

# MACROECONOMIC PROJECTIONS FOR SPAIN 2021-2024

**ÓSCAR ARCE**

Director General Economics, Statistics and Research

Madrid

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1. Overview
2. Developments in economic activity in the short term
3. Economic projections for the Spanish economy in the 2021-2024 period
4. Risks

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## 1. Overview

2. Developments in economic activity in the short term

3. Economic projections for the Spanish economy in the 2021-2024 period

4. Risks

## Recent information

- Downward surprises in economic growth data for the latest quarters.
- The short-term economic indicators point to somewhat less expansionary behaviour in the coming months.
- Worsening of the epidemiological situation despite a high percentage of the population being vaccinated.

## Macroeconomic projections

- GDP growth is revised significantly downwards in 2021 (1.9 pp) and, to a lesser extent, in 2022 (0.4 pp):
  - Worse starting point owing to the revision of 2021 Q1 data and to the negative surprise of 2021 Q3.
  - Negative impact of bottlenecks and of higher inflation.
  - Delays in the implementation of NGEU projects.
- Progressive recovery in GDP growth rates over the rest of the projection horizon.

## Inflation

- Inflation will hold at high levels in the coming months owing to energy prices.
- Inflation is expected to ease to a rate somewhat under 2% in the medium term.

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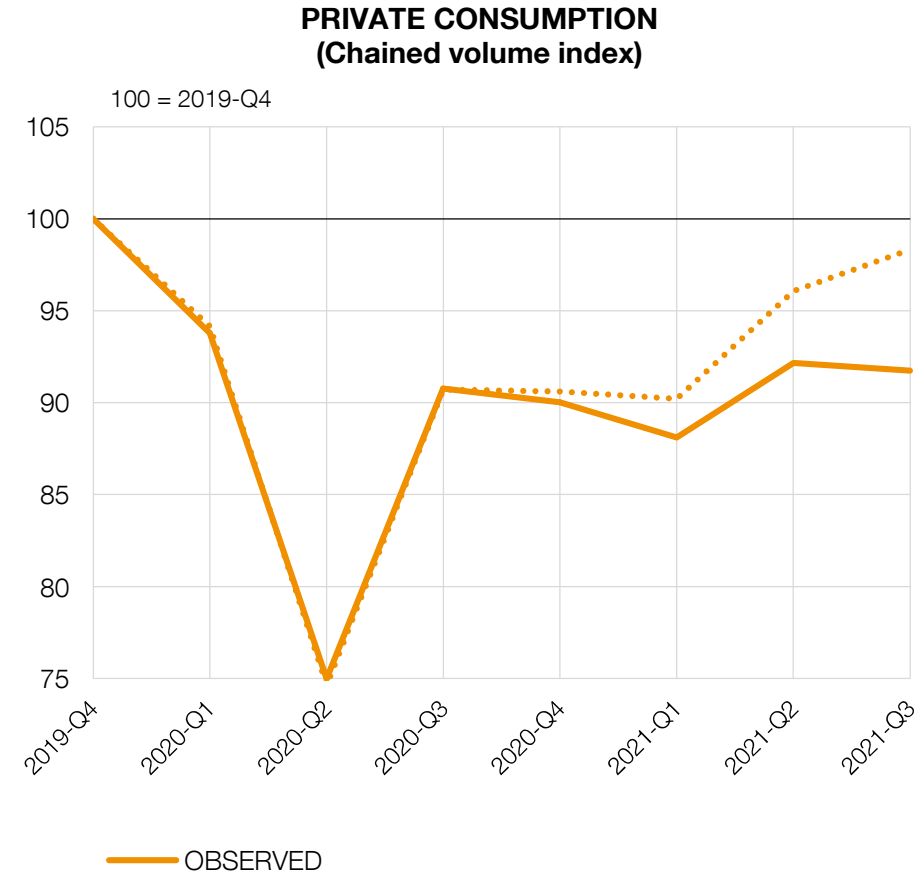
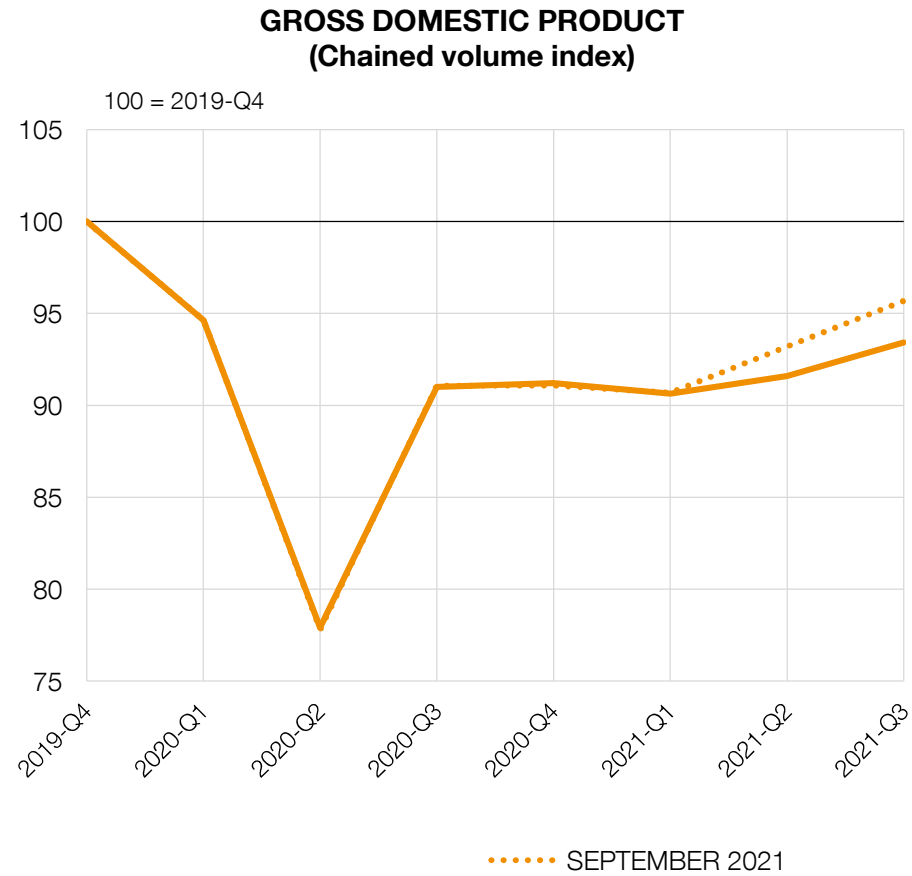
1. Overview

**2. Developments in economic activity in the short term**

3. Economic projections for the Spanish economy in the 2021-2024 period

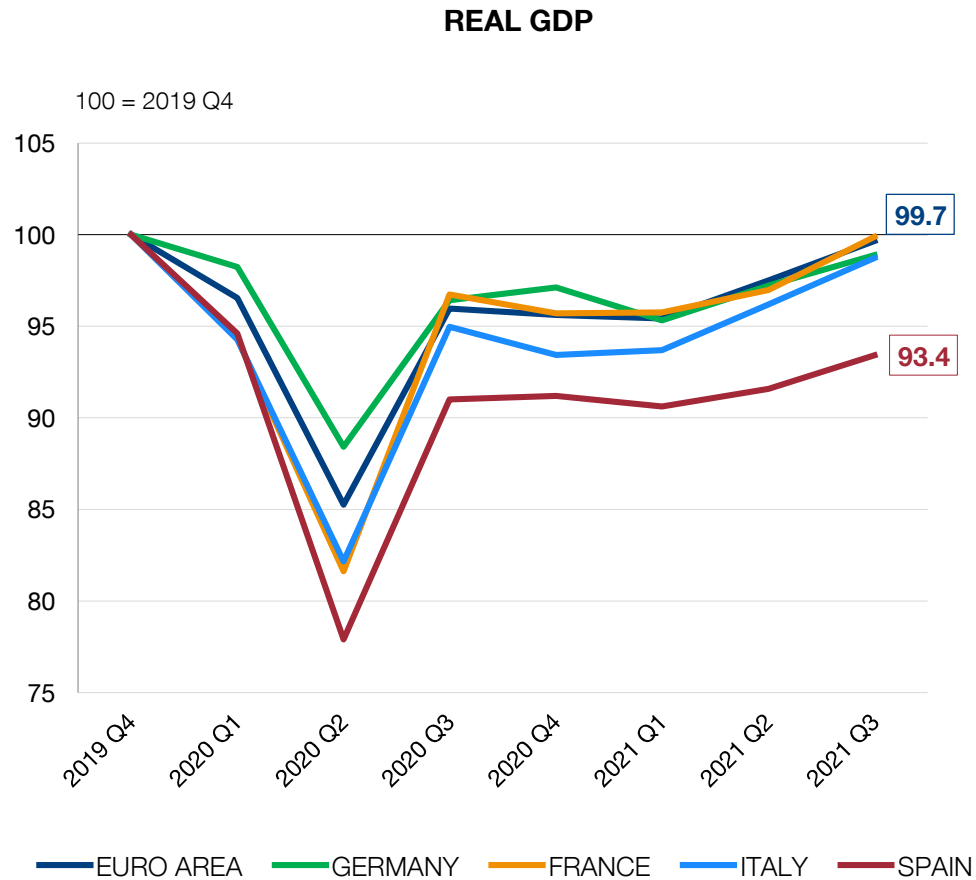
4. Risks

# IN THE LAST TWO QUARTERS, GDP HAS SURPRISED ON THE DOWNSIDE, OWING PARTLY TO THE REVISION OF QUARTERLY NATIONAL ACCOUNTS DATA



SOURCES: Banco de España and INE.

# IN SPAIN, THE PANDEMIC-INDUCED CONTRACTION IN ACTIVITY WAS MORE ACUTE THAN IN THE EURO AREA, AND THE SUBSEQUENT RECOVERY IS PROVING LESS ROBUST



Some factors behind this divergence:

Worse performance of net external demand

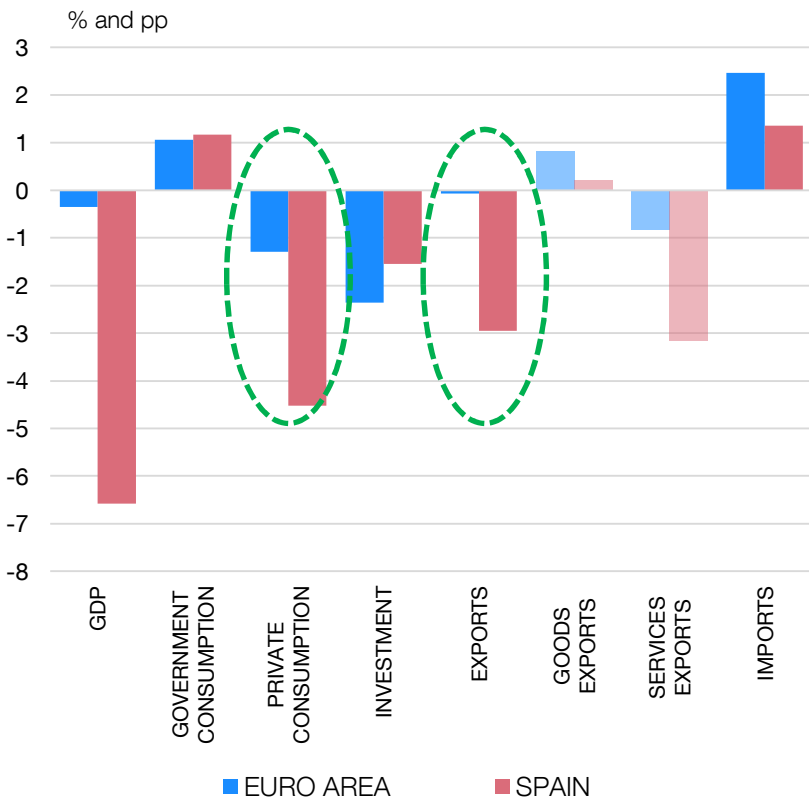
Slow recovery in tourism flows

Some domestic demand components (household spending and housing investment) are less dynamic

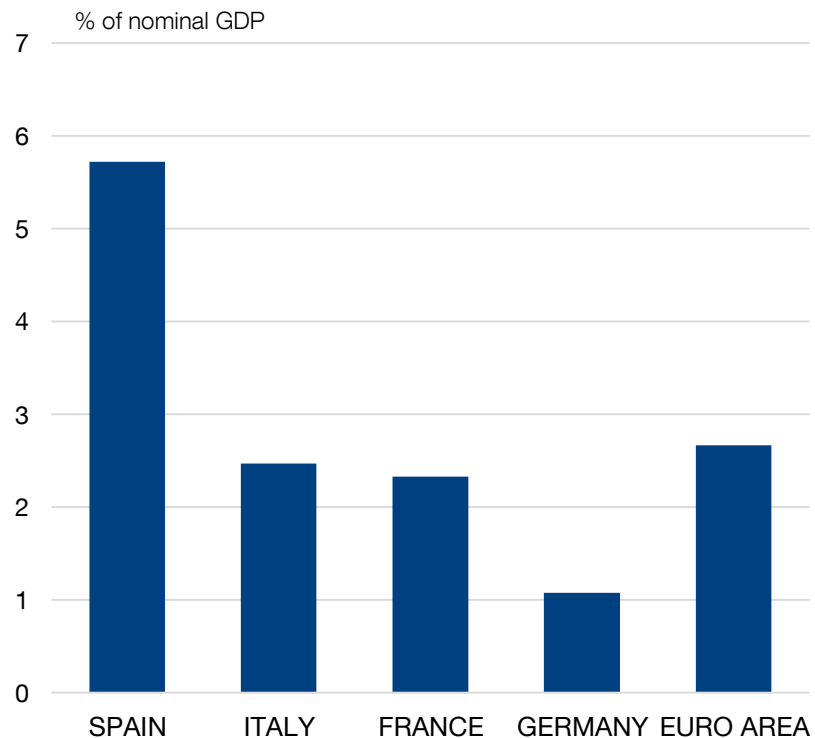
SOURCES: INE and Eurostat. Latest observation: 2021 Q3.

# THIS POORER PERFORMANCE IN ACTIVITY IS MAINLY DUE TO NET EXTERNAL DEMAND, ESPECIALLY TOURISM EXPORTS

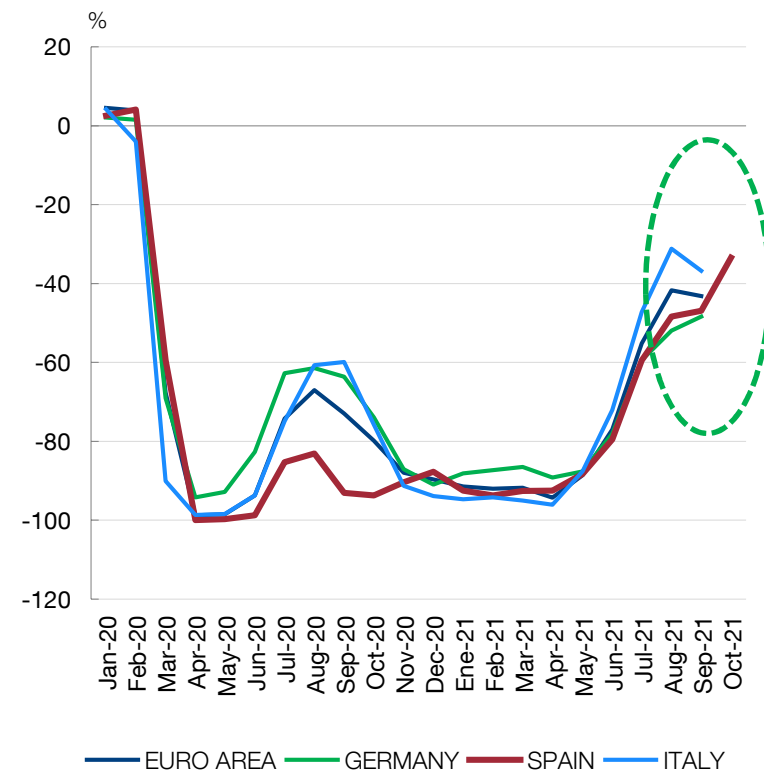
### CONTRIBUTIONS TO GDP CHANGE BETWEEN 2021 Q3 AND 2019 Q4



### SHARE OF TOURISM EXPORTS IN GDP 2019



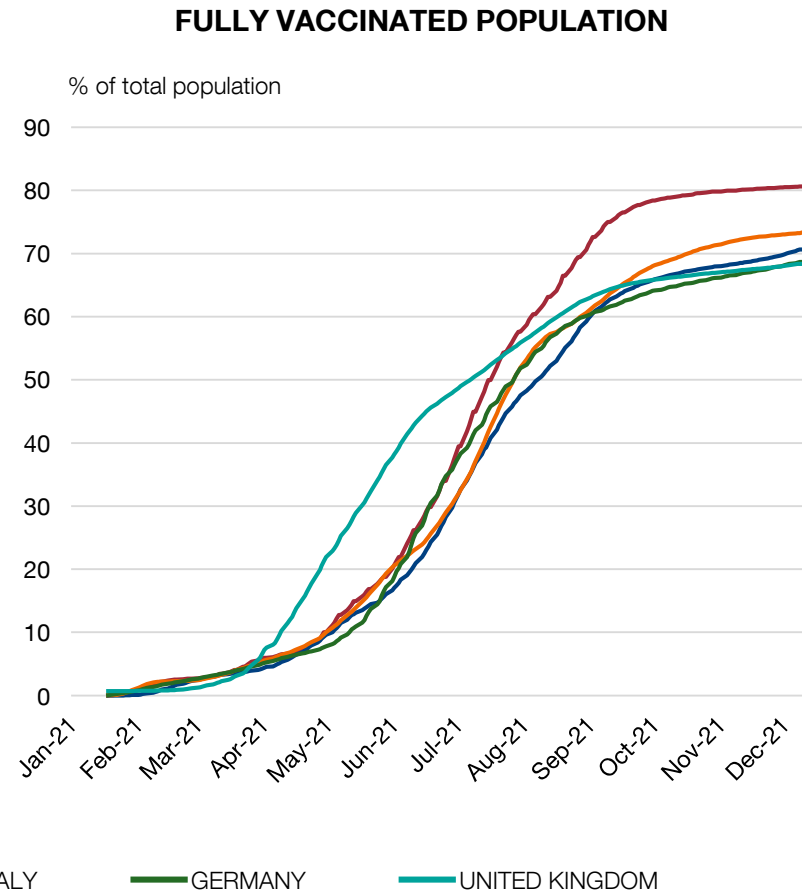
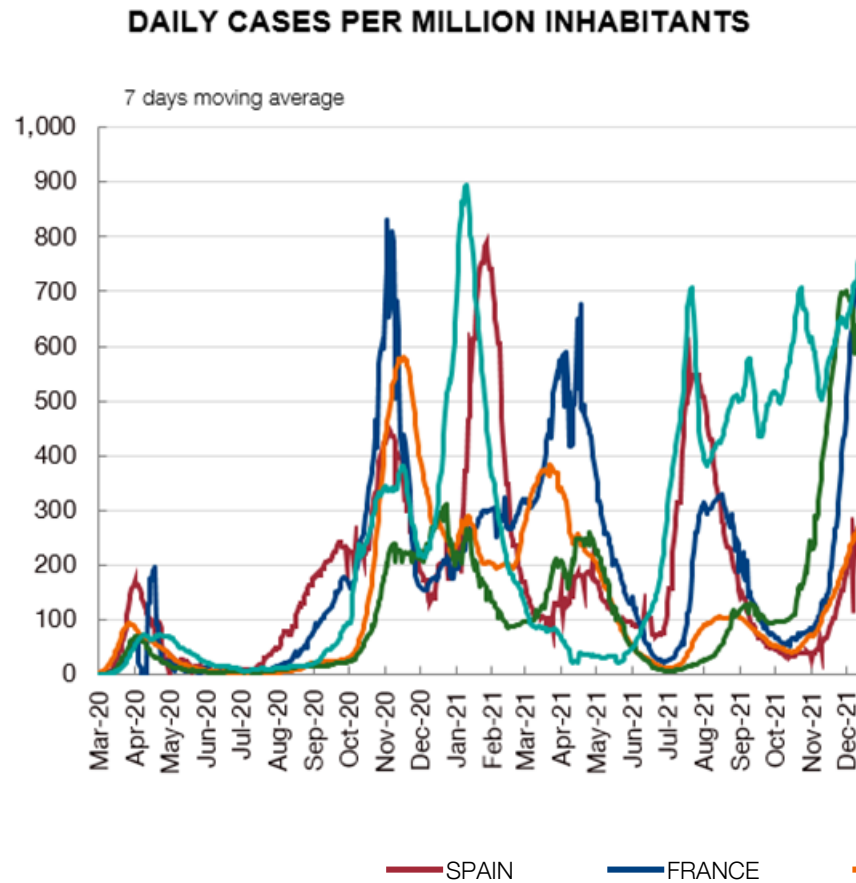
### OVERNIGHT HOTEL STAYS BY FOREIGNERS. Rates over same month in 2019



SOURCES: Eurostat, IMF and INE.



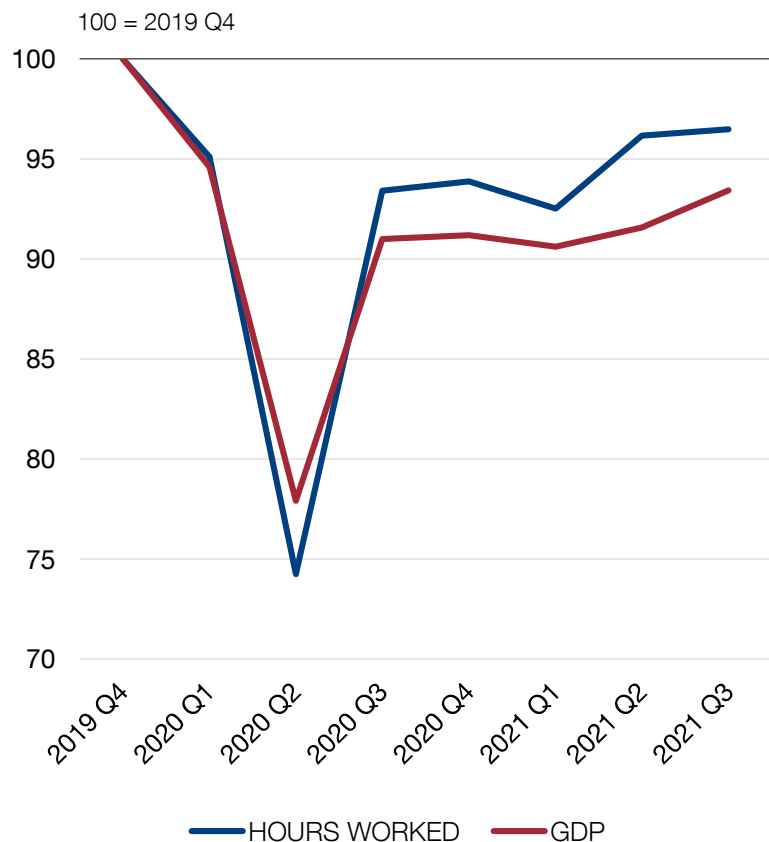
# PANDEMIC: INCIDENCE IS ON THE UP AGAIN, DESPITE THE HIGH VACCINATION ROLL-OUT IN SPAIN. UNCERTAINTY OVER THE NEW STRAIN



SOURCES: CSEE at Johns Hopkins University and Our World in Data.  
Latest observation: 15 December (daily cases) and 13 December (population vaccinated).

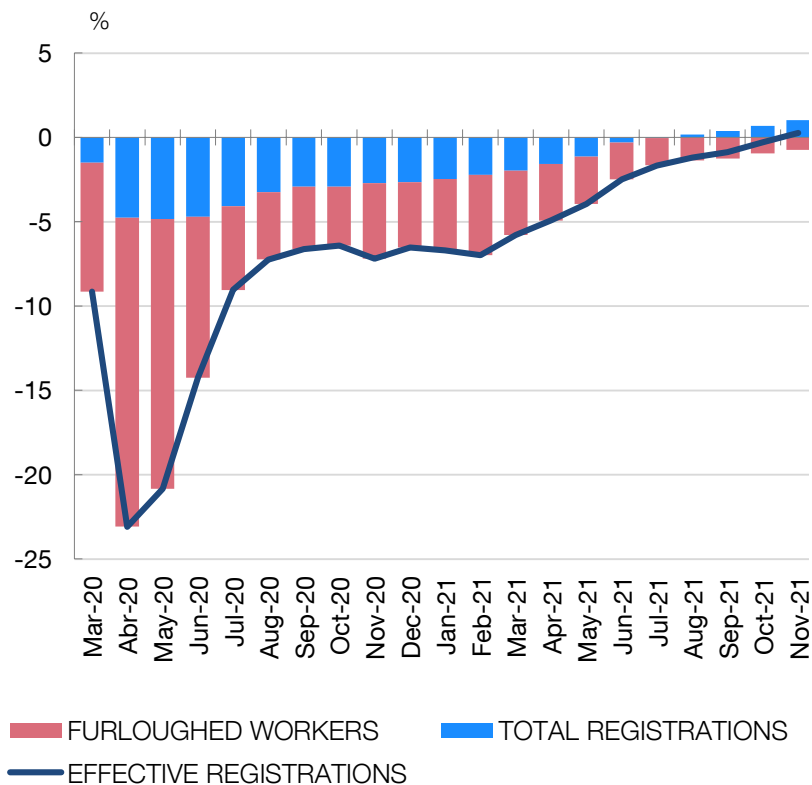
# EMPLOYMENT IS PICKING UP MORE QUICKLY THAN GDP. NEW SOCIAL SECURITY REGISTRATIONS HAVE REMAINED VERY BUOYANT IN Q4

### HOURS WORKED AND GDP

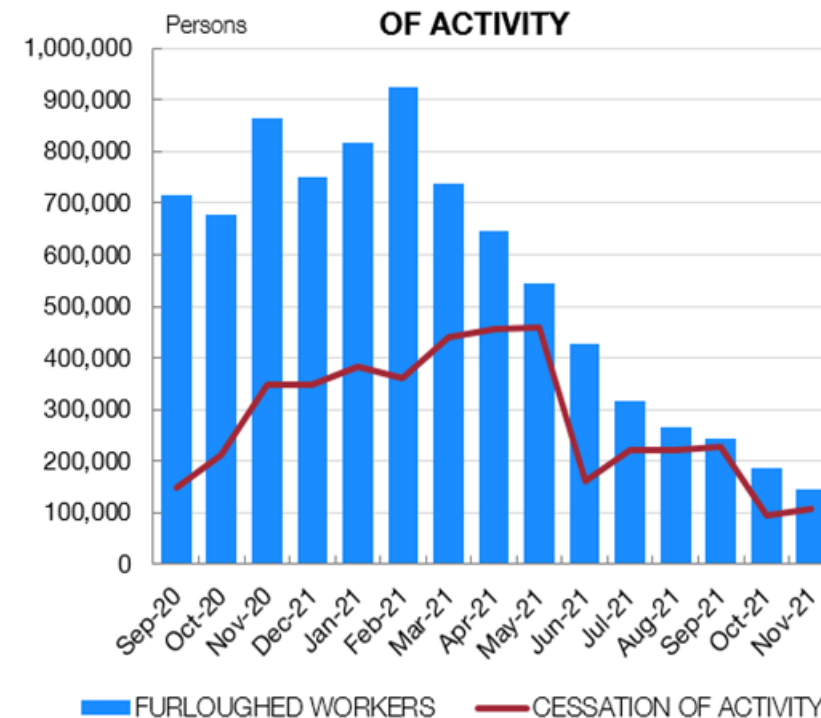


### CHANGE IN EFFECTIVE SOCIAL SECURITY REGISTRATIONS, FURLOUGHED WORKERS AND EFFECTIVE REGISTRATIONS COMPARED WITH FEBRUARY 2020

(Seasonally adjusted total registrations series)



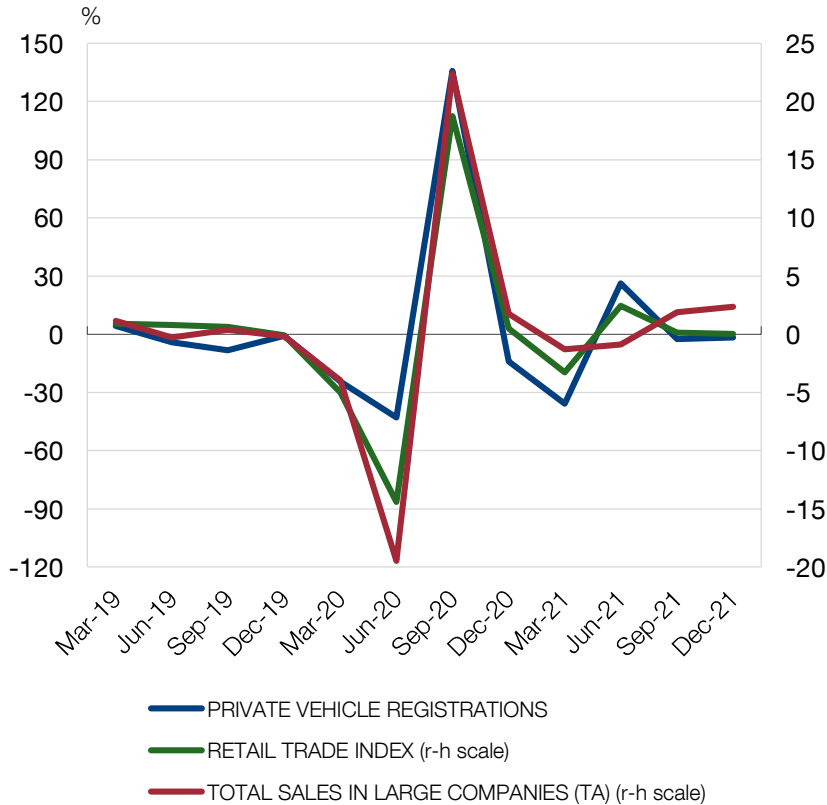
### FURLOUGHED DEPENDENT WORKERS AND SELF-EMPLOYED SUBJECT TO CESSATION OF ACTIVITY



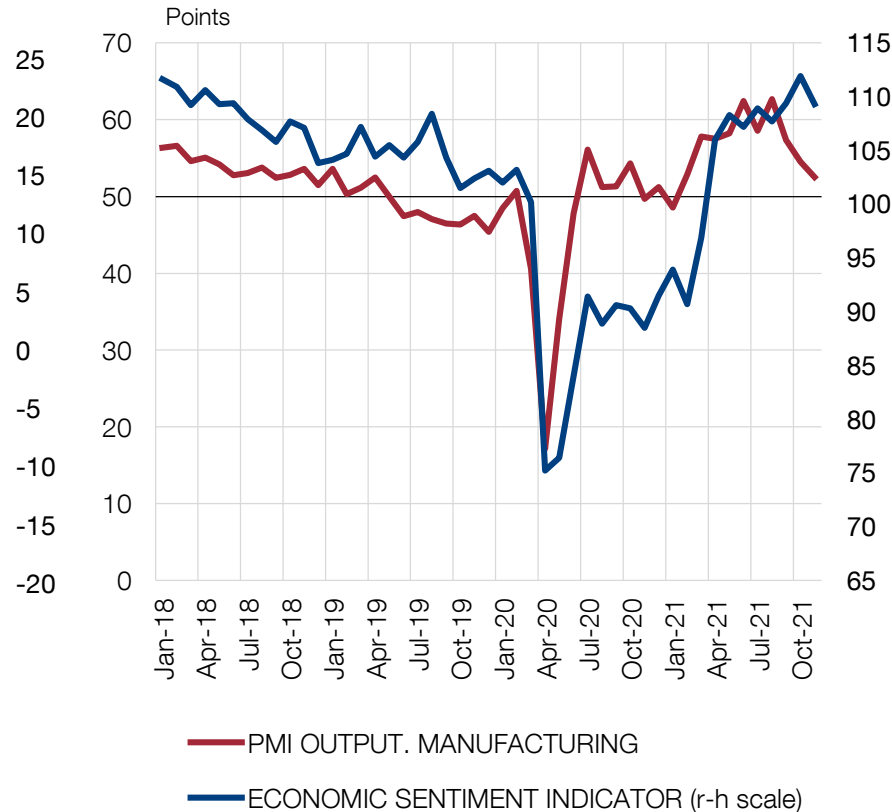
SOURCES: INE and Ministerio de Inclusión, Seguridad Social y Migraciones. Latest observation: 2021 Q3 (GDP and hours worked) and November (registrations, furloughed workers and the self-employed on benefits for cessation of activity).

# OTHER AVAILABLE INDICATORS GENERALLY POINT TO AN EASING IN THE PACE OF ACTIVITY IN Q4

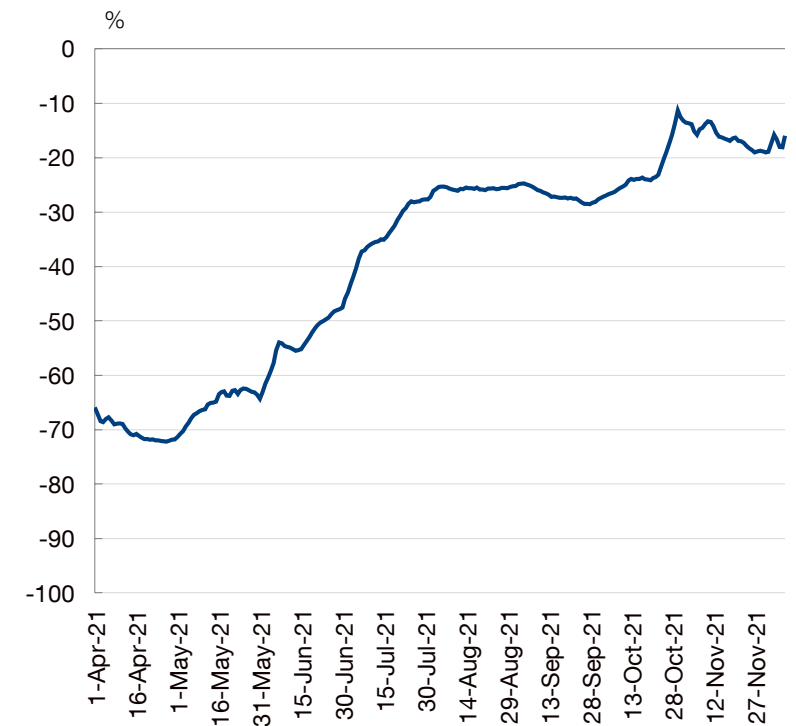
**QUANTITATIVE INDICATORS**  
Quarter-on-quarter rates



**QUALITATIVE INDICATORS**

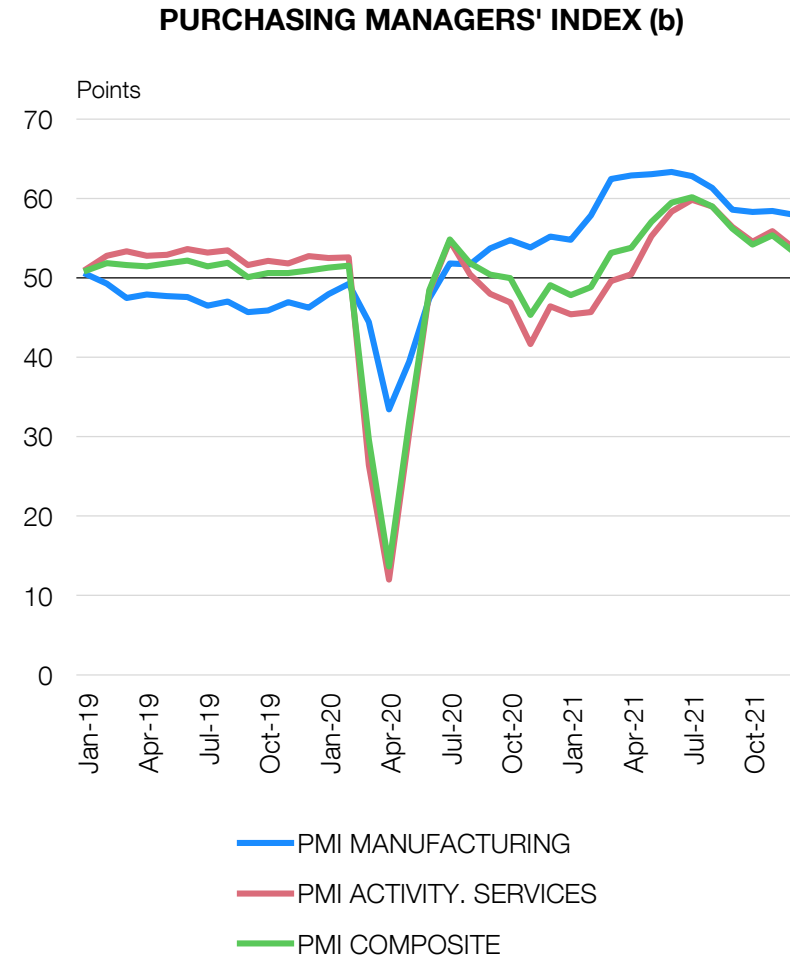
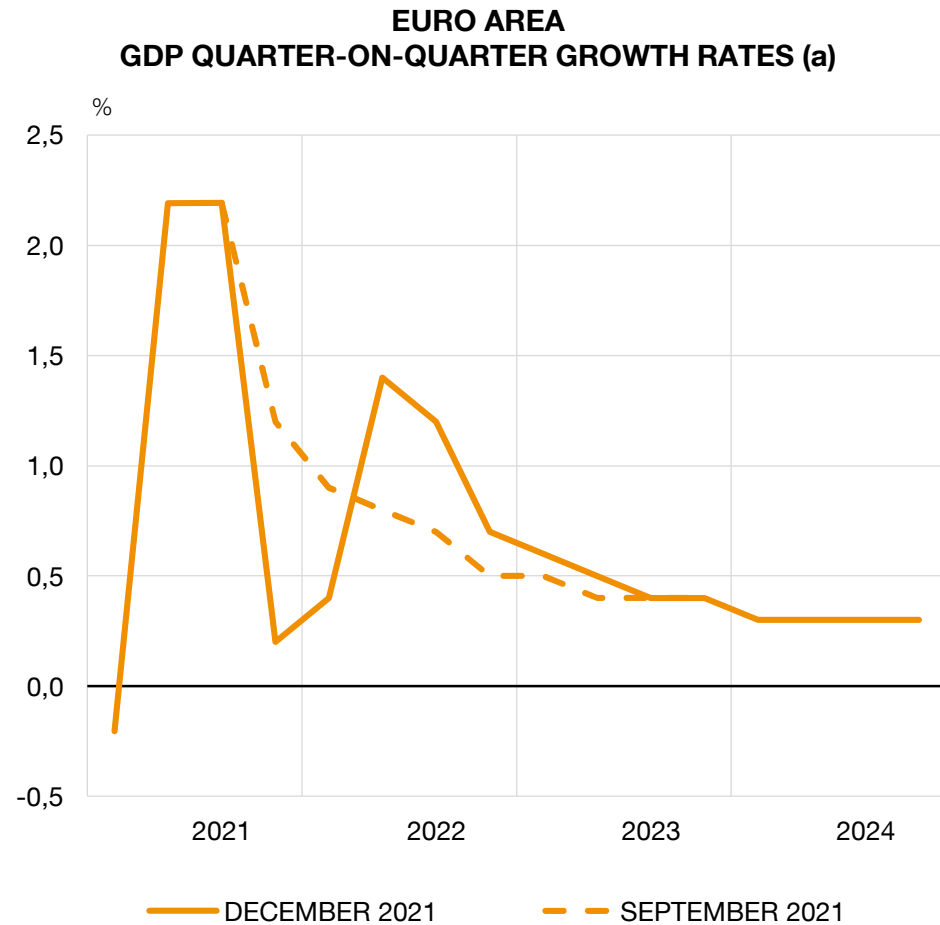


**AIR TRAFFIC IN SPANISH AIRPORTS**  
Growth rates relative to same dates in 2019 (a)



SOURCES: ANFAC, Tax Revenue Agency (TA), INE, IHS Markit, European Commission, Eurocontrol and Banco de España.  
Latest observation: October (RTI and total TA sales) and November (new car registrations and qualitative indicators)..  
a) 7-day moving average.

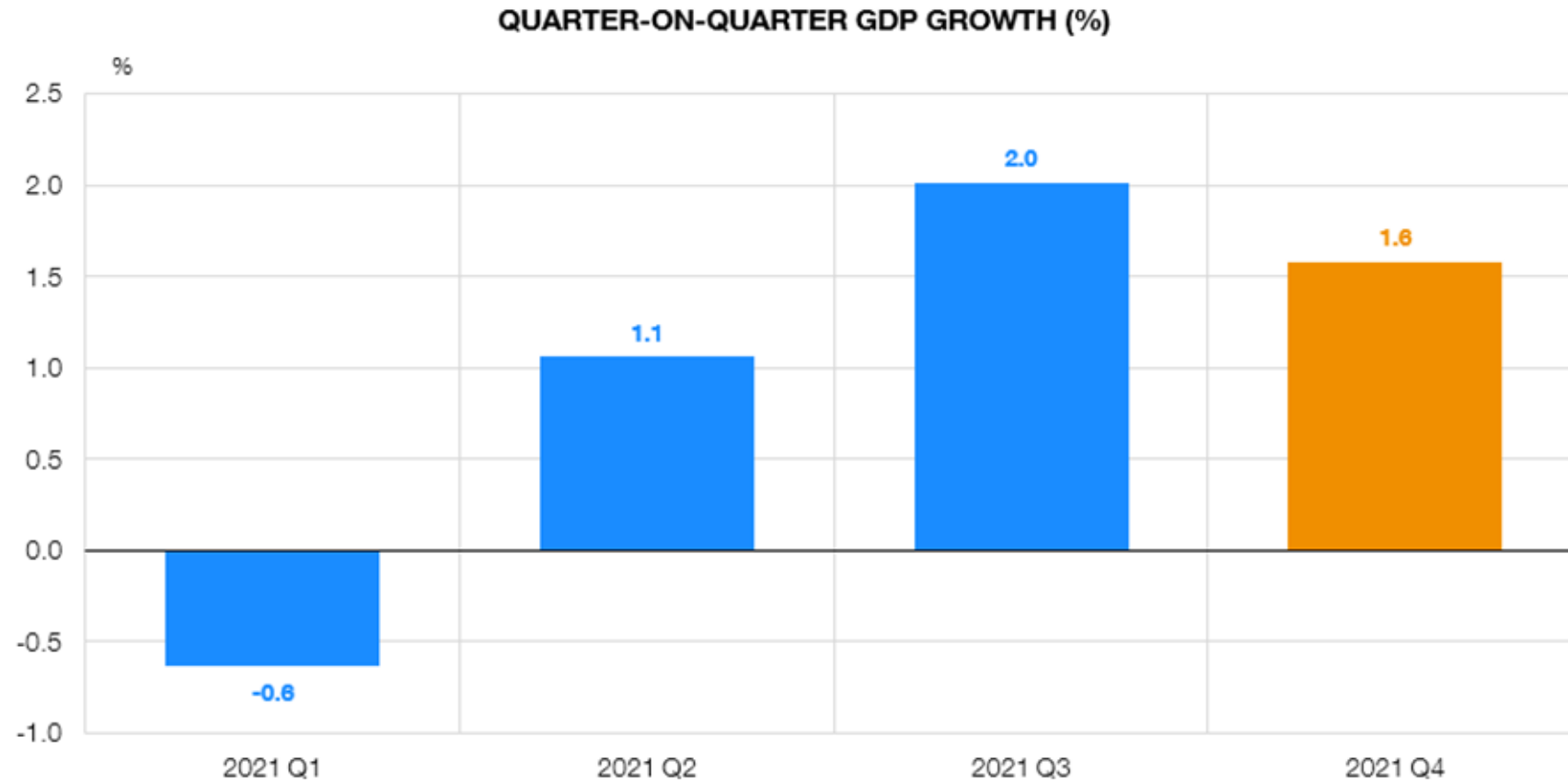
# DOWNTURN IN ACTIVITY IN THE EUROPEAN SETTING IN THE SHORT TERM



SOURCES: Eurosystem and IHS Markit.

a) Latest observed figure: 2021-Q3.

b) Latest observed figure: preliminary estimate for December 2021.



SOURCES: Banco de España and INE.

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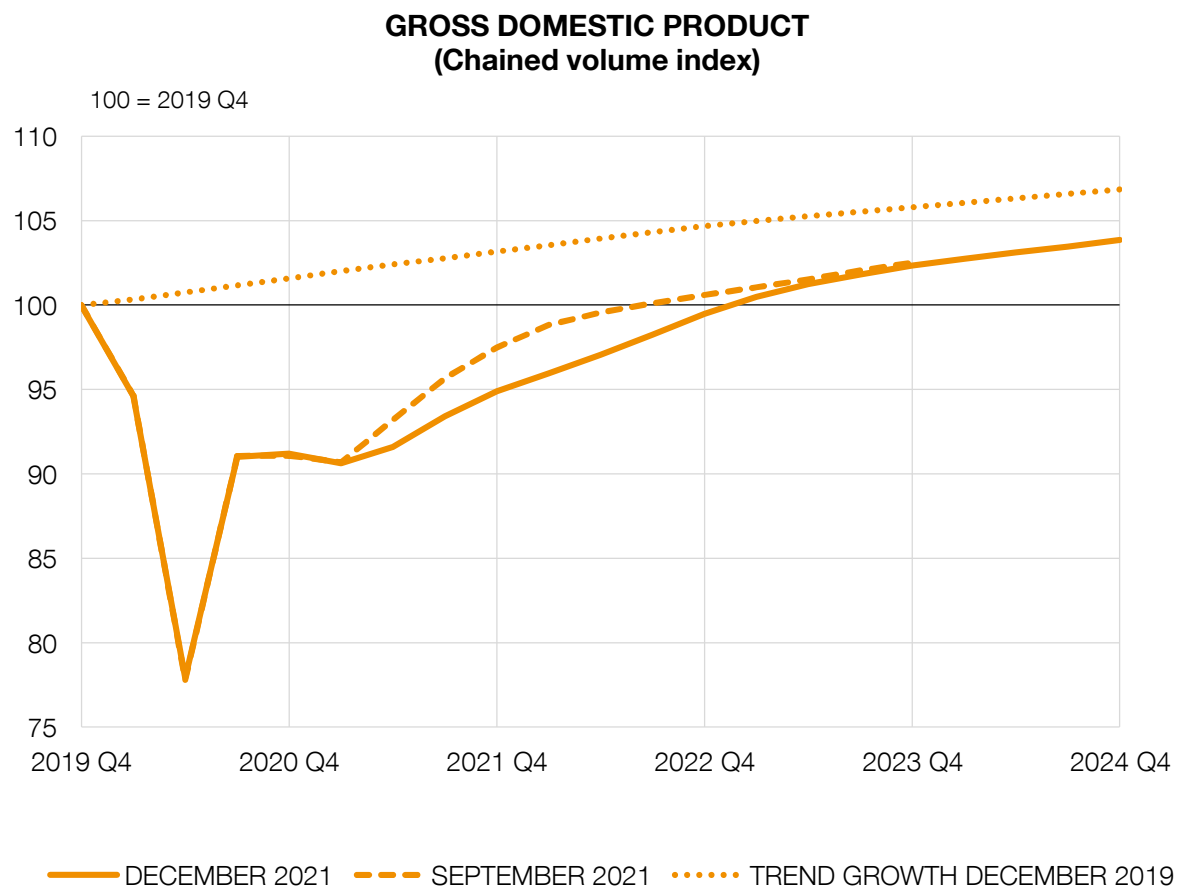


	2020	DECEMBER 2021 PROJECTIONS (a)				DIFFERENCES FROM SEPTEMBER PROJECTIONS		
		2021	2022	2023	2024	2021	2022	2023
Annual rate of change (%), unless otherwise indicated								
<b>GDP</b>	-10.8	<b>4.5</b>	<b>5.4</b>	<b>3.9</b>	<b>1.8</b>	-1.9	-0.4	1.9
<b>Harmonised index of consumer prices (HICP)</b>	-0.3	<b>3.0</b>	<b>3.7</b>	<b>1.2</b>	<b>1.5</b>	0.8	1.9	-0.1
<b>HICP excluding energy and food</b>	0.5	<b>0.5</b>	<b>1.8</b>	<b>1.4</b>	<b>1.6</b>	0.2	0.7	0.0
<b>Unemployment rate (% of labour force). Annual average</b>	15.5	<b>15.0</b>	<b>14.2</b>	<b>12.9</b>	<b>12.4</b>	-0.1	-0.1	-0.4
<b>Net general government lending (+) / borrowing (-) (% of GDP)</b>	-11.0	<b>-7.5</b>	<b>-4.8</b>	<b>-4.0</b>	<b>-3.4</b>	0.1	-0.5	-0.5
<b>General government debt (% of GDP)</b>	120.0	<b>120.4</b>	<b>115.7</b>	<b>113.7</b>	<b>113.5</b>	2.5	1.4	-0.6

SOURCES: Banco de España and INE.

a) Projections cut-off date: 28 November 2021.

# PROJECTED PATH FOR GDP



Annual rate of change, %	GDP PROJECTIONS				
	2020	2021	2022	2023	2024
<b>SEPTEMBER 2021</b>	-10.8	<b>6.3</b>	<b>5.9</b>	<b>2.0</b>	-
<b>DECEMBER 2021</b>	-10.8	<b>4.5</b>	<b>5.4</b>	<b>3.9</b>	<b>1.8</b>

MAIN FACTORS BEHIND THE REVISION OF GDP	
<b>2021</b>	<span style="color: red;">↓</span> <b>Statistical data (negative surprises in Q1 and Q2), bottlenecks and electricity price</b>
<b>2022</b>	<span style="color: red;">↓</span> <b>Statistical data (worse 2021), bottlenecks and electricity price</b>
<b>2023</b>	<span style="color: green;">↑</span> <b>Bottlenecks and NGEU</b>

SOURCES: Banco de España and INE.  
 Latest observed figure: 2021 Q3.



New data and technical assumptions

Availability and execution of NGEU

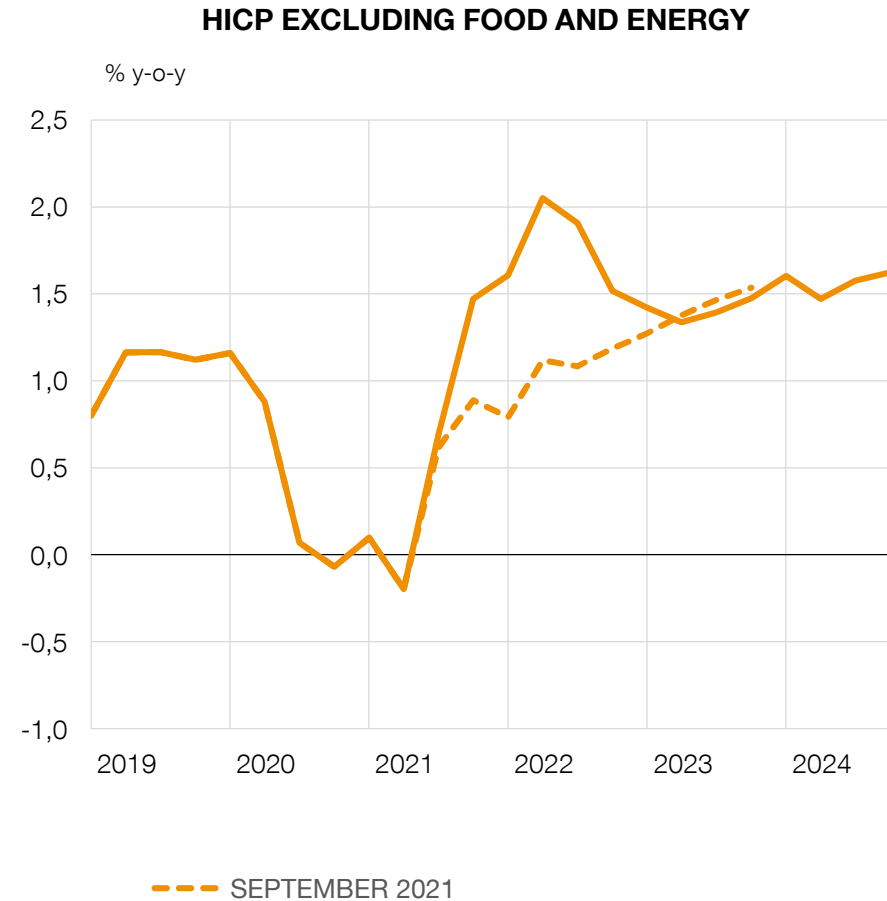
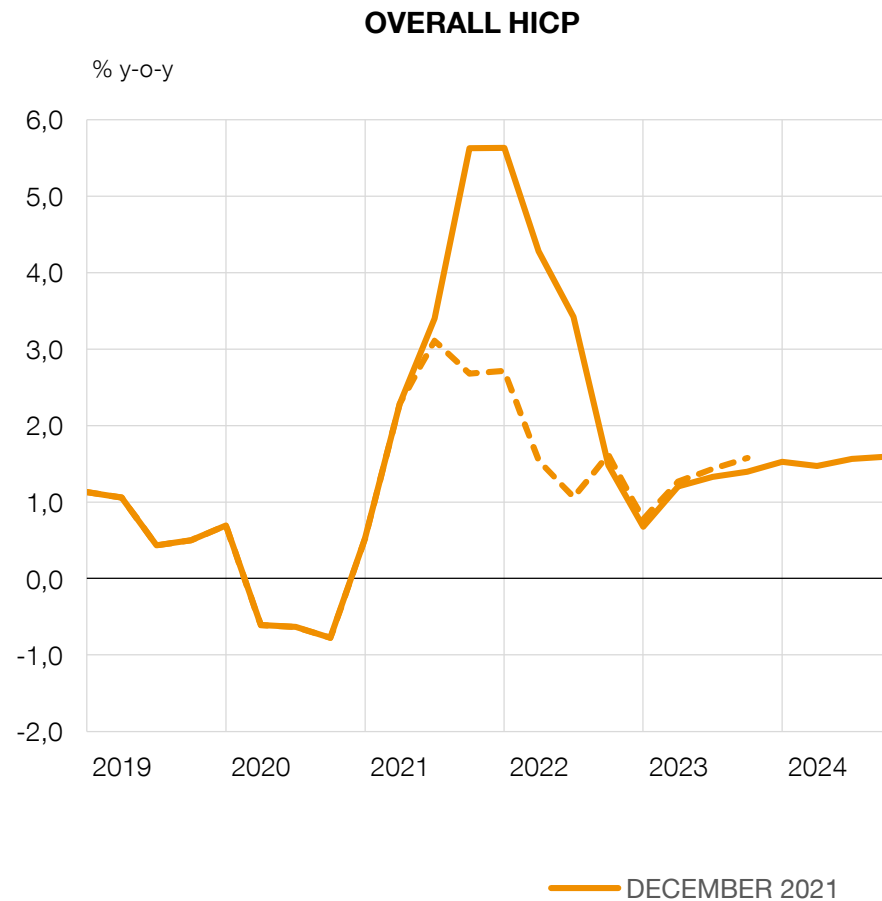
Price developments

Private consumption and saving rate

Persistence of supply-side disruptions

Foreign tourism

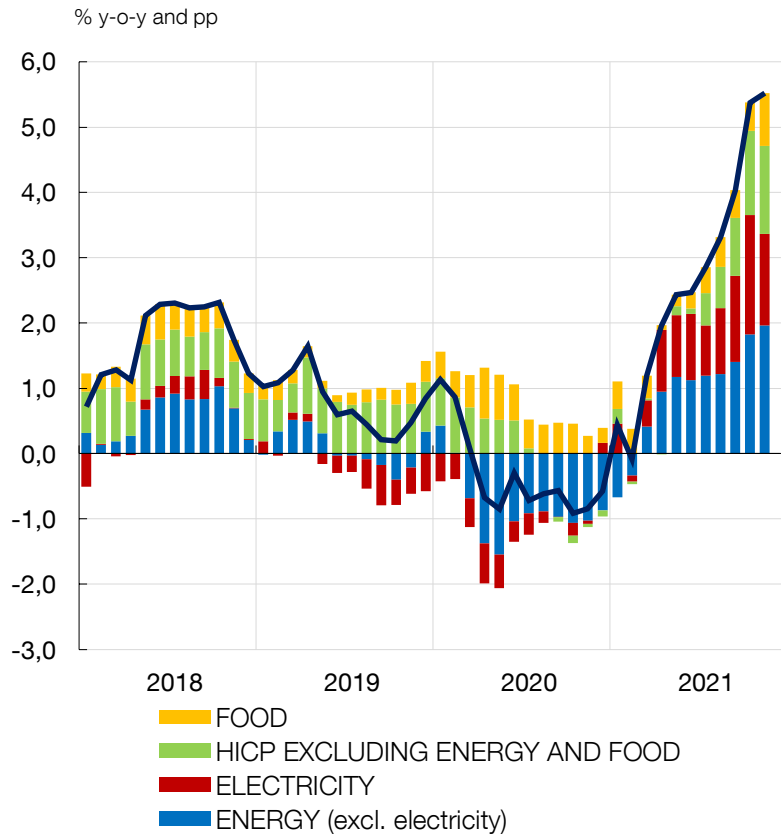
# PROJECTED INFLATION IS REVISED UPWARDS IN 2021-2022, WITH SUBSEQUENT EASING FORECAST THEREAFTER



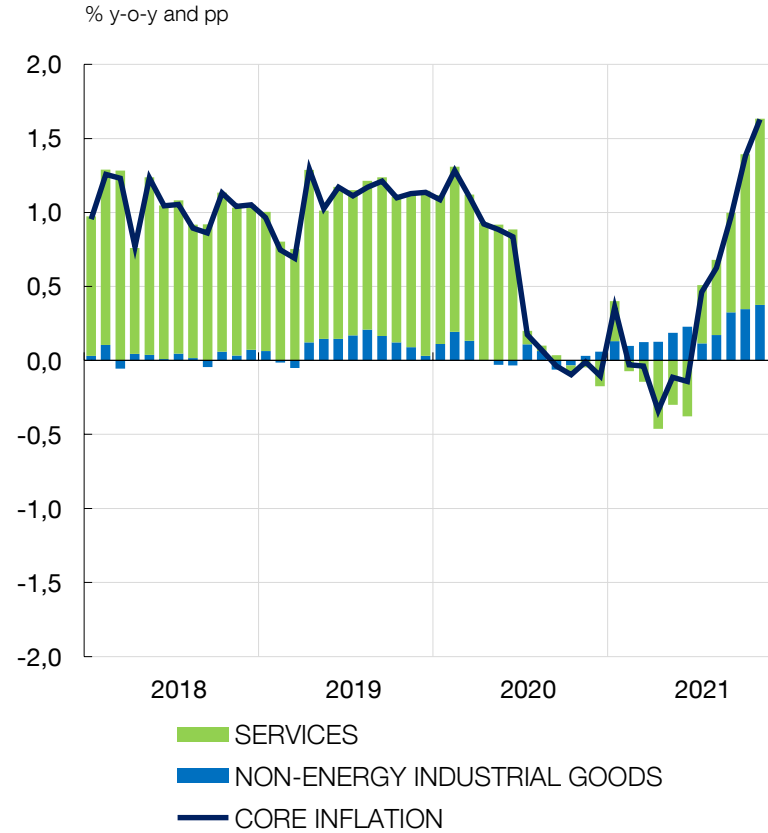
SOURCES: Banco de España and INE.  
Latest observed figure: October 2021.

# THE INCREASE IN INFLATION IN RECENT MONTHS HAS BEEN SHARPER THAN FORECAST

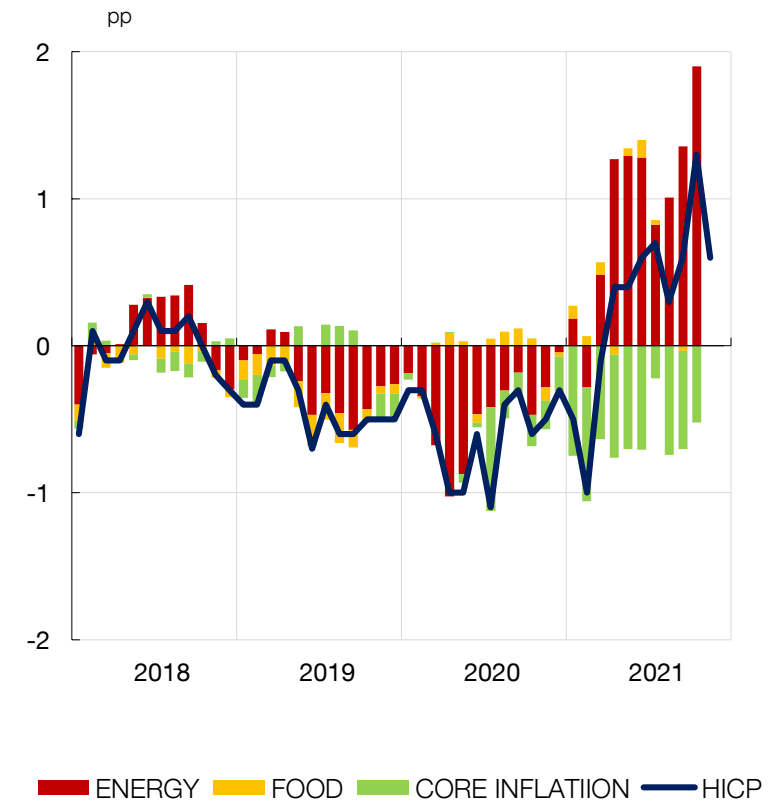
## OVERALL HICP



## CORE INFLATION



## CONTRIBUTIONS TO THE SPAIN/EURO AREA INFLATION DIFFERENTIAL

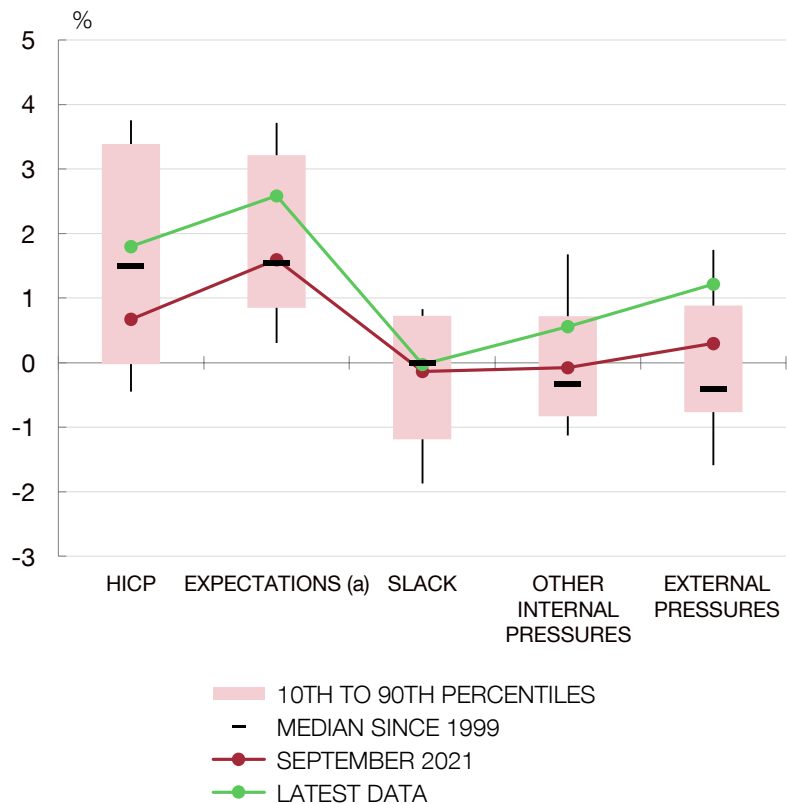


SOURCES: INE and Eurostat. Latest observation: November.

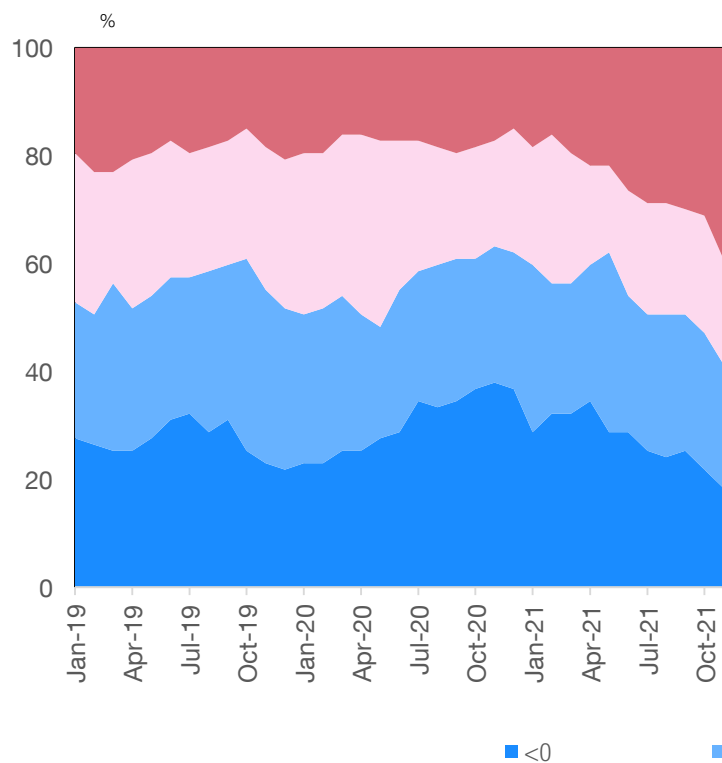
# INFLATIONARY PRESSURES HAVE MOUNTED IN RECENT MONTHS, THOUGH THE RISE IS CONCENTRATED IN QUITE A LIMITED – ALBEIT GROWING – PROPORTION OF GOODS AND SERVICES

## PERCENTAGE OF CLASSES IN EACH GROWTH RANGE

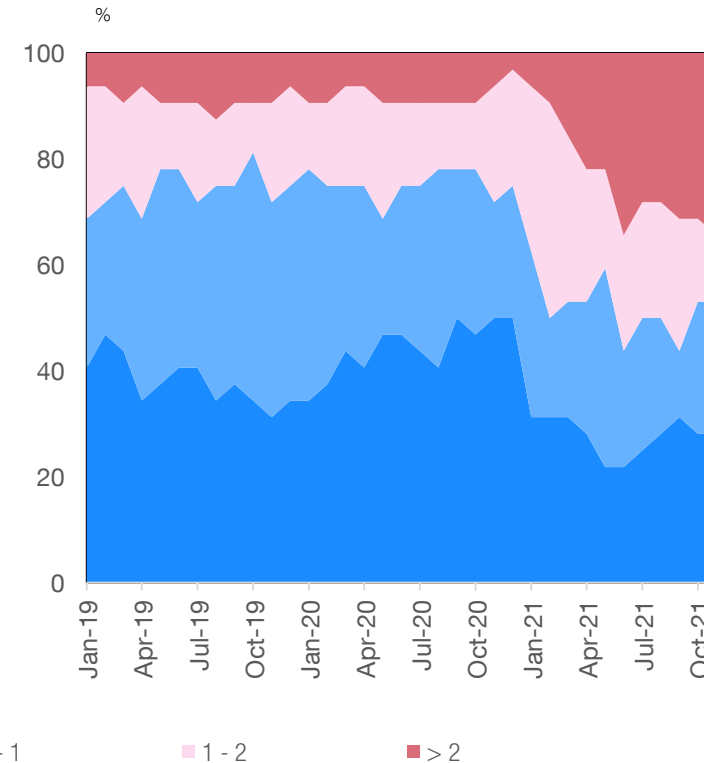
### INFLATIONARY PRESSURES



### OVERALL INDEX



### NON-ENERGY INDUSTRIAL GOODS

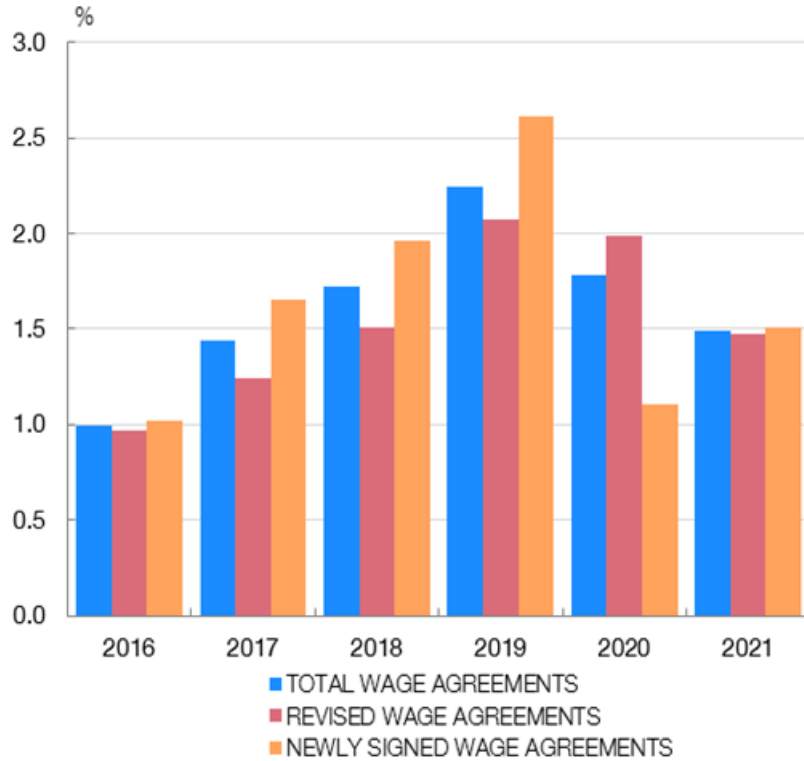


SOURCES: INE and Banco de España

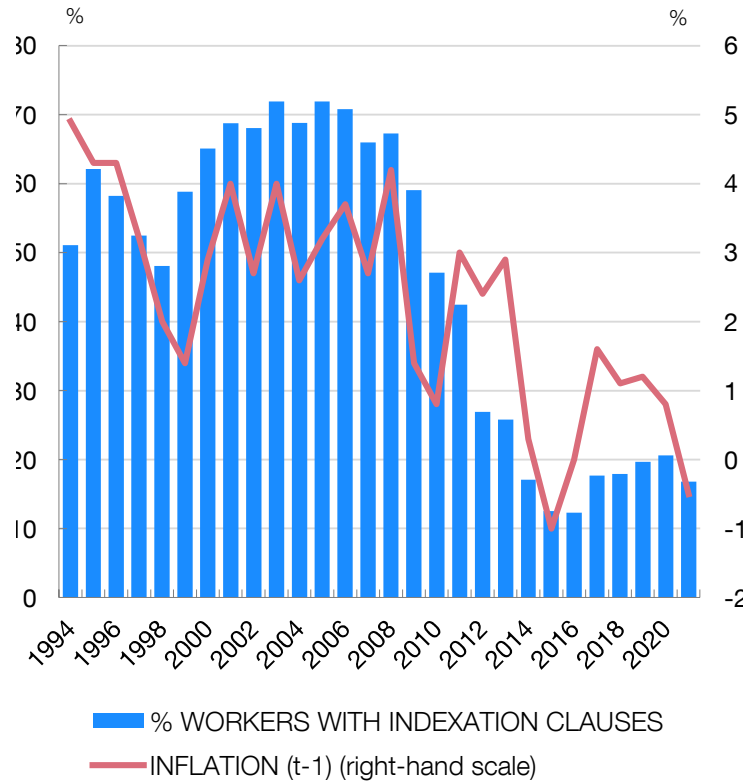
a) Inflation expectations based on professional forecasters, companies, consumers and inflation swaps.

# NO SIGNIFICANT RISES ARE OBSERVED IN WAGES, BUT SECOND-ROUND EFFECTS (WAGES AND MARGINS) CANNOT BE RULED OUT

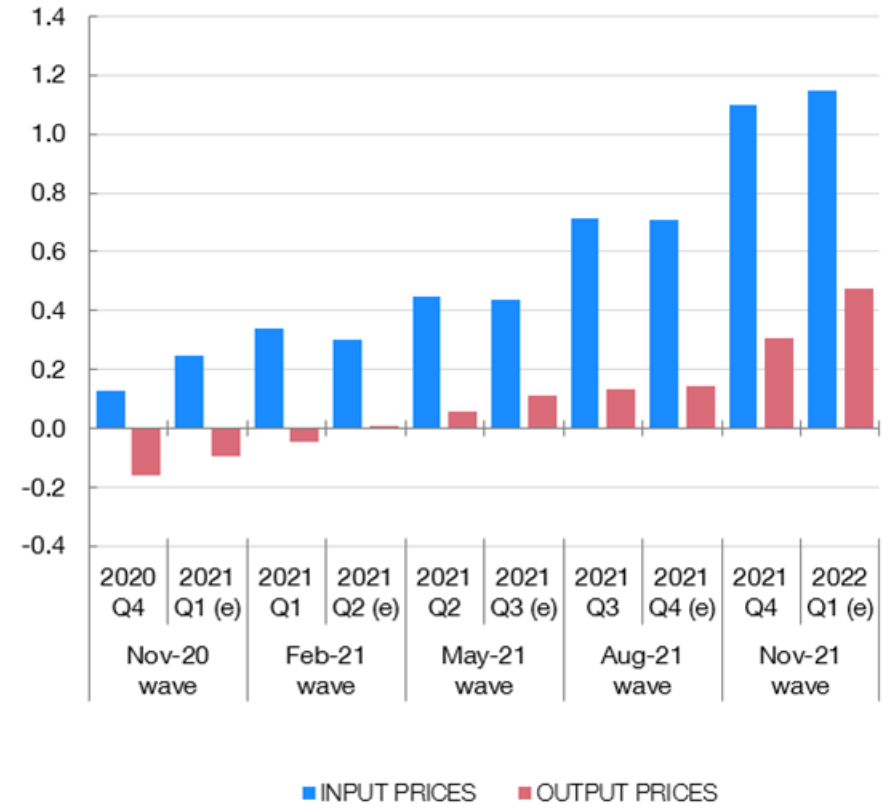
### AGREED WAGE INCREASES



### PREVALENCE OF INDEXATION CLAUSES



### QUARTERLY PRICE DEVELOPMENTS

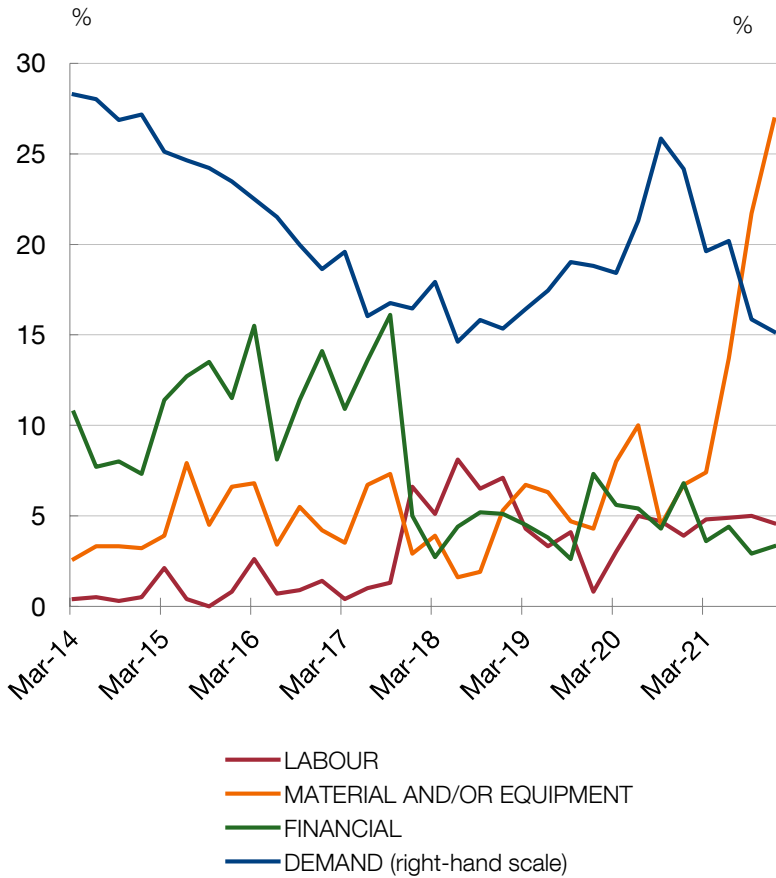


SOURCES: EBAE (Banco de España) and Ministerio de Trabajo y Economía Social. Latest observation: November 2021.

a) Index calculated as a "significant decline" = -2; "slight decline" = -1; "stability" = 0; "slight increase" = 1; "significant increase" = 2. (e) refers to companies' expectations for the quarter in question.

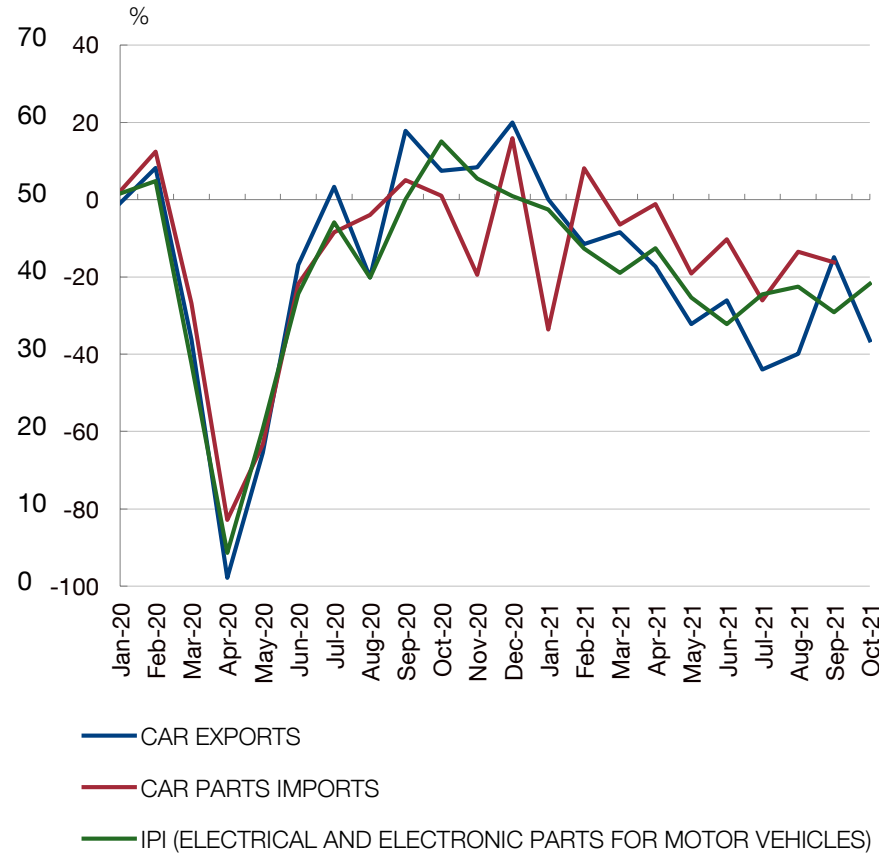
# GLOBAL SUPPLY CHAIN BOTTLENECKS ARE REFLECTED IN DECLINES IN MOTOR VEHICLE MANUFACTURING AND SALES

## FACTORS LIMITING PRODUCTION

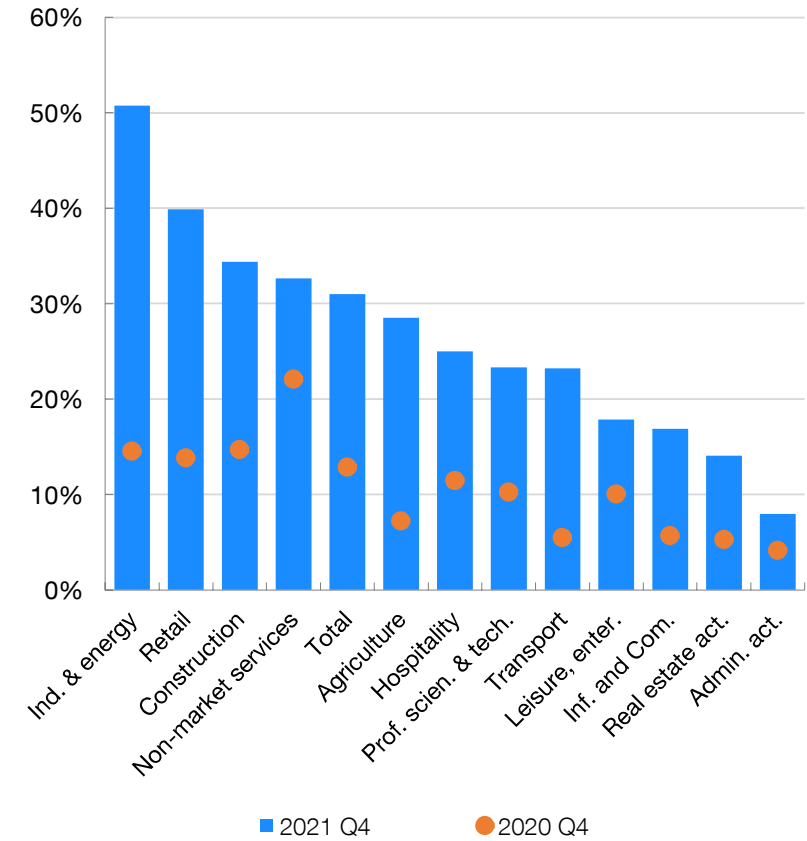


## AUTOMOTIVE INDUSTRY INDICATORS

Rate of change vs the same date in 2019



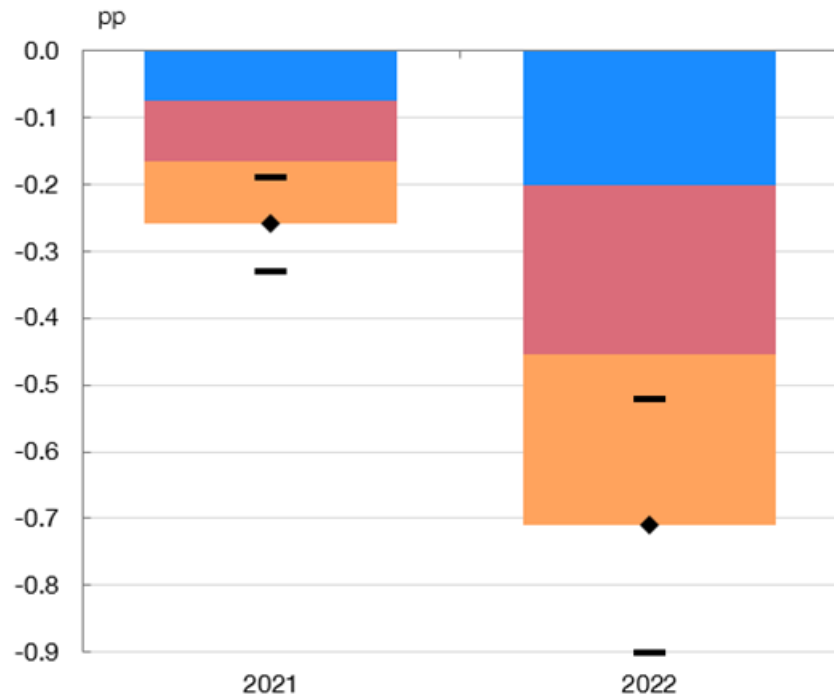
## SUPPLY DIFFICULTIES BY SECTOR (a)



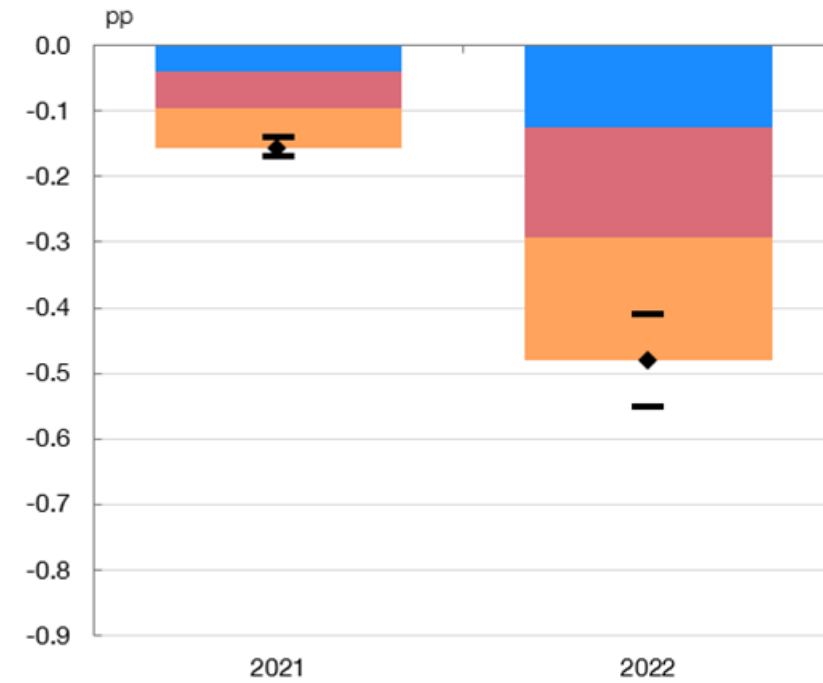
SOURCES: European Commission, ANFAC, INE and EBAE (Banco de España).  
 a) Percentage of companies reporting that supply difficulties are adversely affecting their activity.

# THE ESTIMATED IMPACT OF THE BOTTLENECKS ON GDP WILL BE RELATIVELY HIGH BOTH IN 2021 AND, ABOVE ALL, IN 2022

### IMPACT OF BOTTLENECKS ON SPANISH GDP GROWTH



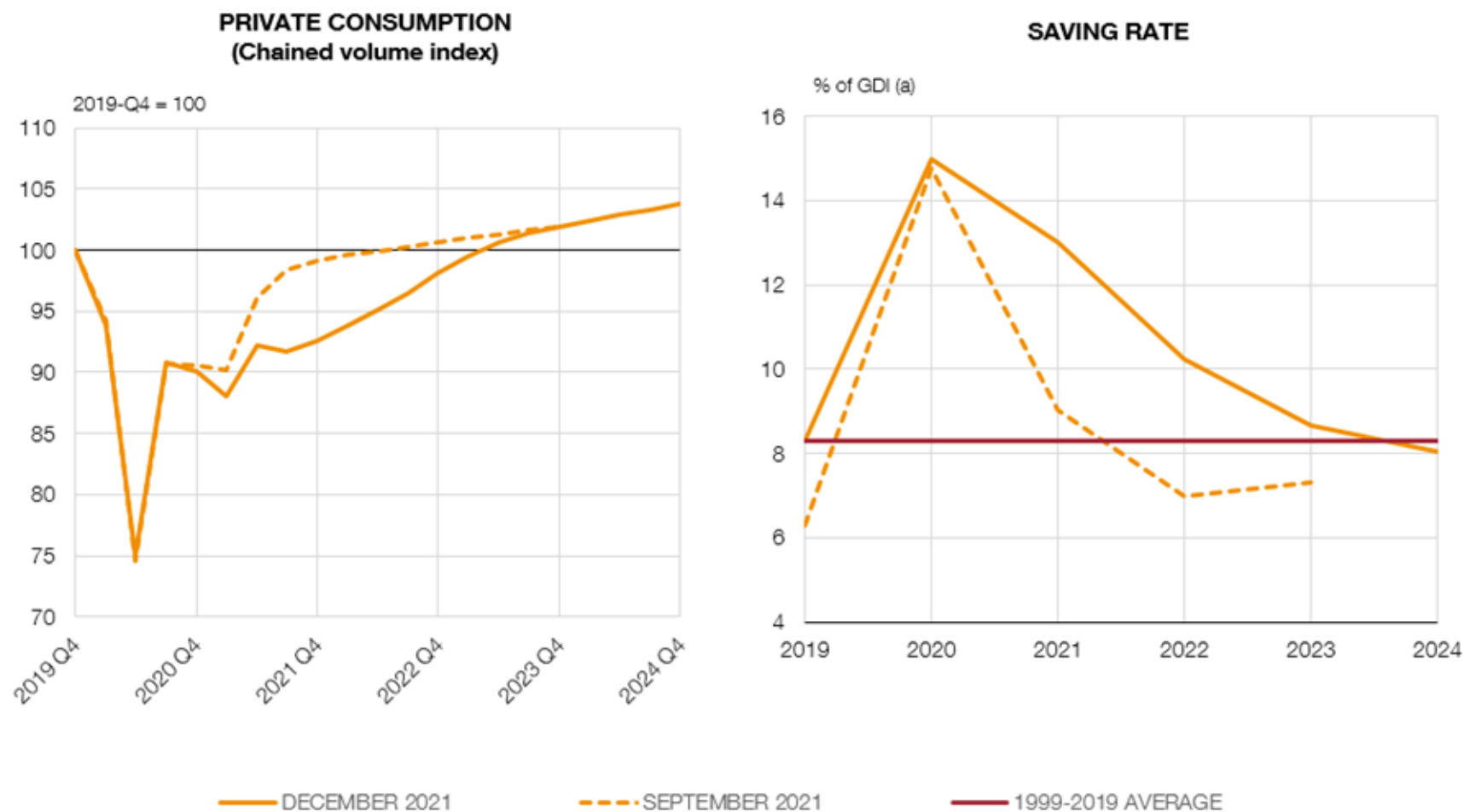
### IMPACT OF BOTTLENECKS IN THE MOTOR VEHICLE INDUSTRY ON SPANISH GDP GROWTH



■ DIRECT EFFECTS   
 ■ DOMESTIC SPILLOVER EFFECTS   
 ■ INTERNATIONAL SPILLOVER EFFECTS   
 ◆ TOTAL IMPACT   
 — INTERVALS

SOURCES: World input-output tables WIOD 2016 and Banco de España.  
[Box 5: The potential impact of global supply chain bottlenecks on the Spanish economy in the coming quarters](#)

# THE PICK-UP IN CONSUMPTION WILL BE SLOWER THAN FORECAST AND THE SAVING RATE WILL HOLD AT RELATIVELY HIGH LEVELS

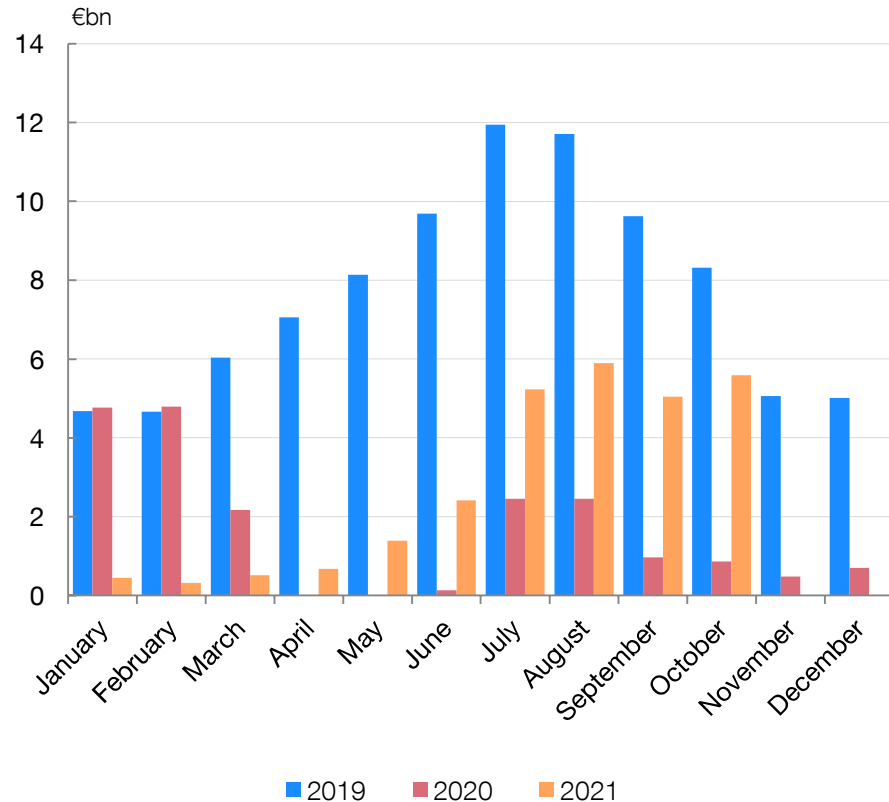


SOURCES: Banco de España and INE.  
Latest observed figure: 2021 Q3.  
a) Gross Disposable Income.

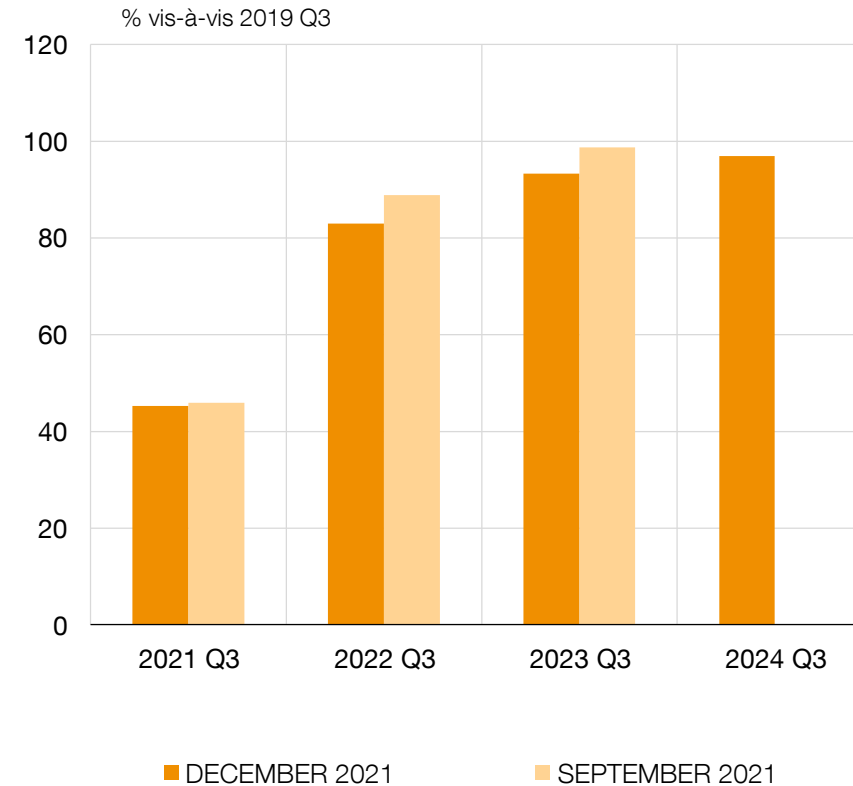


# GRADUAL REACTIVATION OF FOREIGN TOURISM, THOUGH IT IS STILL APPRECIABLY BELOW 2019 LEVELS

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



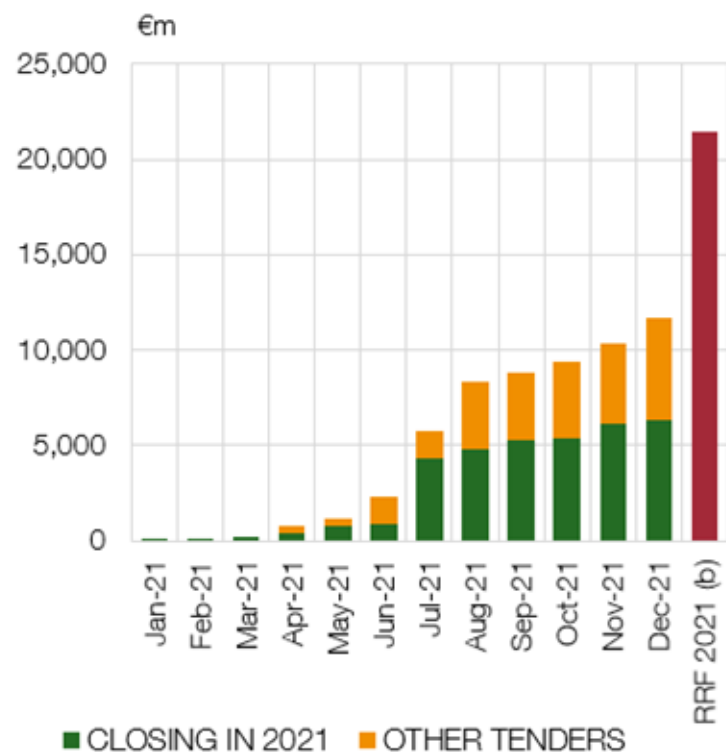
**TOURISM EXPORTS**



SOURCES: Banco de España and INE.

# DELAY IN THE FORECAST EXECUTION OF NGEU-FINANCED EXPENDITURE

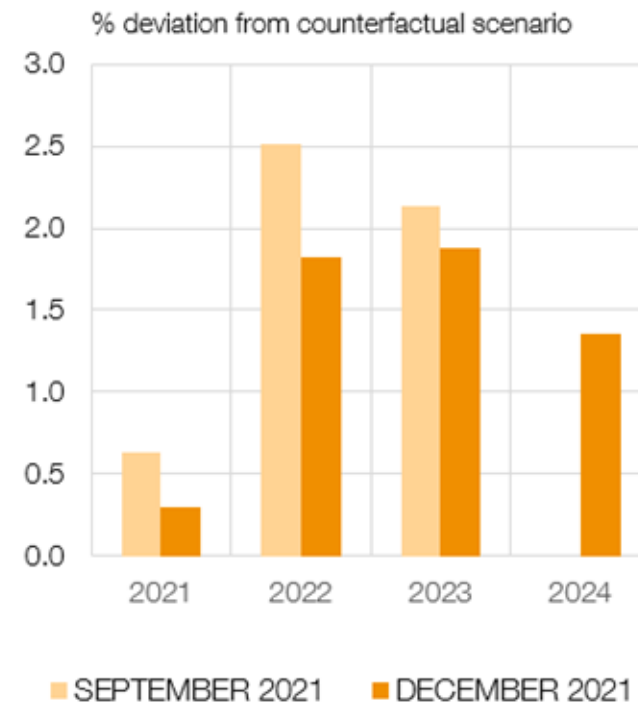
**RECOVERY PLAN.  
OPEN AND UPCOMING TENDERS (a)**



**NGEU ABSORPTION ASSUMPTIONS (RRF + REACT-EU)**



**EFFECT OF NGEU ON GDP LEVEL**

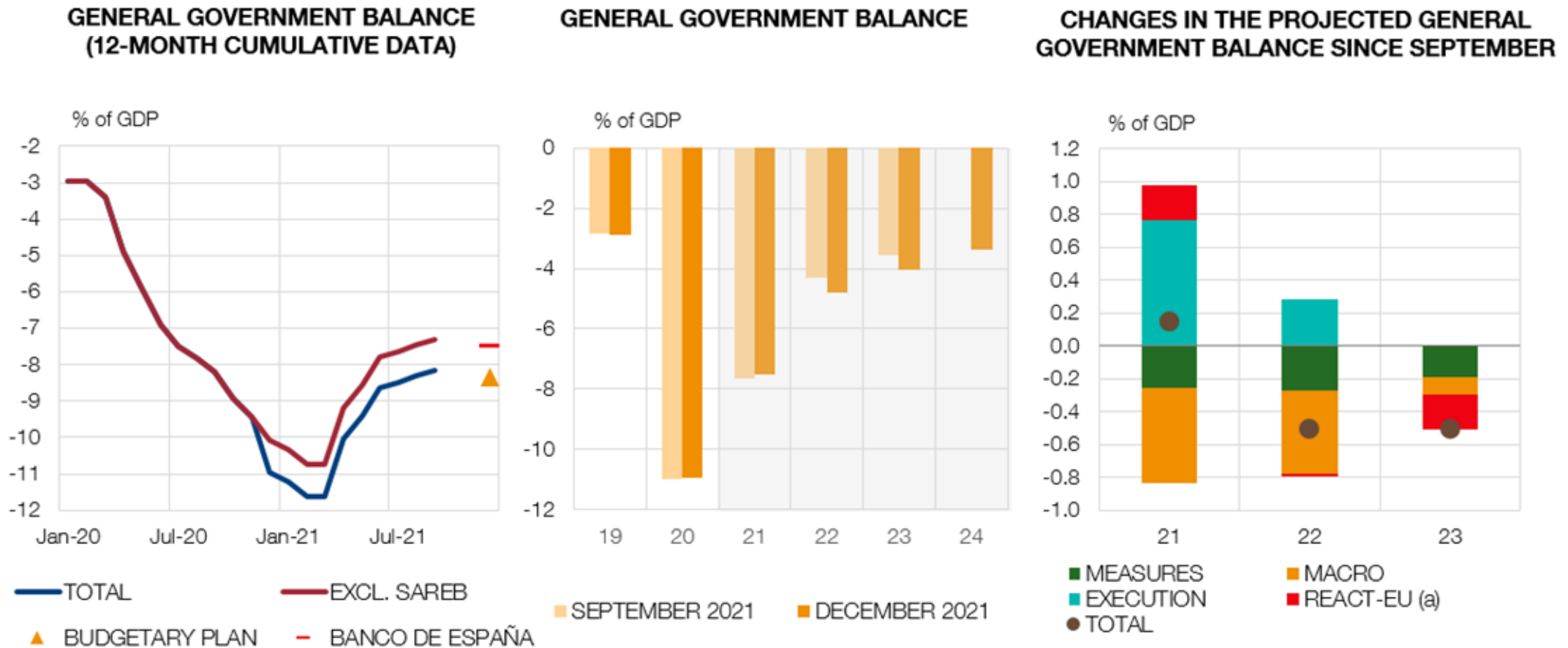


SOURCES: <https://planderecuperacion.gob.es>, 2022 Budgetary Plan and Banco de España.

a) Cumulative amount of the tenders published on the Recovery, Transformation and Resilience Plan website to 10 December 2021.

b) Total projected Recovery and Resilience Facility (RRF) expenditure in the 2022 Budgetary Plan.

# THE NEW MEASURES AND THE REVISION OF THE MACRO SCENARIO INCREASE THE PROJECTED BUDGET DEFICIT IN 2022 AND 2023, BUT NOT IN 2021, GIVEN ITS OBSERVED PATH TO SEPTEMBER



SOURCES: Banco de España, IGAE and 2022 Budgetary Plan (October 2021).

a) Unlike in September, the IGAE has stated that the REACT-EU (Recovery Assistance for the Cohesion of European Territories) will have a neutral effect on the deficit in each year in question.

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# SOURCES OF UNCERTAINTY OVER GROWTH

Pandemic

Rising incidence and hospital admissions, and uncertainty over potential new strains

Unfavourable developments in main trading partners

International markets

Some persistence in the disruptions to global production chains

Uncertainties arising from agents' behaviour

Household consumption (absorption of pent-up demand and use of extraordinary saving built up during the pandemic for expenditure)

Speed of implementation of NGEU-related projects, multiplier effect on activity and impact on potential growth

Speed at which foreign tourism recovers

Scarring from the crisis

Persistent effects on potential growth (destruction of the productive system)

Inflationary pressures

Effects on growth of inflation risks materialising

Predominantly global component

Degree of persistence in disruptions to global production chains

Persistence of the observed rise in energy and, in particular, gas prices in Europe (where futures markets point to a significant decline in spring)

Idiosyncratic component

Some potential pass-through to wage demands of higher consumer price growth

Degree of absorption in business margins of production cost increases (indirect effects of higher costs) and potentially higher labour costs (second-round effects)

## APPENDIX



# ASSUMPTIONS ABOUT THE INTERNATIONAL ENVIRONMENT AND MONETARY AND FINANCIAL CONDITIONS

	December 2021 projections (a)				Difference between the current projections and the September 2021 projections (b)		
	2021	2022	2023	2024	2021	2022	2023
Annual rate of change (%) unless otherwise indicated							
International environment							
Spain's export markets (c)	8.3	5.3	5.5	3.2	-0.9	-1.1	1.7
Oil price in US dollar/barrel (level)	71.8	77.5	72.3	69.4	3.0	8.4	7.0
Monetary and financing conditions							
USD/EUR exchange rate (level)	1.18	1.13	1.13	1.13	-0.01	-0.05	-0.05
Nominal effective exchange rate against non-euro area (d) (2000 = 100)	120.7	116.7	116.7	116.7	-0.8	-4.1	-4.1
Short-term interest rates (3-month EURIBOR) (e)	-0.5	-0.5	-0.2	0.0	0.0	0.0	0.2
Long-term interest rate (10-year bond yield) (e)	0.4	0.6	0.8	1.1	0.0	0.1	0.1

SOURCES: Banco de España and ECB.

a) Cut-off date for the preparation of assumptions: 28 November 2021. The figures in levels are annual averages, and the figures in rates are calculated drawing on the related annual averages.

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

c) The assumptions about the behaviour of export markets in Spain presented in the table are obtained from the macroeconomic projections prepared by ECB staff for the euro area, December 2021.

d) A positive percentage change in the nominal effective exchange rate denotes an 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 approximations thereto, and should not be interpreted as a Eurosystem prediction as to how these variables will trend..



# MACROECONOMIC PROJECTIONS: 2021-2024

	2020	December 2021 projections (a)				September 2021 projections		
		2021	2022	2023	2024	2021	2022	2023
Annual rate of change in volume terms (%) and % of GDP								
GDP	-10.8	4.5	5.4	3.9	1.8	6.3	5.9	2.0
Private consumption	-12.0	4.3	5.1	5.2	2.2	9.6	4.3	1.3
Government consumption	3.3	3.0	-0.2	0.7	1.5	2.2	0.2	0.9
Gross fixed capital formation	-9.5	3.9	7.8	3.7	2.1	5.8	10.5	3.0
Exports of goods and services	-20.1	11.9	9.1	4.6	3.1	8.7	11.1	4.5
Imports of goods and services	-15.2	11.3	6.5	4.8	3.7	11.5	7.5	3.3
Domestic demand (contribution to growth)	-8.6	4.2	4.4	3.9	1.9	7.0	4.7	1.6
Net external demand (contribution to growth)	-2.2	0.3	1.0	0.0	-0.1	-0.7	1.2	0.4
Nominal GDP	-9.8	6.1	8.1	5.6	3.6	7.6	7.7	3.6
GDP deflator	1.1	1.6	2.5	1.7	1.7	1.2	1.8	1.6
Harmonised index of consumer prices (HICP)	-0.3	3.0	3.7	1.2	1.5	2.1	1.7	1.3
HICP excluding energy and food	0.5	0.5	1.8	1.4	1.6	0.3	1.0	1.4
Employment (hours)	-10.6	7.4	3.8	2.8	1.3	8.1	5.6	1.7
Unemployment rate (% of labour force). Annual average	15.5	15.0	14.2	12.9	12.4	15.1	14.3	13.3
Net lending (+)/net borrowing (-) of the nation (% of GDP)	1.2	1.2	2.9	2.7	2.1	0.1	3.1	3.4
General government net lending (+)/net borrowing (-) (% of GDP)	-11.0	-7.5	-4.8	-4.0	-3.4	-7.6	-4.3	-3.5
General government debt (% of GDP)	120.0	120.4	115.7	113.7	113.5	117.9	114.3	114.3

SOURCES: Banco de España and INE. Latest published QNA figure: 2021-Q3.

a) Projections cut-off date: 28 November 2021.