

Spanish growth, not just strong and impressive

Consumer spending supports the Spanish recovery which appears to be on a sustainable footing



0.9%

Spanish GDP Growth

Second quarter, Q-on-Q

Second quarter GDP growth has been confirmed at 0.9% QoQ, with the details showing the increasing contribution of private consumption to the recovery. Job creation continues to be very strong, notably in the construction sector. Private consumption increased by 0.7% QoQ, better than the growth observed in 1Q but still in line with the average observed since the start of 2015. Looking at investments, it is logical to see quarterly growth decelerating somewhat to 0.8% after the very strong result in the first quarter. Net exports increased marginally because exports are growing (+0.7% QoQ) and imports decreased marginally (-0.2%).

Domestic demand remains the engine of the Spanish locomotive and in particular, private demand

continues to be sustained by strong job figures. In 2Q, total employment increased 2.8% on a yearly basis, from 2.5% in 1Q and 2.7% in 4Q last year. This represents an increase of 480-thousand jobs (full-time equivalent) in one year. In particular, the construction sector is booming with a yearly growth of its employment of 5.1%, vs 1.6% in 2Q last year. The unemployment rate is expected to decrease quickly in the coming quarters.

All in all, Spanish growth is not only strong and impressive, but it also seems to be on a more sustainable footing than it was before the housing crisis. The combination of strong domestic demand and a positive contribution of external demand should lead GDP growth to top 3% for a third consecutive year. To repeat this result in 2018, several political issues will need to be resolved, notably in Catalonia.