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*Research*

Artículo Sectorial

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Agrifood

## The strength of the agrifood

# sector during the coronavirus crisis

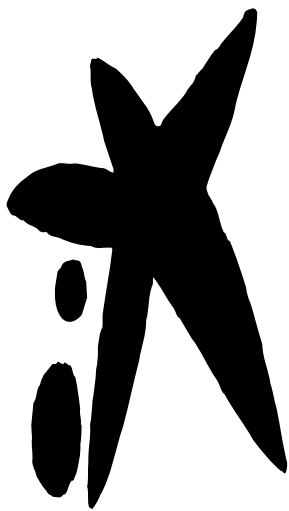
The pandemic has highlighted the strategic nature of the agrifood industry as an essential activity to supply the population with food. The sector has therefore been one of the least affected by the crisis: the primary sector's relative share of the total economy increased and the agrifood industry posted a much smaller decline than manufacturing industry as a whole in Q2 2020. Labour market trends have also been relatively favourable, with relatively few job losses and a smaller proportion of workers affected by furlough measures.

Content available in  
Catalan Spanish



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## **The economic impact of the COVID-19 crisis**

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At this point in the pandemic it is well-known that the crisis caused by COVID-19 is having an unprecedented impact on the world's economy, and on the Spanish economy in particular. The strict lockdown measures in place for much of Q2 2020 and restrictions on international tourism led to a historic fall in Spain's GDP, down by 17.8% quarter-on-quarter (21.5% year-on-year), the largest drop observed since 1995 (the year the National Statistics Institute started to produce this homogeneous series). In comparison, other nearby European economies recorded a very sharp but clearly smaller decline in economic activity. In quarter-on-quarter terms: -11.8% in the euro area as a whole, -9.7% in Germany, -13.8% in France, -12.4% in Italy and -13.9% in Portugal. Only the United Kingdom posted a larger decline than Spain's economy in Q2, namely -20.4% quarter-on-quarter, as in addition to being hit hard by the pandemic it is also immersed in the complex

process of finalising Brexit.

## Despite activity picking up during

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the summer months, the economic recovery is still incomplete, fragile and uncertain.

Available activity indicators for Q3 suggest the Spanish economy rebounded remarkably well thanks to the lifting of the restrictions on people's movements. However, there are signs of a slowdown in this improvement due to the sharp rise in the number of confirmed COVID-19 cases and the new measures being taken to curb the spread of the disease. It is estimated that, in the last quarter of the year, activity could be 12% below the previous year's level. The recovery is therefore still incomplete and the severity of the reduction in activity means that it will take years to regain pre-crisis levels. Specifically, CaixaBank Research's macroeconomic scenario predicts this will not happen until 2023, although it should be remembered that the degree of uncertainty surrounding economic forecasts is unusually high.

## **The agrifood sector's response to the crisis**

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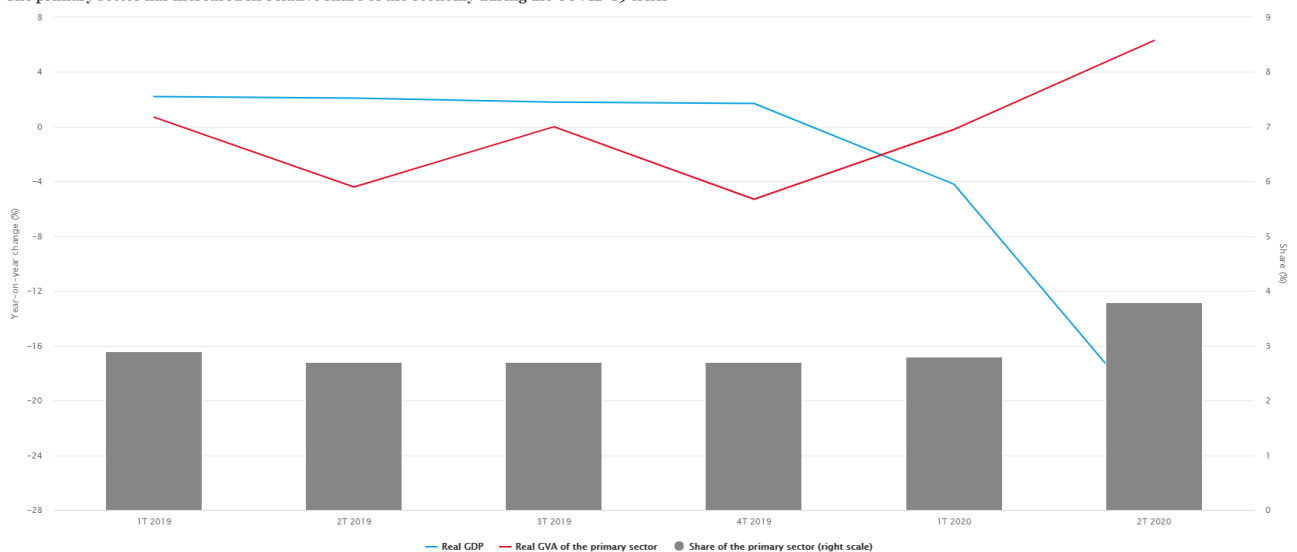
Within this context of a dramatic reduction in activity, the agrifood sector has

reported highly favourable and even counter-cyclical trends. The primary sector's gross value added grew by 3.6% quarter-on-quarter (6.3% year-on-year) in Q2 2020, a quarter during which most of Spain's population was under lockdown and the consumption of essential goods rose considerably. The primary sector therefore increased its share in the overall economy in Q2, contributing 3.8% of GDP compared with 2.7% in 2019.

## Al ser un proveedor de bienes de primera necesidad

very well as a supplier of basic goods for the entire population.

The primary sector has increased its relative share of the economy during the COVID-19 crisis



Source: CaixaBank Research, based on data from the National Statistics Institute.

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Last actualization: 13 November 2020 - 12:23



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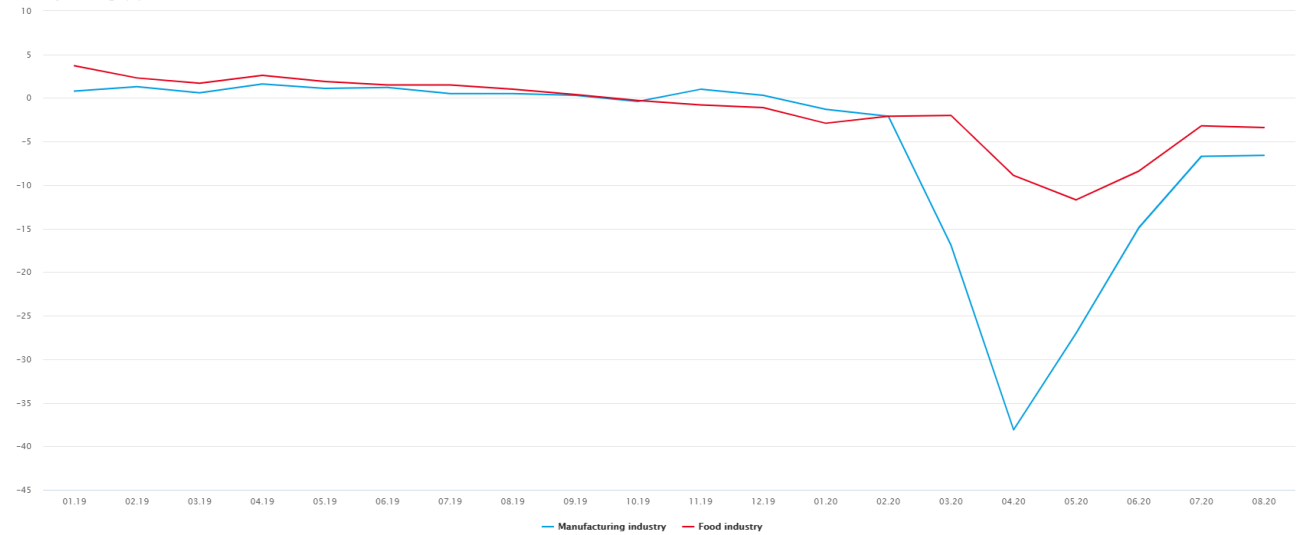
## *Research*

The trend in the agrifood industry has also been positive compared with the manufacturing industry as a whole, much harder hit by the lockdown. Specifically, while total manufacturing output fell by 26.7% year-on-year during April-June, the decline in food production was less pronounced, at -9.4%. In August (latest figures available), the industrial production index for the food sector continued to recover and was only 1.3% below its pre-crisis level. Electricity consumption by business sector also shows that the agrifood industry was operating at almost full capacity during the most critical months of the pandemic: while industry's electricity consumption fell overall by 16.3% year-on-year in Q2 2020, it was barely 1% less in the food industry.

### Smaller decline in the agrifood industry

### Industrial production

Year-on-year change (%)



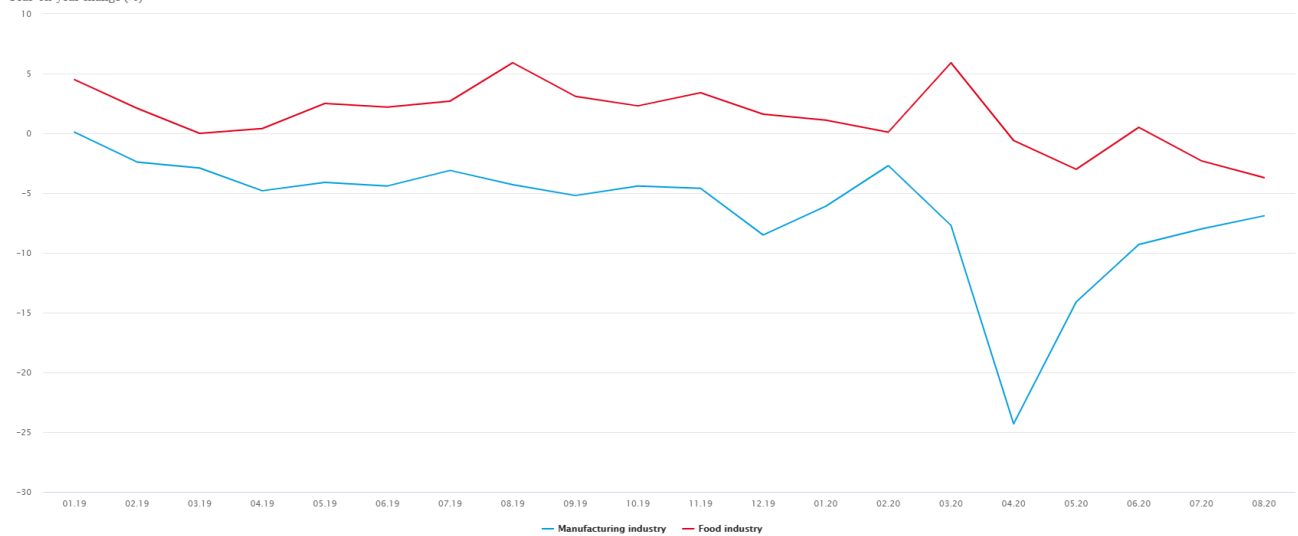
Source: CaixaBank Research, based on data from the National Statistics Institute.

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### Electricity consumption

Year-on-year change (%)



Source: CaixaBank Research, based on data from the National Statistics Institute.

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## Employment trends in the agrifood sector

The extent to which employment altered during the months of lockdown and its subsequent recovery has been very uneven across different sectors. In the primary sector, the number of workers registered with Social Security fell by 1.9% year-on-year in Q2 (compared with -4.4% for all such workers) while in the agrifood

industry it fell by 2.4% (compared with -3.7% for the manufacturing industry as a whole).

Moreover, the agrifood industry has not tended to use the measures implemented to contain job losses (the furlough scheme and extraordinary allowances f1<sup>1</sup> By contrast, the percentage of furloughed employees in the primary sector was just 0.5% (around 4,000 people) and 11.8% in the agrifood industry (compared with 18.3% in manufacturing). The percentage of self-employed workers without work in the primary sector reached 3.5% in May (compared with 43.7% for the economy as a whole and 34.1% for manufacturing).<sup>2</sup>

1. Average data for the month.

2. Data on cessation of business broken down to the 2-digit level of the Spanish activity code are not published. The figure for the agrifood industry is therefore not available.

## The agrifood sector has recorded fewer job losses

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and a lower proportion of furloughed workers, and the recovery in the number of workers registered with Social Security has consolidated during the summer.

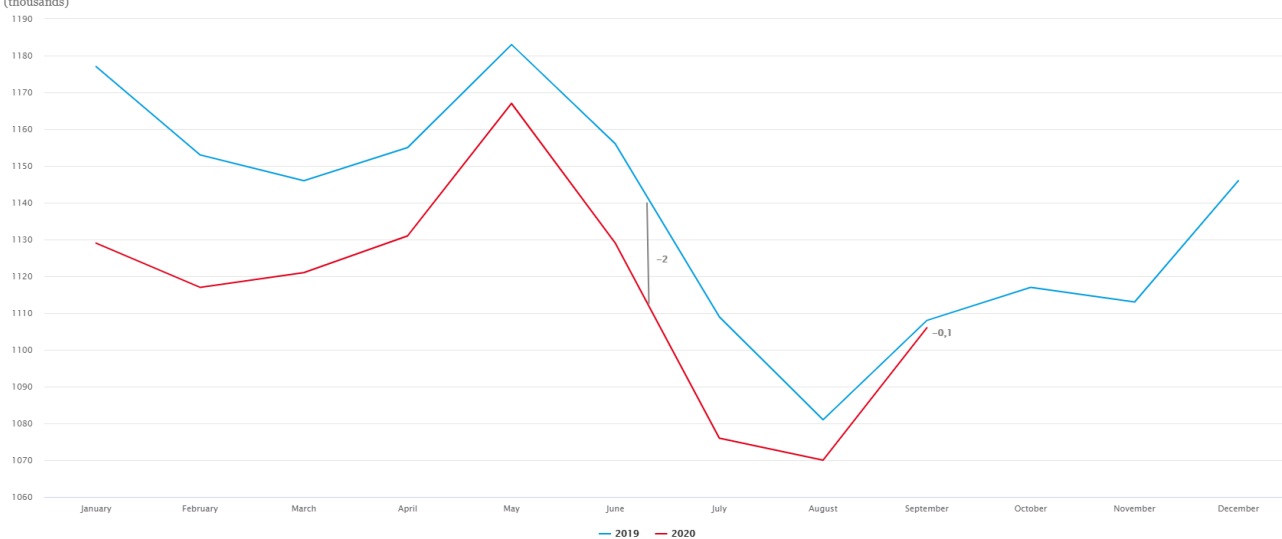
he most recent data, for the month of September, show that the recovery in registered workers has got stronger over the summer. Both sectors have posted smaller decreases than in previous months: -0.1% and -1.3% year-on-year in the primary sector and in the agrifood industry, respectively. Moreover, September has seen the notable return to the labour market of furloughed workers: only 0.1% and 2.8% of employees in the primary sector and agrifood industry were in this situation, respectively (compared with 4.8% of total employees). The furlough



scheme has therefore been hugely effective in safeguarding labour relations during the toughest months of the pandemic.

## Positive trend in the labour market

Primary sector registered workers  
(thousands)

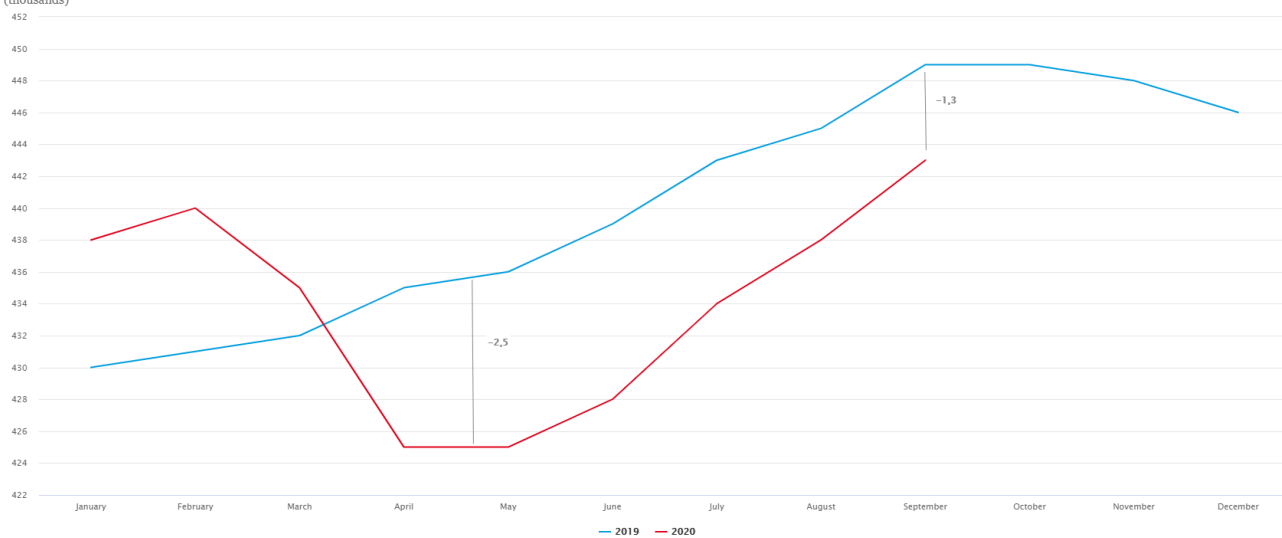


Source: CaixaBank Research, based on data from MITRAMISS.

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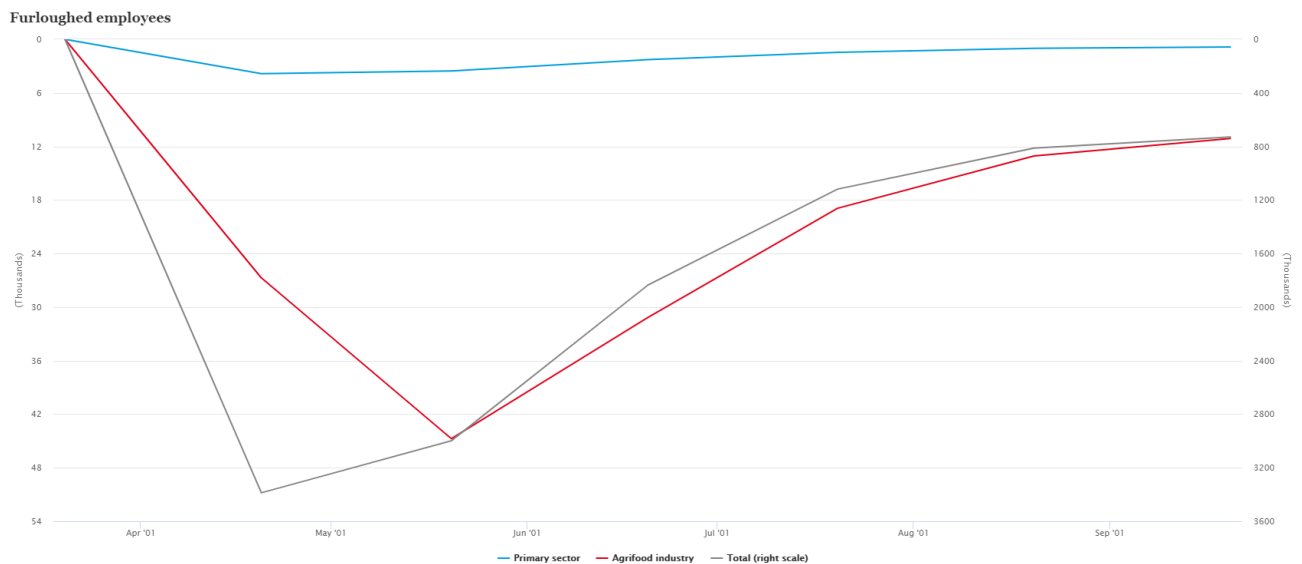
Food industry registered workers  
(thousands)



Source: CaixaBank Research, based on data from MITRAMISS.

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Last actualization: 13 November 2020 - 12:31



Note: Registered with Social Security, end of month data.  
Source: CaixaBank Research, based on data from MITRAMISS.

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Last actualization: 13 November 2020 - 12:32

As noted above, the agrifood sector's good performance during the most critical months of the pandemic could be explained by the lockdown itself, which forced people to stay at home and led to an increase in the consumption of basic goods such as food (as well as a certain stockpiling effect during the first few weeks of the state of emergency). Consequently, one direct result of the lockdown was therefore a marked change in household food consumption patterns, which increased sharply within the home and all but disappeared outside (i.e. in the hotel and catering industry). This substitution effect has continued, albeit to a lesser extent, after the state of emergency was lifted. We explore this issue further in the next article, «Changing consumption patterns during lockdown: from the restaurant to the home».

A second factor that would explain the agrifood sector's good performance during the coronavirus crisis is more structural in nature, thanks to the good positioning of Spanish agrifood products in international markets as a result of the internationalisation efforts made over the past few years. We examine the trends in agrifood exports in more detail in the third article of this report: «The resilience of Spanish agrifood exports».



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Etiquetas

Agrifood