BBVA Research

Spain Economic Outlook

March 2023

Creating Opportunities

Key points - Global

Recent developments

Supply shocks have eased while demand has remained resilient, which has favored growth and reducing the odds of a recession in the short-run. Headline inflation has fallen, but core figures remain sticky. After a temporary decoupling, markets are now in line with central banks' indications that interest rates still have some room to rise and although the most recent financial volatility has changed expectations.

Growth outlook

Global growth is forecast to reach 2.8% in 2023 (0.5pp higher than the previous forecast) and 3.3% in 2024 (unchanged forecast), after having reached 3.2% in 2022. Positive incoming data and lower energy prices favor an upward revision in 2023 GDP forecasts in the US and, mainly, in the Eurozone, while the easing of covid restrictions supports a sharper recovery in China. Still, a growth slowdown is likely ahead amid higher inflation and interest rates.

Inflation and rates outlook

Persistent core inflation and robust labor markets will force central banks to keep interest rates at higher levels for a longer period of time. Inflation is expected to decline as supply shocks wane and demand weakens, but it will remain above the 2% target in both the US and the Eurozone at least till the end of 2024.

Risks

The main risk is that inflation proves to be more persistent, due to the dynamism of the labor markets, second-round effects, demand recovery in China, new disruptions, etc., triggering further monetary tightening, and then, potentially, a recession, stagflation or, even, financial instability.

Key points

GDP

GDP could increase by 1.6% in 2023, 0.4 percentage points (pp) more than expected in December 2022, reducing the likelihood of a near-term contraction. The economy is resilient in the face of rising energy prices. Bottlenecks are disappearing, growth forecasts are improving globally, and domestic demand is supported by the savings accumulated during the pandemic and by some public policies.

Growth

Despite this, the growth forecast for 2024 has been revised downward, from 3.4% to 2.6%. The strength of activity explains why inflation has not fallen further and threatens the recovery of consumption and investment. The further rise in interest rates could subtract around one point from GDP growth in the two-year 2023-2024 period, and it increases the probability of a more intense adjustment in the US and the eurozone, increasing risks to the Spanish economy. In addition, some recent policy measures may slow private investment growth.

Inflation

Upward risks to inflation and borrowing costs remain. Monetary policy is lagging, and the sensitivity of households and businesses may increase as savings dry up. Public account imbalances need to diminish and reduce price pressures. The reform effort must continue to provide certainty about the medium-term sustainability of public finances, improve the functioning of the labor market, increase competition, raise the level of education and consolidate a regulatory framework that will continue to attract investment.

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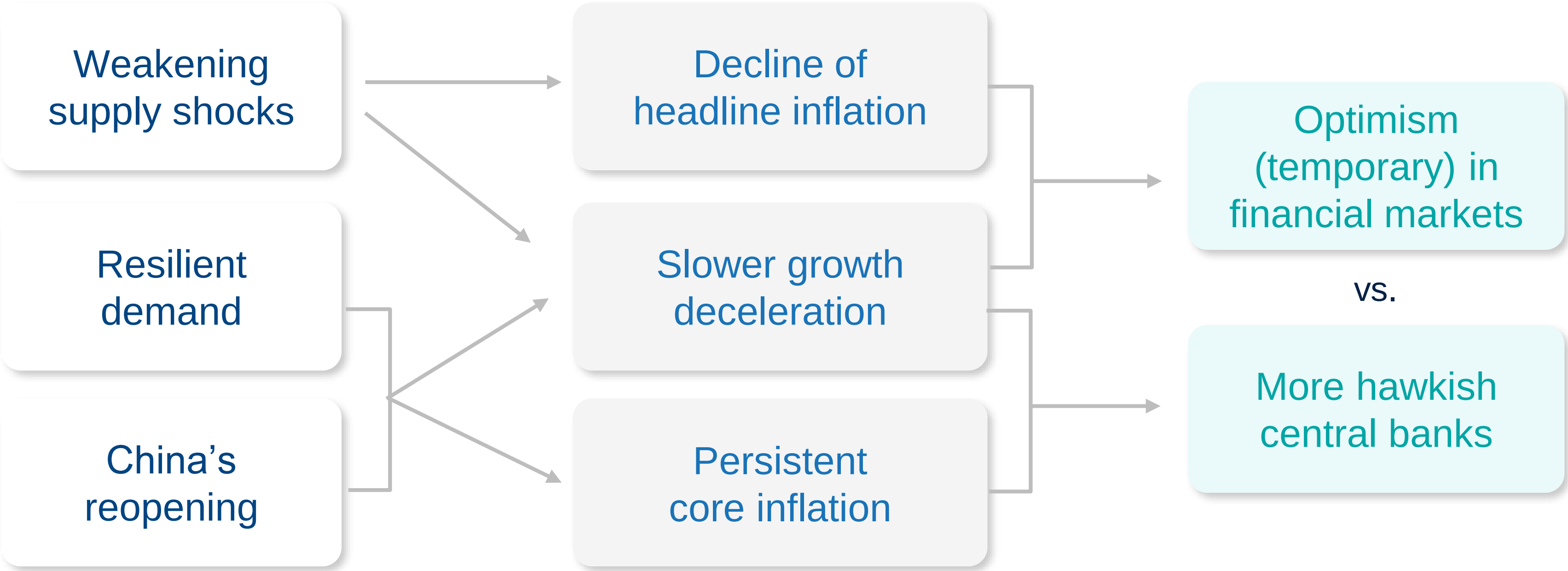
01

Global Economic Outlook March 2023

Creating Opportunities

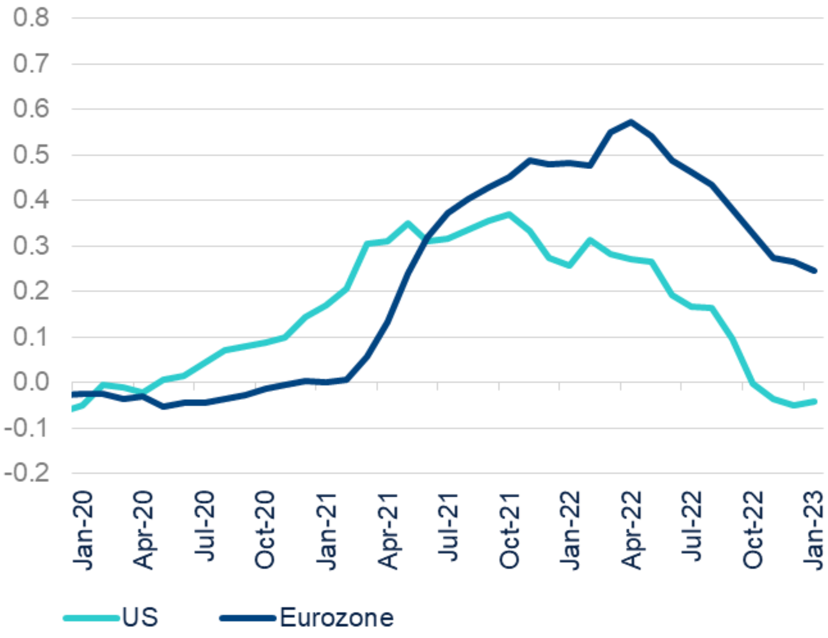
Weakening supply shocks, resilient demand and China’s reopening back growth, but also inflation fears despite the recent drop in headline measures

RECENT DEVELOPMENTS IN THE WORLD ECONOMY



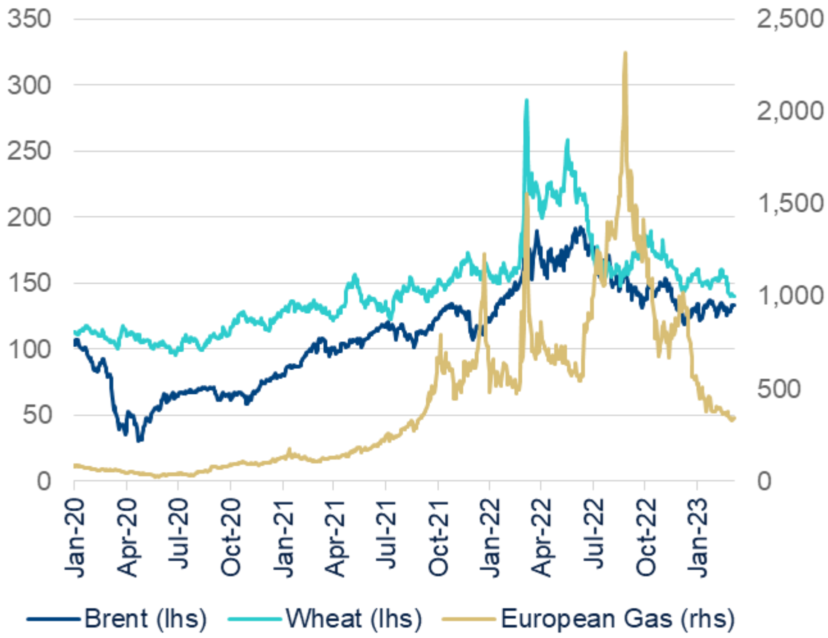
Weakening supply shocks: bottlenecks and commodity prices have eased; mild weather and healthy storage have helped to push gas prices down

BBVA RESEARCH BOTTLENECK INDEX
(INDEX: AVERAGE SINCE 2003 = 0)



Source: BBVA Research.

COMMODITY PRICES
(INDEX: 2019 AVERAGE = 100)

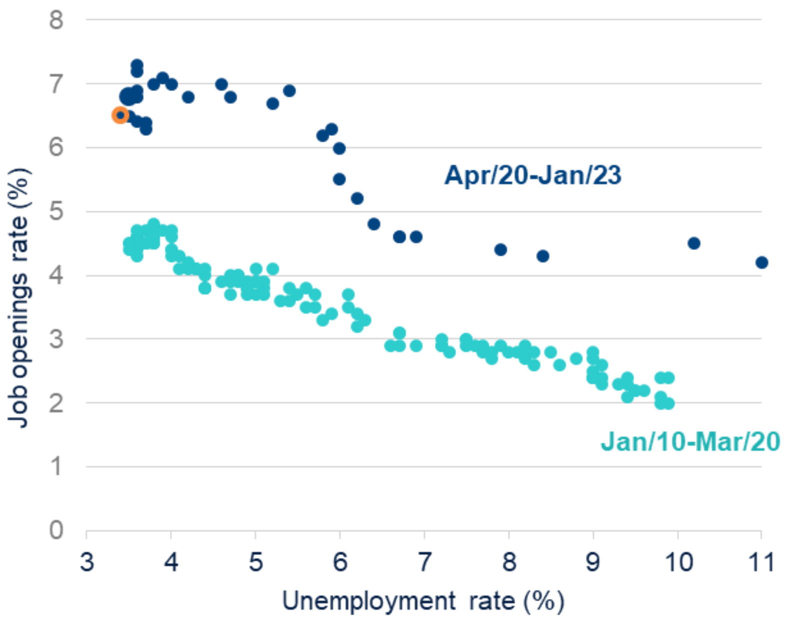


Source: BBVA Research based on data from Bloomberg.

Resilient demand: labor markets remain tight, backing private consumption and fueling concerns about more persistent price pressures

US: BEVERIDGE CURVE (*)

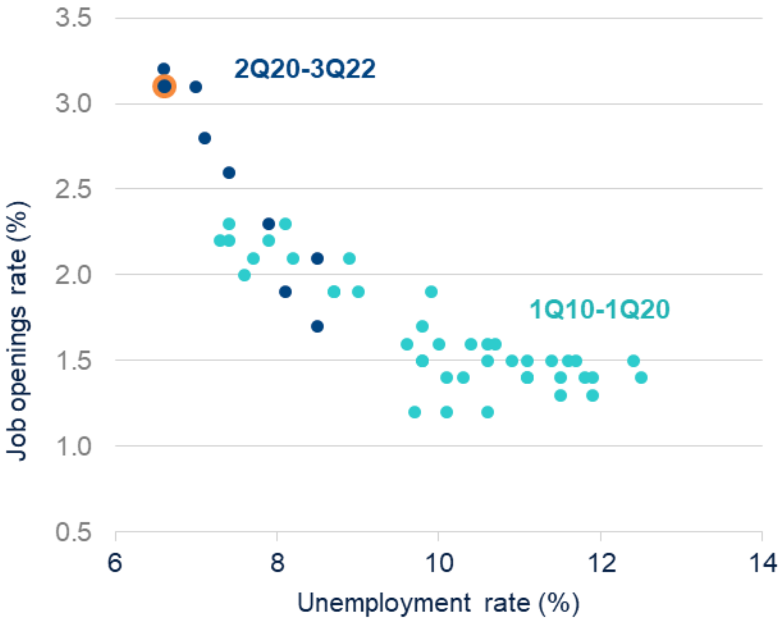
(MOST RECENT MONTHLY DATA HIGHLIGHTED IN ORANGE)



(*) Unemployment: share of labor force. Job openings: share of sum of employment and job openings.
Source: BBVA Research based on data from FRED.

EUROZONE: BEVERIDGE CURVE (*)

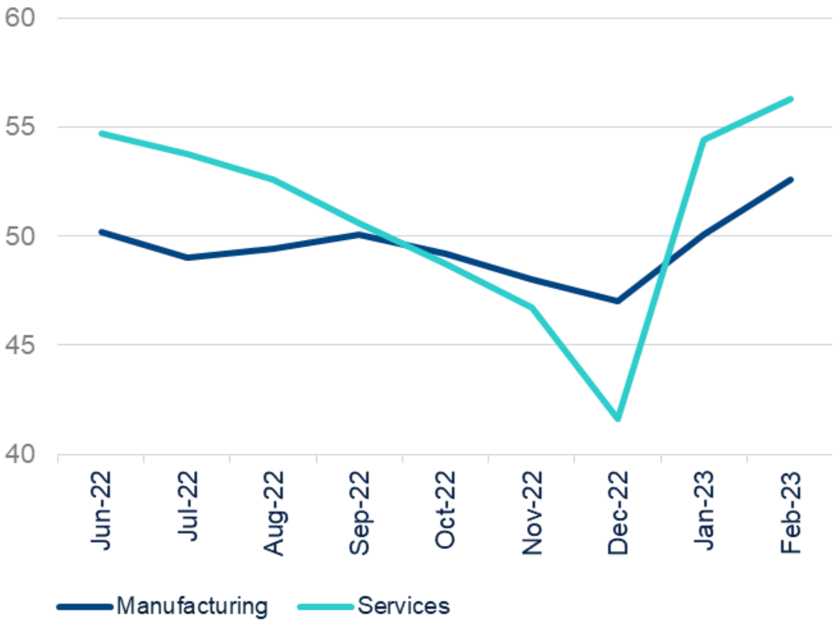
(MOST RECENT MONTHLY DATA HIGHLIGHTED IN ORANGE)



(*) Unemployment: share of labor force. Job openings: share of sum of employment and job openings.
Source: BBVA Research based on data from Eurostat.

China's reopening: after an initial negative impact on activity, unexpected easing of covid restrictions has boosted economic activity

CHINA PMI INDICATORS
(MORE THAN 50: EXPANSION; LESS THAN 50: CONTRACTION)

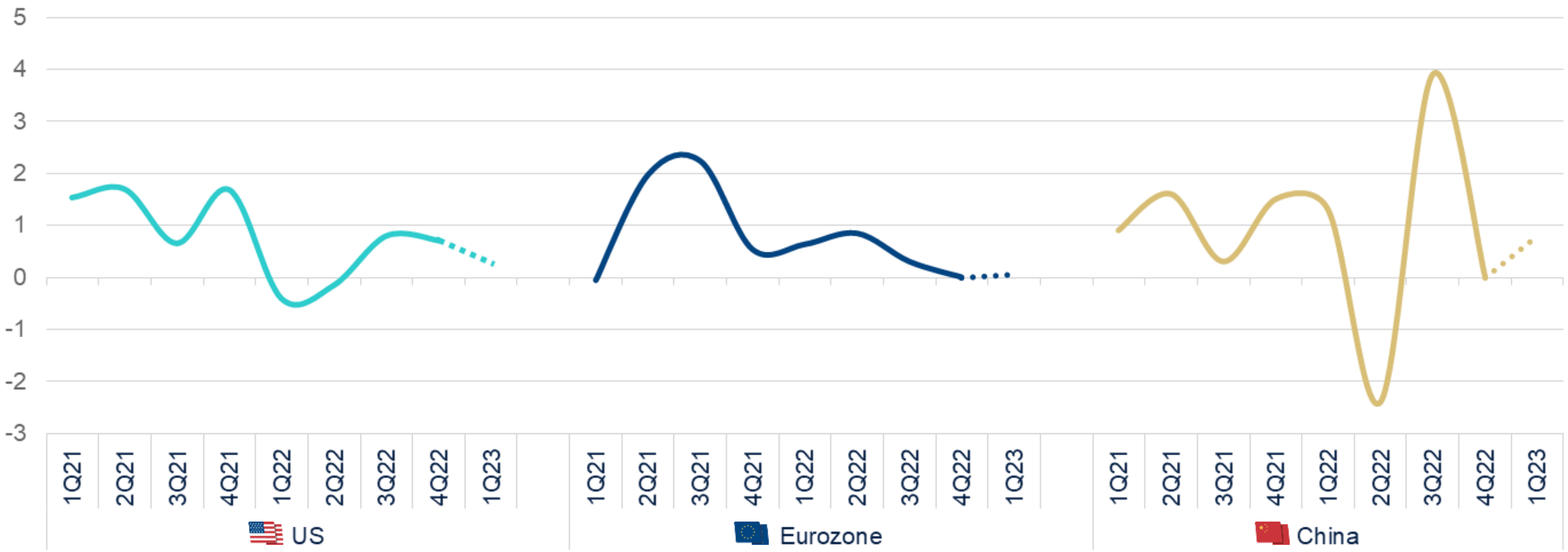


Source: BBVA Research based on data from Haver.

- China's flexibilization of covid policies was faster than expected; together with the measures to stabilize the real estate sector, it suggests that the focus is now on growth.
- The reopening initially drove covid infections up, contributing to the sharp downward surprise of 4Q22 GDP.
- But a solid recovery is now underway according to more recent data.
- The demand recovery pace compared to the rhythm of supply normalization, in a protectionist context, will be key for global activity and inflation dynamics.

Growth has slowed less than forecast, suggesting a recession is now less likely in the US and EZ; after a very weak 4Q22, activity is improving in China

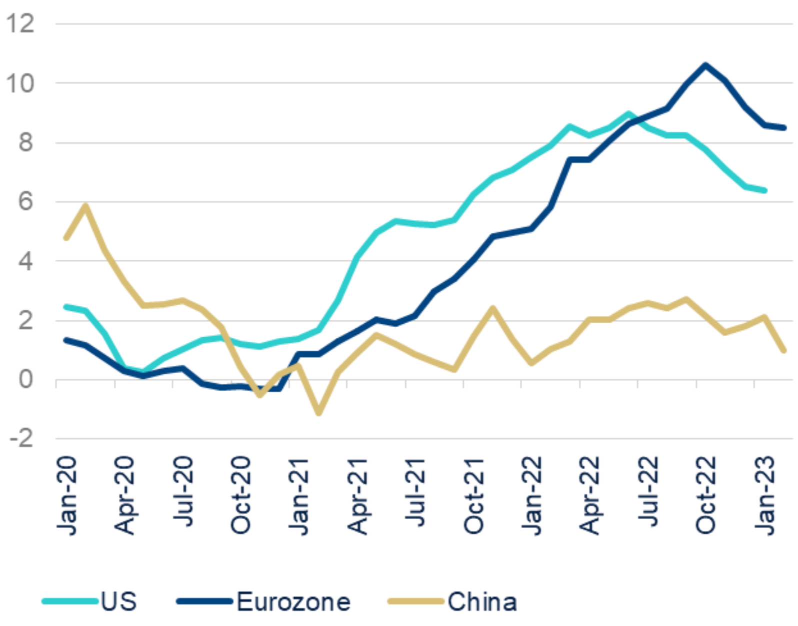
GDP: REAL GROWTH (*)
(Q/Q %, SEASONALLY ADJUSTED)



(*) BBVA Research growth forecasts for the 1Q23.
Source: BBVA Research based on data from Haver.

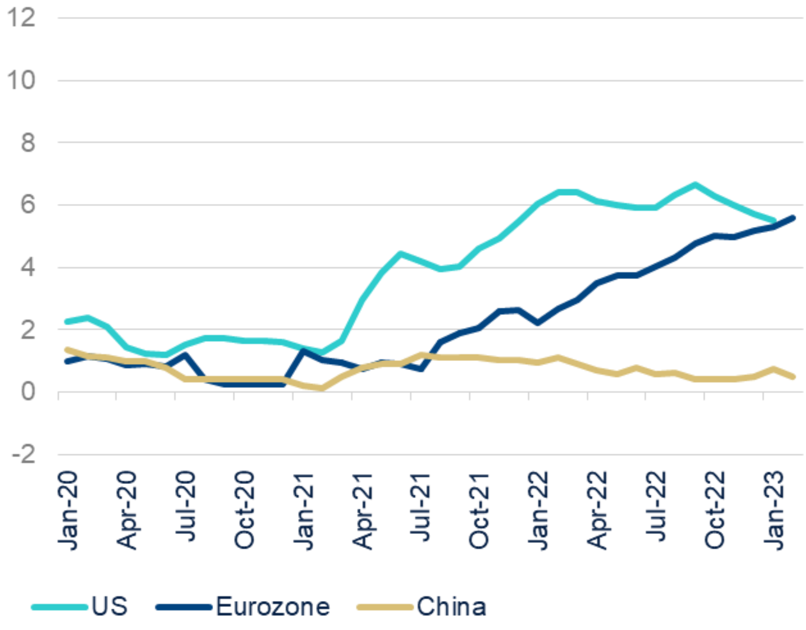
Headline inflation is falling, mainly on declining energy prices, but private consumption is still contributing to keep core figures at very high levels

INFLATION: CPI
(Y/Y %)



Source: BBVA Research based on data from Haver.

CORE INFLATION: CPI
(Y/Y %)

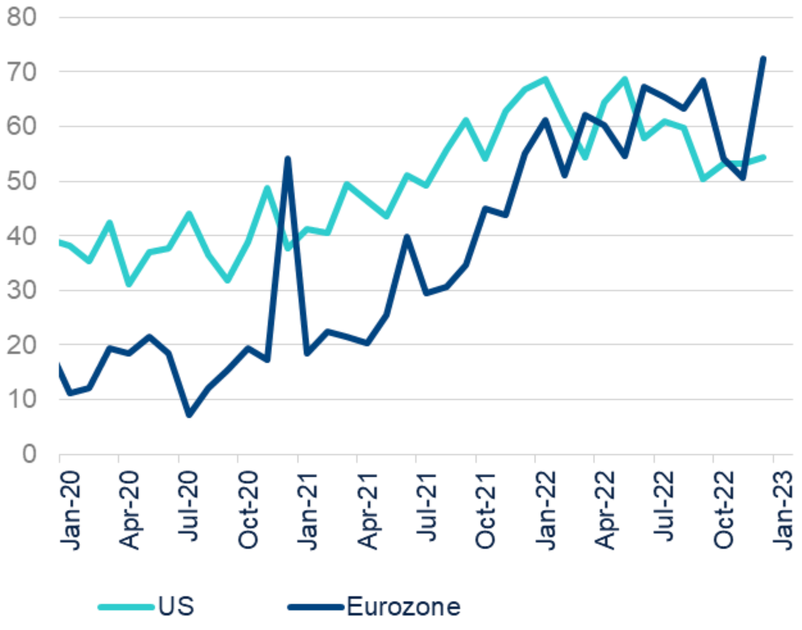


Source: BBVA Research based on data from Haver.

Price adjustments have become less widespread and frequent in the US, but there are no clear signs yet of improvement in the Eurozone

ITEMS OF THE CPI BASKET WITH ANNUALIZED MONTHLY INFLATION HIGHER THAN 4%

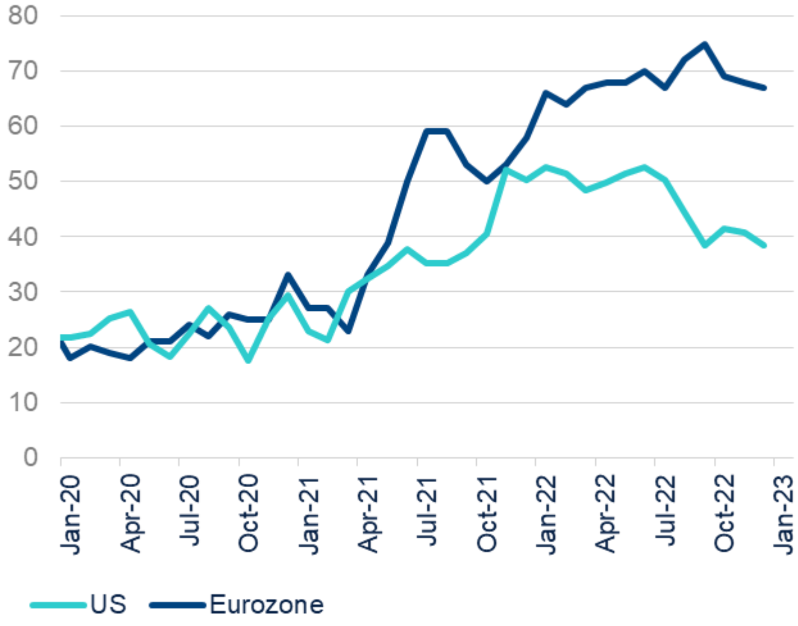
(SHARE OF TOTAL 2-DIGIT CPI ITEMS)



Source: BBVA Research based on local statistics.

ITEMS OF THE CPI BASKET WITH THREE CONSECUTIVE MONTHLY PRICE RISES

(SHARE OF TOTAL 2-DIGIT CPI ITEMS)

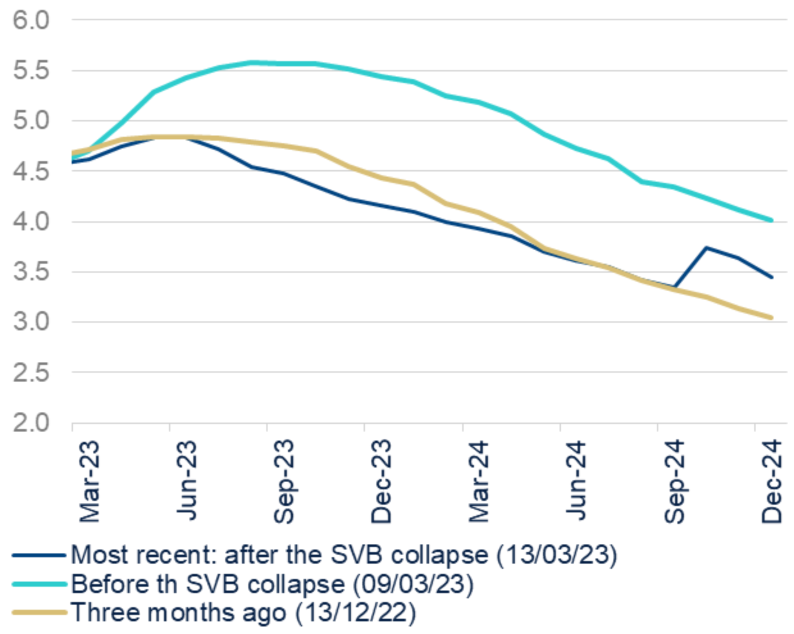


Source: BBVA Research based on local statistics.

Markets have sided with central banks on the view of higher rates for longer, though recent volatility has changed expectations, for now

IMPLIED FED INTEREST RATE IN FED FUND FUTURES

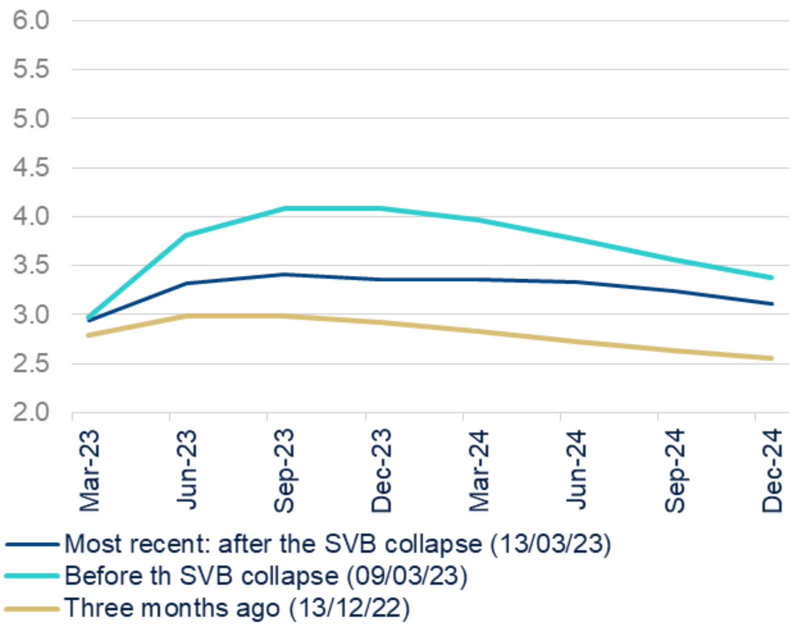
(%)



Source: BBVA Research based on data from Bloomberg.

IMPLIED ECB INTEREST RATE IN EURIBOR FUTURES (*)

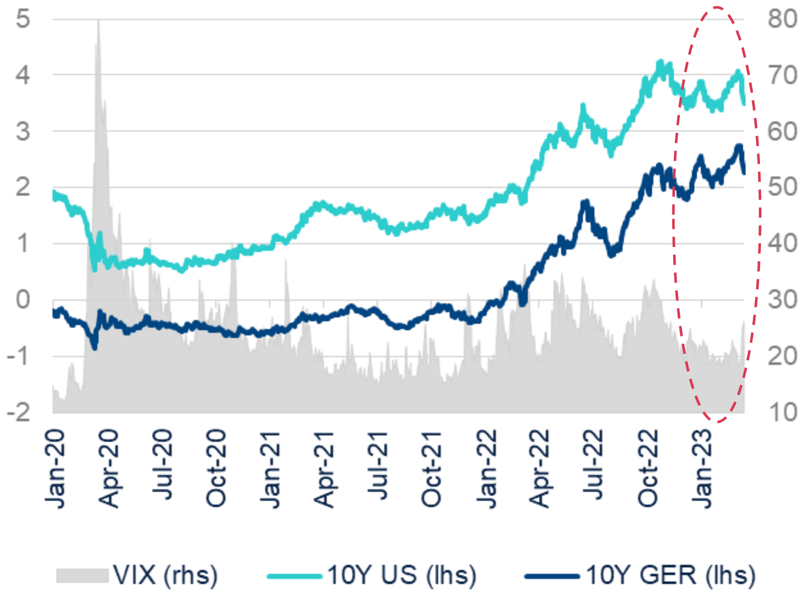
(%)



(*) Interest rate of the ECB deposit facility.
Source: BBVA Research based on data from Bloomberg.

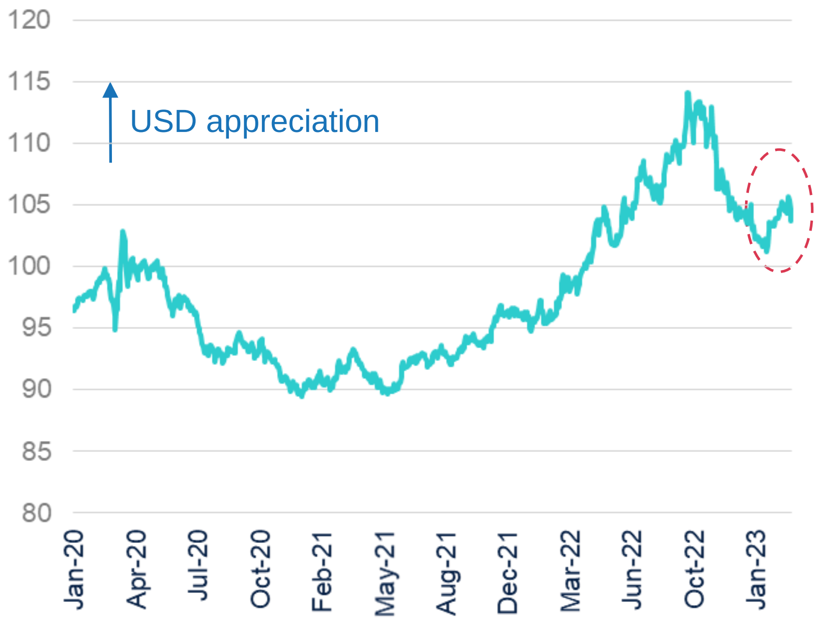
Bond yields have also aligned with the central bank rhetoric, but with volatility

US AND GERMANY 10-YEAR BOND YIELDS, VIX
(%, INDEX)



Source: BBVA Research based on data from Bloomberg.

US DOLLAR INDEX: DXY
(INDEX)



Source: BBVA Research based on data from Bloomberg.

BBVA Research baseline scenario: interest rates will be higher for longer to ease demand and curve inflation down

BBVA RESEARCH BASELINE SCENARIO: MAIN ASSUMPTIONS AND FEATURES

COMMODITIES AND BOTTLENECKS

Commodity prices to remain under 2022 levels, but China's demand and supply issues will limit downward corrections and favor rebound of oil prices in 2H23.

Supply bottlenecks to continue normalizing.

EUROPEAN GAS

Prices assumed to remain somewhat higher than ongoing levels.

Gas reserves to be enough to prevent shortages, even under relatively unfavorable scenarios.

FINANCIAL AND MONETARY CONDITIONS

More restrictive monetary policy, also through quantitative tightening programs.

A strong dollar, higher sovereign yields and modest capital inflows into riskier assets are expected.

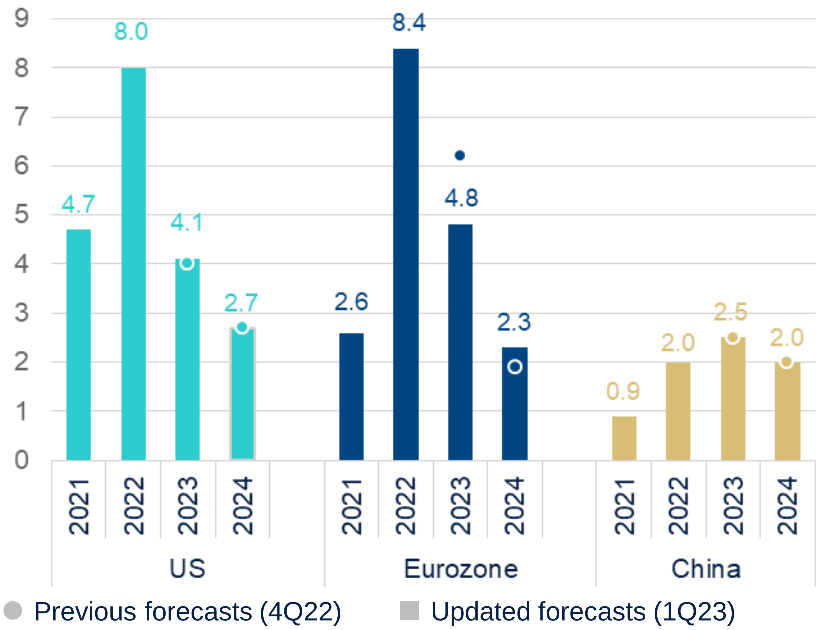
ACTIVITY AND PRICES

Monetary tightening will pave the way for demand deceleration.

Price and wage pressures will gradually ease and price and wage spirals will be avoided.

Inflation will continue trending downwards, but slower demand deceleration will prevent it from converging to the target over the next two years

INFLATION:CPI
(Y/Y %, PERIOD AVERAGE)



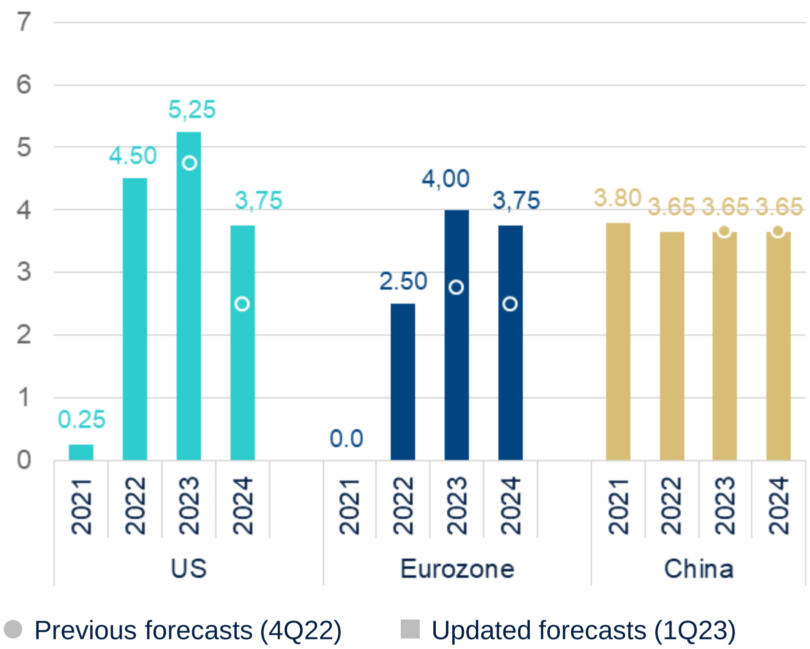
Source: BBVA Research.

- Downward surprises in headline inflation pave the way for lower-than-expected price pressures in the short-run both in the US and the EZ.
- Inflation will also remain high for longer than expected, due to the persistence of core inflation, buoyant consumption and limited scope for further declines in energy prices.
- In China, inflation will probably remain under control, but the risk is that higher domestic demand coupled with the impact of protectionist measures more than offset the effects from the supply normalization, which would add to inflation pressures.

Central banks will remain focused on inflation: interest rates will rise more and will be kept higher for longer than expected

MONETARY POLICY INTEREST RATES (*)

(%, END OF PERIOD)



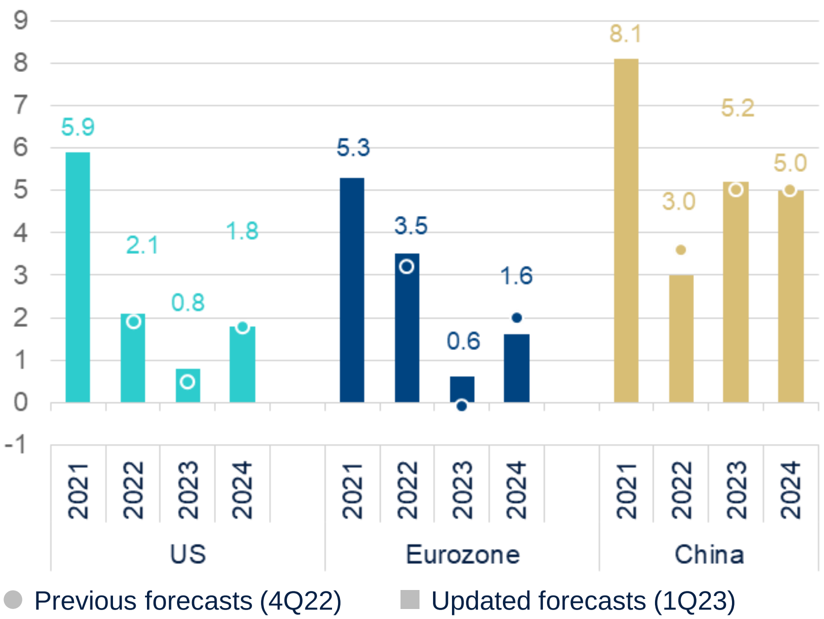
(*) In the case of the Eurozone, interest rates on refinancing operations.
Source: BBVA Research based on Bloomberg data.

- Terminal interest rate will be higher than expected, but uncertainty on the timing and the magnitude is large due to the recent turmoil following the SVB bankruptcy, the volatile inflation dynamics, the unexpected resiliency of demand and doubts about the power of monetary policy in this context.
- The most likely is that interest rates soon reach at least 5.25% in the US and 4.00% in the Eurozone.
- High rates can be expected for longer, given the slow process of disinflation.

Better growth prospects for 2023: a softer deceleration in both the US and the Eurozone, and a stronger rebound in China

GDP: ANNUAL GROWTH IN REAL TERMS (*)

(%)



(*) Previous forecasts: 0.5% in 2023 and 1.8% in 2024 in the US, -0.1% in 2023 and 2.0% in 2024 in the Eurozone, 5.0% en 2023 and 5.0% in 2024 in China.
Source: BBVA Research.

- Global GDP is expected to grow 2.8% (0.5pp higher than forecast) in 2023 and 3.3% (0.0pp) in 2024, after having grown 3.2% in 2022.
- 2023 forecasts have been revised up in the US and the EZ on positive incoming data and lower energy prices.
- Upward revision in 2023 GDP also in China: the reopening will support consumption and supply-side normalization; policy stimuli will back investment.
- Deceleration prospects remain in place due to monetary tightening and high inflation, but some factors (private sector’s balance sheets, NGEU in Europe) will be supportive and a deep recession will likely be avoided.

In an uncertainty context, the main risk is that sticky inflation requires extra monetary tightening, triggering a recession, stagflation or financial instability

MAIN RISKS

MORE PERSISTENT INFLATION AND TIGHTER MONETARY POLICY:

- stronger demand (tight labor markets, fiscal stimulus, etc.)
- demand-driven Chinese recovery
- higher energy prices on the war or other factors
- wage-price spirals

→

GLOBAL RECESSION OR STAGFLATION

FINANCIAL INSTABILITY

MAIN UNCERTAINTIES

GEOPOLITICAL TENSIONS

US-CHINA RIVALRY (DEGLOBALIZATION, ETC)

ENERGY TRANSITION AND CLIMATE CHANGE

SOCIAL TENSIONS AND POPULISM

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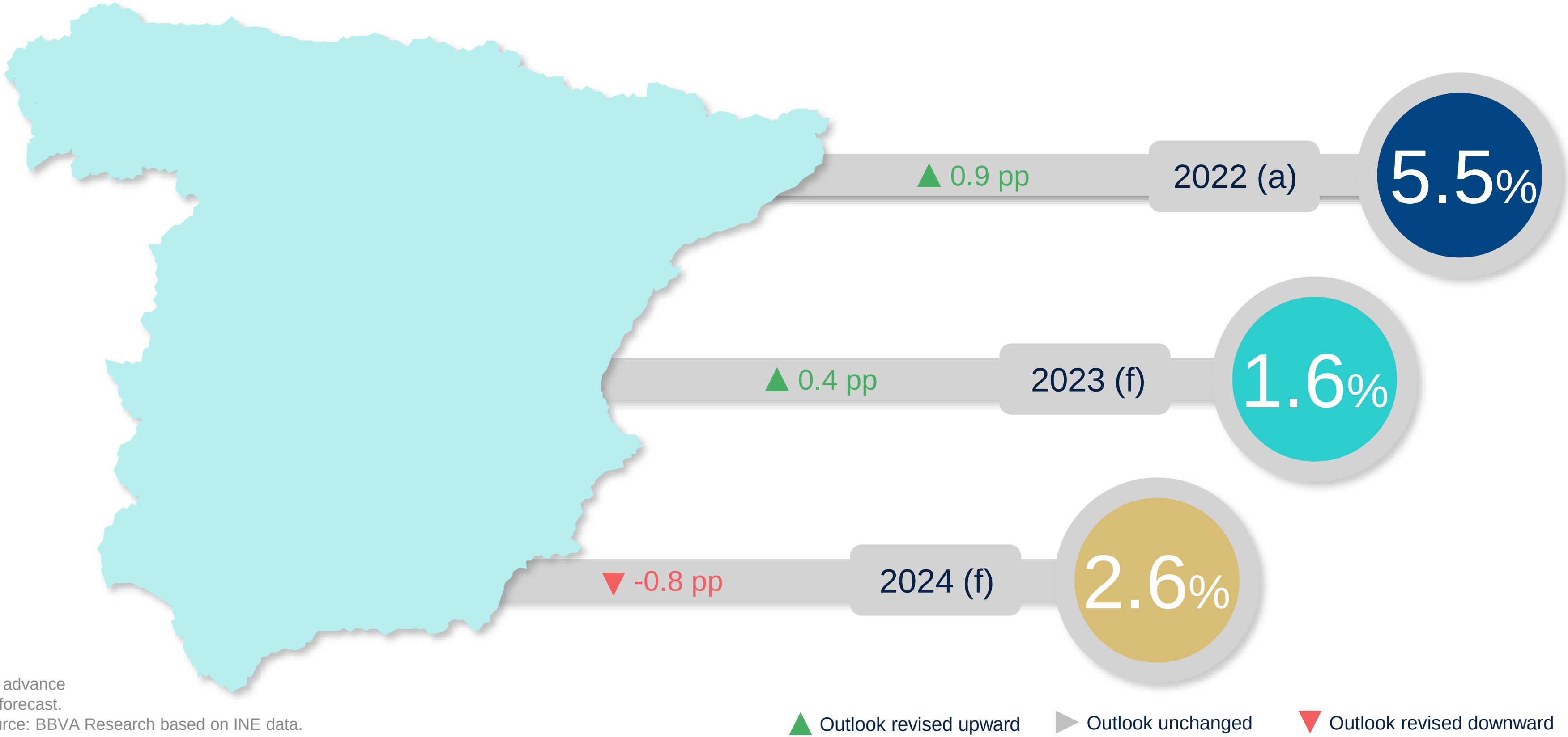
02

Spain Economic Outlook March 2023

Creating Opportunities

Upward revisions in 2022 and 2023 and downward revision in 2024

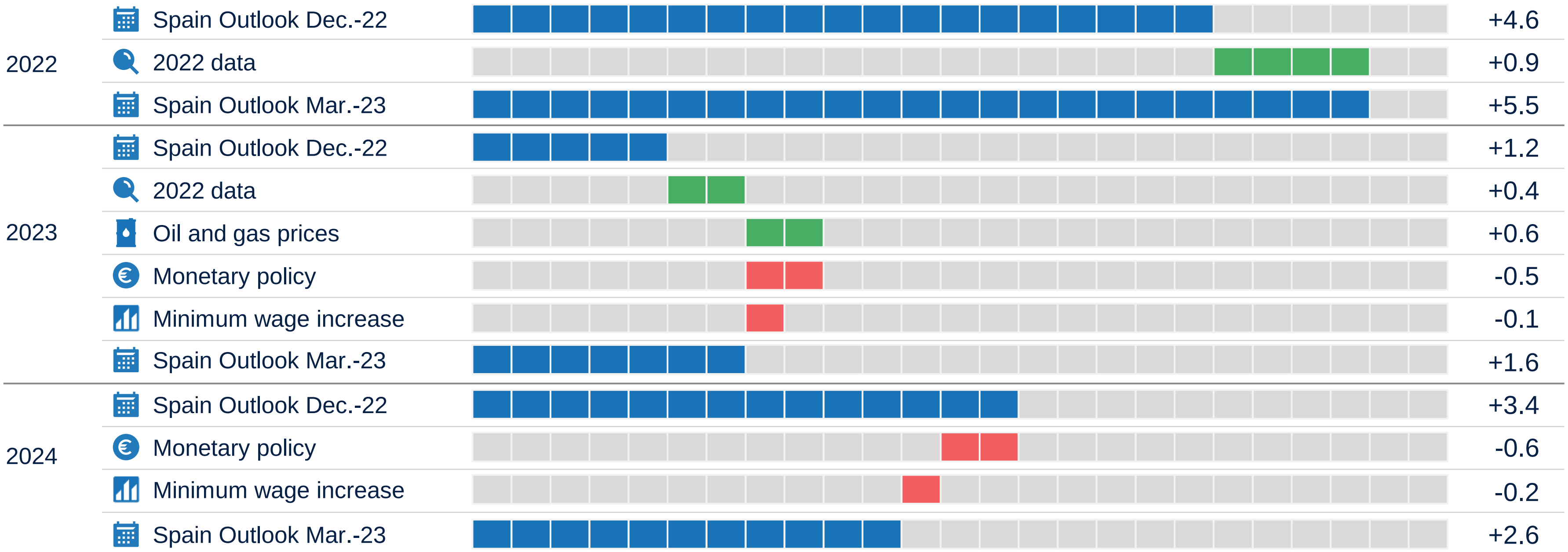


(a): advance
(f): forecast.
Source: BBVA Research based on INE data.

Upward revisions in 2022 and 2023 and downward revision in 2024

BREAKDOWN OF THE YEAR-ON-YEAR GDP GROWTH REVISION

(PERCENTAGE POINTS)

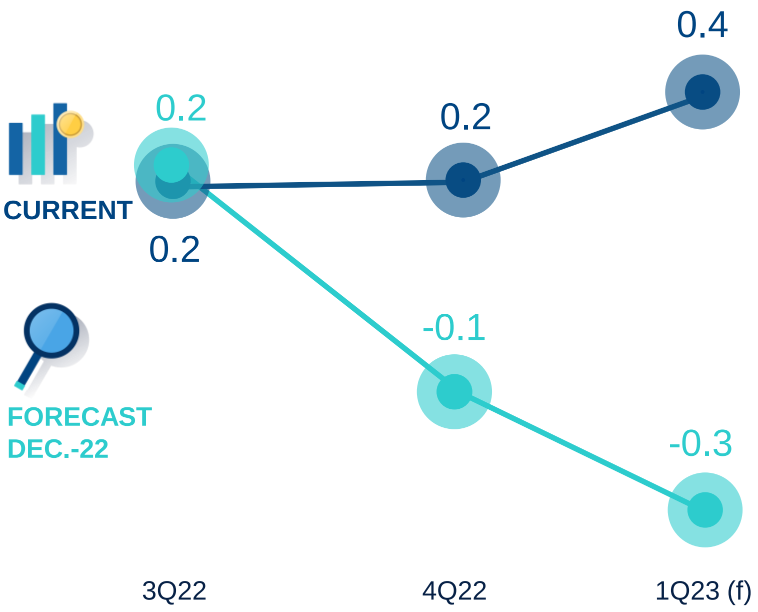


(a): advance.
(f): forecast.
Source: BBVA Research based on INE data.

Economy holding up better than expected

Not only is recession avoided, but growth picks up speed

QUARTERLY CHANGE IN GDP
(%)



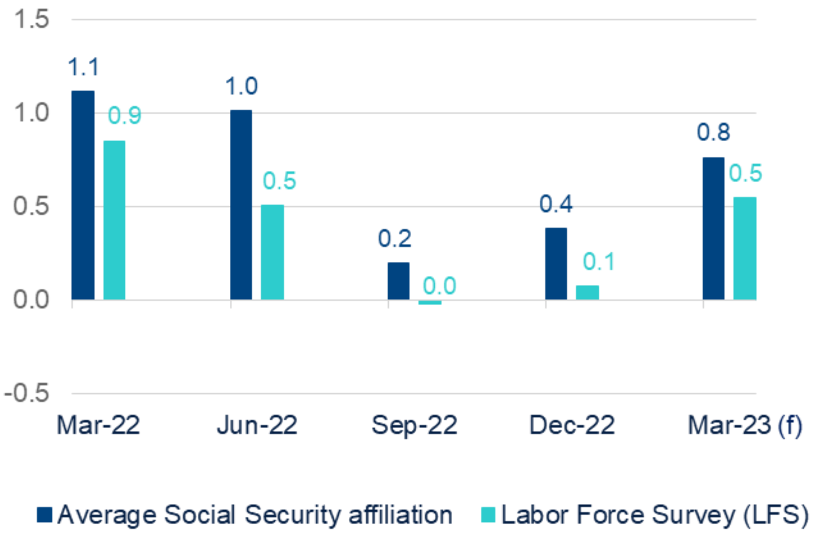
(f): forecast.
Source: BBVA Research based on INE data.

- GDP could increase in the first quarter of the year by 0.3% to 0.5% quarter-on-quarter (0.2% in 4Q22), far from a contraction, as expected three months ago.
- The main factor explaining the improved GDP performance is the European economy's ability to avoid scenarios of restrictions in energy use and the decrease in the cost of generating that energy. Although the increase in the price of electricity has had a negative impact on European industry, the effects have not been as strong as expected.

2023 growth revised upward to 1.6%

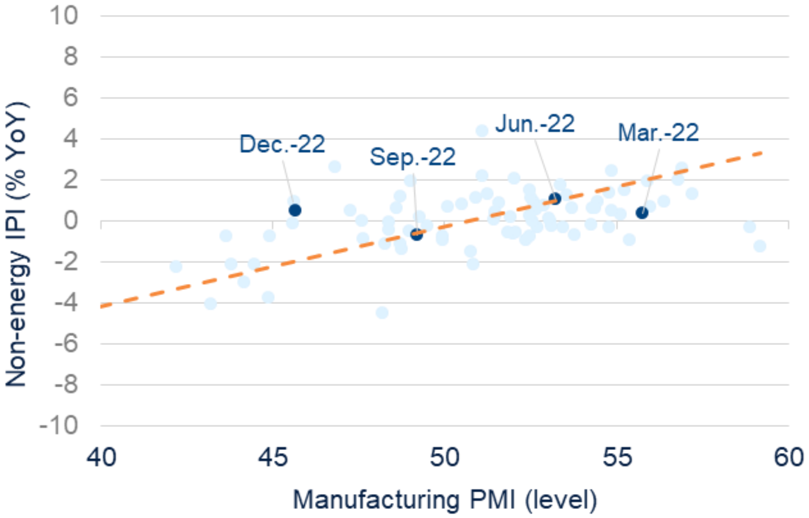
Strong employment and improved confidence

SOCIAL SECURITY AFFILIATION AND LABOR FORCE SURVEY (SWDA DATA. QUARTERLY VARIATION IN %)



Source: BBVA Research based on INE and the Ministry of Inclusion, Social Security and Migration data.

NON-ENERGY IPI AND MANUFACTURING PMI (YEAR-ON-YEAR GROWTH IN % AND LEVEL, 2000-2022)



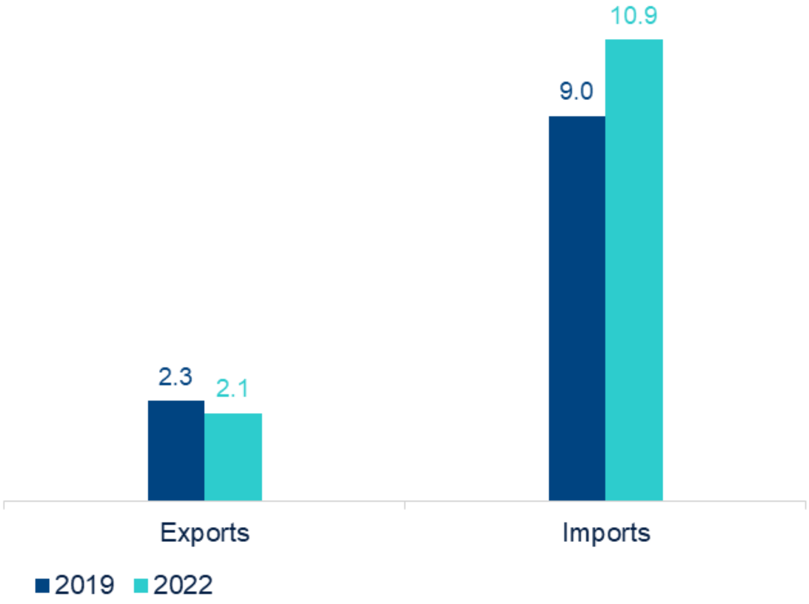
Source: BBVA Research, based on INE and S&P data.

Social Security affiliation could be growing at a quarterly rate of 0.8% in the first quarter of the year (0.4% in 4Q22). This strength in employment is coupled with the improvement in business surveys, as reflected by the PMI indices.

2023 growth revised upward to 1.6%

A more favorable global environment will boost economic momentum

SPAIN'S NOMINAL EXPORTS AND IMPORTS OF GOODS WITH CHINA (WEIGHT OF TOTAL EXPORTS AND IMPORTS, RESPECTIVELY)



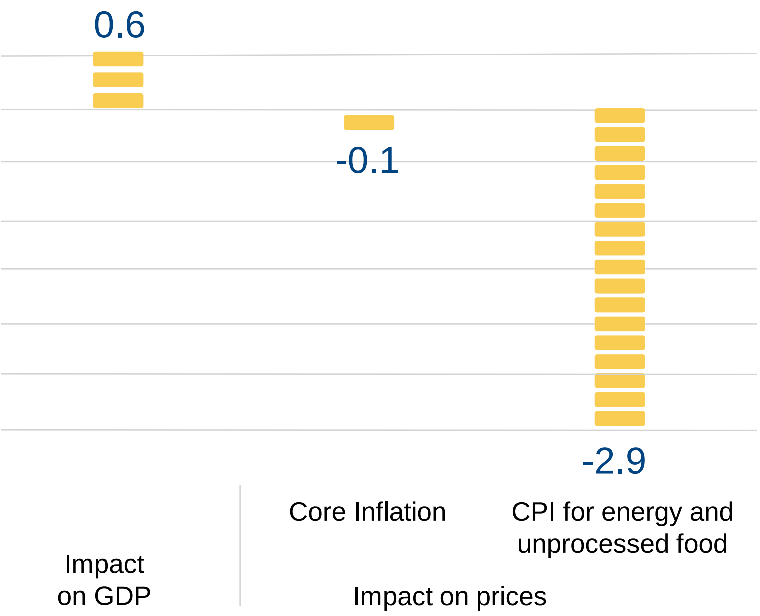
Source: BBVA Research based on Haver and MINECO data.

- Eurozone GDP is forecast to increase by 0.6% on average in 2023, compared to the 0.1% decline projected three months ago.
- BBVA Research estimates that each percentage point improvement in GDP growth expectations from the EMU is reflected in the same proportion in Spain's GDP.
- China has moved past its lockdown and activity seems to be bouncing back strongly. This Asian country has become one of Spain's main trading partners, so further expansion may be good news, particularly for sectors such as the food and automotive industries.

2023 growth revised upward to 1.6%

Partial reversal of increase in energy costs

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



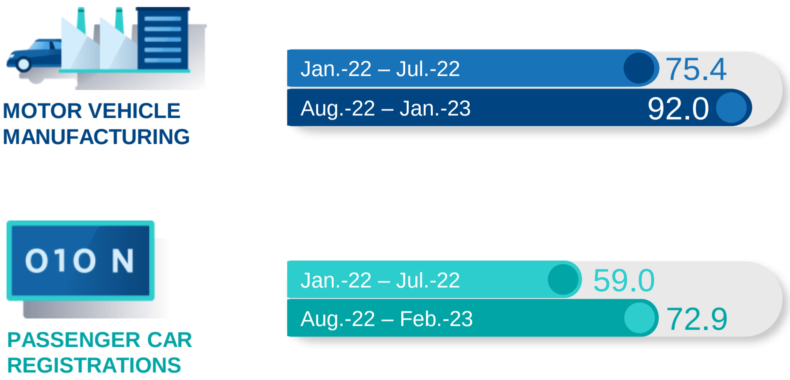
Source: BBVA Research based on INE data.

- Part of the deterioration in the terms of trade has been corrected, improving the short-term outlook.
- The unanticipated decline in costs should add as much as 0.6 pp to GDP growth in 2023, although the price of gas-generated electricity remains at historically high levels.
- This should limit the negative impact on industry—particularly the more energy-intensive sectors—and, to the extent that price reductions continue in 2024, drive a recovery in these sectors.

2023 growth is revised upward to 1.6%

Disappearance of bottlenecks boosts the automotive sector

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



- Between January and July last year, output in the automotive sector was 22% lower than in the same period of 2019, and 40% fewer passenger cars were sold.
- Since then, a turning point can be seen: between August 2022 and January 2023, the industry produced only 8% less than in the same months of 2019, and the gap in cars sold decreased to 27%.
- This improvement would be in line with BBVA Research estimates, which suggest that 50% of the drop in car sales is explained by a supply shortage.

Source: BBVA Research, based on INE and Ideauto

2023 growth revised upward to 1.6%

Industry holds up better than expected

INDUSTRIAL OUTPUT INDEX
(%)

	AVERAGE ANNUAL CHANGE IN 2022	WEIGHT IN IPI
End of lockdowns (footwear, textiles, jewelry, food, beverages)	4.8	8.5
Change of production model (Machinery and equipment)	8.2	6.5
Motor vehicles, parts, aeronautics	9.0	9.6
COVID-19 (Pharmaceuticals, medical equipment, cleaning supplies)	9.1	6.0
Electric power and production of electric motors / generators	10.7	15.8

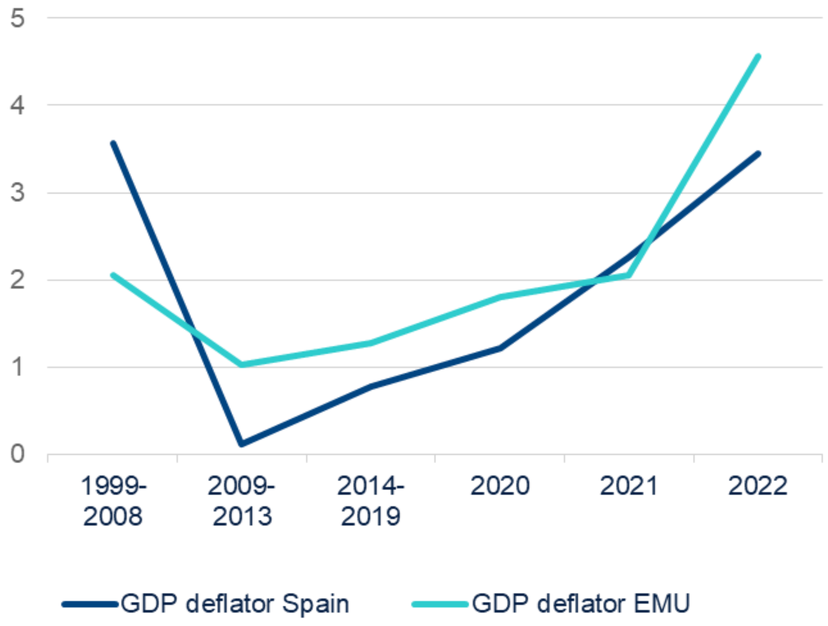
Source: BBVA Research based on INE data.

- Despite rising energy costs, industrial output increased by almost 3% in 2022. The sectors that contributed most to this growth are those where demand grew as a result of COVID-19, such as pharmaceuticals, medical equipment and cleaning supplies.
- Other sectors have recovered as lockdowns ended, such as the textile, footwear, jewelry and beverage industries.
- The change in the production model and the drive toward renewable energies explain a significant growth in the production of machinery, equipment and goods necessary for electrification.

2023 growth revised upward to 1.6%

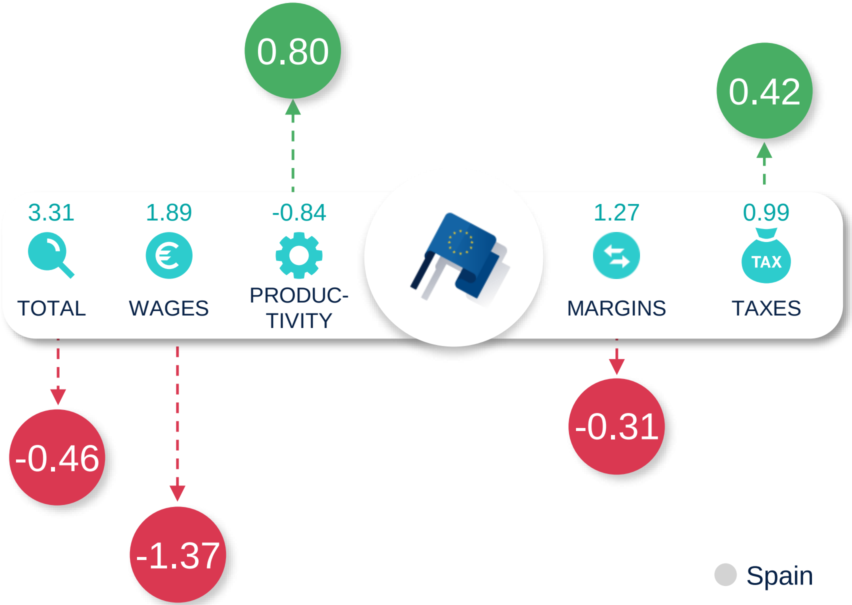
Continued improvement in competitiveness driven by margins and unit labor cost (ULC)

GDP DEFLATOR
(AVERAGE YEAR-ON-YEAR CHANGE IN %)



Source: BBVA Research, based on INE and Eurostat data.

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



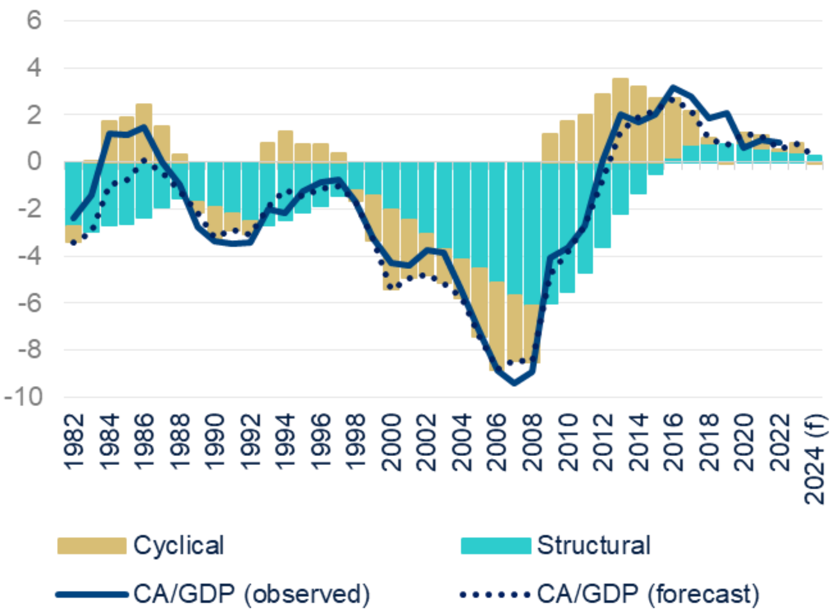
(*): Difference in the cumulative change in the deflator for Spain 2020-22 with respect to the eurozone-12.
Source: BBVA Research, based on INE and Eurostat data.

2023 growth revised upward to 1.6%

The economy shows positive structural current account balance

CURRENT ACCOUNT BALANCE

(% GDP)



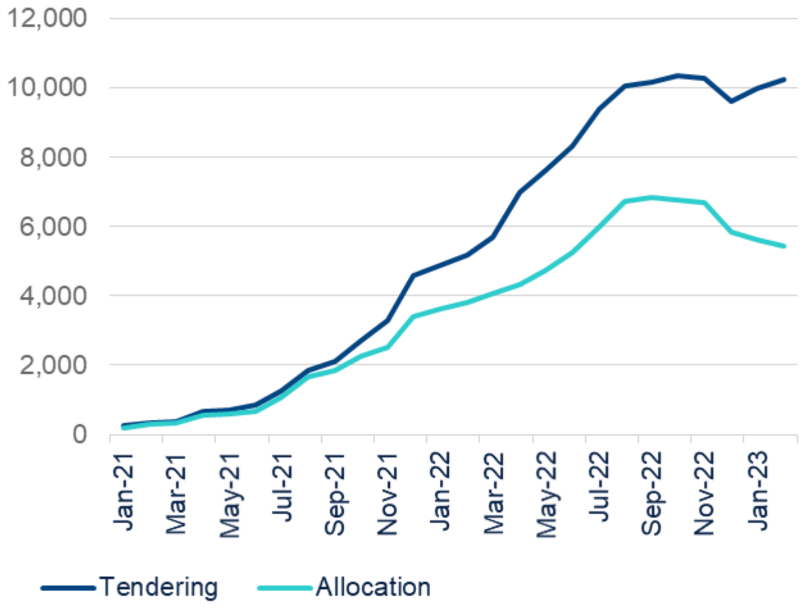
Source: BBVA Research, based on data from the Bank of Spain.

- Historically, the Spanish economy has regressed after accumulating imbalances that have led to an increase in external debt. In addition, with each episode of rising oil prices, the current account has gone into deficit.
- On this occasion, it has maintained a surplus (0.9% of GDP in 2022) and continued the deleveraging process vis-à-vis the rest of the world, despite the worsening balance of trade in goods due to the increase in the cost of imported energy.
- The positive performance of the current account balance has been possible thanks to the good performance of the services sector, mainly tourism, and to the reduction of the public deficit.

2023 growth revised upward to 1.6%

Some public policies would support domestic demand

OFFICIAL TENDERS FINANCED WITH THE MRR (NOT INCLUDING THOSE DERIVED FROM FRAMEWORK AGREEMENTS. ROLLING TWELVE-MONTH SUM. MILLIONS OF EUROS.)



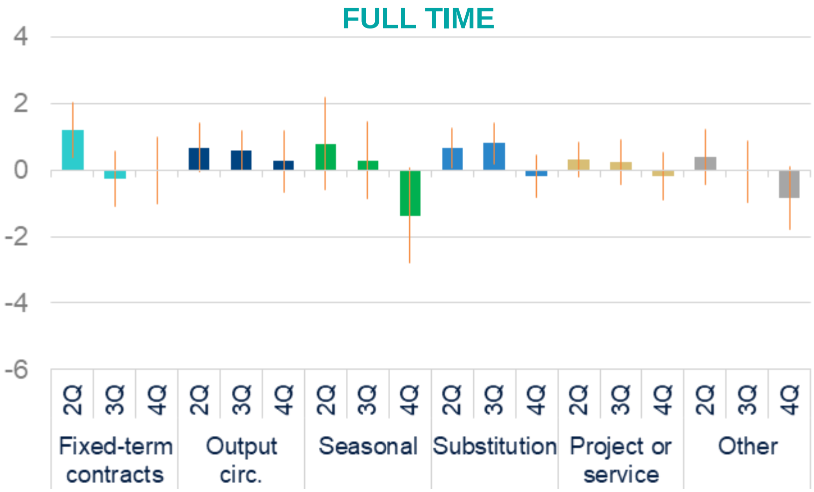
Source: BBVA Research, based on data from the Spanish State Contracting Platform and from the Ministry of Finance.

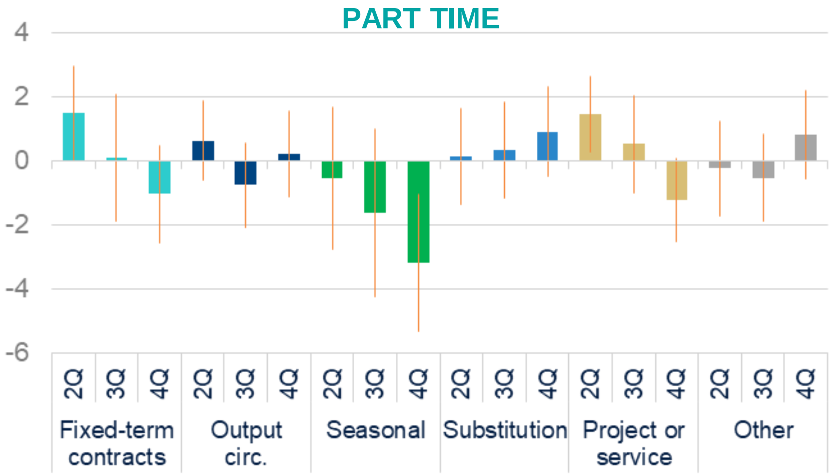
- An estimated €13 billion associated with Next Generation EU (NGEU) funds could have flowed into the real economy.
- The known figures for the beginning of 2023 are encouraging. Between €15 billion and €20 billion could be executed during this year.
- The increase in pensions and the national minimum wage (SMI) would have had a positive impact on private consumption in the short term, especially for lower-income households among the beneficiary groups.

2023 growth is revised upward to 1.6%

Seasonality decreases, with no cost in the number of hours worked

EFFECT OF THE REFORM ON THE DIFFERENCE IN HOURS WORKED BETWEEN ORDINARY PERMANENT CONTRACTS AND OTHER TYPES OF CONTRACTS (2019 QUARTERS VS. 2022 QUARTERS)





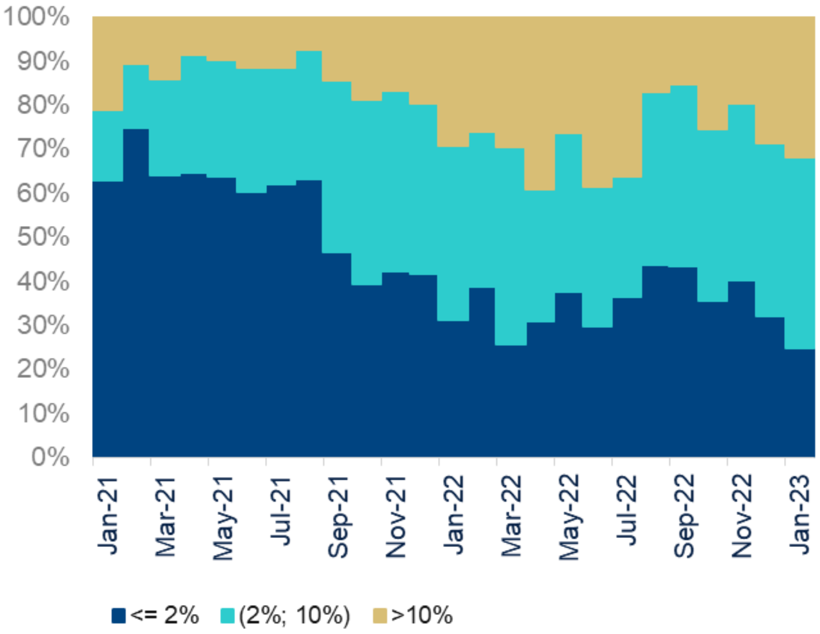
Note: 95% CI. For more details on the results, see [Relación entre horas trabajadas y tipo de contrato: ¿ha cambiado tras la reforma?]
(Relationship between hours worked and type of contract: has it changed since the reform?).
Source: BBVA Research, based on INE data (Labor Force Survey).

The labor reform would have reduced the volatility of employment by increasing the cost of dismissal and reducing temporary employment. For the time being, it is not perceived to have reduced weekly hours worked. It will be important to evaluate whether this will lead to an increase in productivity in the medium term, which so far has not occurred.

Less strong recovery expected in 2024

Total inflation falls, but core inflation picks up

DISTRIBUTION OF THE CONSUMPTION BASKET ACCORDING TO INFLATIONARY PRESSURES (%)



Source: BBVA Research based on INE data.

- The loss of purchasing power is widespread. Reducing inflation to 2% will be difficult and will take time.
- This is shown by leading price trend indicators, such as the percentage of goods and services whose annualized monthly inflation is less than or equal to 2% (25%, in minumus since the beginning of the pandemic) or above 10% (32%, in maximus).
- In the absence of further reductions in the cost of energy, or a more intense economic slowdown, headline inflation is expected to fall to around 4% on average this year, and core inflation is expected to remain between 5% and 6%, with both dropping to 3% by 2024.

A less intense recovery is expected in 2024

Interest rates will rise more than expected

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

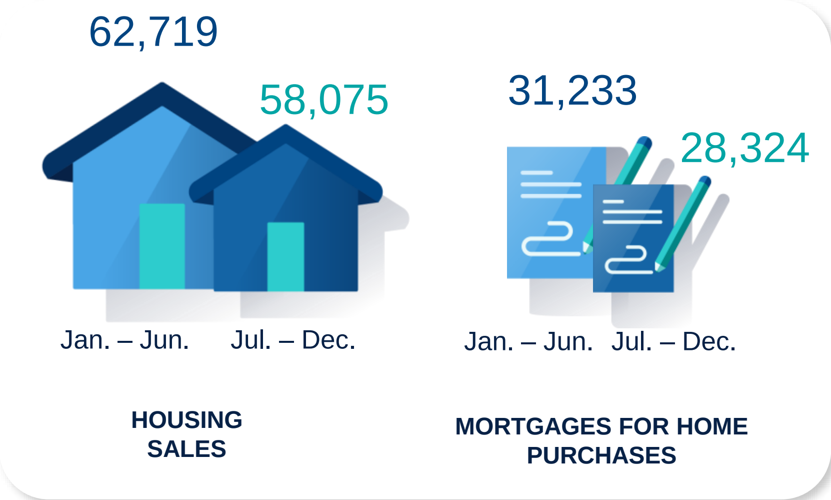
- The ECB is expected to continue to raise the cost of financing to at least 4%. This implies 125 basis points more than what was expected in December.
- Looking ahead, the surprise increase in interest rates may result in the economy failing to advance by more than one percentage point in 2023 and 2024, affected by the negative impact on household and business consumption and investment.

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

A less intense recovery is expected in 2024

Interest rates will rise more than expected

HOUSING SALES AND MORTGAGES IN 2022
(MONTHLY AVERAGE, SWDA DATA)



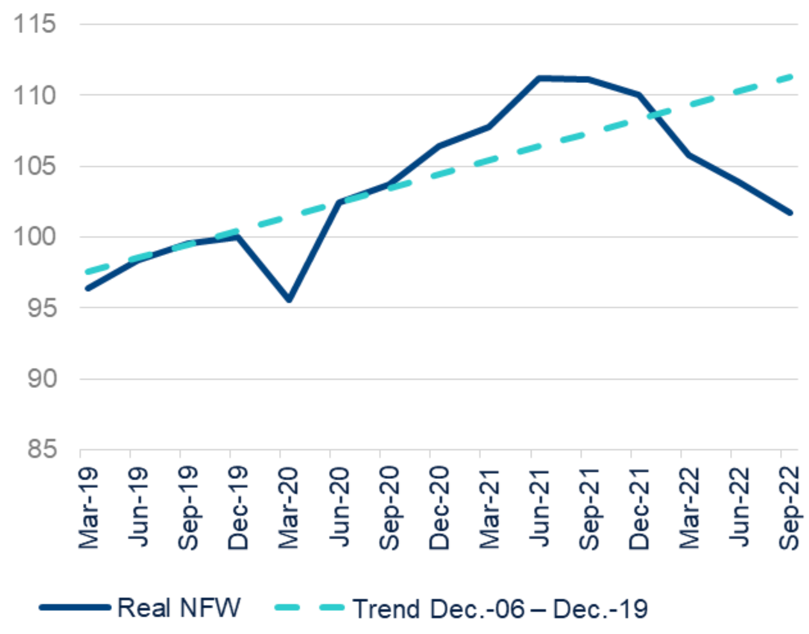
- The effects of higher financing costs on the Spanish economy are already tangible. Home sales have dropped from an average of around 63,000 units per month in the first half of 2022 to 58,000 units in the second half of 2022.
- Mortgage and business financing have fallen again, despite a rebound in inflation and production costs in 2022 and the launch of a public investment plan unprecedented in recent years.

Source: BBVA Research based on CIEN data.

A less intense recovery is expected in 2024

Inflation has reduced the purchasing power of savings

REAL NET FINANCIAL WEALTH*
(SWDA DATA, BILLIONS OF EUROS 2015)



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

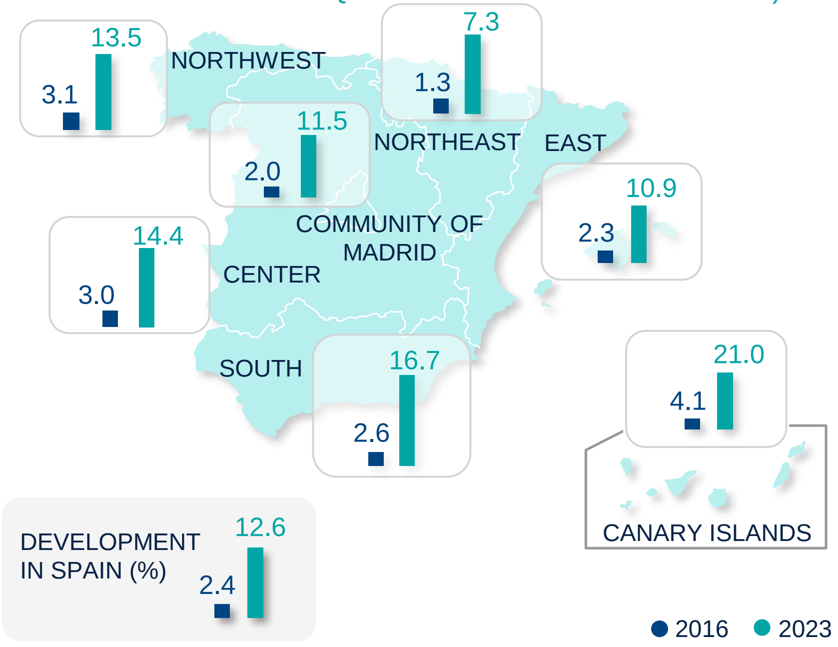
- The oversavings accumulated during the pandemic appear to have been drastically reduced, which will limit the future growth of domestic demand.
- Household net financial wealth in real terms shows a decline of almost 9% in 2022, returning to levels similar to those observed in 2019.
- Beyond the increase in consumption or investment, inflation was the main culprit behind the drop in household wealth in real terms.

A less intense recovery is expected in 2024

With the increase in coverage of the national minimum wage, employment risk is on the rise

NATIONAL MINIMUM WAGE COVERAGE*

(% OF FULL-TIME EQUIVALENT SALARIED EMPLOYEES RECEIVING WAGES LESS THAN OR EQUAL TO THE NATIONAL MINIMUM)



*NUTS-1 based classification
Source: BBVA Research based on INE data.

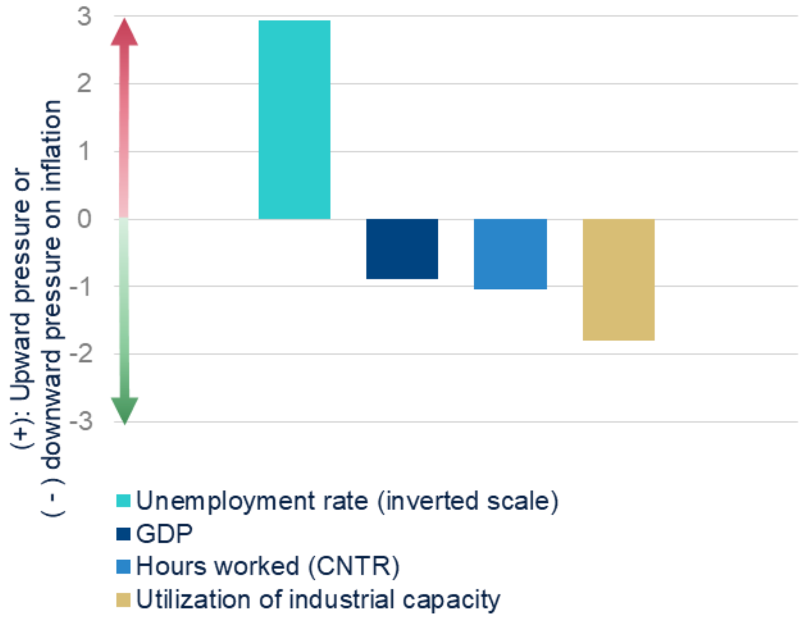
- We estimate that the percentage of salaried employees receiving a wages lower than or equal to the national minimum wage could exceed 12% in Spain as a whole, and 20% in some regions, such as the Canary Islands.
- The impact of the increase in the national minimum wage on job creation could fluctuate between 0.2 and 1.2 points of less growth in 2023.
- Decisions on the minimum wage should be: agreed upon by unions, business organizations and the government; predictable (multi-year path to reduce uncertainty); and designed and continuously evaluated by an independent commission similar to that of some European countries.

Risks

No idle capacity and rising prices

ACTIVITY AND LABOUR MARKET GAPS

DIFFERENCE IN LEVEL COMPARED TO THE BEGINNING OF THE COVID-19 CRISIS, PERCENTAGE POINTS)



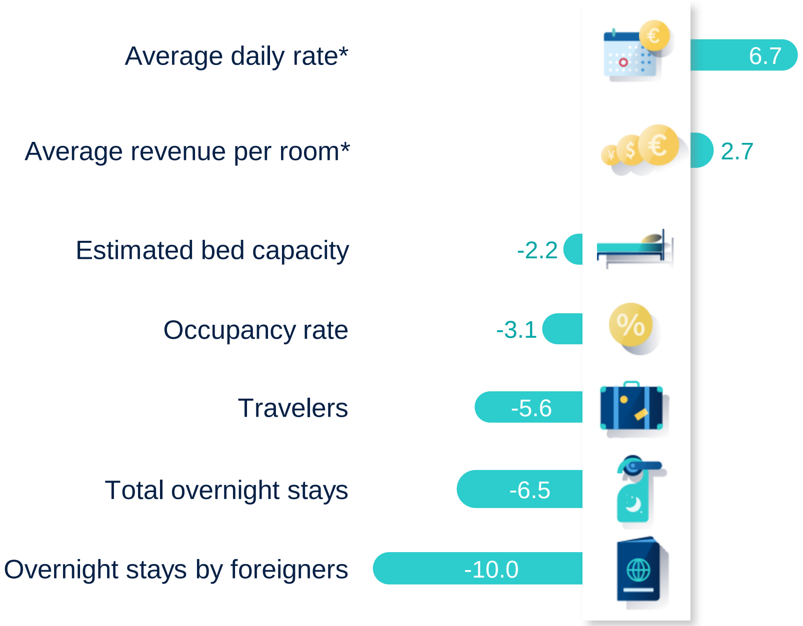
Source: BBVA Research, based on INE data.

- Inflation will continue to be one of the main risks to economic activity. Several indicators suggest that demand pressures are strong and partly account for the recent inflation trend.
- The implicit income pact between social agents is in danger of breaking down. Unions and business organizations must try to reach an agreement that limits future price growth.
- Fiscal policy should contribute to the reduction of inflation in an environment where the unemployment rate is low, NGEU funds will support the progress of investment, there are doubts about the sustainability of revenues and the public deficit remains high.

Risks

Some sectors may begin to lose competitiveness

RECOVERY OF THE TOURISM SECTOR IN SPAIN
(CHANGE 2019-2022)

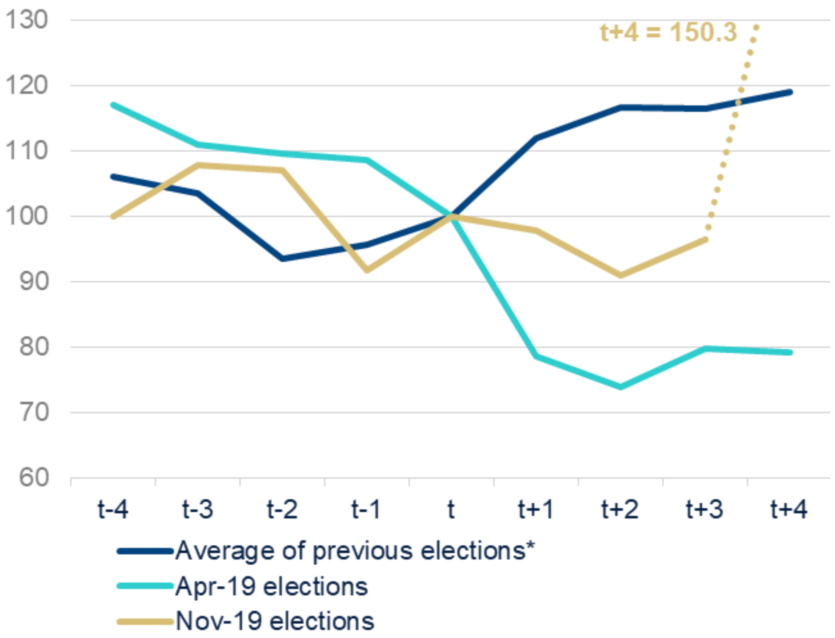


(*) Deflated using the services sector deflator (CNTR).
Source: BBVA Research, based on INE data.

- Although overnight stays and occupancy rates did not reach pre-crisis levels last year as a whole, the hotel supply practically recovered.
- In 2022, in real terms, prices and revenue per available room were 7% and 3%, respectively, above 2019 values. Part of this increase is due to the rebound in costs, but another part could have encouraged higher profitability and helped to clean up the sector's financial position.
- With less room for supply to continue growing, less vigorous demand and more competition, tourism's contribution to GDP growth is expected to be less pronounced.

Risks
Uncertainty over economic policy

RISK PREMIUM IN SPAIN
(ELECTION MONTH = 100)



*Regional elections Mar.-15, general elections Dec.-15 and vote of no confidence May-18.
Source: BBVA Research based on Bloomberg data.

- For the time being, the risk premium that the Spanish Government pays for financing itself in international markets remains stable and below its medium-term levels of equilibrium. This is the result of compliance with the commitments undertaken with the rest of Europe and the action of the ECB.
- In a context where the ECB is beginning to move toward reducing its balance sheet, and there is uncertainty about the increase in rates that will be necessary to control inflation, measures that reassure investors about the medium-term sustainability of public accounts will be key.

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Forecasts

Forecasts

% y/y	2021	2022 (a)	2023 (f)	2024 (f)
National final consumption expenditure	5.1	2.8	1.2	2.7
Private consumption	6.0	4.3	1.0	2.8
Public consumption	2.9	-0.9	2.0	2.4
Gross fixed capital formation	0.9	4.3	3.0	10.5
Equipment and machinery	6.3	3.8	0.9	9.9
Construction	-3.7	4.2	3.3	11.1
Housing	-4.8	2.7	0.9	10.6
Domestic demand*	**5.2**	**2.8**	**1.9**	**4.2**
Exports	14.4	14.9	3.2	5.3
Exports of goods	10.6	2.8	3.9	5.1
Exports of services	27.0	53.6	1.4	5.7
Final consumption by non-residents in Spain	77.0	119.1	-2.3	8.0
Imports	13.9	7.7	3.8	9.4
External demand*	**0.3**	**2.6**	**-0.2**	**-1.6**
Real GDP at market prices (mp)	**5.5**	**5.5**	**1.6**	**2.6**

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

Forecasts

% y/y	2021	2022 (a)	2023 (f)	2024 (f)
Employment (full-time equivalent)	6.6	3.8	1.1	1.7
Employment, based on Labor Force Survey	3.0	3.1	1.2	2.2
Unemployment rate (% of labor force)	14.8	12.9	12.6	11.5
CPI (annual average)	3.1	8.4	3.9	2.8
GDP deflator	2.4	4.6	5.2	3.0
Public deficit (% GDP)	-6.8	-3.9	-3.9	-3.3

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

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Spain Economic Outlook

March 2023

Creating Opportunities