

Spanish economic forecasts panel: July 2024*

Funcas Economic Trends and Statistics Department

GDP growth forecast for 2024 raised by three tenths of a percentage point to 2.4%

The GDP growth rate in the first quarter of this year has been revised upwards by one tenth of a percentage point to 0.8%. Likewise, economic indicators for the second quarter continue to point to solid progress: the number of Social Security affiliates grew by 0.8%, one tenth of a percentage point more than in the previous quarter; the PMIs for manufacturing and services registered, on average in the second quarter, a higher result than in the first quarter; and tourist arrivals have once again exceeded expectations. The panelists' consensus forecast for the second quarter has been raised by one tenth of a percentage point to 0.5%, while the forecasts for the third and fourth quarters are unchanged at 0.4% (Table 2).

As a result, the Panel's forecast for GDP growth in 2024 has been revised upwards by three tenths of a percentage point to 2.4% (Table 1). Two tenths come from the contribution of domestic demand, and the remaining one tenth from the contribution of the foreign sector.

The GDP forecast for 2025 remains at 2%

There has been no change in the Panel forecast for GDP growth in 2025, which remains at 2.0%, with quarter-on-quarter growth rates of 0.5%. As in the previous Panel, domestic demand is expected to contribute 1.9 percentage points to growth, with the external sector contributing one tenth.

The inflation rate is expected to be above 2% throughout the projection period

The inflation rate rose from a low of 2.8% in February to 3.6% in May, due to the staggering effects of the increase in VAT on energy products, although it fell slightly to 3.4% in June. Core inflation fell from around 3.5% in the first quarter of the year to around 3% between April and June.

There are no major changes with respect to previous forecasts. The overall inflation rate is expected to remain above 3% in the coming months, ending at 3.1% in December, with an annual average of 3.2%, one tenth of a percentage point more than in the previous Panel (Table 3). For December 2025, 2.2% is expected, with an annual average of 2.3%, unchanged from the previous survey.

As for core inflation, the forecast has been cut slightly by one tenth of a percentage point in both 2024 and 2025, to 3% and 2.3% respectively.

Unemployment rate to fall to 11.1% in 2025

Job creation remained strong in the second quarter of the year, according to Social Security enrollment figures. Panel forecasts have changed only slightly. Employment growth for the year as a whole is expected to be 2.1% and 1.7% for next year, while the average annual unemployment rate is forecast to be 11.5% this year and 11.1% next year.

The implicit forecast for productivity and unit labour 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 0.3% this year and by a further 0.3% next year. As for ULCs, they will increase by 3.4% in 2024 and by 2.7% in 2025.

Continued balance of payments strength

In the first quarter of 2024, the current account recorded a surplus of almost 12 billion euros, 1.5 billion more than in the same period of the previous year, and 3.1% of GDP. The improvement came from the increase in the surplus on trade in services, mainly non-tourist services, which continue to show extraordinary dynamism. This increase more than offset the slight worsening of the deficit in the balance of trade in goods and the balance of primary income.

Consensus forecasts point to a surplus of 2.1% of GDP in both 2024 and 2025, with little change from the previous Panel.

Slight cut in public deficit forecast

The public administration recorded a deficit of 6.111 million euros in the first quarter of 2024, almost double compared to the same period of the previous year. The deterioration came from central, regional and local administrations with only Social Security improving its result. However, after incorporating the month of April, all administrations excluding local corporations, for which there are no data, partially corrected this poor performance and obtained a slightly lower deficit than in the same period last year.

The forecast for the general government deficit for 2024 has been revised downwards slightly to 3.3% of GDP, one tenth of a percentage point lower than in the previous Panel, while the forecast for 2025 remains unchanged at 3.1% of GDP. These figures are in line with the Bank of Spain's forecasts, but are higher than those of other national and international organizations.

Eurozone slow to recover

On the international front, geopolitical and military conflicts persist, while protectionist tensions are intensifying, weighing on world trade in goods. European industry is the most affected, showing signs of decline since the last Panel (manufacturing PMIs remain below 50 for the Eurozone as a whole as well as in each of the major European economies, except Spain). Services are performing better, particularly those most closely associated with tourism (the Eurozone services PMI is above the 50 threshold marking expansion).

European sluggishness contrasts with relative strength in the US, in both services and industry. The resilience of growth, together with uncertainties about the pace of inflation de-escalation, have clouded the outlook for monetary policy easing by the Federal Reserve. Finally, in China, the deleveraging process continues to weigh on domestic demand, while encouraging companies to export in order to offset weakness in domestic markets.

The Panel reflects the economic differences between the two sides of the Atlantic: 13 panelists consider the European context to be unfavorable (the same as in the previous assessment), while 10 think the same of the non-EU environment (three less than in May's Panel). In both cases, most panelists predict little change in the coming months, or even an improvement, with only one analyst anticipating

a deterioration in the international environment (Table 4).

Euribor to end the year at around 3.3%, falling to 2.8% by end 2025

Inflation remains above the central bank targets, largely as a result of price inertia in the service sectors (a typical phenomenon of inflationary episodes) and wage compensation agreements in response to the loss of purchasing power in the past two years. The resilience of the US economy, together with tensions in the labour market, both raise the risk of persistent inflation in the US, prompting the Federal Reserve to be cautious before embarking on a path of lowering interest rates. In Europe, the weak economy is fuelling expectations of disinflation, prompting the ECB to make its first rate cut last month. In addition, uncertainties about the direction of economic policy following the French elections have led to some market tensions, slightly raising the risk premia of the most indebted countries.

The Panel maintains its forecast for a smooth adjustment path: after the quarter-point cut in the ECB deposit facility in June, there would be two more cuts between now and the end of the year, and another three in the course of 2025 (Table 2). Market interest rates are expected to follow a similar, albeit less pronounced, trend, with Euribor closing this year at around 3.3%, falling to 2.8% by the end of 2025 (values similar to the previous Panel). The decline in yields on Spanish 10 year government bonds will be even more gradual, still close to 3% at the end of next year.

Slight recovery of the euro against the dollar

Since the May Panel, the euro has shown some volatility, evidenced by a depreciation against the dollar following the French elections, and a subsequent recovery. A relative calm seems to have returned to the markets, with analysts forecasting a slight appreciation trend for the euro over the forecast period (Table 2).

Fiscal policy should be less expansionary, and monetary policy should be neutral

Assessments of macroeconomic policy have undergone few changes compared to the May Panel. The majority opinion is that fiscal policy is being

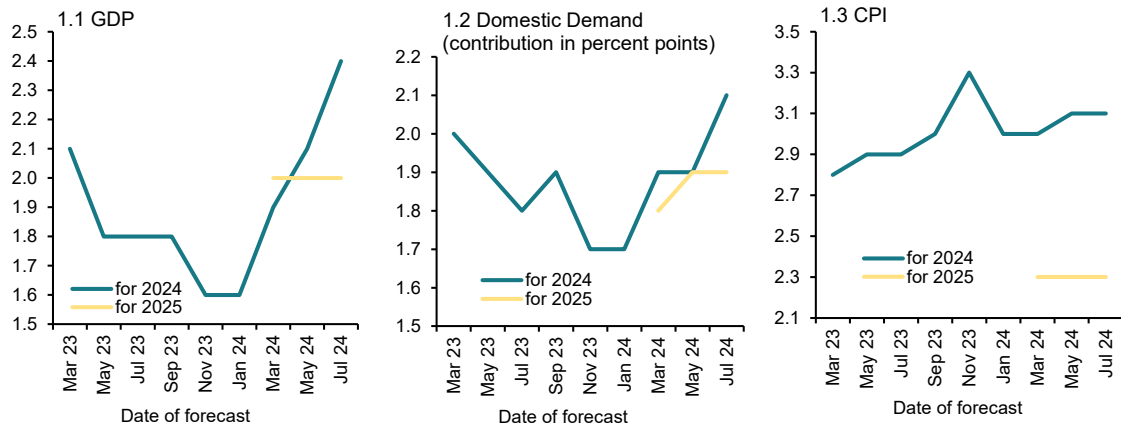
expansionary in relation to what would be necessary given the intensity of growth in the Spanish economy (Table 4). The panelists therefore consider that it should be neutral, or even restrictive (with no

relevant changes with respect to May). On the other hand, there is unanimity in considering that monetary policy is being restrictive. However, in the opinion of the majority of panelists, it should be neutral.

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: July 2024*

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Table 1

Economic Forecasts for Spain – July 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)	2.3	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	2.5	2.1	2.2	1.9	1.8	1.3	3.4	5.4	2.7	5.6	3.7	4.7	2.3	2.5
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	2.1	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)	2.3	2.4	2.2	2.4	1.3	1.2	1.9	2.1	2.5	2.3	1.5	1.9	1.9	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)	2.4	2.0	2.3	2.1	2.8	0.7	2.0	2.5	1.7	2.7	2.7	2.7	2.0	1.8
EthiFinance Ratings	2.4	2.0	2.5	1.8	1.1	0.8	3.6	5.8	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)	2.5	2.3	2.3	2.2	1.6	1.5	2.7	3.6	2.0	3.8	3.6	3.7	2.0	2.2
Instituto de Estudios Económicos (IEE)	2.3	1.8	2.0	1.6	2.3	0.5	1.6	1.1	0.3	1.0	1.4	1.2	2.0	1.3
Intermoney	2.2	1.8	2.2	1.9	1.5	1.5	2.7	2.6	2.6	3.2	2.8	2.2	2.0	1.8
Mapfre Economics	2.1	1.6	1.8	1.6	3.0	0.6	1.4	5.1	--	--	--	--	1.9	1.7
Metysis	2.5	2.1	2.2	2.2	2.0	1.3	3.0	2.5	2.3	2.2	3.6	3.0	2.1	1.9
Oxford Economics	2.5	1.9	2.1	1.8	2.0	1.0	2.6	5.0	1.5	4.0	2.0	3.0	1.9	2.0
Repsol	2.6	2.0	2.0	2.3	1.6	2.0	4.7	3.8	5.4	4.8	5.7	3.6	2.3	2.4
Santander	2.5	2.0	2.2	2.0	1.6	1.3	2.8	3.2	2.8	4.4	3.1	2.6	2.2	2.1
Universidad Loyola Andalucía	2.0	2.0	1.6	1.5	3.5	3.7	1.8	1.5	1.5	3.2	3.9	4.4	1.6	1.3
CONSENSUS (AVERAGE)	2.4	2.0	2.1	1.9	2.0	1.3	2.6	3.2	2.2	3.4	3.2	2.9	2.0	1.9
Maximum	2.6	2.4	2.5	2.4	3.5	3.7	4.7	5.8	5.4	5.7	5.7	5.8	2.3	2.5
Minimum	2.0	1.6	1.6	1.5	0.6	0.5	1.4	1.1	0.2	1.0	1.4	1.2	1.6	1.3
Change on 2 months earlier ¹	0.3	0.0	0.1	0.1	-0.1	0.0	0.1	0.1	0.0	0.0	0.5	-0.1	0.1	0.0
- Rise ²	15	10	11	9	7	5	7	6	4	5	7	7	8	7
- Drop ²	0	2	2	1	5	4	3	4	5	4	5	5	3	1
Change on 6 months earlier ¹	0.8	--	0.3	--	0.7	--	0.2	--	-0.4	--	1.2	--	0.3	--
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 (June 2024)	2.3	1.9	2.4	2.0	1.6	1.7	2.2	2.4	--	--	--	--	2.1	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 (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 – July 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 ³		Jobs ⁴		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)	3.5	4.1	2.4	3.4	3.2	2.3	2.9	2.1	3.9	3.2	1.7	1.5	11.7	11.4	1.9	2.1	-3.1	-3.2
BBVA Research	3.2	3.8	2.7	5.1	3.3	2.4	3.1	2.1	--	--	2.1	1.9	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 Economía 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)	1.9	4.3	2.7	4.9	3.1	2.4	--	--	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)	2.5	2.1	1.8	1.8	3.2	2.3	3.1	2.3	3.9	3.6	2.2	1.3	11.7	11.5	2.0	1.9	-3.4	-3.2
EthiFinance Ratings	1.5	1.7	1.7	3.6	3.1	2.3	2.9	2.1	--	--	--	--	11.4	10.9	1.3	1.0	-3.2	-2.9
Funcas	3.9	2.4	3.1	2.5	3.3	2.3	3.2	2.3	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)	4.1	2.6	2.6	2.4	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)	2.1	4.4	1.3	3.4	3.5	2.1	3.0	2.3	4.0	2.9	2.3	1.5	11.6	11.2	1.9	1.8	-3.4	-3.1
Intermoney	2.2	2.9	1.9	3.2	3.2	2.3	3.0	2.2	--	--	1.5	1.6	11.8	11.4	1.8	--	-3.6	-3.4
Mapfre Economics	2.2	2.4	1.9	3.0	3.1	2.2	2.6	2.1	--	--	--	--	11.3	11.3	3.4	3.3	-3.1	-3.1
Metysis	2.6	3.0	1.8	2.5	3.0	2.4	2.9	2.2	3.3	2.8	2.4	1.7	10.9	10.4	2.7	2.7	-3.3	-3.1
Oxford Economics	3.7	2.4	2.2	2.5	3.0	2.3	3.1	2.3	--	--	--	--	11.7	11.3	3.1	3.3	-3.2	-2.8
Repsol	4.4	4.3	4.2	5.9	3.1	2.3	2.9	2.5	3.0	2.2	2.8	2.1	11.7	11.5	1.5	1.0	-3.2	-3.0
Santander	3.6	2.8	2.9	3.0	3.1	2.3	2.9	2.2	--	--	2.1	1.8	11.5	10.9	--	--	--	--
Universidad Loyola Andalucía	1.1	1.8	0.8	1.8	3.1	2.4	3.1	2.6	--	--	2.2	2.1	11.9	11.4	1.5	1.7	-3.5	-3.7
CONSENSUS (AVERAGE)	2.8	3.1	2.1	3.1	3.2	2.3	3.0	2.3	3.7	3.0	2.1	1.7	11.5	11.1	2.1	2.1	-3.3	-3.1
Maximum	4.4	4.9	4.2	5.9	3.5	2.8	3.3	3.0	4.2	3.6	2.8	2.2	12.3	11.8	3.4	3.3	-2.9	-2.6
Minimum	0.2	1.7	-1.0	1.2	3.0	1.9	2.6	2.1	3.0	2.2	1.2	1.3	10.9	10.3	1.0	0.9	-4.1	-4.1
Change on 2 months earlier ¹	0.5	0.0	0.2	-0.1	0.1	0.0	-0.1	-0.1	-0.1	0.0	-0.1	0.1	0.0	-0.1	0.0	0.1	0.1	0.0
- Rise ²	9	4	11	3	8	4	5	0	0	1	4	4	4	1	4	4	8	4
- Drop ²	3	4	3	5	4	3	5	6	4	2	4	3	7	9	2	2	2	0
Change on 6 months earlier ¹	1.2	--	0.1	--	0.2	--	-0.2	--	0.2	--	0.6	--	-0.2	--	0.6	--	0.3	--
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 (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 (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 ⁽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 (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 (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 – July 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	0.5	0.4	0.4	0.5	0.5	0.5	0.5
Euribor 1 yr ²	3.72	3.65	3.49	3.32	3.16	3.01	2.89	2.79
Government bond yield 10 yr ²	3.19	3.36	3.27	3.22	3.17	3.12	3.01	3.03
ECB main refinancing operations interest rate ³	4.50	4.25	3.91	3.69	3.45	3.19	3.02	2.85
ECB deposit rates ³	4.00	3.75	3.58	3.34	3.12	2.87	2.70	2.52
Dollar / Euro exchange rate ²	1.09	1.08	1.08	1.08	1.09	1.10	1.10	1.10

Forecasts in yellow.

¹ Qr-on-qr growth rates.

² End of period.

³ Last day of the quarter.

Table 3

CPI Forecasts – July 2024

Year-on-year change (%)					
Jun-24	Jul-24	Aug-24	Sep-24	Dec-24	Dec-25
3.4	3.3	3.1	2.9	3.1	2.2

Table 4

Opinions – July 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	2	4	13	8	9	2
International context: Non-EU	2	7	10	6	12	1
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	4	15	4	15	0
Monetary policy assessment ¹	19	0	0	8	11	0

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