

Spanish economic forecasts panel: May 2013¹

Funcas Economic Trends and Statistics Department

The forecast for 2013 remains unchanged at -1.5%

According to the preliminary data published by the INE, GDP shrank by 0.5% in the first quarter, in line with the previous Forecasts Panel consensus forecast, compared with -0.8% in the last quarter of 2012. The indicators suggest that the fall in domestic demand moderated in the last few months of the year, while exports bounced back from the drop suffered in the preceding quarter.

The growth forecast for 2013 is unchanged at -1.5%. Domestic demand and the external sector are expected to contribute -4 percentage points (pp) and 2.5 pp, respectively.

The forecast for 2014 has been cut to 0.6%

The consensus forecast for 2014 has dropped by one percentage point to 0.6%, owing to the external sector's making a smaller contribution to growth than expected. There have been no substantial changes in the forecasts for the main demand components: zero growth is expected in private consumption (after a drop of 2.8% in 2013), the decline in construction investment is expected to slow slightly, and a moderate recovery in investments in capital goods and equipment is foreseen.

The quarterly profile that emerges from the consensus figures (Table 2) is similar to that of the previous Panel Forecast. GDP is still expected to fall in the middle quarters of 2013, followed by moderately positive and gradually ascending growth rates.

Industrial activity remains on a downward path

The decline in industrial activity, measured using the industrial production index, slowed considerably in the first quarter of 2013, probably thanks to the improvement in export activity. Nevertheless, the consensus forecast for this indicator has worsened to -3.7% in 2013 and 0% in 2014 (one and two tenths of a percent less than in the previous Panel Forecast, respectively).

Falling inflation

The inflation rate fell sharply in April, dropping to 1.4% (one percentage point less than in March), largely as a result of lower prices for energy-generating products. This result was somewhat better than the previous Panel Forecast had expected. Unless there are any regulatory or tax changes in 2013 that affect final consumer prices, the downward trend is expected to continue due to the step effects produced by the various regulatory measures adopted in 2012, which had an impact on consumer prices.

¹ The Spanish Economic Forecasts Panel is a survey run by FUNCAS which consults the 19 analysis departments listed in Table 1. The survey, which has been produced since 1999, is published bi-monthly in the first half of January, March, May, July, September and November. The survey responses are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 19 individual survey responses. The forecasts of the Spanish Government, Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

The average rate expected for the year as a whole has been revised downwards to 1.7%, and that for 2014 to 1.4%. The forecasts for the year-on-year rate to December of this year and next have been cut to 1.2% and 1.5%, respectively (Table 3).

The outlook for employment is negative

According to the Labour Force Survey and social security membership figures, job losses slowed in the first quarter of 2013, but remained high. A significant feature of the labour market in recent months has been the notable deceleration in the rate at which unemployment has risen. This is explained by the shrinking of the working population, partly due to the lower labour-force participation, but also because of the reduction in the working age population, mainly as a consequence of the number of immigrant workers returning to their countries of origin.

The forecast for employment this year has worsened by two tenths of a percentage point to -3.4%. The forecast for 2014 stands at -0.3%, one percentage point less than in the previous Panel. The annual average unemployment rate is forecast at 26.9% in 2013 and 26.7% in 2014. These figures are one and two tenths of a percentage point, respectively, higher than previously.

The consensus estimates for GDP, employment and salary growth can be used to deduce the implicit productivity and unit labour cost growth estimates. Thus, productivity is expected to grow by 1.9% in 2013 and 0.9% in 2014, while ULCs, which fell by 3.4% last year, are predicted to drop by -1.8% and -0.7% this year and next, respectively.

The current account balance will be positive in 2013 and 2014

The current account balance, which moved into surplus in the second half of 2012, returned to negative figures in January and February this

year, although this was due to seasonal factors. In fact, the deficit was a third of that recorded in the same months of the preceding year. The trend is therefore still towards a correction. The consensus forecast for this variable has improved to 0.7% and 1.5% of GDP in 2013 and 2014, respectively.

The government deficit targets will be met

The government deficit between January and March was 1.6% of GDP, while the Autonomous Regions registered a negative balance between January and February of 0.1% of GDP. Total tax revenues in cash terms (including the share represented by territorial administrations) in the first three months of the year fell by 8.3% in budgetary terms, compared with an increase of 3.8% envisaged in the State Budget. However, the first few months of the year are not very representative as they were distorted by the way tax refunds due in late 2012 were carried over into early 2013.

Moreover, the government deficit targets for this year and the next have been revised to 6.3% and 5.5% of GDP, respectively –from 4.5% and 2.8%– figures which, according to this month's consensus, will be met, as the expected results are 6.2% and 5.3%.

The external context is expected to improve

Economic conditions in the EU remained unfavourable in the first quarter of the year as a result of restrictive fiscal policies, the acute crisis in the peripheral economies, and the ongoing clean-up of the European financial system. The forecasts by the European Commission and the International Monetary Fund for the year as a whole continue to suggest growth will be negative.

Outside the EU, growth in the US economy remains sluggish, but is sufficient to bring down unemployment rates. The emerging economies are also reporting growth rates that are weaker than those before the crisis in 2008.

Panellists' opinion of the current situation in the EU remains largely negative, while the opinion on the situation outside the EU remains neutral. In both cases the trend is expected to improve over the coming months.

Interest rates on government debt are not expected to rise further

Short-term interest rates have remained on a downward trend in recent weeks, as a result of excess liquidity in the euro area, and the European Central Bank's expected cut in the monetary-policy interest rate. Long-term interest rates have accentuated their downward path, possibly as a result of the abundance of liquidity deriving from the Bank of Japan's implementing more aggressive monetary policy in an effort to end the deflation the economy has been suffering. It may also have been influenced by the European Central Bank's adopting non-conventional measures, after the realisation that monetary policy transmission mechanisms are not working, particularly in the peripheral countries.

Short-term interest rates are still viewed as appropriate to the Spanish economy's situation, and the majority of panellists continue to expect

them to remain stable over the coming months. In the case of long-term rates, there has been almost no change in the opinion that the current level is too high to enable the economy to recover, but most panellists expect them to remain stable over the next few months.

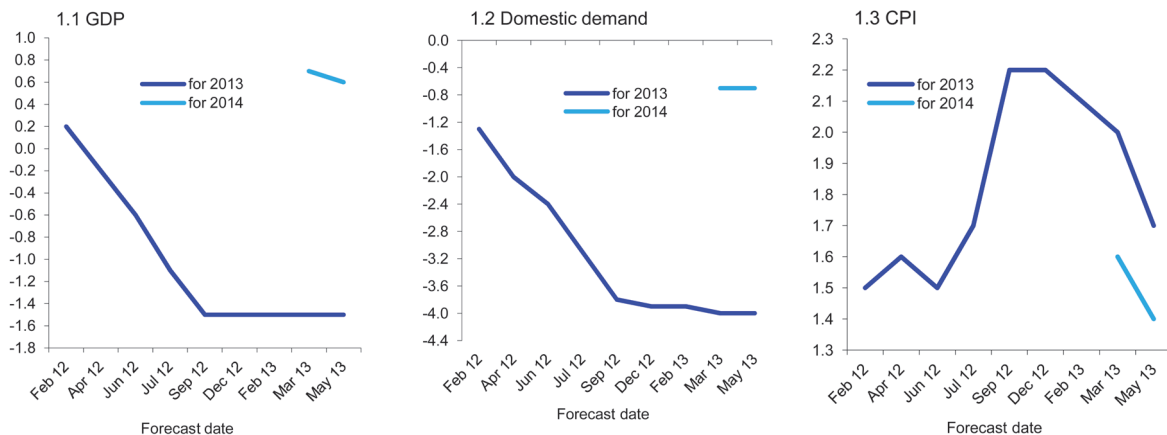
The euro is overvalued

The euro has risen, particularly against the yen since the Bank of Japan announced its new monetary policy. There have been no changes in the valuation of the European currency. The large majority of panellists consider that it is overvalued and expect it to lose value over the coming months.

Expansionary monetary policy is warranted

There has been no change in opinions on fiscal policy either, which continues to be unanimously viewed as restrictive, an orientation the majority considers necessary. The overwhelming majority of panellists also consider current monetary policy to be expansionary, and unanimously agree that this orientation should be maintained.

Exhibit 1
Change in forecasts (Consensus values)
 Percentage annual change



Source: FUNCAS Forecasts panel.

Table 1

Economic Forecasts for Spain – March 2013

Average year-on-year change, as a percentage, unless otherwise stated

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery		GFCF Construction		Domestic demand	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	-1.8	0.5	-3.0	-0.1	-6.3	-4.0	-6.4	0.9	-4.4	3.3	-7.7	-0.4	-4.3	-0.7
Banco Bilbao Vizcaya Argentaria (BBVA)	-1.4	0.9	-3.0	-0.5	-5.1	-1.8	-8.5	1.3	-4.7	4.9	-10.9	-1.0	-4.5	-0.4
Bankia	-1.5	0.7	-3.1	-0.1	-5.0	-3.1	-7.5	-0.8	-7.4	0.5	-8.4	-1.8	-4.4	-0.9
CatalunyaCaixa	-1.7	0.7	-3.0	-0.2	-5.6	-2.1	-8.3	-3.8	-7.8	-3.4	-8.7	-4.1	-4.6	-1.3
Cemex	-1.6	0.4	-3.1	0.1	-3.6	-1.7	-7.9	-0.3	-6.0	1.7	-10.0	-2.6	-4.1	-0.3
Centro de Estudios Economía de Madrid (CEEM-URJC)	-1.4	1.0	-2.7	0.1	-4.5	-2.9	-5.5	-0.4	-3.6	0.9	-7.2	-1.4	-3.5	-0.6
Centro de Predicción Económica (CEPREDE-UAM)	-1.5	0.9	-2.5	0.1	-3.8	0.6	-7.9	-1.3	-6.7	-1.0	-9.5	-2.0	-4.3	-0.6
CEOE	-1.5	0.8	-3.1	-0.2	-4.0	-2.4	-7.3	-2.2	-2.8	3.3	-10.5	-5.5	-4.2	-0.9
ESADE	-1.0	--	-1.0	--	-4.5	--	-0.9	--	--	--	--	--	-1.7	--
Fundación Cajas de Ahorros (FUNCAS)	-1.6	0.5	-3.2	-0.3	-3.1	-2.4	-7.7	-2.7	-6.5	0.3	-9.1	-5.1	-4.0	-1.1
Instituto Complutense de Análisis Económico (ICAE-UCM)	-1.5	0.8	-2.6	0.2	-6.0	-3.0	-7.7	-1.3	-6.8	1.3	-10.0	-2.8	-4.3	-0.8
Instituto de Estudios Económicos (IEE)	-1.5	0.5	-2.5	-0.2	-6.5	-2.0	-6.5	-2.4	-3.0	2.5	-8.5	-5.3	-3.9	-1.0
Instituto de Macroeconomía y Finanzas (Universidad CJC)	-1.6	0.5	-2.4	0.1	-3.6	-2.5	-5.5	1.4	-2.2	6.0	-7.7	-0.5	-3.3	-0.2
Instituto Flores de Lemus (IFL-UC3M)	-1.6	0.0	-2.6	0.2	-6.3	-3.7	-7.5	-3.4	-6.9	-2.5	-9.4	-5.0	-4.2	-1.3
Intermoney	-2.0	--	-3.8	--	-5.2	--	-11.4	--	-13.5	--	-11.1	--	-5.4	--
La Caixa	-1.4	0.8	-2.7	0.1	-5.1	-2.2	-6.9	-1.0	-4.6	1.8	-8.1	-2.4	-3.9	-0.6
Repsol	-1.5	0.6	-2.7	0.1	-4.1	-2.5	-7.2	-0.1	-6.5	2.4	-8.5	-2.2	-3.9	-0.5
Santander	-1.4	0.9	-2.9	0.5	-5.0	-3.0	-6.8	-0.9	-4.2	2.5	-7.9	-2.9	-4.0	-0.5
Solchaga Recio & asociados	-1.7	0.4	-3.1	-0.5	-4.2	-1.7	-8.1	-1.9	-5.1	1.4	-11.0	-3.5	-4.3	-1.0
CONSENSUS (AVERAGE)	-1.5	0.6	-2.8	0.0	-4.8	-2.4	-7.1	-1.1	-5.7	1.5	-9.1	-2.9	-4.0	-0.7
Maximum	-1.0	1.0	-1.0	0.5	-3.1	0.6	-0.9	1.4	-2.2	6.0	-7.2	-0.4	-1.7	-0.2
Minimum	-2.0	0.0	-3.8	-0.5	-6.5	-4.0	-11.4	-3.8	-13.5	-3.4	-11.1	-5.5	-5.4	-1.3
Change on 2 months earlier ¹	0.0	-0.1	0.0	0.0	0.3	0.0	0.1	-0.1	-0.4	-0.3	0.2	-0.2	0.0	0.0
- Rise ²	1	1	2	1	5	2	2	3	0	2	2	3	5	3
- Drop ²	6	5	4	3	2	3	3	3	4	3	3	2	3	4
Change on 6 months earlier ¹	0.0	--	-0.5	--	1.6	--	-1.0	--	-2.7	--	-0.7	--	-0.1	--
Memorandum items:														
Government (April 2013)	-1.3	0.5	-2.5	0.0	-4.4	-3.1	-7.1	-0.9	--	--	--	--	--	--
Bank of Spain (March 2013)	-1.5	0.6	-3.0	-0.3	-4.4	-1.5	-8.1	-0.9	-5.6 ³	1.4 ³	-10.1	-2.5	-4.2	-0.6
EC (April 2013)	-1.5	0.9	-3.1	-0.1	-3.7	-0.4	-7.6	-1.1	-5.8	0.1	--	--	-4.1	-0.4
IMF (January 2013)	-1.6	0.7	-3.4	0.5	-3.2	-1.2	-7.5	-1.7	--	--	--	--	-4.1	-0.2
OECD (November 2012)	-1.4	0.5	-2.3	-0.5	-4.0	-0.8	-9.0	-2.7	--	--	--	--	-4.0	-0.9

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

² Number of panelists revising their forecast upwards (or downwards) since two months earlier.

³ Investment in capital goods.

Table 1 (Continued)

Economic Forecasts for Spain – March 2013

Average year-on-year change, as a percentage, unless otherwise stated

	Exports goods & services		Imports goods & services		Industrial output (IPI)		CPI (annual average)		Labour costs ³		Jobs ⁴		Unemp. (LFS) (% labour force)		C/A bal. payments (% of GDP) ⁵		Gen. gov. bal. (% of GDP)	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	3.2	6.2	-4.8	3.0	--	--	2.2	1.7	--	--	-3.9	0.4	27.3	26.6	0.8	1.4	-5.8	-4.5
Banco Bilbao Vizcaya Argentaria (BBVA)	4.7	6.4	-4.9	2.8	--	--	1.7	1.2	0.3	-0.2	-3.9	-0.5	27.1	26.4	0.5	1.0	-6.5	-5.7
Bankia	3.6	4.4	-5.7	-0.5	-2.8	--	1.6	1.7	-0.3	0.3	-3.4	-0.4	26.8	26.6	1.3	2.5	--	--
CatalunyaCaixa	3.8	5.3	-4.2	2.0	--	--	1.5	1.8	--	--	-3.8	-0.6	27.1	26.7	--	--	--	--
Cemex	4.1	5.0	-3.1	3.2	--	--	1.5	1.2	--	--	-3.0	0.1	26.8	26.3	0.6	1.0	-6.5	-5.5
Centro de Estudios Económica de Madrid (CEEM-URJC)	4.3	5.9	-2.4	1.5	--	--	1.5	1.0	--	--	-2.8	0.2	26.8	26.2	1.8	2.6	-6.6	-5.1
Centro de Predicción Económica (CEPREDE-UAM)	3.2	4.9	-4.2	1.7	-3.7	-1.6	2.1	1.7	-0.7	0.7	-3.0	-0.4	26.8	27.2	0.7	1.8	-5.7	-5.8
CEOE	5.1	5.7	-3.1	0.8	-3.6	2.0	2.0	1.2	0.9	0.1	-3.2	-0.4	27.0	26.9	-0.1	-0.4	-5.5	-4.8
ESADE	3.0	--	-1.0	--	--	--	2.5	--	--	--	-2.5	--	24.5	--	-2.5	--	--	--
Fundación Cajas de Ahorros (FUNCAS)	3.0	6.1	-4.4	1.5	-3.4	1.6	1.5	1.2	0.7	0.5	-3.5	-0.9	26.6	26.0	1.0	1.8	-5.8	-4.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.0	6.0	-5.0	1.5	-3.5	-0.2	1.8	1.6	--	--	-3.4	-0.1	27.0	26.7	1.4	2.0	-6.4	-6.0
Instituto de Estudios Económicos (IEE)	4.6	5.8	-3.0	1.4	--	--	2.2	1.3	1.0	0.2	-3.0	-0.4	27.1	26.9	1.0	1.7	-5.5	-4.5
Instituto de Macroeconomía y Finanzas (Universidad CJC)	3.1	3.7	-3.1	1.2	-4.0	-1.0	1.7	1.2	--	--	-3.9	-1.1	27.2	27.5	0.6	0.4	-7.0	-6.0
Instituto Flores de Lemus (IFL-UC3M)	3.2	4.3	-4.8	0.3	-4.7	-3.5	1.3	1.5	--	--	--	--	27.2	27.2	--	--	--	--
Intermoney	0.8	--	-10.4	--	--	--	1.1	--	-1.0	--	-4.2	--	27.9	--	1.0	--	-6.1	--
La Caixa	3.9	4.2	-4.1	0.4	-2.1	2.1	1.9	1.6	-0.2	0.2	-3.2	0.3	26.7	25.9	1.1	2.0	-6.3	-5.5
Repsol	4.7	5.5	-3.2	1.8	-5.6	0.5	1.7	1.3	-0.1	0.2	-3.4	-0.8	27.0	26.8	0.3	0.8	-6.5	-5.8
Santander	5.0	5.7	-4.6	1.7	--	--	1.6	1.6	0.2	0.4	-2.7	0.4	26.7	26.0	0.9	1.5	--	--
Solchaga Recio & asociados	3.5	5.7	-4.9	1.9	--	--	1.8	1.6	--	--	-3.5	-0.5	27.5	27.3	1.5	2.6	-6.3	-5.5
CONSENSUS (AVERAGE)	3.7	5.3	-4.3	1.5	-3.7	0.0	1.7	1.4	0.1	0.3	-3.4	-0.3	26.9	26.7	0.7	1.5	-6.2	-5.3
Maximum	5.1	6.4	-1.0	3.2	-2.1	2.1	2.5	1.8	1.0	0.7	-2.5	0.4	27.9	27.5	1.8	2.6	-5.5	-4.5
Minimum	0.8	3.7	-10.4	-0.5	-5.6	-3.5	1.1	1.0	-1.0	-0.2	-4.2	-1.1	24.5	25.9	-2.5	-0.4	-7.0	-6.0
Change on 2 months earlier ¹	-0.3	-0.1	-0.2	-0.2	-0.1	-0.2	-0.3	-0.2	0.0	-0.2	-0.2	-0.1	0.1	0.2	0.4	0.3	-0.5	-0.9
- Rise ²	0	2	3	2	3	1	0	1	1	1	0	3	10	7	9	6	0	0
- Drop ²	7	4	3	4	2	1	12	8	1	2	5	3	1	2	3	2	9	8
Change on 6 months earlier ¹	-1.0	--	-1.3	--	-0.8	--	-0.5	--	-0.5	--	-0.5	--	0.4	--	0.7	--	-0.6	--
Memorandum items:																		
Government (April 2013)	4.1	5.9	-3.7	2.6	--	--	--	--	1.1	0.4	-3.4	-0.4	27.1	26.7	1.9	2.9	-6.3	-5.5
Bank of Spain (March 2013)	3.8	5.4	-4.9	2.0	--	--	1.8	1.0	1.7	-0.1	-3.8	-0.6	27.1	26.8	2.5 ⁵	3.5 ⁶	-6.0	-5.9
EC (April 2013)	4.1	5.7	-4.0	2.0	--	--	1.5	0.8	1.4	0.1	-3.4	0.0	27.0	26.4	1.6	2.9	-6.5	-7.0
IMF (January 2013)	3.3	4.2	-4.7	1.5	--	--	1.9	1.5	--	--	-2.5	0.9	27.0	26.5	1.1	2.2	-6.6	-6.9
OECD (November 2012)	6.4	6.2	-1.3	2.4	--	--	1.2	0.4	--	--	--	--	26.9	26.8	0.5	1.8	-6.3	-5.9

¹ Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).² Number of panelists 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 Private consumption deflator.⁷ Employment (LFS).⁸ Net borrowing vis-à-vis rest of world.

Table 2

Quarterly Forecasts - May 2013¹

	Quarter-on-quarter change (percentage)							
	13-Q1	13-Q2	13-Q3	13-Q4	14-Q1	14-Q2	14-Q3	14-Q4
GDP ²	-0.5	-0.3	-0.1	0.1	0.2	0.3	0.3	0.4
Household consumption ²	-0.5	-0.5	-0.2	-0.3	0.2	0.1	0.2	0.1

¹ Average forecasts by private institutions listed in Table 1.

² According to series corrected for seasonality and labour calendar.

Table 3

CPI Forecasts – May 2013¹

	Monthly change (%)				Year-on-year change (%)	
	March-13	Apr-13	May-13	Jun-13	Dec-13	Dec-14
	0.4	0.6	0.0	0.0	1.2	1.5

¹ Average forecasts by private institutions listed in Table 1.

Table 4

Opinions – May 2013

Number of replies

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	3	16	11	7	1
International context: Non-EU	6	13	0	13	6	0
	Low ¹	Normal ¹	High ¹	Increasing	Stable	Decreasing
Short-term interest rate ²	6	10	3	2	12	5
Long-term interest rate ³	1	4	14	1	12	6
	Overvalued ⁴	Normal ⁴	Undervalued ⁴	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	18	1	0	0	13	6
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	19	0	0	12	5	2
Monetary policy assessment ¹	2	2	15	0	1	18

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

² Three-month Euribor.

³ Yield on Spanish 10-year public debt.

⁴ Relative to theoretical equilibrium rate.