

Spanish economic forecasts panel: September 2021*

Funcas Economic Trends and Statistics Department

GDP growth estimated at 6.2% in 2021, up 0.1pp from the last survey

According to the provisional national accounts, Spanish GDP grew by 2.8% in 2Q21 (this is before the revised number was released on September 23rd, *i.e.* after completion of the Panel). That would be 0.7pp higher than the consensus forecast. Domestic demand contributed 3.6pp to growth, with foreign demand detracting 0.8pp.

The consensus forecasts for the third and fourth quarters are for growth of 2.5% and 1.7%, respectively (Table 2). For all of 2021, the average estimate stands at 6.2%, which is 0.1pp higher than the analysts were forecasting in July, with eight raising their forecasts and two lowering them (Table 1).

The expected composition of that growth has shifted: the contribution by net trade is now forecast at zero (compared to a forecast of +0.3pp in the last survey), with domestic demand accounting for the full 6.2pp, up 0.4pp from the July consensus estimate. The forecast for household consumption has been raised by one point; estimated public spending is unchanged. The forecasts for investment in construction and capital goods have both been trimmed. Lastly, the imports growth forecast has been raised 0.3pp to 11.4%, whereas the outlook for export growth has been cut by 0.8pp to 11.1%.

Growth forecast for 2022: Unchanged at 6.1%

The consensus forecast for GDP growth in 2022 is unchanged at 6.1%. The headline rate is the sum of quarterly rate of 1.3% in 1Q22 and rates of around 0.9% to 1.1% the rest of the year (Table 2).

The slight tapering in growth next year is attributable to a slowdown in national demand, specifically a decrease in both private and public consumption, more than offsetting the higher anticipated growth in investment (Table 1).

Sharp upward revision to CPI forecasts

The inflation in energy products since the start of the year has trickled through to CPI, which registered year-on-year growth of 3.3% in August. Headline inflation is forecast to remain above 3% in the months to come (Table 3). The consensus forecast for the average annual rate in 2021 has been raised by 0.5pp to 2.4%. As for core inflation, the recent uptick is expected to continue for the rest of the year to reach an average annual rate of 0.7%.

The consensus forecasts for headline and core inflation in 2022 have been raised upwards to 1.6% and 1.2%, respectively. The year-on-year rates forecast for December 2021 and December 2022 are 3.2% and 1.2%, respectively.

Unemployment expected to rise to 15.6% in 2021

According to the Social Security contributor numbers, effective employment has increased by nearly one million people since May (seasonally adjusted), underpinned by people brought out of furlough as well as new contributors.

The consensus for employment, in terms of full-time equivalents, is for growth of 4.8% in 2021 – up 0.1pp from the last survey – and of 3.4% in 2022. The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULC). Productivity is expected to gain 1.4% this year and advance by 2.7% in 2022. ULCs, meanwhile, are forecast to contract by 0.7% in 2021 and by 1.2% in 2022, having risen sharply in 2020; however, the trend in these variables should be interpreted with caution due to the distortion created by the furlough scheme.

The average annual rate of unemployment is expected to increase to 15.6% in 2021 (down 0.1pp from the last set of forecasts) and fall back to 14.7% in 2022 (down 0.2pp).

Balance of payments surplus forecast unchanged

To June, Spain presented a current account deficit of 487 million euros, compared to the 1.19 billion euro surplus recorded in the first half of 2020, shaped by the contraction in tourism receipts (recall that January and February 2020 were still 'normal' months).

The consensus forecasts for the current account are unchanged from July: surpluses of 0.9% of GDP in 2021 and of 1.2% in 2022.

Slow downtrend in public deficit

The fiscal deficit, excluding local authorities, amounted to 48.56 billion euros in the first half of 2021, compared to 69.86 billion euros in the same period of 2020. The improvement was driven by growth in revenue of 20.4 billion euros, coupled with a reduction in expenditure of 881 million euros. The fiscal situation is improving across all levels of government.

The analysts are expecting a reduction in the overall deficit to 8.1% of GDP in 2021 and to 5.7% next year.

Outlook for Europe brighter than for the rest of the world

The recovery continues to gain traction in the EU and the outlook remains positive, despite lingering supply chain bottlenecks. The economic indicators remain buoyant, albeit easing slightly since July. However, production costs continue to trend higher, particularly in the manufacturing sector, and supply issues are causing production delays in cars and other products. The ECB has accordingly revised upwards its forecasts for both growth and inflation.

Outside the EU, recent trends have been less favourable than anticipated in July due to the expansion of the Delta variant and intensification of labour shortages in the US and UK. The Chinese economy is also slowing by more than expected, while some emerging economies are being forced to raise rates (so curtailing their recoveries) to contain inflationary pressures and prevent sharp international capital outflows.

The analysts' forecasts reflect these trends: they are growing more optimistic regarding the outlook for the European economy. Moreover, all of the analysts currently expect the economic climate to remain positive or improve further. There is less agreement about the non-EU environment, although the general picture remains cautiously optimistic.

Uptick in inflation seen as a challenge for the central banks

The main advanced economy central banks see the spike in inflation as a transitory phenomenon underpinned by reversible factors such as the growth in semiconductor prices and tightening caused by the abrupt nature of the global economic recovery. The monetary authorities do not foresee significant changes in the factors underpinning the low rates of inflation seen in recent years (intense competition at the global level, weak salary bargaining power amidst rapid technological change). Hence, the moves by the ECB and the Fed to become more flexible around their inflation targets so as to accommodate *ad-hoc* spikes.

For the time being, market trends are broadly consistent with the view that the current increase in inflation will prove transitory. The yield on the 10-year Spanish bond remains below 0.2%, which is under July trading levels. Nor has the spread over the German counterpart widened, indicating no significant change in the risk premium. 12-month EURIBOR has barely budged, evidencing the stability in ECB benchmark rates, particularly the rate on the deposit facility, anchored at -0.5%.

The analysts have taken note of the market trends and are now forecasting a softer increase in rates than they were anticipating in July (Table 2).

Slight euro depreciation

Given the prospect of more pronounced rate tightening in the US than in Europe, the euro depreciated somewhat during the month of August. However, it then went on to recover the ground lost after the Fed communicated messages intended to lower expectations. The analysts expect the euro to trade at around \$1.20, which is slightly higher than current trading levels, for nearly all of the projection horizon.

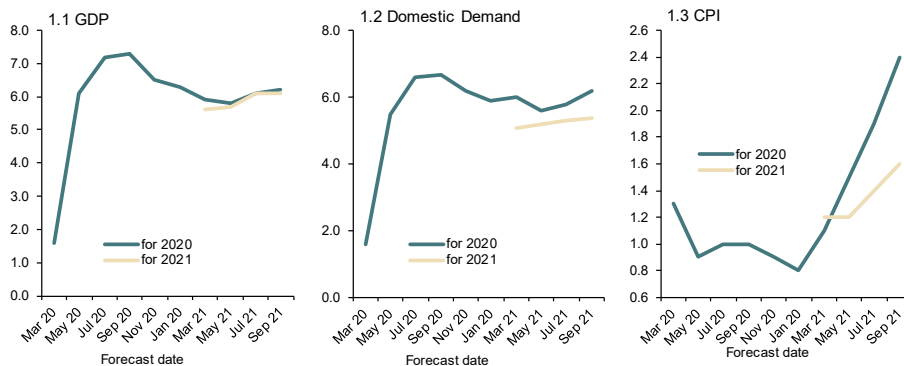
Macroeconomic policy should remain expansionary

The analysts unanimously consider that monetary and fiscal policy are expansionary and nearly all of them believe they should remain so for the coming months (Table 4). No changes of substance are expected in ECB benchmark rates until at least the end 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.

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Table 1

Economic Forecasts for Spain – September 2021

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand ³	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	6.4	5.8	7.7	4.9	2.5	4.9	9.9	5.2	10.5	5.6	7.4	5.4	6.5	4.9
Axesor Rating	6.1	5.7	8.3	4.2	2.3	0.4	4.7	7.5	9.9	6.6	3.2	8.8	--	--
BBVA Research	6.5	7.0	7.4	6.7	2.8	2.5	9.7	16.4	16.5	12.4	5.0	18.8	6.6	7.6
CaixaBank Research	6.3	6.0	9.6	4.6	2.5	1.0	4.8	10.4	11.7	9.0	-0.5	11.3	6.8	4.9
Cámara de Comercio de España	5.9	6.2	5.9	4.9	4.8	3.3	7.1	11.1	14.0	12.6	4.0	8.4	5.6	6.0
Cemex	6.5	6.0	9.3	4.7	2.2	2.5	6.5	8.7	12.0	7.1	3.8	11.0	6.8	4.9
Centro de Estudios Economía de Madrid (CEEM-URJC)	6.3	5.7	7.5	5.6	2.2	1.5	7.4	6.8	12.5	7.3	5.8	8.3	6.1	4.8
Centro de Predicción Económica (CEPREDE-UAM)	6.0	6.2	8.6	6.3	2.9	1.2	4.8	8.1	11.5	5.8	0.5	12.2	6.4	5.8
CEOE	5.7	6.0	5.4	5.9	2.4	1.7	5.8	7.6	12.5	8.1	2.4	8.4	4.8	4.1
Equipo Económico (Ee)	6.3	5.2	5.3	5.1	2.6	3.0	5.9	6.8	4.5	7.0	6.9	8.2	5.0	5.0
Funcas	6.3	5.8	7.6	4.3	2.5	3.1	6.3	10.5	8.3	10.2	3.6	12.4	6.0	5.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	6.6	8.4	8.1	8.1	3.8	3.3	6.6	9.3	2.1	7.0	12.2	13.2	7.1	7.3
Instituto de Estudios Económicos (IEE)	5.4	5.7	5.3	5.5	2.4	1.6	5.4	7.4	11.6	8.0	2.3	8.2	4.7	3.9
Intermoney	7.0	6.7	10.1	6.6	2.9	2.2	5.1	9.2	12.3	6.5	0.0	14.0	7.3	6.0
Mapfre Economics	6.0	6.0	6.0	6.6	3.5	1.7	7.3	8.5	--	--	--	--	5.5	5.4
Oxford Economics	6.1	5.8	9.2	5.1	3.0	2.2	5.8	10.0	6.0	5.9	2.0	9.1	6.9	5.0
Repsol	6.1	5.8	6.8	4.3	3.6	3.6	8.6	9.0	17.6	9.0	4.3	10.4	6.1	4.2
Santander	6.7	7.0	10.0	4.6	2.3	0.4	5.3	13.2	13.2	16.5	-0.4	10.1	7.1	5.6
Metysis	6.3	5.3	8.1	4.6	2.8	2.6	6.6	8.5	13.8	8.6	4.5	9.0	6.5	5.0
Universidad Loyola Andalucía	6.1	6.4	6.8	6.0	3.0	3.0	7.4	10.5	10.6	10.9	7.5	8.2	6.1	6.3
CONSENSUS (AVERAGE)	6.2	6.1	7.6	5.4	2.9	2.3	6.6	9.2	11.1	8.6	3.9	10.3	6.2	5.4
Maximum	7.0	8.4	10.1	8.1	4.8	4.9	9.9	16.4	17.6	16.5	12.2	18.8	7.3	7.6
Minimum	5.4	5.2	5.3	4.2	2.2	0.4	4.7	5.2	2.1	5.6	-0.5	5.4	4.7	3.9
Change on 2 months earlier ¹	0.1	0.0	1.0	-0.3	0.0	0.1	-0.8	0.6	-1.1	0.4	-0.7	1.2	0.4	0.1
- Rise ²	8	4	11	3	2	4	2	9	3	6	1	10	10	5
- Drop ²	2	5	0	8	5	2	9	3	7	5	10	1	0	6
Change on 6 months earlier ¹	0.3	0.5	0.9	0.2	-1.1	0.1	0.0	0.6	1.3	-0.1	-1.2	1.2	0.2	0.3
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 (September 2021)	6.3	5.9	9.6	4.3	2.2	0.2	5.8	10.5	--	--	--	--	7.0	4.7
EC (July 2021)	6.2	6.3	--	--	--	--	--	--	--	--	--	--	--	--
IMF (July 2021)	6.2	5.8	--	--	--	--	--	--	--	--	--	--	--	--
OECD (September 2021)	6.8	6.6	--	--	--	--	--	--	--	--	--	--	--	--

¹ Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).

² Number of panellists revising their forecast upwards (or downwards) since two months earlier.

³ Contribution to GDP growth, in percentage points.

Table 1 (Continued)

Economic Forecasts for Spain – September 2021

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 ³		Jobs ⁴		Unempl. (% labour force)		C/A bal. of payments (% of GDP) ⁵		Gen. gov. bal. (% of GDP) ⁶	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	12.2	10.9	13.2	7.8	2.3	1.3	0.5	1.2	-	-	5.1	2.5	15.7	15.3	0.8	1.1	-7.8	-5.3
Axesor Rating	14.6	12.8	16.3	8.6	2.5	1.4	0.8	1.0	-	-	-	-	15.7	15.1	0.9	1.5	-8.5	-6.0
BBVA Research	12.2	17.2	13.6	20.0	2.0	1.2	0.6	1.2	0.4	2.9	5.6	3.3	15.7	14.2	0.3	-0.3	-7.7	-5.5
CaixaBank Research	8.4	10.0	10.3	6.7	2.4	1.7	0.6	1.5	0.1	2.4	5.5	3.8	15.1	14.0	1.5	1.6	-7.9	-5.4
Cámara de Comercio de España	14.6	13.7	13.9	12.8	2.1	1.4	0.7	1.0	--	--	3.5	4.6	16.6	15.4	0.9	1.0	-8.0	-6.3
Cemex	9.1	14.7	10.7	11.7	2.3	1.7	0.7	1.2	--	--	5.5	3.0	--	--	1.0	1.5	-7.9	-5.5
Centro de Estudios Económicos de Madrid (CEEM-URJC)	9.9	13.4	9.6	11.1	2.5	2.0	0.9	1.7	--	--	3.8	3.0	15.3	14.7	1.1	1.3	-8.7	-5.8
Centro de Predicción Económica (CEPREDE-UAM)	8.8	16.1	10.8	14.9	2.4	1.8	--	--	1.1	1.4	5.4	2.5	15.4	14.2	0.3	1.1	-7.1	-3.4
CEOE	9.0	11.1	6.0	5.1	2.4	0.9	0.5	0.9	0.5	1.1	4.4	4.6	15.4	14.6	1.2	1.5	-8.3	-6.0
Equipo Económico (Ee)	13.9	7.1	11.1	7.0	2.4	2.0	0.9	1.6	0.7	1.2	4.4	3.2	16.6	15.9	1.0	1.2	-8.9	-7.7
Funcas	11.4	11.9	11.1	10.5	2.7	2.2	0.6	1.2	-0.2	0.3	5.9	2.1	15.8	14.7	0.2	1.4	-7.9	-6.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	12.3	19.2	12.7	16.2	2.5	2.4	0.7	1.3	--	--	5.1	5.2	15.5	14.5	0.8	0.2	-7.5	-4.5
Instituto de Estudios Económicos (IEE)	8.3	10.9	6.0	5.0	2.3	0.8	0.5	0.8	0.4	1.0	4.3	4.5	15.5	14.8	1.0	1.2	-8.6	-6.2
Intermoney	10.8	14.8	12.1	13.2	2.5	2.0	0.7	1.6	--	--	5.6	3.7	15.0	14.2	0.9	1.0	-7.5	-5.5
Mapfre Economics	11.0	10.1	9.9	8.7	2.2	1.6	1.0	1.5	--	--	2.5	1.5	15.7	15.0	0.8	1.5	-8.2	-5.8
Oxford Economics	7.7	10.4	10.5	8.4	2.4	1.3	0.4	1.2	--	--	--	--	15.1	14.9	0.8	1.5	-8.1	-6.1
Repsol	18.3	13.0	17.9	11.1	2.3	1.6	0.8	1.1	1.0	1.3	4.0	3.5	15.4	14.6	1.2	1.5	-8.5	-6.0
Santander	8.1	10.9	9.9	6.9	2.3	1.6	0.4	1.1	2.0	2.0	--	--	15.0	14.4	1.4	2.0	--	--
Metysis	10.5	10.5	11.0	9.1	2.2	1.5	0.6	1.1	--	--	5.5	4.0	15.5	14.8	0.7	1.0	-8.3	-6.0
Universidad Loyola Andalucía	10.7	10.5	10.8	10.3	2.5	2.1	0.9	1.4	--	--	5.3	3.5	15.4	14.4	0.9	1.1	-7.8	-5.6
CONSENSUS (AVERAGE)	11.1	12.5	11.4	10.3	2.4	1.6	0.7	1.2	0.7	1.5	4.8	3.4	15.6	14.7	0.9	1.2	-8.1	-5.7
Maximum	18.3	19.2	17.9	20.0	2.7	2.4	1.0	1.7	2.0	2.9	5.9	5.2	16.6	15.9	1.5	2.0	-7.1	-3.4
Minimum	7.7	7.1	6.0	5.0	2.0	0.8	0.4	0.8	-0.2	0.3	2.5	1.5	15.0	14.0	0.2	-0.3	-8.9	-7.7
Change on 2 months earlier ¹	-0.8	0.7	0.3	0.4	0.5	0.2	0.0	0.1	0.1	0.0	0.1	0.0	-0.1	-0.2	0.0	0.0	0.1	0.0
- Rise ²	1	8	6	7	18	12	6	9	2	2	4	4	2	2	1	1	5	2
- Drop ²	8	2	4	3	0	1	4	2	0	0	2	1	7	9	4	3	1	1
Change on 6 months earlier ¹	0.9	1.6	1.2	1.1	1.3	0.4	0.0	0.2	-0.3	-0.1	1.4	0.0	-1.1	-0.8	-0.2	-0.1	0.2	0.3
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 (September 2021)	8.7	11.1	11.5	7.5	2.1 ⁽⁷⁾	1.7 ⁽⁷⁾	0.3 ⁽⁸⁾	1.0 ⁽⁸⁾	--	--	8.1 ⁽⁹⁾	5.6 ⁽⁹⁾	15.1	14.3	--	--	-7.6	-4.3
EC (July 2021)	--	--	--	--	2.1 ⁽⁷⁾	1.4 ⁽⁷⁾	--	--	--	--	--	--	--	--	--	--	--	--
IMF (July 2021)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	-8.6	--
OECD (September 2021)	--	--	--	--	2.4	1.9	0.4	1.3	--	--	--	--	--	--	--	--	--	--

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

Table 2

Quarterly Forecasts – September 2021

	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 ¹	-0.4	2.8	2.5	1.7	1.3	0.9	1.1	0.9
Euribor 1 yr ²	-0.49	-0.48	-0.48	-0.46	-0.44	-0.42	-0.39	-0.37
Government bond yield 10 yr ²	0.31	0.43	0.39	0.43	0.49	0.56	0.59	0.65
ECB main refinancing operations interest rate ²	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
ECB deposit rates ²	-0.50	-0.50	-0.50	-0.50	-0.49	-0.49	-0.49	-0.49
Dollar / Euro exchange rate ²	1.19	1.21	1.19	1.20	1.20	1.20	1.20	1.21

Forecasts in yellow.

¹ Qr-on-qr growth rates.

² End of period.

Table 3

CPI Forecasts – September 2021

Year-on-year change (%)					
Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Dec-22
3.3	3.3	3.4	3.4	3.2	1.2

Table 4

Opinions – September 2021

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	12	6	2	12	8	0
International context: Non-EU	9	7	4	9	10	1
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	0	20	0	2	18
Monetary policy assessment ¹	0	0	20	0	3	17

¹ In relation to the current state of the Spanish economy.