Liderar
Defender
Impulsar
Promover

Informe
Economía

Economic and Business Outlook

March 2024

Overview

The Global Economy

- **The PMI indices for February point to greater dynamism in the global economy, although this varies across regions.**
- **Inflation continues to decelerate, but some countries, such as the United States, show signs of stagnation at rates that are clearly above the central banks' targets.**
- **The prices of most commodities are falling. However, oil prices rose again in February.**

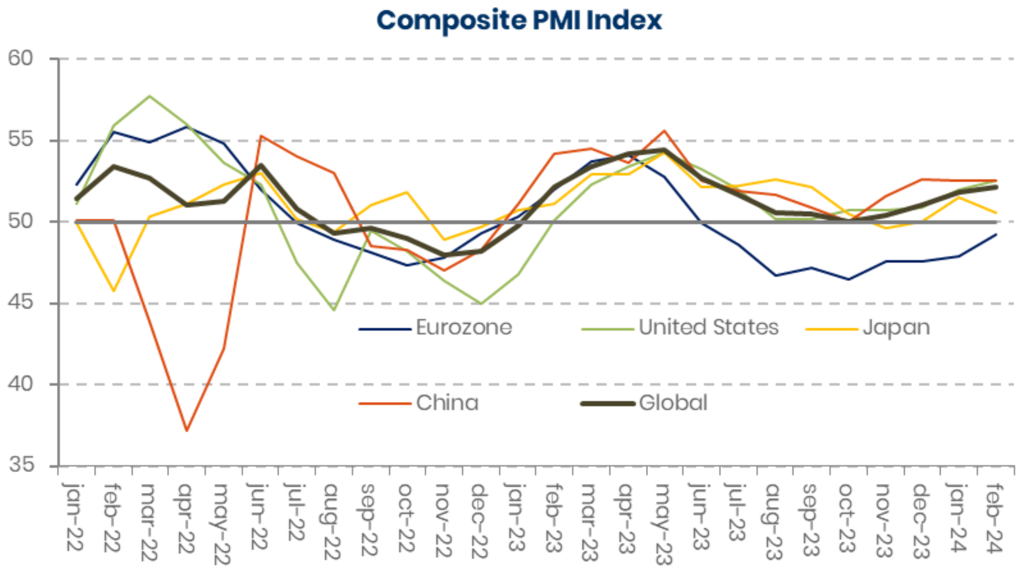
The Spanish Economy

- **Despite the generalized upward revision of the growth outlook and the downward revision of inflation, the Spanish economy is not expected to redress its shortcomings, such as low investment or the fiscal imbalance.**
- **The first indicators for Q1 point to a notable dynamism of the Spanish economy.**
- **Social Security registrations surprised positively with a notable increase in February, which anticipates a favourable first quarter in terms of job creation.**
- **The labour cost per worker per month increased at a faster rate in 2023 to reach 5.5%, with wages rising by 4.8%. Compulsory social contributions grew by 7.3% in 2023, an all-time high.**
- **Inflation continued to decelerate in February on the back of a substantial moderation in unprocessed food prices.**
- **The public deficit could close 2023 at -3.9% of GDP, according to the government's latest announcement, and public debt closed at 107.7% of GDP.**
- **Companies continue to face high financial and labour costs amid declining turnovers. The number of companies registered with the Social Security is still not back to pre-pandemic levels.**

The International Scenario

Inflation continues to decelerate while there are signs of moderate improvement in the global economy

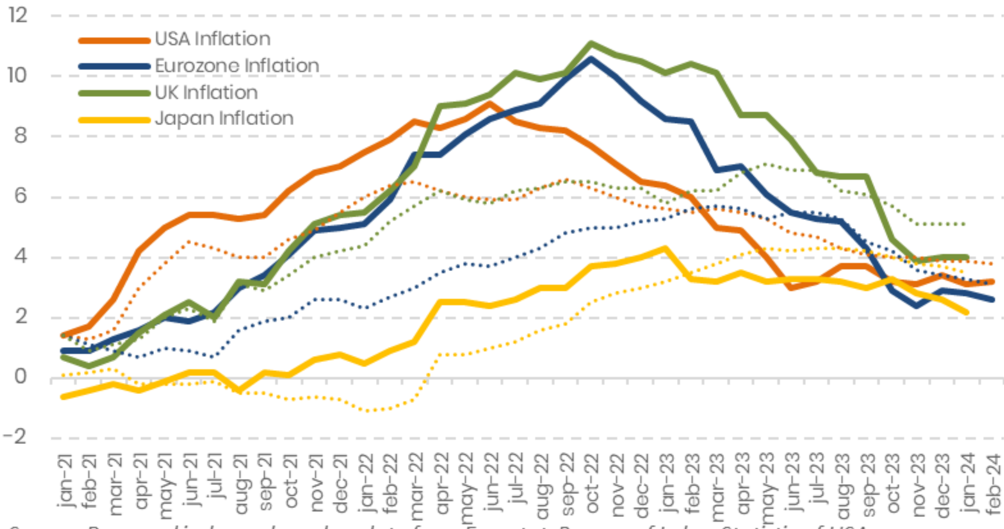
The PMI indices for February strengthen the signs of improvement in the world economy that have been present since November. The global composite PMI index came in at 52.1 points, the best record in eight months, with growth in both services and manufacturing. In addition, there has also been a slight improvement in global business confidence, mainly due to the perception that the worst of the crisis in Europe may be behind us. However, the outlook for employment and investment growth remains subdued.



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

Meanwhile, inflation continues to decelerate, albeit very slowly and with disparities across regions. In February, inflation in the Eurozone stood at 2.6%, which, except for the November figure, is the lowest reading since July 2021. In contrast, in the United States it rose by one tenth to 3.2%, hovering at levels slightly above 3%, where it has remained since last June. In Japan, the slowdown in inflation is also clear, with a January rate of 2.2%, the lowest since March 2022. Meanwhile, in the United Kingdom, inflation remained at 4.0% in January, the same level it has been at since last November. However, underlying inflation rates, excluding energy and food, generally show more uniform, albeit softer, deceleration rates, and are still significantly higher than the targets set by the main monetary authorities.

Inflation and core inflation



Source: Prepared in-house based on data from Eurostat, Bureau of Labor Statistic of USA, Office for National Statistics of UK and Statistics Bureau of Japan.
Note: Dotted lines represent core inflation (excluding energy and food)

In the United States, economic activity remains remarkably dynamic, as reflected in the solid employment growth, with non-farm payrolls increasing by 275,000 in February, thereby marking thirty-eight consecutive months of positive figures in the labour market. However, there are also some signs of waning strength, as the unemployment rate rose by two tenths to 3.9%, while the number of unemployed rose to 6.5 million people. Retail sales in year-on-year terms improved in February (1.5%) compared to January (0.6%), although they are significantly below those recorded in the second half of 2023.

The strength of the labour market and the persistence of inflation at rates above 3% are pushing back the first rate cut by the Federal Reserve, which the markets now expect for June. In turn, Powell has insisted that the rate cuts will not begin until the data confirm that inflation is falling steadily towards 2%.

In the Eurozone, the signals are mixed but, in general, show an economy that is virtually stagnant and over which there is much uncertainty. In January, retail sales fell by -1% year-on-year, although they improved slightly, by 0.1%, compared to December. Meanwhile, industrial production declined sharply, down -6.7% versus January 2023 and -3.2% versus December. This weakness in industrial production is reflected in the PMI manufacturing indexes, which remain clearly below 50 points (46.5), in contrast to those for services, which in February timidly exceeded this value and reached 50.2 points, the best result in seven months. The composite PMI improved in February to 49.2 points, the best in eight months, although it remains in contractionary territory. On the other hand, the increase in employment in Q4, together with the flat GDP growth in said quarter, prolonged the deterioration of productivity in the region, both per worker and per hour, which has seen four and six consecutive quarters, respectively, of negative productivity rates.

On the other hand, the ECB revised downward its forecasts for both growth and inflation. It expects economic activity to remain very moderate in the short term, with growth of 0.6% in 2024, but to gain momentum in 2025, when it will increase to 1.5%. As for inflation, it will average 2.3% this year, with core inflation at 2.6%, and will continue to fall in 2025, to 2% for headline inflation and 2.1% for core inflation. In addition, it announced that the spread between the main refinancing rate and the deposit facility rate will be reduced from the current 50 basis points to 15 basis points from September 2024.

In China, the signals are also mixed. On the one hand, industrial production in December rose by 6.8% year-on-year and manufacturing PMIs improved in February to 50.9 points, the best result in seven months. In addition, inflation in February returned to positive rates, coming in at 0.7%, the highest since March 2023. On the other hand, new loans grew by 10.4% in January, extending the downward trend observed since April 2023. Meanwhile, the December unemployment rate rose by one tenth to 5.1%. This is compounded by the problems in the real estate sector, which continue to spread, with Moody's downgrading the credit rating of the Chinese real estate developer Vanke, the second largest in the country, to speculative category, due to the company's poor financial prospects.

Commodity prices continued to fall in February, mainly energy commodities, but also industrial metals (aluminium, nickel, zinc) and some agricultural commodities, such as corn and wheat. In contrast, the price of Brent crude oil rose in February to $85.9/barrel on average, and continued to rise slightly in the first days of March, reflecting the OPEC+ production cuts, which have been extended until Q2 2024. Tensions in the Middle East are also pressuring prices, albeit modestly, as is the higher global demand for crude oil, which in the first months of the year is somewhat higher than estimated by the International Energy Agency despite the moderation of demand in China.

The Spanish Economy

Generalized upward revision of the growth outlook and downward revision of inflation

In line with other national and international bodies, the Bank of Spain has updated its forecasts for the Spanish economy, revising GDP growth upwards to 1.9% for 2024, the same rate expected by the Funcas Panel and one tenth above CEOE's forecasts (1.8%). For 2025, it estimates the same GDP growth rate (1.9%), while in 2026 it could decelerate slightly to 1.7%. The revision for inflation is clearly downward, forecasting an average of 2.7% for this year, and below 2% for 2025 and 2026. The Funcas Panel points out that most analysts still see inflation in the vicinity of 3% in 2024 and 2.3% in 2025.

In contrast to the upward revision for growth and downward revision for inflation, since both are positive factors, the monetary institution points out some of the weaknesses of the Spanish economy, such as the moderate contribution of investment and foreign demand to growth from 2024 to 2026. Also noteworthy is the low reduction in the unemployment rate over this projection period, due to a more limited economic dynamism, and, most importantly, the lack of fiscal adjustment, despite the return of fiscal rules in 2025. On the other hand, financing capacity is a major strength of the Spanish economy, above 3% of GDP throughout the entire forecast period.

With regard to the most recent developments in the Spanish economy, the partial indicators for Q1 relating to domestic demand are positive, although they do not show marked acceleration with respect to the end of 2024. Of note is the improvement in confidence, especially in industry, and the resilience of the labour market, where the hiring of foreigners plays an important role.

Inflation moderated to 2.8% in February due to the drop in electricity prices and the slowdown in food prices, where year-on-year rates stand at similar levels than before the war in Ukraine. Nevertheless, volatility in the coming months will be the dominant note, as some anti-inflation measures are reversed and the stepped-up effects that the CPI experienced in certain months of 2023 become noticeable.

With regard to the public deficit, the Government has advanced that it was reduced to around -3.9% of GDP in 2023 (-4.8% of GDP in 2022), but the final figure has not been released yet. In any case, it will be above the Eurozone average, which will be around -3% of GDP, according to the European Commission.

Demand and activity

The economy shows remarkable dynamism in Q1 2024

After posting an increase of 0.6% in Q4 2023, the Spanish economy is expected to continue to show remarkable dynamism at the beginning of 2024. The increase in activity continues to be supported by the favourable performance of consumption and service exports, especially in the tourism sector, which continue to register very significant increases.

The indicators referring to agents' expectations have shown a general improvement during January and February. In January, the economic sentiment indicator reached its best result in nine months, and it has hardly changed in February. In addition, there was a clear improvement in the confidence indicator for the industrial sector, due to more positive expectations for production and incoming orders and retail sales. However, services and construction, which had shown a very positive performance in Q4, worsened slightly.

Consumer confidence is also expected to have performed better than in the last months of 2023, thanks to a better perception of households' financial situation and savings expectations, in line with the stabilization and subsequent decline in interest rates expected in the coming months. This, coupled with slowing inflation and rising wages, would lead to an improvement in household disposable income that should continue to drive consumer spending during 2024.

The first industrial activity indicators for Q1 2024 show some improvement in comparison to the contractionary trend followed throughout 2023. The manufacturing PMI, after showing a significant increase from 46.2 to 49.2 in January, has reached a twenty-month high of 51.5 in February, a remarkable improvement in a very short period. The companies surveyed report that both the volume of purchases and new orders have increased, although these increases have been due to domestic demand, while export orders have continued to fall, albeit at a slower pace. Expectations for 2024 are improving amid lower inflation and possible interest rate cuts in the second half of the year, and they currently stand at their highest level in the last two years. In addition to the increase in the production of consumer goods, there has been growth in the investment goods industry, which had been deteriorating for eight months. The increase in delivery times for inputs due to the crisis in the Red Sea is somewhat concerning, as it is forcing companies to use their inventories and may lead to price increases.

On the other hand, the services sector continues to show a more positive evolution than the industrial sector and may even have accelerated recently. The services

PMI posted in January (52.1) and February (54.7) the best recordings since May 2023, which suggests a better outlook for Q1 2024 and even for the entire year, as confidence in the future stood at a two-year high. Companies are seeing an increase in incoming orders, which has enabled continued growth in hiring, even against a backdrop of wage increases. In this regard, there has been an increase in wage and non-wage production costs, which are also being passed on to retail prices to a certain extent.

The latest available data from the tourism sector show how international tourist inflows continued to recover at the beginning of 2024. In January, visitor inflows reached 4.8 million tourists, 15.3% higher than in the same month of 2023 and marking a new record for a January month, exceeding 2019 levels by 13.0%. In addition, total tourist spending in January 2024 was 25.5% higher than in January 2023 and clearly higher than in January 2020.

In terms of the foreign sector, the customs information available for 2023 shows a clear contracting trend in foreign flows, which worsened throughout the year, particularly in the case of imports. Imports fell more sharply than exports, both in nominal and real terms, which allowed for a significant reduction in the trade deficit. This trend continued in December, the latest available data. Thus, the trade deficit was reduced to a cumulative 40.6 billion euros in 2023, compared to 68.1 billion euros in 2022.

Along the same lines, according to the Balance of Payments data published by the Bank of Spain, in the January-December 2023 period, the current account surplus reached 36.6 billion, compared to an 8.2 billion surplus in the same period of the previous year. This good performance was due to the significant improvement in the balance of goods and non-tourist services and the increase in the surplus of tourist services. With these figures, the Current Account Balance stood at a surplus of 2.5% of GDP in 2023, compared to 0.6% in 2022.

The Labour Market

The significant increase in the number of Social Security registrations in February anticipates a favourable Q1 for the labour market

The labour market gained dynamism in February, with the notable increase in Social Security registrations in this month coming as a positive surprise, after the drop recorded in January due to seasonal considerations. Moreover, given that, this year, Easter Week will take place at the end of March, the number of new contributors for this month is also expected to be better than usual. Therefore, everything points to the fact that the evolution of employment in Q1 may be more favourable than expected.

In February, Social Security registrations increased by 103,621 people, +0.5% month-on-month, a rate that exceeds the average increase in this month in the most recent years (2021-2023) and in the pre-pandemic period (2014-2019). In seasonally adjusted terms, the evolution has also been very favourable. Thus, according to the Ministry of Inclusion, Social Security and Migration, there was an increase of 73,492 persons in seasonally adjusted registrations, almost double the January figure, and marking the highest figure since April 2023.

Returning to the gross data, it should be noted that the increase in Social Security registrations in February was largely due to the momentum of the private sector, which generated 99,077 jobs. On the other hand, the public sector added 4,543 new workers. By sectors of activity, the notable growth in contributors in the education and hotels and restaurants sectors should be highlighted, with almost 30,000 new registrations in each of them. The case of the hotel and catering industry is particularly noteworthy, because it shows the good performance of employment in this sector even before Easter, which usually marks the start of the season in the tourism sector.

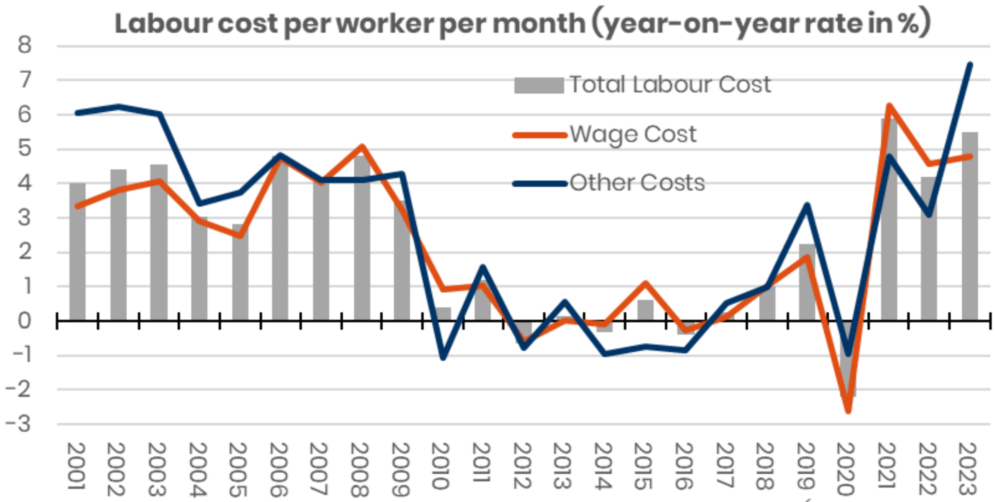
In year-on-year terms, registrations with the Social Security grew by one tenth to 2.7%, although it is worth pointing out that this rate has remained anchored between 2.6% and 2.7% practically since the middle of last year, with the exception of some occasional upturns. In the private sector, the year-on-year rate rebounded slightly to 2.5%, while in the public sector it fell by three tenths to 3.6%.

By economic sector, employment in industry is showing a slight acceleration in its growth rate in the first months of 2024, posting a year-on-year rate of 1.9% in February, the highest since October 2022. Meanwhile, services continued to show high and stable growth, at 3.1% for the third consecutive month. Construction, on the other hand, continues with the slowdown it has been showing since mid-2023, to a year-on-year rate of 2.2% in February. Finally, agriculture continues to lose jobs, although its rate of decline eased to -1.7%.

Registered unemployment decreased in February by 7,452 individuals. In seasonally adjusted terms, it dropped further, by 28,249 persons, a fall similar to that of January, but which represents a more intense decrease than last year (the monthly average in 2023 was -10,863 workers).

With the March results yet to be known, everything points to employment showing greater dynamism in Q1. According to CEOE estimates, effective registrations (discounting furloughed workers) corrected for seasonal effects will increase by around 0.8% quarter-on-quarter in Q1, versus the 0.4% recorded in Q3 and Q4 of 2023.

In terms of labour costs, the results of the Quarterly Labour Cost Survey for Q4 2023 show the notable increase last year. Specifically, in 2023 as a whole, labour cost per worker per month accelerated its growth rate to 5.5%. Wage costs grew by 4.8%, two tenths more than in 2022, although the most intense upturn was recorded in other costs, with an increase of 7.5% in 2023, more than double than in 2022, and an all-time high. Within other costs, social security contributions also showed a notable increase of 7.3% in 2023, the highest recorded in the historical series. In fact, Spain is one of the European countries with the highest social contributions paid by companies as a percentage of GDP. Specifically, this figure stood at 9.5% of GDP in 2022, above the EU average of 7.1%.



Source: Prepared in-house based on data from the National Statistics Institute (Quarterly Labour Cost Survey)

Inflation

Inflation continued to decelerate in February on the back of a significant moderation in unprocessed food prices

In February 2024, headline inflation decelerated by six tenths to 2.8%, and core inflation continued its gradual moderation, standing at 3.5%, one tenth lower than in January.

Food prices continue to be the most inflationary element of the basket at the beginning of 2024, although they recorded a significant deceleration. Both Processed and Unprocessed Food prices are at their lowest rate since the outbreak of war in Ukraine two years ago. Unprocessed Food prices decrease their year-on-year rate by 3.8 percentage points to 5.0%.

Within the underlying component, Processed foods, beverages and tobacco prices decreased by nine tenths to 5.3%, Services prices increased by three tenths to 3.9%, and Industrial goods prices, excluding energy, dropped by four tenths to 1.2%.

Energy product prices fell at a faster rate, to -4.7% year-on-year versus -2.3% in the previous month, due to the decrease in electricity prices compared to February 2023, which has more than offset the rise in fuel prices. However, this contribution is expected to decrease in March due to the elimination of the VAT reduction on electricity, which has gone from 10% to 21% as of this month.

If we compare the evolution of the CPI with that of the CPI at constant taxes, we can see that inflation would have risen by two tenths of a percentage point less in February. In other words, if the tax reduction measures had been maintained with respect to February 2023, inflation would have been 2.6%.

Forecasts suggest that inflation will continue to moderate during 2024 as core inflation continues to rise more slowly, although there may be an occasional rebound. In any case, this evolution will be conditioned by the pace of the reversal of anti-inflationary measures and the prices of raw materials in international markets.

The Public Sector

The public deficit could close 2023 at -3.9% of GDP while public debt stood at 107.7% of GDP.

According to the Excessive Deficit Protocol, the public debt balance of the general government as a whole closed 2023 at 107.7% of GDP. As for the public deficit, the Government has advanced that it was reduced to around -3.9% of GDP in 2023 (-4.8% of GDP in 2022), although the final figures have not yet been published as of the closing date of this report.

These results highlight the need for an ambitious fiscal consolidation plan. In this regard, it is worth noting that in February there was a new breakthrough in EU governance, with the Council and Parliament reaching an agreement on fiscal rules. It is expected to come into force in 2025.

The primary objective is to reform the Stability and Growth Pact to improve its effectiveness and make progress in the fiscal consolidation process in a gradual, realistic, sustained, and growth-friendly manner, taking into account the reforms undertaken. Investment in digital, green, social and defence sectors is protected, while the priority of addressing macroeconomic imbalances is maintained. In addition, there is a strengthening of the role of Independent Fiscal Institutions (IFIs), which will act as a link between the European and the national frameworks and as evaluators.

After a preparatory dialogue with the European Commission, in which the Commission projects a fiscal adjustment path for each country, the governments of the Member States are required to submit structural plans with a time horizon of four years, extendable to seven years. They are assessed by the European Commission and the European Council subsequently approves them.

There are basically two main rules. One is called the debt sustainability safeguard, which establishes that, during the adjustment period, all countries with public debt above 90% of GDP must reduce it by at least 1% per year, or by 0.5% if it is between 60% and 90%. AIReF's latest "*Debt Observatory*" illustrates the magnitude of the adjustment, which it estimates at 0.64% of GDP per year over the 2025-2028 period. This adjustment would be smaller if the period is extended to seven years.

The second is the deficit resilience safeguard, which requires that, in times of growth, fiscal adjustment continues until the structural deficit reaches 1.5% of GDP, with a minimum annual reduction of 0.4%, or 0.25% in the case of countries with 7-year plans. The key control variable is net expenditure, which is defined as total government expenditure minus payments related to debt interest, cyclical unemployment, and European-funded programs.

Business Activity

Turnover has been declining since April 2023, with notable differences among sectors. Business financing conditions and labour costs remain high. However, business confidence indicators are improving compared to the pessimism at the end of 2023. The PMI index for the manufacturing sector is in expansionary territory for the first time in eleven months. However, the number of companies registered with Social Security in February 2024 is below pre-pandemic levels.

Turnover and sales

According to the National Statistics Institute (INE), turnover in December has continued declining year-on-year, accumulating nine months of consecutive falls. Specifically, the year-on-year rate, adjusted for seasonal and calendar effects, was -3%. In 2023 as a whole, turnover was -1.9% lower than in 2022. Furthermore, in year-on-year terms, the decline continued in those segments linked to industry and, to a greater extent, in energy, water and sanitation (-30.1%). The non-financial market services sector is the only one to record positive rates, although the increase was more modest compared to the previous month (4.5% in December versus 5.3% in November). Retail trade continues to register negative rates (-0.6%), making it the ninth month of declines in a row.

The Bank of Spain's Survey of Business Activity (EBAE) for Q1 2024 indicates that companies perceive a decline in turnover, although there are significant sectoral heterogeneities. The results show, on an aggregate scale, a more negative evolution of investment activity in the first quarter of the year, both with respect to the previous quarter and with respect to what companies expected three months ago for this quarter. Business activity continues to be affected by political uncertainty and growing concerns about difficulties in finding labour.

According to the Tax Agency, **the Total Sales of Large Companies, deflated and corrected for seasonal and calendar variations, increased by 1% in January with respect to the same month in the previous year.** This improvement is based on the smaller decline in exports (-1.9% versus -5.6% in December), which offset the slight slowdown in domestic sales (1.8% versus 2.3% in December). By sector, the largest declines were recorded in some industry segments, specifically in other manufacturing industries (-11.8%) and in the manufacture of transport equipment (-12.9%). The areas with the greatest increases in sales were real estate activities (10%) and social, cultural, recreational, and other services (12.7%).

Labour costs

In Q4 2023, labour costs for companies increased by 5% compared to the same period of the previous year and stood at €3,146 per worker per month. Wage costs rose by 4.0% and other costs by 8.0%. Compulsory social security contributions, the main component of other costs, grew by 7.0%. By activity section, labour costs increased the most in Administrative and support service activities, and in Information and communications. On the other hand, it fell in Electricity, gas, steam and air conditioning supply.

According to data from the Statistics on Collective Bargaining Agreements released by the Ministry of Labour and Social Economy, as of February 29, 2024, there are 2,340 agreements with known economic effects and registered for 2024, and they contemplate a wage increase of 2.85%, similar to the same month in 2023 (2.89%). Company agreements show increases of 2.67%. In national sectorial agreements, the wage variation is set at 2.9%, in regional agreements 2.79% and in local agreements 2.87%. By sector of activity and taking into account the provisional nature of the data and possible statistical effects, Industry recorded the highest wage increase (2.94%), followed by Construction (2.90%), Services (2.85%) and the Agricultural Sector (2.24%).

Financing conditions and costs

In January 2024, **interest rates on corporate loans have registered a slight decrease, but remain at high levels,** ranging between 4.8% and 4.9%.

New corporate credit transactions, those up to €250,000 and between €250,000 and €1 million, have increased in January 2024 compared to the same month in 2023 (12.1% and 4% respectively). On the other hand, loans of more than €1 million fell by -10.3% year-on-year.

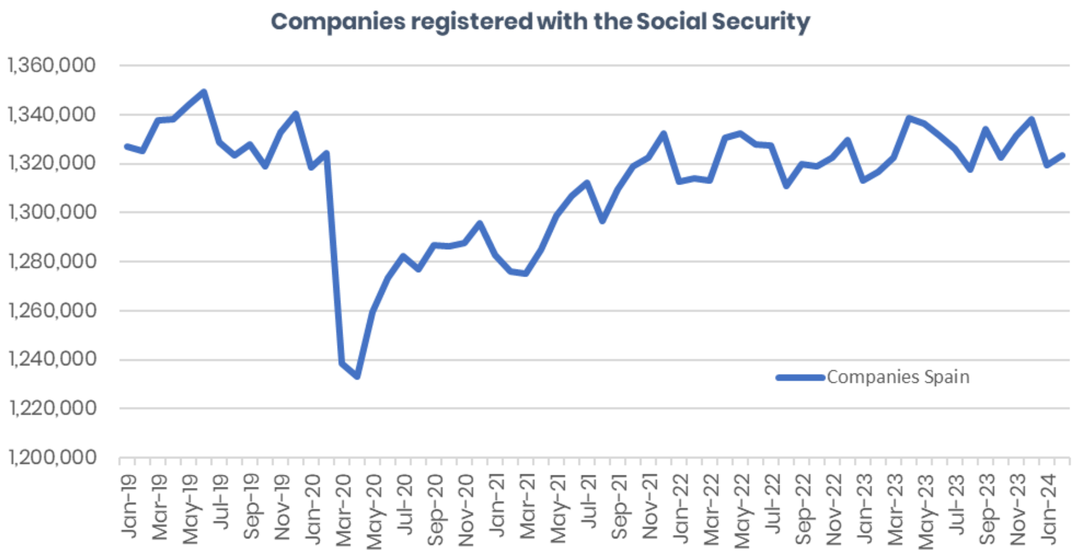
Business confidence

In terms of confidence indicators, **the composite PMI for February came in at 53.9, which is 2.4 points higher than in January (51.5) and the highest level since May 2023.** The manufacturing sector index increased from 49.2 in January to 51.5 in February, marking its highest value in twenty months. The services sector posted the strongest growth since May 2023, rising to 54.7 from 52.1 in January.

The European Commission's Economic Sentiment Indicator declined slightly from the previous month (102.4 in February versus 102.6 in January) but remains at a relatively high level. Industry remains in contractionary territory, while construction and trade reflect positive results. The services sector continues to post favourable records, but to a lesser extent than in the previous month.

Business dynamism

Despite the slight rise in January, the number of companies registered with the Social Security in February 2024 is lower than in February 2020. **There were 1,059 fewer companies registered compared to the pre-pandemic period**. By size, the smallest companies, from 1 to 5 workers, have still not recovered their pre-pandemic levels. By economic sector, the number of companies registered with the Social Security in Agriculture, Industry and Services is below pre-pandemic levels and only Construction has recovered its previous position.



Source: Prepared in-house based on data from the MInistry of Labour and Social Economy

Main Business Indicators (last update: March 2024)						
Indicator	2021	2022	2023	Penultimate data	Last data	Last given period
Turnover and sales						
		Annual rate		Year-on-year rate		
Business turnover index corrected for seasonal and calendar effects	18.0	24.9	-1.9	-2.8	-3.0	dec-23
Sales indicator for large companies	6.1	5.9	1.5	0.2	1.0	jan-24
Labour costs						
		Annual rate		Year-on-year rate		
Labour cost per worker	5.9	4.2	5.5	5.0	5.0	Q4 23
Business dynamism						
		Annual average level		Monthly level		
Companies registered with the Social Security	1,301,461	1,321,657	1,327,404	1,319,327	1,323,368	feb-24
Financing conditions and costs						
		Annual average level		Monthly level		
Interest rates applied to new credit transactions up to 250 thousand Euros	1.9	2.3	4.7	5.1	4.9	jan-24
Interest rates applied to new credit transactions from 250 thousand to 1 million Euros	1.5	2.0	4.6	5.0	4.8	jan-24
Interest rates applied to new credit transactions over 1 million Euros	1.3	1.7	4.5	5.0	4.9	jan-24
		Annual rate		Year-on-year rate		
New corporate loans up to 250 thousand Euros	-5.9	15.7	5.3	8.1	12.1	jan-24
New corporate loans from 250 thousand to 1 million Euros	-28.9	8.9	2.9	-4.2	4.0	jan-24
New corporate loans over 1 million Euros	-19.6	25.7	-22.2	7.0	-10.3	jan-24
Business confidence						
		Annual average level		Monthly or quarterly level		
Economic sentiment indicator	105.23	101.27	100.64	102.60	102.40	feb-24
Business confidence indicator	120.8	126.8	132.7	133.2	134.0	Q1 24
Composite PMI Index	55.3	51.8	52.5	51.5	53.9	feb-24
Manufacturing PMI Index	57.0	51.0	48.0	49.2	51.5	feb-24
Services PMI Index	55.0	52.5	53.6	52.1	54.7	feb-24
Stock markets						
		Annual average level		Monthly level		
IBEX 35 Index	8,645.2	8,252.5	9,441.5	10,077.7	10,001.3	feb-24

Source: INE, Bank of Spain, Eurostat, Ministry of Labour and Social Economy, Tax Agency, Ministry of Economy, Trade and Business, Madrid Stock Market.

Forecasts

Economic forecasts for Spain

(last update: March 2024)

Annual rates of change, unless otherwise indicated

	2019	2020	2021	2022	2023	2024	2025
GDP	2.0	-11.2	6.4	5.8	2.5	1.8	2.0
Private consumption expenditure	0.9	-12.4	7.2	4.8	1.7	1.5	1.7
Government consumption expenditure	1.9	3.6	3.4	-0.2	3.8	1.0	0.5
Gross fixed capital formation	4.5	-9.0	2.8	2.4	0.6	1.1	1.6
-Tangible fixed assets	5.3	-10.3	1.7	2.1	0.8	1.0	1.3
Construction	7.2	-9.2	0.4	2.6	2.2	1.0	1.3
Equipment and cultivated assets	2.4	-11.9	3.9	1.2	-1.6	1.0	1.4
-Intangible fixed assets	0.6	-2.7	7.7	3.8	-0.3	1.8	2.9
Domestic demand (*)	1.6	-9.0	6.7	2.9	1.7	1.6	1.4
Exports	2.2	-20.1	13.5	15.2	2.4	2.4	5.0
Imports	1.3	-15.0	14.9	7.0	0.3	2.1	3.8
External demand (*)	0.4	-2.2	-0.3	2.8	0.8	0.2	0.6
GDP current prices	3.5	-10.2	9.2	10.2	8.6	6.0	5.6
GDP deflator	1.4	1.1	2.7	4.1	5.9	4.0	3.5
CPI (average annual rate)	0.7	-0.3	3.1	8.4	3.5	3.1	2.2
CPI (Dec/Dec)	0.8	-0.5	6.5	5.7	3.1	3.4	2.0
Core CPI (average annual rate)	0.9	0.7	0.8	5.2	6.0	3.1	2.3
Employment (Quarterly National Accounts)(**)	3.3	-6.5	7.1	3.7	3.2	2.0	2.1
Employment (LFS)	2.3	-2.9	3.0	3.1	3.0	1.9	2.0
Unemployment rate (LFS) (% active population)	14.1	15.5	14.8	12.9	12.1	11.8	11.0
Productivity	-1.3	-5.0	-0.6	2.0	-0.7	-0.2	-0.2
Compensation per employee	2.5	2.8	0.3	2.9	5.2	3.7	2.9
Unit labour cost (ULC)	3.8	8.3	1.0	0.9	5.9	3.9	3.0
Current Account Balance (% of GDP)	2.1	0.6	0.8	0.6	2.5	1.5	1.7
General government net lending (+) / net borrowing (–) (% of GDP)	-2.9	-11.0	-6.9	-4.8	-4.2	-3.7	-3.2
Interest rates USA (Dec)	1.75	0.25	0.25	4.50	5.50	4.50	3.50
Interest rates Eurozone (Dec)	0.00	0.00	0.00	2.50	4.50	3.75	2.75
Brent Oil ($)	64.8	41.5	71.1	103.7	83.8	83.6	80.5

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

(*) Contribution to GDP growth

(**) Full-time equivalent jobs