

Flash Note 31/10/2018

Spain · Robust GDP growth in 3Q**Data**

- GDP expanded **2.5% YoY** in 3Q 2018, matching the previous quarter.
- In quarterly terms, GDP grew **0.6%**, the same figure as posted in 2Q.
- In year-on-year terms, **domestic demand** contributed 3.0 p.p. towards growth, 0.3 p.p. less than in the previous quarter. However, this decline was offset by a less negative impact on growth had by net foreign demand (-0.5 p.p. compared to -0.8 p.p. in 2Q).
- Employment, in terms of full-time equivalent (FTE) jobs, was up 2.5% YoY, a similar rate to 2Q. In the last 12 months **450,000 jobs** have been created (FTE).

Assessment

- **The Spanish economy maintained a solid pace of growth in 3Q** (0.6% QoQ), outstripping the growth posted by the main Eurozone economies. Said increase was slightly stronger than anticipated by CaixaBank Research (0.5%).
- **Private consumption was up in 3Q to 0.6% QoQ** (0.1% in 2Q), confirming that the dip in consumption seen in the preceding quarter was a temporary effect, potentially triggered by sharp price growth driven by rising oil prices. Given the positive context for consumption growth (job creation expanding at a good pace, salary compensation again climbing slightly, and financing conditions remaining accommodative), we expect consumption to persist as the chief driver of economic growth, although a slight slowdown can be expected in the coming quarters.
- **Investment slowed against the previous quarter, but maintained a very solid growth rate of 1.0% QoQ** (6.3% YoY). This slackening was anticipated given the one-off nature of the investment uptick seen during 2Q (growth of 3.5% QoQ). Overall, the figure for this quarter represents vigorous investment growth and is a positive signal in terms of prospects for demand going forward. Likewise, both **investment in capital goods** and **investment in construction** saw growth rates ease to 2.2% QoQ (6.6% in 2Q) and 0.5% QoQ (2.2% in 2Q) respectively. However, growth in **residential housing construction** accelerated by 0.8 p.p. to 1.5%. The latter figure confirms the improving trend seen in the real estate market.
- **Foreign demand detracted 0.5 p.p. from GDP growth in 3Q**, a smaller negative impact than in 2Q (-0.8 p.p.). This negative contribution was already discounted, due to heightening global trade frictions, the Eurozone slowdown, and rallying oil prices. Over the coming quarters we expect the aforementioned factors to continue to weigh on the foreign sector, with foreign demand again detracting slightly from growth.
- **Job creation (FTE) remained robust** (2.5% YoY) and in line with expectations. This indicates a positive labour market trend in 3Q, as indicated by labour force survey data for the same period.
- The indicators available for 4Q suggest the pace of growth will hold at similar levels to 3Q. In the light of this data, the risks in terms of our **full-year 2018 GDP growth forecast of 2.5% look balanced**.

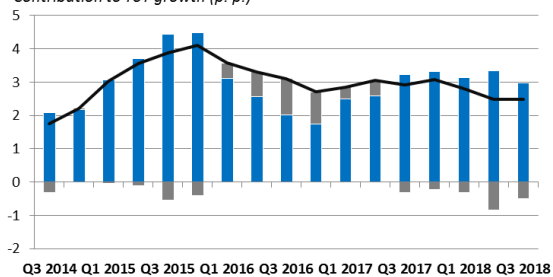
Spain: GDP breakdown

	Average 2000-07	Average 2008-13	Average 2014-17	Q4 2017	Q1 2018	Q2 2018	Q3 2018	
							Data	Forecast
<i>QoQ change (%)</i>								
Private consumption	0.8	0.4	0.6	0.4	0.9	0.1	0.6	0.6
Public consumption	1.3	0.0	0.4	0.3	0.8	0.1	0.8	0.2
Investments (GFCF)	1.4	-1.9	1.2	0.6	1.1	3.5	1.0	0.8
GFCF - equipment	1.2	-0.8	1.6	0.5	-0.1	6.6	2.2	0.7
GFCF - construction	1.4	-2.9	1.1	0.8	2.1	2.2	0.5	0.8
Exports	1.0	0.4	1.2	1.4	0.6	0.2	-1.8	1.0
Imports	1.6	-1.0	1.2	0.6	1.7	1.0	-1.2	1.1
Real GDP	0.9	-0.4	0.7	0.7	0.6	0.6	0.6	0.5
<i>YoY change (%)</i>								
	Average 2000-07	Average 2008-13	Average 2014-17					
Private consumption	3.5	-2.2	2.5	2.7	3.1	2.3	2.1	2.0
Public consumption	5.1	0.8	1.2	2.6	2.4	1.9	2.1	1.5
Investments (GFCF)	5.9	-7.4	4.8	5.2	3.9	7.7	6.3	6.1
GFCF - equipment	5.1	-3.3	7.3	7.0	1.9	11.1	9.5	7.7
GFCF - construction	6.2	-10.7	3.4	4.8	5.7	7.0	5.7	6.0
Exports	4.6	1.8	4.7	4.2	3.4	2.3	0.4	3.2
Imports	6.9	-4.0	5.1	5.4	4.7	5.2	2.0	4.3
Domestic demand (contribution)	4.5	-3.1	2.8	3.3	3.1	3.3	3.0	2.7
Foreign demand (contribution)	-0.8	1.8	0.0	-0.2	-0.3	-0.8	-0.5	-0.3
Real GDP	3.7	-1.3	2.8	3.1	2.8	2.5	2.5	2.4
Employment (full-time equivalent)	3.4	-3.2	2.6	2.9	2.6	2.5	2.5	2.5
Apparent productivity of labour	0.4	2.0	0.2	0.2	0.3	0.0	0.0	-0.1
Compensation per employee	3.7	2.3	0.2	0.5	0.4	0.7	1.1	0.2
Nominal UCL	3.3	0.3	0.1	0.0	0.1	0.6	1.1	0.3
GDP Deflator	3.8	0.5	0.5	1.8	1.1	0.8	1.0	1.4
Nominal GDP	7.8	-0.4	2.8	4.3	4.3	4.1	3.9	4.0
Nominal GDP (millions of euros, accumulated four	824	1073	1087	1166	1178	1187	1197	1199

Source: CaixaBank Research, based on National Statistics Institute data

Spain: GDP

Contribution to YoY growth (p.p.)



Q3 2014 Q1 2015 Q3 2015 Q1 2016 Q3 2016 Q1 2017 Q3 2017 Q1 2018 Q3 2018

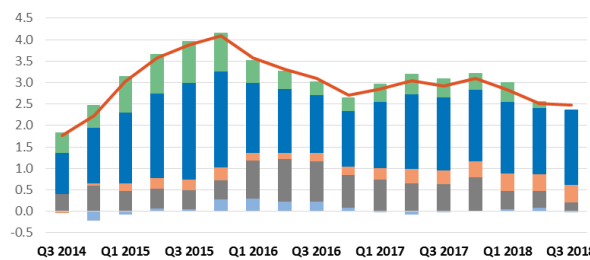
Foreign demand Domestic demand GDP*

Note: * YoY change (%).

Source: CaixaBank Research, based on INE data.

Spain: Contribution of supply components to GDP growth

(p.p.)



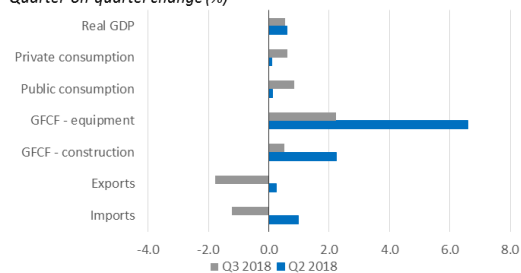
Q3 2014 Q1 2015 Q3 2015 Q1 2016 Q3 2016 Q1 2017 Q3 2017 Q1 2018 Q3 2018

Agriculture Industry Construction Services Taxes GDP

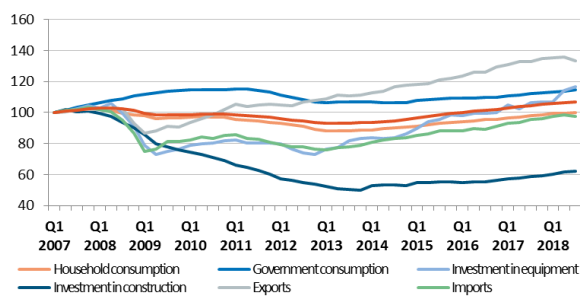
Source: CaixaBank Research, based on INE data.

Spain: GDP components

Quarter-on-quarter change (%)



Source: CaixaBank Research, based on INE data.

Spain: GDP breakdown by demand components


Source: CaixaBank Research, based on INE data.

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