

The labour market is still surprisingly dynamic

Spanish growth strengthened slightly in Q1 2023, to +0.5% q/q, according to preliminary figures from INE. However, this acceleration, supported by investment and external demand, did not allow real GDP to cross the pre-Covid threshold. It still showed a small deficit of 0.2% compared to Q4 2019. Household consumption has contracted over the last two quarters (-1.3% in Q1 2023 and -1.7% q/q in Q4 2022). We expect activity to slow in the coming months, but not stall: GDP should grow 0.3% q/q in the second quarter, before stabilising the following quarter.

Inflation bounced back in April, from 3.0% y/y in March to 3.8% y/y, due to unfavourable base effects on the energy item. Although this dynamic is likely to reverse in May, the disinflation process should be slow, with the shock on production costs spreading to most consumer items, and in particular services: the rise in prices in this sector remains significant, at 4.4% y/y in April.

Household confidence has so far been little affected by rising interest rates. It has even recovered thanks to the sharp fall in inflation since last summer and the very good performance of the labour market. Even though it remains below its long-term average, the European Commission's consumer confidence index rebounded by 3.7 points in April, returning to its best level in fourteen months. The business climate also improved across all sectors in April (industry, construction, services and retail trade). However, external demand remains fragile: the PMI indicator for new export orders fell from 48.7 in March to 47.0 in April.

The labour market is still showing no signs of slowing down. According to the Spanish employment agency (SEPE), almost 129,000 net jobs were created in April, an increase of 362,600 over the last three months. This is the biggest quarterly increase since 2005, excluding the 2020 developments linked to the end of the lockdown. The unemployment rate - 12.8% in March - has remained broadly stable over the last twelve months, due to the concomitant expansion of the working population.

Guillaume Derrien (article completed on 24/05/2023)

Spain: economic indicators monthly changes

	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23
Business climate - manufacturing	0.9	1.0	0.3	0.2	0.3	0.4	0.0	0.3	0.4	0.2	0.5	0.7
Business climate - construction	1.5	0.8	0.8	1.1	0.9	1.3	1.2	1.3	0.4	1.1	0.9	1.1
Business climate - services	0.7	0.7	0.5	0.5	0.2	0.1	0.3	0.2	0.5	0.5	0.4	0.6
PMI manufacturing new export orders	0.0	-0.3	-1.2	-0.9	-1.6	-1.9	-1.7	-1.4	-0.7	-0.1	-0.2	-0.6
PMI Composite - e	0.9	0.7	0.5	0.1	-0.1	-0.1	0.0	0.3	0.0	0.4	0.7	1.2
Consumer confidence	-0.8	-1.3	-1.8	-1.5	-1.6	-1.5	-1.2	-0.9	-0.6	-0.6	-0.8	-0.4
Industrial production	0.7	1.0	0.8	0.8	0.6	0.4	0.0	0.2	0.1	0.1	0.7	
Retail sales	1.6	1.7	1.6	1.9	1.5	1.3	0.7	1.6	2.1	1.7	2.0	
Exports	1.9	1.7	1.2	2.1	1.3	0.7	1.4	0.8	0.8	0.3	0.9	
HICP	3.4	4.0	4.2	4.0	3.2	2.4	2.1	1.5	1.7	1.7	0.4	0.7
Core HICP	1.9	2.5	3.1	3.2	3.1	2.7	2.3	2.4	3.1	3.1	2.6	2.1
Employment	1.2	1.0	0.8	0.8	0.7	0.6	0.5	0.4	0.4	0.4	0.5	0.6
Wage	1.3	1.3	1.5	1.7	1.8	1.6	1.8	2.0	0.8	0.5	0.6	0.6
Unemployment Rate	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	

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	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



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