

Spanish economic forecasts panel: September 2023*

Funcas Economic Trends and Statistics Department

GDP growth estimate for 2023 increased one tenth to 2.2%

According to preliminary data, GDP grew by 0.4% in the second quarter, which was one tenth more than anticipated by the panelists. Domestic demand contributed 1.8 percentage points to growth, while the foreign sector declined by 1.4 points. Along these lines, the indicators showed strong performance during the second quarter, many of which remained the same for July, but have performed more poorly in August suggesting a change in trend.

Thus, the consensus points to a growth of 0.2% in the third quarter, followed by an increase of three tenths of a percentage point in the fourth quarter (Table 2). For the year overall, the average estimate is 2.2%, one tenth of a percent higher than the previous forecast (Table 1). [1]

As for the composition of GDP growth for 2023, the contribution of domestic demand will be 1.2 percentage points (four tenths more than in the previous Panel), while that of the foreign sector will be one percentage point (three tenths less than in the previous forecast). Predictions for investment and consumption, both private and public, have been revised upwards, while those for exports and imports have been reduced by 1.4 and 0.7 percentage points, respectively (Table 1).

Forecast for 2024 remains at 1.8%

The panelists' GDP growth forecast for 2024 remains unchanged since July, at 1.8%, situated below the predictions of major national and international organizations (Table 1).

Regarding the composition of growth for 2024, the contribution of the foreign sector will be slightly negative, while domestic demand will add 1.9 percentage points – one tenth of a percentage point above the previous Panel. Both household consumption and investment are expected to grow faster than in 2023, while public consumption will grow less.

The inflation forecast for 2024 was raised by one tenth

The overall inflation rate reached a low of 1.9% in June, and then subsequently rose, as anticipated, again in July and August. Overall inflation is expected to continue to rise for the remainder of the year.

The forecast for the average annual overall inflation rate in 2023 is 3.6%, with the core rate at 5.7%, with neither forecast changing since the previous Panel. As for 2024, the forecast was revised upwards to 3% for the overall rate, while the core rate remains at 3.1%.

The expected general indices of year-on-year rates for December 2023 and December 2024 are 3.8% and 2.4%, respectively (Table 3).

Employment will continue to grow, making further inroads into unemployment

According to Social Security enrollment figures, the seasonally adjusted employment growth rate in July and August was slower than in the spring months, mostly due to a loss of momentum in the services sector.

However, given the stronger-than-expected spring, employment growth forecasts have been revised upward to 1.9% this year and 1.6% next. Meanwhile, forecasts for the unemployment rate have been revised downward, and Panelists now expect an average annual rate of 12.3% in 2023 and 12% in 2024. Together with exports and imports, these two variables have experienced the largest revisions in this Panel.

The implicit forecast for productivity and unit labor cost (ULC) growth is based on forecasts for GDP, employment and wage growth. Productivity per full-time equivalent job will grow by 0.3% this year and by 0.2% in 2024. Meanwhile, ULCs will increase by 3.6% in 2023 and 3.3% in 2024.

Historic trade surplus

The current account recorded a positive balance up to June of 18.981 million euros, 2.7% of GDP, the best figure for this period in the entire historical series. This favorable result is attributable to the historically high trade surplus that more than compensates for the deterioration of the income balance.

The Panel forecast for the current account surplus rose to 1.6% of GDP in 2023 and remains at 1.1% of GDP for 2024.

Public deficit forecast maintained

Public administrations, excluding local governments, recorded a deficit of 30.571 million euros up to June of this year, compared to 32,270 million euros in the same period of the previous year. This improvement was due to a 22.861 million euros increase in revenue, higher than the 21.162 million increase in expenditure.

The Panel foresees a reduction in the deficit of the public administrations in 2023 and 2024. Specifically, the public deficit is expected to reach 4.1% of GDP this year and 3.6% next. These figures surpass the expectations of the government, the Bank of Spain and OECD (Table 1).

Deterioration of the external environment, especially in the EU

Signs of a weakening European economy have become more entrenched since the previous Panel. The European Union's GDP stagnated in the second quarter, dragged down by the recessionary trend hitting some of the most industry-heavy economies, such as Germany, Austria, Italy and the Netherlands. The available indicators for the third quarter point to a further worsening: the eurozone PMI has moved into negative territory, while expectations for the coming months cool.

The outlook has been affected by the cycle of interest rate hikes, the downturn in international trade and the bursting of the credit bubble in China, with its global spillovers, particularly in industry. A more recent factor is the rebound in energy prices as a result of OPEC's oil supply restrictions and the labor dispute that paralyzed liquefied gas production in Australia. Brent crude has risen by 15% compared to the previous panel,

and the TTF European gas market benchmark has increased by 5%. Rising energy prices and the depreciation of the euro are also hampering the disinflation process.

Nevertheless, the European Commission forecasts growth of 0.8% in 2023 for the eurozone as a whole (three tenths of a percentage point less than in the spring forecast) and 1.4% in 2024 (also three tenths of a percentage point less). In the US, the economy is holding up better, although the latest trends also point to a slowdown.

All this has led to greater pessimism in the Panel's assessments of the external environment (Table 4). Compared to the previous consensus, there is an increase in the number of opinions that consider this environment to be unfavorable, both in the EU and beyond. And virtually all analysts predict that this situation will persist or deteriorate in the coming months.

Interest rates will remain at higher levels than anticipated during the previous forecast period

At its July meeting, the ECB raised its main interest rates by 25 basis points and continued with liquidity tightening measures (TLTRO repayments and divestment of government bond holdings). While the total CPI is moderating, its underlying components continue to advance at a pace above the price stability target, motivating the process of monetary tightening. Moreover, the central bank is monitoring the impact of the euro's depreciation, the rise in energy costs and the possible emergence of second-round effects in terms of wages in the face of tight labor markets. Nevertheless, Christine Lagarde also acknowledges that the monetary cycle is having an impact on the economy. This may open the door to a pause in rate hikes, which would nevertheless remain at a high level for a prolonged period of time.

The Panelists expect rates to remain at elevated levels for longer than anticipated in July. Despite the cooling economic outlook, a significant decline in the ECB's deposit facility is not expected until the second half of next year. At the end of 2024, the deposit facility would still stand at around 3.25%, when it was below 3% in the previous Panel.

Market interest rates would follow a similar trend. At the end of 2024, the Euribor would still exceed 3.5% (two tenths more than in the July assessment) and 10-year Spanish government bonds would be trading above 3.3% (one tenth more).

Euro depreciation against the dollar

The dollar has buttressed its safe-haven status in the wake of strong turbulence in China and less resilience in Europe to interest rate hikes. The result is a depreciation of the euro against the US currency (-5% approximately compared to the July Panel). However, most panelists believe that the lost ground will be regained in the coming quarters (Table 2), so that by the end of 2024 the euro will reach levels close to values anticipated in the previous Panel.

Little change in macroeconomic policy assessments

Regarding macroeconomic policy, panelists' assessments remain practically unchanged.

Most continue to consider fiscal policy to be expansionary, and all believe that this policy should be more neutral or even restrictive in relation to the economic cycle (Table 4). Opinions are also almost unanimous on the current restrictive nature of monetary policy, which is generally the appropriate stance given the persistence of the inflationary outbreak.

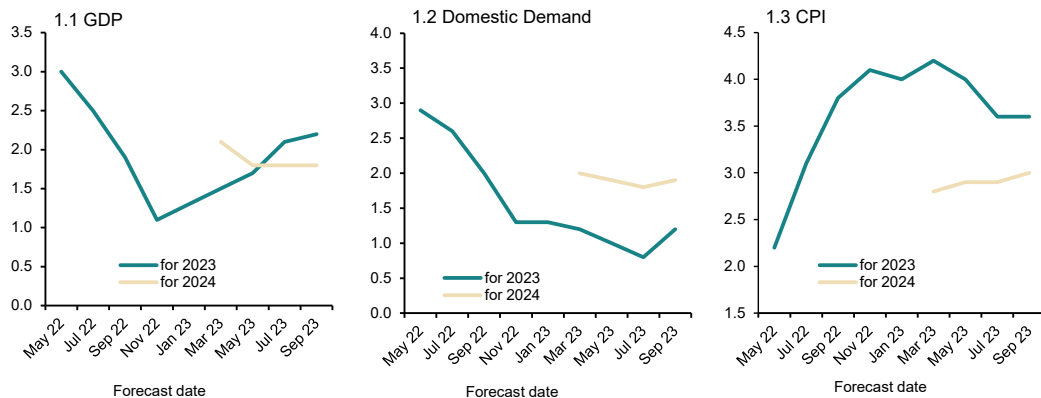
Notes

[1] It is noteworthy to highlight that this Panel was launched prior to the release of the GDP revisions from the National Statistics Institute (INE).

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 2023*

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Table 1

Economic Forecasts for Spain – September 2023

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	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Analistas Financieros Internacionales (AFI)	2.2	1.6	0.7	2.0	2.2	2.3	3.8	4.2	0.1	4.8	6.3	3.5	1.7	2.5
BBVA Research	2.4	2.1	0.7	2.6	1.8	2.9	2.7	5.6	1.6	5.8	3.0	6.1	1.6	3.3
CaixaBank Research	2.3	1.7	0.5	2.0	1.9	1.3	3.3	3.5	-0.7	4.8	5.9	2.9	1.4	2.2
Cámara de Comercio de España	2.1	1.7	0.0	1.6	2.0	1.4	2.1	2.5	-1.2	2.0	3.5	3.0	1.1	1.7
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.2	1.8	1.1	2.0	1.4	0.8	2.8	1.9	1.6	2.5	3.8	1.5	1.4	1.7
Centro de Predicción Económica (CEPREDE-UAM)	2.0	2.4	0.7	1.8	2.0	1.6	3.3	6.3	0.8	9.6	4.7	4.8	1.3	2.5
CEOE	2.0	1.4	0.0	0.8	1.3	0.9	2.0	2.5	-1.6	1.9	4.0	2.1	0.8	1.2
Equipo Económico (Ee)	2.4	1.9	0.6	0.9	1.2	0.9	3.0	4.5	1.8	4.7	3.4	4.3	1.1	1.6
EthiFinance Ratings	2.1	1.9	1.0	1.8	0.6	1.7	2.0	2.6	1.1	1.8	3.1	3.0	--	--
Funcas	2.2	1.6	0.1	1.4	0.9	0.8	1.0	2.0	2.0	2.1	1.1	1.5	0.6	1.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.4	2.1	1.0	2.1	1.7	1.9	3.0	2.7	-1.0	2.3	5.6	2.5	1.5	1.9
Instituto de Estudios Económicos (IEE)	2.2	1.5	0.1	0.9	1.3	0.9	2.1	2.6	-1.4	2.1	4.1	2.2	0.9	1.3
Intermoney	2.2	2.1	0.3	2.5	1.0	1.2	1.8	3.6	0.9	3.5	2.7	3.8	0.7	2.3
Mapfre Economics	2.2	1.9	0.8	1.9	1.2	1.1	0.2	1.8	--	--	--	--	1.1	1.6
Oxford Economics	2.2	1.3	0.6	2.4	1.6	0.9	1.4	1.6	-3.0	1.3	4.0	0.3	1.1	1.4
Repsol	2.1	1.6	0.6	1.8	2.1	1.0	4.5	4.1	-0.3	2.1	8.0	5.7	1.3	1.6
Santander	2.2	1.3	0.6	2.0	1.9	0.8	3.3	5.4	-1.1	5.0	6.0	5.5	1.2	2.4
Universidad Loyola Andalucía	2.5	1.8	0.8	1.7	2.3	3.0	3.6	3.7	-1.0	2.1	4.6	1.1	1.8	1.5
CONSENSUS (AVERAGE)	2.2	1.8	0.6	1.8	1.6	1.4	2.5	3.4	-0.1	3.4	4.3	3.2	1.2	1.9
Maximum	2.5	2.4	1.1	2.6	2.3	3.0	4.5	6.3	2.0	9.6	8.0	6.1	1.8	3.3
Minimum	2.0	1.3	0.0	0.8	0.6	0.8	0.2	1.6	-3.0	1.3	1.1	0.3	0.6	1.2
Change on 2 months earlier ¹	0.1	0.0	0.2	0.0	0.4	0.1	0.9	0.2	-0.9	-0.2	1.9	0.1	0.4	0.1
- Rise ²	7	2	5	5	10	8	10	9	1	3	10	6	9	6
- Drop ²	3	8	3	6	1	4	1	2	8	6	0	4	0	5
Change on 6 months earlier ¹	0.7	-0.3	-0.4	-0.2	0.2	0.2	0.8	0.1	-1.0	-0.5	2.5	0.2	0.0	-0.1
Memorandum items:														
Government (April 2023)	2.1	2.4	2.1	3.0	1.9	0.9	0.9	5.0	--	--	--	--	1.7	2.9
Bank of Spain (June 2023)	2.3	2.2	0.2	3.3	0.6	0.8	1.7	4.1	--	--	--	--	0.6	2.8
EC (September 2023)	2.2	1.9	--	--	--	--	--	--	--	--	--	--	--	--
IMF (July 2023)	2.5	2.0	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2023)	2.1	1.9	0.5	2.0	1.8	2.0	0.0	2.9	--	--	--	--	0.8	1.9

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 2023

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)	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Analistas Financieros Internacionales (AFI)	2.5	0.3	1.2	2.4	3.5	3.0	6.0	3.4	4.1	4.2	2.1	1.4	12.4	12.4	2.4	0.8	-3.9	-3.7
BBVA Research	5.2	2.9	3.4	5.8	3.4	3.2	6.1	3.0	3.4	5.0	1.6	1.6	12.3	11.7	2.2	2.0	-4.2	-3.5
CaixaBank Research	3.1	0.3	0.9	1.4	3.4	3.4	6.0	3.1	3.1	3.3	1.6	1.3	12.3	11.8	1.0	0.7	-4.3	-3.5
Cámara de Comercio de España	3.1	1.2	0.5	1.1	3.8	2.8	6.3	3.4	--	--	1.8	1.2	12.7	12.5	0.7	0.3	-4.6	-3.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	5.4	3.4	3.2	3.2	4.0	3.3	5.0	3.2	--	--	1.4	1.2	12.6	12.0	1.2	1.0	-4.1	-3.4
Centro de Predicción Económica (CEPREDE-UAM)	5.2	3.7	3.6	4.5	3.7	3.1	--	--	4.4	3.4	1.6	1.5	12.8	12.5	2.5	1.0	-4.2	-3.5
CEOE	6.4	3.3	3.4	3.0	3.5	2.8	6.2	3.1	4.0	2.9	1.7	1.0	12.5	12.4	1.2	0.8	-4.2	-3.8
Equipo Económico (Ee)	6.4	3.5	3.2	3.1	3.7	3.5	5.0	3.4	3.9	3.6	1.9	1.5	12.3	11.9	0.9	0.8	-3.9	-3.7
EthiFinance Ratings	6.3	3.8	0.1	4.1	3.2	3.3	4.3	2.6	--	--	--	--	12.4	12.0	1.0	1.0	-3.9	-3.8
Funcas	6.9	3.0	3.1	2.7	3.9	3.5	6.2	3.0	4.0	3.5	1.2	1.0	12.3	11.6	2.8	2.6	-4.3	-3.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.8	4.5	2.7	4.2	3.5	2.8	5.7	3.2	--	--	1.8	1.4	12.3	11.7	0.5	0.6	-4.1	-3.5
Instituto de Estudios Económicos (IEE)	6.5	3.4	3.3	2.9	3.7	2.9	6.3	3.0	4.0	2.9	1.9	1.1	12.4	12.2	0.9	0.8	-4.3	-3.8
Intermoney	6.2	3.0	2.9	3.8	4.0	3.5	4.8	2.8	--	--	1.5	2.0	12.7	12.0	1.2	--	-4.0	-3.6
Mapfre Economics	4.5	2.0	1.7	1.9	3.4	2.5	5.8	3.5	--	--	--	--	12.2	12.5	2.4	1.7	-4.3	-3.4
Oxford Economics	4.1	2.0	1.1	2.3	3.6	2.1	6.2	2.4	--	--	--	--	12.1	11.7	2.5	1.7	-3.9	-3.7
Repsol	1.7	3.4	-0.5	3.5	3.9	3.5	6.3	3.7	4.0	3.0	2.2	2.6	12.0	11.3	0.9	0.5	-4.4	-3.5
Santander	3.4	1.1	1.6	4.1	3.4	2.7	4.3	2.7	--	--	2.7	2.8	12.0	12.1	--	--	--	--
Universidad Loyola Andalucía	3.8	1.9	1.6	1.8	3.7	2.0	6.1	4.0	--	--	2.8	2.6	12.0	11.4	2.4	1.1	-3.9	-3.7
CONSENSUS (AVERAGE)	4.7	2.6	2.0	3.1	3.6	3.0	5.7	3.1	3.9	3.5	1.9	1.6	12.3	12.0	1.6	1.1	-4.1	-3.6
Maximum	6.9	4.5	3.6	5.8	4.0	3.5	6.3	4.0	4.4	5.0	2.8	2.8	12.8	12.5	2.8	2.6	-3.9	-3.4
Minimum	1.7	0.3	-0.5	1.1	3.2	2.0	4.3	2.4	3.1	2.9	1.2	1.0	12.0	11.3	0.5	0.3	-4.6	-3.8
Change on 2 months earlier ¹	-1.4	-0.4	-0.7	-0.3	0.0	0.1	0.0	0.0	0.2	0.0	0.5	0.3	-0.3	-0.2	0.2	0.0	0.0	-0.1
- Rise ²	2	2	0	3	4	5	5	5	4	2	8	4	1	2	4	2	0	1
- Drop ²	9	8	11	7	3	1	4	2	0	0	1	3	11	10	3	3	6	5
Change on 6 months earlier ¹	1.5	-1.2	-0.6	-0.7	-0.6	0.2	0.2	-0.2	0.3	0.2	0.8	0.0	-0.6	-0.4	1.1	0.5	0.1	0.1
Memorandum items:																		
Government (April 2023)	1.5	2.5	0.7	3.9	--	--	--	--	--	--	2.1	2.3	12.2	10.9	--	--	-3.9	-3.0
Bank of Spain (June 2023)	7.1	2.2	3.2	4.0	3.2 ⁽⁶⁾	3.6 ⁽⁶⁾	4.1 ⁽⁷⁾	2.1 ⁽⁷⁾	--	--	1.7 ⁽⁸⁾	1.8 ⁽⁸⁾	12.2	11.5	--	--	-3.8	-3.4
EC (September 2023)	--	--	--	--	3.6 ⁽⁶⁾	2.9 ⁽⁶⁾	--	--	--	--	--	--	--	--	--	--	--	--
IMF (July 2023)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2023)	5.8	2.4	2.9	3.2	3.9 ⁽⁶⁾	3.9 ⁽⁶⁾	4.8 ⁽⁶⁾	3.7 ⁽⁶⁾	--	--	--	--	12.8	12.4	4.0	3.6	-3.5	-3.2

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 2023

	23-I Q	23-II Q	23-III Q	23-IV Q	24-I Q	24-II Q	24-III Q	24-IV Q
GDP ¹	0.5	0.4	0.2	0.3	0.5	0.5	0.6	0.6
Euribor 1 yr ²	3.65	4.01	4.09	4.07	3.97	3.83	3.68	3.51
Government bond yield 10 yr ²	3.43	3.40	3.53	3.55	3.47	3.42	3.37	3.34
ECB main refinancing operations interest rate ³	3.50	4.00	4.34	4.40	4.32	4.16	3.99	3.73
ECB deposit rates ³	3.00	3.50	3.83	3.92	3.84	3.69	3.55	3.29
Dollar / Euro exchange rate ²	1.07	1.08	1.09	1.10	1.15	1.11	1.11	1.12

Forecasts in yellow.

¹ Qr-on-qr growth rates.

² End of period.

³ Last day of the quarter.

Table 3

CPI Forecasts – September 2023

Year-on-year change (%)					
Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Dec-24
2.6	3.1	3.3	3.6	3.8	2.4

Table 4

Opinions – September 2023

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	0	18	1	14	3
International context: Non-EU	0	2	16	0	15	3
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	3	15	3	15	0
Monetary policy assessment ¹	15	2	1	13	5	0

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