

Labour Market Monitor

Issue No. 89 | December 2014

Keys Points of the month

- The November labour market data show a better than expected performance: registered unemployment fell by 14,688 in the month (6.2% YoY) and Social Security enrolment was up 5,232 (2.5% YoY).
- The fourth quarter could finish with an increase in employment on the order of 12,000, taking the increase for the year as a whole to 380,000.
- The start of 2015 will be marked by a fall in employment, as is typical of this part of the year.

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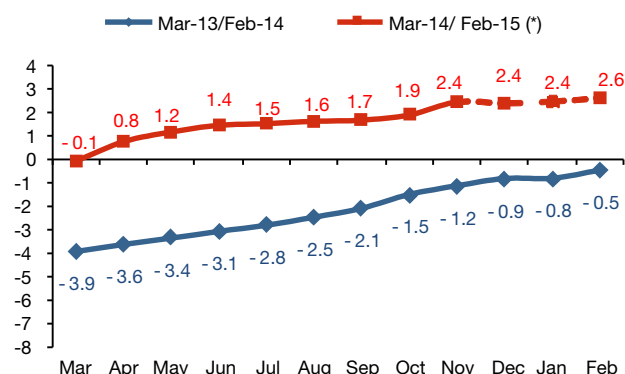
November ended with a bigger increase in Social Security enrolment than anticipated by the Afi-ASEMPLEO SLM Indicator. Enrolment did not fall by 60,000, as we had predicted, but increased by slightly more than 5,000.

With this improvement, the YoY growth rate in Social Security enrolment rose to 2.5%. The creation of employment in services remained robust and has been joined by the dynamism of enrolment in sectors in which employment had been falling until a few months ago, such as industry and, above all, construction.

While we await the data for December, the Afi-ASEMPLEO SLM Indicator forecasts that the fourth quarter could end with a rise in employment on the order of 12,000, contrasting with the fall of 94,000 in the same quarter last year. This would bring the increase in employment for the whole year to 380,000, for a total of 17.5 million.

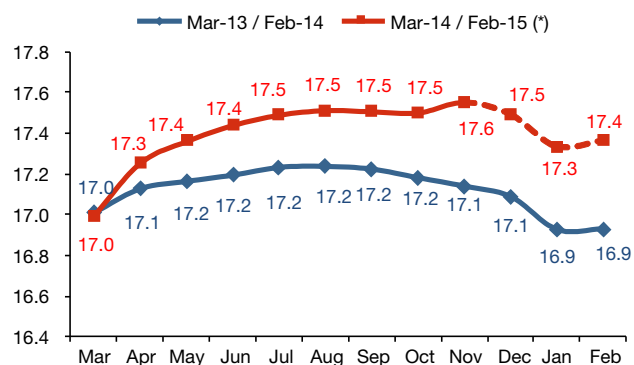
The start of 2015 will be marked by a fall in employment, as is typical of this part of the year. On a seasonally adjusted basis, Spain will continue to create employment, but probably at a slower rate than seen in 2014. The incipient improvement in employment in industry and construction will be more than offset by the slowing of the increase in Social Security enrolment in services

SLM monthly forecast of workers in employment (% YoY change)



Source: Afi. (*) Dec 2014-Feb 2015 figures are forecasts

SLM monthly forecast of workers in employment (millions)



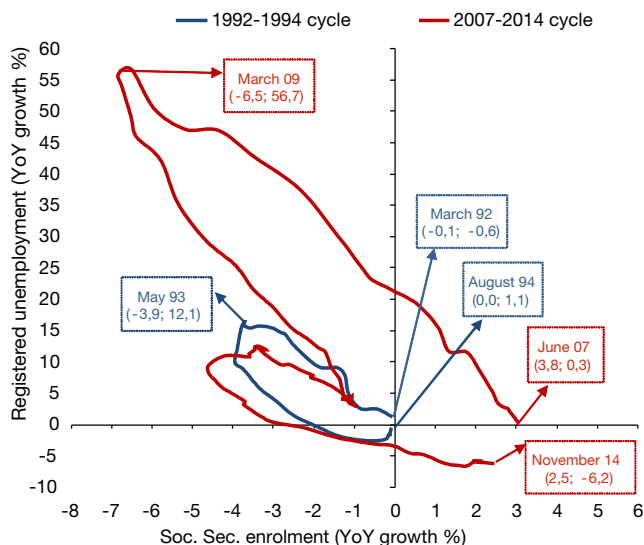
Source: Afi. (*) Dec 2014-Feb 2015 figures are forecasts

In November, unemployment declined by 14,688, the biggest fall in this month ever recorded. The acceleration of the YoY reduction in unemployment (6.2%) shows that the Spanish labour market continues to improve in the fourth quarter.

Social Security enrolment grew again in November (5,232) for the first time since the start of the crisis. Similarly, YoY growth in enrolment accelerated (2.5%), especially in the general scheme. The improvement is attributable to the growth in retailing and transportation, together with professional activities, consistent with the better performance of private consumption. Industry and construction also made notable progress, continuing to increase employment (by 1.1% and 2.0% YoY respectively). This sectoral diversification of the improvement in employment implies that the increase in economic activity is beginning to extend to all sectors, allowing them to participate in the recovery.

Recruitment grew 11.2% in November, due to both permanent and temporary hiring, bringing the annual aggregate to levels similar to those registered in 2008.

Afi-ASEMPLEO SLM 'clock'



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

Made to measure

Pre-election years are prone to optimism. And also to dissimulating the least pleasant data. In any case, the truth is that the consistently good outlook for consumption could revive the virtuous cycle in employment, banishing the spectre of deflation and... also reviving the rise in salaries.

Having arrived this far, now is the moment to call on all our resources, but the mechanisms available to connect the vast number of people who lack employment, and need it, with the specific needs of sectors such as services and especially, due to their strategic value, the new industries, are not adequate for the volume nor for the precision required for this challenge.

Companies, and specifically those individuals responsible for recruiting the right workers for vacancies, are finding that it is increasingly evident that the times have changed definitively, and that to advertise a job vacancy indiscriminately is a sure way of wasting time and resources. The time of the specialists has arrived, of made-to-measure solutions for each need, and of segmentation. And this is valid both to improve employability and find work for the unemployed registered with the State Employment Services, and for those companies that are relaunching their activity with great enthusiasm, but also with great prudence and caution.

And in all this the temporary work agencies and private employment agencies can play a decisive role. As they do throughout Europe.

Andreu Cruañas, President of Asempleo

The highlight of Afi

The employment machine

Any growth in employment in the complicated reality of our labour market will always seem insufficient to us, and much more so if we aspire to new employment of quality. But the truth is that the current year will end with substantial creation of employment for the first time in many years. It might be thought that it was only a question of time before this occurred, but it is no less true that the risk of secular stagnation in the labour market was also seen as a possibility not so long ago.

Without the labour market reforms carried out in recent years, it would probably not have been possible to achieve this result. The collapse of the labour market in the recent two recessions meant that the GDP growth rate required to create employment (the employment threshold) in those years would have been 1.9%. The successive reforms of the labour market, whose effects have been statistically verifiable since 2012, have lowered the employment threshold of our economy to 0.8%.

This result is significant and, though it should be taken as a statistical illustration from the quantitative point of view, it is strongly supported by the data published up to now. Thus all the growth in the Spanish economy over and above that employment threshold in the coming quarters will have a strong component of employment, which little by little will revive the confidence of the unemployed in their reincorporation into the labour market. Naturally, equivalent progress remains to be achieved with regard to the quality of employment. Hence it is necessary to continue with the reforms.

José Antonio Herce, Associate Director, Afi

The Specialized Labour Market Review

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Household consumption will drive GDP growth in 2015

Growth in the Spanish economy in 2015 will be supported mainly by household consumption. This growth will not be sufficient to stimulate significant increases in employment or reductions in the unemployment rate. In Europe, the lack of investment is seen as the cause behind the slowing of the recovery of the European economies. Nevertheless, Spain will be one of the fastest-growing European economies next year.

Growth in the Spanish economy in 2015 will be supported by household consumption and investment in capital equipment...

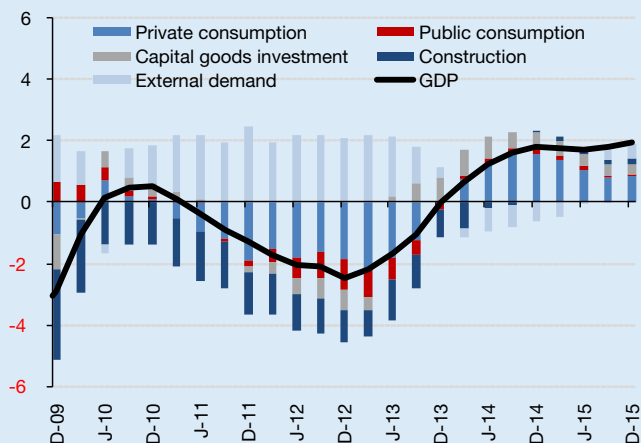
GDP will grow by 1.3% in 2014 and 1.8% in 2015. The growth forecast for next year will be attributable chiefly to domestic demand, which will contribute 1.7 percentage points to growth.

The recovery of the Spanish economy will depend to a large extent on the improvement in household consumption. Nevertheless, salary moderation, the low level of confidence and the still high indebtedness of households could result in lower growth than forecast. Investment in capital equipment will constitute the other pillar of growth in GDP in 2015. The contribution of public sector consumption and construction, though positive, will be modest. In the case of the former, this will be due to the need to continue with the adjustments pledged to maintain budgetary equilibrium and, in the second case, because the volume of activity is still very modest.

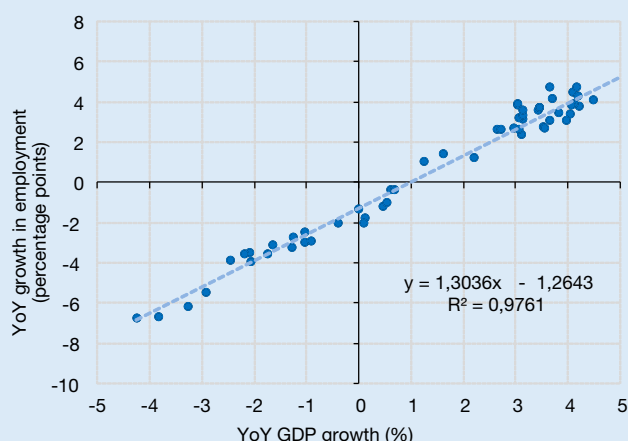
... and less by external demand.

The contribution of external demand will be smaller than hitherto, due to the slower growth of exports, which could be even more pronounced if the slowdown in economic activity in the principal European countries is prolonged.

Contribution to YoY change in Spain's GDP by component (Afi forecasts for 2015)



Relationship between YoY growth in GDP and in employment (1Q00-3Q14)



Employment will grow by 1.6% in 2015...

... and the unemployment rate will decline to 23.2%.

Keeping in mind the historical relationship between growth in GDP and in employment (full-time equivalents) in Spain, the former would have to reach 0.97% to bring about net creation of employment. However, the flexibilization of the labour market, which began to take effect in 2012, has made it possible for employment to grow with GDP growth of significantly less than 1%. Thus, employment will increase by 1.1% YoY in 2014, while in 2015 it will experience growth of 1.6%.

This contained employment creation, together with the stagnation of the labour force, explains why the unemployment rate is forecast to decline only moderately. In 2014 as a whole, it will stand at 24.5%, while in 2015 it could fall to 23.2%, a decline of only 1.3 percentage points.

Employment (thousands) and unemployment rate (%) in Spain (Afi forecasts for 2015)



Source: Afi, National Statistics Institute (INE)

Macro-economic indicators for Spain (Afi forecasts for 2015)

annual variation (%)	2010	2011	2012	2013	2014	2015
GDP	0,0	-0,6	-2,1	-1,2	1,3	1,8
Final consumption	0,6	-1,6	-3,1	-2,4	1,9	1,5
Households	0,2	-2,0	-3,0	-2,3	2,3	1,8
Pub. Admin.	1,5	-0,3	-3,7	-2,9	0,8	0,6
GFCF	-4,8	-6,3	-8,1	-3,7	2,6	3,1
Capital goods	5,8	0,9	-9,1	5,6	11,6	6,1
Construction	-10,0	-10,6	-9,3	-9,2	-2,8	1,4
Domestic Demand (1)	-0,7	-2,7	-4,2	-2,7	1,9	1,7
Exports	9,4	7,5	1,2	4,3	4,5	4,9
Imports	7,0	-0,7	-6,3	-0,4	7,6	5,1
External Demand (2)	0,8	2,1	2,1	1,4	-0,6	0,1
CPI	1,8	3,2	1,5	1,4	0,5	1,7
Employment (EPA)	-2,0	-1,6	-4,3	-2,8	1,1	1,6
Employment rate (EPA), %	19,9	21,4	24,8	26,1	24,5	23,2
Public sector balance (% GDP)	-9,7	-9,4	-10,3	-7,1	-5,5	-4,8
Net external funding (% GDP)	-4,5	-3,5	-0,2	1,5	0,6	1,2

(1)Contribution to GDP growth

Source: Afi, National Statistics Institute (INE)

The European Commission is forecasting a slow economic recovery...

The European Commission, in its Autumn 2014 Economic Forecasts report, sees weak economic growth in the European economies for the remainder of the present year and a slow increase in the growth rate in 2015. The recovery predicted for 2015 will be strengthened by an increase in domestic demand and, to a lesser extent, by the recovery in external demand.

... due to the stagnation in investment.

In the case of Spain, it expects growth of 1.7% in 2015...

... and its unemployment rate will be remain above 23%.

The European Union's forecasts for growth and employment creation have been revised downward due, among other factors, to the weakness in investment in fixed assets. The negative effect of the fall in the growth threshold is one of the main causes weighing on investment, but there are also other aspects such as the difficulties of financing and the containment of spending and investment in the public sector. The Commission forecasts that the 28 countries of the European Union will see a 1.5% increase in real GDP in 2015. Eurozone growth will be weaker (1.1%), as a result of the low growth rates experienced by Germany (1.1%), France (0.7%) and Italy (0.6%).

In the case of Spain, the European Commission expects its 2015 GDP growth (1.7%) to be above the European and eurozone averages. Similarly, it projects that in 2016 the Spanish economy will grow 2.2%. Though growth in the Spanish economy will be among the highest in the next two years, it will not be sufficient to stimulate significant creation of employment. The growth of employment in Spain in 2015 will be only 1.1%, somewhat less than in the scenario envisaged by Afi.

The European unemployment rate will not be reduced significantly in the next two years. According to the Commission, the average unemployment rate in the 28 countries of the EU in 2015 will be 10%, only 0.8 percentage points less than in 2013. For Spain, the unemployment rate is expected to stand at 23.5% in 2015, meaning that it will continue to have one of the highest unemployment rates in the European Union. The gradual recovery of the European labour market will be due to an improvement in economic activity and to the results of the structural reforms undertaken in the countries with the greatest difficulties.

