**The post-pandemic Spanish economy**

The Spanish economy of today is very different from that of late 2019, prior to the outbreak of the pandemic. Three and a half years later, GDP has now recovered the level it had then. The latest estimates by the National Statistics Institute suggest that it surpassed this threshold in Q2 2023, finally standing 0.4% higher. But the recovery has not occurred in unison. Some aspects have recovered more quickly and are now in a much better position than before. Others, on the other hand, are lagging further behind. Today the Spanish economy is more competitive and internationalised, and there is less wage inequality between citizens. However, Spaniards as a whole have not yet recovered pre-pandemic consumption levels, while investment has performed rather poorly.

Despite this difficult context, one encouraging development is the notable reduction in wage inequality that has taken place in recent years. According to CaixaBank Research’s real-time wage indicator, the Gini index, which measures wage income inequality, in July of this year it stood more than 2 points below the level of 2019. In addition, the improvement is widespread across the board, both by region and by workers’ age, gender and origin. Undoubtedly, the good performance of the labour market in recent quarters has played a key role in reducing inequality.

As for consumption, it is 3.4% below the level of late 2019. The loss of purchasing power caused by the inflation rally in 2022 stopped its recovery in its tracks, and it even fell more than 3% between the end of 2022 and the beginning of 2023. In recent months, inflation has fallen back below the rate of wage growth, allowing a certain recovery in workers’ purchasing power, and in Q2 consumption resumed positive growth rates, registering a 1.6% quarter-on-quarter increase. In any case, the loss of purchasing power that has accumulated over the last few years remains all too noticeable. Since the end of 2019, the consumer price index has increased by just over 15% and that of food, by 27%, while wage income has grown by 8.1%, according to CaixaBank Research’s real-time wage indicator. Over the coming years, wage rises are likely to remain somewhat above inflation, which should enable a recovery of purchasing power without eroding the gains in competitiveness.

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Oriol Aspachs