Spanish economic forecasts panel: January 2017[1]

Funcas Economic Trends and Statistics Department

2016 GDP growth estimated at 3.2%

The consensus GDP growth forecast for the fourth quarter of 2016 is 0.6% (Table 2), leading to estimated annual GDP growth for the year as a whole of 3.2%, unchanged from the previous Forecasts Panel.

However, the expected composition of growth is distinct, with domestic demand projections cut by 0.2 percentage points to 2.9%. At the same time, expected growth in exports and imports has been revised down, though to a larger extent for the latter. Overall, domestic demand is now expected to make a smaller contribution to growth (2.8 percentage points) with a larger contribution coming from net external demand (0.4 percentage points) in comparison to the previous Panel.

2017 forecast remains unchanged

The consensus forecast for GDP growth in 2017 is unchanged at 2.4%. Similarly, there are no changes to the expected growth composition in 2017: domestic demand is forecast to contribute 2.2 percentage points, with external demand providing a further 0.2 percentage point contribution. Quarterly growth rates are projected to remain stable throughout the year at around 0.5% to 0.6%.

Sharp rebound in inflation

The inflation rate jumped from 0.7% in the previous month to 1.6% in December 2016, as a result of the rise in energy prices. These in turn reflect the pronounced increase in oil prices following the agreement by OPEC countries to cut production. Average annual inflation was -0.2%, meanwhile average annual core inflation was 0.8%.

As a result of the spike in oil prices, the consensus forecast for average annual inflation in 2017 has increased by 0.5 percentage points to 1.9%, while the forecast for core inflation is unchanged at 1%. Inflation is expected to stand at 1.4% in year-on-year terms in December 2017 (Table 3).

Positive employment developments

Social security registrations in the fourth quarter of 2016 point to continued strong growth in employment in the last quarter of 2016. The consensus forecast for employment, in terms of full time equivalent employees, is for a 2.9% increase for the year as a whole. Meanwhile employment is expected to rise by 2.2% in 2017. The represents a 0.1 percentage point upward revision on the previous Panel in both years.

Based on consensus estimates for GDP, employment and salary remuneration, we are

[1] The Spanish economic forecasts panel is a survey of 17 analysis services carried out by Funcas and presented in Table 1. The survey has been undertaken since 1999 and is published every two months during the first fortnight of January, March, May, July, September and November. Panellists' responses to this survey are used to create consensus forecasts, which are based on the arithmetic mean of the 17 individual forecasts. For comparison purposes the Government, Bank of Spain and main international institutions' forecasts are also presented; however, these do not form part of the consensus.

able to obtain an implicit forecast for productivity-per-worker and unit labour costs: the former is expected to increase by 0.4% in 2016 and 0.2% in 2017, meanwhile ULCs are predicted to grow by 0.1% and 0.9% in 2016 and 2017, respectively.

The current account surplus will expand in 2016

The current account registered a surplus of 15.6 billion euros from January to October, compared to 9.6 billion euros recorded for the same period last year. The increase in the surplus is a result of a decline in the deficit on the trade balance and an increase in the services' surplus, both tourism and non-tourism services.

A surplus of 1.8% of GDP is forecast for 2016, representing an expansion from 1.4% registered the previous year. The consensus forecast is for a current account surplus of 1.4% of GDP in 2017, 0.2 percentage points below the previous Panel projection.

The pubic deficit will not comply with the target this year

The consolidated Public Sector accounts, excluding local corporations, registered a deficit of 29.9 billion euros to October this year – excluding support to financial institutions – or 2.68% of GDP. This is 5.4 billion euros less than the same period last year. The Autonomous Regions have significantly improved their outturn, primarily due to the increase in revenues resulting from a favourable ex-post liquidation of the system relating to the 2014 financial year. However, the Social Security deficit has deteriorated, primarily due to reduced transfers from the State, meanwhile the State deficit has remained practically unchanged from the previous year.

The consensus forecast for the overall public sector deficit has reduced slightly to 4.5% of GDP, as is also the case for 2017, which is now forecast at 3.5% of GDP. The deficit is therefore expected not to comply with the 2017 target.

Unchanged outlook for the global economy

The most important international event since the last Panel was the election result in the United States. The North American economy continues to post reasonable rates of GDP and employment growth, meanwhile European growth strengthened in the fourth quarter, albeit remaining within a tepid overall growth trajectory. Among emerging economies, China is growing at a stable rhythm and Brazil and Russia are showing signs of improvement. By contrast, the situation in Turkey and Mexico has worsened due to depreciation of their currencies.

The overall opinion of panellists in regard to the external environment, both the EU and the rest of the world, continues to be neutral with few changes compared to the previous Panel. The external picture is expected to remain neutral over the next six months.

Long-term interest rates have reached bottom

Short-term interest rates (3-month Euribor) remain on a downward trend, reaching -0.32% in recent weeks. As was the case in the previous Panel, rates are considered to be low in relation to the current context of the Spanish economy and are expected to remain stable over the coming months.

Yields on long-term debt (10-year sovereign debt) increased in the wake of the US election results (as was the case for other European sovereign debt). Although yields subsequently eased in the last weeks of December, they have begun to tick upwards again since the start of the year. The panellists continue to consider yields to be low in relation to the state of play in the Spanish economy, but they have changed their opinion regarding the expected outlook for the coming months: the majority of panellists now foresee an upward movement in yields.

Euro stabilises

The euro-dollar exchange rate has remained stable in recent weeks at around 1.04, after declining following the US election results and the Federal Reserve's decision to raise interest rates. The panellists are divided between those that see the current level as being an equilibrium and those that believe the euro is depreciated against the dollar. The majority of opinion points to the exchange rate remaining stable over the coming months.

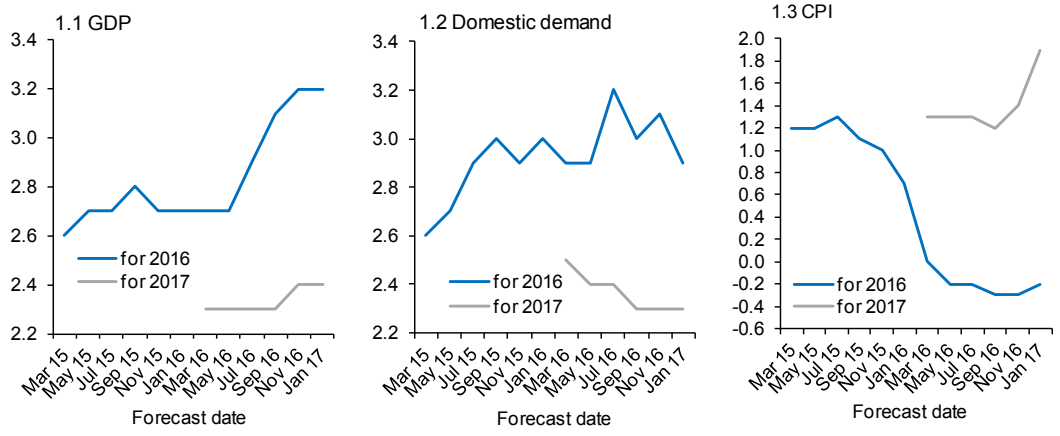
Fiscal policy is expansionary

Fiscal policy is seen to be expansionary by the panellists. The majority of panellists believe that a neutral fiscal stance would be more appropriate. The panellists remain unanimous in considering monetary policy to be expansionary, and while the majority continue to consider this appropriate, there has been an increase in the number who think the stance should be neutral.

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: Funcas Panel of forecasts.

Table 1

Economic Forecasts for Spain – January 2017

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	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Analistas Financieros Internacionales (AFI)	3.3	2.5	3.1	2.4	1.7	1.3	4.4	3.4	6.9	5.4	2.7	3.2	3.1	2.4
Axesor	3.2	2.5	3.0	2.2	1.2	0.3	3.6	2.5	5.9	4.5	2.3	1.8	2.8	1.9
Banco Bilbao Vizcaya Argentaria (BBVA)	3.3	2.5	3.3	2.3	1.2	1.8	4.1	3.4	6.3	3.8	2.6	2.7	3.0	2.3
Bankia	3.2	2.5	3.1	2.6	1.4	1.1	4.0	4.0	6.7	6.2	2.4	2.9	3.0	2.6
CaixaBank	3.3	2.6	3.1	2.5	1.3	1.0	3.6	2.9	5.7	2.8	2.3	3.1	2.9	2.3
Cemex	3.2	2.5	3.1	2.6	1.4	0.9	3.6	4.2	5.8	4.8	2.1	3.9	2.9	2.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.3	2.3	3.3	2.3	1.9	1.2	4.0	3.6	5.2	4.1	3.2	3.1	3.0	2.2
Centro de Predicción Económica (CEPREDE-UAM)	3.1	2.1	3.1	2.0	1.2	1.4	3.9	3.5	6.1	3.5	2.5	3.1	2.9	2.1
CEOE	3.2	2.3	3.1	2.4	1.3	0.9	3.7	2.6	6.2	4.2	2.2	1.3	2.8	2.1
Funcas	3.3	2.4	3.0	1.9	1.2	1.1	4.0	4.5	5.9	4.7	2.9	4.5	2.9	2.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.3	2.5	3.1	2.8	1.4	1.8	4.0	3.5	6.2	5.4	2.5	2.9	3.0	2.6
Instituto de Estudios Económicos (IEE)	3.2	2.3	3.1	2.6	1.4	1.5	3.6	3.0	6.0	4.0	2.3	2.5	2.7	2.7
Instituto Flores de Lemus (IFL-UC3M)	3.2	2.5	3.1	2.4	1.3	1.0	3.6	3.6	5.7	6.6	2.2	2.0	2.8	2.4
Intermoney	3.2	2.3	3.1	2.4	1.4	1.3	3.6	3.1	5.5	4.4	2.2	1.9	2.9	2.3
Repsol	3.3	2.8	3.1	2.5	1.3	1.5	3.7	4.3	6.0	5.9	2.3	3.6	2.9	2.7
Santander	3.3	2.5	3.0	2.4	1.5	1.4	3.5	2.6	5.7	2.9	2.2	2.5	2.9	2.3
Solchaga Recio & asociados	3.2	2.4	3.1	2.3	1.3	0.9	3.8	3.6	6.1	5.2	2.5	3.4	2.9	2.2
CONSENSUS (AVERAGE)	3.2	2.4	3.1	2.4	1.4	1.2	3.8	3.4	6.0	4.6	2.4	2.8	2.9	2.3
Maximum	3.3	2.8	3.3	2.8	1.9	1.8	4.4	4.5	6.9	6.6	3.2	4.5	3.1	2.7
Minimum	3.1	2.1	3.0	1.9	1.2	0.3	3.5	2.5	5.2	2.8	2.1	1.3	2.7	1.9
Change on 2 months earlier[1]	0.0	0.0	-0.3	0.0	0.4	0.4	-0.4	-0.5	-1.1	-0.6	-0.2	-0.6	-0.2	0.0
- Rise[2]	9	8	0	5	12	9	1	1	0	1	2	3	1	5
- Drop[2]	0	2	14	6	2	1	14	13	15	12	9	12	14	7
Change on 6 months earlier[1]	0.5	0.1	0.2	0.2	0.0	0.1	-0.9	-0.8	-0.5	-0.4	-1.3	-1.1	0.0	-0.1
Memorandum ítems:														
Government (December 2016)	3.2	2.5	3.4	2.7	1.0	0.9	4.6	3.4	7.5	5.0	2.8	2.6	--	--
Bank of Spain (December 2016)	3.2	2.5	3.1	2.1	1.4	0.8	3.6	3.8	5.7 [(3)]	5.1 [(3)]	2.3	3.5	--	--
EC (November 2016)	3.2	2.3	3.2	2.1	0.9	0.8	4.2	3.6	6.7 [(3)]	4.5 [(3)]	2.5	3.1	3.0	2.1
IMF (January 2017)	3.2	2.3	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2016)	3.2	2.3	3.4	2.1	0.9	1.2	4.3	4.7	--	--	--	--	3.1	2.4

[1] Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).
[2] Number of panelists revising their forecast upwards (or downwards) since two months earlier.
[3] Investment in capital goods.

Table 1 (Continued)

Economic Forecasts for Spain – January 2017

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.)		Labour costs[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[7]	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Analistas Financieros Internacionales (AFI)	4.4	3.4	4.1	3.2	-0.2	2.2	0.8	0.9	0.6	1.2	3.0	2.3	19.6	17.8	1.8	1.6	-4.6	-3.6
Axesor	4.1	3.4	2.9	1.3	-0.2	2.4	1.0	1.4	0.5	1.3	2.6	2.0	20.1	18.4	1.9	0.5	-4.5	-3.8
Banco Bilbao Vizcaya Argentaria (BBVA)	5.5	3.5	5.1	3.1	-0.3	1.7	0.9	1.1	0.8	1.2	2.8	2.2	19.7	18.1	1.3	1.7	-4.6	-3.6
Bankia	4.5	4.7	4.0	5.3	-0.2	2.1	0.8	1.0	0.0	1.0	3.0	2.3	19.6	17.8	2.0	1.5	--	--
CaixaBank	4.2	3.7	3.1	3.0	-0.2	2.1	0.8	1.1	0.2	0.8	2.9	2.3	19.7	18.0	2.2	1.8	-4.6	-3.4
Cemex	4.6	4.5	3.9	5.0	-0.2	2.0	0.8	1.1	--	--	3.0	2.5	19.5	17.8	2.0	1.5	-4.6	-3.6
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.6	4.0	4.0	4.1	-0.2	1.6	0.8	1.2	--	--	2.7	2.1	19.7	18.0	1.7	1.3	-4.6	-3.4
Centro de Predicción Económica (CEPREDE-UAM)	6.1	4.8	5.7	5.2	-0.3	1.8	--	--	0.6	1.4	2.6	1.4	19.8	19.1	1.5	0.3	-3.9	-3.3
CEOE	4.5	3.9	3.5	3.4	-0.2	1.8	0.8	0.8	0.2	0.8	2.9	2.2	19.6	17.8	2.0	1.8	-4.6	-3.6
Funcas	4.0	3.1	3.1	3.2	-0.2	2.2	0.8	1.0	0.2	1.4	2.9	2.0	19.7	18.1	1.8	1.1	-4.6	-3.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.4	3.4	3.0	3.7	-0.3	1.6	0.9	1.0	--	--	2.7	2.5	19.8	18.3	1.7	1.5	-4.5	-3.5
Instituto de Estudios Económicos (IEE)	4.1	4.5	3.3	5.7	-0.2	1.5	0.8	1.0	0.8	1.1	2.9	1.8	19.7	18.0	1.9	1.8	-4.6	-3.3
Instituto Flores de Lemus (IFL-UC3M)	4.3	3.8	3.3	3.7	-0.2	1.4	0.8	0.6	--	--	3.0	2.6	19.7	17.9	--	--	--	--
Intermoney	4.2	3.2	3.3	3.4	-0.2	1.4	0.8	1.0	--	--	3.0	2.1	19.7	18.0	1.8	1.8	-4.6	-3.4
Repsol	4.3	4.1	3.3	4.2	-0.2	1.8	0.8	1.2	0.2	0.8	3.0	2.7	19.8	18.0	1.8	1.7	-4.6	-3.1
Santander	4.4	3.9	3.3	3.5	-0.2	2.4	--	--	0.5	1.5	2.8	2.1	19.7	17.8	1.8	1.6	-4.6	-3.1
Solchaga Recio & asociados	4.2	3.9	3.1	3.7	-0.2	1.7	0.8	1.2	--	--	2.8	2.2	19.9	18.1	1.8	1.6	-4.4	-3.7
CONSENSUS (AVERAGE)	4.5	3.9	3.6	3.8	-0.2	1.9	0.8	1.0	0.4	1.1	2.9	2.2	19.7	18.1	1.8	1.4	-4.5	-3.5
Maximum	6.1	4.8	5.7	5.7	-0.2	2.4	1.0	1.4	0.8	1.5	3.0	2.7	20.1	19.1	2.2	1.8	-3.9	-3.1
Minimum	4.0	3.1	2.9	1.3	-0.3	1.4	0.8	0.6	0.0	0.8	2.6	1.4	19.5	17.8	1.3	0.3	-4.6	-3.8
Change on 2 months earlier[1]	-1.1	-0.7	-2.1	-1.1	0.1	0.5	0.0	0.0	-0.2	0.0	0.1	0.1	0.0	-0.1	0.0	-0.2	0.1	0.1
- Rise[2]	0	2	0	1	12	15	1	8	1	3	8	8	1	0	4	2	3	7
- Drop[2]	15	11	15	13	0	0	1	0	5	3	2	2	3	8	3	6	0	0
Change on 6 months earlier[1]	-0.3	-0.9	-2.2	-1.8	0.0	0.6	0.8	--	-0.5	0.0	0.4	0.2	-0.4	-0.6	0.2	0.0	-0.5	-0.3
Memorandum items:																		
Government (December 2016)	5.8	5.9	6.0	5.9	--	--	--	--	--	--	2.9	2.4	19.6	17.6	2.0	1.8	-4.6	-3.1
Bank of Spain (December 2016)	4.3	4.2	3.2	3.7	-0.3	1.6	0.8	1.0	--	--	3.0	2.3	19.6	17.7	2.3 (6)	2.1 (6)	-4.4	-3.6
EC (November 2016)	6.1	4.5	5.8	4.3	-0.4	1.6	--	--	1.2	1.2	2.8	2.1	19.7	18.0	1.7	1.5	-4.6	-3.8
IMF (January 2017)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2016)	5.8	4.5	5.9	5.0	-0.3	1.5	0.8	1.2	0.9	1.6	2.8	2.4	19.6	17.7	2.1	1.7	-4.6	-3.6

[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.
[7] Excluding financial entities bail-out expenditures.

Table 2

Quarterly Forecasts - January 2017[1]

	Quarter-on-quarter change (percentage)							
	16-I Q	16-II Q	16-III Q	16-IV Q	17-I Q	17-II Q	17-III Q	17-IV Q
GDP[2]	0.8	0.8	0.7	0.6	0.5	0.6	0.6	0.5
Household consumption[2]	0.8	0.7	0.6	0.7	0.6	0.5	0.5	0.5

[1] Average of forecasts by private institutions listed in Table 1.
[2] According to series corrected for seasonality and labour calendar.

Table 3

CPI Forecasts – January 2017[1]

Monthly change (%)				Year-on-year change (%)	
Jan-17	Feb-17	Mar-17	Apr-17	Dec-16	Dec-17
-0.6	0.4	0.7	1.0	1.6	1.4

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

Table 4

Opinions – January 2017
Number of responses

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

[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.