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MONTHLY REPORT • ECONOMIC AND FINANCIAL MARKET OUTLOOK

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INTERNATIONAL ECONOMIES AND MARKET

FINANCIAL MARKETS

Can metals gain more «shine»?

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SPANISH ECONOMY

What big data reveals about consumption in Spain

The competitiveness of Spain's tourism sector: strengths and weaknesses

The disparity between employment and hours worked in Spain

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July-August 2024

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

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INDEX

1 EDITORIAL

3 KEY POINTS OF THE MONTH

4 FORECASTS

7 FINANCIAL MARKET

9 *Can metals gain more «shine»?*
Beatriz Villafranca

12 INTERNATIONAL ECONOMY

14 *What is going on with Chinese consumers?*
Luís Pinheiro de Matos

18 SPANISH ECONOMY

20 *What big data reveals about consumption in Spain*
Zoel Martín Vilató and Josep Mestres Domènech

22 *The competitiveness of Spain's tourism sector: strengths and weaknesses*
Judith Montoriol Garriga

23 *The disparity between employment and hours worked in Spain*
Nuria Bustamante and Sergio Díaz

27 PORTUGUESE ECONOMY

Something is moving in the international economy

With the first half of the year now over, the narrative of a resilient global economy continues to be consolidated. It is showing resilience both to the obstacles it has had to face in recent years and to the structural changes that are occurring as globalisation adjusts to a new geopolitical paradigm, the main exponent of which is the revival of industrial policy as a means to achieve that ever so diffuse concept of strategic autonomy. In the meantime, economic policy has been successfully addressing the effects that the mismatches between global supply and demand have had on inflation and on household and business finances, albeit at a significant cost in terms of a loss of degrees of freedom in fiscal policy.

In this context, in which uncertainty continues to dominate economic agents' decision-making, the world economy could grow by 3.1% this year (3.3% in 2025), which is practically the cruising speed that was reached during the period between the global financial crisis and the outbreak of the pandemic. However, it is far from the 4.4% average recorded in the first seven years of this century. The positive part of this return to the pre-pandemic starting block is that the most disruptive scenarios which threatened to derail the business cycle at certain times in recent years have been avoided. However, the mediocrity of the growth reflects the fact that the scars of the recent crises have not yet fully healed and that the contribution of investment and productivity to potential growth remains low.

So what next? With the international order in the midst of an adjustment, we are entering the summer period with a feeling of tense calm, faced with a challenging geopolitical scenario to which a new layer of complexity is added every week. The seemingly reassuring outcome of the European elections has given way to a new source of risk with the convening of parliamentary elections in France, which may lead to a complex cohabitation in the final phase of Macron's presidency. All this complicates the country's already fragile fiscal situation, with the recent opening of an excessive deficit procedure and a downgrading of its rating. As a result of all this, France's risk premium has rebounded to a high of 85 bps (the biggest spike since 2011 in the midst of the euro crisis), surpassing the risk premium of Portugal and coming very close to that of Spain. Although the results of the second round have calmed investors' nerves, we are facing the biggest internal adjustment in the assessment of sovereign risk in the euro area in recent years. While the ECB has firewalls in place to control the risk of fragmentation (the TPI programme), the increased sensitivity of «bond vigilantes» to any unexpected deterioration in the fiscal outlook serves as a new warning to sailors following the «Truss effect» and reflects the fact that the post-COVID fiscal free bar has definitively closed.

Therefore, as we enter a time of year in which the liquidity of the markets is usually reduced, financial asset prices are beginning to show a little more nervousness among investors, reflecting the current demanding valuations and the shift in monetary policy expectations that has occurred since January. The instability has also spread to emerging countries, such as Mexico, where political risk and the worsening fiscal outlook are causing major currency adjustments, decreasing the margin for manoeuvre of central banks that have already been lowering interest rates. In the case of developed countries, more and more central banks are beginning to relax their monetary policy (Switzerland, Canada, Sweden, the euro area, etc.), without the divergence with the Fed's strategy leading to any financial tensions besides an anticipated appreciation of the dollar (+1.1% in the effective exchange rate in the last month). In this regard, the key factor in the second half of the year will be how the Fed manages its first interest rate cut. It will be essential to consolidate the monetary policy expectations of investors, who are concerned about the evolution of the public accounts (if there are no adjustments, the public deficit would remain at around 6% for the next decade), as well as about political risk, especially following the first US presidential debate. In short, political risk and market sensitivity will be the centre of attention over the summer, which is nothing new under the sun.

José Ramón Díez
July-August 2024

Chronology

<p>JUNE 2024</p> <ul style="list-style-type: none"> 2 OPEC agrees to extend its cuts to crude oil production (3.66 million bpd through to December 2025 and 2.2 million bpd to September 2024, but with a gradual withdrawal through to September 2025). 6 The ECB cuts rates by 25 bps, placing the depo rate at 3.75% and the refi rate at 4.25%. <p>APRIL 2024</p> <ul style="list-style-type: none"> 9 The EU's Copernicus programme reports that March 2024 is the 10th consecutive month to set record temperatures in the month since records began (1850). <p>FEBRUARY 2024</p> <ul style="list-style-type: none"> 22 The US returns to the Moon after more than 50 years with the landing of Odysseus, the first commercial module to touch down on the lunar surface. 	<p>MAY 2024</p> <ul style="list-style-type: none"> 31 The rating agency Standard & Poor's downgrades France's credit rating from AA to AA-. <p>MARCH 2024</p> <ul style="list-style-type: none"> 13 The ECB adjusts the operational framework through which it implements its monetary policy. 19 The Bank of Japan raises its reference rate from -0.1% to 0.1%. <p>JANUARY 2024</p> <ul style="list-style-type: none"> 11 NASA confirms that 2023 was the warmest year since records began (1880). 19 Japan becomes the fifth country to land on the Moon.
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Agenda

<p>JULY 2024</p> <ul style="list-style-type: none"> 1 Portugal: employment and unemployment (May). 2 Spain: registration with Social Security and registered unemployment (June). Euro area: CPI flash estimate (June). 10 Spain: financial accounts (Q1). 15 China: GDP (Q2). 18 Governing Council of the European Central Bank meeting. 19 Portugal: DBRS rating. 22 Spain: loans, deposits and NPL ratio (May). 25 Portugal: credit and deposit portfolio (June). US: GDP (Q2). 26 Spain: labour force survey (Q2). 30 Spain: GDP flash estimate (Q2). Spain: CPI flash estimate (July). Portugal: GDP flash estimate (Q2). Euro area: GDP (Q2). Euro area: economic sentiment index (July). 30-31 Federal Open Market Committee meeting. 31 Spain: state budget execution (June). Portugal: CPI flash estimate (July). Portugal: budget execution (June). Euro area: CPI flash estimate (July). 	<p>AUGUST 2024</p> <ul style="list-style-type: none"> 1 Portugal: public debt (June). 2 Spain: registration with Social Security and registered unemployment (July). 5 Spain: industrial production (June). 7 Portugal: employment (Q2). 13 Portugal: average gross monthly wage per worker (Q2). 15 Japan: GDP (Q2). 19 Spain: foreign trade (June). 20 Portugal: balance of payments (June). 23 Spain: loans, deposits and NPL ratio (June). 29 Spain: CPI flash estimate (August). Euro area: economic sentiment index (August). 30 Portugal: GDP breakdown (Q2). Portugal: S&P rating. Euro area: CPI flash estimate (August).
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The levers of the Spanish economy

The recent growth of the Spanish economy has rested, mainly, on the foreign sector and, in particular, on tourism. In 2023, the foreign sector accounted for one third of GDP growth. In Q1 of this year, the contribution increased to two thirds: of the 0.8 pps of GDP growth recorded, 0.5 pps came from the foreign sector. The buoyancy of tourism service exports, with 17.4% growth in the quarter, was key.

The figures related to the tourism sector have not stopped producing surprises during Q2. From January to May, the cumulative number of foreign tourists has reached 33.2 million, 4 million more than in the same period last year. If this trend is maintained, this year the 90-million barrier will be far exceeded. For reference, in 2023, 85.2 million foreign tourists arrived, which was an all-time record. The data on spending with foreign cards recorded on CaixaBank POS terminals also continue to paint a picture of a sector in the midst of a boom. As you can see for yourself on the [CaixaBank Research Real-Time Economics portal](#), in June spending by foreigners grew by 12.9% and during Q2 as a whole it grew by 13.0% on average, a pace similar to that of Q1.

The tourism sector is reaching high levels of utilisation of its productive capacity, so we can expect the pace of growth to gradually moderate. But it also has some levers to grow sustainably. Last year, much of the increase in activity was concentrated outside the peak season. In this dimension, there is ample margin for growth. The sector can also expand the range of destinations it offers: Spain is full of beautiful corners waiting to be discovered. Finally, it can also continue to improve the quality of its tourism services, a sphere in which the sector has concentrated much of its efforts in recent years. Since 2019, the number of hotel rooms has not increased, but the number of smaller hotels has reduced and the number of four and five-star establishments has increased.

If one of the main drivers of the Spanish economy slows down, can economic activity continue to enjoy rapid growth? Probably, yes. Spain's economy has other levers at its disposal. Domestic demand and, in particular, investment and household consumption could take over. In fact, there is reason to believe that this is precisely what will happen. Household consumption has recorded moderate growth over the last few quarters. In Q1 2024, it registered an increase of 6.5% year-on-year in nominal terms (2.5% in real terms). This figure contrasts with the buoyancy of household gross disposable income, which

grew by 9.1% at the aggregate level. In other words, on aggregate, over the past few quarters households have increased their savings considerably, especially amid a relatively high interest rate environment.

A portion of household savings went towards mortgage repayments last year, which increased by more than 20 billion euros compared to what was observed, on average, in the period 2014-2019. On the other hand, holdings of financial assets also increased. In 2023, the net acquisition of financial assets by households reached almost 40 billion euros. In contrast, in the period 2014-2019 it stood at around 18 billion euros, on average. Over the coming quarters, it is expected that household income will enjoy rapid growth and that purchasing power will steadily recover. This, combined with the lowering of interest rates being carried out by the ECB, should reduce the incentives to save and encourage more dynamic consumption.

As for investment, it has significant margin for growth, since it has not yet recovered pre-pandemic levels. Specifically, it is 3.0% below the peak reached in 2019. The gradual lowering of interest rates expected to be carried out by the ECB, coupled with the injection of the European NGEU funds, should support the recovery of investment in capital goods and machinery. On the other hand, it is also important that investment in construction, particularly in housing, begins to gain traction. This is especially the case if the new demographic forecasts recently published by the National Statistics Institute, which indicate that the number of households will grow by more than 300,000 per year on average between 2025 and 2029, are confirmed. This is a figure that contrasts with the number of planning permits granted for new builds, which in the 12 months to April stood at 115,000 homes.

Oriol Aspachs

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

Financial markets

	Average 2000-2007	Average 2008-2020	2021	2022	2023	2024	2025
INTEREST RATES							
Dollar							
Fed funds (upper limit)	3.43	0.77	0.25	4.50	5.50	5.00	4.00
3-month SOFR	3.62	0.99	0.21	4.74	5.37	4.35	3.35
12-month SOFR	3.86	1.42	0.52	5.48	4.95	3.90	3.50
2-year government bonds	3.70	0.99	0.66	4.30	4.46	3.90	3.30
10-year government bonds	4.69	2.44	1.46	3.62	4.01	4.00	3.60
Euro							
ECB depo	2.05	0.15	-0.50	1.77	4.00	3.00	2.25
ECB refi	3.05	0.69	0.00	2.27	4.50	3.15	2.40
€STR	-	-0.55	-0.58	1.57	3.90	2.93	2.25
1-month Euribor	3.18	0.42	-0.60	1.72	3.86	2.93	2.28
3-month Euribor	3.24	0.57	-0.58	2.06	3.94	2.94	2.30
6-month Euribor	3.29	0.70	-0.55	2.56	3.93	2.98	2.38
12-month Euribor	3.40	0.86	-0.50	3.02	3.68	3.03	2.46
Germany							
2-year government bonds	3.41	0.27	-0.69	2.37	2.55	1.90	2.00
10-year government bonds	4.30	1.38	-0.31	2.13	2.11	2.00	2.20
Spain							
3-year government bonds	3.62	1.53	-0.45	2.66	2.77	2.30	2.42
5-year government bonds	3.91	2.01	-0.25	2.73	2.75	2.43	2.57
10-year government bonds	4.42	2.96	0.42	3.18	3.09	2.85	3.00
Risk premium	11	158	73	105	98	85	80
Portugal							
3-year government bonds	3.68	3.05	-0.64	2.45	2.33	2.51	2.66
5-year government bonds	3.96	3.63	-0.35	2.53	2.42	2.57	2.75
10-year government bonds	4.49	4.35	0.34	3.10	2.74	2.75	3.00
Risk premium	19	297	65	97	63	75	80
EXCHANGE RATES							
EUR/USD (dollars per euro)	1.13	1.26	1.13	1.06	1.09	1.06	1.10
EUR/GBP (pounds per euro)	0.66	0.84	0.85	0.87	0.86	0.84	0.86
EUR/JPY (yen per euro)	129.56	126.06	128.82	142.85	156.99	160.00	156.00
OIL PRICE							
Brent (\$/barrel)	42.3	77.3	74.8	81.3	77.3	86.0	78.0
Brent (euros/barrel)	36.4	60.6	66.2	76.8	70.9	81.1	70.9

Forecasts

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

International economy

	Average 2000-2007	Average 2008-2020	2021	2022	2023	2024	2025
GDP GROWTH							
Global	4.4	2.9	6.5	3.5	3.2	3.1	3.3
Developed countries	2.7	1.0	5.7	2.6	1.6	1.6	1.7
United States	2.7	1.5	5.8	1.9	2.5	2.4	1.8
Euro area	2.2	0.3	5.9	3.5	0.5	0.8	1.7
Germany	1.6	0.8	3.1	1.9	0.0	0.2	1.2
France	2.2	0.3	6.4	2.5	0.9	0.9	1.3
Italy	1.5	-1.0	8.3	4.1	1.0	0.8	1.5
Portugal	1.5	-0.2	5.7	6.8	2.3	1.7	2.3
Spain	3.7	-0.3	6.4	5.8	2.5	2.4	2.3
Japan	1.4	0.1	2.6	0.9	1.9	0.8	1.0
United Kingdom	2.7	0.3	8.7	4.3	0.1	0.5	0.6
Emerging and developing countries	6.4	4.4	7.0	4.1	4.3	4.1	4.3
China	10.6	7.5	8.5	3.0	5.2	4.8	4.2
India	7.2	5.7	10.3	6.7	7.7	6.6	6.8
Brazil	3.6	1.2	4.8	3.0	2.9	1.8	1.8
Mexico	2.3	0.7	5.7	4.0	3.2	2.1	2.1
Russia	-	1.0	5.9	-1.3	3.7	1.5	1.3
Türkiye	5.5	4.3	11.4	5.5	4.5	2.6	3.5
Poland	4.2	3.2	6.9	5.9	0.1	2.8	3.6
INFLATION							
Global	4.2	3.7	4.7	8.7	6.8	5.8	4.3
Developed countries	2.1	1.5	3.1	7.3	4.6	2.7	2.1
United States	2.8	1.7	4.7	8.0	4.1	3.2	2.2
Euro area	2.2	1.3	2.6	8.4	5.4	2.4	2.1
Germany	1.7	1.4	3.2	8.7	6.0	2.5	2.2
France	1.9	1.3	2.1	5.9	5.7	2.5	2.0
Italy	2.4	1.3	1.9	8.7	5.9	1.5	2.0
Portugal	3.1	1.0	1.3	7.8	4.3	2.5	2.1
Spain	3.2	1.2	3.1	8.4	3.5	3.2	2.5
Japan	-0.3	0.4	-0.2	2.5	3.3	2.0	1.5
United Kingdom	1.6	2.2	2.6	9.1	7.3	2.8	2.3
Emerging and developing countries	6.7	5.5	5.9	9.8	8.3	7.9	5.9
China	1.7	2.6	0.9	2.0	0.2	0.5	1.7
India	4.6	7.2	5.1	6.7	5.7	4.8	4.6
Brazil	7.3	5.5	8.3	9.3	4.6	4.3	3.7
Mexico	5.2	4.1	5.7	7.9	5.5	4.5	3.9
Russia	14.2	7.5	6.7	13.8	5.9	5.4	4.5
Türkiye	22.6	9.8	19.6	72.3	53.9	52.6	29.0
Poland	3.5	2.1	5.2	13.2	10.8	4.1	4.6

Forecasts

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

Spanish economy

	Average 2000-2007	Average 2008-2020	2021	2022	2023	2024	2025
Macroeconomic aggregates							
Household consumption	3.6	-0.9	7.2	4.8	1.8	2.2	2.4
Government consumption	5.0	1.3	3.4	-0.2	3.8	1.4	1.0
Gross fixed capital formation	5.6	-2.0	2.8	2.4	0.8	2.5	3.6
Capital goods	4.9	-0.8	4.4	1.9	-1.6	2.2	4.6
Construction	5.7	-3.4	0.4	2.6	2.3	2.9	3.1
Domestic demand (vs. GDP Δ)	4.5	-0.9	6.6	2.9	1.7	2.0	2.3
Exports of goods and services	4.7	1.1	13.5	15.2	2.3	2.7	2.4
Imports of goods and services	7.0	-1.0	14.9	7.0	0.3	1.8	2.5
Gross domestic product	3.7	-0.3	6.4	5.8	2.5	2.4	2.3
Other variables							
Employment	3.2	-0.9	7.1	3.7	3.2	2.7	2.2
Unemployment rate (% of labour force)	10.5	19.2	14.9	13.0	12.2	11.6	11.1
Consumer price index	3.2	1.2	3.1	8.4	3.5	3.2	2.5
Unit labour costs	3.0	1.2	1.0	0.9	6.0	4.6	3.0
Current account balance (% GDP)	-5.9	-0.2	0.8	0.6	2.6	2.7	2.7
External funding capacity/needs (% GDP)	-5.8	0.2	1.6	1.4	3.6	3.6	3.7
Fiscal balance (% GDP) ¹	0.3	-6.8	-6.7	-4.7	-3.6	-3.0	-2.6

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

■ Forecasts

Portuguese economy

	Average 2000-2007	Average 2008-2020	2021	2022	2023	2024	2025
Macroeconomic aggregates							
Household consumption	1.7	-0.1	4.7	5.6	1.7	1.7	2.2
Government consumption	2.3	-0.2	4.5	1.4	1.0	1.2	0.8
Gross fixed capital formation	-0.4	-0.8	8.1	3.0	2.5	3.6	5.1
Capital goods	3.2	2.0	15.3	5.5	4.3	-	-
Construction	-1.5	-2.3	7.4	1.3	-0.3	-	-
Domestic demand (vs. GDP Δ)	1.3	-0.4	6.0	4.7	1.4	2.2	2.5
Exports of goods and services	5.3	2.2	12.3	17.4	4.1	3.4	5.3
Imports of goods and services	3.6	1.5	12.3	11.1	2.2	4.4	5.7
Gross domestic product	1.5	-0.2	5.7	6.8	2.3	1.7	2.3
Other variables							
Employment	0.4	-0.6	2.2	2.2	2.0	1.4	1.4
Unemployment rate (% of labour force)	6.1	11.0	6.7	6.2	6.5	6.8	6.5
Consumer price index	3.1	1.0	1.3	7.8	4.3	2.5	2.1
Current account balance (% GDP)	-9.2	-2.7	-0.8	-1.1	1.4	1.2	1.4
External funding capacity/needs (% GDP)	-7.7	-1.5	1.0	-0.2	2.7	2.3	2.6
Fiscal balance (% GDP)	-4.6	-5.1	-2.9	-0.3	1.2	0.3	0.4

■ Forecasts

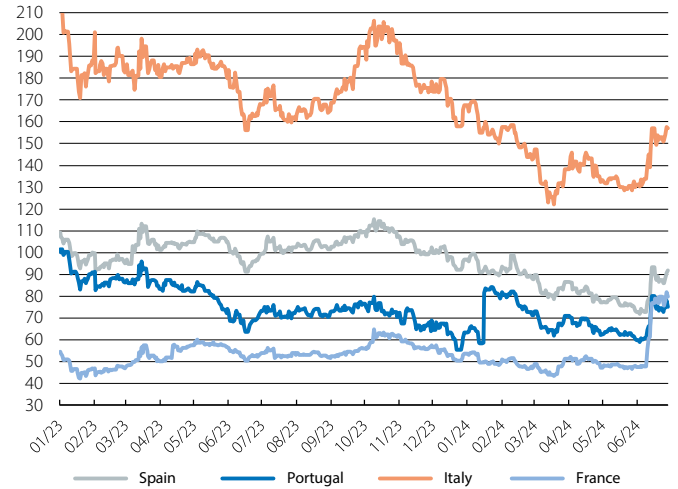
The markets, at the mercy of the elections and political uncertainty in June

Political uncertainty, the main source of volatility in the market. This source of instability reduced investors' appetite for risk in June and, although still high, it moderated markedly compared to May. In developed markets, while the European elections did not bring any big surprises in aggregate terms, they did cause President Macron to call a snap general election. This, in turn, triggered some turbulence in European financial markets, with an increase in sovereign risk premiums and losses in the stock markets (particularly in France, where the movements were most intense, while the level of contagion to other economies was moderate). In contrast, across the Atlantic the US stock market continued to record gains and treasury yields fell amid a combination of lower pressure in the inflation data and strong economic activity. In emerging markets, Mexico's elections were met with losses in local financial assets, while Indian and South African assets, which also saw post-election setbacks, bounced back in June.

Divergence between central banks in the developed economies. After being in synchrony for many months, the central banks in developed economies are beginning to show different sensitivities when it comes to interest rates. In June the ECB implemented an anticipated cut of 25 bps in its benchmark rates (bringing the depo rate to 3.75%), although since the meeting its leaders have already made a point of cooling expectations of another rate cut in July. Investor expectations, meanwhile, indicate that the next cut is likely to come at the September meeting if the economy performs as expected. The Fed, for its part, kept rates unchanged in June, although its members reflected a lower propensity to cut rates this year (specifically, compared to the three rate cuts suggested in March, June's dot plot pointed to a single rate cut in 2024, albeit with a significant number of members defending two). Thus, at the end of June, the rates implicit in the money market were anticipating another rate cut by the ECB in September and, with a 60% probability, an additional one in December, while for the Fed the markets were pricing in an initial rate cut in September (70% probability) and another in December. On the other hand, the central banks of both Canada and Switzerland cut rates in June (in the case of Switzerland, for the second time this year), while the rest of the major developed central banks did not make any changes. Among these, the Bank of Japan stood out as the only one expected to raise rates in the remainder of 2024 and in 2025.

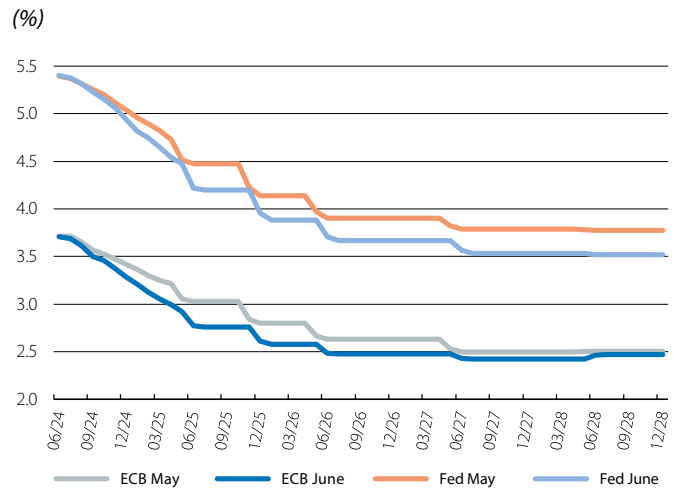
Rebound in peripheral risk premiums in a context of falling sovereign yields. In the euro area, the rebound in political uncertainty and some below-expected economic activity data in June resulted in a sharp downward shift in the German sovereign yield curve, which was more intense in the short sections than in the long sections. Simultaneously, the peripheral 10-year risk premiums increased significantly in

Euro area: sovereign risk premiums Spread vs. the German sovereign interest rate (bps)



Source: CaixaBank Research, based on data from Bloomberg.

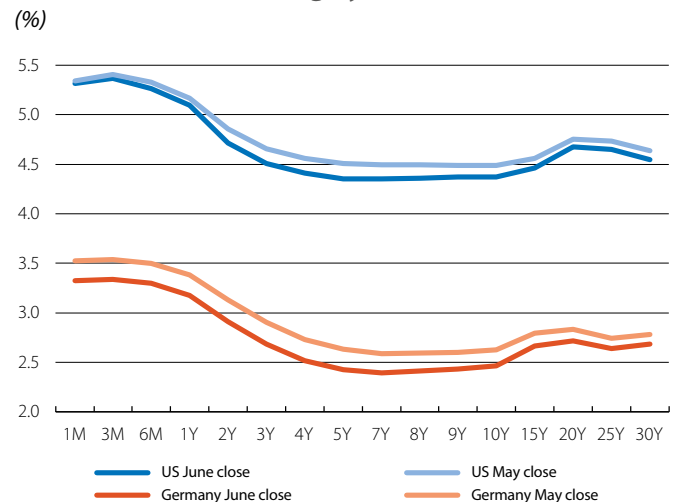
Implicit rates for the ECB and the Fed



Note: Expectations for benchmark interest rates of the ECB (depo rate) and of the Fed (fed funds rate) implicit in money market prices.

Source: CaixaBank Research, based on data from Bloomberg.

German and US sovereign yield curves



Note: Sovereign interest rates at different maturities, ranging from 1 month (1M) to 30 years (30Y). Source: CaixaBank Research, based on data from Bloomberg.

the month, with the French premium leading the movement (more than 30 bps) and inducing a degree of contagion to the rest of the peripheral economies (Italy, more than 25 bps, Spain around 20 bps, and Portugal around 15 bps). The increase of the French premium brought it to levels not seen since 2012 and slightly higher than Portugal's. On the other hand, the US curve also shifted downwards.

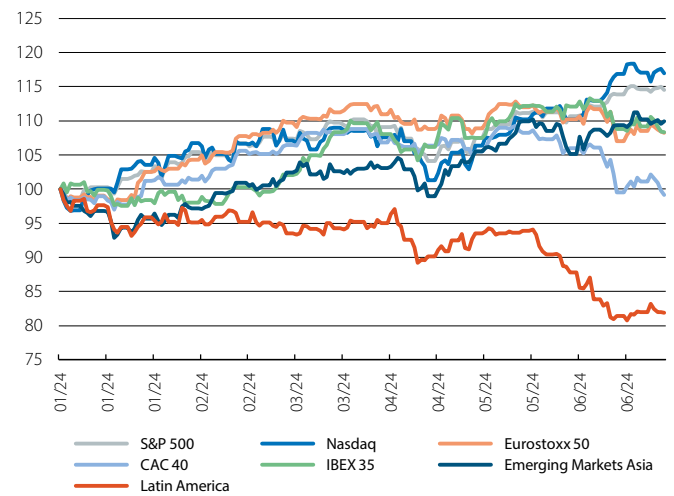
The performance of big tech stocks stands out yet another month. June brought mixed results in the European and US stock markets. In the case of the former, political uncertainty and the widening of peripheral spreads led to contagious among higher-risk assets, triggering losses in France's CAC 40 index, as well as in the other national indices. In the US, meanwhile, the big tech firms once again capitalised on the declines in sovereign rates and the prospect of lower interest rates. This, coupled with sustained interest in AI-related companies among investors, led to gains in the Nasdaq index and spurred the S&P 500 to new all-time highs. This good performance, however, was not widespread, and both the weighted S&P 500 and the Russell 2000 index suffered setbacks in the month. On the other hand, the emerging-economy indices performed particularly well, thanks to the Asian stock markets (excluding the Chinese indices) and in spite of the poor performance of the Latin American stock markets, especially in Mexico, which recorded sharp losses in June.

Several tail winds strengthen the dollar. The US currency was favoured by the country's macroeconomic strength, as well as by the various pockets of global geopolitical risk, which caused it to appreciate by more than 1% against the basket of other major currencies. Among the emerging currencies, the depreciation was most pronounced in the case of the Mexican peso (which lost almost 8% in the month) and the other Latin American currencies (COP, BRL and CLP), which were weighed down by political factors and different expectations of fiscal deterioration in the medium term. Among the developed-economy currencies, both the euro and the sterling weakened against the dollar in June as political uncertainty rose. On the other hand, the yen showed significant weakness for yet another month, reaching a 38-year low despite the fact that the Bank of Japan's officials toughened the tone of their statements in recent weeks.

Geopolitical risk also drives up the price of crude oil. The month saw a rise in crude oil prices, in a context marked by OPEC's announcement that it will extend its current production cuts through to October, at which point it will begin to gradually reverse them, as well as by global geopolitical instability and weak Chinese demand, which prevented further increases. On the other hand, June provided a respite in the rise in metal prices, which had been sustained and significant in the year to date (and, in many cases, looks set to continue, as we analyse in the Focus «[Can metals gain more «shine»?](#)» in this same report). This pause was partly due to increased investor confidence in the future path of the Fed's monetary policy, which in June diminished the appeal of metals as a hedging asset.

Performance of the main stock market indices

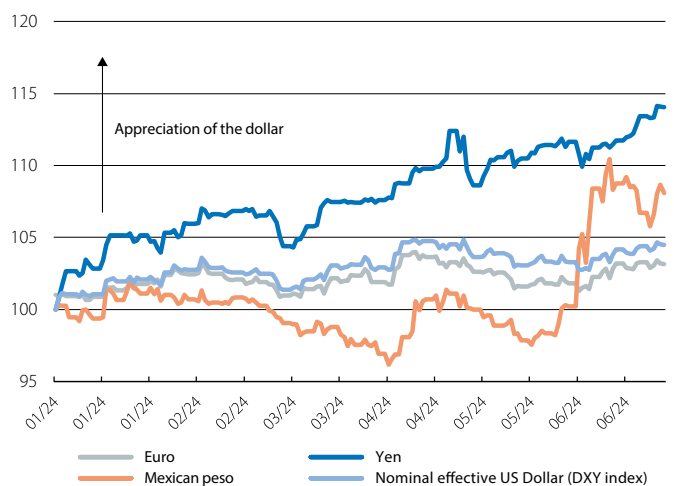
Index (100 = 31/12/2023)



Source: CaixaBank Research, based on data from Bloomberg.

Select currencies against the dollar

Index (100 = 01/01/2024)



Source: CaixaBank Research, based on data from Bloomberg.

Commodity prices

	Measure	Price	Change (%)			
			Last month	Year to date	2022	2023
Commodities	Index	101.0	-1.9	2.4	13.8	-12.6
Energy	Index	32.3	3.6	5.1	33.5	-25.6
Brent oil	\$/barrel	86.4	5.9	12.2	10.5	-10.3
Natural gas (Europe)	€/MWh	34.5	0.8	6.6	8.5	-57.6
Precious metals	Index	250.6	-1.2	12.0	-1.9	4.1
Gold	\$/ounce	2,326.8	0.0	12.8	-0.3	13.1
Industrial metals	Index	151.4	-5.7	6.1	-4.4	-13.7
Aluminium	\$/MT	2,524.5	-4.8	5.9	-15.3	0.3
Copper	\$/MT	9,599.0	-4.4	12.2	-13.9	2.2
Agriculture	Index	57.0	-6.3	-8.8	13.2	-9.3
Wheat	\$/bushel	553.5	-18.4	-11.9	2.8	-20.7

Source: CaixaBank Research, based on data from Bloomberg.

Can metals gain more «shine»?

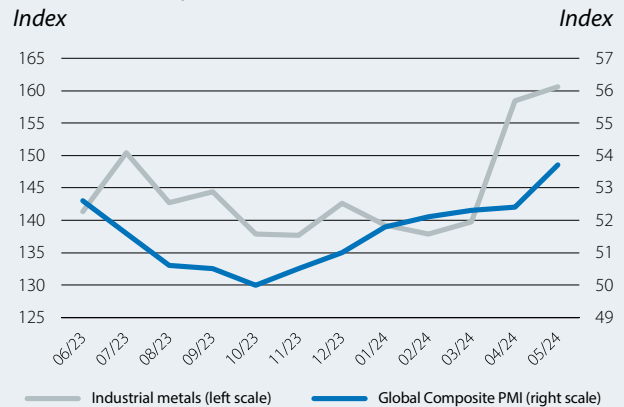
In 2023, the price of industrial metals¹ fell by 11% as a result of weak economic growth. However, since the beginning of this year and particularly since the end of March, we are witnessing a rise in demand for most of these metals, focused in the automotive and renewable energy sectors, as industrial activity has picked up around the world, especially in emerging countries. This aspect, coupled with the persistence of constraints in the supply of some key metals, has been reflected in the rise in prices of most of these commodities. For instance, within the non-ferrous group of metals, so far this year the price of copper has risen by 15%, aluminium by 6% and nickel by 5%. The sector has also improved its profitability thanks to cheaper energy and transportation, which has led to an improvement in investor sentiment in relation to these assets.

A future on the up

If we try to elucidate where industrial metal prices will go from here, *a priori* it appears likely that price volatility will remain the dominant dynamic over the coming months, given the bullish forces which we will discuss below. However, there are also risks in the short term, such as the persistence of tight monetary policy at the global level and uncertainty regarding China. On the supply side, the pressure of trade restrictions linked to the recent Western ban on Russian metals will continue,² and this could reduce the supply of aluminium and copper globally. In the case of tin, the pressure will come from the limits imposed on exports from Myanmar and Indonesia, which are responsible for 40% of the world's production. Similarly, the World Bank points out that the global supply of copper will be diminished due to production cuts and interruptions in South America, as well as that of zinc due to producers' response to weak prices during 2022 and 2023. Meanwhile, it is estimated that China's significant investment in the industrial and infrastructure sector should help offset its lower demand for some metals, such as iron ore, linked to the weakness of its real estate sector. In the rest of the world, the start of interest rate cuts on the monetary policy side could act as an incentive not only for economic activity, but also for the demand for base metals.

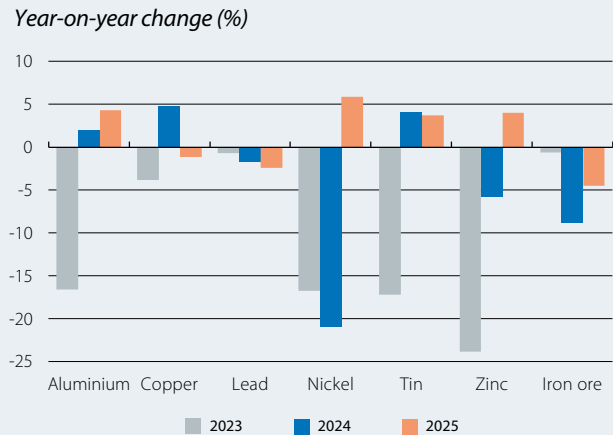
1. The World Bank base metals price index includes aluminium, copper, lead, nickel, tin and zinc.
 2. In April, the US and the UK banned the import of aluminium, copper and nickel from Russia, produced from 13 April 2024 onwards. This is one of the most direct sanctions on Russian metals since the start of the war in Ukraine, since the delivery of these metals is effectively prohibited in the warehouses of the Chicago Mercantile Exchange (CME) and the London Metal Exchange (LME), which are the main trading exchanges and serve as the benchmarks in the setting of global metal prices.

Global activity and industrial metal prices



Note: Based on the Bloomberg Industrial Metals Index.
 Source: CaixaBank Research, based on data from Bloomberg.

Metals: price estimates



Note: For 2024 and 2025 we use World Bank estimates.
 Source: CaixaBank Research, based on data from the World Bank.

If we extend the horizon of the outlook for industrial metals to the longer term, more and more analysts are envisaging a future in which these commodities will play a leading role and in which tensions between supply and demand will become increasingly frequent and a determining factor for prices. One of the key arguments shaping this scenario is the low level of investment in the mining and extractive sector in the past two decades. The unattractive return that many investments in long-term projects have offered to date, coupled with the instability of the governments of many of the producing nations, has led to a decline in productive capacity and in inventory levels.

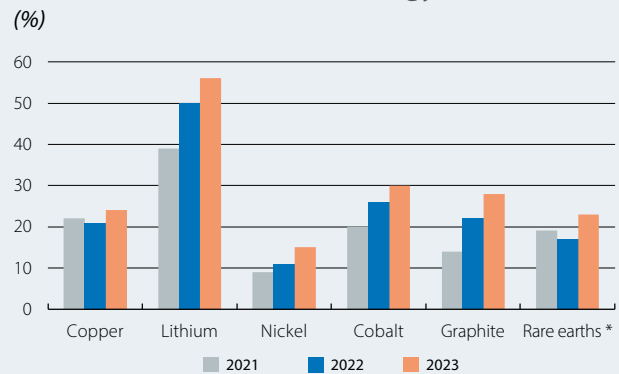
A second argument behind this outlook scenario is the progress being made in decarbonisation and environmental sustainability policies. The energy transition is a process that is intensive in the use of metals, both in implementing new renewable energy

sources and in adapting industry to them. It is estimated that demand for metals for «green» purposes will grow by 7% per year through to 2050 (the year when the COP28 countries have committed to achieving net zero carbon dioxide emissions). This is twice as much as the combined demand for aluminium and copper has grown in the last 13 years.³ In this context, copper will play an even greater role, because in addition to being the best conductor of electrical energy (only behind the silver), the development of solar and wind farms and the manufacture of electric vehicles require almost twice as much copper as fossil-fuel-based power plants and internal combustion vehicles,⁴ and it is increasingly difficult and expensive to extract the same quantity and quality of metal from new mines. A third argument is the development of artificial intelligence (AI) and data centres. Training AI models and their subsequent use leads to a significant increase in electricity demand.⁵ This requires a sufficiently extensive and up-to-date electricity grid in order to guarantee the supply, so as the use of AI and data centres grows, this will also lead to an increase in the demand for metals.

However, this future scenario is not without risks that could alter the path of the rise in the demand for metals – and their prices. On the one hand, the pace of execution of the energy transition will be a determining factor, and this depends on multiple constraints and will vary from country to country. The final product could be altered by aspects such as the degree of commitment from governments in emerging and/or low-income countries, the lack of investment (both public and private) in long-term projects, and the emergence of geopolitical risks. These aspects would also adversely affect the expansion of the electricity grid worldwide. Another risk lies in the pace of technological development. Usually, technological advances have led to a lower use of metals or have led to a change in the use (demand) of one metal for another, favouring an easing of prices.

Beatriz Villafranca

Demand for metals for the energy transition



Note: * These include neodymium, praseodymium, dysprosium and terbium. The demand for these metals includes activities for low-emission power generation, electric vehicle and battery manufacturing, the electricity grid and hydrogen technology.

Source: CaixaBank Research, based on data from the International Energy Agency.

3. The International Energy Agency (IEA) estimates that manufacturing an electric vehicle requires up to six times more weight in metal than manufacturing an internal combustion vehicle.

4. See [Thermal Management for EV Power Electronics 2024-2034: Forecasts, Technologies, Markets, and Trends](#), ID TechEx, March 2024.

5. The IEA points out that a Google search based on ChatGPT consumes almost 10 times more electricity than a traditional search.

Interest rates (%)

	30-June	31-May	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Euro area					
ECB Refi	4.25	4.50	-25	-25.0	25.0
3-month Euribor	3.71	3.79	-7	-19.8	11.4
1-year Euribor	3.58	3.71	-13	6.5	-56.7
1-year government bonds (Germany)	3.21	3.43	-23	-5.3	-40.7
2-year government bonds (Germany)	2.83	3.10	-26	42.9	-42.7
10-year government bonds (Germany)	2.50	2.66	-16	47.6	6.3
10-year government bonds (Spain)	3.42	3.39	3	42.6	-2.1
10-year government bonds (Portugal)	3.25	3.26	-1	59.3	6.1
US					
Fed funds (upper limit)	5.50	5.50	0	0.0	25.0
3-month SOFR	5.32	5.34	-2	-0.7	5.6
1-year government bonds	5.11	5.18	-7	34.8	-28.6
2-year government bonds	4.75	4.87	-12	50.4	-18.2
10-year government bonds	4.40	4.50	-10	51.7	54.2

Spreads corporate bonds (bps)

	30-June	31-May	Monthly change (bp)	Year-to-date (bp)	Year-on-year change (bp)
Itraxx Corporate	61	53	9	2.9	-12.0
Itraxx Financials Senior	72	59	13	4.8	-12.6
Itraxx Subordinated Financials	128	106	22	5.7	-29.6

Exchange rates

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
EUR/USD (dollars per euro)	1.071	1.085	-1.2	-3.0	-1.8
EUR/JPY (yen per euro)	172.390	170.620	1.0	10.7	9.2
EUR/GBP (pounds per euro)	0.847	0.851	-0.5	-2.3	-1.5
USD/JPY (yen per dollar)	160.880	157.310	2.3	14.1	11.2

Commodities

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
CRB Commodity Index	539.3	546.2	-1.3	5.7	-2.4
Brent (\$/barrel)	86.4	81.6	5.9	12.2	15.8
Gold (\$/ounce)	2,326.8	2,327.3	0.0	12.8	21.1

Equity

	30-June	31-May	Monthly change (%)	Year-to-date (%)	Year-on-year change (%)
S&P 500 (USA)	5,460.5	5,277.5	3.5	14.5	22.6
Eurostoxx 50 (euro area)	4,894.0	4,983.7	-1.8	8.2	11.3
Ibex 35 (Spain)	10,943.7	11,322.0	-3.3	8.3	13.5
PSI 20 (Portugal)	6,480.1	6,870.8	-5.7	1.3	8.2
Nikkei 225 (Japan)	39,583.1	38,487.9	2.8	18.3	17.3
MSCI Emerging	1,086.3	1,049.0	3.6	6.1	8.1

Will political uncertainty hold back the international economy?

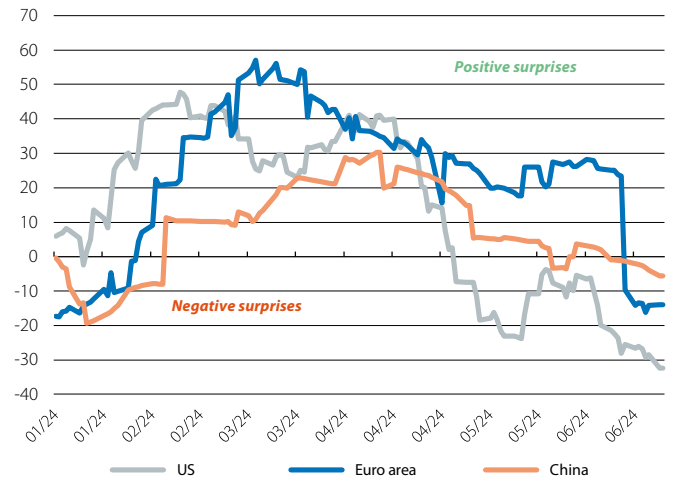
A somewhat moderate recovery in the euro area. The economic recovery in the euro area continued during Q2, but it began to lose momentum in June. Among other indicators, the Purchasing Managers' Index (PMI) for the euro area remained at levels compatible with positive growth in June, but disappointed by falling with respect to the previous month (50.8 vs. 52.2), weighed down by an industrial sector that is slipping deeper into recession (45.6 vs. 47.3). The German Ifo, meanwhile, fell in June (89.3 vs. 88.6) after four consecutive months of growth, thus falling further from the 100-point threshold that indicates growth rates consistent with its long-term average. These results are thus in line with the expected scenario of modest growth (both the consensus of analysts and CaixaBank Research predict an increase of around 0.3% quarter-on-quarter in Q2) and they would place euro area growth for 2024 as a whole at a sober 0.8%.

Increased political uncertainty in the euro area. Part of the deterioration shown by the business confidence indicators could reflect an increase in political uncertainty associated with the outcome of June's European elections, insofar as these indicators are based on surveys conducted just after the elections were held. Although the traditional parties maintained the parliamentary majority, the rise of forces at the extremes of the political spectrum led to a snap general election being called in France. Following the second round, the unexpected victory of the left-wing coalition (NFP), which won 182 of the 577 seats in the Assembly, and the resistance of President Macron's party (168 seats) put Le Pen's party in third place (143 seats). The result is a highly fragmented parliament in which no political force has the necessary majority to impose its agenda, meaning that pacts will have to be reached between them. As detailed in the [Financial Markets Economic Outlook section](#), all this raised doubts among investors about the correction of the fiscal imbalances. This, in turn, caused financial turbulence in a context in which France is starting from a situation with a high deficit and significant public debt (5.5% and 110.6% in 2023, respectively) and in a month in which the European Commission initiated excessive deficit procedures with France itself, in addition to Italy, Hungary, Poland, Malta, Slovakia and Belgium.

Euro area inflation slows down. Inflation fell 0.1 pps in June to 2.5%, while core inflation (which excludes food and energy) remained at 2.9%. Thus, following the sharp decline of the last year and a half (inflation had reached 10.6% in October in 2022), the pace of the decline in the last mile to reach the 2% target has slowed, as the source of the disinflation in energy is gradually exhausted (energy prices have stabilised in year-on-year terms, after falling by more than 10% at the end of 2023) and the effort falls on inertial components (such as services, which remained at 4.1% in June).

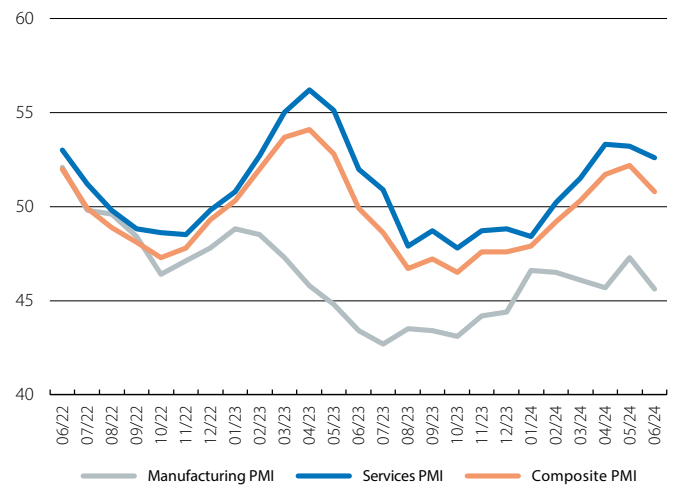
The indicators in the US continue to paint an outlook of solid growth, albeit with a slowdown. In June, the composite PMI consolidated at one of its highest levels in the last two years

Economic surprises index (Deviation from expectations)



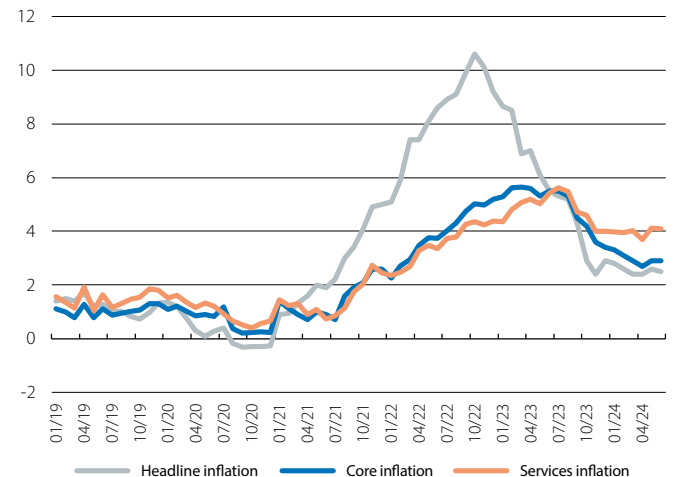
Source: CaixaBank Research, based on data from Citigroup.

Euro area: PMI Index (>50, expansion and <50, contraction)



Source: CaixaBank Research, based on data from S&P Global.

Euro area: inflation Year-on-year change (%)



Source: CaixaBank Research, based on data from Eurostat.

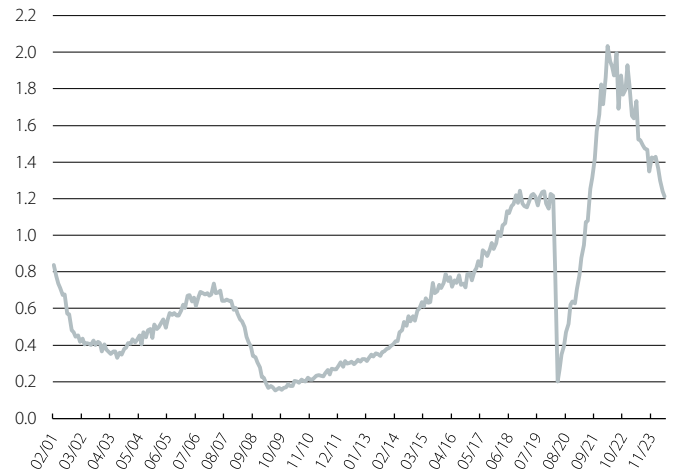
(54.6 vs. 54.5) and the New York and Atlanta Feds' nowcasting models point to growth rates in excess of 0.5% quarter-on-quarter in Q2 2024 (0.3% in Q1). However, there are also ever-increasing signs of an orderly loss of momentum. In May, job creation continued to exceed the average of the previous 12 months and the unemployment rate stood at 4.0%, but other labour market indicators signal a degree of normalisation. For instance, the vacancy rate continues to decline (1.2 in May, down from the high of 2.0) and the employment component of the ISM index, in both manufacturing and services, indicates a modest slowdown in the pace of job creation.

Private consumption moderates, while inflation provides better news. US private consumption grew less than initially estimated in Q1 (0.4% quarter-on-quarter vs. the initial estimate of 0.6%) and the weakness of retail sales in April and May suggests that this pattern will continue in Q2. In this regard, it is estimated that practically all the excess savings accumulated during the pandemic have been exhausted. With regard to US inflation, in May, and for the second consecutive month, it was once again below the level expected by the consensus of analysts, both in the case of headline inflation (3.3% vs. 3.4% in April) and for the core index (3.4% vs. 3.6%). However, the shelter component (housing-related services) continues to show considerable downward resistance (5.4% vs. 5.5% in April) and this is holding back the decline in inflation, since this component accounts for over 35% of the CPI basket. Shelter is also a component of the PCE price index, which is the benchmark used by the Fed, although it accounts for a smaller portion than it does in the CPI. This explains why inflation measured with the PCE is lower, but it does not prevent it from showing greater inertia than expected in recent months (2.6% vs. 2.8% in April). With this, the Fed reiterated its prudence regarding the start of rate cuts.

Good short-term outlook for China, but medium-term risks persist. The Chinese economy offers some mixed signals, but on balance it continues to grow at a steady pace, supported by the economic measures implemented and the growth of exports (14.5% year-on-year in May), thanks to the boost provided by the sale of products related to the green economy. Thus, investment in fixed capital grew in the year to date up to May by 4.0% year-on-year, compared to the 4.2% registered in the first four months of the year. Meanwhile, industrial production lost some of its momentum in May (5.6% vs. 6.7% year-on-year), while retail sales managed to recover (3.7% vs. 2.3% year-on-year). As for the situation in the housing market, the difficulties persist and, despite the measures taken by the government, the downward trend in prices has not yet been reversed. On the other hand, in June the EU announced an additional tariff of up to 38% on Chinese electric vehicles on a provisional basis (no later 5 July, and definitively in November). This decision follows the one taken by the US (where they want to apply a tariff of almost 100% on electric cars imported from China from 1 August), as well as the measure proposed by Turkey to apply a tariff of 40% on any vehicle manufactured in China (including both hybrid and internal combustion vehicles) from 7 July.

US: job vacancies

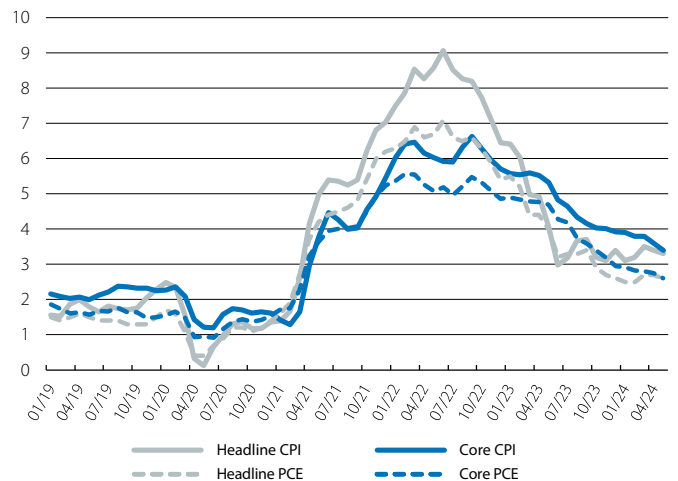
(Ratio of job vacancies per unemployed person)



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

US: measures of inflation

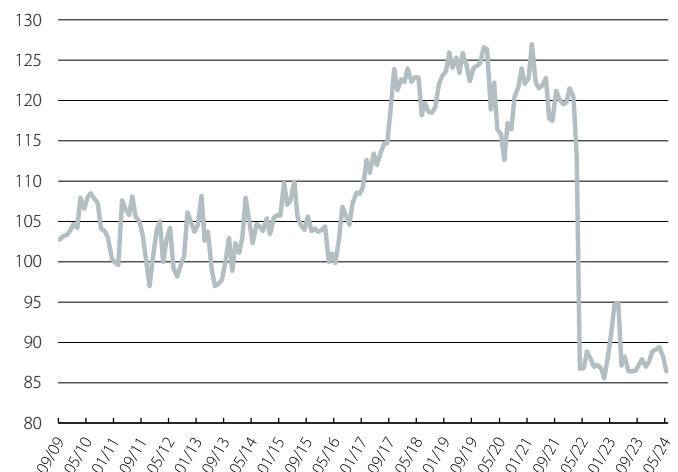
Year-on-year change (%)



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

China: consumer confidence

Index



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

What is going on with Chinese consumers?

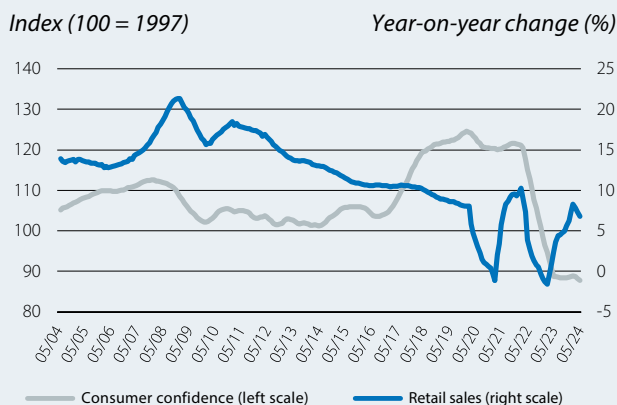
At first glance, the Chinese economy withstood the shock of the pandemic rather well. Between 2015 and 2019, it grew at an average annual rate of 6.7%, while since Q1 2023 it has sustained a growth rate of over 5%. Externally, its exports have grown at a record pace since 2020 and have gained market share, while some of its leading industries have reached a position of virtually undisputed global dominance. Domestically, however, the situation is different. Consumption has not quite taken off and investment is still weighed down by a crisis in the real estate sector that seems to have no end. In this environment, retail sales have grown by 5% in the last year (compared to a rate of around 10% in 2015-2019), while investment is growing at a rate of 4% (3% in 2023, compared to above 7% in 2015-2019). One of the most visible symptoms of this weakness in domestic demand is consumer confidence, which plummeted in early 2022 and has not recovered since. In an earlier article of this report, we saw how some economic indicators have evolved very differently from the consumer confidence indices in the US and the euro area. The differences between the evolution of such indicators can be explained by several factors, including changes in households' sensitivity to certain economic variables, cognitive biases or idiosyncratic issues specific to each country or region.¹ But what about China?

Lack of confidence and weak consumption: cyclical or structural?

Besides the demanding domestic economic environment, in the last two years there have also been deflationary pressures as a result of structural factors – such as population decline – and cyclical factors – namely, a real estate sector undergoing correction and the rapid expansion of productive capacity in the manufacturing sector during the pandemic, which has led to overcapacity problems. Also, the slowdown in nominal GDP perceived by consumers has been sharper than the real growth figures show, with growth slowing from around 9.0% in 2015-2019 to less than 5.0% in the last year.²

The breakdown by component of expenditure per capita also reveals some changes in Chinese households' consumption preferences. Among the most important

China: consumer confidence and retail sales



Note: 12-month averages are used for both variables.

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

items, there is a sharp slowdown in spending on housing compared to in the pre-pandemic period, while spending on food has even accelerated. Also, consumption has slowed more in urban areas than it has in rural areas.³

These factors, coupled with the momentum and speed of the initial decline, point to a common denominator of the lack of confidence and the recent weakness in Chinese household consumption: the real estate sector. Indeed, the collapse of consumer confidence has occurred practically in sync with the rapid deterioration of the real estate climate index (see second chart). Of course, this all occurred at a time when the country was ravaged by a new wave of infections which led to widespread lockdowns in the country's largest cities and amplified the difficulties in the sector. Since then, the consumer confidence index has not recovered.

All this points to cyclical factors behind Chinese consumers' lack of confidence – and, in a way, country – specific factors. But there are also structural factors behind the lack of consumption in China. In previous Focuses, we have explored some factors explaining the high household savings rate (and the corresponding low consumption rate) in the country.⁴ At close to 35%, it is much higher than in advanced economies or other economies with a similar level of development, and this trend has deepened in recent years. Since 2020, the People's Bank of China's quarterly depositor survey

3. On the other hand, the slowdown in the growth of disposable income was somewhat sharper in the extreme quintiles of the distribution, i.e. among the 20% with the lowest and highest incomes. In addition to the stronger negative income effect in these groups, it is reasonable to assume that the wealth effect resulting from the housing crisis is proving to be more pronounced in the upper quintiles of the income distribution. On the one hand, the sharpest price declines are occurring in Tier 1 cities (where the highest incomes are concentrated) and, on the other hand, this group tends to have a high exposure to the sector.

1. See the Focus «[The perception of the economy and its paradoxes](#)», in the MR04/2024.

2. Some recent scientific evidence also suggests that the official GDP growth estimates of some countries with autocratic regimes may be overstated. See «Shining light on lies», *The Economist* (1 October 2022) and L. Martínez (2022) «How much should we trust the dictator's GDP growth estimates?», *Journal of Political Economy*, 130 (10), 2731-2769.

shows an upward trend in the proportion of respondents who want to save more in the future, and a downward trend in those who want to invest more. With the double shock of the pandemic and the housing crisis, Chinese households are becoming even more cautious in the face of the uncertainty about the future and the difficulty in finding attractive investment options.⁵

Confidence and consumption: causes and consequences

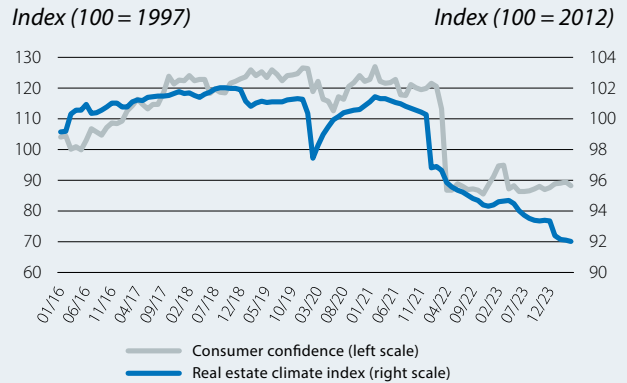
The crisis in China’s real estate sector has added a new dimension to the chronic low consumption observed in the country and now finds itself in a kind of feedback loop, being both a cause and a consequence of the lack of consumer confidence.

Besides real estate, other factors have also contributed to the deterioration in economic sentiment, such as the high rate of youth unemployment, the worsening economic environment in some sectors (such as consumer durable goods) and the perceived increase in external risks. In the short term, a sustained recovery in confidence is unlikely without underlying changes in these variables.

The Chinese authorities’ classic recipes – more investment and more exports – appear to be running out of steam in an environment marked by high debt, declining returns on infrastructure investment, overcapacity in the manufacturing sector and with the country’s global market share at its peak, all against a backdrop of growing trade tensions. Perhaps the lack of confidence can be linked to one more factor: the doubts among households that the Chinese authorities are capable of finding effective solutions to a confluence of crises in a feedback loop.

In this regard, it will be particularly interesting to follow the third plenary session this month of July at which, every five years, the Chinese Communist Party tends to discuss and announce major reforms and priorities in a variety of areas. Although the details are often slow to be revealed, it is possible that there may be a greater commitment to demand-side policies, with measures offering direct support for households, the expansion of social spending programmes or a reinforcement of measures to support the real estate sector. On the other hand, they could also point to a reinforcement of the «reforms» we have seen in recent years, with measures aimed at stimulating supply and promoting the country’s

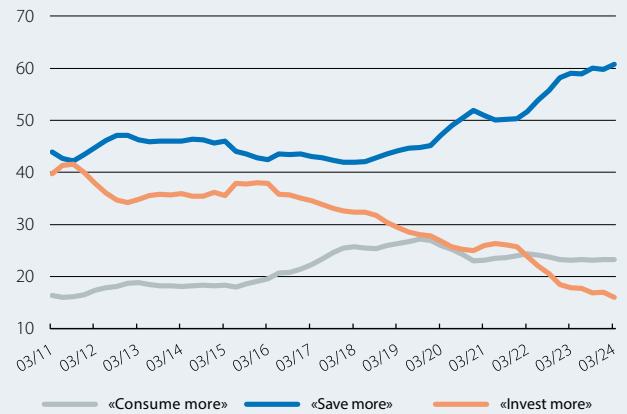
China: consumer confidence and climate in the real estate sector



Note: The Real Estate Climate Index is a composite index that measures aggregate activity in the sector using indicators for sales, real estate investment and land sales.
Source: CaixaBank Research, based on data from the National Statistics Office of China.

China: consumer confidence – future consumption, savings and investment decisions

Affirmative answers to each question (% of total)



Note: The survey of urban depositors is conducted quarterly on a sample of depositors in 50 large, medium and small-sized cities. 50 depositors from 400 banks are chosen at random, with 20,000 participants in total each quarter. Among other questions about expectations and sentiment regarding income, employment and prices, respondents also answer a question about their desire to «consume more», «save more» or «invest more» in the coming quarters. The three options are mutually exclusive.
Source: CaixaBank Research, based on data from the People’s Bank of China (PBoC).

«economic security». Recently, the Chinese authorities have underlined their focus on the quality of economic growth. Will they finally be willing to bet on the strength of consumption in the world’s second largest economy?

Luis Pinheiro de Matos

4. See, for example, the Focus «China’s symptoms: more than COVID», in the MR12/2022.

5. For instance, the main stock market indices, such as the Shanghai Composite index and the Shenzhen Composite index, have been accumulating losses since the outbreak of the housing crisis in the summer of 2021.

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

UNITED STATES

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Activity									
Real GDP	1.9	2.5	2.4	2.9	3.1	2.9	–	–	–
Retail sales (excluding cars and petrol)	8.6	5.3	4.4	4.6	5.0	2.9	3.2	2.6	...
Consumer confidence (value)	104.5	105.4	105.4	109.0	102.7	106.3	97.5	101.3	100.4
Industrial production	3.4	0.2	0.0	–0.1	–0.1	–0.5	–0.8	0.1	...
Manufacturing activity index (ISM) (value)	53.5	47.1	46.7	47.6	46.9	49.1	49.2	48.7	48.5
Housing starts (thousands)	1,552	1,421	1,455	1,380	1,481	1,407	1,352	1,277	...
Case-Shiller home price index (value)	307	312	308	316	321	324	327	...	...
Unemployment rate (% lab. force)	3.6	3.6	3.6	3.7	3.7	3.8	3.9	4.0	4.1
Employment-population ratio (% pop. > 16 years)	60.0	60.3	60.3	60.4	60.3	60.2	60.2	60.1	60.1
Trade balance ¹ (% GDP)	–3.8	–3.1	–3.2	–3.0	–2.9	–2.8	–2.9	–2.9	...
Prices									
Headline inflation	8.0	4.1	4.0	3.5	3.2	3.2	3.4	3.3	...
Core inflation	6.2	4.8	5.2	4.4	4.0	3.8	3.6	3.4	...

JAPAN

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Activity									
Real GDP	1.2	1.8	2.2	1.5	1.0	–0.7	–	–	–
Consumer confidence (value)	32.2	35.2	35.7	36.2	36.5	38.9	38.3	36.2	36.4
Industrial production	0.0	–1.4	0.9	–3.6	–0.9	–4.3	–4.2	–0.5	...
Business activity index (Tankan) (value)	9.5	7.0	5.0	9.0	13.0	11.0	–	–	–
Unemployment rate (% lab. force)	2.6	2.6	2.6	2.6	2.5	2.5	2.6	2.6	...
Trade balance ¹ (% GDP)	–2.1	–3.0	–3.5	–2.7	–1.8	–1.2	–1.0	–1.0	...
Prices									
Headline inflation	2.5	3.3	3.4	3.1	2.9	2.5	2.5	2.9	...
Core inflation	1.1	3.9	4.2	4.3	3.9	3.2	2.4	2.2	...

CHINA

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Activity									
Real GDP	3.0	5.2	6.3	4.9	5.2	5.3	–	–	–
Retail sales	–0.8	7.8	10.7	4.2	8.3	4.7	2.3	3.7	...
Industrial production	3.4	4.6	4.5	4.2	6.0	5.8	6.7	5.6	...
PMI manufacturing (value)	49.1	49.9	49.0	49.7	49.3	49.7	50.4	49.5	49.5
Foreign sector									
Trade balance ^{1,2}	899	865	947	901	865	842	825	840	...
Exports	7.1	–5.1	–5.4	–10.8	–3.3	–1.7	–1.0	6.6	...
Imports	0.7	–5.5	–7.0	–8.5	0.9	1.5	8.3	1.8	...
Prices									
Headline inflation	2.0	0.2	0.1	–0.1	–0.3	0.0	0.3	0.3	...
Official interest rate ³	3.65	3.45	3.6	3.5	3.5	3.5	3.5	3.5	3.5
Renminbi per dollar	6.7	7.1	7.0	7.2	7.2	7.2	7.2	7.2	7.3

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Retail sales (year-on-year change)	1.2	-2.0	-2.2	-2.3	-0.8	-0.1	0.0	...	...
Industrial production (year-on-year change)	2.2	-2.1	-0.9	-4.7	-3.8	-4.7	-3.0	...	...
Consumer confidence	-21.9	-17.4	-26.9	-26.9	-26.9	-26.9	-14.7	-14.3	-14.0
Economic sentiment	102.1	96.3	96.5	96.5	96.5	96.5	95.6	96.1	95.9
Manufacturing PMI	52.1	51.2	44.7	43.2	43.6	43.9	45.7	47.3	45.8
Services PMI	52.1	52.1	54.4	49.2	48.4	48.4	53.3	53.2	52.8
Labour market									
Employment (people) (year-on-year change)	2.3	1.4	1.5	1.4	1.2	1.0	-	-	-
Unemployment rate (% labour force)	6.8	6.6	6.5	6.6	6.5	6.5	6.4	6.4	...
Germany (% labour force)	3.1	3.0	2.9	3.0	3.1	3.2	3.3	3.3	...
France (% labour force)	7.3	7.4	7.4	7.4	7.5	7.4	7.3	7.4	...
Italy (% labour force)	8.1	7.7	7.8	7.6	7.4	7.2	6.8	6.8	...
Real GDP (year-on-year change)	3.5	0.6	0.6	0.2	0.2	0.4	-	-	-
Germany (year-on-year change)	1.9	0.0	0.2	-0.1	-0.2	-0.2	-	-	-
France (year-on-year change)	2.6	1.1	1.4	0.9	1.2	1.3	-	-	-
Italy (year-on-year change)	4.2	1.0	0.6	0.6	0.7	0.7	-	-	-

Prices

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
General	8.4	5.5	6.2	5.0	2.7	2.6	2.4	2.6	2.5
Core	3.9	5.0	5.5	5.1	3.7	3.1	2.7	2.9	2.9

Foreign sector

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Current balance	-0.4	1.9	0.4	1.5	1.9	2.6	2.8	...	...
Germany	4.3	6.2	4.9	6.0	6.2	6.5	6.7	...	...
France	-2.0	-0.7	-1.8	-1.3	-0.7	-0.6	-0.9	...	...
Italy	-1.6	0.5	-1.1	0.0	0.5	1.1	1.4	...	...
Nominal effective exchange rate¹ (value)	90.9	94.7	94.6	95.9	95.1	95.2	95.1	95.3	94.9

Credit and deposits of non-financial sectors

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Private sector financing									
Credit to non-financial firms ²	6.7	2.7	4.0	1.1	0.1	0.3	0.2	0.3	...
Credit to households ^{2,3}	4.4	1.7	2.1	1.1	0.5	0.3	0.2	0.3	...
Interest rate on loans to non-financial firms ⁴ (%)	1.8	4.6	4.5	5.0	5.2	5.1	5.2	5.0	...
Interest rate on loans to households for house purchases ⁵ (%)	2.0	4.4	4.3	4.7	4.9	4.8	4.8	4.8	...
Deposits									
On demand deposits	6.3	-8.5	-8.1	-11.3	-10.7	-8.8	-6.8	-5.6	...
Other short-term deposits	4.5	21.1	22.5	23.2	21.0	18.4	15.6	14.7	...
Marketable instruments	3.7	20.4	22.0	20.4	19.8	20.1	22.6	17.5	...
Interest rate on deposits up to 1 year from households (%)	0.5	2.7	2.5	3.0	3.3	3.2	3.1	3.1	...

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 is enjoying a rosy period

Dynamic GDP data for Q1, with an upward revision.

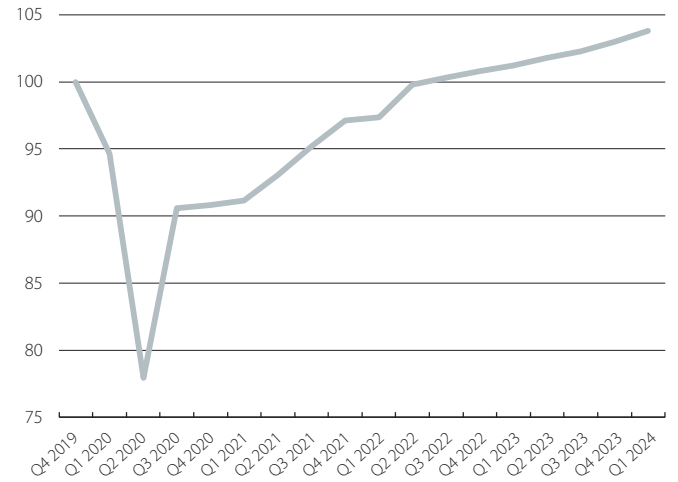
According to the new estimate produced by the National Statistics Institute, GDP grew by 0.8% quarter-on-quarter in Q1 2024, 0.1 pps more than originally estimated. Behind this good performance lie several key elements: the strength of the labour market, the boost provided by dynamic immigration flows and the good data for international tourism, which have once again exceeded expectations. On the domestic demand side, the quarter-on-quarter growth of private consumption was a moderate 0.4%, while public consumption fell 0.6% quarter-on-quarter and investment posted a rapid increase of 2.6% quarter-on-quarter. Thus, the contribution of domestic demand to quarter-on-quarter GDP growth was 0.3 pps (0.2 pps in the first estimate). Foreign demand remained the main driver of growth, contributing 0.5 pps to quarter-on-quarter GDP growth thanks to an increase in exports of 3.3% quarter-on-quarter, which exceeded the 2.2% increase recorded in imports. The growth in exports was driven by tourism and the sector's excellent start to the year: tourism services grew by a spectacular 17.4% quarter-on-quarter.

Looking ahead to the coming quarters, we expect domestic demand to take on a more prominent role, driven by the decline in interest rates, the traction of the European Next Generation funds and the strength of the labour market; indeed, investment still lies 2.2% below Q4 2019 levels, despite recording a notable increase in Q1 2024, and private consumption is only 0.5% higher, despite the fact that the population has increased by 3% since 2019. The upward revision of GDP growth in Q1 2024 introduces a slight upward bias in our GDP growth forecast for 2024 as a whole, which currently lies at 2.4%.

The good economic activity data for Q2 and a thriving labour market point to another very dynamic quarter.

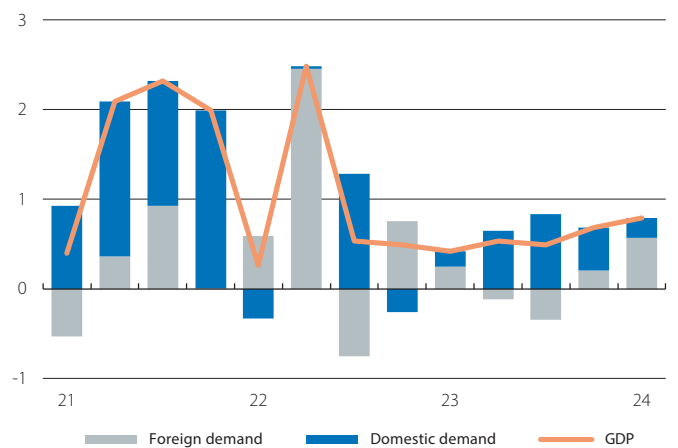
Especially noteworthy is the acceleration in job creation in the quarter: in Q2 as a whole, the number of registered workers, corrected for seasonality, grew by 0.8% quarter-on-quarter, up from 0.7% in Q1. This suggests that the Q2 GDP figure due to be published at the end of July will also be a good one. However, job creation was somewhat weaker in June than in previous months: in seasonally adjusted terms, the number of registered workers grew by 31,300 people, compared to over 60,000 in May. As for the business sentiment indices, for the fifth consecutive month the manufacturing PMI in June once again stood within expansive territory (above 50 points), specifically at 52.6 points, contrasting with the contraction at the European level (in June, 45.8 points).

Spain: GDP
Index (100 = Q4 2019)



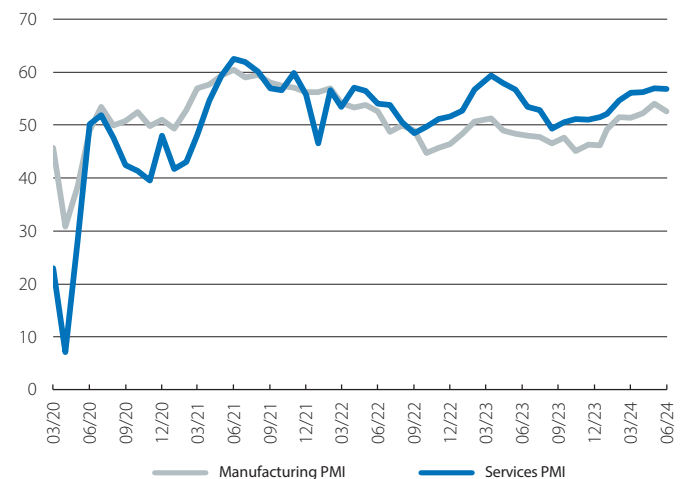
Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

Spain: contribution to quarterly GDP growth (pps)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

Spain: PMI
Level



Source: CaixaBank Research, based on data from S&P Global PMI.

However, the pace of expansion was somewhat slower and more modest compared to May (54.0 points). The services PMI, meanwhile, remains well within expansive territory: in June it stood at 56.8 points, practically the same as in the month of May (56.9), which had marked a 13-month peak for the index.

Slight moderation of headline inflation in June due to fuels.

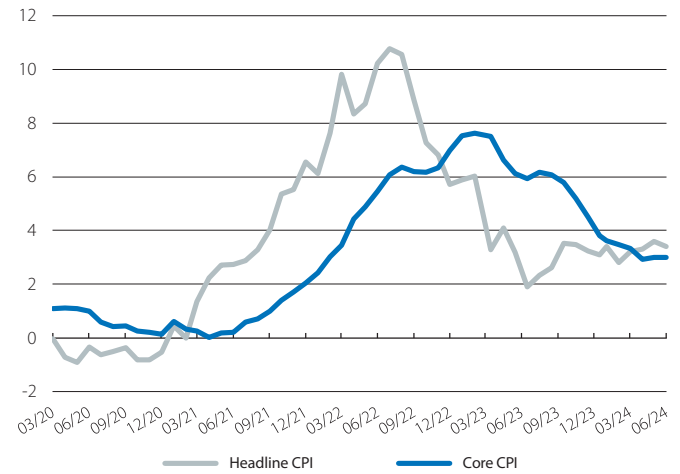
Headline inflation fell 20 bps in June to 3.4%, according to the flash CPI indicator published by the National Statistics Institute. This was lower than expected, thus returning inflation to its downward path which had been truncated since March. The slowdown in headline inflation was mainly due to lower fuel prices, in contrast to the rise recorded in June 2023. Core inflation, meanwhile, which excludes energy and unprocessed food, stabilised at 3% in line with expectations, in a context in which it is expected to fall, albeit very gradually due to the persistence of inflation in services. It should be noted that the non-core components will continue to be affected by the gradual withdrawal of tax cuts: the government has announced that VAT on essential foods will remain at 0% until September and will rise to 2% between October and December (usually 4%), while VAT on pasta and seed oils will remain at 5% between July and September, before rising to 7.5% between October and December (usually 10%).

The buoyancy of household gross disposable income continues in the opening months of 2024 and gives wings to the savings rate.

Nominal household gross disposable income, without seasonal adjustments, grew by a significant 8.0% year-on-year in Q1, largely thanks to the strength of the labour market. This increase was higher than that of household expenditure on final consumption (5.3% year-on-year), a combination which led to a further increase in the savings rate, placing it at 14.2% of gross disposable income (static figure, corrected for seasonality). This is a higher figure than that of the previous quarter (13.0%). In the last four quarters as a whole, the savings rate rose to 12.2% from the 11.7% recorded in Q4 2023.

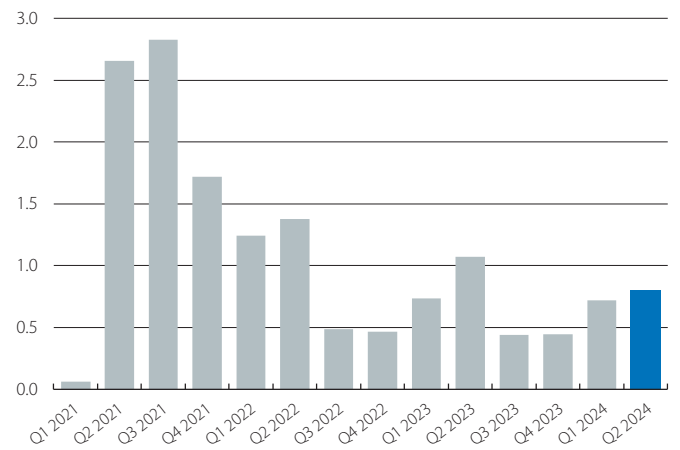
Spain avoids the excessive deficit procedure due to the better outlook for 2024. Despite the budget deficit in 2023 reaching 3.6% of GDP, the fact that a deficit of 3% is expected in 2024, and below that threshold in 2025, has led the European Commission not to initiate this sanctioning procedure for Spain. The latest budget execution data support the reduction of the deficit this year: up until April, the consolidated general government deficit, excluding local government corporations, was 0.39% of GDP, slightly lower than the 0.42% recorded in April 2023. In the cumulative balance to April, tax revenues grew by a notable 6.5% year-on-year and social security contributions by 7.1%, while public expenditure rose by 4.9% year-on-year.

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



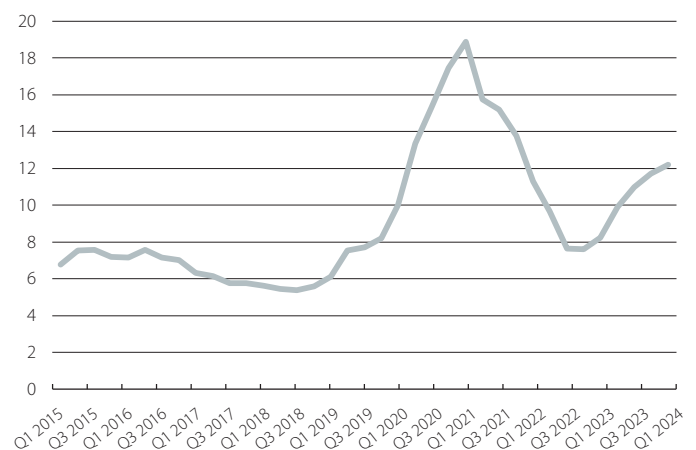
Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

Spain: registered workers affiliated with Social Security
Quarter-on-quarter change (%)



Note: Seasonally adjusted series of registered workers not on furlough. Source: CaixaBank Research, based on data from the Ministry of work, migration and social security (MITRAMISS).

Spain: household savings rate
(% of gross disposable income)



Note: 4-quarter cumulative balance. Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).

What big data reveals about consumption in Spain

In November 2022, CaixaBank Research launched the [Real-Time Economics portal](#),¹ a pioneering tool for monitoring the Spanish economy based on the bank’s internal data, aggregated and duly anonymised. The portal contains information in real time on household consumption, inequality, wage trends and the real estate and tourism sectors. In June this year, the portal has been expanded with new lines of analysis and more granular detail in the areas of consumption and tourism,² increasing the number of series available from 800 to 2,200.

In the field of consumption, the new portal incorporates information on direct debit payments, such as water, electricity, gas and telephone bills.³ Furthermore, the detail of the breakdown of consumption by sector has been expanded to include information on fashion, furniture and catering, to cite just a few examples (see the table for further details). Information on the evolution of e-commerce has also been incorporated. This article analyses the recent trends in consumption using data from the portal.

One of the indispensable requirements of the new economic indicators incorporated into the portal is that they must be of a high-quality. To this end, we have compared them with other variables from external

Breakdown of consumption by sub-sector, available on the CaixaBank Research Real-Time Economics portal

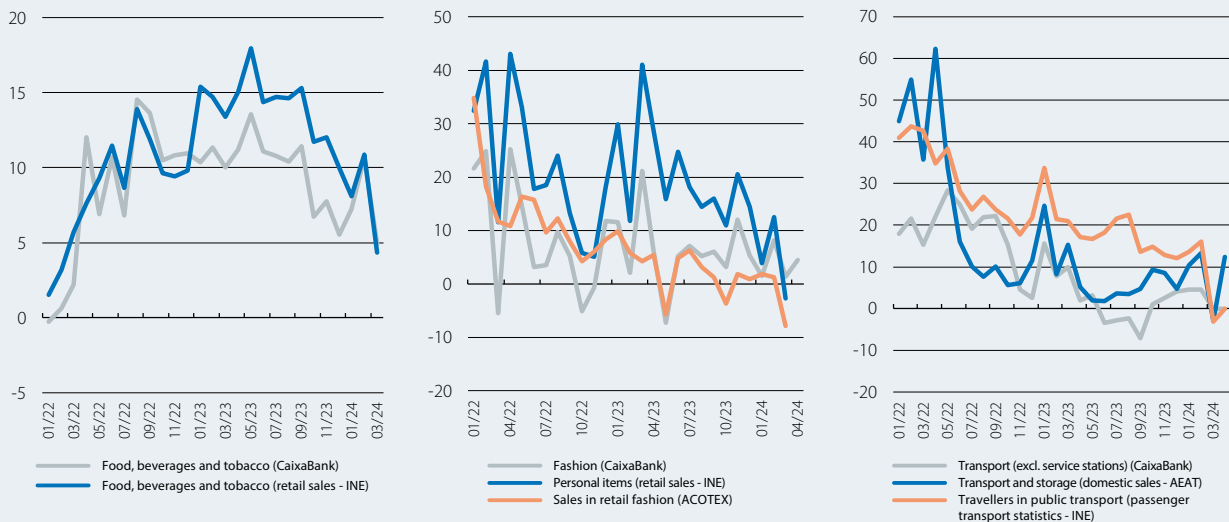
Sectors	
<input type="checkbox"/> Essential goods	<input type="checkbox"/> Transport
<input type="checkbox"/> Food, beverages & tobacco	<input type="checkbox"/> Pharmacies
<input type="checkbox"/> Pharmacies	<input type="checkbox"/> Transport (excl. service stations)
<input type="checkbox"/> Service stations	<input type="checkbox"/> Service stations
<input type="checkbox"/> Leisure and hotels & food services	<input type="checkbox"/> Retail
<input type="checkbox"/> Culture & entertainment	<input type="checkbox"/> Fashion
<input type="checkbox"/> Travel agencies	<input type="checkbox"/> Furniture & decoration
<input type="checkbox"/> Catering	<input type="checkbox"/> Household appliances & technology
<input type="checkbox"/> Hotels	

Source: CaixaBank Research (the Real-Time Economics portal, <https://realtimeconomics.caixabankresearch.com/#/monitor>).

references. In the first chart we can see how, despite differences in the definitions between the various data sources, the series follow similar trends.⁴ The indicators drawn up using internal data also allow developments to be monitored with a greater degree of immediacy, since they are published monthly and just a few days after the end of the month.

Comparison of the consumption indicator for different economic sectors with external benchmark indicators

Year-on-year change (%)



Note: The retail sales series for food includes sectors 4711 and 472, while the one for personal items includes sectors 4751, 4771 and 4772.

Source: CaixaBank Research, based on anonymised internal CaixaBank data and external data from the Spanish National Statistics Institute (INE, data on retail sales and passenger transport statistics), ACOTEX and the Spanish Tax Agency (AEAT, data on domestic sales).

1. See the Focus «[Real-Time Economics: the new portal by CaixaBank Research](#)», for further details.
2. For tourism, a more detailed breakdown of tourists’ countries of origin has been added and new series have been published for analysing the evolution of tourism using 100 as a baseline for the same month of 2019 (pre-COVID benchmark), in addition to the existing series showing year-on-year changes.
3. See the Focus «[Spanish household spending on bills in 2023, a respite after a gruelling 2022](#)» in the MR02/2024, for further details.
4. See the methodological document from the Real-Time Economics portal for further details on how the indicators are built and validated: https://www.caixabankresearch.com/es/nota-metodologica_rte.

Evolution of consumption in Spain according to internal CaixaBank data

The growth of the Spanish economy is proving more robust than expected in a context in which interest rates remain high and growth in the rest of the euro area is showing signs of weakness. In recent months, economic activity has been driven by the good performance of the labour market, immigration flows that remain strong and the buoyant international tourism data. Moreover, private consumption is expected to remain dynamic, as household incomes will steadily regain purchasing power and the ECB is expected to continue lowering interest rates. Is this proving to be the case?

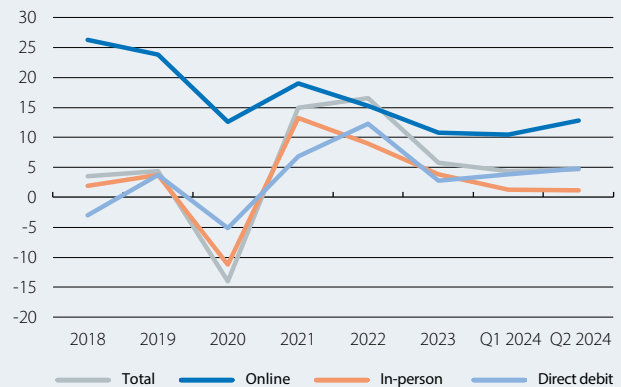
Spaniards' consumption closed Q2 growing by 4.7%, which represents a slight acceleration compared to Q1 and a very similar growth rate to 2023, although inflation has moderated slightly. Among the various items of expenditure, e-commerce particularly stands out, recording a growth rate of 12.9% in Q2 2024, 2 pps higher than the figure for 2023. Also, spending on direct debit charges continues to show rapid growth, recording a rate of 4.9% in Q2 2024, due in part to increased spending on water bills.

In-person consumption expenditure has maintained a more moderate growth rate in Q2, climbing 1.2% (1.3% in Q1 2024), but with significant differences between the various headings that comprise it. The biggest increases are found in spending on culture and entertainment, with growth of 2.3% in the quarter, as well as on catering, with an increase of 4.6%. Spending on food also continues to record a significant increase, at 3.7%, although the rate of this increase is clearly declining, partly due to lower inflationary pressures.

The items of in-person expenditure that show a weaker trend are those related to furniture and decoration, and

Spain: evolution of consumption by payment method

Year-on-year change (%)



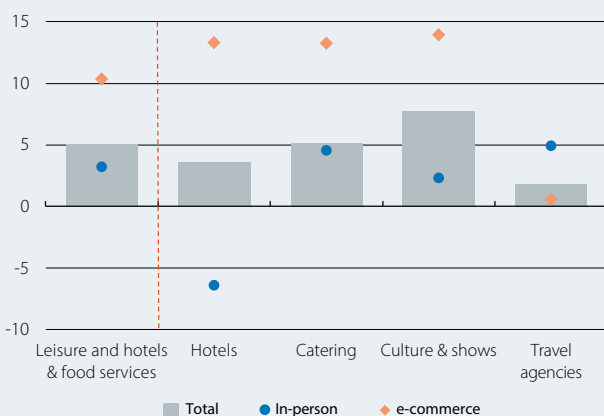
Source: CaixaBank Research, based on internal data.

appliances and technology. In both cases, spending increased significantly during the pandemic. Since then, it has followed a more sluggish pattern than the rest of the items of in-person expenditure. However, it should be noted that in the case of expenditure on household appliances we are seeing a change in consumption patterns in favour of a greater role of purchases made via e-commerce. Thus, while this component of in-person expenditure grew by only 1.1% year-on-year in Q2 2024, the increase in the case of online purchases stood at 8.9%. In furniture and decoration and in fashion we see a similar trend, with a growing role of online spending to the detriment of in-person spending. On the portal, we can see how young people are, by far, the group that makes a greater proportion of their purchases online. However, we can also see how older people are gradually adapting their spending pattern to this channel.

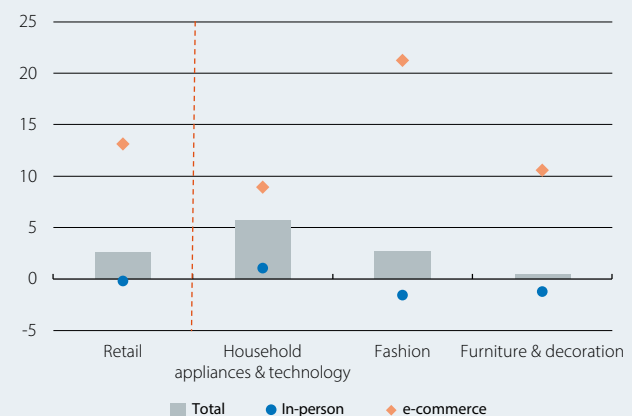
Zoel Martín Vilató and Josep Mestres Domènech

Spain: consumption by sub-sector

Year-on-year change (%), Q2 2024 average



Source: CaixaBank Research, based on internal data.



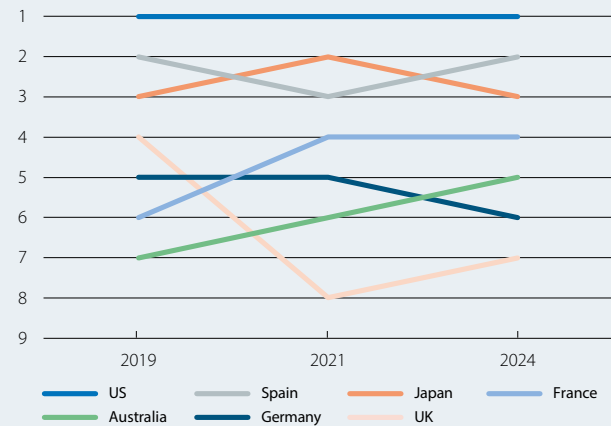
The competitiveness of Spain’s tourism sector: strengths and weaknesses

International tourism has enjoyed significant growth in recent quarters at the global level and is very close to recovering pre-pandemic levels: in Q1 2024 it was just 3% below 2019 levels, according to the UN tourism barometer.¹ Spain’s tourism sector was one of the first to recover: among the top 10 destinations in the world, Spain was the second country, after Turkey, to surpass the pre-pandemic number of international tourists. Thus, with 85 million tourists, Spain broke its own historical record and ranked second country in the world for tourist arrivals in 2023, behind France (100 million) and ahead of the US (66.5 million).^{2, 3}

Beyond the number of visitors, the main challenge for the tourism sector is to continue growing in a sustainable and balanced manner. To this end, it is important to pay attention to other areas of a structural nature, which allow us to make a good diagnosis of the sector’s strengths, in order to continue developing them, as well as the weaknesses that must be addressed in order to make this growth sustainable in the long term. A good starting point for such a diagnosis is provided by the Travel and Tourism Development Index (TTDI).⁴ This is a benchmark index that measures the set of factors and policies that enable the sustainable and resilient development of the tourism sector, providing a comparison between 119 countries. According to the TTDI for 2024, Spain’s tourism sector lies in second place in the world ranking, behind the US and ahead of Japan and France, and it has climbed one place since the previous edition of 2022.

The TTDI is structured into five sub-indices which, in turn, cover various different aspects (17 in total). Among them, Spain stands out positively in cultural and natural resources, in the facilitating environment (especially in health and hygiene, safety and security, ICT connectivity and the workforce), as well as in most types of infrastructures related to the tourism sector (the country’s airport infrastructure and the quality of its hotels stand out in particular). On the other hand, the sub-index of enabling conditions for tourism and travel is penalised by the country’s price competitiveness. In this factor, Spain is ranked 94th, close to neighbouring

Evolution of the ranking of the Travel and Tourism Development Index



Note: The 2024 Travel and Tourism Development Index (TTDI) is the second edition of an index that evolved from the Travel and Tourism Competitiveness Index (TTCI), published since 2007.

Source: CaixaBank Research, based on data from the World Economic Forum.

Travel and Tourism Development Index Index (min. 1 - max. 7)

	Spain	France	Italy	Portugal	Turkey
Travel & Tourism Development Index	5.2	5.1	4.9	4.8	4.4
Enabling environment	5.6	5.7	5.4	5.7	4.4
Policy and enabling conditions	4.8	4.3	4.4	4.6	5.2
Infrastructure and services	5.5	5.3	4.9	4.8	4.2
Natural, cultural and non-leisure resources	5.5	5.6	5.3	3.9	4.2
Sustainability	4.3	4.1	4.1	4.4	3.9

Source: CaixaBank Research, based on data from the Travel & Tourism Report 2024.

countries such as France (102nd), Italy (105th) and Portugal (93rd), due to the presence of countries that are highly competitive in terms of prices (e.g. Turkey ranks 40th in this dimension).

According to the TTDI, the main aspect where Spain’s tourism sector has the most margin for improvement is in the field of sustainability (Spain is ranked 42nd in this sub-index). Among the different aspects of sustainability considered (environmental, socio-economic and demand-related sustainability), demand is the sphere with the lowest score. In particular, the aspects to be improved upon include the sector’s seasonality, which remains high (despite improving since 2019, it is still high relative to international comparatives), and the high geographical concentration of tourism in cultural and natural attractions.

Judit Montoriol Garriga

1. See [UN Tourism World Tourism Barometer | Global Tourism Statistics \(unwto.org\)](https://www.unwto.org).
 2. See the article «[Spain’s tourism sector will continue to grow rapidly in 2024-2025](#)», in the *Tourism Sector Report S2 2024*.
 3. In terms of international tourism spending, Spain is also second in the world ranking, behind the US and ahead of the UK.
 4. The TTDI is an index developed by the World Economic Forum and its second edition was published in 2024. It has evolved from the Travel and Tourism Competitiveness Index (TTCI), published since 2007.

The disparity between employment and hours worked in Spain

After leaving the COVID-19 crisis behind us, Spain's labour market is in good shape. Employment far exceeds pre-pandemic levels. Specifically, in Q1 2024 it was already more than 8% above the levels of Q1 2019 (in National Accounting terms)¹ and its cumulative growth is double that of GDP, at 3.7%. In contrast, the number of actual hours worked has grown at a slower rate since then, by just 1.3%. This has resulted in a 6.3% decline in the number of hours worked per worker (referring to full-time equivalent job positions, known as PTETC). Thus, while productivity per worker has accumulated a fall of 4.0%, productivity per hour worked has grown by 2.5%.

What is the decrease in the number of hours worked per employee attributable to? It does not appear to be due to a change in the composition of employment between full-time and part-time workers. After all, according to the LFS, while the number of people in full-time employment has increased by 10.5% since Q1 2019, the number in part-time employment has only grown by 1.4%. One factor that does appear to have caused this trend, however, is the greater number of hours of absenteeism from work, due to a variety of reasons.

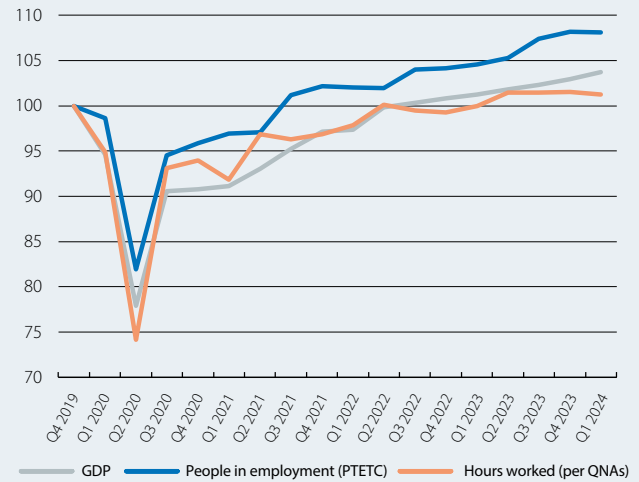
According to data from the LFS, in Q1 2024, 9.8% of those in employment (almost 2.1 million people) did not work in the week of reference: 885,000 due to holidays, 113,000 due to parental leave and, above all, 971,000 due to sickness, accidents or temporary disability (TD).²

According to data from Social Security (S.S.),³ the percentage of hours not worked for various reasons other than holiday leave amounted to 6.3% of all paid hours in Q4 2023, compared to 4.8% in Q4 2019. 86.2% of the hours not worked were due to TD leave, 12.8% due to other benefits (parental leave following a birth and care of minors or due to risk during pregnancy or lactation) and 1.0% due to being on furlough (ERTE). The average number of hours not worked per contributor to the General Scheme stood at 27.5 in the quarter, seven hours more than in the same period in 2019.

In 2023 as a whole, the total paid hours grew by 10.8% compared to 2019, while the actual hours worked increased by 9.1%. The average number of hours not worked per contributor in the year rose to 107.5 (6.1%

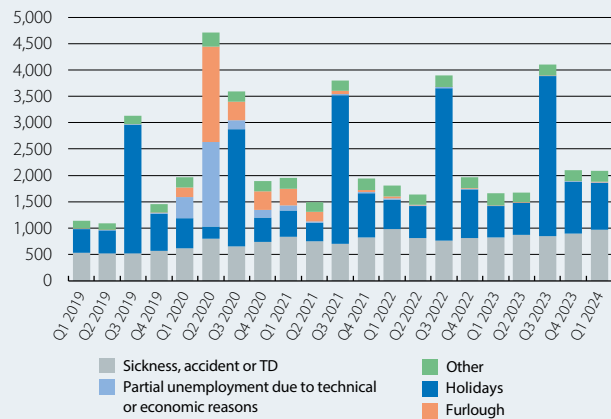
1. In terms of full-time equivalent job positions (known as PTETC).
 2. As defined by the Ministry of Inclusion, Social Security and Migration (MISSM), this is the inability to work due to common or occupational illness, a workplace or other accident, disabling menstruation or termination of pregnancy.
 3. Quarterly report on paid hours and actual hours: [Social security: Statistics \(seg-social.es\)](#). This is a set of statistics based on administrative data, prepared using data on the social security contributions paid by companies; the series starts in Q1 2019.

Spain: GDP, employment and hours worked
 Index (100 = Q4 2019)



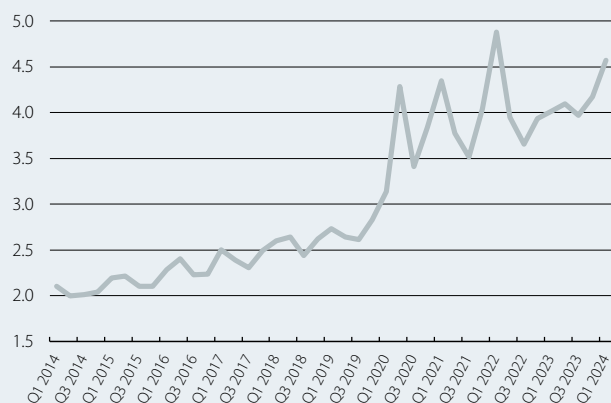
Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (Quarterly National Accounts).

Spain: people in employment who have not worked in the week of reference
 (Thousands)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (Labour Force Survey).

Spain: absenteeism rate due to TD
 (% of the total employed population)



Note: Employed persons who were absent from work due to illness, accident or TD.
 Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (Labour Force Survey).

of the paid hours), compared to 80.3 in 2019 (4.7% of the paid hours). The number of hours not worked in the year is equivalent to the employment of almost one million people.

The hours not worked due to TD accounted for 5.4% of the paid hours in Q4 2023 (4.0% prior to the pandemic). Since Q4 2019, the hours not worked for this reason have grown by no less than 48.3%, almost five times more than the total paid hours.

If we refer to the National Statistics Institute's quarterly labour cost survey,⁴ the results we obtain are very similar to those mentioned above, albeit somewhat more up-to-date and disaggregated by economic sector and segment. In this case, total absenteeism stood at 6.8% of the agreed hours⁵ in Q1 2024, which is 0.2 pps more than in the previous quarter and the highest ratio since Q1 2022. Considering only absenteeism due to TD, the rate in Q1 was 5.2% (5.0% in Q4 2023). Both figures clearly exceed those prior to the outbreak of the pandemic (Q1 2019): 5.2% for total absenteeism and 3.8% for absenteeism due to TD.

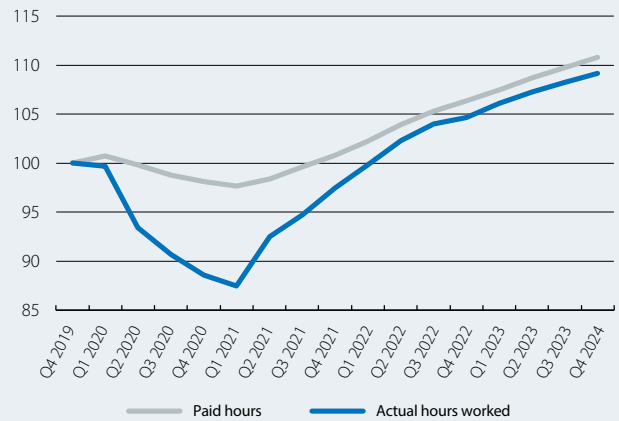
By economic segment, the highest absenteeism in Q1 2024, with rates in excess of 8.0%, corresponded to administrative activities, general government, water supply and, above all, health, where it reached 10.5% of the agreed hours. In contrast, in professional and real estate activities the rate was less than 4.0%. In comparison with the same quarter of 2019, there has been an increase in absenteeism across the board, with the exception of real estate activities, where it reduced very slightly (by just 0.2 pps). The biggest increases (greater than 2 points) are found in water supply, administrative activities and other services. On the other hand, this analysis shows a high dispersion of absenteeism by economic segment, which has even widened in recent years: whereas in 2019 the difference between the highest and lowest rate was 5.2 points, in 2024 it is 7.3 points.

The increase in absenteeism is observed in virtually all euro area countries, suggesting that what has happened in recent years has had a persistent and widespread impact. If we compare the ratio of Spanish absenteeism from work with those of other euro area countries, Spain is near the top of the ranking, albeit below economies

4. This is a survey with extensive coverage, encompassing a sample of some 28,000 companies across the country, including all those with more than 500 workers.
 5. Hours not worked, excluding absences due to holiday leave and bank holidays; it therefore includes days of leave due to TD; days of leave due to maternity, adoption and personal reasons; time off as compensation for overtime, etc. As for the agreed hours, these are the hours that are legally established by verbal agreement, individual contract or collective agreement between the worker and the company.

Spain: hours worked and paid

Number (100 = Q4 2019)

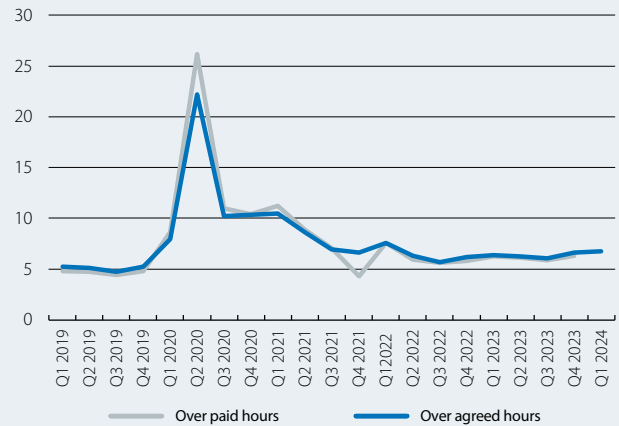


Notes: Workers registered under the General Scheme of the Social Security system. Moving 4-quarter average.

Source: CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSM).

Spain: absenteeism rate

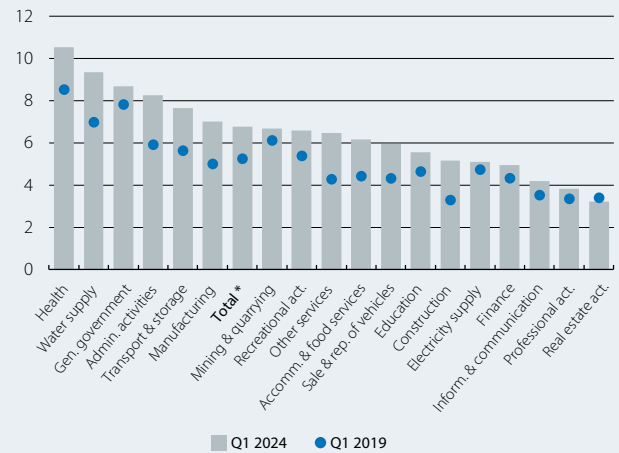
Hours not worked (%)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (Quarterly Labour Cost Survey) and the Ministry of Inclusion, Social Security and Migration (MISSM).

Spain: absenteeism rate by economic segment

Hours not worked (as a % of agreed hours)



Note: * Industry, construction and services (except domestic workers).
 Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (Quarterly Labour Cost Survey).

such as Germany and France. However, Spain stands out for the sharp growth in absenteeism which it has experienced since the pandemic. In fact, our country has seen the second biggest growth in absenteeism relative to the same quarter in 2019, specifically of 4 points, behind only Malta. If we exclusively consider absenteeism due to TD, the increase versus Q1 2019 has also been significant, going from 2.7% to 4.6%.

If we focus on absenteeism from work caused by TD, the figures speak for themselves: in 2023 over 8.1 million cases of leave due to common contingency were recorded, costing the S.S. system over 13 billion euros in economic benefits. These figures exceed those of 2019 by 36% and 55%, respectively.⁶

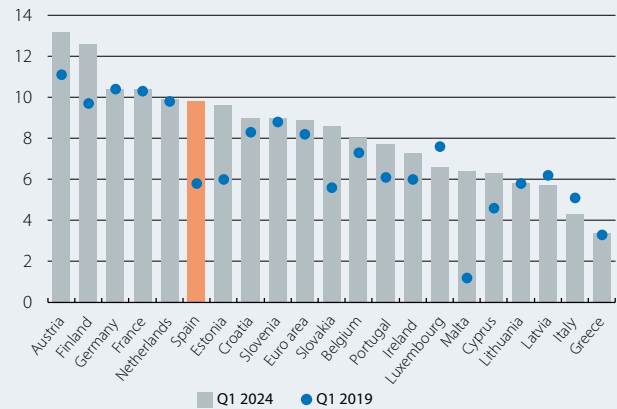
The increase in absenteeism has resulted from the increase in the number of cases rather than the average duration of leave, which is even below pre-pandemic levels; specifically, the average duration of the temporary common contingency disability processes (known as ITCC) completed last year was slightly over 36 days for workers with an employment contract, compared to 38.6 days on average in 2015-2019. Despite this decrease in the average duration, there has been a sharp increase in the number of long-term ITCC cases lasting more than 365 days, with the count as of December 2023 rising to 100,734, compared to 32,664 cases at the end of 2019. This increase could be due to delays in the processing of permanent disability cases.

The increase in absenteeism due to TD, without going into the multitude of causes that lead to it, has a negative impact on companies' productivity and labour costs, especially in the case of SMEs. Moreover, it increases the costs for the S.S. system, as well as the bureaucratic burden on the healthcare system. In order to continue to effectively support workers who are unable to work, it is essential to streamline this bureaucratic and care burden. Moreover, it is essential that cases are properly managed and inspected in order to tackle abusive practices and inefficiencies, and that there is greater collaboration between the S.S. system and health insurance companies in order to reduce the pressure on the health services.

Nuria Bustamante and Sergio Díaz

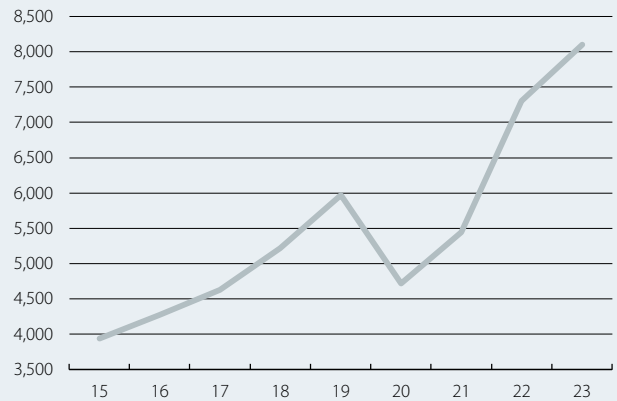
6. In addition to this, we should consider the cost assumed by companies themselves: on the one hand, the direct costs, derived from (i) the economic benefit between days 4 and 15, (ii) the supplements and improvements which, where applicable, may be included in collective labour agreements, and (iii) the S.S. contributions which they must continue to pay while the employee is on leave; on the other hand, the indirect costs, associated with the value of the goods and services that are not being produced. For further information, see the report published by AMAT (2024), «El absentismo laboral derivado de la incapacidad temporal por contingencias comunes (ITCC)» corresponding to 2023.

Euro area: absenteeism rate by country
(% of the total employed population)



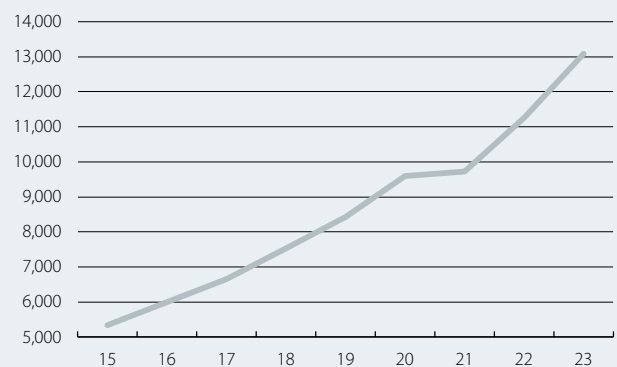
Note: Employed persons aged 20 to 64 who were absent from work.
Source: CaixaBank Research, based on data from Eurostat.

Spain: leave taken due to TD
(Thousands)



Note: Temporary disability leave due to common contingencies.
Source: CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSEM).

Spain: Social Security expenditure on TD benefits
(EUR millions)



Note: Temporary disability leave due to common contingencies.
Source: CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSEM) and the accounts of collaborating mutual insurance companies.

Activity and employment indicators

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Industry									
Industrial production index	2.2	-1.2	-2.2	-2.2	-0.7	0.0	0.8	0.4	...
Indicator of confidence in industry (value)	-0.8	-6.5	-5.2	-8.2	-8.1	-5.2	-4.3	-6.3	-5.8
Manufacturing PMI (value)	51.0	48.0	48.5	47.3	45.9	50.7	52.2	54.0	52.3
Construction									
Building permits (cumulative over 12 months)	15.4	1.3	1.7	4.3	0.8	2.9	3.9	...	...
House sales (cumulative over 12 months)	29.0	0.2	3.2	-3.3	-9.1	-10.3	-8.5	...	...
House prices	7.4	4.0	3.6	4.5	4.2	6.3	...	...	...
Services									
Foreign tourists (cumulative over 12 months)	129.8	18.9	40.7	21.9	18.9	15.8	14.9	14.2	...
Services PMI (value)	52.5	53.6	56.0	50.9	51.2	54.3	56.2	56.9	56.8
Consumption									
Retail sales ¹	2.3	2.5	2.4	2.1	2.8	1.0	0.3	0.2	...
Car registrations	-3.0	18.5	9.9	6.9	11.9	4.2	23.1	3.4	2.2
Consumer confidence index (value)	-26.5	-19.2	-19.1	-16.1	-19.0	-17.2	-14.6	-14.4	-14.1
Labour market									
Employment ²	3.6	3.1	3.2	3.4	3.6	3.0	-	-	-
Unemployment rate (% labour force)	13.0	12.2	11.7	11.9	11.8	12.3	-	-	-
Registered as employed with Social Security ³	3.9	2.7	2.8	2.7	2.6	2.6	2.4	2.4	2.5
GDP	5.8	2.5	2.0	1.9	2.1	2.5	-	-	-

Prices

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
General	8.4	3.6	3.1	2.8	3.3	3.1	3.3	3.6	3.4
Core	5.1	6.1	6.2	6.0	4.5	3.5	2.9	3.0	3.0

Foreign sector

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Trade of goods									
Exports (year-on-year change, cumulative over 12 months)	22.9	-1.4	12.3	4.5	-1.4	-6.9	-5.3	...	...
Imports (year-on-year change, cumulative over 12 months)	33.4	-7.2	10.7	-1.2	-7.2	-9.8	-7.9	...	...
Current balance	8.2	37.7	28.7	35.8	37.7	39.2	40.3	...	...
Goods and services	16.3	60.1	42.6	54.6	60.1	62.0	63.2	...	...
Primary and secondary income	-8.1	-22.4	-14.0	-18.8	-22.4	-22.8	-22.9	...	...
Net lending (+) / borrowing (-) capacity	20.7	53.7	42.6	50.0	53.7	53.5	54.9	...	...

Credit and deposits in non-financial sectors⁴

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

	2022	2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	04/24	05/24	06/24
Deposits									
Household and company deposits	4.9	0.6	0.4	-0.3	0.4	2.5	2.5	3.3	...
Sight and savings	7.9	-4.5	-4.0	-6.9	-7.6	-6.6	-5.7	-4.4	...
Term and notice	-19.6	52.2	40.5	69.8	90.2	104.4	86.9	76.1	...
General government deposits	9.5	8.8	6.8	11.3	9.4	-1.5	-2.6	-1.1	...
TOTAL	5.2	1.1	0.9	0.5	1.1	2.2	2.2	3.0	...
Outstanding balance of credit									
Private sector	0.7	-2.5	-2.2	-3.4	-3.7	-2.9	-2.3	-2.0	...
Non-financial firms	0.9	-3.4	-2.7	-4.6	-5.2	-4.0	-3.2	-2.9	...
Households - housing	1.0	-2.6	-2.4	-3.4	-3.3	-2.8	-2.4	-2.0	...
Households - other purposes	-0.6	-0.2	-0.4	0.0	-0.5	-0.3	0.0	0.5	...
General government	0.2	-3.4	-3.3	-4.6	-5.5	-2.9	-3.6	-3.5	...
TOTAL	0.7	-2.6	-2.3	-3.4	-3.8	-2.9	-2.4	-2.1	...
NPL ratio (%)⁵	3.5	3.5	3.5	3.5	3.6	3.6	3.6	...	...

Notes: 1. Deflated, excluding service stations. 2. Active Population Survey. 3. Average monthly figures. 4. Aggregate figures for the Spanish banking sector and residents in Spain. 5. Period-end figure.

Sources: CaixaBank Research, based on data from the Ministry of Economy, the Ministry of Transport, Mobility and Urban Agenda (MITMA), the Ministry of Inclusion, Social Security and Migration (MISSM), the National Statistics Institute (INE), S&P Global PMI, the European Commission, the Department of Customs and Excise Duties and the Bank of Spain.

The Portuguese economy, onward and upward

The latest economic activity indicators suggest that Q2 could prove better than expected. The economic climate indicator remained unchanged in Q2, while confidence in the industrial sector is improving and the production outlook has gained strength. In the same vein, household sentiment is showing a positive trend and the partial consumption indicators suggest that household spending remains buoyant. Investment-related indicators also predict a positive performance, with imports of capital goods accelerating. The foreign sector is performing well, although a sharper acceleration in imports could limit the contribution of foreign demand to GDP growth.

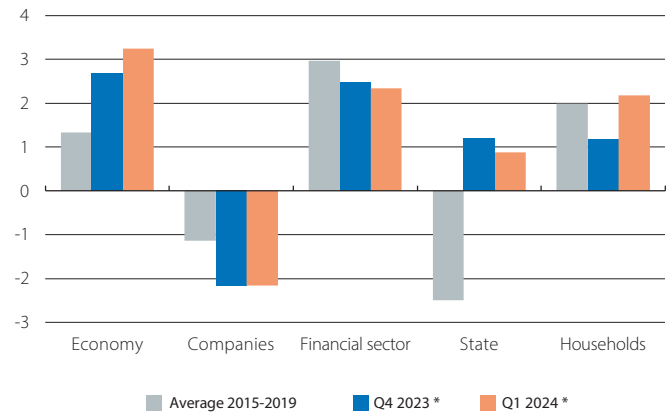
The Portuguese economy's lending capacity increased in Q1 and stood at 8.76 billion euros in the cumulative 12-month period, representing 3.2% of GDP, half a point higher than at the end of 2023. This evolution was the result of a 3.2% increase in the total volume of savings in the economy, as well as an increase of 4% in the balance of transfers received from the rest of the world (including European funds) compared to almost stable investment, which grew by just 0.2%. By sector, companies are saving the most, as well as being the sector that is receiving the most capital transfers. However, they are also the group that is investing the most, which translates into financing needs of 2.2% of GDP. In the rest of the sectors, the situation is reversed: savings exceed investment, thus contributing to the economy having a lending capacity. In the case of households, their savings rate increased to 8% of disposable income, the highest level since 2014. This reflects the higher income growth (8.4% vs. 5.3% for consumption), supported by the strong growth in the total wage mass (employment and wages) of 10.6%. Finally, the public sector recorded a surplus of 0.9% of GDP.

Inflation resumed its downward trend in June. Following the shock of the previous month, the CPI once again stood below 3% in June. Specifically, it fell 0.3 pps to 2.8%, while the core index decreased 0.4 pps to 2.3%. Although fluctuations are still expected in 2024, we expect a more favourable trajectory and that inflation will remain below 3%, meaning that the path towards disinflation appears to have consolidated.

Home prices continue to rise in 2024. For the third consecutive quarter, in Q1 2024 the quarter-on-quarter change in the home price index slowed (0.6% vs. 1.3% previously), although prices still registered sharp year-on-year growth, at 7%. The number of sales fell by 3.1% in the quarterly rate and by 4.1% year-on-year, although the trend points to a stabilisation at around 30,000 homes/quarter (above the pre-pandemic average of 25,300/quarter).

Portugal: lending capacity/financing needs of the economy

(% of GDP) *

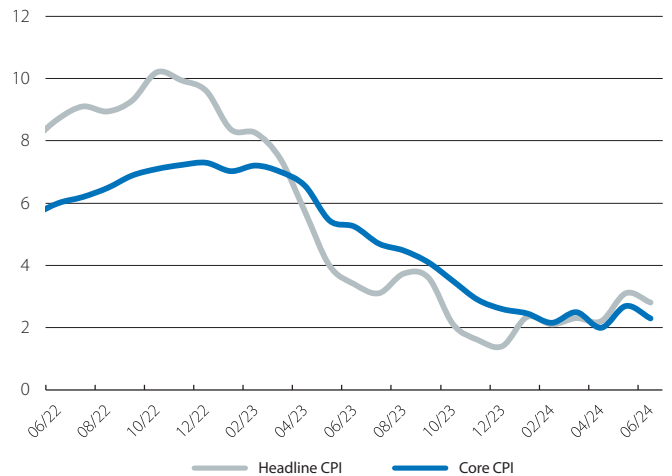


Note: * Last-4-quarter cumulative balance.

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

Portugal: CPI

Year-on-year change (%)

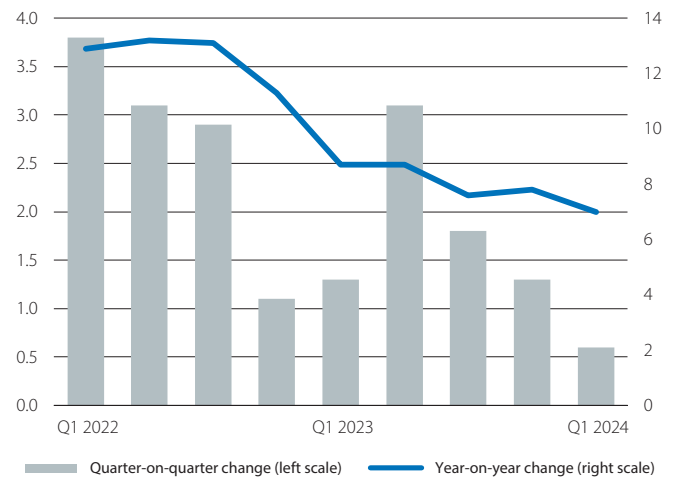


Source: CaixaBank Research, based on data from the National Statistics Institute of Portugal.

Portugal: home price index

Change (%)

Change (%)



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

Activity and employment indicators

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

	2022	2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	04/24	05/24	06/24
Coincident economic activity index	5.7	3.3	3.3	2.6	2.1	...	1.8	1.6	...
Industry									
Industrial production index	0.8	-3.1	-4.5	-3.5	1.4	...	5.6	0.9	...
Confidence indicator in industry (<i>value</i>)	-3.4	-7.4	-9.0	-9.3	-7.9	-6.7	-6.8	-6.8	-6.5
Construction									
Building permits - new housing (number of homes)	6.2	6.5	10.0	2.7	-20.3	...	3.5	...	...
House sales	1.3	-18.7	-18.9	-11.4	-4.1	...	-	-	-
House prices (<i>euro / m² - valuation</i>)	13.8	9.1	8.1	6.4	5.5	...	7.0	6.6	...
Services									
Foreign tourists (<i>cumulative over 12 months</i>)	158.9	19.1	24.9	19.1	13.1	...	11.0	10.2	...
Confidence indicator in services (<i>value</i>)	15.2	7.6	5.8	1.7	6.3	4.3	6.4	5.0	1.4
Consumption									
Retail sales	5.5	1.1	0.6	0.6	1.8	...	0.6	2.5	...
Coincident indicator for private consumption	3.9	2.4	2.7	2.1	2.1	...	2.4	2.7	...
Consumer confidence index (<i>value</i>)	-29.7	-28.6	-22.8	-27.2	-24.6	-18.7	-20.4	-18.5	-17.2
Labour market									
Employment	2.3	2.0	2.2	1.6	1.8	...	1.8	1.3	...
Unemployment rate (<i>% labour force</i>)	6.2	6.5	6.1	6.6	6.8	...	6.4	6.5	...
GDP	6.8	2.3	1.9	2.1	1.5	...	-	-	-

Prices

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

	2022	2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	04/24	05/24	06/24
General	7.8	4.4	3.5	1.7	2.2	2.7	2.2	3.1	2.8
Core	5.6	5.1	4.4	3.0	2.3	2.3	2.0	2.7	2.3

Foreign sector

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

	2022	2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	04/24	05/24	06/24
Trade of goods									
Exports (<i>year-on-year change, cumulative over 12 months</i>)	23.2	-1.1	3.0	-1.1	-5.1	...	-3.6	...	...
Imports (<i>year-on-year change, cumulative over 12 months</i>)	31.7	-4.2	1.1	-4.2	-7.6	...	-6.1	...	...
Current balance	-2.8	3.6	4.1	3.6	5.1	...	6.3	...	...
Goods and services	-4.7	3.3	2.1	3.3	4.6	...	4.6	...	...
Primary and secondary income	1.9	0.4	2.0	0.4	0.5	...	1.7	...	...
Net lending (+) / borrowing (-) capacity	-0.5	7.2	7.3	7.2	8.8	...	10.0	...	...

Credit and deposits in non-financial sectors

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

	2022	2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	04/24	05/24	06/24
Deposits¹									
Household and company deposits	6.4	-2.3	-2.6	-2.3	2.7	...	3.5	5.1	...
Sight and savings	7.3	-14.8	-9.4	-14.8	-11.2	...	-10.3	-7.4	...
Term and notice	5.2	14.8	6.9	14.8	20.2	...	20.9	20.3	...
General government deposits	12.4	-12.4	5.5	-12.4	9.1	...	3.6	-0.2	...
TOTAL	6.5	-2.6	-2.4	-2.6	2.9	...	3.5	4.9	...
Outstanding balance of credit¹									
Private sector	1.7	-1.5	-1.8	-1.5	-0.8	...	-0.6	-0.3	...
Non-financial firms	-0.6	-2.1	-3.5	-2.1	-1.7	...	-1.7	-1.4	...
Households - housing	3.2	-1.5	-0.9	-1.5	-0.9	...	-0.6	-0.2	...
Households - other purposes	2.9	0.2	-0.8	0.2	2.0	...	2.5	2.6	...
General government	-2.7	-5.5	-1.4	-5.5	5.9	...	-1.4	-4.6	...
TOTAL	1.6	-1.7	-1.8	-1.7	-0.5	...	-0.6	-0.4	...
NPL ratio (%)²	3.0	2.7	2.9	2.7	2.7	...	-	-	-

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.

Through our studies, we help to stimulate debate and the exchange of views among all sectors of society, as well as to promote the dissemination of the major themes of the socio-economic environment of our time. Both the *Monthly Report* and the rest of CaixaBank Research's publications are available at: www.caixabankresearch.com

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Flash report on developments in the euro's exchange rate with the major currencies: the US dollar, pound sterling, Japanese yen and Chinese yuan. It offers technical, structural and predictive analysis.

Tourism Sector Report S2 2024



The record figures reached by tourism in Spain in the opening months of 2024 and the effects of climate change on the sector highlight the need to continue improving the management of tourism flows and to promote innovation and investment, in order to minimise the negative impacts of tourism activity and move towards a less seasonal model that reinforces sustainability.

Sectoral Observatory



360° report on the state and outlook for Spain's economic sectors. We take a more in-depth look at the underlying dynamics behind macroeconomic developments, offering a comprehensive view of the various economic sectors' performance over time.

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We take stock of a more positive 2023 than expected in the real estate market and offer our forecasts for 2024-2025. We also analyse the role of demographics in housing demand in Spain, the outlook for Spain's commercial real estate market and the evolution of the real estate markets in the main advanced economies.



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