MONTHLY REPORT AND SUMMARY OF ECONOMIC INDICATORS

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MONTHLY REPORT AND SUMMARY OF ECONOMIC INDICATORS[1]

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[1] Report prepared with information published up to 9 February 2021.

Executive Summary

The Spanish economy ended 2020 with growth of 0.4% quarter-on-quarter, supported mainly by household consumption, averaging a fall of 11% year-on-year over the year as a whole.

Similarly, the recovery in the job market continued over the same period, yielding, according to the Labour Force Survey (LFS), the largest quarter-on-quarter rise in a fourth quarter since 2005, closing the year with an average unemployment rate of 15.5%.

The monthly indicators for January continue to offer mixed signals. There was a noteworthy moderation in the year-on-year fall in Social Security affiliations in January, together with a drop in the average number of workers under job retention schemes (ERTEs).

The other main activity statistics, such as industrial production, house sales and overnight stays in hotels, ended 2020 with an overall tone of improvement, with the main exception of car registrations, while the most recent PMI data point to a deterioration at the start of 2021.

For its part, inflation measured using the CPI turned positive at the start of 2021 (0.6% according to flash estimates). This was the result both of energy prices and other components (core inflation rose by half a point, to 0.6%).

With regard to public accounts, the general government budget deficit excluding local governments continued to widen in November, while the State debt decelerated slightly at the end of the year.

On an international front, Germany's GDP virtually stagnated in the fourth quarter of 2020 (0.1% q-o-q), those of France and Italy contracted (-1.3% and -2%, respectively), while the US GDP continued to grow in the fourth quarter (+1%).

Particularly noteworthy among the more recent indicators were the almost widespread falls in the composite PMI in January in the Eurozone and in China, in contrast with the United States, which recorded its highest value since March 2015.

In addition, in relation to prices, it is worth highlighting the sharp acceleration in the CPI in the Eurozone, up to 0.9% y-o-y in January, after five months at negative rates.

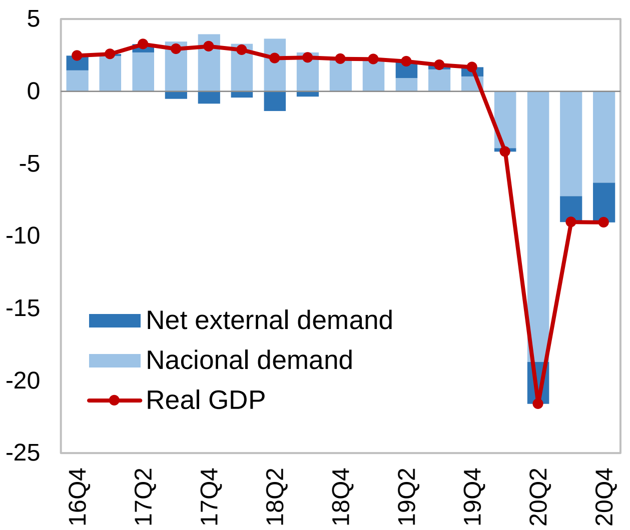
Spanish economy

Quarter-on-quarter growth remained in positive territory in the fourth quarter of 2020...

GDP grew by 0.4% q-o-q in the fourth quarter of 2020, according to the flash estimate of the Quarterly National Accounts (QNA), supported by consumption, mainly private consumption (+2.5%), while investment fell (-3.1%, due largely to the contraction in construction, despite the relatively favourable evolution suggested for the same period by the sector's monthly indicators) and net external demand (-1.4% exports, given the negative performance of our main trading partners, and +0.4% imports).

This GDP growth was similar to that of the same period one year previously. Therefore, in year-on-year terms, the change remained virtually the same (-9.1%, Graph 1).

Graph 1. ***GDP growth***
(% y-o-y change and pp contribution)

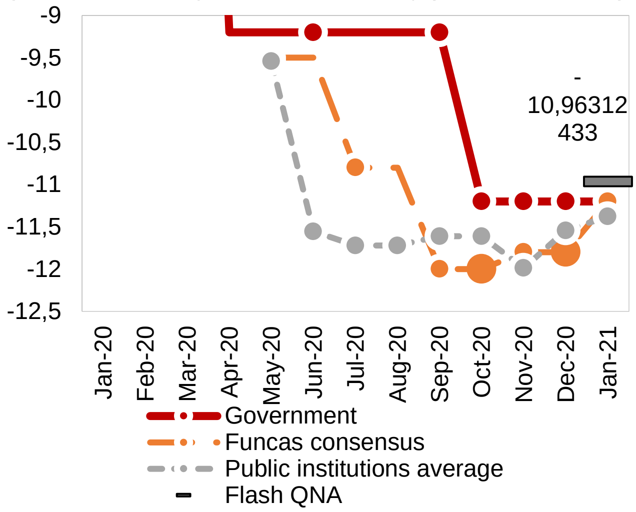


Source: QNA

For its part, employment in terms of effective hours worked, rose by 0.5% according to the QNA, resulting in an hourly **productivity** loss of 0.1% (-2.9% y-o-y).

GDP thus closed 2020 with an average annual change of -11%, slightly improving the forecast for 2020 included in the current macroeconomic scenario published in the October Report on the Situation of the Economy (-11.2%), as well as those of most analysts. This was due to the offsetting between a better-than-expected performance of private consumption and investment and a more adverse performance in the case of net exports.

Graph 2. ***GDP forecasts***
(% annual change in GDP 2020, by publication date)



Sources: INE, Ministry of Economic Affairs and Digital Transformation, Funcas, Bank of Spain, Airef, European Commission, IMF and OECD.

... also reflected in an increase in employment

Employment rose in the fourth quarter of 2020 by 167,400 **employees** compared with the previous period (+0.9%), according to the Labour Force Survey (LFS), the largest quarter-on-quarter increase in a fourth quarter since 2005.

By industry, there were noteworthy rises in education (+178,600, the largest increase in the series and much higher than the +100,200 of the same period in 2019) and agriculture (+51,000) contrasting with a significant fall in hospitality (-188,100, a fall that is higher by 40,000 people than that recorded in the fourth quarter of 2019).

By type of working hours, 86% of this increase, a total of 144,400 workers, was concentrated in part-time employment, an increase that is somewhat higher than the 2015-2019 average (129,100). As a result, the part-time unemployment rate rose by 0.7 points to 14.5%. For their part, full-time contracts recorded the first increase in a fourth quarter of the series (23,100 new employees).

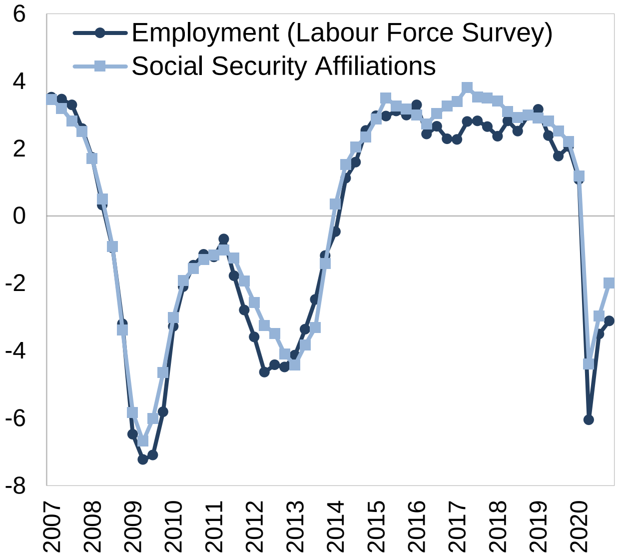
It should be remembered that the LFS includes workers under job retention schemes (ERTEs) as employees. Therefore, the increase in employment in effective terms is higher as 16,800 workers on average left ERTEs or unemployment for economic or technical reasons between the fourth quarter and the third.

By contract, over four fifths of the increase in employees was concentrated in temporary contracts (+107,100), taking the temporary employment rate to 24.6%. This was 0.4 points up on the previous quarter, but 1.5 points down on the rate one year earlier and the lowest in a fourth-quarter for the last six years.

With the series adjusted for seasonality by the INE, the increase in employment stands at a total of 245,000 people (+1.29%, after +2.98% in the third quarter and -6.73% in the second).

In year-on-year terms, employment moderated its year-on-year fall by 0.4 points, to -3.1% (-3.5% in the previous quarter), a slowdown compared with the recovery in affiliations, which in the same period moderated its fall by one point, to -2%.

Graph 3. ***Employment: LFS and SS covered workers*** *(million)*

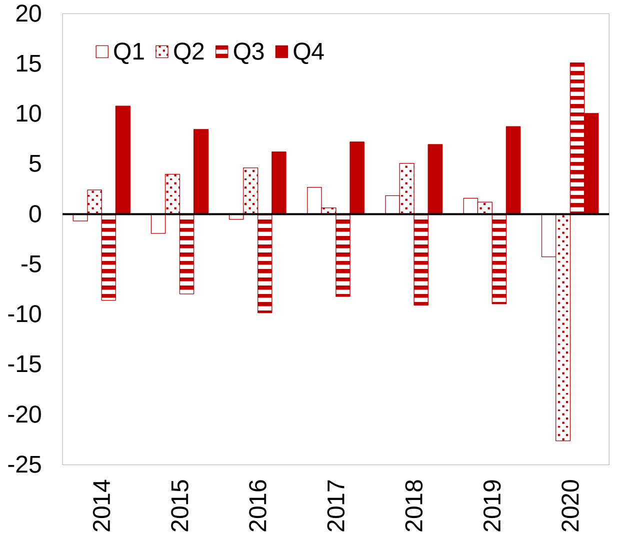


Sources: INE and Social Security.

In terms of effective **hours** worked, employment grew by 10.1%. The performance of fourth quarters is seasonally positive in terms of hours (Graph 4) due to the holiday effect. However, this year they recorded the second highest rate in a fourth quarter[2], influenced by workers leaving ERTEs and situations of partial unemployment for technical or economic reasons. It should be noted that this evolution took place despite the positive outlier in the series recorded in the previous quarter.

[2] After that of 2014

Graph 4. ***Hours worked*** *(% q-o-q change)*



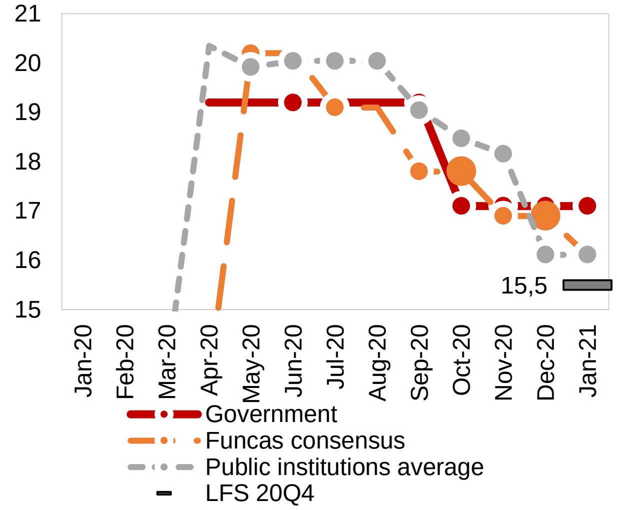
Source: INE.

In year-on-year terms, the fall stands at 6.1%, in line with affiliations net of ERTEs (-6% in the same period).

In year-on-year terms, **unemployment** rose by 527,900 people, 16.54% y-o-y, 0.7 points more than in the third quarter (15.82%) and almost four times the increase in the second period (4.25%).

The unemployment rate stood at 16.13% of the active population, 2.3 points higher than one year earlier, closing the year at an average at 15.5%, 1.4 points higher than in the previous year. This figure has been a positive surprise compared with the forecasts of the Ministry of Economic Affairs and Digital Transformation (Graph 5).

Graph 5. ***Unemployment rate forecasts***
(% of active population, 2020, by publication date)

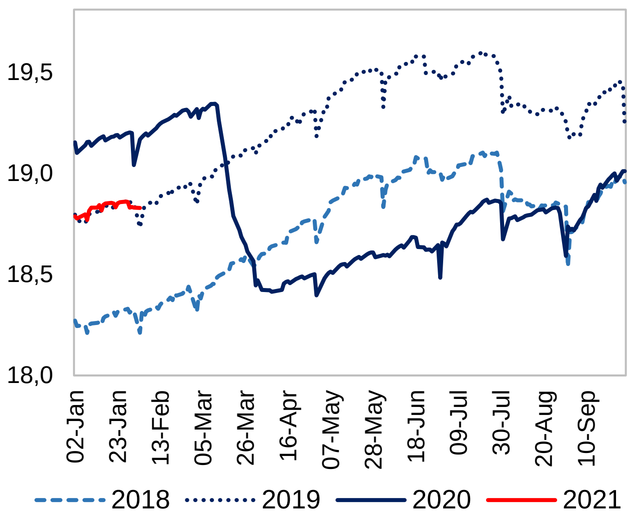


Sources: INE, Ministry of Economic Affairs and Digital Transformation, Funcas, Bank of Spain, European Commission, IMF and OECD.

Employment continues to recover in 2021

Affiliations in January continued to recover the ground lost in March and April, and stand at levels slightly higher than those of 2019 (Graph 6).

Graph 6. ***Social Security Affiliations***
(million)



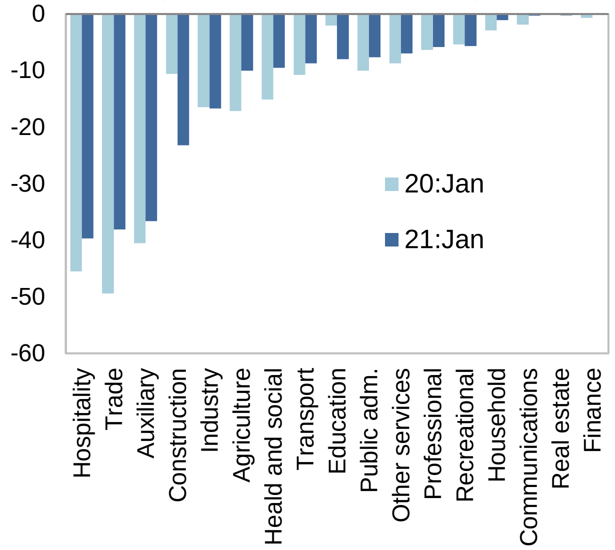
Source: TGSS.

In month-on-month terms, affiliations fell by 218,953 people (-1.15%). This fall is in line with the average of the last six years (-1.11% on average over the period 2015-2020) and lower than that recorded in 2020 (-1.26%).

By sector, the biggest falls were recorded in *hospitality* and *retail,* although they were less intense than those recorded last year, particularly as regards *retail,* after a very unfavourable Christmas campaign (Graph 7). The section that had the worst month-on-month performance compared with 2020 was construction.

With the series adjusted for seasonality, which in the months of January is the most negative of the year mainly as a result of the retail, hospitality and services branches, affiliations rose by 39,814 people. This is a rate of 0.21% m-o-m, which is slightly below the average rate of the previous three months (0.28%).

Graph 7. ***Social Security Affiliations***
(m-o-m change, thousands)



Source: TGSS.

In **year-on-year** terms, the number of affiliations fell by 335,014 (-1.75%), a rate of decline that is 0.1 points lower than that of December (-1.86%).

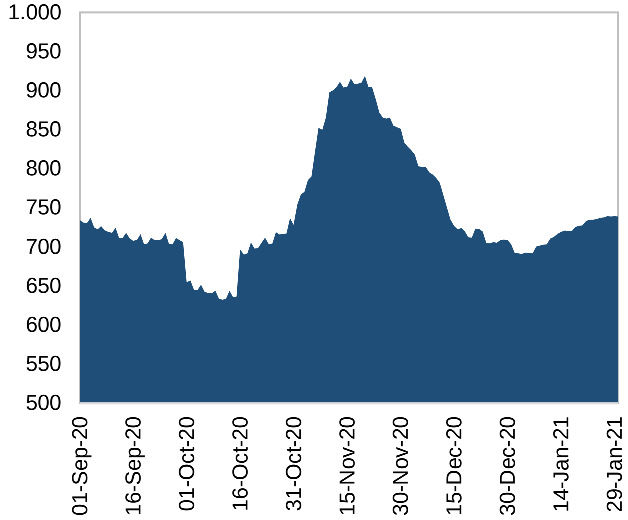
A proportion of the affiliated workers are under ERTEs. This situation is analysed below in order to find the evolution of effective employment.

Increase in the number of workers under ERTEs

The total number of workers under **ERTEs** at the end of January was 738,969, an increase of 35,625 on the previous month (Graph 8). However, in the average for the month, 32,448 workers left the schemes.

As a result, effective employment in terms of average affiliation **net of ERTEs** in the month of January as a whole moderated its rate of decline by 0.3 points, to -5.5% y-o-y.

Graph 8. ***Workers under job-retention schemes***
(thousands)

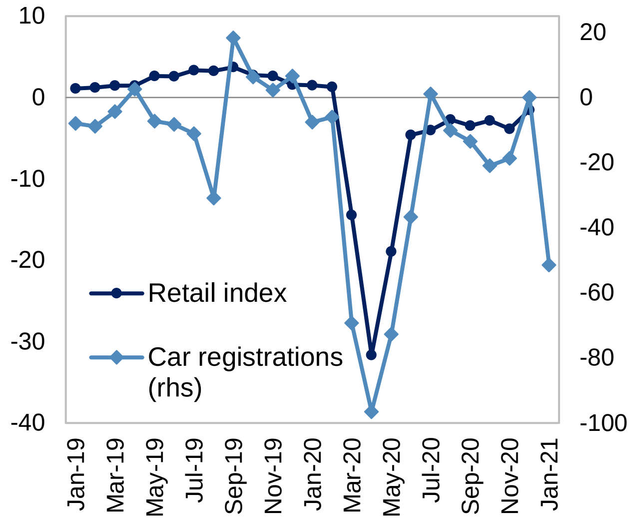


Source: TGSS.

Retail stabilises, but registrations fall sharply

Household consumption was weighed down by the still weak job market, uncertainty and the weather conditions at the start of the year. This was reflected in a sharp fall in car **registrations** in January, of -51.5% y-o-y (Graph 9), after having achieved stabilisation in the last month of 2020. This fall was largely due to the increase in the tax on registrations and the end of the 2020 Plan Renove. In month-on-month terms, the fall stood at -60.3% and, although it was preceded by a strong gain in December (+39.8%), the cumulative contraction between November and January is the largest in the series.

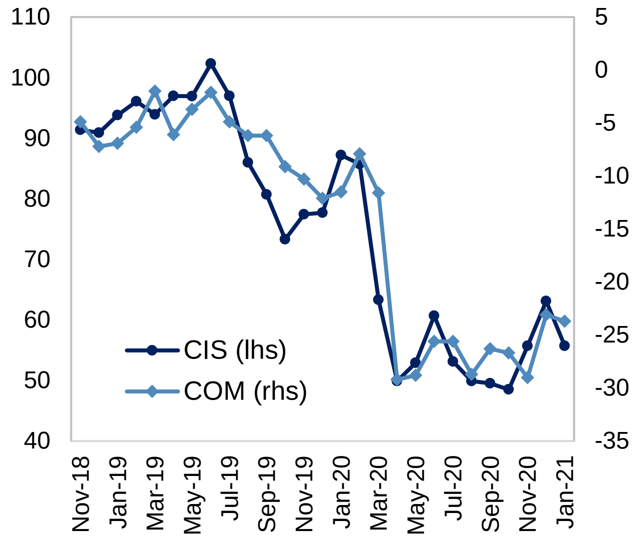
Graph 9. ***Consumption indicators***
(% y-o-y change)



Sources: INE and ANFAC.

More favourable was the behaviour of the **retail trade index** in December, which moderated its year-on-year fall by 2.4 points to -1.5%, the lowest fall since the start of the pandemic (Graph 9). This corresponded to a gain of 3.3% in the non-food group and a fall of 3.1% in the food group.

Graph 10. ***Consumer confidence***
(balances)



Sources: CIS and European Commission.

This evolution of consumption took place against a backdrop of caution among consumers, whose **confidence** in January remained at much lower levels than before the pandemic (Graph 10). By component, in the case of the European Commission indicator, the perception of the current and future situation of the household is less unfavourable than that of the future situation of the general economy as a whole and that of making large purchases and, in the case of the CIS, it should be noted that expectations have fallen to a lesser extent than the perception of the present.

Industry recovers in December, particularly energy

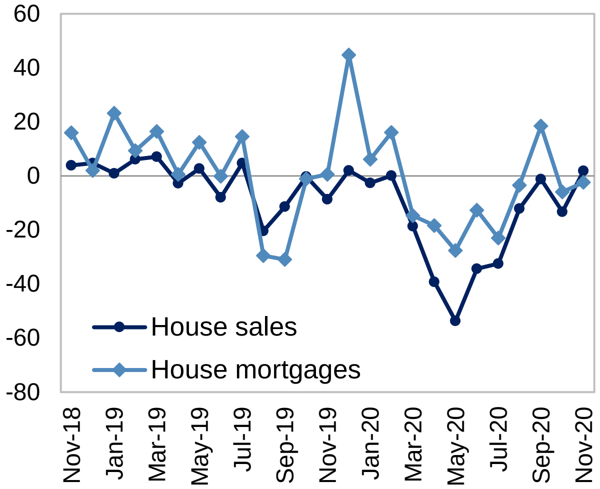
The **industrial production index** attenuated its year-on-year fall in December by over three points, to -0.6%. This was driven by all the main groups of goods, with a noteworthy upturn in energy, of 3.4%, the first gain in the last 14 months (-7.8% in November), with a particularly positive performance of the branch of electricity, gas, steam and air-conditioning supply, which increased by 7.7%, the only increase in 2020. There was also an acceleration in intermediate goods, whose growth (2.4%) doubled that of the previous month.

For its part, **qualitative indicators** of activity in industry turned upwards in December, although the manufacturing PMI fell in January, in contrast to the Industrial Confidence indicator published by the European Commission, which improved in January by four points, thanks to the more favourable assessment of its three components: order book, production expectations and stocks of finished products.

The housing market performed favourably in November

Among the indicators relating to residential investment, **house sales** rose by 1.9% y-o-y in November, after eight months of continuous falls (-13.3% in October), as a result of the rise in sales of second-hand housing (2.2%) and, to a lesser extent, of new-build housing (0.6%) (Graph 11).

Graph 11. ***Housing demand***
(% y-o-y change)



Source: INE.

Along the same lines, the number of **mortgages** established on **residential properties** moderated its fall by three and a half points in November, to -2.4% y-o-y, with the average amount per mortgaged property rising by 5.5%, almost one point more than in October.

Construction **confidence indicators** remained negative in January, although there was an upward trend beyond the monthly fluctuations.

For its part, the **apparent consumption of cement** accelerated by over four points in December, to 8.2% y-o-y, the second consecutive increase, closing 2020 as a whole with a fall of 9.7%.

Tourism softens its fall in December, but remains at very low levels

In addition, the **inflow of inbound tourists** attenuated its year-on-year fall by 5.3 points in December, to -84.9%. By country of origin, France was the main country of residence, with 25.3% of the total and a y-o-y fall of 70.3%, followed by the United Kingdom and Germany, with shares of 16.9% and 12.8% of the total and falls of 86% and 83.3%, respectively.

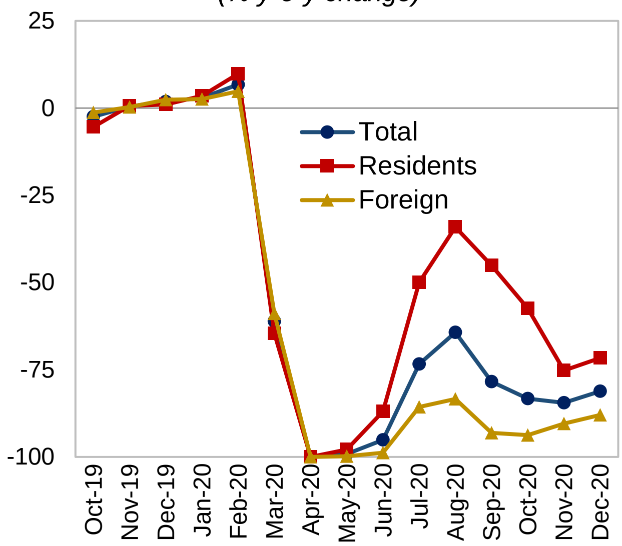
By region, the main destination was the Canary Islands, which received 31.9% of total inbound tourists, followed at a distance by Catalonia and Valencia.

In the same vein, **tourist spending** fell by 86.1% in December, 4.7 points less than in the previous month.

In 2020 as a whole, 19 million tourists visited Spain, compared with 83.5 million in 2019 (-77.3%), and tourist spending dropped by 78.5% compared with 2019.

Overnight stays in hotels moderated their year-on-year fall in December by 3.3 points, to -81.2% y-o-y, driven by both residents and foreigners (Graph 12). Following the same line, overnight stays in non-hotel tourist accommodation attenuated their fall by 3.6 points, to 71.4%, with the opening of 61% of establishments.

Graph 12. ***Overnight stays by residence***
(% y-o-y change)

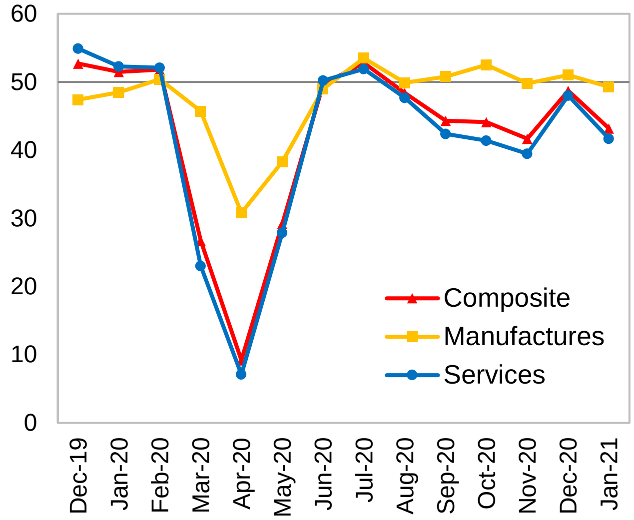


Source: INE.

The PMI in more negative territory in January

The **composite PMI** of the Spanish economy (Graph 13) fell further into the contraction zone in January (-5.5 points, to 43.2). This was a result both of the manufacturing component (-1.7 points, to 49.3), and, to a greater extent, the services component, which dropped by 6.3 points to 41.7.

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

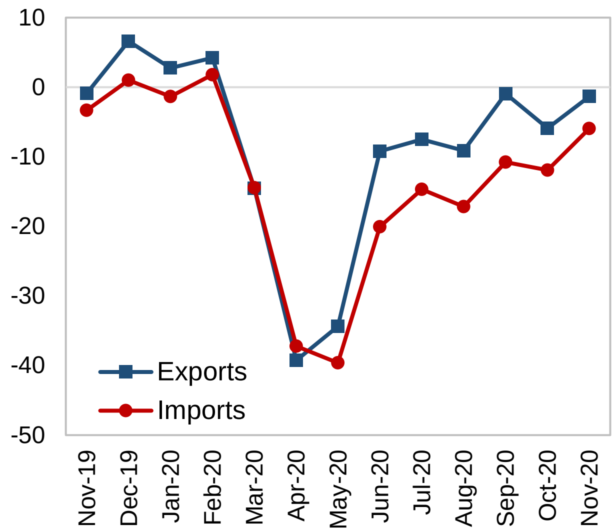


Source: IHS Markit.

The recovery in foreign trade is reactivated in November

Following the setback in October, exports moderated their fall by 4.6 points, to -1.3% y-o-y, driven mainly by cars, fuel and pharmaceutical products, with the set of non-energy exports pointing to stabilisation.

Graph 14. ***Foreign trade in goods***
(% y-o-y change, nominal)

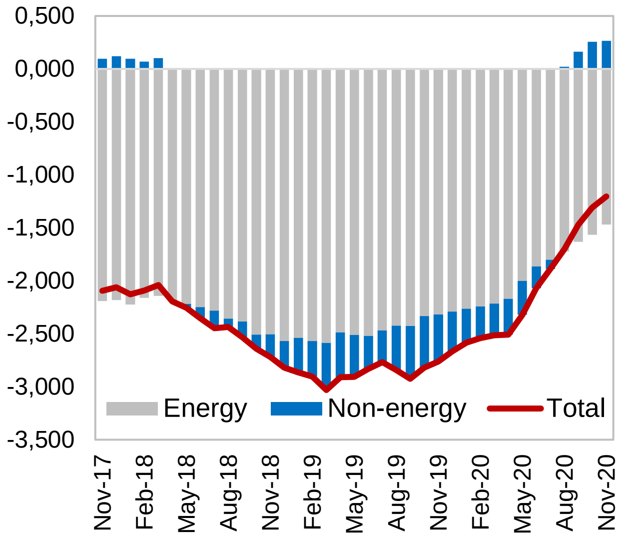


Source: AEAT.

In a similar manner, imports reduced their fall by half (+6 points, to -5.9%). Particularly noteworthy was the more favourable performance of cars, articles of base metal, and fish, crustaceans and molluscs.

As a result of the above, the Spanish economy recorded a goods **trade deficit** in November of 593 million euros. The gradual reduction in the trade deficit therefore continues as a result of the improvement in both the energy and the non-energy component. However, the rate of correction of the energy deficit is slower, partly as a result of the increase in oil prices (Graph 15).

Graph 15. ***Trade balances***
(million euros, 12-month moving average)



Source: AEAT.

Lending to the private sector accelerates in December …

Lending to non-financial sectors accelerated by 0.4 points in December, to 3.2% y-o-y, as a result of the increase in the rate of growth of credit to corporations (6.2%, compared with 5.5% in the previous month) and, to a lesser extent, the lower rate of decline in credit to households (-0.6%, compared with -0.7% in November).

New loans and credit to households and non-financial corporations intensified their decline by more than two points in December, to -17.4%. However, this evolution is explained by a base effect associated with the strong month-on-month increase a year earlier (37.2% in December 2019, compared with 33.9% in 2020, in line with the average), particularly those made to non-financial corporations (-21.2% y-o-y, after -18.1% in November), which was partially offset by the moderation in the rate of decline of credit to households (-0.5%, after the previous -6.8%).

Within credit to corporations, the largest fall in December was recorded in the tranche of over one million euros, which has the highest weight (-25.8%, compared with the previous -11.7%), while the other tranches moderated their rates of decline. With respect to the household sector, by segment, consumer credit fell by 18.5%, compared with the rate of -28.7% in November, while housing credit decelerated by 0.1 points, to 18.2%, and other credit increased its rate of decline by 0.8 points, to -18%.

The **NPL** ratio remained stable at 4.57% in November, as a result of a similar increase (of 0.7% m-o-m) in the absolute level of NPLs (numerator) and in total loans (denominator).

The public guarantee programme continues to contribute effectively to corporate liquidity

The ICO COVID-19 Liquidity Line of Guarantees has approved 958,983 operations up to 31 January, mainly aimed at SMEs and self-employed workers (98% of the total), for a value of 88.02 billion euros, which have allowed the injection of a volume of lending of 115.88 billion euros, which is concentrated in the most affected sectors, particularly those of retail, transport and hospitality (Table 1).

Almost all the guarantees (98% of the operations and 70% of the lending mobilised) are concentrated in SMEs and the self-employed.

Table 1. ***ICO COVID-19 Liquidity Line of Guarantees***

Industries	*No. of operations*	*Lending million euros*
Agriculture	44,365	3,676
Industry	123,368	25,595
Construction	94,439	11,040
Retail, transport and hospitality	446,406	49,573
Information and communications	21,197	3,075
Financial activities	4,709	784
Real estate activities	23,258	2,508
Professional, scientific	107,740	12,700
Pub. Adm., education and health	40,370	3,191
Artistic, recreational	53,131	3,729
Total economy	**958,983**	**115,871**

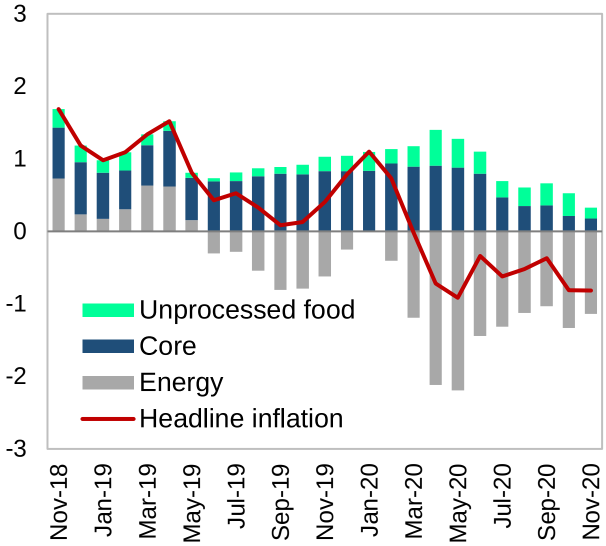
Source: compiled by the author on the basis of ICO data (as at 31-Jan-2021).

In December, prices moderate their year-on-year fall…

The **Consumer Price Index (CPI**) moderated its fall by 0.3 points in December to -0.5% y-o-y, driven by energy prices (which remain the main reason why inflation is in negative territory), specifically electricity, affected by a base effect, and fuels and liquid fuels, which continued to recover in line with oil.

Core inflation fell by 0.1 points to 0.1% y-o-y, its lowest level since 2015, thus continuing the downward trend that began in June and which is mainly due to services, particularly headings related to travel and packaged-telephone services.

Graph 16. ***General inflation and components***
(% y-o-y of total and contributions)



Source: INE.

… accelerating in January according to flash estimates

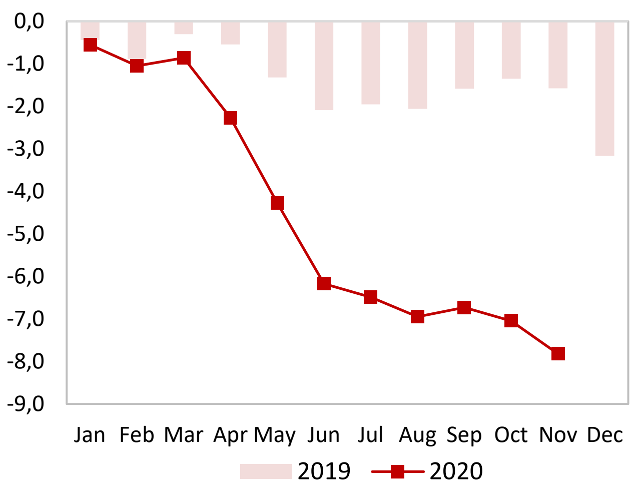
In January, according to flash estimates, the CPI rose by 0.6% y-o-y. This rate is over one point higher than that recorded in December, with noteworthy increases in electricity and food and non-alcoholic beverage prices, higher than in the same month of 2020, while tourist packages fell less than in January 2020 and gas prices rose in January 2021 after recording a fall last year. Core inflation rose by 0.5 points to 0.6%.

The budget deficit of the general government without local governments with data to November widens, while State debt moderates in December

With data to November, the worsening of the **budget balance of the general government without local governments** accentuated by 0.8 points, to stand at -7.82% of GDP. The year-on-year increase is mainly a result of the increase in expenditure on social benefits and, to a lesser extent, to the fall in revenue, particularly taxes on production and imports.

By tier of government, the central government absorbed the bulk of the budgetary deterioration as a result of the transfers to the regional governments and to the Social Security. For its part, the Social Security recorded a significant increase in expenditure on social benefits.

Graph 17. ***Budget balance GG without LGs***
(% GDP, cumulative data)



Source: IGAE.

The State debt moderated at the end of December by 0.6 points, to 10.5% y-o-y (1,166,037 million, -0.1% m-o-m).

Table 2. ***Spain's economic indicators***

(% y-o-y change, unless qualitative indicators, unemployment rate or otherwise indicated)

	2018	*2019*	*2020 Q2*	*2020 Q3*	*2020 Q4*	*Nov-20*	*Dec-20*	*Jan-21*
Activity								
GDP	2.4	2.0	-21.6	-9.0	-9.1	-	-	-
- Domestic demand (contribution)	3.0	1.4	-18.7	-7.2	-6.3	-	-	-
- Net exports (contribution)	-0.5	0.6	-2.9	-1.8	-2.7	-	-	-
Electric power consumption	0.3	-2.9	-12.8	-4.0	-1.4	-3.6	0.1	1.2
PMI Index	54.6	52.7	29.4	48.5	44.8	41.7	48.7	43.2
Economic Sentiment Indicator	108.4	104.6	78.5	90.3	90.1	88.5	91.5	93.9
Consumer confidence indicator	-4.2	-6.3	-27.9	-26.9	-26.3	-29.0	-23.1	-23.7
Large Firms Sales	3.0	1.8	-22.7	-5.8	-4.4	-3.5	-	-
Retail sales index	0.7	2.3	-18.3	-3.4	-2.7	-3.9	-1.5	-
Passenger car registrations	7.0	-4.8	-67.7	-6.3	-12.7	-18.7	0	-51.5
External demand								
Export of goods	2.9	1.8	-27.7	-5.7	-3.7	-1.3	-	-
Import of goods	5.6	1.0	-32.5	-14.1	-9.1	-5.9	-	-
Net lending (+) with the Rest of the World(% GDP)	2.4	2.5	0.8	1.0	-	-	-	-
Labour market								
Labour force	0.3	1.0	-4.6	-0.8	-0.4	-	-	-
Employment	2.7	2.3	-6.0	-3.5	-3.1	-	-	-
SS covered workers (monthly average)	3.1	2.6	-4.4	-3.0	-2.0	-1.8	-1.9	-1.7
At the end of month	3.2	2.6	-4.3	-2.9	-1.7	-2.3	-1.9	-1.1
Effective hours worked	2.7	1.5	-24.9	-6.2	-6.3	-	-	-
Unemployment	-11.2	-6.6	4.3	15.8	16.5	-	-	-
Unemployment rate	15.3	14.1	15.3	16.3	16.1	-	-	-
Registered unemployment	-6.5	-4.0	24.8	24.0	21.2	20.4	22.9	21.8
Prices and Wages								
CPI	1.7	0.7	-0.7	-0.5	-0.7	-0.8	-0.5	-
Core CPI	0.9	0.9	1.1	0.5	0.2	0.2	0.1	-
CPI differential eurozone	-0.1	-0.4	-0.8	-0.6	-0.5	-0.5	-0.3	-
Producer prices	3.0	-0.4	-7.7	-3.9	-2.8	-2.8	-1.4	-
Non Energy producer prices	1.1	0.1	-0.7	-0.4	0.5	0.5	0.8	-
Housing Price Index	6.7	5.1	2.1	1.7	-	-	-	-
Wages Collective bargaining	1.7	2.3	2.0	1.9	1.9	1.9	1.9	-
Compensation of employees per head / fte (QNA)	1.0	2.1	2.9	0.8	2.1	-	-	-
Public sector (% GDP)								
General government balance	-2.5	-2.9	-6.5	-6.8	-	-	-	-
Gov.Balance without local gov	-3.0	-3.2	-6.2	-6.7	-7.8	-7.8	-	-
State balance	-1.4	-1.3	-4.3	-5.0	-6.5	-6.5	-	-
General government debt	97.4	95.5	110.2	114.1	-	-	-	-

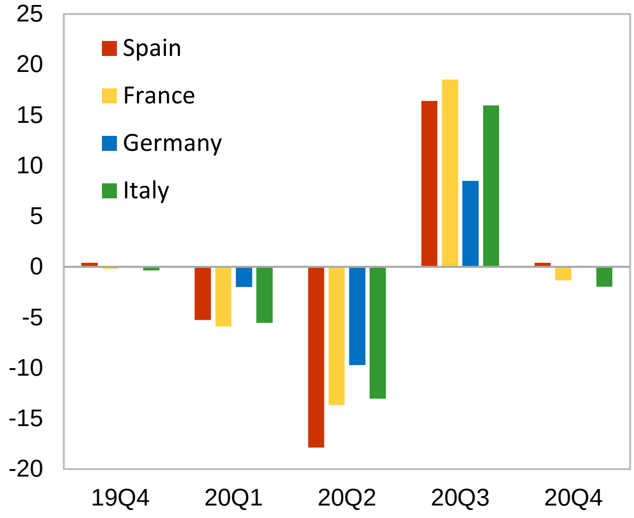
Sources: INE, IGAE, AEAT, BE, MISM, MTES, MH, European Commission, ANFAC, REE and Markit.

International economy

In the fourth quarter of 2020, the GDP of the Eurozone contracts, while that of the United States grows

According to the flash estimate published by Eurostat, the Eurozone **GDP** fell by 0.7% q-o-q in the fourth quarter of 2020 (-5.1% y-o-y). The highest growth was recorded in Spain (0.4%), followed by Germany (0.1%), while GDP fell in France (-1.3%) and Italy (-2%). In year-on-year terms, the four countries accumulate significant declines compared with a year earlier: -3.9% y-o-y in Germany, -5% in France, -6.6% in Italy and -9.1% in Spain.

Graph 18. ***GDP growth***
(% q-o-q change)



Source: Eurostat.

For its part, the GDP of the United States grew by 1% q-o-q in the fourth quarter of 2020 (4% annualised, -2.5% y-o-y), after 7.5% growth in the third.

In 2020 as a whole, all economies contracted, reflecting the major impact that the COVID-19 pandemic is having worldwide. Sharp falls were recorded in the Eurozone, which contracted by 6.8% y-o-y in 2020 as a whole, with particularly sharp falls in Spain (-11%), Italy (-8.9%) and France (-8.3%), while GDP in Germany fell by 5.3%. For its part, the United States economy contracted more moderately, by -3.5% y-o-y.

Activity and consumption continued to reactivate at the end of 2020 in the Eurozone...

In November, **industrial production** reactivated in the Eurozone, moderating its year-on-year fall by 2.9 points to -0.6%, the lowest decrease since April 2019 (-0.5%). In the same vein, **construction** production softened its year-on-year fall by 0.6 points, to -1.3%, after two months in which it recorded falls of close to 2%.

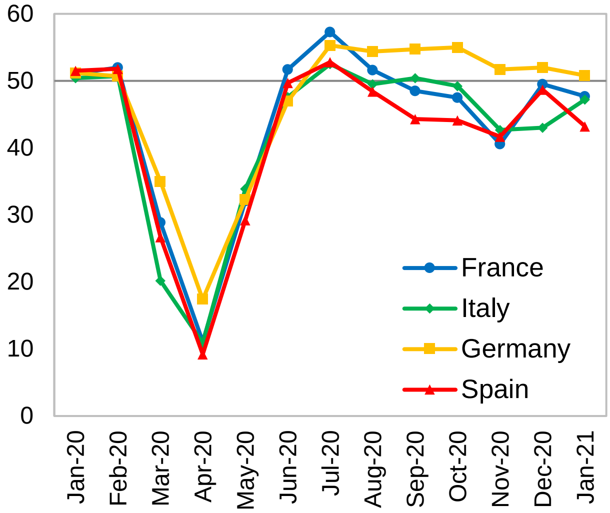
On the consumption side, it is worth noting the moderation in the fall in car **registrations** in the Eurozone of over nine points, to -2.8% y-o-y in December. The performance by country was mixed: Germany rebounded by 12.9 points to 9.9% y-o-y, France moderated its fall (+15.3 points, to -11.8%) and Italy intensified its fall (-6.6 points, to -14.9%), while Spain stabilised (0% y-o-y), after four months with double-digit rates of decline (-18.7% y-o-y in November).

... while most qualitative indicators turned downwards in January

The composite **PMI** of the Eurozone worsened in January (-1.3 points to 47.8), weighed down mainly by the services component (-1 point, to 45.4), while the manufacturing component has stood in the expansion zone since last July, although it fell slightly (-0.4 points to 54.8).

By major country, Italy improved, although it remains in the contraction zone (+4.2 points to 47.2), while the others worsened: Germany (-1.2 points to 50.8) recording the lowest level of the last seven months, France (-1.8 points to 47.7) and Spain (-5.5 points to 43.2).

Graph 19. ***Composite PMI***
(level > 50 indicates expansion)



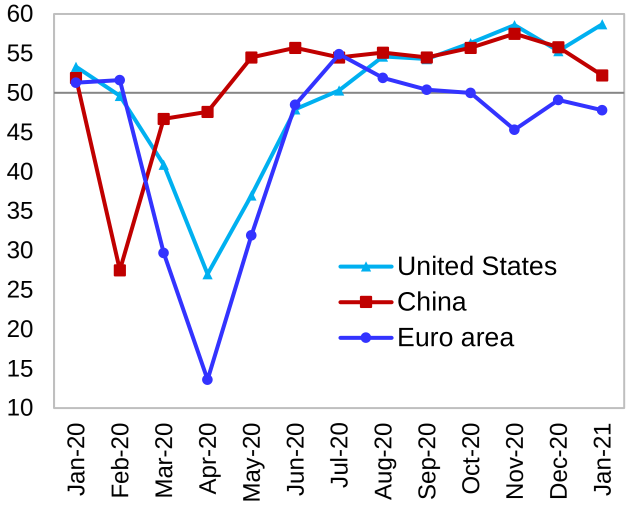
Source: IHS Markit.

Outside the Eurozone, the composite PMI of the United States grew to its highest value in almost six years, while the PMI of China worsened, although it remains in the expansion zone (Graph20).

The OECD's **composite leading indicator** for the Eurozone rose slightly in January (Graph 21), by 0.1 points to 98.9, as it did in Germany (to 100.2), France (to 97.8) and Italy (to 99.6), while it remained stable in Spain (95.5).

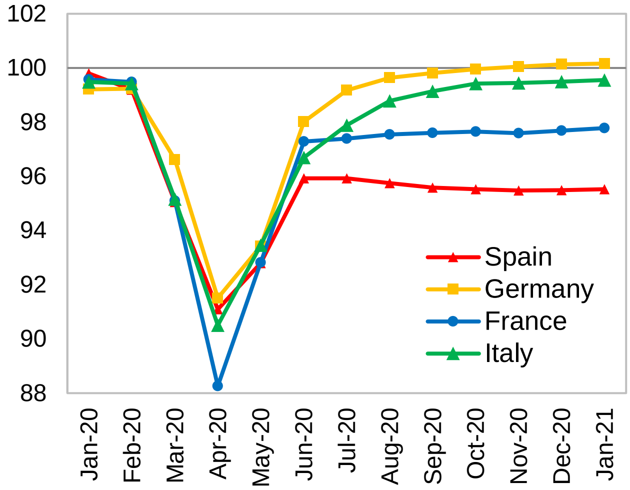
Economic sentiment in the Eurozone fell by 0.9 points in January, to 91.5, after an increase of over three points in the previous month. By major country, the results were mixed: it fell by 2.3 points in Germany and by 2.6 points in France, while it rose by 2.4 points in Spain and by 0.4 points in Italy. However, all economies record figures that are much lower (almost 10 points) than the long-term average.

Graph 20. ***Composite PMI***
(level > 50 indicates expansion)



Source: IHS Markit.

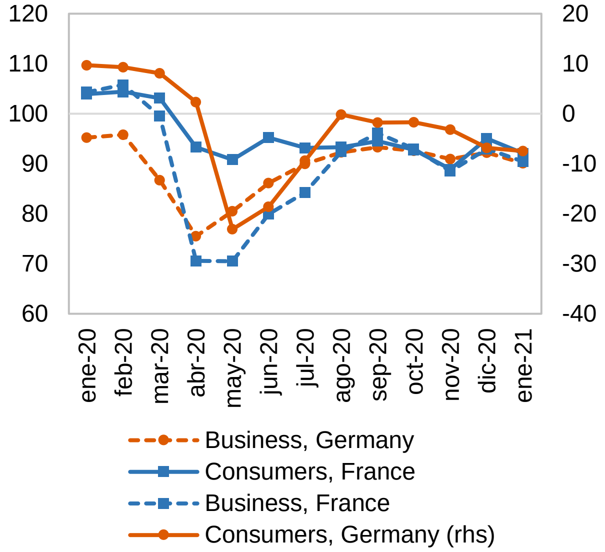
Graph 21. ***Composite leading indicator***
(100 = long-term average)



Source: OECD.

Other opinion indicators show signs in the same direction, with falls in January in the consumer **confidence** index in France and the consumer and business indices in Germany, although the business confidence index in France rose in the same period (Graph 22).

Graph 22. ***Confidence indicators***
(long-term average: 100 LHS, 0 RHS)



Sources: GfK, IFO, Insee.

Inflation accelerates in the Eurozone

The Eurozone **consumer price** index accelerated sharply, by +1.2 points, in January to 0.9% y-o-y, after five months at negative rates, according to Eurostat's flash estimate. All components contributed significantly to this evolution, except food, whose price growth rate hardly changed (1.5%), in contrast to the prices of non-energy industrial goods, which rose for the first time in half a year (1.4%), those of services, which doubled their rate (1.4%) and energy prices, which moderated their fall by almost 3 points (-4.1%). Core inflation accelerated by one point, to 1.4%, after four months at 0.4%.

As a result, the harmonised inflation rate **differential** between Spain (+0.6%) and the Eurozone remains at -0.3 percentage points.

World trade in goods reaches levels higher than at the end of 2019

World trade in goods by volume rose by 2.1% m-o-m in November 2020 (0.7% in October), to stand slightly above the levels recorded at the end of 2019. On the import side, growth mainly took place in developed countries, while on the export side, there was a noteworthy rise in China’s exports of 5.6%.

Table 3. ***International economic indicators***

(% y-o-y change, unless qualitative indicators or otherwise indicated)

	2018	*2019*	*2020 Q2*	*2020 Q3*	*2020 Q4*	*Nov-20*	*Dec-20*	*Jan-21*
Global								
Global Manufacturing PMI Index	52.7	50.0	43.3	51.6	53.5	53.8	53.8	53.5
Global Services PMI Index	53.8	52.2	35.7	51.6	52.3	52.2	51.8	51.6
Global activity PMI Index	53.6	51.6	36.8	52.0	53.0	53.1	52.7	52.3
World trade goods	3.4	-0.4	-14.4	-4.2	0.0	1.5	-	-
Zona euro								
GDP	1.9	1.3	-14.7	-4.3	-5.1	-	-	-
Manufacturing PMI Index	55.0	47.4	40.1	52.4	54.6	53.8	55.2	54.8
Services PMI Index	54.5	52.7	30.3	51.1	45.0	41.7	46.4	45.4
Composite PMI Index	54.6	51.3	31.3	52.4	48.1	45.3	49.1	47.8
Economic Sentiment Indicator	111.8	103.7	72.0	88.5	91.4	89.3	92.4	91.5
Consumer confidence indicator	-4.8	-7.0	-18.5	-14.4	-15.6	-17.6	-13.8	-15.5
Industrial Production Index	0.8	-1.4	-20.1	-6.4	-2.0	-0.7	-	-
Passenger car registrations	1.2	1.5	-50.9	-6.3	-7.5	-12.5	-2.8	-
Trade balance (bll €)	191.3	223.2	24.1	62.7	-	25.1	-	-
Exports	4.2	2.8	-23.5	-9.3	-4.9	-2.6	-	-
Imports	7.1	1.6	-21.2	-11.9	-7.5	-6.1	-	-
Employment	1.6	1.2	-3.0	-2.1	-	-	-	-
Unemployment rate	8.2	7.6	7.6	8.6	8.3	8.3	8.3	-
CPI	1.8	1.2	0.2	0.0	-0.3	-0.3	-0.3	0.9
Estados Unidos								
GDP	3.0	2.2	-9.0	-2.8	-2.5	-	-	-
Manufacturing PMI Index	55.4	51.8	41.9	52.4	55.7	56.7	57.1	59.2
Services PMI Index	54.9	52.5	37.4	53.2	56.7	58.4	54.8	58.3
Composite PMI Index	55.0	52.5	37.3	53.1	56.7	58.6	55.3	58.7
Consumer confidence indicator	130.1	128.3	90.0	93.1	93.8	92.9	87.1	89.3
Industrial Production Index	3.9	0.9	-14.2	-6.5	-4.7	-5.4	-3.6	-
Trade balance (bll €)	-872	-854.4	-217.1	-242.5	-	-85.5	-	-
Exports	7.7	-1.4	-29.4	-12.7	-6.8	-6.4	-	-
Imports	8.5	-1.6	-19.8	-4.5	4.0	6.0	-	-
Employment	1.6	1.1	-12.3	-7.4	-5.5	-5.5	-5.6	-
Unemployment rate	3.9	3.7	13.1	8.8	6.8	6.7	6.7	-
CPI	2.4	1.8	0.4	1.2	1.2	1.2	1.4	-
China								
GDP	6.7	6.1	3.2	4.9	6.5	-	-	-
Manufacturing PMI Index	50.7	50.5	50.4	53.0	53.8	54.9	53.0	51.5
Services PMI Index	53.1	52.5	52.6	54.3	57.0	57.8	56.3	52.0
Composite PMI Index	52.3	51.8	52.6	54.7	56.3	57.5	55.8	52.2

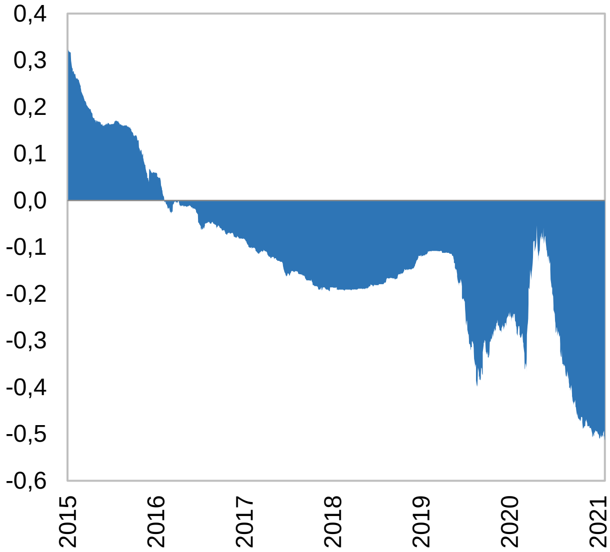
Sources: Markit, CPB, BEA, Federal Reserve, BLS, The Conference Board, ESRI, Statistical Office of China, Eurostat, EC and ACEA.

Financial markets and commodities

The Euribor marks a new all-time low in January...

The **interbank interest rate**, measured by the 12-month Euribor, continued in January with downward pressures and closed the month at -0.51%, the lowest level in its history, influenced by the accommodative policy of the European Central Bank (ECB), which at its first meeting in 2021 did not rule out new stimulus measures if the economic situation in the Eurozone worsens.

Graph 23. ***12-month Euribor***
(%)

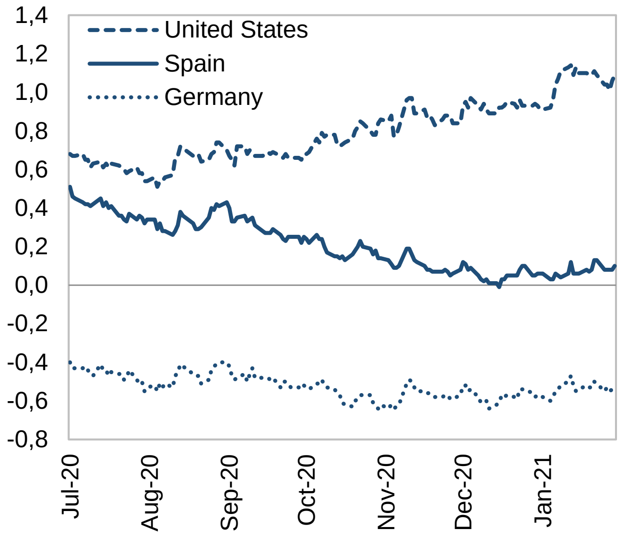


Source: Reuters.

...while the yield on the 10-year bond is consolidated in slightly positive territory

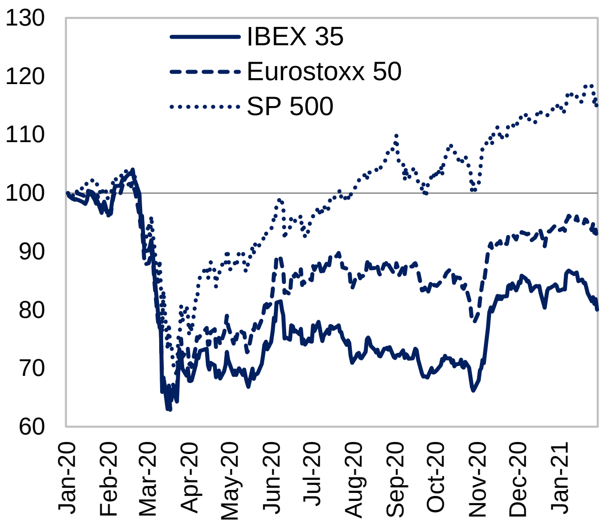
The **yield on the Spanish 10-year bond** continued in January with the slight increases that began in the middle of December, when it reached -0.01%, closing at 0.1%, four basis points above the yield recorded at the end of 2020 (Graph 24).

Graph 24. ***10-year Spanish bond yield***
(%)



Source: Financial Times.

Graph 25. ***Stock indexes***
(100 = 2 Jan 2020)



Source: Reuters.

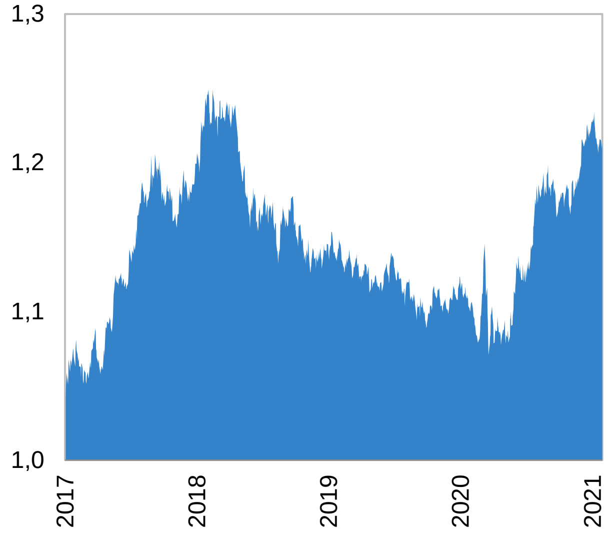
Stock markets record falls in January

After a good start to the year, the **IBEX 35** ended January with a fall of close to 4%. European and American stock markets remained more stable, although they closed the month with falls (-2% the **Eurostoxx 50** and -1.1% the **S&P 500**).

The euro loses value slightly in January

The **euro** depreciated in January against the dollar by 1.1%, thus losing the gain recorded in December, to stand at 1.21 at the end of the month.

Graph 26. ***Euro-dollar exchange rate***



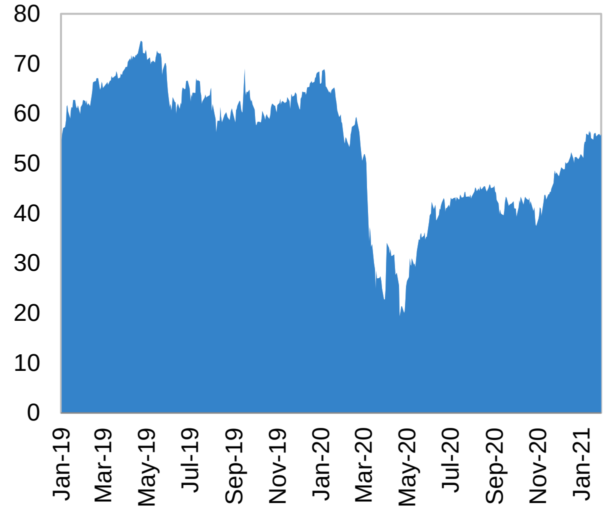
Source: Reuters.

Commodity prices broadly maintained their upward trends in January

Global commodity markets maintained upward trends in January, although price increases were constrained by a stronger dollar.

Among **energy products**, the price of oil rose by almost 8% and at the end of January stood at pre-crisis levels, close to 56 dollars. This was mainly the result of Saudi Arabia's commitment to cut production in view of the expectation of further falls in demand and optimism regarding the new fiscal stimulus announced in the US.

Graph 27. ***Brent oil price***
(USD per barrel)



Source: ICE.

The price of **gas** continued to rise, although more moderately than in December, thus reflecting the strong variability associated with the weather changes of the winter months with price peaks above $26/MW.

Agricultural commodity prices broadly maintained their upward trend as a result of the recovery in demand, mainly from China. Particularly noteworthy was the increase in the price of corn of over 10%.

Industrial metal prices rose, but more moderately than in previous months, as a result of the consolidation of the recovery in industrial demand, tempered by doubts resulting from the new outbreaks and the strength of the dollar. There were some notable exceptions such as tin, which reached six-year highs due to a shortage of this metal. The price of copper grew by 1.8%, and that of aluminium by 0.5%.

Finally, **precious metal** prices over January showed a downward trend as a result of the strength of the dollar and the increase in government bond yields, with the exception of a significant upturn in silver in the final days of the month as a result of speculative factors.

Table 4. ***Financial and commodities markets indicators***

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

	31-dec	***29-jan***	*Monthly change* ***29-jan***	*Accum. Change in 2021* ***29-jan***	*Percentage change* ***29-jan***
Interest rates					
ECB Intervention rate	0.00	0.00	0.00	0.00	0.00
Euribor rates:					
3 months	-0.55	-0.55	0.00	0.00	-0.16
12 months	-0.50	-0.51	-0.01	-0.01	-0.23
10 year Gov. Bond yield:					
Spain	0.06	0.10	0.05	0.05	-0.13
Germany	-0.58	-0.52	0.06	0.06	-0.07
US	0.91	1.09	0.18	0.18	-0.43
10 year spreads against Germand bond:					
France	23	25	2	2	-1
Spain	63	62	-1	-1	-5
Portugal	64	56	-8	-8	-10
Italy	110	117	7	7	-20
Greece	120	120	0	0	-42
Exchange rates					
Euro/US $	1.23	1.21	-1.10	-1.10	9.81
Euro nominal effective	102.19	101.11	-1.05	-1.05	4.34
Stock exchange					
USA (S&P 500)	3,756	3,714	-1.1	-1.1	15.2
Eurozone (EUROSTOXX 50)	3,553	3,481	-2.0	-2.0	-4.4
Germany (DAX)	13,719	13,433	-2.1	-2.1	3.5
France (CAC 40)	5,551	5,399	-2.7	-2.7	-7.0
Italy (FTSE MIB)	22,233	21,573	-3.0	-3.0	-7.2
Spain (IBEX 35)	8,074	7,758	-3.9	-3.9	-17.2
UK (FTSE 100)	6,461	6,407	-0.8	-0.8	-12.1
China (SHANGHAI COMP)	3,473	3,483	0.3	0.3	17.0
Raw Material Prices (USD)					
Brent oil ICE	51.8	55.9	7.9	7.9	-3.9
Natural Gas TTF	19.1	19.8	3.6	3.6	103.2
Copper	7,741.5	7,877.0	1.8	1.8	41.4
Iron	1,978.0	1,987.0	0.5	0.5	16.3
Gold	1,894.0	1,848.7	-2.4	-2.4	16.7

Sources: European Central Bank, Bank of Spain, Reuters, Intercontinental Exchange, London Metal Exchange.