Foreword by Miriam Cruz, Country Manager - Iberia & Latam

Unemployment continues falling and was as low as 15% in 2018. While still the EU's second highest jobless rate, this represents a significant improvement from a post-recession high of 27% five years ago. Part-time employment also reached its lowest levels since 2011.

New business growth and job creation helped our service sector reach a four month high in November. And foreign tourist arrivals during the last 12 months also rose 5% compared to last year, a much needed boost for the wider consumer industry.

As job creation improved, inflation stabilised in the second half of the year. Retailers were glad to report an almost 2% increase in sales in October. And a recent business confidence index revealed Spanish companies are relatively upbeat as we enter the New Year. The index experienced its biggest increase in 10 months between September and October.

Although these are all positive indicators, the bigger picture is somewhat discouraging. GDP growth is expected to reach 2.6%, slightly ahead of expectations at the beginning of the year. Though, there's a clear deceleration of economic activity with forecasts predicting around 2.2% in 2019; far lower than the 3.1% recorded in 2017.

Employment figures also increased at a slower rate, compared to the previous two years.

Salaries rose incrementally in 2018. Though as real wages continue declining, Spain's government plans a minimum wage increase of 22%; its biggest rise since the 1970s.

Strong domestic demand is the saving grace of 2018, but it's a precarious external environment which impedes Spain's full economic recovery. Eurozone business growth is at its lowest levels since 2016, which was attributed to Q4's disappointing 0.5% GDP increase. Consequently, there's still uncertainty about the 2019 budget.

We hope you enjoy reading the report and find the perspectives offered useful. Should you have further questions, please do not hesitate to contact a member of our team who would be more than happy to clarify any of the information presented.