

Spanish economic forecasts panel: September 2024*

Funcas Economic Trends and Statistics Department

GDP growth estimate for 2024 raised two tenths of a percentage point to 2.6%

According to provisional data, GDP grew by 0.8% in the second quarter, three tenths of a percentage point more than expected by panelists. The growth contributions of domestic demand and the foreign sector reached three and five tenths of a percentage point, respectively. Thus, the indicators showed a good performance in the second quarter, which has been tempered in July and August, and may suggest a cooling of the economy.

The consensus is for quarter-on-quarter growth of 0.4% for the third and fourth quarters of this year (Table 2). The average estimate for the year as a whole stands at 2.6%, which is two tenths of a percentage point higher than the previous forecast (Table 1).

Regarding the composition of GDP growth for 2024, the contribution of domestic demand is expected to be two percentage points, in line with the previous Panel, and that of the foreign sector would be six tenths of a percentage point, two tenths of a percentage point more than in the previous forecast. The projections for investment and consumption, both public and household, should only slightly change. As for exports and imports, the estimate has been revised upwards by 0.6 and 0.1 percentage points, respectively (Table 1).

It should be noted that the forecasts contained in this Panel are consistent with the annual and quarterly National Accounts figures currently in force. INE will soon publish the revised figures for the entire historical series, which could result in some significant changes in recent growth patterns.

Forecast for 2025 also revised upward

The consensus forecast for GDP growth in 2025 has been revised upward by one tenth of a percentage point, compared to the previous Panel, to 2.1%. This is slightly higher than the forecasts of most major public international and national agencies (Table 1).

As for the composition of growth in 2025, the contribution of domestic demand is expected to be 1.9 percentage points, while the foreign sector would add two tenths of a percentage point, one more than in the previous consensus. Consumption, both public and household, is expected to grow less than in 2024, while investment should register a larger increase (Table 1).

Inflation estimate reduced by two tenths of a percentage point for 2024

The headline inflation rate continued its decline, at a faster pace than expected, in July and August, thanks to the fall in energy prices and the moderation of food prices. Core inflation also performed better than anticipated, although in the case of services inflationary pressures remain significant.

In the coming months, the headline rate is expected to turn upwards, closing out December at 2.8% (Table 3). The forecast for the average annual rate in 2024 is 3% for both headline inflation (two tenths of a percentage point lower than in the previous Panel) and core inflation (which remains unchanged). Regarding 2025, the forecast remains at 2.3% for both rates, with a year-on-year rate in December of 2.2%.

Labor market resilience

According to the Social Security enrollment figures, the seasonally adjusted employment growth rate in the summer months was lower than in the spring months, showing a pattern similar to that observed in the previous year. Despite this, the labor market continues to surprise with its strength, and the panelists have only slightly revised their forecasts with respect to the previous Panel. Employment is expected to grow by 2% for the year as a whole, and by 1.7% next year, while the average annual unemployment rate is expected to stand at 11.5% in 2024 and 11% in 2025.

The implicit forecast for productivity and unit labor cost (ULC) growth is derived from the forecasts for GDP, employment and wage growth. Productivity per

full-time equivalent job is expected to increase by 0.6% this year and by another 0.4% next year. As for ULCs, they are projected to increase by 3% in 2024 and by 2.4% in 2025.

Historic external surplus

The current account balance recorded a surplus up to June of 25.38 billion euros, or 3.3% of GDP, which is the best figure for this period in the historical series. This outcome is the result of a historic result in the trade balance, especially with regards to services, which more than offset the deterioration in the income balance.

The consensus forecast for the current account surplus has been raised to 2.3% and 2.2% of GDP by 2024 and 2025, respectively (Table 1).

Public deficit projections maintained

Public administrations, excluding local corporations, recorded a deficit of 18.29 billion euros up to May, compared to 19.5 billion euros in the same period of last year, due to an increase in revenues slightly higher than the increase in expenditures. The improvement came from the Central Administration and the Social Security Funds, which more than offset the deterioration suffered by the regional administration.

The consensus is for a reduction in the general government deficit during 2024 and 2025. Specifically, the deficit would reach 3.3% of GDP this year and 3% next year. These figures are higher than expected by the Government, AIREF and the European Commission (Table 1).

The international context is expected to remain largely unchanged

The external environment remains unfavorable, with no turning point in sight in the short-term. In addition to the sluggish German economy, the stimulus provided to France by the Olympic Games is coming to an end. The slight upturn in the PMI purchasing managers' index for the eurozone is insufficient to anticipate a vigorous recovery of the European economy in the coming months. In the US, meanwhile, activity is showing signs of moderation, according to the employment and unemployment data released over the summer (although everything points to a slowdown, not a recession). In China, the effects of the bursting of the housing bubble continue to weigh on domestic demand, so that greater fiscal policy support is anticipated. Uncertainties

surrounding global demand have spilled over to the energy markets. Brent crude has fallen from around \$85 a barrel in July to around \$72 today.

Finally, according to a recent WTO report, world trade is suffering from the intensification of protectionist tensions, particularly in the industrial and agricultural product markets. However, the services markets, which are less affected by the proliferation of trade barriers, are expected to continue to expand.

The Panel reflects the unfavorable international outlook, which could even get worse in the short-term. For a majority of panelists, the assessment of the current external environment is negative, particularly in the EU. The outlook remains pessimistic for the coming months: only 3 panelists expect an improvement outside the EU, half as many as in the previous assessment, and 8 are of the same opinion for the EU, unchanged from the July Panel (Table 4).

Following the monetary policy turnaround, Euribor could fall to 2.5% by the end of 2025

Disinflation seems to have taken hold in the eurozone as a whole, with August CPI at 2.2% year-on-year. While underlying pressures remain (discounting energy and fresh food, CPI advanced by 2.8%), the ECB has once again decided on an interest rate cut at its September meeting, following an initial cut in June. In addition to the dissipation of the energy and supply shocks, the weak performance of the European economy generates expectations of further monetary easing. Signs of moderating growth and job creation on the other side of the Atlantic are pushing in a similar direction, although the Federal Reserve is likely to proceed with caution.

These expectations have been passed on to market rates. The one-year Euribor has fallen sharply and is now below 3%, nearly 60 basis points lower than two months ago. Government bond yields have also fallen, although less sharply (the 10-year bond is trading at around 3%, compared to 3.3% in July). There is no pressure on the Spanish risk premium, in contrast to the deterioration in French debt.

Interest rates are expected to fall more sharply than anticipated in the previous Panel. Euribor should close the current year at around 2.8%, half a point lower than in the July assessment, and would fall to

2.5% by the end of 2025, a quarter of a point lower than in the previous Panel (Table 2).

Recent recovery of the euro against the dollar

Following signs of moderating growth in the US, the euro has regained some of its lost ground against the dollar, now standing at around 1.1, up 1.9% from two months ago. Analysts expect the exchange rate to remain relatively stable over the forecast period (Table 2).

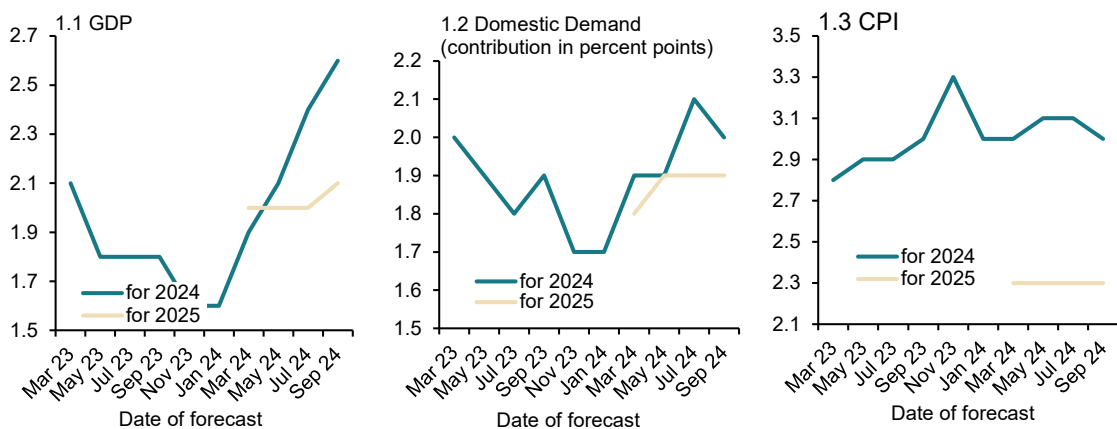
Monetary policy is being tighter than desirable

Given the improvement in inflation and the mediocre growth outlook for the eurozone, monetary policy assessments have undergone some changes. While there is still a consensus on the tightening nature of monetary policy, only four panelists now believe that the central bank should maintain this stance, half the number in the July Panel (Table 4). In contrast, there is little change of opinion on fiscal policy: the panelists continue to believe that fiscal policy should be neutral, or even restrictive, whereas it is being expansionary.

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 19 research departments listed in Table 1. The survey, circulated since 1999, is a bi-monthly publication issued 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 19 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organizations are also included for comparison, but do not form part of the consensus forecast.

Spanish economic forecasts panel: September 2024*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – September 2024

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	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	2.8	2.1	2.1	1.9	1.9	1.5	2.8	3.1	2.0	3.9	3.5	2.0	2.2	2.0
BBVA Research	2.5	2.1	2.2	1.9	1.8	1.3	3.4	5.4	2.7	5.6	3.7	4.7	2.2	2.4
CaixaBank Research	2.4	2.3	2.2	2.4	1.7	1.0	2.5	3.6	2.2	4.6	2.9	3.1	2.0	2.3
Cámara de Comercio de España	2.4	2.0	1.8	1.5	1.8	1.5	1.8	2.2	1.0	2.1	2.4	2.4	1.9	1.6
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.6	2.5	2.5	2.5	1.6	1.3	2.0	2.1	2.6	2.3	1.7	1.9	2.2	2.1
Centro de Predicción Económica (CEPREDE-UAM)	2.4	2.5	2.0	2.5	1.9	1.6	3.0	5.5	1.6	5.7	4.0	5.0	1.8	2.6
CEOE	2.7	2.0	2.0	1.4	2.4	0.9	2.1	1.4	0.9	1.4	2.7	1.5	2.0	1.3
Equipo Económico (Ee)	2.6	2.0	2.4	2.1	2.8	0.7	2.0	2.5	1.7	2.7	2.7	2.7	2.1	1.8
EthiFinance Ratings	2.5	2.2	2.3	2.0	1.5	1.4	2.9	5.7	2.0	5.7	4.8	5.8	--	--
Funcas	2.5	1.8	2.3	1.9	1.7	1.0	2.3	2.5	1.5	2.4	2.9	2.7	2.1	1.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.6	2.3	2.3	2.2	1.6	1.5	2.8	3.6	2.0	3.8	3.7	3.6	2.0	2.3
Instituto de Estudios Económicos (IEE)	2.6	1.9	2.1	1.5	2.4	1.6	2.3	1.5	2.1	1.7	2.5	1.5	2.1	1.5
Intermoney	2.2	1.8	2.2	1.9	1.6	1.5	2.7	2.6	2.6	3.2	2.8	2.2	2.0	1.8
Mapfre Economics	2.4	1.9	2.0	1.7	2.0	1.0	2.6	4.8	--	--	--	--	1.7	1.8
Metysis	2.7	2.1	2.3	2.2	2.0	1.3	3.0	2.5	2.3	2.2	3.5	3.0	2.1	1.9
Oxford Economics	2.8	2.0	2.0	1.7	1.8	1.2	2.9	4.8	1.0	3.0	1.2	2.6	2.1	2.0
Repsol	2.6	2.0	1.9	2.3	1.5	1.9	3.0	3.2	0.9	3.3	4.6	3.3	1.8	2.3
Santander	2.6	2.0	2.0	1.9	1.6	1.5	2.8	3.2	1.7	4.0	3.7	2.7	2.1	2.1
Universidad Loyola Andalucía	2.7	2.3	1.7	1.5	1.8	2.1	2.7	3.1	1.2	2.9	3.3	2.9	1.8	1.4
CONSENSUS (AVERAGE)	2.6	2.1	2.1	1.9	1.9	1.4	2.6	3.3	1.8	3.4	3.1	3.0	2.0	1.9
Maximum	2.8	2.5	2.5	2.5	2.8	2.1	3.4	5.7	2.7	5.7	4.8	5.8	2.2	2.6
Minimum	2.2	1.8	1.7	1.4	1.5	0.7	1.8	1.4	0.9	1.4	1.2	1.5	1.7	1.3
Change on 2 months earlier ¹	0.2	0.1	0.0	0.0	-0.1	0.1	0.0	0.1	-0.4	0.0	-0.1	0.1	0.0	0.0
- Rise ²	13	9	9	5	5	8	7	5	3	3	6	5	6	6
- Drop ²	0	0	4	4	6	3	4	4	6	5	5	4	6	2
Change on 6 months earlier ¹	0.7	0.1	0.2	0.1	-0.3	0.3	0.5	-0.1	-0.6	-0.1	1.4	0.0	0.1	0.1
Memorandum items:														
Government (July 2024)	2.4	2.2	2.2	2.2	1.7	1.1	3.4	4.8	--	--	--	--	2.2	2.4
Bank of Spain (June 2024)	2.3	1.9	2.4	2.0	1.6	1.7	2.2	2.4	--	--	--	--	2.1	1.9
AIReF (July 2024)	2.4	1.9	2.4	1.9	1.2	1.3	3.6	3.6	3.5	4.2	3.6	3.4	2.3	2.0
EC (May 2024)	2.1	1.9	2.1	1.9	1.8	1.3	1.9	2.9	2.0	4.0	1.6	2.6	--	--
IMF (July 2024)	2.4	2.1	--	--	--	--	--	--	--	--	--	--	--	--
OECD (May 2024)	1.8	2.0	--	--	--	--	--	--	--	--	--	--	--	--

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 2024

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 ¹		Jobs ¹		Unempl. (% labour force)		C/A bal. of payments (% of GDP) ⁵		Gen. gov. bal. (% of GDP)	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	4.1	3.2	2.5	3.1	3.2	2.3	3.0	2.1	3.9	3.2	1.7	1.5	11.7	11.4	1.9	2.1	-2.9	-2.5
BBVA Research	3.2	3.8	2.7	5.1	3.3	2.4	3.1	2.1	3.4	2.8	2.7	2.0	11.4	10.8	2.6	2.2	-2.9	-2.7
CaixaBank Research	3.6	2.4	2.9	2.5	3.2	2.5	3.0	2.4	4.2	3.1	2.7	2.2	11.6	11.1	2.7	2.7	-3.0	-2.6
Cámara de Comercio de España	3.0	2.0	1.6	1.2	3.0	2.1	3.3	2.8	--	--	2.0	1.5	11.6	10.9	2.6	2.5	-3.2	-3.0
Centro de Estudios Económica de Madrid (CEEM-URJC)	3.4	4.6	3.2	2.9	3.3	2.8	3.2	3.0	--	--	1.2	2.1	11.0	10.6	1.0	1.0	-3.4	-2.8
Centro de Predicción Económica (CEPREDE-UAM)	3.8	3.7	2.6	4.4	3.0	2.3	--	--	3.2	2.2	1.6	1.4	11.8	11.4	2.7	1.5	-3.3	-3.6
CEOE	2.7	4.7	0.7	3.4	2.9	2.0	2.9	2.2	4.0	2.9	2.3	1.8	11.5	10.8	2.8	2.6	-3.3	-3.0
Equipo Económico (Ee)	2.9	2.1	1.8	1.8	3.0	2.3	3.1	2.3	3.9	3.6	2.3	1.3	11.6	11.4	2.0	1.9	-3.4	-3.2
EthiFinance Ratings	2.0	1.7	1.5	3.6	3.1	2.3	2.9	2.1	--	--	--	--	11.4	10.9	2.2	2.0	-3.1	-2.9
Funcas	3.9	2.4	3.1	2.5	2.8	2.1	2.9	2.0	3.4	2.6	2.2	1.5	11.2	10.3	2.9	2.8	-3.1	-3.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.3	2.5	2.6	2.4	3.0	2.5	3.0	2.3	--	--	1.9	1.5	11.2	10.5	2.5	2.5	-3.4	-3.0
Instituto de Estudios Económicos (IEE)	3.0	3.4	1.9	2.6	3.0	2.1	2.9	2.2	4.0	2.9	2.2	1.7	11.6	11.2	2.1	2.0	-3.4	-3.1
Intermoney	2.2	2.9	1.9	3.2	3.2	2.3	3.0	2.2	--	--	1.8	1.7	11.8	11.4	1.8	--	-3.6	-3.2
Mapfre Economics	3.7	2.4	2.2	2.3	3.0	2.3	3.1	2.3	3.4	2.1	--	--	11.5	11.1	2.7	2.5	-3.2	-3.0
Metysis	2.8	3.0	1.9	2.5	2.9	2.3	2.8	2.1	3.2	2.6	2.3	1.7	11.0	10.6	2.6	2.5	-3.1	-2.9
Oxford Economics	4.0	2.3	2.2	2.5	2.8	2.1	3.0	2.1	--	--	--	--	11.7	11.5	3.4	3.1	-3.2	-2.8
Repsol	4.2	4.2	2.4	5.4	2.9	2.1	3.0	2.6	3.0	2.2	1.9	1.4	11.8	12.2	2.0	1.0	-3.2	-3.0
Santander	4.2	3.0	2.5	3.3	2.8	2.2	2.8	2.3	--	--	2.4	1.7	11.4	10.7	--	--	--	--
Universidad Loyola Andalucía	4.3	2.5	2.2	1.8	3.0	2.1	3.0	2.0	--	--	1.7	1.7	11.6	11.1	1.5	1.7	-3.8	-3.8
CONSENSUS (AVERAGE)	3.4	3.0	2.2	3.0	3.0	2.3	3.0	2.3	3.6	2.8	2.0	1.7	11.5	11.0	2.3	2.2	-3.3	-3.0
Maximum	4.3	4.7	3.2	5.4	3.3	2.8	3.3	3.0	4.2	3.6	2.7	2.2	11.8	12.2	3.4	3.1	-2.9	-2.5
Minimum	2.0	1.7	0.7	1.2	2.8	2.0	2.8	2.0	3.0	2.1	1.2	1.3	11.0	10.3	1.0	1.0	-3.8	-3.8
Change on 2 months earlier ¹	0.6	-0.1	0.1	-0.1	-0.2	0.0	0.0	0.0	-0.1	-0.2	-0.1	0.0	0.0	-0.1	0.2	0.1	0.0	0.1
- Rise ²	12	2	6	1	0	2	3	4	0	0	4	4	4	3	6	4	4	5
- Drop ²	1	7	4	6	12	7	7	5	2	2	6	4	4	7	2	3	2	1
Change on 6 months earlier ¹	1.3	-0.1	0.0	-0.2	0.0	0.0	-0.1	-0.2	0.0	-0.2	0.0	-0.1	-0.1	-0.2	0.4	0.2	0.3	0.2
Memorandum items:																		
Government (July 2024)	3.7	2.4	3.5	3.4	--	--	--	--	--	--	3.0	2.4	11.1	10.2	--	--	-3.0	-2.5
Bank of Spain (June 2024)	2.4	2.4	2.0	2.7	3.0 ⁽⁶⁾	2.0 ⁽⁶⁾	2.6 ⁽⁷⁾	2.0 ⁽⁷⁾	--	--	1.1 ⁽⁸⁾	1.7 ⁽⁸⁾	11.6	11.3	--	--	-3.3	-3.1
AIReF (July 2024)	3.3	3.1	3.2	3.8	3.2	2.0	--	--	3.5	1.7	2.5	2.0	11.6	11.1	--	--	-3.0	--
EC (May 2024)	1.6	2.4	1.3	2.4	3.1 ⁽⁶⁾	2.3 ⁽⁶⁾	3.2 ⁽⁷⁾	2.3 ⁽⁷⁾	4.0	2.9	2.1	1.3	11.6	11.1	2.8	2.8	-3.0	-2.8
IMF (July 2024)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (May 2024)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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 Harmonized Index of Consumer Prices (HICP).⁷ Harmonized Index excluding energy and food.⁸ Hours worked.

Table 2

Quarterly Forecasts – September 2024

	24-I Q	24-II Q	24-III Q	24-IV Q	25-I Q	25-II Q	25-III Q	25-IV Q
GDP ¹	0.8	0.8	0.4	0.4	0.5	0.5	0.5	0.5
Euribor 1 yr ²	3.72	3.65	3.11	2.83	2.71	2.64	2.58	2.52
Government bond yield 10 yr ²	3.19	3.36	3.10	3.07	2.99	2.94	2.90	2.87
ECB main refinancing operations interest rate ³	4.50	4.25	3.93	3.70	3.47	3.25	3.02	2.86
ECB deposit rates ³	4.00	3.75	3.57	3.33	3.11	2.89	2.66	2.49
Dollar / Euro exchange rate ²	1.09	1.08	1.09	1.09	1.10	1.10	1.10	1.11

Forecasts in yellow.

¹ Qr-on-qr growth rates.

² End of period.

³ Last day of the quarter.

Table 3

CPI Forecasts – September 2024

Year-on-year change (%)					
Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Dec-25
2.3	2.3	2.5	2.7	2.8	2.2

Table 4

Opinions – September 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	2	4	13	8	11	0
International context: Non-EU	1	7	11	3	13	3
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	2	17	1	18	0
Monetary policy assessment ¹	19	0	0	4	13	2

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