SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Spain's economy and financial sector in the face of COVID-19: Assessing the impact and perspectives

funcas

WHAT MATTERS

Spain's macro outlook: Rising COVID-19 cases dampen economic forecasts

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Letter from the Editors

The COVID-19 pandemic has been a tremendous hit for the Spanish economy, essentially eliminating prospects of economic growth in 2020 and generating a severe financing gap in the public accounts. The OECD and the IMF have both recently warned that Spain will be among the economies hardest hit by the pandemic – in terms of growth, but also in terms of deficit and debt. Within this context, the September issue of *Spanish and International Economic & Financial Outlook (SEFO)* takes a snapshot of the current situation and provides perspectives on the evolution of Spain's economy, financial sector, and public finances.

We first present our latest set of forecasts for the Spanish economy, revised downwards substantially since July, largely a result of the surge in case numbers and the dissuasive effect it has had on foreign tourist arrivals. According to provisional data, Spanish GDP fell by 18.5% in the second quarter. Even after taking into consideration the weight of vulnerable sectors, such as tourism, Spain's contraction would still exceed that of Germany's. Looking forward, the economic recovery will be both unequal and surrounded by uncertainty. Assuming controlled growth in COVID-19 cases, an avoidance of lockdown, as well as the prolongation of expansionary macroeconomic policies, GDP is expected to contract by 13% in 2020, which is 3.2 percentage points below the last set of forecasts. Although GDP is forecast to grow by 7.9% in 2021, the economy will not fully recover to pre-COVID GDP levels until at least 2023. The ongoing crisis will adversely impact the number of hours worked, but the furlough scheme and redistribution of work will cushion the blow in terms of jobs. Significantly, Spain could receive almost 140 billion euros from the European recovery fund. However, the impact of these funds will depend largely on reforms in areas such as the labour market, education, the digital and energy transition, and in general measures that help close Spain's productivity gap with the EU. Moreover, there are upside and downside risks that could either support or undermine Spain's recovery, such as the rollout of a vaccine or a rise in NPLs that could reduce banks' lending capacities.

Relatedly, we assess the recent performance of two important sectors of the Spanish economy – real estate and exports. The health crisis is affecting the real estate sector, albeit moderately considering the scale of the economic shock. According to the most recent data available at the time of writing this article, home purchases are 33% below pre-COVID levels. Prices have also been affected, falling by close to 1.2% in August. Nevertheless, all signs suggest that unless the economy is once again locked down in response to the second wave of contagions, the market is not on the verge of collapse. Demand is being underpinned by current and anticipated low interest rates and the scarcity of attractive investment alternatives for buyers. Another factor pointing to a limited correction in prices in Spain is their relatively low level by comparison with other European countries and the rest of the world. In 2020 as a whole, average prices are expected to contract by between 5% and 8% (considerably

less than the contraction anticipated for the overall economy - 13%), going on to stabilise in the first half of 2021 and start to recover thereafter. The trend is, however, likely to be uneven across regions and types of property.

Next, we assess the performance of Spanish exports in the context of the pandemic, and on a comparative basis with the last financial crisis. Export markets have been hit hard by COVID-19, which necessitated lockdown measures across numerous countries. In this context, it is useful to analyse the specific effects on Spain's export industry and compare them to those experienced in the financial crisis, or Great Recession. From March through June 2020, total exports as well as the number of exporting firms fell. However, closer analysis shows that while the collapse in Spanish exports was widespread, it was primarily driven by a drop in the value of goods exported by Spain's most active exporters. This group includes the nearly 27,000 firms that exported in any of the 12 months prior to both the lockdown and financial crisis. Notably, in both periods, the intensive margin explains more of the contraction in exports, though it is slightly less significant in explaining the lockdown contraction (91% during the lockdown *vs*. 100% during the financial crisis). During the lockdown, product and destination mixes were hurt more and there has been a higher number of exiting firms than during the financial crisis. This suggests Spain will experience a tougher recovery this time relative to that observed in the wake of the previous crisis, if the current health crisis causes a prolonged period of uncertainty.

The September issue of *SEFO* then highlights key developments within the financial sector and perspectives for the fall. While COVID-19 spurred the Fed's decision to adopt an average inflation targeting regime, the ECB is more constrained in the way it can support the emergence of dynamic business growth. That said, it did launch the 1.35 trillion-euro Pandemic Emergency Purchase Programme (PEPP) and has extended its targeted long-term refinancing operations (TLTROs). This lax monetary environment enabled the Spanish banks to increase their use of the ECB's long-term financing facilities by 113.66 billion euros between March and July. In parallel, under specific schemes, such as the state-backed guarantees for business loans, corporate financing increased from a year-on-year rate of 1.1% in March to 6.1% in June. One of the most complex issues facing Spain is how long its extraordinary financing flows should continue so as not to significantly impair overall asset quality. Although non-performance has held steady at around 4.7%, this metric is expected to deteriorate throughout the rest of 2020 and much of 2021, with the magnitude of the rise in NPLs dependent on the continuation of the furlough scheme, speed of the economic recovery, and lingering uncertainty regarding COVID-19. Nevertheless, the crisis could prove an opportunity for Spain if public and financial intervention results in higher levels of business dynamism.

Taking into account the already challenging operating climate for the banks, as well as the high degree of uncertainty generated by COVID-19, we analyse the existing issues surrounding the EBA's stress tests, taking into considerations lessons learned from the recent US experience, as well as methodological challenges that need to be addressed. The COVID-19 crisis has emerged as a critical event that affects all aspects of bank management and supervision, including the design and execution of the stress tests — a key oversight tool with a forward-looking approach. In March, the EBA postponed the biennial stress tests originally scheduled for 2020 due to the banks' operational challenges brought on by the pandemic. Notably, this decision took place in the context of a growing debate regarding the EBA's stress testing methodology, especially in light of the failure of two banks in Italy and one in Spain. Unlike the EBA, the Fed went ahead with its stress tests, layering in sensitivity analyses designed to model the various economic scenarios the pandemic could leave in its wake, providing potential insight into how the EBA could improve its 2021 stress tests. The EBA could also adopt a `top down´ approach like the Fed, instead of its 'bottom up' method, which makes it harder to discriminate between healthy and weak entities. Whatever the outcome, the stress tests' impact on the alignment of capital with the risk assumed by the banks has been critical and the continuity of the tests must be assured in the medium- and long-term.

Lastly, for the financial sector, this *SEFO* focuses on the particularly acute issue of household

resilience to the economic impact of COVID-19. At first glance, it appears Spain entered the COVID-19 crisis in a relatively good position. The household leverage rate had fallen below the eurozone average, reducing the amount of income Spanish households earmarked for debt service payments from 11.7% of their disposable income in 2008 to 6.1% at the end of 2019. Yet, 33.9% of Spanish households would be unable to deal with an unexpected expense of only 700 euros, which is higher than the EU-27 average. When analysed based on metrics such as age, gender, household composition, and geography, it becomes clear that there are certain groups particularly vulnerable to the economic effects of COVID-19. For example, among those with a lower secondary education, 47.8% of individuals would be unable to deal with an unexpected expense. Similarly, 53.7% of households headed by a single adult and 46% of households composed of a single woman would struggle. Notably, those aged between 16 and 24 present the highest percentage of an inability to deal with an unexpected expense, while 31.7% of this group are 'at risk of poverty or social exclusion', 6.4 percentage points above the overall average. For these reasons, targeted government measures that rely on intergenerational generosity would be required to successfully exit this crisis.

The next two *SEFO* articles drill down on fiscal issues. First, we assess the impact of the pandemic on public finances. COVID-19 has upended the government's spring forecasts, which included a projected deficit of 10.3% of GDP in 2020. The sharp economic contraction sustained in the second quarter, coupled with the spike in social spending and the automatic drop in tax revenue, have placed significant burdens on the government's finances and necessitated several downward revisions of spring forecasts. The most recent forecasts available, which date to September, fall within a very wide band, ranging from a contraction of 9% to one of 14%. Although Spain is set to receive the equivalent of 11% of its GDP from the EU recovery fund, the first round of transfers in 1Q2021 will support structural reforms instead of stimulating the economy in the short-term. Worryingly, the AIReF estimates that it could take Spain until at least 2050 to bring public debt below 60% of GDP. In order to improve its debt sustainability outlook, Spain will need to enact necessary reforms, such as lowering corporate and personal income tax rates, as well as recalibrating the tax basket to lean more heavily on consumption. The overarching goal must be to preserve the economy's productive fabric and lock in greater tax revenue over the long-term.

We conclude with a broader assessment and state of play of one of the government's recently proposed tax measures – the financial transaction tax (FTT). The notion of a financial transaction tax gained popularity in the aftermath of the 2008 crisis as a way of curtailing excessive risk and financial market volatility. Such a tax targets transactions involved in the trading of several types of securities. Interestingly, the idea first appeared during the Great Depression in the work published by J. M. Keynes, and subsequently in the form of the so-called 'Tobin Tax', theorized by James Tobin in 1978. In 2011, the European Commission promoted the adoption of an EU-wide FTT. However, the proposal has attracted numerous criticisms relating to its unintended consequences on transaction volumes and market liquidity, the role of normal hedging activities, and the potential impact on the cost of capital. In the absence of a unilateral agreement across Member States, Spain has sent a draft law for an FTT to Parliament in February. The Spanish FTT proposal would impose a 0.2% tax rate on transactions that covers securities issued by around 60 Spanish firms. However, to be successful, this initiative requires the voluntary cooperation of international parties and other countries. Moreover, as currently conceived, the Spanish FTT would impose a greater tax burden on the financial sector, which already pays a higher tax rate than the corporate sector. For all these reasons, if an FTT is to eventually be enacted, an EU-level FTT would be preferable to those enacted unilaterally by EU Members States.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
October	2	Social Security registrants and official unemployment (September)
	5	Eurogroup meeting
	7	Industrial production index (August)
	14	CPI (September)
	15	Financial Accounts Institutional Sectors (2nd. quarter)
	15-16	European Council meeting
	19	Foreign trade report (August)
	27	Labour Force Survey (3rd.quarter)
	28	Retail trade (September)
	29	Preliminary CPI (October)
	29	ECB monetary policy meeting
	30	Non-financial accounts: Central Government, Regional Governments and Social Security (August)
	30	Non-financial accounts, State (September)
	30	Balance of payments monthly (August)
	30	GDP 3rd. quarter, advance estimate
November	3	Eurogroup meeting
	4	Social Security registrants and official unemployment (October)
	6	Industrial production index (September)
	13	CPI (October)
	19	Foreign trade report (September)
	27	Non-financial accounts: Central Government, Regional Governments and Social Security (September)
	27	Non-financial accounts, State (October)
	27	Retail trade (October)
	30	Preliminary CPI (November)
	30	Balance of payments monthly (September)
	30	Eurogroup meeting

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What Matters

Regulation and Economic Outlook

Key Facts

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Spain's macro outlook: Rising COVID-19 cases dampen economic forecasts

In the context of controlled growth in COVID-19 cases and sluggish performance in key sectors, such as tourism, a downward revision of Spain's forecasts shows a 13% contraction expected for 2020, with pre-COVID growth levels unlikely to return before 2023. The European recovery fund could support Spain's recovery, but its impact will be limited and short-lived, unless it is accompanied by key reforms.

Raymond Torres and María Jesús Fernández

Abstract: According to provisional data, Spanish GDP fell by 18.5% in the second quarter. Even after taking into consideration the weight of vulnerable sectors, such as tourism, Spain's contraction would still exceed that of Germany's. Looking forward, the economic recovery will be both unequal and surrounded by uncertainty. Assuming controlled growth in COVID-19 cases, an avoidance of lockdown, as well as the prolongation of expansionary macroeconomic policies, GDP is expected to contract by 13% in 2020, which is 3.2 percentage points below the last set of forecasts. Although GDP is forecast to grow by 7.9% in 2021, the economy will not fully recover to pre-COVID GDP levels until at least 2023. The ongoing crisis will adversely impact the number of hours worked, but the furlough scheme and redistribution of work will cushion the blow in terms of jobs. Significantly, Spain could receive almost 140 billion euros from the European recovery fund. However, the impact of these funds will depend largely on reforms in areas

> “Excluding Spain’s most vulnerable sectors, Spanish GDP would have contracted by 10.9%, which is still well above the decline registered in other countries, such as Germany.”

such as the labour market, education, the digital and energy transition, and in general measures that help close Spain’s productivity gap with the EU. Moreover, there are upside and downside risks that could either support or undermine Spain’s recovery, such as the rollout of a vaccine or a rise in NPLs that could reduce banks’ lending capacities.

The recovery stalled in August

According to provisional data, Spanish GDP contracted by 18.5% in the second quarter. Except for public spending, all components of demand registered hefty declines. Tourist service exports collapsed by an overwhelming 91.6%. On the supply side, only the agriculture sector registered growth. The biggest contractions were sustained, as expected, in the sectors hardest hit by the restrictions imposed to curb the spread of the pandemic, *i.e.*, retail, transport and hospitality, whose gross value added (GVA) shrank by 40.4%, while artistic, leisure and cultural activities registered a decline of 33.9%.

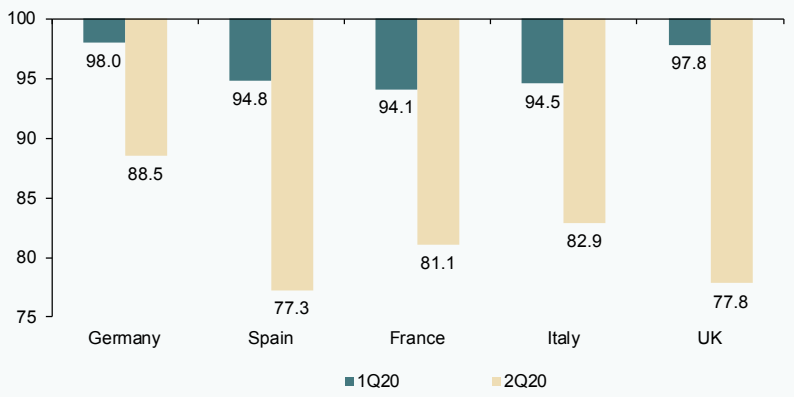
The contraction in Spanish GDP was among the highest in Europe (Exhibit 1). That is partially attributable to the weight of tourism and other sectors adversely affected by the pandemic. Those sectors account for 28% of Spanish GDP, which is more than manufacturing, construction and the primary sectors combined. Excluding those vulnerable sectors, Spanish GDP would have contracted by 10.9%, which is still well above the decline registered in other countries, such as Germany.

GDP hit bottom in April and embarked on a recovery from May, as the controls rolled out to curb the pandemic were eased, with momentum peaking in July. However, the reintroduction of restrictions in numerous places due to the proliferation of COVID-19

Exhibit 1

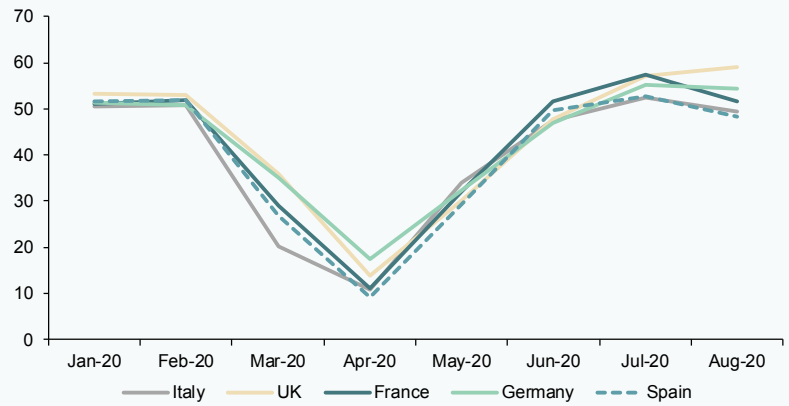
GDP in the first two quarters of 2020

(Index 4Q19 = 100)



Source: Eurostat.

Exhibit 2 **Composite PMIs**



Source: Markit Economics.

clusters has taken a toll on the recovery in August. GDP may even have contracted again in August judging by the fallback in the PMI readings and confidence indicators as well as the halt in the rebound in spending indicated by card payments (Exhibit 2).

The construction sector, which at the onset of the crisis was second only to the hospitality sector in terms of impact, has been the fastest to recover. The tourism sector, however, following its total shutdown in April and May, has remained very depressed, far below normal levels of activity and also below expectations at the time of our last set of forecasts. That situation has been shaped largely by several countries issuing recommendations not to travel to Spain and introducing quarantines upon return as a result of the rising case numbers. In July, the number of overseas tourist arrivals was 2.5 million, compared to 9.8 million in July 2019.

The number of Social Security contributors also experienced significant growth in July, with people leaving the furlough scheme to return to work. At the end of August, 812,000 employees remained in that scheme, compared to a peak of 3.3 million at the end of April.

In short, GDP growth in the third quarter is estimated at around 11.6%, which would imply the recovery of almost 40% of the activity destroyed during the previous two quarters. In the most affected sectors, that recovery is expected to be a much lower 13%, compared to 75% for the rest of the economy.

Downward revision of 2020 forecasts

The current forecasts assume controlled growth in COVID-19 case numbers such that a widespread lockdown can be avoided. We

> "GDP growth in the third quarter is estimated at around 11.6%, which would imply the recovery of almost 40% of the activity destroyed during the previous two quarters."

> “In all probability, the economy will not fully recover to pre-COVID GDP levels until 2023, and maybe even 2024, depending on the path of economic policy.”

assume that the virus will, however, continue to dissuade people from travelling and that activity in the sectors most dependent on human contact will continue to suffer. The forecasts assume that the efforts to control the pandemic will prove effective, facilitating a gradual return to a degree of normalcy in 2021, particularly in the tourism sector, but that mass vaccination will not happen before the end of next year, in line with recent statements by the WHO.

The forecasts also assume expansionary macroeconomic policies throughout the projection horizon. Thanks to the ECB's intervention, interest rates can be expected to remain at low levels and the markets should remain open to public debt placements. We expect fiscal policy to remain expansionary due to the business liquidity and job support measures, and growth in spending in line with the European recovery package (which has been factored into the projections, albeit limited in amount to 14 billion euros in 2021, out of the total of 140 billion euros).

Framed by these assumptions, we are forecasting a GDP contraction of 13% in 2020. That estimate masks two starkly different realities: in the sectors associated with tourism, leisure and culture, GDP will contract by 35.5%, with the rest of the economy shrinking by 4%.

That forecast is 3.2 percentage points worse than in our last set of forecasts (Table 1). As mentioned, the downward revision is the result of the surge in case numbers and the dissuasive effect it has had on foreign tourist arrivals. We are now estimating that tourism will generate 25 billion euros less revenue in 2020 than we were forecasting in July. The fresh rise in case numbers has also had an adverse effect on business and consumer sentiment due to the fear of a new lockdown. Altogether, the tourism crisis is responsible for two-thirds of the downward revision to our estimate; the rest is due to the impact of the increased uncertainty on internal demand.

We would single out the sharp estimated contraction in investment, of close to 18%, with heightened turbulence clouding visibility for businesses. Consumption is also set to contract significantly (by around 16%), undermined by falling household income in the context of furloughs and job losses, and an increase in precautionary savings *versus* expenditure. We expect savings to surpass 17% of disposable household income, a record high. Public expenditure is the only component of demand expected to grow.

External demand is expected to detract from growth due to the downturn in tourism and, to a lesser degree, the drop in exports of goods and non-tourism services. Imports, meanwhile, are also expected to trend lower, although by less than exports.

The rebound anticipated for the end of this year will be felt in 2021. We are forecasting GDP growth of 7.9% in 2021, which is slightly higher than in July. However, by the end of next year, Spanish GDP will still be 3.9% below pre-COVID levels if those forecasts materialise. In all probability, the economy will not fully recover to pre-COVID GDP levels until 2023, and maybe even 2024, depending on the path of economic policy (more on that below).

Internal demand, led by investment (thanks to fiscal stimulus measures and the European recovery package), is expected to drive the recovery. As the case numbers start to improve and the prospect of a vaccine nears, households and business are likely to become more inclined to spend and replace

Table 1 **Economic forecasts for Spain, 2020-2021**

Annual rate of change in percentages, unless otherwise indicated

	Actual data				Funcas forecasts		Change from last set of forecasts (a)	
	1996-2007 average	2008-2013 average	2014-2019 average	2019	2020	2021	2020	2021
1. GDP and components, constant prices								
GDP	3.7	-1.3	2.6	2.0	-13.0	7.9	-3.2	0.1
Final consumption, households and NPISHs	3.7	-2.1	2.2	1.1	-15.7	7.6	-3.6	-0.3
Final consumption, government	4.2	0.9	1.2	2.3	5.6	3.2	-1.8	-0.4
Gross fixed capital formation	6.1	-7.6	4.0	1.8	-18.1	9.9	-3.4	0.9
Construction	5.5	-10.7	3.2	0.8	-17.1	9.6	-3.4	1.2
Capital goods and other products	7.5	-2.7	4.9	2.7	-19.1	10.3	-3.4	0.7
Exports of goods and services	6.5	1.8	4.1	2.6	-23.9	15.7	-3.5	2.0
Imports of goods and services	8.7	-4.0	4.3	1.2	-21.7	12.7	-3.9	1.3
Domestic demand (b)	4.4	-3.1	2.5	1.5	-11.6	6.8	-3.2	0.0
Net exports (b)	-0.7	1.8	0.1	0.5	-1.4	1.1	0.0	0.2
GDP, current prices: - billions of euros	--	--	--	1,245.3	1,096.4	1,193.9	--	--
- % change	7.3	-0.8	3.4	3.6	-12.0	8.9	-3.0	0.0
2. Inflation, employment and unemployment								
GDP deflator	3.5	0.5	0.8	1.6	1.2	0.9	0.3	-0.1
Household consumption deflator	3.1	1.7	0.8	1.2	0.3	1.2	0.4	0.0
Total employment (national accounts, FTEs)	3.3	-3.4	2.4	2.3	-9.4	3.8	-4.0	1.6
Unemployment rate (Spanish labour force survey)	12.5	20.2	18.8	14.1	17.0	17.2	-2.3	-0.5
3. Financial equilibrium (% of GDP)								
National savings rate	16.7	18.8	21.6	22.9	21.3	22.6	0.0	0.5
- of which, private savings	13.3	22.9	23.6	23.7	31.3	28.4	1.0	1.8
National investment rate	26.7	21.7	19.4	20.8	20.1	20.3	0.2	0.3
- of which, private investment	17.9	17.8	17.2	18.8	17.8	18.0	0.2	0.7
Current account surplus/(deficit)	-4.5	-2.9	2.2	2.0	0.9	1.9	-0.1	0.0
Spain's net lending (+) or borrowing (-) position	-3.7	-2.4	2.6	2.3	1.8	2.8	0.1	0.4
- Private sector	-3.8	6.4	6.6	5.2	13.9	10.8	1.0	1.4
- Govt. deficit excl. financial sector bailout debt	-0.9	-8.1	-3.9	-2.8	-12.2	-8.0	-0.9	-1.0
Government debt, EDP criteria	52.2	67.6	98.5	95.5	119.6	120.4	3.5	4.3
4. Other variables								
Eurozone GDP	3.5	0.7	2.8	1.2	-8.0	5.5	0.5	0.0
Household savings rate (% of GDI)	9.5	8.8	6.6	7.4	17.2	14.1	1.4	3.2
Gross borrowings, households (% of GDI)	93.3	128.5	101.7	91.2	89.9	80.8	1.4	-1.7
Gross borrowings, non-financial corporates (% of GDP)	91.5	133.4	103.3	93.1	109.9	101.0	3.5	3.3
Spain's gross external borrowings (% of GDP)	60.6	162.4	168.4	169.3	197.8	182.7	6.3	5.3
12-month Euribor (annual %)	3.74	1.90	0.01	-0.22	-0.24	-0.20	-0.02	0.00
Yield on 10Y Spanish bonds (annual %)	5.00	4.74	1.58	0.66	0.40	0.45	-0.15	-0.20

(a) Percentage-point change between the current estimates and the last set of forecasts.
(b) Contribution to GDP growth in percentage points.
Sources: 1996-2019: INE and Bank of Spain; Forecasts 2020-2021: Funcas.

Table 2

Quarterly forecasts for the Spanish economy

Percentage change at constant prices, unless otherwise indicated

Forecasts in shaded area

Period		GDP	Private cons.	Public cons.	GFCF	Exports	Imports	Contrib. to growth GDP (1)		Employ. (2)	Unemploy. rate
								Domestic demand	Net exports		
2014		1.4	1.7	-0.7	4.1	4.5	6.8	1.9	-0.5	1.0	24.4
2015		3.8	2.9	2.0	4.9	4.3	5.1	3.9	-0.1	3.2	22.1
2016		3.0	2.7	1.0	2.4	5.4	2.6	2.0	1.0	2.8	19.6
2017		2.9	3.0	1.0	5.9	5.6	6.6	3.0	-0.1	2.8	17.2
2018		2.4	1.8	1.9	5.3	2.2	3.3	2.6	-0.3	2.5	15.3
2019		2.0	1.1	2.3	1.8	2.6	1.2	1.5	0.5	2.3	14.1
2020		-13.0	-15.7	5.6	-18.1	-23.9	-21.7	-11.6	-1.4	-9.4	17.0
2021		7.9	7.6	3.2	9.9	15.7	12.7	6.8	1.1	3.8	17.2
QoQ change, in % (SCA data)											Unemploy. rate
2018	I	0.5	0.3	0.5	0.2	0.4	0.2	0.4	0.1	0.5	16.7
	II	0.5	0.4	0.5	3.5	-0.2	1.2	1.0	-0.4	0.7	15.3
	III	0.5	0.2	0.6	0.2	-1.0	-1.4	0.4	0.1	0.7	14.6
	IV	0.6	0.2	0.6	-0.5	0.9	-0.2	0.2	0.4	0.7	14.4
2019	I	0.6	0.4	0.6	1.5	1.0	0.9	0.5	0.1	0.6	14.7
	II	0.4	-0.1	0.5	-0.8	1.6	0.5	0.0	0.4	0.5	14.0
	III	0.4	0.8	0.6	1.1	0.1	1.4	0.8	-0.4	0.1	13.9
	IV	0.4	0.1	0.7	-1.2	0.6	-0.8	-0.1	0.5	0.9	13.8
2020	I	-5.2	-6.5	1.8	-5.7	-8.2	-6.6	-4.4	-0.8	-1.9	14.4
	II	-18.5	-20.8	0.4	-22.3	-33.5	-28.8	-16.2	-2.3	-17.7	15.3
	III	11.6	12.7	3.4	9.0	19.0	11.9	9.3	2.2	11.4	18.2
	IV	1.6	0.8	3.0	2.6	4.9	5.2	1.6	0.0	1.0	19.9
2021	I	2.3	3.0	-1.0	3.5	5.7	5.2	2.1	0.2	1.0	18.9
	II	2.7	3.0	0.0	4.5	5.4	5.0	2.5	0.2	1.2	17.3
	III	2.7	2.4	0.2	3.6	5.5	4.0	2.1	0.6	1.1	16.5
	IV	2.8	2.0	0.3	5.3	5.3	3.9	2.2	0.6	1.2	16.2
YoY change, in % (SCA data)											
2018	I	2.8	2.5	1.6	4.5	4.0	4.7	2.8	-0.1	2.6	--
	II	2.3	2.1	1.7	7.9	3.1	6.3	3.2	-0.9	2.4	--
	III	2.2	1.6	1.9	5.3	1.6	2.5	2.5	-0.2	2.5	--
	IV	2.1	1.2	2.2	3.5	0.1	-0.3	2.0	0.1	2.7	--
2019	I	2.2	1.2	2.3	4.8	0.8	0.4	2.1	0.1	2.7	--
	II	2.0	0.7	2.3	0.5	2.6	-0.2	1.1	1.0	2.5	--
	III	1.9	1.3	2.2	1.4	3.6	2.7	1.5	0.4	1.8	--
	IV	1.8	1.2	2.4	0.6	3.3	2.1	1.3	0.5	2.0	--
2020	I	-4.1	-5.7	3.6	-6.5	-6.1	-5.5	-3.7	-0.3	-0.6	--
	II	-22.1	-25.2	3.5	-26.8	-38.6	-33.1	-19.4	-2.7	-18.5	--
	III	-13.4	-16.3	6.4	-21.1	-26.9	-26.2	-12.6	-0.8	-9.3	--
	IV	-12.4	-15.8	8.8	-18.0	-23.8	-21.7	-11.2	-1.2	-9.2	--
2021	I	-5.5	-7.3	5.8	-10.1	-12.3	-11.8	-5.1	-0.4	-6.5	--
	II	19.1	20.5	5.4	21.0	38.9	30.1	16.3	2.7	14.9	--
	III	9.6	9.5	2.2	15.0	23.2	20.9	8.6	1.0	4.3	--
	IV	10.9	10.8	-0.5	18.0	23.7	19.4	9.2	1.7	4.5	--

(1) Contribution to GDP growth in percentage points.
(2) Full-time equivalent jobs.
Source: INE and Funcas (forecasts).

> "In 2020, the surge in public spending (26 billion euros) and the collapse in tax revenue (72 billion euros) are expected to drive the public deficit to over 12% of GDP."

their productive capital. Trade will also make a positive contribution, prompted by the gradual renewal of tourist activity and growth in both exports and imports of goods.

Despite the collapse in tourism, the external accounts are expected to present a surplus throughout the forecast horizon, thanks to the drop in imports triggered by the recession. Exports should recover in 2021, fuelled by the anticipated rebound in global trade and the gradual normalisation of tourist-related flows.

The deepening of the crisis will affect the number of hours worked, which are expected to trend downward, in line with growth. However, the impact on jobs is expected to be cushioned by the furlough scheme and the redistribution of work (translating into fewer hours worked per job holder). Nearly 200,000 people are expected to exit the labour market in 2020, due to discouragement and/or the difficulty in finding work during a pandemic. All of which is expected to mitigate the fallout from the crisis on the unemployment rate which is forecast at 17% in 2020 on average (19.9% in 4Q20). Adding in furloughed employees, whose pace of reincorporation is likely to slow considerably in the fourth quarter (by year-end an estimated 300,000 employees could remain under the scheme), unemployment in the fourth quarter would amount to 21%.

Although the trend in unemployment is significantly less adverse than in earlier recessions, the enabling formulae (furlough scheme and shorter working hours) may eventually result in job losses.

In 2021, business volumes are likely to remain well below pre-pandemic levels at many companies so that when the furlough scheme runs out and firms decide to reinstate normal working hours, it is foreseeable that a certain number of workers will lose their jobs. However, these job losses will be more than offset by job creation driven by the gradual economic recovery. Consequently, the quarterly trend in job-seeker numbers in 2021 will be shaped by the timing of the withdrawal of that scheme. Assuming that the impact of its withdrawal is gradual, the unemployment rate would trend lower to an estimated 16.2% by the end of 2021, equivalent to around 600,000 job-seekers more than before the crisis. However, the annual average in 2021 could be higher than that of 2020 due to the high level of unemployment projected at the start of the year.

Turning lastly to the public finances in 2020, the surge in public spending (estimated at 26 billion euros) and the collapse in tax revenue (72 billion euros) are expected to drive the public deficit to over 12% of GDP. The 2021 estimates factor in decisions already taken or announced (minimum income scheme, growth in public investment in keeping with the European investment plan). The result of those assumptions, coupled with the interplay of the automatic stabilisers, would be a reduction in the deficit, essentially the cyclical component, to 8% of GDP. Public debt, meanwhile, is expected to stagnate at high levels of close to 120% of GDP.

The European recovery plan

One of the biggest game-changers affecting this set of forecasts is the agreement by the European Council in July on an EU recovery package. By some estimates, of the 750 billion euros earmarked to the plan, Spain could receive around 140 billion euros, more than half in the form of direct grants and the rest in loans [1].

As already mentioned, the forecasts for 2021 factor in the receipt next year of 14 billion

> “The forecasts for 2021 factor in the receipt next year of 14 billion euros of grants and loans from Europe.”

euros from Europe, which is just a small percentage of the funds Spain may ultimately qualify for. Execution of the programme is expected to accelerate in subsequent years (Table 3) [2] , but the effective size of the disbursements will depend on the Spanish authorities' management and implementation capabilities and the nimbleness of the European apparatus with respect to the required procedures, usually plagued by bureaucracy that makes them slow, complex and, as a result, unpredictable. An analysis of the current European budget period (2014-2020) shows that Spain has only spent 34% of the more than 56 billion euros available in structural funds [3]. Accordingly, in the absence of organisational improvements and project formulation, monitoring and execution process reform, Spain risks only being able to attract a portion of the funds available for 2021-2027.

Elsewhere, the impact of the European grants and loans will depend largely on reforms designed to facilitate their use (in addition to measures aimed at improving fund management in Spain and speeding up bureaucracy in Brussels). These reforms coincide with those needed by Spain to address its main economic and social imbalances (education, job market, pension system and the digital and energy transition). According to a number of studies, the reforms are vital to closing the productivity gap with the rest of the EU, which is widening by 0.2 percentage points every year.

To analyse the impact of the recovery funds on the economy with and without reforms, we have modelled two scenarios over the budget period: 2021-2027 (Exhibit 3). Both assume administrative improvements to mobilize projects and speed up funding approval in Brussels.

The first scenario —*status quo*— assumes receipt of the European funds in the absence of reforms aimed at reducing Spain's economic and social deficits. The aid would lift GDP via fiscal stimulus measures and public investment. However, in the absence of reforms, the growth from the increase in public spending would be transitory, and GDP growth would trend towards its inertial rate (estimated at 1.6% per annum). The result is an incomplete recovery, an unemployment rate above pre-crisis levels until 2024 and continuing steady growth in public debt, which would reach 133% of GDP in 2027.

In the other scenario, in addition to factoring in the European funds, we assume reforms designed to close the productivity growth gap with the rest of Europe and to reduce

Table 3 **EU recovery plan, billions of euros**

	2021	2022	2023	2024	2025	2026	2027	Total
Total EU	75	139	188	188	111	49	0	750
(% of Spain's total distribution)	10.0	18.5	25.1	25.1	14.8	6.5	0.0	100.0
Spain, with reforms	14	25.9	35.1	35.1	20.7	9.1	0	140

Source: For the EU, Miguel Carrión based on EC estimates. For Spain, Funcas estimates.

Exhibit 3

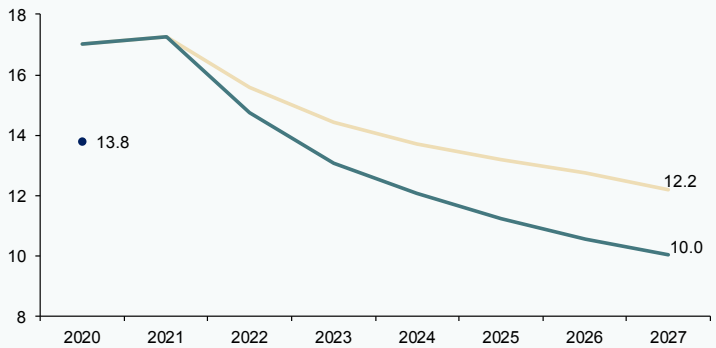
Impact of the European recovery plan on GDP, unemployment and public debt

(Funcas scenarios for the Spanish economy, 2021-2027)

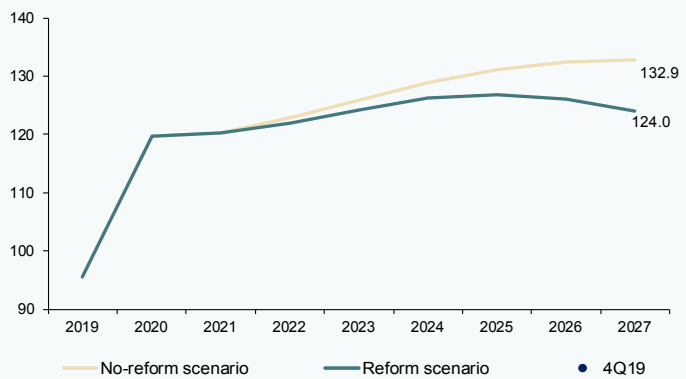
A. GDP growth
Annual averages

	No-reform scenario	Reform scenario
2021-2023	4.5	4.9
2024-2027	1.6	1.9

B. Unemployment rate



C. Government debt
% of GDP



Source: Funcas.

unemployment and job precariousness. As a result, the fiscal stimulus measures would provide GDP with a temporary boost, as in the *status quo* scenario, but also lift potential output to 1.9% per annum. Unemployment would come down to 10% by 2027 and the upward trend in public debt would revert, ending the period at an estimated 124% of GDP. Nevertheless, that level is still too high, signalling the need for a budget consolidation

> “According to a number of studies, reforms are vital to closing the productivity gap with the rest of the EU, which is widening by 0.2 percentage points every year.”

plan once the growth trajectory is on solid footing (an effort not modelled in this simulation).

Opportunities and risks

These estimates are marked by a considerable level of uncertainty, with both downside and upside risks. The rollout of a safe and quickly implemented vaccine would dissipate some of the main doubts about the recovery. Confidence would improve substantially, facilitating a reduction in precautionary savings and growth in both internal and external demand. However, it is likely that the pandemic will have accelerated some of the structural changes that pre-date the crisis: shifts in consumption patterns, digitalisation, preference for short production cycles and growing climate change awareness. That means that even if the COVID-19 crisis is remedied, the Spanish economy will still face significant structural challenges.

Another potential boon, already referred to, could come from a new state budget designed to foster the recovery and tackle those structural challenges, coupled with the rollout of reforms and a plan for reducing the imbalances in the public finances in the medium-term. That budget will also be crucial to making the most of the European funds.

On the downside, it is important to monitor the impact of the crisis on the financial sector. An increase in non-performing loans could oblige the banks to step up their provisioning efforts, thereby reducing already-slim margins and curbing the provision of new credit. The markets could also become less benevolent if, despite the burgeoning deficit, the growth targets fail to materialise. That situation could drive an increase in the country risk premium, making it more expensive for the Treasury to raise debt.

Longer-term, the main threat is that the Spanish economy could fall behind its European partners. Since Spain joined the European Union, growth in its per-capita income has tended to outpace the European average. That convergence came to a halt with the recession of the early 90s and again with the financial crisis, albeit recovering with newfound momentum during recovery phases. On this occasion, however, the effort required is unparalleled. Never before has Spain faced such a huge economic challenge of having to tackle two policy fronts at once. On the one hand, Spain must manage the uncertainty surrounding the pandemic, an effort that requires curtailing the closure of numerous companies that are on the verge of bankruptcy and the loss of thousands of jobs that are currently being propped up —in an increasing number of cases artificially— by furloughs and shorter working hours. On the other hand, Spain’s foundations need to be laid for inclusive growth, an effort that requires reforms that were put off during the expansionary period, and improved project management processes so as to make the most of the European funds.

> “It is likely that the pandemic will have accelerated some of the structural changes that pre-date the crisis: shifts in consumption patterns, digitalisation, preference for short production cycles and growing climate change awareness.”

Notes

[1] The breakdown of the recovery funds by country depends on factors that have not been fully defined and the presentation of projects by each country. For an estimate, refer to Zsolt Darvas (Breugel, 2020), https://www.bruegel.org/2020/07/having-the-cake-how-eu-recovery-fund/

[2] For an estimate of the timing of the fund disbursements between 2021 and 2027, refer to Miguel Carrión (*Funcas Europe*, 2020), https://www.funcas.es/articulos/the-eu-recovery-plan-funding-arrangements-and-their-impacts/

[3] Refer to https://cohesiondata.ec.europa.eu/countries/ES

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REAL ESTATE

The impact of the pandemic on Spain's housing market

Although home purchases and prices have fallen as a result of COVID-19, it is unlikely that the market will experience a collapse. However, the recovery may be uneven across regions and types of property, with low interest rates and lower average prices relative to peer countries supporting the market in Spain's urban areas.

Carlos Ocaña Pérez de Tudela and Raymond Torres

Abstract: The health crisis is affecting the real estate sector, albeit moderately considering the scale of the economic shock. According to the most recent data available at the time of writing this article, home purchases are 33% below pre-COVID levels. Prices have also been affected, falling by close to 1.2% in August. Nevertheless, all signs suggest that unless the economy is once again locked down in response to the second wave of contagions, the market is not on the verge of collapse. Demand is being underpinned by current and anticipated low interest rates and the scarcity of attractive investment alternatives for buyers. Another factor pointing to a limited correction in prices in Spain is their relatively low level by comparison with other European countries and the rest of the world. In 2020 as a whole, average prices are expected to contract by between 5% and 8% (considerably less than the contraction anticipated for the overall economy - 13%), going on to stabilise in the first half of 2021 and start to recover thereafter. The trend is, however, likely to be uneven across regions and types of property.

Introduction

The Spanish economy has been one of the hardest hit by the pandemic due to its high exposure to those sectors most dependent on human contact and mobility, as well as

shortcomings in the response to the crisis (Torres and Fernández, 2020). In the past, the real estate market has tended to overreact to economic developments, particularly when recessions have been preceded by bubbles, raising the issue of whether the same pattern will prevail in the aftermath of the current crisis.

The goal of this article is to outline the main trends in the housing market since the onset of the pandemic and draw some conclusions about the outlook for the months to come. The analysis builds from the comparative analysis completed at the end of 2019, which detected solid signs of resistance notwithstanding the clear symptoms of slowdown (refer to Ocaña Pérez de Tudela and Torres, 2019).

Transaction volumes are sharply down since the onset of the pandemic

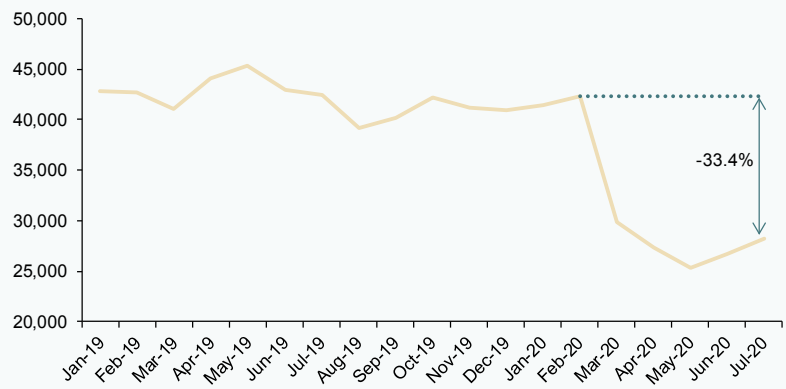
Transaction volumes have fallen sharply since the start of the COVID-19 crisis. House purchases sustained an abrupt contraction of around 40% between mid-March and May. In June and July, the market recovered, although only very slightly, such that July transaction volumes were still 33.4% below pre-crisis levels (Exhibit 1).

However, new home mortgages, having also fallen sharply at the onset of the crisis, have rebounded more vigorously, and were just 7% below pre-crisis levels by July. The difference in the trends for new mortgages and transactions is unusual, suggesting that it could be attributable to a lag in solicitor or property registration on account of the

Exhibit 1

Home purchase volumes

Units



Source: INE.

> “New home mortgages, having also fallen sharply at the onset of the crisis, have rebounded more vigorously than transactions, and were just 7% below pre-crisis levels by July.”

> "The recovery in transaction volumes since June suggests that the price correction may well prove limited in scale and duration."

lockdown (transaction volumes track sales placed on record with the property registries). If that were the case, it would mean that the impact of the pandemic on demand for housing has thus far proved moderate, having overcome the interruption induced by the lockdown.

Supply has recovered since the end of the lockdown

On the supply side, construction virtually shut down in March and April but has since rebounded sharply. Construction jobs have recovered quickly (faster than in any other sector), as has cement construction, which, having fallen by half in April, was virtually back at pre-pandemic levels by June (Exhibit 2). Another positive indicator can be found in the sales recorded by the major construction and developer firms, which in July were back at just 5% below pre-crisis levels. New works permits also fell sharply in March and April but in May (the last month for which this indicator is available), were already showing signs of recovery.

The overall snapshot suggests that the contraction sustained during the lockdown may be temporary, such that the permanent impact on the market should be moderate. Some kind of fallout is inevitable given the impact on GDP and unemployment. Furthermore, the level of uncertainty generated by the health crisis will continue to influence households' investment decisions.

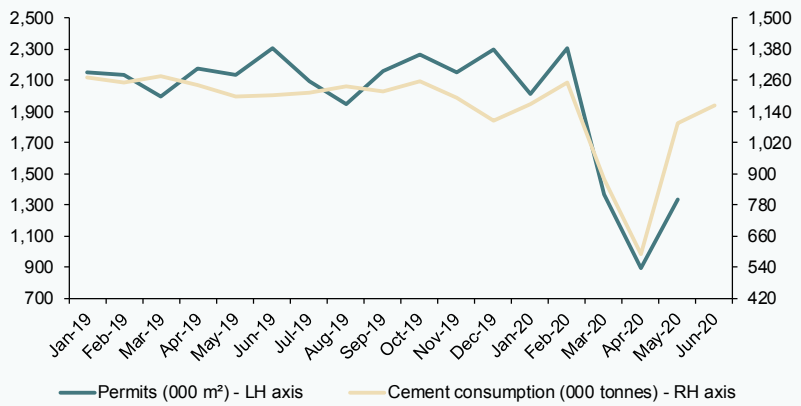
Prices are suffering but so far not by much

Prices actually increased in the second quarter according to appraiser TINSA and the national statistics office INE, despite the contraction in transaction volumes. Conversely, the Ministry

Exhibit 2

Supply-side indicators

Absolute levels

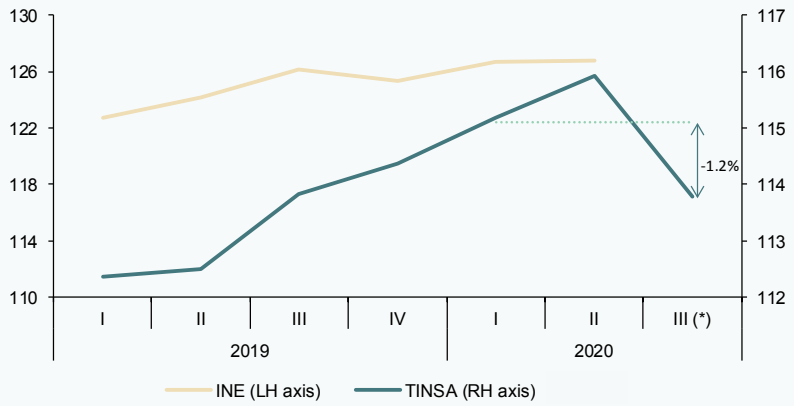


Source: Ministry of Public Works and Ministry of Economy.

Exhibit 3

House prices

Rebased: 2015 = 100



*Note: * July-August average.*
Sources: INE and TINSA.

of Public Works' numbers point to a second-quarter price drop (Exhibit 3). TINSA's numbers show prices correcting in July and August, however. The recovery in transaction volumes since June suggests that the price correction may well prove limited in scale and duration.

A number of factors leads us to believe that, unlike what we have seen in previous economic crises, the impact of this recession on house prices is going to be limited, by which we mean of a smaller scale than the contraction in GDP. The first factor is the cautious attitude of sellers who, anticipating a recession of limited duration, are likely to postpone the sale of their houses rather than sell at lower prices. Secondly, the fact that interest rates are low and are expected to remain so in the medium-term acts as a support for prices. Thirdly, abundant liquidity and the lack of attractive investment alternatives for buyers are also stimulating demand. Another factor pointing to a limited correction in prices is their relatively low level by comparison with other countries in Europe and the rest of the world (Ocaña Pérez de Tudela and Torres, 2019). Lastly, the Spanish market is trending in line with what we are seeing in other European markets, where prices are similarly displaying a degree of resilience in a context of sharply falling transaction volumes (refer to Knight Frank, 2020).

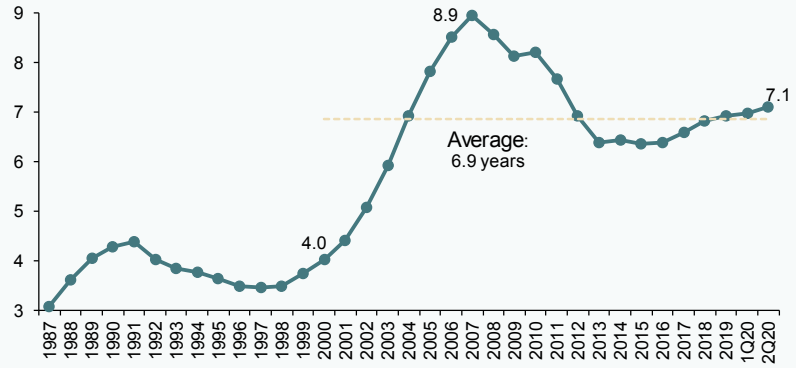
That being said, the house affordability indicators point to an easing in demand on account of the decline in household gross disposable income (GDI). Specifically, the upward trend in house prices in relation to GDI underway since 2017 accelerated during

> "The house affordability indicators point to an easing in demand on account of the decline in household gross disposable income."

Exhibit 4

House prices/Gross annual income per household

Years



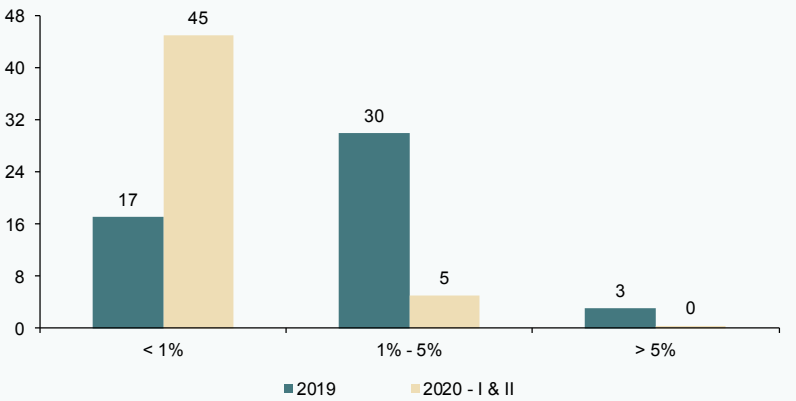
Source: Bank of Spain.

the second quarter of the year. At present, price-to-GDI stands at around 5% to 8% above the long-run average (Exhibit 4).

The moderate impact, by comparison with the historical trend, on prices is nevertheless compatible with differing outlooks by housing location and type. Quality housing in urban centers is expected to remain attractive relative to housing in areas in which unemployment will be hit harder or where foreign investment is scarcer. Also, while the

Exhibit 5

Dispersion in growth in house prices by number of provinces



Source: Spanish Ministry of Public Works.

> “Quality housing in urban centers is expected to remain attractive relative to housing in areas in which unemployment will be hit harder or where foreign investment is scarcer.”

housing market for individual buyers appears to be relatively resilient, corporate real estate is likely to suffer significantly (refer to Natixis, 2020). That trend may well prove persistent insofar as demand for office space falls as a result of home-working arrangements.

Conclusions

In short, the outlook for the housing sector in 2020 has deteriorated significantly since our last analysis. In light of the trends we are observing, average house prices are expected to contract by between 5% and 8% in 2020. A correction of that magnitude would fix the over-valuation detected in our last market assessment.

However, assuming that health policy manages to contain the second wave of COVID-19 infections, thereby avoiding another lockdown scenario, there are no reasons to expect the market to collapse. In contrast, the safe-haven nature of the housing market, low prevailing interest rates and the attractive relative positioning of the Spanish market should facilitate price stabilisation during the second half of 2021, and gradual recovery thereafter.

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Two episodes of collapse in Spanish exports: The health crisis *vs.* the financial crisis

Similar to the effects observed during the financial crisis, COVID-19 has significantly disrupted global export markets, with Spain's total exports and number of exporting firms having fallen during the lockdown. Looking forward, any recovery in Spain's export sector will depend on the duration of uncertainty and number of firms who survive the crisis.

Juan de Lucio, Raúl Mínguez, Asier Minondo and Francisco Requena

Abstract: Export markets have been hit hard by COVID-19, which necessitated lockdown measures across numerous countries. In this context, it is useful to analyse the specific effects on Spain's export industry and compare them to those experienced in the financial crisis, or Great Recession. From March through June 2020, total exports as well as the number of exporting firms fell. However, closer analysis shows that while the collapse in Spanish exports was widespread, it was primarily driven by a drop in the value of goods exported by Spain's most active exporters. This group includes the nearly 27,000 firms that exported in any of the 12 months prior to both the lockdown and financial crisis. Notably, in both periods, the intensive margin explains more of the contraction in exports, though it is slightly less significant in explaining the lockdown contraction (91% during the lockdown *vs.* 100% during the financial crisis). During the lockdown, product and destination mixes were hurt more and there has been a higher number of exiting firms

than during the financial crisis. This suggests Spain will experience a tougher recovery this time relative to that observed in the wake of the previous crisis, if the current health crisis causes a prolonged period of uncertainty. [1]

Introduction

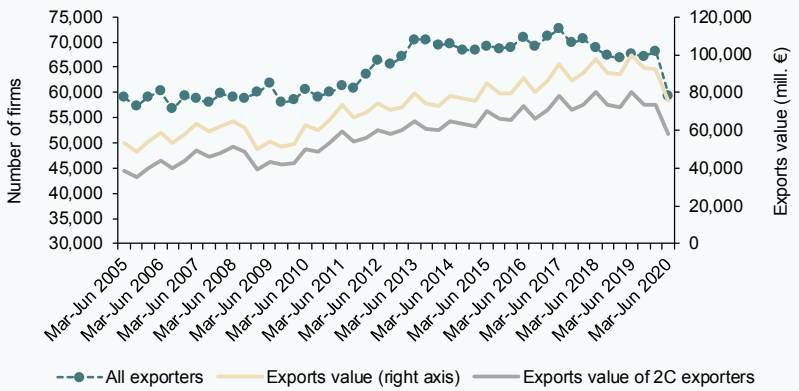
Global economic activity contracted in 2020 mainly due to the uncertainty and the loss of confidence associated with the COVID-19 pandemic and the attendant measures, such as the mobility restrictions, introduced by various countries to mitigate its effects. In this paper, we analyse the trend in Spanish goods exports during the months of lockdown in Spain (March to June 2020) and compare it with the same months of 2009, when Spanish trade collapsed in the wake of the international financial crisis. One of the novelties of the present analysis lies with the comparison made for the group of exporting firms that sustained both international trade shocks.

Exhibit 1 illustrates the sharp contraction in the value of total exports between March and June 2020 (down 28.1% year-on-year), following a period of sustained growth that lasted nearly a decade. During the lockdown, the number of exporting firms fell abruptly (by 12.7% compared to the same four months of 2019). The number of firms that exported during the lockdown was 59,452, a level not seen in a decade. [2]

Exhibit 1 also depicts the trend in the value of exported goods by the 26,976 firms that exported in any of the 12 months prior to both the lockdown and the Great Recession. This

Exhibit 1

Trend in the value of exports and the number of exporting firms in Spain, 2005-2020



Note: The reason for the four-month frequency is that it encapsulates the targeted period of analysis, the lockdown of March, April, May and June 2020 and the comparable months of 2009 when trade similarly collapsed. The 2C firms are those that exported in any of the 12 months prior to both the lockdown and the Great Recession.

Source: Authors' own elaboration based on AEAT-Customs figures.

> "The value of total exports between March and June 2020 fell 28.1% y-o-y, following a period of sustained growth that lasted nearly a decade."

subset of firms is referred to as "2C", denoting the fact that they lived through the two crises. That subset represents on average close to 50% of exporting firms and 80% of the total value of goods exported. The 2C firms therefore boasted extensive experience as exporters before they were locked down. The year-on-year decline in the value of exports by this subset of experienced exporters was 32.1%, with the number of 2C exporters down 12.5%. Those figures demonstrate that the collapse in Spanish exports during the lockdown, albeit widespread, was primarily driven by a drop in the value of the goods exported by Spain's most active exporters. [3]

The rest of this paper is structured in three parts. We first measure the extent to which the intensive and extensive margins contributed to the overall drop in exports in both periods. We then repeat that analysis for the firms accounting for the top 1% in each period and for the companies that have suffered during both crises (the '2C' firms). This is a new analytical approach and enables a comparison of the incidence of both shocks on the same subset of companies. Thirdly, we analyse the trends in aggregate exports at the product and destination levels in order to identify characteristics that set the 2020 shock apart from that of 2009.

Trend in exports and export margins

In this section, we calculate the growth margins for Spanish exports before and during the lockdown and financial crisis. We do so first for the entire universe of firms and then for just those active during both trade shocks. We do so using the methodology put forward by Bernard *et al.* (2009), which breaks down the growth in the value of exports during a given period into three components: (i) the net entrance of new exporters; (ii) diversification in incumbent exporters' portfolio of products and destinations; and, (iii) variation in the value of existing export relationships. The first two represent the extensive margin, while the third factor represents the intensive margin.

Table 1 presents the contribution made by each margin to the year-on-year change in four-monthly exports before and during the lockdown and the financial crisis. During the lockdown, exports fell by 28.1% y-o-y compared to average growth of 4.4% between 2017 and 2019 and of 6.9% between 2010 and 2016. Conversely, the contraction during the financial crisis was smaller, at 18.3%, compared to growth during the previous years of 6.4%. It is therefore evident that during the first four months of the pandemic, the impact on exports was greater than during the financial crisis of 2009.

In both periods, the intensive margin explains more of the contraction in exports. That said, it is slightly less significant in explaining the lockdown contraction (91% *vs.* 100%). The extensive margin explains 9% of the drop in exports during the lockdown: 4 percentage points due to reduced portfolio diversification and 5 percentage points due to the net decline in exporting firms. During the financial crisis, the extensive margin had zero impact on the decline in exports. Specifically, the 3-percentage-point drop attributable to the net outflow of companies was offset by a 3-percentage-point increase in the portfolio diversification of stable exporters.

Comparing the contribution by the six components, without offset, to the contraction in exports between periods reveals three clear differences that explain the bigger contraction observed during the lockdown: (1) established trade relationships whose export sales value fell did so to a greater degree (-40.7% during lockdown *vs.* -34.8% during financial crisis); (2) the value of exports in new product or

> "During the lockdown, exports fell by 28.1% compared to average growth of 4.4% between 2017 and 2019 and of 6.9% between 2010 and 2016."

Table 1 **Breakdown of variation in exports by all exporting firms**

	2006-2008 Four/ monthly average	Financial crisis March/ June 2009	2010-2016 Four/ monthly average	2017-2019 Four/ monthly average	Lockdown March/ June 2020
Rate of change	*6.4*	*-18.3*	*6.9*	*4.4*	*-28.1*
Stable relationships					
Sales increase	22.8	15.5	24.2	20.9	15.2
Sales decrease	-19.2	-34.8	-19.7	-17.7	-40.7
Intensive margin	*3.7*	*-18.3*	*4.8*	*3.3*	*-25.5*
Diversification					
New relationships	10.5	9.9	11.0	8.2	7.7
Relationships that disappear	-7.6	-9.3	-8.4	-7.0	-8.8
Extensive margin – diversification	*3.0*	*0.6*	*2.6*	*1.2*	*-1.1*
Companies					
Newcomers	2.0	1.8	1.8	1.0	0.9
Leavers	-2.2	-2.3	-2.1	-1.1	-2.4
Extensive margin – net change in firms	*-0.2*	*-0.6*	*-0.3*	*-0.1*	*-1.5*
Percentage contribution (%)	100	-100	100	100	-100
Intensive margin	57	100	63	74	91
Extensive margin – diversification	46	-3	38	28	4
Extensive margin – net change in firms	-3	3	-4	-2	5

Note: The rates of change are calculated using the four-month periods (March-June) for two consecutive years based on the mid-point method. The four-monthly averages for 2006-2008, 2010-2016 and 2017-2019 are calculated using the four-month periods (March-June) of each year only. The extensive margin comprises two components: firms that enter and exit the export market and diversification in the portfolio of products and destinations of stable exporting firms. The intensive margin is defined as the increase or decrease in the value of pre-existing trade relationships at the company-product-country level.

Source: Authors' own elaboration based on Spanish customs data.

destination pairs registered lower growth (7.7% *vs.* 9.9%); and, (3) the value of exports by newcomers registered lower growth (0.9% *vs.* 1.8%).

Given that the intensive margin is largely responsible for the drop in exports during both the lockdown and the financial crisis, we believe it is important to analyse the trend in exporting activity by the firms most responsible for that contraction. To that end, Table 2 presents the contribution by each of the margins to the year-on-year change in exports in the two crises for two subsets of companies:

> "The value of exports in new product or destination pairs registered lower growth during the lockdown period compared with the financial crisis (7.7% *vs.* 9.9%)."

Table 2

Breakdown of the change in exports by the top 1% and 2C firms during the two crises

	Top 1% (50% exports)		2C (80% exports)	
	Financial crisis	Lockdown	Financial crisis	Lockdown
Rate of change	*-18.9*	*-34.3*	*-16.9*	*-32.1*
Stable relationships				
Sales increase	14.6	12.3	16.8	14.7
Sales decrease	-34.5	-45.1	-34.4	-43.2
Intensive margin	*-19.9*	*-32.8*	*-17.6*	*-28.5*
Diversification				
New relationships	5.0	3.3	8.1	5.4
Relationships that disappear	-3.8	-3.4	-7.3	-7.6
Extensive margin – diversification	*1.2*	*-0.1*	*0.8*	*-2.2*
Companies				
Newcomers	1.0	0.5	0.3	0.0
Leavers	-1.2	-1.9	-0.4	-1.4
Extensive margin – net change in firms	*-0.2*	*-1.4*	*-0.1*	*-1.4*
Percentage contribution (%)				
Intensive margin	105	96	104	89
Extensive margin – diversification	-6	0	-5	7
Extensive margin – net change in firms	1	4	1	4

Notes: See note in Table 1 for methodology.

The top 1% is calculated on the basis of the average value of exports of each firm during the period analysed so that the companies populating the top 1% subset varies between the two periods. The 2C firms are the companies that exported in any of the 12 months prior to both crises.

Source: Authors' own elaboration based on Spanish customs data.

(i) the firms responsible for the top 1% of export volumes (50% of all exports according to Bricongne *et al.*); and, (ii) the firms that have lived through both crises (the so-called 2C firms, which represent 80% of total exports).

The contraction in exports among the top 1% (-34.3%) and 2C firms (-32.1%) exceeded the aggregate fall in exports (-28.1%) during the lockdown. During the collapse in international trade in 2009, however, the differences were smaller: the overall decline was 18.3%, compared to contractions of 18.9% in exports among the top 1% and of 16.9% for the 2C firms. As we saw for the overall universe of exporters, the drop in exports is similarly attributable to the decrease in sales in stable trade relationships (intensive margin). That being said, in the lockdown, all components experienced net declines, whereas during the financial crisis, product and destination diversification had a net positive effect.

Trend in exports by sector and country

In this section, we analyse the different impact the 2020 lockdown has had by sector and country compared to the financial crisis of 2009. Exhibit 2 shows those sectors that sustained a similar performance during the lockdown (x-axis) and during the financial crisis (y-axis). The size of the bubbles represents the weight of the sector in Spanish trade. The lower left quadrant shows the

> “Both the textile and footwear and cosmetics and beauty industries contracted during the lockdown but grew during the financial crisis.”

sectors whose exports fell the hardest during both crises. As expected, the highest number of sectors falls within this quadrant, although most have sustained bigger contractions during the lockdown than during the financial crisis (points below the 45-degree dotted line). On account of their weight in Spanish exports, the automotive sector (whose exports fell by twice as much during the lockdown) and the fuels sector stand out, followed by electric and mechanical equipment.

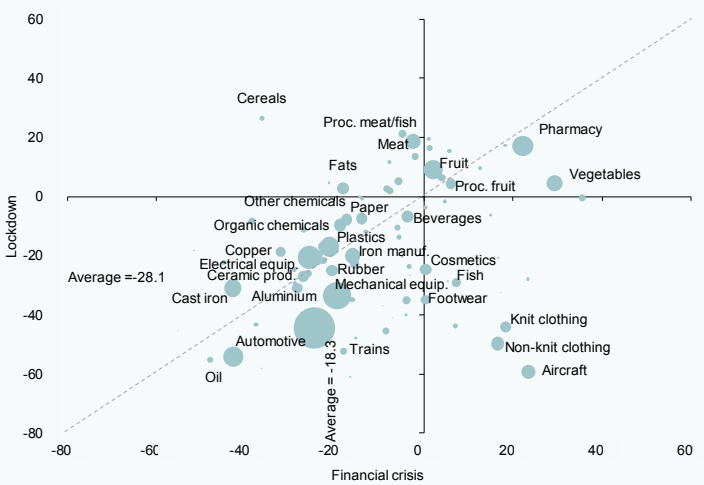
There are some sectors whose exports contracted during the lockdown but grew during the financial crisis (lower right quadrant). For example, the textile and footwear sectors, indicating a drop in demand for consumer outdoor goods in 2020. That same line of reasoning explains the drop in exports of cosmetics and beauty products during the lockdown compared with the financial crisis.

There are also sectors whose exports grew during lockdown. The upper left quadrant shows the sectors whose exports contracted during the financial crisis but grew during the lockdown: cereals, fresh meat, and processed meat and fish products. Lastly, the upper right quadrant presents the counter-cyclical sectors, *i.e.*, sectors whose exports rise when trade is generally contracting. That group again includes food products (fruit, processed fruit products, vegetables) and pharmaceutical products.

Exhibit 3 shows the change in Spanish exports during the lockdown and financial

Exhibit 2

Growth in Spanish exports (%) by sector during the 2009 financial crisis and the 2020 lockdown



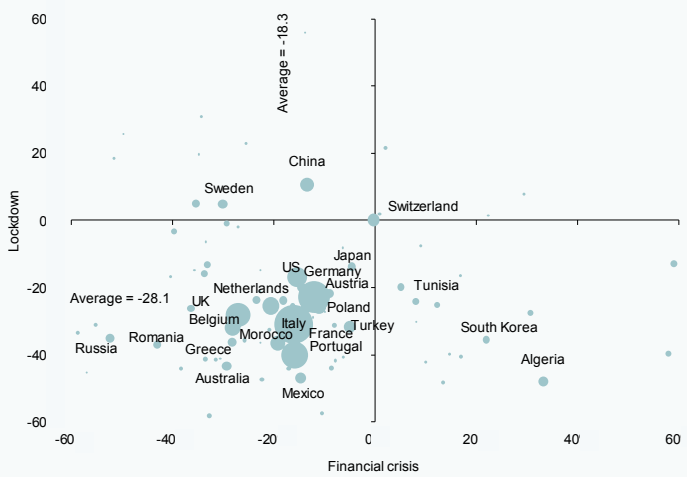
Note: The exhibit omits the names of those sectors within the Harmonized System at the two-digit level (95 sectors) whose share of exports is less than 1%.

Source: Authors' own elaboration based on Spanish customs data.

> “The contraction in Spanish exports to its main trading partners (France, Germany, Portugal, Italy and Morocco) was greater during the lockdown than observed in the financial crisis.”

Exhibit 3

Growth in Spanish exports (%) by export destination during the 2009 financial crisis and the 2020 lockdown



Note: The exhibit only includes the first 95 countries by export volumes. The names of countries whose share of total exports is less than 1% have been omitted.

Source: Authors' own elaboration based on Spanish customs data.

crisis by country. With the odd exception, Spain's main export destination markets are concentrated in the lower left quadrant. The contraction in Spanish exports to its main trading partners (France, Germany, Portugal, Italy and Morocco) was greater during the lockdown than observed in the financial crisis. Except for Russia, Romania and the UK, exports to the rest of Spain's trading partners have also fallen by more during the lockdown than during the financial crisis. In the lower right quadrant, there are two countries —South Korea and Algeria— to which exports registered strong growth during the financial crisis but a sharp contraction during the lockdown. Lastly, it is worth highlighting China and Sweden (upper left quadrant), destinations which increased their imports of Spanish goods during the lockdown but not during the financial crisis.

Conclusions

The momentum observed in Spanish exports since 2010 has been interrupted by the spread of COVID-19 and the lockdowns imposed on populations throughout Spain's export destination markets between March and June 2020. The most recent data available show that the lockdown has had a greater adverse effect on Spanish exports than the collapse in trade in 2009. Granular analysis of the exports of goods by the companies that have lived through both crises corroborates that finding.

In both crises, the change in the value of stable trade relationships (*i.e.*, the intensive margin) is responsible for most of the contraction. That tells us that the recovery will depend on the activity of a few large companies (the top 1% accounts for 50% of the value of Spanish

> “The recovery will depend on the activity of the top 1% of exporting companies, which account for 50% of the value of Spanish exports.”

exports and the firms that have experienced both crises account for 80%).

The extensive margin has played a bigger role in the drop in exports during the lockdown than during the financial crisis, due to both the net decline in exporting firms and the contraction in the number of export products and markets. Given that the extensive margin accounts for a high percentage of growth over the medium- and long-term (Lucio *et al.,* 2011), this margin's negative trend during the lockdown increases the risk of slower growth in exports over the long-term than was observed following the financial crisis.

As long as the pandemic persists, global growth will suffer, with adverse consequences for exports in all countries. Unfortunately, governments have adopted policies to fight the pandemic (*e.g.*, restrictions on individual mobility, protectionism, *etc.*) that are not conducive to a recovery in global trade. In Spain, this trend is exacerbated by a smaller contribution by the extensive margin in recent years compared to that observed during the initial period of growth in exports.

Although it is difficult to predict in what condition Spain's export sector will exit this crisis, a full recovery in exports is plausible so long as Spain maintains a sufficient number of exporting companies.

Notes

[1] We would like to thank the Spanish Tax Agency's Department of Customs and Duties for access to their export figures. We would also like to express our gratitude for the financing received from the Spanish Ministry of the Economy and Competitiveness (RTI2018-100899-B-I00, co-financed by FEDER), the Basque regional government's Department of Education, Linguistic Policy and Culture (IT885-16), the Universities of Alcalá and Santander (2019/00003/016/001/007) and the regional government of Valencia (GVPrometeo 2018/102).

[2] In March 2020, the number of exporters fell to 51,995, the lowest reading in the entire series. During the lockdown, companies were offered the possibility of postponing their intrastat reports, which may have weighed on the monthly statistics tracking the number of exporters.

[3] The number of 2C firms changes quarterly as some do not export every quarter.

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The financial sector and economy in light of COVID-19: Situation and outlook for the autumn

The lax monetary environment, coupled with government initiatives, has enabled Spain's banks to play a crucial role in tempering the effects of COVID-19. A key concern going forward, however, will be how long such interventions should continue and the extent to which they have fostered the emergence of a more dynamic business environment.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: While COVID-19 spurred the Fed's decision to adopt an average inflation targeting regime, the ECB is more constrained in the way it can support the emergence of dynamic business growth. That said, it did launch the 1.35 trillion-euro Pandemic Emergency Purchase Programme (PEPP) and has extended its targeted long-term refinancing operations (TLTROs). This lax monetary environment enabled the Spanish banks to increase their use of the ECB's long-term financing facilities by 113.66 billion euros between March and July. In parallel, under specific schemes, such as the state-backed guarantees for business loans, corporate financing increased from a year-on-year rate of 1.1% in March to 6.1% in June. One of the most complex issues facing Spain is how long its extraordinary

financing flows should continue so as not to significantly impair overall asset quality. Although non-performance has held steady at around 4.7%, this metric is expected to deteriorate throughout the rest of 2020 and much of 2021, with the magnitude of the rise in NPLs dependent on the continuation of the furlough scheme, speed of the economic recovery, and lingering uncertainty regarding COVID-19. Nevertheless, the crisis could prove an opportunity for Spain if public and financial intervention results in higher levels of business dynamism. [1]

Introduction: Changes in the monetary environment and bank resilience

The summer of 2020 has been dominated by a complex interplay of expectations of an economic rebound overshadowed by the threat of a second wave of infections. In the financial arena, markets have been volatile. The banks have been very active in providing businesses with credit, a role which, coupled with other financial relief and job protection measures sponsored by the state, has constituted one of the key responses to the crisis.

The monetary climate has also been influenced by the central banks' response. Already very lax before the pandemic, monetary policy has become even more expansionary in recent months. The most significant change came at the Jackson Hole Symposium, organised by the Federal Reserve Bank of Kansas City on August 27th and 28th. During his speech, the Chairman of the Federal Reserve, Jerome Powell, announced a major policy shift, signalling that the Fed would from now on pay more attention to job growth than a rigid inflation target. In fact, he specifically said the Fed would allow inflation to run over the target of 2%. He also acknowledged that the policy shift implied that the current expectation is that interest rates will remain at low levels in the long run. Going forward, the Fed plans to pursue "average inflation targeting", such that it will let inflation run "moderately" above the 2% goal if that helps keep unemployment at reduced levels.

That shift in US monetary policy adds to the debate about the balance between the policies pursued by the central banks on either side of the Atlantic. While the European Central Bank's (ECB) actions have also been clearly expansionary in recent years, the expectation of lower rates for even longer in the US, coupled with other factors of a more institutional nature, have driven dollar depreciation relative to the euro. Now the Fed's actions signal a longer horizon of low rates as well as greater flexibility in implementing monetary policy. The ECB, however, cannot in theory make such a substantive change to its mandate because it is legally more bound by an inflation target. The ECB has, however, been providing almost unconditional support in the form of liquidity, even more so since the onset of the pandemic. At its meeting on September 17th, 2020, the European monetary authority opted to leave the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.50% respectively. It also reiteratred the extension of its 1.35 trillion euro Pandemic Emergency Purchase Programme (PEPP). It expects to continue to repurchase assets under that programme until at least the end of June 2021 and in any case until the ECB "judges that the coronavirus crisis phase is over". The Governing Council also said it would reinvest the maturing principal payments from securities purchased under the PEPP until at least the end of 2022. Additionally, the ECB also agreed to continue its targeted long-term refinancing operations (TLTRO III).

"Going forward, the Fed plans to pursue "average inflation targeting", such that it will let inflation run "moderately" above the 2% goal if that helps keep unemployment at reduced levels."

> "The ECB's COVID-19 Vulnerability Analysis showed banks' aggregate CET1 ratio would decline by approximately 1.9 percentage points in the ECB's baseline scenario and by 5.7 percentage points in the adverse scenario by year-end 2022."

That monetary easing is providing the banks with sizeable liquidity at a time when many banks are participating in government financing programmes aimed at kick-starting the economy. The goal is to prevent an even bigger economic contraction than that caused directly by the lockdowns and the resulting drop in consumption and investment. Importantly, these programmes aim to avoid non-payment among companies which end up driving an increase in non-performance. However, the ultra-low interest rates remain a huge challenge for the bank intermediation business. Now that the markets are expecting interest rates to remain ultra-low for even longer than thought before the pandemic, the challenge has only increased.

Nevertheless, the ECB believes that the banks under its supervision remain well capitalised, enabling them to lend money to the private sector despite the potential difficulties and losses inflicted by COVID-19. On July 28th, 2020, the ECB published the results of its COVID-19 Vulnerability Analysis of the 86 banks it supervises directly under the scope of the Single Supervisory Mechanism. The aim was to identify the sector's potential vulnerabilities over a three-year horizon. The results suggest that the eurozone banking sector is capable of withstanding the stress triggered by the pandemic. The banks' average aggregate common equity tier-1 (CET1) ratio would decline by approximately 1.9 percentage points in the ECB's baseline scenario to 12.6% and by 5.7 percentage points in the adverse scenario to 8.8% by year-end 2022.

Recent Bank of Spain data also indicate that Spanish banks are headed into the pandemic from a far better capital adequacy position compared to the last crisis. Specifically, Spain's central bank published its supervision statistics for the banks for the first quarter of 2020 on July 30th. The banks operating in Spain presented a total capital ratio of 15.69% as of the first quarter, demonstrating, according to the authority, significant stability with respect to the levels reported for the first and fourth quarters in 2019, which stood at 15.45% and 15.94%, respectively.

Financing: Recent trend and outlook

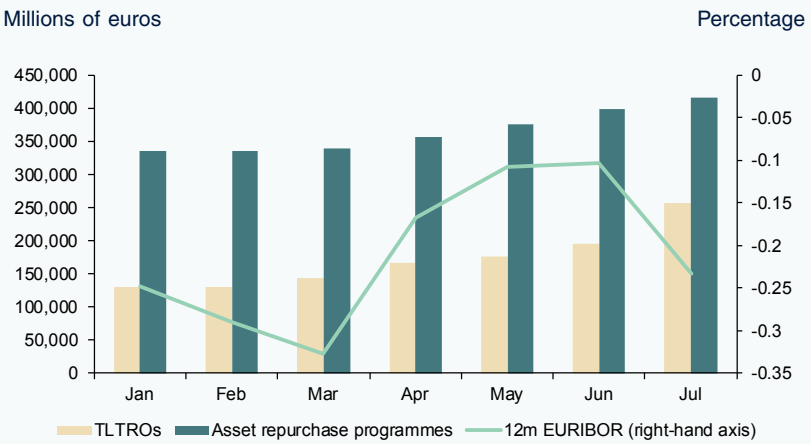
The Spanish banks, like their European counterparts, have been affected considerably by the uncertain economic outlook and the ECB's monetary response. Between the onset of the pandemic in March and July, the Spanish banks increased their use of the ECB's long-term financing facilities (mainly via TLTROs) by 113.66 billion euros (Exhibit 1). During the same timeframe (not shown in the exhibit), the eurozone banks as a whole drew down 939.5 billion euros under those same facilities. Use of the asset repurchase programmes has also increased considerably by 76.13 billion euros in Spain and 538.13 billion euros in the eurozone. One of the consequences of the increase in liquidity has been a sharp drop in interbank rates, particularly in recent months, following confirmation of the expansion and extension of the central banks' expansionary measures. 12-month EURIBOR had traded to -0.103% in June but fell back to -0.233% in July. The most recent data available put 12-month EURIBOR at an all-time low of -0.359% in August.

The banks' support in the form of lending activity, thanks in part to state-backed guarantee schemes, is one of the bright spots in this harsh crisis. In Spain, the most noteworthy programme is the 100-million-euro business loan scheme backed by guarantees shared between the banks and the public credit institute, the ICO. The fifth and last tranche of the surety lines comprising this scheme was approved on June 15th. However,

> “On July 3rd, the Spanish Cabinet approved a new guarantee programme, with an envelope of 40 billion euros, earmarked for new business investment projects focused on environmental sustainability and digitalisation.”

Exhibit 1

Trend in use of Eurosystem funding by the banks in Spain and in 12-month EURIBOR



Source: Bank of Spain and authors' own elaboration.

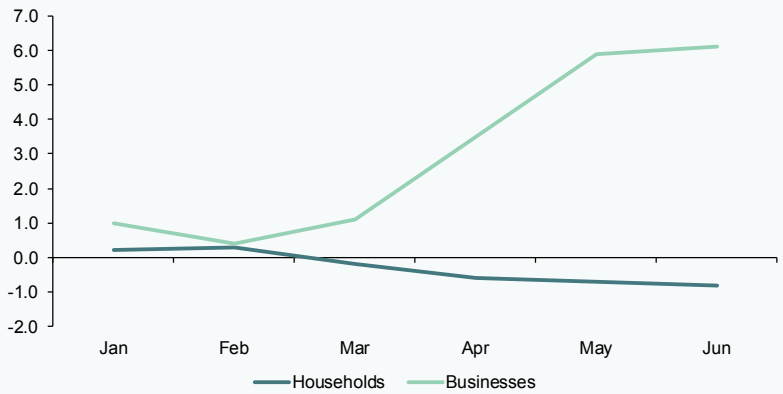
on July 3rd, the Spanish Cabinet approved a new guarantee programme, with an envelope of 40 billion euros, earmarked for new business investment projects focused on environmental sustainability and digitalisation. That same day it also approved a new 10 billion euro fund to be managed by SEPI, the Spanish state's industrial investment holding company, to provide financial support for applicant non-financial corporates that are "strategically solvent" but have been hit particularly hard by the COVID-19 crisis. This general trend is evident in private sector lending activity in Spain. As shown in Exhibit 2, bank lending to the private sector in Spain increased from 1.1% year-on-year in March to 6.1% in June (most recent figure available), and is expected to have risen further in July and August. Household financing, however, fell over the same period. It was already declining by 0.2% year-on-year in March, a contraction that widened to 0.8% in June.

One of the most complex issues facing Spain and other countries with similar business support programmes is how long those extraordinary flows of financing should be left in place so as not to significantly impair overall asset quality. Up until May, as shown in Exhibit 3, Spain's deposit takers had not experienced a significant increase in non-performance. To the contrary, the non-performance ratio decreased from 4.75% in March to 4.69% in May. However, non-performance tends to be a lagging indicator, particularly when employment is a significant victim. Although jobs have taken a hit in Spain, the financing extended by the banks, coupled with the state furlough scheme, has stemmed the rise in unemployment.

Exhibit 2

Private sector financing in Spain. Year-on-year rate of change

Percentage



Source: Bank of Spain and authors' own elaboration.

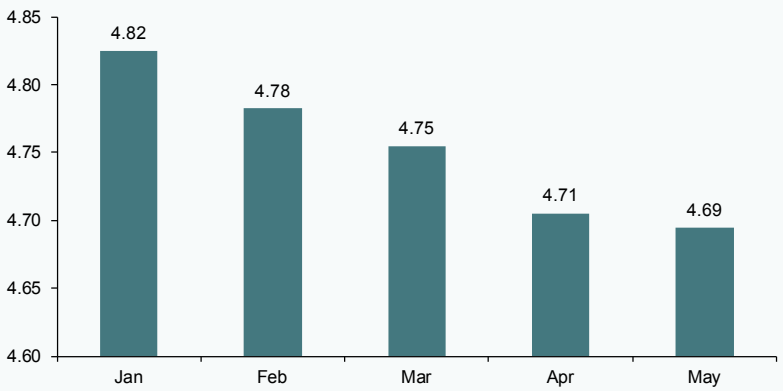
Nevertheless, the expectation is that non-performance will deteriorate throughout the rest of 2020 and much of 2021, although by how much remains to be seen. The magnitude of the increase is likely to depend crucially on how long the furlough scheme can be left in place, the speed of the economic recovery and the dissipation of uncertainty regarding the health consequences of COVID-19.

In the current circumstances, all projections are a moving target. For example, the Bank Lending Survey conducted by the Bank of Spain

Exhibit 3

Non-performance ratio at deposit-taking banks

Percentage



Source: Bank of Spain.

> The Bank Lending Survey conducted by the Bank of Spain in July revealed an easing in business loan approval terms since May, as well as growth in demand.

Table 1 **Credit climate during the pandemic**

Results of the Bank Lending Survey (July 2020)

		May-July	Outlook for August-October
Corporate lending	Loan approval	Easing	Tightening
	Terms and conditions	Easing	Tightening
	Demand for loans	Higher	Lower
Household lending	Loan approval	Tightening	Tightening
	Terms and conditions	Tightening	Tightening
	Demand for loans	Lower	Higher

Source: Bank of Spain.

in July revealed an easing in business loan approval terms since May, as well as growth in demand. At that same time, however, the entities polled said they expected tighter loan approval conditions and a drop in demand over the coming months. It is hard to corroborate that prediction in an environment in which many companies are going to continue to need financing and the state-backed guarantee schemes may be left in place for longer than initially anticipated. Asked about household lending, which was contracting at the time, the banks said they expected demand to rise, a prediction that will ultimately depend on the pace of economic recovery. One of the fears instilled in many countries is that COVID-19 may have a more permanent contractionary effect —or "belief-scarring effects"— on private sector spending and investment than initially contemplated. [2]

Conclusions: Financing and corporate regeneration

Spain's business landscape faces a dual reality this autumn. In Spain, many firms that were viable before the onset of the pandemic have taken advantage of state-guaranteed bank loans and/or furlough schemes. However, any fresh supply or demand shocks would have highly adverse ramifications for them. Even assuming more moderate COVID-19 caseload scenarios, non-performance is bound to increase. The rate at which it does so will be key. In order to nurture the economic recovery, the goal is to keep defaults and business destruction at a minimum. If not possible, then the goal needs to be to restructure and manage that debt adequately. Bank financing must not grind to a halt, as bank lending is set to play an essential role in the economic recovery in the months and years to come.

A parallel aspect of considerable importance is the expected arrival of European funds in 2021 and 2022, which, in addition to national budget allocations for combatting COVID-19, will provide a boost to investment which must be channelled appropriately and complemented by the banks' lending efforts.

The banks will be called on to help manage the complex interplay of consumption, employment and financing uncertainties intrinsic to this pandemic. The tricky part is the need for

> “The banks that suffered the harshest share price corrections have gone on to sustain the strongest recoveries.”

business dynamism. Every crisis requires redirecting funds from the firms that fail to those that survive or emerge. The process of business creation-destruction was violated during the last crisis by allowing non-viable companies to continue to operate for too long. Dynamism can also be achieved by incentivizing much of the productive structure towards activities that foster greater digitalisation, sustainability and innovation. That debate is not exclusive to Spain. At the Jackson Hole Symposium in August, one of the topics most hotly debated was the extent to which the business dynamism triggered by previous growth cycles, mainly during the last century, is slowing. It is possible that, paradoxically, the current predicament, marked by considerable public and financial sector intervention, is also a unique opportunity. The current challenges call for responsibility from the banks but also from government. The banks need to keep the economic wheels turning but can only do so if they focus their resources on sustaining or reviving that which can grow and survive rather than wasting resources on those firm in decline or already doomed to fail. When state guarantees are provided, the same criteria should prevail.

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Notes

[1] At the time this article was published, the merger between CaixaBank and Bankia was announced and subsequently approved. In the coming months, we plan to assess this development as part of broader structural changes in the Spanish banking sector as more information becomes available.

[2] The effects of such “belief changes” were documented, for example, at the 2020 Jackson Hole Symposium by Julian Kozlowski, Laura Veldkamp and Venky Venkateswaran in a paper titled, “Scarring Body and Mind: The Long-Term Belief-Scarring Effects of COVID-19” https://www.kansascityfed.org/~/media/files/publicat/sympos/2020/20200806veldkamp.pdf?la=en

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Redesigning the European stress tests: Considerations from COVID-19 and the US experience

The EBA's postponement of the 2020 stress tests due to COVID-19 comes at a time of growing debate about the effectiveness of their methodology. Unlike the EBA, the Fed went ahead with its stress tests this year, offering potential insight into how the EBA could possibly reform its tests for 2021.

Ángel Berges and Jesús Morales

Abstract: The COVID-19 crisis has emerged as a critical event that affects all aspects of bank management and supervision, including the design and execution of the stress tests — a key oversight tool with a forward-looking approach. In March, the EBA postponed the biennial stress tests originally scheduled for 2020 due to the banks' operational challenges brought on by the pandemic. Notably, this decision took place in the context of a growing debate regarding the EBA's stress testing methodology, especially in light of the failure of two banks in Italy and one in Spain. Unlike the EBA, the Fed went ahead with its stress tests, layering in sensitivity analyses designed to model the various economic scenarios the pandemic could leave in its wake, providing potential insight into how the EBA could improve its 2021 stress tests. The EBA could also adopt a `top down´ approach like the Fed, instead of its 'bottom up' method, which makes it harder to discriminate between healthy and

weak entities. Whatever the outcome, the stress tests' impact on the alignment of capital with the risk assumed by the banks has been critical and the continuity of the tests must be assured in the medium- and long-term.

The banking business in the wake of the COVID-19 crisis

The onset of the coronavirus pandemic and the health, social distancing, and lockdown measures taken to curb its spread have ushered in the worst international economic crisis since World War II. The European and Spanish banking sectors entered this recession from a moderately strong position. Although they have made considerable progress on addressing those weaknesses that emerged during the Great Recession (asset provisioning, capital reinforcement and capacity downsizing), the inability to generate sufficient margins or shareholder returns has become a more salient issue [1] .

Against this backdrop, the banks face multiple hurdles in mitigating the adverse impact of the pandemic, with the additional challenge of uncertainty around asset impairment, earnings and solvency. The supervisory authorities have been very permissive, adopting flexible accounting approaches in order to avoid the automatic impairment of exposures due to *ad hoc* increases in the probability of default, and approving prudential measures aimed at easing the requirements for complying with the capital adequacy metrics. The purpose of that regulatory and supervisory fine-tuning is not to avoid reality but to factor in the uncertainty surrounding the intensity and duration of the COVID-19 crisis, which could generate excessive volatility for the banks if not analysed from a medium- and long-term perspective.

The ability to generate business will also be shaped by the efforts made by the monetary and fiscal authorities. Monetary policies have been reinforced in the wake of the pandemic and designed to ensure the system's liquidity. Additionally, there are support measures introduced for those sectors hardest hit by the crisis through the provision of state-backed guarantees and moratoria on mortgage and consumer debt payments.

At the same time goverments declared the health crisis a pandemic, triggering lockdowns with highly uncertain effects, the European Banking Authority (EBA) decided to postpone this year's edition of its biennial stress tests that it had been conducting uninterruptedly since 2014 [2]. This was an unprecidented decision, which the EBA attributed to the increased operational challenges facing the banks in light of COVID-19.

Stress tests and tail risks: The Fed's solution

The EBA's decision to postpone the stress tests has raised serious questions given that the European Commission's current macroeconomic forecasts are far worse than those contemplated in the most severe scenario that was to be modelled in the cancelled tests.

The above developments have prompted us to ponder the nature and purpose of the stress tests and their implications for the banks. The stress tests are designed to assess the banks' ability to withstand statistically and financially plausible hypothetical, low-probability scenarios, particularly with respect to solvency, liquidity and profitability.

Obviously, that premise, a test of survival, cannot address events that were absent from prior observed episodes and therefore fall

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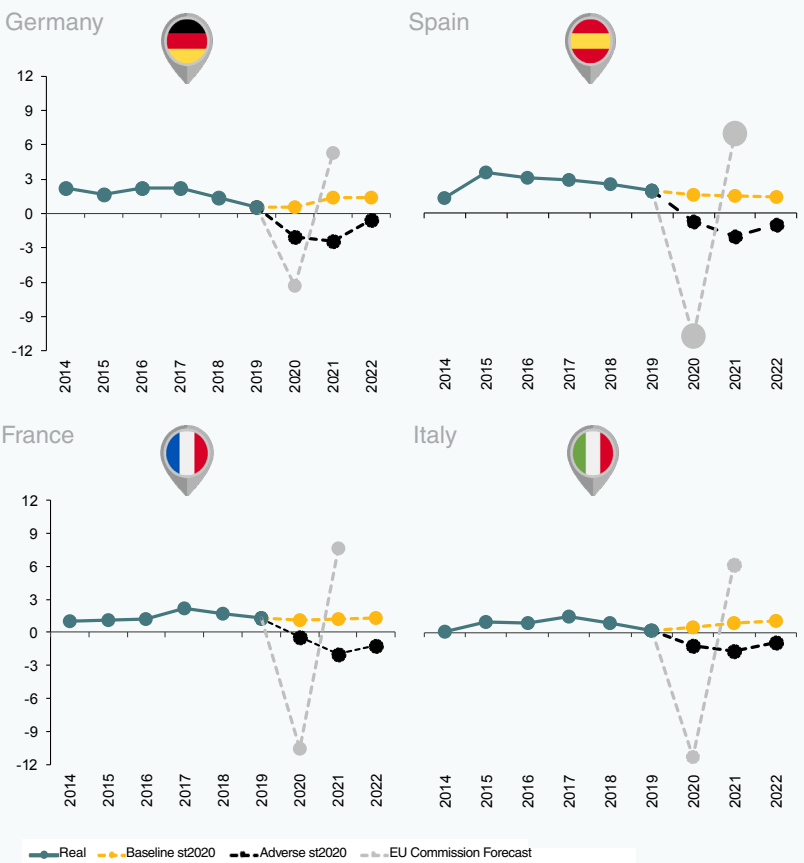
outside of the expected loss distributions used to define an adverse scenario.

The complexity of designing scenarios in response to the COVID-19 pandemic comes on the heels of a debate unfolding within the EBA in recent years [3] about whether the stress testing methodology reflects the banks’ reality, covers all risks and constitutes an effective predictor of resolution events. Over the next few sections, we reflect on the challenges facing stress testing, from which we attempt to draw a few lessons from the stress tests conducted recently by the US Federal Reserve.

Exhibit 1

GDP growth (%) in the four largest EU economies

2020 stress test scenarios *vs.* EC forecasts (July 2020)



Sources: EC, EBA, ESRB and Afi.

> “The stress tests are designed to assess the banks’ ability to withstand statistically and financially plausible hypothetical, low-probability scenarios, particularly with respect to solvency, liquidity and profitability.”

Athough the EBA decided to suspend its stress tests, the ECB did conduct a COVID-19 vulnerability analysis, the results of which were published in July. Given that the EBA’s methodology and the information disclosed were very limited in comparison with the biennial tests, the ECB’s effort does not constitute stress tests *per se*; nor will it translate into any requirements for the banks. That being said, the ECB warned of the greater impact on capital compared to the last edition of the stress tests and the highly varied impact across the banking sector, trends which will undoubtedly also emerge from the EBA’s stress tests using scenarios designed to reflect the economic impact of the pandemic.

The Fed, meanwhile, took a different course of action, opting to conduct stress tests and publish the results, albeit adapting its methodology in light of COVID-19 to layer in the so-called “tail risks”, which while improbable, would have an extroadinary impact if they materialised. In order to incorpate those risks, the US central bank performed sensitivity analyses, without assigning probabilities of occurrence, to provide the supervisors and banks with an idea of the direction and magnitude of the possible outcomes.

The use of stress tests in parallel with sensitivity analyses was justified in the US by the fact that the two exercises serve different purposes:

- The stress tests underpin the required capital buffer in anticipation of possible ‘stress’ events. The size of each bank’s capital buffer depends on the results of the stress test.

- The purpose of the COVID-19 sensitivity tests was to determine the scale of the ongoing recession and to inform the U.S. supervisor’s decisions in regard to the limiting of capital distributions via dividends or share buybacks as well as establishing periodic capital adequacy assessments.

This combination of initiatives led by the Fed [4] addresses the issue of unknown tail risks such as an intensification of the crisis, which could lead to negative consequences for both the economy and banking sector that are difficult to quantify.

Against that backdrop, the stress tests dovetail better with the sensitivity analyses. The latter are designed to measure the potential impact of certain high risk situations on capital, liquidity and profitability. Importantly, the probability that such events occur and the severity of their consequences are unknown.

Sensitivity modelling also differs from stress test modelling insofar as it explores different assumptions regarding the impact which the unknown risk event could have, assigning weights to those assumptions that can be fine-

> “The Fed’s initiatives address the issue of unknown tail risks, such as an intensification of the crisis, which could lead to negative consequences for both the economy and banking sector that are difficult to quantify.”

> “In the stress tests’ adverse scenario, the cost of risk amounts to a cumulative 6.3% between the end of 2019 and the first quarter of 2022.”

tuned over time as the uncertainty regarding the duration and intensity of the crisis diminishes.

The Fed ran COVID-19 sensitivity tests for three alternative downside scenarios for the same sample of banks:

(i) A V-shaped recession, implying a swift recovery in GDP and employment levels;

(ii) A U-shaped recession, involving a slower recovery in output and employment with respect to pre-pandemic levels; and,

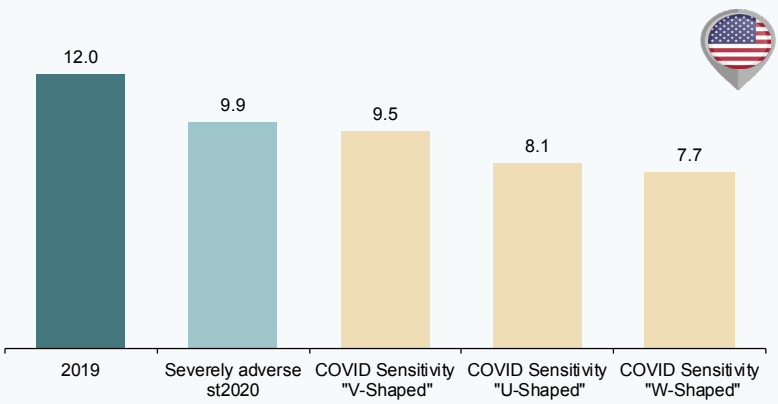
(iii) A W-shaped recession, resulting in a short recovery followed by a deeper contraction due to a second wave of infections and economic paralysis.

The Fed concluded that in the most adverse stress test scenario, all of the banks under its supervision would have enough capital to handle a V-shaped recession and only some would be at the required capital threshold in a U-shaped and W-shaped recession. Note that the downside scenarios are conservative to the extent that they do not factor in the extraordinary economic and monetary policies implemented to mitigate the effects of the pandemic.

The decrease in capital is due primarily to the significant impact of loan-loss provisions. Loan-loss provisions have risen signifacntly as a result of the impairment of loan portfolios in scenarios characterised by an intense contraction in output and employment. In the stress tests’ adverse scenario, the cost of risk amounts to a cumulative 6.3% between the end of 2019 and the first quarter of 2022. That cost increases to 8.2% in the V-shaped recession scenario, to 10.3% in the U-shaped recession scenario and to 9.9% in the W-shaped recession scenario.

Exhibit 2

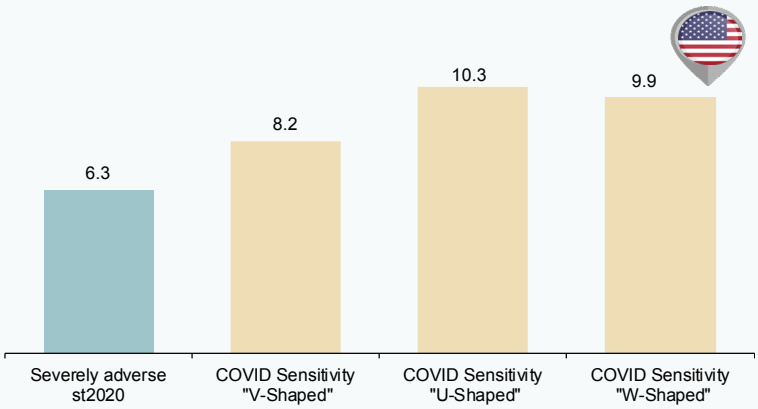
Common equity tier 1 (CET1) for the US banks: Stress tests and COVID-19 sensitivity analysis



Source: Federal Reserve, Afi.

Exhibit 3

Cost of risk for the US banks: Stress tests and COVID-19 sensitivity analysis



Source: Federal Reserve, Afi.

Interestingly, the W-shaped recession scenario results in the largest erosion of capital despite the lower level of provisions compared to the U-shaped scenario. This is due to the use of forward-looking models that more heavily penalise the ability to generate income and, by extension, capital in longer-lasting crises.

The Fed's stress tests have garnered crititicsm, especially for the manner in which the Fed communicated the results. The ultimate goal of the Fed's stress tests is to determine the size of an anti-cyclical buffer that will be required in the current recession. Normally, this determination would be followed by the publication of the results in exhaustive detail in order to provide the market with highly valuable information. However, the results of the COVID-19 sensitivity analysis were not published on a bank-by-bank basis.

Stress tests and tail risks: The ability to anticipate resolution events

One of the best ways of evaluating whether the stress tests have met their purpose is to assess their ability to anticipate the resolution events that have subsequently materialised.

The stress test methodology and scope were standardised in the EU with the creation of the Single Supervisory Mechanism (SSM) in 2014. The resolution processes underwent similar standardisation under the second pillar of the Banking Union initiative —the Single Resolution Mechanism— which came into effect in January 2016.

Since the creation of the Single Resolution Board (SRB), there have been five notified cases of bank resolution: one Spanish bank (Banco Popular), two Italian banks (Banca Popolare di Vicenza and Veneto Banca) and

> "Since the creation of the Single Resolution Board (SRB), there have been five notified cases of bank resolution: one Spanish bank, two Italian banks, and two Latvian banks."

two Latvian banks (PNB Banka and ABLV, together with its subsidiary in Luxembourg).

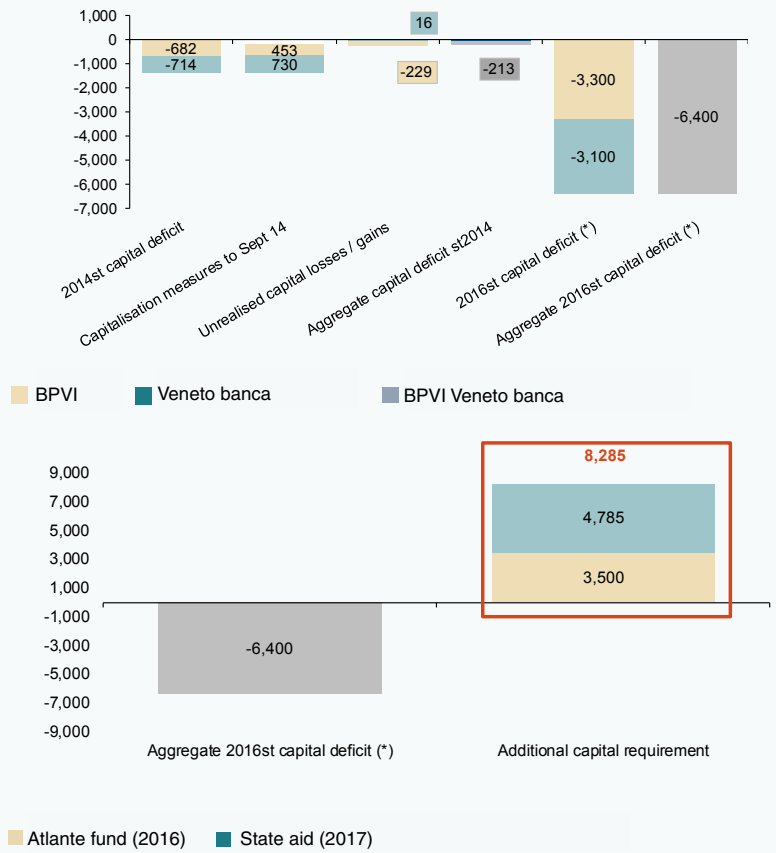
Of those five groups, only the Spanish and two Italian banks had undergone the EBA stress tests in 2014 and 2016. These stress tests were based on three-year projections, a time horizon which would ultimately encompass the dates of their resolution (all three were notified in June 2017). The Latvian banks were excluded as the country joined the eurozone and Banking Union at a later date.

It is worth highlighting the differences in the test methodologies used in 2014 and 2016. The 2014 tests were designed to evaluate the banks' asset and capital quality, which were subject to the supervision of the ECB. They took a 'pass or fail' approach, requiring entities that failed to present CET1 ratios of more than 5.5% under the adverse scenario to raise capital. However, in 2016, there was no capital threshold for banks to pass. Instead, the tests were intended as a tool for guiding the supervisor's capital adequacy

Exhibit 4

Capital shortfall detected in the 2014 stress tests *vs.* BPVI and Veneto Banca resolutions

EUR million



(*) The capital deficit revealed by the 2016 stress tests was reported by the entities themselves in the course of applying for state aid (their results had not been published on account of their smaller size) and is included in a report published by the European Parliament on the orderly liquidation of Veneto Banca and Banca Popolare di Vicenza.

Sources: EC, EBA, ESRB and Afi.

assessments. For the purposes of the matter at hand —assessing the tests' ability to predict resolution events— the under-capitalisation of the banks that presented ratios below the prior capital threshold serves as a reasonable proxy.

Notably, Banco Popolare di Vicenza (BPVI) and Veneto Banca presented an aggregate capital deficit of 213 million euros in the 2014 tests, factoring in the adjustments made by both banks up until the results were published. That capital shortfall increased exponentially, to 6.4 billion euros, under the adverse scenario modelled in the 2016 tests, implying a solvency ratio of under 0% (technical bankruptcy). This prompted the ECB to declare the banks as 'failing or likely to fail', thereby activating the resolution mechanisms and a request for state aid, which was endorsed by the European Commission.

While the tests did serve to trigger the resolution mechanism, they did not predict that outcome. The tests failed for two reasons. Firstly, the capital deficit ended up being significantly higher, as the two banks ultimately received extraordinary capital injections from the Atlante Fund and aid from the Italian state totalling 8.29 billion euros, compared to the 6.4 billion euros shortfall predicted in the worst-case scenario in the stress tests. Secondly, the adverse scenario defined by the European Systemic Risk Board (ESRB) never materialised, such that the funds had to be injected to cover tail risks that did not occur and would have initiated a resolution.

Conclusion: The challenges facing the EBA stress tests

This analysis reveals two major challenges with respect to the direction of the stress tests in Europe:

- As the tests are configured today, it is difficult to predict unknown tail risks. This will become increasingly clear as the fallout from the pandemic and new unknowns are likely to continue to materialise, not least of which are those related to climate change.

- To address tail risks of this nature, the best solution may lie with the inclusion of sensitivity analyses, such as those conducted by the Fed to assess the impact of COVID-19. The Fed modelled a series of alternative downside scenarios and assumptions which the event could trigger, assigning weightings and/or severities to them, a more open and dynamic approach than traditional stress tests.

- The last round of stress tests did not result in a correlation between robust test results and their ability to predict resolution events. This disconnect is easier to understand if we look at the rationale underlying the methodology that guides the tests:

  - Firstly, the methodology is based on static balance sheet assumptions that are out of sync with either the second-round effects of banking crises, which can accelerate resolution events, or the mitigating actions the banks may take in the event of such episodes.

  - Secondly, the tests do not address all risks which could be covered by means of additional scenarios run for reasons other than the severity of the macroeconomic projections. Specifically, they do not cover the business risk derived from the failure to deliver on business plans.

  - Lastly, unlike the testing framework used by the Fed, the EBA takes a 'bottom-

> "Unlike the testing framework used by the Fed, the EBA takes a 'bottom-up' approach in which most of the assumptions used in the projections are made by the banks themselves, albeit in line with the methodological instructions."

up' approach in which most of the assumptions used in the projections are made by the banks themselves, albeit in line with the methodological instructions. The bottom-up approach demands far more granular information, therefore requiring a significant workload. That approach ultimately renders the results less comparable from one bank to the next, making it harder to discriminate between healthy versus weak entities.

Following the criticism voiced by the European Court of Auditors regarding the stress tests' fit for purpose, the rigour of the results and agents' ability to use the tests to assess system resilience, the EBA has launched a public consultation with the aim of introducing improvements going forward.

The 2021 tests, which will be of extraordinary importance, will unquestionably require greater methodological rigour and more stable and realistic rules. This would enable a more succinct diagnosis of the European banks' resilience while also providing a potential 'siren call' for pan-European banking consolidation to which the banks have turned a deaf ear until now despite the ECB's insistence on this point.

The fact that it is the EBA itself that has invited debate about the weaknesses of the tests provides grounds for optimism. The tests are a key aspect of banking supervision and should be fundamental to bank management. Their impact on the alignment of capital with the risk assumed by the banks has been critical and the continuity of the tests must be assured in the medium- and long-term.

Notes

[1] Scant profit margins and market capitalisations across much of the European banking sector have led the Single Supervisory Mechanism (SSM) to flag banks' business models as a supervisory priority year after year.

[2] Previously, the Committee of European Banking Supervisors (the ECB's predecessor) had conducted stress tests in 2009 and 2011, albeit using far less sophisticated and uniform methodology than the EBA. In 2012, the Bank of Spain conducted stress tests encompassing banks representing 90% of the banking system's assets against the backdrop of the Memorandum of Understanding entered into with the European Commission, the ECB and the IMF under the scope of the EU's Financial Assistance programme.

[3] EBA consults on the future of the EU-wide stress test framework. European Bank Authority (EBA), 22 January 2020.

[4] The Fed uses a 'top down' approach in its stress tests, which means that the data, scenarios, assumptions and models are defined by the supervisor based on less granular banking information than that required of the European banks by the EBA.

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Resilience of Spanish households to the economic fallout from COVID-19

Although overall household indebtedness has fallen below the eurozone average in Spain, certain subsegments of Spain's population remain financially vulnerable. With the Bank of Spain forecasting a rise in the unemployment rate to 22.1% in 2021 under its worst-case scenario, vulnerable groups such as those with lower levels of education, households headed by a single parent, and youth will require targeted measures to protect them from the adverse consequences of COVID-19.

Joaquín Maudos

Abstract: At first glance, it appears Spain entered the COVID-19 crisis in a relatively good position. The household leverage rate had fallen below the eurozone average, reducing the amount of income Spanish households earmarked for debt service payments from 11.7% of their disposable income in 2008 to 6.1% at the end of 2019. Yet, 33.9% of Spanish households would be unable to deal with an unexpected expense of only 700 euros, which is higher than the EU-27 average. When analysed based on metrics such as age, gender, household composition, and geography, it becomes clear that there are certain groups particularly vulnerable to the economic effects of COVID-19. For example, among those with a lower secondary education, 47.8% of individuals would be unable to deal with

an unexpected expense. Similarly, 53.7% of households headed by a single adult and 46% of households composed of a single woman would struggle. Notably, those aged between 16 and 24 present the highest percentage of an inability to deal with an unexpected expense, while 31.7% of this group are 'at risk of poverty or social exclusion', 6.4 percentage points above the overall average. For these reasons, targeted government measures that rely on intergenerational generosity would be required to successfully exit this crisis.

Introduction

All forecasts indicate that the COVID-19 pandemic will have a significant economic impact on GDP and employment at the international level, with first-half 2020 figures suggesting Spain will be one of the hardest hit economies. To cushion the fallout from the crisis, the measures implemented in Spain have concentrated on propping up business and household income so that aggregate demand suffers as little as possible. Given that certain sectors and individuals are especially vulnerable, a number of targeted measures have been channelled to specific industries such as the tourism and retail sectors (in some instances extending the furlough scheme) and to lower-income individuals (moratoria on mortgages and rent, social vouchers, temporary subsidiaries, suspension of evictions, lunchroom vouchers for children, *etc.*).

Fortunately, the Spanish economy had been growing steadily since emerging from the Great Recession, outpacing eurozone average growth since the second half of 2013. As a result, unemployment fell by 12 percentage points to 14.1% by the first quarter of 2020. In parallel, household debt decreased from a peak of 85.6% of GDP in June 2010 to 56.9% by March 2020, below the eurozone average of 58.3%. The combination of the drop in unemployment, growth in disposable income and reduction in leverage is good news in terms of the ability of Spain's households to weather the effects of the COVID-19 crisis.

However, according to the National Statistics Office's (INE) Living Conditions Survey, a considerable percentage of Spanish households would face serious difficulties in dealing with unexpected but relatively small rises in expenses. In the most recent survey of household well-being, 33.9% of all households said they would be unable to face an unexpected expense of 700 euros. Relatedly, 25.3% of the population is at risk of poverty or social exclusion. For those highly vulnerable people, the impact of the prevailing crisis is far greater.

The purpose of this paper is to analyse Spanish households' ability to withstand the impact of COVID-19 in the European context, using certain indicators of economic vulnerability. In the case of Spain, the wealth of information available permits an analysis of the differences in resilience as a function of variables such as age, level of education, nationality, gender, *etc.*

The results indicate that many groups are highly vulnerable from an economic standpoint and therefore should be specially targeted by measures designed to cushion the impact of the COVID-19 crisis. Young people have been hit particularly hard. They have a higher percentage at risk of poverty and are disproportionately affected by job destruction. Youth unemployment had increased sharply to 39.6% by the second quarter of 2020. Consequently, government aid needs to include generation-specific measures, with a focus on youth job creation instruments.

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> “Spain’s households have gone from earmarking 11.7% of their disposable income to debt service (interest and principal repayment) in 2008 to 6.1% by the end of 2019.”

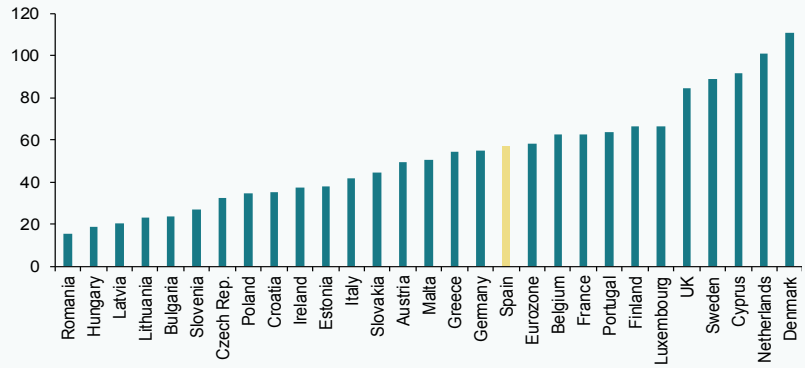
Recent trend in household leverage

Prior to the bursting of the housing and credit bubble in 2007, household debt had risen significantly in Spain. However, Spain’s households have since deleveraged. Indeed, the household leverage rate has fallen to 56.9%, similar to 2003 levels. The deleveraging effort has been such that Spain has not only eliminated the gap with respect to the eurozone (which peaked at 22.9 percentage points in mid-2008), but it has also seen household leverage dip 1.4 percentage points below the eurozone average. Among the EU-28, Spanish households are less leveraged than their counterparts in France (62.5%), Portugal (63.9%), the UK (84.3%) and the

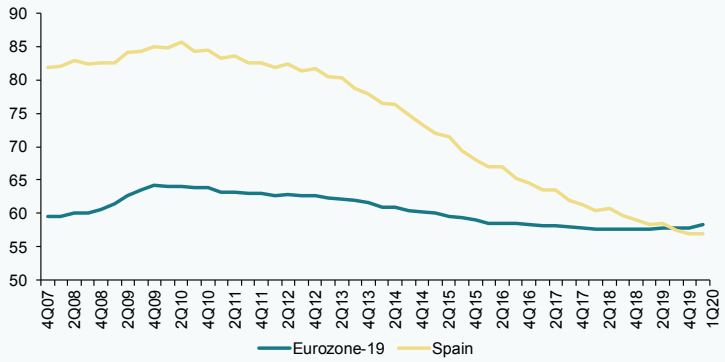
Exhibit 1

Household debt as a percentage of GDP

a) First quarter 2020



b) 2007-1Q20



Source: Eurostat.

> In 2019, the percentage of Spanish households that would be unable to deal with an unexpected expense was 2.5 percentage points higher than the EU-27 average (33.9% *vs.* 31.4%).

Netherlands (101.1%), but slightly more indebted than those of Germany (54.9%) and Italy (41.6%). As a result, the intense deleveraging effort of recent years and the current leverage ratio put Spanish households in a relatively good position to weather the fallout from COVID-19.

Thanks to that deleveraging effort, Spain's households have gone from earmarking 11.7% of their disposable income to debt service (interest and principal repayment) in 2008 to 6.1% by the end of 2019, a level very much in line with that observed in Germany and below the levels recorded in France (6.4%), the US (7.9%) and the UK (9%). Of the countries for which the Bank for International Settlements (BIS) provides information, only Italy's households bear a lower debt burden than Spain's. The deleveraging effort, the drop in interest rates and the growth in disposable income explain the decline in the debt service requirement. Note that the stock of household debt in Spain is currently equivalent to 90.4% of disposable income, which is back at the levels of 16 years ago.

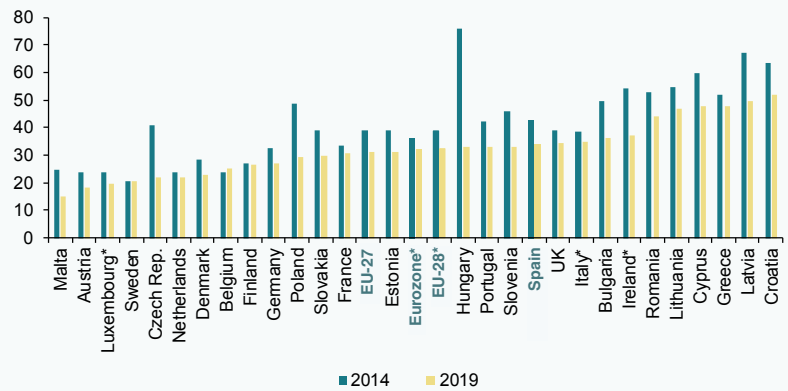
The resilience of Spain's households in the European context

Although the overall picture painted by the leverage and debt data suggests that Spain's households are headed into this crisis from a position of relative strength, that image needs to be rounded out by more detailed analysis of the population groups that are more vulnerable as a result of lower disposable income, higher indebtedness, or a combination of both.

The *Living Conditions Survey* asks a question of particular interest in terms of

Exhibit 2

Percentage of households unable to deal with an unexpected expense through own resources



** 2018.*

Source: Eurostat.

analysing household readiness for the crisis. Specifically, the considered households' ability to deal with an unexpected expense. In the most recent survey, conducted in 2019, the respondents (households) had to answer yes or no to whether they could deal with an unexpected expense of 700 euros (it had been 650 euros in prior years and a little less before 2011) from own resources, *i.e.*, without asking for a loan or relying on credit. Importantly, unexpected expenses can come in many forms, *e.g.,* covering a surgical procedure, paying for funeral and burial expenses, a major household repair, the need to replace a domestic appliance, *etc.*

Eurostat provides the same information as the INE for the EU-27 member states. [1] The comparison shows that in 2019, the percentage of Spanish households that would be unable to deal with an unexpected expense was 2.5 percentage points higher than the EU-27 average (33.9% *vs.* 31.4%). Compared with the main EU economies, Spain's households fare better than those in Italy (35.1%, 2018 figure) but are worse off than those of France (30.6%) and Germany (27%). The biggest gaps with the EU average were observed in 2014 and 2018 (3.7 percentage points more).

Economic resilience and vulnerable groups

Depending on the characteristics of the individuals surveyed, the biggest determining factor in the ability to face an unexpected expense stems, logically, from income levels. If we order all Spanish households by income, within the third lowest-income tercile, at least 58.6% would be unable able to deal with an unexpected expense; that figure rises to 63.8% and 72.0% for the second and first (lowest) deciles.

The ability to face an unexpected expense also varies considerably by education levels, with higher levels of education correlated with higher levels of financial resilience. Among those with a lower secondary education, 47.8% of those surveyed would be unable to deal with an unexpected expense. In contrast, for those with higher levels of education, that percentage falls by almost two-thirds (to 17.6%).

By type of household, the most economically vulnerable group is that of one adult with dependent children, for whom 53.7% would be unable to face such an expense. Households made up of one woman of over 65 living alone are also vulnerable (46%).

The breakdown by age of those polled does not reveal significant differences, although those aged between 16 and 24 are more vulnerable. Lastly, neither gender nor place of residence (rural or urban area) are significant in explaining the differences in household economic resilience.

The ability to face an unexpected expense varies widely from one region to another, from a low of 20.3% in Galicia to nearly triple that amount —64.6%— in Ceuta. At the upper end of the spectrum it is also worth highlighting the vulnerability of the Canary Islands (54.7%), a region hit particularly hard by the pandemic on account of its high exposure to tourism, as well as Andalusia (50%). At the other end of the spectrum, the Basque region, Navarre and Castile-Leon also present percentages of under 25%.

Looking at the trend in the percentages since the national average peaked in 2014, the surprising increase in certain regions during a period of clear-cut recovery —Aragon, Asturias, Cantabria and La Rioja in particular— is of concern. Conversely, in Catalonia, Melilla and Galicia the percentages have fallen by over 10 percentage points.

“ By type of household, the most economically vulnerable group is that of one adult with dependent children, for whom 53.7% would be unable to face such an expense. ”

> The ability to face an unexpected expense varies widely from one region to another, from a low of 20.3% in Galicia to nearly triple that amount –64.6%– in Ceuta.

Table 1

Inability to face an unexpected expense by gender, age, level of education, income, nationality, type of household and place of residence

Percentage of total population (2018)

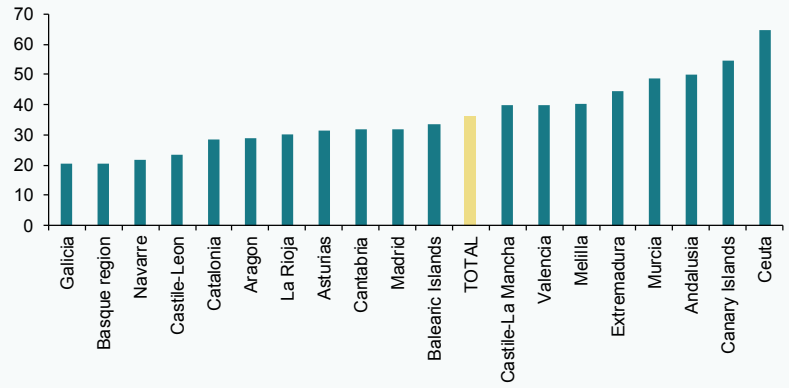
Total 35.9% (33.9% in 2019)			
Gender		*Nationality*	
Men	34.6	Foreign (EU)	48.7
Women	37.2	*Type of household*	
Age		One adult, younger than 65	38.6
Under 16	36.8	One man, younger than 65	36.5
Aged 16-24	41.4	One woman, younger than 65	41.4
Aged 25-34	37.5	One adult, older than 65	41.2
Aged 35-49	35.1	One man, older than 65	30.5
Aged 50-64	34.9	One woman, older than 65	46.0
Over 65	33.7	One adult, with dependent children	53.7
Education level		Two adults, both younger than 65	34.3
Pre-primary, primary and lower secondary	47.8	Two adults, one younger and one older than 65	31.7
Upper secondary and post-secondary non-tertiary education	34.5	Two or more adults with dependent children	35.6
First and second stage of tertiary education and doctoral	17.6	*Place of residence*	
Income level		Densely populated area	33.5
First decile	72.0	Intermediately urbanised area	37.8
Second decile	63.8	Less densely populated area	39.0
Third decile	58.6		
Fourth decile	45.3		
Fifth decile	36.1		
Sixth decile	26.6		
Seventh decile	24.1		
Eighth decile	17.4		
Ninth decile	10.3		
Tenth decile	4.9		

Source: Living Conditions Survey *(INE).*

Exhibit 3

Inability to face an unexpected expense

Percentage of total population (2018)



Source: Living Conditions Survey *(INE).*

The ability to deal with an unexpected expense is closely related with the risk of poverty or social exclusion. This is defined as a situation in which at least one of the following conditions is met: a) income per capita, net of social transfers, less than 60% of the national median; b) households with very low work intensity, *i.e.,* adults (aged 18-59) work 20% or less of their total work potential; and, c) deprived persons experiencing at least four out of nine deprivation items, *i.e.*, cannot afford: to pay rent or utility bills; keep the home adequately warm; face unexpected expenses; eat meat, fish or a protein equivalent every second day; take a week's holiday away from home; a car; a washing machine; a colour TV; or a telephone. Note that the inability to face an unexpected expense is just one of the indicators of the risk of poverty or social exclusion.

According to the 2019 data, 25.3% of the Spanish population is at risk of poverty or social exclusion. By comparison with Europe, that percentage is 4.3 and 4.5 percentage points above the EU-28 and eurozone averages, respectively (using 2018 data, the latest available). In absolute terms, that is equivalent to 4.5 million households in Spain with 12 million inhabitants. These data imply a huge economic policy challenge, as it means that before the COVID-19 crisis even erupted, millions of Spaniards were already in a position of tremendous vulnerability.

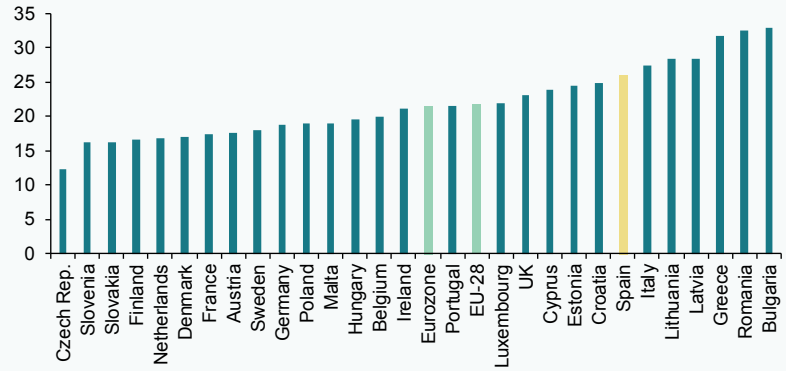
Using the 2019 numbers, the regional dispersion is again wide, ranging from 11.7% in Navarre to 37.7% in Extremadura (45.9% in Ceuta). Eight Spanish regions present a higher percentage of people at risk of poverty or social exclusion than the EU-28 average.

“ According to the 2019 data, 26.1% of the Spanish population is at risk of poverty or social exclusion. ”

Exhibit 4

Population at risk of poverty or social exclusion

Percentage of total population (2018)



Source: Eurostat.

Implications

The high percentage of Spaniards at risk of poverty or social exclusion and of people unable to deal with an unexpected expense of a relatively small amount (700 euros) means that large swaths of the population are tremendously vulnerable, most notably the unemployed, as joblessness is the main factor behind poverty risk. Indeed, the percentage of unemployed people at risk of poverty or social exclusion (56.9%) is 3.7 times that of those in work (15.3%). Moreover, another 7.4% of the population has a very hard time making ends meet every month, increasing the percentage of people facing financial difficulties to 27.3%. The percentage of jobseekers who find it hard to make ends meet rises to 21.8%, which is triple the overall average.

Given that unemployment is the key determinant of poverty, in the context of the COVID-19 crisis, it is important to extend the furlough scheme in those sectors in which the crisis is expected to be deeper and more protracted, such as tourism-related activities. Their extension is of vital importance considering the fact that social transfers (such as the furlough scheme) have mitigated the increase in inequality in income distribution. The evidence provided by Aspachs *et al.* (2020) shows that without those transfers, inequality would have risen sharply, as job destruction and wage cuts have disproportionately affected lower wage earners.

All available estimates point to a sharp and unavoidable increase despite the battery of measures implemented to cushion the economic fallout from the health crisis. Specifically, in its worst-case scenario, the Bank of Spain puts unemployment at 22.1% in 2021. It is therefore important to roll out targeted measures for the most vulnerable groups of society (namely those already at

> “In its worst-case scenario, the Bank of Spain puts unemployment at 22.1% in 2021.”

risk of poverty or social exclusion before the pandemic), such as the recently approved minimum income scheme.

Policymakers should pay special attention to young people to ensure that the crisis does not further undermine their job prospects and chances of earning a decent living. As we saw earlier, those aged between 16 and 24 present the highest percentage of an inability to deal with an unexpected expense (41.4%, 5.5 percentage points above the average for all age groups). The same holds for the 'at risk of poverty or social exclusion' indicator, which affects 31.7% of those aged between 16 and 29, 6.4 percentage points above the overall average.

This worrying situation is exacerbated by unemployment concerns. Not only is youth unemployment high in absolute terms, it has risen disproportionately since the onset of COVID-19. Although the unemployment figures should be interpreted with caution on account of the furlough scheme, between the end of 2019 and the second quarter of 2020 (the latest figure available at the time of writing this article), the unemployment rate of those aged under 25 had increased by 9.1 percentage points, compared to an increase of 1.2 percentage points for those aged over 25. As a result, the unemployment rate in the youngest age bracket has climbed to 39.6%, which is nearly triple the level observed in the next-youngest category (13.8%).

Consequently, the expression of solidarity needed to transition out of this crisis requires intergenerational generosity, from pensioners to youths. It would be very unfair if future generations —today's youth— have to bear the increased burden of the debt that is issued to surmount the COVID-19 crisis. Thus, any package of measures rolled out to combat the crisis should prioritise youth job creation.

Notes

[1] The amount established by each country (700 euros in Spain) for this indicator depends on the risk of poverty threshold per equivalent unit of consumption. It is therefore independent of a household's size or structure.

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Impact of COVID-19 on Spain's deficit and debt: Greater than initially expected

COVID-19 has resulted in a series of downward revisions of Spain's economic forecasts, with current projections indicating a sharp rise in both the government deficit and stock of debt. As a result, it could take Spain until 2050 to bring public debt below 60% of GDP.

Desiderio Romero-Jordán and José Félix Sanz-Sanz

Abstract: COVID-19 has upended the government's spring forecasts, which included a projected deficit of 10.3% of GDP in 2020. The sharp economic contraction sustained in the second quarter, coupled with the spike in social spending and the automatic drop in tax revenue, have placed significant burdens on the government's finances and necessitated several downward revisions of spring forecasts. The most recent forecasts available, which date to September, fall within a very wide band, ranging from a contraction of 9% to one of 14%. Although Spain is set to receive the equivalent of 11% of its GDP from the EU recovery fund, the first round of transfers in 1Q2021 will support structural reforms instead of stimulating the economy in the short-term. Worryingly, the AIReF estimates

that it could take Spain until at least 2050 to bring public debt below 60% of GDP. In order to improve its debt sustainability outlook, Spain will need to enact necessary reforms, such as lowering corporate and personal income tax rates, as well as recalibrating the tax basket to lean more heavily on consumption. The overarching goal must be to preserve the economy's productive fabric and lock in greater tax revenue over the long-term.

The first key factor: The tremendous contraction in 2020 GDP

The pandemic triggered by COVID-19 has essentially eliminated the prospect of economic growth in Spain in 2020. [1] One of the most severe consequences of the subsequent contraction is the significant financing gap it is leaving in the public accounts. This situation will require at least the next two decades' worth of substantial efforts to bring the deficit and public debt back to 2019 levels. [2] As a result of the global and health-related exogenous shock, Spanish gross domestic product (GDP) contracted by 5.1% in the first quarter of 2020 (INE, 2020a). The second-quarter contraction was far more severe, at 18.3% (INE, 2020a), [3] due to the paralysis of all non-essential activities between March 30th and April 9th. [4] There is no record in the quarterly series, which date back to the 1970s, of GDP contraction as devastating as that observed in the first half of 2020. By way of comparison, during the Great Recession of 2008, Spanish GDP contracted by 3% in the first quarter of 2009.

The indicators available to date suggest that economic activity began to recover in Spain in May. In July, however, the OECD observed signs of a further slowdown which should be confirmed in the weeks to come. Tourism, a key sector for the Spanish economy, [5] is facing a particularly harsh scenario in the wake of the new rise in COVID-19 cases right in the middle of the summer. Since the end of July, most European countries, including the UK, Germany and France, have introduced restrictions on travel to Spain. [6] It is estimated that between 2 and 2.5 percentage points of GDP contraction in 2020 will be attributable to tourism (García and Andreu, 2020). To illustrate the impact, in June 2019, Spain welcomed a total of 8.8 million foreign tourists, a figure that fell to 0.2 million in June of this year (INE, 2020c). [7]

The high level of uncertainty has led to a constant downward revision of the growth estimates for 2020 since the middle of April. The most recent forecasts available, which date to September, fall within a very wide band, ranging from a contraction of 9% to 14%. That five percentage point difference echoes doubts about the speed with which the Spanish economy will recover during the second half of 2020 (AIReF, 2020a; Bank of Spain, 2020a; BBVA-Research, 2020a; Funcas, 2020a and 2020b; OECD, 2020a; European Commission, 2020; IMF, 2020). On average, however, using the consensus forecast gleaned from the Funcas Panel, the Spanish economy is expected to contract by 12.0% this year (Funcas, 2020a). The forecasts for 2021 point to sharp growth which will offset, albeit only partially, the 2020 contraction. For 2021 the growth forecasts range between 5.7% and 10.1%, with the Funcas consensus forecast indicating growth of 7.3% (Funcas, 2020a). In short, the estimated growth forecast for the Spanish economy in 2021 will be equivalent to two-thirds of the contraction anticipated in 2020.

The above estimates do not take into account the aid Spain will receive from the recovery package approved by the European Council on July 21st. Specifically, Spain will receive a sum equivalent to 11% of its GDP, 72 billion euros of which will come in the form of direct aid for stimulating the economy via investments targeted at the twin green and digital

"It is estimated that between 2 and 2.5 percentage points of GDP contraction in 2020 will be attributable to tourism."

> "From the EU recovery package, Spain will receive a sum equivalent to 11% of its GDP."

transition objectives, including sustainable mobility. Those funds, 10% of which may be received starting in the first quarter of 2021, could boost growth above current forecasts. Those initial funds, however, in addition to being limited in scale, will be provided more to support structural reforms than to stimulate the economy in the short-term (Bandrés *et al.*, 2020).

In comparative terms, international organisations, such as the OECD (2020a) and the IMF (2020), warn that Spain will be one of the economies hardest hit by the pandemic in terms of growth, but also in terms of deficit and debt. For illustrative purposes, Exhibit 1 compares the estimated impact on GDP for the EU-15 member states (OECD, 2020a). Despite considerable dispersion, it is possible to group the countries into four categories in terms of the size of the expected contraction. The first group is made up of the UK (-11.5%), France (-11.38%), Italy (-11.28%) and Spain (-11.14%), where the forecast GDP contractions are all very close to 11%. The second group is populated by Portugal, Belgium, the Netherlands, Greece and Finland, where the contraction is estimated at between 8% and 9%. Lastly, the third set of economies, which includes Ireland, Sweden, Denmark, Germany, Austria and Luxembourg, is expected to see GDP contractions of between 6% and 7%. The countries in the first group are expected to register stronger growth of between 7% and 9% in 2021. A common trait shared by all the EU-15 member states is that the growth forecast for 2021 will not be sufficient to fully offset the contraction anticipated in 2020. [8]

Updated deficit forecasts for 2020

As it is required to do every year, at the end of April, the Spanish government sent the

Exhibit 1 **GDP growth, 2020 - 2021**

Source: OECD (2020a).

> “Spain’s 2019 deficit and debt levels mean there has been relatively less support for Spanish companies in the form of income and social security tax deferrals relative to neighbouring economies.”

European Commission (EC) an updated version of its Stability Programme for 2019-2022 (hereinafter, the SPU-2020). That document contains, among other information, the government’s growth forecasts for 2020 and 2021 and its deficit and debt forecasts for 2020. The macroeconomic forecasts contained in the SPU-2020 are, on the whole, very detailed in terms of both the methodology used and the forecasts themselves. In contrast, the section devoted to the budget projections, particularly the coverage of the public revenue forecasts, contains scant and vague information about the methodology and resulting estimates (Sanz and Romero, 2020).

The SPU-2020 was compiled under the ‘new European fiscal framework’ in which the budget stability rules have been put on hold following activation of the general escape clause at the end of March. [9] This new framework, which is wholly exceptional, has had direct effects on the deficit and debt forecasts set down in the SPU-2020, most notably in the following ways:

- Suspension of the deficit and debt limits gives the EU member states ‘free rein’ to step up public spending to support their health systems and their economies. Spain has been one of the countries to do so. BBVA Research (2020b) estimates that public spending in Spain could increase by between 10 and 11 percentage points to reach 52% of GDP in 2020. However, the stimulus measures in Spain have been handicapped volume-wise by the weak health of its public accounts: Spain recorded a deficit of 2.83% and public borrowing ratio of 95.5% in 2019. One of the direct consequences of that situation has been relatively less support for Spanish companies in the form of income and social security tax deferrals relative to neighbouring economies (Romero-Jordán and Sanz-Sanz, 2020).
- The escape clause has also had the effect of suspending the 7.8 billion euros of budget cuts the EC demanded of Spain in 2019 to ensure delivery of the debt forecasts contemplated in the Stability Programme for that year (SPU-2019) (Romero-Jordán and Sanz-Sanz, 2019). Had the COVID-19 crisis not emerged, that adjustment alone would have shaved 0.7 percentage points off the public deficit in 2020. Looking back, it should be said that the EC’s doubts about the likelihood of Spain meeting the debt levels committed to in the SPU-2019 were reasonable in light of the systematic push-back of delivery of the balanced budget target observed over the last five years. The years of growth between 2015 and 2019 constitute a missed opportunity for balancing the budget. Indeed, a decisive commitment to eliminating the structural deficit would have put Spain in a far more favourable position for tackling the harsh economic fallout from the pandemic.

The Spanish government forecasts a deficit of 10.3% of GDP, or 115.3 billion euros, in the SPU-2020. The report issued by the AIReF (2020b) mid-May put the estimated deficit at a higher level, specifically within a range of 10.9% in the best-case scenario and 13.8% in the worst-case scenario. According to the independent fiscal institution’s estimates, Spain will report a deficit of between approximately 122 and 155 billion euros in 2020, *i.e.,* between 7 and 40 billion euros more than the government’s forecasts. The worst-case scenario modelled by the AIReF assumes a deterioration of the epidemiological situation of a magnitude that once again affects the economy’s ability to produce, forcing another one-month lockdown during the autumn. Despite the significant uncertainty surrounding the directions both the pandemic and the economy are headed, it is worth highlighting the following downside risks *vis-à-vis* the second half of the year:

- The chances of a new lockdown, at least in the major cities or large geographic regions, should not be ruled out in light of the surge in cases since June. At present there are nearly 1,200 active clusters in Spain and they are affecting some of the largest cities, including Zaragoza, Barcelona and Madrid. [10] Indeed, the Basque region declared a health emergency in August as a result of the sharp increase in its caseload. [11]

- The 'second wave' means that some key sectors of the Spanish economy are suffering bigger than expected contractions, the tourism sector being of greatest concern in this respect. [12] CaixaBank Research (2020) is forecasting a 50% and 30% drop in spending by foreign and domestic tourists, respectively.

- The data on daily card payments and cash withdrawals from ATMs suggest that consumer spending stagnated towards the end of July, which is when case numbers began to surge (BBVA Research, 2020c). In a similar vein, the OECD (2020b) has warned of signs of an economic slowdown in Spain in July, in contrast to the trends observed in neighbouring countries.

Against that backdrop, the latest deficit forecast updates are more pessimistic than those made in April and May. Table 1 provides a comparison of the trend in the estimates published by the AIReF, Bank of Spain, Funcas Panel and the IMF between those two periods. The estimates are not comparable in general as the Bank of Spain and AIReF provide outcomes for two alternative scenarios, whereas the Funcas consensus forecasts and the IMF publish baseline forecasts. Despite those caveats, Table 1 allows us to draw the following conclusions:

- In the best-case scenario modelled by the Bank of Spain and AIReF, the deficit estimate widened from a range of between

Table 1 **Trend in deficit forecasts between April and September 2020**

% of GDP

Spanish government (SPU-2020) - April 2020	10.3	
AIReF report - May 2020	10.9	13.8
AIReF report - July 2020	11.9	14.4
Change	+1 point	+0.6 points
Bank of Spain - April 2020	7.2	11.0
Bank of Spain - September 2020	10.8	12.1
Change	3.6 points	1.1 points
Funcas Panel consensus - May 2020	10.8	
Funcas Panel consensus - September 2020	12.3	
Change	1.5 points	
IMF - April 2020	9.5	
IMF - June 2020	13.9	
Change	4.4 points	

Sources: IMF (2020), Government of Spain (2020), Bank of Spain (2020a,c), AIReF (2020a, 2020b), Funcas (2020a, 2020b).

> The detailed update presented by the AIReF in July reveals that its estimate for the 2020 deficit increased by between 0.6 and 1.0 percentage points of GDP between May and July.

7.2% and 10.9%, respectively, in May to between 10.8% and 11.9%, respectively by July-September, *i.e.,* the forecast deficit increased by 3.6 percentage points of GDP for the Bank of Spain and 1 percentage points of GDP for the AIReF within that short timeframe. In their worst-case scenario forecasts, the deficit widens by a further 1.1 percentage points for the Bank of Spain and by 0.6 percentage points for the AIReF, reaching 12.1% and 14.4%, respectively.

- The detailed update presented by the AIReF in July reveals that its estimate for the 2020 deficit increased by between 0.6 and 1.0 percentage points of GDP between May and July. That update implies an additional increase with respect to the official government forecasts of between 6.7 and 11.2 billion euros. As a result, following the July update, the AIReF puts the 2020 deficit at between 133 and 161 billion euros.

- The most recent estimates gleaned from the Funcas Panel similarly reveal a 1.5 percentage point deterioration in the 2020 deficit forecast, to 12.3%. Lastly, the IMF increased its deficit forecast by 4.4 percentage points to 13.9% in its last update.

Three factors explain the deterioration in the deficit forecasts. (i) The extraordinary slump in economic activity during the second quarter of the year; (ii) The sharp increase in public spending, particularly the furlough schemes, [13] health spending and the new minimum income scheme (the latter not contemplated in the SPU-2020); and, (iii) Lastly, the adverse trend in revenue collection.

Table 2 shows the impact of the measures, which are concentrated on the spending side, approved by the various levels of government since April. The first of the three columns reflects the government's estimates as of April. The next two columns present the estimates made by the AIReF in May and in July. The table shows how the government's forecasts put the impact of the measures at 30.74 billion euros. Of the total, 65.4% corresponds to the furlough scheme, 15.4% to the income support scheme for self-employed professionals and just 5.0% to healthcare spending. The number of employees under the furlough scheme peaked at 3.4 million between the end of April and beginning of May and has trended down since then to 0.96 million as of mid-August. [14] The scheme was due to end on September 30th, but has been extend until the end of the year. To finance this programme, the government has applied for 20 billion euros from the European Commission's SURE scheme for tackling unemployment.

As shown in Table 2, the government expects the measures rolled out to generate a level of expenditure equivalent to 2.7% of GDP. In its May estimates, the AIReF put that figure at a higher 3.3% to 4.2% of GDP, *i.e.,* between 7 and 15.8 billion euros more than the government's forecasts. In its July update, the AIReF raised those forecasts again, to between 4.1% and 4.9% of GDP. That 0.8 percentage point increase is equivalent to an additional 8 billion-euro deficit with respect to the government's forecasts. Of that additional expenditure, 2.18 billion euros is attributable to the income support scheme for the self-

> The government's forecasts put the impact of its spending measures at 30.74 billion euros.

"The data published by the Spanish Tax Authority show that net tax revenue declined by 11.04% (equivalent to 9.66 billion euros) between January and July 2020."

employed, 1.6 billion euros to the furlough scheme, 1.5 billion euros to healthcare spending and 1.74 billion euros to the minimum income scheme.

It is likely that the cost of those measures will continue to increase over the coming months as a result of the extension of the furlough scheme beyond September, introduction of a new exceptional benefit for job-seekers whose entitlement to jobless claims has run out, [15] growth in health spending as a result of the fresh outbreaks and the hiring of more teachers and purchase of materials to reopen schools across the country. Elsewhere, the drop in public revenue will contribute to the burgeoning deficit in 2020. The data published by the Spanish Tax Authority show that net tax revenue declined by 11.04% (equivalent to 9.66 billion euros) between January and July 2020 (AEAT, 2020). Of that total, 3.95 billion euros stems from lower VAT revenue, 3.92 billion to lower corporate income tax receipts, 1.34 billion euros to duties as a whole and 176 million to personal income tax. What that means is that the drop in VAT and corporate income tax accounts for 81.4% of the decline in tax revenue. Social security tax receipts, meanwhile, decreased by 1.23%, or 764 million euros, between January and May (IGAE, 2020).

Public debt 2020: A quantitative leap

According to the SPU-2020, in 2020 public debt will rise by 20 percentage points to 115.5%

Table 2 **Impact of the measures approved at all levels of government**

Millions of euros

	SPU-2020 April	AIReF May	AIReF July
Furlough scheme	20,110	21,414 - 24,813	23,019 - 25,711
Healthcare spending	1,538	7,348 - 9,768	8,753 - 10,742
Self-employed income support	4,748	4,939 - 5,822	6,534 - 7,982
Basic income	---	---	1,743
Fiscal measures	2,176	1,437 - 1,558	1,461 - 1574
Extraordinary unemployment benefits	1,355	343 - 412	675 - 809
Other measures	815	2,311 - 9,367	3,860 - 5,440
All measures	30,742	37,792 - 46,500	46,045 - 54,001
Impact on GDP	2.7%	3.3% - 4.2%	4.1% - 4.9%
Average Δ May - July	---	---	7,877

Sources: Government of Spain (2020), AIReF (2020a, 2020b) and authors' own elaboration.

> “According to the Stability Program Update (SPU-2020), in 2020 public debt will rise by 20 percentage points to 115.5% of GDP from 95.5% in 2019.”

of GDP, from 95.5% in 2019, or an increase of 103.8 billion euros, from 1.19 trillion euros in 2019 to 1.29 trillion euros this year. For comparative purposes, Table 3 provides the current estimates for public debt in 2020. The information presented in the table shows that the 20 percentage point increase in borrowings forecast by the government is close to the increase estimated by the AIReF, Bank of Spain and OECD in the scenario that assumes a swift economic recovery. In the event of a slower recovery, the increase in debt would be 25.1 percentage points according to the Bank of Spain, 27.7 percentage points in the opinion of AIReF and 34.0 percentage points judging by the OECD's estimates. In short, according to these three organisations, Spain's public borrowings could increase by between 146.3 and 260.5 billion euros in 2020. An increase of that magnitude would drive Spain's public debt from 1.19 trillion euros in 2019 to between 1.34 and 1.45 trillion euros in 2020.

The most recent Bank of Spain data on the stock of debt confirm that the increase will significantly surpass the government's SPU-2020 estimates. As of June 2020, the stock of public debt in Spain stood at 1.29 trillion euros, which is already very close to the level estimated by the government for the end of 2020. That means that in just six months, Spain's public debt increased by 101 billion euros, compared to the government's estimate of 103.8 billion euros for the entire year. [16] Of that increase, 87% was concentrated between March and June, when public debt increased at a monthly average of 22 billion euros. If that rate were to continue, the growth in the stock of public debt would end the year at close to 230 billion euros. In sum, the trend observed since the start of the pandemic makes it likely that the stock of Spanish debt could reach 1.4 trillion euros by the end of 2020.

This will be the second time in a little over a decade that the level of Spanish public debt has experienced a notable jump. The financial crisis of 2008 drove an increase in public debt of 65 percentage points in just seven years. Specifically, Spain went from having one of the lowest public debt ratios in the EU –35.8% of GDP in 2007– to one of the highest - 100.7% in 2014. As a result of the financial crisis of 2008 and the more recent crisis induced by the COVID-19 pandemic, Spain's public debt will have increased by over 80 percentage points of equivalent GDP, or approximately 0.9 trillion euros, between 2008 and 2020. Between 2014 and 2019, years of vigorous growth, public debt declined by 5.2 percentage points of GDP. However, that reduction was attributable exclusively to the denominator (GDP) effect, Namely, outstanding liabilities increased by 14.4% during that period, while GDP registered cumulative growth of 20.6% (Bank of Spain, 2020b). In 2020, Spain's public debt will jump up another notch, climbing at least 25 percentage points of GDP.

As a result, from 2020 Spain will face a debt sustainability challenge. Apart from the financing issues that could emerge in the medium-term, the high level of debt will

> “Although tax cuts would erode tax revenue in the short-term, they are the most effective means of preserving the economy's productive fabric and would lock in greater tax revenue over the long-run.”

Table 3 **Public debt estimates for 2020**

	Month updated	2019 (%)	2020 (%)	Δ 2019 -2020 (percentage points of GDP)
Year-end public debt/GDP		95.5	---	---
Government forecast (SPU-2020)	April		115.5	20
AIReF	May		115.7 - 122.4	20.2 - 26.9
	July		117.6 - 123.2	22.1 - 27.7
Funcas	May		115.0	19.5
	Sept		119.6	24.1
Bank of Spain	Sept		116.8 – 120.6	21.3 – 25.1
BBVA Research	July		>120	>20.0
OECD	June		117.8 - 129.5	22.3 - 34.0
IMF	June		123.8	28.3
EC	June		115.6	20.1

Sources: IMF (2020), European Commission (2020), OECD (2020a), Government of Spain (2020), Bank of Spain (2020a, 2020c), AIReF (2020a, 2020b), Funcas (2020a, 2020b).

imply significant restrictions in the event of new unexpected exogenous shocks that require counter-cyclical policies (Burriel *et al.,* 2020). As a result, it is necessary to plan for a long-term fiscal consolidation process designed to bring the borrowing ratio back down below 60% of GDP. The simulations run by the AIReF (2020b) show that it will take at least two decades to bring Spain's debt back to pre-COVID levels, assuming that the deficit is reined in by 0.5 percentage points every year until a primary surplus is reached. Based on that same deficit reduction path, it could take until at least 2050 to bring public debt below 60% of GDP, according to the AIReF.

Spain will not embark on that fiscal consolidation process until at least 2022 as the European authorities have decided to keep the escape clause activated until at least 2021. Accordingly, the earliest budget framed by orthodox Stability and Growth Pact (SGP) rules will be that of 2022. Nevertheless, the government needs to start planning immediately for the fiscal consolidation effort that will become Spain's destiny in the years to come. That fiscal austerity will need to focus initially on the spending side of the equation in order to eliminate all superfluous and unnecessary current expenditure. It will also be necessary to review the major investment projects, such as the high-speed rail network, which will be rendered non-viable by the dramatic increase in public debt. Once spending has been pared back, the tax system needs to be reformed to prevent even greater damage to the productive structure. Here it is important to stress that without economic growth there can be no recovery; hence the need to focus on containing the exacerbated economic contraction in the first half of 2020 and to pave the way for a period of sustained growth. To that end, during the initial stages of the recovery it would be advisable, as other European Union member states have already done, to permanently

reduce the average and marginal tax burden of the taxes that impact economic growth the most: corporate and personal income tax. Although tax cuts of that nature would erode tax revenue —and the public finances— in the short-term, they are the most effective means of preserving the economy's productive fabric and would lock in greater tax revenue over the long-run. Failing to do so would be to risk irreversible damage to both the productive fabric, and the country's revenue base by extension, potentially delaying or even thwarting economic recovery for a long period of time. Naturally, that is not to say that Spain should renounce the tax collection measures that the pandemic has made inevitable. Rather, the collection effort needs to focus on consumption taxes - VAT and excise duties, those taxes with strong revenue potential that weigh least heavily on growth. Note, lastly, that Spain has lagged in the recalibration of the tax basket to lean more heavily towards consumption, as most European countries initiated these reforms years ago.

Notes

[1] The government's estimates as of February 2019 called for GDP growth of 1.6%.

[2] As in other European Union economies, such as France and Italy, in March, the Spanish government opted to lock down the entire population in order to curb the spread of the pandemic and prevent the collapse of the health system. To that end it declared a state of emergency, which remained in place for over three months, from March 14th to June 21st. The government began to ease lockdown restrictions from May 1st.

[3] Seasonally and working-day adjusted.

[4] Each week of lockdown detracted from GDP an estimated 0.8 percentage points; that impact rises to 1.5 percentage points during the period of harsher restrictions on all non-essential activities (AIReF, 2020).

[5] Accounts for 12.3% of Spanish GDP (INE, 2020b).

[6] For example, on July 26th, the British government imposed a 14-day quarantine on travellers arriving from Spain. To illustrate the magnitude of the potential impact, note that British and French tourists account for around 41% of total visitors to Spain annually.

[7] In the case of British tourists, one of the most important sources of visitors to Spain along with the Germans and French, the number of arrivals fell from 2 million to close to 8,500 people between June 2019 and June 2020.

[8] The country with the most balanced forecasts is Germany, which is expected to contract by 6.60% in 2020 and grow by 5.77% in 2021 (OECD, 2020a).

[9] Approved at an extraordinary meeting of the Eurogroup on March 26th, 2020.

[10] Certain small areas of Lerida, Lugo, Valladolid and Burgos were locked down for a fortnight in July-August. Other larger cities, such as Zaragoza, have asked their citizens to shelter in place voluntarily.

[11] Declared on August 17th.

[12] Indeed, the regions more dependent on tourism, such as the Balearic Islands, Valencia, Catalonia and the Canary Islands, suffered relatively higher GDP contraction in the second quarter of the year (AIReF, 2020c).

[13] The first round of the furlough scheme, or ERTEs for their acronym in Spanish, was approved in March with a view to safeguarding jobs. Under the scheme, employers can suspend employment contracts as a result of the effects of the pandemic. In essence, the affected employees receive unemployment benefits even if they have not been paying into their social security for the required minimum period of time. Employers, meanwhile, obtain full or partial exemption from their social security payments, depending on the number of people they employ.

[14] Refer to: https://cincodias.elpais.com/cincodias/2020/08/11/economia/1597156625_898213.html

[15] A measure currently under negotiation. It is estimated that it will affect 550,000 people who will receive 430 euros for three months. Refer to: https://elpais.com/economia/2020-08-09/trabajo-ultima-un-subsidio-excepcional-para-55000-parados-que-han-agotado-las-ayudas.html

[16] Refer to: https://www.bde.es/webbde/es/estadis/infoest/e0602.pdf

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Regulating the financial industry through taxation: Consequences of the financial transaction tax

Advocates of a financial transaction tax (FTT) believe it could help curtail excessive risk and market volatility, despite the potential adverse consequences for both investors and financial markets. Recently, some EU Member States introduced their own FTTs, which could imply certain risks and drawbacks compared to an EU-level initiative.

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Abstract: The notion of a financial transaction tax (FTT) gained popularity in the aftermath of the 2008 crisis as a way of curtailing excessive risk and financial market volatility. Such a tax targets transactions involved in the trading of several types of securities. Interestingly, the idea first appeared during the Great Depression in the work published by J. M. Keynes, and subsequently in the form of the so-called 'Tobin Tax', theorized by James Tobin in 1978. In 2011, the European Commission promoted the adoption of an EU-wide FTT. However, the proposal has attracted numerous criticisms relating to its unintended consequences on transaction volumes and market liquidity, the role of

normal hedging activities, and the potential impact on the cost of capital. In the absence of a unilateral agreement across Member States, Spain has sent a draft law for an FTT to Parliament in February. The Spanish FTT proposal would impose a 0.2% tax rate on transactions that covers securities issued by around 60 Spanish firms. However, to be successful, this initiative requires the voluntary cooperation of international parties and other countries. Moreover, as currently conceived, the Spanish FTT would impose a greater tax burden on the financial sector, which already pays a higher tax rate than the corporate sector. For all these reasons, if an FTT is to eventually be enacted, an EU-level FTT would be preferable to those enacted unilaterally by EU Members States.

Introduction

Since the aftermath of the financial crisis in 2008, policy makers, academics, and regulators have been discussing policy tools to improve financial stability and prevent new episodes of financial turmoil. Proposals have spanned from regulating the financial industry through traditional "command and control" regulations to imposing regulatory taxes to address the "negative externalities" often associated with financial crises (*i.e.,* excess risk-taking).

Negative externalities occur when economic agents do not fully bear the costs of their actions. Instead, the cost borne by the society as a whole is greater than that borne by the economic agent who has engaged in the activity producing the externality. In practice, negative externalities result in market failures (*e.g.,* moral hazard) since economic agents do not fully internalize the costs created by the negative externalities.

Theory shows that when trade is possible and when externalities and transaction costs are sufficiently low, a Pareto efficient outcome is available through bargaining, regardless of the initial allocation of property among the agents (Coase, 1960). However, these assumptions are oftentimes not satisfied (*e.g.*, transaction costs are rarely sufficiently low to allow for efficient bargaining). Hence, under certain circumstances, it could be desirable for the regulator to intervene and regulate. One way to do so is by taxing the economic agent that creates the negative externality. This way, its marginal cost of production will increase and, correspondingly, its output –which embeds the externality– will decrease. Furthermore, by relying on regulatory taxes to curb negative externalities in financial markets, the regulator could also achieve the objective of raising tax revenue to fund potential future bank bailouts.

In this paper, we focus on regulatory taxes, and particularly on the financial transaction tax (herein, "FTT"), as a tool to mitigate negative externalities in financial markets. Although it might sound appealing for the regulator to use its taxing power to both raise revenue and regulate financial institutions, we will argue that care should be taken when enacting financial transaction taxes. Indeed, after providing the reader with a theoretical analysis on the effects of the FTT, we will point to several economic consequences that could arise from implementing such a tax. Subsequently, we will elaborate on the challenges that a regulator would face when designing FTTs. We will also focus on the EU Commission's Proposal for an EU-wide FTT, which, to date, has yet to achieve a broad consensus among Member States. In this regard, some countries have been vigorously opposing an EU-wide FTT (*e.g.*, the United Kingdom) and some others have favored it, such that France in 2012 and Italy in 2013 have already enacted FTTs unilaterally. Finally, we will conclude with the current Spanish proposal for implementing its own FTT.

"In practice, negative externalities result in market failures (*e.g.*, moral hazard) since economic agents do not fully internalize the costs created by the negative externalities."

Theoretical background on the FTT

The financial transaction tax is a tax targeting transactions that involve the trading of several types of securities. Specifically, the FTT should apply to every transaction involving "the purchases and sales of financial instruments as well as other types of financial transactions that may not technically constitute a purchase or sale (*e.g.*, derivatives) but have a similar scope and effect. As such, FTTs can be levied on one, a few, or a broad range of instruments, including stocks, fixed income securities, derivatives, and foreign exchange" (Brondolo, 2011).

The regulatory goal of the FTT is to reduce short-term speculative trading and by extension its impact on market volatility. Hence, the fundamental assumption of the FTT is that financial markets are characterized by excessive short-term trading, which gives rise to "long swings in asset prices and persistent deviation from their fundamental equilibria" (Schulmeister, 2009, p. 3).

The twofold aim of reducing short-term trading and market volatility should be achieved through imposing an additional transaction cost –the amount of the FTT– on targeted transactions. The underlying idea is that the higher the number of transactions taking place, the higher the amount of taxes because of the "cascading effect" of the FTT. Ultimately, such a cascading effect should discourage short-termism, favor long-term investment and align asset prices to their intrinsic values.

The idea of taxing financial transactions for these regulatory purposes dates to the Great Depression of August 1929. The first to theorize the FTT was John Maynard Keynes in 1936. While observing the short-term speculation occurring on Wall Street during the 1930s, Keynes was worried that the speculative trading of "noise traders" (*i.e.*, traders who do not make trades based on fundamental values) could cause security prices to move away from their fundamental equilibrium values, with negative effects on the real economy. This noise trading would in turn reduce the information content of market prices and generate excess volatility in the market. To overcome this issue, Keynes proposed "the introduction of a substantial Government transfer tax on all transactions [which] might prove [to be] the most serviceable reform available, with a view to mitigating the predominance of speculation over enterprise" (Keynes, 1936, p. 160).

Several years later, in 1978, Nobel Prize winner James Tobin proposed a foreign exchange tax (the so-called "Tobin Tax") similar to Keynes' FTT. The Tobin Tax would have uniformly applied to all spot currency conversions with the aim of stabilizing currencies after the breakdown of the Bretton Woods system (Tobin, 1918). Tobin's proposal gained further momentum in the 1980s, when the liberalization of financial markets boosted trading activity, leading to short-termism and excess volatility. In 1984, Tobin suggested broadening the scope of the Tobin Tax to capture the trading of all financial instruments, not only currencies, to mitigate excess volatility and better align prices to their intrinsic values.

In the aftermath of the financial crisis of 2007-2009, regulators as well as academics have revived the idea of taxing financial institutions and their transactions on the grounds that such a tax would improve financial stability and discourage market participants from excess risk-taking (*i.e.*, the Pigovian motive for correcting externalities) and would raise tax revenues (*i.e.,* the fiscal motive). In 2011, the European Commission promoted the adoption of a tax on all financial transactions involving a European-based institution. Although the EU Commission

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proposal for a common FTT has not yet found the necessary consensus for its adoption, some countries (*e.g.*, France in 2012 and Italy in 2013) have unilaterally introduced FTTs into their tax systems. Other countries, such as Spain in 2020, have initiated the parliamentary procedure for of an FTT.

The EU Commission's proposal for an FTT

On September 28th, 2011, the European Commission enacted an FTT proposal, which follows the regional multilateralism model (hereinafter, the "EU Proposal" or "EU FTT"). [1] The original intention of the European Commission was for unanimous approval of the proposal by all EU Member States. However, several Member States have so far opposed to the need for unanimous consensus. Therefore, the EU Proposal has been the subject of an "enhanced cooperation" procedure, promoted by ten Member States. [2]

The aim of the EU Proposal for an EU FTT was to "address particularly risky behavior". Specifically, the tax rests on the assumption that, over the last two decades, the steady increase in trading activity in EU financial markets has led to excessive liquidity (Schulmeister, 2009, note 4, p. 3). Hence, the EU FTT would be an EU-wide tax on securities aimed at both correcting negative externalities in financial markets and raising revenue from the financial sector to fund public goods and services.

In the aftermath of the proposal, several criticisms have arisen, particularly from the financial industry. The strongest argument against the tax has maintained that the increase in trading activity experienced over the last decades in Europe, and in particular the trading of derivatives, represents normal hedging that allows genuine price discovery, rather than trading activity for speculative purposes. To the extent that such trading allows agents to hedge risky positions, it should not be subject to either regulation or taxation, as it would be detrimental to the financial sector.

Other concerns have also been raised that a financial transactions tax would give rise to unintended consequences for volume and market liquidity. Several observers claim that reducing short-term trading volumes and market liquidity is not an appropriate goal to pursue. They highlight that, based on the efficient capital market hypothesis (Fama, 1970), high trading volumes play a fundamental role in the process of price discovery and in driving asset prices toward their price equilibrium. Indeed, given that the FTT affects all trading activity and not just speculative trades, some authors have suggested that the FTT could have a negative effect on liquidity providers and informed traders who usually act as price stabilizers in the market. Specifically, by reducing the amount of informed trading, the FTT would cause asset prices to diverge from their fundamental values, (Schulmeister, 2009, note 4, p. 3) which in turn would increase "noise trading" (Stiglitz, 1989) and volatility (Amihud and Mendelson, 2003). [3]

> Higher transaction costs could increase the required rates of return that investors demand, which in turn could have adverse effects on investment and employment and, more generally, on the economy.

Furthermore, some scholars have also warned about a potential impact of the FTT on the cost of capital. [4] The underlying assumption is that higher transaction costs increase the required rates of return that investors demand (Amihud and Mendelson, 1986). The increase in the cost of capital could in turn have adverse effects on investment and employment and, more generally, on the economy (Cortez and Vogel, 2011).

Design of the FTT and related issues

The EU FTT should apply to a broad range of securities and financial transactions that are negotiable on the capital markets. The most important categories include transferable securities and money market instruments –with the exception of the instruments of payment– shares in collective investment undertakings, and derivative agreements, as well as transactions outside the organized markets (including over-the-counter (OTC) transactions).

Some transactions would be exempt from the tax, such as those transactions involving the European Central Bank or national central banks of EU Member States. Despite the wide reach of the proposed tax, the transactions connected with business activities or carried out by retail investors would also be excluded (*e.g.*, insurance contracts, mortgage lending and consumer credit). In addition, the EU Proposal sets forth an exception for primary market transactions –such as initial public offerings on regulated stock exchanges– and for transactions arising from restructuring operations.

The FTT would be levied on the price of the security or, as is the case of derivatives, on the notional amount. Whenever the transaction occurs between involved parties and the negotiated price is well below the market price, the tax would be computed using the relevant market price at the time the parties entered into agreement. The tax rate would be about 0.1% for transactions involving stocks and bonds, and 0.01% for derivatives transactions.

Regarding the distribution of the tax revenue to member countries, the criterion would be the country in which the financial institutions involved in a financial transaction are established and not the place of trade. This criterion likely satisfies the demands of Member States like France or Germany, which host large financial institutions, but it could create discontent among other countries, which headquarter smaller institutions with lower transactions volumes and values. It is also worth pointing out that some of the revenues raised with the FTT are supposed to fund the EU budget, thereby reducing the share of transfers assigned to each Member State.

However, the relocation and substitution risks could make the tax revenue unpredictable (Vella, Fuet and Schmidt-Eisenlohr, 2011). The risk of relocation is due to the existence of competing jurisdictions that do not impose an FTT, which ultimately aim to attract trading from tax jurisdictions that enforce an FTT. In this regard, the globalization of financial markets as well as the digitalization of the economy make it easier for traders to relocate their activity to low-tax jurisdictions, as most trading activity takes place electronically. Hence, the usage of online platforms, which are formally registered in tax jurisdictions that do not impose FTTs, are a low-cost option that allows saving on taxes.

> “The EU FTT’s tax rate would be about 0.1% for transactions involving stocks and bonds, and 0.01% for derivatives transactions.”

> “Contrary to the EU Proposal, the Spanish tax rate is set at 0.2% and the taxpayer liable for this new tax would be the financial institution in charge of executing the acquisition, regardless of tax residence.”

Moreover, the FTT is exposed to substitution risk. In particular, investors could replace taxable transactions with non-taxable transactions. This strategic behavior arises when the tax does not apply to transactions of all kinds but only to certain specific transactions (*e.g.,* transactions involving shares, corporate bonds, derivatives, or currencies). It is therefore reasonable to expect a shift of investments from one type of instruments to another solely for tax reasons, thus producing economically inefficient outcomes. The shift from one type of investment to another that is not subject to tax would be even more pronounced if the marginal costs of switching were lower than the tax imposed on a particular type of investment, all else being equal.

Finally, the EU Proposal would follow the territorial approach, which states that a transaction falls under the scope of the tax as long as at least one of the parties is a financial institution established in a Member State participating in the enhanced cooperation procedure. This approach, however, still bears the risk of relocation to other jurisdictions that do not participate in the enhanced cooperation procedure. Furthermore, whenever both transacting parties are established within jurisdictions that do not adopt the FTT, the transaction is not subject to the FTT. Such avoidance behavior might not be pursued by small institutions, as their group structure usually lacks establishments in no-tax jurisdictions. However, larger institutions could take advantage of such an opportunity. Hence, the tax could make smaller financial institutions worse off because they would bear most of the tax burden (Garbarino and Allevato, 2012).

The Spanish proposal for an FTT

On February 18th, 2020, the Spanish government approved a draft law for a proposed FTT that would only apply to the acquisition of stocks in listed Spanish companies that have a market capitalization above 1 billion euros. Contrary to the EU Proposal, the tax rate is set at 0.2% on these transactions and the taxpayer liable for this new tax would be the financial institution in charge of executing the acquisition, regardless of tax residence. Hence, as opposed to the EU's FTT, Spain aim's to impose an FTT that follows the worldwide approach as it applies to all transactions on Spanish stocks, regardless of the location of the transaction or place of establishment of either parties or intermediaries.

However, a unilaterally-implemented worldwide FTT implies significant enforcement and collection complications in cases where transactions occur abroad and involve foreign parties. Under such circumstances, Spain would need to rely on voluntary compliance by the parties of the transactions or on cooperation by other countries.

Given the threshold triggering the tax, about 60 companies would be subject to the tax. These companies are the largest listed on the Ibex, with a value added that amounts to about 8% of Spain's GDP and whose workforce exceeds 1 million employees. Thus, there are concerns regarding the selectivity of the tax, which would only apply to a handful of corporate taxpayers (Izquierdo Llanes, 2020).

Finally, it is worth pointing out that Spanish financial institutions are already subject to a statutory corporate income tax rate that is higher than that paid by the corporate sector. Specifically, the tax rate levied on banks is 30%, while the corporate sector faces a tax rate of 25%. An additional levy on these economic agents may exacerbate the tax burden and could incentivize negative

behavioral responses, such as passing on the economic burden of the FTT's to clients and investing in securities that do not fall under the scope of the tax. The latter response could become very problematic as it contradicts the principle of diversification, which mandates that capital should be allocated in a way that reduces the exposure to any one particular asset or risk. Indeed, by investing in a variety of assets, financial institutions reduce the concentration of risk and volatility.

Conclusion

This paper examines regulatory taxes as a tool to make the financial industry internalize negative externalities in financial markets, with a specific focus on the FTT. In particular, the paper illustrates the theory on the FTT and both its intended and unintended consequences. The regulatory goals of the FTT –namely the reduction of excessive market liquidity and short-term market volatility– are not unanimously accepted as entirely desirable goals. In addition, this paper illustrates how the implementation of the FTT may trigger significant capital cost increases, relocation and substitution risks, with detrimental effects on investment and economic growth.

Finally, we argue that a unilateral adoption of the FTT increases its unintended consequences and further impairs the effectiveness of such a regulatory tax. Therefore, we believe that governments should aim at a multilateral implementation of the FTT. Specifically, the design and adoption of such a tax should result from multilateral cooperation between all the countries belonging to a given market region. For all these reasons, a unilaterally adopted FTT may prove ineffective at achieving its regulatory objective – or even counterproductive. Rather, achievement of multilateral coordination at the European level would be the preferred outcome. The probability of reaching such an agreement, however, is very low, as the failure of the EU Commission's proposal demonstrates, and because Brexit has frustrated the ambitions of advocates of a common EU FTT even further.

Notes

[1] Commission Proposal for a Council Directive on a Common System of Financial Transaction Tax and Amending Directive 2008/7/EC, COM (2011) 594 final (September 28th, 2011).

[2] The Council authorized the requesting Member States to engage in the enhanced cooperation procedure on January 22nd, 2013. Initially, eleven Member States requested to engage in the enhanced cooperation procedure: Austria, Belgium, France, Estonia, Germany, Greece, Italy, Ireland, Portugal, Slovenia, and Spain. On May 6th, 2014, Slovenia expressed reluctance on signing a declaration through which the requesting Member States committed themselves to finalize the procedure. Therefore, there are currently only ten Member States proactively engaged in the enhanced cooperation procedure.

[3] Furthermore, short-term trading often entails hedging activity, not only short-term speculation. See Habermeier and Kirilenko (2003).

[4] Garbarino and Allevato, note 17. See also Cortez and Vogel (2011) and Amihud and Mendelson (1992).

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Recent key developments in the area of Spanish financial regulation

Prepared by the Regulation and Research Department of the Spanish Confederation of Savings Banks (CECA)

Royal Decree-law on economic recovery measures for mitigating the impact of COVID-19 on transport and housing (Royal Decree-law 26/2020, published in the *Official State Journal* on July 18th, 2020)

Below is a summary of the main measures taken in the financial arena.

1. Moratoria for the public freight transport sector and the non-regular transport of passengers by coach.

Introduction of a moratorium on loans and vehicle leases earmarked for the non-regular public transport of passengers by coach and the public transport of freight (including the transport of coal from fossil fuel power stations) with a maximum permitted weight of 3.5 tonnes for self-employed professionals and legal persons whose business activity includes the public transportation of passengers or freight if they are encountering financial difficulties on account of the COVID-19 crisis. This moratorium includes the following stipulations:

- The borrower is understood to be experiencing financial difficulties if his/her income or turnover declined by a monthly average of 40% between March and May 2020 with respect to the average reported during the same months of 2019. Financial difficulties are not deemed to exist when: (i) the loan or lease for which the moratorium is being applied is in arrears on account of full or partial non-payment prior to January 1st, 2020; (ii) the borrower had declared itself bankrupt prior to the declaration of the state of emergency.
- The moratorium does not apply to coaches associated with the provision of a regular passenger transport public service for general use under the scope of a concession with a public authority or subject to public service obligations.
- Applications can be submitted from the date of effectiveness of the legislation until the end of the term set in the EBA Guidelines on payment moratoria (September 30th, 2020, albeit with scope for extension). When applying for the payment moratorium, applicants must substantiate the existence of financial difficulties by providing the required documented support.
- The legislation contemplates liability for borrowers who avail of the moratorium fraudulently.
- Lenders must apply the moratorium by means of an official novation in keeping with the general rules. Registration of the extension of the initial term will have full effects *vis-a-vis* any registered intermediate creditors even if the latter have not provided their express consent thereto. The effects of the payment moratorium will extend to surety providers.
- The moratorium on the payment of principal will remain in effect for up to six months. Any deferred principal shall accrue ordinary interest on the terms of the original contract.
- The amount deferred must be settled by either: (i) extending the maturity date

by a number of instalments equivalent to the duration of the moratorium; or, (ii) redistributing the instalments without changing the repayment date or altering the applicable rate of interest.

- When a contract has already been the subject of any form of payment moratorium, whether legislative or non-legislative, the borrower or lessee may avail of the public transport sector payment moratorium for the time remaining to complete the contemplated six-month duration.

- Legal persons that benefit from a moratorium may not distribute profits, return capital, repurchase own shares or remunerate equity holders in any way until the moratorium is finished.

- Whenever a moratorium has been implemented, the lender or lessor, to the extent a credit institution supervised by the Bank of Spain, must notify the latter of its existence and duration. The balances due had the moratorium not been applied will not be considered in arrears.

- Every working day, the lending institutions must send the Bank of Spain information about the moratoria related to the preceding working day.

2. Moratoria on loans awarded under the scope of the various state sponsored home mortgage programmes.

Payment moratoria on the mortgages provided on special terms agreed by the authorities with the banks under the scope of the successive state housing programmes that the banks have offered or may offer in light of COVID-19 shall not imply the loss of such special status so long as the payment suspension corresponds to the full loan instalment, *i.e.*, the repayment principal plus interest.

3. Amendment of Royal Decree-law 8/2020 (March 17th, 2020) on extraordinary urgent measures for mitigating the economic and social impacts of COVID-19 as follows.

- The deadline for applying for the payment moratorium on mortgages arranged over regular abodes or properties used in the business activities of business owners and professionals has been extended to September 29th, 2020.

- Legislative and non-legislative payment moratoria can be awarded simultaneously. In such instances, the non-legislative moratorium agreement with the borrower must expressly acknowledge the legislative moratorium, with the effects of the non-legislative moratorium suspended until the end of the former.

4. Amendment of Royal Decree-law 11/2020 (March 31th, 2020) adopting complementary urgent measures in the social and economic arenas to mitigate the impact of COVID-19 as follows.

- The deadline for applying for payment moratoria on unsecured credit agreements has been extended to September 29th, 2020.

- Legislative and non-legislative payment moratoria can be awarded simultaneously. In such instances, the non-legislative moratorium agreement with the borrower must expressly acknowledge the legislative moratorium, with the effects of the non-legislative moratorium suspended until the end of the former.

- The deadline has similarly been extended to September 30th, for people who rent their regular abode and find themselves economically vulnerable to apply for the temporary and extraordinary deferral of their rent payments when the landlord is a company, a public housing entity or an established lessor, so long as the parties have not already agreed voluntarily to such deferral or to the partial or total forgiveness of the rent.

Bank of Spain Circular on banking product and service advertising (Circular 4/2020, published in the *Official State Journal* on June 15th, 2020)

The purpose of this Circular is to establish: (i) the principles and criteria governing the advertisement of banking products and services; and, (ii) a specific regime for advertising placed in digital media. To that end:

- It clarifies the types of entities whose advertising activities are subject to compliance with the sector regulations, *i.e.,* the Spanish and international financial institutions, and extends its scope of application to mortgage credit lenders and intermediaries.
- It introduces a series of definitions and develops the concept of 'advertising activity' in keeping with the terms of Ministerial Order EHA/1718/2010.
- It determines the general principles and criteria governing the content and format of advertising messages for banking products and services.
- It introduces a specific regime for advertising broadcast on TV and radio and another for advertising placed online and on social media.
- It continues to allow the banks to voluntarily accede to self-regulation systems in the advertising arena as one way of certifying the existence of the controls needed to ensure their advertising is aligned with the terms of the banking product and service advertising regulations.
- It introduces a notification obligation at the start of advertising activity for entities advertising banking products and services in Spain for the first time and implements registration requirements.

It repeals Bank of Spain Circular 6/2010 (of September 20th, 2010) on banking product and service advertising by credit institutions and payment entities.

It also amends Circular 6/2001 (of October 29th, 2001) on owners of currency exchange establishments in order to update the disclosure requirements binding upon establishments that purchase and sell foreign notes or travellers' cheques in exchange for euros.

The new Circular will take effect on October 15th, except for the registration obligations, which will become effective six months after the Bank of Spain publishes the contemplated technical specifications, and the start of advertising activity notification obligation, which takes effect on the day after its publication in the *Official State Journal*.

Revolving Credit Regulation Order amending Ministerial Order ECO/697/2004 (March 11th, 2004), on the Risk Information Register, Order EHA/1718/2010 (June 11th, 2010), on the regulation and control of banking product and service advertising and Order EHA/2899/2011, (October 28th, 2011) on banking service customer transparency and protection (Order ETD/699/2020, published in the *Official State Journal* on June 27th, 2020)

The purpose of this Order is to reduce the risk of excessive loan duration and an attendant increase in the final debt service burden with respect to the borrower's initial expectations; to enhance the information received by the borrower from the lender throughout; and to improve the information available to lenders for the purpose of analysing the creditworthiness of borrowers.

In broad terms, the Order implements the following:

1. Amendment of Order ECO/697/2004 (March 11th, 2004) on the Central Risk Register. It separates the handling of the information received by the Bank of Spain while exercising its supervision and inspection duties from the

information processed in order to provide the reporting entities with data needed for their business activities. It also lowers the threshold for the data provided to the reporting entities in order to carry out their business activities.

2. Amendment of Order EHA/1718/2010 (June 11th, 2010) on the regulation and control of banking products and service advertising. It establishes specific criteria for the advertisement of a revolving credit facility.

3. Amendment of Order EHA/2899/2011 (October 28th, 2011) on banking service customer transparency and protection. Notably:

- In the assessment of creditworthiness, it introduces specific considerations in relation to consumer credit of indefinite duration. Specifically, verification that a customer has sufficient economic wherewithal to satisfy its obligations throughout the life of the transaction without becoming overly indebted.

- With respect to the information to be provided to the borrower, the new requirements cover the following: (i) the information to be provided before the execution of a credit agreement of indefinite duration or that is automatically renewable, excluding loans in which the holder repays the total amount of credit drawn down in a single payment at the end of the agreed settlement period, without interest; (ii) the possibility for the borrower to obtain a copy at any time of some or all of the ongoing information required, including the repayment schedule and detailed information about the amounts paid and the amounts outstanding; (iii) the obligation on the part of the lender to notify the borrower beforehand of each increase in the loan limit not requested by the latter, including, if warranted, the resulting new instalment and the amount of outstanding debt; (iv) contractual determination of the method to be used to send the information; and, (v) the expenses the lender may charge for the provision of such information.

- It addresses the right to withdraw from the credit agreement.

- It introduces new official interest rates, specifically 1-week, 1-month, 3-month and 6-month EURIBOR, the euro short-term rate (€STR) and any other index expressly stipulated to that end by means of a resolution from the General Secretariat of the Treasury and International Financing. It eliminates MIBOR from the list of official interest rates, notwithstanding its continued publication for use in loan agreements arranged prior to January 1st, 2000.

This Order will take effect on January 2nd, 2021, with the odd exception.

Royal Decree amending Royal Decree 304/2004 (February 20th, 2004) enacting the pension plan and funds regulation and Royal Decree 1060/2015 (November 20th, 2015), on the structuring, supervision and capital adequacy of insurance and reinsurance entities (Royal Decree 738/2020, published in the *Official State Journal* on August 7th, 2020)

This piece of legislation implements certain matters needed to complete the transposition of the European Directives 2016/2341 and 2017/828 in relation to their impact on national pension fund regulations. Below is a summary of the key changes made to the pension plan and fund regulation as a result:

- It introduces information requirements for prospective members, members and beneficiaries as well as good repute and integrity requirements for those who effectively run the funds and those who carry out key functions within the pension funds' governance systems; it addresses own risk assessments and establishes rules for the outsourcing of activities.

- It introduces the rules governing the so-called 'pension plan key information

document' for members of occupational pension plans (IORPs).

- It modifies the contents of the IORP membership marketing materials.
- It adds the pension benefit statement to the information which must be provided annually to IORP members.
- It prioritises the provision of information to prospective members, members and beneficiaries through electronic means, including on a durable medium or by means of a website, or on paper if expressly requested.
- It modifies the delegation of the duties of pension fund management companies to align such delegation with the terms of the consolidated text of the Pension Plan and Fund Regulating Act in relation to outsourcing.
- It includes the actuarial function in relation to IORPs within the scope of actuarial services.
- It introduces obligations related with asset managers in terms of engagement policy and investment strategies and certain aspects of their mandates.

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Spanish economic forecasts panel: September 2020*

Funcas Economic Trends and Statistics Department

The economy is expected to contract by 12%, a cut of 1.2 percentage points *vis-à-vis* the July consensus

According to provisional data, GDP contracted by 18.5% in Spain during the second quarter, which is 1.5pp more than the July consensus. The sharp contraction was evident in the collapse of most indicators, which hit bottom in April. The indicators recovered during the subsequent months, picking up steam in July, a trend that may have stalled in August.

The consensus GDP forecast for 2020 is for a contraction of 12%, compared to 10.8% in our last report, with 15 of the panellists having become more pessimistic (Table 1). The quarterly pattern forecast is for growth of 12.9% and 3.9% in the third and fourth quarters, respectively (Table 2). Most of the analysts have based their estimates on the assumption that the rest of the year will continue to be marked by fresh outbreaks of the virus but without the reintroduction of a country-level lockdown (projections would be consistent with more local lockdowns).

Both domestic demand and foreign demand are expected to detract from GDP in 2020. The former is expected to erode GDP by 10.7 percentage points (*vs.* 10.1pp in the last set of forecasts) and the latter, by 1.3 percentage points (*vs.* 0.7pp). All components of private sector demand are expected to contract sharply, although the analysts' estimates vary widely in this respect. Foreign demand is also expected to significantly decline. The outlook for exports has deteriorated since the last survey, whereas the forecasts for imports have improved slightly.

The GDP forecast for 2021 has been raised by 0.1pp to 7.3%

The consensus forecast for growth in 2021 stands at 7.3%, which is up 0.1 percentage points from the July report, with the following quarterly growth profile: 1.6%, 1.3%, 1.3% and 1% (Table 2). That growth would only partially mitigate the contraction sustained in 2020.

The recovery in 2021 is expected to be fuelled by a rebound in domestic demand, which is forecast to contribute 6.7 percentage points of GDP growth. That rebound is expected to be driven by an improvement in all of its components other than public expenditure, which is expected to slow. Foreign trade, meanwhile, would contribute 0.6 percentage points to growth, down 0.1 percentage point from the last set of forecasts.

CPI forecasts for 2020 and 2021 unchanged

In the months most affected by the pandemic (March, April and May), oil prices suffered an unprecedented contraction, which drove headline inflation into negative territory throughout the second quarter (compared to positive rates of close to 1% before the pandemic). Since then, despite a recovery in oil prices to around $40 - $45 per barrel, inflation has remained negative due to the drop in prices of other product groups.

The analysts' estimates for average inflation are unchanged from July at -0.2% and 1% in 2020 and 2021, respectively. Core inflation estimates are similarly unchanged at 0.9% in both years. The year-on-year rates forecast for December 2020 and December 2021 stand at -0.2% and 1.1%, respectively (Table 3).

Insufficient recovery in the labour market

Over 40% of all jobs lost between March and April have been recovered since May. In addition, more than 2.5 million furloughed workers are back at work. The number of people covered by the furlough scheme has decreased from a peak of nearly 3.4 million at the end of April to just over 800,000 at the end of August. The consensus forecast for employment, in terms of full-time equivalents, is for a contraction of 7.8% in 2020 and a recovery of 3.5% in 2021.

That would put average annual unemployment at 17.8% this year and next, which is 1.3 and 0.2 percentage points better than forecast in July.

Consensus forecast for external surplus cut by 0.4pp

To June, Spain presented a current account surplus of 319 million euros, down 8.27 billion euros from the same period of 2019. That hefty reduction is attributable to the 64% decline in the balance of trade in goods and services, driven mainly by the collapse in tourism receipts, which more than offset the improvement in the income deficit.

The consensus forecast is for a surplus of 0.6% of GDP in 2020, down 0.4 percentage points from the last set of forecasts, rising to 1.3% in 2021, down 0.1 percentage points.

The public deficit for 2020 is higher than estimated (2021 estimate unchanged)

The fiscal deficit, excluding local authorities, amounted to 68.41 billion euros in the first half of 2020, compared to 25.73 billion euros in the same period of 2018. That downturn is the result of a 15.34 billion euro drop in revenue coupled with growth of 27.34 billion euros in spending, of which around 20.8 billion euros is related to COVID-19 expenditure.

The analysts are currently estimating a public deficit in Spain of 12.3% of GDP in 2020, which is 0.4 percentage points wider than they were forecasting in July. The deficit forecast for 2021 is unchanged at 7.4%.

External environment is expected to turn less negative in the coming months

The main global sentiment indicators (PMI, OECD leading indicators, business sentiment) have improved in recent months, suggesting a somewhat better second half than initially anticipated. That has prompted the OECD to revise its forecast for global GDP in 2020 upwards. It is currently estimating a contraction of 4.5%, compared to of 6% in May. The recovery in China, the US and, to a lesser degree, the eurozone, is now expected to be stronger than initially thought. However, the OECD has reiterated its belief that the recovery will be incomplete and uneven in an environment characterised by unusually high uncertainty.

Although most of the panellists continue to describe the external environment as unfavourable, they are forecasting an improvement in momentum in the coming months, both within the EU and beyond.

Both EURIBOR and Spain's 10Y bond yield have trended lower since July

In light of the extraordinarily complex situation, central banks have rolled out exceptional liquidity and state financing measures. The ECB has increased the size of its pandemic emergency purchase programme (PEPP) to 1.35 trillion euros. Meanwhile, the Spanish government has launched a new state-backed loan guarantee scheme (upping the original 100 billion euros approved during the state of emergency by 40 billion euros).

As a result of those measures, 12-month EURIBOR has fallen considerably since June, by nearly 0.3 percentage points, to almost -0.4%. The yield on Spain's 10-year government bonds has also narrowed, to 0.3% (0.2 percentage points less than in the last survey), which is close to its record low. The spread over the German government bond (country risk premium) has narrowed to under 80 basis points.

The analysts unanimously agree that monetary policy is expansionary and should remain so for the coming months. Although interest rates are still expected to move higher during the projection horizon, they are forecast to remain at relatively moderate levels, facilitating the funding of the measures taken by governments in response to the pandemic.

Euro appreciation against the dollar

The euro has appreciated considerably since the July report, to close to €/$1.18. The Federal Reserve's decision to ease monetary policy further, even relaxing its inflation target, has contributed to that trend. The analysts believe that the euro will hold on to current levels against the dollar for the rest of the projection horizon.

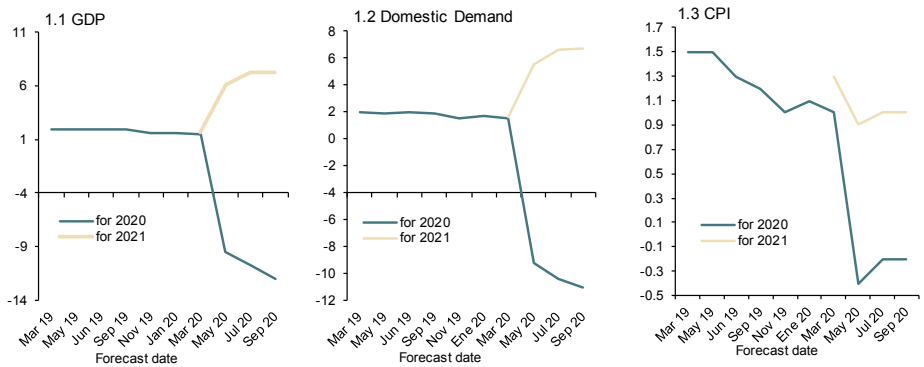
Fiscal policy needs to prop up the economy

The analysts remain unanimous that fiscal policy is expansionary. Moreover, all but one (all but two in the July survey) believe that is the direction fiscal policy should take for the months to come. None of the analysts is calling for fiscal policy tightening at present.

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

** The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 20 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly in the months of January, March, May, July, September and November. The responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 20 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.*

Spanish economic forecasts panel: September 2020*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – September 2020

Average year-on-year change, as a percentage, unless otherwise stated

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	-12.2	7.7	-15.6	7.9	7.0	-2.0	-15.3	12.0	-23.4	18.5	-15.7	7.9	-10.7	6.3
Axesor	-11.8	7.0	-11.7	7.0	5.1	1.0	-20.1	6.9	-26.7	9.4	-17.0	7.4	-13.3	7.4
BBVA Research	-11.5	7.0	-12.9	7.8	6.0	0.0	-17.2	5.3	-18.4	9.2	-19.5	1.1	-9.9	6.1
Bankia	-13.0	6.0	-15.9	6.6	4.2	2.2	-18.6	9.8	-26.5	14.2	-20.3	8.4	-12.1	6.0
CaixaBank Research	-14.0	10.0	-14.9	11.1	3.5	1.6	-17.5	23.1	-23.4	20.8	-20.5	21.9	-11.4	11.8
Cámara de Comercio de España	-13.0	8.6	-15.6	11.8	5.3	2.3	-21.1	6.1	-21.3	12.1	-23.2	4.0	-13.2	8.8
Cemex	-12.0	6.0	-13.6	6.0	4.0	2.2	-15.3	8.6	-21.6	10.2	-13.7	7.9	-10.0	5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	-11.2	8.5	-12.6	9.8	4.6	-1.8	-21.5	10.7	-29.0	21.3	-24.0	8.0	-10.5	7.0
Centro de Predicción Económica (CEPREDE-UAM)	-10.2	10.1	-11.1	9.1	2.9	0.5	-11.2	13.1	-15.6	16.3	-12.7	15.6	-8.4	7.8
CEOE	-11.5	7.0	-13.4	7.0	4.3	1.0	-18.8	12.6	-22.3	18.5	-21.4	12.5	-10.2	6.8
Equipo Económico (Ee)	-12.0	6.8	-14.5	7.9	4.5	-0.5	-20.6	7.5	-21.5	6.9	-23.7	8.1	-12.1	5.8
Funcas	-13.0	7.9	-15.7	7.6	5.6	3.2	-18.1	9.9	-19.1	10.3	-17.1	9.6	-12.0	6.9
Instituto Complutense de Análisis Económico (ICAE-UCM)	-11.5	7.0	-12.3	7.5	3.2	2.0	-17.1	7.4	-18.8	10.2	-19.7	9.4	-10.0	6.1
Instituto de Estudios Económicos (IEE)	-12.0	6.0	-13.8	5.5	4.0	0.5	-19.1	12.7	-23.1	20.0	-21.6	12.0	-10.5	5.9
Intermoney	-12.4	7.2	-12.6	7.6	4.1	1.8	-23.0	9.0	-23.6	13.2	-22.3	4.7	-10.8	6.4
Mapfre Economics	-12.1	6.8	-15.0	5.3	4.8	1.8	-13.9	5.7	--	--	--	--	-11.2	3.5
Repsol	-13.0	5.7	-12.1	9.8	3.6	1.7	-19.2	4.9	-23.8	7.0	-20.9	6.3	-10.1	6.5
Santander	-10.1	7.5	-13.9	5.9	6.1	4.6	-11.9	14.3	-17.9	14.3	-15.6	11.3	-8.9	7.5
YGroup Companies	-13.0	6.0	-16.5	5.0	4.0	3.0	-22.5	11.4	-24.0	10.0	-27.0	15.0	-13.6	6.0
Universidad Loyola Andalucía	-11.5	7.1	-13.3	7.0	3.1	-0.2	-15.5	9.4	-18.1	11.2	-20.7	12.8	-10.5	6.0
CONSENSUS (AVERAGE)	-12.0	7.3	-13.9	7.7	4.5	1.2	-17.9	10.0	-22.0	13.4	-19.8	9.7	-11.0	6.7
Maximum	-10.1	10.1	-11.1	11.8	7.0	4.6	-11.2	23.1	-15.6	21.3	-12.7	21.9	-8.4	11.8
Minimum	-14.0	5.7	-16.5	5.0	2.9	-2.0	-23.0	4.9	-29.0	6.9	-27.0	1.1	-13.6	3.5
Change on 2 months earlier[1]	-1.2	0.1	-1.6	-0.2	-0.7	-0.3	2.5	0.5	4.6	-0.1	0.3	1.2	-0.6	0.1
- Rise[2]	0	10	2	9	2	7	11	9	12	8	6	9	6	9
- Drop[2]	15	6	15	9	13	8	8	9	6	9	12	6	12	6
Change on 6 months earlier[1]	-13.5	5.7	-15.1	6.4	2.6	-0.6	-19.8	7.5	-23.8	10.6	-21.2	7.5	-12.5	5.1
Memorandum items:														
Government (April 2020)	-9.2	6.8	-8.8	4.7	2.5	1.8	-25.5	16.7	--	--	--	--	--	--
Bank of Spain (September 2020)	-10.5 /-12.6	7.3 / 4.1	-11.2 /-13.1	9.4 / 5.5	5.4 / 5.6	-1.3 /-1.2	-19.5 /-21.9	6.0 / 2.4	--	--	--	--	--	--
EC (July 2020)	-10.9	7.1	--	--	--	--	--	--	--	--	--	--	--	--
IMF (June 2020)	-12.8	6.3	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2020)	-11.1/-14.4	7.5 / 5.0	-13.4/-17.3	9.7 / 7.1	3.2	1.2	-20.1/-24.7	10.3/6.2	--	--	--	--	--	--

[1] *Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).*

[2] *Number of panellists revising their forecast upwards (or downwards) since two months earlier.*

Table 1 (Continued)

Economic Forecasts for Spain – September 2020

Average year-on-year change, as a percentage, unless otherwise stated

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Wage earnings[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[6]	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	-24.8	17.5	-22.2	14.8	-0.3	0.7	0.8	0.7	--	--	-9.0	5.5	17.5	16.9	0.7	1.4	-13.0	-6.8
Axesor	-27.3	12.4	-19.8	14.9	-0.1	1.1	--	--	--	--	-6.0	3.0	20.1	17.0	1.0	1.5	-10.4	-6.3
BBVA Research	-18.1	12.2	-14.6	8.6	-0.1	0.7	0.8	0.5	1.4	0.2	-5.1	0.6	17.4	17.1	-0.4	1.5	-14.4	-8.4
Bankia	-22.6	12.6	-20.8	13.4	-0.2	0.9	--	--	0.6	1.1	-8.4	4.0	15.4	16.2	0.2	1.2	--	--
CaixaBank Research	-24.2	13.0	-17.3	17.1	-0.3	1.6	0.9	1.7	2.1	2.8	-6.4	0.8	19.3	19.5	1.3	1.8	-13.6	-7.6
Cámara de Comercio de España	-19.7	12.1	-20.6	13.2	-0.4	1.0	0.9	1.2	--	--	-8.7	2.8	20.5	18.1	2.0	1.7	-11.0	-7.0
Cemex	-21.6	14.6	-17.4	13.6	0.1	1.0	1.0	1.0	--	--	-8.0	2.3	--	--	0.0	1.0	-13.0	-8.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	-18.5	19.6	-18.0	16.0	-0.1	1.2	0.9	0.9	--	--	-6.0	2.6	19.8	18.3	1.4	1.7	-10.5	-6.6
Centro de Predicción Económica (CEPREDE-UAM)	-22.3	25.0	-17.9	17.8	-0.2	1.4	--	--	2.8	1.9	-9.1	7.6	15.2	15.2	-0.4	0.1	-9.8	-4.9
CEOE	-24.7	7.5	-22.2	7.0	-0.2	0.9	0.8	0.7	3.0	1.0	-7.5	2.2	17.0	21.0	0.0	1.0	-12.5	-7.0
Equipo Económico (Ee)	-21.5	15.4	-22.4	13.2	-0.3	1.0	0.7	0.7	1.2	0.7	-7.5	3.1	20.1	18.5	0.8	0.9	-15.0	-8.8
Funcas	-23.9	15.7	-21.7	12.7	-0.1	0.9	0.9	0.9	--	--	-9.4	3.8	17.0	17.2	0.9	1.9	-12.2	-8.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	-13.2	12.8	-10.7	10.6	-0.2	0.6	0.9	0.9	0.5	1.0	-5.0	2.1	18.0	17.0	1.0	1.0	-11.0	-7.0
Instituto de Estudios Económicos (IEE)	-25.3	8.0	-22.2	7.5	-0.2	0.8	0.8	0.7	2.9	0.8	-8.0	2.0	17.5	21.5	-0.5	0.5	-13.0	-7.5
Intermoney	-24.0	14.8	-21.4	13.7	-0.2	1.1	0.7	1.0	--	--	-8.5	4.5	17.3	17.0	0.7	1.2	-12.8	-7.6
Mapfre Economics	-18.0	9.2	-19.3	4.4	-0.2	1.2	1.0	1.2	--	--	-5.5	0.4	17.2	14.3	2.0	1.5	-9.3	-4.5
Repsol	-14.0	21.4	-6.4	23.5	-0.2	1.0	0.9	0.9	2.0	0.5	-12.7	11.0	16.9	17.0	-1.4	1.1	-14.5	-10.5
Santander	-22.7	7.2	-20.0	6.8	-0.1	1.4	1.0	0.7	2.3	2.0	-5.1	2.1	16.8	17.0	1.3	1.4	--	--
YGroup Companies	-22.0	12.0	-24.0	12.0	-0.5	0.5	1.0	1.2	--	--	-10.0	5.0	18.0	20.0	1.3	2.0	-14.0	-9.0
Universidad Loyola Andalucía	-22.4	15.5	-19.5	12.3	-0.2	0.5	0.8	1.0	--	--	-9.3	5.5	16.8	19.2	0.8	1.1	-11.7	-7.2
CONSENSUS (AVERAGE)	-21.5	13.9	-18.9	12.7	-0.2	1.0	0.9	0.9	1.9	1.2	-7.8	3.5	17.8	17.8	0.6	1.3	-12.3	-7.4
Maximum	-13.2	25.0	-6.4	23.5	0.1	1.6	1.0	1.7	3.0	2.8	-5.0	11.0	20.5	21.5	2.0	2.0	-9.3	-4.5
Minimum	-27.3	7.2	-24.0	4.4	-0.5	0.5	0.7	0.5	0.5	0.2	-12.7	0.4	15.2	14.3	-1.4	0.1	-15.0	-10.5
Change on 2 months earlier[1]	-1.3	1.1	0.7	1.7	0.0	0.0	0.0	0.0	0.4	0.2	-1.8	1.1	-1.3	-0.2	-0.4	-0.1	-0.4	0.0
- Rise[2]	3	9	8	12	5	3	4	4	3	4	1	8	4	5	4	4	1	3
- Drop[2]	14	8	8	4	6	7	5	3	1	0	10	3	12	8	12	7	11	4
Change on 6 months earlier[1]	-23.6	11.3	-21.0	10.0	-1.2	-0.3	-0.1	-0.2	-0.1	-0.7	-9.2	2.1	4.2	4.7	-0.7	0.1	-10.1	-5.4
Memorandum items:																		
Government (April 2020)	-27.1	11.6	-31.0	9.3	--	--	--	--	--	--	-9.7	5.7	19.0	17.2	--	--	-10.3	--
Bank of Spain (September 2020)	-20.7 /-25.2	11.5 /7.4	-18.7 /-22	8.4 /4.9	-0.2/-0.3[7]	1.0/0.8[7]	0.7 /0.6[7]	0.8/0.5[7]	--	--	--	--	17.1 /18.6	19.4/ 22.1	--	--	-10.8 /-12.1	-7.0/-9.9
EC (July 2020)	--	--	--	--	-0.1 [7]	0.9 [7]	--	--	--	--	--	--	--	--	--	--	--	--
IMF (June 2020)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	-13.9	-8.3
OECD (June 2020)	-16.7/-19.8	9.5/5.7	-18/-21.1	10.7/ 7.5	0/-0.2 [7]	0.3/-0.2[7]	0.4/0.3 [7]	0.3/ 0 [7]	--	--	--	--	19.2 / 20.1	18.7 / 21.9	2.3	2.0	-10.3/-12.5	-6.2/-9.6

[1] *Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).*

[2] *Number of panellists revising their forecast upwards (or downwards) since two months earlier.*

[3] *Average earnings per full-time equivalent job.*

[4] *In National Accounts terms: full-time equivalent jobs.*

[5] *Current account balance, according to Bank of Spain estimates.*

[6] *Excluding financial entities bail-out expenditures.*

[7] *Harmonized Index of Consumer Prices (HIPC).*

Table 2

Quarterly Forecasts – September 2020

	20-I Q	20-II Q	20-III Q	20-IV Q	21-I Q	21-II Q	21-III Q	21-IV Q
GDP[1]	-5.2	-18.5	12.9	3.9	1.6	1.3	1.3	1.0
Euribor 1 yr [2]	-0.27	-0.14	-0.34	-0.33	-0.30	-0.29	-0.28	-0.27
Government bond yield 10 yr [2]	0.51	0.52	0.44	0.51	0.58	0.61	0.64	0.70
ECB main refinancing operations interest rate [2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ECB deposit rates [2]	-0.5	-0.5	-0.5	-0.5	-0.49	-0.49	-0.48	-0.48
Dollar / Euro exchange rate [2]	1.11	1.13	1.17	1.17	1.17	1.17	1.17	1.17

Forecasts in yellow.
[1] *Qr-on-qr growth rates.*
[2] *End of period.*

Table 3

CPI Forecasts – September 2020

Year-on-year change (%)					
Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Dec-21
-0.5	-0.3	-0.4	-0.3	-0.2	1.1

Table 4

Opinions – September 2020

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	2	17	15	4	1
International context: Non-EU	0	2	18	14	5	1
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	0	20	0	1	19
Monetary policy assessment[1]	0	0	20	0	0	20

[1] *In relation to the current state of the Spanish economy.*

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation				Equipment & others products	Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction							
						Total	Housing	Other constructions					
Chain-linked volumes, annual percentage changes													
2013		-1.4	-2.9	-2.1	-3.8	-8.2	-7.6	-8.7	1.3	4.4	-0.2	-2.9	1.5
2014		1.4	1.7	-0.7	4.1	3.0	9.9	-2.6	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	-3.2	5.7	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	8.9	-4.8	3.1	5.4	2.6	2.0	1.0
2017		2.9	3.0	1.0	5.9	5.9	11.5	0.2	5.9	5.6	6.6	3.0	-0.1
2018		2.4	1.8	1.9	5.3	6.6	7.7	5.3	4.1	2.2	3.3	2.6	-0.3
2019		2.0	1.1	2.3	1.8	0.8	2.9	-1.7	2.7	2.6	1.2	1.5	0.5
2020		-13.0	-15.7	5.6	-18.1	-17.1	-17.2	-17.0	-19.1	-23.9	-21.7	-11.6	-1.4
2021		7.9	7.6	3.2	9.9	9.6	10.0	9.0	10.3	15.7	12.7	6.8	1.1
2019	I	2.2	1.2	2.3	4.8	4.0	3.0	5.2	5.6	0.8	0.4	2.1	0.1
	II	2.0	0.7	2.3	0.5	1.7	3.7	-0.7	-0.7	2.6	-0.2	1.1	1.0
	III	1.9	1.3	2.2	1.4	0.0	2.3	-2.9	2.8	3.6	2.7	1.5	0.4
	IV	1.8	1.2	2.4	0.6	-2.2	2.8	-8.2	3.4	3.3	2.1	1.3	0.5
2020	I	-4.1	-5.7	3.6	-6.5	-8.3	-7.2	-9.5	-4.7	-6.1	-5.5	-3.7	-0.3
	II	-22.1	-25.2	3.5	-26.8	-30.9	-31.6	-30.0	-22.7	-38.6	-33.1	-19.4	-2.7
	III	-13.4	-16.3	6.4	-21.1	-17.2	-16.6	-17.9	-25.0	-26.9	-26.2	-12.6	-0.8
	IV	-12.4	-15.8	8.8	-18.0	-11.9	-13.1	-10.3	-24.1	-23.8	-21.7	-11.2	-1.2
2021	I	-5.5	-7.3	5.8	-10.1	-5.2	-2.6	-8.5	-14.9	-12.3	-11.8	-5.1	-0.4
	II	19.1	20.5	5.4	21.0	28.1	33.3	21.5	14.5	38.9	30.1	16.3	2.7
	III	9.6	9.5	2.2	15.0	10.3	9.8	10.9	20.2	23.2	20.9	8.6	1.0
	IV	10.9	10.8	-0.5	18.0	9.8	5.1	16.2	27.4	23.7	19.4	9.2	1.7
Chain-linked volumes, quarter-on-quarter percentage changes													
2019	I	0.6	0.4	0.6	1.5	0.4	0.9	-0.2	2.6	1.0	0.9	-1.8	2.4
	II	0.4	-0.1	0.5	-0.8	-0.5	1.1	-2.3	-1.0	1.6	0.5	-1.8	2.1
	III	0.4	0.8	0.6	1.1	-0.8	0.1	-2.0	3.0	0.1	1.4	-1.1	1.5
	IV	0.4	0.1	0.7	-1.2	-1.3	0.8	-3.9	-1.2	0.6	-0.8	-0.2	0.6
2020	I	-5.2	-6.5	1.8	-5.7	-5.9	-9.0	-1.6	-5.4	-8.2	-6.6	-17.8	12.6
	II	-18.5	-20.8	0.4	-22.3	-25.0	-25.4	-24.5	-19.7	-33.5	-28.8	-64.7	46.2
	III	11.6	12.7	3.4	9.0	18.9	22.0	15.0	0.0	19.0	11.9	37.3	-25.7
	IV	1.6	0.8	3.0	2.6	5.0	5.0	5.0	0.0	4.9	5.2	6.4	-4.8
2021	I	2.3	3.0	-1.0	3.5	1.3	2.0	0.3	6.0	5.7	5.2	8.3	-6.0
	II	2.7	3.0	0.0	4.5	1.3	2.0	0.3	8.0	5.4	5.0	10.1	-7.3
	III	2.7	2.4	0.2	3.6	2.4	0.5	5.0	5.0	5.5	4.0	8.4	-5.8
	IV	2.8	2.0	0.3	5.3	4.5	0.5	10.0	6.0	5.3	3.9	8.9	-6.1
		Current prices (EUR billions)	Percentage of GDP at current prices										
2013		1,020	59.0	19.9	17.4	8.7	3.9	4.8	8.7	33.0	29.0	96.1	3.9
2014		1,032	59.4	19.6	17.8	8.8	4.2	4.6	8.9	33.5	30.4	96.9	3.1
2015		1,078	58.5	19.5	18.0	8.7	4.0	4.6	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	8.6	4.4	4.2	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	9.0	4.8	4.2	9.6	35.2	31.6	96.4	3.6
2018		1,202	58.3	18.6	19.4	9.6	5.3	4.3	9.8	35.1	32.4	97.3	2.7
2019		1,245	57.6	18.7	20.0	10.0	5.7	4.3	10.0	34.9	32.0	97.2	2.8
2020		1,096	55.3	22.7	19.1	9.8	5.7	4.1	9.3	30.0	28.1	98.1	1.9
2021		1,194	55.3	21.8	19.4	9.9	5.8	4.1	9.5	32.2	29.6	97.4	2.6

**Seasonally and Working Day Adjusted. These data are previous to the updating of the annual and quarterly GDP data, made after the closure of this edition.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

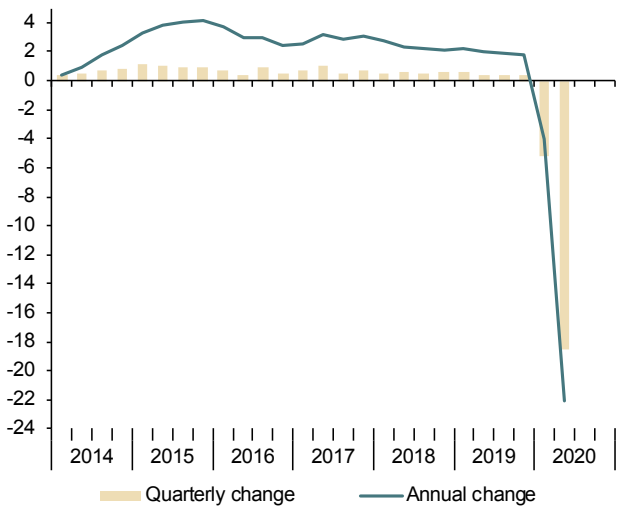


Chart 1.2 - Contribution to GDP annual growth

Percentage points

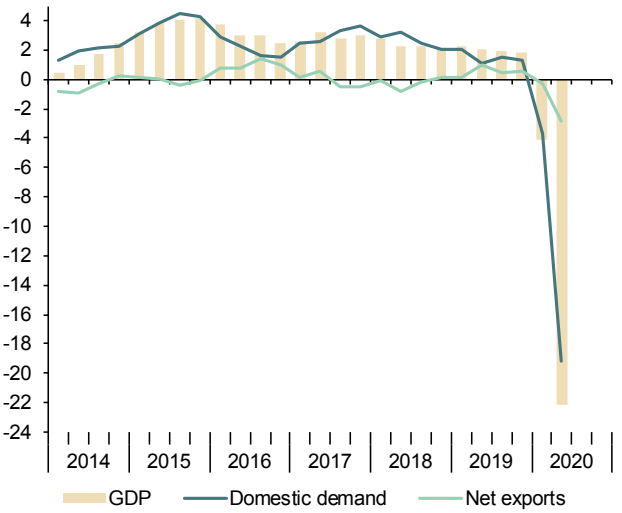


Chart 1.3 - Final consumption

Annual percentage change

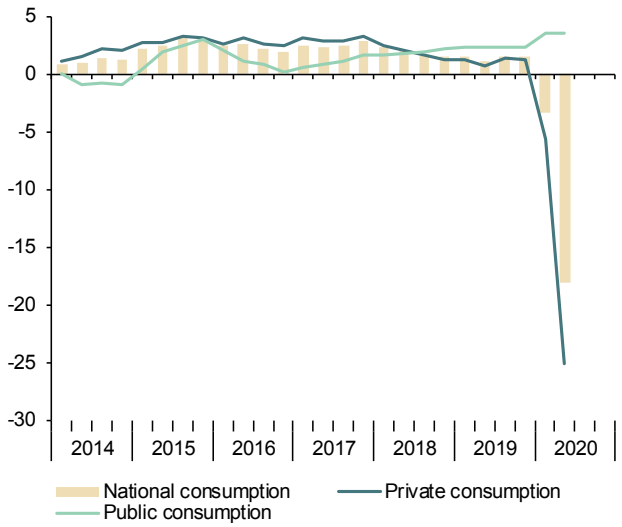


Chart 1.4 - Gross fixed capital formation

Annual percentage change

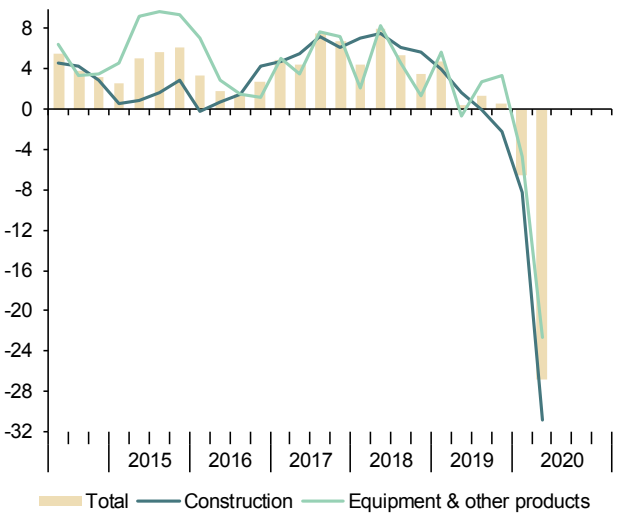


Table 2

National accounts: Gross value added by economic activity SWDA*

		Gross value added at basic prices								
				Industry			Services			
		Total	Agriculture, forestry and fishing	Total	Manufacturing	Construction	Total	Public administration, health, education	Other services	Taxes less subsidies on products
		Chain-linked volumes, annual percentage changes								
2013		-1.3	13.9	-4.0	-1.0	-10.3	-0.4	0.2	-0.7	-3.1
2014		0.9	-1.3	1.3	2.1	-1.3	1.1	-0.7	1.7	6.1
2015		3.3	4.7	3.0	4.6	5.4	3.1	1.1	3.8	9.6
2016		2.8	4.8	4.1	2.3	3.9	2.4	1.4	2.7	5.2
2017		2.9	-3.0	3.1	4.9	4.9	2.9	1.5	3.4	2.8
2018		2.5	5.9	-0.4	0.7	5.7	2.7	1.7	3.0	1.2
2019		2.2	-2.6	0.6	0.4	3.5	2.6	2.0	2.8	-0.1
2018	II	2.4	7.8	-0.3	1.2	5.5	2.5	1.2	2.9	1.5
	III	2.4	3.0	-0.2	0.2	6.2	2.6	1.8	2.9	0.8
	IV	2.3	6.9	-1.5	-0.3	5.9	2.7	2.0	2.9	0.0
2019	I	2.5	-0.1	-0.4	0.1	6.3	2.9	2.2	3.1	-0.5
	II	2.3	-4.5	0.5	0.0	4.5	2.8	2.4	2.9	-0.7
	III	2.1	0.0	1.0	0.7	2.5	2.4	1.9	2.6	0.1
	IV	1.9	-5.4	1.2	0.7	0.9	2.4	1.7	2.6	0.9
2020	I	-3.7	0.3	-6.0	-7.2	-7.3	-3.1	1.6	-4.6	-7.2
	II	-22.0	7.4	-23.8	-27.1	-29.9	-22.0	0.1	-29.0	-23.4
		Chain-linked volumes, quarter-on-quarter percentage changes								
2018	II	0.6	2.0	-0.5	0.1	2.0	0.6	0.2	0.8	0.1
	III	0.6	-3.3	-0.1	-0.3	1.4	0.8	0.8	0.8	-0.2
	IV	0.7	5.7	-0.5	0.0	1.3	0.6	0.5	0.7	-0.4
2019	I	0.6	-4.2	0.7	0.3	1.4	0.8	0.5	0.9	-0.1
	II	0.4	-2.5	0.5	0.0	0.4	0.6	0.5	0.6	-0.1
	III	0.4	1.3	0.4	0.3	-0.6	0.4	0.3	0.5	0.6
	IV	0.4	0.1	-0.4	0.1	-0.3	0.6	0.4	0.7	0.5
2020	I	-4.9	1.6	-6.5	-7.6	-6.8	-4.7	0.4	-6.3	-8.1
	II	-18.6	4.4	-18.5	-21.4	-24.1	-19.1	-1.0	-25.2	-17.6
		Current prices EUR billions)	Percentage of value added at basic prices							
2013		932	2.9	16.4	12.2	5.8	74.9	18.9	56.0	9.4
2014		940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015		978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016		1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017		1,053	3.1	16.2	12.6	6.0	74.7	18.0	56.7	10.3
2018		1,088	3.1	15.9	12.4	6.2	74.8	18.0	56.9	10.5
2019		1,130	2.9	15.8	12.2	6.5	74.8	18.0	56.8	10.2

** Seasonally and Working Day Adjusted. These data are previous to the updating of the annual and quarterly GDP data, made after the closure of this edition.*

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

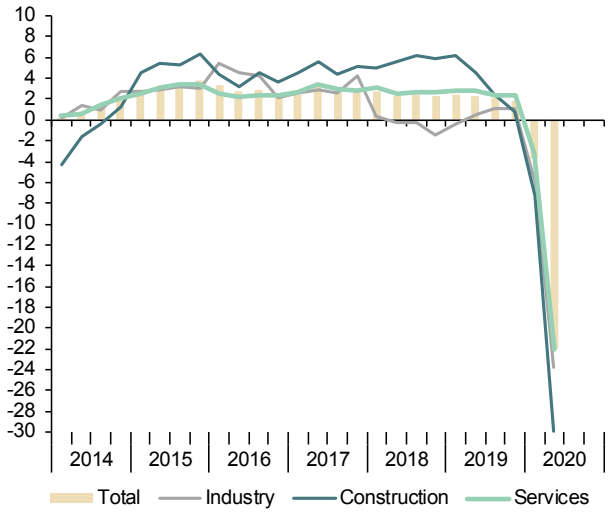


Chart 2.2 - GVA, Industry

Annual percentage change

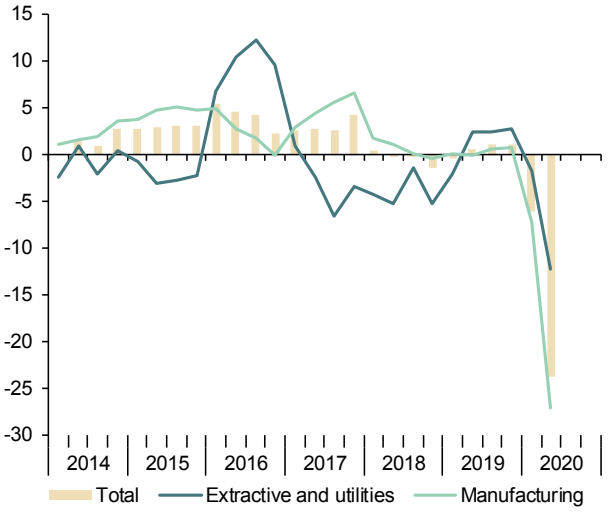


Chart 2.3 - GVA, services

Annual percentage change

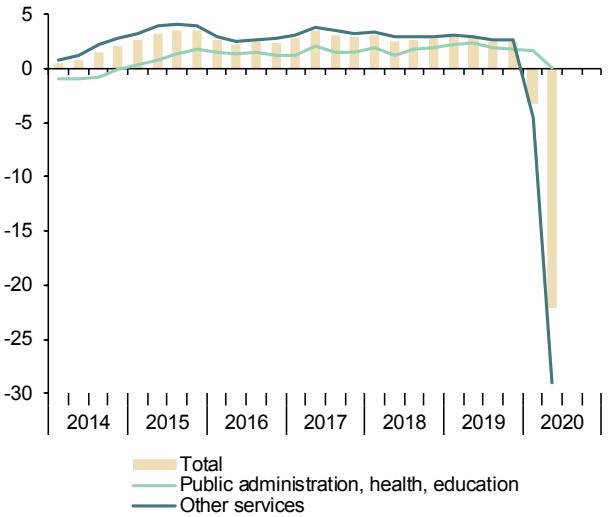


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

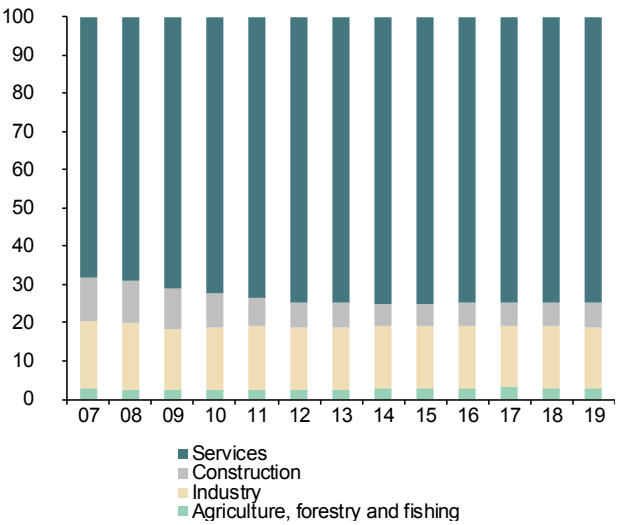


Table 3

National accounts: Productivity and labour costs (*)

Forecasts in yellow

		Total economy						Manufacturing Industry					
		GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)
		1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
		Indexes, 2010 = 100, SWDA											
2013		95.0	89.3	106.4	101.1	95.1	95.1	93.7	82.7	113.2	105.4	93.1	95.3
2014		96.3	90.2	106.8	101.4	95.0	95.2	95.6	81.2	117.7	106.1	90.2	92.2
2015		100.0	93.0	107.5	102.0	94.9	94.6	100.0	83.1	120.3	105.4	87.6	89.8
2016		103.0	95.6	107.7	101.4	94.1	93.5	102.3	86.0	119.0	105.5	88.7	90.2
2017		106.0	98.3	107.8	102.1	94.7	92.9	107.3	89.2	120.3	106.5	88.5	89.4
2018		108.5	100.8	107.6	103.2	95.9	92.9	108.0	91.0	118.7	107.0	90.1	90.0
2019		110.7	103.1	107.3	105.3	98.1	93.6	108.4	92.6	117.1	108.0	92.2	90.3
2020		96.2	93.4	103.0	102.1	99.1	93.4	--	--	--	--	--	--
2021		103.8	96.9	107.1	106.2	99.1	92.6	--	--	--	--	--	--
2018	II	108.2	100.5	107.7	102.8	95.4	92.6	108.2	91.1	118.7	106.6	89.8	89.5
	III	108.8	101.2	107.5	103.4	96.2	93.3	107.9	91.0	118.5	107.1	90.3	90.0
	IV	109.4	101.9	107.3	103.9	96.8	93.2	107.9	90.9	118.7	107.9	90.9	90.8
2019	I	110.0	102.5	107.3	104.5	97.3	93.5	108.2	91.8	117.9	107.8	91.4	90.4
	II	110.4	103.0	107.2	105.1	98.0	93.6	108.2	92.4	117.2	107.9	92.1	90.2
	III	110.9	103.1	107.6	105.7	98.3	93.8	108.6	93.5	116.2	107.5	92.6	90.6
	IV	111.3	103.9	107.1	105.8	98.8	93.6	108.7	92.6	117.3	108.9	92.8	89.8
2020	I	105.5	101.9	103.5	106.4	102.7	97.1	100.4	92.3	108.7	108.9	100.1	98.5
	II	86.0	83.9	102.5	109.1	106.5	100.4	78.9	77.9	101.2	108.4	107.1	104.1
		Annual percentage changes											
2013		-1.4	-3.3	2.0	1.3	-0.7	-1.1	-1.0	-5.5	4.8	1.7	-2.9	-3.5
2014		1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3
2015		3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6
2016		3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4
2017		2.9	2.8	0.0	0.7	0.7	-0.7	4.9	3.7	1.1	1.0	-0.2	-0.9
2018		2.4	2.5	-0.2	1.0	1.2	0.1	0.7	2.0	-1.3	0.5	1.8	0.7
2019		2.0	2.3	-0.3	2.0	2.3	0.7	0.4	1.7	-1.3	0.9	2.3	0.3
2020		-13.0	-9.4	-4.0	-3.0	1.0	-0.2	--	--	--	--	--	--
2021		7.9	3.8	4.0	4.0	0.0	-0.9	--	--	--	--	--	--
2018	II	2.3	2.4	-0.1	0.9	1.0	-0.1	1.2	2.9	-1.7	0.5	2.3	0.6
	III	2.2	2.5	-0.2	1.3	1.5	0.6	0.2	1.5	-1.3	0.9	2.3	0.8
	IV	2.1	2.7	-0.6	1.3	1.9	0.6	-0.3	0.2	-0.5	0.0	0.6	0.8
2019	I	2.2	2.7	-0.5	1.8	2.4	0.9	0.1	1.0	-0.9	1.3	2.2	0.5
	II	2.0	2.5	-0.5	2.2	2.7	1.1	0.0	1.4	-1.3	1.2	2.6	0.9
	III	1.9	1.8	0.1	2.2	2.1	0.5	0.7	2.7	-2.0	0.4	2.4	0.6
	IV	1.8	2.0	-0.2	1.9	2.1	0.3	0.7	1.8	-1.1	0.9	2.1	-1.0
2020	I	-4.1	-0.6	-3.5	1.8	5.5	3.8	-7.2	0.6	-7.8	1.0	9.5	9.0
	II	-22.1	-18.5	-4.4	3.9	8.7	7.3	-27.1	-15.6	-13.6	0.5	16.3	15.3

(*) These data are previous to the updating of the first quarter GDP data, made after the closure of this edition.

(a) Nominal ULC deflated by GDP/GVA deflator.

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

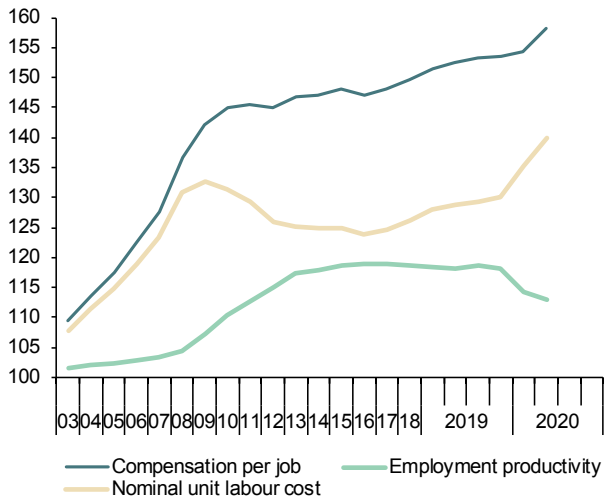
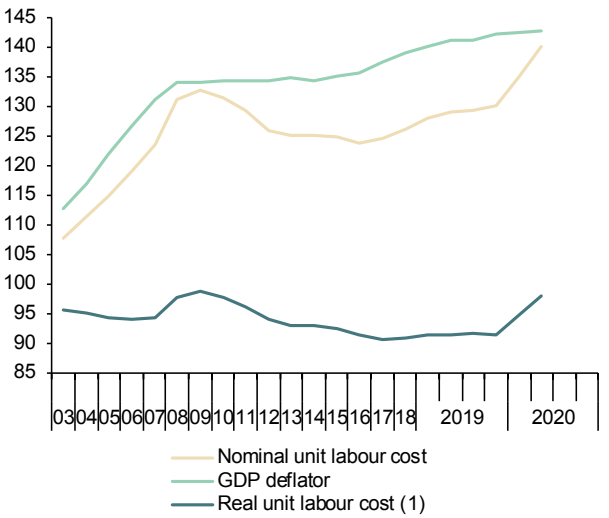


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

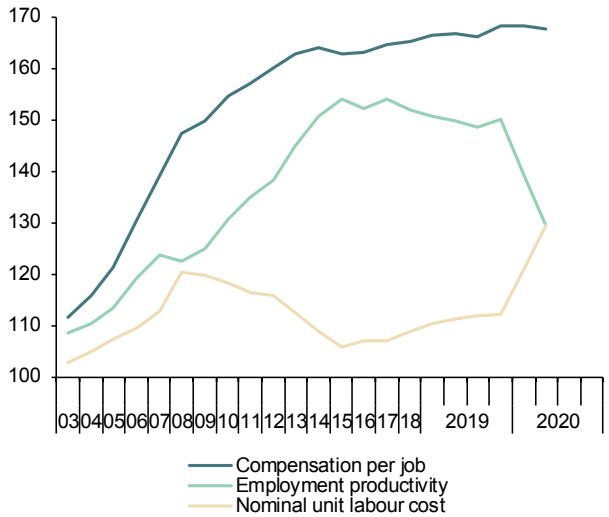
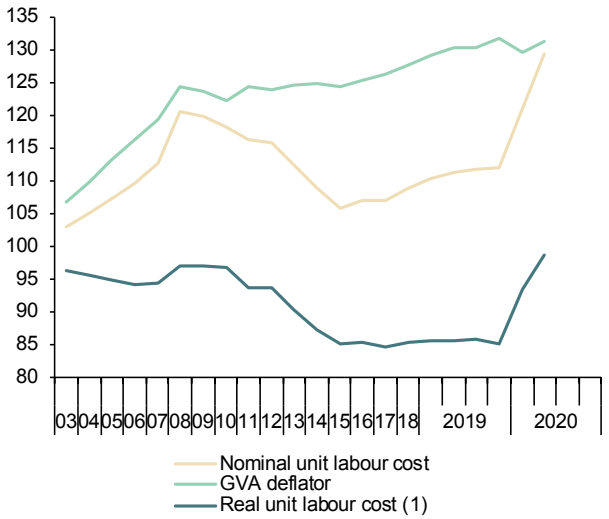


Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition (*)

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions, 4-quarter cumulated transactions							Percentage of GDP					
2013		1,020.3	467.5	455.0	1,001.1	804.6	196.5	175.7	45.8	44.6	19.3	17.2	2.0	2.6
2014		1,032.2	473.5	455.4	1,017.7	815.4	202.3	184.8	45.9	44.1	19.6	17.9	1.7	2.1
2015		1,077.6	492.9	472.6	1,066.7	840.1	226.5	204.7	45.7	43.9	21.0	19.0	2.0	2.7
2016		1,113.8	503.7	495.8	1,104.8	860.5	244.3	208.9	45.2	44.5	21.9	18.8	3.2	3.4
2017		1,161.9	523.4	518.7	1,151.4	894.6	256.8	225.7	45.1	44.6	22.1	19.4	2.7	2.9
2018		1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019		1,245.3	570.4	547.9	1,235.3	950.5	284.8	259.6	45.8	44.0	22.9	20.8	2.0	2.3
2020		1,096.4	502.6	486.4	1,089.4	855.6	233.8	220.1	45.8	44.4	21.3	20.1	1.3	1.8
2021		1,193.9	543.7	529.7	1,189.8	920.5	269.3	242.0	45.5	44.4	22.6	20.3	2.3	2.8
2018	II	1,182.9	533.1	527.0	1,172.8	909.0	263.8	234.9	45.1	44.5	22.3	19.9	2.4	2.7
	III	1,192.2	538.7	529.1	1,181.7	917.2	264.6	239.1	45.2	44.4	22.2	20.1	2.1	2.5
	IV	1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019	I	1,213.1	551.2	535.1	1,203.2	931.6	271.5	251.5	45.4	44.1	22.4	20.7	1.7	2.1
	II	1,223.9	558.0	539.3	1,214.5	938.5	275.9	254.6	45.6	44.1	22.5	20.8	1.7	2.3
	III	1,234.5	564.2	543.4	1,224.7	944.5	280.2	258.2	45.7	44.0	22.7	20.9	1.8	2.3
	IV	1,245.3	570.4	547.9	1,235.3	950.5	284.8	259.6	45.8	44.0	22.9	20.8	2.0	2.3
2020	I	1,236.5	574.1	537.0	1,229.4	945.2	284.2	258.6	46.4	43.4	23.0	20.9	2.1	2.4
	II	1,171.0	555.5	501.3	--	903.4	--	242.3	47.4	42.8	--	20.7	--	--
		Annual percentage changes							Difference from one year ago					
2013		-1.0	-2.9	-0.8	-1.0	-1.8	2.9	-7.6	-0.9	0.1	0.7	-1.2	2.0	2.0
2014		1.2	1.3	0.1	1.7	1.3	3.0	5.2	0.1	-0.5	0.3	0.7	-0.3	-0.5
2015		4.4	4.1	3.8	4.8	3.0	12.0	10.8	-0.1	-0.3	1.4	1.1	0.3	0.5
2016		3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017		4.3	3.9	4.6	4.2	4.0	5.1	8.1	-0.2	0.1	0.2	0.7	-0.5	-0.5
2018		3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019		3.6	4.7	3.0	3.6	2.8	6.2	6.0	0.5	-0.2	0.6	0.5	0.1	-0.1
2020		-12.0	-11.9	-11.2	-11.8	-10.0	-17.9	-15.2	0.0	0.4	-1.6	-0.7	-0.7	-0.5
2021		8.9	8.2	8.9	9.2	7.6	15.2	10.0	-0.3	0.0	1.3	0.2	1.0	1.0
2018	II	4.0	3.9	4.0	4.0	3.6	5.6	9.3	0.0	0.0	0.3	1.0	-0.6	-0.5
	III	3.8	4.0	3.3	3.8	3.5	4.7	8.3	0.1	-0.2	0.2	0.8	-0.6	-0.5
	IV	3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019	I	3.4	4.4	2.1	3.6	3.3	4.6	9.9	0.4	-0.6	0.3	1.2	-1.0	-0.8
	II	3.5	4.7	2.3	3.6	3.2	4.6	8.4	0.5	-0.5	0.2	0.9	-0.7	-0.5
	III	3.6	4.7	2.7	3.6	3.0	5.9	8.0	0.5	-0.4	0.5	0.9	-0.4	-0.2
	IV	3.6	4.7	3.0	3.6	2.8	6.2	6.0	0.5	-0.2	0.6	0.5	0.1	-0.1
2020	I	1.9	4.2	0.4	2.2	1.5	4.7	2.8	1.0	-0.7	0.6	0.2	0.4	0.3
	II	-4.3	-0.4	-7.0	--	-3.7	--	-4.8	1.8	-1.3	--	-0.1	--	--

(*) These data are previous to the updating of the annual and quarterly GDP data, made after the closure of this edition.

(a) Including change in net equity in pension funds reserves.

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

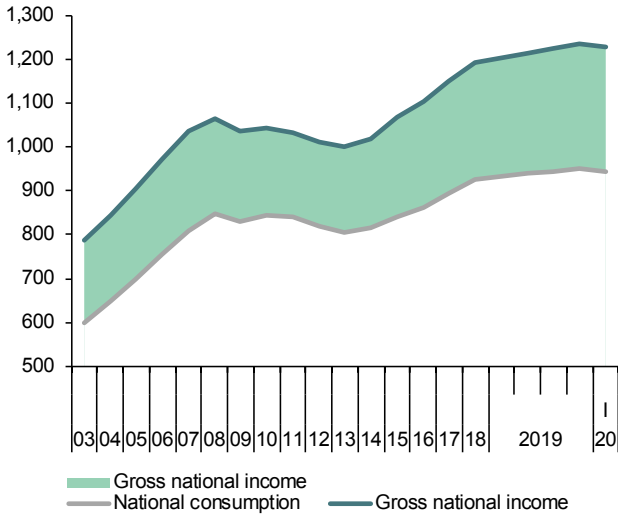


Chart 4.2 - National income, consumption and saving rate

Annual percentage change and percentage of GDP, 4-quarter moving averages

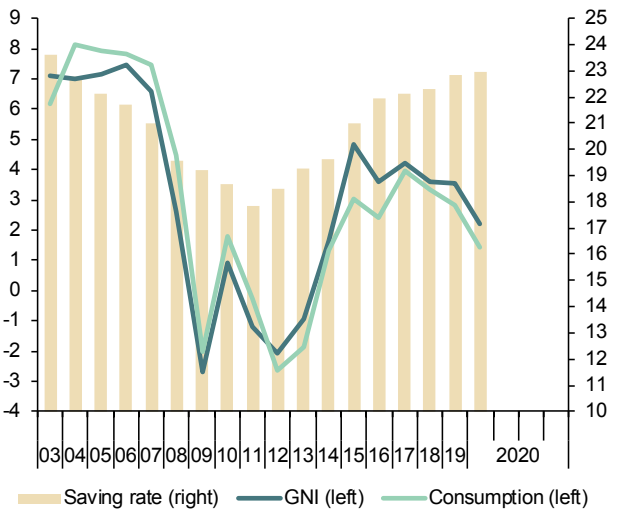


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

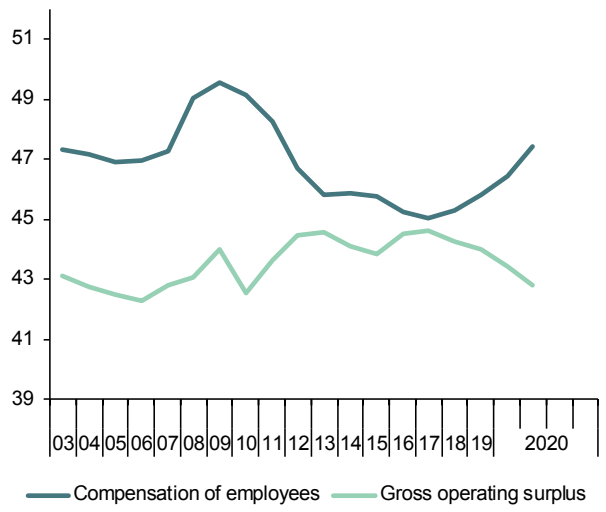


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

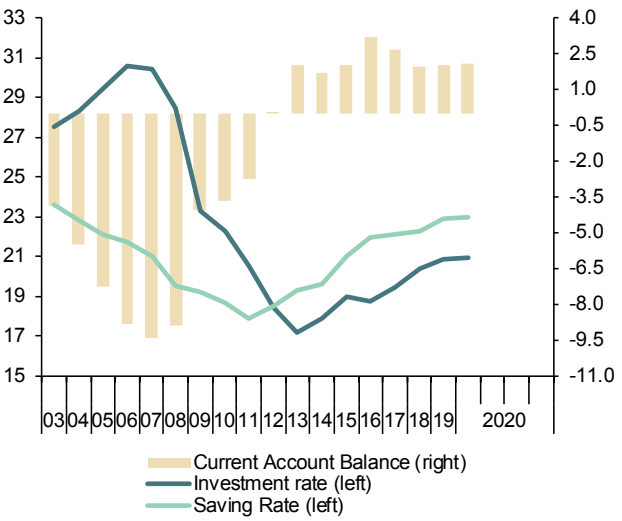


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions, 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions, 4-quarter cumulated operations			Percentage of GDP		
2013		655.9	601.7	51.7	31.0	7.9	3.0	1.9	228.6	167.4	114.7	16.4	11.2	5.3
2014		656.2	612.7	41.5	30.2	6.3	2.9	1.0	228.7	171.7	127.7	16.6	12.4	4.7
2015		682.2	630.2	49.0	30.5	7.2	2.8	1.7	241.0	185.1	140.4	17.2	13.0	4.4
2016		700.6	648.3	49.2	31.8	7.0	2.9	1.4	255.3	196.2	149.2	17.6	13.4	4.4
2017		721.1	678.2	39.8	37.1	5.5	3.2	0.0	266.8	202.1	160.1	17.4	13.8	3.8
2018		747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019		777.2	717.3	57.2	40.6	7.4	3.3	1.1	276.8	205.0	191.7	16.5	15.4	1.3
2020		735.6	606.4	126.5	36.0	17.2	3.3	8.3	255.6	200.9	158.9	18.3	14.5	4.1
2021		772.0	660.4	109.0	40.2	14.1	3.4	5.8	276.1	209.0	175.3	17.5	14.7	3.1
2018	II	-53.9	734.0	-2.9	38.3	5.7	3.2	0.1	269.5	204.6	166.7	17.3	14.1	3.4
	III	-55.6	739.7	-2.8	39.3	5.6	3.3	0.0	270.0	202.2	172.1	17.0	14.5	2.7
	IV	-57.3	747.9	-2.8	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019	I	-58.6	754.4	-2.7	42.0	6.1	3.5	0.1	271.4	200.2	179.8	16.5	14.8	1.9
	II	-58.0	765.7	-2.5	41.5	7.1	3.4	0.8	273.5	199.4	184.6	16.3	15.1	1.5
	III	-59.5	770.6	-3.2	41.2	7.0	3.3	0.8	274.6	200.7	187.6	16.3	15.2	1.4
	IV	-61.6	777.2	-2.7	40.6	7.4	3.3	1.1	276.8	205.0	191.7	16.5	15.4	1.3
2020	I	-60.4	779.3	-2.6	38.4	8.8	3.1	2.3	267.4	195.4	189.8	15.8	15.3	0.5
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2013		-0.4	-2.0	20.9	-27.0	1.4	-1.1	1.8	0.6	7.4	0.5	1.3	0.2	1.0
2014		0.0	1.8	-19.8	-2.7	-1.6	-0.1	-1.0	0.0	2.5	11.3	0.2	1.1	-0.6
2015		4.0	2.9	18.1	1.1	0.9	-0.1	0.7	5.4	7.8	10.0	0.5	0.7	-0.3
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.9	6.0	6.2	0.4	0.4	0.0
2017		2.9	4.6	-19.3	16.8	-1.5	0.3	-1.4	4.5	3.0	7.3	-0.2	0.4	-0.7
2018		3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019		3.9	2.4	29.2	-1.9	1.4	-0.2	1.1	2.5	3.1	9.5	-0.1	0.8	-0.9
2020		-5.3	-15.5	121.3	-11.3	9.8	0.0	7.1	-7.6	-2.0	-17.1	1.9	-0.9	2.8
2021		4.9	8.9	-13.9	11.6	-3.1	0.1	-2.5	8.0	4.0	10.3	-0.8	0.2	-1.0
2018	II	19.7	3.3	1.2	11.5	-0.3	0.2	-0.5	3.2	4.0	8.6	0.0	0.6	-0.6
	III	14.0	3.6	-1.6	10.0	0.0	0.2	-0.1	2.9	2.5	10.0	-0.2	0.8	-1.0
	IV	12.7	3.7	-7.7	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019	I	12.2	3.8	-5.7	13.4	0.7	0.3	0.1	1.1	-1.8	9.9	-0.9	0.9	-1.6
	II	7.6	4.3	-15.0	8.3	1.4	0.1	0.8	1.5	-2.5	10.7	-1.0	1.0	-1.9
	III	7.0	4.2	15.3	4.9	1.4	0.0	0.9	1.7	-0.7	9.0	-0.7	0.7	-1.4
	IV	7.5	3.9	-4.9	-1.9	1.4	-0.2	1.1	2.5	3.1	9.5	-0.1	0.8	-0.9
2020	I	3.0	3.3	-2.5	-8.6	2.7	-0.4	2.1	-1.5	-2.4	5.6	-0.7	0.5	-1.4

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

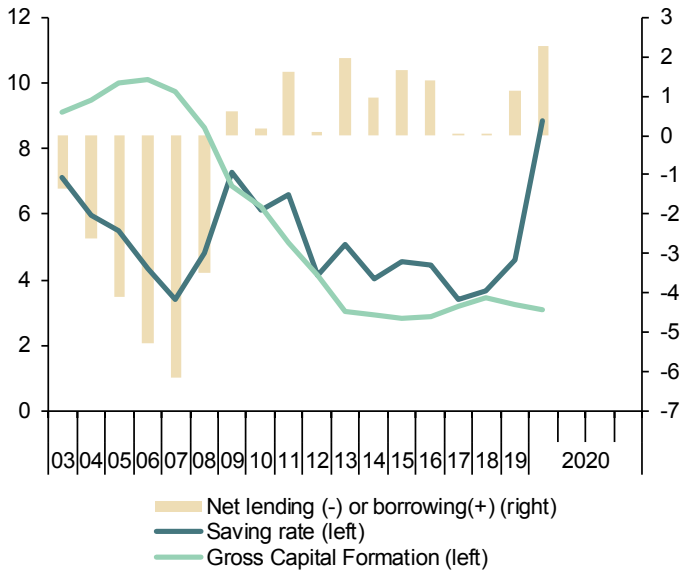


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

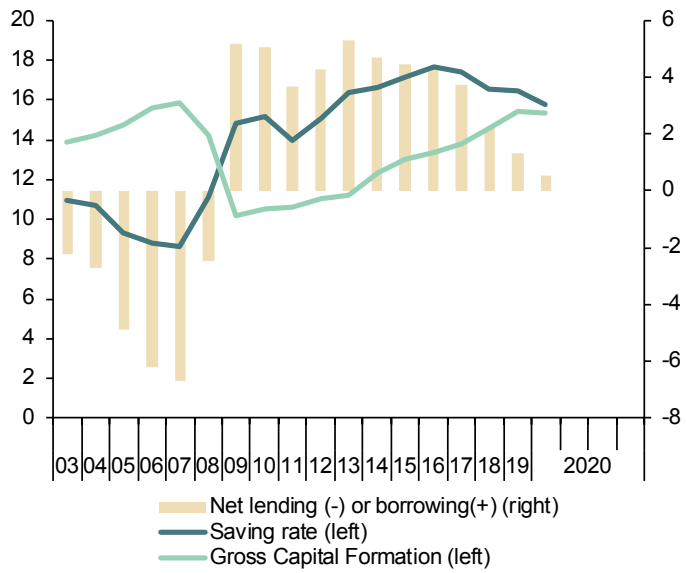


Table 6

National accounts: Public revenue, expenditure and deficit

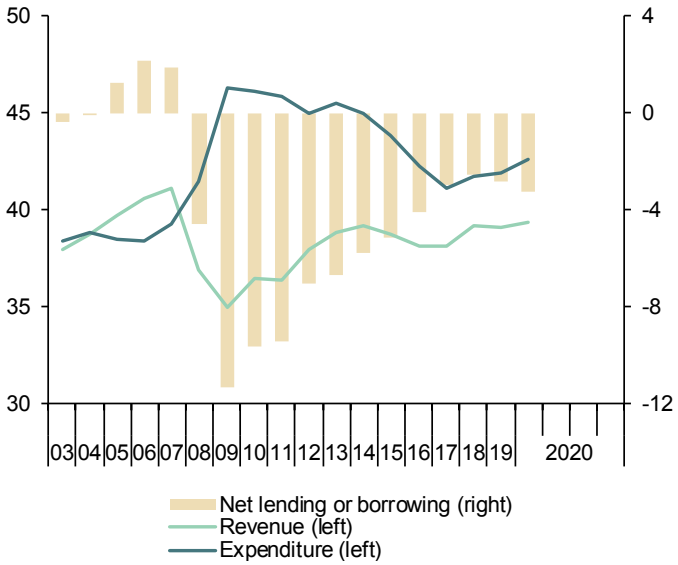
Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		Taxes on production and imports	Taxes on income and wealth	Social contributions	Capital and other revenue	Total	Compensation of employees	Intermediate consumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expenditure	Total		
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8+9+10+11	13=5-12	14
		EUR Billions, 4-quarter cumulated operations													
2013		112.8	102.2	126.9	53.9	395.9	114.4	55.7	35.4	198.8	35.2	28.1	467.6	-71.8	-68.5
2014		118.5	104.4	129.0	52.7	404.6	115.0	56.3	35.5	198.5	32.4	28.0	465.7	-61.1	-59.7
2015		126.4	107.1	131.5	52.1	417.2	119.2	59.0	32.4	198.6	35.4	28.3	473.0	-55.8	-55.2
2016		128.9	110.0	135.6	50.3	424.8	121.5	58.7	30.7	203.0	30.4	28.4	472.7	-48.0	-45.6
2017		135.1	116.9	142.4	49.1	443.5	123.5	59.9	29.3	207.4	30.6	28.0	478.7	-35.1	-34.6
2018		140.9	127.3	149.4	53.4	471.0	127.6	62.1	29.3	216.3	36.3	29.8	501.5	-30.5	-30.4
2019		142.7	129.2	160.5	54.3	486.8	134.1	64.2	28.5	229.6	34.1	31.5	521.9	-35.2	-35.2
2020		124.9	101.0	135.4	53.2	414.5	138.1	70.0	24.5	248.1	33.4	34.1	548.1	-133.6	-133.6
2021		136.2	116.7	148.0	55.8	456.6	139.5	64.4	25.9	254.4	35.7	32.1	552.0	-95.5	-95.5
2018	II	138.4	120.1	146.0	50.5	455.1	124.8	60.9	28.9	210.5	33.8	28.8	487.7	-32.6	-32.5
	III	139.5	123.0	147.7	51.2	461.4	126.0	61.4	29.3	213.3	34.0	29.1	493.3	-31.8	-31.7
	IV	140.9	127.3	149.4	53.4	471.0	127.6	62.1	29.3	216.3	36.3	29.8	501.5	-30.5	-30.4
2019	I	142.3	127.0	152.4	54.6	476.3	129.3	62.7	28.9	219.2	36.3	30.7	507.2	-30.8	-31.0
	II	142.2	128.9	155.2	54.7	481.0	131.6	63.0	29.3	223.8	36.1	31.2	515.1	-34.2	-34.1
	III	143.0	130.8	157.9	55.3	486.9	132.7	63.5	28.8	225.8	37.0	32.1	520.0	-33.0	-33.0
	IV	142.7	129.2	160.5	54.3	486.8	134.1	64.2	28.5	229.6	34.1	31.5	521.9	-35.2	-35.2
2020	I	141.2	130.4	161.2	55.1	488.0	135.4	65.7	28.0	232.9	35.1	31.3	528.4	-40.4	-40.2
		Percentage of GDP, 4-quarter cumulated operations													
2013		11.1	10.0	12.4	5.3	38.8	11.2	5.5	3.5	19.5	3.4	2.8	45.8	-7.0	-6.7
2014		11.5	10.1	12.5	5.1	39.2	11.1	5.5	3.4	19.2	3.1	2.7	45.1	-5.9	-5.8
2015		11.7	9.9	12.2	4.8	38.7	11.1	5.5	3.0	18.4	3.3	2.6	43.9	-5.2	-5.1
2016		11.6	9.9	12.2	4.5	38.1	10.9	5.3	2.8	18.2	2.7	2.6	42.4	-4.3	-4.1
2017		11.6	10.1	12.3	4.2	38.2	10.6	5.2	2.5	17.9	2.6	2.4	41.2	-3.0	-3.0
2018		11.7	10.6	12.4	4.4	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019		11.5	10.4	12.9	4.4	39.1	10.8	5.2	2.3	18.4	2.7	2.5	41.9	-2.8	-2.8
2020		11.4	9.2	12.4	4.9	37.8	12.6	6.4	2.2	22.6	3.0	3.1	50.0	-12.2	-12.2
2021		11.4	9.8	12.4	4.7	38.2	11.7	5.4	2.2	21.3	3.0	2.7	46.2	-8.0	-8.0
2018	II	11.7	10.2	12.4	4.3	38.5	10.6	5.1	2.4	17.8	2.9	2.4	41.3	-2.8	-2.7
	III	11.7	10.3	12.4	4.3	38.8	10.6	5.2	2.5	17.9	2.9	2.4	41.4	-2.7	-2.7
	IV	11.7	10.6	12.4	4.4	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019	I	11.7	10.5	12.6	4.5	39.2	10.7	5.2	2.4	18.1	3.0	2.5	41.8	-2.5	-2.6
	II	11.6	10.5	12.7	4.5	39.3	10.7	5.1	2.4	18.3	2.9	2.5	42.1	-2.8	-2.8
	III	11.6	10.6	12.8	4.5	39.4	10.7	5.1	2.3	18.3	3.0	2.6	42.1	-2.7	-2.7
	IV	11.5	10.4	12.9	4.4	39.1	10.8	5.2	2.3	18.4	2.7	2.5	41.9	-2.8	-2.8
2020	I	11.4	10.5	13.0	4.5	39.4	10.9	5.3	2.3	18.8	2.8	2.5	42.7	-3.3	-3.2

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit (a)

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures.

Chart 6.2 - Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

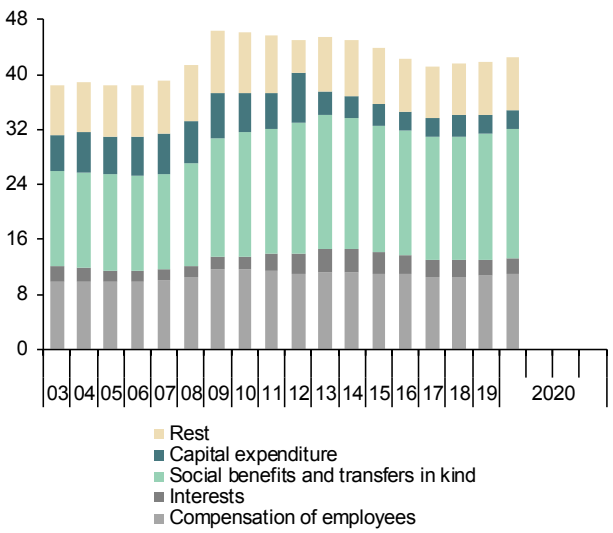


Table 7

Public sector balances, by level of Government

Forecasts in yellow

		Net lending (+)/ net borrowing (-) (a)					Debt				
		Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	Total Government (consolidated)
		EUR Billions, 4-quarter cumulated operations					EUR Billions, end of period				
2013		-46.5	-16.4	5.7	-11.3	-68.5	849.4	210.5	42.1	17.2	977.3
2014		-35.9	-18.7	5.5	-10.6	-59.7	901.4	237.9	38.3	17.2	1,039.4
2015		-28.2	-18.9	4.6	-12.9	-55.2	939.3	263.3	35.1	17.2	1,070.1
2016		-25.7	-9.5	7.0	-17.4	-45.6	968.4	277.0	32.2	17.2	1,104.6
2017		-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018		-15.9	-3.3	6.1	-17.4	-30.4	1,047.3	293.4	25.8	41.2	1,173.3
2019		-16.2	-6.8	3.8	-16.1	-35.2	1,061.2	295.1	23.2	55.0	1,188.9
2020		--	--	--	--	-133.6	--	--	--	--	1,311.8
2021		--	--	--	--	-95.5	--	--	--	--	1,437.2
2018	II	-18.6	-2.9	5.5	-16.5	-32.5	1,034.9	293.4	29.4	34.9	1,166.0
	III	-18.0	-2.9	5.2	-16.0	-31.7	1,048.7	292.4	28.0	34.9	1,177.7
	IV	-15.9	-3.3	6.1	-17.4	-30.4	1,047.3	293.4	25.8	41.2	1,173.3
2019	I	-18.0	-3.2	5.5	-15.3	-31.0	1,066.0	296.9	26.0	43.1	1,196.7
	II	-17.3	-3.9	5.5	-18.4	-34.1	1,072.0	300.6	26.2	48.7	1,207.4
	III	-11.5	-8.2	4.6	-17.8	-33.0	1,070.3	298.1	25.2	52.4	1,203.8
	IV	-16.2	-6.8	3.8	-16.1	-35.2	1,061.2	295.1	23.2	55.0	1,188.9
2020	I	-16.1	-6.9	3.6	-20.8	-40.2	1,094.9	297.9	22.9	55.0	1,224.2
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2013		-4.6	-1.6	0.6	-1.1	-6.7	83.3	20.6	4.1	1.7	95.8
2014		-3.5	-1.8	0.5	-1.0	-5.8	87.3	23.1	3.7	1.7	100.7
2015		-2.6	-1.8	0.4	-1.2	-5.1	87.2	24.4	3.3	1.6	99.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	86.9	24.9	2.9	1.5	99.2
2017		-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018		-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019		-1.3	-0.5	0.3	-1.3	-2.8	85.2	23.7	1.9	4.4	95.5
2020		--	--	--	--	-12.2	--	--	--	--	119.6
2021		--	--	--	--	-8.0	--	--	--	--	120.4
2018	II	-1.6	-0.2	0.5	-1.4	-2.7	87.5	24.8	2.5	2.9	98.6
	III	-1.5	-0.2	0.4	-1.3	-2.7	88.0	24.5	2.3	2.9	98.8
	IV	-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019	I	-1.5	-0.3	0.5	-1.3	-2.6	87.9	24.5	2.1	3.6	98.6
	II	-1.4	-0.3	0.4	-1.5	-2.8	87.6	24.6	2.1	4.0	98.7
	III	-0.9	-0.7	0.4	-1.4	-2.7	86.7	24.1	2.0	4.2	97.5
	IV	-1.3	-0.5	0.3	-1.3	-2.8	85.2	23.7	1.9	4.4	95.5
2020	I	-1.3	-0.6	0.3	-1.7	-3.3	88.6	24.1	1.9	4.4	99.0

(a) Excluding financial entities bail-out expenditures.

Sources: National Statistics Institute, Bank of Spain (Financial Accounts of the Spanish Economy), *and Funcas* (Forecasts).

Chart 7.1 - Government deficit

Percent of GDP, 4-quarter cumulated operations

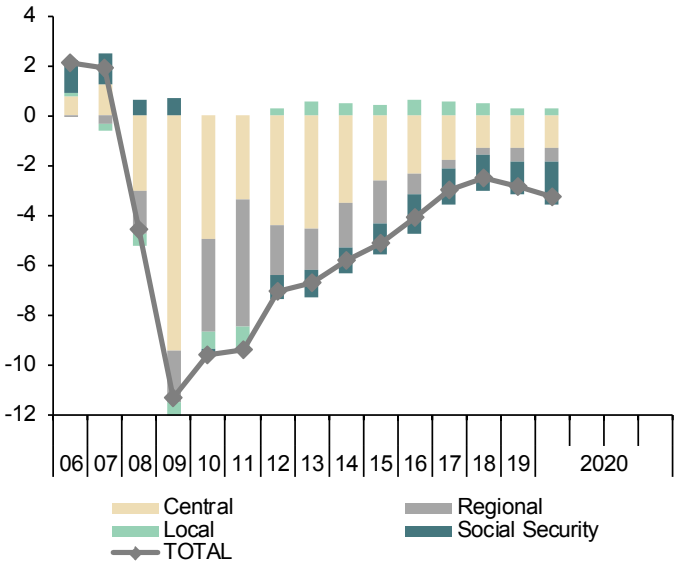


Chart 7.2 - Government debt

Percent of GDP

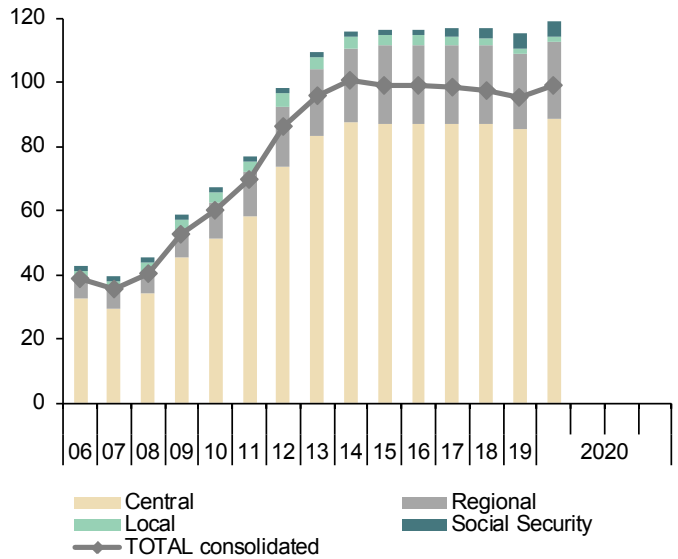


Table 8

General activity and industrial sector indicators (a)

	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing Turnover index deflated	Industrial orders
	Index	Index	Thousands	1,000 GWH	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2013	90.1	48.3	15,855.2	250.0	95.5	2,021.6	48.5	-14.0	93.2	-30.7
2014	100.5	55.1	16,111.1	249.6	96.8	2,022.8	53.2	-7.1	95.3	-16.3
2015	107.8	56.7	16,641.8	253.8	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016	105.6	54.9	17,157.5	253.8	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017	108.4	56.2	17,789.6	258.4	105.0	2,191.0	54.8	1.0	107.1	2.2
2018	108.0	54.6	18,364.5	259.3	105.3	2,250.9	53.3	-0.1	108.4	-0.2
2019	104.1	52.7	18,844.1	252.3	106.1	2,283.2	49.1	-3.9	108.9	-4.8
2020 (b)	89.2	39.9	18,387.9	158.2	93.4	2,236.7	45.7	-15.5	94.1	-33.7
2018 IV	105.9	53.7	18,580.7	64.1	104.8	2,265.6	51.8	-1.9	108.9	-2.4
2019 I	104.8	54.5	18,708.3	63.7	106.1	2,273.9	51.1	-3.8	109.3	-5.8
II	104.3	52.4	18,808.4	63.3	106.9	2,281.0	49.9	-4.6	109.8	-2.7
III	105.6	52.0	18,885.3	62.4	106.5	2,286.5	48.2	-2.0	109.4	-4.5
IV	101.8	51.9	18,969.0	63.0	105.2	2,291.5	47.2	-5.2	106.4	-6.3
2020 I	101.2	43.3	18,904.2	61.9	99.3	2,284.4	48.2	-5.4	98.6	-8.6
II	77.1	29.4	17,957.3	55.1	80.8	2,201.9	39.4	-27.8	88.2	-53.6
III (b)	89.4	50.6	18,245.7	40.1	100.1	2,222.5	51.7	-12.3	--	-41.5
2020 Jun	83.1	49.7	17,956.9	19.4	91.5	2,202.9	49.0	-23.2	85.0	-55.7
Jul	90.6	52.8	18,125.7	19.3	100.1	2,212.6	53.5	-12.7	--	-45.4
Aug	88.1	48.4	18,365.7	19.3	--	2,232.5	49.9	-11.8	--	-37.6
					Percentage changes (c)					
2013	--	--	-2.9	-2.2	-1.6	-4.4	--	--	-2.0	--
2014	--	--	1.6	-0.2	1.3	0.1	--	--	2.3	--
2015	--	--	3.3	1.7	3.4	2.2	--	--	4.8	--
2016	--	--	3.1	0.0	1.8	2.8	--	--	2.8	--
2017	--	--	3.7	1.8	3.2	3.1	--	--	4.2	--
2018	--	--	3.2	0.3	0.2	2.7	--	--	1.2	--
2019	--	--	2.6	-2.7	0.7	1.4	--	--	0.5	--
2020 (d)	--	--	-2.2	-6.5	-14.2	-1.8	--	--	-14.9	--
2018 IV	--	--	0.8	-1.9	-0.6	0.4	--	--	0.0	--
2019 I	--	--	0.7	-0.6	1.2	0.4	--	--	0.4	--
II	--	--	0.5	-0.7	0.8	0.3	--	--	0.4	--
III	--	--	0.4	-1.3	-0.3	0.2	--	--	-0.3	--
IV	--	--	0.4	1.0	-1.3	0.2	--	--	-2.8	--
2020 I	--	--	-0.3	-1.7	-5.6	-0.3	--	--	-7.3	--
II	--	--	-5.0	-11.1	-18.6	-3.6	--	--	-10.6	--
III (e)	--	--	1.6	9.1	23.8	0.9	--	--	--	--
2020 Jun	--	--	0.2	4.2	13.6	0.1	--	--	-3.6	--
Jul	--	--	0.9	3.8	9.3	0.4	--	--	--	--
Aug	--	--	1.3	1.9	--	0.9	--	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data, from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter. (f) Excluding domestic service workers and non-professional caregivers.

Sources: European Commision, Markit Economics Ltd., M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas.

Chart 8.1 - General activity indicators (I)

Annual percentage changes

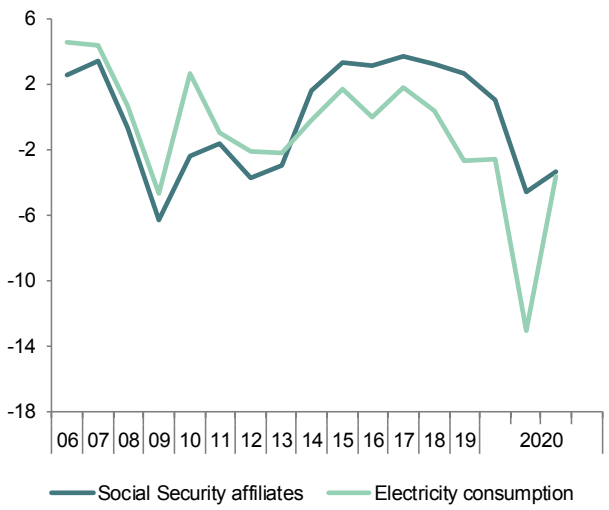


Chart 8.2 - General activity indicators (II)

Index

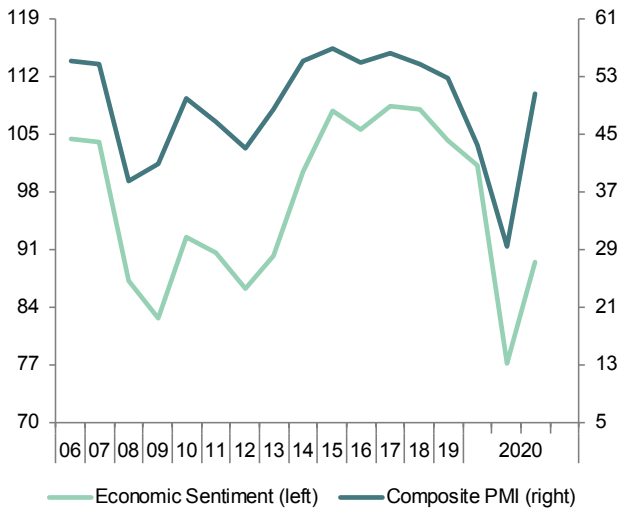


Chart 8.3 - Industrial sector indicators (I)

Annual percentage changes

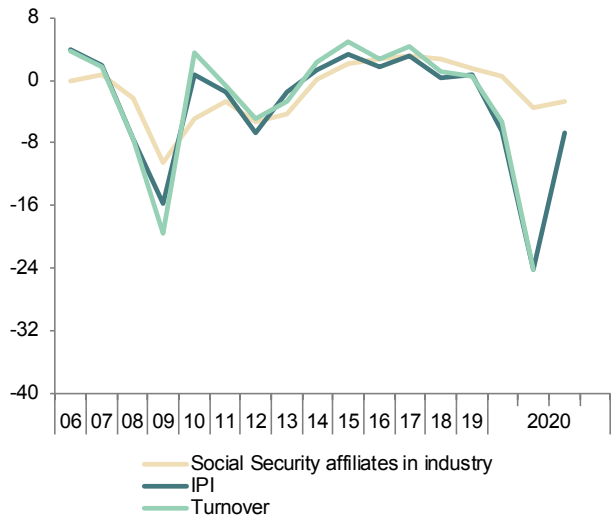


Chart 8.4 - Industrial sector indicators (II)

Index

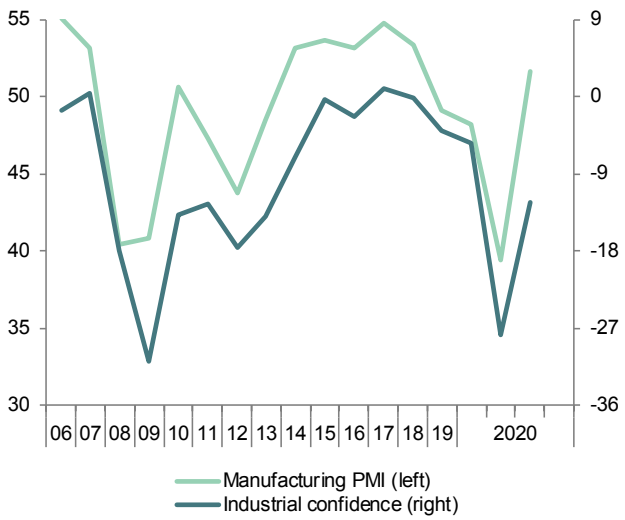


Table 9

Construction and services sector indicators (a)

	Construction indicators					Service sector indicators					
	Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
	Thousands	2015=100 (smoothed)	Balance of responses	EUR Billions (smoothed)	Million m^2	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2012	1,135.5	101.2	-54.9	7.4	8.5	11,909.7	94.8	43.1	280.7	193.2	-21.5
2013	996.8	93.6	-55.6	9.2	6.8	11,727.9	92.9	48.3	286.0	186.5	-15.3
2014	980.3	92.8	-41.4	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	9.9
2015	1,026.7	100.0	-25.3	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	19.4
2016	1,053.9	102.6	-39.6	9.2	12.7	12,851.6	104.2	55.0	331.2	229.4	17.8
2017	1,118.8	111.5	-26.9	12.7	15.9	13,338.2	111.0	56.4	340.6	248.4	22.5
2018	1,194.1	114.2	-4.6	16.6	19.8	13,781.3	117.5	54.8	340.0	262.9	21.7
2019	1,254.9	124.8	-7.0	18.2	20.0	14,169.1	122.2	53.9	343.0	276.8	13.9
2020 (b)	1,220.5	108.2	-19.0	7.3	6.5	13,813.2	97.3	39.0	55.6	59.1	-23.8
2018 IV	1,224.8	119.0	-1.6	4.9	5.0	13,943.8	120.1	54.0	86.4	67.7	18.0
2019 I	1,244.3	123.0	-0.6	5.0	5.2	14,041.0	121.7	55.3	87.5	69.3	15.5
II	1,251.8	125.1	-7.8	4.8	5.5	14,135.5	123.3	53.1	89.0	70.6	14.8
III	1,258.7	124.1	-7.4	4.4	4.8	14,208.3	123.6	53.5	88.6	70.0	14.2
IV	1,265.1	119.5	-12.4	3.9	4.5	14,287.9	119.8	53.6	80.4	63.3	11.0
2020 I	1,253.7	110.9	-8.6	3.4	4.6	14,250.7	108.2	42.5	56.9	45.3	7.8
II	1,166.6	104.1	-26.3	3.1	1.8	13,470.8	91.6	28.4	23.4	21.8	-47.1
III (b)	1,245.7	103.1	-23.5	2.1	--	13,668.0	--	49.8	1.7	6.7	-36.0
2020 Jun	1,207.7	103.3	-19.6	1.0	--	13,435.4	86.3	50.2	4.2	5.0	-40.2
Jul	1,233.5	103.1	-20.5	1.0	--	13,579.5	--	51.9	0.8	3.1	-33.7
Aug	1,257.9	--	-26.4	--	--	13,756.4	--	47.7	--	1.4	-38.3
					Percentage changes (c)						
2012	-17.0	-28.2	--	-45.5	-39.9	-2.2	-6.1	--	-2.1	-5.0	--
2013	-12.2	-7.5	--	23.2	-20.3	-1.5	-2.0	--	1.9	-3.5	--
2014	-1.7	-0.9	--	42.6	2.2	2.3	2.6	--	3.2	4.6	--
2015	4.7	7.8	--	-28.2	42.6	3.6	4.9	--	4.4	6.0	--
2016	2.6	2.6	--	-1.7	29.0	3.4	4.2	--	7.4	11.0	--
2017	6.2	8.7	--	37.1	24.8	3.8	6.6	--	2.8	8.3	--
2018	6.7	2.5	--	30.8	24.5	3.3	5.8	--	-0.2	5.8	--
2019	5.1	9.2	--	10.1	1.3	2.8	4.0	--	0.9	5.3	--
2020 (d)	-2.5	-16.6	--	-36.0	-27.3	-2.2	-18.8	--	-71.1	-68.7	--
2018 IV	1.6	2.8	--	30.3	23.3	0.8	1.2	--	1.0	2.1	--
2019 I	1.6	3.3	--	32.5	11.0	0.7	1.3	--	1.3	2.3	--
II	0.6	1.7	--	23.1	6.8	0.7	1.3	--	1.7	1.8	--
III	0.6	-0.8	--	0.1	-3.4	0.5	0.3	--	-0.4	-0.8	--
IV	0.5	-3.7	--	-20.0	-8.8	0.6	-3.1	--	-9.3	-9.6	--
2020 I	-0.9	-7.2	--	-31.9	-11.7	-0.3	-9.7	--	-29.2	-28.5	--
II	-7.0	-6.1	--	-34.8	-49.4	-5.5	-15.3	--	-58.9	-51.8	--
III (e)	6.8	-1.0	--	-31.9	--	1.5	--	--	-89.2	-69.2	--
2020 Jun	3.1	-0.5	--	-33.7	--	0.0	-5.8	--	-45.4	-30.0	--
Jul	2.1	-0.3	--	-31.9	--	1.1	--	--	-80.0	-37.6	--
Aug	2.0	--	--	--	--	1.3	--	--	--	-56.7	--

(a) Seasonally adjusted, except for annual data and (f). (b) Period with available data. (c) Percent change from the previous quarter for quarterly data, from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter. (f) Percent changes are over the same period of the previous year. (g) Excluding domestic service workers and non-professional caregivers.

Sources: European Commision, Markit Economics Ltd., M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

Chart 9.1 - Construction indicators (I)

Annual percentage changes and index

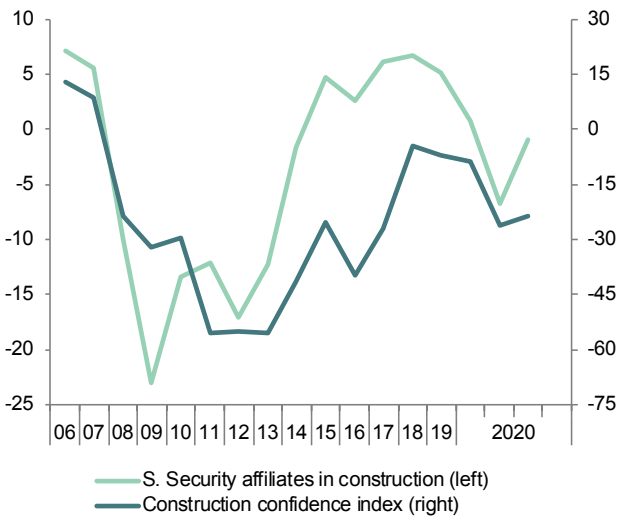


Chart 9.2 - Construction indicators (II)

Annual percentage changes

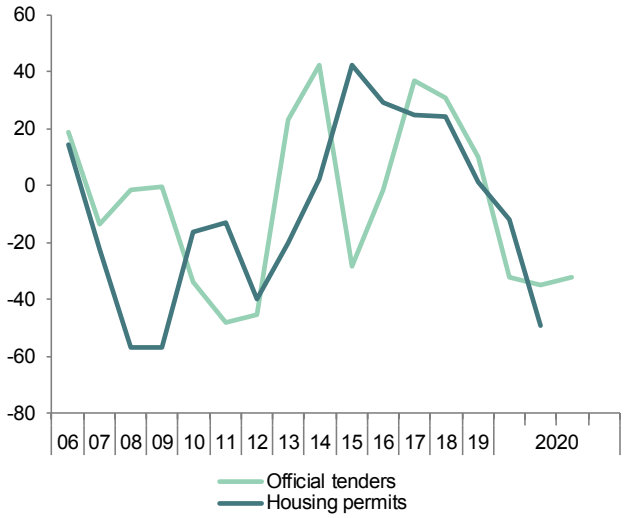


Chart 9.3 - Services indicators (I)

Annual percentage changes

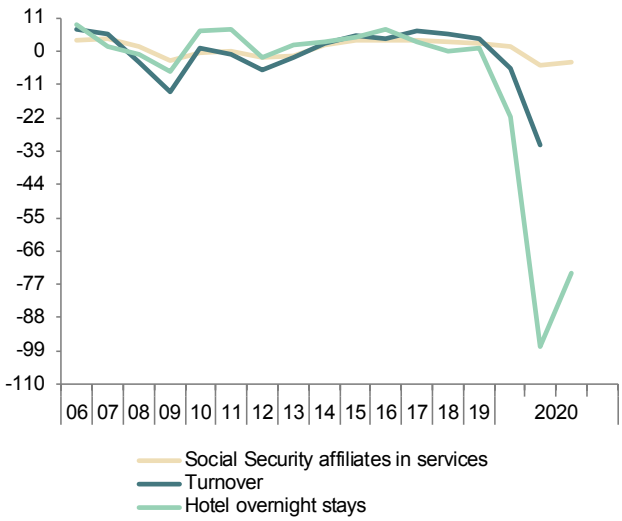


Chart 9.4 - Services indicators (II)

Index

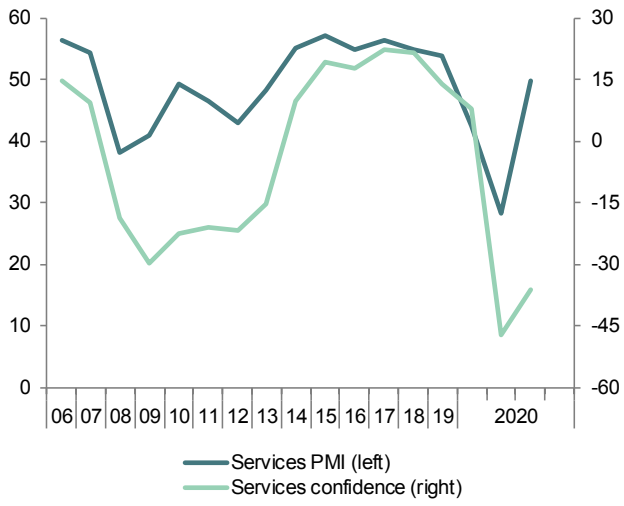


Table 10

Consumption and investment indicators (a)

		Consumption indicators					Investment in equipment indicators		
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)
2012		98.8	710.6	-33.7	102.1	-24.2	107.7	-38.6	60.6
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4
2019		107.9	1,375.6	-6.3	119.6	-2.6	220.9	8.8	105.6
2020 (b)		95.3	503.9	-21.1	24.9	-25.5	101.0	-29.2	87.1
2018	IV	106.2	349.8	-6.2	29.7	-6.3	57.9	8.8	105.9
2019	I	107.2	345.6	-4.8	30.2	-1.5	57.7	10.9	106.4
	II	108.2	344.9	-4.0	30.7	-1.0	56.6	16.4	107.4
	III	108.2	336.3	-5.8	30.5	-5.9	53.8	6.8	106.2
	IV	105.8	304.7	-10.5	27.6	-2.0	48.4	1.2	101.2
2020	I	100.3	245.1	-10.3	20.1	-3.3	40.7	-11.4	93.2
	II	95.7	210.0	-27.9	10.1	-41.7	37.4	-41.0	84.3
	III (b)	94.8	151.7	-27.2	1.5	-34.4	27.2	-38.0	--
2020	Jun	95.1	70.7	-25.6	2.4	-45.8	12.7	-38.6	81.7
	Jul	94.8	73.9	-25.6	1.5	-29.6	13.3	-46.6	--
	Aug	--	77.8	-28.7	--	-39.3	13.9	-29.4	--
		Percentage changes (c)							
2012		-7.4	-12.1	--	-8.4	--	-24.2	--	-10.9
2013		-3.8	4.5	--	-1.4	--	-0.1	--	13.7
2014		1.1	19.9	--	4.1	--	27.8	--	18.4
2015		4.2	22.9	--	5.3	--	31.1	--	14.4
2016		3.9	12.4	--	3.6	--	6.1	--	4.1
2017		0.8	9.1	--	1.4	--	8.5	--	6.4
2018		0.7	6.1	--	0.6	--	10.8	--	2.0
2019		2.3	-3.4	--	2.6	--	-4.0	--	0.2
2020 (d)		-9.9	-40.2	--	-62.8	--	-33.4	--	-17.3
2018	IV	0.7	-2.8	--	1.7	--	-0.5	--	-3.1
2019	I	1.0	-1.2	--	1.6	--	-0.4	--	1.9
	II	0.9	-0.2	--	1.8	--	-1.8	--	3.9
	III	0.0	-2.5	--	-0.6	--	-5.0	--	-4.6
	IV	-2.2	-9.4	--	-9.4	--	-10.1	--	-17.4
2020	I	-5.2	-19.5	--	-27.4	--	-15.9	--	-28.3
	II	-4.6	-14.3	--	-49.5	--	-8.0	--	-33.0
	III (e)	-0.9	8.4	--	-54.2	--	8.9	--	--
2020	Jun	-0.5	2.3	--	-27.9	--	3.0	--	-3.0
	Jul	-0.3	4.6	--	-35.7	--	4.4	--	--
	Aug	--	5.2	--	--	--	4.6	--	--

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data, from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter.

Sources: European Commision, M. of Economy, M. of Industry, National Statistics Institute, DGT, ANFAC and Funcas.

Chart 10.1 - Consumption indicators

Annual percentage changes and balance of responses

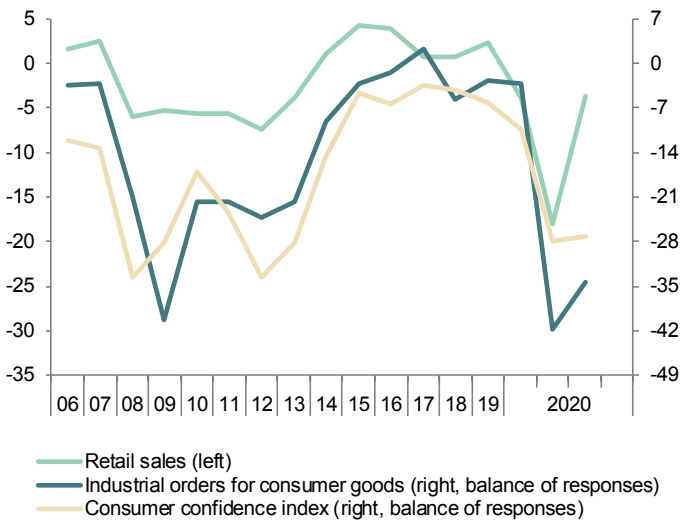


Chart 10.2 - Investment indicators

Annual percentage changes and balance of responses

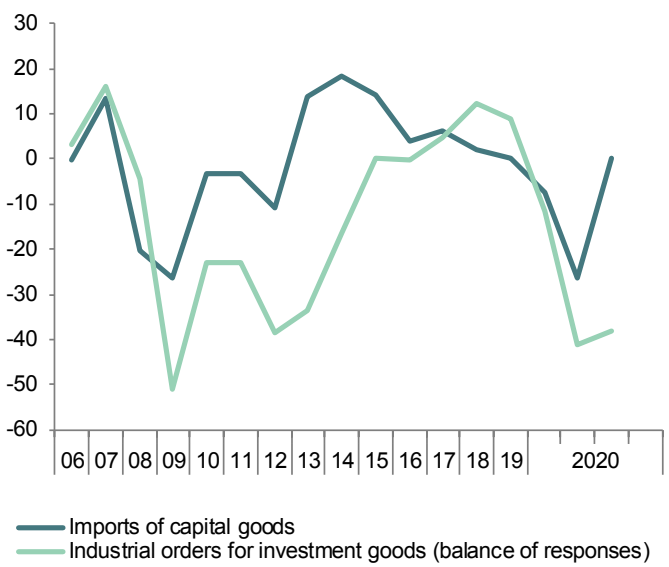


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted					
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2013		38.6	23.2	--	17.1	--	6.1	--	60.0	44.4	26.1	55.5	24.4	37.0
2014		38.5	23.0	--	17.3	--	5.6	--	59.6	45.0	24.4	53.2	23.0	34.5
2015		38.5	22.9	--	17.9	--	5.1	--	59.5	46.4	22.1	48.3	20.9	30.5
2016		38.5	22.8	--	18.3	--	4.5	--	59.2	47.6	19.6	44.4	18.7	26.6
2017		38.7	22.7	--	18.8	--	3.9	--	58.8	48.7	17.2	38.6	16.3	23.8
2018		38.9	22.8	--	19.3	--	3.5	--	58.6	49.7	15.3	34.4	14.3	21.9
2019		39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.6	13.2	20.1
2020		39.6	22.8	--	18.9	--	3.9	--	57.6	47.8	17.0	--	--	--
2021		39.8	23.2	--	19.2	--	4.0	--	58.4	48.3	17.2	--	--	--
2018	II	38.8	22.8	22.8	19.3	19.2	3.5	3.6	58.7	49.4	15.3	34.7	14.3	21.9
	III	38.9	22.9	22.8	19.5	19.3	3.3	3.5	58.6	49.6	14.6	33.0	13.7	20.6
	IV	39.0	22.9	22.8	19.6	19.4	3.3	3.4	58.6	49.8	14.4	33.5	13.5	20.8
2019	I	39.1	22.8	22.9	19.5	19.6	3.4	3.3	58.5	50.0	14.7	35.0	13.8	20.9
	II	39.2	23.0	23.0	19.8	19.6	3.2	3.3	58.6	50.0	14.0	33.2	13.1	20.3
	III	39.3	23.1	23.0	19.9	19.7	3.2	3.4	58.6	50.0	13.9	31.7	13.1	19.3
	IV	39.4	23.2	23.1	20.0	19.8	3.2	3.3	58.7	50.3	13.8	30.5	12.8	20.0
2020	I	39.5	23.0	23.0	19.7	19.8	3.3	3.3	58.3	50.0	14.4	33.0	13.3	21.2
	II	39.6	22.0	21.9	18.6	18.4	3.4	3.5	55.4	46.6	15.3	39.6	13.9	24.9
		Percentage changes (d)							Difference from one year ago					
2013		-0.5	-1.1	--	-2.8	--	4.1	--	-0.4	-1.1	1.3	2.6	1.5	1.1
2014		-0.3	-1.0	--	1.2	--	-7.3	--	-0.4	0.7	-1.7	-2.3	-1.4	-2.5
2015		0.0	-0.1	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0
2016		0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9
2019		1.0	1.0	--	2.3	--	-6.6	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		0.8	-1.0	--	-4.3	--	19.4	--	-1.0	-2.5	2.9	--	--	--
2021		0.4	1.8	--	1.5	--	3.3	--	0.8	0.5	0.2	--	--	--
2018	II	0.5	0.5	0.2	2.8	1.1	-10.8	-4.4	-0.1	1.1	-1.9	-4.8	-2.0	-1.7
	III	0.6	0.3	0.1	2.5	0.7	-10.9	-2.9	-0.2	0.9	-1.8	-3.0	-1.8	-2.1
	IV	0.8	0.5	0.2	3.0	0.7	-12.3	-2.6	-0.2	1.1	-2.1	-3.9	-2.0	-2.8
2019	I	0.9	0.7	0.1	3.2	0.6	-11.6	-2.5	-0.1	1.1	-2.0	-1.4	-1.9	-3.4
	II	1.0	0.9	0.4	2.4	0.3	-7.4	0.5	-0.1	0.7	-1.3	-1.5	-1.3	-1.7
	III	1.1	1.0	0.4	1.8	0.2	-3.4	1.2	0.0	0.4	-0.6	-1.3	-0.6	-1.3
	IV	1.0	1.3	0.4	2.1	0.9	-3.4	-2.5	0.1	0.5	-0.7	-3.0	-0.7	-0.8
2020	I	1.0	0.7	-0.4	1.1	-0.4	-1.2	-0.4	-0.2	0.0	-0.3	-2.0	-0.4	0.4
	II	0.9	-4.6	-4.9	-6.0	-6.7	4.3	6.0	-3.2	-3.5	1.3	6.5	0.8	4.7

(a) Labour force aged 16 or more over population aged 16 or more. (b) Employed aged 16 or more over population aged 16 or more. (c) Unemployed in each group over labour force in that group. (d) Annual percentage changes for original data; quarterly percentage changes for S.A. data.

Source: INE (Labour Force Survey) *and Funcas.*

Chart 11a.1 - Labour force, employment and unemployment, SA

Annual growth rates and percentage of active population

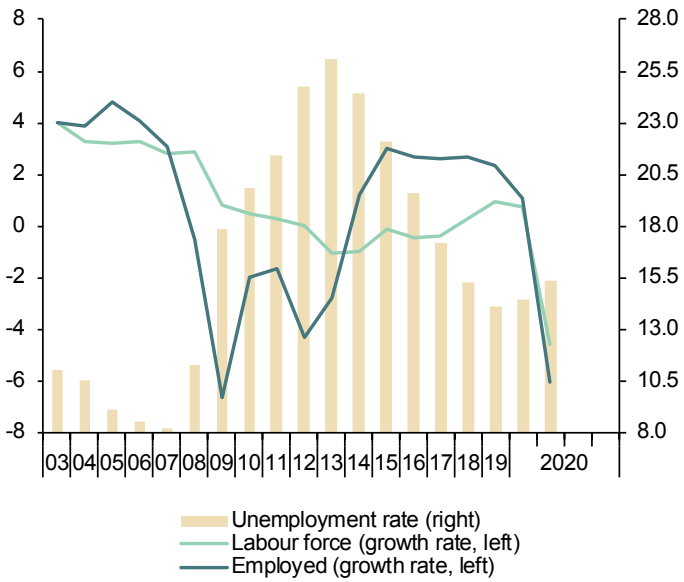


Chart 11a.2 - Unemployment rates, S.A.

Percentage

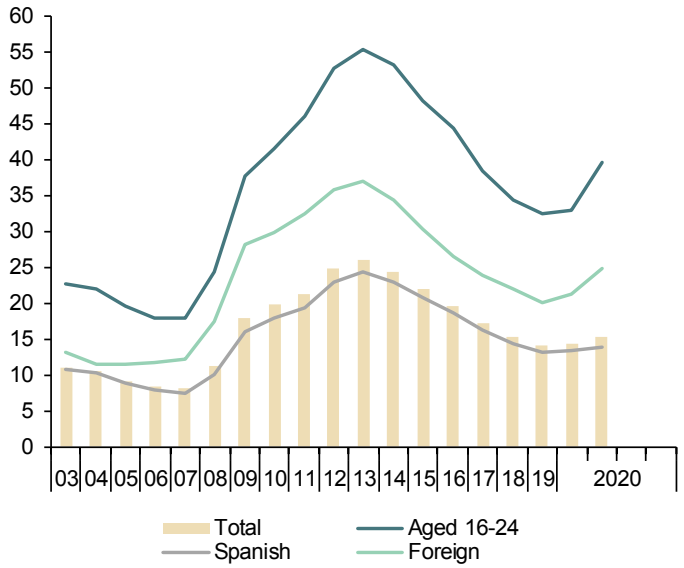


Table 11b

Labour market (II)

	Employed by sector				Employed by professional situation					Employed by duration of the working-day		
					Employees							
						By type of contract						
	Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	Part-time employment rate (b)
	1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
	Million (original data)											
2013	0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.80
2014	0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91
2015	0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74
2016	0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21
2017	0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97
2018	0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31
2019	0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.95	2.83	14.30
2020 (c)	0.77	2.71	1.22	14.44	16.04	3.81	12.24	23.7	3.10	16.48	2.67	13.93
2018 II	0.82	2.72	1.22	14.58	16.26	4.36	11.90	26.8	3.09	16.71	2.64	13.63
III	0.77	2.73	1.24	14.79	16.43	4.51	11.93	27.4	3.09	16.81	2.71	13.90
IV	0.83	2.71	1.28	14.75	16.45	4.42	12.03	26.9	3.11	16.67	2.89	14.80
2019 I	0.84	2.71	1.28	14.64	16.36	4.23	12.12	25.9	3.11	16.57	2.90	14.90
II	0.81	2.76	1.28	14.95	16.69	4.40	12.29	26.4	3.12	16.85	2.95	14.90
III	0.75	2.82	1.27	15.04	16.79	4.48	12.31	26.7	3.08	17.09	2.79	14.03
IV	0.79	2.76	1.28	15.13	16.85	4.40	12.45	26.1	3.12	17.30	2.67	13.38
2020 I	0.78	2.77	1.28	14.85	16.56	4.14	12.42	25.0	3.12	16.83	2.85	14.47
II	0.76	2.64	1.17	14.03	15.53	3.47	12.06	22.4	3.08	16.12	2.49	13.36
	Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
2013	-0.9	-5.2	-11.4	-1.7	-3.5	-4.6	-3.1	-0.3	0.4	-4.3	6.0	1.3
2014	-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1
2015	0.1	4.3	8.1	2.6	3.4	8.3	1.9	1.1	1.1	3.2	1.9	-0.2
2016	5.1	1.6	0.0	2.9	3.1	6.8	1.8	0.9	0.7	3.3	-0.8	-0.5
2017	5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2
2018	-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7
2019	-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.6	0.5	2.3	2.3	0.0
2020 (d)	-6.1	-1.1	-4.3	-2.4	-2.9	-11.8	0.3	-2.4	-0.5	-1.4	-8.8	-1.0
2018 II	-1.2	3.3	7.2	2.6	3.6	3.6	3.6	0.0	-1.2	4.8	-8.1	-1.6
III	-1.1	2.1	7.4	2.4	3.3	3.5	3.2	0.1	-1.5	3.0	-0.4	-0.4
IV	0.6	-0.1	11.9	3.0	3.3	3.9	3.1	0.2	1.1	2.9	3.2	0.0
2019 I	0.7	1.2	11.2	3.0	3.6	2.7	3.9	-0.2	1.0	3.2	3.1	0.0
II	-1.6	1.5	5.0	2.5	2.7	1.0	3.3	-0.4	1.0	0.9	11.9	1.3
III	-2.9	3.3	2.4	1.7	2.2	-0.7	3.3	-0.8	-0.3	1.6	2.8	0.1
IV	-3.8	2.0	0.3	2.5	2.4	-0.5	3.4	-0.8	0.3	3.8	-7.7	-1.4
2020 I	-6.5	2.2	-0.3	1.4	1.2	-2.2	2.4	-0.9	0.2	1.6	-1.8	-0.4
II	-5.7	-4.4	-8.4	-6.2	-7.0	-21.1	-1.9	-4.0	-1.2	-4.3	-15.8	-1.5

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Period with available data. (d) Growth of available period over the same period of the previous year.

Source: INE (Labour Force Survey).

Chart 11b.1 - Employment by sector

Annual percentage changes

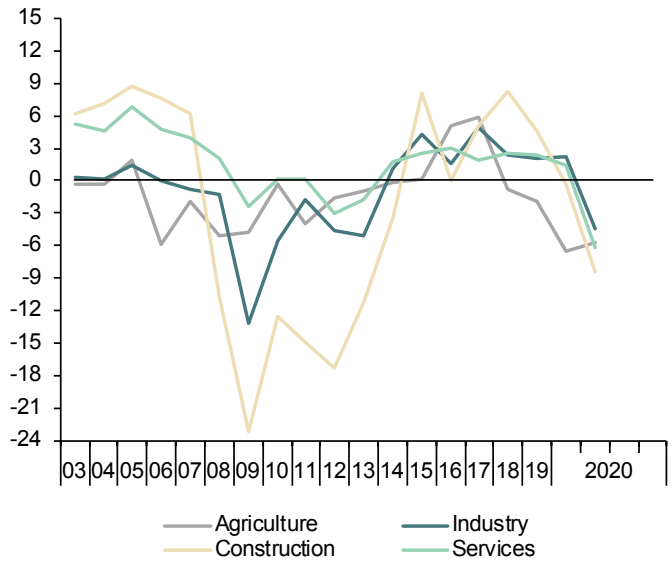


Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

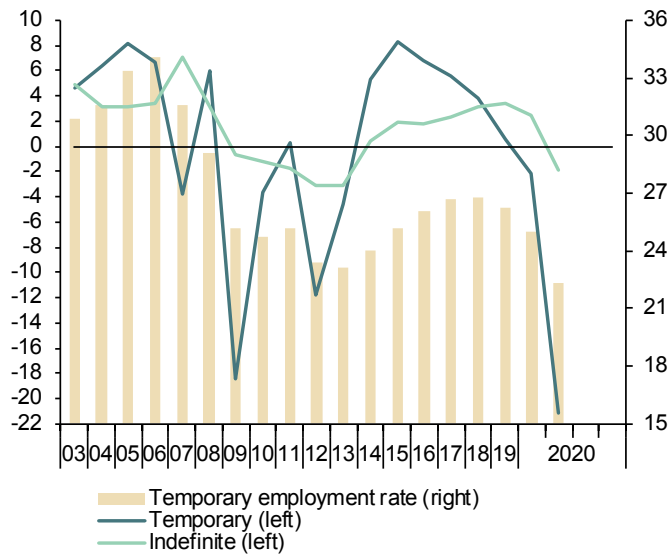


Table 12

Index of Consumer Prices

Forecasts in yellow

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2019		100.00	65.72	80.55	24.81	40.91	14.83	7.51	11.95	22.34
Indexes, 2016 = 100										
2014		100.7	98.7	98.6	99.2	98.3	98.2	96.0	120.3	97.6
2015		100.2	99.2	99.2	99.5	98.9	99.2	97.7	109.4	98.7
2016		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2017		102.0	101.1	101.1	100.2	101.6	100.7	102.6	108.0	101.3
2018		103.7	102.1	102.0	100.2	103.1	101.7	105.8	114.7	103.1
2019		104.4	103.0	102.9	100.4	104.6	102.2	107.8	113.2	104.0
2020		104.2	103.8	103.7	100.6	105.6	103.7	112.0	102.5	106.4
2021		105.1	104.6	104.6	100.8	106.8	104.7	115.2	102.6	108.1
Annual percentage changes										
2014		-0.2	0.0	0.0	-0.4	0.1	0.4	-1.2	-0.8	-0.1
2015		-0.5	0.5	0.6	0.3	0.7	0.9	1.8	-9.0	1.2
2016		-0.2	0.8	0.8	0.5	1.1	0.8	2.3	-8.6	1.3
2017		2.0	1.1	1.1	0.2	1.6	0.7	2.6	8.0	1.3
2018		1.7	0.9	0.9	0.0	1.5	1.0	3.1	6.1	1.8
2019		0.7	1.0	0.9	0.3	1.4	0.5	1.9	-1.2	0.9
2020		-0.2	0.7	0.8	0.2	1.0	1.4	3.9	-9.5	2.3
2021		0.9	0.8	0.8	0.2	1.2	1.0	2.8	0.1	1.6
2020	Jan	1.1	1.0	1.0	0.3	1.4	1.0	3.5	0.0	1.8
	Feb	0.7	1.1	1.2	0.4	1.5	1.3	2.7	-3.3	1.8
	Mar	0.0	1.0	1.1	0.3	1.4	1.4	3.9	-9.7	2.2
	Apr	-0.7	0.9	1.1	0.3	1.3	1.9	6.9	-17.1	3.5
	May	-0.9	0.9	1.1	0.1	1.3	2.0	5.4	-17.7	3.1
	Jun	-0.3	0.8	1.0	0.1	1.3	1.7	4.1	-11.9	2.5
	Jul	-0.6	0.4	0.6	0.4	0.4	1.4	3.1	-10.7	2.0
	Aug	-0.5	0.2	0.4	0.3	0.2	1.2	3.5	-9.3	2.0
	Sep	-0.2	0.5	0.7	0.3	0.6	1.4	4.0	-8.4	2.2
	Oct	-0.4	0.4	0.6	0.1	0.6	1.3	3.7	-9.4	2.1
	Nov	-0.3	0.4	0.6	0.1	0.7	1.3	3.1	-8.5	1.9
	Dec	-0.1	0.5	0.7	0.1	0.7	1.4	3.1	-7.5	2.0
2021	Jan	-0.2	0.6	0.8	0.1	0.9	1.4	3.4	-9.1	2.1
	Feb	-0.1	0.5	0.6	0.1	0.8	1.1	4.0	-7.4	2.0
	Mar	0.6	0.6	0.7	0.2	0.9	0.9	3.3	-1.8	1.7
	Apr	1.0	0.5	0.5	0.2	0.7	0.5	0.4	5.9	0.4
	May	1.3	0.6	0.6	0.2	0.8	0.4	1.8	6.7	0.8
	Jun	1.0	0.5	0.6	0.3	0.7	0.7	2.7	3.1	1.4
	Jul	1.2	1.0	1.0	0.1	1.6	1.0	3.6	1.2	1.9
	Aug	1.3	1.2	1.2	0.2	1.9	1.1	3.0	1.0	1.7
	Sep	1.1	0.9	1.0	0.2	1.4	1.2	3.0	0.7	1.8
	Oct	1.2	1.0	1.0	0.2	1.5	1.2	3.0	1.3	1.8
	Nov	1.2	1.0	1.0	0.2	1.5	1.3	3.0	1.0	1.8
	Dec	1.1	0.9	1.0	0.2	1.3	1.3	3.0	0.6	1.9

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

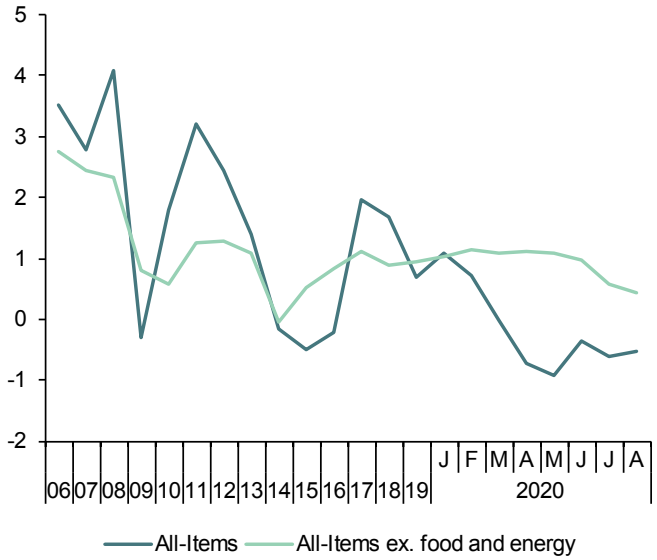


Chart 12.2 - Inflation rate (II)

Annual percentage changes

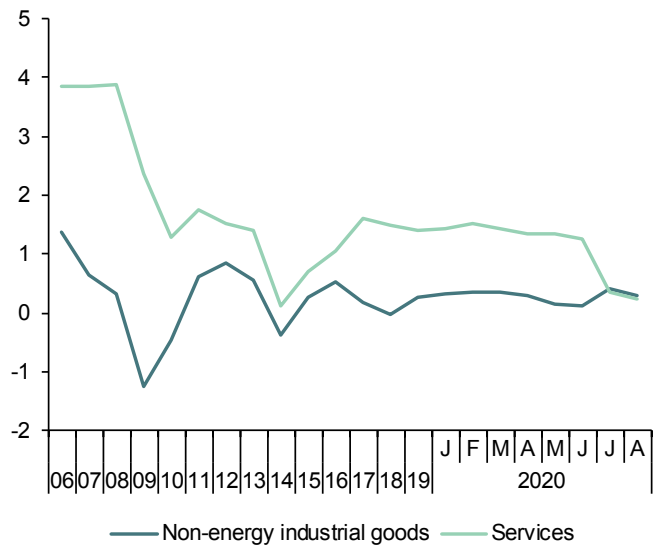


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2010=100	2015=100		2007=100			2000=100				
2013		100.1	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014		99.9	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.4	--
2015		100.5	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016		100.8	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.2	--
2017		102.2	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.3	--
2018		103.3	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019		104.9	103.6	103.2	83.3	79.8	57.7	148.7	146.4	155.7	162.7	--
2020 (b)		106.0	98.9	103.0	84.7	79.0	54.5	141.7	138.3	152.0	169.4	--
2018	III	103.3	105.6	103.1	80.5	77.3	55.7	141.3	138.0	151.4	163.3	--
	IV	103.9	105.2	103.0	80.9	78.7	56.6	152.2	152.7	150.6	166.8	--
2019	I	104.2	104.2	103.0	82.1	79.6	57.3	144.1	140.5	155.2	152.2	--
	II	104.8	104.3	103.4	83.0	79.6	59.0	150.6	149.2	155.0	160.4	--
	III	104.9	103.3	103.2	84.3	79.7	58.2	144.3	140.6	155.9	167.0	--
	IV	105.8	102.8	103.0	83.8	80.4	56.5	155.7	155.4	156.6	171.2	--
2020	I	105.9	101.4	103.5	84.7	79.8	58.9	145.3	141.5	156.7	158.5	--
	II (b)	106.2	96.3	102.7	84.8	78.3	50.1	138.1	135.1	147.2	180.3	--
2020	May	--	95.5	102.5	--	--	--	--	--	--	--	--
	Jun	--	97.5	102.5	--	--	--	--	--	--	--	--
	Jul	--	99.3	102.7	--	--	--	--	--	--	--	--
		Annual percent changes (c)										
2013		0.4	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.3	0.5
2014		-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.5
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.7	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.2	1.0
2017		1.4	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.1	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.4	1.8
2019		1.6	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020 (d)		1.5	-5.2	-0.2	2.7	-0.7	-6.3	-3.9	-4.5	-2.0	8.4	1.9
2018	III	0.9	5.0	1.1	7.2	3.2	-4.3	1.9	1.9	1.9	2.8	1.7
	IV	1.3	3.1	0.8	6.6	3.9	3.0	0.9	0.9	0.7	1.2	1.8
2019	I	1.4	1.9	0.2	6.8	4.4	-2.1	2.1	1.7	3.0	2.5	2.2
	II	1.6	0.9	0.3	5.3	3.1	0.9	2.5	2.1	3.6	3.1	2.2
	III	1.6	-2.2	0.1	4.7	3.1	4.5	2.2	1.9	3.0	2.3	2.3
	IV	1.7	-2.3	0.0	3.6	2.1	-0.2	2.3	1.8	4.0	2.7	2.3
2020	I	1.6	-2.7	0.4	3.2	0.3	2.8	0.8	0.7	1.0	4.2	2.0
	II (e)	1.3	-7.7	-0.7	2.1	-1.7	-15.1	-8.3	-9.4	-5.0	12.4	2.0
2020	Jun	--	-5.9	-0.8	--	--	--	--	--	--	--	2.0
	Jul	--	-4.8	-0.6	--	--	--	--	--	--	--	1.9
	Aug	--	--	--	--	--	--	--	--	--	--	1.9

(a) Seasonally adjusted. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data, from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Growth of the average of available months over the monthly average of the previous quarter.

Sources: M. of Public Works, M. of Labour and INE (National Statistics Institute).

Chart 13.1 - Housing and urban land prices

Index (2007=100)

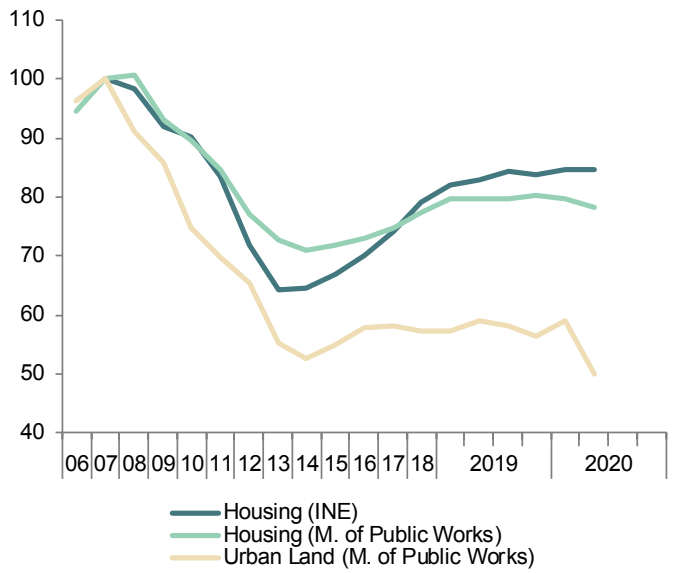


Chart 13.2 - Wage costs

Annual percent change

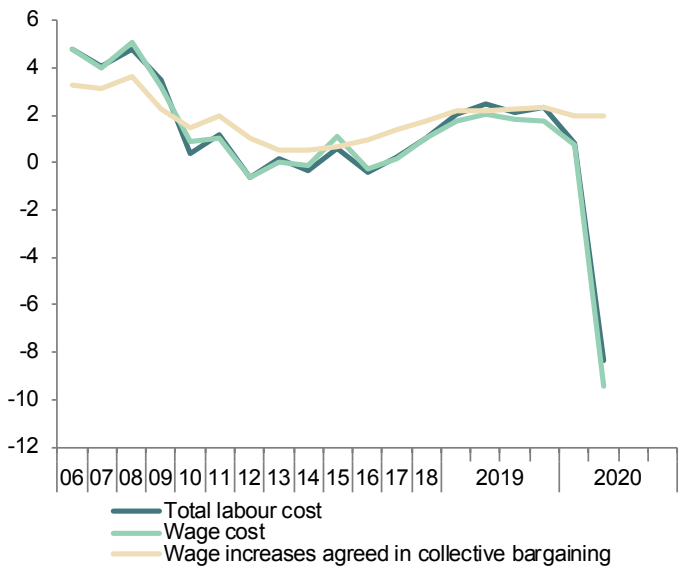


Table 14

External trade (a)

		Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
		Nominal	Prices	Real	Nominal	Prices	Real					
		2005=100			2005=100			EUR Billions				
2013		152.1	110.5	137.7	108.3	109.8	98.7	12.3	7.3	-1.4	2.1	1.4
2014		155.2	109.4	141.9	114.0	107.3	106.3	12.7	7.3	-2.1	1.1	0.9
2015		161.2	110.1	146.5	118.0	104.6	112.9	13.5	7.3	-2.1	0.2	0.6
2016		165.4	108.2	153.0	117.5	101.3	116.1	14.2	7.2	-1.4	0.3	1.2
2017		178.2	108.9	163.7	129.8	106.1	122.4	15.1	7.9	-2.2	0.0	1.3
2018		184.0	112.1	164.2	137.2	110.9	123.8	15.6	8.1	-2.9	-0.3	1.3
2019		187.1	112.9	165.9	138.3	110.8	124.9	15.9	8.3	-2.7	-0.4	1.4
2020 (b)		157.4	171.4	91.8	112.0	149.8	74.8	12.5	8.2	-1.3	-0.1	1.4
2018	I	185.2	110.9	167.0	134.5	108.2	124.4	14.3	9.5	-2.3	0.2	0.9
2018	II	184.7	111.3	166.0	138.4	109.1	126.8	13.9	9.8	-3.1	-0.6	0.4
	III	187.4	112.6	166.3	138.4	112.5	123.0	14.1	10.0	-2.7	-0.2	0.8
	IV	183.9	113.5	162.0	138.5	113.7	121.8	13.7	9.9	-3.2	-0.4	0.6
2019	I	182.6	112.8	161.9	137.4	110.1	124.8	14.0	9.4	-3.2	-0.6	0.8
	II	196.1	111.7	175.5	141.7	110.4	128.4	14.9	10.3	-2.3	-0.1	1.1
	III	187.8	112.5	167.0	140.7	109.5	128.6	14.1	10.0	-3.1	-0.9	0.4
	IV	187.5	114.3	164.1	135.5	113.1	119.8	14.1	10.0	-2.2	0.1	0.8
2020	I	174.5	113.4	153.9	128.5	111.1	115.7	13.4	9.0	-2.5	-0.2	0.8
	II	140.3	111.6	125.8	95.5	104.7	91.1	11.0	7.0	-0.5	0.3	1.7
2020	Apr	120.0	110.2	108.9	88.6	102.7	86.2	9.0	6.4	-1.7	-0.8	0.8
	May	135.7	113.3	119.8	92.1	104.5	88.1	10.9	6.5	-0.4	0.2	2.0
	Jun	165.2	111.2	148.6	105.7	106.7	99.0	13.2	8.0	0.7	1.5	2.4
		Percentage changes (c)								Percentage of GDP		
2013		4.3	-0.2	4.5	-2.2	-4.2	2.1	3.1	6.3	-1.6	2.5	1.7
2014		2.0	-0.9	3.0	5.2	-2.3	7.7	3.5	-0.4	-2.4	1.3	1.0
2015		3.8	0.6	3.2	3.5	-2.5	6.1	5.8	0.4	-2.3	0.2	0.7
2016		2.6	-1.7	4.4	-0.4	-3.1	2.8	5.3	-2.3	-1.6	0.3	1.2
2017		7.7	0.7	7.0	10.5	4.7	5.5	6.5	10.1	-2.3	0.0	1.3
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.4	3.1	-2.9	-0.3	1.3
2019		1.7	0.7	1.0	0.8	-0.1	0.8	1.7	1.7	-2.6	-0.4	1.4
2020 (d)		-15.8	0.3	-16.1	-18.8	-1.7	-17.3	-14.6	-17.5	--	--	--
2018	I	0.9	0.6	0.3	1.7	0.6	1.1	3.1	-2.3	-2.3	0.2	0.9
	II	-0.3	0.3	-0.6	2.8	0.9	1.9	-2.5	3.2	-3.1	-0.6	0.4
	III	1.4	1.3	0.2	0.0	3.1	-3.0	1.0	2.0	-2.7	-0.2	0.8
	IV	-1.9	0.8	-2.6	0.1	1.0	-0.9	-2.6	-0.8	-3.1	-0.4	0.6
2019	I	-0.7	-0.6	-0.1	-0.8	-3.1	2.4	1.9	-4.3	-3.1	-0.6	0.8
	II	7.4	-0.9	8.4	3.1	0.2	2.9	6.4	8.9	-2.2	-0.1	1.0
	III	-4.2	0.7	-4.9	-0.7	-0.8	0.1	-5.3	-2.7	-3.0	-0.9	0.4
	IV	-0.2	1.6	-1.7	-3.7	3.4	-6.8	0.1	-0.6	-2.1	0.1	0.8
2020	I	-6.9	-0.8	-6.2	-5.2	-1.8	-3.4	0.0	0.0	-2.5	-0.2	0.8
	II	-19.6	-1.6	-18.3	-25.7	-5.7	-21.2	0.0	0.0	-0.6	0.4	2.1
2020	Apr	-22.8	-2.6	-20.7	-23.9	-6.8	-18.3	-23.6	-21.7	--	--	--
	May	13.1	2.8	10.1	4.0	1.7	2.2	20.9	2.1	--	--	--
	Jun	21.7	-1.8	24.0	14.8	2.2	12.4	21.2	22.6	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data, from the previous month for monthly data. (d) Growth of available period over the same period of the previous year.

Source: Ministry of Economy.

Chart 14.1 - External trade (real)

Annual percent change

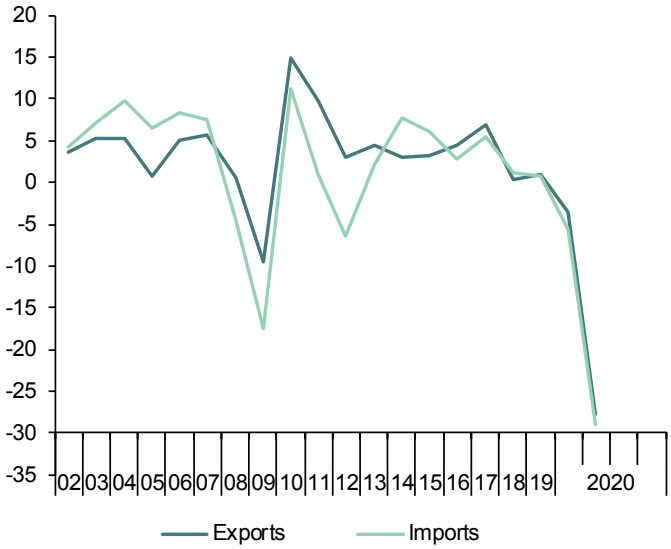


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

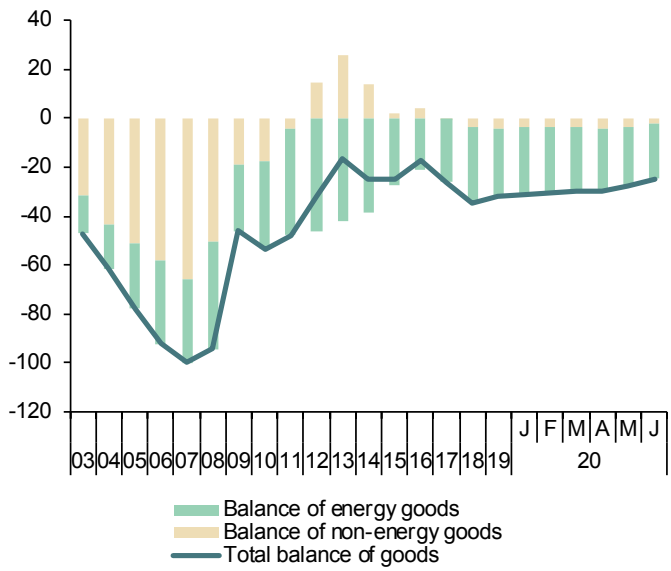


Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					Bank of Spain	
									Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
2013		20.81	-12.61	52.70	-6.82	-12.47	6.19	26.99	-93.14	-10.58	-53.68	-29.92	1.04	124.17	4.04
2014		17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94
2015		21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12
2016		35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34
2017		31.09	-22.12	63.71	-0.27	-10.23	2.84	37.80	65.31	11.99	25.08	20.77	7.48	-32.63	-5.11
2018		23.29	-29.33	61.95	2.70	-12.04	5.77	29.05	45.54	-15.19	12.99	46.15	1.58	-14.25	2.23
2019		24.55	-28.15	62.91	2.47	-12.68	4.07	26.61	71.82	10.84	-50.22	63.79	-8.53	14.82	-4.33
2018	I	1.33	-5.71	9.68	0.69	-3.33	0.49	1.82	11.73	4.78	-4.37	10.28	1.04	-14.93	-5.03
	II	9.09	-6.35	18.46	-1.00	-2.02	0.67	9.76	17.02	16.71	1.58	-1.29	0.03	-9.04	-1.78
	III	7.40	-9.56	21.04	-0.63	-3.45	0.89	8.29	8.78	2.78	3.73	-0.22	2.47	0.07	0.56
	IV	5.47	-7.71	12.78	3.64	-3.25	3.72	9.18	31.95	5.81	-6.10	31.97	0.27	-16.89	5.88
2019	I	-1.99	-8.46	10.25	0.68	-4.45	0.76	-1.22	7.21	6.52	19.73	-18.07	-0.97	-7.42	1.01
	II	10.57	-4.37	18.14	-1.03	-2.17	0.74	11.31	45.79	6.18	11.05	26.37	2.19	-35.09	-0.61
	III	8.19	-9.66	21.49	-0.09	-3.55	0.55	8.75	18.82	-3.73	11.84	9.34	1.37	-7.02	3.05
	IV	7.77	-5.65	13.03	2.92	-2.52	2.02	9.79	17.67	2.21	4.03	11.45	-0.02	-4.49	3.39
2020	I	-0.94	-6.33	8.48	1.19	-4.27	0.68	-0.26	42.50	-3.47	31.49	12.60	1.87	-43.40	-0.64
			Goods and Services		Primary and Secondary Income										
2020	Apr	-1.53	-0.50		-1.04		0.23	-1.30	16.28	-5.51	15.74	8.99	-2.94	-20.29	-2.71
	May	0.75	1.43		-0.68		0.18	0.93	11.68	1.45	6.67	1.70	1.86	-15.29	-4.54
	Jun	2.04	2.52		-0.48		0.26	2.30	10.06	1.58	-8.13	16.64	-0.03	-7.17	0.59
Percentage of GDP															
2013		2.0	-1.2	5.2	-0.7	-1.2	0.6	2.6	-9.1	-1.0	-5.3	-2.9	0.1	12.2	0.4
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.7	-1.9	5.5	0.0	-0.9	0.2	3.3	5.6	1.0	2.2	1.8	0.6	-2.8	-0.4
2018		1.9	-2.4	5.2	0.2	-1.0	0.5	2.4	3.8	-1.3	1.1	3.8	0.1	-1.2	0.2
2019		2.0	-2.3	5.1	0.2	-1.0	0.3	2.1	5.8	0.9	-4.0	5.1	-0.7	1.2	-0.3
2018	I	0.5	-2.0	3.4	0.2	-1.2	0.2	0.6	4.1	1.7	-1.5	3.6	0.4	-5.2	-1.8
	II	3.0	-2.1	6.1	-0.3	-0.7	0.2	3.2	5.6	5.5	0.5	-0.4	0.0	-3.0	-0.6
	III	2.5	-3.2	7.1	-0.2	-1.2	0.3	2.8	3.0	0.9	1.3	-0.1	0.8	0.0	0.2
	IV	1.7	-2.4	4.1	1.2	-1.0	1.2	2.9	10.1	1.8	-1.9	10.2	0.1	-5.4	1.9
2019	I	-0.7	-2.8	3.4	0.2	-1.5	0.3	-0.4	2.4	2.2	6.6	-6.1	-0.3	-2.5	0.3
	II	3.3	-1.4	5.7	-0.3	-0.7	0.2	3.6	14.5	2.0	3.5	8.4	0.7	-11.1	-0.2
	III	2.7	-3.2	7.0	0.0	-1.2	0.2	2.9	6.2	-1.2	3.9	3.1	0.4	-2.3	1.0
	IV	2.4	-1.7	4.0	0.9	-0.8	0.6	3.0	5.4	0.7	1.2	3.5	0.0	-1.4	1.0
2020	I	-0.3	-2.2	2.9	0.4	-1.5	0.2	-0.1	14.6	-1.2	10.8	4.3	0.6	-14.9	-0.2

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

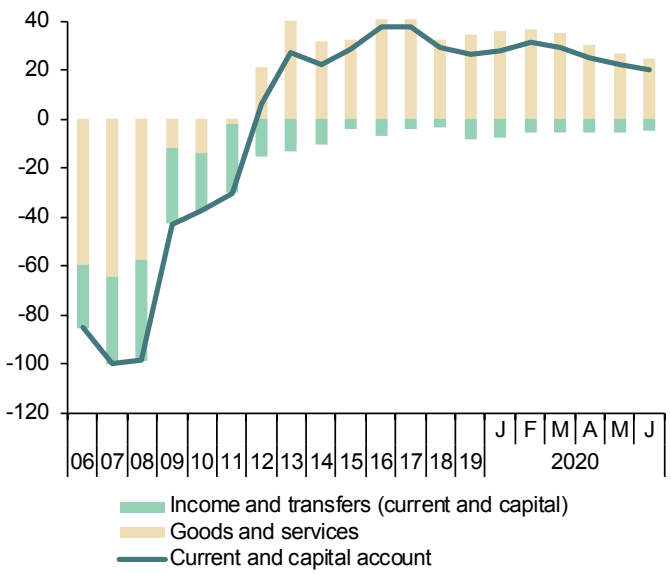


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

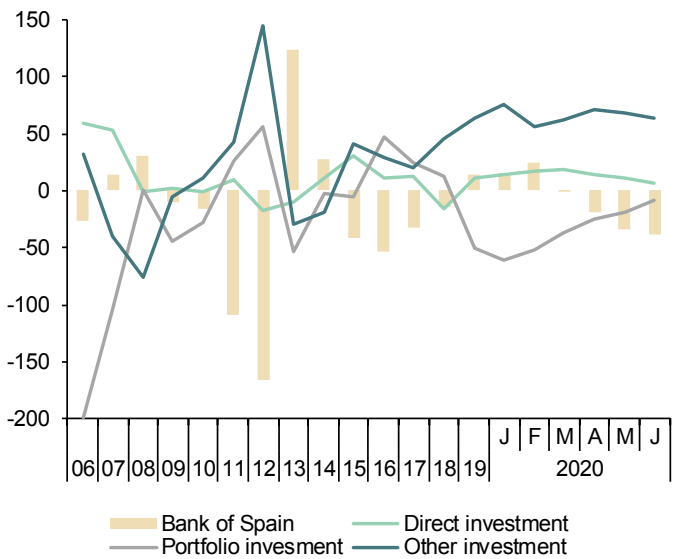


Table 16

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			2015=100			2015=100			1999 I =100
2013		102.8	98.1	104.8	100.8	99.5	101.3	103.5	104.4	99.1	113.1
2014		101.0	98.2	102.8	100.6	100.0	100.7	102.1	102.8	99.3	112.1
2015		98.6	96.8	101.8	100.0	100.0	100.0	100.0	100.0	100.0	107.5
2016		97.3	93.6	103.9	99.7	100.3	99.4	96.9	97.9	98.9	107.5
2017		97.3	92.8	104.8	101.7	101.8	99.9	101.2	100.7	100.5	109.1
2018		96.2	91.2	105.5	103.5	103.6	99.9	103.8	103.3	100.4	110.0
2019		96.2	92.3	104.2	104.3	104.8	99.5	103.4	103.7	99.8	108.5
2020 (b)		--	--	--	103.9	105.1	98.8	99.5	101.2	98.3	107.5
2018	II	--	--	--	104.1	103.8	100.3	103.2	102.8	100.4	110.6
	III	--	--	--	103.6	104.1	99.5	105.0	104.0	100.9	109.5
	IV	--	--	--	104.4	104.3	100.1	104.7	104.3	100.4	109.9
2019	I	--	--	--	102.9	103.5	99.4	103.8	104.0	99.8	108.4
	II	--	--	--	105.2	105.3	99.9	104.1	103.9	100.2	109.2
	III	--	--	--	104.0	105.1	99.0	103.1	103.4	99.7	107.9
	IV	--	--	--	105.0	105.3	99.6	102.8	103.4	99.5	108.3
2020	I	--	--	--	103.6	104.7	98.9	101.6	102.8	98.9	107.1
	II	--	--	--	104.5	105.5	99.1	97.3	99.9	97.4	107.9
2020	Jun	--	--	--	104.9	105.7	99.2	98.2	100.1	98.1	108.4
	Jul	--	--	--	103.2	105.3	98.0	99.6	100.5	99.1	107.1
	Aug	--	--	--	103.2	104.9	98.4	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2013		-1.4	3.2	-4.5	1.5	1.3	0.2	0.6	-0.2	0.8	2.0
2014		-1.7	0.2	-1.9	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-1.0
2015		-2.4	-1.5	-0.9	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-4.1
2016		-1.3	-3.2	2.1	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.0
2017		0.0	-0.9	0.8	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-1.1	-1.8	0.6	1.7	1.7	0.0	2.5	2.6	-0.1	0.9
2019		0.0	1.2	-1.2	0.8	1.2	-0.4	-0.3	0.3	-0.6	0.0
2020 (c)		--	--	--	-0.1	0.5	-0.6	-4.3	-3.2	-1.1	-1.2
2018	II	--	--	--	1.8	1.8	0.0	2.8	0.0	2.8	1.7
	III	--	--	--	2.3	2.3	0.0	4.2	0.0	4.2	0.2
	IV	--	--	--	1.8	1.8	0.0	2.4	0.0	2.4	-0.5
2019	I	--	--	--	1.1	1.4	-0.3	1.6	0.0	1.6	-1.5
	II	--	--	--	1.1	1.4	-0.3	0.8	0.0	0.8	-1.3
	III	--	--	--	0.4	1.0	-0.6	-1.8	0.0	-1.8	-1.4
	IV	--	--	--	0.5	1.0	-0.5	-1.8	0.0	-1.8	-1.5
2020	I	--	--	--	0.7	1.1	-0.4	-2.1	0.0	-2.1	-1.2
	II	--	--	--	-0.6	0.2	-0.8	-6.5	0.0	-6.5	-1.2
2020	Jun	--	--	--	-0.3	0.3	-0.6	-5.0	-3.3	-1.7	-0.8
	Jul	--	--	--	-0.7	0.4	-1.1	-4.1	-2.9	-1.2	-1.0
	Aug	--	--	--	-0.6	-0.2	-0.4	--	--	--	--

(a) EMU excluding Ireland and Spain. (b) Period with available data. (c) Growth of available period over the same period of the previous year.
Sources: Eurostat, Bank of Spain and Funcas.

Chart 16.1 - Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU)

1998=100

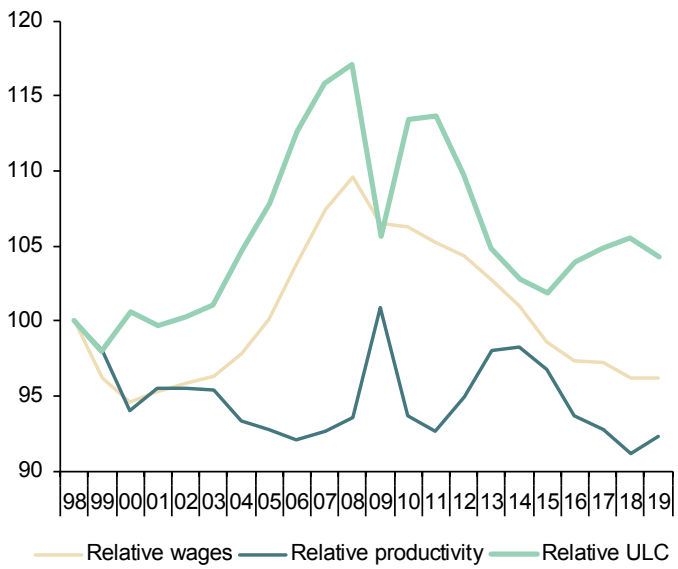


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

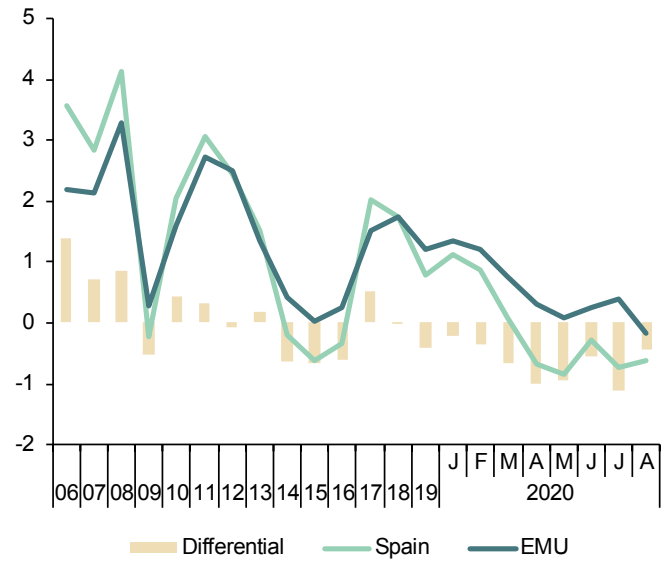


Table 17a

Imbalances: International comparison (I)

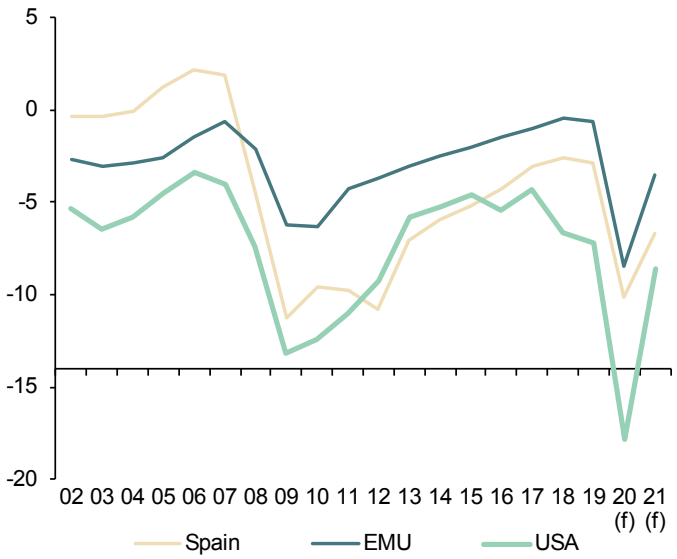
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
				Billions of national currency					
2007	20.3	-59.8	-576.0	384.7	6,192.2	9,341.2	-101.4	23.2	-728.5
2008	-50.7	-207.4	-1,084.5	440.6	6,700.8	10,838.3	-98.8	-49.9	-866.1
2009	-120.6	-577.8	-1,896.6	569.5	7,440.5	12,525.9	-43.7	63.4	-564.3
2010	-102.2	-597.8	-1,863.1	649.2	8,199.1	14,301.9	-39.2	59.0	-497.7
2011	-103.6	-414.5	-1,709.1	743.0	8,658.8	15,501.9	-29.0	87.1	-412.4
2012	-110.7	-364.6	-1,493.3	889.9	9,114.9	16,718.0	0.9	226.3	-206.8
2013	-71.8	-299.3	-977.4	977.3	9,429.4	17,582.1	20.8	281.2	-208.2
2014	-61.1	-250.2	-910.9	1,039.4	9,674.6	18,299.9	17.5	315.3	-86.4
2015	-55.8	-208.2	-842.3	1,070.1	9,792.7	19,072.3	21.8	361.3	-169.2
2016	-48.0	-157.8	-1,009.4	1,104.6	9,970.0	19,991.2	35.4	390.6	-329.4
2017	-35.1	-108.0	-831.8	1,145.1	10,061.7	20,688.3	31.1	423.6	-399.0
2018	-30.5	-53.0	-1,357.9	1,173.3	10,161.1	22,369.1	23.3	432.1	-520.3
2019	-35.2	-77.0	-1,549.1	1,188.9	10,250.4	23,806.4	25.2	398.5	-608.0
2020	-114.5	-941.8	-3,541.7	1,307.9	11,440.5	27,127.7	36.1	374.1	--
2021	-81.7	-424.4	-1,813.2	1,389.6	11,855.4	28,987.7	32.7	432.6	--
				Percentage of GDP					
2007	1.9	-0.6	-4.0	35.8	65.9	64.6	-9.4	0.2	-5.0
2008	-4.6	-2.2	-7.4	39.7	69.6	73.7	-8.9	-0.5	-5.9
2009	-11.3	-6.2	-13.1	53.3	80.2	86.7	-4.1	0.7	-3.9
2010	-9.5	-6.3	-12.4	60.5	86.0	95.4	-3.7	0.6	-3.3
2011	-9.7	-4.2	-11.0	69.9	88.4	99.7	-2.7	0.9	-2.7
2012	-10.7	-3.7	-9.2	86.3	92.7	103.2	0.1	2.3	-1.3
2013	-7.0	-3.0	-5.8	95.8	94.9	104.7	2.0	2.8	-1.2
2014	-5.9	-2.5	-5.2	100.7	95.1	104.4	1.7	3.1	-0.5
2015	-5.2	-2.0	-4.6	99.3	93.0	104.7	2.0	3.4	-0.9
2016	-4.3	-1.5	-5.4	99.2	92.2	106.8	3.2	3.6	-1.8
2017	-3.0	-1.0	-4.3	98.6	89.8	106.0	2.7	3.8	-2.0
2018	-2.5	-0.5	-6.6	97.6	87.8	108.7	1.9	3.7	-2.5
2019	-2.8	-0.6	-7.2	95.5	86.0	111.1	2.0	3.3	-2.8
2020	-10.1	-8.5	-17.8	115.6	102.7	136.2	3.2	3.4	--
2021	-6.7	-3.5	-8.5	113.7	98.8	136.6	2.7	3.6	--

Source: European Commission Forecasts, Spring 2020.

Chart 17a.1 - Government deficit

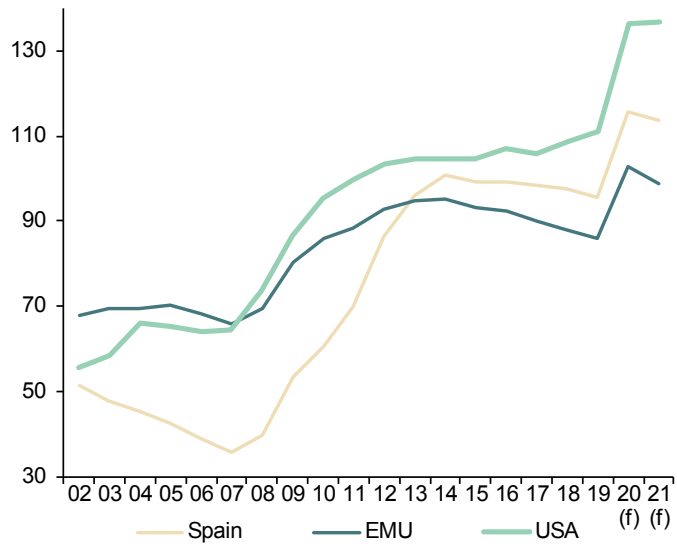
Percentage of GDP



(f) European Commission forecast.

Chart 17a.2 - Government gross debt

Percentage of GDP



(f) European Commission forecast.

Table 17b

Imbalances: International comparison (II)

	Household debt (a)			Non-financial corporations debt (a)		
	Spain	EMU	USA	Spain	EMU	USA
			Billions of national currency			
2005	656.2	4,811.1	12,033.2	954.1	7,210.0	8,145.7
2006	783.5	5,219.4	13,318.5	1,171.9	7,773.6	8,968.7
2007	879.3	5,599.1	14,241.5	1,371.6	8,656.7	10,100.3
2008	916.7	5,833.8	14,110.4	1,460.0	9,257.9	10,666.3
2009	908.9	5,957.1	13,951.1	1,473.5	9,333.5	10,155.2
2010	905.2	6,084.8	13,735.6	1,498.0	9,583.8	10,016.6
2011	877.9	6,170.4	13,586.7	1,458.3	10,090.4	10,271.7
2012	840.9	6,160.6	13,586.5	1,339.2	10,280.5	10,774.9
2013	793.6	6,115.4	13,722.9	1,267.9	10,176.9	11,241.1
2014	757.8	6,135.6	13,971.2	1,207.7	10,750.8	11,972.3
2015	733.3	6,204.4	14,164.4	1,183.7	11,511.8	12,772.9
2016	718.5	6,314.2	14,593.8	1,162.8	11,860.8	13,447.1
2017	711.0	6,478.9	15,147.2	1,150.3	12,152.2	14,389.4
2018	709.6	6,667.8	15,615.6	1,154.6	12,450.2	15,318.2
2019	708.6	6,896.0	16,148.6	1,159.7	12,807.5	16,058.0
			Percentage of GDP			
2005	70.8	57.0	92.3	102.9	85.4	62.5
2006	78.0	58.7	96.4	116.7	87.4	64.9
2007	81.8	59.6	98.5	127.5	92.2	69.9
2008	82.6	60.6	95.9	131.6	96.2	72.5
2009	85.0	64.2	96.6	137.8	100.7	70.3
2010	84.4	63.8	91.6	139.6	100.6	66.8
2011	82.5	63.0	87.4	137.1	103.0	66.1
2012	81.6	62.6	83.9	129.9	104.6	66.5
2013	77.8	61.6	81.8	124.3	102.5	67.0
2014	73.4	60.3	79.7	117.0	105.7	68.3
2015	68.0	59.0	77.7	109.8	109.4	70.1
2016	64.5	58.4	78.0	104.4	109.7	71.9
2017	61.2	57.8	77.6	99.0	108.5	73.7
2018	59.0	57.7	75.9	96.1	107.7	74.4
2019	56.9	57.9	75.4	93.1	107.6	74.9

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

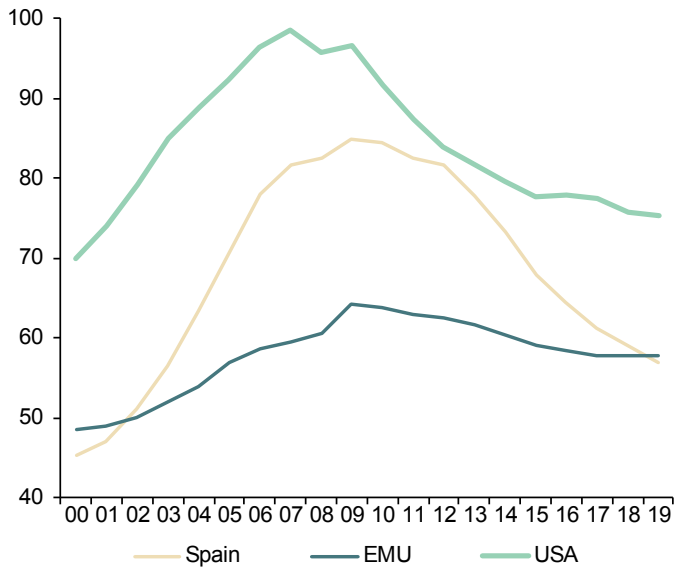
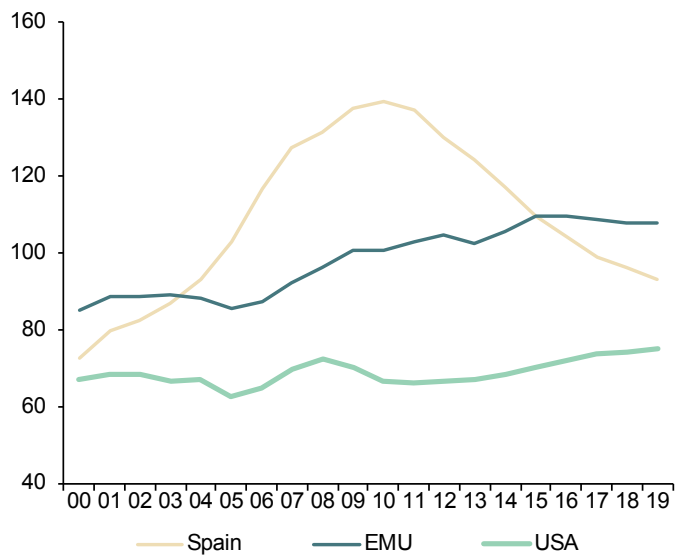


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: September 15th, 2020

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-3.3	May 2020
Other resident sectors' deposits in credit institutions (monthly average % var.)	1.4	May 2020
Doubtful loans (monthly % var.)	1.0	May 2020
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	1,583,718	August 2020
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	256,598	August 2020
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	3	August 2020
"Operating expenses/gross operating income" ratio (%)	56.92	March 2020
"Customer deposits/employees" ratio (thousand euros)	10,040.37	March 2020
"Customer deposits/branches" ratio (thousand euros)	78,602.17	March 2020
"Branches/institutions" ratio	123.24	March 2020

A. Money and Interest Rates

Indicator	Source	Average 2001-2017	2018	2019	2020 August	2020 September 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.2	4.1	5.0	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.7	-0.309	-0.354	-0.477	-0.484	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	2.1	-0.117	-0.249	-0.383	-0.403	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.8	1.4	0.6	0.3	0.3	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	1.5	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": Interbank rates decreased during the first half of September under an uncertain market situation due to the persistence of COVID-19. The 3-month interbank rate rose from -0.477% in August to -0.484% in September, while the 1-year Euribor increased from -0.383% to -0.403%. These dynamics have contributed to a very loose monetary environment, with the Federal Reserve and the ECB having significantly expanded their respective stimulus programs due to ongoing effects of COVID-19. As for the Spanish 10-year bond yield, it stands at 0.3%.

B. Financial Markets

Indicator	Source	Average 2001-2016	2018	2019	2020 June	2020 July	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	18.4	84.2	288.7	26.48	29.34	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	18.1	49.2	87.2	24.52	20.08	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.5	1.07	0.01	1.44	0.04	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.5	1.84	1.2	0.51	0.45	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.6	-0.52	-0.54	-0.54	-0.49	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	701.8	1,164.63	1,311.87	-	-	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.3	-5.9	1.2	0.9	-3.9	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	3.1	-5.3	-7.4	69.4	-36.1	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	1,015.6	862.6	881.6	714.6	692.9 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,772.1	8,539.9	8,812.9	7,231.4	7,036.0 (a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.8	12.2	13.2	17.4	16.9 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	-	-	-	-	-	Variation for all stocks

B. Financial Markets (continued)

Indicator	Source	Average 2001-2016	2018	2019	2020 June	2020 July	Definition and calculation
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF		-	-	-	-	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF		-	-	-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	1.3	-6.1	-14.4	9.6	-16.5	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	10.3	58.5	30	5.8	-64.1	IBEX-35 shares concluded transactions

(a) Last data published: September 15th, 2020

Comment on "Financial Markets": During July (last month available), there was an increase in transactions with outright spot T-bills to 29.34 and a decrease of spot government bonds transactions to 20.08. The stock market recovered some ground during the first half of September –albeit under considerable volatility– but the IBEX-35 was still down to 7,036 points and the General Index of the Madrid Stock Exchange down to 693. There was a 16.5% decrease in Ibex-35 futures and a 64.1% decrease in options.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2015	2017	2018	2019	2020 Q1	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-2.3	2.0	1.5	2.3	2.4	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.1	0.5	0.1	2.2	2.7	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	261.5	287.4	280.7	282.0	284.4	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	64.6	61.3	58.9	56.9	56.9	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.5	3.8	-1.6	5.9	-4.5	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.5	-0.1	0.1	0.3	-0.8	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2020Q1 the ratio of net financial savings to GDP in the overall economy increased 2.4% of GDP. There was an increase in the net financial savings rate of households to 2.7% of GDP. The debt to GDP ratio of the economy reached 284%. Finally, the stock of financial assets on households' balance sheets registered a decrease of 4.5%, while the stock of financial liabilities fell by 0.8%.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2017	2018	2019	2020 April	2020 May	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.1	-4.7	0.2	1.6	-3.3	Lending to the private sector percentage change for the sum of banks. savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	7.0	0.7	0.3	2.1	1.4	Deposits percentage change for the sum of banks. savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	9.95	-0.9	-0.3	3.0	3.5	Asset-side debt securities percentage change for the sum of banks. savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.3	-8.8	0.5	-0.2	-0.7	Asset-side equity and shares percentage change for the sum of banks. savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-2.2	-0.6	-1.6	-2.6	-3.0	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.3	-2.3	-1.7	0.8	1.0	Doubtful loans. Percentage change for the sum of banks. savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.6	-1.4	-1.1	-0.9	8.7	Liability-side assets sold under repurchase. Percentage change for the sum of banks. savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	7.8	-4.1	0.3	0.04	0.01	Equity percentage change for the sum of banksn u savings banks and credit unions.

Comment on "Credit institutions. Business Development": The latest available data as of May show a decrease in bank credit to the private sector of 3.3%. Data also show an increase of financial institutions deposit-taking of 1.4%. Holdings of debt securities increased 3.5%. Doubtful loans grew 1% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2001-2015	2016	2017	2019 December	2020 May	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	194	124	122	114	113	Total number of banks, savings banks and credit unions operating in Spanish territory
37. Number of foreign credit institutions operating in Spain	Bank of Spain	75	82	83	81	81	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	246,618	189,280	187,472	181,999(a)	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,047	28,643	27,320	23,851	23,565	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	318,141	527,317	762,540	642,118	1,583,718 (b)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem: long term (total Spanish financial institutions) (Euro millions)	Bank of Spain	65,106	138,455	170,445	132,611	256,598 (b)	Open market operations and ECB standing facilities. Spain total
42. Recourse to the Eurosystem (total Spanish financial institutions): main refinancing operations (Euro millions)	Bank of Spain	20,270	1,408	96	102	3 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2018.

(b) Last data published: August 2020.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In August 2020, recourse to Eurosystem funding by Spanish credit institutions reached 256.6 billion euros.

MEMO ITEM: From January 2015, the ECB also offers information on the asset purchase programs. The amount borrowed by Spanish banks in these programs reached 423 billion euros in May 2020, and 3.3 trillion euros for the entire Eurozone banking system.

F. Credit institutions. Efficiency and Productivity, Risk and Profitability

Indicator	Source	Average 2000-2016	2017	2018	2019	2020Q1	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	49.6	54.03	54.39	53.30	56.92	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions´ P&L accounts
44. "Customer deposits/ employees" ratio (Euro thousands)	Bank of Spain	3,756.85	6,532.25	9,461.19	9,574.38	10,040.37	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	23,407.19	47,309.12	68,190.72	74,450.04	78,602.17	Productivity indicator (business by branch)

F. Credit institutions. Efficiency and Productivity, Risk and Profitability (continued)

Indicator	Source	Average 2000-2016	2017	2018	2019	2020Q1	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	203.20	122.22	131.36	123.09	123.24	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.15	6.97	7.2	7.7	7.9	Branch size indicator
48. "Equity capital (monthly average % var.)	Bank of Spain	0.05	0.84	-0.79	0.25	-1.12	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.43	0.44	0.57	0.59	-0.01	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	6.01	3.66	4.25	6.96	0.21	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2020Q1, there was a fall in the profitability of Spanish banks, driven by the effects of COVID-19, to some extent due to the substantial provisions made to cover potential losses.

Social Indicators

Table 1

Population

Population										
	Total population	Average age	65 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (women)	Dependency rate	Dependency rate (older than 64)	Foreign-born population (%)	New entries (all nationalities)	New entries (EU-28 born) (%)
2008	46,157,822	40.8	16.5	78.2	84.3	47.5	24.5	13.1	701,997	33,053
2010	47,021,031	41.1	16.9	79.1	85.1	48.6	25.0	14.0	441,051	39,211
2012	47,265,321	41.6	17.4	79.4	85.1	50.4	26.1	14.3	344,992	51,666
2014	46,771,341	42.1	18.1	80.1	85.7	51.6	27.4	13.4	368,170	66,803
2015	46,624,382	42.4	18.4	79.9	85.4	52.4	28.0	13.2	417,655	74,873
2016	46,557,008	42.7	18.6	80.3	85.8	52.9	28.4	13.2	492,600	71,508
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	592,604	63,754
2018	46,722,980	43.1	19.1	80.5	85.9	53.6	29.3	13.7	715,255	56,745
2019	47,026,208	43.3	19.3	80.9●	86.2●	53.7	29.6	14.4	827,052	61,338
2020●	47,431,256	43.6	19.4			53.5	29.8	15.2		
Sources	EPC	EPC	EPC	ID INE	ID INE	EPC	EPC	EPC	EVR	EVR

ID INE: Indicadores Demográficos INE.

EPC: Estadística del Padrón Continuo.

EVR: Estadística de Variaciones Residenciales.

Dependency rate: (15 or less years old population + 65 or more years old population)/ 16-64 years old population, as a percentage.

Dependency rate (older than 64): 65 or more years old population/ 16-64 years old population, as a percentage.

● *Provisional data.*

Table 2

Households and families

	Households				Nuptiality					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Marriage rate (Spanish)	Marriage rate (foreign population)	Divorce rate	Mean age at first marriage, men	Mean age at first marriage, women	Same sex marriages (%)
2008	16,742	2.71	12.0	10.2	8.5	8.4	2.39	32.4	30.2	1.62
2010	17,174	2.67	12.8	9.9	7.2	7.9	2.21	33.2	31.0	1.87
2012	17,434	2.63	13.7	9.9	7.2	6.7	2.23	33.8	31.7	2.04
2014	18,329	2.51	14.2	10.6	6.9	6.5	2.17	34.4	32.3	2.06
2015	18,376	2.54	14.6	10.7	7.3	6.5	2.08	34.8	32.7	2.26
2016	18,444	2.52	14.6	10.9	7.5	6.8	2.08	35.0	32.9	2.46
2017	18,512	2.52	14.2	11.4	7.4	7.0	2.11	35.3	33.2	2.67
2018	18,581	2.51	14.3	11.5	7.1	6.6	2.04	35.6	33.4	2.90
2019	18,697	2.52	14.9	11.2	7.0●	6.6●				
2020■	18,779	2.53								
Sources	LFS	LFS	EPF	EPF	ID INE	ID INE	ID INE	ID INE	ID INE	MNP

Table 2 (Continued)

Households and families

	Fertility					
	Median age at first child, women	Total fertility rate (Spanish women)	Total fertility rate (Foreign women)	Births to single mothers (%)	Abortion rate	Abortion by Spanish-born women (%)
2008	29.3	1.36	1.83	33.2	11.8	55.6
2010	29.8	1.30	1.68	35.5	11.5	58.3
2012	30.3	1.27	1.56	39.0	12.0	61.5
2014	30.6	1.27	1.62	42.5	10.5	63.3
2015	30.7	1.28	1.66	44.4	10.4	65.3
2016	30.8	1.27	1.72	45.8	10.4	65.8
2017	30.9	1.25	1.71	46.8	10.5	66.1
2018	31.0	1.20	1.65	47.3	11.1	65.3
2019●	31.1	1.17	1.59			
Sources	ID INE	ID INE	ID INE	ID INE	MSAN	MSAN

LFS: Labour Force Survey. EPF: Encuesta de Presupuestos Familiares. ID INE: Indicadores Demográficos INE. MNP: Movimiento Natural de la Población. MSAN: Ministerio de Sanidad, Servicios Sociales e Igualdad.

Marriage rate: Number of marriages per thousand population.

Total fertility rate: The average number of children that would be born per woman living in Spain if all women lived to the end of their childbearing years and bore children according to a given fertility rate at each age.

Divorce rate: Number of divorces per thousand population.

Abortion rate: Number of abortions per thousand women (15-44 years).

■ *Data refer to January-June.*

● *Provisional data.*

Table 3

Education

	Educational attainment				Students involved in non-compulsory education					Education expenditure	
	Population 16 years and older with primary education (%)	Population 30-34 with primary education (%)	Population 16 years and older with with tertiary education (%)	Population 30-34 with tertiary education (%)	Pre-primary education	Secondary education	Vocational training	Under-graduate students	Post-graduate studies (except doctorate)	Public expenditure (thousands of €)	Public expenditure (%GDP)
2008	32.1	9.2	16.1	26.9	1,763,019	629,247	472,604	1,377,228	50,421	51,716,008	4.63
2010	30.6	8.6	17.0	27.7	1,872,829	672,213	555,580	1,445,392	104,844	53,099,329	4.91
2012	28.5	7.5	17.8	26.6	1,912,324	692,098	617,686	1,450,036	113,805	46,476,414	4.47
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846,415	4.32
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,597,784	4.31
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1.303.252	190,143	47,578,997	4.25
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458,049	4.24
2018	20.5	6.4	29.2	42.4	1,750,106	667,287	675,942	1,293,892●	214,528●	50,807,185	4.23
2019	19.3	6.3	30.3	44.7							
2020■	18.2	6.3	31.0	44.7							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	INE National Accounts

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

INE: Instituto Nacional de Estadística.

■ *Data refer to January-June.*

● *Provisional data.*

Table 4

Social protection: Benefits

	Contributory benefits*							Non-contributory benefits			
		Retirement		Permanent disability		Widowhood			Social Security		
	Unemployment total	Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)	Unemployment	Retirement	Disability	Other
2008	1,100,879	4,936,839	814	906,835	801	2,249,904	529	646,186	265,314	199,410	63,626
2010	1,471,826	5,140,554	884	933,730	850	2,290,090	572	1,445,228	257,136	196,159	49,535
2012	1,381,261	5,330,195	946	943,296	887	2,322,938	602	1,327,027	251,549	194,876	36,310
2014	1,059,799	5,558,964	1,000	929,484	916	2,348,388	624	1,221,390	252,328	197,303	26,842
2015	838,392	5,641,908	1,021	931,668	923	2,353,257	631	1,102,529	253,838	198,891	23,643
2016	763,697	5,731,952	1,043	938,344	930	2,364,388	638	997,192	254,741	199,762	21,350
2017	726,575	5,826,123	1,063	947,130	936	2,360,395	646	902,193	256,187	199,120	19,019
2018	751,172	5,929,471	1,091	951,838	946	2,359,931	664	853,437	256,842	196,375	16,472
2019	807,614	6,038,326	1,138	957,500	975	2,361,620	712	912,384	259,570	193,122	14,997
2020■	2,126,872	6,088,348	1,158	955,971	985	2,354,595	723	1,027,019	261,783	189,907	15,553
Sources	INEM	INSS	INSS	INSS	INSS	INSS	INSS	INEM	IMSERSO	IMSERSO	IMSERSO

INEM: Instituto Nacional de Empleo.

INSS: Instituto Nacional de la Seguridad Social.

IMSERSO: Instituto de Mayores y Servicios Sociales.

** Benefits for orphans and dependent family members of deceased Social Security affiliates are excluded.*

■ *Data refer to January-July.*

Table 5

Social protection: Health care

	Expenditure				Resources				Satisfaction		Patients on waiting list (days)	
	Total (% GDP)	Public (% GDP)	Total expenditure ($ per inhabitant)	Public expenditure (per inhabitant)	Medical specialists per 1,000 inhabitants	Primary care doctors per 1,000 people asigned	Specialist nurses per 1,000 inhabitants	Primary care nurses per 1,000 people asigned	With the working of the health system	With medical history and tracing by family doctor or pediatrician	Non-urgent surgical procedures	First specialist consultations per 1,000 inhabitants
2008	8.29	6.10	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.01	6.74	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.09	6.55	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.08	6.36	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.16	6.51	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	8.98	6.34	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.8	6.25	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.9	6.20	3,323	2,341		0.8		0.7	6.6	7.5	129	96
2019											115	81
Sources	OECD	OECD	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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Notes

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