

ECONOMIC PULSE

SPAIN: HEADWINDS TO GROWTH ARE BUILDING

Like other economies, Spain is currently facing several headwinds, including labour shortages, supply-chain problems and inflation. The country is now also facing the risk of another upsurge in the pandemic. On 20th November, the number of Covid-19 cases was still holding at a very moderate level, but it now seems to be ticking upward, a movement that is bound to accelerate with the approach of winter. Even so, Spain benefits from a high vaccine coverage ratio (more than 80% of the population is fully covered by the vaccine), meaning that the country can look forward to a less perilous winter than last year.

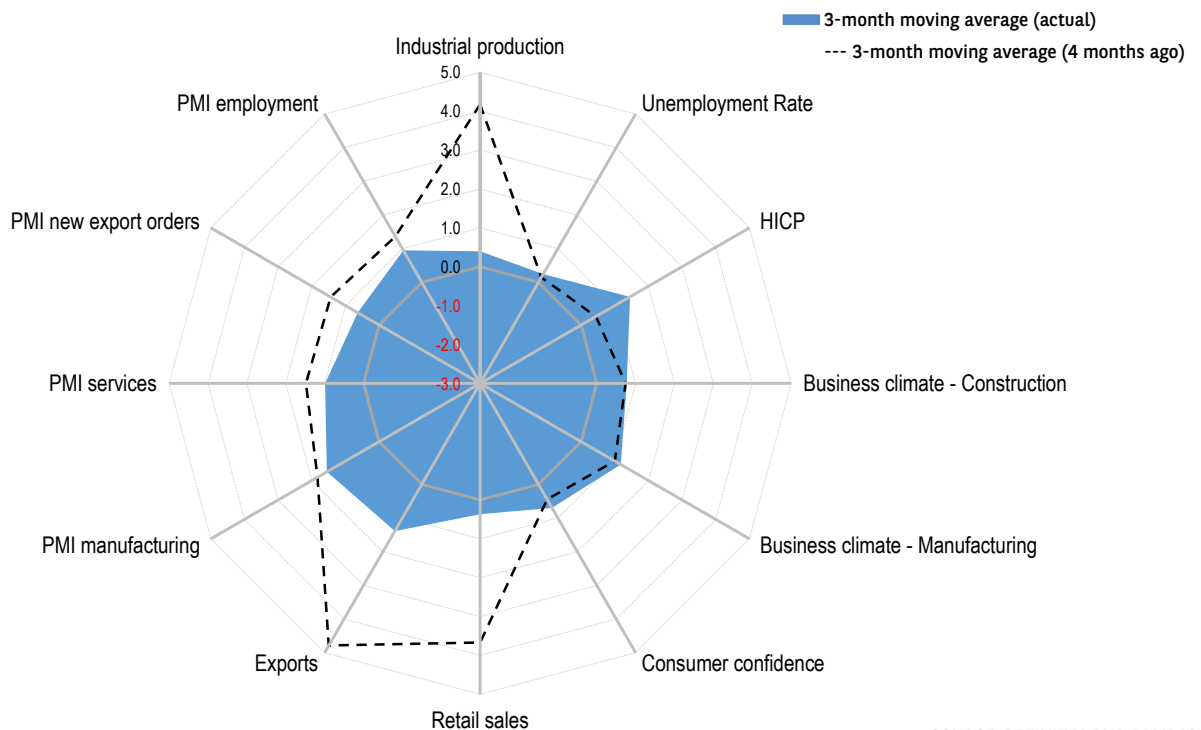
Inflation is a bigger obstacle for the moment. The Pulse signals a sharp upturn in the consumer price index (CPI), which continued through the fall as the rise in the CPI reached a record high of 5.4% year-on-year in October. Yet these price increases are mainly localised within energy items (electricity, natural gas, fuel), which together contributed to more than four-fifths of the annual increase in the CPI in October. The manufacturing sector has slowed, hampered by supply bottlenecks in certain sectors, especially automobiles. According to the Spanish statistical office (INE), the automobile sector accounts for 8% of the country's total industrial production. Production in this industry declined again in September to the lowest level since the end of the first lockdown in 2020. Although our Pulse has deteriorated significantly, exports have levelled off but not contracted, and they are still holding at historically high levels.

The dynamic in the labour market is much better¹. According to the Spanish Employment Office (SEPE), the number of workers affiliated to the social security system rose again strongly in October (+102,474 after adjusting for seasonal variations), which brings the total number of members to an all-time high. At 14.6%, the unemployment rate is still higher than the pre-pandemic level of 13.7% in February 2020. Yet this progressive drop in the jobless rate is occurring in a context of an upturn in the participation rate, which is a good thing. One last point to be made: the current divergence of confidence indicators of late: while the PMI indicators have generally been on a downward trend since June, the European Commission's economic sentiment index reached the highest level in nearly twenty years in October.

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1. See BNP Paribas Ecoflash Spain: Upturn in the labour market, 16 November 2021.

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 +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.

