

SPAIN

Economic growth is likely to slow in 2008 and 2009, as residential construction falls. Private consumption may decelerate, reflecting lower employment gains and tighter credit conditions. From a peak in late 2007, inflation should decline as demand pressures moderate.

In order to minimise output losses resulting from the slowdown in domestic demand, the indexation of wages to past inflation should be eliminated. Competition in product markets, in particular in retail distribution, needs to be nurtured to raise medium-term growth prospects. Calls for further relaxation of fiscal policy should be resisted in order to tackle the future fiscal consequences of population ageing.

Spain: Demand, output and prices

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|-----------------------------|--|------|------|-------|-------|
| | Current prices € billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 487.1 | 4.2 | 3.8 | 3.3 | 2.7 | 2.5 |
| Government consumption | 149.8 | 5.5 | 4.8 | 5.0 | 4.1 | 4.0 |
| Gross fixed capital formation | 235.8 | 6.9 | 6.8 | 5.8 | 1.2 | 1.3 |
| Final domestic demand | 872.6 | 5.1 | 4.8 | 4.3 | 2.5 | 2.4 |
| Stockbuilding ¹ | 2.0 | -0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Total domestic demand | 874.6 | 5.1 | 4.8 | 4.3 | 2.5 | 2.4 |
| Exports of goods and services | 218.2 | 2.6 | 5.1 | 4.7 | 6.5 | 6.5 |
| Imports of goods and services | 251.8 | 7.7 | 8.3 | 6.3 | 5.6 | 5.5 |
| Net exports ¹ | -33.6 | -1.6 | -1.2 | -0.8 | -0.2 | -0.1 |
| GDP at market prices | 841.0 | 3.6 | 3.9 | 3.8 | 2.5 | 2.4 |
| GDP deflator | – | 4.2 | 4.0 | 3.2 | 3.3 | 2.9 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | – | 3.4 | 3.6 | 2.8 | 3.6 | 2.5 |
| Private consumption deflator | – | 3.4 | 3.4 | 2.7 | 3.2 | 2.5 |
| Unemployment rate ² | – | 9.2 | 8.5 | 8.1 | 8.1 | 8.3 |
| Household saving ratio | – | 10.7 | 10.3 | 10.3 | 10.6 | 10.8 |
| General government financial balance ² | – | 1.0 | 1.8 | 1.9 | 1.5 | 1.3 |
| Current account balance ² | – | -7.4 | -8.6 | -9.8 | -10.0 | -10.1 |

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods*, (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 82 database.