

# Spanish economic forecasts panel: May 2022\*

Funcas Economic Trends and Statistics Department

## Consensus GDP growth forecast for 2022 trimmed to 4.3%

The Spanish economy grew by 0.3% in the first quarter of 2022, according to the provisional numbers, 0.4 percentage points below the consensus forecast. Domestic demand detracted from growth by 1.2 percentage points, driven by a sharp drop in private consumption, whereas external demand contributed 1.5 points, thanks to growth in exports combined with a drop in imports. As for the start of the second quarter, the scant indicators available so far point to contraction or similar readings to those observed in previous months, other than the service sector indicators, which are rebounding strongly (confidence index, PMI and Social Security contributor numbers).

The consensus forecast for GDP growth in 2022 stands at 4.3%, down 0.5 points from our last survey, with 15 of the analysts having trimmed their estimates. As for the quarterly profile, the analysts are expecting lower growth for the remainder of the year (Table 2).

Domestic demand is expected to contribute 3.3 percentage points, down 0.8 percentage points from the last set of forecasts. The analysts have cut their forecasts for public and private consumption, and for investment, especially construction, sharply. External demand, meanwhile, is expected to make a one-point contribution to GDP, up 0.3 percentage points from the last set of estimates, shaped by lower import estimates (Table 1).

## The forecast for 2023 is 3%

The consensus forecast is for growth of 3% in 2023, implying a 1.3 percentage point slowdown with respect to the 2022 forecast. That forecast is in line with the most recent forecasts published by the Bank of Spain and international organisations, such as the IMF.

The anticipated slowdown is attributable to a slight easing in the contribution by domestic demand but above all to the expectation of a flat contribution by

foreign trade (which is expected to contribute one point to growth this year) (Table 1).

## Inflation expected to ease in 2023

The headline inflation rate continued to climb to a new record level of 9.8% in March. In April it fell back to 8.3%, but core inflation continued to rise, to 4.4%. The reduction in headline inflation points to an easing in energy product tightness; however, the increase in core inflation suggests that higher production costs are being passed on to less volatile components of the index.

The consensus forecast for average inflation in 2022 has increased by 1.5 percentage points to 6.9%. Headline inflation is expected to trend lower over the course of the year to reach 4.3% year-on-year by December (Table 3). In 2023, inflation is expected to come down considerably to 2.2% on average and to end the year at 1.8% year-on-year. Core inflation, meanwhile, is estimated at 3.6% and 2.4% in 2022 and 2023, respectively.

## Unemployment rate could fall to 13.2% in 2023

According to the labour force survey, employment increased by 1.1% in the first quarter, adjusting for seasonal effects, marking slight easing from the growth observed during the last two quarters. The rate of unemployment decreased 2.3 percentage points year-on-year to 13.6%.

The rate of growth in Social Security contributors points to a more pronounced slowdown in job creation in the first quarter than that gleaned from the labour force survey. However, that reading registered strong growth in April, albeit concentrated in the services sector in general and the hospitality sector in particular. The consensus forecast for job growth in 2022 has been trimmed by 0.6 percentage points to 2.9%; the forecast for 2023 is for growth of 1.9%.

The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULCs). Productivity per full-time equivalent job is expected to increase by 1.4% this year and by 1.1% in 2023. Meanwhile, ULCs are expected to increase by 1% in 2022 and by 1.2% in 2023.

The average annual unemployment rate is expected to continue to come down to 13.7% in 2022 (down 0.2pp from the last Panel) and to 13.2% in 2023.

### **Ongoing balance of payments surplus**

According to the definitive figures, Spain recorded a current account surplus of 11.3 billion euros in 2021, which is 0.9% of GDP – slightly greater than the surplus of 9.25 billion euros recorded in 2020. In the first two months of 2022, the trade surplus deteriorated year-on-year, while the income deficit narrowed. As a result, the current account deficit deteriorated by 622 million euros.

The consensus forecasts point to a current account surplus of 0.6% of GDP in 2022 (down 0.1pp from the last survey) and of 0.7% in 2023.

### **Downtrend in public deficit**

Spain recorded a public deficit of 6.8% of GDP in 2021, 0.5 percentage points below the consensus forecast, compared to a deficit of 10.1% in 2020. Throughout the first few months of 2022, the various levels of government are displaying a considerable improvement in their financial health.

The analysts are expecting the deficit to come down over the next two years to 5.5% in 2022 and to 4.8% in 2023. Those numbers would imply missing the government's targets by 0.5pp and 0.9pp, respectively.

### **International context marred by consequences of the war**

The outlook for the global economy has become more uncertain since our March survey. The invasion of Ukraine has compounded existing tensions in the energy and commodities markets. Faced by the risk of supply shortages, Brent oil is trading at around \$115/barrel, compared to \$100 in March, while the benchmark for gas prices in Europe, the TTF index, remains at high levels fuelled by the fear of

an interruption in supply from Russia. The collapse in exports from the regions affected by the conflict has also sent cereal prices soaring, with grave consequences for the major importing nations, particularly the poorest countries. All of which, exacerbated by the Chinese government's zero COVID policy, has triggered further supply chain disruptions, intensifying bottlenecks in industry, as evidenced in the manufacturing PMI suppliers' delivery. Geopolitical turbulence and supply chain friction are aggravating inflationary pressures, foreshadowing monetary policy tightening. The Federal Reserve has embarked on rate tightening, which has had ripple effects on the financial markets.

All of this has clouded the prospects for economic recovery. In its spring forecasts, the IMF cut its estimate for global growth in 2022 by 0.8 percentage points to 3.6%. More recently, the European Commission has also revised its forecasts for the European economy downwards. It is now forecasting growth of 2.7% in 2022, down 1.6 points from its last forecast, made before the war broke out, and growth of 2.3% in 2023 (down 0.1pp).

Virtually all of the analysts surveyed view the external climate as unfavourable, both in the EU and beyond, an assessment unchanged from the last Panel. And a wide majority of analysts believe that negative environment will persist or deteriorate in the months to come.

### **The withdrawal of monetary stimulus measures is accelerating in the face of persistent inflation**

Given the persistence of inflationary pressures as a result of the run-up in the cost of energy and other inputs, the leading central banks are accelerating the withdrawal of their monetary stimulus measures. That shift is ushering in the end of the public and private debt repurchase programmes (both those initiated during the pandemic and those previously in existence), obliging the various states to refinance in the capital markets, without the backing of a central bank. Meanwhile, the Federal Reserve has already increased its benchmark rate twice (from 0-0.25% at the start of the year to 0.75-1% today) and has announced additional hikes in the coming months. The ECB is emitting increasingly explicit signs that it plans

to increase the rate on its deposit facility, stuck in negative territory since 2014. The challenge is to contain second-round effects from energy inflation without sparking financial tension in the eurozone of the calibre seen in 2011.

The markets have taken stock of the shift in monetary policy. 12-month forward EURIBOR (the leading indicator for the trend in the deposit facility rate, controlled by the ECB) has tightened from -0.24% in March to above +0.2% at the time the Panel results were written up, the first positive reading since 2016. The yield on the 10-year Spanish bond is trading above 2.1%, compared to 1.4% in March. The risk premium has widened slightly to close to 110 basis points.

The analysts expect market rates to continue to inch higher over the projection horizon (Table 2), reflecting significantly sharper tightening than they had been forecasting in March. EURIBOR at the end of the projection horizon is estimated at 1% and the yield on 10-year Spanish bonds, at 2.5%.

## Euro approaching parity with the dollar

Monetary tightening is proceeding at a faster rate in the US than on this side of the Atlantic, driving euro depreciation against the dollar. The exchange rate is approaching parity compared to €/1.10 in March. The analysts, however, expect monetary conditions to converge, enabling the euro to regain some of the ground lost against the greenback during the projection horizon (Table 2).

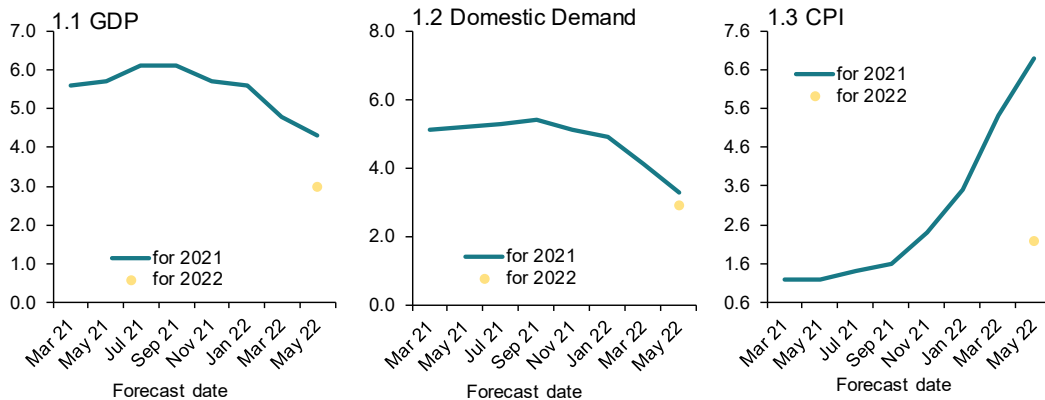
## Macroeconomic policy remains expansionary

There was little change in the analysts' assessment of macroeconomic policy since our last Panel. They remain virtually unanimous about the expansionary character of prevailing policies. Most of them think that the current orientation is the right one, although the number of forecasters who think monetary policy should become more neutral has increased (Table 4). Lastly, the ECB is expected to start to increase one of its key rates –the deposit facility rate– considerably from the third quarter.

### 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, 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 19 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: May 2022\*

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Table 1

## Economic Forecasts for Spain – May 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>3</sup>	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Analistas Financieros Internacionales (AFI)	4.3	3.0	3.5	2.5	3.1	1.7	4.9	2.5	7.5	3.3	2.0	2.2	3.7	2.3
BBVA Research	4.1	3.3	3.5	2.7	1.1	1.7	7.0	18.1	3.7	15.5	8.6	20.2	3.9	5.6
CaixaBank Research	4.2	3.8	3.3	4.5	0.1	0.4	3.6	5.0	4.5	5.0	1.3	5.0	3.8	3.6
Cámara de Comercio de España	4.3	2.8	2.0	2.0	0.6	0.7	4.5	2.7	10.6	5.3	1.2	1.2	2.8	2.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.3	3.0	3.8	2.8	2.8	2.7	5.9	5.1	7.9	6.9	6.0	5.0	3.9	3.2
Centro de Predicción Económica (CEPREDE-UAM)	4.9	2.6	1.3	3.3	1.0	1.2	8.4	6.5	12.7	5.2	4.3	7.3	2.6	3.6
CEOE	4.2	3.2	3.1	2.7	2.2	1.3	7.4	5.4	12.2	6.8	3.3	4.7	3.1	2.7
Equipo Económico (Ee)	4.4	3.5	3.9	2.4	2.2	1.9	6.4	4.9	6.4	5.9	4.8	4.1	4.2	3.3
EthiFinance Ratings	4.7	3.5	3.0	4.1	1.7	1.5	4.0	8.7	--	--	--	--	--	--
Funcas	4.2	3.3	3.8	2.9	1.1	2.1	6.8	6.9	8.3	4.9	6.0	7.9	3.8	3.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.3	3.3	3.8	2.6	1.2	2.1	5.0	6.0	8.5	5.0	3.7	7.7	3.5	3.0
Instituto de Estudios Económicos (IEE)	3.9	2.8	3.0	2.4	2.3	1.7	5.7	4.6	7.9	7.0	2.9	2.8	2.7	2.5
Intermoney	4.7	3.6	3.6	3.0	1.5	2.0	7.6	6.2	8.8	7.0	6.4	5.5	3.9	3.4
Mapfre Economics	4.2	3.0	3.6	3.5	-0.1	1.1	3.9	2.0	--	--	--	--	3.9	1.4
Oxford Economics	4.5	3.6	2.2	5.1	1.4	1.2	7.5	5.1	4.1	5.7	4.0	7.3	2.6	4.1
Repsol	4.0	2.5	-0.4	1.2	0.4	0.7	5.2	1.5	8.6	0.8	1.1	1.7	0.8	1.0
Santander	4.3	2.8	1.7	3.1	0.8	0.8	6.8	5.6	11.0	5.9	2.7	4.8	2.7	3.0
Metysis	3.7	2.5	3.4	1.9	1.5	1.4	6.8	5.4	9.2	4.5	5.6	6.4	3.8	2.7
Universidad Loyola Andalucía	3.8	1.9	3.6	1.1	0.9	0.7	7.0	5.4	8.2	5.2	0.7	-1.0	3.3	1.8
<b>CONSENSUS (AVERAGE)</b>	<b>4.3</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>	<b>1.4</b>	<b>1.4</b>	<b>6.0</b>	<b>5.7</b>	<b>8.2</b>	<b>5.9</b>	<b>3.8</b>	<b>5.5</b>	<b>3.3</b>	<b>2.9</b>
Maximum	4.9	3.8	3.9	5.1	3.1	2.7	8.4	18.1	12.7	15.5	8.6	20.2	4.2	5.6
Minimum	3.7	1.9	-0.4	1.1	-0.1	0.4	3.6	1.5	3.7	0.8	0.7	-1.0	0.8	1.0
Change on 2 months earlier <sup>1</sup>	-0.5	--	-1.0	--	-0.4	--	-1.1	--	-0.1	--	-1.9	--	-0.8	--
- Rise <sup>2</sup>	2	--	1	--	5	--	6	--	7	--	2	--	3	--
- Drop <sup>2</sup>	15	--	17	--	11	--	12	--	9	--	12	--	13	--
Change on 6 months earlier <sup>1</sup>	-1.4	--	-2.4	--	-0.7	--	-2.1	--	-0.7	--	-4.3	--	-1.8	--
Memorandum items:														
Government (April 2022)	4.3	3.5	4.1	2.7	2.0	2.2	9.3	7.5	11.1	5.9	5.2	8.6	4.6	3.6
Bank of Spain (April 2022)	4.5	2.9	4.5	3.9	-0.3	0.8	4.5	2.1	--	--	--	--	3.3	2.7
EC (May 2022)	4.0	3.4	0.8	3.8	-0.5	0.4	8.3	5.8	13.0	5.5	4.2	6.8	2.0	3.4
IMF (April 2022)	4.8	3.3	5.2	3.4	0.6	0.4	4.5	5.2	--	--	--	--	4.0	3.0
OECD (December 2021)	5.5	3.8	4.5	3.1	2.5	1.7	8.1	7.0	--	--	--	--	--	--

<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> Contribution to GDP growth, in percentage points.

Table 1 (Continued)

**Economic Forecasts for Spain – May 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>5</sup>	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Analistas Financieros Internacionales (AFI)	7.9	4.1	6.5	2.2	6.0	2.0	3.1	2.5	--	--	2.8	1.4	13.3	13.0	1.1	1.3	-4.7	-3.9
BBVA Research	9.3	7.8	9.0	14.8	7.0	2.5	--	--	3.9	3.6	2.6	1.5	14.2	13.8	-0.4	-2.2	-6.0	-4.6
CaixaBank Research	10.1	3.0	6.0	2.5	6.8	1.1	4.0	2.2	2.6	3.1	3.8	2.9	13.6	12.5	1.5	1.5	-5.5	-4.8
Cámara de Comercio de España	11.5	4.5	6.8	4.4	7.6	3.3	4.1	3.0	--	--	3.2	1.9	13.9	13.4	0.8	0.4	-5.9	-5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	9.6	4.8	8.8	5.3	7.1	3.1	4.0	3.0	--	--	2.8	1.5	13.6	12.8	0.5	0.0	-5.3	-4.2
Centro de Predicción Económica (CEPREDE-UAM)	15.2	4.2	9.2	7.0	8.0	2.4	--	--	1.7	2.7	3.6	1.1	14.0	13.9	1.1	1.7	-5.8	-4.8
CEOE	11.3	6.9	8.3	6.0	7.0	1.9	3.9	2.1	2.0	1.8	3.1	2.8	13.7	12.9	0.0	0.5	-5.2	-4.5
Equipo Económico (Ee)	9.6	7.7	9.4	7.6	7.4	2.9	3.4	2.0	2.6	2.0	2.9	2.1	13.2	12.7	0.8	1.1	-5.2	-4.5
EthiFinance Ratings	16.2	3.9	10.8	4.9	6.8	2.1	3.5	1.9	--	--	--	--	13.6	13.1	0.5	0.8	-5.0	-4.1
Funcas	7.1	4.9	6.2	4.8	7.0	3.1	4.6	3.6	2.0	2.5	2.3	1.5	13.4	12.9	0.3	0.8	-5.0	-4.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	9.4	7.3	6.8	6.9	7.2	2.6	2.7	1.9	--	--	2.5	1.7	13.7	13.0	0.9	0.7	-5.0	-4.7
Instituto de Estudios Económicos (IEE)	9.4	6.3	5.8	5.6	6.9	1.7	3.8	2.1	2.0	1.8	3.0	2.4	14.1	13.5	-0.5	0.0	-5.5	-4.9
Intermoney	10.1	6.2	8.1	5.8	6.5	2.2	3.4	1.8	--	--	3.0	2.1	14.2	13.2	0.6	--	-5.6	-4.8
Mapfre Economics	6.2	6.4	6.7	1.9	6.5	1.9	2.9	1.3	2.0	1.5	2.2	2.0	13.9	14.3	0.6	1.4	-5.5	-4.1
Oxford Economics	12.0	2.1	6.7	3.4	6.3	1.1	3.4	1.6	--	--	--	--	13.0	13.5	0.7	1.5	-5.1	-4.4
Repsol	15.9	10.0	6.9	7.0	6.3	1.4	3.3	1.7	2.5	2.0	3.5	2.2	13.5	13.1	0.0	0.5	-5.5	-4.2
Santander	11.2	2.4	7.4	3.3	6.5	2.0	3.5	2.5	--	--	--	--	13.6	13.3	--	--	--	--
Metysis	10.8	5.6	8.6	5.9	7.3	2.3	2.8	2.0	--	--	3.0	2.8	13.8	12.8	0.9	0.8	-5.7	-5.0
Universidad Loyola Andalucía	10.0	4.0	7.8	3.7	6.6	2.3	4.4	4.8	--	--	1.3	1.2	14.0	13.2	0.7	0.5	-7.1	-8.9
<b>CONSENSUS (AVERAGE)</b>	<b>10.7</b>	<b>5.4</b>	<b>7.7</b>	<b>5.4</b>	<b>6.9</b>	<b>2.2</b>	<b>3.6</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>	<b>2.9</b>	<b>1.9</b>	<b>13.7</b>	<b>13.2</b>	<b>0.6</b>	<b>0.7</b>	<b>-5.5</b>	<b>-4.8</b>
Maximum	16.2	10.0	10.8	14.8	8.0	3.3	4.6	4.8	3.9	3.6	3.8	2.9	14.2	14.3	1.5	1.7	-4.7	-3.9
Minimum	6.2	2.1	5.8	1.9	6.0	1.1	2.7	1.3	1.7	1.5	1.3	1.1	13.0	12.5	-0.5	-2.2	-7.1	-8.9
Change on 2 months earlier <sup>1</sup>	0.0	--	-0.9	--	1.5	--	0.8	--	0.4	--	-0.6	--	-0.2	--	-0.1	--	0.0	--
- Rise <sup>2</sup>	7	--	4	--	17	--	14	--	6	--	3	--	7	--	3	--	9	--
- Drop <sup>2</sup>	10	--	14	--	2	--	0	--	0	--	10	--	9	--	8	--	6	--
Change on 6 months earlier <sup>1</sup>	-0.8	--	-2.0	--	4.5	--	2.2	--	0.6	--	-0.5	--	-0.7	--	-0.6	--	0.2	--
Memorandum items:																		
Government (April 2022)	7.8	6.2	9.1	6.5	--	--	--	--	--	--	3.0	1.7	12.8	11.7	-0.4	-0.3	-5.0	-3.9
Bank of Spain (April 2022)	12.0	3.8	9.0	3.3	7.5 <sup>(7)</sup>	2.0 <sup>(7)</sup>	2.8 <sup>(8)</sup>	1.8 <sup>(8)</sup>	--	--	1.9 <sup>(9)</sup>	2.0 <sup>(9)</sup>	13.5	13.2	--	--	-5.0	-5.2
EC (May 2022)	13.6	4.6	8.3	4.8	6.3 <sup>(7)</sup>	1.8 <sup>(7)</sup>	3.9 <sup>(8)</sup>	2.7 <sup>(8)</sup>	2.8	3.0	3.3	1.6	13.4	13.0	1.8	2.1	-4.9	-4.4
IMF (April 2022)	8.6	3.7	0.6	3.0	5.3	1.3	--	--	--	--	--	--	13.4	13.1	0.3	0.4	-7.0	-5.3
OECD (December 2021)	10.7	6.1	8.5	5.4	3.2 <sup>(7)</sup>	1.5 <sup>(7)</sup>	1.2 <sup>(8)</sup>	1.5 <sup>(8)</sup>	--	--	2.4	1.2	14.2	13.6	1.0	1.2	-5.4	-4.2

<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 – May 2022

	22-I Q	22-II Q	22-III Q	22-IV Q	23-I Q	23-II Q	23-III Q	23-IV Q
GDP <sup>1</sup>	0.3	0.3	0.8	0.7	0.8	0.8	1.0	0.8
Euribor 1 yr <sup>2</sup>	-0.24	0.19	0.41	0.63	0.76	0.95	1.01	1.06
Government bond yield 10 yr <sup>2</sup>	1.22	2.01	2.23	2.34	2.40	2.45	2.49	2.54
ECB main refinancing operations interest rate <sup>2</sup>	0.00	0.00	0.14	0.33	0.50	0.62	0.65	0.70
ECB deposit rates <sup>2</sup>	-0.50	-0.48	-0.25	-0.05	0.08	0.20	0.23	0.25
Dollar / Euro exchange rate <sup>2</sup>	1.10	1.07	1.11	1.08	1.09	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 – May 2022

Year-on-year change (%)					
Apr-22	May-22	Jun-22	Jul-22	Dec-22	Dec-23
8.3	7.3	7.0	6.9	4.3	1.8

Table 4

### Opinions – May 2022

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	2	17	4	9	6
International context: Non-EU	0	3	16	3	11	5
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment <sup>1</sup>	0	1	18	1	7	11
Monetary policy assessment <sup>1</sup>	1	0	18	5	9	5

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