



Independent Authority
for Fiscal Responsibility

6th INTERNATIONAL CONFERENCE OF COUNCILS ON ECONOMIC POLICY

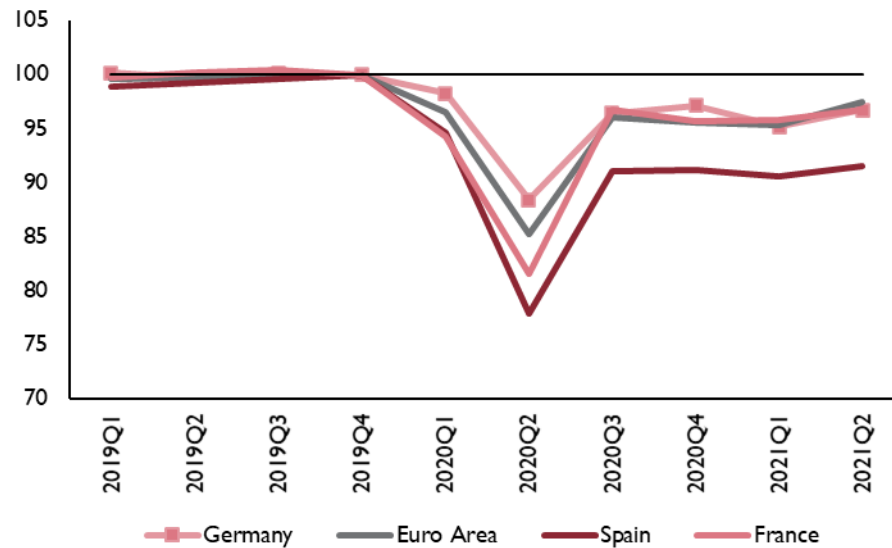
Cristina Herrero
October 1st 2021

6th INTERNATIONAL CONFERENCE OF COUNCILS ON ECONOMIC POLICY

- 1. Outlook for the Spanish economy**
- 2. Risks going forward**

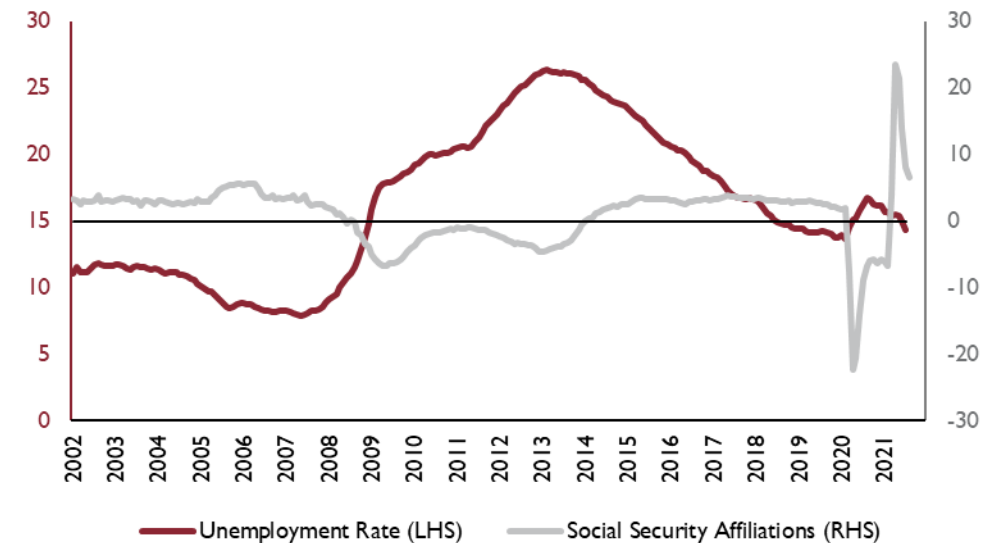
Relaxation of social distancing measures and the vaccination campaign enable the path towards recovery

GDP VOLUME. INDEX 2019Q4=100



Sources: Eurostat and National Statistics Institute

UNEMPLOYMENT RATE AND SOCIAL SECURITY AFFILIATIONS (% OF ACTIVE POPULATION AND Y-O-Y GROWTH RATES)



Source: National Statistics Institute.

- Pent-up demand has partially compensated foregone spending and the savings ratio has declined
- The reopening of large parts of the economy is supporting a vigorous rebound in the services sector
- The implementation of measures such as Job Retention Schemes and public guarantee programs have allowed the productive fabric to be preserved... still the unemployment rate still remains above 15%

Growth is conditioned by the impact of policy support measures... and by mounting downside risks

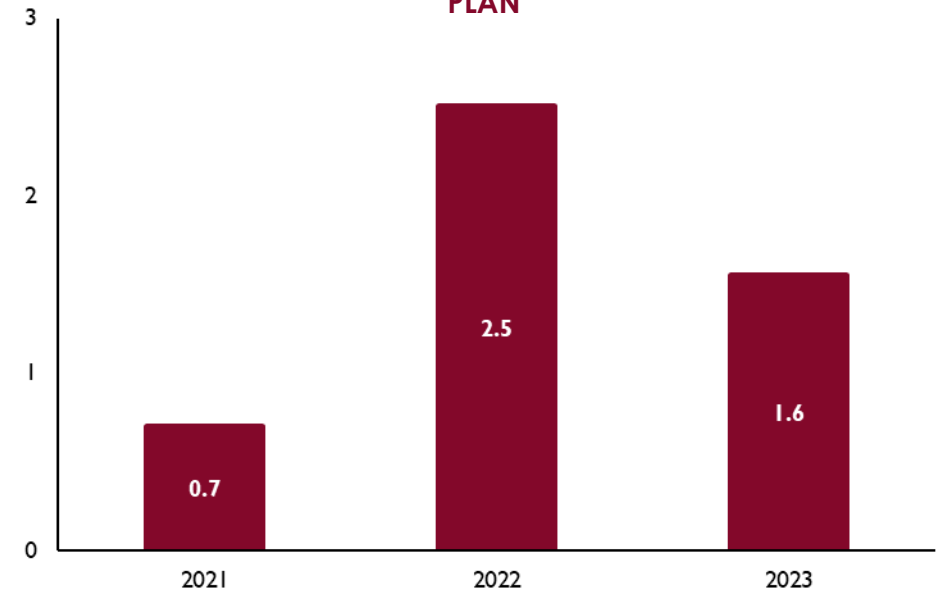
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<i>Year-on-Year Growth Rates</i>	<i>2020</i>	<i>2021</i>
Private Consumption	-12.1	7.6
Public Consumption	3.8	1.8
GFCF in Equipment and Cultivated Assets	-12.2	17.8
GFCF in Construction and Intellectual Property	-11.0	9.8
National Demand*	-8.8	7.1
Exports of Goods and Services	-20.2	10.8
Imports of Goods and Services	-15.8	13.2
External Balance*	-2.0	-0.6
GDP	-10.8	6.6
Nominal GDP	-9.9	8.1
GDP Deflator	1.1	1.4

Source: AIReF. July 2021.

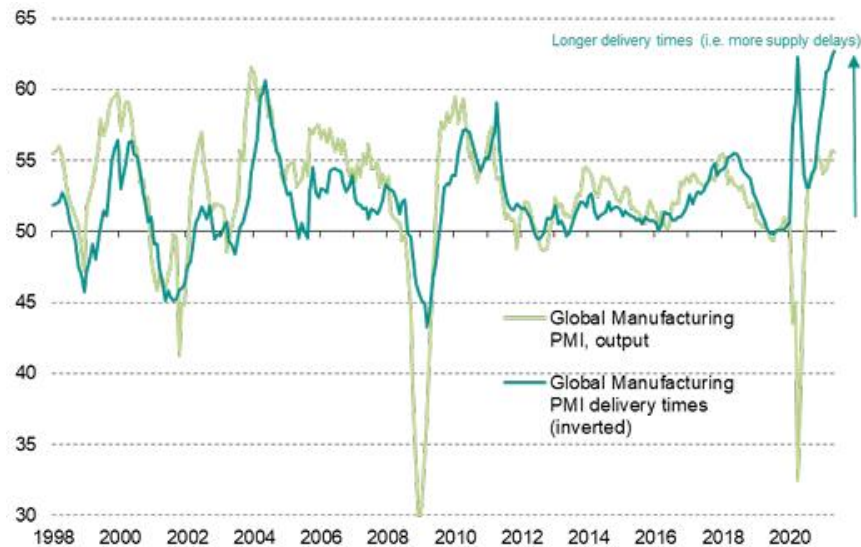
ESTIMATED IMPACT OF THE RECOVERY AND RESILIENCE PLAN



- To reach pre-pandemic GDP levels, it is crucial to develop the investment projects and structural reforms related to the Recovery and Resilience Plan
- Increasing uncertainty stemming from:
 - Unequal vaccination across the world
 - Current supply-side bottlenecks

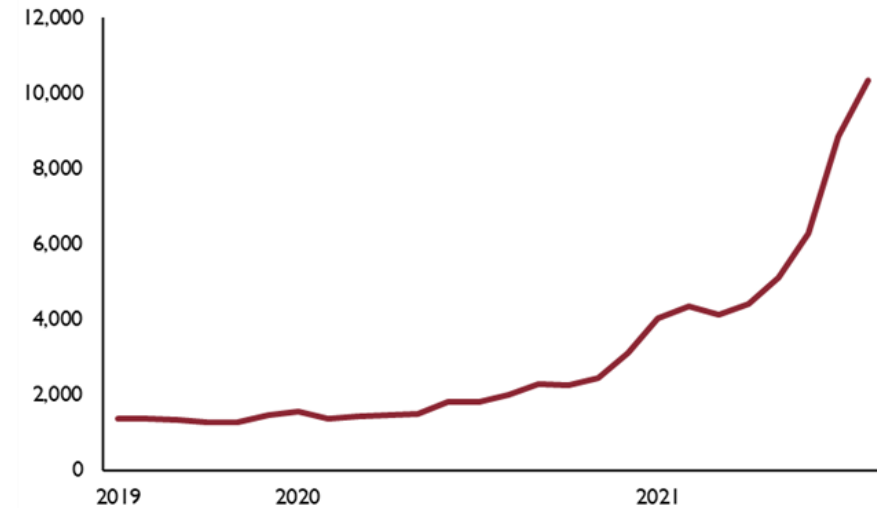
Since the end of 2020, firms are facing increasing disruptions in their production processes

JP MORGAN GLOBAL PMI OUTPUT AND INVERTED DELIVERY TIMES INDEX



Source: Markit.

GLOBAL CONTAINER FREIGHT RATE INDEX FROM JULY 2019 TO AUGUST 2021 (US\$ PER 40 FT CONTAINER)



Source: Drewry.

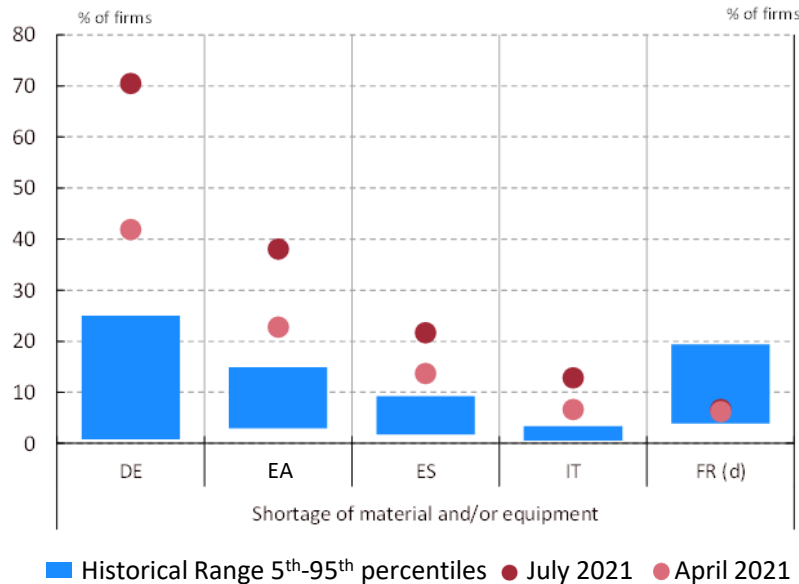
- Rapid recovery in global demand has generated an unprecedented lengthening of suppliers' delivery times
- Relatively inelastic supply of shipping capacity and disruptions in the transport sector, have led to extraordinary increases in shipping costs

While bottlenecks are mostly assessed to be temporary, there are signs suggesting they may be more persistent than previously expected

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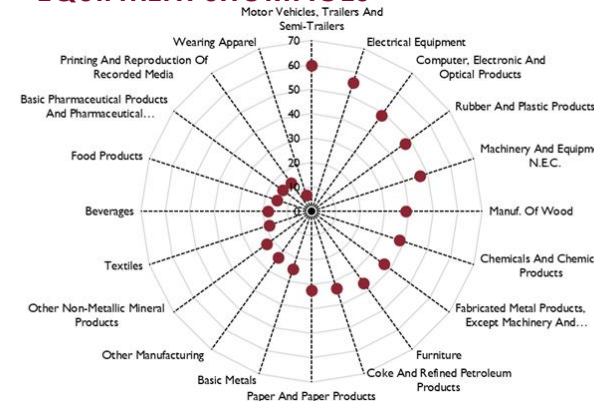
FACTORS LIMITING MANUFACTURING PRODUCTION



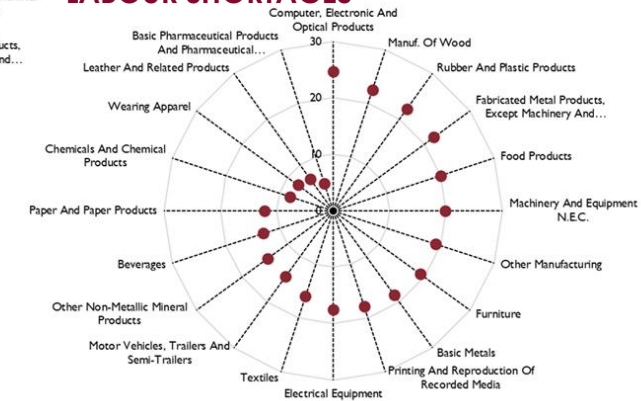
Source: European Commission.

2021-Q3. EURO AREA. PERCENTAGE OF FIRMS ANSWERING THEY HAVE...

EQUIPMENT SHORTAGES



LABOUR SHORTAGES

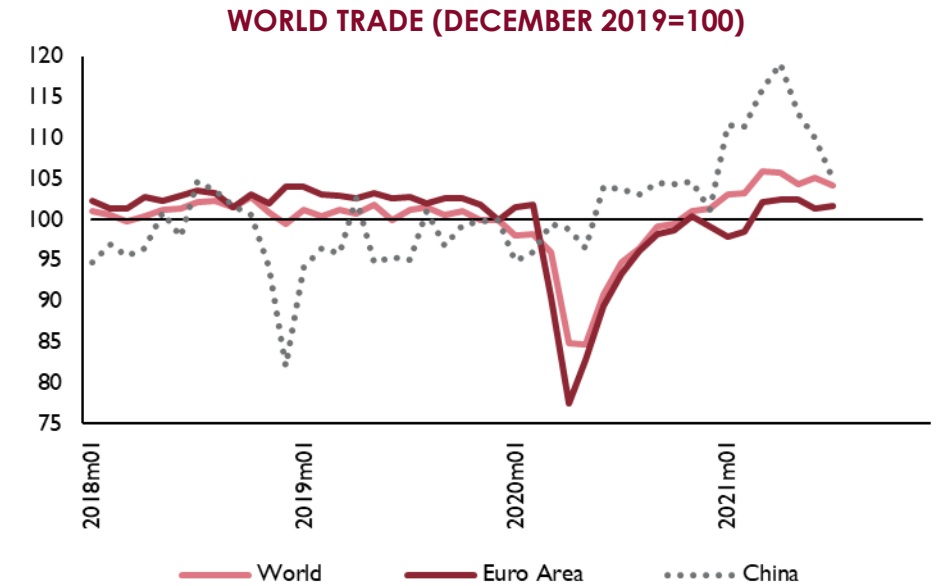
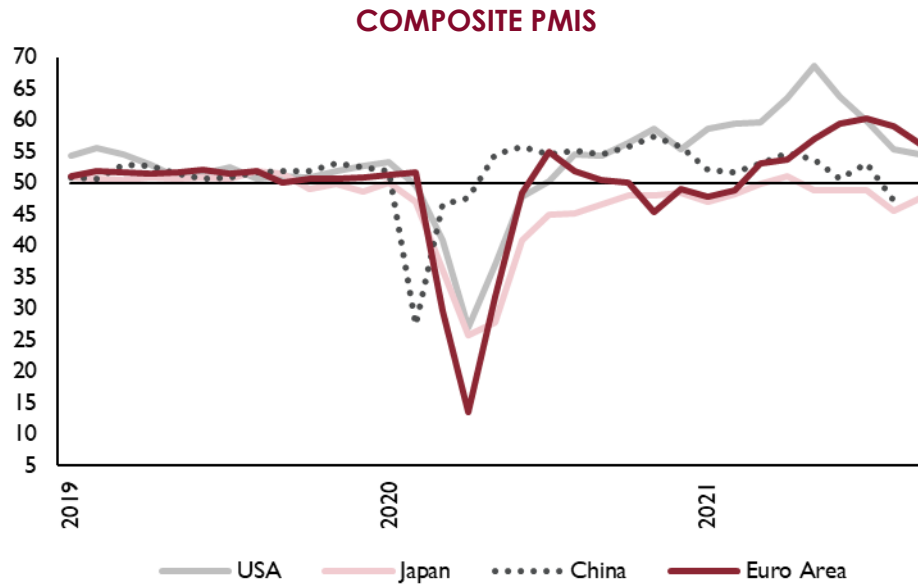


- In the Euro Area, bottlenecks are affecting particularly the German economy...
- ... and are spreading rapidly to other countries via input-out linkages, and to diverse sectors
- Labour supply shortages are also emerging

The consequences for the recovery may be significant

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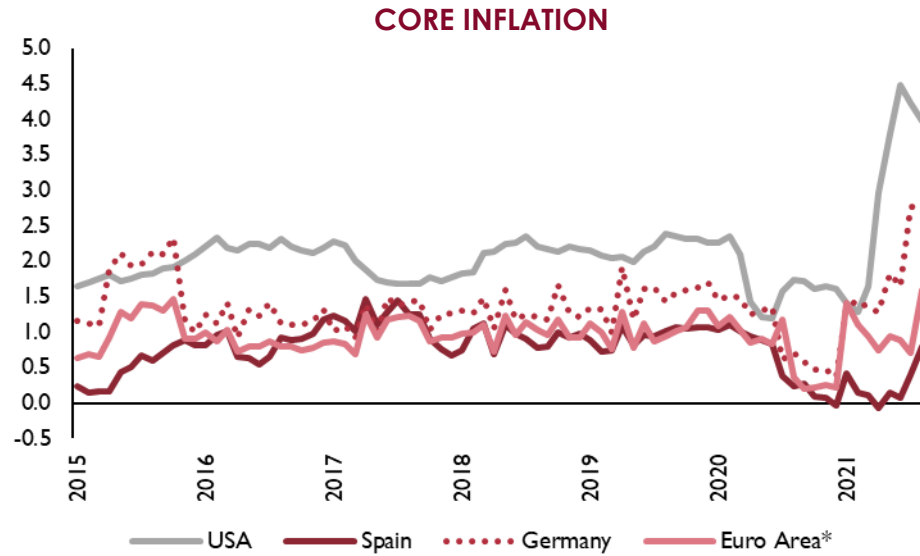


- Recent data suggests that the global economy is showing signs of slowing growth
- Bottlenecks may already taking its toll on world trade

The most important source of concern is related to inflation

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Source: FRED Database.
* Euro Area: Excluding Energy, Food and Tobacco.
Rest of Countries Excluding Energy and Food



Source: Refinitiv.

- Most projections suggest there will be a return towards a much more stable inflation rate in 2022
- But there are some signs of increasing inflation expectations