

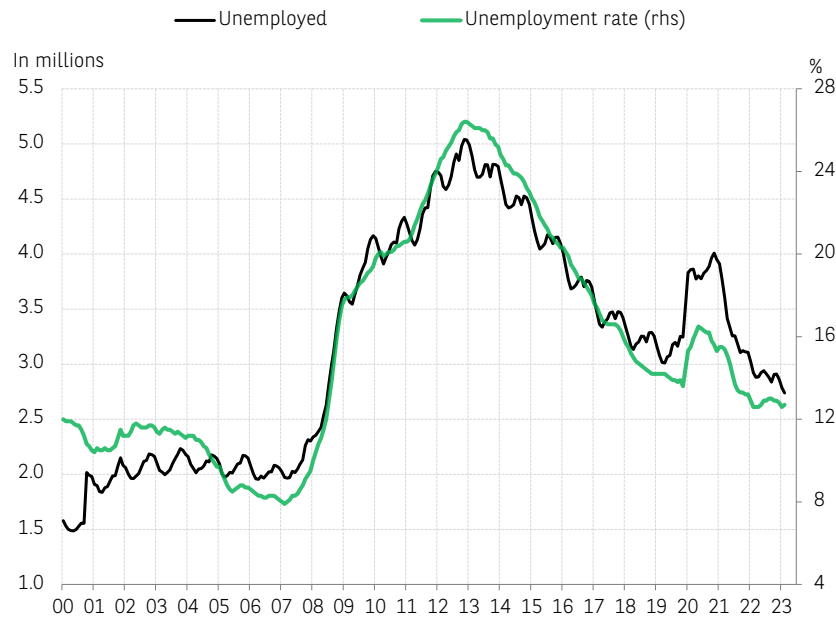
CHART OF THE WEEK



5 July 2023

SPAIN: SIGNIFICANT DECLINE IN UNEMPLOYMENT

Guillaume Derrien



Source: Spanish Employment Agency (SEPE), BNP Paribas

The labour market report published by the Spanish Employment Agency (SEPE) on July 4th surprised favourably again. The number of unemployed workers dropped by 1.8% m/m (-50,268) to its lowest level since September 2008. This development is even more striking given that the labour force has increased significantly compared to its pre-Covid-19 level (+2.5%), reaching a new record in the first quarter of 2023. However, fifteen years after the successive crises of 2008 and 2011, there is still a long way to go: the level of unemployment remains 25% higher than at the end of 2007 and the jobless rate is five points higher (12.7% in May 2023 compared with 7.9% in May 2007, the nadir cyclical low).

Over the past year, the rebound in job creation was driven by accommodation and food services (+80 728), health (+61 402) and construction (+53 137). Employment in Spain has thus increased by more than 6% compared to the pre-Covid-19 and pre-crisis years of 2008-2011, the peak in both periods being very close. Wages are rising faster, in the wake of inflation and against a backdrop of a dynamic labour market, at 3.3% y/y in May (collective agreements). Nevertheless, the increases are lower than in France, Germany or the United Kingdom.

Less than three weeks before the snap legislative elections scheduled for July 23rd, the recovery in the labour market should a priori benefit the outgoing government and the Socialist Prime Minister Pedro Sanchez. But the task is proving difficult for the incumbent administration, which is suffering from the crisis in purchasing power and housing, while mortgage rates have more than doubled in one year. The latest polls for the upcoming election still indicate a significant delay of the Socialist Party against the People's Party of Alberto Núñez Feijóo.

guillaume.a.derrien@bnpparibas.com

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Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34
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