MONTHLY REPORT AND SUMMARY OF ECONOMIC INDICATORS

September 2020

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MONTHLY REPORT AND SUMMARY OF ECONOMIC INDICATORS[1]

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[1] Prepared with information published up to 2 pm on 6 October 2020.

1. Executive Summary

Following the sharp fall in GDP in the second quarter (-17.8%), the information available on the third quarter shows a gradual recovery in economic activity.

In September, employment continued to regain the ground lost during the halt in activity in the economy. Firstly, Social Security affiliations recorded the largest increase in a month of September and, secondly, a further 83,529 workers under job-retention schemes (ERTEs) in September, with the number 78% down on the highs of April.

The improvement in employment over recent months is reflected in the evolution of consumption data, such as retail sales, which continue to moderate the y-o-y fall, with three Regions recording y-o-y growth in August.

Also in that month, tourism softened its fall, mainly as a result of domestic demand, although it is still far from the situation before the outbreak of the virus.

However, the most recent survey indicators, particularly the services PMI, suggest a slowdown in the rate of recovery in September.

As regards foreign trade in goods, exports continue to develop favourably, with a noteworthy dynamic performance of the vehicle manufacturing sector, in line with the improved figures recorded in other statistics, such as the industrial production index and the industrial turnover index.

In the area of credit, the system of public guarantees continued to support the availability of liquidity in the Spanish economy, although the lending granted to non-financial sectors slowed down. Also noteworthy is the relative stability of the non-performing loans ratio.

Inflation, for its part, remained negative, hampered by falling energy prices, compounded in recent months by the slowdown in services prices, particularly those relating to tourism and hospitality.

With regard to the public accounts, the latest budget figures suggest that the deficit has stabilised to a certain degree. The Bank of Spain has also published public debt figures in terms of GDP, which in the second quarter amounted to 110.1%, the highest figure in the series.

In the Eurozone, the most recent indicators offer mixed signals, with the OECD’s composite leading indicator and the economic sentiment indicator improving, while the PMI worsens. By country, Germany's figures remain robust, while France shows positive consumer and business confidence data, while its PMI enters contraction territory. For its part, the US continues to record strong PMI and confidence figures.

2. Spanish economy

Upward revision of GDP in the second quarter

The fall in GDP in the second quarter has been revised by the INE, which has moderated the drop by 0.7 percentage points to -17.8 q-o-q (-18.5% according to the initial flash estimate), estimating a lower negative contribution to growth both in domestic demand (mainly due to the more moderate fall in private consumption) and in external demand (particularly as a result of a larger fall in the import of goods – Table 1).

Table 1. ***Revision of the QNA, second quarter of 2020***
(% q-o-q change and revisions in pp between brackets)

GDP	-17.8%	(+0.7 pp)
Dom. demand (contrib.)	-18.8 pp	(+0.4 pp)
Ext. demand (contrib.)	-2.7 pp	(+0.2 pp)
GDP deflator	1.0 %	(-0.3 pp)

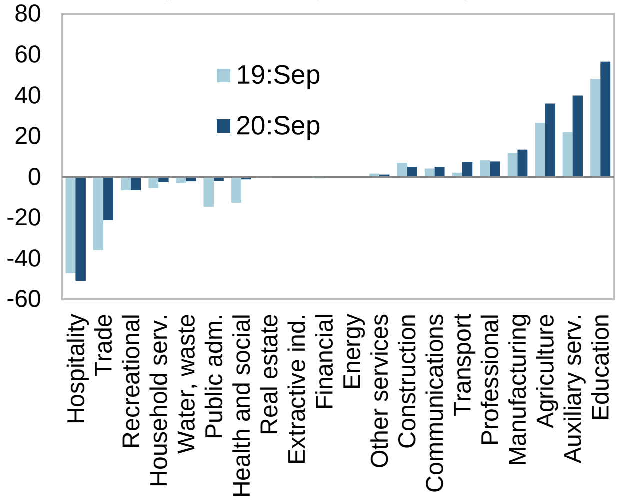
Source: QNA (INE)

The job recovery continues

Social Security affiliations in September, a period with unfavourable seasonality[2], recorded the largest growth of the series for a month of September, rising by 0.45% m-o-m (0.1% on average in 2015-2019).

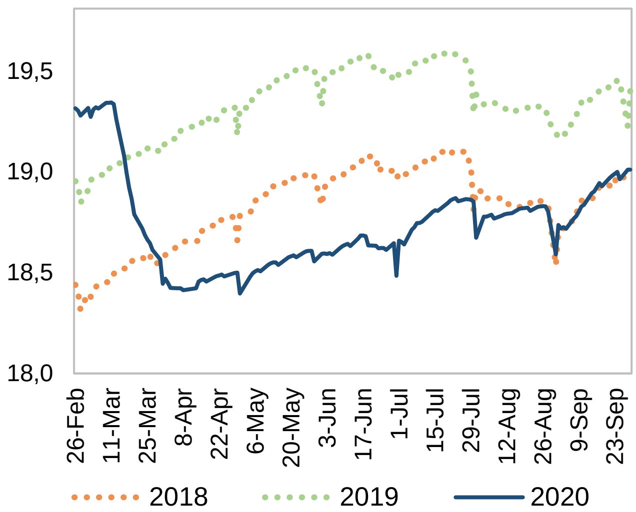
As usual, the largest loss in affiliations (Graph 1) in September 2020 was recorded in *hospitality* (-50,901 compared with August, -46,275 on average in the last five years) and *retail* (-21,208, compared with an average of -32,601 in 2015-2019).

Graph 1. ***Social Security Affiliations***
(m-o-m change, thousand)



Source: TGSS.

Graph 2. ***Social Security Affiliations***
(million)



Source: TGSS.

The largest increases were recorded in *education* (+56,476, similar to the average of previous years), *ancillary services*, which performed very favourably (+39,942, compared with the average

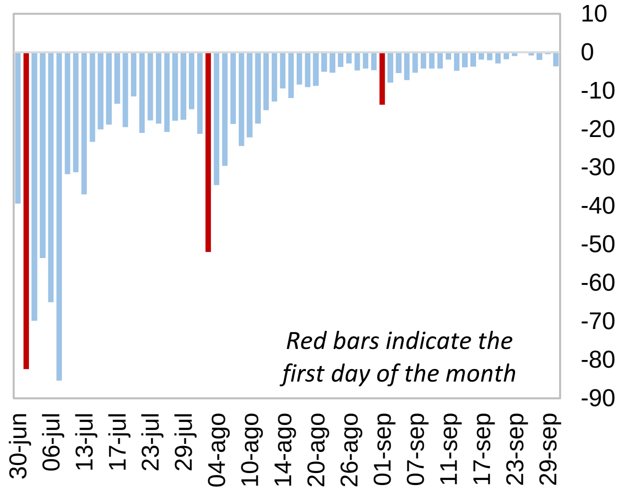
[2] With seasonally adjusted series, affiliation grew by 0.6% m-o-m, 0.7 percentage points less than the previous month (1.3%).

of the previous five years of +20,277) and *agriculture* (+35,999 compared with +27,183).

The gap generated by the outbreak of the pandemic therefore continues to close (Graph 2), with Social Security affiliation at levels 2.3% lower than those of a year ago (half of the y-o-y fall recorded in May and June). About 420,000 Social Security affiliations have therefore been recovered since then.

With regard to workers under job-retention schemes (**ERTE**s), despite the slowdown in the rate of workers leaving the schemes in September, 83,529 workers left between 31 August and 30 September (Graph 3).

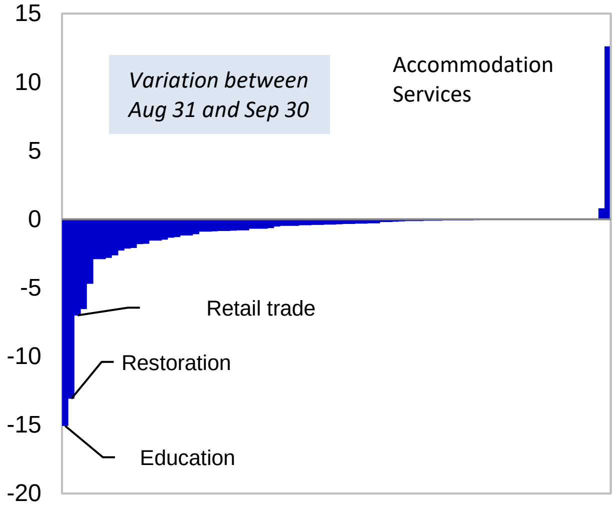
Graph 3. ***Workers under job-retention schemes***
(m-o-m change, thousand)



Source: TGSS.

Almost all of the economy's sectoral divisions contributed to this reduction, although there was a noteworthy increase in workers under job-retention schemes in the accommodation services sector in September (Graph 4).

Graph 4. ***Workers under job-retention schemes, by NACE (European Classification by Activities two-digit divisions***
(thousand)



Source: TGSS.

Consequently, the number of workers under job-retention schemes at the end of September stood at 728,909, a reduction of over 2.65 million compared with the peak at the end of April, -78%[3].

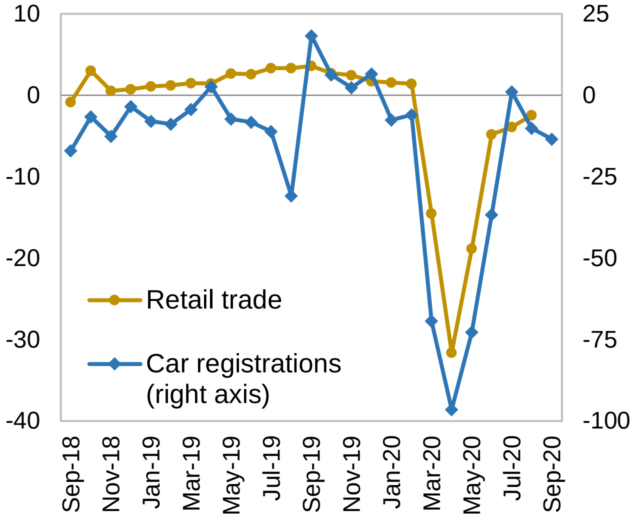
Consumption continues to recover, in a context of caution

The improvement in employment continued to be passed on to consumption, with the **retail trade index**[4] moderating its y-o-y fall in August by 1.5 points, to -2.4%, with y-o-y rises recorded in three regions: Region of Madrid (2.6%), Basque Country (1.9%) and La Rioja (1.7%), while the Balearic Islands and the Canary Islands continue recording the largest falls (-15.3% and -14.2%, respectively).

[3] -80% among *force majeure* job-retention schemes and -81% among full suspension job-retention schemes.

[4] Excluding the sale of vehicles

Graph 5. ***Consumption indicators***
(% y-o-y change)



Source: INE and ANFAC.

For their part, **car registrations** stabilised in July (+1.1% y-o-y) and then once again recorded negative figures similar to those prior to the outbreak of the pandemic (-13.5% y-o-y in September – Graph 5), ending the third quarter with a 6.3% y-o-y fall, after the -67.7% of the previous quarter.

This recovery in consumption is taking place against a backdrop of caution among consumers, whose confidence according to the index carried out by the CIS remains at levels of around 50[5] (levels of 2008 and 2012), much lower than those recorded prior to the start of the pandemic (85.7 in February). This figure was mainly hampered by the assessment of the current situation (29.2 in September, compared with 75.9 in February), while the expectations component (69.7) is less distant from the levels of February (95.4).

Industry continues moderating its y-o-y fall, with the figures for vehicle manufacturing being particularly noteworthy.

The **industrial turnover index** continued to moderate its y-o-y fall in July (-11.1%, following -16.3% in June). All components contributed to this moderation, especially capital goods and particularly, vehicle manufacturing, the individual sector that has contributed most to the moderation of the fall in this group, although it still fell by -3.2% y-o-y.

Along the same lines, the **industrial production index** continued to soften its y-o-y decline in August, albeit at a significantly slower rate than in previous months, by half a point, to -5.7%. Industrial production of consumer durables showed the first increase so far this year, up 4.4%. By industry, there were noteworthy increases in the manufacture of other non-metallic mineral products (up 9.5%) and the textile industry (up 24.4%).

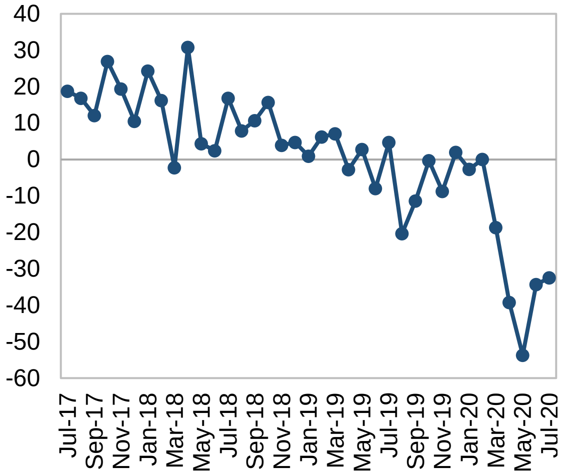
The weakness of the housing market remains

House sales slightly moderated their y-o-y fall in July, by 1.9 percentage points, to 32.4%.

[5] 100 = neutral perception of economic activity (values above indicate favourable perception; below, unfavourable).

Graph 6. ***House sales***

(% y-o-y change)



Source: INE.

In contrast, home **mortgages** practically doubled their y-o-y rate of contraction in July, by 10.3 points, to -23%. However, this performance is largely the result of the sharp m-o-m growth in July of last year, which drives the y-o-y rate of change of July this year down (base effect).

The **apparent consumption of cement** intensified its y-o-y fall in August by 1.7 points, to -5.1%.

With regard to prices, the **house price index** in the second quarter of 2020 continued the slowdown that began in the second quarter of last year, growing by 2.1% y-o-y, 1.1 points lower than in the previous period and the lowest rate since the first quarter of 2015 (4.2% for new houses and 1.8% for existing houses).

By regions, it is worth noting the ongoing moderation of price rises in the Region of Madrid and Catalonia, where they went from rates of over 10% at the end of 2017 to 1.7% and 2.3% in the second quarter of 2020, respectively (2.5% and 3.2% in the previous quarter).

Tourism relies on the domestic segment

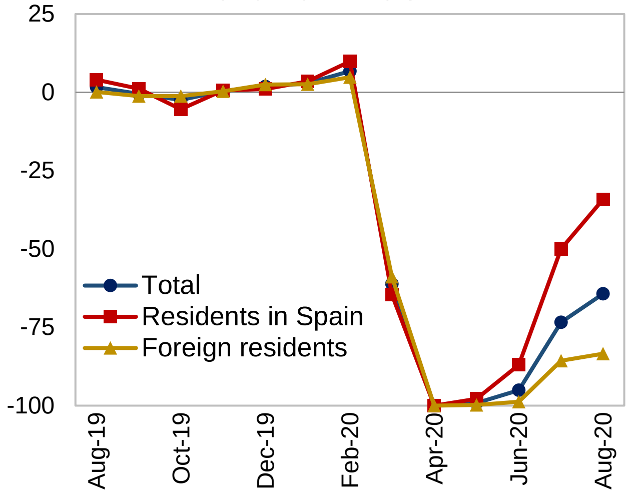
Tourism eased its fall, although it was highly concentrated in domestic tourism and is still well below last year's summer season.

In this regard, the fall in the number of **travellers** staying in hotels moderated its y-on-y rate in August by almost ten points, to -54.8%, mainly as a result of residents in Spain, who recorded a fall of 27.9% (-43.2% in July), compared with foreigners, whose rate of decline remained practically unchanged at rates of over 80% (-81%, after -82.8% the previous month).

The evolution was similar with regard to **overnight stays** in hotels, although their recovery is more moderate, with a y-o-y fall of 64.3%, to a total of 16.8 million. The fall for residents stood at 34.1%, while for foreigners it stood at 83.4%, accounting for four fifths of the year-on-year drop in total overnight stays.

Graph 7. ***Overnight stays by country of residence of the traveller***

(% y-o-y change)



Source: INE.

By region, the falls in the Balearic Islands (-80.2%) and Madrid (-78.9%) were particularly noteworthy, followed by the Canary Islands (-71.1%) and Catalonia (-68.9%), while the smallest falls were recorded in Cantabria (-16.1%) and Asturias (-17%).

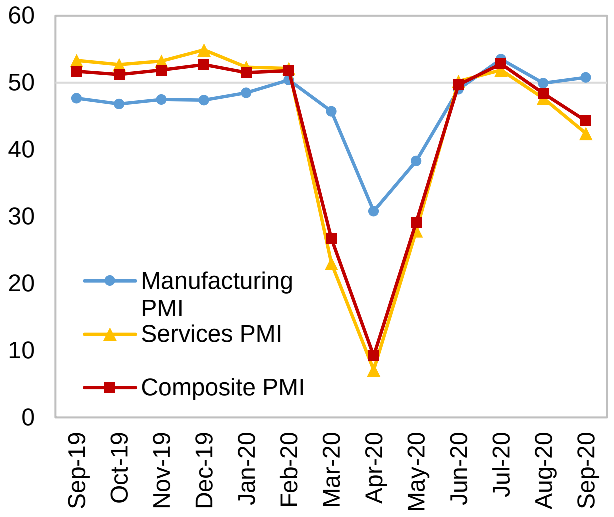
These differences between regions are mainly the result of the different levels of appeal to resident tourists, while the range of falls in overnight stays of foreign tourists was relatively narrow. Specifically, residents' overnight stays in Cantabria and Asturias recorded falls of 5.5% and 8.6%, respectively, in contrast to the 66.8% drop in Madrid.

By country of origin, the most striking fall was recorded in overnight stays of travellers residing in the United Kingdom, -94.5%, who went from being our main customer in August 2019 with 25% of the total to 8% in the same period of 2020. This development took place in a context marked by the quarantine that the British government imposed on travellers from Spain at the end of July. The country with the least significant fall out of the main sources of outbound tourism is France (-67%).

According to the statistics on tourist movements at borders (Frontur), by access route, the largest fall was recorded in arrivals by port (-97% y-o-y) and the smallest, by road (-53.4%), while international tourist arrivals by airport fell by 81.5%.

Overnight stays fell more moderately among **non-hotel** accommodations, by -41.8% y-o-y (-49.9% in July). The lowest rates of decline are those of rural tourism accommodation (-13.1%) and campsites (-33.9%), while the main type of non-hotel tourist accommodation - apartments - fell by -54.2%.

Graph 8. ***Spain PMI***
(level > 50 indicates expansion)



Source: IHS Markit.

The services PMI suggests a relapse in the momentum of activity in the third quarter

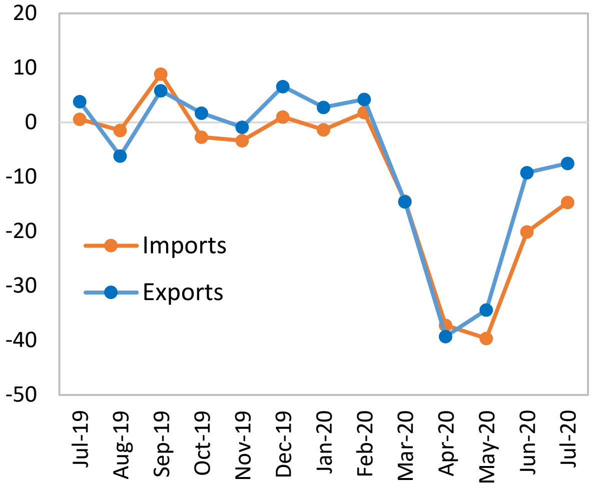
The composite PMI of the Spanish economy continues along the path that began in August, when it entered into contraction territory, falling in September by 4.1 points to 44.3. This change was due to the services component (-5.3 pp, to 42.4). The manufacturing PMI, however, has returned to expansion (+0.9 pp, to 50.8).

The export of goods continues to lead the recovery in foreign trade

The recovery in the foreign trade of goods was maintained in July, led by exports, whose y-o-y fall (-7.5% y-o-y, after -9.2% in June) was practically half that of imports. However, imports moderated their fall most in July, by more than 4 pp (-14.7%, compared with -20.1% in the previous month).

Among exports, fuel exports account for the bulk of the y-o-y fall in total exports, while the moderation in the fall is mainly based on car exports, which have already recovered levels similar to those prior to the crisis and grew at a rate of 11.3% y-o-y, with particular growth in those exported to the French market (41%), followed by meat exports, mainly to China.

Graph 9. ***Foreign trade in goods***
(% y-o-y change, nominal)



Source: AEAT.

There was a generalised fall in exports across sectors, with noteworthy falls in crude oil and cars, and more moderate falls in medicines and pharmaceuticals and vehicle parts and components.

As a result, the goods trade balance returned to a deficit in July, although it is the smallest deficit in a month of July in the historic series. It therefore maintains the trend of increasing the trade balance that began at the end of 2019 and has intensified over recent months, from both the energy and the non-energy components.

The evolution of credit is moderating...

The fall in **new loans and credit to households and non-financial corporations** intensified by almost 9 percentage points in August to -25.8% y-o-y. This fall is mainly due to the sharp drop in loans granted to non-financial corporations (-31.8%, after -21.3% in the previous month), although loans granted to households also fell, albeit more moderately (-3.2%, compared with the 1.3% increase recorded in the previous month).

Lending to non-financial sectors decelerated by 0.1 points in August, to 2% y-o-y, as a result of both the moderation of the y-o-y rate of change in lending to companies (to 4.2%) and the y-o-y fall in lending to households (to -0.9%).

The NPL ratio rose slightly in July, by +0.05 pp compared with June, to 4.72%. The ratio shows a trend of moderation since early 2014, with occasional slight upturns. Note that the absolute level of non-performing loans fell for the second consecutive month (-0.2% m-o-m, after growing between 0.4% and 0.8% in March-May), with the increase in the ratio being due to the reduction in the denominator (total credit fell by 1.2%).

… while Government guarantees continue to sustain liquidity

The COVID-19 Line of Guarantees, implemented through the ICO in order to contribute to the system's liquidity, has approved up to 30 September almost 824,000 operations aimed mainly at SMEs and self-employed workers, for an amount of 77.61 billion euros. It has allowed the injection of a volume of lending of 102.14 billion euros, which is concentrated in the most affected sectors.

Table 2. ***ICO COVID-19 line of Guarantees***

Industries	*No. of operations*	*Lending million euros*
Agriculture	36,419	3,071
Industry	105,519	22,341
Construction	79,591	9,748
Retail, transport and hospitality	386,603	43,785
Information and communications	17,960	2,774
Financial activities	3,779	766
Real estate activities	19,990	2,147
Professional, scientific, technical and other activities	91,476	11,344
Public administration, education and health	35,657	2,819
Artistic and recreational activities and other services	46,845	3,340
Total economy	**823,839**	**102,136**

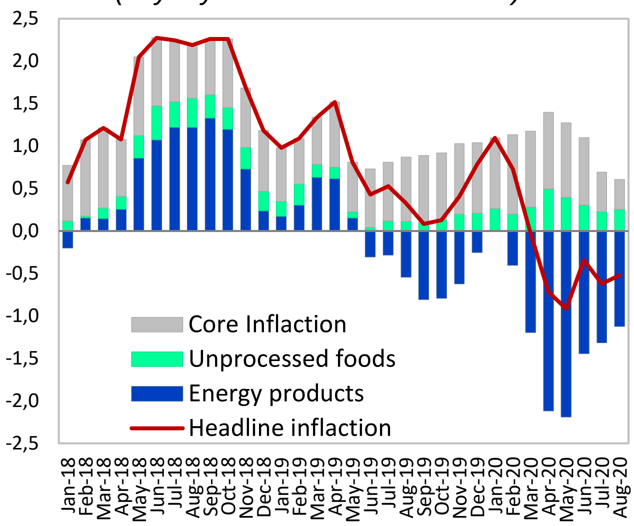
Source: compiled by the author on the basis of ICO data (as at 30-Sep-2020).

Table 2 shows that the companies and businesses falling under the category of retail, transport and hospitality received the highest volume of lending (43.79 billion euros, through 386,603 operations), followed by industry (22.34 billion euros, through 105,519 operations).

Consumer prices continue to fall y-o-y

The fall in the **consumer price index** (CPI) moderated by 0.1 points in August, to -0.5% y-o-y[6]. This slight rise in inflation mainly comes from electricity prices, which cut their y-o-y rate of decline by almost half, which was mainly the result of a baseline effect associated with the sharp m-o-m fall recorded in the same month of last year.

Graph 10. ***Headline inflation***
(% y-o-y of total and contributions)



Source: INE.

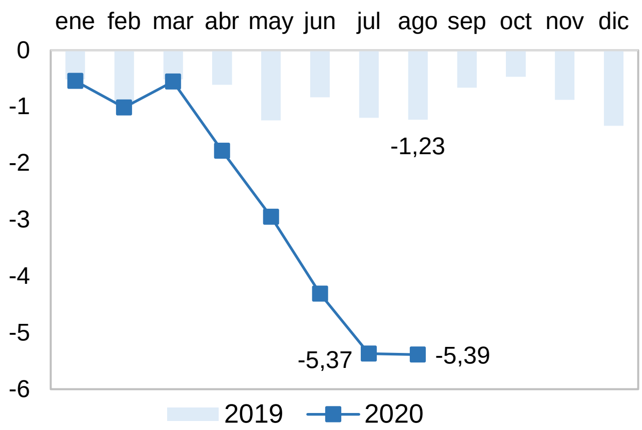
For its part, core inflation fell by 0.2 percentage points to its lowest level since May 2015, 0.4% y-o-y, a trend which is also largely the result of the baseline effect seen in tourist packages and air passenger transport. It should also be noted that, after falling dramatically in July, accommodation prices moderated their fall slightly in August.

According to the flash estimate published by the INE, the fall in the CPI was moderated in September to -0.4% y-o-y.

The State budget deficit stabilises

The accumulated **State budget balance** up to August stands at the equivalent of -5.39% of GDP (-1.23% a year earlier), practically the same as the accumulated balance up to July (-5.37%). The high State deficit is the result both of the 18.9% increase in spending up to August, which stands at 170.78 billion euros, of which around 21.8 billion (80% of the y-o-y rise) is related to the COVID-19 pandemic, and, to a lesser extent, to the 13.9% fall in revenue, particularly the drops of 7.46 billion and 8.5 billion euros in the amount collected for VAT and current income and wealth taxes, respectively.

Graph 11. ***State budget balance***
(% GDP, cumulative data)



Source: IGAE.

The cumulative budget balance to July 2020 of **General Government without local governments** amounts to -6.53% of GDP, more than three times higher than that recorded in the same period of the previous year (-1.96%).

Consequently, the rate of y-o-y growth of public debt continued to increase in July, by 1.2 points, to 8.1% y-o-y (1,290,799 million euros).

It is also important to note the published public debt data for the second quarter of 2020, which stood at 110.1% of GDP to June, 11.7 points higher than the same period the previous year.

[6] The flash estimate for September suggests a further moderation of 0.1 points to -0.4% y-o-y.

The impact of the pandemic on public finances reduces the net lending of the Spanish economy, while savings rise sharply

The **net lending** of the Spanish economy fell in the second quarter of 2020 to 0.9% of GDP four times lower than a year earlier (3.7%), mainly as a result of the increase in the net borrowing of general government. In the opposite direction, there was a noteworthy increase in the net lending of households, driven by the savings rate, which practically doubled compared with the same period of 2019, to 31.1% of gross disposable income, the highest level of the historical series (17.4% twelve months earlier).

Table 3. ***Net lending of the Spanish economy***
(unadjusted data, by institutional sector)

	19 Q2	*20 Q2*	Var.
Total	**3,7%**	**0,9%**	**-2,8**
Non-financial corporations	0,1%	1,4%	1,3
Financial institutions	2,1%	1,6%	-0,5
Public administrations	-7,1%	-24,6%	-17,5
Households (*)	8,7%	22,4%	13,7

(*) Includes non-profit institutions serving households.

Source: CTNFSI (INE).

Table 4. ***Spain's economic indicators***

(% y-o-y change, unless otherwise indicated)

	2018	***2019***	***2020 Q1***	***2020 Q2***	***2020 Q3***	***Jul-20***	***Aug-20***	***Sep-20***
Activity								
GDP	2.4	2.0	-4.2	-21.5	-	-	-	-
- Domestic demand (contribution)	3.0	1.4	-3.9	-18.8	-	-	-	-
- Net exports (contribution)	-0.5	0.6	-0.2	-2.7	-	-	-	-
Electric power consumption	0.3	-2.9	-2.8	-13.1	-3.9	-4.6	-3.3	-3.7
PMI Index	54.6	52.7	43.3	29.4	48.5	52.8	48.4	44.3
Economic Sentiment Indicator	108.0	104.1	101.2	77.1	89.5	90.6	88.1	89.7
Consumer confidence indicator	-4.2	-6.3	-10.3	-27.9	-26.9	-25.6	-28.7	-26.3
Large Firms Sales	3.0	1.8	-4.1	-22.8	-7.1	-7.1	-	-
Retail sales index	0.7	2.3	-3.9	-18.4	-3.2	-3.9	-2.4	-
Passenger car registrations	7.0	-4.8	-31.0	-67.7	-6.3	1.1	-10.1	-13.5
External demand								
Export of goods	2.9	1.8	-3.0	-27.7	-7.5	-7.5	-	-
Import of goods	5.6	1.0	-4.9	-32.5	-14.7	-14.7	-	-
Net lending (+) with the Rest of the World(% GDP)	2.4	2.4	0,0	0.8	-	-	-	-
Labour market								
Labour force	0.3	1.0	0.7	-4.6	-	-	-	-
Employment	2.7	2.3	1.1	-6.0	-	-	-	-
SS covered workers (monthly average)	3.1	2.6	1.2	-4.4	-3.0	-3.8	-2.7	-2.3
At the end of month	3.2	2.6	0.2	-4.3	-2.9	-3.2	-3.4	-2.0
Effective hours worked	2.7	1.5	-4.2	-24.9	-	-	-	-
Unemployment	-11.2	-6.6	-1.2	4.3	-	-	-	-
Unemployment rate	15.3	14.1	14.4	15.3	-	-	-	-
Registered unemployment	-6.5	-4.0	2.2	23.8	24.0	25.3	24.0	22.6
Prices and Wages								
CPI	1.7	0.7	0.6	-0.7	-0.6	-0.6	-0.5	-
Core CPI	0.9	0.9	1.1	1.1	0.5	0.6	0.4	-
CPI differential eurozone	-0.1	-0.4	-0.4	-0.8	-0.8	-1.1	-0.4	-
Producer prices	3.0	-0.4	-2.7	-7.7	-4.2	-4.8	-3.5	-
Non Energy producer prices	1.1	0.1	0.4	-0.7	-0.5	-0.5	-0.4	-
Housing Price Index	6.7	5.1	3.2	2.1	-	-	-	-
Wages Collective bargaining	1.8	2.3	2.0	2.0	1.9	1.9	1.9	-
Compensation of employees per head / fte (QNA)	1.0	2.1	1.3	2.9	-	-	-	-
Public sector (% GDP)								
General government balance	-2.5	-2.9	-0.9	-6.4	-	-	-	-
Gov.Balance without local gov	-3.0	-3.2	-0.9	-6.2	-	-6.5	-	-
State balance	-1.4	-1.3	-0.6	-4.3	-	-5.4	-5.4	-
General government debt	97.4	95.5	99.0	110.1	-	-	-	-

Sources: INE, IGAE, AEAT, BE, MISM, MTES, MH, European Commission, ANFAC, REE and Markit.

3. International economy

Slight upward revisions in second-quarter GDP

Among the major economies, the largest drop in **GDP** in the second quarter continued to be that of the United Kingdom (Table 5), almost -20% q-o-q, despite the upward revision according to the latest published estimate, while China posted growth of 3.2%, after a fall of 6.8% in the first quarter.

In the Eurozone as a whole, GDP for the second quarter of 2020 has been revised upwards by 0.3 percentage points, to -11.8% q-o-q, with Spain accounting for the largest fall (-17.8%), followed by Greece (-14%), Portugal (-13.9%) and France (-13.8%).

For their part, the contractions of the German economy (-9.7%) and the United States economy (-9%, after a 0.1 point upward revision of the q-o-q rate) fell more moderately.

Table 5. ***GDP, second quarter of 2020***
(% q-o-q change and revisions in pp in brackets)

Eurozone	-11.8%	(+0.3 pp)
United States	-9.0%	(+0.1 pp)
Italy	-13.0%	(-0.2 pp)
United Kingdom	-19.8%	(+0.6 pp)

Sources: Eurostat and official institutes.

The recovery continues in the Eurozone during the third quarter…

In the Eurozone, the **industrial production** index continued to recover in July (-7.7% y-o-y, a fall that is almost five points more moderate than the previous month) as did the **construction production** index (+1 pp, to -3.8%).

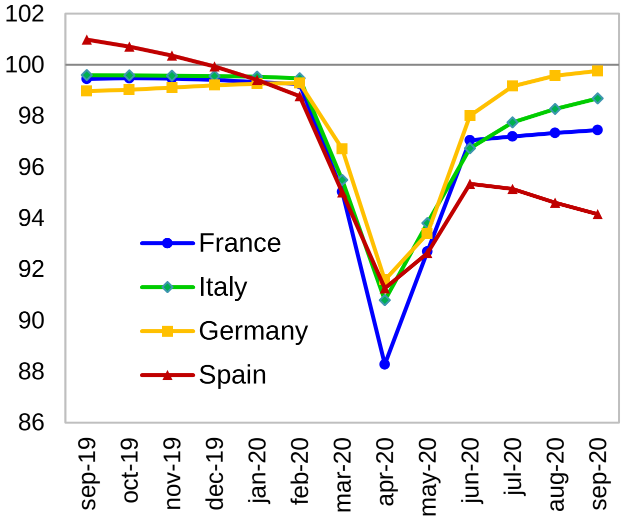
However, the drop in **car registrations** in the Eurozone intensified in August by almost thirteen points, to -17.1% y-o-y, although this is a very volatile series. This fall was mainly the result of the figures for Germany (-20%) and France (-19.8%), compared with the more moderate fall in Spain (-10.1%) and Italy (-0.4%).

For its part, preliminary estimates indicate that the fall in the **Eurozone consumer price index** intensified in September by 0.1 points, to 0.3% y-o-y. All components, except for unprocessed food, contributed to this evolution, particularly services prices (0.5%, 0.2 points lower than in August). Core inflation stood at 0.4% y-o-y (0.6% in August).

… although the survey indicators for September point to a certain cooling of the economy in the Eurozone

In August, the **composite leading indicator** for economic activity prepared by the OECD rose slightly for the Eurozone, as well as for most of its leading economies, except Spain, with **Germany** returning to pre-pandemic levels (Graph 12).

Graph 12. ***Composite leading indicator***
(100 = long-term average)

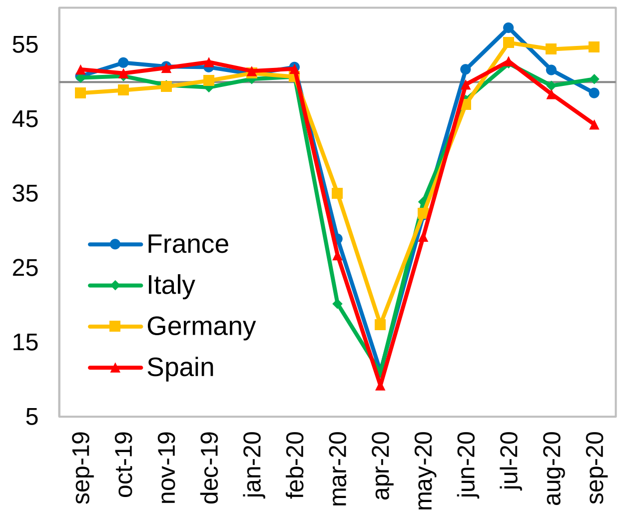


Source: OECD.

However, the **composite PMI** for September recorded a further fall in the Eurozone, pointing to a stabilisation of activity, although it remains in the expansion zone (-1.5p to 50.4). This fall is due to the decrease in the services PMI which entered into contraction zone as a result of the new outbreaks (-2.5 pp to 48), while the manufacturing PMI performed more strongly (+2 pp to 53.7).

By the major Eurozone countries, the composite PMIs of Germany and Italy recorded increases, while that of France once again fell significantly, returning to the contraction zone (-3.1p to 48.5), similar to that of Spain, which fell further into the contraction zone (-4.1 p to 44.3).

Graph 13. ***Composite PMI***
(level > 50 indicates expansion)



Source: IHS Markit.

For its part, **economic sentiment** in the Eurozone continued to rise in September, by 3.6 points to 91.1, although it remains well below pre-pandemic levels. There were noteworthy increases in Italy (+8.4 points) and France (+5.8 points), while the rises in Spain (+1.6 points, to 89.7) and Germany (+1.2 points) were more moderate.

Other opinion indicators on the German economy, such as the economic sentiment among financial analysts (ZEW) and the business climate index (IFO), continued to rise in September, although they remain below pre-crisis levels, while the consumer confidence indicator (GfK) fell.

Similarly, in France, consumer confidence and business confidence indicators improved in September, although they remain below their levels at the start of the year.

US survey indicators point to solid expansion

In the United States, the **September composite PMI** remained virtually unchanged (-0.3 pp, to 54.3), standing in the expansion zone since last July, as a result of the relative stability of both the manufacturing component (-0.1 pp, to 53.2) and the services component (-0.4 pp, to 54.6).

In contrast, the **ISM services index** for the United States rose by 0.9 points in September, to stand a 57.8 (in the expansion zone for the fourth consecutive month), while the **ISM manufacturing index** fell by 0.6 points to 55.4.

For its part, the **consumer confidence index** (the Conference Board) rose by 15.5 points in September to 101.8 (1985=100).

The US **Federal Reserve** has also revised upwards the growth forecast for US GDP for 2020 (+2.8 pp, to -3.7%), and downwards the forecast for 2021 and 2022.

…similar to that of China

China's **composite PMI** carried out by the Statistical Office rose by 0.6 points in September, to 55.1, the highest level of the last three years, driven by both services (+0.7 points, to 55.9) and manufacturing (+0.5 points, to 51), in contrast to the slight decline in the **manufacturing PMI** according to Markit-Caixin, from -0.1 points, to 53.

World trade continues to recover

World trade in goods continued to grow in volume, rising by 4.8% m-o-m in July (+7.9% in June), with the United States recording a significant increase (around 11% in both cases). However, world trade has not yet reached pre-pandemic levels.

Table 6. *International economic indicators*

(% y-o-y change, unless otherwise indicated)

	2018	***2019***	***2020 Q1***	***2020 Q2***	***2020 Q3***	***Jul-20***	***Aug-20***	***Sep-20***
Global								
Global Manufacturing PMI Index	52.7	50.0	48.2	43.3	51.6	50.6	51.8	52.3
Global Services PMI Index	53.8	52.2	45.5	35.7	51.4	50.7	52.0	51.6
Global activity PMI Index	53.6	51.7	45.8	36.8	51.9	51.1	52.4	52.1
Comercio mundial de bienes	3.4	-0.4	-3.1	-14.5	-6.6	-6.6	-	-
Zona euro								
GDP	1.8	1.3	-3.2	-14.7	-	-	-	-
Manufacturing PMI Index	55.0	47.4	47.2	40.1	52.4	51.8	51.7	53.7
Services PMI Index	54.5	52.7	43.8	30.3	51.1	54.7	50.5	48.0
Composite PMI Index	54.6	51.3	44.2	31.3	52.4	54.9	51.9	50.4
Economic Sentiment Indicator	111.5	103.1	100.0	69.4	87.0	82.4		91.1
Consumer confidence indicator	-4.9	-7.1	-8.8	-18.5	-14.5	-15.0	-14.7	-13.9
Industrial Production Index	0.8	-1.4	-5.8	-20.1	-7.8	-7.8	-	-
Passenger car registrations	1.2	1.5	-26.5	-50.9	-10.0	-4.3	-17.1	-
Trade balance (bll €)	190.8	225.0	71.0	24.9	20.3	20.3	-	-
Exports	4.1	2.9	-1.6	-23.5	-10.2	-10.2	-	-
Imports	7.1	1.5	-4.8	-21.2	-13.3	-13.3	-	-
Employment	1.5	1.2	0.4	-2.9	-	-	-	-
Unemployment rate	8.2	7.6	7.3	7.6	8.1	8.0	8.1	-
CPI	1.8	1.2	1.1	0.2	0,0	0.4	-0.2	-0.3
Estados Unidos								
GDP	3.0	2.2	0.3	-9.0	-	-	-	-
Manufacturing PMI Index	55.4	51.8	50.4	41.9	52.4	50.9	53.1	53.2
Services PMI Index	54.9	52.5	47.5	37.4	53.2	50.0	55.0	54.6
Composite PMI Index	55.0	52.5	47.9	37.3	53.1	50.3	54.6	54.3
Consumer confidence indicator	130.1	128.3	127.3	90.0	93.3	91.7	86.3	101.8
Industrial Production Index	3.9	0.9	-1.9	-14.4	-7.6	-7.4	-7.7	-
Trade balance (bll €)	-872,0	-854.4	-189.3	-217.1	-80.1	-80.1	-	-
Exports	7.7	-1.4	-3.6	-29.4	-15.7	-15.7	-	-
Imports	8.5	-1.6	-6.2	-19.8	-7.2	-7.2	-	-
Employment	1.6	1.1	0.6	-12.3	-7.4	-8.8	-6.7	-6.7
Unemployment rate	3.9	3.7	3.8	13.0	8.8	10.2	8.4	7.9
CPI	2.4	1.8	2.1	0.4	1.1	1.0	1.3	-
China								
GDP	6.7	6.1	-6.8	3.2	-	-	-	-
Manufacturing PMI Index	50.7	50.5	47.2	50.4	53.0	52.8	53.1	53.0
Services PMI Index	53.1	52.5	40.4	52.6	54.1	54.1	54.0	-
Composite PMI Index	52.3	51.8	42.0	52.6	54.8	54.5	55.1	-

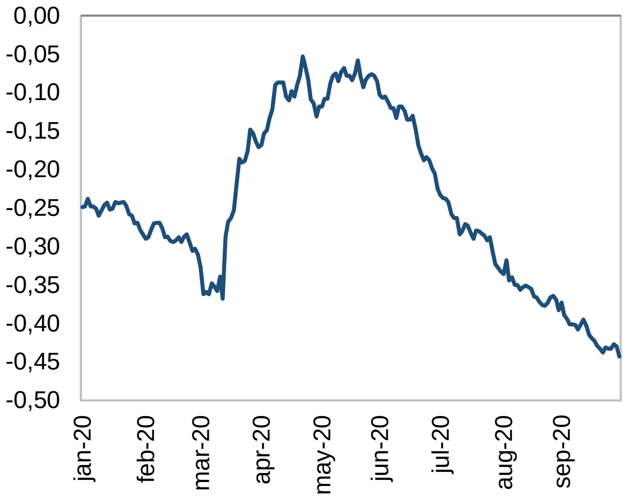
Sources: Markit, CPB, BEA, Federal Reserve, BLS, The Conference Board, ESRI, Statistical Office of China, Eurostat, EC and ACEA.

4. Financial markets and commodities

The Euribor reaches historic lows

The interbank market interest rate, measured by the 12-month Euribor, continued to fall in September, to reach historic lows (-0.44% at 30 September), in a context of accommodative monetary conditions provided by the European Central Bank (ECB).

Graph 14. ***12-month Euribor***



Source: Reuters.

Government bond yields fall slightly

European government bond yields fell in the month, influenced by ECB purchases and despite the new outbreaks, with the Spanish ten-year bond standing at 0.25% and its spread with the German Bund at 77 bp.

The euro remains relatively stable

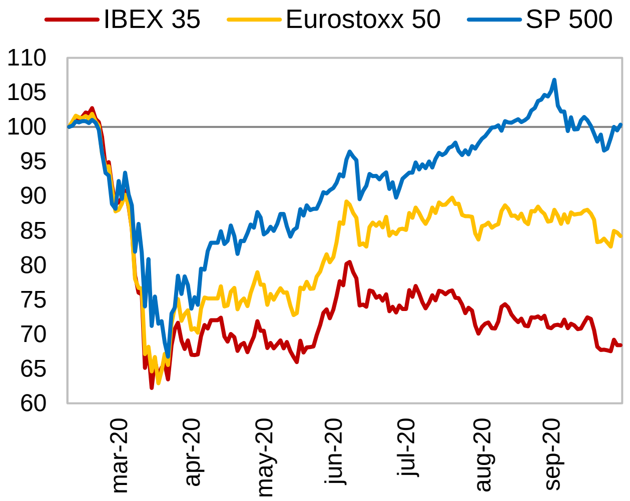
Following the appreciation in July and the lateral movements in August, at the end of September there were downward pressures for the euro (Table 7), associated with the strength of the dollar in the context of positive expectations with regard to a possible tax stimulus package in the United States. Regarding the nominal effective exchange rate[7], it remained stable.

Widespread falls on stock markets

Equity markets suffered losses in September, notably in the United States (-3.9% of the SP 500), in a context of uncertainty relating to the pandemic and the presidential elections, as well as doubts about the possible overvaluation of share prices.

European stock markets also lost value in September (-2.4% Eurostoxx 50 and -3.6% IBEX 35), influenced by concerns associated with new outbreaks.

Graph 15. ***Stock indexes***
(100 = 10.Feb. 2020)



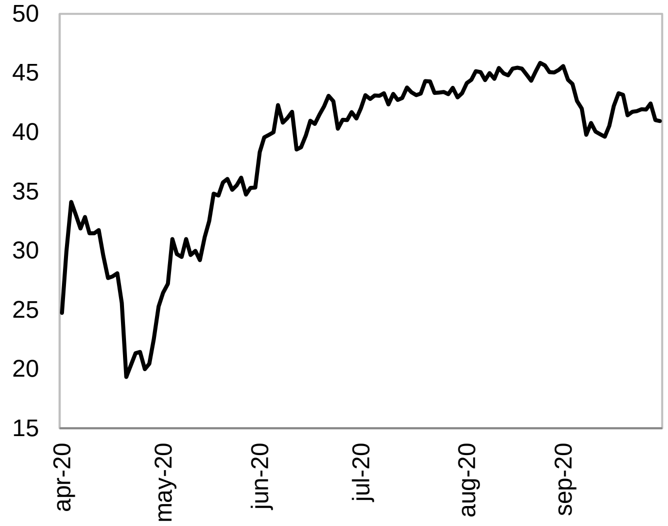
Source: Reuters.

Commodity prices reflect uncertainty about the recovery

In September, the strong dollar and the uncertainty about the economic recovery marked the evolution of commodity prices. Energy products in general maintained a stable or slightly downward trend, with exceptions such as coal, which rebounded as from mid-month driven by seasonal demand and some supply constraints. The average price of Brent standed in September in a range between 40 and 44 dollars (Graph 16).

[7] Index of exchange rates against the main currencies weighted by their importance in foreign trade.

Graph 16. ***Brent oil price***
(USD)



Source: ICE.

Precious metal prices also fell, following the strong rises in the first weeks of August, especially gold. In the case of industrial metals, the slight falls at the end of September reflect the lower growth in demand for these materials by the manufacturing industry, although they generally remain stable. Finally, agricultural commodity prices continue to show signs of recovery, albeit unevenly and more moderately than in previous months.

Table 7. ***Financial and commodities markets indicators***

(Percentage points change for interest rates and spreads and percentage change for the rest)

				Monthly change	*Accum. Change in 2020*	*Percentage change*
	31-jul	***31-aug***	***30-sep***	***30-sep***	***30-sep***	***30-sep***
Interest rates						
ECB Intervention rate	0.00	0.00	0.00	0.00	0.00	0.00
Euribor rates:						
3 months	-0.46	-0.48	-0.50	-0.02	-0.12	-0.08
12 months	-0.33	-0.38	-0.44	-0.06	-0.19	-0.11
10 year Gov. Bond yield:						
Spain	0.34	0.43	0.25	-0.18	-0.22	0.09
Germany	-0.53	-0.40	-0.52	-0.12	-0.33	0.06
US	0.54	0.70	0.68	-0.02	-1.23	-1.00
10 year spreads against Germand bond:						
France	33	31	28	-3	-3	-3
Spain	87	83	77	-6	11	3
Portugal	88	84	79	-5	16	4
Italy	161	158	139	-19	-22	-2
Greece	153	150	154	4	-13	-43
Exchange rates						
Euro/US $	1.18	1.19	1.17	-1.94	4.22	7.52
Euro nominal effective	101.78	101.78	101.67	-0.11	4.13	4.11
Stock exchange						
USA (S&P 500)	3,271	3,500	3,363	-3.9	4.1	13.0
Eurozone (EUROSTOXX 50)	3,174	3,273	3,194	-2.4	-14.7	-10.5
Germany (DAX)	12,313	12,945	12,761	-1.4	-3.7	2.7
France (CAC 40)	4,784	4,947	4,803	-2.9	-19.6	-15.4
Italy (FTSE MIB)	19,092	19,634	19,015	-3.1	-19.1	-14.0
Spain (IBEX 35)	6,877	6,970	6,717	-3.6	-29.7	-27.3
UK (FTSE 100)	5,898	5,964	5,866	-1.6	-22.2	-20.8
China (SHANGHAI COMP)	3,310	3,396	3,218	-5.2	5.5	10.8
Raw Material Prices (USD)						
Brent oil ICE	43.3	45.3	41.0	-9.6	-38.0	-32.6
Natural Gas TTF	14.0	13.7	14.1	2.5	-18.0	-26.5
Copper	6,728.0	6,610.0	6,694.5	1.3	8.8	15.0
Iron	1,762.0	1,737.0	1,820.5	4.8	1.2	4.5
Gold	1,965.9	1,890.8	1,879.7	-0.6	24.2	25.0

Sources: The Bank of Spain, the Madrid Stock Exchange Market, Infobolsa, Stoxx, Financial Times, ICE, LME.