

ECONOMIC PULSE

SPAIN : ARE CONSUMERS TOO GLOOMY?

Since 8 July, a new governmental scheme has offered an 'anti-inflation' cheque of EUR200 per person to 2.7 million of the most vulnerable Spanish households. This measure is part of a total package of EUR9 billion, approved by the authorities at the end of June. This also includes another cut in VAT on electricity (from 10% to 5%) and a cut in travel costs.

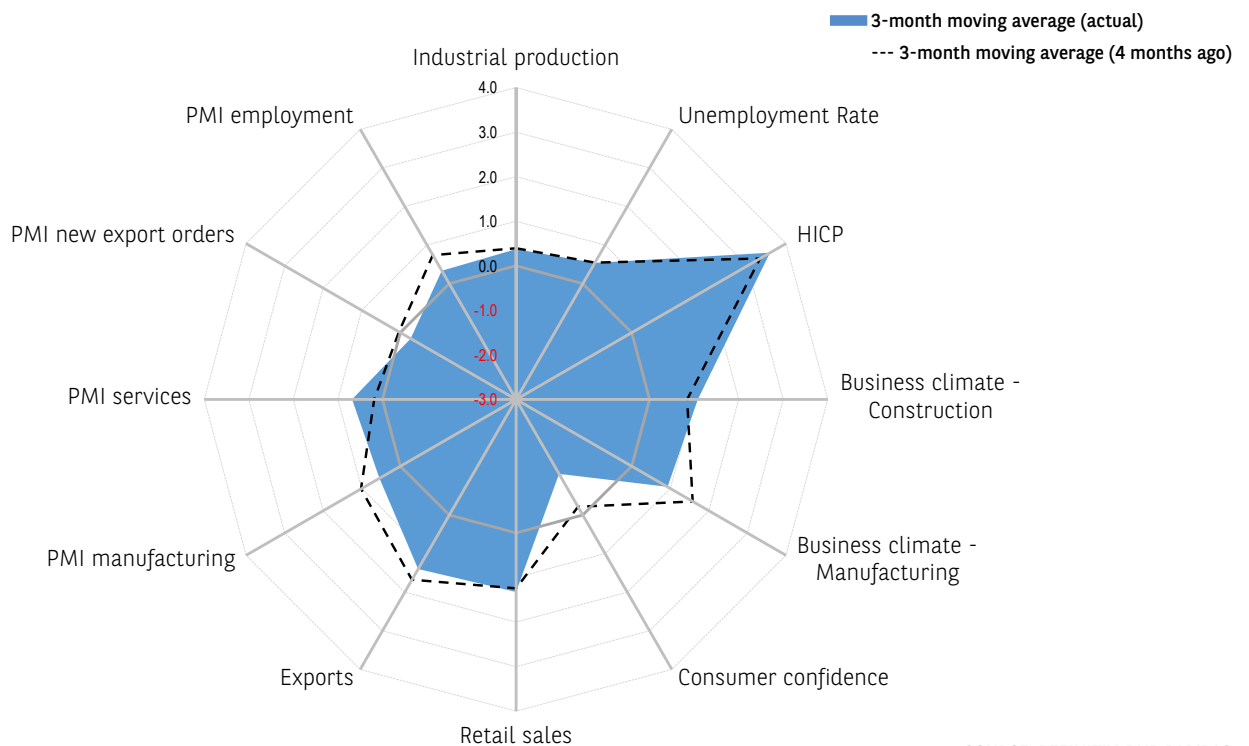
These steps to support households' purchasing power are welcome as inflationary pressures continue to rise. Inflation hit the 10% mark in June (harmonised index), the highest level since the current data series began in 1992. Although rising energy prices (up 40.8% y/y in June) have remained the main contributor to inflation (adding 4.4 points in June), the increase in food prices is amplifying (up 12.9%) and added 2.5 points to total inflation in June. Excluding energy and perishable goods, inflation rose to 5.5%, which again has been the highest level for several decades.

The Spanish economy is nevertheless unlikely to experience a period of recession in 2022. Since the beginning of the year, the composite PMI has been stable in the expansionary zone (53.6 in June) with a rising trend in services (54.0) and resilience in manufacturing (52.6). A significant divergence is therefore emerging between the business and consumers surveys, with the latter seemingly much more pessimistic. According to the European Commission, consumer confidence in June had been at its lowest level since May 2020, period of the first lockdown.

Consumers' pessimism – mainly due to the rise in inflation and its impact on purchasing power – should not discard the fact that the situation in the labour market continues to improve. According to the Spanish employment office (SEPE), net job creation in June was 77,000, the biggest monthly increase for the year so far. Employment volumes grew most strongly in retail (+31,320), hotels (+51,600), and health and social care (+21,940), but fell in education (-49,200) and finance and insurance (-1,230). Furthermore, the number of permanent contracts (full-time and part-time together) rose strongly again, showing that the labour market reforms introduced at the beginning of the year continue to bear fruit. Nearly 240,000 permanent contracts were signed in June, pushing the increase for the first half of the year to more than 1,130,000, a 12% rise. Unemployment increased slightly (by 3,721), but remained below the 3 million threshold.

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SPAIN: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +4. 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 compared to the dotted area signals an increase in the variable.

