BBVA Research

Creating Opportunities

# Spain Economic Outlook

## 2Q21

# Recent and expected evolution of the Spanish economy

**April 2021**

**Spanish GDP contracted by 10.8% in 2020, in line with expectations. In contrast, following a start of the year marked by uncertainty, the recovery is expected to accelerate and the economy to grow by 5.5% this year and 7.0% the next. However, if limits on the spread of the virus continue and progress in line with government vaccination plans, these forecasts will bias upward.** Activity stagnated during 4Q20 after a significant third-quarter rebound. This sluggishness led to a decline in GDP at the start of 2021. In any case, improved health indicators and demand stimuli, particularly in developed countries, point to an improvement in the coming months. If this scenario comes to fruition, the Spanish economy could recover the levels of activity and employment recorded in 4Q19 by 2022. The risks remain centered on the pandemic. As these risks are overcome, the policies addressing the problems that have exacerbated this crisis will be key. These problems include a potential increase in structural unemployment, low productivity growth, increased labor insecurity, the solvency of companies in certain industries and the sustainability of public accounts in the medium term.

**In line with expectations, the Spanish economy recorded a significant slowdown, leading to stagnation during 4Q20.** According to the INE (*Instituto Nacional de Estadística* — National Statistics Institute), GDP remained constant between October and December, in line with BBVA Research expectations three months ago. This occurred after the greatest change in real terms in history (17.1% quarterly, q/q) was recorded in the third quarter of the year. This growth was revised upward by the INE and explains the yearly average fall of 10.8% (y/y), instead of the 11.0% fall forecast in the previous edition of this publication. By components, domestic demand was generally weaker, affected by the base effect of the high growth observed in the third quarter of the year and the increase in infections recorded in September, October and November. In particular, household consumption stagnated, in line with expectations (BBVA Research: -0.2% q/q), while investment was surprisingly strong, growing 1.0% q/q (BBVA Research: -1.1% q/q). This relatively strong expenditure on gross fixed capital formation has been one of the most remarkable features of this crisis. In particular, investment in equipment and machinery continued growing at the end of last year by 1.0% q/q (BBVA Research: -2.2% q/q), while housing investment (-0.5% q/q) held up relatively well (BBVA Research: -4.5% q/q). Although investment in other construction projects was expected to perform better (BBVA Research: +3.0%), supported by public spending on infrastructure, even this component managed to remain positive: +0.1% q/q). The exception to the slowdown trend was the growth in public consumption, which remained constant at 1.3% q/q (BBVA Research: 1.5%). External demand also weakened, consistent with the contraction in Eurozone GDP. Despite this, exports of goods and non-tourism services remained strong, increasing by 4.3% and 14.5% q/q (BBVA Research: 3.5% and 0%, respectively). This was not the case for consumption by non-residents in Spain, which again contracted sharply from already quite low levels (-44.3% q/q). Finally, imports continued to trend better than GDP (+6.2% q/q vs. BBVA Research: +2.7%), supported by the good performance of exports.

**The Spanish economy contracted again at the beginning of 2021 (-0.9% q/q) due to deteriorating health indicators in both Spain and the rest of EMU, Brexit, the impact of weather events and the increased cost of energy.** The increase in infections in the second half of December and throughout January significantly increased uncertainty for families and businesses. In addition, a new round of measures was needed, which have restricted personal mobility or directly prohibited the opening of establishments in various autonomous communities. According to data on expenditure with BBVA cards and at BBVA POS terminals, along with other demand indicators, household consumption fell between 0.8% and 1.5% SWDA in 1Q21 compared to the 4Q20 stagnation (0% q/q). The decline was particularly significant in regions where the policies have had to be more restrictive and where tourist sector is bigger. There, expenditure reductions would have been particularly significant in Balearic Islands and La Rioja. In addition, COVID-19 outbreaks have not only been limited to Spain but have spread throughout most Eurozone countries. This, together with Brexit, points to a significant fall in the exports of goods and services during the first quarter of the year. Beyond the economic problems caused by COVID-19, Storm Filomena caused significant damage, especially in the center of the peninsula (Guadalajara, Toledo and Madrid provinces), also restricting household expenditure. Finally, in addition to the temporary effect of the weather on energy costs, the price of oil increased. According to BBVA Research estimates, this increase could reach between 0.8 pp and 1.4 pp across 2021 and 2022. In any case, it is uncertain how much of the cost increase is due to supply (negative) and demand (positive) factors, and how much the use of non-renewable energy in Spain has changed with the pandemic.

**Despite this uncertain start to the year, compared to the expectation of stagnation three months ago, economic activity is expected to accelerate over the next few quarters. This will keep GDP growth forecasts for the 2021–2022 period at 5.5 and 7.0%, respectively.** The economy will improve, with high growth rates starting in the second quarter of the year, aided by an international environment with ambitious demand policies—especially in the US—the arrival of European funds and advances in the vaccination process throughout Spain.

**The most important change in external economic policy has been the approval of strong fiscal stimulus in the US**. This domestic demand stimulus could exceed 12% of that country's GDP from 2021 and beyond. The effects will become apparent from the second quarter of the year, when a major part of the plan, based on direct transfers to households, starts operating. This will have a direct impact on global demand. As a result, Eurozone GDP is expected to increase by 0.2% in 2021 and another 0.9% in 2022, more, respectively, than it would have increased in the absence of changes to US fiscal policy. In Spain, the direct impact is expected to be less, given limited commercial and financial exposure to the US. For example, the sum of exports and imports of both goods and services to this country barely reaches 3.5% of Spain's GDP, compared to 7.5% for the EMU. In terms of trade, the capital goods and semi-manufacturing sectors are the most exposed to the US and are forecast to benefit most. By region, the Community of Madrid, the Valencian Community, the Basque Country and Navarra export the majority of other capital goods, while Catalonia is the largest exporter of chemical products. The potential indirect effects of US fiscal stimulus on the Spanish economy will probably be more significant by boosting global demand, particularly in the Eurozone, as many Spanish companies supply components to European companies that sell on the US market. The stimulus will also establish greater confidence in the recovery and reduce uncertainty in capital markets. Another significant issue is that the change of administration in the US has resulted in the provisional suspension of tariffs imposed due to disputes over aeronautical industry subsidies. This will allow the US and European governments to find a medium-term solution, avoiding the economic impact of sanctions that mainly affected key sectors such as agriculture, which will have a positive impact on the sales of goods in Andalusia and La Rioja. In short, **the changes in both fiscal and trade policy by the US could have direct and indirect positive effects on Spanish GDP, which BBVA Research estimates could reach around 1.2 pp over the next two years.**

**The European Central Bank (ECB) has announced an acceleration of debt purchases under its Pandemic Emergency Purchase Program (PEPP).** The announcement has been framed in response to the increase in long-term interest rates in the Eurozone. This trend reflects the impact of the fiscal stimulus approved in the US on the outlook for global growth and inflation. In any case, without a comparable response in Europe, and with the uncertainty about when Recovery and Resilience Facility (RRF) funds—linked to the Next Generation EU (NGEU) program—will start being injected, the ECB has decided to send a message about its commitment to low interest rates and again avoid a fragmentation of the sovereign debt market. This has also had consequences for the exchange rate of the euro against the US dollar, which has depreciated slightly, helping to maintain the expansionary tone of monetary policy. In March, the banks again auctioned the targeted longer-term refinancing operations (TLTRO III) on a massive scale, asking for EUR 330 billion and leaving the ECB's total liquidity supply at around EUR 2 trillion. This is a good sign, as it indicates that the financial system is confident that it can meet the credit supply targets necessary to benefit from the favorable conditions that these operations entail. The transmission of monetary policy is therefore expected to remain fluid because of a low interest rate environment, banks seeking profitability, high competition and adequate levels of capital in the sector aggregate.

**The relaxation of fiscal rules in the EMU will allow fiscal policy to remain expansionary, which is translating into continued measures to support people's incomes, reduce labor costs and support business solvency.** Although some of the policies implemented over the past year are expected to be temporary, the length of the crisis has meant a continued expansionary fiscal policy. In particular, the public deficit ended the year at around 10.1% of GDP (10.9% including losses recorded by SAREB (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria* — management company for assets from bank restructuring). This figure highlights the relatively good performance of tax revenues, which have fallen less than nominal GDP has. This was not the case in the previous crisis. Aware of the situation of households and businesses in the pandemic, the European Commission has proposed extending the suspension of restrictions limiting the growth of deficit and debt until at least 2023. Given the progress on vaccinating the population and the expected arrival of transfers from the EMU, the governments of the countries most affected (such as Spain) should have time to build bridges that allow families and businesses to move into less vulnerable situations. This will keep the imbalance in public accounts high, reaching at least 8.5% of GDP in 2021.

**One of these key measures taken during the last three months was the extension of Temporary Redundancy Plans (ERTEs) and assistance to the self-employed until May.** The social consensus with which this policy has been approved is welcome. So is the anticipation and duration of the policy, which will give certainty to the sectors most affected by it. For the time being, the cost of this extension (0.4% of GDP) will allow for employment and the production framework to remain steady, both of which could be reactivated once the services sector begins its final recovery. In any case, the regulations announced do not address some of the absences from the current regulation that influence the effectiveness of the ERTEs. For example, no changes to the ban on dismissing employees for COVID-19-related economic, production, technical or organizational reasons—or to the clause safeguarding employment—have been announced. On the grounds of proportionality, it would be desirable that the requirement to maintain employment be limited to the absence of redundancies declared unlawful or invalid, and for the refund of contributions exempted in the event of non-compliance be limited to each worker dismissed in this way rather than to all employees covered.

**The (EUR 11 billion) aid package for companies and the self-employed is another measure announced. It is particularly positive that a large part of the measures focuses on direct aid (EUR 7 billion) and are specific and industry-based,** as, at the same time, the range of beneficiary industries is expanded compared to those receiving ERTEs. The management of these funds has been delegated to the autonomous communities, with the Balearic Islands and the Canary Islands receiving almost 30% of the direct aid. This distribution is in line with the distinct impact of the pandemic on companies in the tourism industry. The Restructuring Fund (endowed with EUR 3 billion), designed to support the solvency of viable enterprises, is intended to accompany the process of corporate restructuring by financial institutions with companies that have credits backed by the ICO (*Instituto de Crédito Oficial* — official credit institute). Three modalities are envisaged, from extending terms, to the conversion of credits into equity loans, to reducing the principal of ICO-backed debt (as a last resort). The content of the Code of Best Practices (not yet detailed) is key to fully assessing the use of this fund, as the code will determine how the restructuring process is addressed. It is important that there is no automatic mechanism for the implementation of the three debt restructuring measures and that the process is always assessed by financial institutions within a negotiation process between debtor and creditors. Finally, a recapitalization fund (the Cofides Fund) is included to improve the solvency of companies that cannot receive the SEPI Fund (a solvency support fund). We will have to wait for the details of the criteria to be used before assessing the adequacy of these funds and the degree of consistency in the implementation of the funds between the autonomous communities. However, it should be remembered that the total volume of direct aid to companies in Spain (1.7% of GDP) remains below the average of other European countries, such as Germany, France and Italy (around 4% of GDP). Finally, there are doubts about the speed and management capacity of the regional governments to distribute the aid. The process must be transparent and based on economic criteria, taking into account the social return on investment. The challenge will be to combine this with the agility and urgency that many businesses require at this time.

**Various indicators point to an improvement in activity in March thanks to the decrease in infections since the beginning of February, the easing of restrictions in the services sector and the fact that the economy now seems more prepared to face the restrictions on mobility and activity associated with controlling the pandemic at a lower economic cost.** For example, total expenditure with BBVA cards indicated a 10% increase in March 2021, compared to February of the same year. This compares favorably, not only to the 32% drop observed a year ago during the full state of alarm, but also with the performance in 2019 (+4%)—a relatively normal year. The positive impact is most pronounced with in-person purchases made by Spanish residents, which increased 13% in March compared to February (-30% in the same month of the previous year and +5% in 2019). The acceleration in expenditure seems linked not only to the reduced health risk, but also to the easing of the various regulations that were needed to limit the spread of infection. Thus, demand has recovered more in the sectors most affected by restrictions on mobility and opening (bars and restaurants, fashion and entertainment), and in the autonomous communities that have relaxed these restrictions more quickly in recent weeks. Finally, there is evidence that the economy has learned to better deal with increased infections. For example, at the same excess mortality during the first wave of infections a year ago, expenditure was adjusted by 50 to 60% compared to the same period the previous year. However, during the second and third waves, these reductions barely reached between 10 and 15% y/y. This has been helped by the measures taken to maintain household and business income, and by what health authorities and services have learned about the most appropriate measures to contain and treat the disease without causing unnecessary economic damage. In addition, households and companies have invested to increase their capacity to adapt and face existing restrictions, promoting teleworking and digital communication, and intensifying the expansion of the logistics sector.

**If the incipient recovery continues and there are no further severe restrictions on opening and mobility, growth estimates could improve given the potentially strong rebound in private consumption, increased investment in construction, and accelerating exports of both goods and services.** Everything is subject to controlling the disease, and therefore to rapid, effective and widespread vaccination. Less uncertainty about health, along with the gradual removal of barriers to gatherings and the opening up of businesses, mean that a significant part of the so-called "forced" savings can be translated into more expenditure over the coming months. **In particular, BBVA Research estimates that the closure of bars and restaurants, and the inability to travel and attend shows, generated non-precautionary savings of approximately EUR 40 billion (approximately 3.5% of GDP) in 2020.** These funds would be concentrated in the upper-middle classes, among those with permanent employment working in industries less affected by the pandemic. Reduced uncertainty associated with the disease and improved economic outlooks are forecast to increase private consumption by 6.1% in 2021 and 6.8% in 2022.

**Investment will ramp up, supported by increased foreign and domestic demand, lack of imbalances in the housing sector and its relatively good performance during the crisis, and the NGEU program.** One of the most positive factors in terms of economic activity has been the recovery in housing loans. They increased by 0.9%

for 2020 compared to the same period in 2019, while in the first two months of this year they have increased 14.4%. Beyond the stifled demand that could have been created during the months of lockdown, it seems that there are somewhat more structural reasons behind this positive performance. One is the change in the preferences of applicants, who seem to be looking for larger homes. This is demonstrated by the increase in the average size of the homes sold, and the fact that the housing sale upturn in the last few months is concentrated on single-family homes. Other factors that might be favoring the sector are the high saving rate and low levels of return on alternative assets, as well as high rent prices in some urban areas and favorable credit conditions. In addition, accelerating public spending in the coming quarters related to the NGEU program, both in Spain and in the rest of the EMU, should revive demand for investment, in both capital goods and construction. In short, investment is expected to increase by 9.2% in 2021 and by 15.4% in 2022.

**Exports will again contribute significantly to the recovery. The relatively good performance of goods exports during the previous year is a highlight, putting them in a good position to take advantage of the recovery.** Despite the difficult situation, exports of goods gained global market share and competitiveness during 2020. Although they fell, they did so less than exports from neighboring countries such as France and Italy. The fall was concentrated on regular exporters (exported over the past four years), whose average exports to the rest of the world dropped by almost 15%. However, the number of regular exporters increased, which will keep the process of internationalizing the Spanish economy moving forward. By sector, agriculture has gained weight to the detriment of industry, where food and pharmaceutical businesses have strengthened. By destination, exports have fallen across the board, except to China, which have surged. It is not clear that these two trends will continue over the next few years. In particular, capital goods, the automotive sector and European destinations may benefit from NGEU-related funds. However, the trends may well have strengthened the competitiveness of key companies and sectors, and further diversified destinations for Spanish exports. In the heat of the global recovery, exports of goods could increase by 10% in 2021 and 11.5% in 2022.

**The key for the tourism industry will be progress on vaccination and any regulatory changes that facilitate people's mobility while keeping them safe.** Companies have made major efforts to keep afloat in the face of great difficulties. This, together with government aid, Spain's comparative advantages and unused infrastructure, guarantee a very attractive product. Regardless, the development of a European health passport and government investment in mechanisms to reassure tourists coming to Spain will be crucial. The use of effective, large-scale digital tracking applications remains an unresolved issue, as does widespread testing that allows people to attend events while guaranteeing their health. Lastly, vaccination must be accelerated wherever possible. If restrictions on access to vaccines are maintained, mechanisms must be designed to allow efficient use of the available doses. For example, while vaccinating 70% of the population by summer is an ambitious target, perhaps more importance should be placed on having 100% of the vulnerable population inoculated by the end of May. This would avoid tragedies and the risk of overwhelming the health infrastructure. In addition, there is evidence that those who have had the disease retain antibodies. It also appears that receiving just the first dose of the vaccine where two doses are required still significantly reduces the risk of infection and hospitalization. These factors should be taken into account when designing an efficient vaccination strategy and adapting to reductions in the expected supply of vaccines. If progress is made in this direction, non-resident consumption could increase by 45% in 2021 and 91% in 2022.

**The risks in this scenario remain vaccination progress, the consequences for employment and the production framework caused by the crisis, the implementation of NGEU-related projects and the political consensus required to agree on the reforms needed in Spain.** Added to vaccine availability problems are confidence problems, especially related to potential vaccine-related risks. Furthermore, the longer companies in the hospitality and retail sectors remain idle, the more likely it is that liquidity problems will give way to solvency problems. Likewise, the cost to public accounts of maintaining the support that the state has so far provided may be higher. This has been a necessary expenditure, which has prevented the destruction of thousands of companies. **In fact, BBVA Research estimates that had the measures implemented in the last year not been taken, there would have been between 3000 and 15,000 more companies going bankrupt between 2020 and 2021 than if the pandemic did not occur.** Most of these would have been micro- and small- enterprises, concentrated in the services sector. Extending the bankruptcy moratorium until the end of the year should help companies re-equilibrate their balance sheets and avoid unnecessary bankruptcies. In any case, it is essential to make progress on the announced bankruptcy reform when adapting the European directive on this matter, and to ensure the swift and efficient use of the funds intended to recapitalize companies. It is also important to increase the allocation to train those who will struggle to be hired in sectors that will take a long time to recover pre-crisis employment levels. Focusing on these groups is a pending task that could limit the impact on employment caused by the increase in domestic expenditure linked to the development of the NGEU. A delay in the arrival of NGEU funds due to factors outside Spain, or the inefficient, slow implementation of those funds could reduce the expected acceleration in growth. Finally, we repeat the need to build broad consensus around reforms that reduce unemployment, improve productivity and wages, and ensure the sustainability of public finances in the medium term.

# Tables

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| United States | 3.0 | 3.7 | -3.5 | 6.2 | 5.1 |
| Eurozone | 1.9 | 1.3 | -6.8 | 4.5 | 4.9 |
| China | 6.7 | 6.1 | 2.2 | 7.6 | 5.5 |
| World | 3.6 | 2.9 | -3.2 | 5.9 | 4.8 |

* Argentina, Brazil, Chile, Colombia, México, Paraguay, Perú and Uruguay.
Forecast closing date: April 9, 2021.
Source: BBVA Research & FMI.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| United States | 2.4 | 1.8 | 1.2 | 2.5 | 2.2 |
| Eurozone | 1.8 | 1.2 | 0.3 | 1.5 | 1.2 |
| China | 2.1 | 2.9 | 2.5 | 1.8 | 2.8 |
| World | 3.8 | 3.6 | 3.6 | 4.0 | 3.5 |

* Argentina, Brazil, Chile, Colombia, México, Paraguay, Perú and Uruguay.
Forecast closing date: April 9, 2021.
Source: BBVA Research & FMI.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| United States | 2.91 | 2.14 | 0.90 | 1.57 | 1.94 |
| Germany | 0.46 | -0.21 | -0.48 | -0.26 | 0.06 |

Forecast closing date: April 9, 2021.
Source: BBVA Research & FMI.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| EUR-USD | 0.85 | 0.89 | 0.88 | 0.84 | 0.82 |
| USD-EUR | 1.18 | 1.12 | 1.14 | 1.20 | 1.22 |
| CNY-USD | 6.61 | 6.91 | 6.91 | 6.44 | 6.50 |

Forecast closing date: April 9, 2021.
Source: BBVA Research & FMI.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| United States | 2.50 | 1.75 | 0.25 | 0.25 | 0.25 |
| Eurozone | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| China | 4.35 | 4.35 | 4.35 | 3.85 | 3.85 |

Forecast closing date: April 9, 2021.
Source: BBVA Research & FMI.

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

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **GDP at constant prices** | **1.9** | **1.3** | **-6.8** | **4.5** | **4.9** |
| Private consumption | 1.5 | 1.3 | -8.1 | 3.5 | 5.5 |
| Public consumption | 1.2 | 1.8 | 1.1 | 2.9 | 1.2 |
| Gross fixed capital formation | 3.2 | 5.6 | -8.5 | 5.6 | 7.0 |
| Inventories (*) | 0.1 | -0.5 | -0.2 | -0.1 | 0.0 |
| **Domestic demand (*)** | **1.8** | **1.8** | **-6.2** | **3.6** | **4.7** |
| Exports (goods and services) | 3.6 | 2.5 | -9.8 | 8.5 | 6.5 |
| Imports (goods and services) | 3.6 | 3.9 | -9.3 | 7.2 | 6.7 |
| **External demand (*)** | **0.1** | **-0.5** | **-0.6** | **0.8** | **0.2** |
| **Prices and Costs** | | | | | |
| CPI | 1.8 | 1.2 | 0.3 | 1.5 | 1.2 |
| CPI Core | 1.2 | 1.2 | 0.9 | 1.2 | 1.3 |
| **Labour Market** | | | | | |
| Employment | 1.6 | 1.2 | -1.6 | 0.3 | 1.4 |
| Unemployment rate (% of labour force) | 8.2 | 7.6 | 7.9 | 8.6 | 8.0 |
| **Public sector** | | | | | |
| Surplus (+) / Deficit (-) (% GDP)* | -0.5 | -0.6 | -7.2 | -6.2 | -3.5 |
| Public debt (% GDP)* | 85.8 | 84.0 | 96.9 | 98.7 | 97.0 |
| **External Sector** | | | | | |
| Current Account Balance (% GDP) | 2.9 | 2.3 | 2.2 | 2.4 | 2.5 |

Annual rate change in %, unless expressly indicated.
Forecast closing date: April 9, 2021.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

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

| (Annual av erage, %) | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Activity** | | | | | |
| Real GDP | **2.4** | **2.0** | **-10.8** | **5.5** | **7.0** |
| Private Consumption | 1.8 | 0.9 | -12.4 | 6.2 | 6.9 |
| Public Consumption | 2.6 | 2.3 | 3.8 | 4.6 | 2.5 |
| Gross Fixed Capital Formation | 6.1 | 2.7 | -11.4 | 9.2 | 15.4 |
| Equipment and machinery | 5.4 | 4.4 | -13.0 | 13.7 | 13.2 |
| Construction | 9.3 | 1.6 | -14.0 | 6.2 | 16.0 |
| Housing | 12.4 | 4.1 | -16.6 | 3.0 | 10.5 |
| Domestic Demand (contribution to growth) | **3.0** | **1.4** | **-8.8** | **5.9** | **7.3** |
| Exports | 2.3 | 2.3 | -20.2 | 11.8 | 15.0 |
| Imports | 4.2 | 0.7 | -15.8 | 14.2 | 17.2 |
| External Demand (contribution to growth) | **-0.5** | **0.6** | **-2.0** | **-0.4** | **-0.4** |
| GDP at current prices | 3.6 | 3.4 | -9.9 | 7.5 | 8.4 |
| (Billions of Euros) | 1204.2 | 1244.8 | 1121.7 | 1206.0 | 1307.8 |
| **Labour market** | | | | | |
| Employment, Labour Force Survey | 2.7 | 2.3 | -2.9 | 1.5 | 3.6 |
| Unemployment rate (% Labour force) | 15.3 | 14.1 | 15.5 | 16.6 | 14.6 |
| Employment, full time equivalent | 2.6 | 2.3 | -7.5 | 4.4 | 3.4 |
| Productivity | -0.2 | -0.3 | -3.4 | 1.1 | 3.5 |
| **Prices and Costs** | | | | | |
| CPI (average) | 1.7 | 0.7 | -0.3 | 1.5 | 1.0 |
| CPI (end of period) | 1.2 | 0.8 | -0.7 | 2.,0 | 1.1 |
| GDP deflator | 1.2 | 1.4 | 1.0 | 2.0 | 1.5 |
| Compensation per employee | 0.3 | 0.6 | -0.6 | 0.7 | 3.6 |
| Unit Labour Cost (ULC) | 0.5 | 0.9 | 2.8 | -0.4 | 0.1 |
| **External sector (*)** | | | | | |
| Current Account Balance (% GDP) | 1.8 | 2.0 | 0.5 | 0.9 | 0.7 |
| **Public sector** | | | | | |
| Debt (% GDP) | 97.4 | 95.5 | 120.0 | 120.1 | 115.7 |
| Deficit (% GDP) (*) | -2.5 | -2.9 | -10.1 | -8.5 | -5.0 |
| **Households** | | | | | |
| Nominal disposable income | 3.0 | 2.6 | -3.3 | 3.6 | 4.3 |
| Savings rate (% nominal disposable income) | 6.0 | 6.6 | 15.1 | 12.2 | 8.9 |

Annual rate change in %, unless expressly indicated.
Forecast closing date: April 9, 2021.
(*) Excluding financial aid for Spanish banks.
Source: BBVA Research.

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