

# Spanish economic forecasts panel: July 2021\*

Funcas Economic Trends and Statistics Department

## **Consensus forecast for GDP raised to 6.1%...**

Spain's GDP contracted by 0.4% in 1Q21, which is 0.1pp less than suggested by the preliminary national quarterly accounts. Domestic demand detracted 0.4pp from growth, while foreign trade had a neutral impact.

The consensus forecast for GDP growth in 2021 has been raised by 0.3pp since our last survey, to 6.1%, due to the smaller than initially anticipated 1Q21 GDP contraction and estimate fine-tuning by the analysts. The various indicators point to a significant recovery in 2Q21, with GDP growth currently expected to average 2.1%. The strong pace of vaccination and turnaround in the tourism indicators since May point to a summer of recovery, albeit clouded by the expansion of the Delta variant, which could end up curtailing current momentum. The consensus forecast is for GDP growth of 3.2% in 3Q21. And in the fourth quarter, growth is estimated at 2% (Table 2).

As for the breakdown of that growth, there have been a few changes since the last survey: an increase in the forecast for investment in machinery and equipment and a slight decrease in forecast investment in construction. Meanwhile, the forecast growth in private spending has been revised upwards while the public spending forecast has been trimmed. The forecast for export growth has been revised upwards and that for import growth, downwards. As a result, domestic demand is now expected to contribute 5.8pp to growth and the foreign sector, 0.3pp, which is up 0.2pp and 0.1pp from the last survey, respectively.

## **... and for 2022 to 6.1% as well, up 0.4pp**

The consensus forecast for GDP growth in 2022 has been revised upwards by 0.4pp to 6.1%. The analysts are looking for quarterly growth of between 0.8 and 1% in the first three quarters, easing slightly in the last quarter of the year (Table 2).

By comparison with 2021, domestic demand is expected to lose a little steam, shaped by lower growth in both public and private consumption, offset by a higher contribution from international trade (Table 1).

## **CPI higher than predicted in the previous Panel**

Energy prices have been fuelling inflation since the start of the year. Headline inflation reached 2.7% in May and June, and is forecast to remain above 2% in the months to come (Table 3). Core inflation, however, is expected to remain subdued.

The consensus forecast is for average inflation of 1.9% in 2021, up 0.3pp from the last set of forecasts. For 2022, that forecast stands at 1.4%, up 0.1pp. The forecast for core inflation this year is unchanged, at 0.7%, and has been revised upwards by 0.1pp, to 1.1%, in 2022.

The year-on-year rates forecast for December 2021 and December 2022 are 2.3% and 1.3%, respectively.

## **Unemployment to rise to 15.7% in 2021**

According to the Social Security contributor readings, following the end of the state of alarm, the growth in effective employment in May and June has been record-breaking: over 600,000 jobs, in seasonally adjusted terms, underpinned by people brought out of furlough as well as significant growth in new contributor numbers.

The consensus forecast for employment, in terms of full-time equivalents, is for an increase of 4.7% in 2021– up 0.8pp from the last survey –and of 3.4% in 2022. The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULC). Productivity is expected to gain 1.4% this year, down 0.5pp from the last survey, and 2.7% in 2022, up 0.4pp. ULCs, meanwhile, are forecast to contract by 0.8% in 2021 and by 1.2% in 2022, having risen sharply in 2020; however, the trend in these variables should be interpreted

with caution due to the distortion created by the furlough scheme.

The average annual rate of unemployment is expected to increase to 15.7% in 2021 (down 0.4pp from the last set of forecasts) and to fall back to 14.9% in 2022.

### **Lag in the recovery in the pre-crisis current account surplus**

To April, Spain presented a current account deficit of 1.66 billion euros, in line with the deficit of 1.65 billion euros in the same period of 2020, with the deterioration in the trade surplus offset by a narrower income deficit.

The balance of payments deficit presented in the first few months of the year is highly seasonal. In fact, the analysts are forecasting a surplus for the year as a whole, equivalent to 0.9% of GDP, down 0.1pp from the last set of forecasts. The forecast for 2022 has also been cut by 0.1pp to 1.2%.

### **Better public deficit forecasts**

The fiscal deficit, excluding local authorities, amounted to 21.91 billion euros in the first four months of 2021, compared to 28.59 billion euros in the same period of 2020. The improvement was driven by growth in revenue of 9.2 billion euros, which outpace the growth in expenditure of 2.7 billion euros.

The analysts expect the overall deficit to come down this year and next and are currently forecasting 0.3pp smaller deficits in both years than in May. Specifically, they are forecasting a deficit of 8.2% of GDP in 2021 and of 5.7% in 2022, which would imply delivery of the government's target for this year but a miss by 0.7pp in 2022.

### **Significant improvement in the European economic climate**

The recovery has gained traction in the EU and the prospects remain positive despite the spread of the Delta variant and the accompanying health recommendations. Confidence indicators are at record levels (the eurozone PMI has climbed to 60, its highest level in 15 years). New orders are accelerating. Bottlenecks persist, exerting pressure on production costs and weighing on the rebound. Oil prices have rallied considerably, from around

\$65 per barrel in May until nearly \$75 per barrel at the time of writing. Nevertheless, the recovery is proving vigorous. The European Commission is forecasting regional growth of 4.8% in 2021, which is 0.5pp more than predicted in the spring. Outside the EU, the trends are positive on the whole, particularly in the US, in part thanks to Biden's fiscal stimulus package. The Chinese economy continues to grow but is showing significant signs of deceleration, as the recovery runs out of steam and investment weakens.

The analysts' forecasts reflect these trends: they are growing more optimistic regarding the outlook for the European economy. Seven of them now think the EU context is favourable, whereas none did in May. Moreover, the number of positive opinions outweighs the negative ones for the first time since the onset of the pandemic. The outlook for the non-EU environment is trending in a similar, yet less pronounced, direction. With very few exceptions, the analysts agree that the international environment, both within and beyond the EU, will improve in the coming months, an outlook that began to be palpable in our last survey.

### **Central banks' reassurance about transitory nature of inflation is alleviating pressure on rates**

Having reacted to inflationary pressures by bidding the yields required to invest in sovereign debt higher, rate expectations have eased. The fact that the Federal Reserve and, later, the ECB, have made their inflation targets more flexible, coupled with statements insisting that the prevailing bout of inflation will prove transient, appears to have calmed the markets.

The yield on 10Y Spanish bonds has followed that pendulum, rising from the early part of the year until May, and falling back since then to barely over 0.2%, in tandem with the central banks' reactions. The spread over the German bond has oscillated with no clear pattern, suggesting that perceived country risk has not changed. 12-month EURIBOR has barely budged, evidencing the stability in ECB benchmark rates, particularly the rate on the deposit facility, anchored at -0.5%.

As a result, the analysts continue to expect interest rates to trend higher during the projection horizon, albeit remaining low by historical standards (Table 2).

### Slight euro appreciation

The euro has appreciated slightly against the dollar since our last report, in tandem with the improvement in the European economic climate. The analysts believe the euro exchange rate will remain close to current levels over the coming months.

them believe the macroeconomic policy should remain so for the coming months (Table 4). No significant changes are expected in ECB benchmark rates over the projection horizon.

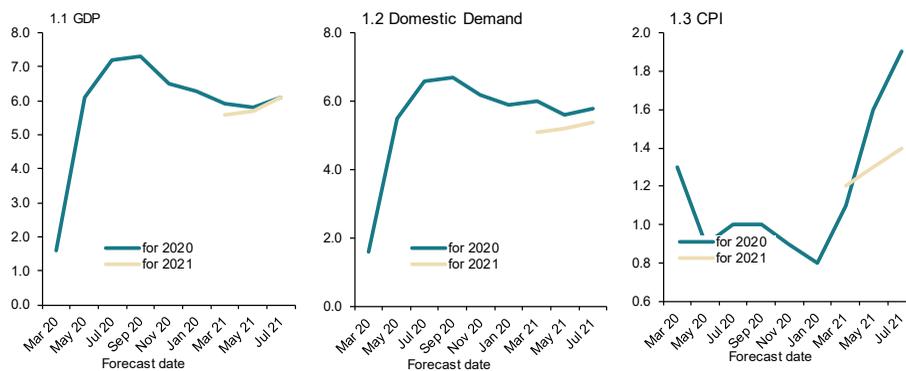
### Macroeconomic policy should remain expansionary

Analysts unanimously consider that monetary and fiscal policy are expansionary and virtually all of

## 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 20 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly 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 20 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

# Spanish economic forecasts panel: July 2021\*

Funcas Economic Trends and Statistics Department

Table 1

## Economic Forecasts for Spain – July 2021

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 <sup>3</sup>	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	6.4	5.8	7.7	4.9	2.5	4.9	9.9	5.2	10.5	5.6	7.4	5.4	6.5	4.9
Axesor Rating	6.0	5.7	6.8	5.1	2.3	0.2	4.2	7.8	8.3	6.8	4.8	8.9	--	--
BBVA Research	6.5	7.0	7.4	6.7	2.8	2.5	9.7	16.4	16.5	12.4	5.0	18.8	6.6	7.6
CaixaBank Research	6.0	4.8	6.6	5.0	3.0	0.6	6.6	5.3	15.9	5.5	-0.1	5.1	6.4	4.2
Cámara de Comercio de España	5.9	6.2	5.9	4.9	4.8	3.3	7.1	11.1	14.0	12.6	4.0	8.4	5.6	6.0
Cemex	6.0	6.3	6.9	6.0	2.4	2.5	7.8	8.5	13.5	6.5	5.5	10.6	5.8	5.6
Centro de Estudios Economía de Madrid (CEEM-URJC)	6.0	5.5	6.8	5.6	2.2	1.5	7.9	6.3	12.5	5.6	6.8	8.3	5.8	4.7
Centro de Predicción Económica (CEPREDE-UAM)	6.4	4.8	6.1	5.7	3.0	1.2	8.4	4.1	15.1	-3.2	4.5	10.3	5.7	4.6
CEOE	5.7	6.0	5.4	5.9	2.4	1.7	5.8	7.6	12.5	8.1	2.4	8.4	4.8	4.1
Equipo Económico (Ee)	6.3	4.9	5.3	4.9	2.6	3.0	5.9	5.8	4.5	5.8	6.9	7.0	5.0	4.6
Funcas	6.3	5.8	7.6	4.3	2.5	3.1	6.3	10.5	8.3	10.2	3.6	12.4	6.0	5.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	6.2	8.8	6.4	9.3	3.8	3.3	6.9	9.1	11.2	13.0	3.0	7.2	6.1	8.0
Instituto de Estudios Económicos (IEE)	5.4	5.7	5.3	5.5	2.4	1.6	5.4	7.4	11.6	8.0	2.3	8.2	4.7	3.9
Intermoney	6.8	6.7	7.7	6.0	3.1	2.3	8.3	8.4	15.6	7.5	4.7	11.0	6.5	5.4
Mapfre Economics	6.0	6.0	6.0	6.6	3.5	1.7	7.3	8.5	--	--	--	--	5.5	5.4
Oxford Economics	6.6	6.1	7.1	6.4	3.2	2.0	8.6	8.5	8.4	5.5	4.5	7.7	6.4	5.5
Repsol	6.1	5.8	6.8	4.3	3.6	3.6	8.6	9.0	17.6	9.0	4.3	10.4	6.1	4.2
Santander	6.0	7.0	6.6	5.3	1.9	0.4	8.8	13.7	16.5	17.7	3.9	9.9	5.9	5.9
Metysis	5.7	5.6	6.7	5.8	2.8	2.0	5.9	7.5	10.0	8.6	5.0	8.2	5.6	5.3
Universidad Loyola Andalucía	6.1	6.6	6.4	6.2	2.8	3.1	7.6	10.8	10.2	11.4	7.9	7.5	5.8	6.4
<b>CONSENSUS (AVERAGE)</b>	<b>6.1</b>	<b>6.1</b>	<b>6.6</b>	<b>5.7</b>	<b>2.9</b>	<b>2.2</b>	<b>7.4</b>	<b>8.6</b>	<b>12.2</b>	<b>8.2</b>	<b>4.6</b>	<b>9.1</b>	<b>5.8</b>	<b>5.3</b>
Maximum	6.8	8.8	7.7	9.3	4.8	4.9	9.9	16.4	17.6	17.7	7.9	18.8	6.6	8.0
Minimum	5.4	4.8	5.3	4.3	1.9	0.2	4.2	4.1	4.5	-3.2	-0.1	5.1	4.7	3.9
Change on 2 months earlier <sup>1</sup>	0.3	0.4	0.3	0.0	-0.5	0.1	0.2	0.6	0.5	0.7	-0.2	0.3	0.2	0.2
- Rise <sup>2</sup>	12	8	11	7	1	7	8	9	12	9	5	8	10	8
- Drop <sup>2</sup>	0	5	4	9	13	3	6	7	3	5	7	5	4	7
Change on 6 months earlier <sup>1</sup>	-0.2	--	-0.3	--	0.7	--	-0.8	--	0.3	--	-2.9	--	-0.1	--
Memorandum items:														
Government (April 2021)	6.5	7.0	7.3	6.9	2.5	1.5	10.3	12.3	--	--	--	--	6.7	6.7
Bank of Spain (June 2021) <sup>4</sup>	6.2	5.8	7.1	5.7	1.9	0.3	8.1	9.3	--	--	--	--	5.9	5.3
EC (July 2021)	6.2	6.3	--	--	--	--	--	--	--	--	--	--	--	--
IMF (April 2021)	6.4	4.7	6.0	3.3	3.9	0.4	8.9	7.5	--	--	--	--	--	--
OECD (May 2021)	5.9	6.3	--	--	--	--	--	--	--	--	--	--	--	--

<sup>1</sup> Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).

<sup>2</sup> Number of panellists revising their forecast upwards (or downwards) since two months earlier.

<sup>3</sup> Contribution to GDP growth, in percentage points.

<sup>4</sup> Baseline scenario.

Table 1 (Continued)

**Economic Forecasts for Spain – July 2021**

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 <sup>3</sup>		Jobs <sup>4</sup>		Unempl. (% labour force)		C/A bal. of payments (% of GDP) <sup>5</sup>		Gen. gov. bal. (% of GDP) <sup>6</sup>	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	12.2	10.9	13.2	7.8	1.6	1.3	0.4	1.1	-	-	5.1	2.5	16.1	15.0	0.8	1.1	-7.8	-5.3
Axesor Rating	13.9	9.1	12.9	5.8	1.7	1.4	0.7	0.5	--	--	--	--	15.7	15.6	0.9	1.5	-8.5	-6.0
BBVA Research	12.2	17.2	13.6	20.0	2.0	1.2	0.6	1.2	0.4	2.9	5.6	3.3	15.7	14.2	0.3	-0.3	-7.7	-5.5
CaixaBank Research	11.4	7.7	10.1	5.9	1.7	1.3	0.6	1.3	-0.4	2.1	5.5	3.0	15.7	14.6	1.5	1.6	-8.6	-6.0
Cámara de Comercio de España	14.6	13.7	13.9	12.8	1.8	1.4	0.7	1.0	--	--	3.5	4.6	16.6	15.4	0.9	1.0	-8.0	-6.3
Cemex	10.5	12.4	10.3	10.7	1.8	1.4	0.7	1.0	--	--	4.2	3.0	--	--	1.0	1.5	-8.5	-5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	9.9	12.1	9.8	10.2	2.0	1.8	0.7	1.7	--	--	3.9	3.0	15.7	14.8	1.1	1.3	-8.7	-5.8
Centro de Predicción Económica (CEPREDE-UAM)	12.5	11.9	10.9	11.8	1.9	1.2	--	--	0.6	1.2	5.9	2.1	15.0	14.0	1.2	1.8	-7.1	-3.4
CEOE	9.0	11.1	6.0	5.1	1.9	0.9	0.5	0.8	0.5	1.1	4.4	4.6	15.4	14.6	1.2	1.5	-8.3	-6.0
Equipo Económico (Ee)	13.9	7.1	11.1	7.0	2.1	1.2	0.9	0.9	0.7	1.2	4.4	3.1	16.6	16.0	1.0	1.2	-8.9	-7.7
Funcas	11.4	11.9	11.1	10.5	2.2	1.4	0.7	1.3	-0.2	0.3	5.9	2.1	15.8	14.7	0.2	1.4	-7.9	-6.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	13.7	18.3	12.5	16.4	1.8	2.1	0.7	1.3	--	--	5.1	5.2	15.5	14.5	0.8	0.2	-7.5	-4.5
Instituto de Estudios Económicos (IEE)	8.3	10.9	6.0	5.0	1.7	0.8	0.4	0.7	0.4	1.0	4.3	4.5	15.5	14.8	1.0	1.2	-8.6	-6.2
Intermoney	12.8	14.8	12.5	11.2	2.1	1.4	0.8	1.4	--	--	5.3	3.4	15.0	14.5	1.1	1.2	-7.7	-5.5
Mapfre Economics	11.0	10.1	9.9	8.7	2.2	1.6	1.0	1.5	--	--	2.5	1.5	15.4	15.0	0.8	1.5	-8.3	-5.8
Oxford Economics	10.1	10.3	10.0	9.1	2.1	1.4	1.0	1.3	--	--	--	--	15.5	15.1	0.9	1.5	-8.1	-5.8
Repsol	18.3	13.0	17.9	11.1	2.1	1.3	0.8	1.1	1.0	1.3	4.0	3.5	16.5	15.7	1.2	1.5	-8.5	-6.0
Santander	10.3	12.2	10.4	9.4	1.9	1.3	0.5	1.1	2.0	2.0	--	--	16.3	15.9	1.0	1.4	--	--
Metysis	10.5	9.9	9.7	8.6	2.0	1.3	0.5	1.1	--	--	5.0	5.5	15.5	14.8	0.9	1.2	-8.8	-6.0
Universidad Loyola Andalucía	11.8	10.8	10.8	10.3	2.1	1.5	0.4	0.6	--	--	5.2	3.5	15.5	14.5	0.9	1.1	-7.5	-5.7
<b>CONSENSUS (AVERAGE)</b>	<b>11.9</b>	<b>11.8</b>	<b>11.1</b>	<b>9.9</b>	<b>1.9</b>	<b>1.4</b>	<b>0.7</b>	<b>1.1</b>	<b>0.6</b>	<b>1.5</b>	<b>4.7</b>	<b>3.4</b>	<b>15.7</b>	<b>14.9</b>	<b>0.9</b>	<b>1.2</b>	<b>-8.2</b>	<b>-5.7</b>
Maximum	18.3	18.3	17.9	20.0	2.2	2.1	1.0	1.7	2.0	2.9	5.9	5.5	16.6	16.0	1.5	1.8	-7.1	-3.4
Minimum	8.3	7.1	6.0	5.0	1.6	0.8	0.4	0.5	-0.4	0.3	2.5	1.5	15.0	14.0	0.2	-0.3	-8.9	-7.7
Change on 2 months earlier <sup>1</sup>	0.2	0.8	-0.1	0.5	0.3	0.1	0.0	0.1	-0.1	0.1	0.8	0.0	-0.4	-0.3	-0.1	-0.1	0.3	0.3
- Rise <sup>2</sup>	7	9	9	11	17	10	5	8	1	3	10	7	1	1	4	5	9	8
- Drop <sup>2</sup>	6	5	6	5	0	4	6	5	3	1	1	6	11	14	7	7	0	2
Change on 6 months earlier <sup>3</sup>	-0.2	--	-0.1	--	1.1	--	0.0	--	-0.4	--	1.5	--	-1.4	--	-0.3	--	0.2	--
Memorandum items:																		
Government (April 2021)	9.2	10.3	10.3	10.0	--	--	--	--	--	--	4.0	2.7	15.2	14.1	--	--	-8.4	-5.0
Bank of Spain (June 2021)	11.9	9.5	11.6	8.4	1.9 <sup>(7)</sup>	1.2 <sup>(7)</sup>	0.3 <sup>(8)</sup>	1.0 <sup>(8)</sup>	--	--	--	--	15.6	14.7	--	--	-8.2	-4.9
EC (July 2021)	--	--	--	--	2.1 <sup>(7)</sup>	1.4 <sup>(7)</sup>	--	--	--	--	--	--	--	--	--	--	--	--
IMF (April 2021)	11.2	11.4	9.0	9.2	1.0	1.3	--	--	--	--	--	--	16.8	15.8	0.9	1.9	-9.0	-5.8
OECD (May 2021)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

<sup>1</sup> Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).<sup>2</sup> Number of panellists revising their forecast upwards (or downwards) since two months earlier.<sup>3</sup> Average earnings per full-time equivalent job.<sup>4</sup> In National Accounts terms: Full-time equivalent jobs.<sup>5</sup> Current account balance, according to Bank of Spain estimates.<sup>6</sup> Excluding financial entities bail-out expenditures.<sup>7</sup> Harmonized Index of Consumer Prices (HICP).<sup>8</sup> Harmonized Index excluding energy and food.

Table 2

### Quarterly Forecasts – July 2021

	21-I Q	21-II Q	21-III Q	21-IV Q	22-I Q	22-II Q	22-III Q	22-IV Q
GDP <sup>1</sup>	-0.4	2.1	3.2	2.0	1.0	0.8	1.0	0.7
Euribor 1 yr <sup>2</sup>	-0.49	-0.48	-0.47	-0.42	-0.40	-0.37	-0.34	-0.31
Government bond yield 10 yr <sup>2</sup>	0.31	0.43	0.42	0.53	0.59	0.64	0.69	0.74
ECB main refinancing operations interest rate <sup>2</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
ECB deposit rates <sup>2</sup>	-0.50	-0.50	-0.50	-0.50	-0.49	-0.49	-0.49	-0.49
Dollar / Euro exchange rate <sup>2</sup>	1.19	1.21	1.20	1.20	1.20	1.21	1.21	1.21

Forecasts in yellow.

<sup>1</sup> Qr-on-qr growth rates.

<sup>2</sup> End of period.

Table 3

### CPI Forecasts – July 2021

Year-on-year change (%)					
Jun-21	July-21	Aug-21	Sep-21	Dec-21	Dec-22
2.7	2.4	2.4	2.3	2.3	1.3

Table 4

### Opinions – July 2021

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	7	7	6	19	1	0
International context: Non-EU	8	3	9	17	3	0
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment <sup>1</sup>	0	0	20	1	1	18
Monetary policy assessment <sup>1</sup>	0	0	20	0	1	19

<sup>1</sup> In relation to the current state of the Spanish economy.