

# el Periòdic News

## ECONOMIC IMPACT OF THE AGREEMENT

# The educational, public and health sectors could slow down with the Agreement

The study by the KSNT consultancy has been carried out taking into account the evolution of the economy in 5, 10 and 25 years

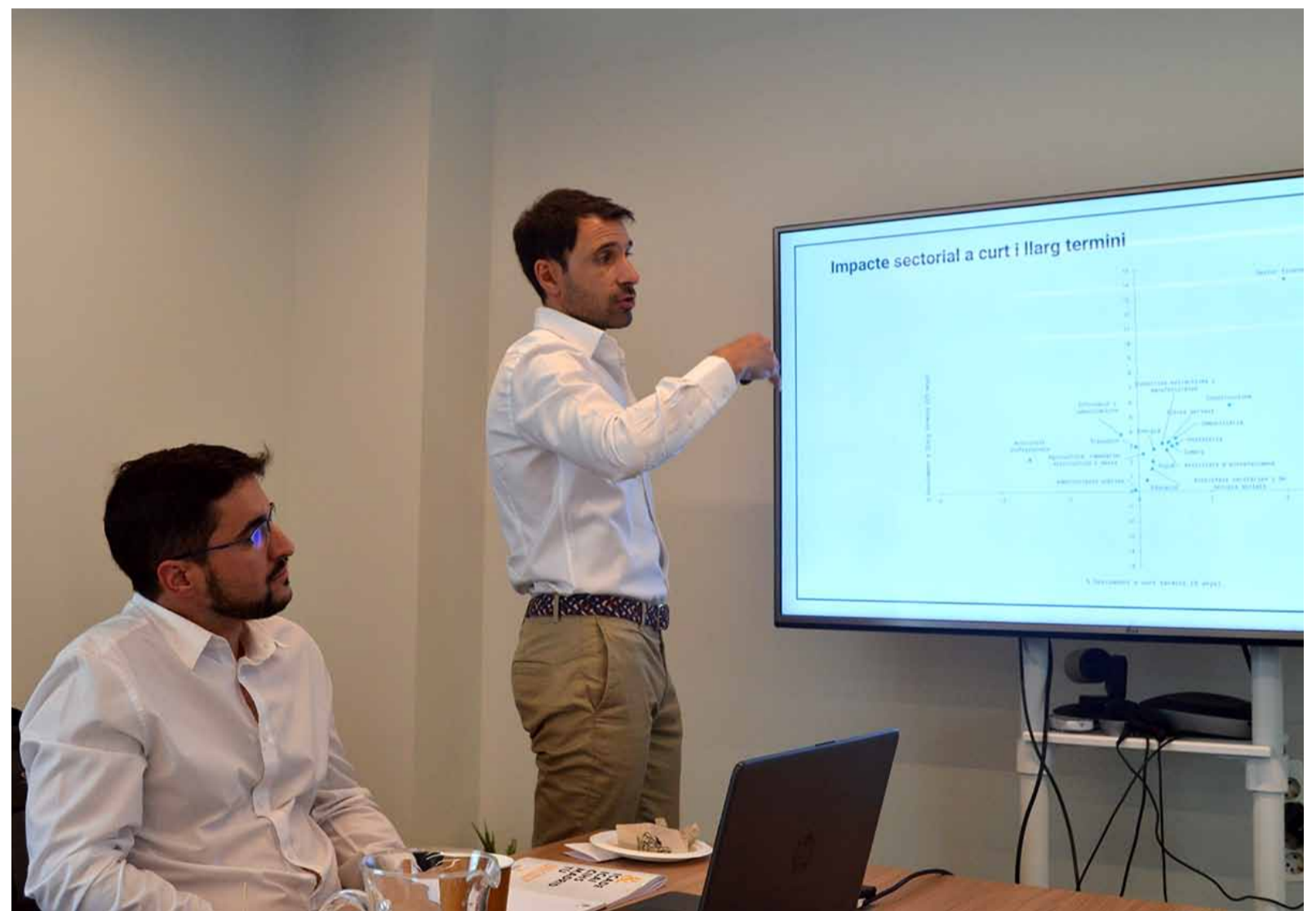
ALEX MONTERO / LAURA GÓMEZ RODRÍGUEZ  
ANDORRA LA VELLA

Andorra Research and Innovation (AR+I) presented a report, last Tuesday, on the potential impact on the Principality's economy that the Association Agreement with the European Union could have. The study, which covers a 25-year perspective, from 2025 to 2050, points to a growth scenario with several nuances. Although an increase in overall productivity is expected, some sectors could experience slower growth.

According to the study, which included economists Pablo Tucac and Jorge Díaz, from the Knowledge Sharing Network (KSNET) consultancy - in charge of the study - the sectors that could see a slowdown in the short term include professional activities, information and communications, public administration and transport. In particular, professional activities show initial losses during the first five years, although a recovery is expected in the 25-year period.

In terms of productivity, the financial and construction sectors stand out as the most benefited. However, sectors such as public administration, education and health activities could suffer a decrease in productivity in the long term, due to the increase in the required workforce.

Tucac stressed that the analysis is conservative due to the uncertainty in the evolution of certain aspects: «We have established a base scenario and we



Experts Pablo Tucac and Jorge Díaz during the presentation of the economic impact study of the Partnership Agreement.

simulate the evolution of Andorra from the status quo, but following the uncertainty in the evolution of certain aspects, we must include a minimum and maximum limit scenario, with respect to how the product can evolve», he emphasized.

On the other hand, the coordinator of the political analysis group of Andorra Research and Innovation (AR+I), Yvan Lara, presented the part of the impact in the social sphere, and pointed out that the Agreement has as an objective sustained growth and less dependence on traditional

sectors: «The Association Agreement was made for three objectives; to grow in a sustained way, with less dependence on traditional sectors and without affecting the model that is valued in the country».

**ECONOMIC AND COMMERCIAL PROJECTIONS** // The analysis estimates that, in a scenario of approval of the Agreement, the Andorran economy could be 5% above the GDP projected for 2050. This implies a growth of 65% of the GDP current in «conservative terms», according to Tucac. However, im-

ports are expected to grow by 6%, outpacing export growth, which could affect the trade balance.

Regarding the labor market, a boost of 4.5% is projected, mainly with Andorran labor. Wages would experience an increase due to greater hiring, but with a slowdown in inflationary pressure, remaining in positive figures.

**STUDY WITH 28 VARIABLES** // The study has analyzed 28 variables that could impact Andorra in the event of an agreement with the EU, using data from the Andor-

ANA/M.F.

ran Government and OECD projections for similar economies. In addition, the sectoral impact was studied at 5, 10 and 25 years, identifying three groups of sectors: those with short and long-term gains; those with initial losses but later recovery, and those with long-term losses.

Despite the general optimism, the report highlights that public accounts could deteriorate in the short term, with a long-term recovery thanks to rising wages and employment.












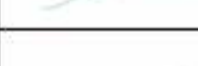


The study makes use of the Applied General Equilibrium Model (MEGA), a methodology used by large financial institutions, to replicate the Andorran economy and its relations with the EU. This model allows for a de-

## A boost in the labor market of 4.5%, mainly with Andorran labor

tailed analysis of the economic measures included in the Agreement, despite recognizing the inherent limitations of not considering non-quantifiable aspects.

Finally, the Association Agreement with the EU presents a general growth scenario for the Andorran economy, but with significant slowdowns and challenges in certain sectors. ●

### Impact of the Association Agreement on 14 key variables of the Andorran economy

Variable	Variation of the AA scenario in relation to the status quo scenario						
	Trend	2030	2040	2050	Average	Minimum	Maximum
GDP		+0,7%	+3%	+4,8%	+2,3%	0%	+4,8%
Total imports		+2,4%	+5,1%	+5,9%	+4%	+0,5%	+5,9%
Total exports		+7,2%	+16,6%	+20,1%	+13,1%	+1,3%	+20,1%
Job offer		+0,6%	+2,8%	+4,5%	+2,2%	+0%	+4,5%
Occupation		+0,6%	+2,8%	+4,5%	+2,2%	+0%	+4,5%
Real salary		+0,5%	+0,7%	+0,3%	+0,5%	+0,2%	+0,8%
CPI		+0,2%	+0,4%	+0,1%	+0,3%	+0,1%	+0,4%
Household consumption		+0,5%	+1,9%	+3%	+1,5%	0%	+3%
Net capital flows		+8,8%	+18,7%	+13,1%	+12,8%	+1,2%	+19,3%
Capital outflows		-5,4%	-7,5%	-3,2%	-5,4%	-8,2%	-1,6%
Capital inflows		+3,4%	+11,2%	+9,9%	+7,4%	-0,4%	+11,2%
Investments		+1,6%	+4,6%	+5,9%	+3,5%	+0,3%	+5,9%
Productivity		0%	+0,3%	+0,5%	+0,2%	0%	+0,5%
Fiscal balance		-0,2%	-0,6%	+1,3%	-0,2%	-0,6%	+1,3%

Data on the impact of the Agreement on 14 different variables.

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