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Briefing note

Macroeconomic projections for the Spanish economy (2022-2024)

This note describes the key features of the **macroeconomic projections for the Spanish economy** for the period 2022-2024, published today by the Banco de España on its website (available at this [link](#)). These projections incorporate the latest National Accounts data, which present a more favourable starting point for the level of activity than the previous projections published in December.

Apart from a terrible humanitarian crisis, the war in Ukraine has unleashed a severe economic shock that has significantly impacted both the global and the Spanish growth outlook. In the early weeks of 2022, before the outbreak of the conflict, the global economic recovery from the pandemic was expected to continue, against a background of vaccination progress and supportive economic policy.

However, the war upended this outlook and, while the duration and severity of the conflict are subject to enormous uncertainty, it will foreseeably have a very adverse impact on economic activity and prices, especially when considering Russia's and Ukraine's shares of the global energy, food and mineral markets. Among the main impact channels considered in these projections, the surge in commodity prices and in uncertainty levels, which will have a significant bearing on households' and firms' purchasing decisions, must be highlighted. As some indicators are already signalling, the war will also place further strains on the supply bottlenecks in certain productive sectors and will slow the growth of global output, which will adversely affect Spain's external demand.

These factors will partly be countered by the boost provided by the fiscal package approved at the end of March to mitigate the impact of the war, the roll-out of the Next Generation EU (NGEU) investment projects, the maintenance of favourable financing conditions (albeit slightly less accommodative than in recent quarters), and the lower uncertainty surrounding the course of the pandemic.

Overall, these factors will result in average GDP growth in Spain of 4.5% in 2022, 2.9% in 2023 and 2.5% in 2024. Set against those published in December 2021, the current projections revise GDP growth downwards by 0.9 pp in 2022 and 1.0 pp in 2023, and upwards by 0.7 pp in 2024.

In annual average terms, the HICP is expected to accelerate from 3% in 2021 to 7.5% in 2022. These projections, which are consistent with the surge in energy and non-energy

commodity prices triggered by the war, envisage very high inflation rates in 2022 H1. Subsequently, should the drop in energy prices that the futures markets are signalling bear out, and provided there are no significant second-round effects on inflation, price growth should gradually slow to 2% in 2023 and 1.6% in 2024.

Amid acute uncertainty, linked, above all (although not exclusively), to the duration and severity of the war in Ukraine, **the risks to the baseline scenario of these projections are tilted to the downside in the case of activity and to the upside in the case of inflation.** Several exercises, performed using the analytical tools available at the Banco de España, highlight the considerable sensitivity of these growth and inflation projections to different assumptions as to future developments in energy prices, bilateral trade with Russia, second-round effects on inflation and household consumption. Under some of these hypothetical scenarios, activity levels being somewhat severely impacted cannot, in principle, be ruled out.