

# MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY (2023-2025)

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### 1. Takeaways

### 2. Focus

- **Asymmetries in the pass-through of rising/falling costs to prices**
- **Transmission of monetary policy and its impact on activity**
- **Changes in wages and profit margins**

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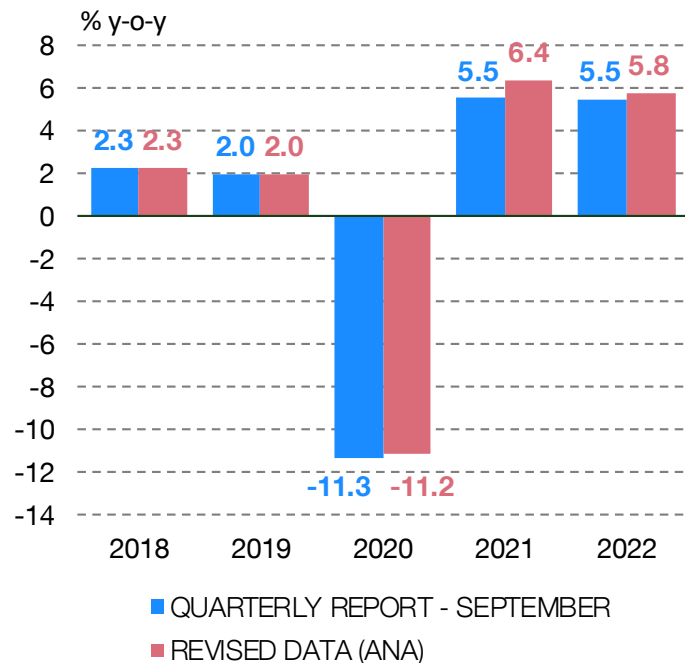
### 1. Takeaways

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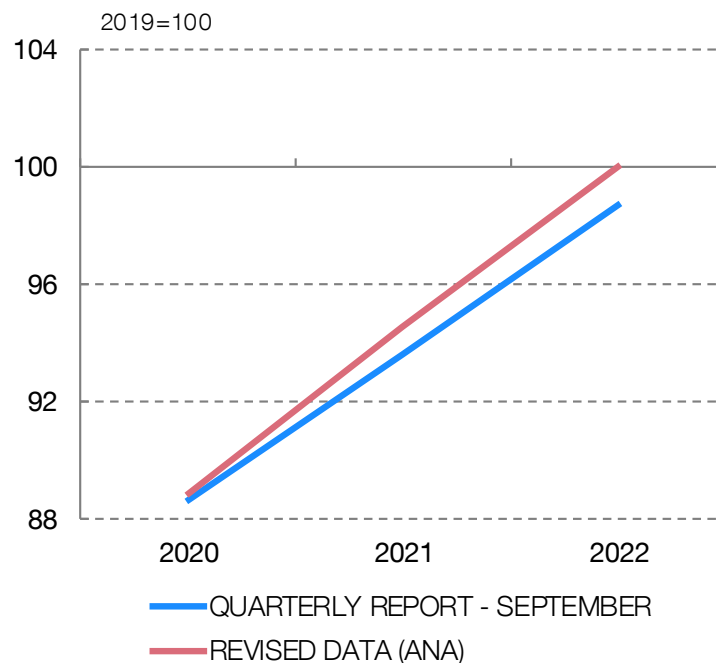
- Asymmetries in the pass-through of rising/falling costs to prices
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# THIS PROJECTION EXERCISE DOES NOT INCORPORATE THE REVISION OF THE ANNUAL NATIONAL ACCOUNTS PUBLISHED BY THE NATIONAL STATISTICS INSTITUTE ON 18 SEPTEMBER

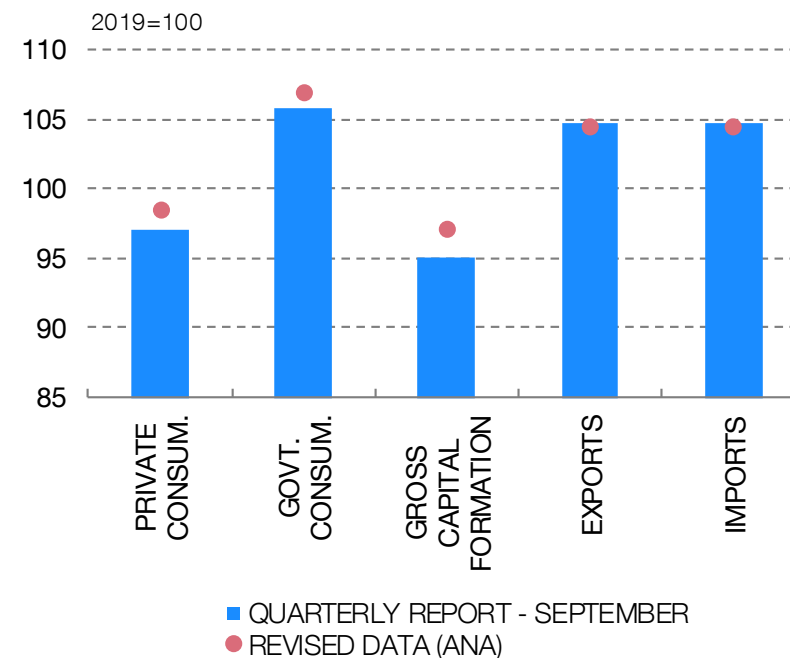
### GDP Growth rates



### GDP Levels



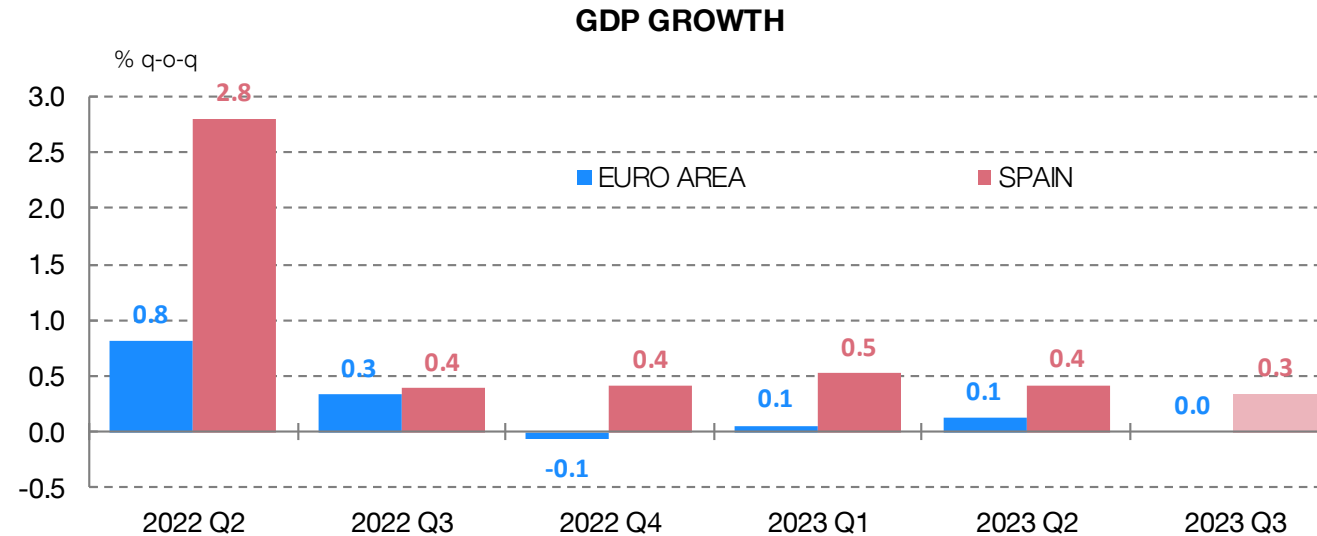
### MAIN GDP COMPONENTS 2022 levels compared with 2019



Source: INE.

- The new annual data entail, at end-2022, a higher GDP level than that considered in the current projection exercise and a different composition of activity in terms of its main aggregates
- Although the quarterly series that are consistent with the new annual data are not yet available, they are essential to adequately assess the implications of this statistical revision for the Spanish economy's future growth outlook

# THE LATEST SHORT-TERM INFORMATION SUGGESTS THAT THE SPANISH ECONOMY'S GDP GROWTH RATE MAY HAVE SLOWED SLIGHTLY (TO 0.3%) IN 2023 Q3



Sources: INE and Eurostat (data for 2022 Q2 - 2023 Q3); Banco de España and ECB (projections for 2023 Q3).

## Main factors underlying the deceleration

- Slowdown in global activity, especially in China and the euro area
- New negative supply shocks have pushed energy prices up
- Effects of monetary policy tightening

## Indicators consistent with a slight easing of GDP growth

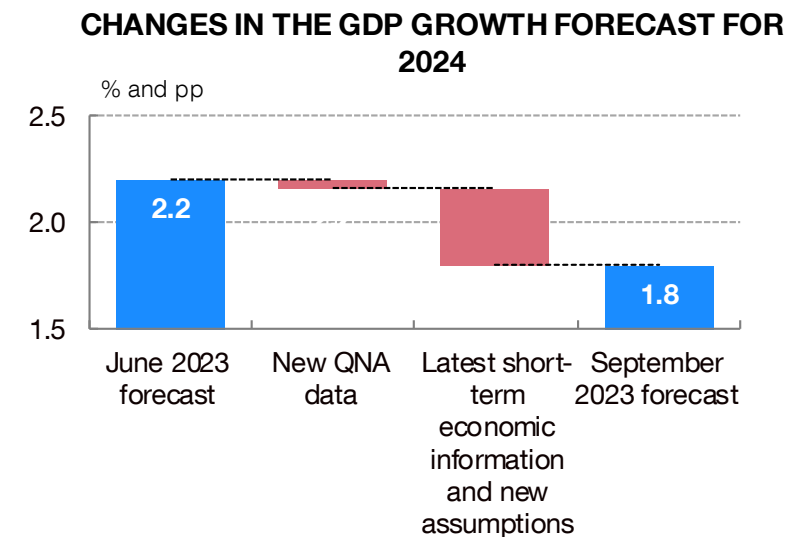
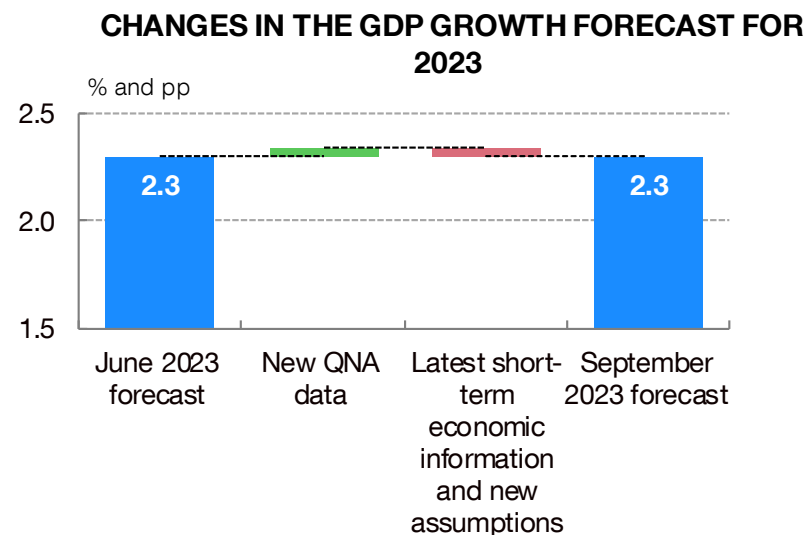
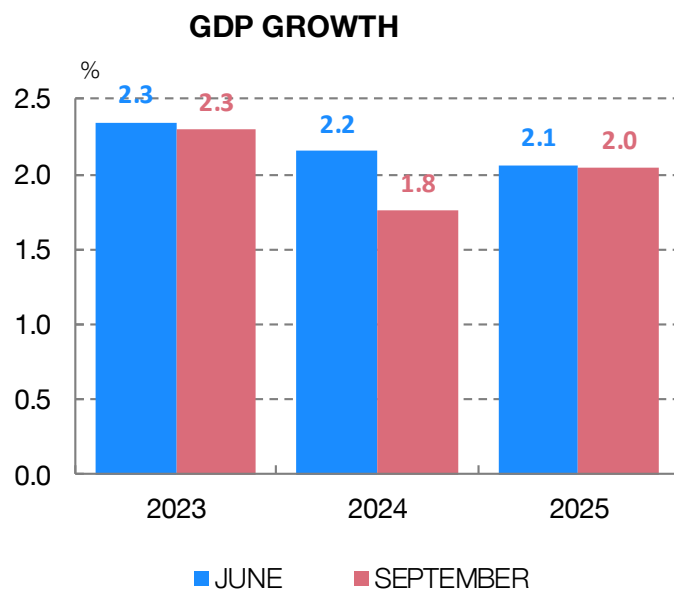
- Social Security registrations
- Banco de España Business Activity Survey (EBAE)
- Confidence indicators

In any event, the Spanish economy has recently been performing better than the euro area 🇪🇺

Some factors contributing to this:

- Greater weight of services compared with manufacturing
- Better performance of energy-intensive industry
- Less trade exposure to China

# THE NEW BANCO DE ESPAÑA MACROECONOMIC PROJECTIONS MAINTAIN THE GDP GROWTH FORECAST FOR 2023 (2.3%), BUT REVISE DOWNWARDS THAT FOR 2024 (1.8%) AND 2025 (2%)



Source: Banco de España.

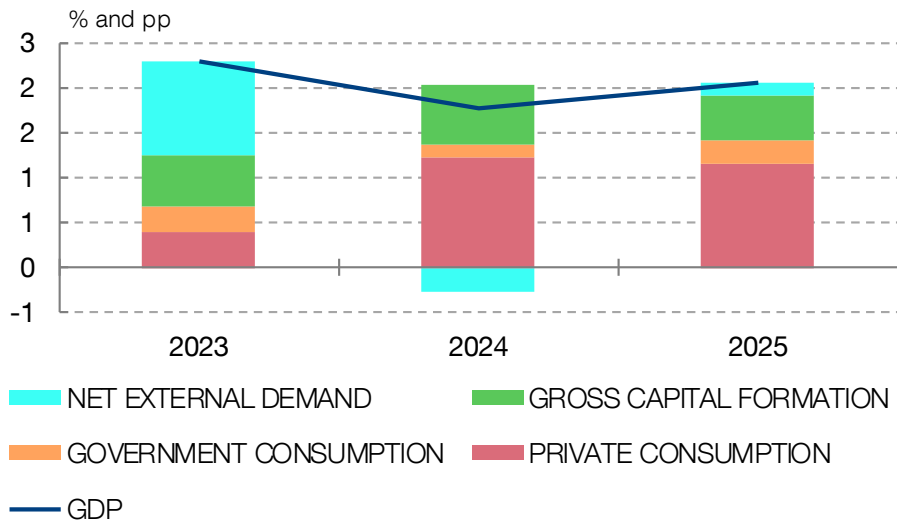
## Main items underlying the revision

- **Growth in 2023:** The latest QNA series entail an upward revision, but the latest short-term information and the new technical assumptions (i.e. higher energy prices, higher interest rates and export market developments that are less favourable for activity growth) entail a downward revision due to lower estimated growth for 2023 H2 than projected in June
- **Growth in 2024:** The negative carry-over effect deriving from lower growth in both 2023 Q2 and 2023 H2 compared with that projected in June, and the new technical assumptions (especially as regards the higher energy prices, but also, to a lesser extent, the deterioration in the external environment and the greater tightening of financing conditions) explain the downward revision of 0.4 pp in GDP growth for 2024

Projections summary tables

## Composition of growth

**GDP GROWTH AND CONTRIBUTIONS OF THE MAIN COMPONENTS. SEPTEMBER 2023**



Source: Banco de España.

- From **external demand** in 2023, driven by the reopening of the economy, ...
- ... to **consumption and investment** in 2024-2025, fostered by the recovery of confidence, the improvement in real incomes and the roll-out of the NGEU programme

## Growth boosted/weighed down by various factors operating over different time horizons

**Monetary policy**

It has started to pass through and is already having effects on activity. Most of these effects will be felt in 2024

**Government measures in response to the energy crisis**

They have sustained activity in 2022 and 2023. Their withdrawal at the end of the year will have a negative impact on growth in 2024

**External sector: goods exports**

The global slowdown will weigh on them over the coming quarters. They will recover over the course of 2024 due to the improvement in the external environment and the competitiveness gains vis-à-vis the rest of the euro area

**External sector: inbound tourism**

**Tourism exports** have recovered their pre-pandemic levels. Their contribution to growth will tend to decline

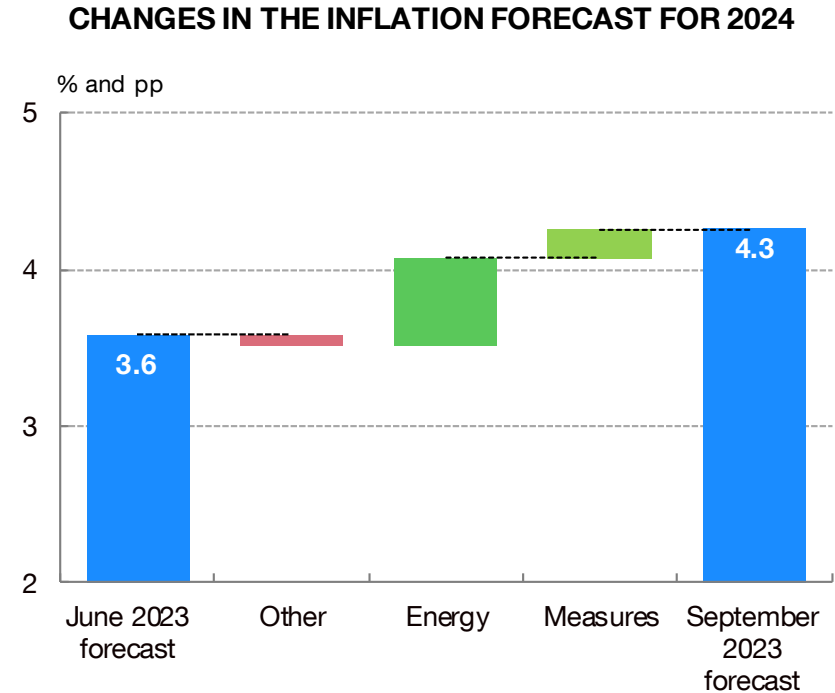
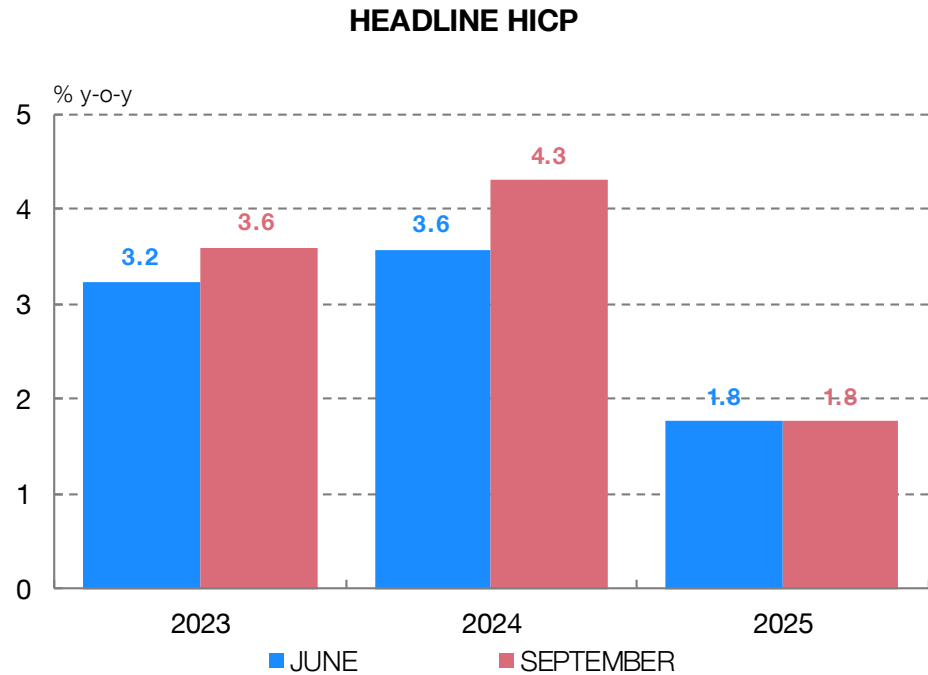
**Energy prices**

Despite the slowdown forecast, at the end of the projection period oil prices will be 20% higher than before the pandemic, while gas prices will have increased fourfold

**Population growth**

The population growth projected for 2023-2025 thanks to migratory flows will contribute to an increase in the labour force and the buoyancy of the labour market

# THE AVERAGE HEADLINE INFLATION RATE FOR 2023 AND 2024 IS REVISED UP BY 0.4 PP (TO 3.6%) AND 0.7 PP (TO 4.3%), RESPECTIVELY



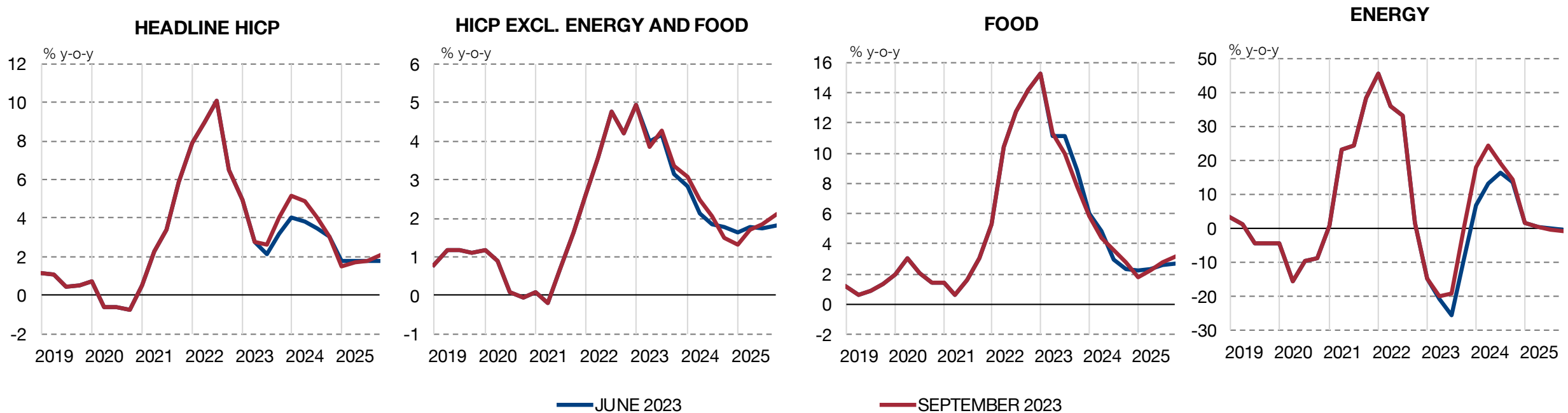
Source: Banco de España.

- **Inflation in recent months:** Both headline and underlying inflation have increased slightly over the summer months compared with the rates recorded during the spring. The pace of the year-on-year drop in energy prices has slowed and the deceleration in food inflation has levelled off
- **Inflation forecast for 2023:** Revised up, mainly due to the increase in oil prices over the summer
- **Inflation forecast for 2024:** Revised up, above all due to the higher energy prices signalled by the futures markets, but also, to a lesser extent, on account of the effects on inflation of the renewal to end-2023 of the lower VAT on food and the public transport subsidy



# HEADLINE INFLATION IS EXPECTED TO INCREASE IN THE COMING MONTHS AND REMAIN HIGH UNTIL MID-2024 ...

- ... solely because of the energy component. This increase is the consequence of (i) the recent higher energy prices; (ii) the base effects associated with the drops in energy prices in the final stretch of 2022; and (iii) the eventual withdrawal of the measures rolled out by the authorities to contend with the energy crisis
- All this, amid expectations for a continuation of the deceleration in food prices (quite widespread and in line with that observed following other episodes of rising prices) and underlying inflation, both non-energy industrial goods (in keeping with changes in producer prices) and, slightly less markedly, services (where leisure, hospitality and travel-related items have recently contributed significantly to excess underlying inflation)



Sources: INE and Banco de España.

Forecasts by component in annual average rates

Contributions to HICP growth

# RISKS: TILTED TO THE DOWNSIDE FOR GROWTH AND BALANCED FOR INFLATION

Strength of economic activity globally  
and, especially, in China

Transmission and impact of monetary  
policy tightening

Energy and food prices

Second-round effects on inflation via  
profit margins and/or wages

Geopolitical tensions

NGEU: pace of roll-out and impact on  
activity

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### 1. Takeaways

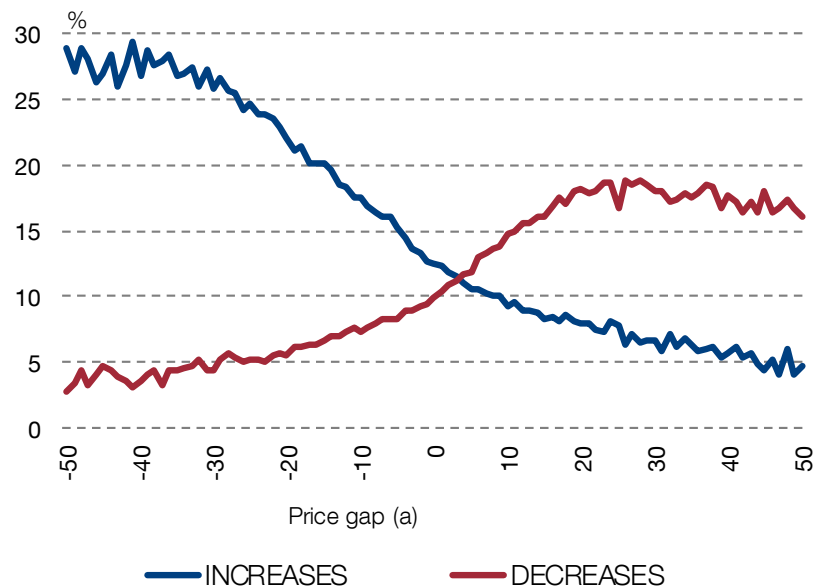
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- **Asymmetries in the pass-through of rising/falling costs to prices**
- Transmission of monetary policy and its impact on activity
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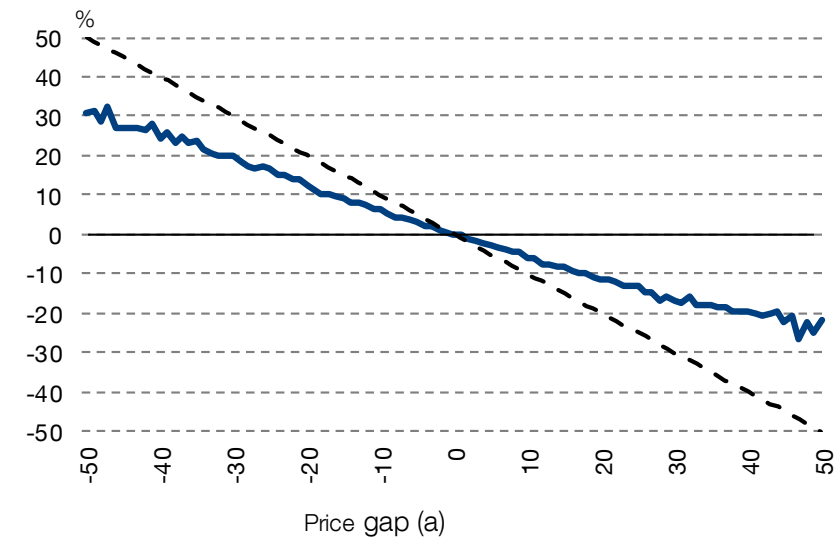
# PRICES CHANGE MORE AND MORE FREQUENTLY IN THE CASE OF UPWARD ADJUSTMENTS THAN IN DOWNWARD ONES

- The frequency and size of price changes are more sensitive to increases in costs (negative “price gaps”) than to decreases
- This means that, in response to lower energy costs, for example, firms might not adjust their prices as swiftly and to the same extent as in the case of higher energy costs
- High cross-sector heterogeneity is observed. For example, in the case of clothing and unprocessed food, prices respond to rises and falls in costs relatively similarly

**PRICE CHANGE FREQUENCY ACCORDING TO THE PRICE GAP**



**AVERAGE PRICE CHANGE ACCORDING TO THE PRICE GAP**

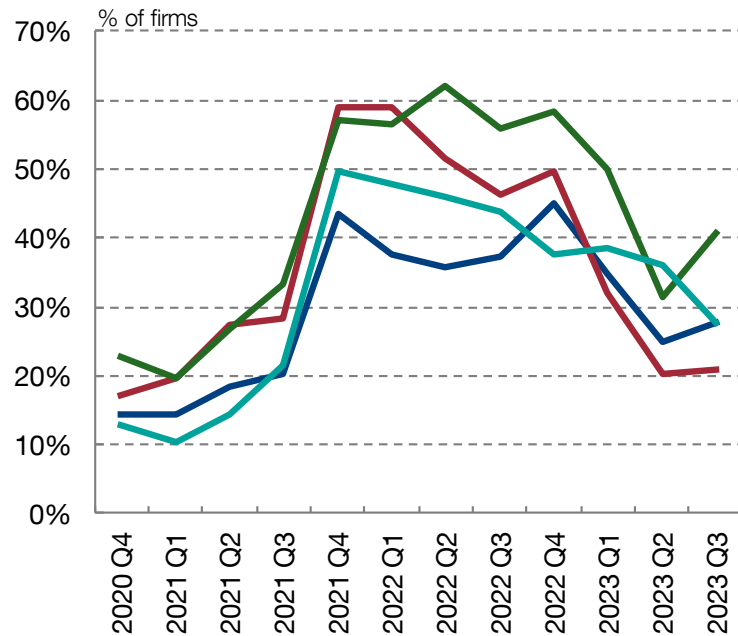


Sources: INE and Banco de España (forthcoming publication).

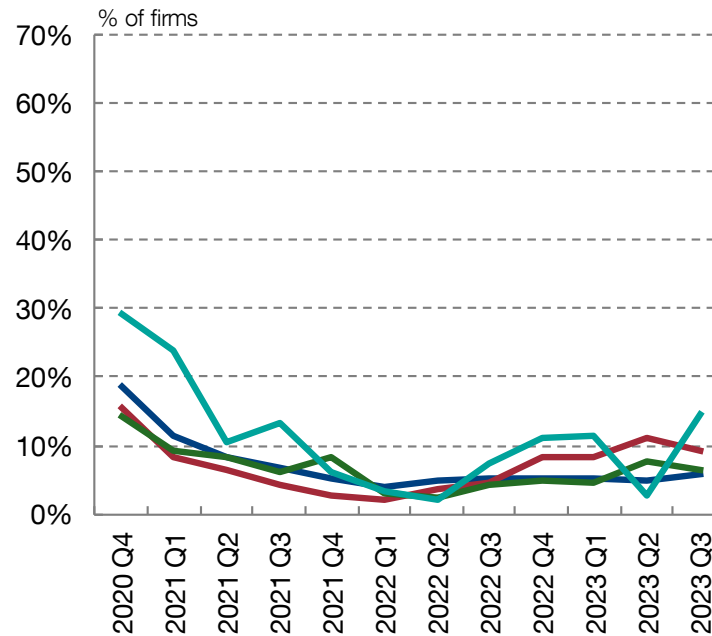
(a) The price gap refers to the percentage difference between the price of each product (at COICOP five-digit level) at each establishment and that of its competitors who have adjusted their prices in a given month.

# IN THE EBAE, EXPECTATIONS FOR HIGHER PRICES REMAIN SOMEWHAT DOWNWARDLY STICKY AND THEY HAVE INCREASED IN THE LAST QUARTER

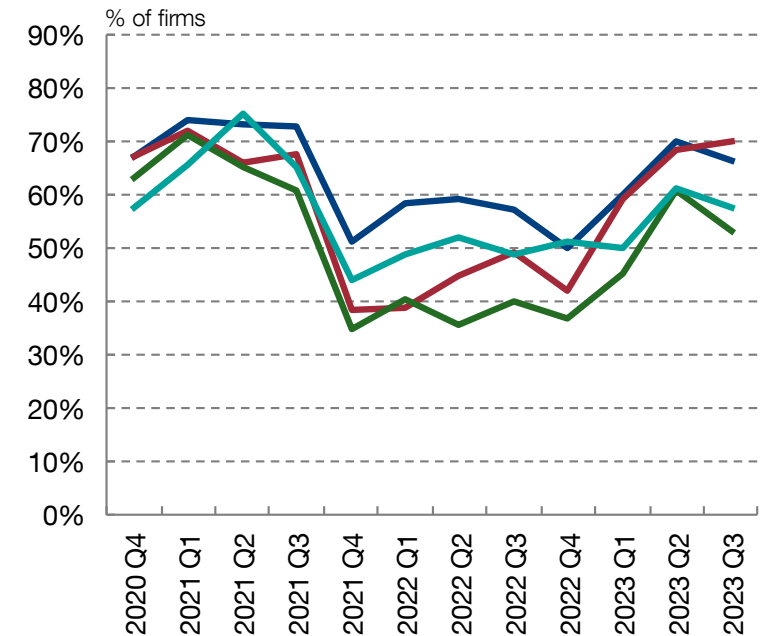
### EXPECTATIONS FOR HIGHER PRICES IN THE FOLLOWING QUARTER



### EXPECTATIONS FOR LOWER PRICES IN THE FOLLOWING QUARTER



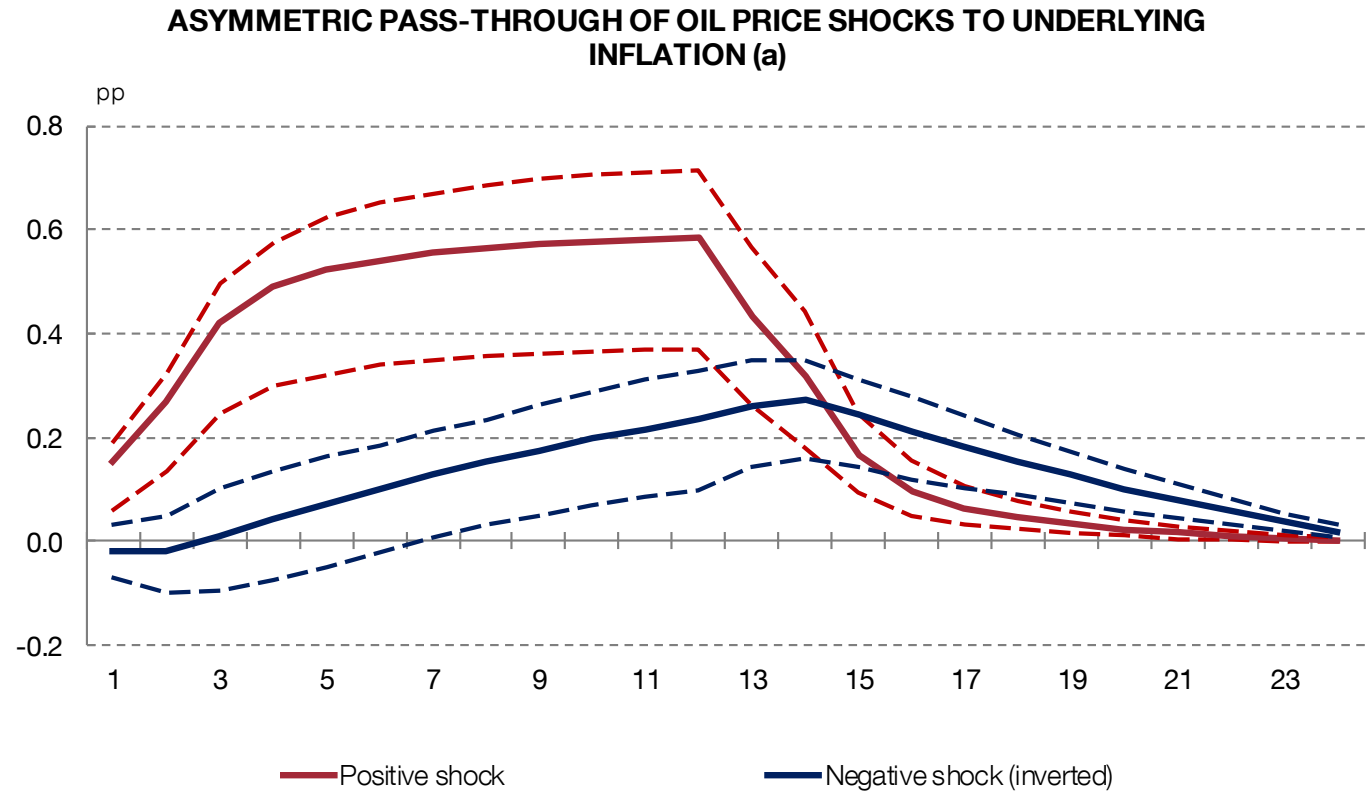
### EXPECTATIONS FOR PRICES REMAINING UNCHANGED IN THE FOLLOWING QUARTER



— TOTAL — INDUSTRY — MARKET SERVICES — TRADE — HOSPITALITY

Source: Banco de España Business Activity Survey (EBAE).

# OIL PRICE SHOCKS PASS THROUGH TO UNDERLYING INFLATION ASYMMETRICALLY



Source: Banco de España (forthcoming publication).

(a) Asymmetry is defined so as to allow underlying inflation dynamics to differ during the periods in which oil prices reach their 12-month peak; the bigger the difference between the current oil price and the highest oil price in the last 12 months, the stronger the effect of the asymmetry.

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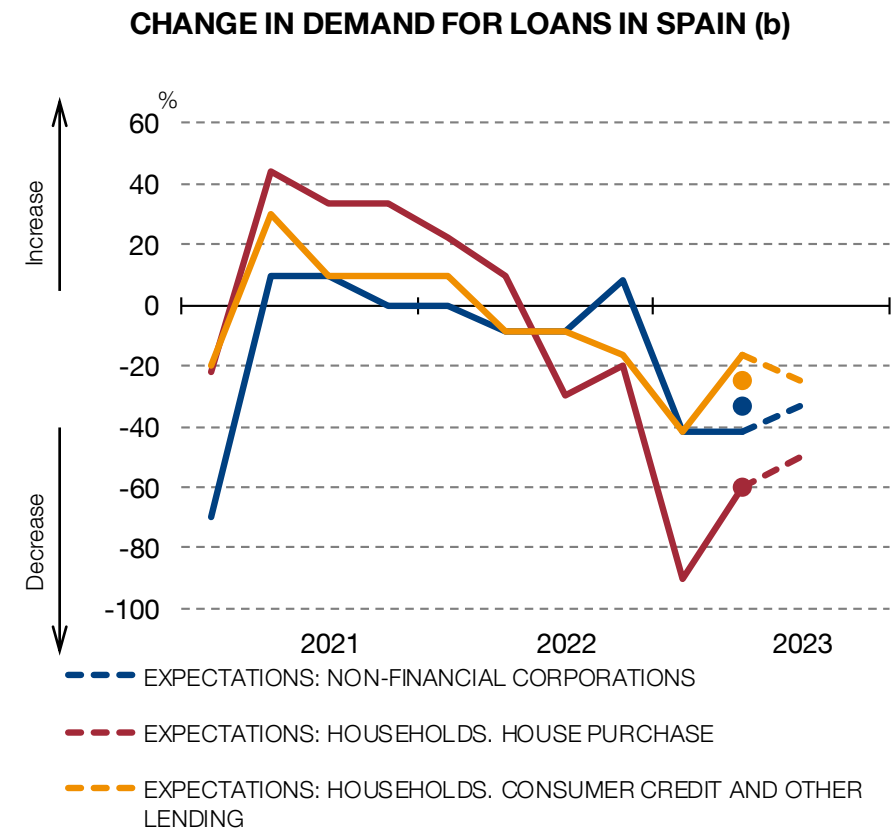
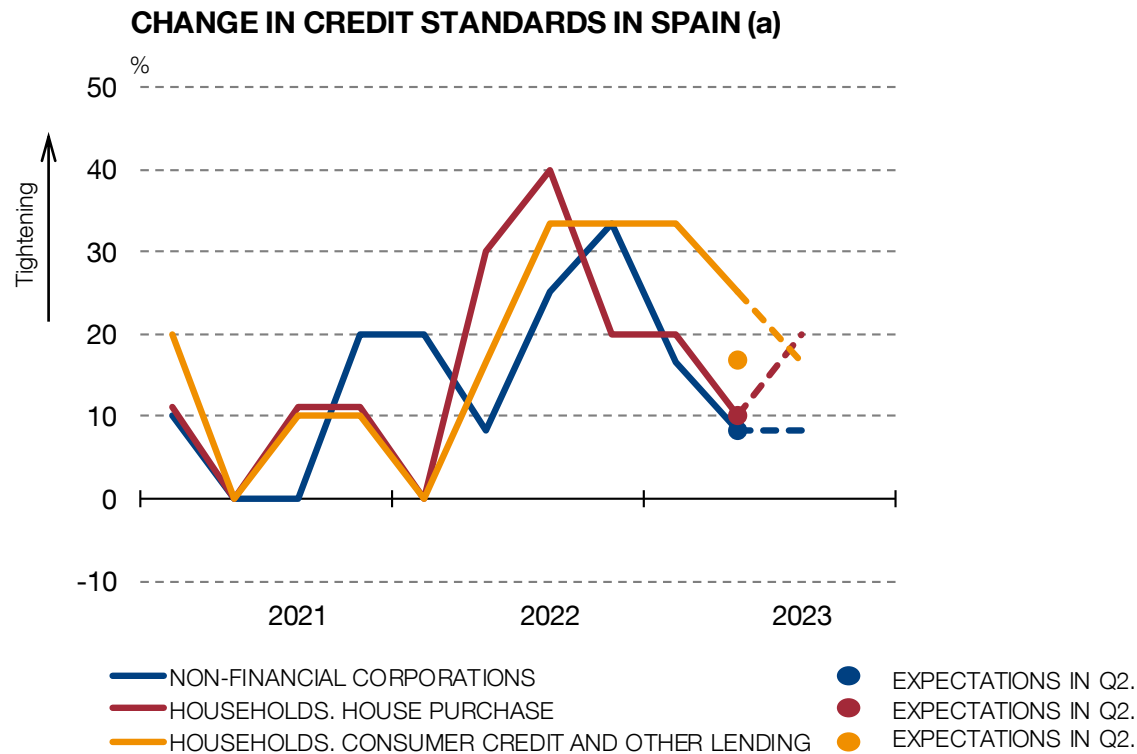
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# CREDIT STANDARDS TIGHTENED ACROSS THE BOARD IN 2023 Q2, ALBEIT LESS SO THAN IN THE PREVIOUS QUARTER

- Credit standards are expected to continue to tighten in 2023 Q3
- The demand for credit from firms and households decreased in 2023 Q2, albeit less sharply than in 2023 Q1 in most segments. Loan applications are expected to continue to decline in 2023 Q3



Source: Banco de España. Latest observation: 2023 Q2.

(a) Net percentage of banks reporting a tightening of credit standards.

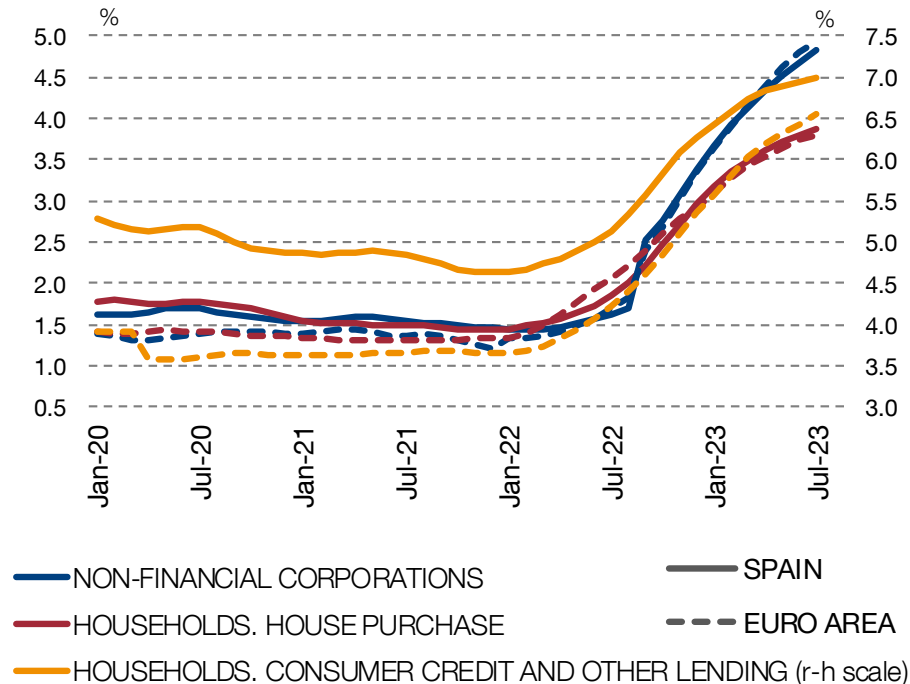
(b) Net percentage of banks reporting an increase in demand.



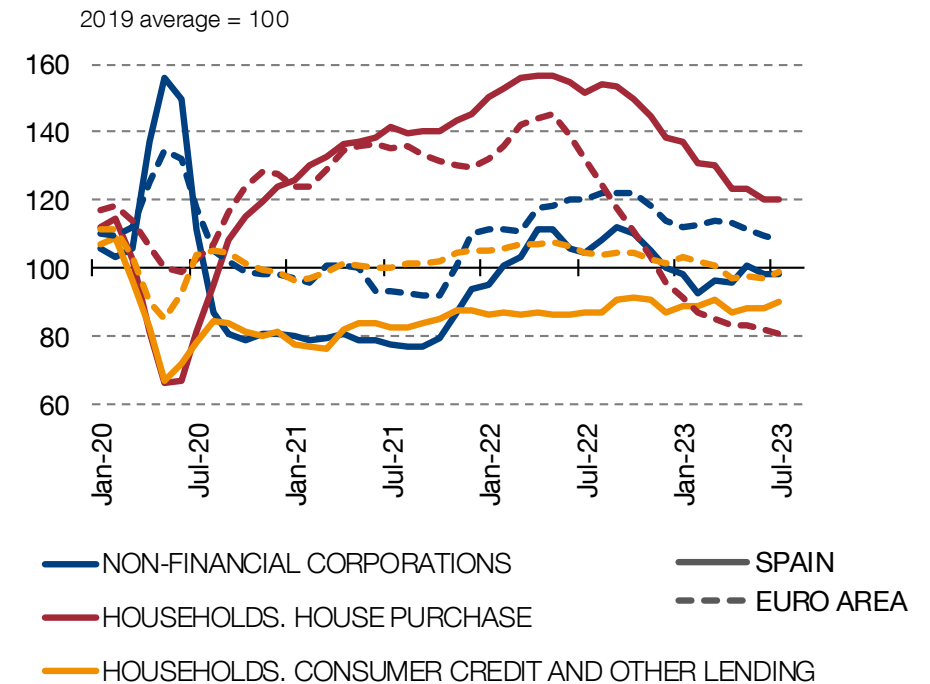
# THE PASS-THROUGH OF HIGHER MARKET INTEREST RATES TO THE COST OF NEW LOANS HAS GAINED MOMENTUM IN RECENT MONTHS ...

- ... and new lending has remained sluggish

**COST OF NEW BANK LOANS (a)**



**NEW LENDING (b)**



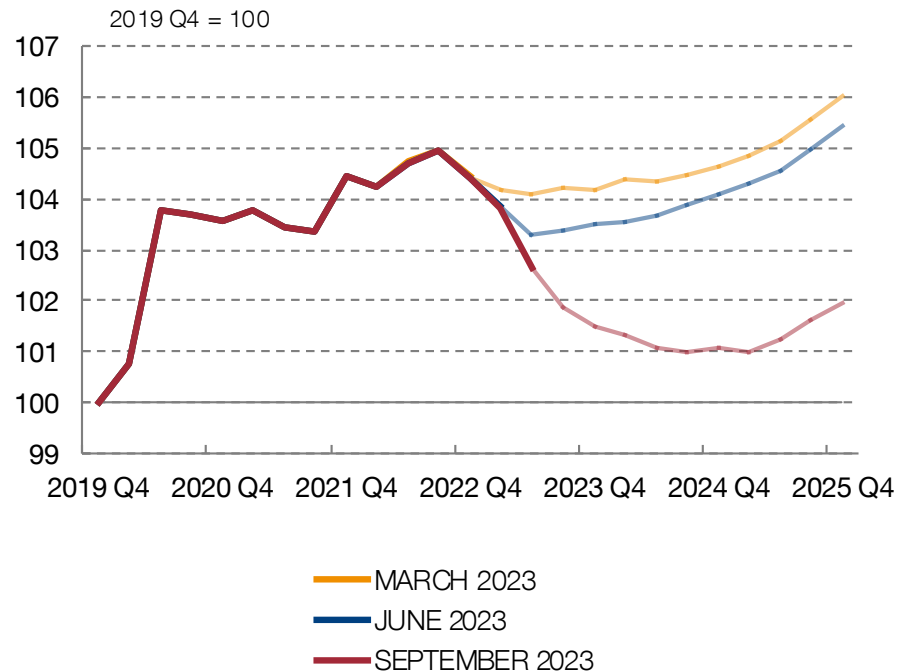
Source: ECB. Latest observation: July 2023.

(a) Bank interest rates are narrowly defined effective rates, i.e. they exclude related costs, such as repayment insurance premiums and fees. In addition, they are trend-cycle rates, in other words, they are adjusted for seasonality and the irregular component (small changes in the series without an identifiable regular pattern or trend).

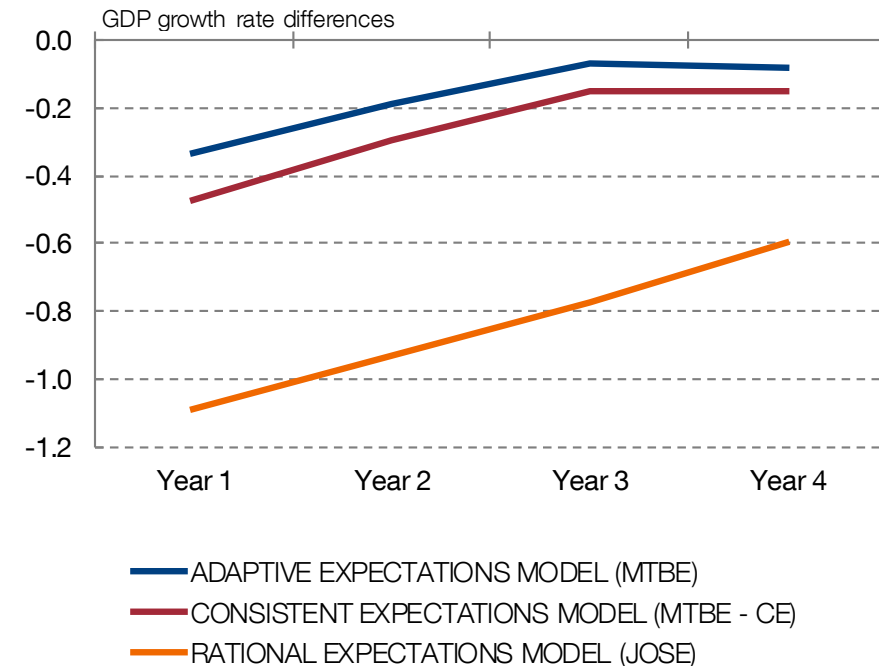
(b) Seasonally adjusted cumulative three-month flows compared with the monthly average for 2019.

# THERE IS CONSIDERABLE UNCERTAINTY ABOUT THE IMPACT OF MONETARY POLICY TIGHTENING ON ECONOMIC ACTIVITY

## LENDING TO HOUSEHOLDS AND FIRMS



## SIMULATIONS OF THE EFFECT ON GDP OF A 1 PP RISE IN ALL INTEREST RATES (a)



Source: Banco de España.

(a) The effects on the Spanish economy of a 1 pp rise in all significant interest rates (short-term, long-term and bank) are simulated using three macroeconomic models that differ as regards the assumptions about how such a rise affects agents' expectations. Under adaptive expectations, agents only estimate possible future effects of the interest rate rise once they begin to observe measurable effects in the present. Under consistent expectations, the estimated effect is greater and more immediate, as an element of anticipation of future effects can be included, albeit without assuming rationality on the part of the agents in the model. Lastly, a microfounded model, with rational agents who take optimal decisions based on knowledge of how the economy functions, generates greater anticipation effects, which broadens and anticipates further still the macroeconomic effects of interest rate rises.

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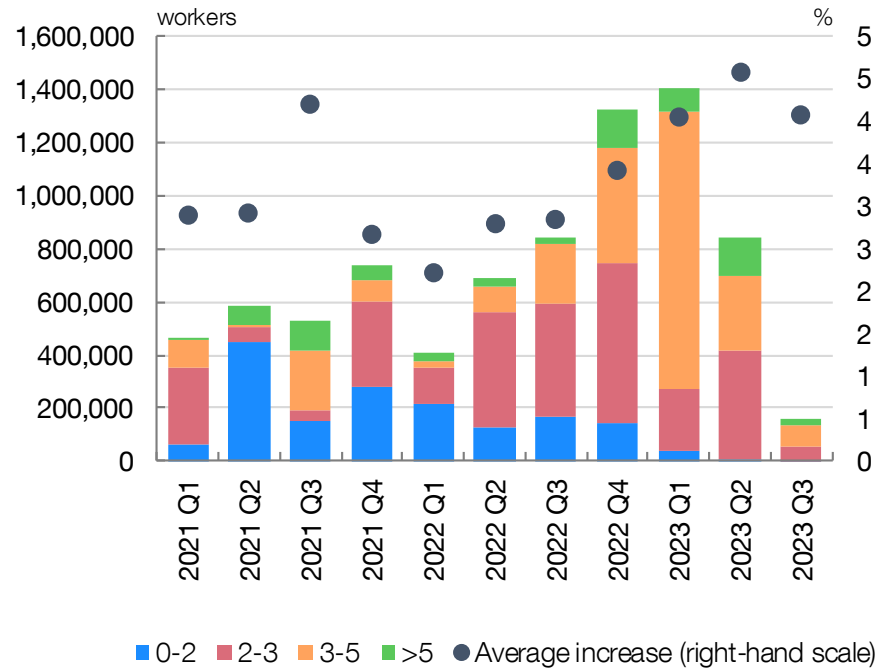
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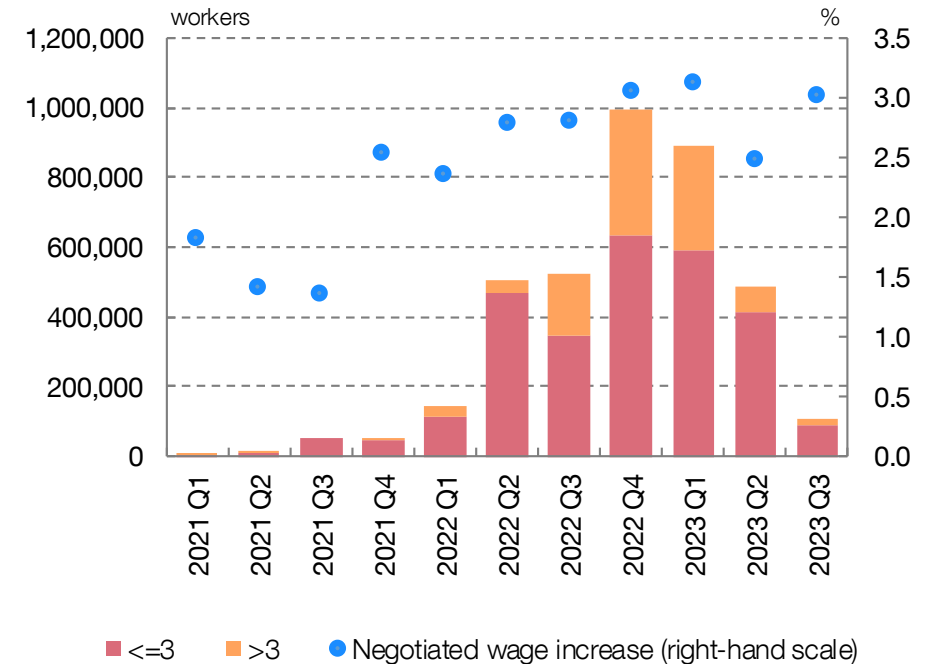
- Asymmetries in the pass-through of rising/falling costs to prices
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# ON THE INFORMATION AVAILABLE, WAGE SETTLEMENTS FOR 2023 AND 2024 ARE IN LINE WITH THE RECOMMENDATION OF THE EMPLOYMENT AND COLLECTIVE BARGAINING AGREEMENT (AENC)

**WAGE BARGAINING FOR 2023, BY QUARTER IN WHICH EACH AGREEMENT WAS SIGNED (a)**



**WAGE BARGAINING FOR 2024, BY QUARTER IN WHICH EACH AGREEMENT WAS SIGNED (b)**

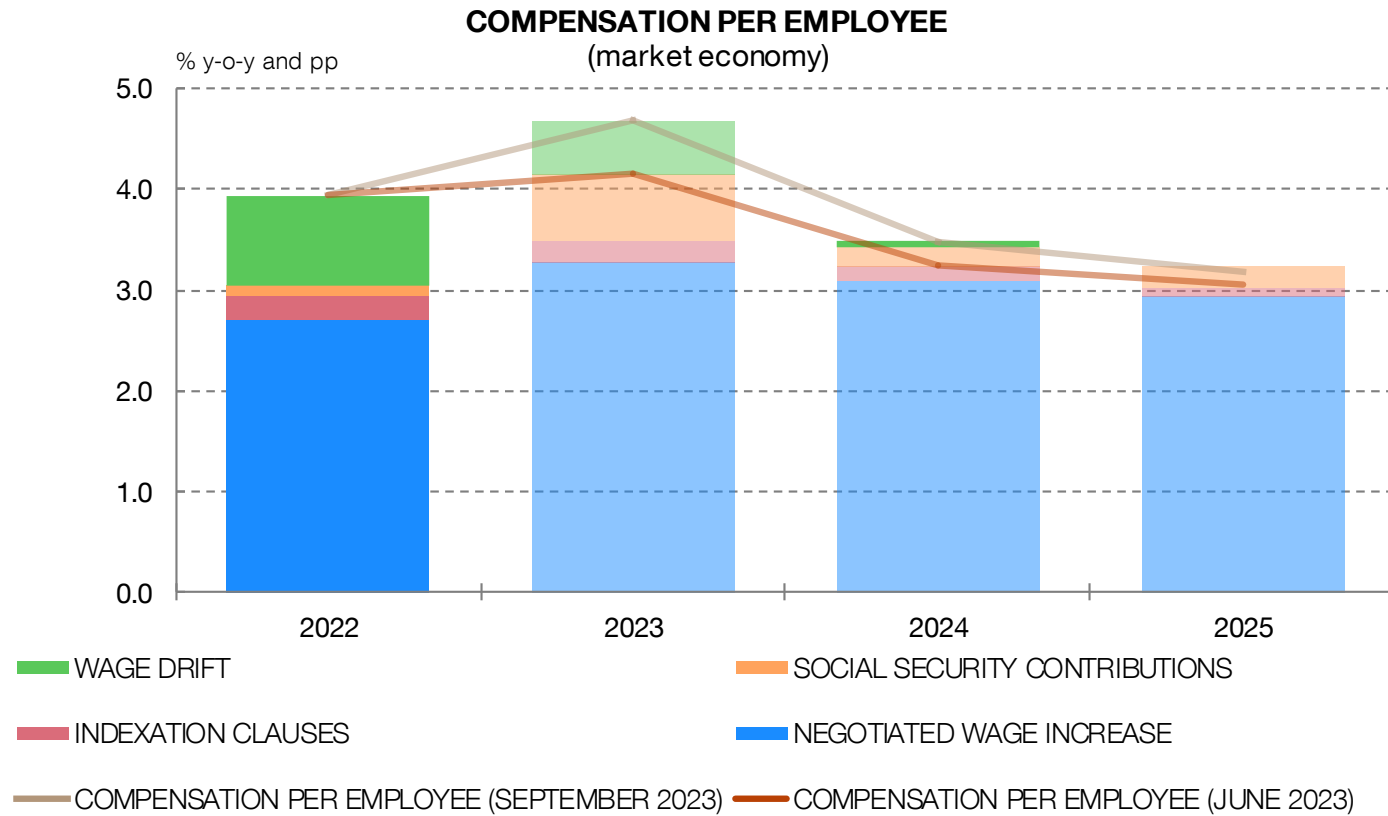


Source: Ministerio de Trabajo y Economía Social. Latest data: August 2023.

(a) The chart breaks down the negotiated wage increases for 2023 by quarter in which the agreement was signed. It draws on microdata provided by the Ministry of Labour and Social Economy, which include information for 86.1% of the workers covered by agreements registered to August 2023. The bars from 2021 Q1 to 2022 Q4 are revised agreements for 2023, while the bars from 2023 Q1 to 2023 Q3 are new agreements signed this year.

(b) The chart breaks down the negotiated wage increases for 2024 drawing on individual information available at <https://expinterweb.mites.gob.es/regcon/pub/consultaPublicaEstatal> for agreements that were registered to August 2023, will be in force in 2024 and whose negotiated wage increase is known. In total, this information is available for agreements affecting 3.7 million workers.

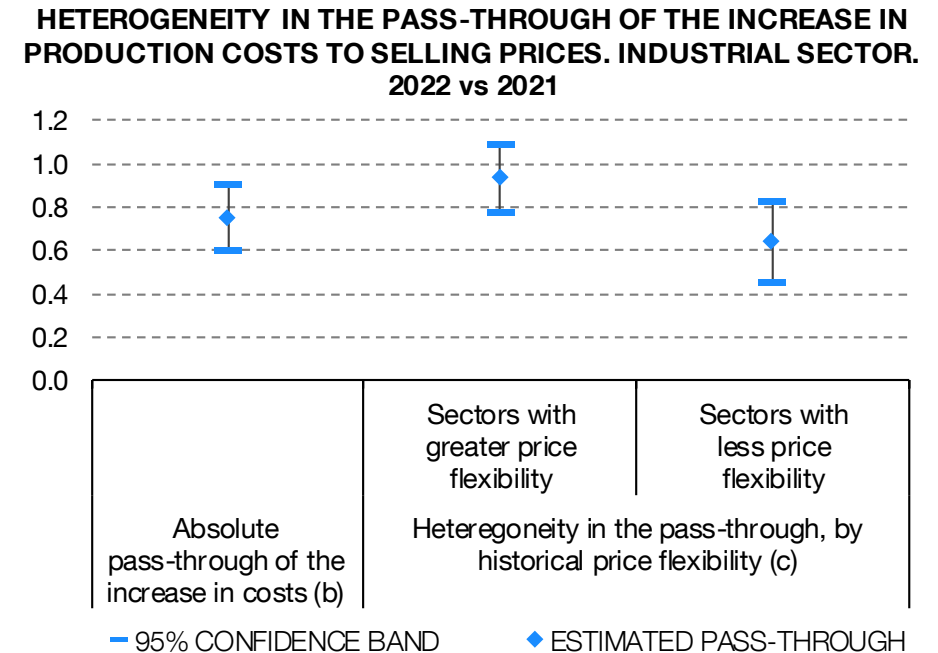
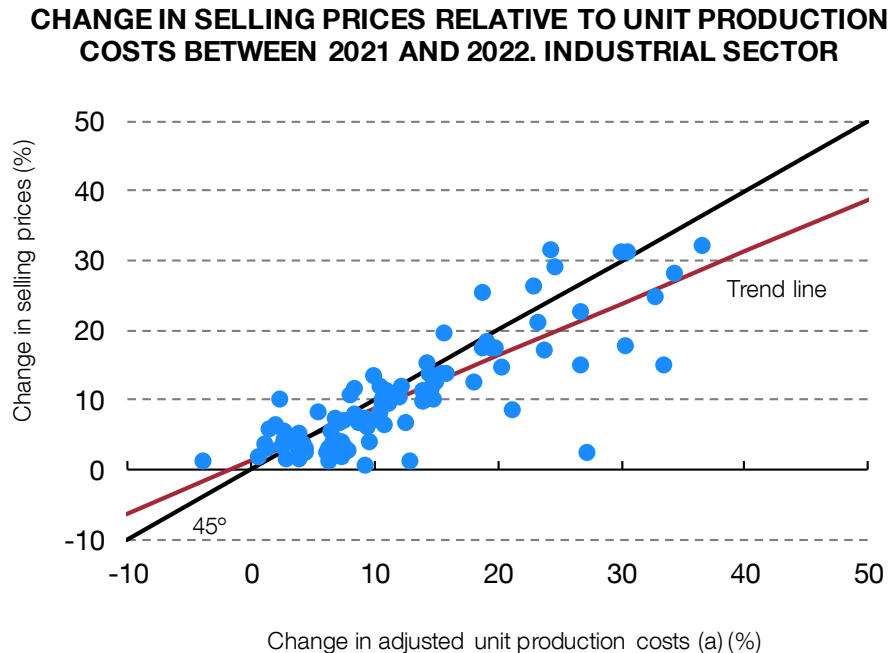
# IN ANY EVENT, WAGE FORECASTS FOR THIS YEAR HAVE BEEN REVISED UP, REFLECTING A STRONGER THAN EXPECTED POSITIVE WAGE DRIFT



Sources: INE and Banco de España.

# AT END-2022, THE “ABSOLUTE” PASS-THROUGH OF HIGHER PRODUCTION COSTS TO PRICES REMAINED INCOMPLETE ...

- ... although there is considerable heterogeneity across sectors



Sources: AEAT, INE and Banco de España. See [“Pass-through of rising production costs to the sales prices of non-financial corporations in 2022”](#), Banco de España.

(a) Production costs include inputs and wages and are adjusted for the ratio of costs to turnover in t-1. Absolute pass-through is complete when the change in price in euro is equal to the change in unit costs, or equivalently when the percentage change in price is equal to the percentage change in unit cost adjusted for the ratio of costs to turnover. Complete absolute pass-through entails constant unit profit margins but a decline in profit margins as a percentage of sales.

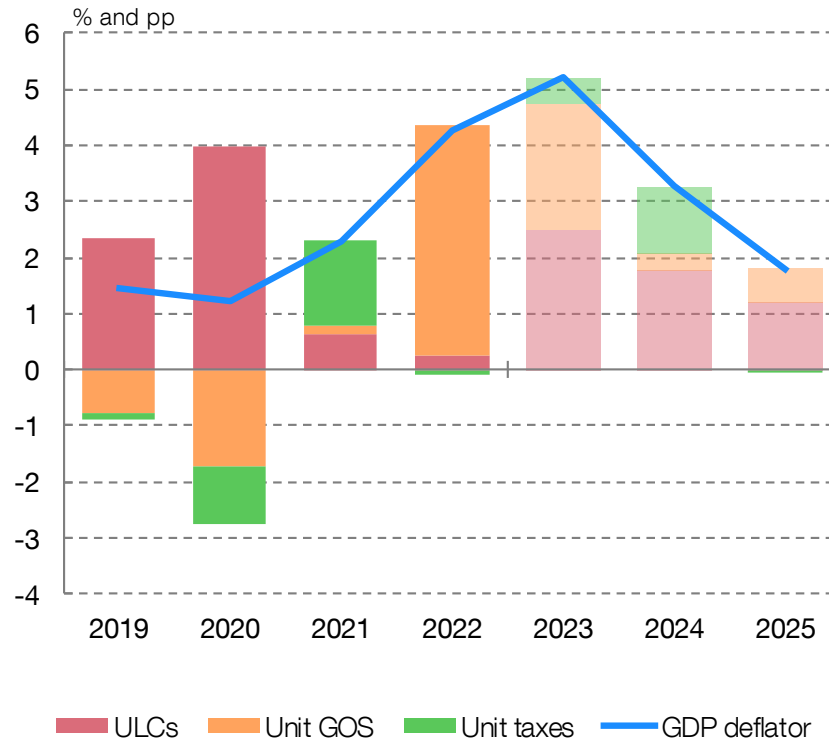
(b) Absolute pass-through is estimated as the coefficient  $b_1$  in the regression:  $dP_i = b_0 + b_1 dC_i + \text{Controles}_i + e_i$ , where  $dP_i$  is the rate of change of unit prices in sub-sector  $i$ ;  $dC_i$  is the rate of change of the unit production cost in sub-sector  $i$  adjusted for the ratio of costs to turnover in t-1. The confidence intervals were estimated using robust standard errors.

(c) The heterogeneous effect is estimated with a similar specification, but factoring in the interaction between the change in unit costs and an indicator of the sub-sector belonging to a group of sub-sectors with greater historical price flexibility. These are defined as those with above average historical price flexibility (proxied by the standard deviation of the price changes).

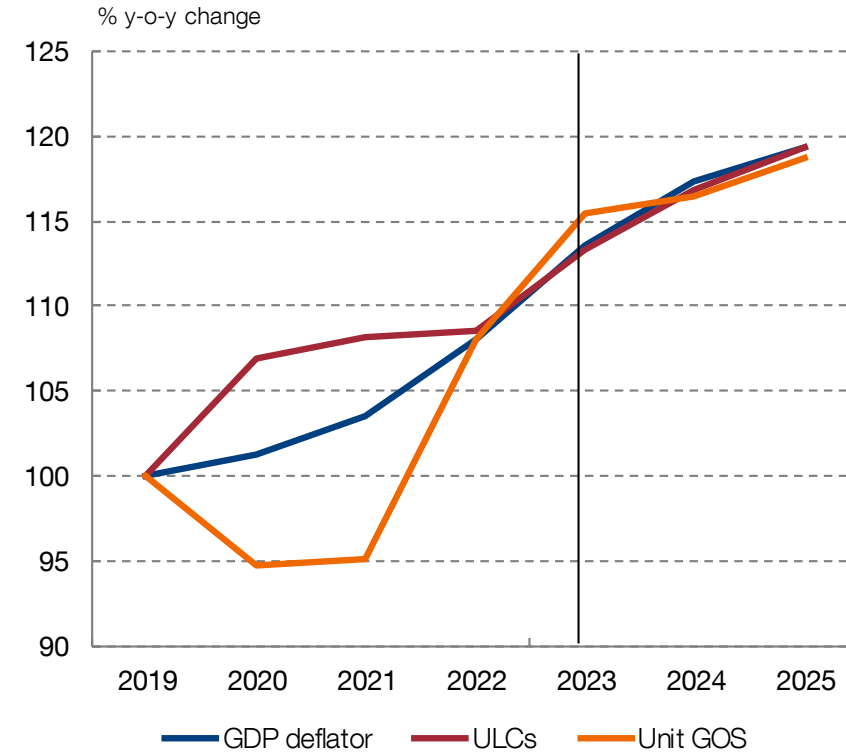
# THE CURRENT PROJECTIONS ENVISAGE THE PACE OF GROWTH IN UNIT GROSS OPERATING SURPLUS (UNIT GOS) NORMALISING, FOLLOWING ITS STRONG RECOVERY IN 2022 ...

- ... which would see ordinary profit partly absorb the impact of higher unit labour costs on domestic inflation
- This assumption appears to be backed, albeit still in very incipient form, by the evidence available in early 2023 for both Spain and the euro area as a whole

### GDP DEFLATOR



### GDP DEFLATOR



Sources: INE and Banco de España

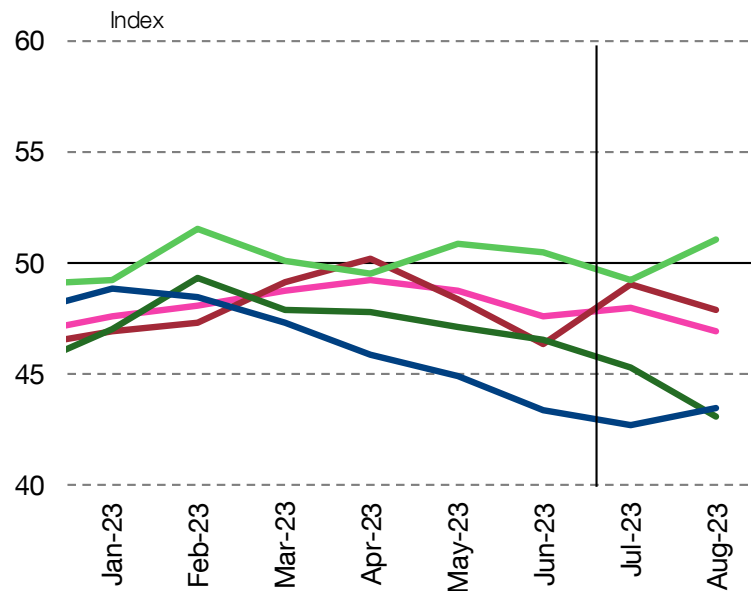
THANK YOU FOR YOUR ATTENTION



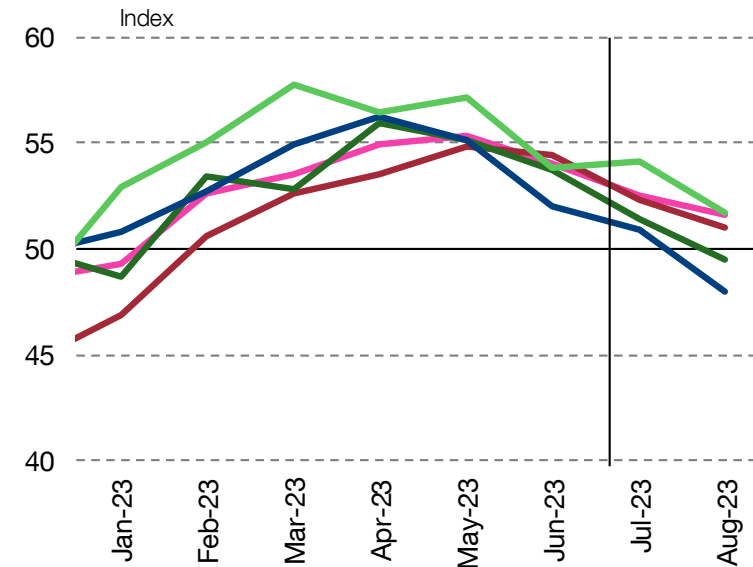
# IN 2023 Q2, THE PACE OF GLOBAL GROWTH EASED COMPARED WITH THE PREVIOUS QUARTER ...

- ... and, according to the available indicators, global economic activity has slowed further in Q3, as the weakness in the manufacturing sector appears to have spread to services

## MANUFACTURING PMI



## SERVICES PMI



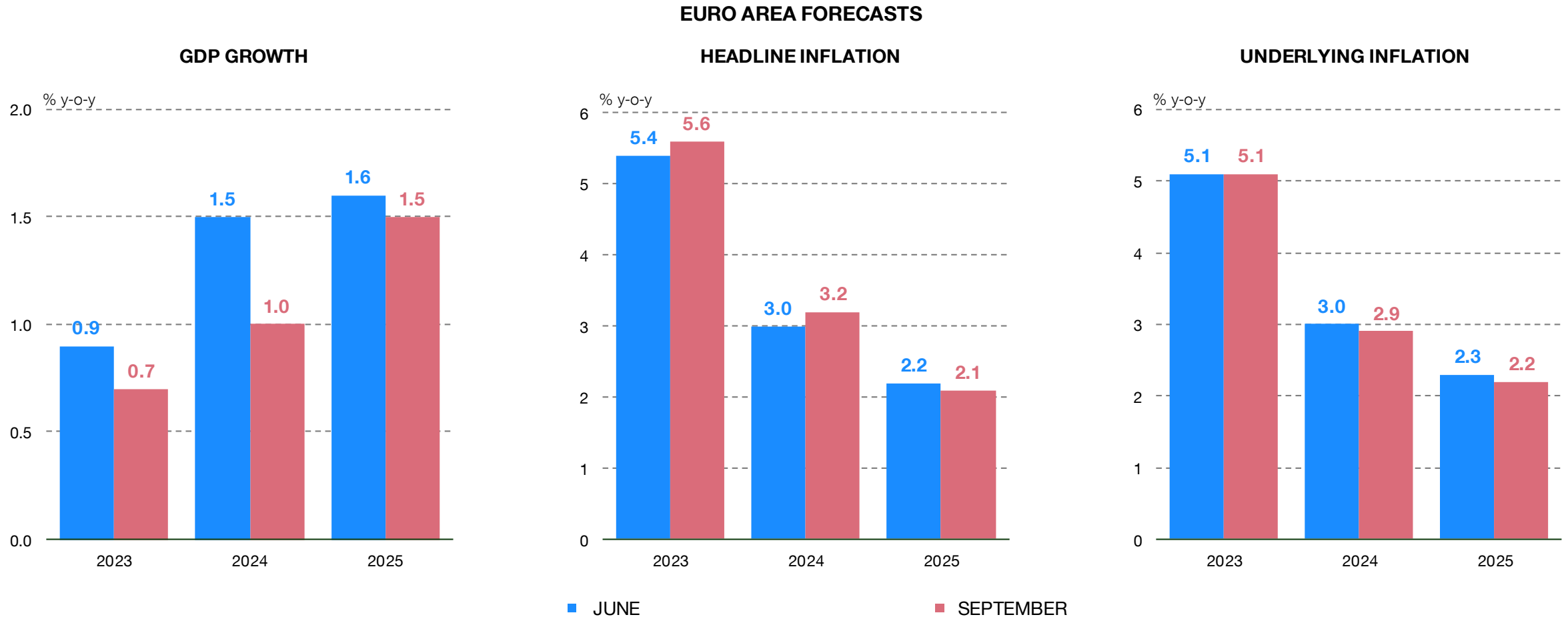
— ADVANCED EXCL. EURO AREA (a) 
 — UNITED STATES 
 — UNITED KINGDOM 
 — EURO AREA 
 — CHINA

Source: S&P Global. Latest observation: August 2023 (flash data for US services PMI).  
 (a) Aggregate of Japan, United Kingdom and United States.



# THE LATEST ECB PROJECTIONS REVISE DOWN EURO AREA GDP GROWTH OVER THE ENTIRE PROJECTION HORIZON ...

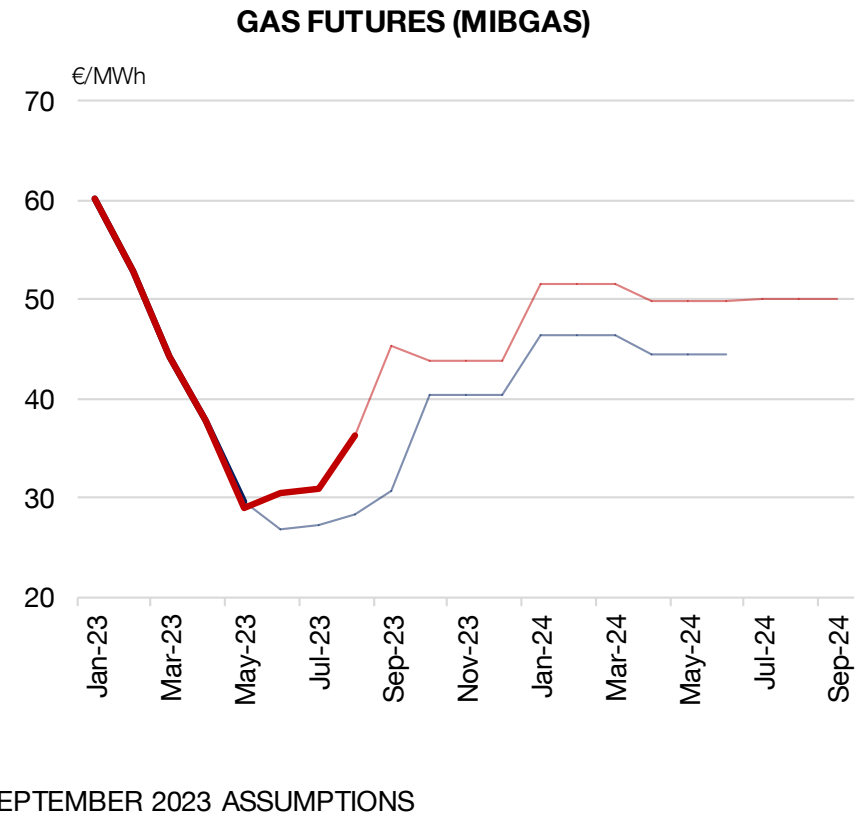
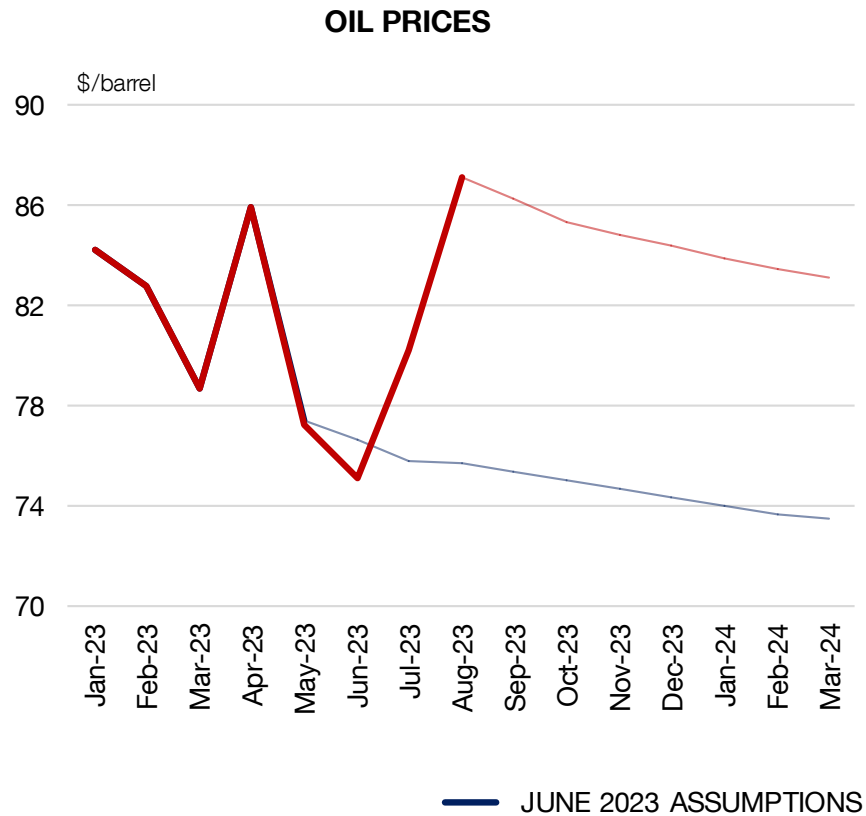
- ... and include an upward revision to headline inflation rates for 2023 and 2024 (and a downward revision to that for 2025)



Source: ECB.

# OIL AND NATURAL GAS PRICES HAVE RECENTLY RISEN IN SPAIN AND GLOBALLY MORE THAN EXPECTED A FEW MONTHS AGO ...

- ... as a result of the materialisation of different negative supply shocks at international level



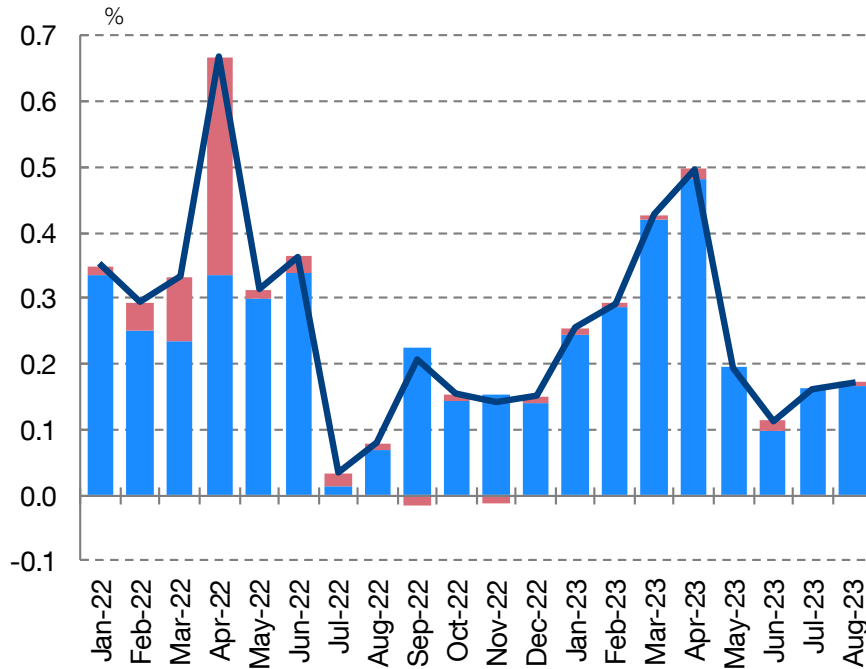
Sources: Reuters, Banco de España and MIBGAS.



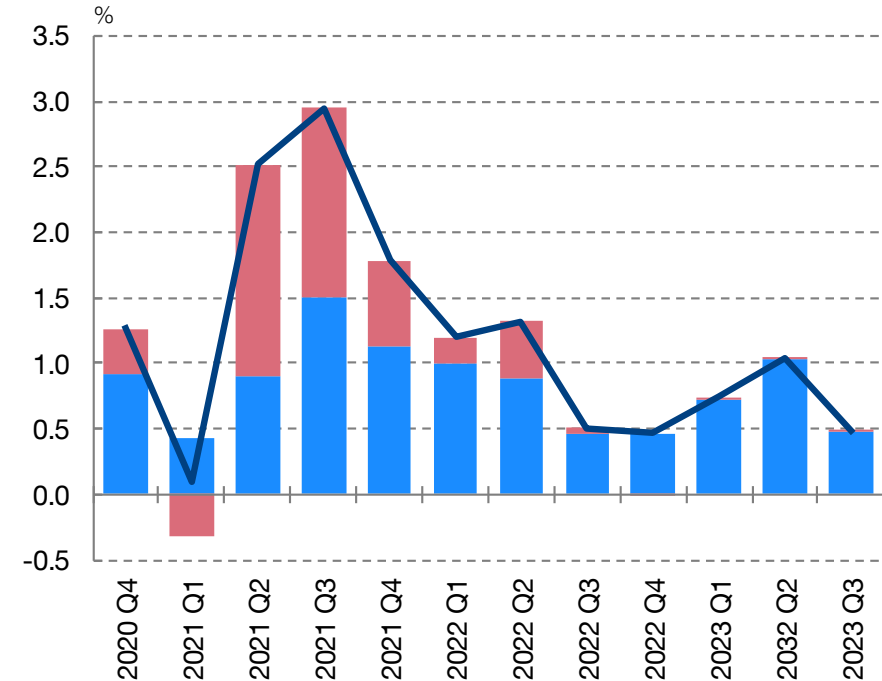
# IN JULY AND AUGUST SOCIAL SECURITY REGISTRATIONS GREW AT A SLIGHTLY SLOWER PACE THAN IN Q2 ON AVERAGE

- Social security registrations in Q3 overall are expected to increase by 0.5%, less than in Q2, returning to growth rates similar to those observed in the second half of 2022

**TOTAL REGISTRATIONS, WORKERS ON JOB RETENTION SCHEMES AND EFFECTIVE REGISTRATIONS (a)**



**TOTAL REGISTRATIONS, WORKERS ON JOB RETENTION SCHEMES AND EFFECTIVE REGISTRATIONS (b)**



■ TOTAL REGISTRATIONS    ■ WORKERS ON JOB RETENTION SCHEMES    — EFFECTIVE REGISTRATIONS

Sources: Ministerio de Inclusión, Seguridad Social y Migraciones and Banco de España. Latest observation: August 2023.

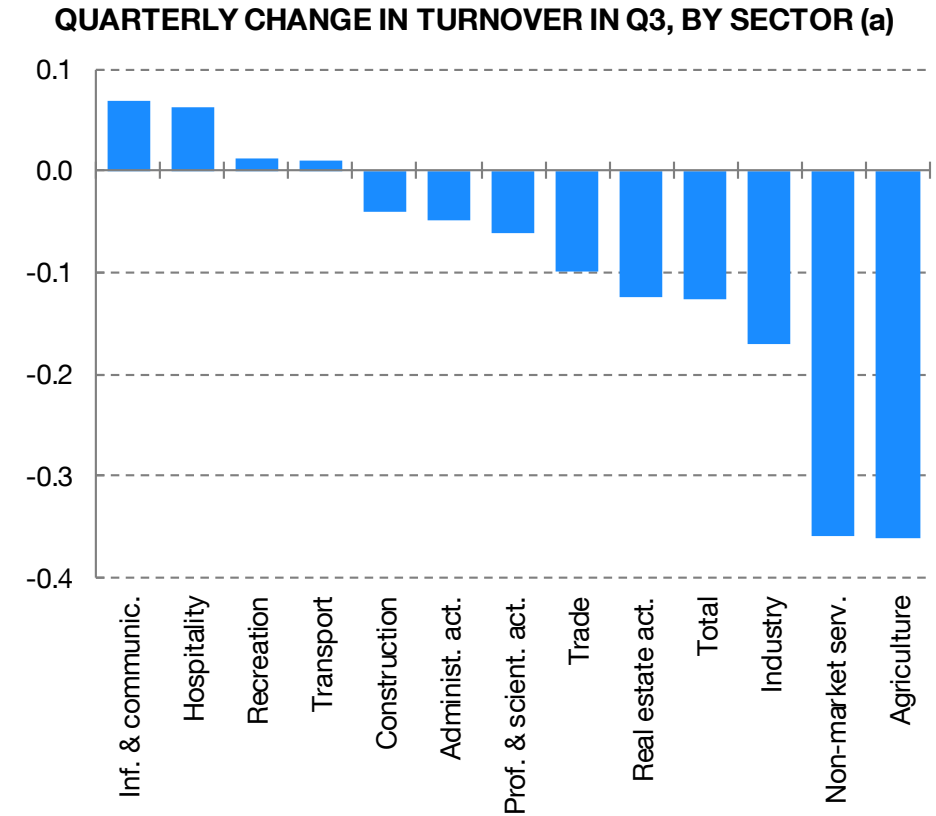
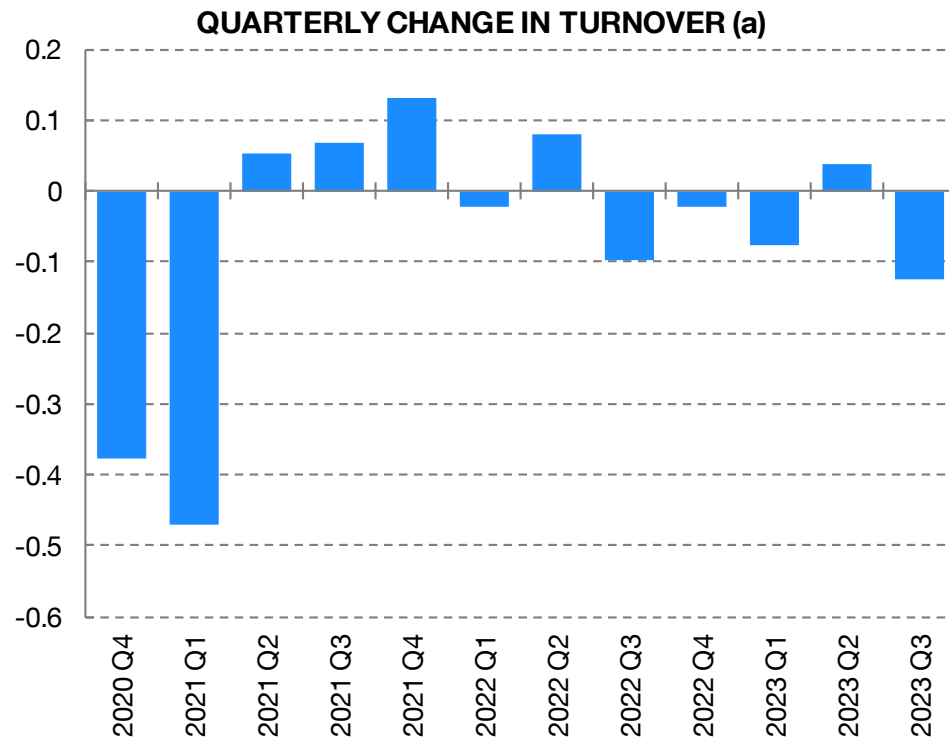
(a) Seasonally adjusted monthly rates.

(b) Seasonally adjusted quarterly rates, including the ARIMA model forecasts for September.



# THE RESULTS OF THE EBAE POINT TO A DROP IN SPANISH BUSINESS TURNOVER IN Q3 ...

- ... albeit with notable heterogeneity across sectors of activity



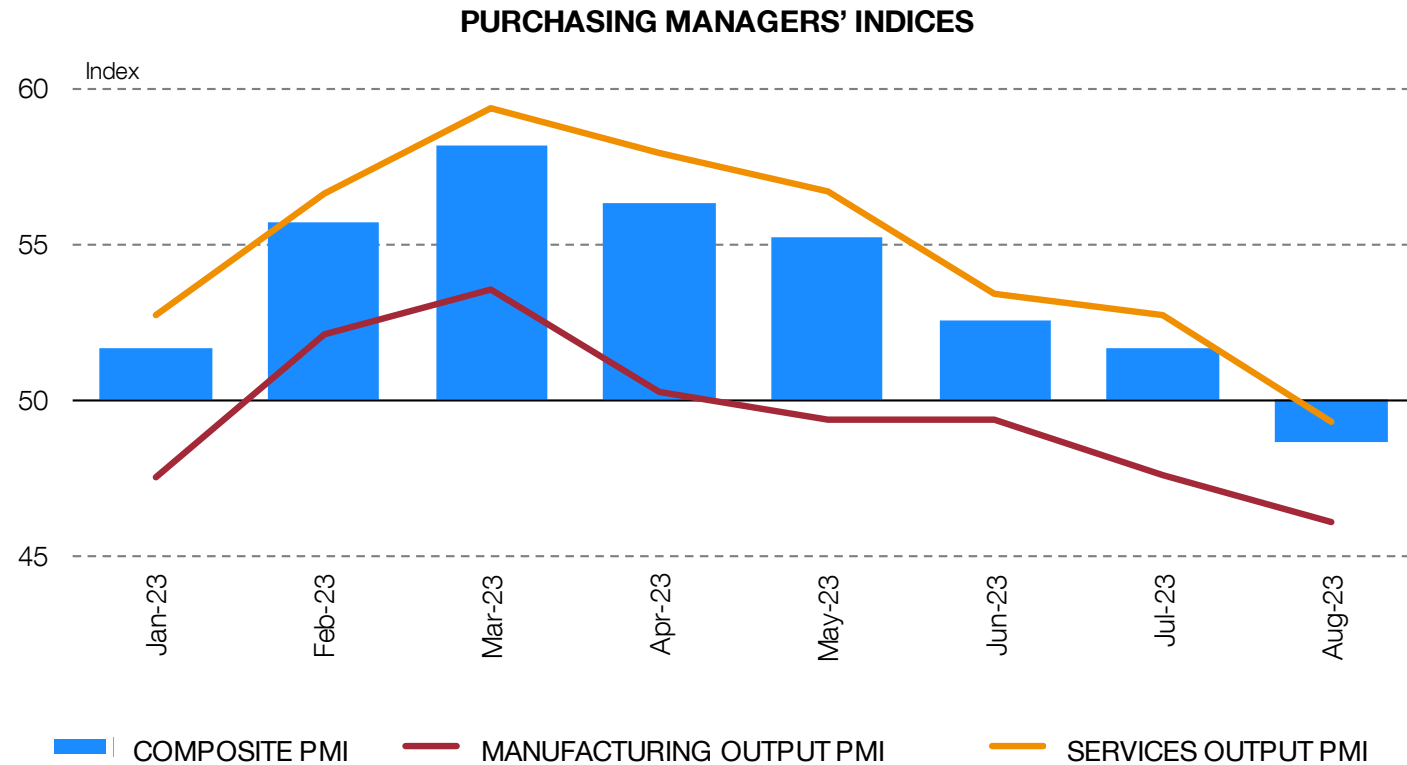
Source: Banco de España Business Activity Survey (EBAE).

(a) The index is constructed based on the following: Significant decrease = -2; Slight decrease = -1; Stability = 0; Slight increase = 1 and Significant increase = 2.



# THE PURCHASING MANAGERS' INDICES (PMIs) SUGGEST THE SPANISH ECONOMY'S PACE OF GROWTH HAS SLOWED IN RECENT MONTHS ...

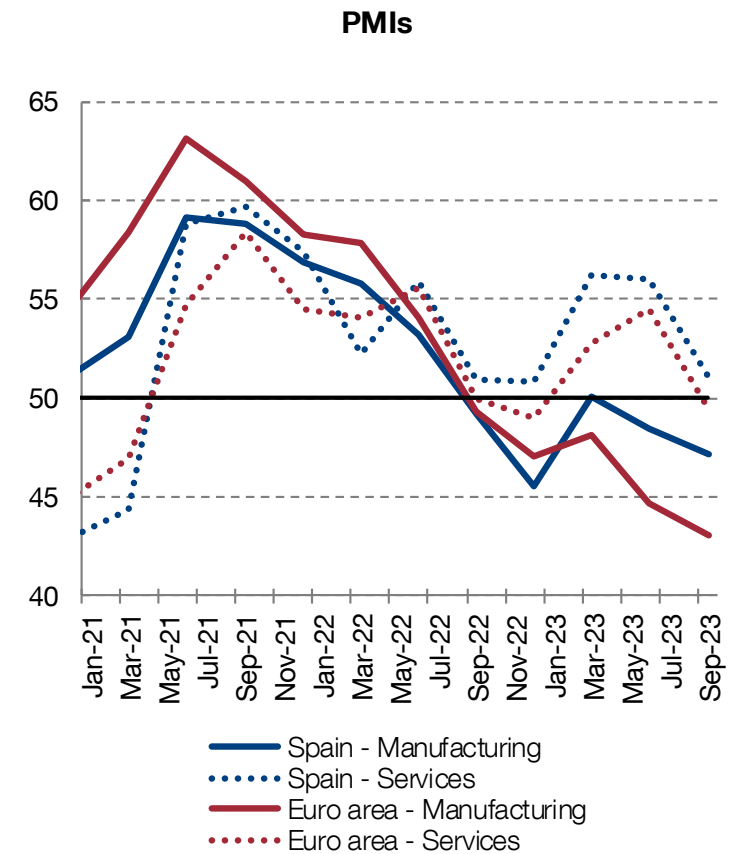
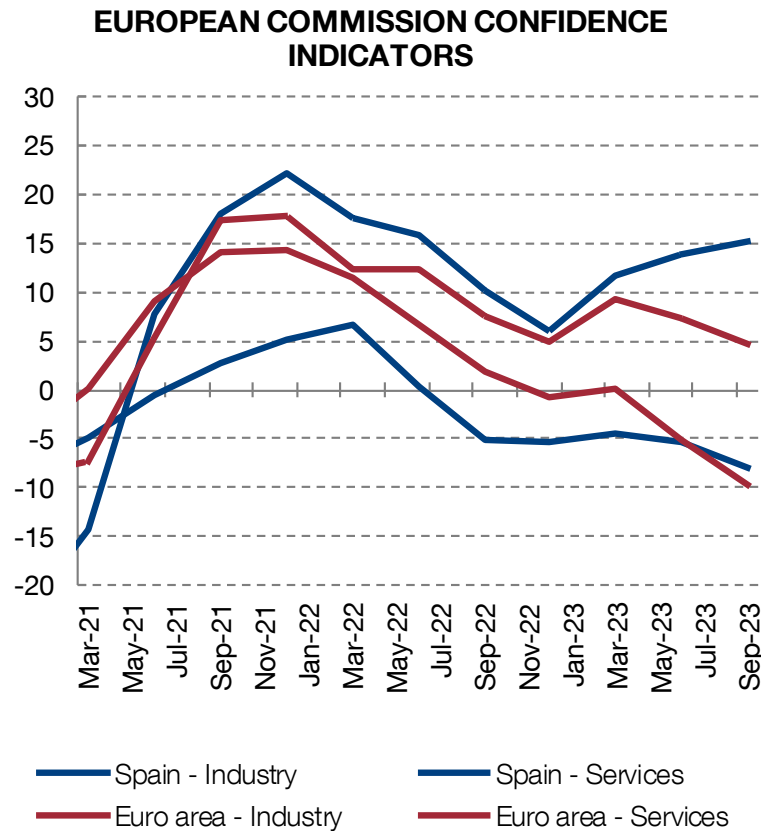
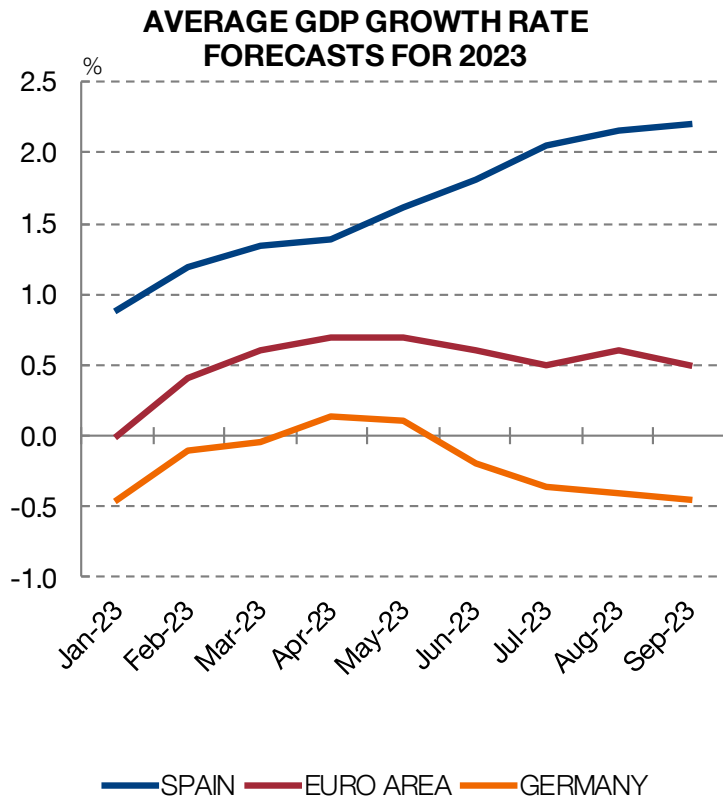
- ... and show, alongside the growing weakness in industry, emerging signs of the services sector losing momentum in the final stretch of the quarter



Source: S&P Global.



# IN RECENT MONTHS, AMID SLUGGISH/WEAK ACTIVITY IN THE EURO AREA, THE SPANISH ECONOMY HAS, IN RELATIVE TERMS, SHOWN CONSIDERABLE MOMENTUM



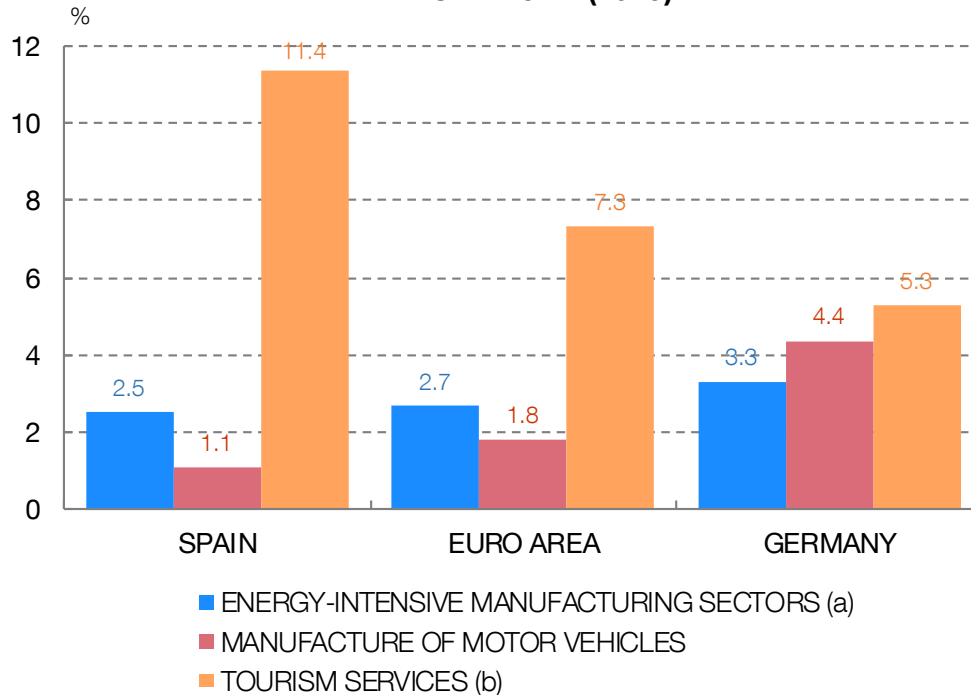
Sources: Consensus Forecast, European Commission and S&P Global. Latest observation: August 2023.



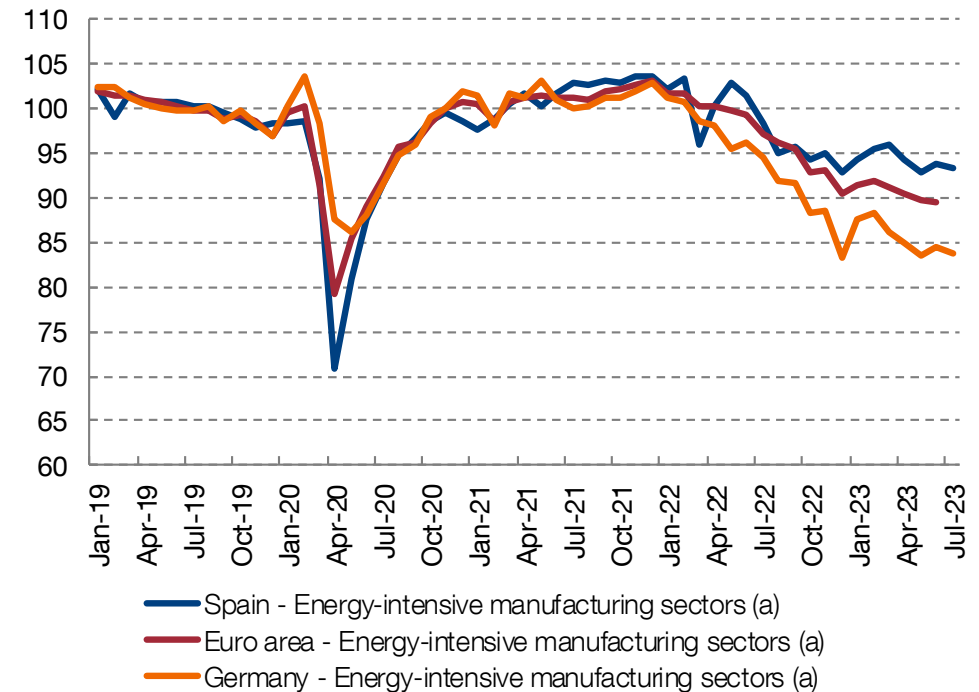
# SECTORAL COMPOSITION DIFFERENCES BETWEEN THE SPANISH AND EURO AREA ECONOMIES WOULD EXPLAIN SOME OF THE RECENT MORE BUOYANT ACTIVITY IN SPAIN

- Further, the most energy-intensive manufacturing sectors, which have shown the most weakness in recent quarters, have behaved relatively more favourably in Spain than in the euro area as a whole or in Germany

**SHARE OF CERTAIN INDUSTRIAL AND TOURISM SECTORS IN TOTAL GVA (2019)**



**IPI OF ELECTRICITY-INTENSIVE MANUFACTURING SECTORS (2019=100)**



Sources: OECD, Eurostat and Baker, Bloom and Davis (2016). Latest IPI data: July 2023 (June 2023 for the euro area).

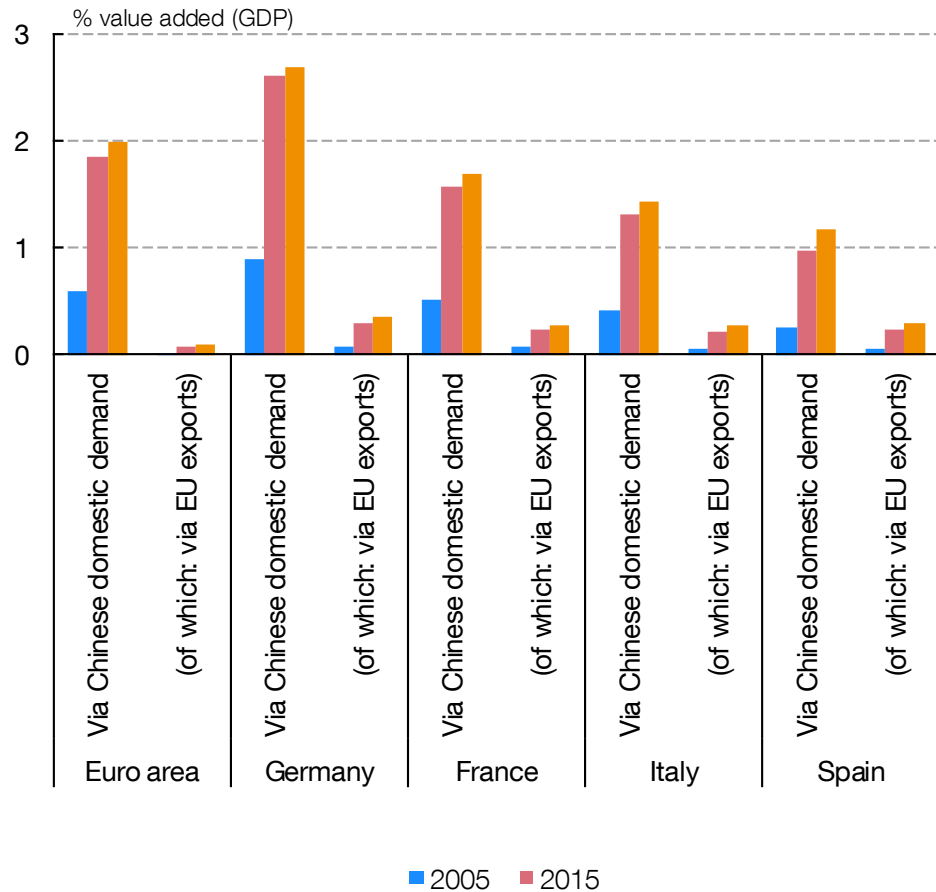
(a) Energy-intensive manufacturing industries ([Destatis definition](#)): 17 Manufacture of paper; 19 Coke and refined petroleum products; 20 Chemicals; 23 Other non-metallic mineral products; and 24 Basic metals.

(b) Tourism services: 49 Land transport; 50 Water transport; 51 Air transport; 55-56 Accommodation and food service activities; 79 Travel agency activities; 90-92 Creative, arts and entertainment activities; libraries, archives, museums and other cultural activities; gambling; 93 Sports activities.

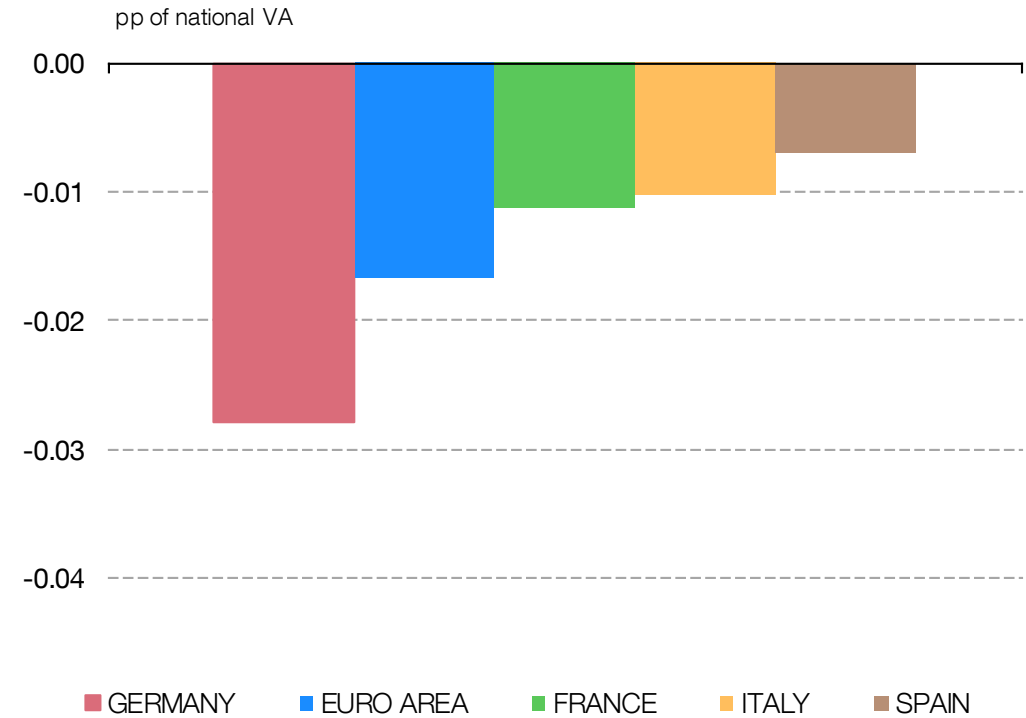


# SPAIN'S TRADE EXPOSURE TO CHINA IS LOWER THAN THAT OF OTHER EURO AREA ECONOMIES, ALTHOUGH A SIGNIFICANT PORTION IS CHANNELLED THROUGH EUROPEAN VALUE CHAINS

**EURO AREA: EXPOSURE TO CHINA IN VALUE ADDED TERMS**



**IMPACT ON VALUE ADDED OF AN ECONOMIC SLOWDOWN IN CHINA (a)**

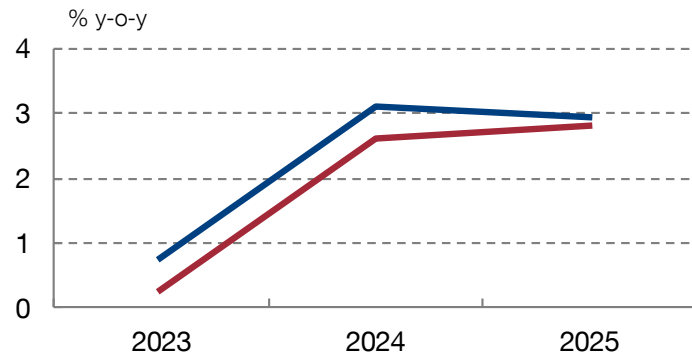


Sources: Banco de España and OECD TIVA.

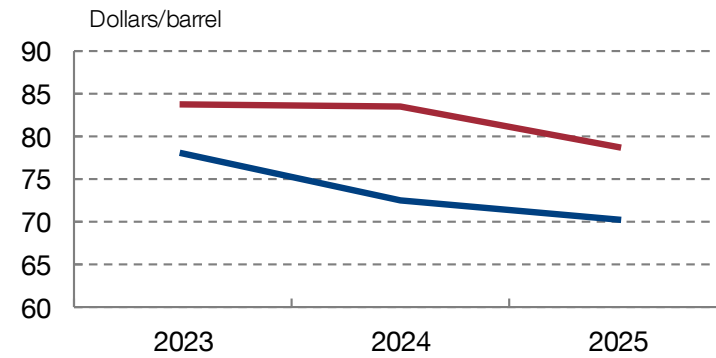
(a) Simulations of the impact on the value added of the euro area, Germany, France, Italy and Spain of a hypothetical slowdown of 1 pp in the Chinese economy using the information contained in global input-output tables. It is assumed that final demand declines, but that its composition remains unchanged. See [“The impact of the Chinese economy on the euro area through European value chains”](#).

# CHANGES IN THE TECHNICAL ASSUMPTIONS BETWEEN THE JUNE AND SEPTEMBER BANCO DE ESPAÑA PROJECTION EXERCISES

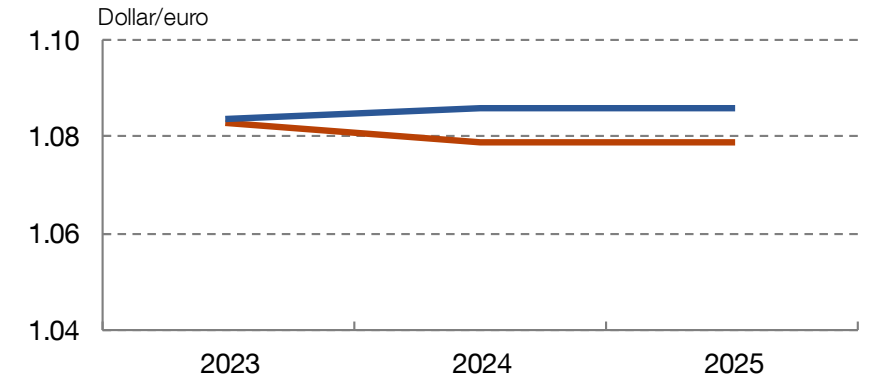
## EXPORT MARKETS



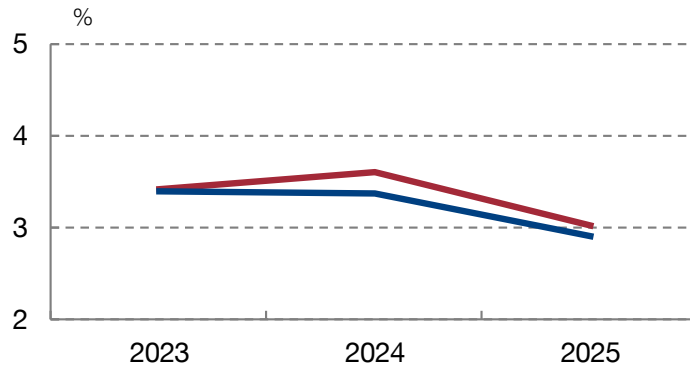
## OIL PRICE



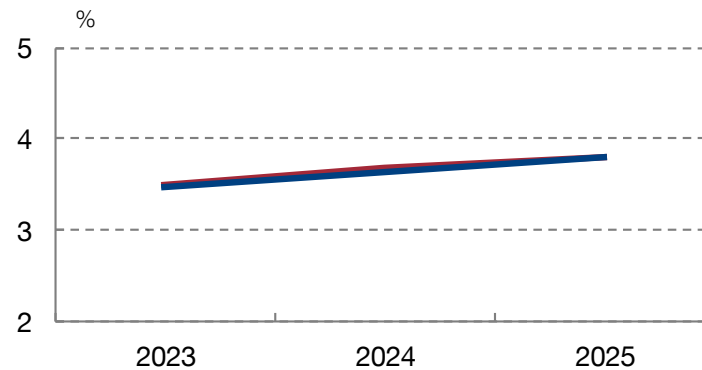
## EXCHANGE RATE



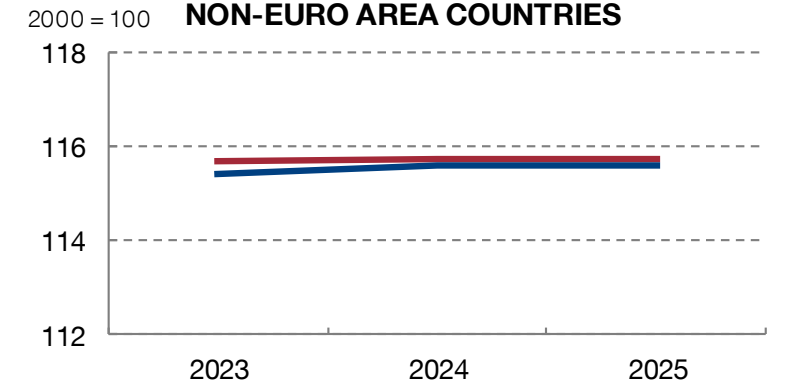
## SHORT-TERM INTEREST RATES



## LONG-TERM INTEREST RATES



## NOMINAL EFFECTIVE EXCHANGE RATE AGAINST NON-EURO AREA COUNTRIES



— JUNE 2023      — SEPTEMBER 2023

Source: INE, ECB and Banco de España.



# SUMMARY OF THE PROJECTIONS

				SEPTEMBER 2023 PROJECTIONS (a)			DIFFERENCES WITH RESPECT TO THE JUNE PROJECTIONS		
	2020	2021	2022	2023	2024	2025	2023	2024	2025
Annual rate of change (%), unless otherwise indicated									
<b>GDP</b>	- 11.3	5.5	5.5	<b>2.3</b>	<b>1.8</b>	<b>2.0</b>	0.0	-0.4	-0.1
<b>Harmonised index of consumer prices (HICP)</b>	-0.3	3.0	8.3	<b>3.6</b>	<b>4.3</b>	<b>1.8</b>	0.4	0.7	0.0
<b>HICP excl. energy and food</b>	0.5	0.6	3.8	<b>4.1</b>	<b>2.3</b>	<b>1.7</b>	0.0	0.2	0.0
<b>Unemployment rate (% of labour force). Annual average</b>	15.5	14.8	12.9	<b>12.0</b>	<b>11.5</b>	<b>11.3</b>	-0.2	0.0	0.0
<b>General government net lending (+) / net borrowing (-) (% of GDP)</b>	- 10.1	-6.9	-4.8	<b>- 3.7</b>	<b>- 3.4</b>	<b>- 4.1</b>	0.1	0.0	-0.1
<b>General government debt (% of GDP)</b>	120.4	118.3	113.2	<b>108.8</b>	<b>106.9</b>	<b>107.9</b>	-0.9	-0.5	-0.1

More details 

Changes in assumptions 

Sources: Banco de España and INE.  
(a) Projections cut-off date: 8 September 2023.

# MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY 2023-2025

Annual rate of change in volume terms (%) and % of GDP	2022	September 2023 projections			June 2023 projections		
		2023	2024	2025	2023	2024	2025
GDP	5.5	2.3	1.8	2.0	2.3	2.2	2.1
Private consumption	4.4	0.7	2.2	2.0	0.2	3.3	2.0
Government consumption	-0.7	1.4	0.8	1.4	0.6	0.8	1.3
Gross fixed capital formation	4.6	3.1	3.4	2.4	1.7	4.1	2.8
Exports of goods and services	14.4	4.0	2.2	3.0	7.1	2.2	3.0
Imports of goods and services	7.9	1.5	3.2	3.0	3.2	4.0	3.1
Domestic demand (contribution to growth)	3.1	1.2	2.1	1.9	0.6	2.8	2.0
Net external demand (contribution to growth)	2.4	1.1	-0.3	0.1	1.7	-0.6	0.1
Nominal GDP	10.0	7.6	5.1	3.8	6.8	5.4	4.1
GDP deflator	4.3	5.2	3.3	1.7	4.4	3.2	2.0
HICP	8.3	3.6	4.3	1.8	3.2	3.6	1.8
HICP excluding energy and food	3.8	4.1	2.3	1.7	4.1	2.1	1.7
Employment (hours)	4.1	1.3	1.5	1.3	1.7	1.8	1.1
Unemployment rate (% of labour force). Annual average	12.9	12.0	11.5	11.3	12.2	11.5	11.3
Net lending (+) / net borrowing (-) of the nation (% of GDP)	1.5	5.0	4.1	3.3	4.8	3.9	3.5
General government net lending (+) / net borrowing (-) (% of GDP)	-4.8	-3.7	-3.4	-4.1	-3.8	-3.4	-4.0
General government debt (% of GDP)	113.2	108.8	106.9	107.9	109.7	107.4	108.0

Sources: INE and Banco de España.



# CHANGES IN THE TECHNICAL ASSUMPTIONS

Annual rate of change (%), unless otherwise indicated	2022	September 2023 projections			Difference between the current projections and the June 2023 projections (b)		
		2023	2024	2025	2023	2024	2025
Spain's export markets (c)	8.0	0.3	2.6	2.8	-0.5	-0.5	-0.1
Oil price in dollars/barrel (level)	103.7	83.8	83.5	78.8	5.8	10.9	8.4
<b>Monetary and financial conditions</b>							
Dollar/euro exchange rate (level)	1.05	1.08	1.08	1.08	0.00	-0.01	-0.01
Nominal effective exchange rate against non-euro area countries (d) (2000 = 100)	112.1	115.7	115.7	115.7	0.3	0.1	0.1
Short-term interest rate (3-month EURIBOR; level) (e)	0.3	3.4	3.6	3.0	0.0	0.2	0.1
Long-term interest rate (10-year Spanish government bond yield; level) (e)	2.2	3.5	3.7	3.8	0.0	0.1	0.0

Sources: Banco de España and ECB.

(a) Cut-off date for assumptions: 22 August for Spain's export markets and 8 September for all other variables. Figures expressed as levels are annual averages; the figures expressed as rates are calculated on the basis of the related annual averages.

(b) The differences are in rates for export markets, in levels for oil prices, the dollar/euro exchange rate and the nominal effective exchange rate, and in percentage points for interest rates.

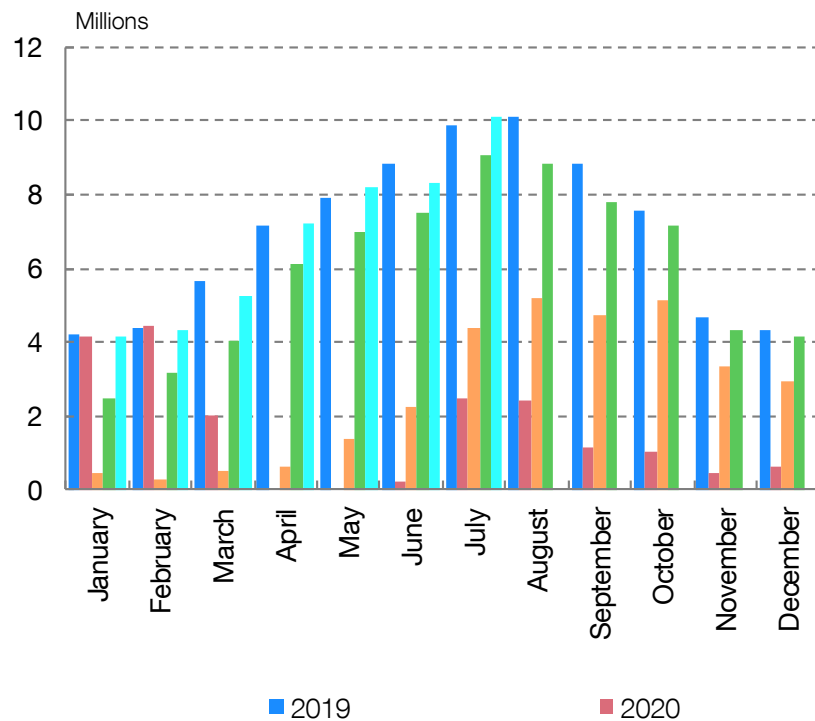
(c) The assumptions regarding the behaviour of Spain's export markets presented in the table are obtained from the September 2023 Eurosystem staff macroeconomic projections for the euro area.

(d) A positive percentage change in the nominal effective exchange rate denotes an appreciation of the euro.

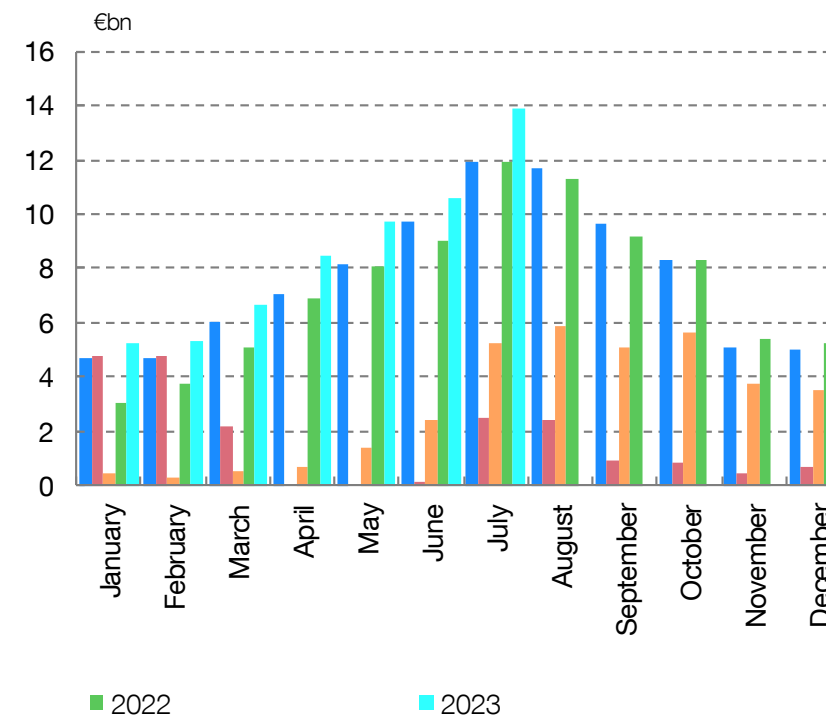
(e) For the projection period, the figures in the table are technical assumptions, prepared following the Eurosystem's methodology. These assumptions are based on futures market prices or on proxies thereof and should not be interpreted as a Eurosystem prediction as to the course of these variables.

# IN JULY THIS YEAR, FOREIGN TOURIST ARRIVALS STOOD ABOVE THE JULY 2019 FIGURE

**FOREIGN TOURIST ARRIVALS.  
2019-2023**



**SPENDING BY FOREIGN TOURISTS.  
2019-2023**

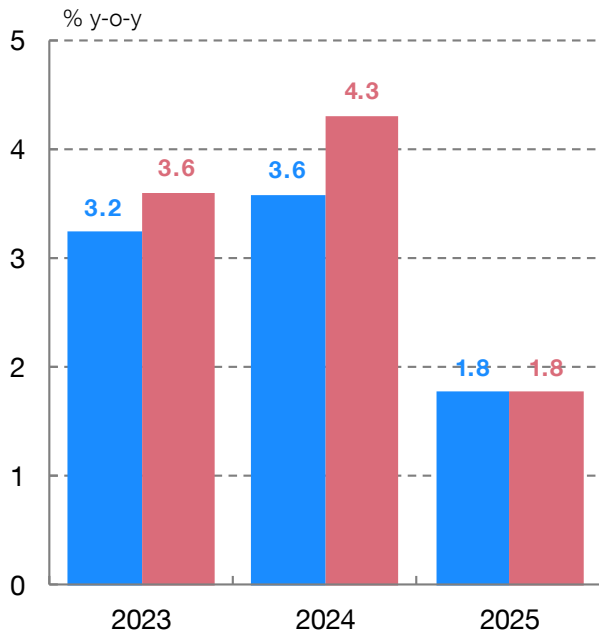


Source: INE. Latest data: July 2023.

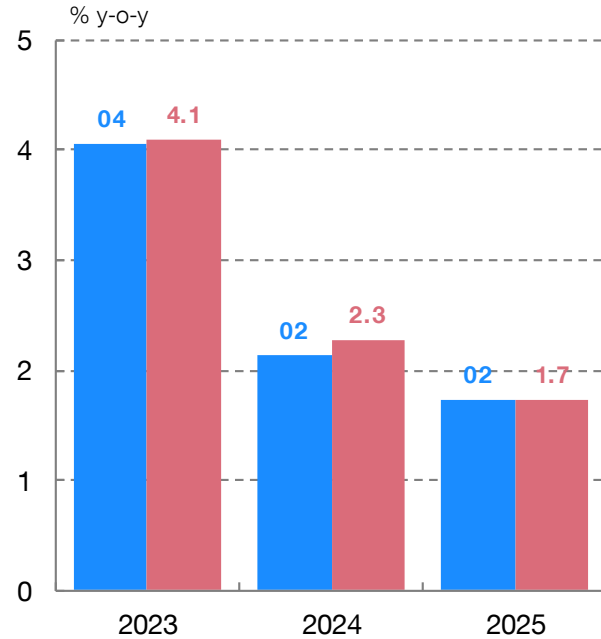


# CHANGE, WITH RESPECT TO THE JUNE PROJECTIONS, IN THE INFLATION FORECASTS BY COMPONENT IN AVERAGE ANNUAL TERMS

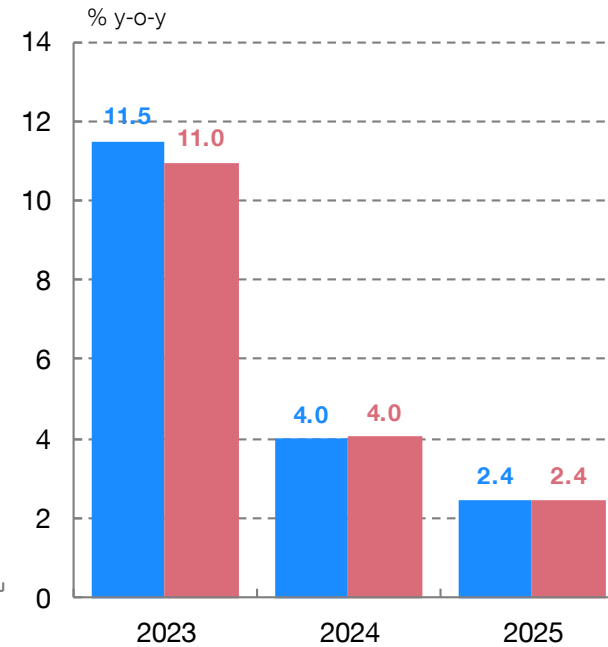
## HEADLINE HICP



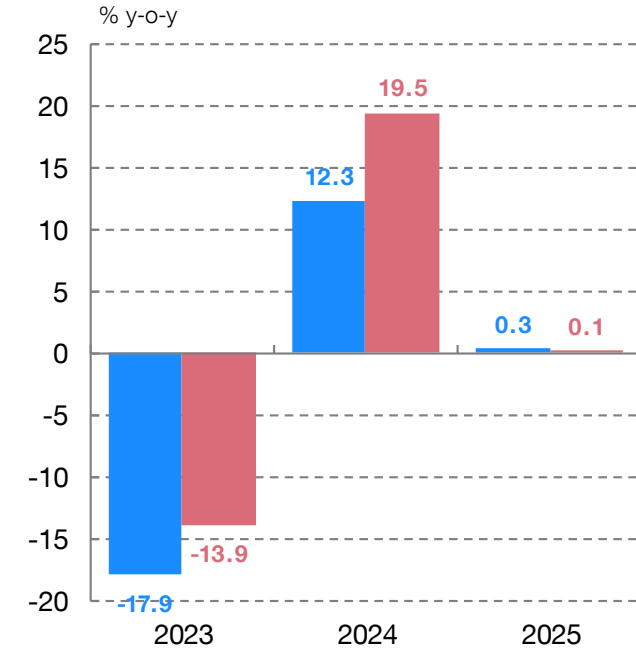
## UNDERLYING HICP



## FOOD



## ENERGY



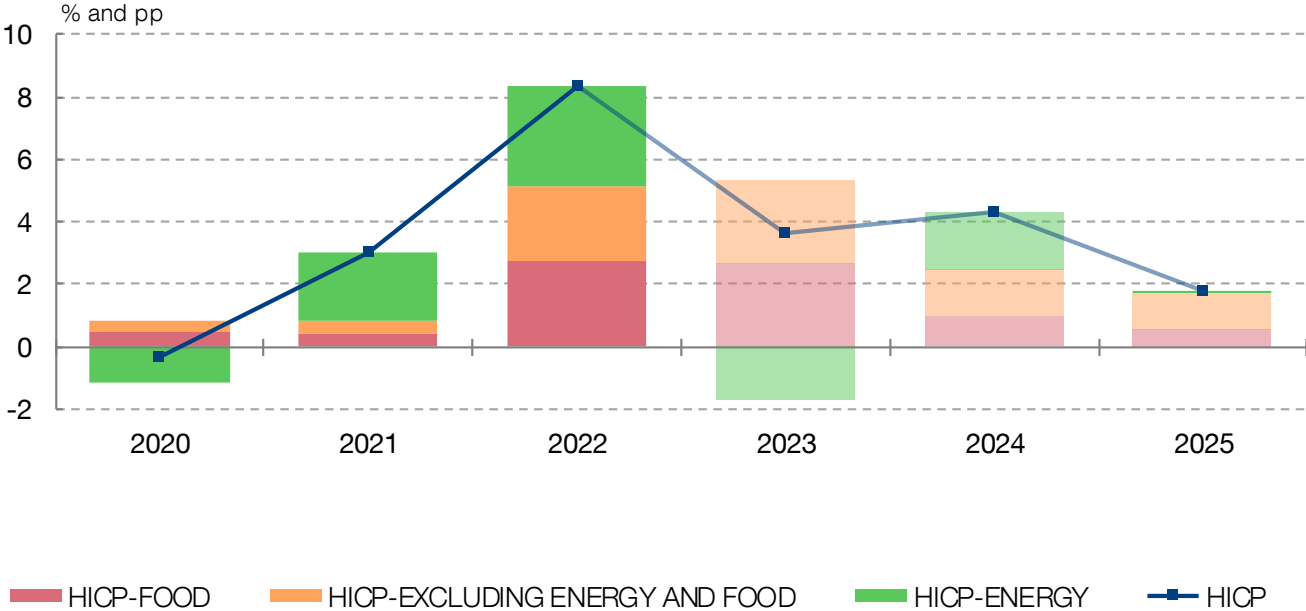
■ JUNE 2023

■ SEPTEMBER 2023

Source: Banco de España.



## CONTRIBUTIONS TO HICP GROWTH BY COMPONENT



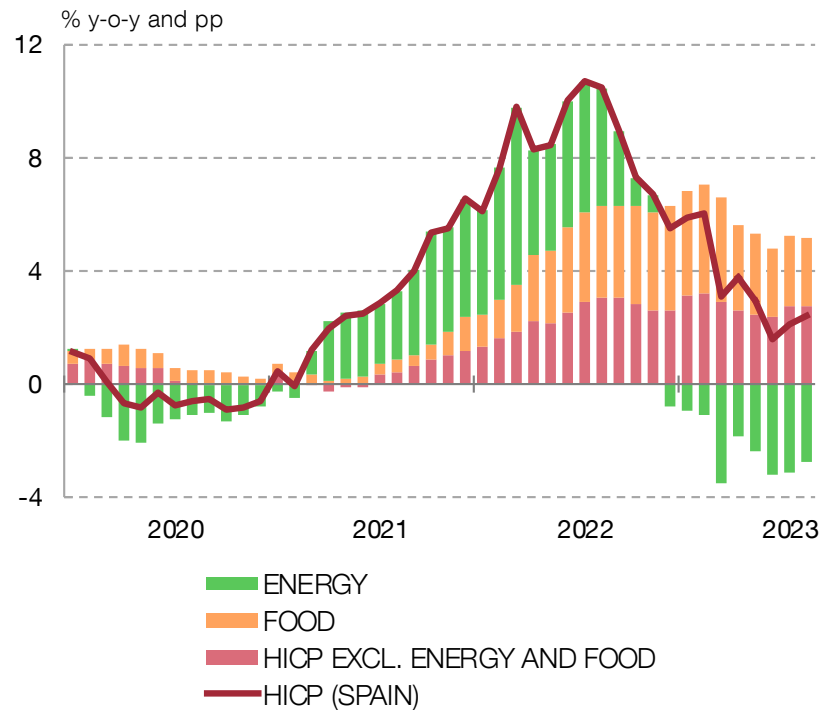
Sources: INE and Banco de España.



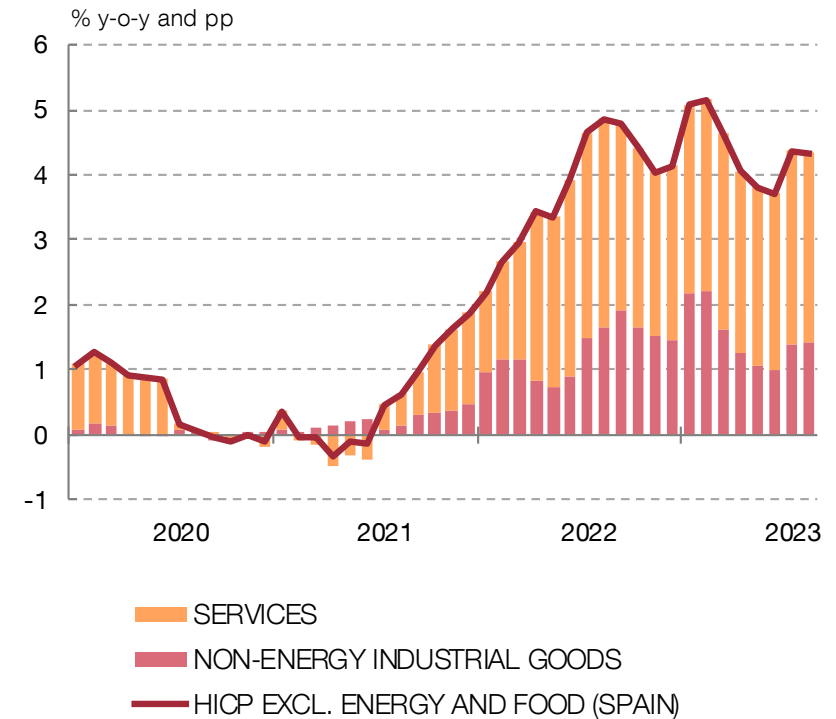


# THE MODERATION OF HEADLINE INFLATION LEVELLED OFF DURING THE SUMMER, WITH MOST OF ITS MAIN COMPONENTS SHOWING A SLIGHT REBOUND

## HICP: RATES AND CONTRIBUTIONS



## HICP EXCL. ENERGY AND FOOD: RATES AND CONTRIBUTIONS

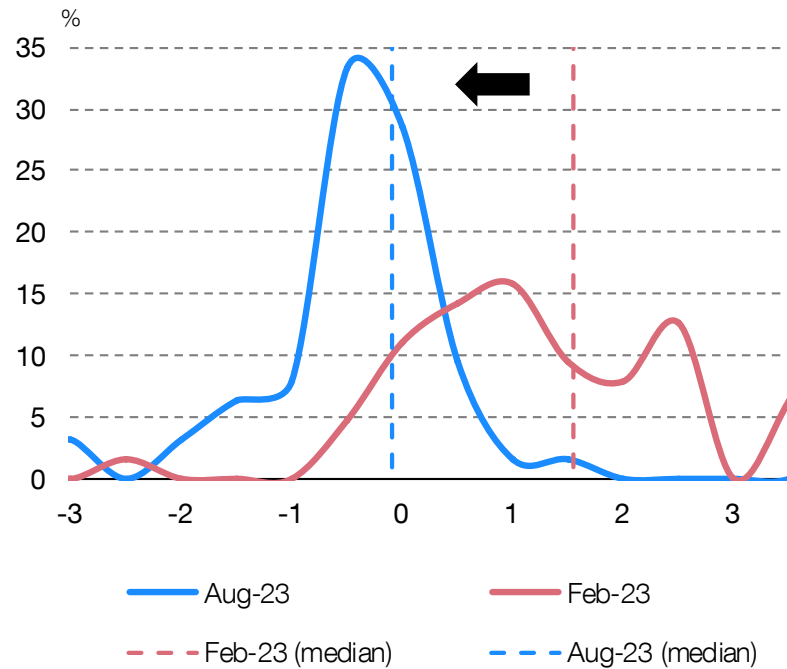


Source: INE. Latest data: August 2023.

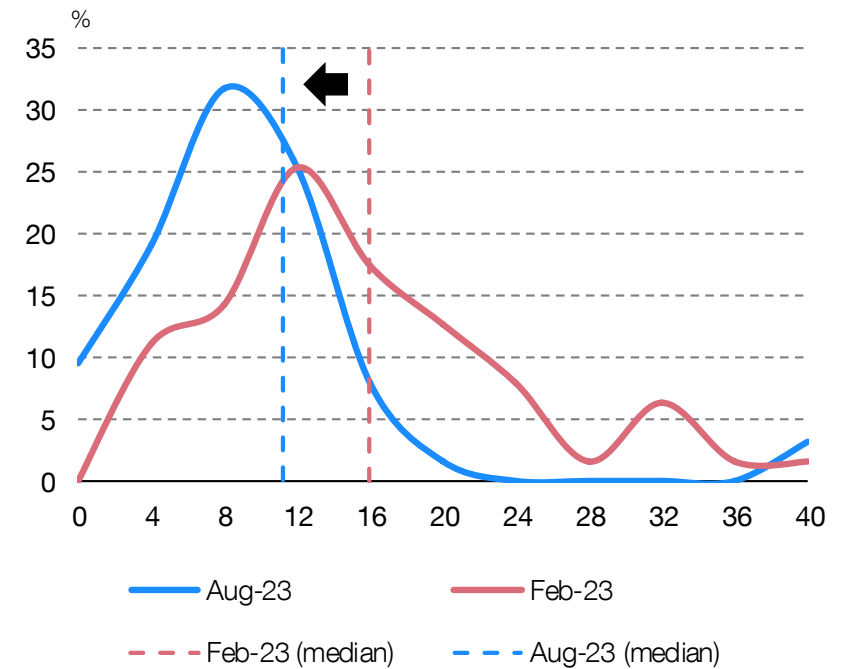


# ALTHOUGH IT REMAINS HIGH, FOOD INFLATION HAS SEEN A FAIRLY WIDESPREAD SLOWDOWN SINCE IT PEAKED IN FEBRUARY

PERCENTAGE OF FOOD HICP SUBCLASSES BY ADJUSTED MONTH-ON-MONTH RATES (a)



PERCENTAGE OF FOOD HICP SUBCLASSES BY ADJUSTED YEAR-ON-YEAR RATES

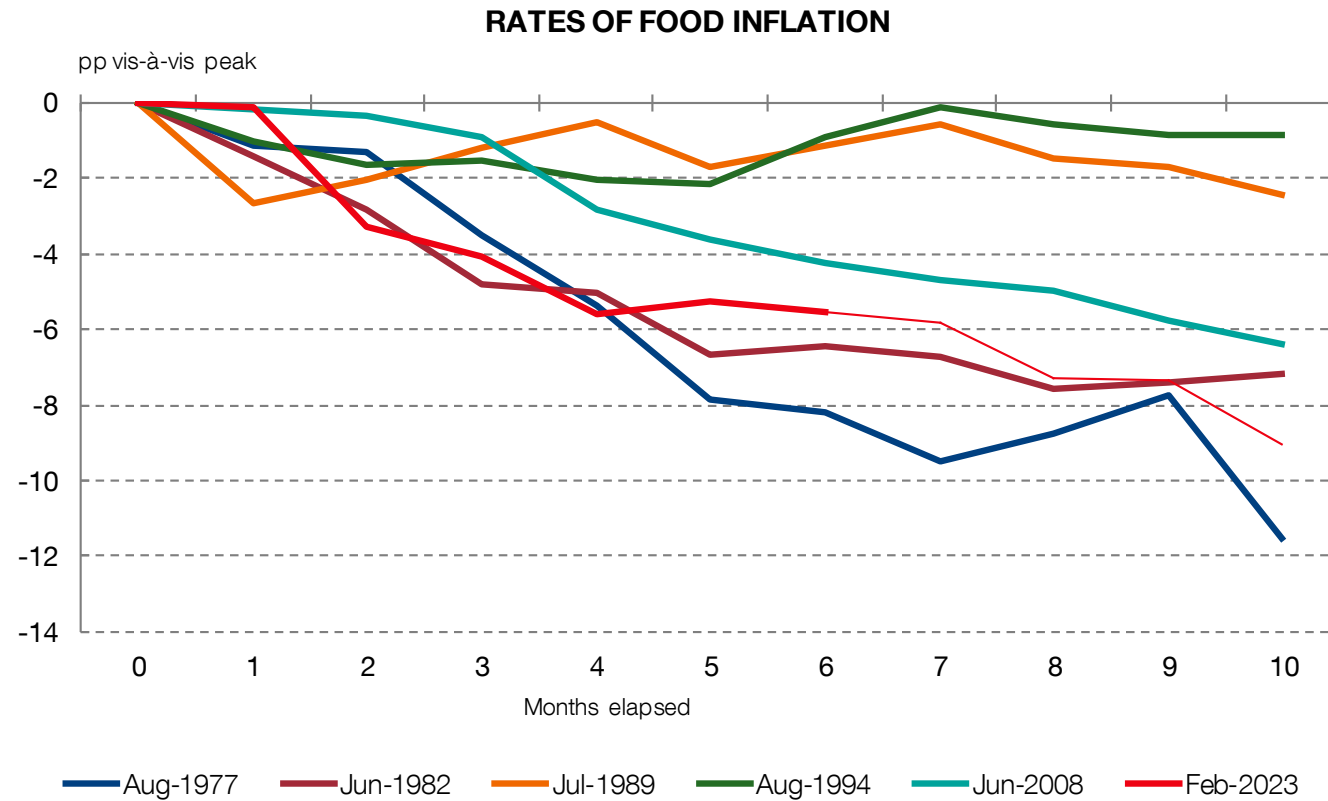


Sources: INE and Banco de España. Latest data: August 2023.

(a) Month-on-month rates adjusted using average rates for each month between 2016 and 2019.



# THE RECENT SLOWDOWN IN FOOD INFLATION SEEMS TO BE BROADLY CONSISTENT WITH THOSE OBSERVED AFTER PREVIOUS EPISODES OF FOOD PRICE INCREASES

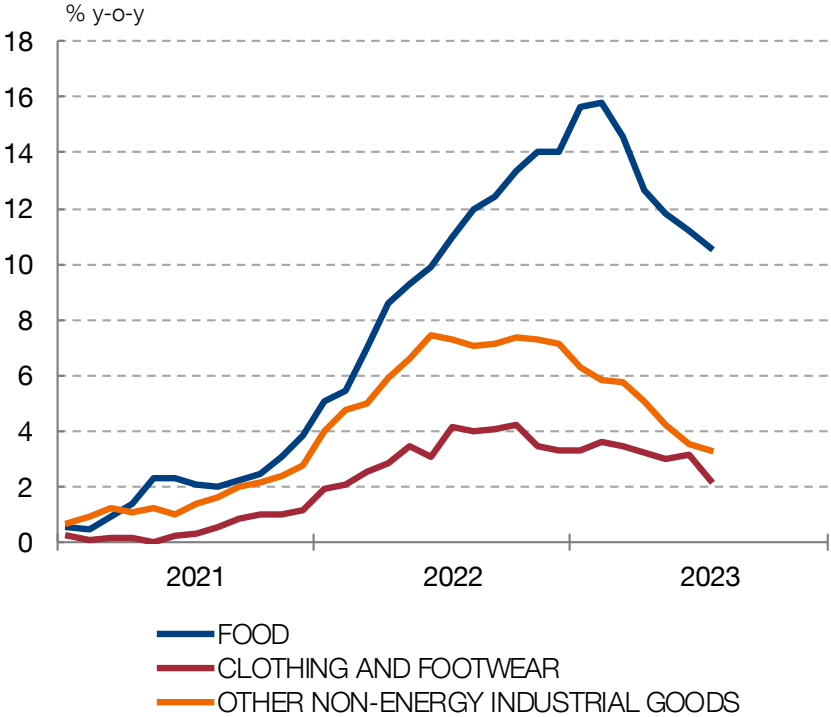


Sources: INE and Banco de España.

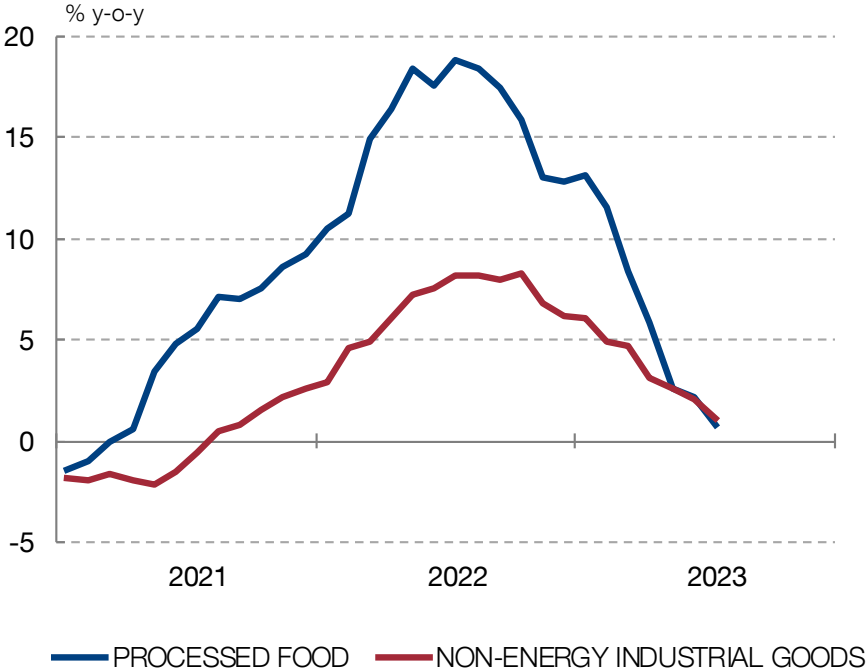


# PRODUCER PRICE INFLATION IS CLEARLY TRENDING DOWNWARDS, ESPECIALLY IN THE CASE OF IMPORTED GOODS

**INDUSTRIAL PRICE INDICES (a)**



**IMPORT PRICE INDICES FOR INDUSTRIAL PRODUCTS (a)**



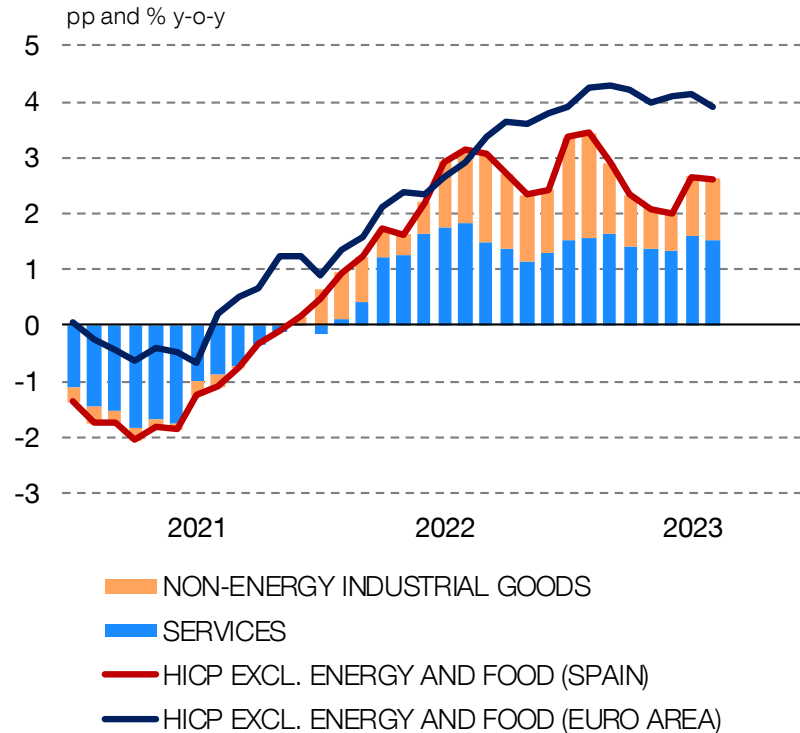
Sources: INE and Banco de España. Latest data: July 2023.

(a) Indices calculated on the basis of the corresponding subgroups of the producer price index (or import price index for industrial products) and weighted by the respective weights in the CPI consumption basket.

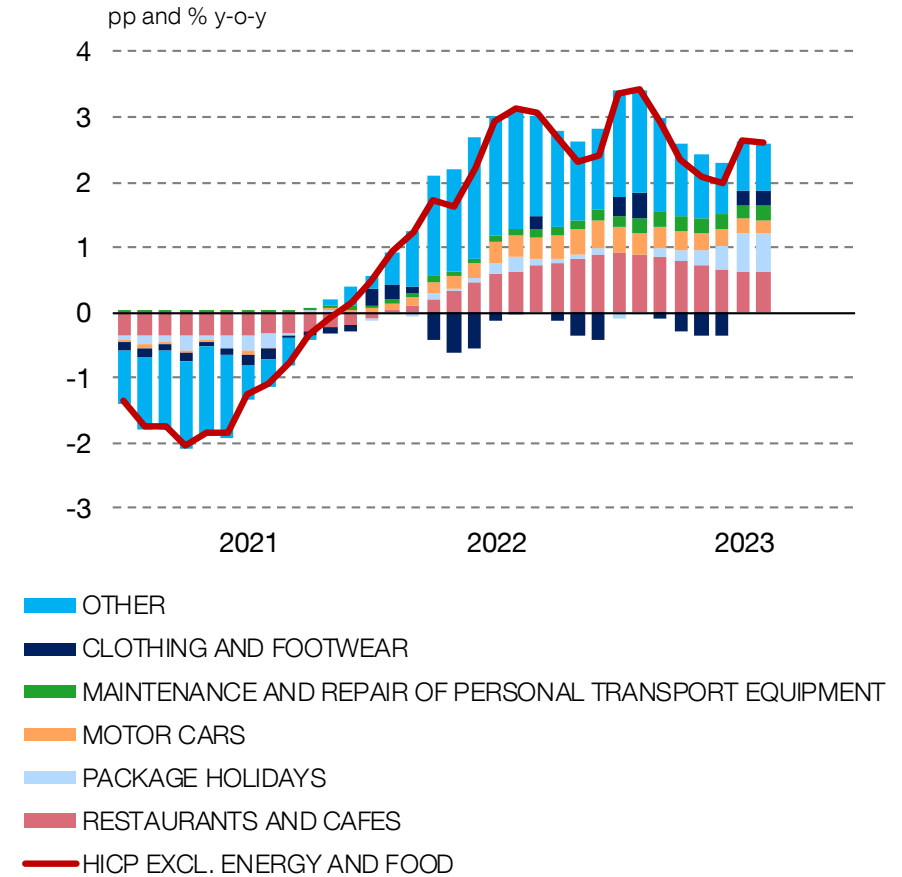


# LEISURE, HOSPITALITY AND TRAVEL HAVE MADE A MAJOR CONTRIBUTION TO EXCESS UNDERLYING INFLATION OVER THE LAST EIGHTEEN MONTHS

**CONTRIBUTIONS TO EXCESS INFLATION OF THE HICP EXCL. ENERGY AND FOOD (a)**



**CONTRIBUTIONS TO EXCESS INFLATION OF THE HICP EXCL. ENERGY AND FOOD (a)**



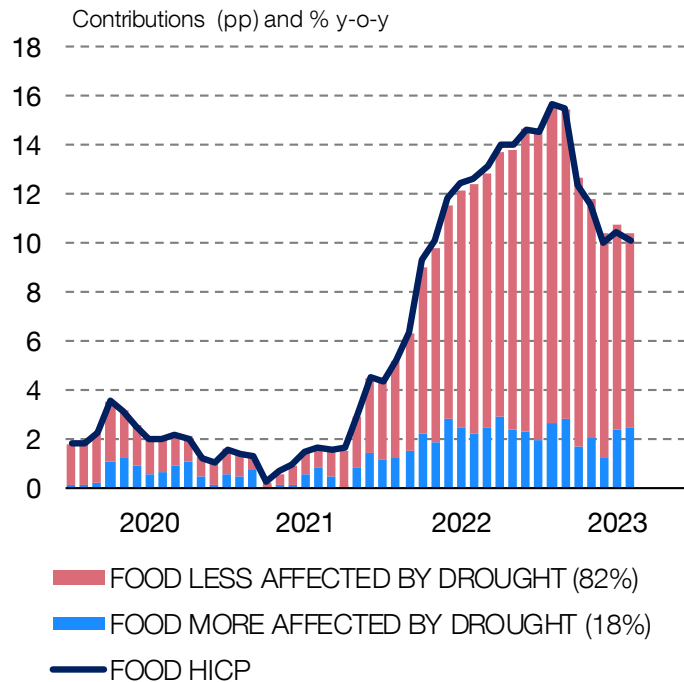
Source: INE. Latest data: August 2023.  
 (a) Difference vis-à-vis the 2000-2019 average.



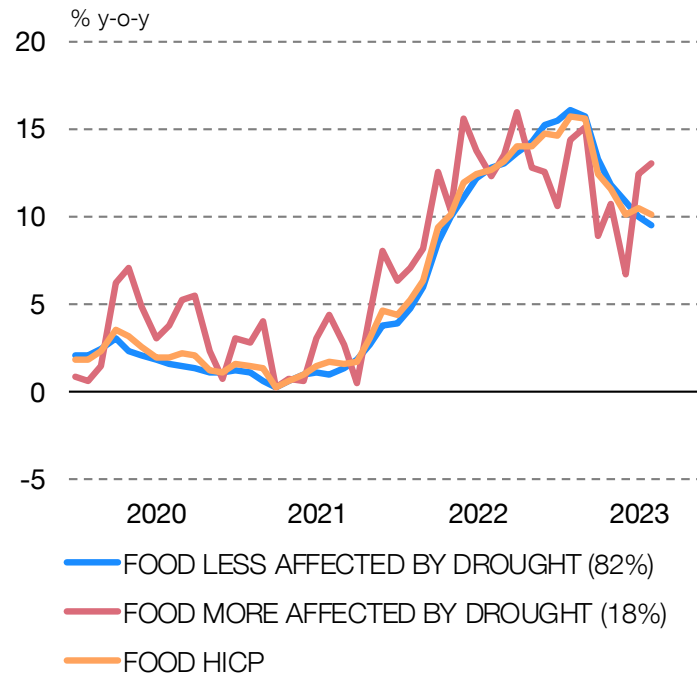
# THE SLOWDOWN IN FOOD INFLATION COULD BE CURTAILED BY THE IMPACT OF THE DROUGHT AND THE UNUSUAL TEMPERATURES ON AGRICULTURAL PRODUCTION ...

- ... although these adverse factors will likely have a relatively moderate impact on the aggregate food component of consumer prices

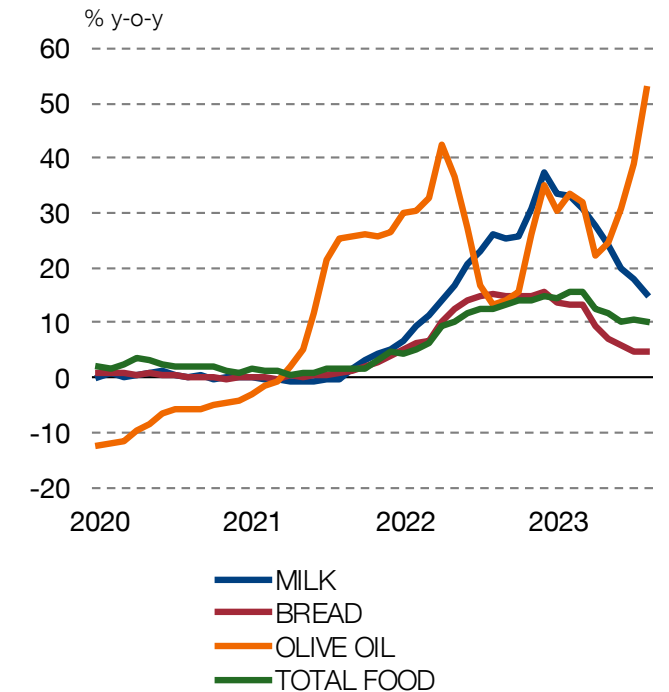
**FOOD HICP: ITEMS MORE AND LESS AFFECTED BY DROUGHT (a)**



**FOOD HICP: ITEMS MORE AND LESS AFFECTED BY DROUGHT (a)**



**FOOD PRICES**



Source: INE. Latest data: August 2023.

(a) The foods most affected by drought are considered to be cereals, rice, dried fruit, fresh vegetables, fresh fruit, olive oil and wine. HICP food includes beverages and tobacco. The weight of the components most affected by drought in the HICP food component appears in brackets.