

# UPDATE OF MACROECONOMIC PROJECTIONS

JANUARY 2023



Independent Authority  
for Fiscal Responsibility

## MACROECONOMIC SCENARIO UPDATE

AIReF updates its GDP growth forecasts for 2022 and 2023 on which it bases its budgetary scenario to incorporate the most recent information available. The forecast GDP growth for 2022 is revised upwards by nine percentage points and by one percentage points in 2023, mainly due to the revision of the quarterly national accounts data and the moderation in energy prices.

|                                 | JANUARY-2023 |      |      | PGE-2023 |      | Difference |       |
|---------------------------------|--------------|------|------|----------|------|------------|-------|
| Year-on-year rate of change (%) | 2021         | 2022 | 2023 | 2022     | 2023 | 2022       | 2023  |
| National Demand                 | 5.3          | 2.2  | 1.6  | 1.7      | 1.7  | 0.46       | -0.03 |
| External Balance*               | 0.3          | 3.2  | 0.0  | 2.7      | -0.2 | 0.51       | 0.17  |
| Gross Domestic Product          | 5.5          | 5.3  | 1.6  | 4.4      | 1.5  | 0.94       | 0.12  |
| Nominal Gross Domestic Product  | 7.9          | 9.3  | 6.1  | 8.2      | 5.9  | 1.12       | 0.15  |
| Gross Domestic Product Deflator | 2.3          | 3.8  | 4.4  | 3.6      | 4.3  | 0.14       | 0.03  |
| CPI                             | 3.1          | 8.4  | 4.2  | 8.9      | 3.9  | -0.49      | 0.29  |
| Full-Time Equivalent Employment | 6.6          | 3.8  | 0.8  | 2.9      | 0.3  | 0.86       | 0.51  |

\* Contribution to GDP growth

- 1 The current estimates incorporate the latest available information and, in particular, the latest economic indicators, revised Quarterly National Accounts (QNA) estimates for the third quarter of the year and changes in technical assumptions.
- 2 The main source of revisions in expected growth for 2022 comes from the incorporation of the new QNA data for the first half of 2022 published in December. However, this publication was accompanied by a lower growth estimate for the third quarter compared to the one advanced by the National Statistical Institute (INE) at the end of October.
- 3 The expected growth for 2022 also includes an upward revision to the quarter-on-quarter rate in the fourth quarter compared with AIReF's estimates for the SGP-2023. This revision is in line with the results of the MIPred model<sup>1</sup> and reflects a more favourable performance of the very short-term indicators than initially forecast. The positive performance of services contrasts with a more negative performance of manufacturing. Likewise, employment has maintained an expansionary tone during 2022, although a deceleration in year-on-year growth was observed in the last months of the year. Together, these factors imply a revision of expected growth in 2022 to 5.3%.
- 4 A better-than-expected end of 2022, together with a improved assumptions about energy commodity prices in 2023, justify an upward revision to the expected growth profile; positive, but moderate in the first half of 2023 and slightly faster in the second half. The performance of the Spanish economy contrasts with the more unfavourable scenario expected by international organisations and analysts for the euro area as a whole in an environment of high geopolitical and economic uncertainty.

<sup>1</sup> [MIPred model](#)

5 Inflation is revised downwards in 2022 due to the recent moderation in energy price increases -helped by the "favourable" weather conditions in November and December, as well as by the boost from self-consumption-. The improved trend in energy prices has been accompanied by elements that seem to point towards greater persistence in the growth of other CPI components. Especially relevant is the acceleration in food prices and the rise in core inflation. Moreover, Central Balance Sheet Data Office's figures suggest that firms continue to pass through their cost increases into prices while the agreed increase in negotiated wages rose at the end of 2022, although it remains contained relative to inflation. Taken together, all the factors considered result in an upward revision to the projected rate of change of the Consumer Price Index (CPI) in 2023.

6 AIRcF updates its macroeconomic estimates on which AIRcF bases its fiscal forecasts in order to take into account the latest information. With a view to the Stability Programme Update report in spring a more in-depth analysis will be carried out, including the determinants of short and medium-term growth and in particular the implications of the war in Ukraine on the evolution of the European economies, the implications of the recent reopening of China, the evolution of prices and their effects on the financing conditions of the economy, as well as a reassessment of the economic effects of the Recovery Transformation and Resilience Plan (PRTR) to take into account the more recent information.