

Spanish economic forecasts panel: January 2024*

Funcas Economic Trends and Statistics Department

GDP estimated to have grown by 2.4% in 2023

According to analysts' consensus, GDP grew by 2.4% in 2023, the same as anticipated in the November forecast panel. The estimate has not changed, firstly, because the revision of the Quarterly National Accounts data by the INE has been minor, with accumulated growth remaining unchanged for the first three quarters of the year. In addition, analysts' forecast for the fourth quarter is for growth of 0.3%, which, although one tenth of a percentage point higher than the previous forecast, does not change the expected annual average.

Domestic demand is expected to have contributed 1.9 percentage points to GDP growth (two tenths of a percentage point more than the previous consensus) and the foreign sector 0.5 percentage points (two tenths of a percentage point less). The estimate for consumption, both public and private, has been revised upwards, while that for investment has been revised downwards. Regarding exports and imports, the estimates have been revised downwards, more in the case of the former than in the latter (Table 1).

The forecast for 2024 remains at 1.6%

The consensus forecast for GDP growth in 2024 remains at 1.6%, below that of the government, but close to those of the Bank of Spain and international organizations (Table 1). Growth of 0.3% and 0.4% is expected in the first and second quarters, respectively, followed by gains of 0.5% for the remaining quarters (Table 2).

For the year as a whole, growth is expected to be sustained by domestic demand, which will contribute 1.7 percentage points, while the foreign sector is anticipated to deduct one tenth of a percentage point, as estimated in the previous consensus. The slowdown in relation to 2023 will be felt in consumption, both public and private, and in the foreign sector, due to a significant increase in imports, while investment will show more vigor.

Headline and core inflation forecast reduced for 2024

Overall CPI moderated in the last months of the year, closing out with an annual average of 3.5%. Similarly, core inflation also moderated in the fourth quarter, with an annual average of 6% (Table 1).

The forecast for the average annual rate in 2024 has been reduced by three tenths of a percentage point with respect to the previous Panel, to 3%. The annual rate in December is expected at 2.7% (Table 3). As for core inflation, the forecast for the average annual rate has been reduced by one tenth to 3.2%.

The labor market continues to show strength

According to Social Security enrollment figures, job creation in the fourth quarter was similar to that of the previous quarter, although the pace was slower than in the first part of the year.

The consensus forecast for employment growth in 2023 is 2.6%, and for 2024 a growth of 1.5% is expected, three tenths more and one tenth less, respectively, compared to the November panel. Based on the forecasts for GDP, employment and wage growth, the implicit forecast for productivity and unit labor cost (ULC) growth is obtained. Productivity per full-time equivalent job is expected to fall by 0.2% in 2023 and is forecast to grow by 0.1% this year. As for ULCs, they are expected to increase by 4.7% in 2023 and are forecast to increase by 3.4% in 2024.

The average annual unemployment rate is expected to be 12.1% in 2023, according to the consensus, and is forecast to fall by four tenths of a percentage point to 11.7% in 2024 (Table 1).

Historic trade surplus

The current account balance recorded a positive balance up to October of 32.7 billion euros, the

best figure for this period in the entire historical series. For 2023 as a whole, the consensus estimate points to a surplus of 2.1% of GDP, two tenths more than the previous forecast. The surplus is expected to reach 1.5% this year, two tenths of a percentage point higher (Table 1).

Public deficit forecast is maintained

Public administrations, excluding local corporations, recorded a deficit of 19.18 billion euros up to October, compared to 19.81 billion euros in the same period of the previous year. This result is the consequence of an increase in revenues slightly higher than the growth in expenses.

Analysts' consensus maintains public deficit forecasts at 4.1% and 3.6% of GDP for 2023 and 2024, respectively. Both figures are higher than those forecast by the Government, the Bank of Spain and the main international organizations (Table 1).

The external environment remains unfavorable

The international context is marked by the impact of the monetary tightening cycle and the uncertainties generated by geopolitical tensions. The challenges caused by shipping disruptions in the Red Sea have made freight rates considerably more expensive, particularly impacting the European economy. Another factor weakening the global economy is the adjustment of the Chinese economy as a result of private debt overhang. By contrast, the US economy seems to be holding up better to the impact of interest rate hikes.

Recent indicators reflect continued global sluggishness. The December purchasing managers' index (global PMI) sits slightly above the threshold of 50, consistent with slow growth in the world economy. In the case of the eurozone, the indicator remains in a contractionary phase (of the four major European countries, only Spain is above the 50 threshold).

The Panel's assessments remain pessimistic over the external environment (Table 4) with no clear change expected in the short-term, especially outside of the EU.

According to the consensus forecast, ECB rates will fall by 0.75 points by the end of the year

The slowdown in the economy, together with the gradual normalization of energy markets, is leading to a de-escalation of inflation. However, central banks consider that it is still too early to lower their guard in the fight against rising prices. Since the last Panel, the ECB has maintained its interest rates, and its senior officials do not expect any changes in the very short-term.

Analysts have incorporated the message, and expect rates to remain at elevated levels for longer than originally anticipated, though with some relaxation on the horizon. The consensus forecast is for the deposit facility to remain at its current level of 4% until the first quarter of 2024, before embarking on a slightly declining path (Table 2). The deposit facility is expected to be close to 3.25% by the end of the year, slightly above the previous consensus.

Market interest rates are expected to follow a similar trend, or even more pronounced in the case of government bonds. By the end of the year, Euribor is forecast at close to 3.25% (compared to 3.6% in the previous assessment) and the yield on Spanish government bonds with 10-year maturities is projected at close to 3% (half a point lower).

Relative stability of the euro against the dollar

One of the side effects of the worsening Israeli-Palestinian conflict has been the appreciation of the dollar against the euro, due to its safe-haven status. More recently, however, the euro has recovered, encouraged by better inflation data and the possibility of lower interest rates. According to the consensus, the euro is expected to be relatively stable over the projection period (Table 2).

Monetary policy remains restrictive and fiscal policy expansionary

Regarding macroeconomic policy, the consensus remains virtually unchanged. Almost all panelists continue to consider that fiscal policy is being

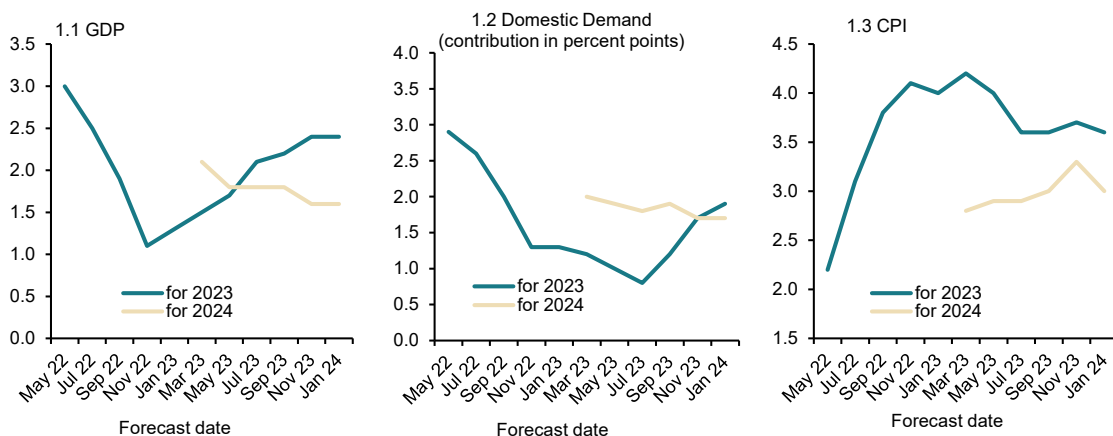
expansionary, while it should be neutral in relation to the economic cycle (Table 4). Panelists are unanimous on the restrictive stance of

monetary policy right now, with the majority of the opinion that the central bank is taking the 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.

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Table 1

Economic Forecasts for Spain – January 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	
	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	1.5	2.2	1.7	2.7	1.4	1.8	4.5	-0.2	5.0	3.0	3.5	1.9	2.1
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	2.2	1.9	2.6	1.5	1.7	2.8	-0.8	3.2	2.6	2.8	2.1	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	2.3	2.1	2.6	0.4	1.8	1.7	0.2	1.8	3.2	1.7	2.1	1.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.4	1.8	2.1	1.7	2.6	1.0	1.6	2.2	-0.3	2.1	2.9	1.6	1.8	1.5
Instituto de Estudios Económicos (IEE)	2.4	1.3	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	2.4	1.9	1.9	2.4	2.0	1.0	2.0	3.2	0.2	3.0	3.5	3.5	1.8	2.1
Mapfre Economics	2.5	1.3	1.6	1.5	2.2	0.9	1.6	1.2	--	--	--	--	1.4	1.0
Metysis	2.4	1.4	2.0	1.6	2.2	0.8	2.5	2.8	0.2	2.3	3.2	3.5	1.6	1.6
Oxford Economics	2.4	1.4	2.1	1.4	3.0	0.7	1.4	1.7	-2.0	1.5	2.2	-0.5	2.0	1.0
Repsol	2.4	1.2	2.5	1.7	3.5	1.8	1.5	1.7	-0.1	1.6	2.7	1.4	2.0	1.1
Santander	2.4	1.4	2.4	2.3	3.3	1.0	1.2	1.8	-0.4	2.6	2.2	1.0	2.0	2.0
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	2.0	1.8	2.6	1.3	1.7	2.4	-0.6	2.6	2.9	2.0	1.9	1.7
Maximum	2.5	2.1	2.5	2.4	3.5	2.5	3.1	5.2	1.1	5.4	4.0	4.5	2.3	2.6
Minimum	2.4	1.2	1.3	1.4	1.7	0.4	0.8	1.2	-2.0	0.6	2.2	-0.5	1.4	1.0
Change on 2 months earlier ¹	0.0	0.0	0.1	-0.1	0.2	0.0	-0.2	-0.3	-0.2	-0.4	-0.3	-0.1	0.2	0.0
- Rise ²	5	1	8	3	7	3	0	2	2	2	0	2	7	2
- Drop ²	0	5	0	4	0	2	8	6	5	5	7	6	0	3
Change on 6 months earlier ¹	0.3	-0.2	1.6	0.0	1.4	0.0	0.1	-0.8	-1.4	-1.0	0.5	-1.1	1.1	-0.1
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 (December 2023)	2.4	1.6	2.2	2.3	2.2	0.8	1.8	2.7	--	--	--	--	1.8	2.0
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 (October 2023)	2.5	1.7	2.0	1.4	3.0	1.3	2.4	3.8	--	--	--	--	2.0	1.7
OECD (November 2023)	2.4	1.4	2.2	1.9	--	--	1.7	1.4	--	--	--	--	--	--

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 – January 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)	
	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	3.5	3.1	6.0	2.7	4.6	3.7	2.7	1.2	12.0	11.8	2.4	0.7	-3.9	-3.0
BBVA Research	0.8	1.8	-0.3	3.3	3.5	3.5	6.0	3.4	4.7	3.8	3.1	1.9	12.2	11.8	2.8	2.9	-4.1	-3.7
CaixaBank Research	0.6	-1.6	-0.7	-0.7	3.5	3.6	6.0	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	3.5	2.7	6.0	3.3	--	--	2.2	1.0	12.4	12.4	0.9	0.5	-4.2	-3.7
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	11.2	10.4	1.2	1.0	-4.1	-3.4
Centro de Predicción Económica (CEPREDE-UAM)	0.5	3.0	-0.4	4.8	3.5	2.5	6.0	--	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	3.5	3.0	6.0	2.9	4.9	3.6	2.7	1.3	12.1	11.7	2.5	1.5	-4.2	-3.7
Equipo Económico (Ee)	1.0	1.0	-0.1	1.4	3.5	3.3	6.0	3.4	4.5	4.0	2.7	2.0	12.2	11.9	1.7	1.2	-4.0	-3.7
EthiFinance Ratings	3.0	2.0	1.0	3.0	3.5	3.3	6.0	3.3	--	--	--	--	12.6	12.1	1.3	1.0	-4.3	-3.8
Funcas	1.4	1.2	0.7	1.6	3.5	3.2	6.0	2.9	5.2	3.0	3.1	1.3	12.1	11.5	2.5	2.4	-4.0	-3.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.1	3.8	1.5	2.7	3.5	3.2	6.0	3.5	--	--	2.2	1.3	12.1	11.8	2.0	1.5	-4.1	-3.4
Instituto de Estudios Económicos (IEE)	1.0	1.7	-1.2	2.6	3.5	3.1	6.0	3.0	4.9	3.6	2.6	1.1	12.2	12.0	2.2	0.8	-4.3	-3.8
Intermoney	1.6	1.5	0.2	2.3	3.5	3.5	6.0	3.6	--	--	1.9	2.0	12.1	12.0	1.5	--	-4.0	-3.6
Mapfre Economics	4.0	2.2	1.5	1.9	3.5	2.5	6.0	2.5	--	--	--	--	11.5	11.6	3.0	2.7	-3.9	-3.8
Metysis	3.0	2.0	-0.1	1.5	3.5	3.2	6.0	3.6	4.0	3.3	2.0	1.3	12.1	11.8	2.6	2.2	-3.8	-3.4
Oxford Economics	1.2	2.3	-0.1	1.4	3.5	2.1	6.0	2.6	--	--	--	--	12.1	11.6	2.7	3.3	-4.2	-4.0
Repsol	1.0	2.4	-0.1	2.2	3.5	2.5	6.0	2.7	3.5	3.0	3.1	2.6	12.1	11.8	2.5	1.0	-4.4	-3.5
Santander	1.2	1.4	0.3	2.7	3.5	3.0	6.0	3.0	--	--	--	--	12.1	11.8	--	--	--	--
Universidad Loyola Andalucía	2.2	1.6	1.0	1.1	3.5	2.6	6.0	5.0	--	--	2.5	2.4	12.0	11.3	2.4	1.1	-3.9	-3.7
CONSENSUS (AVERAGE)	1.6	1.6	0.1	2.0	3.5	3.0	6.0	3.2	4.5	3.5	2.6	1.5	12.1	11.7	2.1	1.5	-4.1	-3.6
Maximum	4.0	3.8	1.5	4.8	3.8	3.6	6.7	5.0	5.2	4.0	3.1	2.6	12.6	12.4	3.0	3.3	-3.4	-3.0
Minimum	0.5	-2.1	-1.3	-0.7	3.4	2.1	4.2	2.5	3.5	3.0	1.9	1.0	11.2	10.4	0.9	0.5	-4.4	-4.0
Change on 2 months earlier ¹	-0.5	-0.2	-0.2	-0.2	-0.1	-0.3	0.1	-0.1	0.0	0.0	0.3	-0.1	-0.1	0.0	0.2	0.2	0.0	0.0
- Rise ²	4	1	3	1	0	0	2	5	3	2	7	4	2	2	10	7	2	3
- Drop ²	5	7	5	7	13	12	10	5	2	2	0	1	5	3	1	0	2	1
Change on 6 months earlier ¹	-4.5	-1.4	-2.6	-1.4	0.0	0.1	0.3	0.1	0.8	0.0	1.2	0.2	-0.5	-0.5	0.7	0.4	0.0	-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 (December 2023)	1.0	0.3	-0.4	1.3	3.4 ⁽⁶⁾	3.3 ⁽⁶⁾	4.1 ⁽⁷⁾	1.9 ⁽⁷⁾	--	--	1.9 ⁽⁸⁾	1.3 ⁽⁸⁾	12.1	11.7	--	--	-3.8	-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 (October 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 (November 2023)	1.4	1.4	0.0	2.0	3.5 ⁽⁶⁾	3.7 ⁽⁶⁾	4.3 ⁽⁷⁾	3.1 ⁽⁷⁾	--	--	3.2	2.2	12.0	12.0	2.5	1.4	-3.6	-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 – January 2024

	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	0.3	0.3	0.4	0.5	0.5
Euribor 1 yr ²	3.65	4.01	4.15	3.68	3.67	3.56	3.42	3.27
Government bond yield 10 yr ²	3.43	3.40	3.71	3.12	3.13	3.09	3.05	3.02
ECB main refinancing operations interest rate ³	3.50	4.00	4.50	4.50	4.48	4.27	4.04	3.65
ECB deposit rates ³	3.00	3.50	4.00	4.00	4.00	3.78	3.56	3.30
Dollar / Euro exchange rate ²	1.07	1.08	1.07	1.09	1.09	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 – January 2024

Year-on-year change (%)				
Dec-23	Jan-24	Feb-24	Mar-24	Dec-24
3.1	3.3	3.0	3.0	2.7

Table 4

Opinions – January 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	3	16	5	12	2
International context: Non-EU	0	3	16	3	10	6
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	1	18	3	16	0
Monetary policy assessment ¹	19	0	0	11	8	0

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