

Spain: top of the class !

Since the Covid crisis, the Spanish economy has posted a solid economic performance. Its growth appears to be the most dynamic of Europe's major economies, without being accompanied by major budgetary and external imbalances. The Spanish economy is holding up well thanks to strong growth in tourism and exports of other services, substantial demographic growth linked to migratory flows, and rising public spending. Nevertheless, these fine performances have not yet wiped out all the consequences of the crisis of the 2010s.

The best-performing economy in the euro area since the Covid crisis. Since 2022, Spanish growth has averaged 4.1% a year, compared with 1.7% for the euro area. In 2024 and 2025, growth will be equivalent to that of the United States. This outperformance is due first and foremost to a catch-up effect: Spain experienced one of the sharpest contractions in 2020 and did not return to its pre-Covid level until more than a year after its peers. Nevertheless, even once this effect was over, Spanish growth remained strong. Moreover, this strong growth has not come at the expense of external and fiscal balances. The current account balance, which was largely in deficit during the period of strong growth in the 2000s, now shows a surplus of 2.9% of GDP, reflecting the balance of services. Public finances also remain in good shape, with a primary budget deficit (excluding interest on debt) of 1.6% of GDP, lower than that of Germany, and a debt-to-GDP ratio that is gradually being reduced (105% of GDP in 2024 compared with 124% in 2020).

Past performance is not a guarantee of future performance. All data is from Bloomberg, Macrobond as of 11/29/2024, completion date of this publication. In accordance with the regulations in force, we inform the reader that this document is qualified as a promotional document

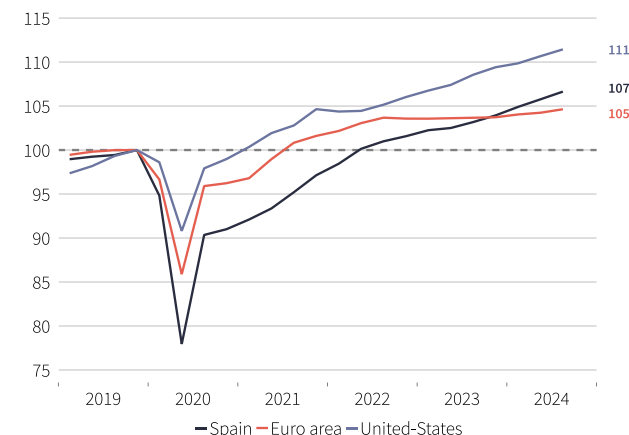
This sound public finances has also enabled the government bond yield risk premium (spread to German yield) to be reduced to 73bp, its lowest level since the sovereign debt crisis.

A mix of services, demographics and public spending. A first explanation for this good performance is the strong growth in services exports, averaging 12% over the last two years. While some of this growth can be explained by the tourism sector, it also reflects the strong performance of business services exports (including consulting services). A second factor is the favorable demographic dynamic. Since the Covid crisis, Spain's working population has grown by 1.4 million, boosting domestic demand. In addition, as in the United States, most of the increase in the working population is due to rising immigration, mainly from outside the European Union. Another outperformance factor is the growth in public consumption, which has exceeded 3% in recent years, as part of the European recovery plan. Finally, from a structural point of view, Spain has weathered the energy and Chinese competition shocks better than its peers, with its energy mix less dependent on Russia and its economy more focused on services.

The wounds of the 2010 crisis have yet to heal. The strong momentum of the Spanish economy in recent years has not, however, erased all the consequences of the bursting of the property bubble in the 2010s. Indeed, although it has fallen significantly from its peak in 2013, the unemployment rate in Spain remains high, at 11%, well above the unemployment rate in the euro area. This high level of unemployment still mainly concerns people under the age of 25. Non-residential investment also remains sluggish, with an investment rate of 13% of GDP (compared with over 17% before 2010), which should limit productivity gains and thus growth potential in the medium term.

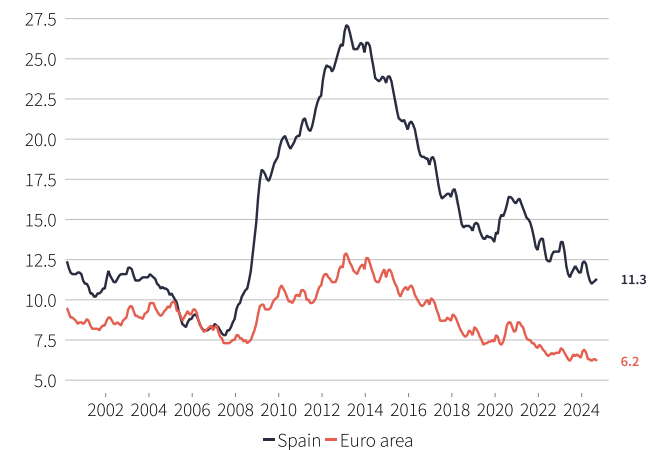
GDP IN VOLUME

100 = 31/12/2019



Sources: Société Générale Investment Solutions, Macrobond, INSEE, DESTATIS, Eurostat, Istat, CAO, INE, ONS, BEA 2024 Q3

UNEMPLOYMENT RATE (%)



Sources: Société Générale Investment Solutions, Macrobond, Eurostat 09/2024

OUR MACRO COMMENTS

Events of the week

France : on the back foot in the financial markets

The CAC 40 was battered this week, falling by 0.8% over the week compared with 0.35% for the Eurostoxx 50. The sovereign risk premium on French debt continued to diverge, widening to 82bp against the German 10-year yield and reaching the level of the risk premium on Greece. These events should be seen in the context of persistently sluggish economic activity and the growing risk of a motion of censure against the Barnier government as part of the Finance Bill discussion.

United States: Donald Trump announces plans to raise tariffs on the start of its term

Donald Trump has said that he intends to raise tariffs on Canada, Mexico (+25%) and China (+10%) as soon as he takes office in January. These three countries alone account for almost half of total US imports. These announcements have heightened trade tensions and fears of imported inflation. If US consumers have no substitute for the goods from these three countries whose prices are set to rise, this should translate into higher prices for end consumers. It should be noted that Canada and Mexico, which benefit from a free trade agreement with the United States, send around 3/4 of their exports to the US.

Euro area: slight technical rebound of inflation

In Germany, harmonised inflation remained stable at 2.4% year-on-year. In France, inflation rebounded slightly to 1.7% year-on-year, driven by service prices. In the euro area, inflation rose for the 2nd month in a row, but this was due to significant base effects. Core inflation remained stable at 2.7% year-on-year. The rebound in inflation therefore remains limited. With economic activity remaining weak, the ECB is expected to cut its key rates again in December.

THE WEEK IN DATA

Country	Data	Actual	Last	Forecast
Germany	HCPI Inflation Rate November	2,40%	2,40%	2,60%
	Gfk Consumer Confidence	-23,3	-18,3	-18,7
France	HCPI Inflation Rate november	1,70%	1,60%	1,80%
United States	GDP Growth Rate Q3 QoQ	2,80%	3%	2,80%
	Durable Goods Orders MoM October	0,20%	-0,7	0,3
	Personal Income MoM October	0,60%	0,30%	0,30%

Source: Macrobond, November 29, 2024. The colors in the 'Actual' column correspond to the difference from the forecast

KEY EVENTS NEXT WEEK



Monday

China Manufacturing PMI November
United States ISM Manufacturing November

Tuesday

United States JOLTS Job Openings October
United-Kingdom Retail Sales November

Wednesday

United States ISM Services November
Chine Services PMI November

Friday

United States Non-farm payrolls November
 Unemployment rate November
Germany Industrial production October

Saturday

China Balance of trade November

MARKET PERFORMANCES

Interbank rates

%	27/11/2024	29/10/2024	29/08/2024	01/01/2024	29/11/2023
US SOFR	4.683	4.86	5.35	5.34	5.33
Euro area €ster	3.165	3.16	3.66	3.88	3.90
UK SONIA	4.700	4.95	4.95	5.19	5.19
Switzerland SARON	0.956	0.95	1.21	1.70	1.70
Japan TONAR	0.228	0.23	0.23	-0.04	-0.02

10Y Government rates

%	27/11/2024	29/10/2024	29/08/2024	01/01/2024	29/11/2023
US Treasuries	4.25	4.28	3.87	3.88	4.27
France OAT	3.02	3.07	3.00	2.55	2.98
Germany Bund	2.17	2.33	2.28	2.02	2.41
Italy BTP	3.41	3.48	3.66	3.70	4.11
Spain Bonos	2.89	3.03	3.10	2.98	3.42
Switzerland	0.33	0.44	0.42	0.66	0.86
UK Gilts	4.31	4.30	4.02	3.60	4.17
Japan JGB	1.05	0.97	0.90	0.62	0.75

Credit

%	28/11/2024	29/10/2024	29/08/2024	01/01/2024	29/11/2023
United States IG	5.11	5.12	4.90	5.06	5.56
United States HY	7.19	7.28	7.30	7.59	8.42
Europe IG	3.38	3.48	3.65	3.72	4.26
Europe HY	5.81	5.98	6.32	6.80	7.78
Emerging FX	6.21	6.25	6.39	6.77	7.34

Equity indices

28/11/2024 vs	-1w	-1m	-3m	01/01/2024	-1y
World	0.27	2.009	5.492	21.52	27.60
United States	0.49	3.858	8.530	27.02	34.48
Euro area	-0.36	-2.779	-2.965	7.30	11.81
France	-0.90	-4.354	-5.624	-1.76	2.19
Germany	0.25	-0.868	2.288	13.82	19.25
United Kingdom	0.34	1.045	-0.827	10.52	15.18
Japan	-0.30	0.137	0.692	15.95	15.31
Emerging	-0.51	-3.552	0.379	12.22	16.81
China USD	0.45	-6.771	12.722	15.38	11.42
India USD	1.29	-1.501	-5.489	16.65	28.03
Latin America USD	-3.93	-7.317	-10.055	-21.67	-13.93

Foreign exchange rates

	28/11/2024	29/10/2024	29/08/2024	01/01/2024	29/11/2023
EUR/USD	1.06	1.08	1.11	1.11	1.10
GBP/USD	1.27	1.30	1.32	1.27	1.27
EUR/CHF	0.93	0.94	0.94	0.93	0.96
USD/JPY	151.57	153.44	145.34	141.03	147.41
USD/CNY	7.24	7.13	7.10	7.08	7.08

Commodity prices

	28/11/2024	29/10/2024	29/08/2024	01/01/2024	29/11/2023
Brent, USD/BL	73	71	79	77	83
Copper, USD/Metric ton	8,851	9,431	9,116	8,476	8,384
Gold, USD/Troy oz	2,638	2,774	2,521	2,063	2,044
Silver, USD/Troy oz	30	34	29	24	25
Palladium, USD/Troy oz	987	1,222	957	1,136	1,024
Platinum, USD/Troy oz	935	1,050	941	1,000	932

Source : Bloomberg on 29 November 2024, 1W = 1 week change, 3M = 3 month change, 12M = 12 month change, YTD = year to date change, Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded.

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