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Economic and Business Outlook

January 2024

Overview

The world economy

- **Signs of moderate improvement in activity, albeit with notable differences across regions.**
- **The upturn in inflation and the strength of labour markets may delay interest rate cuts by the main central banks in the West.**
- **Oil prices continue to show a downward trend due to the weakness of the global economy and despite tensions in the Middle East.**

The Spanish economy

- **The end of 2023 is expected to be modest in terms of growth, job creation and inflation, but better than what had been anticipated at the end of the summer.**
- **In Q4, quarterly GDP growth could be similar to or somewhat lower than in Q3, supported by the good performance of private consumption.**
- **In Q4, Social Security registrations grew at a similar rate to Q3, although still a big contrast with the notable job creation recorded in the first part of 2023.**
- **Inflation closes 2023 on a clearly decelerating trend that will continue into 2024.**
- **The State government budget implementation up to November suggests that no fiscal consolidation effort has taken place in 2023.**
- **Business activity in 2023 has been marked by uncertainty, which has dampened economic sentiment indicators and business dynamism. In addition, companies have faced a drop in sales as well as higher labour and financial costs.**

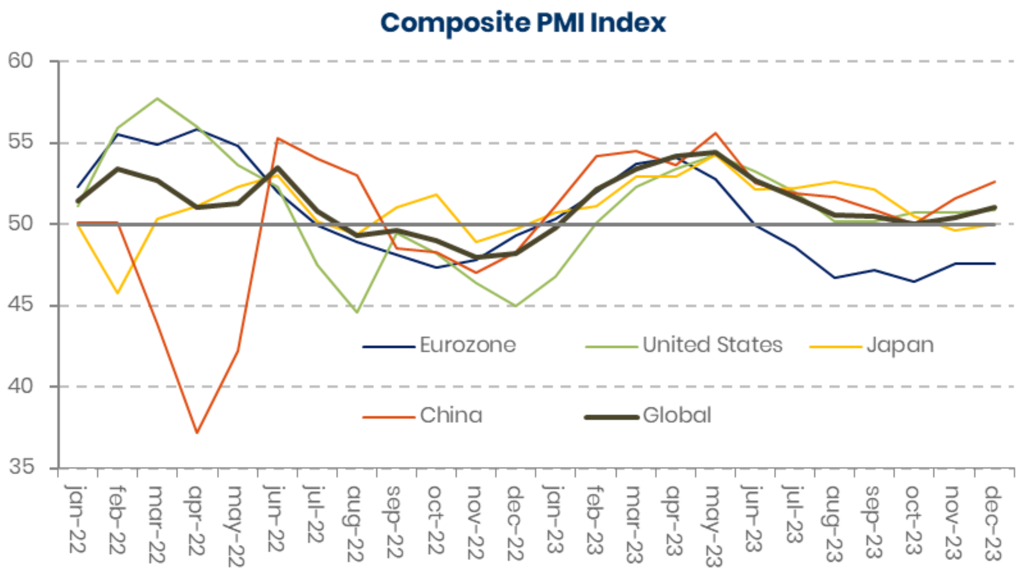
Note: This report includes a section analysing the current state of business activity based on several existing indicators.

The International Scenario

PMIs show some improvement in global activity, albeit with considerable heterogeneity across regions

Global activity strengthened slightly in December, with a mild rebound in business confidence. The global composite PMI index for the last month of the year continued the improvement already seen in November and came in at 51, the best reading since July. The services sectors, in general, grew slightly faster, while the manufacturing sectors continue to face a more fragile situation. The greatest difficulties are concentrated in the production of intermediate goods, which continues to contract, in contrast to the production of consumer and investment goods, where there is a modest improvement.

There is also a notable disparity across regions. Among the major economies, the Eurozone remains in contractionary territory, as do Australia and Canada. Japan moved out of negative territory, regaining 50 points, while the indices point to a slight acceleration in the United States, and somewhat stronger growth in China and the United Kingdom.



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

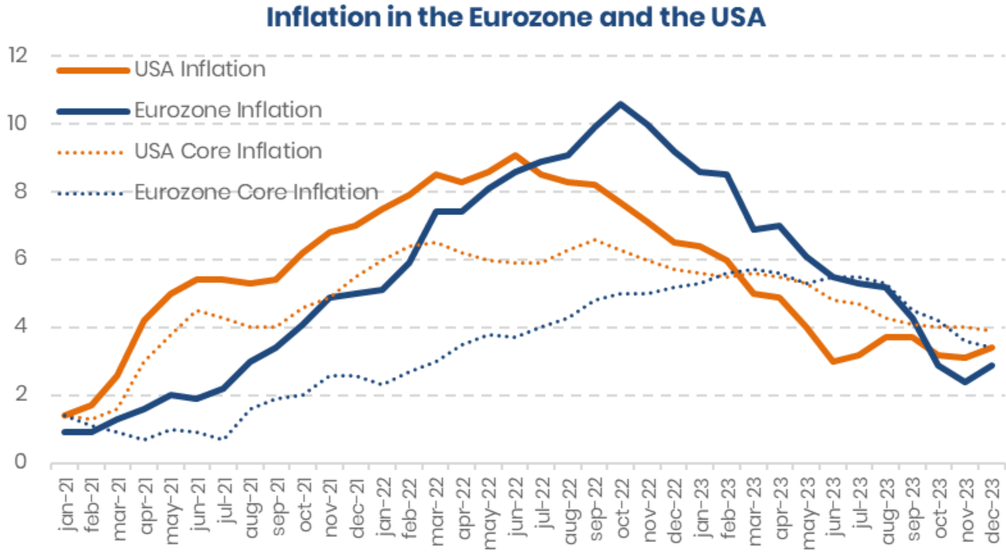
In the United States, the economy continues to exhibit strong signs of resilience. In December, non-farm payrolls rose by 216,000, somewhat better than in November and October, although below the monthly average for the first half of 2023. The good performance of the labour market, which has seen 36 consecutive months of job creation, is also reflected in the unemployment rate, which remained at a historically low level of 3.7%. Strong employment and fiscal stimuli, with the fiscal deficit rising from -5.4% of GDP in 2022 to -6.3% of GDP in 2023, continue to support consumption. Proof of this is the acceleration in retail sales in November to 4.1% year-on-year. As for inflation in December, it rebounded by three tenths to 3.4%, while core inflation, excluding energy and food, fell by one tenth to 3.9%, still high and far from the Federal Reserve's targets.

In the Eurozone, the situation is different. The economy's performance in Q3 was negative (-0.1%) and the PMI indices suggest that the region could enter into a technical recession in Q4. The latest data show this loss of dynamism in activity, with negative year-on-year rates in several indicators, a -6.6% drop in industrial production and a -0.7% fall in construction output, both figures for the month of October. In addition, there was a -1.1% decline in retail sales in November. In contrast, the trade balance up to October has improved, due to a greater decline in imports than in exports.

Meanwhile, the labour market continues to show resilience to the slowdown in activity, with the unemployment rate falling by one tenth in November to 6.4%, marking a new record low. However, there are also some signs of adjustment, such as the slight declines in both the number of hours worked and the job vacancy rate in Q3.

As for inflation, it rebounded by half a point to 2.9% in December, while core inflation, excluding energy and food, continued declining to stand at 3.4%, the lowest since March 2022. Among the elements exerting pressure on prices, the rise in labour costs in Q3, up 5.3% year-on-year, contrasted with the decline in industrial prices in November, -8.1% year-on-year, and the fall in house prices, which dropped by -2.1% in Q3 compared with the same period in 2022.

This upturn in inflation, in the United States as well as in the Eurozone, together with the resilience of the labour markets in the main advanced economies, reduces the chances of central banks starting their interest rate cuts in the first part of the year. In this regard, both the Federal Reserve and the European Central Bank have indicated that it would be appropriate to maintain a restrictive monetary policy until inflation is clearly on a sustainable downward path.



Source: Prepared-in house based on data from Eurostat and Bureau of Labor Statistics

On the other hand, inflation in China remained negative (-0.3%) in December for the third consecutive month. These results contrast with signs of greater dynamism in activity, with retail sales accelerating in November to 10.1% year-on-year, the highest since May. Industrial production is also increasing, having grown by 6.6% in November, which is the best rate since February 2022. These improvements are reflected in December's PMI indices, which rose for the second consecutive month, indicating stronger growth, at least in the short term.

Commodity prices are on a downward trend. This is mainly due to energy components, which are trading at somewhat lower levels, in aggregate, than at the beginning of the war in Ukraine. The price of TTF gas has hovered around 32 euros per megawatt/hour in recent weeks, almost half of what it was a year ago. Meanwhile, the price of Brent crude oil has also continued to fall in December to a monthly average of 77.6 $/barrel. The downward trend is being sustained in the first days of January, despite the ongoing tensions in the Middle East.

The forecast for 2024 is that oil prices, on average for the year, will be somewhat lower than in 2023. On the one hand, there is doubt that OPEC+ will fully implement the voluntary cuts agreed last November. Thus, if they don't, tensions on the supply side will not increase. At the same time, the weakness of the world economy, as well as higher crude oil production in countries outside the OPEC cartel, will keep prices contained.

The Spanish Economy

The end of 2023 is anticipated to be modest in terms of growth, job creation and inflation, but better than expected

According to the information available for Q4, the performance of the Spanish economy was characterised by a certain stability in the rate of growth of activity as a whole, although with considerable differences across sectors (with greater strength in services than in industry and construction), and also among the demand components, where the fall in imports and exports contrasts with a more resilient evolution of consumption and investment. Thus, we expect a slight quarterly GDP growth rate of around 0.2%. For the whole of 2023, we forecast growth of 2.4%, in line with leading agencies and institutions.

At the same time, the labour market remains remarkably resilient, with year-on-year growth in Social Security registrations of 2.6% in Q4 (2.7% in the previous quarter), albeit with greater dynamism in the public sector than in the private sector. In seasonally and furlough-adjusted terms, quarter-on-quarter growth was 0.2%, the same as in the previous quarter.

Inflation posted a positive surprise in December, with the headline figure falling by one tenth to 3.1%, and core inflation by seven tenths to below 4% and far from the highs reached in Q1 2023 (7.6% on average). Thus, the average rate in 2023 is 3.5%, compared with 8.4% in 2022.

Despite weak exports, imports are falling more sharply, leading to an improvement in the trade balance. The lower trade deficit, together with the higher surplus of services, both tourism and non-tourism, is going to cause an increase in the financing capacity of the Spanish economy in 2023, which could reach 3% of GDP.

The outlook for 2024 points to moderate growth, around 1.5%, but with a trend that could become more dynamic as inflation allows for changes in the tight monetary policy stance, the global environment starts to improve, and the labour market remains relatively solid. Even so, risks remain latent, especially on the external side. The main one is geopolitical, which could lead to increases in commodity prices and some turmoil in the financial markets. On the domestic front, the main negative impact may come from an economic policy that introduces greater uncertainty and generates higher costs and, consequently, paralyses the consumption and investment decisions of economic agents.

Demand and Activity

The economy remains dynamic in Q4 thanks to the resilience of private consumption

Pending the publication at the end of this month of the preliminary Quarterly National Accounts data for Q4 2023, with the information currently available, we can conclude that the Spanish economy will show a performance similar to that recorded in Q3 or just slightly lower. Thus, despite the deterioration in the international context, the real economy indicators still show some resistance to the downturn. Nonetheless, this year the economy will grow by around 2.4%, significantly lower than the 5.8% recorded in 2022, but better than initially expected.

The confidence indicators published by the European Commission, corresponding to Q4, show expectations that are quite similar to those recorded in Q3. In general, a slight deterioration is observed in the consumer, retail trade and services confidence indicators, together with an improvement in confidence in the construction sector and a stabilisation in the industrial sector.

Private consumption continues to be the driving force behind the economy in Q4, helped by the good performance of the labour market, the increase in disposable income, the moderation in inflation and expectations that there will be no additional interest rate hikes. The indicators available for this period (large companies' sales, retail trade index, indicators based on credit card information, among others) show a similar momentum to the one posted in Q3.

The sluggish international economic environment, especially for our main trading partners, continues to affect industrial activity. As a result, the sector has been suffering a contraction in the last few quarters, which will continue into Q4. However, indicators are starting to stabilise to some extent. Thus, although the manufacturing PMIs have accumulated nine months of contraction and are still below the 50 level, the companies surveyed say that both production and orders have slowed their rate of decline and that expectations for the next twelve months are improving. Within the manufacturing sector, consumer goods are performing more positively. This segment continues to show progress in terms of production, employment, and new orders, compared with the deterioration in intermediate goods and capital goods.

The services sector continues to show a more positive trend than the industrial sector, and according to available indicators it might even have accelerated in the last part of the year. The services PMI rebounded in Q4 compared with Q3 (when it showed a deterioration that even took it to recessionary levels in August), with

December posting its best performance of the last five months. The improvement in activity and orders in the sector has come mainly from domestic demand and has been accompanied by an increase in hiring and wage costs.

The latest available data for the tourism sector show that international tourist arrivals continued to recover over the past year. In November, visitor inflows totalled just over 5.1 million tourists, 10.5% more than in the same month of 2019. Moreover, as average spending has been increasing, total tourist expenditure in November was almost 31.4% higher than that recorded in the same month of 2019. For the first eleven months of 2023, tourist inflows have increased by 0.8% and tourist expenditure by 16.9% compared to the same period in 2019, before the pandemic broke.

With regard to the external sector, the customs information available for the first ten months of the year reflects a clear deterioration in external flows, which recorded notable cuts from Q2 onwards that continued until October, the latest available data. Imports have fallen more sharply than exports in both nominal and real terms, which has led to a significant reduction in the trade deficit. Specifically, the trade deficit fell to 34.7 billion euros in the first ten months, compared with 60.3 billion in the same period of 2022.

In the same line, according to the Balance of Payments data published by the Bank of Spain, the current account surplus reached 32.7 billion in the January-October 2023 period, compared with a surplus of 3.2 billion in the same period of the previous year. This good performance was due to the significant improvement in the balance of goods and non-tourist services, in addition to the increase in the surplus in the balance of tourist services, which corresponds to the favourable evolution of visitor arrivals this year and the increase in tourist spending. Thus, the current account balance for 2023 could be around 2.5% of GDP, compared to 0.6% in 2022.

The Labour Market

Moderate, albeit stabilised, growth in Social Security registrations in the final stretch of 2023

The resilience of the labour market has been one of the highlights of 2023. The Spanish economy continues to create jobs amidst a scenario of slowing economic growth and with higher labour and financial costs for companies. However, it should be noted that job creation has gone through two stages over the past year. Looking at the evolution of the number of workers registered with the Social Security, a figure that is already known for the whole year, in the first half, employment was notably buoyant, driven by the recovery in tourism and the strength of construction. However, in the second half, employment grew more moderately, although the results for Q4 point to a stabilisation in employment growth compared with Q3.

December, which is usually favourable for the labour market due to the activity linked to the Christmas season, recorded an increase of 29,937 people registered with the Social Security, a better figure than the weak one posted for the same month in 2022, but still less than half of the average for this month during the 2014-2019 period (this average is set at 64,327 people). On the other hand, in seasonally adjusted terms (according to the Ministry of Inclusion, Social Security and Migration), there was an increase of 23,287 people, which is the highest figure for the second half of the year, although it is modest in comparison with the results obtained during the first half.

Turning to the gross data, the increase in Social Security registrations in December was largely due to the public sector, which generated 27,253 jobs, slightly more than is typical for this month. In contrast, the private sector added 2,684 new workers, well below the remarkable growth that used to occur in this month in the pre-pandemic years. In fact, this is the third worst December in the historical series (since 2013), only behind 2020 and 2022.

In year-on-year terms, the number of workers registered with the Social Security grew by one tenth to 2.7%, although it was still below the peak of 3.0% reached in April. The annual rate picked up slightly in both the private and public sectors, to 2.5% and 3.5% respectively.

By economic sector, the number of Social Security contributors in the industrial sector increased moderately in 2023, slightly below 2%, posting 1.8% in December. In contrast, in services there was high growth throughout the year, reaching 3.1% in December. Meanwhile, construction, after being very dynamic in the first half of the year, slowed down in the second half, although it picked up slightly in December, to stand at 2.8%. Finally, agriculture continues to lose employment, although its rate of decline eased in November and December, to -1.7% in the latter month.

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

On average in 2023, Social Security registrations grew by 2.7% (534,930 people), which implies a slowdown in comparison to the 3.9% recorded in 2022. However, this slowdown is less intense than the decrease in GDP growth, which is expected to fall from 5.8% in 2022 to around 2.4% in 2023, according to CEOE forecasts.

Registered unemployment fell in December by 27,375 people, which is lower than the drops recorded in the same month in 2021 and 2022. In fact, this is the least favourable figure for a month of December since 2011, apart from 2020. In any event, the total number of unemployed stands at 2,707,456, the lowest level in the historical series for the month of December since 2007.

The evolution of Social Security registrations points to a stabilisation of the pace of employment growth in the final stretch of 2023. Thus, the number of people registered with the Social Security grew by 2.6% year-on-year in Q4, one tenth lower than in Q3. Moreover, seasonally adjusted actual registrations (discounting furloughed workers and according to the series published by the Ministry of Inclusion, Social Security and Migration) are estimated to have increased by 0.2% quarter-on-quarter in Q4, the same rate as in the previous quarter, although much lower than the 1.4% recorded in Q2. This result would be in line with forecasts that point to Q4 GDP growth similar to that recorded in Q3.

Inflation

Inflation ends 2023 on a clearly decelerating trend that will continue into 2024

In December 2023, headline inflation fell by one tenth to 3.1%, while core inflation continued its downward and stood at 3.8%, seven tenths lower than in November. With this figure, the annual average headline CPI is set at 3.5% and core CPI at 6.0%.

In the closing months of 2023, there was a general slowdown in the price increase of the groups that make up the CPI basket, especially with regard to the components of the core CPI. Specifically, the contribution of core price increases to headline inflation declined from around 6.0 percentage points at the beginning of the year to just 3.0 percentage points in December, mainly as a result of the slowdown in the prices of non-energy industrial goods and processed foods. In the case of energy products, their negative contribution to headline inflation has been moderating in the final stretch of the year, going from subtracting close to -3.0 percentage points in the central months to barely -0.8 percentage points in December.

In December, Services prices fell by one tenth to 3.9% year-on-year; Industrial Goods prices, excluding energy products, declined by five tenths to 1.7%; and Processed foods, Beverages and Tobacco prices decelerated by 2.5 percentage points to 6.1% year-on-year.

Energy product prices also contributed to the moderation in inflation, as they continued to register year-on-year falls, albeit less intense due to the base effect, of -6.1% compared with -10.0% in the previous month, combined with the slight deceleration in the prices of Unprocessed Foods.

Forecasts suggest that inflation will continue to ease during 2024, helped by a smaller increase in core inflation, although there may be an occasional rebound. In any case, these developments will be conditioned by how quickly anti-inflationary measures are reversed and by commodity prices on international markets.

The Public Sector

The State's lack of effort in fiscal consolidation in 2023 is noticeable

The information provided by the IGAE on the State's National Accounts up to the end of November points to a deficit equivalent to -2.2% of GDP, the same figure as in the same period of 2022. This result is due to a lower dynamism of resources, which only increased by 1.2% up to November, while uses grew at a rate of 1.7%.

The government's forecast for the central government deficit in 2023 stands at -3.1% of GDP, a ratio that seems feasible to achieve, but which, in turn, indicates that no fiscal consolidation effort has been made in 2023, considering that the budget imbalance is the same as in 2022.

On the resources side, it should be noted that tax revenues (accounting for 83% of total revenues) have performed modestly in comparison with previous years, having grown by 3.7%, i.e., 7.183 billion more. Of this amount, 55% comes from the new taxes on the energy and banking sectors and the tax on large fortunes. On the other hand, there are higher revenues from interest, dividends received and investment aid. However, VAT revenue decreased (-0.5%) and there was a notable moderation in personal income tax revenue (1.8%), in contrast to corporate income tax, which increased by 8.8%.

In terms of uses, the most notable increases in spending from a quantitative point of view were recorded in interest (4.4%); social benefits (12.4%), due to the increase in allocations for passive class pensions and family deductions; and transfers between Public Administrations (5.7%), among which those to the SEPES for the Housing Plan and to the Social Security to finance the Minimum Vital Income, Dependency, and minimum complements should be highlighted.

Among the expenditure items with decreasing allocations, the most notable are subsidies (-43.1%, due to the withdrawal of transport subsidies), gross fixed capital formation (-7.3%) and EU own resources based on VAT and GNI (-12.9%).

Business Activity

In terms of business activity, 2023 has been marked by the uncertainty caused by the domestic political situation, the ongoing war in Ukraine, and the new front introduced by the war in the Middle East. This has been reflected in the slowdown in economic sentiment and business dynamism indicators. The constraints caused by financing conditions have had a strong impact on new credit operations, with very modest, and sometimes even negative, results. In addition to falling sales, companies have also faced rising labour costs. On the other hand, the increase in the minimum wage for 2024 adds further pressure on the costs of companies, in a context where forecasts point to a clear slowdown in activity.

According to the National Statistics Institute (INE), **turnover** (in nominal terms) in October continues its year-on-year rate of decline, accumulating seven months of negative rates. Specifically, the annual rate adjusted for seasonal and calendar effects stood at -4.8%. Although this rate is still negative, it shows an improvement compared with September, when it fell by -6.2%. On the other hand, the decline continues in the branches linked to industry and, to a greater extent, in energy, water and sanitation, with a sharp fall of -37.2% year-on-year. Nonetheless, this represents some improvement, as the fall in September had been -49.7% year-on-year. The non-financial market services sector is the only one to record positive rates, with an increase of 6.3%, compared to 3.5% in the previous month. Trade continues to register negative rates (-2.2% in October), accumulating seven months of consecutive falls.

The Tax Agency's indicator for **sales in large companies**, deflated and adjusted for seasonal and calendar variations, fell by -0.7% year-on-year in Q4, compared with 1% in the previous quarter. This loss of momentum can be explained by the fall in exports (-5.7%), while domestic sales increased slightly (0.7%). By sector, the biggest falls were recorded in some branches of industry, most notably in the extractive industry (-14.7%) and in coking and oil refining (-16.7%).

According to the Bank of Spain's Survey of Business Activity (EBAE) for Q4 2023, firms perceive that their turnover has remained unchanged for this quarter, following the decline in the previous quarter, and report a decline in employment. Inflationary pressures on both production costs and selling prices are easing slightly, but expectations point to a slight pick-up next year. Business activity has been affected by economic policy uncertainty, difficulties in finding staff and problems to access financing.

The results of the **Bank Lending Survey** published by the Bank of Spain, reveal that, in Q3 2023, both the criteria for granting loans and the general conditions applied to new loans to companies have continued to tighten with a similar intensity to that of the previous quarter, bringing the total number of consecutive quarters of restrictive behaviour to six.

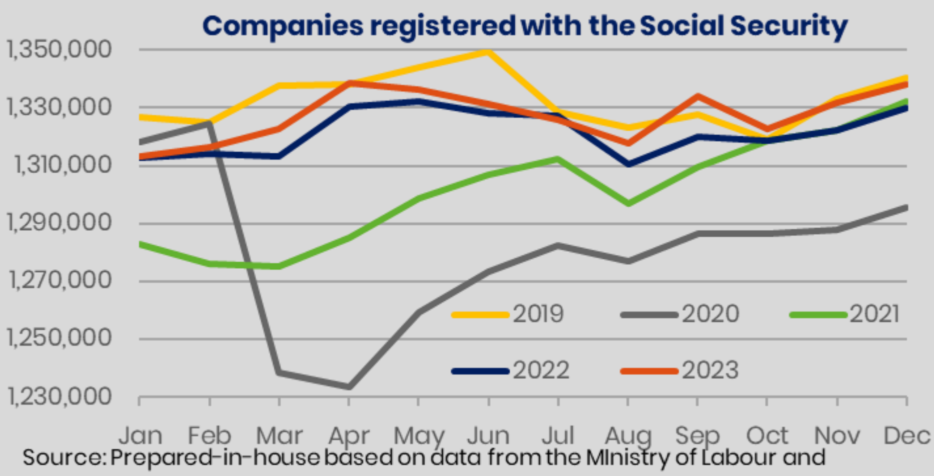
Corporate financing conditions remain at high levels with respect to 2022. In November, average interest rates for new business were slightly above 5%, up slightly from October. The highest interest rates were applied to transactions up to € 250,000.

In November, on a year-on-year basis, **new business loans** up to €250,000 and loans between €250,000 and €1 million rebounded some 4.2% and 7.3%, respectively. Loans of more than one million euros are the only ones to show negative rates, with a fall of -20.8%, intensifying their trend compared with October (-18.5%).

The **business confidence indicator** published by the National Statistics Institute (INE) deteriorated in Q4 with respect to Q3, with only 19.2% of companies believing that their business will do better, compared with 22% in the previous quarter. Confidence dropped compared with the previous quarter in all five sectors analysed. Transport and accommodation and food service activities and Industry recorded the largest declines, with -4.4% and -3.2% respectively. The **Economic Sentiment Indicator** of the European Commission improved with respect to the previous month (101.4 in December vs. 99 in November). Industry remains in contractionary territory, which is counterbalanced by the good performance of construction and services. Retail trade, in turn, declined moderately.

The composite PMI for December came in at 50.4, 6 tenths of a point higher than in November (49.8). However, the services sector is slightly lower than in the previous month and manufacturing is slightly worse than in November and has now been below 50 for nine months.

In 2023, the **number of companies registered with the Social Security** has grown very moderately compared to 2022, at an average annual rate of 0.4%, compared to 1.6% in 2022. In September and October, this number recovered pre-pandemic levels but, in November and December, it fell back below the 2019 levels (in December there were 2,224 fewer companies than four years ago). By size, the number of small firms with 1-5 employees is still below 2019 levels. By economic sector, the number of firms registered with Social Security in December is only higher than pre-crisis levels the construction sector.



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

As we mentioned in previous reports, 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.

Main Business Indicators
(last update: January 2024)

Indicator	2021	2022	2023	Penultimate data	Last data	Last given period	Data
1. Business turnover index corrected for seasonal and calendar effects	19.7	18.9	-4.8	-6.2	-4.8	oct-23	Annual variation rates
2. Interest rates applied to new credit transactions up to 250 thousand Euros	1.9	2.3	4.7	5.1	5.3	nov-23	Annual averages except penultimate and last
3. Interest rates applied to new credit transactions from 250 thousand to 1 million Euros	1.5	2.0	4.5	4.9	5.1	nov-23	Annual averages except penultimate and last
4. Interest rates applied to new credit transactions over 1 million Euros	1.3	1.7	4.4	5.1	5.0	nov-23	Annual averages except penultimate and last
5. New corporate loans up to 250 thousand Euros	15.9	14.6	4.2	2.8	4.2	nov-23	Annual variation rates
6. New corporate loans from 250 thousand to 1 million Euros	21.9	7.0	7.3	5.2	7.3	nov-23	Annual variation rates
7. New corporate loans over 1 million Euros	1.9	20.5	-20.8	-18.5	-20.8	nov-23	Annual variation rates
8. Economic sentiment indicator	105.1	101.3	100.7	99.0	101.4	dec-23	Annual averages except penultimate and last
9. Business confidence indicator	120.8	126.8	132.7	135.9	133.2	IV T 23	Annual averages except penultimate and last
10. Business confidence indicator Industry	118.6	118.4	123.3	126.5	122.5	IV T 23	Annual averages except penultimate and last
11. Business confidence indicator Construction	135.4	138.2	145.2	148.9	145.4	IV T 23	Annual averages except penultimate and last
12. Business confidence indicator Trade	125.3	128.4	136.8	139.9	138.4	IV T 23	Annual averages except penultimate and last
13. Business confidence indicator Transport and Hosterly	112.1	129.6	138.4	145.4	139.0	IV T 23	Annual averages except penultimate and last
14. Companies registered with the Social Security	1,301,461	1,321,657	1,327,404	1,331,640	1,338,191	dec-23	Annual averages except penultimate and last
15. Labour cost per worker	4.9	4.0	5.0	5.8	5.0	III T 23	Annual variation rates
16. Sales indicator for large companies	4.2	3.4	-0.7	1.0	-0.7	IV T 23	Annual variation rates
17. Composite PMI Index	55.3	51.8	52.5	49.8	50.4	dec-23	Annual averages except penultimate and last
18. Manufacturing PMI Index	57.0	51.0	48.0	46.3	46.2	dec-23	Annual averages except penultimate and last
19. Services PMI Index	55.0	52.5	53.5	51.0	50.0	dec-23	Annual averages except penultimate and last
20. IBEX 35 Index	8,713.8	8,229.1	10,102.1	10,058.2	10,102.1	dec-23	End of period data

Source: INE, Bank of Spain, Eurostat, Ministry of Labour and Social Economy, Tax Agency, Ministry of Economy, Trade and Business, Madrid Stock Market.

Forecasts

Economic forecasts for Spain (last update: January 2024)						
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	2.0	1.7
Government consumption expenditure	1.9	3.6	3.4	-0.2	2.5	1.1
Gross fixed capital formation	4.5	-9.0	2.8	2.4	1.0	2.1
-Tangible fixed assets	5.3	-10.3	1.7	2.1	1.0	0.9
Construction	7.2	-9.2	0.4	2.6	2.6	0.7
Equipment and cultivated assets	2.4	-11.9	3.9	1.2	-1.9	1.2
-Intangible fixed assets	0.6	-2.7	7.7	3.8	1.3	7.8
Domestic demand (*)	1.6	-9.0	6.7	2.9	1.6	1.6
Exports	2.2	-20.1	13.5	15.2	0.8	2.2
Imports	1.3	-15.0	14.9	7.0	-1.3	2.6
External demand (*)	0.4	-2.2	-0.3	2.8	0.8	-0.2
GDP current prices	3.5	-10.2	9.2	10.2	8.5	5.4
GDP deflator	1.5	1.0	2.8	4.4	6.1	4.0
CPI (average annual rate)	0.7	-0.3	3.1	8.4	3.5	3.0
CPI (Dec/Dec)	0.8	-0.5	6.5	5.7	3.1	2.8
Core CPI (average annual rate)	0.9	0.7	0.8	5.2	6.0	2.9
Employment (Quarterly National Accounts)(**)	3.3	-6.5	7.1	3.7	2.7	1.3
Employment (LFS)	2.3	-2.9	3.0	3.1	2.9	1.8
Unemployment rate (LFS) (% active population)	14.1	15.5	14.8	12.9	12.1	11.7
Productivity	-1.3	-5.0	-0.6	2.0	-0.3	0.0
Compensation per employee	2.5	2.8	0.3	2.9	4.9	3.6
Unit labour cost (ULC)	3.8	8.3	1.0	0.9	5.2	3.5
Current Account Balance (% of GDP)	2.1	0.6	0.9	0.6	2.5	1.5
General government net lending (+) / net borrowing (–) (% of GDP)	-2.9	-11.0	-6.9	-4.8	-4.2	-3.7
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	3.75
Brent Oil ($)	64.8	41.5	71.1	103.7	83.7	78.0

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

(*) Contribution to GDP growth

(**) Full-time equivalent jobs