their parishes and must adapt their land and town planning to the conclusions of the reports - which must incorporate the conclusions from the planning and studies carried out by the Government, especially in relation to the sustainability of resources and the environment - and the capacity of the national infrastructure and installations. In fact, the goal is to be able to determine how much growth each parish can assume in order to define the national town planning model.

Until the Comú studies are prepared and approved, new build permits are subject to obtaining a favourable report from the ministries responsible for town planning and environment, except single-family and rental housing.

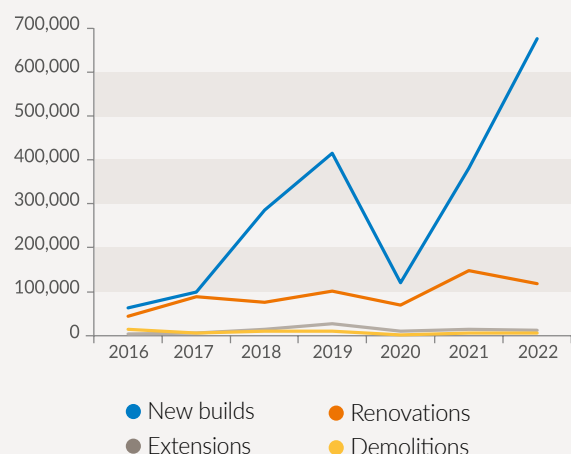
As for tourist accommodation, a temporary two-year suspension on authorising new permits for apartments and studios used for tourism has been established, with some exceptions such as five-star accommodation. Over these two years, the Government must prepare a study of the national tourism capacity to allow it to define what measures are required to guarantee the sustainability and quality of the tourism sector.

Moreover, it determines that any change in ownership of housing used for tourism through sale results in automatic cancellation of its registration in the Register of Housing Used for Tourism. Where appropriate, it also means a subsequent requirement to make a new application for prior authorisation and registration in the said Register, needed to be able to use the housing under this model of tourist accommodation.



## APPROVED SQUARE METRES BY CATEGORY

Chart 11.2



Source: The Official Association of Architects of Andorra.

**Property sales  
increased 6.4%.**

development and tourism, and amending the general Law on Land and Town Planning, of 29 December 2000, and general Law 16/2017, of 13 July, on tourist accommodation. The purpose of this Law is to promote measures to ensure sustainable growth in urban activity which, in practice, could become a moderating factor in the current dynamism in housing construction in Andorra.

Strong activity in the sector was accompanied by very dynamic demand. According to the statistics for property transactions and for housing and land prices, 2,072 property transactions were carried out in 2022, the highest number in the historical series, and 6.4% more than in the previous year. After the declines seen in 2019 and 2020, the number of transactions regained the positive trend of the period 2013-2018.

By parishes, the most important increases in sales were in Escaldes-Engordany (+71%) and Andorra la Vella (+13%), where records were achieved. In contrast, they decreased in Sant Julià de Lòria, Ordino and Encamp, partly due to the major increases recorded in the previous year, as the figures are at historic highs. Regarding the type of transferred property, sales increased for buildings (+42%), land (+34%), other constructions (+25%), parking spaces (+23%), apartments (+10%) and single-family housing (+6%).

As for the price per m<sup>2</sup> of transactions, this rose 17.7% in the case of apartments and also rose for parking spaces and commercial premises. In contrast, it fell for land, warehouses and single-family housing. As for apartments, in 2022, parishes that saw two-digit increases in the m<sup>2</sup> price were Escaldes-Engordany (+47%), Encamp (+26%) and La Massana (+13%), while prices only fell in Ordino.

**The number of new mortgages  
decreases.**

The total number of new mortgages signed in the Principality of Andorra in 2022 was 702, compared with the 884 granted in the previous year. Of these 702, 651 were for residential use (16% less than in the previous year). Regarding distribution by parish, La Massana and Encamp stand out, where 41% of the total mortgages

to renovations, with a decline of 20%, and the other 2% relates to demolition or extensions. The reduction in approved surface area for renovations can be explained by the strong growth it saw in 2021, partly due to the Renova Plan and approval of Law 15/2020, of 26 November, on urgent measures regarding urban leases and to improve purchasing power, which allowed for the refurbishment of housing that was outside the regulations.

Among the actions adopted by the executive government to boost affordable housing is the purchase of buildings for refurbishment and repurposing as subsidised rental accommodation. Specifically, the Government allocated €17.2 million in 2023 to purchasing five buildings and leasing four more. Nine buildings in total, to enable it to offer 147 homes at affordable prices.

Another important construction sector law that was passed in 2022 was Law 32/2022, of 14 September, to promote sustainability in urban

## PROPERTY TRANSACTIONS AND AVERAGE PRICE PER M<sup>2</sup> FOR APARTMENTS, BY PARISH

Table 11.1

	PROPERTY TRANSACTIONS				M <sup>2</sup> PRICE FOR APARTMENT TRANSACTIONS (EUROS)		
	2021	2022	Absolute variation	Relative variation (%)	2021	2022	Relative variation (%)
Canillo	358	360	2	0.6	2,515.6	2,530.6	0.6
Encamp	404	399	-5	-1.2	2,322.0	2,931.4	26.2
Ordino	153	147	-6	-3.9	2,839.7	2,626.0	-7.5
La Massana	367	373	6	1.6	2,737.6	3,082.4	12.6
Andorra la Vella	275	310	35	12.7	3,367.3	3,641.4	8.1
Sant Julià de Lòria	188	136	-52	-27.7	2,310.1	2,456.9	6.4
Escaldes-Engordany	203	347	144	70.9	3,203.7	4,713.4	47.1
<b>Total</b>	<b>1,948</b>	<b>2,072</b>	<b>124</b>	<b>6.4</b>	<b>2,775.1</b>	<b>3,266.4</b>	<b>17.7</b>

Source: Department of Statistics.

for residential use were granted. The other 51 mortgages were for other uses - such as hotels, premises, developments and land - and were less than half the number in 2021 (109). The average value of all the mortgages granted for residential use was €313,395, 30.8% more than in 2021.

The analysis of the property sector is completed by the statistics on housing characteristics referring to 2021. According to this source, prepared from the data from the household budget survey, the trend in the total number of homes of resident households in Andorra shows continued growth over the last five years. Over this period, the total increase in housing was 3,685 units, of which 2,851 were owned properties, whereas the other 834 were rental properties. It is important to remember that, according to Department of Statistics estimates based on electricity consumption, there were at

### Box 11.2

#### THE RENOVA PLAN

The Renova Plan is the main scheme for promoting energy savings and efficiency and introducing renewable energies into buildings. It was created more than ten years ago to promote the refurbishment of buildings and has gradually switched its focus towards energy aspects.

Since being in operation (2011-2022), the Renova Plan has received 2,700 applications, €16.5 M for grants and €17.0 M for loans, of which €15.7 M and €14.4 M have been granted, respectively.

The 2022 Renova Plan has €3.5 M in funds, 3.5 times as much as in 2015 (€1.0 M) and almost double those of 2021 (€1.8 M). It is estimated that 14% of housing in the country have benefitted in one way or another from the Renova Plan (approximately 6,030 out of 44,534). Currently, the percentage of total housing

that benefits annually from the programme is around 2.7%. In 2022, 368 applications were presented, with requested amounts of €3,246,975 in grants and €389,941 in loans. Some 66.7% of the applications were for solar panels and windows.

The new 2023 Renova Plan has €2 M in funds and aims to continue encouraging energy savings in housing. To access the grants, it must be a rental or owned primary residence with a surface area of 130 m<sup>2</sup> or less, or buildings with at least 70% primary residence apartments. For air conditioning and hot water or solar panel installations, there are no access requirements. Note that, out of the two million, €427,373 are destined for 28 applications made in the previous year which could not be paid because the budget ran out.

least 6,238 empty apartments in the country in 2021, almost 15% of the total number of properties. The reasons for this “underutilised” housing are varied (second or third homes, apartments for sale, inheritances and other circumstances), as demonstrated by the low revenue from the tax on empty housing in 2022, only €5,037, the lowest from all existing taxes. This tax is charged on housing that has been unoccupied without justification for at least two years.

As for public policies adopted to favour access to home ownership, the Government has approved a programme of public guarantees for purchasing an apartment for the first time and for use as the habitual residence. The requirements to access this guarantee programme, for up to 20% of the value of the mortgage, are, among others, a minimum period of seven years residence in the country; going to live in the property within twelve months; that the value of the acquired housing and its annexes do not exceed €450,000; that the total mortgage is no more than 35% of the income of the family unit, and that available income after financial obligations is at least €2,000. The programme has €10 million in funds and came into effect in mid-April 2023. Together with this programme of guarantees is another of grants in which the Government, through an annual payment, pays the beneficiary of the guarantee a part of the financial costs (interest) on the formalised loan.

### **Real investment by the Comú governments increases but that of the central government continues to decrease.**

As for the subsector of public works, 2022 continued the same trend as in the previous year. On the one hand, the Comú governments increased their investment rate, while the central Government reduced it again for the third consecutive year. The settled aggregate real investment of the central and Comú governments (chapter 6 of the Budget) is €68.1 million, 7.1% more than in 2021 (€63.6 million). This is the second consecutive year of increase, after the decline in 2020 due to the pandemic, regaining the upward trend in public investment that had been seen since 2017.

In relation to the Government, settled investment (chapter 6) rose in 2022 to €23.1 million, a figure that represents a decline of

### **GOVERNMENT PUBLIC WORKS. SETTLED PUBLIC INVESTMENT \* BY PROGRAMMES (categories)**

Table 11.2

Description	2021	2022
Administrative infrastructure	1,040,175 €	2,620,323 €
Judicial infrastructure	86,307 €	-
Mountain huts	-	349,567 €
Infrastructure - Fire Station	-	-
Prison building	-	-
Health & social infrastructure	3,314,033 €	395,230 €
School infrastructure	4,219,821 €	713,368 €
Sports infrastructure	359,708 €	118,920 €
Sanitation	79,293 €	285,113 €
Natural Heritage management & conservation	145,604 €	-
Cultural infrastructure	1,588,412 €	278,037 €
Central government	487,912 €	-
Main roads, road infrastructure	4,515,156 €	7,352,775 €
Secondary roads	-	1,187,518 €
Access to Andorra (RN20)	-	2,000,000 €
Other roads	231,469 €	457,601 €
Machinery and equipment	-	44,798 €
Vehicles	-	88,595 €
Road maintenance	6,495,339 €	-
Natural risks. Protective infrastructure	553,164 €	55,397 €
Sectoral plan. New road infrastructure	6,875 €	-
River & stream treatment	179,979 €	779,534 €
Cartography & topography	158,379 €	64,712 €
IT applications	-	1,186 €
Mobilitat safety equipment	-	130,224 €
Surfacing of main and secondary roads and streets	-	2,481,202 €
Industrial infrastructure	264,554 €	827,441 €
Strategic & transport projects	193,464 €	-
National Housing Institute	-	162,870 €
Publicly-developed housing (Borda Nova)	-	363,709 €
<b>Total</b>	<b>23,919,644 €</b>	<b>20,758,119 €</b>

\*Amount of settled public works relating to investment by the Ministry of Land and Housing.

Source: Ministry of Land and Town Planning.

8.9% from the investment figure in 2021. This is the third consecutive year of decline in real investment by the Government and the lowest figure in the historical series since 1992. If we add capital transfers (chapter 7 of the Budget) which rose to €33.1 million in 2022, the total investment effort of the executive government amounts to €56.2 million, 3.0% less than in 2021. A major part of this investment relates to the Ministry of Land and Housing, specifically €20.8 million, a figure that represents a decline of 13% since 2021. In the table 11.2 are details of the public works settled in 2021 and 2022 by the Ministry of Land and Housing, by programmes.

The categories that saw the most important reductions in the monetary value of investment were health infrastructure (from €3.3 million in 2021 to €395,230 in 2022), school infrastructure (from €4.2 million to €713,368) and cultural infrastructure (from €1.6 million to €278,037). These decreases can be explained by a context of strong investment during the pandemic years. In contrast, investment increased most in administrative infrastructures (from €1 million in 2021 to €2.6 million in 2022) and road infrastructures (from €4.5 million to €7.4 million), two kinds of investment that had seen major cuts during the health crisis.

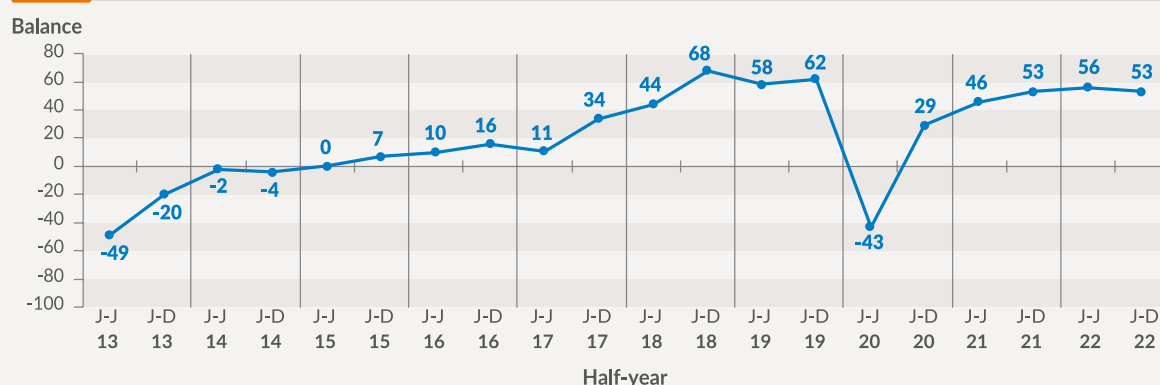
As for the Comú governments, settled real investment increased 17.7% to €45 million, the highest figure since 2007, just before the financial and property crisis. By parishes, the most important investment expenditure was in Andorra la Vella, with €16.1 million; Encamp, with €8.3 million; Escaldes-Engordany, with 6.3 million; Canillo, with €5.1 million, and La Massana, with €4.8 million. Lastly, with much lower amounts are Sant Julià de Lòria, with €2.6 million and Ordino, with €1.8 million. In 2022, real investment shrank in three parishes (Canillo, Encamp and Ordino) and increased at very high rates in the other four (Andorra la Vella, La Massana, Escaldes-Engordany and Sant Julià de Lòria).

### **Business activity in construction continued to improve and the prospects for 2023 remain positive.**

As is evident from the results of the Chamber's business climate survey, construction is still the most dynamic sector of the Andorran economy, with a very lively rate of expansion, clearly higher than in the other branches

of activity. Savings accumulated over the last two years, the positive trend in employment and major dynamism in foreign demand have boosted housing, which has become more attractive as an investment asset within the current context of uncertainty and volatility in the financial markets. The construction companies that took part in the situation survey indicated year-on-year growth in turnover in 2022 of 8.7%, a rate which, despite being lower than in 2021 (+29%), is still very significant, as it is above the average for the period 2017-2019 (+7.1%). Moreover, this

#### **BUSINESS ACTIVITY - CONSTRUCTION SECTOR**



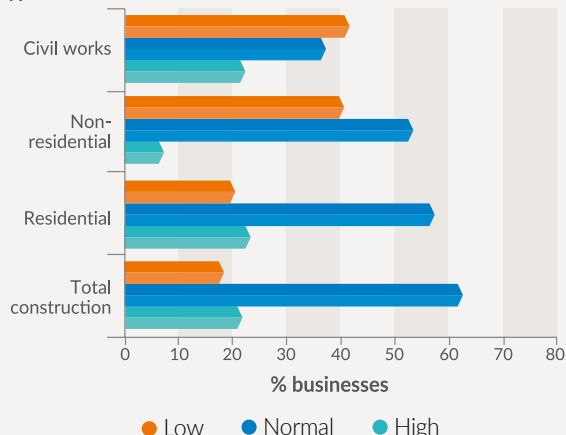
Balance: Difference in opposing responses (positive and negative) as a percentage.

Source: Chamber of Commerce, Industry and Services of Andorra.

## CONTRACTED WORKS - CONSTRUCTION SECTOR (half-year July-December 2022)

Chart 11.4

### Type of works



Source: Chamber of Commerce, Industry and Services of Andorra.

good performance was reflected in an upward trend in employment. However, some indicators for the sector are beginning to show the first signs of a slowdown in real estate investment in the second part of the year, mainly due to worsening finance conditions after more than a decade of very low interest rates.

Growth in the volume of contracted works slowed in the second half of the year, due to a reduction in non-residential contracts, but above all, due to a clear slowdown in contracts in the housing segment, which, despite still being the main driver of activity, lost some momentum due to the situation of uncertainty and increasing finance costs.

However, there is great concern among the businesses about the difficulties in meeting

demand due to supply problems. The sector mainly and strongly highlights a workforce shortage and also rising prices of materials and raw materials; both factors are indicated by 77% of businesses as obstacles to activity in the second half of 2022. Moreover, 68% of surveyed businesses indicated that they have problems related to delays and increases in transport services (12 percentage points more than six months earlier) and 51% confirm supply problems in some basic materials (4 points more than in the last half-year). In general, the negative impact of these tensions is contributing to a notable increase in operating costs, a problem that has become more important since the last half-year and concerns almost six of every ten construction companies.

## BUSINESSES' OPINIONS ON DEVELOPMENTS IN THE CONSTRUCTION SECTOR (% of businesses)

Table 11.3

		2020			2021			2022		
		Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average
<b>1. Business activity</b> (reviewed half-year)	Good	0	47	24	52	53	53	61	68	65
	Normal	57	35	46	42	47	45	34	18	26
	Bad	43	18	31	6	0	3	5	15	10
	<b>Balance</b>	<b>-43</b>	<b>29</b>	<b>-7</b>	<b>46</b>	<b>53</b>	<b>50</b>	<b>56</b>	<b>53</b>	<b>55</b>
<b>2. Volume of executed works</b> (compared with same half-year of previous year)	Higher	8	13	11	55	64	60	51	54	53
	Same	12	39	26	24	33	29	43	26	35
	Lower	81	48	65	21	3	12	5	20	13
	<b>Balance</b>	<b>-73</b>	<b>-35</b>	<b>-54</b>	<b>34</b>	<b>61</b>	<b>48</b>	<b>46</b>	<b>34</b>	<b>40</b>
<b>3. Contract unit prices</b> (compared with previous half-year)	Higher	4	12	8	44	36	40	53	40	47
	Same	89	74	82	44	64	54	39	57	48
	Lower	7	15	11	13	0	7	8	3	6
	<b>Balance</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>31</b>	<b>36</b>	<b>34</b>	<b>45</b>	<b>37</b>	<b>41</b>
<b>4. Number of employees</b> (compared with previous half-year)	More	11	12	12	27	17	22	21	26	24
	Same	89	82	86	64	83	74	71	69	70
	Less	0	6	3	9	0	5	8	6	7
	<b>Balance</b>	<b>11</b>	<b>6</b>	<b>9</b>	<b>18</b>	<b>17</b>	<b>18</b>	<b>13</b>	<b>20</b>	<b>17</b>

Source: Chamber of Commerce, Industry and Services of Andorra.

The prospects for the first half of 2023 indicate that construction will continue to show very dynamic behaviour, but the rate of activity will gradually moderate as rising interest rates and the loss of household purchasing power lead to a gradual adjustment in demand. As for the trend in prices, businesses predict that the upward trend will ease a little.

## XII. Services

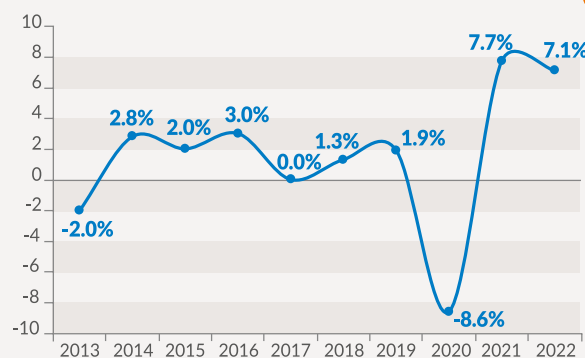
Services are at the core of the Andorran economy, representing 86.3% of global GVA and 85.9% of total employees. The predominance of this sector means that its trend largely determines the performance of Andorran GDP. After six consecutive years of positive variations between 2014 and 2019, with average annual growth of 1.8%, there was a sudden drop of 8.6% in 2020, due to the restrictions to contain the spread of the pandemic. In 2021 and 2022, however, the sector recovered strongly (+7.7% in 2021 and +7.1% in 2022), mainly thanks to the return to normality of the sectors most affected by the restrictions, such as hotels, catering, transport and commerce.

**GVA in services grows 7.1% and regains the pre-pandemic level.**

In terms of GVA, the balance for 2022 was positive in the three largest subsectors of services, but growth was especially remarkable in commerce, hotels and catering, transport, and information and communications, at 11.8%, added to the 3.6% growth in the previous year. Remember that this is the segment that shrank most in 2020. As for the subsector of financial, real estate, professional and technical activities, which suffered the least in the pandemic, this saw an increase of 5.4% in 2022, added to that of 2021 (+12.8%). Finally, the subsector of public administration, education, health, social and personal services grew 4.1% in 2022, very similar to the rate in the previous year (+4.7%).

Of the three subsectors, the only one that still did not recover the pre-pandemic (2019) level of GVA is commerce, hotels and catering, transport and ICT, although it came very close in 2022 (only 3% below). The rapid economic recovery is partly due to the measures adopted by the Government in 2020 and 2021 to limit the economic consequences of closures and restrictions. The most important of these were the ERT0 furlough scheme and direct support to the self-employed; the guaranteed loan scheme for businesses; the deferment and payment in instalments of tax; the aid towards rent or mortgage payments of businesses affected by the restrictions, and the discounts on electricity and telecommunications bills.

**SERVICES SECTOR GVA**  
Variation rate in real terms



Source: Department of Statistics.

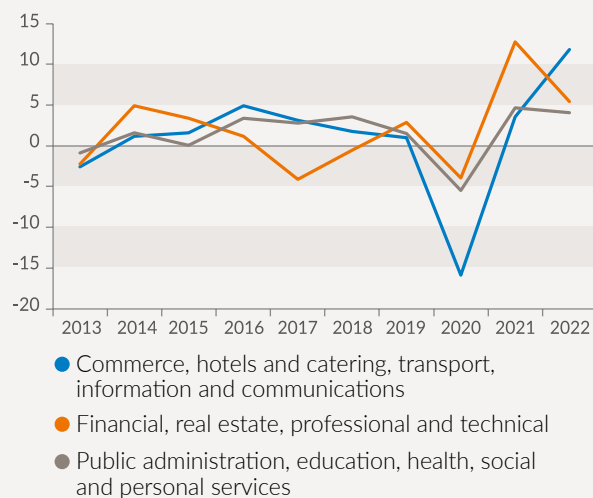
**Commerce, hotels and catering, transport and ICT is the only subsector that still did not recover pre-pandemic levels in 2022.**

**The number of establishments in the services sector increases, notably in the branch of information and communications.**

In parallel with the increase in global activity in the services sector, the number of establishments grew 8.9%, to 10,198. By subsectors, the economic activity with most establishments is commerce, representing 30.6% of the total and an increase of 2.6%. The second most important branch is professional, scientific and technical activities, the focus of 23.2% of total businesses in the service sector, which saw a 18.4% increase. The third most important subsector in terms of establishments registered with the Registry of Commerce and Industry is hotels and catering, which represents 10.1% of the total in the services sector, and saw an increase of 0.4% since 2021. The fourth subsector is information and communications which saw a remarkable increase in 2022 (+27.9%) and has already reached 911 establishments, double as many as in 2019.

**SERVICES SECTOR GVA BY BRANCHES OF ACTIVITY**

Interannual real variation rate (%)



Source: Department of Statistics.

**NUMBER OF ESTABLISHMENTS IN THE SERVICES SECTOR**

	2021	2022	% variation 2022/2021	% total 2022
Commerce and motor vehicle repairs (etc.)	3,037	3,116	2.6	30.6
Transport & storage	256	260	1.6	2.5
Hotels & catering	1,031	1,035	0.4	10.1
Information & communications	712	911	27.9	8.9
Financial & insurance activities	201	208	3.5	2.0
Real estate activities	496	552	11.3	5.4
Professional, scientific & technical activities	1,994	2,361	18.4	23.2
Administrative activities & ancillary services	520	535	2.9	5.2
Education	244	265	8.6	2.6
Health activities & social services	234	253	8.1	2.5
Artistic, recreational & entertainment activities	203	214	5.4	2.1
Other services	436	488	11.9	4.8
<b>Total</b>	<b>9,364</b>	<b>10,198</b>	<b>8.9</b>	<b>100</b>

Note: Number of establishments registered with the Registry of Commerce and Industry.

Source: Ministry of the Presidency, Economy and Work and Housing; Registry of Commerce and Industry.

**Employment in the services sector grows 11.5%, driven up by hotels.**

The number of employees in the services sector also rose in 2022, to 35,828, 11.5% more than in the previous year. This was spread between the four main subsectors, as follows: 25% work in commerce; 18% in real estate and business services; 15% in hotels and 13% in public administration. Overall, these four branches account for about 70% of total employees in the services sector. In 2022, most branches saw an increase in numbers of employees, notably hotels (+43%), with higher employment than in 2019, before the start of the pandemic. Employment also rose in commerce, in transport and storage, in real estate activities and business services, and in social activities and

The number of employees in the services sector also rose in 2022, to 35,828, 11.5% more than in the previous year. This was spread between the four main subsectors, as follows: 25% work in commerce; 18% in real estate and business services; 15% in hotels and 13% in public administration.



## NUMBER OF EMPLOYEES IN THE SERVICES SECTOR (annual average)

Table 12.2

	2021	2022	% variation 2022/2021	% total 2022
Commerce and motor vehicle repairs (etc.)	8,174	8,872	8.5	24.8
Hotels & catering	3,640	5,194	42.7	14.5
Transport, storage & communications	1,164	1,327	14.0	3.7
Financial system	1,765	1,716	-2.8	4.8
Real estate & rental activities; business services	5,630	6,503	15.5	18.2
Public administration, defence & mandatory social security	4,675	4,652	-0.5	13.0
Education	622	622	-0.1	1.7
Health & veterinary activities, social services	2,405	2,414	0.4	6.7
Other social activities & community services; personal services	2,765	3,298	19.3	9.2
Households employing domestic staff	1,071	1,040	-2.9	2.9
Extraterritorial bodies	12	12	-1.4	0.0
Domestic work for the community	196	180	-8.4	0.5
<b>Total</b>	<b>32,118</b>	<b>35,828</b>	<b>11.5</b>	<b>100</b>

Source: CASS (Andorran Social Security System) / Department of Statistics.

## Box 12.1

## RECYCLING AND WASTE MANAGEMENT

2022 was a year of change in legislation and environmental regulations affecting waste management. Specifically, on 30 June, the General Council passed Law 25/2022, on the circular economy (LEC); on 9 November, the National Strategy for the Circular Economy (ENEC) was passed, and on 22 November, the new Horizon 2035 National Waste Plan (PNR) was passed.

The PNR has been integrated into the ENEC as a separate, strategic focus, in which a diagnosis of the current waste situation has been made, targets have been set to be considered with the 2035 horizon (65% recycling of municipal waste), and programmes and actions have been defined for the first five years (2023-2027), as well as the communication plan to support it. The preparation of all these documents seeks alignment with the latest European waste directives. This will enable the Andorran legal framework to be compatible with that of its neighbouring countries. For example, from January 2023, single-use plastics are prohibited in Andorra, such as plastic cups, cutlery and straws. In this way, the Principality is aligned with European directives regulating this matter (Directive 2019/904 on the reduction of the impact of certain plastic products on the environment, focusing on single-use plastics).

As for the waste balance, in Andorra in 2022, more than 149,590 tonnes (t) were generated: 27% were treated inside the country and 73% were exported for final management outside the country. This amount includes all waste generated in the country, such as household waste (municipal waste and similar waste from commerce, industry and institutions, including selective collection) and all waste exported directly by waste managers to recovery and/or disposal plants. Not included is earth and stone waste from construction, of which 223,647 t were exported for recovery, a figure that represents an increase of 2% since the previous year. In comparison with 2021, 11,858 t more waste were generated, in a context characterised by the economic recovery after the pandemic. This has resulted in an increase in some types of municipal waste, due to greater economic activity, such as municipal solid waste (MSW), which rose 7.7% (28,084 t in 2022, compared with 26,081 t in 2021). On the other hand, in the case of non-municipal waste, there were also major increases related to construction, in particular an increase of 5,978 t of rubble (+9.7% since the previous year).

In the last review of the PNR for 2017-2020, the recycling target for 2020 was 50% (including





preparation for reuse), in keeping with the criteria in Directive 2008/98/EC on waste. Selective collection is well-established today in this country which means that the rate of recycling was 49.3% in 2022, two points higher than in the previous year, achieving the target set for 2020 of 50% in weight of waste destined for preparation for reuse and recycling.

In fact, in 2022, a total of 50,716 t of municipal waste was managed (compared with 46,409 t in 2021), of which 17,736 t were recycled and 32,217 t were recovered as energy, the process that minimises the volume of waste through combustion. The rest went for preparation for reuse or disposal.

As for recycling, there was an increase in 2022 in the total recycled amounts of glass (+17.1%), light packaging (+10.2%), paper and cardboard (+16.2%) and organic matter (+8.8%), mainly related to the services sector (hotels, commerce), which had recovered from the effects of the pandemic and returned to levels similar to 2019. As for the selective collection of organic matter by major producers, the amount in 2022 was higher than in the previous year (836 t in 2022 and 768

in 2021), although it did not reach the annual target of 1,000 t. This may be because some of the voluntary establishments did not continue with the service, and the amounts collected in establishments such as mandated stores or schools fell in relation to previous years.

As for energy recovery, household waste and waste treated as municipal waste are burnt at the Waste Treatment Centre (CTR), so that part of the energy can be recovered through combustion as electricity. Moreover, since 2020, part has been recovered as heat, which is used in the new district heating system in Andorra la Vella. In 2022, 40,529 t of Andorran waste were received at the plant, a higher figure than the 38,172 t in 2021. To this waste must be added the 9,329 t of pre-treated solid municipal waste from Cerdanya (Spain), under the Government authorisation to import a maximum of 10,000 t per year, representing 18.7% of the total waste used to recover energy by the CTR. The energy recovered from all the waste generated 18,760 MWh of electricity, which was injected into the FEDA electricity network, and 11,441 MWh of thermal power, which was injected into the FEDA-Ecoterm district heating network.

Source: Government of Andorra.

community services. On the other hand, it basically decreased in the branches of financial activities and households employing domestic staff, and practically stagnated in public administration.

Note that the shortage of employees may affect growth in the services sector in the future, especially in the subsector of catering and hotels. As can be seen in the business climate survey, which incorporated additional questions in the second half relating to the labour market situation, 53.6% of the surveyed businesses had problems filling job vacancies in 2022. By sectors of activity, the shortage of workers has a very negative impact on construction, in which nine of every ten companies struggle to find workers, and also in hotels, where eight of every ten are affected by the lack of qualified staff. In industry and the retail trade, the impact is lower. In the hotel sector, the main reason indicated is the disparity between jobseekers' training and the profile sought by businesses, indicated by almost six of every ten businesses. This year, the pilot scheme of a special immigration permit quota for the summer season, providing continuity to the winter seasonal workers, enabled hotel staff requirements to be covered for summer 2022.

In 2022, the average monthly wage of the whole services sector rose 4.7% to €2,294, a moderate increase when considering the 7.1% increase in the CPI this year. For this reason, wages lost purchasing power in 2022, for the second consecutive year. The trend in the average wage was positive in all subsectors, but grew most in hotels (+11.6%), followed by social activities and community services, commerce, transport and storage, the financial sector and real estate activities (in all cases, by more than 6%). In contrast, increases were more contained in public administration, education and health activities.

***The trend in wages is positive but lower than the CPI increase.***

## 1. Commerce

Commerce is one of the pillars of the Andorran economy, despite losing ground against other sectors in recent years, such as real estate and business services. The commercial sector represents 15.7% of GVA (2021) and 21.3% of employment (2022) - less than in 2005, when it was 26.7% of the labour market.

This loss of economic importance is related to the process of transformation in its business model which has been occurring for years in retail sales and which has mainly two reasons. On the one hand, the structural change in the behaviour of consumers who, with the same budget, value the experience (sleeping in a hotel or going to a restaurant) much more than buying products. On the other hand, the rapid growth in e-commerce, which accelerated further with the arrival of the pandemic. Finally, other factors such as the loss of product price differentials, the lower presence of commerce in tourist spending and the lower purchasing power of the average client.

After two years of steep falls, the number of employees in the retail sector increased 10% in 2022, to 5,116 employees, although this is still below the 2019 figure. This increase in employment was accompanied by a rise in the average wage of 7.9%, similar to average inflation that year, to reach

### Box 12.2

#### STRATEGIC PLAN FOR COMMERCE

To meet all these challenges faced by the retail trade sector, the Government presented the Strategic Plan for Commerce in January 2022, continuing on the Strategic Plan for Shopping Tourism presented in 2016, 46% of which was achieved. Among these initiatives were notably aspects such as making the urban area peaceful, merging commercial associations, creating the brand The Shopping Mile, and working on the commercial model in some parishes. The 2022 new Strategic Plan for Commerce identifies as major areas for action: improving competitiveness; innovation and digitalisation, and the creation and promotion of a shopping experience, to develop trading conditions and access new markets and new clients. So, the goal of this action plan is to make the shopping experience as satisfying, innovative and different as possible, which means that the quality of the service must be improved. To achieve this, a key aspect is to make the sector more professional which means, among other things, improving employee training and living conditions. The new plan also poses other challenges, such as attracting new brands, sustainability and improved communication.

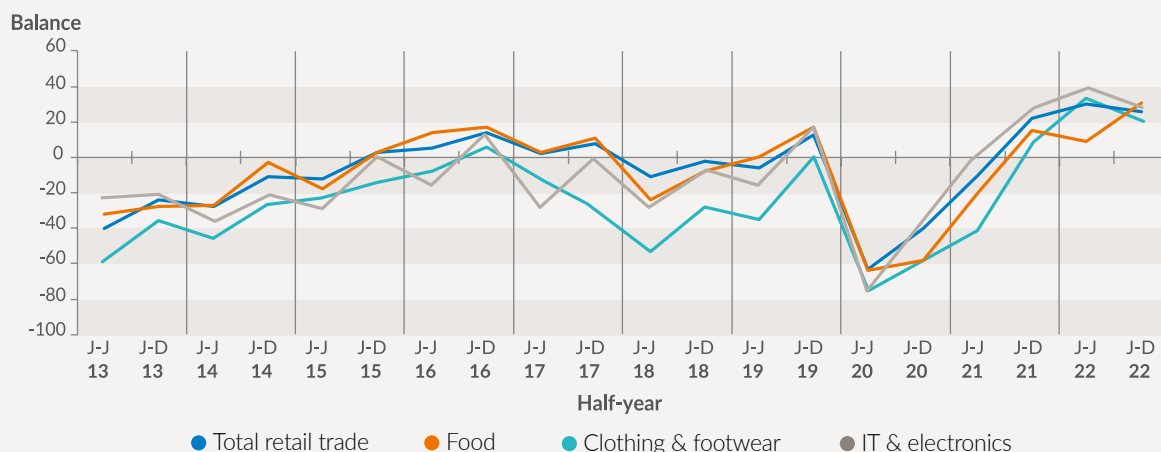
In developing the Strategic Plan, the Government presented the operating plan in 2023, intended to

bring brands and shopping areas together under one national communication concept, making the most of the strength of the Andorra brand. So, the operating plan aims to design joint communication and promotion actions to position Andorran commerce as an element of attraction in itself (not complementary). Now, this establishes the importance of creating synergies between activities related to commerce, such as leisure, cuisine or sport, benefitting the economic sector as a whole.

The proposals in this vein are linked to setting up a web app and digital app together with a complementary, physical, shopping guide. Enhancing social networks is also included. All this under a new umbrella brand with a graphic identity and associated name, to represent Andorran commerce in broad terms and become the common denominator, adding value and joining the promotion in the internal and external markets. On the other hand, with the goal of providing key information to the commercial sector, the creation is proposed of the Commerce Observatory, as a space for analysis, knowledge and reflection on the national retail sector.

## BUSINESS ACTIVITY - RETAIL TRADE

Chart 12.3



Balance: Difference between opposing responses (positive and negative), as a percentage.

Source: Chamber of Commerce, Industry and Services of Andorra.

**In 2022, the number of employees in the retail sector grew 10%.**

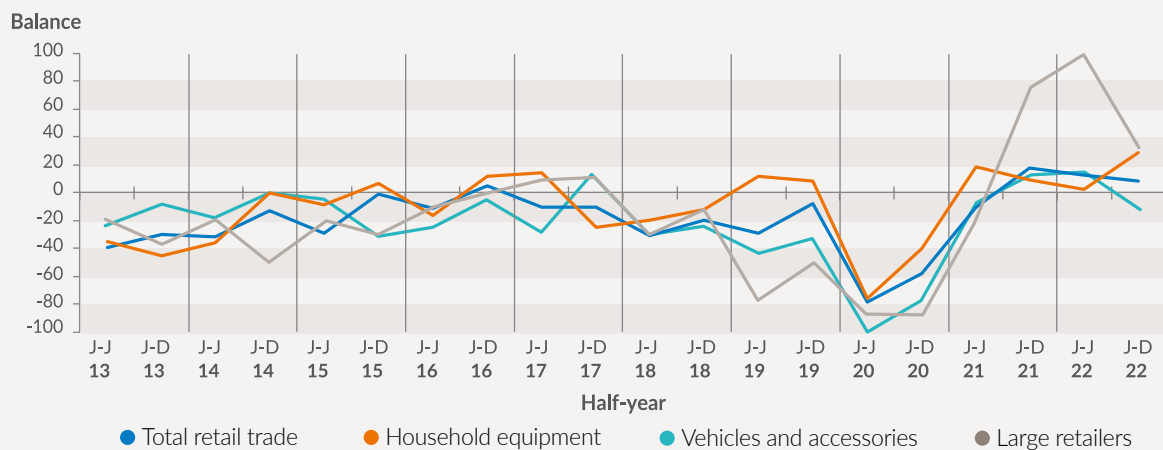
around €1,869. These positive labour market data are complemented by a rise in the number of retail establishments, to 1,435 (12 more than in 2021), a higher figure than before the

pandemic. The fact that there are more establishments but fewer employees highlights that in the new post-pandemic scenario, businesses are more digital and may need fewer workers on average. Electricity consumption in the commercial distribution sector also increased by 3.0% (solely FEDA data), which is added to the increase of the previous year (+10.3%). Another benchmark indicator for analysing the trend in commerce is imports of goods, because most products sold by Andorran retailers are imported. The trend in imports (by value) to Andorra was exceptionally positive in 2022 (more than 29% more than the 2019 level), although this increase also reflects the rising prices of products. All in all, the data show a better situation than in previous years thanks to the recovery in private consumption and foreign visitors, but there are still structural changes in the sector linked, above all, to the increase in on-line purchases, which may affect its growth potential in the future.

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## SALES FIGURES COMPARED WITH THE SAME PERIOD IN THE PREVIOUS YEAR - RETAIL TRADE

Chart 12.4



Balance: Difference between opposing responses (positive and negative), as a percentage.

Source: Chamber of Commerce, Industry and Services of Andorra.

## BUSINESSES' OPINIONS ON DEVELOPMENTS IN THE RETAIL TRADE (% of businesses)

Table 12.3

1. Business activity (reviewed half-year)		2020			2021			2022		
		Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average
Total retail trade	Good	8	13	11	25	39	32	41	40	41
	Normal	21	34	28	40	44	42	48	47	48
	Bad	71	53	62	35	17	26	11	14	13
	Balance	-63	-40	-52	-10	22	6	30	26	28
Food	Good	12	3	8	10	34	22	29	38	34
	Normal	12	36	24	60	47	54	51	55	53
	Bad	76	61	69	30	19	25	20	7	14
	Balance	-64	-58	-61	-20	15	-3	9	31	20
Clothing & footwear	Good	5	4	5	15	26	21	43	39	41
	Normal	15	32	24	30	56	43	47	42	45
	Bad	80	64	72	56	19	38	10	18	14
	Balance	-75	-60	-68	-41	7	-17	33	21	27
Household equipment	Good	10	28	19	51	50	51	45	54	50
	Normal	29	44	37	28	43	36	48	37	43
	Bad	61	28	45	21	7	14	7	9	8
	Balance	-51	0	-26	30	43	37	38	45	42
Hygiene & health	Good	13	5	9	22	41	32	27	31	29
	Normal	13	36	25	57	44	51	62	50	56
	Bad	73	59	66	22	15	19	12	19	16
	Balance	-60	-54	-57	0	26	13	15	12	14
IT & electronics*	Good	8	20	14	27	43	35	48	45	47
	Normal	8	27	18	49	41	45	43	38	41
	Bad	85	53	69	24	16	20	9	17	13
	Balance	-77	-33	-55	3	27	15	39	28	34
Vehicles & accessories	Good	0	15	8	13	31	22	34	31	33
	Normal	39	12	26	45	41	43	57	51	54
	Bad	61	73	67	42	28	35	9	17	13
	Balance	-61	-58	-60	-29	3	-13	25	14	20
Other commerce	Good	7	13	10	27	37	32	45	37	41
	Normal	23	34	29	24	43	34	42	50	46
	Bad	70	53	62	49	20	35	13	13	13
	Balance	-63	-40	-52	-22	17	-3	32	24	28
Large commercial establishments**	Good	13	0	7	20	100	60	80	33	57
	Normal	13	63	38	60	0	30	20	67	44
	Bad	75	38	57	20	0	10	0	0	0
	Balance	-62	-38	-50	0	100	50	80	33	57

\*From the first half of 2021, on adaptation of the sample to the new classification of economic activities (CAEA-19), this subsector, as well as electronics, also includes retail sales of computers, peripheral equipment and computer programmes, and is called "IT & electronics".

\*\*From the first half of 2021, on adaptation of the sample to the new classification of economic activities (CAEA-19), supermarkets are included in the subsector "Food" and this branch only includes "Large commercial establishments".

Source: Chamber of Commerce, Industry and Services of Andorra.

The Chamber's business climate survey data confirm that the improvement in tourism and the positive behaviour in consumption favoured retail trade, which saw an appreciable recovery in sales throughout 2022, although activity levels are still at rather modest levels. Retailers indicated a year-on-year average increase in turnover per establishment of 5%, half as strong as in 2021, and also pointed to an upward trend in the number of employees.

**Retail trade saw a recovery thanks to sustained private consumption and tourism.**

The results of the survey on business activity in the second half of 2022 are the most optimistic for this period since the start of the pandemic, but also suggest that the rate of growth in the sector is still very gradual and still at modest levels

## BUSINESSES' OPINIONS ON DEVELOPMENTS IN THE RETAIL TRADE (% of businesses)

Table 12.4

2. Sales figures (reviewed half-year compared with same half-year of previous year)		2020			2021			2022		
		Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average
Total retail trade	Higher	5	14	10	30	47	39	38	35	37
	Similar	12	15	14	30	24	27	37	38	38
	Lower	84	72	78	40	29	35	25	27	26
	<b>Balance</b>	<b>-79</b>	<b>-58</b>	<b>-69</b>	<b>-10</b>	<b>18</b>	<b>4</b>	<b>13</b>	<b>8</b>	<b>11</b>
Food	Higher	12	13	13	18	37	28	40	41	41
	Similar	12	9	11	28	19	24	27	31	29
	Lower	76	78	77	54	44	49	33	28	31
	<b>Balance</b>	<b>-64</b>	<b>-65</b>	<b>-65</b>	<b>-36</b>	<b>-7</b>	<b>-22</b>	<b>7</b>	<b>13</b>	<b>10</b>
Clothing & footwear	Higher	5	17	11	8	40	24	50	38	44
	Similar	11	8	10	28	24	26	23	31	27
	Lower	84	75	80	64	36	50	27	31	29
	<b>Balance</b>	<b>-79</b>	<b>-58</b>	<b>-69</b>	<b>-56</b>	<b>4</b>	<b>-26</b>	<b>23</b>	<b>7</b>	<b>15</b>
Household equipment	Higher	3	18	11	45	39	42	32	49	41
	Similar	17	25	21	29	30	30	39	32	36
	Lower	79	58	69	26	30	28	30	20	25
	<b>Balance</b>	<b>-76</b>	<b>-40</b>	<b>-58</b>	<b>19</b>	<b>9</b>	<b>14</b>	<b>2</b>	<b>29</b>	<b>16</b>
Hygiene & health	Higher	0	5	3	41	58	50	26	39	33
	Similar	23	18	21	41	27	34	26	35	31
	Lower	77	77	77	18	15	17	48	26	37
	<b>Balance</b>	<b>-77</b>	<b>-72</b>	<b>-75</b>	<b>23</b>	<b>43</b>	<b>33</b>	<b>-22</b>	<b>13</b>	<b>-5</b>
IT & electronics*	Higher	8	29	19	50	53	52	40	33	37
	Similar	8	0	4	21	33	27	51	37	44
	Lower	85	71	78	29	14	22	9	30	20
	<b>Balance</b>	<b>-77</b>	<b>-42</b>	<b>-60</b>	<b>21</b>	<b>39</b>	<b>30</b>	<b>31</b>	<b>3</b>	<b>17</b>
Vehicles & accessories	Higher	0	4	2	33	45	39	37	23	30
	Similar	0	13	7	27	23	25	40	43	42
	Lower	100	83	92	40	32	36	23	34	29
	<b>Balance</b>	<b>-100</b>	<b>-79</b>	<b>-90</b>	<b>-7</b>	<b>13</b>	<b>3</b>	<b>14</b>	<b>-11</b>	<b>2</b>
Other commerce	Higher	5	15	10	19	52	36	33	26	30
	Similar	10	17	14	36	18	27	48	50	49
	Lower	85	68	77	45	30	38	19	24	22
	<b>Balance</b>	<b>-80</b>	<b>-53</b>	<b>-67</b>	<b>-26</b>	<b>22</b>	<b>-2</b>	<b>14</b>	<b>2</b>	<b>8</b>
Large commercial establishments**	Higher	0	0	0	20	75	48	100	50	75
	Similar	13	13	13	40	25	33	0	33	17
	Lower	88	88	88	40	0	20	0	17	9
	<b>Balance</b>	<b>-88</b>	<b>-88</b>	<b>-88</b>	<b>-20</b>	<b>75</b>	<b>28</b>	<b>100</b>	<b>33</b>	<b>67</b>

\*From the first half of 2021, on adaptation of the sample to the new classification of economic activities (CAEA-19), this subsector, as well as electronics, also includes retail sales of computers, peripheral equipment and computer programmes, and is called "IT & electronics".

\*\*From the first half of 2021, on adaptation of the sample to the new classification of economic activities (CAEA-19), supermarkets are included in the subsector "Food" and this branch only includes "Large commercial establishments".

Source: Chamber of Commerce, Industry and Services of Andorra.

of activity. By types of commerce, the improvement was fairly widespread, and was felt both in specialised shops and large retailers. However, notable differences can be seen between the product groups. In the best-performing group, note the results in the branch of food and the segment of IT and electronics, and especially the more enthusiastic climate in sales of furniture and household equipment, which has been the most dynamic branch of the commercial sector since 2018 due to the strong impetus from the real estate market and construction. On the other hand, in the most contained group are the subsectors of clothing and footwear, hygiene and health (perfumery and pharmacy), and vehicles and accessories.

In parallel, the global sales figure saw a slight increase in the last six months of 2022, although in year-on-year terms, growth moderated in comparison with the two previous half-years. By

***Sales figures grew in commerce, especially in large retailers and household equipment.***

subsectors, the trend was also fairly uneven. The greatest growth in sales figures was seen in large retailers and the branch of household equipment, in which almost 50% of businesses achieved higher turnover than a year earlier.

In contrast, the only subsector that saw a slight downturn in sales figures was vehicles and accessories, notably affected by the shortage of semiconductors and supply problems.

Among the factors limiting business activity, the rising prices of products and supplies are the main focus of concern for retailers, with 78% indicating this in the second half of 2022. Concern about rising operating costs also increased considerably (63% of retailers highlighted it).

As for sales prices, the upward trend was common to most commerce, although it was especially noted in the segment of food, greatly punished by rising intermediary costs (energy, fertilisers, etc.) and the fall in agricultural production due to adverse weather conditions. Finally, in line with the improvement in commercial activity, the labour market continued to present positive figures.

Businesses' views about the first half of 2023, expressed in the survey, maintain an optimistic stance, but the level of optimism has fallen compared with one year before and they anticipate some loss of momentum in commercial activity in the coming months.

## 2. Financial system



The sector of financial and insurance activities, with the banking system at its core, represents 13.8% of Andorran GVA, according to 2021 data. In the last year, this sector's value to the economy increased because it benefitted from the economic recovery and was not as affected by the pandemic as other activities in the services sector.

Financial and insurance activities are an important sector of the economy in terms of GVA, while in terms of employment, they represent 4.1% of total employees (2022). The main business areas in the financial sector are private banking and asset management; retail banking, both for individuals and for businesses, and insurance.

According to official GDP data, published by the Government, financial, real estate, professional and technical activities saw an increase in GVA of 5.4% in 2022, which is added to the strong increase in 2021 (+12.8%). In fact, this sector regained pre-pandemic figures first, and in 2022 is already 14% above 2019.

In the last decade, the banking sector has had to address constant changes in regulations to adapt to international standards, both on tax transparency and in the sphere of combatting money laundering and terrorism financing, payment methods, and banking regulations in general. To these efforts is added their collaboration with the Government in the process of implementing measures to tackle the consequences of the pandemic, providing the necessary liquidity to guarantee the sustainability and development of the national economy.

***The banking sector has played an important role in encouraging and supporting the social and economic development of this country.***

2022 was a year marked by the corporate acquisitions of BancSabadell d'Andorra by MoraBanc and Vall Banc by Creand Crèdit Andorrà. On the one hand, MoraBanc acquired 50.97% of the share capital of BancSabadell d'Andorra, which was renamed BSABanc, owned by the Spanish

## Andorran banks have formed three large banking groups: Andbank, MoraBanc and Creand Crèdit Andorrà.

Andorrà formalised its acquisition of 100% of Vall Banc, SA on 11 February 2022.

In this way, the core of the Andorran financial system, which is the banking system, now consists of three banking groups, Andbank, MoraBanc and Creand Crèdit Andorrà. This concentration of Andorran Banks and the increased average size of the entities has led to a more efficient, more internationally competitive system with better customer response capability.

The constant evolution of the banking model in terms of regulations and digital transformation, to adapt to changes in customer habits, requires the sector to have new professional profiles in order to remain competitive.

In 2022, the number of employees in Andorran banks as a whole was 2,500, of which 1,229 work in Andorra (1,337 in 2021), divided between the 33 bank branches in the Principality.

Speaking of the financial system as a whole, the number of employees also fell by 2.8% in 2022, to 1,716, the lowest figure in the last decade. The average wage in this sector, which is the highest of all the sectors in the Andorran economy, is around €5,060. As for the business network, there are 208 establishments, seven more than in the previous year and twelve more than in 2019.

In 2022, the financial sector was impacted by the effects of the war in Ukraine on inflation and the consequent rise in interest rates. However, the measures taken have allowed for the balance sheet of the Andorran banking system to remain sound. In fact, it ended the 2022 financial year with aggregate profits for the three banks of €113.3 million (€97.4 million in 2021), higher than

financial institution Banco de Sabadell, SA, for €68 million, and an offer to buy the shares of minority shareholders was made in 2022 in order to complete the merger at the end of 2022. On the other hand, Creand Crèdit

**Employment in the banking sector falls due to the change in business model and digital transformation.**

before the pandemic, and a volume of assets under management of €63,692 million, 3.6% higher than in 2021. Consolidated lending increased by 4%, to €7,314.9 million, due to the Lombard loans granted to private banking clients. Lending in Andorra has remained stable at about €5,000 million, formalising 702 new mortgages to families for a total of €375 million (18% more than in 2021). New loans to businesses and individuals were €676 million, 25% more than in 2021.

**The Andorran banks had higher profits than in 2019 and maintain good solvency and profitability ratios.**

Although the interest rate rise allowed for capitalisation of the traditional activity of granting loans and pushed up profits, the inherent costs in the corporate transactions,

### AGGREGATE DATA FOR THE ANDORRAN BANKS

Thousands of euros	2021	2022
Total assets	16,611,905	17,975,131
Gross lending	7,031,054	7,314,901
Assets under management	61,461,234	63,691,957
Profit/(loss)	97,419	113,277
ROE	6.04%	7.57%
ROA	0.60%	0.66%
Efficiency ratio (Cost to income ratio)	68.35%	72.31%
Default rate	3.74%	3.28%
CET 1 solvency ratio (phase-in)	17.00%	15.76%*
Liquidity ratio (Liquidity Coverage Ratio)	206.06%	201.29%**

\* European bank average according to EBA data: 15.30%.

\*\* European bank average according to EBA data: 164.70%.

Source: Andorran Banking from the annual reports of banking institutions.

Table 125



# AGGREGATE - CONSOLIDATED BALANCE SHEETS OF ANDORRAN BANKS (thousands of euros)

Table 12.6

	2022	2021*
<b>ASSETS</b>		
Cash, cash balances at central banks and other demand deposits	1,096,651	2,214,663
Financial assets held for trading	537,656	335,068
Financial assets not held for trading that must be valued at fair value with changes in income	398,123	556,096
Financial assets at fair value with changes in the income statement	148,519	435,150
Financial assets at fair value with changes in the other comprehensive income	1,181,028	1,683,120
Financial assets at amortised cost	13,098,368	9,908,657
Derivatives - Hedge accounting	49,035	5,709
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	(13,629)	17,728
Investments in jointly-controlled businesses and associates	98,305	155,325
Assets covered under insurance and reinsurance contracts	42,403	38,404
Tangible assets	429,185	472,598
Intangible assets	383,482	417,172
Tax assets	61,017	56,813
Other assets	162,008	154,754
Non-current assets & disposal groups classified as held for sale	302,980	160,648
<b>TOTAL ASSETS</b>	<b>17,975,131</b>	<b>16,611,905</b>
<b>LIABILITIES</b>		
Financial liabilities held for trading	179,654	121,487
Financial liabilities at fair value with changes in the income statement	415,816	490,607
Financial liabilities at amortised cost	15,109,460	13,682,150
Derivatives - Hedge accounting	1,889	23,569
Changes in the fair value of hedging elements of a portfolio with interest risk hedging	3,649	171
Liabilities covered under insurance and reinsurance contracts	322,927	339,306
Provisions	57,343	70,872
Tax liabilities	26,495	25,130
Other liabilities	206,145	188,607
Liabilities in groups of disposable items held for sale	118,266	1,508
<b>TOTAL LIABILITIES</b>	<b>16,441,644</b>	<b>14,943,408</b>
<b>NET EQUITY</b>		
Capital	190,565	250,069
Issue premium	122,304	172,792
Issued equity instruments other than capital	33,950	34,700
Other cumulative global profit/loss	(82,696)	(52,082)
Accumulated earnings	778,819	835,756
Revaluation reserves	-	2,288
Other reserves	364,091	316,548
Own shares (-)	(2,307)	(3,202)
Profit or loss attributable to owners of the Parent	113,277	97,419
Interim dividend (-)	-	-
<b>Shareholders' equity</b>	<b>1,518,003</b>	<b>1,654,288</b>
<b>Minority interests</b>	<b>15,484</b>	<b>14,210</b>
<b>TOTAL NET EQUITY</b>	<b>1,533,487</b>	<b>1,668,498</b>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>17,975,131</b>	<b>16,611,905</b>

\* The figures for 2021 are given for comparative purposes only.

Source: Andorran Banking from the annual reports of banking institutions.



continual adaptation to international banking standards and investments in technology have continued to put sector profits under pressure.

The business model of the banking institutions shows their resilience and sustainability. On the one hand, the three banks together present return on equity (ROE) of 7.57%, in line with the average return of European banks in the same period, with an increase of 153 base points since 2021. Also the return on assets, or ROA, improved since 2021 and reached 0.66%, higher than the European average (0.52%).

On the other hand, Andorran banks remain sound with strong capitalisation, with a CET1 (phase-in) solvency ratio of 15.76% on 31 December 2022, slightly below the previous year, when it was 17.0%, but above the European banks average, which is 15.3% according to data from the EBA (European Banking Authority). This ratio was affected by the corporate transactions that occurred this year in the Andorran market.

The liquidity coverage ratio (LCR) is 201%, also higher than the European banks average, which was 164.7% at the end of the fourth quarter of 2021, and similar to the 206% recorded in Andorra in 2021. Finally, in 2022, the trend in the default rate continued to fall, despite the Euribor increase, to 3.28% at the end of 2022 (3.74% in 2021 and 4.49% in 2020).

The financial sector is also socially responsible, as demonstrated by the sectoral agreement that was reached on 16 December 2022, approving the possibility of deferring mortgage payments for two years, whenever household income does not exceed €32,000, mortgage payments are more than 30% of household income, and loan fees have risen by at least 30% due to the rise in interest rates. Andorran banks also collaborate with the Government in implementing the special public guarantee programme for purchasing a first home, through which it guarantees 20% of the value of the mortgage requested by a citizen.

Overall, the figures confirm the resilience of the banking sector to the tensions suffered in recent years and the culmination of corporate transactions, which have enabled the sector to be more internationally competitive and open, to cope with future challenges.

The Moneyval reports, which highlight the great advances that this country has made in preventing money laundering, acknowledge Andorra's commitment to combatting money laundering and terrorism financing. Specifically, in the last monitoring report, published in November 2021, the Principality of Andorra improved its Recommendation 8 rating, relating to non-profit organisations, to "LC" (largely compliant), and was also reassessed for Recommendation 15, relating to new technologies, in which it was rated "PC" (partially compliant).

Also remember that on 12 February 2016, the Principality of Andorra and the European Union (EU) signed an agreement for the automatic exchange of information in tax matters (AEOI), which came into force on 1 January 2017. Today, Andorra exchanges information with 95 jurisdictions.

***Croatia, the Czech Republic, Monaco and Iceland have signed agreements with Andorra to avoid double taxation and prevent tax evasion.***

In recent years, the Principality of Andorra has signed a series of double taxation agreements (DTA) with several countries, to avoid double taxation on income and corporate tax and prevent tax evasion. In 2022, it signed agreements with the Republic of Croatia, the Czech Republic and the Principality of Monaco. In the first few months of 2023, it signed one with Iceland and is due to sign others with the Republic of Korea, the Netherlands and Belgium. These countries join the other ten with which Andorra has already

## AGGREGATE - CONSOLIDATED PROFIT AND LOSS ACCOUNTS OF ANDORRAN BANKS (thousands of euros)

Table 12.7

	2022	2021*	% variation 2022/2021
Interest income	195,528	145,400	34.48%
Interest expenses	(49,721)	(38,116)	30.45%
Dividend income	1,634	3,727	(56.16%)
<b>INTEREST MARGIN</b>	<b>147,441</b>	<b>111,012</b>	<b>32.82%</b>
Commissions earned	425,750	439,576	(3.15%)
Commissions paid	(121,924)	(125,935)	(3.19%)
<b>BASE MARGIN</b>	<b>451,267</b>	<b>424,652</b>	<b>6.27%</b>
Gains or losses on derecognition of financial assets and liabilities not measured at fair value with changes in income (net)	4,899	10,482	(53.26%)
Profit or loss from entities valued by the equity method	575	-	-
Profit or loss from financial transactions	73,871	104,168	(29.08%)
Profit or loss on assets and liabilities covered under insurance and reinsurance contracts	-	-	-
Other operating income	29,105	29,378	(0.93%)
Other operating expenses	(16,653)	(15,997)	4.10%
Other income and expenses from assets and liabilities used for insurance or reinsurance contracts	35	982	(96.44%)
<b>OPERATING PROFIT OR LOSS (NET)</b>	<b>543,099</b>	<b>553,665</b>	<b>(1.91%)</b>
Administrative expenses	(392,702)	(378,427)	3.77%
Staff costs	(238,711)	(233,507)	2.23%
Other general administrative expenses	(153,991)	(144,920)	6.26%
Amortisation	(60,730)	(65,686)	(7.54%)
Provisions funded (net)	(2,200)	(24,729)	(91.10%)
Net impairment of financial assets not recognised at fair value with changes in profit and loss	12,696	11,438	11.00%
Net impairment of investments in joint ventures or associates	(776)	(47)	N/A
Net impairment of non-financial assets	(320)	(9,551)	(96.65%)
Negative goodwill recognised in profit or loss	7,501	11,794	(36.40%)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates	10,572	4,743	N/A
Profit or loss from non-current assets and disposal groups classified as held for sale not admissible as discontinued operations	1,037	788	31.53%
<b>PROFIT OR LOSS BEFORE TAX</b>	<b>118,177</b>	<b>103,989</b>	<b>13.64%</b>
Corporate tax	(5,034)	(5,683)	(11.42%)
<b>PROFIT OR LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>113,143</b>	<b>98,306</b>	<b>15.09%</b>
Profit or loss from discontinued operations (net)	212	143	48.25%
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>113,355</b>	<b>98,449</b>	<b>15.14%</b>
Attributable to owners of the parent entity	113,277	97,419	16.28%
Attributable to minority interests	78	1,030	(92.43%)

\* The figures for 2021 are given for comparative purposes only.

Source: Andorran Banking from the annual reports of banking institutions.

signed DTAs: France, Spain, Luxembourg, Liechtenstein, Portugal, the United Arab Emirates, Malta, Cyprus, San Marino and Hungary.

It is also important to remember that in 2020, Andorra became the 190th member of the International Monetary Fund (IMF), bringing it credibility and improving the country's rating, offering a safety net in extreme circumstances where there is a lack of funding in the market, and providing the support of specialist expert advisers in areas as diverse as macroeconomic statistics and financial supervision.

In the IMF's declaration, published on 20 June 2022, the body highlighted that Andorran banks are well capitalised, have a high level of liquidity and have reduced the default rate. Equally, as in many other small countries with a large banking sector, the vulnerabilities associated with the private banking model and internationalisation strategy, including excessive dependence on foreign finance and major off-balance sheet assets under management, require close supervision. Reinforcing liquidity supervision and providing the Andorran Financial Authority (AFA) with greater financing and funds would help towards this. The IMF also highlighted that the ongoing consolidation of the banking system could improve the profitability of the system, but should not result in lower competition.

As for Andorra's sovereign rating, Standard & Poor's rating agency (S&P), after improving Andorra's rating in 2022, improved it again in May 2023, putting it at BBB+/A-2, with a positive outlook. The improved outlook is based on the return to fiscal surpluses after the deficits caused by the pandemic and the continued reduction of the debt-to-GDP ratio, which is expected to continue until 2026. Standard & Poor's also chose to value the high level of resilience in economic growth, despite the adverse effects of the energy crisis over the last year, and the policies towards macroeconomic stability which have allowed for correction of certain vulnerabilities. In this respect, the agency highlights the Government's commitment to pushing structural reforms such as the emergency liquidity mechanism for the financial sector, implemented in accordance with international reserves, and the reform of the pensions system, which should enable medium-term sustainability. Another important aspect is that negotiation of the Association Agreement with the EU will lead to greater alignment of the legal framework for regulating and supervising the financial system, which will enhance the resilience of the national financial sector. Finally, the agency's report highlights the improvement in statistical data production, which allows for more reliable information about Andorra's external position; these data reflect a high recurring surplus in the current account balance.

**The rating agencies maintain or improve Andorra's rating.**

For its part, Fitch Ratings has maintained its rating of the Andorran economy as A-, with a stable outlook in 2023, confirming the July 2022 rating. In the report, the agency indicates that the analysis is based on prudent fiscal management by the Government and also remarks on the high resilience of the Andorran banking sector, which presents high capital and liquidity ratios.

Finally, on 26 July 2023, Moody's published its rating for the Principality and maintained it at Baa2 with a stable outlook. The agency highlighted the soundness of Andorran institutions, pointing to Andorra's improved integration within the international framework, and considered that the Association Agreement with the European Union could create new business opportunities. Equally, Moody's also valued the soundness of the fiscal framework and the strong recovery in public finances after the impact of Covid-19.

### 3. Tourism

According to the official GDP figures, in 2021 (latest available data) the hotels and catering sector represented 5.9% of Andorran GVA, 2.4 points less than in 2019, due to the health crisis caused by SARS-CoV-2. Although the direct influence of tourism on GDP is not very high, its indirect impact is much higher, as it strongly influences other sectors, such as commerce and leisure and sporting activities, which greatly depend on foreign visitors.

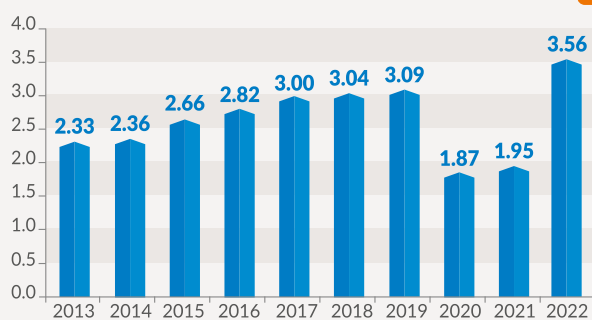
#### **Most tourism indicators have already outstripped pre-pandemic values.**

The excellent trend in tourism was a pillar of economic growth in Andorra in 2022, driven especially by the good dynamic in proximity tourism, but also by the recuperation of more distant markets, rising after almost two years of very low influx. Note that in 2022, most tourism indicators have already outstripped the pre-pandemic levels; there were 15.1% more tourists than in 2019, which also led to a record number of overnight stays in hotels, with a cumulative tally of almost eight million over the year, which is 12.2% more than in 2019.

#### **The number of tourists (who stay overnight in the country) reaches a record of 3.56 million.**

In 2022, the number of visitors increased 55.4%, due to the rebound effect from the steep fall in 2020 and the slight recovery seen in 2021. So, the number of visitors reached 8.4 million and outstripped the 2019 figure (8.2 million) for the first time. By type of visit, the rates of variation in 2022 were very high in both cases. On the one hand, the number of same-day visitors, who only spend a day in the country without staying the night, increased 40.2% since 2021, to 4,871,612. On the other hand, the number of tourists, who stay at least one night, saw a greater increase, of 82.4%, to reach 3,555,096, the highest figure in the historical series. These data represent a full recovery in the case of tourists (there were 3 million in 2019), while the number of same-day visitors is still below (there were 5.1 million in 2019).

**TREND IN TOURISTS 2013-2022**  
(millions)



Source: Department of Statistics.

#### **Growth in the numbers of French and Spanish tourists is similar, but the increases in other nationalities are remarkable.**

As for nationalities, the numbers of French and Spanish tourists have grown at a very similar rate in 2022 (+67.4% and +62.6%, respectively). Especially notable is the strong increase in tourism from other nationalities, which grew 273% to represent 18.4% of the total. The lifting of restrictions on movement and health controls resulted in significant growth in numbers of tourists from distant sources. Due

to this trend, the proportion of total Andorran tourists of both the Spanish and French shrank, to 63.8% and 17.8%, respectively.

In the case of same-day visitors, the trends in the Spanish and French were also very similar, and there was higher growth in those of other nationalities. The Spanish increased by 30%, the French by 41.7%, and from other countries by 83.4%. In this case, French is still the main nationality for same-day visitors, with 60.6% of the total, compared with 31.6% for the Spanish. Note that the

## TOTAL VISITORS BY NATIONALITY

Table 128

		2021	2022	% variation 2022/2021	% total 2022
Total visitors	Spanish	2,576,379	3,803,966	47.6	45.1
	French	2,462,957	3,588,161	45.7	42.6
	Others	383,079	1,034,581	170.1	12.3
Tourists	Spanish	1,394,313	2,266,806	62.6	63.8
	French	379,042	634,518	67.4	17.8
	Others	175,493	653,772	272.5	18.4
Same-day visitors	Spanish	1,182,066	1,537,160	30.0	31.6
	French	2,083,915	2,953,643	41.7	60.6
	Others	207,586	380,809	83.4	7.8
TOTAL VISITORS		5,422,415	8,426,708	55.4	100

Source: Department of Statistics.

French market is characterised by a remarkably high level of seasonality, with a predominance of same-day visitors in the summer, especially August. In contrast, the behaviour of Spanish visitors is clearly different as there is a notably high influx in August, but at levels that are comparable to other times of the year, such as the skiing months and secondarily, Easter Week.

The final balance by nationalities shows a strong and similar recovery in Spanish (+47.6%) and French (+45.7%) visitors, putting the number of Spanish slightly higher than the French, as usual.

### **The number of overnight stays hits a record of 10.4 million.**

The strong increase in the number of tourists in 2022 was accompanied by extraordinary growth in overnight stays (going from 5 million in 2021 to 10.4 million in 2022). This means

that the average overnight stay has increased from 2.6 nights in 2021 to 2.9 nights in 2022. The number of overnight stays increased in all types of accommodation, except campsites, which fell 35% after the strong increase in the previous year. There was an increase of 133% in the case of hotels and 82% in aparthotels – a category that also includes holiday apartments. These two categories focus the greatest number of overnight stays, 62% and 14%, respectively. In the case of friends' or family homes, the increase was also significant (+117%), while it was only 15% in the case of own or rented housing.

The positive trend in tourism was accompanied by very positive growth in employment in the sector, after two quite negative years. Specifically, the number of employees increased 42.7%, to 5,194, a higher figure than in 2019 (5,111). The strong recovery in the sector made it difficult for businesses to find staff and this led to wage rises above the rate of inflation (+11.6%). The number of accommodation establishments remained stable at around 362, and the number of catering establishments increased by five to 673. In line with the strong recovery in tourism, electricity consumption (only FEDA data) increased 20.4% in hotels and catering, and 40.2% in the ski resorts.

### **The number of employees in hotels and catering regained pre-pandemic figures after two very negative years.**

The number of passes sold (ski days) and days that ski resorts are open are good indicators for calculating activity linked to skiing during the winter months. The 2022-2023 season was positive

**The number of ski days in the 2022-2023 season was similar to the previous season.**

and continued the good levels achieved in the previous season, with results that were comparable to before the pandemic. The first winter season with all ski resorts in Andorra under the Grandvalira Resorts brand closed with a very positive balance: 2,364,359 ski days sold, a very similar figure to that of the last season, and only 3% fewer ski days than in 2018-2019, the last before the impact of the pandemic. As for the markets, the resorts are very pleased with those from nearby, such as Spain and France, as in the previous season. The behaviour in the markets from Madrid or France is especially remarkable. Furthermore, the trend among the British continued to rise. Spanish skiers were 55% of the total, French 11%, Andorrans 9%, UK and Ireland 12%, and the other 13% were other nationalities.

In this winter of scarce snowfall and a complex energy and economic environment, the good figures recorded were partly due to the investments in snowmaking equipment that have been made in recent years. This gave a competitive advantage to the Andorran resorts compared with the rest of the Pyrenees, as it was possible to offer good percentages of open slopes for almost the whole season - over 75% in Pal Arinsal and Ordino Arcalís, and more than 100 kilometres of skiable areas in Grandvalira.

In this context, the rate of investment in improvements to ski resort equipment and installations also recovered. In 2022, investment was €17.5 million, a higher figure than the €11.2 million in 2021 and also the €16 million in 2019.

As for international competitions, note that the Alpine Ski World Cup finals were held on 13-19 March 2023 at the resort of Grandvalira Soldeu El Tarter. Among other important events organised in Andorra this season were the Comapedrosa Ski Mountaineering World Cup at the Pal Arinsal resort and the Freeride World Tour at Arcalís.

By resorts, Grandvalira sold 1,747,333 ski days, 1.4% more than in the previous season. Ordino Arcalís achieved 186,510, which was 26% more than in the 2021-2022 season. At Vallnord-Pal Arinsal, the season ended with 430,516 ski days sold, 12.4% less than in the previous season. The alliance between all the resorts unifies Andorra to offer a country of snow and mountain activities, 365 days a year, with access to 303 km of ski pistes, placing this country among the top European destinations in relation to skiable area.

**PASSES/DAY SOLD PER SEASON**

Table 12.9

Season	Ski days (Passes/day sold)	Interannual variation (%)
2000 - 2001	2,255,650	-
2001 - 2002	2,482,000	10.0
2002 - 2003	2,458,000	-1.0
2003 - 2004	2,519,333	2.5
2004 - 2005	2,554,000	1.4
2005 - 2006	2,528,000	-1.0
2006 - 2007	1,892,990	-25.1
2007 - 2008	2,282,000	20.6
2008 - 2009	2,342,427	2.6
2009 - 2010	2,331,105	-0.5
2010 - 2011	2,214,342	-5.0
2011 - 2012	1,994,028	-9.9
2012 - 2013	2,181,533	9.4
2013 - 2014	2,356,664	8.0
2014 - 2015	2,344,876	-0.5
2015 - 2016	2,447,112	4.4
2016 - 2017	2,480,000	1.3
2017 - 2018	2,514,049	1.4
2018 - 2019	2,438,148	-3.0
2019 - 2020*	2,227,568	-8.6
2020 - 2021	304,438	-86.3
2021 - 2022	2,362,482	676.0
2022 - 2023	2,364,359	0.1

(\*) Early closure of ski resorts on 14 March due to Covid-19, meaning 30 less operating days.  
Note: estimated as 20 days use per pass for seasonal passes.

Source: Ski Andorra.

2022 was the year of recovery for the spa, Caldea. All business indicators rose above the pre-pandemic figures and Caldea regained an important cash flow and positive net result. The main factor contributing to Caldea's turnover is frequentation, which recovered its usual level with about 400,000 customers over the year. As for the average ticket price, this increased nearly 3% since the previous period to reach €34.36. Total revenue exceeded €19 million, 63% higher than in 2021. For the next few years, the company is focussing on speeding up digitalisation projects, offering unique experiences, staff retention, redefining the brand strategy, and building a hotel in the tower, which will be designed to offer long-term retreats.

**Caldea again saw a positive net result, after two very difficult years.**

The Ice Palace also showed a recovery in volumes of turnover in 2022, with much better figures than in the previous two years. Operating income increased 53% against 2021, to reach turnover of €1,148,935. The ice rink is the activity that generated most income (€370,066, 43% more than in 2021). However, operating expenditure increased 20% to reach €1,772,204, due to the increase in costs from inflation, rising energy costs and the assumption of management by Ensisa. As a result, 2022 ended with a deficit of €623,850, 14% lower than that of 2021. On the positive side, note that self-financing rose to 65% (of every €100 spent by the Ice Palace, 65 could be paid from the generated revenue), when this percentage was only 44% in 2019. To attract new visitors and make the installation viable, the Ice Palace is working on a proposal to convert the swimming pool into an aquatic park, and also to build padel tennis courts, an indoor climbing wall and an outdoor climbable tree. €820,000 will be destined for this investment.

**Naturland sees record revenue in the summer and winter seasons.**

Naturland, the ecological theme park at Camp de la Rabassa, obtained record income in both the summer and winter seasons. In relation to the summer season, turnover was 10% higher

than in the previous summer, which had been the best at Camprabassa until now. The number of visitors was stable, despite the Catalan school calendar starting early and adverse weather conditions in the afternoons of August. Remember that the summer season (July, August and the first half of September) represents more than half of the turnover for the whole year. In the winter season, Naturland consolidated the good post-pandemic results with a new record and saw nearly 10% more ski days sold compared with the previous season. These figures were achieved despite opening for fewer days, due to the lack of snowfall and high temperatures recorded in the last weeks of March.

Overall, Naturland ended 2022 with turnover of €4,837,000, 37% more than in 2021, an improvement therefore on what had been the best year for the company. Its EBITDA (earnings before interest, taxes, depreciation and amortisation) was positive, with a figure of €303,000, almost four times the €77,000 in 2021. These results reaffirm the change in strategy carried out in the last three years – which it will continue to bolster in the future – which prioritises improving the visitor experience and reducing the seasonality of its activities. In 2022, four new activities were opened: the Forestline, the Circuit Esquirol, the Sklide and the new Tubbing (donut slide) area, all located in the sector at 1,600 m. Moreover, the new and renovated accommodation at Borda de Conagle was opened.

As for events that were held in Andorra in 2022 to attract tourism, apart from the above-mentioned international ski competitions, we would highlight the Andorra Mountain Music Winter Edition in February; the Hibernation electronic music festival; Cirque de Soleil, which returned in July, after a two-year hiatus during the pandemic, with the show *MŪV*; the Andorra Multisport Festival in July, with its star competition Ironman 70.3, and the Mountainbike World Cup, among others.



## NUMBER OF BEDS IN TOURIST ACCOMMODATION BY TYPE

Table 12.10

	2021	2022	% variation 2022/2021	% total 2022
Hotels	26,190	26,466	1.1	83.4
Hostals / residències	295	291	-1.4	0.9
Pensions	213	139	-34.7	0.4
Aparthotels	2,537	2,540	0.1	8.0
Holiday apartments	1,976	2,300	16.4	7.2
<b>Total</b>	<b>31,211</b>	<b>31,736</b>	<b>1.7</b>	<b>100</b>

Source: Department of Tourism / Department of Statistics.

### The accommodation supply increased in line with rising demand.

pensions and 27 holiday apartments. Furthermore, there are another 155 tourist accommodation establishments, notably 102 companies managing housing used for tourism (EGHUT), 29 mountain huts, 5 campsites, 1 camping area, 1 summer camp, 5 hostels and 12 rural establishments.

The increase in active tourist accommodation establishments is due to an additional 8 hotel establishments and 3 holiday apartment buildings, with a reduction of one pensió. In total, there are 226 tourist accommodations, ten more than in 2021. The number of hotel beds also grew but less than establishments, so the average number of beds per hotel fell from 165 to 158. 83% of the total supply of beds by type of establishment is concentrated in hotels (26,466 in 2022). The number of beds in aparthotels reached 2,540, plus 2,300 beds in holiday apartments. Among the other types of accommodation, the number of beds in housing used for tourism predominate, with 12,969 in 2022 (5.2% more than in 2021).

### There are ten more tourist accommodation establishments in operation, of which eight are hotels.

Finally, we must mention the opening of the new casino Unnic in Andorra in March 2023, offering 20% gambling and 80% leisure (music, art, gastronomy, shows, etc.). With an investment of €33 million, it employs 200 people and expects to create 500 indirect jobs. This project aims to attract tourists from neighbouring countries and also from further afield, such as the Asian market.

The recovery in the tourism sector also resulted in an increase in the accommodation supply. The number of tourist accommodation establishments went from 216 in 2021 to 226 in 2022, and the number of beds increased by 1.7% to 31,736 total beds. Of these tourist accommodation establishments, 167 are hotels,

19 aparthotels, 9 *hostals* or *residències*, 4

## TOURIST ACCOMMODATION SUPPLY BY PARISHES

Table 12.11

	2021		2022		% variation 2022/2021		% total 2022	
	Establishments	Beds	Establishments	Beds	Establishments	Beds	Establishments	Beds
Canillo	43	6,742	45	7,037	4.7	4.4	19.9	22.2
Encamp	47	5,343	53	6,155	12.8	15.2	23.5	19.4
Ordino	24	1,920	24	1,944	0.0	1.3	10.6	6.1
La Massana	35	5,110	33	4,581	-5.7	-10.4	14.6	14.4
Andorra la Vella	31	5,901	34	5,961	9.7	1.0	15.0	18.8
Sant Julià de Lòria	8	771	9	906	12.5	17.5	4.0	2.9
Escaldes-Engordany	28	5,424	28	5,152	0.0	-5.0	12.4	16.2
<b>Total</b>	<b>216</b>	<b>31,211</b>	<b>226</b>	<b>31,736</b>	<b>4.6</b>	<b>1.7</b>	<b>100</b>	<b>100</b>

Note: Data on 31 December of the relevant year.

Source: Department of Tourism / Department of Statistics.

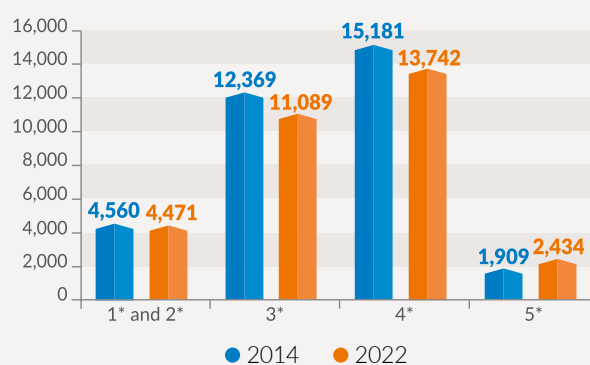


Considering the accommodation supply (beds) per parish, a high concentration can be seen in parishes considered to be at the “foot of the slopes” (Encamp 19%, Canillo 22% and La Massana 14%), and also in the central parishes (Andorra la Vella 19% and Escaldes-Engordany 16%). In Sant Julià de Lòria (2.9%) and Ordino (6.1%), despite having important infrastructures, the distance between the town centres and the infrastructures reduces the “foot of the slopes” effect. In 2022, the number of beds increased in most parishes except La Massana and Escaldes-Engordany. The most important increases were seen in Sant Julià de Lòria (+17.5%) and Encamp (+15.2%). As for the number of establishments, the increase (10 more) was spread throughout the parishes, but mostly benefitted Encamp, with six more.

### The number of beds in all categories of establishment increased, except 4-star.

As for categories of tourist accommodation, all categories increased the number of beds in 2022, except 4-star (-11.7% since 2021). A long-term analysis indicates that the beds included in the higher category (4 and 5 stars) went from 50% of beds offered in 2014 to 56% in 2021, but fell to 51% in 2022. The number of beds offered in lower categories (1 and 2 stars) has fallen in importance in recent years to 11%, although it rose to 14% of total beds in 2022.

### TREND IN THE NUMBER OF BEDS BY TOURIST ACCOMMODATION CATEGORY

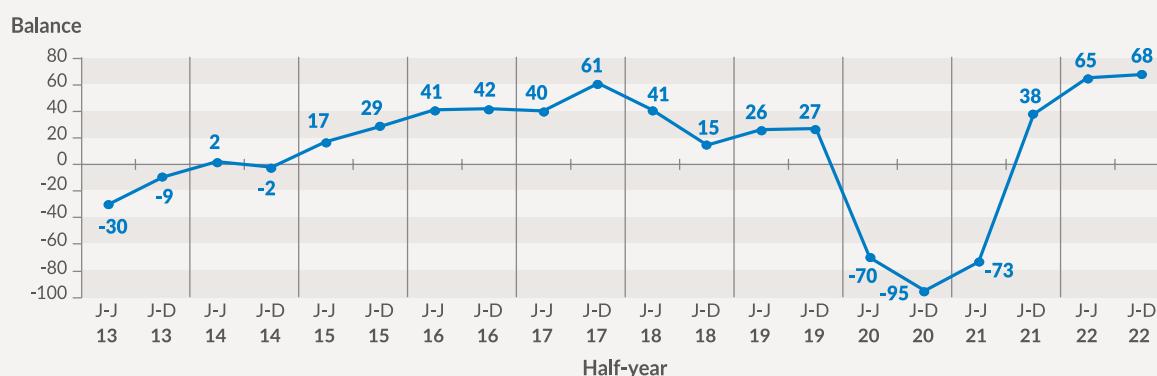


Source: Department of Tourism / Department of Statistics.

As for activity in the hotel sector, the results of the Chamber’s business climate surveys show a very appreciable recovery in activity in 2022, favoured by dynamic demand, in the context of full recovery of international movement. This resulted in a year-on-year average increase in turnover of 14.7%, representing a major improvement on the increase in 2021 (+7.9%) and which went arm-in-arm with significant acceleration in the rate of job creation.

### The hotel sector presented very positive rates of activity in 2022.

## BUSINESS ACTIVITY - HOTEL SECTOR

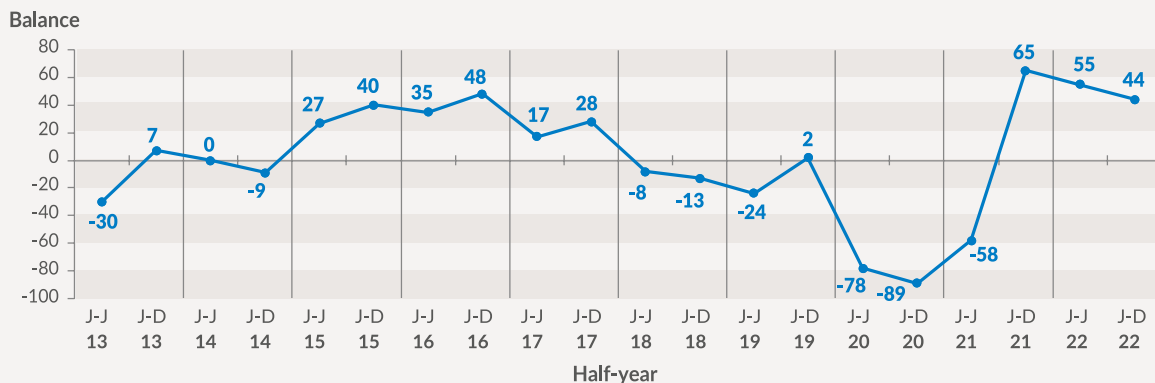


Balance: Difference between opposing responses (positive and negative), as a percentage.

Source: Chamber of Commerce, Industry and Services of Andorra.

## LEVEL OF OCCUPANCY IN COMPARISON WITH THE SAME PERIOD OF THE PREVIOUS YEAR - HOTEL SECTOR

Chart 12.8



Balance: Difference between opposing responses (positive and negative), as a percentage.

Source: Chamber of Commerce, Industry and Services of Andorra.

In this context, businesses' opinions about business activity show the most optimistic scenario since the start of the pandemic, with 68% of businesses defining the business situation as good on average for the whole of 2022.

Geographically speaking, the improvement in business activity was noted in the central hubs of the country - with a higher concentration of commerce - but also more strongly in the parishes that are most oriented towards nature and mountain tourism, among which the good results of Canillo, Ordino and La Massana stand out.

### The level of hotel occupancy rebounded in the second half of the year.

The average level of occupancy saw an increase in the second half of 2022, compared with the same period in the previous year, thanks to a more brilliant summer season than expected

(between 1 June and 30 September, there were 39% more tourists than in the previous summer) and also very good behaviour in autumn escapes, long weekends and the Christmas holidays, especially visitors from nearby.

In the opinion of businesses, sales prices have continued to increase overall – 54% of hotels state that they raised prices - and in the labour market, the process of job creation was very notable, even passing pre-pandemic levels. As for factors limiting business activity, the rising cost of products and supplies remains the main obstacle, and is, moreover, an aspect that increasingly concerns businesses (89% of hotels indicated it in the second half, contrasting with 79% in the first half). This is followed by rising operating costs, up by 21 points in the second half, to 81%, a record percentage that had never been reached before. After these factors come the lack of qualified staff, which is also gaining importance as an obstacle to activity, with 72%, the highest proportion since 2017.

As for the distribution of clients per country of origin, Catalans are still the main clients, with the percentage rising to 42% of the total in the second half of 2022, followed by clients from the rest of Spain, representing 26%. For their part, French travellers are third in the ranks, with 20% of total clients, ahead of clients from other more distant destinations, with 11% of the total.

**Catalonia is still the main source of visitors, with 42% of travellers in the second half of 2022.**

## BUSINESSES' OPINIONS ON DEVELOPMENTS IN THE HOTEL SECTOR (% of businesses)

Table 12.12

		2020			2021			2022		
		Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average	Jan-Jun	Jul-Dec	Average
<b>1. Business activity</b> (reviewed half-year)	Good	13	0	7	8	48	28	67	68	68
	Normal	4	5	5	11	43	27	30	32	31
	Bad	83	95	89	81	10	46	2	0	1
	<b>Balance</b>	<b>-70</b>	<b>-95</b>	<b>-83</b>	<b>-73</b>	<b>38</b>	<b>-18</b>	<b>65</b>	<b>68</b>	<b>67</b>
<b>2. Average distribution of clients (%)</b> (reviewed half-year)	Catalonia	37	32	35	34	44	39	36	42	39
	Rest of Spain	24	16	20	26	23	25	24	26	25
	France	24	36	30	30	22	26	20	20	20
	Others	15	16	16	10	11	11	20	11	16
<b>3. Level of bookings</b> (reviewed half-year)	High	4	0	2	3	19	11	21	22	22
	Adequate for the period	13	0	7	9	56	33	62	70	66
	Low	83	100	92	80	23	52	14	5	10
	No reservations taken	0	0	0	9	2	6	2	3	3
	<b>Balance</b>	<b>-79</b>	<b>-100</b>	<b>-90</b>	<b>-77</b>	<b>-4</b>	<b>-41</b>	<b>7</b>	<b>17</b>	<b>12</b>
<b>4. Average level of occupancy</b> (compared with same half-year in previous year)	Higher	9	3	6	11	75	43	63	58	61
	Same	4	6	5	20	15	18	29	28	29
	Lower	87	92	90	69	10	40	8	14	11
	<b>Balance</b>	<b>-78</b>	<b>-89</b>	<b>-84</b>	<b>-58</b>	<b>65</b>	<b>4</b>	<b>55</b>	<b>44</b>	<b>50</b>
<b>5. Prices paid by clients</b> (compared with previous half-year)	Higher	25	0	13	22	60	41	54	54	54
	Same	50	23	37	42	28	35	37	41	39
	Lower	25	77	51	36	12	24	9	5	7
	<b>Balance</b>	<b>0</b>	<b>-77</b>	<b>-39</b>	<b>-14</b>	<b>48</b>	<b>17</b>	<b>45</b>	<b>49</b>	<b>47</b>
<b>6. Number of employees</b> (compared with same half-year in previous year)	More	13	6	10	8	40	24	38	46	42
	Same	50	25	38	42	43	43	55	51	53
	Less	38	69	54	50	18	34	7	3	5
	<b>Balance</b>	<b>-25</b>	<b>-63</b>	<b>-44</b>	<b>-42</b>	<b>22</b>	<b>-10</b>	<b>31</b>	<b>43</b>	<b>37</b>

Source: Chamber of Commerce, Industry and Services of Andorra.

In relation to the first half of 2023, business opinions remain optimistic and suggest that the tourist sector will continue to be an important lever for driving economic growth.

As for legislation, on 1 July 2022 the new tax on stays in tourist accommodation (so-called "tourist tax") came into force. This tax is charged on stays, by day or parts thereof, for a maximum of seven nights, made by taxpayers over the age of 16 at any tourist accommodation regulated by current tourist accommodation legislation, for an amount of between 1 and 3 euros per day and person, based on the type of tourist accommodation. Revenue from the tax is destined for the Tourism Promotion Fund, with goals that include promoting tourism in the Principality of Andorra, protecting and improving tourism resources, developing infrastructure and services related to tourism, and also training for people working in the sectors related to tourism.

## 4. Transport and communications

This sector is divided into two branches of activity. The first is transport and storage, representing 1.8% of Andorran GVA (2021), and the second is information and communications, with 3.7%

of GVA (also in 2021). In terms of employment, the transport sector (including overland and air transport and related activities, including travel agencies) represents 2.5% of total employees, with 1,028 workers, and the sector of telecommunications and mail only 0.7%, with 299 people (2022 data).

### **The number of employees in the sector of transport and communications increases by 14%.**

Employment in the sector of transport and communications increased by 14%, after two years of decline, equalling the figure in 2019. In 2022, there were 1,327 employees in this sector, 163 more than in the previous

year. This increase can be explained by the branch of transport, which recorded 20% more employees, favoured by the recovery in tourism, while employment fell 2.3% in the branch of telecommunications and mail (the fifth consecutive year of decline).

The rapid recovery in the sector of overland transport and the shortage of staff have pushed up the average wage in this branch (+9.0%), while it also increased in activities related to transport and travel agencies (+14%) and in the branch of mail and telecommunications (+6.2%).

The number of establishments in the sector of transport and storage reached 260 in 2022, four more than in the previous year. In contrast, the number of establishments working in information

#### **Box 12.3**

### **LAW ON THE DIGITAL ECONOMY, ENTERPRISE AND INNOVATION**

In the legislative sphere, note the approval, on 1 December 2022, of Law 42/2022, on the Digital Economy, Enterprise and Innovation. This regulates aspects such as the possibility of creating special economic areas on national territory that can offer spaces where established businesses can have and generate competitive advantages or the creation of testing grounds where entrepreneurs can develop innovative products and services.

The law also looks at physical spaces, such as coliving spaces and coworking spaces, but also “incubators” and “accelerators” to create new opportunities where national entrepreneurs and those who chose Andorra to establish themselves can develop business projects. Equally, the new law aims to enhance financing and investment in business initiatives linked to the digital economy, entrepreneurship and innovation, and streamline immigration permits for digital nomads and visas for entrepreneurs. Finally, the law considers digital institutions, such as open access to data and gateways for exchanging documents and data, with which it hopes to reduce administrative burdens, tackle fraud and stimulate the economy.

After the government agreed 50 work permits for digital nomads and 50 more permits for entrepreneur visas, in January 2023, the executive government passed the implementing regulations for the Law on the Digital Economy, Enterprise and Innovation (passed in December 2022) in May 2023, establishing the procedure for applying for the prior authorisation needed to obtain such permits. Attracting digital talent could help to grow the national innovation ecosystem and the Andorran economy, as it involves highly-qualified profiles with a medium-high economic level. Parallel to the regulation of digital nomads and the entrepreneur visa, the Government has also passed the regulations for creating the Startups Companies Register which, as well as providing legal certainty to emerging companies, must enable monitoring of the ecosystem to see how it functions and provide a contact point between investors and entrepreneurs. Finally, the green light was also given to the third implementing regulation of the Digital Economy Law, in this case relating to the sandbox, to create a testing ground where entrepreneurs and innovators, whether natural or legal persons, can test their products and digital services before launching them in the market.

#### Box 12.4

### BUSINESS DIGITALISATION PROGRAMME (PDE)

Another novelty in 2022 was the launch of the Business Digitalisation Programme (PDE), which was passed by decree in June 2022. The aim of this programme is to boost digitalisation of Andorran businesses through assessments, grants and guarantees. The decree provides for €287,000 in direct grants and €1.7 million in loans to carry out digitalisation projects.

The PDE gives businesses access to a digital assessment platform. In this tool, deployed with the support of Andorra Digital, Andorra Business and the Chamber of Commerce, Industry and Services, businesses can carry out a self-assessment of their digital maturity, to inform them about the main fields of opportunity, and they will receive recommendations for their digitalisation projects.

Businesses that have obtained an analysis through the digital assessment programme will be able to access a personalised digital assessment, thanks to the grants included in the PDE. The personalised

assessment service, offered by businesses that have been previously approved by Andorra Digital, becomes a digital consultancy and digital solutions guidance service which will set out a suitable digital transformation plan in each case, detailing the implementation schedule, those responsible for each project and the main indicators to be measured to ensure it rolls out correctly. This stage is subsidised according to the type of business: 40% of the total cost for those with more than 100 workers; 50% for businesses with 26-100 workers, and 75% for microbusinesses and SMBs with 1-25 workers.

The last stage is implementation of the digital services and solutions for each of the businesses that have started their modernisation process. To put these solutions into action, there will be a line of finance with soft loans, guaranteed by the executive government, at 0.95% interest, so that the businesses can proceed with the planned actions. Moreover, the Government will assume the payment of interest for the first two years of the loan.

and communications increased from 712 in 2021 to 911 in 2022. These almost 200 new establishments basically focus on IT services (179 more) and, to a lesser extent, cinematography, video and television programmes, or sound recording and music editing activities (33 more establishments).

***There are 179 more establishments working in ICT than in 2021.***

***The number of vehicle registrations passes the pre-pandemic figure.***

more than in 2019. By type of vehicle, car registrations, which are 67% of the total units, remained practically stable compared with 2021. Motorcycles are the second largest category of vehicle registrations (21% of the total) and increased 15.1% in 2022, exceeding the pre-pandemic figures. All the categories related to economic activity and business investment plans grew (vans, lorries and special vehicles). Also the number of snow bike registrations (from 9 to 24) due to the reactivation of ski tourism.

This increase in registrations meant that the total number of registered vehicles grew 2.3%. Per 1,000 inhabitants (estimated population), there are 1,168 units including all vehicles, and 787 counting only cars. This means that on average there are more vehicles than residents in this country.

In 2022, vehicle registrations increased for the second consecutive year, allowing the sector to recover from the decline recorded in 2020.

In total, 4,626 vehicles were registered, 2.4%

## VEHICLE REGISTRATIONS (units)

Table 12.13

	2019	2020	2021	2022	% variation 2022/2021	% total 2022
Cars	3,117	2,496	3,083	3,079	-0.1	66.6
Motorcycles	788	767	854	983	15.1	21.2
Vans	330	208	254	279	9.8	6.0
Lorries <sup>(1)</sup>	107	65	52	87	67.3	1.9
Special vehicles	52	37	46	59	28.3	1.3
Mopeds	11	6	7	32	357.1	0.7
Snow bikes	39	14	9	24	166.7	0.5
Others <sup>(2)</sup>	75	83	71	83	16.9	1.8
<b>Total</b>	<b>4,519</b>	<b>3,676</b>	<b>4,376</b>	<b>4,626</b>	<b>5.7</b>	<b>100</b>

(1) Also includes buses, semi-trailers and industrial trailers. (2) Consisting of private trailers and farm tractors.

Source: Department of Transport.

Over the last few years, the demand for electric and hybrid vehicles has benefitted from the incentives to purchase eco-friendly vehicles promoted by the Government (Engega Plan). Specifically, in 2022, 272 100% electric vehicles were registered (more than the 130 in 2021, 82 in 2020 and 53 in 2019) and 731 plug-in and non-plug-in hybrid vehicles (a much higher figure than the 519 in 2021, 276 in 2020 and 77 in 2019). These two categories of vehicle already represent 21.7% of total registrations, whereas they failed to reach an average of 5% in the period 2016-2019.

**The number of electric and hybrid vehicle registrations shot up, and already represent 22% of registered units.**

The Government aims for 20% of cars to be run on renewable energy by 2030, and 50% by 2050, according to the document containing Andorra's nationally determined contributions (NDCs) to combat climate change, which Andorra sent to the United Nations to comply with the commitments undertaken in the Paris Agreement. After seven years of implementing the Engega Plan, Andorra stands among the top 5 European countries for sales of electric vehicles, according to the Government. Moreover, by 2022, there were 210 public and private electric vehicle chargers.

As for the shared electric bicycle scheme, Cicland, spread mainly between the parishes of Andorra la Vella, Sant Julià de Lòria and Escaldes-Engordany, this was made free for young people aged 16-20. Moreover, the stations will be moved to strategic points (such as schools) to ensure a better service for citizens who currently use bicycles more to move around on a daily basis.

In the field of international transport, the Andorra-La Seu d'Urgell airport, which started to operate on 17 December 2021, ended 2022 with 11,238 passengers, more than double the 5,145 in the previous year, according to data from Aeroports de Catalunya.

**Record numbers of mobile phone subscriptions and fibre optic connections.**

As for the communications branch, in 2022, the number of mobile phone subscriptions rose 21%, reaching a historic high of 113,521. The number of land line subscriptions also increased 2.2%, to 50,871 lines. On the other hand, there are 40,813 fibre optic lines, representing an increase of 3.6% compared with 2021 and the highest value in the historical series. The ratio of

The first Engea Plan (2016-2018) produced very good results. Investment amounted to €3.1 million and registrations of electric and hybrid cars already shot up to 211 units in the first year, with a continuing trend in 2017 (215 registrations) and 2018 (222).

The second cycle of the Engea Plan (2019-2021) had total funds of €750,000 for 2019, €500,000 for 2020 and €750,000 for 2021. As for 2022, the funds increased to €800,000 in the face of strong demand. The strength of this initiative and citizens' interest can be seen in the figures recorded since 2019, with 736 authorised grants for a total budget of €3,169,941.

The grant conditions for the 2022 Engea Plan are the same as in the previous year, but with the novel addition of vehicle categories, and the grant to purchase a plug-in hybrid car is determined on the basis of the CO<sub>2</sub> emissions:

- **Grants to buy EVs (electric vehicles):** €8,000 for a pure electric and extended autonomy vehicle; €1,500 for a pure electric motorcycle; €13,000 for a pure electric van or truck, and €24,000 for a bus. In the case of purchasing a new plug-in hybrid vehicle, the grants for cars are €3,000 (more than 61 g/km of CO<sub>2</sub>); €3,500 (51 – 60 g/km of CO<sub>2</sub>, inclusive) or €4,000 (up to 50 g/km of CO<sub>2</sub>, inclusive). For vans, the grants are €6,000 (up to 50 g/km of CO<sub>2</sub>, inclusive) and €5,500 (more than 51 g/km of CO<sub>2</sub>). The maximum grant is 35% of the vehicle value. In parallel, maximum price scales have been established for accessing the grant to buy new vehicles, which can be pure electric, extended autonomy or plug-in hybrids. Specifically, this is fixed at €50,000 for cars, €65,000 for vans or trucks and €7,000 for motorcycles. In the

case of buses, there is no maximum price for sales to the public.

- **Scrappage grants:** €1,000 for car scrappage and €1,500 for scrappage of a van or truck (at least 15 years old) associated with the purchase of a new pure electric, extended autonomy or plug-in hybrid vehicle. The scrappage grant for a vehicle associated with the purchase of a new, energy-efficient diesel, petrol or non plug-in hybrid, is also €1,000 for cars and €1,500 for vans or trucks. Moreover, grants are offered for scrapping vehicles without a purchase (€500 for a car and €750 for a van or truck).

- **Grants offered at the sale point:** for the purchase of a four-wheeled vehicle or bus, the grant is €1,000, and €250 for a motorcycle. For the scrappage of a vehicle associated with the purchase of an energy-efficient vehicle, the grant is €1,000 for a car, van or truck.

The balance of the 2022 Engea Plan was very positive: 174 grants were awarded, 120 to purchase electric cars and 54 for scrappage, of which 44 were for the new line of scrappage without a vehicle purchase and the other 10 were associated with the purchase of electric or energy-efficient vehicles. The amount granted exhausted the available €800,000.

The call for applications for the 2023 Engea Plan has funds of €740,000, which have already been exhausted in awarding 166 grants, 117 of which are to buy vehicles and 49 for scrappage. This year's plan has covered the requests for purchases of electric and efficient vehicles that were presented in 2022 and remained on the waiting list.

broadband internet lines per 100 inhabitants grew slightly to 50, and the ratio of mobile phones per 100 inhabitants rose to 139.

As for the trend in telephone traffic, in 2022, the same trends continued from the previous year. Specifically, national land line traffic minutes decreased (-17%), as did mobile network traffic (-3.4%). Equally, international incoming traffic continues to decrease, following the pattern of recent years, but outgoing traffic increased 1%. For its part, fibre optic internet telephone traffic maintains very high rates of growth (+17% for both national and international), and national mobile internet traffic also grew significantly (+35%).

## Box 12.6

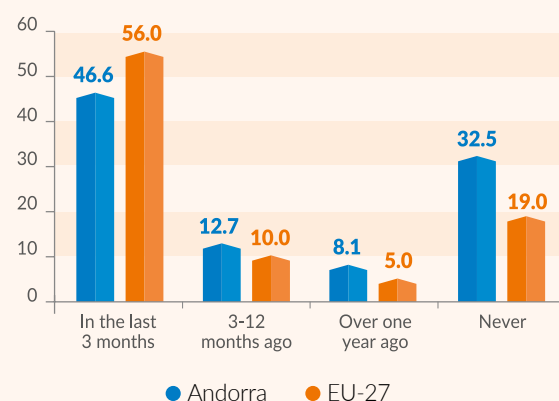
## INSTALLATION AND USE OF INFORMATION AND COMMUNICATION TECHNOLOGY IN HOMES

The statistics on the installation and use of information and communication technology (ICT) in homes meet the official European statistical standards, and are produced by the Department of Statistics in collaboration with Andorra Telecom. The statistics are prepared every two years and the most notable results in the third edition (2021) are presented in this note.

Firstly, note the increased use of electronic administration. 65.7% of the population that has used the Internet in the last three months has carried out an electronic procedure for personal reasons, using the pages set up by the government. In the case of those who have not sent any online form, the reasons they give are: no need (50.1%), they prefer to do it in person (35.2%) or lack of knowledge (11.0%), either because they do not know how to use the website or because they think the page is too complicated or confusing.

The survey also analyses the characteristics of the last online purchase in the case of those who have used the Internet in the last year. 46.6% state that they acquired goods or services in the last three months; 12.7% between three months and one year ago; 8.1% over one year ago, and 32.5% state that they have never done it. Although the number of people buying on the Internet continues to increase each year, the percentage that has done it recently is below the European average. Nevertheless, Andorra beats the EU in online purchases of some services, such as bus,

## LAST ONLINE PURCHASE BY PEOPLE WHO USED THE INTERNET IN THE LAST YEAR



taxi or plane tickets, or rental accommodation from a company, hotel or travel agency.

In comparison with the average of the 27 countries in the European Union, Andorra stands out especially for access or use of the Internet by the population, as it is the country where the mobile is most used to connect to the Internet. Andorra has the third largest proportion of people connecting daily to the Internet, the seventh greatest percentage of homes with access to the Internet and the fourth largest proportion of people who have connected to the Internet in the last three months. On the other hand, Andorran data show lower values than the European average for use of e-commerce and e-administration.

## Box 12.7

## THE MAIN ACTIONS TAKEN BY ANDORRA TELECOM IN 2022

Andorra Telecom ended 2022 with exceptional results. The consolidation of revenue from roaming, the notable growth in domestic turnover, the optimisation of investments and the containment of operating costs helped it to achieve record operating profits, more than

32.9% higher than the figures of the previous year and 44.9% than those budgeted for the year. These results even exceed those obtained before the pandemic. As for the net profit, this was €22.5 million, 2.9% lower than in 2021 and 14.9% more than the budgeted figures.





The increase in population in recent months, which led to an increase in mobile subscriptions, together with the excellent acceptance of prepay products, which doubled revenue since 2021, made a notable contribution to these good results.

Among the most important projects carried out in 2022, note the launch of 5G in the main urban areas, so that it already covered 41% of the territory and 92% of the population by the end of the year; also, the organisation of security to tackle increasing global cyberattacks, and activation of a new international line with France, a fibre optic link exclusive to Andorra

Telecom, which will enable transport of the company's international strategic services and expands and reinforces the existing infrastructure.

In 2022, Andorra Telecom continued to dedicate major efforts to public responsibility actions, focussing especially on the transversal digital transformation programme in this country, coordinated by the Andorra Recerca i Innovació Foundation. Various projects have also been started in the field of sustainability, such as the installation of solar panels or free cooling systems in the technical rooms.

Source: Andorra Telecom.

# Timeline of the most significant economic developments in 2022

## January

- 01/01** > The interprofessional minimum hourly wage increases 3.3%, to €1,157.87.
- > Entry into force of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI Convention).
- > Application of the tax on carbon dioxide (CO<sub>2</sub>) emissions, the so-called “green tax” on hydrocarbons.
- 14/01** > Standard & Poor’s rating agency confirms Andorra’s rating of BBB/A-2 and revises the outlook from stable to positive.
- > Fitch Ratings agency confirms Andorra’s rating as BBB+ and revises the Principality’s outlook from stable to positive.
- 31/01** > Approval of Law 4/2022, on the 2022 National Budget.

## February

- 02/02** > The Government approves formalisation of the €8 million loan with the Council of Europe Development Bank (CEB) to finance part of the planned expenditure for implementing the Digital Transformation Plan in Andorra.
- 04/02** > Moody’s rating agency gives Andorra a rating of Baa2 with a stable outlook.
- 11/02** > Creand Crèdit Andorrà formalises the purchase of 100% of the share capital of Vall Banc SA, an entity owned by the J. C. Flowers & Co. Fund, thereby ratifying the agreement announced in September 2021.
- 16/02** > Approval of the public debt issue “Sustainable notes of the Principality of Andorra in the international markets” for the amount of €500 million, according to the base prospectus programme approved on 23 April 2021.
- 24/02** > War breaks out between Russia and Ukraine, unleashing a serious energy and supply crisis which leads to rising global inflation and consequences for world growth.

## March

- 03/03** > Approval of Law 5/2022, on application of international sanctions within the framework of the Ukraine war.
- 30/03** > The Government issues Decree 120/2022, approving the General Accounting Plan. This establishes that all businesses, including those with an annual income of less than €150,000, must file their annual accounts with the Registry for Filing Accounts. The model of simplified accounts disappears while abbreviated accounts are simplified.
- 31/03** > Approval of Law 6/2022, for effective implementation of the right to equal treatment and opportunities and non-discrimination between men and women.

## April

- 07/04** > The International Monetary Fund (IMF) publishes the preliminary conclusions of its technical staff on the evaluation of the Principality of Andorra within the framework of Article IV of the IMF Articles of Agreement, for 2022.
- > Approval of qualified Law 11/2022, on amendment of the qualified Immigration Law. In order to cover workforce requirements, the Law is exceptionally amended so that seasonal workers need not wait five months to obtain a new immigration permit.

## May

- 01/05** > The interprofessional minimum hourly wage increases 3.67%, to €1,201.20.
- 04/05** > The Government approves Decree 180/2022, amending the Decree of 29 September 2021, regulating the return or conversion into a loan of the outstanding debt in the first and second special guarantee schemes for companies and businesses during the health emergency caused by SARS-CoV-2.
- 11/05** > The Government approves special measures to tackle rising hydrocarbon prices.
- 12/05** > Approval of Law 14/2022, on public procurement.
- > Approval of Law 13/2022, on the 2022-2025 Statistics Plan.
- 24/05** > The Government and the Chamber of Commerce, Industry and Services of Andorra sign an agreement to regulate the scope of collaboration between the two parties and establish areas for working together to fulfil the Chamber's advisory functions.

## June

- 09/06** > Approval of Law 22/2022, on security measures for information networks and systems.
- > Approval of Law 19/2022, regulating the tax on tourist accommodation stays; on amendment of General Law 16/2017, of 13 July, on tourist accommodation, and on amendment of Law 13/2007, of 20 of September, on creation of the public company Andorra Turisme, SA.
- > Approval of Law 17/2022, on measures to improve citizens' purchasing power.
- 20/06** > The Executive Board of the International Monetary Fund concludes the consultation on Article IV of the IMF Articles of Agreement for 2022, with the Principality of Andorra.
- 21/06** > Creation of "Andorra Selected", a brand to attract visitors with high purchasing power.
- 22/06** > Creand Crèdit Andorrà completes the merger through absorption of 100% of the capital of Vall Banc, SA.
- > Approval of a grant plan and a guarantee plan relating to the Business Digitalisation Programme (PDE) promoted by Andorra Digital with the collaboration of Andorra Business and the Chamber of Commerce, Industry and Services of Andorra.
- 29/06** > The Chamber of Commerce, Industry and Services of Andorra presents the new Business Dispute Resolution Centre (CRCE) service.
- 30/06** > Approval of Law 24/2022, on the digital representation of assets through the use of cryptography and shared registry and blockchain technology.
- > Approval of Law 25/2022, on the circular economy (LEC).

## July

- 01/07** > Application of the tax on stays in tourist accommodation.
- 06/07** > Approval of the annual 2022 Statistics Plan.
- 08/07** > Fitch Ratings agency rates Andorra as A- with a stable outlook. This is the best rating that the Principality has had since the agency started its evaluations in 2015.
- 12/07** > The Chamber of Commerce, Industry and Services of Andorra, in collaboration with Andorra Recerca i Innovació, as a technological partner, creates Impuls Jove, the new temporary job board for young students aged 16-25.
- 14/07** > Approval of Law 26/2022, amending Law 17/2013, of 10 October, on the introduction of the euro within the framework of the monetary agreement signed by the Principality of Andorra and the European Union.
- 15/07** > Standard & Poor's rating agency upgrades Andorra to BBB+/A-2 with a stable outlook.
- 19/07** > The agreement is signed to integrate Pal-Arinsal ski resort into Grandvalira Resorts. This transaction allows for marketing of a single national pass for the 2022-2023 winter season, under the Grandvalira Resorts brand, combining all the Alpine ski resorts in Andorra.
- 21/07** > Approval of Law 29/2022, amending Law 1/2019, of 17 January, on the civil service.  
> Approval of Law 31/2022, to develop and diversify the livestock and agricultural sectors.
- 22/07** > The European Central Bank (ECB) and the Andorran Financial Authority (AFA) formalise a repo (repurchase agreement) facility to meet the exceptional demand for euro liquidity from the Andorran banking institutions, in case of market need.

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## September

- 07/09** > The Government issues Decree 365/2022, on energy-saving measures in the government, independent bodies and semi-public or public entities, and companies that are majority-owned or controlled by the government.
- 14/09** > Approval of Law 32/2022, to promote sustainability in urban development and tourism, and amending the General Law on Land and Town Planning, of 29 December 2000, and General Law 16/2017, of 13 July, on tourist accommodation.

## October

- 14/10** > Andorra signs the Double Taxation Agreement (DTA) with the Republic of Croatia.
- 20/10** > FEDA inaugurates the first national solar power plant in Grau Roig.
- 24/10** > The Government presents the new actions of the Strategic Commerce Plan, identifying three areas of work: to improve and boost the commercial experience, to create the commerce observatory and to project Andorra as a shopping territory.
- 26/10** > The Executive approves Decree 428/2022, approving the amendment of the Planning Guidelines, in accordance with Law 32/2022, to promote sustainability in urban development and tourism. The criteria are established and developed for consideration by the Comú governments when preparing parish studies of maximum carrying capacity. Equally, the criteria are determined for consideration by the ministries responsible for urban development and environment in order to issue a favourable report on approving new partial plans and development projects, and on authorisation of new building permits for all kinds of buildings and installations, during the transitory regime applicable until adaptation of the parish planning and development plans.

## November

- 04/11** > The central and Comú governments sign a collaboration agreement to promote and implement energy saving measures. The overall objective is to achieve a minimum reduction of 15% of energy consumption by the Comú governments, and also by all bodies and institutions under their control.
- 06/11** > Andorra attends the United Nations Climate Change Conference (COP27), held in Egypt on 6-18 November.
- 13/11** > Culmination of the process of merging MoraBanc and BSABanc. This transaction began in October 2021 when MoraBanc and the Spanish entity, Banco de Sabadell, SA, formalised the Andorran bank's purchase of 50.97% of the share capital in BancSabadell d'Andorra, SA.
- 16/11** > Creation of the seal "Restaurant de Cuina Tradicional d'Andorra".
- 23/11** > Andorra signs the Double Taxation Agreement (DTA) with the Czech Republic.
- 24/11** > Approval of Law 35/2022, amending Law 8/2013, of 9 May, on the organizational requirements and operating conditions of entities operating within the financial system, investor protection, market abuse and financial collateral arrangements.
- > Approval of Law 36/2022, on the creation of international reserves and access by the financial system to assistance in the form of emergency liquidity provision.
- > Approval of Law 37/2022, on measures to respond to energy crisis situations.

## December

- 01/12** > Andorra signs the Double Taxation Agreement (DTA) with the Principality of Monaco.
- > Approval of Law 41/2022, on measures for protection, market stimulus and governance in the field of housing.
- > Approval of Law 42/2022, on the digital economy, enterprise and innovation, establishing measures and regulations to foster activity in these fields. This law also regulates new forms of residence for foreigners who contribute to the development of the digital economy, enterprise or innovation in the Principality of Andorra.
- 08/12** > Entry into force of the Double Taxation Agreement (DTA) with Hungary.
- 14/12** > The Government issues Decree 528/2022, on provisional measures for the mandatory reduction of energy consumption and energy savings applicable overall to the business sector. The measures follow the strategy begun by the executive government in recent months with the aim of reducing electricity consumption by 15%.
- > The FEDA Ecoterm cooling and heating network starts to operate in Escaldes-Engordany, supplying the equivalent of 740 homes in the first phase.
- 22/12** > The Government issues Decree 553/2022, approving specific international financial reporting standards adopted in the European Union (IFRS-EU) and amends the Decree of 22 December 2016, approving the accounting framework applicable to entities operating within the Andorran financial system and Andorran collective investment schemes, according to the IFRS-EU which have also been adopted by Andorra (IFRS-Andorra).

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