

# Spanish economic forecasts panel: May 2024\*

Funcas Economic Trends and Statistics Department

## **GDP growth estimate for 2024 raised by two tenths of a percentage point to 2.1%**

In the first quarter of 2024, GDP grew by 0.7%, according to provisional estimates, three tenths above the previous consensus expectation (the fourth quarter of 2023 has also been revised upward to 0.7%).

The contribution of domestic demand to growth was two tenths of a percentage point, driven by private consumption and investment. The foreign sector contributed five tenths of a percentage point, reflecting strong net exports, both of tourism and non-tourism services.

With respect to the beginning of the second quarter of this year, the few available indicators remain similar in strength, even slightly higher, than in previous months.

Due to this better-than-expected result, the consensus forecast for GDP growth for 2024 as a whole has been increased by two tenths of a percentage point to 2.1%. Thirteen out of the nineteen panelists have revised their forecasts upwards, and none downwards.

The growth forecast for domestic demand has been maintained, although with a greater role for investment and a lesser one for public consumption. The contribution of the external sector, on the other hand, has been revised upwards by two tenths of a percentage point to 0.2, due to lower growth in imports and slightly higher growth in exports, compared to the previous consensus forecast (Table 1). As for the quarterly growth profile, quarter-on-quarter rates of 0.4% are predicted for the remaining quarters of the year (Table 2).

## **GDP growth projection for 2025 remains at 2%**

The consensus forecast for GDP growth in 2025 remains at 2%. This figure is in line with those announced by national organizations, such as the

Bank of Spain or AIREF, and international bodies, such as the IMF or the European Commission.

The higher growth of investment, both in construction and in machinery and equipment, will offset the expected slowdown in consumption -especially public consumption- so that the contribution of domestic demand will remain as in the current year. As for the foreign sector, it is expected to add one tenth of a percentage point, compared to the two tenths this year (Table 1).

## **Inflation slightly above 2% by the end of 2025**

After slowing at the beginning of the year, largely due to the weather-related drop in electricity prices, inflation has rebounded above 3%, due in part to the withdrawal of the main anti-inflation measures adopted in the aftermath of the energy shock.

Panelists expect the inflation rate to continue to rise in the coming months and then decline to end the year at 3.1% (Table 3). For the year as a whole, annual average rates of 3.1% are expected for both headline and core inflation, one tenth of a percentage point higher for headline than in the previous Panel.

Forecasts for 2025 stand at 2.3% and 2.4% for the general rate and the core rate, respectively (Table 1). The December year-on-year rate is expected to be slightly above 2%.

## **Employment will continue to grow and the unemployment rate will fall to 11.2% in 2025**

According to the Labor Force Survey, employment increased by 0.5% in the first quarter (after eliminating seasonal effects), which comes close to the record of the previous two quarters. The unemployment rate stood at 12.3%, 1.1 percentage points lower than in the same period of the previous year. Social Security enrollment, on the other hand, points to an acceleration in job creation in the first quarter compared to the previous two quarters.

According to the most recent data, the labor market continues to advance, although with a certain tendency to decelerate.

The employment growth forecast for this year has been revised upward from the previous Panel by two tenths of a percentage point to 2.2%, while that for 2025 is revised downward by two tenths of a percentage point to 1.6%. All this would result in a decline in the unemployment rate to 11.2% in 2025, unchanged from the previous consensus (Table 1).

The implicit forecast for productivity and unit labor cost (ULC) growth is obtained from the forecasts for GDP, employment and wage growth. Productivity per full-time equivalent job is expected to fall by 0.1% this year and to grow by 0.4% next year. As for ULCs, they will increase by 3.9% in 2024 and by 2.6% in 2025, in line with the price disinflation process.

### **The strength of the balance of payments continues**

The current account balance recorded a surplus of 38 billion in 2023, which is the best result in nominal terms in the historical series, and one of the best results ever in relation to GDP, which at 2.6% was just below the historical highs of 2016 and 2017. In the first two months of 2024, the trade balance was higher than that recorded in the same period of 2023, while the income balance deficit narrowed, bringing the current account balance up to 2.4 billion euros.

The consensus forecast for the current account surplus is 2.1% of GDP for 2024 -two tenths of a percentage point higher than in the previous Panel- and 2% for 2025. These values are still high by historical standards.

### **Government deficit forecast revised downward**

The general government recorded a deficit of 3.6% of GDP in 2023, compared to 4.7% in the previous year. In the first two months of 2024, there was a deterioration in both the central government and regional government deficits, the latter of greater magnitude than the former. It should be noted, however, that the first months of the year are not very representative.

The Panel expects the general government deficit to continue to contract over the next two years, with

a forecast of 3.4% for this year and 3.1% for 2025, which is two and one-tenth of a percentage point, respectively, lower than in the previous consensus forecast (Table 1).

### **Slight improvement in the external environment**

The global situation remains uncertain, in line with the persistence of armed conflicts in Eastern Europe and the Middle East, with their repercussions on international trade and the transport of goods through the Red Sea. Nevertheless, the relative stability of the energy markets and the resilience of the labor market, among other factors, have encouraged the prospect of a recovery in Europe. This is evidenced by economic indicators, even in Germany, one of the economies most affected by the geopolitical changes (German manufacturing PMI has rebounded, though still remaining in contractionary territory). Signs of sustained growth in the US economy are more tangible, while inflation remains above target, reducing the prospects of interest rate cuts by the Federal Reserve. The Chinese economy, meanwhile, seems to be showing signs of improvement in the second quarter.

Panelists have incorporated the slight improvement in the external environment. Although most of them still consider the external environment to be unfavorable, the number who anticipate positive developments in the coming months outside Europe has increased to 5, three more than in the previous Panel (Table 4). Similarly, optimistic assessments grew to 7, one more than in March, regarding the European economic outlook.

### **Interest rates to fall more slowly than anticipated**

The persistence of inflation in the US has led to a significant readjustment of interest rate cut expectations. In March, when the previous Panel was conducted, markets were anticipating as many as six rate cuts in 2024 by the Federal Reserve, in a cycle that would begin this spring. At the time of writing, however, this easing is predicted to be slower and starting later. While the market believes that the ECB could go ahead and proceed with a first tightening in June, Frankfurt will also have to consider the reaction of the capital markets, so that its decisions do not affect the value of the euro against the dollar, hindering disinflation.

In light of this, the Panel maintains the forecast of a first cut in June, but adjustments would be milder thereafter, so that the ECB's deposit facility would still be above 2.5% at the end of next year, 20 basis points higher than the previous forecast (Table 2). Market interest rates would follow a similar, albeit less pronounced, trend, with Euribor at 3.2% by the end of this year and 2.8% by the end of 2025 (slightly above the previous assessment). The decline in yields on the Spanish 10-year government bonds will be even more gradual, getting closer to 3% at the end of next year.

### Slight recovery of the euro against the dollar

Since the last Panel, the euro has depreciated against the dollar, reflecting differences in the monetary cycle. However, the trend seems to have been interrupted, and panelists predict a gradual

recovery of the euro over the projection period (Table 2).

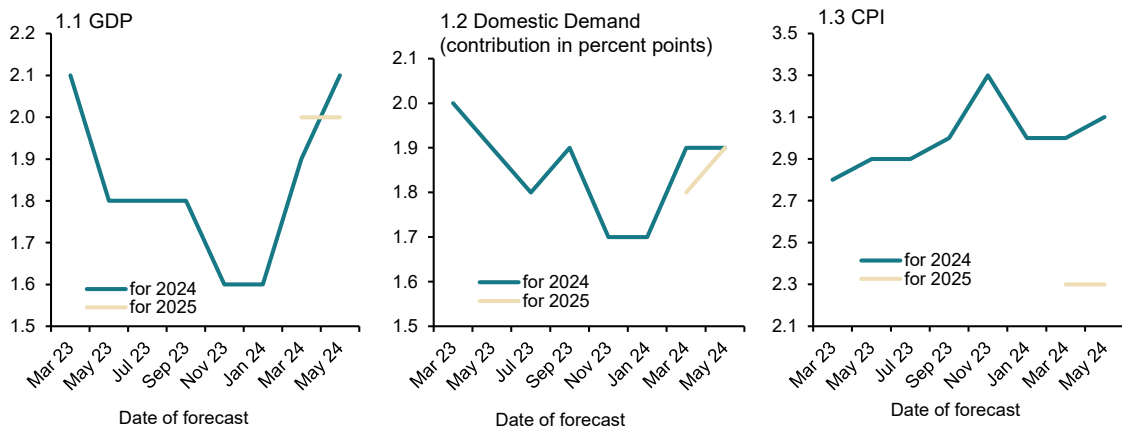
### Fiscal policy should be neutral or restrictive

Although the majority of panelists continues to see the current stance of fiscal policy as pro-cyclical, there is a slight increase in the number of panelists who consider that the impulse is neutral or even restrictive (3 instead of 1 in the previous Panel). In any case, unanimity persists on the need for a non-expansionary stance of fiscal policy (Table 4). Regarding monetary policy, the assessments show little change: there is agreement that monetary policy is currently restrictive, while the number of panelists who advocate a less restrictive policy stance has increased slightly (11 instead of 10 in the previous Panel).

#### 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: March 2024\*

Funcas Economic Trends and Statistics Department

Table 1

## Economic Forecasts for Spain – May 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 <sup>3</sup>	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	2.3	2.0	1.9	1.6	0.6	0.8	3.1	2.9	3.9	4.3	3.2	1.6	1.8	1.7
BBVA Research	2.1	2.0	2.0	1.7	2.6	1.0	3.1	7.3	2.5	8.9	3.5	7.2	2.5	2.5
CaixaBank Research	1.9	2.2	2.3	2.3	2.7	1.6	0.6	3.1	0.2	3.8	0.2	2.8	2.2	2.2
Cámara de Comercio de España	2.0	1.9	1.7	1.5	2.5	1.4	2.1	2.1	1.8	1.9	2.4	2.2	1.9	1.9
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.2	2.3	2.2	2.4	1.2	1.0	1.9	2.1	2.5	2.3	1.5	1.9	1.8	2.1
Centro de Predicción Económica (CEPREDE-UAM)	2.1	2.4	1.8	2.4	2.9	2.3	4.5	4.1	3.1	4.3	5.5	3.2	2.3	2.5
CEOE	2.3	1.8	1.8	1.5	2.5	0.8	1.8	1.1	0.2	1.1	2.4	1.3	2.0	1.3
Equipo Económico (Ee)	2.2	1.9	1.9	2.0	2.8	0.7	2.0	2.5	2.4	2.9	2.0	2.5	1.8	1.7
EthiFinance Ratings	2.0	2.0	2.1	1.8	2.3	0.8	2.3	5.9	3.1	3.0	1.3	5.9	--	--
Funcas	2.1	2.0	1.9	1.6	2.0	1.6	2.2	2.5	1.4	2.4	3.0	2.6	1.9	1.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.3	2.2	1.9	1.9	1.2	1.5	2.6	3.4	2.0	3.8	3.7	3.3	1.8	2.0
Instituto de Estudios Económicos (IEE)	2.1	1.7	1.7	1.2	2.3	1.0	1.6	1.1	0.3	1.0	2.0	1.3	1.8	1.2
Intermoney	1.8	1.9	2.2	1.8	1.0	1.2	3.2	3.0	3.0	3.9	3.5	2.2	2.0	1.8
Mapfre Economics	2.1	1.6	1.8	1.6	3.0	0.6	1.4	1.5	--	--	1.8	3.0	1.9	1.7
Metysis	2.3	2.0	2.1	2.1	2.0	1.3	3.0	2.5	2.3	2.2	3.6	3.0	2.1	1.9
Oxford Economics	2.4	1.8	1.8	1.7	1.9	1.1	2.6	5.0	1.5	4.5	1.5	4.0	2.0	2.0
Repsol	2.0	2.0	1.8	2.3	1.2	2.0	5.2	4.0	5.4	4.8	6.6	3.9	1.5	2.2
Santander	2.2	2.0	2.0	2.0	1.2	1.3	2.5	2.8	2.3	4.2	2.9	2.0	1.9	2.0
Universidad Loyola Andalucía	1.8	1.5	2.2	1.8	3.4	2.5	1.2	1.0	2.0	1.6	1.0	2.6	1.3	0.9
<b>CONSENSUS (AVERAGE)</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>1.8</b>	<b>2.1</b>	<b>1.3</b>	<b>2.5</b>	<b>3.1</b>	<b>2.2</b>	<b>3.4</b>	<b>2.7</b>	<b>3.0</b>	<b>1.9</b>	<b>1.9</b>
Maximum	2.4	2.4	2.3	2.4	3.4	2.5	5.2	7.3	5.4	8.9	6.6	7.2	2.5	2.5
Minimum	1.8	1.5	1.7	1.2	0.6	0.6	0.6	1.0	0.2	1.0	0.2	1.3	1.3	0.9
Change on 2 months earlier <sup>1</sup>	0.2	0.0	0.1	0.0	-0.1	0.2	0.4	-0.3	-0.2	-0.1	1.0	0.0	0.0	0.1
- Rise <sup>2</sup>	13	4	8	5	4	5	10	4	4	3	10	5	7	4
- Drop <sup>2</sup>	0	5	4	4	9	1	2	7	5	5	1	4	7	6
Change on 6 months earlier <sup>1</sup>	0.5	--	0.1	--	0.8	--	-0.2	--	-0.8	--	0.6	--	0.2	--
Memorandum items:														
Government (April 2024)	2.0	1.9	2.4	2.1	1.3	1.0	2.8	4.0	--	--	--	--	2.3	2.1
Bank of Spain (March 2024)	1.9	1.9	2.3	1.9	1.2	1.7	0.4	2.7	--	--	--	--	2.0	1.9
AIReF (April 2024)	2.0	1.9	2.4	2.0	1.2	1.3	2.7	2.1	--	--	--	--	2.1	1.8
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 (April 2024)	1.9	2.1	1.8	2.0	--	--	2.2	4.0	--	--	--	--	--	--
OECD (November 2023)	1.4	2.0	1.9	2.0	1.6	1.3	1.4	2.3	--	--	--	--	--	--

<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 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 <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)	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	3.5	4.1	2.4	3.4	3.2	2.1	2.8	2.3	3.9	3.2	1.7	1.5	11.7	11.4	1.9	2.1	-3.2	-3.2
BBVA Research	3.4	2.7	5.0	4.4	3.1	2.3	3.1	2.1	3.6	3.6	2.6	1.8	11.4	10.9	3.2	2.8	-3.6	-2.9
CaixaBank Research	0.1	2.1	1.1	2.3	3.0	2.5	2.7	2.5	4.4	2.5	2.4	1.8	11.8	11.4	2.3	2.5	-3.4	-2.9
Cámara de Comercio de España	1.4	2.5	1.2	2.4	2.7	2.6	3.3	3.0	--	--	1.9	1.7	11.3	10.9	2.6	2.5	-3.5	-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	10.4	10.0	1.0	1.0	-3.4	-2.8
Centro de Predicción Económica (CEPREDE-UAM)	1.9	4.3	2.7	4.9	3.0	2.5	--	--	3.9	3.3	2.0	1.5	12.3	11.8	1.3	0.9	-4.1	-4.1
CEOE	0.2	4.9	-1.0	3.8	3.4	1.9	2.9	2.1	4.0	2.9	2.5	1.7	11.4	10.9	1.8	1.7	-3.3	-3.0
Equipo Económico (Ee)	1.9	2.0	1.0	1.8	3.1	2.3	3.0	2.3	3.9	3.6	2.2	1.3	11.8	11.6	1.6	1.8	-3.5	-3.2
EthiFinance Ratings	2.0	1.5	3.0	3.7	3.1	2.3	2.9	2.1	--	--	--	--	11.4	10.9	1.3	1.0	-3.6	-2.9
Funcas	2.1	3.3	1.7	2.7	3.2	2.3	3.1	2.3	3.5	2.7	2.1	1.0	11.4	10.6	2.6	2.2	-3.2	-3.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.1	3.2	2.4	2.7	3.2	2.5	3.1	2.3	--	--	1.9	1.5	11.2	10.8	2.5	2.5	-3.4	-3.0
Instituto de Estudios Económicos (IEE)	1.7	4.4	0.9	3.4	3.5	2.1	3.0	2.3	4.0	2.9	2.3	1.6	11.6	11.2	1.9	1.8	-3.4	-3.1
Intermoney	1.5	2.9	2.3	3.2	3.4	2.3	3.2	2.2	--	--	2.0	1.6	12.0	11.6	1.8	--	-3.6	-3.4
Mapfre Economics	2.2	2.4	1.9	3.0	3.1	2.2	2.9	2.1	--	--	1.9	0.5	11.3	11.3	3.4	3.3	-3.1	-3.1
Metysis	2.6	3.0	1.5	2.5	3.1	2.4	3.2	2.5	3.4	2.8	2.4	1.7	11.2	10.8	2.7	2.7	-3.3	-3.2
Oxford Economics	3.0	2.4	1.9	3.0	3.3	2.0	3.0	2.3	--	--	--	--	11.5	11.4	3.4	3.6	-3.0	-2.8
Repsol	3.5	4.3	2.5	5.6	3.3	2.4	3.1	2.6	3.2	2.5	2.3	2.1	12.0	11.9	1.5	1.0	-3.0	-3.0
Santander	2.7	2.8	1.8	3.0	3.0	2.3	2.9	2.2	--	--	2.3	2.1	11.6	10.9	--	--	--	--
Universidad Loyola Andalucía	2.0	2.3	0.6	1.8	2.0	1.7	3.7	3.5	--	--	3.1	1.9	11.4	11.9	1.1	1.2	-4.2	-3.8
<b>CONSENSUS (AVERAGE)</b>	<b>2.3</b>	<b>3.1</b>	<b>1.9</b>	<b>3.2</b>	<b>3.1</b>	<b>2.3</b>	<b>3.1</b>	<b>2.4</b>	<b>3.8</b>	<b>3.0</b>	<b>2.2</b>	<b>1.6</b>	<b>11.5</b>	<b>11.2</b>	<b>2.1</b>	<b>2.0</b>	<b>-3.4</b>	<b>-3.1</b>
Maximum	4.1	4.9	5.0	5.6	3.5	2.8	3.7	3.5	4.4	3.6	3.1	2.1	12.3	11.9	3.4	3.6	-3.0	-2.8
Minimum	0.1	1.5	-1.0	1.8	2.0	1.7	2.7	2.1	3.2	2.5	1.2	0.5	10.4	10.0	1.0	0.9	-4.2	-4.1
Change on 2 months earlier <sup>1</sup>	0.2	0.0	-0.3	0.0	0.1	0.0	0.0	-0.1	0.2	0.0	0.2	-0.2	-0.1	0.0	0.2	0.0	0.2	0.1
- Rise <sup>2</sup>	8	5	5	4	10	5	2	3	5	2	8	1	2	2	9	3	10	8
- Drop <sup>2</sup>	5	3	6	5	2	5	7	8	1	2	1	6	8	7	1	4	1	1
Change on 6 months earlier <sup>1</sup>	0.5	--	-0.3	--	-0.2	--	-0.2	--	0.3	--	0.6	--	-0.2	--	0.8	--	0.2	--
Memorandum items:																		
Government (April 2024)	1.7	3.1	2.7	3.9	--	--	--	--	--	--	2.4	1.7	11.2	10.7	1.3	1.6	-3.0	-2.5
Bank of Spain (March 2024)	1.7	3.0	2.1	3.4	2.7 <sup>(6)</sup>	1.9 <sup>(6)</sup>	2.2 <sup>(7)</sup>	1.9 <sup>(7)</sup>	--	--	1.8 <sup>(8)</sup>	1.1 <sup>(8)</sup>	11.6	11.5	--	--	-3.5	-3.5
AIReF (April 2024)	2.1	3.1	2.6	3.2	3.1	2.2	--	--	3.3	2.0	2.5	1.5	11.6	11.1	--	--	-3.0	-2.9
EC (May 2024)	1.6	2.4	1.3	2.4	3.1 <sup>(6)</sup>	2.3 <sup>(6)</sup>	3.2 <sup>(7)</sup>	2.3 <sup>(7)</sup>	4.0	2.9	2.1	1.3	11.6	11.1	2.8	2.8	-3.0	-2.8
IMF (April 2024)	3.0	3.9	3.3	4.4	2.7	2.4	--	--	--	--	1.4	0.9	11.6	11.3	2.5	2.4	-3.1	-3.0
OECD (November 2023)	1.4	2.6	2.0	2.4	3.7 <sup>(6)</sup>	2.3 <sup>(7)</sup>	3.1 <sup>(7)</sup>	2.2 <sup>(7)</sup>	3.1	3.1	2.2	2.3	12.0	11.8	1.4	1.2	-3.2	-3.1

<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> Harmonized Index of Consumer Prices (HICP).

<sup>7</sup> Harmonized Index excluding energy and food.

<sup>8</sup> Hours worked.

Table 2

### Quarterly Forecasts – May 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 <sup>1</sup>	0.7	0.4	0.4	0.4	0.5	0.6	0.6	0.5
Euribor 1 yr <sup>2</sup>	3.72	3.58	3.41	3.22	3.03	2.94	2.85	2.76
Government bond yield 10 yr <sup>2</sup>	3.19	3.23	3.19	3.13	3.07	3.02	2.98	2.95
ECB main refinancing operations interest rate <sup>3</sup>	4.50	4.34	4.02	3.74	3.50	3.24	3.00	2.86
ECB deposit rates <sup>3</sup>	4.00	3.84	3.63	3.34	3.13	2.88	2.65	2.54
Dollar / Euro exchange rate <sup>2</sup>	1.09	1.08	1.09	1.09	1.10	1.10	1.10	1.10

Forecasts in yellow.

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

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

<sup>3</sup> Last day of the quarter.

Table 3

### CPI Forecasts – May 2024

Year-on-year change (%)					
Apr-24	May-24	Jun-24	Jul-24	Dec-24	Dec-25
3.3	3.5	3.5	3.3	3.1	2.2

Table 4

### Opinions – May 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	5	13	7	11	1
International context: Non-EU	1	5	13	5	13	1
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment <sup>1</sup>	1	3	15	3	16	0
Monetary policy assessment <sup>1</sup>	19	0	0	8	11	0

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