PULSE

SPAIN: SLOWDOWN IN THE ECONOMIC RECOVERY

The economic recovery slowed down in September. That said, and as clearly shown on our barometer, the 3-month trend has continued to improve for most indicators – a logical process with the catching-up effect during the summer period. According to the Spanish National Employment Agency (SEPE), employment growth slackened in September (+109,271), compared to the previous month (+232,664). The unemployment rate was 16.2% in August. On the consumption side, retail sales posted only a modest increase in August (+0.3%), after falling in July.

The leading indicators corroborated a slowdown in activity that is likely to continue at least until the end of this year, given the implementation of stronger health restrictions since the end of September. Indeed, the composite purchasing managers' index (PMI) fell from 48.4 in August to 44.3, pulled down by another drop in the services PMI (-5.3 points to 42.4). By contrast, the index for the manufacturing sector has risen above the 50 threshold indicating an expansion of activity. The sub-indicator for manufacturing employment has rebounded to 50.1,

the highest level since April 2019. The gap in the recovery between the services and industrial sectors -visible on the PMI trend in the barometer– is likely to widen, given that health restrictions affect the former sector more strongly.

In its latest projection published this week, the IMF only slightly revised their GDP growth forecast for 2021. Indeed, the Washington-based organisation kept the GDP contraction unchanged for 2020 (-12.8%), but revised upward GDP growth by 0.9 points to + 7.2% for 2021

Finally, the housing market has continued to slow significantly. In September, the TINSA price index has recorded its biggest monthly drop since January 2013, pushing the year-over-year decline to 2.2%.

Guillaume Derrien

QUARTERLY CHANGES

SOURCE: THOMSON REUTERS, BNP PARIBAS
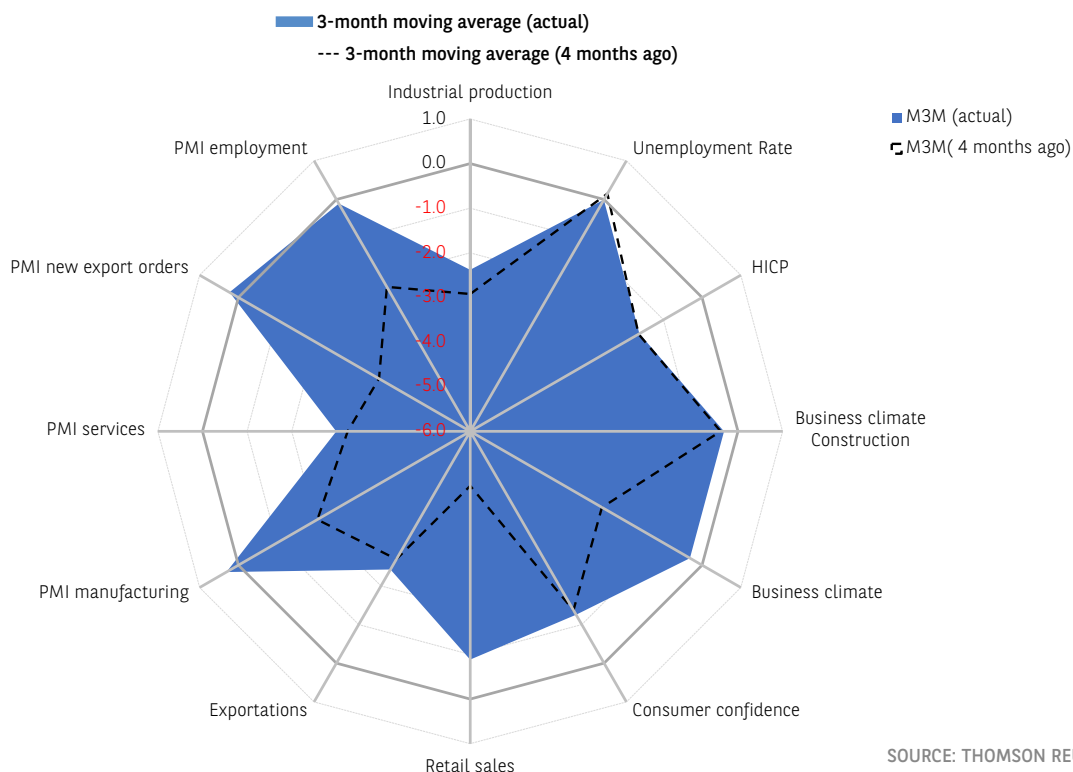
The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -6 and +1. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.