

# Spanish economic forecasts panel: March 2022\*

Funcas Economic Trends and Statistics Department

## Spanish GDP grew by 5% in 2021

According to provisional figures, the Spanish economy grew by 2% in 4Q21, which, if maintained in the definitive report, would imply annual growth of 5%, 0.1% above the consensus forecast in January.

## Forecast growth for 2022 has been cut by one point in the wake of the conflict in Ukraine

The consensus forecast for GDP growth in 2022 stands at 4.8%, down 0.8% from the last survey. However, four analysts have responded that they have not yet modified their forecasts to incorporate the impact of the invasion of Ukraine. Considering only those who have layered in that impact, the average GDP forecast drops to 4.6%, down one percentage point from the January consensus.

The range between the high and low predictions is unusually wide, even if we only consider the analysts who have already adjusted their forecasts, evidencing significant differences in the starting assumptions on which each participant bases their baseline scenarios. Uncertainty over where the conflict in Ukraine is headed, potential new sanctions and energy product prices is currently very high and the analysts' growth forecasts may differ significantly depending on the assumptions made regarding those sources of uncertainty.

## Significant upward revision to CPI forecasts

Inflation has continued to trend higher, reaching 7.6% in February, with core inflation at 3%. Pre-existing inflationary pressures, derived from higher commodity prices and supply-chain bottlenecks, have only worsened since the invasion of Ukraine, leaving the inflation outlook even more uncertain. The average forecast for headline inflation in 2022 has increased by 1.9 percentage points to 5.4%, while the consensus for core inflation now stands at 2.8%, up 0.8 percentage points. The increase is even higher for both rates if we only consider the forecasts that have been modified to factor in

the impact of the war: 5.8% for headline inflation and 3% for core inflation.

## The unemployment rate should continue to trend lower

According to the still-provisional quarterly accounts, full-time equivalent (FTE) employment increased by 6.7% in 2021. Moreover, the Social Security contributor reports suggest that job creation has continued in the first two months of the year, albeit slowing from the second half of last year. The average forecast for 2022 has been trimmed by half a point to 3.5% (3.4% excluding the analysts who have not yet revised their forecasts).

The unemployment rate averaged 14.8% in 2021. The consensus forecast for 2022 is for 13.9%, three decimals less than in the last report, despite lower growth projections (in this case the forecast is unchanged if we only take the analysts who have factored in the impact of the war).

The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULC). Productivity per FTE job, which decreased by 1.7% in 2021, is expected to increase by 1.3% this year. Meanwhile, ULCs are expected to increase by 0.7% in 2022, having increased by 1.2% in 2021.

## Ongoing balance of payments surplus

Again based on provisional figures, the current account balance of payments showed a surplus of 8.43 billion euros in 2021, or 0.7% of GDP, down a little from the prior-year surplus of 9.25 billion. The consensus forecast is for a surplus of 0.7% once again in 2022 (unchanged if we only consider the panellists who have factored in the war impact).

## 2021 public deficit below the government's forecast

To November 2021, the overall public deficit, excluding local government, was running at

55.48 billion euros, which is equivalent to 4.6% of annual GDP. December, however, always has a big impact on the deficit, which is why the analysts are forecasting an average annual deficit of 7.3% of GDP.

The average deficit forecast for 2022 is 5.5% of GDP (5.7% considering only those that have updated their forecasts for the war), compared to a forecast of 5.4% as of January.

### **External environment clouded by the war**

The global economy faces a supply shock as a result of the impact of the conflict on energy and other core commodity markets. The disruption of supplies exported from Russia and the prospect of escalating sanctions and retaliation measures have sent the price of energy products soaring. Since the last Panel survey, TTF gas prices have jumped 34%, marking all-time highs in the first few days after the invasion. Oil prices have also swung wildly: a barrel of Brent is trading above the \$100 per barrel mark, compared to \$89 in January, having peaked at over \$130. Basic food and feedstock products, such as wheat and corn, have etched out similar patterns on the back of plummeting exports from Ukraine. Elsewhere, bottlenecks in the supply of metals and chips, highly dependent on Russian commodities, have intensified.

The shock has the dual consequence of aggravating the inflationary pressures already being felt since the pandemic and delaying economic recovery. Europe is one of the regions most exposed to the risk of stagflation due to its proximity to the hostilities and its dependence on Russia, especially for gas, a key input for electricity generation. In its latest projections, the ECB raised its forecast for CPI to between 5.1% (baseline scenario) and 7.1% (assuming stressed energy prices), up 2 to 4 percentage points compared to its December forecasts, respectively. Elsewhere, it trimmed its forecast for eurozone GDP in 2022 by half a point to 3.7%, and to 2.3% in its adverse scenario.

The analysts have factored those trends into their assessment with the majority now clearly pessimistic regarding the international context in the EU and beyond. Nearly all think that such a negative context will continue for the coming months or even deteriorate further.

### **Central banks walking fine line of containing inflation without harming economy**

Before the conflict, monetary authorities had announced plans to scale down the stimulus measures rolled out during the pandemic. Their position was never easy: they were aiming to curb inflation without affecting the post-pandemic recovery. Faced now with the risk of stagflation, that dilemma has become even trickier. For now, the central banks have opted to stick with the rollback of their public debt purchase programmes, with the ECB even accelerating its timeline for so doing, while opening the door to initial rate hikes. This highlights central banks' concerns over inflation trends and possible second-round effects on wages.

Already, markets are discounting a rate increase. 12-month EURIBOR (which can be regarded as a leading indicator for the deposit facility rate, controlled by the ECB) has tightened from close to -0.5% in January to -0.24% at the time of writing this panel. Elsewhere, the yield on 10-year Spanish bonds has doubled since our last report, to above 1.3%. The risk premium has also widened a little, pricing in the looming rollback of public debt purchase volumes, with the Spanish benchmark 10 year bond reflecting a spread over its German counterpart of close to 100bp –still a moderate level by past standards.

Analysts expect market rates to continue to inch higher over the projection horizon (Table 2), reflecting sharper tightening than they had been forecasting in January.

### **Euro depreciation**

In light of the ongoing shift in US monetary policy and the prospect of sharper and sooner rate hikes than in the eurozone, the dollar has tended to appreciate against the euro since the last survey. Going forward, the analysts are forecasting scant movement in the exchange rate until the end of the forecast horizon (Table 2).

### **Macroeconomic policy remains expansionary**

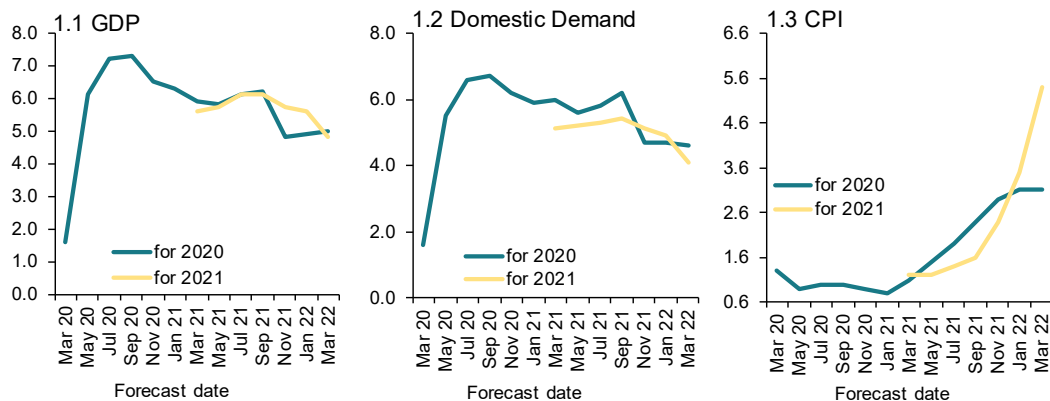
There has been little change in the analysts' assessment of macroeconomic policy since our last Panel. There is virtual unanimity about the expansionary character of prevailing policies.

Elsewhere, most of them think that the current orientation is the right one, although the number of forecasters who think that monetary policy should become more neutral has increased slightly (Table 4). Lastly, one of the ECB's key rates –the rate on the deposit facility– is expected to be increased a little in the fourth quarter of 2022.

## Exhibit 1

### Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

\* The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 20 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly in the months of January, March, May, July, September and November. The responses to the survey are used to produce a “consensus” forecast, which is calculated as the arithmetic mean of the 20 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

# Spanish economic forecasts panel: March 2022\*

Funcas Economic Trends and Statistics Department

Table 1

## Economic Forecasts for Spain – March 2022

Average year-on-year change, as a percentage, unless otherwise stated

	GDP <sup>1</sup>		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand <sup>4</sup>	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	5.0	6.0	4.6	4.9	3.0	2.9	4.1	8.1	15.2	8.5	-3.0	8.6	4.6	5.0
BBVA Research	5.0	5.5	4.6	6.3	3.0	2.1	4.1	11.6	15.2	6.5	-3.0	15.5	4.6	6.3
CaixaBank Research	5.0	5.5	4.6	3.9	3.0	0.3	4.1	7.2	15.2	8.0	-3.0	5.1	4.6	4.8
Cámara de Comercio de España	5.0	4.3	4.6	2.0	3.0	2.3	4.1	4.5	15.2	10.6	-3.0	1.2	4.6	3.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	5.0	4.6	4.6	4.3	3.0	2.3	4.1	5.4	15.2	6.3	-3.0	6.0	4.6	3.9
Centro de Predicción Económica (CEPREDE-UAM)	5.0	5.7	4.6	4.3	3.0	0.7	4.1	11.7	15.2	15.1	-3.0	9.7	4.6	5.2
CEOE	5.0	4.7	4.6	3.6	3.0	3.0	4.1	7.0	15.2	11.0	-3.0	3.4	4.6	3.8
Equipo Económico (Ee)	5.0	4.6	4.6	4.0	3.0	2.1	4.1	4.4	15.2	5.0	-3.0	1.0	4.6	3.7
EthiFinance Ratings	5.0	5.3	4.6	4.6	3.0	1.7	4.1	4.9	15.2	--	-3.0	--	4.6	--
Funcas	5.0	4.2	4.6	2.5	3.0	1.1	4.1	7.5	15.2	8.4	-3.0	8.8	4.6	3.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	5.0	5.3	4.6	5.4	3.0	2.6	4.1	6.0	15.2	8.8	-3.0	5.4	4.6	4.6
Instituto de Estudios Económicos (IEE)	5.0	4.3	4.6	3.7	3.0	3.1	4.1	4.7	15.2	5.5	-3.0	2.5	4.6	3.4
Intermoney	5.0	5.5	4.6	4.6	3.0	2.2	4.1	9.6	15.2	9.9	-3.0	9.2	4.6	5.1
Mapfre Economics	5.0	4.8	4.6	4.6	3.0	1.5	4.1	6.1	15.2	--	-3.0	--	4.6	3.9
Oxford Economics	5.0	4.8	4.6	4.2	3.0	1.9	4.1	7.2	15.2	5.3	-3.0	4.0	4.6	4.2
Repsol	5.0	3.8	4.6	1.2	3.0	0.5	4.1	7.0	15.2	8.2	-3.0	3.7	4.6	2.2
Santander	5.0	4.8	4.6	1.9	3.0	0.2	4.1	8.6	15.2	12.5	-3.0	3.7	4.6	3.4
Metysis	5.0	2.9	4.6	3.8	3.0	1.5	4.1	5.7	15.2	4.2	-3.0	6.5	4.6	3.7
Universidad Loyola Andalucía	5.0	4.8	4.6	4.5	3.0	2.3	4.1	8.2	15.2	8.0	-3.0	2.8	4.6	4.2
<b>CONSENSUS (AVERAGE)</b>	<b>5.0</b>	<b>4.8</b>	<b>4.6</b>	<b>3.9</b>	<b>3.0</b>	<b>1.8</b>	<b>4.1</b>	<b>7.1</b>	<b>15.2</b>	<b>8.3</b>	<b>-3.0</b>	<b>5.7</b>	<b>4.6</b>	<b>4.1</b>
Maximum	5.0	6.0	4.6	6.3	3.0	3.1	4.1	11.7	15.2	15.1	-3.0	15.5	4.6	6.3
Minimum	5.0	2.9	4.6	1.2	3.0	0.2	4.1	4.4	15.2	4.2	-3.0	1.0	4.6	2.2
Change on 2 months earlier <sup>2</sup>	0.1	-0.8	-0.7	-1.4	-0.2	-0.2	0.3	-0.9	2.5	0.3	-0.9	-1.9	-0.1	-0.8
- Rise <sup>3</sup>	12	1	5	2	2	5	16	3	12	6	4	1	5	0
- Drop <sup>3</sup>	5	14	14	15	16	11	3	15	4	9	11	14	8	15
Change on 6 months earlier <sup>2</sup>	-1.2	-1.3	-3.0	-1.5	0.1	-0.5	-2.5	-2.1	4.1	-0.3	-6.9	-4.6	-1.6	-1.3
Memorandum items:														
Government (July 2021)	6.5	7.0	7.3	6.9	2.5	1.5	9.0	12.4	16.5	18.3	6.1	10.4	6.5	6.7
Bank of Spain (December 2021)	4.5	5.4	4.3	5.1	3.0	-0.2	3.9	7.8	--	--	--	--	4.2	4.4
EC (November 2021)	5.0	5.6	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2022)	4.9	5.8	--	--	--	--	--	--	--	--	--	--	--	--
OECD (December 2021)	4.5	5.5	4.4	4.5	3.2	2.5	3.8	8.1	--	--	-4.4	1.9	4.3	4.8

<sup>1</sup> Note that for 2021, the National Statistics Institute (INE) has already published 2021 data; thus, these values are no longer forecasts. However, for consistency with the panel format, we include the column with uniform values across panelists for 2021.

<sup>2</sup> Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).

<sup>3</sup> Number of panellists revising their forecast upwards (or downwards) since two months earlier.

<sup>4</sup> Contribution to GDP growth, in percentage points.

Table 1 (Continued)

**Economic Forecasts for Spain – March 2022**

Average year-on-year change, as a percentage, unless otherwise stated

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Wage earnings <sup>3</sup>		Jobs <sup>4</sup>		Unempl. (% labour force)		C/A bal. of payments (% of GDP) <sup>5</sup>		Gen. gov. bal. (% of GDP) <sup>6</sup>	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	13.4	10.0	12.8	7.2	3.1	4.3	0.8	1.7	-0.5	--	6.7	2.5	14.8	14.4	0.8	1.1	-7.9	-4.9
BBVA Research	13.4	15.1	12.8	18.3	3.1	3.2	0.8	2.1	-0.5	2.6	6.7	4.7	14.8	13.6	1.0	-0.2	-6.8	-4.8
CaixaBank Research	13.4	11.5	12.8	8.1	3.1	4.5	0.8	2.6	-0.5	2.3	6.7	4.5	14.8	13.0	0.7	1.3	-7.1	-5.2
Cámara de Comercio de España	13.4	11.5	12.8	6.8	3.1	6.7	0.8	3.4	-0.5	--	6.7	3.2	14.8	14.5	--	0.8	--	-5.9
Centro de Estudios Economía de Madrid (CEEM-URJC)	13.4	9.6	12.8	8.2	3.1	7.2	0.8	3.8	-0.5	-	6.7	2.5	14.8	14.9	1.1	1.0	-7.6	-5.8
Centro de Predicción Económica (CEPREDE-UAM)	13.4	11.7	12.8	10.7	3.1	5.2	0.8	--	-0.5	1.3	6.7	4.7	14.8	13.3	0.9	1.5	-7.5	-5.4
CEOE	13.4	11.1	12.8	8.9	3.1	5.9	0.8	2.8	-0.5	2.0	6.7	3.6	14.8	13.9	0.7	0.0	-7.5	-6.3
Equipo Económico (Ee)	13.4	11.9	12.8	10.1	3.1	7.8	0.8	3.4	-0.5	2.5	6.7	3.4	14.8	13.5	1.0	0.6	-7.6	-5.4
EthiFinance Ratings	13.4	15.6	12.8	11.8	3.1	4.1	0.8	2.1	-0.5	--	6.7	--	14.8	13.5	--	0.5	--	-5.0
Funcas	13.4	8.7	12.8	7.4	3.1	6.8	0.8	3.1	-0.5	0.7	6.7	1.9	14.8	14.0	0.7	0.4	-6.6	-5.8
Instituto Complutense de Análisis Económico (ICAE-UCM)	13.4	9.8	12.8	7.1	3.1	4.0	0.8	2.5	-0.5	--	6.7	4.2	14.8	13.5	0.9	1.0	-7.0	-4.8
Instituto de Estudios Económicos (IEE)	13.4	9.6	12.8	7.0	3.1	5.6	0.8	2.8	-0.5	2.0	6.7	3.1	14.8	14.2	0.7	-0.5	-7.5	-6.8
Intermoney	13.4	9.9	12.8	8.7	3.1	6.1	0.8	3.2	-0.5	--	6.7	3.7	14.8	14.2	0.9	1.0	-7.5	-5.8
Mapfre Economics	13.4	7.7	12.8	5.4	3.1	4.5	0.8	2.9	-0.5	--	6.7	--	14.8	13.9	1.0	1.2	-7.0	-5.3
Oxford Economics	13.4	8.1	12.8	6.1	3.1	5.8	0.8	3.2	-0.5	--	6.7	--	14.8	13.9	--	1.0	--	-5.6
Repsol	13.4	11.2	12.8	6.6	3.1	6.2	0.8	3.1	-0.5	2.3	6.7	3.5	14.8	13.3	0.7	0.0	-7.9	-5.5
Santander	13.4	12.1	12.8	8.0	3.1	6.1	0.8	2.7	-0.5	--	6.7	--	14.8	13.6	--	--	--	--
Metysis	13.4	8.1	12.8	8.9	3.1	4.6	0.8	2.8	-0.5	--	6.7	3.4	14.8	14.5	0.8	0.7	-7.1	-6.0
Universidad Loyola Andalucía	13.4	11.0	12.8	8.5	3.1	4.5	0.8	2.5	-0.5	--	6.7	3.0	14.8	13.6	--	0.7	--	-4.9
CONSENSUS (AVERAGE)	13.4	10.7	12.8	8.6	3.1	5.4	0.8	2.8	-0.5	2.0	6.7	3.5	14.8	13.9	0.8	0.7	-7.3	-5.5
Maximum	13.4	15.6	12.8	18.3	3.1	7.8	0.8	3.8	-0.5	2.6	6.7	4.7	14.8	14.9	1.1	1.5	-6.6	-4.8
Minimum	13.4	7.7	12.8	5.4	3.1	3.2	0.8	1.7	-0.5	0.7	6.7	1.9	14.8	13.0	0.7	-0.5	-7.9	-6.8
Change on 2 months earlier <sup>1</sup>	0.7	-0.5	0.6	-0.9	0.0	1.9	0.0	0.8	-0.2	0.3	0.5	-0.5	-0.3	-0.3	-0.2	-0.6	0.1	-0.1
- Rise <sup>2</sup>	16	7	16	6	0	16	0	14	1	4	9	1	1	4	1	1	7	5
- Drop <sup>2</sup>	3	11	3	12	0	2	0	1	4	1	4	11	18	12	8	14	2	10
Change on 6 months earlier <sup>1</sup>	2.3	-1.8	1.4	-1.7	0.7	3.8	0.1	1.6	-1.2	0.5	1.9	0.1	-0.8	-0.8	-0.1	-0.5	0.8	0.2
Memorandum items:																		
Government (July 2021)	10.0	10.3	10.3	10.0	--	--	--	--	--	--	4.0	2.7	15.2	14.1	--	--	-8.4	-5.0
Bank of Spain (December 2021)	11.9	9.1	11.3	6.5	3.0 <sup>7)</sup>	3.7 <sup>7)</sup>	0.5 <sup>8)</sup>	1.8 <sup>8)</sup>	--	--	7.4 <sup>9)</sup>	3.8 <sup>9)</sup>	15.0	14.2	--	--	-7.5	-4.8
EC (November 2021)	--	--	--	--	3.0 <sup>7)</sup>	3.6 <sup>7)</sup>	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2022)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (December 2021)	11.7	10.7	11.4	8.5	2.9	3.2	0.4	1.2	3.1	3.2	2.5	2.3	15.0	14.2	0.6	1.0	-8.1	-5.4

<sup>1</sup> Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).<sup>2</sup> Number of panellists revising their forecast upwards (or downwards) since two months earlier.<sup>3</sup> Average earnings per full-time equivalent job.<sup>4</sup> In National Accounts terms: Full-time equivalent jobs.<sup>5</sup> Current account balance, according to Bank of Spain estimates.<sup>6</sup> Excluding financial entities bail-out expenditures.<sup>7</sup> Harmonized Index of Consumer Prices (HICP).<sup>8</sup> Harmonized Index excluding energy and food.<sup>9</sup> Hours worked.

Table 2

## Quarterly Forecasts – March 2022

	21-I Q	21-II Q	21-III Q	21-IV Q	22-I Q	22-II Q	22-III Q	22-IV Q
GDP <sup>1</sup>	-0.7	1.2	2.6	2.0	0.7	0.6	1.0	1.0
Euribor 1 yr <sup>2</sup>	-0.49	-0.48	-0.49	-0.50	-0.38	-0.29	-0.22	-0.10
Government bond yield 10 yr <sup>2</sup>	0.31	0.43	0.33	0.40	1.05	1.18	1.25	1.34
ECB main refinancing operations interest rate <sup>2</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04
ECB deposit rates <sup>2</sup>	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.46	-0.34
Dollar / Euro exchange rate <sup>2</sup>	1.19	1.21	1.18	1.13	1.11	1.10	1.11	1.11

Forecasts in yellow.

<sup>1</sup> Qr-on-qr growth rates.

<sup>2</sup> End of period.

Table 3

## CPI Forecasts – March 2022

Year-on-year change (%)				
Mar-22	Apr-22	May-22	Jun-22	Dec-22
7.8	7.3	6.9	6.3	3.1

Table 4

## Opinions – March 2022

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	3	15	3	9	7
International context: Non-EU	0	4	15	4	8	7
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment <sup>1</sup>	0	0	19	1	5	13
Monetary policy assessment <sup>1</sup>	1	0	18	1	8	10

<sup>1</sup> In relation to the current state of the Spanish economy.