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Economic and Business Outlook

September 2023

New feature: This report includes a section analysing the current state of business activity based on several existing indicators.

Overview

- The global economy will slow down in the second half of the year, with the effects of the financial tightening taking a greater toll.
- The European Central Bank raises interest rates for the tenth consecutive time in response to the persistence of inflation in the Eurozone, which held at 5.3% in August.
- Oil prices are rising due to Saudi Arabia and Russia's extension of production cuts.
- Significant upward revision of GDP in 2021 and 2022, indicating that the post-pandemic recovery of the Spanish economy was stronger than initially anticipated.
- The European Commission raised its growth forecasts for the Spanish economy to 2.2% for 2023, the same rate as the September Funcas Panel. For their part, the Bank of Spain and the OECD estimate GDP growth at 2.3%.
- Indicators for Q3 are starting to show a slowdown in activity.
- After the favourable performance of the labour market in the first half of the year, (seasonally adjusted) job creation loses momentum in July and August compared with Q2.
- Inflation picks up slightly due to the weaker decline in energy products.
- The reduction of the state deficit loses momentum in the first half of 2023, as spending continues to increase significantly. State revenues continue to grow by close to 8%
- In addition to persistently high inflation, the slowdown in domestic and international demand is reducing the number of incoming orders, which, coupled with tighter financial conditions and rising costs, is weighing on activity and business confidence.

The International Scenario

PMI indices point to a slowdown in the global economy for the second half of the year

The global economy showed remarkable resilience in the first part of the year, supported mainly by the strength of both employment and services, albeit with considerable differences across regions and sectors. The recovery in supply chains, with delivery times improving and shipping costs returning to pre-pandemic levels, as well as the reduced impact of COVID in activity levels, helped to support growth. However, the second half is expected to be less buoyant, as monetary policy tightening will have a stronger impact on economic activity, while inflation, which is still at high levels, will continue to negatively affect household consumption.

IMF (July 2023) **and European Commission forecasts** (September 2023)

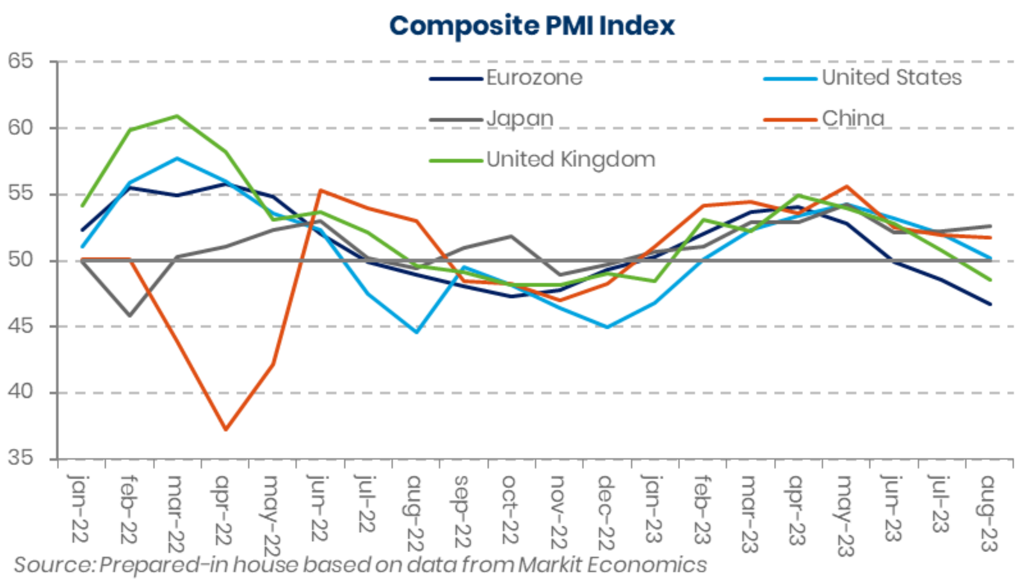
	IMF			European Commission		
(y-o-y rate)	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
World	3.5	3.0	3.0			
European Union				3.4	0.8	1.4
Eurozone	3.5	0.9	1.5	3.3	0.8	1.3
Germany	1.8	-0.3	1.3	1.8	-0.4	1.1
France	2.5	0.8	1.3	2.5	1.0	1.2
Spain	5.5	2.5	2.0	5.5	2.2	1.9
Italy	3.7	1.1	0.9	3.7	0.9	0.8
United States	2.1	1.8	1.0			
Japan	1.0	1.4	1.0			
United Kingdom	4.1	0.4	1.0			
China	3.0	5.2	4.5			

Source: IMF and European Commission

Within this context, at the end of July, the IMF revised its estimates for the current year slightly upwards by two tenths, to 3%, which represents a slowdown after the 3.5% recorded in 2022. In addition, its estimation for 2024 is also set at 3%, confirming that global growth will continue to be weak, given that it is significantly lower than the 3.8% annual rate posted for the period from 2000 to 2019. The IMF stresses the persistence of high uncertainty and risks to activity, mainly on the downside. Among these, geopolitical tensions stand out, especially the possible resurgence of the war in Ukraine, in addition to a further tightening of monetary policy, or new episodes of turbulence in the financial markets. The positive note could come from a faster than expected decline in inflation, which would allow an easing of monetary policy.

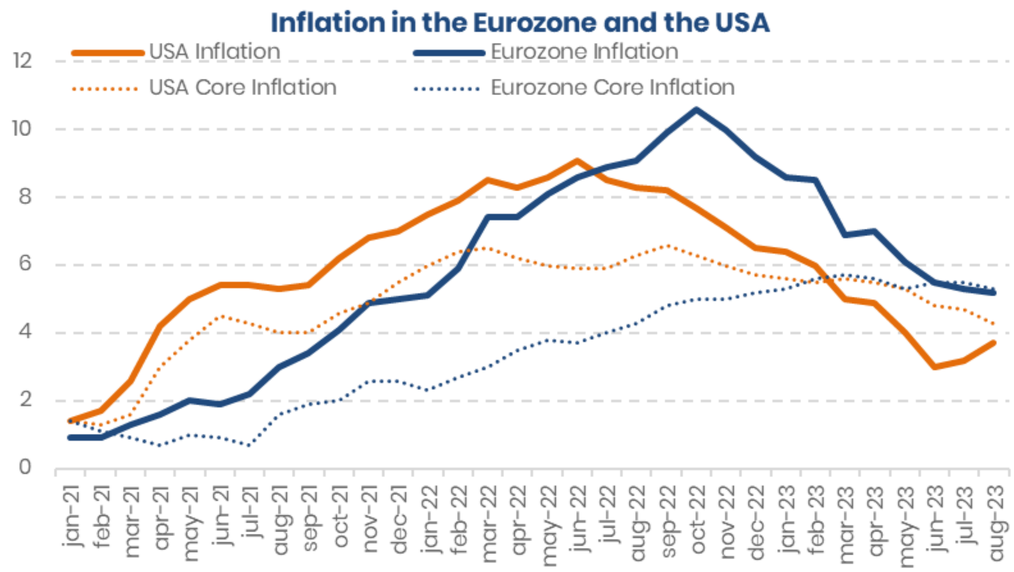
In September, the European Commission updated its forecasts for 2023 and 2024, in this case downwards, pointing to a very discreet performance of activity in the Eurozone, and in the EU, during the first half of the year. Moreover, it foresees greater weakness in the second half, as the momentum of the services sector seems to be fading. Thus, GDP growth in 2023 will stand at 0.8%, both in the Eurozone and in the EU, three and two tenths respectively lower than in the May estimates. For 2024, the revision has also been downward, by three tenths, with growth of 1.3% in the Eurozone and 1.4% in the European Union, on the assumption that interest rates will remain high for longer than estimated a few months ago. Regarding inflation, although it still remains at high rates, the forecast for 2023 has been revised downwards by two tenths to 5.6% in the Eurozone and 6.5% in the EU as a whole. Meanwhile, for 2024, although inflation will continue to soften, it was revised upwards by one tenth to 2.9% in the Eurozone and 3.2% in the European Union.

In turn, the PMI indices for August generally showed a downward trend, with the Global Composite PMI Index at 50.6, 1.1 points lower than in July and the lowest reading since January, although still in positive territory. However, in the UK and mainly in the Eurozone, the indices have been clearly below 50 points, anticipating a possible contraction of activity in Q3.



Source: Prepared-in house based on data from Markit Economics

With regard to price behaviour, it should be noted that inflation in the United States rose for the second consecutive month to 3.7% in August, after the lows of June, largely due to the rise in fuel prices. Core inflation (excluding energy and food) continued to fall to 4.3% but is still far from the monetary authorities' target. In the Eurozone, where the cycle lags somewhat behind that of the United States, inflation in August stagnated at 5.3%, interrupting nine consecutive declines, while core inflation (also excluding energy and food) eased by two tenths to 5.3%.



Source: Prepared-in house based on data from Eurostat and Bureau of Labor Statistics

The main Western central banks are facing persistent inflation in a context of weakening activity. For the time being, their priority is still to control inflation. Thus, the European Central Bank has continued to raise its interest rates for the tenth consecutive time, this time by 25 basis points, taking its reference rate to 4.5%, although it seems like there might be a pause in this upward trend. It also revised down GDP growth for this year and next year to 0.7% and 1% respectively, while inflation was raised by two tenths to 5.6% for 2023 and 3.2% in 2024.

On the other hand, it is uncertain whether the Federal Reserve will keep rates in the 5.25% to 5.5% range where it left them at its July meeting, the highest level since 2001, or whether it will also continue to raise them in September, given the upturn in inflation and the dynamic employment environment. For the Bank of England, the decision seems simpler, and a further hike is expected in September to set the rate at 5.5% from the current 5.25%, due to high inflation rates in the UK (6.8% in July).

In the United States, the economy showed remarkable dynamism in the first half of the year, with quarterly growth of 0.5%. In Q3, the economy seems to remain quite robust, with employment rising by 187,000 in August, even slightly better than in the preceding months and totalling 32 consecutive months of job creation. However, the notable increase in the labour force (736,000 people) has contributed to raising the unemployment rate by three tenths to 3.8%. On the other hand, a significant slowdown is expected for Q4 due to the greater impact of monetary policy, the increase in defaults, a progressive weakening of the labour market, and student loan payments resuming from October onwards, among other factors.

In the Eurozone, the GDP revision averted a recession in the first part of the year, although quarterly growth was very weak at 0.1% in both the Q1 and Q2. In Q3, the labour market continued to perform well, with July's unemployment rate unchanged from June at 6.4%, the lowest in the historical series. However, the PMI indicators for July and August point to a contraction in activity. In August, the services PMI also fell below 50, to 47.9 points, while the manufacturing PMI has been in contractionary territory for over a year. Moreover, in July, industrial production in the Eurozone fell by 1.1% compared with June, down 2.2% from a year earlier.

In China, growth in Q2 (0.8%) slowed down compared to Q1 (2.2%). For the second half of the year, the economy is expected to continue to weaken as anticipated by the PMI indices, which slowed down in July and August compared with the previous quarter. Moreover, its real estate sector is experiencing significant difficulties that could spread to other areas, potentially affecting also local government finances and the banking sector. In contrast to the West, inflation is very weak, 0.1% in August and -0.3% in July, so its central bank lowered its interest rates slightly in August with the aim of boosting economic activity.

As for commodities, in general they posted a slight increase in prices in June and July, even though their year-on-year rates are still negative. This price rise was more marked for oil, which averaged $86.9/barrel in August. This is 15% more than in June but still 17.1% lower than a year earlier. In the first days of September, the price of crude oil continued to rise, widely surpassing the $90/barrel barrier, because Saudi Arabia and Russia have announced that they are going to prolong their supply cuts for the rest of the year. This situation, according to the International Energy Agency, could lead to a shortage of crude oil in the market and price tensions in the coming months.

The Spanish Economy

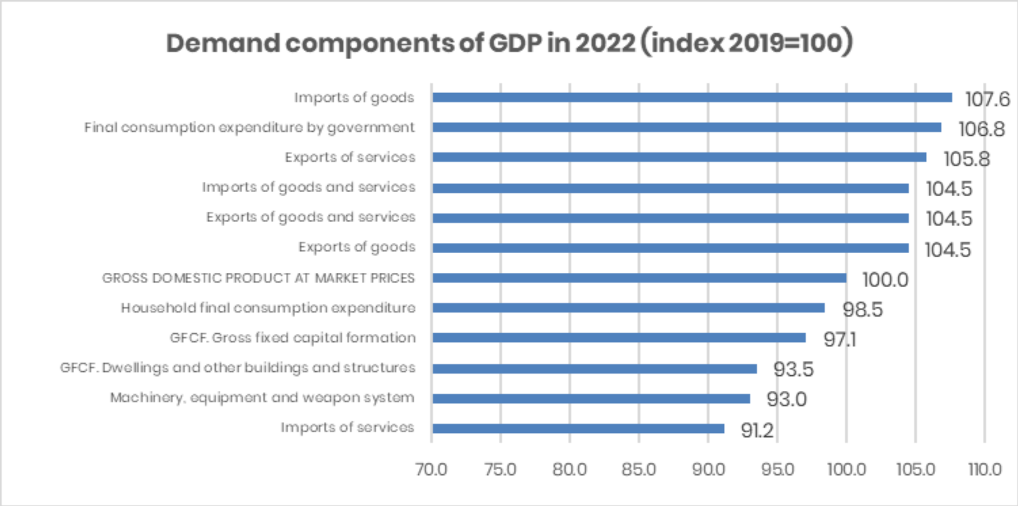
Significant upward revision of GDP in 2021 and 2022, which indicates that the post-pandemic recovery was stronger than anticipated

The National Statistics Institute (INE) has updated the Annual National Accounts series due to the incorporation of complementary sources of information from different sectors, foreign trade, and the different Public Administrations. This has resulted in an upward revision of GDP for 2020, 2021 and 2022. The revision for 2020, the year of the pandemic, has been slight (from -11.3% to -11.2%), while those for 2021 and 2022 have been more pronounced, especially the final number for 2021. Thus, the post-pandemic recovery of the Spanish economy was stronger than initially estimated. Specifically, real GDP growth in 2021 is now set at 6.4%, compared to the previous 5.5%.

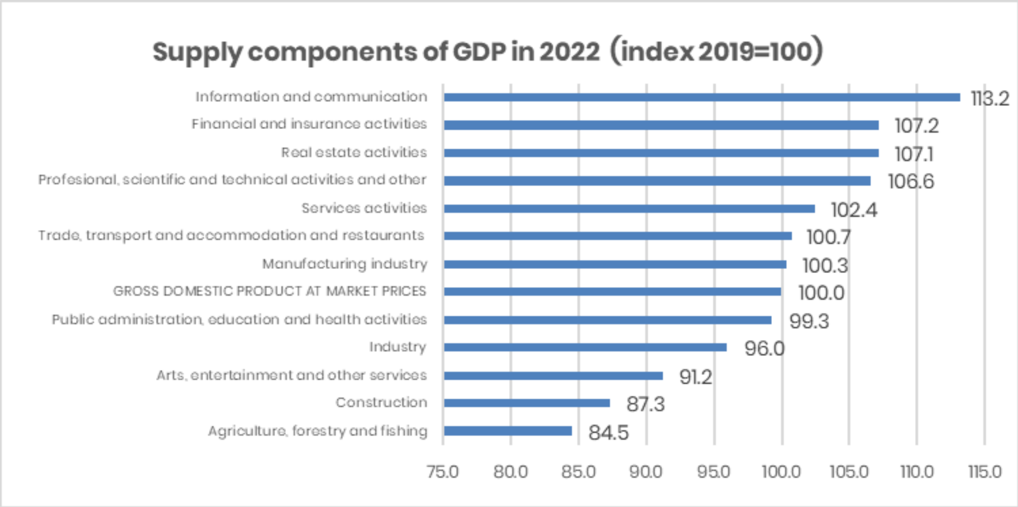
In 2022, GDP grew by 5.8%, an additional three tenths over the 5.5% previously reported. In other words, GDP was almost back to pre-pandemic levels in 2022. In nominal GDP terms, nominal GDP rose by €19.269 billion to €1,346,377 billion in 2022. As a result, the current account balance and public deficit ratios also need to be rectified, with the public sector improving by one tenth in 2022 (-4.7% of GDP) and the external current account surplus decreasing by one tenth (+0.5% of GDP).

As for the composition of growth, the new estimate shows a lower contribution from domestic demand (2.9%, compared with 3.1% previously) and a higher contribution from external demand (2.9%, compared with 2.4%). Within the domestic demand components, the recovery process has been very uneven after 2020. The most dynamic component was government spending, while both exports and imports performed very positively. Investment and household spending have not recovered their pre-pandemic levels for the time being.

On the supply side, behaviour has also been very different among the different activity sectors, with agriculture and construction lagging the furthest behind in the recovery since 2020, below pre-crisis levels, while information and telecommunications is the most dynamic sector, with its GVA up by 13% compared to 2019. Manufacturing is practically at pre-crisis levels, as are all sectors related to trade, transport, and accommodation and restaurants.

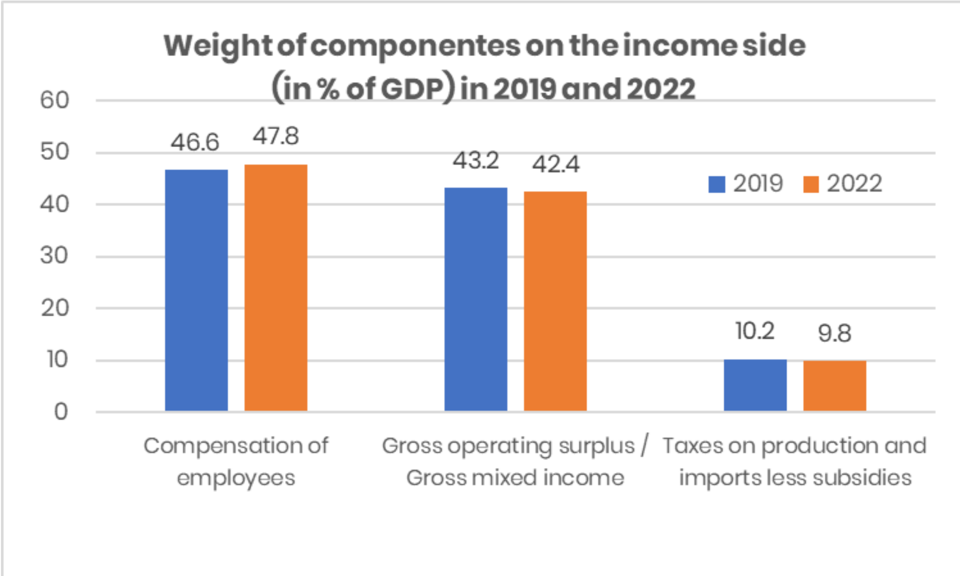


Source: INE



Source: INE

Looking at GDP on the income side, we find that the GOS in 2022 had not yet recovered its pre-crisis weight in GDP, while compensation of employees takes a larger share in terms of GDP compared to 2019.



Source: INE

As for forecasts, the European Commission has raised the Spanish economy's growth rate for 2023 to 2.2%, the same rate estimated by the September Funcas Panel. The Bank of Spain raises this forecast to 2.3%, as does the OECD. For 2024, all institutions point to lower dynamism in activity, with a growth of 1.9% according to the EC and the OECD, while the panel of Spanish analysts and the Bank of Spain point to 1.8%. In any case, Spain will be one of Europe's growth drivers this year and the next.

The higher-than-expected growth for this year does not change the fact that the Spanish economy has been clearly immersed in a process of deceleration of economic activity since the summer. Forecasts for Q3 and Q4 point to a very small increase in GDP, which could even be flat in a given quarter.

Demand and Activity

The economy will show slower growth in Q3, after registering 0.4% in Q2

According to the preliminary data published by the National Statistics Institute (INE), the economy continued to post a notable rate of growth in Q2, 0.4% quarter-on-quarter, one tenth lower than in Q1. This growth was basically based on a slight improvement in domestic demand, while external demand made a much smaller contribution, which reflects the fall in exports and imports that we will comment below.

With regard to expectations, the consumer confidence indicator and the retail trade indicator have shown an improving trend over the first seven months of the year, in line with the dynamism still being recorded for employment and the slowdown in inflation over the last few months. However, this trend was cut short in August due to the worsening of consumer perceptions about their households' future financial situation and the general economic situation and, in the case of retail trade, about future business activity, which could be pointing to a reduction in private consumption. Along the same lines, the domestic sales of large companies already showed a decline in Q2 compared with Q1, which has been exacerbated in the month of July. For the last part of the year, the rise in financial costs, the tightening of conditions for accessing credit, and continued high inflation will keep reducing the disposable income of households, thus weighing on consumption.

In the first eight months of 2023, vehicle registrations increased by 20.5% compared to the same period in 2022, but they are still 27% below pre-pandemic figures. August saw a recovery in sales to private individuals and companies, while the market aimed at the rental segment suffered a significant decline, since it had made its purchases in the previous months. In the coming months, registrations may be conditioned by high inflation, interest rates, and uncertainty, which could mean that the sector's forecasts for the year may not be met.

With regard to industrial activity, a deterioration in confidence indicators and manufacturing PMIs had already been observed in Q2, and this was even more pronounced in July and August. This worse outlook is due to a decline in new domestic and foreign orders, in line with the lower demand from our trading partners and the fall in imports. Against this background, there is less pressure on input prices and delivery times.

Indicators for the services sector are still highly dynamic. The confidence indicator for the services sector up to August continues to show an improved outlook for the evolution of present and future demand. However, the services PMIs have shown some deterioration in recent months and stood at contractionary levels (below 50) in August.

The inflow of international tourists continues to recover and everything suggests that the figures for the end of the summer have been very positive. Thus, according to the latest data available from the Statistics on Tourist Movements at Borders (Frontur), in July, the entry of visitors stood at just over 10.1 million international tourists, 2.6% more than in the same month of 2019. However, the cumulative figure for the first seven months is still slightly below pre-pandemic figures. In general, tourists are reducing the length of their stay in Spain slightly, but average daily expenditure has increased, so total expenditure has continued to rise. Thus, total tourist spending during the January-July period was 14.7% higher than in the same period of 2019.

As far as the external sector is concerned, the information available for the April-June period seems to point to a decline in both exports and imports of goods, albeit more intense for imports, so the contribution of the external sector will continue to play a key role in Q2 growth. Thus, the customs information available for April-June 2023 shows a fall in both variables, but with a better performance from exports, which is leading to a further correction of the trade deficit (both non-energy and energy). In this period, exports were down -4.0%, vs. -9.0% posted by imports. The trade balance recorded a deficit of €9.842 billion, compared with a deficit of €16.546 billion in the same period of 2022.

Similarly, according to the Balance of Payments data published by the Bank of Spain, in the first six months of 2023 the current account surplus reached 19.0 billion, compared with a deficit of -2.0 billion in the same period of the previous year. This positive evolution was due to a higher surplus in the balance of both non-tourist and tourist goods and services.

The Labour Market

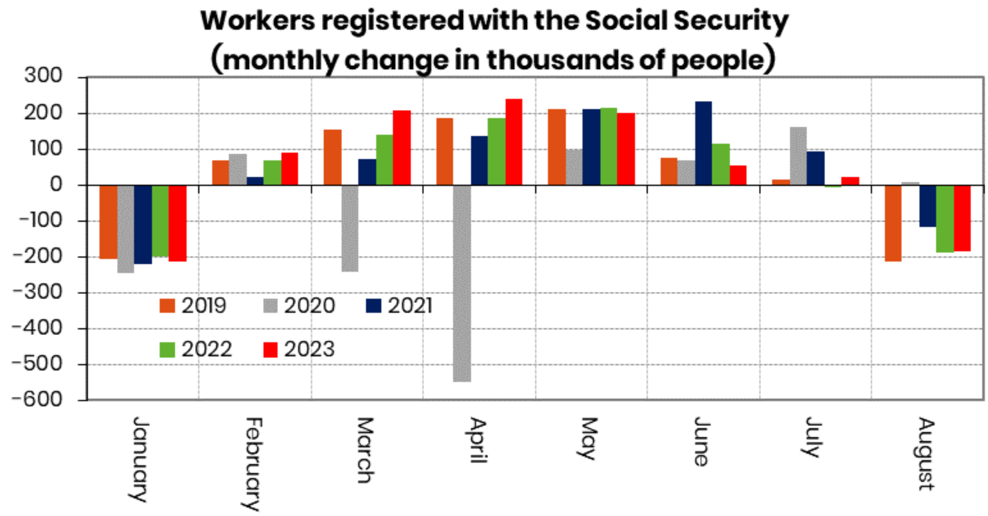
Seasonally adjusted job creation lost momentum in July and August compared to Q2

The labour market performed favourably in the first part of the year and posted notable growth in employment, especially in Q2, supported by the momentum of the tourism sector and despite a greater weakness in industry. However, the initial data for Q3 show a significant loss of dynamism in job creation in quarterly terms, according to the seasonally adjusted figures for Social Security registrations, in an environment in which lower economic growth is also expected for this period. This slowdown in GDP and employment in comparison with the first part of the year is likely to extend to the last quarter of the year.

The results of the Labour Force Survey for Q2 were a positive surprise and showed significant growth in employment in a seasonally favourable quarter, with 603,900 new workers. This was driven by the dynamism of the private sector, while employment in the public sector fell. However, it is worth noting the loss of jobs in the industrial sector, in line with its deteriorated confidence levels and weaker activity in recent months.

In Q2, employment according to the LFS exceeded 21 million people for the first time in the historical series. In year-on-year terms, employment rebounded notably, improving its growth rate to 2.9%. This performance contrasts with economic activity, given that year-on-year GDP growth for Q2 posted a slowdown. In fact, this loss of dynamism in activity would be more in line with the trend in hours worked, which also slowed down year on year, both in LFS and National Accounting terms. Meanwhile, it is worth noting that the temporary employment rate in the private sector increased slightly to 13.9%. Nonetheless, this is still less than half that of the public sector, which fell to 31.1%. It is also noteworthy that the strong growth in employment in Q2 reduced the number of unemployed to 2.7 million people, while the unemployment rate fell to 11.6%, in both cases the lowest levels since 2008.

Among the results of the Quarterly National Accounts for Q2, we should highlight the decline in productivity per full-time equivalent job, both in quarterly and year-on-year terms, thus interrupting the recovery trend of the last few quarters. In turn, unit labour costs continue to rebound and reached a year-on-year rate of 5.6%, which is 11.6% higher than in Q4 2019, just before the pandemic hit.



Source: Prepared-in house based on data from the Ministry of Inclusion, Social Security and Migrations

August is usually an unfavourable month for the labour market for seasonal reasons and this year has been no exception. Specifically, the number of people registered with the Social Security fell by 185,385, a figure similar to the one recorded for this month in 2022, but higher than the average for the 2014-2019 period. In seasonally adjusted terms, there was an increase of close to 18,000 people, confirming the slower momentum of seasonally adjusted employment observed since May and which followed the strong increases recorded in the first months of the year. Moreover, the preliminary figures published by the Ministry of Inclusion, Social Security and Migration point to a more moderate increase in seasonally adjusted registrations (some 10,000 persons) in the first two weeks of September.

Returning to the gross figures for August, the year-on-year rate of Social Security registrations rebounded slightly for the second consecutive month, to 2.8%. On the other hand, registered unemployment increased in August by 24,826 people, a lower figure than the one recorded for this month in both 2022 and the average for the 2014-2019 period.

Pending the September results, available information suggests that employment is showing less dynamism in Q3. According to estimates by CEOE's Department of Economic Affairs, effective registrations (discounting furloughs), adjusted for seasonal effects, will increase by around 0.2% quarter-on-quarter in Q3, which represents a significant slowdown compared with the 1.4% recorded in Q2.

Inflation

Inflation picked up slightly due to a slower decline in energy products

In August, headline inflation rose 0.3 pp to 2.6% and core inflation continued to decelerate, albeit much more gradually, settling at 6.1%, one tenth lower than in July. Energy product prices continue to show significant falls in year-on-year terms, although these will become increasingly less pronounced due to the base effect. Industrial goods and unprocessed food prices also show more contained increases, as international markets are exerting lower inflationary pressures. However, in the case of services, due to strong demand and cost pressures, there is greater resistance to the slowdown.

Within the core component, Services prices decreased their year-on-year rate by one tenth to 4.5%; Industrial goods prices excluding energy products remained unchanged at 4.3%; and Processed food, beverages and tobacco decelerated their year-on-year rate by four tenths to 10.9%, despite the price increases in oils, fats, or sugar, with rates of over 30%.

Unprocessed food prices decelerated by 0.4 pp to 8.5% after the notable rise in July. However, some products with a significant weight in the household shopping basket still show double-digit price increases, as a consequence of the unfavourable conditions of shortages and droughts.

Energy prices eased their decrease slightly to -21.5% year-on-year, compared with -24.3% the previous month, given that energy commodity prices have declined less this month in year-on-year terms because some products, such as oil, have rebounded in recent months.

Inflation is expected to follow a slight upward trend in the coming months, although there could be a one-off spike in the latter part of the year due to rising costs. The average inflation rate in 2023 is expected to be much lower than in 2022, below 4%. In fact, the European Commission estimates 3.6% for 2023.

The Public Sector

The reduction of the State public deficit lost intensity in the first half of 2023 due to spending, which continues to increase significantly

In National Accounting terms, the accumulated state deficit in the first half of 2023 was -6.6% lower than in the same period of the previous year. Thus, it stands at -1.7% of GDP up to June, compared with -1.9% of GDP recorded in 2022. The intensity of the adjustment in public accounts has, therefore, slowed considerably over the course of the year, partly as a result of economic activity returning to normal. The same trend is observed for the primary balance, set at -0.7% of GDP, below the -0.9% recorded in 2022.

The lower State deficit is attributable to the greater strength of non-financial resources, which increased by 7.9%. However, spending also grew significantly (by 5.2%) up to June. Within resources, tax revenues increased by 5.5% compared to the same period of 2022. Thus, taxes increased by €5.288 billion, of which €1.685 billion are due to the collection of the new taxes, the Special Tax on Non-Reusable Plastic Containers and the Temporary Energy and Banking Levies. The rest is due to the dynamism of Personal Income Tax (€1.437 billion more, up 6.1%) and Corporate Income Tax (€1.424 billion more, up 14.4%). On the other hand, VAT resources stagnated, growing by a meagre 0.2%.

As for the remaining non-tax revenues received by the State, there was a notable increase in property income, mainly due to higher interest and dividends.

With regard to non-financial uses, the sharpest growth occurred in transfers between Public Administrations, up 9.5%, and in social benefits, due to the 8.5% revaluation of civil servants' pensions. The increase in the expenditure item related to the line of aid for low-income people also had an impact. Another increase in expenditure, albeit of a smaller amount, was in intermediate consumption, up 16.0% due to the elections held last July.

In contrast, there are significant falls in the VAT- and GNI-based EU own resources, subsidies, and investment.

Business Activity

The current economic context is characterised by high uncertainty and a series of downside risks if certain economic policies are not redirected and the high inflation scenario persists. In fact, the Spanish economy is moving into a phase of slower growth**. This situation is negatively affecting the business sector, where turnover and the number of newly created companies are slowing down in a context of high costs, an unfavourable regulatory framework, and high taxation. Expectations for the coming months are mixed.**

Specifically, according to the National Statistics Institute (INE), **business turnover in June** fell for the third consecutive month to -4.9% year-on-year. A decline was observed in segments linked to industry, energy, water, and sanitation, as well as in trade activities. The market non-financial services sector is the only one that posted positive rates, but there was a notable slowdown in turnover throughout the year.

This decline in business turnover could continue in Q3, as suggested by the results collected by the **Bank of Spain's Survey of Business Activity (EBAE)** for this period, which concludes that companies have seen a drop in their turnover after the slight increase in the previous quarter. Moreover, turnover fell in almost all sectors, except for tourism and information and communications services. Entrepreneurs also noticed less inflationary pressure in the short term but coupled with an upturn in the medium term due to the increase in intermediate consumption costs, especially energy inputs. The survey results show that Q3 has seen an interruption of the declining inflationary trend that started at the end of last year, with a rebound in this period after the declines observed in the previous three quarters. Labour shortages also persist in some sectors (specially in construction and accommodation and food service activities, where more than 50% of companies report being affected), resulting in a reduction in planned hiring and higher wage increases.

On the other hand, financing conditions for companies are more restrictive. In Q2 2023, according to the **Bank Lending Survey** published by the Bank of Spain, lending criteria and the general conditions applied to new loans continued to tighten across the board for the fifth consecutive quarter, albeit less sharply than in the first quarter. Demand for credit has also been contained for the second quarter in a row, but less strongly than in the first quarter, due to higher financing costs and lower projected investment. For Q3 2023, the financial institutions surveyed expect a further reduction in both the supply of and demand for all types of credit, with a similar intensity to that recorded between April and June.

The **interest rates applied to new credit transactions for companies** have risen sharply over the past year, especially in transactions of more than one million euros and with maturities of less than 5 years, which rose by more than 3.4 points to close to 5% in July 2023, the latest available data. In transactions of less than 1 million euros, the increase was also notable, close to 3 points, to stand at around 4.8% in July.

Amid this backdrop, **business confidence indicators** are still not showing a clear trend, which may be indicating notable divergences between sectors and significant uncertainty. Thus, the **business confidence indicator** published by the National Statistics Institute (INE) improved in

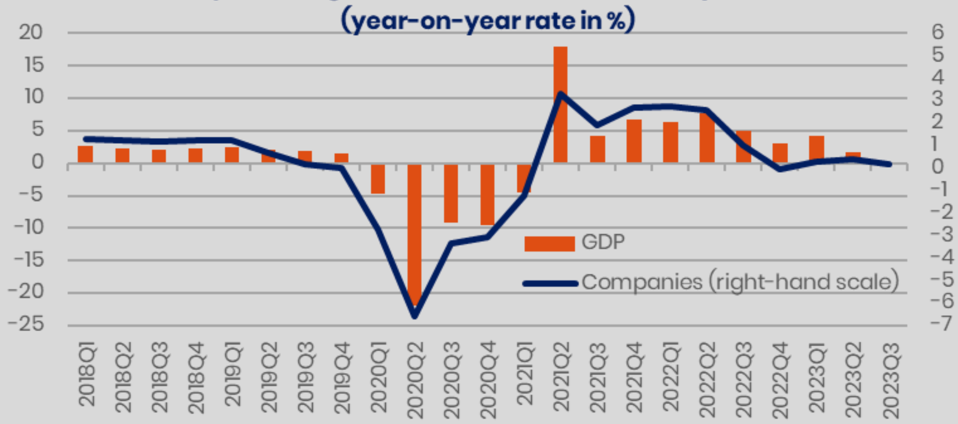
Q3 with respect to Q2, with 22% of businesses believing that their economic situation will improve, compared with 17% who believe that it will worsen. Meanwhile, the **Economic Sentiment Indicator** published by the European Commission also shows an improvement in July and August. However, the **composite PMI**, which had been showing a slowdown since April, has already reached levels of restrained activity in August.

For all these reasons, business dynamism is slowing down. The buoyancy shown by the number of **companies registered with the Social Security** during a good part of 2022 has given way to a path of more discreet growth in 2023, below 1% year-on-year, which is making it difficult for the business fabric to recover the levels of 2019. In August 2023, there were 5,833 fewer companies than four years ago. By size, the smallest companies (between 1 and 5 workers) are the ones that are finding it harder to reach pre-crisis numbers. And by economic sector, only construction has managed to exceed the number of companies in existence in 2019, while agriculture, industry and services all have a lower number that before the crisis.

The number of companies registered with the Social Security can be used as an indicator of the evolution of economic activity. The year-on-year change in the number of registered companies shows a very high positive correlation with GDP growth, specifically by a factor of 0.93. In this respect, it should be noted that, by company size, the highest correlation is obtained in the case of the smallest companies, specifically those with 1 to 2 workers, which account for more than half of the total number of registered companies.

As illustrated in the graph, **the year-on-year rate corresponding to the number of companies follows a similar trend to that of GDP growth.** Thus, in 2020, there was a significant loss of business fabric, and economic activity declined sharply. Subsequently, in 2021 and 2022, there was a considerable recovery in the number of enterprises and economic activity also rebounded. More recently, in 2023, both GDP growth and the change in the number of companies have lost momentum. In fact, for Q3, the number of companies registered with the Social Security (with data for July and August) is 0.2% higher than a year ago, a slowdown compared to Q2. This trend would be in line with forecasts pointing to a slowdown in GDP in Q3.

Companies registered with the Social Security and GDP (year-on-year rate in %)



Source: Prepared-in-house based on data from the National Statistics Institute (INE) and the MInistry of Inclusion, Social Security and Migrations

Forecasts

Economic forecasts for Spain

(last update: September 2023)

Annual rates of change, unless otherwise indicated

	2019	2020	2021	2022	2023	2024
GDP	2.0	-11.2	6.4	5.8	2.0	1.4
Private consumption expenditure	0.9	-12.4	7.2	4.8	0.0	0.8
Government consumption expenditure	1.9	3.6	3.4	-0.2	1.3	0.9
Gross fixed capital formation	4.5	-9.0	2.8	2.4	2.0	2.4
-Tangible fixed assets	5.3	-10.3	1.7	2.1	1.8	2.0
Construction	7.2	-9.2	0.4	2.6	4.0	2.1
Equipment and cultivated assets	2.0	-12.6	4.4	1.9	-1.6	1.9
-Intangible fixed assets	0.6	-2.7	7.7	3.8	2.5	4.5
Domestic demand (*)	1.6	-9.0	6.6	2.9	0.8	1.2
Exports	2.2	-20.1	13.5	15.2	6.4	3.3
Imports	1.3	-15.0	14.9	7.0	3.4	3.0
External demand (*)	0.4	-2.2	-0.2	2.9	1.2	0.2
GDP current prices	3.5	-10.2	9.2	10.2	5.5	4.4
GDP deflator	1.5	1.0	2.8	4.4	3.8	3.0
CPI (average annual rate)	0.7	-0.3	3.1	8.4	3.5	2.8
CPI (Dec/Dec)	0.8	-0.5	6.5	5.7	4.8	2.1
Core CPI (average annual rate)	0.9	0.7	0.8	5.2	6.2	3.1
Employment (Quarterly National Accounts)(**)	3.3	-6.5	7.1	3.7	1.7	1.0
Employment (LFS)	2.3	-2.9	3.0	3.1	1.6	1.0
Unemployment rate (LFS) (% active population)	14.1	15.5	14.8	12.9	12.5	12.4
Productivity	-1.3	-5.0	-0.6	2.0	0.3	0.4
Compensation per employee	2.5	2.8	0.4	2.9	4.0	2.9
Unit labour cost (ULC)	3.8	8.2	1.1	0.9	3.7	2.5
Current Account Balance (% of GDP)	2.1	0.6	0.9	0.5	1.2	0.8
General government net lending (+) / net borrowing (–) (% of GDP)	-3.1	-10.1	-6.8	-4.7	-4.2	-3.8
Interest rates USA (Dec)	1.75	0.25	0.25	4.50	5.50	4.50
Interest rates Eurozone (Dec)	0.00	0.00	0.00	2.50	4.50	4.00
Brent Oil ($)	64.8	41.5	71.1	103.7	84.5	86.0

Source: CEOE, INE (National Statistics Institute), Banco de España, Eurostat

(*) Contribution to GDP growth

(**) Full-time equivalent jobs