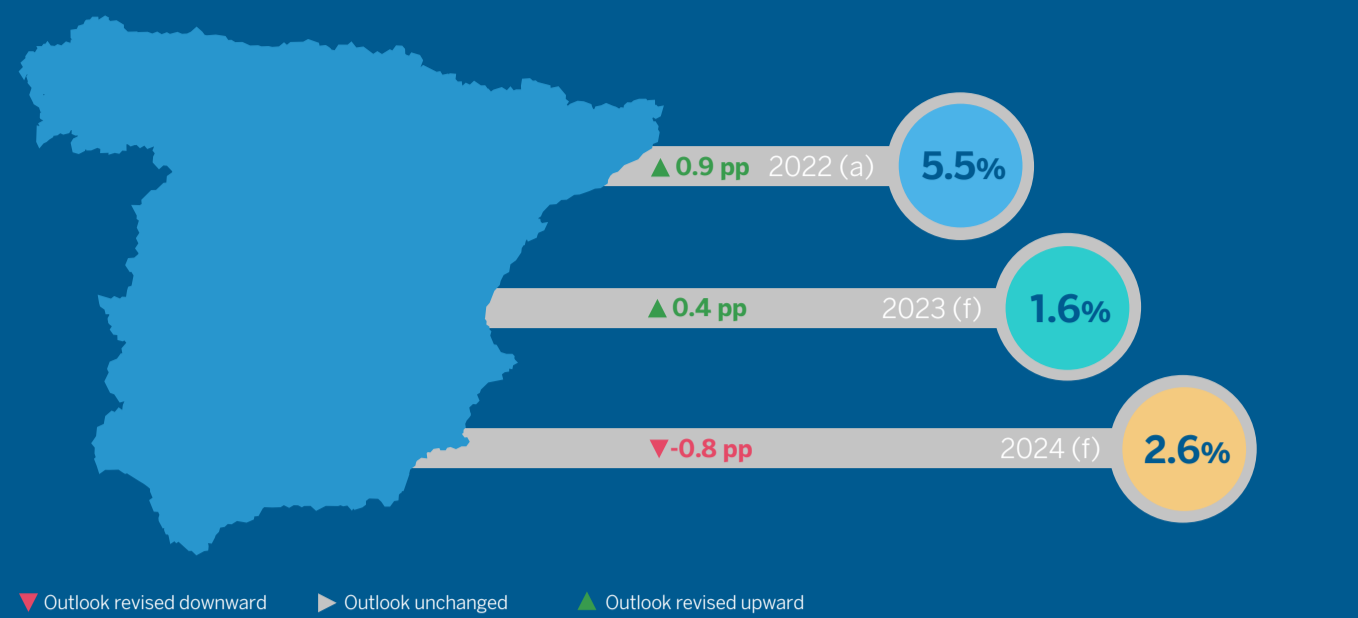


Economic Outlook Spain

March 2023



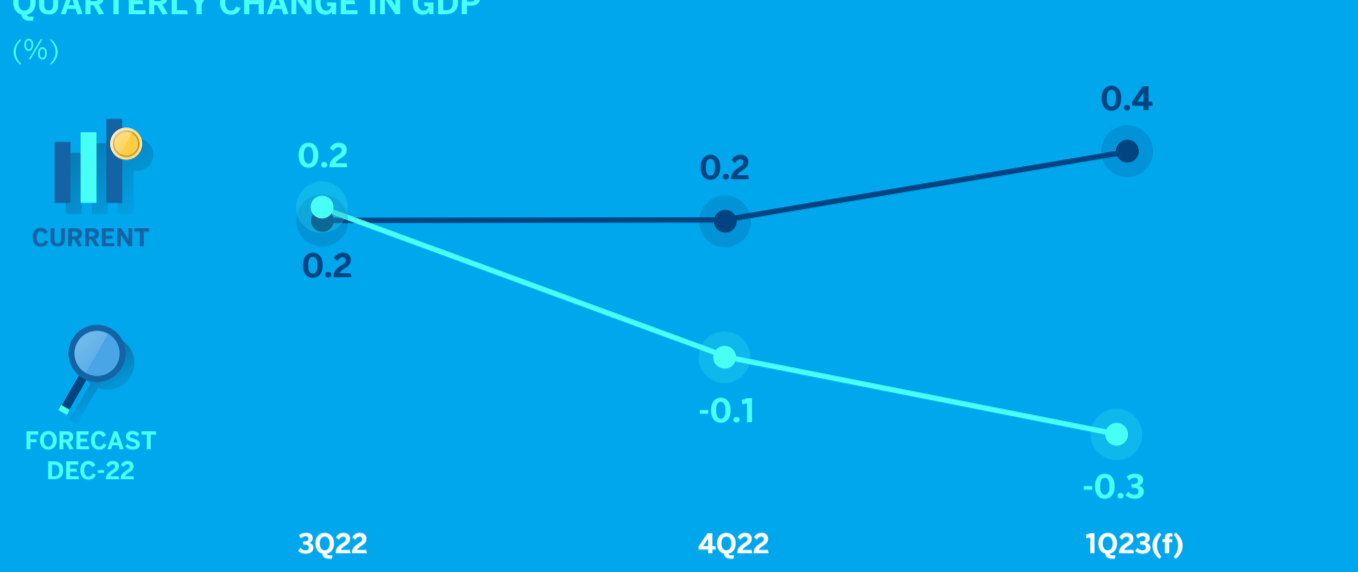
UPWARD REVISION OF PROJECTED GDP GROWTH IN 2023 AND DOWNWARD REVISION IN 2024



(a): advance.
(f): forecast.
Source: BBVA Research based on INE data.

Economy holding up better than forecast

QUARTERLY CHANGE IN GDP (%)

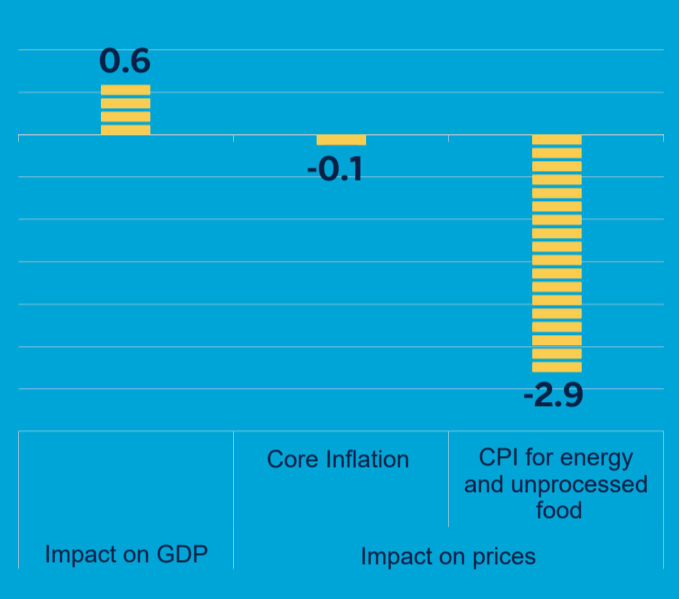


Source: BBVA Research based on INE data.



HOUSEHOLDS AND BUSINESSES better withstand energy price increases

IMPACT OF DOWNWARD REVISION IN OIL AND GAS PRICES (PP OF ANNUAL GROWTH RATE IN 2023)



Source: BBVA Research based on INE data.



THE IMPROVEMENT of the Spanish economy's competitiveness continues

GDP DEFLATOR IN THE EUROZONE-12 AND DIFFERENCES WITH SPAIN* (CUMULATIVE RATES OF CHANGE 2020-2022 IN % AND PP)



(*) Difference in the cumulative change in the deflator for Spain 2020-22 with respect to the Eurozone-12. Source: BBVA Research based on INE and Eurostat.



BOTTLENECKS attenuate

MOTOR VEHICLE PRODUCTION AND AUTOMOBILE REGISTRATIONS IN 2022/23 (SWDA DATA 2019 = 100. MONTHLY AVERAGE)



Source: BBVA Research, based on INE and Ideauto.



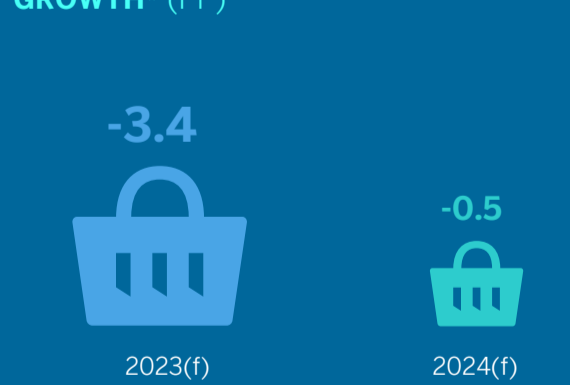
EXECUTION OF NGEU FUNDS evolves in line with expectations



Factors limiting growth

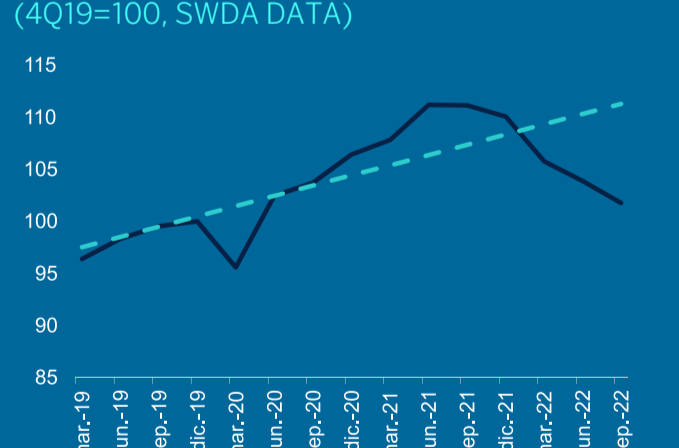
- Rising interest rates** will have **negative effects on demand**
- Upward pressure on inflation continues**
- Excess savings accumulated** during the pandemic are **reduced**

CONTRIBUTION OF INTEREST RATE CHANGES TO PRIVATE CONSUMPTION GROWTH* (PP)



*Mortgage rates deflated by the private consumption deflator. Source: BBVA Research based on INE and BoS.

REAL NET FINANCIAL WEALTH (4Q19=100, SWDA DATA)



*Nominal NFR deflated by the private consumption deflator. Source: BBVA Research based on BoS and INE.

RISKS

- UNEXPECTED**, significant and over a period of time.
- COMPETITIVENESS LOSSES** for firms and purchasing power of households if domestic inflation accelerates faster than external inflation.
- SLOWDOWN** in the implementation of NGEU funds.
- NON-FULFILLMENT** of the reforms agreed with the European Commission.
- INCREASED** uncertainty over economic policy.