

The country remains the principal growth driver in the eurozone

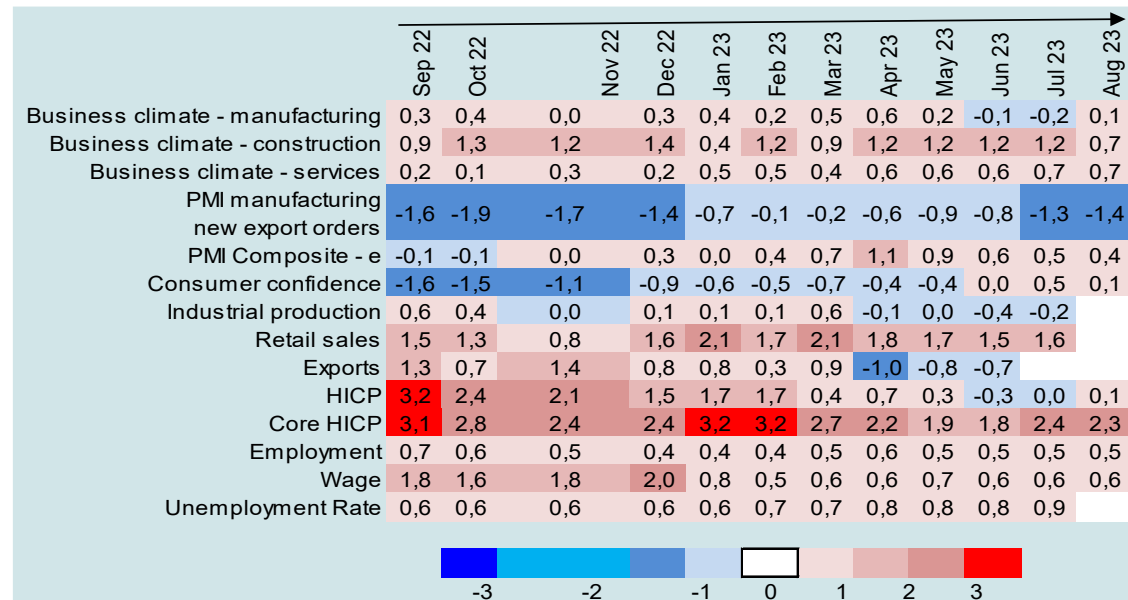
The slowdown in activity in the second half of 2023 should be contained: real GDP growth would only decline from +0.4% q/q in Q2 2023 to +0.3% q/q in Q3, and +0.2% q/q in Q4. The deterioration in the PMI surveys is continuing in both the manufacturing sector (46.5 in August) and the services sector (49.3). However, private consumption is resilient thanks to an ever-expanding labour market and a recovery in household confidence since spring. Nevertheless, job creation is coming down, owing to the slowdown in activity. The downside risks to activity remain significant, as the effects of rising interest rates are leading to an increasingly sharp contraction in credit to households and companies.

After months of decline attributable to falling energy prices, inflation rebounded this summer, up from 1.8% y/y in June to 2.6% y/y in August. Although Spain remains one of the countries in the eurozone where inflation is the lowest, prices should continue to rise more quickly over the next few months: the increase in oil prices should increase fuel prices, which have already jumped by more than 5% m/m in August. Furthermore, inflationary pressures in services are not abating: excluding rents, the annual increase in the services CPI fell slightly from 4.8% to 4.7%, but the 3m/3m annualized rate rose to 5.8%, the highest in more than 20 years. Wages rose moderately (3.4% year-on-year in August according to branch agreements communicated by the government); so far, this is sufficient to support households' purchasing power.

With real GDP growth now forecast at 2.2% over 2023 as a whole, Spain should remain one of the drivers of the euro zone this year, for which we forecast growth of 0.6%. In addition, the INE updated the national accounting data for the 2020-2022 period on 18 September. It led to significant upward revisions of GDP growth for 2021 and 2022 (and a slight improvement for 2020). The revisions for these two years went from 5.5% to 6.1% and from 5.5% to 5.8% respectively. This increase reconciles somewhat the GDP statistics with the evolution in the labour market. These changes highlight the difficulties facing statisticians in accurately assessing activity during the pandemic and the following months.

Guillaume Derrien (completed on 21 September 2023)

Spain: economic indicators monthly changes



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)			
Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q4 2022	Q3 2023	Q4 2023	2022 (observed)	2023	2024
0,4	0,4	0,5	0,4	2,0	0,3	0,2	5,5	2,2	1,5

Source: Refinitiv, BNP Paribas



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