ECONOMIC PULSE

SPAIN: CONFIDENCE WANING, EMPLOYMENT RESILIENT

The fairly substantial upgrade to Spain's Q3 GDP figures underlined again the problems that the Spanish statistical office (INE) is currently facing when collecting data. To recap, third-quarter growth was revised up from 2.0% q/q to 2.6% q/q and this follows a large downgrade for Q2, from 2.8% q/q to 1.1% q/q.

Employment will remain in the spotlight in 2022, since it offers a parallel measurement of economic activity and one that is currently more accurate than GDP. Last year was very solid in terms of job creation. Almost 473,000 positions were filled[1], pushing total employment towards all-time highs. The pace of new hires slowed marginally in Q4, despite the deterioration on the Covid-19 front. Jobs figures for January 2022, published on February 2nd, will be very important in this respect and will give a better picture of how resilient the economy is to the latest wave of the pandemic. However, the unemployment rate remains high, coming in at 14.1% in November.

Falling confidence figures, as shown by our barometer, suggest that growth will slow this winter. PMI figures also declined in the fourth quarter of 2021, as did the European Commission's Economic Sentiment Index (ESI). Consumer confidence has fallen to its lowest level since March 2021, mainly because consumers are less able to save and are more pessimistic about economic developments in the next 12 months.

The deterioration is the result of both pandemic developments and rising inflation, which is becoming more entrenched with each passing month. Current increases in gas prices and larger rises in input prices – mainly in the energy and food sectors – will keep inflation high in 2022. As a result, bond yields are likely to rise gradually. Spanish 10-year sovereign bond yields reached 0.65% on 7 January, their highest level since May 2020. However, the spread to German Bunds has remained stable.

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1. According to figures from the Spanish employment service (SEPE).

SPAIN: QUARTERLY CHANGES

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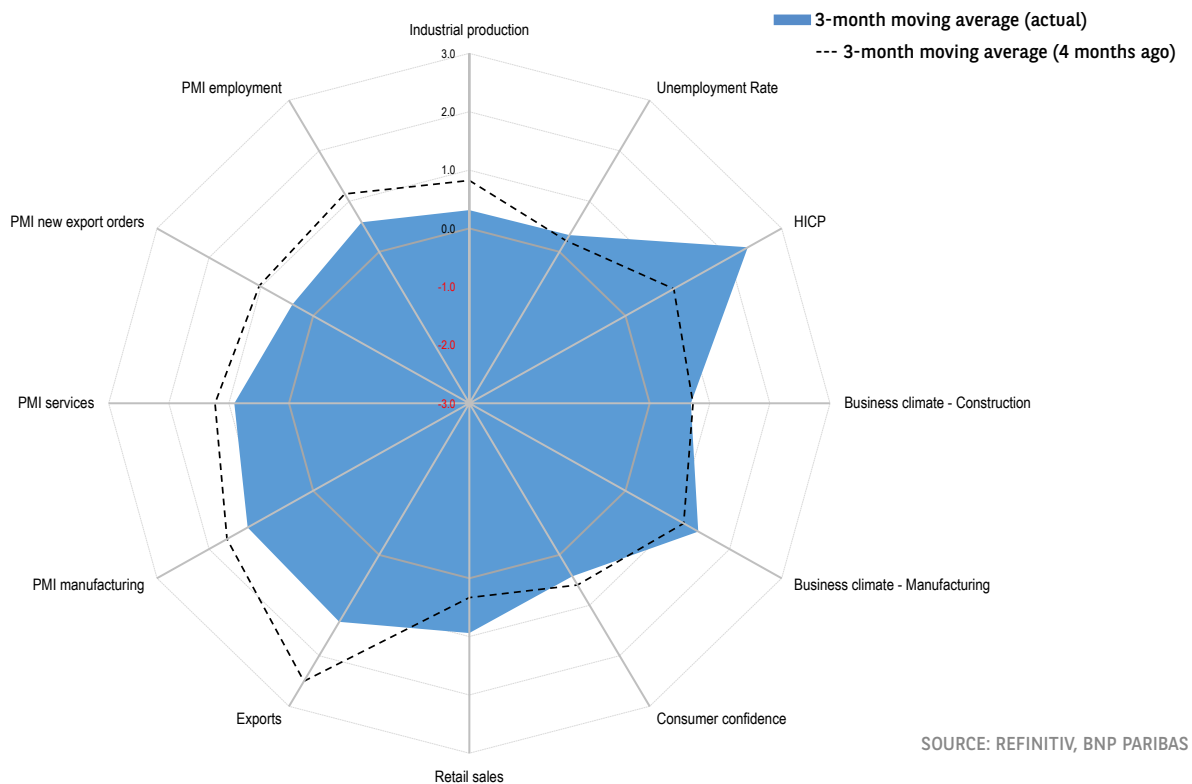
The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +3. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with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

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