

# Spain

## Spain remains mired in recession

### Key findings

- Spain lags Eurozone partners.
- PMI signals further decline in Q4.

### Sixth successive quarter of falling GDP

The final release of third quarter Spanish Gross Domestic Product (GDP) confirmed that the economy is still in recession, with output falling 0.3% over the quarter and 4.0% during the past year. Spain is the last of the major Eurozone economies to stay in recession, lagging France and Germany in particular, which exited their recessions in Q2.

GDP is now back down to mid-2006 levels, with the weakness of the Spanish economy highlighted by another negative contribution to output from domestic demand, which took 6.5% off GDP during the third quarter.

Spanish PMI data, compiled by Markit, has tracked the recession, signalling lower output in each month since the start of 2008. Moreover, latest data signalled that recession continued at the start of Q4, with activity falling modestly in October.

### Reduced stimulus plan for 2010

Spain has announced new stimulus plans for next year, on a smaller scale and with a greater focus towards boosting employment long-term than seen in the 2009 plan.

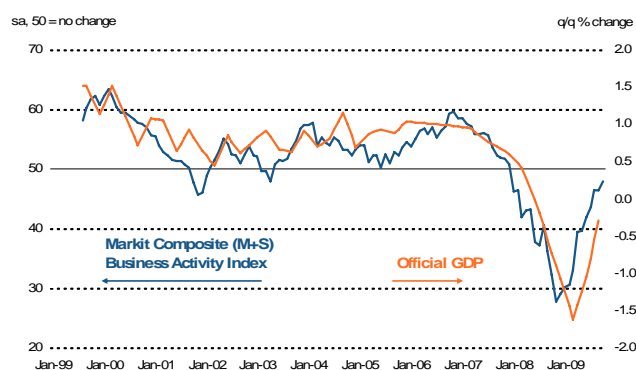
The size of next year's stimulus has been restricted by a rising budget deficit (6% of GDP in the year to September), although the European Commission's decision to allow a further year for countries to return to a maximum deficit of 3% of GDP has provided some room for manoeuvre.

PMI data will provide the first indication of whether the government's measures are enough to see a return to

growth or whether recession will continue during 2010. The latest OECD forecasts for Spanish GDP (revised yesterday) point to a slight fall in output next year of 0.25%.

The next Spain Manufacturing PMI (with November data) is released on December 1, with the Services PMI published on December 3. To find out how to receive data from the surveys, or obtain copies of the reports please contact [economics@markit.com](mailto:economics@markit.com).

Chart 1: Spanish GDP v PMI



Sources: Markit, INE

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