

Quick Note 31/05/2018

Spain · GDP growth remains robust in Q1 2018**Data**

- GDP grew **3.0% year-on-year** in Q1 2018, **1 tenth more than initially estimated** by the National Statistics Institute a month ago.
- In QoQ terms, GDP expanded **0.7%**, matching the preliminary figure.
- In YoY terms, **domestic demand** made a smaller contribution to GDP growth during Q1 (2.8 p.p. compared to 3.2 p.p. in Q4), although this was practically offset by a good performance from net foreign demand (0.2 p.p. compared to -0.1 p.p. in Q4).
- Employment, in terms of full-time equivalent (FTE) jobs, was up 2.6% YoY (2.9% in Q4). In the last 12 months **466,000 jobs** have been created (FTE).

Assessment

- **The pace of Spanish economic growth was again robust in Q1** (0.7% QoQ), in line with CaixaBank Research forecasts and the preliminary figures reported by the Spanish National Statistics Institute (INE) a month ago. It is worth noting that the National Statistics Institute has revised up its YoY GDP forecast to 3.0% (compared to 2.9% estimated previously), indicating that the **growth rate was again very solid, in line with the second half of 2017**.
- **Private consumption gained momentum in Q1**, showing that the slowdown in the final stages of 2017 was an isolated event. This supports the idea that private consumption will gain further traction thanks to rising occupation levels and positive financing conditions.
- **Investment** as a whole moved in line with expectations (0.8% QoQ), albeit showing a very different composition to that anticipated by CaixaBank Research. Contrary to predictions, **investment in capital goods declined in the quarter** (-1.6% QoQ), a dip that contrasts with the upbeat economic sentiment figures recorded over the month. However, this is a highly volatile component of GDP, and does not change our vision of expanding business investment amid accommodative financial conditions, as well as production capacity running at high levels. Meanwhile, investment in construction showed a significant uptick (2.4% QoQ) thanks to growth in **residential housing construction** (3.5% QoQ), mirroring recovering activity levels in the real estate sector.
- Foreign trade flows recovered, following near flat growth in the previous quarter. Specifically, both exports and imports were up 1.3% QoQ, helping to ensure a positive contribution from net foreign demand to YoY GDP growth.
- **Job creation (FTE) was again robust** (2.6% YoY), albeit slightly below forecasts and figures from previous quarters. This is evidence of a slight slowdown in job creation during Q1, as indicated by labour force survey data for the same period.
- The available indicators for Q2 suggest that the pace of growth remains high, albeit slowing slightly. In the light of this data, the risks in terms of our **full-year 2018 GDP growth forecast of 2.8% look balanced**.

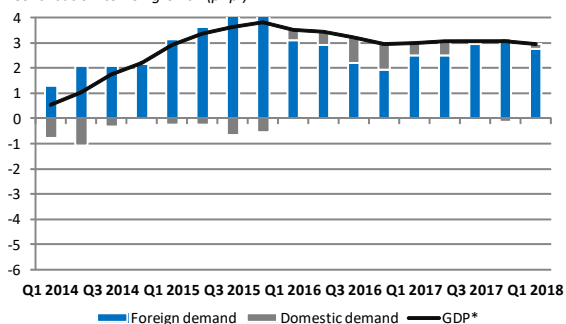
Spain: GDP breakdown

	Average 2000-07	Average 2008-13	Average 2014-17	Q2 2017	Q3 2017	Q4 2017	Q1 2018	
							Data	Forecast
<i>QoQ change (%)</i>								
Private consumption	0.8	0.4	0.6	0.8	0.7	0.6	0.7	0.7
Public consumption	1.3	0.0	0.3	0.5	0.4	0.4	0.5	0.2
Investments (GFCF)	1.4	-1.9	1.3	0.6	1.4	0.7	0.8	0.7
GFCF - equipment	1.2	-0.8	1.6	0.1	2.8	0.9	-1.6	0.6
GFCF - construction	1.4	-2.9	1.2	1.0	0.2	1.0	2.4	0.8
Exports	1.0	0.4	1.1	1.0	0.6	0.3	1.3	1.1
Imports	1.6	-1.0	1.2	0.5	1.0	0.0	1.3	0.9
Real GDP	0.9	-0.4	0.7	0.9	0.7	0.7	0.7	0.7
<i>YoY change (%)</i>								
Private consumption	3.5	-2.2	2.4	2.4	2.4	2.5	2.8	2.8
Public consumption	5.1	0.8	1.0	1.5	1.4	2.4	1.9	1.6
Investments (GFCF)	5.9	-7.4	4.9	3.9	5.6	5.6	3.5	3.5
GFCF - equipment	5.2	-3.4	7.2	3.9	6.6	7.7	2.2	4.5
GFCF - construction	6.2	-10.7	3.8	4.3	5.1	4.8	4.7	3.0
Exports	4.6	1.8	4.6	4.5	5.6	4.4	3.2	3.0
Imports	6.9	-4.0	5.0	3.1	5.9	5.2	2.8	2.4
Domestic demand (contribution)	4.5	-3.1	2.8	2.5	3.0	3.2	2.8	2.7
Foreign demand (contribution)	-0.8	1.8	0.0	0.6	0.1	-0.1	0.2	0.3
Real GDP	3.7	-1.3	2.8	3.1	3.1	3.1	3.0	2.9
Employment (full-time equivalent)	3.4	-3.2	2.5	2.9	2.9	2.9	2.6	3.2
Apparent productivity of labour	0.4	2.0	0.3	0.2	0.2	0.2	0.3	-0.2
Compensation per employee	3.7	2.3	0.4	-0.2	0.3	0.2	0.4	0.6
Nominal UCL	3.3	0.3	0.1	-0.3	0.0	0.0		0.8
GDP Deflator	3.8	0.5	0.4	0.9	1.0	1.2	1.3	0.7
Nominal GDP	7.8	-0.4	2.8	3.7	3.8	4.0	4.2	4.0
Nominal GDP € Mn, accumulated four quarters)	824	1,073	1,086	1,140	1,152	1,164	1,176	1,174

Source: CaixaBank Research, based on National Statistics Institute data

Spain: GDP

Contribution to YoY growth (p. p.)

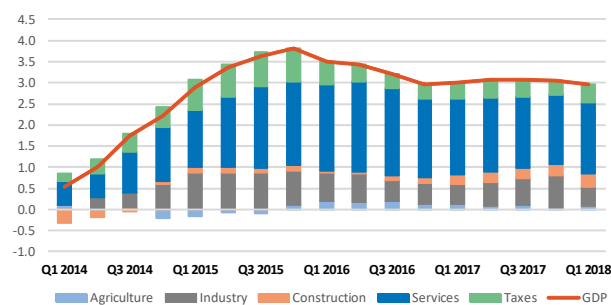


Note: * YoY change (%).

Source: CaixaBank Research, based on INE data.

Spain: Contribution of supply components to GDP growth

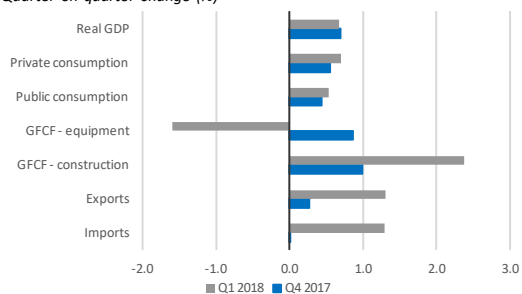
(p.p.)



Source: CaixaBank Research, based on INE data.

Spain: GDP components

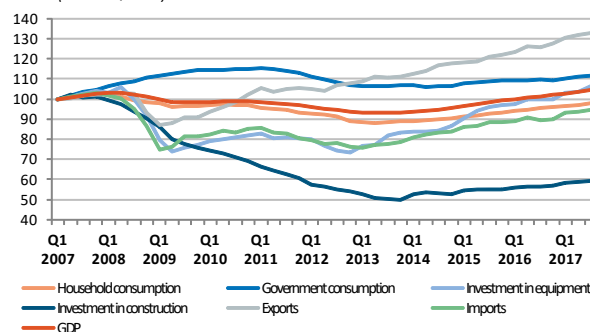
Quarter-on-quarter change (%)



Source: CaixaBank Research, based on INE data.

Spain: GDP breakdown by demand components

Index (100= 1Q 2007)



Source: CaixaBank Research, based on INE data.

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