BBVA Research

Creating Opportunities

Spain Economic Outlook

October 2024

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Summary

GDP growth has been revised upwards by four tenths of a percentage point in 2024 to 2.9% and by three tenths in 2025 to 2.4%. This is due to statistical updates of historical data, along with more positive recent developments than expected. It is also to incorporate improvements in the contribution likely to be made by both external and domestic demand. Services exports continue to increase more than expected, while consumption —both private and public— is emerging as an alternative growth driver. The strong economic performance is based on improvements in competitiveness (especially in services), an increase in the labor force (mostly migrants), and a fiscal policy that for now continues to support domestic demand. In addition to this, inflation has fallen, thanks to the drop in oil and food prices, as have interest rates. Moving forward, a slowdown is expected as the contribution of external demand turns negative due to limits on the expansion of exports of tourism services and the transition to a growth model with higher spending on imported goods. Moreover, the improvement in goods exports may not be widespread due to bottlenecks in certain sectors. Consumption progress may moderate, especially if the factors that have driven up the household savings rate continue. The relatively low level of investment in transportation and machinery and equipment may be due to a lower impact of European funds and, together with the lack of housing, may threaten the competitiveness of the Spanish economy. Fiscal policy should become contractionary from 2025 onward, in an environment where there is no consensus on the measures needed to reduce imbalances in public accounts while limiting the impact on the economy.

GDP growth forecast for 2024 upgraded to 2.9%, thanks to higher contributions from both domestic and external demand

Available information shows that the economy has performed better than expected three months ago. The National Statistics Institute (INE) has again revised upwards the growth outlook for Gross Domestic Product (GDP) in the second half of 2023 and the first half of 2024. In particular, data for the second quarter showed a higher-than-expected advance (0.8% quarter-on-quarter versus 0.6%). All else constant, this would add between two and three tenths of a percentage point to projected GDP growth for 2024. Furthermore, real-time information suggests that GDP growth would have remained at similar levels in the third quarter (between 0.6% and 0.7%), also above what was forecast last June (0.5%).

The improvement in this year's forecast is explained by the expectation of a greater positive contribution from both domestic and external demand. First, the average annual growth in household consumption is expected to be around 2.5% this year (compared to the 2.1% expected in June). Second, the historical revision of the general government consumption series has revealed that it is stronger than expected. As a result, the forecast has been raised from a positive 1.8% to 3.9%. Lastly, expectations for the evolution of exports have improved, which could now increase by 3.5 % (3.3 % in June), while the forecast for imports growth has worsened (from 2.6 % to 2.3 %).

Domestic demand has risen by more than expected, thanks to consumption and despite weak investment

Household consumption has shown stronger progress, reflecting improved fundamentals. Following a strong quarterly increase in 2Q24 (1.0%), 3Q24 data points to still solid, albeit somewhat more moderate growth (0.6%). Gross disposable income, in both nominal and real terms, advanced more than expected, thanks to the good performance of wage and non-wage income and lower-than-expected inflation. Nominal interest rates have also fallen faster than expected, while the transmission of tight monetary policy to financing costs for both businesses and households has not been as intense as in other cycles of rising interest rates. Lastly, this environment has helped to build confidence by reducing uncertainty and encouraging household spending.

During the first half of the year, general government consumption increased more than initially estimated by the INE and would have continued to grow in 3Q24 (0.9% quarter-on-quarter). By components, intermediate consumption made more of a subdued contribution. However, the remuneration of public sector employees continues to increase and supports this component of demand. By type of administration, it is the spending of the autonomous regions of Spain that explains why public consumption still shows advances that could once again exceed GDP this year. To a lesser extent, public employment is also increasing in companies and other administrations other than local corporations and the central government.

Despite the upward revision made by the INE, total investment spending continues to be the component of demand that is lagging the most in terms of its recovery. Spending on machinery and equipment in the first three quarters of the year looks to have remained virtually stagnant, affected by still high interest rates, a modest growth of exports of goods and uncertainty over the direction of economic policy. Construction investment would have continued to grow (0.7% quarter-on-quarter in 3Q24), supported, at least in part, by the funds linked to Spain’s Recovery, Transformation and Resilience Plan (RTRP) and by the pressure exerted by demand in the housing market. In any case, the increase in these components has been very moderate in recent quarters.

Exports of services continue to show resilience

Consumption by non-residents and foreign sales of non-tourism services will continue to advance in 3Q24 (1.7 % quarter-on-quarter and 2.1 %, respectively), supported by competitiveness gains and increased production capacity. Evidence suggests that prices in these sectors have increased less than those offered by other competing countries.[1] This reflects, in part, somewhat lower labor costs thanks to the growth of the working age population, driven by immigration, and the participation rate of women with secondary and higher education. In addition, hourly productivity improvements are also more pronounced than in other sectors.[2] The migration of hotel vacancies to higher quality segments, the progressive deseasonalization of tourism and the diversification of visitors’ countries of origin have also helped. These factors have made it possible to continue improving the average annual growth forecasts for total exports of services (10.5% in 2024) and, in particular, for consumption by non-residents in national territory (11.9%).[3]

1: See BBVA Research (2024): “Spain Economic Outlook. June 2024.”
2: See BBVA Research (2024): “Labor productivity: Spain vs. EMU.”
3: For a real-time analysis of the trend in spending in the tourism sector, see BBVA Research (2024): “Analysis of national tourist flows in real time. Second four-month period of 2024.”

Looking ahead, the recovery is expected to continue, supported by improved activity in the Eurozone, falling inflation and a less restrictive monetary policy

The euro area is growing in line with forecasts (0.7% in 2024, 1.4% in 2025), albeit with divergences between countries, sectors and demand components. Notably, differences persist between the evolution in external and domestic demand, between services and manufacturing, and between Germany and the rest of Europe. Domestic consumption and investment continue to be a drag on growth (particularly the latter), affected by persistently high interest rates. Households continue to give preference to spending on services, which explains the sector's growth, while parts of industry are stagnating, still affected by structural changes in production costs and the effects of regulation. Sales of goods abroad rebound, driven by demand from the United States and the United Kingdom, and despite the weakness of exports to China. While the rest of the eurozone is starting to show signs of moderate but persistent growth, Germany's GDP remains pretty much stalled.

The labor market continues to hold up and inflation expectations are falling, which will support the improvement of private consumption in Europe. Indicators such as the unemployment rate, the percentage of unfilled vacancies or the number of people waiting to return to their jobs compare favorably with the levels observed a couple of years ago. This trend, coupled with the expected gradual recovery in the purchasing power of wages, should support household spending. **Meanwhile, the outlook for inflation has improved and CPI growth in Europe is expected to be 2.4% in 2024 and 1.9% in 2025** (compared to forecasts of 2.5% and 2.0%, respectively, last June). This slowdown comes in response to the decline, already observed, in the price of oil which, if maintained despite an environment of high geopolitical uncertainty, could lead to falls in the cost of this raw material in both 2024 and 2025. Moreover, this trend could intensify given the adjustment in global food prices. All this will ultimately push up the purchasing power of households.

There has been a significant adjustment in how interest rates are expected to evolve, as a consequence of the fall in global inflation expectations. First, the United States seems to be achieving a 'soft landing' in economic activity as price growth converges to target. As a result, the Federal Reserve has started to cut the monetary policy rate earlier than expected and with a larger than expected initial rate cut. This is compounded by uncertainty over the future course of the Chinese economy, which influences expectations about the growth of world demand and pressures on global inflation. Taken together, these factors shape a scenario in which the prospect that the ECB will continue to gradually loosen financing conditions is strengthening. In fact, the market has already begun to price in a possible cut in the deposit rate of 50 basis points (bp) for the remainder of 2024, followed by a further 100 bp in 2025, which would bring it to levels around 2% by the end of the following year. As a result, the 12-month Euribor stood at 2.9% in September, much lower than in the same month of the previous year (4.1%).

The European Central Bank (ECB) is expected to move at a more leisurely pace than the market is discounting, although the bias is now toward a more expansionary monetary policy. A key aspect will be the Board's judgment on the evolution of labor costs and their impact on inflation in the services sector, which continues to show downward rigidity. Additionally, the geopolitical context remains highly volatile and it is not clear that the current levels of commodity prices can be sustained. Therefore, the macroeconomic scenario described here assumes that **the ECB will cut its monetary policy rate by a further 50 bp in 2024 to 3.00% and by 50 bp in 2025 to 2.50%. In this scenario, the 12-month Euribor would show an average level of 2.6% over the following year.** This reduction in the cost of financing will ease the financial burden and allow both households and businesses to borrow more, which should shore up consumption and investment growth.

Household consumption will remain one of the main growth drivers

In Spain, inflation has already fallen below 2% and will remain at levels below wage growth. The most volatile components of the CPI have significantly reduced their contribution to price growth. This has allowed inflation to reach 1.5% in September, well below what was forecast in June (2.4%). While it is true that the improvement has been more muted in relation to core inflation, the percentage of goods and services showing annualized inflation below 4% has been growing over the last few months to reach levels similar to those observed in 2021. The same is true for other measures of trend inflation, such as trimmed means, which show that, once prices with higher volatility are removed, the fall in inflation is fairly widespread across both goods and services. This behavior suggests that, all else being equal, the inflation trend in Spain will be around 2%. **In particular, BBVA Research expects average CPI increase in 2024 and 2025 to be 2.8% and 1.8%, respectively.**

A tight labor market will allow wages to continue to increase by 3–5%, in annual terms, over the coming quarters, above inflation. Both compensation per employee and per hour worked show an increase of around 4.5% over the previous year; and this in an environment in which unfilled vacancies are at cycle highs (comparable to those observed in the period prior to the global financial crisis). In some sectors and regions, immigration is not enough to meet the labor and human capital needs of companies. A growth environment such as the one assumed in this publication implies that wages will continue to rally as competition for certain types of workers intensifies. This will be even more pronounced if remuneration has to compensate for the increase in costs associated with access to housing in certain autonomous regions of Spain. As a result, **compensation per employee is expected to increase by 4.7% in 2024 and 3.1% in 2025.**

Lower interest rates are likely to boost spending over the coming months. On the one hand, the reduction in borrowing costs will be significant, especially for those households with floating rate loans which they have acquired in recent years. On the other hand, the reduction in the return offered by risk-free assets will likely discourage this type of savings. This may lead to an exodus of sorts toward riskier instruments, increased investment or higher consumption. This is relevant in a context where the household saving rate has risen to 13.1% of disposable income in 2Q24, 4.4 pp above the average for the 1999–2019 period. The excess resources accumulated by households could lead to a scenario of higher consumption growth in the coming quarters if the factors that have raised the savings rate in the last two years are resolved.

Several factors have prompted a timid increase in investment in new housing

Lower interest rates, high liquidity and a shortage of rental housing supply are all boosting mortgage lending. Following the adjustment seen in 2023, new home purchase financing transactions are 50% above 2019 levels. This is partly down to the 56 bp decline in mortgage rates between August 2023 and August 2024. It is also a consequence of the high liquidity and sound capital levels maintained by the banking system. Lastly, the effects of the various regulatory changes that have affected the leasing market [4] may be reducing the supply of affordable rental property and boosting the home sales market, making it a more attractive option for both buyers and existing owners.

4: See BBVA Research (2024): “Reasons for the shortage of housing.” BBVA.

Recent developments in the number of new construction permits suggest an increase in the number of homes coming onto the market over the next two years. Rising prices, expected growth in demand and greater cost stability for property developers are encouraging progress in residential construction.[5] The number of new housing approvals has increased from an average of 9,125 per month in 2023 to 10,830 during the first seven months of 2024. This points to an increase in housing starts of 9% in 2025. As a result, investment in housing construction is expected to register growth in the national accounts from 1% in 2024 to 4% in 2025.

The fiscal adjustment that took place during the first half of 2024 and the upward revision of GDP have reduced the need for further adjustments in 2025

On a cumulative 12-month basis, the imbalance in the public accounts fell to 3.3% of GDP in June, making it more likely that it will end the year around, or below, 3% of GDP. Much of the reduction in the deficit has to do with a stronger than expected recovery in activity. In particular, direct tax revenues continue to increase above nominal GDP growth, thanks to the rise in employment and, particularly, wages. The fall in the cost of imported inputs, together with the increase in capital taxes, also explain part of this evolution.

Lower food and fuel prices are limiting part of the fiscal adjustment underway. Measures such as the VAT reduction on certain types of food are being steadily reversed, while the international context and the current state of the agri-food market are more conducive to household spending on this type of goods. It's much the same story for the measures that were introduced to cushion the impact on output and transportation costs, following an increase in the value of certain key raw materials and that will be eliminated as the price of fuels decreases.

This moderate improvement in the public accounts is partly the reason for why the risk premium remains at relatively low levels. The cost premium to be paid by the Spanish Treasury against German long-term debt has remained at around 80 bp, while the gap against that of other governments —especially the French government— has decreased or even fallen below. In fact, this risk premium is expected to end the year at 85 bp and to increase moderately during the following year, without exceeding 100 bp by the end of 2025; this as the existing uncertainties are beginning to clear regarding the continuity of the adjustment process that must be seen through to completion according to the new fiscal rules in the eurozone.

The transition toward a growth model in which services play a greater role will continue

Immigration is expected to continue to drive the increase in the labor force. Since 2021, the flow of people from abroad accounts for 90% of the observed increase. So far, they have been attracted by an improvement in their living conditions that responds, at least in part, to a dynamic labor market: annual job creation among the immigrant population is higher than it was between 2000 and 2008 during the housing boom. Amid an environment in which spending by Europeans continues to benefit the labor-intensive service sector, where Spain holds a relative advantage, the demand for workers will continue to increase. Likewise, the negative factors that have encouraged emigration from countries with a poor economic, security or political situation remain firmly in place. Therefore, in the absence of bottlenecks or explicit measures that considerably reduce the attractiveness of coming

5: For a recent analysis of the situation and outlook for the real estate sector, see BBVA Research (2024): "Real Estate Watch. August 2024."

to Spain, or that impose additional barriers to immigration, immigration is expected to continue in the coming years.

The increased prominence of the services sector has been accompanied by a greater participation of those services that require more human capital. The share in employment for this type of services sector rose from 47.8% in 2019 to 49.8% in 2023. As explained above, this is down to increased competitiveness coupled with exports of services with higher hourly productivity gains than in other sectors, plus the advantages associated with the ready availability of immigrant flows. Moving forward, the contribution made by non-tourist services, whose share of GDP (between 7% and 8%) is still lower than the levels reached in Germany (between 9 and 10%) or in economies smaller than Spain's, such as Portugal (between 9% and 10%), may be of particular importance.

GDP growth is slowing and could reach 2.4% in 2025

The current trend in the labor market indicates a certain growth slowdown in 3Q24. Excluding seasonal variations and the calendar effect (SWDA), BBVA Research estimates indicate that Social Security enrollment increased by 0.3% quarterly between July and September, five tenths of a percentage point less than in the previous quarter, with agriculture (-0.8% quarterly SWDA, seven tenths of a percentage point less than in the second quarter) and services (0.4% quarterly SWDA compared to 1.0% in 2Q24) being the sectors largely responsible for the slowdown. By type of contract, contributors to the general regime with permanent contracts accounted for most of the loss of momentum in enrollment in the third quarter, although this was widespread. Registered unemployment fell by 0.8% quarter on quarter SWDA, 1.4 points lower than in the second quarter.[6]

For the first time since 2021, external demand could make a negative contribution to annual average GDP growth in 2025. While it is true that non-resident consumption is expected to continue to outpace GDP, a slowdown is perceived that will continue over the coming quarters. As discussed in past reports, the sector is moving away from the situation of high unused capacity observed during the pandemic. The possibility of continuing to grow in high season is becoming increasingly strained, especially in a sector where the regulatory framework hampers the speed of supply response. In addition, the negative externalities caused by a stronger influx of foreign tourists (such as congestion, pollution or the increase in the cost of living) are already having an influence on public policies that may limit the expansion of the sector. Lastly, there is uncertainty surrounding the impact that climate change will have over the next few years, especially on beach destinations in the Mediterranean and the islands.[7]

Domestic spending will be biased toward imports, which accelerate and reach an average annual growth of 6.1% in 2025 (compared to 2.3% in 2024). This is as a result of the transition toward a growth model with a greater share of exports of goods and investment. Unlike non-resident consumption, sales of goods abroad are intensive in the use of inputs produced outside Spain. The more integrated companies are in global production chains, the greater their dependence on imports. In addition, both the dynamism of goods exports and the fall in interest rates are expected to have a positive effect on the purchase of machinery and equipment, which, once again, is being acquired from other countries. Lastly, these effects could be amplified by a recovery in the consumption of goods, especially durable goods, which may also include a normalization of automobile purchases.

6: See BBVA Research (2024): Spain | September confirmed that job creation picked up in 3Q24." BBVA.
7: See BBVA Research (2024): "The impact of climate change on tourism demand in Spain."

Improvement in exports of goods may be constrained by structural adjustments in some sectors[8]

Exports of medicines and clothing are suffering from the effects of the changes introduced by the pandemic. During the first six months of the year, nominal exports of these two sectors, which account for 8% of the total, fell by 38% and 13% respectively, when compared to the levels reached in 2022. Although drug sales continue to exceed the levels seen prior to the onset of the pandemic, there has been a reduction in demand that may be partly due to relatively high inventories accumulated in an environment of high uncertainty. And despite the sector is expected to return to growth in the coming months, there are doubts about how long the adjustment process will last. The same is true for clothing, which is being affected by changes in consumer preferences, the transformations observed in the work environment (telecommuting) and the aging of the European population.

The automotive sector shows heterogeneity in the course of production, depending on the specialization in the type of vehicle. In particular, the companies, brands and autonomous regions of Spain where supply is increasing are those that have witnessed a growing relevance of cars with gasoline engines, and hybrid and electric models. Activity at plants that produce diesel-powered vehicles is showing adjustments that are limiting the sector's contribution to export growth. While it is true that investments linked to RTRP funds could expedite the transformation of the sector and help it gain a larger share of the international market, it is unclear when these efforts will begin to have an impact.

Household savings remain historically high, and the causes underpinning this trend limit the growth of domestic demand

Current savings levels have been observed only in environments of high employment uncertainty, such as in the aftermath of the global financial crisis or during the pandemic. This is the first time that such high savings have been observed in an environment of relentless job creation. While the reduction in interest rates will allow for greater growth in consumption, other structural factors may slow its advance. As discussed in the previous edition of this publication and confirmed by other sources,[9] there is evidence showing that the benefits of the recovery are being concentrated in groups with a lower marginal propensity to consume. For example, rising pensions and interest rates push up the income of older and wealthier people. Likewise, the increase in employment is disproportionately concentrated among immigrants. For as long as these factors remain important, **the saving rate** will remain fairly high. BBVA Research estimates that **it could be slightly above 13% of household disposable income in both 2024 and 2025**.

Poor investment performance remains a major constraint to future growth

Fixed capital accumulation continues to show levels below those observed prior to the pandemic, especially in components that should have benefited from RTRP funds. For example, investment in machinery and equipment in 2024 would be 6% lower than in 2019, and 3% lower in non-residential construction.

8: For an analysis of the historical trend, composition and characteristics of Spanish exports, as well as Spain's participation in global value chains, see BBVA Research (2024): "An analysis of Spanish exports."
9: See Bank of Spain (2024): "Projections and quarterly report on the Spanish economy. September 2024."

The situation in the transportation equipment sector is particularly worrying, where the rate is 23% below the investment made prior to the pandemic. The transition toward the mass adoption of electric vehicles, as envisioned in the RTRP, does not seem to be happening that quickly and raises doubts as to how effectively the funds are being channeled. Companies seem unwilling to expand their production capacity, nor are resources encouraging the arrival of companies or sectors that require the construction of new work centers. This also happens to be taking place in an environment where public works bidding is slowing and could foreshadow a lower growth boost from these funds.

The expected improvement in housing construction investment is insignificant compared to the challenge ahead. While the increase in the active labor population within the Spanish labor market is similar to that observed in the period immediately prior to the global financial crisis, housing construction is 83% lower. If this scenario of imbalance between demand and supply consolidates, the market will adjust through higher housing prices. **In this regard, BBVA Research expects price growth to be between 5.5% and 6.0% in both 2024 and 2025**, higher in cities where imbalances are the most pressing. Increases that are consistently above the income of young households can be a bottleneck to growth, by discouraging the inflow of human capital and creating social tensions.

There is also uncertainty over the effect of immigration on productivity

Immigration is concentrated in low-skilled jobs, although recent flows point to a lower occupational segregation. Half of the more than four million employed foreign nationals are grouped into just fifteen occupations, with domestic employees, salaried waiters and cleaning personnel holding the greatest weight. This occupational concentration is more pronounced among immigrant women. Notably, 63% of foreign female workers work within just fifteen occupations. Furthermore, female domestic workers, salaried waitresses and cleaning staff account for 30% of employed women with foreign nationality.[10] Despite this, the new process of incorporating immigrants into the Spanish labor market is taking place with lower rates of occupational segregation. This is due to the increased participation of immigrants across virtually all occupations. The integration of the immigrant population into more productive jobs poses a challenge in an economy where growth in GDP per hour worked has offset only the decline in hours per employed person, meaning that GDP per employed person is actually where it was at the end of 2019. To succeed in this task, improving incentives and reducing the uncertainties and barriers holding back productive investment are a pressing need. Spain is a prime example of the EU's diagnosis set out in the Draghi report and of the positive effects that many of its recommendations could have.

Uncertainty about fiscal policy remains high amid considerable parliamentary fragmentation

The central government must announce measures equivalent to 0.5% of GDP to comply with the new fiscal rules from 2025 onward. BBVA Research estimates indicate that, for each point of adjustment of the structural primary deficit as a percentage of potential GDP, the level of activity could moderate in the long term between 0.75 pp of GDP and 1.0 pp. While the scale of the effect would depend on the exact composition of the adjustment, reforms that could offset part or all of these negative effects on economic activity would be justified. It would be

10: See BBVA Research (2024): "Quarterly Labor Market Observatory – 2Q2024."

wise to reach a consensus as soon as possible on the measures that will be necessary to carry out the adjustment, so that the affected economic agents can adjust their consumption and investment decisions.

Looking ahead, it would be desirable to negotiate a new transparent and solidarity-driven regional financing system. The current mechanism is overly complex, lacks transparency, and introduces a series of funds whose allocation of resources bears little connection to interregional solidarity. The new system should aim to respect the principle of ordinality, ensuring the provision of public services of comparable quality across the Spanish territory, promoting fiscal responsibility, and allowing regional governments sufficient fiscal autonomy to set their preferred level of tax burden. Additionally, it would be advisable to establish a new institutional framework that incorporates mechanisms to reflect the country's committed fiscal effort in the accounts of the autonomous communities. This should be complemented by oversight tools and incentives to ensure the fulfillment of agreed targets. Furthermore, it is necessary to clarify how access to the Regional Liquidity Fund will operate once the new financing system is in place.

Tables

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

	2020	2021	2022	2023	2024	2025
United States	-2.2	3.7	1.9	2.5	2.5	2.1
Eurozone	-6.3	6.2	3.4	0.5	0.7	1.4
China	2.2	8.5	3.0	5.2	4.6	4.2
World	-2.7	6.8	3.4	3.2	3.1	3.3

Forecast closing date: October 11, 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	2.9	2.3
Eurozone	0.3	2.6	8.4	5.4	2.4	1.9
China	2.5	0.9	2.0	0.2	0.5	1.5
World	3.6	5.1	9.3	7.6	7.1	4.7

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	0.9	1.4	3.0	4.0	4.1	3.7
Germany	-0.5	-0.3	1.2	2.5	2.3	2.1

Forecast closing date: October 11, 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	7.17	6.94

Forecast closing date: October 11, 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 (*)	-0.50	-0.50	2.00	4.00	3.00	2.50
China	3.85	3.80	3.65	3.45	3.25	3.25

Annual variation rate in %, unless expressly indicated.
(*) Deposit facility rate.
Forecast closing date: October 11, 2024.
Source: BBVA Research & IMF.

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

	2020	2021	2022	2023	2024	2025
GDP at constant prices	**-6.3**	**6.2**	**3.4**	**0.5**	**0.7**	**1.4**
Private consumption	-8.0	4.7	4.9	0.8	0.7	1.4
Public consumption	1.2	4.2	1.1	1.2	1.5	0.5
Gross fixed capital formation	-6.0	3.9	2.1	1.1	-1.9	2.4
Inventories (*)	-0.3	0.5	0.1	-0.5	-0.6	0.0
Domestic demand (*)	**-5.7**	**4.7**	**3.4**	**0.4**	**-0.3**	**1.3**
Exports (goods and services)	-9.0	11.3	7.5	-0.4	2.1	2.7
Imports (goods and services)	-8.5	8.9	8.3	-0.7	0.0	3.0
External demand (*)	**-0.6**	**1.4**	**0.0**	**0.1**	**1.0**	**0.0**
Prices and Costs						
CPI	0.3	2.6	8.4	5.4	2.4	1.9
CPI Core	0.7	1.5	3.9	4.9	2.9	2.1
Labour Market						
Employment	-1.4	1.4	2.2	1.4	0.7	0.3
Unemployment rate (% of labour force)	8.0	7.8	6.7	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	89.2	89.0
External Sector						
Current Account Balance (% GDP)	1.6	2.4	-0.4	1.6	2.6	2.4

Annual rate change in %, unless expressly indicated.
Forecast closing date: October 11, 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	**6.7**	**6.2**	**2.7**	**2.9**	**2.4**
Private Consumption	7.1	4.8	1.8	2.5	2.1
Public Consumption	3.6	0.6	5.2	3.9	2.7
Gross Fixed Capital Formation	2.6	3.3	2.1	2.7	5.0
Equipment and machinery	3.3	2.9	1.1	1.1	5.5
Construction	0.5	2.2	3.0	3.6	4.5
Housing	0.8	8.4	2.1	1.3	4.2
Domestic Demand (contribution to growth)	**6.9**	**3.9**	**1.7**	**2.4**	**2.7**
Exports	13.4	14.3	2.8	3.5	4.7
Imports	15.0	7.7	0.3	2.3	6.1
External Demand (contribution to growth)	**-0.3**	**2.3**	**1.0**	**0.5**	**-0.3**
GDP at current prices	9.4	11.2	9.1	6.1	4.8
(Billions of Euros)	1235.5	1373.6	1498.3	1589.5	1666.0
Labour market					
Employment, Labour Force Survey	3.3	3.6	3.1	2.2	2.1
Unemployment rate (% Labour force)	14.9	13.0	12.2	11.5	10.8
Employment, full time equivalent	7.3	4.1	3.2	1.9	1.8
Productivity	-0.6	2.1	-0.5	1.0	0.6
Prices and Costs					
CPI (average)	3.1	8.4	3.5	2.8	1.8
CPI (end of period)	5.8	5.7	3.1	2.2	1.9
GDP deflator	2.7	5.0	6.4	3.1	2.4
Compensation per employee	0.7	3.9	5.6	4.7	3.1
Unit Labour Cost (ULC)	1.2	1.8	6.1	3.6	2.5
External sector (*)					
Current Account Balance (% GDP)	0.8	0.4	2.8	3.4	3.2
Public sector					
Debt (% GDP)	115.7	109.5	105.1	102.6	99.8
Deficit (% GDP) (*)	-6.5	-4.5	-3.5	-2.9	-2.5
Households					
Nominal disposable income	4.9	5.3	10.7	8.1	4.9
Savings rate (% nominal disposable income)	14.2	9.0	12.0	13.3	13.3

Annual rate change in %, unless expressly indicated.
Forecast closing date: October 11, 2024.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

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