



BULLETIN OF EU AND US INFLATION AND MACROECONOMIC ANALYSIS

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Director_Antoni Espasa

THE SPANISH GROSS DOMESTIC PRODUCT IN THE FIRST QUARTER OF 2014

Without the heavy surprise of 4.4% growth in public consumption, the gross domestic product would have fallen by 0.4%.

Growth of private consumption, 0.4%, appears to depend more than usual on imports.

Relative to the previous quarter, the first quarter's GDP grew by 0.4%, similar to our 0.3% forecast. However, there were important surprises in its components.

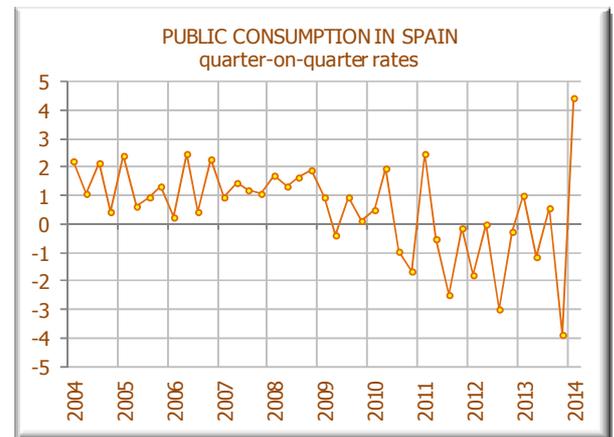
The first quarter figures highlight an enormous increase in public consumption, largely salaries and purchases, which grew by 4.4% relative to the previous quarter, instead of the forecast 0.4%. This has to be seen in the context of the last quarter of 2013, when it fell by 3.9%, also a surprise, in the opposite direction, but of lower magnitude. In other words, between the last quarter of 2013 and the first of 2014 there were important surprises that partly counteracted each other. This GDP component is somewhat erratic (see graph) and when the 2013 GDP figures would be revised we could expect that most of the revision would correspond to public consumption. At the present time, growth in public consumption contributes 0.8 percentage points to GDP growth -0.4%- in the first quarter of 2014. Without it, the GDP would have fallen by around 0.4%.

The published GDP figures also show that exports fell by 0.4% relative to the previous quarter, when they were expected to grow by 0.9%; however, imports grew by 1.5%, 0.8 percentage points more than expected. The foreign sector's contribution to GDP growth was therefore -0.6 percentage points.

Imports respond to domestic demand and exports. The component of domestic demand with the least impact on imports is public consumption, and exports fell in the quarter, showing that import growth is closely linked to the growth of private consumption, which was 0.4%. However, according to the discrepancies between the observed values and our forecasts, private consumption in this quarter depended more than usual on imports. This is consistent with the fact that gross value added in the industrial sector fell by 0.5% relative to the previous quarter, when the forecast was a 0.3% increase.

With regards to employment, in equivalent jobs it grew by 0.1% relative to the previous quarter, when in the active population survey it fell by 1.1%, with employed with indefinite contracts also falling by 0.5%. This apparent inconsistency between the National Accounts and the Survey could be because part-time jobs represented more hours in the first quarter of 2014 than in the last of 2013.

Graph 1



Source: INE & BIAM (UC3M)

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