Spanish economic forecasts panel: November 2023*

Funcas Economic Trends and Statistics Department

GDP expected to increase by 2.4% in 2023, two tenths of a percentage point more than in the previous Panel

Last September, the INE raised the GDP growth estimates for 2021 and 2022, as part of its annual periodic review. This increase in the GDP for 2022 drives a mechanical adjustment of the forecasts for the current year. Likewise, INE estimated that GDP grew by 0.3% in the third quarter, which is one tenth more than anticipated by the panelists, requiring an upward revision of the annual forecast. This figure confirms, however, a profile of deceleration, after advances of 0.6% and 0.4% in the first and second quarters, respectively.

Along these lines, recent indicators suggest a continued weakening trend. The panelists' consensus points to growth of 0.2% for the last quarter (Table 2). This leaves growth at 2.4% for 2023 as a whole, which is two tenths of a percentage point higher than the previous consensus forecast (Table 1).

This result is underpinned by the contribution of the foreign sector of 0.7 percentage points (three tenths of a percentage point less than in the previous Panel), and that of domestic demand of 1.7 percentage points (an increase of five tenths of a percentage point compared to the September consensus). The forecast for consumption, both public and private, has been revised upwards, while investment has been revised downwards. Both exports and imports have been revised downwards, more so in the case of the former than in the latter (Table 1).

Forecast for 2024 GDP growth cut to 1.6%

As a result of the downward revisions of several panelists, GDP growth is expected to reach 1.6% in 2024, down two tenths of a percentage point from the previous Panel. This forecast is below those of the government and major international organizations (Table 1). As for the quarterly profile, growth of 0.4% is expected in the first quarter,

followed by 0.5% for the remaining quarters of the year (Table 2).

As for the composition, the contribution of the foreign sector will be slightly negative, while domestic demand will add 1.7 percentage points -two tenths of a percentage point less than in the previous Panel. Investment is expected to outpace growth in 2023, while the opposite trend is projected for public consumption.

Inflation forecast for 2024 increased, although the trajectory is one of deceleration

The overall inflation rate hit a low of 1.9% in June, and then rose again in the following months, reaching 3.5% in September and repeating the figure in October. Also, most panelists expect general inflation to continue to rise in the remainder of the year (Table 3).

In light of this, the panelists' estimate for the average annual inflation rate for this year has been adjusted upward by one tenth of a percentage point to 3.7%, while the corresponding estimate for core inflation has been raised by two tenths of a percentage point to 5.9%. For next year, the forecast for the overall rate has raised by three tenths to 3.3%, with a 3.3% increase for core inflation as well (Table 1).

The projected year-on-year rates of the overall index for December 2023 and December 2024 are 3.9% and 2.7%, respectively (Table 3).

Employment will keep growing and the unemployment rate will decline

According to the *EPA*, employment decelerated in the third quarter in seasonally adjusted terms. The unemployment rate increased to 11.8% but is nine tenths of a percentage point below the value of a year ago. Similarly, Social Security enrollment registered a slower growth pace in the months of the third quarter, and the October figure seems to confirm an even greater deceleration.

However, the employment growth forecast for this year has been revised upward to 2.3% and remains at 1.6% for next year. Similarly, unemployment projections have been revised downward, and panelists now expect an average annual rate of 12.2% in 2023 and 11.7% in 2024.

The implied forecast of productivity growth and unit labor cost (ULC) growth is derived from the forecasts of GDP growth, employment and wage growth. Productivity per full-time equivalent job will grow by 0.3% this year and by 0.2% in 2024 –two tenths of a percentage point more for both years compared to the previous forecasts. ULCs will increase by 4.4% in 2023 and 3.5% in 2024, which is eight and two tenths more, respectively, compared to the previous Panel.

Historic trade surplus

The current account deficit recorded a positive result up to August of nearly 28 billion euros, which is the best figure for this period in the entire historical series. This figure is the result of a historic outcome in the trade balance, which more than offset the deterioration in the income balance.

The consensus forecast for the current account surplus has been raised to 1.9% of GDP for this year and 1.3% for 2024, which is three and two tenths of a percentage point higher, respectively, than in the previous consensus forecast.

Public deficit forecast maintained

The fiscal deficit, excluding local authorities, recorded up to August, was 1.1 billion euros higher than in the same period of the previous year. This poorer result was due to a revenue increase of 24.3 billion euros, less than the rise in expenditures of 25.4 billion euros.

The panelists expect a reduction in the government´s overall deficit during 2023 and 2024, along the same magnitude as in the September Panel. Specifically, the negative balance of public accounts would be 4.1% of GDP this year and 3.6% next year. These values are above the official target of 3% (Table 1).

The external environment continues to be unfavorable, particularly in the EU

The international context is marked by a high degree of uncertainty, aggravated by geopolitical tensions and the conflict in the Middle East. The timid advance of the eurozone economy recorded in the second quarter has given way to a decline in the third quarter (-0.1%), and the most recent indicators point to a further contraction at the end of the year. PMI indicators are in negative territory, especially in industry, with no clear signs of an early recovery. The US economy seems to be holding up better to the impact of monetary policy tightening, with GDP rising in the third quarter (+1.2%). However, recent trends point to an exhaustion of some of the factors behind the rebound, such as excess household savings. China, for its part, continues to be weighed down by weakening domestic demand and the bursting of the real estate bubble.

Given the intensification of trade tensions, the IMF has cut its forecast for international trade: world markets are expected to grow by just 0.9% this year (less than half the July estimate) and by 3.5% next year (two tenths of a percentage point less).

This scenario is particularly detrimental to open economies such as Europe. The European Commission has once again cut its GDP growth forecast for the EU, to 0.6% in 2023 (two tenths lower than in the July forecast and four tenths lower than in the spring round) and 1.3% in 2024 (a cut of one tenth and four tenths, respectively).

The Panel's assessments continue to be pessimistic concerning the external environment (Table 4). All panelists agree that the context is neutral or unfavorable in the EU, with no change in trend in the short-term (only two anticipate an improvement, and three think it will get worse, with no major differences with respect to the previous Panel). The assessments of the context outside the EU point in a similar direction, with no significant changes compared to the September Panel.

Despite disinflation, interest rates will remain high

The economic slowdown, together with the gradual normalization of energy markets, is leading to a deceleration of inflation. Nonetheless, central banks consider that it is still too early to lower their guard in the fight against inflation. Since the last Panel, the ECB has raised its main interest rates by 0.25 points (the tenth time so far since the beginning of the monetary cycle), while leaving the door open to a possible pause.

Analysts have heeded the message and expect rates to remain elevated for longer than anticipated. The forecast predicts the deposit facility to remain at its current level of 4% until the first quarter of 2024, before embarking on a slight decline (Table 2). The deposit facility would still reach 3.4% at the end of the year, a tenth of a percent higher than in the previous Panel.

Market interest rates would follow a similar trend. In a year's time, the Euribor would still exceed 3.6% (one tenth of a point higher than in the September valuation) and the Spanish 10-year government bond yield would be close to 3.5% (two tenths of a point higher).

Euro expected to recover against the dollar

The appreciation of the dollar against the euro, due to its safe-haven status, was one of the side effects of the worsening Israeli-Palestinian conflict. More recently, however, the euro has recovered, encouraged by better inflation data and a possible pause in interest rate hikes. According to the Panel, the euro is expected to rise against the dollar throughout the projection period (Table 2).

Monetary policy is tight and fiscal policy is expansionary

On macroeconomic policy, the consensus remains practically unchanged. Most panelists continue to consider fiscal policy to be expansionary, when it should be neut+ral in relation to the economic cycle (Table 4). Opinions are also quasi-unanimous about the restrictive stance of monetary policy, this being generally considered as the most appropriate position.

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %
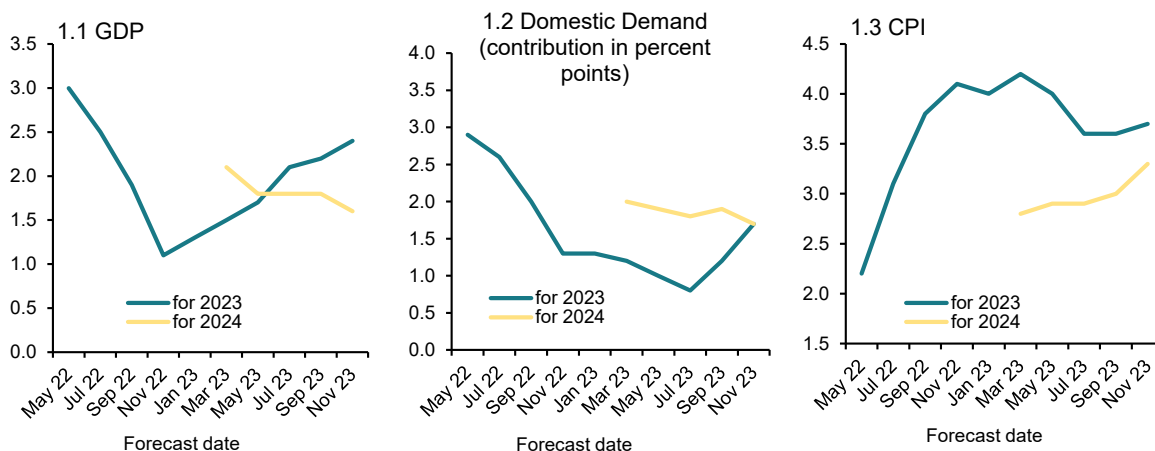
Source: Funcas Panel of Forecasts.

* 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: November 2023*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – November 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)	2.4	1.6	2.3	2.2	2.7	2.2	1.9	2.9	0.7	5.2	2.9	1.0	2.3	2.4
BBVA Research	2.4	1.8	2.0	2.0	2.7	1.1	2.5	7.1	-1.0	8.1	4.1	4.9	1.9	2.7
CaixaBank Research	2.4	1.4	2.2	1.9	2.6	1.4	1.9	2.5	-0.1	3.7	3.1	1.5	1.9	1.8
Cámara de Comercio de España	2.4	1.6	1.7	1.6	2.7	1.9	1.7	1.8	-1.2	1.3	2.8	2.5	1.8	1.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.5	1.8	1.7	2.0	2.4	0.8	0.9	1.9	-1.8	2.5	3.0	1.5	1.7	1.7
Centro de Predicción Económica (CEPREDE-UAM)	2.4	2.1	2.1	1.7	2.6	2.4	1.7	5.2	-0.2	5.4	2.9	4.5	2.0	2.6
CEOE	2.4	1.4	2.0	1.7	2.5	1.1	1.0	2.1	-1.9	1.2	2.6	0.7	1.6	1.6
Equipo Económico (Ee)	2.4	1.8	1.2	1.6	2.0	1.5	2.7	3.7	0.4	4.7	4.9	4.3	1.6	1.9
EthiFinance Ratings	2.4	1.7	1.3	1.8	1.7	1.5	1.5	2.1	1.1	1.8	3.1	3.0	--	--
Funcas	2.4	1.5	2.2	2.1	2.4	0.7	2.4	1.7	0.0	1.6	4.4	1.8	2.0	1.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.4	1.8	2.1	1.8	2.6	1.0	1.6	2.0	-0.3	2.1	2.9	1.3	1.8	1.5
Instituto de Estudios Económicos (IEE)	2.3	1.5	1.9	1.8	2.4	1.0	0.8	2.1	-2.0	1.3	2.5	0.7	1.5	1.6
Intermoney	2.3	2.0	1.3	2.4	1.8	1.0	2.3	3.6	0.8	3.5	3.5	3.7	0.9	2.2
Mapfre Economics	2.5	1.3	1.6	1.5	2.2	0.9	1.6	1.2	--	--	--	--	1.4	1.0
Metyis	2.3	1.7	1.2	1.4	1.8	0.6	3.1	3.3	1.0	2.3	3.5	3.7	0.7	1.6
Oxford Economics	2.4	1.2	2.0	1.3	2.6	1.2	1.6	1.4	-2.0	1.3	2.5	-0.5	1.9	1.0
Repsol	2.3	1.4	2.3	1.8	2.7	0.5	1.8	1.9	0.1	1.7	3.0	1.7	1.8	1.0
Santander	2.3	1.4	2.3	2.8	2.6	1.0	1.5	2.7	-0.2	5.3	2.3	-0.6	1.8	2.4
Universidad Loyola Andalucía	2.4	1.8	2.0	2.0	2.8	2.5	3.1	2.1	-1.2	0.6	4.0	1.9	2.2	1.5
CONSENSUS (AVERAGE)	2.4	1.6	1.9	1.9	2.4	1.3	1.9	2.7	-0.4	3.0	3.2	2.1	1.7	1.7
Maximum	2.5	2.1	2.3	2.8	2.8	2.5	3.1	7.1	1.1	8.1	4.9	4.9	2.3	2.7
Minimum	2.3	1.2	1.2	1.3	1.7	0.5	0.8	1.2	-2.0	0.6	2.3	-0.6	0.7	1.0
Change on 2 months earlier[1]	0.2	-0.2	1.3	0.1	0.8	-0.1	-0.6	-0.7	-0.3	-0.4	-1.1	-1.1	0.5	-0.2
- Rise[2]	14	1	18	7	18	8	4	1	6	3	4	2	17	5
- Drop[2]	1	12	0	7	0	9	14	15	9	9	12	12	0	9
Change on 6 months earlier[1]	0.7	-0.2	1.2	0.0	0.9	0.1	0.4	-0.7	-1.2	-0.7	1.0	-1.1	0.7	-0.2
Memorandum items:														
Government (October 2023)	2.4	2.0	1.5	2.5	1.9	0.2	3.0	4.0	--	--	--	--	1.9	2.2
Bank of Spain (September 2023)	2.3	1.8	0.7	2.2	1.4	0.8	3.1	3.4	--	--	--	--	1.2	2.1
EC (November 2023)	2.4	1.7	1.5	2.0	1.6	0.4	2.4	3.4	1.0	5.3	3.2	2.4	--	--
IMF (July 2023)	2.5	1.7	2.0	1.4	3.0	1.3	2.4	3.8	--	--	--	--	2.0	1.7
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 – November 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)	0.7	-2.1	0.4	-0.3	3.8	3.2	6.3	3.4	4.6	3.7	2.7	1.2	12.1	11.8	2.2	0.7	-3.9	-3.0
BBVA Research	2.7	2.2	1.5	4.7	3.8	3.7	6.2	3.3	5.1	4.3	1.9	1.4	12.2	11.9	3.0	2.6	-4.1	-3.4
CaixaBank Research	0.6	-1.6	-0.7	-0.7	3.7	3.6	6.1	3.1	4.0	3.0	2.2	1.4	12.1	11.8	1.8	1.7	-4.2	-3.6
Cámara de Comercio de España	1.2	1.2	-0.6	1.1	3.7	2.7	6.3	3.3	--	--	2.2	1.0	12.4	12.4	0.6	0.3	-4.6	-3.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.8	3.4	-0.4	3.2	3.5	3.3	6.0	3.2	--	--	2.6	1.2	12.1	10.4	1.2	1.0	-4.1	-3.4
Centro de Predicción Económica (CEPREDE-UAM)	0.5	3.0	-0.4	4.8	3.7	2.7	--	--	4.8	3.8	2.7	1.0	12.4	12.1	2.2	0.9	-3.4	-3.0
CEOE	0.8	2.2	-1.3	2.6	3.7	3.6	6.1	3.9	4.9	3.6	2.7	1.3	12.1	11.7	2.2	0.8	-4.2	-3.7
Equipo Económico (Ee)	3.7	1.0	1.5	1.4	3.7	3.5	6.3	3.2	3.9	3.6	1.9	1.5	12.3	11.9	0.7	0.6	-4.0	-3.7
EthiFinance Ratings	3.0	2.0	1.0	3.0	3.5	3.3	5.5	3.3	--	--	--	--	12.6	12.1	1.3	1.0	-4.3	-3.8
Funcas	3.1	1.7	2.1	1.7	3.6	3.6	6.1	3.0	4.9	3.9	1.9	0.9	11.9	11.0	2.2	1.9	-4.1	-3.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.1	3.8	1.5	2.8	3.7	3.3	5.7	3.4	--	--	1.8	1.2	12.1	11.8	1.0	1.5	-4.1	-3.4
Instituto de Estudios Económicos (IEE)	0.9	2.4	-1.2	2.6	3.7	3.6	6.2	3.9	4.5	2.9	2.6	1.1	12.2	12.0	2.2	0.8	-4.3	-3.8
Intermoney	3.3	2.7	1.5	3.6	3.8	3.5	4.5	2.8	--	--	1.5	2.0	12.4	12.0	1.3	--	-4.0	-3.6
Mapfre Economics	4.0	2.2	1.5	1.9	3.5	2.6	4.2	2.5	--	--	--	--	11.5	11.6	3.0	2.7	-3.9	-3.8
Metyis	6.0	3.0	1.4	2.8	3.6	3.2	6.3	3.6	4.0	3.3	1.5	1.3	12.1	11.8	2.0	1.6	-3.7	-3.5
Oxford Economics	1.1	2.4	-0.4	1.7	3.7	2.9	6.3	2.5	--	--	--	--	12.1	11.7	2.6	2.7	-4.1	-4.0
Repsol	0.7	5.7	-0.7	4.8	3.7	3.4	6.2	3.7	4.3	3.0	2.9	3.0	12.0	11.1	1.5	1.0	-4.4	-3.5
Santander	-0.1	-3.4	-1.2	-1.1	3.7	3.5	6.0	3.0	--	--	2.9	3.1	12.2	12.5	--	--	--	--
Universidad Loyola Andalucía	2.2	1.6	1.0	1.1	3.8	2.6	6.7	5.0	--	--	2.5	2.4	12.0	11.3	2.4	1.1	-3.9	-3.7
CONSENSUS (AVERAGE)	2.1	1.8	0.3	2.2	3.7	3.3	5.9	3.3	4.5	3.5	2.3	1.6	12.2	11.7	1.9	1.3	-4.1	-3.6
Maximum	6.0	5.7	2.1	4.8	3.8	3.7	6.7	5.0	5.1	4.3	2.9	3.1	12.6	12.5	3.0	2.7	-3.4	-3.0
Minimum	-0.1	-3.4	-1.3	-1.1	3.5	2.6	4.2	2.5	3.9	2.9	1.5	0.9	11.5	10.4	0.6	0.3	-4.6	-4.0
Change on 2 months earlier[1]	-2.6	-0.8	-1.7	-0.9	0.1	0.3	0.2	0.2	0.6	0.0	0.4	0.0	-0.1	-0.3	0.3	0.2	0.0	0.0
- Rise[2]	0	3	1	2	10	11	9	8	8	3	11	4	2	4	10	6	5	6
- Drop[2]	18	13	17	13	5	3	6	3	0	3	1	7	12	10	5	4	3	3
Change on 6 months earlier[1]	-2.4	-1.5	-2.3	-1.5	-0.3	0.4	0.1	-0.1	0.5	0.1	1.0	0.3	-0.6	-0.8	0.9	0.5	0.1	0.1
Memorandum items:																		
Government (October 2023)	3.4	2.4	1.4	3.3	--	--	--	--	--	--	2.2	1.4	11.8	10.9	2.5	1.9	-3.9	-3.0
Bank of Spain (September 2023)	4.0	2.2	1.5	3.2	3.6[6]	4.3[6]	4.1[7]	2.3[7]	--	--	1.3[8]	1.5[8]	12.0	11.5	--	--	-3.7	-3.4
EC (November 2023)	1.9	2.8	0.2	3.5	3.6[6]	3.4[6]	4.3[7]	3.1[7]	4.8	3.9	1.9	1.2	12.1	11.6	1.9	1.7	-4.1	-3.2
IMF (July 2023)	3.1	2.5	1.9	2.9	3.5	3.9	--	--	--	--	1.7	1.0	11.8	11.3	2.1	2.0	-3.9	-3.0
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 – November 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]	0.6	0.4	0.3	0.2	0.4	0.5	0.5	0.5
Euribor 1 yr [2]	3.65	4.01	4.15	4.12	4.02	3.90	3.76	3.64
Government bond yield 10 yr [2]	3.43	3.40	3.66	3.81	3.76	3.63	3.56	3.48
ECB main refinancing operations interest rate [3]	3.50	4.00	4.50	4.52	4.50	4.36	4.15	3.76
ECB deposit rates [3]	3.00	3.50	4.00	4.00	4.00	3.88	3.67	3.41
Dollar / Euro exchange rate [2]	1.07	1.08	1.07	1.07	1.08	1.09	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 – November 2023

	Year-on-year change (%)				
Oct-23	Nov-23	Dec-23	Jan-24		Dec-24
3.5	3.7	3.9	4.1		2.7

Table 4

Opinions – November 2023
Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	2	16	2	13	3
International context: Non-EU	0	1	17	0	12	6
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	2	16	2	16	0
Monetary policy assessment[1]	17	1	0	12	6	0

Note: Although the Panel reflects the views of 19 panelists, for this section we received responses from only 18.

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