SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Spain's labour market: Recent evolution and key challenges

funcas

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Letter from the Editors

Global uncertainties, together with the continuation of armed conflicts in the Ukraine and Gaza, continue to weigh on international trade and force a complex transition of supply chain and energy models. Another factor complicating the global scenario has been the effect of monetary tightening. In both cases, the impact in the eurozone is more pronounced than in other advanced economies, particularly the US. Finally, the international environment is also suffering from China's adjustment following the bursting of the credit bubble, with spillover implications on domestic demand and international trade.

The differential impact of these shocks across blocs is reflected in the performance of economic indicators. The PMI business turnover index remains in contractionary territory within the eurozone, although a slight upturn is perceptible according to March data. Along these lines, in its March projections, the ECB cut its growth forecast for the eurozone to 0.6% (two tenths of a percentage point lower than in the December round). This context of weak demand has also led to a reduction in the inflation forecast to 2.3% (four tenths of a percentage point lower). By contrast, in the case of the US, the PMI indicator points to continued expansion in both the industry and services sectors. Finally, in China, the indicator is consistent with the persistence of a weak growth rate.

Within this context, the March issue of *Spanish and International Economic & Financial Outlook (SEFO),* starts off with an assessment of the international economic backdrop, subsequently providing a deep dive into the recent evolution and existing challenges facing Spain's labour markets.

The global economy has demonstrated significant resilience in recent quarters. However, the economic backdrop remains highly uncertain, marked by key risks related to geopolitical tensions, financial stability, and fiscal-monetary policy mismatches. The good news is that we have dodged recession fears that loomed in the wake of the sharp increase in energy prices during the summer of 2022 and that inflation has been responding well to central banks' monetary policy tightening. The bad news is that the outlook for the medium-term is not too optimistic. For example, the IMF is forecasting global growth of 3.1% for the end of the decade — half a point below the medium-term estimate expected before the pandemic and nearly two points below the growth expected before the Global Financial Crisis of 2008, foreshadowing stagnation in potential output at current levels. Hopefully, the normalisation of the business cycle following the recent years of turbulence, and the major structural changes that are already underway (AI, demographic trends, *etc.*), could open the door to outperformance of these lacklustre forecasts.

Within this global context, in the next section of this month's *SEFO,* we examine the key trends and outlook for Spain's labour market. The performance of Spain's labour market has improved, closing in on European standards, likely a result of recent reforms and demographic changes. Nonetheless, the labour market remains one of the chief weaknesses of Spain's productive model. In the last five decades, the unemployment rate has only been in the single digits for a brief period of time before the onset of the financial crisis, fuelled by an unsustainable credit bubble. Moreover, Spanish unemployment has been higher than the rates observed across its European peers virtually non-stop since harmonised data exist. One of the main causes of this long-standing blight is excessively procyclical employment creation and destruction: traditionally, recessionary episodes have led to disproportionate job losses, which are hard to recover during periods of growth. In 2019, the number of people in work in Spain was still below the level observed before the financial crisis. That said, the labour market demonstrated better performance in the wake of the pandemic relative to earlier recessions. Shortcomings in placing job-seekers have been an aggravating factor. In Spain, it is not easy to come off the dole queue, a phenomenon that affects less-skilled workers and women looking to rejoin the labour force after time off to have children in particular. Hence the high rate of long-term unemployment. Lastly, the transition from education to work is challenging, as is borne out by a high rate of youth unemployment by European standards. Given the importance of addressing these challenges to maintaining employment growth and closing the social divide, it will be critical to tackle this sizeable but urgent issue, particularly in light of the pace of technological transformation, accelerated by the deployment of artificial intelligence.

In the next article, relatedly, we look at how the growth in job postings gives us clues as to the evolution of Spanish labour demand. Spain's labour demand has demonstrated resilience in the face of the pandemic, as job postings have sustained growth in line with their long-term upward trajectory through February 2024, despite the more significant drop in hiring witnessed at the start of the pandemic compared to other countries. Spanish job postings were up 50% from February 2020 to February 2024. Analysis supports a positive correlation between job posting growth and wage growth: occupations for which job postings have risen more strongly have, on average, seen greater increases in advertised wages between 2019 and 2023. This suggests that at least a part of the recent acceleration in Spanish wage growth may be attributed to the surge in demand for new workers, with other factors, such as the bargaining power of workers and unions, particularly in the context of high inflation and minimum wage increases, likely also playing a significant role. Data from early 2024 indicate a decline in the total stock of job postings in Spain from their peak but the influx of new job postings has continued to rise, suggesting that many employers maintain optimism regarding the near-term economic outlook, as postings reflect hiring intentions. Moreover, job postings remain elevated, both in comparison to historical levels in Spain and current trends in other large European economies, where a gradual slowdown persists. These trends support a forecast for solid employment and GDP growth for Spain in 2024 relative to other advanced economies and serve as a key labour market indicator to monitor as the year unfolds.

As well, as regards Spanish employment trends, we examine the precarious situation of Spanish youth unemployment and how this links to housing affordability. In just over 15 years, Spanish youths have suffered the fallout from two economic crises that have hurt their current wellbeing as well as their expectations for the future. The fragility of the Spanish job market, characterised by a high incidence of temporary contracts and high structural unemployment, has taken a particularly heavy toll on the country's young people for whom job quality and employment rates have been significantly lower. This has led to an increased concentration of young people in major urban areas, migrating in search of work opportunities. However, in those cities young people are facing more expensive housing, undermining their savings, and making it hard to buy a home, ultimately reducing their wealth. This problem has important repercussions for society as a whole related to increased pressure on the social security system due to lower birth rates, in addition to increases in income inequality and decreased aggregate demand with knock-on effects on the real economy. To revert this situation, it is vital to pursue evidence-based public policies that foster the creation of quality work, job stability and housing affordability, especially in the large cities where demand for housing for young people is concentrated. Such policies will be crucial to ensure Spain's youth can fully realise their full potential and contribute to the country's economic growth and collective wellbeing.

Having touched upon the topic of housing affordability, the next article analyses further the issue of Spanish rental markets. Residential rents have increased sharply over the past decade. Average household expenditure on rent increased by 27.7% between 2015 and 2022, which is well above the growth in average household income (16.6% in households with one earner and 22% in households with two or more earners). The situation got worse after the pandemic. Until 2020, around three of every 10 households earmarked over 30% of their total spending on rent. In the wake of the pandemic, that percentage has increased to approximately four out of every 10 households. In fact, in 2022, aggregate spending on rent plus utilities (water, energy and common services) accounted for over 30% of spending for 60.5% of tenants. Regionally, there are significant differences in the financial burden implied by renting, with Ceuta and Melilla, the Basque region, the Balearics, Madrid, and Catalonia registering the highest burdens. La Rioja, Murcia and Extremadura are home to the lowest burdens. The rent controls introduced in 2022 kept growth in average spending on rent at 2.1% (compared to 11.2% in 2019). As far as we are aware, there are no evidence-backed estimates of how the latest regulatory changes may have affected supply. However, the real estate portals estimate a reduction of close to 30%.

The subsequent section of *SEFO* shifts the focus over to the financial sector. We first start with an analysis of the most recent figures on Spanish banks' profitability. The Spanish banks reported sharp earnings growth in 2023, with the six largest banks recording over €26 billion in profits on aggregate, growth of 27% from 2022. Several relative indicators suggest that the increase in earnings is due to the recovery of some of the profit lost since before the pandemic, although this claim warrants caution. As well, it is also important to note that profitability is a broader concept than their bottom lines: the banks, like any other private corporations, are valued by the market and their shareholders. Indeed, the six largest banks are trading at an average price to book value of 0.78x. An analysis of the banks' share price performance taking a long-term perspective shows that the banking sector has come back — gradually — from very low levels of profitability to revisit pre-pandemic levels. This has sparked the debate about whether the Spanish banking sector should be subject to additional taxation. This situation has prompted a deep dive into the issue in an attempt to understand the role these earnings play not only in the stability and growth of the financial institutions themselves but also in the creation of general economic wellbeing. In addition to reinforcing the banks' capital reserves, which are essential to their solvency and ability to tackle adversity, bank profits can finance growth, investments and, ultimately, stimulate the real economy.

We then build on this topic to explore the link between recent banking sector performance and valuations. After two years of tailwinds, the Spanish and European banks' earnings have capitalised on the favourable interest rate climate, which has catapulted their margins while asset quality has kept the cost of risk at very low levels. By comparison with their outstanding earnings performance, the banks' stock market performance has been more nuanced. On the one hand, the banks have outperformed the general stock indices for the last two years. Nevertheless, they have yet to close the gap between their market value and book value (the ratio known as price-to-book value, or P/B, remains at around 0.7x, implying a discount of 30%), despite the fact that their return on equity (ROE) is back above 10%, the threshold traditionally deemed necessary to close the valuation gap. Given the aforementioned correlation between the ROE and CoE implied by the P/B ratio, it can be deduced that the inability to close the gap can be attributed to one or both of the following factors: a) doubts about the banks' ability to sustain the current ROE levels; and/or, b) the cost of equity (CoE) required of the banks has increased above the conventionally assumed threshold of 10%. On the basis of the takeaway from the responses provided to the *Risk Assessment Questionnaire* carried out by the European Bank Authority (EBA) across a wide sample of European banks, the explanation appears to most likely lie primarily with the second factor. In any event, without questioning the banks' perception that their cost of equity has increased in the past year (attributable, to a degree, to an element of "stagnation" in long-term interest rates at high levels), the discount at which the European and Spanish banks are currently trading seems excessive considering that a good percentage of the banks surveyed see their ROEs as sustainable over the coming year.

Finally, we close this *SEFO* with perspectives on Spain's budgetary process. Delivery of the targeted deficit below 4% for 2023 is plausible, thanks to the healthy momentum in tax collection boosted by higher than expected growth in gross domestic product (GDP). At first glance, the anticipated outcome for 2023 appears favourable and in line with expectations, with last year's deficit around 1% of GDP lower than that of 2022. However, the result is less favourable if we take into consideration the scant adjustment in the structural deficit, which in 2023 will exceed headline deficit figures. Domestic political tensions first delayed the 2024 budget process, and ultimately resulted in the draft budget being pulled in order to begin preparing the 2025 budget. Despite a likely increase in tax revenues as a result of the upside in GDP growth once again, there is no guarantee that Spain will escape the EU's Excessive Deficit Procedure in 2024, which, under the new rules, will continue to be activated in the event of a deficit over 3% of GDP. For this reason, fiscal decisions altering the 2023 extended budget in the next months should be compatible with a significant reduction of the structural deficit to advance toward compliance with the EU's deficit and debt targets.

What´s Ahead (Next Month)

Month	Day	Indicator / Event
April	2	Non financial quarterly sector accounts (4th. quarter)
	2	Tourists arrivals (February)
	2	Social Security registrants and official unemployment (March)
	5	Industrial production index (February)
	10	Financial accounts Spanish economy (4th. quarter)
	11	ECB monetary policy meeting
	11	Eurogroup meeting
	12	CPI (March)
	17-18	Special European Council
	19	Foreign trade report (February)
	26	Labour Force Survey (1st. quarter)
	26	Retail trade (March)
	29	Preliminary CPI (April)
	29	Non-financial accounts, State (March)
	29	Non-financial accounts: Central Government, Regional Governments and Social Security (February)
	30	Preliminary GDP (1st. quarter)
	30	Balance of payments monthly (February)
May	2	Tourists arrivals (March)
	6	Social Security registrants and official unemployment (April)
	8	Industrial production index (March)
	13	Eurogroup meeting
	14	CPI (April)
	20	Foreign trade report (March)
	29	Retail sales (April)
	30	Preliminary CPI (May)
	31	Non-financial accounts, State (April)
	31	Non-financial accounts: Central Government, Regional Governments and Social Security (March)
	31	Balance of payments monthly (March)

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What Matters

Regulation and Economic Outlook

Key Facts

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Global economy: Resilience in the midst of the storm

Although the global economy has demonstrated significant resilience in recent quarters, key risks related to geopolitical tensions, financial stability and policy mismatches remain, clouding the economic outlook for the medium-term. In the transition to the new normal, the hope is that the global economy will outperform currently lackluster previsions.

José Ramón Díez Guijarro

Abstract: The global economy has demonstrated significant resilience in recent quarters. However, the economic backdrop remains highly uncertain, marked by key risks related to geopolitical tensions, financial stability and fiscal-monetary policy mismatches. The good news is that we have dodged recession fears that loomed in the wake of the sharp increase in energy prices during the summer of 2022 and that inflation has been responding well to central banks' monetary policy tightening. The bad news is that the outlook for the medium-term is not too optimistic. For example, the IMF is forecasting global growth of 3.1% for the end of the decade – half a point below the medium-term estimate expected before the pandemic and nearly two points below the growth expected before the Global Financial Crisis of 2008, foreshadowing stagnation in potential output at current levels. Hopefully, the normalisation of the business cycle following the recent years of turbulence, and the major structural changes that are already underway (AI, demographic trends, *etc.*), could open the door to outperformance of these lacklustre forecasts.

Introduction

Four years on from the onset of the pandemic, the global economy is still trying to fix the mismatches between supply and demand that have accumulated in the interim, whose most

> "During the last three years, economic agents have had to adapt to an environment marked by considerable instability in which changes of a more structural nature are beginning to materialise."

remarkable outcome has been the intense and surprising bout of inflation unleashed in the first half of 2021. This has introduced obstacles into the path of economic agents' and investors' decisions for the last three years and obliged the central banks to respond decisively. The good news is how resilient the business cycle is proving in the midst of such a complex economic and geopolitical environment and how well inflation has reacted to the increase in interest rates. Now that the imbalances between supply and demand have dissipated, the economy is entering a phase of transition to a new normal, in which key variables such as potential output and neutral interest rates will be affected by the impact of economic policy with multiple objectives (autonomy, energy transition, *etc.*), and the macro underlying trends that will shape global economy going forward (demographic changes, artificial intelligence, *etc.*).

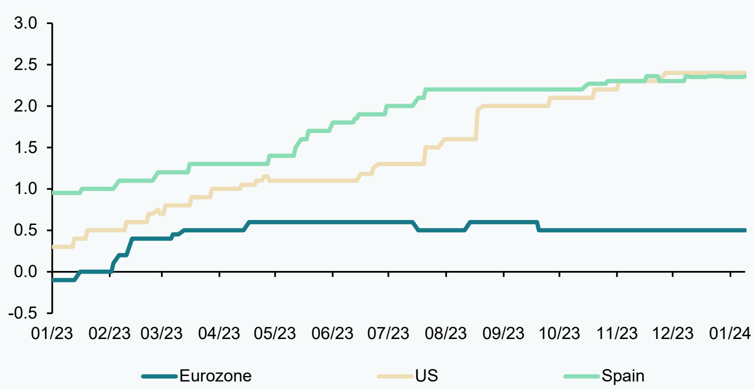
Resilience in the face of complexity

In 2023, global output of goods and services in current dollars (aggregated at market exchange rates) amounted to 105 trillion dollars, [1] nearly 17 trillion dollars more than in 2019 (+19%). In constant prices, the cumulative increase is much narrower (+8.7%), reflecting the significant increase in inflation since 2021. That is nevertheless a remarkable performance considering the series of shocks that have unfolded since the beginning of this decade: the biggest health crisis in the last century; global supply chain friction on account of transport and logistics bottlenecks; dramatic intensification of geopolitical risk with two live conflicts of high strategic importance (Ukraine and Middle East); and heightened trade uncertainty associated with the search for strategic autonomy by the super powers, raising the risk of a return to division around trading blocs in extreme scenarios. As a result, still fresh from

Exhibit 1

Trend in growth forecasts for 2023

Percentage



Source: Bloomberg.

> "The likelihood of a soft landing in 2024 has become increasingly plausible, as evidenced by indicators, such as the global composite PMI reading, which in February reached a level compatible with global growth of close to 3%."

the scars left by the Global Financial Crisis, during the last three years, economic agents have had to adapt to an environment marked by considerable instability in which changes of a more structural nature are beginning to materialise.

Despite that backdrop, in 2023 the global economy delivered a much better combination of growth and inflation readings (3.1% and 6.8%, respectively) than was expected at the start of the year, when forecasters were still unsure about the energy situation created by the closure of the main gas pipelines between Russia and Northern Europe in the summer of 2022, driving natural gas prices (TTF) to close to 350 euros/MWh.

The improvement in forecasts throughout the year was particularly noteworthy in the US [2] and Spain, where growth averaged 2.5% in 2023, compared to consensus forecasts a year ago of under 1%, foreshadowing stagnation and even recession during the winter months, an interpretation likewise gleaned from other indicators such as the negative slope of the rate curve. As a result, the likelihood of a soft landing in 2024 has become increasingly plausible. That is borne out by the sentiment indicators, such as the global composite PMI reading, which in February notched up its fourth consecutive monthly increase to 52.1 points (the highest level since June 2023), a level compatible with global growth of close to 3%.

Therefore, in an environment marked by an accumulation of negative shocks (polycrisis/permacrisis) and intense and coordinated monetary tightening for the last two years, [3] the good news is the resilience of the global business cycle, resilience defined as "the capacity to withstand or to recover quickly from difficulties" (the first definition in Oxford Languages). Indeed, the chairman of the Federal Reserve recently acknowledged that from an historical perspective, the interest rate increases of the past two years are having an unusual effect on growth and, especially, employment, particularly considering the fact that the transmission of monetary tightening to the real economy through the credit channel is already very advanced, as the central banks have admitted recently.

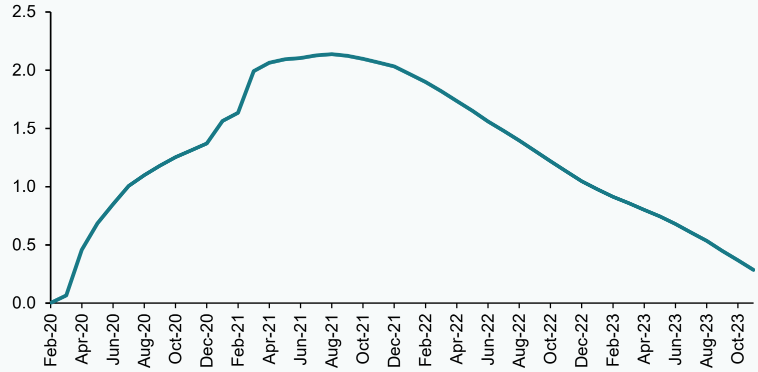
The factors behind this gradual improvement in the economic situation include the let-up in energy prices, labour market resilience and growth in disposable income in real terms thanks to pay increases and the reduction in inflation. It is also worth noting the flexibility and ability to adapt to the uncertainty displayed by the economic agents and the forcefulness with which economic policy

> "The interest rate increases of the past two years are having an unusual effect on growth and, especially, employment, particularly considering the fact that the transmission of monetary tightening to the real economy through the credit channel is already very advanced."

Exhibit 2

Trend in excess savings in the US

Trillions of dollars



Source: San Francisco Federal Reserve.

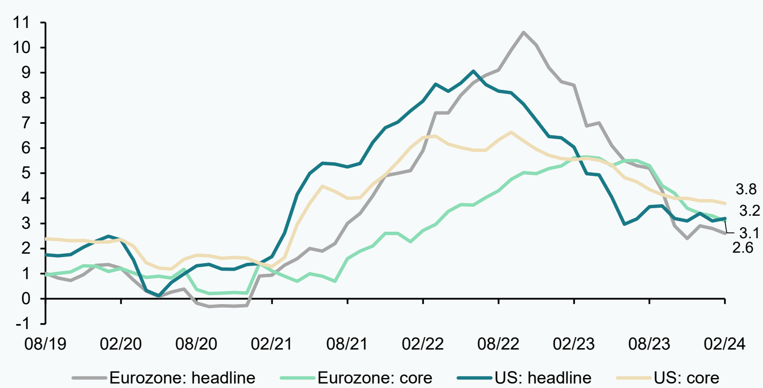
has responded to the succession of obstacles cropping up in the business cycle since 2020. In the US alone, the extraordinary savings set aside by households thanks to government aid during the months of the pandemic topped 2 trillion dollars (8% of US GDP) at one point. That buffer is not yet fully depleted, proving extraordinary support for private spending.

In addition to the above-mentioned cyclical resilience and ability to adapt, other noteworthy economic developments in recent quarters include: (i) regional divergences, split between solid economic performance in the US and many of the emerging markets and weakness in China and, in particular, the eurozone (with the exception of the odd

Exhibit 3

Trend in inflation (EMU and US)

Percentage



Note: Core inflation excludes the energy price index and all food.
Sources: Eurostat and BLS.

> "The measures rolled out by the central banks to counteract the run-up in prices have proven highly effective and have had only a moderate cost in terms of growth, suggesting that a lot of the inflation was probably caused by supply side distortions."

peripheral economy like Spain); (ii) sector differences marked by weak manufacturing outside of the technology sector, in contrast to strong momentum in services; (iii) the robustness of the labour market, which has hardly been dented by monetary tightening, [4] (iv) strong public and private spending, whereas investment has yet to take off, despite the support of expansionary fiscal programmes (IRA, NGEU, *etc.*) and the rebound in defence spending; [5] (v) the first signs of a deviation in trade flows to countries such as Mexico and Vietnam, which could emerge as platforms that prevent the barriers implied by the search for strategic autonomy; and, (vi) mediocre productivity gains (with the exception of the odd very recent signal in the US), shaped by short-term labour hoarding in light of the difficulties in finding labour in many segments of the economy.

However, the real protagonist in recent years has been the intense spate of inflation, brought about by an overlap between flourishing demand and major supply disruptions. The first signs of inflationary issues were detected in the second quarter of 2021, from where inflation climbed successively to peak in the summer of 2022 (10.6% in the EMU and 9.1% in the US), forcing the central banks to act decisively. Since then, the dissipation of the direct energy shock and gradual fading of its indirect effects, coupled with resolution of the bottlenecks affecting international trade, have paved the way for a turnaround. Disinflation has made strong inroads last year or so, with headline inflation in the US and Europe easing from annual rates of 6.5% and 9.2% at the end of 2022, respectively, to 3.2% and 2.6% by February. The measures rolled out by the central banks to counteract the run-up in prices have therefore proven highly effective and have had a only moderate cost in terms of growth, suggesting that a lot of the inflation was probably caused by supply side distortions.

From now on, additional improvements in core price trends will be determined by the performance in the services headings that tend to be more stubborn (close to 4% in the EMU since September 2023) and depend on factors that are still subject to significant uncertainty, such as the trend in wages (second-round effects) and housing costs in the US. This is where the monetary authorities need a little more certainty (and confidence) before declaring the war on inflation over, despite the fact that business margins appear to be displaying an ability to absorb the pay increases.

Soft landing in 2024? Three key factors and three risks

As the economic indicators rolled in throughout the second half of 2023, therefore, the consensus forecasts shifted decisively towards a soft landing scenario for the world economy in 2024, marked by average growth in line with that of last year (3%) and ongoing regional disparity (OECD: 1.4%; emerging economies: 3.8%). However, the first half is expected to remain pretty weak, with growth accelerating from the summer. This baseline scenario would allow for consolidation of the recovery of macroeconomic stability by closing the gap between global supply and demand at a manageable cost in terms of growth and employment. There are solid foundations for resuming potential output rates from 2025. Confirmation of the scenario being discounted by the markets and analysts at present depends on a few key developments:

- *The trend in energy prices*. The main factor behind the favourable combination of growth and inflation numbers in 2023 was

> "Energy prices are proving fairly stable in a range that meets the producer nations' expectations (needs), allows ongoing disinflation, and avoids volatility in the current account balances of the net energy importing nations."

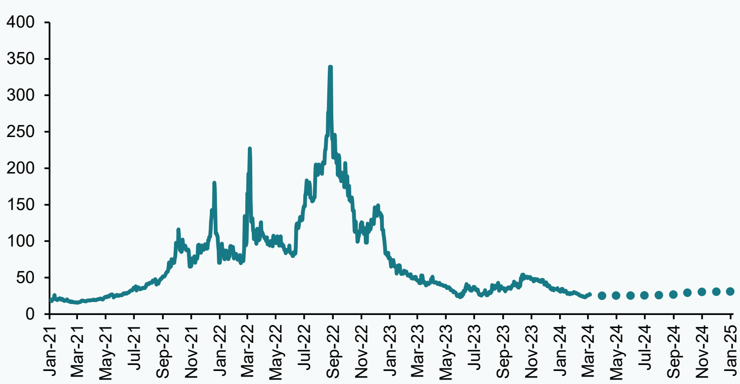
the surprising reduction in oil (-10%) and natural gas prices (-55%), despite high levels of geopolitical risk. So far in 2024, the energy markets remain stable, and the feeling is that barring disruption due to an increase in geopolitical risk in the Middle East, supply will be capable of responding to the potential fluctuations in demand, so that prices should remain close to current levels (85 dollars per barrel of Brent and 26 euros/MWh). In sum, energy prices are proving fairly stable in a range that meets the producer nations' expectations (needs), allows ongoing disinflation, and avoids volatility in the current account balances of the net energy importing nations. This positive outlook for such a basic assumption for forecasting scenarios is also borne out by the prices being discounted in the futures markets which, if anything, point to a degree of price correction in the coming months.

- *The last mile of the disinflation process.* Although inflation has improved significantly over the past year, as shown by most of the underlying indicators, it still needs to come down from 3% to 2% to reach its target. This last mile constitutes unknown territory, a journey threatened by the distortions created by the price dynamics of recent years and the unexpected impacts of each new twist in the geopolitical scenario. There is uncertainty around how long it will take to reach the targeted 2%, how volatile prices will be on that journey (it will not be a straight line) and even how stable inflation will prove once it reaches 2%.

However, despite the noise still present in price trends, the inflation momentum indicators, [6] which attempt to examine unfolding inflation dynamics, provide grounds for hope. As of February 2024,

Exhibit 4 **Trend in natural gas prices**

€/MWh



Source: Bloomberg.

> “Despite some uncertainty around the last mile of the disinflation process, it appears that we are well along the path towards normalisation and most projections have inflation reaching the 2% target in the next 12 months.”

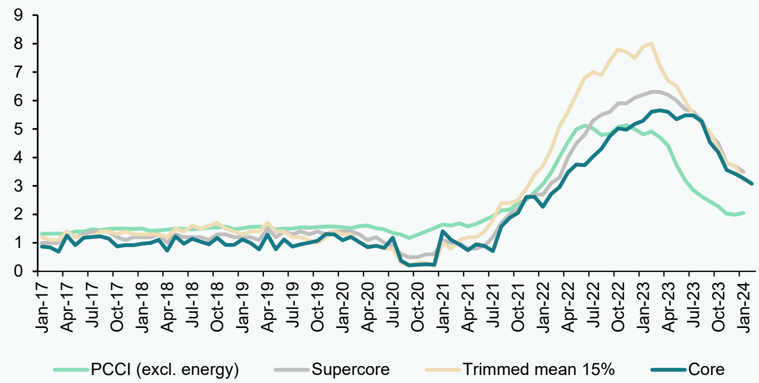
the momentum indicators for the eurozone pointed to CPI of 1.4% (US: 2.9%), core inflation of 2.4% (US: 3.8%) and services inflation of 3.4% (US: 5.7%). Applying the momentum formula to the various items of the shopping basket, we observe that the percentage of items for which inflation is running below 2.5% in Europe (57% of the total at present) has increased significantly since the end of 2022 (20%), closing in on the percentage observed before the pandemic (85%). [7] It looks, therefore, that we are well along the path towards normalisation and most projections (including those of the central banks) have inflation reaching the 2% target in the next 12 months.

- *Implementation of the shift in monetary policy*. Since mid-November, having certified the progress made in the disinflationary process, the outlook for monetary policy has changed, from a “higher for longer” scenario to a shift in monetary tack. Following a small adjustment in the first couple of months of this year, the market is currently anticipating rate cuts of 75-100 bps on both sides of the Atlantic (three to four rate cuts) beginning around June. The new monetary expectations have implied record revaluation (nearly 15%) for a standard financial asset portfolio (60/40) over the last four months. In addition to the wealth effect created by this rally in

Exhibit 5

Core inflation (EMU)

Annual percentage changes



Note: Core inflation excludes energy and food; the trimmed mean 15% indicator excludes the 15% most volatile components; the supercore indicator only includes the components of core inflation that are deemed sensitive to slack, as measured by the output gap; the PCCI, which stands for the persistent and common component, is the average of low-frequency common components for the eurozone countries.

Source: European Central Bank.

> The geopolitical situation in Europe is a key risk, considering the obstacles a Trump administration could pose in terms of continued finance for Ukraine, but above all due to the likely impact on Europe's defence strategy, not to mention the escalation of trade tensions.

financial asset prices, the economic agents will start to benefit from the consequences of monetary easing from the second half and, more noticeably, in 2025. The markets are discounting a reduction in the 12-month Euribor from April of this year relative to the rate observed in April of last year (3.46% *vs.* 3.76%), implying a considerable tailwind for the second half of 2024.

Although these three key factors bode well for a soft landing, it is important to note that the improvement in the economic climate is framed by significant fragility, increasing scenario sensitivity to new shocks that could emerge. Above all, because the layers of risk remain challenging. For example:

- *Geopolitical risk*. In addition to the ongoing armed conflicts and the not insignificant risk that they could escalate (affecting growth through energy prices and expectations), in 2024, more than half of the world's population will vote in new governments (India, European elections, Mexico, *etc.*) and we know that such a demanding electoral schedule can be a source of financial volatility, fiscal instability and economic fragility. More than anything because 2024 ends with presidential elections in the US and a victory for Donald Trump could open a Pandora's box of risks. The geopolitical situation in Europe for a start, considering the obstacles a Trump administration could pose in terms of continued finance for Ukraine (the Republican Party is currently holding up funding), but above all due to the likely impact on Europe's defence strategy, triggering significant growth in spending towards 2% of GDP. Not to mention the trade distortions caused by the 10% tariff Trump has already promised in the event of victory at the urns.

- *Fiscal risk*. In general, there is a good chance that fiscal policy will remain on the expansionary path of recent years (in contrast to the contractionary bias of monetary policy), even though, after the huge efforts made to cushion the effects of the various shocks materialising since 2020, the state of the different countries' public finances warrants a move to consolidation in the medium-term. According to the IMF's Fiscal Monitor, the advanced economies' public debt increased from 104.1% of their GDP in 2019 to 112.1% in 2022, with forecasts pointing to a level of 116.3% in 2028. And whereas the Stability Pact in Europe should mark the start of a change of direction, in the US it looks unlikely that either of the presidential candidates will present an election package that implies a return to budget stability in the medium-term, especially if the tax cuts coming close to expiry are renewed. Considering that fact that, according to the CBO, the US fiscal deficit is unlikely to dip below 6.5% of GDP this decade (with debt service costs at over 3% of GDP), the risks for inflation and exchange rate stability are very high. Ultimately, a fiscal policy out of sync with monetary policy is the quickest path to higher interest rates and financial market volatility.

> Ultimately, a fiscal policy out of sync with monetary policy is the quickest path to higher interest rates and financial market volatility.

> "Although the number of banks with issues in the US has increased by 18% in the last year, troubled banks' total assets amount to 66 billion dollars, just 0.2% of the total, indicating they are very small in size and of scant systemic importance."

- *Financial stability.* Following the failure of Silicon Valley Bank last March, a crisis quickly snuffed out by the US monetary and financial authorities, there have been no new sources of financial stress, so that the process of monetary tightening around the world has had a minimum cost in terms of financial stability. However, with monetary policy set to remain clearly contractionary for the next two years, even assuming the interest rate cuts anticipated by the markets, the question remains: Where could the next sources of instability lie? Aside from the leverage taken on by the hedge funds or the liquidity situation at certain life insurance companies in the US, commercial real estate (CRE) is the main source of concern. The recent share price correction at New York Community Bancorp (NYCB), a bank specialised in office and multifamily lending, has shone the spotlight on the issues that could emerge in a market segment affected by office vacancy rates of close to 20%, triggering price corrections in the order of 40%. The problem is concentrated at the regional banks which hold two-thirds of the exposure to CRE, which amounts to 3.5 trillion dollars, even though, according to the IMF, one-third of the American banks (small and medium-sized), representing 16% of the American banking system's total assets, are significantly exposed to CRE. The FDIC's estimates are a little more comforting, as it notes that although the number of banks with issues in the US has increased by 18% in the last year, the troubled banks' total assets amount to 66 billion dollars, just 0.2% of the total, indicating they are very small in size and of scant systemic importance.

In short, the term that best defines the global economy in recent quarters is resilient. However, the economic backdrop remains highly uncertain, marked by geopolitical, financial stability and fiscal-monetary policy mismatch risks. The good news is that we have dodged the spectre of recession that loomed in the wake of the sharp increase in energy prices during the summer of 2022. The bad news is that the outlook for the medium-term is not too promising. For example, the IMF is forecasting global growth of 3.1% for the end of the decade, foreshadowing stagnation in potential output at current levels. To put that forecast into context, that is half a point below the medium-term estimate anticipated before the pandemic and nearly two points below the growth anticipated before the Global Financial Crisis of 2008. Let's hope that normalisation of the business cycle following the recent years of turbulence, coupled with the major structural changes that are already upon us (AI), could lead to outperformance of these mediocre forecasts.

Notes

[1] *World Economic Outlook* (October 2023) – IMF.

[2] In February, the consensus forecast for average growth in the US in 2024 increased from 1.4% to 2.1%.

[3] Average global interest rates have increased by over 400 basis point to land above 5%.

[4] Unemployment rates are at lows in the US (3.9%) and the eurozone (6.4%).

[5] In 2023, gross fixed capital formation increased by just 0.5% in the US and by 0.9% in the eurozone.

[6] Annualised quarterly rate of CPI adjusted for seasonality.

[7] The distance is smaller with respect to the average observed in 2000-2007 (65%), before the distortions caused by the Global Financial Crisis.

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Labour market challenges in Spain

The performance of Spain's labour market has improved, approaching European standards, supported by a mix of reforms and demographic changes. Jobs are now much more resilient to recessionary pressures; yet, two key weaknesses remain, namely the relatively low chances for re-employment for jobseekers, making unemployment relatively persistent, and difficult school-to-work transitions which contribute to nurturing high youth under-employment.

Raymond Torres and María Jesús Fernández

Abstract: The labour market has been typically one of the chief weaknesses of Spain's productive model. In the last five decades, the unemployment rate has only been in the single digits for a brief period of time before the onset of the financial crisis, fuelled by an unsustainable credit bubble. Moreover, Spanish unemployment has been higher than the rates observed across its European peers virtually non-stop since harmonised data exist. One of the main causes of this long-standing blight is excessively procyclical employment creation and destruction: traditionally, recessionary episodes have led to disproportionate job losses, which are hard to recover during periods of growth. Recently, however, the performance of Spain's labour market has improved, closing in on European standards, likely a result of a mix of reforms and demographic changes. In particular, employment has become much more resilient to recessionary pressures. Yet, two key weaknesses remain. First, shortcomings in placing jobseekers make unemployment relatively persistent. In Spain, it is not easy to come off the dole queue, a phenomenon that affects less-skilled workers and women looking to rejoin the labour

force after maternity leave. Hence the high rate of long-term unemployment. Second, the transition from education to work is difficult, as witnessed by a high rate of youth unemployment by European standards. Also, many young people who do work are over-qualified for the jobs they perform. Given the importance of addressing these challenges to maintaining employment growth and closing the social divide, it will be critical to tackle this sizeable but urgent issue, particularly in light of the pace of technological transformation, accelerated by the deployment of artificial intelligence.

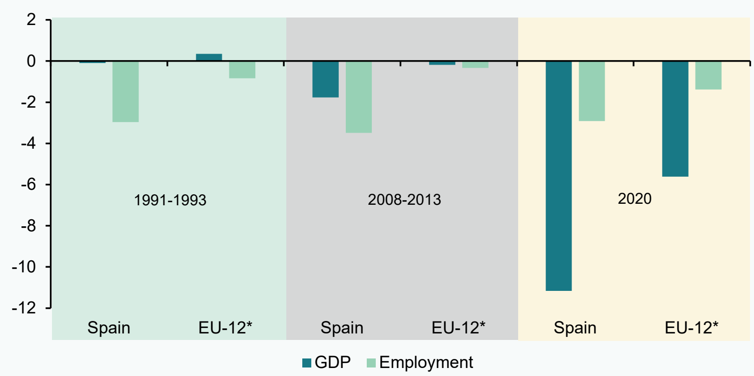
Employment has become much less pro-cyclical

The good news is that the labour market clearly responded better to the crisis induced by the pandemic than to earlier recessions. This time, employment decreased by less than economic activity (Exhibit 1) and recovered within less than two years. During the financial crisis, employment contracted by much more than GDP. Even during the short recession at the start of the 1990s (GDP slowed suddenly, growing a mere 0.9% in 1992 before contracting by 1% in 1993), employment plummeted (-5.8%).

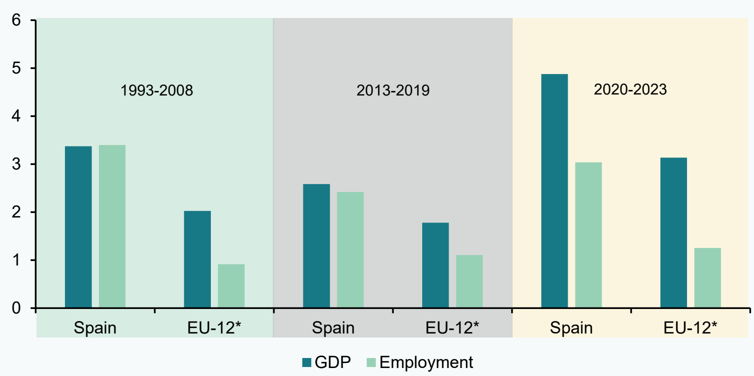
Exhibit 1 **Trend in GDP and employment**

Average annual growth rates

A. Episodes of recession



B. Periods of growth

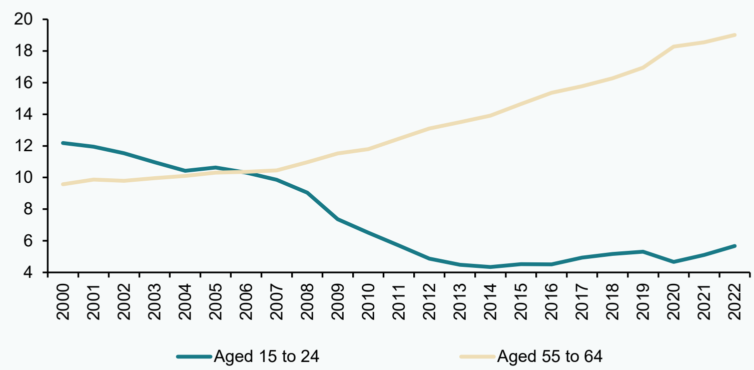


(*) EU-12 does not include Spain.

Sources: Authors' own elaboration based on AMECO and Eurostat data.

Exhibit 2 **Number of younger and older people**

As percentage of all working-age people



Source: Authors' own elaboration based on Eurostat data.

Unlike in the past, the cyclical behaviour of employment is similar to that observed in the rest of Europe. In 2020 more jobs were destroyed in Spain than in the EU on average but Spanish GDP also contracted by proportionately more, yielding a similar reduction in employment for every point of GDP lost. Likewise, during the ensuing expansionary period, the recovery pattern has been in line with the European average: the correlation between job creation and GDP growth is even slightly above that average.

One explanation is the furlough scheme, cushioning the impact of the pandemic while also facilitating the subsequent recovery. There are demographic trends at play too, possibly encouraging companies to hold on to employees in the face of a rising deficit of young people entering the job market relative to the cohorts nearing retirement age (Exhibit 2).

Elsewhere, the labour reforms of 2021, which restricted the use of temporary hiring to certain situations covered by law, have clearly reduced the incidence of temporary work, possibly also helping to mitigate the procyclical nature of the labour market. Using the *Labour Force Survey (LFS)* figures, the percentage of job holders in temporary work as a percentage of total wage-earners decreased from around 26.5% between 2016 and 2019 to 17.1% in 2023. Using the Social Security figures instead, that percentage decreases from close to 30% to 13.5%.

Between 2019 and 2023, the number of workers on temporary contracts (according to Social Security registers) decreased by 2.1 million, or nearly 50%, while the number of workers on permanent contracts increased by 3.3 million. Of the latter, 556,000 are so-called fixed-discontinuous contracts [1] (note that at any given point in time this figure

“Between 2019 and 2023, the number of workers on temporary contracts decreased by 2.1 million, or nearly 50%, while the number of workers on permanent contracts increased by 3.3 million.”

only tracks the contributors registered as fixed-discontinuous employees that are active at that moment), indicating that there has indeed been a significant shift from temporary to permanent arrangements even though a good amount of the latter continue to perform work that is temporary or seasonal in nature.

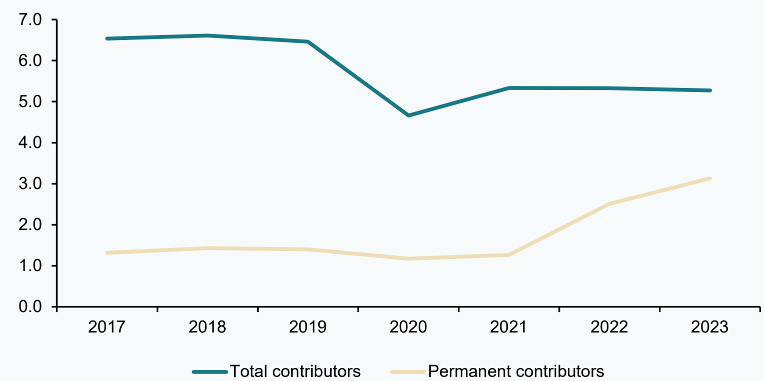
Elsewhere, the conversion of temporary employment to ordinary permanent employment does not necessarily mean that all those affected enjoy greater job stability. A recent study shows that a reduction in temporary contracts does not necessarily imply an equivalent reduction in effective or empirical temporary work (Fedea, 2023). In other words, the percentage of employees experiencing short spells of employment and frequent transitions from one job to another has decreased, suggesting that a good number of short-duration hiring that previously took the form of temporary contracts is currently taking the form of permanent contracts that are terminated after just a few days or months.

Nevertheless, the figures tracking monthly contracts signed and contributor de-registrations point to a net reduction in employee turnover despite the increase in turnover within the group of people on permanent contracts. Specifically, the number of permanent contracts signed per year for every 100 permanent contributors increased from 23 in 2019 to 52 in 2023, while the number of contributors de-registering per month increased from 1.4 for every 1,000 permanent contributors, to 3.1. Half of the latter increase originates from de-registrations due to a transfer to inactivity by people on fixed-discontinuous contracts, which is logical in light of the fact that the latter have doubled their weight in total permanent wage-earners. However, even excluding this cohort, the number of de-registrations among the remaining permanent wage-earners has increased by proportionately more than the increase in the number of permanent contributors.

It is interesting to note that the main reason for de-registering after passage to inactivity by fixed-discontinuous employees is voluntary de-registration, a pattern that was already emerging before the reforms but is increasing its share of all de-registrations at present. The other reason given for de-registration that is experiencing disproportionate growth is failure to complete the trial period. All of this suggests that, effectively, there has been somewhat of a shift in transitory hiring from temporary to permanent contracts.

Exhibit 3

Social Security de-registrations per month for every 1,000 contributors



Source: Authors' own elaboration based on Ministry data.

> From a macroeconomic standpoint, the flexibility introduced by the furlough scheme, coupled with reduced temporary hiring, points to a less procyclical labour market than in the past; however, some significant factors of weak labour market performance persist.

However, the total number of contracts (temporary + permanent) signed by every 100 contributors has decreased considerably, from 152 in 2019 to 95 in 2023, while total contributor de-registrations per month for every 1,000 wage-earning contributors has decreased from 6.5 to 5.3. It appears, therefore, that the sharp shift in employment from temporary contracts, where the bulk of employment turnover was concentrated, to permanent contracts, where turnover is much lower, has unlocked somewhat of a decrease in turnover in net terms, despite the increase in turnover in people on permanent contracts (Exhibit 3).

Lastly, questions have been raised around the scale of job creation in light of the rise in importance of fixed-discontinuous contracts with their successive waves of registration and de-registration. However, both the *LFS* figures (which are scantly affected by the changes in employment contract format) and Social Security receipts reveal vigorous growth in the last two years, suggesting that employment growth is a reality. [2]

Certainly, a full cycle will have to elapse before we can determine more precisely the true change in employment trends. From a macroeconomic standpoint, however, the flexibility introduced by the furlough scheme, coupled with reduced temporary hiring, points to a less procyclical labour market than in the past. Even so, some significant factors of weak labour market performance persist.

Long-term unemployment

A host of international studies evidence the importance of early action to reducing the risk of long-term unemployment (OECD, 2018). Motivation and human capital tend to deteriorate considerably when the job search process extends much beyond one year, reducing re-employment chances and making unemployment persistent.

The number of job-seekers who have been actively searching for work for more than one year represent 4% of the labour force, twice the European average. Although the recovery has translated into some improvement in this area, the figures suggest that the roughly one million people affected remain at considerable risk of exclusion. This situation reveals two issues that are dragging on the system.

Firstly, the public employment services that look after job-seekers have fewer human resources than in other European countries for carrying out activation and placement tasks and matching vacancies and candidates. International experience suggests that these services need at least one guidance counsellor per 100 job-seekers so as to be able to carry out the activation tasks, perform regular interviews, draw up individual placement plans and propose vacancies. However, the estimates available suggest that in Spain the ratio of counsellor-job-seeker is significantly below that threshold. Moreover, contact between employment offices and employers, while close in some regions, is

> The number of job-seekers who have been actively searching for work for more than one year represent 4% of the labour force, twice the European average.

> “Nearly one-third of the Spanish labour force has not finished secondary school, compared to an average of 17% in the EU as a whole.”

notoriously sparse in others (OECD, 2015). It is therefore important to deploy local labour market prospectors and match offers across regions so as to facilitate hiring and prevent labour scarcity, which is beginning to rear its head despite still-high unemployment rates. Lastly, several employment policy experiences, some in parts of Spain and others elsewhere in Europe, highlight the potential of digital technology to improve labour intermediation. [3]

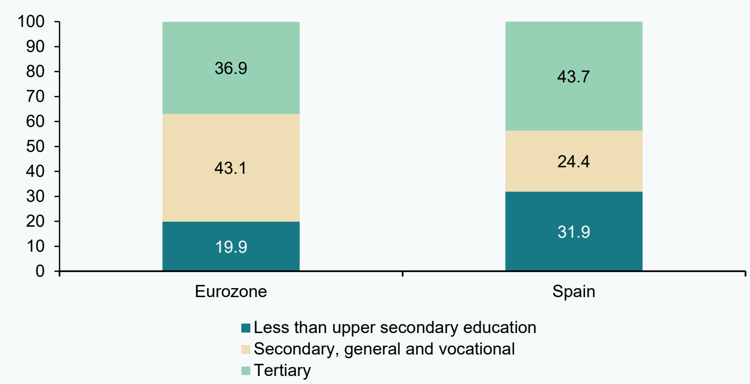
Secondly, one of the most serious structural issues affecting the Spanish labour market is the low skill set of part of the labour force, which helps explain the high rate of long-term unemployment. Nearly one-third of the Spanish labour force has not finished secondary school, compared to an average of 17% in the EU as a whole. All of which erodes the job prospects of a significant portion of job-seekers and thereby affects the structural unemployment rate, undermines productivity and increases specialisation of the Spanish economy in lower-skilled activities.

In addition, the relatively high weight of the two educational extremes – unfinished secondary schooling at one end and university studies at the other – implies a

Exhibit 4

Breakdown of the labour force by education level

Percentage of the total



Sources: Eurostat.

> “The small share of workers with intermediate skills levels may partly explain labour shortages in some sectors, which could limit the scope for industrial growth and technological transformation.”

> "A mere 24% of young people (aged 15-24) have a job, nearly 8 points below the EU average and half of the level observed in Northern European economies like Germany."

very small share of intermediate skills levels, *i.e.*, people with secondary level education and vocational training (Exhibit 4). That helps explain the difficulty in finding work in some activities and could limit the scope for industrial growth and technological transformation of the productive system.

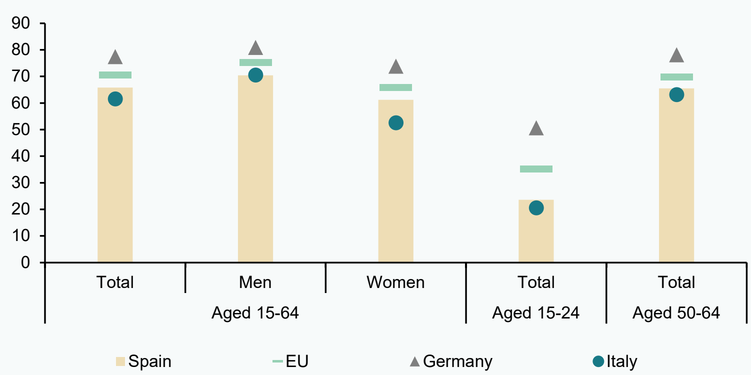
Transition by young adults into employment

The labour market imbalances do not affect all groups alike. The key determinants are education levels, gender, and age. Among these groups, youth are disproportionately affected in Spain (Exhibit 5). A mere 24% of young people (aged 15-24) have a job, nearly 8 points below the EU average and half of the level observed in Northern European economies like Germany. While many of the young people not working are studying, some are unemployed. In general, youth unemployment has been a persistent issuing affecting the Spanish economy and society for decades.

Several factors have contributed to this situation. Firstly, the generation of youths that had to join the labour market during the

Exhibit 5 **Employment rate, by group**

Percentage of the total



Source: Authors' own elaboration based on Eurostat data.

> "The Spanish education system has been criticised for not aligning itself sufficiently with what the economy demands, resulting in educational gaps in many of the young people looking for work."

> "Over 35% of the young people who work are over-qualified for the job they perform, compared to less than 25% in the EU, on average."

financial crisis was one of the hardest hit by unemployment.

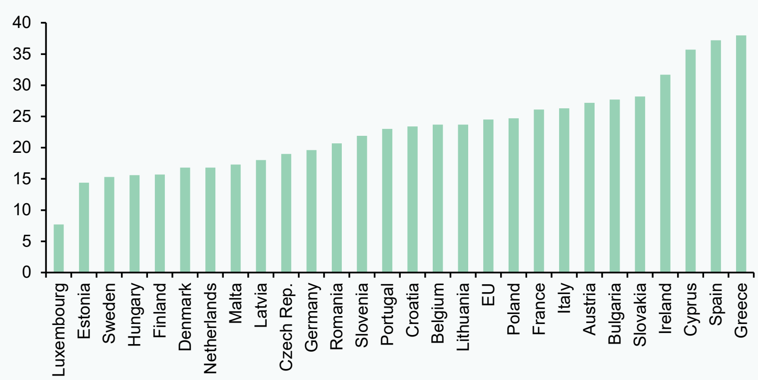
Moreover, the Spanish education system has been criticised for not aligning itself sufficiently with what the economy demands, resulting in educational gaps in many of the young people looking for work. Also related with education, more particularly the high rate of early school leavers, some Spanish youths are falling short in specific areas such as reading comprehension and the ability to solve mathematical problems, accord to the results of the PISA reports. The above-mentioned shortcomings around active employment policies are another issue. It is therefore crucial to design programmes that specifically help young people find work, including the provision of tailored training in some instances.

At the other end of the spectrum, in Spain, the percentage of working-age people with university studies is above the eurozone average. However, many of these youths cannot find jobs that match their skills, generating an issue around overqualification, *i.e.,* a high percentage of tertiary graduates who work in jobs that demand lower skills. Spain is one of the countries where this phenomenon is most prevalent: over 35% of the young people who work are over-qualified for the job they perform, compared to less than 25% in the EU, on average (Exhibit 6).

To tackle these imbalances, we know that 'dual vocational training' can help young people transition into the labour market by combining classroom learning with on-the-job training. This is not enough, however. Indeed, experience shows that to successfully put the education system in touch with what the economy needs, companies need to be involved in designing the academic syllabuses. In Central Europe, the chambers of commerce play a fundamental role in this

Exhibit 6 **Over-qualification rate among people aged between 20 and 34**

Percentage



Sources: Eurostat.

respect, providing information about the skills and knowledge in demand, while helping to broker the provision of work experience at companies. A similar eco-system in the Basque region has had encouraging results.

This highlights the importance of an education and training policy designed to keep young people in the education system, increase the presence of dual vocational training and facilitate work practice.

Pending challenges

The performance of Spain's labour market has improved, closing in on European standards. Employment is proving less pro-cyclical, unquestionably helping to prevent excessive increases in unemployment during episodes of recession. Recent reforms, coupled with demographic changes (obliging prudent workforce management), may be behind this healthier performance.

However, the high level of long-term unemployment and the difficulties young people face in finding work evidence the persistence of significant pockets of long-term unemployment. The outcome is that, despite the scale of its unemployment, Spain is beginning to experience labour shortages, due to mismatches between skills and demand, but also gaps in public employment services. Tackling these structural factors is crucial to maintaining growth in employment and continuing to close social divides. The solutions are well-known, as are the conditions for setting them in motion, particularly in terms of cooperation among different levels of government and the social actors. The task is not only sizeable, but also an urgent one in light of the pace of technological transformation, accelerated by the deployment of artificial intelligence.

Notes

[1] Fixed discontinuous contracts are defined as contracts that have features of indefinite contracts but with work performed discontinuously (*i.e.,* recurrent seasonal jobs).

[2] Social Security contributions increased by 5.2% in 2022 and over 9% in 2023, outpacing the growth in average wages per employee (compensation per wage-earner registered growth of 2.9% and 5.2%, respectively).

[3] Refer to the European Commission (2022). https://ec.europa.eu/social/BlobServlet?docId=26134&langId=en

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Raymond Torres and María Jesús Fernández. Funcas

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Growth in Spanish labour demand: Evidence from online job postings

Labour demand in Spain appears to have weathered the effects of the pandemic, as evidenced by sustained growth in job postings, despite a more significant initial drop in hiring compared to other countries in 2020. This, together with other trends, appears to support part of the recent acceleration in Spanish wage growth, underpinning a solid forecast for employment and GDP growth in 2024 relative to other advanced economies.

Pawel Adrjan and Reamonn Lydon

Abstract: Spain's labour demand has demonstrated resilience in the face of the pandemic, as job postings have sustained growth in line with their long-term upward trajectory through February 2024, despite the more significant drop in hiring witnessed at the start of the pandemic compared to other countries. Spanish job postings were up 50% from February 2020 to February 2024. Analysis supports a positive correlation between job posting growth and wage growth: occupations for which job postings have risen more strongly have, on average, seen greater increases in advertised wages between 2019 and 2023. This suggests that at least a part of the recent acceleration in Spanish wage growth may be attributed to the surge in demand for new workers, with other factors, such as the bargaining power of workers and unions, particularly in the context of high inflation and minimum wage increases, likely also playing a significant role. Data from early 2024 indicate a decline in the total stock of job postings in Spain from their peak but the influx of new job postings has continued to rise, suggesting that many employers maintain

> Between 2021 and 2023, employment in Spain grew by over one million, or 6%, with over 20 million people in work by the end of 2023.

optimism regarding the near-term economic outlook, as postings reflect hiring intentions. Moreover, job postings remain elevated, both in comparison to historical levels in Spain and current trends in other large European economies, where a gradual slowdown persists. These trends support a forecast for solid employment and GDP growth for Spain in 2024 relative to other advanced economies and serve as a key labour market indicator to monitor as the year unfolds.

Introduction

Employment in Spain has grown strongly in recent years. Between 2021 and 2023, employment grew by over one million, or 6%, with over 20 million in work by the end of 2023 (Eurostat, 2024). This is double the rate of growth for the euro area as whole over the same period, and reflects two factors. Firstly, the fall in employment during 2020 was larger, partly due to stricter lockdown policies, and employment therefore was starting from a lower base. Secondly, even before the pandemic, Spain was already experiencing a higher trend rate of employment growth, helping to close the employment rate gap with the rest of the euro area that had opened up during the Great Recession.

Alongside the rise in employment, there has been a notable surge in job vacancies and reported labour shortages by businesses. According to estimates from business surveys, vacancies soared to a record high of over 155,000 in the third quarter of 2023 (National Statistics Institute, 2024). Moreover, by the close of 2023, 8% of businesses in the industrial sector, 13% in construction, and a historically high 23% in services, cited labour availability as a limiting factor for production (European Commission, 2024). Although these figures experienced a slight dip in early 2024, they remain significantly elevated compared to historical benchmarks.

These developments raise several questions. Are the labour shortages reported by businesses substantiated? Which job sectors have witnessed the most significant increases in demand for new employees? Have the rises in job vacancies been accompanied by corresponding increases in salaries to attract new hires? Furthermore, how do these trends stack up against those observed in other major euro-area economies?

In this article, we delve into Spanish labour market trends utilising online job posting data sourced from the platform Indeed. Online labour market data presents numerous advantages, notably its granularity, which enables the delineation of occupational and regional trends, as well as its timeliness (Adrjan and Lydon, 2019; Adrjan, 2023). These attributes allow us to provide a current snapshot of the labour market landscape, in contrast to official data, which often suffers from substantial lag times.

We use this rich data source to look at how demand for new workers has evolved in Spain in recent years. We begin with a brief overview of the Indeed data. We then describe trends in

> Alongside the rise in employment, there has been a notable surge in job vacancies and reported labour shortages by businesses, with vacancies soaring to a record high of over 155,000 in the third quarter of 2023.

> “Spanish job postings rebounded strongly from the pandemic in line with their solid pre-pandemic growth trend, growing 50% from February 2020 to February 2024.”

Spanish labour demand in the last five years using online job postings, comparing trends across countries and occupations. Spanish job postings rebounded strongly from the pandemic in line with their solid pre-pandemic growth trend, growing 50% from February 2020 to February 2024. While early 2024 shows a retrenchment in the stock of postings, with an 8% decline in the first two months of the year, the influx of new postings continues to grow, suggesting faster turnover of job openings this year. We find that these trends are correlated with businesses' reported hiring difficulties, which rose to historical levels in 2023 and began to ease in recent months. We describe the occupations where job postings have risen most strongly to shed light on the areas of the labour market experiencing the strongest demand for new workers. Finally, we highlight growth in advertised wages in job ads using the Indeed Wage Tracker. We find a strong correlation between postings and wages: occupations where job postings have risen more strongly have, on average, seen greater increases in advertised wages between 2019 and 2023.

Online job posting data

Indeed, is the largest job site in the world and the second largest in Spain by the number of visitors. It hosts job listings posted directly by employers on the platform, as well as aggregates postings from various online sources. The dataset derived from employer and jobseeker interactions is substantial. In 2023, there were over 53,000 new job postings on average each month, accompanied by an average of 7.6 million searches conducted on Indeed in Spain. This robust dataset provides insights into labour market activity. [1]

As with other private-sector, unstructured data sources, care must be taken when using and interpreting the online job posting data. A single job posting might represent multiple vacancies, and some job openings may not be visible online or captured by any single job platform. Nonetheless, aggregated posting data generally reflect overarching labour market patterns. In Adrjan and Lydon (2024), we conducted a comparative analysis of Indeed job posting data against data from representative statistical surveys across Spain and other countries. Specifically, we assessed the alignment of the sectoral and occupational composition of job postings with data from business and labour force surveys. Our findings indicated good alignment between online job postings from Indeed and official statistics. Although some disparities existed in the occupation and sector composition between online postings and traditional labour market data (varying by country), we showed, through re-weighting, that these differences did not significantly alter aggregate trends.

Job posting trends

Economists and policymakers closely monitor trends in job postings and vacancies for several reasons. First, they serve as crucial indicators of labour demand, offering insights into future employment trends. Second, they can act as early signals of wage pressures: heightened job openings coupled with low

> “Job postings and vacancies serve as crucial indictors of labour demand, act as early signals of wage pressures and help identify potential mismatches between available positions and skill sets.”

> "The substantial increase in job postings from February 2020 to February 2024 suggests the pandemic did little long lasting damage to labour demand in Spain."

unemployment often translate into intensified competition among employers, leading to upward wage adjustments. Third, tracking job postings helps identify potential mismatches between available positions and workforce skill sets, highlighting areas where education and training may be needed.

Indeed job postings closely mirror official data on aggregate Spanish job vacancies derived from quarterly business surveys, as well as reported labour shortages from surveys gauging whether labour availability constrains production. Exhibit 1 illustrates the close alignment of these three indicators in recent years. Notably, job postings offer timelier and more frequent data compared to vacancy estimates.

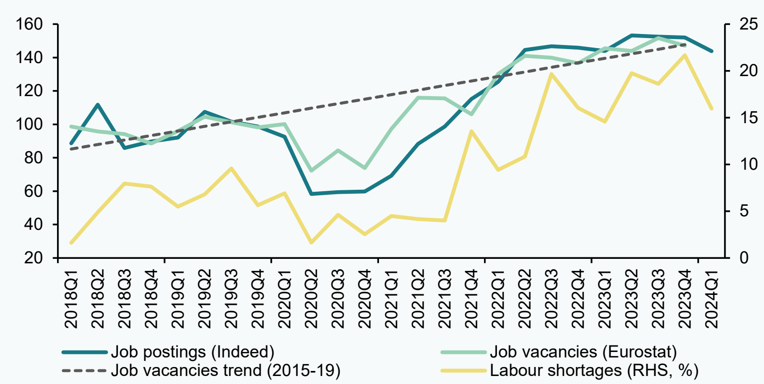
By the end of February 2024, postings had surged by almost 50% relative to their February 2020 levels, just prior to the onset of the COVID-19 pandemic. This substantial increase broadly echoes the pre-pandemic trend observed in job vacancy estimates from business surveys spanning 2015 to 2019. This suggests that the pandemic did little long-lasting damage to labour demand in Spain.

Until 2023, online job postings growth in Spain closely paralleled that of other euro area countries. Initially, there was a decline during the pandemic's onset, followed by a robust rebound as the economy reopened (see Exhibit 2). However, in 2023, while most euro area countries experienced a deceleration in postings growth, Spain stood out as an exception, with growth actually accelerating during that year. This mirrors a similar disparity observed in employment growth in 2023: Spanish employment surged by 3.6%, contrasting with a mere 0.9% increase in the

Exhibit 1

Online job postings (Indeed), job vacancies (Eurostat), and reported labour shortages (European Commission) – Spain

2019=100

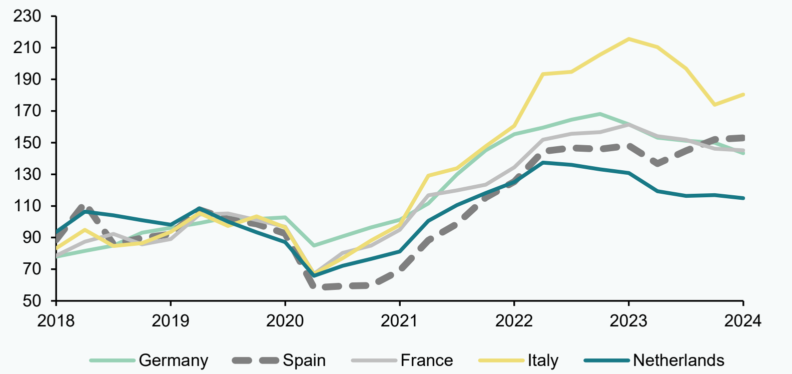


Note: Data are not seasonally adjusted. The pre-pandemic trend is a linear trend from 2015Q1 to 2019Q4.

Sources: Indeed and Eurostat.

Exhibit 2 **Online job postings for euro area countries (Indeed)**

2019=100



Note: Data are seasonally adjusted and aggregated to quarterly averages. Data for the first quarter of 2024 is for January and February only.

Source: Indeed.

rest of the euro area, according to data from Eurostat.

Recent trends indicate a slight downturn in Spanish job postings. From 1 January to 1 March 2024, postings experienced an 8.3% decrease on a seasonally adjusted basis. While unadjusted postings remained relatively stable (falling just 0.3% during the same period), it is worth noting that the early months of the year typically witness a surge in postings as employers gear up hiring efforts after the seasonal lull around the turn of the year.

However, this decline does not necessarily signify a negative outlook for hiring. New job postings, defined as those less than 7 days old, continued to climb in January and February 2024 on a seasonally adjusted basis, reaching 55% above their pre-pandemic level in February, marking a historic high in the series. The increasing influx of new postings coupled with a declining total posting stock suggests a quicker turnover of postings, rather than a substantial reduction in hiring activity.

It is difficult to predict whether Spanish postings will decline in 2024, aligning with the trend observed in other euro area countries over the past year, or if they will resume their growth trajectory to match historical patterns. Nevertheless, this remains a critical trend to monitor as it is likely to impact employment growth in 2024.

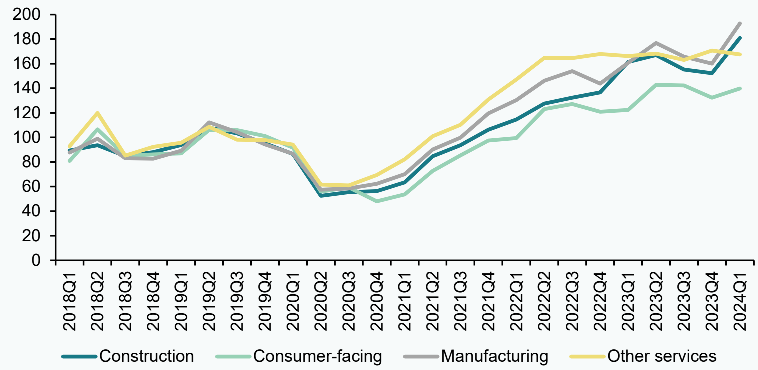
Which occupations are fuelling this robust labour demand? Analysing the composition of job postings provides insights into the occupations experiencing the highest demand for new hires. To assess broad trends, we classified Indeed's occupations into four main categories: construction, manufacturing,

> "In 2023, while most euro area countries experienced a deceleration in postings growth, Spain stood out as an exception, with growth accelerating during that year."

> New job postings continued to climb in January and February 2024 on a seasonally adjusted basis, reaching 55% above their pre-pandemic level in February, marking a historic high in the series.

Exhibit 3

Online job postings (Indeed) by sector. Percentage change since February 2020



Notes: Data are seasonally adjusted. Categories correspond to occupations. Consumer-facing services are an unweighted average of the following Indeed occupational categories: Arts & Entertainment, Beauty & Wellness, Childcare, Cleaning & Sanitation, Customer Service, Driving, Food Preparation & Service, Hospitality & Tourism, Loading & Stocking, Personal Care & Home Health, Retail, Sales, Security & Public Safety, Sports. Other services are an unweighted average of all other service categories.

Source: Indeed.

consumer-facing services, and other services. Consumer-facing services encompass occupations in Arts & Entertainment, Beauty & Wellness, Childcare, Cleaning & Sanitation, Customer Service, Driving, Food Preparation & Service, Hospitality & Tourism, Loading & Stocking, Personal Care & Home Health, Retail, Sales, Security & Public Safety, and Sports.

Exhibit 3 shows that construction and manufacturing postings have shown the most significant growth in recent years, ending at 109% and 123%, respectively, above the pre-pandemic benchmark level of 1 February 2020. This growth is followed by other services (up 78%) and consumer-facing services (up 52%). Importantly, postings in each of these categories remain well above their pre-

> Construction and manufacturing postings have shown the most significant growth in recent years, ending at 109% and 123%, respectively, above the pre-pandemic benchmark level of 1 February 2020.

> "Although acceleration in wage growth started later in Spain than in the rest of the euro area, it peaked higher, reaching 6.3% in Spain compared to 5.2% for the euro area."

pandemic levels, indicating sustained demand for new workers.

The granularity of online job posting data means that we can also measure posting growth in more detailed occupational categories. We plot this data and correlate it with wage growth in the next section.

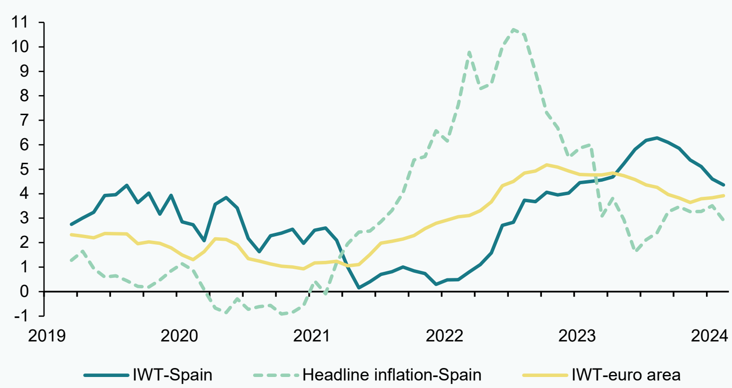
Wage growth

If increasing job posting volumes indicate heightened demand for new hires, it is likely that they are associated with elevated wage growth as employers offer higher pay to attract candidates. In this section, we demonstrate that this correlation does exist by examining the trends in advertised wages in Spain in recent years. We also highlight the similarities and disparities in wage trends across countries and occupations.

We use the Indeed Wage Tracker developed by Adrjan and Lydon (2024) as a timely indicator of wage growth momentum based on data collected from millions of job ads in Europe. The Indeed Wage Tracker is widely used by central banks (Bank of England, 2023; Lane, 2023; Powell, 2023), as it benchmarks well against official data published by Eurostat and other sources such as the ECB's negotiated wage tracker or Caixabank's indicator of salary deposits (Mestres Domènech, 2022).

Exhibit 4 shows that wage growth surged in both Spain and the euro area following the pandemic, reaching rates surpassing those before the pandemic. Although this acceleration started later in Spain than in the rest of the euro area —in mid-2022 rather than late 2021— it peaked higher, reaching 6.3% in Spain compared to 5.2% for the euro area.

Exhibit 4 **Indeed Wage Tracker for Spain and the euro area, Annual % change in advertised wages in job postings**

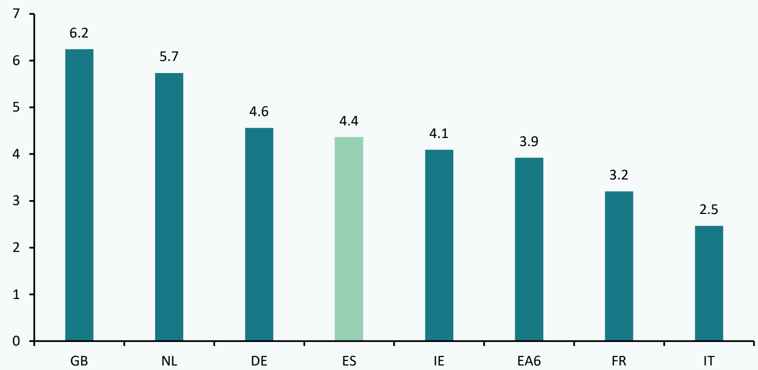


Notes: The Indeed Wage Tracker data are monthly median year-on-year growth rates in advertised wages across job title-salary type-region combinations. The euro area series is an employment-weighted average of France, Germany, Italy, Ireland, the Netherlands, and Spain.

Source: Indeed.

Exhibit 5

Indeed Wage Tracker for selected European countries: February 2024. Annual % change in advertised wages



Notes: The Indeed Wage Tracker data are monthly median year-on-year growth rates in advertised wages across job title-salary type-region combinations. The euro area series is an employment-weighted average of France, Germany, Italy, Ireland, the Netherlands, and Spain.

Source: Indeed.

Exhibit 5 depicts the most recent data as of February 2024, showing that annual growth in advertised wages in Spain decreased to 4.4%. Nevertheless, this rate exceeded the euro area average of 3.9%. Comparatively, wage growth was lower in Ireland (4.1%), France (3.2%), and Italy (2.5%), while it was higher in Germany (4.6%) and the Netherlands (5.7%). Beyond the euro area, the UK, another major European economy we monitor, maintained a high wage growth rate of 6.2%.

Across all countries, wage growth remains elevated above pre-pandemic levels, a trend consistent with both the surge in job postings and the impact of persistent high inflation. However, in most of the countries we track, wage growth has receded from its peaks in 2023, paralleling the easing of job postings and reported labour shortages from their respective maxima.

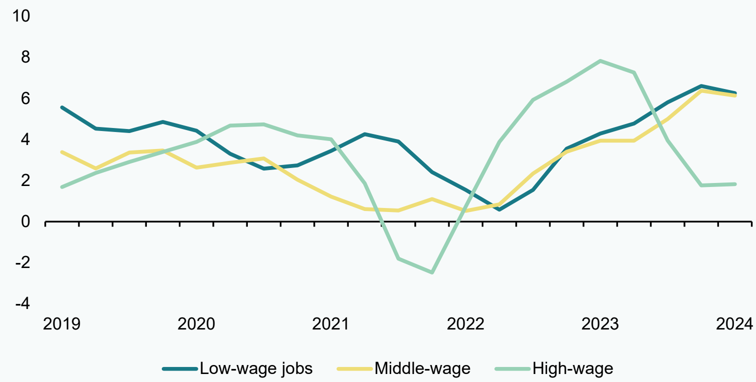
How does the growth in advertised wages vary across different occupations? To address this question, we first examine variations in wage growth for low-, middle-, and high-wage jobs. We classify a job as " low-wage" if it falls within the bottom third of occupations by wage level in Spanish job postings on Indeed during 2018 and 2019. Similarly, "middle-wage" and "high-wage" occupations represent the middle and top third of occupations by wage, respectively. We use the pre-pandemic wage distribution to discern the differing effects of the pandemic and the subsequent recovery.

Exhibit 6 shows that wage growth in high-wage occupations experienced an early surge in the first half of 2022, followed by low- and middle-wage occupations in the latter half of the same year. Although wage growth in high-wage occupations has since retreated to around 2%, it remains above 6% for low-

> "The most recent data in Spain indicate that current high wage growth rates are driven by low- and middle-wage occupations."

Exhibit 6

Indeed Wage Tracker by low-, middle- and high-wage jobs. Annual % change in advertised wages in Spain (nominal)



Notes: Jobs in the bottom-third of the distribution of advertised wages in 2018-19 are classifed as "low-wage". "Middle-wage" jobs are the middle-third, and "High-wage" the top-third of jobs by wage level. Nominal wage growth, unadjusted for inflation.

Source: Indeed.

and middle-wage occupations. In essence, the most recent data from our tracker in Spain indicate that current high wage growth rates are driven by low- and middle-wage occupations. In the next section, we show that these are the occupations witnessing the highest demand for new hires, while many high-wage, professional, traditionally office-based occupations have seen a decline in postings.

Bringing it all together: Correlation between posting growth and wage growth

In this section, we delve deeper into the analysis, examining which specific occupations within the broad wage categories outlined earlier have experienced the most significant wage growth in recent years, and to what extent this growth correlates with job posting increases. It is important to note that job postings represent a real variable, unaffected by inflation. To make a meaningful comparison, we therefore adjust the nominal growth in advertised wages from the Indeed Wage Tracker to account for consumer price inflation. This adjustment provides insights into changes in purchasing power, offering a more accurate comparison for job posting growth trends.

In nominal terms, the growth in advertised wages has been robust in recent years, as demonstrated by Exhibits 4, 5, and 6. However, in real terms, wage growth was initially sluggish in response to the post-pandemic recovery, before gaining momentum more noticeably in 2023, coinciding with moderating inflation.

Table 1, however, reveals that certain occupations witnessed rapid wage growth

> "Occupations where job postings have risen more strongly have, on average, seen greater increases in advertised wages."

Table 1

Cumulative real growth in advertised wages 2019 Q1-2024 Q1. Top-three occupational categories by wage tier

Percentage

Low-wage jobs		Middle-wage jobs		High-wage jobs	
Hospitality and tourism	25	Nursing	8	Engineers	5
Personal care and home health	18	Construction	4	Software	1
Cleaning and sanitation	13	Accounting	1	Logistics	-2

Note: Data for 2024 Q1 is for January and February only. Cumulative growth in advertised wages in the table is real, that is, nominal growth less the cumulative change in headline HICP price index from 2019 Q1 to 2024 Q1 (Jan/Feb only), equal to +18%.

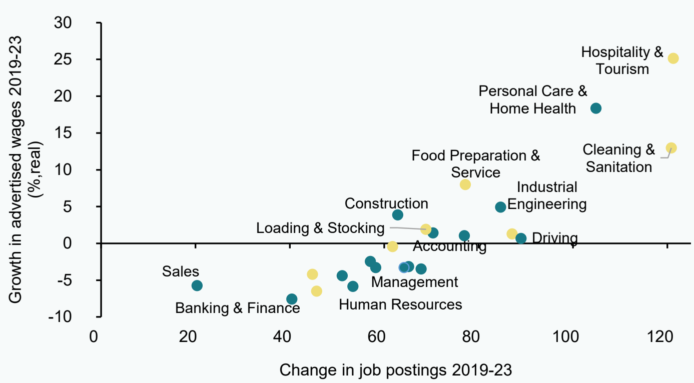
Source: Indeed.

even after adjusting for inflation. Within each of the wage tiers depicted in Exhibit 6, we identify the top three occupational categories by *real* (inflation-adjusted) growth in advertised wages from 2019 Q1 to Q1 2024. Each of these categories experienced cumulative wage growth surpassing the cumulative growth in the price level over the same period, which stood at 18%.

In their analysis of US inflation dynamics in recent years, Bernanke and Blanchard (2023) highlighted the surge in job openings as a driver of upward wage pressure, particularly when coupled with a low unemployment rate and low levels of quits. Exhibit 7 indicates that comparable dynamics are at work Spain. It presents a simple scatter plot with the change in advertised wages by occupation from 2019

Exhibit 7

Real growth in advertised wages (y-axis) and job postings (x-axis). Percentage change 2019-2023



Notes: Real growth is the nominal growth in advertised wages over 2019-23, less the cumulative change in headline HICP price level, 18% (Eurostat). Jobs shown in yellow are those with the highest proportion of job postings in 2019 within 10% of the minimum wage in that year.

Source: Indeed.

to 2023 plotted against the change in job postings during the same timeframe. There is a positive correlation: occupations where job postings have risen more strongly have, on average, seen greater increases in advertised wages.

Certainly, the growth in postings is unlikely to be the sole driver behind wage increases. For example, during the same period, the minimum wage in Spain rose 20%, from 900 euros per month at the start of 2019 to 1,080 euros per month in 2023. To gauge the probable impact, Exhibit 7 highlights the occupations with the highest proportion of postings advertising wages within 10% of the minimum wage in 2019 (yellow markers in the exhibit). Some (but not all) of these occupations were among those experiencing the highest real wage growth, indicating that minimum wages may have contributed to elevating the average wage growth rate for some occupations.

Conclusion

Labour demand in Spain appears to have resiliently weathered the pandemic's effects, as job postings have sustained growth in line with their long-term upward trajectory through February 2024, despite the more significant drop in hiring witnessed during the pandemic in Spain compared to other countries. Our analysis reveals a positive correlation between Spanish posting growth and wage growth, implying that at least a portion of the recent acceleration in wage growth might be attributed to the surge in demand for new workers. Other factors such as the bargaining power of workers and unions, particularly in the context of high inflation and minimum wage increases, likely also played a significant role.

As of early 2024, trends indicate a decline in the total stock of job postings in Spain from their peak, but the influx of new job postings has continued to rise. This suggests that many employers maintain optimism regarding the near-term economic outlook, as postings reflect hiring intentions and a view on the value of the worker-firm match. Moreover, job postings remain elevated, both in comparison to historical levels in Spain and current trends in most other European countries, where a gradual slowdown persists. These trends support a forecast for solid employment and GDP growth for Spain in 2024 relative to other advanced economies and serve as key labour market indicators to monitor as the year unfolds.

Notes

[1] Aggregated data series, such as the Indeed Job Postings Index and the Indeed Wage Tracker, are available for download from the Indeed Data Portal (https://data.indeed.com) and the FRED database (https://fred.stlouisfed.org), covering several major advanced economies, including Spain.

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Spain's youth: Precarious employment and unaffordable housing

The fragility of the Spanish job market, characterised by a high incidence of temporary contracts and high structural unemployment, particularly impacting the Spanish youth, has led to an increased concentration of young people in major urban areas due to migration in search of work opportunities. However, less affordable housing in the cities is not only reducing the wealth of this age cohort but is accompanied by negative repercussions for society as a whole, which need to be addressed by public policies aimed to foster quality job creation, as well as affordable housing.

Marina Asensio and Javier Serrano

Abstract: In just over 15 years, Spanish youths have suffered the fallout from two economic crises that have hurt their current wellbeing as well as their expectations for the future. The fragility of the Spanish job market, characterised by a high incidence of temporary contracts and high structural unemployment, has taken a particularly heavy toll on the country's young people for whom job quality and employment rates have been significantly lower. This has led to an increased concentration of young people in major urban areas, migrating in search of work opportunities. However, in those cities young people are facing more expensive housing, undermining their savings and making it hard to buy a home, ultimately reducing their wealth. This problem has important repercussions for society as a whole related to increased pressure on the social security system due to lower birth rates, in addition to increases in income inequality and decreased

> Despite Spanish millennials being the best-educated generation in history, Spanish youths have found it hard to find work, as evidenced by a youth unemployment rate of 28%, which is twice the EU average (14%).

aggregate demand with knock-on effects on the real economy. To revert this situation, it is vital to pursue evidence-based public policies that foster the creation of quality work, job stability and housing affordability, especially in the large cities where demand for housing for young people is concentrated. Such policies will be crucial to ensure Spain's youth can fully realise their full potential and contribute to the country's economic growth and collective wellbeing.

Situation facing housing seekers

The millennials, the common term for the generation born in the last two decades of the twentieth century, face a very different situation than their parents when it comes to climbing the housing ladder. This cohort, affected particularly harshly by the recent crises, are in a worse financial position on average than the generations that preceded them, while facing an increasingly tight property market shaped by growing competition on the demand side coupled with rigid housing supply.

This situation has frustrated a generation of youths who have not seen their academic efforts pay off. Indeed, the millennials are the best-educated generation in history: 53% of youths aged between 25 and 34 have completed higher education, up 14pp from 20 years ago. Indeed, the early school leavers rate among people aged between 18 and 24 has been declining gradually for the past decade, closing the gap with the European average (according to Eurostat, in 2013, that gap stood at 11.8pp but by 2022 had closed to 4.3pp).

Yet, after completing their studies, Spanish youths have found it hard to find work, as evidenced by a youth unemployment rate of 28%, which is twice the EU average (14%). This situation, which affected as many as 55% of youths during the Great Recession, has consequences in wage and labour terms that last beyond the period of unemployment, as evidenced by numerous studies that have attempted to quantify the scars unemployment can have on young people's professional careers (Gálvez-Iniesta, 2023).

Moreover, when they manage to find work, young Spaniards tend to hold less stable jobs (the incidence of temporary work among people under the age of 30 in 4Q23 was 35%, 19pp above the national average) for which they are often overqualified (37% were overqualified in 2022, making Spain the second EU country where this issue is most prevalent).

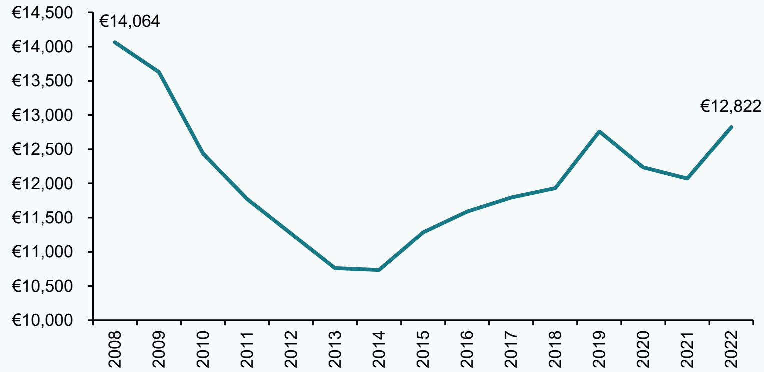
In addition, Spanish youths have seen their financial situation deteriorate considerably in recent decades: in 2022, the real disposable income of those under the age of 29 was similar to that observed in 2010, highlighting a truly lost decade in terms of pay gains for young Spaniards.

> While initially appearing as a solution to Spanish young people's labour woes, migration to larger cities also implies a higher cost of living which may be undermining their already low savings rates.

Exhibit 1

Real disposable income for youths aged between 16 and 29

Euros per person



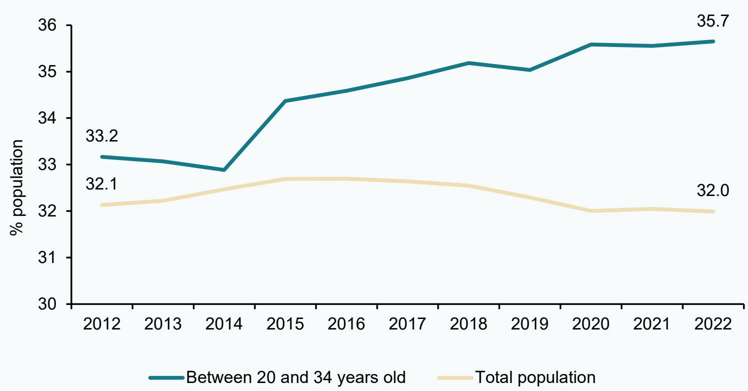
Source: Authors' own elaboration based on the Living Conditions Survey *(INE).*

Faced with this panorama, growing numbers of young people are deciding to move to the big cities in search of job opportunities better aligned with their training and expectations. During the past decade, the percentage of young people living in major urban areas has increased substantially. Specifically, in 2022, over one-third (35.7%) of young Spaniards aged between 20 and 34 were living in functional areas of Spain's five most populated cities, [1] growth of 2.5pp from 2012.

However, what initially appears to be a solution to these young people's labour woes

Exhibit 2

Population resident in the functional urban areas of the five biggest cities in Spain, share of the total nationwide population



Sources: Authors' own elaboration based on INE and Eurostat data.

> In the third quarter of 2023, 9.2% of the housing transactions completed in Spain involved non-resident foreign buyers, who tend to purchase houses at higher average prices, underpinned by greater financial wherewithal compared to the Spanish average.

also implies a higher cost of living which may be undermining their already low savings rates. According to the cost of living index for Spanish cities compiled by the Bank of Spain (Campos *et al.,* 2021), in 2020, the cost of living in the two biggest cities (Madrid and Barcelona) was nearly 20% higher than the average across the rest of Spain's urban areas. That article concludes that considering the fact that average private sector salaries in those cities are 45% higher, the wage gains adjusted for these cities' cost of living declines to 21%.

However, the wage dividend derived from living in these cities depends largely on which part of the wage distribution these people find themselves in and, as we have seen, young people are on the bottom rung. That means that the higher cost of living of moving to these cities may not be offset by higher earnings during the first few years working there.

Situation in the property market

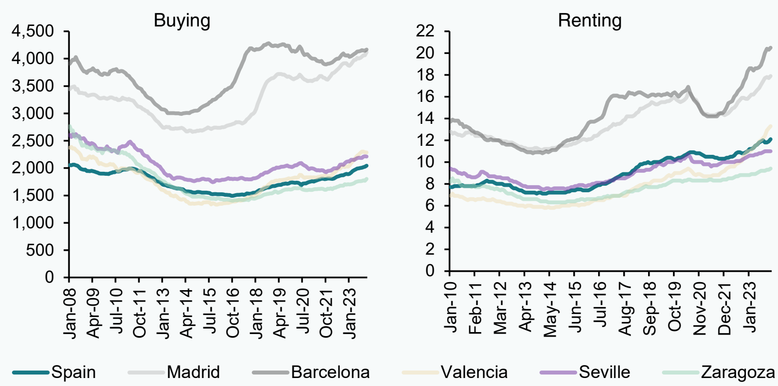
The bulk of the higher cost of living in a big city stems from tight property markets. Rental and owned house prices have been rising sharply in these cities, particularly in the two largest cities (Madrid and Barcelona), which are home to 27.1% of young Spaniards. Rent (euros/m^2) in Madrid and Barcelona is currently 8.9% and 24.6% more expensive, respectively, in real terms than in 2010, whereas young people's real earnings have not increased in that interim. The growing difficulties in accessing the housing market are tangible in the two largest Spanish cities.

If they want to buy a house, young people have a very hard time saving the money needed to

Exhibit 3

Trend in house prices in the five most populated cities and the national average

Euros/m^2



Source: Authors' own elaboration based on Idealista figures.

> Despite the increase in rents, the impossibility of saving enough money to make a down payment on a house leaves the majority of young people inclined to rent, specifically, 56.6% of households made up of people aged between 16 and 29 in 2023.

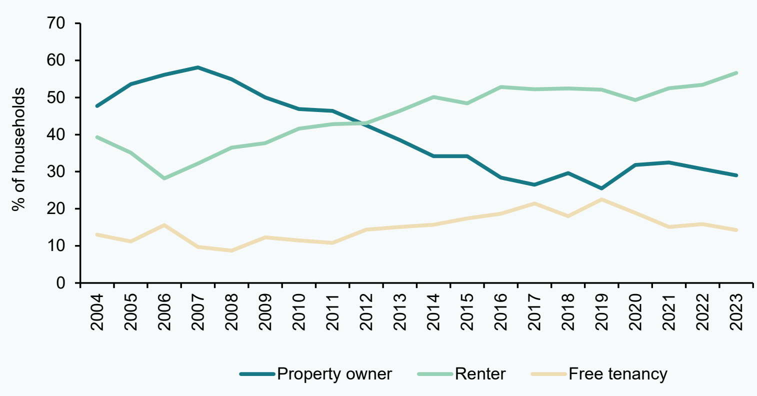
make the down payment. Moreover, since 2021, the financial burden has increased, with interest rates jumping from close to negative territory to an annual average rate of 3.6% in 2023. That is particularly relevant for young people looking to buy as their insufficient savings levels leave them largely reliant on mortgages.

Elsewhere, young Spaniards face intense competition in this market and the profile of the buyers is playing an important role in the rise in prices. In the third quarter of 2023, 9.2% [2] of the housing transactions completed in Spain involved non-resident foreign buyers, who tend to purchase houses at higher average prices, underpinned by greater financial wherewithal compared to the Spanish average. [3] In tourist-heavy provinces such as Alicante, Malaga, and the Balearics, that percentage fluctuates at around 30% of all transactions. Young people not only face competition in the property market from foreign buyers, they also have to compete with resident citizens who already own a home, who currently account for roughly half of all transactions.

Housing affordability for Spanish youth

Despite the increase in rents, the impossibility of saving enough money to make a down payment on a house leaves the majority of young people inclined to rent (specifically, 56.6% of households made up of people aged between 16 and 29 in 2023 according to the INE). Although this trend may also have been influenced by shifts in preferences around living arrangements, since the beginning of this century, the percentage of households in home ownership in the 16-29 age bracket has fallen by over 18pp (from 47.7% in 2004 to 29% in 2023).

Exhibit 4 **Percentage of households whose head is aged between 16 and 29 by rental *versus* home ownership**



Source: Authors' own elaboration based on the Living Conditions Survey *(INE).*

> “Against that backdrop, many young people are unable to afford rent and are being forced to constantly push back the age at which they leave home, which passed the age of 30 in 2022.”

However, the financial burden implied by rent payments relative to average household income, while varying from one city to the next, is higher than the burden implied by mortgage servicing in the five cities analysed. The financial convention is that it is not financially sound to earmark more than one-third of income to housing costs. However, a household with average income levels in Madrid or Barcelona has to devote more than that threshold whether it buys or rents.

Moreover, in the case of young people, whose income levels are lower, these burden ratios are even higher. On average nationwide, the burden of rent costs for a person aged between 16 and 29 with average income starts to exceed the recommended threshold from 30m², with a 45m² apartment taking up half of their disposable income.

Against that backdrop, many young people are unable to afford rent and are being forced to constantly push back the age at which they leave home, which passed the age of 30 in 2022. Despite starting stable work from the age of 23 and a half, young Spaniards leave home nearly four years later than the European average, a period that has only lengthened in the last decade: +1.6 years compared to 2012. This delay, coupled with population ageing, has led to a drastic drop in the percentage of Spanish households whose head is under the age of 35: from 14.7% in 2002 to 6.7% in 2020, according to the Bank of Spain.

One last consequence of being unable to afford to buy a home is the erosion of wealth in this age bracket. Specifically, the median real net wealth of young households in 2020 (24,000 euros) barely accounted for a

Exhibit 5

Share of housing costs (rent + mortgage cost) in average household gross disposable income by city, 2023

Percentage

Notes: The mortgage and rent shares are calculated as a function of prices in euros/m² for each city for a house of 90m² (the average size nationwide).

Sources: Authors' own elaboration based on ECB, Bank of Spain, Ministry of Transport, Mobility and Urban Agenda, INE, School of Registrars and Idealista data.

third of that of their peers in 2002 (87,200 euros), according to the Bank of Spain, with significant implications for intergenerational inequality.

Conclusions

In short, Spain's young generations face a serious housing affordability issue. Young Spaniards, despite being better educated than any generation that went before them, face real difficulties in getting onto the home ownership ladder or renting a house due to wage stagnation, growing competition from international buyers, limited supply and rising prices.

This problem is not restricted to this age group but has important repercussions for society as a whole. The fact that young Spaniards are leaving home later and later delays the age at which women have their first child and weighs on the birth rate, one of the reasons why Spain presents the second-lowest birth rate in Europe. That low birth rate will end up affecting intergenerational cohesion, the pillar underpinning numerous public policies, notably including the social security system.

In turn, the youngest generations, who earn less, are earmarking a growing share of their income to paying rent, increasing inequality insofar as their money flows from more vulnerable groups to better-off groups (property owners). The fact that a growing share of income goes to housing costs is also not good news for aggregate demand, hurting savings and the consumption of other goods and services with bigger knock-on effects on the real economy.

The way these problems play out will depend largely on what happens in the housing and job markets in the years to come. Although the authorities are backing measures in an attempt to curb price growth and so alleviate the housing cost burden for certain groups, the effectiveness of these policies is unclear, and their results still need to be assessed.

To revert this situation, it is vital to pursue evidence-based public policies that foster the creation of quality work, job stability and housing affordability, especially in the large cities where demand for housing for young people is concentrated. Only by so doing can Spain guarantee that its youths can fully realise their human and social potential and contribute to the country's economic growth and collective wellbeing.

Notes

[1] As of 1 January 2023, those cities were: Madrid, Barcelona, Valencia, Seville, and Zaragoza.

[2] Source: Ministry of Transport, Mobility and Urban Agenda.

[3] According to Idealista, the average price of home purchases financed by mortgages arranged by foreigners in 2023 was 326,227 euros, compared to a national average of 258,575 euros.

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RENTAL MARKET

Rental affordability in Spain: Trends and variations across regions

Residential rents have increased sharply over the past decade, with average household expenditure on rent increasing by 27.7% between 2015 and 2022- well above the growth in average household income – yet with notable differences across the Spanish regions. The rent control policies introduced in 2022 have kept growth in average spending on rent at 2.1% (compared to 11.2% in 2019), however, although there are no rigorous studies, some real estate portal reports suggest these policies have also led to an estimated reduction of 30% in the supply of rental housing.

Desiderio Romero-Jordán

Abstract: Residential rents have increased sharply over the past decade. Average household expenditure on rent increased by 27.7% between 2015 and 2022, which is well above the growth in average household income (16.6% in households with one earner and 22% in households with two or more earners). The situation deteriorated after the pandemic. Until 2020, around three of every 10 households earmarked over 30% of their total spending on rent. In the wake of the pandemic, that percentage has increased to approximately four out of every 10 households. In fact, in 2022, aggregate spending on rent plus utilities (water, energy and common services) accounted for over 30% of spending for 60.5% of tenants. Regionally, there are significant differences in the financial burden implied by renting, with Ceuta and Melilla, the Basque region, the Balearics, Madrid and Catalonia registering the highest burdens. La Rioja, Murcia and Extremadura are home

> Affording rent is a major handicap for young Spaniards as a result of the situation in the labour market, which is characterised by a high incidence of temporary work, unemployment rates well above the OECD average and low salaries.

to the lowest burdens. The rent controls introduced in 2022 kept growth in average spending on rent at 2.1% (compared to 11.2% in 2019). As far as we are aware, there are no evidence-backed estimates of how the latest regulatory changes may have affected supply. However, the real estate portals estimate a reduction of close to 30%.

Socio-economic profile of households that rent

Spain had 18.9 million households in 2022 (INE, 2022). According to the microdata provided via the *Spanish Household Budget Survey (SHBS)* (INE, 2023a), 76.4% lived in homes they owned, 17.7% in rented dwellings and 5.8%, in free tenancy, *i.e.,* accommodation provided by friends or family. [1] Table 1 presents the shares of housing tenures for different socio-economic categories. The age of the breadwinner is a key determinant of whether a household owns or rents its home. 42.7% of households whose main earner is under the age of 35 rent. The incidence of rental tenure falls with age, the opposite to the trend in home ownership. From the age of 55-65, the percentage of mortgage-free home owners jumps to 62.1%. It reaches 83.0% in the over-65 category, where rental tenure is at its low, at 7.5%.

The youth-rent binomial is particularly pronounced for young adults under the age of 30 who live alone, at 38.5%. Affording rent is a major handicap for young Spaniards as a result of the situation in the labour market, which is characterised by a high incidence of temporary work, unemployment rates well above the OECD average and low salaries (OECD, 2023). Tougher conditions for getting a mortgage help explain the differences observed in access to owned or rented housing. Indeed, the higher incidence of free tenancy in youths under the age of 30 (21.2%), is masking and mitigating the housing affordability issue. The snapshot for 2022 shows that the predominant tenure status is home ownership, albeit trending lower since 2015.

Rent is more prevalent among households with medium- or medium-low income levels (annual expenditure of between 12,000 and 25,400 euros, or between 1,000 and 2,100 euros per month). The percentage of households in these two expenditure quintiles (second and third) that rent oscillates around 22% in both cases. It is probable that some of these households are living in shared dwellings, particularly in the case of the youngest households and those living in cities where rents are particularly tight, including Palma de Mallorca, Barcelona, Malaga or Madrid. For households that spend under 1,000 euros on rent a month, the use of free accommodation is at its highest, at 9.7%, which is nearly twice the national average, of 5.8%.

By household type, rental tenancy varies significantly between households comprising

> Rent is more prevalent among households with medium- or medium-low income levels (annual expenditure of between 12,000 and 25,400 euros, or between 1,000 and 2,100 euros per month.

young adults living alone – nearly 40% of those under the age of 30 – and households with children, whether in couples (20.1%) or single-parent households (15.1%). Also, rent is more prevalent in urban areas than rural areas, accounting for 22.3% of tenancy in cities with over 100,000 inhabitants, which is twice the incidence in towns with fewer than 10,000 inhabitants (11.1%). Lastly, rent is at its highest intensity in immigrant households. Here the incidence ranges from 42% to 45% if the main earner is European, rising to 66.3% in the case of immigrants from outside Europe.

Table 1 **Tenure status by socio-economic category[1]**

	Home ownership		Rent[2]	Free tenancy[3]	Total
	With no outstanding mortgage	With a mortgage			
1. Average	48.2	28.2	17.7	5.8	100.0
2. By age of main earner					
<35 years	12.4	31.9	42.7	13.0	100.0
35 to 45 years	17.8	46.8	26.9	8.5	100.0
45 to 55 years	36.7	40.6	17.3	5.4	100.0
55 to 65 years	62.1	23.2	10.9	3.9	100.0
>65 years	83.0	6.5	7.5	3.0	100.0
3. By quintile of annual expenditure					
<12,000 euros	57.4	19.4	13.5	9.7	100.0
12,000 to 18,200 euros	47.1	25.0	21.8	6.1	100.0
18,200 a 25,400 euros	44.7	28.4	21.7	5.2	100.0
25,400 a 36,400 euros	45.8	32.9	17.0	4.2	100.0
> 36,400 euros	45.5	36.3	14.6	3.6	100.0
4. By household type					
Alone > 65 years	79.8	4.7	10.3	5.1	100.0
Alone, 30 to 64 years	31.2	32.1	25.7	11.1	100.0
Alone < 30 years	8.1	32.2	38.5	21.2	100.0
Couple without children	59.1	21.3	15.4	4.2	100.0
Couple with children	18.5	55.0	20.1	6.5	100.0
Single-parent household	50.4	28.3	15.1	1.9	100.0
5. By municipality size					
>100,000 inhabitants	45.8	26.8	22.3	5.2	100.0
50,000-100,000 inhabitants	45.1	31.7	19.5	3.7	100.0
20,000- 10,000 inhabitants	46.4	31.9	15.2	6.5	100.0
10,000-20,000 inhabitants	48.9	30.5	13.9	6.7	100.0
<10,000 inhabitants	56.4	24.9	11.1	7.5	100.0
6. Nationality of the main earner					
Spanish	53.1	29.3	11.6	6.0	100.0
Rest of EU	27.8	24.0	45.3	2.9	100.0
Rest of Europe	21.2	32.3	42.8	3.7	100.0
Rest of world	9.6	18.9	66.3	5.1	100.0

Notes: [1] Population values; [2] Total rent; [3] Total free tenancy.

Source: Author's own elaboration based on HBS *microdata.*

Rising rent burden dynamics

In the rest of this paper, we use two complementary affordability measures to quantify the financial burden implied by rent. The first is the traditional measure of the rent burden, which expresses the amount spent to rent a primary residence over total household expenditure. [2] A burden of 30% has long been considered a red line (for both rent and debt servicing in the case of home ownership) past which households' financial risk and risk of social exclusion increase. Spain's Housing Law of 2023 reformulated how it calculates this measure of the financial burden to include in the numerator spending on basic utilities (common services, water, and energy) [3] (rent + utilities financial burden). [4], [5] The backdrop for this redefinition was sharp inflation in energy costs in 2022: electricity (26.8%), natural gas (16.5%), LPG (27.0%) and heating fuels (72.5%).

Table 2 presents the trend in the percentage of households that rent and in the rent burden since 2015. For comparative purposes, the table presents the figures before and after the COVID-19 pandemic to enable an analysis of the trend in both periods. The results yield the following conclusions:

i. Between 2015 and 2019, the percentage of households living in rented dwellings increased in all age categories. That number also increased in absolute terms, as shown by Caixabank Research (2023). During that period, the number of households renting at market prices reached 610,000, compared to net new household creation of 385,000. The pandemic came along and reduced the share of rent tenure in 2022 to a similar level to that of 2017.

ii. The age group that rents more intensely is the under-35 category. Around four out of every 10 of these households were renting in 2015, a figure that was approaching five out of 10 by 2019. The incidence of rental tenure in this category decreased by 5.2 points (-10.9%) between 2019 and 2022, compared to an average decrease across all households of 1.8 points (-3.2%). That decrease is largely attributable to the drop in the percentage of young adults living outside the parental home, from 20.6% in 2019 to around 17% in 2020 and 2021.

iii. Average monthly spending increased from 404 euros in 2015 to 516 euros in 2022, an increase of 27.7%. The increase in average spending on rent has outpaced the growth in average household income. The latter increased by 16.6% in the case of households with a single income earner and around 21% in households with two or more earners (INE, 2023b). That gap in the rates of growth is undermining tenants' real financial wherewithal. It is a phenomenon that is having a bigger impact on households with just one income earner, where the gap stands at 11.1 points, compared to those with two or more earners, where it is around 7 points. Indeed, households with just one earner face a higher risk of social exclusion, a risk Caixabank Research (2023) estimates at 44.8%.

iv. As we will see in the next section, there are significant differences in rents per square metre between the various regions and cities. In 2021, the last year for which the so-called State Reference System is available, the highest prices were found in Madrid, at 10.7 euros, and the lowest, in Extremadura, at 4.4 euros. [6], [7] Using the average prices and apartment sizes gleaned from the System, we arrive at an average rental expenditure in 2021 of 550 euros. That is, therefore, in line with the 505 euros shown in Table 2 using the *SHBS* microdata.

> "The financial burden implied by rental tenancy has been increasing since 2015, climbing above the threshold of 30% after the pandemic, which marks the risk zone for not being able to pay rent."

> "The contractions in supply in the private market are far from being mitigated by the minuscule size of the social rent market in Spain, with social rental housing in the total housing stock in Spain standing at 1%, compared to an average of 7% in the OECD."

v. The financial burden implied by rental tenancy has been increasing since 2015. In the pre-pandemic years, the burden ranged between 26% and 27%. After the pandemic, the rent burden climbed above the threshold of 30%, which, as mentioned earlier, marks the risk zone for not being able to pay rent. [8] The increase in the rent burden between 2015 and 2022 has been most pronounced in young adults, under the age of 35: at 26.7% compared to under 10% for all other age categories.

vi. Before the pandemic, around three of every 10 households earmarked over 30% of their total expenditure to rent. In the wake of the pandemic, that percentage has increased to close to four out of every 10 households. The cost of basic housing costs, particularly energy, has increased the financial burden borne by tenants. Before the pandemic, around 50% of all households bore a financial burden of over 30% including utilities, a figure that has risen to around 60% since the pandemic. It is likely that the drop in energy costs will drive a reduction in this percentage in 2023.

A number of measures have been introduced since 2022 to curb the growth in rents. Between April 2022 and December 2023, rent increases were capped at 2%, a figure that has been increased to 3% in 2024. [9] As shown in Table 2, the government appears to be meeting its goal of limiting the growth in prices, as average spending increased by just 2.1% in 2022, compared to 11.2% in 2019. [10] The evidence available for cities such as San Francisco or Berlin shows that price controls tend to reduce supply (OECD, 2023). As far as we are aware, there are no well-substantiated studies measuring the effects of the latest regulatory changes on the supply of rental housing. Taken with due caution, the market studies of some of the main real estate portals suggest that supply contracted by around 30% in 2022 (Servihabitat, 2023; Fotocasa, 2023). At any rate, the scale of this problem in Spain is significant. The contractions in supply in the private market, even if not of that magnitude, are far from being mitigated by the minuscule size of the social rent market in Spain. Social rental housing in the total housing stock in Spain is 1%, compared to an average of 7% in the OECD (2023).

Table 2 **Trend in monthly expenditure and the rent burden[1, 2]**

	2015 %	2017 %	2019 %	2021 %	2022 %	Δ 2015-2022 %	Δ 2019-2022 %
	Pre-COVID			Post-COVID			
1. Percentage of households in rental tenancy							
<35 years	39.5	42.9	47.9	37.3	42.7	8.1	-10.9
35 to 45 years	23.7	26.6	27.1	26.0	26.9	13.5	-0.7
45 to 55 years	14.8	16.5	15.6	15.8	17.3	16.9	10.9
55 to 65 years	9.5	11.0	11.1	9.9	10.9	14.7	-1.8
>65 years	6.7	7.1	7.3	7.2	7.5	11.9	2.7
Average	16.8	18.0	18.3	16.5	17.7	5.3	-3.2

Table 2 **Trend in monthly expenditure and the rent burden[1, 2]**

Continued

	2015 %	2017 %	2019 %	2021 %	2022 %	Δ 2015-2022 %	Δ 2019-2022 %
	Pre-COVID			Post-COVID			
2. Rent burden							
<35 years	24.0	24.5	26.6	29.7	30.4	26.7	14.3
35 to 45 years	26.3	25.2	25.8	29.3	28.3	7.6	9.7
45 to 55 years	26.3	25.4	25.0	31.3	28.3	7.6	13.2
55 to 65 years	27.0	25.0	26.9	34.0	29.2	8.1	8.6
>65 years	29.2	29.7	30.6	34.4	32.1	9.9	4.9
Average	26.5	26.0	27.0	31.7	29.7	11.7	2.7
3. Percentage of households whose rent burden is >30%							
Average	33.0	31.1	33.5	43.1	38.2	15.8	14.0
4. Percentage of households whose rent + utilities burden is >30%							
Average	52.3	48.2	50.6	61.6	60.5	15.7	19.6
5. Average monthly expenditure in euros							
Monthly expenditure	404	428	476	505	516	27.7	8.7
Annual Δ	-	5.9	11.2	-	2.1	-	-

Notes: [1] Rent at market prices; [2] Population values.

Source: Author's own elaboration based on HBS *microdata.*

The rent burden snapshot in 2022: Geographic differences

Next, we delve deeper into the pressure rent placed on households' financial wherewithal in 2022. To do that we need to know: (i) the levels of financial burden (rent and rent + utilities) (Table 3); and (ii) the percentage of households in which rent plus utilities absorb more than one-third of their total expenditure (Table 4).

Table 3 reveals an average rent burden of 29.1% in 2022, a figure which rises to 36.0% adding in basic utilities. Of the latter, energy costs accounted for around 5.5 points on average, expenditure on water accounted for 0.9 points and shared services, 0.5 points. Households with higher rent burdens have been termed "vulnerable" households. Those whose annual expenditure is less than 60% of the national median (around 13,000 euros per annum). On average, households earning 1,000 euros a month (*mileuristas*) devoted 51.1% of their monthly budgets to rent and utilities. Of that excess burden, 8.4 points corresponded to spending on energy and 1.4 points to water, in both cases, 1.5 times the average for all households. The average level of spending available for other goods, including food, was just 530 euros per month.

In general, calculations confirm that the rent burden is much higher in the case of single-member households. In households

> "In the large majority of vulnerable households, rent plus utilities cross the 30% red line."

Table 3

Average household financial burden in 2022: Rent and rent + utilities[1, 2]

	Rent burden %	Rent + utilities burden
"Vulnerable" households Annual spending of <13,000 euros	40.6	51.1
<35 years	30.1	36.7
< 35 living alone	35.1	40.7
Couples with children	24.1	30.8
Single-parent households	30.1	37.6
Immigrant households	29.7	36.9
Total households	29.1	36.0

Notes: [1] Excluding rent at below-market prices; [2] Population values.

Source: Author's own elaboration based on HBS *microdata.*

with children, the financial burden (rent + utilities) averages 30.8% in the case of couples and 37.6% in the case of single-parent households. It is safe to say, therefore, that spending economies of scale are significant to the financial health of households that rent. For young adults under the age of 35 who live alone, the financial burden is close to 41%. That is slightly above the level of 36.9% recorded for immigrant households.

Elsewhere, as shown in Table 4, 60.5% of households earmarked more than one-third of their spending budgets to rent and utilities. In the case of households that earn 1,000 euros per month, the percentage of households whose rent plus utilities represented more than the 30% threshold was 85.8%. In other words, in the large majority of vulnerable households, rent plus utilities cross the 30% red line. Lastly, the percentage of households

Table 4

Households whose rent and rent + utilities burdens exceeded 30% in 2022[1, 2]

	Households with rent burden > 30%	Households with rent + utilities burden > 30%
"Vulnerable" households Annual spending of <13,000 euros	73.3	85.8
<35 years	34.6	51.8
< 35 living alone	57.1	62.9
Couples with children	24.1	44.1
Single-parent households	42.0	63.0
Immigrant households	45.5	62.0
Total households	38.2	60.5

Notes: [1] Excluding rent at below-market prices; [2] Population values.

Source: Author's own elaboration based on HBS *microdata.*

> Madrid and Extremadura lie at the extremes, with average monthly expenditure on rent of 674.6 euros *versus* 277.3 euros.

spending more than 30% of their income on rent and utilities ranged between 50% and 60% in the case of households under the age of 35, single-parent households and immigrant households.

To wrap up, we focus on the regional differences. Table 5 provides monthly expenditure and the related financial burdens by Spanish region, ordered by the latter metric. We identify three groups: (i) regions where the burden is high, at over 30; (ii) regions where the burden is medium, at 25% to 30%; and (iii) regions where the burden is low, at under 25%.

The first group includes, in order, Ceuta and Melilla, the Basque region, the Balearics, Madrid and Catalonia. The last four have in common overall and youth (<25) unemployment rates that are below the national averages. In addition, the Balearics, Madrid and Catalonia are among the regions with the highest incidences of rental tenancy. These findings show that rents are, generally, higher in regions where the supply of employment is higher (OECD, 2023). That constitutes a significant barrier for young adults keen to move out of the parental home. All six of these geographies present higher population densities than the national average (92 inhabitants per km^2), adding pressure to demand for rental housing. In Ceuta and Melilla, the population density exceeds 4,000 and 7,000 inhabitants per km^2, respectively.

The second group is made up of eight regions dotted around Spain. Many of them include provinces that are part of what is known as 'Empty Spain', including Castile-La Mancha, Asturias, Aragon and Valencia. Average expenditure in these regions is moderate, ranging from 366 euros in Asturias to 471 euros in Navarre. Except for the Canary Islands, where the incidence of rented tenure is higher, the percentage of renting households ranges between 12% and 17%. Lastly, group three includes the six regions reporting lower monthly expenditure, lower percentages of rented dwellings and lower financial burdens, with and without utilities. Extremadura ranks last, with average monthly expenditure of 277.3 euros and a financial burden of 20.2%.

Table 5 illustrates the significant differences in burdens. On average, renting in Madrid, the Balearics and Catalonia is 1.8 times more expensive than living in the group three regions: Castile and Leon, Galicia, La Rioja, Murcia and Extremadura. Madrid and Extremadura lie at either extreme of the table, with average monthly expenditure on rent of 674.6 euros *versus* 277.3 euros. In group one, over 45% of all households presented a burden of over 30%, a figure that rises above 50% in the Basque region, the Balearics and Madrid. In contrast, in group three, less than 30% of households presented a burden of over 30% and in La Rioja, Murcia and Extremadura, the average was under 22%.

By way of conclusion, Exhibit 1 shows the percentage of households in each region of Spain that spend more than 30% of their income on rent plus utilities. They are the

> In the Basque region, Madrid, the Balearics, Catalonia and Ceuta and Melilla, over 60% of all households spent more than 30% of their total budgets on rent plus utilities.

regions that qualify as tight rental markets under the Housing Law of 2023. [11] Exhibit 1 likewise provides average monthly expenditure indexed to the national average (rebased to 100). As that exhibit shows, on average, all regions presented tight markets in 2022 as they all presented rent plus utilities burdens of over 30% (with Murcia reporting the lowest burden). In the Basque region, Madrid, the Balearics, Catalonia and Ceuta and Melilla, over 60% of all households spent more than 30% of their total budgets on rent plus utilities. The Basque region, Madrid, Catalonia and the Balearics are also the regions where monthly rental expense is highest.

Table 5 **Monthly expenditure and rent burden by Spanish region in 2022[1, 2]**

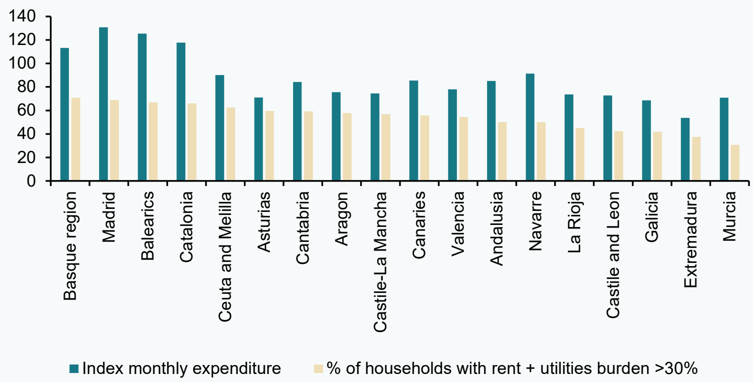
Region	Monthly expenditure Euros	Households that rent %	Rent burden %	Households with a rent burden of >30%
Group 1. Regions with the highest burdens				
Ceuta and Melilla	465.0	16.4	35.0	49.0
Basque region	583.7	10.3	33.0	53.7
Balearics	646.8	26.6	32.6	52.1
Madrid	674.6	20.1	31.8	51.8
Catalonia	607.5	24.1	31.7	44.6
Group 2. Regions with medium burdens				
Cantabria	434.8	14.7	29.5	39.5
Navarre	471.1	14.0	28.5	41.2
Canaries	441.1	24.2	28.2	41.6
Castile-La Mancha	384.8	12.5	28.2	37.5
Aragon	390.1	17.4	27.3	28.9
Valencia	402.5	12.4	27.3	30.3
Andalusia	438.8	11.9	27.1	31.3
Asturias	366.1	13.2	26.3	35.6
Group 3. Regions with the lowest burdens				
Castile and Leon	375.8	10.5	24.9	27.0
Galicia	354.2	12.4	23.3	22.6
La Rioja	380.4	10.9	21.9	25.0
Murcia	366.1	14.1	21.6	12.9
Extremadura	277.3	8.4	20.2	21.3
5. Average monthly expenditure in euros				
Average	516.0	16.2	29.1	38.2

Notes: [1] Rent at market prices; [2] Population values.

Source: Author's own elaboration based on HBS *microdata.*

Exhibit 1

Distribution of the percentage of households facing tight rental markets by region in 2022[1, 2]



Notes: [1] Excluding rent at below-market prices; [2] Percentage of the population.

Source: Author's own elaboration based on HBS *microdata.*

Notes

[1] Similar percentages to those extracted from the microdata gleaned from the *Living Conditions Survey* (INE, 2023b).

[2] Excluding imputed rent.

[3] Spanish Law 12/2023 of 24 May 2023 on the right to housing (*Official State Journal*: 25 May 2023).

[4] Alternatively to the 30% threshold so calculated, the financial burden is likewise considered excessive if rents have increased by at least three points more than CPI on a cumulative basis during the five years prior to declaring a rental markets as "tight".

[5] Indeed, this is one of the criteria used to identify areas where rents are stretched or tight. It allows the regional governments to intervene in the rental market by establishing maximum and minimum prices for each property. Declaration of a tight market must be applied for by each region. So far, only Catalonia will apply this mechanism to a current total of 140 "tight" municipalities, from March 2024.

[6] Does not include figures for the Basque region or Navarre.

[7] The prices publicised on the leading real estate portals are significantly above these figures. However, the prices displayed on those portals are ask prices for current offers and not the contractually agreed rents. That information should therefore be treated with caution.

[8] By the same token, loan applications are rejected when the repayment instalments are more than 30-35% of income (Bank of Spain, 2021).

[9] Royal Decree-Law 6/2022 of 29 March 2023.

[10] This figure is higher than the rent price growth of 1.3% estimated by Spain's National Statistics Office (INE).

[11] The Housing Law refers to income and not spending. Therefore, the use of the income variable in the calculations could result in certain differences, assuming the existence of positive average savings.

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Looking beyond Spanish banks' profitability

The Spanish banks reported sharp earnings growth in 2023, with the six largest banks recording over €26 billion in profits on aggregate, up 27% from 2022. This situation has prompted a deep dive into the issue in an attempt to understand the role these earnings play not only in the stability and growth of the financial institutions themselves but also in creating general economic wellbeing.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: The Spanish banks reported sharp earnings growth in 2023, with the six largest banks recording over €26 billion in profits on aggregate, growth of 27% from 2022. Several relative indicators suggest that the increase in earnings is due to the recovery of some of the profit lost since before the pandemic, although this claim warrants caution. As well, it is also important to note that profitability is a broader concept than their bottom lines: the banks, like any other private corporations, are valued by the market and their shareholders. Indeed, the six largest banks are trading at an average price to book value of 0.78x. An analysis of the banks' share price performance taking a long-term perspective shows that the banking sector has come back – gradually – from very low levels of profitability to revisit pre-pandemic levels. This has sparked the debate about whether the Spanish banking sector should be subject to additional taxation. This situation has prompted a deep dive into the issue in an attempt to understand the role these earnings play not only in the stability and growth of the financial institutions themselves but also in the creation of general economic wellbeing. In addition to reinforcing the banks' capital reserves, which are essential to their solvency and ability to tackle adversity, bank profits can finance growth, investments and, ultimately, stimulate the real economy.

> "Despite facing significant challenges over the past few decades, prudent management and strategic adaptation have enabled the Spanish banks not only to survive but even to prosper, as is evident in their recent earnings performance."

Bank earnings: Deconstructing the debate?

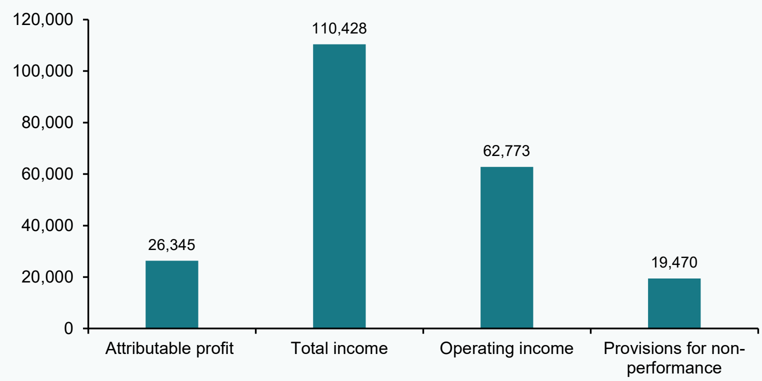
The Spanish banks' recorded earnings growth in 2023, with the six largest banks reporting over €26 billion of profits on aggregate, growth of 27% from 2022. While cause for celebration within the sector, the recovery has triggered a series of debates, which have largely pivoted around the scale of their profits and whether a higher windfall tax is justified as a result. That situation has prompted us to delve deeper into the issue in an attempt to understand the role these earnings play not only in the stability and growth of the financial institutions themselves and but also in creating general economic wellbeing. It is important to understand that, in addition to reinforcing the banks' capital reserves, which are essential to their solidity and ability to tackle adversity, bank profits can finance growth, investments and, ultimately, stimulate the real economy.

Recent history shows us how the banking sector has faced considerable challenges, from the financial crisis of 2008 to regulatory and technological changes. Despite those

Exhibit 1

Breakdown of the combined earnings of the six largest Spanish banks in 2023

Millions of euros



Source: Authors' own elaboration based on the banks' individual financial statements.

> "Recently, the gap between the cost of credit and deposit rates has closed considerably in Spain, driven by a significant increase in deposit rates, particularly the rates offered on term deposits."

difficulties, prudent management and strategic adaptation have enabled the Spanish banks not only to survive but even to prosper, as is evident in their recent earnings performance. In the banking sector, where regulations impose strict capital requirements, those earnings play a critical role. They allow the banks to meet their capital requirements without having to compromise their ability to lend money, which is vital for channelling savings into productive investment. It is also important to note that profitability is a broader concept than their bottom lines: the banks, like any other private corporations, are valued by the market and their shareholders. Indeed, most of the European financial institutions, despite recent share price gains, continue to trade below their book value. As well, the introduction of sector-specific taxes at a time of strong earnings has generated controversy. The concern is that those measures could be failing to consider the banks' need to continually reinforce their capital and remain competitive at the international level. The European Central Bank has cautioned about the possible consequences of such taxes, flagging the complexity of balancing fiscal targets with long-term financial health and stability.

Debate has also centred around how much the banks pay for deposits. The normalisation in interest rates from negative rates to current

Exhibit 2

Banks' share price performance in the last 1 and 5 years. Ibex-35 Banks

Past year

Past 5 year

Source: Ibex- 35 Banks.

levels (3% - 4%) has materialised in faster pass-through to the cost of credit than deposit rates. Banks in other countries initially passed the increase in interest rates through to their deposits faster than the Spanish banks. Recently, however, that gap has closed considerably, driven by a significant increase in deposit rates in Spain, particularly the rates offered on term deposits. Remember that the market still has a substantial volume of "official" ECB liquidity (as analysed below) and the Spanish banks also market products that compete for customer savings, such as investment funds (Carbó y Rodríguez, 2023).

An analysis of the simplified statements of profit or loss of the six biggest Spanish banks (Exhibit 1) is insightful. Their aggregate profit in 2023 was 26.35 billion euros. Their total income (net interest income from their conventional intermediation activities and non-interest or net fee income), amounted to 110.44 billion euros. Operating income, after deducting operating expenses (staff costs and depreciation charges), amounted to 62.77 billion euros, of which the banks set aside around one-third (19.47 billion euros) to cover potential non-performance.

As already noted, it is not easy to interpret these numbers in absolute terms. There are several relative indicators that suggest that the increase in earnings constitutes, to a large extent, the recovery of some of the profits lost since before the pandemic (and more intensely during it), although this claim warrants caution. For example, Spain's six largest banks are trading at an average price to book value of 0.78x (per Bloomberg as of 1 March 2024). An analysis of the banks' share price performance from 1 March 2023 to 1 March 2024 compared with a five-year perspective (Exhibit 2) shows that the banking sector has come back – gradually – from very low levels of profitability to revisit pre-pandemic levels.

The role of the monetary environment and financing costs

In 2023, the prevailing monetary policy affected the Spanish banks' earnings in several key ways. The rise in interest rates brought about by the central banks to curb inflation has had a significant impact on the Spanish banks, throwing up a mix of opportunities and challenges. On the one hand, the banks reported earnings growth. That was partly driven by an economy showing signs of recovery, marked by GDP growth and intense recovery in key sectors like tourism. Stable demand for credit and solid risk management allowed the banks to boost their profits and keep non-performance in check despite the rise in interest rates and economic uncertainties.

However, the volume of credit extended to households and businesses continues to shrink year-on-year, shaped mainly by a contraction in demand in response to higher financing costs. That situation warrants a degree of caution: tighter borrowing terms and conditions could end up driving an uptick in asset non-performance.

These dynamics underscore how monetary policy and the banks managerial responses are vital to understanding the banks' earnings performance. These considerations highlight the importance of effective risk management and the need to adapt to an evolving economic and financial panorama in which monetary policy is playing a key role in shaping the opportunities and challenges facing the banks.

> "Stable demand for credit and solid risk management allowed the banks to boost their profits and keep non-performance in check despite the rise in interest rates and economic uncertainties; however, the volume of credit continues to shrink year-on-year in response to higher financing costs."

Indeed, the market largely expects monetary policy to start to ease with rate cuts coming some time in 2024. At its last meeting on 7 March 2024, the ECB's Governing Council announced it had "decided to keep the three key ECB interest rates unchanged". Inflation has continued to ease since the ECB's previous Council meeting. Indeed, the ECB's latest inflation forecasts have been cut, particularly for 2024, due mainly to a lower contribution by energy prices. The ECB's experts now expect headline inflation to average 2.3% in 2024, 2% in 2025 and 1.9% in 2026. Its forecasts for core inflation (excluding energy and unprocessed food prices) have also been revised downwards and currently call for levels of 2.6% in 2024, 2.1% in 2025 and 2.0% in 2026. Although most measures of underlying inflation have eased further, domestic price pressures remain high, in part owing to strong growth in wages.

However, at that meeting, the ECB also threw a little cold water on the expectations for rate cuts. Specifically, it noted that "based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that, maintained for a sufficiently long duration, will make a substantial contribution to this goal [of ensuring inflation returns to 2%]. The Governing Council's future decisions will ensure that policy rates will be set at sufficiently restrictive levels for as long as necessary."

More importantly, a more indirect statement by the ECB's President Christine Lagarde created the expectation of possible rate cuts from June when she said, in relation to the need for more data and evidence, that "we will know a little more in April, but we will know a lot more in June".

The European monetary authority therefore left the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility unchanged at 4.50%, 4.75% and 4.00%, respectively. Besides the influence of these interest rate levels on the banks' margins and profits, it also worth highlighting the shift in the ECB's liquidity operations. Here we analyse the banks' financing in the Eurosystem using the information published by the Bank of Spain (the last update dates to January 2024). As shown in Exhibit 3, the Spanish banks' use of ECB financing in the form of its special long-term refinancing operations decreased from 289.97 billion euros in August 2022 to 22.46 billion in January 2024. As a result, it is likely that the banks will start to look for alternative sources of funding (such as deposits) for which they may have to pay more. In contrast, however, the ECB's asset purchase programmes (mainly debt) remained quantitatively significant, standing at 605.21 billion euros in January 2024.

As noted by the Bank of Spain in a report on these indicators, it is important to note the importance of the ECB's deposit facility for the banks: "The significant rebalancing of the excess liquidity positions of the credit institutions observed in September 2022, with reserve accounts decreasing in favour of deposit facility balances, is linked to the decision of the Governing Council of the ECB to increase the remuneration of the deposit facility to 0.75%." That rate has since increased gradually to 4% at present and the Spanish banks presented a net deposit facility balance of 240.67 billion euros in January 2024.

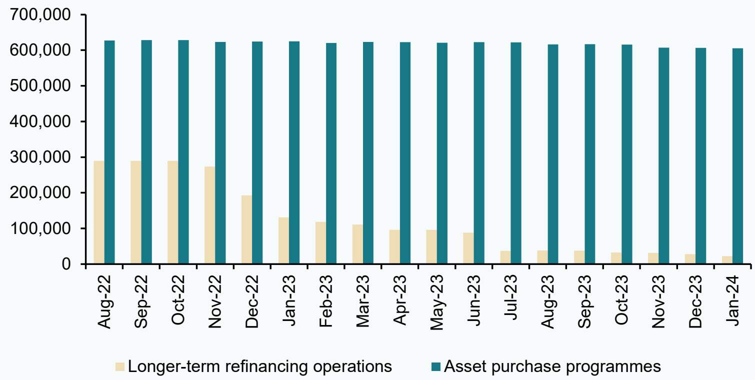
Lastly, it is interesting to analyse how the interbank market is interpreting the outlook

> "The Spanish banks' use of the ECB's special long-term refinancing operations decreased from 289.97 billion euros in August 2022 to 22.46 billion in January 2024, which may translate into the banks having to look for alternative sources of funding (such as deposits) for which they may have to pay more."

Exhibit 3

Spanish banks' reliance on Eurosystem funding

Millions of euros



Source: Bank of Spain and authors' own elaboration.

for interest rates, as borne out by the trend in 12-month Euribor. That rate was negative for the last time in August 2022 (-0.23%), from where it went to notch up consecutive gains until October 2023, when it reached 4.16%. After that it traded lower and appears to have stabilised at around 3.6%, pending new messaging from the ECB around possible monetary decisions in the near- and medium-term.

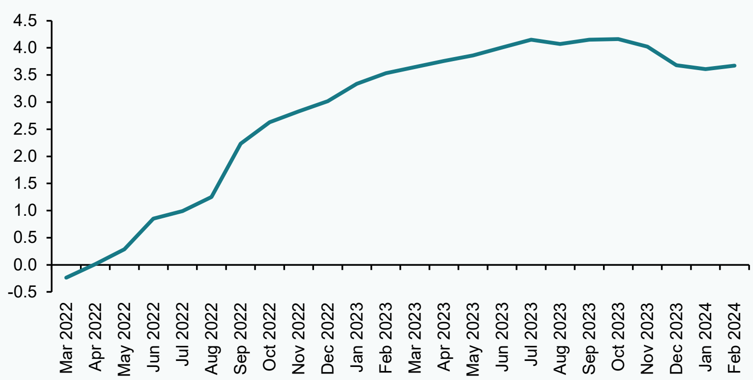
What can we expect in 2024?

Once again in 2024, the Spanish banks are navigating between transformation and opportunity. The scenario is being shaped by a changing global economic context, complex geopolitical channels and a regulatory framework that is constantly being fine-tuned. The drop in the volume of liquidity provided by the European Central Bank

Exhibit 4

Trend in 12-month Euribor

Percentage



Source: Bank of Spain and authors' own elaboration.

> "Ensuring protection against attacks, whether physical or digital, is a top priority for the banks at a time in which financial technology is advancing rapidly."

(ECB) will be a significant milestone for the banks, stimulating their traditional role as intermediaries and underscoring the need to attract savings, particularly in the form of deposits. This environment presents the banks with an opportunity to consolidate their essential role in the economy, fostering credibility and stability in the financial sector. On the asset side, despite the slowdown in demand for loans, the banks' lending activity remains vital, particularly in the corporate sector.

Digitalisation will remain key, with the focus on increasing financial service accessibility and security. The creation of banking hubs is looking like a creative solution to the reduction in physical branches, in an attempt to provide a more personal and accessible experience, especially in less urbanised and rural areas. These hubs look set to revolutionise how we interact with our banks by mixing the recent trend towards more and more technology with a more human and personal approach. Artificial intelligence is emerging as an essential tool for driving operational efficiency and service personalisation, with applications ranging from ATM administration to customer behaviour prediction. However, this digital thrust brings challenges, particularly in the area of cybersecurity. Ensuring protection against attacks, whether physical or digital, is a top priority for the banks at a time in which financial technology is advancing rapidly. In this panorama of transformation, innovation in financial products and services, coupled with a renewed focus on sustainability and social responsibility, places the Spanish banking sector in a position to drive economic growth and social progress.

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Bank valuations: Good news and bad news

Positive earnings performance and lower cost of equity have led the European banks to outperform the general stock indices for the last two years; nevertheless, they have yet to close the gap between their market value and book value, despite the fact that their return on equity (ROE) is back above 10%, the threshold traditionally deemed necessary to close the valuation gap. While the inability to close this gap appears to lie with the fact that the cost of equity (CoE) required of the banks has increased above the conventionally assumed threshold of 10%, the discount at which the European and Spanish banks are currently trading seems excessive.

Marta Alberni, Ángel Berges and Alejandro Montesinos

Abstract: After two years of tailwinds, the Spanish and European banks' earnings have capitalised on the favourable interest rate climate, which has catapulted their margins while asset quality has kept the cost of risk at very low levels. By comparison with their outstanding earnings performance, the banks' stock market performance has been more nuanced. On the one hand, the banks have outperformed the general stock indices for the last two years. Nevertheless, they have yet to close the gap between their market value and book value (the ratio known as price-to-book value, or P/B, remains at around 0.7x, implying a discount of 30%), despite the fact that their return on equity (ROE) is back above 10%, the threshold traditionally deemed necessary to close the valuation gap. Given the aforementioned correlation between the ROE and CoE implied by the P/B ratio, it can be deduced that the inability to close the gap can be attributed to one or

> Preliminary results suggest the European banking sector is on track to report record aggregate profits of close to 180 billion euros, implying a growth of nearly 50% from 2022 and a return on equity (ROE) of roughly 10%.

both of the following factors: a) doubts about the banks' ability to sustain the current ROE levels; and/or, b) the cost of equity (CoE) required of the banks has increased above the conventionally assumed threshold of 10%. On the basis of the takeaway from the responses provided to the *Risk Assessment Questionnaire* carried out by the European Bank Authority (EBA) across a wide sample of European banks, the explanation appears to most likely lie primarily with the second factor. In any event, without questioning the banks' perception that their cost of equity has increased in the past year (attributable, to a degree, to an element of 'stagnation' in long-term interest rates at high levels), the discount at which the European and Spanish banks are currently trading seems excessive considering that a good percentage of the banks surveyed see their ROEs as sustainable over the coming year.

European banks: Profitability and resilience a decade on from the banking union

Thanks to strong tailwinds in the form of high interest rates without adverse effects on the economy or employment, in 2023, the European banks, and the Spanish banks in particular, posted their best performance since the introduction of the Single Supervisory Mechanism, the first pillar of the banking union, nearly a decade ago.

Although the fourth-quarter figures for the overall European banking system are not yet available, an extrapolation of the third-quarter figures and the results already released by the listed banks (Exhibit 1) suggest that the sector is on track to report record aggregate profits of close to 180 billion euros. That would imply growth of nearly 50% from 2022 and a return on equity (ROE) of roughly 10%, the first time such a result was attained since the introduction of the banking union (indeed, since before the financial crisis of 2008) and the threshold traditionally considered the minimum demanded by market participants for holding banks' equity.

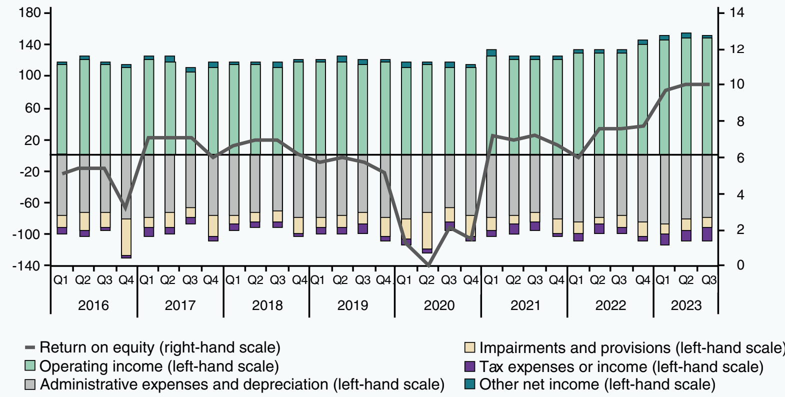
Nearly all of the improvement in the European banks' ROE (4 percentage points) was generated by growth in their net interest margin, thanks to more intense pass-through (or "beta") of the increase in Euribor to loans than to retail deposits, as analysed in an earlier article for this publication (Alberni *et al.*, 2023).

Compared to that positive contribution via margins, the increase in operating expenses induced by inflation eroded the ROE by a

> The absence of adverse consequences for credit quality in the current context of high inflation and high interest rates is the other piece of good news for the resilience of the European and Spanish banks.

Exhibit 1 **Return on equity (ROE) and components of net profit and loss**

Left-hand scale: EUR billions; right-hand scale: Percentages



Source: Buch (2024).

little under one percentage point, while non-performing asset provisions did not impact the banks' ROE, remaining flat year-on-year. Without question, the absence of adverse consequences for credit quality (NPL ratios in check) in the current context of high inflation and high interest rates is the other piece of good news for the resilience of the European and Spanish banks.

This scenario of contained non-performance injects value into the sizeable profits obtained and their use by the banks: their profits have been used almost equally to remunerate shareholders (via dividends or share buybacks) and to reinforce their solvency via retained earnings.

More specifically, the approximately 90 billion euro increase in reserves via retained earning implies an increase of nearly 1% in the banks' CET1 ratio, which stood at close to 15.8% for the aggregate European banking system according to the most recent information published by the EBA in its last *Risk Dashboard for 3Q,* the highest since the banking union entered into force. Note, however, that the improvement in solvency has come not only from the numerator (growth in own funds thanks to the retained earnings effect) but also the denominator, as the volume of risk-weighted assets has stabilised or even decreased in a context of zero growth, or even contraction, in credit, particularly in the segments with higher risk weightings.

Profitability and dividends have driven stock market gains

This ample solvency buffer, in a context in which credit is not expected to grow by much

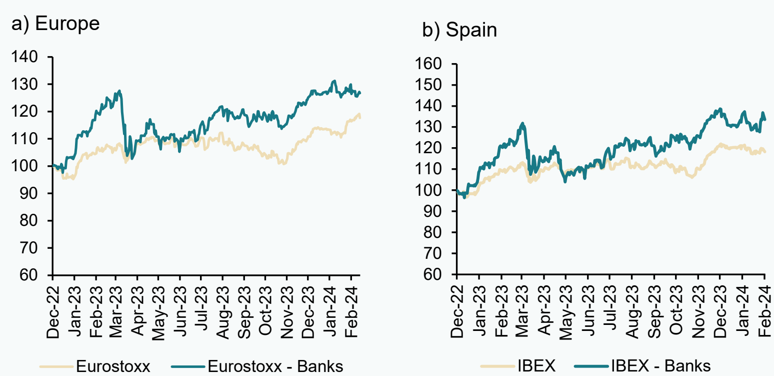
> "The approximately 90 billion euro increase in reserves via retained earning implies an increase of nearly 1% in the banks' CET1 ratio, which stood at close to 15.8% on aggregate for the European banking system, the highest since the banking union entered into force."

> For the European banking system as a whole, shareholder distributions stood at around 85 billion euros, up over 50% from the previous year, and representing a little more than 5% of the system's total book value.

Exhibit 2

Stock market performance in 2023: Bank indices *versus* general indices

December 2022 = 100



Source: Authors' own elaboration based on Bloomberg data.

and NPL coverage levels remain high, justifies the fact that the banks have maintained, or even slightly increased, the percentage of profits they have earmarked to shareholder remuneration in the form of dividends or share buybacks. This increase in the payout ratio in a year of high profits has translated into generous shareholder remuneration, which is up by over 50% from the year before. For the European banking system as a whole, our estimates point to the distribution of around 85 billion euros, which is a little more than 5% of the system's total book value. This simultaneous improvement in shareholder remuneration and in own funds has been the main factor driving the clearcut recovery in the banks' market values in 2023, a year in which the sector clearly outperformed other sectors.

This is evident in a comparison between the bank stock indices and the general indices, as illustrated in Exhibit 2 for both Spain and Europe. In both geographies, the banking indices have clearly outperformed, gaining close to 30% in Spain and Europe, which is nearly twice the general market gains.

Valuation gap: Explanatory variables

This positive stock market performance over the past year should not, however, mask the

> Banking indices have clearly outperformed, gaining close to 30% in Spain and Europe, which is nearly twice the general market gains.

> "The solvency perceived or priced in by the market is substantially lower than the solvency for regulatory purposes, which means that in the event of having to raise equity urgently, the cost would be very high in terms of dilution for existing shareholders."

reality that the banks' market value continues to lag book value by a considerable amount.

To document this claim, we analysed the relationship between the market capitalisation and book value at year-end 2023 of a broad sample of Spanish and European banks that have already presented their financial statements for the full year. The sample is made up of 22 European banks, including five Spanish banks, all of which are traded in the Euro STOXX Banks Index (and in the case of the Spanish banks, the Ibex Banks Index).

The sample is considered sufficiently representative for the purpose of analysing the sector's valuation as, between them, the 22 European banks analysed account for 50% of total assets in the banking union, and 70% of total bank assets in Spain in the case of the five Spanish banks analysed.

For the sample of banks analysed, the weighted average P/B ratio is still only 0.65x, despite the stock market gains of 2023, implying a valuation discount of 35% to book value.

That valuation gap is being watched with interest, and some concern, by the regulators and supervisors, as it means that the market is applying a significant discount to the value of the banks' own funds for accounting purposes, which are the basis of their capital adequacy ratios. In other words, the solvency perceived or priced in by the market is substantially lower than the solvency for regulatory purposes, which means that in the event of having to raise equity urgently, the cost would be very high in terms of dilution for existing shareholders. That is why the authorities are monitoring the key valuation metrics closely and trying to identify the factors that are hindering closure of the gap relative to book value.

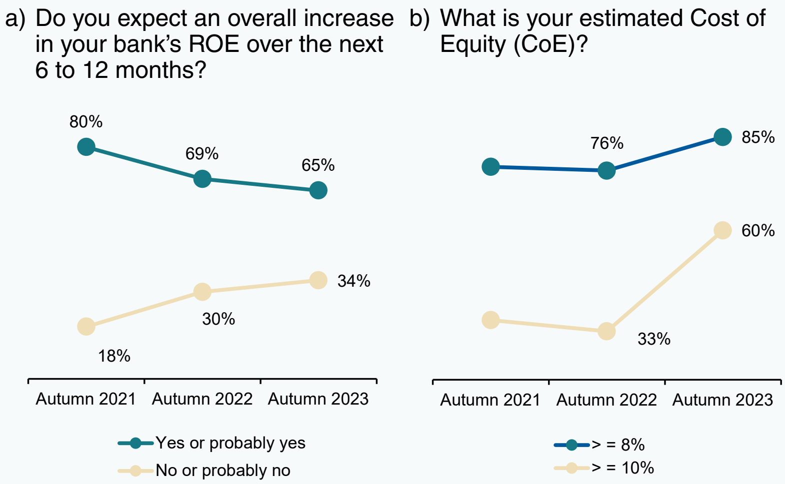
The conventionally accepted business valuation models rely on the ratio between the return a business can obtain on its equity on a recurring basis (ROE) and the cost of equity required by the market to provide those funds (CoE), so that a business that generates an ROE above its CoE would fetch a P/B ratio of over 1, while a P/B ratio of under 1 indicates an ROE below its cost of capital.

For many years it was assumed that, in the case of the European banks, the cost of capital required by the market was around 10% such that, once the banking business was able to generate an ROE above that threshold on a sustained basis, the valuation gap relative to book value would be eliminated, that gap having gone as a high as 50% in the years in which the banks were generating ROEs of 5%, or even lower.

That said, delivery of an ROE of just over 10% in 2023 has not been sufficient to close the valuation gap, which remains at over 30%. Given the aforementioned correlation between the ROE and CoE implied by the P/B ratio, it can be deduced that the inability to close the gap can be attributed to one or both of the following factors: a) doubts about the banks' ability to sustain the current ROE levels; and/or b) the cost of equity (CoE) required of the banks has increased above the conventionally assumed threshold of 10%.

The explanation probably lies more with the second factor, or at least that is the takeaway from the responses provided to the *Risk Assessment Questionnaire* carried out by the European Bank Authority (EBA) across a wide sample of European banks, whose latest survey, from autumn 2023, throws up interesting food for thought with respect to ROE and CoE. Specifically, the Questionnaire asks the banks about their outlook for growth

Exhibit 3 **EBA *Risk Assessment Questionnaire:* ROE and CoE**



Source: RAQ, EBA Risk Dashboard 3Q23.

in their ROE over the next 6 to 12 months and also asks them for their estimated CoE. Recall that the cost of equity is a variable that is not explicitly observable and can only be derived using valuation models or on the basis of surveys of market participants or bank managers, as in the case of the EBA Questionnaire. Exhibit 3, parts a) and b), synthesises the responses provided in the last Questionnaire and compares them with those provided during the previous two surveys, for 2021 and 2022.

In the case of ROE, albeit less pronounced than in the previous two surveys, the majority of respondents continues to expect an increase, supporting the hypothesis that ROEs are sustainable at current levels.

However, the change in the respondent banks' perceived cost of equity (CoE) is more explicit. Compared to just one-third of the banks who estimated their CoE at 10% or higher a year ago, in the last survey a clear majority (60%) of the banks identified 10% as the lower limit of their estimated CoE.

Without questioning the banks' perception that their cost of equity has increased in the past year (attributable, to a degree, to an element of "stagnation" in long-term interest rates at high levels), the discount at which the European and Spanish banks are currently trading seems excessive considering that a good percentage of the banks surveyed see their ROEs as sustainable over the coming year.

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Marta Alberni, Ángel Berges and Alejandro Montesinos. Afi

Spain's budget: Challenges for 2024

While at first glance Spain's 2023 fiscal performance appears favorable, lack of adjustment on the structural deficit paints a less optimistic picture going forward. Continued structural fiscal adjustment will be needed to improve the probability of compliance with the new EU fiscal deficit targets.

Santiago Lago Peñas

Abstract: Delivery of the targeted deficit below 4% for 2023 is plausible, thanks to the healthy momentum in tax collection boosted by higher than expected growth in gross domestic product (GDP). At first glance, the anticipated outcome for 2023 appears favourable and in line with expectations, with last year's deficit around 1% of GDP lower than that of 2022. However, the result is less favourable if we take into consideration the scant adjustment in the structural deficit, which in 2023 will exceed headline deficit figures. Domestic political tensions first delayed the 2024 budget process and ultimately resulted in the draft budget being pulled in order to begin preparing the 2025 budget. Despite a likely increase in tax revenues as a result of the upside in GDP growth once again, there is no guarantee that Spain will escape the EU's Excessive Deficit Procedure in 2024, which, under the new rules, will continue to be activated in the event of a deficit over 3% of GDP. For this reason, fiscal decisions altering the 2023 extended budget in the next months should be compatible with a significant reduction of the structural deficit to advance toward compliance with the EU's deficit and debt targets.

Forecasts for 2023 [1]

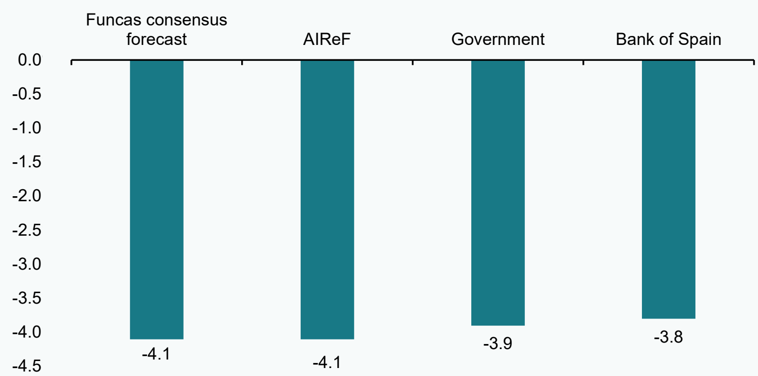
At the time of writing, the definitive figures for 2023 were not yet available. Exhibit 1 provides the deficit forecasts of the Spanish

> Delivery of the targeted deficit of 3.9% is plausible, thanks to a healthy momentum in revenue, in turn facilitated by higher than anticipated growth in gross domestic product (GDP) that exceeded all expectations.

Exhibit 1

Updated deficit forecasts for 2023

Percentage of GDP



Sources: Author's own elaboration based on Government of Spain (2023a), AIReF (2023b), Bank of Spain (2024) and Funcas (2024).

government, which have not changed during the past year, the Bank of Spain, AIReF and Funcas (consensus). They all fall within a range of 3.8% to 4.1%. Therefore, delivery of the targeted deficit of 3.9% is plausible, thanks to healthy momentum in revenue, in turn facilitated by growth in gross domestic product (GDP) that exceeded all expectations. The growth in tax receipts reflected the impact of the response to the inflation crisis which began during the last quarter of 2021. The deficit will be around one percentage point of GDP lower this year than in 2022 (4.8%). On paper, that looks like a good result and in line with expectations (Lago-Peñas, 2022).

The assessment is less encouraging if we look at the structural component of the observed deficit. According to the calculations included by the Spanish government in the budgetary plan sent to the European Commission in October of last year (Government of Spain, 2023b), that deficit component will fall by just 0.3pp, from 4.5% to 4.2%. Therefore, two

> According to the Spanish budgetary plan sent to the Commission in October of last year, the structural deficit will fall by just 0.3pp, from 4.5% to 4.2%.

"Although it is probable that tax revenue will increase as a result of the upside in GDP growth, not having a new budget for 2024 means that there is no guarantee that Spain will be saved from the Excessive Deficit Procedure which, under the new rules, will continue to be activated in the event of deficits in excess of 3%."

thirds of the improvement will be attributable to the business cycle. In 2023, the structural deficit will exceed the headline deficit.

2025 budget pending

The snap election in July 2023 and the protracted investiture process delayed the process of preparing the general state budget for 2024 (2024 GSB), so this year began with the rollover of the 2023 GSB and a Draft Budgetary Plan for 2024 (Government of Spain, 2023b). The latter document assumed no change in current policies and no extension of the anti-inflation policies in place in 2023. It did, however, factor in the increase in pension expenditure and the increase in the remuneration of public employees. Given that the accumulated cost of those anti-inflation compensation measures was equivalent to close to 1% of GDP in 2023, their elimination was expected to deliver a substantial decrease in the structural deficit, from 4.2% to 3.4%. In parallel, the improvement in the cyclical component was expected to bring the overall deficit down towards 3%. That is of particular importance in light of the reinstatement of the fiscal rules, a matter discussed in detail at the end of this paper.

However, in January 2024, the Congress of Deputies decreed the partial maintenance of this package of anti-crisis measures, so modifying these calculations. According to estimates by García-Arenas (2024), the temporary extension of the VAT and excise duty cuts, the transport assistance and the financing for household natural gas discounts will be equivalent to approximately 0.3pp of GDP. Although it is probable that tax revenue will increase as a result of upside in GDP growth, the fact of not having a new budget for 2024 means that there are no new discretional measures to guarantee that Spain will be saved from the Excessive Deficit Procedure which, under the new rules, will continue to be activated in the event of deficits in excess of 3%.

For the reasons given above, coupled with the limits implied by the lack of a budget tailored for the commitments and objectives of the government at the start of the legislature, approval of the 2024 GSB was considered a priority.

The events of February made it clear that it will be hard to get backing for budget stability targets in a Senate in which the majority is in the hands of the main opposition party (Partido Popular). The government refused to accept the demands made by Partido Popular: deflation of personal income tax, reduced VAT on electricity, gas, meat, fish and canned foods, elimination of the tax on electricity generation and creation of a

"The events of February made it clear that it will be hard to get backing for budget stability targets in a Senate in which the majority is in the hands of the main opposition party."

> It would take a fiscal consolidation plan that looks seven years ahead to enable a meaningful reduction in the pace of correction, approximately 0.25 percentage point per annum.

fund to finance regional spending on health, education, and social policies. As a result, the stability targets were voted down twice, for the second time on 6 March, leading to an unprecedented situation for which prevailing legislation has no clear solution. Under the scope of a report issued by the state's legal counsel, the government opted to sidestep the double veto in the upper house by returning to the targets established in the Stability Programme Update sent to Brussels in March 2023. [2]

That strategy was abruptly interrupted on 13 March when the regional government of Catalonia called a snap election, to which the central government immediately responded that it would no longer seek to approve a budget for 2024. Instead, the Ministry plans to start to work on the 2025 GSB soon. That decision has three key consequences: it makes it harder to implement the coalition agreement reached between PSOE and Sumar; it complicates the materialisation of the investiture agreements that require budget funding; and it further entrenches fiscal policy inertia in Spain.

The government finds itself faced with a complex sudoku which will require a lot of skill to solve. To ensure its stability and the support of its allies in Congress, the government will be forced to resort to decrees to cover increases in public spending. Increase that will come on top of the cost of partially extending the above-mentioned package of anti-crisis measures and other initiatives not contemplated in the Draft Budgetary Plan, specifically including the reimbursement of corporate income tax (as a result of the Constitutional Court ruling STC 11/2024 of 18 January) [3] and the personal income tax adjustment passed by the Cabinet on 6 February 2024 so that the lowest income brackets do not become taxable in the wake of the increase in the minimum wage, which, according to the Ministry of Finance, could cost nearly 0.1pp of GDP (1.39 billion euros). Lastly, the extension in time of the temporary windfall taxes on energy companies, banks and financial institutions and the so-called solidarity tax on large fortunes via Royal Decree-Law 8/2023 of 27 December 2023 does not affect the revenue currently forecast for 2024 in the Budgetary Plan but rather that of 2025. [4]

The new fiscal rules and upcoming tightening

Spain's budget predicament for the rest of the decade is challenging. Not only to comply with the European fiscal governance framework, but also to keep the debt service burden under control so as to have a financial buffer in the event of future shocks and preserve a credit reputation to shield it from financial storms affecting sovereign debt.

The new fiscal rules agreed at the Ecofin Council summit on 20 December 2023 and endorsed in February by the European Parliament, Commission and Council following small

> Projections indicate the need to reduce public debt by 0.64 points of GDP per annum between 2025-2028, for a cumulative reduction of 2.56 points, to meet several requirements under the new EU fiscal framework.

modifications, provide more flexibility than the previous rules. However, Spain's current fiscal metrics leave it at a distance from complying with the quantitative targets for its public deficit and debt as a percentage of GDP. Reducing the structural budget deficit is therefore imperative. Specifically, Spain needs to reduce its structural deficit by half a percentage point per annum until the headline deficit falls below 3% of GDP and by 0.4 percentage points from when it crosses that threshold until it reaches 1.5%. It would take a fiscal consolidation plan that looks seven years ahead to enable a meaningful reduction in the pace of correction, approximately 0.25 percentage points per annum.

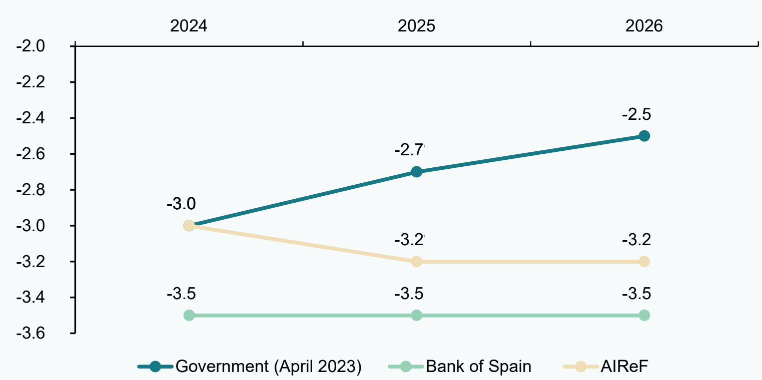
Exhibit 2 depicts the fiscal consolidation pathways estimated for 2024-2026 by the government, Bank of Spain and AIReF. Even assuming that Spain can reduce its deficit to under 3% in 2024, the reductions forecast for 2025 and 2026 may prove insufficient. First of all, because AIReF and the Bank of Spain believe that the deficit could rise back above the 3% mark. Secondly, because the government itself is only forecasting a reduction of 0.3 and 0.2 percentage points in the headline deficit in 2025 and 2026, respectively, and of just 0.2 percentage points in the structural deficit (Government of Spain, 2023a). Therefore, even if Spain manages to negotiate a seven-year plan, the reduction in the structural deficit would fall somewhat short of what will be demanded. Thirdly, because the new rules are more stringent around the public debt dimension. AIReF's calculations (2024) use the European Commission's prevailing methodology to monitor the sustainability of Spain's public debt and its requirements under the incoming rules. The combination of deterministic and stochastic projections indicates the need to reduce public debt by 0.64 points of GDP per annum between 2025-2028, for a cumulative reduction of 2.56 points, to meet several requirements under the new framework. That figure could be reduced to 0.36pp if the government tries to take advantage of the possibility of extending the adjustment period beyond seven years (2025-2031).

The simulations performed by Lorenzo, Martínez and Pérez (2023) provide fresh insight into the issue. They estimate the structural public deficit reduction needed for Spain to be able to reduce its public debt-to-GDP ratio by 20 percentage points over a decade. That would put Spain's public debt below 90%, a figure with new-found

Exhibit 2

Public deficit forecasts, 2024-2026

Figures expressed as percentage points of GDP



Sources: Author's own elaboration based on Government of Spain (2023a), AIReF (2023a) and Bank of Spain (2024).

> With no change in policy, the debt to GDP ratio would become entrenched at over 100%, increasing sharply in the 2040s.

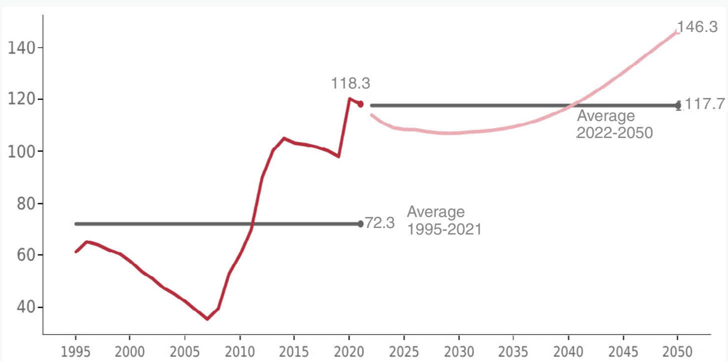
significance in the new European fiscal governance framework by way of interim target on the path towards the 60% threshold. In their baseline scenario, in which the fiscal multiplier stays within the median range estimated in economic literature, Spain would need to go from its current structural deficit of around 4% to very close to zero in structural terms. Once again, that would require annual fiscal consolidation of 0.4 percentage points.

Exhibit 3 illustrates the potential consequence of not tackling fiscal consolidation. With no change in policy, the debt to GDP ratio would become entrenched at over 100%, increasing sharply in the 2040s, which is when Spain's baby boomers are set to retire. Moreover, these simulations do not model the potential impact on Spain's public finances of factors such as climate change and the energy transition. The impact of extreme weather events such as droughts, coastal flooding, river bank flooding and wind storms is expected to be particularly intense in Spain by comparison with the EU-27 average. Some of the projections published by the European Commission and IMF show that by 2032, the cumulative impact of climate change

Exhibit 3

Ratio of public debt to GDP to 2050. AIReF's projections in the baseline scenario

Figures expressed as percentages



Source: Author's own elaboration based on AIReF's interactive debt simulator.

> Management of the fiscal consolidation challenge in a proactive and sustainable manner will come up against economic policy issues, aggravated by the fatigue that could come from having to keep up efforts over time.

and energy transition on Spain's public debt ratio could imply an increase in the country's public debt of over five points of GDP (Lago Peñas, 2024).

Without question, management of the fiscal consolidation challenge in a proactive and sustainable manner will come up against economic policy issues, aggravated by the fatigue that could come from having to keep the effort up over time. The combination of spending and revenue measures is a crucial policy decision which should be articulated around three fundamental axes of change. The first is to fully embrace a culture of public spending assessment and consequential decision-making. The second is to comprehensively reform the Spanish taxation system to deliver more efficient and just collection irrespective of the targeted ratio of revenue to GDP. The third is to embark on an educational drive to convince Spanish citizens of the importance of solid public finances.

With respect to this third line of initiative, the work done by Lago-Peñas (2022) shows that the citizens that acknowledge greatest interest in economic affairs are more aware of the public deficit issue in Spain and the need to address it, reinforcing the idea that outreach and engagement on this topic is worthwhile. Elsewhere, citizens' political ideology colours their preferences about the composition of the fiscal adjustments required: those that lean more to the left are more inclined to increase taxes than cut spending than those that lean more to the right. Econometric estimates show that left-wing party voters tend to perceive the public deficit as a less serious issue. That suggests it might be worth insisting on the message that healthy public finances are essential so that the public sector can intervene actively in the event of an unexpected shock and so that an excessive debt service burden does not absorb funds that could otherwise be used to improve public services.

Notes

[1] The author would like to thank Diego Martínez López for his feedback on an earlier version of this paper.

[2] Literally, the report concludes that: "due to the lack of approval, in accordance with internal legislation, of a convergence path towards budget equilibrium, the contents of the Stability Programme will be applicable, provided that it has been favorably evaluated by the Council [of the EU]"; something the latter did in the recommendations it issued in the wake of its assessment of the Stability Programme of the Kingdom of Spain last July.

[3] Although the impact of this ruling is unclear, some provisional estimates point to a range of between 4 and 7 billion euros (*El País*, 12-2-2024, p. 25), some of which could materialise subsequent to 2024.

[4] Those taxes were initially to be applied to earnings for 2022 and 2023 but effectively paid in 2023 and 2024, respectively.

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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)

Bank of Spain Circular 1/2024 on capital structure disclosures, amending Circular 1/2009 (*Official State Gazette:* 1 February 2024)

The purpose of this Circular is to establish the confidential information that has to be provided to the Bank of Spain regarding acquisitions, increases and reductions in shares in the financial institutions falling under its scope and about their capital structures. It entered into force 20 days after its publication.

The Circular's scope of application includes the following entities: the banks and credit cooperatives; specialised lending institutions, including hybrid firms; certain payment institutions; and electronic money institutions, including hybrid firms.

Those entities must disclose to the Bank of Spain:

- Acquisitions of significant shareholdings in the entity;
- Acquisitions of shareholding in the entity that, without being significant, drive the share of voting or equity rights held to or above 5%;
- Increases in shareholdings in the entity that drive the share of voting or equity rights held to or above 20%, 30% or 50%, or that give control over the entity (control is presumed to exist when any of the circumstances itemised in article 42 of the Code of Commerce are met), and
- Losses of or decreases in significant shareholdings in the entity or decreases that imply a reduction in the share of voting or equity rights held to below the above-listed thresholds or that imply the loss of control over the entity.

Moreover, the bound entities must inform the Bank of Spain of their share capital structures indicating:

- All of the direct holders of the shares, equity holdings or share capital contributions that are considered "financial institutions".
- All other direct holders that hold in their name shares, equity holdings or share capital contributions that represent a percentage of share capital in the entity equal to or higher than 0.25% in the case of banks, 1% in the case of credit cooperatives and specialised lending institutions and 2.5% in the case of payment institutions and electronic money institutions.
- The summation of other direct holders that hold in their name shares, equity holdings or share capital contributions that do not, individually, meet the above-listed thresholds.

In addition, payment institutions and electronic money institutions must disclose the "financial institutions" that hold their shares or equity holdings indirectly.

The banks, credit cooperatives and specialised lending institutions must provide that information quarterly and the payment institutions and electronic money institutions must provide it six-monthly. The data provided must be that related to the last day of the reporting period.

The capital structure disclosures have to be provided for the first time as of 31 March

2024, for those that have to provide quarterly disclosures and as of 30 June 2024, for those providing six-monthly disclosures. Until then, the entities must continue to provide the information required of them under Circular 1/2009.

Lastly, this new Circular partially repeals Circular 1/2009 (the rules and annexes repealed include those regarding information about equity holdings in the now-defunct savings banks) and modifies it to allow the presentation to the Bank of Spain of the information about credit institution branches online. Authorisation to provide that information in hard copy format will be provided exceptionally and only when duly justified.

Modification of the Bank of Spain's Guidelines on the internal capital and liquidity adequacy assessment process with respect to management of interest rate risk and credit spread risk arising from non-trading book activities (Bank of Spain's website: 19 February 2024)

Modification of the Guidelines for the Internal Capital Assessment Adequacy process (ICAAP) and Liquidity Assessment Adequacy process (ILAAP) at credit institutions stems from adoption by the Bank of Spain of the Guidelines EBA/GL/2022/14 issued in accordance with article 84.6 of the CRD specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities. The amendments took effect on the date of their approval (19 February 2024) and apply to the entities supervised in respect of their adequacy reports related to 31 December 2023.

The modifications made to the Guidelines for credit institutions refer, broadly, to the following elements of the ICAAP report:

- The specialised lending institutions are brought under the scope of application of the Guidelines (only those that have to prepare an ICAAP report).

- Addition of the definition of the CSRBB acronym: credit spread risk in the banking book.

- The simplified standardised approach for IRRBB (interest rate risk in the banking book) is aligned with the current definition of the supervisory outlier tests (SOT) provided in Directive (EU) 2019/878, where the sensitivity of the economic value of equity (EVE) threshold used for that approach has been changed to 15% of Tier 1 capital instead of 20% of total own funds. The EVE sensitivity values are also factored into the six rate scenarios defined in the Directive.

- Addition of a reference to the expectation that the entities should explicitly assess the materiality of their credit spread risk (CSRBB) and include in their ICAAP reports information about how they quantify and measure that risk and, if appropriate, allocate capital to it internally. Moreover, the entities must contemplate credit spread risk in the stress tests provided in their ICAAP reports.

- Whenever an entity surpasses the threshold defined by the sensitivity of the results, in addition to signalling the measures taken to correct the situation, they are required to evaluate the need to allocate additional capital to this risk.

Spanish economic forecasts panel: March 2024*

Funcas Economic Trends and Statistics Department

The 2024 growth forecast has been raised to 1.9%

GDP grew by 0.6% in the fourth quarter of 2023, double the consensus estimate in the January Panel. The knock-on effect of this result on the annual rate for 2024, together with the positive performance as suggested by available indicators from the start of the year, has led to an upward revision of the forecast for 2024 by three tenths of a percentage point, to 1.9% (Table 1).

The growth projection for domestic demand has been revised upwards – mainly for public consumption, while investment (GFCF) has been revised downwards. Likewise, the contribution of the external sector has been revised upwards from negative to zero. Quarter-on-quarter rates of 0.4% are expected throughout the entire year (Table 2).

The 2025 GDP forecast is 2%

The Panel requested forecasts for the year 2025 for the first time. The consensus is for 2% GDP growth. The acceleration with respect to 2024 is expected to come from GFCF and the increase in the contribution of the foreign sector, which is estimated at 0.2 percentage points, while public consumption is expected to slow down significantly. Quarter-on-quarter GDP growth rates are still projected at around 0.5%.

The inflation rate is still expected to be above 2% at the end of 2025

The inflation rate slowed in February somewhat more sharply than anticipated, to 2.8%, largely influenced by the weather-related drop in electricity prices.

The panelists expect the rate to move upwards again in the coming months (Table 3). For the year as a whole, an average annual rate of 3% is expected for the overall rate (unchanged from the previous forecast) and 3.1% for the core rate (up one tenth of a percentage point).

Forecasts for 2025 stand at 2.3% and 2.5% for the general and core rates, respectively. The December year-on-year rate remains above 2%.

The labor market continues to show strength

The labor market continued to show strength at the beginning of the year. Seasonally adjusted job creation even accelerated in February, according to Social Security enrollment data.

The employment growth forecast for 2024 has been revised upwards by five tenths of a percentage point to 2%. A slowdown to 1.8% is expected for 2025. The average annual unemployment rate is expected to stand at 11.6% this year and 11.2% next year.

The implicit forecast for productivity and unit labor cost (ULC) growth is obtained from the forecasts for GDP, employment and wage growth. Productivity per full-time equivalent job is expected to fall by 0.1% this year and to grow by 0.2% next year while ULCs are expected to increase by 3.7% in 2024 and 2.8% in 2025, in line with the process of price disinflation.

Higher-than-expected external surplus in 2023

The current account balance recorded a surplus of 36.6 billion euros (provisional figures) in 2023, the best result in the historical series in nominal terms. Relative to GDP, the surplus was 2.5%, just below the historical highs of 2016 and 2017. Particularly noteworthy was the trade surplus, an all-time high, in this case, both in nominal terms and as a percentage of GDP.

The current account surplus forecast for 2024 has been raised to 1.9% of GDP, and that for 2025 is set at 2%, still high by historical standards.

Public deficit projection has been maintained

The figures for the general government deficit for 2023 are not yet known. Up to November, general government excluding local corporations recorded a deficit of 27.9 billion euros, only 1.9 billion less than in the same period of the previous year.

The consensus among analysts maintains the public deficit forecast at 3.6% of GDP for 2024, and it is not expected to fall below 3% in 2025 –the forecast is 3.2%.

The European environment remains unfavorable

Global uncertainties, together with armed conflicts, continue to weigh on international trade and force a complex transition of supply chain and energy models. Another factor complicating the scenario has been the effect of the restrictive interest rate hike cycle. In both cases, the impact in the eurozone is more pronounced than in other advanced economies, particularly the US. Finally, the international environment is also suffering from China's adjustment following the bursting of the credit bubble, with implications on domestic demand and international trade.

The differential impact of these shocks across blocs is reflected in the economic indicators. The PMI business turnover index remains in contractionary territory within the eurozone, although a slight upturn is perceptible according to the March figure. In its March projections, the ECB cut its growth forecast for the eurozone to 0.6% (two tenths of a percentage point lower than in the December round). This context of weak demand has also led to a reduction in the inflation forecast to 2.3% (four tenths of a percentage point lower). By contrast, in the case of the US, the PMI indicator points to continued expansion in both industry and services. Finally, in China, the indicator is consistent with the persistence of a weak growth rate.

Altogether, the Panel's assessments remain pessimistic about the international context (Table 4). There is no clear change in trend in the short-term in the EU. Outside Europe, however, the number of panelists anticipating a deterioration has been reduced (3 *versus* 6 in the previous Panel).

Interest rates expected to fall slowly

Central banks consider that the de-escalation of inflation faces important challenges. On the one hand, wages continue to rise at a faster pace than would be consistent with the price stability objective. In addition, inflation in the services sector is resilient to the downside – a phenomenon already observed in other inflationary episodes. Not to mention the risks to energy prices and shipping from the turmoil in the Middle East.

This explains why, for the time being, central banks are opting for a cautious approach to interest rate cuts – although such a shift would be consistent with weak demand, at least in Europe. In any case, both the ECB and the Federal Reserve are sticking to their balance sheet reduction plans. As a consequence of this quantitative tightening policy and the high levels of debt in most advanced economies, the OECD expects a significant increase in the supply of debt securities to be placed on the market over the next two years.

Everything points to the ECB maintaining its current interest rates at least until June. Analysts expect the first rate cut in that month, followed by two additional cuts, bringing the deposit facility to around 3.25% by the end of the year, unchanged from January's assessment (Table 2). The downward path would continue in 2025, although the terminal level of interest rates would be much higher than that prevailing in the monetary easing era.

Market interest rates would follow a less pronounced trend. The Euribor is still expected to stand at 3.2% at the end of this year (practically the same as in the previous assessment) and 2.75% at the end of 2025. The decline in yields on Spanish 10-year government bonds is expected to be even more gradual, still standing at around 3% at the end of next year.

Stability of the euro against the dollar

Since the last Panel, the euro has depreciated slightly against the dollar, reflecting the relative strength of the US economy. However, the trend appears to have been interrupted, and analysts are forecasting relative exchange rate stability over the forecast period (Table 2).

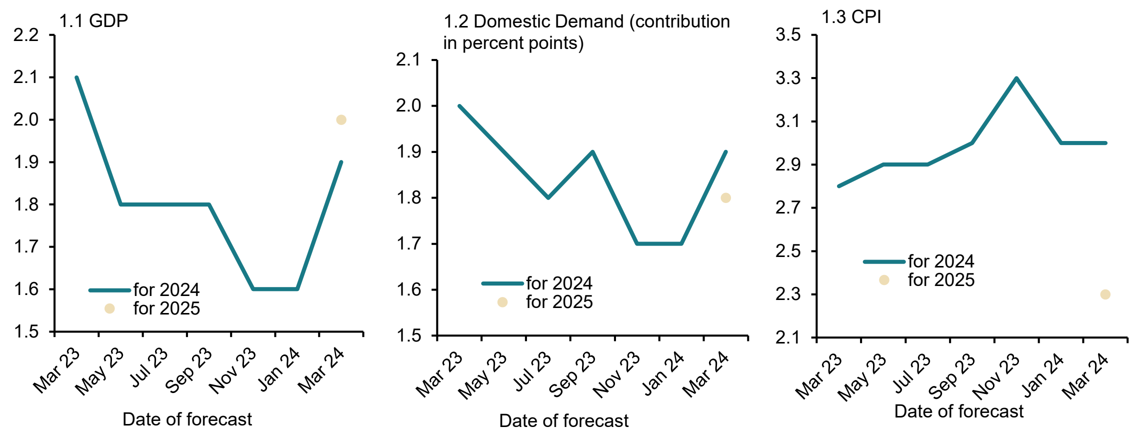
Fiscal policy should be less expansionary

Quasi-unanimity persists with respect to the expansionary impulse being exerted by fiscal policy, when a more neutral position would be expected given the relative strength of the Spanish economy (Table 4). As to monetary policy, the assessments continue to coincide in its current restrictive stance. However, there is a slight increase in the number of panelists who consider that this policy should be less restrictive (10 *versus* 8 in the previous Panel).

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

** The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 19 research departments listed in Table 1. The survey, 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: March 2024*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – March 2024

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]	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	1.8	1.8	2.0	1.3	1.9	0.8	1.6	2.5	2.7	2.9	0.4	1.4	1.9	1.4
BBVA Research	2.1	2.0	2.0	1.7	2.6	1.0	3.1	7.3	2.5	8.9	3.5	7.2	2.5	2.5
CaixaBank Research	1.9	2.2	2.4	2.3	2.9	1.6	0.3	3.1	-0.2	3.8	-0.2	2.8	2.3	2.3
Cámara de Comercio de España	2.0	1.9	1.7	1.5	2.5	1.4	2.1	2.1	1.8	1.9	2.4	2.2	1.9	1.9
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.9	2.3	2.0	2.4	1.2	1.0	1.9	2.1	2.5	2.3	1.5	1.9	1.8	2.1
Centro de Predicción Económica (CEPREDE-UAM)	2.1	2.4	1.7	1.4	4.5	2.3	6.6	5.1	8.9	5.8	5.8	4.3	3.2	2.3
CEOE	1.8	2.0	1.5	1.7	1.0	0.5	1.1	1.6	1.0	1.4	1.0	1.3	1.6	1.4
Equipo Económico (Ee)	2.1	2.0	1.9	2.0	2.9	0.7	2.0	2.5	2.4	2.9	2.0	2.5	1.9	1.7
EthiFinance Ratings	1.9	2.0	2.1	1.8	2.3	0.8	2.3	5.9	3.1	3.0	1.3	5.9	--	--
Funcas	1.8	2.0	1.8	2.0	2.8	0.7	0.5	2.8	0.4	2.7	0.6	2.9	2.0	1.8
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.1	2.0	1.7	1.8	2.0	1.0	2.2	3.2	2.1	3.4	2.0	3.0	2.0	2.1
Instituto de Estudios Económicos (IEE)	1.7	1.9	1.4	1.5	1.5	1.0	1.3	2.4	0.8	3.0	1.4	2.0	1.7	1.6
Intermoney	1.8	1.7	2.2	1.8	1.0	1.2	3.2	2.6	3.0	3.9	3.5	1.5	2.1	0.0
Mapfre Economics	1.4	1.8	1.4	1.7	0.7	0.9	1.7	4.9	--	--	--	--	1.0	1.9
Metyis	2.0	2.0	1.9	2.1	1.1	1.3	2.8	2.5	2.3	2.2	3.5	3.0	2.0	1.9
Oxford Economics	2.1	1.7	1.8	1.7	2.9	0.6	1.7	5.3	1.5	4.5	-0.2	3.3	1.7	2.0
Repsol	1.5	2.3	2.0	2.1	2.3	2.0	2.4	2.4	5.9	3.2	0.5	1.7	1.3	2.1
Santander	1.8	2.0	2.2	1.9	1.6	0.0	1.5	5.2	0.5	5.3	0.7	4.9	1.8	2.0
Universidad Loyola Andalucía	1.8	1.5	2.2	1.8	3.4	2.5	1.2	1.0	2.0	1.6	1.0	2.6	1.3	0.9
CONSENSUS (AVERAGE)	1.9	2.0	1.9	1.8	2.2	1.1	2.1	3.4	2.4	3.5	1.7	3.0	1.9	1.8
Maximum	2.1	2.4	2.4	2.4	4.5	2.5	6.6	7.3	8.9	8.9	5.8	7.2	3.2	2.5
Minimum	1.4	1.5	1.4	1.3	0.7	0.0	0.3	1.0	-0.2	1.4	-0.2	1.3	1.0	0.0
Change on 2 months earlier[1]	0.3	--	0.1	--	0.9	--	-0.3	--	-0.2	--	-0.3	--	0.2	--
- Rise[2]	16	--	8	--	15	--	5	--	5	--	5	--	11	--
- Drop[2]	1	--	7	--	3	--	9	--	8	--	9	--	3	--
Change on 6 months earlier[1]	0.1	--	0.1	--	0.8	--	-1.3	--	-1.0	--	-1.5	--	0.0	--
Memorandum items:														
Government (October 2023)	2.0	--	2.5	--	0.2	--	4.0	--	--	--	--	--	2.2	--
Bank of Spain (March 2024)	1.9	1.9	2.3	1.9	1.2	1.7	0.4	2.7	--	--	--	--	2.0	1.9
EC (February 2024)	1.7	2.0	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2024)	1.5	2.1	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2023)	1.4	2.0	1.9	2.0	1.6	1.3	1.4	2.3	--	--	--	--	--	--

[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 – March 2024

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)	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	0.8	4.1	1.0	3.3	3.1	2.2	2.8	2.4	3.5	2.7	0.9	2.2	11.8	11.6	0.7	1.3	-3.0	-3.0
BBVA Research	3.4	2.7	5.0	4.4	3.1	2.3	3.1	2.1	3.6	3.6	2.6	1.8	11.4	10.9	3.2	2.8	-3.6	-2.9
CaixaBank Research	0.2	2.1	1.2	2.3	3.0	2.5	2.7	2.5	3.9	3.0	2.4	1.8	11.8	11.4	2.3	2.5	-3.4	-2.9
Cámara de Comercio de España	1.4	2.5	1.2	2.4	2.7	2.6	3.3	3.0	--	--	1.9	1.7	11.3	10.9	2.6	2.5	-3.5	-3.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.4	4.6	3.2	2.9	3.3	2.8	3.2	3.0	--	--	1.2	2.1	10.4	10.0	1.0	1.0	-3.4	-2.8
Centro de Predicción Económica (CEPREDE-UAM)	2.4	4.3	5.5	4.1	2.9	2.4	--	--	4.3	3.2	2.3	1.7	12.2	11.9	1.0	0.7	-4.4	-4.6
CEOE	2.4	5.0	2.1	3.8	3.1	2.2	3.1	2.3	3.7	2.9	2.0	2.1	11.8	11.0	1.5	1.7	-3.7	-3.2
Equipo Económico (Ee)	1.5	1.9	1.0	1.3	3.0	2.3	3.2	2.4	3.9	3.6	2.1	1.3	11.8	11.7	1.4	1.8	-3.7	-3.5
EthiFinance Ratings	2.0	1.5	3.0	3.7	3.2	2.5	3.3	2.5	--	--	--	--	11.6	11.0	1.3	1.0	-3.8	-3.1
Funcas	1.2	2.9	1.4	2.7	3.1	2.1	2.9	2.2	3.0	2.7	1.3	1.3	11.5	10.6	2.4	2.8	-3.5	-3.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.8	3.0	2.7	3.5	3.2	2.5	3.1	2.8	--	--	1.5	1.5	11.4	10.8	2.5	2.5	-3.4	-3.0
Instituto de Estudios Económicos (IEE)	3.1	4.0	3.2	3.5	3.1	2.7	3.2	2.9	3.6	3.0	2.0	2.1	11.9	11.2	1.4	1.6	-3.8	-3.3
Intermoney	1.5	2.9	2.3	3.2	3.5	2.2	3.2	2.1	--	--	2.0	1.6	12.0	11.6	1.8	--	-3.6	-3.4
Mapfre Economics	2.3	3.4	1.4	4.1	2.4	2.0	3.0	2.5	--	--	--	--	11.4	11.4	3.2	3.4	-4.0	-3.1
Metyis	2.0	3.0	1.5	2.5	2.9	2.2	3.1	2.5	3.4	2.8	2.4	1.7	11.2	10.8	2.4	2.7	-3.4	-3.3
Oxford Economics	2.1	2.7	1.0	3.8	3.1	2.0	3.0	2.0	--	--	--	--	11.5	11.3	3.8	3.8	-3.6	-2.9
Repsol	2.3	3.8	1.7	3.5	3.1	2.5	3.3	2.7	3.2	2.5	2.1	2.5	11.9	11.0	1.0	1.5	-3.5	-3.0
Santander	1.9	2.8	3.0	3.1	3.0	2.3	3.1	2.2	--	--	1.4	1.6	11.7	11.2	--	--	--	--
Universidad Loyola Andalucía	2.0	2.3	0.6	1.8	2.0	1.7	3.7	3.5	--	--	3.1	1.9	11.4	11.9	1.1	1.2	-4.2	-3.8
CONSENSUS (AVERAGE)	2.1	3.1	2.2	3.2	3.0	2.3	3.1	2.5	3.6	3.0	2.0	1.8	11.6	11.2	1.9	2.0	-3.6	-3.2
Maximum	3.8	5.0	5.5	4.4	3.5	2.8	3.7	3.5	4.3	3.6	3.1	2.5	12.2	11.9	3.8	3.8	-3.0	-2.8
Minimum	0.2	1.5	0.6	1.3	2.0	1.7	2.7	2.0	3.0	2.5	0.9	1.3	10.4	10.0	0.7	0.7	-4.4	-4.6
Change on 2 months earlier[1]	0.5	--	0.2	--	0.0	--	-0.1	--	0.1	--	0.5	--	-0.1	--	0.4	--	0.0	--
- Rise[2]	10	--	7	--	4	--	7	--	5	--	10	--	4	--	11	--	4	--
- Drop[2]	3	--	7	--	8	--	7	--	3	--	2	--	10	--	0	--	3	--
Change on 6 months earlier[1]	-0.5	--	-0.9	--	0.0	--	0.0	--	0.1	--	0.4	--	-0.4	--	0.8	--	0.0	--
Memorandum items:																		
Government (October 2023)	2.4	--	3.3	--	--	--	--	--	--	--	1.4	--	10.9	--	1.9	--	-3.0	--
Bank of Spain (March 2024)	1.7	3.0	2.1	3.4	2.7[6]	1.9[6]	2.2[7]	1.9[7]	--	--	1.8[8]	1.1[8]	11.6	11.5	--	--	-3.5	-3.5
EC (February 2024)	--	--	--	--	3.2[6]	2.1[6]	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2024)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2023)	1.4	2.6	2.0	2.4	3.7[6]	2.3[7]	3.1[7]	2.2[7]	3.1	3.1	2.2	2.3	12.0	11.8	1.4	1.2	-3.2	-3.1

[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 – March 2024

	24-I Q	24-II Q	24-III Q	24-IV Q	25-I Q	25-II Q	25-III Q	25-IV Q
GDP[1]	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Euribor 1 yr [2]	3.69	3.53	3.37	3.19	3.02	2.89	2.80	2.74
Government bond yield 10 yr [2]	3.25	3.22	3.15	3.09	3.03	2.99	2.97	2.95
ECB main refinancing operations interest rate [3]	4.50	4.30	4.02	3.72	3.43	3.15	2.95	2.82
ECB deposit rates [3]	4.00	3.81	3.53	3.23	2.94	2.66	2.48	2.34
Dollar / Euro exchange rate [2]	1.08	1.09	1.09	1.10	1.10	1.10	1.11	1.11

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

Table 3

CPI Forecasts – March 2024

Year-on-year change (%)					
Feb-24	Mar-24	Apr-24	May-24	Dec-24	Dec-25
2.8	3.0	3.0	3.2	2.9	2.2

Table 4

Opinions – March 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	2	16	6	11	2
International context: Non-EU	0	4	15	2	14	3
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	1	18	2	17	0
Monetary policy assessment[1]	19	0	0	9	10	0

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

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
Chain-linked volumes. annual percentage changes											
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		2.5	1.8	3.8	0.8	2.3	-0.9	2.3	0.3	1.7	0.8
2024		1.8	1.8	2.0	1.1	1.5	0.7	1.2	1.3	1.8	0.0
2025		2.0	1.6	1.2	2.5	2.6	2.4	2.9	2.7	1.8	0.2
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	1.8	-0.2	3.1	-3.5	9.7	2.3	1.3	2.8
	II	2.0	1.8	4.5	1.3	3.5	-1.2	0.0	-0.3	1.9	0.1
	III	1.9	0.5	4.7	0.0	1.1	-1.2	-1.0	-2.4	1.4	0.5
	IV	2.0	2.3	4.1	2.1	1.6	2.5	1.0	1.7	2.1	-0.1
2024	I	2.1	2.4	4.1	0.7	2.0	-0.8	-2.6	-1.9	2.4	-0.3
	II	1.9	2.1	2.7	-0.1	-0.9	0.7	0.4	0.9	2.0	-0.2
	III	1.8	1.2	1.1	0.9	2.0	-0.4	4.7	4.2	1.5	0.3
	IV	1.6	1.3	0.3	3.1	2.8	3.4	2.8	2.3	1.4	0.3
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	0.5	0.3	0.1	2.9	1.1	4.8	4.7	4.5	0.2	0.3
	II	0.5	0.6	1.3	1.4	3.4	-0.8	-2.5	-2.3	0.6	-0.1
	III	0.4	1.2	1.6	-0.6	-2.6	1.7	-3.6	-2.8	0.8	-0.4
	IV	0.6	0.2	1.0	-1.6	-0.3	-3.2	2.7	2.5	0.4	0.1
2024	I	0.6	0.4	0.1	1.5	1.5	1.5	0.9	0.8	0.5	0.0
	II	0.3	0.3	0.0	0.6	0.5	0.7	0.4	0.4	0.3	0.0
	III	0.3	0.3	0.1	0.4	0.3	0.6	0.5	0.4	0.3	0.1
	IV	0.4	0.3	0.2	0.5	0.5	0.6	0.9	0.6	0.3	0.1
		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		1,462	55.6	19.9	19.3	10.4	8.8	39.0	34.8	95.9	4.1
2024		1,536	55.6	19.9	19.3	10.5	8.8	38.4	34.3	95.9	4.1
2025		1,603	55.4	19.7	19.5	10.7	8.8	38.6	34.5	95.9	4.1

Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2015=100

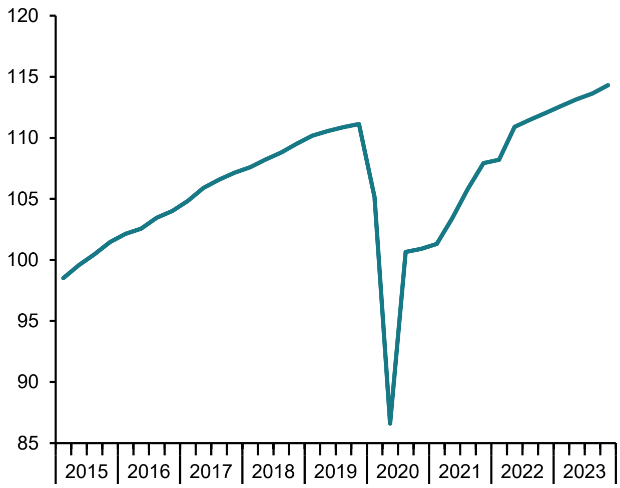


Chart 1.2 - Contribution to GDP annual growth

Percentage points

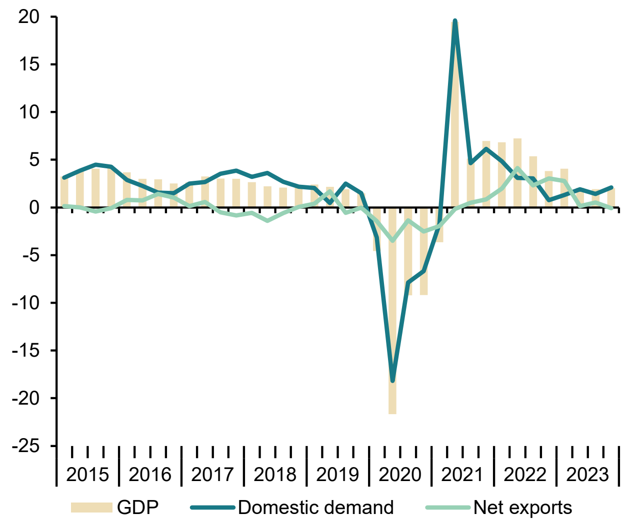


Chart 1.3 - Consumption

Level, 2015=100

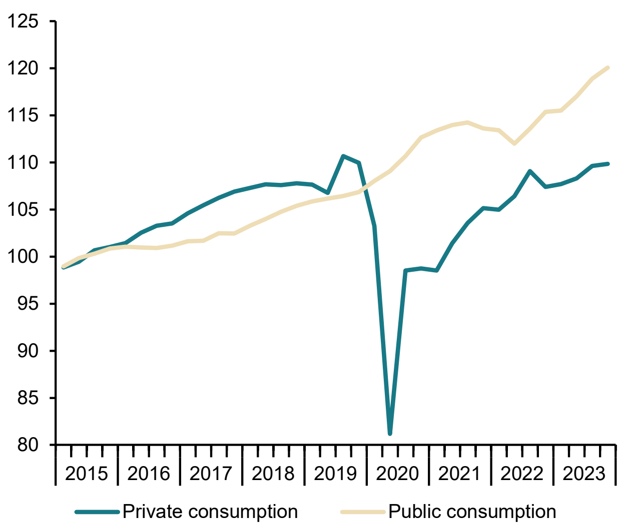


Chart 1.4 - Gross fixed capital formation

Level, 2015=100

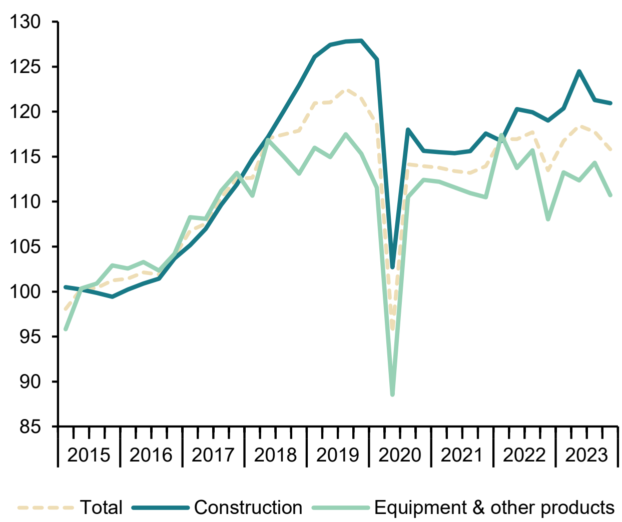


Table 2

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		2.8	-2.0	1.9	3.3	1.9	3.2	3.1	3.2	-0.2
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	-7.1	4.3	5.1	3.8	4.9	2.5	5.7	0.0
	II	2.4	-2.2	1.0	2.2	1.9	2.9	2.9	2.9	-1.3
	III	2.1	1.6	0.5	2.9	0.8	2.6	3.0	2.5	-0.3
	IV	2.1	0.3	1.9	3.0	1.1	2.4	3.7	1.9	0.9
Chain-linked volumes. quarter-on-quarter percentage changes										
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	2.5	1.2	2.0	0.4	0.1	-1.9	0.8	1.5
	II	0.5	-3.0	-1.1	-1.0	0.8	1.0	1.8	0.7	0.6
	III	0.5	-4.2	-0.6	0.8	-0.7	1.0	1.0	1.0	-0.9
	IV	0.7	5.3	2.4	1.1	0.6	0.2	2.9	-0.6	-0.3
		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
2023		1,332	2.6	16.7	12.6	5.5	75.2	17.5	57.7	9.7

** Seasonally and Working Day Adjusted.*

(Source: INE.

Chart 2.1 - GVA by sectors

Level, 2015=100

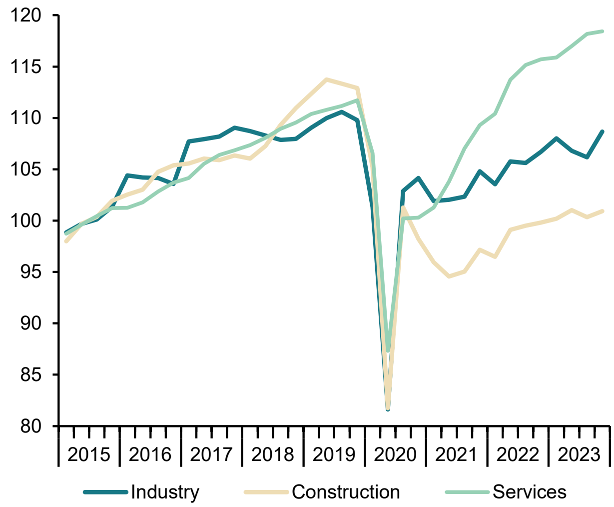


Chart 2.2 - GVA. Industry

Level, 2015=100

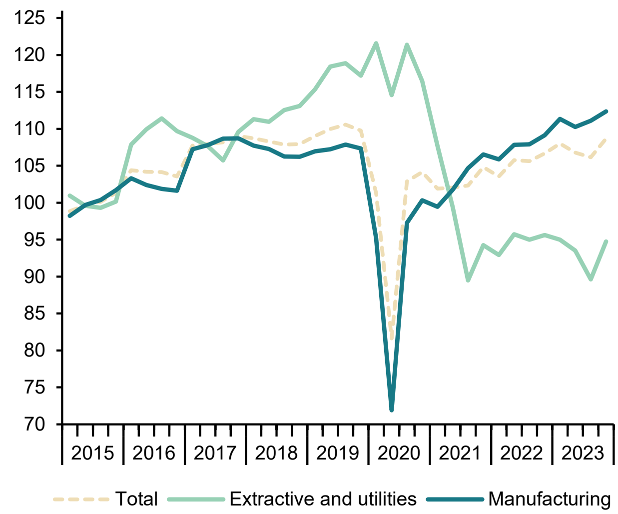


Chart 2.3 - GVA, services

Level, 2015=100

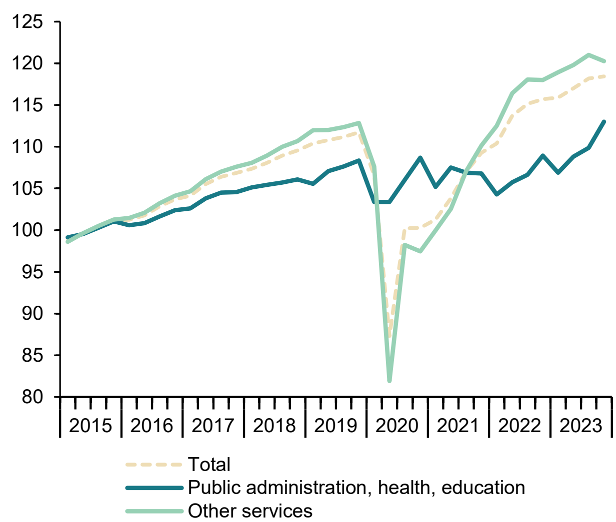


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

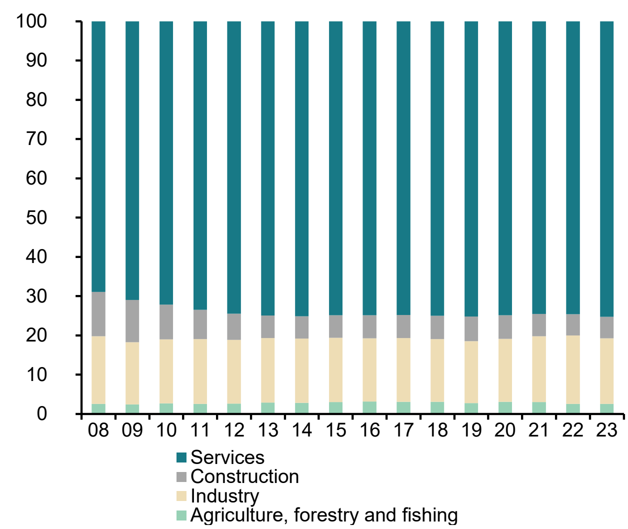


Table 3

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		113.4	119.8	94.7	116.7	123.3	103.1	111.2	112.6	98.7	116.1	117.6	94.8
2024		115.5	122.0	94.7	120.8	127.6	103.4	--	--	--	--	--	--
2025		117.8	123.1	95.6	124.1	129.7	102.8	--	--	--	--	--	--
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	112.6	117.8	95.6	115.5	120.8	101.8	111.3	113.0	98.5	111.7	113.4	91.0
	II	113.2	118.5	95.5	115.4	120.8	101.8	110.2	112.5	98.0	113.3	115.6	94.9
	III	113.6	121.0	93.9	117.6	125.3	105.1	111.1	112.2	99.0	118.6	119.8	96.1
	IV	114.3	121.9	93.8	118.3	126.2	103.7	112.3	112.8	99.5	120.9	121.5	97.3
		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		2.5	3.2	-0.7	5.2	6.0	0.1	3.3	1.0	2.3	5.4	3.0	-2.7
2024		1.8	1.8	0.0	3.5	3.5	0.3	--	--	--	--	--	--
2025		2.0	0.9	1.0	2.7	1.7	-0.6	--	--	--	--	--	--
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	6.1	4.5	-1.7	5.1	3.7	1.4	5.4	3.9	-5.6
	II	2.0	3.2	-1.2	5.4	6.6	0.2	2.2	0.0	2.2	5.5	3.2	-2.6
	III	1.9	3.3	-1.3	4.9	6.3	0.2	2.9	0.4	2.5	4.5	1.9	-3.0
	IV	2.0	3.9	-1.8	4.7	6.6	1.5	2.9	0.0	2.9	6.2	3.3	0.3

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

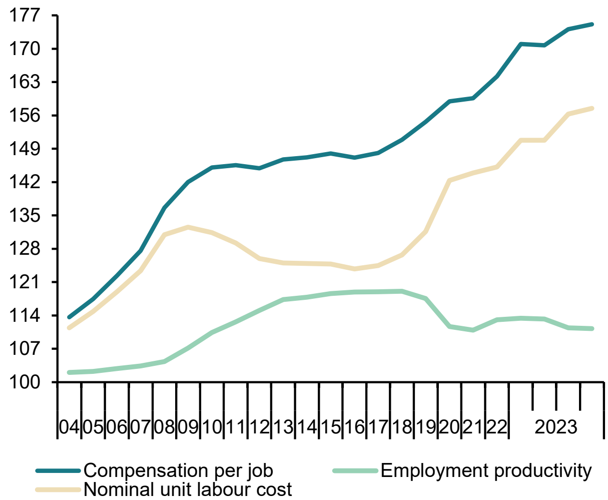
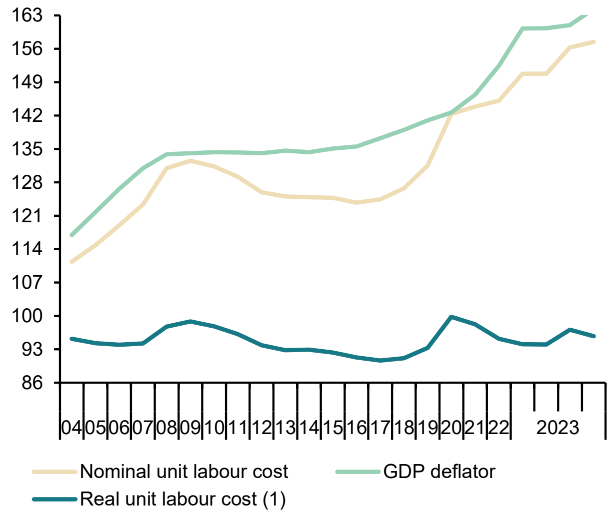


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

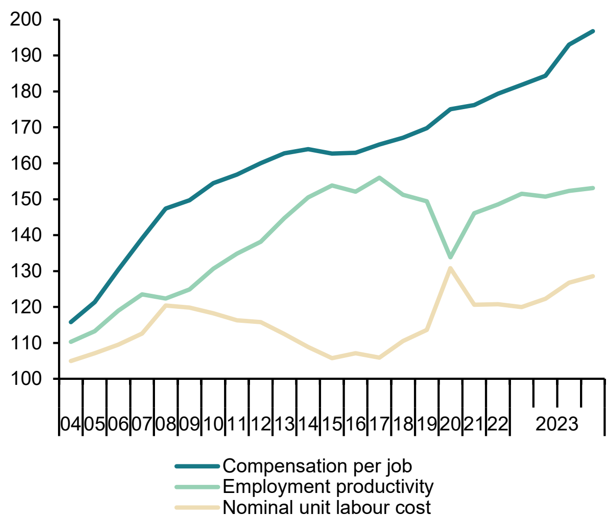
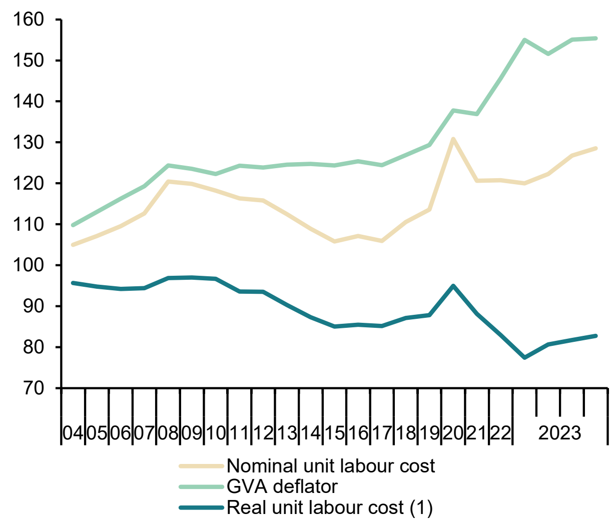


Chart 3.4 - Real ULC, manufacturing industry

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		1,461.9	699.7	619.3	1,439.6	1,104.7	334.9	296.9	47.9	42.4	22.9	20.3	2.6	3.7
2024		1,536.3	738.6	637.1	1,513.4	1,159.4	354.0	314.1	48.1	41.5	23.0	20.4	2.6	3.4
2025		1,602.7	767.0	666.5	1,571.9	1,203.0	368.9	333.4	47.9	41.6	23.0	20.8	2.2	2.8
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	1,380.9	657.0	591.5	1,372.0	1,058.5	313.6	291.3	47.6	42.8	22.7	21.1	1.6	2.6
	II	1,409.6	670.6	606.4	1,396.8	1,074.4	322.4	293.9	47.6	43.0	22.9	20.8	2.0	3.0
	III	1,437.1	685.2	615.6	1,417.7	1,087.2	330.4	294.2	47.7	42.8	23.0	20.5	2.5	3.5
	IV	1,461.9	699.7	619.3	1,439.6	1,104.7	334.9	296.9	47.9	42.4	22.9	20.3	2.6	3.7
		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		8.6	8.8	8.4	7.6	6.1	12.6	2.7	0.1	-0.1	0.8	-1.2	2.0	2.2
2024		5.1	5.6	2.9	5.1	5.0	5.7	5.8	0.2	-0.9	0.1	0.1	0.0	-0.3
2025		4.3	3.8	4.6	3.9	3.8	4.2	6.2	-0.2	0.1	0.0	0.4	-0.4	-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	15.7	9.5	9.0	10.9	7.4	-1.1	2.1	0.2	-0.5	0.7	1.3
	II	9.3	7.7	14.5	8.7	8.0	11.0	5.3	-0.7	2.0	0.4	-0.8	1.1	1.6
	III	9.0	8.4	12.5	7.8	6.4	13.0	3.2	-0.3	1.3	0.8	-1.1	2.0	2.2
	IV	8.6	8.8	8.4	7.6	6.1	12.6	2.7	0.1	-0.1	0.8	-1.2	2.0	2.2

(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

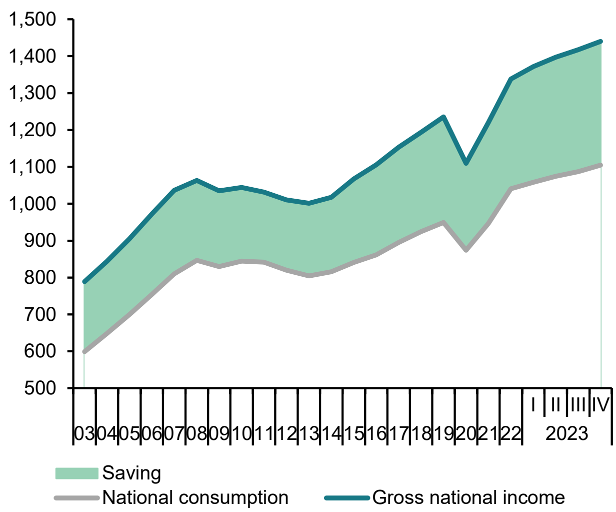


Chart 4.2 - National income, consumption and saving rate

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

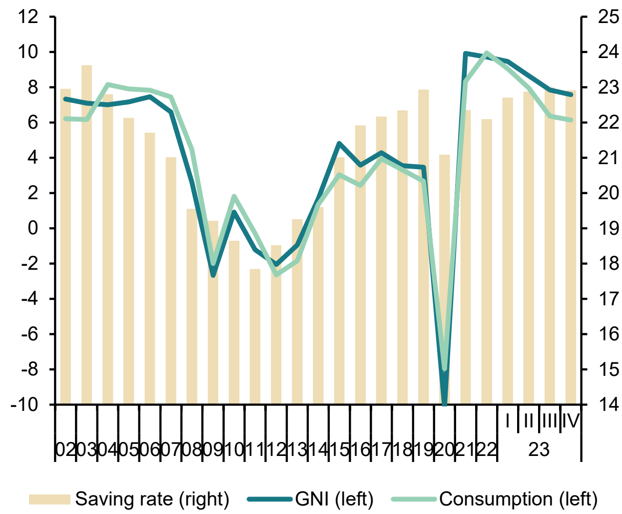


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

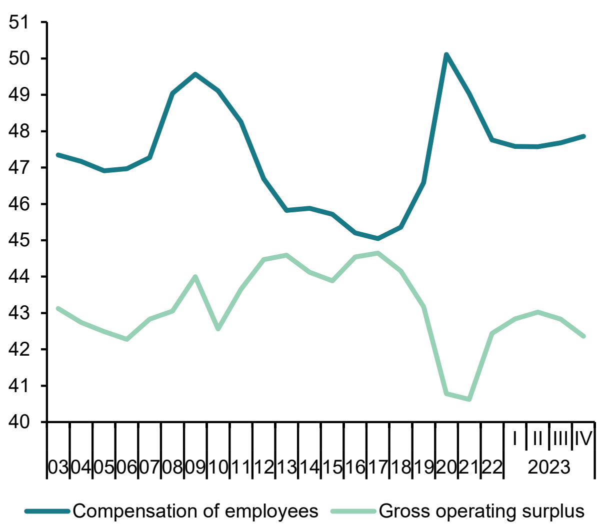


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

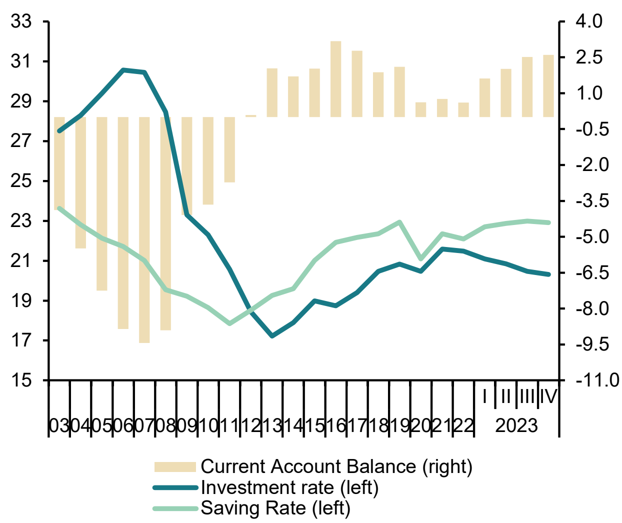


Table 5

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		923.6	813.1	108.1	64.5	11.7	4.4	2.9	302.4	207.0	181.1	14.2	12.4	2.2
2024		954.2	853.9	98.0	67.1	10.3	4.4	1.9	302.7	209.6	190.2	13.6	12.4	1.5
2025		983.9	887.1	94.4	69.8	9.6	4.4	1.5	318.8	225.8	199.7	14.1	12.5	1.8
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	853.0	780.4	70.3	58.0	8.2	4.2	0.8	303.0	224.5	184.9	16.3	13.4	3.5
	II	880.5	790.9	87.3	58.4	9.9	4.1	2.0	307.9	222.3	186.7	15.8	13.2	3.1
	III	901.3	799.8	99.0	59.2	11.0	4.1	2.7	306.4	217.7	183.6	15.2	12.8	3.0
	IV	923.6	813.1	108.1	64.5	11.7	4.4	2.9	302.4	207.0	181.1	14.2	12.4	2.2
		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		11.0	6.1	70.6	8.1	4.1	0.0	2.7	3.6	-4.3	-0.7	-1.9	-1.2	-0.9
2024		3.3	5.0	-9.3	4.0	-1.4	0.0	-1.0	0.1	1.2	5.0	-0.5	0.0	-0.7
2025		3.1	3.9	-3.7	4.0	-0.7	0.0	-0.5	5.3	7.7	5.0	0.4	0.1	0.4
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	-22.9	1.2	-3.1	-0.4	-2.0	22.6	24.2	6.9	1.8	-0.4	2.2
	II	7.9	7.6	11.0	-8.5	0.3	-0.8	0.7	18.8	18.3	8.6	1.2	-0.1	1.2
	III	9.8	5.8	58.0	-7.2	3.4	-0.7	2.8	11.5	8.9	2.8	0.0	-0.8	0.8
	IV	11.0	6.1	70.6	8.1	4.1	0.0	2.7	3.6	-4.3	-0.7	-1.9	-1.2	-0.9

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

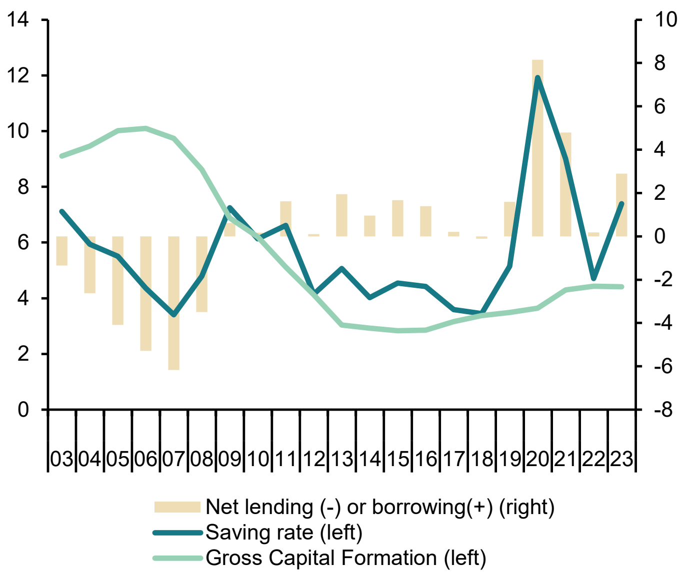


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

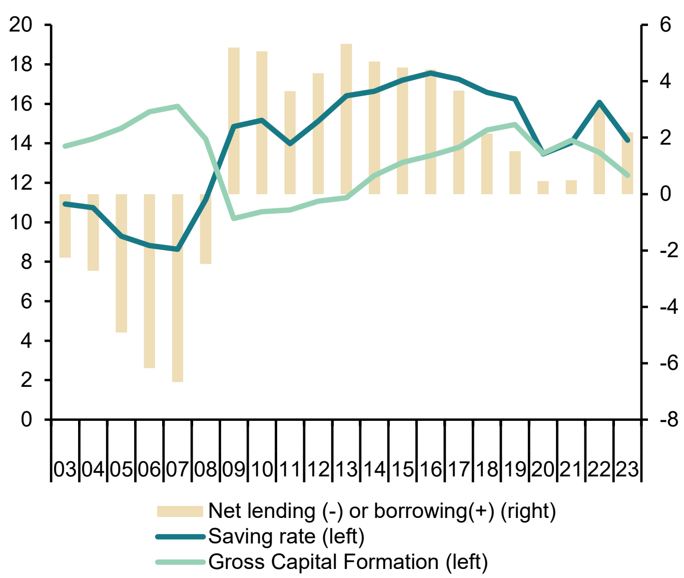


Table 6

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		166.0	182.8	196.9	79.9	625.7	163.4	85.7	36.0	292.7	55.6	45.4	678.8	-53.2
2024		176.3	196.6	207.9	69.6	650.4	168.3	92.7	39.6	307.1	56.4	35.7	699.7	-49.3
2025		185.7	204.9	218.0	70.8	679.4	172.5	97.8	41.8	318.9	58.7	37.2	726.9	-47.5
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	72.3	587.1	156.8	81.4	32.3	271.6	55.1	51.1	648.3	-61.2
	II	162.3	172.5	188.4	74.9	598.1	159.6	83.3	33.8	279.4	56.3	50.3	662.7	-64.7
	III	162.9	177.3	192.4	75.7	608.3	161.9	84.5	35.3	285.0	58.3	47.8	672.8	-64.5
	IV	166.0	182.8	196.9	79.9	625.7	163.4	85.7	36.0	292.7	55.6	45.4	678.8	-53.2
		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		11.4	12.5	13.5	5.5	42.8	11.2	5.9	2.5	20.0	3.8	3.1	46.4	-3.6
2024		11.5	12.8	13.5	4.5	42.3	11.0	6.0	2.6	20.0	3.7	2.3	45.5	-3.2
2025		11.6	12.8	13.6	4.4	42.4	10.8	6.1	2.6	19.9	3.7	2.3	45.4	-3.0
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	42.5	11.4	5.9	2.3	19.7	4.0	3.7	47.0	-4.4
	II	11.5	12.2	13.4	5.3	42.4	11.3	5.9	2.4	19.8	4.0	3.6	47.0	-4.6
	III	11.3	12.3	13.4	5.3	42.3	11.3	5.9	2.5	19.8	4.1	3.3	46.8	-4.5
	IV	11.4	12.5	13.5	5.5	42.8	11.2	5.9	2.5	20.0	3.8	3.1	46.4	-3.6

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

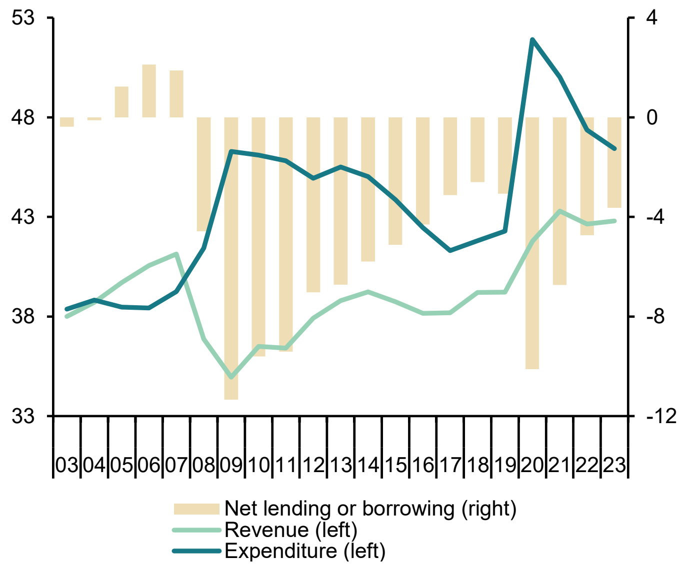


Chart 6.2 - Public sector: main expenditures

Percentage of GDP

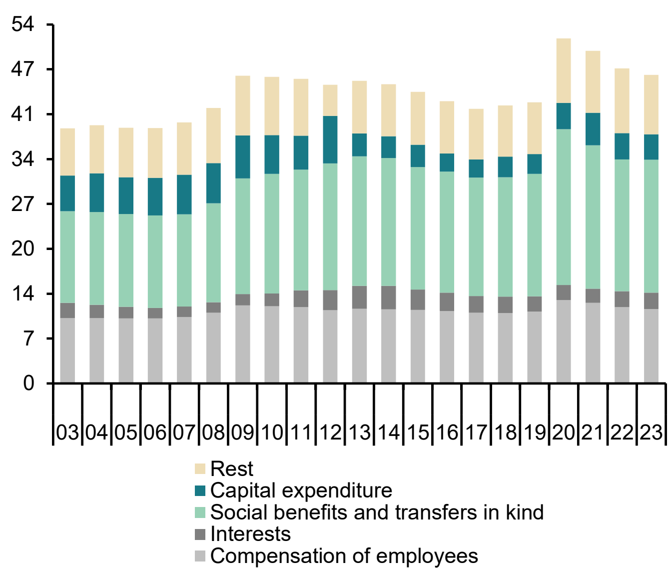


Table 7

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		-30.4	-13.3	-1.3	-8.2	-53.2	1,434.1	325.2	23.3	116.2	1,573.8
2024		--	--	--	--	-49.3	--	--	--	--	1,631.1
2025		--	--	--	--	-47.5	--	--	--	--	1,681.6
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	-36.2	-18.3	-1.2	-5.5	-61.2	1,387.7	322.4	23.1	106.2	1,535.4
	II	-38.6	-19.6	-2.3	-4.2	-64.7	1,420.0	327.3	23.7	106.2	1,568.6
	III	-47.2	-11.7	-0.7	-4.9	-64.5	1,434.7	325.5	23.3	106.2	1,577.3
	IV	-30.4	-13.3	-1.3	-8.2	-53.2	1,434.1	325.2	23.3	116.2	1,573.8
		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		-2.1	-0.9	-0.1	-0.6	-3.6	98.1	22.2	1.6	7.9	107.7
2024		--	--	--	--	-3.2	--	--	--	--	106.2
2025		--	--	--	--	-3.0	--	--	--	--	104.9
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	-0.1	-0.4	-4.4	100.5	23.3	1.7	7.7	111.2
	II	-2.7	-1.4	-0.2	-0.3	-4.6	100.7	23.2	1.7	7.5	111.3
	III	-3.3	-0.8	0.0	-0.3	-4.5	99.8	22.6	1.6	7.4	109.8
	IV	-2.1	-0.9	-0.1	-0.6	-3.6	98.1	22.2	1.6	7.9	107.7

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

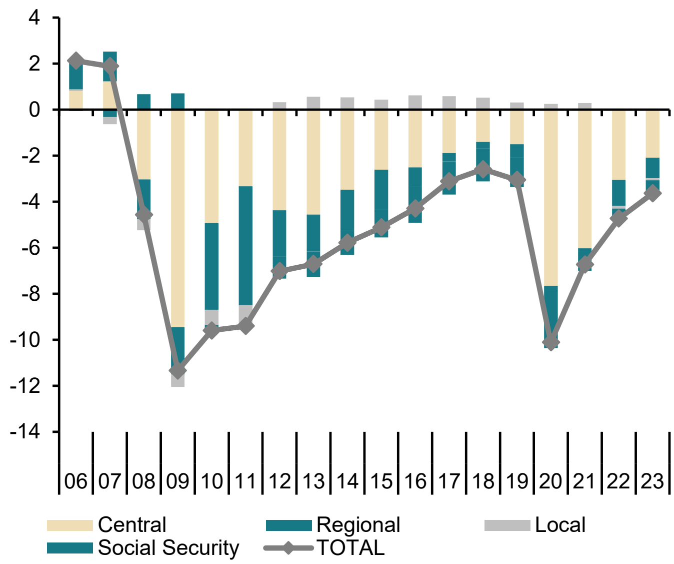


Chart 7.2 - Government debt

Percent of GDP

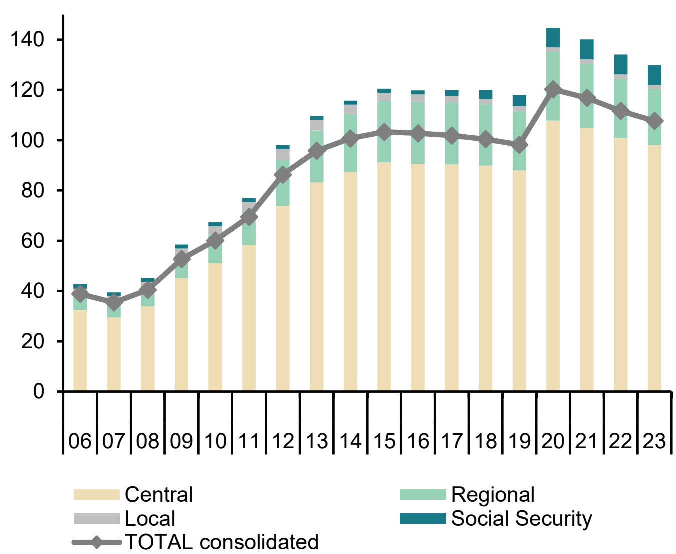


Table 8

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
2016	106.1	54.9	17,157.5	21.0	98.8	2,124.7	53.1	-2.1	102.7	-5.4
2017	109.4	56.2	17,789.6	21.4	101.6	2,191.0	54.8	1.4	107.0	2.2
2018	108.1	54.6	18,364.5	21.5	102.2	2,250.9	53.3	-0.5	108.4	-0.2
2019	104.7	52.7	18,844.1	20.9	102.8	2,283.2	49.1	-3.6	109.0	-5.1
2020	89.6	41.5	18,440.5	19.9	93.2	2,239.3	47.5	-13.6	98.2	-30.0
2021	105.2	55.3	18,910.0	20.4	100.0	2,270.4	57.0	0.6	104.3	-1.8
2022	101.3	51.8	19,663.0	19.6	102.7	2,324.3	51.0	-0.9	107.0	1.6
2023	100.6	52.5	20,193.2	19.2	101.3	2,363.7	48.0	-6.5	105.3	-11.1
2024 (b)	102.5	52.7	20,206.4	22.4	99.6	2,370.6	50.4	-4.8	--	-10.0
2022 II	101.7	55.0	19,632.5	20.0	103.0	2,319.3	53.2	0.3	108.9	7.2
III	97.1	50.5	19,722.5	19.5	102.9	2,329.6	49.2	-5.0	108.0	-4.1
IV	98.0	49.1	19,828.3	18.9	101.7	2,337.4	45.6	-5.2	106.6	-8.1
2023 I	100.2	55.2	19,977.3	19.3	101.8	2,348.2	50.1	-4.5	106.1	-9.0
II	101.2	54.7	20,168.5	18.9	100.7	2,359.1	48.5	-5.4	105.3	-7.7
III	100.9	50.1	20,258.8	19.1	100.4	2,368.5	47.4	-8.2	105.0	-13.8
IV	100.3	50.1	20,363.2	19.3	100.6	2,378.5	45.8	-8.1	104.9	-13.9
2024 I (b)	102.5	52.7	20,485.4	19.4	100.7	2,389.9	50.4	-4.8	--	-10.0
2023 Dec	101.2	50.4	20,405.6	19.4	100.3	2,383.2	46.2	-6.4	104.4	-13.4
2024 Jan	102.6	51.5	20,452.8	19.2	100.7	2,388.0	49.2	-5.1	--	-12.0
Feb	102.4	53.9	20,518.0	19.6	--	2,391.8	51.5	-4.5	--	-8.1
					Percentage changes (c)					
2016	--	--	3.1	0.3	1.8	2.8	--	--	2.7	--
2017	--	--	3.7	1.7	2.9	3.1	--	--	4.2	--
2018	--	--	3.2	0.6	0.6	2.7	--	--	1.4	--
2019	--	--	2.6	-2.6	0.6	1.4	--	--	0.5	--
2020	--	--	-2.1	-4.8	-9.3	-1.9	--	--	-9.9	--
2021	--	--	2.5	2.2	7.2	1.4	--	--	6.2	--
2022	--	--	4.0	-3.8	2.7	2.4	--	--	2.6	--
2023	--	--	2.7	-2.0	-1.4	1.7	--	--	-1.6	--
2024 (d)	--	--	2.7	0.6	0.1	1.8	--	--	--	--
2022 II	--	--	0.8	0.4	1.9	0.3	--	--	4.6	--
III	--	--	0.5	-2.1	-0.1	0.4	--	--	-0.8	--
IV	--	--	0.5	-3.3	-1.1	0.3	--	--	-1.3	--
2023 I	--	--	0.8	1.9	0.0	0.5	--	--	-0.5	--
II	--	--	1.0	-1.8	-1.0	0.5	--	--	-0.7	--
III	--	--	0.4	0.9	-0.3	0.4	--	--	-0.3	--
IV	--	--	0.5	1.2	0.2	0.4	--	--	-0.1	--
2024 I (e)	--	--	0.6	0.4	0.1	0.5	--	--	--	--
2023 Dec	--	--	0.2	0.2	-0.6	0.2	--	--	-0.9	--
2024 Jan	--	--	0.2	-1.0	0.4	0.2	--	--	--	--
Feb	--	--	0.3	1.9	--	0.2	--	--	--	--

(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

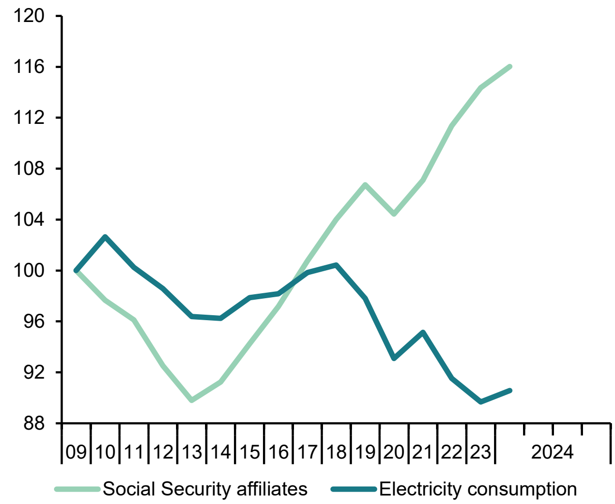


Chart 8.2 - General activity indicators (II)

Index

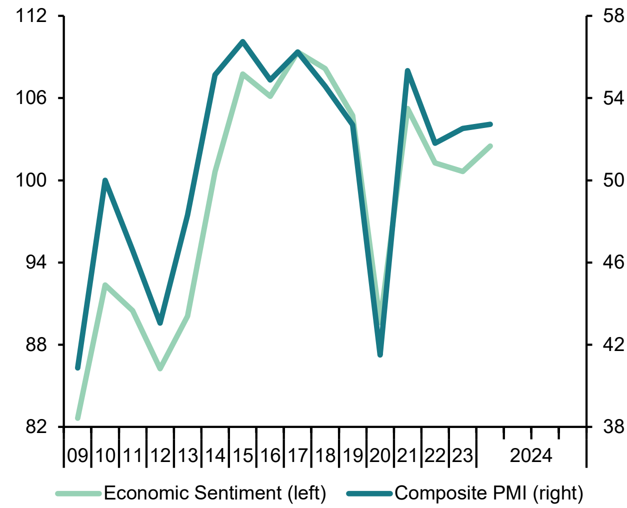


Chart 8.3 - Industrial sector indicators (I)

Level, 2009=100

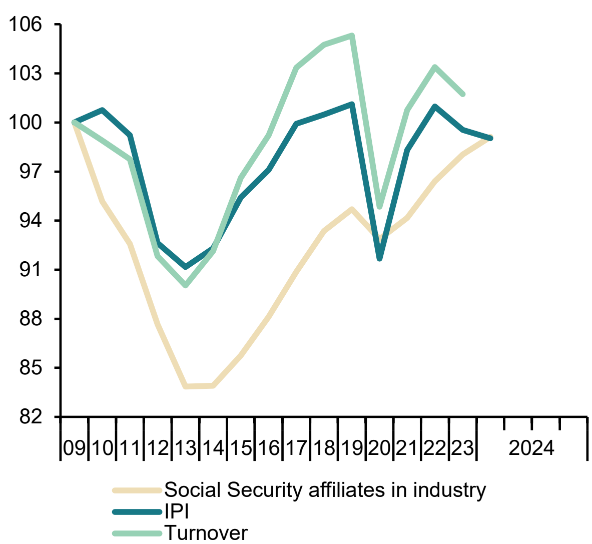


Chart 8.4 - Industrial sector indicators (II)

Index

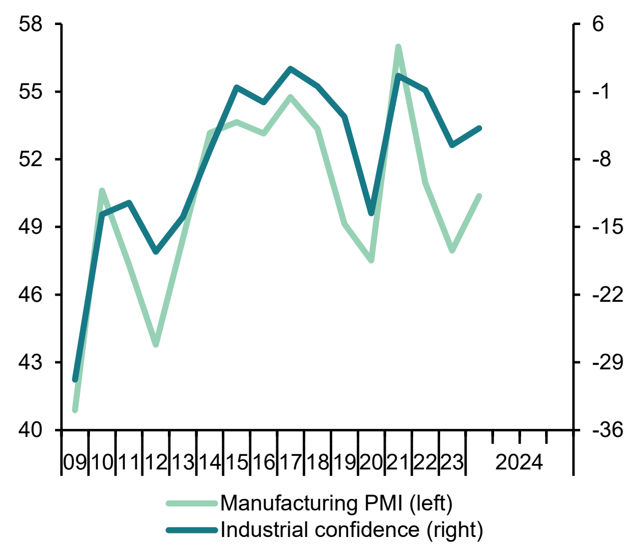


Table 9

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 m^{2}, monthly average	Thousands	2015=100 (smoothed)	Index	Million, monthly average	Million, monthly average)	Balance of responses
2016	1,053.9	82.4	-39.1	0.8	1.1	12,851.6	109.2	55.0	27.6	19.1	18.2
2017	1,118.8	89.2	-25.1	1.1	1.3	13,338.2	114.5	56.4	28.4	20.7	22.9
2018	1,194.1	91.9	-6.0	1.4	1.6	13,781.3	119.2	54.8	28.3	21.9	21.2
2019	1,254.9	100.4	-7.7	1.5	1.7	14,169.1	122.8	53.9	28.6	23.1	13.9
2020	1,233.1	89.2	-17.4	1.1	1.3	13,849.2	102.7	40.3	7.7	6.3	-25.5
2021	1,288.6	100.0	-1.9	1.8	1.6	14,235.1	111.4	55.0	14.4	9.9	8.6
2022	1,333.8	103.4	8.9	2.3	1.7	14,926.3	119.9	52.5	26.7	20.2	12.2
2022	1,384.6	102.5	8.7	2.3	1.6	15,393.2	120.7	53.6	28.9	23.5	14.0
2024 (b)	1,386.7	89.4	4.3	1.6	--	15,411.1	--	53.4	16.4	18.9	17.0
2022 II	1,320.6	104.4	9.7	2.2	1.5	14,909.8	120.4	55.9	27.1	20.1	16.0
III	1,335.7	104.3	6.0	2.4	1.5	14,983.5	120.2	51.0	27.3	21.1	11.5
IV	1,356.5	105.1	14.7	3.0	1.8	15,071.0	121.5	50.8	27.5	22.1	5.9
2023 I	1,378.0	108.5	3.3	2.0	1.7	15,193.4	121.2	56.3	28.6	22.8	10.1
II	1,381.3	101.4	13.0	2.7	1.7	15,372.8	120.5	56.0	29.1	23.1	14.2
III	1,384.2	100.1	5.9	2.4	1.5	15,454.5	120.7	50.8	28.7	23.8	16.0
IV	1,395.3	98.9	12.7	2.2	1.6	15,548.0	121.5	51.2	29.3	24.4	15.5
2024 I (b)	1,408.0	97.5	4.3	1.6	--	15,653.3	--	53.4	29.4	25.7	17.0
2023 Dec	1,401.5	98.0	13.9	3.0	1.3	15,581.4	121.5	51.5	29.4	24.5	15.1
2024 Jan	1,408.5	97.5	2.0	1.6	--	15,624.5	--	52.1	29.4	25.0	18.8
Feb	1,407.4	--	6.6	--	--	15,682.1	--	54.7	--	26.4	15.2
				Percentage changes (c)							
2016	2.6	2.5	--	-1.7	29.0	3.4	5.5	--	7.4	11.0	--
2017	6.2	8.3	--	37.1	24.8	3.8	4.9	--	2.8	8.3	--
2018	6.7	3.0	--	30.8	24.5	3.3	4.1	--	-0.2	5.8	--
2019	5.1	9.3	--	5.3	1.3	2.8	3.0	--	0.9	5.3	--
2020	-1.7	-11.1	--	-25.9	-19.8	-2.3	-16.3	--	-73.1	-72.7	--
2021	4.5	12.1	--	68.3	22.7	2.8	8.5	--	87.4	57.8	--
2022	3.5	3.4	--	28.9	1.2	4.9	7.6	--	85.4	103.4	--
2023	3.8	-0.9	--	0.5	-2.0	3.1	0.7	--	8.3	16.3	--
2024 (d)	2.4	-8.3	--	-4.2	--	3.2	--	--	6.3	13.0	--
2022 II	-0.2	5.3	--	19.2	-10.9	1.1	2.2	--	7.5	14.8	--
III	1.1	-0.1	--	19.0	-9.7	0.5	-0.1	--	0.7	5.0	--
IV	1.6	0.7	--	47.0	7.2	0.6	1.1	--	0.8	4.4	--
2023 I	1.6	3.2	--	18.0	-3.7	0.8	-0.3	--	4.3	3.5	--
II	0.2	-6.6	--	22.4	12.2	1.2	-0.6	--	1.4	1.4	--
III	0.2	-1.3	--	1.7	0.8	0.5	0.2	--	-1.1	2.8	--
IV	0.8	-1.1	--	-26.1	-14.0	0.6	0.6	--	1.9	2.4	--
2024 I (e)	0.9	-1.5	--	-4.2	--	0.7	--	--	0.4	5.4	--
2023 Dec	0.6	-1.4	--	-14.7	-9.4	0.2	-0.4	--	1.0	0.9	--
2024 Jan	0.5	-0.5	--	-4.2	--	0.3	--	--	0.0	1.9	--
Feb	-0.1	--	--	--	--	0.4	--	--	--	5.7	--

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

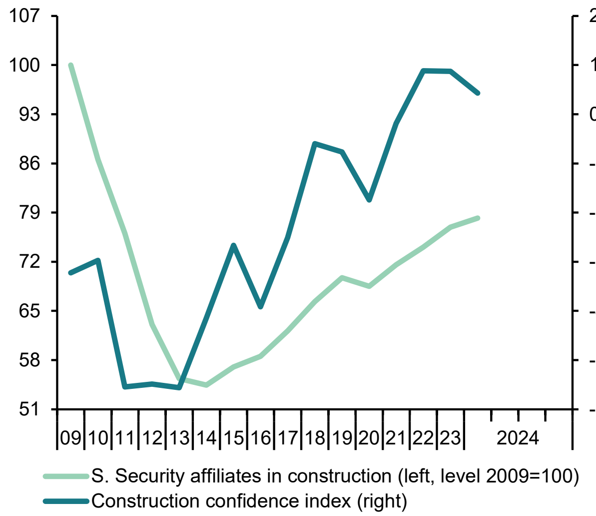


Chart 9.2 - Construction indicators (II)

Level, 2009=100

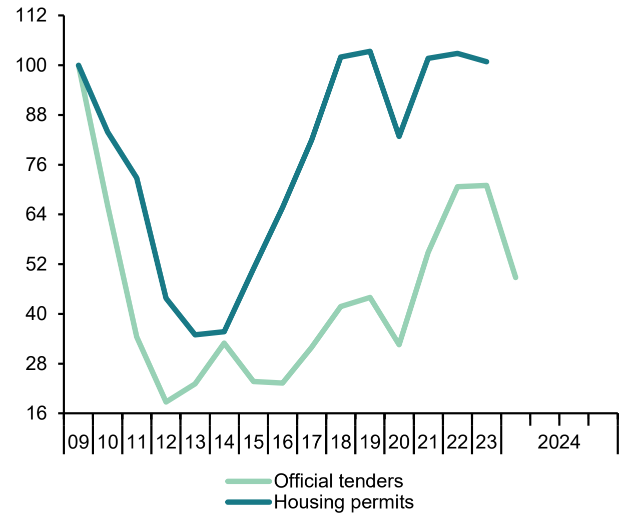


Chart 9.3 - Services indicators (I)

Level, 2009=100

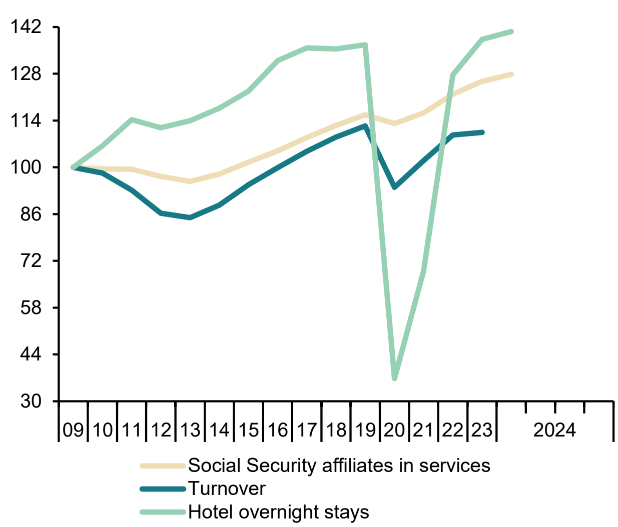


Chart 9.4 - Services indicators (II)

Index

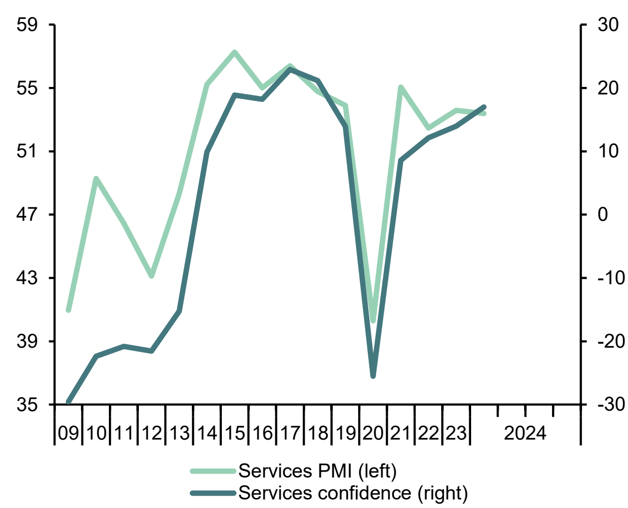


Table 10

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		95.1	91.2	-4.9	9.2	-3.1	100.0	15.0	0.2	100.0	100.0
2016		98.7	102.5	-6.1	9.5	-1.4	107.3	15.9	-0.2	104.1	104.0
2017		99.6	111.8	-2.9	9.7	2.2	110.3	17.3	4.9	110.7	107.7
2018		100.3	118.7	-4.4	9.7	-5.6	113.1	19.2	12.4	112.9	112.5
2019		102.7	114.6	-6.4	10.0	-2.9	116.0	18.4	8.8	113.1	117.7
2020		96.2	78.3	-22.5	4.3	-25.5	106.3	14.2	-22.7	107.1	110.0
2021		100.0	79.5	-12.9	7.6	-11.1	111.4	15.6	4.7	118.1	115.4
2022		102.1	76.2	-26.5	10.0	-2.8	118.7	13.9	28.2	133.5	124.6
2023		104.8	86.7	-19.2	10.1	-6.8	121.9	17.2	17.9	138.2	143.6
2024	(b)	103.9	82.9	-18.1	5.7	-6.7	120.1	17.5	6.4	--	130.7
2022	II	102.6	76.6	-26.8	10.3	2.6	118.5	13.3	29.8	132.8	121.6
	III	102.6	85.2	-33.4	10.2	-8.5	119.3	14.3	21.7	135.8	126.1
	IV	102.5	85.3	-27.8	10.2	-6.1	119.6	15.5	27.5	138.8	131.3
2023	I	103.8	85.4	-22.5	10.3	-5.8	120.2	16.8	25.8	140.6	146.0
	II	105.2	82.9	-19.0	10.2	-6.0	121.4	16.0	24.6	139.4	145.8
	III	104.7	85.9	-16.1	9.9	-8.3	122.8	17.1	11.8	137.0	139.3
	IV	105.4	96.3	-19.2	10.2	-7.2	123.3	19.0	9.4	135.2	143.3
2024	I (b)	104.6	92.6	-18.1	10.2	-6.7	124.2	20.7	6.4	--	139.7
2023	Dec	105.2	82.2	-18.5	10.3	-4.5	122.9	17.6	4.4	134.7	145.6
2024	Jan	104.6	93.1	-18.8	10.2	-5.1	124.2	21.4	2.3	--	139.7
	Feb	--	92.2	-17.4	--	-8.2	--	20.0	10.6	--	--
					Percentage changes (c)						
2015		4.3	22.9	--	5.3	--	7.6	31.1	--	14.4	7.1
2016		3.8	12.4	--	3.6	--	7.3	6.1	--	4.1	4.0
2017		0.9	9.1	--	1.4	--	2.7	8.5	--	6.4	3.6
2018		0.6	6.1	--	0.6	--	2.6	10.8	--	2.0	4.4
2019		2.4	-3.4	--	2.7	--	2.6	-4.0	--	0.2	4.6
2020		-6.3	-31.7	--	-57.2	--	-8.4	-22.6	--	-5.3	-6.5
2021		4.0	1.6	--	77.3	--	4.9	9.4	--	10.3	4.9
2022		2.1	-4.1	--	32.3	--	6.5	-10.8	--	13.0	8.0
2023		2.6	13.7	--	1.3	--	2.8	24.1	--	3.5	15.3
2024	(d)	0.1	9.0	--	-1.5	--	5.2	15.8	--	-11.1	-1.8
2022	II	1.4	21.9	--	9.3	--	4.6	4.6	--	14.0	7.6
	III	0.0	11.2	--	-0.6	--	2.6	7.5	--	9.4	15.6
	IV	0.0	0.1	--	-0.4	--	0.9	8.0	--	9.0	17.5
2023	I	1.2	0.1	--	1.0	--	2.3	8.3	--	5.3	52.7
	II	1.4	-3.0	--	-0.3	--	3.8	-4.9	--	-3.3	-0.3
	III	-0.5	3.6	--	-3.3	--	5.0	7.3	--	-6.7	-16.7
	IV	0.7	12.1	--	2.7	--	1.6	11.1	--	-5.2	11.9
2024	I (e)	-0.8	-3.8	--	0.0	--	2.9	9.0	--	--	-9.6
2023	Dec	-1.1	-14.6	--	2.0	--	-0.5	-14.0	--	-0.3	1.3
2024	Jan	-0.5	13.3	--	-1.4	--	1.0	21.9	--	--	-4.0
	Feb	--	-1.0	--	--	--	--	-6.8	--	--	--

(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

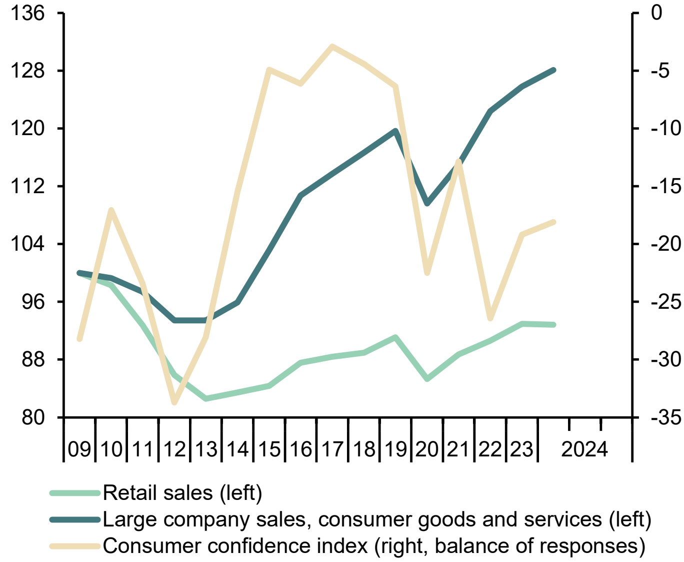


Chart 10.2 - Investment indicators

Level, 2009=100 and balance of responses

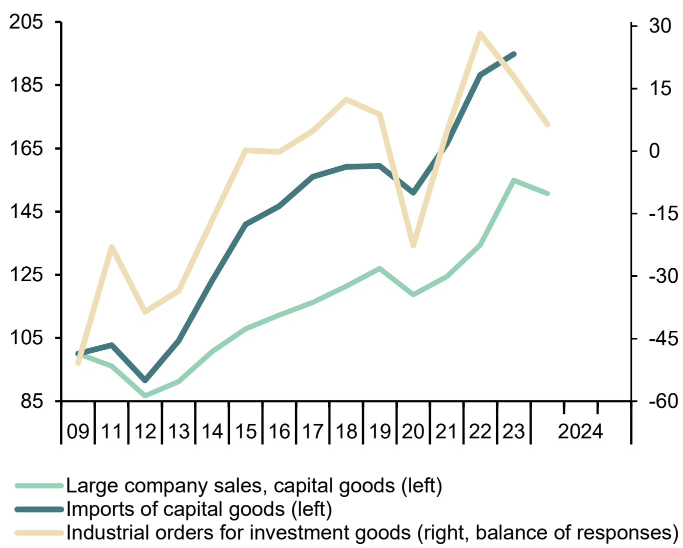


Table 11a

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	34.8	13.5	23.1
2022		39.9	23.4	--	20.4	--	3.0	--	58.6	51.1	12.9	29.8	11.9	19.3
2023		40.5	23.9	--	21.0	--	2.9	--	59.0	51.8	12.1	28.5	11.1	17.7
2024		1.2	1.2	--	2.0	--	-4.6	--	0.0	0.4	-0.7	--	--	--
2025		0.6	0.6	--	1.5	--	-6.1	--	0.0	0.5	-0.8	--	--	--
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	28.7	11.5	18.9
	III	40.0	23.5	23.4	20.5	20.4	3.0	3.0	58.5	51.1	12.7	31.5	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	29.6	11.9	18.6
2023	I	40.3	23.6	23.7	20.5	20.7	3.1	3.0	58.9	51.4	12.7	29.2	12.1	19.9
	II	40.4	23.8	23.8	21.1	21.0	2.8	2.9	59.0	51.9	12.0	28.3	10.6	17.2
	III	40.6	24.1	24.0	21.3	21.1	2.9	2.9	59.1	52.0	11.9	28.1	11.0	16.5
	III	40.8	24.1	24.1	21.2	21.2	2.8	2.8	59.0	52.0	11.8	28.3	10.7	17.4
		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	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-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	--	-23.5	--	-0.7	2.3	-4.9	-9.6	-5.2	-3.5
2022		0.7	0.9	--	3.1	--	-11.8	--	0.1	1.2	-1.9	-8.8	-4.4	-4.5
2023		1.5	2.1	--	3.0	--	-4.3	--	0.3	0.8	-0.8	-5.8	-3.2	-4.1
2024		1.4	1.4	--	2.0	--	-3.2	--	0.0	0.3	-0.5	--	--	--
2025		1.0	1.0	--	1.6	--	-3.6	--	0.0	0.3	-0.5	--	--	--
2022	I	0.3	1.7	1.7	4.6	4.5	-13.1	-14.0	0.8	2.1	-2.4	-8.4	-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	-9.6	-2.5	-4.8
	III	0.8	0.3	0.3	2.6	2.6	-12.8	-12.6	-0.3	0.9	-1.9	-0.6	-1.7	-3.3
	IV	1.1	0.9	0.9	1.4	1.5	-2.6	-3.2	-0.1	0.2	-0.5	-1.4	-0.2	-2.2
2023	I	1.3	1.4	1.3	1.8	1.8	-1.5	-2.6	0.0	0.3	-0.5	-0.3	-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	-0.4	-0.8	-1.7
	III	1.6	2.5	2.5	3.5	3.5	-4.2	-3.8	0.5	0.9	-0.8	-3.4	-0.7	-1.9
	IV	1.7	2.5	2.5	3.8	3.8	-6.4	-6.6	0.5	1.1	-1.1	-1.3	-1.2	-1.2

(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

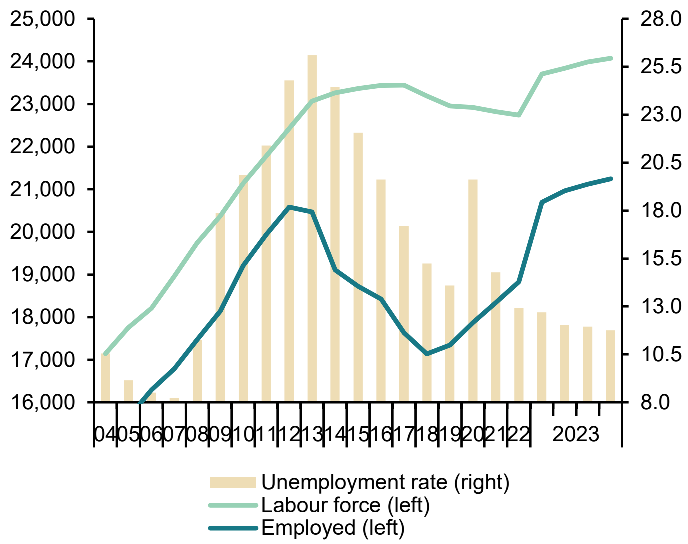


Chart 11a.2 - Unemployment rates

Percentage

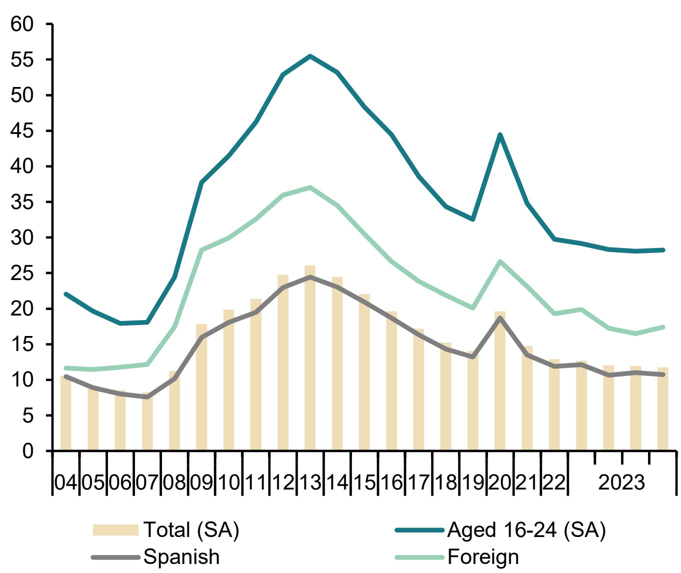


Table 11b

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		0.74	2.79	1.36	16.11	17.84	3.05	14.79	17.1	3.17	18.21	2.80	13.33
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
	III	0.77	2.83	1.41	16.24	18.04	2.97	15.06	16.5	3.21	18.38	2.87	13.50
		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		-4.2	0.8	3.0	3.8	3.4	-16.4	8.7	-4.1	0.9	3.2	1.5	-0.2
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
	IV	2.3	1.0	8.3	4.0	3.8	-4.5	5.6	-1.4	3.8	3.9	3.1	-0.1

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed.

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

Chart 11b.1 - Employment by sector

Level, 2003=100

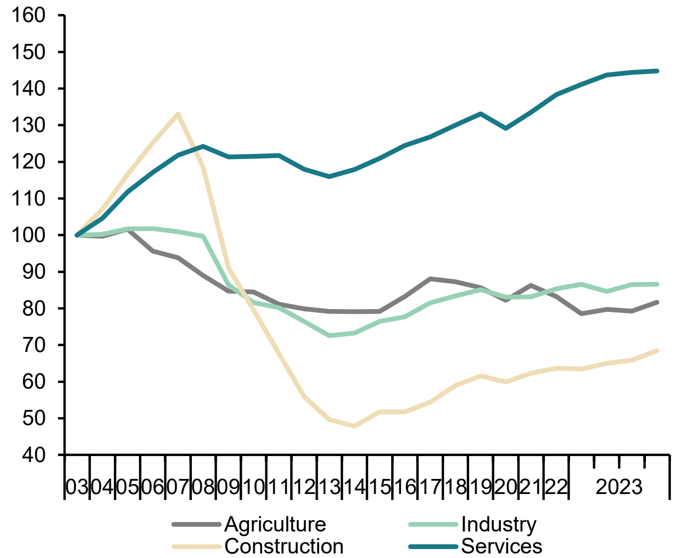


Chart 11b.2 - Temporary employment rate

Percentage over total employees

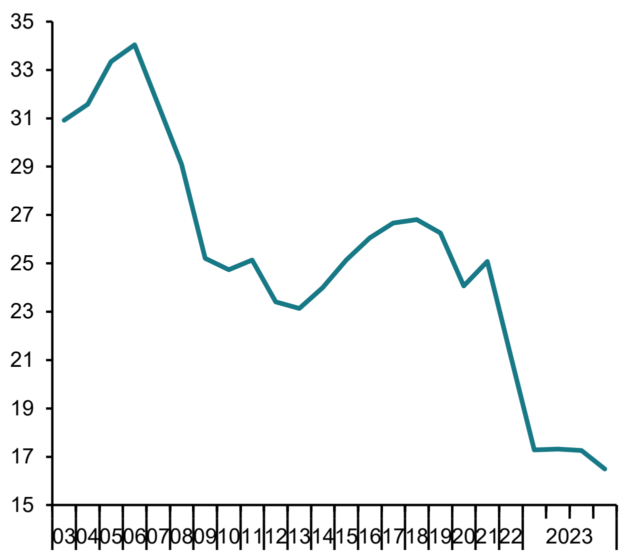


Table 12

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 2023		100.00	67.63	84.29	20.77	46.86	16.67	6.34	9.36	23.01
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		112.2	108.3	111.5	108.6	107.8	124.0	121.2	107.1	123.0
2024		115.7	111.1	115.0	109.4	111.5	130.3	125.8	109.0	128.9
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		3.5	4.4	6.0	4.2	4.3	12.1	9.3	-16.3	11.1
2024		3.1	2.7	3.1	0.8	3.5	5.1	3.9	1.8	4.8
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	3.2	3.4	4.5	2.2	4.0	8.6	9.0	-10.0	8.6
	Dec	3.1	3.2	3.8	1.7	3.9	6.1	7.9	-6.4	6.6
2024	Jan	3.4	3.0	3.6	1.6	3.6	6.2	8.8	-2.3	6.9
	Feb	2.8	3.0	3.5	1.2	3.9	5.3	5.0	-4.7	5.2
	Mar	2.9	2.9	3.3	1.0	3.7	4.9	2.6	-0.8	4.3
	Apr	3.2	2.7	3.1	0.8	3.5	4.5	3.4	3.3	4.3
	May	3.6	2.7	3.1	0.8	3.5	4.7	3.3	7.8	4.3
	Jun	3.6	2.5	3.1	0.7	3.3	5.5	5.1	6.2	5.5
	Jul	3.3	2.5	3.1	0.6	3.3	5.6	3.8	4.7	5.1
	Aug	3.1	2.7	3.2	0.5	3.6	5.5	4.6	1.0	5.3
	Sep	2.7	2.5	3.1	0.5	3.4	5.2	3.8	-1.4	4.8
	Oct	2.6	2.5	2.9	0.5	3.3	4.7	2.2	0.1	4.0
	Nov	3.0	2.5	2.9	0.5	3.4	4.6	1.8	4.0	3.8
	Dec	3.1	2.5	2.9	0.5	3.3	4.5	2.3	5.3	3.9

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

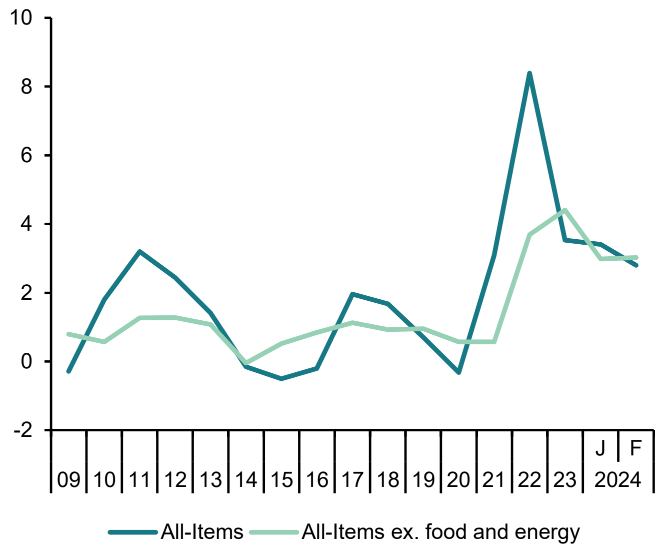


Chart 12.2 - Inflation rate (II)

Annual percentage changes

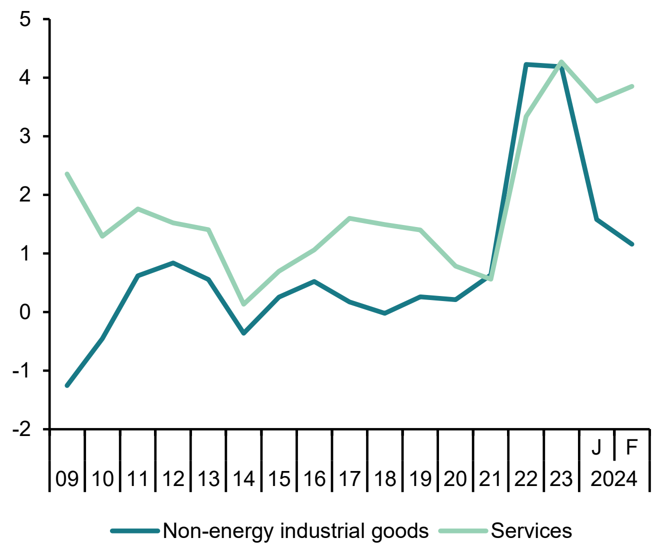


Table 13

Other prices and costs indicators

	GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
		Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
	2015=100	2021=100		2007=100			2000=100				
2016	100.3	83.3	90.3	70.0	73.1	57.8	143.6	142.1	148.4	156.2	--
2017	101.6	86.9	92.3	74.3	74.8	58.2	144.0	142.3	149.1	156.2	--
2018	102.9	89.5	93.4	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019	104.4	89.1	93.5	83.3	79.8	57.7	148.7	146.4	155.7	162.7	--
2020	105.6	85.3	93.5	85.0	78.9	52.3	145.4	142.6	154.1	173.3	--
2021	108.4	100.0	100.0	88.2	80.6	54.3	153.9	151.5	161.5	172.3	--
2022	112.9	135.5	113.6	94.7	84.7	57.0	160.4	158.4	166.5	175.6	--
2023	119.6	129.2	117.8	98.5	88.0	55.4	169.2	166.0	179.0	184.9	--
2024 (b)	--	126.4	118.1	--	--	--	--	--	--	--	--
2022 II	111.5	136.4	114.5	94.5	84.6	58.4	162.3	161.3	165.3	172.8	--
III	112.3	142.2	115.4	96.2	84.6	53.9	155.7	152.2	166.5	178.3	--
IV	115.9	137.1	116.2	95.4	85.1	57.4	169.4	169.9	167.9	186.2	--
2023 I	118.7	132.3	118.2	96.0	87.0	53.2	163.7	159.3	177.4	172.8	--
II	118.7	127.7	118.0	98.0	87.2	55.5	171.7	169.5	178.6	182.6	--
III	119.1	129.3	117.4	100.5	88.1	57.6	163.5	158.6	178.6	188.2	--
IV	121.8	127.3	117.5	99.4	89.6	55.5	177.9	176.7	181.4	196.2	--
2024 I (b)	--	126.4	118.1	--	--	--	--	--	--	--	--
2023 Nov	--	126.5	117.4	--	--	--	--	--	--	--	--
Dec	--	126.1	117.5	--	--	--	--	--	--	--	--
2024 Jan	--	126.4	118.1	--	--	--	--	--	--	--	--
Annual percent changes (c)											
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	5.9	-4.7	3.6	4.0	3.9	-2.8	5.5	4.8	7.5	5.3	3.5
2024 (d)	--	-3.8	0.2	--	--	--	--	--	--	--	2.9
2022 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	3.6	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	6.4	-6.4	3.0	3.6	3.0	-5.1	5.8	5.1	8.0	5.7	3.3
III	6.1	-9.0	1.8	4.5	4.2	6.8	5.0	4.2	7.2	5.5	3.4
IV	5.0	-7.2	1.1	4.2	5.3	-3.3	5.0	4.0	8.0	5.4	3.5
2024 I (e)	--	-4.5	-0.1	--	--	--	--	--	--	--	2.9
2023 Dec	--	-6.3	1.1	--	--	--	--	--	--	--	3.5
2024 Jan	--	-3.8	0.2	--	--	--	--	--	--	--	2.8
Feb	--	--	--	--	--	--	--	--	--	--	2.9

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

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

Chart 13.1 - Housing and urban land prices

Level, 2007=100

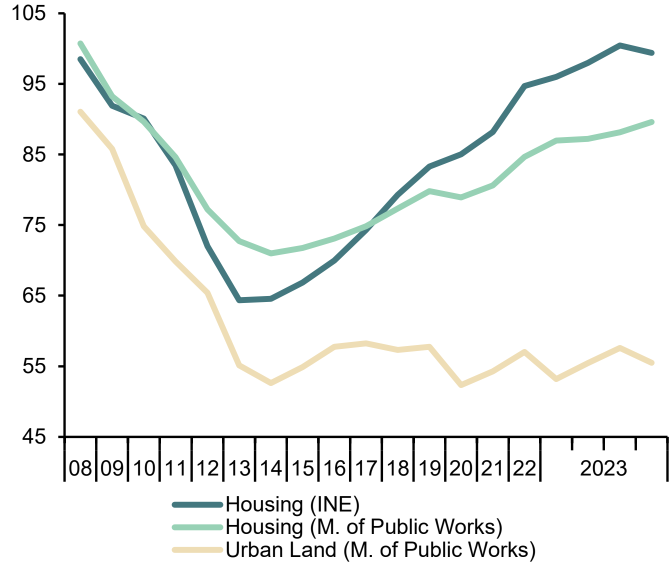


Chart 13.2 - Wage costs

Annual percent change

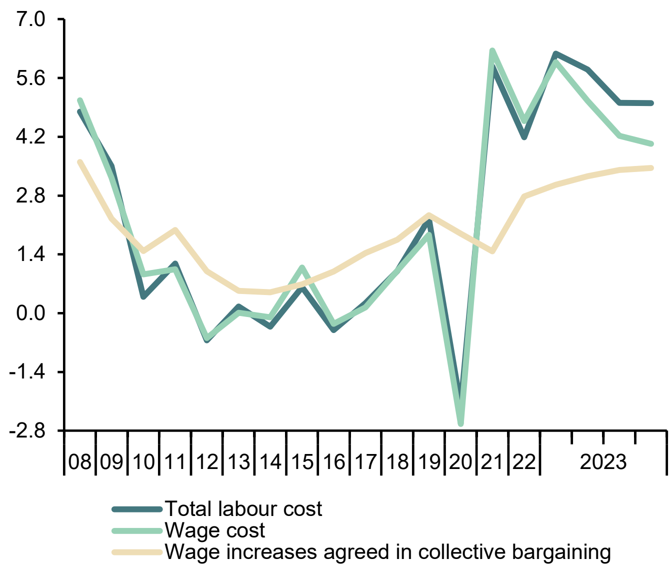


Table 14

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	76.5	146.5	118.0	70.0	112.9	12.0	8.9	-2.1	0.2	0.2
2016		165.4	75.2	153.0	117.5	67.8	116.1	12.5	8.8	-1.4	0.3	0.4
2017		178.2	75.7	163.7	129.8	71.0	122.4	13.6	9.5	-2.2	0.0	0.6
2018		184.0	77.9	164.2	137.2	74.2	123.8	14.1	9.7	-2.9	-0.3	0.7
2019		187.7	78.5	166.3	138.4	74.2	125.0	14.3	9.9	-2.6	-0.3	0.8
2020		170.1	77.9	151.8	118.9	71.9	110.8	13.3	8.6	-1.1	0.3	1.3
2021		203.1	84.6	166.9	148.6	80.5	123.7	16.1	10.1	-2.6	-0.2	1.7
2022		250.1	100.1	173.7	197.1	99.9	132.1	20.3	12.0	-6.0	-1.2	3.1
2023		247.5	104.0	165.5	182.1	98.0	124.5	20.0	11.9	-3.4	-0.3	2.6
2022	I	233.9	136.1	171.8	183.9	141.0	130.4	18.7	11.1	-5.5	-1.8	2.6
	II	255.6	144.1	177.3	201.7	147.8	136.5	20.1	12.6	-6.1	-0.8	3.2
	III	262.4	146.3	179.4	206.7	154.7	133.6	21.2	12.2	-6.2	-0.9	3.7
	IV	263.2	148.5	177.2	200.2	154.5	129.5	21.6	12.1	-4.9	-0.4	3.9
2023	I	265.1	151.2	175.3	190.2	150.7	126.2	21.4	12.0	-2.7	0.0	3.7
	II	245.1	149.6	163.9	182.0	143.8	126.5	19.7	11.8	-3.7	-0.6	2.3
	III	242.6	148.4	163.5	178.8	143.3	124.8	19.5	12.0	-3.4	-0.1	2.0
	IV	247.4	149.3	165.7	183.4	147.7	124.1	19.8	12.1	-3.7	-0.5	2.4
2023	Nov	252.4	149.4	169.0	183.7	148.4	123.8	20.2	12.1	-3.1	-0.5	2.8
	Dec	247.7	149.7	165.4	183.4	148.6	123.5	19.9	12.1	-3.6	-0.8	2.5
2024	Jan	259.8	150.9	172.2	186.2	146.3	127.3	19.9	12.1	-2.6	1.0	2.5
		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		23.1	18.3	4.1	32.6	24.2	6.8	25.7	19.0	-5.3	-1.1	2.7
2023		-1.0	3.9	-4.7	-7.6	-1.9	-5.8	-1.1	-0.8	-2.8	-0.2	2.1
2022	I	6.1	6.9	-0.7	8.8	8.9	-0.1	6.6	7.8	-5.1	-1.7	2.4
	II	9.3	5.9	3.2	9.7	4.8	4.7	7.4	13.1	-5.5	-0.7	2.9
	III	2.7	1.5	1.1	2.5	4.7	-2.1	5.5	-2.8	-5.5	-0.8	3.3
	IV	0.3	1.5	-1.2	-3.1	-0.1	-3.1	1.9	-0.9	-4.2	-0.3	3.3
2023	I	0.7	1.8	-1.1	-5.0	-2.5	-2.6	-1.2	-1.0	-2.3	0.0	3.1
	II	-7.6	-1.1	-6.6	-4.3	-4.6	0.2	-7.6	-1.5	-3.1	-0.5	1.9
	III	-1.0	-0.8	-0.2	-1.7	-0.4	-1.4	-1.2	1.0	-2.8	-0.1	1.7
	IV	2.0	0.6	1.4	2.5	3.1	-0.5	1.5	1.6	-2.9	-0.4	1.9
2023	Nov	4.3	0.4	3.9	0.4	1.5	-1.1	5.4	-0.7	--	--	--
	Dec	-1.9	0.2	-2.1	-0.2	0.1	-0.3	-1.9	-0.3	--	--	--
2024	Jan	4.9	0.8	4.1	1.5	-1.5	3.1	0.0	0.0	--	--	--

(a) Seasonally adjusted. except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data. from the previous month for monthly data. (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

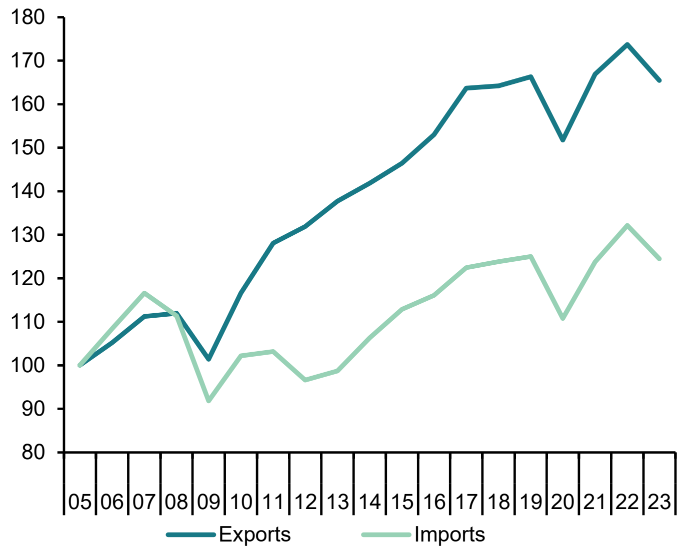


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

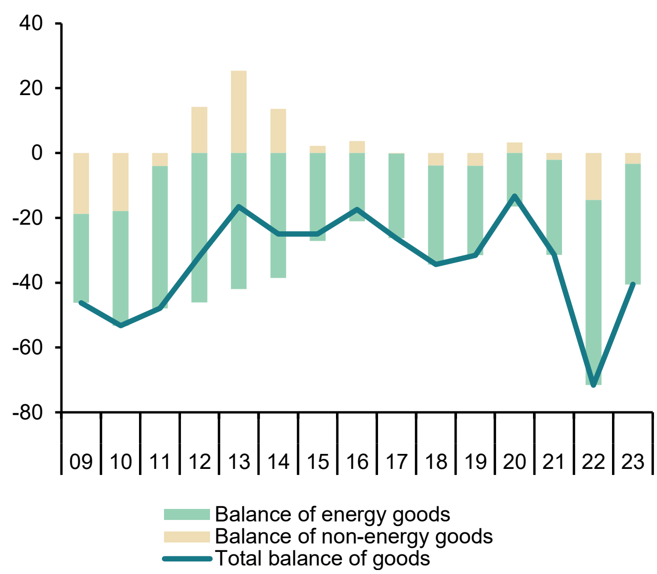


Table 15

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)		28.96	-24.20	71.84	-8.43	-10.25	8.31	37.27	-77.68	-4.41	-7.72	-59.97	-5.59	113.20	-1.76
2021	IV	3.14	-12.64	13.35	4.67	-2.23	5.04	8.18	32.27	-9.01	18.91	26.41	-4.04	-23.91	0.18
2022	I	-3.63	-14.36	11.71	2.23	-3.21	1.15	-2.48	15.85	0.45	17.99	-3.99	1.40	-11.10	7.24
	II	2.26	-14.74	20.49	0.73	-4.22	2.47	4.73	-13.12	1.29	19.12	-32.09	-1.43	24.03	6.17
	III	3.33	-18.90	25.13	1.24	-4.14	3.05	6.38	-26.99	-5.30	-11.68	-12.89	2.89	29.12	-4.26
	IV	6.28	-11.19	18.18	2.20	-2.91	5.83	12.12	20.11	2.86	8.36	9.50	-0.61	-11.77	-3.78
2023	I	10.25	-4.26	16.93	-0.58	-1.83	2.80	13.05	-48.48	2.69	21.59	-70.22	-2.55	56.31	-5.22
	II	8.30	-7.91	24.80	-4.83	-3.76	2.26	10.55	-18.30	-11.36	-14.75	9.10	-1.28	33.41	4.55
	III	10.41	-12.03	30.12	-3.02	-4.66	3.26	13.67	-10.90	4.26	-14.56	1.16	-1.76	23.48	-1.09
			Goods and Services		Primary and Secondary Income										
2023	Oct	3.77	5.04		-1.27		1.47	5.24	-12.43	1.14	-5.69	-8.65	0.77	21.68	4.01
	Nov	2.77	5.09		-2.32		1.33	4.10	-15.52	3.32	-14.37	-4.88	0.42	19.75	0.14
	Dec	1.07	2.32		-1.25		3.77	4.84	49.29	0.18	3.66	44.22	1.24	-39.42	5.03
								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	-2.2	6.7	-0.8	-1.0	0.8	3.5	-7.2	-0.4	-0.7	-5.6	-0.5	10.5	-0.2
2021	IV	0.9	-3.8	4.0	1.4	-0.7	1.5	2.5	9.7	-2.7	5.7	7.9	-1.2	-7.2	0.1
2022	I	-1.2	-4.6	3.7	0.7	-1.0	0.4	-0.8	5.0	0.1	5.7	-1.3	0.4	-3.5	2.3
	II	0.7	-4.4	6.1	0.2	-1.3	0.7	1.4	-3.9	0.4	5.7	-9.5	-0.4	7.1	1.8
	III	1.0	-5.7	7.5	0.4	-1.2	0.9	1.9	-8.1	-1.6	-3.5	-3.9	0.9	8.7	-1.3
	IV	1.7	-3.1	5.1	0.6	-0.8	1.6	3.4	5.6	0.8	2.3	2.6	-0.2	-3.3	-1.0
2023	I	2.9	-1.2	4.8	-0.2	-0.5	0.8	3.7	-13.9	0.8	6.2	-20.1	-0.7	16.1	-1.5
	II	2.3	-2.2	6.8	-1.3	-1.0	0.6	2.9	-5.0	-3.1	-4.0	2.5	-0.4	9.1	1.2
	III	2.9	-3.3	8.4	-0.8	-1.3	0.9	3.8	-3.0	1.2	-4.0	0.3	-0.5	6.5	-0.3

(a) Period with available data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

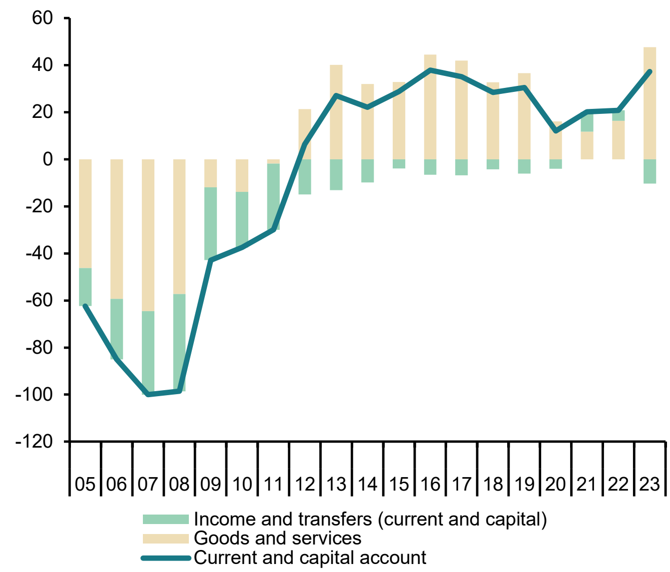


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

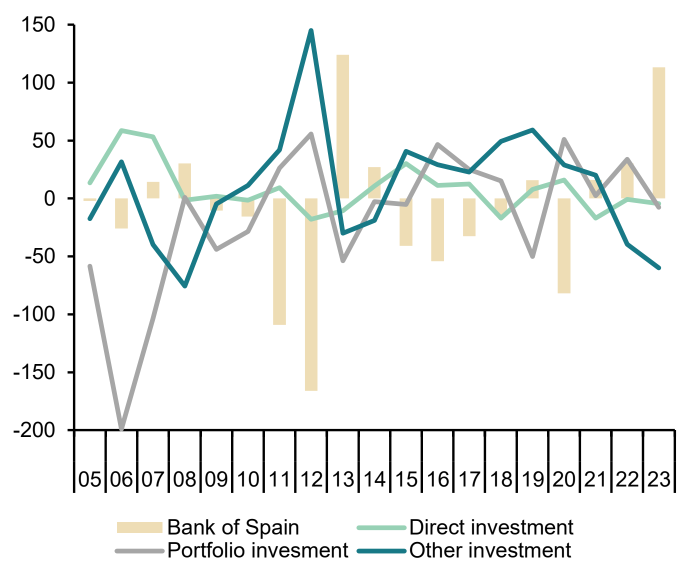


Table 16

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		--	--	--	119.9	123.2	97.3	143.9	138.0	104.3	107.0
2024	(b)	--	--	--	121.1	124.0	97.6	--	--	--	107.2
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	--	--	--	120.7	124.0	97.4	143.8	136.0	105.8	107.0
	IV	--	--	--	121.3	124.2	97.7	142.4	136.2	104.6	107.3
2023	Dec	--	--	--	121.1	124.1	97.6	141.5	135.5	104.4	107.2
2024	Jan	--	--	--	120.8	123.6	97.7	--	--	--	107.2
	Feb	--	--	--	121.3	124.4	97.5	--	--	--	-
		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		--	--	--	3.4	5.4	-2.0	-3.1	-1.9	-1.2	-0.9
2024	(c)	--	--	--	3.2	2.7	0.5	--	--	--	0.7
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	-2.1
	II	--	--	--	2.8	6.2	-3.4	-4.7	-0.9	-3.8	-2.2
	III	--	--	--	2.6	5.0	-2.4	-6.9	-7.9	1.0	-0.7
	IV	--	--	--	3.3	2.7	0.6	-5.1	-7.0	1.9	1.4
2023	Dec	--	--	--	3.3	2.9	0.4	-4.3	-7.3	3.0	0.8
2024	Jan	--	--	--	3.5	2.8	0.7	--	--	--	0.7
	Feb	--	--	--	2.9	2.6	0.3	--	--	--	--

(a) EMU excluding Ireland and Spain. (b) Period with available data. (c) Growth of available period over the same period of the previous year.

Sources: Eurostat. Bank of Spain and Funcas.

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

1998=100

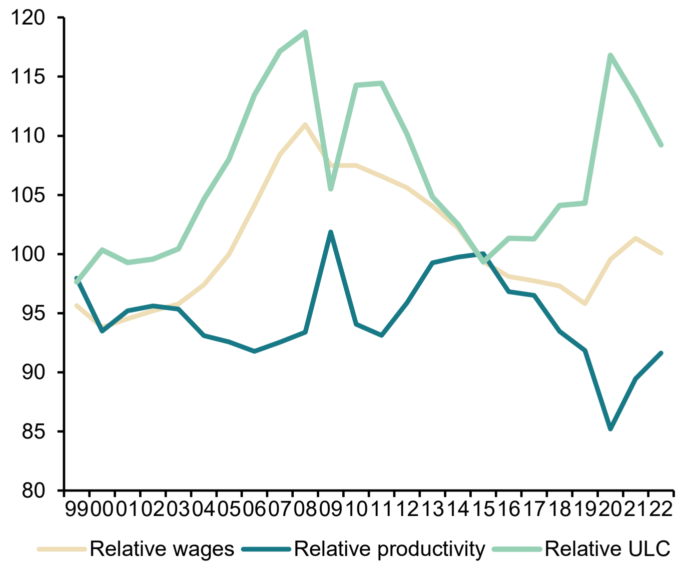


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

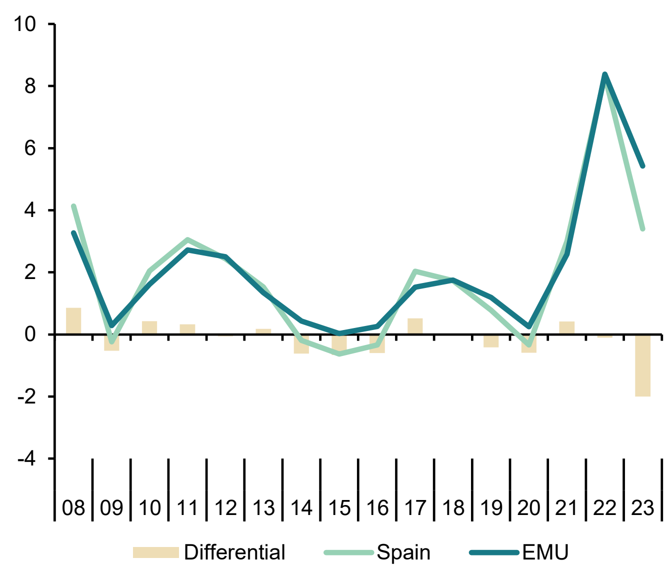


Table 17a

Imbalances: International comparison (I)

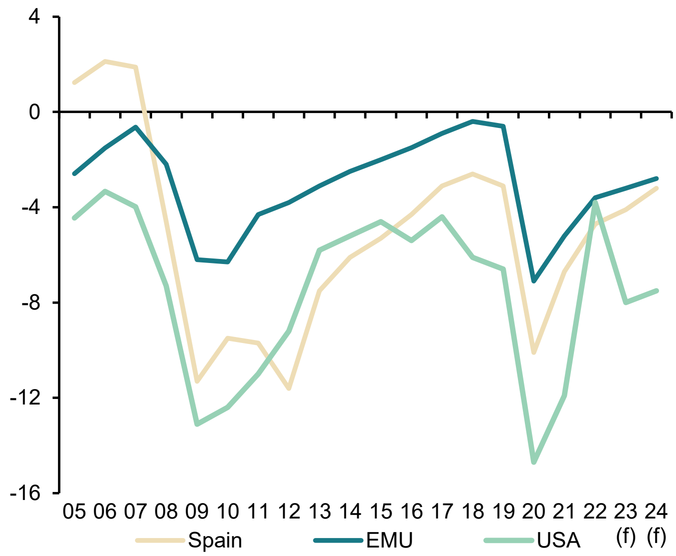
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
	Billions of national currency								
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

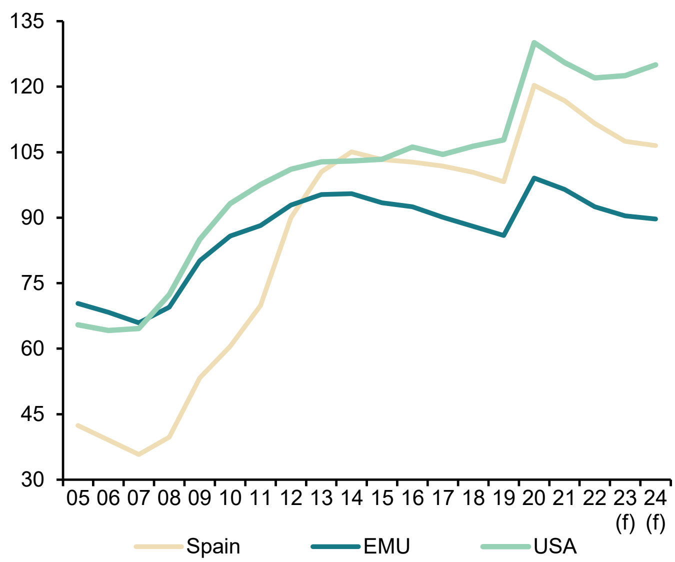
Percentage of GDP



(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	14,200.6	1,273.7	7,961.3	11,020.0
2009	908.9	5,890.7	14,037.3	1,274.7	8,034.0	10,509.2
2010	905.2	6,031.9	13,804.9	1,274.3	8,134.2	10,377.9
2011	877.9	6,112.3	13,692.8	1,230.1	8,360.5	10,648.1
2012	840.7	6,104.1	13,582.7	1,104.3	8,487.4	11,229.4
2013	793.4	6,064.0	13,807.9	1,024.9	8,394.5	11,800.9
2014	757.5	6,070.5	13,911.7	971.3	8,490.4	12,623.2
2015	733.1	6,134.1	14,134.9	945.6	8,907.0	13,479.4
2016	718.3	6,238.1	14,554.1	927.4	9,059.5	14,151.7
2017	710.8	6,400.5	15,109.5	907.0	9,115.5	15,162.6
2018	709.4	6,589.1	15,582.0	893.2	9,379.1	16,151.0
2019	707.6	6,821.9	16,165.1	898.5	9,654.6	16,846.8
2020	700.4	7,007.6	16,730.5	954.3	10,104.1	18,408.8
2021	704.2	7,306.6	18,343.2	978.9	10,559.8	19,525.6
2022	703.6	7,563.3	19,429.5	958.9	10,819.3	20,761.5
2023	--	--	19,955.2	--	--	21,126.0
	Percentage of GDP					
2008	82.6	59.8	96.1	114.8	82.3	74.6
2009	85.0	63.2	97.0	119.2	86.2	72.6
2010	84.4	63.0	91.7	118.8	84.9	69.0
2011	82.5	62.1	87.8	115.6	84.9	68.3
2012	81.5	61.8	83.6	107.1	85.9	69.1
2013	77.7	60.8	81.8	100.5	84.1	69.9
2014	73.4	59.4	79.0	94.1	83.2	71.7
2015	68.0	58.0	77.3	87.7	84.3	73.7
2016	64.5	57.4	77.4	83.2	83.4	75.3
2017	61.1	56.8	77.0	78.0	80.9	77.3
2018	58.9	56.5	75.4	74.2	80.5	78.2
2019	56.8	56.6	75.1	72.1	80.2	78.3
2020	62.6	60.8	78.5	85.2	87.8	86.3
2021	57.6	58.6	77.7	80.0	84.6	82.8
2022	52.3	56.1	75.5	71.2	80.2	80.6
2023	--	--	72.9	--	--	77.2

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

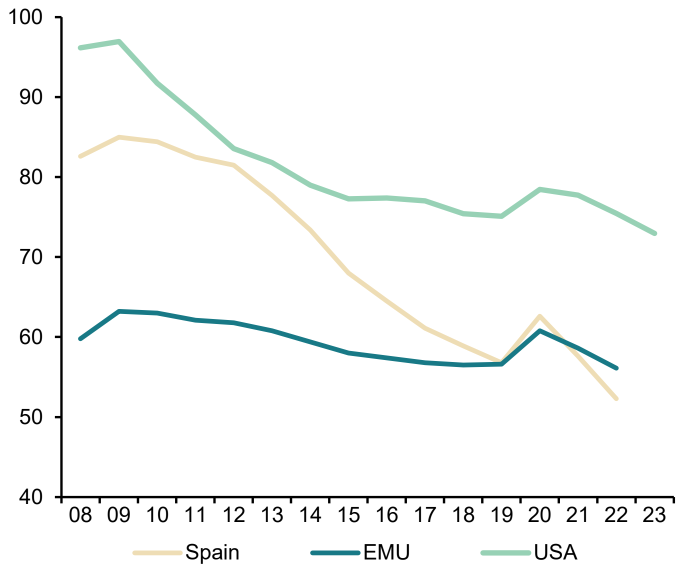
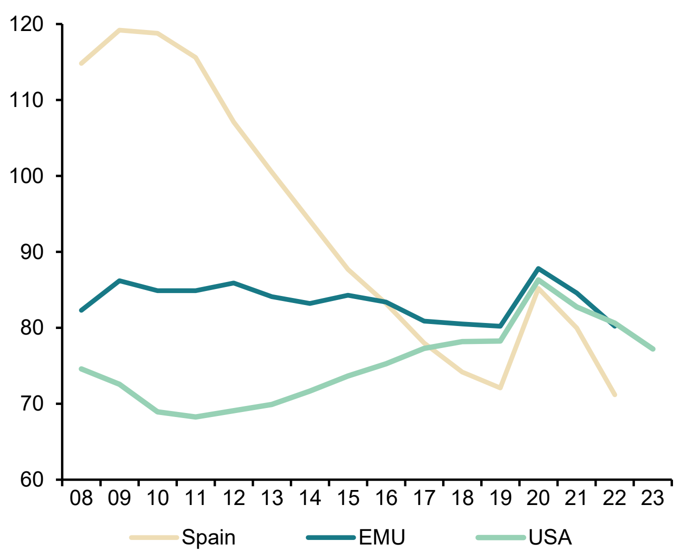


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: March 15th, 2024

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.7	December 2023
Other resident sectors' deposits in credit institutions (monthly average % var.)	2.4	December 2023
Doubtful loans (monthly % var.)	-1.0	December 2023
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	397,022	February 2024
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	22,457	February 2024
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	130	February 2024
"Operating expenses/gross operating income" ratio (%)	42.20	September 2023
"Customer deposits/employees" ratio (thousand euros)	12,899.22	September 2023
"Customer deposits/branches" ratio (thousand euros)	116,975.59	September 2023
"Branches/institutions" ratio	92.86	September 2023

A. Money and Interest Rates

Indicator	Source	Average 2001-2021	2022	2023	2024 February	2024 March 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.6	4.1	0.1	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.2	2.162	3.433	3.922	3.933	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.5	0.992	3.868	3.671	3.727	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.0	3.2	3.4	3.3	3.1	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": The official interest rate in the Eurozone remains at 4.5%, continuing the pause in rate movements, after ten increases by the ECB since July 2022. Although the central bank itself calls for caution, market expectations are for rate cuts in the coming months, although perhaps not as soon as initially expected. This uncertainty is being felt in the interbank rates. In the first half of March, the 12-month Euribor (main reference for mortgages) has risen slightly to 3.727% from 3.671% in February, while the 3-month benchmark also increased slightly, going from 3.922% in February to 3.933% in mid-March. The yield on the 10-year government bond has decreased from 3.3% in February to 3.1% in mid-March.

B. Financial Markets

Indicator	Source	Average 2001-2020	2021	2022	2023 December	2024 January	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	35.7	27.9	27.8	14.44	21.40	(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	10.71	15.84	(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	0.19	0.86	(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	0.22	0.50	(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	3.62	3.53	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	-	-	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	0.4	-1.0	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	-5.7	3.9	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	986.69 (b)	1,044.90 (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	10,001.30 (b)	10,597.90 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	3,924.5	15,644.9	10,466.4	16,091.92 (b)	15,973.17 (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	31.9 (b)	33.1 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial Markets (continued)

Indicator	Source	Average 2001-2020	2021	2022	2023 December	2024 January	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	0.79	2.4	8.01	-7.4	-	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	-0.9	-	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	-2.3	7.0	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	14.8	21.1	35.8	161.1	-66.6	IBEX-35 shares concluded transactions

(a) Last data published: March 15th. 2024; (a) Last data published: February 29th. 2024.

Comment on "Financial Markets": In the first half of March, Spanish stock indices experienced a significant rise, even surpassing the maximum levels at which they closed the year 2023. The IBEX-35 stood at 10,597.90 points. The General Index of the Madrid Stock Exchange finished at 1,044.9 points. Meanwhile, in January (the latest data available) there was an increase in the ratio of simple spot transactions with Treasury bills (up to 21.40%) and also in the ratio of simple transactions with government bonds (up to 15.84%). Transactions with IBEX-35 stock futures increased by 7% while financial options on the same index fell by 66.6% compared to the previous month.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2020	2021	2022	2023 Q2	2023 Q3	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-0.9	1.9	1.5	3.0	3.4	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.1	4.4	0.9	1.7	2.5	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	264.1	256.1	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	63.1	58.4	53.0	49.9	48.0	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	3.1	-0.6	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	1.1	-2.2	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": In the third quarter of 2023, financial savings across the economy increased to 3.4% of GDP. In the household sector, the financial savings rate was 2.5% of GDP. It is also observed that the financial debt of households has decreased to 48% of GDP.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2020	2021	2022	2023 November	2023 December	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	0.2	-0.04	0.8	-0.7	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	2.4	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	-0.6	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	0.7	0.9	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	8.1	7.6	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	0.01	-1.0	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.1	0.6	-2.4	-0.5	-1.8	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	0.4	1.6	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": In December, the latest data available, a decrease of 0.7% was observed in credit to the private sector. Deposits increased by 2.4%. The weight of fixed-income securities in the balance sheet decreased by 0.6%, while stocks and shares increased by 0.9%. Likewise, there was a slight decrease in the volume of non-performing loans by 1% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2020	2021	2022	2023 June	2023 September	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	17,517	17,458	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	1,031,949	397,022 (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	88,092	22,457 (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	417	130 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2022.

(b) Last data published: February 29th, 2024.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In February 2024, the net appeal to the Eurosystem by Spanish financial institutions was 22,457 million euros.

MEMO ITEM: Since January 2015, the European Central Bank has also been reporting the amount of various asset purchase programs. In February 2024, their value in Spain was 523.625 billion euros and 4.6 trillion euros in the entire Eurozone.

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q2	2023 Q3	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	47.24	54.18	46.99	40.72	42.20	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	12,951.36	12,899.22	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	31,099.47	111,819.77	117,256.85	117,053.21	116,975.59	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q2	2023 Q3	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	178.52	98.01	92.88	93.17	92.86	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.11	9.2	9.3	9.0	9.0	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	-0.07	0.6	1.3	0.7	0.7	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.5	0.7	1.0	0.9	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.25	6.9	9.8	12.23	11.77	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2023Q3. there was a relative decrease in the profitability of Spanish banks.

Social Indicators

Table 1

Population

Population														
	Total population	Average age	67 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (women)	Life expectancy at 65 (men)	Life expectancy at 65 (women)	Dependency rate (older than 66)	Dependency rate	Foreign population (%)	Foreign-born population (%)	Foreign-born with Spanish nationality (% over total foreign born)	Immigration	Emigration
2013	46,712,650	41.8	15.7	79.9	85.5	18.9	22.8	23.0	46.6	10.8	13.2	24.7	280,772	532,303
2014	46,495,744	42.2	16.0	80.1	85.6	19.0	22.9	23.6	47.3	10.1	12.8	28.7	305,454	400,430
2015	46,425,722	42.5	16.3	79.9	85.4	18.8	22.6	24.1	47.9	9.6	12.7	31.8	342,114	343,875
2016	46,418,884	42.7	16.6	80.3	85.8	19.1	23.0	24.7	48.5	9.5	12.7	33.0	414,746	327,325
2017	46,497,393	43.0	16.9	80.3	85.7	19.1	23.0	25.1	48.9	9.5	12.9	34.4	532,132	368,860
2018	46,645,070	43.2	17.0	80.4	85.8	19.2	23.0	25.4	49.0	9.8	13.3	34.2	643,684	309,526
2019	46,918,951	43.4	17.2	80.8	86.2	19.4	23.4	25.5	48.9	10.3	14.0	33.8	750,480	296,248
2020	47,318,050	43.6	17.3	79.5	85.0	18.3	22.3	25.8	48.8	11.1	14.8	32.9	467,918	248,561
2021	47,400,798	43.8	17.5	80.2	85.8	18.9	23.1	26.0	48.5	11.4	15.3	33.1	887,960[a]	696,866[a]
2022	47,486,727	44.1	17.7	80.4	85.7	19.1	23.0	26.3	48.5	11.6	15.7	33.6	1,258,894	531,889
2023	48,085,361	44.2	17.8					26.4	48.1	12.7	17.1	32.2		
2024	48,592,909		18.0					26.6	47.8	13.4	18.1			
Sources	ECP	IDB	ECP	IDB	IDB	IDB	IDB	ECP	ECP	ECP	ECP	ECP	EMCR and EM*	EMCR and EM*

ECP: Estadística Continua de Población.

IDB: Indicadores demográficos básicos.

EM: Estadística de migraciones.

EMCR: Estadística de migraciones y cambios de residencia.

** Estadística de migraciones y cambios de residencia (2021 onwards), Estadística de migraciones (up to 2020). Series not comparable.*
a: Break in the series.

Table 2

Households and families

	Households					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Single-parent households (%)	Emancipation rate 25-29 yeard old (%)
2013	18,212	2.54	13.9	10.3	8.1	50.8
2014	18,329	2.52	14.2	10.6	8.2	50.4
2015	18,376	2.51	14.6	10.7	8.2	48.2
2016	18,444	2.50	14.6	10.9	8.3	47.2
2017	18,513	2.49	14.2	11.4	8.6	46.1
2018	18,581	2.49	14.3	11.5	8.3	46.1
2019	18,697	2.49	14.9	11.2	9.0	45.9
2020	18,794	2.49	15.0	11.4	9.1	43.2
2021	18,919	2.47	15.6	11.0	9.0	40.3
2022	19,113	2.46	15.4	11.7	8.8	42.0
2023	19,385	2.45				44.2
Sources	LFS	LFS	EPF	EPF	EPF	LFS

EPF: Encuesta de Presupuestos Familiares.

Single-parent households (%): One adult with a child /children.

Emancipation rate 25-29 yeard old (%): Percentage of persons (25-29 years old) living in households in which they are not children of the reference person.

Table 2 (Continued)

Households and families

	Nuptiality and divorces									
	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 (%)
2013	0.46	0.49	0.34	84.3	34.2	32.3	1.07	0.93	15.0	0.28
2014	0.49	0.52	0.34	84.3	34.4	32.5	1.05	1.00	13.7	0.29
2015	0.52	0.55	0.34	83.7	34.8	32.9	1.17	1.10	13.1	0.28
2016	0.54	0.58	0.37	83.1	35.2	33.3	1.28	1.25	13.2	0.28
2017	0.55	0.58	0.38	82.4	35.5	33.6	1.37	1.37	14.0	0.29
2018	0.53	0.57	0.36	81.5	35.8	33.8	1.45	1.54	14.2	0.28
2019	0.53	0.57	0.37	80.5	36.3	34.3	1.54	1.64	15.1	0.27
2020	0.28	0.30	0.22	76.6	37.5	35.5	1.72	1.93	17.3	0.23
2021	0.47	0.52	0.30	80.4	37.1	35.1	1.54	2.00	14.8	0.25
2022	0.58	0.63	0.37	81.4	37.0	35.1	1.65	1.96	15.3	0.24
Sources	IDB	IDB	IDB	IDB	MNP	MNP	MNP	MNP	MNP	IDB

IDB: Indicadores demográficos básicos.

MNP: INE, Movimiento Natural de la Población.

Marriages per inhabitant: Average number of times an individual would marry in his or her lifetime, if the same age-specific nuptiality intensity were to be maintained as observed in the current year.

Mixed marriage: Marriage of a Spaniard to a foreigner.

Divorces per inhabitant: Average number of times an individual would divorce in his or her lifetime, if the same intensity of divorce by age as observed in the current year were to be maintained.

	Fertility									
	Median age at first child (women)	Median age at first child (Spanish women)	Median age at first child (foreign women)	Total fertility rate	Total fertility rate (Spanish)	Total fertility rate (foreigners)	Births to single mothers (%)	Births to single mothers (Spanish) (%)	Births to single mothers (foreigners) (%)	Abortion rate	Abortion by Spanish-born women (%)
2013	30.4	31.0	27.3	1.27	1.23	1.52	40.9	41.0	40.2	11.7	62.2
2014	30.6	31.1	27.5	1.32	1.27	1.61	42.5	43.1	39.7	10.5	63.3
2015	30.7	31.2	27.6	1.33	1.28	1.65	44.5	45.5	39.6	10.4	63.9
2016	30.8	31.3	27.6	1.33	1.28	1.71	45.9	47.0	40.7	10.4	64.5
2017	30.9	31.5	27.6	1.31	1.25	1.70	46.8	48.1	41.1	10.5	64.6
2018	31.0	31.6	27.8	1.26	1.20	1.64	47.3	48.9	41.2	11.1	63.7
2019	31.1	31.7	28.1	1.23	1.17	1.58	48.4	50.1	42.4	11.5	62.6
2020	31.2	31.8	28.3	1.18	1.13	1.45	47.6	50.0	39.3	10.3	64.1
2021	31.5	32.1	28.8	1.18	1.15	1.35	49.3	52.0	39.2	10.7	65.1
2022	31.6	32.2	28.5	1.16	1.12	1.35	50.1	53.1	40.3	11.7	66.7
Sources	IDB	IDB	IDB	IDB	IDB	IDB	IDB	IDB	IDB	MS	MS

IDB: Indicadores demográficos básicos.

MS: Ministerio Sanidad.

Total fertility rate: Average number of children a woman would have during her childbearing life if she were to maintain the same age-specific fertility intensity as observed in the current year.

Table 3

Education

	Population 25 years and older with primary education (%)	Population 16 years and older with with tertiary education (%)	Population 25-34 with primary education (%)	Population 25-34 with tertiary education (%)	Gross enrolment ratio in pre-primary education, first cycle	Gross enrolment rate in Upper Secondary	Gross enrolment rate in lower vocational training	Gross enrolment rate in upper vocational training	Gross enrolment rate in undergraduate or posgraduate studies	Graduation rate in 4-year university degrees (%)
2013	28.6	28.2	7.6	41.1	31.9	81.3	39.1	37.1	46.5	48.6
2014	26.3	29.0	6.8	41.5	33.0	81.5	41.0	40.6	47.6	50.2
2015	25.2	29.3	7.3	41.0	34.2	80.7	41.5	41.7	47.4	51.8
2016	24.2	29.8	7.2	41.0	35.1	80.2	40.3	41.0	47.4	52.8
2017	23.2	30.4	6.7	42.6	36.7	76.9	38.5	43.6	47.7	53.4
2018	22.3	31.1	6.3	44.3	38.5	74.3	37.8	45.1	47.6	
2019	20.9	32.3	5.8	46.5	39.9	72.5	38.1	44.9	47.1	
2020	19.2	33.4	5.5	47.4	41.3	71.0	38.8	47.3	46.7	
2021	17.9	34.4	5.5	48.7	36.0	70.4	41.1	53.6	47.6	
2022	17.6	34.7	5.4	50.5	42.0	69.5	42.3	54.6	47.3	
2023	17.4	35.2	5.2	52.1	45.7	67.2	42.7	54.8	46.2	
Sources	LFS	LFS	LFS	LFS	MEFPD and ECP	MEFPD and ECP	MEFPD and ECP	MEFPD and ECP	MU	MU

	Drop-out rate in undergraduate studies (percentage)	Early school leavers from education and training (%)	Public expenditure (% GDP)	Private expenditure (% GDP)	Private expenditure (% total expenditure in education)
2013	33.9	23.6	4.40	1.42	25.1
2014	33.2	21.9	4.34	1.41	25.5
2015	33.2	20.0	4.32	1.37	24.9
2016	33.2	19.0	4.27	1.35	24.9
2017	31.7	18.3	4.25	1.31	24.5
2018		17.9	4.21	1.34	25.0
2019		17.3	4.26	1.32	24.4
2020		16.0	4.93	1.45	23.4
2021		13.3	4.89		
2022		13.9			
2023		13.6			
Sources	MU	MEFPD	MEFPD	OECD	OECD

LFS: Labor Force Survey.

MEFPD: Ministerio de Sanidad.

ECP: Encuesta Continua de Población.

MU: Ministerio de Universidades.

OECD: Organisation for Economic Co-operation and Development.

Gross enrolment ratio in pre-primary education, first cycle: Enrolled in early childhood education as a percentage of the population aged 0 to 2 years.

Gross enrolment rate in Upper Secondary: Upper secondary enrolment as a percentage of the population aged 16 to 17.

Gross enrolment rate in lower vocational training: On-site and distance learning enrolment. Enrolled in Intermediate Level Training Cycles as a percentage of the population aged 16 to 17.

Gross enrolment rate in upper vocational training: On-site and distance learning enrolment. Enrolled in Higher Level Training Cycles as a percentage of the population aged 18 to 19.

Gross enrolment rate in undergraduate or posgraduate studies: Enrolled in official Bachelor's or Master's degrees as a percentage of the population aged 18 to 24.

Graduation rate in 4-year university degrees (%): Percentage of students who complete the degree in the theoretical time foreseen or in one additional academic year.

Drop-out rate in undergraduate studies (percentage): New entrants in an academic year who stop studying in one of the following 3 years.

Early school leavers from education and training (%): Percentage of the population aged 18-24 who have not completed upper secondary education and are not in any form of education and training.

Table 4

Inequality and poverty

	Gini index of equivalised disposable income	At-risk-of-poverty rate (%)	At-risk-of-poverty rate, 2008 fixed threshold (%)	Severe material deprivation (%)
2013	34.7	22.2	30.9	6.2
2014	34.6	22.1	29.9	7.1
2015	34.5	22.3	29.2	6.4
2016	34.1	21.6	26.5	5.8
2017	33.2	21.5	25.5	5.1
2018	33.0	20.7	24.9	5.4
2019	32.1	21.0	21.8	4.7
2020	33.0	21.7	22.8	7.0
2021	32.0	20.4	20.5	7.3
2022	31.5	20.2	20.1	8.1
2023				8.9
Sources	ECV	ECV	ECV	ECV

ECV: Encuesta de Condiciones de Vida.

Gini index of equivalised disposable income: The extent to which the distribution of equivalised disposable income (net income divided by unit of consumption; modified OECD scale) deviates from a distribution of perfect equity (all individuals obtain the same income).

At-risk-of-poverty rate (%): Population below the poverty line. Poverty threshold: 60% of median equivalised disposable income (annual net income per unit of consumption; modified OECD scale) in each year.

At-risk-of-poverty rate, 2008 fixed threshold (%):Population below the poverty line. Poverty threshold: 60% of median equivalised disposable income (annual net income per unit of consumption; modified OECD scale). In this case, the threshold used is always that of 2008.

Severe material deprivation (%):People with material deprivation in at least 4 items (Europe 2020 strategy).

Table 5

Social protection: Benefits

	Contributory benefits*									Non-contributory benefits		
	Public expenditure on minimum income benefits (% GDP)	Expenditure on social protection, cash benefits (% GDP)	Permanent disability, pensions	Permanent disability, average amount (€)	Retirement, pensions	Retirement, pensions	Widowhood, pensions	Widowhood, average amount (€)	Unemployment	Unemployment	Disability	Retirement
2013	0.15	18.2	935,220	908	5,451,465	979	2,336,240	618			195,478	250,815
2014	0.15	17.9	929,484	916	5,558,964	1,000	2,348,388	624			197,303	252,328
2015	0.16	17.2	931,668	923	5,641,908	1,021	2,353,257	631	838,392	1,102,529	198,891	253,838
2016	0.14	17.0	938,344	930	5,731,952	1,043	2,358,666	638	763,697	997,192	199,762	254,741
2017	0.14	16.7	947,130	936	5,826,123	1,063	2,360,395	646	726,575	902,193	199,120	256,187
2018	0.14	16.9	951,838	946	5,929,471	1,091	2,359,931	664	751,172	853,437	196,375	256,842
2019	0.14	17.4	957,500	975	6,038,326	1,138	2,361,620	712	807,614	912,384	193,122	259,570
2020	0.21	22.2	952,704	985	6,094,447	1,162	2,352,680	725	1,828,489	1,017,429	188,670	261,325
2021	0.33	20.3	949,765	994	6,165,349	1,190	2,353,987	740	922,856	969,412	184,378	262,177
2022		18.8	951,067	1,035	6,253,797	1,254	2,351,703	778	773,227	882,585	179,967	265,831
2023			945,963	1,119	6,367,671	1,375	2,351,851	852	801,091	875,969	175,792	272,188
2024			944,723*	1,161*	6,451,489*	1,437*	2,351,799*	893*	895,470•	918,621•	173,394■	276,040■
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

** Data refer to January-March.*

● Data refer to January-February.

■ Data refer to January.

Expenditure on social protection, cash benefits (% GDP): Includes benefits for: sickness or disability, old age, survivors, family and children, unemployment, housing, social exclusion and other expenses.

Public expenditure on minimum income benefits (% GDP): Minimum insertion wage and migrants' allowances and other benefits. Since 2020 it includes "IMV" minimum income benefits.

Table 6

Health

	Public expenditure (% GDP)	Private expenditure (% GDP)	Private expenditure (% total expenditure)	Primary care doctors per 1,000 people asigned	Primary care nurses per 1,000 people asigned	Medical specialists per 1,000 inhabitants	Specialist nurses per 1,000 inhabitants	Patients waiting for a first consultation in specialised care per 1,000 inhabitants*	Average waiting time for a first consultation specialised care (days)*	Patients waiting for a non-urgent surgical intervention per 1,000 inhabitants*	Average waiting time for non-urgent surgery (days)*
2013	6.2	2.6	29.0	0.76	0.65	1.78	3.04	39.0	67.0	12.3	98.0
2014	6.2	2.7	29.7	0.76	0.65	1.81	3.14	39.4	65.0	11.4	87.0
2015	6.2	2.6	28.7	0.76	0.64	1.85	3.19	43.4	58.0	12.2	89.0
2016	6.1	2.5	28.4	0.76	0.65	1.90	3.27	45.7	72.1	13.7	115.0
2017	6.0	2.6	29.5	0.77	0.65	1.93	3.38	45.9	66.2	13.1	106.1
2018	6.0	2.7	29.8	0.77	0.66	1.98	3.45	62.5	95.9	14.8	129.0
2019	6.1	2.7	29.5	0.78	0.67	1.97	3.50	63.7	87.6	15.5	121.5
2020	7.6	2.9	26.9	0.78	0.66	2.02	3.74	53.6	99.4	15.1	147.8
2021	7.2	3.1	28.4	0.77	0.66	2.11	3.90	77.2	88.9	15.4	122.9
2022	6.9	3.1	29.8	0.78	0.70	2.14	3.87	85.4	95.2	17.1	120.1
2023								78.5	87.5	17.6	111.8
Sources	Eurostat	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

** Only in the public health system.*

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Notes

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