

# ECONOMIC PULSE

## SPAIN: UPTURN IN THE LABOUR MARKET

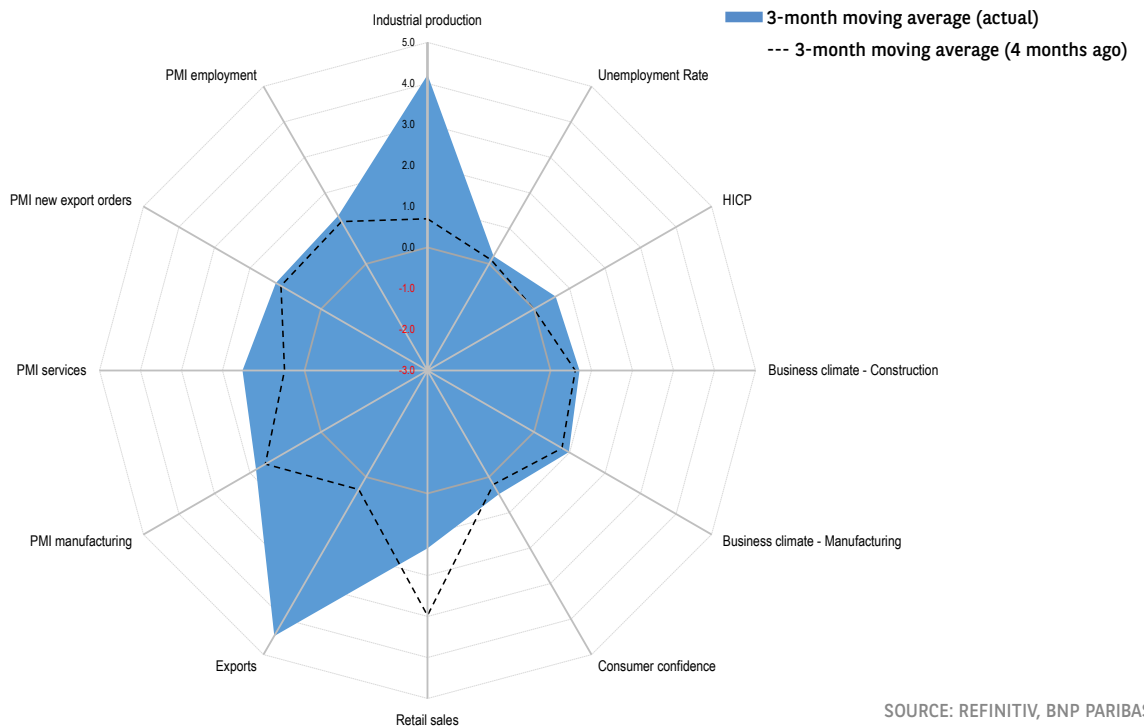
The Spanish economy has put in a solid performance over the summer, with a marked improvement in the employment data. The number of workers registered with the Social Security system has risen by more than 410,000 over the past three months, and now nearly match the pre-Covid level. The unemployment rate is likely to fall again in Q3 as a result. It already dipped to 14.3% in July, not far from the pre-pandemic low of 13.7%. Given that a significant share of the new hires were seasonal contracts, we will have to wait for this autumn's employment figures to get a more accurate picture of the strength of the recovery.

The rebound in employment, as well as a more stable health situation and the gradual easing of restrictions, is supporting households' optimism. The consumer confidence index (European Commission survey) was at -8.5 in August, its best reading since the start of the current crisis. The PMI data have also remained very positive, despite the supply-chains and delivery issues that persist and are spreading to more sectors. The composite PMI was at a historically high level despite a dip in August (down 0.6 point to 60.6). Inflation significantly accelerated over the summer, up 3.3% in August. Although the increase is still largely limited to energy and transport, it is gradually spreading to other areas, especially food.

On the social front, the end of the summer is a busy period for the government. First, it plans to finalise a series of measures aimed at protecting the pensions system (including, in particular, a toughening of conditions on early retirement). Secondly, the Employment Ministry is still seeking agreement with social partners on the amount of revaluation of the interprofessional minimum wage. Discussions have stalled so far. There is strong tension between unions and employers, and the surge in electricity prices is making negotiations more difficult. Despite recent government interventions, electricity prices have hit new records in recent days and Prime Minister Pedro Sanchez has indicated that new measures to protect consumer purchasing power will be introduced shortly.

**Guillaume Derrien**

### QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +4. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

