ESADE TARGET

RESULTS 2016

[February 2016]

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01
METHODOLOGY

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What is ESADE Target?

Since 2010 ESADE Target has been indicating the accuracy of macroeconomic forecasts for Spain (calculated over the previous three years).

Now that GDP and job figures are available for 2016, we present a new publication of the ESADE Target in two versions:

ECONOMIC Target and JOBS Target.

Why does ESADE publish this indicator?

A wide variety of organisations publish economic and employment forecasts.

Many of these forecasts conflict with others. However, forecasts are rarely compared with the actual data that is subsequently published - and this lack of information makes life difficult for the managers and entrepreneurs who use these forecasts when preparing their budgets.

For this reason ESADE has developed a reliability indicator for the forecasts made by major national and international organisations.

ESADE Target is not so much a judge of economic forecasts, as it is a notary public.

More than publishing a ranking, we are interested in recording the deviation produced by each forecast.

METHODOLOGY   ECONOMIC TARGET   EUROPEAN TARGET   JOBS TARGET

Bases metodológicas

The input data for ESADE Target are the economic and job forecasts made during the year by various public and private organisations.

Our sources are those forecasts compiled by a panel of the Foundation of Savings Banks (FUNCAS) in September.
The FUNCAS panel is the result of a survey of forecasts made every two months. To complete the panel, and as a comparison, forecasts are added from the Spanish Government, the Bank of Spain, the European Commission, the International Monetary Fund, and the OECD. ESADE adds additional international forecasts for the International Economic Target.

From these forecasts:

01 The ESADE Target is regularly updated with the annual GDP figures published by the National Statistics Institute (INE) in January.

02 The ESADE JOBS Target has been published for the last five years and is based on data from the EPA (a national employment survey published by the INE) that is released in the fourth quarter.

03 There is a key moment for forecasts on GDP and jobs: the autumn. Most companies and managers prepare their annual budgets during autumn - and so this is when forecasts attract most public attention.

METHODOLOGY ECONOMIC TARGET EUROPEAN TARGET JOBS TARGET

Organisations analysed

AFI – Analistas Financieros Internacionales
Bank of Spain
BBVA – forecasting unit
Bankia – forecasting unit
CEMEX – Construction Materials Industry Association
CEEM / URJC – economic studies centre
(Universidad Rey Juan Carlos)
CEPREDE – economic forecasting centre
(Universidad Autónoma de Madrid)
CEOE – Confederation of Spanish Companies
European Commission
IMF – International Monetary Fund
FUNCAS – Savings Banks Foundation
Spanish Government
ICAE – Institute of Economic Analysis
IEE – Institute of Economic Studies
Instituto Flores de Lemus (Universidad Carlos III de Madrid)
Intermoney – stockbroker
la Caixa – forecasting unit
OECD – Organisation for Economic Cooperation
and Development
Repsol – forecasting unit
Santander – forecasting unit
Solchaga Recio & Asociados – financial advisors
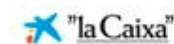**The Economist –** weekly magazine

Bloomberg – Bloomberg Barclays Index
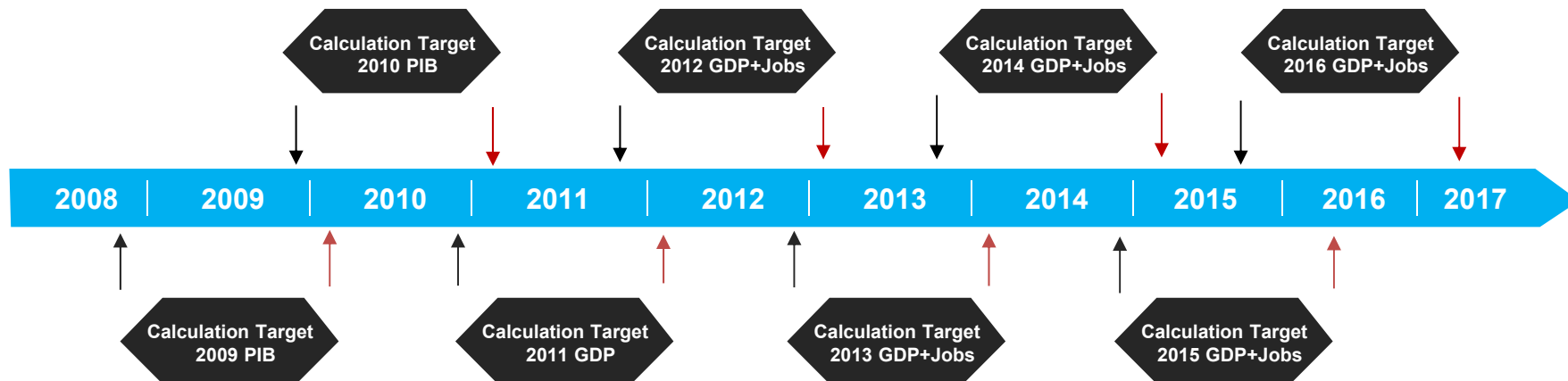**Destatis –** German Federal Statistics Office
INEE – European Business Institute
Bank of Italy
Bank of England

Chronology of analysis

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
INE: inflation at 0% at end of 2015.	**Elections in Ireland**: results make forming government difficult.	The **European Central Bank** cuts interest rate to 0% and announces it will buy corporate debt.	**Panama Papers** reveal tax havens for politicians and heads of states.	**Flight MS804** on the Paris-Cairo route, disappears from radar 280 km from the Egyptian coast.	**Brexit:** UK votes by referendum to abandon EU. Followed by Black Friday in European stock exchanges.
Prosecutor calls for 4.5 years of prison for Rato and 6 years for Blesa for fraud**.**	**Moody's** believes that the Ciudadanos-PSOE pact 'vague on tax and economic policy'.	**Brussels airport** and subway bombings leave 32 dead and 300 injured.	The **Venezuelan Electoral Council** activates a referendum to decide the future of Nicolas Maduro.	**Inflation** at -1.0%, a tenth of a point higher than April.	**Second general elections** in Spain.
Goldman Sachs pays $5.1 million to close the subprime mortgage case.	**Argentina** returns to the world money market.				

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
A truck runs into crowds in French city of Nice near the Italian border, leaving 85 people dead and 303 wounded.	**Spanish public debt** grows and reaches its highest level in more than a century (100.9% of GDP)).	**Dilma Rousseff** is dismissed by Brazilian Senate.	**Pedro Sanchez** resigns as secretary general of the PSOE.	**Donald Trump** elected US president.	**Government approves spending ceiling** and minimum wage and announces tax measures for 2017.
July 2016 becomes the month with **the highest ever number tourists in Spain** with a total of 9.6 million.	An **earthquake in Italy** (6.2) kills 294 and injures 388.	**G20** summit in China.	Peace agreement in **Colombia** rejected.	**The INE puts growth of GDP in October at 0.7%** with 12 consecutive months of growth.	**Resignation of Matteo Renzi** in Italy after losing referendum.
	OPEC announces that oil prices could rise later this year.	**Regional elections** in Basque Country and Galicia.	**Mariano Rajoy** becomes Spanish PM after 10 months of uncertainty.	**Spanish government** moves to prevent fine from Brussels.	**FED** raises interest rate by a quarter point.
		Mortgage lending falls to 2016 levels and spending slows.	**Low participation in Hungarian** referendum on refugees.	**Fidel Castro** dies.	**Annual maximum of Ibex-35** at 9,400 points.

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02
ECONOMIC TARGET

· **GDP forecasts 2016**

· **Accuracy rankings**

· **Deviations**

· **Deviation sign**

· **GDP forecast deviations 2014-2016**

· **ECONOMIC Target 2016**

GDP forecasts 2016

Accuracy rankings

As in 2015, forecasts were below actual GDP growth.

On average, GDP growth was forecasted at 2.76 points, and actual growth was 3.2%

All the organisations analysed under-estimated actual growth.

Note:
All forecasts are for 09/15, except:

Bank of Spain: 06/15;
Spanish Government: 07/15;
European Commission: 05/15;
OECD: 06/15; IMF 6/15

| GDP 2016 forecasts	
AFI	2.80%
Bank of Spain	2.70%
Bankia	2.80%
BBVA	2.70%
CEEM/URJC	2.70%
Cemex	2.50%
CEOE	2.90%
CEPREDE	2.30%
European Commission	2.60%
IMF	2.50%
FUNCAS	2.80%
Spanish Government	3.00%
I. Flores de Lemus	2.90%
ICAE	2.80%
IEE	3.00%
Intermoney	3.00%
La Caixa	2.60%
OECD	2.80%
Repsol	3.00%
Santander	2.90%
Solchaga Recio & Asociados	2.70%
Average forecast	2.8%
REAL GDP	**3.2%**

Major changes have taken place in the accuracy ranking since 2015.

First place is shared by the Government, IEE, Intermoney and Repsol.

The IMF remains near the bottom.

#'15	#'16	Institutions	Deviation		
10	1	Spanish Government	0.2	⬆	+9
15	1	IEE	0.2	⬆	+14
2	1	Intermoney	0.2	⬆	+1
10	1	Repsol	0.2	⬆	+9
15	5	CEOE	0.3	⬆	+10
15	5	I. Flores de Lemus	0.3	⬆	+10
7	5	Santander	0.3	⬆	+2
15	8	AFI	0.4	⬆	+7
10	8	Bankia	0.4	⬆	+2
2	8	FUNCAS	0.4	⬇	-6
2	8	ICAE	0.4	⬇	-6
21	8	OECD	0.4	⬆	+13
10	13	Bank of Spain	0.5	⬇	-3
1	13	BBVA	0.5	⬇	-12
2	13	CEEM/URJC	0.5	⬇	-11
7	13	Solchaga Recio & Asociados	0.5	⬇	-6
7	17	European Commission	0.6	⬇	-10
20	17	La Caixa	0.6	⬆	+3
10	19	CEMEX	0.7	⬇	-9
21	19	IMF	0.7	⬆	+2
2	21	CEPREDE	0.9	⬇	-19

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# Deviation

AVERAGE DEVIATIONS 2016 (0.44)
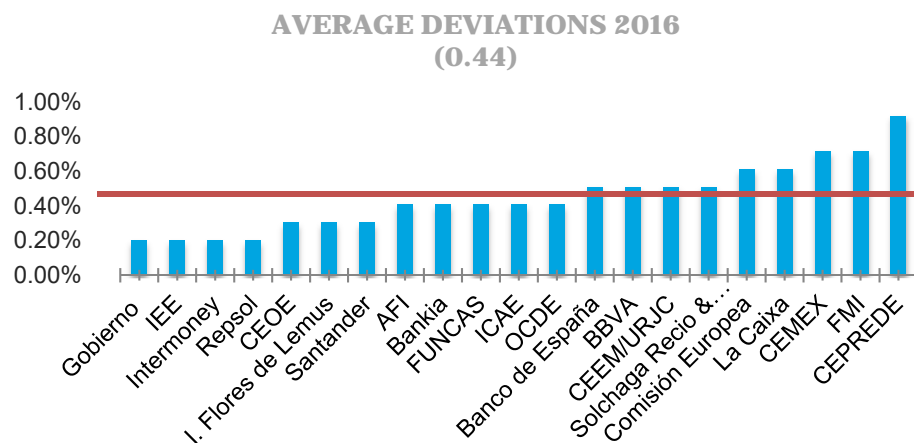
Forecast deviations were clearly lower than last year. The overall average deviation was less than half a point of GDP, compared to an average of 1.2 points in 2015.

For the third consecutive year, all organisations made pessimistic forecasts.

Deviation sign

	2014	2015	2016	2014-2016
ICAE	-0.90%	-1.0%	-0.4%	-0.77%
IEE	-0.70%	-1.3%	-0.2%	-0.73%
AFI	-0.90%	-1.3%	-0.4%	-0.87%
Intermoney	-0.90%	-1.0%	-0.2%	-0.70%
Cemex	-0.60%	-1.2%	-0.7%	-0.83%
IMF	-1.40%	-1.6%	-0.7%	-1.23%
CEOE	-0.60%	-1.3%	-0.3%	-0.73%
I. Flores de Lemus	-1.10%	-1.3%	-0.3%	-0.90%
Solchaga Recio & Asoc.	-0.60%	-1.1%	-0.5%	-0.73%
FUNCAS	-0.40%	-1.0%	-0.4%	-0.60%
Bankia	-0.60%	-1.2%	-0.4%	-0.73%
La Caixa	-0.60%	-1.5%	-0.6%	-0.90%
Repsol	-0.60%	-1.2%	-0.2%	-0.67%
Santander	-0.50%	-1.2%	-0.3%	-0.67%
BBVA	-0.50%	-0.9%	-0.5%	-0.63%
CEPREDE	-0.50%	-1.0%	-0.9%	-0.80%
CEEM/URJC	-0.30%	-1.0%	-0.5%	-0.60%
OECD	-1.00%	-1.6%	-0.4%	-1.00%
European Commission	-0.50%	-1.1%	-0.6%	-0.73%
Spanish Government	-0.90%	-1.2%	-0.2%	-0.77%
Bank of Spain	-0.80%	-1.2%	-0.5%	-0.83%
Average forecast	**-0.74%**	**-1.23%**	**-0.44%**	**-0.80%**
REAL GDP	**1.40%**	**3.2%**	**3.2%**	**2.60%**

Forecast deviations 2003 - 2016

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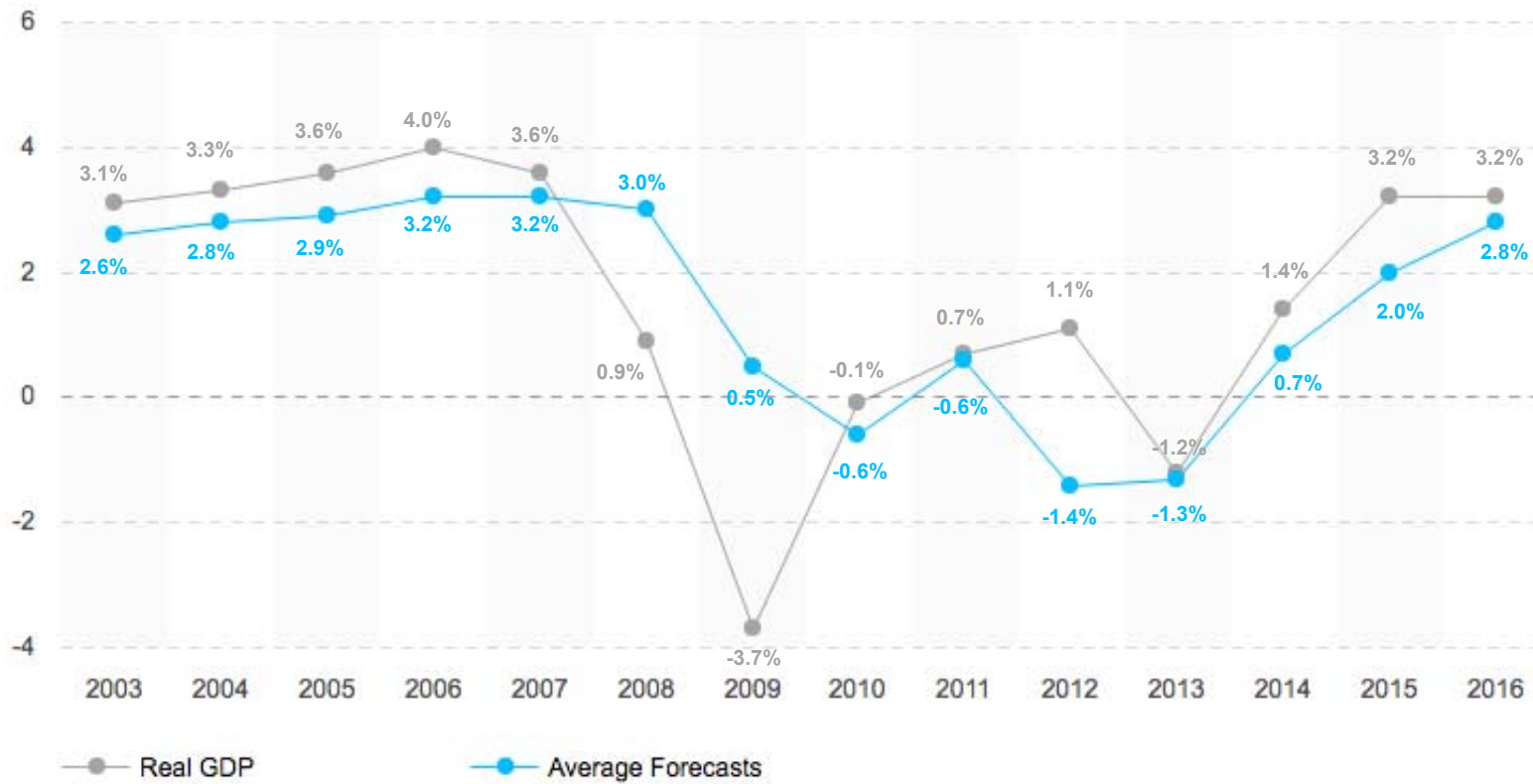
ECONOMIC Target 2016

FUNCAS and CEEM/URJC have held the two top positions for the last three years, followed by the forecasting units of the BBVA and Santander. The Government and Bank of Spain have improved their rankings while the IMF remains in last position.
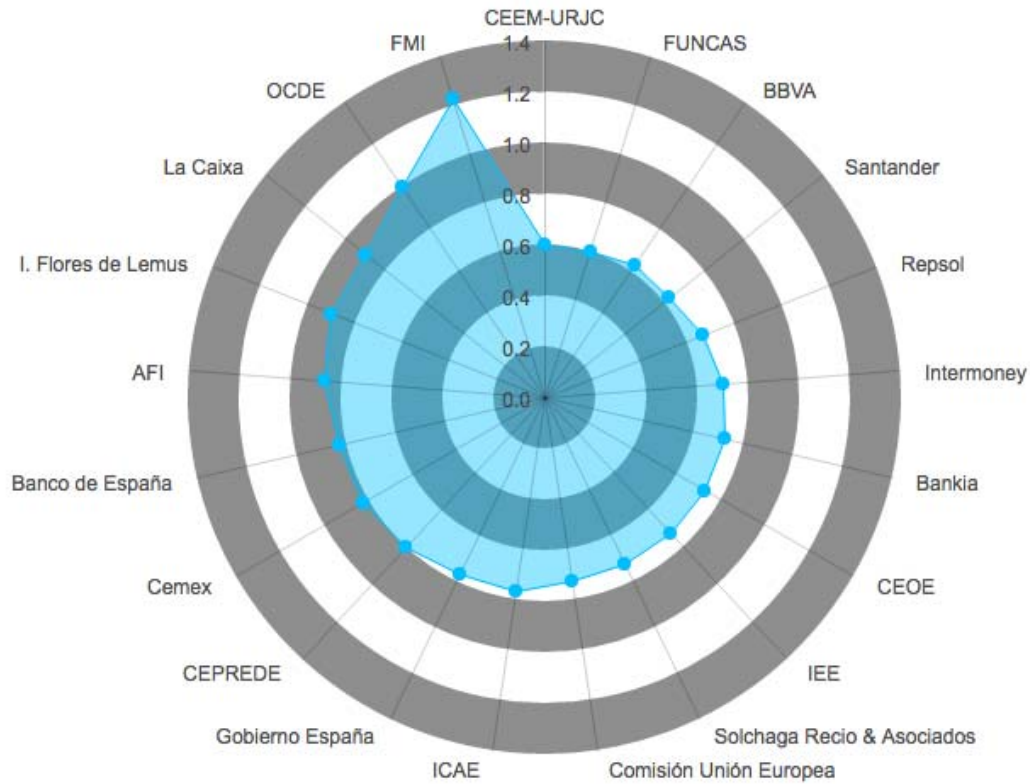
TARGET RESULTS	
CEEM/URJC	060%
FUNCAS	0.60%
BBVA	0.63%
Santander	0.63%
REPSOL	0.67%
Intermoney	0.70%
Bankia	0.73%
CEOE	0.73%
European Commission	0.73%
IEE	0.73%
Solchaga Recio & Asociados	0.73%
Govern of Spain	0.77%
ICAE	0.77%
CEPREDE	0.80%
Bank of Spain	0.83%
Cemex	0.83%
AFI	0.87%
I. Flores de Lemus	0.90%
La Caixa	0.90%
OECD	1.00%
IMF	1.23%

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03
EUROPEAN ECONOMIC FORECASTS

· **Forecast for European GDP 2016**

· **Forecast deviations**

· **EUROPEAN ECONOMIC Target 2016**

· **EUROPEAN ECONOMIC Target 2014-2016**

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European GDP forecasts 2016

For the third year, forecasts from several of the organisations in the traditional ESADE Target (plus Bloomberg) have been included for the eurozone and the four major EU economies (Germany, France, Italy and United Kingdom)

Like last year, forecasts were generally accurate. Average forecasted growth was higher than actual growth - unlike the Spanish case.

	Euro zone	Germany	France	Italia	UK
BBVA	1.90%	1.90%	1.70%	1.30%	2.30%
La Caixa	2.70%	1.80%	1.50%	1.20%	2.10%
Santander	1.50%	-	-	-	2.50%
IMF	1.60%	1.60%	1.50%	1.30%	2.20%
OECD	2.00%	2.20%	1.70%	1.30%	2.50%
European Commission	1.90%	2.00%	1.70%	1.40%	2.40%
Bloomberg	1.60%	-	-	-	2.40%
Average forecasts	**1.89%**	**1.90%**	**1.62%**	**1.30%**	**2.34%**
REAL GDP	**1.80%**	**1.80%**	**1.10%**	**1.10%**	**2.20%**

Forecast date:
European Commission 05/15; BBVA 08/15; La Caixa 09/15; Santander 11/15; IMF 10/15; OCDE 3/15; Bloomberg 11/15.
Actual GDP 09/16. Eurozone: European Commission and IMF; Germany: Destatis; France: INEE; Italy: Bank of Italy; UK: Bank of England

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Forecast deviations

The average deviation for the eurozone was 0.29, which was the same as in 2015 - and clearly lower than the figure of 0.7 for 2014. The most accurate forecasts for the eurozone were produced by the BBVA and the European Commission.

For the four largest economies, the largest deviation was produced for the French economy. In contrast, the French economy was the most accurately forecasted economy in 2015.

	Euro zone	Germany	France	Italia	UK	DeviationPer institution (4 countries)
BBVA	0.10%	0.10%	0.60%	0.20%	0.10%	0.25%
La Caixa	0.90%	0.00%	0.40%	0.10%	0.10%	0.15%
Santander	0.30%	-	-	-	0.30%	0.30%
IMF	0.20%	0.20%	0.40%	0.20%	0.00%	0.20%
OECD	0.20%	0.40%	0.60%	0.20%	0.30%	0.38%
European Commission	0.10%	0.20%	0.60%	0.30%	0.20%	0.33%
Bloomberg	0.20%	-	-	-	0.20%	0.20%
Mean deviation	**0.29%**	**0.18%**	**0.24%**	**0.20%**	**0.17%**	

EUROPEAN Economic Target
(big four economies) 2016

Bloomberg and La Caixa hold the top positions for average deviations for Europe 2014-16 with deviations below 0.35. The largest deviations were produced by the BBVA and the European Commission.
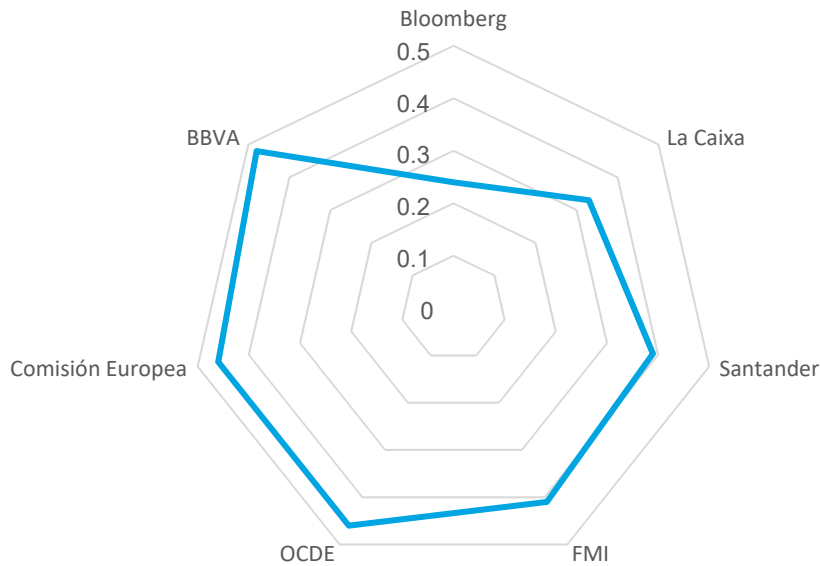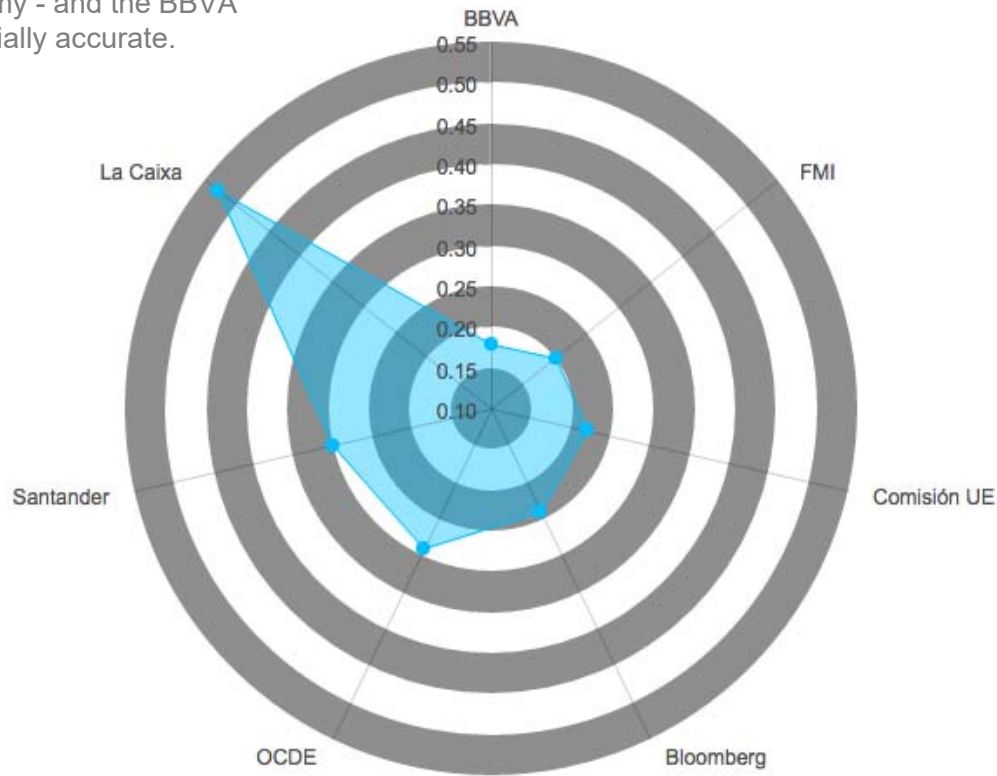

TARGET RESULTS

Bloomberg	0.24%
La Caixa	0.33%
Santander	0.39%
FMI	0.41%
OECD	0.46%
European Commission	0.46%
BBVA	0.48%

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ECONOMIC EUROZONE 2016

Forecast deviations for the eurozone were generally much smaller than for the Spanish economy - and the BBVA forecast was especially accurate.

TARGET RESULTS

BBVA	0.18%
FMI	0.20%
European Commission	0.22%
OECD	0.29%
Santander	0.30%
La Caixa	0.53%

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04
JOBS TARGET

· **Job forecasts 2016**

· **Accuracy ranking**

· **Deviation**

· **Deviation signs**

· **Deviations in job forecasts 2014-2016**

· **JOBS Target 2016**

· **Elasticity jobs/GDP 2016**

METHODOLOGY   ECONOMIC TARGET   EUROPEAN TARGET   **JOBS TARGET**

Job forecasts 2016

The fall in joblessness in 2016 was not forecasted. An average jobless rate of 20.5% was forecasted - far from the actual rate of 18.6% published in the official jobs survey (EPA) in the fourth quarter of 2016.

Note:
All forecasts were made on 09/15, except:

Bank of Spain: 06/15;
Spanish Government: 07/15;
European Commission: 05/15;
OECD: 06/15; FMI 6/15

| EPA Predictions 2016	
AFI	20.9%
BBVA	20.5%
Bankia	20.5%
Cemex	20.8%
CEEM/URJC	19.7%
CEPREDE	21.8%
CEOE	20.2%
FUNCAS	20.3%
ICAE	20.6%
IEE	20.8%
I. Flores de Lemus	20.9%
Intermoney	20.2%
La Caixa	20.8%
Repsol	20.6%
Santander	20.0%
Solchaga Recio & Asociados	19.9%
Gobierno	19.7%
European Commission	20.5%
OECD	20.3%
Average forecast	**20.5%**
EPA REAL	**18.6%**

Accuracy ranking

There were changes in the accuracy ranking. CEEM/URJC and the Government were ranked at the top.

The OECD and European Commission improved their ranking.

#'15	#'16	Institutions	Deviation	
4	1	CEEM/URJC	1.07 ⬆	+3
10	1	Gobierno	1.07 ⬆	+9
6	3	Solchaga Recio & Asociados	1.27 ⬆	+3
8	4	Santander	1.37 ⬆	+4
1	5	CEOE	1.57 ⬇	-4
10	5	Intermoney	1.57 ⬆	+5
2	7	FUNCAS	1.67 ⬇	-5
17	7	OECD	1.67 ⬆	+10
6	9	BBVA	1.87 ⬇	-3
14	9	Bankia	1.87 ⬆	+5
19	9	European Commision	1.87 ⬆	+10
8	12	ICAE	1.97 ⬇	-4
18	12	Repsol	1.97 ⬆	+6
14	14	Cemex	2.17 =	0
5	14	IEE	2.17 ⬇	-9
10	14	La Caixa	2.17 ⬇	-4
10	17	AFI	2.27 ⬇	-7
3	17	I. Flores de Lemus	2.27 ⬇	-14
14	19	CEPREDE	3.17 ⬇	-5

Forecast deviations
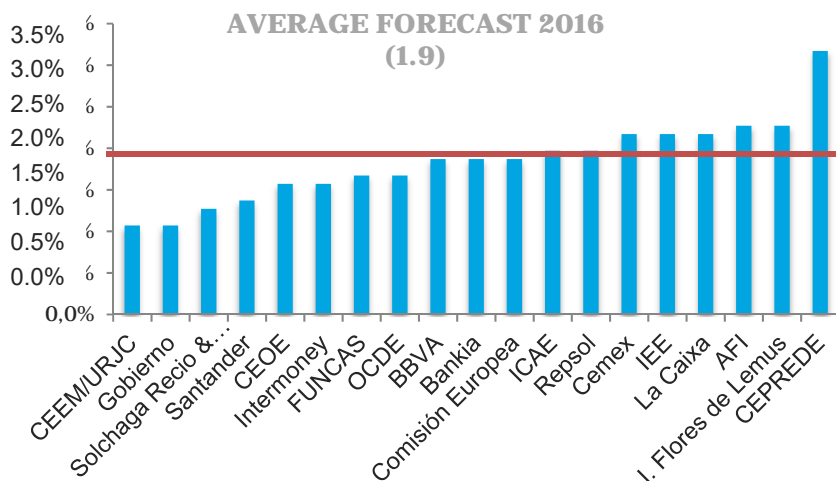
Deviation sign

The average forecast deviation was 1.8 points – improving the average deviation of the previous two years by 0.6 points.

For the third year, all organisations made jobless forecasts higher than the actual figure.

|	2014	2015	2016	2014-2016
AFI	2.6%	2.40%	2.30%	2.40%
BBVA	1.7%	2.20%	1.90%	1.90%
Bankia	2.2%	2.60%	1.90%	2.20%
Cemex	1.8%	2.60%	2.20%	2.20%
CEEM/URJC	1.5%	1.90%	1.10%	1.50%
CEPREDE	2.7%	2.60%	3.20%	2.80%
CEOE	2.1%	1.50%	1.60%	1.70%
FUNCAS	2.1%	1.60%	1.70%	1.80%
ICAE	2.5%	2.30%	2.00%	2.30%
IEE	2.3%	2.10%	2.20%	2.20%
I. Flores de Lemus	2.4%	1.80%	2.30%	2.20%
Intermoney	2.8%	2.40%	1.60%	2.30%
La Caixa	1.6%	2.40%	2.20%	2.10%
Repsol	2.0%	2.80%	2.00%	2.30%
Santander	2.4%	2.30%	1.40%	2.00%
Solchaga Recio & Asociados	2.4%	2.20%	1.30%	2.00%
Gobierno	3.0%	2.40%	1.10%	2.20%
European Commission	2.7%	3.10%	1.90%	2.60%
OECD	4.3%	2.70%	1.70%	2.90%
Average forecast	**2.4%**	**2.4%**	**1.9%**	**1.5%**

Forecast deviations 2003 - 2016

The average forecasted reduction in unemployment was 0.4% - when it was actually 2.3 points. For the third consecutive year, the capacity of the Spanish economy to generate jobs surprised all the forecasters. Both in 2015 and in 2016, the actual fall in unemployment was greater than all the forecasts.

Legend: Real EAPS — Average Forecasts
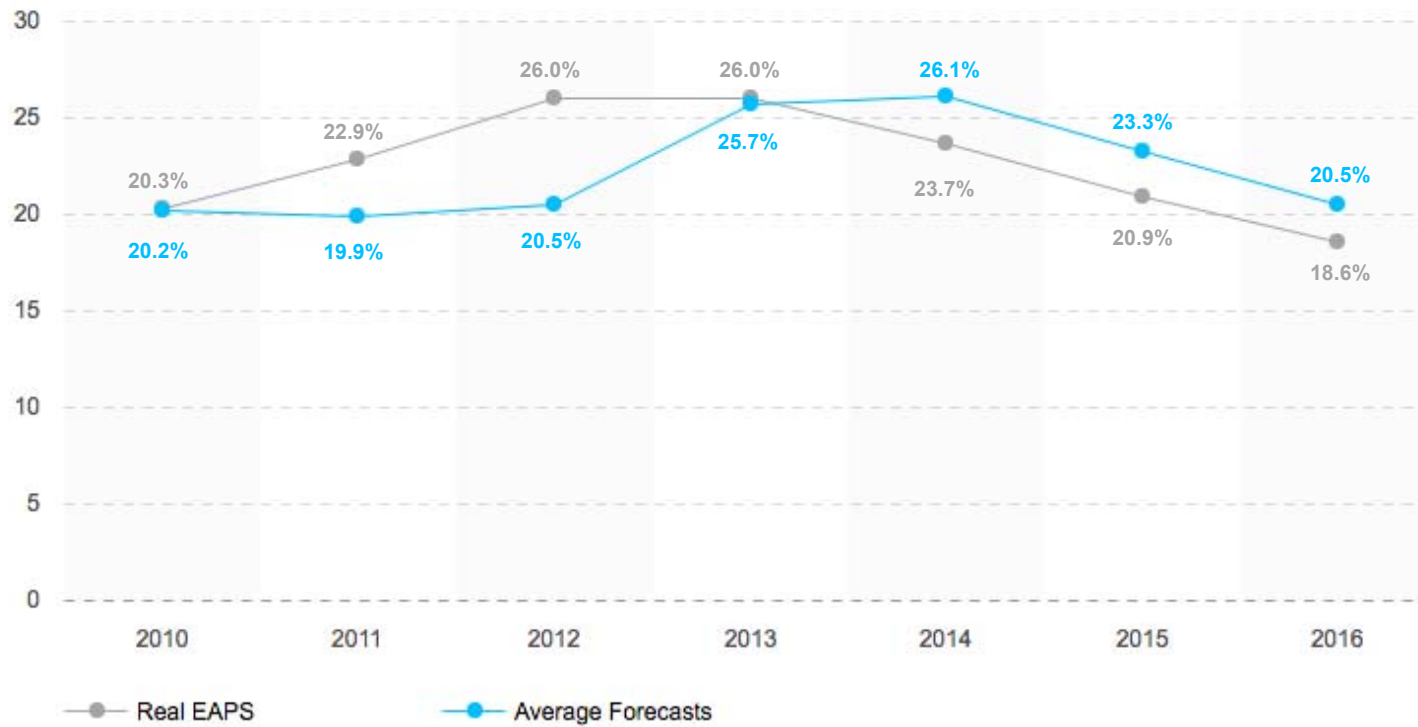
JOBS Target 2016

CEEM/URJC came closest over last three years to the actual jobless figures published in the official EPA job surveys (followed by the CEOE and FUNCAS). The government forecast improved in accuracy, with the OECD again occupying the last position.
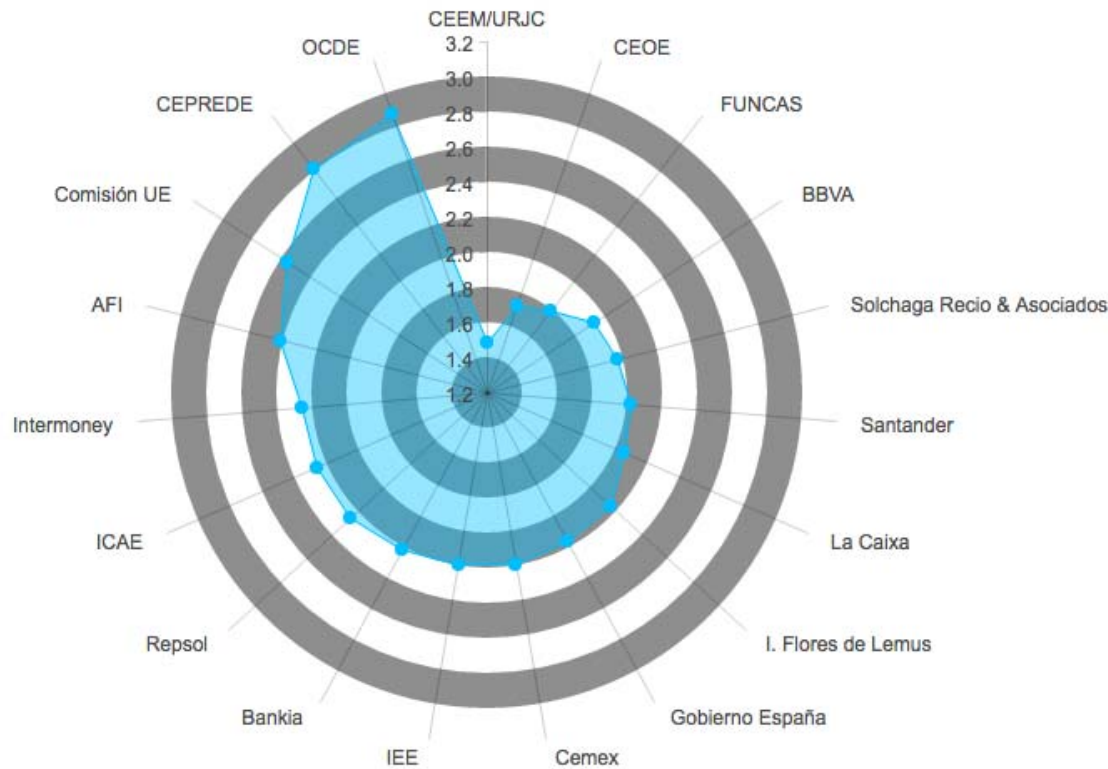
TARGET RESULTS	
CEEM/URJC	1.49%
CEOE	1.72%
FUNCAS	1.79%
BBVA	1.92%
Solchaga Recio & Asociados	1.96%
Santander	2.02%
La Caixa	2.06%
I. Flores de Lemus	2.16%
Gobierno	2.16%
Cemex	2.19%
IEE	2.19%
Bankia	2.22%
Repsol	2.26%
ICAE	2.26%
Intermoney	2.26%
AFI	2.42%
European Commission	2.56%
CEPREDE	2.82%
OCDE	2.89%

Jobs/GDP elasticity 2016

Elasticity 2015 vs 2016
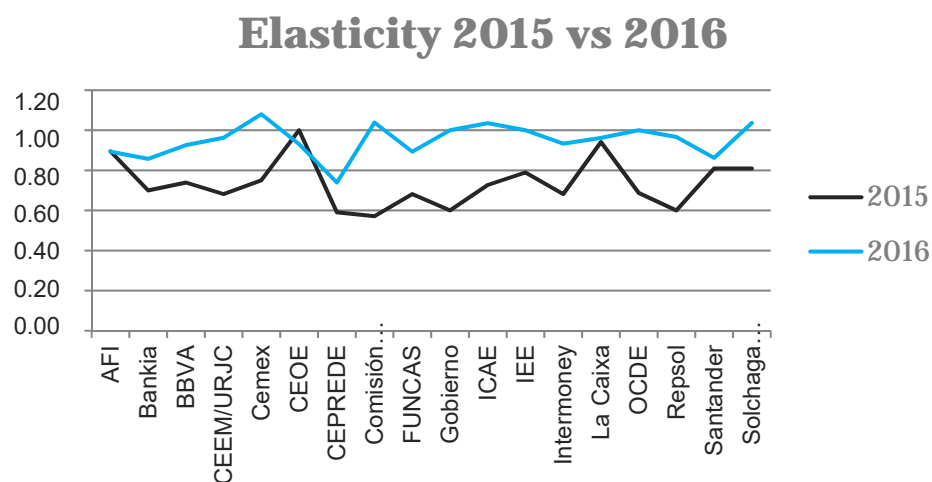
For the second year, the ESADE Target shows the percentage change in unemployment divided by the percentage change in GDP for each of the forecasts analysed – revealing the forecasted employment elasticity with respect to economic growth.

The analyses of nearly all the forecasters showed an increased sensitivity of employment to economic growth. Actual elasticity was less than the forecasts and less than the figure for 2015.

	ΔGDP	ΔJOB	ELASTICITY
AFI	2.8%	2.5%	0.89%
BBVA	2.7%	2.5%	0.93%
Bankia	2.8%	2.4%	0.86%
CEEM/URJC	2.7%	2.6%	0.96%
CEOE	2.9%	2.7%	0.93%
CEPREDE	2.3%	1.7%	0.74%
Cemex	2.5%	2.7%	1.08%
European Commission	2.6%	2.7%	1.04%
FUNCAS	2.8%	2.5%	0.89%
Spanish Govern	3%	3%	1.00%
Flores de Lemus	2.9%	3.3%	1.14%
ICAE	2.8%	2.9%	1.04%
IEE	3%	3%	1.00%
Intermoney	3%	2.8%	0.93%
La Caixa	2.6%	2.5%	0.96%
OECD	2.8%	2.8%	1.00%
Repsol	3%	2.9%	0.97%
Santander	2.9%	2.5%	0.86%
Solchaga Recio & Asociados	2.7%	2.8%	1.04%
Real	**3.2%**	**2.3%**	**0.72%**
Media	-	-	**0.95%**

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