

Economic activity in the euro area lost momentum in 2018. It was chiefly affected by the worse performance of global demand and, in some countries, by transitory factors that have borne down on growth (see Chart 1). External factors have also contributed adversely to developments in the Spanish economy; but in Spain, growth rates have held stable, posting high figures (of around 0.6%-0.7% quarter on quarter) clearly up on those of the euro area as a whole. The greater resilience of the Spanish economy continues to be apparent in the latest economic indicators published, referring both to end-2018 and to 2019 Q1. In this connection, this box evaluates and quantifies the differences in recent developments in the euro area and Spanish economies. Such developments might, in Spain's case, be a reflection of idiosyncratic elements, which would offset the influence of the negative factors affecting both areas, and which would explain the greater slowdown in the euro area.

Very-short-term developments in economic activity can be evaluated with the help of real-time forecasting models<sup>1</sup>, such as the dynamic factor models the Banco de España has both for our economy and for that of the euro area, known as Spain-STING and Euro-STING, respectively. These two models are equivalent in methodological terms, although they are designed for real-time forecasting for each particular economy, through the selection of specific conjunctural indicators. These tools have proven very useful for processing the signals obtained from the flow of a

relatively broad set of indicators and for combining them as an overview of the course of GDP growth in the current quarter. With each new release of data on a specific indicator, these models provide for a re-evaluation of the state of the economy, measured through the change in the GDP growth projection in the current quarter.

The comparison of the path of the projections obtained with Spain-STING and Euro-STING allows for a comparative assessment of the impact of the latest information on economic activity in both economies. It should be stressed that, in interpreting the results of these models, greater significance should be given to the changes in the projections over time than to the point estimates themselves; the latter should not generally be interpreted as the best available projection of GDP growth. Indeed, at the Banco de España and among most national and international economic analysts, the usual practice is for the figures provided by the specific models to be complemented, for the formulation of the best projection, by figures from other quantitative tools, and by additional information not from the models.

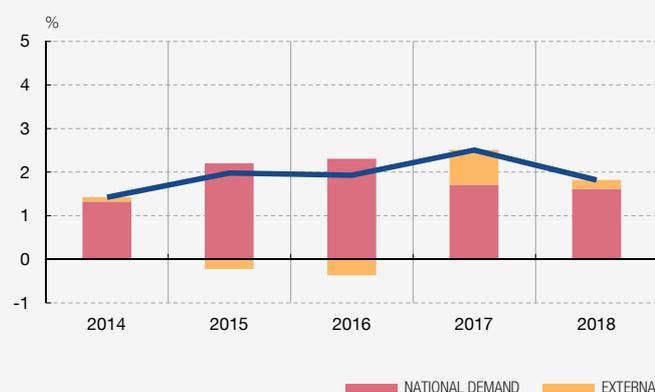
A further aspect to bear in mind is that these models generate forecasts for each of the indicators they incorporate; therefore, the GDP growth forecast will only be revised if the new information differs from that expected by the model. In this way, it is the positive (negative) surprises in the data that positively (negatively) impact the GDP projection. By way of example, positive growth in industrial production will not necessarily translate into an upward revision in the GDP forecast; it will do so only if such growth were higher than that expected by the model.

Table 1 shows the set of indicators published since the start of this year that each of these two models uses. Also given are the date of publication and the differential impact that the incorporation of the indicators has given rise to in the GDP

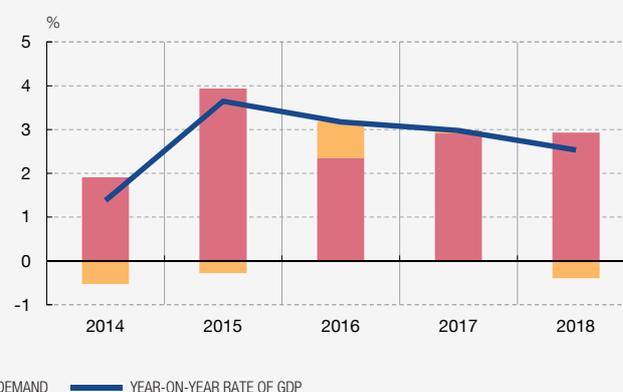
1 See M. Camacho and G. Pérez Quirós (2010), "Introducing the euro-sting: Short-term indicator of euro area growth", *Journal of Applied Econometrics*, 25(4), pp. 663-694, M. Camacho and G. Pérez Quirós (2011), "Spain-Sting: Spain Short-Term Indicator of Growth", *Manchester School*, 79(1), pp. 594-616 and A. Arancibia Pareja, A. Gómez Loscos, M. de Luis López and G. Pérez Quirós (2017), *A short-term forecasting model for the Spanish economy: GDP and its demand components*, Documento Ocasional 1801, Banco de España.

Chart 1  
YEAR-ON-YEAR GDP GROWTH AND CONTRIBUTIONS TO GROWTH

1 EURO AREA



2 SPAIN



SOURCE: Eurostat.

forecast in 2019 Q1 for the euro area as a whole and for Spain, respectively. One initial aspect to highlight is that there is no observable uniform pattern regarding the direction in which the new information has affected the growth forecasts for each economy, since the number of downward revisions has been similar to that of upward revisions. However, when the magnitude

of the impacts of the revisions as a whole is quantified, clear differences can be seen between both economies. In this respect, Chart 2 shows directly how the new information received since 1 January has led to a downward revision of the Euro-STING forecasts for quarter-on-quarter GDP growth in the euro area in Q1, while the aggregate effect has been positive in the case of the

**Table 1**  
**IMPACT OF THE LATEST INDICATORS ON ECONOMIC DEVELOPMENTS IN SPAIN AND IN THE EURO AREA**

Euro-STING				Spain-STING			
Indicator	Release date	Reference period	Impact on GDP	Indicator	Release date	Reference period	Impact on GDP
Composite PMI	04/01/2019	December	=	Social Security registrations	03/01/2019	December	+
Retail sales	07/01/2019	November	+	Electricity consumption in industry	04/01/2019	December	-
ESI	08/01/2019	December	=	Composite PMI	04/01/2019	December	-
Industrial production	14/01/2019	November	-	ESI excluding consumers	08/01/2019	December	-
Employment (revision)	14/01/2019	2018 Q3	=	Non-energy Industrial Production Index	11/01/2019	November	-
Final GDP	14/01/2019	2018 Q3	=	Construction materials Industrial Production Index	11/01/2019	November	=
Exports	15/01/2019	November	-	Sales of large firms	15/01/2019	November	-
New industrial orders	22/01/2019	November	+	Real imports (goods)	22/01/2019	November	=
Composite PMI flash estimate	24/01/2019	January	+	Real exports (goods)	22/01/2019	November	=
ESI	30/01/2019	January	+	ESI excluding consumers	30/01/2019	January	-
Preliminary GDP flash estimate	31/01/2019	2018 Q4	=	Credit	31/01/2019	December	-
Retail sales	05/02/2019	December	-	GDP flash estimate 2018 Q4	31/01/2019	2018 Q4	+
Composite PMI	05/02/2019	January	=	Electricity consumption in industry	01/02/2019	January	+
Industrial production	13/02/2019	December	-	Social Security registrations	04/02/2019	January	-
GDP flash estimate	14/02/2019	2018 Q4	-	Composite PMI	05/02/2019	January	+
Employment	14/02/2019	2018 Q4	+	Non-energy Industrial Production Index	07/02/2019	December	-
Exports	15/02/2019	December	=	Construction materials Industrial Production Index	07/02/2019	December	+
Composite PMI flash estimates	21/02/2019	February	+	Sales of large firms	11/02/2019	December	+
New industrial orders	22/02/2019	December	-	Real imports (goods)	21/02/2019	December	=
ESI	27/02/2019	February	+	Real exports (goods)	21/02/2019	December	=
Composite PMI	05/03/2019	February	=	ESI excluding consumers	27/02/2019	February	=
Retail sales	05/03/2019	January	+	Credit	28/02/2019	January	+
GDP components	07/03/2019	2018 Q4	+	Electricity consumption in industry	01/03/2019	February	-
Employment (revision)	07/03/2019	2018 Q4	=	Social Security registrations	04/03/2019	February	-
Industrial production	13/03/2019	December	+	Composite PMI	05/03/2019	February	=
				Non-energy Industrial Production Index	08/03/2019	January	+
				Construction materials Industrial Production Index	08/03/2019	January	=
				Sales of large firms	12/03/2019	January	+

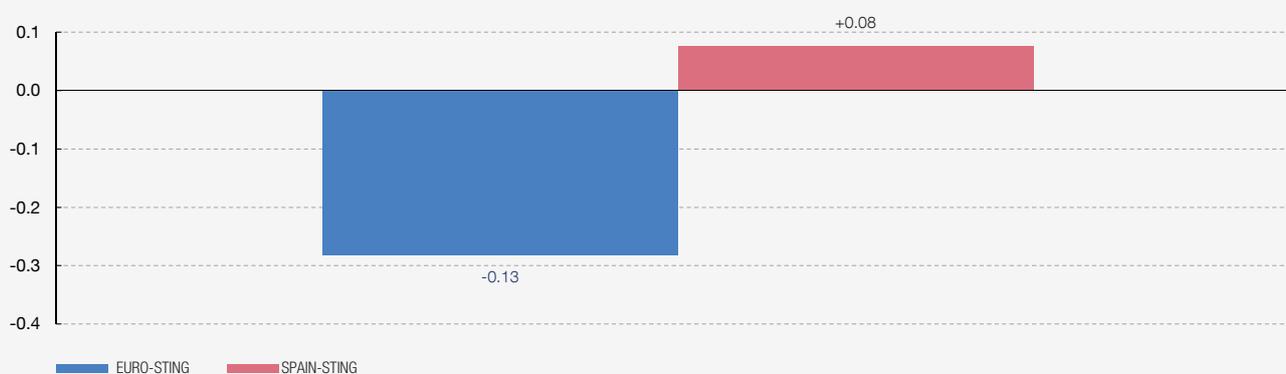
SOURCE: Banco de España.

Spanish economy. In particular, from 1 January to 13 March, the GDP growth projection has fallen by approximately 0.1 pp for the euro area, while it has been revised upwards by 0.1 pp in Spain's case.

In conclusion, the set of conjunctural indicators included in the models and published in recent months has affected the growth forecast for activity in Spain compared with that for the euro area in a differentiated fashion. The divergence between both areas

might be due to the greater impact of idiosyncratic elements in the Spanish economy exerting a positive effect on short-term activity. In any event, it should be qualified that the statistical information available at the cut-off date for this report for 2019 Q1 refers almost exclusively to the first half of the quarter, and to a limited set of indicators. As a result, it cannot be ruled out that elements common to the rest of the euro area may be feeding through, or may ultimately do so with greater intensity, if they persist over time, to the Spanish economy.

Chart 2  
FORECAST FOR THE QUARTER-ON-QUARTER GDP RATE IN 2019 Q1. CHANGE FROM 1 JANUARY TO 13 MARCH 2019



SOURCE: Banco de España.