

Spanish economic forecasts panel: November 2021*

Funcas Economic Trends and Statistics Department

Consensus GDP forecast for 2021 slashed to 4.8%

Since the last survey was published in September, the National Statistics Office has revised its second-quarter GDP figure sharply lower, from an initial estimate of 2.8% to 1.1%. It has also published the third-quarter GDP figure, which it has provisionally estimated at 2%. Both results are well below expectations, which envisioned that Spain would be one of the main engines of growth in the EU.

Moreover, the fourth quarter is being marked by the spike in inflation and supply disruptions. The analysts are expecting fourth-quarter growth of around 2% (Table 2), with several expecting the third-quarter figure to be revised upwards. Altogether, economic growth would reach 4.8% in 2021, down 1.4 percentage points from the September consensus estimate. All of the analysts have cut their growth forecasts since the last Panel.

The consensus forecast for 2022 has been cut to 5.7%

The forecast for 2022 has also been trimmed from 6.1% to 5.7%. The outlook is for quarterly growth of around 1%. In general, the 2022 forecasts assume that energy and commodity prices will remain high until the spring, at which point they will start to come down. The assumption made by most of the analysts is that Spain will execute around 20 billion euros of the NGEU funds next year.

Fresh upward revision to CPI forecasts

In October, headline inflation increased to 5.4%, fuelled by three factors: (i) the higher cost of energy products – electricity, gas and fuel; (ii) the return to pre-pandemic price levels in certain services that last year suffered price corrections as a result of the crisis – notably international tourist packages and hotels; and, (iii) some passthrough of higher production costs on end prices of certain food and consumer goods products.

In this survey, the consensus inflation forecast has risen again, to an annual average of 2.9% this year

and 2.4% next year, 0.5pp and 0.8pp above the September forecasts, respectively. The forecasts for core inflation are also higher at 0.8% and 1.4% for 2021 and 2022, respectively.

The year-on-year rate of inflation forecast for December this year is 5.2%, and 1.1% in December 2022 (Table 3).

Improved unemployment projections

The results of the third-quarter labour force survey were good, despite the fact that economic growth was slower than expected. The number of people in employment increased by 1.3%, permitting a decline in unemployment by 2.4%, despite an increase in the active population as a result of an increase in the participation rate. The unemployment rate has been brought down to 14.6%, 1.7 percentage points below that of 3Q20. The current forecast for the average annual rate in 2021 is 15.2%, down 0.4pp from our September survey. For 2022, the consensus forecast stands at 14.4%, down 0.3pp.

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 decline by 0.5% this year (the September survey pointed to gains) and to increase by 2.3% in 2022. ULCs, meanwhile, are forecast to rise by 0.7% in 2021 and fall back by 0.5% in 2022, having risen sharply in 2020, although the trend in these variables should be interpreted with caution.

Solid trade surplus

The current account surplus stood at 5.5 billion euros as of August, up 1 billion euros by comparison with the same period of 2020. The sum of the current and capital surpluses is 10.2 billion euros, up by 3.6 billion euros.

The consensus forecasts for the current account surplus have barely changed: 1% of GDP in 2021, rising to 1.2% in 2022.

The public deficit is expected to come in below the government's forecast

The fiscal deficit, excluding local authorities, amounted to 54.97 billion euros in the first eight months of 2021, compared to 79.48 billion euros in the same period of 2020. That improvement has been shaped significantly by the extraordinarily positive trend in tax revenue, which is running almost 20 billion euros higher than in the same period of 2020 and even 5.7 billion euros higher than the 2019 figure. National social security contributions are also tracking well ahead of expectations, up 3.7 billion euros from the same period of 2020 and 4.4 billion euros better than in 2019.

The consensus forecast is for a public deficit of 7.9% of GDP this year, down 0.2pp from the September survey, despite the diminished growth prospects. That forecast is better than the government's projection of 8.4% of GDP (as embedded in September budget plans).

Next year, however, the consensus forecast is higher than the government's deficit target: 5.7% *versus* the 5% set down in the budget bill.

Downturn in the international context due to supply chain disruptions and escalating energy costs

The pervasiveness of bottlenecks, which are hitting the advanced economies particularly hard, along with the escalating cost of energy, are acting as a drain on the global economic recovery, while intensifying inflationary pressures. Another source of weakness is the bursting of the property bubble in China. All of which has prompted the IMF in its autumn report to cut its growth forecasts and raise its inflation estimates for 2021.

Indicators suggest that these trends will persist in the short-term. According to the global PMI readings, production costs continue to rise, particularly in manufacturing. Supply disruptions and rising energy prices are driving delays in the production of cars and all sorts of consumer goods, while nudging shopping basket prices higher and undermining the rebound in demand which was expected via the release of the precautionary savings amassed during the crisis.

The US economy is proving to be one of the hardest hit by the bottlenecks due to the momentum in

demand as a result of the cash transfer programme and other fiscal stimulus measures. Headline CPI increased by 6.2% in October, with core inflation at 4.6%. However, the European economy is also suffering. Inflation topped 4.1% in October, up from 3% in August (the most recent figure available prior to the last survey), shaped largely by the rise in electricity and fuel prices. Core inflation was a little over 2%, up half a point from August.

The analysts' forecasts reflect these trends: they are getting less optimistic about the international context. The difference between positive and negative opinions about the European economy is down to 3, from 10 in September. Likewise, the number of analysts expecting a deterioration in the coming months is increasing. Outside the EU, fewer analysts rate the context as favourable relative to those who see it as unfavourable (3 *versus* 10), a turnaround since September (9 *versus* 4). Most believe that the current climate will remain the same, or even get worse, in the months to come.

The uptick in inflation is complicating the central banks' task

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. However, faced with the intensification of inflationary pressures, monetary authorities acknowledge that the return to a trajectory consistent with the stability targets may take longer than expected, increasing the risks of second-round effects. By way of prevention, some central banks have increased their benchmark rates (Australia, Norway and Poland). The Federal Reserve, meanwhile, has brought forward its timeline for rolling back its debt purchase programme. And the ECB is expected to announce a similar roadmap, albeit more gradual than on the other side of the Atlantic.

The markets have begun to incorporate the shift in inflation expectations. The yield on Spain's 10Y bonds is close to 0.5%, which is 15 basis points higher than in September, and the spread over the comparable German bond has widened slightly. 12-month EURIBOR has barely budged, evidencing the stability in ECB benchmark rates, particularly the rate on the deposit facility, anchored at -0.5% in the short-term. However longer-term interest rates

are beginning to tick higher, though still remaining at low levels.

Against that backdrop, the analysts believe that market rates will continue to climb higher throughout the projection period. The yield on 10Y public bonds is expected to increase to 0.79% by year-end 2022, up from a forecast 0.65% as per the September survey.

Euro depreciation

Given the prospect of more pronounced monetary tightening in the US than in Europe, the euro has

tended to depreciate since the last survey. The analysts expect the euro to trade at under \$1.20 throughout the entire projection period (Table 2).

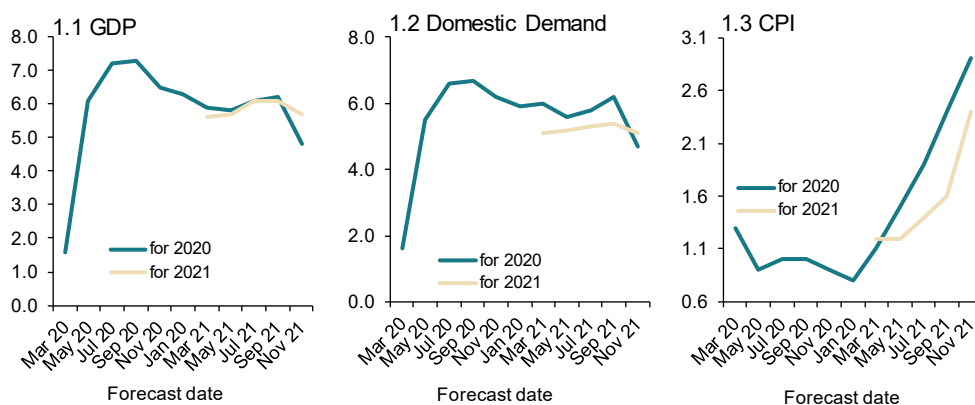
Macroeconomic policy should remain expansionary

The analysts unanimously consider that both 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 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 – November 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)	4.5	6.0	6.2	4.9	2.8	2.9	3.6	8.2	6.2	8.5	2.0	8.6	4.8	5.1
Axesor Rating	4.7	5.9	4.1	5.3	3.2	2.3	3.2	5.3	--	--	--	--	--	--
BBVA Research	5.2	5.5	7.1	6.4	3.2	2.2	2.2	12.3	10.4	10.0	-3.2	14.3	5.2	6.3
CaixaBank Research	5.0	6.2	6.0	5.3	3.2	1.0	4.4	10.0	13.4	8.0	-1.0	11.0	5.6	5.2
Cámara de Comercio de España	4.7	5.5	4.8	4.0	3.0	2.3	3.3	9.0	13.0	10.6	-2.8	6.2	4.5	4.7
Cemex	4.7	5.9	4.8	6.1	3.5	2.5	4.8	8.5	12.8	5.6	0.5	11.4	4.6	5.7
Centro de Estudios Economía de Madrid (CEEM-URJC)	5.3	6.1	5.7	5.9	3.4	2.1	4.9	8.1	11.7	8.3	1.1	10.3	4.9	5.3
Centro de Predicción Económica (CEPREDE-UAM)	5.2	6.7	4.5	5.0	3.1	1.1	5.3	8.2	17.8	9.2	-1.5	8.8	4.6	5.1
CEOE	4.8	5.0	4.4	5.9	3.1	2.2	3.7	4.5	14.8	8.1	-3.1	2.4	4.3	3.8
Equipo Económico (Ee)	4.7	5.3	3.7	4.6	2.4	2.8	5.6	7.1	4.5	7.5	6.0	8.2	4.0	4.7
Funcas	5.1	6.0	5.0	5.5	3.7	2.6	4.7	8.6	9.2	10.4	0.5	9.3	4.8	5.4
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.8	6.2	4.6	6.5	3.1	1.7	4.7	7.2	15.4	8.8	-1.5	7.5	5.0	5.4
Instituto de Estudios Económicos (IEE)	4.6	4.7	4.3	5.9	3.1	2.2	3.3	2.8	13.9	5.5	-3.2	0.9	4.1	3.5
Intermoney	5.1	6.2	5.4	4.9	3.1	2.0	4.2	10.2	15.3	12.7	-2.1	10.5	4.6	5.3
Mapfre Economics	5.7	6.2	7.0	6.9	3.7	2.0	4.5	7.8	--	--	--	--	5.8	5.7
Oxford Economics	4.4	5.7	4.5	5.8	3.1	1.7	3.5	8.2	4.2	5.8	-4.5	4.4	4.3	5.5
Repsol	4.7	5.2	5.3	3.3	3.4	2.4	4.4	6.0	16.8	7.6	-2.3	5.4	4.3	3.6
Santander	4.6	5.8	4.5	4.0	3.0	0.5	4.0	10.6	15.1	14.4	-2.4	7.0	4.3	4.4
Metysis	4.3	5.2	5.1	5.8	3.2	2.0	3.1	9.2	16.0	9.4	-2.0	9.6	4.3	5.6
Universidad Loyola Andalucía	4.6	5.1	5.7	5.1	3.4	2.9	6.9	9.3	16.3	9.5	-1.2	9.5	4.6	6.5
CONSENSUS (AVERAGE)	4.8	5.7	5.1	5.3	3.2	2.1	4.2	8.1	12.6	8.9	-1.2	8.1	4.7	5.1
Maximum	5.7	6.7	7.1	6.9	3.7	2.9	6.9	12.3	17.8	14.4	6.0	14.3	5.8	6.5
Minimum	4.3	4.7	3.7	3.3	2.4	0.5	2.2	2.8	4.2	5.5	-4.5	0.9	4.0	3.5
Change on 2 months earlier ¹	-1.4	-0.4	-2.5	-0.1	0.3	-0.2	-2.4	-1.1	1.5	0.3	-5.1	-2.2	-1.5	-0.3
- Rise ²	0	8	1	9	16	6	1	6	11	8	0	5	1	9
- Drop ²	20	12	19	9	4	12	19	14	6	9	18	12	18	10
Change on 6 months earlier ¹	-1.0	0.0	-1.1	-0.4	-0.2	0.0	-2.9	0.1	0.9	1.3	-5.9	-0.8	-0.9	-0.1
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 (November 2021)	4.6	5.5	4.8	5.2	3.3	2.7	3.7	7.4	15.0	8.0	-2.7	7.6	4.2	5.0
IMF (October 2021)	5.7	6.4	5.9	5.1	3.2	0.8	6.4	9.9	--	--	--	--	--	--
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 – November 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) ⁵		
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	
Analistas Financieros Internacionales (AFI)	11.0	10.0	12.5	7.3	2.8	2.1	0.6	1.4	--	--	6.8	2.8	15.2	14.4	0.8	1.1	-7.9	-4.9	
Axesora Rating	11.0	13.6	11.6	10.0	2.9	2.4	1.4	1.1	--	--	--	--	15.7	14.9	0.5	1.1	-8.5	-6.0	
BBVA Research	13.7	13.9	14.4	17.4	2.5	1.8	0.6	1.4	0.7	3.6	5.1	2.6	15.0	14.0	0.7	-0.2	-7.0	-5.3	
CaixaBank Research	11.3	9.9	12.4	7.0	2.4	1.7	0.6	1.5	0.1	2.4	5.5	3.8	15.1	14.0	1.5	1.6	-8.2	-5.6	
Cámara de Comercio de España	12.6	11.6	10.7	9.7	2.7	2.6	0.6	1.5	--	--	4.8	4.9	15.3	14.4	1.1	1.2	-8.0	-6.3	
Cemex	11.6	12.8	11.7	12.8	2.9	2.3	0.6	1.2	--	--	5.5	3.0	--	--	1.0	1.5	-7.9	-5.5	
Centro de Estudios Económicos de Madrid (CEEM-URJC)	12.9	14.5	12.0	12.9	3.0	2.7	0.8	1.9	--	--	3.9	3.0	15.2	14.7	1.1	1.3	-8.7	-5.8	
Centro de Predicción Económica (CEPREDE-UAM)	12.6	13.6	11.0	9.2	2.9	2.3	--	--	-0.5	1.2	6.2	5.0	15.0	14.0	1.2	1.5	-7.1	-3.3	
CEOE	12.9	11.2	11.6	7.9	3.0	2.3	0.7	1.3	-0.3	2.0	5.9	2.5	15.1	14.2	1.2	1.5	-8.0	-6.2	
Equipo Económico (Ee)	12.4	10.2	11.1	9.3	3.1	3.9	1.0	1.6	0.8	1.5	4.0	3.1	15.4	14.8	1.0	1.4	-8.4	-7.2	
Funcas	12.1	10.8	11.4	9.1	2.9	2.5	0.7	1.5	-0.2	0.3	4.9	2.0	15.3	14.8	0.5	1.7	-7.9	-6.0	
Instituto Complutense de Análisis Económico (ICAE-UCM)	12.0	11.2	11.1	9.1	3.1	3.7	0.7	1.3	--	--	5.1	4.5	15.3	14.5	0.9	1.0	-7.5	-4.5	
Instituto de Estudios Económicos (IEE)	12.7	10.5	11.4	6.9	2.9	2.2	0.6	1.2	-0.4	1.9	5.8	2.3	15.2	14.4	1.0	1.3	-8.6	-6.2	
Intermoney	13.9	14.0	12.9	12.9	2.9	2.5	0.7	1.7	--	--	5.0	3.0	15.3	14.5	0.9	1.4	-8.2	-5.9	
Mapfre Economics	9.8	8.3	11.5	6.9	2.8	2.4	1.0	1.5	--	--	--	--	14.9	14.7	1.0	1.3	-7.6	-5.9	
Oxford Economics	11.1	7.3	11.1	6.8	3.0	2.2	0.5	1.5	--	--	--	--	15.0	14.6	1.0	1.5	-7.6	-5.9	
Repsol	14.4	11.0	13.1	6.4	2.9	2.3	0.7	1.3	-0.3	1.3	7.3	4.5	14.7	13.8	1.2	1.3	-7.9	-5.5	
Santander	11.9	10.3	11.1	6.2	3.1	3.3	0.7	1.9	2.0	2.0	--	--	15.0	14.3	--	--	--	--	
Metysis	12.6	12.1	11.8	13.1	3.0	1.9	0.8	1.2	--	--	4.5	3.5	15.2	14.7	1.0	1.2	-7.5	-6.0	
Universidad Loyola Andalucía	13.5	13.3	13.6	12.2	2.8	2.4	0.9	1.5	--	--	5.2	3.5	15.1	14.0	0.9	0.7	-7.8	-5.6	
CONSENSUS (AVERAGE)	12.3	11.5	11.9	9.7	2.9	2.4	0.8	1.4	0.2	1.8	5.3	3.4	15.2	14.4	1.0	1.2	-7.9	-5.7	
Maximum	14.4	14.5	14.4	17.4	3.1	3.9	1.4	1.9	2.0	3.6	7.3	5.0	15.7	14.9	1.5	1.7	-7.0	-3.3	
Minimum	9.8	7.3	10.7	6.2	2.4	1.7	0.5	1.1	-0.5	0.3	3.9	2.0	14.7	13.8	0.5	-0.2	-8.7	-7.2	
Change on 2 months earlier ¹	1.2	-1.0	0.5	-0.6	0.5	0.8	0.1	0.2	-0.5	0.3	0.5	0.0	-0.4	-0.3	0.1	0.0	0.2	0.0	
- Rise ²	13	6	14	9	18	18	8	13	2	4	7	4	1	2	8	9	7	7	
- Drop ²	7	14	5	11	0	0	4	0	4	1	6	8	15	14	1	4	3	4	
Change on 6 months earlier ¹	0.6	0.6	0.7	0.3	1.3	1.1	0.1	0.4	-0.5	0.4	1.4	0.0	-1.0	-0.9	0.0	-0.1	0.6	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 (November 2021)	12.1	10.4	11.9	9.2	2.8 ⁽⁷⁾	2.1 ⁽⁷⁾	--	--	-0.3	2.1	4.5	2.8	15.2	14.3	0.3	0.8	-8.1	-5.2	
IMF (October 2021)	11.9	12.0	12.0	8.8	2.2	1.6	--	--	--	--	19.6	19.8	15.4	14.8	0.4	1.4	-8.6	-5.0	
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 – November 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	-0.6	1.1	2.0	2.1	1.0	1.0	1.0	1.0
Euribor 1 yr ²	-0.49	-0.48	-0.49	-0.47	-0.42	-0.40	-0.36	-0.34
Government bond yield 10 yr ²	0.31	0.43	0.33	0.47	0.57	0.65	0.72	0.79
ECB main refinancing operations interest rate ²	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01
ECB deposit rates ²	-0.50	-0.50	-0.50	-0.50	-0.47	-0.47	-0.45	-0.45
Dollar / Euro exchange rate ²	1.19	1.21	1.18	1.17	1.18	1.18	1.19	1.19

Forecasts in yellow.

¹ Qr-on-qr growth rates.

² End of period.

Table 3

CPI Forecasts – November 2021

Year-on-year change (%)					
Oct-21	Nov-21	Dec-21	Jan-22	Dec-21	Dec-22
5.5	5.4	5.2	4.3	5.2	1.1

Table 4

Opinions – November 2021

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	7	9	4	10	6	4
International context: Non-EU	3	7	10	9	7	4
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	0	20	0	4	16
Monetary policy assessment ¹	0	0	20	1	2	17

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