





### Signs of slowdown set in for the Spanish economy

### • GDP

In Q2 2018, the Spanish economy expanded by 0.6% quarter-on-quarter, one-tenth less than in Q1, and 2.7% year-on-year, after narrowly exceeding 3% in the last three years. This evolution is explained by the deceleration in private consumption (+0.2% vs 0.6% average in 2017) and by the drop in exports (-1%), a factor that subtracts two-tenths of a percentage point from growth.

# • Consumer packaged goods (CPG) and retail trade

In the first semester of 2018, the CPG sector shrunk for the first time since 2014 (-0.9% vs +1.8% in the same period of 2017). Nonetheless, turnover increased by 3%, owing to the rise in prices (+3.9% vs 1.2% in the first half of 2017). In addition, retail trade at constant prices in July fell by 0.4% year-on-year (-0.1% in June), mainly due to the loss of purchasing power caused by the surge in inflation.

### • Cooling labour market

In August, primarily due to the end of the summer season, Social Security lost 202,996 affiliates compared with July (-1.07%), reaching 18,839,814 affiliates. It is the worst data recorded for August since 2008, although in year-on-year terms the upward trend over the last four years continues to push through with an increase of 2.9%.

Whereas, registered unemployment also recorded the highest increase for August since 2011, increasing by 47,047 people to 3,182,068 (5.92% less in year-on-year terms).

## CPI flash estimate (INE)

In August, the year-on-year variation of the CPI remained at 2.2%, predominantly due to soaring electricity prices.

For the fourth consecutive month, the Harmonized Index of Consumer Prices (HICP) exceeds the euro area average (2%), proving detrimental to the competitiveness of the Spanish economy.

#### Evolution of GDP, Q2 2018



Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018 Source: Círculo de Empresarios based on INE, 2018

### General Index of Retail Trade at constant prices

July, % year-on-year change



Jan-18 Feb-18 Mar-18 Apr-18 May-18 Jun-18 Jul-18 Source: Círculo de Empresarios based on INE, 2018

#### • Tourism

In July, 9.98 million international visitors arrived in Spain, 4.9% fewer visitors year-on-year, representing the biggest drop since April 2010. This figure is mainly explained by:

- The peak geopolitical instability in Turkey, Tunisia and Egypt.
- The first signs of a slowdown in the main tourist sending economies such as the United Kingdom, France and Germany.
- Good weather conditions in Northern Europe.

## **Evolution of Harmonized Index of Consumer Prices** % year-on-year change



Source: Círculo de Empresarios based on INE, 2018

## Euro area unemployment

### (Eurostat)

In July, the euro area unemployment rate remained at 8.2% of the active population, 0.9 pp lower in year-on-year terms, reaching its lowest level since November 2008.

Greece and Spain continue to register very high unemployment rates, while in Germany and the Netherlands they remain below 4%.

### **Emerging market currencies**

The macroeconomic imbalances of Argentina and Turkey (high levels of debt and inflation) have been accentuated by the depreciation of their currencies since the beginning of the year by 51.1% and 43.1%, respectively.

In Argentina, financial instability has forced its central bank to hike interest rates to 60%. Moreover, Mauricio Macri has announced a path of fiscal consolidation aimed at achieving budget balance in 2019 and a surplus of 1% in 2020.

Among the measures of this plan are:

- A reduction in public investment (0.7 points of GDP)
- Abolition of subsidies (0.5 points)
- A cut in salaries and public operating expenditure (0.2 points)
- Imposition of tariffs on export sectors that reaped the most benefit of the depreciation of the peso, as is the case with processed food.

## **Economy South Africa**

In Q2, South Africa's economic growth fell by 0.7%, accumulating two quarters of contraction. For the first time since 2009, the second largest economy in the African continent enters a recession<sup>1</sup>, which has accentuated the loss of value of the rand, with an accumulated depreciation of over 19.8% against the dollar so far this year.

 $^{1}\,\mathrm{A}$  recession is technically said to occur when real GDP has declined for over two consecutive quarters

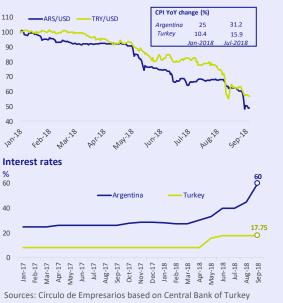
## Unemployment in the main euro area economies, July 2018 % active population



Source: Círculo de Empresarios based on Eurostat, 2018

In Turkey, the strong depreciation of the lira has accelerated, well above expected, the growth of core inflation standing at 17.2% year-on-year in August (15.1% in July) which is more than double the upper limit of the target band defined by its central bank (3-7%).

## Evolution of emerging market exchange rates 100 = January 1st, 2018



(TCMB), Central Bank of Argentina and INDEC, 2018

### **Evolution of GDP**

% quarter-on-quarter change



Source: Círculo de Empresarios based on Statistics South Africa, 2018

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