

**CONGRESS OF THE SPANISH ASSOCIATION OF ECONOMICS  
AND BUSINESS STUDIES STUDENTS (AEALCEE)**

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# MACROECONOMIC PROJECTIONS FOR THE SPANISH ECONOMY (2025-27)\*

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\* ENGLISH TRANSLATION FROM THE ORIGINAL IN SPANISH

**MADRID, 2 APRIL 2025**





## CONTENTS

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1. GLOBAL ENVIRONMENT
2. RECENT DEVELOPMENTS IN THE SPANISH ECONOMY
3. MACROECONOMIC PROJECTIONS 2025-27



## CONTENTS

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1. GLOBAL ENVIRONMENT
2. RECENT DEVELOPMENTS IN THE SPANISH ECONOMY
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## Activity

Global growth remains consistent with that observed in previous quarters: relatively robust, but uneven across regions and sectors



## Inflation

There are some signs of stagnation in the global disinflation process. Services inflation shows some downside resistance, while energy inflation is on the rise



## Uncertainty

Uncertainty and international trade and geopolitical tensions are increasing significantly



## International financial markets

Despite some recent corrections, international financial markets continue to enjoy relatively high valuations and low risk premia



## Monetary policy

There is some divergence in the monetary policies of the world's major central banks, in line with the varied inflation and economic activity outlooks in their respective economies



## Euro area

Growth remains modest and was revised downwards in the latest European Central Bank projections. Although inflation continues to moderate, there is a resurgence in energy inflation





## CONTENTS

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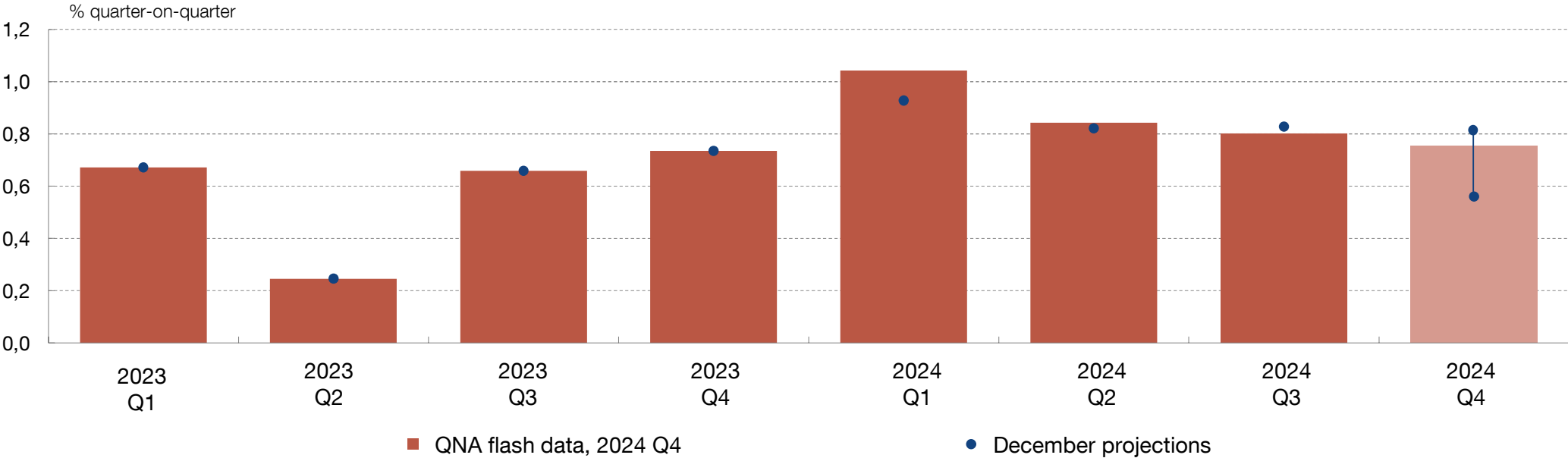
1. GLOBAL ENVIRONMENT
2. RECENT DEVELOPMENTS IN THE SPANISH ECONOMY
3. MACROECONOMIC PROJECTIONS 2025-27

# GDP GROWTH IN 2024 AMOUNTED TO 3.2%, FOLLOWING A RISE THAT EXCEEDED EXPECTATIONS IN 2024 Q4 AND REVISIONS OF PREVIOUS QUARTERS' FIGURES



- At end-2024 the Spanish economy's GDP stood 7.6% above its pre-pandemic level – a 2.9 pp wider gap than in the euro area

## GDP GROWTH IN SPAIN



Sources: INE and Banco de España.

## Quarterly National Accounts 2024 Q4

- GDP growth in 2024 Q4 again surprised on the upside: +0.8% quarter-on-quarter and +3.5% year-on-year
- The growth was driven by the strength of domestic demand, with upward surprises in investment and government consumption ...
- ... while net external demand weighed more on growth than anticipated



### Employment

In 2025 Q1 employment continued to perform well. Since the pandemic, the pattern of job creation has shifted compared with what was observed in 2013-19



### Business activity

The Banco de España Business Activity Survey suggests that firms' turnover remained practically stable at start-2025, following a slight uptick at end-2024



### Confidence

Purchasing Managers' Indices (PMIs) indicate a slight loss of momentum in activity in 2025 Q1, although both the composite and services PMIs remain in expansionary territory



### Financial conditions

The cost of credit has declined in recent months, boosting households' and firms' demand for financing



Analysis of the available indicators points to **the pace of GDP growth in 2025 Q1 remaining robust**, potentially between 0.6% and 0.7% quarter-on-quarter

## Headline HIPC

- In recent months, the headline inflation rate in **Spain has increased**, rising from 1.8% in October 2024 to **2.3% in March 2025** (according to the flash estimate)
- This **rise** was **somewhat sharper than expected**, driven by a larger than anticipated acceleration in the energy component. However, in the last month, the energy sector actually had a moderating impact
- This upside surprise in energy prices was partially offset by other components, which showed lower inflationary pressures than expected
- Food inflation remains stable at around 2.3%, slightly surprising on the downside



### Core inflation (HIPC excluding energy and food)

- Core inflation continued to decline, reaching 2.2% in February (and 2% in March according to the flash estimate)
- This surprise was due to a **sharper than expected deceleration in non-energy industrial goods ...**
- ... and the extension of **public transport discounts** until June 2025 (a measure not considered in December)
- Meanwhile, the **prices of other services have continued showing slightly more downside stickiness** than anticipated



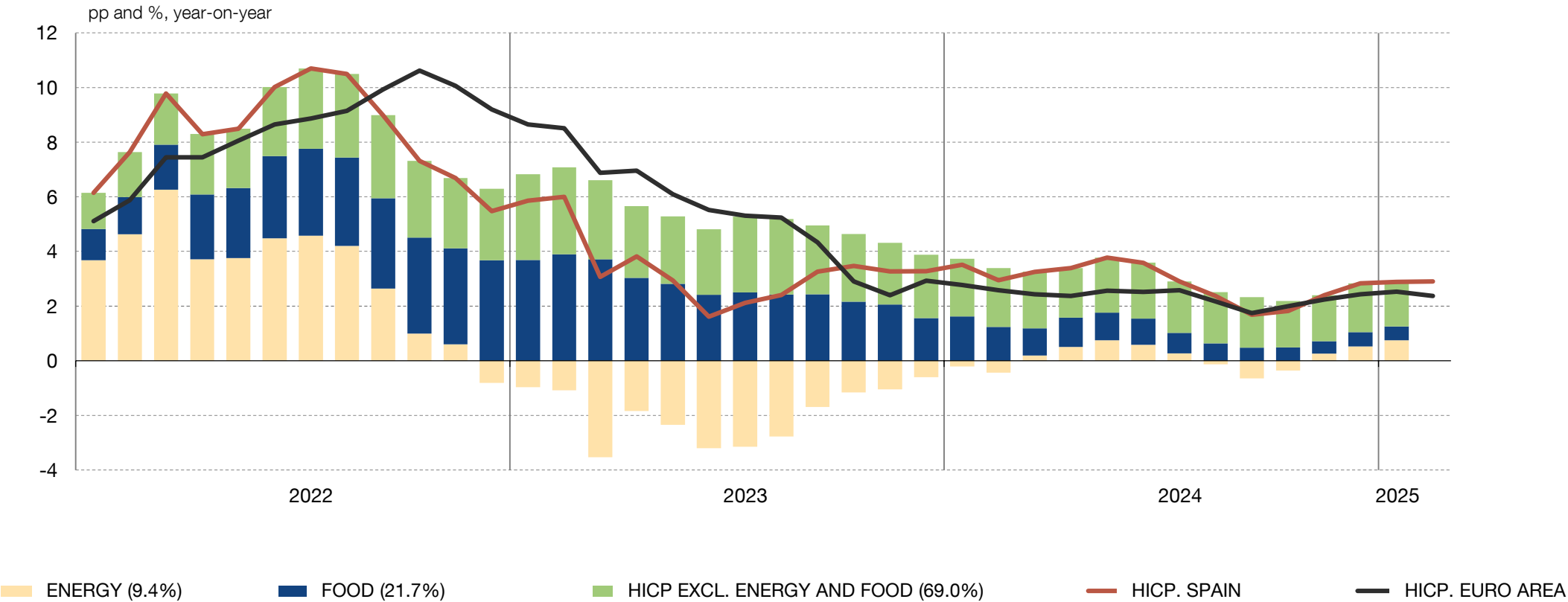
### Domestic inflationary pressures

- Negotiated wage settlements held at around 3%, although the **increase in labour costs** is greater owing to the persistence of a positive wage drift
- In any case, the pace of growth in unit labour costs (ULCs) moderated in 2024, thanks to **increased productivity**
- Moderating ULCs and the relative stability of firms' profit margins have helped to reduce domestic inflationary pressures



IN RECENT MONTHS, THE OVERALL INFLATION RATE IN SPAIN HAS RISEN,  
DRIVEN BY THE ENERGY COMPONENT

HEADLINE HICP: CHANGE AND CONTRIBUTIONS (a)



Sources: Eurostat and Banco de España. (a) The weight of each component in headline HICP for 2025 is shown in brackets.





## CONTENTS

---

1. GLOBAL ENVIRONMENT
2. RECENT DEVELOPMENTS IN THE SPANISH ECONOMY
3. MACROECONOMIC PROJECTIONS 2025-27

					MARCH 2025 PROJECTIONS (a)			CHANGE WITH RESPECT TO THE DECEMBER PROJECTIONS		
	2021	2022	2023	2024	2025	2026	2027	2025	2026	2027
GDP	6.7	6.2	2.7	3.2	2.7	1.9	1.7	0.2	0.0	0.0
HICP	3.0	8.3	3.4	2.9	2.5	1.7	2.4	0.4	0.0	0.0
HICP excl. energy and food	0.6	3.8	4.1	2.8	2.2	2.0	1.9	-0.1	0.1	0.1
Unemployment rate (% of labour force). Annual average	14.9	13.0	12.2	11.3	10.5	10.0	9.5	-0.3	-0.4	-0.4
General government net lending (+)/net borrowing (-) (% of GDP)	-6.7	-4.6	-3.5	-2.8	-2.8	-2.6	-2.6	0.1	0.1	0.1
General government debt (% of GDP)	115.7	109.5	105.1	101.8	101.3	101.6	101.0	-1.3	-0.9	-0.8

Sources: Banco de España and INE. Latest QNA figure published: 2024 Q4 flash estimate.

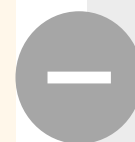
(a) Projections cut-off date: 21 February 2025.

# THE GDP GROWTH RATE PROJECTED FOR 2025 HAS BEEN REVISED DOWN BY 0.3 PP TO 2.7%...



## Upward revisions due to:

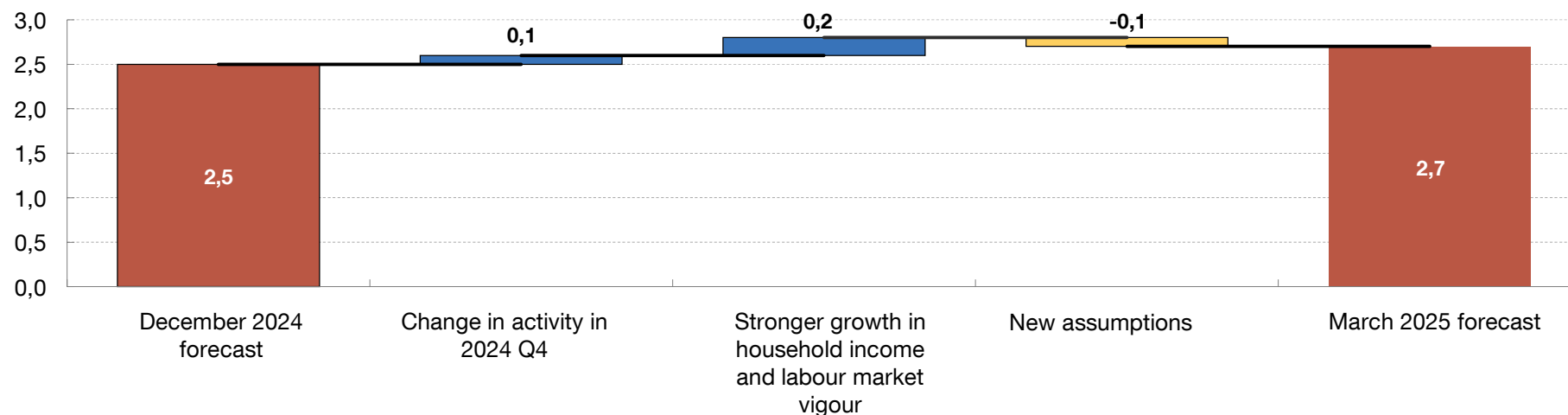
- The carry-over effect of **activity performing better in 2024 Q4** than expected in December (+0.1 pp)
- **Improved outlook** vis-à-vis household income (+0.2 pp) owing to new data for 2024 H2 and the ongoing robustness of the **labour market**



## Downward revisions due to:

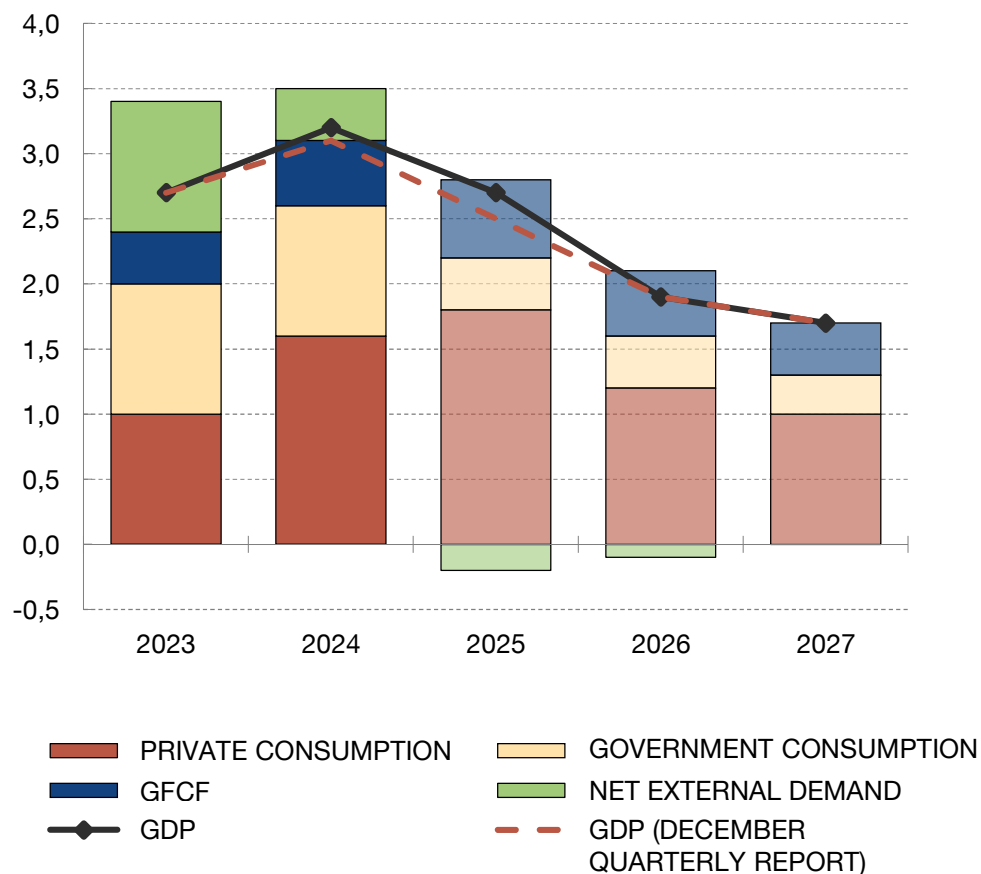
- New assumptions somewhat less favourable for economic activity than those of the December projections (-0.1 pp)
- Fundamentally, **higher energy prices**, a **slightly weaker recovery in export markets** and **somewhat tighter borrowing conditions**

## CHANGE IN THE GDP GROWTH FORECAST FOR 2025



# GROWTH OVER THE NEXT FEW YEARS WILL BE UNDERPINNED BY DOMESTIC DEMAND AND WILL GRADUALLY SLOW TO RATES CLOSE TO POTENTIAL GROWTH

## GDP GROWTH AND CONTRIBUTIONS OF MAIN COMPONENTS



### Private consumption

- This component will be the largest contributor to growth until 2027, thanks to the expected positive performance of disposable income and employment, and the projected population increase



### Government consumption

- Government consumption accounted for 39% and 27% of GDP growth in 2023 and 2024, respectively, but it is **expected to moderate its contribution** to activity growth in the years to come



### Investment

- Although a slight slowdown is expected in 2025 Q1 (compared with 2024 Q4), the **contribution of productive investment to GDP growth is projected to increase** in the coming years, underpinned by the roll-out of **NextGeneration EU** funds and more favourable financing conditions
- Residential investment is also expected to rise



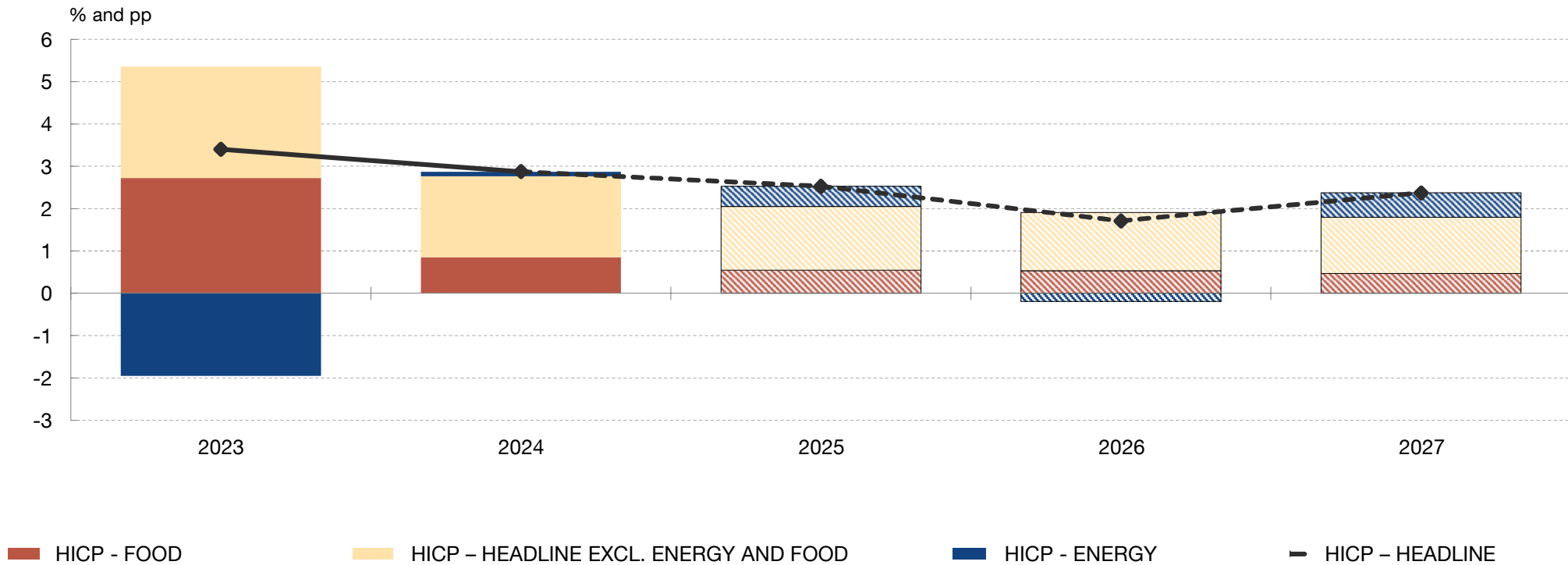
### Net external demand

- **Services exports** – which have shown strong momentum in recent years – are projected to gradually slow down, while goods exports are expected to recover, due to improvements in export markets
- **Imports are expected to gain momentum** in the future, driven by exports themselves and a rebound in investment



IN THE COMING MONTHS HEADLINE INFLATION IS EXPECTED TO EMBARK ON  
A DOWNWARD PATH TOWARDS RATES CLOSE TO 2%

CONTRIBUTIONS TO GROWTH IN THE HARMONISED INDEX OF CONSUMER PRICES, BY  
COMPONENT



Sources: INE and Banco de España.

# ENERGY PRICES HAVE SHOWN CONSIDERABLE VOLATILITY IN RECENT MONTHS, PRIMARILY DUE TO GEOPOLITICAL FACTORS

OIL AND NATURAL GAS PRICES



Source: LSEG Datastream.

# THE ENERGY COMPONENT WILL BE THE MAIN DRIVER OF THE EXPECTED FLUCTUATIONS IN HEADLINE INFLATION DURING 2025-27

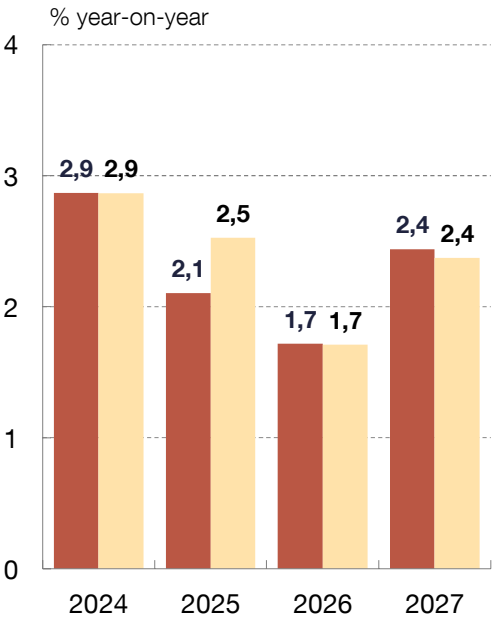


- The headline inflation rate is set to increase in 2027 due to the scheduled implementation of a new emissions trading system in the European Union (EU ETS2)

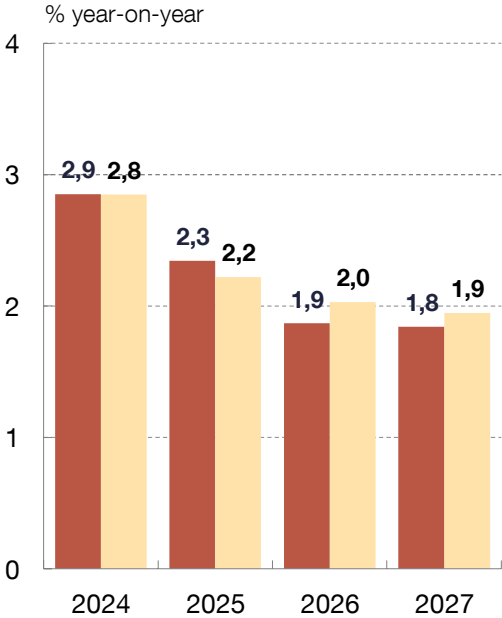


- The moderation projected for underlying inflation and food prices is consistent with the dynamics observed in producer prices and the increasingly widespread disinflationary process across components

HEADLINE HICP

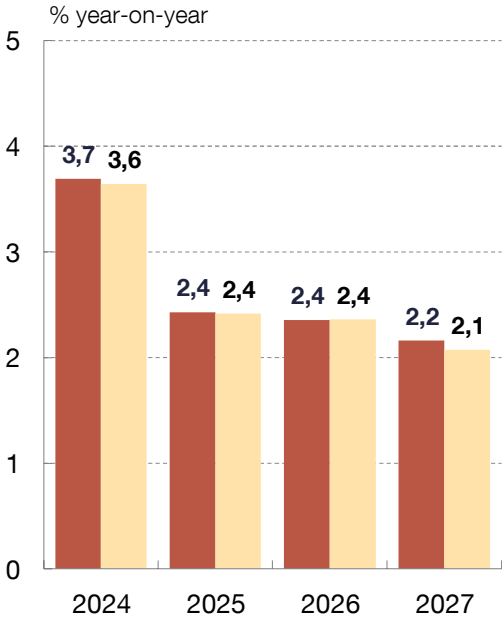


HICP EXCLUDING ENERGY AND FOOD



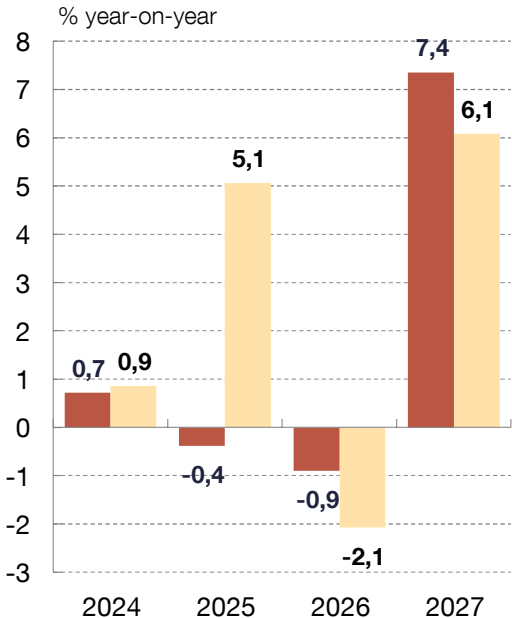
■ DECEMBER 2024

FOOD



■ MARCH 2025

ENERGY



# AVERAGE HEADLINE INFLATION FOR 2025 HAS BEEN REVISED UP 0.4 PP, TO 2.5%

## Downward revisions due to:



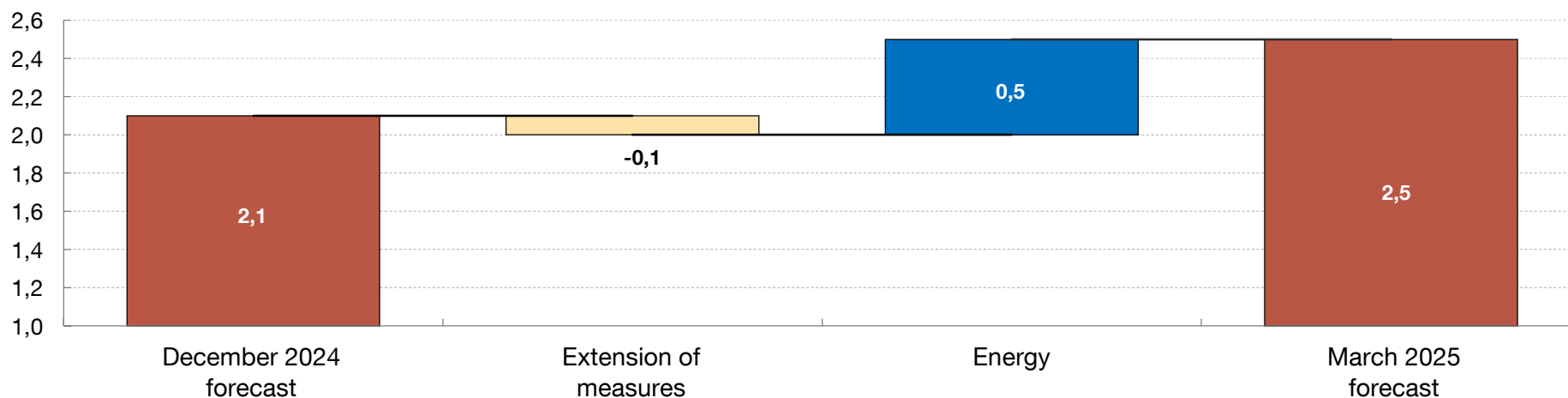
- Extension of the **public transport discounts** to June 2025, a measure not envisaged in the December projection exercise (-0.1 pp)

## Upward revisions due to:



- Energy prices in recent months have been higher than expected and their expected future path is now 0.5 pp above that anticipated in December

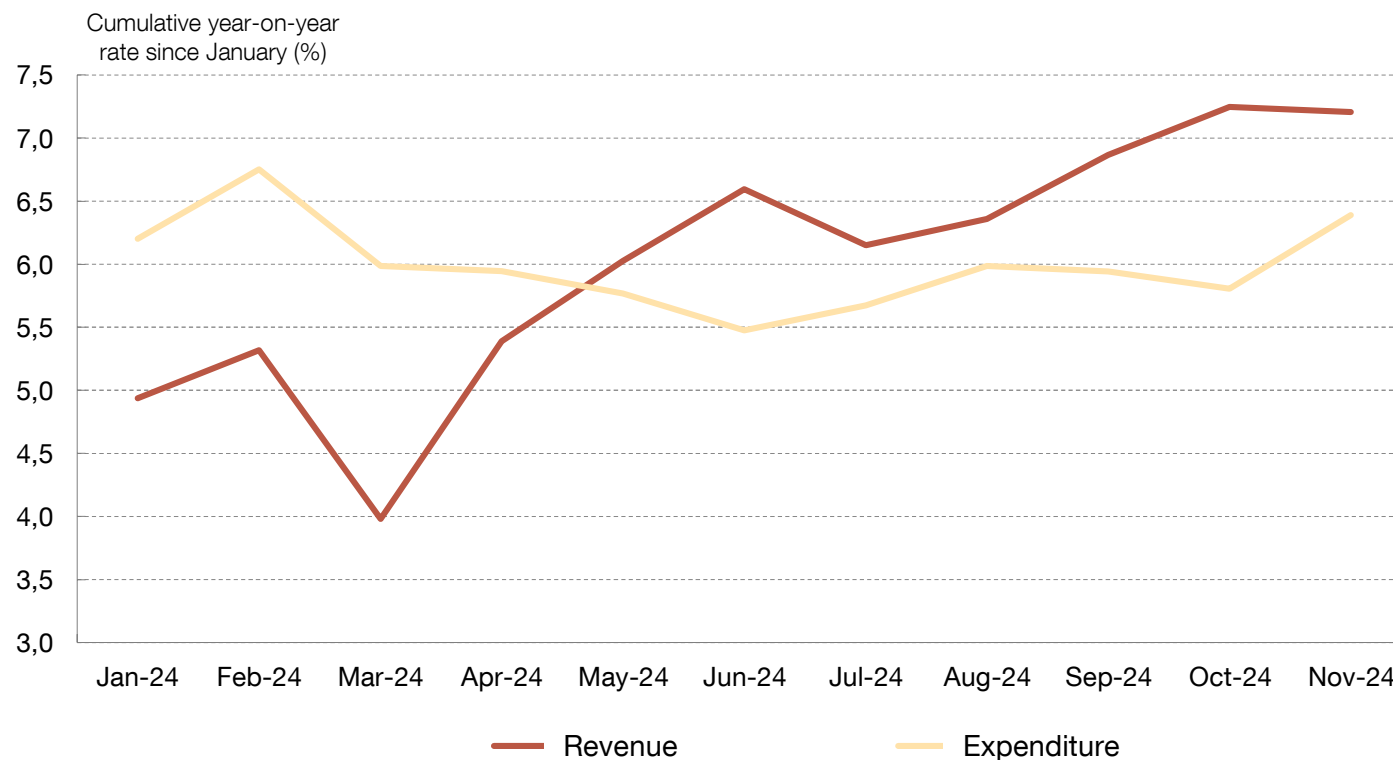
## CHANGES IN THE INFLATION FORECAST FOR 2025



# PUBLIC FINANCES: GOVERNMENT EXPENDITURE AND RECEIPTS REMAINED BUOYANT UNTIL NOVEMBER (THE LATEST AVAILABLE FIGURE)



## GENERAL GOVERNMENT REVENUE AND EXPENDITURE (a)



Government receipts (excluding local government) grew 7.2% year-on-year to November, driven by ...

- ... the **dynamism of activity** and, in particular, wage income, which boosted personal income tax revenue by 8.5%
- ... the **gradual rollback of the tax cuts** approved in response to the energy crisis

Meanwhile, **government expenditure rose** by 6.4% year-on-year, ...

- ... partly due to spending related to the **2024 flash floods**
- ... but also to the increase in **interest spending** (10%) and social benefits (7.2%)



# PUBLIC FINANCES: THE GENERAL GOVERNMENT DEFICIT IS EXPECTED TO DECREASE SLIGHTLY FROM 2.8% IN 2024

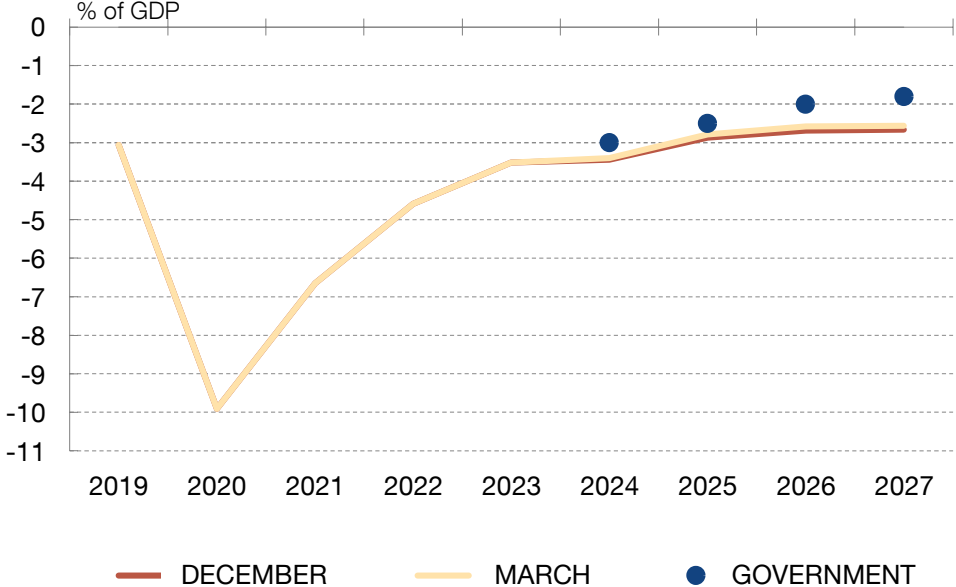


- In 2024 the general government deficit stood at **2.8%** of GDP, partly reflecting the impact of extraordinary spending related to the **2024 flash floods** and some court rulings against the Government

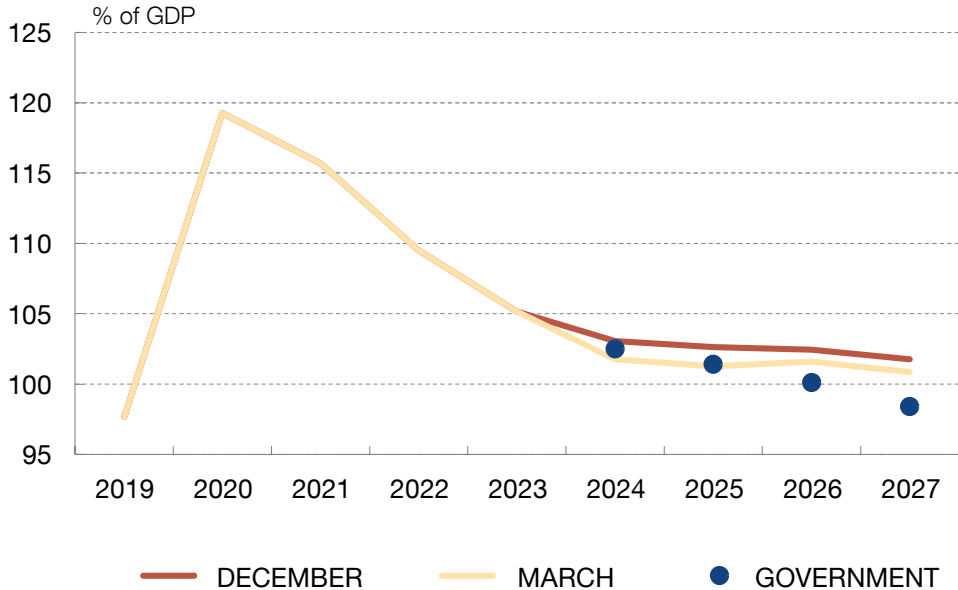


- Budget balance forecasts for 2025-27 envisage **more buoyant economic activity and household income**
- They also assume that the temporary levy on energy utilities will not be extended and that public transport subsidies will continue to June 2025

GENERAL GOVERNMENT BALANCE



GENERAL GOVERNMENT DEBT

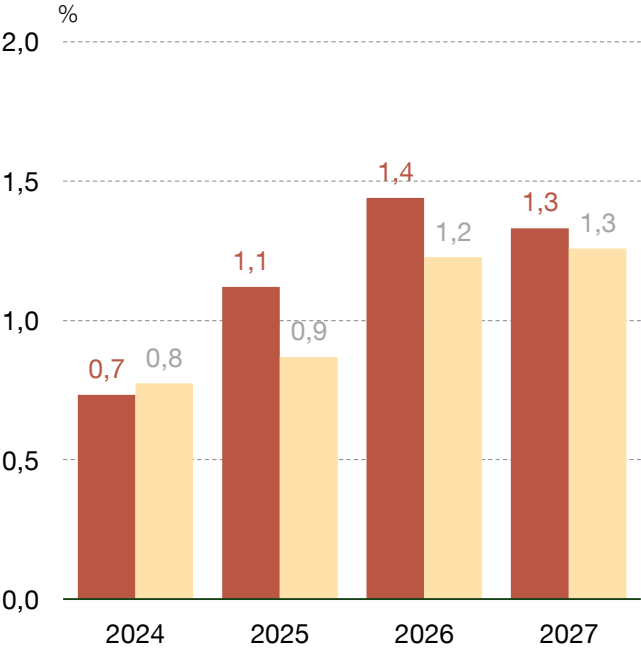


# GDP GROWTH IN THE EURO AREA HAS BEEN REVISED DOWN IN 2025-27, WHILE INFLATION HAS BEEN REVISED UP SLIGHTLY FOR 2025 AND 2026

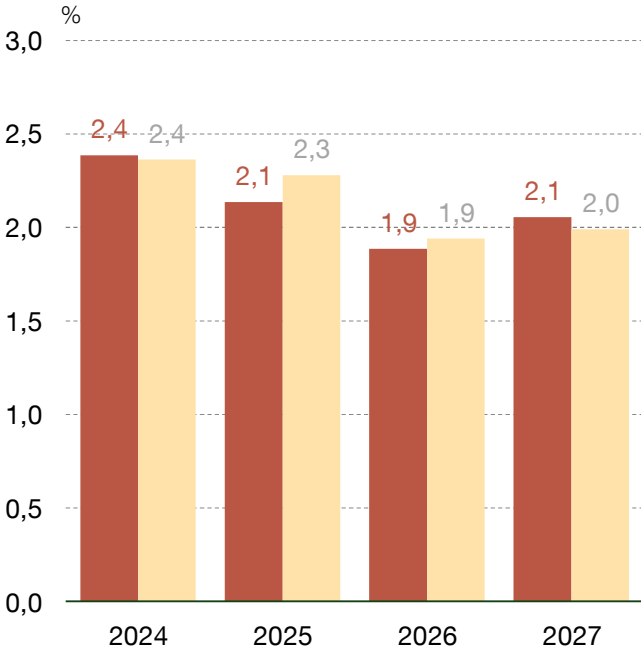


## PROJECTIONS FOR THE EURO AREA

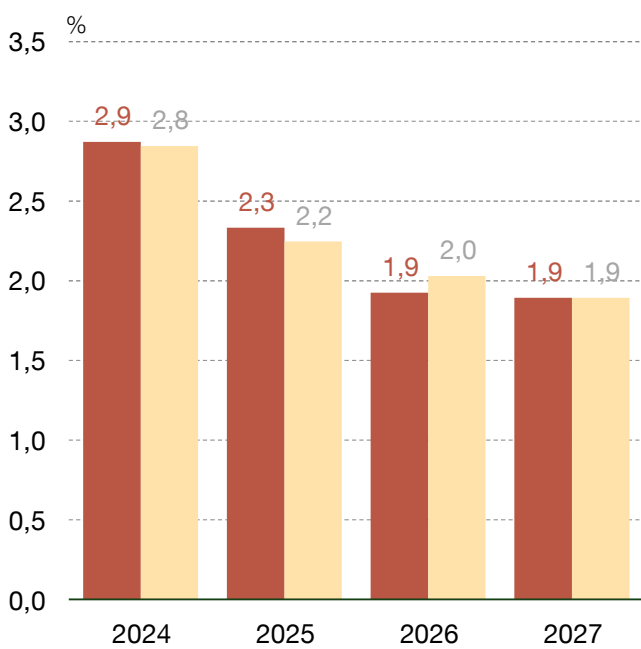
GDP GROWTH



HEADLINE INFLATION



UNDERLYING INFLATION



■ December 2024 forecast

■ March 2025 forecast

# MAIN SOURCES OF RISK IN A HIGHLY COMPLEX MACRO-FINANCIAL AND GEOPOLITICAL ENVIRONMENT



The baseline scenario in these projections explicitly EXCLUDES



The possible adverse impact on activity of the higher levels of uncertainty and geopolitical tensions observed globally in recent months

Higher US **tariffs** on imports from Mexico, Canada and the European Union

Higher **defence spending** in the EU and Spain in the coming years



Other sources of risk



Potential episodes of **sharp corrections in the financial markets**

Greater sensitivity of activity in Spain to the observed economic weakness in the euro area, particularly in France and Germany, two of Spain's main trading partners

The future trajectory of **labour costs and profit margins**, and that of business investment, which could respond more sharply than expected to the projected weaker business margins

The behaviour of **government consumption** and compliance with the Medium-Term Fiscal-Structural Plan 2025-28

Thank you very much

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