

## Labour market Spain

In March, the registered unemployment in the Social Security fell by 4.89% year-on-year to amount to 3,255,084 unemployed, while the number of affiliates increased by 2.93% to a total of 19,043,079.

### Unemployment and affiliation to the Social Security

YoY change (%)

	Unemployment		Affiliation to the Social Security	
	Mar-18	Mar-19	Mar-18	Mar-19
<b>Total</b>	-6.04	-4.89	3.31	2.9
<b>Agriculture</b>	-6.41	-8	-1.1	1.8
<b>Industry</b>	-9.49	-7.5	3.2	1.6
<b>Construction</b>	-14.32	-14.8	6.2	7.4
<b>Services</b>	-4.5	-3.1	3.5	2.8

Source: *Círculo de Empresarios* based on Ministry of Labour, Migration and Social Security, 2019

## Tourism sector Spain

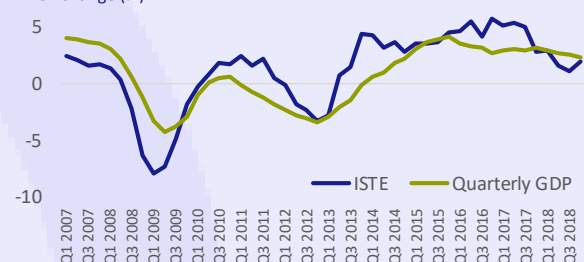
In 2018, the Synthetic Indicator of Tourism GDP in Spain (ISTE) reported an annual increase of 1.9%, which is 0.7pp below the increase in GDP (2.6%) and exhibits a change in trend after five years of above-average growth relative to the whole economy.

This evolution is mainly explained by fewer foreign tourist arrivals in Spain, with the average increase dipping down to 2.3% year-on-year in 2018 compared with 8.7% in 2017 (82.8 million tourists). In the same vein, the

average spending per tourist increased by 2.2% year-on-year, but it is still 1.2pp lower than in 2017.

### Tourism sector evolution, Spain

YoY change (%)



\* Indicator of national and international tourist activity in Spain

Source: *Círculo de Empresarios* based on INE and Exceltur, 2019

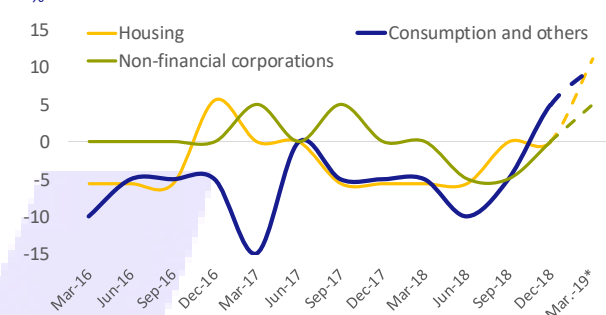
## Credit crunch

In Spain, due to the moderation of economic growth, the increase in default, and the negative impact of low interest rates on bank operating margins has led to the tightening of the eligibility criteria to grant loans as of Q3 2018, especially those related to consumption and acquisition of housing.

\* (Entities tightening criteria considerably × 1) + (entities tightening criteria to some extent × 0.5) – (entities relaxing criteria to some extent × 0.5) – (entities relaxing criteria considerably × 1)

### Tightening of the eligibility criteria to grant loans

%



Source: *Círculo de Empresarios* based on Bank of Spain (Survey of Bank Loans), 2019

## Glass ceiling in Spain

In 2018, the number of women in management positions in Spain soared by a record-high of 45.8% per year, representing 35.9% of the total, with the largest increase in the small business segment (82% of the total of 43,700 new management positions). Despite this positive development, it is observed that:

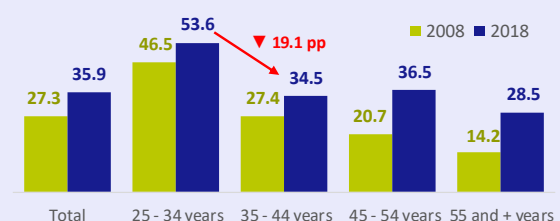
- In medium and large sized companies, only 25% of management positions are held by women.

<sup>1</sup>The average age at which Spanish women have their first child is around 31 years old (33.8 in the case of women with higher education), and 30% have it when they are 35 years old.

- The lack of balance and maternity<sup>1</sup> significantly reduce the participation of women in management positions to 34.5% for ages 35-44 which is 19.1pp lower than those aged 25-34 (53.9%).

### Number of women in management positions in Spain

% of total management positions



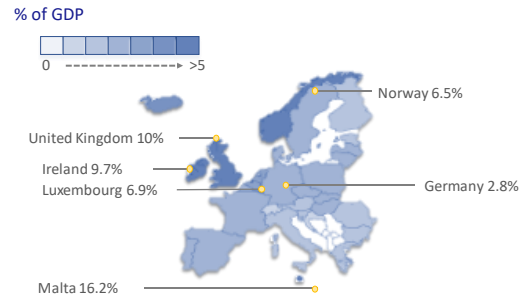
Source: *Círculo de Empresarios* based on INE, 2019

## Trade uncertainty

In January, world trade fell by 1.8%\*, a record low since 2009, mainly due to the uncertainty generated by the trade war between the US and China, and the absence of a final withdrawal agreement for UK's departure from the EU.

A total of 0.9% of world GDP is exposed to the trade risk of Brexit, while in the Eurozone this figure rises to 2.7% of its GDP.

### Share of GDP exposed to the trade risk of Brexit, Europe

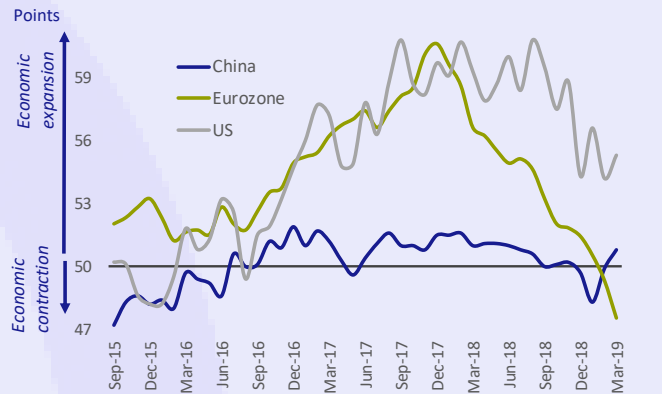


\*Calculated by comparing the moving average (3 months) to the previous quarter  
Source: *Círculo de Empresarios* based on Bloomberg and WTO, 2019

## Eurozone Manufacturing PMI

In March, the Eurozone Manufacturing PMI continued in the contraction zone\* (47.5 points), its lowest level since 2013. The deterioration in the expectations of industrial production is mainly explained by the economic slowdown in the Eurozone and the uncertainty about the future evolution of the US trade policy towards Europe, especially in the automotive sector. In the Eurozone, the Manufacturing PMI remains in decline and contracted in France (49.7 points), Italy (47.4) and Germany (44.1). An evolution that contrasts that of China and the US, where they were in an expansive zone (50.8 and 55.3, respectively).

### Manufacturing PMI



Greece	Ireland	Netherlands	Spain	Austria	France	Eurozone	Italy	Germany
54.7	53.9	52.5	50.9	50	49.7	47.5	47.4	44.1
max 12 months	min 2 months	min 33 months	max 2 months	min 48 months	min 3 months	min 69 months	min 70 months	min 80 months

\*A reading below 50 represents a contraction of the manufacturing sector compared to the previous month

Source: *Círculo de Empresarios* based on IHS Markit and ISM, 2019

## US recession risk

In the US at the end of March, for the first time since 2007, the yield on the 3-month treasury bill exceeded that of the 10-year treasury bond, mainly due to the waning expectations of the economic agents and the gradual tightening of the monetary conditions of the Fed in 2018. As such, it increases the probability that the US economy will enter a recession after 2020. Even empirical evidence shows that within 8 to 24 months of the yield curve<sup>1</sup> inversion, an economic recession occurs.

In turn, the Fed has revised down its growth prospects to 2.1% per year in 2019 (0.2pp lower than the previous forecast) and has announced that it will maintain interest rates in the range of 2.25%–2.5% in 2019. This scenario limits the room for US monetary policy manoeuvre since its real

interest rate<sup>2</sup> currently stands at around 0.3% compared with the 2.1% at the end of 2007.

### Yield spread between 3-month and 10-year treasury bonds



<sup>1</sup> Yield spread between 3-month and 10-year treasury bonds

<sup>2</sup> Real interest rate = official interest rate - core inflation

Source: *Círculo de Empresarios* based on Fed and Thomson Reuters, 2019

'Business at a glance', a publication of the *Círculo de Empresarios* produced by its Department of the Economy, contains information and opinion from reliable sources. However, the *Círculo de Empresarios* does not guarantee its accuracy and does not take responsibility for any errors or omissions. This document is merely informative. As a result, the *Círculo de Empresarios* is not responsible for any uses that may be made of the publication. The opinions and estimates of the Department can be modified without prior warning.