

Q2 - 2017 Spanish Economy Continues To Head In A Positive Direction

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The economy continues to build momentum as stronger-than-expected dynamics in the first quarter carry over into Q2. Households continue to benefit from higher real estate prices and robust job-creation—growth in Social Security affiliations picked up in April—which so far have prevented the effects of mediocre wage growth and rising inflation from wreaking havoc on private spending.-

Other leading data points to a better-performing economy, with both the services and manufacturing PMIs accelerating markedly in April and exports expanding at the fastest pace on record in Q1. In-line with the improved dynamics, GDP growth for Q1 was confirmed at a robust 0.8% quarter-on-quarter.

The strength of the economy will play a critical role in this year's long-belated budget, as officials expect economic growth to bring about a sizeable increase in tax collection and a hike in social security contributions, which in turn will allow the expected shortfall to meet the EU target of 3.1% of GDP for 2017.