

ECONOMIC PULSE

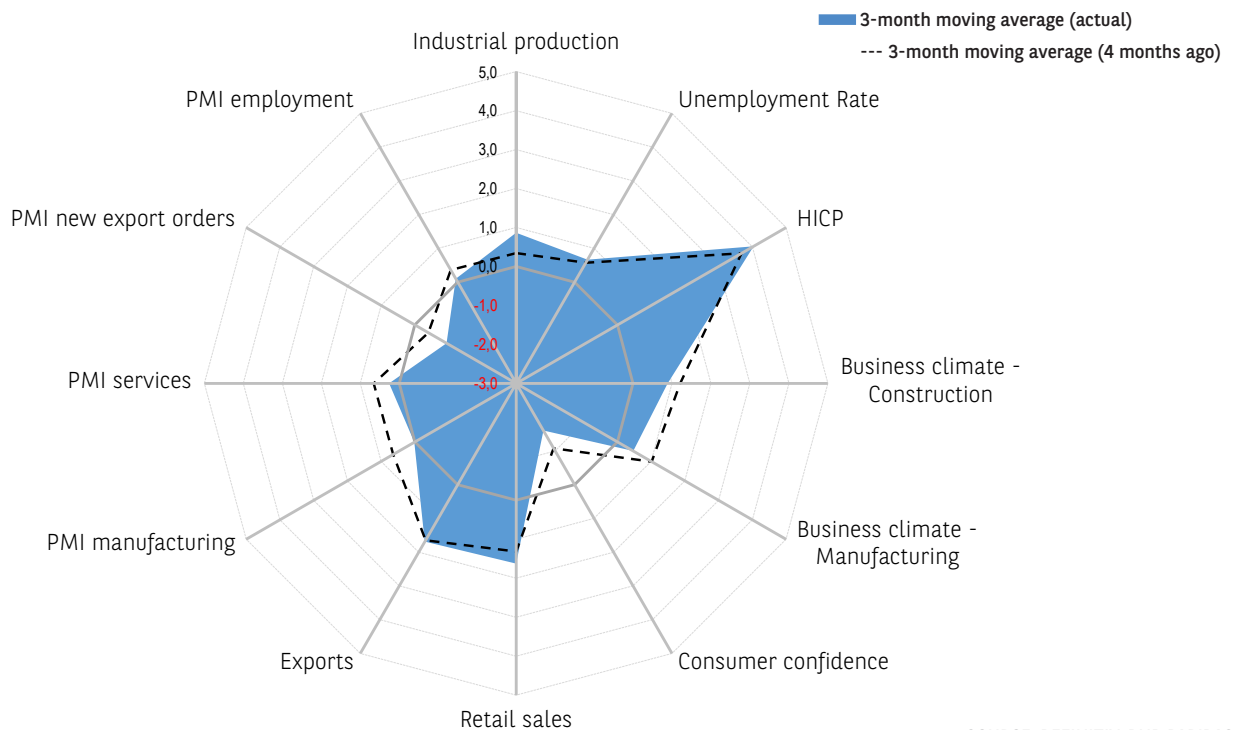
SPAIN : INFLATION PERSISTS

Inflation in Spain shows no signs of abating. Consumer price inflation remained above 10% y/y in August, at 10.5% (national measure). Although slightly lower when compared to July (10.8% y/y), this decline was mainly due to a fall in private transport costs (-3.5% over one month), the result of lower fuel prices at the pump. Conversely, the increase in food prices (and non-alcoholic beverages) accelerated, by 0.3 of a point to 13.8% y/y, with increases seen in dairy products, bread, and corn. The underlying measure (which excludes energy and perishable foods) also rose, from 6.1% y/y to 6.4% y/y. Prices also continue to be very dynamic in the property sector. According to the INE, house prices are up by 2.0% q/q in Q2 2022 and by 8.0% over the last twelve months. The gap compared to the 2007 peak is still significant (prices are still around 7% lower) but much ground has already been covered: at the low point of 2013, prices had fallen by 32% compared to the 2007 peak.

The adverse effects of inflation on business activity should be particularly apparent from Q4 2022, with the economy still benefiting in the third quarter from significant support from sources such as tourism. In particular, the level of job creation has still been unexpectedly positive up to this point. According to the Spanish employment agency (SEPE), the number of workers registered with the social security system rose again in August (+62,136), with gains generalised across all three major sectors: services, industry and construction. The unemployment rate was stable in July, at 12.6%. However, this positive momentum could be derailed. Opinion surveys are becoming less positive, both the European Commission survey (which shows consumers' view of the 12-month unemployment outlook to be at its highest for 18 months), and PMI surveys (the composite employment index is also at its lowest since the first quarter of 2021, at 50.4). Spanish manufacturers are also suffering from the slowdown experienced by their European neighbours, as illustrated by the PMI exports index which is deeply in contractionary territory (45.4 in August).

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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.

