

# ECONOMIC PULSE

## SPAIN: OVERALL INFLATION SLOWS BUT INCREASE OF FOOD PRICES ACCELERATES

Latest inflation figures give the Spanish government a little respite. Having approached 10% in March (9.8%), consumer price inflation fell to 8.4% in April. Measures taken by the authorities to stem the rise in energy prices – mainly through subsidies and tax cuts – had a beneficial effect. However, food price inflation rose to 10.1% y/y in April. In addition, its contribution to overall inflation (1.98 percentage points) is now roughly the same as other energy-related components of expenditure, i.e., transport (1.98 points) and electricity, gas and other fuels (2.30 points). Although food prices have risen less in the last year than transport prices (12.3%) and prices of electricity, gas and other fuels (35.2%), they make up a larger proportion of total household expenditure (19.5% versus 15.4% and 6.5% respectively).

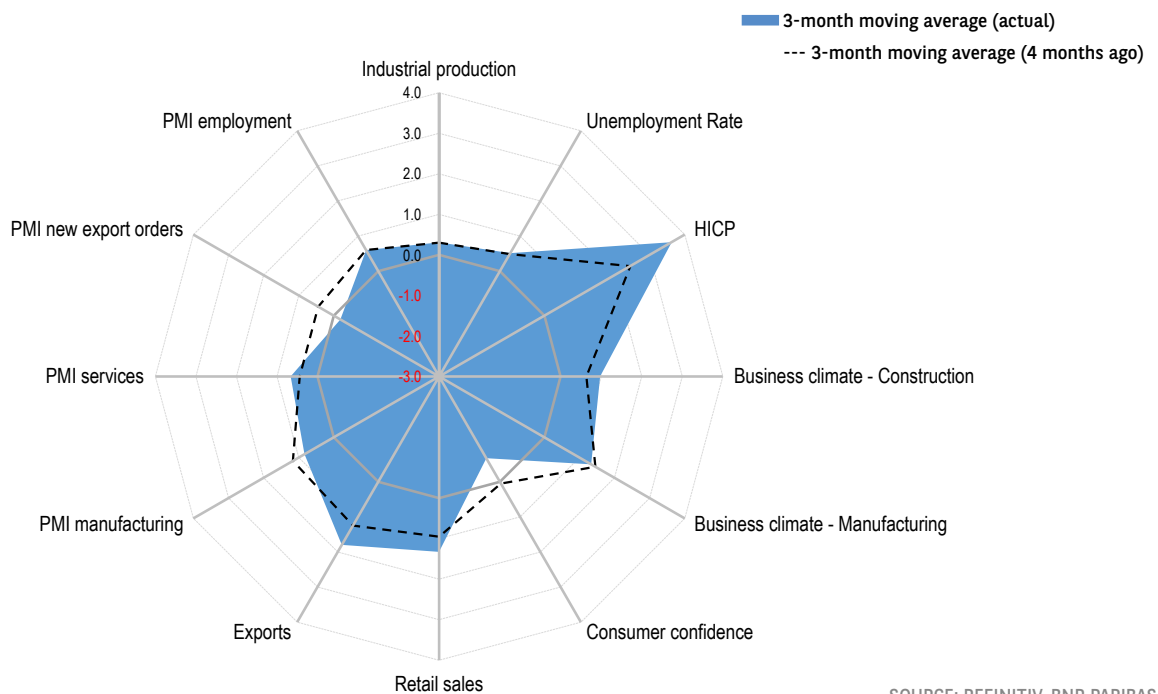
In addition, real GDP growth in Q1 2022 was weaker than expected at 0.3% q/q. This was due to a 2.5% q/q contraction in consumer spending, which has been pulled down by multiple adverse factors (higher inflation, the war in Ukraine and strike action by road hauliers, which led to disruptions in the provisioning of goods into stores). Drawdowns in inventories also had a negative impact on real GDP growth. However, there were significant increases in investment (up 3.4% q/q) and above all service exports (up 10.5% q/q). The rebound in tourist activity (included in service exports) should be a major growth driver this year. Covid restrictions have been eased almost across the board in Europe, and this will support both economic activity and employment during the summer season.

In addition, in its April report, the Spanish State Employment Service (SEPE) announced a sharp acceleration in recruitment in the hotel industry, one of the sectors that are benefiting most from the lifting of Covid-related constraints. The total number of workers affiliated to the social security system in Spain rose by 33,200 in April compared with March. Spain’s new employment legislation, which has come into force this year, is continuing to have a positive effect: the number of people recruited on permanent contracts rose sharply again in April, by 311,100, taking the year-to-date total to 669,710<sup>1</sup>. Conversely, the number of people recruited on fixed-term contracts fell by 322,170. Despite good results on the employment front, the jobless rate edged higher in Q1 – rising 0.3 points to 13.5% – due to an increase in the labour force.

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1. The number of “discontinuous fixed-term contracts” (which are now the preferred solution for seasonal work) and training contracts also increased.

### 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 +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.

