

Spanish economic forecasts panel: September 2017*

Funcas Economic Trends and Statistics Department

The consensus forecast for GDP growth in 2017 is unchanged at 3.1%

GDP growth accelerated by 0.1 percentage points in the second quarter of the year to 0.9%, in line with consensus. Private consumption rebounded, while public consumption - which saw a notable upward revision to first quarter growth - and capital goods investment slowed. The external sector made a larger contribution to growth than in the previous quarter – the figure having been revised downwards.

Latest available indicators foreshadow a slowdown in the current quarter. Consensus forecasts 0.8% growth in the third quarter, unchanged from the previous panel (Table 2).

The average annual growth forecast remains at 3.1%, with no changes from the July panel. The expected breakdown also remains unchanged, with the external sector set to contribute 0.6 percentage points to growth and domestic demand 2.5 percentage points. However, on average panellists have revised up their expectations for public consumption and lowered their investment outlook. Export and import growth forecasts have also been shaved.

Growth of 2.7% forecast for 2018

The consensus forecast for GDP growth in 2018 is unchanged at 2.7% with barely any changes to the expected composition. The external sector is again set to contribute positively to growth. The annual forecast for 2018 is underpinned by a stable 0.6% quarterly growth path throughout the year (Table 2).

Spike in inflation in 2017 and moderation in 2018

Headline inflation has remained around 1.5-1.6% in recent months, well below the 3% reached at the start of the year. In recent weeks, the oil price has climbed above 50 dollars, though this has been partially offset by Euro appreciation.

Headline inflation is now forecast to come in at an average annual rate of 1.9% in 2017, 0.1 percentage points below the July panel, and is expected to ease to 1.5% in 2018. Core inflation is forecast to be 1.2% in 2017 and 1.4% in 2018. Year-on-year inflation rates in December are predicted to be 1.1% this year and 1.6% in 2018 (Table 3).

Slowing employment growth

According to Social Security registrations, employment growth slowed significantly in July and August in comparison to the previous quarter, especially in market services and construction. However, employment growth has remained stable in the industrial sector.

Consensus continues to forecast employment growth of 2.7% for 2017, while the outlook for 2018 has been raised slightly to 2.4%. Based on consensus estimates for GDP, employment and wage remuneration, it is possible to obtain an implicit forecast for growth in productivity and unit labour costs (ULC). Productivity is set to grow by 0.4% this year and 0.3% next year, while ULC are forecast to increase by 0.2% in 2017 and 0.9% in 2018.

The annual unemployment rate is on track to fall to 17.2% in 2017 and 15.2% in 2018; in both cases the forecast has been lowered.

Solid current account surplus maintained

The current account posted a cumulative surplus of 3.570 billion euros to June, smaller than the surplus of 5.750 billion euros registered over the same period last year. The deterioration is due to a worsening of the trade balance. According to Customs data, this was because of a pick up in the price of energy products as well as increased import demand for these products. By contrast, the non-energy balance improved relative to the previous year.

Consensus forecasts a surplus of 1.8% of GDP for the year as a whole and 1.7% in 2018.

Public deficit will continue to miss targets

The public deficit, excluding local corporations, to June was 6.500 billion euros smaller than the same period last year, thanks to an increase in revenues and stable spending. The State and Social Security system both improved their results, but the regional outturn worsened.

Consensus sees the public deficit coming in at 3.2% of GDP, 0.1 percentage points above target. That said, eleven of the sixteen panellists who forecast this variable, now believe the deficit will come in on target. The deficit is forecast at 2.4% of GDP in 2018, which would also be above the current target.

Global economic outlook is favourable

Recent developments point to a relatively favourable external outlook. The main international organisations have revised up their forecasts for economic growth and world trade. The revisions are particularly significant for the Eurozone.

A large majority of panellists see the external environment as being favourable, especially in the European Union. The prevailing view is that that it will remain that way over the coming months. None of the analysts expect the situation to deteriorate in the EU. However, two panellists now believe the global environment could weaken, while none did in the previous panel.

Long-term interest rates ticking up

3-month Euribor (interest rate indicating the cost of short-term interbank lending) has remained stable in recent months at around -0.33%, a record low. Nearly all panellists regard the current level as being low and most expect favourable conditions will be sustained over the near term.

The yield on long-term term debt (10-year sovereign bonds) has ticked up since the start of the month to 1.54%. However, it remains below the levels reached at the start of July. The panellists consider this to be favourable considering current momentum in the Spanish economy. However, most expect this yield to increase over the coming months.

Euro continues strengthening

The cyclical improvement in the Eurozone together with an expected ECB announcement of new measures to normalise monetary policy have driven up the Euro. The Euro is now trading at above 1.20 dollars, representing an appreciation of 15% since the start of the year.

Most panellists consider the Euro to be trading at close to equilibrium, compared to the previous panel which regarded the Euro as being below equilibrium. Even so, more analysts see the Euro continuing to appreciate than those who expect a depreciation.

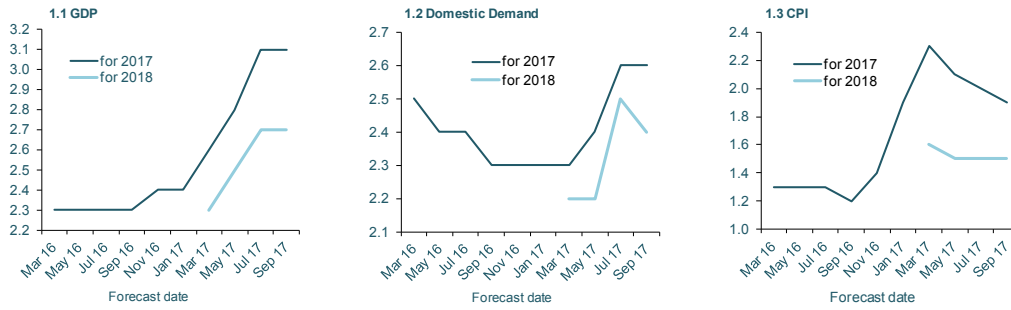
Fiscal policy is neutral and monetary policy expansive

The panellists have not changed their view of the macroeconomic policy stance since the last panel. A majority see fiscal policy as neutral and judge this to be appropriate. All analysts regard monetary policy

as being expansive. As was the case in July, none of the analysts see monetary policy becoming restrictive over the coming months.

Exhibit 1
Change in forecasts (Consensus values)

Percentage annual change



Source: Funcas Panel of forecasts.

* The Spanish economic forecast panel is a survey of seventeen research services carried out by Funcas and presented in Table 1. The survey has been undertaken since 1999 and is published every two months during the first fortnight of January, March, May, July, September and November. Panellists' responses to this survey are used to create consensus forecasts, which are based on the arithmetic mean of the seventeen individual forecasts. For comparison purposes the Government, Bank of Spain and main international institutions' forecasts are also presented; however, these do not form part of the consensus.

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Table 1

Economic Forecasts for Spain – September 2017

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	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Analistas Financieros Internacionales (AFI)	3.1	2.8	2.5	2.3	1.0	2.0	3.6	4.0	4.8	4.3	3.0	4.2	2.4	2.4
Axesor	3.1	2.8	2.5	2.4	1.1	1.6	4.0	3.3	5.3	4.0	3.3	3.2	2.6	2.4
Banco Bilbao Vizcaya Argentaria (BBVA)	3.3	2.8	2.7	2.4	0.8	1.9	4.4	4.8	5.1	4.6	3.7	4.7	2.6	2.7
Bankia	3.3	3.0	2.6	2.6	1.1	1.0	4.4	4.6	5.5	5.0	3.9	4.6	2.7	2.7
CaixaBank	3.1	2.7	2.5	2.4	1.1	0.9	4.2	3.5	5.3	3.5	3.5	3.6	2.5	2.3
Cámara de Comercio de España	3.1	2.8	2.7	2.4	0.8	0.9	4.0	4.0	4.5	5.6	3.4	3.0	2.5	2.4
Cemex	3.1	2.7	2.5	2.4	1.1	1.1	4.2	4.0	4.4	4.0	4.2	4.2	2.5	2.4
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.1	2.7	2.7	2.5	1.4	1.6	3.2	3.0	3.6	3.4	3.1	2.9	2.6	2.4
Centro de Predicción Económica (CEPREDE-UAM)	3.1	2.5	2.4	2.1	1.3	1.4	4.0	3.9	4.7	4.9	3.5	3.2	2.5	2.4
CEOE	3.2	2.7	2.5	2.4	1.1	0.9	3.9	3.7	4.6	3.9	3.4	3.7	2.4	2.3
Funcas	3.1	2.7	2.5	2.4	1.3	0.8	4.7	5.4	5.8	5.5	4.0	5.3	2.7	2.4
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.1	2.6	2.6	2.5	0.9	0.8	4.2	4.0	4.9	4.7	3.9	3.8	2.6	2.5
Instituto de Estudios Económicos (IEE)	3.3	2.7	2.7	2.1	1.1	0.7	4.3	3.9	5.5	3.5	3.5	3.9	2.7	2.2
Intermoney	3.1	2.7	2.6	2.5	1.1	1.0	4.7	3.9	4.9	3.9	4.6	4.0	2.7	2.4
Repsol	3.2	3.0	2.4	2.2	1.2	2.0	4.5	4.6	5.7	5.8	3.7	3.9	2.5	2.6
Santander	3.2	2.7	2.5	2.4	1.3	1.0	4.6	4.6	6.0	4.9	3.7	4.7	2.7	2.6
Solchaga Recio & asociados	3.1	2.7	2.5	2.2	0.9	0.7	4.3	4.1	5.2	4.8	3.8	4.0	2.7	2.4
CONSENSUS (AVERAGE)	3.1	2.7	2.6	2.4	1.1	1.2	4.2	4.1	5.1	4.5	3.7	3.9	2.6	2.4
Maximum	3.3	3.0	2.7	2.6	1.4	2.0	4.7	5.4	6.0	5.8	4.6	5.3	2.7	2.7
Minimum	3.1	2.5	2.4	2.1	0.8	0.7	3.2	3.0	3.6	3.4	3.0	2.9	2.4	2.2
Change on 2 months earlier ¹	0.0	0.0	0.0	0.0	0.2	0.1	-0.1	-0.1	-0.1	-0.2	0.1	0.0	0.0	-0.1
- Rise ²	2	3	4	6	11	6	3	5	5	4	4	4	5	4
- Drop ²	3	2	7	2	2	4	10	8	9	7	7	5	6	5
Change on 6 months earlier ¹	0.7	--	0.2	--	-0.1	--	0.8	--	0.5	--	0.9	--	0.3	--
Memorandum items:														
Government (July 2017)	3.0	2.6	2.6	2.4	0.8	0.7	3.9	3.6	4.2	3.5	3.9	4.0	--	--
Bank of Spain (June 2017)	3.1	2.5	2.7	2.0	0.8	0.8	3.7	4.6	3.6	5.1	4.0	4.9	--	--
EC (May 2017)	2.8	2.4	2.5	2.0	0.9	0.8	3.4	3.9	3.9	3.7	3.0	3.9	2.4	2.2
IMF (July 2017)	3.1	2.4	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2017)	2.8	2.4	2.3	1.9	0.8	0.7	3.9	4.9	--	--	--	--	2.3	2.3

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.

Table 1 (continued)

Economic Forecasts for Spain – September 2017

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.)		Labour costs ³		Jobs ⁴		Unempl. (% labour force)		C/A bal. of payments (% of GDP) ⁵		Gen. gov. bal. (% of GDP) ⁷	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
	Analistas Financieros Internacionales (AFI)	5.3	4.4	3.5	3.5	1.9	1.4	1.2	1.3	0.6	0.9	2.5	2.3	17.4	15.6	1.9	1.8	-3.3
Axesor	6.3	4.6	4.6	3.4	2.1	1.8	1.2	1.5	1.2	1.5	2.7	2.3	17.9	16.1	1.3	0.5	-3.1	-2.6
Banco Bilbao Vizcaya Argentaria (BBVA)	7.0	4.9	5.3	5.2	1.9	1.7	1.1	1.5	0.6	1.7	2.7	2.3	17.1	15.3	2.0	1.9	-3.1	-2.2
Bankia	6.0	4.9	4.4	4.2	1.9	1.6	1.2	1.7	0.5	1.4	2.8	2.5	17.1	14.9	2.0	2.3	--	--
CaixaBank	6.3	4.4	4.8	3.3	1.9	1.5	1.1	1.5	0.3	1.3	2.7	2.3	17.2	15.5	2.0	1.8	-3.1	-2.4
Cámara de Comercio de España	7.4	6.0	5.9	5.5	1.9	1.3	1.0	1.0	--	--	2.7	2.4	17.2	15.2	1.5	1.6	-3.1	-2.2
Cemex	6.4	4.5	5.0	4.2	1.9	1.4	1.1	1.3	--	--	2.6	2.3	17.0	15.4	1.5	1.5	-3.1	-2.2
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.9	4.5	3.9	3.8	1.9	1.6	1.2	1.5	--	--	2.9	2.5	17.1	14.8	1.8	1.6	-3.1	-2.2
Centro de Predicción Económica (CEPREDE-UAM)	5.6	4.9	4.0	4.6	1.9	1.7	--	--	0.6	1.7	2.6	2.0	17.1	15.4	1.9	1.9	-3.0	-2.4
CEOE	5.9	5.0	4.1	4.0	1.9	1.1	1.2	1.2	0.3	0.8	2.8	2.5	17.1	14.9	1.7	1.6	-3.1	-2.9
Funcas	5.6	5.4	4.7	5.1	1.9	1.2	1.2	1.5	0.8	1.0	2.9	2.3	17.1	15.0	1.9	1.8	-3.3	-2.4
Instituto Complutense de Análisis Económico (ICAE-UCM)	6.3	4.9	4.9	4.6	1.8	1.4	1.2	1.6	--	--	2.8	2.5	17.2	15.2	1.9	1.8	-3.2	-2.1
Instituto de Estudios Económicos (IEE)	6.7	5.5	5.1	4.3	2.1	1.8	1.2	1.3	0.0	0.5	2.8	2.5	17.1	14.6	1.5	1.8	-3.4	-2.0
Intermoney	5.9	4.3	4.8	4.1	2.0	1.6	1.2	1.5	--	--	2.8	2.4	17.2	14.9	1.7	1.5	-3.1	--
Repsol	6.8	5.8	5.3	5.2	1.9	1.5	1.2	1.3	0.4	1.0	2.6	2.3	17.3	15.1	1.8	1.6	-3.1	-2.2
Santander	6.4	4.4	5.1	4.0	1.9	1.4	1.2	1.5	1.0	1.8	2.7	2.3	17.2	15.2	1.9	1.7	-3.1	-2.8
Solchaga Recio & asociados	6.0	4.7	4.7	4.0	2.0	1.4	1.3	1.6	--	--	2.7	2.2	17.5	15.7	1.7	1.6	-3.2	-2.4
CONSENSUS (AVERAGE)	6.2	4.9	4.7	4.3	1.9	1.5	1.2	1.4	0.6	1.2	2.7	2.4	17.2	15.2	1.8	1.7	-3.2	-2.4
Maximum	7.4	6.0	5.9	5.5	2.1	1.8	1.3	1.7	1.2	1.8	2.9	2.5	17.9	16.1	2.0	2.3	-3.0	-2.0
Minimum	4.9	4.3	3.5	3.3	1.8	1.1	1.0	1.0	0.0	0.5	2.5	2.0	17.0	14.6	1.3	0.5	-3.4	-2.9
Change on 2 months earlier ¹	-0.7	0.0	-0.9	-0.2	-0.1	0.0	0.1	0.0	-0.3	-0.2	0.0	0.1	-0.1	-0.2	0.0	0.0	0.0	0.0
- Rise ²	1	7	1	2	2	3	8	4	1	1	8	6	2	2	2	1	6	5
- Drop ²	12	4	12	10	9	5	0	2	9	4	1	3	9	12	4	4	2	2
Change on 6 months earlier ¹	2.3	--	0.9	--	0.0	--	0.2	--	-0.5	--	0.5	--	-0.9	--	0.4	--	0.3	--
Memorandum items:																		
Government (July 2017)	6.5	5.4	5.4	4.7	--	--	--	--	--	--	2.8	2.6	17.4	15.4	1.6	1.5	-3.1	-2.2
Bank of Spain (June 2017)	6.9	4.9	5.8	4.5	2.0	1.3	1.1	1.5	--	--	2.9	2.3	17.3	15.4	1.8 ⁽⁶⁾	1.9 ⁽⁶⁾	-3.2	-2.6
EC (May 2017)	5.7	4.8	4.8	4.4	2.0	1.4	--	--	1.0	1.3	2.3	2.1	17.6	15.9	1.6	1.6	-3.2	-2.6
IMF (July 2017)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2017)	6.7	5.0	5.5	4.9	2.3	1.4	--	--	1.1	1.7	2.5	2.1	17.5	16.0	2.1	2.1	-3.1	-2.3

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 Net lending position vis-à-vis rest of world.⁷ Excluding financial entities bail-out expenditures.

Table 2

Quarterly Forecasts – September 2017¹

	Quarter-on-quarter change (percentage)							
	17-IQ	17-IIQ	17-IIIQ	17-IVQ	18-IQ	18-IIQ	18-IIIQ	18-IVQ
GDP ²	0.8	0.9	0.8	0.8	0.6	0.6	0.6	0.6
Household consumption ²	0.4	0.7	0.7	0.7	0.5	0.5	0.5	0.5

¹ Average of forecasts by private institutions listed in Table 1.

² According to series corrected for seasonality and labour calendar.

Table 3

CPI Forecasts – September 2017¹

Monthly change (%)				Year-on-year change (%)	
Sep-17	Oct-17	Nov-17	Dec-17	Dec-17	Dec-18
0.4	0.8	0.5	0.3	1.1	1.6

¹ Average of forecasts by private institutions listed in Table 1.

Table 4

Opinions – September 2017

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	14	3	0	2	15	0
International context: Non-EU	11	6	0	3	12	2
	Low ¹	Normal ¹	High ¹	Increasing	Stable	Decreasing
Short-term interest rate ²	16	1	0	4	13	0
Long-term interest rate ³	16	1	0	13	4	0
	Overvalued ⁴	Normal ⁴	Undervalued ⁴	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	3	11	3	7	8	2
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	12	5	5	12	0
Monetary policy assessment ¹	0	0	17	0	6	11

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

³ Yield on Spanish 10-year public debt.

² Three-month Euribor.

⁴ Relative to theoretical equilibrium rate.