# MR05

MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK
NUMBER 478 | MAY 2023


## INTERNATIONAL ECONOMIES AND MARKETS

FINANCIAL MARKETS
*Financial stability considerations amid monetary tightening*

INTERNATIONAL ECONOMY
*Emerging markets amid US rate hikes and the recent financial turbulence*

## SPANISH ECONOMY

*Notable reduction in Spanish household savings in 2022: deep dive*

*Rising food prices in Spain: what lies ahead?*

CaixaBank Research

**MONTHLY REPORT - ECONOMIC AND FINANCIAL MARKET OUTLOOK**
**May 2023**

The *Monthly Report* is a publication developed jointly by CaixaBank Research and BPI Research (UEEF)

**CaixaBank Research**
www.caixabankresearch.com
research@caixabank.com
**Enric Fernández**
Chief Economist
**José Ramón Díez**
Head of International Economies and Financial Markets
**Oriol Aspachs**
Head of Spanish Economy
**Sandra Jódar**
Head of Strategic Planning
**Adrià Morron Salmeron and Nuria Bustamante**
*Monthly Report* coordinators

**BPI Research (UEEF)**
www.bancobpi.pt / http://www.bancobpi.pt/grupo-bpi/estudos-e-mercados/mercados-financeiros
deef@bancobpi.pt
**Paula Carvalho**
Chief Economist

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# The Spanish economy starts the year on a good footing

This month, the editorial tone of the Monthly Report will be different from that of recent editions. The environment is highly uncertain and we usually reflect this, analysing in detail the factors that could potentially affect the course of the economy. In addition, we usually focus on those which are of most concern, so the overall tone often ends up being more sombre than desired. It is a bias that we economists often succumb to. However, this month the performance of the main indicators of the Spanish economy has been better than expected. GDP and employment growth have been higher than anticipated, while inflation, with a significant decline in the core component, has begun to show signs of moderation. This is worth emphasising.

As some of the flash indicators had already suggested, in Q1 2023 GDP growth accelerated, standing at 0.5% quarter-on-quarter. That means it has now practically reached the pre-pandemic level (it is just 0.2% below). In addition, the National Statistics Institute revised the growth figures for the second half of last year upwards, resulting in a significant knock-on effect for this year. For illustrative purposes, even in a hypothetical scenario with quarter-on-quarter growth stagnating at 0% for the remainder of the year, the figure for 2023 as a whole would be 1.6%. Since all the indicators point to growth remaining positive, we will soon have to revise our forecast upwards, likely placing it around the 2% mark.

The revival of the Spanish economy is not based on household consumption, which, weighed down by the high inflation, is still 5% below pre-pandemic levels. In fact, the consumption of Spanish households within the country has fallen by 1.5% in real terms in the last two quarters (in nominal terms it does show a positive growth rate). However, this is more than offset by the strong performance of exports of goods and services. The growth in service exports particularly stands out, climbing by a remarkable 21% in Q1 this year.

In addition, the recovery of the Spanish economy is being accompanied by an improvement in productivity and employment. In previous crises, job destruction tended to exceed the decline in economic activity, so productivity increased. During periods of recovery, in contrast, employment would experience rapid growth, while that of productivity would be modest. This time is different.

During the pandemic, the mechanisms put in place to protect jobs, such as the ERTE furlough schemes, prevented a bigger rise in unemployment, but they also led to a significant decline in productivity (because the fall in activity was greater than that of the volume of hours worked). This protected labour relations, as well as the incomes of many households, but the extent to which it would end up affecting the recovery of the economy, and that of productivity in particular, remained to be seen. On the one hand, the protection of labour relations could facilitate the economic revival, thus favouring a rapid recovery in productivity. But on the other hand it could hinder them if the protection mechanisms made it difficult for companies to adjust.

Now, with the pandemic finally behind us, we can see that the pace of productivity growth has been significant. So has that of employment. In Q1 2023, employment registered the best performance of the past 15 years. As for productivity (measured in terms of hours actually worked), whereas in the last expansionary cycle, between 2014 and 2019, it grew at a rate of 0.5% per year, in 2022 the rate of progress stood at 1.4%. The start of 2023 has been even better, as growth in Q1 has accelerated to 2.3% and is already above pre-pandemic levels. Moreover, the recovery in productivity is fairly widespread across the various sectors, with trade, transportation and hospitality registering the most notable increases, as well as professional, scientific and technical activities.

Over the coming months, the Spanish economy will have to continue to navigate an adverse and complex international environment. The growth rate of its main trading partners is likely to remain modest, and we cannot rule out some of them even going into recession. In addition, the interest rate hikes being implemented by the ECB will continue to put pressure on households' and businesses' spending and investment capacity. It will be difficult for the Spanish economy to maintain the pace of growth of Q1. But, for now, it has started the year on a good footing.

**Oriol Aspachs**
May 2023

# Chronology

### APRIL 2023

**2** OPEC+ announces an additional production cut of 1.15 million barrels per day (bpd), bringing the total reduction to 3.66 bpd.
**9** Kazuo Ueda becomes the new governor of the Bank of Japan.
**19** The United Nations estimates that in 2023 India will overtake China to become the country with the biggest population in the world.

### MARCH 2023

**16** The ECB raises rates by 50 bps and places the depo rate at 3.00% and the refi rate at 3.50%.
**18** Russia and Ukraine extend the deal allowing the export of grain and related foodstuffs and fertilisers via the Black Sea.
**22** The Fed raises rates by 25 bps, placing them in the 4.75%-5.00% range.

### FEBRUARY 2023

**1** The Fed raises rates by 25 bps up to the 4.50%-4.75% range.
**2** The ECB raises rates by 50 bps, placing the depo rate at 2.50% and the refi rate at 3.00%.
**6** A magnitude 7.8 earthquake strikes Türkiye and Syria, with the highest death toll since 2010 and the fifth highest this century.

### JANUARY 2023

**1** Croatia joins the euro area and the Schengen Area.
**8** China reopens its borders to foreign travellers after three years.

### DECEMBER 2022

**14** The Fed raises official interest rates by 50 bps.
**15** The ECB raises official interest rates by 50 bps and announces that it will reduce reinvestments under the APP.

### NOVEMBER 2022

**2** The Fed raises official interest rates by 75 bps.
**15** The world's population reaches 8 billion people.

# Agenda

### MAY 2023

**2-3** Federal Open Market Committee meeting.
**4** Spain: registration with Social Security and registered unemployment (April).
Governing Council of the European Central Bank meeting.
**5** Spain: industrial production index (March).
Portugal: new lending (March).
**9** Portugal: turnover in industry (March).
**10** Portugal: employment and unemployment (Q1).
**12** Portugal: labour cost index (Q1).
**17** Japan: GDP (Q1).
**18** Spain: foreign trade (March).
**19** Portugal: Moody's rating.
**26** Spain: loans, deposits and NPL ratio (March).
Spain: Fitch rating.
**30** Spain: CPI flash estimate (May).
Spain: state budget execution (April).
Euro area: economic sentiment index (May).
**31** Portugal: CPI flash estimate (May).

### JUNE 2023

**2** Spain: registration with Social Security and registered unemployment (May).
**9** Spain: DBRS rating.
Portugal: international trade (April).
**12** Portugal: service sector turnover (April).
**13-14** Federal Open Market Committee meeting.
**15** Governing Council of the European Central Bank meeting.
**16** Spain: quarterly labour cost survey (Q1).
**23** Spain: quarterly national accounts (Q1).
Spain: loans, deposits and NPL ratio (Q1 and April).
Spain: balance of payments and NIIP (Q1).
Portugal: GDP breakdown (Q1).
**29** Spain: CPI flash estimate (June).
Portugal: NPL ratio (Q1).
Euro area: economic sentiment index (June).
**29-30** European Council meeting.
**30** Spain: household savings rate (Q1).
Spain: state budget execution (May).
Portugal: CPI flash estimate (June).

# Flexibility in times of uncertainty

The publication of the Q1 economic data has confirmed that the economy made it through the winter without the dreaded cooling of activity. Annualised global growth (around 3.5%) was above potential and the most optimistic expectations. This was thanks to the continued strength of the labour market and of household and company balance sheets, the recovery of economic agents' expectations, the revival of the Chinese economy following its reopening and, finally, the positive effects of the decline in oil and gas prices in recent months. The economic dynamics have been favoured by the reduction of the mismatches between supply and demand, and this return to a certain degree of normality after the continuous disruptions of the last 36 months (the pandemic, supply chain issues, geopolitical risk, etc.) has allowed the business cycle to navigate the obstacles of the past few months better than expected.

But now is no time for complacency, as new challenges are emerging on the horizon. We are entering a different phase in which some of the problems of the previous one will continue to weigh down the economy. After all, the other side of the coin of the recent good performance in economic activity remains the uncertainty surrounding what will happen with inflation, given that the signs of improvement are still incomplete. Visibility in the medium-term outlook for price movements is limited, as beyond the improvements in general terms due to base effects, the underlying trend continues to show downside resistance. The key in the short term will be how the monetary tightening process is transmitted to inflation, but also to financial stability, and this will test the dual objective of the central banks. For now, the results from the credit surveys show that the interest rate hikes are already being reflected both in the supply and, especially, in the demand for financing from businesses and consumers. This suggests that we could see a cooling of consumption and investment in the second half of the year. The intensity of this reduction in demand and its ability to bring inflation back down to the 2% target in the medium term will determine whether or not the central banks' pause before the summer will be definitive. After the meetings of the first week of May, that time seems to have come for the Federal Reserve, while in the euro area we can expect to see one or two more 25-bp rate hikes before the ECB takes a well-deserved rest.

All this is framed within a more flexible approach to monetary policy implementation and is subject to the evolution of the economy, allowing the central banks to respond to any unexpected surprises in either the economic or the financial sphere. With regards to the latter, we continue to see the embers of the turbulence in March, when both the weaknesses in the business models of some regional US banks and the design failures in their regulation and supervision were revealed. Such sharp and intense interest rate rises constitute a demanding stress-test for banks with vulnerabilities in their solvency and/or liquidity. The acquisition of First Republic by JP Morgan, which in theory should have marked the beginning of the end of the first episode of financial instability in this monetary tightening cycle, has not entirely cleared the doubts surrounding the state of some small and medium-sized banks in the US. This has reinforced the view in the markets that the Fed will be forced to lower interest rates starting in the summer. That said, it seems too early to declare that we will see rate reductions so soon, judging by the messages from the central bank's board of governors. What investors and the Fed do agree on is the high probability of there being a decline in US economic activity by the end of the year, judging by the sharp reversal of the slope of the yield curve between 3 months and 10 years and the conservative growth forecasts given by the US monetary authority's staff.

In short, after a much better-than-expected start to the year, the strength of the global economy will be tested once again in the coming months. The flexibility and coordination of economic policy in the face of these new challenges will determine the capacity of the current business cycle to overcome them. To give just one example, just around the corner we will see how the US debt ceiling is managed.

**José Ramón Díez**

*Average for the last month in the period, unless otherwise specified*

## *Financial markets*

| | Average 2000-2007 | Average 2008-2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| **INTEREST RATES** | | | | | | | |
| **Dollar** | | | | | | | |
| Fed funds (upper limit) | 3.43 | 0.81 | 0.25 | 0.25 | 4.50 | 5.00 | 3.75 |
| 3-month Libor | 3.62 | 1.01 | 0.23 | 0.21 | 4.74 | 4.75 | 3.50 |
| 12-month Libor | 3.86 | 1.48 | 0.34 | 0.52 | 5.47 | 4.50 | 3.50 |
| 2-year government bonds | 3.70 | 1.04 | 0.13 | 0.62 | 4.41 | 4.00 | 2.80 |
| 10-year government bonds | 4.70 | 2.57 | 0.93 | 1.45 | 3.62 | 3.20 | 2.80 |
| **Euro** | | | | | | | |
| ECB depo | 2.05 | 0.20 | –0.50 | –0.50 | 1.77 | 3.50 | 2.50 |
| ECB refi | 3.05 | 0.75 | 0.00 | 0.00 | 2.27 | 4.00 | 3.00 |
| €STR | – | –0.54 | –0.56 | –0.58 | 1.57 | 3.41 | 2.48 |
| 1-month Euribor | 3.18 | 0.50 | –0.56 | –0.60 | 1.72 | 3.36 | 2.42 |
| 3-month Euribor | 3.24 | 0.65 | –0.54 | –0.58 | 2.06 | 3.31 | 2.35 |
| 6-month Euribor | 3.29 | 0.78 | –0.52 | –0.55 | 2.56 | 3.38 | 2.46 |
| 12-month Euribor | 3.40 | 0.96 | –0.50 | –0.50 | 3.02 | 3.44 | 2.56 |
| **Germany** | | | | | | | |
| 2-year government bonds | 3.41 | 0.35 | –0.73 | –0.69 | 2.37 | 3.20 | 2.50 |
| 10-year government bonds | 4.31 | 1.54 | –0.57 | –0.31 | 2.13 | 3.00 | 2.80 |
| **Spain** | | | | | | | |
| 3-year government bonds | 3.62 | 1.69 | –0.57 | –0.45 | 2.66 | 3.23 | 2.93 |
| 5-year government bonds | 3.91 | 2.19 | –0.41 | –0.25 | 2.73 | 3.38 | 3.15 |
| 10-year government bonds | 4.42 | 3.17 | 0.05 | 0.42 | 3.18 | 4.10 | 3.80 |
| Risk premium | 11 | 164 | 62 | 73 | 105 | 110 | 100 |
| **Portugal** | | | | | | | |
| 3-year government bonds | 3.68 | 3.33 | –0.61 | –0.64 | 2.45 | 3.46 | 3.20 |
| 5-year government bonds | 3.96 | 3.94 | –0.45 | –0.35 | 2.53 | 3.57 | 3.38 |
| 10-year government bonds | 4.49 | 4.68 | 0.02 | 0.34 | 3.10 | 4.05 | 3.80 |
| Risk premium | 19 | 314 | 60 | 65 | 97 | 105 | 100 |
| **EXCHANGE RATES** | | | | | | | |
| EUR/USD (dollars per euro) | 1.13 | 1.26 | 1.22 | 1.13 | 1.06 | 1.10 | 1.15 |
| EUR/GBP (pounds per euro) | 0.66 | 0.84 | 0.90 | 0.85 | 0.87 | 0.86 | 0.85 |
| **OIL PRICE** | | | | | | | |
| Brent ($/barrel) | 42.3 | 80.1 | 50.2 | 74.8 | 81.3 | 93.0 | 80.0 |
| Brent (euros/barrel) | 36.4 | 62.5 | 41.3 | 66.2 | 76.8 | 85.0 | 69.8 |

Forecasts

*Change in the average for the year versus the prior year average (%), unless otherwise indicated*

## *International economy*

| | Average 2000-2007 | Average 2008-2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| **GDP GROWTH** | | | | | | | |
| **Global** | **4.5** | **3.3** | **–3.0** | **6.0** | **3.1** | **2.7** | **3.4** |
| ***Developed countries*** | ***2.6*** | ***1.4*** | ***–4.4*** | ***5.2*** | ***2.6*** | ***1.0*** | ***1.7*** |
| United States | 2.7 | 1.7 | –2.8 | 5.9 | 2.1 | 0.9 | 1.4 |
| Euro area | 2.2 | 0.8 | –6.3 | 5.3 | 3.5 | 0.5 | 1.6 |
| Germany | 1.6 | 1.2 | –4.1 | 2.6 | 1.9 | 0.0 | 1.5 |
| France | 2.2 | 1.0 | –7.9 | 6.8 | 2.6 | 0.3 | 1.4 |
| Italy | 1.5 | –0.3 | –9.0 | 7.0 | 3.8 | 0.4 | 1.1 |
| Portugal | 1.5 | 0.5 | –8.3 | 5.5 | 6.7 | 1.0 | 2.1 |
| Spain | 3.7 | 0.6 | –11.3 | 5.5 | 5.5 | 1.3 | 1.9 |
| Japan | 1.4 | 0.4 | –4.3 | 2.3 | 1.1 | 1.3 | 1.1 |
| United Kingdom | 2.6 | 1.3 | –11.0 | 7.6 | 4.0 | –0.9 | –0.2 |
| ***Emerging and developing countries*** | ***6.5*** | ***4.9*** | ***–1.9*** | ***6.6*** | ***3.5*** | ***3.9*** | ***4.5*** |
| China | 10.6 | 8.0 | 2.2 | 8.4 | 3.0 | 5.2 | 5.1 |
| India | 7.2 | 6.8 | –6.7 | 9.0 | 7.3 | 6.0 | 6.7 |
| Brazil | 3.6 | 1.6 | –3.3 | 5.0 | 2.9 | 0.9 | 1.8 |
| Mexico | 2.4 | 1.9 | –8.0 | 4.7 | 3.1 | 1.4 | 2.5 |
| Russia | 7.2 | 1.3 | –2.7 | 4.8 | –2.1 | –3.2 | 3.0 |
| Türkiye | 5.5 | 4.5 | 1.9 | 11.4 | 5.6 | 3.0 | 3.2 |
| Poland | 4.2 | 3.7 | –2.0 | 6.9 | 4.9 | 0.7 | 3.2 |
| **INFLATION** | | | | | | | |
| **Global** | **4.1** | **3.7** | **3.2** | **4.7** | **8.6** | **6.0** | **4.1** |
| ***Developed countries*** | ***2.1*** | ***1.6*** | ***0.7*** | ***3.1*** | ***7.2*** | ***4.0*** | ***2.0*** |
| United States | 2.8 | 1.8 | 1.2 | 4.7 | 8.0 | 4.1 | 2.7 |
| Euro area | 2.2 | 1.4 | 0.3 | 2.6 | 8.4 | 5.3 | 2.7 |
| Germany | 1.7 | 1.4 | 0.4 | 3.2 | 8.6 | 5.9 | 3.0 |
| France | 1.9 | 1.3 | 0.5 | 2.1 | 5.9 | 4.3 | 2.6 |
| Italy | 2.4 | 1.4 | –0.1 | 1.9 | 8.7 | 5.9 | 2.6 |
| Portugal | 3.1 | 1.1 | 0.0 | 1.3 | 7.8 | 5.5 | 2.8 |
| Spain | 3.2 | 1.3 | –0.3 | 3.1 | 8.4 | 4.2 | 2.6 |
| Japan | –0.3 | 0.4 | 0.0 | –0.2 | 2.5 | 2.5 | 1.5 |
| United Kingdom | 1.6 | 2.3 | 0.9 | 2.6 | 9.0 | 5.7 | 2.9 |
| ***Emerging countries*** | ***6.7*** | ***5.6*** | ***5.1*** | ***5.9*** | ***9.7*** | ***7.4*** | ***5.6*** |
| China | 1.7 | 2.6 | 2.5 | 0.9 | 2.0 | 1.5 | 1.6 |
| India | 4.5 | 7.3 | 6.6 | 5.1 | 6.7 | 5.3 | 5.0 |
| Brazil | 7.3 | 5.7 | 3.2 | 8.3 | 9.3 | 5.1 | 4.0 |
| Mexico | 5.2 | 4.2 | 3.4 | 5.7 | 7.9 | 4.7 | 3.8 |
| Russia | 14.2 | 7.9 | 3.4 | 6.7 | 13.8 | 7.5 | 6.8 |
| Türkiye | 22.6 | 9.6 | 12.3 | 19.6 | 72.3 | 36.4 | 29.0 |
| Poland | 3.5 | 1.9 | 3.7 | 5.2 | 14.9 | 7.0 | 3.7 |

Forecasts

*Change in the average for the year versus the prior year average (%), unless otherwise indicated*

## *Spanish economy*

| | Average 2000-2007 | Average 2008-2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| **Macroeconomic aggregates** | | | | | | | |
| Household consumption | 3.6 | 0.0 | –12.4 | 6.0 | 4.5 | 0.7 | 2.3 |
| Government consumption | 5.0 | 1.1 | 3.5 | 2.9 | –0.7 | 2.2 | 0.5 |
| Gross fixed capital formation | 5.6 | –1.4 | –9.7 | 0.9 | 4.6 | –1.7 | 2.6 |
| Capital goods | 4.9 | 0.1 | –13.3 | 6.3 | 4.0 | –4.5 | 3.4 |
| Construction | 5.7 | –2.9 | –10.2 | –3.7 | 4.7 | –0.3 | 2.2 |
| Domestic demand (vs. GDP Δ) | 5.8 | –0.3 | 7.6 | 6.5 | 2.9 | 1.1 | 1.9 |
| Exports of goods and services | 4.7 | 2.9 | –19.9 | 14.4 | 14.4 | 1.0 | 2.0 |
| Imports of goods and services | 7.0 | 0.2 | –14.9 | 13.9 | 7.9 | –0.5 | 2.0 |
| **Gross domestic product** | **3.7** | **0.6** | **–11.3** | **5.5** | **5.5** | **1.3** | **1.9** |
| **Other variables** | | | | | | | |
| Employment | 3.2 | –0.4 | –6.8 | 6.6 | 3.8 | 1.1 | 1.4 |
| Unemployment rate (% of labour force) | 10.5 | 19.5 | 15.5 | 14.8 | 12.9 | 12.8 | 12.4 |
| Consumer price index | 3.2 | 1.3 | –0.3 | 3.1 | 8.4 | 4.2 | 2.6 |
| Unit labour costs | 3.0 | 0.6 | 7.7 | 0.3 | 0.4 | 3.5 | 2.4 |
| Current account balance (% GDP) | –5.9 | –0.3 | 0.6 | 1.0 | 0.6 | 0.3 | 1.0 |
| External funding capacity/needs (% GDP) | –5.2 | 0.1 | 1.1 | 1.9 | 1.5 | 1.5 | 2.0 |
| Fiscal balance (% GDP)[1] | 0.4 | –6.5 | –10.3 | –6.9 | –4.8 | –4.0 | –3.3 |

**Note:** *1. Excludes losses for assistance provided to financial institutions.*

Forecasts

## *Portuguese economy*

| | Average 2000-2007 | Average 2008-2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| **Macroeconomic aggregates** | | | | | | | |
| Household consumption | 1.7 | 0.5 | –7.0 | 4.7 | 5.7 | 0.4 | 0.9 |
| Government consumption | 2.3 | –0.3 | 0.4 | 4.6 | 2.4 | 1.0 | 1.0 |
| Gross fixed capital formation | –0.4 | –0.7 | –2.2 | 8.7 | 2.7 | 4.4 | 8.2 |
| Capital goods | 3.2 | 2.6 | –5.4 | 13.9 | 4.5 | – | – |
| Construction | –1.5 | –2.6 | 1.0 | 5.5 | 0.8 | – | – |
| Domestic demand (vs. GDP Δ) | 1.3 | 0.1 | –5.3 | 5.7 | 4.8 | 1.2 | 2.3 |
| Exports of goods and services | 5.3 | 4.0 | –18.8 | 13.4 | 16.7 | 4.3 | 6.1 |
| Imports of goods and services | 3.6 | 2.7 | –11.8 | 13.2 | 11.0 | 4.7 | 6.3 |
| **Gross domestic product** | **1.5** | **0.5** | **–8.3** | **5.5** | **6.7** | **1.0** | **2.1** |
| **Other variables** | | | | | | | |
| Employment | 0.4 | –0.5 | –1.9 | 2.7 | 2.0 | 0.1 | 0.4 |
| Unemployment rate (% of labour force) | 6.1 | 11.4 | 7.0 | 6.6 | 6.0 | 6.4 | 6.1 |
| Consumer price index | 3.1 | 1.1 | 0.0 | 1.3 | 7.8 | 5.5 | 2.8 |
| Current account balance (% GDP) | –9.2 | –2.9 | –1.2 | –0.8 | –1.4 | –0.6 | –0.4 |
| External funding capacity/needs (% GDP) | –7.7 | –1.6 | 0.1 | 1.0 | –0.4 | 1.3 | 1.3 |
| Fiscal balance (% GDP) | –4.6 | –5.1 | –5.8 | –2.9 | –0.4 | –0.9 | –0.8 |

Forecasts

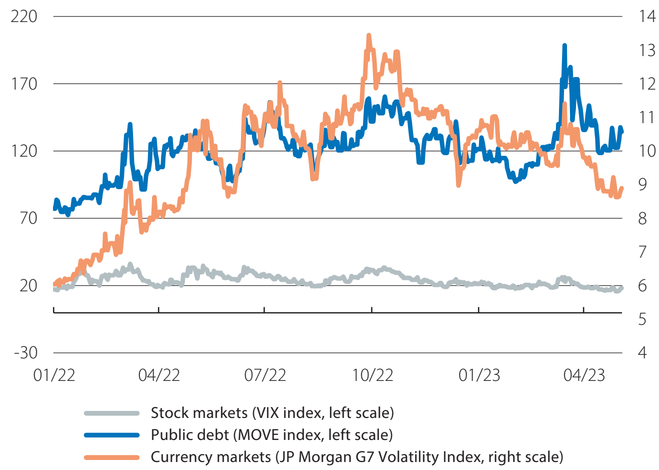
# Tense calm and spring recovery in the financial markets

**Investors' focus returns to inflation, the risk of recession and monetary policy**. The financial markets broadly stabilised during the month of April, as investors' radar moved away from the financial turmoil of March to focus on the growth and inflation outlook, with the publication of GDP data for Q1 2023 and the corporate earnings season. Thus, the main risk assets experienced a first fortnight of tense calm and modest recovery, before zigzagging in the latter weeks in the face of signs of persistence of the inflationary pressures, fears about a global economic slowdown and doubts surrounding the financial stability of some US regional banks, which have been the subject of the crisis, culminating with the collapse of First Republic Bank over the May bank holiday weekend. The main central banks, meanwhile, stressed the need to keep rates higher for longer, albeit reiterating that this was dependent on the evolution of the economic data. In this environment, the international stock markets closed the month with mixed results and sovereign yields rose slightly, while the US dollar depreciated against the major currencies. The volatility metrics reflect this stabilisation throughout April, albeit with ups and downs and still fluctuating at historically high levels.

**The central banks apply the brakes, albeit with nuances**. This tense calm paved the way for the central banks to forge ahead with their monetary tightening process, albeit at different speeds and with growing divergences regarding the possible next steps. On the hawkish side, the ECB and the Swedish Riksbank once again stood out, with official rate hikes of 25 and 50 bps, respectively, and the clear intention to continue raising them over the coming months. Meanwhile, the US Federal Reserve raised rates by 25 bps to the 5.00%-5.25% range, although signalling it could pause the process in the coming months if inflation continues to fall and the labour market continues to normalise. A similar strategy could be adopted by the Bank of England, which, in the face of an upside surprise in the inflation and wage data, is likely to announce one final rate hike at its May meeting. In contrast, central banks in some emerging markets (such as South Korea) have opted to pause the rate hikes, in some cases even setting the stage for the start of rate reductions (in Hungary, for example). Finally, at its first meeting with Kazuo Ueda as governor, the Bank of Japan kept the dovish bias of its monetary policy intact and announced an 18-month review to recalibrate its policy framework.

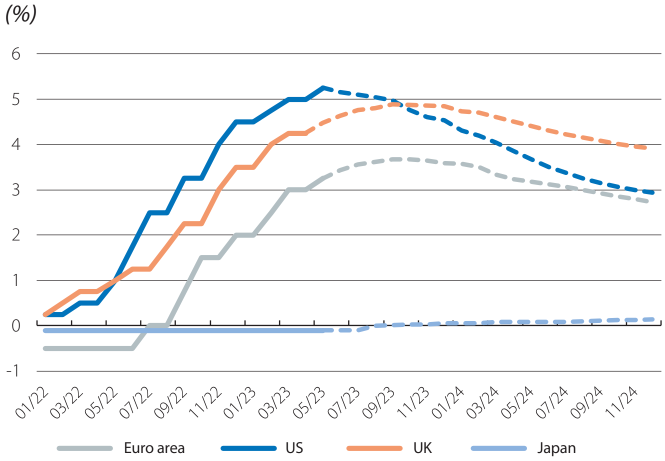
**Rate hikes, both in the rear-view mirror and looking ahead**. In this environment, the implicit rates in money markets rose relative to March and returned to the levels anticipated at the beginning of the year. Thus, at the end of April investors were anticipating that the ECB will bring the depo rate up to 3.75% in September and will begin a gradual process of rate reductions in 2024. For the Federal Reserve, in contrast, the markets assess that the peak has already been reached and that rate cuts totalling 75 bps will be approved between now and the end of the year. Although significant, this is a smaller

### Implicit volatility in the financial markets



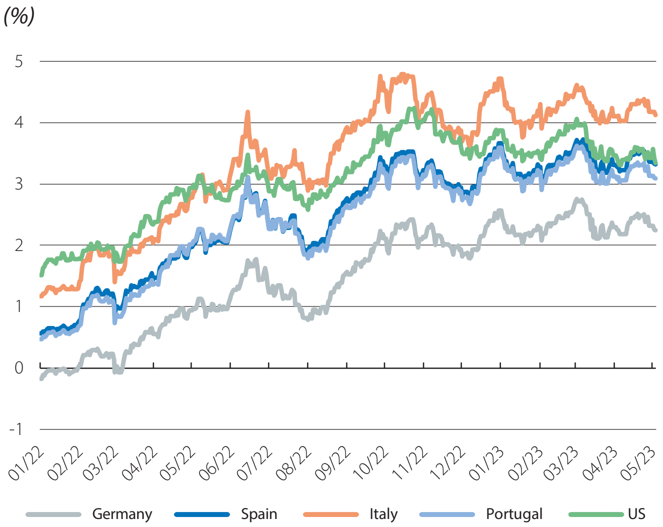

***Source:*** *CaixaBank Research, based on data from Bloomberg.*

### Official rates and expectations according to the money markets




***Note:*** *The dashed lines correspond to market expectations according to the OIS-implied rate curve at the end of April.*
***Source:*** *CaixaBank Research, based on data from Bloomberg.*

### Interest rates on 10-year sovereign debt




***Source:*** *CaixaBank Research, based on data from Bloomberg.*

reduction than that expected in mid-March. These revisions have been reflected in a widespread rise in sovereign rates, although the main benchmarks are still below the levels prevailing prior to the Silicon Valley Bank collapse. The main sovereign yield curves also continue to show a negative slope between the short sections (2 years) and longer sections (10 years). In the US, short-term Treasury bills have rebounded sharply over fears of a possible default if an agreement is not reached in Congress to raise the debt ceiling.

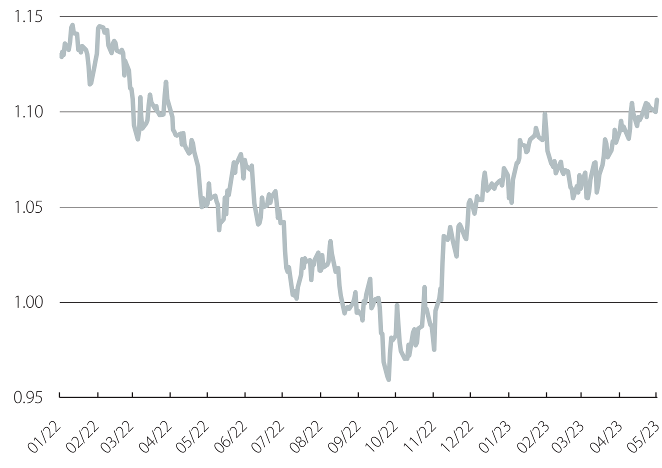
**Strong recovery of the euro.** The nervousness around the US debt ceiling, combined with the view that the cycle of official rate hikes has already culminated in the country and that in the euro area, in contrast, still has some way to go, have provided support to the euro exchange rate. The single currency closed April at its highest rate against the dollar for a year, surpassing the 1.10 threshold. The euro has also found support in the improving outlook for the European economy this year, as well as in the perception of the relative strength of the euro area's banking sector, which has managed to navigate the recent periods of financial turmoil without too many surprises.

**Ups and downs in equities, but with gains.** Meanwhile, international stock markets enjoyed a significant recovery in the opening weeks of the month (1.8% in the Euro Stoxx 50 and 0.7% in the S&P 500 between the end of March and mid-April), before resuming a negative trend in the closing sessions of the month. By sector, the banking sector was one of the poorest performing, especially in the US, closing April close to year-to-date lows. In Europe, on the other hand, banking stocks closed April with gains, although the sector remains around 10% below the level of the beginning of March. At the other end of the spectrum, the technology sector performed particularly well, spurred on by a good earnings season in Q1 among the big US tech companies and by the furor over technologies associated with artificial intelligence. In emerging markets, stock markets closed April in the red, particularly the Asian indices. Back in March, meanwhile, net foreign capital flows to emerging countries fell by 52% versus the previous month (to 9.4 billion dollars), according to the Institute of International Finance.

**Commodities: volatility in the face of a possible cooling of demand.** Like other assets, fears of an economic recession held back the rise in energy prices throughout April. This was the case for the price of a barrel of Brent, which began the month with a sharp rally following the decision taken by OPEC and its partners to cut supply by just over a million barrels per day, before later ceding ground in light of a potential weakening of global demand. European natural gas prices (Dutch TTF) continued to fall, reaching below €40/MWh (a 21-month low), thanks to the high level of reserves, the growing flow of liquefied natural gas imports and the moderation in demand. In this regard, in its effort to reduce supply costs, the EU launched the first round of joint gas purchases by Member States. In addition, agricultural prices experienced significant volatility due to the worsening of the drought in several producing regions, with sugar prices experiencing a sharp rally in excess of 50% year-on-year as a result of production delays.

### *Exchange rate of the euro against the dollar*

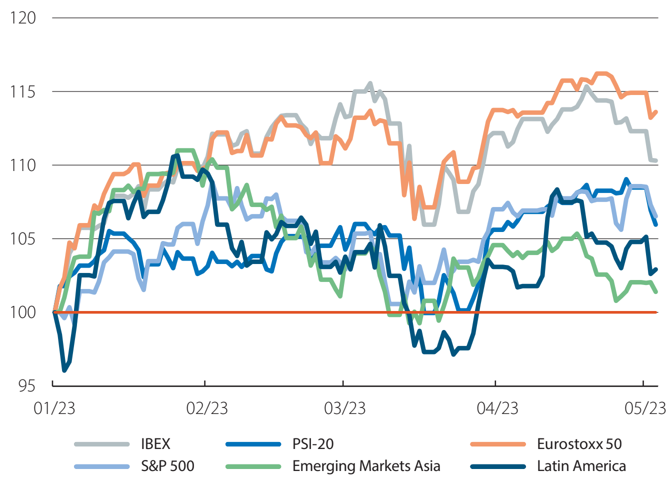
*(Dollars per euro)*




**Source:** *CaixaBank Research, based on data from Bloomberg.*

### *Main international stock markets*

*Index (100 = January 2023)*




**Source:** *CaixaBank Research, based on data from Bloomberg.*

### *Commodities*

| | Measure | Price | Change (%) | |
|---|---|---|---|---|
| | | | Last month | Year to date |
| **Commodities** | Index | 104.3 | –1.1 | –7.5 |
| **Energy** | Index | 32.8 | –0.9 | –20.3 |
| Brent | $/barrel | 79.5 | –0.3 | –7.4 |
| Natural gas (Europe) | €/MWh | 38.5 | –19.4 | –49.5 |
| **Precious metals** | Index | 228.7 | 1.3 | 6.4 |
| Gold | $/ounce | 1,990.0 | 1.1 | 9.1 |
| Palladium | $/ounce | 1,506.9 | 2.9 | –15.9 |
| **Industrial metals** | Index | 153.9 | –3.8 | –6.9 |
| Aluminium | $/MT | 2,356.0 | –2.4 | –0.9 |
| Nickel | $/MT | 24,219.0 | 1.6 | –19.4 |
| **Agricultural commodities** | Index | 66.7 | –2.0 | –3.2 |
| Sugar | $/pound | 27.0 | 21.3 | 34.7 |
| Wheat | $/bushel | 619.8 | –10.5 | –21.7 |

**Note:** *Data as of the end of the period (28 April 2023).*
**Source:** *CaixaBank Research, based on data from Bloomberg.*

# Financial stability considerations amid monetary tightening

Until not long ago, the financial markets had seemed to digest with relative ease the heavy dose of monetary tightening that the central banks have introduced to curb inflation. However, with interest rates increasingly entering restrictive territory – that is, at levels that should cool the economy – the risk of stress events and financial turbulence increases.

In this regard, the sudden deterioration in the financial situation of some regional banks in the US, with the collapse of Silicon Valley Bank (SVB) on 10 March, and the difficulties endured by Credit Suisse, which was acquired by UBS on 18-20 March, have highlighted the potential side effects that the monetary tightening process, which seeks to achieve price stability, can have on financial stability. In theory, the monetary authorities pursue the first objective using conventional measures, while the latter is tackled through regulation, supervision and the provision of liquidity. However, when a loss of confidence occurs, the tools and objectives can enter into conflict with one another. Historical experience also suggests that rapid, intense and unexpected monetary tightening cycles can uncover financial pockets of fragility, as has already happened with SVB.

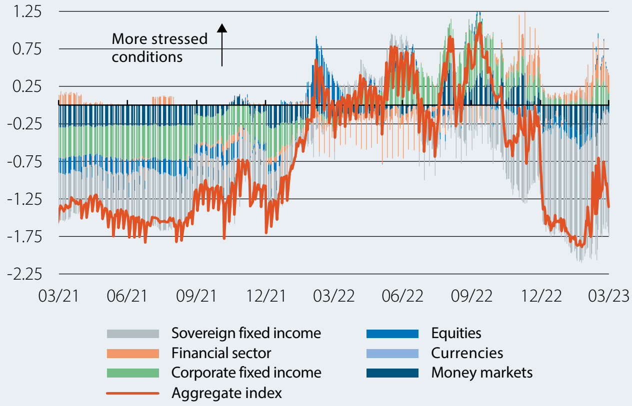
## A concentrated and limited, but revealing, episode of stress

The recent episode of turbulence has led to a tightening of financial conditions which is clearly reflected in our indices (FCI), both in the euro area and in the US.[1] However, the metrics suggest that the deterioration was short-lived and much less intense than in previous episodes.

According to the breakdown by component, the sharp repricing of interest rate expectations and the consequent fall in short-term sovereign bond yields provided a significant buffer for financial conditions, at a time when they were also under pressure from widening spreads in both corporate bonds (especially poorer quality assets) and interbank rates (in our FCI this is measured according to the spread between the 3-month Euribor and the German 3-month treasury bill), as well as from banking stock valuations. Thus, this spread in monetary rates, corporate fixed-income securities and the shares of the banking sector in the stock markets were the main drivers of the deterioration in the FCI in March.

It should be borne in mind that our FCIs do not include liquidity metrics in the system, so they may underestimate the tension in the current macro-financial context. That said, the fact is that the indices reveal that the impact of this episode on the capital markets has

**_Financial conditions in the euro area: the CaixaBank Research index and its components_**
*Index (0 = historical average)*




**Source:** *CaixaBank Research.*

been contained and even largely reversed, especially in Europe. In fact, the last few weeks have seen a moderation in the levels of stress: in the US, the outflow of deposits from banks has stopped and, with it, the use of the Fed's liquidity windows has fallen. Furthermore, the valuation of banking stocks in the euro area has recovered, and even the AT1 bond market has stabilised.

## Where could the Achilles' heels be?

The market reading seems to point to an episode with specific and idiosyncratic causes. However, the fact that the banking sector was the epicentre of the recent turbulence has dented investor confidence, with consequences that are still evident in some institutions and markets. In this context, what does this episode of possible fragilities in the financial system tell us?

Firstly, it illustrates some vulnerabilities which the monetary tightening process could uncover in the financial sector, particularly in banks with many uninsured depositors and which are subject to high interest rate risk (i.e. those which see their profitability deteriorating due to the recent rise in interest rates). Indeed, this is what appears to be happening in some US regional banks, as the IMF has pointed out.[2]

On the other hand, in the non-banking financial sector there is some concern about certain investment funds that have accumulated risk exposures in recent years and that have very tight liquidity positions. Moreover, unlike the banking sector, most of these funds do not have

1. For more information on the FCI, see «The ECB's holistic approach» in the MR06/2021.

2. See Global Financial Stability Report (2023). «Safeguarding Financial Stability amid High Inflation and Geopolitical Risks».

access to all of the liquidity windows provided by the central banks.

Within the non-financial sector, a great deal of attention has been focused on the real estate sector, including both residential and commercial property, as cooling demand and possible structural changes following the pandemic threaten major price corrections in a sector which the IMF considers «significantly overvalued».[3]

Thus, according to the IMF, because the commercial real estate sector is closely connected with the financial sector, the combination of tighter financing conditions and declining prices could trigger a downward spiral in valuations and further tightening, which could reverberate throughout the real economy. In the US, this connection is closest through the banking sector, as the commercial real estate sector depends largely on regional banking. In the euro area, banks' average exposure to commercial real estate is lower. Nevertheless, the European Systemic Risk Board recently warned of the systemic dangers of adverse developments in the commercial real estate sector.[4] In addition, the commercial real estate sector's non-bank financing channel is a potential source of instability around the world. Both the IMF and the ECB have warned of the growing role of real estate investment funds, where the markets for real estate investment trusts and commercial mortgage-backed securities stand out, as they have amassed significant losses in recent months.[5]

On a separate note, the corporate non-financial sector has shown a healthy performance in recent quarters thanks to increased margins, but it will still have to demonstrate its ability to withstand an environment of moderating consumption and higher financing costs for a few more quarters to come. The financial turbulence in March illustrates that, in adverse macro scenarios, stress in corporate risk premiums (especially in the case of riskier assets) can put further pressure on financing costs. This seems to be corroborated by the IMF, which estimates that the percentage of debt of large corporations in advanced economies that could be downgraded from investment grade to speculative grade would increase by 30 pps in a severe recessionary scenario.

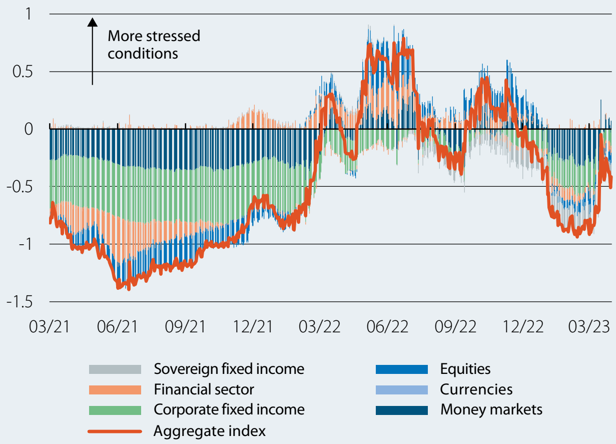
Meanwhile, the process of central banks reducing the size of their balance sheets could also pose challenges for sovereign debt markets, at a time when excess liquidity is shrinking, debt levels are high and the additional supply of bonds will have to be absorbed by private investors. That said, central banks have shown a willingness to support these markets in times of financial stress, such as in the United Kingdom in October.

Finally, so far, emerging markets have managed to navigate the monetary normalisation process in advanced countries and the recent period of financial upheaval, although they remain under pressure and will have to demonstrate their resilience in adverse scenarios. After all, the economic environment is still demanding, with risks ranging from geopolitics, to the persistence of inflation (with the consequent greater monetary tightening), to the risks of price corrections in some stressed real estate markets or other unexpected events.

*Antonio Montilla and David del Val*

***Financial conditions in the US: the CaixaBank Research index and its components***

*Index (0 = historical average)*




**Source:** *CaixaBank Research.*

3. According to the IMF, the commercial real estate market appears to be significantly overvalued in all countries, considering the current deviation observable in the ratio between net income and property prices relative to the historical trend.
4. See https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/InformacionInteres/JuntaEuropeaRiesgo/jers2023_01.pdf (content available in Spanish)
5. See ECB. «The growing role of investment funds in euro area real estate markets: risks and policy considerations».

## Interest rates (%)

| | 30-April | 31-March | Monthly change (bp) | Year-to-date (bp) | Year-on-year change (bp) |
|---|---|---|---|---|---|
| **Euro area** | | | | | |
| ECB Refi | 3.50 | 3.50 | 0 | 100.0 | 350.0 |
| 3-month Euribor | 3.27 | 3.04 | 23 | 113.3 | 369.0 |
| 1-year Euribor | 3.88 | 3.62 | 26 | 58.9 | 365.5 |
| 1-year government bonds (Germany) | 3.09 | 3.01 | 8 | 49.1 | 330.8 |
| 2-year government bonds (Germany) | 2.69 | 2.68 | 1 | –7.3 | 241.6 |
| 10-year government bonds (Germany) | 2.31 | 2.29 | 2 | –25.8 | 134.8 |
| 10-year government bonds (Spain) | 3.36 | 3.30 | 6 | –30.4 | 133.5 |
| 10-year government bonds (Portugal) | 3.13 | 3.12 | 1 | –45.3 | 106.6 |
| **US** | | | | | |
| Fed funds (upper limit) | 5.00 | 5.00 | 0 | 50.0 | 450.0 |
| 3-month Libor | 5.30 | 5.19 | 11 | 53.5 | 393.9 |
| 12-month Libor | 5.37 | 5.31 | 6 | –11.6 | 267.1 |
| 1-year government bonds | 4.74 | 4.59 | 15 | 5.4 | 264.3 |
| 2-year government bonds | 4.01 | 4.03 | –2 | –41.9 | 122.4 |
| 10-year government bonds | 3.42 | 3.47 | –5 | –45.3 | 45.1 |

## Spreads corporate bonds (bps)

| | 30-April | 31-March | Monthly change (bp) | Year-to-date (bp) | Year-on-year change (bp) |
|---|---|---|---|---|---|
| Itraxx Corporate | 83 | 85 | –2 | –7.3 | –5.6 |
| Itraxx Financials Senior | 98 | 99 | –1 | –1.3 | –1.0 |
| Itraxx Subordinated Financials | 187 | 184 | 3 | 15.3 | –2.0 |

## Exchange rates

| | 30-April | 31-March | Monthly change (%) | Year-to-date (%) | Year-on-year change (%) |
|---|---|---|---|---|---|
| EUR/USD (dollars per euro) | 1.102 | 1.084 | 1.7 | 2.9 | 4.7 |
| EUR/JPY (yen per euro) | 150.070 | 144.090 | 4.2 | 6.9 | 9.6 |
| EUR/GBP (pounds per euro) | 0.877 | 0.879 | –0.3 | –1.0 | 4.2 |
| USD/JPY (yen per dollar) | 136.300 | 132.860 | 2.6 | 4.0 | 4.7 |

## Commodities

| | 30-April | 31-March | Monthly change (%) | Year-to-date (%) | Year-on-year change (%) |
|---|---|---|---|---|---|
| CRB Commodity Index | 547.5 | 550.6 | –0.6 | –1.3 | –14.6 |
| Brent ($/barrel) | 79.5 | 79.8 | –0.3 | –7.4 | –24.2 |
| Gold ($/ounce) | 1,990.0 | 1,969.3 | 1.1 | 9.1 | 6.5 |

## Equity

| | 30-April | 31-March | Monthly change (%) | Year-to-date (%) | Year-on-year change (%) |
|---|---|---|---|---|---|
| S&P 500 (USA) | 4,169.5 | 4,109.3 | 1.5 | 8.6 | –0.1 |
| Eurostoxx 50 (euro area) | 4,359.3 | 4,315.1 | 1.0 | 14.9 | 15.9 |
| Ibex 35 (Spain) | 9,241.0 | 9,232.5 | 0.1 | 12.3 | 7.6 |
| PSI 20 (Portugal) | 6,212.3 | 6,046.6 | 2.7 | 8.5 | 5.6 |
| Nikkei 225 (Japan) | 28,856.4 | 28,041.5 | 2.9 | 10.6 | 7.6 |
| MSCI Emerging | 977.1 | 990.3 | –1.3 | 2.2 | –8.6 |

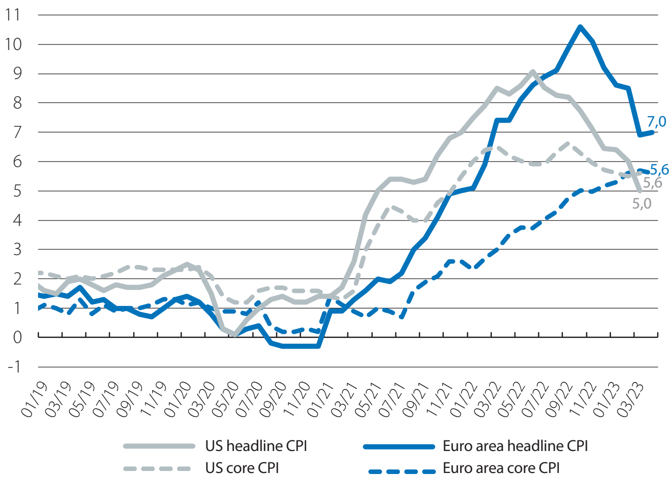
# A better start to the year for the international economy, but questions remain

**Growth in Q1 2023 has been positive.** Specifically, the US grew by 0.3% quarter-on-quarter, the euro area by 0.1%, and China by a surprising 2.2%. This encouraging start to the year introduces some upward bias into the growth forecasts for 2023. Nevertheless, the risk that the second half of the year could be weaker, as the aggressive rate hikes are finally transmitted to the economy, may limit the growth expected for 2024. This reduced economic buoyancy, in a context in which no significant stress is anticipated in the energy markets *a priori*, will allow inflation to ease, especially in the core components, which for now are showing resistance to any reduction.

**A positive assessment of the US GDP figure for Q1 2023.** The preliminary data show an annualised growth of 1.1% (0.3% quarter-on-quarter) at the beginning of the year, following 2.6% in Q4 2022. Although there has been a loss of momentum, the analysis by component reveals a fairly robust composition. In fact, much of the slowdown is due to a reduction of accumulated inventories: they deduct 1.3 pps from growth, having contributed 1.5 pps in the previous quarter. In addition, the growth of private consumption accelerated to an annualised rate of 3.7% (1.0% previously), while construction fell by 4.2%, after falling at double-digit rates in the previous three quarters. However, it should be noted that the monthly data showed a declining trend during the period and the available data for April show a continuity of this trend. The most up-to-date indicators suggest that this slowdown will be accentuated during the remainder of the year, as the economy feels the effects of the tighter monetary conditions and the recent financial turbulence.

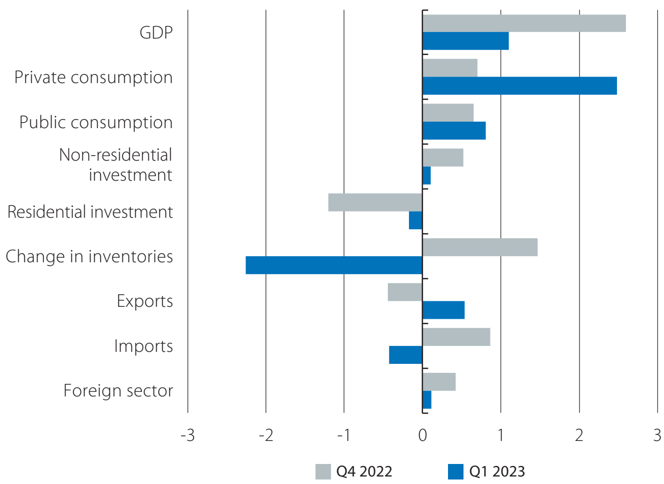
**Negotiations between Republicans and Democrats to raise the debt ceiling continue.** The current ceiling of 31.4 trillion was already reached back in January, but the Treasury approved a series of exceptional measures that expire on 5 June to allow the government to meet its already committed payment obligations. In anticipation of this deadline, the Republican-majority lower house passed a bill on 26 April to raise the debt ceiling by 1.5 trillion dollars, but in exchange for spending cuts of 4.5 trillion and limiting the increase in spending to 1.0% over the next 10 years. The bill must now be approved by the Senate, where, as of the close of this report, the Democratic majority had already warned that it would veto it. This situation is not new and, since the 1990s, the lack of an agreement in time to raise the debt ceiling has already caused government shutdowns lasting more than one day on four separate occasions. These episodes trigger a suspension of all public services, except those considered essential, as a temporary solution to ensure the payment of the government's debt commitments. If an agreement to raise the debt ceiling is not reached, the resulting shutdown can have a substantial macroeconomic impact: in addition to being a source of uncertainty and instability in the financial markets, the Congressional Budget Office estimates that the latest shutdown,

### *US and euro area: CPI*
*Year-on-year change (%)*



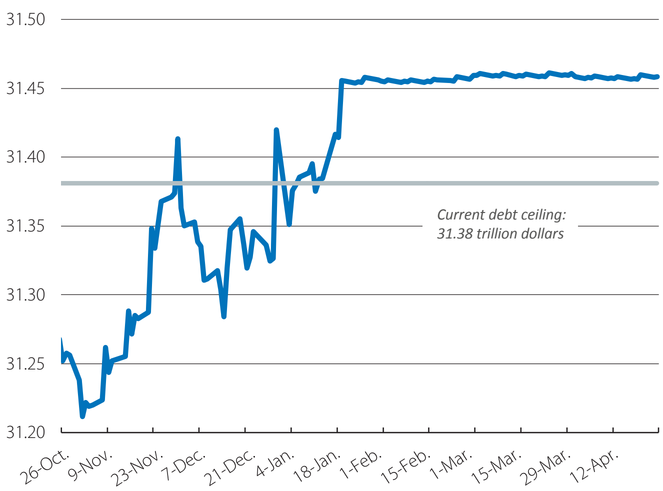

**Source:** *CaixaBank Research, based on data from Eurostat and the Bureau of Labor Statistics.*

### *US: GDP and components*
*Contribution to annualised quarter-on-quarter growth (pps)*




**Source:** *CaixaBank Research, based on data from the Bureau of Economic Analysis.*

### *US: total government debt*
*(USD trillions)*




**Source:** *CaixaBank Research, based on data from Fiscal Data.*

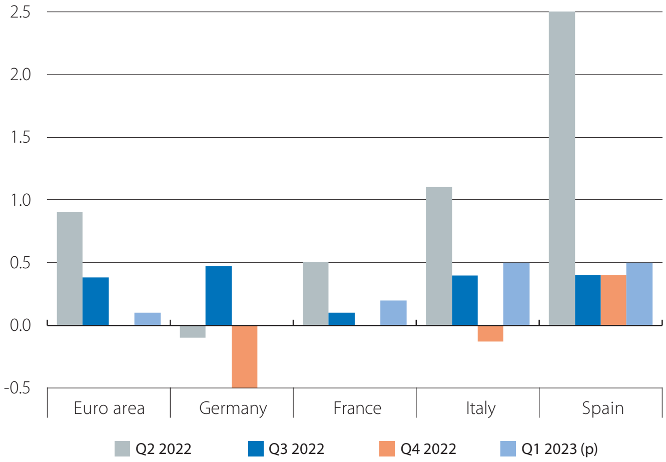
which lasted for five weeks between December 2018 and January 2019, deducted 0.1 and 0.2 pps from quarter-on-quarter growth in Q4 2018 and Q1 2019, respectively. Given this significant impact, we hope that, as in the past, an agreement will finally be reached.

**The euro area manages to dodge a recession at the start of the year**. The euro area grew by 0.1% quarter-on-quarter in Q1 2023, although this result was once again affected by the tremendous volatility in the data coming from Ireland (with a fall of 2.7%, it deducted more than 0.1 pps from the growth of the euro area as a whole). Regarding the main economies, Italy and Spain performed particularly well (+0.5% quarter-on-quarter). France, meanwhile, grew by a modest 0.2%, partly due to a significant negative contribution from inventories (–0.3 pps). Germany stagnated at the start of the year (0.0%), despite the government's latest statements that the economy could register positive growth in Q1 2023. In terms of the component breakdown, the foreign sector made a significant positive contribution in Q1, benefiting from the global economy's strong start to 2023, which was partly thanks to the full reopening of the Chinese economy. As for domestic demand, the signals are more disparate: consumption fell in Germany and Spain; in France, it stagnated; while in Italy, it showed significant buoyancy.

**However, the uncertainty surrounding the coming months remains very high**. Although the low gas prices and the high level of reserves offer a relief for businesses and households, as reflected in the good tone of indicators such as the PMIs (54.1 points in April for the euro area composite index, well within expansionary territory), the strength is especially concentrated in services (in the euro area, the sector's PMI exceeded 56 points in April). In contrast, the manufacturing PMI fell to 45.8 points (in contractionary territory for the tenth consecutive month) and some industrial surveys are beginning to detect incipient signs of lower orders, in a context in which inventories of finished products remain high. Moreover, as a result of the ECB's monetary tightening, the coming months will be marked by the transmission of higher interest rates to the economy as a whole (as already shown by the credit conditions surveys conducted by the ECB itself). Consequently, despite the good start to the year there are still significant challenges ahead and we should not be overly confident.

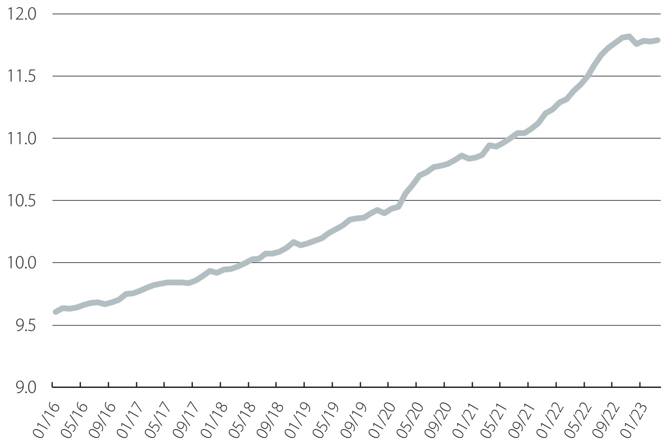
**The resilience of the Chinese economy has exceeded expectations**. Specifically, it grew by 2.2% in Q1 2023 (0.6% in Q4 2022) thanks to the boost from household consumption as the COVID restrictions were lifted, while the normalisation of supply chains has spurred on the country's export sector. This dynamic start to the year suggests that the 5.0% growth target set by the government can be easily exceeded, and this could lead to the withdrawal of the support policies currently in place, paving the way for a return to a policy more in line with the plans laid down at the National People's Congress. In addition, the encouraging pattern in domestic demand in recent months, together with the recovery shown by the demand for credit, could set the conditions for a less expansionary monetary policy. As a result, it is foreseeable that the rate of quarterly growth will lose some momentum during the course of the year, but without the achievement of the official target being jeopardised.

***Euro area: GDP***
*Quarter-on-quarter change (%)*



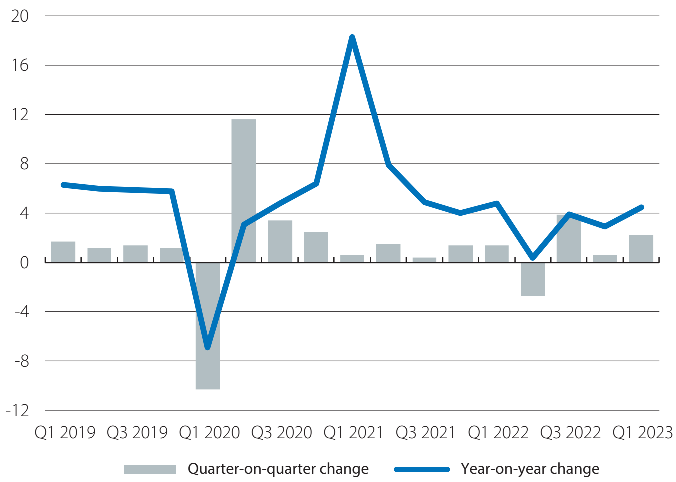

**Note:** *(p) Preliminary data.*
**Source:** *CaixaBank Research, based on data from Eurostat.*

***Euro area: lending to households and non-financial firms***
*Outstanding balance (EUR trillions)*




**Source:** *CaixaBank Research, based on data from the ECB.*

***China: GDP***
*Change (%)*




**Source:** *CaixaBank Research, based on data from the National Statistics Office of China.*

# Emerging markets amid US rate hikes and the recent financial turbulence

The Fed has been forced to provide a decisive response to contain the inflation rally and keep expectations in check: in no other previous cycle of rate hikes had the benchmark rate been risen so much (500 bps) in such a short period of time (just over a year), and this has caused a significant tightening of financial conditions around the world. What are the repercussions of this episode for emerging economies?

Over the past four decades, emerging countries have experienced a number of crises throughout the various cycles of monetary tightening in the US, enduring a very high economic and financial cost. Although the causes of each episode are different (the Fed's rate hikes are more directly linked to the debt crises in Latin America in the early 1980s and that of the Mexican peso in 1994), what is clear is that the Fed's monetary policy decisions affect global financial conditions, and this has a potentially negative impact on the most vulnerable emerging economies.

Moreover, the impact that a rate hike has on global financial markets is not always equal, as it depends on the reason for the hike, as the World Bank has recently analysed.[1] According to its report, the triggers to monitor are (i) an inflation shock, (ii) the markets' anticipation of further monetary policy tightening, or (iii) a positive growth shock. Historical experience shows us that if rate hikes are related to the first two aspects, they are more likely to have adverse indirect effects on emerging markets, as both of these situations entail economic slowdown in the US at the same time as a deterioration in investor confidence. The opposite is true when rate hikes are implemented in response to a positive growth shock. The bad news is that the Fed's rate hike cycle initiated in 2022 is primarily driven by the first two groups of factors.

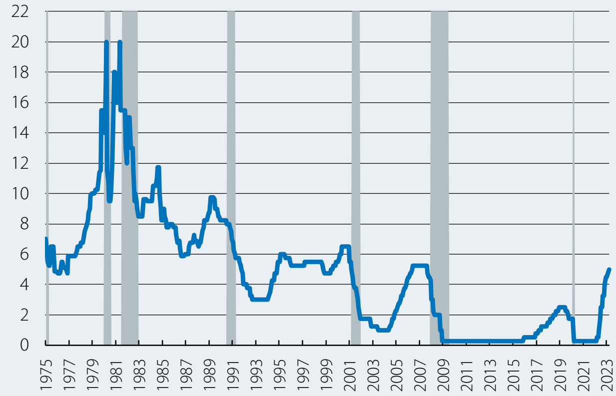
In addition, under these circumstances, emerging economies that are under pressure often experience a loss of value of their currencies. In this regard, during 2022 a number of emerging currencies suffered significant depreciation against the dollar, amounting to more than 15% in the case of the Turkish lira, the Colombian peso, the Argentine peso and the Egyptian pound, as well as other emerging-market and low-income currencies.

**First consequences for emerging markets**

The impact of the tightening of monetary conditions in the US had not been as intense as in previous cycles until

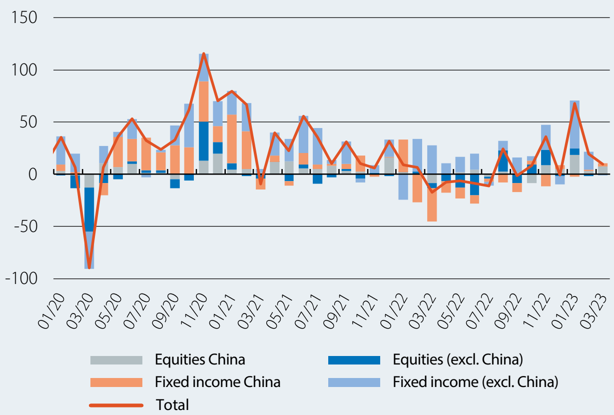
1. See World Bank Group. December 2022. «How Do Rising U.S. Interest Rates Affect Emerging and Developing Economies? It Depends».

***US: monetary policy interest rates***
*(%)*




***Note:*** *The grey shading marks periods of economic recession in the US according to the National Bureau of Economic Research.*
***Source:*** *CaixaBank Research, based on data from the Federal Reserve and the National Bureau of Economic Research.*

***Emerging markets: net inflows of foreign capital***
*(USD billions)*




***Note:*** *Net foreign investor portfolio flows to emerging economies.*
***Source:*** *CaixaBank Research, based on data from the IIF.*

the instability in the US banking sector in early March triggered a shock in the global financial markets. Up until then, the early steps taken to normalise monetary policy in many emerging economies (in some cases, such as in Latin America, this process was begun in late 2021) favoured a widening of the spread in real rates relative to advanced economies, and this helped bolster emerging markets' resilience during much of 2022. However, the recent episodes of financial instability have intensified the narrowing of this spread, to the detriment of emerging markets. This correction is especially pronounced in Latin America, where, moreover (and beyond extreme cases such as those endured in Venezuela and Argentina), inflation persists at higher levels than desired despite the central banks' rate hikes.

Another important aspect is the impact that the Fed's decisions would have had on foreign investment flows to emerging economies. Since the beginning of this year, a reduced risk appetite driven by fears of a slowdown in the global economy, combined with the narrowing of emerging-economy sovereign spreads relative to US Treasuries, makes investments in these countries' financial assets less attractive, especially those denominated in local currency. On the other hand, the financial turbulence experienced in the US and Europe in March following the collapse of Silicon Valley Bank significantly increased instability in the financial markets. However, while the impact was clearly more pronounced in developed economies than in emerging markets, the latter have by no means emerged unscathed.[2]

In fact, according to data from the International Institute of Finance (IIF), as a result of this sharp increase in risk aversion, net investment flows to emerging markets fell by 52% in March alone, with the biggest reductions occurring in fixed-income securities (public and private). Thus, the future evolution of foreign investment in these countries faces significant risks, in what is already a demanding environment. On the one hand, their debt levels are at an all-time high,[3] after several years of accommodative financing conditions. On the other hand, following the pandemic, investors discriminate more rigorously in their investment choices according to the credit rating of the issuing countries. This explains why new debt issues from countries with larger foreign deficits are almost non-existent.

**China, a special case**

Unlike many emerging economies, China has not been forced to tighten its monetary conditions in order to contain inflation, as the implementation of its zero-COVID policy caused a significant cooling of its economy, with the consequent disinflationary impact: average inflation in 2022 was 2.0% and in the year to date it has fallen to 0.7%. Indeed, its central bank has been pursuing a clearly expansionary policy in order to sustain economic growth in this context dominated by the country's health policy, the effects of which were intensified by the slowdown in demand from its main

***Emerging markets: financial conditions index***
*Standard deviation (points)*


***Note:*** *Calculated using financial indicators for 13 emerging economies.*
***Source:*** *CaixaBank Research, based on data from Capital Economics and Refinitiv.*

trading partners. Moreover, China does not have a problem with access to credit in the financial markets, given that its foreign debt represents just 15% of its GDP, and its reserves also exceed its total stock of foreign debt by more than 15%. Thus, China is less vulnerable to episodes of global financial instability or a tightening of global financial conditions. However, one of the main problems of the Chinese financial system is its high exposure to corporate debt: in Q3 2022 it stood at almost 160% of GDP. Most of this debt is issued by public companies (which are highly leveraged) and it is also largely concentrated in short-term maturities. This problem is especially relevant in the country's regional banks and China's central bank itself acknowledged that there were some 300 entities considered high-risk.

In conclusion, it seems that the increase in financial instability mainly affects those emerging economies that are more dependent on foreign savings for their financing. Aspects such as high current account deficits or high percentages of short-term foreign debt are a source of fragility for their currencies, with their depreciation serving as one of the key indicators of their risk. In this regard, and as we will expand on in a later Focus, we can anticipate that the economies most exposed to a change in investor sentiment in 2023 include Turkey, Argentina, Malaysia, Chile, Peru, Colombia, South Africa and Egypt.

*Beatriz Villafranca and Rita Sánchez Soliva*

2. In part, this is because of the differing composition of banking sector balance sheets in emerging markets, where retail deposits and medium-term debt are predominant, with a smaller role of mark to market assets, contrary to the sector's balance sheets in advanced economies.
3. According to the IIF, in 2022 the debt of emerging countries reached a record 98 trillion dollars, 30% higher than in 2019; and the debt-to-GDP ratio stood at 250%.

*Year-on-year (%) change, unless otherwise specified*

## UNITED STATES

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Activity** | | | | | | | | | |
| Real GDP | 5.9 | 2.1 | 1.8 | 1.9 | 0.9 | 1.6 | – | – | – |
| Retail sales (excluding cars and petrol) | 15.8 | 9.3 | 8.8 | 9.4 | 7.5 | 5.9 | 7.2 | 5.1 | ... |
| Consumer confidence *(value)* | 112.7 | 104.5 | 103.4 | 102.2 | 104.2 | 105.5 | 103.4 | 104.0 | 101.3 |
| Industrial production | 4.4 | 3.4 | 3.8 | 3.5 | 1.8 | 1.3 | 0.9 | 0.5 | ... |
| Manufacturing activity index (ISM) *(value)* | 60.7 | 53.5 | 55.0 | 52.2 | 49.1 | 48.3 | 47.7 | 46.3 | 47.1 |
| Housing starts *(thousands)* | 1,605 | 1,554 | 1,647 | 1,450 | 1,398 | 1,367 | 1,432 | 1,420 | ... |
| Case-Shiller home price index *(value)* | 267 | 306 | 313 | 310 | 303 | 302 | 300.7 | ... | ... |
| Unemployment rate *(% lab. force)* | 5.4 | 3.6 | 3.6 | 3.6 | 3.6 | 3.5 | 3.6 | 3.5 | ... |
| Employment-population ratio *(% pop. > 16 years)* | 58.4 | 60.0 | 59.9 | 60.0 | 60.0 | 60.1 | 60.2 | 60.4 | ... |
| Trade balance [1] *(% GDP)* | –3.6 | –3.7 | –4.0 | –3.9 | –3.7 | –3.6 | –4.6 | ... | ... |
| **Prices** | | | | | | | | | |
| Headline inflation | 4.7 | 8.0 | 8.6 | 8.3 | 7.1 | 6.7 | 6.0 | 5.0 | ... |
| Core inflation | 3.6 | 6.2 | 6.0 | 6.3 | 6.0 | 5.7 | 5.5 | 5.6 | ... |

## JAPAN

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Activity** | | | | | | | | | |
| Real GDP | 2.1 | 1.0 | 1.7 | 1.5 | 0.4 | ... | – | – | – |
| Consumer confidence *(value)* | 36.3 | 32.2 | 32.4 | 31.0 | 30.4 | 30.7 | 31.3 | 33.9 | 35.4 |
| Industrial production | 5.6 | 0.1 | –3.6 | 4.0 | 0.6 | –1.8 | –1.4 | –0.8 | ... |
| Business activity index (Tankan) *(value)* | 13.8 | 9.5 | 9.0 | 8.0 | 7.0 | 1.0 | – | – | – |
| Unemployment rate *(% lab. force)* | 2.8 | 2.6 | 2.6 | 2.6 | 2.5 | 2.5 | 2.6 | 2.8 | ... |
| Trade balance [1] *(% GDP)* | –0.3 | –3.7 | –2.0 | –3.0 | –3.8 | –5.3 | –7.7 | –15.6 | ... |
| **Prices** | | | | | | | | | |
| Headline inflation | –0.2 | 2.5 | 2.4 | 2.9 | 3.9 | 4.1 | 3.3 | 3.3 | ... |
| Core inflation | –0.5 | 1.1 | 0.8 | 1.5 | 2.8 | 3.0 | 3.4 | 3.7 | ... |

## CHINA

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Activity** | | | | | | | | | |
| Real GDP | 8.4 | 3.0 | 4.8 | 0.4 | 3.9 | 4.5 | – | – | – |
| Retail sales | 12.4 | –0.8 | 1.6 | –4.9 | 3.5 | 5.9 | 3.5 | 10.6 | ... |
| Industrial production | 9.3 | 3.4 | 6.3 | 0.6 | 4.8 | 2.9 | 2.4 | 3.9 | ... |
| PMI manufacturing *(value)* | 50.5 | 49.1 | 49.9 | 49.1 | 49.5 | 51.5 | 52.6 | 51.9 | 49.2 |
| **Foreign sector** | | | | | | | | | |
| Trade balance [1,2] | 681 | 889 | 728 | 824 | 908 | 933 | 912.4 | 979.6 | ... |
| Exports | 30.0 | 7.1 | 15.7 | 12.9 | 10.0 | 0.4 | –6.8 | 14.8 | ... |
| Imports | 30.0 | 1.1 | 10.6 | 1.2 | 0.6 | –7.3 | –10.2 | –1.4 | ... |
| **Prices** | | | | | | | | | |
| Headline inflation | 0.9 | 2.0 | 1.1 | 2.2 | 2.7 | 1.3 | 1.0 | 0.7 | ... |
| Official interest rate [3] | 3.8 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Renminbi per dollar | 6.5 | 6.7 | 6.3 | 6.6 | 6.9 | 6.9 | 6.8 | 6.9 | 6.9 |

***Notes:*** *1. Cumulative figure over last 12 months. 2. Billion dollars. 3. End of period.*
***Source:*** *CaixaBank Research, based on data from the Department of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Standard & Poor's, ISM, National Bureau of Statistics of Japan, Bank of Japan, National Bureau of Statistics of China and Refinitiv.*

## EURO AREA

### *Activity and employment indicators*

*Values, unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| Retail sales *(year-on-year change)* | 5.4 | ... | 1.1 | –0.5 | –2.5 | ... | –3.1 | ... | ... |
| Industrial production *(year-on-year change)* | 9.9 | ... | 2.0 | 3.4 | 2.0 | ... | 2.0 | ... | ... |
| Consumer confidence | –7.5 | ... | –22.7 | –26.9 | –26.9 | –26.9 | –19.0 | –19.1 | –17.5 |
| Economic sentiment | 110.7 | ... | 103.9 | 96.5 | 96.5 | 96.5 | 99.6 | 99.2 | 99.3 |
| Manufacturing PMI | 60.2 | ... | 54.1 | 49.3 | 49.3 | 49.3 | 48.5 | 47.3 | 45.8 |
| Services PMI | 53.6 | ... | 55.6 | 49.9 | 49.9 | 49.9 | 52.7 | 55.0 | 56.2 |
| **Labour market** | | | | | | | | | |
| Employment (people) *(year-on-year change)* | 1.4 | ... | 2.7 | 1.8 | 1.5 | ... | – | – | – |
| **Unemployment rate** *(% labour force)* | 7.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.6 | 6.6 | 6.5 | ... |
| Germany *(% labour force)* | 3.6 | 3.1 | 3.0 | 3.1 | 3.0 | 2.9 | 2.9 | 2.8 | ... |
| France *(% labour force)* | 7.9 | 7.3 | 7.5 | 7.2 | 7.1 | 7.0 | 7.0 | 6.9 | ... |
| Italy *(% labour force)* | 9.5 | 8.1 | 8.1 | 8.0 | 7.9 | 7.9 | 7.9 | 7.8 | ... |
| **Real GDP** *(year-on-year change)* | 5.6 | 3.5 | 4.4 | 2.5 | 1.8 | 1.3 | – | – | – |
| Germany *(year-on-year change)* | 2.8 | 1.9 | 1.7 | 1.4 | 0.8 | –0.1 | – | – | – |
| France *(year-on-year change)* | 7.2 | 2.6 | 4.2 | 1.0 | 0.4 | 0.8 | – | – | – |
| Italy *(year-on-year change)* | 7.3 | 3.9 | 5.1 | 2.5 | 1.4 | 1.8 | – | – | – |

### *Prices*

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| General | 2.6 | 8.4 | 8.0 | 9.3 | 10.0 | 8.0 | 8.5 | 6.9 | 7.0 |
| Core | 1.5 | 3.9 | 3.7 | 4.4 | 5.1 | 5.5 | 5.6 | 5.7 | 5.6 |

### *Foreign sector*

*Cumulative balance over the last 12 months as % of GDP of the last 4 quarters, unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Current balance** | 2.5 | –1.2 | 0.6 | –0.8 | –1.2 | ... | –0.9 | ... | ... |
| Germany | 7.8 | 4.2 | 6.0 | 4.7 | 4.2 | ... | 4.2 | ... | ... |
| France | 0.4 | –2.2 | –0.4 | –1.4 | –2.2 | ... | –2.1 | ... | ... |
| Italy | 3.1 | –1.2 | 0.6 | –1.1 | –1.2 | ... | –1.1 | ... | ... |
| **Nominal effective exchange rate** [1] *(value)* | **94.3** | **90.8** | **90.2** | **88.9** | **91.7** | **93.1** | **93.1** | **93.3** | **94.6** |

### *Credit and deposits of non-financial sectors*

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Private sector financing** | | | | | | | | | |
| Credit to non-financial firms [2] | 3.5 | 6.7 | 6.1 | 8.4 | 7.8 | 5.7 | 5.7 | ... | ... |
| Credit to households [2,3] | 3.8 | 4.4 | 4.6 | 4.4 | 4.0 | 3.2 | 3.2 | ... | ... |
| Interest rate on loans to non-financial firms [4] *(%)* | 1.2 | 1.8 | 1.4 | 1.8 | 2.9 | ... | 3.7 | ... | ... |
| Interest rate on loans to households for house purchases [5] *(%)* | 1.3 | 2.0 | 1.5 | 2.1 | 2.9 | ... | 3.7 | ... | ... |
| **Deposits** | | | | | | | | | |
| On demand deposits | 12.6 | 6.3 | 7.8 | 6.4 | 1.8 | –3.4 | –3.5 | ... | ... |
| Other short-term deposits | –0.8 | 4.5 | 0.9 | 5.3 | 12.0 | 17.6 | 17.5 | ... | ... |
| Marketable instruments | 11.6 | 3.7 | 2.2 | 4.1 | 7.6 | 19.4 | 21.2 | ... | ... |
| Interest rate on deposits up to 1 year from households *(%)* | 0.2 | 0.5 | 0.2 | 0.4 | 1.1 | ... | 1.9 | ... | ... |

***Notes:*** *1. Weighted by flow of foreign trade. Higher figures indicate the currency has appreciated. 2. Data adjusted for sales and securitization. 3. Including NPISH. 4. Loans of more than one million euros with a floating rate and an initial rate fixation period of up to one year. 5. Loans with a floating rate and an initial rate fixation period of up to one year.*

***Source:*** *CaixaBank Research, based on data from the Eurostat, European Central Bank, European Commission, national statistics institutes and Markit.*

# The Spanish economy concludes a strong first quarter

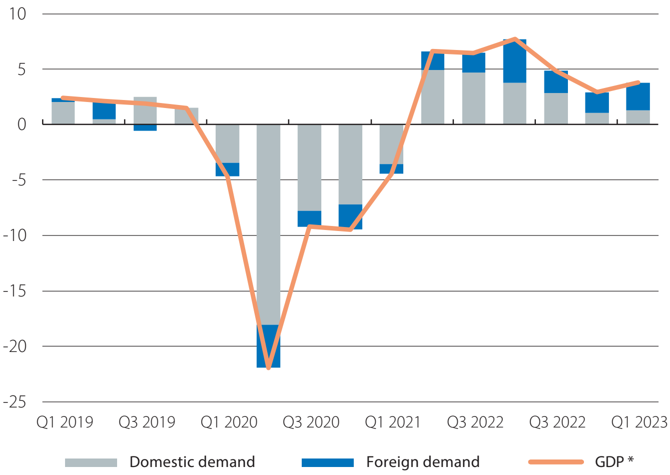
**GDP growth accelerated to 0.5% quarter-on-quarter in Q1 2023.** According to the first estimate for Q1 2023, GDP growth gathered pace compared to the previous quarter, with a quarterly increase of 0.5% versus 0.4% in Q4 2022 (after being revised 2 percentage points upwards). In year-on-year terms, growth rose to 3.8%, versus 2.9% in the previous quarter. In addition, the National Statistics Institute has revised the seasonal adjustment of the historical data, and this has changed the GDP growth profile throughout 2022. In particular, growth for Q1 2022 has been revised downwards by –0.4 pps to –0.4% quarter-on-quarter, while the estimate for Q2 2022 has been revised upwards by +0.3 pps to 2.5%, and those for Q3 and Q4 2022 have been revised up by +0.2 pps to 0.4% in both cases. With the publication of these revised figures, GDP for Q1 2023 is now just 0.2% below the level of Q4 2019, meaning that the pre-crisis level has been practically recovered. The drivers of growth in Q1 were investment, with a significant rebound in both equipment and construction, and the foreign sector with export growth well above that of imports. The negative note was the weakness of private consumption, with a quarter-on-quarter decline of 1.3%. The knock-on effect of the upward revision of growth in the latter part of 2022, together with the strong start to 2023, will cause us to revise upwards our growth forecast for 2023 as a whole.

**Headline inflation rises due to energy base effects, but core inflation falls.** According to the figure advanced by the National Statistics Institute, headline inflation rebounded in April to 4.1% (3.3% in March). Base effects continue to dominate the movements in the energy component. In April, the base effect was upward due to the fall in energy prices registered in April 2022 (as a result of the month-on-month decline in electricity prices following the sharp rally in March 2022 and the start of the 20-cent-per-litre fuel subsidy). Core inflation (excluding energy and unprocessed food) moderated significantly to 6.6% (7.5% in March), favoured by the base effect of processed food (a year ago they registered a monthly increase of 2.6%, the biggest month-on-month rise in the historical series) as well as due to the containment of prices in the rest of the components.

**Mixed signals in the economic sentiment indicators at the beginning of Q2.** The PMI for the services sector receded, but remained comfortably within expansionary territory (>50 points) at 57.9 points in April (59.4 in March), the second highest level since November 2021. However, the industrial sector has fallen back into contractionary territory after two months at expansionary levels; specifically, the manufacturing PMI fell by 2.3 points in April to 49 points. This was attributable to a fall in new orders and a slowdown in production growth, although manufacturing firms continued to grow their workforce.

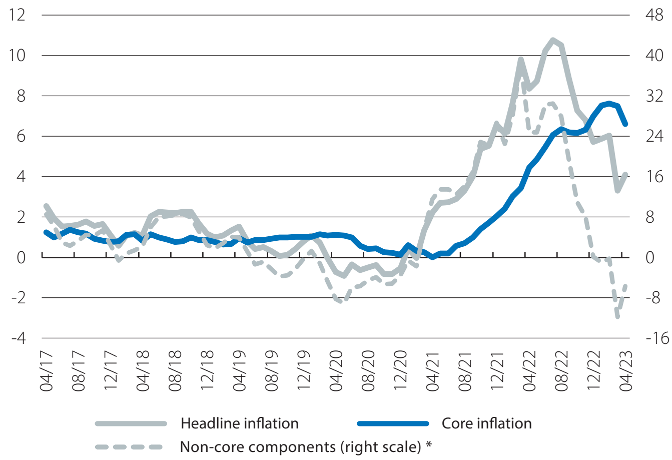
**The labour market exhibits a very positive tone.** The Q1 2023 LFS results and the April data for registered workers confirm

***Spain: GDP***
*Contribution to year-on-year growth (pps)*



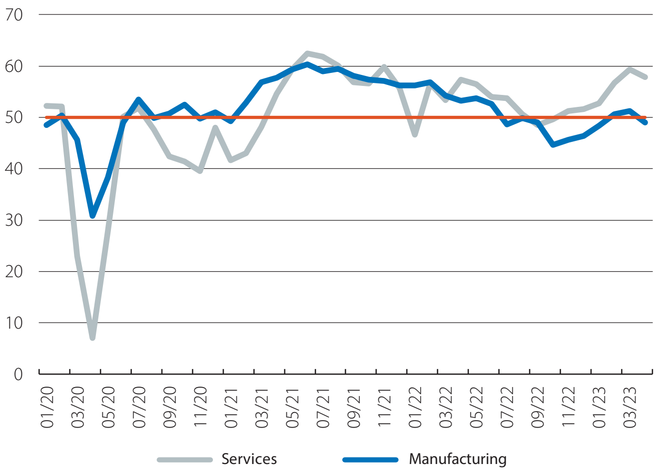

***Note:*** ** Year-on-year change (%).*
***Source:*** *CaixaBank Research, based on data from the National Statistics Institute.*

***Spain: CPI***
*Year-on-year change (%)* *Year-on-year change (%)*




***Note:*** ** Aggregate of unprocessed food and energy products.*
***Source:*** *CaixaBank Research, based on data from the National Statistics Institute.*

***Spain: PMI***
*Level*



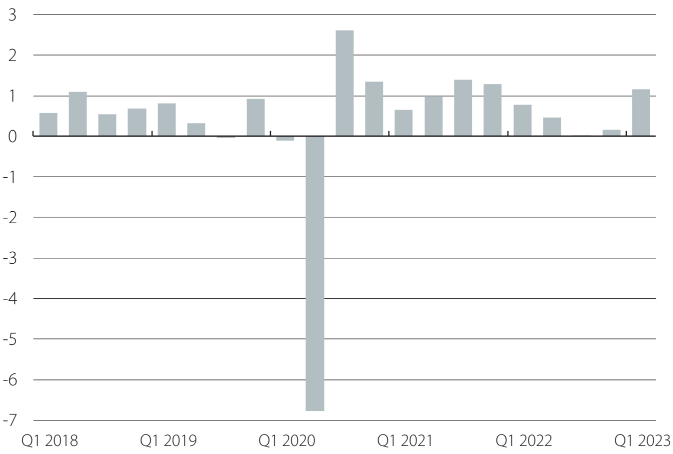

***Source:*** *CaixaBank Research, based on data from IHS Markit.*

the buoyancy of the labour market. The employed population according to the LFS grew at a quarterly, seasonally corrected rate of 1.16%, well above the 0.16% of Q4 2022. On the other hand, the number of unemployed rose by 103,800, above the average increase for Q1 in the period 2014-2019 (+15,000). That said, this increase was affected by the significant growth of the labour force (+92,000 vs. –93,000 on average in Q1 between 2014 and 2019). Thus, the unemployment rate increased to 13.3% from the 12.9% of Q4 2022, although this figure is 3 percentage points lower than that of a year ago. Social security affiliation, meanwhile, picked up in April, driven by services activity over the Easter period. Specifically, the number of registered workers grew by 238,436 people, compared to the April average of 174,000 people between 2014 and 2019. The total number of registered workers thus rises to 20,614,989, marking a new all-time high and 595,908 people more than a year ago. In addition, registered unemployment fell by 73,890 people in April and stood below 2.8 million (the lowest figure since 2008).

**The improvement in the trade balance provides a boost to the current account.** In the first two months of the year, the current account balance posted a surplus of 5,600 million euros, compared to a deficit of 3,900 million registered in the same period in 2022, thanks to the sharp reduction in the trade deficit and the buoyancy of tourism. The lower trade deficit is the result of an improvement in both the energy and the non-energy balance. In particular, the energy deficit fell in February to 3,045 million euros, from 3,626 million in February 2022, against a backdrop of falling import prices (–7.6% year-on-year). The balance of non-energy goods, meanwhile, showed a surplus of 580 million euros. This marks the biggest surplus in a month of February since 2014 and contrasts with the 626-million-euro deficit of February last year. This has been possible as nominal growth in exports (+10.1% year-on-year) has far exceeded that of imports (+5.6%). In any case, the strong growth of exports was largely driven by the increase in the price of goods, which were up 14.1% year-on-year.

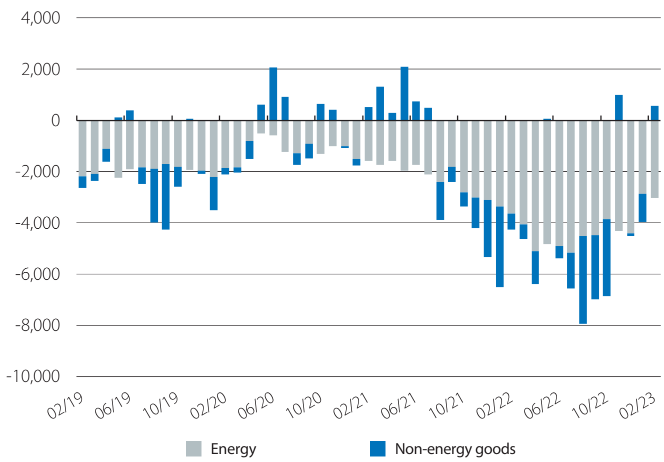
**The tourism sector continues to perform well** with a cumulative surplus in the balance of tourism services in the first two months of the year of 6,300 million euros, compared to 4,200 million in January-February 2022. The tourism sector maintained its buoyancy in March, albeit with a slight slowdown compared to February. In particular, the third month of the year saw the arrival of some 5.6 million foreign tourists, who spent 6,657 million euros. These figures are 6.9% below the level of the same month in 2019 in the case of arrivals (–1.4% in February) and 10.3% higher in the case of expenditure (14.3% in February). This reduced buoyancy in March was due to the decline in tourists from Germany and France. Nevertheless, tourist arrivals from other key source markets remained positive; especially in the case of Britons, narrowing their gap versus 2019 levels, and that of US tourists, with 6.8% more arrivals than in March 2019 (–0.8% in February).

### *Spain: employed population **
*Quarter-on-quarter change (%)*



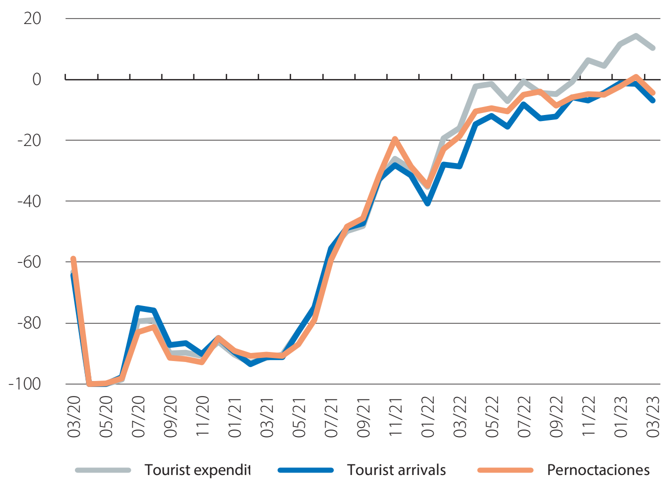

***Note:*** ** Seasonally-adjusted data.*
***Source:*** *CaixaBank Research, based on data from the National Statistics Institute (Labour Force Survey).*

### *Spain: trade balance of goods **
*Monthly data (EUR millions)*




***Note:*** ** Based on the Standard International Trade Classification (SITC) for goods.*
***Source:*** *CaixaBank Research, based on data from the Customs Department.*

### *Spain: foreign tourism indicators*
*Change versus the same month of 2019 (%)*




***Source:*** *CaixaBank Research, based on data from the National Statistics Institute.*

# Notable reduction in Spanish household savings in 2022: deep dive

### The savings rate falls to close to pre-pandemic levels amidst the inflation rally

The saving capacity of Spanish households reduced significantly in 2022 – a trend accelerated by the inflation rally. The savings rate fell to close to pre-pandemic levels, after two years well above normal due to the restrictions imposed during the pandemic. Specifically, the 2022 savings rate was 7.2% of gross disposable income (GDI), well below the 2020-2021 average (15.6%) and slightly above the 2015-2019 average (6.7%). This amounts to 58.5 billion euros in gross savings, which is 50 billion less than in 2021 but 8.5 billion more than the average for 2015-2019. In other words: while it is true that the savings rate has fallen sharply compared to 2021, to some degree this is merely a return to normality after two years of exceptionally high levels due to the pandemic; however, rather than this shift occurring gradually, it has been very rapid because of the inflationary context.

Last year's drop in the savings rate reflects the fact that nominal consumption increased far more than GDI did (11.6% vs. 3.6%, respectively). The growth rate of GDI fell somewhat short of expectations, considering the significant growth in employee wages (6.5% year-on-year) driven by strong job creation, as well as the rapid recovery in net asset incomes (20%) resulting from the growth of dividend incomes more than offsetting the rise in interest payments at an aggregate level. This buoyancy was moderated by the increase in tax payments and the fall in social benefits (see third chart with the breakdown).

As for this year, we expect the savings rate to fall once again, albeit by much less than in 2022: household consumption in nominal terms will grow less than in 2022, both due to the slowdown in the economy and due to inflation, which will remain high, albeit moderating significantly compared to the 8.4% registered in 2022. In the case of GDI, we project that it will grow somewhat quicker than in 2022, a few percentage points below the growth of nominal consumption but showing signs of resilience: the strength of the labour market will be the key to counteracting the rise in interest payments due to the rate hikes. Thus, the savings rate in 2023 could be slightly above 6.0%.

### Household financial assets decline as a percentage of GDP

In line with the lower accumulated savings last year, households' net acquisition of financial assets also fell,

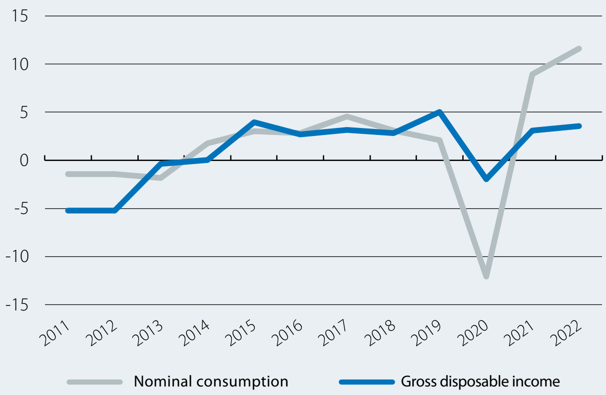
***Spain: household savings rate***

*(% of gross disposable income)*

**Source:** *CaixaBank Research, based on data from the National Statistics Institute and internal forecasts.*

***Spain: household consumption and gross disposable income***

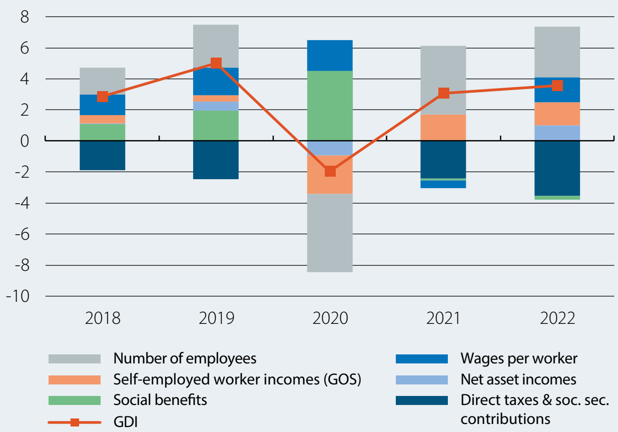
*Year-on-year change (%)*




**Source:** *CaixaBank Research, based on data from the National Statistics Institute.*

***Spain: household disposable income***

*Annual change (%) and contributions (pps)*




**Source:** *CaixaBank Research, based on data from the National Statistics Institute.*

bringing it to 44,982 million euros compared to 76,356 million the previous year; however, this figure still far exceeded pre-pandemic levels (average of 18,655 million in 2015-2019). Households acquired assets mainly by increasing their bank deposits (+46,448 million versus 18,898 million on average in 2015-2019);[1] in contrast, they reduced their holdings in insurance policies and pension funds (–7,836 million), as well as in investment funds (IFs) and equities (–3,730 million).[2]

The acquisition of assets was neutralised by the sharp drop in their valuations (–45,447 million euros), such that the stock of gross household financial assets fell slightly, by 1,281 million euros, to 2.726 trillion;[3] this amount is equivalent to 205.4% of GDP, well below the figure for 2021 (226% of GDP).

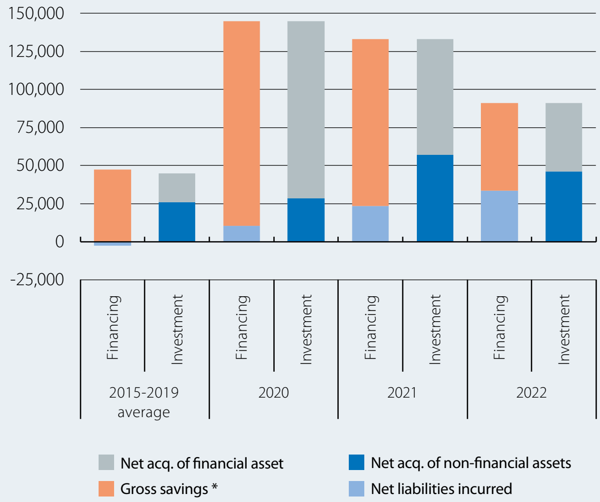
As for the structure of this wealth, it remains dominated by equities and IFs, which stabilised at 44.7% of the total; these were followed by bank deposits, which gained prominence and grew to represent 37.4% of the total, 2 points more than the previous year and the highest percentage since 2013. On the other hand, the portion corresponding to insurance and pension funds has fallen to its lowest since 1998 (12.2% of the total, 2 points less than in 2021).

Compared to the pre-pandemic situation in 2019, gross household financial wealth has increased by 281,300 million euros, largely driven by the significant savings accumulated during the pandemic.[4] This figure may seem high, but we have to bear in mind that we are in an inflationary context in which the rise in prices has eroded the value of assets in real terms. In particular, cumulative inflation between the end of 2019 and 2022 was 12.0%, exceeding the growth in the stock of financial assets (+11.5%).

On the other hand, households continued to deleverage in 2022, and at the end of the year household debt stood at 53.0% of GDP; this is a lower figure than in 2021 (58.4%), influenced by a denominator effect due to GDP growth in 2022, and it is also the lowest ratio since 2002. In 2022 as a whole, households took out bank loans

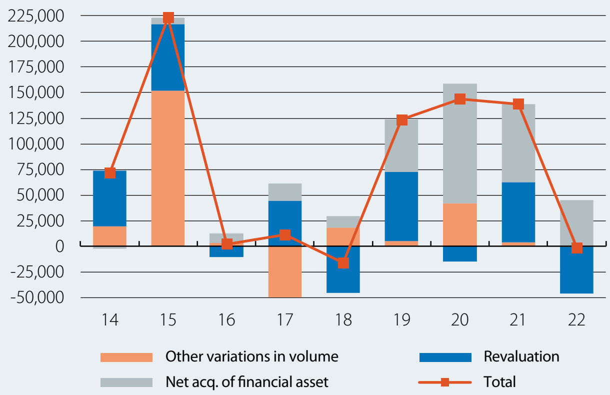
1. To a lesser extent they also acquired other assets, notably commercial loans and other receivables (9,000 million), and debt securities (3,602 million); in the latter case, this acquisition was offset by the loss of the assets' value (–3,399 million) due to the rise in long-term interest rates.
2. Insurance and pension fund holdings also suffered a sharp loss in value (–47,462 million); in contrast, the value of equities and IFs rose by 5,133 million.
3. Despite these figures, if we compare Q4 with Q3, the stock increased by 74,000 million due to the rise in the savings rate (the seasonally adjusted stagnant figure increased from 3.3% in Q3 to 9.1% in Q4) and the increase in valuations (+47,750 million).
4. See the Focus «Evolution of household financial assets in nominal and real terms in Spain» in the MR12/2022.

**Spain: household financing and investment operations**
*(EUR millions)*



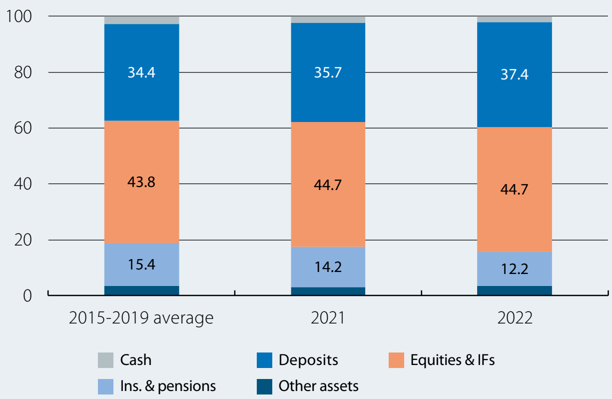

***Note:** * Includes net capital transfers.*
***Source:** CaixaBank Research, based on data from the Bank of Spain.*

**Spain: change in household financial assets**
*Annual change (EUR millions)*




***Source:** CaixaBank Research, based on data from the Bank of Spain.*

**Spain: structure of household financial wealth**
*(% of total)*



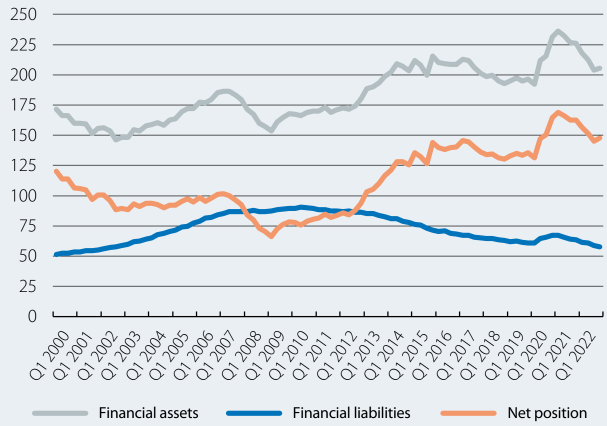

***Source:** CaixaBank Research, based on data from the Bank of Spain.*

amounting to 2,822 million euros, which is much less than in 2021 (6,807 million); in addition, there is a change of trend in the second half of 2022, in line with the rise in rates: in the first half, net borrowing amounted to 14,755 million, while in the second half there was net repayment of 11,900 million.

As a result of the fall in financial assets as a percentage of GDP in 2022, which was much greater than that of liabilities,[5] there was a contraction in households' net financial wealth of 15 points compared to 2021, bringing it to 147.6% of GDP; in any case, this significantly exceeds the ratio registered in 2019 (135.5%).

*Sergio Díaz and Javier Garcia-Arenas*

***Spain: households' financial balance sheet***
*(% of GDP)*




***Source:*** *CaixaBank Research, based on data from the Bank of Spain.*

5. Financial liabilities include the outstanding balance of bank loans, business loans and other amounts payable (interest accrued on loans, outstanding taxes and social security contributions).

# Rising food prices in Spain: what lies ahead?

The rise in food prices is proving to be more persistent than expected. In this article, we analyse the factors behind this inflationary episode and what we can expect in the short and medium term.

### The increase in production costs

One of the main factors driving the food price rally is the sharp increase in production costs in the primary sector and in the food industry.[1] According to data from the Ministry of Agriculture, Fisheries and Food, the price of intermediate consumption in the primary sector increased by 31.1% in 2022, mainly due to the rise in energy prices (59.4%), fertilisers (74.3%) and livestock feed (31.7%).

That said, it should be noted that in recent months we have witnessed a gradual moderation. In particular, the indicators of prices paid by farmers suggest that production costs peaked last August. Between that month and January (the latest month with available data), there was a drop of 5.4% as a result of the fall in energy prices (–34.6%) and fertiliser prices (–4.5%). Thus, the pattern of production costs should relieve some of the pressure on consumer prices in the sector, although it should be noted that production costs remain very high and the recent falls have not undone the significant rally experienced last year.

### Decline in agricultural production linked to the drought

Another factor that is pushing up food prices is the significant decline in agricultural harvests due to the drought. According to Eurostat data for Spain, the crop yield (tons per hectare) fell by around 18% in 2022,[2] in line with the fall in the volume of annual rainfall, which according to AEMET data stood at around 537 litres/m$^2$, or 16% below the historical average.

This reduced agricultural production has also pushed prices upwards. As can be seen in the table, the fall in production in Spain during 2022 occurred across the board. Only in the cases of vineyard production (+1.9%) and potato production (–7.0%) were double-digit declines avoided.

Moreover, the falls in production seem to be persisting in 2023 to date, with no end in sight for the drought which Spain is currently enduring (March was the driest of the 21[st] century and the rainfall in April has also been negligible). As a result, production shortages are likely to continue to push up domestic food prices in the coming months.

***Spain: harvest volumes and agricultural farm-gate prices***

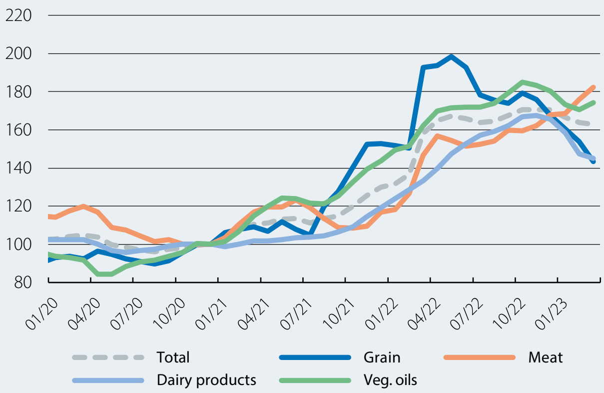
*2022 annual rate of change (%)*

| | Harvest | Price |
|---|---|---|
| Grain | –24.3 | 42.5 |
| Legumes | –18.7 | 31.0 |
| Potato | –7.0 | 34.0 |
| Industrial crops | –11.5 | 31.1 |
| Crops for livestock feed | –18.4 | 46.3 |
| Vegetables | –14.7 | 19.9 |
| Citrus fruits | –11.0 | –18.3 |
| Fruit trees | –23.8 | 4.0 |
| Vineyards | 1.9 | 16.0 |
| Olive groves | –48.4 | 27.3 |

**Source:** *CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food.*

***EU: farm-gate prices of agricultural and livestock products***

*Index (100 = December 2020)*




**Source:** *CaixaBank Research, based on data from the ECB.*

### Prices in the EU market

In a context of lower domestic supply, the performance of other food-producing countries in the EU gains relevance.[3] In this regard, there appears to have been a change of trend in the prices of some agrifood products in the Union, having actually fallen in recent months. Price falls so far this year (data to March) are noticeable in the case of grain (–14.3%) and dairy products (–12.5%). Vegetable oil prices have also broken their upward trend (falling by 3.2% in 2023), although they remain very high. The exception is found in meat prices, which in 2022

1. See the article «Drivers of Spain's inflation in 2023: indirect effects and food» in the Dossier of the MR02/2023.
2. Data estimated using figures on farming production and land area for grain, legumes, route vegetables and fruit trees, as well as vineyard production. No data available for 2022 for olives or fresh vegetables.
3. On this note, Spanish imports of unprocessed agrifood products grew by 20.5% year-on-year in the second half of 2022, while exports fell by 8.6% year-on-year in the same period.

followed a more mundane pattern, but in recent months have once again rebounded, resulting in a cumulative increase up to March of around 80% compared to December 2020.

**The transmission of inflation in the food production chain**

One of the keys to anticipating food price dynamics over the coming months lies in assessing how farm-gate prices will be transmitted to consumer prices via food industry production prices.

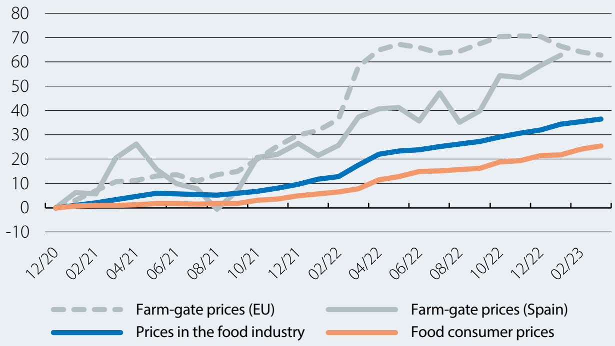
As shown in the third chart, the cumulative increase in farm-gate prices since the end of 2020 has been around 63% in both the EU (data to March) and in Spain (data to January). In this regard, the upward inertia of domestic prices in the EU has slowed, while in the case of Spain, affected by the drought, it has not. The transmission of these increases to food industry production prices and ultimately to consumer prices has been partial. Specifically, they have registered cumulative increases of 36% and 26%, respectively.

While price transmission does not necessarily have to be equal between source and consumption, the fact that there are still significant differences suggests that there may still be some margin for further transmission to final prices.[4] Performing this same analysis by product type, the data suggest that the transmission between farm-gate prices and consumption has further to go in the case of meat products. On the other hand, there appears to be less margin for further transmission in the case of grain (and derivatives), dairy products and, above all, oils.

*Javier Ibáñez de Aldecoa Fuster*

***Evolution of food prices by production phase***

*Index (0 = December 2020)*




***Note:*** *As an indicator of farm-gate prices in Spain, we use the prices received by farmers according to the Ministry of Agriculture, Fisheries and Food, while for the EU we use the ECB's farm-gate and wholesale market prices.*
***Source:*** *CaixaBank Research, based on data from the Ministry of Agriculture, Fisheries and Food, from the National Statistics Institute and from the ECB.*

4. A complete transmission of the increase in costs to consumer prices does not mean that the increase in farm-gate prices is replicated in consumer prices (1:1 transmission); rather, it depends on the relative weight of the intermediate consumption in the production of each company along the production chain.

## Activity and employment indicators

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Industry** | | | | | | | | | |
| Industrial production index | 8.8 | 2.8 | 4.3 | 4.6 | 0.9 | 1.6 | 0.1 | 4.5 | ... |
| Indicator of confidence in industry *(value)* | 0.6 | –0.9 | 0.4 | –5.2 | –5.3 | –4.2 | –5.8 | –3.2 | –1.4 |
| Manufacturing PMI *(value)* | 57.0 | 51.0 | 53.2 | 49.2 | 45.6 | 50.1 | 50.7 | 51.3 | 49.0 |
| **Construction** | | | | | | | | | |
| Building permits *(cumulative over 12 months)* | 4.7 | 15.4 | 18.8 | 8.8 | 2.6 | – | –0.9 | ... | ... |
| House sales *(cumulative over 12 months)* | 9.6 | 29.0 | 33.7 | 23.0 | 17.3 | – | 10.2 | ... | ... |
| House prices | 3.7 | 7.4 | 8.0 | 7.6 | 5.5 | ... | – | – | – |
| **Services** | | | | | | | | | |
| Foreign tourists *(cumulative over 12 months)* | 64.7 | 129.8 | 312.5 | 208.8 | 129.8 | ... | ... | ... | ... |
| Services PMI *(value)* | 55.0 | 52.5 | 55.9 | 51.0 | 50.8 | 56.3 | 56.7 | 59.4 | 57.9 |
| **Consumption** | | | | | | | | | |
| Retail sales | 5.1 | 0.9 | 1.2 | 0.2 | 1.8 | 6.4 | 4.1 | 9.5 | ... |
| Car registrations | 158.0 | –3.0 | –10.3 | 3.1 | 2.6 | 45.5 | 19.2 | 66.1 | 8.2 |
| Consumer confidence index *(value)* | –12.9 | –26.5 | –27.0 | –32.6 | –28.1 | –23.0 | –21.9 | –24.4 | –20.7 |
| **Labour market** | | | | | | | | | |
| Employment [1] | 3.0 | 3.1 | 4.0 | 2.6 | 1.4 | 1.8 | – | – | – |
| Unemployment rate (% labour force) | 14.8 | 12.9 | 12.5 | 12.7 | 12.9 | ... | – | – | – |
| Registered as employed with Social Security [2] | 2.5 | 3.9 | 4.8 | 3.5 | 2.7 | ... | 2.4 | 2.7 | 3.0 |
| **GDP** | **5.5** | **5.5** | **7.7** | **4.8** | **2.9** | **3.8** | – | – | – |

## Prices

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| General | 3.1 | 8.4 | 9.1 | 10.1 | 6.6 | 5.1 | 6.0 | 3.3 | 4.1 |
| Core | 0.8 | 5.1 | 4.9 | 6.2 | 6.5 | 7.6 | 7.6 | 7.5 | 6.6 |

## Foreign sector

*Cumulative balance over the last 12 months in billions of euros, unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Trade of goods** | | | | | | | | | |
| Exports *(year-on-year change, cumulative over 12 months)* | 21.2 | 22.9 | 22.2 | 23.3 | 22.9 | – | 20.5 | ... | ... |
| Imports *(year-on-year change, cumulative over 12 months)* | 24.8 | 33.4 | 35.2 | 38.1 | 33.4 | – | 26.7 | ... | ... |
| **Current balance** | **11.5** | **7.8** | **7.8** | **6.1** | **7.8** | **–** | **17.2** | ... | ... |
| Goods and services | 17.9 | 18.7 | 14.7 | 14.4 | 18.7 | – | 28.4 | ... | ... |
| Primary and secondary income | –6.4 | –10.9 | –7.0 | –8.3 | –10.9 | – | –11.2 | ... | ... |
| **Net lending (+) / borrowing (–) capacity** | **22.4** | **19.7** | **19.5** | **18.0** | **19.7** | **–** | **30.0** | **...** | **...** |

## Credit and deposits in non-financial sectors [3]

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Deposits** | | | | | | | | | |
| Household and company deposits | 6.1 | 4.9 | 5.4 | 5.3 | 3.8 | 1.7 | 1.7 | 0.7 | ... |
| Sight and savings | 10.3 | 7.9 | 9.2 | 8.2 | 5.0 | 0.4 | 0.4 | –1.7 | ... |
| Term and notice | –24.4 | –19.7 | –25.4 | –19.2 | –7.4 | 7.3 | 4.4 | 17.3 | ... |
| General government deposits | 15.5 | 9.6 | 15.6 | 6.6 | –3.1 | 7.6 | 7.3 | 9.8 | ... |
| **TOTAL** | **6.7** | **5.2** | **6.0** | **5.4** | **3.2** | **2.1** | **2.1** | **1.3** | **...** |
| **Outstanding balance of credit** | | | | | | | | | |
| Private sector | 0.3 | 0.7 | 0.8 | 1.3 | 0.5 | –1.0 | –1.2 | –1.1 | ... |
| Non-financial firms | 1.1 | 0.9 | 0.7 | 2.4 | 0.9 | –1.0 | –1.4 | –0.8 | ... |
| Households - housing | 0.2 | 1.0 | 1.4 | 1.1 | 0.2 | –1.2 | –1.3 | –1.7 | ... |
| Households - other purposes | –1.2 | –0.6 | –0.5 | –0.9 | –0.1 | –0.1 | –0.2 | –0.2 | ... |
| General government | 15.3 | 0.2 | 1.9 | –3.5 | –1.1 | –0.2 | 0.9 | –0.3 | ... |
| **TOTAL** | **1.1** | **0.7** | **0.9** | **1.0** | **0.4** | **–0.9** | **–1.0** | **–1.0** | **...** |
| **NPL ratio (%)** [4] | **4.3** | **3.5** | **4.1** | **3.8** | **3.7** | **...** | **3.6** | **...** | **...** |

***Notes:*** *1. Estimate based on the Active Population Survey. 2. Average monthly figures. 3. Aggregate figures for the Spanish banking sector and residents in Spain. 4. Period-end figure.*
***Source:*** *CaixaBank Research, based on data from the Ministry of Economy, the Ministry of Public Works, the Ministry of Employment and Social Security, the National Statistics Institute, the State Employment Service, Markit, the European Commission, the Department of Customs and Special Taxes and the Bank of Spain.*

# Positive surprise from Portuguese GDP in Q1

**GDP performed better than expected in Q1 2023**, rallying 1.6% quarter-on-quarter and 2.5% year-on-year thanks to the buoyancy of the foreign sector, especially tourism. With these results, GDP now exceeds the pre-pandemic level by 4.3%. This also makes an upward revision of our current growth forecast for 2023 (1%) inevitable, which we will present in the next edition of the *Monthly Report*. Even if the economy were to stagnate in the next three quarters, growth in 2023 as a whole would still exceed 2.1%. Moreover, the latest data remain positive.

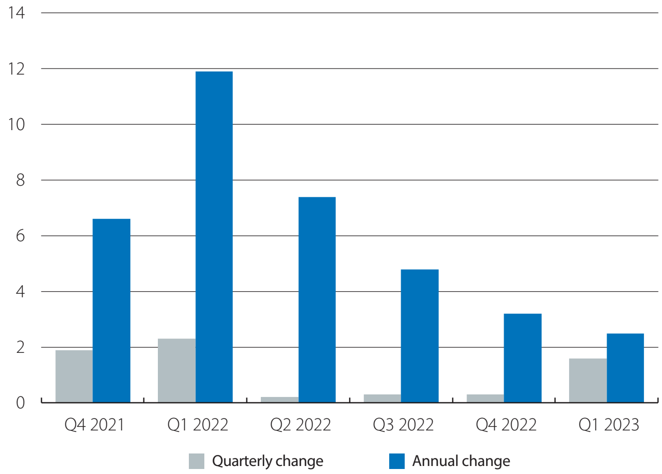
**Inflation moderates in April.** The National Statistics Institute's flash indicator revealed a sharp slowdown in inflation to 5.7% (7.4% in March); again, energy products, with a year-on-year rate of –12.7%, account for more than 60% of the decline in the CPI. The core inflation rate also moderated, albeit more timidly, to 6.6%. This dynamic will persist over the coming months due to the base effects in the energy component when compared with months which were marked by sharp price rallies last year.

**The employed population has reached a new all-time high.** In seasonally adjusted terms, it rose to 4,911,800 people in March, with year-on-year growth of 0.4% (+21,800 people). At the same time, the number of unemployed fell for the second consecutive month, to 362,500 people, and the unemployment rate stood at 6.9%.

**Excellent performance of tourism in Q1 2023.** In March, 2.1 million visitors and 5.1 million overnight stays were recorded, meaning that for Q1 2023 as a whole, the number of overnight stays exceeded those of the same period in 2019 by 14.1%. In April, the data from ForwardKeys highlight Portugal as one of the countries with the highest growth compared to 2019 in terms of installed air capacity (intra-European flights). If we add to this other exceptional factors (World Youth Day and the growth of tourism originating in the US), 2023 could prove to be a record year, in terms of both visitors and revenues.

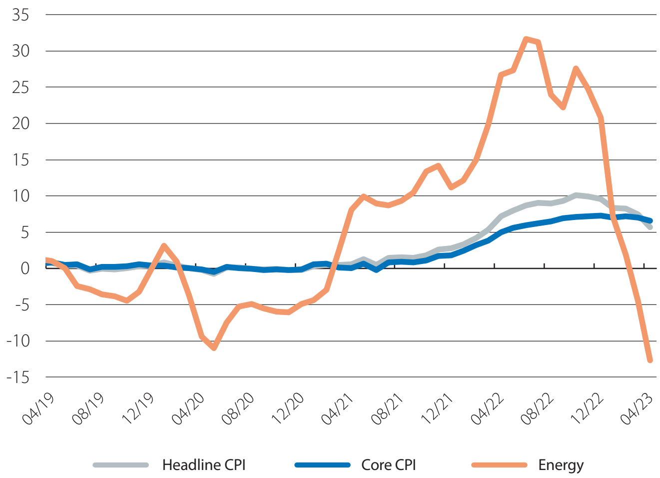
**The government has presented its fiscal consolidation strategy for the coming years.** Following the positive surprise of 2022 (deficit of 0.4% of GDP, versus the 1.9% initially forecast), in the 2023-2027 Stability Programme the deficit forecast for 2023 has been reduced from 0.9% of GDP to 0.4%, with further reductions foreseen in subsequent years before finally achieving a small surplus in 2027. Public debt will also continue to fall, reaching below 100% of GDP by 2025. For the time being, budget execution remains quite favourable: in Q1 there was a surplus of 3.0% of GDP, with revenue growing far in excess of expenditure (7.4% year-on-year vs. 2.4%). As a result, our 2023 budget balance forecast (currently at –0.9% of GDP) is likely to be too cautious.

***Portugal: GDP***
*Change (%)*



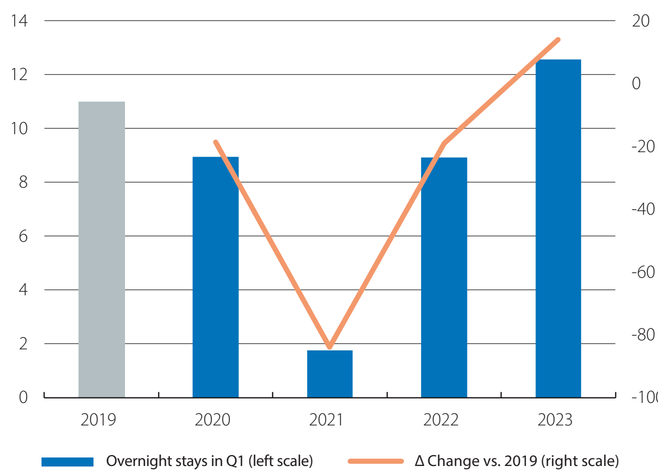

**Source:** *CaixaBank Research, based on data from the National Statistics Institute of Portugal.*

***Portugal: CPI***
*Year-on-year change (%)*




**Source:** *CaixaBank Research, based on data from the National Statistics Institute of Portugal.*

***Tourism: overnight stays in Q1***
*(Millions)* *(%)*




**Source:** *CaixaBank Research, based on data from the National Statistics Institute of Portugal.*

## Activity and employment indicators

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| Coincident economic activity index | 3.4 | 6.0 | 6.7 | 5.4 | 4.7 | 5.0 | 5.0 | 5.3 | ... |
| **Industry** | | | | | | | | | |
| Industrial production index | 4.5 | 0.4 | 2.0 | 1.8 | –0.3 | ... | 1.8 | ... | ... |
| Confidence indicator in industry *(value)* | –5.3 | –3.4 | –2.3 | –4.7 | –6.6 | –4.9 | –5.0 | –3.5 | –3.4 |
| **Construction** | | | | | | | | | |
| Building permits - new housing (number of homes) | 13.5 | 5.6 | 2.9 | –4.0 | 12.7 | ... | 2.1 | ... | ... |
| House sales | 20.5 | 1.3 | 4.5 | –2.8 | –16.0 | ... | – | – | – |
| House prices *(euro / m² - valuation)* | 8.6 | 13.8 | 14.2 | 15.8 | 13.6 | 12.9 | 12.5 | 11.4 | ... |
| **Services** | | | | | | | | | |
| Foreign tourists *(cumulative over 12 months)* | 51.5 | 158.6 | 298.1 | 244.4 | 158.6 | 116.9 | 137.9 | 116.9 | ... |
| Confidence indicator in services *(value)* | 0.1 | 15.0 | 21.1 | 17.9 | 8.1 | 9.9 | 10.2 | 13.3 | 17.6 |
| **Consumption** | | | | | | | | | |
| Retail sales | 4.9 | 4.8 | 3.1 | 3.3 | 0.0 | 1.6 | 0.3 | 0.6 | ... |
| Coincident indicator for private consumption | 5.0 | 4.4 | 5.2 | 3.2 | 2.3 | 3.1 | 3.1 | 3.9 | ... |
| Consumer confidence index *(value)* | –17.2 | –29.7 | –30.5 | –31.8 | –37.0 | –35.1 | –35.0 | –33.4 | –31.7 |
| **Labour market** | | | | | | | | | |
| Employment | 2.8 | 2.0 | 1.9 | 1.1 | 0.5 | ... | 0.4 | 0.5 | ... |
| Unemployment rate (*% labour force*) | 6.6 | 6.0 | 5.7 | 5.8 | 6.5 | ... | 6.9 | 6.9 | ... |
| **GDP** | **5.5** | **6.7** | **7.4** | **4.8** | **3.2** | **2.5** | – | – | – |

## Prices

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| General | 1.3 | 7.8 | 8.0 | 9.1 | 9.9 | 8.0 | 8.2 | 7.4 | 5.7 |
| Core | 0.8 | 5.6 | 5.5 | 6.5 | 7.2 | 7.1 | 7.2 | 7.0 | 6.6 |

## Foreign sector

*Cumulative balance over the last 12 months in billions of euros, unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Trade of goods** | | | | | | | | | |
| Exports *(year-on-year change, cumulative over 12 months)* | 18.3 | 23.0 | 18.9 | 22.7 | 23.0 | ... | 21.2 | ... | ... |
| Imports *(year-on-year change, cumulative over 12 months)* | 22.0 | 31.4 | 31.5 | 35.2 | 31.4 | ... | 26.3 | ... | ... |
| **Current balance** | **–1.6** | **–3.2** | **–4.4** | **–4.2** | **–3.2** | **...** | **–2.3** | **...** | **...** |
| Goods and services | –5.5 | –4.9 | –6.4 | –5.3 | –4.9 | ... | –4.0 | ... | ... |
| Primary and secondary income | 3.9 | 1.7 | 2.0 | 1.1 | 1.7 | ... | 1.6 | ... | ... |
| **Net lending (+) / borrowing (–) capacity** | **2.1** | **–1.1** | **–1.0** | **–1.9** | **–1.1** | **...** | **0.1** | **...** | **...** |

## Credit and deposits in non-financial sectors

*Year-on-year change (%), unless otherwise specified*

| | 2021 | 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | 02/23 | 03/23 | 04/23 |
|---|---|---|---|---|---|---|---|---|---|
| **Deposits** [1] | | | | | | | | | |
| Household and company deposits | 9.3 | 6.4 | 8.2 | 7.8 | 6.4 | ... | 2.9 | 0.5 | ... |
| Sight and savings | 16.3 | 7.3 | 12.9 | 11.2 | 7.3 | ... | 1.9 | –3.1 | ... |
| Term and notice | 1.2 | 5.2 | 2.3 | 3.3 | 5.2 | ... | 4.3 | 5.4 | ... |
| General government deposits | –4.1 | 12.4 | 8.5 | –0.1 | 12.4 | ... | 2.8 | 11.1 | ... |
| **TOTAL** | **9.0** | **6.5** | **8.2** | **7.5** | **6.5** | **...** | **2.9** | **0.8** | **...** |
| **Outstanding balance of credit** [1] | | | | | | | | | |
| Private sector | 2.9 | 1.3 | 2.5 | 1.9 | 1.3 | ... | 0.6 | 0.0 | ... |
| Non-financial firms | 2.2 | –1.0 | 0.7 | –0.5 | –1.0 | ... | –1.6 | –2.1 | ... |
| Households - housing | 3.3 | 2.7 | 3.8 | 3.3 | 2.7 | ... | 2.1 | 1.5 | ... |
| Households - other purposes | 3.1 | 2.9 | 3.3 | 3.2 | 2.9 | ... | 1.3 | 0.0 | ... |
| General government | 3.8 | –2.7 | –1.3 | –1.5 | –2.7 | ... | –4.3 | –2.0 | ... |
| **TOTAL** | **2.9** | **1.2** | **2.4** | **1.7** | **1.2** | **...** | **0.4** | **–0.1** | **...** |
| **NPL ratio** *(%)* [2] | **3.7** | **3.0** | **3.4** | **3.2** | **3.0** | **...** | – | – | – |

***Notes:*** *1. Residents in Portugal. The credit variables exclude securitisations. 2. Period-end figure.*
***Source:*** *CaixaBank Research, based on data from the National Statistics Institute of Portugal, Bank of Portugal and Refinitiv.*

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