

Flash Note 02/05/2019

Spain · Deterioration of the non-energy goods balance further undermines the current account surplus

Data

- The **current account** balance stood at **0.77% of GDP in February** (0.86% in January, 1.79% in January 2018).
- The **trade balance of goods** stood at **-2.9%** of GDP (-2.8% in January and -2.1% in February 2018).
- The **trade balance of services** stood at **4.7%** of GDP (4.7% in January and 5.0% in February 2018).
- The **balance of income** stood at **-1.1%** of GDP (-1.0% in January and -1.1% in February 2018).

Note: All figures 12-month accumulated.

Assessment

- The **current account balance** stood at 9,380 million euros in February 2019 (0.77% of GDP), down 1.0 pp compared to February 2018 (1.79% of GDP). Looking at the breakdown, **7 tenths of the decline was driven by impairment of the goods balance**, of which 4 tenths were accounted for by nonenergy goods and 3 by the increase of oil prices. **Meanwhile, the smaller services sector surplus had a 3-tenth detrimental impact**, with tourism and non-tourism services being equally responsible for the same.
- The **trade deficit of nonenergy goods** was up again compared to the previous month. This was due to exports growth of 1.6% yoy in February (12-month cumulative) falling short of the imports growth figure of 3.4%. Meanwhile, the **trade deficit of energy goods** was stable (see chart on the following page showing the accumulated performances of the various components in millions of euros).
- The impairment of the **trade balance of services was more moderate over the last year** than that 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 stabilised after gradual deterioration over the last year (in February exports were up 3.9% 12-month cumulative, somewhat more robustly than the 3.4% of the last month, but well short of the 7.8% uptick 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 current account balance excluding energy goods and tourism (volatile elements) was slightly negative in February (-0.2% of GDP, 12-month cumulative) for the first time since September 2012.
- **Over the coming months we expect the trade deficit of nonenergy goods to 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.**

Current Account Components in February 2019

Percentage of GDP (%)

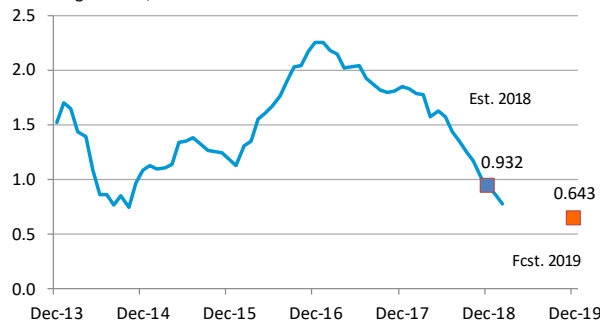
	February 2018	January 2019	February 2019	difference from last year	difference from last month	Contribución al error de predicción*
Current account balance	1.79	0.86	0.77	-1.02	-0.08	0.00
Trade balance	2.8	1.9	1.8	-1.0	0.0	0.00
Trade balance of goods	-2.1	-2.8	-2.9	-0.7	0.0	0.00
non energy goods	0.1	-0.3	-0.3	-0.4	0.0	0.00
energy goods	-2.2	-2.5	-2.5	-0.3	0.0	0.00
Trade balance of services	5.0	4.7	4.7	-0.3	0.0	0.00
Tourism services	3.5	3.3	3.3	-0.1	0.0	0.00
Non tourism services	1.5	1.4	1.4	-0.1	0.0	0.00
Income balance	-1.1	-1.0	-1.1	0.0	-0.1	0.00

Note: Data always corresponds to the last 12 months.

Source: CaixaBank Research, from data from INE.

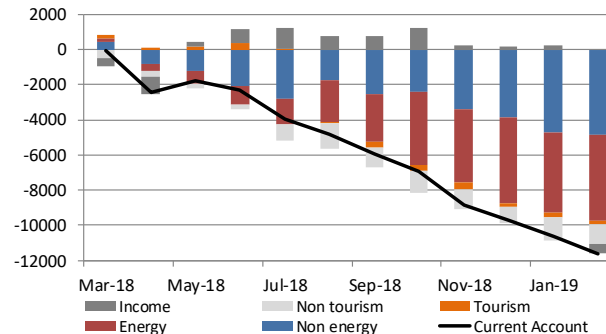
Current account (Spanish Central Bank)

Percentage of GDP, %



Cumulative evolution of current account in the last year by components

Millions of euros.



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