

ECONOMIC PULSE

SPAIN: AT THE HEIGHT OF THE CRISIS

The Spanish data has sharply deteriorated – well below their historical averages – since the beginning of the lockdown in March. The trend in exports and industrial output remains positive on the graphic below but the latest figures are only for February. They will also plunge in March/April.

Indeed, the Purchasing Manager Indices (PMI) – which are more timely – show a record fall in activity in April. The services PMI plunged to 7.1 while the manufacturing index slipped to 30.8. Overall, firms reported a steep decline in output prices: the corresponding composite indicator was 36.2, the lowest level since March 2009.

While real GDP already declined by a record 5.2% q/q in Q1, it is clear that the contraction in Q2 will be even sharper, causing severe economic and social issues. The Spanish national employment office (SEPE) data, released last Tuesday, showed a record increase in unemployment in March-April (+681,210 or +21.7% after seasonal adjustment). This is despite the introduction of temporary layoffs (ERTE) for nearly 3.39 million individuals. These persons are considered as employed. It is

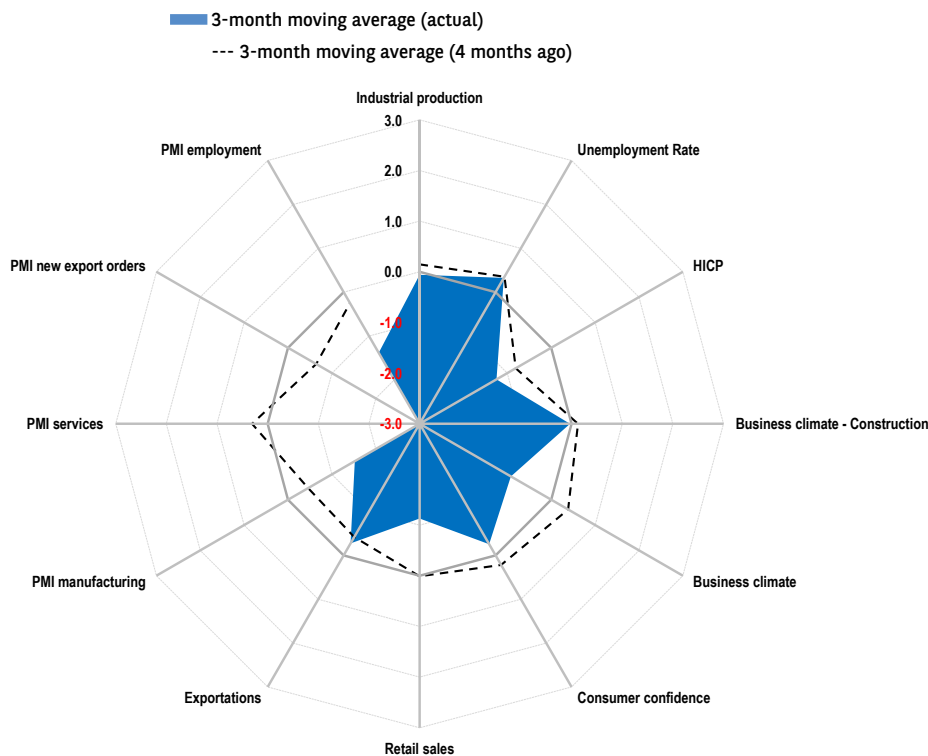
thus likely that the level of unemployment will rise even further in the coming months, as ERTE and some supports to companies are gradually scaled back.

The end of the lockdown, which really gets underway next Monday (the first phase will begin at the national level on May 11th), will be very gradual and spread out over at least 8 weeks. The economic recovery is set to remain sluggish at least through the summer and likely longer. The risks of protracted declines in key economic sectors for the country – not least tourism – are high.

In its Stability Plan submitted to the European Commission on May 1st, the Spanish government is now forecasting a 9.2% contraction in real GDP in 2020, and the public deficit is expected to swell to 10.3% of GDP.

Guillaume Derrien

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar 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.

