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Economic and Business Outlook

October 2023

Overview

- **The global economy is showing signs of weakness and international agencies are revising growth downward for 2024.**
- **Inflation continues to ease, albeit slowly, and is not expected to return to the targets set by monetary authorities until 2025 in most countries.**
- **Uncertainty about how oil prices will evolve is increasing in the wake of the attack in Israel and heightened geopolitical tension in the Middle East.**
- **The Spanish economy slowed slightly in Q3, but with notable differences across sectors.**
- **Growth forecasts for Spain stand at around 2.4% for 2023 and 1.5% for 2024. The Government has updated its forecasts in the Budgetary Plan, estimating 2.4% and 2% in both years, respectively.**
- **Job creation loses dynamism in Q3, although it is worth highlighting the resilience of the labour market in a context of lower economic growth and increased uncertainty.**
- **Inflation rebounds to 3.5% in August due to the smaller year-on-year decline in energy prices.**
- **The State budget adjustment trend was interrupted over the summer months. The state government deficit started to rise.**
- **The economic and geopolitical context leads to a feeling of risk aversion and worsening business confidence, which may be reflected even more in investment. Turnover continued to fall during the summer months.**

New feature: This report includes a section analysing the current state of business activity based on several existing indicators.

The International Scenario

Very subdued growth prospects for the global economy in the second half of 2023 and in 2024

The resilience of the global economy in the first half of the year is prompting the main international agencies to revise their growth forecasts for 2023 upwards. In this regard, the OECD increased its estimates for this year by three tenths to 3%, while the IMF also set its forecasts at 3%, the same as in July and one tenth higher than its April estimate. However, a slowdown in activity is expected for the second half of the year and it will foreseeably continue into 2024, thereby reducing the growth estimates for the coming year. The OECD has cut its global GDP growth forecast for 2024 by two tenths to 2.7%, while the IMF has lowered its projection by one tenth to 2.9%. Both this year and the next will post growth rates that are significantly below the average for the period between 2000 and 2019, which was set at 3.8%.

Meanwhile, inflation is expected to continue to decline gradually, although the forecasts for 2023 and 2024 have been revised slightly upwards by one tenth and six tenths respectively. Moreover, inflation is not expected to return to target levels until 2025 in most cases.

OECD (September 2023) **and IMF Forecasts** (October 2023)

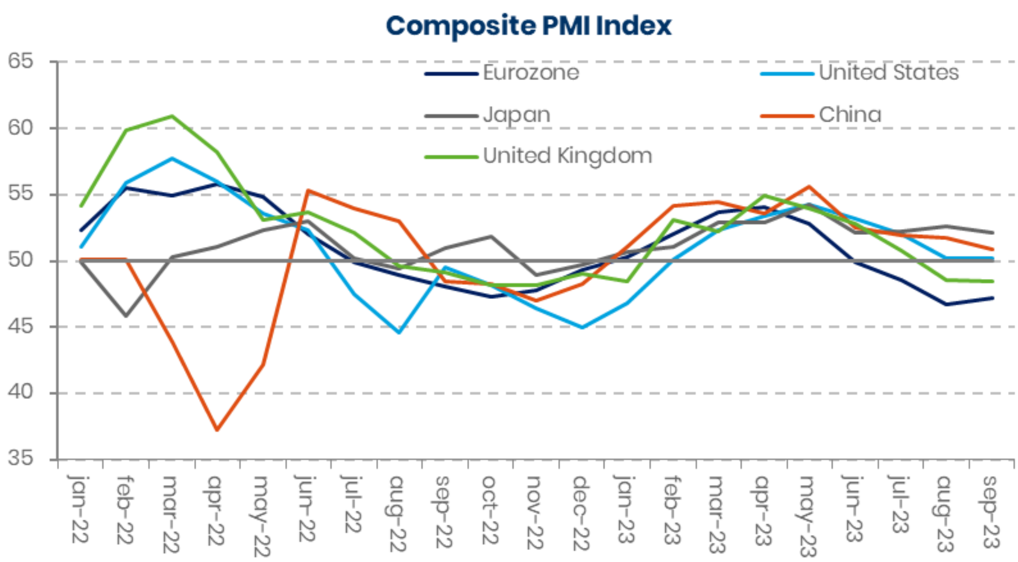
	GDP			Inflation		
(y-o-y rate)	2022	2023	2024	2022	2023	2024
World	3.3	3.0	2.7	3.5	3.0	2.9
United States	2.1	2.2	1.3	2.1	2.1	1.5
Japan	1.0	1.8	1.0	1.0	2.0	1.0
United Kingdom	4.1	0.3	0.8	4.1	0.5	0.6
Eurozone	3.4	0.6	1.1	3.3	0.7	1.2
Germany	1.9	-0.2	0.9	1.8	-0.5	0.9
France	2.5	1.0	1.2	2.5	1.0	1.3
Spain	5.5	2.3	1.9	5.8	2.5	1.7
Italy	3.8	0.8	0.8	3.7	0.7	0.7
China	3.0	5.1	4.6	3.0	5.0	4.2
India	7.2	6.3	6.0	7.2	6.3	6.3
Brazil	3.0	3.2	1.7	2.9	3.1	1.5
Mexico	3.9	3.3	2.5	3.9	3.2	2.1
Advanced economies				2.6	1.5	1.4
Emerging economies				4.1	4.0	4.0
World trade				5.1	0.9	3.5

Source: OECD and IMF

The strong performance of labour markets and the savings generated during the pandemic have been key factors in the economy's resilience. However, as monetary policy tightening affects activity more fully, both consumption and investment will weaken, and thus detract from the dynamism of global growth.

Moreover, the balance of risks is skewed to the downside. Among the most prominent risks are that China's real estate crisis worsens, or that rising inflation expectations in the short term, combined with tight labour markets, put upward pressure on inflation and lead to a further tightening of monetary policy. In addition, it is worth noting geopolitical tensions and the additional pressure they may exert on prices, especially in energy and food. There are also growing concerns about geo-economic fragmentation that would limit the benefits of global trade and affect capital flows and investment, as well as trade in commodities, mainly hurting lower-income countries.

As for recent developments, confidence indices are already anticipating weaker global growth. The Global Composite PMI index stood at 50.5 in September, one tenth lower than in August, with the UK and the Eurozone clearly below the 50 mark that denotes contractionary territory. The weakness in manufacturing, which is quite pronounced in several European economies, is being compounded by the slowdown in the services sectors. Moreover, the decline in new orders suggests that this loss of dynamism may continue in the coming months.



Source: Prepared-in house based on data from Markit Economics

In the United States, the economy continues to show remarkable strength, as shown by the performance of its labour market: in September, non-farm payrolls increased by 336,000, the highest increase in eight months. Moreover, the figures for August and July were revised upwards, which could accelerate GDP growth in Q3. Meanwhile, the unemployment rate remained at 3.8% due to the increase in the labour force, leaving the activity rate at its highest level since February 2020, only half a point below pre-pandemic levels.

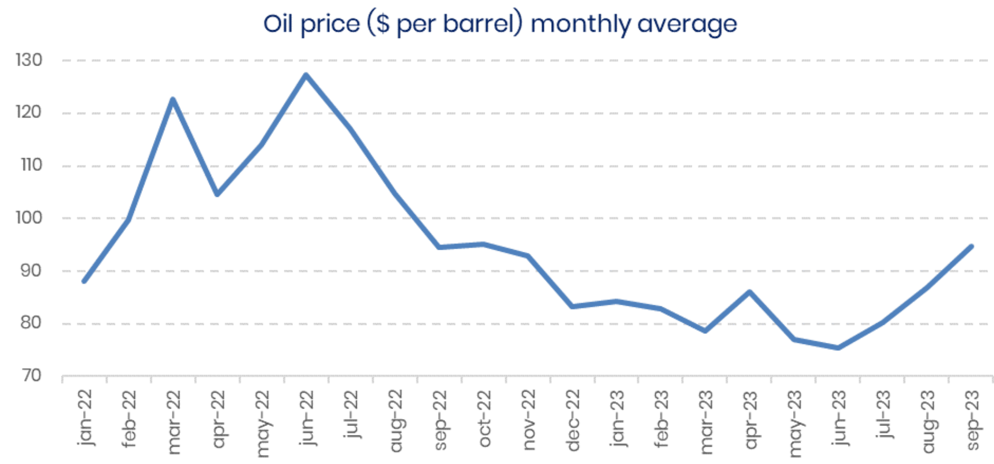
This strong labour market may lead to a further rate hike by the Federal Reserve in November, up from the current range between 5.25% and 5.5%. However, on the other hand, wage pressures are softening, albeit gently, and both rising bond yields and the strengthening of the dollar create tougher financial conditions that may prevent this further interest rate hike. Moreover, activity is expected to slow down in the coming months due to the greater impact of higher credit prices, combined with the risk of a government shutdown as of 17 November as a result of the disagreements between Democrats and Republicans. Meanwhile, inflation in September remained unchanged at 3.7%, after the increases of the previous two months, while core inflation (excluding energy or food) continued to ease, to 4.1%.

In the Eurozone, the signals from the PMI indices, below 50 points for both manufacturing and services, point to a possible contraction of GDP in the third quarter. On the other hand, the labour market continues to maintain positive behaviour, with the unemployment rate in August standing at 6.4%, a historical low. However, wage pressures are also easing, with an increase in hourly wage costs in the second quarter of 4.5%, seven tenths less than in the first quarter. Meanwhile, in the residential market, the slowdown in activity and the increase in the cost of financing have led to housing prices falling by -1.7% in year-on-year rates in the second quarter, the first decrease since the year 2014. In addition, inflation continued to moderate, standing at 4.3% in September, nine tenths less than the previous month, while core inflation, excluding energy or food, fell to 4.5%, eight tenths less than in August.

The weak economy and recent price behaviour suggest that the ECB will pause rate hikes at its next meeting in November, keeping its main rate at 4.5%, the level set in September. At its last meeting, the ECB hinted that, in the absence of additional turmoil, the rate hike cycle could be over. It has raised rates by 450 basis points in just 14 months, since July 2022, when the rate hikes began.

The Chinese economy is also showing some signs of weakness, although this time without inflationary pressures, with CPI in recent months hovering around 0% (0.1% in August). PMI indices are also declining but are still in positive territory (50.9 points in September), while July's foreign trade data showed a notable drop in both exports and imports (-14.5% and -12.4% respectively, in dollar terms). Moreover, its real estate market is experiencing problems that could affect its financial sector and household wealth if they spiral out of control. At present, there is a notable decline in housing investment, which is affecting investment as a whole and is deteriorating consumer confidence. This not only has direct effects on the Chinese economy, but also poses a risk for the entire global economy.

In September, oil prices continued to rise, with Brent crude averaging 94.8 $/barrel, 9.1% higher than in August and 25.6% higher than in June, in response to the supply restrictions implemented by OPEC+ countries. Saudi Arabia will continue with the voluntary cut of one million barrels per day until the end of 2023, while Russia will reduce its exports by 300,000 barrels per day until the end of December. These measures will come on top of the 3.6 million barrels per day previously agreed upon by OPEC+, collectively affecting almost 5 per cent of the global supply. However, in early October, price pressures eased as prospects of weaker global demand due to a worsening macroeconomic outlook continued. Also, the strength of the dollar, and the rise in interest rates, which makes stockpiling more expensive, led to a mild moderation in prices. However, the attacks in Israel have once again put pressure on crude oil prices, adding considerable uncertainty to their future evolution in the event of a possible escalation of the conflict.



Source: Prepared in-house based on data from the Ministry of Economic Affairs and Digital Transformation

The Spanish Economy

Available indicators point to a slight slowdown in Q3

The economic information for Q3 points to a slowdown in GDP, which could stand at a quarterly rate between 0.1% and 0.3% (0.5% in Q2), according to estimates by different national agencies as well as CEOE's own forecasts. This moderation can be explained by several factors, including the tightening of financial conditions and their impact on household and business incomes and expenses; the lower dynamism in job creation, although it continues to show notable resilience; inflation, which has interrupted its decelerating trend; the tightening of oil prices; and weaker exports, given the weaker situation of activity in Europe and the rest of the world.

All in all, CEOE anticipates GDP growth of 2.4% for 2023, while in 2024 this rate would be around 1.5%. The IMF forecasts are slightly more optimistic, with growth of 2.5% and 1.7% in 2023 and 2024, respectively. The Government has updated its forecasts in the Budgetary Plan, estimating 2.4% and 2% in both years.

This slower growth in activity will affect the job creation rate, which will return to lower levels, between 1% and 2% in 2023 and 2024, which could lead to positive, but very low, growth in productivity. The unemployment rate will continue its downward trend to be set around 12%.

Inflation will moderate throughout 2023, although in the last months of the year it will pick up to end at around 4.5%-5% in December. This time, the tension in the oil markets adds upside risk if the conflict between Israel and Hamas spreads over time or to other countries in the Middle East.

As for other macroeconomic variables, the positive note is the widening of the current account surplus until June compared to the first half of 2022, while the negative note is the increase in the accumulated public deficit until August, which breaks the budgetary adjustment trend seen since 2021, as explained in the Public Sector section of this report.

Demand and Activity

Services are also starting to show signs of slowing down

According to the latest revision of the Quarterly National Accounts published by the National Statistics Institute (INE) corresponding to Q2 2023, the Spanish economy would have registered a notable growth rate in the first half of 2023, 0.6% and 0.5% q-o-q for Q1 and Q2, respectively, one tenth higher than previously forecast for each. Growth in Q2 shows a better performance of both private and public consumption, but less buoyant investment and a significant contraction in exports. Moreover, the revision of the National Accounts series, which also improved the growth rates of the last few years, leads to an improvement in the growth outlook for the current year, even though activity is expected to slow down in Q3 and Q4.

This new estimate of growth for Q2, in addition to including all the short-term indicators covering the entire quarter, includes the results of the Non-Financial Accounts of the Institutional Sectors and the Balance of Payments. Within the information provided by the Non-Financial Accounts, it is worth highlighting the fact that the household saving rate remains at historical highs, only behind the figures reached in 2020 and 2021. It now accumulates three consecutive quarters above 10% and in Q2 it reached 11.7% of disposable income, once seasonal and calendar effects have been discounted.

Regarding the evolution during Q3, there was a deterioration in agents' expectations for households and for the different sectors (especially in the case of industry), in line with increased international and national uncertainty, the rise in oil prices (which is disrupting the slowdown in inflation), and the prospect of high interest rates for a longer period.

Thus, the consumer confidence and retail trade indicators, which had been improving during the first seven months of the year, have reversed this trend since August. This could be signalling a slowdown in private consumption in Q3. Along the same lines, the domestic sales of large companies already showed a decline in Q2 compared with Q1, which has worsened in July and August. Household consumption is expected to continue to decelerate in Q3 and Q4, due to the increase in precautionary savings and the loss of disposable income caused by continued high inflation.

With regard to industrial activity, a deterioration in confidence indicators and manufacturing PMIs had already been observed, and this has worsened in Q3. This weakened outlook is due to the slowdown at the international and domestic levels, which is reflected in a decline in new orders, together with a further increase in energy prices.

Indicators for the services sector continue to perform more favourably than in the industrial sector, although there are signs of a slowdown in both, the sector's confidence indicators and the PMIs, which have deteriorated in the last few months. Other indicators, such as the turnover indices, are also weakening, especially in trade, transport and the hotel and catering industry. In this regard, the inflow of international tourists continues to show a very positive evolution, although a certain loss of momentum is noticeable, given that 2019 visitor inflow figures had already been exceeded in July and they were slightly lower in August. Thus, according to the latest data available from the Statistics on Tourist Movements at Borders (Frontur), in August, the number of international tourists entering the country stood at just over 10.1 million, 0.4% lower than in the same month of 2019.

From the point of view of the foreign sector, the information available for July points to a decline in both exports and imports of goods, although more intense in the latter (-8.4%, compared with -5.0% for exports), thus continuing the contraction initiated in Q2. So far in 2023, the trade deficit has shown a notable containment of the non-energy and energy deficits, although in view of the recent rise in oil prices this trend could come to a halt. The trade balance recorded a deficit of €21.323 billion in the January-July period, compared with a deficit of €38.524 billion in the same period of 2022.

Similarly, according to the Balance of Payments data published by the Bank of Spain, the accumulated 12-month surplus up to July 2023 was 31.0 billion, compared with a surplus of 6.0 billion in the same period of 2022. This favourable development was mainly due to the reduction of the deficit in goods and non-tourism services (by 21.9 billion) and the widening of the tourism surplus (by 13.5 billion), which more than offset the fall in the balance of primary and secondary income (by 10.4 billion).

The Labour Market

Social Security registrations lose dynamism in Q3

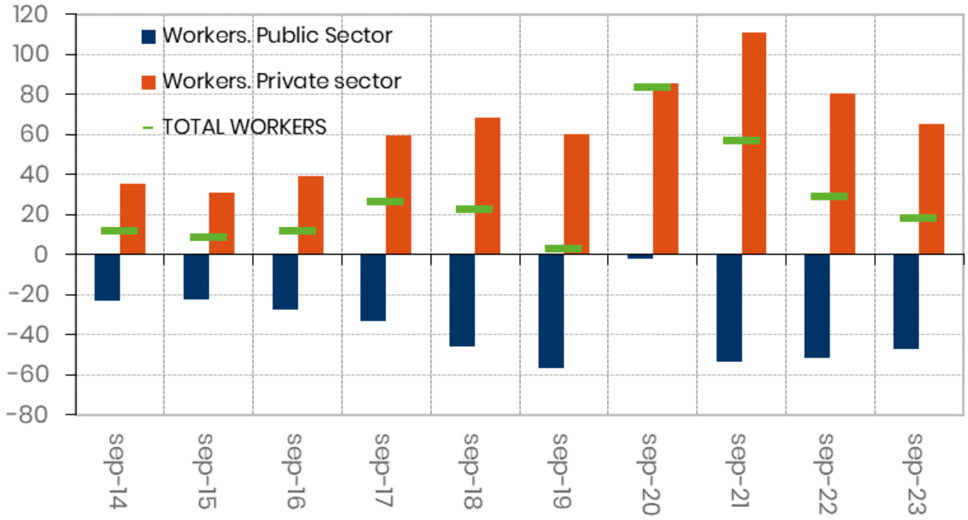
The first labour market indicators for Q3 point to a slowdown in job creation during this period. Seasonally adjusted registrations with the Social Security have shown more moderate monthly growth in recent months than in the first part of the year, while, in Q3, the quarter-on-quarter rate of growth has slowed notably. All this is in line with the loss of dynamism in activity and employment expected in the second half of the year. However, we should also highlight the resilience of the labour market, given the Spanish economy's capacity to continue generating jobs even in an environment of slower growth and greater uncertainty.

September saw an increase of 18,295 people registered with the Social Security, lower than the figure for this month in 2022, but higher than the average recorded in the 2014-2019 period (+14,260 people). In seasonally adjusted terms, there was an increase of 12,921 people, which is the least favourable figure so far this year, except for the decline recorded in June. This confirms the loss of momentum in job creation corrected for seasonal effects.

Going back to the gross data, it should be noted that the increase in September registrations came from the private sector, which generated 65,146 jobs. Meanwhile, the public sector lost 46,851 workers. By branch of activity, what stands out is, on the one hand, the increase in the number of Social Security registrations in Education, coinciding with the start of the school year, and in Administrative and support service activities. On the other hand, there were declines in Trade, the Public Administration and Hotels and Restaurants (although the fall in this sector was less than the typical for the month of September).

In year-on-year terms, the number of registrations slowed down slightly in September to 2.7%, lower than the peak of 3.0% reached in April. Likewise, the private sector also showed a slight slowdown, to 2.6%, while the public sector saw a rebound, by two tenths, to 3.0%. By economic sector, the trend was mixed. Industry and services maintained their growth rates stable, at 1.7% and 3.1%, respectively. In contrast, construction continued with the loss of momentum in job creation experienced since May, although it remains high, at 3.4% year-on-year. Lastly, agriculture continues to lose jobs and its rate of decline intensified to -2.4%.

Workers registered with the Social Security
(monthly change in thousands of people)



Source: Prepared-in-house based on data from the Ministry of Inclusión, Social Security and Migrations

The number of workers under furloughs (ERTE) increased slightly in September, to 11,511 on average for the month, suggesting that this number has stabilised at around 11,000/12,000 since last June. Meanwhile, registered unemployment rose in September for the second consecutive month, this time by 19,768 people, a figure somewhat higher than a year ago but somewhat lower than what is typical for this month (the average in 2014-2019 was an increase of 21,801 people). Thus, the total number of unemployed stands at 2,722,468 people, the lowest level in the historical series for this month since 2008.

The trend in Social Security registrations in Q3 points to a loss of dynamism in job creation during this period. This will have to be confirmed when other labour market statistics, such as the LFS, are published. Results of this survey will be released on October 26th. Thus, the number of people registered with the Social Security grew by 2.7% year-on-year in Q3, one tenth lower than in Q2. However, the slowdown is more noticeable in the seasonally adjusted data. According to the series published by the Ministry of Inclusion, Social Security and Migration, it is estimated that seasonally adjusted effective registrations (excluding furloughs) rose by 0.2% quarter-on-quarter in Q3, vs. 1.4% in Q2, amidst a context in which GDP growth is also expected to be lower this quarter than in the previous quarter.

Inflation

Inflation rises slightly in September due to the slower decline in energy products

In September, headline inflation rose by nine tenths to 3.5% and core inflation continued to decelerate, albeit much more gradually, and stood at 5.8%, 0.3 percentage points lower than in August.

Energy product prices continue to fall in year-on-year terms, although the decline is increasingly less pronounced as a result of the base effect and the recent upswing in oil and electricity prices. Industrial goods prices are showing more contained rates, as lower inflationary pressures are observed in international markets. However, in the case of services and food, there is greater resilience to the slowdown due to strong demand and cost pressures.

In comparison to Europe, the HICP in September reached 3.3%, while this rate stood at 4.3%, in the Monetary Union, bringing the negative differential down significantly to 1.0 p.p.

Within the core component, Services prices held their year-on-year rate at 4.5%; Industrial goods prices (excluding energy products) fell by seven tenths to 3.6%; and Processed food, beverages and tobacco prices decreased by one-tenth to 10.8%.

Non-processed food prices accelerated by three tenths to 8.8%. Many products with a significant weight in the household shopping basket still show double-digit price variations, such as pork, milk, and eggs.

Energy product prices slowed their rate of decline to -14.0% year-on-year, compared with -21.5% the previous month, as oil and electricity prices have rebounded in recent months.

Forecasts suggest that inflation could pick up at some point in the latter part of the year as a result of higher energy prices. The average inflation rate in 2023 is expected to be much lower than in 2022, below 4%.

The Public Sector

Contrary to the trend observed up to June, the State government deficit increased in July and August

In national accounting terms, the State government deficit accumulated up to August increased to -2.5% of GDP, compared with -1.9% of GDP in the same period of 2022. This result breaks the trend of budgetary adjustment that had been observed since the deficit highs of 2020 (-10.1% of GDP). This higher State deficit, which started in the month of July, is explained by the final settlements of the 2021 financing system for the Autonomous Communities and local corporations, which have posted a negative net result. The primary balance also worsens, reaching -1.2% of GDP, compared with -0.5% of GDP accumulated up to August 2022.

Another new development this month is the behaviour of resources, which fell by -2.4% in cumulative terms up to August. Within non-financial resources, taxes recorded growth of 1.6%, showing a clear slowdown compared with the first half of the year. Of note was the fall in VAT revenue (-1.8%) and personal income tax (-7.1%), while corporate income tax revenue increased by 11.8%. The new taxes introduced in 2023 raised €2.285 billion, of which €1.959 billion are of a temporary nature (energy tax, taxes on banks and taxes on large fortunes), while the remaining €326 million are of a permanent nature, as they come from the Special Tax on non-reusable plastic packaging.

Expenditure continued its upward trend, accumulating an increase of 3.6% up to August. The most dynamic items in quantitative terms are transfers between public administrations, which increased by 7.9%, mainly due to the resources provided to the Social Security System, the additional allocation of resources to offset the overall negative balance of the 2020 settlement and the increase in transfers to SEPES (State Public Land Entity). On the other hand, interest expenditure is contained to 1.6%. Among the expenditure items that fell, subsidies granted (-38.9%), miscellaneous current transfers, especially to the household sector (-30.1%), and gross fixed capital formation (-18.3%) stand out.

The budget projections included in the 2023-2024 Budgetary Plan include an inertial fiscal scenario given the situation of the caretaker Government. Despite the lower growth forecasts for 2024 (2%), the public deficit target of -3% of GDP and a closing forecast of -3.9% of GDP in 2023 are maintained. Government revenues will remain at around 42% of GDP, while expenses will be reduced to 45% of GDP next year. The public debt ratio will be 106.3% at the end of 2024, compared to 108.1% in 2023.

Business Activity

Companies are immersed in a context of slower economic growth and higher costs (mainly financial and labour costs). At the same time, **we are facing a scenario of growing uncertainty at national and international levels**, not just because of the ongoing war in Ukraine, but also because of the new threat posed by the war in the Middle East between Israel and Gaza, which could lead to higher oil prices and higher inflation for a longer period.

This is creating a **feeling of risk aversion** which may be reflected even more strongly in **investment.** Up to June, the latter had not exceeded pre-crisis levels in Spain, despite the boost from European funds. Meanwhile, turnover continues to fall, although a certain bottom appears to have been reached in the summer months, and business confidence continues to worsen.

Specifically, according to the National Statistics Institute (INE), **turnover in July** (in nominal terms) fell for the fourth consecutive month, down to -3.8% in year-on-year terms. A decline was observed in industry-related sectors and, to a greater extent, in energy, water and sanitation (-31.2% year-on-year). The non-financial market services sector is the only one to post positive rates, but trade also recorded a fall compared with July 2022 (-0.6%).

The indicator for **sales by large companies**, deflated and adjusted for seasonal and calendar variations, fell by 0.7% in August, the first negative year-on-year change since February 2021. According to the Tax Agency, daily sales data provided by the Immediate Supply of Information (SII) system pointed in the same direction and at a similar level. This decrease is explained by the slowdown in domestic sales growth, coupled with a further contraction in exports.

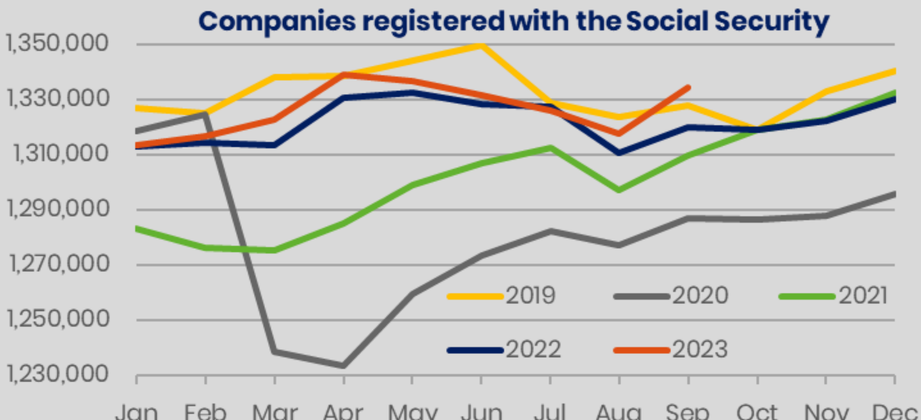
On the other hand, **financing conditions for companies continue to tighten**, both in terms of lending criteria and in the applicable terms, which, together with lower demand, are curbing new lending. The **interest rates applied to new credit transactions** for companies have continued to rise, especially for transactions between 250,000 and one million euros and with maturities of between 1 and 5 years, quoting levels close to 6.7% in August 2023, the latest available data.

The tightening of financial conditions is causing corporate debt to fall. According to the Bank of Spain, corporate debt fell by €24.3 billion in the accumulated four quarters up to Q2 2023, and stood at 66.6% of GDP, compared with 74.8% a year earlier. If we include inter-company debt, the ratio in June 2023 would be 85%, compared with 97.2% a year earlier.

In this scenario, **business confidence indicators** are beginning to show a generalised deterioration, although there are still discrepancies across sectors. Thus, although the **Economic Sentiment Indicator** published by the European Commission improved in July and August, it worsened in September, reaching a 9-month low. In addition to the worse outlook shown by the industrial confidence indicator, there has been a slight worsening of confidence in retail trade and the services sector, which until now had shown a very positive trend. The **composite PMI** has also been showing a clear slowdown since April and, in August, it even fell to contractionary levels, although in September it has once again reached the 50 level.

The Ministry of Economic Affairs and Digital Transformation, the Bank of Spain and the Tax Agency have published their second report on **business margins.** One of the conclusions is that the sales margin for the economy (excluding the energy sectors) was back to its pre-pandemic level in Q2 2023, although the performance remains mixed across sectors. The decline in input prices despite rising wages explains this recovery. It also suggests that, once we overcome the period of extraordinary volatility and after having reached their pre-pandemic level, margins should be expected to return to a more stable pattern of behaviour.

Regarding the evolution of the business fabric, in September, a traditionally favourable month for business creation, there has been an upturn in the number of **companies registered with the Social Security.** This has made it possible to recover the existing levels prior to the pandemic (6,103 more companies than in September 2019), a situation that has taken place with a significant delay compared to other variables, such as GDP, which completed its recovery at the end of 2022. However, this improvement in the business fabric is uneven, both by sectors and by size. In this sense, the smallest companies (between 1 and 2 workers) still remain below pre-crisis levels, while, by economic sectors, both agriculture and industry continue to have fewer companies than in 2019. Furthermore, given that, up to August, the evolution of the number of companies registered with the Social Security has been very discreet, it is advisable to take the September data with caution and wait for the coming months to find out more about how the trend of the business fabric evolves, especially in a scenario in which economic activity is slowing down and business costs are increasing.



Source: Prepared-in-house based on data from the MInistry of Labour and Social Economy

As mentioned in last month's report, the number of companies registered with the Social Security can be used as an indicator of the evolution of economic activity. The year-on-year change in the number of registered companies shows a very high positive correlation with GDP growth, specifically by a factor of 0.92. In this regard, it should be noted that, by company size, the highest correlation is obtained in the case of the smallest companies, specifically those with 1 to 2 workers, which account for more than half of the total number of registered companies.

Forecasts

Economic forecasts for Spain (last update: October 2023) Annual rates of change, unless otherwise indicated	2019	2020	2021	2022	2023	2024
GDP	2.0	-11.2	6.4	5.8	2.4	1.4
Private consumption expenditure	0.9	-12.4	7.2	4.8	1.8	1.6
Government consumption expenditure	1.9	3.6	3.4	-0.2	2.0	0.8
Gross fixed capital formation	4.5	-9.0	2.8	2.4	1.2	2.0
-Tangible fixed assets	5.3	-10.3	1.7	2.1	1.1	0.8
Construction	7.2	-9.2	0.4	2.6	3.0	0.6
Equipment and cultivated assets	2.4	-11.9	3.9	1.2	-2.2	1.1
-Intangible fixed assets	0.6	-2.7	7.7	3.8	1.5	7.7
Domestic demand (*)	1.6	-9.0	6.7	2.9	1.4	1.5
Exports	2.2	-20.1	13.5	15.2	1.3	2.4
Imports	1.3	-15.0	14.9	7.0	-1.4	2.6
External demand (*)	0.4	-2.2	-0.3	2.8	1.0	-0.2
GDP current prices	3.5	-10.2	9.2	10.2	7.9	5.4
GDP deflator	1.5	1.0	2.8	4.4	5.5	4.0
CPI (average annual rate)	0.7	-0.3	3.1	8.4	3.8	3.5
CPI (Dec/Dec)	0.8	-0.5	6.5	5.7	4.8	2.9
Core CPI (average annual rate)	0.9	0.7	0.8	5.2	6.2	3.7
Employment (Quarterly National Accounts)(**)	3.3	-6.5	7.1	3.7	2.0	1.0
Employment (LFS)	2.3	-2.9	3.0	3.1	2.3	1.2
Unemployment rate (LFS) (% active population)	14.1	15.5	14.8	12.9	12.2	12.0
Productivity	-1.3	-5.0	-0.6	2.0	0.5	0.4
Compensation per employee	2.5	2.8	0.3	2.9	4.6	2.9
Unit labour cost (ULC)	3.8	8.3	1.0	0.9	4.1	2.4
Current Account Balance (% of GDP)	2.1	0.6	0.9	0.6	2.2	0.8
General government net lending (+) / net borrowing (–) (% of GDP)	-3.1	-10.1	-6.9	-4.8	-4.2	-3.8
Interest rates USA (Dec)	1.75	0.25	0.25	4.50	5.50	4.50
Interest rates Eurozone (Dec)	0.00	0.00	0.00	2.50	4.50	4.00
Brent Oil ($)	64.8	41.5	71.1	103.7	85.6	86.2

Source: CEOE, INE (National Statistics Institute), Banco de España, Eurostat

(*) Contribution to GDP growth

(**) Full-time equivalent jobs