BBVA Research

Spain Economic Outlook

2Q22

Creating Opportunities

Main messages

Ukraine-Russia conflict

The military conflict between Ukraine and Russia and the severe sanctions recently implemented represent a significant supply shock, with negative effects on both growth and inflation through the commodities, financial volatility, confidence and supply chains channels. In the current context, uncertainty is exceptionally high.

Activity

The global economy will slow down more than expected. After expanding 6.1% in 2021, global GDP is expected to grow 4.0% this year and 3.6% in the next (-0.4pp and -0.2pp, respectively, compared to previous forecasts). The downward revision of growth is significant in Europe and moderate in the rest of the geographies.

Inflation and central banks

Inflationary pressures continue to increase, most of all due to commodity prices and supply bottlenecks. Central banks are expected to keep their focus on inflation and move forward with the withdrawal of monetary stimulus. The Fed will be more aggressive: it is expected to take interest rates to at least 2% this year and 3% in the next. The ECB, after ending the PEPP and accelerating the reduction of the APP, will begin to raise rates towards the end of the year. Thus, in the Eurozone, the task of cushioning the impact of the conflict would fall on other policies (such as fiscal policy).

Risks

A deterioration of the conflict and a further escalation of sanctions could cause a scenario of stagflation, at least in Europe. The withdrawal of monetary stimulus by the Fed, which could cause an economic recession or financial disruptions, and a hard-landing of growth in China, due to the severe Covid restrictions, are also among the main risks.

Key points. Spain

GDP

GDP growth is revised down by 1.4pp in 2022 to 4.1% and by 1.6pp in 2023 to 3.3%. The main reason for this is the impact of the invasion of Ukraine, the sanctions imposed on the Russian economy and the increase in prices, especially fuel prices, over the past few months.

Recent developments in the economy

Real-time indicators suggest that the expansion would have been sustained in the first quarter. GDP would have risen by 1.4% q/q in Q122. Social Security affiliation and card spending continued to rise, although accelerating inflation could be starting to affect consumption.

Outlook looking forward

The recovery could accelerate in the latter part of the year, underpinned by private consumption, tourism and investment. Cumulative savings and reduced restrictions by COVID-19 will support the expansion of household spending. The strong performance of the housing market and NGEU funds should drive more investment-led growth.

Risks

Public policy will be key to minimizing the effects of the war. The fall in electricity prices will be substantial. Without an income pact, the unequal impact of inflation may increase social unrest. If real wages rise more than productivity, inflation may spiral. Uncertainty about investment related to the NGEU remains, and spending may flow into higher imports in the face of supply constraints.

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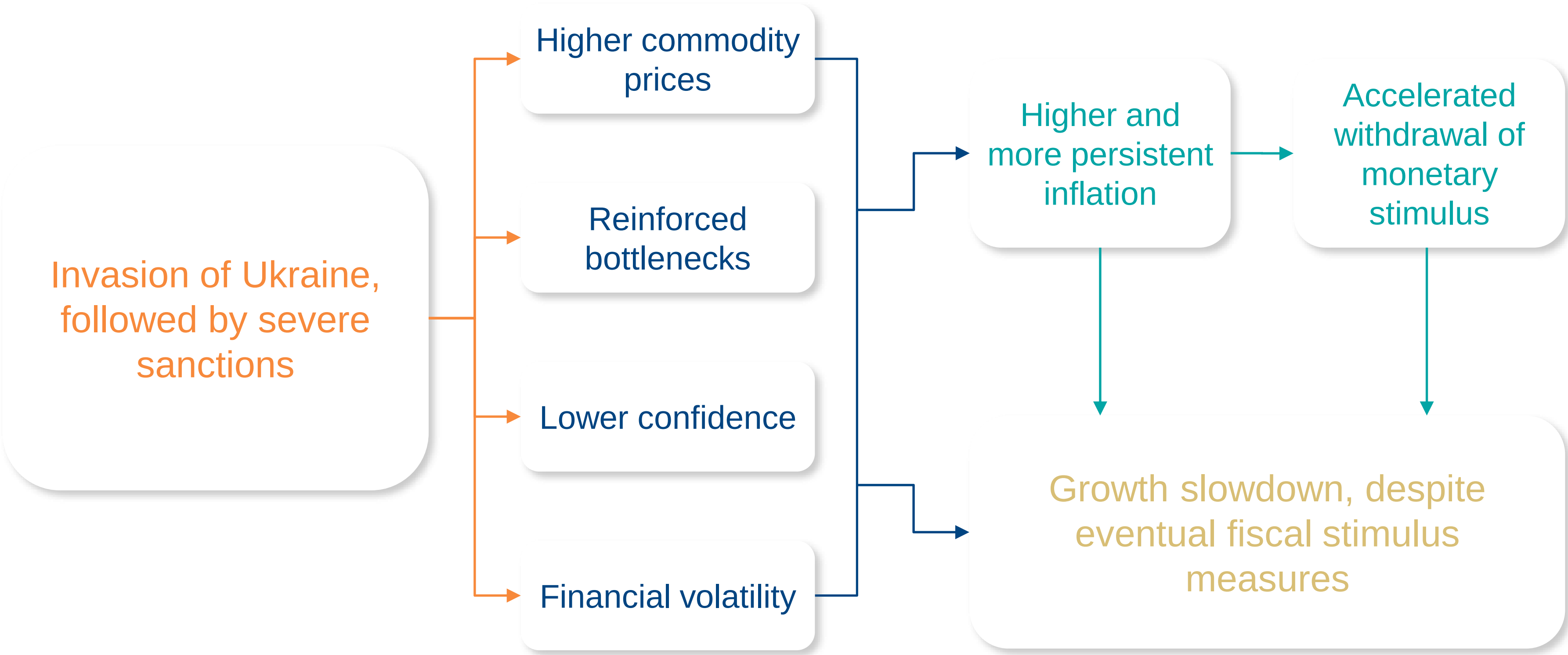
Global Economic Outlook 2Q22

Creating Opportunities

The Ukraine-Russia conflict reinforces both inflationary pressures and the moderation trend in activity growth, mainly in Europe



Economic uncertainty, at unusually high levels, once again

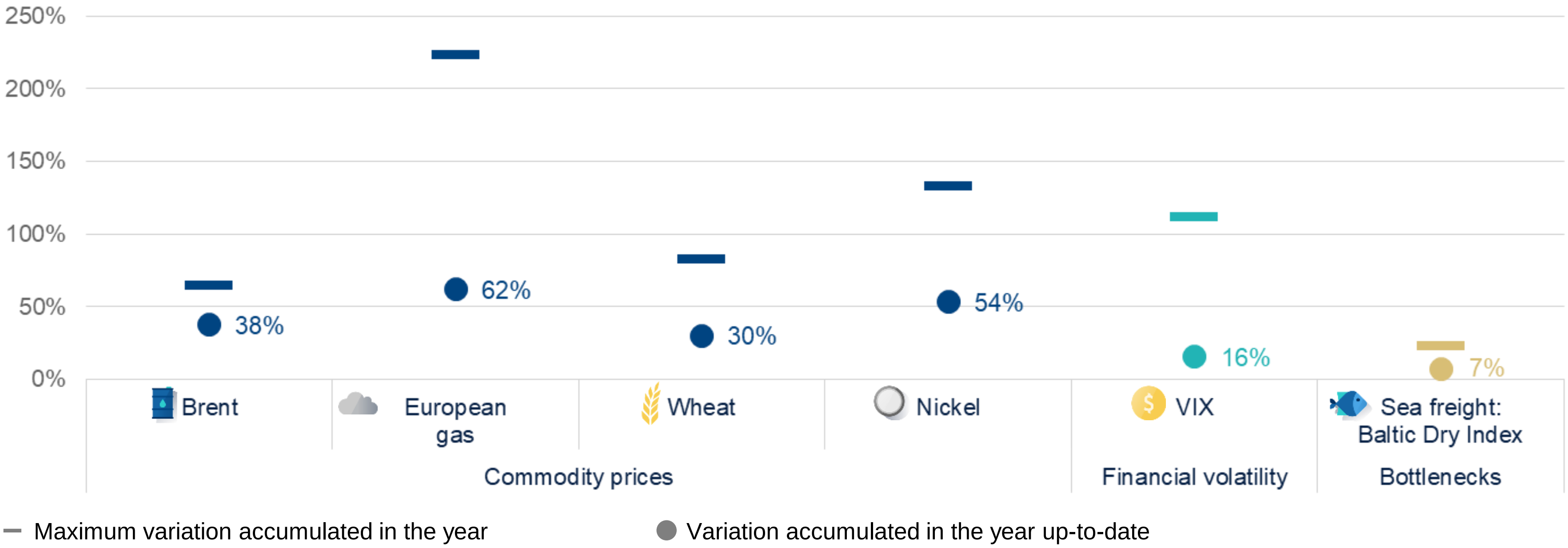
BBVA RESEARCH INDEX DE ECONOMIC POLICY UNCERTAINTY
(INDEX FROM 0 TO 100)

Source: BBVA Research based on data by GDELT.

Sharp rise in commodity prices, financial volatility and signs of further deterioration of supply bottlenecks

SELECTED INDICATORS OF COMMODITY PRICES, FINANCIAL MARKETS AND SUPPLY BOTTLENECKS

(PERCENTAGE CHANGE ACCUMULATED IN THE YEAR UP TO MARCH 31ST, 2022)

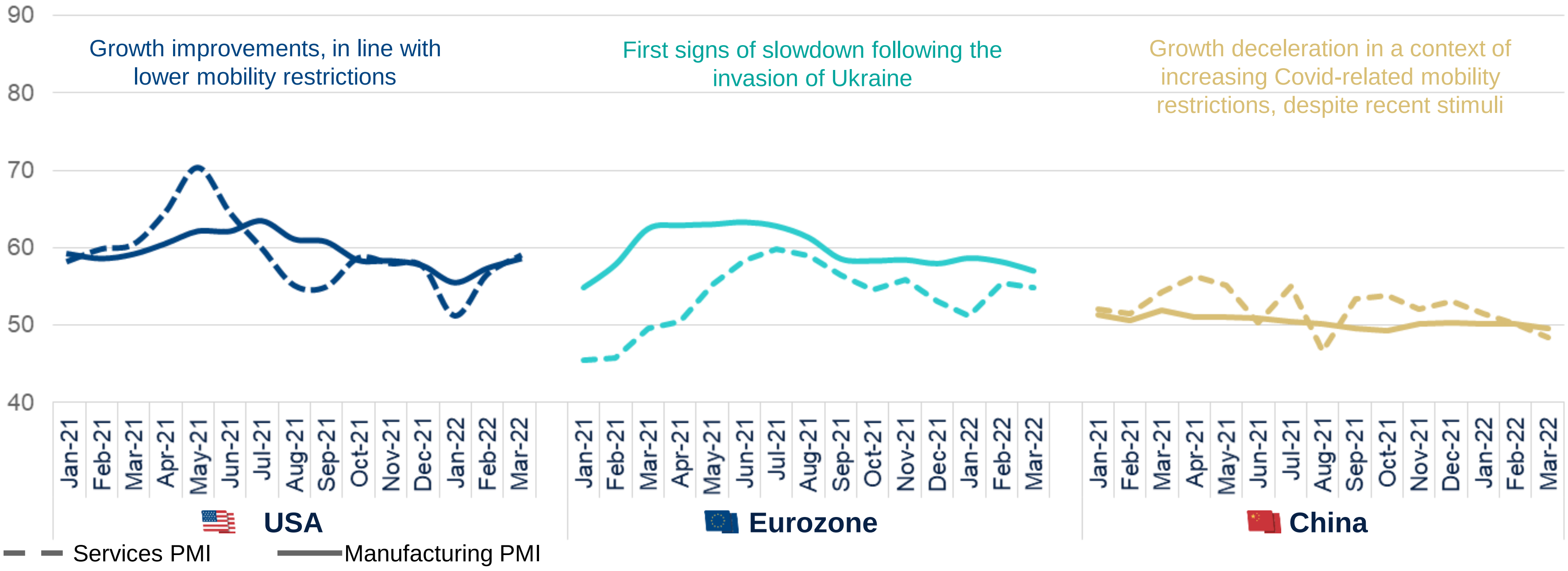


Source: BBVA Research based on data by Haver.

Activity moderates in Europe and exhibits resilience in the US, following the invasion of Ukraine, while it slows in China amid increasing Covid restrictions

PMI INDICATORS

(HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)

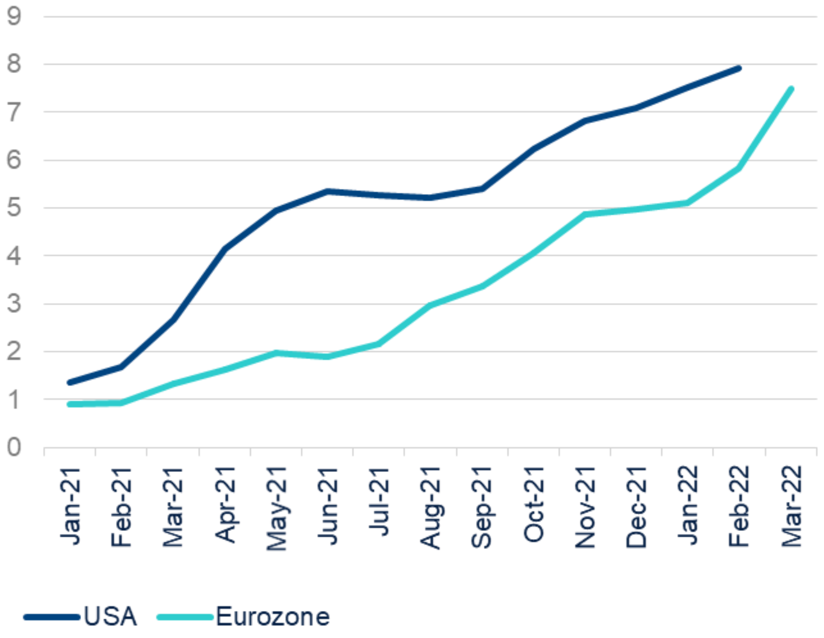


Source: BBVA Research based on data by Haver.

Given the increase in inflationary pressures, expectations of monetary tightening ahead have been reinforced

INFLATION: CPI

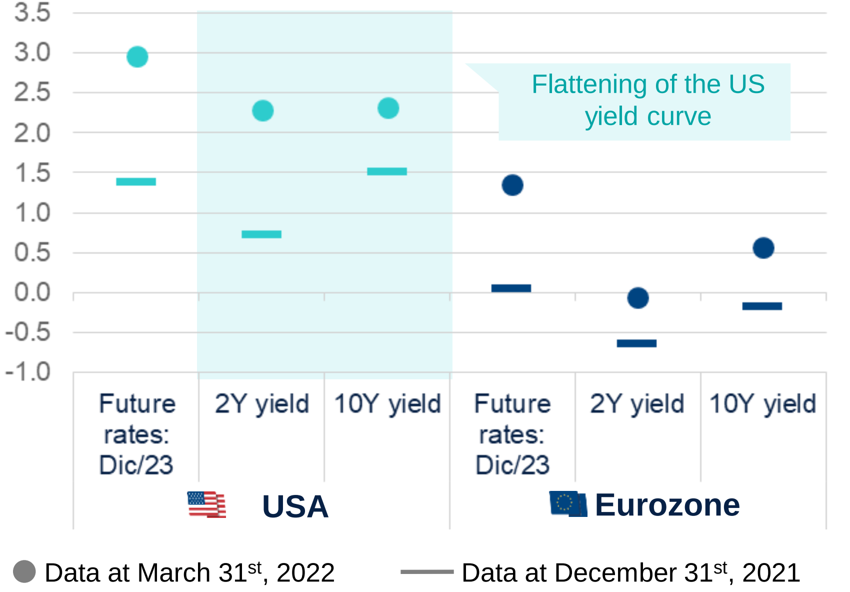
(Y/Y %)



Source: BBVA Research based on local statistics.

POLICY RATES: MARKET EXPECTATIONS; SOVEREIGN BOND YIELDS *

(%)

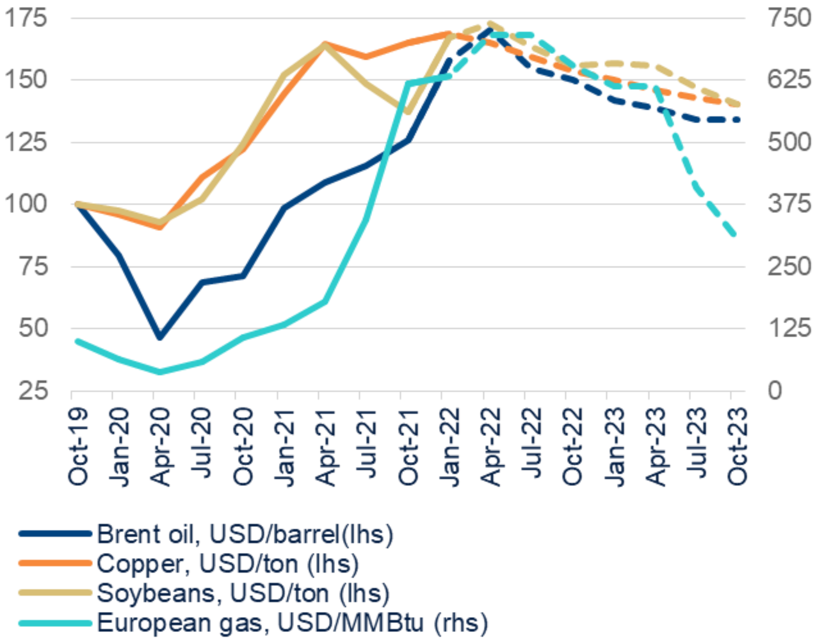


*: Market expectations for policy rates in Dec/23 implicit in future contracts. Eurozone yields: German bond yields. .

Source: BBVA Research based on data by Bloomberg.

The war represents a significant supply shock, with negative economic effects mainly through higher commodity prices

COMMODITY PRICES: FORECASTS
(4Q19 AVERAGE= 100, QUARTERLY AVERAGE)



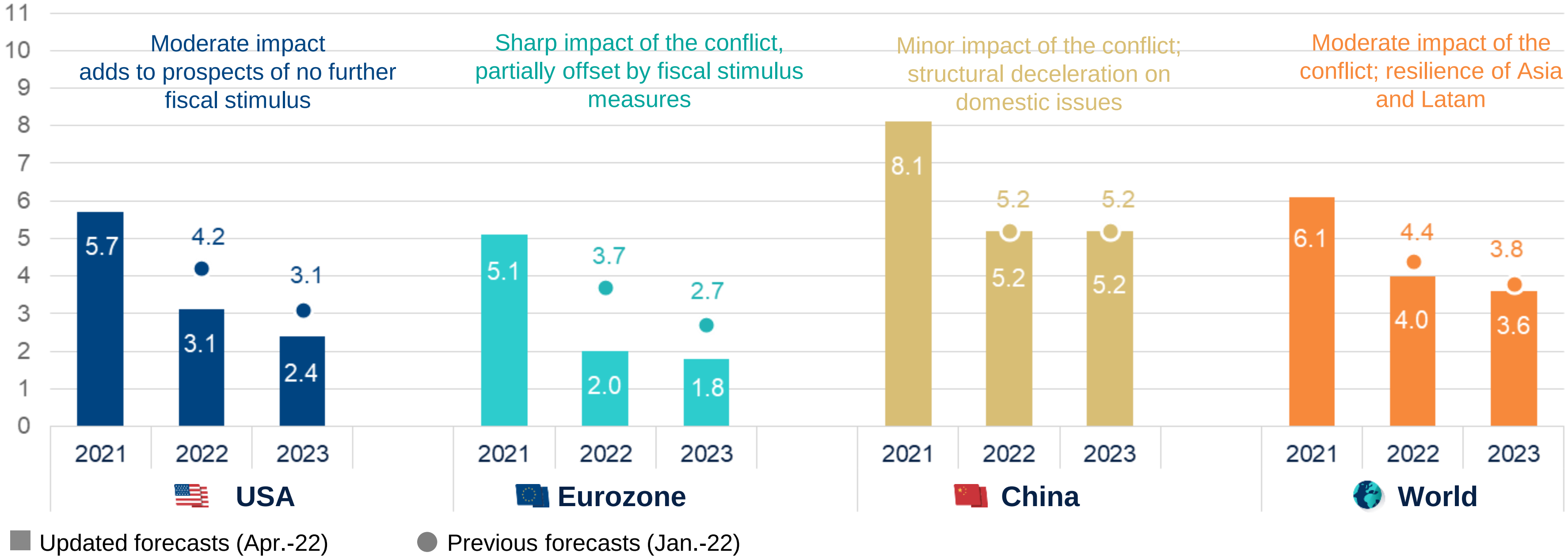
Source: BBVA Research.

- Base economic scenario in an environment of high uncertainty: moderation in growth and higher inflation, mainly in Europe; a scenario of global stagflation is avoided.
- Main assumptions behind the base scenario:
  - the sanctions are potentially permanent and have a higher economic cost in 2022
  - significant further escalation of sanctions (including an imposed reduction of gas/oil flows between RUS and EUR) is avoided
  - commodity prices: strong price increase, especially in the short term
  - confidence: high volatility in 1H22
  - bottlenecks: higher and more persistent
  - financial systems: no significant disruptions.

Growth forecasts are revised significantly to the downside in Europe, despite the expected (but uncertain) fiscal measures, and moderately in other regions

GDP: ANNUAL GROWTH IN REAL TERMS

(%)

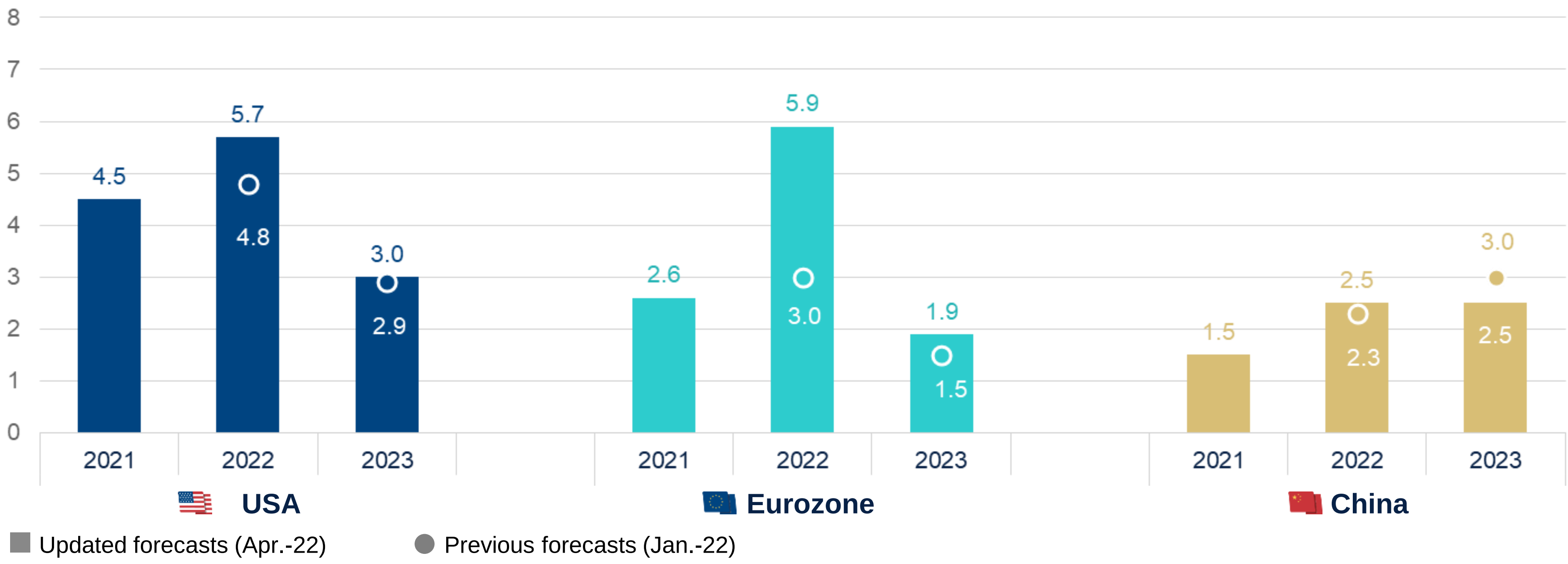


Source: BBVA Research.

Commodity prices and additional bottlenecks will add to previous pressures and keep inflation very high, at least this year

INFLATION: CPI

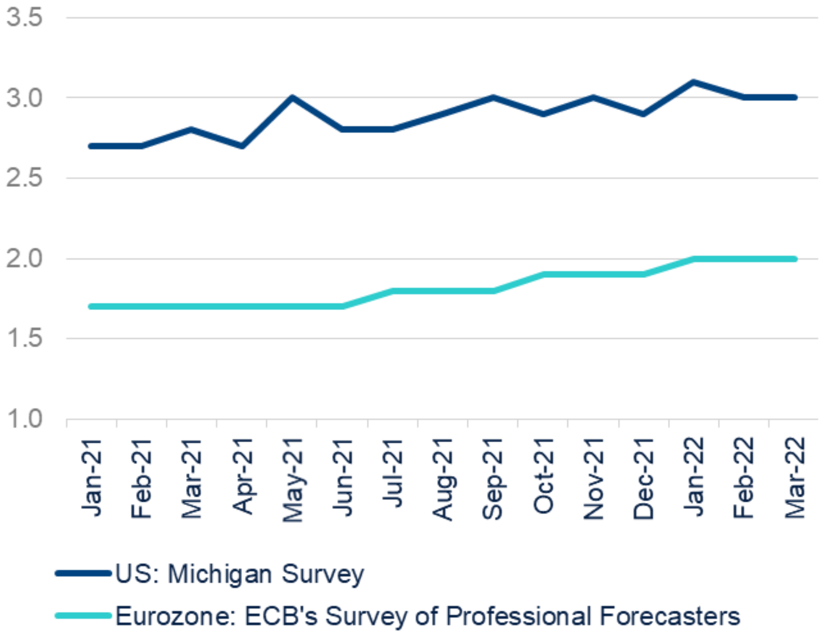
(Y/Y %, PERIOD AVERAGE)



Source: BBVA Research.

The second-round effects of high inflation are of particular concern in the US, and also, although to a lesser extent, in Europe

5-YEAR INFLATION EXPECTATIONS, BASED ON ANALYSTS SURVEYS(%)



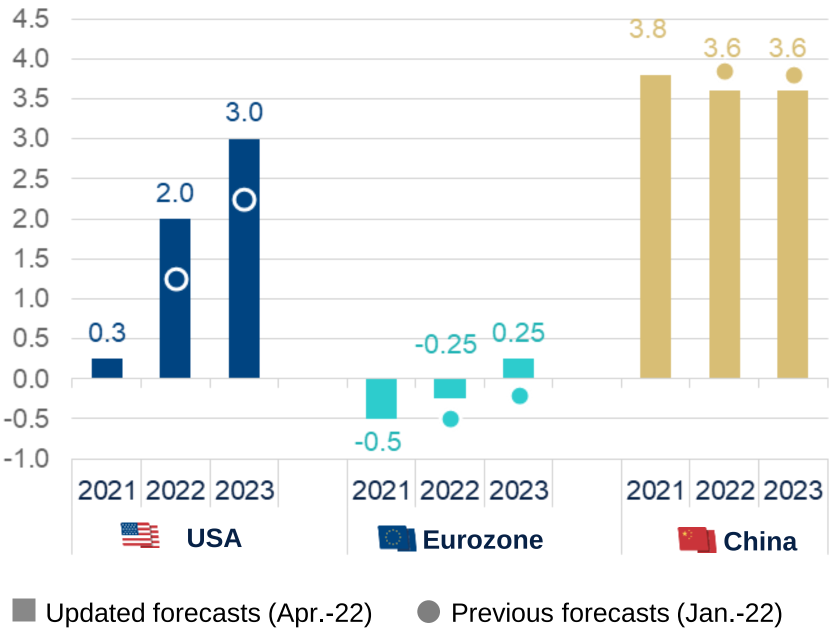
Source: BBVA Research based on data by Haver.

- Persistence of current shocks: high uncertainty, but the pandemic, the war, the energy transition... could have more lasting impacts on inflation.
- Labor markets: dynamism in the US (not so much in the Eurozone) favors second-round effects, but tightness could be temporary.
- Economic policy: central bank credibility is key, but the current environment increases the risk of mismanagements.
- Inflation expectations: above the 2% target in the US and rising, but still anchored, in the Eurozone.

Interest rate hikes by the Fed (more aggressive) and by the ECB (despite the dilemma) from 2022; new fiscal stimulus in the Eurozone, but not in the US

MONETARY POLICY INTEREST RATES*

(%)



* In the case of the ECB, deposit facility rates.
Source: BBVA Research.

Controlling inflation is the main objective

- Fed: more aggressive rate hikes and a reduction in the balance sheet from Jun/22 given high inflation and the labor market strength.
- Fiscal policy: the approval of further fiscal stimulus packages is no longer expected.

Monetary normalization, fiscal support

- ECB: accelerated reduction of the asset purchase program (APP) until its end in 3Q22; gradual rate hikes starting in 4Q22.
- Fiscal policy: additional stimuli at national and European level, in defense, energy, refugees...

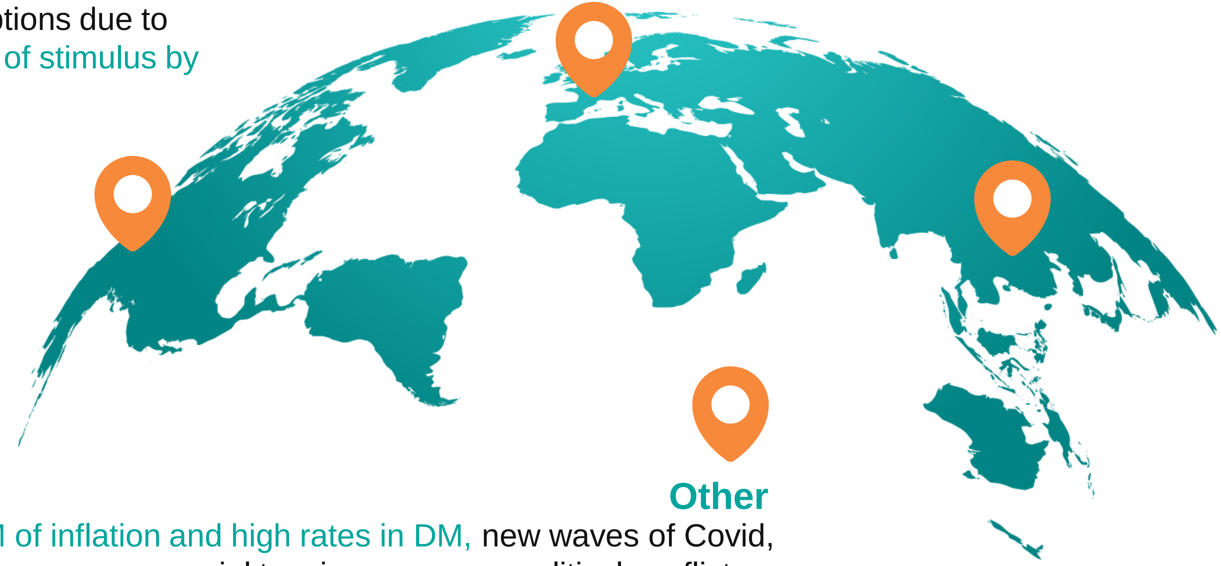
Focus on avoiding a sharp slowdown

- PBoC: one/two more rates cuts, credit expansion
- Fiscal policy: local government bond issuance, tax cuts...

Risks are significant and tilted to the downside, not only because of the conflict in Europe, but also because of the Fed’s exit and the deceleration in China

Europe
Stagflation and other extreme economic/geopolitical scenarios due to a worsening of the Ukraine-Russia conflict and further escalation of sanctions limiting the flow of commodity products between Russia and Europe.

USA
Economic recession and financial disruptions due to the withdrawal of stimulus by the Fed



China
A hard-landing of growth and financial stress due to increased restrictions due to Covid or other factors.

Other
Impact on EM of inflation and high rates in DM, new waves of Covid, social tensions, new geopolitical conflicts...

Possible long-term effects of the conflict

Higher military spending and higher taxes

Deglobalization

Higher cost of security
(cybernetics, energetic...)

Geopolitics emerge as a salient global risk

New geopolitics map

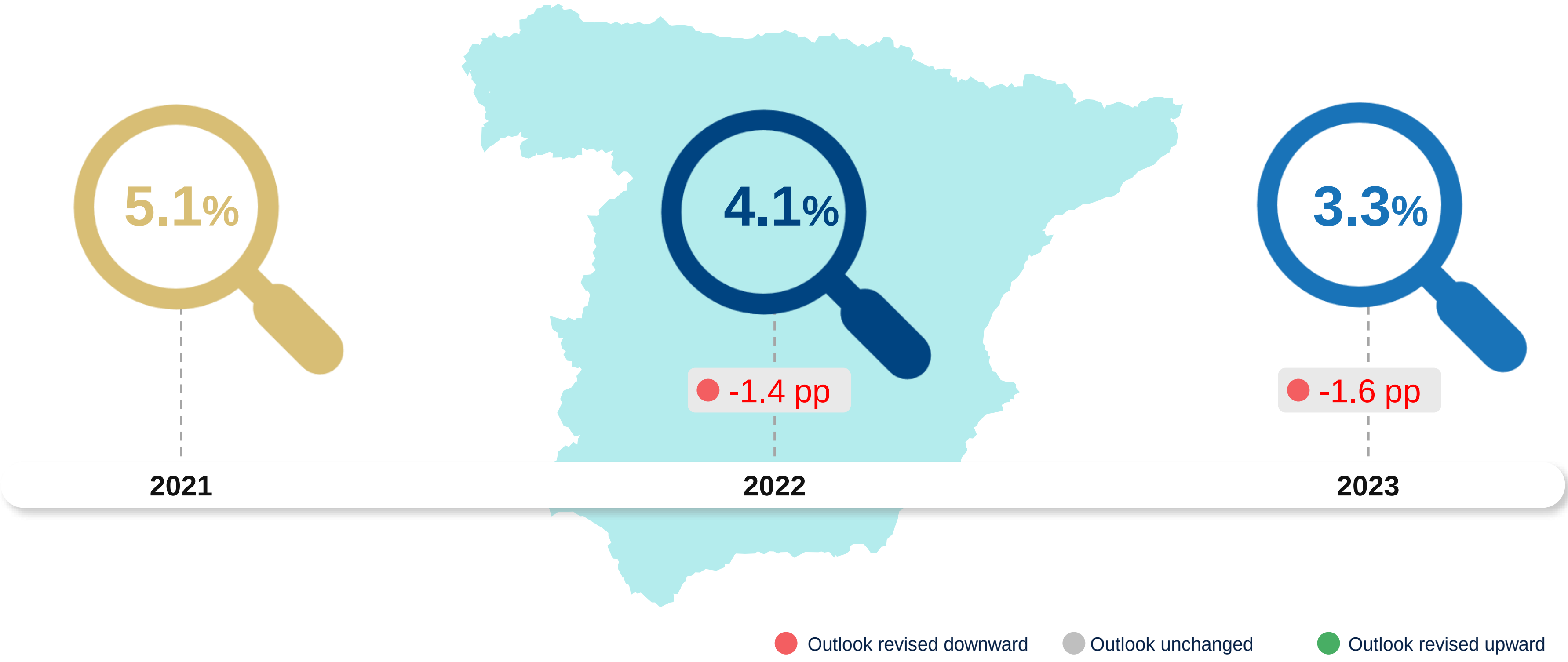
More incentives to accelerate energy transition

Further EU integration

Spain Economic Outlook 2Q22

Creating Opportunities

Growth forecasts revised downward due to the impact of the invasion of Ukraine



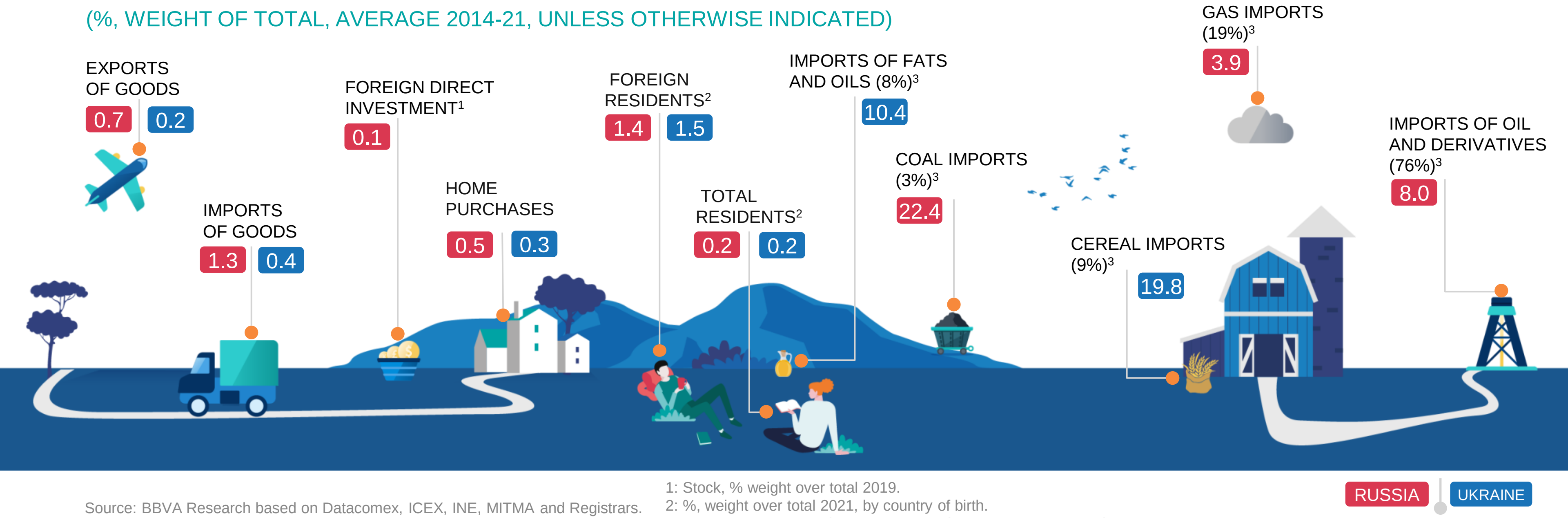
Source: BBVA Research based on INE data.

Spain has limited direct exposure to Russia and Ukraine

However, indirect channels may be more important

TRADING RELATIONS OF RUSSIA AND UKRAINE WITH SPAIN

(%, WEIGHT OF TOTAL, AVERAGE 2014-21, UNLESS OTHERWISE INDICATED)



Source: BBVA Research based on Datacomex, ICEX, INE, MITMA and Registrars.

1: Stock, % weight over total 2019.
2: %, weight over total 2021, by country of birth.
3: In brackets, weight of each product in Spain's total energy or food imports.

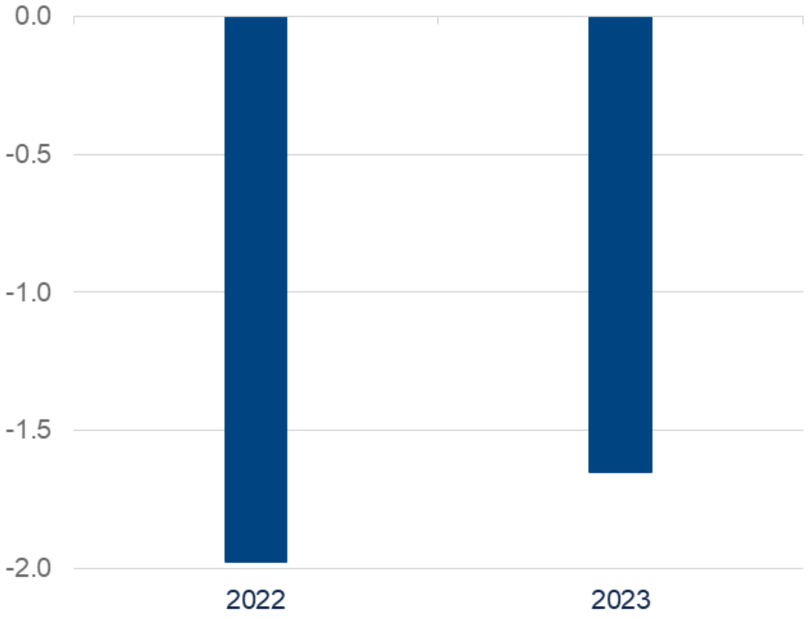
Trade relations with Russia and Ukraine are insignificant, but are concentrated in important sectors such as energy or food.

The biggest impact will be from the increase in energy prices

Industry, the agri-food sector and construction could be most affected

IMPACT OF HIGHER OIL AND GAS PRICES ON GDP GROWTH

(DEVIATION COMPARED TO BASELINE SCENARIO, PP)



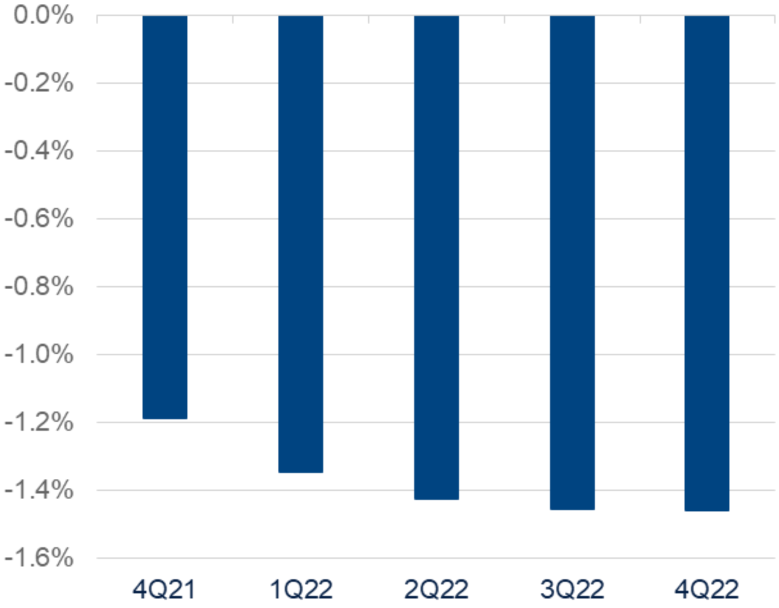
Source: BBVA Research.

- Expectations about the relative scarcity of world output are reflected in high fuel and gas prices.
- According to BBVA Research estimates, the impact of the higher energy prices could subtract almost 2.0 pp from GDP in 2022 and 1.7 pp from GDP in 2023.
- The impact by sector will be uneven. The increase in transport costs will be particularly negative for sectors open to the world economy, particularly industry and tourism, and also for the agri-food and construction sectors.

Bottlenecks could intensify and persist in 2022

Some companies have decided to stop operating due to the lack of raw materials or their rising costs

BOTTLENECK SHOCKS IDENTIFIED FOR THE SPANISH ECONOMY
(STANDARD DEVIATIONS. MOVING AVERAGE OF ORDER 4)



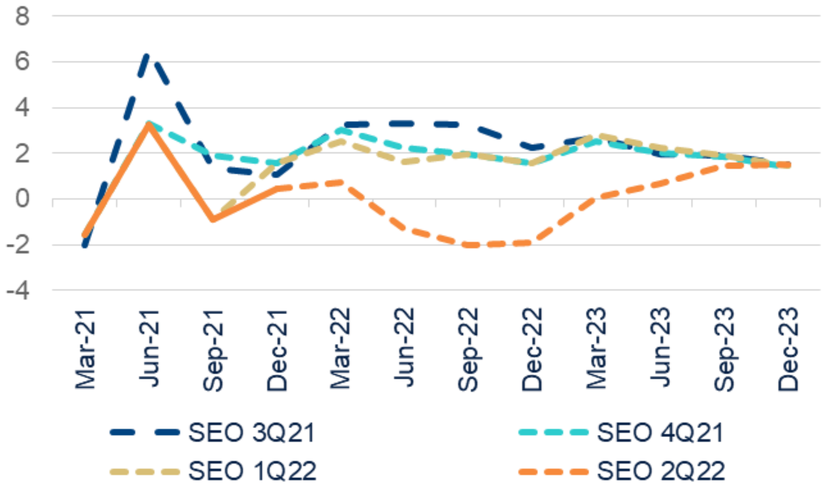
Source: BBVA Research.

- The invasion of Ukraine can generate additional disruptions on top of existing ones.
- China's zero-tolerance policies on COVID-19 threaten to create further shocks across global value chains.
- Increases in the price of raw materials, or the lack of them, can lead to stoppages in output that intensify this effect. Industry is suffering particularly badly, and some companies have already decided to arrange furlough schemes to reduce losses due to energy price increases or because they are unable to produce.

Volatility and higher inflation will lead to lower consumption

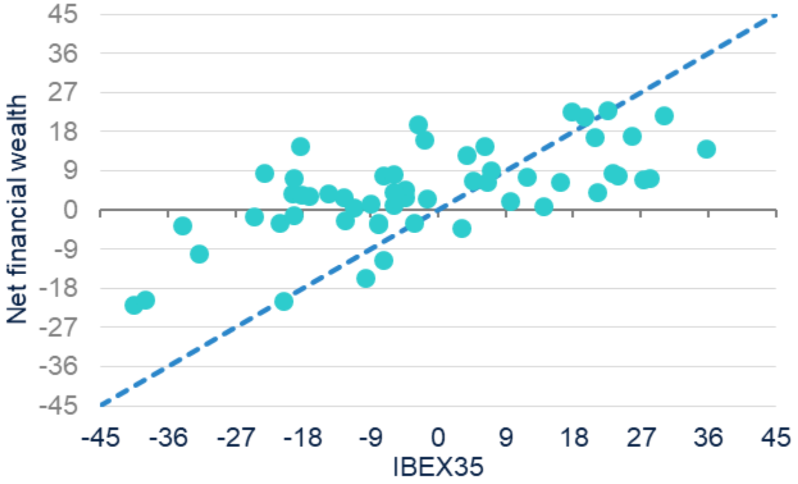
Lower confidence and loss of purchasing power will hit households

REAL GROSS DISPOSABLE HOUSEHOLD INCOME*
(YEAR-ON-YEAR GROWTH IN %)



*Deflated by the private consumption deflator.
Source: BBVA Research based on Bank of Spain and INE data.

HOUSEHOLD NET FINANCIAL WEALTH AND THE IBEX35 (YEAR-ON-YEAR GROWTH IN %, Q108 – Q421)



Source: BBVA Research based on Bank of Spain and Bloomberg data.

In 2022, household real gross disposable income is projected to fall by 1.2%. In the short term, a 10% decline in real household disposable income is estimated to reduce household consumption by 2% (4% in the long term). All other things being equal, the impact of a fall in real net financial wealth is minor (0.3% in the short term and 1% in the long term).

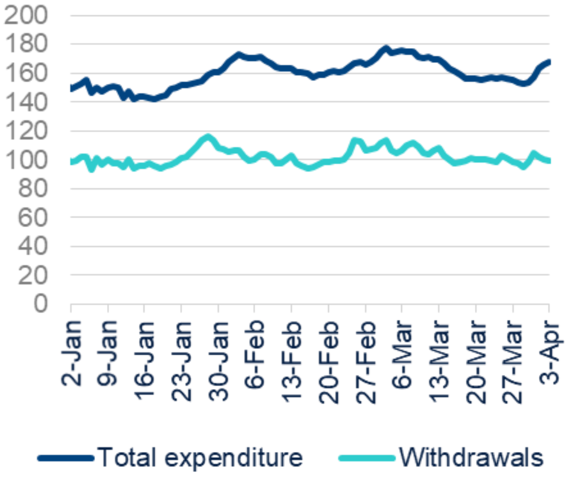
Some signs of slowdown in the last two weeks

Lower spending seems to affect mainly the in-person channel

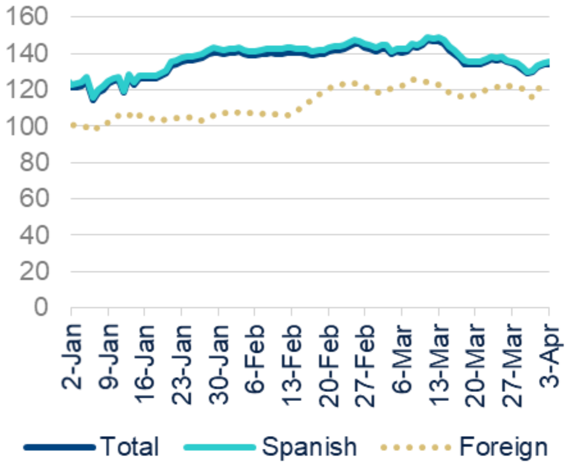
CARD SPENDING AND CASH WITHDRAWALS* IN 2022

(SAME WEEK 2019 = 100)

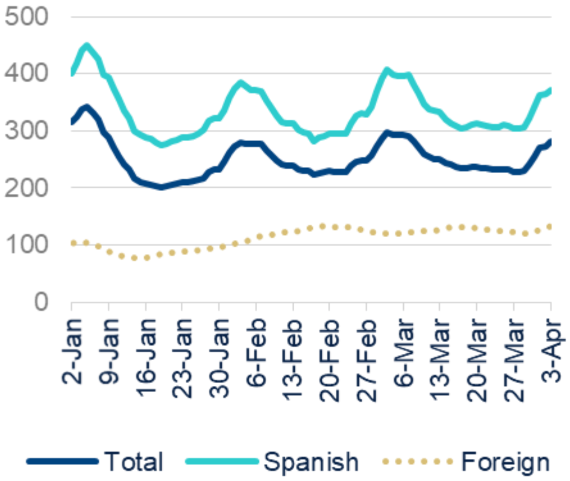
TOTAL SPENDING AND CASH WITHDRAWALS



IN-PERSON SPENDING



NON IN-PERSON SPENDING



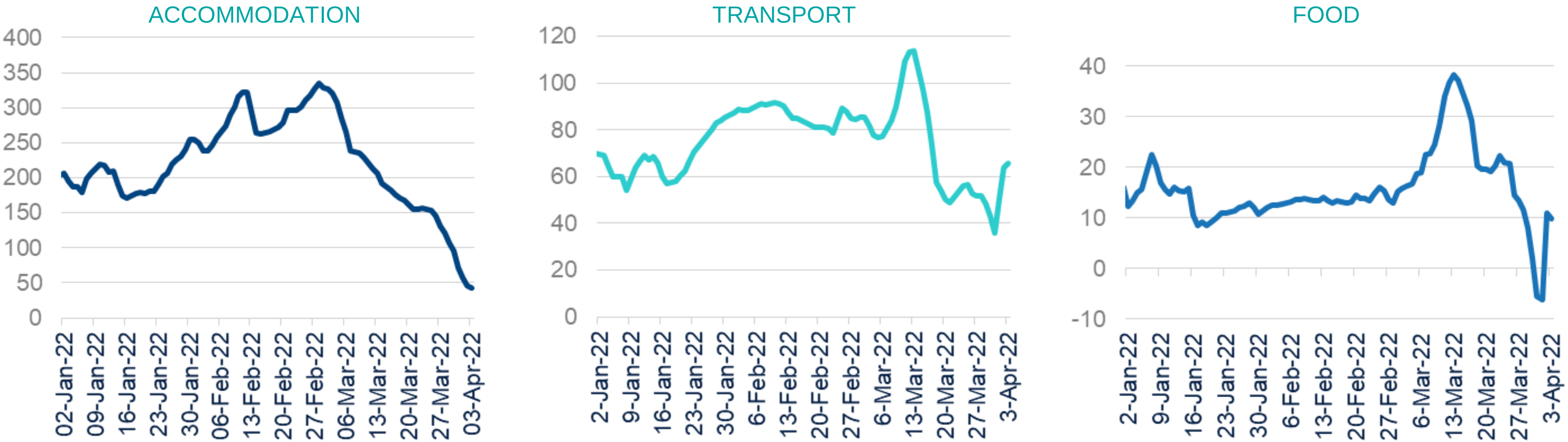
*Spending with BBVA-issued cards plus non-customer spending at BBVA POS. Cash withdrawals with cards by BBVA customers.
Source: BBVA Research based on BBVA data.

On the other hand, non in-person spending by foreigners (bookings) is a good sign for the upcoming tourist season.

Some signs of slowdown have been apparent over the last two weeks

The most affected sectors seem to be transport-related

WEEKLY IN-PERSON CARD SPENDING IN SELECTED SECTORS IN 2022
(YEAR-ON-YEAR GROWTH IN %)



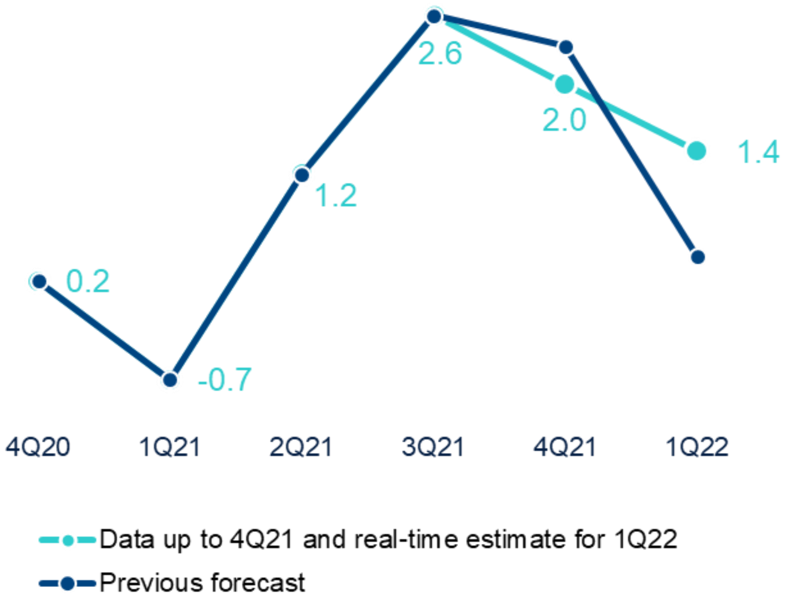
*Spending with BBVA-issued cards plus spending by non-customers at BBVA POS terminals.
Source: BBVA Research based on BBVA data.

In any event, spending levels remain considerably high when compared to 2019.

For the time being, the impact on activity seems limited

Q122 has been better than forecast, offsetting lower growth in Q421

CHANGE IN GDP
(%, QoQ)



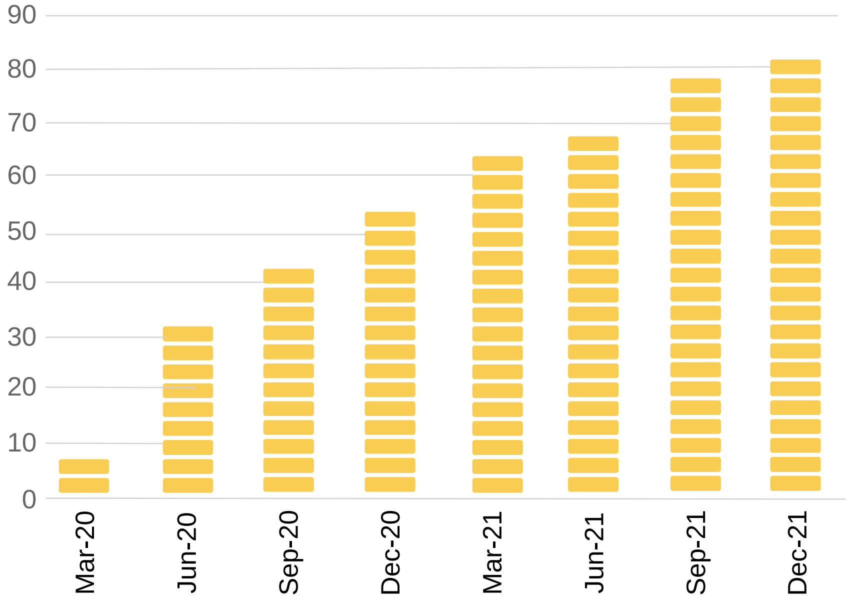
Source: BBVA Research based on INE data.

- **Most of the indicators point to activity remaining upbeat.** Social Security affiliation continues to grow, and there is still no major change in the number of people on furlough, but there are uncertainties about the trend in hours worked and productivity.
- **Household spending suffered as a result of the increased infections and bottlenecks,** above all, in late December and early January. Car sales remain constrained by lack of units.
- **Tourism recovers and investment accelerates thanks to NGEU** Now that COVID-19 uncertainties are easing in Europe, foreign spending is recovering.

Outlook for 2022-2023

Households' accumulated savings can help to limit the adjustment of their spending

EXCESS HOUSEHOLD SAVINGS
(BILLIONS OF EUROS ACCUMULATED SINCE Q419)



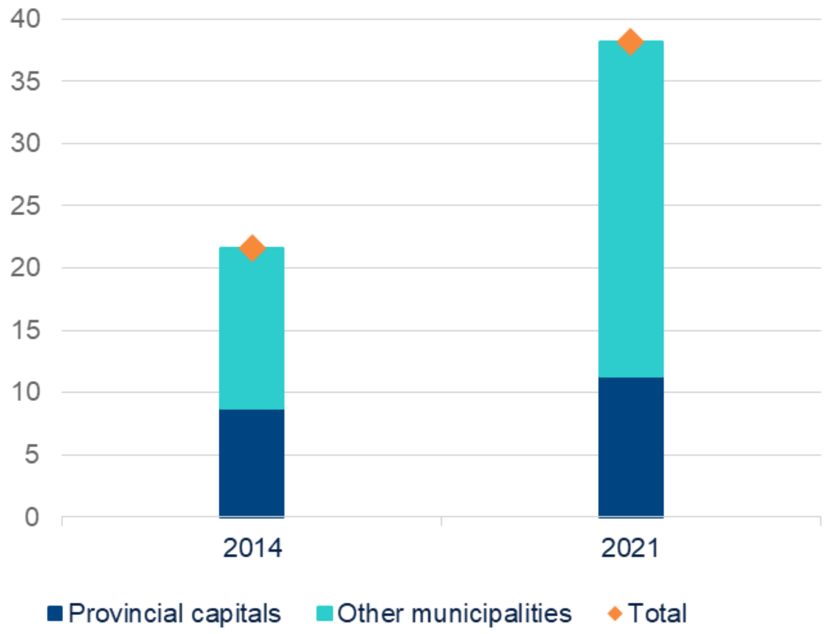
Source: BBVA Research based on Bank of Spain and INE data.

- Wealth accumulated during the crisis by upper-middle income families will help to maintain household spending.
- It is estimated that at the end of 2021 the accumulated excess savings, due to the lockdowns and changes in consumer habits, would have reached 80 billion euros.
- Despite the fact that high inflation is undermining available savings, part of the savings is expected to be used to enjoy services that have particularly suffered from the restrictions (accommodation, leisure, catering, etc.).
  In any event, not all this saving be used for spending.

Outlook for 2022-2023

More investment-led growth

MUNICIPAL CONTRIBUTION TO THE YEAR-ON-YEAR GROWTH OF HOUSING SALES (PP Y %)



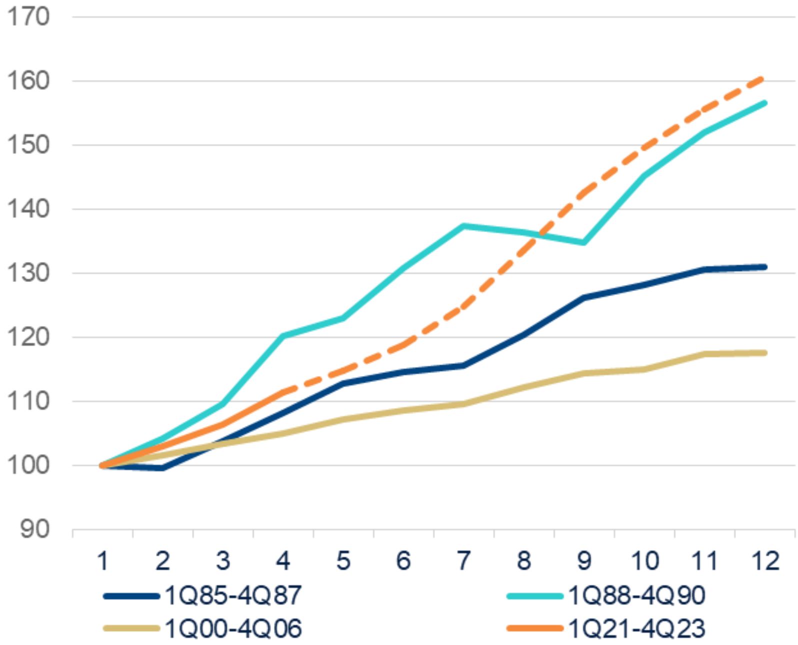
For more information see the publication Analysis of housing demand after the emergence of COVID-19
Source: BBVA Research based on MITMA data.

- Property remains an attractive investment asset for households given the cost-effectiveness of renting and the relatively low borrowing costs.
- The recovery of sales after the pandemic has become more concentrated in less densely populated municipalities rather than in provincial capitals.
- In this recovery, residential demand has focused particularly on larger homes with open spaces, even if at the expense of location.

Outlook for 2022-2023

More investment-led growth

INVESTMENT IN OTHER CONSTRUCTION
(REAL INDEX, START OF EXPANSION PERIOD = 100)



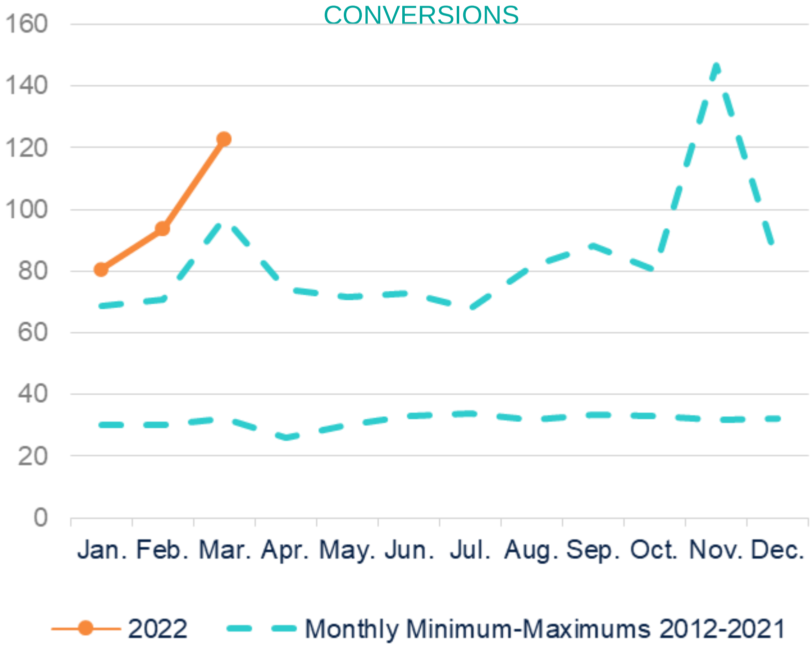
Source: BBVA Research based on INE data.

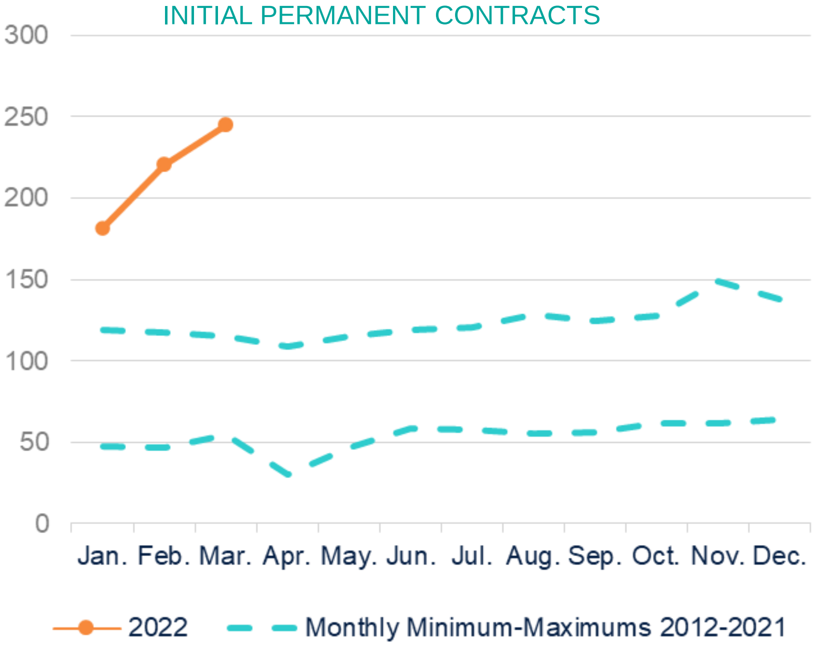
- The acceleration of NGEU-related spending will reinforce the transition to investment-led growth.
- In H122, the government expects to make tenders for more than 24 billion euros, although there are risks of slow implementation. However, concession processes are expected to pick up over the next few months.
- The possible recession and the election cycle would put the political class on high alert. The NGEU could now become a counter-cyclical instrument.

Outlook 2022-2023

The effects of some reforms, such as the labor market reform, are beginning to be felt

PERMANENT CONTRACTS
(THOUSANDS OF CONTRACTS, SWDA)

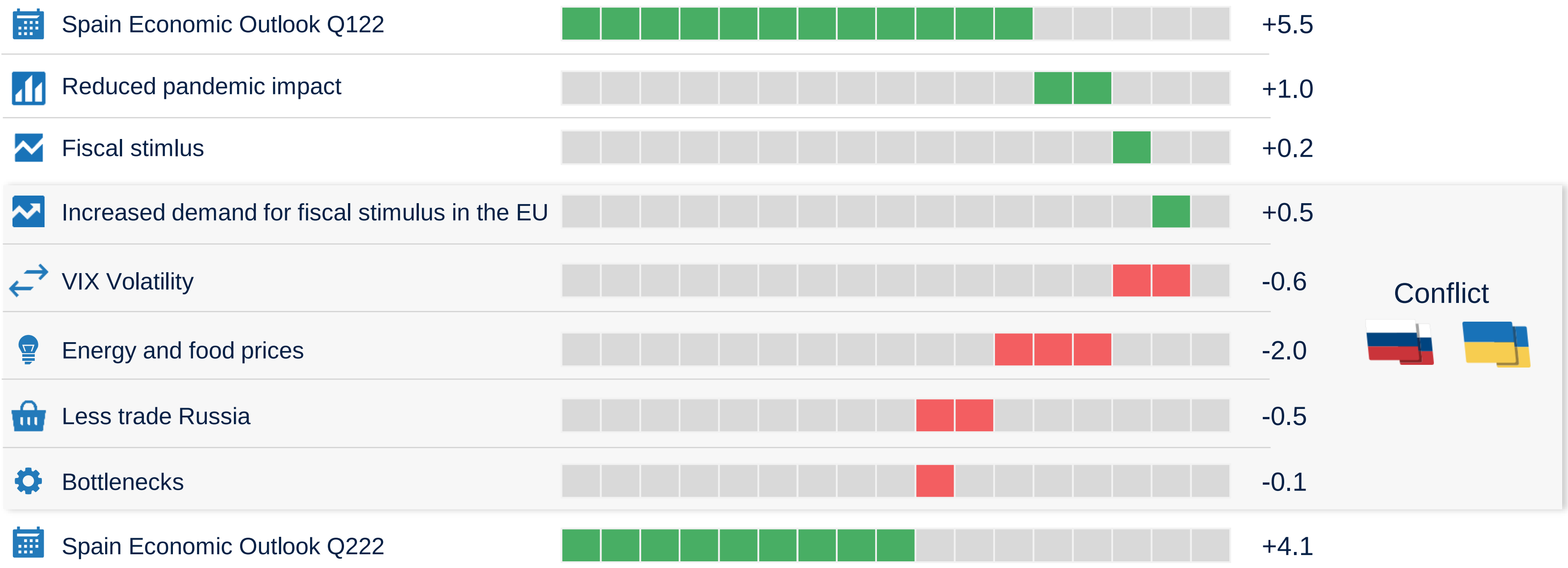




Source: BBVA Research based on Ministry of Labor and Social Economy.

Economic growth in 2022 and 2023 revised downward

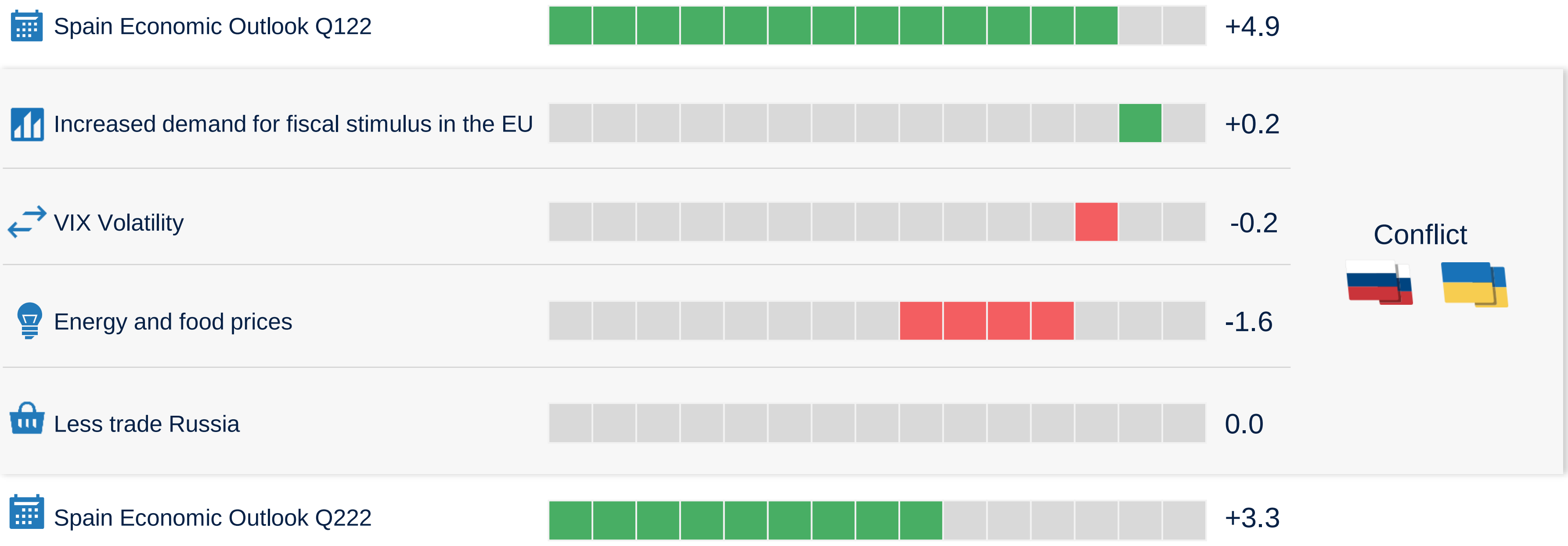
BREAKDOWN OF THE 2022 GDP GROWTH REVISION
(CENTRAL SCENARIO, PERCENTAGE POINTS)



Source: BBVA Research based on INE data.

Economic growth in 2022 and 2023 revised downward

BREAKDOWN OF THE 2023 GDP GROWTH REVISION
(CENTRAL SCENARIO, PERCENTAGE POINTS)

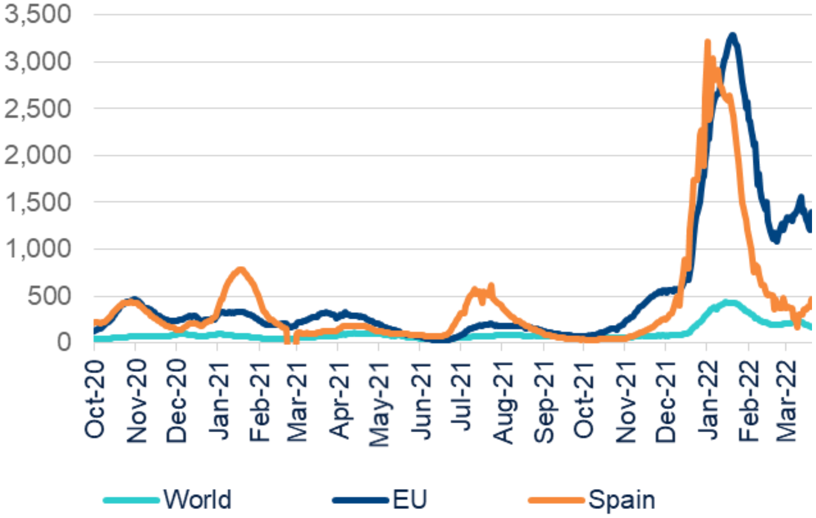


Source: BBVA Research based on INE data.

Risks

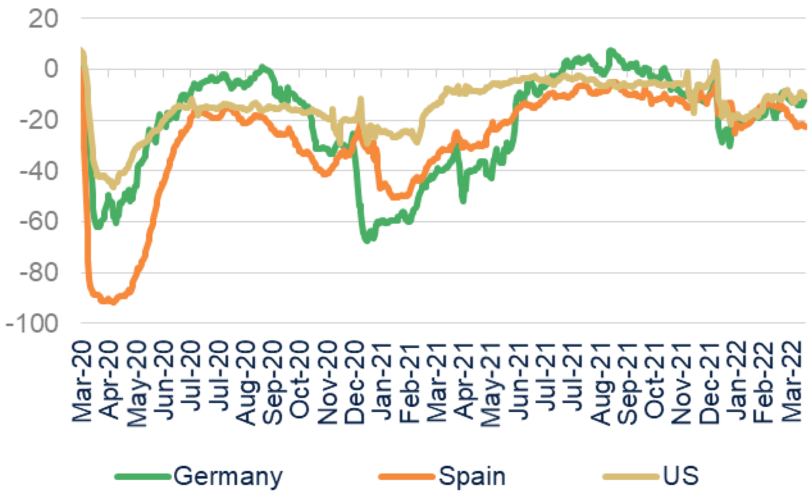
1. COVID-19: uncertainty is lower, but risk persists

NEW INFECTIONS
(7-DAY MOVING AVERAGE PER MILLION PEOPLE



Source: BBVA Research based on Johns Hopkins University data.

MOBILITY, RETAIL AND LEISURE RESTRICTIONS INDEX*
(% CHANGE FROM BASELINE, 7-DAY MOVING AVERAGE)



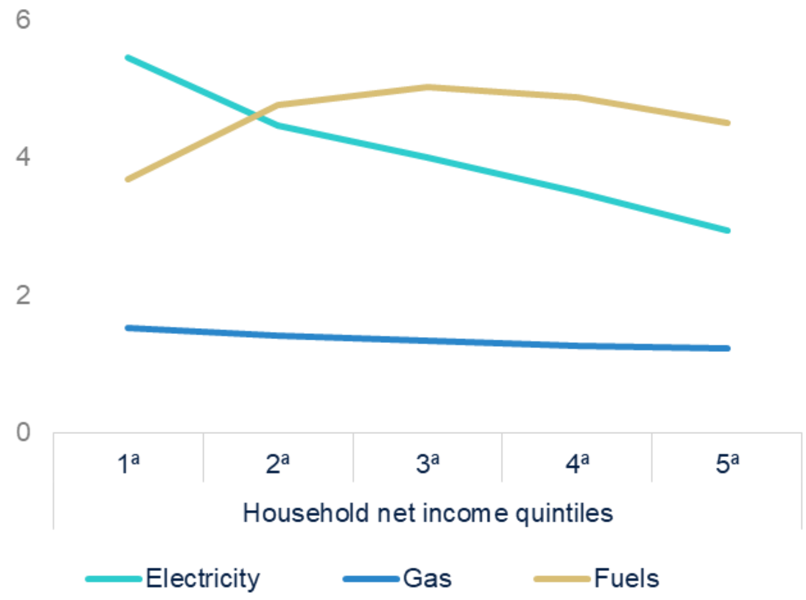
Source: BBVA Research based on Google Mobility Trends data.

There has been an increase in infections in some European countries and the zero policy COVID needs to be closely monitored. Although the risk of hospitalisation and death seems to have decreased, the emergence of a new, more deadly strain cannot be ruled out. People may also be less willing to travel, which would have a negative impact on tourism.

Risks

2. Inflation: unequal cost-sharing can lead to social unrest

SHARE OF SPENDING ON SUPPLIES* IN THE HOUSEHOLD CONSUMPTION BASKET
(OF MONETARY EXPENDITURE IN 2020)



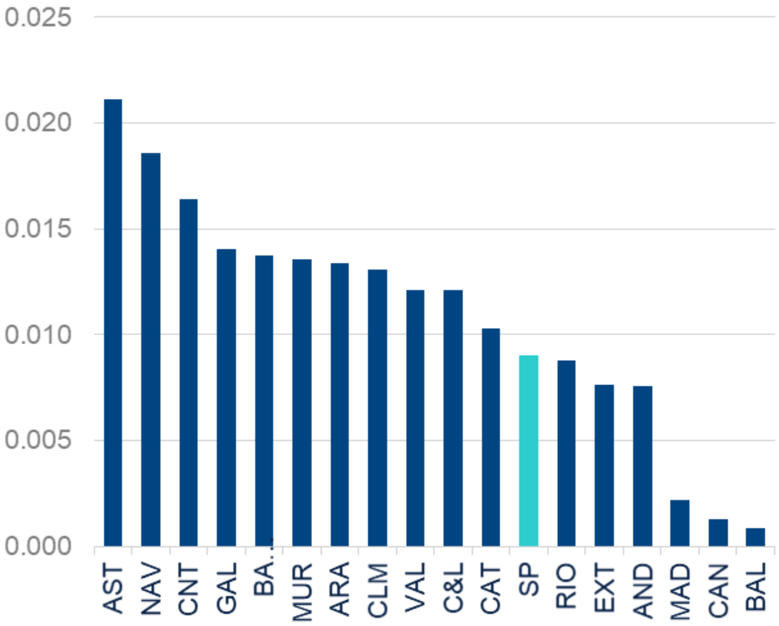
* Electricity, gas, fuels, combustibles and lubricants.
Source: BBVA Research based on INE data.

- The impact of inflation will have heterogeneous effects. A larger percentage of spending of low-income households goes to electricity and less on gasoline. Young people rent their homes, so they are affected by leases that are indexed to the CPI and, unlike pensioners, their purchasing power is not guaranteed, and they spend more on transportation.
- Some government measures to reduce inflation aim to redistribute these costs. But others, such as lower fuel prices, are not very selective and transparent, or have unintended effects, such as price controls on rents.

Risks

2. Inflation: inequality in cost sharing can lead to social unrest

ENERGY CONSUMPTION PER UNIT OF GDP
(2019)



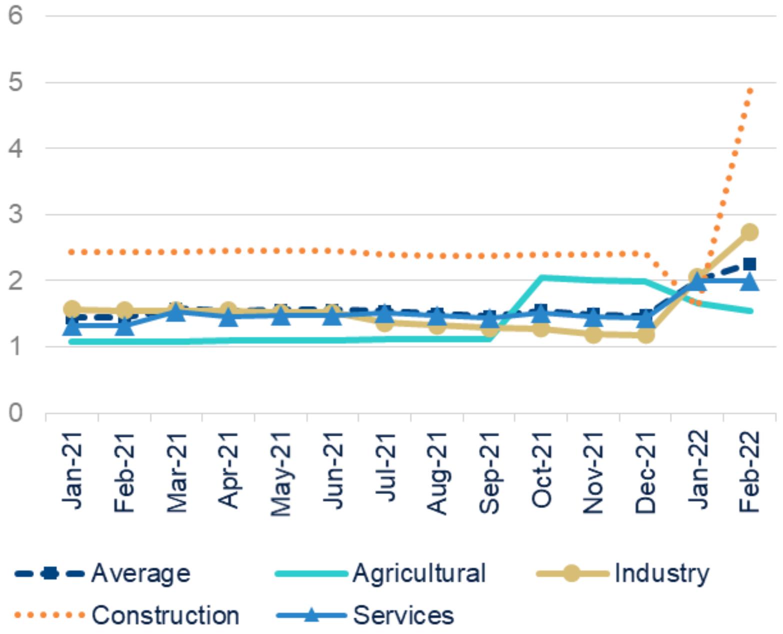
Source: BBVA Research based on Energy Consumption Survey, INE data.

- Industry will suffer the most. The impact will depend on the level of competition and market structure. Manufacturers compete with the rest of the world and need raw materials that arrive on time. Northern communities, more exposed to industry, will suffer most from the effects of electricity price increases.
- Savings built up during the crisis and the lower health risk are expected to drive the demand for services and construction. Moreover, low real interest rates (owing to high inflation) will boost household spending. This will allow for a greater pass-through of cost increases into prices.

Risks

3. Inflation: persistent, with declines in competitiveness

WAGE GROWTH AGREED IN COLLECTIVE BARGAINING AGREEMENTS BY SECTOR
(YoY % CHANGE)



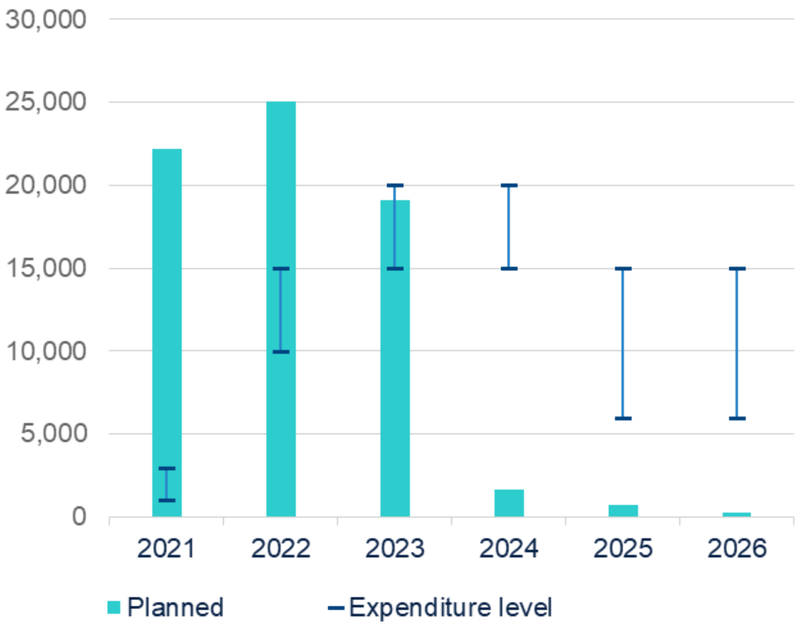
Source: BBVA Research based on Ministry of Labor and Social Economy.

- Human capital constraints are accelerating wages in construction and industry. This is more difficult to do in the service sector, where productivity is lower and unionization is likely to be lower, as long as there are no labor supply tensions.
- An incomes policy is needed to distribute the costs of the transfer being made to the rest of the world. Both companies and workers must assume that they will lose something and avoid falling into a vicious circle that leads to a loss of competitiveness vis-à-vis other countries.

Risks

4. NGEU: delayed implementation and/or increased expenditure on imports

RECOVERY PLAN: PLANNED AND EXPECTED ACTUAL EXPENDITURE
(MILLION EUROS)



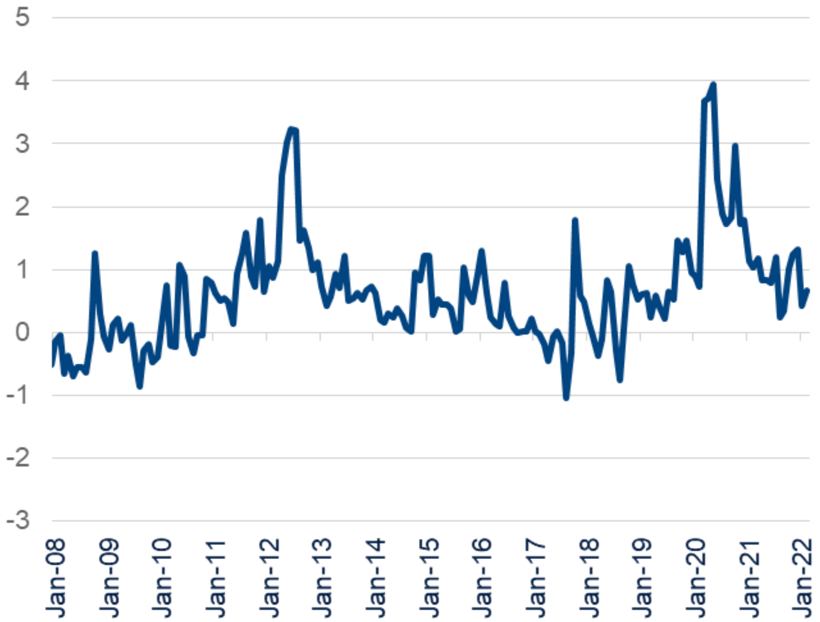
Source: BBVA Research based on Ministry of Finance data.

- According to the information available, until December 2021, central government made disbursements amounting to 11 billion euros (45% of the total planned for 2021).
- Despite this, aid is taking its time to reach households and businesses, so its impact is being shifted toward the final years of the Plan.
- Another risk is that with the increased prices of raw materials and the materials needed for digitization and energy transformation, an ever larger share of spending goes on imported goods.

Risks

5. Uncertainty over economic policy

ECONOMIC POLICY UNCERTAINTY INDEX (STANDARD DEVIATIONS)



Source: BBVA Research BBVA-Research based on C. Ghirelli, J.J. Pérez and A. Urtasun (2019) "A new economic policy uncertainty index for Spain", Economics Letters, (182) 64-67.

- Now, more than ever, supply-side policies which can help deal with the expected increase in demand, may be important.
- All this against a background of high uncertainty, where not only factors such as the pandemic or the invasion of Ukraine will have a bearing, but also where the impact that the domestic electoral cycle may have over the next year and a half will be increasingly more apparent.

Main measures of the War Impact Shock Plan

AID TO FAMILIES AND PROTECTION OF EMPLOYMENT

Measures aimed at maintaining household incomes, such as the increase of the Minimum Living Wage (IMV) and the extension of the social energy voucher are positive.

The RED mechanism is activated for travel agencies and the grounds for dismissal are limited.

There is a need for measures aimed at self-employed workers.

The restriction on rent adjustments is a relief for households, but can create market distortions if prolonged over time.

These measures are positive if the crisis is temporary, but they reduce flexibility and create insecurity if price increases become structural.

SUPPORT FOR BUSINESSES

The creation of a new line of ICO guarantees is a positive measure, but it is uncertain if it is needed as there are still funds available from the last approved line.

Extending grace periods will reduce the current effects, but may maintain unviable companies.

Direct aid, if targeted at individual companies in the most affected sectors, is reasonable.

ENERGY PRICE CONTROL

Gas benchmark pricing is effective in controlling inflation, but will still take a month to become operational.

The 20 cents fuel price subsidy does not introduce progressivity, may not be fully passed on in prices and encourages fossil fuel consumption.

The tax cut on electricity bills is in danger of becoming structural after being extended to June.

Consensus is needed to push forward with measures to accelerate recovery

Incomes policy

It makes sense to spread the costs. Excluding any group from this "policy" would require greater adjustment among the other agents. It needs to be implemented and pensioners must also be included, with incomes that are indexed to inflation.

Electricity prices

Ensure that the system gives the right signals and continues to provide incentives for investment in the generation of renewable energy, which is what will reduce energy prices on a sustained basis. Safeguarding legal certainty is important for a long-term investment framework.

Protecting the most disadvantaged

Social pact which could be complemented by fiscal measures offsetting the more regressive effects of energy price increases, but in a targeted and temporary manner.

Protecting public accounts

A general reduction in taxes that offset the increase in energy costs should be avoided, not only because it is important to reduce energy consumption, but also because energy demand is inelastic and this is not a perfectly competitive market.

Credible agreements are needed to correct these imbalances in successive years.

Favor the new adjustment options

It is also necessary to rely actively on the labor measures already consolidated such as the furlough schemes (ERTEs), both ETOPs and structural, together with the new RED mechanism, schemes that should work normally in this context. Approve and set in motion the Draft Insolvency Law.

Consensus is needed to push forward with measures to accelerate recovery

NGEU

- Implement them faster.
- Apply for the loans offered at favorable conditions if there are economically and socially profitable projects (renewables; European energy interconnection; promoting greater efficiency in energy use; making food and production chains more resilient).

Greater efforts in supply-side policies

- Supporting business growth (smaller businesses in Spain, which also gives them less margin to deal with such shocks).
- Increasing competition in all sectors.
- Faster progress toward strong support for the training of the unemployed and for education, and that they are better adapted to the transformation of the productive fabric.
- A migration policy that improves the availability and quality of the necessary human capital.
- Development of capital markets that provide companies, especially new companies, with sources of financing that go beyond the banking sector and which, by their nature, are better adapted to the needs of an economy that is increasingly focused on financing intangible assets.

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Forecasts

Creating Opportunities

Forecasts

% y/y	2020	2021	2022 (f)	2023 (f)
National final consumption expenditure	-8.2	4.2	2.8	2.5
Private consumption	-12.0	4.6	3.4	2.7
Public consumption	3.3	3.1	1.1	1.7
Gross fixed capital formation	-9.5	4.3	7.0	18.1
Equipment and machinery	-12.9	16.0	3.7	15.5
Construction	-9.6	-2.8	8.6	20.2
Housing	-11.2	-5.3	4.1	17.0
Domestic demand*	**-8.6**	**4.7**	**3.9**	**5.6**
Exports	-20.1	14.7	9.3	7.8
Exports of goods	-9.2	11.1	1.3	8.6
Exports of services	-43.2	27.1	34.8	5.9
Final consumption by non-residents in Spain	-76.0	76.2	93.1	13.0
Imports	-15.2	13.9	9.0	14.8
External demand*	**-2.2**	**0.4**	**0.2**	**-2.3**
Real GDP at market prices (mp)	**-10.8**	**5.1**	**4.1**	**3.3**

* Contribution to GDP growth.
(f): forecast.
Source: BBVA Research based on INE and BdE.

Forecasts

% y/y	2020	2021	2022 (f)	2023 (f)
Employment (full-time equivalent)	-7.6	6.6	2.6	1.5
Employment, based on Labor Force Survey	-2.9	3.0	2.1	1.7
Unemployment rate (% of labor force)	15.5	14.8	14.2	13.8
CPI (annual average)	-0.3	3.1	7.0	2.5
GDP deflator	1.0	2.3	6.1	2.6
Public deficit (% GDP)	-10.1	-6.8	-6.0	-4.6

(f): forecast.
Source: BBVA Research based on INE and BdE.

Forecasts

	Elasticity to an increase of 10% in prices in the short term	Elasticity to an increase of 10% in prices in the short term
Oil supply shock		
Elasticity to GDP	-0.38	-0.33
Residual inflation	1.05	1.21
Gas supply shock		
Elasticity to GDP	-0.16	-0.14
Residual inflation	0.54	0.51
Shock in the domestic electricity market (inelastic demand)		
Elasticity to GDP	-1.00	-0.99
Residual inflation	1.32	1.21
Shock in the domestic electricity market (elastic demand)		
Elasticity to GDP	-1.09	-1.20
Residual inflation	1.13	0.84

* Contribution to GDP growth.
(f): forecast.
Source: BBVA Research based on INE and BdE.

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Research

Spain Economic Outlook

2Q22

Creating Opportunities