

# ECONOMIC PULSE

## SPAIN: THE TREND IN EMPLOYMENT REMAINS SOLID

The strength of the employment data reflects a degree of resilience in the Spanish economy in the face of the multiple shocks. According to the Spanish Employment Office (SEPE) an additional 33,366 active workers (+0.2% m/m) were registered in the social security system in May, the thirteenth consecutive month of growth. The government is expecting a further increase in June<sup>1</sup>. Meanwhile, unemployment fell by 41,069 in May, to its lowest level since 2008. This decline was driven by a further drop in youth unemployment (25 and under), of 21,974. The number of young people out of work slipped below 200,000 for the first time since the beginning of the current data series in January 2001. However, this figure needs to be treated with a degree of caution as the activity rate for this age group has fallen sharply since the crisis of 2011. As a result, the overall unemployment rate has been stable since the beginning of the year, and was 13.3% in April.

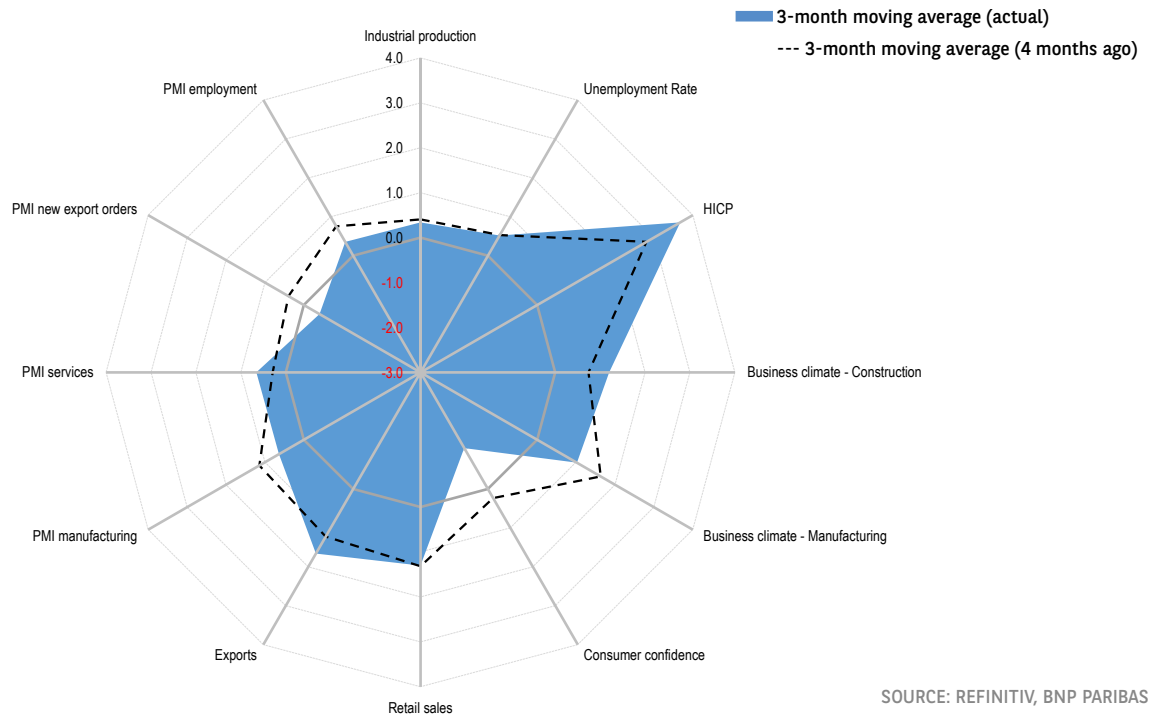
Furthermore, the European Commission's confidence surveys show particularly strong trends in the construction sector, despite the problems faced by companies (rising production costs, supply problems for certain materials). The business climate index in the sector jumped in May (+12.1 points to 21.6), reaching its highest level since November 2005, while the employment index was the best in 22 years. Confidence in the services sector was also strong in May, going into the summer season and the tourism peak. Household confidence is edging higher, but from a low level following its collapse in the first quarter of 2022 as a consequence of the war in Ukraine.

Inflationary pressures intensified in May. The Consumer Price Index was up 8.4% y/y, from 8.3% y/y in April. Although the introduction of a price cap on natural gas (on 15 June) will limit energy price inflation (34.2% y/y in May), the increase in consumer prices is accelerating in other expenditure items, notably food and non-alcoholic beverages (11.0% y/y), household equipment (5.9%) and restaurants and hotels (6.3%).

**Guillaume Derrien**

1. See "Sánchez avanza que el empleo en junio crecerá en 125.000 trabajadores más", El País, 11 June 2022.

## SPAIN: QUARTERLY CHANGES



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.

