BBVA Research

Creating Opportunities

Spain Economic Outlook

June 2024

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Summary

GDP growth is revised upwards by four-tenths in 2024 to 2.5% and by one-tenth in 2025 to 2.1%. The recovery has intensified more than expected three months ago, thanks to exports of services, partly due to improvements in competitiveness, the increase in the workforce, and the disbursement of funds associated with the Recovery, Transformation and Resilience Plan (RTRP). The increase in interest rates has not been fully reflected in the funding cost and the ECB has embarked on the path towards a less restrictive monetary policy. Going forward, a slowdown is expected as the contribution of external demand becomes negative, partly due to the limits to growth in the tourism sector. Investment in transport and housing faces obstacles that will not be resolved in the short-term, while domestic demand will be weighed down in 2025 by the start of fiscal adjustment. All this is happening in an environment of high uncertainty about the future of economic policy, both at the national and global level.

The forecast for GDP growth for 2024 is revised upwards to 2.5% due to the improvement in the contribution of external demand

The available information indicates that output has performed better than expected three months ago. The National Institute of Statistics (INE) has revised GDP growth upwards in the second half of 2023. If everything else were to remain the same, this would add one tenth of a percentage point to the projected GDP growth for 2024, which was 2.1% in the previous edition of this publication. In addition, preliminary data for the first quarter show a higher-than-expected growth (0.7% quarter-on-quarter compared to 0.6%). Likewise, real-time data suggest that GDP growth will remain at similar levels in the second quarter (0.7%), also above what was expected three months ago (0.5%).

The upward revision in the forecasts is due to a change in the contribution of external demand. This is now expected to contribute three-tenths of a percentage point to GDP growth for the year, whereas previously it was expected to subtract three-tenths. This is due to the upward revision in the average annual growth expectation for services exports (10.1 % now versus 3.3 % in March), despite the deterioration in the outlook for goods sales abroad (-3.5 percentage points to 0.0%). The change in the composition of exports, along with somewhat weaker-than-expected domestic demand, has led to a downward revision of imports (2.7% instead of 5.1%).

Services exports remain buoyant thanks to improvements in competitiveness and increases in productive capacity

Prices for exported services continue to rise less than those in other competitor countries. Since the beginning of the pandemic, exports of non-tourism services have become relatively cheaper by almost 15% compared to imports. In the case of non-residents' consumption, the improvement in these terms of trade has been around 5%. Several factors have contributed to this, including the containment of unit labor costs, limited by the increase in the labor force and the better performance of productivity per hour observed in Spain, especially in comparison with the EMU.

The potential for job creation has increased with immigration and the increase in the participation rate. In 2019, the labor force grew, on average, by about 1% per year. In 2023, growth was 2.1%. Immigration plays a fundamental role in the Spanish economy's job creation capacity: In 2023, 71 % of new employment was accounted for by foreign-born persons. Regardless, half of the upturn in the growth of the economically active population, compared to four years ago, is due to the greater willingness of residents to participate in the labor market.

The increased participation of women with secondary and higher education offsets the negative impact of aging. The increase in the average age of the labor force means that more and more people are in groups that traditionally show lower labor participation rates. This implies the reduction in the proportion of workers between 25 and 54 years of age, of Spanish nationality and with secondary education, would have meant a drop in the aggregate participation rate of 2 percentage points between 2020 and 2023, similar to the total growth observed during that period. Therefore, this drag is being more than offset by other trends, among which the increase in the propensity of Spanish women to participate in the labor market stands out. In particular, those with secondary education and ages between 25 and 54, or between 55 and 64, have increased their participation rate since 2020 by 3.5 percentage points to 80.1% and 5.3 pp to 57.6%, respectively. Those with higher education and between 25 and 54 years old have also contributed to this trend by increasing their participation rate since 2020 by 2.2 percentage points to 91.8%.

Not only has the availability of labor increased, but also the productive capacity in the tourism sector. Specifically, the increase in the number of occupied hotel rooms, especially during the winter months, has pushed occupancy levels above those observed before the pandemic. In addition, there is evidence that the depreciation of the euro against the dollar and other emerging currencies is helping to diversify tourists' countries of origin.[1] This is particularly important given the stagnation of the European economy. Furthermore, visitors from outside Europe are more interested in urban destinations and northern Spain, which allows for a geographical and temporal extension of tourism revenues and an increase in value added per visitor in an environment where the increase in occupancy in sun and beach destinations during the summer months is limited.

The significant increase in productivity per hour worked in Spain may also explain the sustained progress in the services sector.

In the last four years there has been an increase in production efficiency compared to the eurozone. In particular, hourly productivity in Spain has grown by 3.2% in cumulative terms, while in the EMU it has grown by 0.9%. A detailed analysis of the factors behind this performance shows that the main contribution comes from

1: See Article 3, of Economic Bulletin 2Q24, of the Bank of Spain.

increased productive efficiency within each sector rather than from a restructuring of employment towards more efficient activities or from changes in the relative working day. Several factors could explain this differential performance: From the technological boost and the advance of e-commerce, to the change in ways of working, the reorganization of resources and remote working.[2]

Among the sectors that have contributed the most to the growth of productivity in Spain are services. Financial activities and manufacturing have largely driven the increase in labor productivity in Spain since 2020, as they are the only sectors that have improved their productive efficiency while increasing their employment share (i.e., they have contributed positively to the composition effect). Crucially, commerce, transport, hospitality, and professional activities have shown some of the most important advances in domestic productivity, although they continue to be less efficient than the average. For its part, in the EMU, the scant progress in production efficiency is generalized. Industry, which had explained the recovery in productivity (domestic and labor) in the previous cycle, has had a limited contribution during the current cycle, and has even been negative from the start of the invasion of Ukraine[3].

Growth in the eurozone is expected to accelerate over the coming months

Greater certainty about energy costs and the recovery of purchasing power will support the trend of private consumption in Europe. The price of electricity in the main eurozone countries continues to fall thanks to relatively high levels of gas inventories. Although geopolitical tension continues, oil prices are not, for the time being, putting pressure on the inflation outlook. The forecast is for CPI growth in Europe to slow on average annually from 5.4% in 2023 to 2.5% in 2024 and to 2% in 2025, in a context where employment and wages continue to rise, with the latter starting to rise above inflation. The improvement that this will bring in household disposable income, together with the expectation of lower financial burdens in the future (as detailed below), should support the increase in household expenditure.

Exports, especially in Germany, are showing signs of recovery. Industrial output in the eurozone's first economy continues to be constrained by energy-intensive sectors. However, signs of an improvement are beginning to emerge in external demand, as order expectations improve and inventory levels are reduced.

Monetary policy has had a smaller impact on activity than anticipated, and the transition to lower rates has begun

Between 2022 and 2024, the increase in the funding cost of home purchase has been lower than expected. The 12-month Euribor, the main benchmark for variable interest rate transactions, increased 466 basis points (bp), from -0.50 at the beginning of 2022 to 4.16% in October 2023. Since December last year, it has stabilized at around 3.7%, which brings the variation compared to two years ago to 420 bp. However, the increase in mortgage interest rates has been around 300 bp in the same period. The historical sensitivity of the price of these loans suggests that the increase in the funding cost should have been similar to the increase in the Euribor. A look at the behavior of the cost of fixed-rate borrowing, which currently accounts for more than 60% of new business, shows

2: Among others, see Anghel *et al*. (2024); Aksoy *et al*. (2023); Bergeaud and Ray (2020); Lalinsky *et al.* (2024); OECD, 2021, etc.
3 : For more details on the analysis of the recent and historical evolution of productivity see BBVA Research et al. (2024).

even lower growth of about 190 bp. Similarly, in the case of business loans, the increase in the cost of financing, both in transactions of less than 1 million euros (associated more with SMEs) and in those of larger amounts, has not been very different from what would have been expected (330 and 390 bp, respectively).

The impact of monetary policy on deposits has also been minor, mainly on the yields of demand products. In an environment of excess liquidity, keeping as a reference the increase observed in the 12-month Euribor (420 bp), the increase in demand deposit yields has been lower (30 bp) than what could be expected given the historical relationship (100 bp). This has not been the case for time savings, as this type of instrument shows a yield 300 bp higher than a couple of years ago, relatively in line with the historical relationship.

The monetary policy interest rate in the eurozone could fall by 75 bp in 2024 as a whole and another 100 bp the following year. At its June meeting, the ECB cut key interest rates by 25 bp, as it had pre-announced and was widely expected. It gave no hints about future rate cuts, and insisted that future developments will depend on incoming data. In addition, the ECB made it clear that the reduction does not necessarily signal the beginning of an easing cycle. Despite these clarifications, it is to be expected that, if the scenario of downward inflation and moderate acceleration in activity forecast by BBVA Research for the eurozone is confirmed, there will be rate reductions in September and December similar to those in June. In an environment of ample liquidity and competition such as the one prevailing in the Spanish banking sector, this may mean an improvement in funding conditions for companies and families that supports the growth of demand going forward[4].

Fiscal policy may be somewhat more expansionary than expected in 2024

The public deficit closed 2023 at 3.7% of GDP, three tenths less than expected and one point less than in 2022. Public expenditure was in line with expectations, and stood at 46.5% of GDP, 1.3 pp less than in 2022. The nominal recovery in activity would have contributed to the fall in the ratio of expenditure to GDP by around 4 pp, more than offsetting the increase in expenditure on pensions and interest. The positive surprise came, once again, from public revenues, which were somewhat more dynamic than anticipated and closed 2023 with a ratio of 42.8% of GDP, compared to the 42.5% expected. The recovery in tax revenues—particularly income taxes—and social security contributions exceeded expectations, offsetting the worse performance of production taxes, which were affected by tax cuts.

This performance increases the likelihood that the imbalance in the public accounts will fall below 3% of GDP without the need for additional measures. In particular, the growth that the Spanish economy is showing is expected to be sufficient to bring the deficit to 2.9 % by the end of 2024. This despite the foreseeable extension of the measures such as the reduction of VAT on some basic foodstuffs or the reintroduction of others, such as VAT on electricity prices. In addition, the Spanish risk premium could remain around 80 bp for the rest of the year, which, together with the turning point in monetary policy, would limit the increase in the debt burden of public administrations. The prospect of ending the year below 3% of GDP would provide a better starting point for the fiscal consolidation to be undertaken from next year onward, as well as an advantage to be taken into account in the negotiation of the program with the European Commission.

Investment in other buildings and constructions is beginning to show acceleration in the execution of the funds associated with the Recovery, Transformation and Resilience Plan (RTRP). This component of

4: For more details on the latest monetary policy meeting and interest rate expectations in the eurozone, see BBVA Research (2024).

domestic demand is expected to increase by 6.9%, on average, during 2024 (2.3 pp higher than forecast in March), after having done so by 4.4% in 2023. Public works tenders associated with the PRTR showed a considerable improvement at the end of 2022 and the beginning of last year. This indicator traditionally shows a lag of four quarters to manifest itself in the capital accumulation data, given the paperwork and processes that have to occur before the benefiting companies can start the awarded projects. Therefore, it is very likely that throughout 2024, the data will finally show the consolidation of the impact of the funds on economic activity.

GDP growth in the coming quarters could moderate slightly and reach 2.1% on an annual average during 2025

The contribution of external demand would be negative again, given the restrictions on growth in the tourism sector. After a double-digit increase in 2024, non-resident consumption in real terms could stagnate in 2025. Capacity utilization in peak season months is limited; especially considering that the negative externalities of the sector's development are having significant costs for a large part of the population. Elements such as congestion, pollution or the increase in the cost of living (mainly housing) are producing a change in sentiment that will have consequences on public policies. This will prevent a greater number of tourist vacancies from coming onto the market. If demand continues to grow, it is increasingly probable that this will lead to an increase in prices, higher taxes or regulation that restricts supply.

Imports will accelerate (5.1% in 2025 compared to 2.7% in 2024), despite the recovery of goods exports (4.8% compared to 0.0% this year). The change in the composition of foreign sales, with the lower contribution of services exports, will lead to a growth pattern more intensive in the use of inputs from other countries. In addition, there is a pent-up demand for automobiles, which, if it has to be satisfied, will imply a somewhat more import-dependent consumption. This is consistent with expecting a reactivation of industry, following the progressive recovery of the European economy and greater certainty about the performance of energy costs.

There are doubts about the factors behind the recent increase in the saving rate and the use of wealth accumulated during the pandemic.

In recent months there has been an advance in household income that has not been passed on proportionately to their spending. As a result, the saving rate has risen 9.1 pp of disposable income since the third quarter of 2022 to stand at 13.1% at the end of last year,[5] 4.8 pp above the 1999-2019 average. To the extent that this phenomenon is temporary, the space that households would have ahead to increase their consumption would be significant.

Neither uncertainty about employment nor the increase in interest rates seem to explain this trend. Precautionary savings occur mainly in highly volatile environments, where people fear losing their jobs. This was the case, for example, at the beginning of the 2008 global financial crisis. While it is true that growth prospects deteriorated at the end of the third quarter of 2023, job creation has accelerated since then, which should have already been passed on to private consumption. For their part, the greatest attraction of investment instruments has also occurred in the rest of the eurozone. However, the increase in the saving rate in Spain has been

5: Data corrected for seasonal and calendar variations.

considerably higher than that of the rest of its trading partners. Therefore, it is unlikely that the reduction in interest rates envisaged in this publication will significantly affect consumer behavior.

One explanation for the increase in savings could be the exhaustion of the boost that the end of the restrictions derived from the pandemic meant for services. Spending by Spaniards on tourism within Spain has fallen during the first four months of the year. However, this behavior is different from that shown by foreigners.

Less cyclical factors could limit consumption growth over the coming quarters. Household net wealth in real terms has been stagnant since 2021 and is 10% below the trend it showed before the pandemic. This, despite the increase in savings observed during 2020 and the increase in interest rates and house prices. These trends have been more than offset by rising inflation. If households feel they must rebuild their portfolios to return to the pattern of wealth growth seen up to 2019, this would trigger a few years of below-income consumption gains.

The increase in disposable income would benefit groups with a reduced marginal propensity to consume. In contrast to previous years, when household income would have been determined mainly by employee compensation, in 2023 the contribution of transfers and capital income was just as important[6]. The former would be positively affected by the increases observed in pensions, while the latter would be supported by the increase in interest rates, the good performance of the financial markets and the tension in the rental market. Both age and income Level are variables that increase the probability of accessing a pension and obtaining income from capital. These types of people consume less for each unit of income and, therefore, save more. It may also be the case that foreign workers have a need to send money back to their home countries, which would reduce the impact on domestic expenditure.

The stagnation of investment is a bottleneck for improving productivity and competitiveness

The purchase of transport equipment and investment in housing remain almost 20% and 10% below 2019 levels, respectively. This trend is one of the worst among the countries of the eurozone. Moreover, the numbers probably do not reflect the imbalances that have been accumulating. In an environment where companies have delayed the decision to renew their fleets or industrial vehicles, the aging of the vehicle stock has intensified. If this continues, both productivity and CO2 emissions reduction targets may be affected. The differential performance of this type of investment in Spain compared to that of the other EMU members suggests that it is unlikely that common factors, such as the rise in interest rates or stagnation in trade in goods, explain its behavior. More likely is that companies are facing specific problems, related to the lack of infrastructure, that will intensify the shift to electric vehicles.

The challenge facing the housing sector is significant and the measures announced are insufficient. Given trends in population and average household size, just over one million homes are expected to be needed by 2030 (170,000 per year). In this regard, some of the policies announced in several autonomous communities to accelerate the arrival on the market and make the construction of social housing more attractive are welcome[7]. So is the line of guarantees for the construction of new housing worth 2 billion euros. In any case, this seems insufficient, especially considering that most efforts can generate even more imbalances. For example, the price controls that are beginning

6: Net property income and social benefits jointly contributed 5.7 pp to nominal growth in household disposable income in 2023, while remuneration to employees contributed 6.3 pp.

7: The Community of Madrid revised the price of the subsidized housing module, according to the Order of February 15, 2024, adapting its price to the current real estate situation, as it had not been revised since 2008. This makes its construction more attractive. Law 3/2024, of 3 May, on urgent measures in the field of housing in the Balearic Islands, contemplates cases where increasing the buildable area is authorized in order to build more subsidized housing.

to be implemented in some autonomous communities may temporarily alleviate the situation of those who have a rental contract. However, they do not solve the original problem of the lack of supply and could even aggravate it. In the medium term, they will lead to larger increases in new contracts, asset impairment, a redirection of supply to sale or the surfacing of a rebound in the shadow economy. Measures that encourage demand, such as ICO guarantees for the purchase of first homes, will only put further pressure on prices. Finally, the delay in the approval of the reform of the Land Law risks further delaying the development of urban plans.

The sensitivity of investment to the expansionary cycle and, in particular, to the funds linked to the PRTR has been lower than expected. The recovery is occurring without capital accumulation commensurate with the increase in activity as observed in other growth environments: investment is still 1% below pre-pandemic levels, while GDP is already almost 4% above. Historically, gross fixed capital formation used to increase during expansionary phases of the economic cycle by between 1.5 pp and 2.0 pp for every 1% increase in GDP. However, this cycle is showing less elasticity than unity. The situation seems particularly striking in the impact of European funds. The historical relationship between public works tenders and investment in other buildings and construction points to the fact that in the absence of these resources, this component of domestic demand would be, today, at levels around 30% below those observed in 2019. However, it is doubtful that this could have been the case, especially taking into account that a good part of the recovery is explained by the performance of services exports, which would not have benefited as much from this type of funds. What is more likely here is that a good part of the bids is related to projects that would have been done anyway. Moreover, if the tenders had had the impact that they have historically shown, BBVA Research estimates that investment in other buildings and construction would have to be around 10% above current levels. Factors that could be reducing the multiplier effect of funds may include their concentration on the purchase of imported goods, the high level of unused capacity in some sectors, or the lack of planning given the need to spend funds as quickly as possible.

The relationship between prices, wage costs and productivity will be key to sustaining growth

Inflation falls, but is still resistant to decrease. The increase in the cost of the shopping basket is expected to be 3.3% on average in 2024 and 2.4% in 2025. The lower advance in the CPI comes from the relative stabilization of the value of the barrel of oil at prices lower than those of previous years, the price volatility in electricity and the rains that are beginning to limit the increase in food prices. However, these factors will have a limited impact. Geopolitical tension can quickly reverse some of these gains. The price of electricity in the retail market fluctuates with less intensity than what is observed in the wholesale market, while agriculture has not only increased prices due to the lack of water, but also due to the increase in other production costs. In addition, the current situation is still far from ideal: Only 40% of the products in the CPI show price growth of less than or equal to 2%, when consistent with the ECB's target of 60%. Going forward, the focus will be on the progress of the cost of services. With demand growing and labor costs rising, companies may feel able to maintain their margins and pass on the revaluation of wages or social security contributions to prices.

While it is true that productivity per hour worked has increased, GDP per employed person is 1.5% below the levels of the fourth quarter of 2019 and maintains a gap of almost 20% with the average of eurozone countries. The low level of labor productivity in Spain becomes even more relevant when taking into account that the unemployment rate is double that of the EMU and that productivity growth in the eurozone has been lower than that of the U.S. in the last two decades. A corollary of the difference between productivity per hour worked and per employee is the trend in the number of hours worked per employee, which is 4% below that observed before the pandemic.

The fiscal adjustment is ambitious and, in the absence of other compensatory measures, will weigh on the growth of domestic demand

BBVA Research estimates that the improvement in the primary structural balance, necessary to comply with tax rules, is 0.5 pp of GDP, on average, per year, from 2025 to 2029. This would lead to a positive primary budget balance of 1.7% of GDP compared to the current deficit of 1% of GDP. Both the cumulative adjustment over these years and the point of arrival imply demanding targets, with a potential negative impact on activity. Crucially, these calculations are made with an economic scenario of higher GDP growth and inflation and lower interest rates than those forecast by the European Commission for Spain during those years at the closing of this publication. Assuming the EC's assumptions would imply having to face more ambitious fiscal consolidation objectives.

BBVA Research estimates indicate that, for each adjustment point of the structural primary deficit as a percentage of potential GDP, the level of activity could moderate in the long term between 0.6 pp of GDP and 1.0 pp. The magnitude of the effect would depend on the composition of the adjustment, being greater if it rests mainly on a tax increase. Identifying resources that are being used inefficiently and eliminating them to meet targets would limit the impact on economic activity. If it is decided to increase taxes, the available space is concentrated in indirect taxes, which represent a lower burden than in the rest of the eurozone and have fewer distorting effects on activity and employment. Finally, it would help if the adjustment was accompanied by an increase in the European budget to finance the provision of common infrastructures and services. In the absence of the above, and if fiscal consolidation had to be done by sacrificing productive expenditure, basic services or with inefficient tax increases, the impact could be more negative.

The lack of consensus on economic policy is a source of future uncertainty, which weighs on private investment. In the last ten years, the use of budget extensions or Royal Decree Laws as an alternative to the preparation of Draft Laws has intensified. There have been fewer Draft Laws than during previous legislative terms, which may also be evidence of a lesser willingness to undertake reforms. In the absence of a medium and long-term vision of the economy that can be shared by a majority of society, decisions as important as those that will have to be taken over the next few years can generate social tension and economic stagnation. Therefore, it would be desirable to have cross-cutting agreements that provide certainty on fiscal adjustment, provision of essential public services, protection of the most vulnerable, unemployment rate reduction, immigration, the dual energy and digital transition, and increased productivity.

Tables

Table 1.1. **GROSS DOMESTIC PRODUCT** (ANNUAL AVERAGE, %)

	2020	2021	2022	2023	2024	2025
United States	-2.2	5.8	1.9	2.5	2.2	1.9
Eurozone	-6.2	5.9	3.5	0.5	0.7	1.4
China	2.2	8.5	3.0	5.2	4.6	4.2
World	-2.7	6.7	3.5	3.2	3.1	3.3

* Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.
Forecast closing date: June 6, 2024.
Source: BBVA Research & IMF.

Table 1.2. **INFLATION** (ANNUAL AVERAGE, %)

	2020	2021	2022	2023	2024	2025
United States	1.2	4.7	8.0	4.1	3.2	2.6
Eurozone	0.3	2.6	8.4	5.4	2.5	2.0
China	2.5	0.9	2.0	0.2	0.5	1.5
World	3.6	5.1	9.3	7.6	7.2	4.7

* Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.
Forecast closing date: June 6, 2024.
Source: BBVA Research & IMF.

Table 1.3. **INTEREST RATE ON TEN-YEAR PUBLIC DEBT** (ANNUAL AVERAGE, %)

	2020	2021	2022	2023	2024	2025
United States	0.90	1.44	2.95	3.96	4.12	3.77
Germany	-0.48	-0.31	1.18	2.45	2.36	2.25

Forecast closing date: June 6, 2024.
Source: BBVA Research & IMF.

Table 1.4. **EXCHANGE RATES** (ANNUAL AVERAGE)

	2020	2021	2022	2023	2024	2025
EUR-USD	0.88	0.84	0.95	0.92	0.92	0.88
USD-EUR	1.14	1.18	1.05	1.08	1.09	1.14
CNY-USD	6.91	6.45	6.73	7.08	7.04	6.80

Forecast closing date: June 6, 2024.
Source: BBVA Research & IMF.

Table 1.5. **OFFICIAL INTEREST RATES** (END OF PERIOD, %)

	2020	2021	2022	2023	2024	2025
United States	0.25	0.25	4.50	5.50	4.50	3.00
Eurozone	0.00	0.00	2.50	4.50	3.75	2.75
China	3.85	3.80	3.65	3.45	3.25	3.25

Forecast closing date: June 6, 2024.
Source: BBVA Research & IMF.

Table 1.6. **EMU: MACROECONOMIC FORECASTS** (YoY) (ANNUAL AVERAGE. %)

	2020	2021	2022	2023	2024	2025
GDP at constant prices	**-6.2**	**5.9**	**3.5**	**0.5**	**0.7**	**1.4**
Private consumption	-7.8	4.4	4.2	0.6	1.0	1.5
Public consumption	1.0	4.2	1.6	0.8	0.9	0.3
Gross fixed capital formation	-6.1	3.7	2.6	1.4	1.0	2.0
Inventories (*)	-0.3	0.5	0.4	-0.4	-0.1	0.0
Domestic demand (*)	**-5.6**	**4.5**	**3.5**	**0.4**	**0.8**	**1.3**
Exports (goods and services)	-9.4	11.4	7.4	-1.0	0.8	2.7
Imports (goods and services)	-8.8	9.2	8.1	-1.4	0.9	2.8
External demand (*)	**-0.6**	**1.4**	**0.0**	**0.2**	**0.0**	**0.1**
Prices and Costs						
CPI	0.3	2.6	8.4	5.4	2.5	2.0
CPI Core	0.7	1.5	3.9	4.9	2.8	2.1
Labour Market						
Employment	-1.4	1.4	2.3	1.4	0.7	0.4
Unemployment rate (% of labour force)	8.0	7.8	6.8	6.6	6.5	6.6
Public sector						
Surplus (+) / Deficit (-) (% GDP)*	-7.0	-5.2	-3.7	-3.6	-3.2	-2.7
Public debt (% GDP)*	97.2	94.8	90.8	88.6	88.8	88.6
External Sector						
Current Account Balance (% GDP)	1.6	2.7	-0.7	1.6	1.9	2.0

Annual rate change in %, unless expressly indicated.
Forecast closing date: June 6, 2024.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

Table 1.7. **SPAIN: MACROECONOMIC FORECASTS**
(ANNUAL RATES OF CHANGE IN %, UNLESS OTHERWISE INDICATED)

(Annual average, %)	2021	2022	2023	2024	2025
Activity					
Real GDP	6.4	5.8	2.5	2.5	2.1
Private Consumption	7.1	4.7	1.8	2.2	1.9
Public Consumption	3.4	-0.2	3.8	1.8	1.3
Gross Fixed Capital Formation	2.8	2.4	0.8	3.4	5.4
Equipment and machinery	4.4	1.9	-1.6	2.7	5.6
Construction	0.4	2.6	2.3	3.7	4.7
Housing	0.9	1.4	0.6	1.0	4.3
Domestic Demand (contribution to growth)	6.6	2.9	1.7	2.2	2.4
Exports	13.5	15.2	2.3	3.2	3.8
Imports	14.9	7.0	0.3	2.7	5.1
External Demand (contribution to growth)	-0.2	2.9	0.8	0.3	-0.3
GDP at current prices	9.2	10.2	8.6	6.3	4.9
(Billions of Euros)	1222.3	1346.4	1461.9	1553.5	1628.8
Labour market					
Employment, Labour Force Survey	3.3	3.6	3.1	2.4	2.1
Unemployment rate (% Labour force)	14.9	13.0	12.2	11.4	10.8
Employment, full time equivalent	7.1	3.7	3.2	2.7	2.0
Productivity	-0.7	2.0	-0.7	-0.1	0.1
Prices and Costs					
CPI (average)	3.1	8.4	3.5	3.3	2.4
CPI (end of period)	5.8	5.7	3.1	3.6	2.1
GDP deflator	2.8	4.4	6.1	3.7	2.8
Compensation per employee	0.3	2.9	5.2	3.4	2.8
Unit Labour Cost (ULC)	1.0	0.8	6.0	3.5	2.8
External sector (*)					
Current Account Balance (% GDP)	0.7	0.7	2.6	2.6	2.2
Public sector					
Debt (% GDP)	116.8	111.6	107.7	104.2	102.1
Deficit (% GDP) (*)	-6.6	-4.7	-3.6	-2.9	-2.7
Households					
Nominal disposable income	4.5	4.1	11.0	6.9	5.1
Savings rate (% nominal disposable income)	13.8	7.6	11.7	12.0	12.3

Annual rate change in %, unless expressly indicated.
Forecast closing date: June 6, 2024.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

Creating Opportunities

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