# SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

VOLUME 11 | number 6, November 2022

# A preview and assessment of Spain´s budget for 2023

funcas

**WHAT MATTERS**

Outlook for the **Spanish economy** in the wake of the energy crisis

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An assessment of the main revenue and expenditure figures in the **2023 general state budget**

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Printed in Spain

**Editorial and Production**

Funcas
Caballero de Gracia, 28. 28013 Madrid (Spain)





ISSN print edition 2254-3899
ISSN electronic edition 2254-3880
Depósito Legal: M-10678-2012
Prints: Cecabank.

SEFO

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ECONOMIC & FINANCIAL OUTLOOK

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# Letter from the Editors

The weakening of the global economy that was already present at the time of publication of the previous *Spanish and International Economic & Financial Outlook* (*SEF*O) has been confirmed at the time of writing this November issue. Economic indicators point towards recession at the end of the year – the global purchasing managers´ index (global PMI) is below 50, marking the threshold for a contraction. The European economy is one of the hardest hit by the energy crisis. In its latest projections, the European Commission places the eurozone on the brink of recession, with an anticipated growth of 0.3% in 2023, compared to 2.3% in the July forecast. In the case of Spain, the recession is anticipated to be short-lived, with growth for 2023 as a whole still coming in positive.

The supply shock generated by the sharp rise in commodities prices, especially energy, is the main factor behind the global and European slowdown. Although price pressures have eased somewhat, the economy is still suffering despite the boost at the beginning of this year. Moreover, major central banks are becoming increasingly explicit in their willingness to cool demand to moderate the second-round effects of inflation.

Within this context, the November issue of *SEFO* starts off by presenting our most recent update on the outlook for the Spanish economy. The combined result of recent revisions to GDP figures reflect GDP growth of 6.7% year-on-year in the first half of 2022, up from the initially published rate of 6.3%, driven essentially by foreign demand, followed by investment, particularly in capital goods. That said, all signs point to an exacerbation of the slowdown increasingly on display in recent months, driven by the loss of household purchasing power as a result of inflation and the consequent increasing impact on household consumption. As well, the intensification of the energy crisis during the winter season could potentially lead to supply disruption, particularly in countries, such as Germany and Italy, which could lead to recession, with adverse consequences for Spanish exports. Growth this year is forecast at a solid 4.5%, up 0.3pp from our last forecast, albeit expected to be highly uneven by quarter and in terms of drivers. The economic weakness will be more tangible in 2023, when the Spanish economy is expected to grow by 0.7%, compared to our last forecast of 2% and inflation too is set to come down over the coming months, albeit remaining high. Geopolitical tensions are injecting a high degree of uncertainty into the forecast scenarios, with more downside than upside risk. Within this context, taming inflation, the economy´s ability to withstand rising interest rates and the persistence of the structural public deficit constitute the main risks for the Spanish economy.

We then turn our focus over to fiscal issues, specifically to the budget for 2023, currently making its way through Parliament. While the 2023 Budget presented in early October is a vital document, the 2023 Plan presented to the European Commission one week later provides a more holistic approach for an analysis that takes into account upcoming fiscal measures designed to help vulnerable households and firms, which are set to have a material impact on both the revenue and expenditure sides of the budget equation. Indeed, the 2023 Budget starts from a 2022 tax revenue forecast clearly below the level derived by extrapolating tax collection figures available to date, which means that the rate of growth in tax revenues needed to deliver the forecast contemplated in this document will be much lower. Given that the government continues to target an overall public deficit of 3.9% in 2023, the figure established in the 2022-2025 Stability Programme presented last spring, the required deficit reduction will be much smaller, around one third of the initially contemplated amount. In short, per the 2023 Budget, there is little justification for concern over its consistency and sharply expansionary nature, failure to comply with the Country Specific Recommendation (CSR) or any mismatch between public spending and revenue. The healthy momentum in tax revenue in 2022 means the deficit and tax collection targets for 2023 are very modest and achievable, even if the macroeconomic situation ends up far worse than the government is forecasting. Nonetheless, the 2023 Budget is undermined by its omission of the fiscal package to be deployed in 2023 in response to the energy and inflation crisis which means that a more accurate assessment of the state of Spain's public finances in 2023 ultimately depends on the details of this package and its estimated cost. The probability of an economic downturn and the potential for a greater gap between revenues and costs thus calls for a highly selective package of additional fiscal measures to allow for some discretionary measures in case new needs emerge over the coming quarters.

Drilling down in greater detail, the 2023 Budget is underpinned by an optimistic GDP growth forecast (2.1%). It assumes a revenue-GDP elasticity of 1.1 and an expenditure-GDP elasticity of just over 0.6, which would unlock a reduction in the deficit from 5.0% in 2022 to 3.9% in 2023. On the revenue side, the forecast growth of 7.6% (at all levels of government) is shaped by the sharp growth in inflation (71.4% according to AIReF). Other contributing factors to the favourable revenue outlook include the measures set to take effect in 2023, with a net positive contribution to the state's coffers of 2.71 billion euros. The new sources of tax revenue stem mainly from essentially temporary measures (92.9% and 92.6% of tax revenue gains in 2023 and 2024, respectively) rather than genuine tax reform, as promised to Brussels for the first quarter of 2023 and upon which the release of 7 billion euros in European funds is conditional. On the expenditure side, the estimated figures are sensitive to the pending decision as to the rollover to 2023 of the household and business aid put in place in 2022, whose overall cost, if not adjusted, would be around 18 billion euros.

As regards Social Security, the indexation of contributory pensions is the main driver of the budgeted growth in Social Security expenditure in 2023. The increase in the number of pensioners and in the average pension could imply higher than budgeted spending. On the revenue side, the main development is the first-time application of an additional common contingency contribution of 0.6% to fund the so-called intergenerational equity mechanism. The separation of funding sources between contributory and non-contributory contributions, in line with the Toledo Pact recommendations, and the contribution to balancing the budget is addressed by state transfers, which now account for over 20% of non-financial income. The nominal deficit is forecast at 7.18 billion euros in 2023 and is once again covered by a new loan from the state. However, the overall hole in the contributory section of the Social Security system could reach 25.47 billion euros, equivalent to 1.8% of GDP. By year-end, the Social Security's debt with the state will stand at over 106 billion euros. The real problem, however, is not the volume of debt piled up with the state but rather the financial sustainability of the Social Security system in the medium- and long-term.

That is why it is important to accurately trace the expected trajectory in revenue and expenses, especially those related to the pension system, which will determine the system´s overall health.

In the last section of the November *SEFO,* we examine issues relevant to the financial sector. First, we assess recent ECB policy action, including both interest rate normalisation as well as changes to its monetary policy toolkit. Second, we look at some of the potential implications of those actions on lending, as well as loan quality.

The ECB is facing an extraordinary situation in which it is unable to rely on an economic slowdown alone to curb inflation. Reduced worker bargaining power has raised the risk of a cost-of-living crisis with a negative impact on consumption, without necessarily reducing underlying inflation, which apart from commodity prices, according to some economists, is being driven to some degree by global corporations' price– and margin-setting power. Only with decisive and swift action can the ECB exhibit its determination to bring inflation back in line with levels compatible with its symmetric target of 2% and keep inflation expectations solidly anchored. In line with these objectives, after 13 years of monetary accommodation, interest rate normalisation has begun in 2022 and is progressing at a rapid pace, despite still high levels of uncertainty, largely underpinned by geopolitical tensions arising from the invasion of Ukraine. As well, the ECB this year has also embarked on normalisation of its monetary policy toolkit. Instruments, such as its longer-term refinancing operations (TLTROs) and its asset purchase programmes, a significant legacy from the last period of monetary accommodation, are in the process of being unwound, bringing about a reduction in the size of the ECB´s balance sheet.

Specifically, the European Central Bank's special liquidity facilities known as targeted longer-term refinancing operations, or TLTROs, were designed to be one of the key mechanisms for monetary policy transmission via the banking system by providing the latter with a source of stable long-term funding on highly favourable terms, essential to keeping credit flowing. Although the purpose of those rounds of financing was to boost the provision of credit to the real economy, the truth is lending barely grew, primarily due to scant demand in the context of deep macroeconomic uncertainty, firstly due to ensuing pandemic developments and later due to the energy crisis aggravated by the invasion of Ukraine. The advantageous TLTRO terms intrinsic in the design of these instruments now clash, however, with the new monetary policy objectives implemented by the ECB to halt inflation: rapid rate hikes and liquidity absorption via the withdrawal of its unconventional asset purchase programmes. The TLTROs, as currently configured as regards cost and terms, constitute somewhat of an anomaly in the prevailing context of monetary tightening, which is why the ECB, at its last Governing Council meeting, changed the terms applicable to the various rounds of TLTROs in order to better align them with those of other key monetary policy instruments. Beyond the negative impact on their earnings of the elimination of that source of liquidity and the associated carry trade, foreseeably offset by the favourable effect of the rate increases on their net interest margins, the European and Spanish banking systems have sufficient liquidity to handle the maturity or, if they so decide, prepayment of their TLTRO funds thanks to their excess reserves. Meanwhile, growth in retail deposits and funds and bond market issuance is expected to be sufficient to cover the anticipated growth in credit next year.

All of this policy action at the ECB level will have implications on borrowers at the country level within the EU. Rising interest rates are translating into a considerable increase in borrowing costs over a short period of time. Households and companies will face difficulties in tackling this situation not only because of tighter financing conditions, but also because they come in the wake of a very long period of exceptional financial and inflationary circumstances. As of last August, the average rates being charged in Spain were still below the European average in 12-month consumer loans (4.16%) but were higher (7.39%) in longer-dated paper (up to 5 years). In the mortgage segment, the average rate being charged is among the lowest in the eurozone, France being the only one of the larger European economies to charge less (1.58%). In the first eight months of the year, average mortgage rates climbed 0.59 percentage points higher. As for business lending, the rates trend is less consistent. In the wake of notable growth in 2020 (6.3% year-on-year), fuelled by the support and public guarantee schemes rolled out during the pandemic, growth in lending has slowed significantly and has become more volatile, contracting, for example, by 0.2% in June only to register growth of 2% in August. On the whole, in Spain, lending has slowed in the wake of the efforts made to keep credit flowing to the private sector during the pandemic, mostly targeting the business segment. Specifically, the increase in interest rates is already materialising in a degree of retrenchment in lending activity, particularly in the mortgage segment.

Apart from impacting lending dynamics, it will also be important to assess the impact of ECB policy action on loan non-performance across euro area banks. Despite the intensity of the two crises sustained by the Spanish economy in the last three years (the COVID-19 crisis and the energy crisis exacerbated by the Ukraine-Russia war), the Spanish banks' non-performing loan (NPL) ratio has not increased, in part thanks to the measures rolled out to mitigate the impact of those events (furlough and credit relief schemes, *etc.*). However, in the corporate segment, a detailed analysis by sector reveals considerable differences in absolute NPL ratios and in the trend in recent years. Although a majority of sectors has reported a decrease in their NPL ratios, in those more vulnerable to the impact of the pandemic, that ratio has increased, for example, in hospitality (whose NPL ratio has increased by 4 pp to 9.26%) and activities related with leisure and entertainment (up 7.6 pp to 14.75%). By comparison with the EU, the arts, recreation and entertainment sector stands out sharply, with an NPL ratio in Spain twice the European average. Given the downward revision of GDP growth forecasts for 2023, with high inflation leading to rate hikes and the attendant tightening of financing conditions, non-performance will in all likelihood hit an inflexion point in the coming months. Against that backdrop, the banks would be well advised not to relax their provisioning policies, in line with guidance from supervisory authorities.

# What´s Ahead (Next Month)

| Month | Day | Indicator / Event |
|---|---|---|
| December | 2 | Social Security registrants and official unemployment (November) |
| | 2 | Tourists arrivals (October) |
| | 5 | Eurogroup meeting |
| | 9 | Industrial production index (October) |
| | 14 | CPI (November) |
| | 15 | ECB monetary policy meeting |
| | 15 | Foreign trade report (October) |
| | 15-16 | European Council meeting |
| | 23 | Non-financial accounts: Central Government, Regional Governments and Social Security (October) |
| | 23 | Non-financial accounts, State (November) |
| | 23 | Balance of payments quarterly (3rd. quarter) |
| | 23 | GDP (3rd. quarter, 2nd. estimate) |
| | 29 | Retail trade (November) |
| | 30 | Balance of payments monthly (October) |
| | 30 | Preliminary CPI (December) |
| | 30 | Quarterly sector accounts (3rd. quarter) |
| January | 4 | Social Security registrants and official unemployment (December) |
| | 4 | Tourists arrivals (November) |
| | 11 | Financial Accounts Institutional Sectors (3rd. quarter) |
| | 31 | Balance of payments monthly (November) |

*Note: Due to the timing of the publication of the National Statistics Institute (INE) data release calendar for 2023, at the time we went to print, complete information for January indicators/events was unavailable.*

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# What Matters








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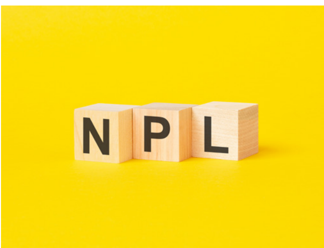




## Regulation and Economic Outlook



## Key Facts

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# Outlook for the Spanish economy in the wake of the energy crisis

Spanish GDP growth for this year has been revised upwards and is now forecast at a solid 4.5%. Within a context of high uncertainty, underpinned by geopolitical tensions, high energy prices and tighter monetary policy, downside risks are significant and economic weakness will be more tangible in 2023, with inflation possibly easing somewhat, though remaining stubbornly high over the projection period.

Raymond Torres and María Jesús Fernández

Abstract: The combined result of recent revisions to GDP figures reflect GDP growth of 6.7% year-on-year in the first half of 2022, up from the initially published rate of 6.3%, driven essentially by foreign demand, followed by investment, particularly in capital goods. That said, all signs point to an exacerbation of the slowdown increasingly on display in recent months, driven by the loss of household purchasing power as a result of inflation and the consequent increasing impact on household consumption. As well, the intensification of the energy crisis during the winter season could potentially lead to supply disruption, particularly in countries, such as Germany and Italy, which could lead to recession, with adverse consequences for Spanish exports. Growth this year is forecast at a solid 4.5%, up 0.3pp from our last forecast, albeit expected to be highly uneven by quarter and in terms of drivers. The economic weakness will be more tangible in 2023, when the Spanish economy is expected to grow by 0.7%, compared to our last forecast of 2% and inflation too is set to come down over the coming months, albeit remaining

> The manufacturing and services PMIs have been moving lower and both are now below 50, the threshold flagging contraction.

high. Geopolitical tensions are injecting a high degree of uncertainty into the forecast scenarios, with more downside than upside risk. Within this context, taming inflation, the economy´s ability to withstand rising interest rates and the persistence of the structural public deficit constitute the main risks for the Spanish economy.

## Foreword

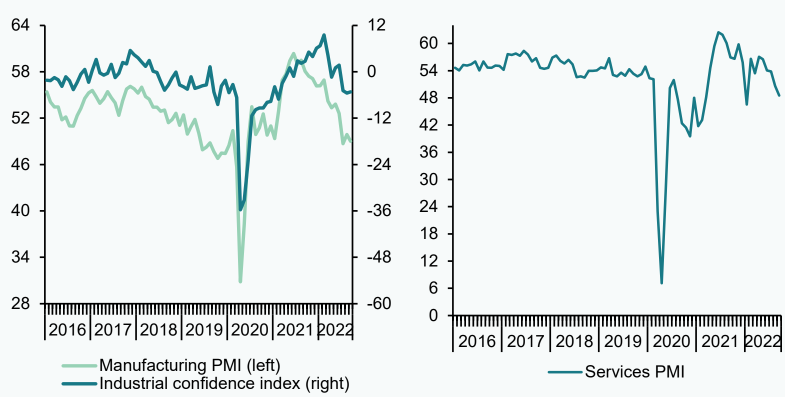
The energy markets have been dictating the plight of the Spanish economy since early 2021. The sharp increase in oil and gas prices has had spillover effects on the cost of electricity, transport and, ultimately, the entire production chain, with the war in Ukraine emerging as a compounding factor (Torres and Fernández, 2022). All of which has sent inflation soaring and brought economic momentum to an abrupt standstill. In this paper, after a brief overview of recent trends, we present our economic forecasts for the rest of this year and 2023.

## Recent performance of the Spanish economy

According to the revised national accounts figures, Spanish GDP registered growth of 1.5% in the second quarter of this year, which is significantly higher than initially estimated (1.1%), offsetting the simultaneous downward revision to the first-quarter growth figure. The 2021 quarterly figures were also revised and the upshot of all of the changes made was that GDP grew by 6.7% year-on-year in the first half of 2022, up from the initially published rate of 6.3%.

The main source of growth in the first half was foreign demand, more specifically the recovery in international tourism. The next biggest driver was investment, particularly in capital goods. Private consumption, meanwhile, rebounded in the second quarter, but only barely offset the contraction sustained in the first quarter, so that the stagnation observed for several quarters now continues. Lastly,

Exhibit 1 **Economic indicators**




*Source: IHS Markit.*

> “The industrial price index, the benchmark for the trend in inflation across the production chain, has been easing slowly since the end of spring; thus, inflationary pressures may be abating somewhat.”

public spending declined in real terms in the first two quarters of the year.

Employment, measured in hours worked as per the national accounts, increased in both quarters, albeit remaining 0.8% below the 2019 average. Productivity per hour worked is another indicator yet to revisit pre-pandemic levels. The number of Social Security contributors continued to register healthy monthly growth throughout the first half, albeit much lower than in the second half of 2021.

As for the third quarter, based on data up to September, consumption is showing no signs of a rebound, whereas tourism is continuing to recover, although at a considerably slower pace than in the second quarter. Within the industrial sector, some areas, including metallurgy and chemicals, hit hard by the inflation in energy and commodities, reported falling business volumes. However, the remaining sectors were stable or growing, with the jump in activity in the automotive industry standing out. Nevertheless, the manufacturing and services PMIs have been moving lower and both are now below 50, the threshold flagging contraction (Exhibit 1).

Contributor numbers continued to grow throughout the summer, without really giving clear signs of slowing; however, adjusting for seasonality, the figures warrant caution at this time.

Headline inflation peaked at 10.8% in July, with core inflation peaking at 6.4% in August. Price growth was highest in food products: 13.2% year-on-year in August. As for energy products, fuel prices have come down in recent months, in tandem with the drop in oil prices, whereas electricity prices remain extraordinarily volatile.

Besides oil, other commodity prices have trended lower in recent weeks, as have shipping costs, which nevertheless remain well above pre-pandemic levels. There are also signs of reduced friction in global supply chains. The industrial price index, the benchmark for the trend in inflation across the production chain, has been easing slowly since the end of spring. Inflationary pressures may therefore be abating somewhat.

In the real estate market, the volume of home purchases has been stabilising, albeit around a relatively high number – the highest since early 2008 – following sharp growth in 2021. House prices, meanwhile, continue to rise, although at a slowing pace.

Lastly, the public deficit came in at 30.46 billion euros in the first half, compared to 55.68 billion euros in the same period of 2021. Tax revenue dynamics have remained remarkable and on the spending side matters are being helped by the rollback of the social coverage implemented during the COVID-19 pandemic.

## Forecasts for 2022-2023

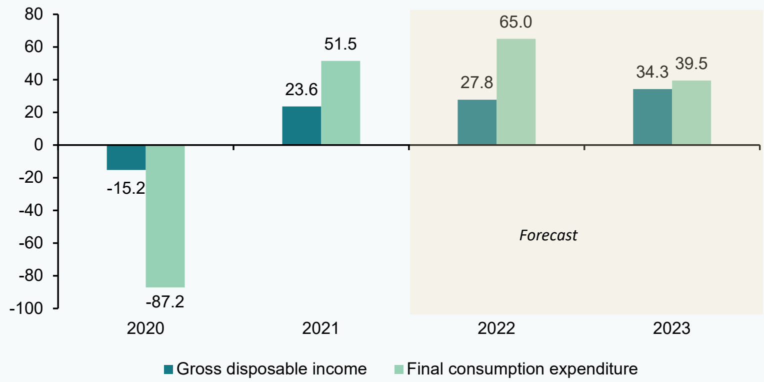
All signs point to an exacerbation of the slowdown increasingly on display in recent months. The main driver is the loss of household purchasing power as a result of prevailing inflation and a foreseeably greater impact on private consumption by comparison with the first half of the year: household savings are back near long-run average levels, which means that many families no longer have a liquidity buffer to make up for the loss of real income (Exhibit 2).

Moreover, the energy crisis induced by the invasion of Ukraine will be felt more intensely during the upcoming winter season and could trigger stoppages in certain sectors, such as

Exhibit 2

## Household disposable income and private consumption

Change, in billions of euros



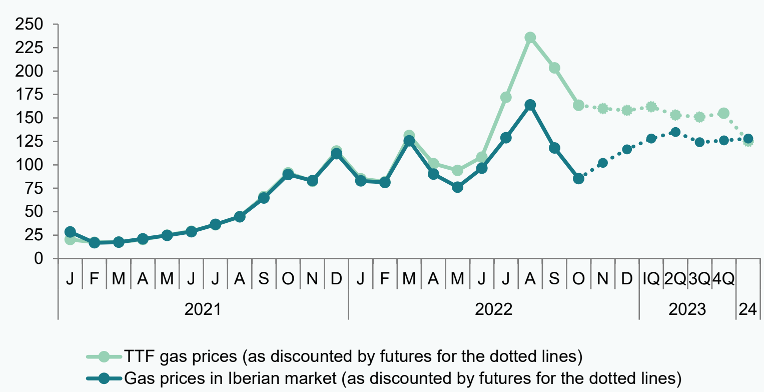

*Source: Funcas, based on INE data.*

the metallurgy or fertiliser sectors, that cannot pass their higher costs onto end prices. The manufacturing sectors in the countries most dependent on Russia for gas, such as Germany and Italy, are facing supply cuts that will almost certainly translate into recession, with adverse consequences for Spanish exports (IMF, 2022). Our forecasts are underpinned by the assumption that GDP in the eurozone will contract by 0.2% in 2023 and that energy prices will continue to climb higher until next spring, at which point they will remain high, in line with the levels currently being discounted by the futures market (Exhibit 3).

Exhibit 3

## Gas prices

Euros per MWh




*Sources: Mibgas and TTF ICE.*

> "The manufacturing sectors in the countries most dependent on Russia for gas, such as Germany and Italy, are facing supply cuts that will almost certainly translate into recession, with adverse consequences for Spanish exports."

Lastly, given inflation's staying power, the main central banks have embarked on a path of rate tightening with the aim of cooling demand and thereby mitigating the risk of second-round effects. Our forecasts contemplate additional increases in the ECB's deposit facility rate up to a terminal rate of 2.5% in the second quarter of 2023, from which point we expect rates to be largely stable. The yield on the 10-year bond is expected to rise to 3.5% during the projection horizon.

Against that backdrop, following slim (but positive) growth in the third quarter thanks to lingering momentum in tourism and exports, GDP could contract in the last quarter of this year and first quarter of 2023, so constituting a short recession. We are forecasting the possibilitiy of a slight recovery from the second quarter, in line with reduced pressure from energy prices and, later, a pause in monetary tightening.

Growth this year is forecast at a solid 4.5%, up 0.3pp from our last forecast (Table 2). However, that growth is expected to be highly uneven (after the momentum of the first half, GDP is expected to eke out scant growth of 0.2% in the third quarter and to contract by 0.4% in the fourth quarter) by quarter and in terms of drivers. Growth will be driven mainly by the momentum in exports, with net trade expected to contribute 3.5% points (up 1.4pp from our July forecasts). Internal demand, on the other hand, is expected to contribute a meagre 1pp to GDP growth (down 1.1pp from our last set of forecasts), due to the impact of inflation on private and public consumption. Investment is the only driving force within internal demand, buoyed by the momentum in exports, growth in corporate profits and stimulus provided by the European funds.

The economic weakness will be more tangible in 2023, when the Spanish economy is expected to grow by 0.7%, compared to our last forecast of 2%. We have lowered our forecasts for all components of demand. Most notable is the expected continued stagnation of private consumption against the backdrop of an energy and inflation crisis that is undermining consumer confidence despite the small degree of wage recovery anticipated. Global uncertainty and the impairment of the European economy are also likely to weigh heavily on investment, so that internal demand is now expected to contribute just half a point to GDP (down 1.5pp from our last set of forecasts). Likewise, external demand is expected to lose steam as the international economy stutters. However, as imports will slow in tandem with internal demand,

> "Following slim (but positive) growth in the third quarter thanks to lingering momentum in tourism and exports, GDP could contract in the last quarter of this year and first quarter of 2023, constituting a short recession; but a slight recovery is possible from the second quarter, in line with reduced pressure from energy prices and, later, a pause in monetary tightening."

> Investment is the only driving force within internal demand, buoyed by the momentum in exports, growth in corporate profits and stimulus provided by the European funds.

net trade should still make a small positive contribution to growth, of an estimated 0.2pp (our last forecast contribution: 0pp).

Inflation may start to come down over the coming months, albeit remaining at high levels. Assuming that energy prices continue to rise until next spring before stabilising, at the levels being discounted by the futures market, we are forecasting the consumption deflator at 8.2% this year and at 5.2% in 2023 (Exhibit 4), which is not significantly different from our July forecasts. As for the GDP deflator, the variable that best reflects internal price dynamics, we are forecasting a significantly lower rate of 3.8% this year, and a rate of 4.4% next year. The increase in the GDP deflator in 2023 is attributable to the increase in wages anticipated next year (we are now expecting employee remuneration to increase by 3.5%, up one and a half points from our forecast for 2022).

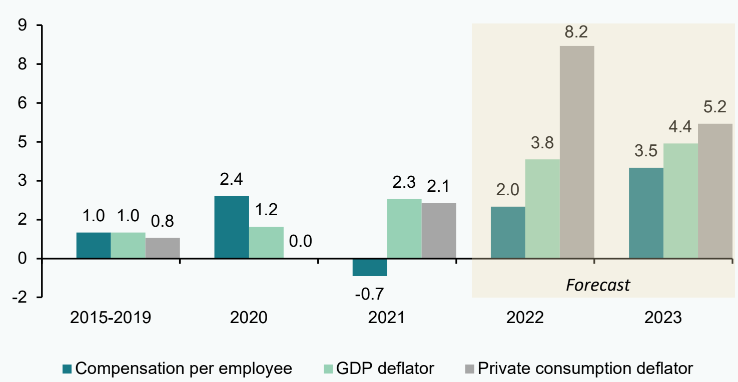
The increase in the energy bill will hurt Spain's goods trade deficit, eroding the current account, which will nevertheless remain in surplus territory thanks to Spanish exports' strong competitive positioning. Thanks to that, and transfers from Europe under the scope of the Next Generation funds (which do not compute for current account calculation purposes), Spain will continue to report a solid overall external surplus throughout the projection period: its net lending position is forecast to reach 1.3% of GDP in 2023.

The labour market is also likely to feel the slowdown but shouldn't give back the gains notched up in recent months. Our forecasts call for the creation of 220,000 jobs (net) between July 2022 and December 2023, 60,000 fewer than in the first half of this year (adjusted for seasonality and on a full time equivalent basis). That slim growth will, however, be sufficient

Exhibit 4

**Prices and wages**

YoY growth, %




*Source: INE and Funcas forecasts.*

Table 1 **Execution of NGEU-funded sector projects**

Millions of euros

| | Forecast public investment | Tenders | | |
|---|---|---|---|---|
| | | Completed or in progress | Upcoming | Total |
| Chips | 12,250 | 0 | 252 | 252 |
| Renewable energy | 6,920 | 2,100 | 736 | 2,836 |
| Electric vehicle | 4,300 | 3,015 | 971 | 3,986 |
| Aerospace | 2,193 | 621 | 490 | 1,111 |
| Digitalisation of water cycle | 1,940 | 200 | 0 | 200 |
| Farming-food chain | 1,800 | 373 | 230 | 603 |
| Language economy | 1,100 | 5 | 329 | 334 |
| Cutting-edge healthcare | 900 | 384 | 298 | 682 |
| Circular economy | 492 | 0 | 492 | 492 |
| Shipping | 310 | 230 | 0 | 230 |
| Care economy | | 22 | 102 | 124 |
| **Total** | **32,205** | **6,950** | **3,900** | **10,850** |
| *Total including electric mobility plan (MOVES)* | | *7,889* | | *11,789* |

*Source: Funcas estimates based on tender reports.*

to ward off a sharp increase in unemployment of the magnitude observed during previous recessionary episodes. Unemployment is expected to hover at around 12% until the end of 2023.

The public deficit is set to come down this year thanks to the interplay of the automatic stabilisers, coupled with inflation dynamics. However, little progress is expected on addressing prevailing imbalances in 2023 on account of the economic cooling and indexation of pensions. The deficit is forecast at around 4.4% of GDP in 2023, which is close to its structural level, with public debt at 112%. In short, fiscal policy faces the challenge of tackling the costs of inflation while addressing budgetary imbalances. The European funds have the potential to make a significant contribution to that task but their execution is spotty to date (Table 1).

## Main risks

Geopolitical tensions, particularly the various possible outcomes for the war in Ukraine, mean these forecasts are subject to a significant degree of uncertainty. With all due caution, there is more downside than upside.

Firstly, the energy crisis could prove harsher than forecast, making it hard to tame inflation and exacerbating the risk of recession in the eurozone. The gas market (and its ramifications for electricity), the most sensitive to that

> "The public deficit is forecast at around 4.4% of GDP in 2023, which is close to its structural level, with public debt at 112%."

geopolitical tension, is of greatest concern. An intensification or spillover of the conflict in Ukraine would have immediate repercussions for oil and gas prices, triggering a deep recession in Europe.

The economy's ability to withstand the rise in interest rates is another source of risk. Unlike the last crisis, financial risks look moderate today, although a lot depends on the pace of monetary policy normalisation. Moreover, past experience suggests that interest rates affect the economy and financial system in a non-linear manner. The risks at the start of the rate tightening process could be small. For example, in Spain, growth slowed gently between 2005 and mid-2007 despite sharp rate increases. At that juncture the additional rate increases were marginal but sufficient to tip the economy into recession. Today's situation is not comparable thanks to deleveraging in the Spanish private sector and healthy momentum in the labour market (a key enabling factor of the "manageable" scenario depicted in these forecasts). Nevertheless, if rate increases are too aggressive there is a risk of a prolonged recession. [1]

Lastly, the persistence of a significant structural public deficit is a threat at a time when the ECB is rolling back its support. Now, more than when interest rates were negative, fiscal sustainability depends on the credibility of the reform path and the transformational impact of public budgets, particularly with respect to the investment projects financed from the European funds.

## Notes

[1] The European Systemic Risk Board (ESRB) has warned that financial risk is increasing in the EU. Refer to https://www.esrb.europa.eu/pub/pdf/warnings/esrb.warning220929_on_vulnerabilities_union_financial_system~6ae5572939.en.pdf

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**Raymond Torres and María Jesús Fernández**. Funcas

Table 2 **Economic forecasts for Spain, 2022-2023**

Annual rate of change in percentages, unless otherwise indicated

| | Actual data | | | | Funcas forecasts | | Change from last set of forecasts (a) | |
|---|---|---|---|---|---|---|---|---|
| | 2008-2013 average | 2014-2019 average | 2020 | 2021 | 2022 | 2023 | 2022 | 2023 |
| 1. GDP and aggregates, constant prices | | | | | | | | |
| GDP | -1.3 | 2.6 | -11.3 | 5.5 | 4.5 | 0.7 | 0.3 | -1.3 |
| Final consumption households and NPISHs | -2.1 | 2.2 | -12.2 | 6.0 | 1.3 | 0.1 | -0.5 | -1.9 |
| Final consumption government | 0.9 | 1.3 | 3.5 | 2.9 | -1.9 | 0.9 | -2.5 | -0.6 |
| Gross fixed capital formation | -7.6 | 4.8 | -9.7 | 0.9 | 5.1 | 1.7 | 0.1 | -1.1 |
| Construction | -10.7 | 4.9 | -10.2 | -3.7 | 4.6 | 3.2 | 3.5 | -0.6 |
| Capital goods and other products | -2.7 | 4.8 | -9.2 | 5.8 | 5.5 | 0.1 | -3.2 | -1.9 |
| Exports of goods and services | 1.8 | 3.9 | -19.9 | 14.4 | 17.4 | 1.4 | 4.4 | -1.9 |
| Imports of goods and services | -4.0 | 4.4 | -14.9 | 13.9 | 7.6 | 1.1 | 0.2 | -2.5 |
| Domestic demand (b) | -3.1 | 2.6 | -9.1 | 5.2 | 1.0 | 0.5 | -1.1 | -1.5 |
| Net exports (b) | 1.8 | 0.0 | -2.2 | 0.3 | 3.5 | 0.2 | 1.4 | 0.2 |
| GDP, current prices: - billion of euros | -- | -- | 1,118.0 | 1,206.8 | 1,309.6 | 1,377.0 | -- | -- |
| - % change | -0.8 | 3.4 | -10.2 | 7.9 | 8.5 | 5.1 | -0.7 | -0.7 |
| 2. Inflation, employment and unemployment | | | | | | | | |
| GDP deflator | 0.5 | 0.8 | 1.2 | 2.3 | 3.8 | 4.4 | -0.9 | 0.6 |
| Household consumption deflator | 1.7 | 0.7 | 0.0 | 2.1 | 8.2 | 5.2 | -0.6 | 0.2 |
| Total employment (National Accounts, FTEs) | -3.4 | 2.6 | -6.8 | 6.6 | 3.3 | 0.4 | 0.2 | -0.7 |
| Compensation per employee (per FTE) | 2.4 | 0.9 | 2.4 | -0.7 | 2.0 | 3.5 | -0.5 | 0.0 |
| Unemployment rate (Spanish labour force survey, % of active pop.) | 20.2 | 18.8 | 15.5 | 14.8 | 12.4 | 12.0 | -0.3 | 0.2 |
| 3. Financial equilibrium (% of GDP) | | | | | | | | |
| National saving rate | 18.8 | 21.7 | 21.0 | 21.8 | 21.8 | 21.1 | -0.5 | -0.6 |
| - of which, private saving | 22.9 | 23.6 | 28.2 | 25.3 | 23.5 | 22.9 | -1.1 | -1.0 |
| National investment rate | 21.7 | 19.4 | 20.4 | 20.8 | 21.0 | 21.0 | -0.6 | -0.6 |
| - of which, private investment | 17.7 | 17.2 | 17.7 | 18.1 | 18.0 | 18.1 | -0.7 | -0.8 |
| Current account surplus (deficit) | -2.9 | 2.3 | 0.6 | 1.0 | 0.9 | 0.2 | 0.2 | 0.0 |
| Spain's net lending (+) or borrowing (-) position | -2.4 | 2.7 | 1.1 | 1.9 | 2.1 | 1.3 | -0.8 | -0.6 |
| - Private sector | 6.6 | 6.8 | 11.2 | 8.7 | 6.4 | 5.7 | -1.2 | -0.8 |
| - Govt. deficit excl. financial sector bailout debt | -8.1 | -3.9 | -9.9 | -6.8 | -4.2 | -4.4 | 0.5 | 0.1 |
| Government debt, EDP criteria | 69.0 | 101.9 | 120.4 | 118.3 | 113.2 | 112.0 | -0.7 | -0.1 |
| 4. Other variables | | | | | | | | |
| Eurozone GDP | -0.2 | 1.9 | -6.4 | 5.3 | 3.1 | -0.2 | 0.6 | -1.7 |
| Household saving rate (% of GDI) | 8.8 | 6.7 | 17.6 | 13.7 | 8.7 | 7.7 | 1.3 | 1.2 |
| Gross borrowings, households (% of GDI) | 128.5 | 101.6 | 91.5 | 89.3 | 86.8 | 82.7 | -0.6 | 0.6 |
| Gross borrowings, non-financial corporations (% of GDP) | 133.4 | 103.0 | 108.4 | 104.0 | 95.9 | 90.4 | 2.9 | 3.1 |
| 12-month EURIBOR (annual %) | 1.90 | 0.01 | -0.30 | -0.49 | 0.84 | 2.51 | 0.34 | 1.11 |
| Yield on 10Y Spanish bonds (annual %) | 4.74 | 1.58 | 0.38 | 0.35 | 2.30 | 3.50 | 0.31 | 0.53 |

*(a) Percentage-point change between the current estimates and the last set of forecasts.*
*(b) Contribution to GDP growth in percentage points.*
*Sources: 2008-2021: INE and Bank of Spain; Forecasts 2022-2023: Funcas.*

Table 3

## Quarterly forecasts for the Spanish economy

Percentage change at constant prices, unless otherwise indicated

Forecasts in shaded area

| Period | GDP | Private consumption | Public consumption | GFCF | Exports | Imports | Contrib. to growth (1) | | Employ. (2) | Unemp. rate |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Domestic demand | Net exports | | |
| 2014 | 1.4 | 1.7 | -0.6 | 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 | 3.0 | 3.0 | 1.0 | 6.8 | 5.5 | 6.8 | 3.1 | -0.2 | 2.9 | 17.2 |
| 2018 | 2.3 | 1.7 | 2.3 | 6.3 | 1.7 | 3.9 | 2.9 | -0.6 | 2.2 | 15.3 |
| 2019 | 2.0 | 1.1 | 1.9 | 4.5 | 2.2 | 1.3 | 1.6 | 0.4 | 3.3 | 14.1 |
| 2020 | -11.3 | -12.2 | 3.5 | -9.7 | -19.9 | -14.9 | -9.1 | -2.2 | -6.8 | 15.5 |
| 2021 | 5.5 | 6.0 | 2.9 | 0.9 | 14.4 | 13.9 | 5.2 | 0.3 | 6.6 | 14.8 |
| 2022 | 4.5 | 1.3 | -1.9 | 5.1 | 17.4 | 7.6 | 1.0 | 3.5 | 3.3 | 12.4 |
| 2023 | 0.7 | 0.1 | 0.9 | 1.7 | 1.4 | 1.1 | 0.5 | 0.2 | 0.4 | 12.0 |
| QoQ change, in % | | | | | | | | | | Unemp. rate |
| 1Q21 | -0.2 | -0.1 | 0.6 | -1.9 | 2.2 | 0.5 | -0.8 | 0.6 | 0.6 | 16.0 |
| 2Q21 | 1.4 | 2.2 | 0.7 | 1.1 | 2.2 | 6.0 | 2.5 | -1.1 | 1.0 | 15.3 |
| 3Q21 | 3.1 | 2.1 | 0.5 | -0.8 | 5.7 | 2.7 | 2.1 | 1.0 | 3.3 | 14.6 |
| 4Q21 | 2.3 | 0.3 | -1.8 | -0.1 | 5.5 | 1.9 | 1.0 | 1.2 | 0.9 | 13.3 |
| 1Q22 | -0.2 | -1.2 | -0.3 | 3.3 | 5.2 | 1.0 | -1.8 | 1.6 | -0.1 | 13.6 |
| 2Q22 | 1.5 | 1.2 | -1.3 | 2.5 | 4.9 | 2.8 | 0.5 | 0.9 | 1.0 | 12.5 |
| 3Q22 | 0.2 | 0.1 | 0.4 | 0.3 | 0.5 | 0.5 | 0.2 | 0.0 | 0.4 | 11.7 |
| 4Q22 | -0.4 | -1.0 | 0.4 | -0.2 | -0.4 | -0.8 | -0.5 | 0.1 | -0.7 | 11.6 |
| 1Q23 | -0.4 | 0.0 | 0.3 | -0.4 | -2.3 | -1.4 | 0.0 | -0.4 | -0.6 | 12.5 |
| 2Q23 | 0.5 | 0.3 | 0.3 | 0.7 | 1.5 | 1.3 | 0.4 | 0.1 | 1.0 | 12.1 |
| 3Q23 | 1.0 | 0.4 | 0.3 | 1.2 | 2.8 | 1.9 | 0.5 | 0.4 | 0.6 | 11.8 |
| 4Q23 | 0.4 | 0.4 | 0.3 | 1.2 | 0.5 | 0.8 | 0.5 | -0.1 | 0.4 | 11.5 |
| Year-on-year growth rates | | | | | | | | | | |
| 1Q21 | -4.4 | -4.5 | 4.4 | -6.1 | -6.0 | -3.7 | -3.6 | -0.8 | -2.7 | -- |
| 2Q21 | 17.9 | 23.3 | 4.1 | 17.5 | 40.5 | 40.8 | 17.6 | 0.3 | 18.9 | -- |
| 3Q21 | 4.2 | 4.0 | 3.1 | -3.0 | 15.2 | 14.3 | 3.8 | 0.4 | 6.4 | -- |
| 4Q21 | 6.6 | 4.5 | -0.1 | -1.7 | 16.4 | 11.6 | 4.9 | 1.7 | 6.0 | -- |
| 1Q22 | 6.7 | 3.4 | -1.0 | 3.5 | 19.9 | 12.2 | 3.8 | 2.8 | 5.3 | -- |
| 2Q22 | 6.8 | 2.4 | -2.9 | 4.9 | 23.1 | 8.8 | 1.9 | 4.9 | 5.2 | -- |
| 3Q22 | 3.8 | 0.4 | -2.9 | 6.0 | 17.1 | 6.4 | 0.0 | 3.8 | 2.3 | -- |
| 4Q22 | 1.1 | -0.9 | -0.8 | 5.9 | 10.5 | 3.6 | -1.6 | 2.7 | 0.6 | -- |
| 1Q23 | 0.9 | 0.3 | -0.2 | 2.3 | 2.6 | 1.1 | 0.2 | 0.6 | 0.0 | -- |
| 2Q23 | -0.1 | -0.6 | 1.4 | 0.5 | -0.8 | -0.4 | 0.0 | -0.2 | 0.0 | -- |
| 3Q23 | 0.6 | -0.3 | 1.3 | 1.4 | 1.5 | 1.0 | 0.4 | 0.2 | 0.2 | -- |
| 4Q23 | 1.4 | 1.1 | 1.2 | 2.8 | 2.4 | 2.6 | 1.4 | 0.0 | 1.3 | -- |

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


# General Budget and Budgetary Plan for 2023: A comprehensive analysis

An analysis on the 2023 Budget reveals there is little justification for concern over its consistency and sharply expansionary nature, failure to comply with the country-specific recommendation (CSR) or any mismatch between public spending and revenue. Nonetheless, a more accurate assessment of Spain's public finances for 2023 will ultimately depend on the details and costs of the forthcoming package of additional fiscal measures for that year due to the war in Ukraine.

Santiago Lago Peñas

Abstract: While the 2023 Budget presented in early October is a vital document, the 2023 Plan presented to the European Commission one week later provides a more holistic approach for an analysis that takes into account upcoming fiscal measures designed to help vulnerable households and firms, which are set to have a material impact on both the revenue and expenditure sides of the budget equation. Indeed, the 2023 Budget starts from a 2022 tax revenue forecast clearly below the level derived by extrapolating tax collection figures available to date, which means that the rate of growth in tax revenues needed to deliver the forecast contemplated in this document will be much lower. Given that the government continues to target an overall public deficit of 3.9% in 2023, the figure established in the 2022-2025 Stability Programme presented last spring, the required deficit reduction will be much smaller, around one third of the initially

contemplated amount. In short, per the 2023 Budget, there is little justification for concern over its consistency and sharply expansionary nature, failure to comply with the CSR or any mismatch between public spending and revenue. The healthy momentum in tax revenue in 2022 means the deficit and tax collection targets for 2023 are very modest and achievable, even if the macroeconomic situation ends up far worse than the government is forecasting. Nonetheless, the 2023 Budget is undermined by its omission of the fiscal package to be deployed in 2023 in response to the energy and inflation crisis which means that a more accurate assessment of the state of Spain's public finances in 2023 ultimately depends on the details of this package and its estimated cost. The probability of an economic downturn and the potential for a greater gap between revenues and costs thus calls for a highly selective package of additional fiscal measures to allow for some discretionary measures in case new needs emerge over the coming quarters.

## General budget or budgetary plan?

The general state budget for 2023 (2023 Budget), presented on October 6th, 2022, before Congress, creates an analytical dilemma: whether to focus on an analysis of its figures, or alternatively, prioritise the 2023 Budgetary Plan of the Kingdom of Spain 2023 (2023 Plan) sent a week later, on October 15th, to the European Commission (Ministry of Finance and Civil Service, 2022a and 2022b).

Naturally, for micro-analytical purposes, with its focus on spending programmes and projects, the 2023 Budget is a vital document. However, the Plan is a better source for a holistic approach focused on internal consistency, between revenue and expenses, and external consistency, with the macroeconomic environment. Moreover, the Plan also allows for an analysis that takes into consideration the latest figures and information about probable or highly probable developments on both the revenue and spending sides of the budget equation. For the first time in history, the 2023 Plan, includes two scenarios.

The so-called Scenario 1 encompasses all the revenue and spending measures featured in the 2023 Budget, and the core aspects of the draft budgets for the regional governments for 2023. Scenario 2, meanwhile, layers in a package of revenue and spending measures, not yet defined and passed, designed to protect the households, workers and companies most affected by the crisis. In other words, a sort of selective rollover of the initiatives deployed in 2022. The second scenario also factors in the expected revenue from the new tax on large fortunes, currently making its way through parliament (1.5 billion euros), and the upside in corporate tax revenue unlocked by the limit on the ability to offset tax losses agreed by the coalition government at the end of September (244 million euros).

## Revenue performance in 2022

The 2023 Budget starts from a tax revenue forecast for 2022 that is clearly below the level derived by extrapolating the tax collection figures available to date (Exhibit 1). Tax revenue between 2020 and 2022 has trended systematically above the level that might be expected in light of the GDP growth recorded. Several factors underpin that

> "The 2023 Budget starts from a tax revenue forecast for 2022 that is clearly below the level derived by extrapolating the tax collection figures available to date, which means the starting point will actually be significantly higher so that the rate of growth in tax revenue needed to deliver the forecast contemplated in the 2023 Budget will be much lower."

> Compared to the 5% of GDP featured in the 2023 Budget, the Bank of Spain is forecasting a deficit of 4.3%; AIReF, a deficit of 4.4% and Funcas one as low as 4.2%, helped by the interplay of the automatic stabilisers and inflation.

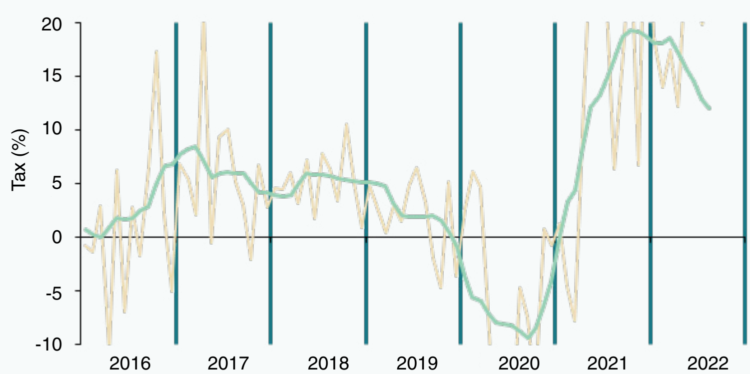
outperformance: the effect of income support measures, such as the furlough scheme, which have eased the correlation between GDP dynamics and household income, particularly in 2020 and 2021; inflation for the past year, which very swiftly increases VAT tax bases and then more gradually inflates those of the direct taxes; a strong job market, which has done away with the threshold of GDP growth of 2% needed for robust job creation in Spain; and the shrinkage of the shadow economy, thanks to the mainstreaming of digital payment methods and greater awareness on the part of the economic agents of the costs of living in the informal economy when it comes to accessing protection schemes of various kinds.

What that means is that the starting point will actually be significantly higher so that the rate of growth in tax revenue needed to deliver the forecast contemplated in the 2023 Budget will be much lower. Table 1 makes that point clearly. If we use the 2022 figures contemplated in the budget as our reference, tax revenue is forecast to grow by 7.6% in 2023, above the growth in nominal GDP forecast by the Spanish government (6.0%), Bank of Spain (5.9%) and Funcas (5.1%). [1] However, if the starting level is that contemplated in the 2023 Plan, which extrapolates the collection data reported by the tax authorities through October, that percentage narrows to merely 4%. The first figure implies a revenue elasticity of over 1, whereas the second implies an elasticity of well under 1 and is therefore conservative. Particularly in light of the fact that there are new taxes looming: excise duty on plastic packaging and new temporary levies in the energy and financial sectors. According

Exhibit 1

**Like-for-like tax revenue to August 2022**

Year-on-year rate and 12-month moving average (in green)




*Source: AEAT (2022). Information updated as of October 30th, 2022.*

Table 1

**Tax revenue contemplated in the 2023 state budget and budgetary plan**

Billions of euros

| | 2022 | 2023 | Difference | Difference (%) |
|---|---|---|---|---|
| 2023 Budget | 320.3 | 344.6 | 24.3 | 7.6 |
| 2023 Plan | 331.2 | 354.3 | 23.1 | 7.0 |
| Difference | 10.9 | 9.7 | | |

*Note: Growth in tax revenue as per 2023 budget by comparison with forecast 2022 revenue as per the Budget Plan.*

*Source: Authors' own elaboration based on Ministry of Finance and Civil Service figures (2022a).*

to the 2023 Plan, the aggregate revenue from those new taxes is estimated at 3.99 billion euros, which is more than twice the net cost of the changes in personal income tax, VAT and corporate income tax included in the fiscal package agreed by the coalition government on September 30th (1.81 billion euros).

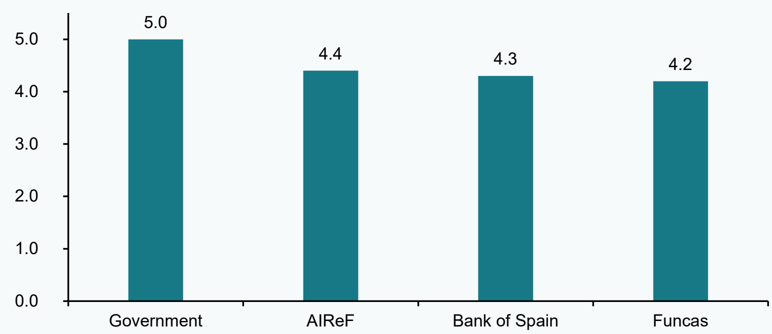
The extraordinary revenue dynamics also has a direct impact on the deficit forecast for 2022. Compared to the 5% of GDP featured in the 2023 Budget, the Bank of Spain is forecasting a deficit of 4.3%; AIReF, a deficit of 4.4% and Funcas one as low as 4.2%, helped by the interplay of the automatic stabilisers and inflation (Funcas, 2022). In other words, between 0.6pp and 0.8pp lower (Exhibit 2).

Given that the government continues to target an overall public deficit of 3.9% in 2023, the figure established in the 2022-2025 Stability Programme presented last spring,

Exhibit 2

**Forecast deficit for 2022**

Percentage of GDP




*Source: Authors' own elaboration.*

> "Although the European fiscal rules remain suspended in the wake of the decision to extend the escape clause until 2024, those recommendations are an important element for an interim assessment of Spain's commitment to fiscal stability and, by extension, the coverage potentially afforded by the ECB's new anti-fragmentation tool, the Transmission Protection Instrument (TPI)."

the required deficit reduction will be much smaller, around one third of the initially contemplated amount. In the words of the Governor of the Bank of Spain: "that target [of 3.9%] seems feasible, taking into account, in particular, that the budget deficit will likely be below the official estimate in 2022 (by some 0.7pp)" (Hernández de Cos, 2022). [2] Funcas (2022) is less optimistic. It believes the cooling of the economy and indexation of pensions to actual CPI will send the deficit slightly higher in 2023, to 4.4%. On the other hand, AIReF is projecting a much lower deficit (3.3%), although its number does not contemplate the potential full or partial rollover of the package of fiscal measures in response to the energy and inflation crisis.

Thirdly, it is important to analyse the rate of growth forecast in primary current expenditure and its alignment with the country-specific recommendation (CSR) made by the European Commission (2022). Although the European fiscal rules remain suspended in the wake of the decision to extend the escape clause until 2024, those recommendations are an important element for an interim assessment of Spain's commitment to fiscal stability and, by extension, the coverage potentially afforded by the ECB's new anti-fragmentation tool, the Transmission Protection Instrument (TPI). The TPI replaces the extraordinary bond purchase programme implemented in response to the pandemic and is vital to preventing volatility in country risk premiums in line with those observed a decade ago.

In essence, the CSR seeks to limit growth in current primary expenditure financed at the national level to less than the medium-term rate of growth in nominal GDP. The measures implemented to support businesses and households in the face of the energy crisis and support refugees fleeing the war in Ukraine are carved out from that capped expenditure. Although it is not yet clear which figure the European Commission will use for Spain, specifically which GDP deflator it will choose for its calculations. The government is estimating a cap of 4.6% in its 2023 Plan, while forecasting growth in qualifying expenditure of 4.4%. The AIReF's assessment (2022) is compatible with that of the government. The independent fiscal institution maintains that the CSR for Spain will be somewhere between 3.1% and 5.1%, depending on the deflator ultimately selected, and its estimation of the growth in qualifying expenditure (+3.6%) is close to the lower bound of that range. [3]

Lastly, our analysis requires studying structural deficit dynamics, and, by extension, the tone of fiscal policy in 2023. A

> "In its 2023 Plan, the government argues that the structural deficit will fall from 3.7% in 2022 to 3.4% in 2023 in both of the scenarios modelled in the document, implying that fiscal policy will be slightly contractionary in 2023."

> The healthy momentum in tax revenue in 2022 means the deficit and tax collection targets for 2023 are very modest and achievable, even if the macroeconomic situation ends up far worse than the government is forecasting.

reduction (increase) in the structural deficit is interpreted as a contractionary (expansionary) bias. Right now, it is particularly difficult to break the public deficit down into its structural and cyclical components. In its 2023 Plan, the government argues that the structural deficit will fall from 3.7% in 2022 to 3.4% in 2023 in both of the scenarios modelled in the document, implying that fiscal policy will be slightly contractionary in 2023. In his speech before Congress on the topic of the 2023 Budget, the Governor of the Bank of Spain cast some doubt over that forecast. In his opinion, the structural deficit will be similar in 2022 and 2023, implying a neutral fiscal policy stance. He also sparked an interesting debate about the advisability of factoring in the European funds channelled through the Recovery and Resilience Facility (RRF) when it comes to assessing the structural fiscal balance. Although those funds do not affect the deficit in accounting terms, they do affect the tone of fiscal policy, so that: "in order to correctly measure the fiscal policy stance, the change in the structural balance should be corrected for this effect, deducting the change in the net balance of funds received from the European Union" (Hernández de Cos, 2022). On that basis, the Bank of Spain concludes that Spain's structural deficit will increase slightly – by around 0.15 percentage points – in 2023.

In short, if we focus our analysis on the 2023 Budget, there is little justification for concern over its consistency and sharply expansionary nature, over failure to comply with the CSR assigned to Spain or over any mismatch between public spending and revenue dynamics. The healthy momentum in tax revenue in 2022 means the deficit and tax collection targets for 2023 are very modest and achievable, even if the macroeconomic situation ends up far worse than the government is forecasting.

## Extension of the Ukraine fiscal package: A key consideration

It is true, however, that the 2023 Budget is undermined by its omission of the fiscal package to be deployed in 2023 in response to the energy and inflation crisis. As a result, the assessment of the state of Spain's public finances in 2023 ultimately depends materially on how that package materialises and its estimated cost. Over the coming weeks, the coalition government needs to come up with an effective solution in terms of results that is financeable and consistent with the room for fiscal manoeuvre available in an environment that is deteriorating. With a view to identifying the related limits and possibilities, Table 2 reproduces AIReF's estimates (2022) of the fiscal cost of the main measures taken in 2022 and of their hypothetical rollover to all of 2023. [4]

The extension to 2023 of all of the measures would imply an expenditure cost of 13.49 billion euros, which is equivalent to

> The extension to 2023 of all of the 2022 measures would imply an expenditure cost of 13.49 billion euros, which is equivalent to nearly one point of GDP, while the revenue foregone comes to 5.04 billion euros, a little over 0.3pp of GDP.

nearly one point of GDP, while the revenue foregone comes to 5.04 billion euros, a little over 0.3pp of GDP. In addition, the government is expected to continue to take new decisions between now and the end of the year, such as extension of subsidised gas and electricity rates or the creation of a new regulated tariff for housing blocks with natural gas boilers, measures announced in October.

Meanwhile, Scenario 2 of the 2023 Plan contemplates an identical increase in non-financial spending and revenue as in Scenario 1: 0.7pp of GDP, equivalent to 9.7 billion euros, to leave the deficit in line with that contemplated in the 2023 Budget. Depending on where tax revenue ends up this year, the probability of a downturn in the economic situation and the distance between the costs projected in the paragraph above and the room for manoeuvre in Scenario 2 highlight the need to limit the magnitude of the fiscal package in 2023. It would be reasonable and prudent to be highly selective. And it would be advisable not to use up all of the slack by December in case new needs emerge over the coming quarters.

In making that selection it is essential to evaluate the measures in detail along at least four dimensions: their cost; their distributional impact; their negative or positive impact on the energy transition thrust; and their fit with the recommendations made in the white book on tax reform. [5] Framed by those criteria, two measures look like obvious candidates for reduction or elimination: the fuel subsidy and the electricity and gas VAT rate cuts. The fuel subsidy represents nearly half of projected expenditure (almost half a point of GDP); on the whole, its distributional impact is regressive; and it works against the country's decarbonisation goals. The reasons for eliminating the VAT discount are similar;

Table 2

**AIReF estimates of the budgetary impact of the measures introduced in response to the energy crisis and invasion of Ukraine**

Millions of euros

| | 2022 | 2023 |
|---|---|---|
| VAT (electricity) | 1,955 | 2,280 |
| VAT (gas) | 151 | 806 |
| Excise duty on electricity | 1,944 | 1,952 |
| Total revenue foregone | 4,051 | 5,038 |
| Fuel subsidy | 4,531 | 6,774 |
| Sector-specific aid | 3,522 | 3,587 |
| Direct aid for individuals | 540 | 540 |
| Other aid for individuals | 1,928 | 2,588 |
| Aid for refugees | 1,200 | |
| Total additional expenses | 11,721 | 13,490 |
| **Total impact (revenue foregone + additional expenses)** | **15,772** | **18,528** |
| **Total impact (% of GDP)** | **1.20%** | **1.30%** |

*Source: AIReF (2022).*

plus, that initiative is out of sync with the white book recommendations. Unquestionably, it will be hard to roll back those measures from an economic policy standpoint. Definition of scenarios for their gradual elimination is one possible solution. It might also make sense to focus on productive sectors that are unable to switch technology in the short-term (*e.g.*, transport, fishing) from elimination of the fuel subsidy.

## Notes

[1] The differences are higher in relative terms if we look at real GDP growth. All of the forecasts are below the 2.1% projected by the government: 1.5% according to AIReF (2022) and OECD (2022); 1.4% as per the Bank of Spain; 1.2% in the opinion of the IMF (2022); and 0.7% according to Funcas (2022). To the contrary, the GDP deflator, the other component of nominal GDP, is below that forecast by the government.

[2] The Governor added that "the new measures announced after the Banco de España's macroeconomic projections were published on October 5th and would not have a significant impact on the deficit forecast for 2023."

[3] The AIReF has warned that matters will be different in the event that all of the measures passed in 2022 to tackle the energy crisis are extended to 2023. In that event, current primary expenditure would grow by close to 6.9%, which is clearly outside that band. However, as noted earlier, the extension of the fiscal package encompassing measures to mitigate the energy crisis and invasion of Ukraine will conceivably not compute for CSR limit purposes.

[4] The table leaves aside the suspension of the levy on the value of electricity generation as the revenue foregone affects the amounts transferred to the sector watchdog (the CNMC), with a neutral impact on the deficit. The 2023 Plan provides a full list of the initiatives undertaken, including those that do not have a direct impact on the budget.

[5] The estimates compiled by Checherita-Westphal, Freier and Muggenthaler (2022) for the eurozone countries reveal two characteristics of the aid deployed to tackle the energy and inflation crisis up until the summer of 2022. Firstly, their untargeted nature. Just 12% of the measures are focused on the most vulnerable households. Secondly, just 1% of the measures make a positive contribution to the green transition and decarbonisation.

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**Santiago Lago Peñas.** Professor of Applied Economics at Vigo University and Senior Researcher at Funcas

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# An assessment of the main revenue and expenditure figures in the 2023 general state budget

The 2023 general state budget is underpinned by an optimistic GDP forecast of 2.1%, which would unlock a reduction in the deficit from 5.0% in 2022 to 3.9% in 2023. Nonetheless, positive performance on the revenue side is underpinned mainly by sharp inflation, together with essentially temporary measures set to take effect in 2023, rather than tax reform, while expenditure figures are largely structural and also remain sensitive to upcoming decisions on extension of support measures into the coming year.

Desiderio Romero-Jordán

Abstract: The 2023 general state budget (2023 Budget) is underpinned by an optimistic GDP growth forecast (2.1%). It assumes a revenue-GDP elasticity of 1.1 and an expenditure-GDP elasticity of just over 0.6, which would unlock a reduction in the deficit from 5.0% in 2022 to 3.9% in 2023. On the revenue side, the forecast growth of 7.6% (at all levels of government) is shaped by the sharp growth in inflation (71.4% according to AIReF). Other contributing factors to the favourable revenue outlook include the measures set to take effect in 2023, with a net positive contribution to the state's coffers of 2.71 billion euros. The new sources of tax revenue stem mainly from essentially temporary measures (92.9% and 92.6% of tax revenue gains in 2023 and 2024, respectively) rather than genuine tax reform,

"If the Scenario 2 forecasts are borne out, the government will have 9.66 billion euros of additional revenue in 2023 with which to roll over the measures approved over the course of 2022 and/or implement new initiatives to protect businesses and households."

as promised to Brussels for the first quarter of 2023 and upon which the release of 7 billion euros in European funds is conditional. On the expenditure side, the estimated figures are sensitive to the pending decision as to the rollover to 2023 of the household and business aid put in place in 2022, whose overall cost, if not adjusted, would be around 18 billion euros.

## Snapshot of total public revenue and expenditure in 2023

In the span of just two years, history has repeated itself: the budget has been formulated in a highly complex environment, this time on account of the invasion of Ukraine. The draft state budget for 2023 (2023 Budget), passed by the Cabinet on October 6th, is underpinned by forecast real GDP growth of 2.1% in 2023. That forecast looks optimistic in light of the range of estimates recently published by the leading Spanish and international organisations (1.5% forecast by AIReF; 1.4% by the Bank of Spain; 1.2% by the IMF; 1% by BBVA-Research; and 0.7% by Funcas). On October 15th, the government sent Brussels its Budgetary Plan for 2023 (2023 Plan) which contained a few relevant details not included in the initial 2023 Budget. Specifically, it features a so-called Scenario 2, which sets out a more optimistic trend in tax revenue in 2022 and 2023.

As shown in Table 1, Scenario 2 assumes that total tax revenue in 2022 will top the estimate

Table 1

**Forecast public revenue and expenditure (all levels of government)**

Million euros

| | Scenario 1 | | | Scenario 2 | | | Scenario 2 *vs.* Scenario I | |
|---|---|---|---|---|---|---|---|---|
| | Preliminary 2022 (a) | 2023 Budget (b) | Δ % | Preliminary 2022 (c) | 2023 Plan (d) | Δ % | 2022 (c)-(a) | 2023 (d)-(b) |
| Total revenue | 551,621 | 587,609 | 6.52 | 560,813 | 595,847 | 6.25 | 9,192 | 8,238 |
| Tax | 320,354 | 344,627 | 7.58 | 331,188 | 354,283 | 6.97 | 10,834 | 9,656 |
| Total expenditure | 615,718 | 640,189 | 3.97 | 626,176 | 649,889 | 3.79 | 10,458 | 9,700 |
| Nominal GDP | 1,307,256 | 1,385,691 | 6.00 | 1,307,256 | 1,385,691 | 6.00 | -- | -- |
| Elasticities | | | | | | | | |
| Total revenue | --- | 1.09 | --- | --- | 1.04 | --- | --- | --- |
| Total expenditure | --- | 0.66 | --- | --- | 0.63 | --- | --- | --- |
| Tax | --- | 1.26 | --- | --- | 1.16 | --- | --- | --- |
| Ratios (%) | | | | | | | | |
| Tax burden | 42.1 | 42.3 | 0.2 | 42.9 | 43.0 | 0.1 | 0.8 | 0.7 |
| Public expenditure / GDP | 47.1 | 46.2 | -0.9 | 47.9 | 46.9 | -1.0 | 0.8 | 0.7 |
| Public deficit/GDP | 5.0 | 3.9 | -1.1 | 5.0 | 3.9 | -1.1 | 0.0 | 0.0 |

*Source: Government of Spain (2022a, 2022b) and author's own elaboration.*

used in the 2023 Budget by 9.19 billion euros. And it assumes that 2023 revenue will come in 8.24 billion euros above the estimate provided in the 2023 Budget. In both scenarios (1 and 2), total revenue is expected to increase by between 35 and 36 billion euros, or between 6.2% and 6.5%, between 2022 and 2023. Expenditure, meanwhile, is expected to increase by between 23.7 billion and 24.5 billion euros, equivalent to around 4%.

Scenario 2 puts the tax burden at 42.9% in in 2022 (compared to 42.1% in Scenario I), increasing to 43.0% in 2023 (*vs.* 42.3% in Scenario 1). However, Scenario 2 makes no changes to the public deficits forecast in the 2023 Budget (5% in 2022 and 3.9% in 2023). In fact, the assumption is that expenditure and revenue will increase by 0.8 points of GDP in 2022 and 0.7 points in 2023 in both Scenarios I and 2. The 1.1-point reduction in the ratio of the deficit-to-GDP is attributable to an elasticity in total revenue-to-GDP of close to 1 compared to an elasticity in expenditure-to-GDP of just over 0.6.

If the Scenario 2 forecasts are borne out, the government will have 9.66 billion euros of additional revenue in 2023 with which to roll over the measures approved over the course of 2022 and/or implement new initiatives to protect businesses and households. [1] Note that the estimated cost of the three packages of temporary measures passed in 2022 is 15.77 billion euros, which is equivalent to 1.2% of GDP (AIReF, 2022). That figure encompasses the revenue foregone (*e.g.*, the electricity and gas VAT rate cut from 21% to 5%) as well as the items of expenditure (*e.g.*, public transportation card and fuel subsidies). [2] As a result, the rollover of the existing measures and/or approval of new ones will affect the expenditure and revenue figures contemplated in the 2023 Budget. [3] It is probable that some of them, such as the above-mentioned VAT rate cut, with an estimated cost of 3.1 billion euros in 2022, will be extended to 2023 (AIReF, 2022a). In contrast, judging by the information available, the government may not extend the universal fuel subsidy, which cost an estimated 6.03 billion euros in 2022 (Government of Spain, 2022b). [4] That subsidy may be discontinued as a universal measure and retargeted at select sectors only, such as the transport sector.

A big-picture assessment of the revenue and expenditure figures contained in the two budgetary documents referred to above yields the following conclusions:

- A significant portion of the increase in spending in 2023 will be structural. The forecast growth in spending on state pensions (+20 billion euros) and public sector pay (+5 billion euros) stands out for their magnitude. That increase is equivalent to 1.8% of GDP in 2023, indicating the scale of the growth in those sources of structural spending.
- On the revenue side, inflation is having a major impact on collection. AIReF (2022b) estimates an impact of 49.3% in 2022 (15.12 billion euros), rising to 71.4% in 2023 (17.33 billion euros). By taxes, in 2023, 10.09 billion euros of the growth will stem from Social Security contributions, 3.92 billion euros from personal income tax and 3.32 billion euros from VAT. The first two will materialise as a result of pay increases. The growth in VAT receipts, meanwhile, will derive from the automatic impact of higher prices on revenue.
- Elsewhere, as we will see in next section, the bulk of the growth in revenue derived from measures slated to take effect in 2023 will

> "Underlying the 2023 Budget is a worrying mismatch between growth in revenue from short-term gains as a result of either temporary instruments or inflation compared to growth in structural items of expenditure."

be temporary in nature, rather than as a result of the genuine tax reform which the government promised to deliver to Brussels by the first quarter of 2023. The situation generated by the war has created an urgent need to boost revenue in 2023 in order to support vulnerable households and businesses by making intensive use of a small number of temporary measures. Far, therefore, from the more than 100 proposals set forth in the White Paper on Tax Reform (Tax Reform Committee, 2021). [5]

In short, underlying the 2023 Budget is a worrying mismatch between growth in revenue from short-term gains as a result of either temporary instruments or inflation compared to growth in structural items of expenditure. That imbalance will exert additional pressure on the structural deficit, which has been deteriorating in Spain since 2018. Spain needs to urgently pursue public spending and revenue policies framed by a longer-term vision and the criteria of equity and effectiveness so as to be in a position to absorb the shocks that will undoubtedly come its way, as they did unexpectedly in 2008, 2020 and, now again, in 2022.

## State revenue: Measures promised for 2023

As shown in Table 2, the 2023 Budget contemplates growth in non-financial income at the state level of 6.9% to 289.33 billion euros (growth of 18.66 billion euros). Tax revenue is expected to increase by 18.71 billion euros in 2023, with direct taxes contributing 60.7% of that growth and indirect taxes, the remaining 38.3%. By tax, the biggest increase is set to come in personal income tax, at 8.08 billion euros (growth of 7.7%), followed by VAT, at 4.78 billion euros (+5.9%), corporate income tax, at 2.04 billion euros (+7.7%) and excise duty, at 1.7 billion euros (+8.2%). Those forecasts are underpinned by consumer price inflation of 4.1% and growth in national demand of 2.4%.

Table 2 **Non-financial state revenue as per the 2023 Budget**

Million euros

| | 2021 | Preliminary outturn 2022 | 2023 Budget | Change 2021-2022 | | Change 2022-2023 | |
|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (b)-(a) | Δ % | (c)-(b) | Δ % |
| Personal income tax | 94,546 | 105,040 | 113,123 | 10,494 | 11.1 | 8,083 | 7.7 |
| Corporate income tax | 26,627 | 26,483 | 28,519 | -144 | -0.5 | 2,036 | 7.7 |
| VAT | 72,498 | 81,312 | 86,093 | 8,814 | 12.2 | 4,781 | 5.9 |
| Excise | 19,729 | 20,591 | 22,287 | 862 | 4.4 | 1,696 | 8.2 |
| | | | | | | | |
| Direct taxes | 124,582 | 134,607 | 145,972 | 10,025 | 8.0 | 11,365 | 8.4 |
| Indirect taxes | 96,814 | 107,563 | 114,756 | 10,749 | 11.1 | 7,193 | 6.7 |
| | | | | | | | |
| Tax revenue | 223,385 | 244,072 | 262,781 | 20,687 | 9.3 | 18,709 | 7.7 |
| Non-tax revenue | 49,532 | 45,951 | 44,664 | -3,581 | -7.2 | -1,287 | -2.8 |
| | | | | | | | |
| Total non-financial revenue | 272,917 | 290,023 | 307,445 | 17,106 | 6.3 | 17,422 | 6.0 |
| Total non-financial revenue, excl. EU funds | 253,881 | 270,671 | 289,333 | 16,790 | 6.6 | 18,662 | 6.9 |

*Source: Government of Spain (2022a).*

> "The economic situation created by the war, coupled with the fact that the current government is entering its final period, make genuine tax reform in 2023 highly unlikely."

As we will show next, the 2023 Budget is underpinned by a mix of changes, of differing impact, in the main taxes, as well as the implementation of new levies. [6] Those measures, essentially temporary in nature, are far removed from the tax reform commitments made to Brussels, a milestone upon which the release of 7 billion euros of European funds is conditional. Moreover, the changes made to the existing taxes mark continuation of the traditional stopgap solutions applied to the Spanish tax system. The economic situation created by the war, coupled with the fact that the current government is entering its final period (barring a snap election, there will be general elections in November 2023), make genuine tax reform in 2023 highly unlikely. Such reform was, however, one of the commitments assumed as part of Item #28 of the Recovery, Transformation and Resilience Plan.

As shown in Table 3, the bulk of the growth in tax receipts generated by the regulatory changes

Table 3 **Tax impact of the regulatory changes approved in the 2023 Budget**

Million euros

| | 2023 | 2024 | Temporary measure |
|---|---|---|---|
| Increase in taxable income threshold and reform of wage-earner allowance for reducing taxable income | -1,290 | -1,891 | NO |
| Increase in the savings tax rate | --- | 204 | NO |
| Extension of the deduction for children under the age of 3 | --- | - 200 | NO |
| Increased expense deductibility for self-employed professionals | --- | - 184 | NO |
| Corporate income tax | | | |
| Reduced rate for SMEs | --- | - 292 | NO |
| Cap of 50% on utilisation of tax losses between parent and subsidiaries | 244 | 2,439 | YES |
| VAT and excise duty | | | |
| Reduced rate on feminine hygiene products | - 24 | - 24 | NO |
| Excise duty | | | |
| Levy on single-use plastics | 282 | 375 | NO |
| Other new taxes | | | |
| Windfall tax levied on financial institutions | 1,500 | 1,500 | YES |
| Windfall tax levied on energy companies | 2,000 | 2,000 | YES |
| Solidarity tax levied on large fortunes | --- | 1,370 | YES |
| TOTAL | | | |
| (+) Gross increase in tax revenue | 4,026 | 7,888 | --- |
| (-) Tax revenue foregone due to tax cuts/relief | -1,314 | -2,591 | --- |
| (+) Net increase in tax revenue | 2,712 | 5,297 | --- |

*Sources: Government of Spain (2022a), AIReF (2022a).*

already approved for 2023 is concentrated in a small number of measures: new levies in the financial and energy sectors; a 50% cap on the offset of unused tax losses between parents and subsidiaries and the new 'solidarity' tax to be levied on large fortunes. However, the solidarity tax could become permanent within two years, according to the 2023 Plan. These new taxes are expected to generate gross revenue gains of 4.03 billion euros in 2023 and 7.89 billion euros in 2024. However, the net revenue gains, *i.e.,* discounting the cost of the tax cuts to be rolled over from this year, comes to 2.71 billion euros in 2023 and 5.3 billion euros in 2024. In other words, temporary measures account for 92.9% and 92.6% of gross tax revenue gains in 2023 and 2024, respectively.

### Personal income tax

Inflation, especially of the intensity observed in 2022, has a direct impact on households' purchasing power. Unlike in Spain, some countries, including Germany, France, the Netherlands, Belgium, Denmark, Sweden, Norway and the UK, regularly adjust their income tax brackets for inflation (Bunn, 2022). [7] It is smart to prevent bracket creep even in times of low inflation as the impact on the tax burden builds up over time. Along these lines, nearly half of the Spanish regions that participate in the nation's common tax regime, duly availing of their power to do so, have announced measures of varying scope for the adjustment of the regional tranches of personal income tax: Andalusia, Castile-Leon, Valencia, Galicia, Madrid and Murcia. [8]

The 2023 Budget only adjusts the lowest income tax brackets for inflation. To do that, it increases the earnings threshold for becoming eligible to pay income tax from 14,000 to 15,000 euros. It also increases the diminishing personal allowances against wage earnings for taxpayers with after-tax earnings of less than 19,747.50 euros (pre-tax earnings of 21,000 euros) (Table 4). That new threshold is very close to the average level of after-tax wage earnings, which in 2020 amounted to 20,999 euros (AEAT, 2022). Middle-income taxpayers, defined broadly as those reporting taxable income of between 21,000 and 60,000 euros, have been excluded as potential beneficiaries. That universe of taxpayers accounts for 54.9% of all income tax returns and contributes 60.8% of the total tax take.

On the other hand, the budget contemplates increasing taxation on savings income

Table 4

**Changes in the deduction from taxable earnings (TE) for self-employed**

Euros

| Deduction in place until 2022 | | Deduction approved in 2023 Budget | |
|---|---|---|---|
| TE ≤ 13,115 | 5,565 | TE ≤ 14,047.50 | 6,498 |
| 13,115 < TE<br>TE ≤ 16,825 | 5,565-(TE-13,115)*1.5 | 14,047.50 < TE<br>TE ≤ 19,747.5 | 6,498-(TE-14,047.50)*1.14 |
| TE > 16,825 | 0 | TE > 19,747.50 | 0 |

*Source: Government of Spain (2022c).*

“The 2023 Budget only adjusts the lowest income tax brackets for inflation.”

> "The ECB urged the Spanish government to study the possible negative consequences of the bank tax on financial stability, lending and economic growth before enacting the measure; nevertheless, at the time of writing, the government had no plans to make any changes to its proposed tax at the ECB's request."

by increasing the rate for tax bases of over 200,000 euros from 26% to 27%. A new bracket has been introduced whereby tax payers with savings income of over 300,000 euros will pay a marginal rate of 28%. That measure is expected to affect 17,814 large investors and have an average impact of 11,500 euros per tax payer. The budget extends the annual deduction of 1,200 euros for every child under the age of three, for all mothers, irrespective of whether or not they are working. Lastly, the 2023 Budget allows self-employed professionals who calculate their taxable income using the simplified regime to deduct five points more of expenses.

### Corporate income tax

The statutory rate for companies with less than 1 million euros of revenue is being reduced from 25% to 23%. That rate cut stands to benefit over 400,000 small enterprises. According to data published by the National Statistics Office (INE, 2022), as many as 161,000 industrial micro enterprises with fewer than 10 employees (and average revenue of less than 240,000 euros) could benefit from this measure. The reduction in rate around this threshold may be appropriate for a situation of economic deterioration and sharp uncertainty such as this. However, leaving similar thresholds in place *ad infinitum* can encourage strategic behaviour with negative effects on the growth, productivity and survival of these companies (Tsuruta, 2020). That is exactly why the special lower rate for SMEs was eliminated in 2014. [9] Elsewhere, the ability to offset unused losses between parent companies and their subsidiaries will be capped at 50% for 2023 and 2024, a measure expected to affect around 3,600 large business groups.

### Value added tax

The 2023 Budget reduces the rate of VAT on feminine hygiene products from 10% at present to 4%. Similar measures are already in effect in other European countries, such as the UK, where they are taxed at a rate of zero, and Italy, where they are taxed at 4%, as in Spain. Two criticisms are usually levelled against this kind of tax cut. Firstly, they generate the same amount of tax savings for all households irrespective of their "income". It should be noted that this criticism likewise applies to the gas and electricity VAT rate cuts enacted to mitigate the effects of the crisis. Secondly, all of these rate cuts, whether temporary or permanent, exacerbate the "amount of tax expenditure" (AIReF, 2020).

### Levies on financial institutions and energy companies

In 2023 and 2024, financial institutions with revenue of more than 800 million euros will become subject to a new tax of 4.8%, to be levied on their ordinary income (net interest and fee/commission income). That tax's design is noteworthy for a few reasons. Firstly, it is covered by the regulations applicable to public service contributions (*prestación patrimonial pública*) even though it resembles a tax. [10] Secondly, it is expressly forbidden to pass its economic effects on to other economic agents, which is surprising in a market economy such as the European Union. Thirdly, the Bank of Spain has been authorised to verify the possible pass-through of the new tax; it is entitled to exact penalties of 150% of the tax passed through. Against that backdrop, on November 3rd, the European Central Bank (ECB) published a non-binding ruling on the matter questioning, as was expected, various aspects of the tax, specifically including the prohibition to pass on the tax burden. The

> "Public expenditure is expected to reach 455.98 billion euros in 2023, growth of 7.6% (or 32.14 billion euros) from 2022."

ECB urged the Spanish government to study the possible negative consequences of the tax on financial stability, lending and economic growth before enacting it. Nevertheless, at the time of writing, the government had no plans to make any changes to its proposed tax at the ECB's request.

Elsewhere, the new levy on energy sector players (across the electricity, gas and oil spectrum) shares the core aspects of the bank levy outlined above with the following two specific attributes. Firstly, it will be levied on companies with revenue of over 1 billion euros at a rate of 1.2% of that revenue. Secondly, it will be up to the energy sector watchdog, the CNMC, to implement the penalty regime in the event of tax pass-through.

### *Solidarity tax on large fortunes*

In 2023 and 2024, the new wealth tax will be levied on individuals with a net worth of over 3 million euros. Specifically, a rate of 1.7% will be levied on individuals with a net worth of between 3 and 5 million euros; a rate of 2.1% will apply to those with fortunes of between 5 and 10 million euros; and a rate of 3.5% will be exacted from anyone with a net worth of over 10 million euros. This new tax is levied on the same base —net worth— as the existing property or wealth tax, which has been devolved to the regional governments, potentially raising the scope for intergovernmental litigation. The amount of tax payable is deductible from that property tax, except in the regions where that tax is already 100%-deductible, as is the case in Madrid and Andalusia. That deductibility avoids double taxation while forcing taxation on wealth in the regions where the property tax is subsidised, potentially opening the door to appeals before the Constitutional Court.

### *Levy on single-use plastics*

A new and permanent tax on the manufacture or import of single-use plastics is due in 2023. The rate of taxation is 0.45 euros per kilogram and the tax will foreseeably be borne by end consumers. It constitutes an environmental tax, a category whose weight in the Spanish economy is among the lowest in the European Union (Eurostat, 2021).

## Public expenditure: Estimated trend in main headings

Table 5 summarises the budgeted spending figures at the state level (*i.e.*, regional and local government spending is excluded). Public expenditure is expected to reach 455.98 billion euros in 2023, growth of 7.6% (or 32.14 billion euros) from 2022. The largest heading of this functional classification is social spending, which is expected to increase from 56.7% of the total in 2022 to 58.5% in 2023, with 74.2% of the increase attributable to pension spending. Indeed, public pensions are budgeted to absorb 41.8% of the total, followed by transfers to other levels of government (14.5%), debt servicing (6.9%), other economic benefits (4.9%) and unemployment benefits (4.7%).

Incoming European funds are budgeted at 30.01 billion euros, equivalent to 6.2% of total public expenditure. Those funds will be earmarked primarily to R&D and digitalisation activities (25.5%), industry and energy sector initiatives (19.7%) and infrastructure projects (15.5%). It is worth highlighting the funds earmarked to the 11 government-approved strategic projects for economic recovery and transformation, notable among which those devoted to the manufacture of chips, renewable energies, electric vehicles, the food sector, cutting-edge healthcare and industry decarbonisation. Despite the importance of the NGEU funds, the percentage actually invested (or in the process thereof) stands at just 21.6% of the forecast total, with some projects, such as the chips and circular economy plans, at very incipient phases

Table 5

## Consolidated general state budget for 2023: Key aggregates

Million euros and percentage

| Chapters 1 - 8 | 2022 | | 2023 | | Δ (b) – (a) | %Δ [(b)-(a)]/(a) |
|---|---|---|---|---|---|---|
| | (a) | Weight (%) | (b) | Weight (%) | | |
| 1. Basic public services | 24,141 | 5.7 | 27,395 | 6.0 | 3,254 | 13.5 |
| Defence | 9,763 | | 12,317 | | 2,554 | 26.0 |
| 2. Social welfare | 230,450 | 54.4 | 255,531 | 56.0 | 25,081 | 10.9 |
| Pensions | 171,140 | 40.4 | 190,687 | 41.8 | 19,547 | 11.4 |
| Unemployment | 22,457 | 5.3 | 21,278 | 4.7 | -1,179 | -5.3 |
| Other economic benefits | 20,974 | 4.9 | 22,299 | 4.9 | 1,325 | 6.3 |
| Social welfare | 4,878 | 1.2 | 5,743 | 1.2 | 865 | 17.7 |
| Job creation | 6,836 | 1.6 | 7,443 | 1.6 | 607 | 8.8 |
| Other benefits | 4,165 | 1.0 | 8,081 | 1.7 | 3,916 | 94.0 |
| 3. Priority public goods | 9,925 | 2.3 | 11,188 | 2.5 | 1,263 | 12.7 |
| Healthcare | 5,273 | 1.2 | 5,511 | 1.2 | 238 | 4.5 |
| Education | 3,419 | 0.8 | 4,164 | 0.9 | 745 | 21.8 |
| Culture | 1234 | 0.3 | 1,513 | 0.3 | 279 | 22.6 |
| 4. Economic policy initiatives | 33,468 | 7.9 | 35,894 | 7.9 | 2,426 | 7.2 |
| Agriculture, fishing and food | 8,342 | 2.0 | 8,414 | 1.8 | 72 | 0.9 |
| Industry and energy | 5,837 | 1.4 | 5,681 | 1.2 | -156 | -2.7 |
| Commerce, tourism and SMEs | 962 | 0.2 | 841 | 0.2 | -121 | -12.6 |
| Transport subsidies | 2,721 | 0.6 | 3,419 | 0.7 | 698 | 25.7 |
| Infrastructure | 7,042 | 1.7 | 8,116 | 1.8 | 1,074 | 15.3 |
| Research, development and innovation | 7,880 | 1.9 | 8,673 | 1.9 | 793 | 10.1 |
| Other initiatives | 684 | 0.2 | 750 | 0.2 | 66 | 9.6 |
| 5. General lines of intervention | 125,852 | 29.7 | 125,970 | 27.6 | 118 | 0.1 |
| Public debt | 30,175 | 7.1 | 31,275 | 6.9 | 1,100 | 3.6 |
| Transfers to other levels of government | 62,839 | 14.8 | 66,052 | 14.5 | 3,213 | 5.1 |
| Other lines | 32,838 | 7.7 | 28,643 | 6.3 | -4,195 | -12.8 |
| | | | | | | |
| Social expenditure (2+3) | 240,375 | 56.7 | 266,719 | 58.5 | 26,344 | 11 |
| | | | | | | |
| Total expenditure, excl. EU funds | 423,836 | 100.0 | 455,978 | 100.0 | 32,142 | 7.6 |
| Total EU funds[1] | 27,633 | -- | 30,008 | | 2,375 | 8.6 |
| Total expenditure, incl. EU funds | 451,469 | -- | 485,986 | | 34,517 | 7.6 |

*(1) Recovery, Transformation and Resilience Plan + React-EU funds.*
*Source: Government of Spain (2022a).*

(Funcas, 2022). Clearly there are bottlenecks in the management of the funds which are delaying their implementation excessively. Some 25.7% of the European funds will go to social spending.

Public pensions are budgeted at a record level of 190.69 billion euros in 2023, growth of 19.55 billion euros (11.4%) from 2022. We highlight two of the several factors accountable for that sharp growth. Firstly,

> Given the cost per point of restatement is estimated at 1.8 billion euros, the pension cost generated by inflation alone will be around 15.3 billion euros in 2023.

as per the Toledo Pact recommendations, all public pensions are restated in line with the year-on-year change in the consumer price index, which on this occasion implies an increase of close to 8.5%. The cost per point of restatement is estimated at 1.8 billion euros (Bank of Spain, 2022b). As a result, the pension cost generated by inflation alone will be around 15.3 billion euros in 2023. Some organisations, including the Bank of Spain, maintain, we believe correctly, that the pension increases should have been more targeted, focusing on the lowest pensions, especially considering the fact that inflation looks set to remain high for some time, framed by an income pact involving the rest of the economic agents. A second reason for the growth is the rising number of pensioners (a baby boom effect, with 9.95 million pensioners today) and growth in the average pension (1,257 euros in the case of retirement pensions) (INSS, 2022). [11] Elsewhere, public pay is set to increase by 3.5%, or 4.9 billion euros, in 2023. The Bank of Spain (2022b) estimates an annual increase in public sector pay of 1.4 billion euros for every percentage-point increase. In short, the growth in structural spending as a result of pension and public pay hikes comes to roughly 25 billion euros (approximately 1.8% of GDP) in 2023.

Expenditure on unemployment benefits is expected to decrease by 4.7% to 21.28 billion euros in 2023. The 2023 Budget assumes that the number of beneficiaries of contributory unemployment benefits will decline by 95,000. It is modelled on an unemployment rate of 12.2%, which is below the 12.8% estimated by AIReF and the 12.9% forecast by the Bank of Spain. As a result, unemployment spending may be underestimated by 1.5 billion euros or more. Expenditure earmarked to fostering employment is budgeted 8.8% higher, at 7.44 billion euros. Of the total, 4.07 billion euros (54.6%) will go to incentives for hiring youths and long-term job seekers, while 3.24 billion euros (44.3%) will go to the provision of professional training. Within social spending, an additional 600 million euros has been earmarked to the area of dependent care, for a cumulative 3-year increase of 1.77 billion euros. 'Other economic benefits' includes the minimum income scheme, designed to prevent poverty and social exclusion. Its cost is expected to increase by 2.5% to 3.1 billion euros in 2023. That scheme benefits nearly 1.5 million people (523,486 households) of whom 42.5% are minors (MISSM, 2022). Nevertheless, the coverage provided under the scheme remains significantly below the 850,000 households the government initially estimated as potential beneficiaries.

Expenditure on debt servicing is forecast to increase by 6.9% to 31.28 billion euros in 2023 (2.2% of GDP). Debt is expected to increase in absolute terms from 1.51 trillion euros in 2022 to 1.56 trillion euros in 2023 but to decrease as a percentage of GDP from 115.2% to 112.4%. That increase in the volume of debt (around 52 billion euros), coupled with the need to refinance some of the outstanding stock of debt at higher interest rates in the wake of the shift in monetary policy, explain the higher debt service burden budgeted in 2023. The average life of Spain's debt stands at 7.9 years and the average interest rate, at 1.63%, having increased by 0.084 points between January and September.

In the context of the war in Ukraine, defence spending is budgeted at 12.32 billion euros in 2023, up from 7.92 billion euros in 2022. That increase of 26% will bring Spain close to delivering the commitment made to NATO to increase defence spending to 2% of GDP. It will also have a direct impact on employment in the defence sector. Indeed, the 2023 Budget estimates that the 509 firms certified by the Ministry of Defence will create 167,000 direct jobs and a further 240,000 induced jobs. Finally, investment in infrastructure is

> Debt is expected to increase in absolute terms from 1.51 trillion euros in 2022 to 1.56 trillion euros in 2023 but to decrease as a percentage of GDP from 115.2% to 112.4%, with associated expenditure on debt servicing forecast to increase by 6.9% to 31.28 billion in 2023 (2.2% of GDP).

budgeted 15.3% higher at 8.12 billion euros and will be boosted a further 4.52 billion euros by Recovery and Resilience Facility funds. The largest items of expenditure include the 5.41 billion euros earmarked to rail infrastructure (2.51 billion euros of which to high-speed rail), the 2.29 billion euros to roads, 1.11 billion euros to hydraulic infrastructure, the 1.07 billion euros to port infrastructure and the 263 million to coastal infrastructure and environmental initiatives.

## Notes

[1] For a comparative analysis of the measures implemented in Spain, refer to Sgaravatti (2022).

[2] In fact, the 20-cent petrol subsidy is not included in the 2023 Budget.

[3] The rollover of all of the measures to 2023 would cost approximately 18 billion euros, equivalent to 1.3 points of GDP (AIReF, 2022a).

[4] A subsidy of 20 cents per litre, of which 15 cents is borne by the government (charged to the state budget) and the remaining 5 cents are borne by the service stations.

[5] The Spanish government approved the creation of a Tax Reform Committee in April 2021 whose non-binding proposals were delivered one year later.

[6] In Spain, new taxes cannot be created via budget acts.

[7] Income tax brackets were adjusted on a discretionary basis in 2005 and 2006. That year, the brackets were deflated by 2% in the context of inflation of around 3%.

[8] Other regions, like Castile-La Mancha, have opted to directly reduce the applicable regional income tax rates.

[9] In that same vein, the reduced corporate income tax rates currently available for entrepreneurs and start-ups have a time limit of two years.

[10] In other words, the levy's mandatory and universal nature (the latter meaning it will be earmarked to the neediest without distinction). The government has used that formula of avoiding tax nomenclature in an attempt to avoid conflict with the regional governments' legal regimes.

[11] To ensure the sustainability of the pension system, an additional special-purpose contribution will be levied in 2023 to feed into the Social Security Reserve Fund.

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**Desiderio Romero-Jordán**. Professor of Applied Economics, Rey Juan Carlos University


# Social Security budget for 2023

While the indexation of contributory pensions constitutes the main driver of Social Security expenditure growth in 2023, an increase in the number of pensioners as well as growth in average pensions could prompt a greater than budgeted expenditure outlay. Although the budgetary deficit for 2023 will yet again be covered by state lending, the size of the contributory shortfall could reach 1.8% of GDP.

Eduardo Bandrés Moliné

Abstract: The indexation of contributory pensions is the main driver of the budgeted growth in Social Security expenditure in 2023. The increase in the number of pensioners and in the average pension could imply higher than budgeted spending. On the revenue side, the main development is the first-time application of an additional common contingency contribution of 0.6% to fund the so-called intergenerational equity mechanism. The separation of funding sources between contributory and non-contributory, in line with the Toledo Pact recommendations, and the contribution to balancing the budget is addressed by state transfers, which now account for over 20% of non-financial income. The nominal deficit is forecast at 7.18 billion euros in 2023 and is once again covered by a new loan from the state. However, the overall hole in the contributory block of the Social Security system could reach 25.47 billion euros, equivalent to 1.8% of GDP. By year-end, the Social Security's debt with the state will stand at over 106 billion euros. The real problem, however, is not the volume of debt piled up with the state but rather the financial sustainability of the Social Security system in the medium- and long-term. That is why it is important to accurately trace the expected trajectory in revenue and expenses, especially those related to the pension system, which will determine the system´s overall health.

## Introduction

The budget for the Social Security in 2023 contemplates non-financial expenditure of 199.28 billion euros, marking growth of 7.3% from the estimated outturn for the 2022 budget, specifically estimated expenditure of 185.65 billion euros. The growth is driven primarily by expenditure on contributory pensions, which are budgeted to increase by 9.7% to 166.78 billion euros, equivalent to 83.7% of the Social Security's budget in 2023. Noteworthy movements among the other items of expenditure include the expected 13% decrease in the cost of coverage for the temporary inability to work (to 11.76 billion euros), having been revised upwards in 2022 to cover benefits derived from COVID-19 related illness, and the budgeted increase of 21.4% in transfers to the regional governments for dependent care coverage (to 3.52 billion euros). As for financial transactions, the main novelty is the recovery of the contribution to the balancing Reserve Fund, budgeted at 2.96 billion euros (Table 1).

On the revenue side, social contributions are budgeted 8.4% above the estimated outturn for 2022, at 152.08 billion euros (79.2% of total non-financial income), although 2.79 billion euros of that total corresponds to the new intergenerational equity mechanism created for transfer to the Reserve Fund, so replacing the former sustainability factor. If we subtract out that additional contribution (0.6% of the common contingency contribution base), like-for-like growth in contributions drops by two percentage points to 6.4%. The second biggest source of income is current transfers by the state, which total 38.72 billion euros in the 2023 budget (20.2% of total current non-financial income), growth of 6.4% by comparison with the estimated 2022 figure. In total, therefore, non-financial income is budgeted to increase by 8.0%, a rate that dips to 6.4% stripping out the intergenerational equity mechanism (Table 2).

The result is a nominal budget deficit of an estimated 7.2 billion euros, slightly below

Table 1

**Consolidated Social Security budget expenses**

Millions of euros

| | Budget 2022 | Forecast outturn 2022 | Budget 2023 | Change | |
|---|---|---|---|---|---|
| | | | | B2023/ B2022 | B2023/ F2022 |
| Staff costs | 2,663.1 | 2,573.0 | 2,749.9 | 3.3% | 6.9% |
| Purchase of goods and services | 1,592.5 | 1,594.0 | 1,672.4 | 5.0% | 4.9% |
| Finance costs | 36.7 | 29.1 | 31.9 | -13.1% | 9.4% |
| Current transfers | 175,166.3 | 181,087.4 | 194,369.0 | 11.0% | 7.3% |
| *Contributory pensions* | *149,970.9* | *152,038.0* | *166,776.9* | *11.2%* | *9.7%* |
| *Temporary inability to work* | *10,818.1* | *13,520.0* | *11,764.3* | *8.7%* | *-13.0%* |
| *Other current transfers* | *14,377.3* | *15,529.4* | *15,827.8* | *10.1%* | *1.9%* |
| Capital transactions | 351.5 | 371.0 | 459.3 | 30.7% | 23.8% |
| TOTAL NON-FINANCIAL EXPENDITURE | **179,810.1** | **185,654.5** | **199,282.5** | **10.8%** | **7.3%** |
| Allocation to Reserve Fund | | | 2,793.2 | | |
| Other financial transactions | 1,255.1 | 1,254.4 | 2,114.2 | 68.4% | 68.5% |
| CONSOLIDATED BUDGETED EXPENDITURE | **181,065.2** | **186,908.9** | **204,189.8** | **12.8%** | **9.2%** |

*Sources: Economic-Financial Report on the Social Security Budget for 2023 and budget presentation made by the Secretary of State for Social Security and Pensions.*

Table 2 **Consolidated Social Security budget revenue**

Millions of euros

| | Budget 2022 | Forecast outturn 2022 | Budget 2023 | Change | |
|---|---|---|---|---|---|
| | | | | B2023/ B2022 | B2023/ F2022 |
| Social contributions | 136,344.7 | 140,261.2 | 152,075.0 | 11.5% | 8.4% |
| Current transfers from the state | 36,182.9 | 36,406.0 | 38,722.4 | 7.0% | 6.4% |
| Other non-financial income | 1,111.9 | 1,202.0 | 1,285.9 | 15.6% | 7.0% |
| TOTAL NON-FINANCIAL REVENUE | **173,639.5** | **177,869.2** | **192,083.3** | **10.6%** | **8.0%** |
| State loan | 6,981.6 | 6,981.6 | 10,003.8 | 43.3% | 43.3% |
| Other financial transactions | 444.2 | 2,100.5 | 2,102.7 | 373.4% | 0.1% |
| CONSOLIDATED BUDGETED REVENUE | **181,065.3** | **186,951.3** | **204,189.8** | **12.8%** | **9.2%** |

*Source: Economic-Financial Report on the Social Security Budget for 2023 and budget presentation made by the Secretary of State for Social Security and Pensions.*

the deficit expected for the Social Security system in 2022, of 7.79 billion euros. However, if the contribution associated with the intergenerational equity mechanism is subtracted from the revenue budgeted in 2023, the deficit widens to 9.99 billion euros.

## The cost of indexing pensions

The core purpose of the Social Security system is to provide the financial benefits that, looking exclusively at the current transfers to which they give rise, *i.e.,* excluding the associated management costs, sum to 190.3 billion euros in the 2023 budget, equivalent to 95.5% of total budgeted non-financial expenditure (Table 3). The rest of the system's expenditure goes to fund social services, notably those related with enabling personal autonomy and dependent care and healthcare assistance for specific beneficiaries (the mutual societies that collaborate with the Social Security, INGESA, the management entity that deals with health benefits in the cities of Ceuta and Melilla, and ISM, the entity that handles those benefits for seafarers) and common services.

The indexation of benefits for inflation, most particularly pensions on account of their magnitude, is the main factor behind the budgeted increase in Social Security expenditure in 2023. Contributory pensions, non-contributory pensions and the minimum income scheme are all being restated for the average year-on-year rate of inflation for the 12 months prior to December 2022. At the time of writing, that rate is forecast by Funcas at 8.5%. If, as noted in the so-called 2023 Budget Yellow Book, expenditure on contributory pensions ultimately comes in at the currently estimated 152.04 billion euros in 2022 (Ministry of Finance and Civil Service, 2022, p.162), an increase of 8.5% on the payroll corresponding to December 2022

> "Ultimate expenditure on contributory pensions could exceed the budget by around 3.1 billion euros in 2023, at around 169.9 billion euros."

Table 3 **Social Security benefits contemplated in the 2023 Budget**

| | Millions of euros | Percentage |
|---|---|---|
| CONTRIBUTORY BENEFITS | | |
| Contributory pensions (excluding minimum pension supplements) | 159,526.5 | 83.8 |
| Temporary inability to work | 11,764.3 | 6.2 |
| Benefits for birth and care of children, risky pregnancies and breast-feeding, care for sick children | 3,669.1 | 1.9 |
| Self-employed professionals: discontinuation of activity | 51.1 | 0.0 |
| Other economic benefits | 668.2 | 0.4 |
| **TOTAL CONTRIBUTORY BENEFITS** | **175,679.2** | **92.3** |
| NON-CONTRIBUTORY BENEFITS | | |
| Minimum pension supplements | 7,250.4 | 3.8 |
| Non-contributory pensions* | 3,006.4 | 1.6 |
| Minimum income scheme* | 3,040.0 | 1.6 |
| Benefits for family protection and other | 1,326.5 | 0.7 |
| **TOTAL NON-CONTRIBUTORY BENEFITS** | 14,623.3 | 7.7 |
| | | |
| **TOTAL BENEFITS** | **190,302.5** | **100.0** |

**Includes transfers to the Basque Country and Navarre.*

*Source: Economic-Financial Report on the Social Security Budget for 2023.*

leads to the budgeted expenditure figure for 2023 of around 166.7 billion euros. However, two other factors influence total expenditure: growth in the number of pensioners, which is estimated at around 1% in light of recent trends; and growth in the average pension, of another 1%, taking a conservative stance. If those assumptions are met, total expenditure on contributory pensions will exceed the budget by around 3.1 billion euros, for a total of roughly 169.9 billion euros. It is also possible, given the outlook for a pension hike of 8.5% in January 2023, that we could see a rise in early retirements in the final weeks of 2022: those pensioners would suffer a small penalty on their starting pensions due to earlier retirement, which would be offset by the indexation effect.

The impact of the restatement of all public pensions for CPI, on the terms contemplated in Spanish Law 21/2021 (December 28$^{th}$, 2021) on ensuring pension purchasing power and other measures for reinforcing the financial and social sustainability of the public pension system, will be even higher than estimated for the Social Security as it also affects the special pension scheme for civil servants, boosting public spending by a further 1.5 billion euros purely on account of indexation. Sticking to the strictly contributory public pensions, the legal indexation guarantee will add over 16 billion euros of government spending which will become structural vis-à-vis subsequent budgets.

## The increasing weight of state transfers

Revenue from contributions is the basis of any contributory Social Security regime such as Spain's. Benefits are correlated, some more closely aligned than others, with the trend in contributor contributions. That is

"Excluding the additional contribution for the intergenerational equity mechanism, revenue from contributions in 2023 is budgeted 6.4% above the estimated 2022 figure, a more than acceptable rate which would imply repeating the performance of 2022, underpinned by the outlook for growth in contributors and increase in contribution bases."

the case, for example, with pensions, sick pay and maternity/paternity/childcare leave. There are also non-contributory benefits which, as their name suggests, are not tied to contributions, such as the non-contributory pensions, the minimum income scheme and the family protection benefit, which are covered by transfers from the state. Nevertheless, contributions command the predominant share of the Social Security's financing, specifically an estimated 79.2% of budgeted non-financial income in 2022, equivalent to 11.0% of the GDP forecast for that year.

There are two key novelties in the contribution regime in 2023. Firstly, the new contribution regime for the self-employed underpinned by 12 brackets, each with maximum and minimum bases, which will be rolled out gradually over time as part of a transition to a regime based on contributions aligned with actual earnings. Secondly, introduction of an additional contribution of 0.6% of the common contingencies base, which will be transferred to the Reserve Fund by way of an intergenerational equity mechanism (refer to Bandrés, 2021). In addition, the Budget Act increases the maximum contribution base by 8.6% to 4,495.50 a month and ties increases in the minimum bases to those introduced to the minimum wage.

Excluding the additional contribution for the intergenerational equity mechanism, revenue from contributions in 2023 is budgeted 6.4% above the estimated 2022 figure, a more than acceptable rate which would imply repeating the performance of 2022, underpinned by the outlook for growth in contributors and increase in contribution bases.

The other major system funding source is current transfers from the state, which more than doubled in 2020 as a result of extraordinary contributions to offset the impact of COVID-19 on the Social Security's finances. Those transfers jumped from 15.64 billion euros in 2019 to 35.79 billion in 2020, 36.11 billion euros in 2021, a forecast 36.44 billion euros in 2022 and a budgeted 38.72 billion euros in 2023. The consolidation of transfers at that level from 2021 stems from a new provision in the General Social Security Act as a result of a recommendation made in the 2020 Toledo Pact which perpetuates an annual state transfer with the purpose of compensating for certain items of expenditure qualifying as "undue" and contributing to the system's financial equilibrium.

Table 4 sets forth the current state transfers budgeted for 2023, which are set to increase by 6.4% by comparison with the forecast for 2022. As shown, the first block, totalling 18.83 billion euros, is made up of transfers for specific non-contributory coverage stemming from the separation of sources of financing for contributory and non-contributory benefits. More specifically, the state contributions finance the contributory pension top-ups to reach a minimum threshold, non-contributory pensions, non-contributory family protection benefits, the minimum income scheme and coverage for care provision and other social and health services. The second block amounts to 19.89 billion euros and responds to recommendation one of the 2020 Toledo Pact. It is made up of different items related with financing for contributory benefits for birth and care of children, reductions in contributions for certain groups, implicit grants for certain special regimes, contributory

Table 4

## State contribution to the Social Security contemplated in the 2023 Budget

Current transfers in millions of euros

| | |
|---|---|
| *Block 1. Transfers for specific non-contributory coverage* | |
| Minimum pension supplements | 7,261.2 |
| Non-contributory pensions | 3,003.0 |
| Non-contributory family protection | 1,339.0 |
| Minimum income scheme | 3,096.9 |
| Dependent care | 3,516.4 |
| Healthcare, social services and other transfers | 617.9 |
| **Total transfers for specific non-contributory coverage** | **18,834.4** |
| *Block 2. Compliance with Recommendation #1 of the 2020 Toledo Pact* | |
| Reductions in contributions | 1,812.3 |
| Implicit grants in some regimes and training contracts | 1,162.2 |
| Contributions gap coverage | 496.1 |
| Pension top-ups for gender gap reduction purposes | 939.2 |
| ***Total financing for undue expenses*** | ***4,409.8*** |
| Contributory pension for birth and care of children | 3,117.8 |
| Early retirement without reduction coefficient or additional contribution | 400.7 |
| Involuntary early retirement before retirement age | 2,203.7 |
| Pensions for families | 434.4 |
| Other items | 5,559.6 |
| Top-ups for contributory pensions subject to income caps | 3,761.9 |
| ***Contribution to balancing the Social Security's budget*** | ***15,478.2*** |
| **Total cost of compliance with 2020 Toledo Pact recommendations** | **19,888.0** |
| **TOTAL STATE CONTRIBUTIONS (current transfers)** | 38,722.4 |

*Source: Author's own elaboration using data from the Economic-Financial Report on the Social Security Budget for 2023.*

pension top-ups to reduce the gender gap, the cost of early, involuntary pension coverage and other unspecified items.

## Nominal and contributory deficit

The financing of all of the first block and some of the second block via taxes (state transfers) does not raise any concerns insofar as is covers concepts that derive from social or economic policy goals and do not fit with the contributory nature of the Social Security system. In that second block, the reductions in contributions, implicit grants, filling of coverage gaps and top-ups for gender gap reduction purposes classify as "undue" expenses. In the 2023 Budget, expenditure on those items is budgeted at 4.41 billion euros. The remaining 15.48 billion euros is earmarked to spending functions that can be considered contributory in nature. In short, of the 38.72 billion euros of current transfers by the state to the Social Security, just 23.24 billion euros relate to coverage of non-contributory benefits and social and economic policy goals, while 15.48 billion euros are really transfers intended to plug some of the shortfall in contributions with respect to the cost of the country's contributory benefits.

As a result, the "real" contributory deficit is bigger than what we have called the "nominal" deficit. If we add to the nominal deficit (7.2 billion euros) the 15.48 billion euros of current state transfers that go to

Table 5

**Social Security deficit: Nominal *vs.* contributory**

Millions of euros

| | 2022 budget | Forecast outturn for 2022 | 2023 budget |
|---|---|---|---|
| Nominal deficit | 6,170.6 | 7,785.3 | 7,199.2 |
| State transfers to cover contributory benefits | 14,357.8 | 14,357.8 | 15,478.2 |
| Contributions for intergeneration equity mechanism | | | 2,793.2 |
| **Contributory deficit** | **20,528.4** | **22,143.1** | **25,470.6** |
| **Deficit as a percentage of GDP** | **1.57** | **1.69** | **1.85** |

*Source: Author's own elaboration using data from the Economic-Financial Report on the Social Security Budget for 2023.*

cover contributory benefits and spending functions, and deduct from revenue the 2.79 billion euros of contributions that correspond to the intergenerational equity mechanism, the contributory deficit in 2023 jumps to 25.47 billion euros, equivalent to 1.8% of the GDP forecast next year, slightly above the 1.7% corresponding to the 2022 budget outturn using the same calculation methodology (Table 5). Spain is by no means the only country that finances part of its system's contributory benefits with taxes. Many European countries have basic pension systems that are financed totally or partly by taxes and many top up the funding for their benefit systems with general taxes. However, the greater the divergence between benefits and contributions, the lower the system's contributory nature and that ultimately affects the nature of the model. Looked at another way, coverage of any financial imbalance in the contributory system is equivalent to transferring the Social Security's deficit to the state, creating a mass of structural deficit on top of that of the state itself that has to be financed either via higher taxes, reduced spending in other areas or more public debt.

The financing of the "nominal" deficit implied by the Social Security budget for 2023 is directly related with a loan from the state in the amount of 10 billion euros, which will not accrue interest and must be repaid, as stipulated in the draft State General Budget Act, over a maximum term of 10 years. However, as has been the case with previous loans, in all likelihood that loan will end up becoming a sort of perpetual zero-rate loan. By year end, the Social Security's debt with the state will stand at over 106 billion euros.

"Coverage of any financial imbalance in the contributory system is equivalent to transferring the Social Security's deficit to the state, creating a mass of structural deficit on top of that of the state itself that has to be financed either via higher taxes, reduced spending in other areas or more public debt."

The real problem, however, is not the volume of debt piled up with the state but rather the financial sustainability of the Social Security system in the medium– and long-term. That is why it is important to accurately trace the expected trajectory in revenue and expenses, especially those related to the pension system, which will determine the system´s overall health.

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**Eduardo Bandrés Moliné**. University of Zaragoza and Funcas



# The ECB´s normalisation strategy: Uncertainty and legacies

The ECB is facing an extraordinary situation in which it is unable to rely on an economic slowdown alone to curb inflation. Only with decisive and swift action on normalisation of both interest rates and its monetary policy toolkit, comprised of legacy long-term liquidity injections and asset purchases, can the ECB prove its determination to bring inflation back in line with official targets and anchor inflation expectations.

Ignacio Ezquiaga

Abstract: The ECB is facing an extraordinary situation in which it is unable to rely on an economic slowdown alone to curb inflation. Reduced worker bargaining power has raised the risk of a cost-of-living crisis with a negative impact on consumption, without necessarily reducing underlying inflation, which apart from commodity prices, according to some economists, is being driven in part by global corporations' price– and margin-setting power. Only with decisive and swift action can the ECB exhibit its determination to bring inflation back in line with levels compatible with its symmetric target of 2% and keep inflation expectations solidly anchored. In line with these objectives, after 13 years of monetary accommodation, interest rate normalisation has begun in 2022 and is progressing at a rapid pace, despite still high levels of uncertainty, largely underpinned by geopolitical tensions arising from the invasion of Ukraine. As well, the ECB this year has also embarked on normalisation of its monetary policy toolkit. Instruments, such as its longer-term refinancing operations (TLTROs) and its asset purchase programmes, a significant legacy from the last period of monetary accommodation, are in the process of being

unwound, bringing about a reduction in the size of the ECB´s balance sheet.

## The Great Moderation, globalisation and inflation

The period known as the Great Moderation is important to understanding the idea apparently behind the ECB's strategy today. It was a very long period (from the end of the 1980s until 2007) of global growth in which the developed economies were able to bring inflation down to low levels and eke out sustained growth without any major interruptions. In other words, it was a period of prosperity. Long-term interest rates, at around 2% — 2.5% at present, with benchmark ECB rates at 2%, would appear to be discounting a world similar to that back then: neither the deflation of the major financial crisis that began in 2008 or the world of spiralling inflation of the 1970s. That is the world the ECB appears to be set on preserving. For that to happen, normalisation needs to take place fast, spurred by decisive action that anchors inflation expectations at today's widely accepted levels.

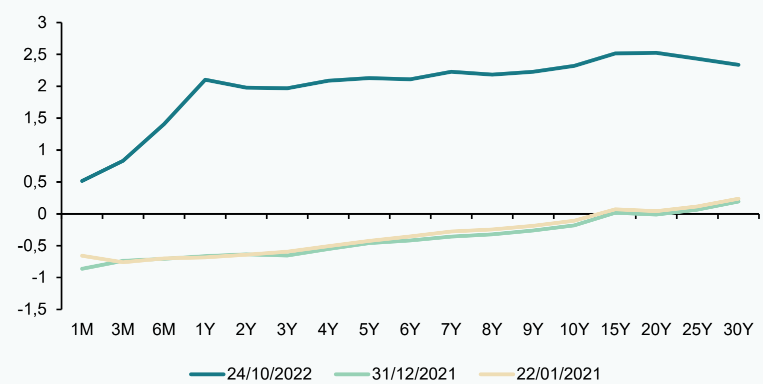
The roots of the Great Moderation are multiple but there is consensus around three factors: mass application of the information and communication technology created in the 1980s to processes, organisations and "things"; globalisation, understood not only as the growth in global trade but also the mass relocation of activities, changes in patterns of specialisation in emerging economies and expansion of the global supply chains; and the secular decline in workers' bargaining power at the global level, in turn responsible for the decline in the labour share of income (Stansbury and Summers, 2020). Wage moderation during that period, in the US and EMU alike, was responsible for the low consumer price inflation and generation of a long cycle of productive investment and corporate earnings growth. The growth in earnings per share at listed companies translated into unprecedented share price gains.

The creation of a credit bubble, mainly linked to the property market in some markets, and its spillover through its financing onto the international bond markets, laid the foundations for the (provisional) self-destruction of the Great Moderation. Its bursting translated into the Global Financial Crisis (GFC) of 2007-2008.

Exhibit 1

**German public debt yield curve shifts in 2021 and 2022**

Percentage




*Source: AFI based on Bloomberg data.*

The mitigation of and recovery from the GFC took 13 years of highly expansionary monetary policy all around the world coupled with a parallel process of bank recapitalisation (private and with public bailouts) and reform. These were hard times for the economy: first a very harsh recession, followed by years of slow growth, dragged down by the need for the banks to absorb their losses and dilute and transform their exposures. Against that backdrop, inflation remained very subdued and wages stagnated, losing a greater share of the income pie. The fear of deflation crept in. Just as the worst seemed to be over, the Great Lockdown brought personal mobility to a standstill between 2020 and 2021, further fuelling fears of deflation.

Balance sheet crises are long and surmounting them requires perseverance over many years. After the onset of the GFC, the ECB halted the rate hikes introduced in 2006 and 2007, slashing its rates from 4.25% in October of that year to 1% in just a few months, switching from auctions to fixed-rate injections that provided the massive pools of liquidity the system needed. Rates stayed at 1%, with a deposit facility rate of almost zero, until 2011. At that juncture the ECB raised rates slightly, a misstep triggered by a mirage of a recovery – only to cut them again a few short months later. It lowered its main refinancing operations (MRO) rate to 0.25% by November 13th, 2013, with a corridor of between 0% and 0.75%. While the MRO edged towards the threshold of zero, the deposit facility rate turned negative in 2014, hitting -0.50% in September 2019, where it remained until July 2022.

## Gradual normalisation

The protracted expansionary cycle known as the Great Moderation ground to a sudden halt, giving way to 13 years of contained deflation and zero rates. However, the underlying factors that had fuelled growth – technology, globalisation and labour's declining share of income – appeared to be intact. The period elapsing between the end of 2021 and July 2022 could be defined as one of gradual normalisation. It was driven by the fact that extreme monetary accommodation had proven a success, as it had made way for a recovery and dissipated the fear of deflation. However, the European economy was still growing significantly below its potential and had yet to revisit pre-pandemic income levels. That situation was the result of a structural gap related with the reduced flexibility of the European economy as well as the fact that fiscal policy responses were faster in the US than in Europe, due to institutional differences.

Meanwhile, it was already clear that Russia's invasion of Ukraine in February and, to a lesser degree, the international supply friction generated by China's zero-COVID policy and the infamous global value chain bottlenecks created by the return of mass international mobility, were seriously inflationary. The ECB needed to signal prudence and a message of gradualism. On the one hand, vigilance of inflation, which was climbing dangerously, but also alertness to the economic slowdown induced by the very run-up in prices, on the other.

At that stage the ECB limited itself to announcing a new direction. The first changes in implementation, such as the end of asset purchases from June, would be framed by a "meeting-by-meeting" approach, *i.e.,* without providing forward guidance (Lane, 2022a), in which the incoming data would mark the path spanning the considerable distance from a zero MRO rate to the appropriate terminal rate. Meanwhile, the AAA-bond curve in the

"The ECB needed to signal prudence and a message of gradualism– on the one hand, vigilance of inflation, which was climbing dangerously, and on the other an alertness to the economic slowdown induced by the very run-up in prices."

> In a context where underlying inflation was being shaped by global conditions in which large firms could pass on the increase in the cost of their inputs – energy, transport, raw materials – only by firmly anchoring inflation expectations, guided by decisive and swift action by the ECB, could inflation be quelled.

eurozone shifted upwards, towards 2 — 2.5%, and the dollar strengthened against the euro, in anticipation of the new environment.

## Normalisation during a cost-of-living crisis

Since the summer, the normalisation process has been recalibrated, marked by a far more belligerent ECB. Last May, Fabio Panetta, a member of the ECB's Executive Committee, said that the process of normalising monetary policy was happening at a point in time that is anything but normal (Panetta, 2022): the external shock of energy prices, linked to the war in Ukraine, was pushing inflation higher than had been expected, to levels of close to 10% in nearly all countries. It was clear that more in-depth analysis was needed to define a strategy that would be effective in a rapidly deteriorating environment.

Isabel Schnabel, another member of the ECB's Executive Committee, has outlined the evolution in the ECB's strategic thinking in her recent public presentations. She coined the term, the *globalisation of inflation* (Schnabel, 2022a). She said that the resurgence of underlying inflation was being shaped by global conditions in which the large firms could pass on the increase in the cost of their inputs – energy, transport, raw materials – to end sales prices, boosting their profits along the way. In that context, domestic devaluation alone is not sufficient to curb inflation. Inflation then depends on firms' pricing power and how their higher profits could then translate into higher wages. The thinking was that only by firmly anchoring inflation expectations, guided by decisive and swift action by the ECB, could inflation be quelled. That was the start of the end of the gradualism approach.

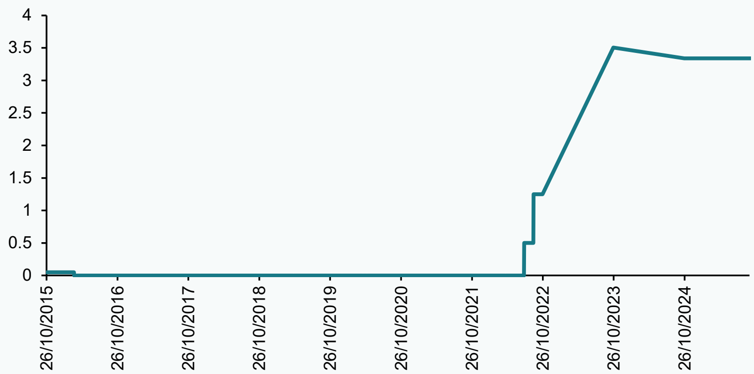
Shortly after, in August, that same executive flagged the risk that we were entering a new phase, which she coined the Great Volatility (Schnabel, 2022b), a convulsive period of unwinding globalisation which needs to be kept at bay. Given the level of uncertainty, monetary action needed to be more forceful than prudent, more determined than gradual. At the end of September, in her third presentation, she introduced another new term, the *cost-of-living* crisis (Schnabel, 2022c). She stressed that in a context of "secular decline in the bargaining power of workers" – another of the factors underpinning the Great Moderation – inflation could translate into a dangerous loss of private consumption. She argued that the decline in real wages will neither open the door to second-round effects via a recovery in purchasing power nor a let-up in underlying inflation, which is being shaped globally by

> The Bank of Spain's Governor projected that a median terminal rate of 2.25%-2.50% would allow inflation to return to 2% – the targeted level – by the end of 2024, although the markets are currently discounting somewhat bigger increases.

Exhibit 2

**ECB repo rate evolution and market expectations as of October 2022**

Percentage




*Source: AFI based on Bloomberg data.*

firms' ability to control their profit margins more than by internal demand.

As always, the key for the economy and for curbing inflation is determination of the terminal rate level. The decision taken at the end of October to increase the MRO rate by 75 basis points to 2% (and the deposit facility rate to 1.5%), following 50bp and 75bp hikes in July and September, respectively, should be analysed against that backdrop. The starting point for normalisation was so low – zero – that swift and sharp rate increases were needed to anchor expectations.

What is the terminal rate for the normalisation process underway? Official benchmark rates have already been raised by 2pp. That is a clear message regarding the ECB's determination to deliver its inflation target of 2%. The ECB plans to revise its strategy and its terminal rate "meeting by meeting". Further increases will be determined largely by the trend in inflation expectations. The Bank of Spain's Governor recently provided the results of that institution's models (Hernández de Cos, 2022): a median terminal rate of 2.25%—2.50% would allow inflation to return to 2% – the targeted level – by the end of 2024. The markets are currently discounting somewhat bigger increases.

## The ECB's legacy balance sheet and its management

Interest rates are the channel for transmitting monetary policy. Specifically, as is well known, the ECB attempts to influence the 1-day interbank rate (formerly EONIA, currently €STR) so that, by shaping market expectations for where that rate is headed, it can influence money market rates and by extension the entire rates curve, as exemplified by the euro interest rates swap curve or 19 different euro-denominated public debt yield curves.

The Great Recession and the Great Lockdown kicked off a large and complex period in which credit and liquidity were the protagonists. Monetary accommodation had to be articulated in the absence of a fully functioning interbank market. That market jammed up: the banks were unwilling to lend to each other without sufficient guarantees. The liquidity needs of a portion of the banking system, to which the rest of the system was unwilling to lend money, had to be provided by the ECB at longer tenors than the one week provided under its conventional liquidity facility.

> The system has been holding onto TLTRO funding until maturity until now; however, on October 27th, 2022, the ECB removed deterrents to early voluntary repayment of outstanding TLTRO III funds by changing the benchmark rate charged on them.

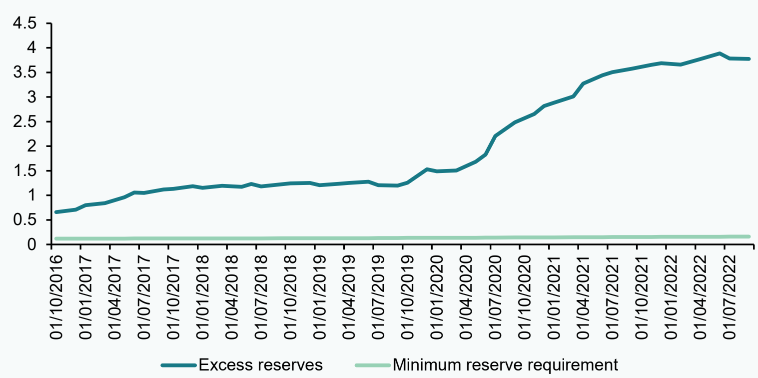
On top of the liquidity injected under its permanent facility – the MRO, a weekly repo – the ECB introduced the LTRO facilities (2- and 3-year repos) and, later, the TLTRO facilities, which also attempted to stimulate growth in lending by means of individualised targeting.

The last extraordinary injection took place in December 2021. The current balance of long-term refinancing operations, the result of the renewal and repayment of the various waves of TLTROs, stands at 2.1 trillion euros, with mandatory repayments due at the end of 2022, 2023 and 2024. The system has been holding onto that funding until maturity until now; however, on October 27th, 2022, the ECB removed deterrents to early voluntary repayment of outstanding TLTRO III funds by changing the benchmark rate charged on them. The subsidised cost of those long-term injections, at a time of heightened uncertainty, incentivised the accumulation of surplus bank reserves at the ECB, deposited in the daily facility or held in its reserve accounts. In 2019, the ECB reformed the excess liquidity remuneration system by exempting a portion of banks' excess liquidity holdings from the negative interest rate on the ECB's deposit facility. After the rate increase of September, the system transferred part of its excess liquidity holdings to the deposit facility, so reducing the size of the ECB's balance sheet, a trend that is set to continue.

Exhibit 3

**Excess bank reserves and minimum requirement since 2016 in the eurozone**

Trillions of euros

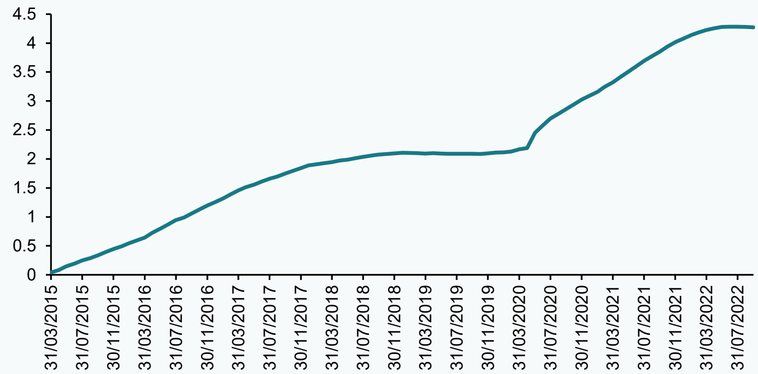



*Source: Bank of Spain.*

Exhibit 4

**ECB´s public debt portfolio since 2015**

Trillions of euros




*Source: AFI based on Bloomberg data.*

Elsewhere, the fragmentation of the public debt market, whereby borrowing terms decoupled from fundamentals in the so-called peripheral sovereigns, emerged as a new threat in 2012. Yields on those sovereign bonds began to trade at a significant premium fuelled by fears of the break-up of the euro, raising the attendant redenomination risk. The volatility in risk premium curves jeopardised the transmission of monetary policy to the interest rate curve. That is another of the legacies weighing on the current phase of normalisation. This is despite

Table 1

**Eurosystem balance sheet: Monetary policy operations and balancing items**

Billions of euros

| | Sept. 22 | Aug. 22 | Dec. 21 |
|---|---|---|---|
| ASSETS | | | |
| Main refinancing operations | 4 | 1 | 0 |
| Longer-term refinancing operations | 2,124 | 2,125 | 2,206 |
| Asset purchase programmes | 4,951 | 4,955 | 4,706 |
| Liquidity drainage: deposit facility | -2,891 | -655 | -746 |
| TOTAL ASSETS=LIABILITIES | 4,188 | 6,425 | 6,167 |
| LIABILITIES | | | |
| Reserves of credit institutions | 1,887 | 3,956 | 3,769 |
| Autonomous factors | | | |
| Banknotes | 1,570 | 1,587 | 1,533 |
| Government deposits | 520 | 566 | 608 |
| Gold and net assets in foreign currency | 952 | 950 | 842 |
| Other | | | |

*Note: The significant reduction in the size of the ECB's balance sheet as of September is attributable to a recomposition effect, from bank reserves (excess liquidity) to the deposit facility (drainage) driven by the 75bp increase in remuneration on the latter decided by the ECB on September 14th, 2022.*

*Source: Bank of Spain.*

the fact that the asset purchase programmes – first announced in 2012 as part of the 'whatever it takes' speech by the then President of the ECB, Mario Draghi, in the midst of the euro crisis – and the rollout of common investment and spending policies in the EMU went a long way to mitigating that risk (Amor, Jiménez and Pino, 2022).

The later asset purchase programmes (public and private bonds, and the pandemic-specific programme, the PEPP) were designed to have a direct downward influence on the entire yield curve so as to prevent fragmentation in the public debt markets at the national level. In June of this year, the ECB eliminated those purchase programmes, albeit agreeing to reinvest the proceeds from portfolio holdings as they mature. It also announced a contingency programme for use in specific circumstances in the bond markets.

## Conclusions: Anything but normal normalisation

The ECB is facing an extraordinary situation in which it is unable to rely on an economic slowdown alone to curb inflation. To the contrary, the reduced bargaining power of workers would likely usher in a prolonged period of loss of wage purchasing power – a cost-of-living crisis – with a negative impact on consumption, without necessarily reducing underlying inflation. Aside from commodity price volatility, today's inflation is a phenomenon related in part with global corporations' price– and margin-setting power. Only with decisive and swift action can the ECB exhibit its determination to bring inflation back in line with levels compatible with its symmetric target of 2% and keep inflation expectations solidly anchored.

Interest rate normalisation in 2022, after 13 years of monetary accommodation, while shrouded by significant uncertainty, a lot of which shaped by the geopolitical tension related to the invasion of Ukraine, is clearly progressing at a rapid pace.

As well, in 2022, the ECB has also embarked on normalisation of its monetary policy toolkit. Instruments such as its longer-term refinancing operations (TLTROs) and its asset purchase programmes, a significant legacy from the last period of monetary accommodation, will be unwound naturally. The ECB's balance sheet will respond to that approach and continue to shrink.

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**Ignacio Ezquiaga.** Afi

TLTRO CHANGES

# TLTRO and bank liquidity in the new rate scenario

The ECB´s targeted longer-term refinancing operations, or TLTROs, were designed to be one of the key mechanisms to keep credit flowing through the banking system to the real economy during the crisis. Beyond the negative impact on banks´ earnings of recent changes to TLTRO terms in order to better align them with other monetary policy instruments, the European and Spanish banking systems have sufficient liquidity to handle the maturity or prepayment of their TLTRO funds, as well as to meet anticipated credit growth next year, thanks to their excess reserves, evolution of retail deposits and funds, and planned bond market issuance.

Marta Alberni, Ángel Berges and María Rodríguez

Abstract: The European Central Bank's special liquidity facilities known as targeted longer-term refinancing operations, or TLTROs, were designed to be one of the key mechanisms for monetary policy transmission via the banking system by providing the latter with a source of stable long-term funding on highly favourable terms, essential to keeping credit flowing. Although the purpose of those rounds of financing was to boost the provision of credit to the real economy, the truth is lending barely grew, primarily due to scant demand in the context of deep macroeconomic uncertainty, firstly due to ensuing pandemic developments and later due to the energy crisis aggravated by the invasion of Ukraine. The advantageous TLTRO terms intrinsic in the design of these instruments now clash, however, with the new monetary policy objectives implemented by the ECB to halt inflation: rapid rate hikes and liquidity absorption via the withdrawal of its unconventional asset purchase programmes. The TLTROs, as currently configured as regards cost and terms, constitute somewhat

> "Attractive rates led to very intensive usage of the TLTRO facility, particularly between June 2020 and June 2021, resulting in the European banking system as a whole having drawn down approximately 2.1 trillion euros under the TLTROs, with roughly 14% (290 billion euros) in the hands of the Spanish banks."

of an anomaly in the prevailing context of monetary tightening, which is why the ECB, at its last Governing Council meeting, changed the terms applicable to the various rounds of TLTROs in order to better align them with those of other key monetary policy instruments. Beyond the negative impact on their earnings of the elimination of that source of liquidity and the associated carry trade, foreseeably offset by the favourable effect of the rate increases on their net interest margins, the European and Spanish banking systems have sufficient liquidity to handle the maturity or, if they so decide, prepayment of their TLTRO funds thanks to their excess reserves. Meanwhile, growth in retail deposits and funds and bond market issuance is expected to be sufficient to cover the anticipated growth in credit next year.

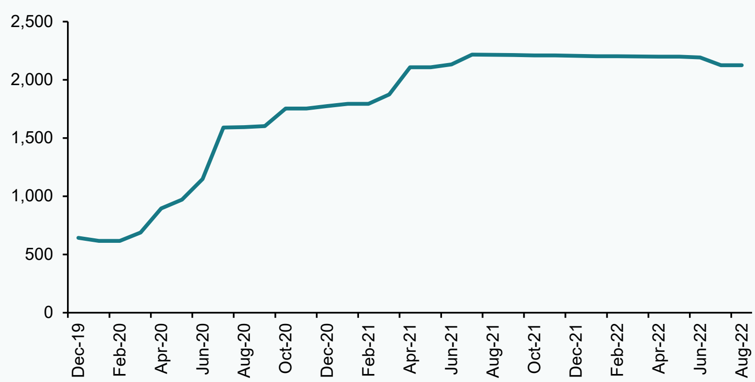
## The role of the TLTROs in response to the pandemic

Although it had already created earlier series of TLTROs, the latter played a particularly predominant role in the toolkit deployed by the European Central Bank (ECB) in response to the pandemic with a view to keeping credit flowing to the real economy. Specifically, in June 2020 the ECB reformulated those lending operations to provide the banking sector with particularly attractive terms and conditions. Firstly, it provided longer-term refinancing operations with maturities of up to three years; and secondly it provided them at an especially low cost. More specifically, it articulated periods with special terms in which the cost of the loans was calculated as the average deposit facility rate (which stood

Exhibit 1

**Eurosystem longer-term refinancing operations**

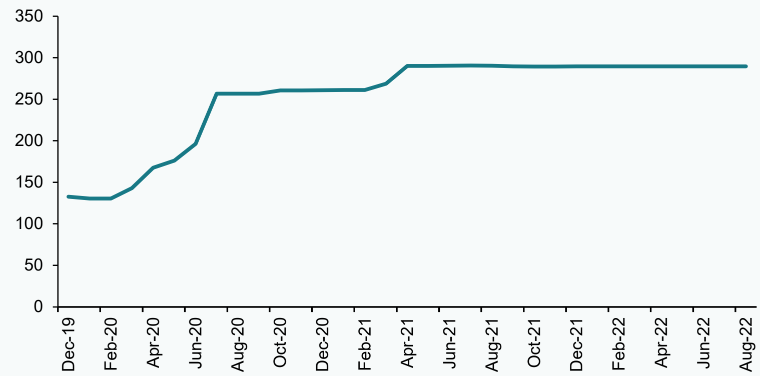
Billion euros




*Source: Authors' own elaboration based on Bank of Spain data.*

Exhibit 2 **Bank of Spain longer-term refinancing operations**

Billion euros



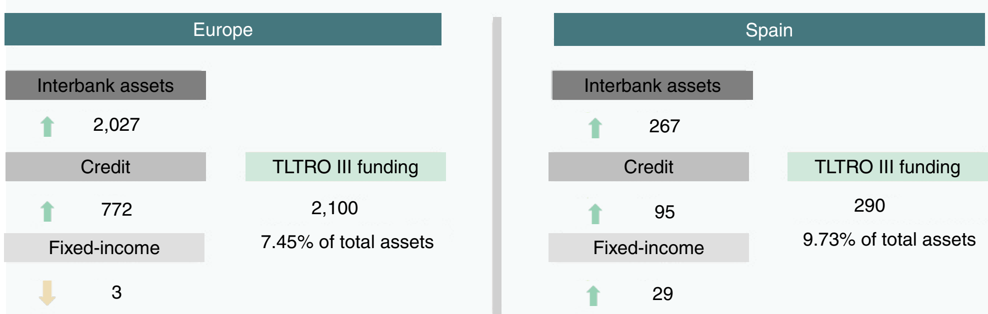

*Source: Authors' own elaboration based on Bank of Spain data.*

at -0.5% at the time), less 50 basis points, so long as the borrowing banks met their lending thresholds throughout. Those special rate periods ran from June 2020 to June 2022.

Those attractive rates led to very intensive usage of the facility, particularly between June 2020 and June 2021, as shown in Exhibits 1 and 2. As a result, the European

Exhibit 3 **Change between March 2020-June 2022 in the main asset headings *vs.* use of longer-term refinancing operations**

Billion euros




*Sources: Authors' own elaboration based on Bank of Spain data and the 2Q22 Risk Dashboard (EBA).*

banking system as a whole has drawn down approximately 2.1 trillion euros under the TLTROs, with roughly 14% (290 billion euros) in the hands of the Spanish banks.

Although the purpose of those rounds of financing was to boost the provision of credit to the real economy, the truth is lending barely grew, primarily due to scant demand in the context of deep macroeconomic uncertainty, firstly due to ensuing pandemic developments and later due to the energy crisis aggravated by the invasion of Ukraine. That is why the large majority of the financing obtained via the TLTROs has remained within the banks' assets as liquidity deposited at the central bank. Specifically, as shown in Exhibit 3, compared to TLTRO usage of around 2.1 trillion euros at the European level (approximately 7.5% of total assets), the stock of credit increased a meagre 772 billion euros between March 2020 and June 2022, while the increase in liquidity (interbank assets, or "due from banks") during the same period was close to 2 trillion euros.

The dynamics in Spain have been very similar. In fact, the growth in credit has been even smaller, increasing just 95 billion euros compared to usage of the TLTRO III of 290 billion euros, most of which has been kept liquid ("due from banks": +270 billion euros), with a portion also invested in fixed-income securities (+29 billion euros), mainly sovereign bonds.

## Alignment between TLTROs and the ECB's new anti-inflationary monetary policy

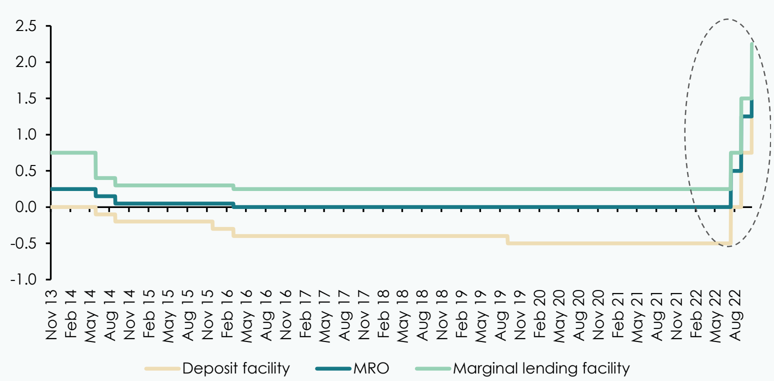
The macroeconomic scenario that gave rise to the rollout of these measures has been turned on its head by the current inflationary pressures not seen for more than four decades. Consequently, the ECB, framed by its firm commitment to controlling inflation, has been gradually tightening its monetary policy, putting an end to the purchase of assets under its pandemic emergency purchase programme (PEPP) and its ordinary asset purchase programme (APP) between March and June of this year. In addition, it has been increasing its benchmark rates, three times so far, by 200 basis points in total, a process which is likely set to continue.

Under the new monetary policy approach, it no longer made sense to keep the system so awash with liquidity as a result of its intense

Exhibit 4

**Trend in benchmark rates**

Percentage




*Source: European Central Bank.*

> "It is estimated that the Spanish banks generated approximately 1.4 billion euros of income between January and November 2022 by funding at a negative rate under the TLTRO (-0.67%) and investing the proceeds in the deposit facility (-0.11% on average during the period)."

usage of the TLTROs. The banks had no incentive to repay them as the method for calculating the cost of that funding, while appropriate given the climate of ultra-low rates and need to stimulate lending, created perverse incentives in the scenario of very rapid rate increases underway since the start of the summer.

As a result, after its last Governing Council Meeting, the ECB introduced changes to the method for calculating the cost of the TLTRO III. Note that the changes will not apply retroactively so as to avoid any potential legal issues with the banks but will take effect from November 2022 until the operations mature.

The banks that availed of that source of ECB funding since June 2020 and met their lending targets have been able to benefit from a funding cost of -1% during the special rate periods (from June 2020 to June 2022). Under the new regime, from June 2022 onward two additional calculation periods will apply in which, in contrast to the outgoing calculation regime (where the applicable rate was the average deposit rate during the entire term of the operation), the following methods will be used:

- Between June 24th, 2022, and November 22nd, 2022, the applicable rate will be the average deposit facility rate between the start of the operation and November 22nd.
- From November 22nd until maturity of the operation, or its prepayment, as the case may be, the applicable rate will the the average deposit facility rate during that period.

The new regime applicable from November 2022 eliminates the significant carry that was being earned by depositing outstanding TLTRO funds with the deposit facility as a result of their (negative) funding cost, as the benchmark deposit facility rate was in negative territory for over two years.

Elimination of that gap will have a significant impact on the banking sector's earnings in 2023 as the carry will disappear. It is estimated that the Spanish banks generated approximately 1.4 billion euros of income between January and November 2022 by funding at a negative rate under the TLTRO (-0.67%) and investing the proceeds in the deposit facility (-0.11% on average during the period).

By way of example, if the outgoing calculation method had been left in place, that estimated return of 1.4 billion euros in 2022 would have been more than twice as high in 2023, in the likely event that the deposit facility rate trends towards the 3% mark by the middle of next year.

Leaving that regime in place would have unquestionably given the banks a clear incentive to keep those funds on their balance sheets. That arbitrage trade has been eliminated by the decision to equate the cost of that funding with the return on the deposit facility. The ECB has created new voluntary repayment windows, without penalising any banks that want to keep that funding to maturity.

## Bank liquidity *vis-à-vis* TLTRO maturities

Aside from the possibility that the banks could decide to prepay their TLTRO funds by taking advantage of the new windows, it is worth noting that nearly 60% of the 2.1 trillion euros

> "Given that the banks have three more prepayment windows than initially contemplated, it is unlikely there will be a "cliff edge" effect in TLTRO repayments insofar as the banks are free to decide when to repay but will not be penalised by the new funding cost in the event they prefer to hold on to that liquidity to maturity."

of funding outstanding falls due next June, as the bulk of the operations were concentrated in the second half of 2020.

Given that the banks have three more prepayment windows than initially contemplated, the first in November, which is when the new calculation method starts to apply, and another two during the first quarter of next year, it is unlikely there will be a 'cliff edge' effect in TLTRO repayments insofar as the banks are free to decide when to repay but will not be penalised by the new funding cost in the event they prefer to hold on to that liquidity to maturity.

Although a dramatic cliff edge effect is not likely, the gradual absorption of most of this source of the banks' liquidity warrants an assessment of the European and Spanish bank systems' ability to handle the situation.

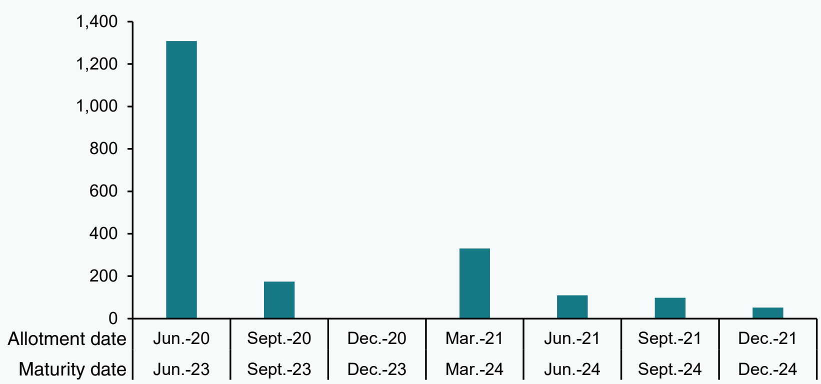
As shown in Exhibit 6, analysing the matter from a static repayment capacity perspective, we see that the main European banking systems, except for the Italian system, hold more excess reserves than TLTRO funds. It is fair to say, therefore, that even if the European banks accelerate repayment of their TLTRO funding, they have enough liquid assets to handle the situation without provoking balance sheet mismatches.

Specifically in Spain, as shown in Exhibit 7, the volume of liquid assets on deposit by the

Exhibit 5

**Timing of usage and maturity of rounds 4 to 10 of the TLTRO III**

Billion euros

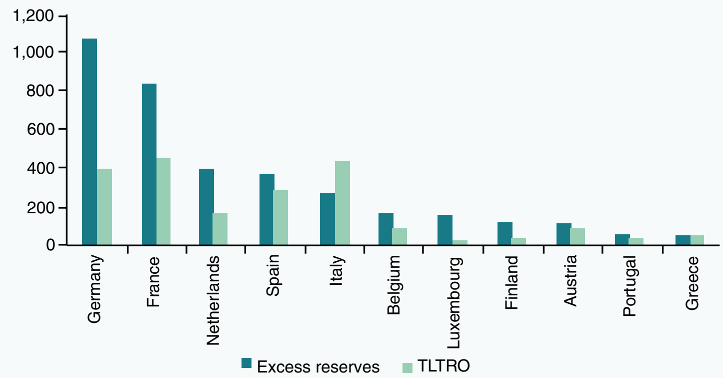



*Source: Authors' own elaboration based on ECB.*

Exhibit 6

**Excess reserves and TLTRO funding usage by European banking sector**

Billion euros

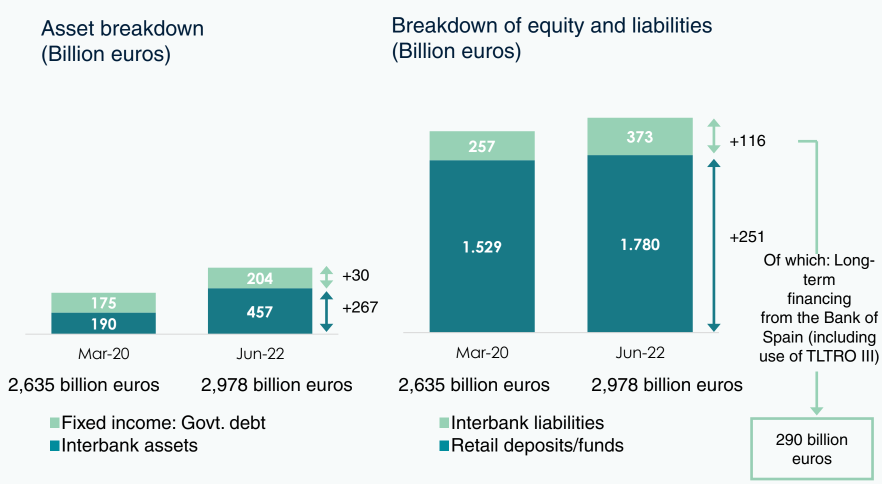



*Source: ECB.*

banks with the central bank stands at around 460 billion euros, which is more than enough to cover their long-term funding maturities (290 billion euros). In addition to their interbank assets, the banks have a buffer of government debt securities that mature in less than one year, which is when the bulk of their TLTRO III funding falls due.

Exhibit 7

**How the Spanish banking system is positioned in terms of liquid assets and undrawn funding**




*Source: Authors' own elaboration based on Bank of Spain figures.*

Aside from the banking system's ability to repay their TLTRO funds, it is worth highlighting the banks' ability to cater to the forecast growth in credit from a dynamic balance sheet standpoint without triggering imbalances in the retail or wholesale funding markets.

With the economy expected to slow sharply in 2023, it is likely that growth in credit will be very small, and at any rate lower than foreseeable growth in customer deposits and funds. Between that positive liquidity gap in the retail segment, coupled with the bond market issuance contemplated by the main sector players, as evidenced in the EBA's most recently published Funding Plan, there would appear to be sufficient slack to absorb the rollback of the TLTROs without sparking liquidity tensions and without having to be overly aggressive in looking for retail deposits.

## Conclusions

Framed by the ECB's efforts to stem the rise in inflation by raising rates and mopping up liquidity, the time has also come to reformulate the TLTROs in order to eliminate the arbitrage opportunity that had opened up, specifically by encouraging the banks to repay those funds without penalising those who wish to hold them to maturity.

Beyond the negative impact on their earnings of the elimination of that source of liquidity and the associated carry trade, foreseeably offset by the favourable effect of the rate increases on their net interest margins, the European and Spanish banking systems have sufficient liquidity to handle the maturity or, if they so decide, prepayment of their TLTRO funds thanks to their excess reserves, while growth in retail deposits and funds and bond market issuance is expected to be sufficient to cover the anticipated growth in credit next year.

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**Marta Alberni, Ángel Berges and María Rodríguez.** Afi

# Rising interest rates: Initial effects on credit

Rising interest rates are rapidly translating into a considerable increase in borrowing costs, putting a strain on households and companies, which had grown accustomed to exceptionally lax financial conditions. In parallel, the increase in rates is already materializing in the form of some retrenchment in lending in Spain, particularly in the mortgage segment.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: Rising interest rates are translating into a considerable increase in borrowing costs over a short period of time. Households and companies will face difficulties in tackling this situation not only because of tighter financing conditions, but also because they come in the wake of a very long period of exceptional financial and inflationary circumstances. As of last August, the average rates being charged in Spain were still below the European average in 12-month consumer loans (4.16%) but were higher (7.39%) in longer-dated paper (up to 5 years). In the mortgage segment, the average rate being charged is among the lowest in the eurozone, France being the only one of the larger European economies to charge less (1.58%). In the first eight months of the year, average mortgage rates climbed 0.59 percentage points higher. As for business lending, the rates trend is less consistent. In the wake of notable growth in 2020 (6.3% year-on-year), fuelled by the support and public guarantee schemes rolled out during the pandemic, growth in lending has slowed significantly and has become more volatile, contracting, for example, by 0.2% in June only to register growth of 2% in August. On the whole, in Spain, lending has slowed in the wake of the efforts made to keep credit flowing to the private sector during the pandemic, mostly targeting the business segment. Specifically, the increase in interest

rates is already materialising in a degree of retrenchment in lending activity, particularly in the mortgage segment.

## Credit, monetary policy transmission channels and financial situation

After over a decade of ultra-low or negative rates, economic agents currently face a swift increase in rates, which can be viewed as a process of normalisation after years of extraordinary circumstances, induced primarily by the central banks on either side of the Atlantic in an attempt to stem the rapid rise in inflation. The credit markets are a fundamental part of the process insofar as they constitute one of the main channels of monetary policy transmission. However, many households and companies will face difficulties in tackling this situation not only because of tighter financing conditions, but also because they come in the wake of a very long period of exceptional financial and inflationary circumstances. Note additionally that the idea is not to "cool" the credit markets in response to a boom or biases that could lead to a bubble in certain markets, such as the property market, as was the case during the financial crisis. Instead the idea is to slow the financing that fuels consumption and investment, so curbing some of the run-up in prices. Some inflation, however, mainly that induced by the surge in energy costs, is harder for the central banks to address.

That tricky situation has prompted the central banks to use interest rate policy to shape investment and consumption through the channel that is one of the most difficult to pin down yet among the most powerful in terms of its ramifications: expectations. As suggested by the ECB's Chief Economist, Philip Lane, in a public speech [1] given on October 11th, 2022, reducing inflation is a complicated process that requires a grasp of several links: (i) the link between monetary policy instruments (including interest rates) and financial conditions; (ii) the link between financial conditions and economic slack; and (iii) the link between economic slack and inflation pressures. As Lane points out, "if inflation expectations are broadly anchored, monetary policy is that needed to ensure expectations remain anchored; but if inflation expectations are de-anchored (or at serious risk of being de-anchored), monetary policy needs to ensure inflation expectations are re-anchored." He also acknowledged that the fact that rates had been so low for so long could cause asymmetric spillovers in financial markets no longer used to policy shifts.

The situation is not straightforward in the eurozone, nor other jurisdictions. In October, the International Monetary Fund (IMF) published its *Global Financial Stability Report* in which it suggested that interest rates and risk asset prices have been extremely volatile in recent months. In the wake of the rate increases by the Federal Reserve and European Central Bank, among other central banks, riskier investments and emerging market sovereign bonds have notched up significant losses, while other investments, such as crypto assets, have likewise sustained losses, as well as extreme volatility.

With respect to the credit markets, the IMF noted in its report that "as central banks aggressively tighten monetary policy, soaring borrowing costs and tighter lending standards, coupled with stretched valuations after years of rising prices, could adversely affect housing markets. In a worst-case scenario, real house price declines could be significant."

> "In contrast to the previous financial crisis, this time around the idea is not to "cool" the credit markets in response to a boom or biases that could lead to a bubble in certain markets, but rather to slow the financing that fuels consumption and investment, so curbing some of the run-up in prices."

“12-month EURIBOR was closing in on the 3% mark and still rising as of the end of October, implying a significant increase in borrowing costs considering the fact that EURIBOR stood at -0.5% at the start of this year.”

Be that as it may, it is important to differentiate between financial conditions in different geographies. In the eurozone, the banks are much better capitalised and more financially stable than they were in 2008. Moreover, although the credit markets have been recovering, that momentum was nowhere near what could be termed a boom. At any rate, as indicated in this paper, there are some significant differences in the trend in credit in the eurozone in the face of rising interest rates that are worth singling out.

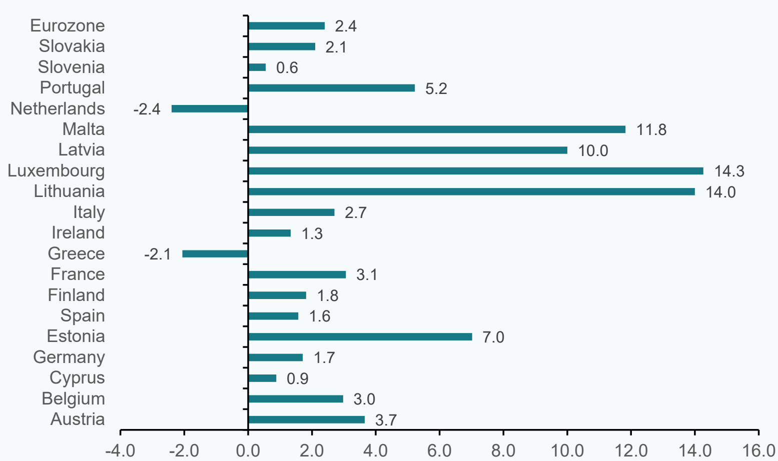
## Credit and interest rates in the eurozone

Both official and interbank rates have increased sharply in the eurozone this year. On October 27th, 2022, the ECB decided to raise its official rate by a further 75 basis points. The European monetary authority noted that “with this third major policy rate increase in a row, the Governing Council has made substantial progress in withdrawing monetary policy accommodation”, adding that it, “expects to raise interest rates further, to ensure the timely return of inflation to its 2% medium-term inflation target.”

12-month EURIBOR, meanwhile, was closing in on the 3% mark and still rising as of the end of October, implying a significant increase in borrowing costs considering the fact that EURIBOR stood at -0.5% at the start of this year. One of the quickest manifestations of

Exhibit 1 **Growth in consumer finance in the eurozone (January 2022 to August 2022)**

Percentage change in the stock of credit




*Source: ECB and authors’ own elaboration.*

Exhibit 2

## Growth in home loans in the eurozone (January 2022 to August 2022)

Percentage change in the stock of credit


*Source: ECB and authors' own elaboration.*

the higher interest rates is the trend in growth in consumer finance. As shown in Exhibit 1, between the start of 2022 and August (latest reading available), consumer finance registered accumulated growth of 2.4% in the eurozone. The growth during those eight months was uneven, however. While Malta, Luxembourg, Latvia and Lithuania registered double-digit growth, consumer finance contracted by around 2% in Netherlands and Greece. In Spain, where consumer finance had been experiencing strong momentum, growth eased to 1.6% in 8M22, which is very similar to the rate reported by Germany (1.7%), while other major economies, including Italy (2.7%) and France (3.1%), registered above average growth. However, on account of its magnitude and importance to household planning and budgeting, most of our analysis is focused on determining how the increase in rates in 2022 is affecting mortgage lending. The ECB data indicate that between January and August of this year, home financing in the eurozone registered growth of 3.1% (Exhibit 2).

Exhibit 2 likewise reveals a wide range of percentage changes in the stock of home loans. In Slovakia, Slovenia, Lithuania and Estonia, growth in that segment topped 7% in 8M22. The stock of home loans contracted in contrast in Ireland (-3.3%) and Greece (-1.9%). In Spain, growth in home loans was moderate (0.7%) by comparison with that registered in Germany (4%), Italy (2.9%) and France (2.8%).

Despite the existence of a single financial market in the EU, financial conditions are not uniform for several reasons. The information tracked by the European Central

> "In Spain, growth in home loans was moderate (0.7%) by comparison with that registered in Germany (4%), Italy (2.9%) and France (2.8%)."

Table 1 **Average interest rates on loans in the eurozone**

Percentage

| | 12 - month consumer finance | | | 1 - 5 year consumer finance | | | Home loans | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aug. 2022 | Jan. 2022 | Difference (pp) | Aug. 2022 | Jan. 2022 | Difference (pp) | Aug. 2022 | Jan. 2022 | Difference (pp) |
| Austria | 6.09 | 5.68 | 0.41 | 7.47 | 6.79 | 0.68 | 1.93 | 1.18 | 0.75 |
| Belgium | 5.47 | 4.60 | 0.87 | 5.75 | 5.33 | 0.42 | 2.35 | 1.48 | 0.87 |
| Cyprus | 3.36 | 3.10 | 0.26 | | | | 2.51 | 2.15 | 0.36 |
| Germany | 8.79 | 7.29 | 1.50 | 6.88 | 6.01 | 0.87 | 2.84 | 1.35 | 1.49 |
| Estonia | 11.39 | 11.93 | -0.54 | 8.46 | 10.45 | -1.99 | 2.70 | 2.06 | 0.64 |
| Spain | 4.16 | 3.37 | 0.79 | 7.39 | 7.04 | 0.35 | 2.03 | 1.44 | 0.59 |
| Finland | 6.85 | 5.42 | 1.43 | 4.02 | 3.13 | 0.89 | 1.85 | 0.80 | 1.05 |
| France | 6.23 | 5.09 | 1.14 | 3.32 | 3.25 | 0.07 | 1.58 | 1.12 | 0.46 |
| Greece | 11.20 | 11.88 | -0.68 | 8.45 | 8.12 | 0.33 | 3.14 | 2.86 | 0.28 |
| Ireland | 8.09 | 7.76 | 0.33 | 6.50 | 6.38 | 0.12 | 2.70 | 2.71 | -0.01 |
| Italy | 4.32 | 4.24 | 0.08 | 7.67 | 6.82 | 0.85 | 2.07 | 1.45 | 0.62 |
| Lithuania | 5.32 | 3.07 | 2.25 | 8.46 | 9.00 | -0.54 | 2.75 | 2.06 | 0.69 |
| Luxembourg | 2.31 | 1.28 | 1.03 | 2.59 | 1.73 | 0.86 | 1.99 | 1.38 | 0.61 |
| Latvia | 12.30 | 15.54 | -3.24 | 12.10 | 13.13 | -1.03 | 3.24 | 2.35 | 0.89 |
| Malta | 20.25 | 4.17 | 16.08 | | | | 2.04 | 1.57 | 0.47 |
| Netherlands | | | | | | | 2.63 | 1.67 | 0.96 |
| Portugal | 6.42 | 5.17 | 1.25 | 8.14 | 8.12 | 0.02 | 2.01 | 0.81 | 1.20 |
| Slovenia | 5.05 | 4.74 | 0.31 | 6.25 | 6.00 | 0.25 | 2.51 | 1.67 | 0.84 |
| Slovakia | 11.16 | 9.73 | 1.43 | 8.07 | 7.76 | 0.31 | 2.43 | 1.00 | 1.43 |
| Eurozone | 6.62 | 5.58 | 1.04 | 6.29 | 5.69 | 0.60 | 2.20 | 1.34 | 0.86 |

*Source: ECB and authors' own elaboration.*

Bank provides insight into the differences in borrowing rates. The average rate of interest charged for a 12-month consumer loan has increased by 1.04pp from 5.58% in January to 6.62% in August. In longer-dated consumer loans – up to 5 years – the average rate has climbed 0.6pp higher to 6.29%. In the mortgage segment, lastly, the average rate stood at 2.2% as of August, which is up 0.86pp from January. As of last August, the average rates being charged in Spain were still below the European average in 12-month consumer loans (4.16%) but were higher (7.39%) in longer-dated paper (up to 5 years). In the mortgage segment, the average rate being charged is among the lowest in the eurozone, France being the only one of the larger economies to charge less (1.58%). In the first eight months of the year, that average rate climbed 0.59 percentage points higher.

> As of last August, the average rates being charged in Spain were higher (7.39%) in longer-dated paper (up to 5 years) but were still below the European average in 12-month consumer loans (4.16%), with average rates being charged in the mortgage segment among the lowest in the eurozone.

## State of play in banking and borrowing terms in Spain

Borrowing terms depend on supply and demand. Demand remains somewhat subdued in the wake of the post-pandemic rebound, shaped by the new sources of economic uncertainty arising from the geopolitical turmoil and inflation. Supply is in a better place than right before the pandemic but there are risks – mainly due to the link between economic uncertainty, the banking business and non-performance – that warrant caution. Nevertheless, the recent indicators published by the Bank of Spain, gleaned from the separate financial statements of the banks it oversees, reveal an increase in the system's return on equity from 6.74% in the last quarter of 2019 to 9.83% as of the second quarter of 2022. The return on their assets has widened (from 0.50% to 0.60%), albeit still at low levels. The cost-income ratio has also improved, from 53.38% to 51.85%. Meanwhile, the Spanish banks continue to replenish capital, nudged in that direction by regulatory and market pressures, with tier-1 capital at 13.10% of risk-weighted assets.

Despite that situation, demand conditions are not ideal and the supply of credit, while growing, remains very subdued. The data tracking financing flows to the private sector corroborate that conclusion (Table 3). Loans to households registered year-on-year growth of 1% in 2021, rising further to 1.7% in early 2022; however, the newfound uncertainty has given way to a new phase of cooling, with

Table 2 **Trend in the banks' key metrics since before the pandemic**

Percentage

| | 4Q19 | 2Q22 |
|---|---|---|
| Profitability indicators | | |
| Return on equity (net profit / total equity) | 6.74 | 9.83 |
| Return on assets (net profit / total assets) | 0.50 | 0.60 |
| Cost-income ratio ((administrative expenses + D&A charges) / operating profit) | 53.38 | 51.85 |
| Cost of risk (provision for loan impairment / gross credit) | 0.91 | 0.97 |
| Solvency ratios | | |
| Total capital ratio (total capital / total risk-weighted assets) | 15.94 | 16.64 |
| Tier-1 capital ratio (tier-1 capital / total risk-weighted assets) | 14.05 | 14.53 |
| Tier-1 common capital ratio (tier-1 common capital / total risk-weighted assets) | 12.79 | 13.10 |

*Source: Bank of Spain and authors' own elaboration.*

Table 3 **Growth in private sector financing (year-on-year growth)**

Percentage

| | Households | Mortgage | Consumer | Business |
|---|---|---|---|---|
| 2019 | 0.2 | -1.1 | 11.9 | 1.9 |
| 2020 | -0.5 | -1.0 | -1.5 | 6.3 |
| 2021 | 1.0 | 0.7 | 5.2 | 2.4 |
| Jan. 2022 | 1.2 | 0.8 | 5.5 | 1.7 |
| Feb. 2022 | 1.3 | 0.8 | 5.5 | 1.4 |
| Mar. 2022 | 1.4 | 1.0 | 5.9 | 1.0 |
| Apr. 2022 | 1.7 | 1.2 | 7.0 | 1.6 |
| May. 2022 | 1.4 | 1.1 | 5.2 | 1.0 |
| Jun. 2022 | 1.4 | 0.9 | 3.6 | -0.2 |
| Jul. 2022 | 1.3 | 0.9 | 4.7 | 1.2 |
| Aug. 2022 | 1.2 | 0.9 | 4.6 | 2.0 |

*Source: Bank of Spain and authors' own elaboration.*

household lending growing by 1.2% in August, the latest figure available. Most of that growth was concentrated in consumer finance which, despite a considerable slowdown, registered year-on-year growth of 4.6% in August, compared to growth of 0.9% in home loans.

As for business lending, the trend is less consistent. In the wake of notable growth in 2020 (6.3% year-on-year), fuelled by the support and public guarantee schemes rolled out during the pandemic, growth in lending has slowed significantly as well as becoming more volatile, contracting for example by 0.2% in June only to register growth of 2% in August.

## Conclusions

Rising interest rates are translating into a significant increase in borrowing costs over a short period of time. This paper highlights that trend at both the eurozone and Spanish levels, yielding a few noteworthy conclusions:

- Rates have increased in just a few months by a magnitude that in more orthodox policy shifts would normally take place over a longer period of time. While current rates remain moderate by historical measures, the contrast with the situation during the run-up to the financial crisis makes the increase striking.
- Rates on the most common kinds of loans are fairly similar across the eurozone and the rates prevailing in Spain are in line with the averages. In general, the increase in rates has been accompanied by a slowdown in lending, particularly in the consumer finance segment.

> "Recent indicators published by the Bank of Spain, gleaned from the separate financial statements of the banks it oversees, reveal an increase in the system's return on equity from 6.74% in the last quarter of 2019 to 9.83% as of the second quarter of 2022."

- In Spain, the banks are reporting growth in profits and improved solvency; however, returns remain slim. Lending has slowed in the wake of the efforts made to keep credit flowing to the private sector, particularly to the business segment, during the pandemic. The increase in interest rates is already materialising in a degree of retrenchment in lending activity, particularly in the mortgage segment.

## Notes

[1] https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp221011~5062b44330.en.html

**Santiago Carbó Valverde.** University of Valencia and Funcas

**Francisco Rodríguez Fernández.** University of Granada and Funcas


# An analysis of non-performing loans: Spain in the European context

Despite the intensity of the two crises sustained by the Spanish economy in the last three years (the COVID-19 crisis and the energy crisis exacerbated by the war in Ukraine), measures rolled out to mitigate the impact of those events have helped to avert an overall increase in Spanish banks' non-performing loan ratios, albeit differences across industry sectors are noteworthy. However, given the challenging economic backdrop for 2023, non-performance will likely hit an inflexion point in the coming months, requiring the maintenance of adequate provisioning.

Joaquín Maudos

Abstract: Despite the intensity of the two crises sustained by the Spanish economy in the last three years (the COVID-19 crisis and the energy crisis exacerbated by the Ukraine-Russia war), the Spanish banks' non-performing loan (NPL) ratio has not increased, in part thanks to the measures rolled out to mitigate the impact of those events (furlough and credit relief schemes, *etc.*). However, in the corporate segment, a detailed analysis by sector reveals considerable differences in absolute NPL ratios and in the trend in recent years. Although a majority of sectors has reported a decrease in their NPL ratios, in those more vulnerable to the impact of the pandemic, that ratio has increased, for example, in hospitality (whose NPL ratio has increased by 4 pp to 9.26%) and activities related with leisure and entertainment (up 7.6 pp to 14.75%). By comparison with the EU, the arts, recreation and entertainment sector stands out sharply, with an NPL ratio

in Spain twice the European average. Given the downward revision of GDP growth forecasts for 2023, with high inflation leading to rate hikes and the attendant tightening of financing conditions, non-performance will in all likelihood hit an inflexion point in the coming months. Against that backdrop, the banks would be well advised not to relax their provisioning policies, in line with guidance from supervisory authorities.

## Introduction

There have been two economic crises affecting Spain in a little over two years: the crisis that erupted at the start of the pandemic in March 2020 and the crisis that emerged towards the end of 2021 when commodity prices started to rise, which has intensified sharply since the onset of the war between Ukraine and Russia. As a result of the first crisis, Spain's GDP contracted by 11.3% in 2020. With the second crisis still upon us, a host of institutions (OECD, Bank of Spain, IMF, European Commission, *etc.*) are making deep cuts to their growth forecasts for 2023, framed by prevailing uncertainty in a context of high inflation which is forcing rate increases and in turn sending borrowing costs higher.

Despite that complicated macroeconomic context, there have been no signs of a spike in loan non-performance. In fact, the banks' NPL ratios are currently below pre-pandemic levels. That anomalous outcome is the result of the host of measures rolled out to mitigate the impact of the crisis, including the furlough scheme, credit relief schemes, public guarantee schemes (preventing the destruction of jobs) and regulatory "breaks" (such as in accounting requirements for asset risk classification).

Nevertheless, although the overall non-performance ratio continues to come down, that aggregate figure masks considerable differences by sector, which is only logical considering the fact that the COVID-19 crisis had a much bigger impact on certain sectors of the economy, namely those more affected by the ensuing mobility restrictions (restaurants, accommodation, retail, leisure, *etc.*).

In addition to differences in the direction taken by the ratio, there are also significant differences in absolute levels depending on the purpose of the loan and within the corporate lending segment, also between sectors.

The purpose of this paper is to analyse recent dynamics in bank loan performance, drilling down into as much detail as possible in terms of loan purpose and business sector. The main goal is to analyse the differential impact of the last two crises by sector and to compare the situation at the Spanish banks with that in Europe. To do so, we compare the situation as of the third quarter of 2019 – the first period for which the European Bank Authority (EBA) provides the data broken down by line of business – with that of the second quarter of 2022 – the most recent data available. We look firstly at the data for the consolidated groups (which include the business generated by the Spanish banks' overseas subsidiaries), in order to compare the situation in the Spanish and EU banking sectors, and then provide additional insight into the domestic business in Spain.

## Recent trend in non-performance

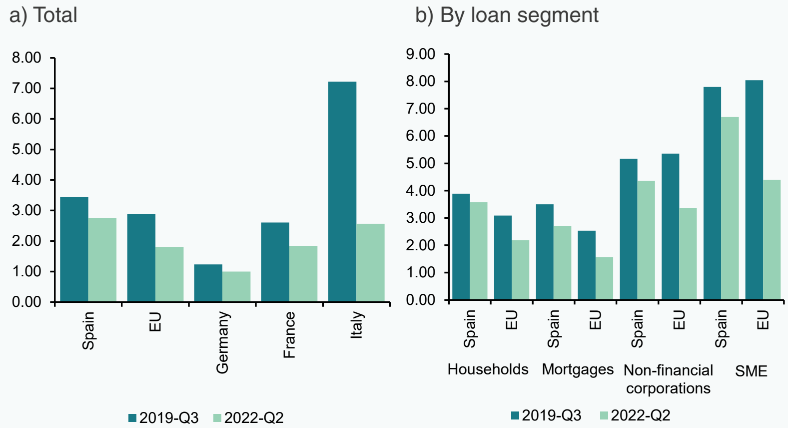
Before the onset of the pandemic, the Spanish banks' NPL ratio (at the consolidated group level) was 3.44%, which was 0.56 pp above the average for European banks of 2.88%. Compared to the main European banking sectors, non-performance was higher in Spain than in Germany (1.23%) and France (2.6%), but well below that of Italy (7.22%).

> "Despite the complicated macroeconomic context, there have been no signs of a spike in loan non-performance, with the banks' NPL ratios currently below even pre-pandemic levels."

Exhibit 1

**Non-performing loan (NPL) ratio. Consolidated groups**

Percentage




*Source: EBA.*

As of June 2022 (most recent figure available), the NPL ratio in Spain had fallen to 2.76%, a trend similarly observable across the rest of the European banks within the EU´s main economies. However, the gap with the EU had widened from 0.56 pp as of the end of 2019 to 0.95 pp by June 2022. The drop in the NPL ratio in Italy is remarkable: in just two-and-a-half years, that system's NPL ratio has gone from 7.22% to 2.57%, below that of the Spanish banks. Therefore, as of the second quarter of 2022, the Spanish banks' NPL ratio was higher than that observed in the main EU banking systems.

Non-performance is higher in corporate lending (4.36%) than in the household lending segment (3.57%). [1] Within the former, it is substantially higher in the SME segment (6.7%) and in the latter, lower in the mortgage segment (2.71%). The biggest gap with respect to the EU is in the SME lending segment, where Spain's NPL ratio is 2.3 pp above the European average. In both business and household loans, non-performance is higher in Spain.

Turning to the impact of the two crises sustained since early 2020, in no instance has non-performance increased. Indeed, it has come down in all loan categories in Spain, as well as the in EU.

## Non-performance by business sector

Within the business lending segment, the EBA provides information broken down

“ As of June 2022 (most recent figure available), the NPL ratio in Spain had fallen to 2.76%, a trend similarly observable across the rest of the European banks within the EU´s main economies; however, the gap with the EU had widened from 0.56 pp as of the end of 2019 to 0.95 pp by June 2022. ”

Table 1

## Non-performing loan (NPL) ratio. Consolidated groups

Percentage

| | 2019-Q3 | | | | | 2022-Q2 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Spain | EU | Germany | France | Italy | Spain | EU | Germany | France | Italy |
| Total | 5.17 | 5.36 | 2.47 | 4.15 | 12.44 | 4.36 | 3.36 | 2.19 | 3.32 | 4.39 |
| A. Agriculture, forestry and fishing | 5.50 | 7.14 | 5.55 | 4.77 | 11.57 | 5.00 | 3.88 | 3.15 | 4.19 | 4.31 |
| B. Mining and quarrying | 3.20 | 6.53 | 5.24 | 3.77 | 7.57 | 2.57 | 5.41 | 6.81 | 3.41 | 3.98 |
| C. Manufacturing | 4.83 | 5.64 | 2.96 | 4.63 | 9.73 | 3.42 | 3.62 | 3.46 | 4.21 | 3.09 |
| D. Electricity, gas, steam and air conditioning supply | 3.26 | 2.67 | 1.49 | 2.65 | 5.87 | 2.89 | 1.39 | 1.16 | 0.76 | 1.69 |
| E. Water supply | 2.57 | 3.35 | 1.50 | 4.63 | 7.32 | 2.33 | 1.69 | 0.47 | 3.08 | 2.26 |
| F. Construction | 9.91 | 14.11 | 5.21 | 8.36 | 32.08 | 7.48 | 6.75 | 4.13 | 7.43 | 10.56 |
| G. Wholesale and retail trade | 5.76 | 6.12 | 3.64 | 5.04 | 9.41 | 4.66 | 3.91 | 3.21 | 4.06 | 3.29 |
| H. Transport and storage | 4.09 | 6.61 | 12.22 | 3.38 | 11.50 | 4.39 | 4.20 | 3.54 | 3.96 | 3.32 |
| I. Accommodation and food service activities | 5.15 | 8.74 | 5.54 | 8.20 | 15.53 | 9.26 | 8.67 | 3.45 | 9.13 | 8.47 |
| J. Information and communication | 2.62 | 3.23 | 0.94 | 5.26 | 4.77 | 1.94 | 1.97 | 1.08 | 1.83 | 2.51 |
| K. Financial and insurance activities | 2.65 | 3.18 | 0.59 | 3.27 | 5.66 | 1.40 | 2.08 | 2.98 | 1.94 | 1.22 |
| L. Real estate activities | 4.61 | 3.25 | 0.98 | 3.27 | 17.43 | 3.77 | 1.97 | 1.44 | 1.87 | 7.29 |
| M. Professional, scientific and technical activities | 5.29 | 4.60 | 2.46 | 3.50 | 7.17 | 6.35 | 3.57 | 2.48 | 3.94 | 2.39 |
| N. Administrative and support service activities | 3.78 | 3.17 | 2.27 | 2.32 | 9.90 | 3.91 | 3.26 | 3.11 | 2.68 | 6.33 |
| O. Public administration and defence, compulsory social security | 0.82 | 1.12 | 0.02 | 1.19 | 7.08 | 0.52 | 0.67 | 0.00 | 0.92 | 0.17 |
| P. Education | 6.43 | 4.24 | 1.42 | 2.63 | 9.43 | 5.53 | 3.55 | 0.82 | 3.45 | 3.17 |
| Q. Human health services and social work activities | 3.20 | 3.18 | 0.79 | 1.93 | 5.28 | 3.11 | 2.22 | 1.16 | 1.80 | 4.23 |
| R. Arts, entertainment and recreation | 7.12 | 7.47 | 2.95 | 5.08 | 17.48 | 14.75 | 7.16 | 2.43 | 5.59 | 7.33 |
| S. Other services | 3.98 | 4.96 | 2.45 | 4.05 | 4.81 | 2.58 | 3.00 | 2.10 | 2.58 | 4.36 |

*Source: EBA.*

“Another noteworthy takeaway is the breadth in the range of non-performance across the sectors in Spain, from a high of 14.75% in arts, recreation and entertainment to a low of 0.52% on loans to public administrations.”

into 19 lines of business, so enriching the performance analysis. Table 1 shows that despite having dipped across the majority of sectors in Spain, in some areas of the economy non-performance has risen, and sharply, between 2019 to 2022. For example, in arts, recreation and entertainment activities, where non-performance has doubled from 7.12% to 14.75%. The magnitude of that increase makes it by far the sector with the highest incidence of non-performance at present. Moreover, that increase contrasts with the trend observed in Europe, where the ratio has actually come down. It is also worth highlighting the 4.11 pp increase in non-performance on loans to the accommodation and food services (or hospitality) sector, from 5.15% to 9.26%. Of the 19 lines of business tracked, accommodation and food services currently represent the second-highest non-performing loan ratio. Once again, the increase in non-performance in Spain contrasts with the broader EU trend. Both the leisure and hospitality activities were hit hard by the mobility restrictions induced by the pandemic, leaving them highly vulnerable.

Another noteworthy takeaway from Table 1 is the breadth in the range of non-performance across the sectors in Spain, from a high of 14.75% in arts, recreation and entertainment to a low of 0.52% on loans to public administrations. Besides the activities related with leisure and hospitality, non-performance is also high in construction (7.48%), although that is a legacy issue carried over from the past which is gradually being addressed.

By comparison with the EU, the arts, recreation and entertainment sector stands out sharply, with that sector's NPL ratio in Spain double the European average (14.75% *vs.* 7.16%), and significantly higher than that of the main European banking sectors.

## Non-performance by loan segment

The most recent data – as of June 2022 – put the volume of the Spanish banks' non-performing loans at 78.87 billion euros, which is 21% of the EU total. Of that amount, 55% is concentrated in loans to households, with the remainder in loans to corporations. Within the household lending segment, mortgage non-performance accounts for 29% of the total for the Spanish banks and within the business loan segment, SME loans account for 44% of total non-performance. By comparison with the EU, household loans account for a much larger share of non-performing loans (16 pp more, of which 11 pp are in the mortgage segment), which makes sense considering the relatively higher weight of mortgage lending in the Spanish banking system.

Turning our attention to the business lending segment in order to analyse the different impact of the crisis from one sector to the next, the sector breakdown of non-performing loans by the 19 sectors tracked reveals that between 2019 and 2022 the weight of non-performing loans has increased in the

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> If we take the current sector breakdown of non-performing loans in Spain and compare it with that of the EU, what jumps out is the real estate sector's much smaller share of non-performance in Spain, at 10.15%, compared to 24.66%.

financial and insurance sector (from 1.65% to 3.54%, a percentage increase in line with the EU average), the manufacturing sector (from 17.88% to 19.08%) and in information and communication (from 3.1% to 3.77%). In contrast, those shares have fallen in construction (from 9.20% to 6.61%) and other services (from 5.96% to 4.34%).

If we take the current sector breakdown of non-performing loans in Spain and compare it with that of the EU, what jumps out is the

Table 2

**Sector breakdown of non-performing business loans. Consolidated groups**

Share of NPLs and percentage change

| | 3Q-2019 | | 2Q-2022 | | Variation 2019-3Q/2022-2Q | |
|---|---|---|---|---|---|---|
| | Spain | EU | Spain | EU | Spain | EU |
| A. Agriculture, forestry and fishing | 2.64 | 3.81 | 2.65 | 3.75 | 0.00 | -0.06 |
| B. Mining and quarrying | 1.83 | 1.92 | 1.81 | 1.42 | -0.02 | -0.49 |
| C. Manufacturing | 17.88 | 15.86 | 19.06 | 15.97 | 1.18 | 0.11 |
| D. Electricity, gas, steam and air conditioning supply | 5.95 | 4.34 | 6.44 | 5.17 | 0.49 | 0.83 |
| E. Water supply | 0.83 | 0.86 | 0.72 | 0.92 | -0.11 | 0.06 |
| F. Construction | 9.20 | 5.59 | 6.61 | 4.99 | -2.60 | -0.59 |
| G. Wholesale and retail trade | 17.40 | 13.40 | 18.12 | 12.96 | 0.72 | -0.44 |
| H. Transport and storage | 6.44 | 5.96 | 6.68 | 5.82 | 0.24 | -0.14 |
| I. Accommodation and food service activities | 4.66 | 2.76 | 5.07 | 2.71 | 0.41 | -0.05 |
| J. Information and communication | 3.10 | 2.73 | 3.77 | 2.87 | 0.68 | 0.14 |
| K. Financial and insurance activities | 1.65 | 2.76 | 3.54 | 4.46 | 1.88 | 1.71 |
| L. Real estate activities | 10.93 | 24.37 | 10.15 | 24.66 | -0.77 | 0.29 |
| M. Professional, scientific and technical activities | 4.40 | 4.59 | 4.62 | 4.90 | 0.22 | 0.32 |
| N. Administrative and support service activities | 3.35 | 3.76 | 3.30 | 3.81 | -0.05 | 0.05 |
| O. Public administration and defence, compulsory social security | 0.25 | 0.34 | 0.57 | 0.28 | 0.32 | -0.06 |
| P. Education | 0.58 | 0.39 | 0.51 | 0.29 | -0.07 | -0.10 |
| Q. Human health services and social work activities | 2.24 | 1.93 | 1.41 | 1.81 | -0.83 | -0.12 |
| R. Arts, entertainment and recreation | 0.69 | 0.57 | 0.63 | 0.55 | -0.06 | -0.02 |
| S. Other services | 5.96 | 4.07 | 4.34 | 2.64 | -1.62 | -1.43 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | | |

*Source: EBA.*

real estate sector's much smaller share of non-performance in Spain, at 10.15%, compared to 24.66% in Europe. On the other hand, in Spain the retail (18.12% *vs.* 12.96%), manufacturing (19.06% *vs.* 15.97%) and accommodation and food services (5.07 *vs.* 2.71%) sectors are more significant contributors to loan non-performance. Between them, the manufacturing industry, retail trade and real estate activities account for almost half of non-performing loans in Spain.

## Non-performance in the Spanish domestic banking business

Within the Spanish business, non-performance in loans to other resident sectors stood at 3.86% as of August 2022 (47.24 billion euros), down 1pp from before the onset of the pandemic. In the business lending segment (as of June), that ratio was 4.55%, compared to 3.33% in household loans (2.71% in mortgages and 4.59% in consumer lending). In all instances, the current levels are below those observed before the start of the pandemic, so that the impact of the crisis has yet to be felt in terms of loan performance. Likewise, the volume of loans classified as stage-2 impaired continues to come down, to 7% of the total (albeit higher than before the pandemic in percentage terms).

By productive area, [2] non-performance in the domestic banking business has come down across the board other than in hospitality, where the non-performing loan ratio has increased by 2.9 pp, from 5.44% in March 2020 to 8.41% in June 2022. Non-performance has also increased, albeit marginally, in the transport, transport material manufacturing and mining and quarrying industries. In contrast, non-performance has come down sharply in construction (by 3.1 pp, from 11.44% to 8.39%), the manufacture of non-metallic minerals (6.7 pp, from 12.25% to 5.56%) and metallurgy (2.23 pp, from 8.53% to 6.24%).

As of June 2022, non-performance in the Spanish banking business was highest (*i.e.,* above 6%) in the hospitality (8.41%), construction (8.39%), metallurgy (6.24%) and mining (6.20%) industries. In contrast, it was lowest (below 3%) in the oil (0.03%), finance (0.32%), chemicals (2.24%) and transport materials (2.29%) sectors.

## Non-performance in public guarantee schemes

One area of concern is the increase in non-performance in the loans extended, in the case of Spain, by the country's official credit institute, the ICO, in order to mitigate the impact of COVID-19 on corporate borrowers. The volume of those loans peaked at 109 billion euros, with 99 billion euros outstanding as of June 2022. Those loans have been vital to propping up the most vulnerable sectors.

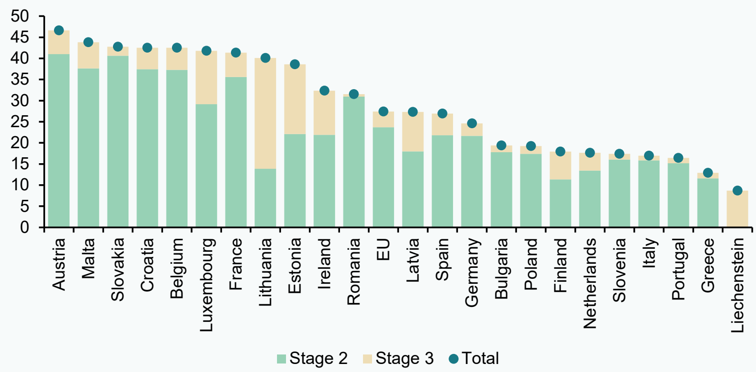
The EBA also provides information on the quality of loans with public guarantees, enabling an analysis of the trend in those loans' creditworthiness over time and insight into the situation at present. As of June 2022, the sum of loans classified as stage-2 and stage-3 impaired accounts for 26.9% of all loans provided under public guarantee schemes. That percentage has been edging higher over time, specifically by 7.3pp in the last 12 months. Of that percentage (26.9%), non-performing (stage 3) loans account for 5.13pp, with the remaining 21.79pp represented by loans classified as stage-2 impaired. The NPL ratio has increased by 3.1pp since July 2021 and the incidence of stage-2 loans has increased by 4.2pp, signalling the deteriorating quality of the loans backed by the ICO.

By comparison with the rest of the EU, the weight of loans under public guarantee schemes classified as either stage-2 or stage-3 is slightly lower in Spain than the European

> "In all instances, the current levels of NPL ratios are below those observed before the start of the pandemic, so that the impact of the crisis has yet to be felt in terms of loan performance."

Exhibit 2

**Percentage of loans under public guarantee schemes classified as stage-2 and stage-3 loans**




*Note: Cyprus, Denmark, Hungary, Iceland and Sweden do not report these data.*
*Source: EBA.*

average (27.44%). However, the incidence of stage-3 loans is 1.38pp higher in Spain (5.13% *vs*. 3.75%). Compared to the main eurozone economies, non-performance on loans extended under public guarantee schemes is higher in Spain than in Germany (2.94%) and Italy (1.14%) but lower than in France (5.74%).

## Conclusions

Despite the intensity of the COVID-19 crisis, the incidence of non-performance continues to come down in Spain and across the European banking systems, in part thanks to the measures rolled out to mitigate the impact of the crisis, staving off job destruction. However, in the sectors more exposed to the mobility restrictions, particularly activities related to leisure and hospitality, non-performance has increased. It is also good news that the percentage of stage-2 loans has come down in Spain (albeit still above pre-pandemic levels) and is below the European average.

Despite those encouraging figures, non-performance remains higher in the Spanish banking system than in its European counterparts, warranting ongoing efforts to reduce it further. Moreover, in light of the uncertainty clouding the macroeconomic outlook (with GDP growth forecasts for 2023 being cut against the backdrop of high inflation), the banks need to remain alert on the provisioning front as non-performance is bound to increase in the months to come. There are energy-intensive sectors whose future looks very complicated in the current climate of high energy prices, which is bound to affect creditworthiness in those sectors. Meanwhile, tighter financing conditions will impact both business lending (the SME segment being more vulnerable, starting from higher levels of non-performance) and household lending (rate increases), which will affect their ability to service their debts and ultimately impact non-performing loan ratios. Supervisors, such as the Bank of Spain (2022) and the EBA (2022 a,b), have recently reached similar cautionary conclusions.

## Notes

[1] The non-performance ratios provided by the EBA relate to loans carried at amortised cost.

[2] The breakdown by business activity provided by the Bank of Spain for the domestic banking business is less detailed than that provided by the EBA for the consolidated groups.

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**Joaquín Maudos.** Professor of Economic Analysis at the University of Valencia, Deputy Director of Research at Ivie and collaborator with CUNEF

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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)

## Law 16/2022 reforming the Insolvency Act and transposing the Directive on restructuring and insolvency into Spanish law (published in the *Official State Journal* on September 6th, 2022)

The purpose of Law 16/2022, which took effect 20 days after its publication, is to introduce into Spanish legislation a preventive restructuring procedure designed to ensure the continuity of viable companies and businesses that are facing financial difficulties that could threaten their solvency and lead them into bankruptcy. To that end, the new legislation amends Spain's Insolvency Act in order to introduce the following aspects:

Modification of the pre-insolvency legal regime, specifically:

- The scope of application (*i.e.,* parties to pre-insolvency proceedings) and objective applicability criteria (in the event of probable, imminent or current debtor insolvency).

- Notification of the start of negotiations with creditors with a view to reaching a restructuring agreement.

- Restructuring plans, which include the restructuring measures affecting both liabilities and assets. The possibility of selling part or even all of a company under liquidation plans.

- The rules regarding the expert in charge of the restructuring, a new role whose appointment is contemplated by the Directive in certain instances.

- Special considerations for debtors that do not meet certain thresholds but do not qualify as micro enterprises.

The new legislation also sets up a "second-chance" procedure by extending the list of forgivable debts and introducing the possibility of debt forgiveness without first liquidating the debtor's net assets subject to a payment plan, permitting the debtor to keep his or her regular abode and business assets.

It also regulates the special procedure for micro enterprises which combines certain aspects of both insolvency proceeding and restructuring plans. That procedure will apply to micro enterprises that are at the stage of pre-insolvency (probability of insolvency), imminent insolvency (when it is foreseeable that the enterprise will not be able to uphold its obligations within the legally prescribed deadlines) or are actually insolvent (when they cannot uphold their enforceable obligations in the legally prescribed manner).

The private international legal regime is likewise adapted for Regulation (EU) 2015/848, of the European Parliament and of the Council, of May 20th, 2015, on insolvency proceedings, and the special pre-insolvency proceedings are introduced into the general regimes under private international law.

Lastly, it is worth highlighting the provisions related with the collection regime applicable to the guarantees extended under Royal Decree-laws 8/2020, 25/2020 and 6/2022 and the amendment of the Corporate Enterprises Act in respect of the joint and several liability of directors for company debts.

## Law 18/2022 on the creation and growth of companies (published in the *Official State Journal* on September 29th, 2022)

Law 18/2022 aims to: (i) make it easier to start up a company; (ii) improve access to finance and its regulation; (iii) eliminate obstacles to the performance of economic activities; and (iv) reduce trade debt non-performance. The new law took effect 20 days after its publication, with the exception of the chapter devoted to crowdfunding, which will take effect from November 10th, 2022, and the article addressing e-billing between business owners and professionals, which will take effect later.

In broad terms, the following measures stand out:

1. Measures related with collective investment via modification of Law 35/2003 (of November 4th, 2003) on collective investment undertakings.

   - Express acknowledgement of the European Long-Term Investment Fund (ELTIF).

   - Elimination of the quarterly reporting requirement.

   - Introduction of by-default electronic communication with investors and shareholders.

   - Permission for collective investment undertaking management companies to set up as limited-liability companies.

2. Measures related with private equity via modification of Law 22/2014 (of November 12th, 2014) on private equity firms, other closed-end collective investment undertakings and the companies that manage closed-end collective investment undertakings.

   - Acknowledgement of closed-end collective investment undertakings that invest in loans and those whose main goal is to invest in the invoices, loans, credit and trade bills used in the ordinary course of business operations.

   - The new legislation expands the definition of the core business of a private equity firm to include investment in financial institutions whose business is underpinned primarily by the application of technology to new business models, applications, processes or products.

   - Changes to private equity firms' mandatory investment coefficient.

   - The limits on investments are focused on investable assets, which are defined as committed capital plus any borrowings received less the maximum amount of fees, charges and expenses indicated in the corresponding prospectus. Committed capital is that corresponding to the date of the investment.

   - Increased headcount requirement for SME-focused private equity fund investees, from 250 to 499.

   - Reduced initial capital injection requirement for private equity firms from 50% of subscribed share capital to 25%.

   - Express acknowledgement of the ELTIF.

   - Permission for closed-end collective investment undertaking management companies to set up as limited-liability companies.

   - Inclusion of discretionary management of investment portfolios owned by occupational pension funds as an ancillary service that can be provided by closed-end collective investment undertaking management companies.

   - Permission for the shares of Spanish private equity funds to be traded with other investors when the latter invest on the basis of a personalised recommendation by an intermediary that provides them with advisory services so long as, in the event their financial net worth is less than 500,000 euros, that investment is at least 10,000 euros and is held and does not represent more than 10% of that net worth.

3. Matters related with AML/CFT via modification of Law 10/2010 (of April 28th, 2010) on the prevention of money laundering and terrorist financing.

- Puts the personal data protection requirements on a par with the GDPR.

- Regulates the exchange of information among bound parties.

4. Measures related with supervision and solvency via modification of Law 10/2014 (of June 26th, 2014) on the organisation, supervision and capital adequacy of credit institutions.

    - Additional protection for the customers of credit institutions. The latter are required to act honestly, impartially, transparently and professionally, upholding their customers' rights and interests. Any information addressed to their customers, including advertising messages, must be clear, sufficient, objective and not misleading. Moreover, credit institutions are required to keep their customers duly informed at all times.

    - Permission for credit institutions headquartered in a country that is not an EU Member State and without a branch in Spain to provide services in Spain, subject to prior authorisation from the Bank of Spain.

    - Obligation for credit institutions to formulate policies and procedures, including adequate internal control mechanisms, in the areas of:

        - Product governance and oversight, with a view to ensuring that bank products and services are designed in due consideration of the needs, characteristics and objectives of the target market to which they are addressed and are marketed through appropriate channels.

        - Remuneration of the persons involved in the sale and marketing of banking products and services. An entity's remuneration policies must, moreover, be designed to induce responsible conduct and fair treatment of customers and to prevent conflicts of interest.

        - Packaged or bundled sales practices in retail banking.

5. Measures related with crowdfunding via modification of Law 5/2015 (of November 27th, 2015) on the stimulation of corporate financing.

    - Implementation of the EU-harmonised legal regime governing crowdfunding platforms. Among other matters, the new law regulates the authorisation of these platforms, their registration with the CNMV, the requirement to draw up a key investment information document (KIID), a key platform information document and the platforms' penalty regime.

    - It also implements the legal regime governing non-harmonised crowdfunding platforms, *i.e.,* those not subject to Regulation (EU) 2020/1503 of the European Parliament and of the Council of October 7th, 2020, on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.

    - Permission for investors to group together.

6. Measures related with the start-up of businesses:

    - Amendment of the Corporate Enterprises Act (Legislative Royal Decree 1/2010):

        - Modification of the share capital requirement for incorporation of a limited-liability company from 3,000 euros to at least 1 euro. Establishment of a specific transitory regime for creditors until share capital reaches 3,000 euros.

        - Elimination of "sequential formation companies" (article 4 bis).

- With respect to the average supplier payment term calculation, the changes stipulate that the date of receipt of an invoice can only be considered the start of the payment period in specific circumstances.

- Repeal of Title XII addressing "new business limited companies".

- Amendment of Law 14/2013 (of September 27th, 2013) on support for entrepreneurs and their international expansion, in relation to their limited liability and the steps needed to incorporate a limited liability company.

7. Measures for tackling trade debt non-performance.

   - Creation of a State Observatory for Private Non-Performance.

   - Amendment of Law 56/2007 (of December 28th, 2007) on measures for advancing the information society, with respect to the widespread adoption of e-billing, by extending the requirement to issue and send e-bills to all business owners and professionals in the course of business dealings.

8. Measures for eliminating obstacles to the performance of business activities.

   - Amendment of Law 20/2013 (of December 9th, 2013), on guaranteeing market unity, in relation to the economic agent protection and intergovernmental cooperation measures.

   - Amendment of Law 12/2012 (of December 26th, 2012), on urgent measures for the deregulation of trade and certain services, in order to expand the catalogue of permit-exempt activities.

### Royal Decree 885/2022 fostering occupational pension schemes (published in the *Official State Journal* on October 19th, 2022)

The goal of this Royal Decree is to implement Law 12/2022, of June 30th, 2022, regulating occupational pension schemes. It took effect the day after its publication.

It regulates the following matters, among others:

- The organisation and operation of the Sponsorship and Oversight Committee by way of interministerial collegial body. That committee will act as the public sponsoring entity and take the form of a collegial body under the Ministry of Inclusion, Social Security and Migration, specifically made up of nine members from the General State Administration. It will be vested with the key duties regarding publicly sponsored occupational pension funds (the Funds or FPEPP in Spanish), including the incorporation, dissolution, selection of management companies and custodians, formulation and approval of investments strategies and ongoing oversight of performance.

- The initial incorporation of the Special Control Committee and the procedure for any subsequent incorporations and renewals. That committee will be made up of 13 people, appointed by the Sponsorship and Oversight Committee, with proven experience, knowledge and supervisory and managerial capabilities. The basic rules governing how it functions will be established in an internal code.

- The procedure for overseeing the correct functioning and governance of the Funds. Fund management companies, depositary entities and external auditors must send the Special Control Committee and the Sponsorship and Oversight Committee an annual report on any incidents detected, along with proposals for improving how the Funds operate, most particularly with respect to their governance.

- The annual fees accrued by the Funds' management companies, including their fixed remuneration, any performance-driven remuneration and any remuneration corresponding to entities in which they have delegated specific tasks must be less than 0.30% of the value of the capital accounts to which they are to be charged.

- That limit will apply on a combined basis to cumulative fees to be received by multiple management companies when the Fund or other occupational pension plan owns shares in other pension funds or invests in collective investment undertakings or private equity firms managed by entities that belong to the same group as the management company.

- Management companies may pass on any fees derived from investments in other open pension funds, collective investment undertakings or private equity firms that do not belong to their same group up to a maximum limit, in addition to the limit above, of 0.55% of the value of the capital accounts to which they are to be charged.

- The annual fees accrued by the depositary entities selected by the Funds must be less than 0.10% of the value of the capital accounts to which they are to be charged. Irrespective of those fees, depositary entities are entitled to receive fees for the settlement of investment transactions, subject to compliance with the general rules regulating the corresponding rates.

- Fund management companies and depositary entities may exceptionally pass on upfront implementation costs incurred to connect up to the common digital platform needed to set the Funds up within no more than five years of their selection as management company or depositary entity, along with other expenses contemplated in the administrative specifications.

- Twice-yearly, the management company and the depositary entity must inform the Special Control Committee of all the expenses passed along as implementation costs, broken down by item and expressed in percentage terms.

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# Spanish economic forecasts panel: November 2022*

Funcas Economic Trends and Statistics Department

### GDP growth estimate for 2022 increases to 4.5%

According to INE's estimate, third quarter GDP grew by 0.2%, one tenth of a percentage point more than expected by the panelists. Domestic demand contributed 1pp, while the foreign sector contributed negatively to growth by 0.8pp. Leading indicators showed a weakening trend, despite mixed results.

For the year as a whole, the analysts´ forecast stands at 4.5%, 0.3pp higher than the previous Panel, which had not yet incorporated the National Accounts´ revised figures, according to which the economy would have grown 0.4pp more year-on-year in the first half of the year than previously anticipated. A large majority of the analysts expect negative growth for the fourth quarter.

In terms of the composition of GDP growth, the contribution of the foreign sector is expected to be 2.9pp (1.4pp more than the last Panel), and domestic demand is forecast to decline 1.1pp to 1.6pp, compared to the September Panel. The growth projected for all components of domestic demand has been revised sharply downward. With respect to the foreign sector, almost all panelists have revised upward their forecasts for export growth at a greater rate than forecasts estimating an increase in import growth.

### The 2023 forecast is down to 1.1%

Most panelists have revised downward their forecast for GDP growth for 2023, leading to an average of 1.1% (0.8pp lower than the last Panel). As for the quarterly profile, zero growth is expected in the first quarter, followed by growth of around 0.5%-0.7% for the remaining quarters of the year (Table 2).

The foreign sector is expected to make a contribution of -0.2pp, while domestic demand will contribute 1.3pp to GDP growth – 0.7pp less than the last forecast. Both investment and household consumption are expected to register lower growth than in 2022, while public consumption will return to positive rates, compared to this year's decline (Table 1).

### Inflation hits a ceiling

After reaching rates above 10% in June, July and August, CPI moderated in September and October, due to a better performance of energy prices and base effects. Meanwhile, core inflation reached its peak in August at 6.4%. In the remaining months of the year, inflation is expected to continue to moderate, largely due to base effects (Table 3).

The analysts have revised their estimate for the average inflation rate for this year by 0.1pp, up to 8.7%, while core inflation stayed at 5%. With respect to next year, the forecast for the headline rate is up by 0.3pp to 4.1%, and core rate inflation by 0.2pp to 4% (Table 1).

The projected year-on-year rates of the overall index for December 2022 and December 2023 are 7.1% and 2.8%, respectively (Table 3).

### Unemployment reduction stalls

According to the *Labour Force Survey*, the seasonally adjusted pace of employment growth weakened in the third quarter, after eight quarters of uninterrupted growth. The unemployment rate increased to 12.7%, but is 1.9pp lower than a year ago. On the other hand, Social Security enrollment grew in August and September, followed by a weakening in October.

The analysts´ forecast for employment growth has increased by 0.2pp to 3.5% for 2022 and has been reduced by 0.6pp to 0.9% for 2023. The implied projection for productivity and unit labor cost (ULC) growth is derived from the forecasts for GDP, employment and wage growth. Productivity per full-time equivalent job will increase by 1% this year and by 0.2% in 2023. ULCs are expected to increase by 1.1% in 2022 –0.7pp less than in the last Panel– and by 3.1% next year -0.6pp more.

The average annual unemployment rate will continue to fall to 13% in 2022 -0.3pp lower than in the last Panel- and will remain as such in 2023.

## Trade surplus maintained despite higher energy bills

The current account of the balance of payments recorded a surplus of 1.02 billion euros up to August, compared to 4.73 billion euros in the same period of the previous year. This worsening mainly reflects the result of a larger deficit in the income balance and a decline in the surplus of the balance of goods and services due to the higher energy costs.

The panelists expect a positive balance of 0.6% of GDP for the year as a whole -0.1pp more than in the last Panel-, and 0.5% for 2023, after a downward revision of 0.3pp (Table 1).

## Public deficit forecast improves

As of August of this year, the fiscal deficit, excluding local authorities, was 34.93 billion euros lower than in the same period last year. This improvement was due to a larger than expected increase in revenue of 42.33 billion euros, greater than the increase of 7.13 billion euros in expenditures.

The analysts expect the overall deficit to decrease more intensely in 2022 and 2023 than previously estimated in September. Specifically, the projection for the public deficit would be 4.8% of GDP this year and 4.5% next year. Note this year´s forecast is more optimistic than the government´s, while more pessimistic for 2023 (Table 1).

## The international landscape looks unfavorable and could get worse in the months to come

The weakening of the world economy that was already apparent in the last Panel has been confirmed. Economic indicators point in a recessionary direction at the end of the year – the global purchasing managers´ index (global PMI) is below 50, marking the threshold for a contraction. In its autumn round, the IMF put world economic growth at 2.7% for the coming year, just two tenths of a percent above the recession threshold in global terms. The European economy is one of the hardest hit by the energy crisis. In its latest projections, the European Commission places the eurozone on the brink of recession, with an anticipated growth of 0.3% in 2023, compared to 2.3% in the July forecast.

The supply shock generated by the sharp rise in the price of commodities, especially energy supplies, is the main factor behind the global slowdown. Although the markets are pointing to a slowdown of the pressures (the price of a barrel of Brent crude had stabilized at around $95 at the time of writing, while gas prices are falling as reserves approach their limit), the economy is still suffering.

Moreover, major central banks are becoming increasingly explicit in their willingness to cool demand to moderate the second-round effects of inflation.

In the face of such turbulence, the analysts´ assessments of the international environment in the coming months as adverse are practically unanimous, both within and outside the EU, and could even worsen in the coming months (Table 4). This pessimism was already explicit in the former Panel.

## Interest rates will continue to rise until mid-2023

Since the September panel, the Federal Reserve has raised interest rates twice, by a total of 150 basis points – decisions motivated by the persistence of price and wage pressures, together with the resilience of the US economy. The ECB has also adjusted its interest rates twice, following in the footsteps of its US counterpart. The principal interest rate (deposit facility) has reached 1.5%, and ECB President Christine Lagarde promises a further tightening until there are tangible signs of a de-escalation of inflation. Moreover, the ECB intends to reduce the outstanding amount of bonds in its portfolio as soon as interest rate adjustments have taken place. It has also decided to reconsider bank lending incentives (TLTRO III) and to facilitate repayments of such operations.

The process of "quantitative tightening" (QT) of monetary policy has been reflected in the markets. The one-year Euribor now stands at 2.8%, eight tenths of a point higher than in September. And the yield on the Spanish 10-year bond is above 3.1%, 30 basis points higher than in September. The risk premium has stabilized at moderate levels around 105 points, a number indicative of the absence of financial tensions in the public debt market, at least for the time being.

The analysts have integrated the change in monetary regime, revising their interest rate forecasts sharply upward. The ECB's principal interest rate is expected to be close to 2.5% at the end of the forecast period (Table 2), one point higher than in the last Panel. Euribor has been revised by a similar magnitude to above 3%, while the 10-year bond yield is expected to reach close to 3.5%, almost half a point higher than in the September forecast.

### After the euro´s depreciation against the dollar, parity will be maintained

In recent months, the euro has tended to weaken against the dollar, occasionally falling below parity. However, as a result of the ECB's interest rate hike, the markets are anticipating a narrowing of the yield spread between the two sides of the Atlantic. Thus, after a period of depreciation, the euro has stabilized around parity against the dollar. Analysts expect little change in this position (Table 2), in line with the previous forecast.

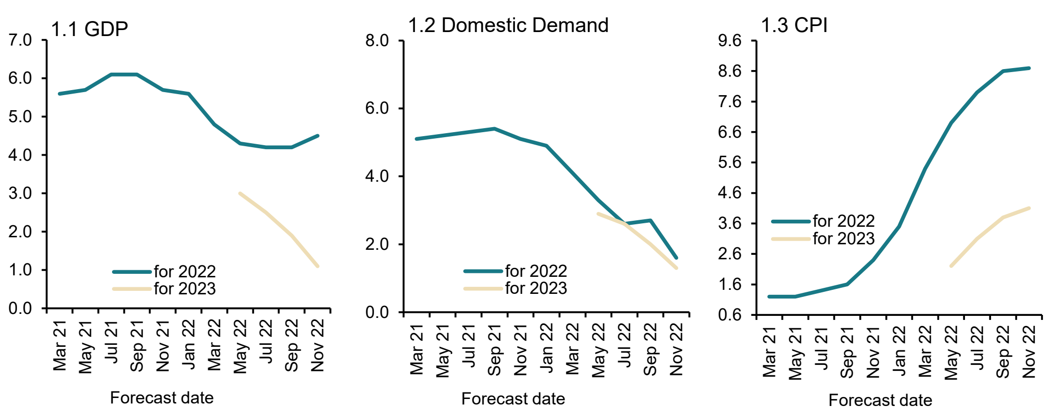
### Macroeconomic policy should focus on fighting inflation

Concerns about inflation and its costs for households and businesses are reflected in analysts' views on economic policy. Thus, while there is still a majority of opinions supporting the expansionary nature of fiscal policy at present (Table 4), the number of panelists who believe that fiscal policy should be more neutral or even restrictive in relation to the economic cycle is growing. Likewise, all members believe that monetary policy should not be expansionary, but either neutral or restrictive (there were two analysts that still advocated an accommodative policy in the last Panel).

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 19 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 19 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: November 2022*

Funcas Economic Trends and Statistics Department

Table 1

## Economic Forecasts for Spain – November 2022

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

| | GDP[1] | | Household consumption | | Public consumption | | Gross fixed capital formation | | GFCF machinery and capital goods | | GFCF construction | | Domestic demand[3] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 |
| Analistas Financieros Internacionales (AFI) | 4.5 | 0.9 | 1.9 | 0.4 | -1.7 | 0.4 | 4.7 | 2.8 | 5.7 | 2.8 | 3.2 | 2.9 | 1.6 | 1.0 |
| BBVA Research | 4.4 | 1.0 | 1.0 | 0.9 | -1.5 | 1.5 | 4.5 | 5.1 | 4.9 | 3.8 | 3.8 | 4.3 | 0.8 | 1.8 |
| CaixaBank Research | 4.5 | 1.0 | -0.1 | -0.7 | -1.3 | 1.0 | 5.1 | 1.8 | 5.0 | -1.3 | 4.9 | 3.9 | 0.7 | 0.2 |
| Cámara de Comercio de España | 4.1 | 2.2 | 2.0 | 1.9 | 0.5 | 0.8 | 6.4 | 3.3 | 10.7 | 5.2 | 3.2 | 2.0 | 2.9 | 2.2 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 4.6 | 1.0 | 1.6 | 0.8 | -1.3 | 1.0 | 4.5 | 1.5 | 4.3 | 1.5 | 4.0 | 1.0 | 1.5 | 0.9 |
| Centro de Predicción Económica (CEPREDE-UAM) | 4.5 | 1.5 | 2.0 | 1.7 | -1.7 | 1.7 | 5.4 | 2.9 | 6.5 | 2.6 | 4.3 | 3.3 | 1.4 | 1.7 |
| CEOE | 4.6 | 0.8 | 2.1 | 0.8 | -1.6 | 0.5 | 5.7 | 4.8 | 7.0 | 5.9 | 4.4 | 4.6 | 1.5 | 1.0 |
| Equipo Económico (Ee) | 4.6 | 1.9 | 2.3 | 1.0 | -1.1 | 1.0 | 5.5 | 4.8 | 6.3 | 4.3 | 4.6 | 3.8 | 3.2 | 2.2 |
| EthiFinance Ratings | 4.4 | 0.9 | 2.3 | 1.1 | -1.7 | 0.9 | 5.1 | 2.2 | 6.2 | 2.8 | 3.8 | 3.1 | -- | -- |
| Funcas | 4.5 | 0.7 | 1.3 | 0.1 | -1.9 | 0.9 | 5.1 | 1.7 | 7.4 | -0.4 | 4.6 | 3.2 | 1.0 | 0.5 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 4.6 | 1.5 | 2.1 | 1.8 | -1.8 | 0.9 | 5.3 | 1.9 | 6.5 | 0.9 | 4.2 | 2.4 | 2.0 | 1.4 |
| Instituto de Estudios Económicos (IEE) | 4.5 | 1.2 | 2.1 | 1.9 | -1.6 | -0.1 | 5.6 | 4.3 | 6.9 | 5.2 | 4.3 | 4.4 | 1.5 | 1.5 |
| Intermoney | 4.3 | 1.4 | 1.3 | 1.0 | -1.5 | 0.8 | 4.5 | 1.2 | 4.9 | 0.9 | 4.0 | 1.5 | 1.3 | 1.1 |
| Mapfre Economics | 4.4 | 1.0 | 1.1 | 1.3 | -1.8 | 2.0 | 5.1 | 4.7 | -- | -- | -- | -- | 1.1 | 1.3 |
| Oxford Economics | 4.5 | 0.8 | 1.8 | 1.0 | -1.8 | 2.0 | 5.1 | 4.1 | 6.4 | 2.6 | 2.7 | 4.2 | 1.5 | 1.3 |
| Repsol | 4.3 | 1.0 | 2.0 | 0.8 | -1.8 | 1.0 | 5.3 | 2.5 | 6.4 | 1.5 | 4.1 | 3.2 | 1.4 | 0.6 |
| Santander | 4.5 | 1.0 | 2.1 | 1.1 | -1.9 | 0.6 | 4.9 | 2.3 | 5.8 | 1.4 | 4.0 | 3.0 | 1.5 | 1.2 |
| Metyis | 4.6 | 0.9 | 2.1 | 0.9 | 0.0 | 0.0 | 4.8 | 1.9 | 6.5 | 3.4 | 3.4 | 2.0 | 2.2 | 0.9 |
| Universidad Loyola Andalucía | 4.5 | 1.1 | 2.1 | 1.5 | -1.9 | 0.9 | 5.6 | 5.0 | 3.8 | 1.9 | 4.1 | 1.3 | 1.5 | 1.8 |
| CONSENSUS (AVERAGE) | 4.5 | 1.1 | 1.7 | 1.0 | -1.4 | 0.9 | 5.2 | 3.1 | 6.2 | 2.5 | 4.0 | 3.0 | 1.6 | 1.3 |
| Maximum | 4.6 | 2.2 | 2.3 | 1.9 | 0.5 | 2.0 | 6.4 | 5.1 | 10.7 | 5.9 | 4.9 | 4.6 | 3.2 | 2.2 |
| Minimum | 4.1 | 0.7 | -0.1 | -0.7 | -1.9 | -0.1 | 4.5 | 1.2 | 3.8 | -1.3 | 2.7 | 1.0 | 0.7 | 0.2 |
| Change on 2 months earlier[1] | 0.3 | -0.8 | -0.7 | -1.0 | -1.5 | -0.1 | -2.2 | -1.0 | -4.8 | -1.1 | -0.5 | -1.2 | -1.1 | -0.7 |
| - Rise[2] | 17 | 0 | 4 | 0 | 0 | 8 | 1 | 3 | 1 | 3 | 6 | 1 | 1 | 2 |
| - Drop[2] | 1 | 16 | 14 | 17 | 18 | 8 | 16 | 12 | 16 | 13 | 10 | 14 | 16 | 13 |
| Change on 6 months earlier[1] | 0.2 | -1.9 | -1.2 | -1.8 | -2.8 | -0.5 | -0.8 | -2.6 | -2.0 | -3.4 | 0.2 | -2.5 | -1.7 | -1.6 |
| Memorandum items: | | | | | | | | | | | | | | |
| Government (October 2022) | 4.4 | 2.1 | 1.2 | 1.3 | -1.0 | 0.4 | 5.1 | 7.9 | -- | -- | -- | -- | 1.5 | 2.4 |
| Bank of Spain (October 2022) | 4.5 | 1.4 | 1.6 | 1.3 | -1.5 | 0.0 | 4.7 | 1.7 | -- | -- | -- | -- | 1.1 | 0.9 |
| EC (November 2022) | 4.5 | 1.0 | 1.5 | 0.6 | -1.6 | 1.0 | 4.8 | 1.9 | 5.6 | 1.0 | 4.2 | 2.9 | 1.5 | 1.0 |
| IMF (October 2022) | 4.3 | 1.2 | 3.0 | 1.7 | -0.2 | 1.2 | 7.5 | 2.2 | -- | -- | -- | -- | -- | -- |
| OECD (June 2022) | 4.1 | 2.2 | 0.1 | 3.2 | 1.2 | 1.3 | 7.4 | 4.7 | -- | -- | -- | -- | -- | -- |

*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 Contribution to GDP growth, in percentage points.*

Table 1 (Continued)

## Economic Forecasts for Spain – November 2022

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] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 |
| Analistas Financieros Internacionales (AFI) | 17.4 | 0.5 | 9.4 | 0.7 | 8.5 | 4.0 | 5.0 | 4.3 | -- | -- | 3.1 | 0.5 | 12.8 | 13.0 | 0.4 | 1.1 | -5.0 | -3.8 |
| BBVA Research | 16.5 | -1.5 | 6.5 | 0.3 | 9.3 | 4.9 | 5.4 | 5.3 | 2.4 | 5.4 | 3.3 | 0.8 | 13.0 | 13.3 | 1.1 | -1.2 | -4.2 | -4.4 |
| CaixaBank Research | 18.5 | 2.6 | 7.0 | 0.7 | 9.1 | 4.5 | 5.2 | 4.8 | 1.8 | 3.7 | 3.2 | 0.5 | 12.8 | 13.1 | 0.5 | 0.5 | -4.5 | -4.3 |
| Cámara de Comercio de España | 11.7 | 4.4 | 8.4 | 4.2 | 8.4 | 3.9 | 4.8 | 4.0 | -- | -- | 2.8 | 1.4 | 13.6 | 13.2 | 1.1 | 0.6 | -5.3 | -4.8 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 17.7 | 4.8 | 9.0 | 2.8 | 9.0 | 4.6 | 5.2 | 4.3 | -- | -- | 3.0 | 0.2 | 12.8 | 12.6 | 1.0 | 0.0 | -4.0 | -4.2 |
| Centro de Predicción Económica (CEPREDE-UAM) | 18.3 | 3.9 | 9.9 | 4.4 | 8.9 | 3.9 | -- | -- | 1.4 | 3.6 | 3.4 | 0.4 | 13.1 | 13.0 | 0.6 | 0.8 | -5.9 | -5.2 |
| CEOE | 17.8 | 4.3 | 9.2 | 4.5 | 8.5 | 3.9 | 5.0 | 3.5 | 1.5 | 2.8 | 3.5 | 0.5 | 12.9 | 13.0 | 0.7 | 0.0 | -5.2 | -4.5 |
| Equipo Económico (Ee) | 17.5 | 3.9 | 9.0 | 3.7 | 8.5 | 4.2 | 5.0 | 3.6 | 2.8 | 3.0 | 3.6 | 2.6 | 13.0 | 12.9 | 0.7 | 0.3 | -4.4 | -4.0 |
| EthiFinance Ratings | 16.1 | 2.2 | 9.4 | 2.6 | 8.6 | 4.3 | 4.2 | 3.0 | -- | -- | -- | -- | 13.0 | 13.2 | 0.5 | 0.8 | -5.0 | -4.1 |
| Funcas | 17.4 | 1.4 | 7.6 | 1.1 | 8.6 | 4.6 | 5.1 | 4.2 | 2.0 | 3.5 | 3.3 | 0.4 | 12.4 | 12.0 | 0.9 | 0.2 | -4.2 | -4.4 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 18.1 | 3.1 | 9.6 | 3.0 | 8.5 | 3.8 | 5.0 | 3.6 | -- | -- | 3.9 | 1.0 | 12.9 | 12.7 | 0.8 | 0.5 | -4.3 | -4.2 |
| Instituto de Estudios Económicos (IEE) | 17.5 | 5.0 | 9.3 | 5.8 | 8.5 | 3.0 | 5.0 | 3.0 | 2.0 | 2.3 | 3.8 | 0.3 | 13.1 | 13.5 | 0.0 | 0.2 | -5.5 | -4.9 |
| Intermoney | 17.2 | 4.2 | 9.3 | 3.1 | 8.5 | 4.0 | 4.8 | 3.3 | -- | -- | 3.8 | 2.0 | 13.6 | 13.5 | 0.6 | -- | -5.6 | -4.8 |
| Mapfre Economics | 15.8 | 0.8 | 6.5 | 2.0 | 8.8 | 4.8 | 4.1 | 3.3 | -- | -- | 4.2 | 0.0 | 12.7 | 13.5 | 0.7 | 2.1 | -4.5 | -4.5 |
| Oxford Economics | 17.5 | 0.0 | 8.9 | 1.3 | 8.6 | 3.5 | 5.0 | 3.5 | -- | -- | -- | -- | 12.9 | 13.5 | 0.5 | 1.1 | -4.1 | -4.8 |
| Repsol | 17.5 | 3.6 | 9.1 | 3.0 | 8.6 | 3.3 | 5.0 | 3.3 | 2.6 | 2.0 | 3.5 | 1.9 | 13.0 | 12.2 | -0.5 | 0.5 | -4.5 | -4.7 |
| Santander | 17.9 | 2.5 | 9.6 | 3.2 | 8.7 | 5.4 | 5.1 | 5.0 | -- | -- | -- | -- | 13.1 | 13.6 | -- | -- | -- | -- |
| Metyis | 16.9 | 3.8 | 7.0 | 3.9 | 8.6 | 3.8 | 5.0 | 3.8 | -- | -- | 3.8 | 1.0 | 13.0 | 12.7 | 0.5 | 0.6 | -4.6 | -4.0 |
| Universidad Loyola Andalucía | 18.4 | 6.0 | 9.9 | 8.0 | 8.9 | 3.2 | 5.3 | 6.7 | -- | -- | 3.3 | 0.6 | 13.0 | 13.3 | 0.6 | 0.5 | -6.0 | -5.0 |
| CONSENSUS (AVERAGE) | 17.1 | 2.9 | 8.7 | 3.1 | 8.7 | 4.1 | 5.0 | 4.0 | 2.1 | 3.3 | 3.5 | 0.9 | 13.0 | 13.0 | 0.6 | 0.5 | -4.8 | -4.5 |
| Maximum | 18.5 | 6.0 | 9.9 | 8.0 | 9.3 | 5.4 | 5.4 | 6.7 | 2.8 | 5.4 | 4.2 | 2.6 | 13.6 | 13.6 | 1.1 | 2.1 | -4.0 | -3.8 |
| Minimum | 11.7 | -1.5 | 6.5 | 0.3 | 8.4 | 3.0 | 4.1 | 3.0 | 1.4 | 2.0 | 2.8 | 0.0 | 12.4 | 12.0 | -0.5 | -1.2 | -6.0 | -5.2 |
| Change on 2 months earlier[1] | 4.8 | -0.5 | 0.3 | -1.0 | 0.1 | 0.3 | 0.0 | 0.2 | -0.6 | 0.4 | 0.2 | -0.6 | -0.3 | 0.0 | 0.1 | -0.3 | 0.4 | 0.1 |
| - Rise[2] | 18 | 7 | 13 | 3 | 6 | 8 | 5 | 8 | 0 | 5 | 9 | 4 | 1 | 9 | 7 | 1 | 9 | 6 |
| - Drop[2] | 0 | 9 | 5 | 11 | 6 | 3 | 5 | 3 | 7 | 0 | 3 | 11 | 15 | 6 | 2 | 8 | 0 | 1 |
| Change on 6 months earlier[1] | 6.4 | -2.5 | 1.0 | -2.3 | 1.8 | 1.9 | 1.4 | 1.6 | -0.3 | 1.0 | 0.6 | -1.0 | -0.7 | -0.2 | 0.0 | -0.2 | 0.7 | 0.3 |
| Memorandum items: | | | | | | | | | | | | | | | | | | |
| Government (October 2022) | 17.9 | 7.3 | 9.9 | 8.2 | -- | -- | -- | -- | -- | -- | 2.9 | 0.6 | 12.8 | 12.2 | 1.0 | 0.9 | -5.0 | -3.9 |
| Bank of Spain (October 2022) | 17.5 | 4.0 | 8.2 | 3.1 | 8.7[7] | 5.6[7] | 3.9[8] | 3.5[8] | -- | -- | 4.0[9] | 0.8[9] | 12.8 | 12.9 | -- | -- | -4.3 | -4.0 |
| EC (November 2022) | 17.2 | 2.7 | 8.8 | 2.8 | 8.5[7] | 4.8[7] | 5.1 | 4 | 2.6 | 4.9 | 3.3 | 0.9 | 12.7 | 12.7 | 0.9 | 0.8 | -4.6 | -4.3 |
| IMF (October 2022) | 12.1 | 2.4 | 8.6 | 3.2 | 8.8 | 4.9 | -- | -- | -- | -- | -- | -- | 12.7 | 12.3 | -0.2 | -0.2 | -6.9 | -4.9 |
| OECD (June 2022) | 13.7 | 2.5 | 7.5 | 4.8 | 8.1[7] | 4.8[7] | 4.5[8] | 4.5[8] | -- | -- | -- | -- | 13.6 | 13.9 | 1.0 | 0.1 | -5.0 | -4.2 |

[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.*

[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 (HICP).*

[8] *Harmonized Index excluding energy and food.*

[9] *Hours worked.*

Table 2

## Quarterly Forecasts – November 2022

| | 22-I Q | 22-II Q | 22-III Q | 22-IV Q | 23-I Q | 23-II Q | 23-III Q | 23-IV Q |
|---|---|---|---|---|---|---|---|---|
| GDP[1] | -0.2 | 1.5 | 0.2 | -0.4 | 0.0 | 0.5 | 0.7 | 0.6 |
| Euribor 1 yr [2] | -0.24 | 0.85 | 2.23 | 2.79 | 3.05 | 3.12 | 3.09 | 3.03 |
| Government bond yield 10 yr [2] | 1.22 | 2.63 | 2.92 | 3.30 | 3.41 | 3.49 | 3.46 | 3.45 |
| ECB main refinancing operations interest rate [3] | 0.00 | 0.00 | 1.25 | 2.33 | 2.88 | 3.04 | 3.04 | 3.00 |
| ECB deposit rates [3] | -0.50 | -0.50 | 0.75 | 1.77 | 2.35 | 2.52 | 2.56 | 2.52 |
| Dollar / Euro exchange rate [2] | 1.10 | 1.06 | 0.99 | 0.99 | 0.99 | 1.01 | 1.02 | 1.03 |

*Forecasts in yellow.*
[1] *Qr-on-qr growth rates.*
[2] *End of period.*
[3] *Last day of the quarter.*

Table 3

## CPI Forecasts – November 2022

| Year-on-year change (%) | | | | |
|---|---|---|---|---|
| Oct-22 | Nov-22 | Dec-22 | Jan-23 | Dec-23 |
| 7.3 | 7.6 | 7.1 | 6.9 | 2.8 |

Table 4

## Opinions – November 2022

Number of responses

| | Currently | | | Trend for next six months | | |
|---|---|---|---|---|---|---|
| | Favourable | Neutral | Unfavourable | Improving | Unchanged | Worsening |
| International context: EU | 0 | 1 | 18 | 0 | 10 | 9 |
| International context: Non-EU | 0 | 0 | 19 | 0 | 13 | 6 |
| | **Is being** | | | **Should be** | | |
| | Restrictive | Neutral | Expansionary | Restrictive | Neutral | Expansionary |
| Fiscal policy assessment[1] | 1 | 4 | 14 | 3 | 12 | 4 |
| Monetary policy assessment[1] | 10 | 6 | 3 | 9 | 10 | 0 |

[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 | | | Exports | Imports | Domestic demand (a) | Net exports (a) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total | Construction | Equipment & others products | | | | |
| | | Chain-linked volumes. annual percentage changes | | | | | | | | | |
| 2015 | | 3.8 | 2.9 | 2.0 | 4.9 | 1.5 | 8.2 | 4.3 | 5.1 | 3.9 | -0.1 |
| 2016 | | 3.0 | 2.7 | 1.0 | 2.4 | 1.6 | 3.1 | 5.4 | 2.6 | 2.0 | 1.0 |
| 2017 | | 3.0 | 3.0 | 1.0 | 6.8 | 6.7 | 6.9 | 5.5 | 6.8 | 3.1 | -0.2 |
| 2018 | | 2.3 | 1.7 | 2.3 | 6.3 | 9.5 | 3.4 | 1.7 | 3.9 | 2.9 | -0.6 |
| 2019 | | 2.0 | 1.1 | 1.9 | 4.5 | 7.2 | 1.8 | 2.2 | 1.3 | 1.6 | 0.4 |
| 2020 | | -11.3 | -12.2 | 3.5 | -9.7 | -10.2 | -9.2 | -19.9 | -14.9 | -9.1 | -2.2 |
| 2021 | | 5.5 | 6.0 | 2.9 | 0.9 | -3.7 | 5.8 | 14.4 | 13.9 | 5.2 | 0.3 |
| 2022 | | 4.5 | 1.3 | -1.9 | 5.1 | 4.6 | 5.5 | 17.4 | 7.6 | 1.0 | 3.5 |
| 2023 | | 0.7 | 0.1 | 0.9 | 1.7 | 3.2 | 0.1 | 1.4 | 1.1 | 0.5 | 0.2 |
| 2021 | I | -4.4 | -4.5 | 4.4 | -6.1 | -11.5 | -0.3 | -6.0 | -3.7 | -3.6 | -0.8 |
| | II | 17.9 | 23.3 | 4.1 | 17.5 | 9.5 | 26.6 | 40.5 | 40.8 | 17.6 | 0.3 |
| | III | 4.2 | 4.0 | 3.1 | -3.0 | -6.7 | 0.8 | 15.2 | 14.3 | 3.8 | 0.4 |
| | IV | 6.6 | 4.5 | -0.1 | -1.7 | -3.9 | 0.5 | 16.4 | 11.6 | 4.9 | 1.7 |
| 2022 | I | 6.7 | 3.4 | -1.0 | 3.5 | -0.2 | 7.1 | 19.9 | 12.2 | 3.8 | 2.8 |
| | II | 6.8 | 2.4 | -2.9 | 4.9 | 4.4 | 5.3 | 23.1 | 8.8 | 1.9 | 4.9 |
| | III | 3.8 | 1.4 | -2.7 | 6.3 | 5.8 | 6.7 | 18.0 | 9.8 | 0.8 | 3.0 |
| | IV | 1.0 | 0.1 | -0.5 | 6.0 | 6.6 | 5.4 | 11.0 | 6.7 | -0.8 | 1.8 |
| 2023 | I | 0.7 | 1.3 | 0.1 | 2.3 | 6.9 | -2.1 | 3.1 | 4.2 | 1.0 | -0.3 |
| | II | -0.3 | 0.4 | 1.6 | 0.5 | 0.7 | 0.2 | -0.3 | 2.5 | 0.8 | -1.1 |
| | III | 0.4 | -0.3 | 1.3 | 1.1 | 1.3 | 1.0 | 1.2 | 0.7 | 0.3 | 0.1 |
| | IV | 1.3 | 1.1 | 1.2 | 2.8 | 1.5 | 4.1 | 2.4 | 2.6 | 1.4 | -0.1 |
| | | Chain-linked volumes. quarter-on-quarter percentage changes | | | | | | | | | |
| 2021 | I | -0.2 | -0.1 | 0.6 | -1.9 | -3.7 | 0.0 | 2.2 | 0.5 | -0.8 | 0.6 |
| | II | 1.4 | 2.2 | 0.7 | 1.1 | 1.8 | 0.4 | 2.2 | 6.0 | 2.5 | -1.1 |
| | III | 3.1 | 2.1 | 0.5 | -0.8 | -1.4 | -0.2 | 5.7 | 2.7 | 2.1 | 1.0 |
| | IV | 2.3 | 0.3 | -1.8 | -0.1 | -0.5 | 0.3 | 5.5 | 1.9 | 1.0 | 1.2 |
| 2022 | I | -0.2 | -1.2 | -0.3 | 3.3 | 0.0 | 6.6 | 5.2 | 1.0 | -1.8 | 1.6 |
| | II | 1.5 | 1.2 | -1.3 | 2.5 | 6.5 | -1.3 | 4.9 | 2.8 | 0.5 | 0.9 |
| | III | 0.2 | 1.1 | 0.6 | 0.6 | -0.1 | 1.2 | 1.3 | 3.7 | 1.0 | -0.8 |
| | IV | -0.5 | -1.0 | 0.4 | -0.4 | 0.2 | -1.0 | -0.7 | -1.0 | -0.5 | 0.1 |
| 2023 | I | -0.5 | 0.0 | 0.3 | -0.4 | 0.2 | -1.0 | -2.3 | -1.4 | 0.0 | -0.5 |
| | II | 0.5 | 0.3 | 0.3 | 0.7 | 0.4 | 1.0 | 1.5 | 1.3 | 0.4 | 0.1 |
| | III | 0.9 | 0.4 | 0.3 | 1.2 | 0.4 | 2.0 | 2.8 | 1.9 | 0.5 | 0.4 |
| | IV | 0.4 | 0.4 | 0.3 | 1.2 | 0.4 | 2.0 | 0.5 | 0.8 | 0.5 | -0.1 |
| | | Current prices (EUR billions) | Percentage of GDP at current prices | | | | | | | | |
| 2015 | | 1,078 | 58.5 | 19.5 | 18.0 | 8.7 | 9.3 | 33.6 | 30.6 | 97.0 | 3.0 |
| 2016 | | 1,114 | 58.2 | 19.1 | 18.0 | 8.6 | 9.4 | 33.9 | 29.9 | 96.0 | 4.0 |
| 2017 | | 1,162 | 58.3 | 18.7 | 18.7 | 9.0 | 9.7 | 35.1 | 31.5 | 96.4 | 3.6 |
| 2018 | | 1,204 | 58.1 | 18.7 | 19.4 | 9.7 | 9.7 | 35.1 | 32.4 | 97.3 | 2.7 |
| 2019 | | 1,246 | 57.4 | 18.9 | 20.0 | 10.4 | 9.7 | 34.9 | 32.0 | 97.1 | 2.9 |
| 2020 | | 1,118 | 56.1 | 22.0 | 20.4 | 10.5 | 9.8 | 30.8 | 29.3 | 98.5 | 1.5 |
| 2021 | | 1,207 | 56.2 | 21.4 | 19.8 | 10.0 | 9.8 | 34.9 | 33.4 | 98.5 | 1.5 |
| 2022 | | 1,310 | 56.8 | 20.1 | 20.3 | 10.4 | 9.8 | 42.4 | 40.2 | 97.8 | 2.2 |
| 2023 | | 1,377 | 56.9 | 20.2 | 20.4 | 10.7 | 9.7 | 42.6 | 40.7 | 98.1 | 1.9 |

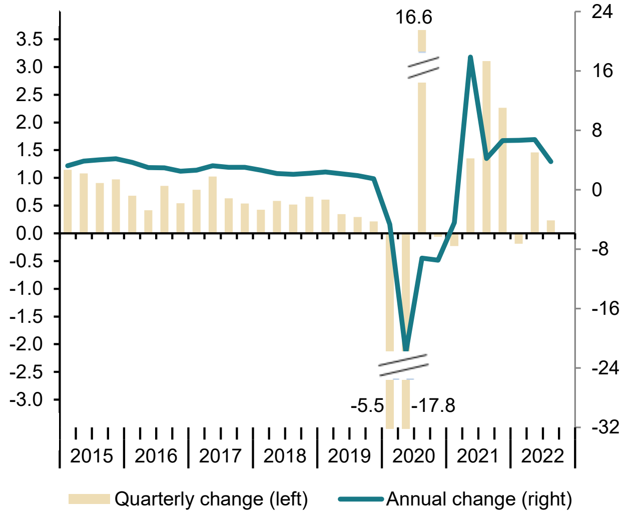
**Seasonally and Working Day Adjusted.*

*(a) Contribution to GDP growth.*

*Source: INE and Funcas (Forecasts).*

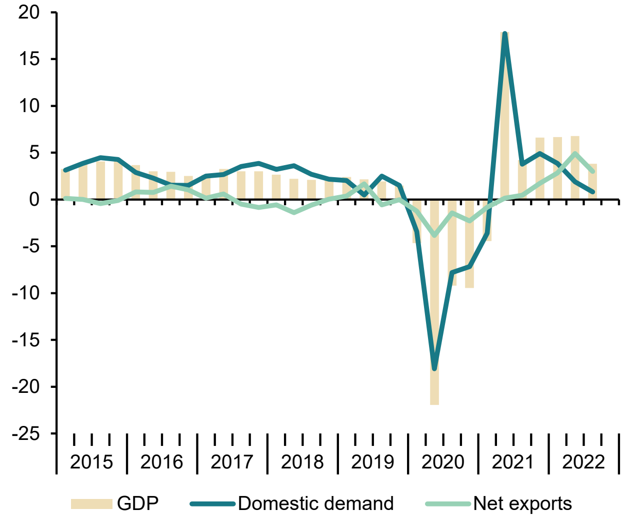
## Chart 1.1 - GDP

Percentage change



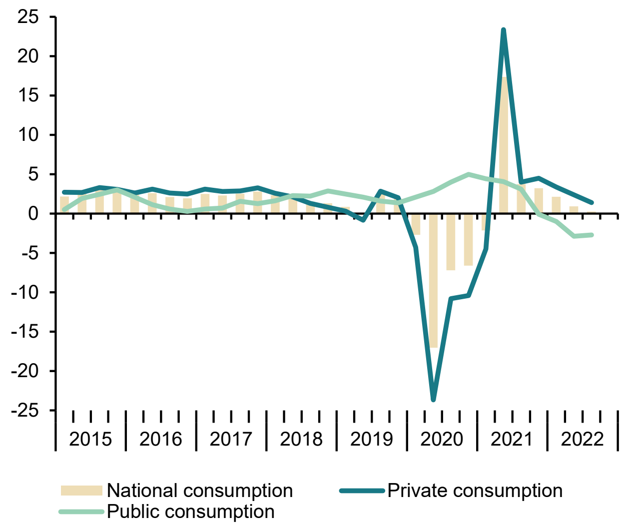

## Chart 1.2 - Contribution to GDP annual growth

Percentage points




## Chart 1.3 - Final consumption

Annual percentage change




## Chart 1.4 - Gross fixed capital formation

Annual percentage change

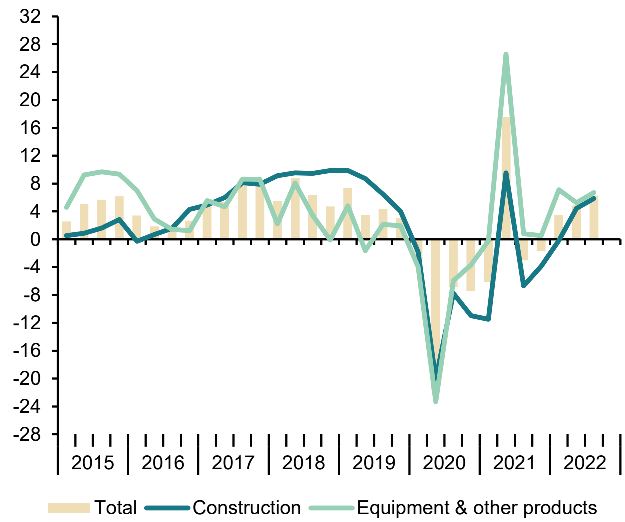


Table 2

## 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 | | | | | | | | | | |
| 2015 | | 3.3 | 4.7 | 3.0 | 4.6 | 5.5 | 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 | | 3.1 | -3.7 | 4.0 | 5.7 | 2.0 | 3.3 | 2.5 | 3.5 | 1.9 |
| 2018 | | 2.3 | 7.5 | 0.0 | -1.1 | 2.3 | 2.6 | 1.6 | 2.9 | 2.1 |
| 2019 | | 2.1 | -5.9 | 1.5 | 0.5 | 4.3 | 2.3 | 1.5 | 2.6 | 1.0 |
| 2020 | | -11.4 | 4.5 | -13.1 | -15.4 | -13.2 | -11.4 | -1.4 | -14.6 | -10.8 |
| 2021 | | 5.4 | 2.1 | 6.6 | 8.9 | -3.0 | 6.0 | 1.1 | 7.8 | 6.7 |
| 2020 | IV | -9.5 | 9.1 | -7.4 | -8.3 | -11.9 | -10.4 | -0.8 | -13.5 | -9.1 |
| 2021 | I | -4.6 | 4.1 | -0.2 | -0.2 | -9.6 | -5.4 | 1.6 | -7.7 | -3.1 |
| | II | 17.9 | 0.0 | 27.5 | 36.1 | 13.3 | 17.3 | 3.2 | 23.4 | 17.6 |
| | III | 4.1 | 2.5 | 0.4 | 3.0 | -8.2 | 6.0 | 1.2 | 7.7 | 5.3 |
| | IV | 6.4 | 1.8 | 3.2 | 4.0 | -4.1 | 8.2 | -1.3 | 11.7 | 8.7 |
| 2022 | I | 6.4 | 3.9 | 2.7 | 4.9 | 0.6 | 7.8 | -1.9 | 11.4 | 9.5 |
| | II | 6.7 | -1.2 | 4.5 | 5.5 | 5.1 | 7.7 | -5.5 | 12.4 | 7.2 |
| | III | 3.9 | -1.4 | 3.1 | 2.7 | 5.2 | 4.2 | -4.7 | 7.2 | 3.0 |
| Chain-linked volumes. quarter-on-quarter percentage changes | | | | | | | | | | |
| 2020 | IV | 0.0 | 4.8 | 0.5 | 1.1 | -3.3 | 0.0 | 2.0 | -0.8 | -0.5 |
| 2021 | I | -0.3 | -3.7 | -1.4 | -2.3 | -3.0 | 0.3 | -0.2 | 0.4 | 0.6 |
| | II | 1.2 | 1.2 | 0.0 | 0.7 | -1.9 | 1.7 | 0.1 | 2.2 | 3.4 |
| | III | 3.2 | 0.4 | 1.4 | 3.6 | -0.2 | 4.0 | -0.7 | 5.7 | 1.7 |
| | IV | 2.2 | 4.1 | 3.3 | 2.0 | 0.9 | 2.0 | -0.5 | 2.9 | 2.7 |
| 2022 | I | -0.4 | -1.7 | -1.9 | -1.5 | 1.8 | -0.1 | -0.8 | 0.1 | 1.3 |
| | II | 1.5 | -3.8 | 1.7 | 1.4 | 2.5 | 1.6 | -3.6 | 3.2 | 1.2 |
| | III | 0.5 | 0.2 | 0.1 | 0.8 | -0.1 | 0.7 | 0.1 | 0.8 | -2.3 |
| | | Current prices EUR billions) | Percentage of value added at basic prices | | | | | | | |
| 2015 | | 979 | 3.0 | 16.3 | 12.4 | 5.8 | 74.9 | 18.5 | 56.4 | 10.1 |
| 2016 | | 1,011 | 3.1 | 16.2 | 12.4 | 5.9 | 74.9 | 18.4 | 56.5 | 10.2 |
| 2017 | | 1,054 | 3.1 | 16.2 | 12.5 | 5.9 | 74.8 | 18.1 | 56.7 | 10.3 |
| 2018 | | 1,089 | 3.0 | 16.0 | 12.2 | 5.9 | 75.0 | 18.1 | 56.9 | 10.5 |
| 2019 | | 1,130 | 2.7 | 15.8 | 12.0 | 6.3 | 75.2 | 18.2 | 57.0 | 10.3 |
| 2020 | | 1,020 | 3.1 | 16.0 | 12.1 | 6.1 | 74.8 | 20.3 | 54.5 | 9.6 |
| 2021 | | 1,091 | 2.9 | 16.9 | 12.8 | 5.6 | 74.6 | 19.2 | 55.4 | 10.6 |

** Seasonally and Working Day Adjusted.*

*Source: INE.*

**Chart 2.1 - GVA by sectors**

Annual percentage change

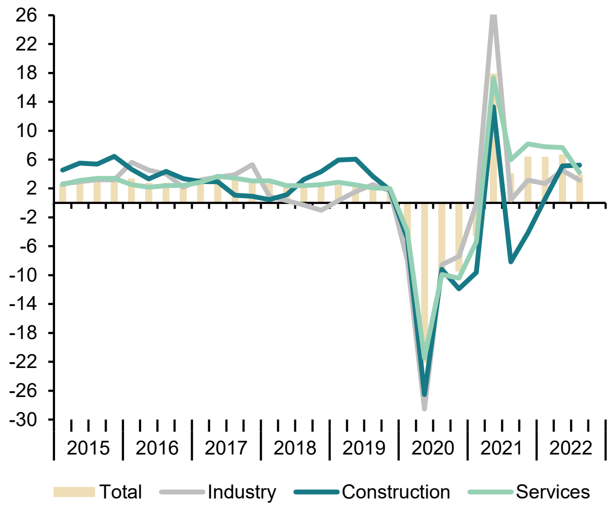



**Chart 2.2 - GVA. Industry**

Annual percentage change

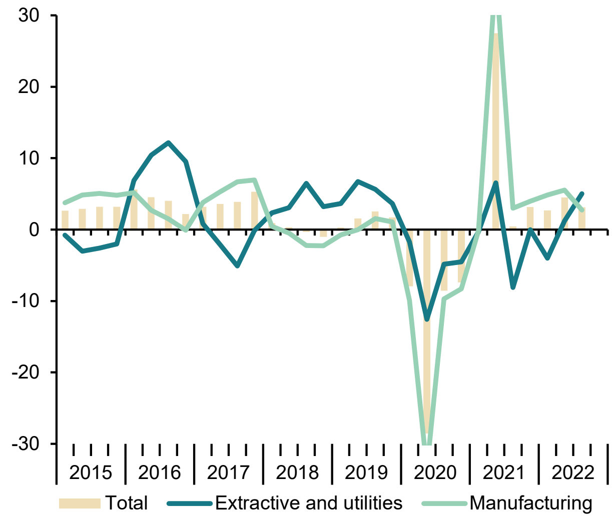



**Chart 2.3 - GVA. services**

Annual percentage change

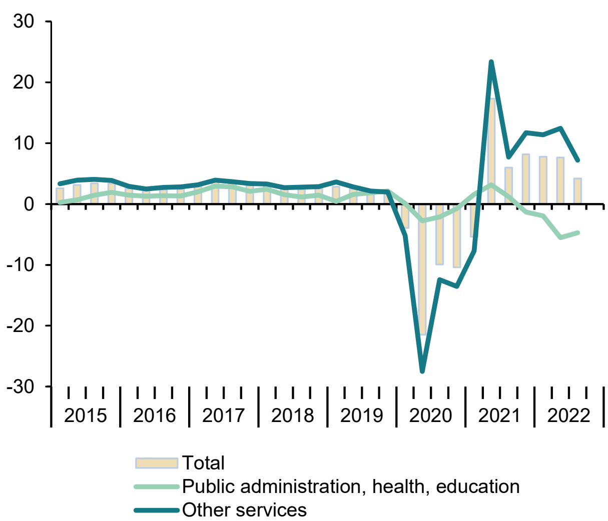



**Chart 2.4 - GVA. structure by sectors**

Percentage of value added at basic prices

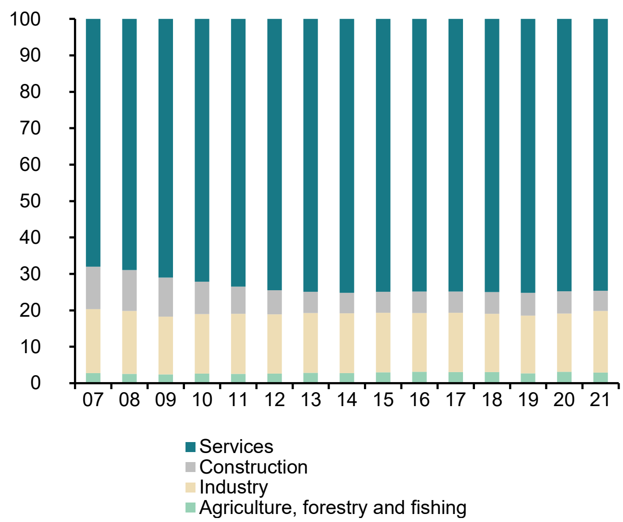


Table 3

## 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. 2015 = 100. SWDA | | | | | | | | | | | | | |
| 2015 | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2016 | | 103.0 | 102.8 | 100.2 | 99.4 | 99.2 | 98.8 | 102.3 | 103.5 | 98.9 | 100.1 | 101.3 | 100.5 |
| 2017 | | 106.1 | 105.8 | 100.3 | 100.1 | 99.8 | 98.2 | 108.1 | 106.6 | 101.4 | 101.5 | 100.1 | 100.1 |
| 2018 | | 108.5 | 108.1 | 100.4 | 101.9 | 101.5 | 98.6 | 106.9 | 108.7 | 98.3 | 102.7 | 104.5 | 102.4 |
| 2019 | | 110.7 | 111.7 | 99.1 | 104.4 | 105.3 | 100.9 | 107.4 | 110.6 | 97.1 | 104.3 | 107.4 | 103.3 |
| 2020 | | 98.1 | 104.0 | 94.3 | 106.9 | 113.3 | 107.2 | 90.8 | 105.7 | 85.9 | 105.3 | 122.6 | 109.7 |
| 2021 | | 103.6 | 110.9 | 93.4 | 106.2 | 113.7 | 105.2 | 98.9 | 107.7 | 91.8 | 105.7 | 115.1 | 99.6 |
| 2022 | | 108.2 | 114.6 | 94.5 | 108.3 | 114.6 | 102.1 | -- | -- | -- | -- | -- | -- |
| 2023 | | 109.0 | 115.1 | 94.7 | 112.1 | 118.3 | 100.9 | -- | -- | -- | -- | -- | -- |
| 2020 | IV | 100.6 | 107.3 | 93.7 | 106.7 | 113.8 | 106.9 | 98.4 | 108.0 | 91.2 | 105.9 | 116.2 | 103.9 |
| 2021 | I | 100.4 | 108.0 | 92.9 | 106.4 | 114.5 | 107.1 | 96.2 | 105.7 | 91.0 | 102.3 | 112.4 | 98.5 |
| | II | 101.7 | 109.1 | 93.2 | 105.4 | 113.1 | 105.9 | 96.9 | 107.9 | 89.8 | 105.2 | 117.2 | 102.6 |
| | III | 104.9 | 112.7 | 93.0 | 106.5 | 114.5 | 105.9 | 100.3 | 107.4 | 93.4 | 109.5 | 117.2 | 100.6 |
| | IV | 107.3 | 113.8 | 94.3 | 106.3 | 112.7 | 102.1 | 102.4 | 110.0 | 93.0 | 105.8 | 113.8 | 96.9 |
| 2022 | I | 107.1 | 113.7 | 94.2 | 106.2 | 112.8 | 102.2 | 100.9 | 108.0 | 93.4 | 102.5 | 109.7 | 92.2 |
| | II | 108.6 | 114.8 | 94.6 | 107.3 | 113.4 | 102.5 | 102.2 | 111.9 | 91.3 | 106.2 | 116.3 | 95.7 |
| | III | 108.9 | 116.0 | 93.9 | 108.3 | 115.4 | 103.0 | 103.0 | 111.0 | 92.8 | 110.6 | 119.1 | 95.5 |
| Annual percentage changes | | | | | | | | | | | | | |
| 2015 | | 3.8 | 3.2 | 0.7 | 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 | -1.2 | 2.3 | 3.5 | -1.1 | 0.1 | 1.3 | 0.5 |
| 2017 | | 3.0 | 2.9 | 0.1 | 0.7 | 0.6 | -0.7 | 5.7 | 3.0 | 2.6 | 1.4 | -1.1 | -0.4 |
| 2018 | | 2.3 | 2.2 | 0.1 | 1.8 | 1.7 | 0.5 | -1.1 | 2.0 | -3.1 | 1.1 | 4.3 | 2.3 |
| 2019 | | 2.0 | 3.3 | -1.3 | 2.4 | 3.8 | 2.3 | 0.5 | 1.7 | -1.2 | 1.6 | 2.8 | 0.8 |
| 2020 | | -11.3 | -6.8 | -4.8 | 2.4 | 7.6 | 6.3 | -15.4 | -4.4 | -11.5 | 1.0 | 14.1 | 6.2 |
| 2021 | | 5.5 | 6.6 | -1.0 | -0.7 | 0.3 | -1.9 | 8.9 | 1.9 | 6.9 | 0.4 | -6.1 | -9.2 |
| 2022 | | 4.5 | 3.3 | 1.2 | 2.0 | 0.8 | -2.9 | -- | -- | -- | -- | -- | -- |
| 2023 | | 0.7 | 0.4 | 0.2 | 3.5 | 3.3 | -1.1 | -- | -- | -- | -- | -- | -- |
| 2020 | IV | -9.5 | -4.7 | -5.0 | 1.9 | 7.3 | 6.0 | -8.3 | -2.7 | -5.8 | 1.3 | 7.5 | 1.5 |
| 2021 | I | -4.4 | -2.7 | -1.7 | 1.6 | 3.3 | 1.5 | -0.2 | -6.0 | 6.2 | -1.7 | -7.5 | -14.0 |
| | II | 17.9 | 18.9 | -0.9 | -3.7 | -2.8 | -4.1 | 36.1 | 11.3 | 22.2 | 1.0 | -17.4 | -14.7 |
| | III | 4.2 | 6.4 | -2.0 | -0.5 | 1.5 | -0.6 | 3.0 | 1.6 | 1.3 | 2.2 | 0.8 | -3.6 |
| | IV | 6.6 | 6.0 | 0.6 | -0.3 | -0.9 | -4.5 | 4.0 | 1.9 | 2.0 | -0.1 | -2.1 | -6.8 |
| 2022 | I | 6.7 | 5.3 | 1.3 | -0.1 | -1.5 | -4.6 | 4.9 | 2.2 | 2.6 | 0.2 | -2.4 | -6.4 |
| | II | 6.8 | 5.2 | 1.5 | 1.8 | 0.3 | -3.2 | 5.5 | 3.8 | 1.7 | 0.9 | -0.8 | -6.8 |
| | III | 3.8 | 2.9 | 0.9 | 1.7 | 0.8 | -2.8 | 2.7 | 3.4 | -0.7 | 1.0 | 1.7 | -5.1 |

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

*Source: INE and Funcas (Forecasts).*

**Chart 3.1 - Nominal ULC, total economy**

Index. 2000=100

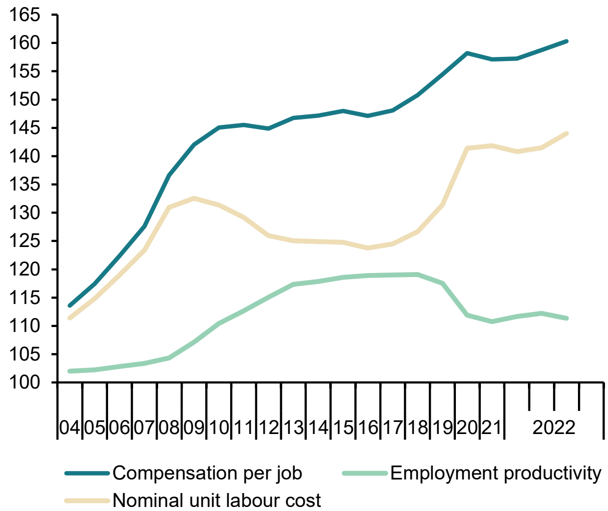
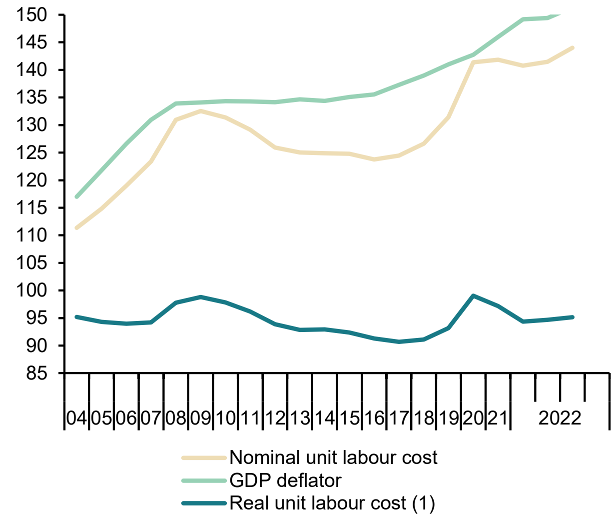



**Chart 3.2 - Real ULC, total economy**

Index. 2000=100




*(1) Nominal ULC deflated by GDP deflator.*

**Chart 3.3 - Nominal ULC, manufacturing industry**

Index. 2000=100

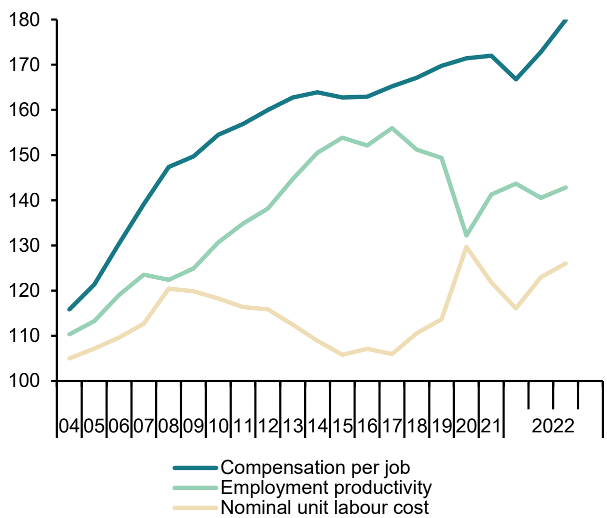
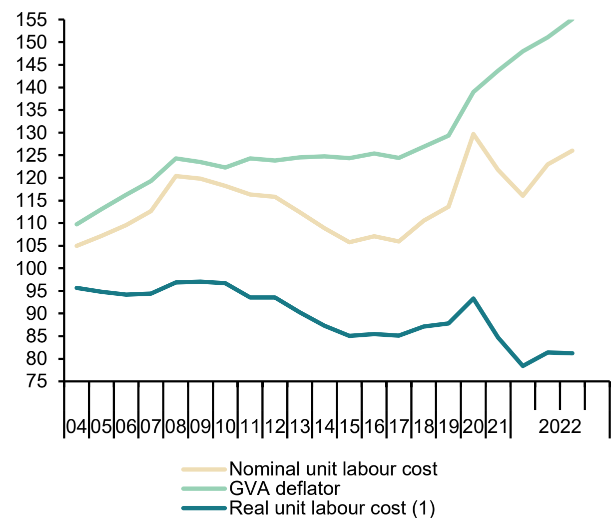



**Chart 3.4 - Real ULC, manufacturing industry**

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 | | | | | |
| 2015 | | 1,078.1 | 492.9 | 473.1 | 1,067.2 | 840.6 | 226.5 | 204.7 | 45.7 | 43.9 | 21.0 | 19.0 | 2.0 | 2.7 |
| 2016 | | 1,114.4 | 503.7 | 496.4 | 1,105.4 | 861.1 | 244.2 | 208.9 | 45.2 | 44.5 | 21.9 | 18.7 | 3.2 | 3.4 |
| 2017 | | 1,162.5 | 523.7 | 519.0 | 1,152.8 | 895.1 | 257.7 | 225.5 | 45.0 | 44.6 | 22.2 | 19.4 | 2.8 | 3.0 |
| 2018 | | 1,203.9 | 545.7 | 532.0 | 1,193.8 | 924.8 | 269.0 | 246.4 | 45.3 | 44.2 | 22.3 | 20.5 | 1.9 | 2.4 |
| 2019 | | 1,245.5 | 579.4 | 538.5 | 1,235.1 | 949.5 | 285.7 | 259.4 | 46.5 | 43.2 | 22.9 | 20.8 | 2.1 | 2.4 |
| 2020 | | 1,118.0 | 555.7 | 460.4 | 1,108.5 | 873.6 | 234.8 | 228.1 | 49.7 | 41.2 | 21.0 | 20.4 | 0.6 | 1.1 |
| 2021 | | 1,206.8 | 585.0 | 496.3 | 1,200.5 | 937.4 | 263.1 | 251.5 | 48.5 | 41.1 | 21.8 | 20.8 | 1.0 | 1.9 |
| 2022 | | 1,309.6 | 618.9 | 551.8 | 1,292.4 | 1,006.4 | 286.0 | 274.5 | 47.3 | 42.1 | 21.8 | 21.0 | 0.9 | 2.1 |
| 2023 | | 1,377.0 | 643.3 | 580.0 | 1,353.2 | 1,062.0 | 291.1 | 288.9 | 46.7 | 42.1 | 21.1 | 21.0 | 0.2 | 1.3 |
| 2020 | IV | 1,118.0 | 555.7 | 460.4 | 1,108.5 | 873.6 | 234.8 | 228.1 | 49.7 | 41.2 | 21.0 | 20.4 | 0.6 | 1.1 |
| 2021 | I | 1,109.9 | 553.1 | 456.0 | 1,099.3 | 870.0 | 229.3 | 226.8 | 49.8 | 41.1 | 20.7 | 20.4 | 0.2 | 1.1 |
| | II | 1,157.6 | 568.8 | 473.9 | 1,149.0 | 906.7 | 242.4 | 237.0 | 49.1 | 40.9 | 20.9 | 20.5 | 0.5 | 1.3 |
| | III | 1,176.1 | 577.0 | 477.9 | 1,168.1 | 919.8 | 248.3 | 240.9 | 49.1 | 40.6 | 21.1 | 20.5 | 0.6 | 1.7 |
| | IV | 1,206.8 | 585.0 | 496.3 | 1,200.4 | 937.4 | 263.0 | 251.5 | 48.5 | 41.1 | 21.8 | 20.8 | 1.0 | 1.9 |
| 2022 | I | 1,236.3 | 593.7 | 510.5 | 1,232.9 | 956.0 | 276.9 | 258.7 | 48.0 | 41.3 | 22.4 | 20.9 | 1.5 | 1.6 |
| | II | 1,267.3 | 604.6 | 525.4 | 1,263.7 | 975.3 | 288.4 | 266.7 | 47.7 | 41.5 | 22.8 | 21.0 | 1.7 | 1.8 |
| | III | 1,290.6 | 611.7 | 539.2 | -- | 994.4 | -- | 273.0 | 47.4 | 41.8 | -- | 21.2 | -- | -- |
| | | Annual percentage changes | | | | | | | Difference from one year ago | | | | | |
| 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 | -1.8 |
| 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 | 4.0 | 4.6 | 4.3 | 3.9 | 5.5 | 8.0 | -0.2 | 0.1 | 0.3 | 0.7 | -0.4 | -0.4 |
| 2018 | | 3.6 | 4.2 | 2.5 | 3.6 | 3.3 | 4.4 | 9.3 | 0.3 | -0.5 | 0.2 | 1.1 | -0.9 | -0.7 |
| 2019 | | 3.5 | 6.2 | 1.2 | 3.5 | 2.7 | 6.2 | 5.3 | 1.2 | -1.0 | 0.6 | 0.4 | 0.2 | 0.1 |
| 2020 | | -10.2 | -4.1 | -14.5 | -10.3 | -8.0 | -17.8 | -12.1 | 3.2 | -2.1 | -1.9 | -0.4 | -1.5 | -1.4 |
| 2021 | | 7.9 | 5.3 | 7.8 | 8.3 | 7.3 | 12.0 | 10.3 | -1.2 | -0.1 | 0.8 | 0.4 | 0.3 | 0.8 |
| 2022 | | 8.5 | 5.8 | 11.2 | 7.7 | 7.4 | 8.7 | 9.2 | -1.2 | 1.0 | 0.0 | 0.1 | -0.1 | 0.3 |
| 2023 | | 5.1 | 3.9 | 5.1 | 4.7 | 5.5 | 1.8 | 5.2 | -0.5 | 0.0 | -0.7 | 0.0 | -0.7 | -0.9 |
| 2020 | IV | -10.2 | -4.1 | -14.5 | 1.1 | -8.0 | 60.1 | 9.5 | 3.2 | -2.1 | 9.2 | 3.7 | 5.5 | -1.7 |
| 2021 | I | -10.0 | -5.1 | -13.3 | -10.3 | -8.0 | -17.8 | -11.8 | 2.6 | -1.5 | -1.9 | -0.4 | -1.5 | -1.4 |
| | II | -1.0 | 0.6 | -4.0 | -0.9 | 0.0 | -4.2 | -1.8 | 0.8 | -1.3 | -0.7 | -0.2 | -0.5 | -0.5 |
| | III | 2.8 | 3.0 | -0.4 | 3.0 | 3.4 | 1.5 | 2.3 | 0.1 | -1.3 | -0.3 | -0.1 | -0.2 | 0.6 |
| | IV | 7.9 | 5.3 | 7.8 | 8.3 | 7.3 | 12.0 | 10.3 | -1.2 | -0.1 | 0.8 | 0.4 | 0.3 | 0.8 |
| 2022 | I | 11.4 | 7.3 | 12.0 | 12.2 | 9.9 | 20.8 | 14.1 | -1.8 | 0.2 | 1.7 | 0.5 | 1.2 | 0.5 |
| | II | 9.5 | 6.3 | 10.9 | 10.0 | 7.6 | 19.0 | 12.5 | -1.4 | 0.5 | 1.8 | 0.6 | 1.3 | 0.5 |
| | III | 9.7 | 6.0 | 12.8 | -- | 8.1 | -- | 13.3 | -1.7 | 1.1 | -- | 0.7 | -- | -- |

*(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

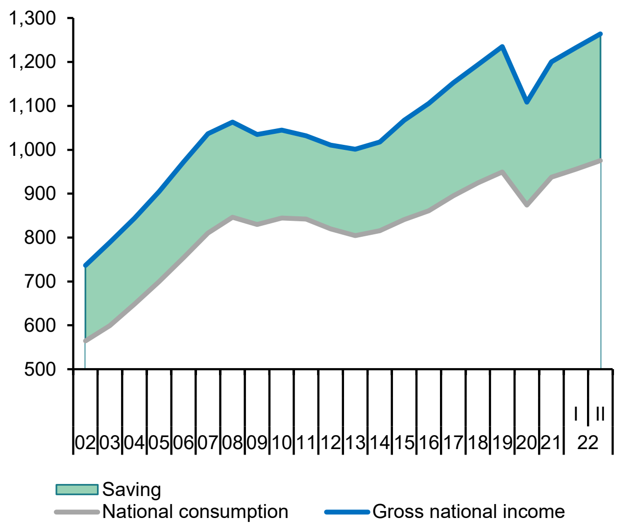



**Chart 4.2 - National income, consumption and saving rate**

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

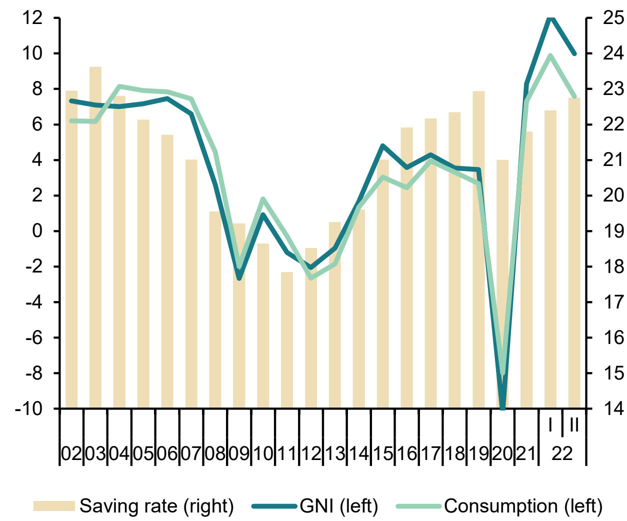



**Chart 4.3 - Components of National Income**

Percentage of GDP, 4-quarter moving averages

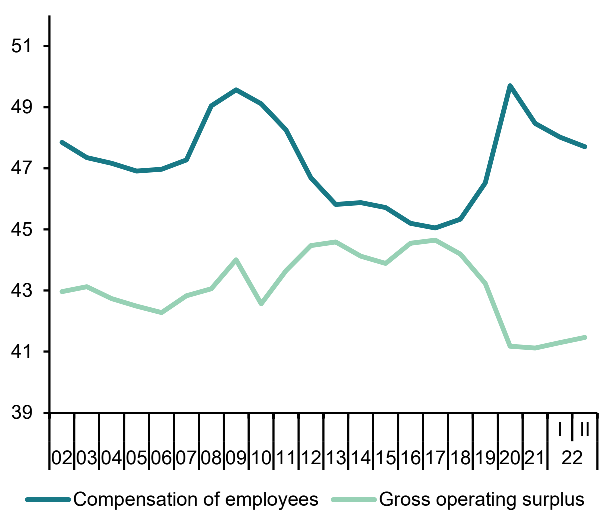



**Chart 4.4 - Saving. Investment and Current Account Balance**

Percentage of GDP, 4-quarter moving averages

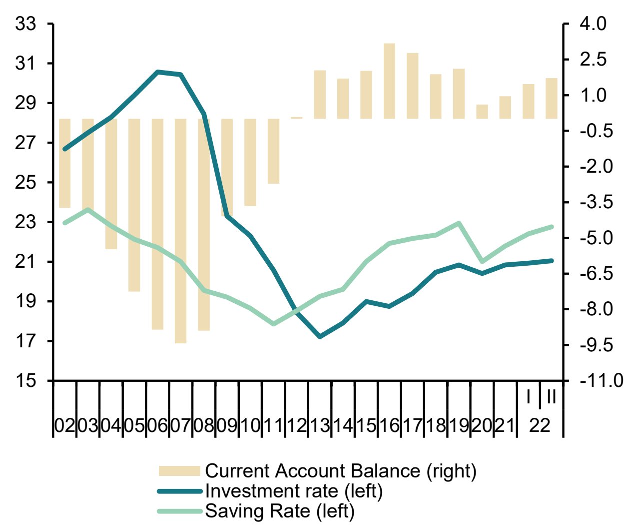


Table 5

## 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 | | |
| 2015 | | 682.2 | 630.2 | 49.0 | 30.5 | 7.2 | 2.8 | 1.7 | 241.5 | 185.4 | 140.5 | 17.2 | 13.0 | 4.5 |
| 2016 | | 700.6 | 648.3 | 49.2 | 31.8 | 7.0 | 2.9 | 1.4 | 255.0 | 195.8 | 149.0 | 17.6 | 13.4 | 4.4 |
| 2017 | | 723.0 | 678.1 | 41.8 | 36.8 | 5.8 | 3.2 | 0.2 | 267.0 | 200.4 | 160.4 | 17.2 | 13.8 | 3.7 |
| 2018 | | 743.6 | 699.5 | 41.2 | 40.7 | 5.5 | 3.4 | -0.1 | 271.1 | 199.7 | 176.7 | 16.6 | 14.7 | 2.2 |
| 2019 | | 780.9 | 714.5 | 63.6 | 43.4 | 8.1 | 3.5 | 1.5 | 275.7 | 202.8 | 186.2 | 16.3 | 15.0 | 1.6 |
| 2020 | | 765.7 | 627.3 | 134.5 | 40.8 | 17.6 | 3.6 | 8.4 | 214.2 | 148.6 | 150.1 | 13.3 | 13.4 | 0.2 |
| 2021 | | 789.3 | 678.8 | 108.3 | 52.2 | 13.7 | 4.3 | 4.8 | 236.6 | 163.1 | 161.2 | 13.5 | 13.4 | 0.8 |
| 2022 | | 817.1 | 743.8 | 71.1 | 56.9 | 8.7 | 4.3 | 1.0 | 275.2 | 196.3 | 172.5 | 15.0 | 13.2 | 2.1 |
| 2023 | | 851.4 | 783.3 | 65.9 | 54.0 | 7.7 | 3.9 | 0.8 | 300.7 | 217.7 | 189.0 | 15.8 | 13.7 | 2.4 |
| 2020 | III | 770.4 | 648.0 | 118.9 | 42.9 | 15.4 | 3.8 | 6.5 | 228.0 | 161.3 | 156.8 | 14.1 | 13.7 | 0.5 |
| | IV | 765.7 | 627.3 | 134.5 | 40.8 | 17.6 | 3.6 | 8.4 | 214.2 | 148.6 | 150.1 | 13.3 | 13.4 | 0.2 |
| 2021 | I | 764.1 | 616.2 | 144.1 | 43.0 | 18.9 | 3.9 | 9.1 | 210.7 | 146.2 | 149.4 | 13.2 | 13.5 | 0.2 |
| | II | 776.6 | 650.6 | 122.0 | 44.4 | 15.7 | 3.8 | 6.6 | 223.1 | 152.8 | 156.4 | 13.2 | 13.5 | 0.1 |
| | III | 779.7 | 659.6 | 117.5 | 45.6 | 15.1 | 3.9 | 6.2 | 224.0 | 155.7 | 155.5 | 13.2 | 13.2 | 0.5 |
| | IV | 789.3 | 678.8 | 108.3 | 52.2 | 13.7 | 4.3 | 4.8 | 236.6 | 163.1 | 161.2 | 13.5 | 13.4 | 0.8 |
| 2022 | I | 794.6 | 704.4 | 87.7 | 57.0 | 11.0 | 4.6 | 2.6 | 249.1 | 174.8 | 161.0 | 14.1 | 13.0 | 1.7 |
| | II | 805.6 | 724.6 | 79.0 | 63.1 | 9.8 | 5.0 | 1.4 | 260.8 | 178.1 | 162.4 | 14.0 | 12.8 | 1.8 |
| | | Annual percentage changes | | | | Difference from one year ago | | | Annual percentage changes | | | Difference from one year ago | | |
| 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 | 5.6 | 5.6 | 6.1 | 0.4 | 0.3 | -0.1 |
| 2017 | | 3.2 | 4.6 | -15.2 | 15.7 | -1.2 | 0.3 | -1.2 | 4.7 | 2.4 | 7.6 | -0.3 | 0.4 | -0.7 |
| 2018 | | 2.8 | 3.2 | -1.3 | 10.6 | -0.2 | 0.2 | -0.3 | 1.5 | -0.3 | 10.2 | -0.7 | 0.9 | -1.5 |
| 2019 | | 5.0 | 2.2 | 54.2 | 6.8 | 2.6 | 0.1 | 1.7 | 1.7 | 1.5 | 5.4 | -0.3 | 0.3 | -0.6 |
| 2020 | | -2.0 | -12.2 | 111.5 | -6.1 | 9.4 | 0.2 | 6.9 | -22.3 | -26.7 | -19.4 | -3.0 | -1.5 | -1.3 |
| 2021 | | 3.1 | 8.2 | -19.5 | 28.0 | -3.8 | 0.7 | -3.6 | 10.5 | 9.8 | 7.4 | 0.2 | -0.1 | 0.6 |
| 2022 | | 3.5 | 9.6 | -34.4 | 9.0 | -5.0 | 0.0 | -3.8 | 16.3 | 20.3 | 7.0 | 1.5 | -0.2 | 1.3 |
| 2023 | | 4.2 | 5.3 | -7.3 | -5.0 | -1.0 | -0.4 | -0.2 | 9.3 | 10.9 | 9.6 | 0.8 | 0.6 | 0.2 |
| 2020 | III | -0.4 | -8.8 | 100.9 | 2.7 | 7.8 | 0.4 | 5.2 | -16.6 | -19.2 | -15.7 | -2.1 | -1.3 | -0.8 |
| | IV | -2.0 | -12.2 | 111.5 | -6.1 | 9.4 | 0.2 | 6.9 | -22.3 | -26.7 | -19.4 | -3.0 | -1.5 | -1.3 |
| 2021 | I | -2.8 | -12.5 | 83.5 | -3.3 | 8.9 | 0.3 | 6.5 | -20.0 | -22.5 | -17.0 | -2.1 | -1.1 | -0.7 |
| | II | 1.2 | -1.8 | 19.2 | 5.2 | 2.4 | 0.2 | 1.6 | -6.8 | -14.7 | -5.2 | -2.1 | -0.6 | -1.2 |
| | III | 1.2 | 1.8 | -1.2 | 6.2 | -0.4 | 0.1 | -0.4 | -1.7 | -3.5 | -0.8 | -0.8 | -0.5 | -0.1 |
| | IV | 3.1 | 8.2 | -19.5 | 28.0 | -3.8 | 0.7 | -3.6 | 10.5 | 9.8 | 7.4 | 0.2 | -0.1 | 0.6 |
| 2022 | I | 4.0 | 14.3 | -39.1 | 32.6 | -7.8 | 0.7 | -6.5 | 18.2 | 19.6 | 7.8 | 0.9 | -0.5 | 1.6 |
| | II | 3.7 | 11.4 | -35.2 | 42.2 | -5.9 | 1.1 | -5.3 | 16.9 | 16.6 | 3.8 | 0.8 | -0.7 | 1.8 |

*Source: INE and Funcas (Forecasts).*

**Chart 5.1 - Households: Net lending or borrowing**

Percentage of GDP, 4-quarter moving averages

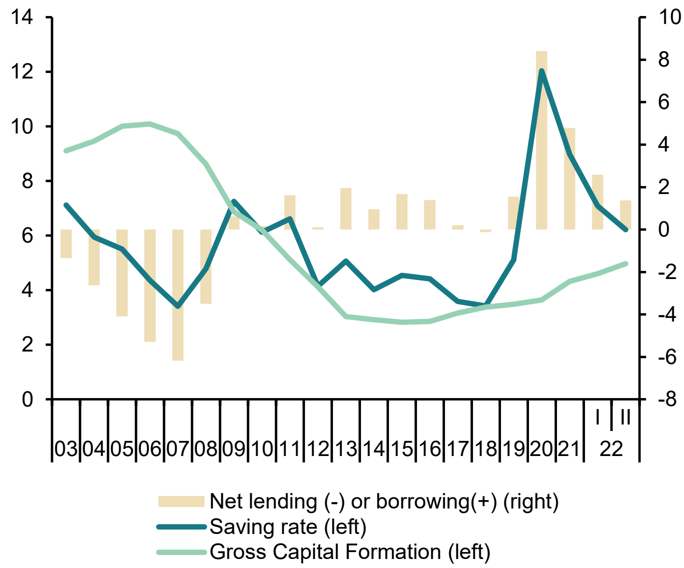



**Chart 5.2 - Non-financial corporations: Net lending or borrowing**

Percentage of GDP, 4-quarter moving averages

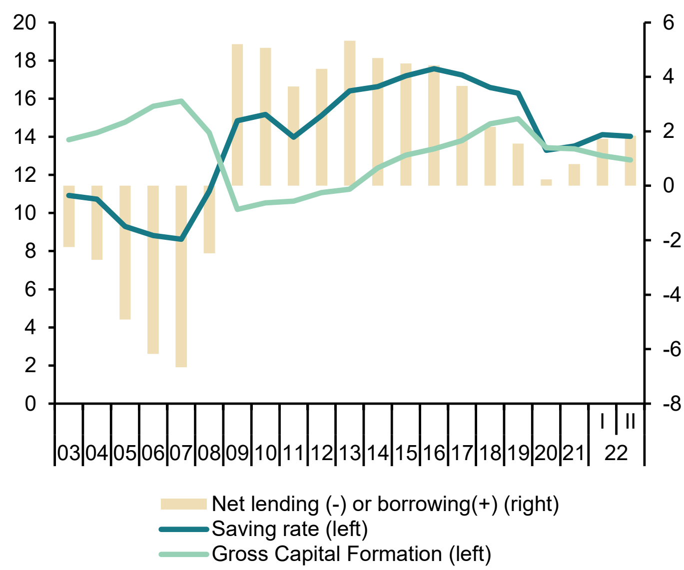


Table 6

## National accounts: Public revenue. expenditure and deficit

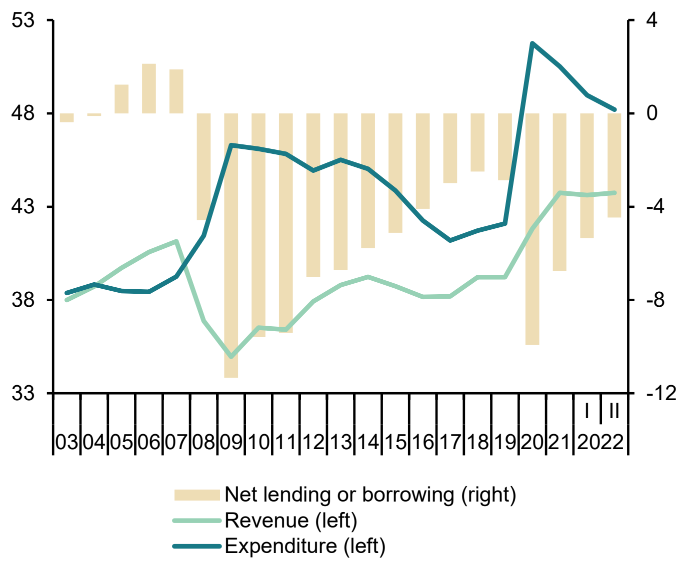
Forecasts in yellow

| | | Non financial revenue | | | | | Non financial expenditures | | | | | | | Net lending(+)/ net borrowing(-) | Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Taxes on produc- tion and imports | Taxes on income and wealth | Social contribu- tions | Capital and other revenue | Total | Compen- sation of employees | Interme- diate con- sumption | Interests | Social benefits and social transfers in kind | Gross capital formation and other capital expenditure | Other expendi- ture | 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 | | | | | | | | | | | | | |
| 2015 | | 126.4 | 107.1 | 131.5 | 52.6 | 417.6 | 119.3 | 59.5 | 32.8 | 198.6 | 36.5 | 28.3 | 474.9 | -57.2 | -55.2 |
| 2016 | | 128.9 | 110.0 | 135.6 | 50.9 | 425.3 | 121.5 | 59.2 | 30.7 | 203.0 | 30.3 | 28.4 | 473.2 | -47.9 | -45.6 |
| 2017 | | 135.1 | 116.9 | 142.4 | 49.6 | 444.0 | 123.5 | 60.5 | 29.3 | 207.4 | 31.5 | 28.1 | 480.3 | -36.2 | -34.8 |
| 2018 | | 141.2 | 127.3 | 149.5 | 54.2 | 472.1 | 127.7 | 62.6 | 29.3 | 216.6 | 37.4 | 29.8 | 503.4 | -31.2 | -30.0 |
| 2019 | | 143.0 | 129.1 | 160.7 | 55.7 | 488.5 | 134.8 | 65.2 | 28.4 | 229.6 | 37.2 | 31.6 | 526.7 | -38.1 | -35.7 |
| 2020 | | 126.7 | 125.3 | 162.2 | 53.3 | 467.6 | 140.6 | 67.0 | 25.1 | 262.2 | 44.3 | 41.5 | 580.8 | -113.2 | -111.1 |
| 2021 | | 146.7 | 143.4 | 171.7 | 66.2 | 527.9 | 147.6 | 71.8 | 26.1 | 263.6 | 59.9 | 42.0 | 610.9 | -82.9 | -81.7 |
| 2022 | | 163.0 | 154.8 | 179.6 | 60.9 | 558.2 | 151.2 | 72.0 | 29.5 | 269.0 | 49.7 | 42.2 | 613.6 | -55.4 | -55.4 |
| 2023 | | 172.8 | 164.3 | 187.6 | 61.6 | 586.2 | 155.8 | 77.9 | 34.5 | 292.2 | 50.1 | 35.8 | 646.4 | -60.2 | -60.2 |
| 2020 | III | 128.4 | 126.8 | 161.4 | 52.3 | 468.9 | 138.6 | 66.0 | 25.9 | 255.9 | 40.3 | 38.6 | 565.2 | -96.3 | -93.7 |
| | IV | 126.7 | 125.3 | 162.2 | 53.3 | 467.6 | 140.6 | 67.0 | 25.1 | 262.2 | 44.3 | 41.5 | 580.8 | -113.2 | -111.1 |
| 2021 | I | 126.7 | 126.1 | 164.1 | 52.5 | 469.4 | 142.5 | 68.2 | 25.3 | 267.4 | 46.6 | 43.0 | 593.1 | -123.7 | -121.5 |
| | II | 136.7 | 132.2 | 166.4 | 56.1 | 491.5 | 144.9 | 69.5 | 25.4 | 260.8 | 47.2 | 40.0 | 587.8 | -96.3 | -94.5 |
| | III | 142.2 | 133.7 | 169.6 | 61.3 | 506.8 | 146.5 | 70.6 | 25.3 | 261.5 | 53.2 | 40.5 | 597.5 | -90.7 | -89.4 |
| | IV | 146.7 | 143.4 | 171.7 | 66.2 | 527.9 | 147.6 | 71.8 | 26.1 | 263.6 | 59.9 | 42.0 | 610.9 | -82.9 | -81.7 |
| 2022 | I | 153.3 | 147.2 | 173.4 | 66.5 | 540.3 | 148.8 | 72.9 | 26.3 | 263.1 | 55.1 | 41.2 | 607.5 | -67.2 | -66.2 |
| | II | 158.2 | 151.8 | 176.0 | 69.7 | 555.7 | 149.6 | 73.7 | 27.9 | 263.8 | 55.6 | 42.9 | 613.4 | -57.7 | -56.7 |
| | | Percentage of GDP. 4-quarter cumulated operations | | | | | | | | | | | | | |
| 2015 | | 11.7 | 9.9 | 12.2 | 4.9 | 38.7 | 11.1 | 5.5 | 3.0 | 18.4 | 3.4 | 2.6 | 44.0 | -5.3 | -5.1 |
| 2016 | | 11.6 | 9.9 | 12.2 | 4.6 | 38.2 | 10.9 | 5.3 | 2.8 | 18.2 | 2.7 | 2.6 | 42.5 | -4.3 | -4.1 |
| 2017 | | 11.6 | 10.1 | 12.3 | 4.3 | 38.2 | 10.6 | 5.2 | 2.5 | 17.8 | 2.7 | 2.4 | 41.3 | -3.1 | -3.0 |
| 2018 | | 11.7 | 10.6 | 12.4 | 4.5 | 39.2 | 10.6 | 5.2 | 2.4 | 18.0 | 3.1 | 2.5 | 41.8 | -2.6 | -2.5 |
| 2019 | | 11.5 | 10.4 | 12.9 | 4.5 | 39.2 | 10.8 | 5.2 | 2.3 | 18.4 | 3.0 | 2.5 | 42.3 | -3.1 | -2.9 |
| 2020 | | 11.3 | 11.2 | 14.5 | 4.8 | 41.8 | 12.6 | 6.0 | 2.2 | 23.5 | 4.0 | 3.7 | 51.9 | -10.1 | -9.9 |
| 2021 | | 12.2 | 11.9 | 14.2 | 5.5 | 43.7 | 12.2 | 6.0 | 2.2 | 21.8 | 5.0 | 3.5 | 50.6 | -6.9 | -6.8 |
| 2022 | | 12.4 | 11.8 | 13.7 | 4.6 | 42.6 | 11.5 | 5.5 | 2.3 | 20.5 | 3.8 | 3.2 | 46.9 | -4.2 | -4.2 |
| 2023 | | 12.5 | 11.9 | 13.6 | 4.5 | 42.6 | 11.3 | 5.7 | 2.5 | 21.2 | 3.6 | 2.6 | 46.9 | -4.4 | -4.4 |
| 2020 | III | 11.2 | 11.1 | 14.1 | 4.6 | 41.0 | 12.1 | 5.8 | 2.3 | 22.4 | 3.5 | 3.4 | 49.4 | -8.4 | -8.2 |
| | IV | 11.3 | 11.2 | 14.5 | 4.8 | 41.8 | 12.6 | 6.0 | 2.2 | 23.5 | 4.0 | 3.7 | 51.9 | -10.1 | -9.9 |
| 2021 | I | 11.4 | 11.4 | 14.8 | 4.7 | 42.4 | 12.9 | 6.2 | 2.3 | 24.1 | 4.2 | 3.9 | 53.5 | -11.2 | -11.0 |
| | II | 11.8 | 11.4 | 14.4 | 4.9 | 42.5 | 12.5 | 6.0 | 2.2 | 22.5 | 4.1 | 3.5 | 50.8 | -8.3 | -8.2 |
| | III | 12.1 | 11.4 | 14.4 | 5.2 | 43.1 | 12.5 | 6.0 | 2.1 | 22.2 | 4.5 | 3.4 | 50.8 | -7.7 | -7.6 |
| | IV | 12.2 | 11.9 | 14.2 | 5.5 | 43.7 | 12.2 | 6.0 | 2.2 | 21.8 | 5.0 | 3.5 | 50.6 | -6.9 | -6.8 |
| 2022 | I | 12.4 | 11.9 | 14.0 | 5.4 | 43.6 | 12.0 | 5.9 | 2.1 | 21.2 | 4.5 | 3.3 | 49.0 | -5.4 | -5.3 |
| | II | 12.5 | 11.9 | 13.9 | 5.5 | 43.7 | 11.8 | 5.8 | 2.2 | 20.8 | 4.4 | 3.4 | 48.3 | -4.5 | -4.5 |

*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

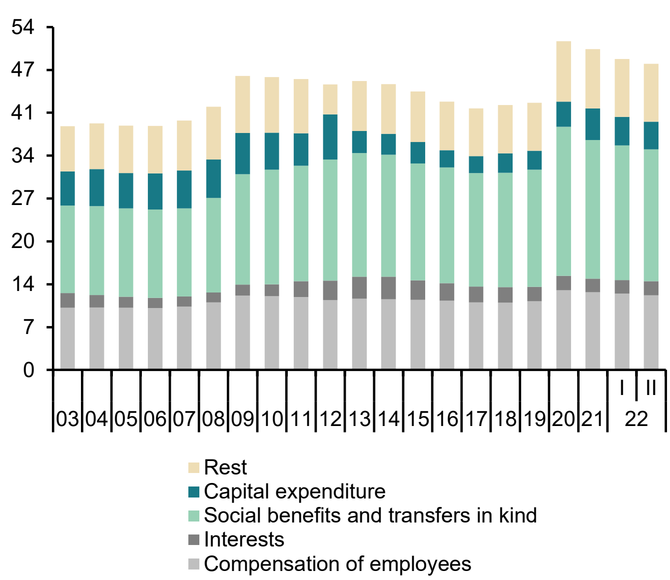


Table 7

## 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 | | | | |
| 2015 | | -28.2 | -18.9 | 4.6 | -12.9 | -55.2 | 982.9 | 263.3 | 35.1 | 17.2 | 1,113.7 |
| 2016 | | -25.7 | -9.5 | 7.0 | -17.4 | -45.6 | 1,008.9 | 277.0 | 32.2 | 17.2 | 1,145.1 |
| 2017 | | -20.6 | -4.2 | 6.7 | -16.8 | -34.8 | 1,049.8 | 288.1 | 29.0 | 27.4 | 1,183.4 |
| 2018 | | -15.7 | -3.3 | 6.3 | -17.3 | -30.0 | 1,082.8 | 293.4 | 25.8 | 41.2 | 1,208.9 |
| 2019 | | -16.4 | -7.3 | 3.8 | -15.9 | -35.7 | 1,095.8 | 295.1 | 23.2 | 55.0 | 1,223.4 |
| 2020 | | -83.6 | -2.0 | 2.8 | -28.3 | -111.1 | 1,206.6 | 304.0 | 22.0 | 85.4 | 1,345.8 |
| 2021 | | -72.5 | -0.6 | 3.5 | -12.0 | -81.7 | 1,280.0 | 312.6 | 22.1 | 97.2 | 1,427.2 |
| 2022 | | -- | -- | -- | -- | -55.4 | -- | -- | -- | -- | 1,482.7 |
| 2023 | | -- | -- | -- | -- | -60.2 | -- | -- | -- | -- | 1,542.8 |
| 2020 | III | -64.2 | -2.0 | 3.4 | -30.9 | -93.7 | 1,211.9 | 301.9 | 23.7 | 74.9 | 1,342.4 |
| | IV | -83.6 | -2.0 | 2.8 | -28.3 | -111.1 | 1,206.6 | 304.0 | 22.0 | 85.4 | 1,345.8 |
| 2021 | I | -93.4 | -3.0 | 3.1 | -28.2 | -121.5 | 1,247.8 | 307.7 | 22.1 | 85.4 | 1,393.1 |
| | II | -73.0 | -3.1 | 3.8 | -22.1 | -94.5 | 1,273.4 | 312.0 | 22.7 | 91.9 | 1,424.7 |
| | III | -84.1 | 4.7 | 3.6 | -13.6 | -89.4 | 1,281.4 | 312.3 | 22.3 | 91.9 | 1,432.3 |
| | IV | -72.5 | -0.6 | 3.5 | -12.0 | -81.7 | 1,280.0 | 312.6 | 22.1 | 97.2 | 1,427.2 |
| 2022 | I | -61.1 | 3.1 | 3.2 | -11.3 | -66.2 | 1,306.7 | 309.7 | 22.4 | 99.2 | 1,453.9 |
| | II | -56.4 | 0.2 | 3.6 | -4.1 | -56.7 | 1,326.1 | 316.7 | 22.8 | 99.2 | 1,475.4 |
| | | Percentage of GDP. 4-quarter cumulated operations | | | | | Percentage of GDP | | | | |
| 2015 | | -2.6 | -1.7 | 0.4 | -1.2 | -5.1 | 91.2 | 24.4 | 3.3 | 1.6 | 103.3 |
| 2016 | | -2.3 | -0.9 | 0.6 | -1.6 | -4.1 | 90.5 | 24.9 | 2.9 | 1.5 | 102.7 |
| 2017 | | -1.8 | -0.4 | 0.6 | -1.4 | -3.0 | 90.3 | 24.8 | 2.5 | 2.4 | 101.8 |
| 2018 | | -1.3 | -0.3 | 0.5 | -1.4 | -2.5 | 89.9 | 24.4 | 2.1 | 3.4 | 100.4 |
| 2019 | | -1.3 | -0.6 | 0.3 | -1.3 | -2.9 | 88.0 | 23.7 | 1.9 | 4.4 | 98.2 |
| 2020 | | -7.5 | -0.2 | 0.2 | -2.5 | -9.9 | 107.9 | 27.2 | 2.0 | 7.6 | 120.4 |
| 2021 | | -6.0 | -0.1 | 0.3 | -1.0 | -6.8 | 106.1 | 25.9 | 1.8 | 8.1 | 118.3 |
| 2022 | | -- | -- | -- | -- | -4.2 | -- | -- | -- | -- | 113.2 |
| 2023 | | -- | -- | -- | -- | -4.4 | -- | -- | -- | -- | 112.0 |
| 2020 | III | -5.6 | -0.2 | 0.3 | -2.7 | -8.2 | 105.9 | 26.4 | 2.1 | 6.5 | 117.3 |
| | IV | -7.5 | -0.2 | 0.2 | -2.5 | -9.9 | 107.9 | 27.2 | 2.0 | 7.6 | 120.4 |
| 2021 | I | -8.4 | -0.3 | 0.3 | -2.5 | -10.9 | 112.4 | 27.7 | 2.0 | 7.7 | 125.5 |
| | II | -6.3 | -0.3 | 0.3 | -1.9 | -8.2 | 110.0 | 27.0 | 2.0 | 7.9 | 123.1 |
| | III | -7.1 | 0.4 | 0.3 | -1.2 | -7.6 | 108.9 | 26.6 | 1.9 | 7.8 | 121.8 |
| | IV | -6.0 | -0.1 | 0.3 | -1.0 | -6.8 | 106.1 | 25.9 | 1.8 | 8.1 | 118.3 |
| 2022 | I | -4.9 | 0.3 | 0.3 | -0.9 | -5.3 | 105.7 | 25.1 | 1.8 | 8.0 | 117.6 |
| | II | -4.4 | 0.0 | 0.3 | -0.3 | -4.5 | 104.6 | 25.0 | 1.8 | 7.8 | 116.4 |

*(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

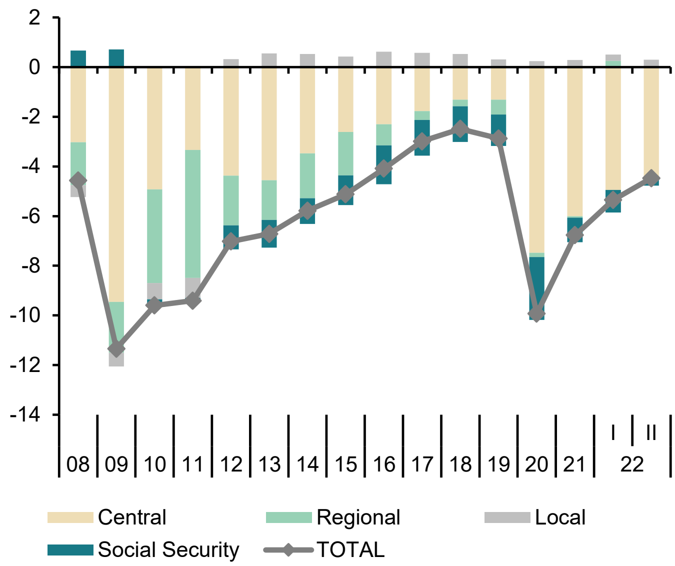



**Chart 7.2 - Government debt**

Percent of GDP

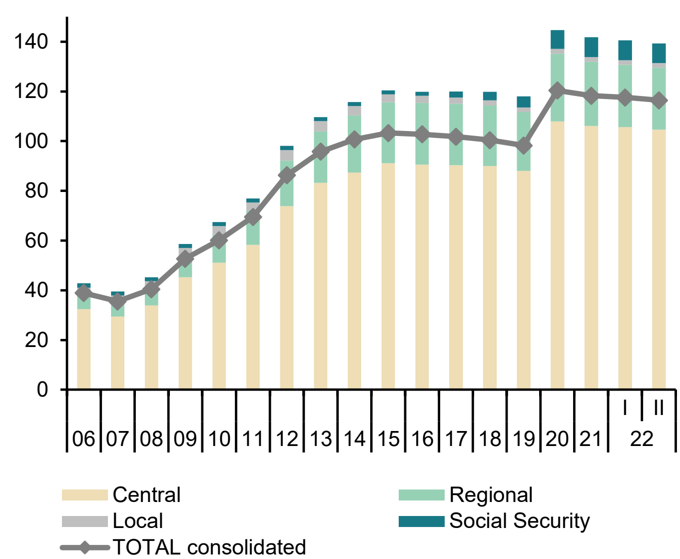


Table 8

## 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 |
| 2014 | 100.0 | 55.1 | 16,111.1 | 247.2 | 96.8 | 2,022.8 | 53.2 | -7.5 | 95.3 | -16.3 |
| 2015 | 107.7 | 56.7 | 16,641.8 | 251.4 | 100.0 | 2,067.3 | 53.6 | -0.6 | 100.0 | -5.4 |
| 2016 | 106.0 | 54.9 | 17,157.5 | 252.1 | 101.8 | 2,124.7 | 53.1 | -2.1 | 102.7 | -5.4 |
| 2017 | 109.1 | 56.2 | 17,789.6 | 256.4 | 105.1 | 2,191.0 | 54.8 | 1.4 | 107.1 | 2.2 |
| 2018 | 107.9 | 54.6 | 18,364.5 | 257.9 | 105.3 | 2,250.9 | 53.3 | -0.5 | 108.4 | -0.2 |
| 2019 | 104.7 | 52.7 | 18,844.1 | 251.2 | 106.1 | 2,283.2 | 49.1 | -3.6 | 108.9 | -5.1 |
| 2020 | 90.0 | 41.5 | 18,440.5 | 239.1 | 95.9 | 2,239.3 | 47.5 | -13.6 | 98.9 | -30.0 |
| 2021 | 105.1 | 55.3 | 18,910.0 | 244.3 | 102.9 | 2,270.4 | 57.0 | 0.6 | 104.2 | -1.5 |
| 2022 (b) | 102.0 | 52.2 | 19,626.7 | 195.2 | 105.8 | 2,321.7 | 51.9 | 0.2 | 102.9 | 3.5 |
| 2021 I | 97.3 | 46.1 | 18,634.2 | 61.4 | 103.5 | 2,245.5 | 53.1 | -4.7 | 104.1 | -12.7 |
| II | 105.0 | 58.9 | 18,666.3 | 61.3 | 102.1 | 2,258.5 | 59.2 | -0.4 | 102.8 | -0.9 |
| III | 109.0 | 59.6 | 19,018.8 | 60.1 | 101.7 | 2,280.7 | 58.8 | 2.6 | 103.8 | -0.5 |
| IV | 109.3 | 56.6 | 19,320.5 | 61.1 | 104.7 | 2,296.9 | 56.9 | 5.0 | 106.4 | 8.0 |
| 2022 I | 108.3 | 52.5 | 19,494.7 | 59.8 | 105.1 | 2,311.0 | 55.8 | 6.8 | 101.9 | 11.6 |
| II | 101.9 | 55.0 | 19,588.1 | 59.8 | 106.8 | 2,318.3 | 53.2 | 0.4 | 105.3 | 8.2 |
| III | 97.0 | 50.5 | 19,711.2 | 58.2 | 106.5 | 2,331.3 | 49.2 | -5.2 | 105.0 | -5.7 |
| IV (b) | 98.0 | 48.0 | 19,804.5 | 19.1 | -- | 2,333.6 | 44.7 | -3.9 | -- | -7.7 |
| 2022 Aug | 97.6 | 50.5 | 19,712.1 | 19.1 | 106.7 | 2,336.0 | 49.9 | -5.5 | 107.1 | -6.3 |
| Sep | 96.6 | 48.4 | 19,773.2 | 19.3 | 106.4 | 2,333.2 | 49.0 | -5.2 | -- | -7.3 |
| Oct | 98.0 | 48.0 | 19,804.5 | 19.1 | -- | 2,333.6 | 44.7 | -3.9 | -- | -7.7 |
| | | | | | Percentage changes (c) | | | | | |
| 2014 | -- | -- | 1.6 | -0.1 | 1.3 | 0.1 | -- | -- | 2.3 | -- |
| 2015 | -- | -- | 3.3 | 1.7 | 3.4 | 2.2 | -- | -- | 4.9 | -- |
| 2016 | -- | -- | 3.1 | 0.3 | 1.8 | 2.8 | -- | -- | 2.8 | -- |
| 2017 | -- | -- | 3.7 | 1.7 | 3.2 | 3.1 | -- | -- | 4.2 | -- |
| 2018 | -- | -- | 3.2 | 0.6 | 0.2 | 2.7 | -- | -- | 1.2 | -- |
| 2019 | -- | -- | 2.6 | -2.6 | 0.7 | 1.4 | -- | -- | 0.5 | -- |
| 2020 | -- | -- | -2.1 | -4.8 | -9.6 | -1.9 | -- | -- | -9.3 | -- |
| 2021 | -- | -- | 2.5 | 2.2 | 7.3 | 1.4 | -- | -- | 5.4 | -- |
| 2022 (d) | -- | -- | 4.3 | -3.0 | 3.7 | 2.5 | -- | -- | 0.4 | -- |
| 2021 I | -- | -- | 0.2 | -0.6 | 0.5 | 0.1 | -- | -- | -2.9 | -- |
| II | -- | -- | 0.2 | -0.2 | -1.3 | 0.6 | -- | -- | -1.3 | -- |
| III | -- | -- | 1.9 | -1.8 | -0.4 | 1.0 | -- | -- | 1.1 | -- |
| IV | -- | -- | 1.6 | 1.5 | 2.9 | 0.7 | -- | -- | 2.4 | -- |
| 2022 I | -- | -- | 0.9 | -2.1 | 0.4 | 0.6 | -- | -- | -4.2 | -- |
| II | -- | -- | 0.5 | 0.0 | 1.6 | 0.3 | -- | -- | 3.3 | -- |
| III | -- | -- | 0.6 | -2.6 | -0.3 | 0.6 | -- | -- | -0.2 | -- |
| IV (e) | -- | -- | 0.5 | -1.6 | -- | 0.1 | -- | -- | -- | -- |
| 2022 Aug | -- | -- | 0.3 | -3.3 | 0.3 | 0.5 | -- | -- | 4.2 | -- |
| Sep | -- | -- | 0.3 | 0.9 | -0.3 | -0.1 | -- | -- | -- | -- |
| Oct | -- | -- | 0.2 | -1.1 | -- | 0.0 | -- | -- | -- | -- |

*(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

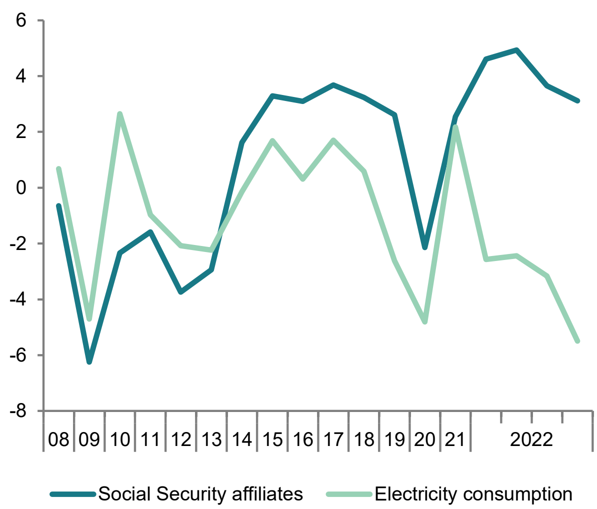



**Chart 8.2 - General activity indicators (II)**

Index

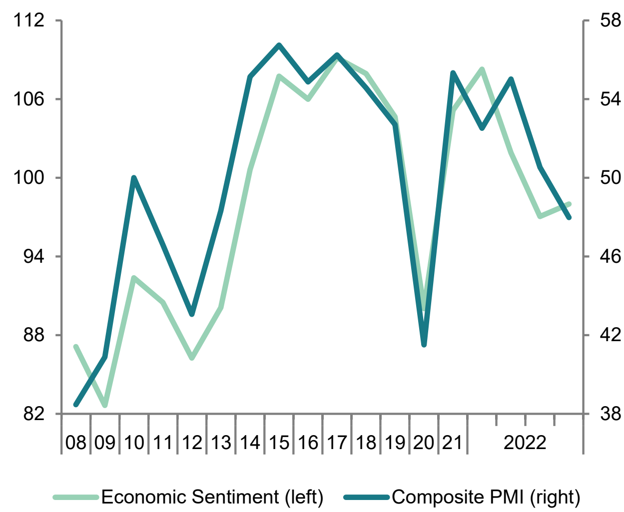



**Chart 8.3 - Industrial sector indicators (I)**

Annual percentage changes

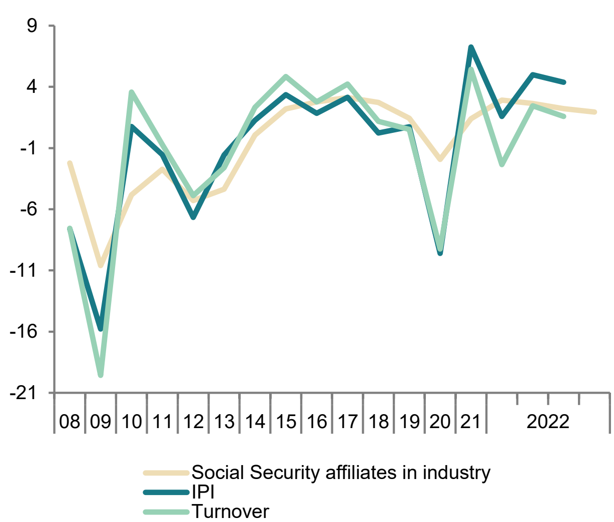



**Chart 8.4 - Industrial sector indicators (II)**

Index

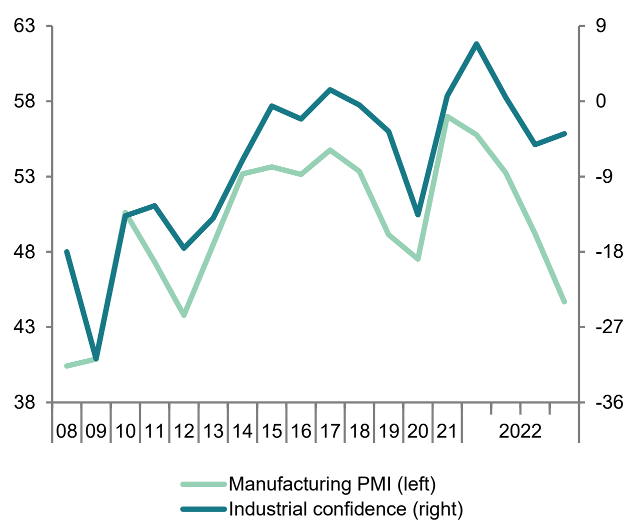


Table 9

## 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 m² | Thousands | 2015=100 (smoothed) | Index | Million (smoothed) | Million (smoothed) | Balance of responses |
| 2014 | | 980.3 | 92.8 | -40.8 | 13.1 | 6.9 | 11,995.5 | 95.3 | 55.2 | 295.3 | 194.9 | 8.8 |
| 2015 | | 1,026.7 | 100.0 | -26.6 | 9.4 | 9.9 | 12,432.3 | 100.0 | 57.3 | 308.2 | 206.6 | 18.9 |
| 2016 | | 1,053.9 | 102.6 | -39.1 | 9.2 | 12.7 | 12,851.6 | 104.2 | 55.0 | 331.2 | 229.4 | 18.2 |
| 2017 | | 1,118.8 | 111.5 | -25.1 | 12.7 | 15.9 | 13,338.2 | 111.1 | 56.4 | 340.6 | 248.4 | 22.9 |
| 2018 | | 1,194.1 | 114.2 | -6.0 | 16.6 | 19.8 | 13,781.3 | 117.5 | 54.8 | 340.0 | 262.9 | 21.2 |
| 2019 | | 1,254.9 | 124.8 | -7.7 | 18.2 | 20.0 | 14,169.1 | 122.2 | 53.9 | 343.0 | 276.9 | 14.0 |
| 2020 | | 1,233.1 | 110.7 | -17.4 | 14.1 | 16.1 | 13,849.2 | 102.9 | 40.3 | 92.2 | 75.6 | -25.6 |
| 2021 | | 1,288.6 | 124.2 | -1.9 | 23.6 | 19.7 | 14,235.1 | 119.2 | 55.0 | 172.8 | 119.4 | 8.4 |
| 2022 (b) | | 1,329.3 | 126.5 | 7.6 | 20.9 | 12.6 | 14,894.9 | 139.3 | 52.7 | 256.5 | 207.5 | 13.6 |
| 2021 | I | 1,261.4 | 120.9 | -7.0 | 4.2 | 4.5 | 14,000.3 | 111.2 | 44.3 | 13.0 | 10.6 | -16.0 |
| | II | 1,281.0 | 124.8 | 0.9 | 6.3 | 5.0 | 14,008.1 | 115.8 | 58.8 | 23.1 | 16.4 | 8.1 |
| | III | 1,300.4 | 124.8 | -2.3 | 6.3 | 5.1 | 14,327.0 | 119.9 | 59.6 | 57.8 | 39.4 | 19.4 |
| | IV | 1,312.3 | 125.8 | 1.0 | 6.8 | 5.2 | 14,604.4 | 129.7 | 57.4 | 69.1 | 49.4 | 22.1 |
| 2022 | I | 1,321.7 | 125.7 | 4.0 | 5.9 | 5.4 | 14,769.3 | 134.8 | 52.2 | 66.6 | 48.7 | 15.9 |
| | II | 1,318.0 | 130.0 | 10.6 | 7.2 | 4.4 | 14,867.7 | 145.1 | 55.9 | 80.0 | 59.1 | 16.5 |
| | III | 1,337.8 | 122.5 | 6.2 | 7.8 | 2.7 | 14,967.1 | 144.4 | 51.0 | 83.5 | 63.1 | 11.4 |
| | IV (b) | 1,348.7 | -- | 13.5 | -- | -- | 15,052.7 | -- | 49.7 | -- | 22.3 | 4.7 |
| 2022 | Aug | 1,343.6 | 119.6 | 9.9 | 3.0 | 1.2 | 14,954.7 | 145.9 | 50.6 | 28.2 | 21.1 | 13.2 |
| | Sep | 1,344.2 | 121.8 | 4.8 | 2.0 | -- | 15,018.8 | -- | 48.5 | 27.4 | 21.1 | 7.0 |
| | Oct | 1,348.7 | -- | 13.5 | -- | -- | 15,052.7 | -- | 49.7 | -- | 22.3 | 4.7 |
| | | | | | Percentage changes (c) | | | | | | | |
| 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 | 8.6 | -- | 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 | | -1.7 | -11.3 | -- | -22.8 | -19.8 | -2.3 | -15.8 | -- | -73.1 | -72.7 | -- |
| 2021 | | 4.5 | 12.2 | -- | 67.8 | 22.7 | 2.8 | 15.9 | -- | 87.4 | 57.8 | -- |
| 2022 (d) | | 3.5 | 2.0 | -- | 24.1 | 1.1 | 5.2 | 22.9 | -- | 112.5 | 122.4 | -- |
| 2021 | I | -0.2 | 1.2 | -- | 24.2 | -4.1 | 0.3 | 2.1 | -- | -13.0 | -16.6 | -- |
| | II | 1.6 | 3.2 | -- | 116.6 | 48.9 | 0.1 | 4.2 | -- | 78.3 | 54.5 | -- |
| | III | 1.5 | 0.0 | -- | 118.0 | 31.4 | 2.3 | 3.5 | -- | 149.8 | 140.6 | -- |
| | IV | 0.9 | 0.8 | -- | 38.6 | 23.8 | 1.9 | 8.2 | -- | 19.7 | 25.5 | -- |
| 2022 | I | 0.7 | 0.0 | -- | 41.6 | 20.1 | 1.1 | 4.0 | -- | -3.7 | -1.5 | -- |
| | II | -0.3 | 3.4 | -- | 14.4 | -10.9 | 0.7 | 7.6 | -- | 20.2 | 21.5 | -- |
| | III | 1.5 | -5.7 | -- | 22.2 | -6.3 | 0.7 | -0.5 | -- | 4.4 | 6.7 | -- |
| | IV (e) | 0.8 | -- | -- | -- | -- | 0.6 | -- | -- | -- | 6.0 | -- |
| 2022 | Aug | 1.3 | -5.3 | -- | 56.6 | 0.1 | 0.2 | 2.0 | -- | 1.0 | 0.4 | -- |
| | Sep | 0.0 | 1.9 | -- | 20.7 | -- | 0.4 | -- | -- | -2.8 | 0.0 | -- |
| | Oct | 0.3 | -- | -- | -- | -- | 0.2 | -- | -- | -- | 5.9 | -- |

*(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

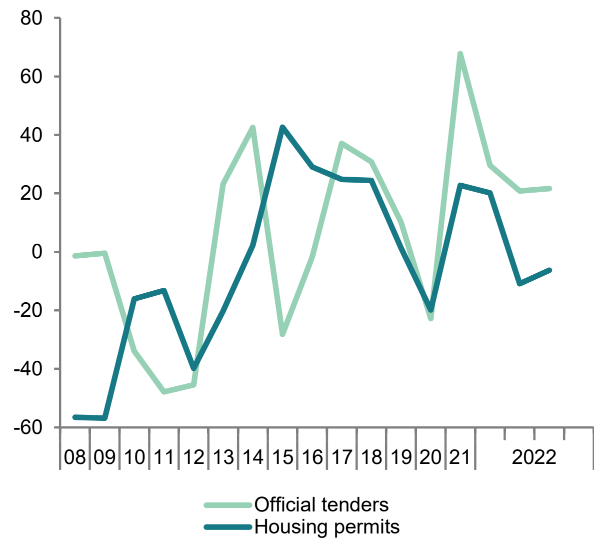



**Chart 9.3 - Services indicators (I)**

Annual percentage changes

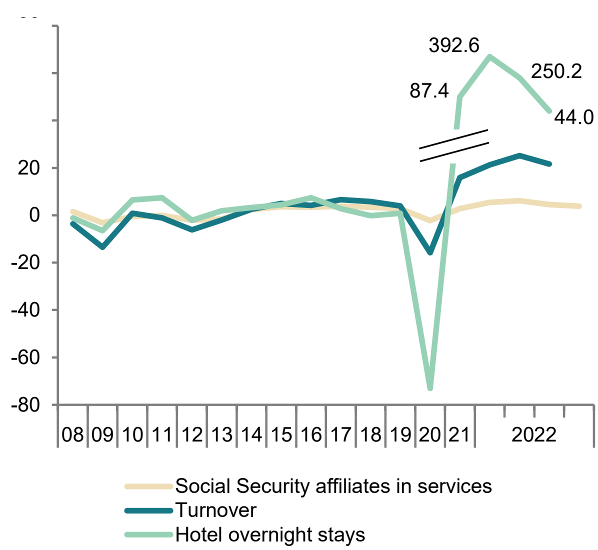



**Chart 9.4 - Services indicators (II)**

Index

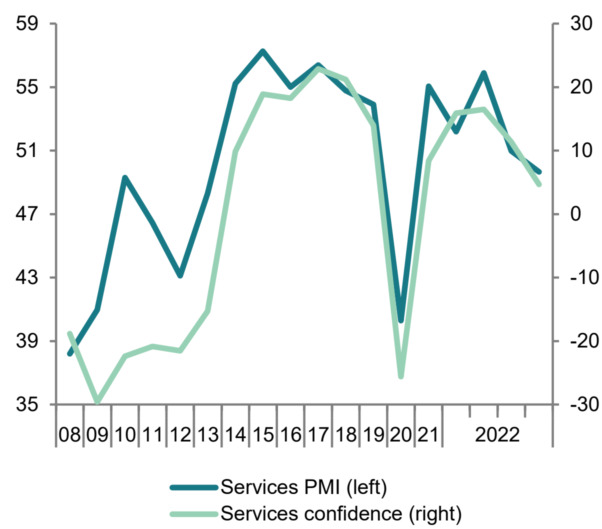


Table 10

## 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 | Thousands | Balance of responses | Million (smoothed) | Balance of responses | Thousands | Balance of responses | 2005=100 |
| 2014 | | 96.0 | 890.1 | -15.5 | 104.7 | -9.1 | 137.5 | -16.5 | 81.6 |
| 2015 | | 100.0 | 1,094.0 | -4.9 | 110.3 | -3.1 | 180.3 | 0.2 | 93.3 |
| 2016 | | 103.9 | 1,230.1 | -6.2 | 114.2 | -1.4 | 191.3 | -0.2 | 97.2 |
| 2017 | | 104.7 | 1,341.6 | -2.8 | 115.8 | 2.2 | 207.6 | 4.9 | 103.3 |
| 2018 | | 105.4 | 1,424.0 | -4.4 | 116.5 | -5.6 | 230.0 | 12.4 | 105.4 |
| 2019 | | 107.8 | 1,375.6 | -6.4 | 119.6 | -2.9 | 220.9 | 8.8 | 105.6 |
| 2020 | | 100.4 | 939.1 | -22.7 | 51.2 | -25.5 | 170.8 | -22.7 | 100.0 |
| 2021 | | 103.9 | 953.7 | -12.8 | 90.7 | -11.2 | 186.9 | 4.7 | 110.3 |
| 2022 (b) | | 102.0 | 752.3 | -26.3 | 95.9 | -1.7 | 134.2 | 27.6 | 120.7 |
| 2021 | I | 102.2 | 199.0 | -19.0 | 8.8 | -18.4 | 50.4 | -13.7 | 110.4 |
| | II | 103.7 | 250.7 | -10.3 | 15.7 | -15.2 | 49.2 | 11.4 | 110.9 |
| | III | 104.3 | 244.3 | -8.7 | 30.6 | -9.4 | 43.6 | 6.4 | 111.7 |
| | IV | 105.9 | 256.6 | -13.1 | 28.0 | -1.7 | 43.1 | 14.7 | 115.3 |
| 2022 | I | 102.5 | 188.6 | -17.6 | 25.8 | 0.8 | 38.2 | 33.8 | 120.9 |
| | II | 104.9 | 229.9 | -26.4 | 31.5 | 2.4 | 40.0 | 29.8 | 125.7 |
| | III | 104.2 | 255.6 | -33.1 | 30.6 | -8.4 | 43.0 | 21.7 | 128.3 |
| | IV (b) | -- | 90.5 | -31.8 | -- | -1.5 | 14.3 | 20.1 | -- |
| 2022 | Aug | 104.2 | 88.0 | -31.6 | 10.0 | -13.4 | 15.0 | 18.7 | 128.3 |
| | Sep | 104.4 | 96.4 | -32.8 | 10.3 | -8.9 | 15.7 | 35.1 | 128.9 |
| | Oct | -- | 90.5 | -31.8 | -- | -1.5 | 13.4 | 20.1 | -- |
| | | | | | Percentage changes (c) | | | | |
| 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 | -- | 2.7 | -- | -4.0 | -- | 0.2 |
| 2020 | | -6.9 | -31.7 | -- | -57.2 | -- | -22.6 | -- | -5.3 |
| 2021 | | 3.5 | 1.6 | -- | 77.3 | -- | 9.4 | -- | 10.3 |
| 2022 (d) | | 0.5 | -3.7 | -- | 39.4 | -- | -14.9 | -- | 13.3 |
| 2021 | I | -2.9 | -34.0 | -- | -7.3 | -- | -4.2 | -- | 10.7 |
| | II | 1.5 | 26.0 | -- | 77.8 | -- | -2.4 | -- | 1.7 |
| | III | 0.6 | -2.6 | -- | 94.8 | -- | -11.4 | -- | 3.2 |
| | IV | 1.6 | 5.0 | -- | -8.4 | -- | -1.2 | -- | 13.3 |
| 2022 | I | -3.2 | -26.5 | -- | -8.1 | -- | -11.2 | -- | 21.1 |
| | II | 2.3 | 21.9 | -- | 22.1 | -- | 4.6 | -- | 16.9 |
| | III | -0.7 | 11.2 | -- | -2.9 | -- | 7.5 | -- | 8.4 |
| | IV (e) | -- | 6.2 | -- | -- | -- | -6.8 | -- | -- |
| 2022 | Aug | 0.3 | 23.7 | -- | -3.0 | -- | 21.3 | -- | 0.5 |
| | Sep | 0.2 | 9.5 | -- | 2.7 | -- | 5.0 | -- | 0.4 |
| | Oct | -- | -6.2 | -- | -- | -- | -14.9 | -- | -- |

*(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.*

*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

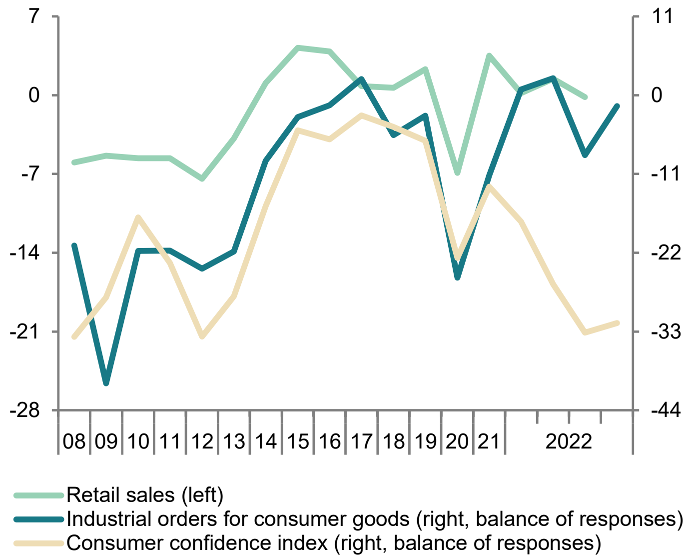



**Chart 10.2 - Investment indicators**

Annual percentage changes and balance of responses

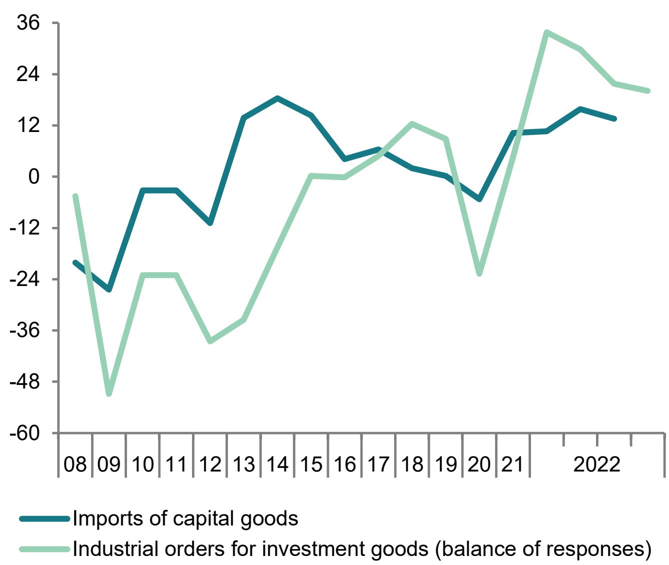


Table 11a

## **Labour market (I)**

Forecasts in yellow

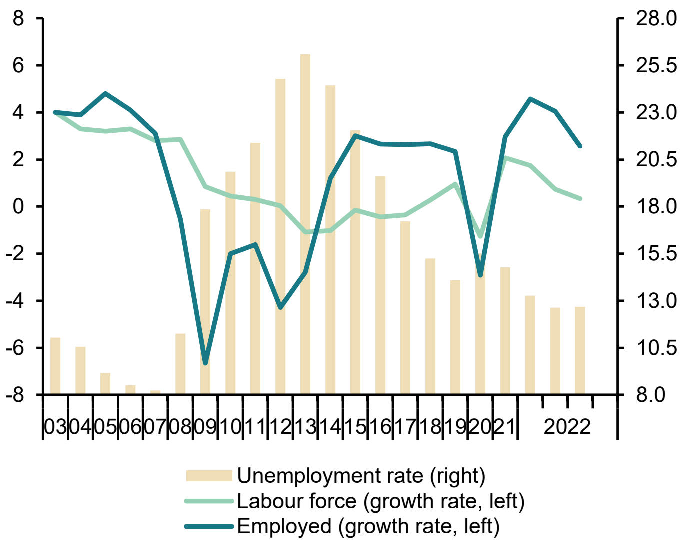
| | | Population aged 16 or more | Labour force | | Employment | | Unemployment | | Participation rate aged 16 or more (a) | Employment rate aged 16 or more (b) | Unemployment rate (c) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Total | Aged 16-24 | Spanish | Foreign |
| | | | Original | Seasonally adjusted | Original | Seasonally adjusted | Original | Seasonally adjusted | Seasonally adjusted | | | | Original | |
| | | 1 | 2=4+6 | 3=5+7 | 4 | 5 | 6 | 7 | 8 | 9 | 10=7/3 | 11 | 12 | 13 |
| | | Million | | | | | | | Percentage | | | | | |
| 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 | 15.2 | 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 | 22.7 | -- | 19.2 | -- | 3.5 | -- | 57.4 | 48.5 | 15.5 | 38.3 | 14.1 | 24.6 |
| 2021 | | 39.7 | 23.2 | -- | 19.8 | -- | 3.4 | -- | 58.5 | 49.9 | 14.8 | 34.9 | 13.5 | 23.1 |
| 2022 | | 39.9 | 23.3 | | 20.4 | | 2.9 | -- | 58.5 | 51.3 | 12.4 | -- | -- | -- |
| 2023 | | 40.1 | 23.3 | | 20.5 | | 2.8 | | 58.2 | 51.3 | 12.0 | -- | -- | -- |
| 2020 | IV | 39.6 | 23.1 | 23.0 | 19.3 | 19.3 | 3.7 | 3.8 | 58.1 | 48.7 | 16.3 | 41.1 | 14.5 | 26.6 |
| 2021 | I | 39.6 | 22.9 | 23.0 | 19.2 | 19.4 | 3.7 | 3.6 | 58.1 | 49.0 | 15.6 | 38.3 | 14.4 | 26.2 |
| | II | 39.6 | 23.2 | 23.2 | 19.7 | 19.6 | 3.5 | 3.6 | 58.5 | 49.5 | 15.4 | 37.6 | 13.9 | 23.8 |
| | III | 39.6 | 23.4 | 23.3 | 20.0 | 19.9 | 3.4 | 3.4 | 58.8 | 50.2 | 14.6 | 31.7 | 13.5 | 21.7 |
| | IV | 39.7 | 23.3 | 23.3 | 20.2 | 20.1 | 3.1 | 3.1 | 58.6 | 50.7 | 13.5 | 31.7 | 12.2 | 20.9 |
| 2022 | I | 39.8 | 23.3 | 23.4 | 20.1 | 20.3 | 3.2 | 3.1 | 58.9 | 51.1 | 13.3 | 29.0 | 12.5 | 21.3 |
| | II | 39.8 | 23.4 | 23.4 | 20.5 | 20.4 | 2.9 | 3.0 | 58.7 | 51.3 | 12.6 | 28.0 | 11.5 | 18.9 |
| | III | 40.0 | 23.5 | 23.4 | 20.5 | 20.4 | 3.0 | 3.0 | 58.5 | 51.1 | 12.7 | 31.6 | 11.8 | 18.4 |
| | | Percentage changes (d) | | | | | | | Difference from one year ago | | | | | |
| 2015 | | 0.0 | -0.2 | -- | 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 | -- | -6.7 | -- | 0.0 | 0.7 | -1.2 | -1.8 | -1.1 | -1.8 |
| 2020 | | 0.8 | -1.3 | -- | -2.9 | -- | 8.8 | -- | -1.2 | -1.9 | 1.4 | 5.7 | 0.9 | 4.5 |
| 2021 | | 0.2 | 2.1 | -- | 3.0 | -- | -2.8 | -- | 1.1 | 1.3 | -0.7 | -3.4 | -0.6 | -1.5 |
| 2022 | | 0.5 | 0.5 | -- | 3.4 | -- | -15.9 | -- | 0.0 | 1.4 | -2.4 | -- | -- | -- |
| 2023 | | 0.5 | 0.1 | -- | 0.5 | -- | -2.9 | -- | -0.3 | 0.0 | -0.4 | -- | -- | -- |
| 2020 | IV | 0.5 | -0.4 | -0.4 | -3.1 | -3.1 | 16.5 | 16.6 | -0.5 | -1.8 | 2.4 | 9.7 | 1.6 | 6.6 |
| 2021 | I | 0.3 | -0.6 | -0.6 | -2.4 | -2.4 | 10.3 | 10.6 | -0.5 | -1.3 | 1.6 | 6.5 | 1.1 | 5.0 |
| | II | 0.2 | 5.6 | 5.7 | 5.7 | 5.7 | 5.2 | 5.3 | 3.0 | 2.6 | 0.0 | -1.2 | 0.1 | -1.2 |
| | III | 0.1 | 2.4 | 2.3 | 4.5 | 4.5 | -8.2 | -8.6 | 1.3 | 2.1 | -1.7 | -9.5 | -1.3 | -3.9 |
| | IV | 0.2 | 1.0 | 1.0 | 4.3 | 4.3 | -16.6 | -16.1 | 0.5 | 2.0 | -2.8 | -9.4 | -2.3 | -5.7 |
| 2022 | I | 0.3 | 1.7 | 1.7 | 4.6 | 4.6 | -13.1 | -13.5 | 0.8 | 2.1 | -2.3 | -9.3 | -2.0 | -4.9 |
| | II | 0.5 | 0.7 | 0.8 | 4.0 | 4.0 | -17.6 | -17.2 | 0.2 | 1.7 | -2.7 | -9.6 | -2.5 | -4.8 |
| | III | 0.8 | 0.3 | 0.3 | 2.6 | 2.6 | -12.8 | -13.0 | -0.3 | 0.9 | -1.9 | -0.2 | -1.7 | -3.3 |

*(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

Percentage

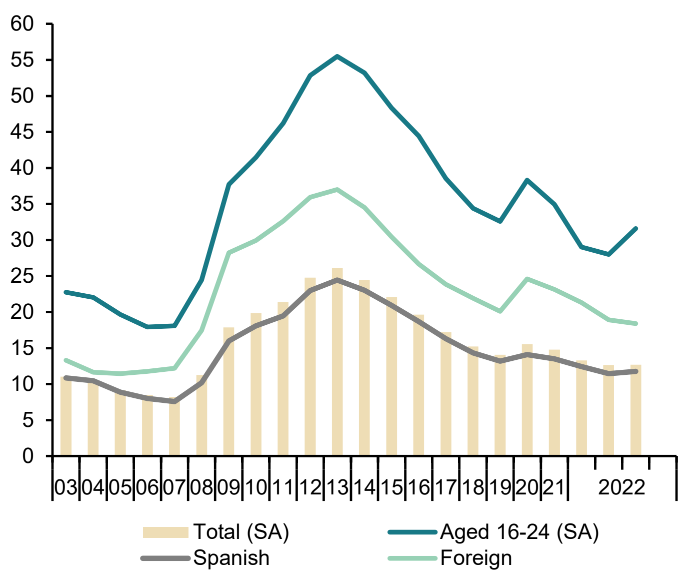


Table 11b

## 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) | | | | | | | | | | | |
| 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 | | 0.77 | 2.70 | 1.24 | 14.49 | 16.11 | 3.88 | 12.23 | 24.1 | 3.09 | 16.51 | 2.70 | 14.05 |
| 2021 | | 0.80 | 2.70 | 1.29 | 14.98 | 16.63 | 4.17 | 12.46 | 25.1 | 3.15 | 17.03 | 2.74 | 13.87 |
| 2022 (c) | | 0.78 | 2.76 | 1.33 | 15.50 | 17.21 | 3.82 | 13.39 | 22.2 | 3.15 | 17.62 | 2.75 | 13.50 |
| 2020 | IV | 0.78 | 2.69 | 1.28 | 14.59 | 16.24 | 4.00 | 12.24 | 24.6 | 3.10 | 16.55 | 2.80 | 14.47 |
| 2021 | I | 0.80 | 2.64 | 1.26 | 14.50 | 16.10 | 3.83 | 12.27 | 23.8 | 3.10 | 16.51 | 2.70 | 14.04 |
| | II | 0.81 | 2.67 | 1.32 | 14.87 | 16.51 | 4.14 | 12.37 | 25.1 | 3.16 | 16.84 | 2.84 | 14.41 |
| | III | 0.76 | 2.73 | 1.29 | 15.25 | 16.92 | 4.40 | 12.52 | 26.0 | 3.11 | 17.33 | 2.70 | 13.46 |
| | IV | 0.84 | 2.77 | 1.29 | 15.29 | 16.97 | 4.31 | 12.67 | 25.4 | 3.21 | 17.45 | 2.74 | 13.56 |
| 2022 | I | 0.83 | 2.70 | 1.32 | 15.24 | 16.93 | 4.10 | 12.83 | 24.2 | 3.16 | 17.28 | 2.81 | 13.99 |
| | II | 0.79 | 2.78 | 1.34 | 15.56 | 17.30 | 3.86 | 13.45 | 22.3 | 3.16 | 17.65 | 2.82 | 13.77 |
| | III | 0.73 | 2.81 | 1.33 | 15.68 | 17.40 | 3.51 | 13.89 | 20.2 | 3.14 | 17.92 | 2.62 | 12.76 |
| | | Annual percentage changes | | | | | | | Difference from one year ago | Annual percentage changes | | | Difference from one year ago |
| 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 | | -4.0 | -2.3 | -2.6 | -3.0 | -3.4 | -11.4 | -0.5 | -2.2 | -0.5 | -2.6 | -4.6 | -0.3 |
| 2021 | | 4.9 | 0.1 | 3.8 | 3.3 | 3.2 | 7.6 | 1.8 | 1.0 | 1.8 | 3.2 | 1.7 | -0.2 |
| 2022 (d) | | -1.0 | 3.1 | 2.7 | 4.2 | 4.3 | -7.3 | 8.1 | -2.7 | 0.9 | 4.3 | 0.3 | -0.5 |
| 2020 | IV | -1.5 | -2.5 | -0.3 | -3.6 | -3.6 | -9.0 | -1.7 | -1.5 | -0.6 | -4.3 | 4.8 | 1.1 |
| 2021 | I | 1.7 | -4.6 | -1.3 | -2.3 | -2.8 | -7.5 | -1.2 | -1.2 | -0.6 | -1.9 | -5.3 | -0.4 |
| | II | 6.2 | 0.9 | 13.3 | 6.0 | 6.3 | 19.2 | 2.6 | 2.7 | 2.7 | 4.4 | 14.1 | 1.1 |
| | III | 4.2 | 1.5 | 3.5 | 5.1 | 5.0 | 13.0 | 2.5 | 1.8 | 1.5 | 4.9 | 1.6 | -0.4 |
| | IV | 7.4 | 2.7 | 0.4 | 4.8 | 4.5 | 7.7 | 3.5 | 0.8 | 3.5 | 5.5 | -2.2 | -0.9 |
| 2022 | I | 3.7 | 2.1 | 4.3 | 5.1 | 5.1 | 7.0 | 4.5 | 0.4 | 1.7 | 4.6 | 4.2 | 0.0 |
| | II | -2.7 | 4.2 | 1.0 | 4.7 | 4.8 | -6.8 | 8.7 | -2.8 | 0.0 | 4.8 | -0.6 | -0.6 |
| | III | -4.3 | 3.0 | 2.7 | 2.8 | 2.9 | -20.2 | 11.0 | -5.8 | 0.9 | 3.4 | -2.8 | -0.7 |

*(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Average of available data. (d) Change of existing data over the same period last year.*

*Source: INE (Labour Force Survey).*

**Chart 11b.1 - Employment by sector**

Annual percentage changes

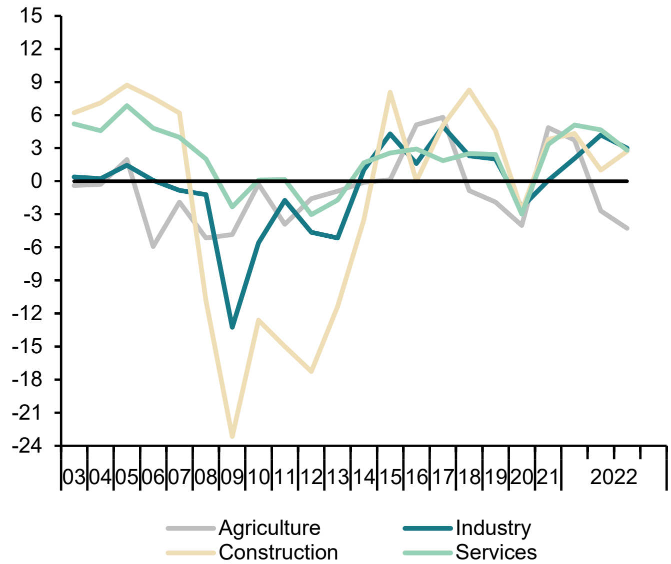



**Chart 11b.2 - Employment by type of contract**

Annual percentage changes and percentage over total employees

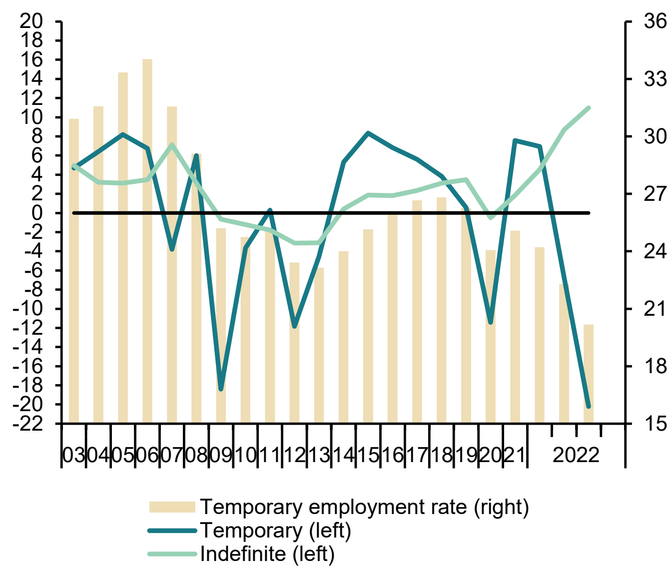


Table 12

## 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 2021 | | 100.00 | 62.28 | 79.09 | 23.28 | 39.01 | 16.81 | 8.92 | 11.98 | 25.73 |
| Indexes. 2021 = 100 | | | | | | | | | | |
| 2016 | | 93.2 | 96.0 | 95.8 | 98.7 | 94.4 | 95.3 | 87.4 | 80.6 | 92.6 |
| 2017 | | 95.0 | 97.0 | 96.8 | 98.9 | 95.9 | 96.0 | 89.6 | 87.1 | 93.8 |
| 2018 | | 96.6 | 97.9 | 97.7 | 98.9 | 97.3 | 96.9 | 92.4 | 92.4 | 95.5 |
| 2019 | | 97.3 | 98.9 | 98.5 | 99.2 | 98.7 | 97.5 | 94.2 | 91.3 | 96.3 |
| 2020 | | 97.0 | 99.4 | 99.2 | 99.4 | 99.4 | 98.7 | 97.7 | 82.5 | 98.4 |
| 2021 | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2022 | | 108.6 | 103.7 | 105.1 | 104.2 | 103.4 | 110.2 | 111.2 | 130.1 | 110.5 |
| 2023 | | 113.7 | 107.1 | 109.3 | 106.8 | 107.2 | 117.5 | 122.0 | 137.2 | 119.1 |
| Annual percentage changes | | | | | | | | | | |
| 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 | | -0.3 | 0.6 | 0.7 | 0.2 | 0.8 | 1.3 | 3.7 | -9.6 | 2.1 |
| 2021 | | 3.1 | 0.6 | 0.8 | 0.6 | 0.6 | 1.3 | 2.4 | 21.2 | 1.7 |
| 2022 | | 8.6 | 3.7 | 5.1 | 4.2 | 3.4 | 10.2 | 11.2 | 30.1 | 10.5 |
| 2023 | | 4.7 | 3.3 | 4.0 | 2.5 | 3.7 | 6.7 | 9.7 | 5.5 | 7.7 |
| 2022 | Jan | 6.1 | 2.0 | 2.4 | 2.4 | 1.7 | 4.0 | 5.2 | 33.0 | 4.4 |
| | Feb | 7.6 | 2.4 | 3.0 | 3.0 | 2.0 | 5.3 | 5.0 | 44.3 | 5.2 |
| | Mar | 9.8 | 2.7 | 3.4 | 3.2 | 2.4 | 6.2 | 6.7 | 60.9 | 6.4 |
| | Apr | 8.3 | 3.3 | 4.4 | 3.3 | 3.3 | 8.7 | 10.5 | 33.7 | 9.3 |
| | May | 8.7 | 3.5 | 4.9 | 3.6 | 3.4 | 10.0 | 10.1 | 34.2 | 10.1 |
| | Jun | 10.2 | 4.0 | 5.5 | 4.2 | 3.8 | 11.0 | 13.6 | 40.8 | 11.9 |
| | Jul | 10.8 | 4.5 | 6.1 | 5.3 | 3.9 | 11.9 | 13.4 | 41.4 | 12.4 |
| | Aug | 10.5 | 4.7 | 6.4 | 5.6 | 4.1 | 12.5 | 12.9 | 37.4 | 12.7 |
| | Sep | 8.9 | 4.4 | 6.2 | 5.3 | 3.8 | 12.8 | 13.8 | 22.4 | 13.1 |
| | Oct | 7.3 | 4.2 | 6.2 | 4.8 | 3.9 | 13.4 | 15.3 | 8.0 | 14.0 |
| | Nov | 7.7 | 4.3 | 6.2 | 4.9 | 3.9 | 13.4 | 14.5 | 11.2 | 13.8 |
| | Dec | 7.1 | 4.4 | 6.2 | 5.1 | 4.0 | 12.9 | 12.7 | 9.1 | 12.8 |
| 2023 | Jan | 7.0 | 3.9 | 5.8 | 3.8 | 4.0 | 12.6 | 13.6 | 10.4 | 12.9 |
| | Feb | 6.5 | 3.8 | 5.4 | 3.5 | 4.0 | 11.3 | 14.6 | 7.8 | 12.4 |
| | Mar | 4.3 | 3.8 | 5.3 | 3.3 | 4.1 | 10.6 | 12.7 | -6.3 | 11.3 |
| | Apr | 5.5 | 3.5 | 4.5 | 3.3 | 3.6 | 8.0 | 9.5 | 9.2 | 8.5 |
| | May | 5.0 | 3.3 | 4.1 | 3.0 | 3.5 | 6.9 | 10.1 | 7.4 | 8.0 |
| | Jun | 3.5 | 3.1 | 3.8 | 2.6 | 3.4 | 6.1 | 8.0 | -1.2 | 6.7 |
| | Jul | 3.3 | 3.0 | 3.5 | 1.6 | 3.7 | 5.3 | 8.2 | -0.6 | 6.3 |
| | Aug | 3.4 | 3.0 | 3.4 | 1.5 | 3.9 | 4.9 | 8.4 | -0.2 | 6.1 |
| | Sep | 4.3 | 3.0 | 3.4 | 1.6 | 3.8 | 4.7 | 8.8 | 7.0 | 6.1 |
| | Oct | 5.0 | 3.1 | 3.2 | 2.1 | 3.6 | 3.9 | 8.4 | 14.6 | 5.5 |
| | Nov | 4.7 | 2.9 | 3.1 | 2.0 | 3.5 | 3.7 | 7.7 | 13.1 | 5.1 |
| | Dec | 4.1 | 3.0 | 3.1 | 1.8 | 3.6 | 3.5 | 7.6 | 8.7 | 4.9 |

*Source: INE and Funcas (Forecasts).*

**Chart 12.1 - Inflation rate (I)**

Annual percentage changes

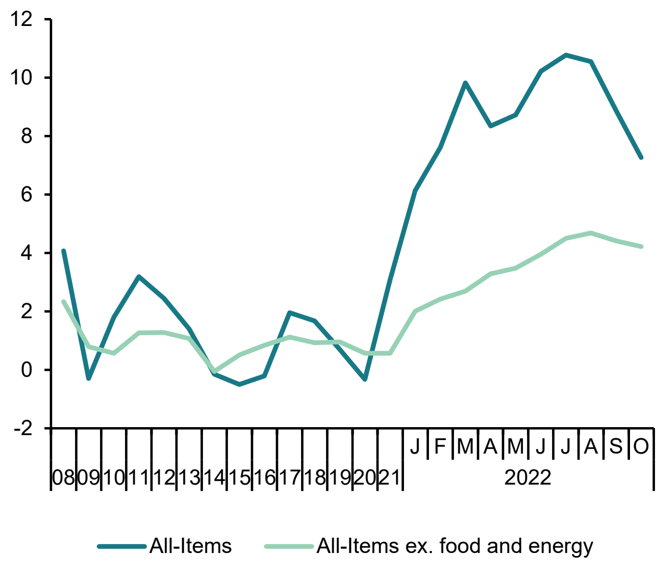



**Chart 12.2 - Inflation rate (II)**

Annual percentage changes

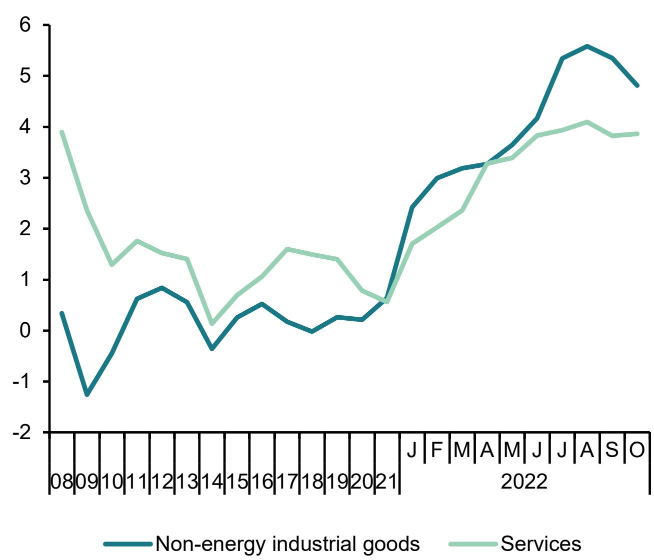


Table 13

## 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) | m² average price (M. Public Works) | | Total labour costs per worker | Wage costs per worker | Other cost per worker | Total labour costs per hour worked | |
| | | 2015=100 | 2015=100 | | 2007=100 | | | 2000=100 | | | | |
| 2014 | | 99.5 | 102.1 | 99.7 | 64.5 | 71.0 | 52.6 | 143.3 | 140.9 | 150.7 | 155.4 | -- |
| 2015 | | 100.0 | 100.0 | 100.0 | 66.8 | 71.7 | 54.9 | 144.2 | 142.5 | 149.6 | 156.5 | -- |
| 2016 | | 100.3 | 96.9 | 99.6 | 70.0 | 73.1 | 57.8 | 143.6 | 142.1 | 148.4 | 156.2 | -- |
| 2017 | | 101.6 | 101.1 | 101.9 | 74.3 | 74.8 | 58.2 | 144.0 | 142.3 | 149.1 | 156.2 | -- |
| 2018 | | 102.9 | 104.1 | 103.0 | 79.3 | 77.4 | 57.3 | 145.4 | 143.8 | 150.6 | 158.5 | -- |
| 2019 | | 104.4 | 103.6 | 103.2 | 83.3 | 79.8 | 57.7 | 148.7 | 146.4 | 155.7 | 162.7 | -- |
| 2020 | | 105.7 | 99.2 | 103.1 | 85.0 | 78.9 | 52.3 | 145.4 | 142.6 | 154.1 | 173.4 | -- |
| 2021 | | 108.1 | 116.4 | 110.4 | 88.2 | 80.6 | 54.3 | 153.9 | 151.5 | 161.5 | 172.3 | -- |
| 2022 (b) | | 111.0 | 157.1 | 124.5 | 93.6 | 84.5 | 58.4 | 158.2 | 155.8 | 165.8 | 169.2 | -- |
| 2020 | IV | 106.5 | 99.9 | 103.6 | 85.0 | 78.9 | 51.0 | 155.5 | 154.4 | 159.1 | 180.6 | -- |
| 2021 | I | 106.9 | 104.0 | 106.2 | 85.4 | 79.0 | 49.0 | 147.3 | 142.9 | 160.7 | 163.4 | -- |
| | II | 106.8 | 110.3 | 109.5 | 87.5 | 80.2 | 58.3 | 156.4 | 154.6 | 161.8 | 170.8 | -- |
| | III | 108.1 | 118.2 | 111.4 | 89.3 | 80.8 | 52.4 | 149.7 | 146.2 | 160.3 | 175.2 | -- |
| | IV | 110.5 | 132.9 | 114.4 | 90.4 | 82.4 | 57.5 | 162.5 | 162.2 | 163.3 | 179.6 | -- |
| 2022 | I | 110.4 | 147.1 | 119.6 | 92.7 | 84.3 | 58.3 | 154.2 | 150.3 | 166.2 | 165.5 | -- |
| | II | 110.6 | 158.7 | 126.4 | 94.5 | 84.6 | 58.4 | 162.3 | 161.3 | 165.3 | 172.8 | -- |
| | III (b) | 112.0 | 165.4 | 127.4 | -- | -- | -- | -- | -- | -- | -- | -- |
| 2022 | Jul | -- | 162.5 | 127.2 | -- | -- | -- | -- | -- | -- | -- | -- |
| | Aug | -- | 166.9 | 127.4 | -- | -- | -- | -- | -- | -- | -- | -- |
| | Sep | -- | 166.9 | 127.6 | -- | -- | -- | -- | -- | -- | -- | -- |
| | | | | | | Annual percent changes (c) | | | | | | |
| 2014 | | -0.2 | -1.3 | -0.8 | 0.3 | -2.4 | -4.6 | -0.3 | -0.1 | -1.0 | 0.1 | 0.5 |
| 2015 | | 0.5 | -2.1 | 0.3 | 3.6 | 1.1 | 4.3 | 0.6 | 1.1 | -0.7 | 0.6 | 0.7 |
| 2016 | | 0.3 | -3.1 | -0.4 | 4.7 | 1.9 | 5.3 | -0.4 | -0.3 | -0.8 | -0.1 | 1.0 |
| 2017 | | 1.3 | 4.4 | 2.3 | 6.2 | 2.4 | 0.8 | 0.2 | 0.1 | 0.5 | 0.0 | 1.4 |
| 2018 | | 1.2 | 3.0 | 1.1 | 6.7 | 3.4 | -1.6 | 1.0 | 1.0 | 1.0 | 1.5 | 1.8 |
| 2019 | | 1.4 | -0.4 | 0.1 | 5.1 | 3.2 | 0.7 | 2.2 | 1.9 | 3.4 | 2.6 | 2.3 |
| 2020 | | 1.2 | -4.3 | 0.0 | 2.1 | -1.1 | -9.4 | -2.2 | -2.6 | -1.0 | 6.6 | 1.9 |
| 2021 | | 2.3 | 17.3 | 7.0 | 3.7 | 2.1 | 3.7 | 5.9 | 6.3 | 4.8 | -0.6 | 1.5 |
| 2022 (d) | | 3.5 | 41.8 | 14.2 | 8.3 | 6.1 | 8.8 | 4.2 | 4.7 | 2.8 | 1.2 | 2.6 |
| 2021 | I | 1.8 | 2.6 | 2.6 | 0.9 | -0.9 | -16.9 | 1.4 | 1.0 | 2.6 | 3.1 | 1.6 |
| | II | 1.4 | 14.5 | 6.7 | 3.3 | 2.4 | 16.3 | 13.2 | 14.4 | 9.9 | -5.3 | 1.6 |
| | III | 2.2 | 19.1 | 8.4 | 4.2 | 2.6 | 6.2 | 4.9 | 5.0 | 4.4 | 0.6 | 1.5 |
| | IV | 3.8 | 33.1 | 10.4 | 6.4 | 4.4 | 12.7 | 4.5 | 5.1 | 2.7 | -0.5 | 1.5 |
| 2022 | I | 3.3 | 41.5 | 12.7 | 8.5 | 6.7 | 19.1 | 4.7 | 5.2 | 3.4 | 1.3 | 2.4 |
| | II | 3.6 | 43.9 | 15.4 | 8.0 | 5.5 | 0.2 | 3.8 | 4.3 | 2.2 | 1.2 | 2.5 |
| | III | 3.7 | 40.0 | 14.3 | -- | -- | -- | -- | -- | -- | -- | 2.6 |
| | IV (e) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2.6 |
| 2022 | Aug | -- | 42.9 | 14.4 | -- | -- | -- | -- | -- | -- | -- | 2.6 |
| | Sep | -- | 35.6 | 14.0 | -- | -- | -- | -- | -- | -- | -- | 2.6 |
| | Oct | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2.6 |

*(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)

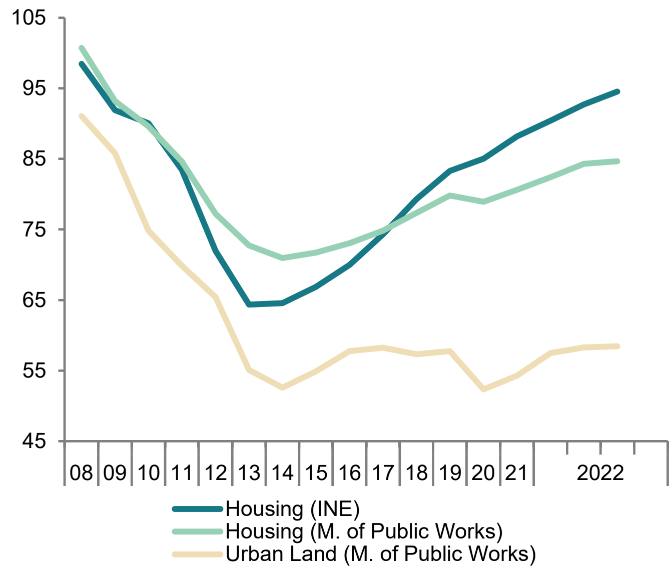



**Chart 13.2 - Wage costs**

Annual percent change

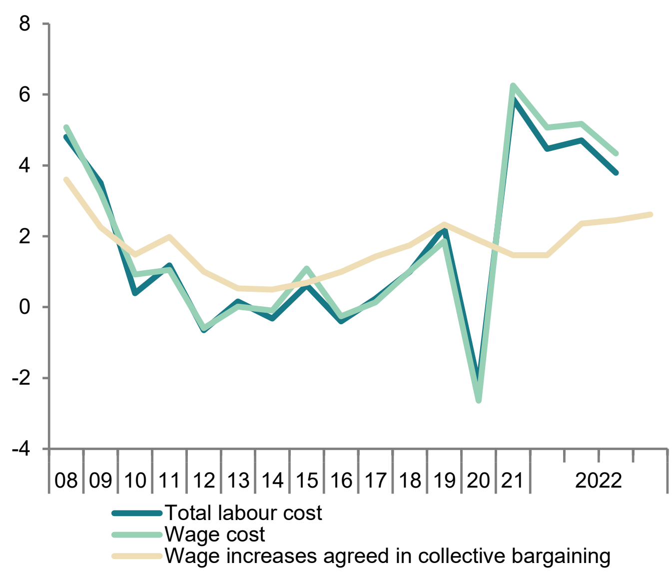


Table 14

## 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 | | | | |
| 2015 | | 161.2 | 110.1 | 146.5 | 118.0 | 104.6 | 112.9 | 12.0 | 8.9 | -2.1 | 0.2 | 0.2 |
| 2016 | | 165.4 | 108.2 | 153.0 | 117.5 | 101.3 | 116.1 | 12.5 | 8.8 | -1.4 | 0.3 | 0.4 |
| 2017 | | 178.2 | 108.9 | 163.7 | 129.8 | 106.1 | 122.4 | 13.6 | 9.5 | -2.2 | 0.0 | 0.6 |
| 2018 | | 184.0 | 112.1 | 164.2 | 137.2 | 110.9 | 123.8 | 14.1 | 9.7 | -2.9 | -0.3 | 0.7 |
| 2019 | | 187.7 | 112.9 | 166.3 | 138.4 | 110.8 | 125.0 | 14.3 | 9.9 | -2.6 | -0.3 | 0.8 |
| 2020 | | 170.1 | 112.1 | 151.8 | 118.9 | 107.4 | 110.8 | 13.2 | 8.8 | -1.1 | 0.3 | 1.3 |
| 2021 | | 204.3 | 120.9 | 168.9 | 147.6 | 118.1 | 125.0 | 16.3 | 10.1 | -2.2 | 0.1 | 2.1 |
| 2022(b) | | 252.6 | 142.3 | 177.5 | 198.9 | 147.7 | 134.7 | 19.8 | 12.0 | -5.9 | -1.2 | 3.2 |
| 2022 | IV | 180.9 | 112.5 | 160.8 | 123.8 | 107.4 | 115.2 | 14.0 | 9.2 | -0.7 | 0.5 | 1.2 |
| 2021 | I | 187.3 | 115.2 | 162.6 | 129.9 | 110.6 | 117.4 | 14.8 | 9.2 | -1.1 | 0.7 | 1.8 |
| | II | 208.8 | 119.4 | 174.9 | 145.8 | 115.8 | 125.9 | 16.4 | 10.3 | -1.4 | 0.5 | 1.9 |
| | III | 210.6 | 122.4 | 172.0 | 150.4 | 119.6 | 125.8 | 16.7 | 10.3 | -2.1 | 0.3 | 2.4 |
| | IV | 215.6 | 126.2 | 170.9 | 164.4 | 124.1 | 132.4 | 17.1 | 10.6 | -4.1 | -0.9 | 2.2 |
| 2022 | I | 232.9 | 136.7 | 170.4 | 181.0 | 140.5 | 128.8 | 19.1 | 10.8 | -5.1 | -1.2 | 3.1 |
| | II | 262.1 | 144.6 | 181.2 | 207.3 | 146.8 | 141.2 | 20.4 | 13.2 | -6.5 | -1.2 | 2.8 |
| | III | 262.9 | 145.3 | 180.9 | 208.2 | 155.3 | 134.1 | 21.1 | 12.6 | -6.5 | -1.4 | 3.4 |
| 2022 | Jul | 248.7 | 152.0 | 163.6 | 201.3 | 153.7 | 130.9 | 19.8 | 12.1 | -7.0 | -1.3 | 2.9 |
| | Aug | 275.8 | 142.1 | 194.1 | 219.6 | 155.8 | 140.9 | 22.1 | 13.2 | -7.1 | -2.2 | 3.5 |
| | Sep | 264.2 | 142.8 | 185.0 | 203.7 | 156.2 | 130.4 | 21.3 | 12.6 | -5.5 | -0.7 | 3.8 |
| | | Percentage changes (c) | | | | | | | | Percentage of GDP | | |
| 2015 | | 3.8 | 0.6 | 3.2 | 3.5 | -2.5 | 6.1 | 5.3 | 1.8 | -2.3 | 0.2 | 0.2 |
| 2016 | | 2.6 | -1.7 | 4.4 | -0.4 | -3.1 | 2.8 | 4.7 | -0.1 | -1.6 | 0.3 | 0.4 |
| 2017 | | 7.7 | 0.7 | 7.0 | 10.5 | 4.7 | 5.5 | 8.3 | 6.9 | -2.3 | 0.0 | 0.7 |
| 2018 | | 3.3 | 3.0 | 0.3 | 5.7 | 4.5 | 1.2 | 3.9 | 2.5 | -2.9 | -0.3 | 0.7 |
| 2019 | | 2.0 | 0.7 | 1.3 | 0.9 | -0.1 | 0.9 | 1.8 | 2.2 | -2.5 | -0.3 | 0.8 |
| 2020 | | -9.4 | -0.7 | -8.8 | -14.1 | -3.1 | -11.4 | -8.2 | -11.1 | -1.2 | 0.3 | 1.4 |
| 2021 | | 20.1 | 7.9 | 11.3 | 24.2 | 10.0 | 12.8 | 23.8 | 14.5 | -2.2 | 0.1 | 2.0 |
| 2022(d) | | 24.7 | 18.9 | 4.8 | 39.8 | 26.4 | 10.6 | 21.4 | 22.7 | -- | -- | -- |
| 2022 | IV | 2.6 | 1.8 | 0.7 | 3.0 | 1.8 | 1.1 | 1.1 | 4.9 | -0.8 | 0.5 | 1.3 |
| 2021 | I | 3.5 | 2.4 | 1.1 | 5.0 | 3.0 | 1.9 | 6.4 | -0.8 | -1.1 | 0.7 | 1.8 |
| | II | 11.5 | 3.6 | 7.6 | 12.3 | 4.7 | 7.2 | 10.8 | 12.6 | -1.5 | 0.5 | 1.9 |
| | III | 0.9 | 2.6 | -1.6 | 3.2 | 3.2 | -0.1 | 1.6 | -0.2 | -2.0 | 0.2 | 2.3 |
| | IV | 2.4 | 3.0 | -0.7 | 9.3 | 3.8 | 5.3 | 2.2 | 2.5 | -3.9 | -0.8 | 2.1 |
| 2022 | I | 8.0 | 8.4 | -0.3 | 10.1 | 13.2 | -2.8 | 11.8 | 1.8 | -4.8 | -1.1 | 2.9 |
| | II | 12.5 | 5.8 | 6.4 | 14.6 | 4.5 | 9.7 | 6.8 | 22.8 | -6.0 | -1.1 | 2.6 |
| | III | 0.3 | 0.5 | -0.2 | 0.4 | 5.8 | -5.1 | 3.3 | -4.3 | -6.0 | -1.3 | 3.1 |
| 2022 | Jul | -4.6 | 9.9 | -13.3 | -2.4 | 9.3 | -10.7 | -0.4 | -10.8 | -- | -- | -- |
| | Aug | 10.9 | -6.5 | 18.6 | 9.1 | 1.4 | 7.6 | 11.9 | 9.3 | -- | -- | -- |
| | Sep | -4.2 | 0.5 | -4.7 | -7.3 | 0.2 | -7.5 | -3.7 | -5.0 | -- | -- | -- |

*(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)**

Year on year percent change

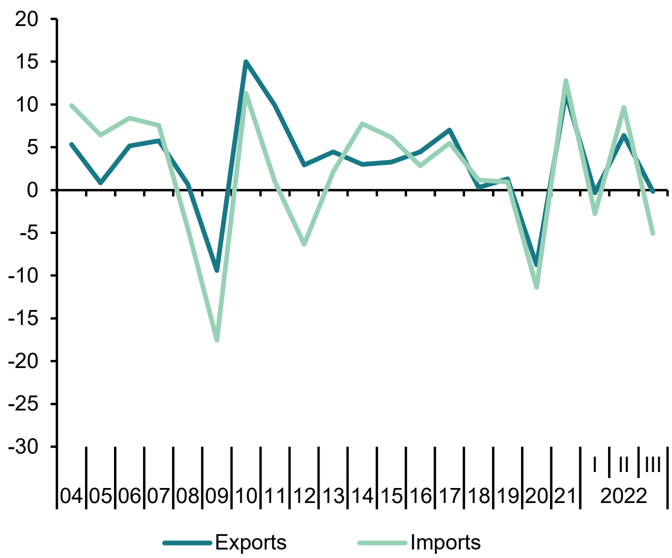



**Chart 14.2 - Trade balance**

EUR Billions, moving sum of 12 months

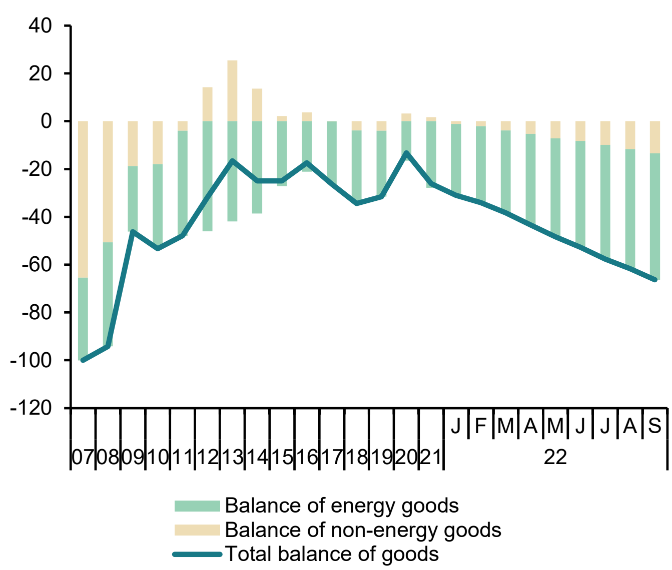


Table 15

## Balance of Payments (according to IMF manual)

(Net transactions)

| | | Current account | | | | | Capital account | Current and capital accounts | Financial account | | | | | | Errors and omissions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Financial account. excluding Bank of Spain | | | | | Bank of Spain | |
| | | Total | Goods | Services | Primary Income | Secondary Income | | | 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 | | | | | | | | | | | | | | | |
| 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 | | 32.21 | -22.04 | 63.93 | 0.44 | -10.13 | 2.84 | 35.05 | 68.01 | 12.46 | 25.08 | 22.74 | 7.72 | -32.63 | 0.33 |
| 2018 | | 22.61 | -29.31 | 62.00 | 1.73 | -11.81 | 5.81 | 28.42 | 46.64 | -16.87 | 15.13 | 49.43 | -1.05 | -14.25 | 3.98 |
| 2019 | | 26.24 | -26.63 | 63.24 | 2.20 | -12.58 | 4.22 | 30.45 | 10.07 | 7.95 | -49.96 | 59.17 | -7.09 | 15.76 | -4.63 |
| 2020 | | 6.79 | -8.63 | 24.92 | 2.74 | -12.24 | 5.13 | 11.93 | 90.94 | 17.66 | 48.60 | 31.58 | -6.91 | -81.88 | -2.87 |
| 2021 | | 11.52 | -19.71 | 37.63 | 6.34 | -12.74 | 10.91 | 22.44 | 7.48 | -16.92 | 2.42 | 19.00 | 2.97 | 16.03 | 1.07 |
| 2022 (a) | | -0.21 | -27.58 | 33.15 | 1.59 | -7.37 | 4.84 | 4.63 | 20.03 | 7.91 | -35.27 | 47.78 | -0.39 | -1.21 | 14.20 |
| 2020 | III | 1.06 | -2.68 | 7.43 | -0.94 | -2.75 | 0.89 | 1.95 | 13.58 | 7.95 | 4.64 | -0.98 | 1.98 | -0.54 | 11.09 |
| | IV | 5.43 | -0.69 | 5.30 | 3.96 | -3.15 | 2.78 | 8.20 | 6.23 | 2.14 | -7.38 | 11.19 | 0.28 | 5.70 | 3.73 |
| 2021 | I | -0.52 | -1.27 | 3.36 | 1.29 | -3.90 | 1.06 | 0.54 | 2.10 | -4.56 | 3.66 | 1.33 | 1.67 | -3.00 | -1.44 |
| | II | 2.26 | -1.11 | 6.27 | 0.78 | -3.68 | 1.78 | 4.04 | 24.11 | -16.20 | 15.43 | 24.71 | 0.16 | -14.40 | 5.66 |
| | III | 4.48 | -6.96 | 13.93 | 0.40 | -2.89 | 3.00 | 7.48 | 7.05 | -2.24 | 2.20 | 6.41 | 0.68 | 6.88 | 6.45 |
| | IV | 5.30 | -10.37 | 14.07 | 3.87 | -2.27 | 5.07 | 10.37 | 13.38 | 6.14 | -6.16 | 16.97 | -3.57 | -3.72 | -0.71 |
| 2022 | I | -3.56 | -13.67 | 12.03 | 1.61 | -3.53 | 1.49 | -2.07 | -2.06 | -2.01 | -24.60 | 24.33 | 0.22 | 2.66 | 2.68 |
| | II | 3.35 | -13.92 | 21.12 | -0.02 | -3.84 | 3.35 | 6.70 | 22.09 | 9.93 | -10.68 | 23.46 | -0.62 | -3.87 | 11.52 |
| | | | Goods and Services | | Primary and Secondary Income | | | | | | | | | | |
| 2022 | Jun | 0.50 | 1.97 | | -1.46 | | 1.54 | 2.04 | -13.23 | -0.93 | -8.89 | -2.52 | -0.89 | 10.19 | -5.08 |
| | Jul | 1.34 | 3.39 | | -2.05 | | 0.95 | 2.29 | -24.22 | 0.13 | 2.86 | -28.07 | 0.86 | 22.07 | -4.44 |
| | Aug | -0.11 | 1.10 | | -1.21 | | 0.50 | 0.39 | 9.57 | -2.71 | -1.45 | 16.33 | -2.60 | -4.38 | 4.80 |
| Percentage of GDP | | | | | | | | | | | | | | | |
| 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 | -4.8 | -0.2 |
| 2017 | | 2.8 | -1.9 | 5.5 | 0.0 | -0.9 | 0.2 | 3.0 | 5.9 | 1.1 | 2.2 | 2.0 | 0.7 | -2.8 | 0.0 |
| 2018 | | 1.9 | -2.4 | 5.2 | 0.1 | -1.0 | 0.5 | 2.4 | 3.9 | -1.4 | 1.3 | 4.1 | -0.1 | -1.2 | 0.3 |
| 2019 | | 2.1 | -2.1 | 5.1 | 0.2 | -1.0 | 0.3 | 2.4 | 0.8 | 0.6 | -4.0 | 4.8 | -0.6 | 1.3 | -0.4 |
| 2020 | | 0.6 | -0.8 | 2.2 | 0.2 | -1.1 | 0.5 | 1.1 | 8.1 | 1.6 | 4.3 | 2.8 | -0.6 | -7.3 | -0.3 |
| 2021 | | 1.0 | -1.6 | 3.1 | 0.5 | -1.1 | 0.9 | 1.9 | 0.6 | -1.4 | 0.2 | 1.6 | 0.2 | 1.3 | 0.1 |
| 2022 (a) | | 0.0 | -4.3 | 5.2 | 0.2 | -1.1 | 0.8 | 0.7 | 3.1 | 1.2 | -5.5 | 7.4 | -0.1 | -0.2 | 2.2 |
| 2020 | III | 0.4 | -1.0 | 2.6 | -0.3 | -1.0 | 0.3 | 0.7 | 4.8 | 2.8 | 1.7 | -0.3 | 0.7 | -0.2 | 3.9 |
| | IV | 1.8 | -0.2 | 1.8 | 1.3 | -1.1 | 0.9 | 2.8 | 2.1 | 0.7 | -2.5 | 3.8 | 0.1 | 1.9 | 1.3 |
| 2021 | I | -0.2 | -0.5 | 1.2 | 0.5 | -1.4 | 0.4 | 0.2 | 0.8 | -1.6 | 1.3 | 0.5 | 0.6 | -1.1 | -0.5 |
| | II | 0.8 | -0.4 | 2.1 | 0.3 | -1.2 | 0.6 | 1.3 | 8.0 | -5.4 | 5.2 | 8.2 | 0.1 | -4.8 | 1.9 |
| | III | 1.5 | -2.3 | 4.7 | 0.1 | -1.0 | 1.0 | 2.5 | 2.4 | -0.7 | 0.7 | 2.1 | 0.2 | 2.3 | 2.2 |
| | IV | 1.6 | -3.2 | 4.3 | 1.2 | -0.7 | 1.5 | 3.1 | 4.1 | 1.9 | -1.9 | 5.2 | -1.1 | -1.1 | -0.2 |
| 2022 | I | -1.1 | -4.4 | 3.9 | 0.5 | -1.1 | 0.5 | -0.7 | -0.7 | -0.6 | -7.9 | 7.8 | 0.1 | 0.9 | 0.9 |
| | II | 1.0 | -4.2 | 6.4 | 0.0 | -1.2 | 1.0 | 2.0 | 6.7 | 3.0 | -3.2 | 7.1 | -0.2 | -1.2 | 3.5 |

*(a) Period with available data.*

*Source: Bank of Spain.*

**Chart 15.1 - Balance of payments: Current and capital accounts**

EUR Billions, 12-month cumulated

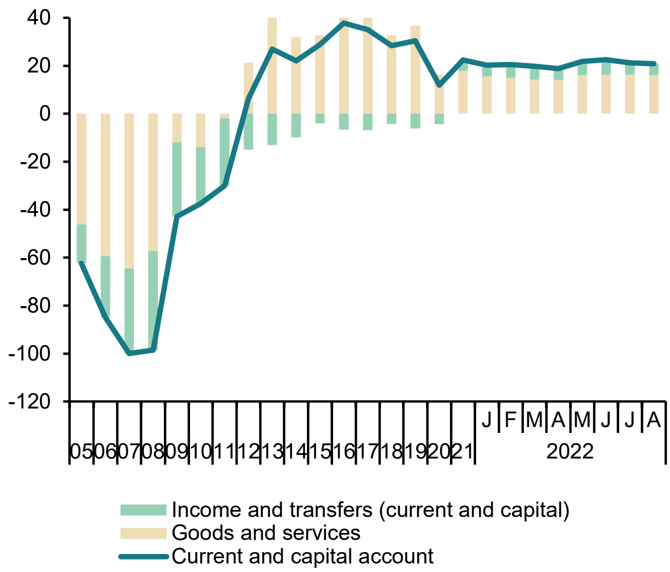



**Chart 15.2 - Balance of payments: Financial account**

EUR Billions, 12-month cumulated

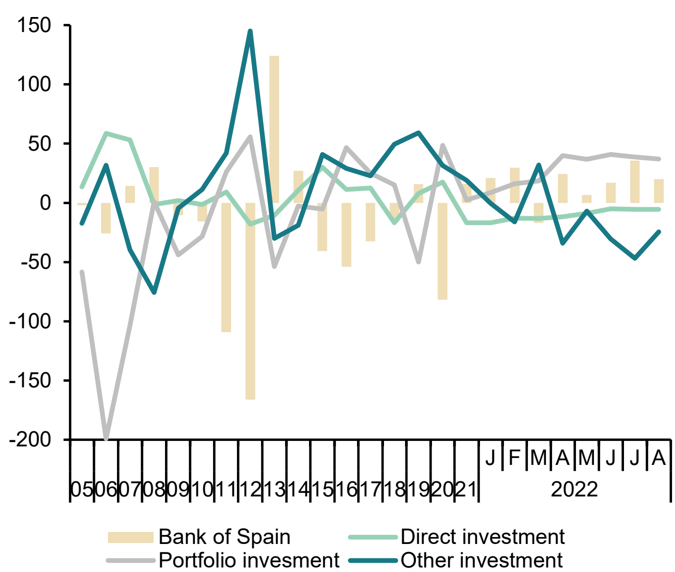


Table 16

## 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 |
| 2014 | | 102.2 | 99.7 | 102.6 | 100.6 | 100.0 | 100.7 | 102.1 | 102.8 | 99.3 | 112.2 |
| 2015 | | 99.4 | 99.9 | 99.4 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 107.8 |
| 2016 | | 98.1 | 96.7 | 101.4 | 99.7 | 100.3 | 99.4 | 96.9 | 97.9 | 98.9 | 108.0 |
| 2017 | | 97.7 | 96.4 | 101.4 | 101.7 | 101.8 | 99.9 | 101.2 | 100.7 | 100.5 | 109.7 |
| 2018 | | 97.4 | 93.3 | 104.4 | 103.5 | 103.6 | 99.9 | 103.8 | 103.3 | 100.4 | 110.5 |
| 2019 | | 97.6 | 94.0 | 103.9 | 104.3 | 104.8 | 99.5 | 103.4 | 103.7 | 99.8 | 109.1 |
| 2020 | | 95.4 | 93.3 | 102.2 | 103.9 | 105.1 | 98.9 | 99.8 | 101.2 | 98.6 | 108.5 |
| 2021 | | 97.1 | 94.9 | 102.4 | 107.0 | 107.8 | 99.3 | 114.6 | 111.0 | 106.2 | 108.9 |
| 2022 (b) | | -- | -- | -- | 115.7 | 116.0 | 99.7 | 148.0 | 138.8 | 106.7 | 108.7 |
| 2020 | IV | -- | -- | -- | 104.1 | 105.0 | 99.1 | 100.4 | 101.4 | 99.0 | 109.3 |
| 2021 | I | -- | -- | -- | 104.1 | 105.8 | 98.4 | 104.1 | 104.1 | 100.1 | 108.2 |
| | II | -- | -- | -- | 106.9 | 107.4 | 99.5 | 109.5 | 107.2 | 102.2 | 109.5 |
| | III | -- | -- | -- | 106.9 | 108.0 | 99.0 | 116.3 | 112.2 | 103.7 | 108.3 |
| | IV | -- | -- | -- | 110.2 | 109.9 | 100.3 | 128.3 | 120.4 | 106.6 | 109.4 |
| 2022 | I | -- | -- | -- | 112.3 | 112.3 | 100.0 | 139.8 | 130.5 | 107.2 | 108.9 |
| | II | -- | -- | -- | 116.5 | 116.1 | 100.4 | 149.7 | 138.1 | 108.4 | 109.2 |
| | III | -- | -- | -- | 117.6 | 118.1 | 99.6 | 154.5 | 147.7 | 104.6 | 107.8 |
| 2022 | Aug | -- | -- | -- | 117.8 | 117.9 | 100.0 | 155.5 | 148.8 | 104.5 | 108.0 |
| | Sep | -- | -- | -- | 117.6 | 119.3 | 98.6 | 155.5 | 150.4 | 103.4 | 107.0 |
| | Oct | -- | -- | -- | 117.6 | 121.0 | 97.2 | -- | -- | -- | -- |
| | | Annual percentage changes | | | | | Differential | Annual percentage changes | | Differential | Annual percentage changes |
| 2014 | | -1.7 | 0.2 | -1.9 | -0.2 | 0.4 | -0.6 | -1.3 | -1.5 | 0.2 | 13.0 |
| 2015 | | -2.8 | 0.2 | -3.0 | -0.6 | 0.0 | -0.6 | -2.0 | -2.8 | 0.8 | -3.9 |
| 2016 | | -1.3 | -3.2 | 2.0 | -0.3 | 0.3 | -0.6 | -3.1 | -2.1 | -1.0 | 0.2 |
| 2017 | | -0.4 | -0.4 | 0.0 | 2.0 | 1.5 | 0.5 | 4.5 | 2.8 | 1.7 | 1.5 |
| 2018 | | -0.3 | -3.2 | 2.9 | 1.7 | 1.7 | 0.0 | 2.5 | 2.6 | -0.1 | 0.8 |
| 2019 | | 0.2 | 0.7 | -0.5 | 0.8 | 1.2 | -0.4 | -0.3 | 0.4 | -0.6 | -1.3 |
| 2020 | | -2.3 | -0.7 | -1.6 | -0.3 | 0.3 | -0.6 | -3.6 | -2.5 | -0.8 | -0.6 |
| 2021 | | 1.8 | 1.6 | 0.1 | 3.0 | 2.6 | 0.4 | 14.8 | 9.7 | 5.1 | 0.4 |
| 2022 (c) | | -- | -- | -- | 8.8 | 8.1 | 0.7 | 39.2 | 29.3 | 9.9 | 0.2 |
| 2020 | IV | -- | -- | -- | -0.8 | -0.3 | -0.5 | -0.8 | -0.3 | -0.5 | 0.4 |
| 2021 | I | -- | -- | -- | 0.5 | 1.1 | -0.6 | 2.5 | 1.2 | 1.3 | 0.4 |
| | II | -- | -- | -- | 2.3 | 1.8 | 0.5 | 12.5 | 7.3 | 5.2 | 0.9 |
| | III | -- | -- | -- | 3.4 | 2.8 | 0.6 | 16.6 | 11.5 | 5.1 | 0.1 |
| | IV | -- | -- | -- | 5.8 | 4.6 | 1.2 | 27.8 | 18.8 | 9.0 | 0.1 |
| 2022 | I | -- | -- | -- | 7.9 | 6.1 | 1.8 | 34.3 | 25.4 | 8.9 | 0.7 |
| | II | -- | -- | -- | 8.9 | 8.0 | 0.9 | 36.7 | 28.9 | 7.8 | -0.3 |
| | III | -- | -- | -- | 10.0 | 9.3 | 0.7 | 32.9 | 31.6 | 1.3 | -0.4 |
| 2022 | Aug | -- | -- | -- | 10.5 | 9.1 | 1.4 | 35.0 | 33.1 | 1.9 | 0.0 |
| | Sep | -- | -- | -- | 9.0 | 9.9 | -0.9 | 29.4 | 31.9 | -2.5 | -1.8 |
| | Oct | -- | -- | -- | 7.3 | 10.6 | -3.3 | -- | -- | -- | -- |

*(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

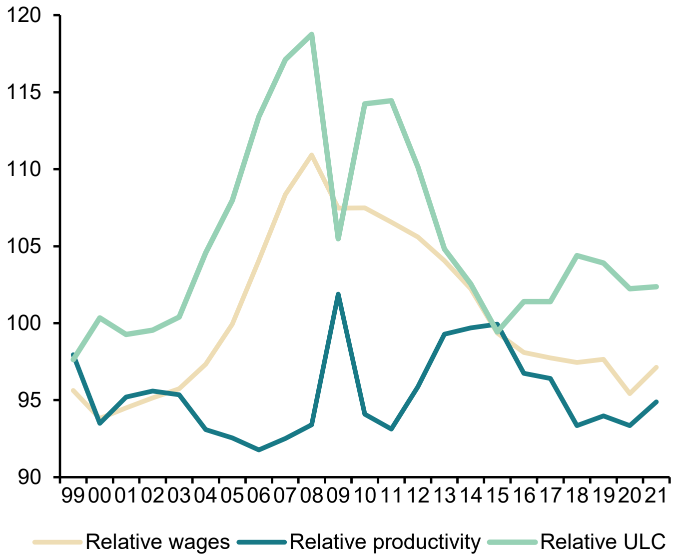



**Chart 16.2 - Harmonized Consumer Prices**

Annual growth in % and percentage points

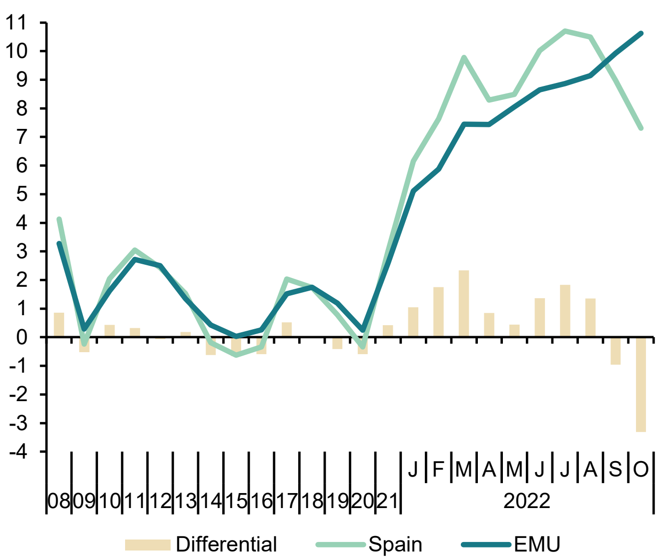


Table 17a

## Imbalances: International comparison (I)

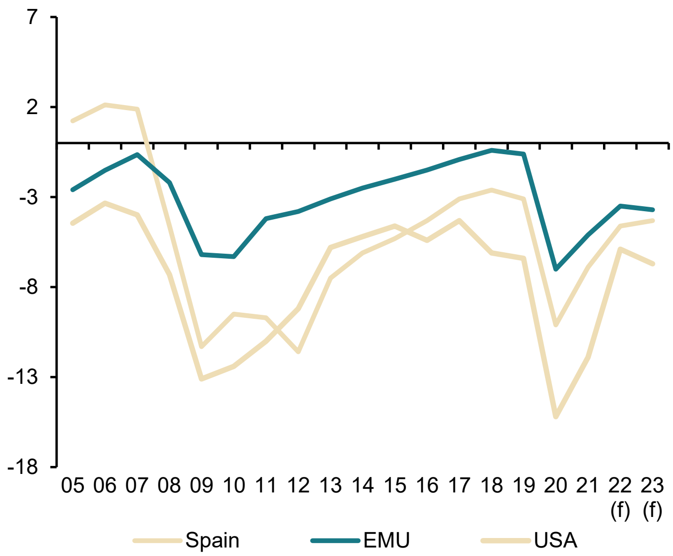
(In yellow: European Commission Forecasts)

| | 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 | | | | | | | | |
| 2008 | -50.7 | -207.9 | -1,084.5 | 440.6 | 6,723.6 | 10,699.8 | -98.8 | -62.2 | -704.2 |
| 2009 | -120.6 | -578.8 | -1,896.6 | 569.5 | 7,466.8 | 12,311.3 | -43.7 | 47.3 | -383.1 |
| 2010 | -102.2 | -598.7 | -1,863.1 | 649.2 | 8,215.0 | 14,025.2 | -39.2 | 51.6 | -439.8 |
| 2011 | -103.6 | -416.0 | -1,709.1 | 743.0 | 8,677.1 | 15,222.9 | -29.0 | 77.2 | -460.3 |
| 2012 | -119.1 | -374.0 | -1,493.3 | 927.8 | 9,172.9 | 16,432.7 | 0.9 | 211.5 | -423.9 |
| 2013 | -76.8 | -305.1 | -977.3 | 1,025.7 | 9,502.3 | 17,352.0 | 20.8 | 271.4 | -352.1 |
| 2014 | -63.1 | -253.1 | -910.4 | 1,084.8 | 9,745.8 | 18,141.4 | 17.5 | 314.9 | -376.2 |
| 2015 | -57.2 | -209.1 | -837.2 | 1,113.7 | 9,866.3 | 18,922.2 | 21.8 | 351.6 | -424.7 |
| 2016 | -47.9 | -159.0 | -1,010.1 | 1,145.1 | 10,041.3 | 19,976.8 | 35.4 | 383.7 | -403.7 |
| 2017 | -36.2 | -105.0 | -833.7 | 1,183.4 | 10,127.9 | 20,492.7 | 32.2 | 400.3 | -371.4 |
| 2018 | -31.2 | -49.8 | -1,261.8 | 1,208.9 | 10,239.8 | 21,974.1 | 22.6 | 408.1 | -441.2 |
| 2019 | -38.1 | -76.2 | -1,363.9 | 1,223.4 | 10,325.8 | 23,201.4 | 26.2 | 328.5 | -452.6 |
| 2020 | -113.2 | -807.2 | -3,198.8 | 1,345.8 | 11,388.6 | 27,747.8 | 6.8 | 295.2 | -592.5 |
| 2021 | -82.9 | -629.8 | -2,772.4 | 1,427.2 | 12,012.1 | 29,617.2 | 11.5 | 425.0 | -861.4 |
| 2022 | -60.5 | -460.1 | -1,494.9 | 1,487.7 | 12,498.8 | 31,153.7 | 11.2 | 200.7 | -966.5 |
| 2023 | -59.5 | -518.1 | -1,761.8 | 1,546.2 | 13,019.9 | 32,925.6 | 11.5 | 264.2 | -848.8 |
| | Percentage of GDP | | | | | | | | |
| 2008 | -4.6 | -2.2 | -7.3 | 39.7 | 69.5 | 72.4 | -8.9 | -0.6 | -4.8 |
| 2009 | -11.3 | -6.2 | -13.1 | 53.3 | 80.1 | 85.0 | -4.1 | 0.5 | -2.6 |
| 2010 | -9.5 | -6.3 | -12.4 | 60.5 | 85.7 | 93.2 | -3.7 | 0.5 | -2.9 |
| 2011 | -9.7 | -4.2 | -11.0 | 69.9 | 88.2 | 97.6 | -2.7 | 0.8 | -3.0 |
| 2012 | -11.6 | -3.8 | -9.2 | 90.0 | 92.8 | 101.1 | 0.1 | 2.2 | -2.6 |
| 2013 | -7.5 | -3.1 | -5.8 | 100.5 | 95.2 | 103.0 | 2.0 | 2.7 | -2.1 |
| 2014 | -6.1 | -2.5 | -5.2 | 105.1 | 95.4 | 103.4 | 1.7 | 3.1 | -2.1 |
| 2015 | -5.3 | -2.0 | -4.6 | 103.3 | 93.4 | 103.9 | 2.0 | 3.3 | -2.3 |
| 2016 | -4.3 | -1.5 | -5.4 | 102.7 | 92.4 | 106.9 | 3.2 | 3.5 | -2.2 |
| 2017 | -3.1 | -0.9 | -4.3 | 101.8 | 89.8 | 105.2 | 2.8 | 3.6 | -1.9 |
| 2018 | -2.6 | -0.4 | -6.1 | 100.4 | 87.9 | 107.0 | 1.9 | 3.5 | -2.1 |
| 2019 | -3.1 | -0.6 | -6.4 | 98.2 | 85.7 | 108.5 | 2.1 | 2.7 | -2.1 |
| 2020 | -10.1 | -7.0 | -15.2 | 120.4 | 99.0 | 131.8 | 0.6 | 2.6 | -2.8 |
| 2021 | -6.9 | -5.1 | -11.9 | 118.3 | 97.1 | 127.0 | 1.0 | 3.5 | -3.7 |
| 2022 | -4.6 | -3.5 | -5.9 | 114.0 | 93.6 | 122.8 | 0.9 | 1.5 | -3.8 |
| 2023 | -4.3 | -3.7 | -6.7 | 112.5 | 92.3 | 124.7 | 0.8 | 1.9 | -3.2 |

*Source: European Commission Forecasts, Autumn 2022.*

**Chart 17a.1 - Government deficit**

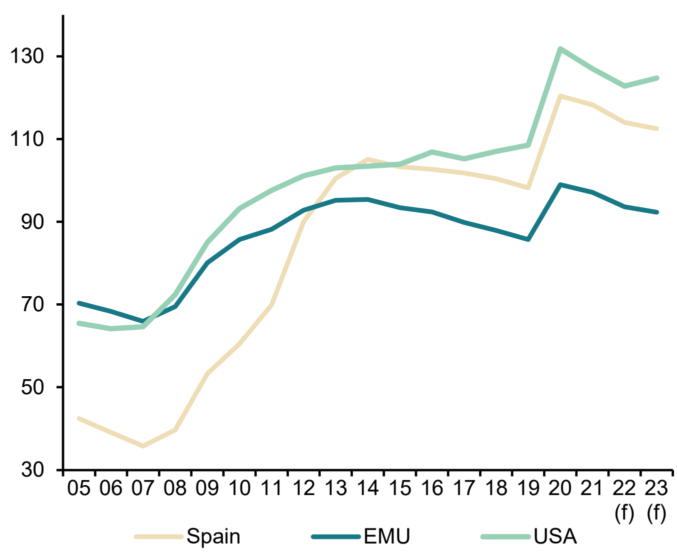
Percentage of GDP




*(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 | 4,771.1 | 12,115.6 | 954.1 | 7,267.9 | 8,187.1 |
| 2006 | 783.5 | 5,192.8 | 13,420.8 | 1,171.9 | 7,908.4 | 9,007.4 |
| 2007 | 879.3 | 5,560.9 | 14,350.6 | 1,371.6 | 8,667.1 | 10,141.9 |
| 2008 | 916.7 | 5,773.7 | 14,218.6 | 1,460.0 | 9,357.1 | 10,715.2 |
| 2009 | 908.9 | 5,880.4 | 14,056.7 | 1,473.5 | 9,441.3 | 10,197.5 |
| 2010 | 905.2 | 6,021.2 | 13,865.1 | 1,498.0 | 9,684.4 | 10,065.7 |
| 2011 | 877.9 | 6,104.2 | 13,734.6 | 1,458.3 | 10,072.9 | 10,302.9 |
| 2012 | 840.7 | 6,096.5 | 13,666.9 | 1,340.4 | 10,232.2 | 10,849.2 |
| 2013 | 793.4 | 6,057.5 | 13,899.1 | 1,268.5 | 10,263.5 | 11,363.0 |
| 2014 | 757.5 | 6,064.0 | 14,017.6 | 1,202.1 | 10,627.3 | 12,132.4 |
| 2015 | 733.1 | 6,127.4 | 14,190.1 | 1,183.8 | 11,175.9 | 12,944.7 |
| 2016 | 718.3 | 6,232.4 | 14,600.4 | 1,166.6 | 11,517.3 | 13,598.3 |
| 2017 | 710.8 | 6,394.5 | 15,145.3 | 1,147.0 | 11,701.1 | 14,562.6 |
| 2018 | 709.4 | 6,582.4 | 15,600.5 | 1,144.6 | 12,108.0 | 15,546.3 |
| 2019 | 707.5 | 6,811.0 | 16,090.6 | 1,160.9 | 12,511.1 | 16,306.3 |
| 2020 | 700.8 | 7,000.8 | 16,705.6 | 1,212.1 | 13,056.0 | 17,805.1 |
| 2021 | 704.6 | 7,294.1 | 17,942.9 | 1,255.3 | 13,590.5 | 18,649.3 |
| | | | Percentage of GDP | | | |
| 2005 | 70.8 | 56.5 | 92.9 | 102.9 | 86.0 | 62.8 |
| 2006 | 78.0 | 58.4 | 97.1 | 116.7 | 88.9 | 65.2 |
| 2007 | 81.8 | 59.2 | 99.1 | 127.5 | 92.3 | 70.1 |
| 2008 | 82.6 | 60.0 | 96.3 | 131.6 | 97.2 | 72.5 |
| 2009 | 85.0 | 63.4 | 97.1 | 137.8 | 101.9 | 70.4 |
| 2010 | 84.4 | 63.2 | 92.1 | 139.6 | 101.5 | 66.9 |
| 2011 | 82.5 | 62.3 | 88.0 | 137.1 | 102.8 | 66.0 |
| 2012 | 81.5 | 62.0 | 84.1 | 130.0 | 104.0 | 66.7 |
| 2013 | 77.7 | 61.0 | 82.5 | 124.3 | 103.3 | 67.5 |
| 2014 | 73.4 | 59.6 | 79.9 | 116.4 | 104.5 | 69.1 |
| 2015 | 68.0 | 58.2 | 77.9 | 109.8 | 106.2 | 71.1 |
| 2016 | 64.5 | 57.6 | 78.1 | 104.7 | 106.4 | 72.7 |
| 2017 | 61.1 | 57.0 | 77.7 | 98.7 | 104.2 | 74.8 |
| 2018 | 58.9 | 56.7 | 76.0 | 95.1 | 104.4 | 75.7 |
| 2019 | 56.8 | 56.8 | 75.3 | 93.2 | 104.4 | 76.3 |
| 2020 | 62.7 | 61.1 | 80.0 | 108.4 | 113.9 | 85.2 |
| 2021 | 58.4 | 59.2 | 78.0 | 104.0 | 110.3 | 81.1 |

*(a) Loans and debt securities.*

*Sources: Eurostat and Federal Reserve.*

**Chart 17b.1 - Household debt**

Percentage of GDP

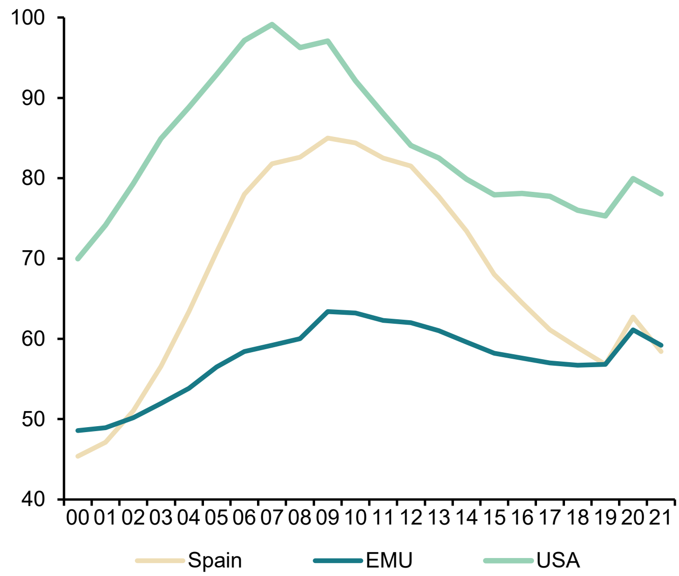
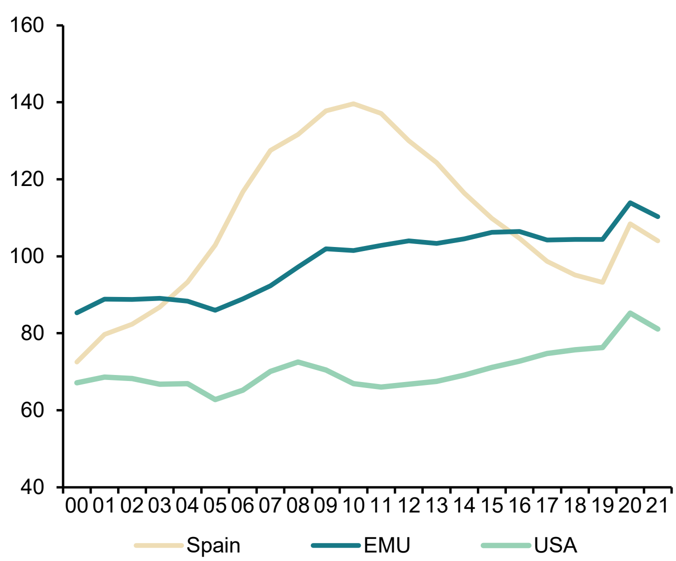



**Chart 17b.2 - Non-financial corporations debt**

Percentage of GDP



# 50 Financial System Indicators

Updated: November 15th, 2022

## Highlights

| Indicator | Last value available | Corresponding to: |
|---|---|---|
| Bank lending to other resident sectors (monthly average % var.) | -0.6 | August 2022 |
| Other resident sectors' deposits in credit institutions (monthly average % var.) | -0.1 | August 2022 |
| Doubtful loans (monthly % var.) | -0.4 | August 2022 |
| Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros) | 2,116,068 | October 2022 |
| Recourse to the Eurosystem L/T (Spanish financial institutions, million euros) | 289,668 | October 2022 |
| Recourse to the Eurosystem (Spanish financial institutions million euros)<br>- Main refinancing operations | 16 | October 2022 |
| "Operating expenses/gross operating income" ratio (%) | 46.74 | June 2022 |
| "Customer deposits/employees" ratio (thousand euros) | 13,574.33 | June 2022 |
| "Customer deposits/branches" ratio (thousand euros) | 123,229.69 | June 2022 |
| "Branches/institutions" ratio | 123.58 | June 2022 |

## A. Money and Interest Rates

| Indicator | Source | Average 2001-2019 | 2020 | 2021 | 2022 October | 2022 15 November | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 1. Monetary Supply (% chg.) | ECB | 5.1 | 12.3 | 6.9 | - | - | M3 aggregate change (non-stationary) |
| 2. Three-month interbank interest rate | Bank of Spain | 1.4 | -0.545 | -0.572 | 1.704 | 1.791 | Daily data average |
| 3. One-year Euribor interest rate (from 1994) | Bank of Spain | 1.8 | -0.499 | -0.501 | 2.630 | 2.867 | End-of-month data |
| 4. Ten-year Treasury bonds interest rate (from 1998) | Bank of Spain | 3.4 | 0.03 | 0.5 | 3.1 | 3.1 | Market interest rate (not exclusively between account holders) |
| 5. Corporate bonds average interest rate | Bank of Spain | 3.8 | 1.3 | - | - | - | End-of-month straight bonds average interest rate (> 2 years) in the AIAF market |

*Comment on "Money and Interest Rates": Monetary authorities have shown increased concerns over inflation and maintain restrictive monetary policies. They have reacted by increasing interest rates and are expected to continue lifting them. The 1-year interbank rate went from 2.630% in October to 2.867% in mid-November and the 3-month Euribor increased from 1.704% to 1.791% over the same period. As for the Spanish 10-year bond yield, it remained at 3.1%.*

B. Financial Markets

| Indicator | Source | Average 2001-2019 | 2020 | 2021 | 2022 August | 2022 September | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 6. Outright spot treasury bills transactions trade ratio | Bank of Spain | 36.1 | 28.8 | 27.9 | 33.49 | 31.51 | (Traded amount/outstanding balance) x100 in the market (not exclusively between account holders) |
| 7. Outright spot government bonds transactions trade ratio | Bank of Spain | 23.3 | 18.5 | 14.1 | 10.33 | 13.13 | (Traded amount/outstanding balance) x100 in the market (not exclusively between account holders) |
| 8. Outright forward treasury bills transactions trade ratio | Bank of Spain | 0.4 | 0.34 | 0.04 | 0.01 | 1.30 | (Traded amount/outstanding balance) x100 in the market (not exclusively between account holders) |
| 9. Outright forward government bonds transactions trade ratio | Bank of Spain | 0.6 | 0.63 | 0.52 | 0.22 | 0.35 | (Traded amount/outstanding balance) in the market (not exclusively between account holders) |
| 10. Three-month maturity treasury bills interest rate | Bank of Spain | 0.4 | -0.54 | -0.62 | 0.13 | 0.71 | Outright transactions in the market (not exclusively between account holders) |
| 11. Government bonds yield index (Dec1987=100) | Bank of Spain | 1,309.5 | 1,289.02 | - | - | - | 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 | 0.1 | -0.6 | 1.3 | -3.1 | -6.7 | 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 | 2.1 | 10.7 | 0.5 | -27.7 | 27.1 | 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 | 1,000.5 | 718.9 | 861.3 | 785.13 | 813.49 (a) | Base 1985=100 |
| 15. IBEX-35 (Dec 1989=3000) | Bank of Spain and Madrid Stock Exchange | 9,656.7 | 7,347.3 | 8,771.5 | 7,886.10 | 8,188.4 (a) | Base dec1989=3000 |
| 16. Madrid Stock Exchange PER ratio (share value/profitability) | Bank of Spain and Madrid Stock Exchange | 15.4 | 15.1 | 21.1 | 13.2 | 16.1 (a) | Madrid Stock Exchange Ratio "share value/ capital profitability" |
| 17. Long-term bonds. Stock trading volume (% chg.) | Bank of Spain and Madrid Stock Exchange | 5.2 | 6.9 | - | - | - | Variation for all stocks |

## B. Financial Markets (continued)

| Indicator | Source | Average 2001-2019 | 2020 | 2021 | 2022 August | 2022 September | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 18. Commercial paper. Trading balance (% chg.) | Bank of Spain and AIAF | 1.6 | 1.8 | - | - | - | AIAF fixed-income market |
| 19. Commercial paper. Three-month interest rate | Bank of Spain and AIAF | 2.2 | 2.6 | - | - | - | AIAF fixed-income market |
| 20. IBEX-35 financial futures concluded transactions (% chg.) | Bank of Spain | 0.1 | 5.1 | 2.1 | -12.4 | 13.6 | IBEX-35 shares concluded transactions |
| 21. IBEX-35 financial options concluded transactions (%chg.) | Bank of Spain | 13.8 | 35.4 | 21.1 | 256.5 | 16.9 | IBEX-35 shares concluded transactions |

*(a) Last data published: September 15th, 2022.*

*Comment on "Financial Markets": The stock market maintained the upward path shown during the first half of October, increasing 3% in the period, despite substantial volatility. The IBEX-35 increased to 8,188 points. and the General Index of the Madrid Stock Exchange to 813. During September (last month available). there was a decrease in transactions of outright spot T-bills to 31.51 and an increase of spot government bonds transactions to 13.13. There was an increase in Ibex-35 futures of 13.6% and of options of 16.9%.*

## C. Financial Saving and Debt

| Indicator | Source | Average 2008-2019 | 2020 | 2021 | 2022 Q1 | 2022 Q2 | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 22. Net Financial Savings/GDP (National Economy) | Bank of Spain | -1.1 | 1.2 | 1.9 | 1.6 | 1.8 | Difference between financial assets and financial liabilities flows over GDP |
| 23. Net Financial Savings/GDP (Households and non-profit institutions) | Bank of Spain | 1.7 | 7.2 | 4.4 | 2.2 | 1.6 | 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 | 271.1 | 335.3 | 319.9 | 307.9 | 296.1 | 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 | 63.1 | 62.5 | 58.4 | 57.0 | 56.5 | Households and non-profit institutions debt over GDP |
| 26. Households and non-profit institutions balance: financial assets (quarterly average % chg.) | Bank of Spain | 0.9 | 1.8 | 2.7 | -1.0 | -0.2 | Total assets percentage change (financial balance) |
| 27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.) | Bank of Spain | -1.1 | 0.3 | 0.8 | -0.5 | 1.8 | Total liabilities percentage change (financial balance) |

*Comment on "Financial Savings and Debt": During 2022Q2. the financial savings to GDP in the overall economy increased to a rate of 1.8% of GDP. There was a decrease in the financial savings rate of households to 1.6%. The debt to GDP ratio of the economy fell to 296.1%. Finally. there was a decrease in the stock of financial assets on households' balance sheets of 0.2% and an increase of 1.8% in the stock of financial liabilities.*

## D. Credit institutions. Business Development

| Indicator | Source | Average 2001-2019 | 2020 | 2021 | 2022 July | 2022 August | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 28. Bank lending to other resident sectors (monthly average % var.) | Bank of Spain | 5.2 | -0.1 | 0.2 | -0.1 | -0.6 | 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 | 6.3 | 0.6 | 0.3 | -0.4 | -0.1 | Deposits percentage change for the sum of banks, savings banks and credit unions. |
| 30. Debt securities (monthly average % var.) | Bank of Spain | 8.8 | 0.8 | -0.7 | 1.7 | -0.04 | 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 | 7.9 | -0.2 | 0.1 | 0.4 | -0.2 | 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 | -2.0 | -1.9 | 0.5 | 2.5 | 2.5 | 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 | -0.4 | -0.8 | -0.4 | -0.9 | -0.4 | 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 | 2.2 | -0.4 | 0.6 | -9.3 | -12.4 | 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 | 6.7 | -0.3 | -0.1 | 0.6 | -0.3 | Equity percentage change for the sum of banks, savings banks and credit unions. |

*Comment on "Credit institutions. Business Development": The latest available data as of August show a decrease in bank credit to the private sector of 0.6%. Data also show a fall in financial institutions' deposit-taking of 0.1%. Holdings of debt securities decreased 0.04%. Doubtful loans decreased 0.4% compared to the previous month.*

## E. Credit institutions. Market Structure and Eurosystem Refinancing

| Indicator | Source | Average 2000-2019 | 2020 | 2021 | 2021 March | 2022 June | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 36. Number of Spanish credit institutions | Bank of Spain | 176 | 113 | 110 | 111 | 111 | 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 | 76 | 78 | 84 | 82 | 81 | Total number of foreign credit institutions operating in Spanish territory |
| 38. Number of employees | Bank of Spain | 229,219 | 175,185 | 164,101 | 164,101 (a) | 164,101 (a) | Total number of employees in the banking sector |
| 39. Number of branches | Bank of Spain | 36,919 | 22,589 | 19,015 | 18,467 | 18,025 | Total number of branches in the banking sector |
| 40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions) | Bank of Spain | 385,079 | 1,774,798 | 2,206,332 | 2,200,929 | 2,116,068 (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 | 82,081 | 260,971 | 289,545 | 289,689 | 289,668 (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 | 24,751 | 3 | 16 | 16 (b) | 16 (b) | Open market operations: main long term refinancing operations. Spain total |

*(a) Last data published: December 2021.*

*(b) Last data published: October 31$^{th}$, 2022.*

*Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In October 2022, recourse to Eurosystem funding by Spanish credit institutions reached 289.7 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 627 billion euros in October 2022 and 4.9 trillion euros for the entire Eurozone banking system.*

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

| Indicator | Source | Average 2000-2019 | 2020 | 2021 | 2022 Q1 | 2022 Q2 | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 43. "Operating expenses/gross operating income" ratio | Bank of Spain | 46.86 | 54.90 | 54.18 | 53.15 | 46.74 | 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 | 4,276.15 | 11,173.92 | 12,137.18 | 13,310.65 | 13,574.33 | Productivity indicator (business by employee) |
| 45. "Customer deposits/ branches" ratio (Euro thousands) | Bank of Spain | 28,156.84 | 89,952.10 | 111,819.77 | 118,280.77 | 123,229.69 | Productivity indicator (business by branch) |

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

| Indicator | Source | Average 2000-2019 | 2020 | 2021 | 2022 Q1 | 2022 Q2 | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 46. "Branches/institutions" ratio | Bank of Spain | 181.61 | 116.74 | 98.01 | 95.68 | 123.58 | Network expansion indicator |
| 47. "Employees/branches" ratio | Bank of Spain | 6.01 | 8.1 | 9.2 | 8.8 | 9.1 | Branch size indicator |
| 48. "Equity capital" (monthly average % var.) | Bank of Spain | 0.04 | -2.4 | 0.6 | 0.2 | 0.5 | Credit institutions equity capital variation indicator |
| 49. ROA | Bank of Spain | 0.41 | 0.4 | 0.5 | 0.4 | 0.5 | Profitability indicator, defined as the "pre-tax profit/average total assets" |
| 50. ROE | Bank of Spain | 5.55 | -0.7 | 6.9 | 5.3 | 7.7 | Profitability indicator, defined as the "pre-tax profit/equity capital" |

*Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2022Q2. there was a relative increase in the profitability of Spanish banks.*

# 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 (foreign-born) | New exits (born in Spain) |
| 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 | 47,450,795 | 43.6 | 19.4 | 79.6 | 85.1 | 53.5 | 29.8 | 15.2 | 523,618 | 41,708 |
| 2021 | 47,385,107 | 43.8 | 19.6 | 80.2 | 85.8 | 53.4 | 30.1 | 15.5 | 621,216 | 56,098 |
| 2022● | 47,435,597 | 44.1 | 20.0 | | | 53.5 | 30.7 | 15.8 | | |
| 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 | 1.6 |
| 2010 | 17,174 | 2.67 | 12.8 | 9.9 | 7.2 | 7.9 | 2.21 | 33.2 | 31.0 | 1.9 |
| 2012 | 17,434 | 2.63 | 13.7 | 9.9 | 7.2 | 6.7 | 2.23 | 33.8 | 31.7 | 2.0 |
| 2014 | 18,329 | 2.51 | 14.2 | 10.6 | 6.9 | 6.5 | 2.17 | 34.4 | 32.3 | 2.1 |
| 2015 | 18,376 | 2.54 | 14.6 | 10.7 | 7.3 | 6.5 | 2.08 | 34.8 | 32.7 | 2.3 |
| 2016 | 18,444 | 2.52 | 14.6 | 10.9 | 7.5 | 6.8 | 2.08 | 35.0 | 32.9 | 2.5 |
| 2017 | 18,512 | 2.52 | 14.2 | 11.4 | 7.4 | 7.0 | 2.11 | 35.3 | 33.2 | 2.7 |
| 2018 | 18,581 | 2.51 | 14.3 | 11.5 | 7.1 | 6.6 | 2.04 | 35.6 | 33.4 | 2.9 |
| 2019 | 18,697 | 2.52 | 14.9 | 11.2 | 7.1 | 6.7 | 1.95 | 36.0 | 33.9 | 3.1 |
| 2020 | 18,794 | 2.52 | 15.0 | 11.4 | 3.8 | 4.1 | 1.63 | 37.1 | 34.9 | 3.5 |
| 2021 | 18,919 | 2.50 | 15.6 | 11.0 | 6.3 | 5.6 | | | | 3.4 |
| 2022■ | 19,083 | 2.49 | | | | | | | | |
| 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 | 48.4 | 11.5 | 64.1 |
| 2020 | 31.2 | 1.13 | 1.47 | 47.6 | 10.3 | 65.8 |
| 2021 | 31.6 | 1.16 | 1.38 | | | |
| 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.*

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 (millions 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 | 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 | 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 | 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 | 4.32 |
| 2015 | 23.3 | 6.6 | 27.5 | 40.9 | 1,808,322 | 695,557 | 641,741 | 1,321,698 | 171,043 | 46,598 | 4.31 |
| 2016 | 22.4 | 6.6 | 28.1 | 40.7 | 1,780,377 | 687,595 | 652,471 | 1.303.252 | 190,143 | 47,579 | 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 | 4.24 |
| 2018 | 20.5 | 6.4 | 29.2 | 42.4 | 1,750,579 | 667,287 | 675,971 | 1,290,455 | 217,840 | 50,807 | 4.23 |
| 2019 | 19.3 | 6.3 | 30.3 | 44.7 | 1,749,597 | 673,740 | 706,533 | 1,296,379 | 237,118 | 53,053 | 4.26 |
| 2020 | 17.7 | 6.1 | 31.3 | 44.8 | 1,622,098 | 687,084 | 772,417 | 1,336,009 | 247,251 | 55,266● | 4.93● |
| 2021 | 16.4 | 5.8 | 32.3 | 46.7 | 1,622,919● | 691,437● | 776,664● | 1,338,304 | 258,991 | | |
| 2022■ | 16.1 | 5.7 | 32.6 | 49.3 | | | | | | | |
| Sources | LFS | LFS | LFS | LFS | MECD | MECD | MECD | MECD | MECD | MECD | MECD |

*LFS: Labor Force Survey.*

*MECD: Ministerio de Educación, Cultura y Deporte.*

● *Provisional data.*

■ *Data refer to January-June.*

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 | 1000 | 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 | 1,828,489 | 6,094,447 | 1,162 | 952,704 | 985 | 2,352,680 | 725 | 1,017,429 | 261,325 | 188,670 | 13,373 |
| 2021 | 922,856 | 6,165,349 | 1,190 | 949,765 | 994 | 2,353,987 | 740 | 969,412 | 262,177 | 184,378 | 11,892 |
| 2022 | 763,846■ | 6,240,652● | 1,253● | 951,715● | 1,035● | 2,350,826● | 778● | 884,949■ | 265,244■ | 181,068■ | 10,812■ |
| 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-August.*

*■ Data refer to January-July.*

Table 5

## Social protection: Health care

| | Expenditure | | Resources | | | | Satisfaction* | | Time on waiting list (days) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Public expenditure (% GDP) | Public expenditure (millions of €) | 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 | 6.1 | 67,344 | 1.8 | 0.8 | 3.0 | 0.6 | 6.4 | 7.0 | 71 | 59 |
| 2010 | 6.6 | 71,136 | 1.8 | 0.8 | 3.2 | 0.6 | 6.6 | 7.3 | 65 | 53 |
| 2012 | 6.3 | 64,734 | 1.8 | 0.8 | 3.1 | 0.6 | 6.6 | 7.5 | 76 | 53 |
| 2014 | 6.2 | 63,507 | 1.8 | 0.8 | 3.1 | 0.7 | 6.3 | 7.5 | 87 | 65 |
| 2015 | 6.2 | 66,489 | 1.9 | 0.8 | 3.2 | 0.7 | 6.4 | 7.5 | 89 | 58 |
| 2016 | 6.1 | 67,724 | 1.9 | 0.8 | 3.3 | 0.6 | 6.6 | 7.6 | 115 | 72 |
| 2017 | 6.0 | 69,312 | 1.9 | 0.8 | 3.4 | 0.6 | 6.7 | 7.5 | 106 | 66 |
| 2018 | 6.0 | 72,157 | 2.0 | 0.8 | 3.5 | 0.7 | 6.6 | 7.5 | 129 | 96 |
| 2019 | 6.1 | 75,929 | 2.0 | 0.8 | 3.5 | 0.7 | 6.74 | 7.63 | 115 | 81 |
| 2020 | 7.6● | 85,383● | 2.0 | 0.8 | 3.7 | 0.7 | | | 148 | 99 |
| 2021 | | | | | | | | | 121 | 75 |
| Sources | EUROSTAT | EUROSTAT | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS |

*INCLASNS: Indicadores clave del Sistema Nacional del Salud.*

** Average of population satisfaction measured on a scale of 1 to 10, where 1 means "totally unsatisfactory" and 10 "totally satisfactory".*

*● Provisional data.*

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# Notes

Orders or claims:

Funcas
Caballero de Gracia, 28
28013 Madrid (España)
Teléfono: 91 596 54 81
Fax: 91 596 57 96
publica@funcas.es
www.funcas.es

ISSN: 2254 - 3880
9772254388005

funcas