

ECONOMIC PULSE

SPAIN : PRICES AND EMPLOYMENT BOTH RISE

The Spanish Minister for Employment, Yolanda Díaz, seems to be everywhere in this early part of the year. After the knife-edge vote on a decree to change labour market rules (the implementation of which was contested by the opposition due to a mistake by one of their members during an electronic voting), the Minister last week announced an increase in the minimum wage to 1,000 euros per month. This 3.7% increase will benefit nearly two million people and is retroactive to 1 January. This honours a promise made by the government in 2018 to gradually raise this 'floor' wage rate to 60% of the median salary by 2023.

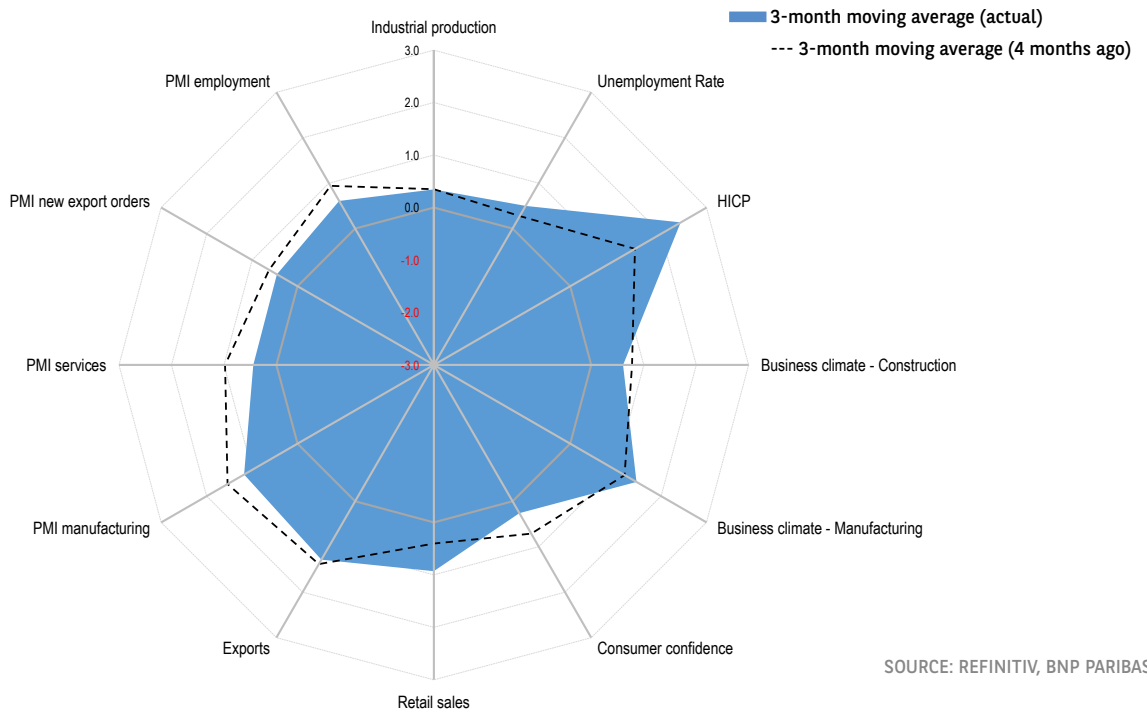
It is also a response to the rising cost of living that Spanish households are currently facing. As shown on our Pulse, the sharp increase in inflation has continued in January, with the harmonised index of consumer prices (HICP) up 6.1% y/y in January. Although the details of last month's inflation have not yet been revealed, energy prices should remain, unsurprisingly, the main driver of higher consumer prices. The energy element of the HICP recorded a jump of 40.2% y/y in December 2021, whilst the sector's production prices nearly doubled (+95.9% y/y) between December 2020 and December 2021.

Despite this headwind, the number of jobs in the country increased again in January (+72,000 according to SEPE¹), after a record job creation in 2021. The unemployment rate is now likely to fall back below 13% in Q1, a level it already reached in December 2021. However, business confidence took a substantial hit last month, under the effect of the Omicron wave. The composite PMI dropped 7.5 points to 47.9, its biggest monthly fall since April 2020, the date of the country's first lockdown. The fall was concentrated in services (down 9.2 points to 46.6), while the manufacturing index was unchanged at 56.2. However, with the epidemic now regressing rapidly (infections have fallen by nearly two thirds since peaking in mid-January) and with a gradual easing of health measures, one would expect these indicators to improve from February onwards.

Guillaume Derrien

1. Spanish employment agency.

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.

