SPAIN

Growth falters, but the outlook remains encouraging

Contrary to the trend observed in the other three major eurozone countries, Spain recorded a more moderate fall in inflation in November. According to the INE, the growth in the Harmonised Index of Consumer Prices (HICP) slowed by 0.2 pp to 3.3% y/y this month (while the decline reached 0.7 points in France and Germany, and 1.1 points in Italy). Based on recent trends in the producer price index, which recorded its eighth consecutive month of deflation in October (-7.8% y/y), this consumer price slowdown is set to continue, and even accelerate, over the coming months.

This year-end also saw the first contraction in three months in the composite PMI index (49.8). The activity indicator remains low in the manufacturing sector, but posted an increase in November (+1.2 points to 46.3). Other industrial indicators are also losing momentum: the year-on-year fall in industrial production accentuated slightly in October (-1.5% y/y after -1%), mainly due to a decrease in activity in the mining sector and in the manufacture of capital goods.

Conversely, the PMI in services fell by 0.1pp in November but remains slightly above the 50 threshold (51). However, some sub-indicators appear to have deteriorated. This is the case for new export orders (47.5) and new business (49.4).

If it continues – even if it eases, as we expect – the resilience of the labour market (marked in November by the number of unemployed returning to its level of 15 years ago, i.e. 2.73 million), coupled with the moderation in inflation expected in 2024, should support household purchasing power and private consumption over the coming quarters. However, the downturn in the manufacturing industry is likely to weigh on activity in the shorter term, even if growth as a whole remains well oriented. According to our forecasts for 2023, Spanish growth (2.3%) will be well above the eurozone average (0.5%). However, this high figure masks a less dynamic end to the year and start to 2024 (0.2% q/q), before growth rates return to more positive levels.

Lucie Barette (article completed on 20/12/23)

Spain: economic indicators monthly changes*

	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23
Business climate - manufacturing	0,3	0,4	0,2	0,5	0,6	0,2	-0,1	-0,2	0,1	-0,1	-0,1	-0,2
Business climate - construction	1,4	0,4	1,2	0,9	1,2	1,2	1,2	1,2	0,7	0,8	1,0	1,3
Business climate - services	0,2	0,6	0,5	0,4	0,6	0,6	0,6	0,6	0,7	0,6	0,7	0,6
PMI manufacturing new export orders	-1,4	-0,7	-0,1	-0,2	-0,5	-0,8	-0,8	-1,3	-1,4	-0,4	-1,0	-1,0
PMI Composite - e	0,3	0,0	0,4	0,7	1,1	0,9	0,6	0,5	0,4	0,3	0,3	0,3
Consumer confidence	-0,8	-0,6	-0,5	-0,7	-0,4	-0,4	0,0	0,4	0,1	-0,4	-0,3	-0,3
Industrial production	0,1	0,1	0,1	0,6	-0,1	0,0	-0,4	-0,2	-0,4	-0,1	-0,1	
Retail sales	1,6	2,1	1,7	2,0	1,8	1,7	1,5	1,6	1,3	1,5	1,3	
Exports	0,8	0,8	0,3	0,9	-1,0	-0,8	-0,7	-0,9	-1,3	-1,4		
HICP	1,5	1,7	1,7	0,4	0,7	0,3	-0,2	0,0	0,1	0,5	0,6	0,5
Core HICP	2,5	3,2	3,2	2,7	2,2	1,9	1,8	2,4	2,3	1,9	1,8	
Employment	0,4	0,4	0,4	0,5	0,6	0,6	0,5	0,5	0,5	0,5	0,5	0,5
Wage	2,0	0,8	0,5	0,6	0,6	0,7	0,6	0,6	0,6	0,6	0,6	0,5
Unemployment Rate	0,6	0,6	0,7	0,7	0,8	0,8	0,8	0,8	0,8	0,8	0,8	

Scale: -3 | -2 | -1 | 0 | 1 | 2 | 3
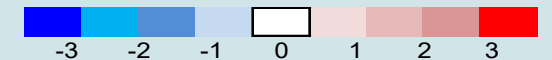
* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero (except for the PMI/ISM indices where the average is 50, the threshold between the expansion zone and the contraction zone of the activity). Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual				Carry-over	Forecast		Annual forecasts (y/y)			
Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2022	Q4 2023	Q1 2024	2022 (observed)	2023	2024	2025
0,5	0,6	0,4	0,3	1,2	0,2	0,2	5,8	2,3	1,5	2,1

Source: Refinitiv, BNP Paribas