BANCO DE ESPAÑA
Eurosistema

10.06.2022

Briefing note on 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). The current projections incorporate the latest Quarterly National Accounts (QNA) data for 2022 Q1, which present a less favourable starting point for the level of activity than the projections published in April.

In the short term, the adverse repercussions of the war in Ukraine for the economy are being countered by the pandemic restrictions having been lifted almost entirely, which is driving a considerable rebound in the services that were most affected in this respect. In the absence of significant additional shocks, activity will gain greater momentum from the final stretch of this year, underpinned by the steady improvement in confidence, the gradual dissipation of bottlenecks, the easing of inflationary pressures and the progressive deployment of NGEU funds.

Under this scenario, Spanish GDP will grow on average by 4.1% in 2022, 2.8% in 2023 and 2.6% in 2024. Set against the April projections, these projections revise GDP growth in 2022 downwards by 0.4 pp, essentially as a result of the incorporation of QNA data for Q1. Conversely, output is projected to be more buoyant in Q2 because the return to normal in the sectors hardest hit by the pandemic is proving to be more intense than expected. Projected output in 2023 and 2024 is similar to the April figures.

Turning to inflation, the HICP is expected to grow by 7.2% in annual average terms in 2022. The war has exacerbated the inflationary pressures that were already being felt on the commodities markets. Furthermore, the energy and food price increases are being passed through somewhat to other components of consumer prices. Over the rest of the projection horizon, inflation is expected to ease gradually, to 2.6% in 2023 and 1.8% in 2024, assuming that – as suggested by the futures markets – energy prices moderate and that there is very limited feedback between price and wage inflation. Compared with the April projections, the inflation rate for 2022 has been revised downwards by 0.2 pp, owing mainly to the establishment of the Iberian mechanism to cap the price of gas used in electricity generation. It has been revised upwards, by 0.6 pp, for 2023, due to the reversal of the effect of this mechanism and a greater expected persistence of increases in non-energy prices.

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. All this in a setting marked by extraordinary uncertainty associated principally with the duration and intensity of the war in Ukraine. A hypothetical higher pass-through of the recent rise in prices and costs to other prices in the economy and to wages represents an additional and highly significant source of risk. Other sources of risk include the uncertainties over how quickly the NGEU funds are actually deployed in Spain and how the monetary normalisation process may affect the degree to which financing conditions tighten.