

Spanish economic forecasts panel: September 2013¹

Funcas Economic Trends and Statistics Department

The forecast for 2013 has risen to -1.3%

GDP contracted by 0.1% in the second quarter of 2013, compared with a 0.4% drop in the preceding quarter. This confirms the scenario suggested by most economic indicators that the economy is stabilising rapidly. What is surprising is the speed at which the decline in household consumption has slowed, and that capital investment has grown for the second consecutive quarter.

The improvement in the second quarter was mainly the result of the less negative contribution from domestic demand. The external sector's contribution was only slightly up on that in the previous quarter, despite the strong growth in exports, as imports also rose sharply.

The consensus growth forecast for the year as a whole has been revised upwards by two tenths of a percentage point to -1.3%.

The forecast for 2014 remains unchanged at 0.7%

The GDP growth forecast for 2014 is unchanged at 0.7%, although its composition has changed. Domestic demand is expected to make a less negative contribution, and while the external sector is still expected to make a positive contribution, it is smaller than predicted in the previous panel forecast.

The quarterly profile that emerges from the consensus figures (Table 2) suggests quarter-on-quarter growth of 0.1% in the third quarter. The growth rates for subsequent quarters are also expected to be positive but modest.

Industrial activity is close to stabilising

Industrial activity, as measured by the industrial production index, continued its downward trend in the second quarter, although the PMI for August suggests this is bottoming out. The consensus forecast for this year has improved markedly, rising to -2.6%, with activity now expected to stabilise next year, compared to a drop of -0.2% in the previous panel forecast.

Decline in inflation

As expected, the inflation rate began to fall in July as the step effect caused by the change in prescription charges in the same month last year ended. Inflationary pressures on the demand side remained absent, and the trend towards moderation will continue in September and October, with the end of the other step effects caused by the VAT rise a year ago.

The consensus forecast for the year-on-year rate in December 2013 has risen slightly to 1.1%, while the year-on-year rate for December 2014

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 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 organisations are also included for comparison, but do not form part of the consensus forecast.

has remained unchanged at 1.5% (Table 3). The average rates forecast for this year and next are 1.7% and 1.3%, respectively.

Slightly brighter outlook for employment

According to the national accounts, the rate of job losses in full-time job equivalent terms slowed in the second quarter. Social security system affiliates figures for July and August suggest this trend probably continued into the third quarter. The consensus forecasts for this year and next have improved to -3.2% and -0.2%, respectively. The unemployment rate forecasts have also been revised downwards from 26.5% to 25.9%.

Using the consensus estimates for GDP, employment and salary growth to deduce the implicit productivity and unit labour cost growth estimates, productivity is expected to grow by 2% in 2013 and 1% in 2014, while ULCs are forecast to drop by 1.9% and 0.8% this year and next, respectively. The process of recovering cost-competitiveness is, therefore, expected to continue.

A positive trade balance in 2013 and 2014

The current account balance registered a surplus equivalent to 0.3% of GDP in the first half of 2013, compared with a deficit of 3.3% in the same period of the previous year. The rapid correction in the deficit observed last year in particular is partly due to the fact that the trade balance in goods and services moved into surplus, in conjunction with a smaller deficit on the income balance.

The consensus forecast for this variable has improved to a positive balance of 1.3% of GDP in 2013 and 2.1% in 2014.

The public deficit forecast has worsened

The consensus forecast for the public deficit has risen to 6.7% of GDP this year and 5.9% next, in both cases, two tenths of a percentage point higher than in the previous survey. This upward revision of the deficit-to-GDP ratio may be partly explained by a larger forecast deficit, but also by the impact on the ratio of the downward revision of its denominator, i.e. the GDP figure, given by the INE last August.

The external context is expected to improve

The perception of economic conditions in the euro zone has improved over the last few months, the area's GDP having performed better than expected, with 0.3% growth in the second quarter. The United States remains on its growth trend and it is now the emerging economies that are showing signs of running out of steam. There is also concern about the impact on emerging economies of the withdrawal of the Federal Reserve's extraordinary monetary policy measures, triggering a sharp devaluation in some emerging countries' currencies.

The improved expectations regarding the European economy have been reflected in the results of the forecast panel. The panellists' opinion about the current situation in the EU remains mainly negative, but the number of unfavourable votes has decreased significantly from 17 in the last survey to 12 now. The number of panellists who see an improvement in conditions over the next six months has also grown significantly.

In the case of the assessment of the situation outside the EU, the majority view is neutral, with a tendency towards an improvement over the coming months.

Interest rates on government debt are not expected to rise further

Short-term interest rates (three-month EURIBOR) have stood at around 0.22% in recent weeks, slightly above the rate in previous months. Most panellists now feel this level is low for economic conditions in Spain (previous panels viewed it as appropriate) but still expect rates to remain stable.

In the case of long-term rates, there was a drop in yields on Spanish government debt in August from 4.66% (monthly average) to 4.51%, which was accompanied by an increase in the return on German debt, resulting in a substantial reduction in Spain's risk premium to around 250 basis points. There has been almost no change from the opinion in the preceding panel forecasts that the current level is too high to enable the economy to recover, but most panellists expect rates to remain stable over the next few months.

The euro is overvalued

The euro, which most panellists have considered to be overvalued against the dollar for some time, has maintained a value around 1.33 and is still expected to remain stable over the coming months.

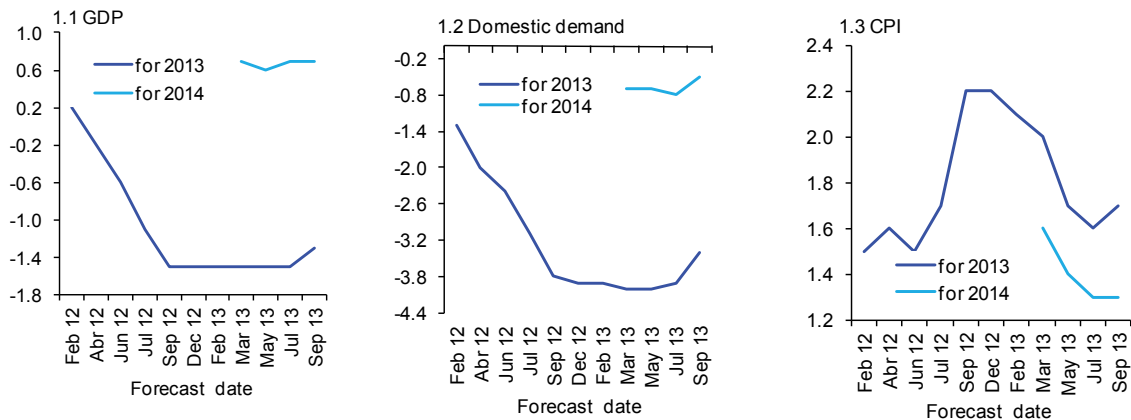
Expansionary monetary policy is warranted

There has been no change in the view of fiscal policy either, which continues to be almost unanimously considered restrictive, an orientation most panellists consider necessary. The overwhelming majority of panellists also consider current monetary policy to be expansionary, which participants unanimously agree is the right orientation.

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: FUNCAS Panel of forecasts.

Table 1

Economic Forecasts for Spain – September 2013
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		Demand domestic	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	-1.3	0.5	-2.8	-0.6	-2.7	-2.4	-6.0	-1.0	-0.5	2.8	-10.5	-3.8	-3.5	-1.2
Banco Bilbao Vizcaya Argentaria (BBVA)	-1.4	0.9	-2.7	-0.2	-1.9	-1.7	-6.2	1.1	0.8	5.6	-10.5	-1.9	-3.2	-0.3
Bankia	-1.3	0.8	-2.7	-0.2	-3.4	-3.2	-6.7	-0.7	0.3	5.4	-10.7	-4.3	-3.6	-0.9
CatalunyaCaixa	-1.4	0.8	-2.8	0.0	-2.0	-1.6	-7.4	-2.9	-2.2	-0.2	-10.5	-4.8	-3.5	-0.9
Cemex	-1.3	0.8	-2.6	0.4	-2.7	-2.4	-6.3	-0.1	-1.7	2.8	-10.5	-3.8	-3.3	-0.3
Centro de Estudios Economía de Madrid (CEEM-URJC)	-1.2	1.1	-2.5	0.1	-4.2	-2.6	-5.5	0.3	-3.6	2.5	-7.2	-1.1	-3.4	-0.4
Centro de Predicción Económica (CEPREDE-UAM)	-1.2	0.9	-2.6	0.1	-2.5	-0.7	-6.2	-0.9	-0.4	0.9	-10.0	-2.2	-3.2	0.8
CEOE	-1.2	0.8	-2.7	0.1	-3.0	-2.7	-5.9	-1.2	1.2	5.4	-10.4	-6.0	-3.3	-0.7
ESADE	-1.0	--	-2.0	--	-4.0	--	-6.0	--	--	--	--	--	-3.3	--
Fundación Cajas de Ahorros (FUNCAS)	-1.2	1.0	-2.6	0.3	-2.1	-1.6	-6.2	-2.1	-0.3	1.0	-10.3	-4.8	-3.2	-0.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	-1.5	0.5	-3.0	-0.5	-3.4	-1.5	-7.0	-2.0	-2.5	1.0	-10.0	-2.8	-3.7	-0.9
Instituto de Estudios Económicos (IEE)	-1.4	0.7	-2.8	-0.1	-3.5	-1.8	-7.3	-1.6	-2.5	2.5	-10.1	-4.0	-3.7	-0.7
Instituto de Macroeconomía y Finanzas (Universidad CJC)	-1.4	0.6	-2.9	-0.3	-2.2	-2.9	-5.8	1.7	0.6	7.4	-10.0	-1.5	-3.3	-0.5
Instituto Flores de Lemus (IFL-UC3M)	-1.4	0.3	-2.7	0.5	-2.6	-2.3	-6.0	-1.4	0.5	2.9	-10.0	-4.2	-3.1	-0.4
Intermoney	-1.4	0.5	-2.5	-0.1	-3.2	-3.1	-7.2	-3.5	-2.8	-1.7	-10.4	-5.6	-3.3	-0.7
La Caixa	-1.2	0.8	-2.7	0.2	-1.5	-1.2	-6.5	-1.1	-0.1	2.6	-10.3	-3.1	-3.1	-0.3
Repsol	-1.3	0.8	-2.8	-0.1	-1.3	-0.6	-6.8	-0.5	1.8	8.0	-11.4	-5.8	-3.3	-0.3
Santander	-1.3	0.9	-2.6	0.5	-1.9	-2.1	-6.9	-1.2	-0.9	2.5	-9.6	-3.5	-3.3	-0.4
Solchaga Recio & asociados	-1.3	0.8	-2.6	0.3	-4.2	-1.7	-6.2	-1.3	-2.1	1.6	-8.1	-2.8	-3.7	-0.4
CONSENSUS (AVERAGE)	-1.3	0.7	-2.7	0.0	-2.8	-2.0	-6.4	-1.0	-0.8	2.9	-10.0	-3.7	-3.4	-0.5
Maximum	-1.0	1.1	-2.0	0.5	-1.3	-0.6	-5.5	1.7	1.8	8.0	-7.2	-1.1	-3.1	0.8
Minimum	-1.5	0.3	-3.0	-0.6	-4.2	-3.2	-7.4	-3.5	-3.6	-1.7	-11.4	-6.0	-3.7	-1.2
Change on 2 months earlier ¹	0.2	0.0	0.1	0.1	1.4	0.3	0.8	0.2	4.2	1.6	-0.7	-0.8	0.5	0.3
- Rise ²	15	9	12	11	16	9	14	8	17	13	3	3	17	12
- Drop ²	0	1	3	3	0	6	3	8	0	1	13	12	0	3
Change on 6 months earlier ¹	0.2	0.0	0.1	0.0	2.3	0.4	0.8	0.0	4.5	1.1	-0.7	-1.0	0.6	0.2
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 (May 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 (July 2013)	-1.6	0.0	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2013)	-1.7	0.4	-3.0	-1.5	-2.9	-1.4	-9.9	-2.9	--	--	--	--	-4.3	-1.7

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 Investment in capital goods.

Table 1 (Continued)

Economic Forecasts for Spain – September 2013

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

	Exports of goods & serv.		Imports of goods & serv.		Industrial output		CPI (annual av.)		Labour costs ³		Jobs ⁴		Unemployment (% labour force)		C/A bal. pymts (% of GDP) ⁵		Gen. Government Balance (% of GDP)	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Analistas Financieros Internacionales (AFI)	6.2	7.1	-0.4	3.1	--	--	1.8	1.0	--	--	-3.2	-0.2	26.6	26.3	0.9	1.5	-6.5	-5.8
Banco Bilbao Vizcaya Argentaria (BBVA)	5.0	6.7	-0.8	3.8	--	--	1.7	1.1	0.0	0.3	-3.4	0.0	26.2	25.4	1.0	1.8	-6.5	-5.8
Bankia	6.3	6.9	-1.0	1.9	-1.5	--	1.7	1.5	-0.3	0.3	-3.4	-0.4	26.5	25.9	1.5	3.1	--	--
CatalunyaCaixa	5.2	6.6	-0.9	3.7	--	--	1.8	1.6	--	--	-3.4	-0.4	26.6	26.0	--	--	--	--
Cemex	5.1	6.2	-0.8	3.6	--	--	1.5	1.2	--	--	-3.0	0.1	26.0	25.5	0.8	1.4	-6.5	-5.5
Centro de Estudios Económica de Madrid (CEEM-URJC)	5.8	5.7	-1.1	1.6	--	--	1.7	1.0	--	--	-2.8	0.2	26.1	25.2	1.8	2.6	-6.5	-5.7
Centro de Predicción Económica (CEPREDE-UAM)	5.4	4.8	-0.7	2.1	-4.2	-0.9	1.3	1.1	-0.1	0.2	-3.1	-0.3	26.5	26.4	1.0	2.0	-7.3	-6.8
CEOE	6.8	6.0	0.2	1.8	-2.6	1.5	1.7	1.7	0.4	0.0	-3.4	-0.1	26.4	25.8	1.6	3.1	--	--
ESADE	5.5	--	-3.0	--	--	--	2.5	--	--	--	-2.5	--	26.0	--	1.8	--	--	--
Fundación Cajas de Ahorros (FUNCAS)	5.6	6.0	-0.2	1.9	-2.2	0.9	1.7	1.4	0.5	-0.2	-3.4	-0.4	26.4	25.8	1.8	2.9	-6.8	-6.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.0	6.0	-2.0	2.0	-3.0	-0.5	1.8	1.4	--	--	-3.1	0.0	26.7	26.2	1.0	1.8	-6.4	-5.7
Instituto de Estudios Económicos (IEE)	4.8	6.0	-2.5	1.6	--	--	1.8	1.3	0.6	0.2	-3.3	-0.4	26.8	26.0	1.0	2.5	-6.5	-5.8
Instituto de Macroeconomía y Finanzas (Universidad CJC)	6.4	4.5	0.6	1.6	-2.1	-0.5	1.6	1.0	--	--	-3.5	-1.1	26.6	26.7	1.8	2.8	-7.2	-5.8
Instituto Flores de Lemus (IFL-UC3M)	3.8	5.0	-1.6	2.8	-2.4	-1.9	1.5	1.5	--	--	--	--	26.6	26.1	--	--	--	--
Intermoney	4.3	4.5	-2.5	0.9	-3.8	-1.0	1.7	1.2	--	--	-3.6	-0.8	27.0	26.5	1.0	1.2	-6.6	-5.8
La Caixa	5.2	5.6	-0.6	2.4	-2.1	2.1	1.7	1.4	0.1	0.8	-3.1	0.5	26.2	25.3	1.8	2.4	-6.9	-6.2
Repsol	6.3	7.5	0.2	4.7	-2.3	0.5	1.5	1.5	-0.2	-0.8	-3.3	-0.1	26.3	25.7	1.1	1.4	-6.7	-5.9
Santander	5.5	5.7	-2.1	2.0	--	--	1.5	1.1	0.0	0.4	-3.4	-0.2	26.7	26.1	1.0	1.5	--	--
Solchaga Recio & asociados	4.5	5.5	-3.2	1.9	--	--	1.7	1.4	--	--	-3.2	-0.2	26.5	26.1	1.5	2.0	-6.3	-5.5
CONSENSUS (AVERAGE)	5.4	5.9	-1.2	2.4	-2.6	0.0	1.7	1.3	0.1	0.1	-3.2	-0.2	26.5	25.9	1.3	2.1	-6.7	-5.9
Maximum	6.8	7.5	0.6	4.7	-1.5	2.1	2.5	1.7	0.6	0.8	-2.5	0.5	27.0	26.7	1.8	3.1	-6.3	-5.5
Minimum	3.8	4.5	-3.2	0.9	-4.2	-1.9	1.3	1.0	-0.3	-0.8	-3.6	-1.1	26.0	25.2	0.8	1.2	-7.3	-6.8
Change on 2 months earlier ¹	1.8	0.7	3.0	1.2	0.8	0.2	0.1	0.0	-0.1	0.0	0.2	0.2	-0.4	-0.7	0.3	0.4	-0.2	-0.2
- Rise ²	17	11	18	15	9	4	11	5	4	2	14	9	0	0	10	11	0	2
- Drop ²	0	1	0	0	0	1	3	6	4	0	0	0	18	16	0	1	6	6
Change on 6 months earlier ¹	1.4	0.5	2.9	0.7	1.0	-0.2	-0.3	-0.3	0.0	-0.4	0.0	0.0	-0.3	-0.6	1.0	0.9	-1.0	-1.5
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 ⁶	3.5 ⁶	-6.0	-5.9
EC (May 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 (July 2013)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2013)	4.5	6.7	-3.7	0.8	--	--	1.5	0.4	-1.0	-1.0	-4.2	-1.6	27.3	28.0	2.1	3.5	-6.9	-6.4

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 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 Net lending position vis-à-vis rest of world.

Table 2

Quarterly Forecasts - September 2013¹

	Quarter-on-quarter change (percentage)							
	13-Q1	13-Q2	13-Q3	13-Q4	14-Q1	14-Q2	14-Q3	14-Q4
GDP ²	-0.4	-0.1	0.1	0.1	0.2	0.2	0.3	0.4
Household consumption ²	-0.5	-0.1	-0.1	-0.1	0.0	0.1	0.2	0.2

¹ Average forecasts by private institutions listed in Table 1.

² According to series corrected for seasonality and labour calendar.

Table 3

CPI Forecasts – September 2013¹

	Monthly change (%)				Year-on-year change (%)	
	Sep-13	Oct-13	Nov-13	Dec-13	Dec-13	Dec-14
	0.2	0.8	0.2	0.2	1.1	1.5

¹ Average of forecasts by private institutions listed in Table 1.

Table 4

Opinions – September 2013

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	2	5	12	15	4	0
International context: Non-EU	7	11	1	10	9	0
	Low ¹	Normal ¹	High ¹	Increasing	Stable	Decreasing
Short-term interest rate ²	8	7	4	2	16	1
Long-term interest rate ³	1	5	13	1	13	5
	Overvalued ⁴	Normal ⁴	Undervalued ⁴	Appreciation	Stable	Depreciation
Euro/dollar exchange rate	16	2	1	1	12	6
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	18	1	0	13	4	2
Monetary policy assessment ¹	2	0	17	0	0	19

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.