

ECONOMIC PULSE

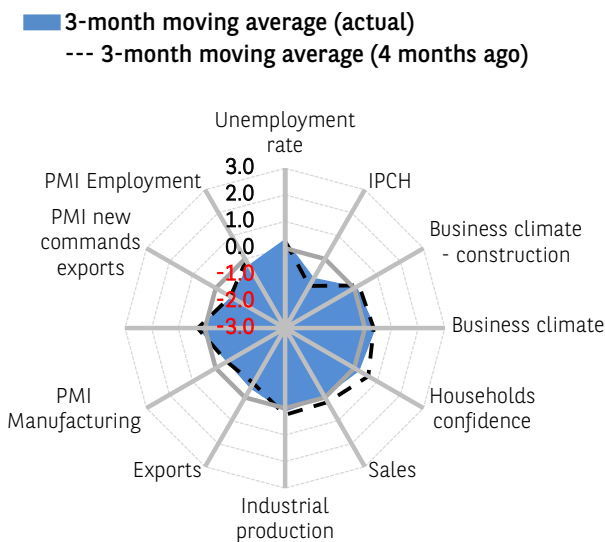
SPAIN: TOWARDS WEAKER ECONOMIC GROWTH IN 2020

Economic growth was solid in Q4 in Spain last year. In real terms, GDP grew 0.5% quarter-on-quarter, somewhat faster than the rate of expansion recorded in Q3. Industrial activity slowed marginally, pulled down by weaker domestic demand (households' demand in particular). The deterioration in domestic demand was reflected in both retail sales and GDP data. The latter showed another slowdown in final consumption spending in the fourth quarter of 2019. Activity was sluggish in the construction sector, with production contracting at the fastest pace in six years, according to the National Accounts figures. However, external demand strengthened in Q4, which helped push GDP growth above the consensus.

Growth in Spain should nonetheless continue to slow in 2020. The consumer confidence indicator fell in December to the lowest level in five years and registered a modest uptick in January. Consumers reported that they are particularly pessimistic about their personal finances in the year ahead. The composite PMI was also weaker than expected in January and remained well below 50, despite a small improvement in January. The 'respite' in the manufacturing industry may be short-lived, if the impact of the coronavirus on global growth intensifies. The trend in employment remained encouraging in 2019, but a marked slowdown in external demand could take its toll on the Spanish labour market in the months ahead.

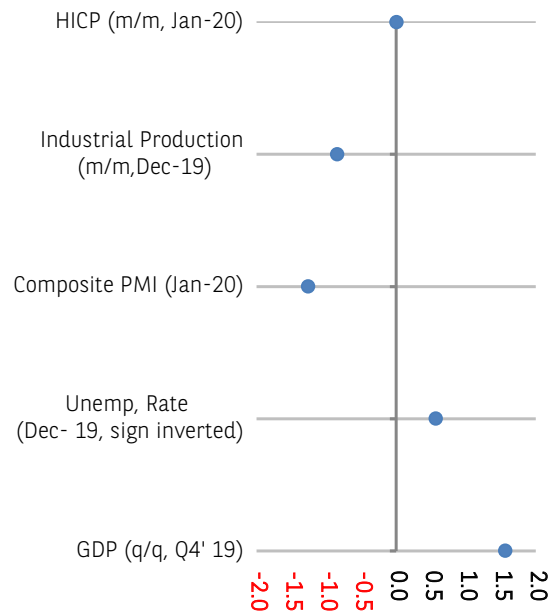
Frédérique Cerisier & Guillaume Derrien

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

SURPRISE (Z-SCORE)



SOURCE: BLOOMBERG, BNP PARIBAS

The indicators in the radar and surprise charts are all transformed into z-scores. By construction, the z-scores have mean zero and their values, which indicate how far the indicator is removed from its long-term average, are in the interval between -3 and 3 in almost all cases. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area signals an improvement. In the right pane, the surprise is an actual outcome that differs from the market forecast (Bloomberg).

