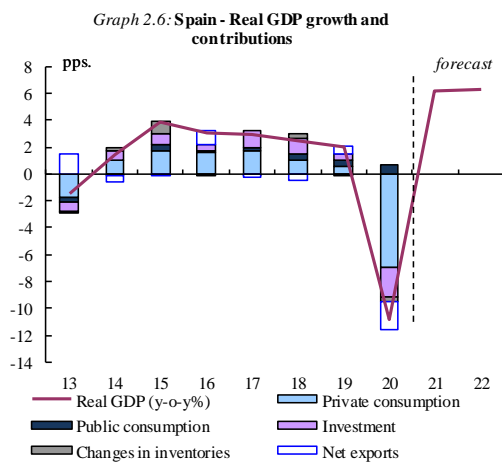


## 2.6. SPAIN

Real GDP in Spain declined by 0.4% in the first quarter of this year under the impact of virus containment measures and meteorological disruptions (storm “Filomena”). Following the improvement in the health situation, the fast progress in the vaccination campaign and the gradual lifting of containment measures, real GDP is expected to bounce back by 2.0% in the second quarter and 3.1% in the third quarter. On an annual basis, real GDP is expected to expand by 6.2% in 2021 and 6.3% in 2022.

More upbeat recent data mean that GDP growth in the second and third quarters is now expected to be faster than forecast in the spring. In the labour market, the pace of job creation and the exit of workers from short-time work schemes in hard-hit service sectors has accelerated significantly since the end of the state of emergency on 9 May. Other indicators continue to improve steadily, including business and consumer sentiment. This suggests a solidification of the recovery in the second quarter that is expected to continue afterwards. Private consumption and investment are expected to rebound strongly in 2021 and 2022 after declining sharply in 2020. Private consumption is projected to benefit from positive developments in the labour market and the gradual normalisation of household saving behaviour. Meanwhile, the implementation of the Recovery and Resilience Plan is expected to strengthen private and public investment and provide a further impulse to the economic recovery, particularly in 2022.



Headline inflation is forecast to average over 2% year-on-year until the beginning of 2022, due to rising energy prices, the prevalence of strong base effects and the uptick in services prices on the back of pent-up demand. However, the remaining slack in the labour market should prevent the persistence of temporary price pressures, on both the supply and demand side. After rising to 2.1% in 2021, annual inflation (HICP) is expected to decline to 1.4% in 2022.