

Flash Note 31/01/2019

Spain · GDP surprised on the upside, ending the year on a good note**Data**

- GDP expanded **2.4% YoY** in 4Q 2018, matching the previous quarter.
- In quarterly terms GDP grew **0.7%**, 1 tenth more than in 3Q.
- In year-on-year terms, **domestic demand** contributed 2.7 p.p. towards growth, down 0.1 p.p. compared to the previous quarter. However, this decline was offset by a less negative impact on growth had by net foreign demand (-0.3 p.p. compared to -0.4 p.p. in 3Q).
- Employment, in terms of full-time equivalent (FTE) jobs, was up 2.6% YoY, 1 tenth higher than in 3Q. In the last 12 months **463,000 jobs** have been created (FTE).

Assessment

- **The Spanish economy ended the year expanding more robustly than anticipated** (0.7% QoQ compared to forecast growth of 0.6%) and far outstripping the Eurozone (0.2% QoQ).
- **The good trend from private consumption continued in 4Q** (0.5% growth QoQ and 2.2% YoY), in line with a positive labour market performance, as evidenced by labour force survey data, which showed robust jobs growth in 4Q. Meanwhile, public consumption was again on the rise, as it was in the previous quarter, rising 1.2% QoQ (0.8% in 3Q). Given good prospects for the labour market - which is expected to sustain strong growth, with salary compensation recovering further - and financing conditions that are likely to remain accommodative, we believe consumption will post further solid growth over the coming quarters.
- **Investment took something of a breather, following robust performances in previous quarters, declining 0.2% QoQ against the last quarter.** While the figure was lower than expected, it is worth noting that this comes after rapid investment growth in preceding quarters (average QoQ growth between 1Q and 3Q of 1.6%), while the series is also inherently volatile. Likewise, **growth in construction investment slowed** to 0.1% QoQ.
- **There was a trend shift in foreign demand, reversing the performance of recent quarters, contributing 0.3 p.p. to QoQ GDP growth in 4Q** (foreign demand undermined the figure 0.3 p.p. in 3Q). This was a stronger figure than anticipated amid considerable global trade frictions and a slowdown in the Eurozone. Over the coming quarters we expect the aforementioned factors to continue to weigh on the foreign sector, with foreign demand again making very limited, or even negative, contributions to growth.
- **Job creation (FTE) remained robust** (+0.1 p.p. to 2.6% YoY), albeit standing slightly short of forecasts (3.0% YoY). This points to a positive labour market performance in 4Q, as indicated by labour force survey data for the same period.
- The available indicators for 1Q 2019 suggest the pace of growth will stand slightly short of 4Q levels. In the light of this data, the risks in terms of our **full-year 2019 GDP growth forecast of 2.1% look to be on the upside.**

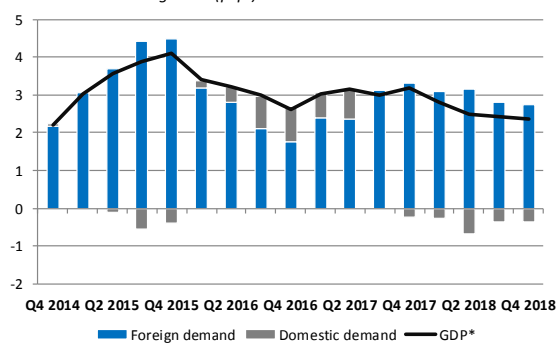
Spain: GDP breakdown

	Average 2000-07	Average 2008-13	Average 2014-17	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Data	Forecast
QoQ change (%)									
Private consumption	0.8	0.4	0.6	0.9	0.0	0.8	0.5	0.5	
Public consumption	1.3	0.0	0.4	0.6	0.2	0.8	1.2	0.2	
Investments (GFCF)	1.4	-1.9	1.2	1.0	3.0	0.8	-0.2	0.7	
GFCF - equipment	1.2	-0.8	1.6	-0.2	5.9	0.8	-1.7	0.7	
GFCF - construction	1.4	-2.9	1.1	1.9	1.7	1.0	0.1	0.7	
Exports	1.0	0.4	1.2	0.5	0.3	-0.9	1.9	1.2	
Imports	1.6	-1.0	1.3	1.4	0.7	-0.2	1.1	1.1	
Domestic demand (contribution)	1.1	-0.8	0.7	0.8	0.7	0.8	0.4	0.5	
Foreign demand (contribution)	-0.2	0.4	0.0	-0.3	-0.1	-0.3	0.3	0.1	
Real GDP	0.9	-0.4	0.7	0.6	0.6	0.6	0.7	0.6	
YoY change (%)									
								2018	
								Data	Forecast
Private consumption	3.5	-2.2	2.5	3.1	2.2	2.1	2.2	2.2	2.4
Public consumption	5.1	0.8	1.2	2.2	1.9	2.1	3.0	2.0	2.3
Investments (GFCF)	5.9	-7.4	4.8	3.8	7.0	5.5	4.6	5.6	5.2
GFCF - equipment	5.1	-3.3	7.3	1.8	10.3	7.2	4.8	7.4	6.0
GFCF - construction	6.2	-10.7	3.4	5.6	6.3	5.5	4.8	5.4	5.5
Exports	4.6	1.8	4.7	3.3	2.3	1.3	1.8	1.1	2.2
Imports	6.9	-4.0	5.1	4.4	4.6	2.5	3.1	3.0	3.6
Domestic demand (contribution)	4.5	-3.1	2.8	3.1	3.1	2.8	2.7	2.8	2.9
Foreign demand (contribution)	-0.8	1.8	0.0	-0.3	-0.6	-0.4	-0.3	-0.6	-0.4
Real GDP	3.7	-1.3	2.8	2.8	2.5	2.4	2.4	2.2	2.5
Employment (full-time equivalent)	3.4	-3.2	2.6	2.6	2.5	2.5	2.6	3.0	2.5
Apparent productivity of labour	0.4	2.0	0.3	0.3	0.0	-0.1	-0.2	-0.4	0.0
Compensation per employee	3.7	2.3	0.4	0.5	0.8	1.1	1.5	1.3	1.0
Nominal UCL	3.3	0.3	0.0	0.3	0.8	1.2	1.6	2.0	1.0
GDP Deflator	3.8	0.5	0.5	1.1	0.8	1.0	0.8	1.1	0.9
Nominal GDP	7.8	-0.4	2.8	4.3	4.0	3.8	3.5	3.5	3.9
Nominal GDP (millions of euros, accumulated four quarters)	824	1,073	1,087	1,178	1,187	1,197	1,207	1,207	1,207

Source: CaixaBank Research, based on National Statistics Institute data

Spain: GDP

Contribution to YoY growth (p.p.)

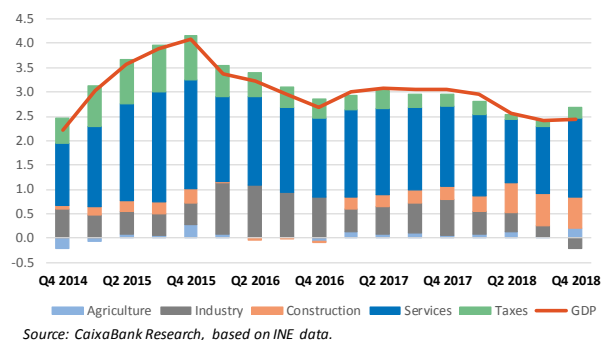


Note: * YoY change (%).

Source: CaixaBank Research, based on INE data.

Spain: Contribution of supply components to GDP growth

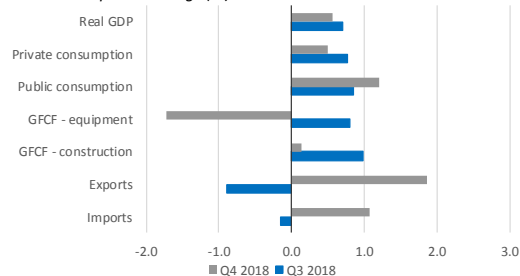
(p.p.)



Source: CaixaBank Research, based on INE data.

Spain: GDP components

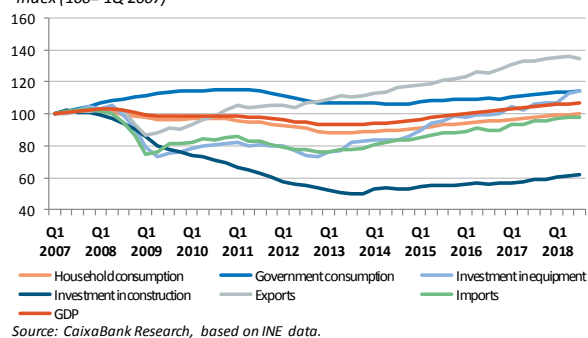
Quarter-on-quarter change (%)



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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