

The benefits of the recovery

Each month or quarter that passes provides more data confirming that the recovery of Spain's economy is undeniable, even suggesting that it is a surprisingly vigorous recovery. GDP is growing at a good rate and so is employment. Retail sales, tourism, electricity consumption, international trade and even the consumption of cement are all on the rise. After seven years of enormous difficulties, during which there have been huge job losses, drops in corporate earnings and contraction in wages, this incipient boom is being welcomed with relief but also with some words of warning that should be examined more closely.

On other occasions we have focused on the need to ensure the recovery does not weaken the country's macroeconomic balances which have been so tough to restore, especially the external balance and public accounts. However, one very different but quite frequent caveat regarding the recovery is the need for the benefits to be spread equitably among the population as this would help to achieve two objectives: to correct the imbalances in income caused throughout the years of crisis and reduce the social tensions that may erupt if the economic revival does not involve social groups which have already been hard hit by the recession.

This recommendation for economic policy is undoubtedly well-intentioned and is therefore normally widely shared. However, we must also bear in mind the fact that, in a country with 23% unemployment, the main source of inequality in the recovery, as it was in the recession, is not differences in salaries between sectors or differences between labour rents and other kinds of rents. The key element that explains the rise in relative poverty indices in the last few years is the trend in the labour market. Without doubt the social groups hardest hit by the crisis have been those that have lost their job or entered the labour market and cannot find employment. Likewise, although jobs are being created at an annual rate of 3.5% in the expansion, the benefits of this recovery are not reaching a lot of people who are still jobless and have no immediate prospect of finding a job. Although flows in the labour market are positive, the unemployed will only find jobs very gradually and this is therefore a social problem of the first order.

On the other hand, in a market economy, although the public sector may be substantially present like in Spain, the administration should not determine to a large extent the distribution of income generated by an economic recovery such as the present. With the expansion, and even more so after the sharp adjustments in prices and wages that we have seen, some sectors are recovering much more strongly than others which are still at a standstill. And the income (profits and wages) obtained by the most dynamic sectors are essentially dependent on their competitiveness being maintained or improved. Economic policy can and should act when some of the sectors benefitting most from the recovery do so within a situation of insufficient competition. In other words, we must make sure there are no monopolised sectors in the economy and particularly that restrictive regulations, often introduced by the government itself, are not used in detriment to competition.

The key to ensuring the recovery's benefits reach the whole of society is therefore to achieve economic growth based as far as possible on job creation, as well as growth that is fast but sustainable. Sustainability depends on respecting macroeconomic balances. Healthy employment requires business policies that do not penalise the use of the labour factor, encourage the creation of new business projects and firmly support existing ones and help to efficiently reassign resources among different production activities.

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