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Briefing note on macroeconomic projections for the Spanish economy (2017-2019)

This note describes the key features of the macroeconomic projections for the Spanish economy for the period 2017-2019, published today by the Banco de España on its website (available at this [link](#)). Unlike in [June](#), the current projections incorporate Quarterly National Accounts information for the first two quarters of 2017, as well as the changes in the technical assumptions.¹

The projections envisage a **prolongation, over the period considered, of the current upswing, supported by progress in the correction of the economy's imbalances**, including, in particular, cumulative improvements in competitiveness (which have contributed to the achievement of a sustained positive external balance) and the reductions in the over-indebtedness of the private sector, **as well as by the persistent accommodative financial conditions** as a consequence of the expansionary monetary policy stance. However, the gradual waning of certain expansionary factors that have temporarily boosted the Spanish economic recovery will cause **growth to moderate**. These factors include, in particular, spending by households and firms that had been postponed during the crisis, the expansionary fiscal policy stance in the period 2015-2016 (as against the neutral stance expected in the coming years) and the oil price falls in past years.

Thus, **after growing by 3.1% this year, gross domestic product (GDP) is projected to grow by 2.5% in 2018 and by 2.2% in 2019**, in line with the [previous projections](#). In particular, it is estimated that the recent appreciation of the euro will have a certain adverse impact on activity and inflation, which will tend to be offset, in terms of the baseline, by the recent strength of the external environment of the Spanish economy, in particular the euro area.

¹ The cut-off date for the preparation of these assumptions was 18 September, with the exception of those relating to external market developments, which date back to 14 August and were prepared by ECB staff within the context of the [Macroeconomic projections for the euro area, September 2017](#). As regards the fiscal assumptions, the current projections do not incorporate any new measure since the June forecasting exercise. The cut-off date for the projections, on the other hand, was 25 September. Finally, it has not been possible to incorporate the revision of the Annual National Accounts series published by the INE on 12 September, since the models used to prepare the projections require quarterly series, and those consistent with the latest annual information will not be published until 2 October.

Growth **will continue to be underpinned by national demand**, although the latter is projected to slow over the next two years. **Net external demand is also expected to continue to make a positive contribution**, albeit declining over the projection horizon.

As has been the case since the start of the current upswing, **growth will continue to be highly labour intensive, assisted by the moderate rate of growth of unit labour costs**. That said, the high rates of employment growth observed in recent years are projected to moderate over the projection period, in line with expected developments in activity. The increase in employment will generate **further falls in the rate of unemployment**, to below 13% by the end of 2019.

With respect to inflation, a **slowdown in the consumer price index (CPI) continues to be projected in the short term, as a consequence of the progressive disappearance of the base effects associated with past energy price developments**. From the beginning of 2018, a **gradual rise in overall inflation** is projected, **in line with the increase in the use of resources in the economy, which will exert upward pressure on the core component**. In annual average terms, **the CPI is projected to rise by 1.9% this year and by 1.3% next year, before accelerating to 1.6% in 2019**. In comparison with the June projections, overall inflation is revised downwards by 0.1 percentage points in 2017, as the recent behaviour of consumer prices has been less dynamic than was then anticipated.