

## Household savings remain under pressure

Despite the support of tourism, which has been at levels close to those of 2019 since the beginning of the year<sup>1</sup>, the effects of the rise in interest rates and the drop in household purchasing power on the Spanish economy should worsen over the course of the year. The continued creation of jobs is helping cushion the shock for the time being: according to the Spanish employment agency (SEPE), 47,883 additional active workers were affiliated with the social security system in May, a rise of 0.2% over the month, bringing the increase to 2.3% since the beginning of the year. However, the potential for improvement seems increasingly limited. Growth should therefore slow in Q2 (+0.3% q/q according to our forecasts after +0.5% q/q in Q1) before coming to a halt in the second semester.

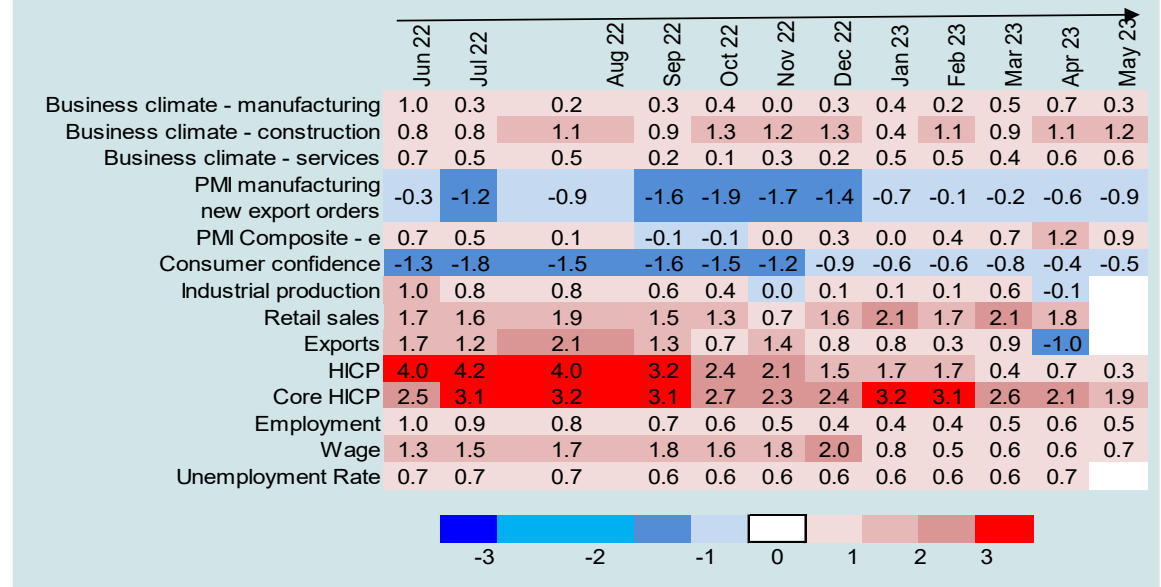
In harmonised terms, consumer price inflation slipped below 3% y/y in May, one of the slowest pace in the eurozone behind Luxembourg (2.0%) and Belgium (2.7%). Nevertheless, core inflation accelerated to 3.8%, fuelled by moderate wage growth. Wages increased by 3.3% year-on-year in May on the basis of collective bargaining; this increase is slightly higher than the one observed at the end of 2022 (2.8% y/y).

The fall in inflation is not (yet) leading to a significant rebound in household confidence, which according to the European Commission's survey, continued to oscillate, in May 2023, to levels well below those observed before the outbreak of the war in Ukraine, and below the long-term average. Above all, the survey indicates an unprecedented deterioration in household savings capacity since 2008. So far, this has not affected retail sales (excluding fuel) which rose sharply in April (+4.1% m/m), exceeding their pre-pandemic level for the first time.

Guillaume Derrien (article completed on 20 June 2023)

<sup>1</sup> Between January and April 2023, 20,961 foreign tourists entered Spanish territory, compared to 21,372 in the same period in 2019, a difference of 2%.

## 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)		
Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q4 2022	Q2 2023	Q3 2023	2022 (observed)	2023	2024
2.5	0.4	0.4	0.5	1.6	0.3	0.0	5.5	1.8	0.8

Source: Refinitiv, BNP Paribas

