

ECONOMIC PULSE

SPAIN: ALL EYES ON THE EMPLOYMENT FIGURES

The barometer provides a perfect illustration of the diverging trend observed between manufacturing and services activities. On average over the past three months, the manufacturing purchasing managers' index (PMI) index has moved above its long-term average, while the indicator for services remains well below this trend.

Despite hopes for a massive vaccination campaign in Q1 2021¹, which would help support the economic recovery, the coming weeks could be difficult on the labour market front: the six-month ban on redundancies for employers having used the temporary unemployment scheme (ERTE) may be coming to an end for many, since the first wave of returns to work occurred at the end of May or beginning of June.

The November data from the Spanish employment agency (SEPE) – due to be released on 2 December – will therefore be looked closely. Thus far, the rebound in employment has been modest. Although the number of workers affiliated to the social security system rose

again in October (+45,364 on seasonally-adjusted figures), increases have slowed steadily since August, even as less than half of the jobs destroyed in the first lockdown have been recovered so far.

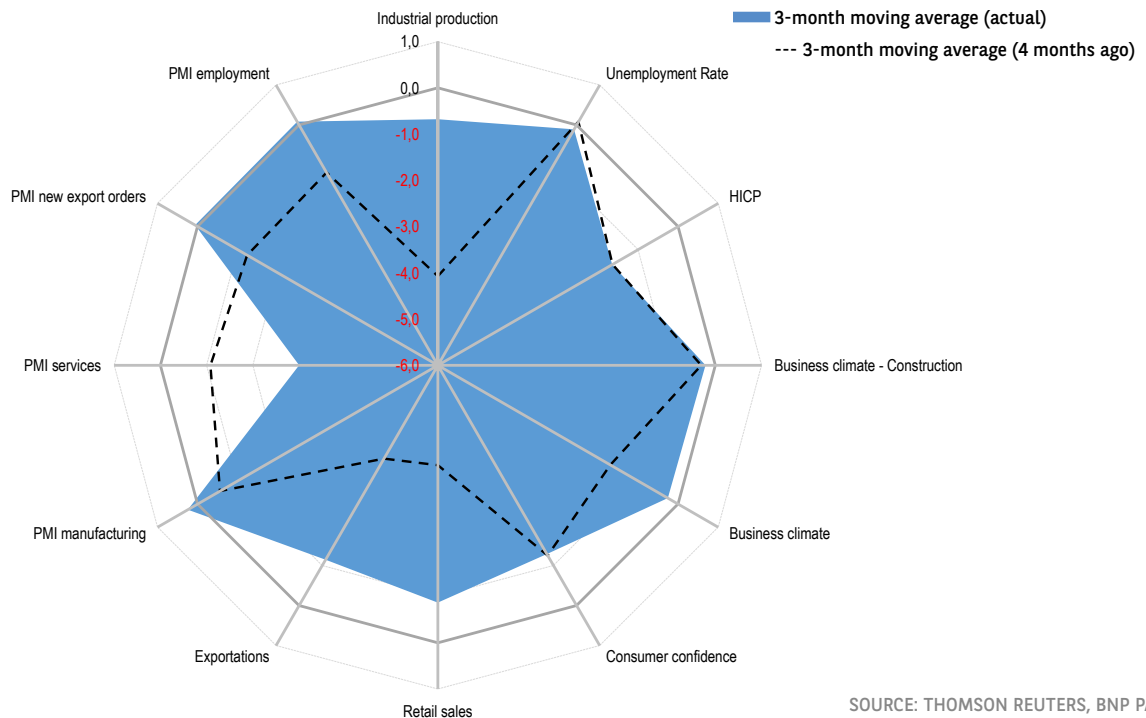
Moreover, deflationary pressures remain high. The consumer price index (CPI) dropped to -0.81% in October, on an annual rate basis. Energy prices remain very depressed, and other CPI components are also weakening, notably education, communication and "leisure & culture": core inflation (excluding energy and perishable foods) was thus the lowest since April 2015.

Although Spain now seems to have passed the peak of the second wave, infection rates remain very high and restrictions on activity will stay in place for several weeks to come. However, since 23 November the authorities in Catalonia have allowed a relaxation of these restrictions, with the re-opening, under strict conditions, of bars, restaurants and certain cultural facilities (cinemas, theatres, etc.).

1. Spanish PM predicts that 'very substantial' part of population could be vaccinated during first quarter of 2021, El Pais English, 20 November 2020

Guillaume Derrien

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, 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 -6 and +1. 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.

