Beat: Business

The economy turns its back on the new Spanish Government

The indicators are pessimistic

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USPA NEWS - It has not been three months since the Spanish Prime Minister, the socialist Pedro Sanchez, came to office abruptly, becoming the first head of government in the history of Spain that holds the post without winning an election and with only 84 deputies in Parliament (24% of the House), and the economy has begun to turn its back on it. At least five indicators show setbacks and the prospects are not too rosy.

When Pedro Sanchez took office as Prime Minister, he inherited a country that had managed to recover from the worst economic crisis in decades, which grew again and looked to the future with some confidence. Less than three months later, the economic sentiment indicator, which measures the confidence of citizens, employers and investors in the country's financial situation, has fallen to the worst level since 2017. In addition, sales in large companies and the index of industrial production has lost momentum, and the trade deficit increased in June, mainly due to the worsening of the energy balance.

Nor does inflation give good news. Although it remains stable at 2.2% year-on-year, it is higher than the expected rise in pensions, which is set at 1.6%. So retirees lose purchasing power. Neither the youngest find facilities to develop their life projects: the constitution of mortgages and business turnover slow down, while in June the net outflows of capital totaled 11,127 million euros, 10,243 million more than in May and far away of the 18,000 million euros that entered last March.

But the Government is not worried. While negotiating in Parliament a new spending ceiling and with the European authorities the permission to break the commitments made, the Spanish Government is satisfied with ending this year with a growth of 2.7%, the worst data of the last four years. And the forecasts are not good: the National Institute of Statistics (INE in its Spanish acronym) anticipates a growth in the second quarter of 0.6%, one tenth more than that foreseen in Germany, the locomotive of the European Union.

And the job? The Research Service of BBVA, the second most important bank in Spain, foresees a moderation of job creation during the third quarter. The data that are becoming known seem to give the reason: August 31 was the day with the most job destruction in the history of Spain, 15,000 jobs lost every hour. With all these indicators, the risk premium, which was at 100 basis points on August 3, when the new Government took office, reached 118 basis points on August 31. And while, Ireland's risk premium is at 50 basis points. A sign that investors are rethinking the credibility of Spain.

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