The Spanish economy keeps up the pace in Q4

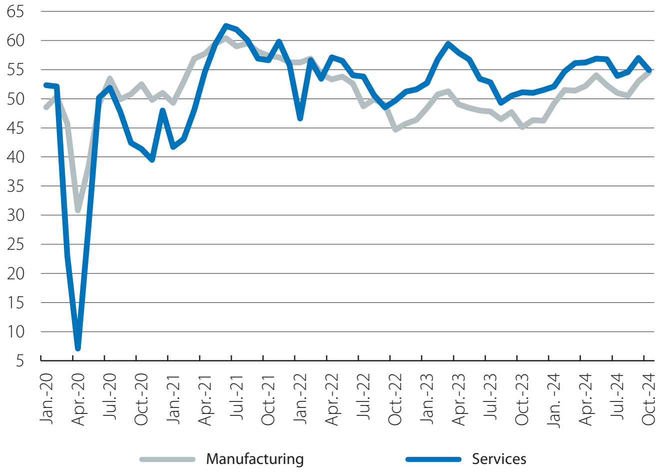
The economy maintains a good tone in the closing stages of 2024. The indicators being published for the last quarter of the year offer positive signals. Domestic spending is picking up amid improving real household incomes, the business sentiment indicators (PMIs) remain solid, the labour market continues to create jobs at a high rate, tourism continues to thrive and the housing market is on the up. Inflation, despite the rebound in recent months driven mainly by energy prices, remains at contained levels and below the euro area average, even improving on our forecasts.

Among the consumption indicators, retail sales (excluding service stations and at constant prices) grew in October 3.4% year-on-year (2.5% in Q3). Passenger car registrations, meanwhile, rose 6.8% year-on-year in October-November, compared to the 1.7% increase recorded in the previous quarter. The CaixaBank Research consumption indicator, for its part, shows a rebound in spending with Spanish cards in October to 4.8% year-on-year, above the Q3 average of 3.2%. The data for November, however, suggest a notable weakening (up until the 21st the year-on-year increase was just 0.9%). This is due to an adverse base effect (November 2023 was an exceptionally dynamic month) and, to a lesser extent, the impact of the floods in the Valencian Community region (for more information, see the Focus «Economic impact of the floods in the Valencia province» in this same report). Finally, foreign tourist arrivals accelerated in October to a year-on-year rate of 9.5%, versus a growth rate of 7.8% in Q3.

On the supply side, there are mixed signals: while industry is showing signs of improvement after the weakness of earlier in the year, services are showing a slight loss of buoyancy. In particular, the PMI for the manufacturing sector averaged 53.8 points in October-November, well above the growth threshold (50) and the figure for Q3 (51.5), while that of the services sector has weakened slightly to 54.0 points on average so far this quarter, down from 55.2 points in the previous quarter; as a result, the composite index stood at 54.2 points, compared to 54.4 points in Q3. The improvement in industrial activity is also evident in the rebound in the industrial production index, which rose 1.9% year-on-year in October (0.6% in Q3).

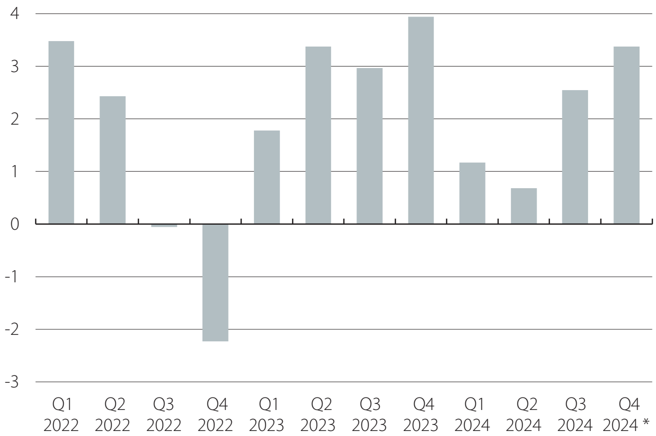
Despite the slight slowdown observed in November, the labour market continues to perform well. Following the strong growth recorded in the previous month, job creation slowed slightly in November. The number of registered workers fell by 30,051 people, as is common in that month, but it was a sharper fall than that recorded in November last year (–11,583) and than the pre-pandemic average (–23,219 in the period 2014-2019). In seasonally adjusted terms, employment continues to be created (+13,116), raising the quarter-on-quarter growth in the number of registered

Spain: PMI
Level



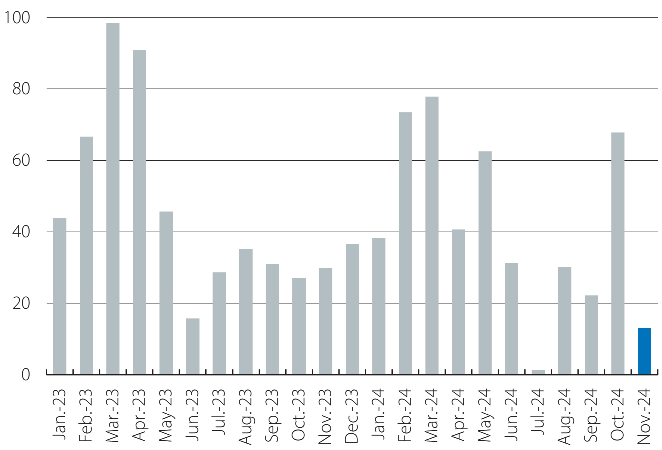
Source: *CaixaBank Research, based on data from S&P Global PMI.*

Spain: retail trade index
Year-on-year change (%)



Notes: ** Data for October. Data excluding service stations, in real terms and corrected for seasonal and calendar effects.*
Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: monthly change in registered workers affiliated with Social Security
(Thousands)



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

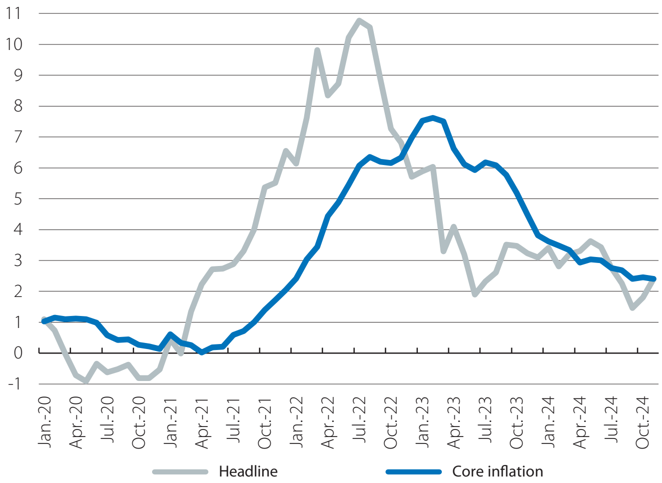
workers for Q4 to date to 0.5%, compared to 0.3% in the previous quarter. On the other hand, registered unemployment increased by 16,036 people to 2.586 million; this is a smaller increase than that of November last year (+24,573), but it contrasts with the improvement normally seen in the month of November (–1,506 unemployed persons on average in 2014-2019).

Inflation picks up due to the most volatile components. Following the slowdown in inflation during Q3, in both October and November we have witnessed a rebound caused by the energy component, although the underlying trends remain disinflationary. In this regard, according to the flash indicator, headline inflation stood at 2.4% in November, 0.6 pps higher than in October, driven by the increase in electricity and fuel prices; while the underlying rate, which excludes energy and unprocessed food, moderated 0.1 pp to 2.4%. The inflation outlook for the coming months looks promising, although the VAT increases on essential foods and electricity and the withdrawal of the reductions on transport, effective from January, will push prices up.

The current account surplus continues to grow. The current account balance for the trailing 12 months to September shows a surplus of 3.1% of GDP, which is 0.4 points more than the balance for 2023 as a whole and the best figure since 2016; this improvement in the foreign balance is mainly explained by energy and tourism. On the one hand, the trade deficit of goods fell to 2.1% of GDP (–2.3% in 2023), thanks to the correction of the energy deficit (–1.9% vs. –2.2%), in a context of prolonged price declines (–4.6% in 2024 and a cumulative decline of –14.1% since 2022), while the deficit of non-energy goods has stabilised at 0.1% of GDP. On the services side, the balance of non-tourism services shows a surplus of 2.2% of GDP (2.3% last year), while the tourism surplus has reached a new record, at 4.3% of GDP (3.9% in 2023). The latest data indicate that 2024 could be another historic year for the tourism sector: between January and October, almost 82.9 million international tourists arrived in our country, and they spent some 111 billion euros, representing a growth of 10.8% and 16.8% year-on-year, respectively.

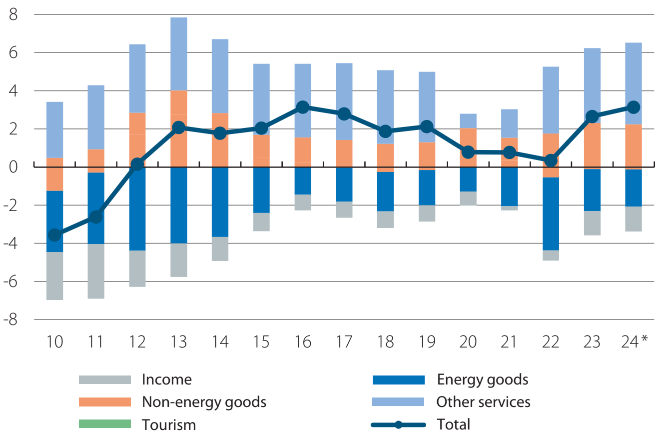
Home sales surge. Home sales rallied in September (41.5% year-on-year), across all categories of housing (55% new homes and 38% existing homes). So far this year, some 468,000 sale transactions have been closed, marking a 3% increase compared to the same period in 2023 and reflecting a clear recovery in activity compared to the declines recorded last year (–10.2% on average in 2023). This revival of sales, combined with the moderation in the supply of new homes, introduces upward pressures on prices. In fact, in Q3 2024 there was a clear acceleration both in the appraisal value per the Ministry of Housing and Urban Agenda (MIVAU, 6.0% year-on-year vs. 5.7% previously) and, above all, in the National Statistics Institute's home price index (8.2% vs. 7.8%).

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



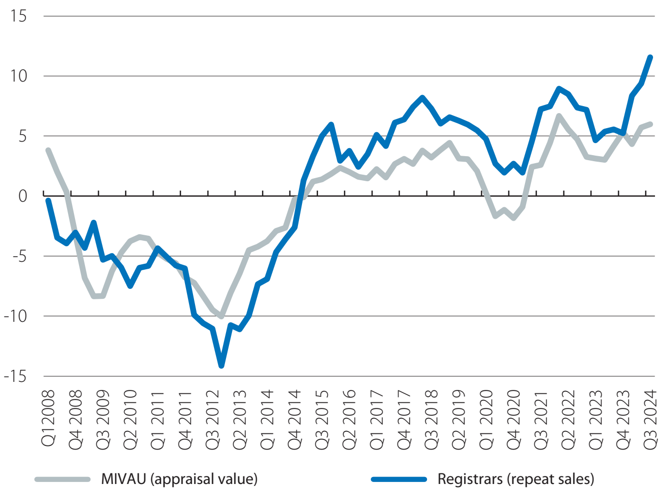
Source: *CaixaBank Research, based on data from the Spanish National Statistics Institute (INE).*

Spain: current account balance
(% of GDP)



Notes: ** Cumulative data for the trailing 12 months to September. Data for goods according to the Standard International Trade Classification (SITC).*
Source: *CaixaBank Research, based on data from the Bank of Spain.*

Spain: home prices
Year-on-year change (%)



Source: *CaixaBank Research, based on data from the Ministry of Housing and Urban Agenda (MIVAU) and the Spanish National Statistics Institute (INE).*