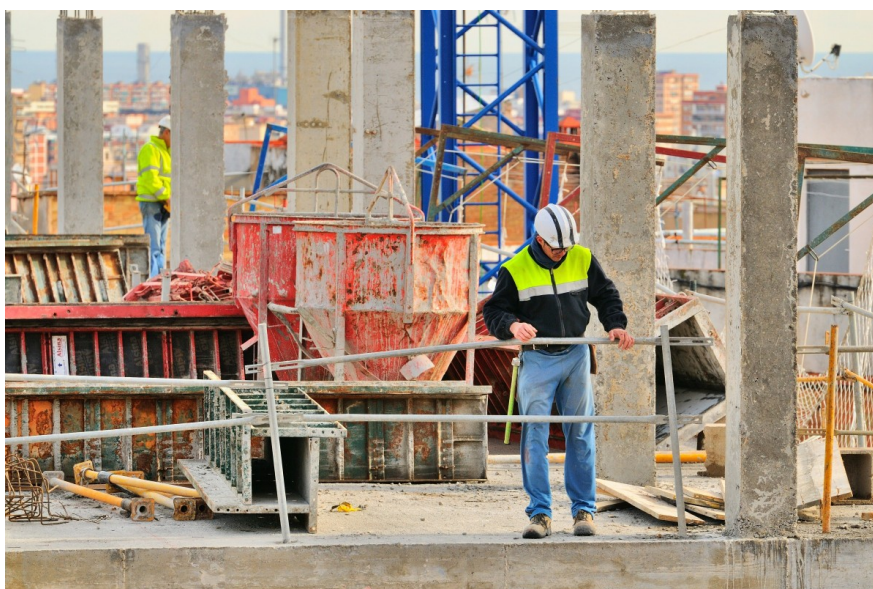


Spanish unemployment rate grows

Spain's unemployment rate increased slightly to 12.87% in the fourth quarter of 2022, from 12.67% three months earlier. Although we should not expect a major reversal, the labour market will weaken further this year



Spain's labour market is holding up well

Spain's unemployment rate was 12.87% in the fourth quarter of 2022, still well below the long-term average. Despite the small increase, it is still a remarkably strong figure at a time when we are facing an energy crisis and record-high inflation, which are creating business uncertainty. The strong numbers are largely due to a strong first half of the year. In early 2022, Covid-19 restrictions were lifted, causing economic growth to pick up very strongly. Despite the outbreak of war in Ukraine, the economy continued to do very well until the summer because we were still in the middle of that recovery. Many additional jobs were then created, especially in the service sector.

There are also several structural factors that increase the demand for labour. The most important of course is the ageing population, which makes the labour market structurally tighter. A growing weight of the more labour-intensive service sector in the economy also structurally increases the demand for labour. Consequently, previous economic models, such as Okun's law which provides an empirical link between a country's economic growth and the unemployment rate, are no longer

sufficient to understand labour market dynamics.

Labour market will further weaken this year

The war in Ukraine, the energy crisis, and sharp price increases have had a major impact on Spanish companies. However, we should not forget that the labour market always reacts to economic cycles with some delay. Therefore, we will not see the effect of the energy crisis on unemployment figures until this year. On the other hand, a major turnaround seems unlikely in the short term. Given the difficult economic conditions, hiring dynamics and company vacancies are still decent. We will need to see a further weakening of companies' hiring intentions before unemployment begins to rise. Several structural factors will continue to ensure that labour demand remains high in the coming years. We expect unemployment to start rising again during 2023 and reach 13.1% by the end of 2023.

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