SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Perspectives on Spain's economy and fiscal consolidation

funcas

WHAT MATTERS

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Letter from the Editors

Sadly, the November issue of *Spanish and International Economic & Financial Outlook (SEFO)* is the second to be published in the last few years within the context of the outbreak of yet another geopolitical conflict – this time in Gaza. As a result, the economic environment is currently characterized by heightened uncertainty. The modest advance of the eurozone economy recorded in the second quarter has given way to a decline in the third quarter, and the most recent indicators point to a further contraction at the end of the year. The US economy seems to be holding up better to the impact of monetary policy tightening, with GDP rising in the third quarter. However, signs point to an exhaustion of some of the factors behind the rebound, such as stockpiled savings. China, for its part, continues to be weighed down by weakening domestic demand and the bursting of the real estate bubble. In parallel, given the intensification of trade tensions, the IMF has cut its forecast for international trade, a scenario which is particularly detrimental for open economies, such as those of the EU. Indeed, the European Commission has once again cut its GDP growth forecast for the EU, to 0.6% in 2023 and 1.3% in 2024.

Relatedly, we focus the November *SEFO* on the economic and fiscal outlook for Spain. The forecast for GDP growth has been revised to 2.4% in 2023, up 0.2% from our projection in July, underpinned by the strong momentum at the start of the year, driven mainly by internal demand. Both public and private consumption have picked up strongly. However, a slowdown is underway and will become more palpable in the near future, due to the weaker external context, the exhaustion of household excess savings and the delayed impact of higher interest rates. Economic growth is projected at 1.5% in 2024, down 0.1 percentage points from our previous forecast. Yet, the favourable growth differential with respect to other EU countries would be maintained. The let-up in CPI should gain traction once the impact of the reversal of the current anti-inflationary measures has dissipated. Spain's key source of vulnerability in the short- and medium-term is the country's fiscal imbalance at a time when sovereign borrowing costs are rising sharply. Hence the importance of taking advantage of the opportunity afforded by the prevailing economic growth to embark on a roadmap for fiscal consolidation.

Delving into the GDP outlook, we next explore the recent revisions by Spain's National Statistics Institute to growth figures. September's annual revision of Spain's national accounts data for the years 2020 to 2022 resulted in an upward adjustment to the initial forecast for GDP growth figures for 2021 and 2022, supported by substantial revisions to the components of GDP growth. The revised figures show that Spain reached pre-pandemic growth levels in the third quarter of 2022, and not the first quarter of 2023, as previously estimated. Indeed, as of the second quarter of 2023, Spanish GDP was actually 1.8% above the pre-crisis threshold, compared to the 0.4% improvement gleaned from the prior statistics. On the demand side, private consumption played a bigger role in underpinning GDP growth than initially expected. Meanwhile, export performance and investment in capital goods were less supportive than previously anticipated. On the supply side, the manufacturing sector made a stronger contribution than previously thought and wage compensation rose to a higher degree than originally estimated. On the positive side, it is worth highlighting the Spanish manufacturing sector's strong performance, in particular relative to the eurozone average. On the downside, the weakness observed in investment, in particular capital goods investment, is concerning, especially given Spain's sizeable funding allocation under the NGEU program.

In our exploration of the recent performance and outlook for Spanish GDP growth, we take a deep dive to examine the performance of one of Spain's key historical growth drivers – the tourism industry. The high expectations for the recovery in international tourism appear to have been met this summer by comparison with 2019, particularly in terms of average daily tourist expenditure. Although changing dynamics within the sector are worth consideration. Firstly, there have been some shifts across the traditional source markets. While France has performed well, increasing its market share, the UK and Germany have relinquished part of their market share, reducing the aggregate commanded by these three markets to 47.4%, relative to levels of around 49% back in 2019. This shift has been accompanied by an increase in tourists from the Americas, with higher purchasing power. As well, although there are notable doubts about the outlook for the Chinese economy, there is still considerable upside emerging from the fact that Chinese visitors, who also generally command above average purchasing power, may increase now that all COVID-related impediments on tourism have been removed (since August). These two trends support an encouraging outlook for the sector heading into 2024. Lastly, Catalonia has fared poorly relative to the other main destinations within Spain, which are all back to pre-pandemic levels. Among other factors, overtourism may be behind the weak results posted by Catalonia in terms of both tourist numbers and their average daily spend. It is still premature to ascertain whether those numbers are the result of a slower recovery or a change in international tourist preferences around this destination.

After years of expansionary fiscal policy, in part to counteract the effects of the pandemic crisis, the next segment of this *SEFO* analyses recent performance and the outlook for Spain's fiscal accounts. Growth in total state revenue is expected to slow from 6.7% to 5.8% in 2024, despite: (i) expiration at the end of 2023 of tax breaks on energy and food products worth 8.4 billion euros; and, (ii) a 6 billion euro boost from temporary taxes (on the financial and energy sectors and large fortunes) and a reduction in parent-subsidiary loss offsetting in 2024. Growth in public expenditure is forecast to slow from 5.0% to 3.8% in the coming year, also supported by the expiration of over 9.1 billion euros of professional and sector-specific assistance and fuel subsidies. However, wage and state pension increases will raise structural spending by around 12 billion euros in 2024. In short, delivery of the targeted budget deficit of 3.0% of GDP will prove a challenge for the new government in the year of reinstatement of the EU fiscal rules, severely limiting its ability to introduce new measures to support households or corporations in 2024 without running the risk of missing its deficit target. Moreover, the government will have to overcome additional obstacles on its path towards fiscal consolidation, including maintaining a cap on public spending in line with EU recommendations, servicing the higher interest burden on public debt, and financing growing pensions expenditure under the current inflationary climate, resulting in a greater opportunity cost for other necessary policies.

We next contextualize Spain's fiscal outlook by framing the scenario under the new paradigm of anticipated fiscal consolidation within the EU. Spain's public finances deteriorated as a result of the pandemic, with the deficit soaring to 10% of GDP and public debt levels reaching historical highs of 120% of GDP. Since then, the reactivation of the economy and significant growth in tax revenue helped to underpin improvement in the country's fiscal metrics; however, projections indicate Spain will record persistently high structural and overall deficits going forward unless further fiscal adjustments are implemented. As well, with the deactivation of the Stability and Growth Pact (SGP) escape clause in 2024, increased budget consolidation efforts will be needed in Spain. Meanwhile, the ongoing debate over the reform of EU fiscal rules is complicated by the divergent fiscal positions across EU countries as well as disparate views over the need for flexibility *versus* budget stability, resulting in increased challenges in reaching a consensus. In any event, under the anticipated stricter fiscal framework, fiscal consolidation in Spain will face significant hurdles, due to increased defence spending, investments designed to accelerate the energy and digital transitions, population ageing and climate change, which is expected to hit Spain particularly hard. Going forward, the EU should take a more active role in financing investments, while in parallel, Spain should accelerate progress on reforming the fiscal system, taking into consideration the particularities of the Spanish fiscal federalism framework.

The last section of this month's *SEFO* assesses the situation in the financial sector, taking into account some of the impacts related to the rapid rise in official rates that we have seen across global central banks, not least the ECB, over the past year and a half.

On the asset side of the balance sheet equation, we take a look at how the high interest environment has been affecting households' decisions on a key product for Spanish banks – mortgages. After 18 months of rate tightening, marked by an accumulated increase of over 4pp, the increases have by now been passed through to virtually all mortgages taken out at floating rates (two-thirds of the total stock of mortgages). That pass-through, which has been gradual but very consistent (in line with the contractually stipulated repricing schedules), contrasts with the slower pace of deposit repricing. Against this backdrop of high borrowing costs and relatively lower returns on savings, the prepayment of borrowings, especially those more affected by the rate increases, such as floating-rate mortgages, has emerged as a clear alternative to investing savings. Considering the long-run stability around monthly mortgage cancellations of approximately 26,000, we can infer that the incremental number of cancellations attributable to the increase in rates between June 2022 and June 2023 was around 6,000-7,000/month, which would put the cumulative number of mortgages prepaid during that period at somewhere between 75,000 and 85,000. As well, the weight of early redemptions can be estimated as ranging between 2-3% of the outstanding balance, representing approximately 9-14 billion euros. Indeed, these estimates suggest that early cancellations are in the order of magnitude of around half of the amount invested in Treasury bills and mutual funds in the first half of the year, which too are on the rise, thus underlining the increasing preferences of savers to reduce outstanding debts.

While rate increases have clearly had significant implications for banks, they have also been key to underpinning the recent favourable performance of the insurance sector. In what looks to be the tail end of monetary policy tightening by central banks, the insurance business in Spain is staging spectacular growth in revenue (premiums), fuelled by life insurance products. Yield curve normalisation over the past year has created the conditions, previously absent, for renewed development of traditional life and savings products, having languished for many years against the backdrop of zero or negative rates. These products have also benefitted from the banks' strategy of keeping rates on their deposits low until now. With rates now looking more likely to stay high for longer, momentum in these products is expected to continue. While further tightening is not anticipated, the slow reduction in inflation from current levels means the ECB is now expected to keep its benchmark rates at current levels until mid-next year, creating optimum conditions for business development in the life segment for the coming quarters. As a result, total annual premiums across all insurance businesses could hit a range of 75-80 billion euros in 2023 and 2024, which would mark growth of 15%-20% from 2022 levels. Moreover, business conditions look set to remain attractive for even longer, having left behind the era when interest rates of zero per cent thwarted any chance of growth. Nevertheless, from a broader perspective, the sector is likely to suffer, particularly in the non-life business, from the economic slowdown and high costs of claims in the motor insurance segment.

Lastly, but importantly, we examine how rate increases are affecting liabilities, namely, deposit remuneration. According to the Bank of Spain, rates on corporate deposit accounts increased from 0.03% in July 2022 to 0.46% in August 2023. Over that same timeframe, the average rate on term deposits from corporations increased from 0.60% to 2.67%. As for bank accounts for households, the rate offered on sight deposits increased from 0.01% to 0.12% during that period, increasing from 0.04% to 1.37% on term deposits. Assessing deposit pass through at the EU level, the European Central Bank's statistics reveal that remuneration on deposit accounts in Spain averaged 2.31% in August, compared to 3.03% on average in the eurozone. That gap is partly the result of a different financial reality for the Spanish financial institutions. The Spanish banks reinforced their liquidity buffers significantly in the wake of the financial crisis. Thus, their initial failure to pass the ECB rate increases on to deposit rates to a greater extent (a phenomenon we are witnessing at present) reflects, at least in part, the abundance of liquidity held by the Spanish banks that was provided by the ECB itself, curtailing the incentive to compete for deposits. That said, the deposit pass through already underway is set to intensify further in the coming months as the ECB continues to mop up liquidity, including through the unwinding of TLTROs.

What´s Ahead (Next Month)

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

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What Matters

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Spain's economic and fiscal outlook

GDP growth is expected to slow to 1.5% in 2024, down 0.9% from this year, although still significantly above the EU average, with inflation also expected to moderate further. Spain's key source of vulnerability remains its fiscal imbalance at a time when sovereign borrowing costs are rising sharply, highlighting the need for growth-friendly fiscal consolidation.

Raymond Torres and Fernando Gómez Díaz

Abstract: The forecast for GDP growth has been revised to 2.4% in 2023, up 0.2% from our projection in July, underpinned by the strong momentum at the start of the year, driven mainly by internal demand. Both public and private consumption have picked up strongly. However, a slowdown is underway and will become more palpable in the near future, due to the weaker external context, the exhaustion of household excess savings and the delayed impact of higher interest rates. Economic growth is projected at 1.5% in 2024, down 0.1 percentage points from our previous forecast. Yet, the favourable growth differential with respect to other EU countries would be maintained. The let-up in CPI should gain traction once the impact of the reversal of the current anti-inflationary measures has dissipated. Spain's key source of vulnerability in the short- and medium-term is the country's fiscal imbalance at a time when sovereign borrowing costs are rising sharply. Hence the importance of taking advantage of the opportunity afforded by the prevailing economic growth to embark on a roadmap for fiscal consolidation.

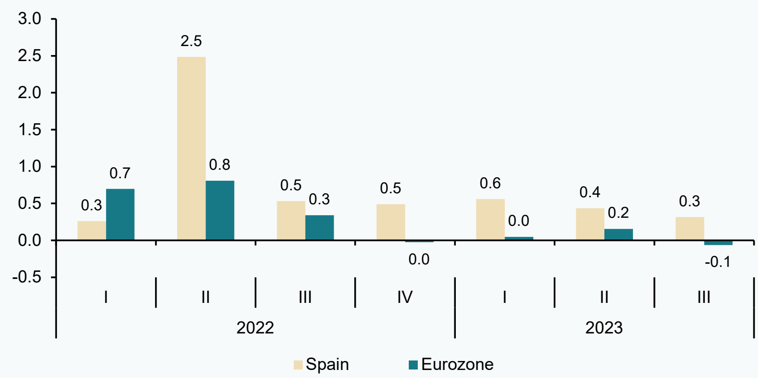
Economic slowdown and disinflation

The revision of Spain's national accounts in September yielded noteworthy upward revisions of the provisional results for the last

Exhibit 1

The economy is slowing

GDP growth in Spain and the eurozone, quarter-over-quarter rates



Sources: Eurostat and INE.

two years and revealed that Spain had actually revisited pre-pandemic GDP by the third quarter of 2022 (Fernández, 2023). According to the revised figures, internal demand was stronger than initially estimated, momentum that has carried over to this year, despite the slowing economy.

Having registered growth of 0.6% in the first quarter, Spanish GDP expanded a further 0.4% in the second quarter and by 0.3% in the third quarter, according to the provisional estimate. The slowdown is coming via trade as a result of the recession taking hold in much of the eurozone. Exports contracted in the second and third quarters, having notched up almost interrupted growth since the end of the health crisis. In contrast, internal demand has continued to hold up remarkably well. Private consumption and, to a lesser degree public consumption, stand out. Investment, however, has proven more volatile and has been slowing as the year has unfolded. At any rate, the Spanish economy continues to grow faster than the European average (Exhibit 1).

Employment, measured in hours worked as per the national accounts, increased by 1.5% in the second quarter, finally revisiting pre-pandemic levels, then slowed to 0.1% in the third quarter. Productivity per hour worked contracted in the second quarter and increased slightly in the third quarter, remaining above pre-pandemic levels at least, which, following the statistical revisions, were recovered in the second quarter of 2022. Growth in social security contributors accelerated in the second quarter but registered very low growth in the third. Overall, the labour market remains resilient, contrasting with the pattern observed during previous periods of economic weakness.

Job creation has propped up household disposable income, whose double-digit growth during the first part of the year (in nominal terms) is the highest in the historical series. The recovery in wage compensation, derived from collective bargaining negotiations and partial compensation for the loss of purchasing power of recent years, has also helped. On top of that, social benefits, notably pensions, have been restated for CPI.

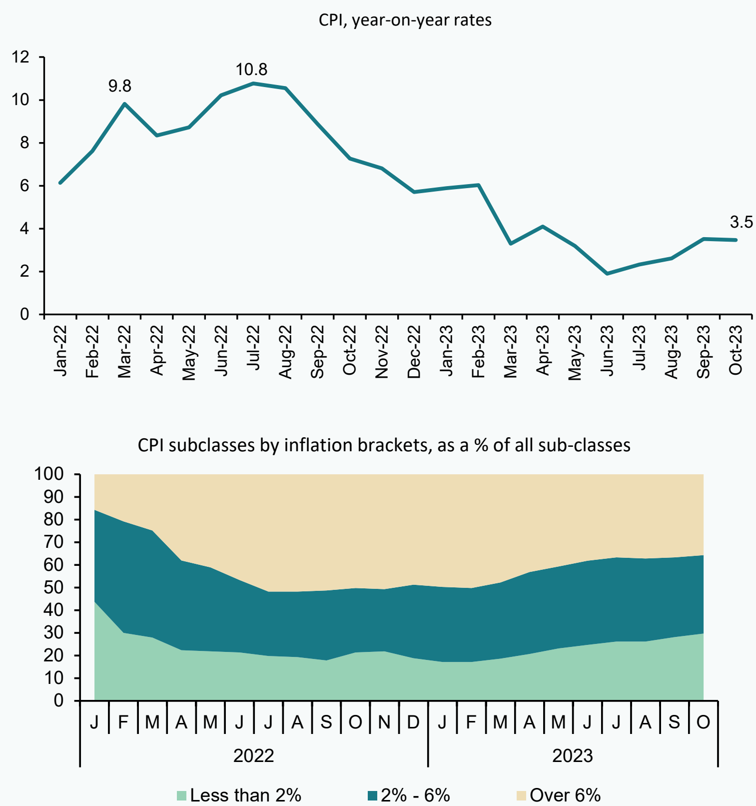
In addition to boosting private consumption expenditure, the growth in disposable income has kept household savings rates above pre-pandemic levels. The growth in savings has in turn facilitated loan repayments, a phenomenon also being observed in the corporate sector. As a result, private sector debt has continued to come down, as it has been doing consistently since early 2021, following the pause induced by the health crisis. In the second quarter, the consolidated debt of Spain's non-financial corporations was equivalent to 66.6% of its GDP while that of households stood at 49.9%, marking the lowest figures in the last 20 years.

Disinflation is taking hold, albeit gradually and unevenly (Exhibit 2). CPI registered year-on-year growth of 3.5% in October. That is above the low recorded in June (1.9%) on account mainly of base effects, particularly around energy prices. Core inflation, meanwhile, continues to trend lower, from around 6% earlier this spring to 5.2% in October. Price moderation is spreading to most components of the price index. Of the 199 subclasses comprising the CPI, 100 presented inflation of over 6% at the start of this year, a figure that had fallen to 71 by October. In parallel, the number of components presenting inflation of under 2% increased from 34 at the start of the year to 59 in October.

Spain's external surplus remains one of its strengths. The current account surplus hit a new record of 27.6 billion euros in the first

Exhibit 2 **Disinflation is taking hold**

Percentage



Sources: Eurostat and INE.

> GDP growth is expected to slow to 1.5% in 2024, down 0.9% from this year, although still significantly above the EU average.

eight months of the year. The goods trade deficit narrowed year-on-year, whereas the services trade surplus, in both tourism and non-tourism exports, registered strong growth.

Lastly, the public deficit came in at 32.88 billion euros in the first half of the year, compared to 34.86 billion euros in the same period of 2022. The improvement – very slim – is being driven by revenue, particularly receipts from new taxes, personal income tax and social security contributions. On the expenditure side, growth is high in intermediate consumption, wage compensation and social benefits, notably including pensions (with an estimated cost of €8.5 billion in 2023).

Projections for 2023-2024

The end of this year will be marked by a slowing economy as a result of the impact of higher interest rates, cooling across Europe (the growth forecasts for the eurozone have been trimmed) and, to a lesser degree, a slowdown in public consumption. The scant information available to date for the fourth quarter points in the direction of an economy losing steam. Industry looks the most vulnerable sector judging by the October PMI (well below the 50 mark indicating a contraction), while services are faring better (with a PMI of just over the 50 threshold, suggesting slight growth in activity). Growth in social security contributors slowed in October to below the monthly average for the third quarter and well below the spring figures.

Nevertheless, growth for 2023 as a whole is forecast at 2.4%, up 0.2 points from our last forecast, thanks to the momentum at the start of the year (Table 1). That growth will be driven above all by internal demand. Domestic demand is being driven by a noteworthy rebound in both public and private spending, the latter facilitated by the growth in wages in real terms and labour market resilience (Table 2). Investment in construction is also evidencing the improvement in purchasing power. In contrast, investment in capital goods and other products, the component that is most sensitive to rising interest rates,

Table 1 **Projections for 2023 and 2024**

Forecasts for 2023			Forecasts for 2024		
	Current forecast	July forecast		Current forecast	July forecast
GDP growth	**2.4**	2.2	GDP growth	**1.5**	1.6
Of which:			Of which:		
- Internal demand	**2.0**	0.6	- Internal demand	**1.5**	1.3
- External demand	**0.4**	1.6	- External demand	**0.0**	0.3
Eurozone GDP	0.6	0.7	Eurozone GDP	0.8	1.0

Source: Funcas.

is forecast virtually flat this year. Lastly, despite economic cooling across Spain's trading partners, the external sector will still make a positive contribution to growth this year, thanks to full recovery of tourism in the wake of the health crisis and Spain's strong competitive positioning in certain sectors, notably non-tourism services.

The economic slowdown is expected to become more palpable in 2024, due to the carryover effect from the end of this year, compounded by a loss of momentum in some of the factors currently propping up growth: the normalisation of tourism and the agreements for replenishing the purchasing power of wages, with their corollaries in terms of household disposable income and private consumption. Elsewhere, public consumption is also expected to make a smaller contribution in light of the upcoming reactivation of the fiscal rules. The Spanish economy is expected to grow by 1.5% in 2024, down 0.1 points from our last forecast. That growth will once again be driven by internal demand, with the contribution by the external sector forecast at zero. Nevertheless, that rate of growth would put Spain above the European average.

GDP growth is expected to gain traction as the year unfolds, underpinned by the outlook for monetary policy. We assume that the ECB will not increase official rates further, sticking instead with is new guidance that rates will be kept at higher levels for longer than initially expected. That scenario is consistent with the slight decrease in the deposit facility rate forecast for the second half of 2024.

Weakening demand should ease pressure on prices, albeit still gradually and unevenly, leaving inflation above the ECB's targets for the entire projection period. The private consumption deflator is expected to come down slightly from 3.9% this year to 3.6% in 2024. Elsewhere, the GDP deflator, the best proxy for inflationary pressures, is forecast to drop from 5.5% this year to 3.5% next year. This forecast is based on prior episodes of disinflation, marked by asymmetric price adjustments (slower to come down than to go up) in the services sectors that are relatively sheltered from competition. In addition, energy prices have recovered, especially oil prices, following the decision taken by some OPEC members to pare back production. The worsening conflict in the Middle East and its possible reverberations in the region and for broader global geopolitics add an element of uncertainty that is already being felt in the form of volatile oil and gas prices.

The healthy trend in net exports of goods and services, coupled with an improvement in the real terms of trade thanks to cheaper imports, is expected to unlock a significant increase in the external surplus. The current account is expected to present a surplus of close to 2% of GDP throughout the projection horizon. The result in terms of the total external surplus, arrived at by adding European fund transfers to the current account surplus, looks even stronger.

In addition to the external surplus, the labour market should remain one of the main sources of economic resilience in Spain. The rate of unemployment is forecast at 10.5% in 2024, which would still be well above European average.

Fiscal imbalances, Spain's biggest vulnerability

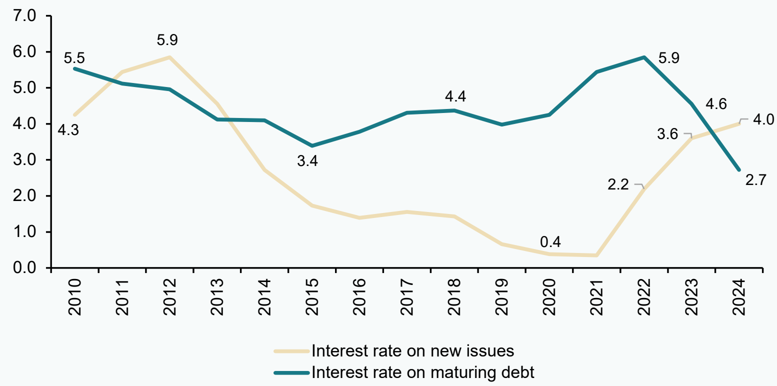
The succession of crises (health, energy, and war in Ukraine) has necessitated intervention

> "In addition to the external surplus, the labour market should remain one of the main sources of economic resilience in Spain, albeit with an unemployment rate forecast of 10.5% at the end of 2024 – still well above European average."

Exhibit 3

As from 2024, the cost of new debt will be higher than the cost of maturing debt

Percentage



Source: Bank of Spain and Funcas forecasts for 2024.

by the various European governments in order to mitigate the impact on the most vulnerable sectors and preserve the productive fabric. As a result, the region's public finances have deteriorated. The public deficit for the European Union as a whole topped 3% of GDP in 2022, compared to an almost-balanced budget prior to the pandemic. In Spain, the deficit has deteriorated by less than the European average but starting from a higher level, so that it reported a deficit of 4.7% of GDP in 2022. Only Italy, Romania, Hungary, and Malta present higher deficits. Public debt, meanwhile, is running at over 111% of GDP.

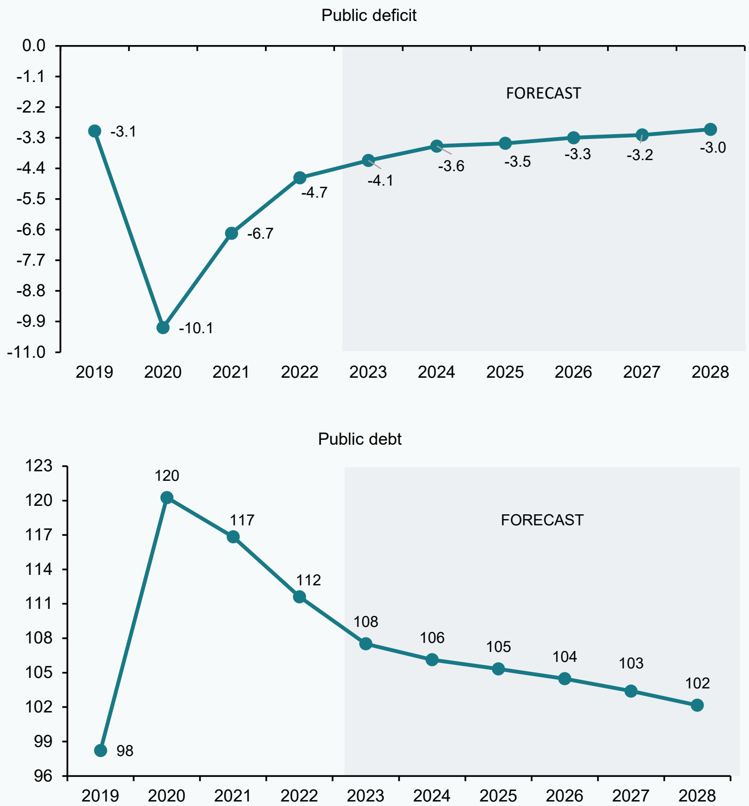
Looking forward, the economic slowdown, together with the anticipated increase in debt service costs on the back of higher interest rates, pose a public finance sustainability challenge. In the absence of deficit-cutting measures, we are estimating a deficit of 3.6% in 2024, with public debt at 106% of GDP, above pre-pandemic levels.

Over the medium– and longer-term, the persistence of a high public deficit is a source of vulnerability for the Spanish economy with the European fiscal rules about to come back into play and the ECB withdrawing support in the form of rates and debt repurchases (Torres, 2018; Torres and Sánchez, 2023). In addition, yields on 10-year bonds have risen from below 1% in recent years to around 4%, which, assuming status quo policy-wise, will

> "Looking forward, the economic slowdown, together with the anticipated increase in debt service costs, pose a public finance sustainability challenge, which in the absence of deficit-cutting measures, would yield an estimated deficit of 3.6% of GDP in 2024, with public debt at over 106% of GDP – above pre-pandemic levels."

Exhibit 4 **Public finance imbalances**

Percentage of GDP



Sources: IGAE, Bank of Spain and Funcas forecasts.

increase the ratio of debt service payments over GDP. That is because, starting from the first quarter of 2024, the cost of newly issued debt will be higher than the cost of that being repaid. Therefore, in the absence of fiscal consolidation measures, there is no guarantee that leverage will follow a path that is compatible with the European rules.

Making relatively optimistic assumptions (GDP growth of 1.9%, inflation of 2% and interest rates of around 2.5%, framed by 'normalised' monetary policy), in the baseline scenario, the public deficit would not come down to 3% until 2028 (Exhibit 4). Public debt would remain above 100% that year. In other words, without specific measures, there would be no room for manoeuvre in fiscal policy in the event of new shocks in the next few years. Although the risk premium remains stable for now, in the event of turbulence in the financial markets, the situation could change drastically.

Risks

The Spanish economy has held up better than expected of late and could still give us a pleasant surprise in the coming months. Especially if the current sources of resilience (private sector deleveraging, international competitiveness, job creation) are compounded by a boon via the European funds.

Table 2

Economic forecasts for Spain, 2023-2024

Annual rates of change in percentages, unless otherwise indicated

	Observed data			Funcas forecasts		Change of forecasts (a)	
	Average 2008-2013	Average 2014-2019	2022	2023	2024	2023	2024
1. GDP and aggregates, constant prices							
GDP	**-1.3**	**2.6**	**5.8**	**2.4**	**1.5**	**0.2**	**-0.1**
Final consumption households and NPISHs	-2.1	2.2	4.7	2.2	2.1	2.1	0.7
Final consumption government	0.9	1.3	-0.2	2.4	0.7	1.5	-0.1
Gross fixed capital formation	-7.6	4.8	2.4	2.4	1.7	1.4	-0.3
Construction	-10.7	4.9	2.6	4.4	1.8	3.3	0.3
Capital goods and other products	-2.7	4.8	2.2	0.0	1.6	-0.9	-1.0
Exports of goods and services	1.8	3.9	15.2	3.1	1.7	-3.8	-1.3
Imports of goods and services	-4.0	4.4	7.0	2.1	1.7	-1.0	-1.0
Internal demand (b)	-3.1	2.6	2.9	2.0	1.5	1.4	0.2
Net exports (b)	1.8	0.0	2.9	0.4	0.0	-1.2	-0.3
GDP, current prices: - billion of euros	--	--	1,346.4	1,453.9	1,527.3	--	--
- % change	-0.8	3.4	10.2	8.0	5.1	0.9	0.0
2. Inflation, employment and unemployment							
GDP deflator	0.5	0.8	4.1	5.5	3.5	0.8	0.1
Household consumption deflator	1.7	0.7	6.5	3.9	3.6	-0.2	0.2
Total employment (National Accounts, FTEs)	-3.4	2.6	3.7	1.9	0.9	0.7	-0.1
Compensation per employee (per FTE)	2.4	0.9	2.9	4.9	3.9	0.9	0.4
Unemployment rate (Spanish LFS, % of active pop.)	20.2	18.8	12.9	11.9	11.0	-0.4	-0.6
3. Financial eqilibrium (% of GDP)							
National saving rate	18.8	21.7	22.1	23.3	22.7	-0.2	-0.7
- of which, private saving	22.9	23.6	24.1	25.0	23.9	0.0	-0.3
National investment rate	21.7	19.4	21.5	21.0	20.8	0.3	0.0
- of which, private investment	17.7	17.2	18.7	18.4	18.3	0.6	0.4
Current account surplus/(deficit)	-2.9	2.3	0.6	2.2	1.9	-0.6	-0.7
Net lending (+) or borrowing (-) position	-2.4	2.7	1.5	3.1	2.7	-0.3	-0.3
- Private sector	6.6	6.8	6.3	7.3	6.3	-0.4	-0.3
- Public sector	-9.0	-4.1	-4.7	-4.1	-3.6	0.2	0.1
Government debt, EDP criteria	69.0	101.9	111.6	107.5	106.0	-2.5	-2.4
4. Other variables							
Eurozone GDP	-0.2	2.0	3.5	0.6	0.9	-0.1	0.1
Household saving rate (% of GDI)	8.8	6.7	7.6	8.2	6.7	1.0	-0.3
Gross borrowings, household (% of GDI)	128.5	101.6	84.5	78.1	74.5	-3.9	-3.1
Consolidate gross borrowings, NFCs (% of GDP)	112.7	81.6	71.4	65.6	62.0	-1.3	-1.2
12-month EURIBOR (annual averege %)	1.90	0.01	1.09	3.91	4.20	0.01	0.25
Yield on 10Y Spanish bonds (annual, average %)	4.74	1.58	2.19	3.60	4.00	0.10	0.55

(a) Percentage-point change between the current estimates and the last set of forecasts.
(b) Contribution to GDP growth, in percentage points.
Sources: 2008-2022: INE and Bank of Spain; Forecasts 2023-2024: Funcas.

There is still more downside than upside, however. In the near-term, intensifying geopolitical risks could unleash fresh disruption in the energy markets and in trade, triggering a stagflation shock. Faced with the risk of an interruption in the disinflation process, the ECB would be forced to tighten monetary policy further, doing away with the stability assumption underpinning these forecasts. A more pronounced increase in the cost of money than estimated in the baseline scenario would increase the risk of non-performance in the more vulnerable sectors and with it the risk of financial market turbulence. Overall, Spain's greatest vulnerability lies with its public finance imbalances. Hence the importance of taking advantage of the opportunity afforded by the prevailing economic growth to embark on a roadmap for fiscal consolidation.

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Spain's revised national accounting statistics: Positive and negative takeaways

September's annual revision of Spain's national accounts data for the years 2020 to 2022 resulted in an upward adjustment to the initially forecast GDP growth figures for 2021 and 2022, underpinned by substantial revisions to the components of GDP growth. While the revisions reveal a better-than-expected performance of the manufacturing sector, worse than anticipated investment figures are worrisome in the context of the high degree of potential funding resources available to Spain under Next Generation EU (NGEU).

María Jesús Fernández

Abstract: September's annual revision of Spain's national accounts data for the years 2020 to 2022 resulted in an upward adjustment to the initial forecast for GDP growth figures for 2021 and 2022, underpinned by substantial revisions to the components of GDP growth. The revised figures show that Spain reached pre-pandemic growth levels in the third quarter of 2022, and not the first quarter of 2023, as previously estimated. Indeed, as of the second quarter of 2023, Spanish GDP was actually 1.8% above the pre-crisis threshold, compared to the 0.4% improvement gleaned from the prior statistics. On the demand side, private consumption played a bigger role in underpinning GDP growth than initially expected. Meanwhile, export performance and investment in capital goods were less supportive than previously anticipated. On the supply side, the manufacturing sector made a stronger contribution than previously thought and wage compensation rose to a higher degree than originally estimated. On the positive side, it is worth highlighting the Spanish

> The revised figures show that Spain actually reached its pre-pandemic GDP level in the third quarter of 2022, and not the first quarter of 2023, as suggested by the previous estimates.

manufacturing sector's strong performance, in particular relative to the eurozone average. On the downside, the weakness observed in investment, in particular capital goods investment, is concerning, especially given Spain's sizeable funding allocation under the NGEU program.

Forward

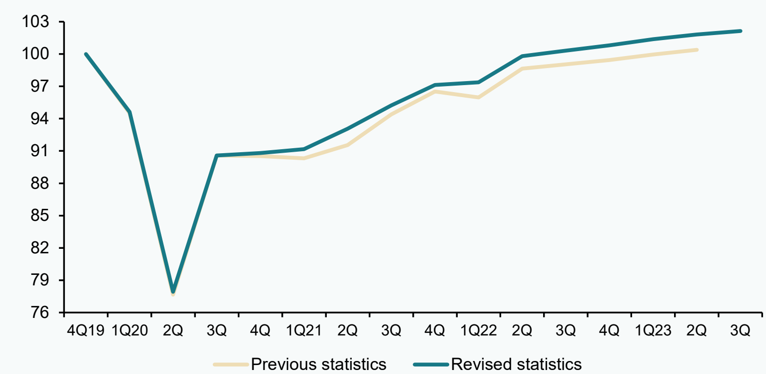
In September, Spain's statistics office, the INE, carried out its annual review of the national accounting results for the previous three years, this time from 2020 to 2022. The result was an upward revision of the GDP figures for all three of the years assessed, most notably in 2021 and 2022. The 2020 figure was revised from a contraction of 11.3% to one of 11.2%, now the definitive figure. The 2021 figure, considered *preliminary* until now, was increased from 5.5% to 6.4% and is now classified as *provisional*. The 2022 rate, which is still *preliminary,* was increased from 5.5% to 5.8%. The quarterly series going back over that entire period was also revised.

The revised figures show that Spain actually reached its pre-pandemic GDP level in the third quarter of 2022, and not the first quarter of 2023, as suggested by the previous estimates. As of the second quarter of 2023, Spanish GDP was actually 1.8% above the pre-crisis threshold, compared to the 0.4% improvement gleaned from the prior statistics (and by 2.1% by the third quarter, for which there is no pre-revision equivalent to compare with) (Exhibit 1). In nominal terms, 2022 GDP was revised upwards by €19.27 billion.

Comparison with the EU

The GDP figures for the eurozone as a whole were also revised upwards, so that the gap

Exhibit 1 **Revised GDP figures**



Source: INE.

> "Given eurozone GDP figures were also revied upwards, as of the first quarter of this year, the gap between the post pandemic recovery in Spanish GDP *versus* the eurozone average did not change; however, that gap has since closed considerably thanks to faster growth in Spain relative to the European average."

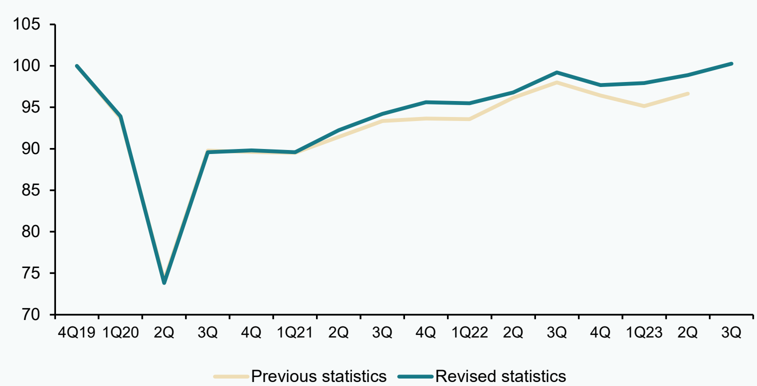
as of the first quarter of this year between the recovery in GDP since the pandemic in Spain *versus* the eurozone average did not change as a result of the revised Spanish statistics. However, that gap has since closed considerably in the second and third quarters thanks to faster growth in Spain relative to the European average. As a result, Spanish GDP was 2.1% above the 4Q19 figure as of the third quarter, compared to an improvement of 3% in the eurozone as a whole. Excluding Ireland, [1] however, the eurozone gap falls to 2.2%, which is just 0.1pp above the Spanish post-pandemic recovery.

Components of the national accounts

The upward revision to the growth figure for 2021 derived from higher than initially estimated national demand (both public and private spending) and gross fixed capital formation (GFCF), while the contribution by external demand was corrected from positive to negative. Private consumption was also revised upwards in 2022, as was the contribution by the foreign sector, but the GFCF figures were revised downwards. The picture which emerged as a result of all of those changes is considerably more upbeat in terms of consumption, especially private consumption, but gloomier as regards investment, particularly investment in capital goods (Exhibits 2 and 3).

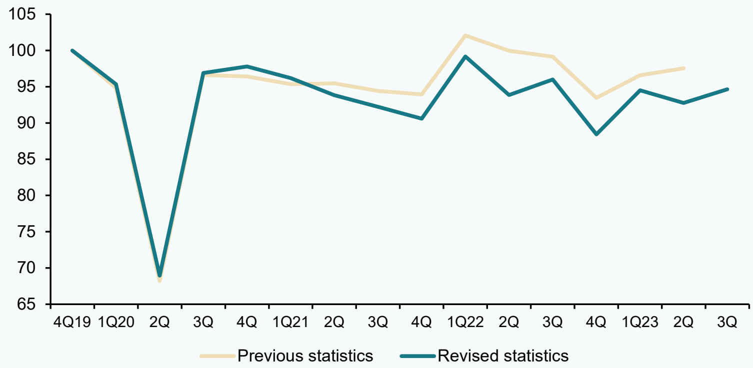
The weakness in demand for capital goods contrasts with stronger dynamics in the eurozone even though the factors that theoretically drive this variable would appear, in theory, to be more favourable for Spain.

Exhibit 2 **Revised private consumption figures**



Source: INE.

Exhibit 3 **Revised capital goods GFCF figures**



Source: INE.

For example, the impact of the supply and energy crises derived from the war in Ukraine on the manufacturing sector has been smaller in Spain. The rise in interest rates should also have affected the Spanish companies' earnings to a lesser degree as they are relatively less leveraged. Staff shortages, another factor that could curtail or delay investment decisions, are a more pressing issue in other European countries with significantly lower unemployment rates than Spain. Lastly, Spain is the second biggest recipient of the NGEU funds, another factor that should have given Spain's investment figures a boost.

As for exports, goods exports registered stronger growth according to the new national accounting figures, whereas services exports – tourism and non-tourism exports– registered lower growth than initially estimated. However, the downward revision to the export figures for non-tourism services does not detract from the very positive assessment of their performance throughout the post-pandemic period: between the end of 2019 and the third quarter of 2023, this component registered real growth of 22.3%. The recovery in expenditure by non-residents (tourism service exports) was also smaller than initially estimated, albeit still back above pre-pandemic levels this year.

Productivity, manufacturing, and wages

The number of hours worked has also been revised upwards, although by less than GDP, which implies that with the new figures, productivity per hour worked was 0.6% above the year-end 2019 figures by the second

> "The weakness in demand for capital goods contrasts with stronger dynamics in the eurozone even though the factors that theoretically drive this variable would appear, in theory, to be more favourable for Spain."

> "By comparison with the eurozone, the post-pandemic recovery has been relatively more intense in Spain in manufacturing and market services and slower in the non-manufacturing industry, the primary sector, construction, and basic non-market services."

quarter of 2023, having initially been thought

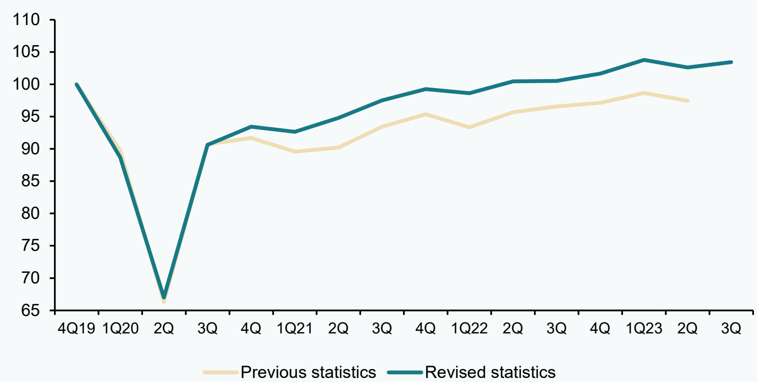
quarter of 2023, having initially been thought to have been still flat by comparison (in the eurozone as a whole, productivity per hour worked increased by 0.9% during the same period, but that figure falls to 0.1% if Ireland is excluded from the data).

As for GVA by sector, it is worth highlighting the significant upward adjustment made to the value generated by the manufacturing sector, an increase of 5.3% as of the second quarter, to leave this sector 2.6% above its pre-pandemic level (Exhibit 4). That performance is above the eurozone average excluding Ireland, [2] with manufacturing 1.1% above pre-pandemic levels in the region on average over the same timeframe. GVA in the services sector excluding government, health, and education services (*i.e.*, excluding basic non-market services) was also revised sharply higher (Exhibit 5). Construction GVA was revised downwards but that effect is concentrated in the figures for the last quarter. In contrast, GVA in the non-manufacturing industry (mining and energy) was cut sharply, as was that in the primary sector.

By comparison with the eurozone, the post-pandemic recovery has been relatively more intense in Spain in manufacturing and market services and slower in the non-manufacturing industry, the primary sector, construction, and basic non-market services.

The GDP deflators for 2020 to 2022 have been revised both upwards and downwards with the

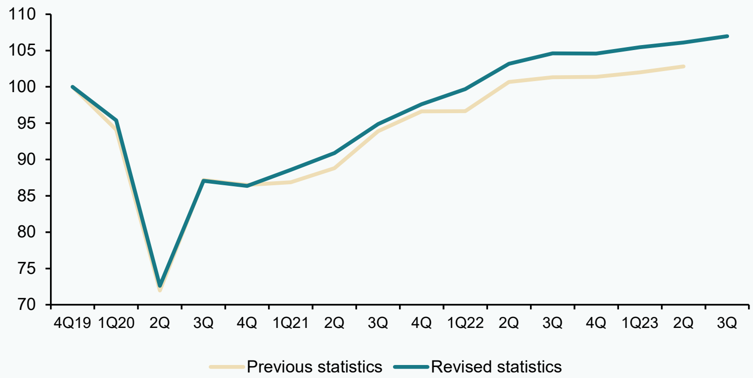
Exhibit 4 **Revised manufacturing GVA figures**



Source: INE.

Exhibit 5

Revised market services GVA figures



Source: INE.

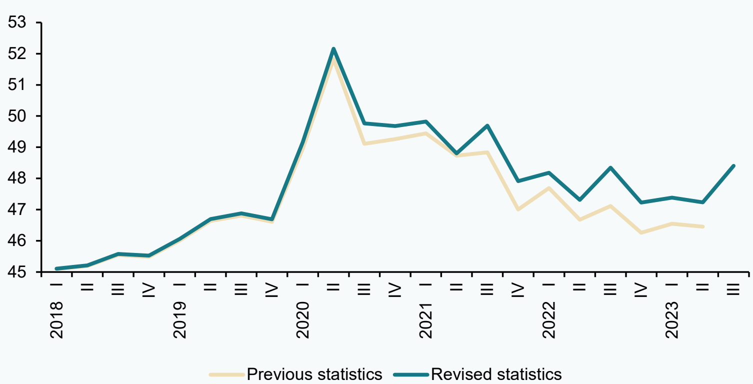
upshot that between 2019 and 2022 growth was 8.1%, up just 0.1pp from the previous figure. Average growth in the eurozone over the same timeframe was 8.9%. The figures for the first two quarters of 2023 were also revised upwards, signalling acceleration with respect to 2022, a phenomenon also observed in the eurozone average.

Lastly, from the income perspective, the upward adjustment to GDP stemmed from wage compensation, whose nominal stock was 3.3% higher in 2022 than was initially estimated, whereas the gross operating surplus (GOS) was 0.2% lower. As a result, the growth in unit labour costs was ultimately higher, and that in the unit GOS was slightly

Exhibit 6

Revised wage compensation figures

Percentage of GDP



Source: INE.

lower, than initially estimated. By the same token, wage compensation accounted for 47.8% of GDP in 2022, compared to the initially estimated 46.9% (Exhibit 6). There were barely any changes to net taxes on production and imports.

Conclusion

In short, the annual revision of Spain's national accounts yielded somewhat higher than initially forecast GDP growth figures, primarily in 2021 and 2022, underpinned by significant changes in the composition of that growth. On the demand side, the Spanish economy's growth was driven more by private spending and less by exports and investment in capital goods than initially estimated; on the supply side, the manufacturing and market services sectors made considerably higher contributions than previously thought; and from the income standpoint, the GDP generated was funnelled into wage compensation to a somewhat greater degree than originally calculated. On the basis of the revised figures, on the plus side, it is worth highlighting the Spanish manufacturing sector's strong performance: it has withstood the impact of the successive crises of recent years better than the eurozone on average. On the downside, the weakness observed in investment in capital goods is worrying, especially in the context of Spain's sizeable funding via the NGEU mechanism.

Notes

[1] Ireland's figures often distort the overall eurozone figures given the significant statistical effects on its macroeconomic indicators as a result of its unique status as the European base for numerous multinational enterprises. That is why it sometimes makes sense to exclude Ireland from the figures to obtain more like-for-like comparisons.

[2] Ireland's manufacturing GVA as of the second quarter was 70% above pre-pandemic levels due to the above-mentioned statistical effects, distorting the eurozone average significantly.

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New tourist flows boost summer arrivals virtualy back to pre-pandemic levels

The high expectations for the recovery in international tourism appear to have been met this summer by comparison with 2019, particularly in terms of daily tourist expenditure. Going forward, expected increases in tourism from source markets with higher on average purchasing power is helping to underpin a constructive outlook for the Spanish tourism sector in 2024.

María José Moral

Abstract: The high expectations for the recovery in international tourism appear to have been met this summer by comparison with 2019, particularly in terms of average daily tourist expenditure. Although changing dynamics within the sector are worth consideration. Firstly, there have been some shifts across the traditional source markets. While France has performed well, increasing its market share, the UK and Germany have relinquished part of their market share, reducing the aggregate commanded by these three markets to 47.4%, relative to levels of around 49% back in 2019. This shift has been accompanied by an increase in tourists from the Americas, with higher purchasing power. As well, although there are notable doubts about the outlook for the Chinese economy, there is still considerable upside emerging from the fact that Chinese visitors, who also generally command above average purchasing power, may increase now that all COVID-related impediments on tourism have been removed (since August). These two trends support an encouraging outlook for the sector heading into 2024. Lastly,

> In the first eight months of 2023, total international tourist arrivals in Spain were very close to the 2019 equivalent, falling short by just 0.7%.

Catalonia has fared poorly relative to the other main destinations within Spain, which are all back to pre-pandemic levels. Among other factors, overtourism may be behind the weak results posted by Catalonia in terms of both tourist numbers and their average daily spend. It is still premature to ascertain whether those numbers are the result of a slower recovery or a change in international tourist preferences around this destination.

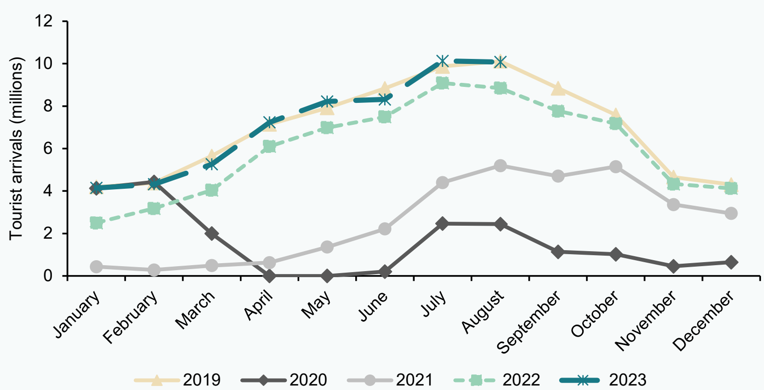
Introduction

It looks as if, at last, international tourism will this year leave behind the rout triggered by the pandemic. By and large, the high expectations for the summer appear to have been met. Certainly, the comparison with 2022 is favourable. However, the picture looks considerably different depending on the benchmark for comparison. Given that in this paper, the goal is to assess whether the tourism sector is back to pre-pandemic levels, we draw our conclusions from a comparison with 2019.

The first step is to revisit the impact of the pandemic on international tourist arrivals in Spain in order to then analyse how things have recovered. Exhibit 1 provides the monthly trend in tourist arrivals to Spain over the past five years. Between July and September 2021, international visitors were just half of those received in the same period of 2019. It took until October 2022 for things to stabilise somewhat. In the first eight months of 2023, total international tourist arrivals in Spain were very close to the 2019 equivalent, falling short by just 0.7%. Next, we analyse the recovery across a selection of destinations, issuer markets, travel motives and expenditure levels.

It is well known that Spain's best-selling product is sun-and-sand tourism, which is

Exhibit 1 **International tourist arrivals to Spain**



Source: Frontur (INE).

> "Given preferences for sun-and-sand tourism, Spanish tourism is strongly concentrated across five regions: Catalonia, the Balearic Islands, the Canary Islands, Andalusia, and Valencia, which in 2019 garnered 81.6% of all international visitors – adding Madrid, that concentration rises to 90.2%."

why tourism is strongly concentrated across five regions which in 2019 garnered 81.6% of all international visitors. Those regions were, in order, Catalonia, the Balearic Islands, the Canary Islands, Andalusia and Valencia. Adding Madrid, that concentration rises to 90.2%. The recovery continues to be marked by that concentration, with those same destinations cornering 90.3% of international tourist arrivals so far in 2023. They have not all recovered to the same degree, however. Catalonia has only received 90.5% of the tourists it received from overseas in 2019, so losing market share (from 23.5% to 21.4%). Of the other five regions, only Madrid is slightly below the 2019 equivalent (at 98.9%), while international visitors to Valencia have increased by 5.7%. The first conclusion is, therefore, that the main destinations are back at pre-pandemic levels, except for Catalonia.

Among the regions that have traditionally received fewer international visitors, it is worth highlighting the growth along the Cantabria coastline. Asturias, the Basque Country, and Cantabria have recorded growth of 34.7%, 23.3% and 9.3%, respectively, increasing their aggregate share of the total to 3.5%. Given that the sun-and-sand segment has defended its share, this evidence suggests that rural inland tourism has shifted to the northern coast, where visitors can enjoy nature as well as the possibility of beaches with lower temperatures than those experienced along the Mediterranean or on the islands.

International tourist profile

In line with its specialisation in sun-and-sand tourism, the tourists who visit Spain mainly do so for "leisure" and this has not changed. There has, however, been an increase in the number of trips for "personal" reasons (health, family) and "other reasons", which now account for 6.6% of the total, even outstripping "business" travel, which is still 15.6% below the peak of 2019. That trend may be attributable to more intense use of video-conferencing and online work arrangements, trends that may also be affecting the number of tourists who visit Spain to study, which remains 17.4% below pre-pandemic levels.

The drop in business and academic travel is one of the reasons behind Catalonia's poor performance: there, arrivals of business and student travellers are even lagging behind the national average, at 69% and 75% of 2019 arrivals, respectively. However, the main factor behind this region's failure to revisit 2019 international tourist levels is the loss of nearly one million leisure tourists when, as already noted, on aggregate, leisure tourism is already back at pre-pandemic levels. This development is worth highlighting. However, it is necessary to wait a few months to determine whether it is a passing trend or the result of the change of preferences around this destination. Recall that Barcelona is one of the European cities that, together with Venice and Dubrovnik for example, presents pressing overtourism issues. Indeed,

> "Barcelona is one of the European cities that, together with Venice and Dubrovnik for example, presents pressing overtourism issues."

> On average, in the 20 Spanish municipalities with the highest incidence of tourist accommodation, 26% of the nearly 1,300,000 spaces are accounted for by tourist apartments.

the term "tourismphobia" appeared in the Spanish media for the first time in reference to protests by residents in Barcelona against gentrification, which later spread to other cities like Palma de Mallorca (Milano, Novelli and Cheer, 2019).

The growth in tourist apartments is a phenomenon affecting many Spanish cities. That issue has recently become most pressing in the city of Malaga where 56.1% of all hotel spaces are platform-based vacation rentals, compared to 29.9% and 28.5% in Madrid or Barcelona, respectively. At the other end of the spectrum, for now, is Palma de Mallorca, where this class of accommodation accounts for just 10% of tourist accommodation capacity. That figure is so low because of the ban imposed in July 2018 on setting up tourist apartments in multi-family homes, *i.e.*, limiting this practice to individual homes. Therefore, Palma de Mallorca is a clear example of how regulations can effectively curb unbridled encroachment of vacation rentals in residential areas. On average, in the 20 Spanish municipalities with the highest incidence of tourist accommodation, 26% of the nearly 1,300,000 spaces are accounted for by tourist apartments (Exceltur, 2023). Nationwide, so far in 2023, the number of international tourists selecting tourist apartments was 5.7% above the 2019 equivalent and accounted for 11.4% of tourist accommodation. That growth has come at the expense of campsites and rural lodgings, as the percentage of international tourists staying in hotels was the same as in 2019.

The traditional source markets – UK, France, and Germany – are also staging an uneven recovery. Firstly, it is worth noting that the heavy concentration in visitors from those countries has been easing over the past two decades (Moral, 2017). Whereas in 2005, 62.4% of international tourists came from those three markets, in the first eight months of 2019, that figure had fallen to 49%. Since the pandemic, however, France has performed extremely well, even increasing its market share. The UK and Germany have relinquished additional market share to leave the aggregate commanded by the three markets at 47.4%.

Scandinavia, which has traditionally been a strong market for Spanish tourism, has performed very poorly– in 2023, arrivals from the region represented just 86.5% of those welcomed in 2019. Some attribute this shrinkage to relative sensitivity to high temperatures and because this summer was particularly hot in Spain, some Scandinavians may have decided to stay away. To counteract that phenomenon, therefore, which is not likely to reverse, it would be advisable to promote alternatives to the traditional sun-and-sand destinations such as Cantabria.

As the West has learned how to live with the COVID virus, medium- and long-distance travel has recovered. That is very good news for Spain as the type of tourists visiting the country is shifting. The biggest change is the intense growth in the number of visitors travelling from the Americas: growth of 14.7%

> Since the pandemic, France has continued to perform extremely well, even increasing its market share, but the UK and Germany have relinquished additional market share to leave the aggregate commanded by the three markets at 47.4%.

> "The biggest change is the intense growth in the number of visitors travelling from the Americas –growth of 14.7% in tourists from the US and 26.1% in those from the rest of the Americas– resulting in tourism from this region now accounting for 10% of all international tourists visiting Spain."

in tourists from the US and 26.1% in those from the rest of the Americas. As a result, the continent has increased its market share, now accounting for 10% of all international tourists visiting Spain. Madrid received 41.5% of the almost one million additional American tourists who visited Spain in 2023 compared to 2019, emerging as their preferred destination by far. The good thing about American visitors is that they exhibit a higher propensity to stay in hotels (72.3% *versus* an average of 62.8%), suggesting higher purchasing power. To analyse this matter in greater detail, we next look at tourist spending patterns.

Expenditure by international tourists

Many Spanish destinations present overtourism problems. It is therefore obviously in the country's interest not only to draw more tourists but also to get them to spend more. The more they spend the bigger their impact on the region's economy, so helping alleviate the issues associated with the overtourism. It therefore makes sense to worry about the "quality" of the tourists received and, by extension, the "quality" of their expenditure.

To conduct this part of our analysis, we look at the average daily spend per tourist, so controlling for trip length. Moreover, aggregate spending volumes will easily rise during a period of inflation. Daily tourist expenditure increased by 16% between January and August 2023 by comparison with the same period of 2019, albeit heavily influenced by inflation. To pin down the underlying trend, we need to look at spending in real terms (*i.e.,* discounting the effect of inflation). To do that, we use the general consumer price index (CPI) for each region and not the tourism-specific index as many tourists use off-market accommodation and those staying in tourist apartments tend to shop in local supermarkets and use public transport. So, correcting for inflation, the real average daily tourist expenditure increased by 2% in 2023 by comparison with the same months of 2019, marking a substantial adjustment. The conclusion regarding the recovery in spending is nevertheless positive, especially considering the fact that the number of international tourists remains slightly below the equivalent 2019 figure (by 0.7%).

The tourist profile analysis revealed growth in the arrival of tourists with higher purchasing power, especially tourists from the US and the rest of the Americas. That is unquestionably behind the fact that the daily tourist expenditure is highest in Madrid. After Madrid, this metric is highest in Catalonia and the Basque Country. Those are the only three regions with an average daily tourist expenditure over 200 euros. By comparison with 2019, of the six major tourist destination regions, only Catalonia has seen a drop in the average daily expenditure (of 3%), with the other five recording average growth in that

> "Correcting for inflation, the real daily tourist expenditure increased by 2% in 2023 by comparison with the same months of 2019, marking a substantial adjustment."

> By comparison with 2019, of the six major tourist destination regions, only Catalonia has seen a drop in the daily tourist expenditure (of 3%), with the other five recording average growth in that metric of 4.7%.

metric of 4.7%. This outcome confirms that international tourism in Catalonia is currently experiencing weakness that the rest of the Mediterranean basin and island destinations are not.

The average daily expenditure depends on the type of tourist and their reasons for travelling to Spain. For example, a tourist staying at a hotel spends, on average, 50% more than one choosing another type of market accommodation. Moreover, in 2023, that difference actually widened. There are also considerable differences in this metric depending on the country of origin. Here the classification has not changed, with tourists from the "rest of the world" and the Americas spending the most, twice the average in fact. That is why the growth in tourist arrivals from the Americas is so important for the sector's overall performance. Within the countries included in the "rest of the world" category, the biggest source markets in 2022 were, in descending order, South Korea, India, Japan, the United Arab Emirates, the Philippines, Saudi Arabia and China. The Asian markets are still far from revisiting 2019 levels, particularly China, whose zero-COVID policy obliged residents to test and isolate upon return from international trips until recently. As a result, in 2022, Chinese visitors to Spain were less than 10% of those received in 2019. The first-quarter 2023 figures are more promising, doubling its total arrivals by 2022 in just three months. Moreover, all lockdown measures upon arrival back in China were removed in August. As a result, although concerns remain over the outlook for Chinese growth, flow of Chinese travellers may register strong growth in the coming months, with a positive impact on expenditure, as Chinese tourists have above average purchasing power.

Conclusions

The most important conclusion is that although international tourism is virtually back at record levels in terms of tourist arrivals, with daily tourist expenditure even above the 2019 equivalent, some things have changed. One key change highlighted is the growth in American tourists who have above average purchasing power so that they can afford higher daily expenditures, notwithstanding longer trips. As well, there is still considerable potential upside in Chinese visitors now that all impediments on tourism have been removed (since August) and if the economy remains on track. These two trends are encouraging for the sector's performance in 2024. Lastly, it is worth noting the fact that the top destination, Catalonia, has fared poorly in terms of both arrivals and expenditure.

Naturally, there is no ignoring the fact that the international geopolitical situation is getting more and more complicated, with potential ramifications for the tourism sector. The armed conflicts could drive oil prices higher, impacting air fares. On the other hand, the conflict in Israel could make European tourists shy away from the Maghreb and opt for safer destinations along the Mediterranean, boosting tourism in Spain, as was the case in 2015 with the Arab Spring (Moral, 2017).

For the time being, tourist flows to Spain appear to be back on a growth trajectory with the added bonus of rising daily tourist expenditure. This is the scenario facing the sector as we head into the final quarter of 2023.

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Public revenue and expenditure forecasts for 2024 under a no policy change scenario

Growth in total state revenue is expected to slow in 2024, while growth in public expenditure is forecast to slow over the same time frame. Given that wage and pension increases will continue to put upward pressure on the deficit, achievement of the 3.0% of GDP target required under EU fiscal rules will be difficult.

Desiderio Romero-Jordán

Abstract: Growth in total state revenue is expected to slow from 6.7% to 5.8% in 2024, despite: (i) expiration at the end of 2023 of tax breaks on energy and food products worth 8.4 billion euros; and, (ii) a 6 billion euro boost from temporary taxes (on the financial and energy sectors and large fortunes) and a reduction in parent-subsidiary loss offsetting in 2024. Growth in public expenditure is forecast to slow from 5.0% to 3.8% in the coming year, also supported by the expiration of over 9.1 billion euros of professional and sector-specific assistance and fuel subsidies. However, wage and state pension increases will raise structural spending by around 12 billion euros in 2024. In short, delivery of the targeted budget deficit of 3.0% of GDP will prove a challenge for the new government in the year of reinstatement of the EU fiscal rules, severely limiting its ability to introduce new measures to support households or corporations in 2024 without running the risk of missing its deficit target. Moreover, the government will have to overcome additional obstacles on its path towards fiscal consolidation, including maintaining a cap on public spending in line with EU recommendations, servicing the higher

> Tax revenue increased by 15.1% in 2021 and 14.4% in 2022, compared to an annual average rate of 3.3% between 2010 and 2019, during which time growth peaked at 7.6% in 2018.

interest burden on public debt, and financing growing pensions expenditure under the current inflationary climate, resulting in a greater opportunity cost for other necessary policies.

Snapshot of revenue and expenditure in 2024

The political *impasse* in Spain since the general elections on 23 July has forced the carryover of the general state budget for 2023 (2023 GSB). Despite being an exceptional measure, budget carryover has – sub-optimally – become somewhat the norm in recent years on account of a fragmented parliament. [1] In this context of intense political uncertainty, on 16 October, Spain's caretaker government sent Brussels its draft budget for 2024 (2024 Draft) assuming no changes in current policies (Government of Spain, 2023). In other words, a budget that does not contemplate any new spending or revenue measures, which would have to be designed and approved by the incoming government, other than the scheduled increases in public pensions and wages. The caretaker government is forecasting a deficit of 3.0% of GDP in 2024, the level required under the European fiscal rules. Delivery of that target looks highly challenging having failed to previously embark on the kind of medium-term fiscal adjustment roadmap repeatedly called for by Spain's independent fiscal institution, AIReF, the Bank of Spain, the IMF, and the OECD, among others. The sharp growth in revenue in 2021 and 2022, fuelled largely by high inflation levels, created a window of opportunity for combining, with relatively little sacrifice, a deficit-reduction effort with well-designed support measures for households and corporations. Note that tax revenue increased by 15.1% in 2021 and 14.4% in 2022, compared to an annual average rate of 3.3% between 2011 and 2019, during which time growth peaked at 7.6% in 2018 (AEAT, 2023a).

The forecasts set down in the 2024 Draft assume real GDP growth of 2%, a figure endorsed by AIReF (AIReF, 2023). However, that forecast is a little more optimistic than the current projections at other benchmark institutions and think tanks (including the 1.9% forecast by the OECD (2023a), 1.8% by the Bank of Spain (2023), 1.5% by Funcas (2023a) and a consensus of 1.6% by the Funcas Panel (2023b)). As shown in Table 1, the government is forecasting revenue of 648 billion euros compared to expenditure of 694.3 billion euros, which would leave a public deficit of 46.3 billion euros. Total revenue growth is forecast at 5.8% in 2024, compared to 6.7% in 2023, suggesting momentum is set to slow after the sharp growth of the last two years. The growth in 2024 would be even lower were it not for the expiration of tax breaks, the new temporary taxes introduced in 2023 (with effect in 2024) and the effect of inflation:

- The 2024 Draft assumes that the VAT and excise duty relief on food and energy

> Although the 2023 data are partial and therefore should be read with caution, they appear to show that the trend in revenue from the taxes levied on consumption is proving weaker than that in those levied on personal and corporate income.

Table 1 **Main revenue and expenditure figures in the 2024 Draft**

Item	2022 (1)	2023 (2)	2024 (3)	Δ 22-23 (2)-(1)	Δ 23-24 (3)-(2)	Δ 22-23 %	Δ 23-24 %
Percentages							
1. Total revenue	42.6	41.9	42.0	-0.7	-0.6	-1.6	0.2
1.1. Tax	24.9	24.6	25.0	-0.3	0.1	-1.2	1.6
a. Output and imports	11.9	11.3	11.4	-0.6	-0.5	-5.0	0.9
b. Income and wealth	12.2	12.7	13.1	0.5	0.9	4.1	3.1
c. Capital	0.4	0.4	0.3	0.0	-0.1	0.0	-25.0
1.2. Social security	13.4	13.5	13.6	0.1	0.2	0.7	0.7
2. Total expenditure	47.4	45.8	45.0	-1.6	-2.4	-3.4	-1.7
3. Public deficit	-4.8	-3.9	-3.0	0.9	1.8	-18.8	-23.1
Billion euros							
1. Total revenue	573.6	612.2	648.0	38.7	35.8	6.7	5.8
1.1. Tax	335.2	359.5	385.7	24.2	26.3	7.2	7.3
a. Output and imports	160.2	165.1	175.9	4.9	10.8	3.1	6.5
b. Income and wealth	164.3	185.6	202.1	21.3	16.5	13.0	8.9
c. Capital	5.4	5.8	4.6	0.5	-1.2	8.5	-20.8
1.2. Social security	180.4	197.3	209.8	16.8	12.6	9.3	6.4
2. Total expenditure	638.2	669.2	694.3	31.0	25.1	4.9	3.7
3. Public deficit	-64.6	-57.0	-46.3	7.6	10.7	-11.8	-18.8
Nominal GDP	1,346.4	1,461.2	1,542.9	114.8	81.7	8.5	5.6

Source: Government of Spain (2023) and author's own elaboration.

products, with an estimated cost of over 8.4 billion euros, will expire on 31 December 2023. Nevertheless, the caretaker government has left the door open to extending these measures before the end of the year, so long as it can effectively form a new government and tax revenue improves in the last quarter of 2023. As shown in Table 2, the average growth in revenue in the first three quarters of 2021 and 2022 was close to 18% in the main taxes levied on income, profits, and consumption (personal income tax, VAT, corporate income tax and excise duties). In 2023, that growth dipped to 4% (AEAT, 2023a,b). [2] The aggregate of the tax bases of those four taxes increased by a commensurate 13.0% and 16.7%, on average, in the first two quarters of 2021 and 2022, respectively, a figure that eased to 7.4% in 2023. Although the 2023 data are partial and therefore should be read with caution, they appear to show that the trend in revenue from the taxes levied on consumption is proving weaker than that in those levied on personal and corporate income.

- A considerable amount of the increase in revenue in 2024 will be temporary as a result of the application of a package of measures

> "The caretaker government has raised the possibility of making the levies on the financial and energy sectors and the new tax on 'large fortunes' permanent."

Table 2 **Comparison between growth in bases and revenue for the main taxes in the first quarters of the year**

Percentage

	Personal income tax	Corporate income tax	VAT	Excise duty	Average
Average growth in tax bases in the first two quarters					
2021	6.6	26.4	22.3	14.3	13.0
2022	9.2	19.7	22.2	52.3	16.7
2023	8.6	26.9[a]	6.4	-11.1	7.4
Average growth in revenue in the first three quarters					
2021	11.5	-13.3[b]	18.1	8.3	17.8
2022	17.2	23.6[c]	19.6	3.4	18.5
2023	9.7	17.0[c]	1.0	0.8	4.0

Notes: (a) the first quarter only; (b) the third quarter only; (c) the second and third quarters only.

Source: AEAT (2023b) and author's own elaboration.

passed in 2023. According to the forecasts set down in the 2023 GSB: (i) 2.44 billion euros will stem from a decrease in loss offsetting between parent and subsidiary companies; (ii) 1.5 billion euros will originate from the levy on financial institutions; (iii) 2 billion euros will originate from the levy on energy companies; and, (iv) 1.37 billion euros will come from the new tax on high net worth individuals or so-called 'large fortunes' (Romero-Jordán, 2022). The initial revenue estimate for those four measures combined is approximately 7.3 billion euros. However, it is likely that the final figure will come in under 6 billion euros judging by the revenue generated in 2023 from the new levies on wealth and the financial and energy sectors. [3] Note in this respect that the caretaker government has raised the possibility of making the levies on the financial and energy sectors and the new tax on "large fortunes" permanent. Recently, moreover, the caretaker government announced its intention of introducing a minimum corporate tax rate of 15% in 2024, to be calculated over large corporations' accounting profit, rather than their taxable income. [4]

- The various deflators estimated in the 2024 Draft suggest inflation will ease in 2024. In consumer products, for example, inflation is expected to ease by 0.5 points from 4.4% to 3.9%. The impact of inflation on revenue will therefore tend to ease, albeit remaining considerable. AIReF (2022) estimated that of the tax revenue growth recorded in 2022 and 2023, 49.0% and 71.4% was attributable to inflation (years in which CPI was 3.1% and 8.4%, respectively).

Public spending is forecast at 694.3 billion euros in 2024, growth of 3.7%, compared to 4.9% in 2023. Those figures imply curbing the growth in nominal spending from 31 billion euros in 2023 to 25.1 billion euros in 2024.

"AIReF estimated that of the tax revenue growth recorded in 2022 and 2023, 49.0% and 71.4% was attributable to inflation (years in which CPI was 3.1% and 8.4%, respectively)."

> “With no change in policies, the adjustments needed to deliver the target deficit of 3.0% of GDP could reach 8 billion euros in the least favourable scenario.”

Behind that tighter fiscal discipline is the obligation to limit the growth in spending to under 2.6% (excluding debt servicing). As discussed in the next section, that public expenditure forecast includes the cost of increasing public wages and pensions by a combined amount of approximately 12 billion euros in 2024. It should be noted, moreover, that the increase in spending on wages and pensions is structural and comes on the heels of an increase of approximately 25 billion euros in 2023 (Romero-Jordán, 2022).

As already noted, the 2024 Draft aims to deliver a public deficit of 3.0% of GDP in 2024, compared to an estimated 3.9% of GDP in 2023. For that forecast to materialise, Spain’s deficit would have to decrease by close to 11 billion euros, from approximately 57 billion euros in 2023 to 46.3 billion euros in 2024. The reduction is underpinned by the elimination of a number of tax breaks, aid programmes and subsidies in play in 2023 which together imply a 17.53 billion euros reduction in spending in 2024 according to AIRef (2023): around 8.42 billion euros due to elimination of the various tax cuts and 9.11 billion euros due to the elimination of various deductions and direct aid measures.

As a result, the new government will have very little room to introduce new measures to support households or corporations in 2024 (if, for example, energy prices were to surge again) without running the risk of missing its deficit target. In fact, the main institutions and leading think tanks’ current forecasts point to a deficit of as much as 0.6 points of GDP above the government’s forecast (AIReF: 3%; the European Commission: 3.3%; Bank of Spain: 3.4%; Funcas: 3.6%; and the OECD: 3.5%). Put another way, with no change in policies, the adjustments needed to deliver the target deficit of 3.0% of GDP could reach 8 billion euros in the least favourable scenario.

Measures in force in 2023 that are not included in the 2024 Draft

With the exception of public wage and pension increases, the caretaker government cannot embark on new measures that affect public spending or income. The cost of those two items is estimated at approximately 12 billion euros in 2024. Specifically: (i) the 2024 Budget assumes wage indexation costs of 4.75 billion euros, [5]; and, (ii) although there are no figures for the cost of restating pensions, the increases are likely to amount to around 7.2 billion euros assuming inflation of 4% (roughly 1.8 billion euros for every point of inflation) (Bank of Spain, 2022). In addition, non-contributory pensions and the minimum income scheme will get restated in 2024, as will the minimum size of the contributory retirement pension for people over the age of 65 with a spouse in their care. [6] However, the 2024 Draft does not provide specific estimates of the cost of those measures.

> “The permanent elimination of all of the support measures seeking to mitigate the impact of the war in Ukraine (on both the revenue and spending sides) in 2024 would: (i) finance the indexation of public wages and pensions; and, (ii) generate a surplus of around 5.5 billion euros with which to reduce the deficit.”

> "The new government will face a series of obstacles in delivering its deficit target of 3.0% of GDP, including maintaining a cap on public spending in line with EU recommendations, servicing the higher interest burden on public debt, and financing growing pensions expenditure under the current inflationary climate, resulting in a greater opportunity cost for other necessary policies."

A host of tax cuts on energy and food products, direct aid for specific sectors and companies and fuel subsidies are in effect this year. According to the figures provided in Table 3, the cost of these measures will be 17.53 billion euros (AIReF, 2023). These public spending and revenue measures essentially seek to mitigate the impact of the war in Ukraine and ensuing energy crisis on prices. On the revenue side, the tax breaks on energy products account for 73.7% of the measures, with the remaining 26.3% represented by the VAT relief on food. On the spending side, the measures with the biggest impact are the direct aid for individuals (40.7%), followed by sector-specific aid (26.5%) and fuel subsidies (18.3%).

By way of simple comparison, the permanent elimination of all these measures (on both the revenue and spending sides) in 2024 would: (i) finance the indexation of public wages and pensions; and, (ii) generate a surplus of around 5.5 billion euros with which to reduce the deficit. As already noted, the 2024 Draft contemplates a reduction in the deficit of close to 11 billion euros to deliver the target of 3.0% of GDP.If that target is really a firm commitment, the government's freedom to introduce new measures in 2024, or extend some of those already in place, is genuinely very limited.

Indeed, the new government will face a series of obstacles in delivering its deficit target of 3.0% of GDP. A first obstacle, as already

Table 3 **Impact of the revenue and expenditure measures in 2024**

Measure	Millions of euros
I. Revenue measures	8,418
VAT on electricity, gas, briquettes, and pellets	2,279
VAT on food	2,218
Excise duty on electricity	1,324
Levy on the value of electricity generation	2,597
II. Expenditure measures	9,113
Fuel subsidy	1,666
Sector-specific aid	2,417
Electricity tariff	1,153
Direct aid for individuals	3,710
Aid for refugees	167
Total impact on the 2024 Draft	17,531

Source: AIReF (2023).

noted, will be keeping the growth in nominal public spending below 2.6%, in line with the European Commission's recommendations. A second impediment is the growth in interest expense which, at a cost of approximately 4%, will climb to 2.5% of GDP in 2024, which is approximately 39 billion euros more than the cost of 30.2 billion euros in 2022. A third problem is the pressure being exerted by expenditure on CPI-indexed pensions in the current inflationary environment. That situation is translating into significant growth in public resources for retired generations at the cost of policies around education, employment, housing or child-bearing targeted at younger generations. Indeed, the OECD (2023b) emphasised this issue in a recent report on the Spanish economy.

Notes

[1] With various delays implementing the new budgets, prior-year budgets were carried over in 2012, 2017, 2018, 2019 and 2020.

[2] The government is expecting a higher overall rate of growth in 2023 as tax reimbursements are expected to slow in the final months of the year.

[3] In the end, revenue from the tax on large fortunes amounted to 623 million in 2023, which is 45.4% of the amount budgeted. Revenue from the new levies on financial institutions and energy companies was 2.9 billion euros, 83% of the initial forecast.

[4] This design would appear to eliminate the possibility of adjusting for dividends received from overseas companies or gains on assets generated outside of Spain. The governing agreement recently hammered out between the political parties, PSOE, and Sumar, estimates this impact at 10 billion euros but does not publish any supporting calculations.

[5] The 2023 GSB contemplates a fixed increase of 2% with scope for an additional 0.5% increase depending on the trend in the harmonised consumer price index (HCPI).

[6] Royal Decree-Law 2/2023 of 16 March 2023.

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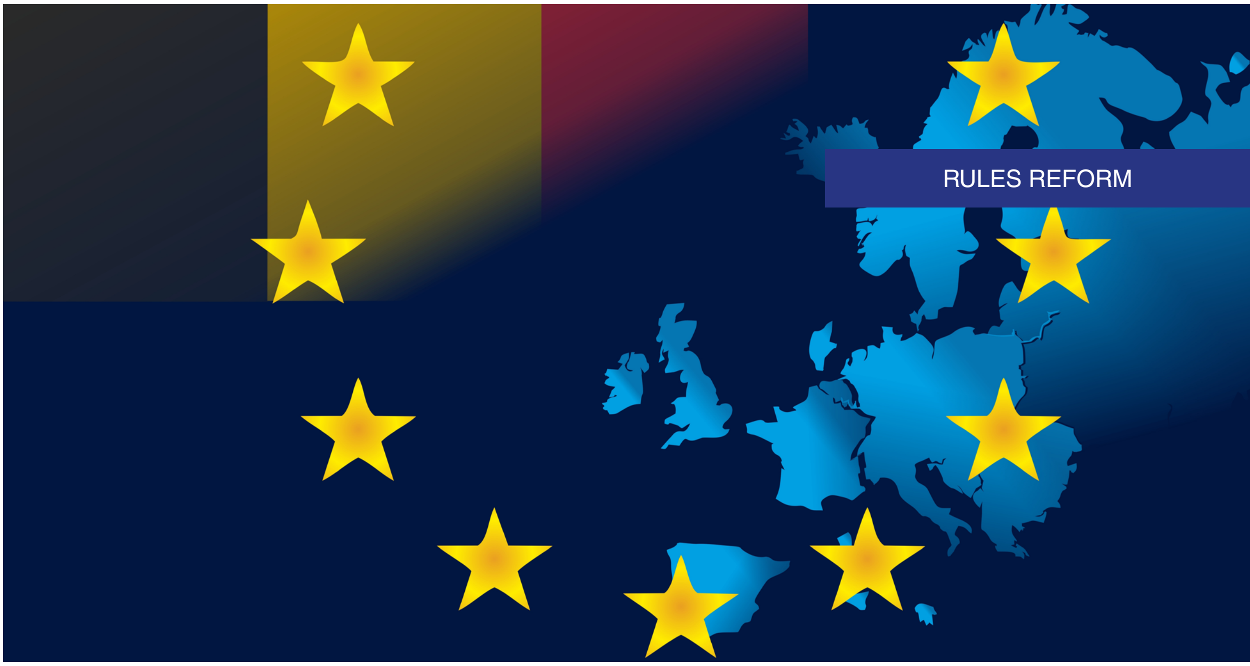


EU fiscal rules reform and Spain's fiscal position

After Spain's public deficit initially soared to 10% of GDP and the public debt level rose to historical highs of 120% of GDP in the wake of the pandemic, reactivation of the economy and significant growth in tax revenue has since helped to underpin improvement in the county's fiscal metrics. However, under a stricter EU fiscal framework, budgetary stability in Spain will face significant hurdles, unless further fiscal adjustments and reforms are implemented.

Santiago Lago Peñas

Abstract: Spain's public finances deteriorated as a result of the pandemic, with the deficit soaring to 10% of GDP and public debt levels reaching historical highs of 120% of GDP. Since then, the reactivation of the economy and significant growth in tax revenue helped to underpin improvement in the country's fiscal metrics; however, projections indicate Spain will record persistently high structural and overall deficits going forward unless further fiscal adjustments are implemented. As well, with the deactivation of the Stability and Growth Pact (SGP) escape clause in 2024, increased budget consolidation efforts will be needed in Spain. Meanwhile, the ongoing debate over the reform of EU fiscal rules is complicated by the divergent fiscal positions across EU countries as well as disparate views over the need for flexibility *versus* budget stability, resulting in increased challenges in reaching a consensus. In any event, under the anticipated stricter fiscal framework, fiscal consolidation in Spain will face significant hurdles, due to increased defence spending, investments designed to accelerate the energy and digital transitions, population ageing and climate change, which is expected to hit Spain particularly hard. Going forward, the EU should take a more active role in financing investments, while in parallel, Spain

> The projections compiled by the government, Bank of Spain, Spain's independent fiscal authority (AIReF) and the European Commission suggest that public borrowings will remain at over 105% of GDP in 2025 compared to 98% in 2019.

should accelerate progress on reforming the fiscal system, taking into consideration the particularities of the Spanish fiscal federalism framework.

Deficit and debt: Current situation and outlook

The pandemic made a huge hole in Spain's public finances, particularly its deficit and debt. The country's deficit hit 10% of gross domestic product (GDP), while public leverage marked its highest level in the last century: 120% of GDP (Lago Peñas, 2022). Since then, the country's fiscal metrics have improved substantially. Reactivation of the economy had a very positive impact, while the extraordinary growth in tax revenue easily out-measured the budgetary cost of the actions put in place to mitigate the fallout from the invasion of Ukraine and the inflation crisis of 2022 and 2023.

Nevertheless, the deficit is expected to come in at around 4% of GDP in 2023 (Table 1). A fiscal imbalance that is no longer attributable to the cyclical component. The government's draft budget for 2024 estimates the structural component at 4.3% (Government of Spain, 2023b). The current projections for the coming years are none too encouraging either. Without additional adjustments, and assuming no change in spending or revenue policies, the structural and overall deficits will remain very high. Only the government believes the deficit will dip below 3% from 2025. Neither Spain's independent fiscal authority, AIReF, nor the Bank of Spain contemplate such a favourable outcome in their latest projections.

The deficit dynamics are mirrored in the debt dynamics. The improvement in the deficit and recovery in nominal GDP between 2021 and 2023 have driven the leverage ratio

Table 1 **Public deficit forecasts (2023-2026)**

Percentage of GDP

Date	2023	2024	2025	2026
Government	3.9	3.0	2.7	2.5
AIReF	4.1	3.0	3.0	3.0
Bank of Spain	3.7	3.4	4.1	
European Commission	4.1	3.3		
Structural deficit as per Spain's government	4.2	3.4		
Pro-memo: Deficit in 2022: 4.8%				

Sources: Author's own elaboration based on Government of Spain (2023a), Bank of Spain (2023), AIReF (2023) and European Commission (2023).

Table 2 **Public debt forecasts (2023-2026)**

Percentage of GDP

Date	2023	2024	2025	2026
Government	111.9	109.1	107.9	106.8
AIReF	110.5	108.6	107.6	107.3
Bank of Spain	108.8	106.9	107.9	
European Commission	110.6	109.1	107.7	106.5
Pro-memo: Public debt ratio in 2022: 113.2%				

Sources: Author's own elaboration based on Government of Spain (2023a), Bank of Spain (2023), AIReF (2023) and European Commission (2023).

lower, albeit slowly. The projections compiled by the four institutions provided in Table 2 suggest that public borrowings will remain at over 105% of GDP in 2025 compared to 98% in 2019.

However, the Stability and Growth Pact (SGP) escape clause will be deactivated in 2024, obliging Spain to step up its budget consolidation efforts. The scale of that effort has yet to be determined. That will depend on the final outcome of the fiscal rules reform currently in process. Although the process of revising them began before the pandemic, the events of the past four years in Europe have made the need for their overhaul more pressing. Indeed, Spain is not the only country whose fiscal metrics are far from the deficit (3% of GDP) and debt (60%) limits. Exhibit 1 shows how asymmetric the situation is across the EU-27. The straight lines depict the median deficit and debt readings. In other words, those corresponding to the EU-27 nations ranked fourteenth in terms of deficit (Germany) and debt (Slovakia). The countries with the healthiest public finances are located in the lower right-hand quadrant. Some have budget surpluses and debt levels of around 20% of GDP. The unhealthiest are grouped in the upper left-hand quadrant. Italy is the biggest concern, along with Greece, which has managed to cut its deficit after over a decade of cuts and bailouts (2010-2022), but whose debt ratio remains above 170%. Next in line come Spain, France, and Belgium, with Portugal in a similar situation in terms of debt but close to having a balanced budget. The exhibit goes a long way to explaining how the various countries have aligned around the fiscal rules reform, split between those looking for flexibility and those wanting to make sure that any such flexibility does not water down the budget stability framework. Fiscal adjustment beckons in the EU (Jones, 2023).

The fiscal rules reform process: Where does it stand?

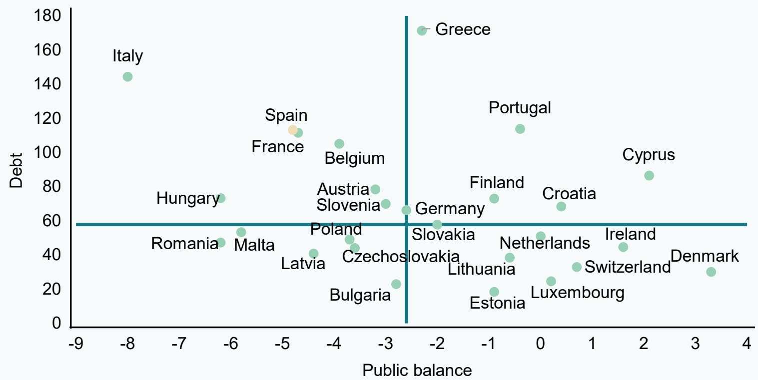
At the time of writing, the negotiations around the new rules were at their final stages. The main EU authorities (European Council, European Commission, Eurogroup and Central European Bank) are keen to

> "Spain, France and Belgium, along with Portugal, are in a similar situation in terms of debt as the highly indebted European countries, but close to having a balanced budget."

Exhibit 1

Spain in the European Union. Budget balance and public debt

Percent of GDP for 2022



Source: Author's own elaboration based on Eurostat data.

hammer out an agreement by the end of 2023. At present, the goal is to present drafts of the legal texts at the meeting of the EU's Economic and Financial Affairs Council (ECOFIN) scheduled for 8 December. Failure to reach a consensus would generate uncertainty at a time of too much uncertainty in Europe. It would also create a conflict because the public finances of some of the member states make it very hard to apply the old rules unmodified.

We currently have three key sources of input for sketching out what the new framework might look like. The first source is the proposal presented by the European Commission one year ago (11 November 2022). Its essential six components are as follows (Lago Peñas, 2023a): Firstly, maintenance of the limits set down in the EU Treaty – a maximum deficit of 3% of GDP and a maximum debt ratio of 60% of GDP. Acknowledgement, however, that many member states are far from meeting those thresholds, especially the debt ceiling. To which end, it proposes an asymmetric approach. The countries that are close to meeting the thresholds should stick with them, whereas those that are far from them must commit to gradually converging towards them. Secondly, the key benchmark indicator would be the rate of growth in nationally financed net primary spending, excluding interest payments, expenditure on unemployment benefits and expenditure financed by discretionary measures or European funds. The structural deficit and the requirement to reduce debt by one-twentieth

> "Failure to reach a consensus on fiscal reform within the EU would generate uncertainty at a time of too much uncertainty in Europe while also creating a conflict because the public finances of some of the member states make it very hard to apply the old rules unmodified."

would no longer be relevant variables. The third key component is a multi-year approach with time horizons of up to seven years for government fiscal plans, to be evaluated using tools such as stress tests and stochastic analysis. Fourthly, the escape clauses would be left in place for tackling of symmetric and asymmetric shocks that only affect part of the European Union. Fifthly, the role of the national fiscal authorities would be reinforced around plan definition and supervision, but the European Commission would remain the key player. Lastly, the proposal entails revising the penalty regime, lowering financial penalties but making them more frequent and introducing reputational penalties.

The second source of insight is the legislative proposal presented on 26 April 2023, introducing some significant changes which, in general, tighten the rules. Firstly, countries with a deficit of over 3% of GDP would be required to reduce their deficits annually by an amount equivalent to 0.5% of GDP. Secondly, the debt/GDP ratio would have to come down significantly over the course of the national four-year plans. Thirdly, when the plans are extended to seven years, the bulk of the adjustments would take to place in the initial years. Fourthly, national net expenditure would have to be kept at all times below medium-term output growth. And fifthly: countries that deviate from their plans in the medium-term would by default come under the umbrella of an excessive deficit procedure.

The third source are the statements made by policymakers and leaks regarding positions on the reforms in the six months since presentation of the draft legislation. Three articles stand out. The first is the article published in several European dailies on 15 June by the German finance minister, Christian Lindner, which was signed by another 10 colleagues, [1] emphasising the need to balance national accounts and reduce debt consistently over time, including having the most indebted nations reduce their debt ratios by at least 1% per annum. That article also came out against the notion that investment, no matter its destination, should be excluded from the calculations, asking whether allowing budget adjustment timeframes that run beyond the legislative cycle might encourage the systematic postponement of unpopular decisions.

The second piece is a leak, published on the *Politico* portal (2023) during the first week of October, of a four-page discussion paper for the ministers of finance outlining a "landing zone" for the reforms designed to reconcile positions. That document emphasises the idea that cuts should not be left until the end of the related timeframes; attempts to factor in Germany's request for a minimum debt reduction metric; attempts to reconcile the classification of investments as expenditure with the need to pursue the twin green and digital transition and step up spending on defence; calls for more automated application of the rules and more power for the Council, as well as greater transparency and advisory powers for the European Fiscal Board; and, lastly, calls for reinforced and more transparent application of the excessive deficit procedures.

However, the ECOFIN meeting of 17 October ended without agreement and led to greater public airing of the differences between member states, our third piece of evidence. It has been made clear that France and Germany stand on different sides of the debate, to the extent that they, particularly France, have called for bilateral talks between the two countries in order to pave the way for an agreement, with Spain stepping up its multilateral work in parallel. In brief, the

> "The points for which there was still no consensus as of the start of November were the debt reduction guarantees and the exceptions applicable to certain investments."

points for which there was still no consensus as of the start of November were the debt reduction guarantees and the exceptions applicable to certain investments. Germany continues to seek a minimum annual reduction in the debt ratio of one percentage point, limits on the deficit and the inclusion of all investments in the calculations, whereas France wants to focus on the long-term sustainability of public debt, while Italy wants exemptions on investments in defence and the investments financed via loans obtained under the Recovery and Resilience Facility (RRF).

Outlook for Spanish fiscal policy in the near- and medium-term

Spain's budget strategy for the coming years will have to be recalibrated for several reasons. Whatever the new fiscal framework in Europe looks like, it will have to acknowledge the need to cater to the current asymmetry in the member states' fiscal parameters. However, it will also end up being stricter than the draft legislation presented in April and will force the member states to take steps to reduce their structural deficits. Secondly, it is clear Spain will have to tackle an increase in defence spending, shaped by international commitments, and in investments designed to accelerate the energy and digital transitions. Thirdly, population ageing will continue to exert pressure on spending on pensions, healthcare and social services, while climate change is expected to hit Spain particularly hard. According to the simulations performed by Gagliardi *et al*. (2022), Spain will be the most affected EU-27 member state. Elsewhere, the International Monetary Fund (IMF, 2023) has estimated the budget cost for Spain of the policies needed to attain zero net emissions by the middle of this century. Adding the two vectors together yields a combined impact on the public debt ratio of between 8 and 9 percentage points of GDP by 2032.

In the face of this situation, we offer three thoughts. The first is that it is vital that the EU-27 play an active role in financing the hefty investments required, as it has done with those backed by the Next Generation EU funds. Spain stands to benefit especially from that support and so should be championing demands to reinforce the European architecture around this currently underdeveloped pillar. Complying with the fiscal rules and showing firm commitment to fiscal stability would legitimise such a leadership role.

Secondly, the reforms under debate should be nailed down urgently in order to optimise a fiscal system which necessarily needs to be articulated around budget rebalancing. However, it is just as pressing to reinforce the institutional and organisational framework so as to allow widespread and rigorous public spending assessments on which to substantiate adjustments and reallocation. The generic and indiscriminate cuts applied during the last decade need to be avoided and replaced by precision.

Lastly, the national stability framework needs to be fine-tuned intelligently, taking into consideration its current limitations and acknowledging the fact that Spain's regional governments have budgetary roles of a significance only found elsewhere in the EU-27 in Germany's *Länder*. Such changes need to go hand in hand with modifications to the regional financing system and be accompanied by structural solutions to the existing extraordinary financing mechanisms (Lago-Peñas, 2023b).

Notes

[1] The finance ministers of the Czech Republic, Austria, Bulgaria, Denmark, Croatia, Slovenia, Lithuania, Latvia, Estonia, and Luxembourg. https://elpais.com/economia/2023-06-15/

> “Taking into consideration the impact of climate change and mitigation policies in Spain yields a combined impact on the public debt ratio of between 8 and 9 percentage points of GDP by 2032.”

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Mortgage prepayment: An alternative to saving

After one year of intense interest rate increases, coupled with very slow pass-through to deposit rates, households have moved decisively to reconfigure their savings, and also their borrowings. In this process of recomposition of household financial flows and the search for an alternative to deposits, the early cancellation of debts, especially variable rate mortgages, which are undoubtedly the most affected by the rise in interest rates, has gained increasing significance.

Marta Alberni, Ángel Berges and María Rodríguez

Abstract: After 18 months of rate tightening, marked by an accumulated increase of over 4pp, the increases have by now been passed through to virtually all mortgages taken out at floating rates (two-thirds of the total stock of mortgages).That pass-through, which has been gradual but very consistent (in line with the contractually stipulated repricing schedules), contrasts with the slower pace of deposit repricing. Against this backdrop of high borrowing costs and relatively lower returns on savings, the prepayment of borrowings, especially those more affected by the rate increases, such as floating-rate mortgages, has emerged as a clear alternative to investing savings. Considering the long-run stability around monthly mortgage cancellations of approximately 26,000, we can infer that the incremental number of cancellations attributable to the increase in rates between June 2022 and June 2023 was around 6,000-7,000/month, which would put the cumulative number of mortgages prepaid during that period at somewhere between 75,000 and 85,000. As well, the weight of early redemptions can be estimated as ranging between 2-3% of the outstanding balance, representing approximately 9-14 billion euros. Indeed, these estimates suggest that early cancellations are in the order of

> "The convergence between the deposit facility rate and 12-month Euribor and the stability displayed by the latter in recent months signal the belief that the ECB has reached, or is about to reach, its ceiling for official rates, albeit also signalling the expectation that rates will not be cut in the near future."

magnitude of around half of the amount invested in Treasury bills and mutual funds in the first half of the year, which too are on the rise, thus underlining the increasing preferences of savers to reduce outstanding debts.

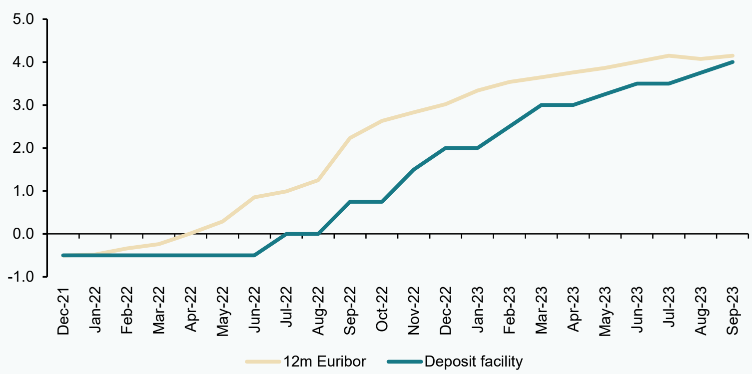
ECB rates, Euribor and pass-through to deposits and mortgages

Since it first increased its benchmark rates in July 2022, the ECB has raised its rates 10 times, lifting the rate on its deposit facility (DF) from -0.5% to 4% at present. 12-month Euribor, meanwhile, which essentially discounts the average DF rate expected for the next 12 months, had begun its ascent six months before the ECB announced its first increase, undoubtedly anticipating it and those that followed. The convergence between the DF rate and 12-month Euribor and the stability displayed by the latter in recent months signal the belief that the ECB has reached, or is about to reach, its ceiling for official rates, albeit also signalling the expectation that rates will not be cut in the near future. The anticipated ceiling or landing rate in ECB rates could be left in place for a long spell – at least a year – judging by the trajectory being discounted by Euribor.

Compared to the trend in benchmark rates (Euribor and ECB-DF), the pass-through to the rates the banks offer their customers has been starkly different across the main asset and liability products. The rates demanded on new home mortgage loans have risen quicker on the back of the increases in benchmark rates, so that the beta factor, *i.e.,* the ratio between the cumulative increase in the rates on new loans and that in benchmark rates,

Exhibit 1 **12-month Euribor and the deposit facility**

Percentage



Sources: Authors' own elaboration based on Bank of Spain and ECB data.

> The acceleration in term deposit betas, undoubtedly stimulated by growing competitive pressure as the expectation grew that rates would stay high for longer, has not shifted the perception that the new rate paradigm is being passed through to deposits much more slowly than to loans, particularly mortgages.

had reached 0.43 by the start of 2023 and 0.55 by mid-year.

In contrast, that same beta factor in the case of term deposits was a mere 0.16 at the start of the year but had climbed to 0.49 by mid-year. That acceleration, undoubtedly stimulated by growing competitive pressure as the expectation grew that rates would stay high for longer, has not shifted the perception that the new rate paradigm is being passed through to deposits much more slowly than to loans, particularly mortgages.

In fact, that beta factor of 0.55 observed on new mortgages would be even higher looking only at the rates applied to outstanding mortgages arranged at floating rates, which represent over two-thirds of the total. In floating-rate mortgages, as outlined in an earlier paper (Alberni, Berges and Rodríguez, 2022), interest rate repricing tends to take place annually, so that around one-twelfth of all outstanding loans get repriced monthly on the basis of the average Euribor during the previous month. Given the intense increase in Euribor already in the spring and summer of 2022 (Exhibit 1), a very significant percentage of floating-rate mortgages have already been largely repriced for the new environment and any left to do so will in all probability get repriced in the coming months, judging by the outlook for Euribor being discounted by longer-term market rates.

Response to the new rate environment: Lower demand for new mortgages and rise in cancellations of existing loans

Such a significant increase in mortgage rates, both new loans and already outstanding mortgages carrying floating rates, has necessarily had to have an adverse impact on demand for such loans, at a time when households' disposable income is rising more slowly than the cost of money, so undermining their ability to service their mortgages.

That contraction in demand in response to the rate increases is particularly noticeable in new mortgages. Having registered growth of close to 20% year-on-year in 2021 and the first few months of 2022, the pace of growth started to slow throughout the second half of 2022, as new mortgage rates began to price in the rise in Euribor. However, it was clearly during the first half of 2023, when the beta climbed above 0.5, when demand began to contract sharply (by over 17%).

Much harder to observe, but probably more important in terms of its impact on the

> Given the intense increase in Euribor already in the spring and summer of 2022, a very significant percentage of floating-rate mortgages have already been largely repriced for the new environment and any left to do so will in all probability get repriced in the coming months.

> During the last two years, the number of mortgages whose rate has been amended as part of an agreement between lender and borrow has nearly doubled, with most of the amendments consisting of a switch from floating to fixed rates.

banking business, is how the households with mortgages at floating rates, which have seen their rates increase by 4 points (in many cases more than doubling their monthly mortgage payments), have reacted.

A first response was to renegotiate the terms with their lender banks, a possibility that arose with the Property Credit Agreement Act of March 2019. As a result, during the last two years, the number of mortgages whose rate has been amended as part of an agreement between lender and borrow has nearly doubled (to an annual average of 45,000), with most of the amendments consisting of a switch from floating to fixed rates according to statistics published by Spain's statistics office, the INE.

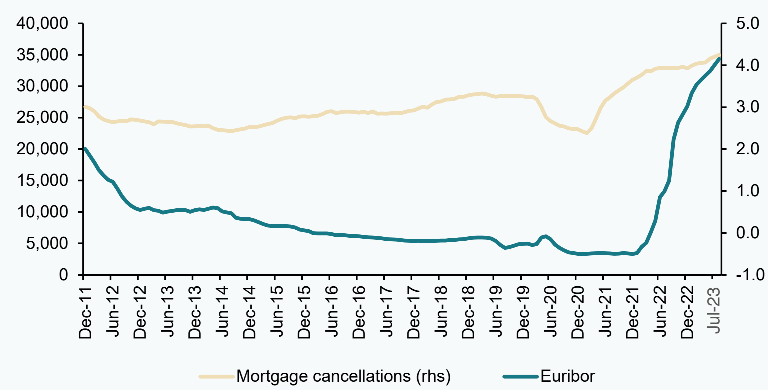
Another logical response by households with floating-rate mortgages was to pay off some of their loans, drawing on savings whose remuneration was considerably lagging the pace at which mortgage rates were rising.

It is impossible to know exactly the scale of that response as the mortgage cancellation statistics also include mortgages that are cancelled at the originally scheduled maturity date. Nevertheless, insofar as those 'natural' cancellations tend to be fairly evenly paced over time, it is possible to analyse those statistical rhythms in order to infer outlying trends and examine whether they are correlated to the interest rates of relevance to mortgage costs.

Exhibit 2 shows, going back a little over a decade, the historical series tracking the number of mortgages cancelled, expressed as a 12-month moving average in order to smooth out monthly swings. That series is charted

Exhibit 2 **Mortgages cancelled *versus* 12m Euribor**

Number | 12m moving average in %



Sources: Authors' own elaboration based on Bank of Spain and INE data.

> “Bearing in mind that the year 2022 already presented values above the average of the historical series, it is estimated that this weight of early redemptions can be found in a range between 2-3% of the outstanding balance, representing an amount of approximately 9 to 14 billion euros.”

alongside the trend in 12-month Euribor, the most important benchmark for the mortgage lending market.

The exhibit leaves little room for interpretation. Mortgage cancellations have been tended to be very stable, only changing during episodes related to movements in Euribor. Twice, when that benchmark rate fell (2012 and 2020), the number of cancellations decreased. To the contrary, the exhibit shows sharp acceleration in cancellations in parallel with the significant increase in Euribor etched out since early 2022.

On the basis of the aforementioned exhibit, considering the long-run stability around monthly cancellations of approximately 26,000, we can infer that the incremental number of cancellations attributable to the increase in rates between June 2022 and June 2023 was around 6,000-7,000/month, [1] which would put the cumulative number of mortgages prepaid during that period at somewhere between 75,000 and 85,000.

As a complement to this behaviour of the number of write-offs, we have also analysed the series corresponding to outflows observed in the outstanding amount of mortgage credit. These outflows include cancellations, portfolio sales and transfers to write-offs, although what we are interested in measuring is whether there has been a jump in the series since the start of the rise in interest rates, and this is indeed the case. In the first half of 2023, these outflows relative to the outstanding balance are approximately one percentage point above the level of the previous year. Bearing in mind that the year 2022 already presented values above the average of the historical series, it is estimated that this weight of early redemptions can be found in a range between 2-3% of the outstanding balance, representing an amount of approximately 9 to 14 billion euros.

Mortgage cancellation rather than household savings

Based on the above estimates regarding the number of mortgages paid off on account of the new high-rate environment, we next sought to put those cancellations into context at a time when households are reconfiguring their financial savings for the new rate scenario, particularly the very different pace at which higher rates are being passed through to bank assets *versus* liabilities.

That rearrangement is proving very pronounced within bank deposits, the chief destination for household savings, at a little over one trillion euros. Households shifted a significant volume of their savings from sight to term deposits between June 2022

> “Having reduced the amount of savings held in deposits, Spain’s households have channelled their money into two main alternative products: investment funds and fixed income-securities purchased directly, particularly Treasury bills, in roughly equal amounts.”

> It is worth noting that the switch from deposits to funds does not, for the most part, imply the break-up of the bank-customer relationship but rather a product switch, as most of the fund managers are owned by banking groups

and June 2023 (the 12 months following the ECB's first rate increase). Term deposits, the only product to offer higher remuneration, albeit very gradually and selectively so, have increased by close to 20 billion euros, marking growth of around 30% from the low level (65 billion euros) observed after nearly a decade offering zero remuneration. That increase in term deposits has been more than offset by the decrease in sight deposits, of over 30 billion euros, for a net decrease in aggregate household bank deposits since the ECB embarked on rate tightening of some 12 billion euros.

Having reduced the amount of savings held in deposits, Spain's households have channelled their money into two main alternative products: investment funds and fixed income-securities purchased directly, particularly Treasury bills, in roughly equal amounts.

Fund investment is not new for Spanish households, with this product second only to bank deposits for two decades now. In fact, over the course of the last two decades, the two products have etched out a substitution pattern, which has become more pronounced in the last year, with funds receiving the bulk of household savings, specifically net subscriptions of around 15 billion euros during the period analysed. In support of this thesis that deposits are being funnelled into investment funds, note that it is the more risk-averse funds – fixed-income and targeted-return funds above all – that have received the biggest net contribution, with the riskier funds (equities) receiving zero or even negative net contributions. Also worth noting is the fact that the switch from deposits to funds does not, for the most part, imply the break-up of the bank-customer relationship but rather a product switch, as most of the fund managers are owned by banking groups.

What is new in household investing patterns is the significant direct purchase of fixed-income securities, particularly Treasury bills on the primary market, with individuals having purchased nearly 16 billion euros during the period under analysis, most of which in 2023.

Conclusion

After one year of intense rate increases, coupled with very slow pass-through to deposit rates, households have moved decisively to reconfigure their savings, and also their borrowings. On the savings side, they have reduced their overall deposits (and shifted from sight to term deposits), while sharply increasing their contributions to investment funds and, above all, their direct purchase of fixed-income securities, primarily Treasury bills via direct accounts with the Bank of Spain.

> What is new in household investing patterns is the significant direct purchase of fixed-income securities, particularly Treasury bills on the primary market, with individuals having purchased nearly 16 billion euros during the period under analysis, most of which in 2023.

In this process of recomposition of household financial flows and the search for an alternative to deposits whose returns lag far behind market rates, the early cancellation of debts, especially variable rate mortgages, which are undoubtedly the most affected by the rise in interest rates, takes on a special role. Estimates based on the information available suggest that these early cancellations are in the order of magnitude of around half of the amount invested in Treasury bills and mutual funds in the first half of the year, thus underlining the traditional saying that "the best investment is to reduce debts... for those who can afford to do so".

Notes

[1] Cross-checking that analysis with a linear regression between the two variables yields similar conclusions, with the number of monthly mortgage cancellations increasing by around 1,500 for every percentage point increase in Euribor.

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Marta Alberni, Ángel Berges and María Rodríguez. Afi

INSURANCE SECTOR

The resurgence of insurance products in Spain

In what looks to be the tail end of the monetary policy tightening cycle, the insurance business in Spain is staging spectacular growth in revenue (premiums), fuelled by life insurance products. With rates now looking more likely to stay high for longer, momentum in these products is expected to continue; however, from a broader perspective, the sector is likely to suffer, particularly in the non-life business, from the economic slowdown and high costs of claims in the motor insurance segment.

Daniel Manzano

Abstract: In what looks to be the tail end of monetary policy tightening by central banks, the insurance business in Spain is staging spectacular growth in revenue (premiums), fuelled by life insurance products. Yield curve normalisation over the past year has created the conditions, previously absent, for renewed development of traditional life and savings products, having languished for many years against the backdrop of zero or negative rates. These products have also benefitted from the banks' strategy of keeping rates on their deposits low until now. With rates now looking more likely to stay high for longer, momentum in these products is expected to continue. While further tightening is not anticipated, the slow reduction in inflation from current levels means the ECB is now expected to keep its benchmark rates at current levels until mid-next year, creating optimum conditions for business development in the life segment for the coming quarters. As a result, total annual premiums across all insurance businesses could hit a range of 75-80 billion euros in 2023 and 2024, which would mark growth of 15%-20% from 2022 levels. Moreover, business conditions look set to remain attractive for even longer, having left behind the era when interest rates of zero per cent thwarted any chance of growth. Nevertheless,

> Spain will not be immune to the slowdown looming in the coming quarters although there is consensus that, as has been the case in the past, the adverse impact on growth of monetary tightening will be less pronounced than on some of its neighbours, with positive implications for the fate of the country's insurance business.

from a broader perspective, the sector is likely to suffer, particularly in the non-life business, from the economic slowdown and high costs of claims in the motor insurance segment.

Economic and monetary policy backdrop

The economic and financial scenario took a radical turn around 18 months ago, when central banks accelerated their interest rate tightening (an increase by between 4 and 5 percentage points) to a pace not witnessed in recent history, prompting an upward shift in the rate curve, while dimming economic growth prospects in parallel. The reason for the sudden shift in expectations lay with runaway inflation in all developed countries, which had reached levels not seen in recent decades. The key factors fuelling inflation were the economic reopenings in the wake of the pandemic, which entailed restarting value chains and rolling out expansionary fiscal policies, and the subsequent onset of the war in Ukraine, which triggered a surge in energy and other commodity prices.

The result of all of this monetary tightening has been a considerable economic slowdown (uneven and far softer in the US than in Europe), stopping short of a recession for now, and curtailment of inflationary pressures, albeit at an apparently insufficient pace.

Current expectations are that rate tightening by the central banks has run its course and that we are in for several quarters of high rates before seeing initial cuts during the second half of next year. Logically, the thinking also goes that inflation will have come down

Table 1 **Trend in premiums by line, 2020-1H23**

Estimated total volume of premiums written in the sector					Change (%)		
Line	2020	2021	2022	1H23	2021/20	2022/21	1H23/1H22
Total direct insurance	58,892	61,798	64,673	40,972	4.93	4.65	23.70
Non-life	37,055	38,247	40,240	22,271	3.22	5.21	6.65
Motor	11,086	10,990	11,353	6,115	-0.87	3.30	5.47
Health	9,387	9,854	10,543	5,653	4.97	6.99	7.04
Multi-risk	7,753	8,116	8,578	4,737	4.68	5.69	6.09
Other non-life	8,829	9,287	9,765	5,766	5.19	5.15	8.02
Life	21,837	23,552	24,433	18,701	7.85	3.74	52.81
Risk	4,848	5,020	5,208	2,917	3.55	3.75	-0.22
Savings	16,989	18,532	19,225	15,783	9.08	3.74	69.46
Technical provisions – Life	194,110	95,721	193,753	200,387	0.83	-1.01	4.37

Source: ICEA.

Table 2 **Trend in provisions in life, 2020-1H23**

Segment	Technical provisions / Net assets (millions of euros)				Change (%)		
	2020	2021	2022	1H23	2021/20	2022/21	1H23/1H22
Risk	6,572	6,914	7,074	7,464	1.9	5.2	3.29
Dependency	36	38	42	45	24.7	4.9	9.49
Savings/Retirement	187,501	188,770	186,498	192,534	-0.4	0.7	1.41
Pension insurance	12,098	11,400	11,034	10,900	-2.0	-5.8	-1.59
Deferred capital	49,004	47,775	47,215	47,677	-2.6	-2.5	0.56
Annuities and temporary income	89,129	88,449	87,635	89,521	-1.0	-0.8	4.06
Transformation of net worth into annuity	2,418	2,433	2,258	2,256	-6.8	0.6	-0.41
Systematic individual savings plans	14,441	14,629	13,645	14,673	-0.1	1.3	4.93
Long-term individual savings plans	4,397	4,321	4,022	3,914	1.7	-1.7	-3.79
Asset-related (risk taker)	16,016	19,764	20,689	23,593	12.2	23.4	19.11
Total life insurance	194,110	195,707	193,613	200,043	-0.3	0.8	1.53
Pension plans managed by insurance entities	48,278	61,846	55,922	58,062	4.6	28.1	5.49
Total insurance entities	242,388	257,568	249,535	258,105	0.6	6.3	3.4

Source: ICEA.

towards the targeted rate of 2% (albeit without reaching it) within that same timeframe. There is less consensus around the (inevitable) cost of the current monetary strategy in terms of economic growth, particularly in Europe. The most recent indicators are not encouraging, especially and relevantly in Germany. The outlook is also decidedly lacklustre in China, which has shouldered a large share of global growth over the past decade.

Spain will not be immune to the slowdown looming in the coming quarters although there is consensus that, as has been the case in the past, the adverse impact on growth of monetary tightening will be less pronounced than on some of its neighbours. The situation naturally has implications for the fate of the insurance business in Spain, a business which, as we will see below, has been undergoing considerable changes in recent quarters.

The information available until mid-summer (Tables 1 and 2) shows how the trends we foreshadowed at the start of the year have been borne out. Clearly the non-life business continues to register solid revenue growth, with the life business growing at spectacular rates. The latter, after a long spell of stagnation and regression, has been unlocked by the rapid normalisation of interest rates after so many years of zero or negative rates.

Recent performance of the Spanish insurance sector

During the first half of this year, the non-life business posted a robust performance, marked by accelerating rates of year-on-year nominal growth in premiums across all lines relative to those recorded over the same period in 2022. Specifically, slight increases in health (+7.04%) and multi-risk insurance (+6.09%), with growth accelerating more considerably in motor insurance (+5.47%), up from subdued rates of growth, and the other lines of non-life insurance (+8.02%). Although the significant overall growth in the non-life business in the first half of this year (+6.65%) is partly attributable to the current

> Despite the stagnation in the life-risk line, which is being hurt by the slowdown in mortgage lending, to which the sale of new policies is meaningfully linked, the volume of life insurance premiums increased by over 50% year-on-year in the first half of 2023, thanks mainly to the extraordinary growth in life-savings products (almost 70%).

inflationary context, its expansion is well above price growth in Spain at present.

In life insurance, the fact that the volume of premiums sold probably matched the full 2022 figure by the end of the third quarter says it all. Despite the stagnation in the life-risk line, which is being hurt by the slowdown in mortgage lending (in the context of sharply rising borrowing costs), to which the sale of new policies is meaningfully linked, the volume of life insurance premiums increased by over 50% year-on-year in the first half of 2023, thanks mainly to the extraordinary growth in life-savings products (almost 70%). Yield curve normalisation over the past year has created the conditions, previously absent, for the renewed development of traditional life and savings products, having languished for many years against the backdrop of zero or negative rates.

Also worth highlighting is the rebound in traditional life-savings products, which have additionally benefitted from the banks' strategy of keeping the rates they offer on their deposits low, lifting the sale of unit-linked (policyholder risk) products, to levels that remain at or above the sharp pace observed in recent years.

The extraordinary growth in revenue in the insurance sector as a whole in the first half of the year had differing fates in terms of margins and profits. In fact, as shown in Table 3, the technical account in the non-life business, despite robust topline growth of close to 7%, contracted by nearly 2% in the first half. The growth in claims in multi-risk and motor insurance (nearing a worrisome 80%), largely because of the cost of damage remediation associated with the inflation phenomenon, and less so to the effect of the changes made to the payout scales in motor coverage, were the main drivers. The impact on the motor insurance line, which has been dragging on since the pandemic, is very significant. In 1H23, the technical result in the motor insurance line came to just over 100 million euros, down by over 66% year-on-year. Moreover, the motor insurance segment had already notched up annual contractions in its technical margin of over 40% during the previous two years (2021 and 2022). This adverse trend in earnings in the motor insurance line naturally has an impact on the aggregate earnings of the non-life business.

At the other extreme, the life business has continued to report excellent earnings performance, leveraging the business' sharp growth. The business already reported strong results in its technical account last year (of almost 25%) fuelled by two main drivers: (i) the positive impact of the rapid rise in rates on the returns on some of the assets in which

> Earnings increased a further 5% year-on-year in the first half of this year, suggesting that this year, as was the case in 2022, the life business will offset the downturn in earnings in the non-life business, shaped mainly by the motor insurance line.

Table 3 **Insurance sector results, 2020-1H23**

(Data restated for 100%)	Result from retained insurance (millions of euros)				Change (%)		
	FY 2020	FY 2021	FY 2022	1H 2023	2021/20	2022/21	1H23/1H22
Technical account							
Non-life	4,156	3,322	3,147	1,573	-20.1	-5.3	-1.8
Motor	*1,503*	*891*	*510*	*108*	*-40.7*	*-42.8*	*-65.6*
Multi-risk	*467*	*341*	*397*	*246*	*-27.0*	*16.4*	*-3.0*
Health	*941*	*715*	*613*	*273*	*-24.0*	*-14.3*	*57.6*
Other non-life	*1,244*	*1,376*	*1,626*	*947*	*10.6*	*18.2*	*10.0*
Life	2,125	2,539	3,169	1,585	19.5	24.8	5.0
Total life and non-life	**6,281**	**5,861**	**6,315**	**3,138**	**-6.7**	**7.7**	**1.5**
Non-technical account	**5,797**	**5,068**	**5,526**	**2,499**	**-12.6**	**9.0**	**-6.1**

Source: ICEA.

the insurers had invested (up from returns of close to zero); and (ii) the extraordinary release of provisions recognised on some older product portfolios by certain specific insurers. Nevertheless, earnings increased a further 5% year-on-year in the first half of this year, suggesting that this year, as was the case in 2022, the life business will offset the downturn in earnings in the non-life business, shaped mainly by the motor insurance line. The main source of the momentum we are seeing in life insurance is the banking sector (which holds the key to its performance) having been openly used (as has the investment funds channel) to address demands for remuneration not channelled via bank deposits.

Outlook

At this juncture, looking to the quarters ahead, it is clear, as signalled at the start of this piece, that the current economic and financial conditions are bound to modify the business framework. Without a doubt, the slowdown anticipated in the wake of the monetary tightening will hurt growth prospects in the more cyclical lines such as motor insurance (Exhibit 1). The health insurance line's proven inelasticity over time should, however, keep it at its current cruising speed. Inflation is set to continue to play a key role on account of its relevance in both claims and astute management of policy prices. However, it is likely that it will trend towards the ECB's target (albeit still slowly), so that inflation should wane as a risk factor for the non-life business.

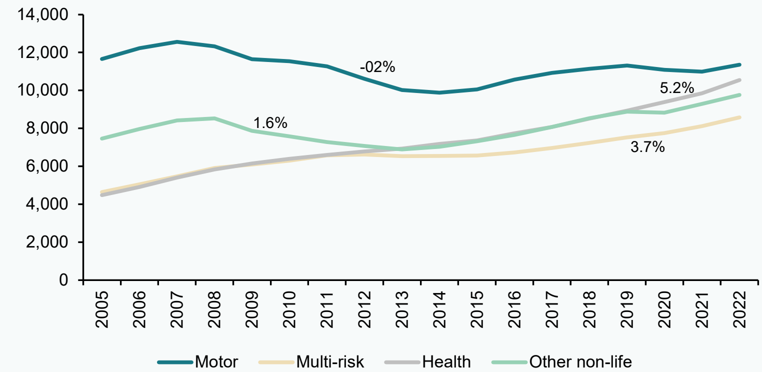
The ECB is now expected to keep its benchmark rates at current levels until mid-next year, creating optimum conditions for business development in the life segment

> "Under the current monetary policy context, total annual premiums across all insurance businesses could hit a range of 75-80 billion euros in 2023 and 2024, which would mark growth of 15%-20% from 2022 levels."

Exhibit 1

Trend in premiums by line

Millions of euros



Note: The percentages represent the average cumulative annual rate for the entire period.
Source: Authors' own elaboration based on ICEA data.

for the coming quarters. As a result, total annual premiums across all insurance businesses could hit a range of 75-80 billion euros in 2023 and 2024, which would mark growth of 15%-20% from 2022 levels. Moreover, business conditions look set to remain attractive for even longer, having left behind the times when interest rates of zero per cent thwarted any chance of growth.

Daniel Manzano. Partner at Afi

Deposit remuneration in Spain

The ultra-expansionary monetary policy in place until 2021 had the obvious benefit of providing official liquidity at a time when the banks were finding it hard to raise it privately. The disappearance of that official liquidity will foreseeably translate into higher deposit betas across the eurozone, including in Spain, where the process is already beginning to accelerate, albeit with a lag relative to the eurozone average.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: According to the Bank of Spain, rates on corporate deposit accounts increased from 0.03% in July 2022 to 0.46% in August 2023. Over that same timeframe, the average rate on term deposits from corporations increased from 0.60% to 2.67%. As for bank accounts for households, the rate offered on sight deposits increased from 0.01% to 0.12% during that period, increasing from 0.04% to 1.37% on term deposits. Assessing deposit pass through at the EU level, the European Central Bank's statistics reveal that remuneration on deposit accounts in Spain averaged 2.31% in August, compared to 3.03% on average in the eurozone. That gap is partly the result of a different financial reality for the Spanish financial institutions. The Spanish banks reinforced their liquidity buffers significantly in the wake of the financial crisis. Thus, their initial failure to pass the ECB rate increases on to deposit rates to a greater extent (a phenomenon we are witnessing at present) reflects, at least in part, the abundance of liquidity held by the Spanish banks that was provided by the ECB itself, curtailing the incentive to compete for deposits. That said, the deposit pass through already underway is set to intensify further in the coming months as the ECB continues to mop up liquidity, including through the unwinding of TLTROs.

Foreword

Newspaper headlines stating that market rate increases get priced into loans faster than deposits have become a common

> In this new climate where we are witnessing the shift from abundant liquidity to scarcity, we will likely see faster deposit repricing, with evidence suggesting that acceleration is already materialising.

phenomenon. Such asymmetries in the monetary policy transmission channels are habitual looking back in time and warrant an unhurried explanation. Having lived through a prolonged period of zero or negative rates followed by intense rate tightening (10 ECB rate increases since July 2022) over a short period of time has brought this issue into focus. Unlike what has happened in other European countries, until now, the Spanish banks had not been increasing the rates offered on sight deposits at anywhere near the same intensity. Recent evidence, however, suggests that market rates are now being passed through, and at an accelerating pace.

What are the reasons for the lag (relative to the eurozone) in passing through the increase in official interest rates to the price of bank liabilities? According to the European Central Bank's statistics, remuneration on deposit accounts in Spain averaged 2.31% in August, compared to 3.03% on average in the eurozone. That gap is partly the result of a different financial reality. The Spanish banks reinforced their liquidity buffers significantly in the wake of the financial crises. The failure to pass the ECB rate increases through to deposit rates to a greater degree reflects, at least in part, the abundance of liquidity held by the Spanish banks that was provided by the ECB itself. As a result of that monetary policy, deposits had not, in general, been contributing significantly to the level of banking margins. The banks' incentive to go after deposits in an environment of abundant liquidity has been weak. In parallel, after the intense provisioning and sale of assets impaired by the financial crisis, the Spanish banks have faced lower funding requirements than their European competitors, with credit and assets registering considerably lower growth. Meanwhile, in recent years, Spanish savers looking for higher returns have opted for other products such as investment funds and direct investments, often times marketed by the banks themselves. In sum, the monetary environment explains at least some of the trend in deposit remuneration irrespective of competitive dynamics.

That situation of abundant liquidity is currently making way for one of scarcity. The inflation ushered in by the war in Ukraine, coupled with other geopolitical events and post-pandemic supply chain issues, has forced the central banks to – swiftly – switch their interest rates policies and roll back their extraordinary liquidity instruments. In this new climate it is likely we will see faster deposit repricing. The evidence suggests that acceleration is already materialising.

The mechanism of deposit pass through

There are several proven facts about how official interest rates get passed through to bank deposit rates. The European Central Bank (Grodcicki *et al.,* 2023) highlights the following mechanisms:

Firstly, the sensitivity of banks' deposit rates to changes in policy rates depends on the type of deposit, bank-specific characteristics and the structure of the banking sector. Econometric analyses reveal that approximately 86% (68%) of the change in policy rates is transmitted to rates on new term deposits from non-financial corporations (households), whereas 23% (32%) is transmitted to rates on sight deposits from non-financial corporations (households). As shown further on in this paper, in Spain, as in the rest of the eurozone, the transmission of official rates to deposit rates began sooner and is proving more intense in the corporate segment, although things are beginning to accelerate in the household segment too.

> “The Spanish banks have gone from having 289.69 billion euros of long-term funding in July 2022 (when the ECB embarked on its rate tightening) to 96.18 billion by May 2023.”

Secondly, interest rates on new deposits from non-financial corporations are more sensitive to changes in policy rates as firms are more likely to switch to alternative investments. Until recently, corporations were even charged negative rates in some instances. This phenomenon is also evident in Spain, in a context in which average returns on investment funds have been extraordinarily varied and the upward pressure exerted by market rates on fixed-income securities has translated into returns of over 2% (CNMV, 2023).

Thirdly, the ECB’s findings also show a reduced proclivity to pass through policy rates in the case of the larger and more liquid banks. For example, a one-point increase in official rates leads to term deposit rates that are 12 basis points lower for larger banks and 10 basis points lower for the liquid banks (under less pressure to bring in deposits). In a study by Carbó, Cuadros y Rodríguez (2021), it was shown that during the years in which official interest rates were in negative terrain, the Spanish banks were hit relatively hard by the anomalous monetary situation on account of their relative size and liquidity, among other factors.

Fourthly, deposit outflows and TLTRO repayments could intensify competition in the deposit market, leading to faster and higher deposit repricing than observed recently. This is a relevant factor in Spain, which had garnered between 10% and 15% of those long-term funds. Their repayment has picked up significantly of late.

The Spanish banks have gone from having 289.69 billion euros of long-term funding in July 2022 (when the ECB embarked on its rate tightening) to 96.18 billion by May 2023.

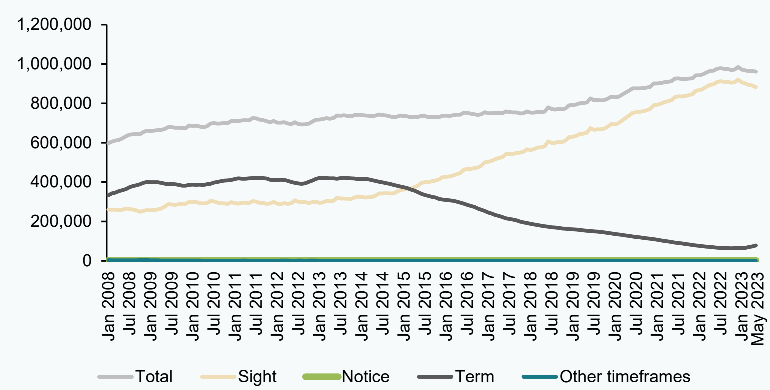
Pass-through of interest rates in Spain

The Bank of Spain’s statistics show that the transition described by the ECB for the broader eurozone is already materialising. Sight

Exhibit 1

Deposit mix in Spain 2008-2023

EUR mn

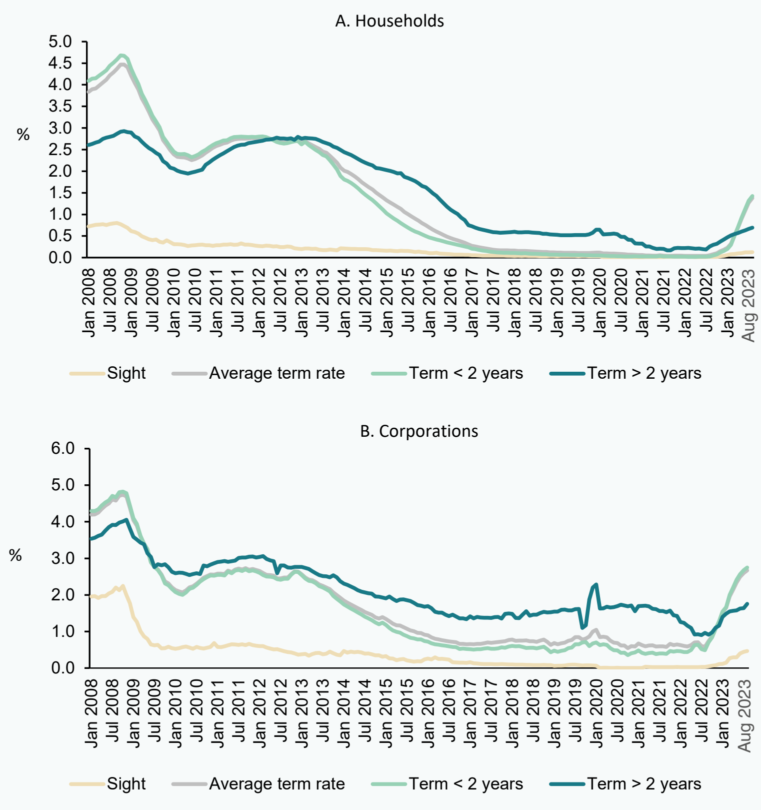


Source: Bank of Spain and authors’ own elaboration.

deposits gained market share during the years of negative or ultra-low rates, representing 89.5% (862.2 billion euros) of all household deposits by September 2023 (Exhibit 1). Term deposits were in clear decline during those same years but have recovered in line with the rebound in rates, especially over the course of 2023, increasing from 64.9 billion euros in January to 101.23 billion euros by September.

The period of abundant liquidity has given way to a situation of greater scarcity in which the cost of bank deposits can be expected to increase. Indeed, there are some signs that this is already beginning to happen. Rates on corporate deposits are increasing significantly (always the first segment to benefit from the pass-through of official rates), as too are prices in the household segment of late. According to the Bank of Spain, rates on corporate deposit accounts increased from 0.03% in July 2022 to 0.46% in August 2023. Over that same timeframe, the average rate on term deposits from corporations increased from 0.60% to 2.67%. As for bank accounts for households, the rate offered on sight deposits increased from 0.01% to 0.12% during that period, increasing from 0.04% to 1.37% on term deposits. This pass-through is set to intensify in the coming months as the ECB continues to mop up liquidity.

Exhibit 2 **Deposit remuneration in Spain: Interest rates on new deposits**



Source: Bank of Spain and authors' own elaboration.

> "It makes sense that in countries where inflation is higher, nominal deposit rates would be higher; nevertheless, deposit remuneration is higher in real terms in countries with lower inflation, like Spain, providing an additional possible partial explanation for the lower prevailing nominal rates on bank accounts."

S&P Global (2023) notes that deposit remuneration began to climb upwards in Spain at the end of 2022, calculating that the percentage of changes in market interest rates that banks pass on to their customers – the so-called deposit beta – had increased to 25% in the first quarter of this year.

The last matter of great importance is inflation. Differences in inflation from one country to another may also be having an impact on deposit remuneration since savings and investment supply and demand decisions are taken in real terms, discounting inflation. It makes sense that in countries where inflation is higher, like Germany and other central and northern European countries, nominal deposit rates would be higher. Nevertheless, deposit remuneration is higher in real terms (adjusting for inflation) in countries with lower inflation, like Spain, providing an additional possible partial explanation for the lower prevailing nominal rates on bank accounts. This impact should disappear as eurozone inflation rates converge.

In short, the ultra-expansionary monetary policy in place until 2021 had the obvious benefit of providing official liquidity at a time when the banks were finding it hard to raise it privately. However, that same policy has generated a lot of distortions (refer to Carbó, Cuadros and Rodríguez, 2021), including distortions in competition in the banking sector. The ultra-expansionary policy that gave rise to such abundant liquidity also curtailed the incentive to compete for deposits (particularly in the less profitable customer segments). As noted above, the disappearance of that liquidity (unwinding of the TLTROs) will normalise those incentives. A higher cost of opportunity for the banks around liquidity will foreseeably translate into higher rates on deposits.

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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)

Draft Royal Decree on the legal regime governing investment firms and other investment service providers

The purpose of this piece of draft legislation is to transpose Directive (EU) 2019/2034 on the prudential supervision of investment firms and Delegated Directive (EU) 2021/1269 as regards sustainability factors into Spanish law and to complete implementation of the regime applicable to investment service providers following the changes introduced via Law 6/2023 on Securities Markets and Investment Services ("Law 6/2023"). It also repeals Royal Decree 217/2008 on the legal regime governing investment firms and other investment service providers. The public consultation period ended on 28 September.

The most important changes to be introduced include:

- A new prudential framework modifying the initial capital requirements applicable to investment firms (IFs).
- A new framework for national financial advisors that do not qualify as IFs and cannot provide services in other Member States.
- A new regime governing contributions to the investment guarantee scheme (FOGAIN for its acronym in Spanish). Financial advisors will have three months from effectiveness of the new Royal Decree to join the scheme. Those that are already members of the guarantee scheme can sign up for a voluntary gradual alignment system.
- The cross-border investment services regime, distinguishing between cross-border activity within the EU, with requirements similar to the national rules, and cross-border activity with third countries, where additional safeguards are required.
- The IF management systems, procedures and mechanisms by means of: (i) financial requirements; (ii) internal organisational and operational requirements; (iii) internal organisational and operational requirements for IFs engaged in algorithm trading; (iv) internal organisational and operational requirements for IFs that provide direct electronic access; and, (v) internal governance, risk management, remuneration and transparency requirements for large and interconnected IFs.
- New rules of conduct related to inducements. Introduction of the stipulation that a fee, commission or non-monetary benefit derived from the provision of a financial instrument placement service not on a firm commitment basis or the underwriting of financial instruments or placement of financial instruments on a firm commitment basis is designed to enhance the quality of the related service to the client if it provides the latter access to a primary market.
- The integration of the sustainability factors into product governance matters.
- Updated provisions for data reporting service providers to align them with European regulations.

Draft Royal Decree on financial instruments, admission to trading, registration of transferable securities and market infrastructures

The purpose of this piece of draft legislation is to systematise and restructure the existing body of legislation in order to ensure clear and simple capital markets regulations and to implement Law 6/2023. It will also repeal Royal Decree 1310/2005, Royal Decree 361/2007, Royal Decree 878/2015, Royal Decree 1464/2018 and Ministerial Order EHA/3537/2005. The public consultation period ended on 28 September.

In broad terms, this draft legislation purports to address the following:

- Reorganisation of the provisions regarding the regulatory implementation of MiFID II around: (i) the aspects related with financial instruments, representation of transferable securities by means of book entries or via systems based on distributed ledger technology; (ii) the admission to trading on regulated markets of public securities offerings and responsibility for the prospectuses; (iii) the clearing, settlement and registration of transferable securities; (iv) the position limits on the size of a net position in agricultural commodities derivatives and critical or significant commodity derivatives; and, (v) the common provisions applicable to central counterparties and central securities depositories.

- Elimination of central securities depositories' obligation to have an information system for the purpose of supervising transferable securities trading, clearing, settlement and registration.

- Alignment of central securities depositories' oversight and control requirements with European regulations.

- A new definition of a financial instrument to include those issued, registered, transferred or stored using distributed ledger technology or equivalent.

- Elimination of outdated references that are no longer applicable or fail to adequately reflect the reality of the Spanish capital markets.

- New exemptions for financial and non-financial counterparties that are subject to the legal liquidity provision requirement.

Lastly, this future Royal Decree will transpose Directive (EU) 2021/338 as regards information requirements, product governance and position limits to help the recovery from the COVID-19 crisis.

Draft Royal Decree amending Royal Decree 1082/2012 on implementation of the collective investment undertaking Act

The purpose of this draft piece of legislation is to enhance the legal regime governing collective investment in Spain in order to bolster its competitiveness, improve how it functions and introduce adjustments in order to align the Spanish regulations with EU law. It also transposes Delegated Directive (EU) 2021/1270 as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS) and implements Law 6/2023. The public consultation period ended on 28 September.

The main new aspects put out to consultation are the following:

- Elimination of the requirement to report the identity of the shareholders or owners who surpass or fall below a series of thresholds deemed to mark significant shareholdings to the CNMV on a quarterly basis.

- Introduction of electronic communication by default.

- Development of the procedure regulating expressions of interest when designating a new manager and/or depository to replace a manager and/or depository facing bankruptcy, licence revocation or suspension.

- Introduction of mechanisms to the fee regime to establish ways to guarantee that marketing costs are passed back to the investment fund in the event they are included in the underlying fund management fee.

- Specification that in the event of dissolution and liquidation of an investment fund, it is possible, while continuing to suspend the investor's right to request a reimbursement, to articulate payments on account of share reimbursements.

- Elimination of the quantitative limits imposed on undertakings for collective investment (UCIs) regarding investment in financial instruments featuring voting rights of an issuer.

- Elimination of the 1% liquidity coefficient requirement for UCIs.

- Adjustment of the minimum investment periods, eliminating the maximum quantitative limit associated with the first time the investor subscribes for shares (which is currently set at one year), and replacing it with a time limit associated with when the hedge fund expects to liquidate its investments.

- The *pro rata* apportionment of reimbursements is no longer conditional upon settlement at the next reimbursement date but rather the requirement to hold sufficient liquidity.

- Reduction of the minimum equity required of UCIs to create side pockets when affected by circumstances that impede an asset valuation or sale at fair value to 1%.

- The introduction of flexibility around the calculation of net asset share values so long as subscriptions and reimbursements can be catered to at least fortnightly.

- An easing of the requirements for marketing firms to collect share custody and administration fees from investors by eliminating the requirement that the marketing firm and management firm must be from the same group of companies.

- Reinforcement of the risk diversification limits applicable to UCI management companies by including, in addition to securities issued, all manner of financial instruments and also cash, within the 25% limit on the concentration of exposures to a given entity or entities within the same group.

- The introduction of sustainability risks into management companies' internal processes, systems and controls.

Draft Royal Decree implementing the CNMV's administrative powers

The purpose of this draft piece of legislation is to regulate the following:

- The official registers the CNMV must set up and maintain.

- Cooperation with the Bank of Spain, supervisory authorities of other EU Member States, ESMA and supervisory authorities of third countries.

- The supervision of investment firms.

- The CNMV's reporting requirements around solvency.

Lastly, this draft legislation will transpose Directive (EU) 2019/2034 of the European Parliament and of the Council, of 27 November 2019, on the prudential supervision of investment firms into Spanish law. The public consultation period ended on 28 September.

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Spanish economic forecasts panel: November 2023*

Funcas Economic Trends and Statistics Department

GDP expected to increase by 2.4% in 2023, two tenths of a percentage point more than in the previous Panel

Last September, the INE raised the GDP growth estimates for 2021 and 2022, as part of its annual periodic review. This increase in the GDP for 2022 drives a mechanical adjustment of the forecasts for the current year. Likewise, INE estimated that GDP grew by 0.3% in the third quarter, which is one tenth more than anticipated by the panelists, requiring an upward revision of the annual forecast. This figure confirms, however, a profile of deceleration, after advances of 0.6% and 0.4% in the first and second quarters, respectively.

Along these lines, recent indicators suggest a continued weakening trend. The panelists' consensus points to growth of 0.2% for the last quarter (Table 2). This leaves growth at 2.4% for 2023 as a whole, which is two tenths of a percentage point higher than the previous consensus forecast (Table 1).

This result is underpinned by the contribution of the foreign sector of 0.7 percentage points (three tenths of a percentage point less than in the previous Panel), and that of domestic demand of 1.7 percentage points (an increase of five tenths of a percentage point compared to the September consensus). The forecast for consumption, both public and private, has been revised upwards, while investment has been revised downwards. Both exports and imports have been revised downwards, more so in the case of the former than in the latter (Table 1).

Forecast for 2024 GDP growth cut to 1.6%

As a result of the downward revisions of several panelists, GDP growth is expected to reach 1.6% in 2024, down two tenths of a percentage point from the previous Panel. This forecast is below those of the government and major international organizations (Table 1). As for the quarterly profile, growth of 0.4% is expected in the first quarter, followed by 0.5% for the remaining quarters of the year (Table 2).

As for the composition, the contribution of the foreign sector will be slightly negative, while domestic demand will add 1.7 percentage points -two tenths of a percentage point less than in the previous Panel. Investment is expected to outpace growth in 2023, while the opposite trend is projected for public consumption.

Inflation forecast for 2024 increased, although the trajectory is one of deceleration

The overall inflation rate hit a low of 1.9% in June, and then rose again in the following months, reaching 3.5% in September and repeating the figure in October. Also, most panelists expect general inflation to continue to rise in the remainder of the year (Table 3).

In light of this, the panelists' estimate for the average annual inflation rate for this year has been adjusted upward by one tenth of a percentage point to 3.7%, while the corresponding estimate for core inflation has been raised by two tenths of a percentage point to 5.9%. For next year, the forecast for the overall rate has raised by three tenths to 3.3%, with a 3.3% increase for core inflation as well (Table 1).

The projected year-on-year rates of the overall index for December 2023 and December 2024 are 3.9% and 2.7%, respectively (Table 3).

Employment will keep growing and the unemployment rate will decline

According to the *EPA*, employment decelerated in the third quarter in seasonally adjusted terms. The unemployment rate increased to 11.8% but is nine tenths of a percentage point below the value of a year ago. Similarly, Social Security enrollment registered a slower growth pace in the months of the third quarter, and the October figure seems to confirm an even greater deceleration.

However, the employment growth forecast for this year has been revised upward to 2.3% and remains at 1.6% for next year. Similarly, unemployment projections have been revised downward, and panelists now expect an average annual rate of 12.2% in 2023 and 11.7% in 2024.

The implied forecast of productivity growth and unit labor cost (ULC) growth is derived from the forecasts of GDP growth, employment and wage growth. Productivity per full-time equivalent job will grow by 0.3% this year and by 0.2% in 2024 –two tenths of a percentage point more for both years compared to the previous forecasts. ULCs will increase by 4.4% in 2023 and 3.5% in 2024, which is eight and two tenths more, respectively, compared to the previous Panel.

Historic trade surplus

The current account deficit recorded a positive result up to August of nearly 28 billion euros, which is the best figure for this period in the entire historical series. This figure is the result of a historic outcome in the trade balance, which more than offset the deterioration in the income balance.

The consensus forecast for the current account surplus has been raised to 1.9% of GDP for this year and 1.3% for 2024, which is three and two tenths of a percentage point higher, respectively, than in the previous consensus forecast.

Public deficit forecast maintained

The fiscal deficit, excluding local authorities, recorded up to August, was 1.1 billion euros higher than in the same period of the previous year. This poorer result was due to a revenue increase of 24.3 billion euros, less than the rise in expenditures of 25.4 billion euros.

The panelists expect a reduction in the government´s overall deficit during 2023 and 2024, along the same magnitude as in the September Panel. Specifically, the negative balance of public accounts would be 4.1% of GDP this year and 3.6% next year. These values are above the official target of 3% (Table 1).

The external environment continues to be unfavorable, particularly in the EU

The international context is marked by a high degree of uncertainty, aggravated by geopolitical tensions and the conflict in the Middle East. The timid advance of the eurozone economy recorded in the second quarter has given way to a decline in the third quarter (-0.1%), and the most recent indicators point to a further contraction at the end of the year. PMI indicators are in negative territory, especially in industry, with no clear signs of an early recovery. The US economy seems to be holding up better to the impact of monetary policy tightening, with GDP rising in the third quarter (+1.2%). However, recent trends point to an exhaustion of some of the factors behind the rebound, such as excess household savings. China, for its part, continues to be weighed down by weakening domestic demand and the bursting of the real estate bubble.

Given the intensification of trade tensions, the IMF has cut its forecast for international trade: world markets are expected to grow by just 0.9% this year (less than half the July estimate) and by 3.5% next year (two tenths of a percentage point less).

This scenario is particularly detrimental to open economies such as Europe. The European Commission has once again cut its GDP growth forecast for the EU, to 0.6% in 2023 (two tenths lower than in the July forecast and four tenths lower than in the spring round) and 1.3% in 2024 (a cut of one tenth and four tenths, respectively).

The Panel's assessments continue to be pessimistic concerning the external environment (Table 4). All panelists agree that the context is neutral or unfavorable in the EU, with no change in trend in the short-term (only two anticipate an improvement, and three think it will get worse, with no major differences with respect to the previous Panel). The assessments of the context outside the EU point in a similar direction, with no significant changes compared to the September Panel.

Despite disinflation, interest rates will remain high

The economic slowdown, together with the gradual normalization of energy markets, is leading to a deceleration of inflation. Nonetheless, central banks consider that it is still too early to lower their guard in the fight against inflation. Since the last Panel, the ECB has raised its main interest rates by 0.25 points (the tenth time so far since the beginning of the monetary cycle), while leaving the door open to a possible pause.

Analysts have heeded the message and expect rates to remain elevated for longer than anticipated. The forecast predicts the deposit facility to remain at its current level of 4% until the first quarter of 2024, before embarking on a slight decline (Table 2). The deposit facility would still reach 3.4% at the end of the year, a tenth of a percent higher than in the previous Panel.

Market interest rates would follow a similar trend. In a year's time, the Euribor would still exceed 3.6% (one tenth of a point higher than in the September valuation) and the Spanish 10-year government bond yield would be close to 3.5% (two tenths of a point higher).

Euro expected to recover against the dollar

The appreciation of the dollar against the euro, due to its safe-haven status, was one of the side effects of the worsening Israeli-Palestinian conflict. More recently, however, the euro has recovered, encouraged by better inflation data and a possible pause in interest rate hikes. According to the Panel, the euro is expected to rise against the dollar throughout the projection period (Table 2).

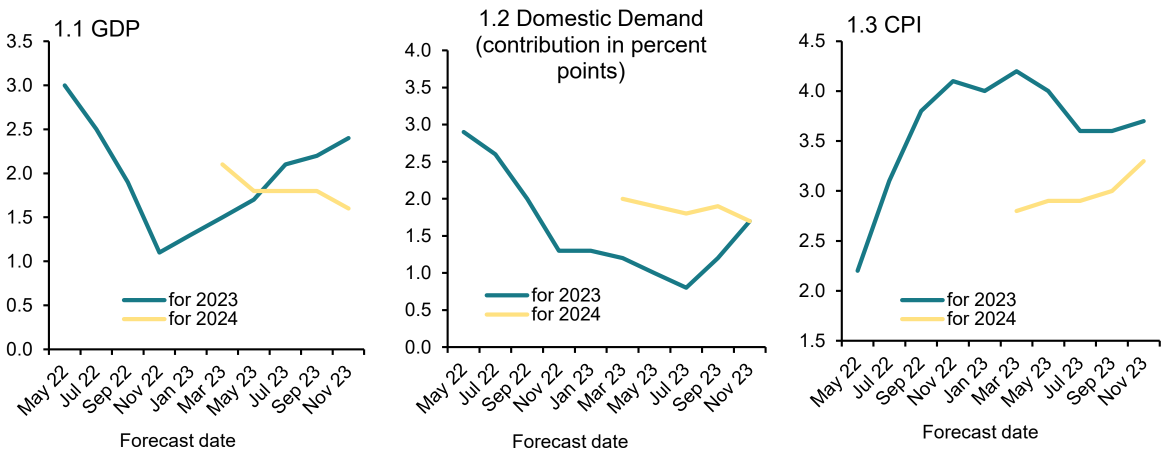
Monetary policy is tight and fiscal policy is expansionary

On macroeconomic policy, the consensus remains practically unchanged. Most panelists continue to consider fiscal policy to be expansionary, when it should be neut+ral in relation to the economic cycle (Table 4). Opinions are also quasi-unanimous about the restrictive stance of monetary policy, this being generally considered as the most appropriate position.

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, circulated since 1999, is a bi-monthly publication issued 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 organizations are also included for comparison, but do not form part of the consensus forecast.*

Spanish economic forecasts panel: November 2023*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – November 2023

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand[3]	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Analistas Financieros Internacionales (AFI)	2.4	1.6	2.3	2.2	2.7	2.2	1.9	2.9	0.7	5.2	2.9	1.0	2.3	2.4
BBVA Research	2.4	1.8	2.0	2.0	2.7	1.1	2.5	7.1	-1.0	8.1	4.1	4.9	1.9	2.7
CaixaBank Research	2.4	1.4	2.2	1.9	2.6	1.4	1.9	2.5	-0.1	3.7	3.1	1.5	1.9	1.8
Cámara de Comercio de España	2.4	1.6	1.7	1.6	2.7	1.9	1.7	1.8	-1.2	1.3	2.8	2.5	1.8	1.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.5	1.8	1.7	2.0	2.4	0.8	0.9	1.9	-1.8	2.5	3.0	1.5	1.7	1.7
Centro de Predicción Económica (CEPREDE-UAM)	2.4	2.1	2.1	1.7	2.6	2.4	1.7	5.2	-0.2	5.4	2.9	4.5	2.0	2.6
CEOE	2.4	1.4	2.0	1.7	2.5	1.1	1.0	2.1	-1.9	1.2	2.6	0.7	1.6	1.6
Equipo Económico (Ee)	2.4	1.8	1.2	1.6	2.0	1.5	2.7	3.7	0.4	4.7	4.9	4.3	1.6	1.9
EthiFinance Ratings	2.4	1.7	1.3	1.8	1.7	1.5	1.5	2.1	1.1	1.8	3.1	3.0	--	--
Funcas	2.4	1.5	2.2	2.1	2.4	0.7	2.4	1.7	0.0	1.6	4.4	1.8	2.0	1.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.4	1.8	2.1	1.8	2.6	1.0	1.6	2.0	-0.3	2.1	2.9	1.3	1.8	1.5
Instituto de Estudios Económicos (IEE)	2.3	1.5	1.9	1.8	2.4	1.0	0.8	2.1	-2.0	1.3	2.5	0.7	1.5	1.6
Intermoney	2.3	2.0	1.3	2.4	1.8	1.0	2.3	3.6	0.8	3.5	3.5	3.7	0.9	2.2
Mapfre Economics	2.5	1.3	1.6	1.5	2.2	0.9	1.6	1.2	--	--	--	--	1.4	1.0
Metyis	2.3	1.7	1.2	1.4	1.8	0.6	3.1	3.3	1.0	2.3	3.5	3.7	0.7	1.6
Oxford Economics	2.4	1.2	2.0	1.3	2.6	1.2	1.6	1.4	-2.0	1.3	2.5	-0.5	1.9	1.0
Repsol	2.3	1.4	2.3	1.8	2.7	0.5	1.8	1.9	0.1	1.7	3.0	1.7	1.8	1.0
Santander	2.3	1.4	2.3	2.8	2.6	1.0	1.5	2.7	-0.2	5.3	2.3	-0.6	1.8	2.4
Universidad Loyola Andalucía	2.4	1.8	2.0	2.0	2.8	2.5	3.1	2.1	-1.2	0.6	4.0	1.9	2.2	1.5
CONSENSUS (AVERAGE)	2.4	1.6	1.9	1.9	2.4	1.3	1.9	2.7	-0.4	3.0	3.2	2.1	1.7	1.7
Maximum	2.5	2.1	2.3	2.8	2.8	2.5	3.1	7.1	1.1	8.1	4.9	4.9	2.3	2.7
Minimum	2.3	1.2	1.2	1.3	1.7	0.5	0.8	1.2	-2.0	0.6	2.3	-0.6	0.7	1.0
Change on 2 months earlier[1]	0.2	-0.2	1.3	0.1	0.8	-0.1	-0.6	-0.7	-0.3	-0.4	-1.1	-1.1	0.5	-0.2
- Rise[2]	14	1	18	7	18	8	4	1	6	3	4	2	17	5
- Drop[2]	1	12	0	7	0	9	14	15	9	9	12	12	0	9
Change on 6 months earlier[1]	0.7	-0.2	1.2	0.0	0.9	0.1	0.4	-0.7	-1.2	-0.7	1.0	-1.1	0.7	-0.2
Memorandum items:														
Government (October 2023)	2.4	2.0	1.5	2.5	1.9	0.2	3.0	4.0	--	--	--	--	1.9	2.2
Bank of Spain (September 2023)	2.3	1.8	0.7	2.2	1.4	0.8	3.1	3.4	--	--	--	--	1.2	2.1
EC (November 2023)	2.4	1.7	1.5	2.0	1.6	0.4	2.4	3.4	1.0	5.3	3.2	2.4	--	--
IMF (July 2023)	2.5	1.7	2.0	1.4	3.0	1.3	2.4	3.8	--	--	--	--	2.0	1.7
OECD (June 2023)	2.1	1.9	0.5	2.0	1.8	2.0	0.0	2.9	--	--	--	--	0.8	1.9

[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 2023

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)	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Analistas Financieros Internacionales (AFI)	0.7	-2.1	0.4	-0.3	3.8	3.2	6.3	3.4	4.6	3.7	2.7	1.2	12.1	11.8	2.2	0.7	-3.9	-3.0
BBVA Research	2.7	2.2	1.5	4.7	3.8	3.7	6.2	3.3	5.1	4.3	1.9	1.4	12.2	11.9	3.0	2.6	-4.1	-3.4
CaixaBank Research	0.6	-1.6	-0.7	-0.7	3.7	3.6	6.1	3.1	4.0	3.0	2.2	1.4	12.1	11.8	1.8	1.7	-4.2	-3.6
Cámara de Comercio de España	1.2	1.2	-0.6	1.1	3.7	2.7	6.3	3.3	--	--	2.2	1.0	12.4	12.4	0.6	0.3	-4.6	-3.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.8	3.4	-0.4	3.2	3.5	3.3	6.0	3.2	--	--	2.6	1.2	12.1	10.4	1.2	1.0	-4.1	-3.4
Centro de Predicción Económica (CEPREDE-UAM)	0.5	3.0	-0.4	4.8	3.7	2.7	--	--	4.8	3.8	2.7	1.0	12.4	12.1	2.2	0.9	-3.4	-3.0
CEOE	0.8	2.2	-1.3	2.6	3.7	3.6	6.1	3.9	4.9	3.6	2.7	1.3	12.1	11.7	2.2	0.8	-4.2	-3.7
Equipo Económico (Ee)	3.7	1.0	1.5	1.4	3.7	3.5	6.3	3.2	3.9	3.6	1.9	1.5	12.3	11.9	0.7	0.6	-4.0	-3.7
EthiFinance Ratings	3.0	2.0	1.0	3.0	3.5	3.3	5.5	3.3	--	--	--	--	12.6	12.1	1.3	1.0	-4.3	-3.8
Funcas	3.1	1.7	2.1	1.7	3.6	3.6	6.1	3.0	4.9	3.9	1.9	0.9	11.9	11.0	2.2	1.9	-4.1	-3.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.1	3.8	1.5	2.8	3.7	3.3	5.7	3.4	--	--	1.8	1.2	12.1	11.8	1.0	1.5	-4.1	-3.4
Instituto de Estudios Económicos (IEE)	0.9	2.4	-1.2	2.6	3.7	3.6	6.2	3.9	4.5	2.9	2.6	1.1	12.2	12.0	2.2	0.8	-4.3	-3.8
Intermoney	3.3	2.7	1.5	3.6	3.8	3.5	4.5	2.8	--	--	1.5	2.0	12.4	12.0	1.3	--	-4.0	-3.6
Mapfre Economics	4.0	2.2	1.5	1.9	3.5	2.6	4.2	2.5	--	--	--	--	11.5	11.6	3.0	2.7	-3.9	-3.8
Metyis	6.0	3.0	1.4	2.8	3.6	3.2	6.3	3.6	4.0	3.3	1.5	1.3	12.1	11.8	2.0	1.6	-3.7	-3.5
Oxford Economics	1.1	2.4	-0.4	1.7	3.7	2.9	6.3	2.5	--	--	--	--	12.1	11.7	2.6	2.7	-4.1	-4.0
Repsol	0.7	5.7	-0.7	4.8	3.7	3.4	6.2	3.7	4.3	3.0	2.9	3.0	12.0	11.1	1.5	1.0	-4.4	-3.5
Santander	-0.1	-3.4	-1.2	-1.1	3.7	3.5	6.0	3.0	--	--	2.9	3.1	12.2	12.5	--	--	--	--
Universidad Loyola Andalucía	2.2	1.6	1.0	1.1	3.8	2.6	6.7	5.0	--	--	2.5	2.4	12.0	11.3	2.4	1.1	-3.9	-3.7
CONSENSUS (AVERAGE)	2.1	1.8	0.3	2.2	3.7	3.3	5.9	3.3	4.5	3.5	2.3	1.6	12.2	11.7	1.9	1.3	-4.1	-3.6
Maximum	6.0	5.7	2.1	4.8	3.8	3.7	6.7	5.0	5.1	4.3	2.9	3.1	12.6	12.5	3.0	2.7	-3.4	-3.0
Minimum	-0.1	-3.4	-1.3	-1.1	3.5	2.6	4.2	2.5	3.9	2.9	1.5	0.9	11.5	10.4	0.6	0.3	-4.6	-4.0
Change on 2 months earlier[1]	-2.6	-0.8	-1.7	-0.9	0.1	0.3	0.2	0.2	0.6	0.0	0.4	0.0	-0.1	-0.3	0.3	0.2	0.0	0.0
- Rise[2]	0	3	1	2	10	11	9	8	8	3	11	4	2	4	10	6	5	6
- Drop[2]	18	13	17	13	5	3	6	3	0	3	1	7	12	10	5	4	3	3
Change on 6 months earlier[1]	-2.4	-1.5	-2.3	-1.5	-0.3	0.4	0.1	-0.1	0.5	0.1	1.0	0.3	-0.6	-0.8	0.9	0.5	0.1	0.1
Memorandum items:																		
Government (October 2023)	3.4	2.4	1.4	3.3	--	--	--	--	--	--	2.2	1.4	11.8	10.9	2.5	1.9	-3.9	-3.0
Bank of Spain (September 2023)	4.0	2.2	1.5	3.2	3.6[6]	4.3[6]	4.1[7]	2.3[7]	--	--	1.3[8]	1.5[8]	12.0	11.5	--	--	-3.7	-3.4
EC (November 2023)	1.9	2.8	0.2	3.5	3.6[6]	3.4[6]	4.3[7]	3.1[7]	4.8	3.9	1.9	1.2	12.1	11.6	1.9	1.7	-4.1	-3.2
IMF (July 2023)	3.1	2.5	1.9	2.9	3.5	3.9	--	--	--	--	1.7	1.0	11.8	11.3	2.1	2.0	-3.9	-3.0
OECD (June 2023)	5.8	2.4	2.9	3.2	3.9[6]	3.9[6]	4.8[6]	3.7[6]	--	--	--	--	12.8	12.4	4.0	3.6	-3.5	-3.2

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 *Harmonized Index of Consumer Prices (HICP).*

7 *Harmonized Index excluding energy and food.*

8 *Hours worked.*

Table 2

Quarterly Forecasts – November 2023

	23-I Q	23-II Q	23-III Q	23-IV Q	24-I Q	24-II Q	24-III Q	24-IV Q
GDP[1]	0.6	0.4	0.3	0.2	0.4	0.5	0.5	0.5
Euribor 1 yr [2]	3.65	4.01	4.15	4.12	4.02	3.90	3.76	3.64
Government bond yield 10 yr [2]	3.43	3.40	3.66	3.81	3.76	3.63	3.56	3.48
ECB main refinancing operations interest rate [3]	3.50	4.00	4.50	4.52	4.50	4.36	4.15	3.76
ECB deposit rates [3]	3.00	3.50	4.00	4.00	4.00	3.88	3.67	3.41
Dollar / Euro exchange rate [2]	1.07	1.08	1.07	1.07	1.08	1.09	1.10	1.10

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

Table 3

CPI Forecasts – November 2023

Year-on-year change (%)				
Oct-23	Nov-23	Dec-23	Jan-24	Dec-24
3.5	3.7	3.9	4.1	2.7

Table 4

Opinions – November 2023

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	2	16	2	13	3
International context: Non-EU	0	1	17	0	12	6
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	2	16	2	16	0
Monetary policy assessment[1]	17	1	0	12	6	0

Note: Although the Panel reflects the views of 19 panelists, for this section we received responses from only 18.
[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											
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		-11.2	-12.3	3.6	-9.0	-9.2	-8.8	-20.1	-15.0	-9.0	-2.2
2021		6.4	7.1	3.4	2.8	0.4	5.2	13.5	14.9	6.6	-0.2
2022		5.8	4.7	-0.2	2.4	2.6	2.2	15.2	7.0	2.9	2.9
2023		2.4	2.2	2.4	2.4	4.4	0.0	3.1	2.1	2.0	0.4
2024		1.5	2.1	0.7	1.7	1.8	1.6	1.7	1.7	1.5	0.0
2022	I	6.8	6.6	0.0	2.8	1.1	4.6	18.0	12.2	4.8	2.0
	II	7.2	4.9	-1.7	3.1	4.3	2.0	21.9	9.8	3.1	4.1
	III	5.4	5.3	-0.6	4.0	3.7	4.3	12.9	6.5	3.0	2.3
	IV	3.8	2.1	1.6	-0.4	1.2	-2.2	8.7	0.1	0.8	3.1
2023	I	4.1	2.6	1.2	-0.1	3.4	-3.7	9.4	1.8	1.2	2.9
	II	2.0	2.2	4.1	1.7	3.8	-0.6	-1.1	-0.5	2.2	-0.2
	III	1.8	1.1	3.3	0.6	1.8	-0.7	-2.4	-2.9	1.7	0.2
Chain-linked volumes. quarter-on-quarter percentage changes											
2022	I	0.3	-0.1	-0.2	2.7	-0.7	6.3	3.7	2.2	-0.3	0.6
	II	2.5	1.4	-1.3	0.0	3.0	-3.1	6.9	0.2	0.0	2.5
	III	0.5	2.5	1.4	0.7	-0.3	1.7	-2.6	-0.7	1.3	-0.8
	IV	0.5	-1.5	1.6	-3.6	-0.7	-6.6	0.6	-1.6	-0.3	0.8
2023	I	0.6	0.3	-0.5	2.9	1.4	4.6	4.4	3.9	0.2	0.4
	II	0.4	1.0	1.6	1.9	3.5	0.0	-3.3	-2.1	1.0	-0.6
	III	0.3	1.4	0.6	-0.4	-2.2	1.7	-4.0	-3.1	0.7	-0.4
		Current prices (EUR billions)	Percentage of GDP at current prices								
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		1,119	56.1	22.0	20.4	10.5	9.9	30.8	29.3	98.6	1.4
2021		1,222	56.2	21.2	20.1	10.3	9.8	34.2	33.2	99.0	1.0
2022		1,346	56.9	20.4	20.1	10.5	9.5	40.9	39.7	98.8	1.2
2023		1,454	56.0	20.0	19.9	10.7	9.3	41.1	38.1	97.0	3.0
2024		1,527	56.3	19.8	20.0	10.7	9.3	41.4	38.5	97.1	2.9

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2015=100

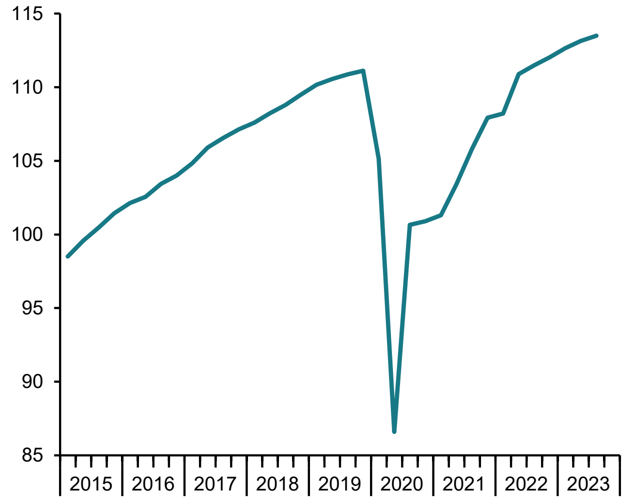


Chart 1.2 - Contribution to GDP annual growth

Percentage points

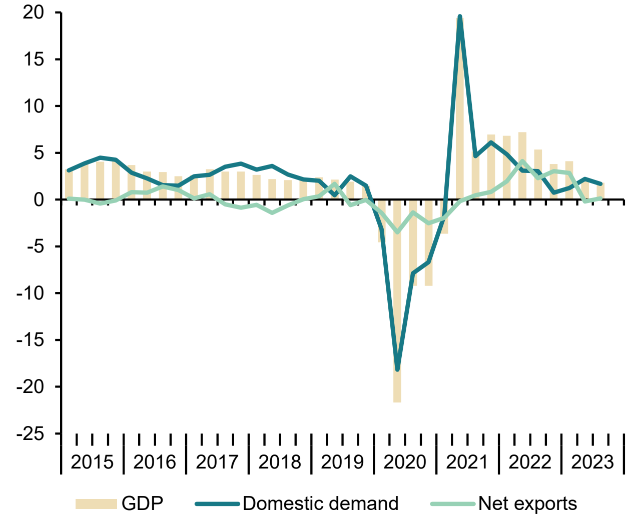


Chart 1.3 - Consumption

Level, 2015=100

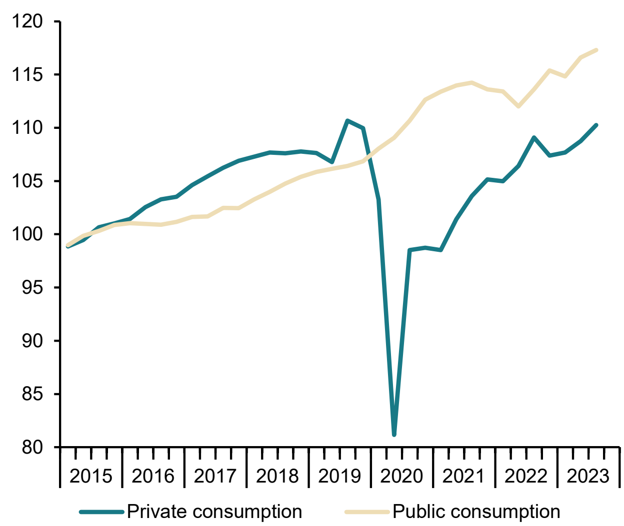


Chart 1.4 - Gross fixed capital formation

Level, 2015=100

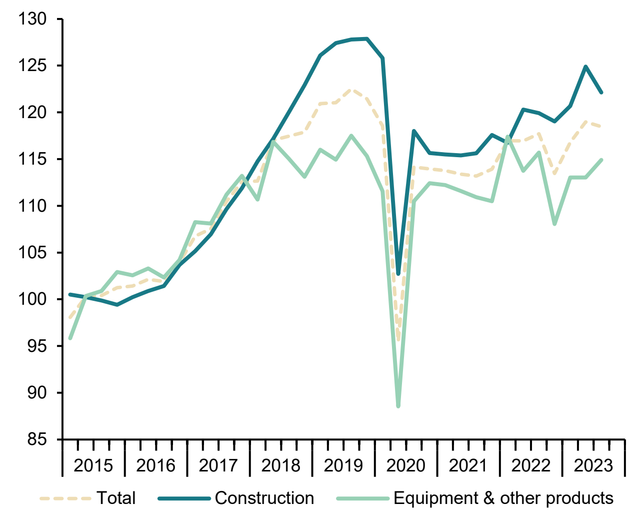


Table 2

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										
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		-11.1	1.1	-11.2	-15.1	-14.6	-11.2	-1.7	-14.2	-12.1
2021		6.1	4.2	5.4	13.1	-1.0	6.8	1.2	8.9	10.0
2022		5.9	-19.8	2.6	4.4	3.2	8.0	-0.2	10.8	4.1
2023 (a)		2.9	-2.5	1.9	3.4	2.3	3.4	2.8	3.6	-0.2
2021	IV	6.7	-2.1	0.6	6.2	-1.1	9.0	-1.7	13.0	10.2
2022	I	6.6	-12.2	1.6	6.5	0.6	9.0	-0.9	12.5	8.8
	II	7.3	-20.7	3.6	6.0	4.8	9.5	-1.7	13.5	6.1
	III	5.6	-26.9	3.2	3.1	4.7	7.6	-0.3	10.2	2.6
	IV	4.3	-19.3	1.8	2.4	2.7	5.9	2.0	7.1	-0.7
2023	I	4.5	-7.4	4.4	5.2	4.0	5.0	2.6	5.8	0.1
	II	2.3	-1.9	0.9	2.2	2.1	2.8	2.8	2.8	-0.9
	III	2.0	2.7	0.5	2.9	1.0	2.4	2.9	2.3	0.2
Chain-linked volumes. quarter-on-quarter percentage changes										
2021	IV	2.0	-3.4	2.4	1.8	2.2	2.1	-0.1	2.9	1.8
2022	I	0.2	-10.9	-1.2	-0.6	-0.7	1.0	-2.4	2.1	0.8
	II	2.6	-7.9	2.1	1.8	2.7	3.0	1.4	3.5	1.9
	III	0.8	-7.8	-0.1	0.1	0.4	1.3	0.9	1.4	-1.9
	IV	0.7	6.6	1.0	1.1	0.3	0.5	2.2	0.0	-1.4
2023	I	0.4	2.2	1.3	2.1	0.5	0.2	-1.8	0.8	1.6
	II	0.4	-2.5	-1.2	-1.1	0.8	0.8	1.6	0.6	0.9
	III	0.4	-3.4	-0.6	0.8	-0.6	0.9	1.0	0.8	-0.8
		Current prices EUR billions)	Percentage of value added at basic prices							
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		1,021	3.1	16.1	12.0	6.0	74.9	20.2	54.6	9.6
2021		1,106	3.0	16.8	12.5	5.7	74.5	19.1	55.4	10.5
2022		1,226	2.6	17.4	12.5	5.4	74.6	17.8	56.8	9.9

** Seasonally and Working Day Adjusted.*

(a) Change of existing data over the same period last year.

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2015=100

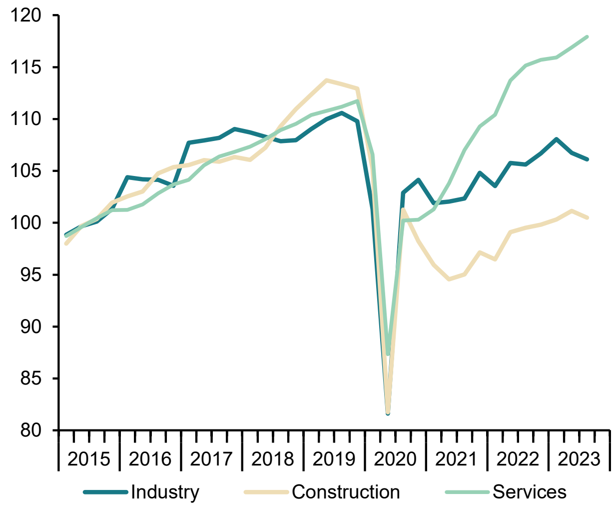


Chart 2.2 - GVA. Industry

Level, 2015=100

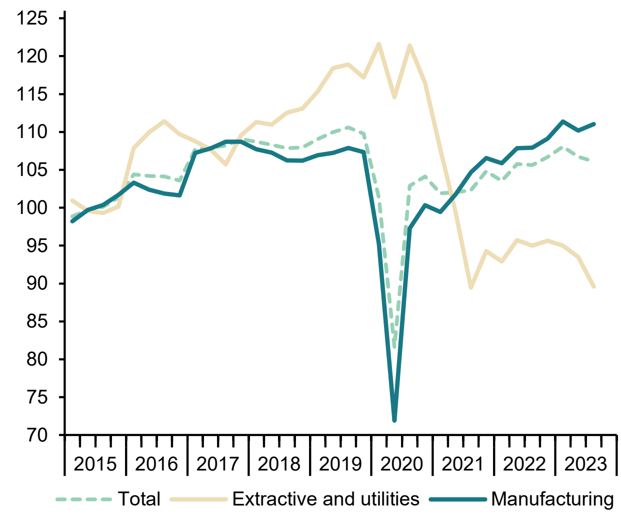


Chart 2.3 - GVA, services

Annual percentage change

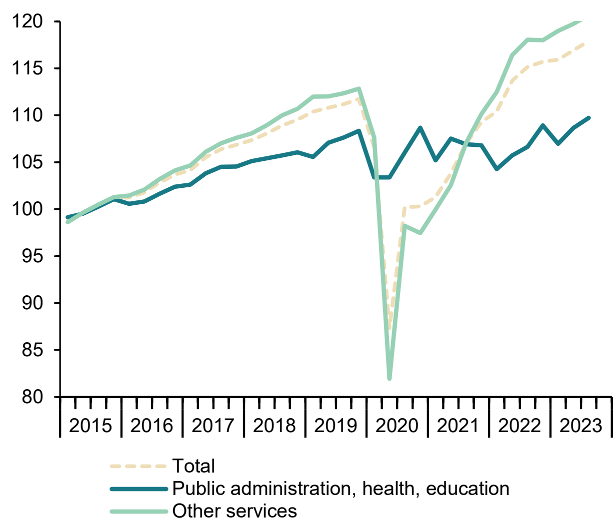


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

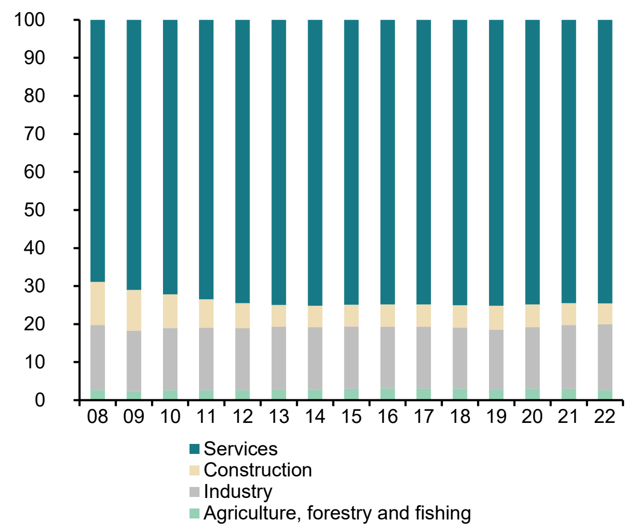


Table 3

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													
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	102.0	101.6	98.7	106.9	108.7	98.3	102.7	104.5	102.4
2019		110.7	111.7	99.1	104.5	105.5	101.0	107.4	110.6	97.1	104.3	107.4	103.3
2020		98.3	104.5	94.1	107.4	114.1	108.1	91.2	104.8	87.0	107.6	123.7	111.7
2021		104.6	111.9	93.5	107.8	115.3	106.4	103.1	108.6	95.0	108.3	114.0	103.6
2022		110.7	116.0	95.4	110.9	116.3	103.1	107.7	111.5	96.6	110.2	114.2	97.5
2023		113.3	118.2	95.8	116.4	121.4	102.0	--	--	--	--	--	--
2024		115.0	119.3	96.4	120.9	125.4	101.8	--	--	--	--	--	--
2022	IV	107.9	115.0	93.8	108.5	115.6	104.2	106.5	110.7	96.2	110.0	114.3	104.1
2022	I	108.2	114.9	94.2	108.9	115.7	103.6	105.9	109.0	97.2	106.1	109.2	96.4
	II	110.9	114.8	96.6	109.5	113.3	101.6	107.8	112.5	95.9	107.4	112.0	97.4
	III	111.5	117.1	95.2	112.2	117.8	104.9	107.9	111.8	96.5	113.5	117.6	99.1
	IV	112.0	117.3	95.5	113.1	118.4	102.1	109.1	112.8	96.7	113.9	117.7	97.0
2023	I	112.7	117.8	95.6	115.4	120.7	101.7	111.4	113.2	98.4	111.7	113.5	90.9
	II	113.1	118.3	95.6	115.2	120.4	101.4	110.2	112.3	98.1	113.1	115.3	94.3
	III	113.5	121.2	93.6	116.8	124.8	104.7	111.0	111.9	99.2	118.2	119.1	94.6
Annual percentage changes													
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	1.9	1.8	0.6	-1.1	2.0	-3.1	1.1	4.3	2.3
2019		2.0	3.3	-1.3	2.5	3.8	2.4	0.5	1.7	-1.2	1.6	2.8	0.8
2020		-11.2	-6.5	-5.0	2.8	8.2	7.0	-15.1	-5.2	-10.4	3.1	15.2	8.1
2021		6.4	7.1	-0.6	0.4	1.1	-1.5	13.1	3.6	9.2	0.7	-7.8	-7.2
2022		5.8	3.7	2.0	2.9	0.9	-3.1	4.4	2.7	1.7	1.8	0.1	-5.9
2023		2.4	1.9	0.5	4.9	4.4	-1.0	--	--	--	--	--	--
2024		1.5	0.9	0.6	3.9	3.3	-0.2	--	--	--	--	--	--
2022	IV	7.0	6.5	0.4	1.0	0.6	-3.4	6.2	3.6	2.5	0.6	-1.9	-1.7
2022	I	6.8	5.3	1.5	1.1	-0.3	-4.1	6.5	2.0	4.4	0.8	-3.4	-5.0
	II	7.2	5.0	2.1	2.5	0.3	-3.8	6.0	3.6	2.3	0.7	-1.5	-6.6
	III	5.4	2.8	2.5	3.5	1.0	-2.7	3.1	3.3	-0.2	2.0	2.2	-5.3
	IV	3.8	2.0	1.8	4.3	2.4	-2.0	2.4	1.9	0.5	3.5	3.0	-6.8
2023	I	4.1	2.5	1.5	6.0	4.4	-1.8	5.2	3.8	1.3	5.3	3.9	-5.7
	II	2.0	3.1	-1.0	5.2	6.2	-0.2	2.2	-0.1	2.3	5.3	2.9	-3.1
	III	1.8	3.5	-1.6	4.2	5.9	-0.3	2.9	0.1	2.8	4.1	1.3	-4.5

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

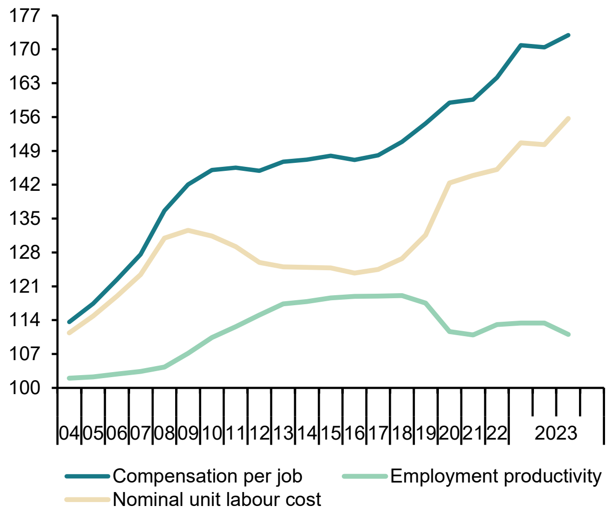
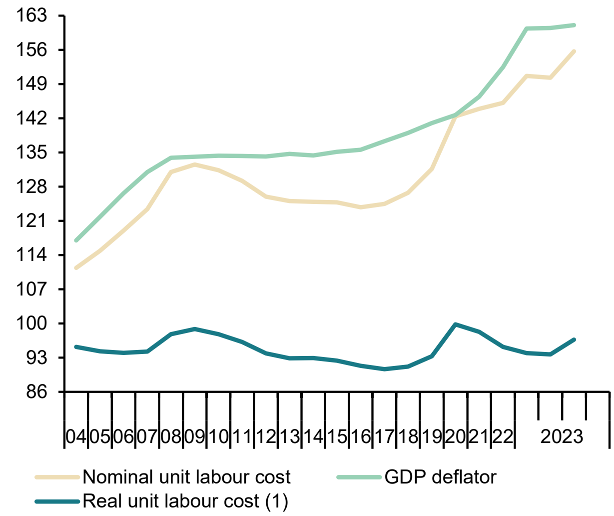


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

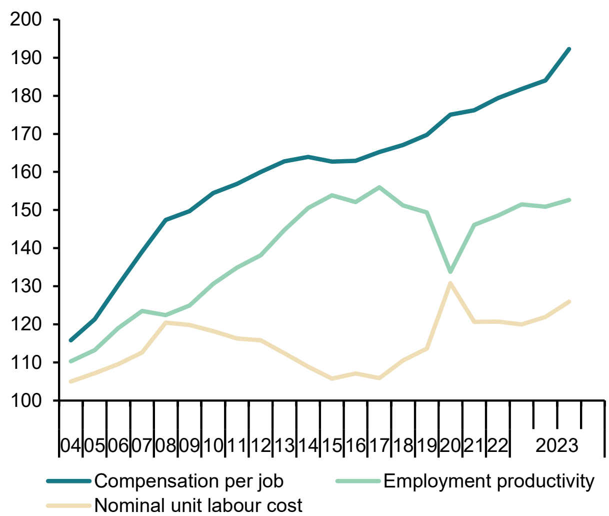
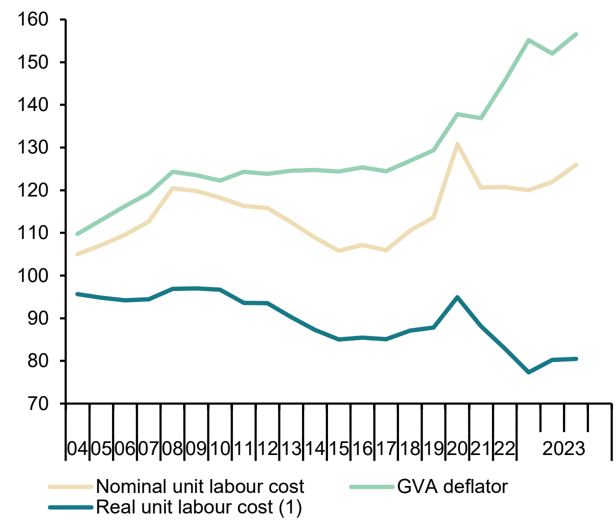


Chart 3.4 - Real ULC, manufacturing industry

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					
2016		1,114.4	503.7	496.4	1,105.4	861.1	244.3	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	546.1	531.6	1,193.8	924.8	269.0	246.4	45.4	44.2	22.3	20.5	1.9	2.4
2019		1,245.5	580.2	537.7	1,235.1	949.5	285.7	259.4	46.6	43.2	22.9	20.8	2.1	2.4
2020		1,119.0	560.7	456.4	1,109.8	873.9	236.0	229.1	50.1	40.8	21.1	20.5	0.6	1.1
2021		1,222.3	599.4	496.5	1,219.8	946.6	273.2	263.9	49.0	40.6	22.4	21.6	0.8	1.6
2022		1,346.4	643.0	571.4	1,338.3	1,040.8	297.5	289.2	47.8	42.4	22.1	21.5	0.6	1.5
2023		1,453.9	689.1	629.1	1,442.4	1,104.3	338.2	305.5	47.4	43.3	23.3	21.0	2.2	3.1
2024		1,527.3	724.0	656.9	1,508.6	1,163.4	346.7	317.7	47.4	43.0	22.7	20.8	1.9	2.7
2021	IV	1,222.3	599.4	496.5	1,219.8	946.6	273.2	263.9	49.0	40.6	22.4	21.6	0.8	1.6
2022	I	1,254.5	610.1	511.2	1,253.4	970.7	282.7	271.2	48.6	40.7	22.5	21.6	0.9	1.3
	II	1,289.9	622.4	529.5	1,285.6	995.2	290.4	279.0	48.3	41.1	22.5	21.6	0.9	1.4
	III	1,318.9	632.3	547.4	1,314.6	1,022.3	292.3	285.0	47.9	41.5	22.2	21.6	0.6	1.3
	IV	1,346.4	643.0	571.4	1,338.3	1,040.8	297.5	289.2	47.8	42.4	22.1	21.5	0.6	1.5
2023	I	1,381.2	656.9	591.9	1,371.7	1,058.3	313.4	291.5	47.6	42.9	22.7	21.1	1.6	2.6
	II	1,410.1	670.3	605.4	1,395.9	1,075.1	320.8	294.2	47.5	42.9	22.8	20.9	1.9	3.0
	III	1,437.3	683.7	616.5	--	1,088.3	--	294.9	47.6	42.9	--	20.5	--	--
		Annual percentage changes							Difference from one year ago					
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	4.3	2.4	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	-3.4	-15.1	-10.1	-8.0	-17.4	-11.7	3.5	-2.4	-1.8	-0.4	-1.5	-1.4
2021		9.2	6.9	8.8	9.9	8.3	15.8	15.2	-1.1	-0.2	1.3	1.1	0.1	0.6
2022		10.2	7.3	15.1	9.7	10.0	8.9	9.6	-1.3	1.8	-0.3	-0.1	-0.1	-0.1
2023		8.0	7.2	10.1	7.8	6.1	13.7	5.6	-0.4	0.8	1.2	-0.5	1.6	1.6
2024		5.1	5.1	4.4	4.6	5.4	2.5	4.0	0.0	-0.3	-0.6	-0.2	-0.3	-0.4
2021	IV	9.2	6.9	8.8	9.9	8.3	15.8	15.2	-1.1	-0.2	1.3	1.1	0.1	0.6
2022	I	12.6	8.9	12.8	13.4	11.4	20.7	17.8	-1.7	0.1	1.5	1.0	0.6	0.2
	II	10.5	7.7	11.6	10.8	9.4	16.1	14.7	-1.3	0.4	1.1	0.8	0.3	0.1
	III	10.9	7.4	14.2	11.0	10.5	12.7	13.7	-1.6	1.2	0.4	0.5	-0.2	-0.5
	IV	10.2	7.3	15.1	9.7	10.0	8.9	9.6	-1.3	1.8	-0.3	-0.1	-0.1	-0.1
2023	I	10.1	7.7	15.8	9.4	9.0	10.8	7.5	-1.1	2.1	0.2	-0.5	0.7	1.3
	II	9.3	7.7	14.3	8.6	8.0	10.5	5.5	-0.7	1.9	0.2	-0.8	1.0	1.6
	III	9.0	8.1	12.6	--	6.5	--	3.5	-0.4	1.4	--	-1.1	--	--

(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

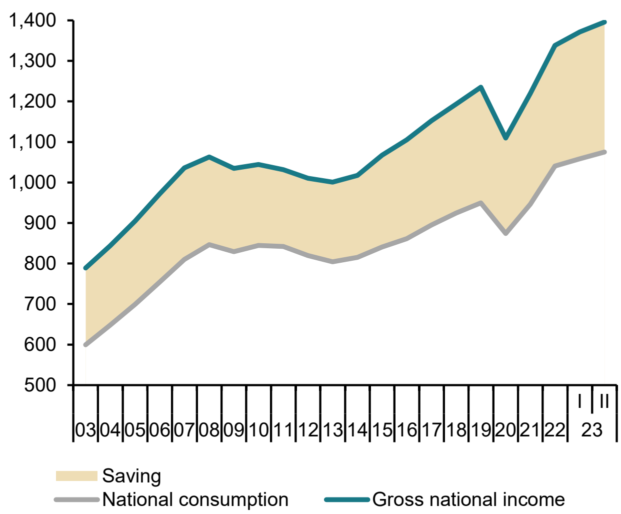


Chart 4.2 - National income, consumption and saving rate

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

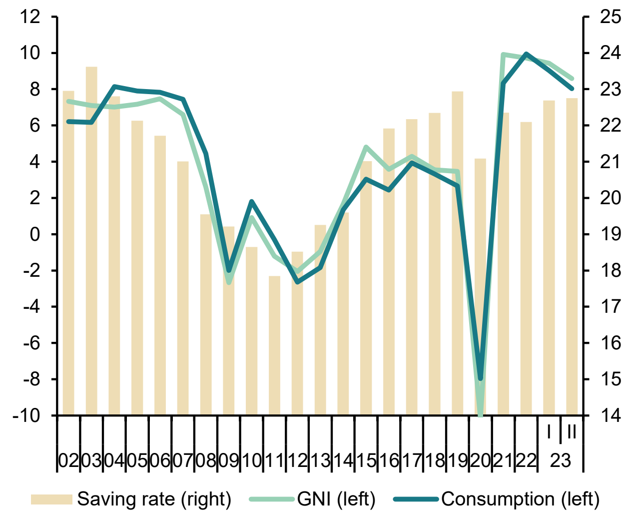


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

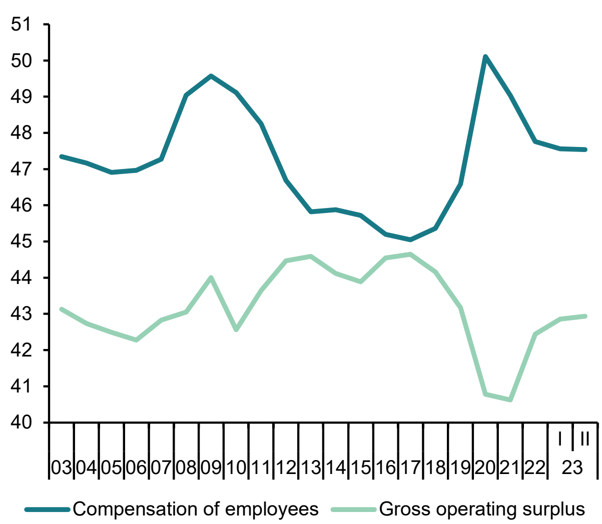


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

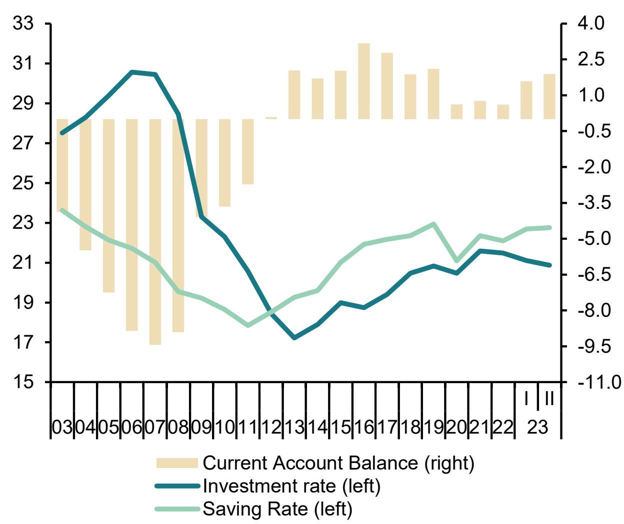


Table 5

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		
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		743.8	699.5	41.5	40.7	5.6	3.4	-0.1	270.8	199.5	176.7	16.6	14.7	2.1
2019		781.4	714.5	64.1	43.4	8.2	3.5	1.6	275.2	202.4	186.2	16.2	15.0	1.5
2020		764.8	627.5	133.4	40.8	17.4	3.6	8.2	215.3	150.6	151.0	13.5	13.5	0.5
2021		799.3	687.1	110.0	52.5	13.8	4.3	4.8	236.7	171.4	173.1	14.0	14.2	0.5
2022		832.2	766.6	63.4	59.7	7.6	4.4	0.2	291.9	216.4	182.3	16.1	13.5	3.1
2023		889.2	813.7	73.3	56.1	8.2	3.9	1.2	309.4	216.8	193.3	14.9	13.3	1.9
2024		925.0	860.5	62.3	52.8	6.7	3.5	0.6	315.9	221.5	201.0	14.5	13.2	1.6
2021	III	787.6	665.5	119.5	46.2	15.2	3.9	6.1	226.0	163.1	165.1	13.7	13.9	0.4
	IV	799.3	687.1	110.0	52.5	13.8	4.3	4.8	236.7	171.4	173.1	14.0	14.2	0.5
2022	I	807.3	713.6	91.3	57.3	11.3	4.6	2.8	247.1	180.8	173.0	14.4	13.8	1.2
	II	815.9	735.1	78.7	63.8	9.6	5.0	1.3	259.3	187.9	171.9	14.6	13.3	1.9
	III	820.7	755.7	62.7	63.8	7.6	4.8	-0.1	274.8	199.8	178.6	15.1	13.5	2.2
	IV	832.2	766.6	63.4	59.7	7.6	4.4	0.2	291.9	216.4	182.3	16.1	13.5	3.1
2023	I	852.9	780.4	70.3	58.0	8.2	4.2	0.8	303.7	224.2	186.5	16.2	13.5	3.3
	II	880.3	790.3	87.7	58.4	10.0	4.1	2.0	308.5	221.2	188.9	15.7	13.4	2.9
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
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		2.9	3.2	-0.8	10.6	-0.2	0.2	-0.3	1.4	-0.4	10.2	-0.7	0.9	-1.5
2019		5.1	2.2	54.6	6.8	2.6	0.1	1.7	1.6	1.4	5.4	-0.3	0.3	-0.6
2020		-2.1	-12.2	108.3	-6.1	9.2	0.2	6.6	-21.8	-25.6	-18.9	-2.8	-1.5	-1.1
2021		4.5	9.5	-17.6	28.9	-3.7	0.7	-3.4	9.9	13.8	14.6	0.6	0.7	0.0
2022		4.1	11.6	-42.4	13.7	-6.1	0.1	-4.6	23.3	26.2	5.3	2.0	-0.6	2.6
2023		6.9	6.1	15.7	-6.0	0.6	-0.6	1.0	6.0	0.2	6.0	-1.2	-0.2	-1.2
2024		4.0	5.8	-15.1	-6.0	-1.5	-0.4	-0.6	2.1	2.2	4.0	-0.4	-0.1	-0.3
2021	III	2.3	2.7	1.1	8.7	-0.2	0.2	-0.4	-0.6	0.9	5.1	-0.4	0.2	-0.2
	IV	4.5	9.5	-17.6	28.9	-3.7	0.7	-3.4	9.9	13.8	14.6	0.6	0.7	0.0
2022	I	5.3	15.5	-37.0	33.3	-7.6	0.7	-6.2	16.8	21.1	13.2	1.0	0.0	1.0
	II	4.4	12.3	-36.2	42.4	-6.1	1.1	-5.3	15.6	19.3	5.9	1.1	-0.6	1.8
	III	4.2	13.6	-47.6	38.1	-7.5	0.9	-6.2	21.6	22.5	8.2	1.4	-0.4	1.8
	IV	4.1	11.6	-42.4	13.7	-6.1	0.1	-4.6	23.3	26.2	5.3	2.0	-0.6	2.6
2023	I	5.7	9.4	-23.0	1.2	-3.1	-0.4	-2.0	22.9	24.0	7.8	1.8	-0.3	2.1
	II	7.9	7.5	11.4	-8.5	0.3	-0.8	0.8	19.0	17.7	9.9	1.1	0.1	1.0

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

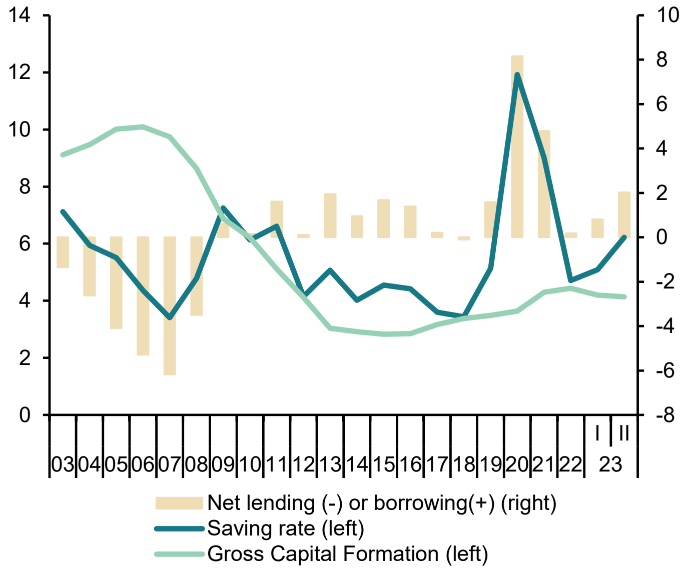


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

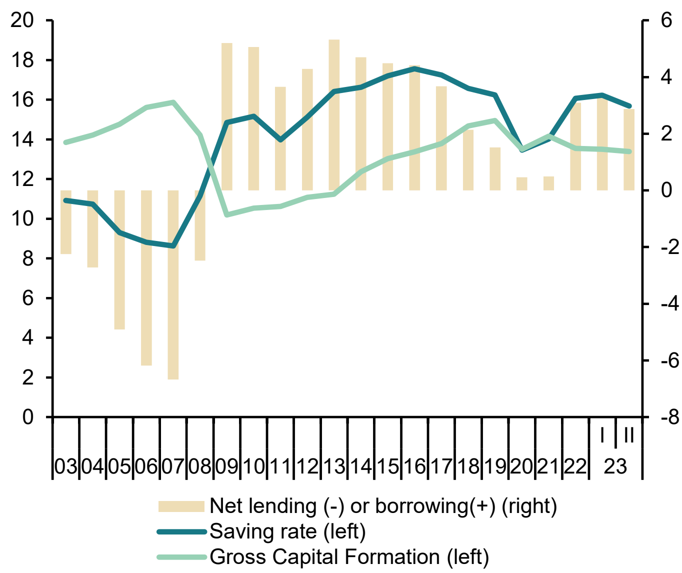


Table 6

National accounts: Public revenue. expenditure and deficit

Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)
		Taxes on production 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
		EUR Billions. 4-quarter cumulated operations												
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
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
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
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
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
2021		146.9	143.5	171.7	67.1	529.2	148.1	72.2	26.2	263.4	60.1	41.4	611.5	-82.3
2022		160.7	164.8	180.2	68.4	574.1	154.9	79.7	31.8	267.0	53.3	51.1	637.8	-63.7
2023		164.5	181.5	199.9	74.4	620.3	165.7	86.1	36.0	288.9	54.7	48.7	680.2	-59.8
2024		175.5	190.5	210.9	74.2	651.1	171.5	90.5	40.6	301.0	55.9	46.7	706.3	-55.2
2021	III	142.3	133.7	169.7	62.4	508.1	146.8	70.9	25.3	261.3	53.5	40.1	597.9	-89.8
	IV	146.9	143.5	171.7	67.1	529.2	148.1	72.2	26.2	263.4	60.1	41.4	611.5	-82.3
2022	I	153.6	147.3	173.3	67.6	541.7	149.4	74.0	26.5	262.9	56.1	40.5	609.4	-67.6
	II	158.6	151.9	175.7	69.4	555.7	150.5	75.4	28.2	263.4	58.0	42.3	617.7	-62.0
	III	162.1	160.5	177.6	68.9	569.1	151.9	77.6	29.6	265.3	53.9	45.4	623.7	-54.7
	IV	160.7	164.8	180.2	68.4	574.1	154.9	79.7	31.8	267.0	53.3	51.1	637.8	-63.7
2023	I	162.6	168.1	184.1	71.5	586.3	156.8	81.1	31.8	271.6	53.8	50.9	645.8	-59.5
	II	162.3	172.4	188.7	73.4	596.7	159.5	82.8	32.8	279.0	54.3	50.2	658.5	-61.7
		Percentage of GDP. 4-quarter cumulated operations												
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
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
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
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
2020		11.3	11.2	14.5	4.8	41.8	12.6	6.0	2.2	23.4	4.0	3.7	51.9	-10.1
2021		12.0	11.7	14.0	5.5	43.3	12.1	5.9	2.1	21.6	4.9	3.4	50.0	-6.7
2022		11.9	12.2	13.4	5.1	42.6	11.5	5.9	2.4	19.8	4.0	3.8	47.4	-4.7
2023		11.3	12.5	13.7	5.1	42.7	11.4	5.9	2.5	19.9	3.8	3.3	46.8	-4.1
2024		11.5	12.5	13.8	4.9	42.6	11.2	5.9	2.7	19.7	3.7	3.1	46.2	-3.6
2021	III	12.0	11.2	14.3	5.3	42.7	12.3	6.0	2.1	22.0	4.5	3.4	50.3	-7.5
	IV	12.0	11.7	14.0	5.5	43.3	12.1	5.9	2.1	21.6	4.9	3.4	50.0	-6.7
2022	I	12.2	11.7	13.8	5.4	43.2	11.9	5.9	2.1	21.0	4.5	3.2	48.6	-5.4
	II	12.3	11.8	13.6	5.4	43.1	11.7	5.8	2.2	20.4	4.5	3.3	47.9	-4.8
	III	12.3	12.2	13.5	5.2	43.1	11.5	5.9	2.2	20.1	4.1	3.4	47.3	-4.1
	IV	11.9	12.2	13.4	5.1	42.6	11.5	5.9	2.4	19.8	4.0	3.8	47.4	-4.7
2023	I	11.8	12.2	13.3	5.2	42.4	11.3	5.9	2.3	19.7	3.9	3.7	46.8	-4.3
	II	11.5	12.2	13.4	5.2	42.3	11.3	5.9	2.3	19.8	3.8	3.6	46.7	-4.4

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue. expenditure and deficit

Percentage of GDP, 4-quarter moving averages

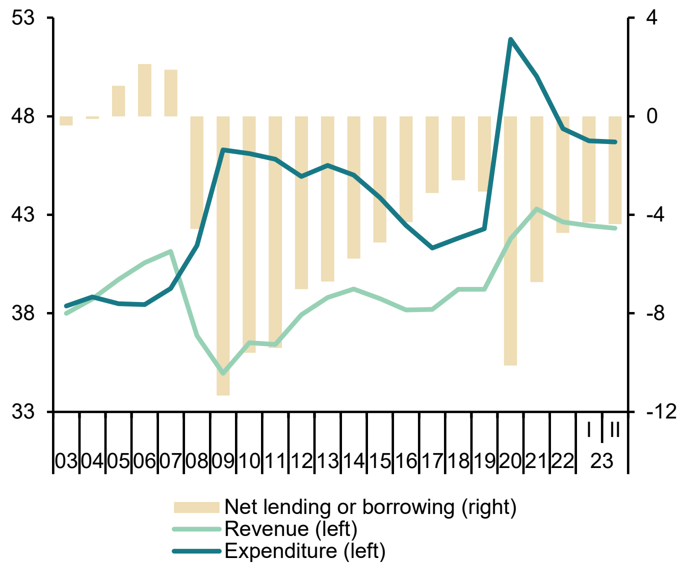


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

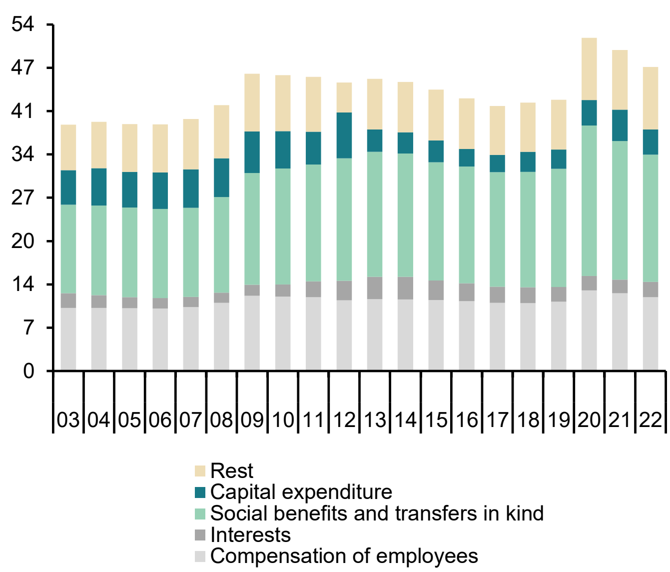


Table 7

Public sector balances by level of Government

Forecasts in yellow

		Net lending (+)/ net borrowing (-)					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				
2016		-28.0	-9.5	7.0	-17.4	-47.9	1,008.9	277.0	32.2	17.2	1,145.1
2017		-22.0	-4.2	6.7	-16.8	-36.2	1,049.8	288.1	29.0	27.4	1,183.4
2018		-17.0	-3.3	6.3	-17.3	-31.2	1,082.8	293.4	25.8	41.2	1,208.9
2019		-18.8	-7.3	3.8	-15.9	-38.1	1,095.8	295.1	23.2	55.0	1,223.4
2020		-85.7	-2.0	2.8	-28.3	-113.2	1,206.6	304.0	22.0	85.4	1,345.8
2021		-73.7	-0.2	3.4	-11.7	-82.3	1,280.1	312.6	22.8	97.2	1,428.1
2022		-41.2	-15.1	-1.5	-5.9	-63.7	1,358.9	317.1	23.1	106.2	1,502.8
2023		--	--	--	--	-59.8	--	--	--	--	1,563.1
2024		--	--	--	--	-55.2	--	--	--	--	1,618.8
2021	III	-84.8	5.1	3.3	-13.4	-89.8	1,281.7	312.3	23.1	91.9	1,433.4
	IV	-73.7	-0.2	3.4	-11.7	-82.3	1,280.1	312.6	22.8	97.2	1,428.1
2022	I	-63.0	3.4	2.9	-11.0	-67.6	1,306.8	309.8	23.2	99.2	1,454.7
	II	-60.0	-0.5	2.5	-3.9	-62.0	1,326.1	316.7	23.6	99.2	1,476.2
	III	-32.7	-15.2	-1.6	-5.3	-54.7	1,359.4	314.9	22.8	99.2	1,504.7
	IV	-41.2	-15.1	-1.5	-5.9	-63.7	1,358.9	317.1	23.1	106.2	1,502.8
2023	I	-35.8	-17.7	-0.5	-5.5	-59.5	1,387.7	322.4	23.1	106.2	1,535.4
	II	-38.2	-18.2	-1.6	-3.7	-61.7	1,420.2	327.3	23.8	106.2	1,568.7
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2016		-2.5	-0.9	0.6	-1.6	-4.3	90.5	24.9	2.9	1.5	102.7
2017		-1.9	-0.4	0.6	-1.4	-3.1	90.3	24.8	2.5	2.4	101.8
2018		-1.4	-0.3	0.5	-1.4	-2.6	89.9	24.4	2.1	3.4	100.4
2019		-1.5	-0.6	0.3	-1.3	-3.1	88.0	23.7	1.9	4.4	98.2
2020		-7.7	-0.2	0.2	-2.5	-10.1	107.8	27.2	2.0	7.6	120.3
2021		-6.0	0.0	0.3	-1.0	-6.7	104.7	25.6	1.9	8.0	116.8
2022		-3.1	-1.1	-0.1	-0.4	-4.7	100.9	23.6	1.7	7.9	111.6
2023		--	--	--	--	-4.1	--	--	--	--	107.5
2024		--	--	--	--	-3.6	--	--	--	--	106.0
2021	III	-7.1	0.4	0.3	-1.1	-7.5	107.8	26.3	1.9	7.7	120.5
	IV	-6.0	0.0	0.3	-1.0	-6.7	104.7	25.6	1.9	8.0	116.8
2022	I	-5.0	0.3	0.2	-0.9	-5.4	104.2	24.7	1.8	7.9	116.0
	II	-4.7	0.0	0.2	-0.3	-4.8	102.8	24.6	1.8	7.7	114.4
	III	-2.5	-1.1	-0.1	-0.4	-4.1	103.1	23.9	1.7	7.5	114.1
	IV	-3.1	-1.1	-0.1	-0.4	-4.7	100.9	23.6	1.7	7.9	111.6
2023	I	-2.6	-1.3	0.0	-0.4	-4.3	100.5	23.3	1.7	7.7	111.2
	II	-2.7	-1.3	-0.1	-0.3	-4.4	100.7	23.2	1.7	7.5	111.3

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

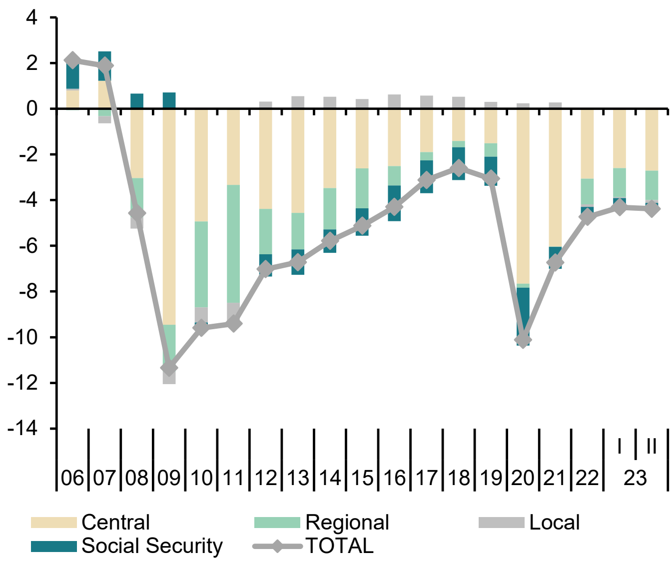


Chart 7.2 - Government debt

Percent of GDP

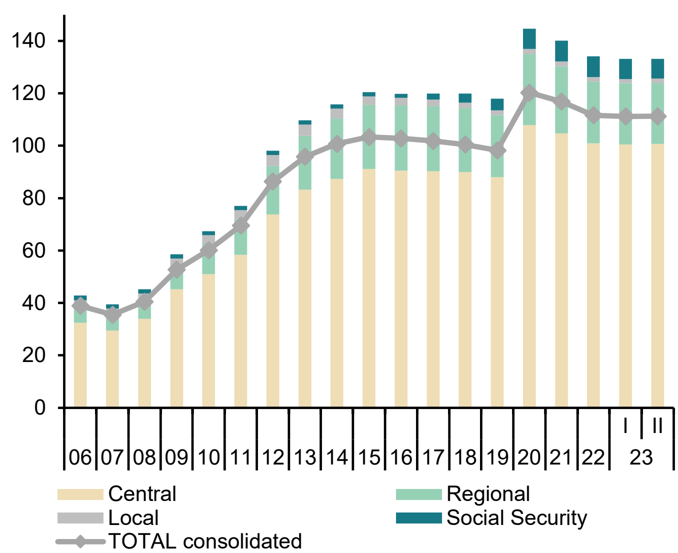


Table 8

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 (g)	Industrial orders
	Index	Index	Thousands	1,000 GWH, monthly average	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2015	107.8	56.7	16,641.8	20.9	100.0	2,067.3	53.6	-0.6	100.0	-5.4
2016	106.0	54.9	17,157.5	21.0	101.8	2,124.7	53.1	-2.1	102.7	-5.4
2017	109.2	56.2	17,789.6	21.4	105.1	2,191.0	54.8	1.4	107.0	2.2
2018	108.0	54.6	18,364.5	21.5	105.3	2,250.9	53.3	-0.5	108.4	-0.2
2019	104.7	52.7	18,844.1	20.9	106.1	2,283.2	49.1	-3.6	109.0	-5.1
2020	89.9	41.5	18,440.5	19.9	95.9	2,239.3	47.5	-13.6	98.2	-30.0
2021	105.1	55.3	18,910.0	20.4	102.9	2,270.4	57.0	0.6	104.3	-1.8
2022	101.3	51.8	19,663.0	19.6	105.9	2,324.3	51.0	-0.9	107.0	1.6
2023 (b)	100.8	53.0	20,157.5	18.9	104.9	2,360.6	48.3	-6.3	104.6	-10.7
2022 I	108.5	52.5	19,465.4	19.9	104.8	2,311.2	55.8	6.7	104.2	11.5
II	101.7	55.0	19,647.4	19.9	106.8	2,320.8	53.2	0.3	108.9	7.2
III	97.0	50.5	19,726.0	19.5	106.6	2,329.6	49.2	-5.1	107.9	-4.1
IV	98.0	49.1	19,816.9	19.0	105.7	2,336.2	45.6	-5.3	106.7	-8.0
2023 I	100.5	55.2	19,972.9	19.3	106.2	2,348.5	50.1	-4.4	106.2	-8.7
II	101.2	54.7	20,183.0	18.9	104.8	2,360.3	48.5	-5.3	105.5	-7.6
III	100.7	50.1	20,261.4	19.0	104.2	2,368.2	47.4	-8.3	105.5	-14.1
IV (b)	100.3	50.0	20,315.6	19.1	--	2,372.5	45.1	-8.6	--	-16.4
2023 Aug	102.2	48.6	20,261.7	19.0	103.6	2,369.2	46.5	-6.5	104.6	-14.5
Sep	99.1	50.1	20,289.5	18.8	104.7	2,370.6	47.7	-8.8	--	-14.3
Oct	100.3	50.0	20,315.6	19.1	--	2,372.5	45.1	-8.6	--	-16.4
				Percentage changes (c)						
2015	--	--	3.3	1.7	3.4	2.2	--	--	4.2	--
2016	--	--	3.1	0.3	1.8	2.8	--	--	2.7	--
2017	--	--	3.7	1.7	3.2	3.1	--	--	4.2	--
2018	--	--	3.2	0.6	0.2	2.7	--	--	1.4	--
2019	--	--	2.6	-2.6	0.7	1.4	--	--	0.5	--
2020	--	--	-2.1	-4.8	-9.6	-1.9	--	--	-9.9	--
2021	--	--	2.5	2.2	7.3	1.4	--	--	6.2	--
2022	--	--	4.0	-3.8	2.9	2.4	--	--	2.6	--
2023 (d)	--	--	2.7	-3.2	-0.9	1.7	--	--	-1.2	--
2022 I	--	--	1.1	-2.2	-0.1	0.7	--	--	-1.5	--
II	--	--	0.9	0.3	1.9	0.4	--	--	4.5	--
III	--	--	0.4	-2.2	-0.2	0.4	--	--	-0.9	--
IV	--	--	0.5	-2.8	-0.8	0.3	--	--	-1.1	--
2023 I	--	--	0.8	1.7	0.5	0.5	--	--	-0.5	--
II	--	--	1.1	-2.2	-1.2	0.5	--	--	-0.7	--
III	--	--	0.4	0.6	-0.6	0.3	--	--	0.0	--
IV (e)	--	--	0.3	0.5	--	0.2	--	--	--	--
2023 Aug	--	--	0.1	-0.7	-0.7	0.2	--	--	-1.6	--
Sep	--	--	0.1	-1.0	1.1	0.1	--	--	--	--
Oct	--	--	0.1	1.4	--	0.1	--	--	--	--

(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. (g) Deflated by Funcas.

Sources: European Commision, S&P Global, M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas.

Chart 8.1 - General activity indicators (I)

Level, 2009=100

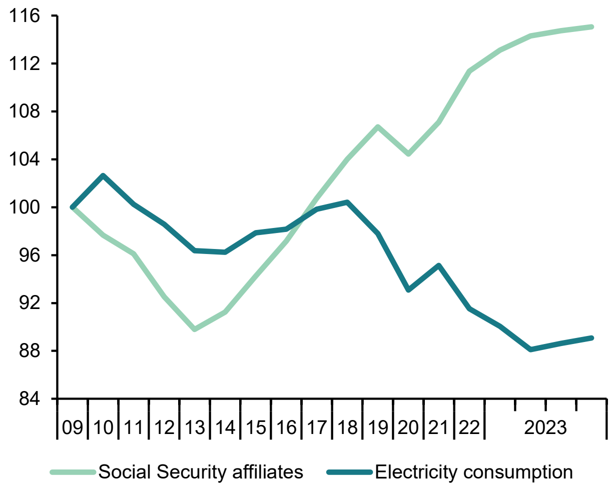


Chart 8.2 - General activity indicators (II)

Index

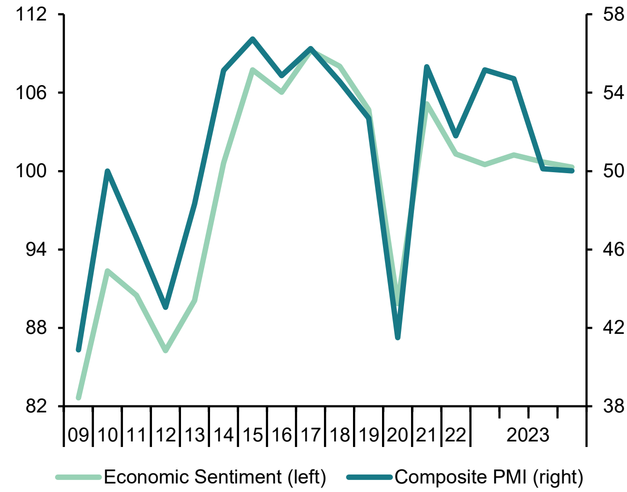


Chart 8.3 - Industrial sector indicators (I)

Level, 2009=100

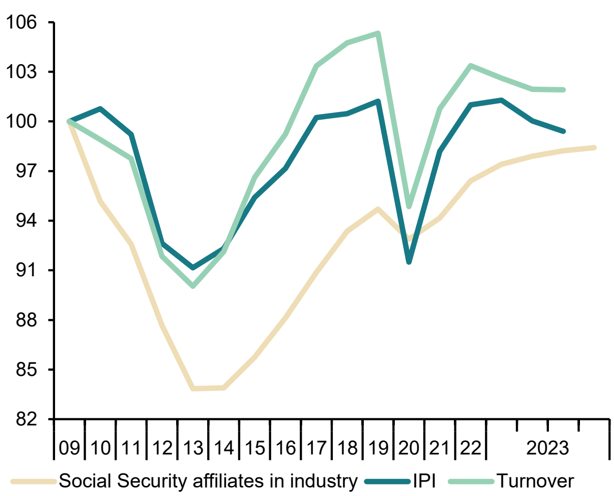


Chart 8.4 - Industrial sector indicators (II)

Index

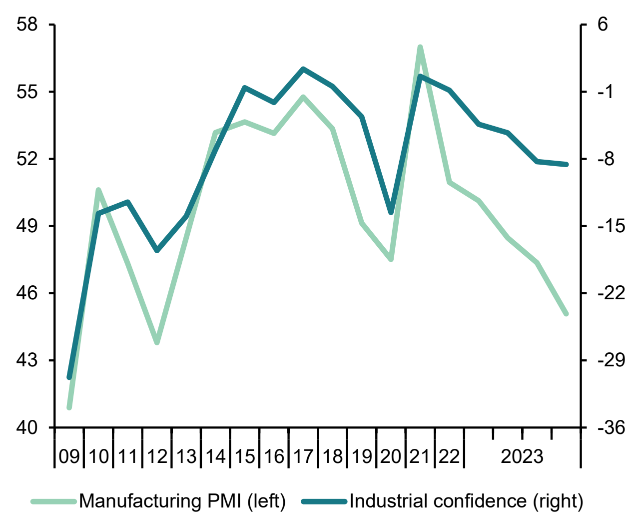


Table 9

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 deflated (h)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
		Thousands	2015=100	Balance of responses	EUR Billions, monthly average	Million m2, monthly average	Thousands	2015=100 (smoothed)	Index	Million, monthly average	Million, monthly average)	Balance of responses
2015		1,026.7	100.0	-26.7	0.8	0.8	12,432.3	103.5	57.3	25.7	17.2	18.9
2016		1,053.9	102.6	-39.1	0.8	1.1	12,851.6	109.2	55.0	27.6	19.1	18.2
2017		1,118.8	111.5	-25.1	1.1	1.3	13,338.2	114.5	56.4	28.4	20.7	22.9
2018		1,194.1	114.2	-6.0	1.4	1.6	13,781.3	119.2	54.8	28.3	21.9	21.2
2019		1,254.9	124.8	-7.7	1.5	1.7	14,169.1	122.8	53.9	28.6	23.1	13.9
2020		1,233.1	110.6	-17.4	1.1	1.3	13,849.2	102.7	40.3	7.7	6.3	-25.6
2021		1,288.6	124.3	-1.9	1.8	1.6	14,235.1	111.4	55.0	14.4	9.9	8.4
2022		1,333.8	126.1	8.8	2.4	1.7	14,926.3	119.9	52.5	26.7	20.2	12.4
2023 (b)		1,383.0	120.8	7.4	2.4	1.6	15,361.7	118.8	54.0	30.9	24.3	13.7
2022	I	1,321.9	126.4	4.8	1.8	1.8	14,738.8	117.7	52.2	24.9	17.5	17.6
	II	1,322.3	130.1	9.7	2.3	1.5	14,921.0	120.3	55.9	26.7	20.1	15.8
	III	1,336.5	122.9	6.0	2.4	1.5	14,986.1	120.2	51.0	27.3	21.2	10.1
	IV	1,356.1	125.3	14.8	3.1	1.8	15,060.8	121.6	50.8	28.0	22.1	6.0
2023	I	1,376.2	125.3	3.1	2.0	1.7	15,191.2	121.2	56.3	28.5	22.7	11.7
	II	1,382.1	120.2	13.1	2.7	1.7	15,385.0	120.5	56.0	28.8	23.1	13.9
	III	1,385.1	116.6	5.9	2.5	1.4	15,456.8	120.8	50.8	28.8	23.9	14.7
	IV (b)	1,391.1	--	8.2	--	--	15,513.2	--	51.1	--	24.5	15.7
2023	Aug	1,385.8	112.6	0.7	1.8	1.0	15,453.2	119.6	49.3	28.6	23.9	15.3
	Sep	1,388.3	116.5	3.5	2.5	--	15,484.3	--	50.5	29.3	24.2	13.6
	Oct	1,391.1	--	8.2	--	--	15,513.2	--	51.1	--	24.5	15.7
					Percentage changes (c)							
2015		4.7	7.8	--	-28.2	42.6	3.6	6.9	--	4.4	6.0	--
2016		2.6	2.6	--	-1.7	29.0	3.4	5.5	--	7.4	11.0	--
2017		6.2	8.7	--	37.1	24.8	3.8	4.9	--	2.8	8.3	--
2018		6.7	2.4	--	30.8	24.5	3.3	4.1	--	-0.2	5.8	--
2019		5.1	9.2	--	5.3	1.3	2.8	3.0	--	0.9	5.3	--
2020		-1.7	-11.3	--	-25.9	-19.8	-2.3	-16.3	--	-73.1	-72.7	--
2021		4.5	12.3	--	70.7	22.7	2.8	8.5	--	87.4	57.8	--
2022		3.5	1.5	--	29.8	1.2	4.9	7.6	--	85.4	103.4	--
2023 (d)		4.0	-4.5	--	10.8	3.6	3.1	1.4	--	8.4	16.9	--
2022	I	1.0	0.9	--	35.9	20.1	1.3	1.4	--	3.8	4.1	--
	II	0.0	2.9	--	22.5	-10.9	1.2	2.2	--	7.1	15.2	--
	III	1.1	-5.5	--	19.3	-9.7	0.4	-0.2	--	2.4	5.2	--
	IV	1.5	1.9	--	42.4	7.2	0.5	1.2	--	2.4	4.1	--
2023	I	1.5	0.0	--	12.7	-3.7	0.9	-0.3	--	1.8	3.0	--
	II	0.4	-4.1	--	18.6	12.2	1.3	-0.6	--	1.1	1.9	--
	III	0.2	-3.0	--	2.1	1.5	0.5	0.3	--	0.2	3.3	--
	IV (e)	0.4	--	--	--	--	0.4	--	--	--	2.5	--
2023	Aug	0.3	-6.7	--	-37.9	-14.4	0.1	-1.9	--	0.2	1.0	--
	Sep	0.2	3.5	--	41.1	--	0.2	--	--	2.4	1.1	--
	Oct	0.2	--	--	--	--	0.2	--	--	--	1.4	--

(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. (h) Deflated by Funcas.

Sources: European Commision, S&P Global, M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

Chart 9.1 - Construction indicators (I)

Level, 2009=100 and index

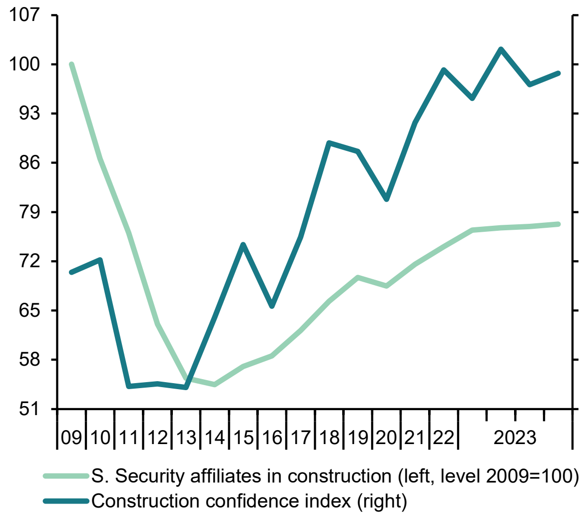


Chart 9.2 - Construction indicators (II)

Level, 2009=100

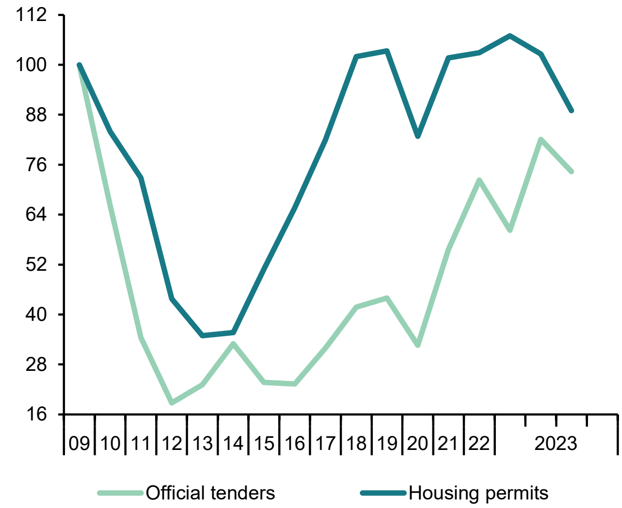


Chart 9.3 - Services indicators (I)

Level, 2009=100

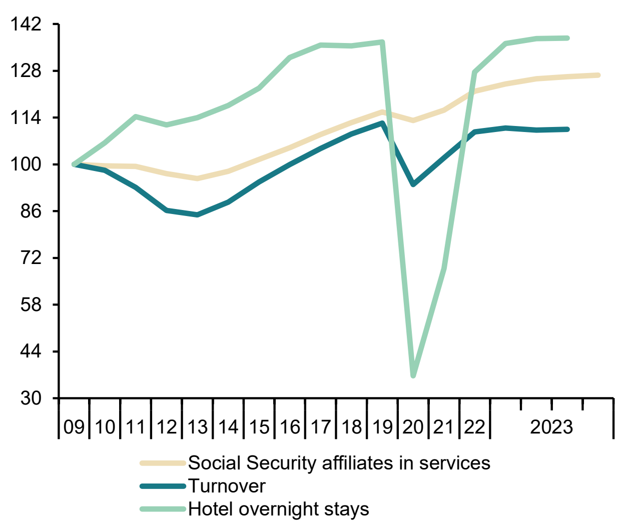


Chart 9.4 - Services indicators (II)

Index

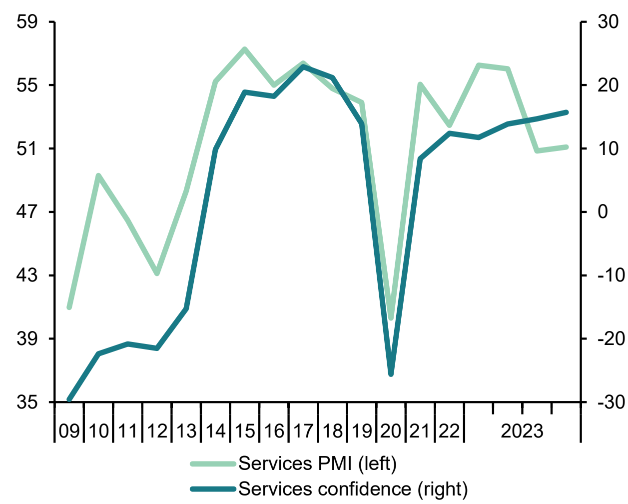


Table 10

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	Large company sales (consumer goods and services)	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)	Large company sales (capital goods)
	2015=100	Thousands, monthly average	Balance of responses	Million, monthly average	Balance of responses	2015=100	Thousands, monthly average	Balance of responses	2015=100	2015=100
2015	100.0	91.2	-4.9	9.2	-3.1	100.0	15.0	0.2	100.0	100.0
2016	103.9	102.5	-6.2	9.5	-1.4	107.3	15.9	-0.2	104.1	104.0
2017	104.7	111.8	-2.9	9.7	2.2	110.3	17.3	4.9	110.7	107.7
2018	105.4	118.7	-4.4	9.7	-5.6	113.1	19.2	12.4	112.9	112.5
2019	107.8	114.6	-6.4	10.0	-2.9	116.0	18.4	8.8	113.1	117.7
2020	100.4	78.3	-22.5	4.3	-25.5	106.3	14.2	-22.7	107.1	110.0
2021	104.0	79.5	-12.9	7.6	-11.1	111.4	15.6	4.7	118.1	115.4
2022	104.9	76.2	-26.5	10.0	-2.7	118.7	13.9	28.2	133.5	124.6
2023 (b)	108.8	86.5	-19.3	10.8	-7.3	119.1	16.9	20.3	135.8	139.3
2022 I	102.4	62.9	-18.0	9.4	0.9	118.3	12.7	33.8	129.4	118.9
II	104.8	76.6	-27.0	10.3	2.6	118.8	13.3	29.8	134.2	121.8
III	104.8	85.2	-32.9	10.2	-8.5	118.9	14.3	21.7	136.7	126.8
IV	107.6	85.3	-27.9	10.2	-5.8	120.5	15.5	27.5	139.2	132.8
2023 I	109.2	85.4	-22.7	10.3	-5.8	120.8	16.8	25.8	141.8	147.5
II	111.2	82.9	-19.2	10.2	-6.1	121.6	16.0	24.6	142.1	146.1
III	112.1	85.9	-15.8	9.9	-8.5	122.2	17.1	11.8	140.7	136.1
IV (b)	--	110.4	-19.7	--	-11.9	--	19.0	16.2	--	--
2023 Aug	112.2	90.9	-15.2	9.7	-4.8	120.3	18.7	5.7	140.3	126.4
Sep	112.4	90.0	-20.3	9.9	-10.9	123.7	16.7	13.2	--	137.7
Oct	--	110.4	-19.7	--	-11.9	--	19.0	16.2	--	--
				Percentage changes (c)						
2015	4.2	22.9	--	5.3	--	7.6	31.1	--	14.4	7.1
2016	3.9	12.4	--	3.6	--	7.3	6.1	--	4.1	4.0
2017	0.8	9.1	--	1.4	--	2.7	8.5	--	6.4	3.6
2018	0.7	6.1	--	0.6	--	2.6	10.8	--	2.0	4.4
2019	2.3	-3.4	--	2.7	--	2.6	-4.0	--	0.2	4.6
2020	-6.9	-31.7	--	-57.2	--	-8.4	-22.6	--	-5.3	-6.5
2021	3.5	1.6	--	77.3	--	4.9	9.4	--	10.3	4.9
2022	0.9	-4.1	--	32.3	--	6.5	-10.8	--	13.0	8.0
2023 (d)	6.6	14.9	--	1.6	--	3.0	25.8	--	5.7	18.0
2022 I	-3.0	-26.5	--	-1.2	--	5.7	-11.2	--	20.5	-0.6
II	2.3	21.9	--	9.4	--	1.8	4.6	--	15.8	10.2
III	0.0	11.2	--	-0.6	--	0.2	7.5	--	7.6	17.5
IV	2.6	0.1	--	-0.3	--	5.5	8.0	--	7.4	20.5
2023 I	1.5	0.1	--	0.8	--	1.1	8.3	--	7.8	52.2
II	1.8	-3.0	--	-0.2	--	2.9	-4.9	--	0.7	-3.8
III	0.8	3.6	--	-3.3	--	1.8	7.3	--	-3.8	-24.7
IV (e)	--	28.5	--	--	--	--	10.9	--	--	--
2023 Aug	0.3	18.6	--	-3.9	--	-1.8	17.9	--	-0.5	-12.4
Sep	0.2	-1.0	--	2.6	--	2.8	-10.6	--	--	9.0
Oct	--	22.6	--	--	--	--	13.4	--	--	--

(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

Level, 2009=100 and balance of responses

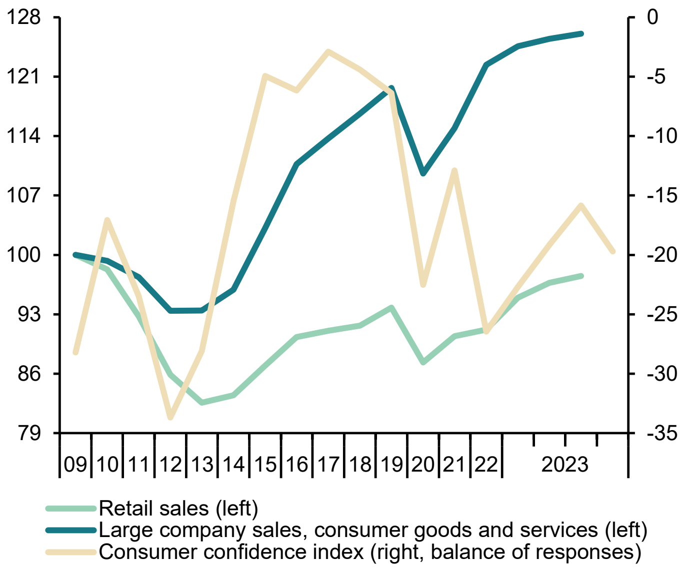


Chart 10.2 - Investment indicators

Level, 2009=100 and balance of responses

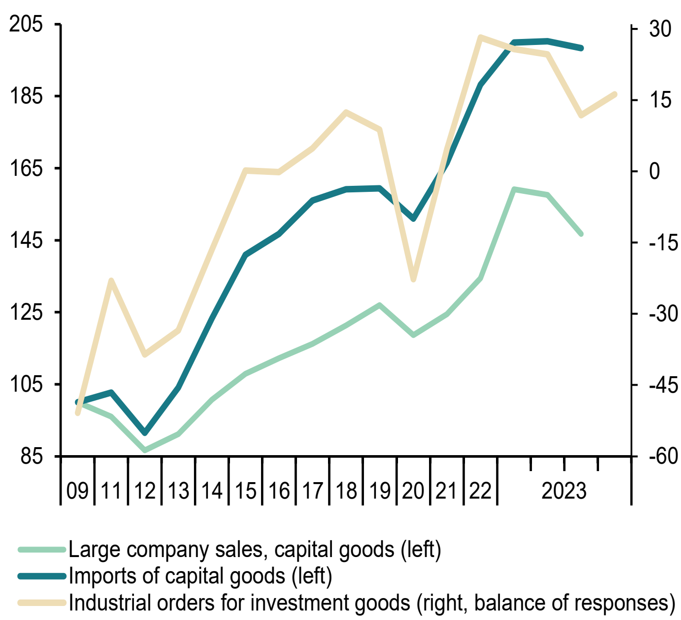


Table 11a

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					
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	34.3	14.3	21.9
2019		39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.5	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	23.4	--	20.4	--	3.0	--	58.6	51.1	12.9	29.7	11.9	19.3
2023		40.5	23.8	--	20.9	--	2.8	--	58.8	51.8	11.9	--	--	--
2024		40.9	23.9	--	21.2	--	2.6	--	58.3	51.9	11.0	--	--	--
2021	IV	39.7	23.3	23.3	20.2	20.2	3.1	3.1	58.6	50.8	13.4	30.8	12.2	20.9
2022	I	39.8	23.3	23.4	20.1	20.3	3.2	3.1	58.9	51.1	13.2	29.5	12.5	21.3
	II	39.8	23.4	23.4	20.5	20.4	2.9	3.0	58.7	51.2	12.8	29.3	11.5	18.9
	III	40.0	23.5	23.4	20.5	20.4	3.0	3.0	58.5	51.1	12.8	30.9	11.8	18.4
	IV	40.1	23.5	23.5	20.5	20.5	3.0	3.0	58.5	51.0	12.9	29.2	11.9	18.6
2023	I	40.3	23.6	23.7	20.5	20.7	3.1	3.0	58.8	51.4	12.7	29.0	12.1	19.9
	II	40.4	23.8	23.8	21.1	21.0	2.8	2.9	59.0	51.9	12.1	29.0	10.6	17.2
	III	40.6	24.1	24.0	21.3	21.1	2.9	2.9	59.1	52.0	12.0	27.8	11.0	16.5
		Percentage changes (d)							Difference from one year ago					
2016		0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.3	--	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	-2.0
2019		1.0	1.0	--	2.3	--	-6.7	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		-1.9	-0.9	--	-7.3	--	38.1	--	0.6	-2.8	5.5	11.9	5.5	6.5
2021		2.9	1.7	--	7.8	--	-23.4	--	-0.7	2.3	-4.8	-9.5	-5.2	-3.5
2022		0.7	0.9	--	3.1	--	-11.8	--	0.1	1.2	-1.9	--	--	--
2023		1.3	1.5	--	2.7	--	-6.2	--	0.1	0.7	-1.0	--	--	--
2024		1.1	0.3	--	1.4	--	-7.6	--	-0.5	0.2	-0.9	--	--	--
2021	IV	0.2	1.0	1.0	4.3	4.4	-16.6	-16.4	0.5	2.1	-2.8	-9.8	-2.3	-5.7
2022	I	0.3	1.7	1.7	4.6	4.5	-13.1	-14.0	0.8	2.1	-2.4	-8.8	-2.0	-4.9
	II	0.5	0.7	0.8	4.0	4.0	-17.6	-16.3	0.2	1.7	-2.6	-9.5	-2.5	-4.8
	III	0.8	0.3	0.4	2.6	2.6	-12.8	-12.6	-0.3	0.9	-1.9	-0.8	-1.7	-3.3
	IV	1.1	0.9	0.8	1.4	1.5	-2.6	-3.2	-0.1	0.2	-0.5	-1.6	-0.2	-2.2
2023	I	1.3	1.4	1.3	1.8	1.8	-1.5	-2.7	0.0	0.3	-0.5	-0.4	-0.3	-1.4
	II	1.4	1.8	1.9	2.9	2.8	-5.4	-4.3	0.3	0.7	-0.8	-0.3	-0.8	-1.7
	III	1.6	2.5	2.6	3.5	3.5	-4.2	-3.7	0.6	1.0	-0.8	-3.1	-0.7	-1.9

(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

Thousands and percentage of active population

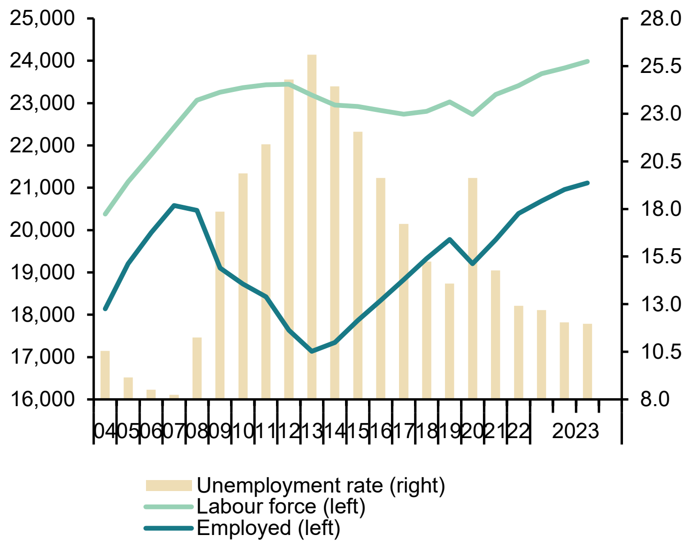


Chart 11a.2 - Unemployment rates

Percentage

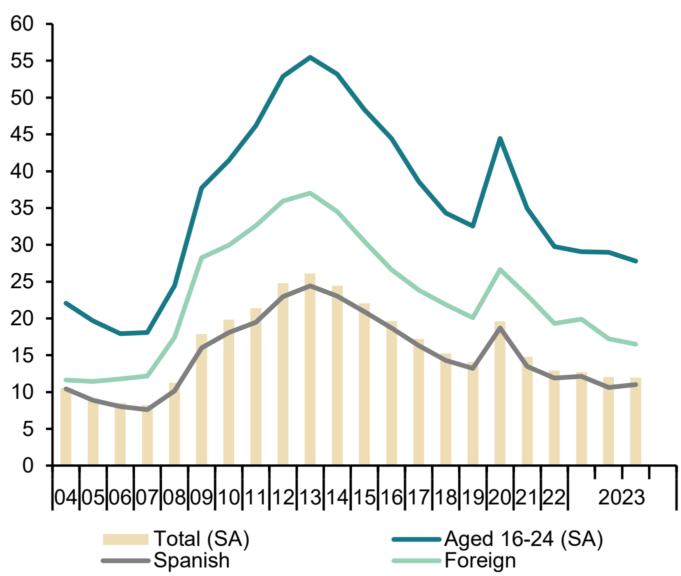


Table 11b

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)											
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		0.77	2.77	1.32	15.52	17.25	3.65	13.61	21.1	3.14	17.63	2.76	13.52
2023 (c)		0.73	2.78	1.35	16.07	17.77	3.07	14.70	17.3	3.15	18.15	2.78	13.27
2021	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
	IV	0.75	2.80	1.30	15.61	17.37	3.11	14.26	17.9	3.09	17.68	2.78	13.59
2023	I	0.75	2.79	1.30	15.62	17.35	3.00	14.35	17.3	3.10	17.65	2.81	13.72
	II	0.75	2.73	1.36	16.22	17.85	3.09	14.76	17.3	3.20	18.21	2.85	13.52
	III	0.70	2.82	1.38	16.36	18.12	3.13	14.99	17.3	3.15	18.59	2.68	12.59
		Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
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		-3.5	2.6	2.3	3.6	3.8	-12.6	9.2	-3.9	-0.3	3.5	0.6	-0.3
2023 (d)		-6.2	0.7	1.3	3.7	3.3	-19.6	9.8	-4.9	-0.1	3.0	1.0	-0.2
2021	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
	IV	-10.3	1.3	1.2	2.1	2.3	-27.7	12.6	-7.5	-3.7	1.3	1.6	0.0
2023	I	-9.6	3.5	-1.4	2.4	2.5	-26.9	11.9	-6.9	-1.6	2.2	-0.1	-0.3
	II	-5.0	-1.8	1.6	4.2	3.2	-19.8	9.8	-5.0	1.2	3.2	1.0	-0.2
	III	-3.7	0.5	3.7	4.4	4.1	-11.0	7.9	-2.9	0.1	3.7	2.1	-0.2

(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

Level, 2003=100

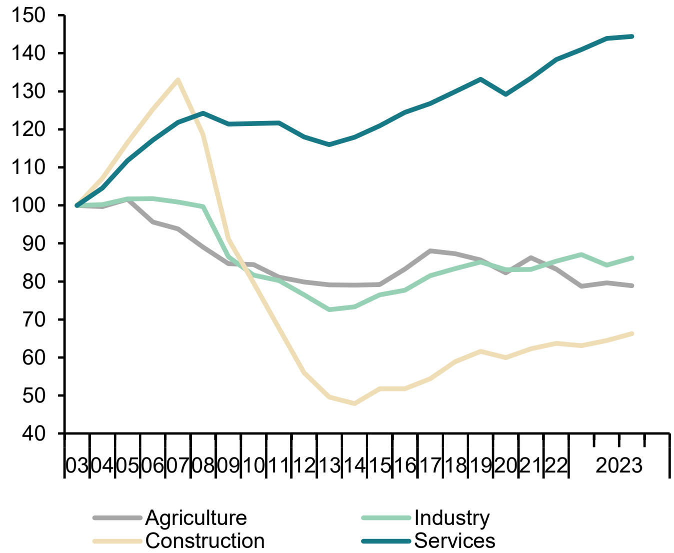


Chart 11b.2 - Temporary employment rate

Percentage over total employees

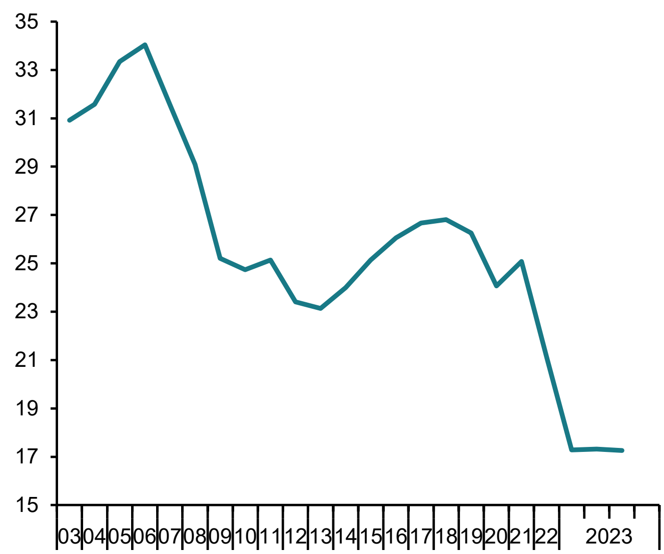


Table 12

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 2022		100.00	66.69	83.52	21.06	45.63	16.82	6.76	9.72	23.59
Indexes. 2021 = 100										
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		108.4	103.7	105.2	104.2	103.3	110.6	110.9	127.9	110.7
2023		112.3	108.3	111.6	108.6	107.8	124.0	121.1	107.8	123.0
2024		116.4	111.2	114.9	109.6	111.6	129.3	130.2	114.3	129.4
Annual percentage changes										
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		8.4	3.7	5.2	4.2	3.3	10.6	10.9	27.9	10.7
2023		3.6	4.5	6.1	4.2	4.3	12.2	9.2	-15.7	11.1
2024		3.6	2.7	3.0	0.9	3.5	4.2	7.5	6.1	5.1
2023	Jan	5.9	5.1	7.5	6.5	4.1	16.5	10.7	-8.3	14.6
	Feb	6.0	5.2	7.6	6.5	4.2	16.8	13.4	-8.9	15.7
	Mar	3.3	5.1	7.5	5.9	4.4	16.5	13.6	-25.6	15.5
	Apr	4.1	4.6	6.6	4.8	4.3	14.2	8.8	-15.6	12.4
	May	3.2	4.3	6.1	4.2	4.2	12.9	8.9	-19.6	11.6
	Jun	1.9	4.3	5.9	4.0	4.3	12.0	6.3	-24.9	10.0
	Jul	2.3	4.8	6.2	4.3	4.6	11.3	8.9	-24.3	10.4
	Aug	2.6	4.8	6.1	4.3	4.5	10.9	8.5	-21.5	10.1
	Sep	3.5	4.4	5.8	3.6	4.5	10.8	8.8	-14.0	10.1
	Oct	3.5	3.8	5.2	2.7	4.3	10.2	7.3	-10.4	9.1
	Nov	3.6	3.6	4.7	2.1	4.4	8.8	8.3	-7.6	8.5
	Dec	4.0	3.6	4.2	1.9	4.4	6.6	8.2	-1.0	7.0
2024	Jan	4.1	3.3	3.9	1.2	4.2	6.4	11.1	0.6	7.7
	Feb	3.6	3.1	3.5	0.9	4.2	5.2	10.2	-0.8	6.6
	Mar	3.7	3.0	3.3	0.9	3.9	4.8	7.6	3.8	5.6
	Apr	3.9	2.9	3.2	0.8	3.9	4.5	7.9	6.9	5.5
	May	4.3	2.9	3.2	1.0	3.8	4.5	8.4	11.4	5.6
	Jun	4.1	2.7	3.1	0.9	3.6	4.4	8.7	10.6	5.6
	Jul	3.7	2.5	2.8	0.8	3.3	4.1	6.1	9.5	4.7
	Aug	3.3	2.4	2.7	0.7	3.2	3.9	6.1	6.2	4.6
	Sep	3.0	2.4	2.6	0.8	3.1	3.6	5.8	4.3	4.3
	Oct	3.3	2.5	2.7	1.0	3.2	3.3	6.4	6.4	4.2
	Nov	3.3	2.3	2.5	0.9	3.0	3.1	6.4	8.1	4.0
	Dec	2.9	2.2	2.3	0.8	2.8	2.9	5.5	6.4	3.7

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

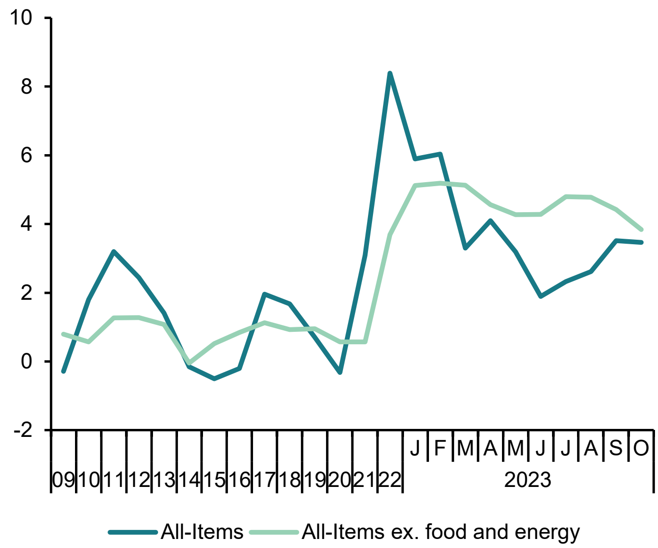


Chart 12.2 - Inflation rate (II)

Annual percentage changes

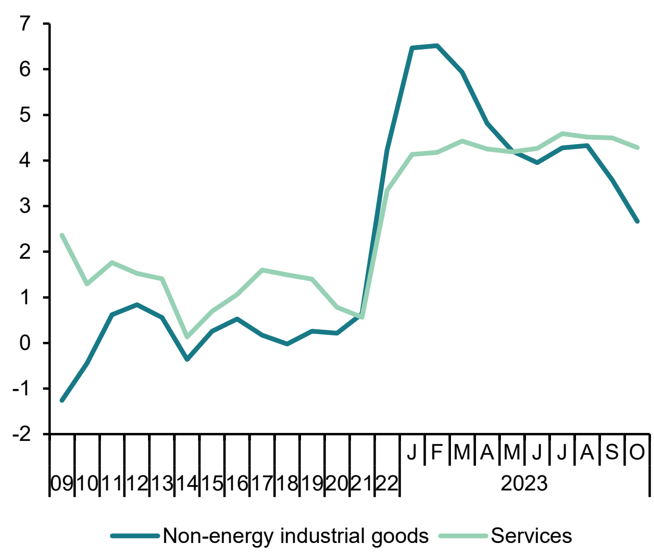


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2015=100	2015=100		2007=100			2000=100				
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		105.6	99.2	103.1	85.0	78.9	52.3	145.4	142.6	154.1	173.3	--
2021		108.4	116.4	110.4	88.2	80.6	54.3	153.9	151.5	161.5	172.2	--
2022		112.9	157.7	125.4	94.7	84.7	57.0	160.4	158.4	166.5	175.6	--
2023 (b)		118.9	151.0	130.1	97.0	87.1	54.3	167.7	164.4	178.0	177.7	--
2021	IV	110.9	132.9	114.4	90.4	82.4	57.5	162.5	162.2	163.3	179.6	--
2022	I	111.6	147.1	119.6	92.7	84.3	58.3	154.2	150.3	166.2	165.2	--
	II	111.5	158.7	126.4	94.5	84.6	58.4	162.3	161.3	165.3	172.8	--
	III	112.3	165.4	127.4	96.2	84.6	53.9	155.7	152.2	166.5	178.3	--
	IV	115.9	159.6	128.3	95.4	85.1	57.4	169.4	169.9	167.9	186.2	--
2023	I	118.7	154.0	130.4	96.0	87.0	53.2	163.7	159.3	177.4	172.8	--
	II	118.8	148.6	130.2	98.0	87.2	55.5	171.7	169.5	178.6	182.6	--
	III (b)	119.2	150.4	129.6	--	--	--	--	--	--	--	--
2023	Jul	--	148.4	129.4	--	--	--	--	--	--	--	--
	Aug	--	150.3	129.6	--	--	--	--	--	--	--	--
	Sep	--	152.5	129.8	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
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	-0.2	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		1.1	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.5	1.9
2021		2.7	17.3	7.0	3.7	2.1	3.7	5.9	6.3	4.8	-0.6	1.5
2022		4.1	35.5	13.6	7.4	5.0	5.0	4.2	4.6	3.1	2.0	2.8
2023 (d)		6.3	-3.9	4.5	3.6	3.1	-6.9	6.0	5.5	7.4	5.1	3.5
2022	I	3.9	41.5	12.7	8.5	6.7	19.1	4.7	5.2	3.4	1.2	2.4
	II	4.3	43.9	15.4	8.0	5.5	0.2	3.8	4.3	2.2	1.1	2.5
	III	3.9	40.0	14.3	7.6	4.7	2.9	4.0	4.1	3.9	1.8	2.6
	IV	4.5	20.0	12.2	5.5	3.3	-0.1	4.2	4.7	2.8	3.7	2.8
2023	I	6.3	4.7	9.0	3.5	3.1	-8.8	6.2	6.0	6.7	4.5	3.1
	II	6.5	-6.4	3.0	3.6	3.0	-5.1	5.8	5.1	8.0	5.7	3.3
	III	6.1	-9.1	1.8	--	--	--	--	--	--	--	3.4
	IV (e)	--	--	--	--	--	--	--	--	--	--	3.5
2023	Aug	--	-9.9	1.7	--	--	--	--	--	--	--	3.4
	Sep	--	-8.6	1.8	--	--	--	--	--	--	--	3.4
	Oct	--	--	--	--	--	--	--	--	--	--	3.5

(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

Level, 2007=100

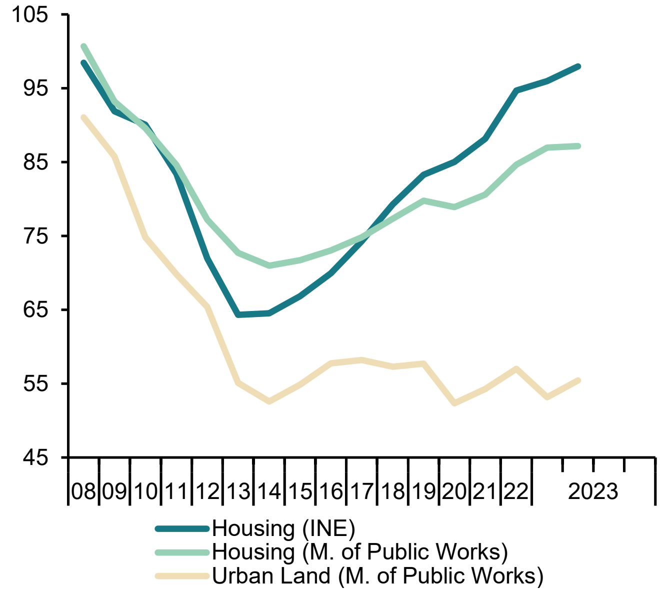


Chart 13.2 - Wage costs

Annual percent change

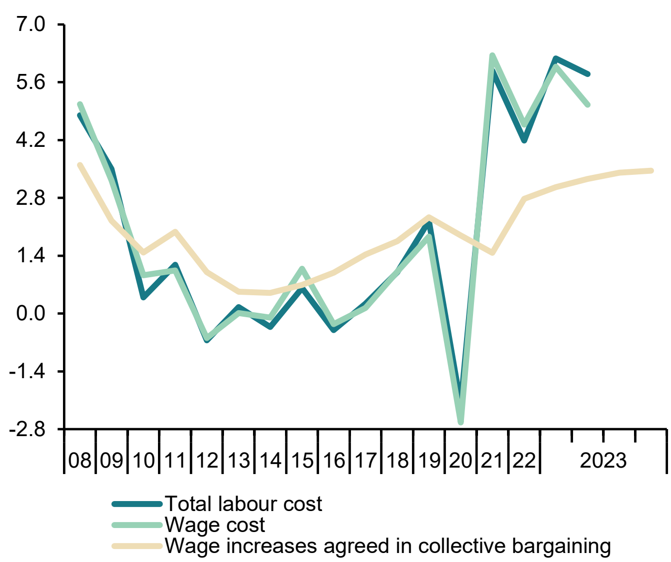


Table 14

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	13.3	8.6	-1.1	0.3	1.3
2021		203.1	121.7	166.9	148.6	120.2	123.7	16.1	10.1	-2.6	-0.2	1.7
2022		251.1	144.0	174.4	196.3	149.3	131.6	20.4	12.1	-5.7	-1.0	3.3
2023(b)		254.9	150.9	168.9	187.1	146.9	127.4	20.1	11.9	-3.2	-0.2	2.8
2021	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
	IV	254.9	148.4	171.8	193.4	155.1	124.7	20.9	11.8	-4.7	-0.2	3.9
2023	I	266.6	154.0	173.1	188.3	152.8	123.2	22.1	12.1	-2.2	0.9	4.5
	II	251.5	150.6	167.0	188.7	143.6	131.4	20.0	12.3	-4.2	-1.1	1.8
2023	Jun	253.6	148.0	171.4	185.8	144.0	129.0	19.8	12.7	-3.4	-0.9	1.1
	Jul	236.3	150.3	157.3	184.3	149.3	123.5	18.9	11.4	-5.3	-2.4	0.8
	Aug	248.1	142.6	174.0	181.5	137.7	131.8	20.1	11.7	-3.3	-0.4	2.3
		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	-7.0	-12.9	-1.2	0.3	1.4
2021		19.4	8.6	10.0	25.0	12.0	11.7	20.9	17.2	-2.6	-0.2	1.7
2022		23.6	18.3	4.5	32.1	24.2	6.3	26.2	19.4	-5.1	-0.9	3.0
2023(d)		1.8	5.7	-3.7	-5.4	0.3	-5.7	3.2	-0.5	--	--	--
2021	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	-3.8	-0.8	2.0
2022	I	8.0	8.4	-0.3	10.1	13.2	-2.8	11.8	1.8	-4.7	-1.1	2.9
	II	12.5	5.8	6.4	14.6	4.5	9.7	6.8	22.8	-5.8	-1.0	2.5
	III	0.3	0.5	-0.2	0.4	5.8	-5.1	3.3	-4.3	-5.8	-1.3	3.0
	IV	-3.0	2.1	-5.1	-7.1	-0.1	-7.0	-1.0	-6.4	-4.0	-0.2	3.3
2023	I	4.6	3.8	0.8	-2.6	-1.5	-1.2	5.7	2.6	-1.8	0.7	3.7
	II	-5.7	-2.2	-3.5	0.2	-6.0	6.6	-9.5	1.3	-3.5	-0.9	1.5
2023	Jun	-3.8	-2.1	-1.7	-7.0	0.3	-7.2	-5.5	-1.1	--	--	--
	Jul	-6.8	1.6	-8.2	-0.8	3.6	-4.3	-4.9	-9.8	--	--	--
	Aug	5.0	-5.1	10.6	-1.5	-7.7	6.7	6.4	2.7	--	--	--

(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)

Level, 2005=100

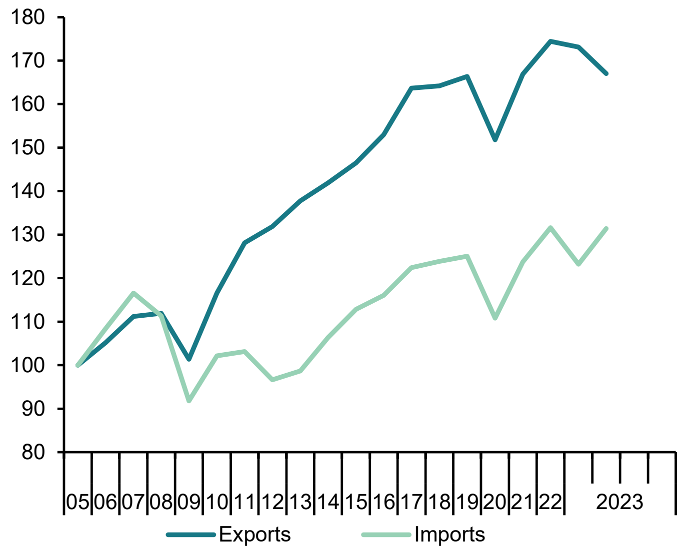


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

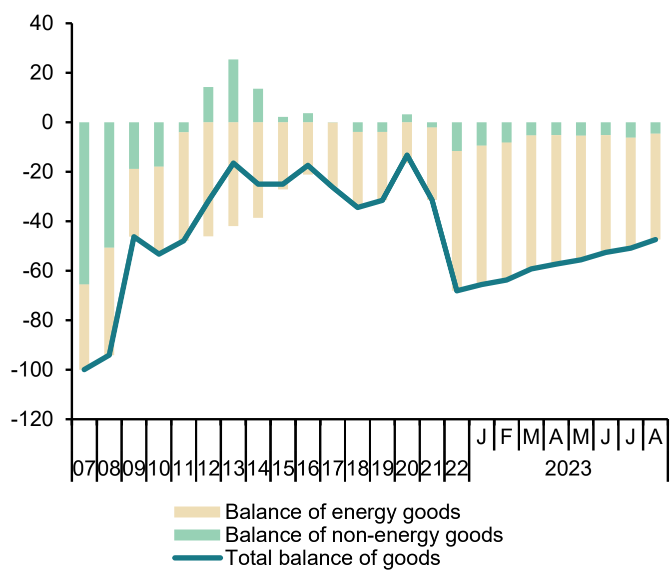


Table 15

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		6.92	-8.67	24.77	2.87	-12.05	5.15	12.06	89.47	15.88	51.16	29.00	-6.58	-81.83	-4.42
2021		9.30	-23.80	35.56	9.50	-11.95	10.83	20.13	7.43	-17.02	2.53	20.06	1.85	16.12	3.42
2022		8.24	-59.19	75.50	6.40	-14.47	12.51	20.75	-4.15	-0.70	33.78	-39.47	2.24	30.27	5.38
2023 (a)		19.16	-12.34	42.38	-5.32	-5.56	5.08	24.24	57.87	6.96	0.23	58.22	-7.53	-55.56	-21.92
2021	III	4.61	-7.48	13.45	1.18	-2.54	2.98	7.59	7.05	-2.24	2.20	6.41	0.68	6.88	6.34
	IV	3.14	-12.64	13.35	4.67	-2.23	5.04	8.18	13.38	6.14	-6.16	16.97	-3.57	-3.72	1.48
2022	I	-3.63	-14.36	11.71	2.23	-3.21	1.15	-2.48	-2.06	-2.01	-24.60	24.33	0.22	2.66	3.09
	II	2.26	-14.74	20.49	0.73	-4.22	2.47	4.73	22.09	9.93	-10.68	23.46	-0.62	-3.87	13.49
	III	3.33	-18.90	25.13	1.24	-4.14	3.05	6.38	-21.30	2.12	-20.59	1.99	-4.82	23.49	-4.19
	IV	6.28	-11.19	18.18	2.20	-2.91	5.83	12.12	11.33	-2.09	5.90	9.39	-1.87	-6.52	-7.31
2023	I	10.25	-4.26	16.93	-0.58	-1.83	2.80	13.05	11.06	5.61	-13.32	24.70	-5.93	-12.84	-14.83
	II	8.91	-8.08	25.45	-4.74	-3.73	2.28	11.19	46.82	1.35	13.55	33.52	-1.60	-42.72	-7.10
			Goods and Services		Primary and Secondary Income										
2023	Jun	3.00	6.37		-3.37		1.26	4.26	-7.16	-14.74	-11.87	19.96	-0.51	8.78	-2.65
	Jul	4.27	6.01		-1.74		1.13	5.40	6.50	4.22	3.76	-1.74	0.26	4.60	5.70
	Aug	4.19	6.50		-2.30		0.46	4.65	-3.42	-0.92	-4.22	2.00	-0.27	4.26	-3.81
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	0.3	-1.1	0.5	1.1	8.0	1.4	4.6	2.6	-0.6	-7.3	-0.4
2021		0.8	-1.9	2.9	0.8	-1.0	0.9	1.6	0.6	-1.4	0.2	1.6	0.2	1.3	0.3
2022		0.6	-4.4	5.6	0.5	-1.1	0.9	1.5	-0.3	-0.1	2.5	-2.9	0.2	2.2	0.4
2023 (a)		2.7	-1.7	5.9	-0.7	-0.8	0.7	3.4	8.1	1.0	0.0	8.1	-1.1	-7.8	-3.1
2021	III	1.5	-2.5	4.4	0.4	-0.8	1.0	2.5	2.3	-0.7	0.7	2.1	0.2	2.3	2.1
	IV	0.9	-3.8	4.0	1.4	-0.7	1.5	2.5	4.0	1.8	-1.8	5.1	-1.1	-1.1	0.4
2022	I	-1.2	-4.6	3.7	0.7	-1.0	0.4	-0.8	-0.7	-0.6	-7.8	7.7	0.1	0.8	1.0
	II	0.7	-4.4	6.1	0.2	-1.3	0.7	1.4	6.6	2.9	-3.2	7.0	-0.2	-1.1	4.0
	III	1.0	-5.7	7.5	0.4	-1.2	0.9	1.9	-6.4	0.6	-6.2	0.6	-1.4	7.0	-1.3
	IV	1.7	-3.1	5.1	0.6	-0.8	1.6	3.4	3.1	-0.6	1.6	2.6	-0.5	-1.8	-2.0
2023	I	2.9	-1.2	4.8	-0.2	-0.5	0.8	3.7	3.2	1.6	-3.8	7.1	-1.7	-3.7	-4.2
	II	2.4	-2.2	6.9	-1.3	-1.0	0.6	3.1	12.8	0.4	3.7	9.2	-0.4	-11.7	-1.9

(a) Period with available data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

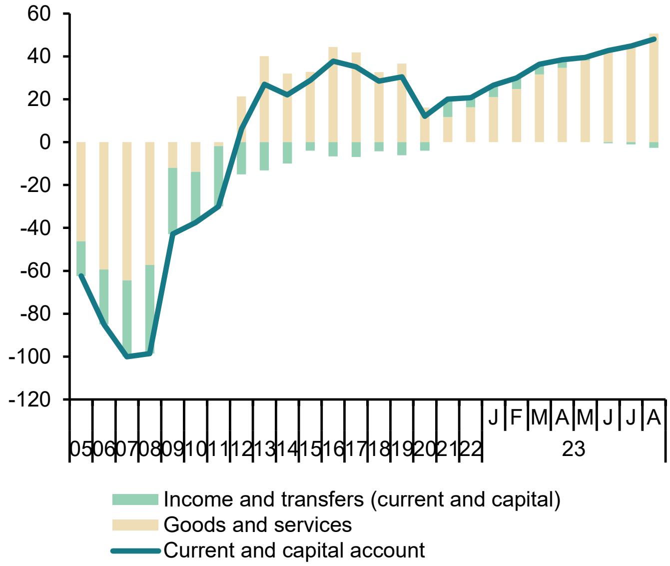


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

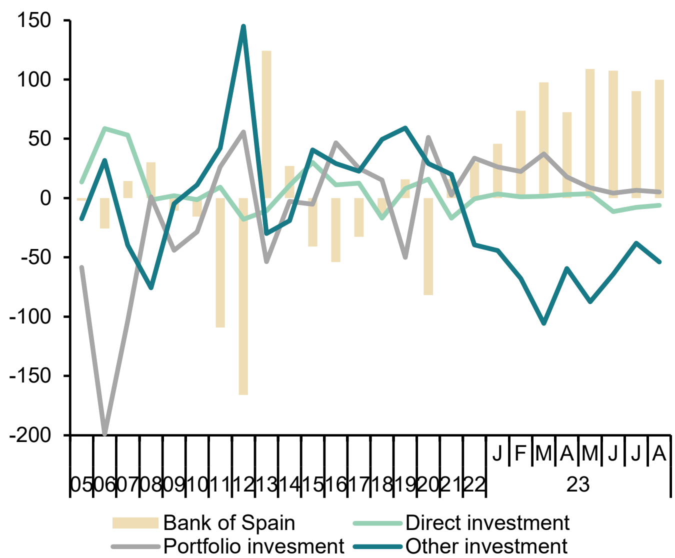


Table 16

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
2016		98.1	96.8	101.3	99.7	100.3	99.4	96.9	97.9	98.9	108.0
2017		97.7	96.5	101.3	101.7	101.8	99.9	101.2	100.7	100.5	109.7
2018		97.3	93.5	104.1	103.5	103.6	99.9	103.8	103.3	100.4	110.5
2019		95.8	91.8	104.3	104.3	104.8	99.5	103.4	103.7	99.8	109.0
2020		99.5	85.2	116.8	103.9	105.1	98.9	99.8	101.2	98.6	108.4
2021		101.3	89.5	113.3	107.0	107.8	99.3	114.6	111.0	106.2	108.9
2022		100.1	91.6	109.2	115.9	116.8	99.3	148.5	140.7	105.6	108.0
2023 (b)		--	--	--	119.7	123.0	97.3	144.3	138.5	104.2	106.8
2021	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
	IV	--	--	--	117.4	120.8	97.1	150.1	146.4	102.5	105.9
2023	I	--	--	--	117.9	121.3	97.2	146.4	142.9	102.5	106.7
	II	--	--	--	119.7	123.3	97.1	142.7	136.8	104.3	106.8
	III	--	--	--	121.0	124.1	97.5	143.8	135.9	105.8	107.0
2023	Aug	--	--	--	120.7	124.0	97.3	143.7	135.9	105.7	106.9
	Sep	--	--	--	121.4	124.4	97.5	145.3	136.7	106.3	107.2
	Oct	--	--	--	121.7	124.5	97.8	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2016		-1.3	-3.2	2.0	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.2
2017		-0.4	-0.3	0.0	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-0.4	-3.1	2.8	1.7	1.7	0.0	2.5	2.6	-0.1	0.8
2019		-1.5	-1.7	0.2	0.8	1.2	-0.4	-0.3	0.4	-0.6	-1.3
2020		3.9	-7.2	12.0	-0.3	0.3	-0.6	-3.6	-2.5	-0.8	-0.6
2021		1.8	5.0	-3.0	3.0	2.6	0.4	14.8	9.7	5.1	0.4
2022		-1.2	2.4	-3.6	8.3	8.4	-0.1	29.7	26.8	2.9	-0.8
2023 (c)		--	--	--	3.6	6.5	-2.9	-2.5	-0.1	-2.4	-0.6
2021	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	-0.5
	IV	--	--	--	6.5	10.0	-3.5	17.0	21.6	-4.6	-3.2
2023	I	--	--	--	5.0	8.0	-3.0	4.7	9.5	-4.8	-2.0
	II	--	--	--	2.8	6.2	-3.4	-4.7	-0.9	-3.8	-2.2
	III	--	--	--	2.8	5.1	-2.3	-6.9	-8.0	1.1	-0.7
2023	Aug	--	--	--	2.4	5.2	-2.8	-7.6	-8.7	1.1	-1.0
	Sep	--	--	--	3.3	4.3	-1.0	-6.6	-9.1	2.5	0.2
	Oct	--	--	--	3.5	2.9	0.6	--	--	--	--

(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

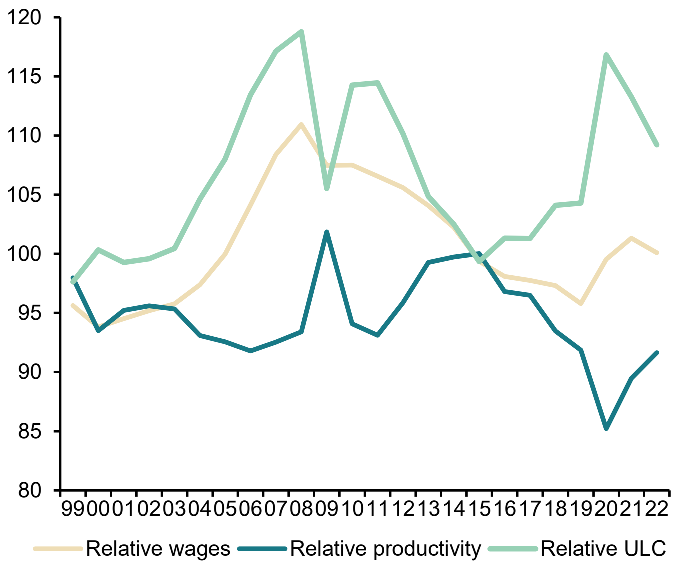


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

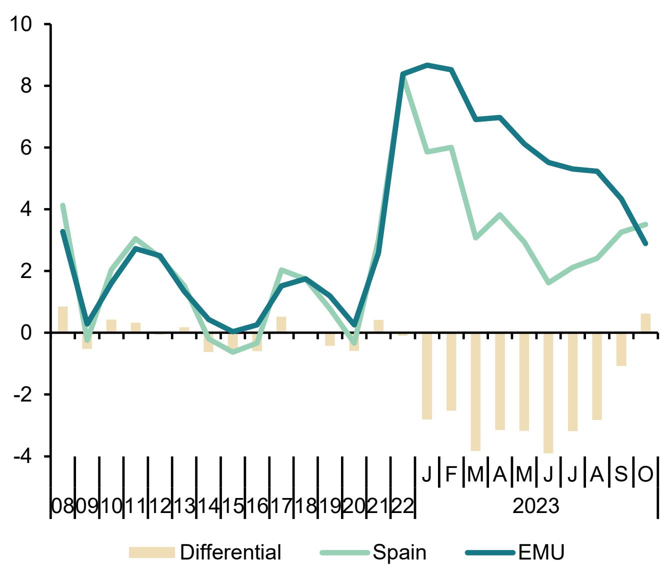


Table 17a

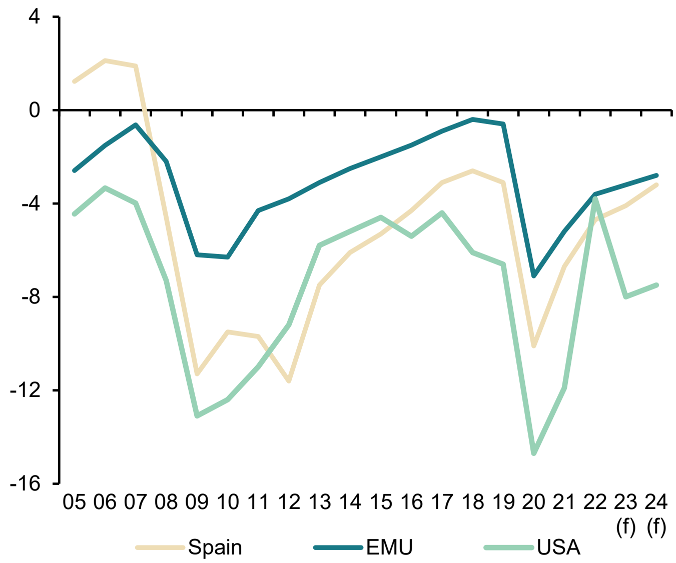
Imbalances: International comparison (I)
(In yellow: European Commission Forecasts)

	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								
2009	-120.6	-582.0	-1,896.6	569.5	7,471.6	12,311.3	-43.7	44.4	-383.1
2010	-102.2	-601.7	-1,863.1	649.2	8,221.0	14,025.2	-39.2	50.9	-439.8
2011	-103.6	-419.5	-1,709.1	743.0	8,684.3	15,222.9	-29.0	76.8	-460.3
2012	-119.1	-376.6	-1,493.3	927.8	9,181.1	16,432.7	0.9	211.0	-424.0
2013	-76.8	-307.8	-977.3	1,025.7	9,511.0	17,352.0	20.8	271.0	-351.2
2014	-63.1	-255.4	-910.4	1,084.8	9,755.4	18,141.4	17.5	315.2	-375.1
2015	-57.2	-210.7	-837.2	1,113.7	9,876.4	18,922.2	21.8	353.1	-423.1
2016	-47.9	-159.4	-1,010.1	1,145.1	10,052.0	19,976.8	35.4	384.9	-401.4
2017	-36.2	-104.2	-861.5	1,183.4	10,158.2	20,492.7	32.2	402.0	-378.0
2018	-31.2	-49.8	-1,251.1	1,208.9	10,259.6	21,974.1	22.6	409.0	-441.2
2019	-38.1	-77.1	-1,423.5	1,223.4	10,350.1	23,201.4	26.2	352.8	-448.4
2020	-113.2	-812.3	-3,129.6	1,345.8	11,417.4	27,747.8	6.9	266.1	-569.7
2021	-82.3	-650.7	-2,812.8	1,428.1	12,042.0	29,617.2	9.3	454.7	-847.8
2022	-63.7	-486.5	-985.3	1,502.8	12,482.5	31,419.7	8.2	129.9	-985.8
2023	-58.8	-458.9	-2,186.2	1,559.6	12,988.5	33,495.7	27.8	361.3	-796.6
2024	-48.1	-425.7	-2,129.5	1,623.4	13,444.9	35,566.7	26.0	394.9	-783.2
	Percentage of GDP								
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	85.8	93.2	-3.7	0.5	-2.9
2011	-9.7	-4.3	-11.0	69.9	88.2	97.6	-2.7	0.8	-3.0
2012	-11.6	-3.8	-9.2	90.0	92.9	101.1	0.1	2.1	-2.6
2013	-7.5	-3.1	-5.8	100.5	95.3	102.8	2.0	2.7	-2.1
2014	-6.1	-2.5	-5.2	105.1	95.5	103.0	1.7	3.1	-2.1
2015	-5.3	-2.0	-4.6	103.3	93.4	103.4	2.0	3.3	-2.3
2016	-4.3	-1.5	-5.4	102.7	92.5	106.2	3.2	3.5	-2.1
2017	-3.1	-0.9	-4.4	101.8	90.1	104.5	2.8	3.6	-1.9
2018	-2.6	-0.4	-6.1	100.4	88.0	106.4	1.9	3.5	-2.1
2019	-3.1	-0.6	-6.6	98.2	85.9	107.8	2.1	2.9	-2.1
2020	-10.1	-7.1	-14.7	120.3	99.1	130.1	0.6	2.3	-2.7
2021	-6.7	-5.2	-11.9	116.8	96.5	125.5	0.8	3.6	-3.6
2022	-4.7	-3.6	-3.8	111.6	92.5	122.0	0.6	1.0	-3.8
2023	-4.1	-3.2	-8.0	107.5	90.4	122.5	1.9	2.5	-2.9
2024	-3.2	-2.8	-7.5	106.5	89.7	125.0	1.7	2.6	-2.8

Source: European Commission Forecasts, Autumn 2023.

Chart 17a.1 - Government deficit

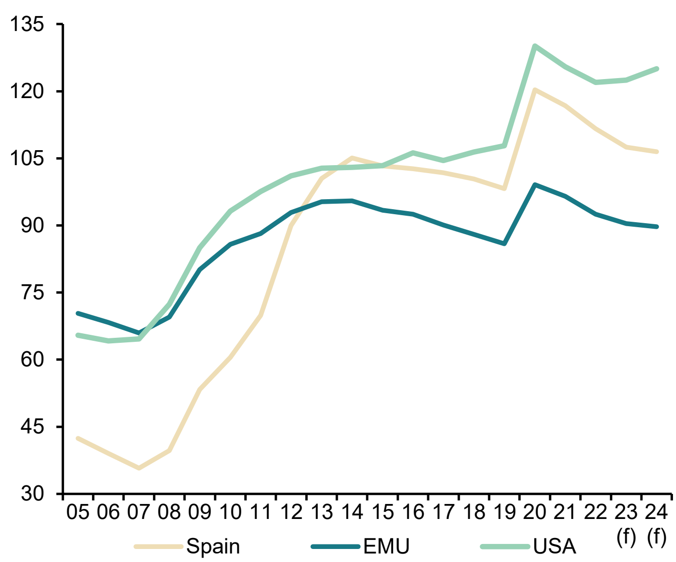
Percentage of GDP



(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						
2008	916.7	5,784.4	14,197.0	1,273.7	7,961.3	10,716.5
2009	908.9	5,890.7	14,033.8	1,274.7	8,034.0	10,198.6
2010	905.2	6,031.9	13,801.3	1,274.3	8,134.2	10,067.3
2011	877.9	6,112.3	13,689.2	1,230.1	8,360.5	10,304.8
2012	840.7	6,104.1	13,578.6	1,104.3	8,487.4	10,851.3
2013	793.4	6,064.0	13,802.6	1,024.9	8,394.5	11,365.1
2014	757.5	6,070.5	13,906.8	971.3	8,490.4	12,134.8
2015	733.1	6,134.1	14,129.6	945.6	8,907.0	12,947.4
2016	718.3	6,238.1	14,549.4	927.4	9,059.5	13,601.2
2017	710.8	6,400.5	15,103.1	907.0	9,115.5	14,564.8
2018	709.4	6,589.1	15,575.9	893.2	9,379.1	15,548.0
2019	707.6	6,821.9	16,156.8	898.5	9,654.6	16,210.6
2020	700.4	7,007.6	16,702.1	954.3	10,104.1	17,752.5
2021	704.2	7,306.6	18,325.3	978.9	10,559.8	18,800.1
2022	703.6	7,563.3	19,392.8	958.9	10,819.3	20,010.6
Percentage of GDP						
2008	82.6	59.8	96.1	114.8	82.3	72.6
2009	85.0	63.2	96.9	119.2	86.2	70.4
2010	84.4	63.0	91.7	118.8	84.9	66.9
2011	82.5	62.1	87.8	115.6	84.9	66.1
2012	81.5	61.8	83.5	107.1	85.9	66.8
2013	77.7	60.8	81.8	100.5	84.1	67.3
2014	73.4	59.4	79.0	94.1	83.2	68.9
2015	68.0	58.0	77.2	87.7	84.3	70.8
2016	64.5	57.4	77.4	83.2	83.4	72.3
2017	61.1	56.8	77.0	78.0	80.9	74.3
2018	58.9	56.5	75.4	74.2	80.5	75.3
2019	56.8	56.6	75.1	72.1	80.2	75.3
2020	62.6	60.8	78.3	85.2	87.8	83.3
2021	57.6	58.6	77.7	80.0	84.6	79.7
2022	52.3	56.1	75.3	71.2	80.2	77.7

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

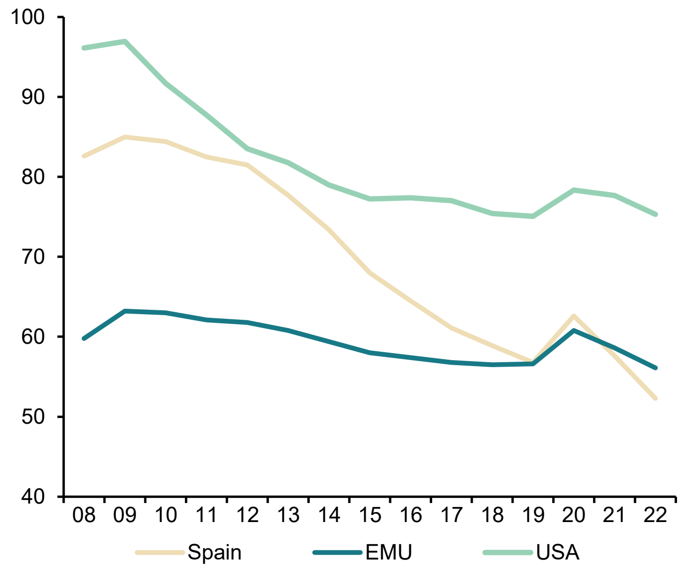
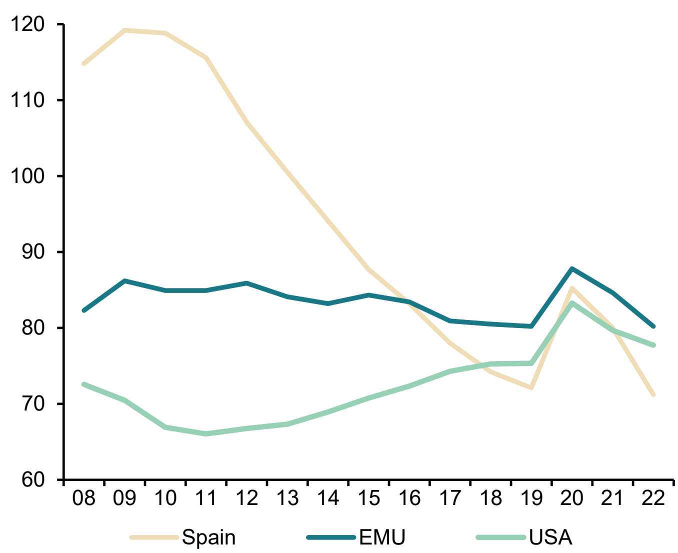


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: November 15th, 2023

Highlights		
Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.9	August 2023
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.1	August 2023
Doubtful loans (monthly % var.)	0.6	August 2023
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	497.979	October 2023
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	32.620	October 2023
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	770	October 2023
"Operating expenses/gross operating income" ratio (%)	40.72	June 2023
"Customer deposits/employees" ratio (thousand euros)	12,951.36	June 2023
"Customer deposits/branches" ratio (thousand euros)	117,053.21	June 2023
"Branches/institutions" ratio	93.17	June 2023

A. Money and Interest Rates

Indicator	Source	Average 2001-2020	2021	2022	2023 October	2023 November 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.5	6.9	4.1	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.3	-0.570	2.162	3.967	3.974	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.6	-0.505	0.992	4.165	4.027	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.2	0.5	3.2	4.0	3.7	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.6	-	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": In their latest meeting, the European Central Bank (ECB) decided to maintain interest rates at 4.5%, marking a pause in its restrictive monetary policy following ten consecutive increases since July 2022. Nevertheless, the ECB insisted that inflation is still expected to remain too high for too long. This underscores the need to monitor macroeconomic developments and make contingent decisions, paying attention to the current situation and how their monetary decisions are being anchored in the private sector's expectations. In the first half of November, the 12-month Euribor (a principal reference for mortgages) has moved to 4.027% from 4.165% in October, while the 3-month rate has changed from 3.967% in October to 3.974% in the first half of November. The yield on the 10-year government bond moved from 4% in October to 3.7% in the first half of November.

B. Financial Markets

Indicator	Source	Average 2001-2020	2021	2022	2023 August	2023 September	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	35.7	27.9	27.8	26.89	21.92	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	23.1	14.1	12.4	9.81	12.19	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.39	0.04	0.26	0.13	0.32	(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	0.52	0.44	0.06	0.21	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.35	-0.62	0.02	3.5	3.49	Outright transactions in the market (not exclusively between account holders)
11. Ten-year maturity treasury bonds interest rate	BE	3.28	0.39	2.17	3.6	3.6	Average rate in 10-year bond auctions
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.06	1.3	-1.3	-1.4	-1.1	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	2.5	0.5	1.8	-14.64	-6.5	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	986.4	861.3	824.2	943.81	954.96 (a)	Base 1985=100
15. IBEX-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,541.2	8,771.5	8,851.0	9,505.9	9,640.7 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	3,924.5	15,644.9	10,466.4	14,034.97	14,094.38 (a)	Nadaq composite index
17. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.4	21.1	16.1	29.7	28.1 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial Markets (continued)

Indicator	Source	Average 2001-2020	2021	2022	2023 August	2023 September	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	0.79	2.4	8.01	-2.8	-15.1	Change in the outstanding short-term debt of non-financial firms
19. Short-term private debt. Outstanding amounts	BE	1.0	0.9	-5.72	0.7	0.6	Change in the outstanding long-term debt of non-financial firms
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.3	2.10	-1.21	4.9	-0.5	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	14.8	21.1	35.8	-33.3	48	IBEX-35 shares concluded transactions

(a) Last data published: November 15th, 2023.

Comment on "Financial Markets": In the first half of November, Spanish stock indices have recovered from the falls recorded in October, albeit in a volatile environment. The IBEX-35 stands at 9,640.7 points. The General Index of the Madrid Stock Exchange is at 954.96 points. In September (the latest data available), there was a slight decrease in the ratio of simple spot transactions with Treasury bills (down to 21.92%) but an increase in the ratio of simple transactions with State bonds (up to 12.19%). Transactions with IBEX-35 stock futures decreased by 0.5% while financial options on the same index increased by 48% compared to the previous month.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2019	2020	2021	2023 Q1	2023 Q2	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-0.9	1.9	1.5	2.8	2.5	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.1	4.4	0.9	-0.1	1.4	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	275.7	319.9	278.1	268.7	264.0	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	58.4	53.0	50.4	49.9	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.9	2.7	2.8	1.1	3.1	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.0	0.8	0.4	-1.5	1.1	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": In the second quarter of 2023, financial savings in the overall economy decreased to 2.5% of GDP. In the household sector, the financial saving rate was 1.4% of GDP. It is also observed that the financial debt of households has decreased to 49.9% of GDP.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2020	2021	2022	2023 July	2023 August	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	0.2	-0.04	-0.9	-0.9	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	6.0	0.3	0.01	-1.0	-0.1	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	8.4	-0.7	1.2	-0.6	-0.5	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	7.5	0.1	-0.1	0.1	-0.05	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	0.5	2.5	5.4	6.5	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	-0.4	-1.5	-0.9	0.5	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	2.1	0.6	-2.4	-2.9	-2.8	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	6.4	-0.1	0.1	0.9	0.8	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": In August, the latest available data, there was a 0.9% decrease in credit to the private sector. Deposits fell by 0.1%. The weight of fixed-income securities in the balance sheet decreased by 0.5%, while stocks and shares did so by 0.05%. Additionally, there was a 0.5% increase in the volume of non-performing loans compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2020	2021	2022	2023 March	2023 June	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	172	110	110	110	110	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	84	80	78	78	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	226,645	164,101	164,101	158,317 (a)	158,317 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	36,236	19,015	17,648	17,569	17,517	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	451,256	2,206,332	1,638,831	1,205,251	497,979 (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	90,599	289,545	192,970	110,791	32,620 (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	23,572	16	5	5	770 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2022.

(b) Last data published: October 31st, 2023.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In October 2023, the net appeal to the Eurosystem by Spanish financial institutions was 32,620 million euros.

MEMO ITEM: Since January 2015, the European Central Bank has also been reporting the amount of various asset purchase programs. In October 2023, its value in Spain was 616,617 million euros, and 4.7 trillion euros in the Eurozone as a whole.

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q1	2023 Q2	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	47.24	54.18	46.99	42.16	40.72	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	4,604.61	12,137.18	12,610.21	12,993.97	12,951.36	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	31,099.47	111,819.77	117,256.85	117,090.73	117,053.21	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q1	2023 Q2	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	178.52	98.01	92.88	93.45	93.17	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.11	9.2	9.3	9.5	9.0	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	-0.07	0.6	1.3	0.1	0.7	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.5	0.7	0.8	1.0	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.25	6.9	9.8	11.3	12.23	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2023Q2. 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)
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	47,475,420	44.1	20.0			53.5	30.7	15.9		
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.

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 (%)
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	1.83	36.8	34.6	3.4
2022	19,113	2.48	15.4	11.7						
2023	19,351■	2.45●								
Sources	LFS	LFS, EPC	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 (%)
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	49.3	10.7	67.2
2022					11.7	67.0
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 refers to January-September.*

● *Number of households data from the LFS (January to September) and population data from the EPC (as of 1 January 2022).*

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 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)
2010	30.6	8.6	17.0	27.7	1,872,829	672,213	555,580	1,445,392	104,844	53,099	4.9
2012	28.5	7.5	17.8	26.6	1,912,324	692,098	617,686	1,450,036	113,805	46,476	4.5
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846	4.3
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,598	4.3
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1.303.252	190,143	47,579	4.3
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458	4.2
2018	20.5	6.4	29.2	42.4	1,750,579	667,287	675,971	1,290,455	217,840	50,807	4.2
2019	19.3	6.3	30.3	44.7	1,749,597	673,740	706,533	1,296,379	237,118	53,053	4.3
2020	17.7	6.1	31.3	44.8	1,622,098	687,084	772,417	1,336,009	247,251	55,184	4.9
2021	16.4	5.8	32.3	46.7	1,628,472	690,481	773,689	1,333,567	266,902	59,657	4.6●
2022	16.1	5.8	32.6	49.2	1,617,412●	687,511●	803,611●	1,353,347●	276,518●		
2023■	16.1	6.2	32.9	50.3							
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 refers to January-September.*

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
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	773,227	6,253,797	1,254	951,067	1,035	2,351,703	778	882,585	265,830	179,967	10,633
2023	794,501●	6,357,169■	1,374■	946,044■	1,119■	2,351,024■	851■	873,672●	271,138●	176,486●	9,678●
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-September.

■ Data refer to January-October.

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
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	6.7	7.6	115	81
2020	7.6	85,503	2.0	0.8	3.7	0.7			148	99
2021	7.3●	88,625●	2.1	0.8	3.9	0.7			121	75
2022							6.3		120	95
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

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