

Flash Note 30/04/2019

**Spain · Robust GDP growth in 1Q 2019****Data**

- GDP grew **2.4% yoy** in 1Q 2019 , 1 tenth up on the previous quarter's figure.
- In quarterly terms, GDP was up **0.7%**, a figure 0.1 pp higher than 4Q 2018.
- In year-on-year terms, **domestic demand** contributed 2.2 p.p. towards growth, 0.3 p.p. less than in the previous quarter. However, this decline was more than offset by net foreign demand, which went from detracting 0.2 pp from growth to contributing 0.2 pp (+0.4 pp).
- In terms of full-time equivalent (FTE) jobs, employment was up 2.8% YoY, 2 tenths higher than the 4Q figure. In the last 12 months **510,000 jobs** have been created (FTE).

**Assessment**

- **The Spanish economy began the year with somewhat more solid growth than anticipated** (0.7% qoq compared to anticipated growth of 0.6%).
- **Growth in private consumption eased in the first quarter of the year**, expanding 0.3% qoq (1.4% mom), 1 tenth short of the 4Q 2018 figure. Said pace of growth was moderate given the context of rapid employment expansion shown by the active population survey. Even so, this is normal given the inherent volatility of the series, and is consistent with a scenario in which consumers ease off on spending, having executed in recent years consumption decisions that had been postponed during the crisis (declining impact from the pool of pending consumption).<sup>1</sup> Nonetheless, we expect consumption to sustain solid growth over the coming quarters, given good prospects for the labour market - employment growth is set to remain high, with a further recovery in salary remuneration - and the likelihood of financing conditions remaining accommodative.
- **Investment rallied powerfully after taking a break in the previous quarter, growing 1.5% qoq** (4.7% yoy). By components, there was a standout uptick for investment growth in capital goods and investment in building residential homes (3.8% and 1.6% qoq respectively). Overall, this sends a positive signal regarding prospects for aggregate demand going forward.
- **In qoq terms, the foreign demand improvement shown in the previous quarter was sustained, contributing 0.2 pp to GDP growth in 1Q 2019.** Even so, it is worth noting that this contribution was due to imports shrinking faster than exports (-1.1% and -0.5% qoq respectively). We thus saw trade flows decline further, as expected due to ongoing heightened trade tensions at the global level and waning Eurozone growth. Over the coming quarters we expect slight deterioration from the international scenario affecting the foreign sector performance and the foreign demand continues to make highly restrained contributions to growth.

<sup>1</sup> For further information, see the article entitled "[Will Spain's savings rate continue to fall?](#)" in IM04/2019.

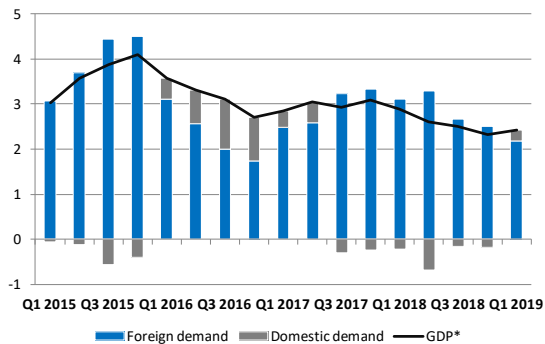
- **Job creation (FTE) remained robust** (+0.2 pp to 2.8% yoy), meaning 510,000 jobs have been created in the last year (FTE). This points to a positive labour market performance in 1Q 2019, as indicated by labour force survey data for the same period.
- The indicators available to date suggest that the pace of growth over the next quarter will be similar to 1Q 2019. In the light of this data, **growth in 2019 could outstrip our current forecast of 2.1%**.

## Spain: GDP breakdown

	Average 2000-07	Average 2008-13	Average 2014-17	Q2 2018	Q3 2018	Q4 2018	Q1 2019		
								Data	Forecast
<i>QoQ change (%)</i>									
Private consumption	0.8	0.4	0.6	0.1	0.6	0.4	0.3	0.5	
Public consumption	1.3	0.0	0.4	0.3	0.8	0.4	0.4	0.5	
Investments (GFCF)	1.4	-1.9	1.2	3.2	0.2	-0.2	1.5	1.3	
GFCF - equipment	1.2	-0.8	1.6	6.1	-0.4	-2.7	3.8	1.4	
GFCF - construction	1.4	-2.9	1.1	2.1	0.5	1.3	0.6	1.3	
Exports	1.0	0.4	1.2	0.1	-0.8	0.7	-0.5	0.9	
Imports	1.6	-1.0	1.2	0.8	-0.9	0.0	-1.1	1.2	
Domestic demand (contribution)	1.1	-0.8	0.7	0.8	0.5	0.3	0.5	0.7	
Foreign demand (contribution)	-0.2	0.4	0.0	-0.2	0.0	0.3	0.2	-0.1	
<b>Real GDP</b>	<b>0.9</b>	<b>-0.4</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>	
<i>YoY change (%)</i>									
Private consumption	3.5	-2.2	2.5	2.3	2.0	2.0	1.4	1.7	2.3
Public consumption	5.1	0.8	1.2	2.0	2.2	2.2	2.0	2.0	2.1
Investments (GFCF)	5.9	-7.4	4.8	7.5	5.3	4.4	4.7	4.5	5.3
GFCF - equipment	5.1	-3.3	7.3	10.6	6.3	2.8	6.8	4.3	5.4
GFCF - construction	6.2	-10.7	3.4	7.0	5.7	6.3	4.6	5.3	6.2
Exports	4.6	1.8	4.7	2.6	1.7	1.0	-0.5	0.9	2.3
Imports	6.9	-4.0	5.1	5.1	2.3	1.7	-1.2	1.1	3.5
Domestic demand (contribution)	4.5	-3.1	2.8	3.3	2.7	2.5	2.2	2.3	2.9
Foreign demand (contribution)	-0.8	1.8	0.0	-0.7	-0.2	-0.2	0.2	0.0	-0.4
<b>Real GDP</b>	<b>3.7</b>	<b>-1.3</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>	<b>2.3</b>	<b>2.4</b>	<b>2.3</b>	<b>2.6</b>
<b>Employment (full-time equivalent)</b>	<b>3.4</b>	<b>-3.2</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>	<b>3.2</b>	<b>2.5</b>
Apparent productivity of labour	0.4	2.0	0.2	0.1	0.1	-0.3	-0.4	-0.9	0.1
Compensation per employee	3.7	2.3	0.2	0.8	1.1	1.1	1.3	1.5	0.8
Nominal UCL	3.3	0.3	0.0	0.6	1.0	1.3	1.7	2.3	1.0
GDP Deflator	3.8	0.5	0.5	1.0	1.0	0.8	0.8	0.4	0.9
<b>Nominal GDP</b>	<b>7.8</b>	<b>-0.4</b>	<b>2.8</b>	<b>4.2</b>	<b>4.0</b>	<b>3.6</b>	<b>3.4</b>	<b>3.3</b>	<b>3.9</b>
<b>Nominal GDP (millions of euros, accumulated four quarters)</b>	<b>824</b>	<b>1,073</b>	<b>1,087</b>	<b>1,189</b>	<b>1,199</b>	<b>1,208</b>	<b>1,218</b>	<b>1,216</b>	<b>1,208</b>

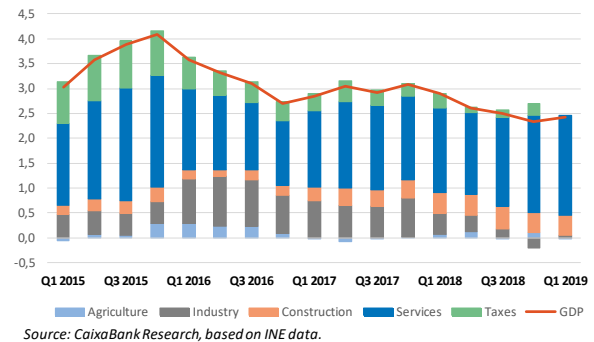
Source: CaixaBank Research, based on National Statistics Institute data

**Spain: GDP**  
 Contribution to YoY growth (p. p.)



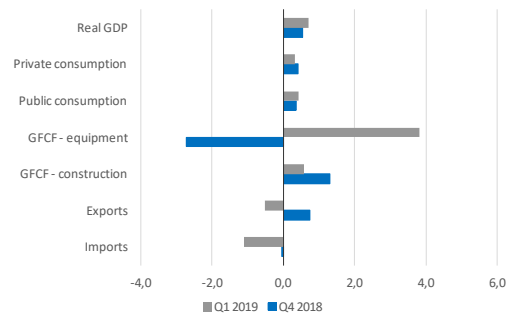
Note: \* YoY change (%).  
 Source: CaixaBank Research, based on INE data.

**Spain: Contribution of supply components to GDP growth**  
 (p.p.)



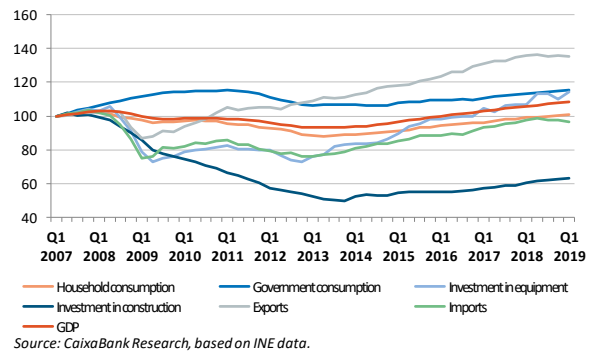
Source: CaixaBank Research, based on INE data.

**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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