

ECONOMIC PULSE

SPAIN: GROUNDS FOR HOPE, DESPITE A GLUM FIRST QUARTER IN 2021

Although our barometer generally improved in March, economic growth is set to remain weak in the first quarter of 2021. New car sales were still 40% lower in February 2021 than in February 2020, although the data can be volatile from a month to another. The manufacturing PMI improved in February – to 52.9 – but this reading is significantly lower than what we observed in Italy, Germany and France. The services PMI remains mired in the contractionary zone – at 43.1 – mirroring the dramatic fall in tourist inflows that has continued through this winter (down 89.5% year-on-year in January).

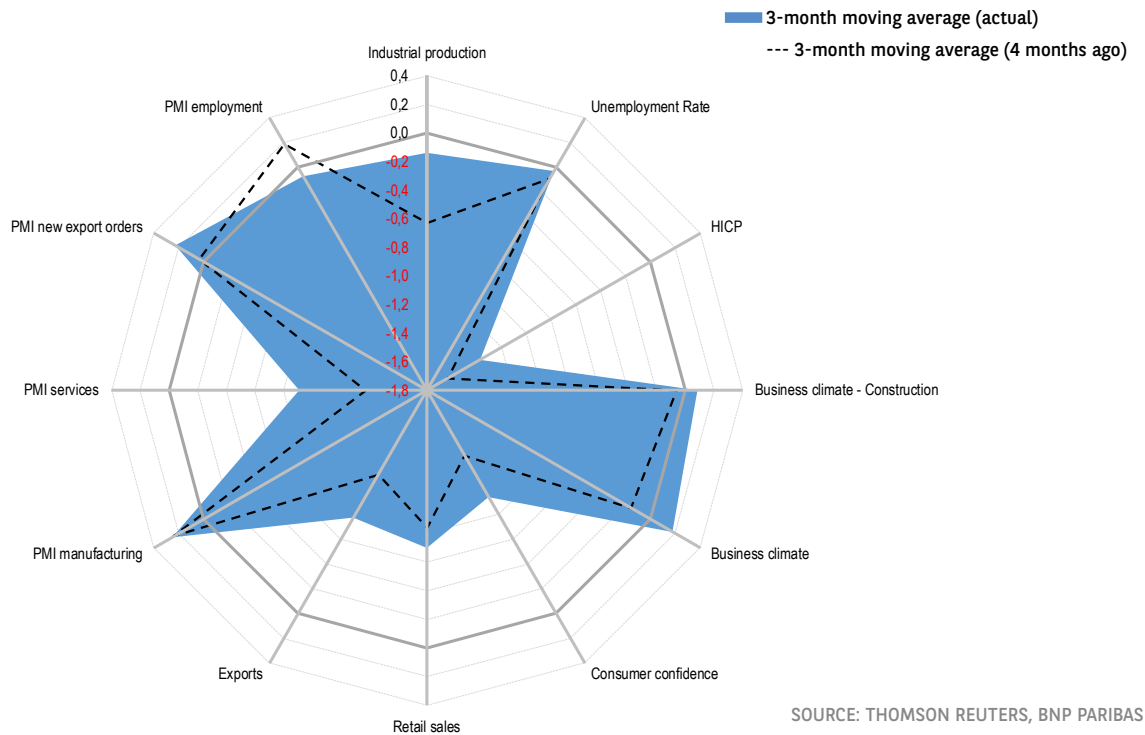
All of this has fed through into employment, for which the recovery has stalled at the beginning of the year. According to the Spanish employment service (SEPE), the number of workers registered with the social security system fell 0.2% in February, whilst unemployment rose 0.5% (seasonally-adjusted data). Nearly 900,000 people were still covered by the ERTE short-time working scheme at the end of February.

However, there are some encouraging signals suggesting a stronger economic recovery from the spring onwards. The sharp fall in Covid-19 cases in the country as well as the expected massive deliveries of new vaccine doses, should allow a gradual easing of restrictions over the next few weeks. Prime Minister Pedro Sanchez has announced a quadrupling of the number of vaccine doses to be made available in Q2. These positive developments are reflected in the confidence indicators: the services PMI for business expectations over the next twelve months jumped to 70.2 in February, its highest level since May 2018.

Although the Consumer Price Index (CPI) edged up this winter, inflation remains historically low. According to the first INE estimate, the CPI even recorded a slight decline in February on a year-on-year basis (-0.1%). However, inflationary pressures, mainly linked to the rise in raw materials prices and bottlenecks in production chains (as reflected in the surveys), could lead to an acceleration in inflation in the country.

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 -1.8 and +0.4. 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.

