

# ECONOMIC PULSE

## SPAIN: CLEARER SKIES AHEAD

After disappointing Q1 GDP figures – which showed the economy contracting again, by 0.5% q/q – the second quarter should bring the start of the much-anticipated recovery in Spain.

On the pandemic front, the vaccination campaign is accelerating, with Spain delivering 500,000 daily injections for the first time on 30 April, while the number of new Covid-19 cases has slipped back below 200 per 100,000 people (7-day average). Spain’s pandemic-related state of emergency officially ended on 9 May. From now on, Spain’s autonomous regions will decide which level of restrictions to adopt, which should provide greater flexibility and should boost the economic recovery.

The improvement in the Covid-19 situation is continuing to have a knock-on effect on business and consumer confidence, which brightened again in April, as shown by our pulse. For example, the PMI composite index jumped by 5.1 points to 55.2 in April, driven by much greater optimism in services (up 6.5 points to 54.6). However, the improvement in opinion surveys is yet to show up in the jobs data: according to the Spanish employment office (SEPE), the number of workers registered

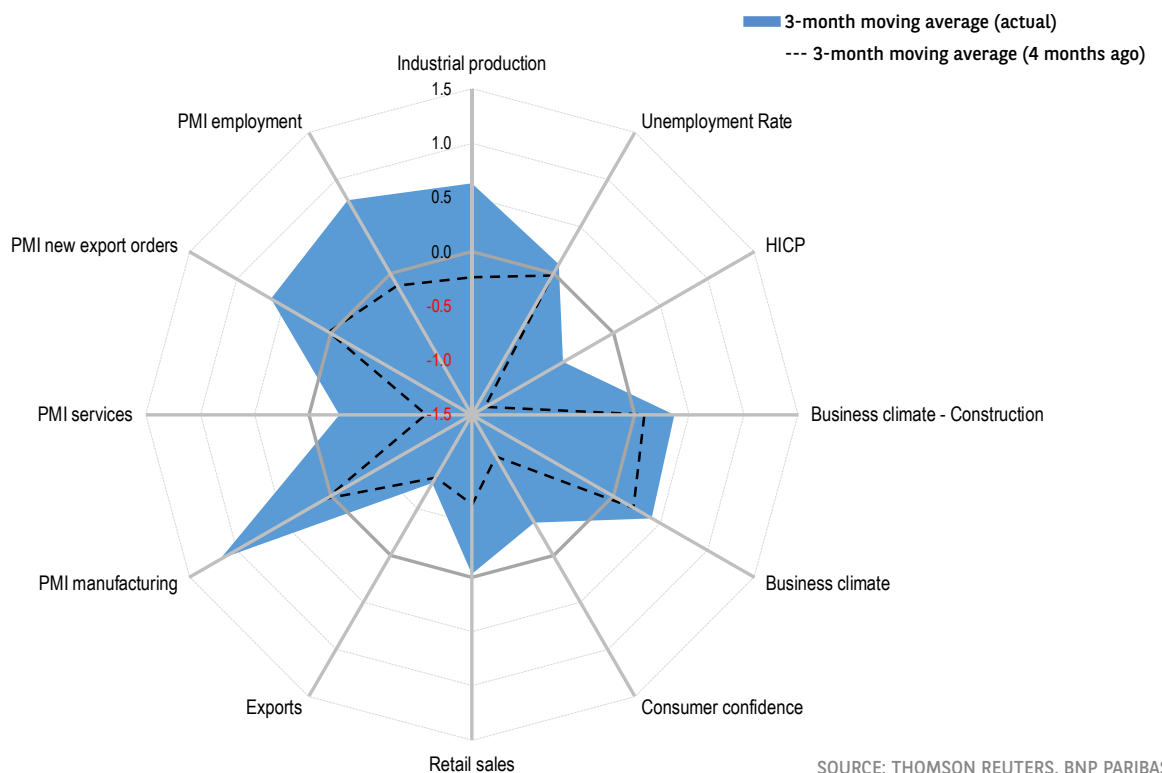
to the social security system fell slightly in April (-9,800 or 0.1%)<sup>1</sup>, down for the third consecutive month. The unemployment rate (15.3% in March) has fallen slowly but steadily from its August 2020 peak (16.7%).

The drop in activity this winter led the government to cut its growth forecast and raise its public deficit forecast. In its Stability Programme submitted to the European Commission on 7 May, the Spanish Government is now projecting real GDP to grow by 6.5% in 2021, and it expects GDP level to climb back to its pre-Covid level by the end of 2022 at the earliest. The Government has also raised its projected 2021 public deficit/GDP ratio to 8.4%. These forecasts remain heavily dependent on the upcoming tourist season: given the acceleration in the vaccination campaign in Europe and the imminent introduction of a European Covid passport, tourism may recover more strongly than what could have been expected just a few weeks ago.

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1. Seasonally adjusted data.

### SPAIN: 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 -1.5 and +1.5. 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.

