

MACROECONOMIC PROJECTIONS FOR SPAIN 2021-2023

ÓSCAR ARCE

Director General Economics, Statistics and Research

Madrid

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- 2. Developments in economic activity in the short term**
- 3. Economic projections for the Spanish economy for the period 2021-2023**
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ACTIVITY BUOYANT IN THE SHORT TERM. IN THE MEDIUM TERM IT WILL MAINLY DEPEND ON PRIVATE CONSUMPTION, NGEU, BOTTLENECKS AND INFLATION

Recent developments

- Vaccination progress continues to be made. Over 75% of the population are now fully vaccinated.
- The QNA flash estimate for 2021 Q2 showed GDP growth of 2.8%, significantly higher than in the baseline scenario of the June projections.
- The short-term activity indicators are generally consistent with expansionary activity, although there are signs of a certain moderation in the next few months.

Macroeconomic projections

- GDP growth has been revised slightly upwards in 2021, owing to the strong carry-over effect of the 2021 Q2 figure, which offsets the moderation of GDP growth in 2021 H2, as a result of various factors: the downward revision to foreign markets in 2021 H2, the delay in the implementation of NGEU projects and the effects of bottlenecks and the increase in inflation.
- Over the rest of the horizon, the GDP growth rate increases slightly. Medium-term developments depend especially on private consumption, frictions in global production chains, NGEU and inflation.

Inflation

- The rise in prices is proving to be greater and more persistent than initially expected, although it continues to be explained largely by temporary factors.
- In the medium-term, inflation will remain moderate, although it has been revised slightly upwards.

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2. Developments in economic activity in the short term

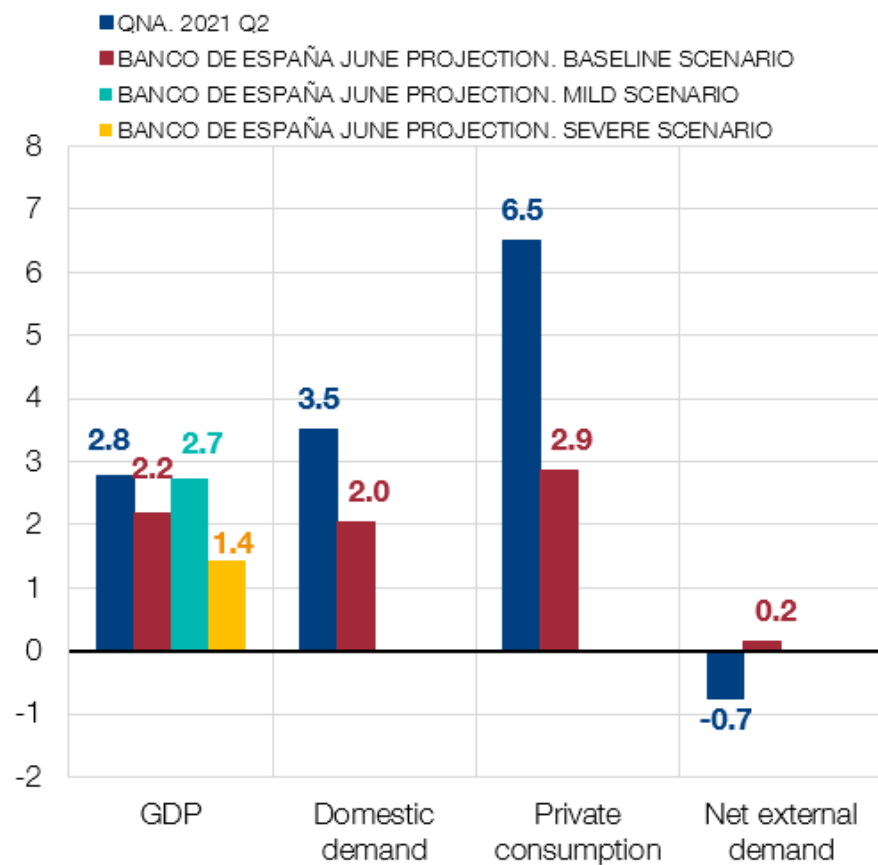
3. Economic projections for the Spanish economy for the period
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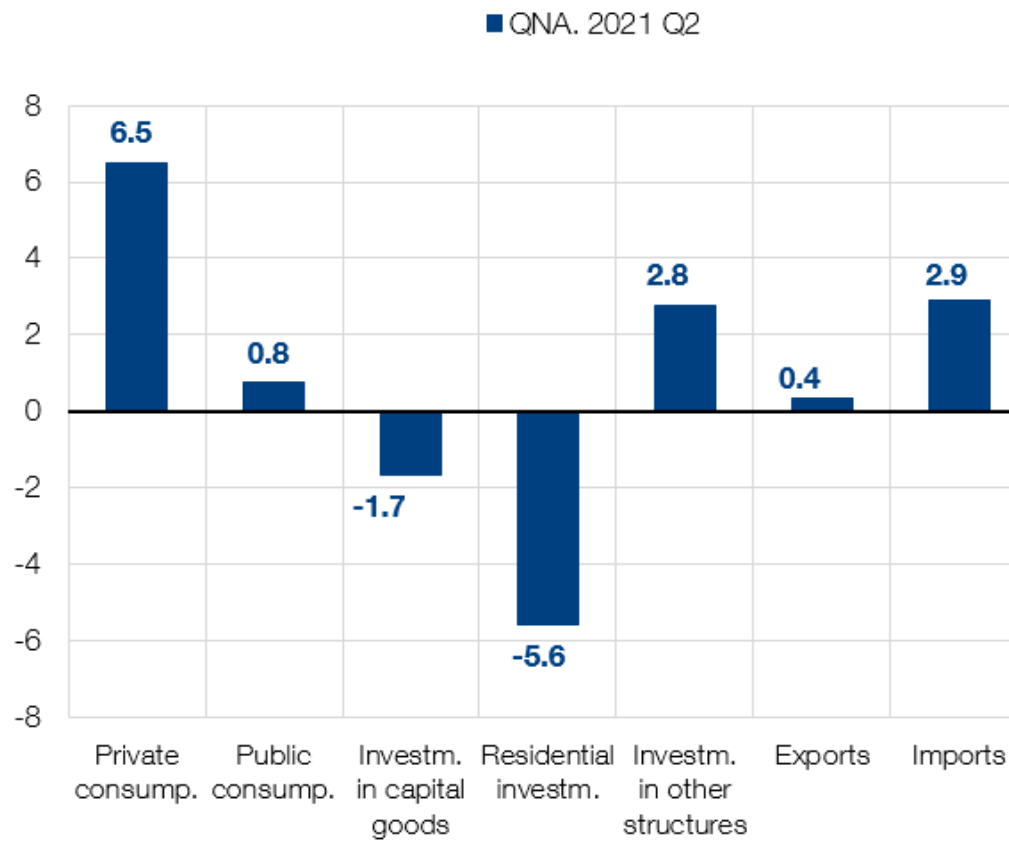


ACTIVITY IN 2021 Q2: SPANISH GDP GROWTH WAS CONSIDERABLY HIGHER THAN IN THE JUNE BASELINE SCENARIO, DRIVEN BY PRIVATE CONSUMPTION

QUARTER-ON-QUARTER GDP GROWTH (%) AND CONTRIBUTIONS (pp)

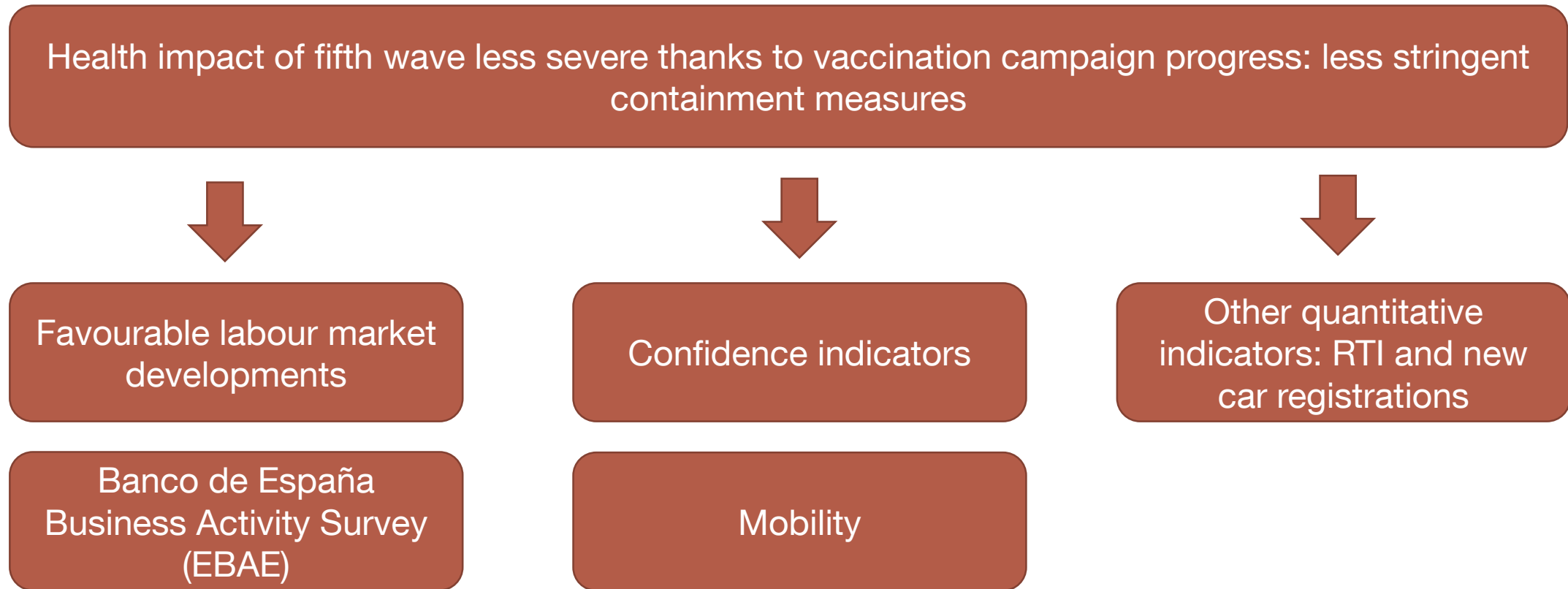


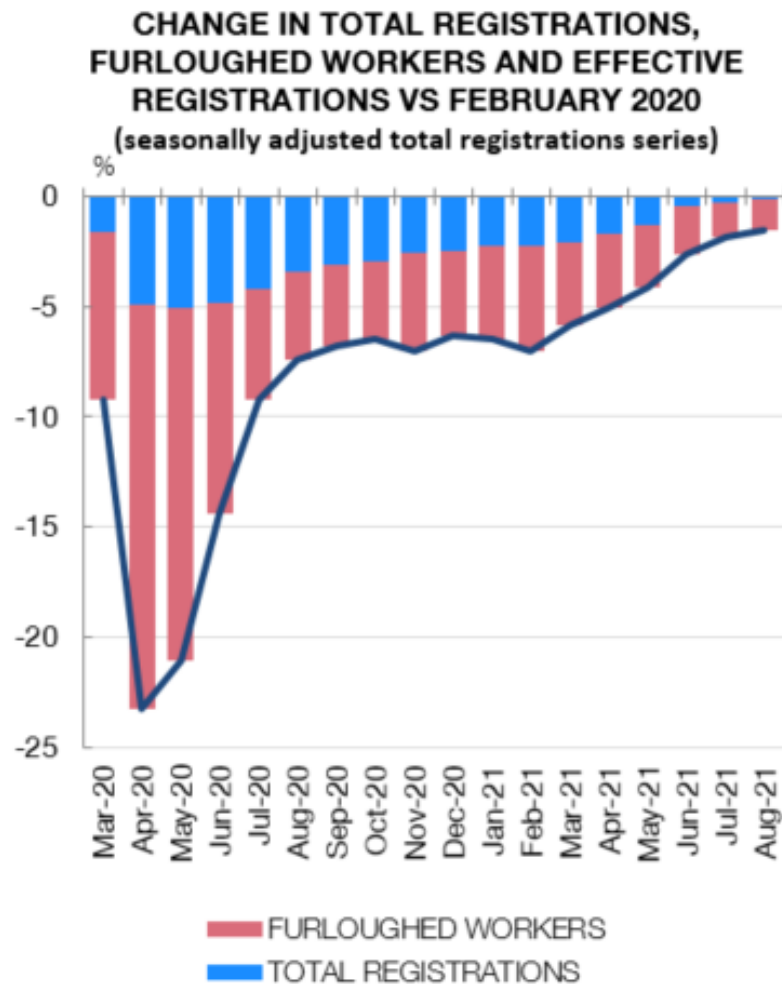
QUARTER-ON-QUARTER RATES (%)



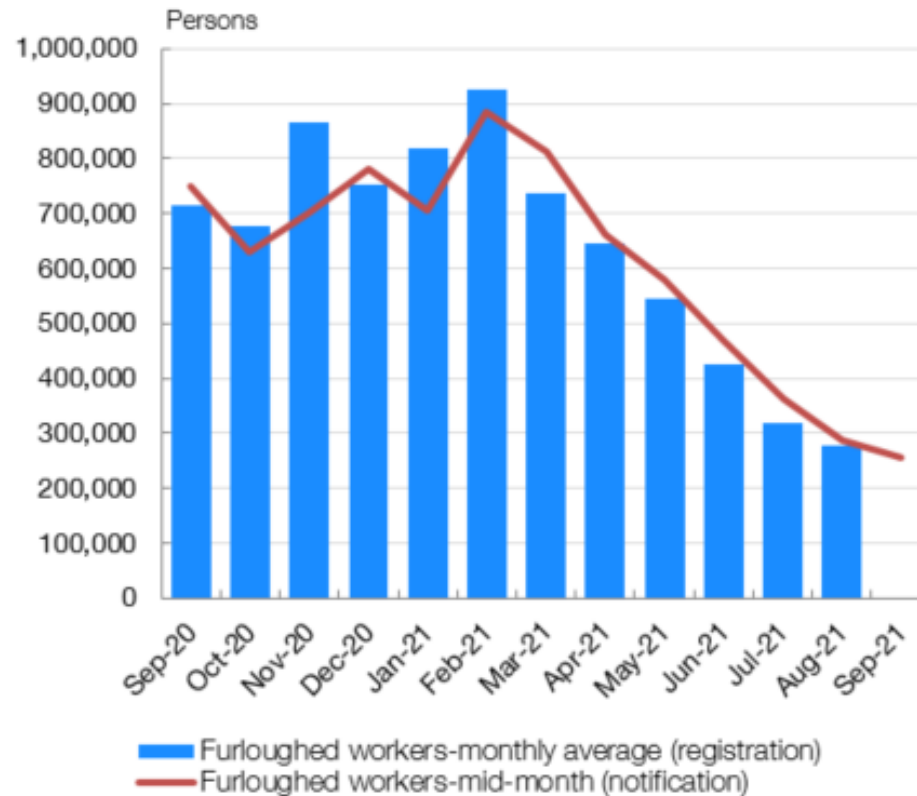
Sources: Banco de España (June 2021 Quarterly report) and INE.

ACTIVITY REMAINS EXPANSIONARY, ALTHOUGH THERE ARE SIGNS OF A CERTAIN MODERATION



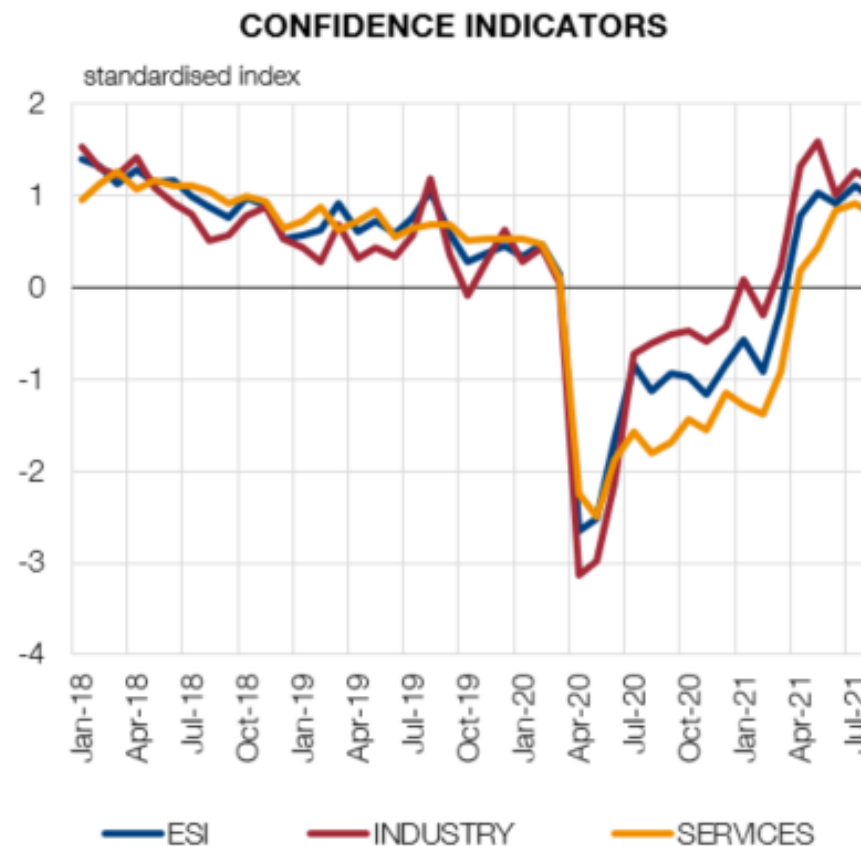
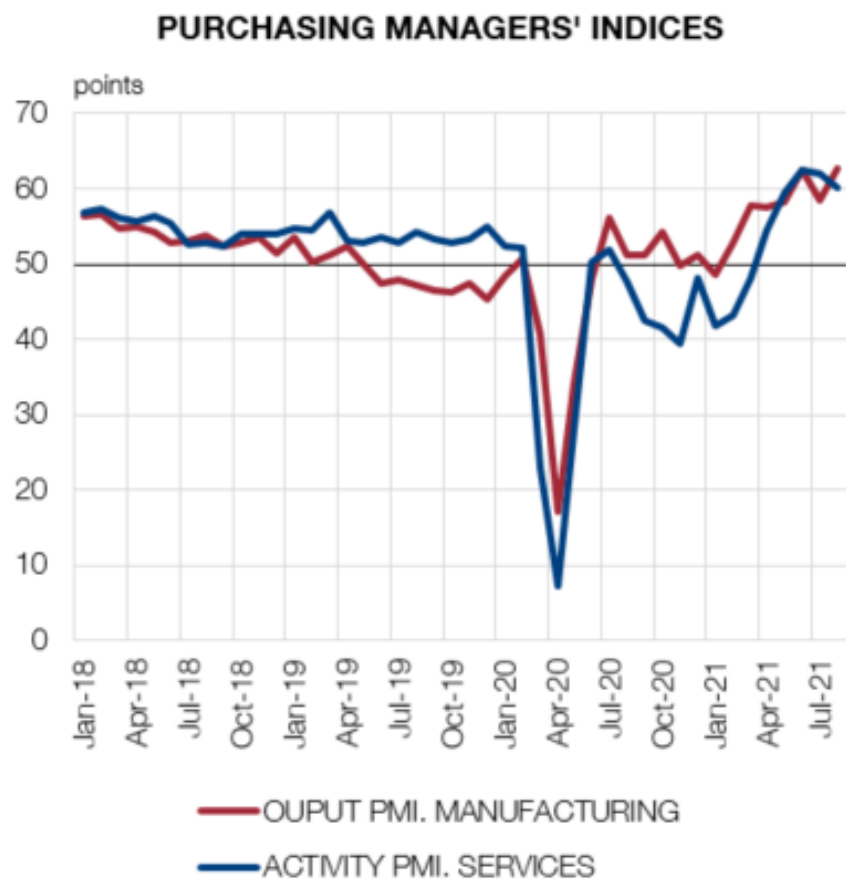


FURLOUGHED WORKERS



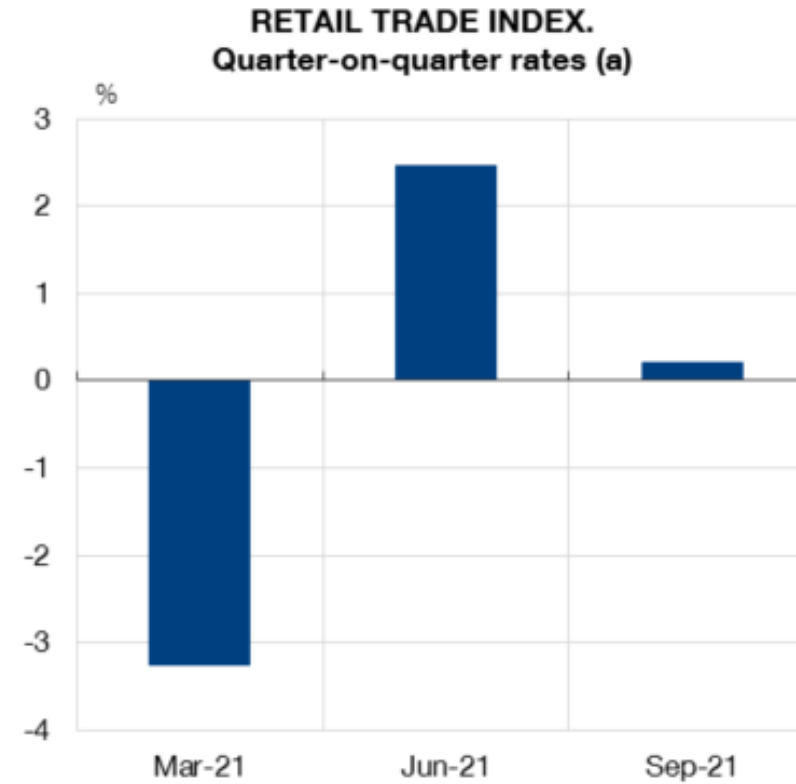
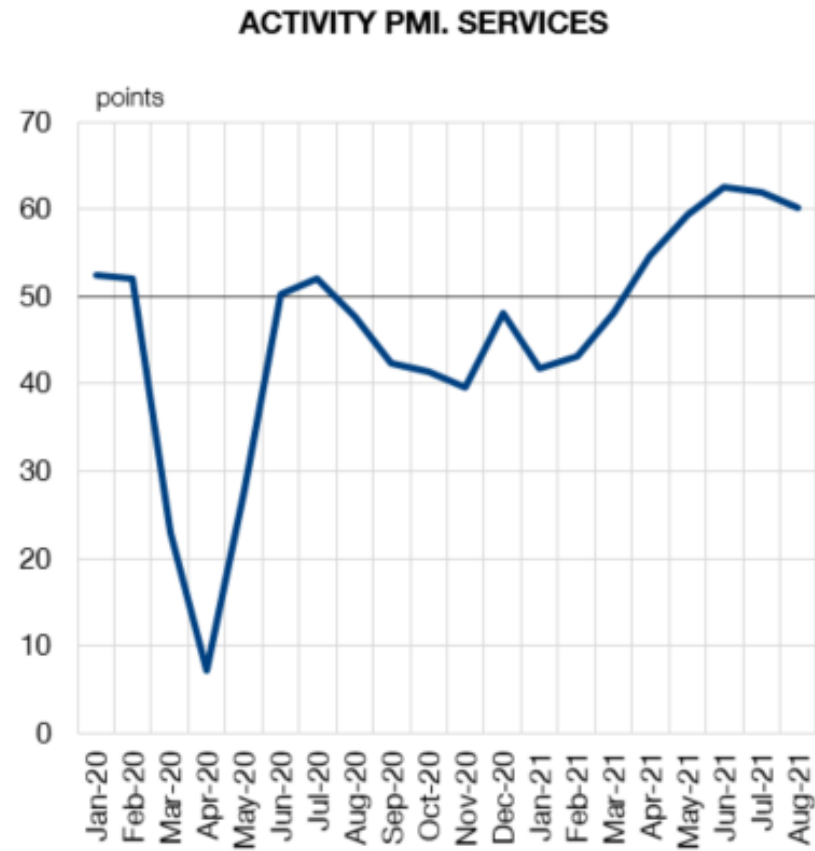
Source: Ministerio de Inclusión, Seguridad Social y Migraciones. Latest observation: August 2021 for the monthly average and 15 September for the mid-month figure.

SURVEY-BASED INDICATORS, STILL IN EXPANSIONARY TERRITORY, POINT TO SOMEWHAT LESS DYNAMIC BEHAVIOUR



Sources: IHS Markit and European Commission. Latest observation: August 2021.

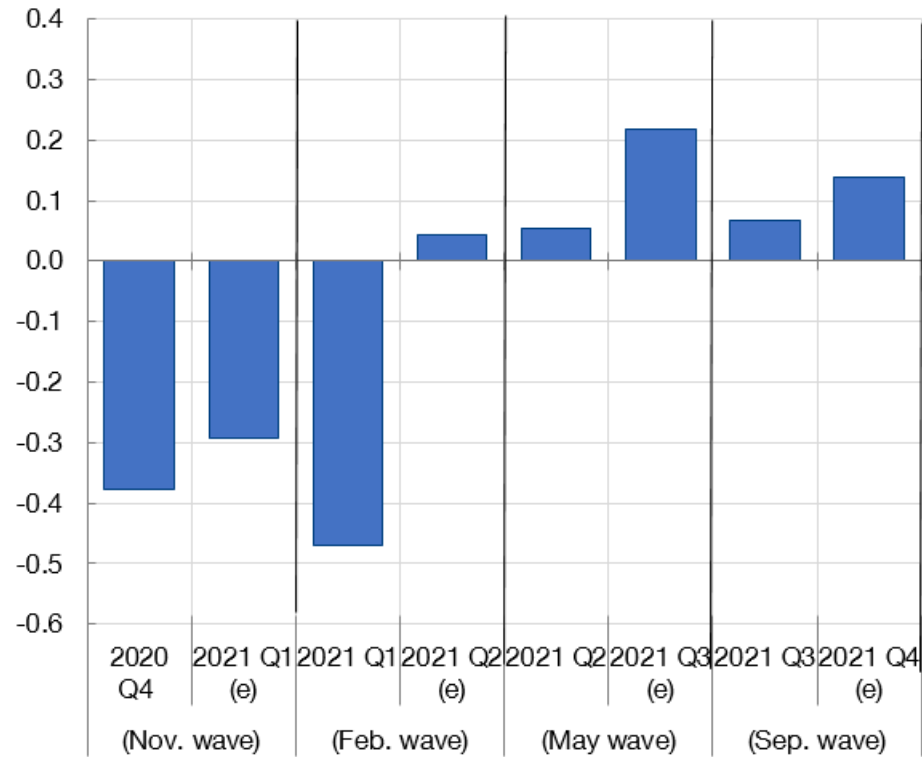
PRIVATE CONSUMPTION REMAINS STRONG, FOLLOWING THE RISE IN 2021 Q2, ALTHOUGH THERE ARE SIGNS OF SOME MODERATION



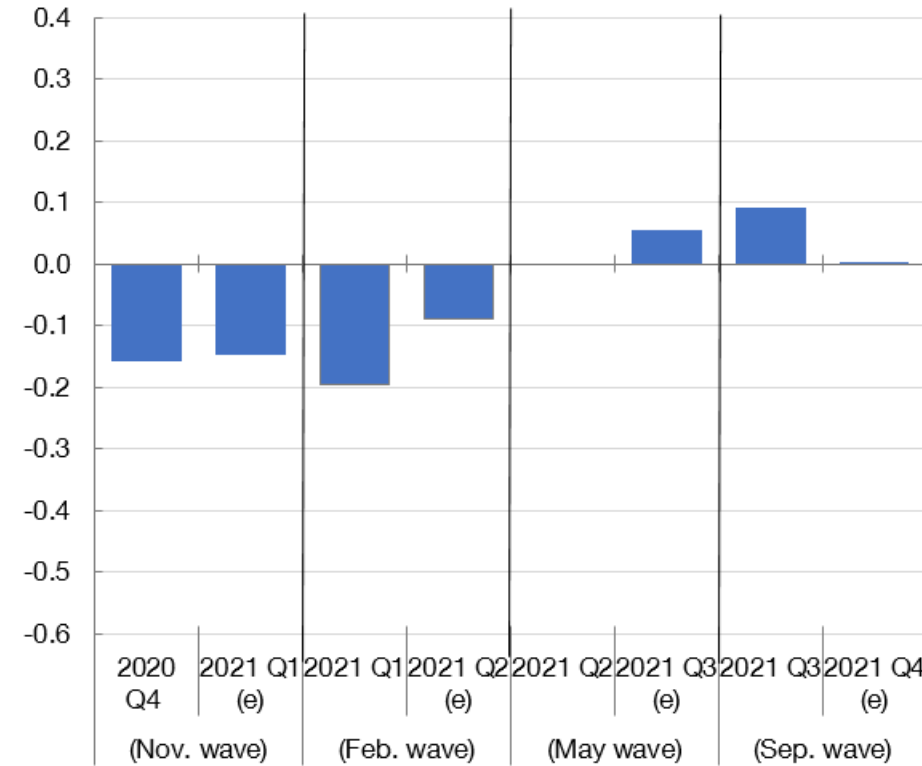
Sources: IHS Markit, INE and Banco de España.
a. The Q3 figure is based on incomplete information.

SURVEYED FIRMS MAINTAIN THEIR FORECASTS OF RECOVERY IN TURNOVER AND EMPLOYMENT FOR 2021 Q3

TURNOVER, QUARTERLY DEVELOPMENTS (a)

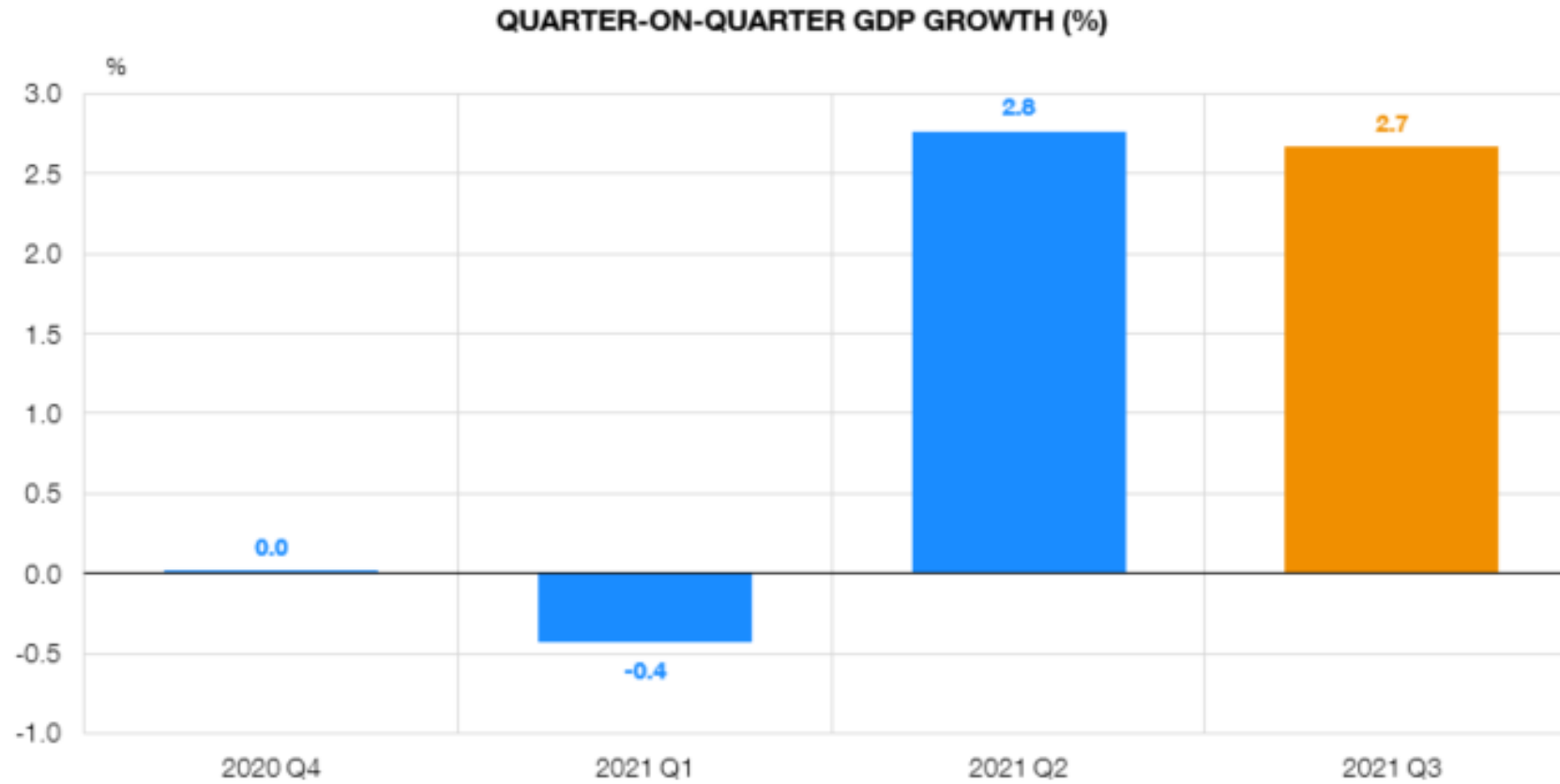


EMPLOYMENT, QUARTERLY DEVELOPMENTS (a)



Source: EBAE (Banco de España).

(a) Index calculated as: -2 = “significant decrease”; -1 = “minor decrease”; 0 = “stability”; 1 = “minor increase”; and 2 = “significant increase”. The (e) denotes firms’ expectations for the relevant quarter.



Sources: Banco de España and INE.

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Technical assumptions

Private consumption and saving rate

Global production chain disruption

Inflation

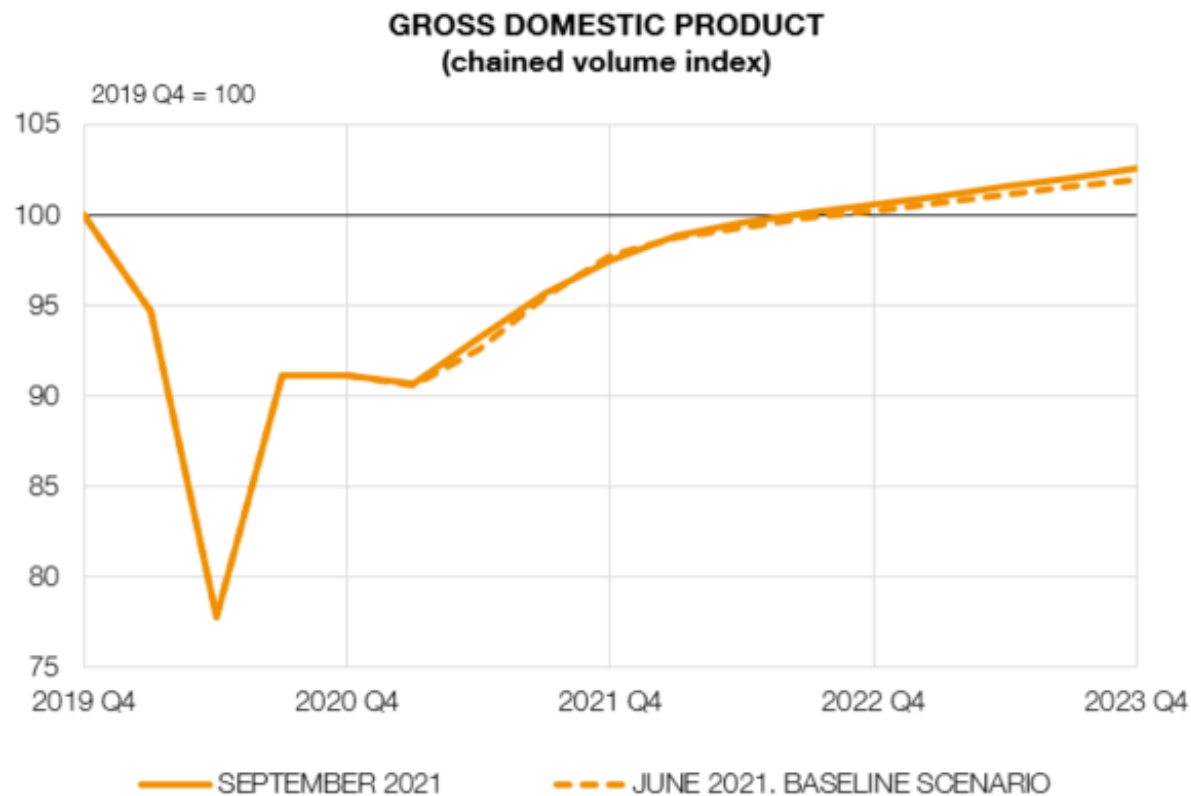
NGEU availability and implementation

Inbound tourism

	2020	SEPTEMBER 2021 PROJECTIONS (a)			CHANGES WITH RESPECT TO JUNE BASELINE SCENARIO		
		2021	2022	2023	2021	2022	2023
Annual rate of change (%), unless otherwise indicated							
GDP	-10.8	6.3	5.9	2.0	0.1	0.1	0.2
Harmonised index of consumer prices (HICP)	-0.3	2.1	1.7	1.3	0.2	0.5	0.1
HICP excl. energy and food	0.5	0.3	1.0	1.4	0.0	0.0	0.3
Unemployment rate (% of labour force). Annual average	15.5	15.1	14.3	13.3	-0.5	-0.4	-0.4
General government net lending (+)/net borrowing (-) (% of GDP)	-11.0	-7.6	-4.3	-3.5	0.6	0.6	0.8
General government debt (% of GDP)	119.9	117.9	114.3	114.3	-2.2	-3.6	-3.7

Sources: Banco de España and INE.

a) Projections cut-off date: 14 September 2021.



Sources: Banco de España and INE.

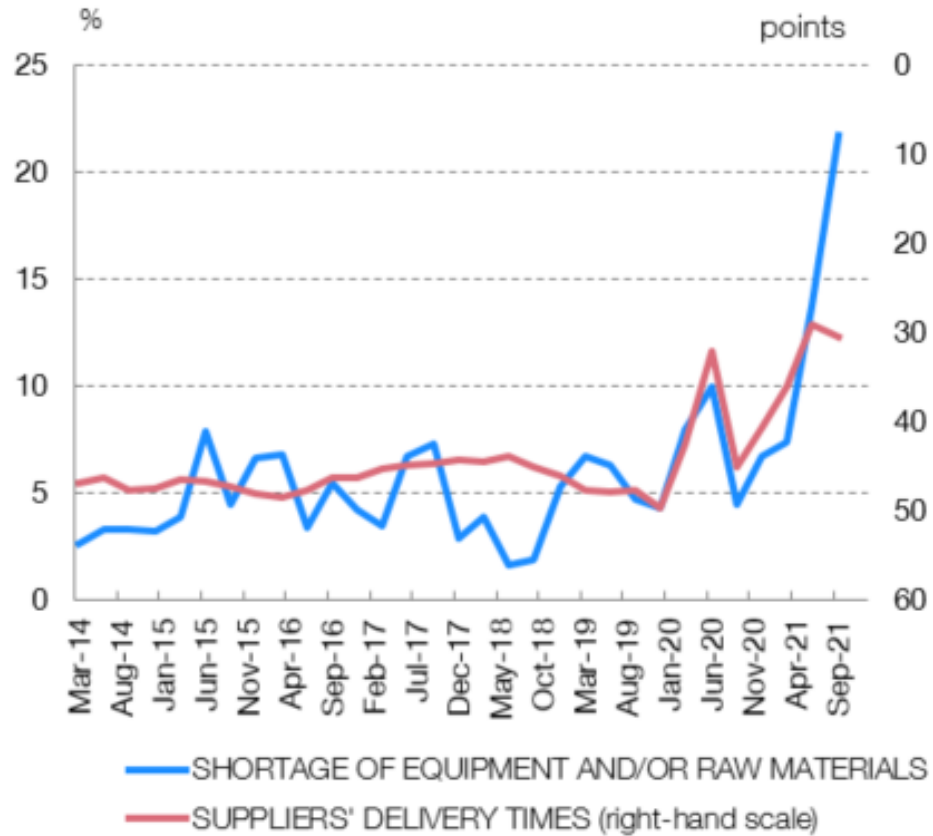
Annual rate of change (%)	GDP PROJECTIONS			
	2020	2021	2022	2023
JUNE 2021. BASELINE SCENARIO	-10.8	6.2	5.8	1.8
SEPTEMBER 2021	-10.8	6.3	5.9	2.0

CHANGES IN GDP FORECASTS IN THE SEPTEMBER PROJECTIONS COMPARED WITH THE JUNE BASELINE SCENARIO

- 2021: ↑ **Upward revision based on data**
↓ Lower absorption of NGEU, change in exogenous variables and effect of rising prices
- 2022: ↑ **Greater absorption of NGEU**
↓ Change in exogenous variables and effect of rising prices
- 2023: ↑ **Changes in exogenous variables and greater NGEU absorption**

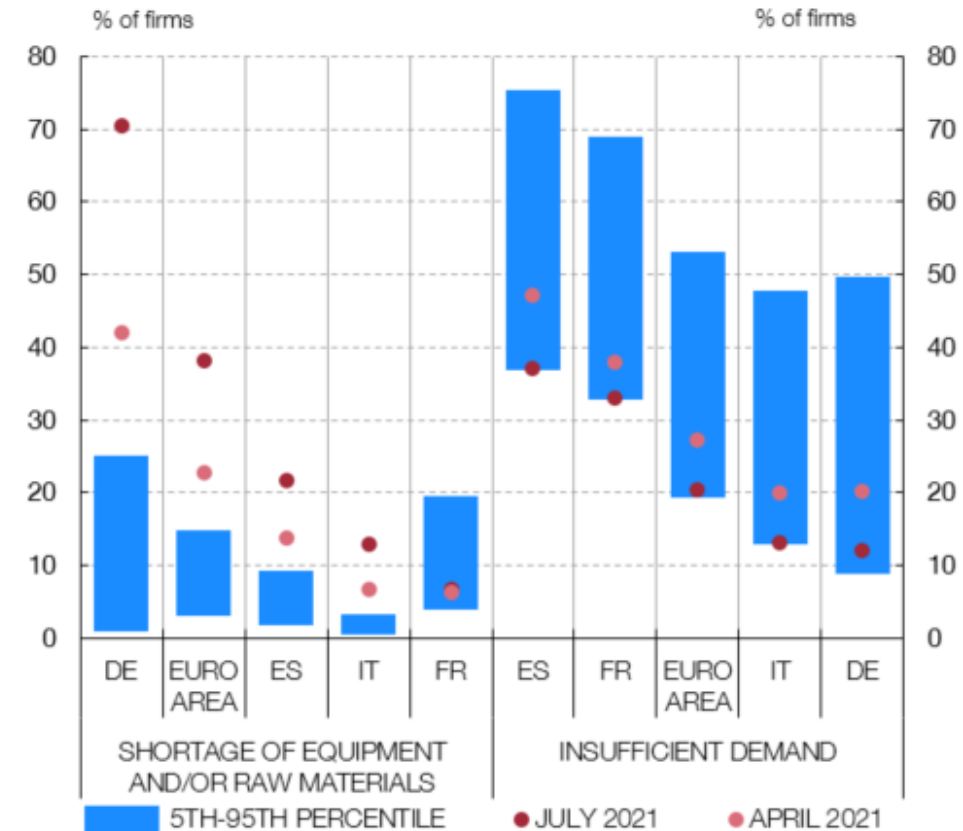
GLOBAL PRODUCTION CHAIN DISRUPTION POSES RISKS TO ACTIVITY, WHICH IN SPAIN ARE SOMEWHAT LESS PRONOUNCED THAN IN THE EURO AREA

FACTORS LIMITING INDUSTRY



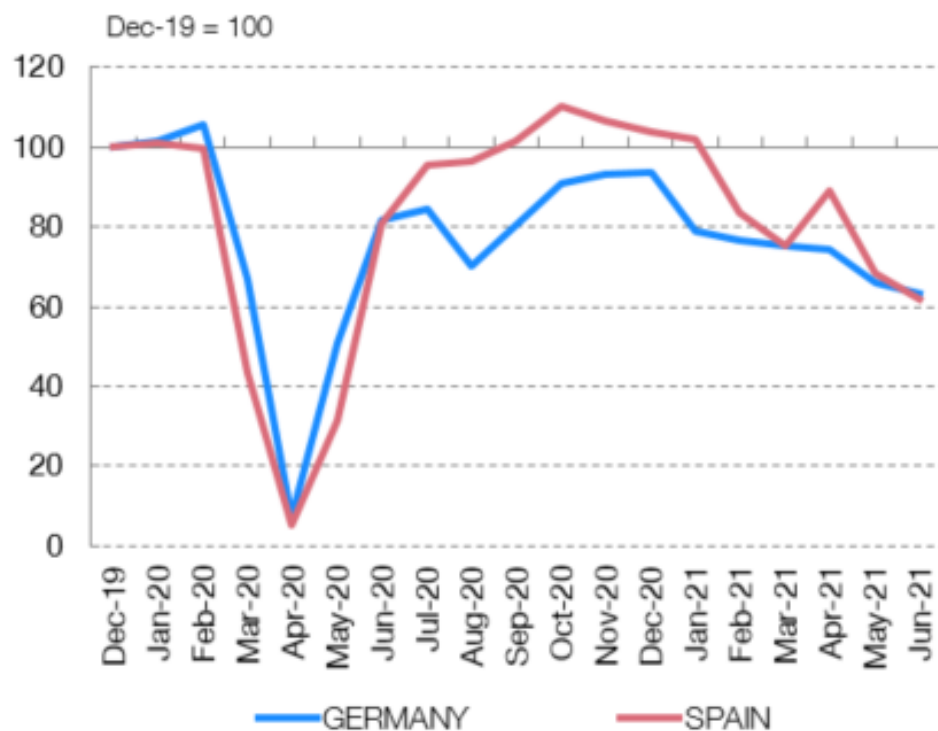
Sources: IHS Markit and European Commission.

FACTORS LIMITING MANUFACTURING PRODUCTION



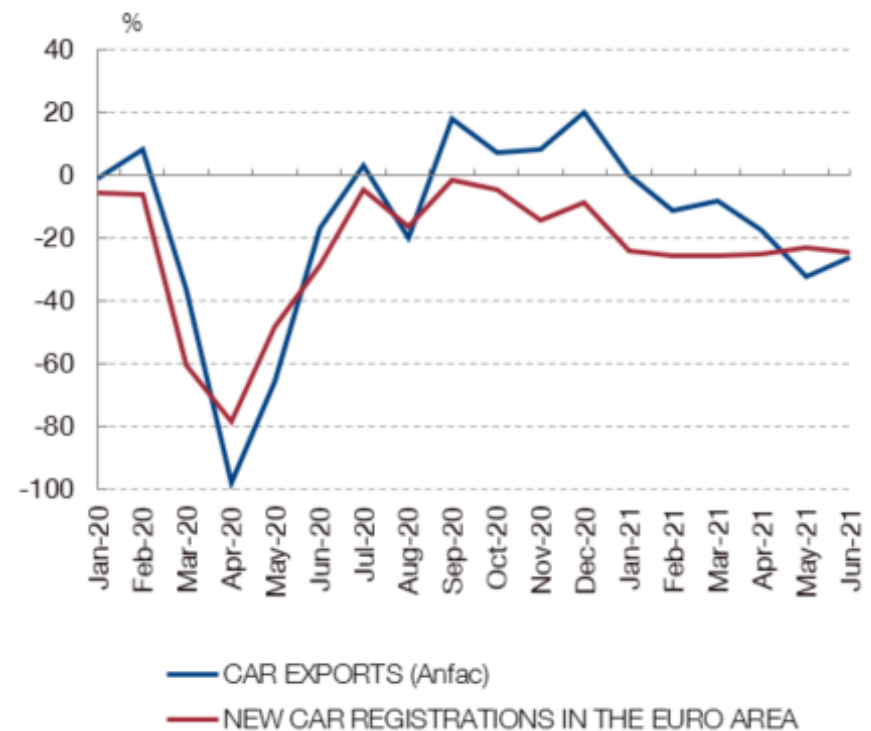
Source: European Commission

IPI. PRODUCTION OF MOTOR VEHICLES



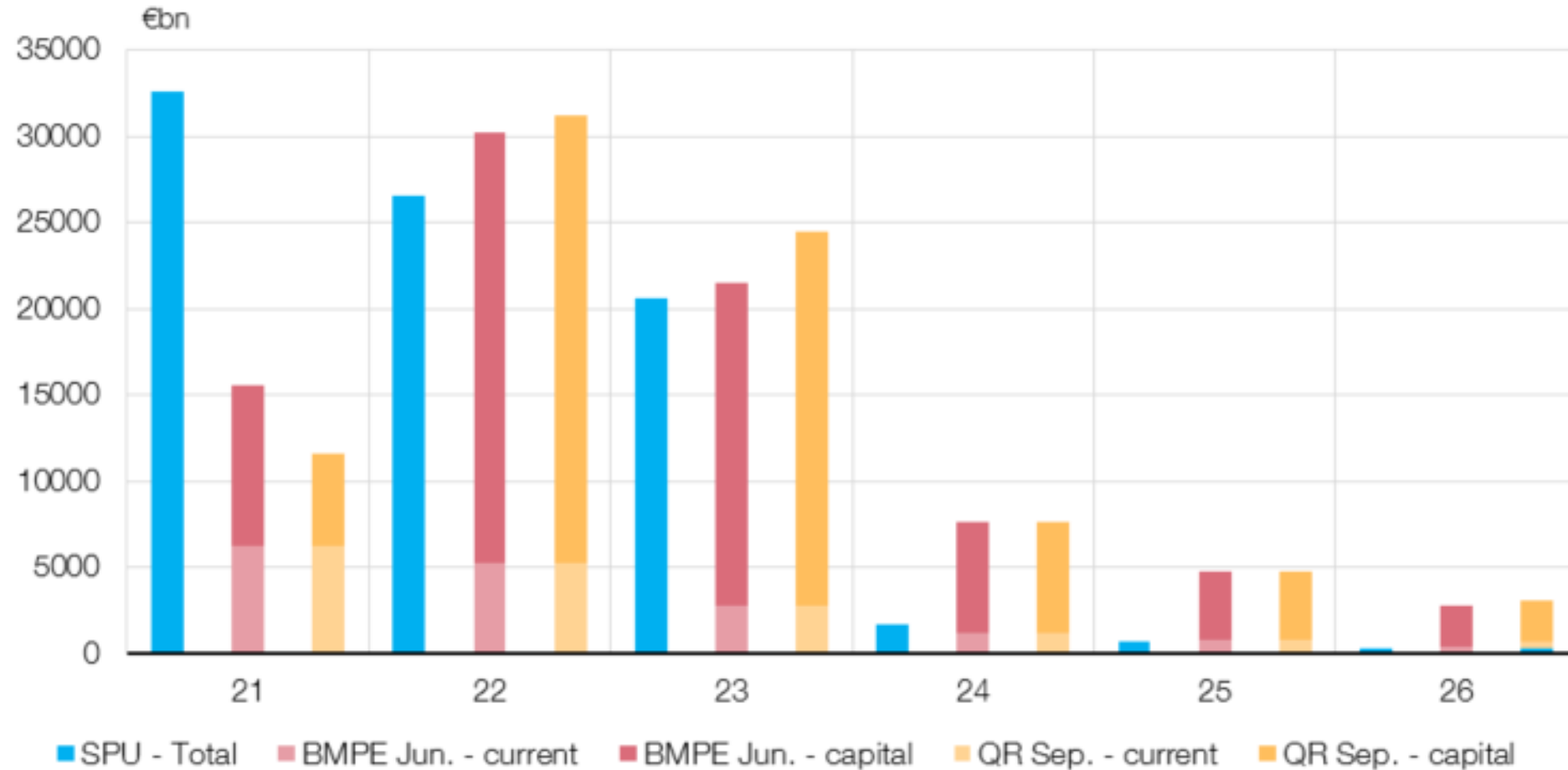
CAR EXPORTS

Rate of change vis-à-vis the same date in 2019



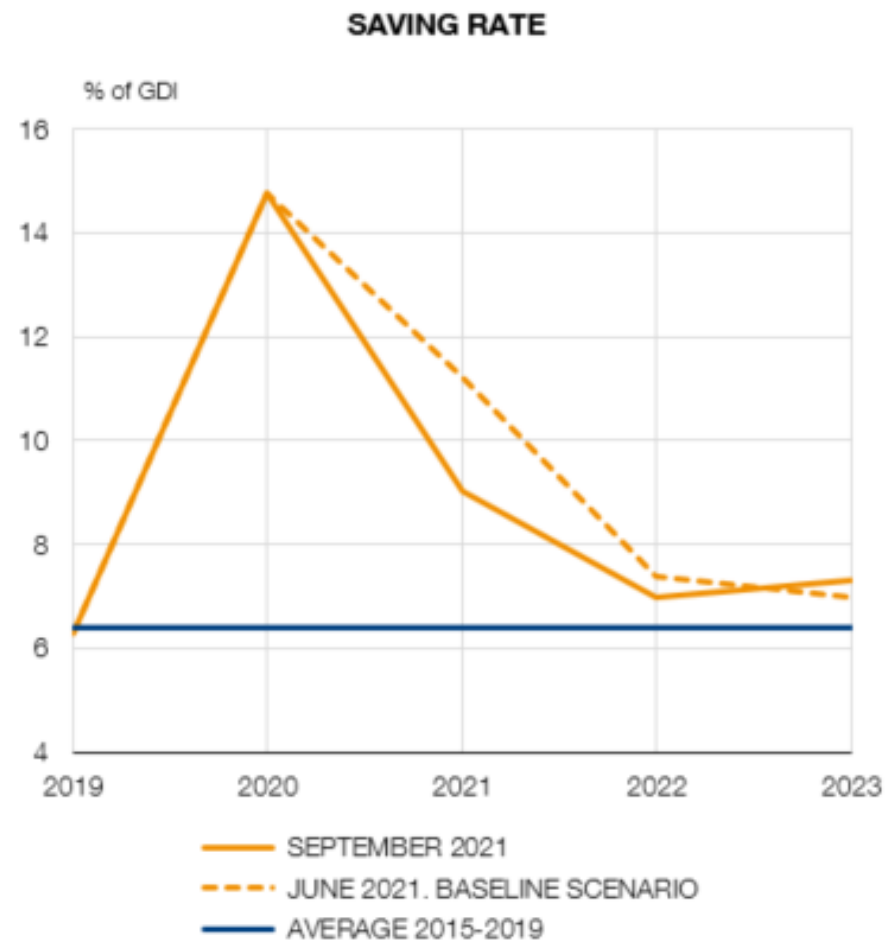
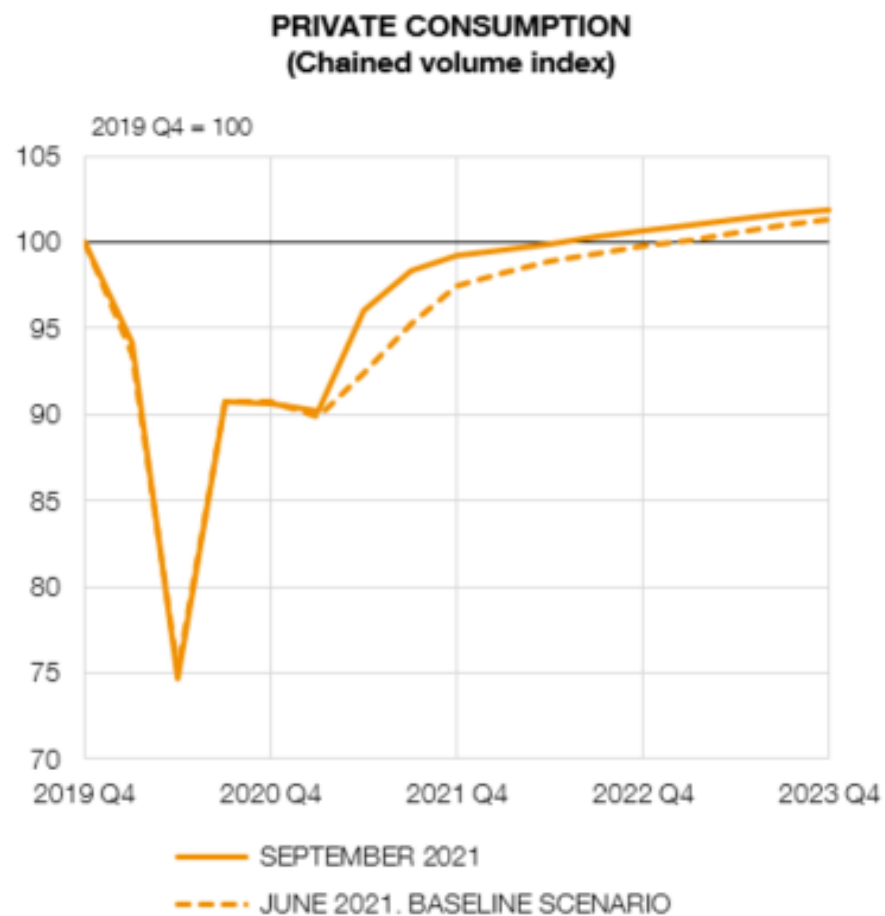
Sources: INE, Eurostat and ANFAC.

NGEU ABSORPTION ASSUMPTIONS (RRF + REACT-EU)



Sources: Stability Programme Update 2021 and Banco de España.

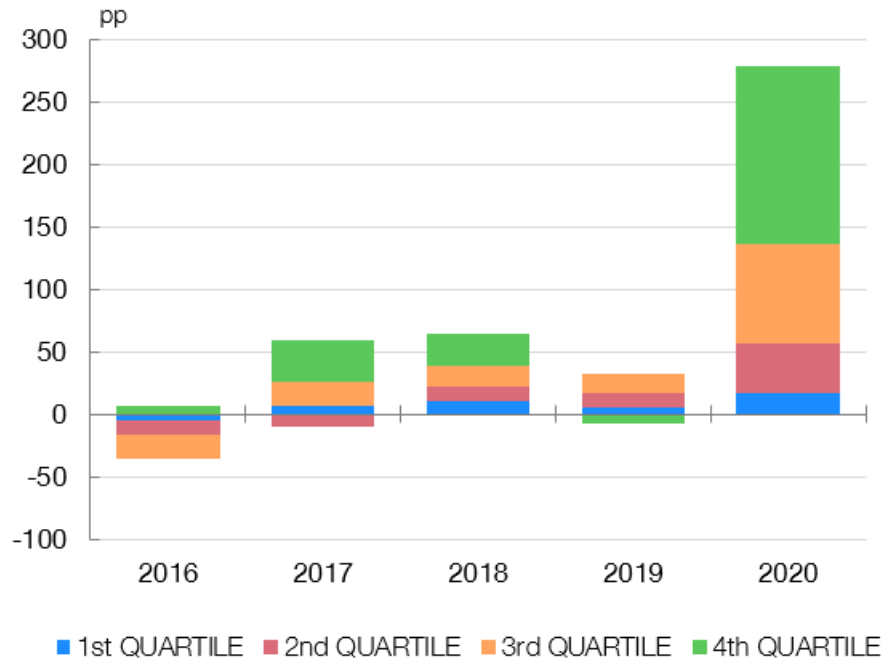
HIGH UNCERTAINTY SURROUNDS THE CONSUMPTION RECOVERY PATH AND THE SAVING RATE



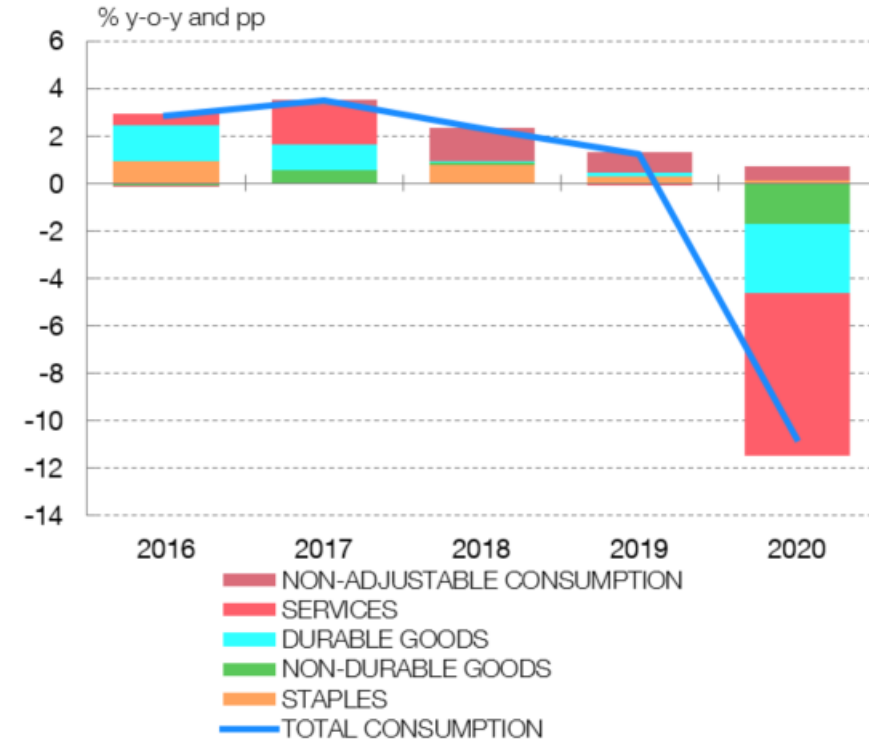
Sources: Banco de España and INE.

THE INCREASE IN ACCUMULATED SAVINGS IN 2020 CORRESPONDED TO THE UPPER INCOME QUARTILES AND REFLECTED THE CUT IN SPENDING ON SERVICES AND DURABLE GOODS

CONTRIBUTIONS TO THE CHANGE IN AGGREGATE HOUSEHOLD SAVINGS. BREAKDOWN BY INCOME GROUPS



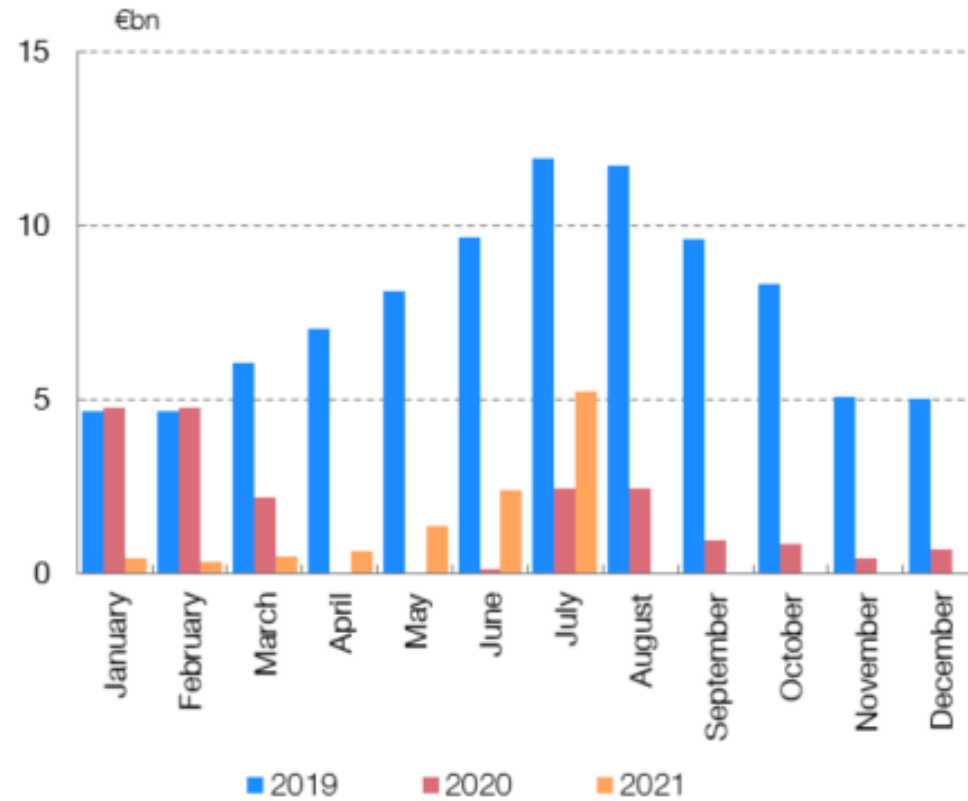
CONTRIBUTIONS TO THE GROWTH OF AVERAGE NOMINAL CONSUMPTION PER HOUSEHOLD. BREAKDOWN BY SPENDING ITEM



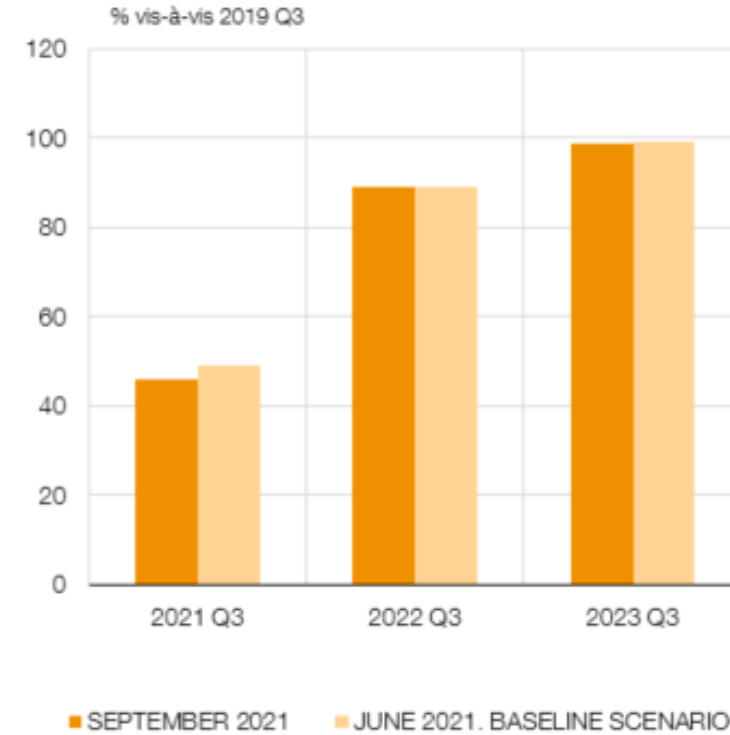
Sources: Household Expenditure Survey 2020 (INE) and Banco de España.

INBOUND TOURISM HAS RISEN GRADUALLY, ALTHOUGH IT IS STILL SUBSTANTIALLY BELOW THE 2019 LEVELS

**SPENDING BY INBOUND TOURISTS.
2019-2020-2021 comparison**



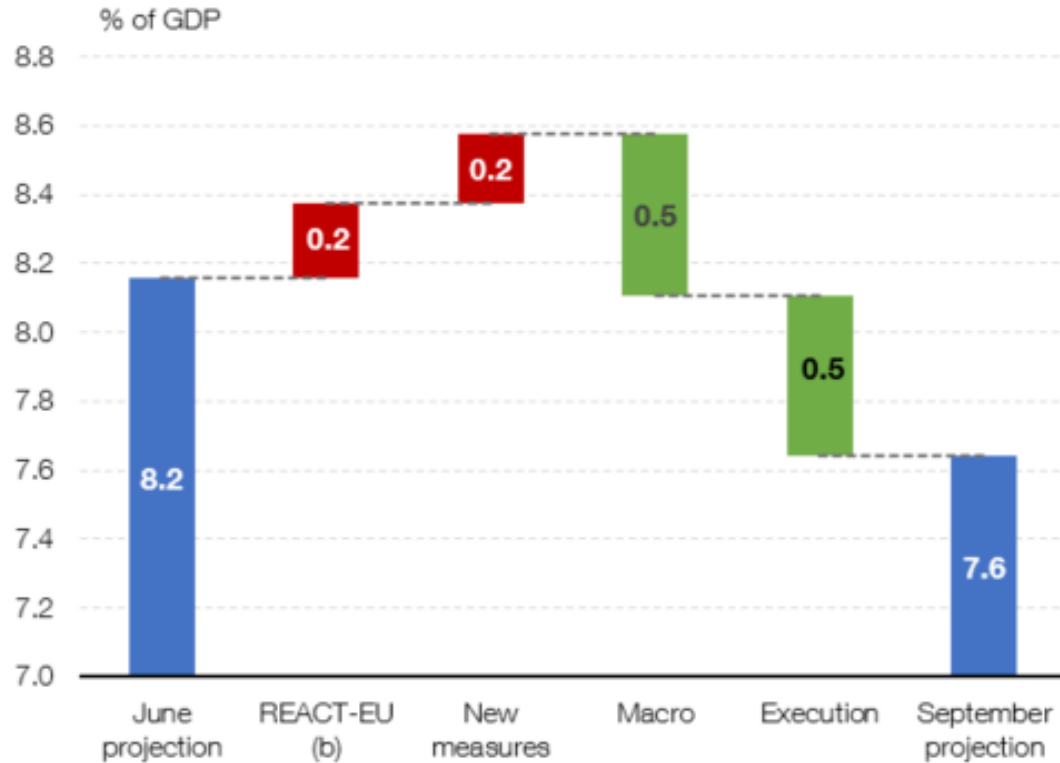
TOURISM EXPORTS



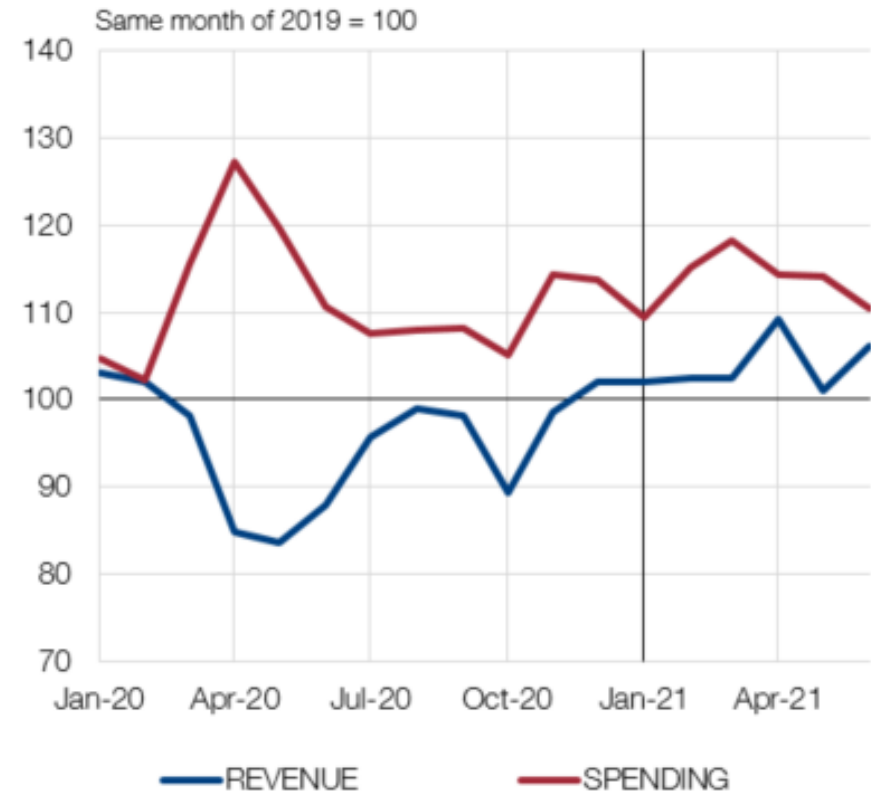
Sources: Banco de España and INE.

THE GOOD PERFORMANCE OF GOVERNMENT REVENUE IN THE FIRST HALF OF THE YEAR SHOULD LEAD TO A DECREASE IN THE BUDGET DEFICIT

CHANGE IN THE PROJECTED PUBLIC DEFICIT FOR 2021 SINCE JUNE (a)



GENERAL GOVERNMENT REVENUE AND SPENDING (a)



Source: Banco de España.

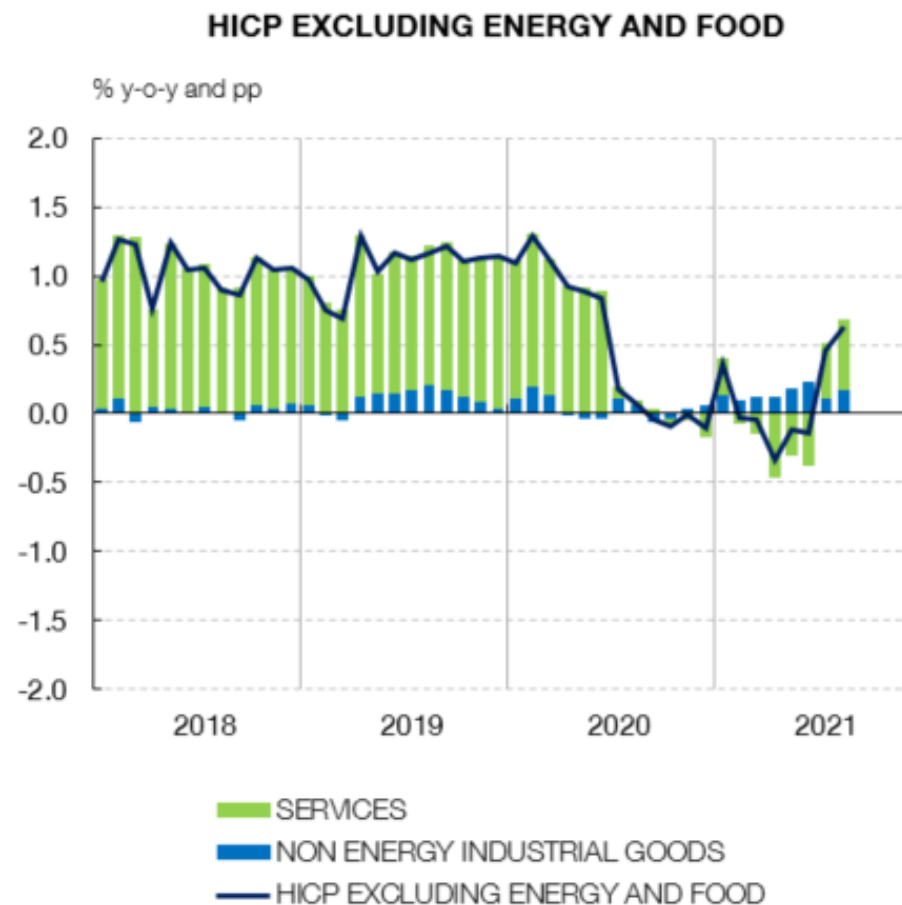
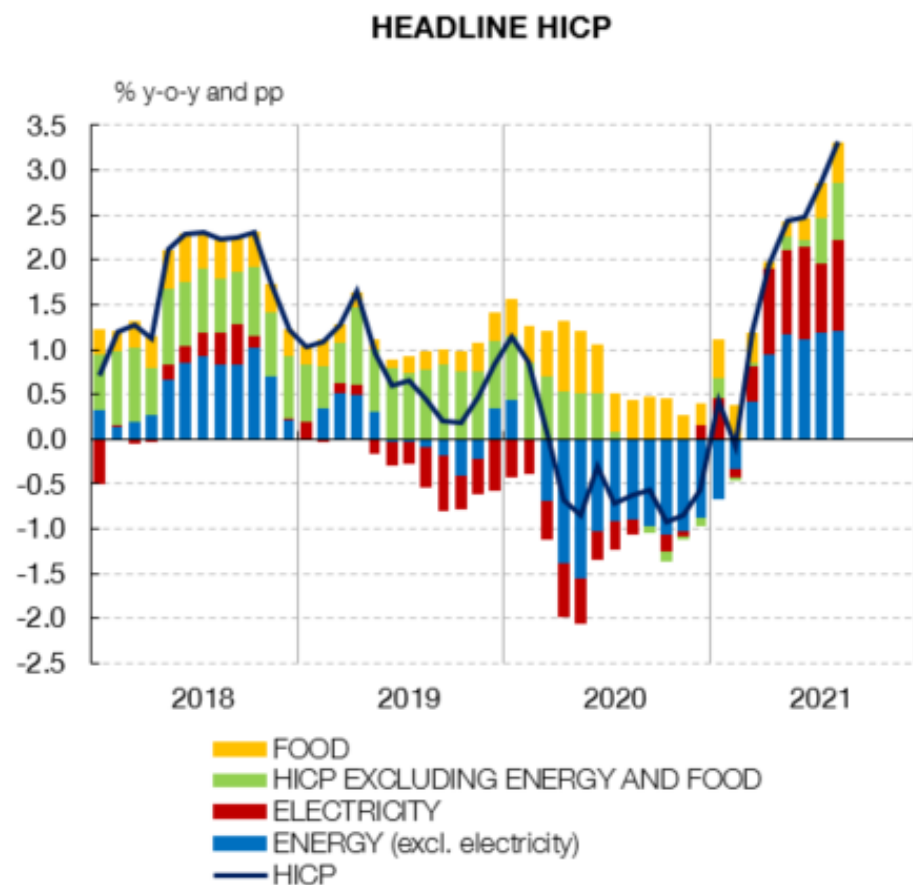
a. Compared with the June baseline scenario.

b. Change to assumption that *REACT-EU* will be deficit neutral.

Source: IGAE.

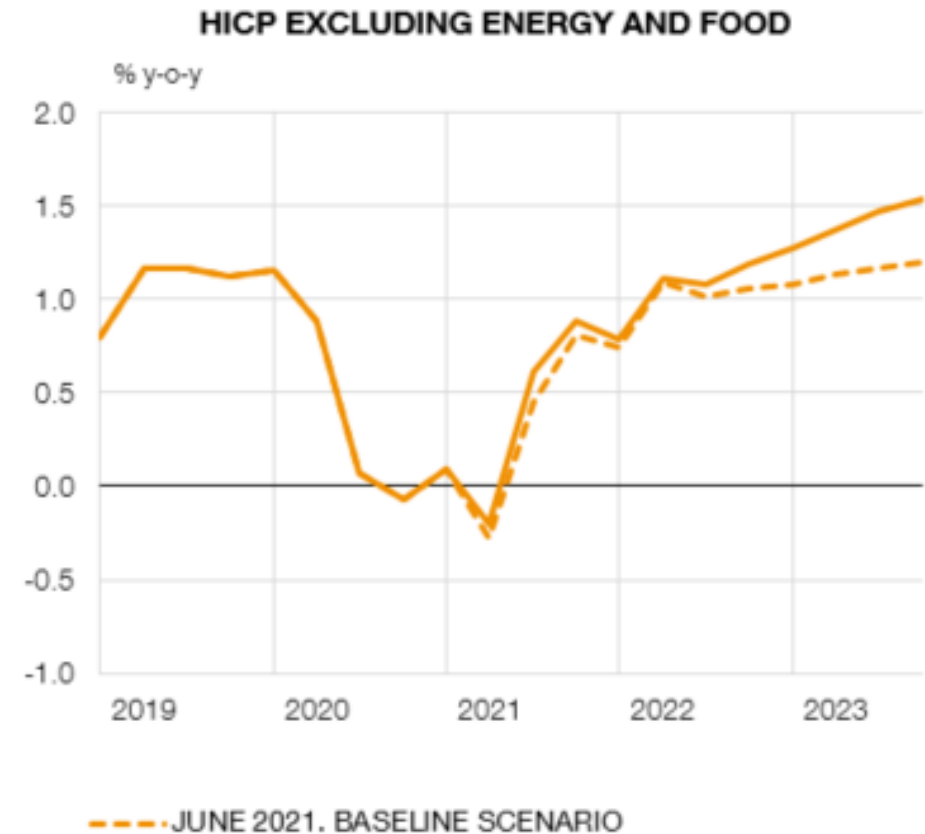
a. Excluding local government and adjusted for return of motorway concessions and Sareb.

THE RECENT UPTICK IN INFLATION HAS BEEN STRONGER AND MORE PERSISTENT THAN WAS EXPECTED A FEW MONTHS AGO



Sources: INE and Eurostat. Latest observation: August 2021.

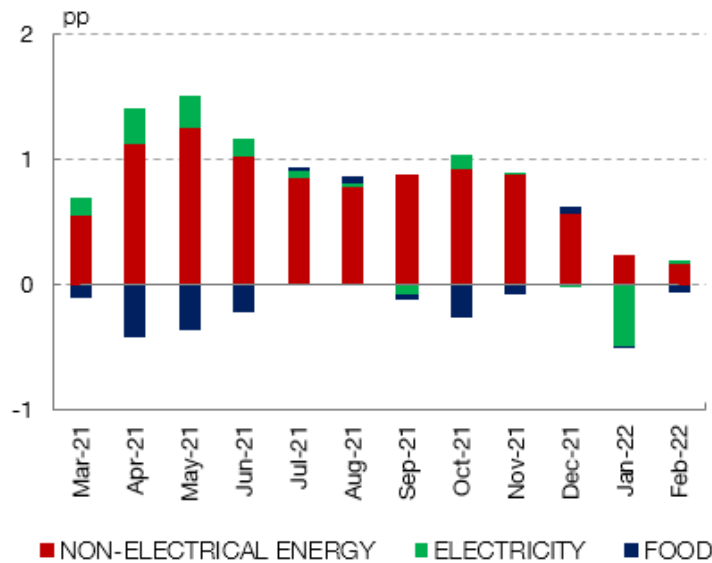
PROJECTED INFLATION HAS BEEN REVISED UP, ALTHOUGH A GOOD PART OF THE INCREASE IN 2021 IS TRANSITORY



Sources: Banco de España and INE.

FACTORS BEHIND THE RECENT INCREASE IN INFLATION IN SPAIN

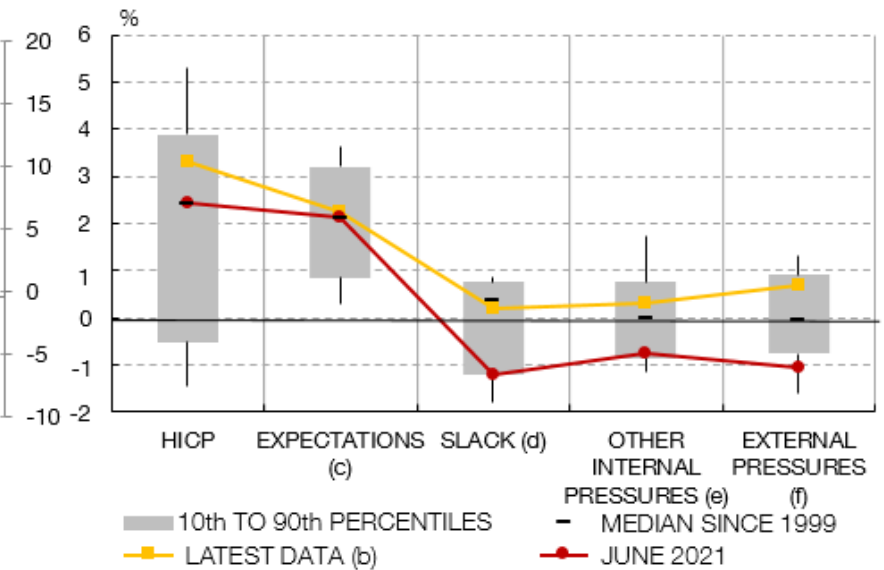
CUMULATIVE IMPACT OF BASE EFFECTS FROM ENERGY AND FOOD



COMMODITY PRICES AND PPI FOR INTERMEDIATE GOODS



INDICATORS OF INFLATION PRESSURES (a)



Sources: European Commission, Eurostat, INE, Reuters and Banco de España.

a. See Álvarez and Sánchez (2018) for a description of the composite indicators of inflationary pressure.

b. Monthly: August 2021; Quarterly: 2021 Q2; Daily: 14 September 2021.

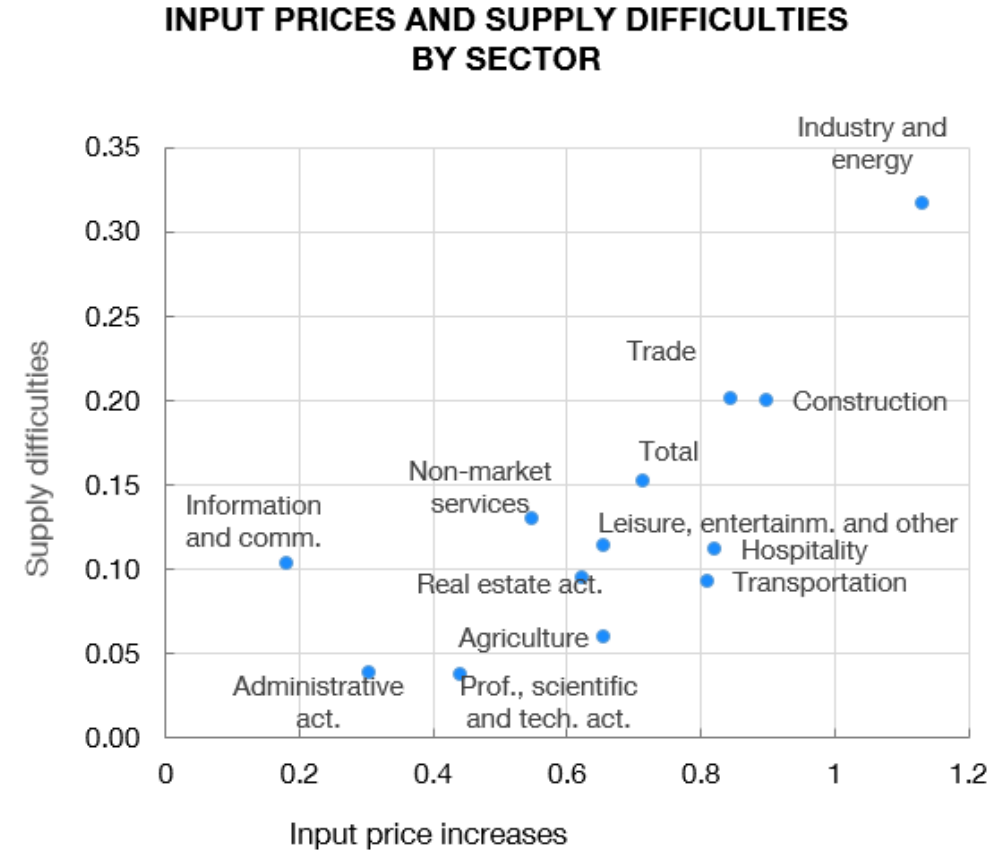
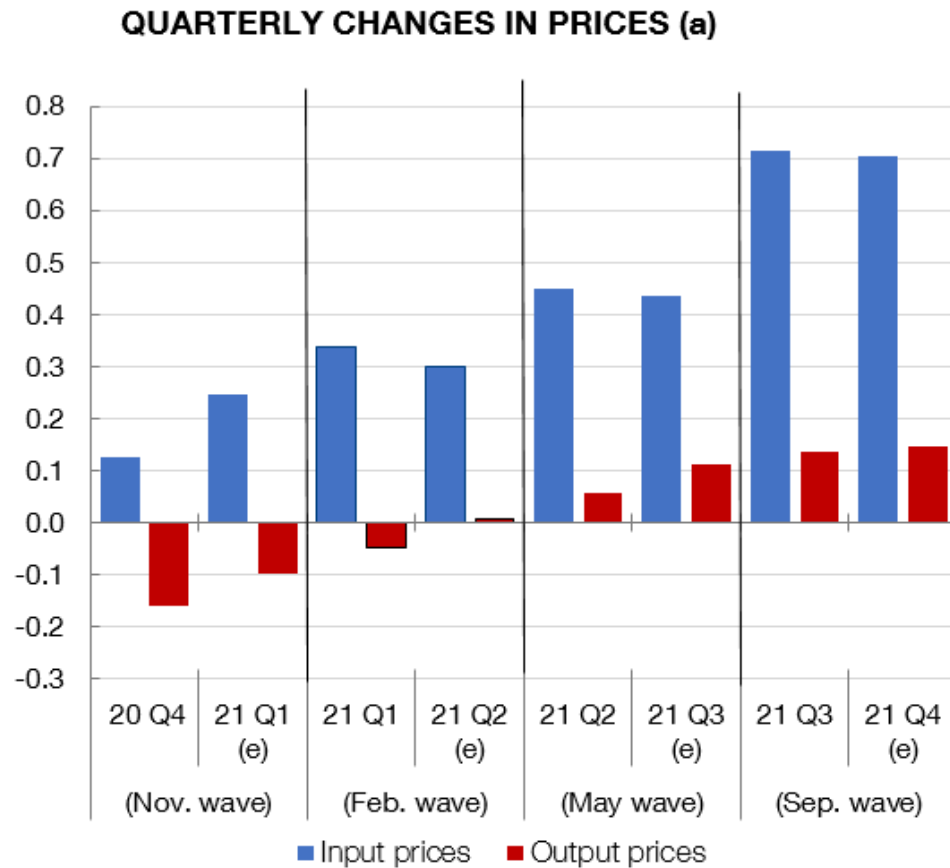
c. Inflation expectations obtained from professional forecasters, firms, consumers and inflation swaps.

d. Includes output gap, capacity utilisation, unemployment rate, quarter-on-quarter change in unemployment rate, recession gap and quarter-on-quarter change in GDP and private consumption.

e. Includes labour costs, business mark-ups and domestic producer prices.

f. Imported goods prices: final products, intermediate goods and commodities.

FIRMS POINT TO AN INCREASE IN INFLATIONARY PRESSURE, ASSOCIATED WITH THE SUPPLY PROBLEMS



Source: EBAE (Banco de España).

(a) Index calculated as: -2 = “significant decrease”; -1 = “minor decrease”; 0 = “stability”; 1 = “minor increase”; and 2 = “significant increase”. The (e) denotes firms’ expectations for the relevant quarter.

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MAIN SOURCES OF UNCERTAINTY

Consumption and private saving developments (rate and extent of the process of spending the accumulated household savings)

Speed of use of the NGEU funds and the multiplier effect on activity

Persistent and severe global supply chain disruption

Inflationary pressures and second-round effects of the rise in inflation

Persistent effects of the crisis on potential growth (labour market hysteresis, destruction of productive system, etc.) and effectiveness of public policies to prevent these adverse effects

APPENDIX



ASSUMPTIONS ON THE INTERNATIONAL ENVIRONMENT AND MONETARY AND FINANCING CONDITIONS

	September 2021 projections (a)			Difference between the current projections and those under the June 2021 baseline scenario (b)		
	2021	2022	2023	2021	2022	2023
Annual rate of change (%) unless otherwise indicated						
International environment						
Spain's export markets (c)	9.3	6.4	3.7	0.7	0.0	0.3
Oil price in US dollar/barrel (level)	68.7	69.1	65.3	2.9	4.6	3.4
Monetary and financing conditions						
USD/EUR exchange rate (level)	1.19	1.18	1.18	-0.01	-0.03	-0.03
Nominal effective exchange rate against non-euro area (d) (2000 = 100)	121.5	120.8	120.8	-1.2	-2.2	-2.2
Short-term interest rates (3-month EURIBOR) (e)	-0.5	-0.5	-0.4	0.0	0.0	-0.1
Long-term interest rate (10-year bond yield) (e)	0.3	0.5	0.7	-0.2	-0.4	-0.4

Sources: Banco de España and ECB.

a. Cut-off date for assumptions: 14 September 2021. Figures expressed as levels are annual averages; figures expressed as rates are calculated on the basis of the related annual averages.

b. The differences are in rates for export markets, in levels for oil prices and the dollar/euro exchange rate, in percentages for the nominal effective exchange rate and in percentage points for interest rates.

c. The assumptions regarding the behaviour of Spain's export markets presented in the table are obtained from the September 2021 ECB staff macroeconomic projections for the euro area.

d. A positive percentage change in the nominal effective exchange rate denotes appreciation of the euro.

e. For the projection period, the figures in the table are technical assumptions, prepared following the Eurosystem's methodology. These assumptions are based on futures market prices or on proxies thereof and should not be interpreted as a Eurosystem prediction as to the course of these variables.

MACROECONOMIC PROJECTIONS 2021-2023

			September 2021 projections (a)			June 2021 projections		
			Baseline scenario			Baseline scenario		
			2021	2022	2023	2021	2022	2023
Annual rate of change in volume terms (%) and % of GDP	2020 (b)	2020						
GDP	-10.8	-10.8	6.3	5.9	2.0	6.2	5.8	1.8
Private consumption	-12.0	-12.1	9.6	4.3	1.3	7.1	5.7	1.7
Government consumption	3.3	3.8	2.2	0.2	0.9	1.9	0.3	0.9
Gross fixed capital formation	-9.5	-11.4	5.8	10.5	3.0	8.1	9.3	1.6
Exports of goods and services	-20.1	-20.2	8.7	11.1	4.5	11.9	9.5	4.3
Imports of goods and services	-15.2	-15.8	11.5	7.5	3.3	11.6	8.3	3.4
Domestic demand (contribution to growth)	-8.6	-8.8	7.0	4.7	1.6	5.9	5.3	1.4
Net external demand (contribution to growth)	-2.2	-2.0	-0.7	1.2	0.4	0.3	0.5	0.4
Nominal GDP	-9.8	-9.9	7.6	7.7	3.6	7.2	7.1	3.4
GDP deflator	1.1	1.1	1.2	1.8	1.6	1.0	1.3	1.6
Harmonised index of consumer prices (HICP)	-0.3	-0.3	2.1	1.7	1.3	1.9	1.2	1.2
HICP excluding energy and food	0.5	0.5	0.3	1.0	1.4	0.3	1.0	1.1
Employment (hours)	-10.6	-10.4	8.1	5.6	1.7	6.7	5.4	1.8
Unemployment rate (% of labour force). Annual average	15.5	15.5	15.1	14.3	13.3	15.6	14.7	13.7
Net lending (+)/net borrowing (-) of the nation (% of GDP)	-	1.1	0.1	3.1	3.4	1.5	3.1	3.1
General government net lending (+)/net borrowing (-) (% of GDP)	-	-11.0	-7.6	-4.3	-3.5	-8.2	-4.9	-4.3
General government debt (% of GDP)	119.9	119.9	117.9	114.3	114.3	120.1	117.9	118.0

Sources: Banco de España and INE. Latest QNA figure published: 2021 Q2.

a. Projections cut-off date: 14 September 2021.

b. The 2020 rates of change that refer to the QNA series have been updated to take into account the revised QNA series for the years 2018-2020, released by the INE on 16 September. The revised figures on the net lending (+)/net borrowing (-) of the nation and of general government will be released on 30 September.