

23 In an extraordinarily uncertain context, the Banco de España's latest macroeconomic projections revise GDP growth slightly upwards for 2022, but notably reduce the pace of output growth for 2023

- Box 1 of this report describes the salient features of the Banco de España's latest projections for the Spanish economy (2022-2024).
- Under the assumptions of the exercise, Spanish GDP is projected to grow by 4.5%, 1.4% and 2.9% in 2022, 2023 and 2024, respectively.
- Compared with the projections published in June, the current projections revise GDP growth for 2022 up by 0.4 pp, essentially due to **stronger 2022 Q2 output growth** than had been forecast in June. Conversely, the growth forecast for 2023 is 1.5 pp lower than envisaged in the previous projection exercise, owing, inter alia, to the higher projected inflation rate, **less favourable financing conditions**, heightened uncertainty and **weakened global demand**.
- Meanwhile, the pace of price increases has been revised upwards over the entire projection horizon, with higher and more persistent inflation than projected in June. Specifically, average inflation of 8.7% is expected for 2022, before easing gradually to 5.6% in 2023 and 1.9% in 2024. Among other factors, this upward revision is due to the **recent inflation surprises**, the new projected trajectories for energy prices and the fact that **the euro exchange rate envisaged is lower than in the June projection**.
- The risks to these projections, which are subject to extraordinary uncertainty, are tilted to the downside in the case of activity and to the upside in the case of inflation.

Figure 1

Summary of the macroeconomic projections for the Spanish economy (2022-2024)

	2022	2023	2024
GDP	4.5% — ↑ 0.4 pp	1.4% — ↓ 1.5 pp	2.9% — ↑ 0.4 pp
Inflation	8.7% — ↑ 1.5 pp	5.6% — ↑ 3.1 pp	1.9% — ↑ 0.1 pp

SOURCE: Banco de España.