

Flash Note 02/04/2019

Spain · Worsening of the non-energy goods balance undermines the current account surplus**Data**

- The **current account** balance stood at **0.86% of GDP in January** (0.93% in December and 1.82% in January 2018).
- The **trade balance of goods** stood at **-2.8% of GDP** (-2.8% in December and -2.2% in January 2018).
- The **trade balance of services** stood at **4.7% of GDP** (4.7% in December and 5.0% in January 2018).
- The **balance of income** stood at **-1.0% of GDP** (-1.0% in December and -1.0% in January 2018).

Note: All figures 12-month accumulated.

Assessment

- The **current account balance** stood at 10,374 million euros in January 2019 (0.86% of GDP), down 1.0 pp compared to January 2017 (1.82% of GDP). **7 tenths of the decline was driven by a deterioration of the goods balance**, of which 4 tenths were accounted for by non-energy goods and 3 by oil prices. **Meanwhile, the lower services sector surplus undermined the figure by 3 tenths**, 1 due to tourism and 2 due to non-tourism services.
- The **trade deficit of non-energy goods** was up again relative to the previous month, chiefly due to a slowdown in exports, which grew 1.4% yoy in January 2018 (12-month accumulated), below the 2.0% recorded in full-year 2018. Imports, meanwhile, expanded 3.4% in January (3.7% average in 2018). The **trade deficit of energy goods** moderated (see chart on the following page showing the accumulated performance from the various components in millions of euros).
- Last year, the worsening of the **trade balance of services has been more moderate** than the balance of goods. On the one hand, there has been gradual easing in the number of foreign tourists, which offset a rising number of Spanish tourists travelling abroad. Meanwhile, **the balance of non-tourism services** has also been eroded gradually over the last year (in January exports expanded 3.4% in the 12-month accumulated figure, short of the 9.2% seen in imports). Non-tourism services include vital sectors such as business services, consultancy, engineering and intellectual property, and had been among the key factors shoring up the foreign sector in 2016 and 2017.
- The **balance of income** was practically unchanged thanks to loose financing conditions, which saw the cost of foreign debt remain under control.
- The **net international investment position (NIIP) in 4Q 2018 stood at -77.2% of GDP**, 6.3 pp less than 4Q 2017 (-83.5% revised figure; previously -80.7%). The NIIP excluding the balance of the Bank of Spain shifted from -66.2% to -59.4% of GDP. The lion's share of the improvement was due to debt portfolio valuation effects (more assets and less liabilities).
- **Over the coming months, the trade deficit of nonenergy goods will continue to erode the current account balance.** In the light of this data, **the risks in terms of our full-year 2019 current account forecast of 0.6% of GDP look balanced.**

January-19

Current Account Components in January 2019

Percentage of GDP (%)

	January 2018	December 2019	January 2019	difference from last year	difference from last month
Current account balance	1.83	0.93	0.86	-0.98	-0.08
Trade balance	2.8	1.9	1.9	-1.0	-0.09
Trade balance of goods	-2.2	-2.8	-2.8	-0.7	-0.04
non energy goods	0.1	-0.2	-0.3	-0.4	-0.07
energy goods	-2.3	-2.6	-2.5	-0.2	0.03
Trade balance of services	5.0	4.7	4.7	-0.3	-0.05
Tourism services	3.5	3.3	3.3	-0.1	-0.01
Non tourism services	1.5	1.4	1.4	-0.2	-0.04
Income balance	-1.0	-1.0	-1.0	0.0	0.01

Note: Data always corresponds to the last 12 months.

Source: CaixaBank Research, from data from INE.

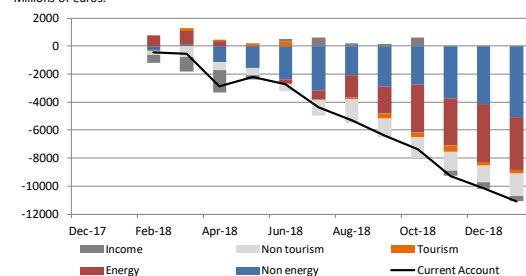
Current account(Spanish Central Bank)

Percentage of GDP, %



Cumulative evolution of current account in the last year by components

Millions of euros.



Jordi Singla, CaixaBank Research, e-mail: research@caixabank.com

A NOTICE REGARDING PUBLICATION OF THE CAIXABANK "FLASH NOTE"

Flash Notes are publications produced in conjunction by CaixaBank Research and BPI Research (UEEF), containing information and opinions from sources that we consider reliable. This document is provided for informational purposes only, and CaixaBank and BPI accept no responsibility under any circumstances for any use made of the same. The opinions and estimates herein are those of CaixaBank and BPI and may be subject to change without prior notice.