

## Deep dive into Spain's private sector

### WHAT MATTERS

**EU trade and investment** in the midst of re-globalisation

Challenges for **Spanish banks**: 50 years after deregulation

**Deposits** and the transmission of monetary policy

**Interest rate risk** hits central banks

Spain's **household and non-financial corporate (NFC) accounts** for 2023

Spain's **private sector debt service ratio**: An international comparison

**Business dynamism** in Spain in the wake of recent crises

The effects of the pandemic and inflation crisis on Spanish **corporates' funding gap**

**Capitalisation of Spanish corporations** since the financial crisis

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# SEFO

SPANISH AND INTERNATIONAL  
ECONOMIC & FINANCIAL OUTLOOK

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# Letter from the Editors

The global situation remains uncertain, in line with the persistence of armed conflicts in Eastern Europe and the Middle East, with their repercussions on international trade and the transport of goods through the Red Sea. Nevertheless, the relative stability of the energy markets and the resilience of the labor market, among other factors, have encouraged the prospect of a recovery in Europe. This is evidenced by economic indicators, even in Germany, one of the economies most affected by the geopolitical changes. Signs of sustained growth in the US economy are more tangible, while inflation remains above target, reducing the prospects of interest rate cuts by the Federal Reserve. The Chinese economy, meanwhile, seems to be showing signs of improvement in the second quarter.

Within this context, the May issue of *Spanish and International Economic & Financial Outlook (SEFO)* examines the outlook for global trade and investment flows, and in particular how they are impacting the EU. An analysis of EU trade and foreign direct investment flows reveals a relative decline in the EU's export position in global trade as well as a weakening of foreign direct investment (FDI) inflows, with the EU now a major net exporter of capital to invest in companies located in third countries. Although the EU continues to present a current account surplus, this resilience reflects largely lethargic imports rather than a boom in exports of goods, albeit it is worth noting that Europe has fared better

in its trade in services. As with the drop in the market share commanded by European goods exports, the trend in FDI evidences a loss of attractiveness of the EU relative to the US and China. Indeed, a comparison between FDI outflows and inflows reveals Europe as a heavy net exporter of capital, which means a significant share of the savings available in Europe is being used to invest in companies located in other countries. That said, there has been an intensification of trade and investment among member states (intra-EU). The mitigating role played by the single market has had particularly healthy benefits for economies like Spain, where labour and energy costs are relatively low. The advantages of the single market can also be enhanced through measures that boost the investment of excess savings within the bloc. Nevertheless, even in its enhanced form, the single market can only partially mitigate the weakening of the external position of the EU *vis-à-vis* other economic powers. This highlights the importance of a revitalisation strategy which includes the capital markets union and the deployment of a common European investment budget, as a follow on from Next Generation EU funds.

Next, we take a walk through history, looking back over the past 50 years of Spanish financial sector deregulation to assess the evolution of the structure and profitability of Spain's banks from the past to the present. The Spanish banking sector, since its deregulation

50 years ago until today, has been shaped by significant structural transformation as a result of the need to adapt to a changing environment and respond to challenges. Indeed, Spanish banks have demonstrated resilience and the ability to adapt to changes in market conditions, financial regulation, disruptive technology and global economic crises. Firstly, it is essential to acknowledge that the sector deregulation embarked on in the 1970s unleashed a series of changes that have profoundly redefined the Spanish banking landscape. The number of deposit-takers in Spain has decreased significantly, from 262 in 1993 to 109 in 2023, illustrating the scale of sector consolidation in response to economic challenges and opportunities to increase efficiency. There has also been a contraction in sector employment, from 270,085 jobs in 2008 to 158,217 in 2022, and in the number of bank branches, from 45,662 in 2008 to 17,603 in 2023. These figures underscore the banks' shift to a more technology-heavy model less dependent on physical infrastructure, evidencing a transition towards digitalisation and operational efficiency in response to new market demands and competitive pressures in a globalised financial environment. In tandem with these structural changes, the composition of the banks' income and expenses has evolved significantly, encompassing efforts to navigate the ultra-low rate environment in the wake of the financial crisis as well as remarkable efforts to boost cost-to-income efficiency. On top of profitability pressures, the management of risks under the growing regulatory push to increase solvency, on the one hand, and technological challenges, on the other, remain the most important issues facing the Spanish banks in the years to come. On this last point, the banks will need to balance the search for scale against the agility required to adapt to new technology and shifting customer expectations.

Relatedly, given the importance of the interest rate channel to the financial sector, we look at the impacts of monetary policy changes from various angles. On the one hand, how, through bank deposits, policy rates may impact the credit

supply. On the other hand, how monetary policy decisions by central banks may reverberate back to affect the central banks' themselves, through implications for their balance sheets.

Bank deposits have been shown to play a role in shaping monetary policy and access to credit. This mechanism could be far more pronounced as interest rates experience large and unexpected hikes, and even stronger after a long period of low interest rates. The reasons are twofold: First, at low rates, many banks aimed to extract the maximum value from their deposits franchise by taking interest rate risk and increasing their duration gap. This would mean that many banks would enter the rate hike period with a large duration gap so deposit withdrawals would render their duration gap more pronounced. Second, higher increases in rates would make the stability of "cheap" deposit funding more uncertain as depositors consider alternative sources of funding. Research shows that in euro area countries, banks experiencing deposit outflows choose to reduce credit rather than increase the interest rate they charge. Crucially, firms entering the tightening cycle mostly connected to lenders with higher duration gaps could be significantly less likely to obtain credit as tightening starts, with the likelihood becoming even lower for banks experiencing deposit outflows. More broadly, this phenomenon relates to concerns about financial stability from central banks' tightening their stance after a long period of ample liquidity and balance sheet expansion.

In the wake of the problems affecting several US banks, one year ago we assessed the issue of interest rate risk in the banking book and the effectiveness of the regulatory environment and applicable accounting rules in the prevention and mitigation of such risk. This type of interest rate risk, particularly the risk implicit in an excessive mismatch between asset and liability maturities and/or repricing, has now hit the central banks hard, with some reporting no profits, or even losses, in 2023. An analysis of the asset and liability structure of the Federal Reserve, the European Central Bank (ECB) and

the Bank of Spain reveals that interest rate risks, and hence expected losses, are likely to continue to materialize across all three central banks in the coming years albeit along distinct timeframes and in different magnitudes – with the ECB and Bank of Spain expected to report smaller absolute values than the Fed. That said, it is important to note that, unlike private sector banks, central banks are not obliged to recognize their holdings at fair value (*i.e.* they do not have to recognized unrealized losses) or unwind positions, which means that market implications would be very different. As well, central banks should not be judged for their earnings performance, but rather whether they fulfil their mandates. In any event, there may be other implications related to the need for central banks to assess monetary policy rates from the perspective of how they relate to central bank transfers to the commercial banking system.

The following section of the June *SEFO* explores the evolution of private debt dynamics in Spain, but also through a comparative lens at the international level. Corporate income registered significant growth in 2022, making notable progress towards reaching pre-pandemic levels. However, in 2023, it was household income that was more dynamic. The trend in household income has been relatively favourable throughout the post-pandemic years, despite the increase in inflation. This has been largely attributable to the resilience of the Spanish labour market labour, as well as wage growth. These factors allowed Spain's households to absorb the impact of the increase in interest rates in 2023 with relative ease, as evidenced by the stability in the rate of loan non-performance in this sector. As well, household debt, at 74.2% of GDI, reached its lowest level since 2001. In the corporate sector, however, the increase in rates had a more pronounced impact, although that is not the only reason for its relatively weak earnings performance. Indeed, Gross Operating Surplus (GOS) registered moderate growth, down significantly from 2022 and below the growth in the compensation and benefits received by Spanish households, which, in contrast, accelerated. By comparison with

2019, in nominal terms, the income gap between the non-financial corporate (NFC) and household sectors widened, revealing an incomplete recovery in the corporate segment compared to solid growth in household income. Lastly, investment levels at Spain's corporations remain depressed, with firms preferring to use their profits to repay debt, despite already healthy leverage levels by both historical standards and by comparison with their European peers.

The rate tightening embarked on by the ECB in mid-2022, which was paused in September 2023, has had a negative impact on debt sustainability. In the case of Spain's corporations, the interest burden doubled between 2022 and 2023, surpassing the 40 billion euros mark. The interest burden on household borrowings increased by 66% to over 24 billion euros. Looking at the share of income that has to be earmarked to interest payments, the percentage almost doubled in 2023 in the business sector (from 7% to 13%), increasing by less, and from a much lower base, in the case of the household sector (from 1.8% to 2.6%). Nevertheless, the interest burden is below the EU-27 average in the corporate segment (9% *vs.* 12% as of the third quarter of 2023) and very similar among households (2.4% *vs.* 2.5%). As well, the ultralow rate environment until 2022 coupled with private sector deleveraging drove a drastic reduction in debt service costs (interest costs and principal repayment), which did not increase in 2023, as the spike in interest costs was offset by ongoing deleveraging. In 2023, Spain's corporations earmarked 34.7% of their gross disposable income to debt service, while its households set aside 5.6%. These are low readings relative to international standards.

We close this issue of *SEFO* by further drilling down with a micro perspective on important challenges facing Spain's private sector, ranging from business dynamism, to access to financing, in particular for Spain's SMEs, as well as deconstructing what may be behind underinvestment in capital at Spanish non-financial corporates.

Spain was home to 3,207,580 economically active enterprises as of 1 January 2023, growth of 0.5% from 2022. Over two thirds of the total have been in business for less than 11 years. 57% of these businesses are natural persons and have no employees, while 92% have five or fewer employees. A combined analysis of the business population's age and headcount shows that larger companies tend to have been in business longer. For the three main legal structures: natural persons, public limited companies (PLC) and limited liability companies (LLC)– the sectors with the biggest business populations are wholesale and retail trade, building construction, specialised construction services and real estate services. The 10 sectors of the economy with the largest business populations account for between 60% and 70% of all firms across these three forms of incorporation. In terms of turnover, most sectors, other than the retail sector, reported growth in 2023 and also in the first two months of 2024. As well, the studies on entrepreneurship in Spain point to a very significant gender gap across the business population (80% male and 20% female). Broadly speaking, analysis points to a clear divide between the sectors that are home to a higher number of established firms and the sectors with a higher incidence of startups, with the sole exception of the food industry. Essentially, it could be interesting to take a closer look at the scope for creating value by fostering collaboration between these two spheres: Spain's legacy businesses and the startup ecosystem.

Recent financial markets volatility, derived from the economic crises and the transition underway towards a more resilient, digital and green economy, has brought about significant changes in the supply and demand for credit. These changes have disproportionately affected SMEs and micro enterprises, as they are more vulnerable to structural failures in the credit market, which have been aggravated by the prevailing situation. Specifically, SMEs' financing needs have increased, shaped by the transformation of the productive model, which has translated into growth in demand for bank loans and for other types of financing. However,

these needs have come up against greater financing constraints as a result of a range of factors, including the uptick in interest rates to curb inflation, driving growth in the cost of financing and, with it, in the incidences of loan rejections and discouraged borrowers. As a result, the estimated shortfall in SME financing has increased to between 22.5 billion euros (per the SME initiative methodology) and 36.9 billion euros (per the fi-compass methodology) in 2023 – between 1.5% and 2.5% of Spanish GDP in 2023, respectively. These figures indicate that the average funding gap increased by 58% between 2019 and 2023, and by 76% between 2020 and 2023. Within this context, public financial instruments, both at the national and regional level, could serve as a key economic policy tool for lending financial support to the productive sector at a time of heightened uncertainty.

An analysis of the stock of fixed capital of Spain's non-financial corporations from 2011 to 2023 reveals the persistence of a post-pandemic time lag in the recovery of corporate investment. The results point to two contributing factors: (i) the trend in the relative costs of capital and labour, unfavourable for the accumulation of capital since 2021; and (ii) the relationship between the return on and user cost of capital. Relative input prices have favoured more labour-intensive production, while the proximity of returns to costs of capital have provided an incentive to invest only the minimum needed to replenish the capital consumed. A recovery in investment will require a recovery in returns to pre-pandemic levels and a drop in the user cost of capital as inflation eases, rebalancing the relative costs of capital and labour in the process.

We hope you find this publication a valuable tool to support your analysis and we look forward to receiving your feedback.

## What's Ahead (Next Month)

Month	Day	Indicator / Event	
June	3	Tourist arrivals (May)	
	4	Social Security registrants and official unemployment (May)	
	6	ECB monetary policy meeting	
	6	Industrial production index (April)	
	13	CPI (May)	
	17	Foreign trade report (April)	
	20	Eurogroup meeting	
	21	Balance of payments quarterly (1 <sup>st</sup> . quarter)	
	25	Quarterly national accounts (1 <sup>st</sup> . quarter, 2 <sup>nd</sup> . release)	
	25	Services production index (April)	
	27	European Council meeting	
	27	Retail trade (May)	
	28	Preliminary CPI (June)	
	28	Non-financial accounts, State (May)	
	28	Non-financial accounts, Regional Governments and Social Security (April)	
	28	Non-financial accounts, General Government (1 <sup>st</sup> . quarter)	
	28	Balance of payments monthly (April)	
	28	Quarterly non-financial sector accounts (1 <sup>st</sup> . quarter)	
	July	2	Social Security registrants and official unemployment (June)
		3	Tourist arrivals (June)
5		Industrial production index (May)	
10		Quarterly financial accounts (1 <sup>st</sup> . quarter)	
12		CPI (June)	
18		ECB monetary policy meeting	
19		Foreign trade report (May)	
22		Services production index (May)	
26		Labour Force Survey (2 <sup>nd</sup> . quarter)	
26		Retail trade (June)	
30		Preliminary quarterly national accounts (2 <sup>nd</sup> . quarter)	
30		Preliminary CPI (July)	
31		Non-financial accounts, State (June)	
31		Non-financial accounts, Regional Governments and Social Security (May)	
31		Balance of payments monthly (May)	

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# What Matters



## 5 **EU trade and investment in the midst of re-globalisation**

An analysis of EU trade and foreign direct investment flows reveals a relative decline in the EU's competitive position, notably with respect to the US and China, with the EU now a major net exporter of capital to invest in companies located in other countries. Greater participation by member states in the single market has played a mitigating role but is insufficient to offset the broader weakness unless supported with strategies for revitalising investments within the bloc.

Raymond Torres and Patricia Sánchez Juanino

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## 13 **Challenges for Spanish banks: 50 years after deregulation**

Since its deregulation 50 years ago, the Spanish banking sector has been shaped by significant structural transformation as a result of the need to adapt to an ever-changing environment, to which it has demonstrated resilience and flexibility. On top of profitability pressures, the management of risks under the growing regulatory push to increase solvency, on the one hand, and technological challenges, on the other, remain the most important issues facing the Spanish banks in the years to come.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

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## 23 **Deposits and the transmission of monetary policy**

Bank deposits have been shown to play a role in shaping monetary policy and access to credit. Crucially, firms entering the tightening cycle relying on credit from lenders with higher duration gaps could be significantly less likely to obtain funding as tightening starts, with this likelihood becoming increasingly lower for banks experiencing deposit outflows.

David Marques-Ibañez, Alessio Reghezza, Carmelo Salleo and Giuseppe Cappelletti

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### 33 **Interest rate risk hits central banks**

The interest rate risk deriving from the mismatch between asset and liability maturities and/or repricing, which had spread across the US banking system one year ago, has now hit the central banks – with some reporting zero profit, or even losses in 2023. While this phenomenon is not expected to have implications for financial markets stability, there may be important implications related to fiscal policy and monetary policy settings going forward.

Ángel Berges and Salvador Jiménez, Afi

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### 41 **Spain's household and non-financial corporate (NFC) accounts for 2023**

Whereas in 2022, corporate income registered significant growth, nearly revisiting pre-pandemic levels, in 2023, it was household income that was more dynamic. By comparison with 2019, in nominal terms, the income gap between the non-financial corporate (NFC) and household sectors widened, revealing an incomplete recovery in the corporate segment compared to solid growth in household income.

María Jesús Fernández

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### 49 **Spain's private sector debt service ratio: An international comparison**

The rate tightening embarked on by the ECB in mid-2022 has had a negative impact on debt sustainability for both Spanish corporations and households; however, the ultra-low rate environment until 2022, together with ongoing private sector deleveraging, offset the spike in interest rates such that debt service costs did not increase in 2023. As a result, last year, debt service for both Spanish corporations and households, at 34.7% of gross operating surplus and 5.6% of gross disposable income, respectively, remained low relative to international standards.

Joaquín Maudos

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## 57 **Business dynamism in Spain in the wake of recent crises**

The majority of the 3.2 million economically active enterprises in Spain as of 1 January 2023 are pursuing organic growth, in which their headcount increases in line with their number of years in business. As there appears to be a divide between the sectors that are home to a higher number of active firms and the sectors with a higher incidence of startups, there could be scope for creating value by fostering collaboration between these two spheres – Spain's legacy businesses and the startup ecosystem.

Ramon Xifré

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## 67 **The effects of the pandemic and inflation crisis on Spanish corporates' funding gap**

Significant changes in the dynamics of the supply and demand for credit are disproportionately increasing the financing needs of Spanish SMEs and microenterprises, while increasing constraints for access to credit, thus notably widening their financing gap. Public financial instruments, both at the national and regional level, could serve as a key economic policy tool for lending financial support to the productive sector at a time of heightened uncertainty.

Borja Gambau Suelves and Montaña González Broncano, Afi

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## 79 **Capitalisation of Spanish corporations since the financial crisis**

An analysis of the stock of fixed capital of Spain's non-financial corporations from 2011 to 2023 reveals the persistence of a post-pandemic time lag in the recovery of corporate investment. A recovery in investment will require a recovery in returns to pre-pandemic levels and a drop in the user cost of capital as inflation eases, rebalancing the relative costs of capital and labour in the process.

Vicente Salas Fumás

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## Regulation and Economic Outlook

### **Recent key developments in the area of Spanish financial regulation** 91

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

### **Spanish economic forecasts panel: May 2024** 93

Funcas Economic Trends and Statistics Department

## Key Facts

### **Economic Indicators** 101

### **Financial System Indicators** 139

### **Social Indicators** 145



# EU trade and investment in the midst of re-globalisation

An analysis of EU trade and foreign direct investment flows reveals a relative decline in the EU's competitive position, notably with respect to the US and China, with the EU now a major net exporter of capital to invest in companies located in other countries. Greater participation by member states in the single market has played a mitigating role but is insufficient to offset the broader weakness unless supported with strategies for revitalising investments within the bloc.

Raymond Torres and Patricia Sánchez Juanino

**Abstract:** An analysis of EU trade and foreign direct investment flows reveals a relative decline in the EU's export position in global trade as well as a weakening of foreign direct investment (FDI) inflows, with the EU now a major net exporter of capital to invest in companies located in third countries. Although the EU continues to present a current account surplus, this resilience reflects largely lethargic imports rather than a boom in exports of goods, albeit it is worth noting that Europe has fared better in its trade in services. As with the drop in the market share commanded

by European goods exports, the trend in FDI evidences a loss of attractiveness of the EU relative to the US and China. Indeed, a comparison between FDI outflows and inflows reveals Europe as a heavy net exporter of capital, which means a significant share of the savings available in Europe is being used to invest in companies located in other countries. That said, there has been an intensification of trade and investment among member states (intra-EU). The mitigating role played by the single market has had particularly healthy benefits for economies like Spain, where labour

“ European firms have lost ground overseas, particularly in the trade in goods, with their market share decreasing by one percentage point between 2019 and 2023. ”

and energy costs are relatively low. The advantages of the single market can also be enhanced through measures that boost the investment of excess savings within the bloc. Nevertheless, even in its enhanced form, the single market can only partially mitigate the weakening of the external position of the EU *vis-à-vis* other economic powers. This highlights the importance of a revitalisation strategy which includes the capital markets union and the deployment of a common European investment budget, as a follow on from Next Generation EU funds.

### Foreword

In the early 1990s, a proliferation of free trade agreements and a spate of economic opening ushered in a period of transformation and collaboration at the global level. In recent times, however, growing economic interdependence has been flagged as a source of risk, especially since the onset of

the pandemic. This perception has led to the rethinking of economic policy goals. One of the most remarkable aspects of this “re-globalisation” process is the escalation of import tariffs between the world’s two largest economies, China, and the US, against the backdrop of weakening global trade (WTO, 2023).

This paper takes a look at the reorientation of international trade and investment flows since the pandemic, paying particular attention to the European Union’s position relative to the US and China. On the basis of this analysis, we highlight some of the main challenges for European and Spanish economic policy.

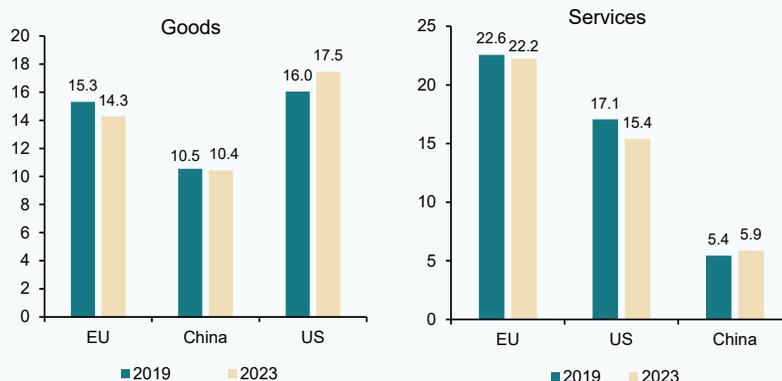
### Relative decline in the EU’s export position in worldwide trade

Despite the succession of adverse shocks (pandemic, inflation in the price of imported supplies and the war in Ukraine and

Exhibit 1

### Share of exports of goods and services in global markets

Percentage of exports in the worldwide total (excluding intra-EU trade)



Source: Funcas, based on WTO data.

“ The EU’s trade deficit with China has widened and the surplus with the US has narrowed ”

its ramifications in the energy markets, particularly the gas market), the EU continues to present a trade surplus with the rest of the world. [1]

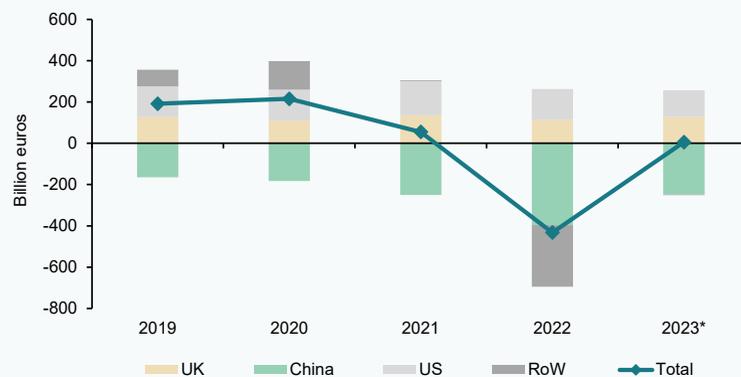
However, the resilience of the surplus is more a reflection of lethargic imports (as a result of European economic weakness) than a boom in exports. Indeed, European firms have lost ground overseas, particularly in the trade in goods, with their market share decreasing by one percentage point between 2019 and 2023 (Exhibit 1).

During the crisis induced by the pandemic, EU exports contracted sharply. Since then, exports have recovered gradually, in line with the normalisation in consumption patterns. The recovery in activity has been concentrated in the services sector, while the goods trade has been dragged down by bottlenecks and the accumulation of unfilled orders during the pandemic. Today, trade in goods continues to lag trade in services.

Drilling down into the figures reveals considerable changes in trade balances in geographic and product terms. Firstly, the EU’s trade deficit with China has widened and the surplus with the US has narrowed slightly (Exhibit 2). China has cemented its position as the leading supplier of goods to the EU, accounting for 21% of total imports in 2022, compared to being third place as a destination. The trade deficit with China has worsened significantly, peaking at 396 billion euros in 2022. Simultaneously, the US stands out as the main destination for EU goods, absorbing 20% of total exports in 2022, above the pre-pandemic level. In contrast, European trade with the UK and Russia has shrunk, shaped by Brexit and the sanctions imposed following the invasion of Ukraine, respectively.

Secondly, the figures point to an acceleration in the energy transition. Before the conflict in Ukraine, Russia was the EU’s largest energy supplier, with a market share of 14.5% of Europe’s energy imports. By the third

Exhibit 2 Goods trade balance by region



Note: China excludes Hong Kong. Includes data up until October 2023.

Source: Eurostat.

“ The recent increase in demand for products and services related with green energy has helped reduce Europe’s energy dependence in general. ”

quarter of 2023, that share had collapsed to 6.5% (Balteanu and Viani, 2023). The recent increase in demand for products and services related with green energy (solar panels, wind turbines and liquid biofuels) has helped reduce Europe’s energy dependence in general. Spending on green energy imports more than doubled year-on-year in 2022, according to Eurostat.

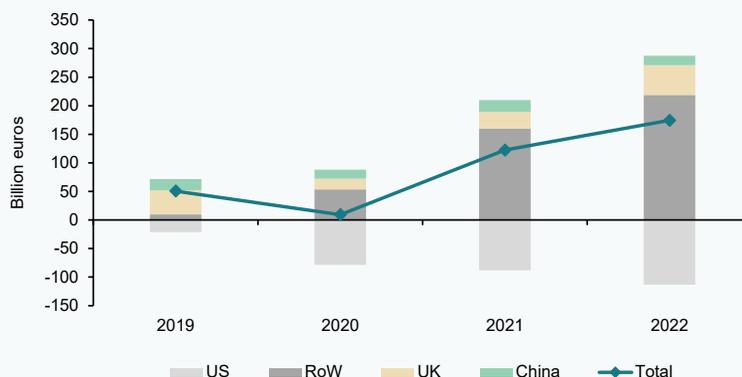
Lastly, the EU presents a growing deficit in its trade in high-tech goods, which include products used in computing activities and in the aerospace, telecommunications and pharmaceutical sectors. The balance of trade in these high-tech products has gone from a surplus of 17 billion euros in 2019 to a deficit of 36 billion in 2022. Imports and exports of these goods have a positive impact on competitiveness and play a key role in EU policies related with the environment and the digital transition (Eurostat, 2024). However, this thrust towards a greener and more digital Europe is also unlocking new

sources of economic vulnerability due to limited access to certain components and raw materials that are essential for these technologies. In particular, trade in electric and hybrid vehicles has intensified, with these vehicles currently accounting for more than 40% of all vehicles imported by the EU.

Europe has fared better in its trade in services than in goods. The EU plays a fundamental role in the global supply of market services, including business services, which account for 23% of total market service exports, according to Eurostat. Business services include consultancy, management, technical and sales services and research and development activities, among others. All of which results in a surplus in the EU’s trade in travel and non-travel services (Exhibit 3).

The balance of trade in services with China presents a small surplus (not enough to offset

Exhibit 3 Services trade balance by region



Source: Eurostat.

“ The thrust towards a greener and more digital Europe is unlocking new sources of economic vulnerability due to limited access to certain components and raw materials that are essential for these technologies. ”

the deficit in its trade in goods with the Asian giant) and with the US, a deficit. The figures reveal sharp growth in non-travel services, particularly in the business services segment. Services related with tourism were affected by the European governments' response to the health crisis, which included travel restrictions, contact tracing and lockdowns. However, neither the fallout from the war in Ukraine nor the loss of Russian and Ukrainian tourists in Europe, nor the traveller dissuasion factor exerted by the continent's geographic proximity to the conflict, or price inflation, prevented sector receipts from revisiting pre-pandemic levels as early as the second quarter of 2022.

### Weakening FDI in Europe

As with the drop in the market share commanded by European goods exports,

recent trends in foreign direct investment (FDI) reveal a loss of attractiveness of the European economy relative to other economic powers. FDI includes investment in productive activities by non-residents, greenfield operations or the acquisition of companies, the reinvestment of profits and the expansion of existing production capacity. FDI is therefore sensitive to changes in the competitive positioning of the productive apparatus.

The figures point to considerable deterioration (Table 1). Firstly, in the most recent period, foreign investors have been divesting, in contrast to healthy inflows of foreign capital before the pandemic (annual average of 478 billion dollars between 2015 and 2019). By comparison, inflows of Chinese FDI have lost momentum but remain positive. And,

Table 1 **Foreign direct investment**

Billions of dollars

	Inward FDI		Outward FDI	
	2015-2019	2022-2023	2015-2019	2022-2023
EU	478	-98	563	457
US	352	353	172	-37
China	201	116	162	140

Source: Funcas, based on OECD data.

“ The EU plays a fundamental role in the global supply of market services, notably including business services, which account for 23% of total market service exports. ”

“ Compared to Europe, the US is emerging as the big winner, capturing a growing share of global FDI, fuelled by the powerful incentives created by the Inflation Reduction Act and Chips Act. ”

the US emerges as the big winner, capturing a growing share of global FDI, fuelled by the powerful incentives created by the Inflation Reduction Act and Chips Act.

Secondly, the EU is exporting more capital than the other super powers: FDI outflows amounted to 457 billion dollars in the last two years, a very high level by any standard. A comparison between the FDI outflows and inflows reveals Europe as a heavy net exporter of capital, which means that a significant share of the savings available in Europe is being used to invest in companies located in other countries. The EU was already registering a net outflow of FDI before the pandemic, but the imbalance was far less pronounced than is the case today. In contrast, the US has gone from exporting capital before the pandemic to becoming one of the most attractive destinations for FDI. China, meanwhile, ranks somewhere in the middle: it has become a net exporter of capital, but the volumes of capital involved are much lower by comparison with the EU.

### **The mitigating role of the single market**

While trade with non-EU countries has stagnated, intra-EU trade has intensified, underlining the importance of the single market (Exhibit 4). The share of intra-EU goods stood at 62% of total exports in 2022, up three points from 2019, suggesting that member states are choosing to participate more in this common market, not only for the

economic benefits it brings but also for the security and stability that it brings in times of global adversity. Integration of trade in services within the EU too is progressing well, albeit more gradually than in goods. Likewise, the numbers show considerable growth in FDI flows between European countries.

The growing weight of trade and investment flows within the EU partly reflects the need to shorten supply chains to tackle the disruption generated by the health and energy crises. Geopolitical tensions have also highlighted the importance of security, providing an added incentive to reorganise production chains and bring them closer to the European consumer. Security has also become an explicit economic policy target: for example, Europe's strategic response to the energy crisis is articulated around the REPowerEU plan which seeks to foster the deployment of more sustainable sources of energy and reduce dependence on fossil fuels sourced from trade partners that may be considered less reliable. Another factor is the surge in trade barriers, creating a trend of concentration in flows within trade blocs.

Despite its benefits, the intensification in intra-EU trade and investment is insufficient to offset the broader weakness. Moreover, the proliferation of state aid threatens to weaken the integrity of the single market itself (Torres and Sanchez Juanino, 2023). [2] The countries with more room for fiscal manoeuvre are using exemption clauses to the single market in order to provide direct

“ Europe has become a major net exporter of capital, which means that a significant share of the savings available in Europe is being used to invest in companies located in other countries. ”

“ Member states are choosing to participate more in the common market, not only for the economic benefits it brings but also for the security and stability that it brings in times of global adversity. ”

#### Exhibit 4 The role of the single market

Intra-EU exports and exports to third countries, volume, 2015=100



Source: Funcas, based on WTO data.

support to their industries through state aid instruments.

#### Policy challenges

One of the challenges emerging from this brief analysis is the importance of strengthening the integrity of the single market, in order to continue to mitigate global uncertainties. The single market has helped cushion the broader trade decline, while also bringing security and stability in times of adversity.

The mitigating role played by the single market has had particularly healthy benefits

for economies like Spain, which enjoy a favourable competitive position, nurtured by relatively low labour and energy costs. In fact, the balance of trade between Spain and the rest of the EU presents a large and growing surplus. It is therefore crucial for Spanish economic policy to prioritise the integrity of the European market and return to normal application of the state aid tools.

Nevertheless, the single market can only partially mitigate the slowdown in trade flows to third countries, which is threatening a decline in Europe's external

“ The growing weight of trade and investment flows within the EU partly reflects the need to shorten supply chains to tackle the disruption generated by the health and energy crises and geopolitical tensions. ”

“ The single market can only partially mitigate the global trade slowdown, which means that Europe needs to boost its external position, notably by tackling the barriers to investment of excess savings within the bloc. ”

position relative to other economic powers. In light of this risk, Europe needs to pursue a productive revitalisation strategy, to which end it is important to get savings moving into investments in the bloc. There are several alternatives to achieve this, most importantly the capital markets union and the deployment of a common European investment budget, as a follow on from Next Generation EU funds.

## Notes

[1] The EU presented a current account surplus throughout the pandemic and subsequent energy crisis; that surplus increased to 3% of GDP in 2023, which is slightly below the pre-pandemic level (2015-2019 average: 3.4%).

[2] This has prompted the Commission to consider a new management model, dubbed the “single market emergency instrument”, with the aim of buttressing the market against future challenges (single market emergency instrument – European Commission).

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# Challenges for Spanish banks: 50 years after deregulation

Since its deregulation 50 years ago, the Spanish banking sector has been shaped by significant structural transformation as a result of the need to adapt to an ever-changing environment, to which it has demonstrated resilience and flexibility. On top of profitability pressures, the management of risks under the growing regulatory push to increase solvency, on the one hand, and technological challenges, on the other, remain the most important issues facing the Spanish banks in the years to come.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

**Abstract:** The Spanish banking sector, since its deregulation 50 years ago until today, has been shaped by significant structural transformation as a result of the need to adapt to a changing environment and respond to challenges. Indeed, Spanish banks have demonstrated resilience and the ability to adapt to changes in market conditions, financial regulation, disruptive technology and global economic crises. Firstly, it is essential to acknowledge that the sector deregulation embarked on in the 1970s unleashed a series of changes that have profoundly redefined the Spanish banking

landscape. The number of deposit-takers in Spain has decreased significantly, from 262 in 1993 to 109 in 2023, illustrating the scale of sector consolidation in response to economic challenges and opportunities to increase efficiency. There has also been a contraction in sector employment, from 270,085 jobs in 2008 to 158,217 in 2022, and in the number of bank branches, from 45,662 in 2008 to 17,603 in 2023. These figures underscore the banks' shift to a more technology-heavy model less dependent on physical infrastructure, evidencing a transition towards digitalisation and operational efficiency in response to new

“ For the first quarter of 2024, the top six Spanish banks reported aggregate profits of 6.57 billion, year-on-year growth of 15.3%. ”

market demands and competitive pressures in a globalised financial environment. In tandem with these structural changes, the composition of the banks' income and expenses has evolved significantly, encompassing efforts to navigate the ultra-low rate environment in the wake of the financial crisis as well as remarkable efforts to boost cost-to-income efficiency. On top of profitability pressures, the management of risks under the growing regulatory push to increase solvency, on the one hand, and technological challenges, on the other, remain the most important issues facing the Spanish banks in the years to come. On this last point, the banks will need to balance the search for scale against the agility required to adapt to new technology and shifting customer expectations.

### **A sector forged by new market demands**

Fifty years ago, the Spanish financial sector embarked on a path towards deregulation with the Banking Sector Act of 1974, which ushered in a period of intense changes that began in 1977 and accelerated when Spain entered the single European market. In the following decades, the financial sector has experienced major changes and challenges, punctuated by international financial crises, steady reinforcement of solvency requirements (and of international coordination to bring them about) and increasingly abundant regulations, particularly from 2008. Along the way, the Spanish banking sector has emerged with a strong international footprint and a high level of resilience, although the number of players

and the strategic role of technology have changed significantly over the years.

This paper looks back at the major changes in the structure and profitability of the Spanish banks. Due to space constraints, it only provides a cursory approximation of a journey that has been tremendously complex and intense. We also attempt to provide a snapshot of the state of play in the Spanish banking sector today and its medium- and long-term prospects.

Indeed, certain recent developments highlight the complexity of the current financial environment. The markets expect the main central banks to start to lower their official rates soon, having increased them sharply in recent years in order to tame inflation. Contrary to initial expectations, it now looks as if the European Central Bank (ECB) could move ahead of the Federal Reserve in announcing the first rate cut, although its messaging remains cautious and its approach, highly contingent.

In parallel, the Spanish market has recently been shaken up by BBVA's attempt to acquire Banco Sabadell. Irrespective of the final outcome, this takeover attempt is driven by the need to reinforce aspects which the financial environment sees as essential for any financial institution. Those aspects include gaining critical mass so as to be able to access the liquidity markets from a position of strength and the need to consolidate large and geographically diversified customer bases to create a service strategy that is increasingly

“ For many years the Spanish bank industry was institutionally diversified and although it has since undergone a degree of standardisation, it retains its wealth of diverse business cultures and regional heritage. ”

“ Between 1993 and 2023, the number of Spanish banks went from 262 to 109, a reduction of 58.4%. ”

articulated around supply through large digital business platforms.

Elsewhere, over the past few weeks, the banks reported their results for the first quarter of 2024, with the top six Spanish banks reporting aggregate profits of 6.57 billion, year-on-year growth of 15.3%. Recall that since the financial crisis of 2008, the Spanish and European banks had been finding it very hard to eke out returns due to a mix of regulatory pressure, the need to evolve their business models and ultra-low or even negative official interest rates. Now that rates are higher, a cornerstone of the public debate has turned to considering what level of profitability reflects sufficient competition, while new and equally important factors and risks are emerging, albeit more silently. The latter include: i) the need for the deposit-takers to move with caution, as they continue to face difficulties in generating credit; ii) the macroeconomic climate, which remains subject to geostrategic swings; and, iii) technology, which is dictating significant changes in the business environment.

### 50 years of transformation

Five decades on from the start of banking deregulation in Spain, the sector has undergone a similar transformation to that observed in other large international economies, albeit preserving certain unique traits. For example, some of the Spanish banks have pursued major international expansion, which, over time, has consistently proven a successful diversification and organic growth strategy. Spain has also remained a country whose banking sector commands a relatively greater presence in the economy's financing flows, as well as one with a denser branch network, although technological change and a wave of concentration have prompted a shift in the customer service model that has triggered certain adjustments. Spain has also been one of the countries where bank crises have brought about more

intense concentration processes, albeit not necessarily to the detriment of competitive intensity. It is also worth recalling that for many years the Spanish banking industry was institutionally diversified and although it has since undergone a degree of standardisation in order to access the market and reduce scrutiny following successive financial crises, it retains its wealth of diverse business cultures and regional heritage. Lastly, the Spanish banking sector has consistently proven a pioneer in adopting new technology and, as with other international sectors, now faces what is possibly its biggest challenge in many years in this respect.

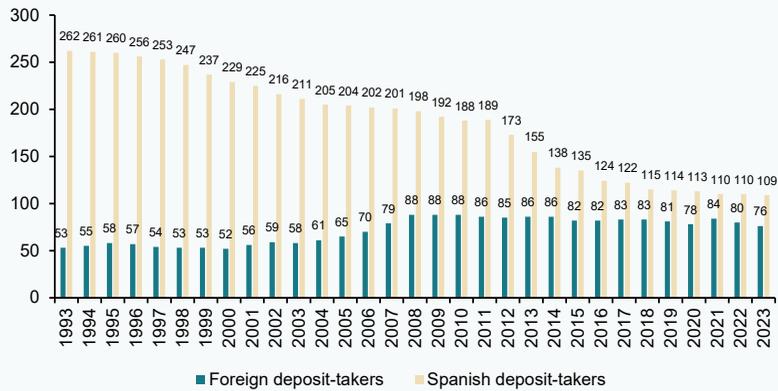
From a structural perspective, a good approximation is the trend in the number of financial institutions. The data, obtained from the Bank of Spain, reveal a particularly intense contraction in the 1990s. In the previous two decades, the sector had already been concentrating but after a major credit crisis, that process began to accelerate. Following the financial crisis of 2008, the number of deposit-takers decreased intensely. As shown in Exhibit 1, between 1993 and 2023, the number of Spanish banks went from 262 to 109, a reduction of 58.4%. Over that same 30-year period, the number of foreign banks with branches in Spain increased, from 53 to 76.

Elsewhere, as shown in Exhibit 2, sector employment has also decreased considerably. After 30 years with a workforce steady at around a quarter of a million, the 2008 financial crisis triggered a reduction from 270,085 employees that year to 158,217 in 2022, the last figure available.

As for the branch network, deregulation emerged as an element of regional competition, so that branch numbers actually increased very considerably. The number of branches went from 15,311 in 1974 to 45,662 by 2008. Since then, however, the post-crisis

Exhibit 1

### Number of institutions in the Spanish banking sector



Source: Authors' own elaboration and Bank of Spain.

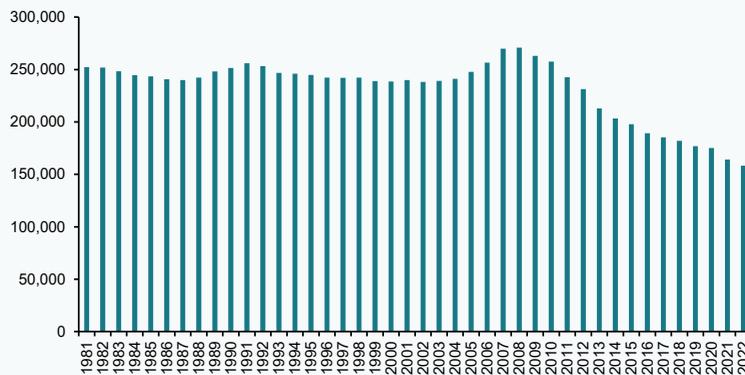
rationalisation and digitalisation processes have reduced their number to 17,603 branches by 2023.

Using these figures, the ratio of employees per bank has barely changed, going from 9.1 in 1981 (the first year with comparable data)

to 9 in 2022, despite the fact that the branch structure and customer service model have undergone significant transformation, marked by the automation or online processing of many banking transactions (direct debits, cash withdrawals, transfers, etc.) to focus more on business-generating leads and credit/

Exhibit 2

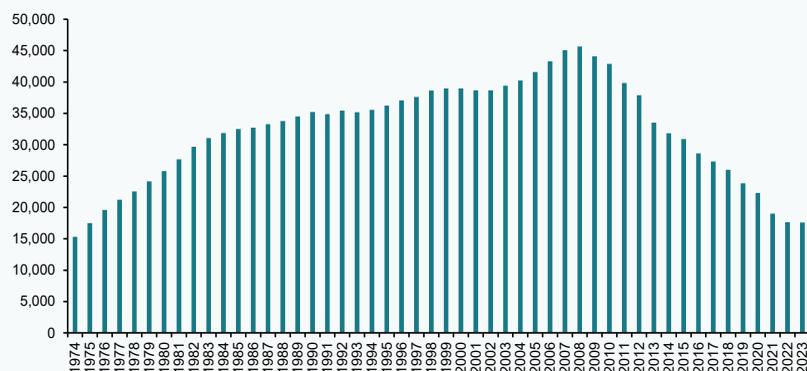
### Number of employees in the Spanish banking sector



Source: Authors' own elaboration and Bank of Spain.

Exhibit 3

## Number of branches in the Spanish banking sector



Source: Authors' own elaboration and Bank of Spain.

investment portfolio management. This means that much of the sector's productivity gains has been brought about by technological change (fewer branches, more automation and digital services).

In tandem with these structural changes, the composition of the banks' income and expenses has evolved significantly, as shown in Exhibit 4, which depicts the trend in some of the main headings of their profit and loss accounts. The effects of sector deregulation, European convergence and competition are clear in the trend in margins. The sector's net interest margin (as a percentage of average total assets), for which there are quarterly figures going back to 1985, decreased from 3.63% that year to 1.44% in 2023. In the years following the financial crisis, that margin fell even further, to around one percentage point,

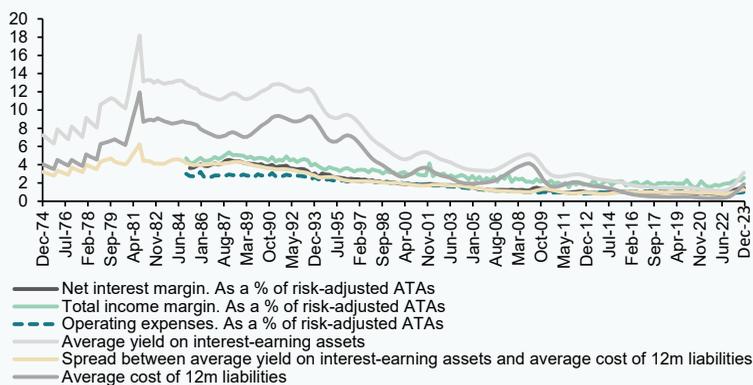
against the backdrop of ultra-low interest rates. The banks were able to mitigate some of the pressure on their net interest margins following the financial crisis with fee and commission income, so that their total income margin (a measure which includes net fee income) has held steady at around 2% since then. The effort to boost cost-to-income efficiency is also remarkable, with operating expenses decreasing from 3% of average assets to 1% between 1985 and 2023. The trend in profitability is possibly the most eye-catching takeaway from the exhibit. The yield on interest-earning assets went from double-digit figures for much of the 1980s and 1990s, then embarking on a steady downtrend to a low of 1.15% in June 2022, as a result of a protracted period of ultra-low or negative interest rates. In 2023, after rates went up, allowing market conditions to normalise somewhat, that yield recovered to 3.15%.

“ The banks were able to mitigate some of the pressure on their net interest margins following the financial crisis with fee and commission income, so that their total income margin has held steady at around 2% since then. ”

Exhibit 4

### Structure of the Spanish banking sector's profit and loss account looking back 50 years

Percentage



Source: Authors' own elaboration and Bank of Spain.

### Prevailing risks and challenges

Capturing the full spectrum of complexities and strategic challenges that have accumulated for the banks in recent years is hard to sum up in a few lines. [1] On top of the pressure on profitability, the management of risks under growing regulatory pressure to increase solvency, on the one hand, and technological challenges, on the other, remain the most important issues facing the Spanish banks in the years to come.

With respect to their solvency and risk management challenges, the analysis recently published by the Bank of Spain in its April 2024 *Financial Stability Report* is particularly detailed and useful. That report highlights how the banks' common equity tier 1 capital (CET1) ratio increased a slight 17 basis points from year-end 2022 to 13.2%

at the end of 2023. In 2023, the CET1 ratio gap between the Spanish banking system and other important European banking systems widened, despite widespread improvement in the Spanish banks' return on equity. At year-end, the Spanish CET1 ratio remained below the levels reported by Germany, France, Italy and the Netherlands. As suggested by the Bank of Spain, although Spain's lower capital level may be partly attributable to structural factors, such as lower use of internal models and greater asset density, it should be noted that, despite the increase last year, the increase in the Spanish system's CET1 ratio was the lowest among the comparable benchmark economies.

Importantly on the risk management front, the Spanish financial institutions have been managing their non-performance proactively,

“ On top of profitability pressures, the management of risks under the growing regulatory push to increase solvency, on the one hand, and technological challenges, on the other, remain the most important issues facing the Spanish banks in the years to come. ”

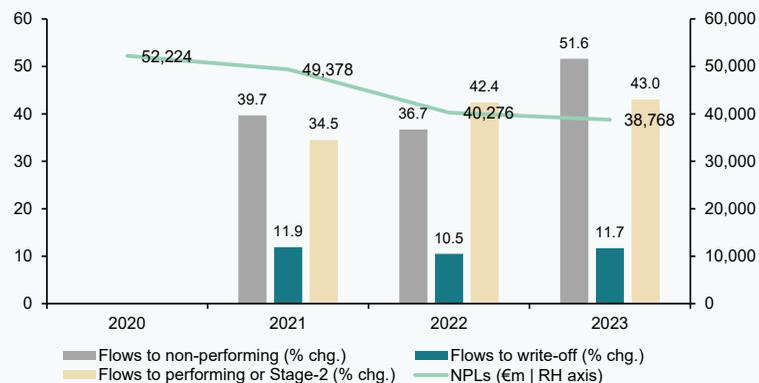
“ Non-performing exposures have actually decreased from 52.22 billion euros in 2020 to 38.77 billion euros in 2023. ”

so that despite the panorama painted by the pandemic (foreshadowing a significant uptick in non-performance), the system's NPL ratio has been steady at around 3.5% since 2022. Exhibit 5, based on information from the Bank of Spain's *Financial Stability Report*, shows, in fact, that non-performing exposures have actually decreased from 52.22 billion euros in 2020 to 38.77 billion euros in 2023. The main contributing factor has been the fact that the flow of non-performing loans to write-offs (average annual rate of between 10% and 12% during that same timeframe) and newly non-performing loans has been largely offset by the flow of non-performing loans to performing (recoveries) or Stage-2 exposures.

In sum, the banking sector remains caught in the plight of having to balance the need to generate sufficient returns to keep shareholders happy and convince the markets with regulatory pressure to maintain and even shore up their solvency levels. The other major challenge it faces is the need to adapt

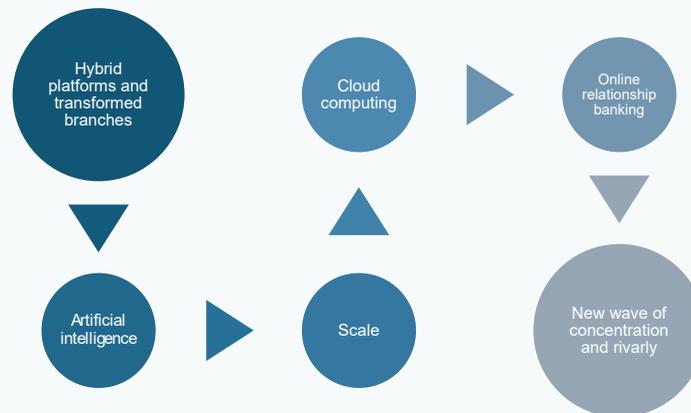
the business model to a technology-heavy model articulated around a banking-as-a-service platform. As depicted by Exhibit 6, this change is necessarily hybrid in two ways. Firstly, these platforms can be configured in multiple ways, so as to offer proprietary services only or to provide them together with other technology or financial service providers. Secondly, the banks' branches continue to provide value, even though their configuration has changed and their role is diminishing. In parallel, the banks are having to upgrade their skills, often with outside help, in fields where they have started from somewhat of a disadvantage with respect to other non-financial companies, such as artificial intelligence and cloud computing. Ultimately, the aim is to build sufficient scale to make money from the platform and retain a competitive edge. All of which without losing their value as a relationship business in which the customer comes to identify with his or her bank, something that used to materialise at the bank branch

Exhibit 5 Flows in credit quality classifications (2020-2023)



Source: Authors' own elaboration and Bank of Spain.

## A changing model: Hybrid banking platforms



Source: Authors' own elaboration.

but now, increasingly, has to happen over the platform. Lastly, as shown in the exhibit, the competitive landscape is being marked by growing concentration (to achieve that scale), which should not necessarily impede competition, as the platform model knocks down the distance barrier in bank services, opening up the market to new players.

### Looking back and looking forward

The Spanish banking sector, since its deregulation 50 years ago until today, has been shaped by significant structural transformation as a result of the need to adapt to a changing environment and respond to challenges old and new. This journey, in spite of its challenges, has demonstrated the sector's resilience and ability to adapt to changes in market conditions, financial regulation, disruptive technology and global economic crises.

Firstly, it is essential to acknowledge that the sector deregulation embarked on in the

1970s unleashed a series of changes that have profoundly redefined the Spanish banking landscape. Deregulation ushered in more intense competition and triggered significant expansion, in Spain and abroad. The Spanish banks not only increased their global presence but also proved adept at embracing new technology and business models to enhance their efficiency and customer service.

Secondly, the banking sector has proven its ability to manage risk and increase its solvency. Although it has been increasing its common equity tier 1 (CET1) ratio steadily, that ratio remains lower than that of other European economies, making this an ongoing quest.

The challenges along the way have not been minor. Digitalisation has been one of the most significant and constant challenges. Digital transformation has not only changed how the banks operate internally but also

“ Ultimately, the aim is to build sufficient scale to make money from the platform and retain a competitive edge without losing value as a relationship business. ”

how they relate with their customers. The transition from a service model based on physical branches to one articulated around digital platforms (with a certain amount of co-existence between the two models) has required significant investments in technology, as well as a cultural shift inside the organisations.

Lastly, the leap in scale has allowed the Spanish banks to build the capability to handle larger transaction volumes and offer a broader suite of financial services, from retail banking to corporate and investment solutions. This is particularly relevant in a context in which digitalisation and demand for personalised and online-friendly banking services continues to grow. Effectively achieving the required critical mass is not without its challenges, however, especially in an environment in which market dynamics are changing rapidly and competitive pressure from fintechs and other newcomers is proving intense. The banks need to balance the need for scale against the agility required to adapt to new technology and shifting customer expectations.

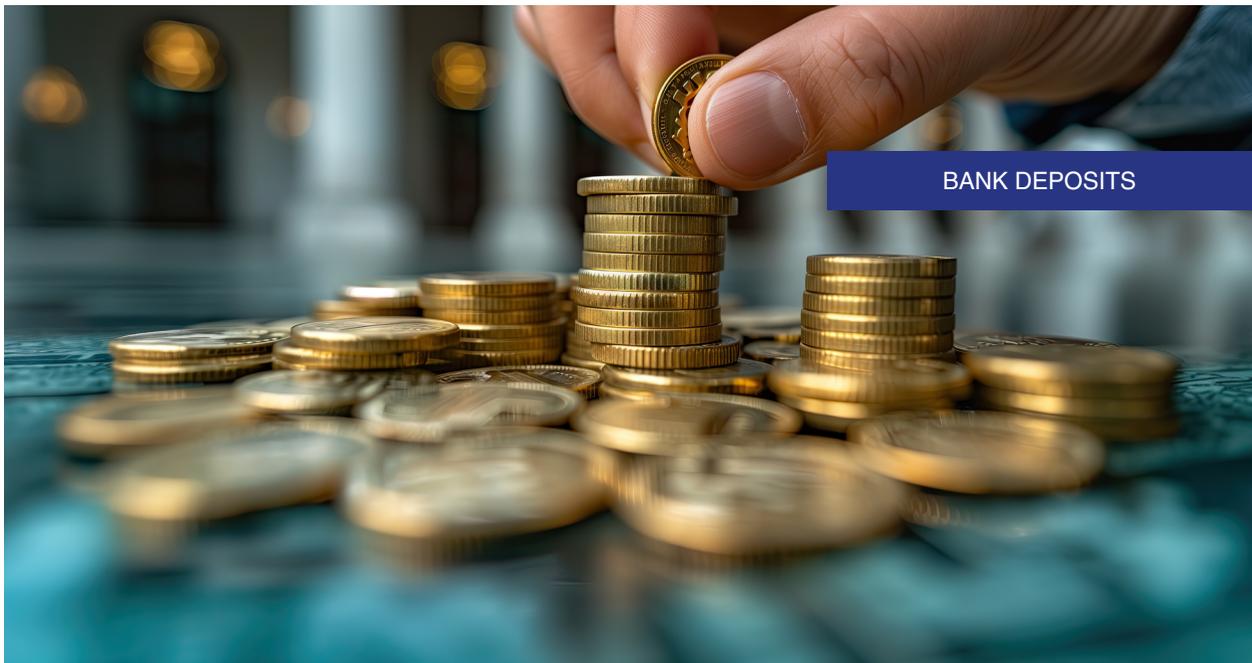
## Notes

[1] For a recent analysis of the profitability and business challenges facing the Spanish banks, refer to recent analysis by the authors at <https://www.funcas.es/articulos/mas-alla-de-los-beneficios-bancarios/>

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BANK DEPOSITS

# Deposits and the transmission of monetary policy

Bank deposits have been shown to play a role in shaping monetary policy and access to credit. Crucially, firms entering the tightening cycle relying on credit from lenders with higher duration gaps could be significantly less likely to obtain funding as tightening starts, with this likelihood becoming increasingly lower for banks experiencing deposit outflows.

David Marques-Ibañez, Alessio Reghezza, Carmelo Salleo and Giuseppe Cappelletti

**Abstract:** Bank deposits have been shown to play a role in shaping monetary policy and access to credit. This mechanism could be far more pronounced as interest rates experience large and unexpected hikes, and even stronger after a long period of low interest rates. The reasons are twofold: First, at low rates, many banks aimed to extract the maximum value from their deposits franchise by taking interest rate risk and increasing their duration gap. This would mean that many banks would enter the rate hike period with a large duration gap so deposit withdrawals would render their duration gap more pronounced. Second, higher

increases in rates would make the stability of “cheap” deposit funding more uncertain as depositors consider alternative sources of funding. Research shows that in euro area countries, banks experiencing deposit outflows choose to reduce credit rather than increase the interest rate they charge. Crucially, firms entering the tightening cycle mostly connected to lenders with higher duration gaps could be significantly less likely to obtain credit as tightening starts, with the likelihood becoming even lower for banks experiencing deposit outflows. More broadly, this phenomenon relates to concerns about financial stability from central banks’

“ As the opportunity cost of holding deposits increases, rather than repricing the yield on deposits, which would increase the cost of the whole stock, banks prefer to let marginal savers move out. ”

tightening their stance after a long period of ample liquidity and balance sheet expansion.

### Introduction [1]

Traditionally, in macroeconomic models, banks used to be considered as a passive conduit for monetary policy: As policy rates change, banks transmit homogeneously changes in their cost of funding to the asset side of their balance sheet thus shifting the credit supply, just as markets adapt rapidly to the new rates. However, by now, there is a well-established strand of evidence that documents how banks are an active part of the transmission mechanism (Bernanke and Gertler, 1995), and how their characteristics determine additional supply effects in the provision of credit to the economy via the bank lending channel. Building on this, there is a rich and expanding macroeconomic literature using general equilibrium macroeconomic models that incorporates financial frictions (see Dou *et al.*, 2020). There is also evidence that heterogeneity in banks' capital position (Peek and Rosengren, 2000 and Jimenez *et al.*, 2012), income gap (see Gomez *et al.*, 2021), or their ability to generate liquidity by securitizing their assets (Loutskina and Strahan, 2009) affects the supply of credit.

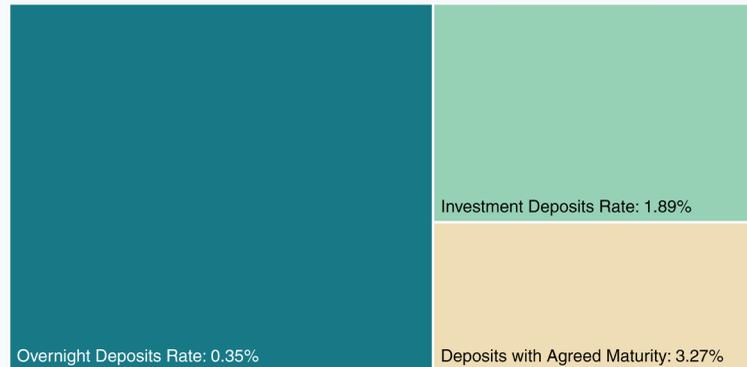
Among those bank characteristics, the importance of deposits as a key component of the transmission of monetary policy has

been recently emphasized (Dreschsler *et al.*, 2017). Previously, the idea was that under most instances, if changes in the monetary policy affected the volume of deposits, banks would be able to easily complement deposits with alternative forms of funding, reflecting the changes in the new policy rate without altering the transmission of monetary policy.

According to the main tenet of the bank deposit channel, as policy rates increase, banks earn more via an augmented markdown on deposits. As the opportunity cost of holding deposits increases, savers move out of sight deposits and into higher yielding products, from term deposits to money market funds. However rather than repricing the yield on deposits, which would increase the cost of the whole stock, banks prefer to let marginal savers move out. Their market power allows banks to implement only a low pass-through of policy rates and keep a high markdown on the majority of deposits. Furthermore, instead of compensating the outflow with funding at market rates, they prefer to reduce lending correspondingly. This mechanism points out the importance of banks' differences in funding structure in explaining how increases in rates affect the loan supply.

This channel appears important for several reasons, first deposits are by far the largest funding source for banks. Also the most

“ In October 2023, the average overnight deposit rate of deposits outstanding in the euro area was 0.35%, while the rates paid for investment deposits and for those with agreed maturity were 1.9% and 3.3% respectively. ”

Exhibit 1 **Rates paid on deposits by type**

Source: ECB.

prevalent source of bank deposits would be overnight deposits which are those which are less sensitive to changes in market rates. As Exhibit 1 shows, in October 2023, the average overnight deposit rate of deposits outstanding in the euro area was 0.35%, while the rates paid for investment deposits and for those with agreed maturity were 1.9% and 3.3% respectively.

### Previous literature

Recent work on the mentioned bank deposit channel builds on the fact that banks have market power in the market for deposits, which leads to a limited pass-through from market to deposit rates, which is called “low deposits beta” (Drechsler *et al.*, 2021). There is significant evidence that banks have significant market power (see *e.g.* Focarelli

and Panetta, 2003) and that bank deposits are quite “sticky”. This is attributed to imperfect oligopolistic competition in the deposit markets (see Hannan and Berger, 1991; Neumark and Sharpe, 1992). Empirically, Drechsler *et al.* (2017) show that banks adjust their balance sheets to the outflow of deposits by reducing lending, and more so where they have more market power on deposits.

Another consideration is the stability of deposits. The role of deposits can also be seen through the lens of the literature modelling banks as liquidity providers that engage in maturity transformation (Diamond and Dybvig, 1983; Gorton and Pennacchi, 1990; Diamond and Rajan, 2001; Kashyap *et al.*, 2002). This dual role renders banks vulnerable to liquidity risk, as deposits are usually a source of stable funding but can be subject to rapid outflows.

“ There is a hidden fragility in funding structures based on deposits, which in extreme cases can lead to runs when there are doubts about banks’ solvency, as witnessed by the failure of Silicon Valley Bank in the Spring of 2023. ”

“ Despite the moderate increase in deposit rates, a bank augmenting its deposit remuneration by 50bps would suffer from an increase of 80% of its overall funding costs. ”

This means that there is a hidden fragility in funding structures based on deposits, which in extreme cases can lead to runs when there are doubts about banks’ solvency, as witnessed by the failure of Silicon Valley Bank in the Spring of 2023.

### Monetary policy

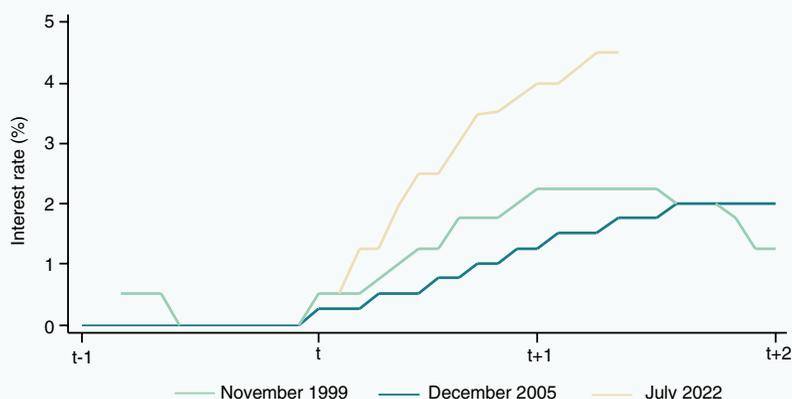
The mentioned effect of deposits on banks’ lending would heavily depend on the level of monetary policy rates. When the central bank raises the policy rate, holding low-yielding cash and deposits becomes more costly for savers as alternative investments becomes more profitable. Households then have an incentive to reduce their holdings of deposits. This decline would depend on the gap between

the policy rate and the remuneration of deposits and on banks’ market power over their local deposit markets. From a funding perspective, banks can lift the interest rate they pay on deposits or, raise funds from other sources of funding (e.g. by issuing bonds). In both cases, there would be a major increase in banks’ funding costs.

This is what happened in the euro area from early 2022 to late 2023 which saw the largest increase in monetary policy interest rates since the creation of the euro (see Exhibit 2). This appears particularly relevant: as the ECB started raising reference rates the cost of deposit funding by banks increased only modestly –by around 50bps–, while that

Exhibit 2 **Tightening cycles: Monetary policy in the euro area**

Annualized interest rate, monthly data

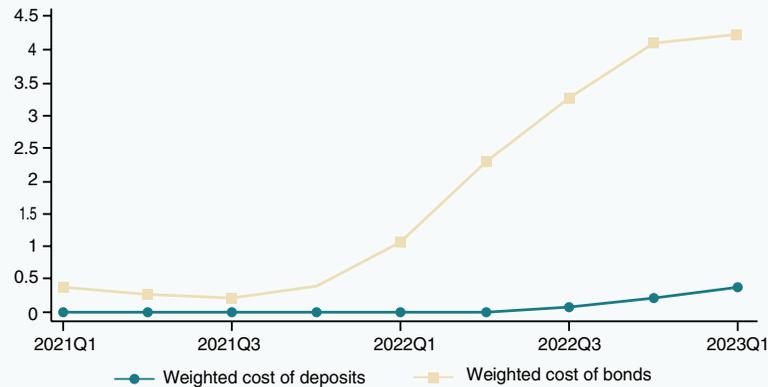


Note: The exhibit includes all hiking cycles since the introduction of the euro. Monthly data. *t* indicates the month of the first rise of the relevant policy rate (interest rate on the main refinancing operations (MRO) up to May 2014 and the deposit facility rate (DFR) thereafter). *t + 1* indicates 12 months after the first rise of the policy rate.

Source: ECB.

### Exhibit 3 Cost of banks' funding: Deposits and bonds

Percentage



Note: The exhibit includes all hiking cycles since the introduction of the euro.  $t$  indicates the month of the first rise of the relevant policy rate (interest rate on the main refinancing operations (MRO) up to May 2014 and the deposit facility rate (DFR) thereafter).  $t + 1$  indicates 12 months after the first rise of the policy rate.

Source: ECB.

of bank bonds rose by four times as much, by 400 basis points in 2023Q1 (Exhibit 3). Despite the moderate increase in deposit rates, a bank augmenting its deposit remuneration by 50bps would suffer from an increase of 80% of its overall funding costs. This is due to the large amounts of deposits outstanding which represent more than 75% of banks' funding in the euro area, and to the fact that banks can't raise rates only on marginal deposits, as they would do if they funded on markets, but they have to do it for the whole funding base.

The other connected component is that as interest rates increase quickly, deposits that had been considered stable would suddenly become unstable. This would be particularly the case if rates increase unexpectedly after a long period of low interest rates. Indeed, at low rates many banks aimed to extract the maximum value from their deposits franchise by taking interest rate risk and increasing their duration gap, since deposits were considered a stable form of long-term funding particularly in periods of low

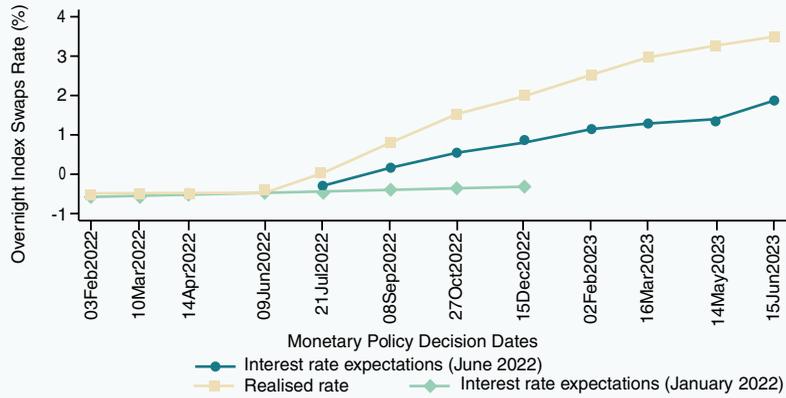
interest rates. This would mean that many banks would enter the hiking period with a large duration gap so deposit withdrawals would render their duration gap more pronounced. This is indeed what happened in 2022-2023 as the jump in rates was mostly unanticipated, particularly in its magnitude (see Exhibit 4).

Due to the increase in lending rates and contained deposit rates, banks' profits (and their stock market prices) experienced a turnaround and suddenly improved, which was mostly due to greater short-term net interest rate revenues, as the pass-through of higher rates to depositors was mostly slow and incomplete. In its wake, banks also had the biggest reductions in sight deposits since the creation of the euro in 1999. Part of the outflow was compensated by an increase in term deposits, but the overall net flow implies a sizeable reduction in the total volume of deposits (see Exhibit 6). Many banks experienced a net outflow, which they did not replace with other sources of funding.

Exhibit 4

**Expected and realized monetary policy rates**

Annualized interest rates



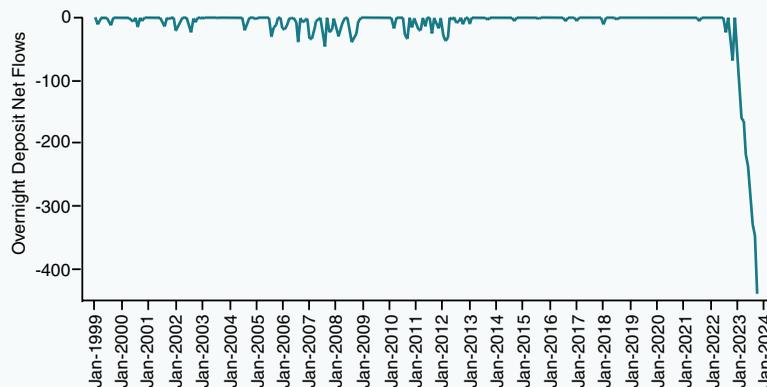
Note: Euro area monetary policy rate expectations are obtained from forward overnight indexed swap rate where the settlement is the date of the ECB's Governing Council monetary policy meeting. On the x-axis are the dates of the ECB's Governing Council monetary policy meetings.

Source: ECB.

Exhibit 5

**Net flow of overnight deposits and total deposits from their peak to trough**

Billions of euros; Monthly data



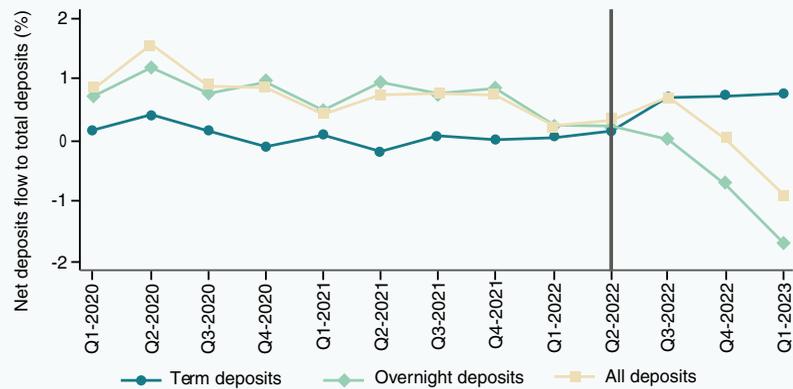
Note: Net flow of deposits from its peak. The peak is calculated as the maximum value before the beginning of the outflow.

Source: ECB.

Exhibit 6

**Deposit net flow by type**

Percentage



Note: Overnight (and term) flows of deposits are calculated as the difference between overnight (and term) deposits outstanding at time  $t$  and  $t-1$  to lagged total deposits outstanding. Quarterly data ranging from the first quarter of 2020 to the first quarter 2023. Net flows of deposits is calculated as the difference between deposits outstanding at the end of quarter  $t$  and  $t-1$  over the deposits outstanding at the end of quarter  $t-1$ . The vertical line indicates the start of monetary policy tightening.

Source: ECB.

### Conclusions: Implications for borrowers and financial stability

If the withdrawal of deposits is large enough and the new funding too onerous, many banks would prefer to reduce their new lending to new borrowers. In the latter case, monetary policy is effectively transmitted to the loan supply via changes in the quantity of deposits for two reasons. First, the jump in funding rates would force banks to raise their lending rates and thus augment the likelihood of adverse selection. Second, the widening gap from “cheap” sight deposits to “expensive” alternative sources in the funding of loans could prove so large that the granting of new loans is no longer profitable.

Recent work by Cappelletti *et al.* (2024) shows that this was indeed the case. Using an

extensive credit register that includes the vast majority of bank-firm lending relationships in euro area countries, they find that banks experiencing deposit outflows reduce credit rather than increase the interest rate they charge (to the same borrower relative to other lenders). This credit restriction is stronger for fixed rate and longer maturity loans and larger for banks coming into the hiking period with a larger unhedged duration gap. In other words, firms entering the tightening cycle mostly connected to lenders with higher duration gaps were significantly less likely to obtain credit as the tightening started. This likelihood becomes even lower for banks experiencing deposit outflows. This is consistent with banks trying to minimize changes to their duration gap, in line with findings by Drechsler *et al.* (2018b). Thus, banks choose to reduce

“ Differences in banks’ funding structures play a part in explaining how increases in rates affect the loan supply, which is ultimately linked to the impact of interest rate changes on financial stability. ”

lending in correspondence with net funding outflows. This mechanism highlights the importance of banks' differences in funding structures in explaining how increases in rates affect the loan supply. This is linked to recent work on the impact of interest rate changes on financial stability. Jiang *et al.* (2023) explore the financial stability consequences associated with the unrealized losses on securities portfolio that appear due to the unprecedented speed of interest rate rises by the Federal Reserve and show that these losses significantly increased the fragility of the US banking system to uninsured depositor runs.

More broadly, this relates to concerns about the financial stability implications of central banks tightening their stance after a long period of ample liquidity and expansion of central banks' balance sheets (Acharya *et al.*, 2023).

## Notes

[1] The views expressed in this article are those of the authors and do not necessarily represent the views of the European Central Bank or the Eurosystem.

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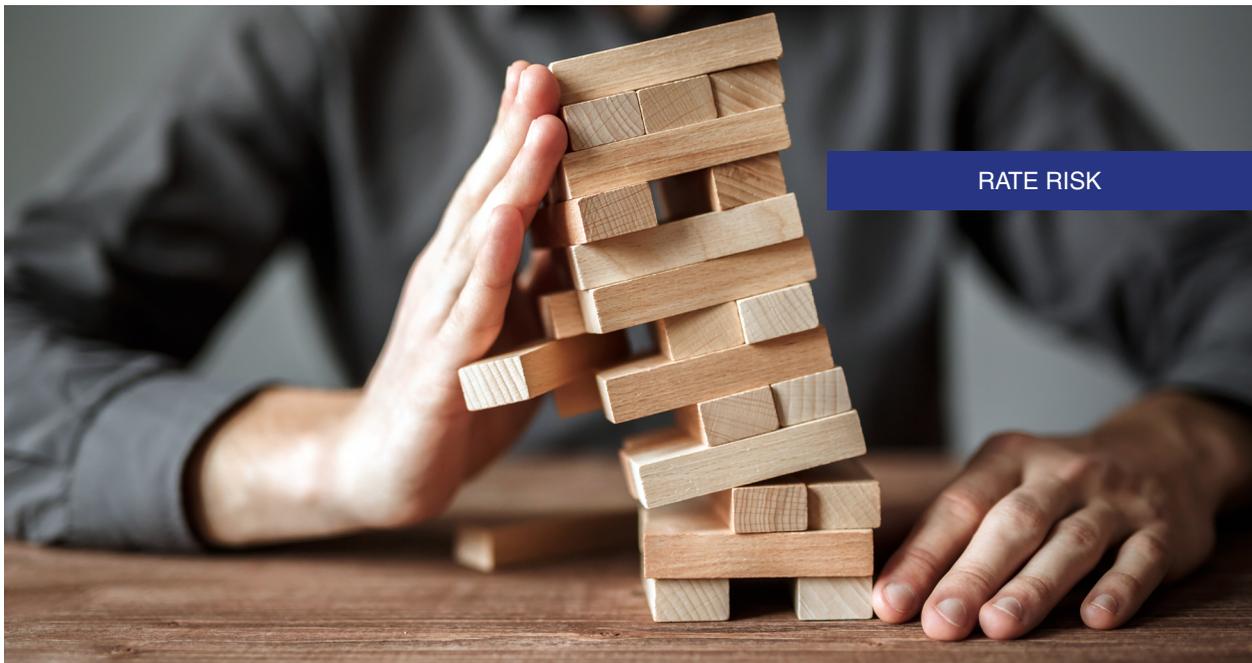
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**David Marques-Ibañez, Alessio Reghezza, Carmelo Salleo and Giuseppe Cappelletti.** European Central Bank

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RATE RISK

# Interest rate risk hits central banks

The interest rate risk deriving from the mismatch between asset and liability maturities and/or repricing, which had spread across the US banking system one year ago, has now hit the central banks – with some reporting zero profit, or even losses in 2023. While this phenomenon is not expected to have implications for financial markets stability, there may be important implications related to fiscal policy and monetary policy settings going forward.

Ángel Berges and Salvador Jiménez

**Abstract:** In the wake of the problems affecting several US banks, one year ago we assessed the issue of interest rate risk in the banking book and the effectiveness of the regulatory environment and applicable accounting rules in the prevention and mitigation of such risk. This type of interest rate risk, particularly the risk implicit in an excessive mismatch between asset and liability maturities and/or repricing, has now hit the central banks hard, with some reporting no profits, or even losses, in 2023. An analysis of the asset and liability structure of the Federal Reserve, the European Central Bank (ECB) and the Bank

of Spain reveals that interest rate risks, and hence expected losses, are likely to continue to materialize across all three central banks in the coming years albeit along distinct timeframes and in different magnitudes – with the ECB and Bank of Spain expected to report smaller absolute values than the Fed. That said, it is important to note that, unlike private sector banks, central banks are not obliged to recognize their holdings at fair value (*i.e.* they do not have to recognized unrealized losses) or unwind positions, which means that market implications would be very different. As well, central banks should

“ Now that the ripples from the recent episode of interest rate risk in the private sector banks appear to have receded, we are seeing these same risks begin to materialise at the central banks – intensely, albeit different in origin. ”

not be judged for their earnings performance, but rather whether they fulfil their mandates. In any event, there may be other implications related to the need for central banks to assess monetary policy rates from the perspective of how they relate to central bank transfers to the commercial banking system.

### Introduction

Silicon Valley Bank (SVB) went bankrupt in March 2023 and was swiftly followed by Signature Bank and First Republic Bank. Beyond their size and regional specialisation, what the three failed entities truly had in common, and which was undoubtedly the cause of their failure, was excessive exposure to interest rate and liquidity risk, as their assets were all significantly long-dated, in the form of long-term, fixed-rate bonds (nearly half of all assets in the case of SVB), while their liabilities came from short-term deposits subject to repricing risk, opening them up to the risk of eroding margins or even a run on deposits, as ultimately happened.

The intensity and speed with which both risks –interest and liquidity– materialised and fed off each other, causing SVB to fail, spreading quickly to other banks with similar structures and triggering intervention by the competent US authorities (the Fed, Treasury and FDIC) to curb further and more widespread contagion, raised questions about the regulatory, supervisory, and accounting framework governing these risks, as analysed in Albèrni *et al.* (2023).

Now that the ripples from that episode of interest rate risk in the private sector banks appear to have receded, we are seeing these same risks begin to materialise at the central banks – intensely, albeit different in origin: they are not the result of speculation about

the interest rate curve but rather monetary policy execution. The implications are also quite different as there are mechanisms for absorbing or even correcting these imbalances, which was not the case with the US banks that had to be intervened.

In terms of sensitivity to interest rate risk, it is worth noting that the mismatches in the Fed's and ECB's balance sheets are not very different from those presented by SVB. To explain this phenomenon, recall that the central banks' finance income comes, fundamentally, from: (i) the interest collected from the commercial banks for the money it lends them; (ii) the finance income generated by the acquisitions made under their asset purchase programmes (in the case of the central banks in the eurozone, the income generated by their investments under the APP and PEPP schemes); and (iii) other income from their foreign currency reserves and other interest-generating investments.

On the debit side of their accounts, their finance costs are, primarily, the interest paid to the commercial banks for their deposits and other placements, such as repos held at the central banks. The difference between their interest income and interest costs constitutes their net interest margin, from which they have to deduct operating expenses and provisions for non-performing loans, or the reversal thereof, which in recent years have played a significant role at some central banks, as we will see below.

### Balance sheet analysis: Federal Reserve

Let's first look at the US Federal Reserve, using its audited financial statements for 2023 (Federal Reserve, 2024). The Fed had USD 7.8 trillion of total assets at year-end

“ The key reason for the deterioration in the Fed’s profitability lies with the fact that while finance income has barely increased, finance costs have increased sharply, as most of the Fed’s liabilities are benchmarked to market rates, which jumped from 1% at the start of 2022 to 5%-5.5% for nearly all of 2023. ”

2023. The main component of the assets on its balance sheet are the Treasury bonds purchased under its quantitative easing programmes, which represent nearly USD 5 trillion, plus a further USD 2.4 trillion issued by Federal agencies such as Fannie Mae and Freddie Mac. The two portfolios, which between them amount to USD 7.4 trillion (over 90% of total assets) have long-term maturities (7+ years on average) and generate average returns of just 2.2%, which is well below current rate levels, as they were bought back during the period of ultra-low rates.

Compared to this portfolio of long-term bonds at low fixed rates, the main liability component is bank deposits, in the amount of USD 3.2 trillion, plus USD 1.4 trillion of repos, likewise held by the banks. Both classes of

liabilities, which between them are equivalent to 55% of total assets, bear interest tied to market rates, which are certainly much higher than the rates being accrued on the bonds held as assets.

Table 1 succinctly shows the trend in the Fed’s net interest margin in the last two years, which went from a positive USD 67 billion in 2022 to a negative USD 106 billion in 2023. The key reason for this deterioration lies with the fact that while finance income has barely increased, as it mostly comes from fixed-rate bond holdings, finance costs have increased sharply (almost tripling), as most of the Fed’s liabilities (deposits and repos) are benchmarked to market rates, which jumped from 1% at the start of 2022 to 5%-5.5% for nearly all of 2023.

Table 1

### Federal Reserve: Net interest margin and main components of assets and liabilities

USD billion

	2023	2022
Bonds (Treasury and Federal agencies)	7,400	8,300
Interest income	175	170
Yields (%)	2.36	6,300
Deposits and repos	4,600	6,300
Interest expense	291	102
Average cost (%)	5.1	1.6
Net interest (expense)/income	-106	67
Net interest margin (%)	-2.74	0.43

Source: Federal Reserve.

Table 2 **ECB: Main components of assets and liabilities**

EUR billion

	2023	2022
ECB – Consolidated		
Monetary policy securities	4,700	4,940
Monetary policy deposits	3,600	4,000
ECB – Separate		
Monetary policy securities	425	460
Monetary policy deposits	445	355
Bank of Spain		
Monetary policy securities	605	625
Monetary policy deposits	260	250

Sources: ECB and Bank of Spain.

The rest of the Fed’s profit and loss account is dominated by its operating expenses (USD 9.2 billion) and, above all, net earnings remittances to the Treasury, which went from a positive flow (dividends) of USD 58.8 billion in 2022 to a negative flow of USD 114 billion in 2023; that “negative dividend” is the amount of earnings the Fed needs to realise before remittances to the Treasury resume. After that negative liability for remittances to the Treasury, the Fed reported net income of USD 1.49 billion.

### Balance sheet analysis: Eurosystem

Next, we carry out a similar exercise for the Eurosystem, noting that the consolidated accounts are made up of a parent (the ECB, considered as an individual entity) and

the 19 national central banks (NCBs). We have the aggregated balance sheets at the consolidated and separate levels, but we only have the separate profit and loss account (a consolidated profit and loss account has not been published).

Table 2 summarises the main asset and liability headings at the consolidated, separate ECB and separate Bank of Spain levels, which reveal a very similar structural mismatch in terms of exposure to interest rate risk to that of the Fed, albeit notably smaller in absolute terms.

The overlap between fixed-rate bond holdings on the asset side and deposits remunerated at official rates on the liability side (the deposit

“ As in the case of the Fed, for the ECB, the overlap between fixed-rate bond holdings on the asset side and deposits remunerated at official rates on the liability side (the deposit facility), which went from -0.5% in early 2022 to 4% for all of 2023, unquestionably had an extraordinarily adverse impact on the net interest margin last year. ”

“ The mismatch between the yield on bond holdings and the cost of deposits translated into a negative net interest margin at both the ECB and the Bank of Spain. ”

facility), which went from -0.5% in early 2022 to 4% for all of 2023, unquestionably had an extraordinarily adverse impact on the net interest margin last year, as happened to the Fed (Table 3).

As shown in Table 3, the mismatch between the yield on bond holdings and the cost of deposits translated into a negative net interest margin at both the ECB (considered separately) and the Bank of Spain.

In both instances, the bottom line has been salvaged by releasing previously recognised provisions, 6.5 billion euros in the case of the ECB and 6.6 billion euros by the Bank of Spain. As a result, the ECB reported a net

loss of 1.3 billion euros in 2023 (compared to zero in 2022) and the Bank of Spain reported a profit of zero (*versus* 2.4 billion euros in 2022).

### Estimating central bank losses

It appears clear, therefore, that the mismatch between fixed-rate assets and liabilities remunerated at market rates is already fully impacting net interest income at the central banks, which are notching up significant losses. The central banks were able to mitigate those losses in 2023, cushioning the impact on their bottom lines, by releasing previously recognised provisions, something they will not have much room to do again in 2024, as those provisions have been virtually all used up.

Table 3 **ECB: Net interest income**  
EUR billion

	2023	2022
ECB – Consolidated	N/A	N/A
ECB – Separate	-7.2	0.9
Bank of Spain	-8.9	4.2

Sources: ECB and Bank of Spain.

“ The central banks were able to mitigate losses in 2023, cushioning the impact on their bottom lines, by releasing previously recognised provisions, something they will not have much room to do again in 2024, as those provisions have been virtually all used up. ”

Table 4

### Central bank bond portfolios – Unrealised gains/losses at year-end 2023

Fed (USD billion)	
Bonds at amortised cost	7,470
Bonds at fair value	6,521
Unrealised gain/loss	-949
ECB – separate (EUR billion)	
Bonds at amortised cost	425
Bonds at fair value	385
Unrealised gain/loss	-40
Bank of Spain (EUR billion)	
Bonds at amortised cost	605
Bonds at fair value	544
Unrealised gain/loss	-61

Sources: Fed, ECB, and Bank of Spain.

It is therefore important to discern whether the mismatch between interest income and interest expense was a one-off affecting 2023 or whether it could occur again in 2024 and beyond.

One way of modelling that impact, at least on the income side, is to analyse the opportunity cost (unrealised losses) on the bond portfolios implied by current market prices. This information can be gleaned from the central banks' financial statements as they publish the bonds' carrying amount (amortised cost) as well as their fair value, as is replicated in Table 4.

The unrealised losses are very significant, depicting the opportunity cost implied by the

repurchased bonds in the current high-rate environment, especially considering their average remaining maturity, or duration: between 6 and 7 years in the case of the ECB and Bank of Spain and even longer in the case of the Fed's holdings.

That being said, it is important to underline that the central banks, unlike private sector banks, are not obliged to recognise their holdings at fair value (and therefore do not have to recognise those unrealised losses) or to unwind these positions. And even if they had to, the implications would be very different. Nevertheless, if rates stay at current levels, these unrealised losses will materialise over several years more in the form of negative interest margins relative to the cost of bank

“ Unlike private sector banks, central banks are not obliged to recognise their holdings at fair value (and therefore do not have to recognise unrealised losses) or to unwind these positions and even if they had to, the implications would be very different. ”

deposits. By way of example, the Dutch central bank recently published long-term projections showing that it would probably have to use provisions until 2027 in order to offset its negative net interest margins.

### Implications

At this juncture the next logical question is to consider just how problematic it is if central banks continue to report losses, considering the fact that, in light of the gap between the average return on bond portfolios and interest expense on deposits, the impact, albeit waning, will remain negative for the next few years. Moreover, it now seems highly probable that the central banks will keep rates higher in the coming years than was initially expected a few quarters ago in order to deliver their inflation targets.

The Bank of International Settlements (BIS, 2023), anticipating the jitters the publication of losses by the central banks would have, published a report in which it drew the following key conclusions:

- The losses and negative equity do not directly affect the central banks' ability to operate effectively.
- Central banks should not be judged for their earnings performance but rather whether they fulfil their mandates.
- The central banks that report losses need to make an effort to clearly communicate the reasons for their losses, highlighting the broader benefits of their policy measures. This recommendation has been widely taken up. For example, the Dutch central bank, which reported a loss in 2023, recently

noted that the interest savings implied by the bonds repurchased by the Dutch treasury amounted to 28 billion euros, which is significantly more than the loss reported in 2023 and potentially reported in future years. Elsewhere, the ECB also reported that the eurozone central banks as a whole had generated around 300 billion euros of profits between 2012 and 2021.

Nevertheless, while it is true that the fact that the central banks are reporting losses does not pose an issue at the operating level, they do have an impact on fiscal policy. In theory there will be no need to inject capital, which would have a negative impact on public finances in the short-term, as many of the central banks have recognised ample provisions to cover such losses and those that use them up could continue to operate with negative equity to be replenished from future earnings. There is one immediate impact, however. Over the past decade, the treasuries have been receiving dividends from the profits generated by the central banks, which they will now cease to collect. The Bank of Spain, for example, generated an average of around 2 billion euros of dividends over the last decade.

This debate over central bank transfers is proving particularly intense in the US (and is growing in the eurozone), with several observers suggesting that we may be witnessing an excessive transfer of tax payer money to the banks, with some even suggesting a potential loss of credibility and effectiveness if the losses prove protracted.

Therefore, although a new equilibrium may arrive as a result of gradual convergence between the interest collected on debt portfolios and that paid in exchange for

“ Although a new equilibrium may arrive as a result of gradual convergence between the interest collected on debt portfolios and that paid in exchange for deposits, it is feasible that the current mismatch could continue to fuel pressure on the central banks to pare back their generosity to the commercial banks. ”

deposits, it is feasible that the current mismatch could continue to fuel media (and political) pressure on the central banks to pare back their generosity to the commercial banks.

For example, the ECB (and the NCBs) could take measures such as increasing the spread between the deposit facility (DR) rate and the main refinancing operations (MRO) rate or introduce a tier of reserves in excess of the minimum that does not get remunerated at the deposit facility rate. While such moves could help balance the central banks' finances sooner, they could have significant implications on monetary policy transmission so that all collateral effects would have to be carefully analysed. Indeed, some agents are calling for an increase in the minimum reserve ratio. Even though the ECB certainly analysed this issue during its recent operating framework review process, it did not take any decisions in this respect and is considered unlikely to do so.

Indeed, from 18 September 2024, the ECB is planning to decrease the difference between the MRO and DF rates from 50bp to 15bp. The European monetary authority took that decision with the aim of reducing volatility in Euribor rates, while providing an incentive for the banks to bid in the weekly liquidity operations (as the current gap of 50bp virtually eliminates that appeal).

Irrespective of these potential moves, which in any event would be assessed purely in monetary policy terms and not in terms of the central banks' profit and loss accounts, the central banks will definitely have to continue to educate their audiences about the positive effects their quantitative easing measures have had, as they are set to continue to report losses for the next couple of years at least (with scope for higher losses to the extent they run out of provisions to release). Hernandez de Cos (2024) and Knot (2024), the governors of the Bank of Spain and Dutch central bank, respectively, have recently published papers to this effect.

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**Ángel Berges and Salvador Jiménez. Afi**



# Spain's household and non-financial corporate (NFC) accounts for 2023

Whereas in 2022, corporate income registered significant growth, nearly revisiting pre-pandemic levels, in 2023, it was household income that was more dynamic. By comparison with 2019, in nominal terms, the income gap between the non-financial corporate (NFC) and household sectors widened, revealing an incomplete recovery in the corporate segment compared to solid growth in household income.

María Jesús Fernández

**Abstract:** Corporate income registered significant growth in 2022, making notable progress towards reaching pre-pandemic levels. However, in 2023, it was household income that was more dynamic. The trend in household income has been relatively favourable throughout the post-pandemic years, despite the increase in inflation. This has been largely attributable to the resilience of the Spanish labour market labour, as well as wage growth. These factors allowed Spain's households to absorb the impact of the increase in interest rates in 2023 with relative ease, as evidenced by the stability in the rate of loan non-performance in this sector. As well,

household debt, at 74.2% of GDI, reached its lowest level since 2001. In the corporate sector, however, the increase in rates had a more pronounced impact, although that is not the only reason for its relatively weak earnings performance. Indeed, Gross Operating Surplus (GOS) registered moderate growth, down significantly from 2022 and below the growth in the compensation and benefits received by Spanish households, which, in contrast, accelerated. By comparison with 2019, in nominal terms, the income gap between the non-financial corporate (NFC) and household sectors widened, revealing an incomplete recovery in the corporate segment

“ Revised figures show that household GDI increased by more than initially reported, which translated into higher savings and, ultimately, a net lending position of 2.5 billion euros, rather than the initially estimated net borrowing requirement of 1.75 billion euros. ”

compared to solid growth in household income. Lastly, investment levels at Spain's corporations remain depressed, with firms preferring to use their profits to repay debt, despite already healthy leverage levels by both historical standards and by comparison with their European peers.

### **Background**

The situation in the global energy product markets virtually normalised in 2023 following the crisis produced by the invasion of Ukraine the year before. This, coupled with monetary tightening, has curbed inflation, with the rate in Spain dropping from 8.4% in 2022 to 3.5% in 2023. The impact of the rate increases on the developed economies has been smaller than expected so that, despite the lethargic Eurozone economy, we can talk about a “soft landing”. Against this backdrop, Spanish GDP, which in 2022 revisited 2019 levels, registered growth of 2.5% in 2023, significantly above the Eurozone average of 0.5%, although the bloc as a whole revisited pre-pandemic GDP a year sooner than Spain. The Spanish and European economies once again presented remarkably resilient employment dynamics last year.

### **Employment, compensation and pensions drove growth in household income**

Before analysing the household sector's accounts in 2023, we need to point out that

the figures for 2022, analysed by Fernández (2023), have sustained slight corrections with respect to the numbers originally published by Spain's Official Statistics Office (INE). The revised figures show that household gross disposable income (GDI) increased by more than initially reported, which translated into higher savings and, ultimately, a net lending position of 2.5 billion euros, rather than the initially estimated net borrowing requirement of 1.75 billion euros. Despite that change, the analysis provided in that paper remains valid and the conclusions drawn have not changed in any significant way.

Growth in household wage remuneration accelerated to 8.8% in 2023, thanks to a steady rate of growth in employment, coupled with higher wages per job holder (+5.4%). Property income also registered healthier growth, shaped by interest income and other income such as dividends. Indeed, dividend income totalled 24.8 billion euros, similar to the 2017 and 2018 figures but still below the 2019 equivalent. Among the other sources of household income, it is worth highlighting the sharp growth in social welfare benefits, mainly driven by the adjustment to pensions for 2022 inflation (Table 1).

Interest paid increased by 9.6 billion euros to 24.2 billion euros (before the Financial

“ The increase in interest rates has been absorbed with relative ease, in general terms, by Spanish households, as is evidenced by the stability in loan non-performance – with the NPL ratio climbing just 0.2pp higher in 2023 to end the year at 2.6%, the lowest level in 12 years. ”

Table 1 **Non-financial accounts – households and NPISHs**  
Millions of euros

	2019	2020	2021	2022	2023	2023 vs. 2022, %	2023 vs. 2019, %
Employee compensation received	582,660	563,058	602,492	646,723	703,709	8.8	20.8
Household gross operating surplus and mixed income	212,430	188,342	205,766	218,246	235,701	8.0	11.0
Social benefits received	215,561	248,109	248,051	246,217	270,509	9.9	25.5
Interest and other property income received	51,909	42,716	39,093	47,996	88,448	84.3	70.4
Current transfers received	81,891	82,082	96,150	101,109	105,909	4.7	29.3
<b>Total income received</b>	<b>1,144,451</b>	<b>1,124,307</b>	<b>1,191,552</b>	<b>1,260,291</b>	<b>1,404,276</b>	<b>11.4</b>	<b>22.7</b>
Interest and other property income paid	5,451	4,092	3,502	7,153	24,574	243.5	350.8
Social security contributions	173,464	174,386	184,224	192,822	210,687	9.3	21.5
Current transfers paid	78,029	75,787	90,953	95,433	99,053	3.8	26.9
Income and property tax	106,149	105,282	113,540	132,717	146,402	10.3	37.9
<b>Gross disposable income</b>	<b>781,358</b>	<b>764,760</b>	<b>799,333</b>	<b>832,166</b>	<b>923,560</b>	<b>11.0</b>	<b>18.2</b>
Nominal consumption	714,535	627,505	687,133	766,611	813,066	6.1	13.8
Gross savings (plus net capital transfers)	63,164	131,977	111,127	62,213	106,900	71.8	69.2
Gross capital formation	43,423	40,758	52,540	59,713	64,539	8.1	48.6
Net lending (+) /borrowing (-) position	19,741	91,219	58,587	2,500	42,361	–	–
<i>Memorandum item:</i>							
Interest paid before the allocation of FISIM	14,419	14,441	14,086	14,616	24,226	65.7	68.0
Savings rate (% of GDI)	8.2	17.4	13.8	7.6	11.7	–	–
Household borrowings	707,588	700,387	704,211	703,633	685,361	-2.6	-3.1
As a % of GDI	90.6	91.6	88.1	84.6	74.2	–	–

Sources: INE and Bank of Spain.

Intermediation Services Indirectly Measured –FISIM– allocation), shaped by higher interest rates on the back of monetary policy tightening. However, that increase was moderate by comparison with the growth in household income, and therefore did not prevent sizeable growth in GDI. It is fair to say, therefore, that the increase in interest rates has been absorbed with relative ease, in general terms, by Spanish households, as is further borne out by the stability in loan non-performance: the NPL ratio climbed just 0.2pp higher in 2023 to end the year at 2.6%, the lowest level in 12 years.

As for income and property tax paid by Spain's households, this heading experienced double-digit growth once again in 2023, the difference being that whereas in 2022 payments increased by more than taxable income (calculated using the national accounting numbers) this year's growth was more in line. Nevertheless, the effective income tax rate remains considerably above pre-pandemic levels. Social security payments did increase by a little more than wage earnings, possibly due to regulatory changes, such as introduction of the so-called intergenerational equity mechanism designed to replenish the pension coffers, among other things.

“ The household savings rate came in at 11.7% of GDI, which is above the levels observed before the pandemic; however, it is still too early to tell if savings rates above pre-pandemic levels will materialize into a structural change. ”

As a result, nominal GDI registered growth of 11% in 2023, outstripping inflation, so allowing households to recover some of the purchasing power lost the year before. That growth was also higher than the growth in nominal consumption, so that savings once again rose above the 100 billion mark, having diminished the year before. The savings rate came in at 11.7% of GDI, which is above the levels observed before the pandemic. It is still too early to tell whether the fact that savings rates have remained above pre-pandemic levels, a phenomenon observed virtually all across the EU, is a structural or temporary change.

Around 60% of those savings was earmarked to GFCF, so that the household sector generated a net lending position –the difference between savings and investment– of 42.36 billion euros. Most of this surplus was used to purchase financial assets but also, in a significant amount by historical standards, to repay debt. The household sector’s stock of outstanding debt therefore decreased, in nominal terms and in relation to its GDI. The latter ratio reached its lowest level since 2001, at 74.2%.

Comparing the various headings with respect to 2019 shows that nominal GDI has increased by 18.2%, which is more than consumer prices, so that household income has increased in real terms. That nominal growth is in line with the figures observed across the

Eurozone. Nevertheless, due to population growth in Spain, real GDI per capita has only increased by a small margin, if we arrive at the real figure by using national accounting consumption as our deflator; if instead we use CPI, real GDI per capita is still slightly below 2019 levels. Real consumption per capita, meanwhile, remains 2.4% below the pre-pandemic equivalent. Household GCF, however, was 48.6% above the 2019 figure, growth that is above the Eurozone average.

The fact that purchasing power per capita is at similar levels to before the health crisis, while consumption volumes per capita remain below that benchmark points to room for considerable growth in household expenditure in the coming years, particularly considering that the rate of unemployment, the key determinant of household savings in Spain due to the precautionary effect, continues to come down, coupled with the fact that household purchasing power is expected to recover further in 2024.

### **Weak recovery in corporate profits**

The accounts for the NFC sector for 2022 and previous years have also been revised, in this case by more than the household sector’s accounts. The main difference with respect to the previously published figures lies with the property income received by the NFCs, which was revised substantially lower, giving rise to a considerable downward

“ The household sector’s stock of outstanding debt decreased, in nominal terms and in relation to its GDI, with the ratio, at 74.2%, reaching its lowest level since 2001. ”

“ Dividend payments increased by much more than the corporations' bottom lines, so that their gross disposable income decreased by 4.3%. ”

revision to the corporate income figure – defined as GOS plus interest, dividend and other income less interest paid – such that by 2022 it was practically flat compared to 2019, and not 5% higher, as had been indicated by the original numbers. Moreover, after the payment of tax, corporate income was actually still below pre-pandemic levels.

The revisions also had a considerable impact on the volume of dividends paid out, which meant that, despite the changes, corporate GDI – firms' income after tax and dividend payments – was actually higher than initially estimated. However, the GCF figures were also revised upwards, so that the net lending position barely changed.

Table 2 **Non-financial accounts – non-financial corporations**

Millions of euros

	2019	2020	2021	2022	2023	2023 vs. 2022, %	2023 vs. 2019, %
Gross value added	655,976	571,669	623,225	715,390	768,970	7.5	17.2
Compensation of employees	379,041	360,581	386,970	422,563	464,898	10.0	22.7
Gross operating surplus (GOS)	275,154	215,278	236,674	291,923	302,441	3.6	9.9
GOS/GVA (%)	41.9	37.7	38.0	40.8	39.3	–	–
Interest, dividend and other income received (net)	51,896	43,803	31,358	38,810	63,439	63.5	22.2
Interest paid	11,408	9,485	8,525	13,994	37,743	169.7	230.8
Gross entrepreneurial income	315,642	249,596	259,507	316,739	328,137	3.6	4.0
Income tax paid	18,508	16,987	23,019	27,098	32,788	21.0	77.2
Other net income	-10,020	-9,522	-12,123	-12,912	-12,063	-6.6	20.4
Entrepreneurial income after tax	287,114	223,087	224,365	276,729	283,286	2.4	-1.3
Dividends paid	84,754	72,450	52,959	60,359	76,272	26.4	-10.0
Gross disposable income	202,360	150,637	171,406	216,370	207,014	-4.3	2.3
Gross capital formation	186,211	151,014	173,103	182,327	181,105	-0.7	-2.7
Capital transfers, net	2,764	5,550	7,748	7,583	6,119	-19.3	121.4
Net lending (+) /borrowing (-) position	18,913	5,173	6,051	41,626	32,028	-23.1	69.3
<i>Memorandum item:</i>							
Interest paid before the allocation of FISIM	18,749	17,148	16,572	20,195	40,178	99.0	114.3
Consolidated debt of non-financial corporations	898,507	954,291	978,900	958,395	946,529	-1.2	5.3
As a % of GDP	72.1	85.3	80.1	71.2	64.7	–	–

Sources: INE and Bank of Spain.

“ Weak earnings performance may be behind the adverse trend in GCF in the NFC sector, which in 2023 was still 2.7% below the 2019 figure in nominal terms, making this the only sector in which investment is still trailing pre-pandemic levels and making Spain the only Eurozone country other than Ireland where this is the case. ”

Turning to 2023, the growth in corporate income slowed considerably by comparison with 2022 to 3.6%, shaped by slower growth in GOS and higher net interest payments, which increased by 20 billion euros (before the FISIM allocation). The impact of this increase on the corporations' accounts was greater than in the household sector, as the incremental debt service burden used up a much bigger percentage of the growth in their income before interest.

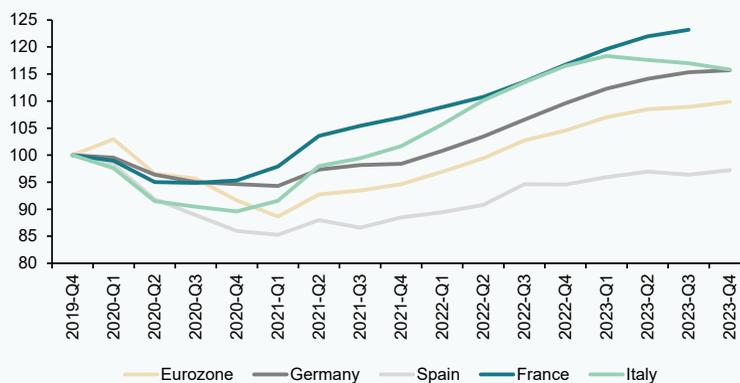
Tax payments increased by much more than the corporations' income, leading to a considerable increase in the effective tax rate calculated using the national accounting figures. After tax payments, corporate income increased by 2.4%. Dividend payments increased by much more than the

corporations' bottom lines (albeit remaining below 2018 and 2019 levels) so that their gross disposable income, *i.e.*, their savings after the payment of dividends, decreased by 4.3% (Table 2).

By comparison with 2019, 2023 GOS was 9.9% higher [1] – the lowest rate of growth among the Eurozone countries for which the data is available – whereas corporate income after tax was 1.3% below 2019 levels. This weak earnings performance may be behind the adverse trend in GCF in the NFC sector, which in 2023 was still 2.7% below the 2019 figure in nominal terms. It is the only sector in which investment is still trailing pre-pandemic levels and also the only Eurozone country (for which we have data) other than Ireland where this is the case (Exhibit 1).

### Exhibit 1 **GFCF of non-financial corporations**

Nominal volume, trailing four quarters, 4Q19 = 100



Source: Eurostat.

“Corporations used all their financial surplus to repay debt, decreasing debt in nominal terms and in relation to GDP, to 64.7%, the lowest level since 2002 and below the Eurozone average.”

There is no specific indicator for deflating GFCF for the NFCs but it can be approximated based on the trend in the deflators for the various components of GFCF for the sectors as a whole. Using that proxy, corporate investment is still over 10% below 2019 levels in real terms. It is also the only institutional sector to have sustained a decrease in real terms, as similar calculations indicate that household, public sector and financial sector investment have all increased since 2019 in real terms.

The corporations used all their financial surplus to repay debt. They even sold off financial assets and used the proceeds to pay down their debt, marking the first time since 2012 that the NFCs sold more financial assets than they bought. As a result, the sector's debt decreased in nominal terms and in relation to GDP, to 64.7%, the lowest level since 2002 and below the Eurozone average.

## Conclusions

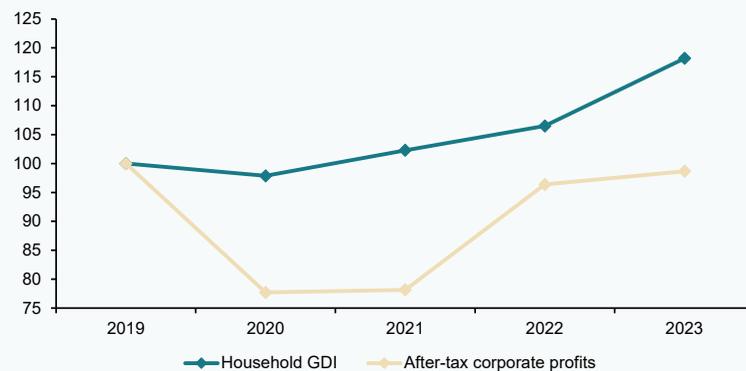
Whereas in 2022, corporate income registered significant growth, nearly revisiting pre-pandemic levels, in 2023, it was household income that was more dynamic.

The trend in household income has been relatively favourable throughout the post-pandemic years, despite sharp inflation, thanks, mainly to a strong job market and wage growth. These factors allowed Spain's households to absorb the impact of the increase in interest rates in 2023 with relative ease. In the corporate sector, however, the increase in rates had a more pronounced impact, although that is not the only reason for its relatively weak earnings performance. Indeed, GOS, a measure of profits before interest payments, registered moderate growth, down significantly from 2022 and below the growth in the compensation

Exhibit 2

### Household gross disposable income and after-tax profits of non-financial corporations

Nominal volumes, rebased: 2019 = 100



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

and benefits received by the country's households, which, in contrast, accelerated.

By comparison with 2019, the income gap between the NFC and household sectors widened, revealing an incomplete recovery in the corporate segment (based on the national accounting figures), compared to solid growth in household income (all expressed in nominal terms; Exhibit 2). Lastly, Spain's corporations have continued to display little appetite for investment, preferring to use their profits to repay debt, despite already healthy leverage levels by both historical standards and by comparison with their European neighbours.

## Notes

[1] This result based on the national accounts contrasts with the GOS measure published by the Business Margins Observatory on the basis of the corporations' tax filings, which points to stronger growth, although there are many differences in the methodologies used to calculate the two sets of statistics.

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# Spain's private sector debt service ratio: An international comparison

The rate tightening embarked on by the ECB in mid-2022 has had a negative impact on debt sustainability for both Spanish corporations and households; however, the ultra-low rate environment until 2022, together with ongoing private sector deleveraging, offset the spike in interest rates such that debt service costs did not increase in 2023. As a result, last year, debt service for both Spanish corporations and households, at 34.7% of gross operating surplus and 5.6% of gross disposable income, respectively, remained low relative to international standards.

Joaquín Maudos

**Abstract:** The rate tightening embarked on by the ECB in mid-2022, which was paused in September 2023, has had a negative impact on debt sustainability. In the case of Spain's corporations, the interest burden doubled between 2022 and 2023, surpassing the 40 billion euros mark. The interest burden on household borrowings increased by 66% to over 24 billion euros. Looking at the share of income that has to be earmarked to interest payments, the percentage almost doubled

in 2023 in the business sector (from 7% to 13%), increasing by less, and from a much lower base, in the case of the household sector (from 1.8% to 2.6%). Nevertheless, the interest burden is below the EU-27 average in the corporate segment (9% *vs.* 12% as of the third quarter of 2023) and very similar among households (2.4% *vs.* 2.5%). As well, the ultra-low rate environment until 2022 coupled with private sector deleveraging drove a drastic reduction in debt service costs (interest costs

“ In 2022, the last year for which figures are available for the EU-27, Spain’s private sector leverage ratio was 9.4pp below the European average and lower than the ratios reported by Portugal, Finland, Ireland, Belgium, France, Denmark, Sweden, the Netherlands, Cyprus and Luxembourg. ”

and principal repayment), which did not increase in 2023, as the spike in interest costs was offset by ongoing deleveraging. In 2023, Spain’s corporations earmarked 34.7% of their gross disposable income to debt service, while its households set aside 5.6%. These are low readings relative to international standards.

### Foreword

The financial health of corporations and households depends on the amount of income they have to set aside each year to service their debts, which means covering interest and principal payments. Interest expense depends on interest rates while principal payments depend on borrowing levels. Therefore, debt service costs are shaped by: (i) debt sustainability (the number of years needed to repay outstanding debt, which in turn depends on the level of indebtedness); and (ii) the financial burden implied by those borrowings (the amount of income that has to be earmarked to pay interest, which in turn depends on market rates).

The purpose of this paper is to analyse each of these factors behind debt service costs, an important indicator of financial health. Our analysis distinguishes between corporations and households in order to provide an overall vision of the non-financial private sector. Throughout we will compare the situation in

Spain with that of other countries. While we analyse the period since the start of the Great Recession in 2008 until 2023 (private sector indebtedness peaked in Spain in 2008), we focus on analysing developments between 2022 and 2023, as monetary policy changed tack in July 2022, when the ECB raised its rates for the first time. It went on to raise them 10 times more, leaving its benchmark rate at 4.5% in September 2023.

To analyse the above-mentioned factors underpinning debt service costs, we need to first look at leverage levels (borrowings as a percentage of GDP). Next, given that debt sustainability depends on the ability to repay the debt from gross disposable income, we analyse the latter. Thirdly, we focus on the importance of interest rates, analysing the percentage of income earmarked to paying interest. Lastly, the overall effect of these variables yields the debt service ratio, which is the percentage of gross disposable income that corporations and households have to set aside to pay interest and repay their loans annually.

### Trend in private sector debt

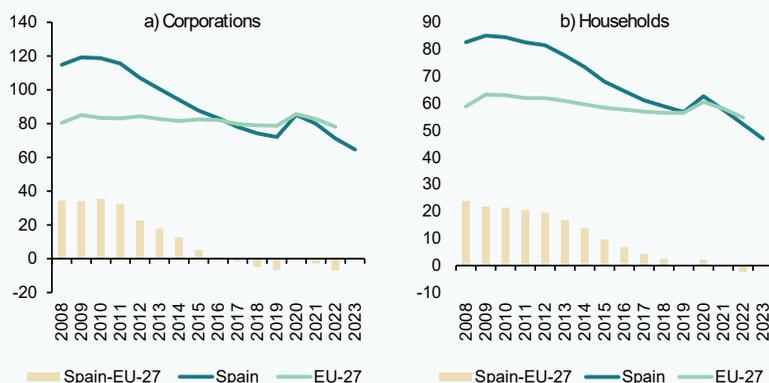
The credit bubble that formed during the economic boom and burst along with the financial crisis of 2007-08 fuelled growth in private sector borrowings in Spain in both the

“ The flip side of the private sector deleveraging effort in Spain is evident in the trend in the stock of credit, evidencing why the banking business in Spain has had a hard time generating returns in excess of their cost of capital. ”

Exhibit 1

**Private sector (non-consolidated) debt/Private sector GDP**

Percentage



Sources: Eurostat and Bank of Spain.

corporate and household segments. In 2008, the private sector leverage ratio (consolidated debt) over GDP reached 197.4%, which was nearly 60 points above the EU-27 average. Since then the sector has deleveraged intensely: by 2023 the leverage ratio was 86pp below that peak. In 2022, the last year for which figures are available for the EU-27, Spain's private sector leverage ratio was 9.4pp below the European average and lower than the ratios reported by Portugal, Finland, Ireland, Belgium, France, Denmark, Sweden, the Netherlands, Cyprus and Luxembourg.

In the corporate segment, where leverage reached very high levels, deleveraging has also been intense (50pp), decreasing from 115% of GDP in 2008 to 64.7% in 2023. Having started at a leverage ratio that was 34pp above the EU-27 average, since 2017, Spain's corporate leverage ratio has trailed below that average,

specifically by 7pp in 2022. The household sector, meanwhile, deleveraged by 35.7pp between 2008 and 2023, from 82.6% of GDP to 46.9%. Leverage in this sector converged with the EU-27 average by 2021, coming in 2.4pp below it in 2022.

The flip side of the private sector deleveraging effort in Spain is evident in the trend in the stock of credit, which had decreased by 37% from the peak of 2008 by the end of 2023. That is 687 billion euros less debt. In fact, the January 2024 figure is the lowest in 16 years, evidencing why the banking business in Spain has had a hard time generating returns in excess of their cost of capital.

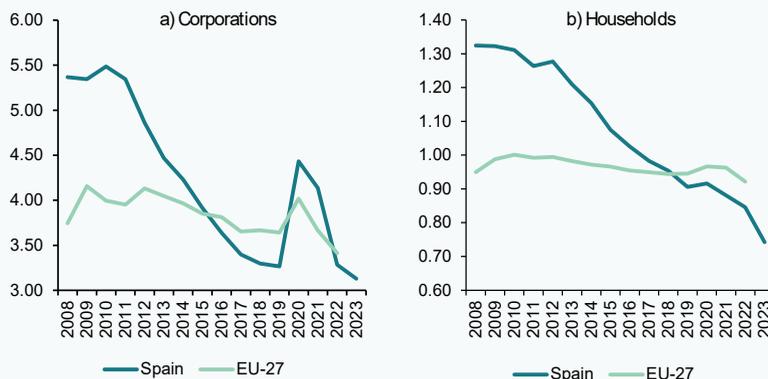
**Private debt sustainability**

Debt sustainability measures the capacity to service debt using gross disposable income as

“ In light of the deleveraging undertaken in recent years and the income available to Spanish corporations and households, the Spanish private sector's debt is currently more sustainable as it needs fewer years of income to repay its debt than its European counterparts. ”

Exhibit 2

**Ratio of debt (non-consolidated)/GOS of corporations and GDI of households**



Sources: Eurostat and Bank of Spain.

the proxy in the case of the household sector and gross operating surplus in the case of the corporate sector. In the latter, with the clear exception of 2020, when revenue collapsed as a result of the fallout from the pandemic, the ratio of debt to gross operating surplus has been trending clearly lower, from a peak of 5.5x to 3.1x in 2023. That means that when the financial crisis broke out in 2008, Spain’s corporations needed over five years’ profit to repay their debt, whereas they currently need little more than three years’ earnings. The comparison with the EU-27 has shifted: back in 2008, the Spanish corporate sector’s debt was far less sustainable (requiring 1.6 years longer to repay its debt: 5.4 vs. 3.7 years); by 2022 (the most recent figures available across Europe), Spain’s businesses were in a relatively more comfortable position, needing one month less than their European peers to fully repay their debt (3.3 vs. 3.4 years). In 2023, that period of time fell a little further in Spain, from 3.3 to 3.1 years.

Turning to the household sector, the length of time required to repay its debt is much shorter than in the corporate sector and its debt sustainability has improved considerably during the period analysed. Whereas in 2008, a Spanish household needed on average 1.32 years of gross disposable income to pay off its debt (compared to 0.9 years for an average European household), by 2023 it only needed 0.74 years of disposable income. Using the 2022 figures to enable a comparison with the EU-27 average, the sustainability ratio was 0.85 years in the case of a Spanish household, below the European average of 0.92. The deleveraging effort by Spain’s households since 2018 means that the sector’s debt sustainability is now better than the EU-27 average. Combining the two aggregates yields a similar conclusion: in light of the deleveraging undertaken in recent years and the income available to Spanish corporations and households, the Spanish private sector’s debt is currently more sustainable as it needs

“ As of the first nine months of 2023, the interest burden faced by Spanish corporations was 9%, which was below the 12% borne by their European peers. ”

“ As in the case of Spanish households, during the first nine months of 2023, the average interest burden in the EU-27 also increased, from 1.8% to 2.5%, albeit a little less intensely than in Spain, resulting in the Spanish burden now in line with the European average. ”

fewer years of income to repay its debt than its European counterparts.

### Interest burden

In addition to having to repay their debt from their gross operating surplus (in the case of corporations) and gross disposable income (households), both agents have to pay interest on their borrowings at regular intervals, at amounts that generally depend on the trend in market rates. Corporations and households therefore have to earmark some of their income to paying interest, a burden which is greater the more income they have to set aside. This percentage is higher the more debt they owe and the higher the interest rate applied.

As shown in Exhibit 3, the high level of indebtedness taken on by Spanish corporations in 2008 meant that they had to earmark

31% of their gross operating surplus that year to paying interest on their borrowings, which was 9pp above the European average. Thanks to the deleveraging undertaken in the ensuing years, that burden has been declining steadily, reaching just 7% in 2022, helped by the fact that the ECB's monetary policy was markedly expansionary during those years (its benchmark rate was under 1.5% from the end of 2011 until November 2022). However, following the bout of inflation unleashed in 2022 and the sudden and sharp shift in ECB policy slant, which translated into an intense wave of rate increases, the interest burden borne by corporations in Spain jumped from 7% in 2022 to 13% in 2023. In other words, it doubled in just one year. The most recent comparable figures for Europe date to the third quarter of 2023: as of the first nine months of 2023, the interest burden faced by Spanish corporations was 9%, which was below the

Exhibit 3 Interest expense/GOS of corporations and GDI of households

Percentage



Source: Eurostat.

“ Back in 2008, Spain’s corporate debt service ratio was the second highest in the BIS sample; yet, by 2023, its ratio was the fifth lowest, with only Germany, Italy, the UK and Australia behind it. ”

12% borne by their European peers. Focusing exclusively on the standalone figures for the third quarter of 2023, however, the burden in Spain rises to 15%, which was 2pp above the EU-27 average. And in the fourth quarter (for which we only have figures for Spain), that burden had increased further to 16.3%.

In the household segment, the interest burden is much lower, mainly because of much lower borrowing levels. The deleveraging embarked on by Spain’s households since 2008, favoured by very low interest rates, has sharply reduced their interest burden. Whereas in 2008, a Spanish household had to set aside an average of 7.5% of their gross disposable income to pay interest, by 2022 that percentage had dropped to just 1.8%. And whereas in 2008 that burden was higher than the average borne by European households (7.5% vs. 5.2%), since 2013 it has been lower. As with the corporate sector, the downward trend was truncated in 2022 as a result of the sharp increase in interest rates: in 2023, Spanish households had to use 2.6% of their income to pay interest, compared to 1.8% in 2022. During the first nine months of 2023, again to permit a comparison at the European level, [1] the average interest burden in the EU-27 also increased, from 1.8% to 2.5%, albeit a little less intensely than in Spain. As a result, the Spanish burden (2.4%) is now in line with the European average (2.5%). Looking at the standalone figures for the third quarter of 2023, the Spanish figure was slightly above the EU-27 average (2.7% vs. 2.6%), and by the fourth quarter had risen further, to 3.2%.

## Debt service

Having analysed the burden borne by Spanish corporations and households to pay principal and interest on their debt, we need to bring the two dimensions together for a complete picture of private sector debt service costs. On this occasion, however, we focus on the amount of debt repaid annually rather than the total stock of outstanding debt. That provides a picture of the amount of income households and corporations have to set aside each year to pay interest and principal amortisations. In addition to interest payments, the financial burden needs to include other debt-related costs such as bank fees.

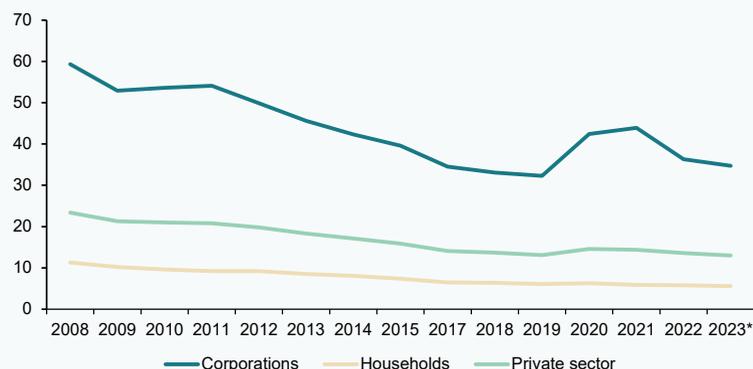
That is the analysis performed by the Bank of International Settlements (BIS) in its statistics on the percentage implied by this burden (repayment of principal and interest expense) relative to gross disposable income, before interest and dividend payments. That indicator is called the debt service ratio. Obviously, the higher the ratio, the less sustainable the debt and the higher the likelihood of non-performance. The BIS tracks the debt service ratio separately for corporations and households for 17 countries, 12 of which are European. The other five are the US, Canada, Australia, Japan and Korea. For the private sector as a whole, the available sample is much deeper.

The BIS data show that Spanish corporations’ debt service ratio peaked at 59.3% in 2008, decreasing to 32.3% in 2019. The loss

“ At present, the debt service burden borne by Spanish households is the second lowest in the sample, with only Italy better off in this respect. ”

Exhibit 4

**Debt service ratio for the Spanish private sector.  
Percentage of gross disposable income used to pay interest  
and principal annually**



\*2023 relates to the third quarter.

Source: BIS.

of income during the pandemic drove a subsequent uptick, to 43.9% in 2021. The ratio then fell back in both 2022 and 2023 (to September), although the latest data point (34.7%) remained above the 2019 figure. Back in 2008, Spain's debt service ratio was the second highest in the BIS sample. By 2023, its ratio was the fifth lowest, with only Germany, Italy, the UK and Australia behind it.

In the household segment, the debt service ratio is clearly lower than in the corporate segment. Spanish households' debt service ratio also peaked in 2008; that year they had to set aside 11.3% of their income to paying principal and interest on their debt. In contrast to the corporations, the subsequent deleveraging by households did not stop with the pandemic, as their income was less affected, in part thanks to the mitigating measures, such as the furlough scheme, put

in place. As a result, the household sector's debt service ratio reached a new low in 2023, of 5.6%, which is half of the 2008 figure. At present, the debt service burden borne by Spanish households is the second lowest in the sample, with only Italy better off in this respect. That contrasts clearly with the situation in 2008, at the start of the Great Recession, when Spanish households' debt service ratio was the eighth highest of the 17 countries in the sample.

Combining households and corporations, the snapshot of Spanish private sector debt is one of significant improvement since 2008, driven mainly by deleveraging in a context of low interest rates. Whereas in 2008, the private sector needed 23.4% of its gross disposable income to service its debt (pay for interest, fees and amortisations), by September 2023, that figure was 10pp lower (13%). This blended

“ In 2008, Spain presented the fifth highest aggregated private sector debt service ratio; however, by 2023, it reported the ninth lowest, ranking only slightly above Germany (10.8%) and Italy (10.6%). ”

“ However, the standalone figures for the third quarter of 2023 reveal a higher interest burden for both Spanish corporations (15% vs. 13%) and households (2.7% vs. 2.6%) relative to their European peers. ”

ratio did not deteriorate in 2023, as the effect of higher interest rates was more than offset by ongoing deleveraging, as well as growth in disposable income.

For this private sector aggregate, the BIS provides data for 64 countries. In 2008, Spain presented the fifth highest debt service ratio. However, by 2023, it reported the ninth lowest, ranking only slightly above Germany (10.8%) and Italy (10.6%).

## Conclusions

The intense deleveraging undertaken by the Spanish private sector since 2008, against the backdrop of low interest rates, has had an enormously positive impact on the sustainability of its debt and the burden implied, with the percentage of income used to pay interest falling intensely. This situation has shifted since mid-2022 as a result of the change in ECB monetary policy in an attempt to curb inflation. The scale of the ECB's official rate increases led to a doubling in the interest paid by Spanish corporations between 2022 and 2023 (to a little over 40 billion euros), with the interest paid by households increasing by 66% (to just over 24 billion euros). Therefore, in just one year, Spain's private sector has seen its interest bill increase by 29.6 billion euros (85%), to 64.4 billion euros.

The sharp increase in interest rates has also triggered a doubling in the interest burden borne by Spain's corporations: from 7% of their gross operating surplus in 2022 to 13% in 2023. The burden borne by the household sector also increased (from 1.8% to 2.6%), but was much lower relative to income. Despite the increase, the interest burden in Spain is below the EU-27 average in the corporate sector (9% vs. 12% in the first nine months of 2023) and similar in the case of the household sector (2.5%). However, the standalone

figures for the third quarter of 2023 reveal a higher burden for both Spanish corporations (15% vs. 13%) and households (2.7% vs. 2.6%) relative to their European peers. In the fourth quarter, the interest burden figures for Spain increased further, to 16.3% and 3.2% for its corporations and households, respectively.

Combined, the level of indebtedness and financial burden shape the debt service ratio, *i.e.* the percentage of income that has to set aside each year to pay interest and principal. Focusing on the trend between 2022 and 2023, which is when rates increased sharply, Spain's private sector debt service ratio actually decreased, as the increase in interest payments was more than offset by the reduction in debt levels and growth in disposable income. In the first nine months of 2023, Spain's corporations spent 34.7% of their income on debt service, while its households earmarked 5.6% of their income, low levels compared to international standards and very far from the peaks of 2008.

## Notes

[1] For quarterly figures we use seasonally-adjusted numbers.

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



# Business dynamism in Spain in the wake of recent crises

The majority of the 3.2 million economically active enterprises in Spain as of 1 January 2023 are pursuing organic growth, in which their headcount increases in line with their number of years in business. As there appears to be a divide between the sectors that are home to a higher number of active firms and the sectors with a higher incidence of startups, there could be scope for creating value by fostering collaboration between these two spheres – Spain’s legacy businesses and the startup ecosystem.

Ramon Xifré

**Abstract:** Spain was home to 3,207,580 economically active enterprises as of 1 January 2023, growth of 0.5% from 2022. Over two-thirds of the total have been in business for less than 11 years. 57% of these businesses are natural persons and have no employees, while 92% have five or fewer employees. A combined analysis of the business population’s age and headcount shows that larger companies tend to have been in business longer. For the three main legal structures –natural persons, public limited companies (PLC) and limited liability companies (LLC)– the sectors with the biggest business populations are wholesale and retail

trade, building construction, specialised construction services and real estate services. The 10 sectors of the economy with the largest business populations account for between 60% and 70% of all firms across these three forms of incorporation. In terms of turnover, most sectors, other than the retail sector, reported growth in 2023 and also in the first two months of 2024. As well, the studies on entrepreneurship in Spain point to a very significant gender gap across the business population (80% male and 20% female). Broadly speaking, analysis points to a clear divide between the sectors that are home to

“ The average size of enterprises in Spain is relatively small and their churn is relatively low, constraining the economy’s potential productivity gains and, thereby, impeding convergence with the EU. ”

a higher number of established firms and the sectors with a higher incidence of startups, with the sole exception of the food industry. Essentially, it could be interesting to take a closer look at the scope for creating value by fostering collaboration between these two spheres: Spain’s legacy businesses and the startup ecosystem.

### Foreword

The Spanish economy remained dynamic in 2023, reporting almost two points more growth than the Eurozone (2.4% *versus* 0.4%). In the near-term, there are signs of a slight slowdown in 2024, shaped by the contractionary shift in monetary policy and a host of prevailing uncertainties (Torres *et al.*, 2024). The Bank of Spain recently highlighted a few key structural challenges which the Spanish economy needs to tackle if it to bring its income per capita in line with the Eurozone economies (Hernández de Cos, 2024).

This article attempts to round out the macroeconomic assessment with a microeconomic analysis of the business population in Spain. The goal is to zoom in on how economic activity has organised and structured itself business-wise and what that structure could mean for growth in the near-term.

Indeed, the Bank of Spain noted the importance of business size and composition as a key factor for convergence with the Eurozone. In a nutshell, the average size of enterprises in Spain is relatively small and their churn (start-up and failure rates) is relatively low. These facts constrain the economy’s potential productivity gains and, thereby, impede convergence with the economies at the forefront of the Eurozone and EU. This assessment is consistent with the conclusions reached in earlier studies of

the business population in Spain (Fariñas and Huergo, 2015; García Perea, 2022; Xifré, 2016, 2021, 2022).

In this paper, we base our findings on data taken from three INE databases (DIRCE; the services sector activity indicator; and the industrial turnover index) linking them together using the NACE codes. We also draw from some interesting data about entrepreneurship in Spain (South Summit, IE University 2023).

### Analysis of the number of enterprises

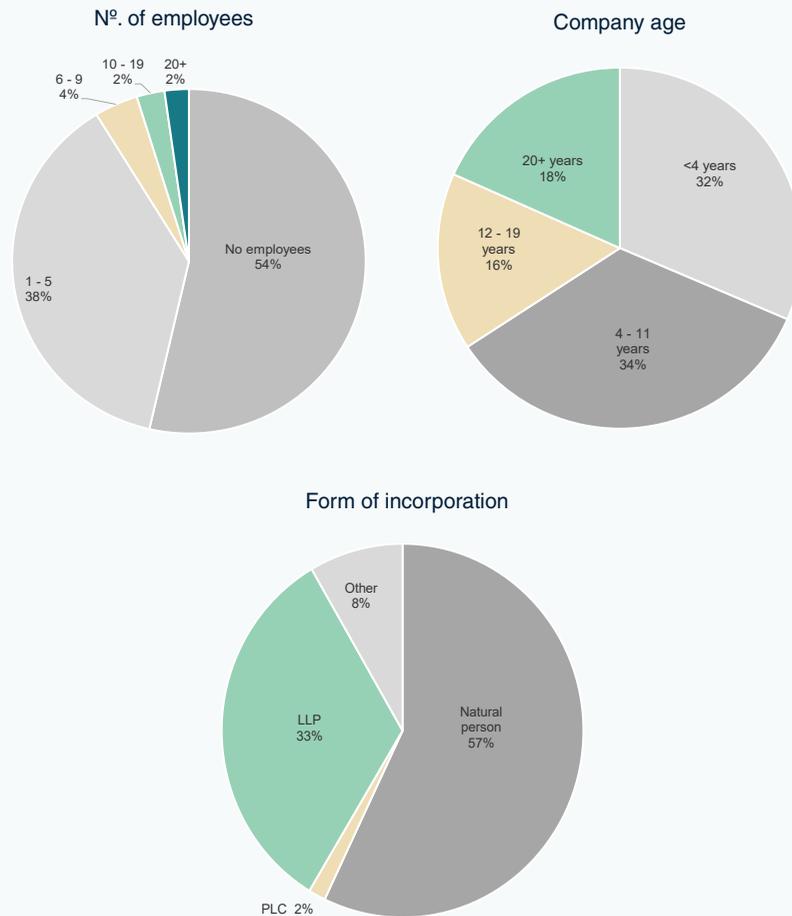
The main data source used to analyse the business population in Spain is the central company database, DIRCE, compiled by the National Statistics Office, the INE. Note that following the entry into force of Regulation 2019-2152 on European business statistics, certain changes were made to this database’s statistical methodology in 2022. The new definition of an economically active legal unit, implemented in 2022, affects the active business count and means that the figures from 2022 onwards are not comparable with the rest of the series.

As a result, this paper cannot provide an analysis of business start-up and destruction flows over time or a breakdown of those flows over time as a function of different criteria, such as their legal form or core business (Xifré, 2021, 2022). The new statistical methodology invites us to approach the Spanish business population in new ways, without the historical perspective, making the most of new data regarding company age, for example.

According to the DIRCE, Spain was home to 3,207,580 economically active enterprises as of 1 January 2023, growth of 0.5% from 2022. Exhibit 1 provides the breakdown of those

Exhibit 1

### Breakdown of Spain's economically active enterprises in 2022 by main characteristics



Source: INE.

companies using three parameters: their age in years, number of employees and legal form of incorporation.

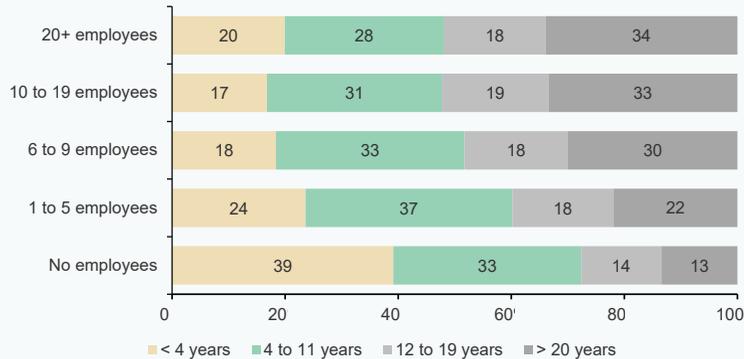
With respect to their age, more than two-thirds of the firms have been in business for less than 11 years, with a roughly equal amount in business for less than four years and for between four and 11 years. By the same token, the remaining third are evenly split between businesses that have been around for between 12 and 19 years and those that have been in existence for more than 20 years.

As for their headcount and legal form, over half of the 3.2 million units are natural persons (57%) and have no employees (54%). Thirty-eight percent have between one and five employees and just 2% have more than 20 employees. In other words, 92% of Spain's businesses have five or fewer employees. One-third of the economically active business population are limited liability companies (LLCs) and just 2% are public limited companies (PLCs). The remaining 8% present other legal structures (cooperatives, community of goods/property, partnerships, etc.).

Exhibit 2

### Age of Spain's enterprises in 2022 by number of employees

Percentage



Source: INE.

Exhibit 2 provides a combined analysis of the business population's age and workforce figures, showing how the larger companies tend to have been in business for longer. In the case of natural persons and enterprises with no employees, the majority have been in business for less than four years; for companies with between one and nine employees, the most populous segment is that of companies aged between four and 11 years; for companies with 10 or more employees, the most populous is that aged over 20 years.

These figures suggest that most companies pursue organic growth, and that business churn is concentrated among the smaller-sized enterprises, measured by number of employees. Both traits are common to most economies. It would be preferable to see a higher share of young businesses with medium-sized workforces (from 6 to 9 employees and from 10 to 19 employees) as

this would indicate that business dynamism is spreading throughout the population appropriately.

To get a better picture of the breakdown of the business population by core business as of 1 January 2023, Exhibit 3 depicts the top 10 sectors (using NACE codes) with the highest business populations for each of the three main legal forms: natural person, PLC and LLC. Given that some sectors are key for more than one form of incorporation, Exhibit 3 includes 17 sectors, ordered by their NACE code classifications.

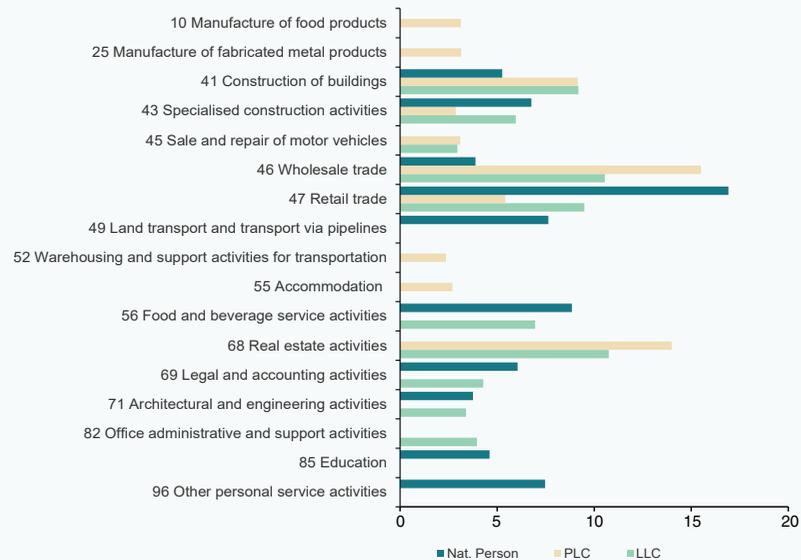
This identification of the most important sectors allows us to then link the DIRCE figures with those of another two databases compiled by the INE which contain more recent information (up until February 2024) on the companies' turnover.

“ It would be preferable to see a higher share of young businesses with medium-sized workforces, as this would indicate that business dynamism is spreading throughout the population appropriately. ”

Exhibit 3

### The 10 sectors with the highest numbers of businesses by legal form, as of 1 January 2023

Percentage of all businesses



Source: INE.

The companies whose core business is one of the sectors itemised in Exhibit 3 encompass 71% of all natural persons, 67% of all LLCs and 61% of all PLCs. It is fair to say, therefore, that the choice of 10 core business sectors is a reasonably representative sample for each of the three main categories.

As the exhibit shows, four NACE sectors (41, 43, 46 and 47) are part of the top 10 sectors for all three forms of incorporation. These four NACE codes correspond to two areas of economic activity: construction (41, construction of buildings; and 43, specialised construction activities) and commerce (46, wholesale trade; and 47, retail trade). The sector with the highest concentration of PLCs (15.4% of the total) is the wholesale trade, while the retail trade presents the highest concentration of natural persons (16.9% of the total). In the case of the LLCs, which are spread more evenly across sectors, these sectors are also important, but

the sector with the largest number of firms is real estate activities (NACE 68, with 10.7% of the total).

Among the other sectors of the economy, it is worth mentioning those that represent more than 5% of the businesses in their corresponding category: food and beverage service activities (NACE 56) for both LLCs (6.9%) and natural persons (8.8%); and other personal service activities (7.4%) and legal and accounting activities (6%) in the case of natural persons (NACE codes 96 and 69, respectively).

This analysis reveals that, by comparison with earlier studies (Fariñas and Huergo, 2015; García Perea, 2022; Xifré, 2016, 2021, 2022), the sectors of the economy that account for the largest number of companies have been stable in recent years despite the string of global crises that have affected the Spanish economy. Spain's economically active enterprises are

“ By comparison with the past, analysis reveals that the sectors of the economy that account for the largest number of companies, concentrated in labour-intensive activities, have been stable in recent years despite the global crises that have affected the Spanish economy. ”

concentrated in labour-intensive sectors such as retailing, food services, construction and real estate activities, sectors that are very entrenched in the Spanish economy.

### Turnover

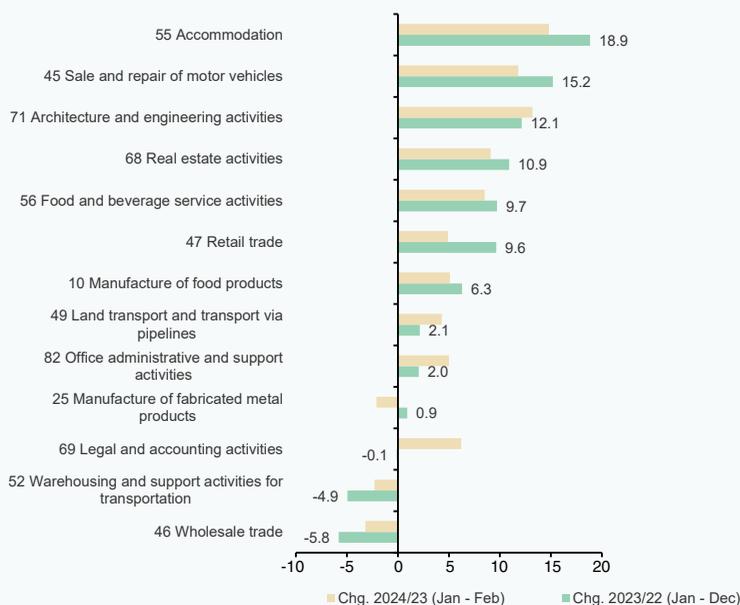
Having identified the sectors that are home to the highest numbers of enterprises, we turned to two other INE databases which track the companies' turnover and provide figures up until February 2024: the services sector activity indicator and the industry turnover index. In both cases, we used the series adjusted for seasonality and calendar effects.

These databases build a monthly turnover index (in nominal terms).

For the sectors identified in Exhibit 3, Exhibit 4 presents the change in the average for the index between two time periods: (i) the 12 months of the year, between 2022 and 2023; and (ii) in January and February, between 2023 and 2024. For four of the sectors identified in Exhibit 3, the databases in question do not provide turnover data (NACE codes 41, 43, 85 and 96), making it impossible to calculate these percentage changes. As a result, Exhibit 4 provides the

Exhibit 4

### Change in turnover in the main sectors by period



Source: INE.

“ One interesting takeaway is the dynamism in business turnover in high value-added sectors such as architectural and engineering services and the healthy growth in turnover in one of the pillars of Spain’s economy – the food industry. ”

changes for the remaining 13 sectors, ordered from biggest to smallest changes between 2022 and 2023.

Nine of the 13 sectors reported year-on-year revenue growth in 2023 and in the first two months of 2024. Notably, accommodation, the sale and repair of motor vehicles, architectural and engineering activities and real estate activities reported growth of over 10% between 2022 and 2023. In two sectors – warehousing and the wholesale trade – turnover shrank in both 2023 and the first two months of 2024. In another two sectors – the manufacture of fabricated metal products and legal and accounting activities – the trend was contrasting in the two reporting periods.

As for the most populous sectors identified in Exhibit 3, Exhibit 4 sends a mixed message: whereas turnover in retail trade increased by 10% in 2023, in wholesale trade it contracted by close to 6%. Unfortunately, as already noted, we do not have the turnover data for the other two most populous sectors identified in Exhibit 3 (construction of buildings and specialised construction activities).

One interesting takeaway from this analysis is the dynamism in business turnover in high value-added sectors such as architectural and engineering services and the healthy growth in turnover in one of the pillars of Spain’s economy (particularly as it relates to its export performance) – the food industry.

### **Entrepreneurial dynamism in Spain: the latest data**

For a fuller picture of the business community in Spain, we need to explore the entrepreneurial ecosystem. The recently published *Entrepreneurship Map 2023* (South Summit, IE University, 2023) provides insight into the profile of entrepreneurs in Spain. That report analysed close to 3,000 European startups, of which 20% were Spanish. According to the results, in Spain 80% of entrepreneurs are male and just 20%, female, a very similar split to that observed across the EU, indicating a very significant gender gap in both geographies. This gap is similarly on display in the composition of startup founder teams in Spain: 33% of the founder teams are mixed, 59% are male only and 8% are female only.

Most of the entrepreneurs come from previous salaried employment in the private sector (49%), followed by those who founded a startup (23%), those who previously worked for themselves (13%), those who worked for a startup (8%) and, lastly, those that were students right up until they became entrepreneurs (7%).

As for their first source of funding, the study distinguishes between new entrepreneurs and repeat entrepreneurs (those who have participated in the creation of at least two startups), although the differences between the two groups are not very significant. The

“ The sectors presenting the highest incidence of startups in Spain are: fintech, software development, education, healthcare and agrotech. ”

first source of financing is equity (46% of the time in the case of repeat entrepreneurs and 41% in the case of new entrepreneurs), followed by family and friends funding (FFF) (15% and 19%, respectively) and then private equity (14% and 17%, respectively).

The sectors presenting the highest incidence of startups in Spain are: fintech, software development, education, healthcare and agrotech.

Relating this mapping to the analysis based on the INE databases, there appears to be a clear divide between the sectors that are home to a higher number of experienced firms and the sectors with a higher incidence of startups, with the sole exception of the food industry. This small overlap allows for two key takeaways: (i) the food sector is a compelling case, combining the experience and know-how of a traditional sector with the ability to attract entrepreneurs; and (ii), more generally, it could be interesting to take a closer look at the scope for creating value by fostering collaboration between these two spheres: Spain's legacy businesses and the startup ecosystem.

## Conclusions

The majority of the 3.2 million economically active enterprises in Spain as of 1 January 2023 are pursuing organic growth, in which their headcount increases in line with their number of years in business. Compared to the Eurozone and EU, it would be preferable to see younger companies with more employees.

Sector-wise, Spain's businesses are concentrated in the wholesale and retail trade, food services, construction, and real estate activities. To accelerate convergence with the Eurozone and EU, it would be good to see more companies in the manufacturing sector and in sectors that use technology and knowledge intensely.

Lastly, judging by the information at hand, there is a significant disconnect between the sectors in which startups are concentrated

in Spain and the sectors that are home to the highest numbers of businesses today, the food industry being the exception. It is likely there would be opportunities for mutual gains for both business ecosystems if they were to collaborate more closely.

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# The effects of the pandemic and inflation crisis on Spanish corporates' funding gap

Significant changes in the dynamics of the supply and demand for credit are disproportionately increasing the financing needs of Spanish SMEs and microenterprises, while increasing constraints for access to credit, thus notably widening their financing gap. Public financial instruments, both at the national and regional level, could serve as a key economic policy tool for lending financial support to the productive sector at a time of heightened uncertainty.

Borja Gambau Suelves and Montaña González Broncano

**Abstract:** Recent financial markets volatility, derived from the economic crises and the transition underway towards a more resilient, digital and green economy, has brought about significant changes in the supply and demand for credit. These changes have disproportionately affected SMEs and micro enterprises, as they are more vulnerable to structural failures in the credit market, which have been aggravated by the prevailing situation. Specifically, SMEs' financing needs have increased, shaped by the transformation

of the productive model, which has translated into growth in demand for bank loans and for other types of financing. However, these needs have come up against greater financing constraints as a result of a range of factors, including the uptick in interest rates to curb inflation, driving growth in the cost of financing and, with it, in the incidences of loan rejections and discouraged borrowers. As a result, the estimated shortfall in SME financing has increased to between 22.5 billion euros (per the SME initiative methodology)

“ In addition to inefficient allocation of resources, access to finance is affected by failures, such as suboptimal credit allocation as a result of the difficulties in integrating activities that generate positive externalities into traditional risk, cost and benefit assessments. ”

and 36.9 billion euros (per the fi-compass methodology) in 2023 – between 1.5% and 2.5% of Spanish GDP in 2023, respectively. These figures indicate that the average funding gap increased by 58% between 2019 and 2023, and by 76% between 2020 and 2023. Within this context, public financial instruments, both at the national and regional level, could serve as a key economic policy tool for lending financial support to the productive sector at a time of heightened uncertainty.

### **Market failures and the financing needs of Spain's SMEs**

The credit market is affected by certain structural failures that impact access to financing for enterprises. These failures, such as the incidence of asymmetric information, justify public sector intervention to correct them (Akerlof, 1970; Berger and Udell, 1992; Berger and Udell, 1995; Stiglitz and Weiss, 1981; Diamond, 1984).

In addition to the inefficient allocation of resources that takes place as a result of moral hazard or adverse selection, access to financing is affected by other failures that are structural in nature (AIREF, 2023). Those failures include suboptimal credit allocation as a result of the difficulties in integrating activities that generate positive externalities, such as innovation, digitalisation and the green transition, into traditional risk, cost and benefit assessments. They can also arise from the existence of highly fragmented markets around few providers or the presence of incomplete markets, such as in the case of the capital financing market, which restricts alternatives in accessing financing despite a growing appetite for such instruments.

As a result of these failures, corporations, and to a greater degree SMEs and micro

enterprises, face issues accessing financing. This access issue, known as the funding gap, is the result of unsatisfied financing needs derived from rigidities on the supply side, fuelling surplus demand whereby financially viable companies or with interesting projects are expelled from the market for other reasons than their financial solvency. The funding gap therefore represents the volume of financing that the companies expelled from the market could access if the sources of friction described above did not exist; in other words, the volume of financing that would be provided if all the companies in need of financing were able to obtain it (fi-compass, 2019).

This funding gap, which is structural in origin, is exacerbated by exogeneous factors such as the current uncertainty generated by the recent crises, the surge in inflation associated with the onset of geopolitical conflicts or the abrupt interruption in activity caused by the measures taken to halt the spread of the pandemic, which had an asymmetric impact on the sectors of the economy and on the distribution of market income (Gambau *et al.*, 2022; Amores *et al.*, 2023).

Furthermore, in response to these factors, the economy is undergoing a process of recovery and transformation to enhance its resilience against future shocks. This could lead to an increase in demand for financing, at a time of growing supply constraints in an environment of heightened uncertainty, driving the funding gap even higher.

Against this backdrop, the purpose of this paper is twofold. First, analyse the trend in the financing needs of Spain's SMEs between 2019 and 2023, based on the estimation of the market funding gap. Secondly, analyse the main drivers of these changes considering

“ Following the onset of the pandemic, the number of financially resilient SMEs fell abruptly, from 80% in 2019 to 32% in 2020; however, one year later, that percentage had recovered to 70%, in part thanks to the rollout of extraordinary public intervention. ”

both the demand and supply side. To do that we used information compiled from the aggregated results of the European Central Bank's Survey on the Access to Finance of Enterprises (SAFE), the SME financing reports published by CESGAR and the Bank of Spain's Bank Lending Survey.

### Trend in financing needs and main drivers

The most recent crisis in the wake of the pandemic, aggravated by the fallout from the subsequent armed conflicts (inflation dynamics, monetary tightening), has highlighted the need for corporate investments that bring about changes in the productive model to focus more on digitalisation, the green transition and territorial and social cohesion, in line with the main pillars of the

Recovery, Transformation and Resilience Plan. This scenario has affected coverage of Spanish SMEs' financing needs, bringing to light changes in the demands of companies in need of financing and in the use of sources for covering those needs.

Following the onset of the pandemic, the number of financially resilient SMEs in Spain fell abruptly, from 80% in 2019 to 32% in 2020 (widespread economic lockdown, slump in sales and supply chain bottlenecks). However, one year later, that percentage had recovered to 70%, in part thanks to the rollout of extraordinary public intervention-induced measures to sustain the productive framework (e.g., COVID surety facilities with public guarantees). The trend in the EU was similar, likewise thanks to comparable business support measures.

Exhibit 1

### Trend in the percentage of financially resilient firms (Spain vs. EU)

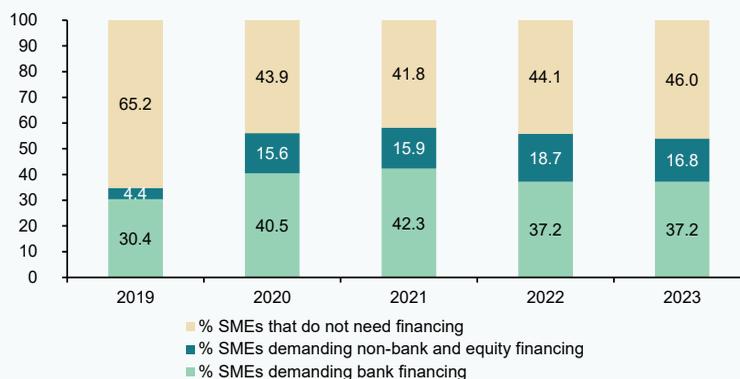


Source: SAFE.

Exhibit 2

**Trend in SME demand for financing**

Percentage



Source: CEGGAR.

The widespread improvement in the financial solvency of SMEs in the context of a shifting productive model has been accompanied by growth in the SMEs’ funding requirement, which increased from 34.8% in 2019 to 54% after the pandemic. The stress endured by the firms led to liquidity issues and the need to reinforce the SMEs’ capital structure – this was due to both the drop in revenue because of pandemic’s business restrictions and an increase in production costs due to the breakdown of supply chains and a surge in inflation.

Among the SMEs in need of financing, the percentage that needed bank finance has fallen in the last four years by 18 percentage points (pp), from 87.4% in 2019 to 69% in 2023. This pattern suggests a shift in their

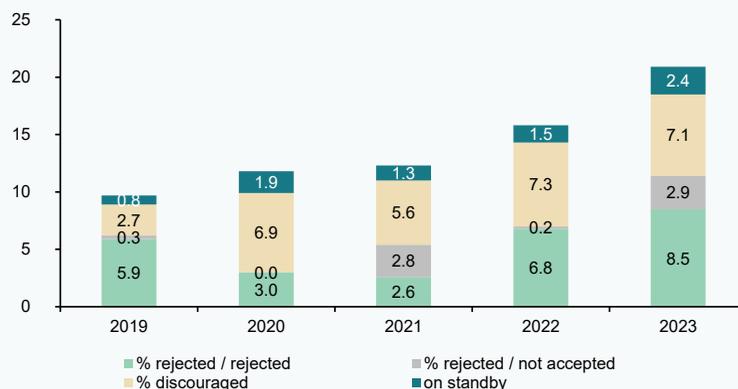
needs, marked by a shift away from bank products towards alternative sources of financing, [1] either by reinforcing their equity or borrowing from entities other than banks. However, as a result of growth in the absolute financing requirement, demand for bank financing increased to 37.2% in 2023 (+6.8pp), while demand for other sources of financing tripled, from 4.4% in 2019 to 16.8% in 2023.

Despite the growth in demand for bank financing as a result of the increased financing requirement, access to financing has become more problematic, as is evident in the fact that the percentage of firms obtaining that financing has fallen from 87% in 2019 to 79% in 2023 (-8.1pp). That is the result of several factors:

“ Despite the growth in demand for bank financing, access to financing has become more problematic, as is evident in the fact that the percentage of firms obtaining that financing has fallen from 87% in 2019 to 79% in 2023 (-8.1pp). ”

**Exhibit 3 Trend in the reasons for not accessing bank financing**

Percentage



Source: CESGAR.

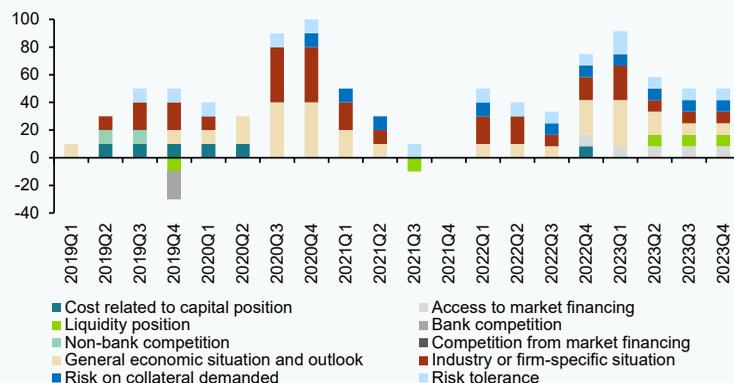
- The number of firms that did not access bank financing, either because their application was rejected by the bank (contraction in supply) or the firm did not accept the terms and conditions (generally on account of high costs) has increased. Note in this respect that the reduction in the application rejection rate by the banks in 2021 may be attributable to public sector intervention to shore up the system's solvency with an exceptional package of business support measures (COVID guarantee schemes). When those measures were eliminated in 2022, the rejection rate ticked back above pre-pandemic levels (5.9% in 2019 vs. 8.5% in 2023).
- The number of firms discouraged from borrowing out of concern over its cost has increased. This reflects their expectations about loan costs in the wake of ECB monetary tightening to curb the surge in inflation.
- The number of firms waiting for the banks to respond to them about their applications has also increased. The reasons for this phenomenon are related with uncertainty about the economic outlook, the trend in the applicants' credit metrics, potential saturation at the banks in the face of other programmes (repayable public support in the form of public loans or guarantees channelled via the banks), banking sector concentration, the emergence of financing needs in riskier sectors or activities for which the banks have lower tolerance thresholds (innovation and digitalisation, for example).
- Deteriorating economic prospects at the general level and at the sector and company levels; and

Looking further into the reasons for the first explanatory factor, the contraction in supply, according to the ECB's Bank Lending Survey, the main reason was an increase in perceived risks, associated with:

“ In contexts of heightened uncertainty, and, therefore, high risk, the banks tend to penalise the financing they grant to SMEs relatively more than that extended to large enterprises. ”

Exhibit 4

### Change in credit standards on loans to corporations and contributing factors



Note: Net percentage of banks reporting a tightening of credit standards (net difference between those reporting they had tightened their standards considerably or somewhat less those that reporting easing them considerably or somewhat) and the reported contributing factors.

Source: Bank of Spain (Bank Lending Survey).

■ Lower tolerance for risk on the part of the banks, as depicted in the following exhibit.

In contexts of heightened uncertainty, and, therefore, high risk, the banks tend to penalise the financing they grant to SMEs relatively more than that extended to large enterprises. This is due to their expected reduced financial strength and because of the presence of market failures, which translates into greater constraints in accessing credit or a relatively bigger increase in the cost of the financing offered to these types of firms.

Due to these factors, demand for financing in the SME segment is trending towards other types of finance. An analysis of the SAFE results reveals that between 2019 and today, Spanish SMEs have been tending towards

greater use of and/or need for alternative sources of financing to bank debt such as equity (Exhibit 5).

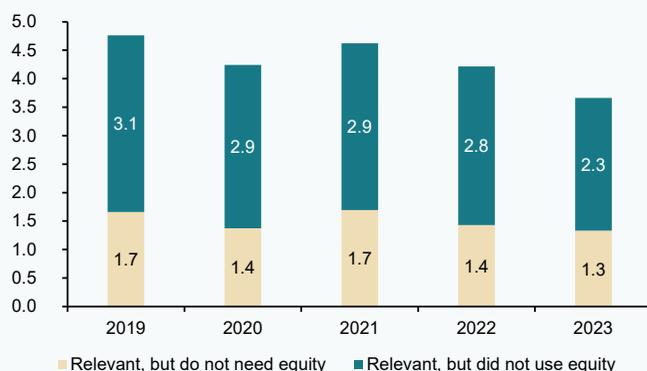
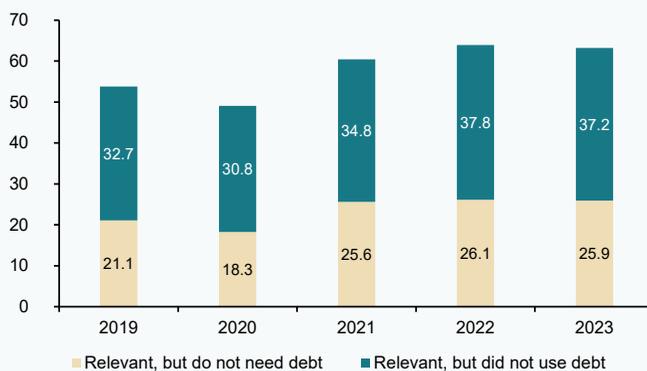
The survey shows that the firms that responded that they did not need or use bank financing despite considering it relevant to them increased by 5 percentage points between 2019 and 2023 (to 26% and 37%, respectively). In contrast, the firms that reported that they did not need or use equity financing fell slightly to 1.3% and 2.3%, respectively in 2023. Therefore, although the appetite for equity products remains low (still at small percentages even at firms that view equity financing as relevant to their enterprises), a shift is emerging in the demand for this type of financing, with the number of firms reporting not needing it or using it decreasing.

“ Although the appetite for equity products remains low, a shift is emerging in the demand for this type of financing, with the number of firms reporting not needing it or using it decreasing. ”

Exhibit 5

**Trend in the need for and use of debt (above) and equity (below) among SMEs for whom those sources are relevant**

Percentage



Source: SAFE.

**The funding gap in the credit market**

As noted, the recent economic environment has affected the factors that determine both the supply of financing and demand for it. Specifically, the SMEs' need for financing has increased, shaped by the transformation of the productive model, which has translated into growth in demand for bank loans and for other types of financing. However, these needs have come up against greater financing constraints as a result of a range of factors, including the uptick in interest rates to curb inflation, driving growth in the cost of financing and, with it, in the incidences of loan rejections and discouraged borrowers.

To explain the extent to which these factors may have influenced the increase in Spanish SMEs' financing needs, in this section we estimate the funding gap using the methodology proposed by fi-compass (2019) and the aggregated results from the SAFE surveys from 2019 to 2023. According to this methodology, the funding gap is defined as the financing needs for those SME's that were "unsuccessful" when demanding a bank loan from financial entities.

To complete this vision of the market's failure, we return to the methodology for estimating the number of "unsuccessful"

Table 1 **Estimation of the financing needs of Spain's SMEs**

	No. of SMEs	% financially viable	% unsuccessful		Average loan	Gap (€ m)
			% demand	% rej. + % disc.		
2019	1,549,926.4	71.8	30.4	8.9	237,361.81	7,142.3
2020	1,499,792.0	38.2	40.5	9.9	307,383.13	7,062.3
2021	1,482,778.0	70.3	42.3	11.0	275,781.25	13,368.7
2022	1,513,143.0	77.5	37.2	14.3	290,337.00	18,103.2
2023	1,371,584.0	77.0	37.2	18.5	309,545.00	22,499.0

	No. of SMEs	% financially viable	% unsuccessful		Average loan	Gap (€ m)
			% relevant / not used	% relevant / not needed		
2019	1,549,926.4	71.8	32.7	21.1	237,361.81	30,553.5
2020	1,499,792.0	38.2	30.8	18.3	307,383.13	22,150.3
2021	1,482,778.0	70.3	34.8	25.6	275,781.25	26,298.8
2022	1,513,143.0	77.5	37.8	26.1	290,337.00	39,584.2
2023	1,371,584.0	77.0	37.2	25.9	309,545.00	36,950.8

*Note: Readers may ask the authors for more information about the specific methodologies used to extract and analyse the information.*

*Sources: Authors' own elaboration based on DIRCE, SAFE and CESGAR data. SME Initiative methodology (above) vs. fi-compass methodology (below).*

firms presented in the ex-ante assessment of the SME initiative undertaken by the Spanish government's European Funds Department (2013), as it explains the factors that may be responsible for the market failure and the increase in the financing gap. Those explanatory factors include changes in bank demand, the rejection rate (whether loans are rejected or not accepted), and the percentage of firms discouraged from borrowing due to market-related reasons.

The first conclusion drawn from our analysis of the estimated funding gap is that financing

needs have increased considerably since 2020, the year in which the funding gap represents the lowest value (Table 1).

Although it might seem counter-intuitive, the pandemic year exhibits the lowest funding gap in the period analysed (unmet financing needs). This is because the increase in demand for bank financing, coupled with the rise in funding levels to address the new needs of surviving enterprises, was not sufficient to offset the overall high firm's mortality rate and the abrupt decline in their financial viability during that year.

“ Pandemic-related financing needs reached their lowest point because many businesses were unable to access the market, either due to their declining financial viability or their own demise. ”

“ The biggest contribution to the increase in the funding gap stems from the increase in the percentage of firms whose application is rejected or that do not accept the terms offered, coupled with growth in borrowers discouraged by market uncertainty. ”

In other words, pandemic-related financing needs reached their lowest point because many businesses were unable to access the market, either due to their declining financial viability or their own demise. Despite a non-significant increase in rejection rates or demotivation, this context resulted in decreasing (fi-compass) or stable (SME initiative) financial requirements.

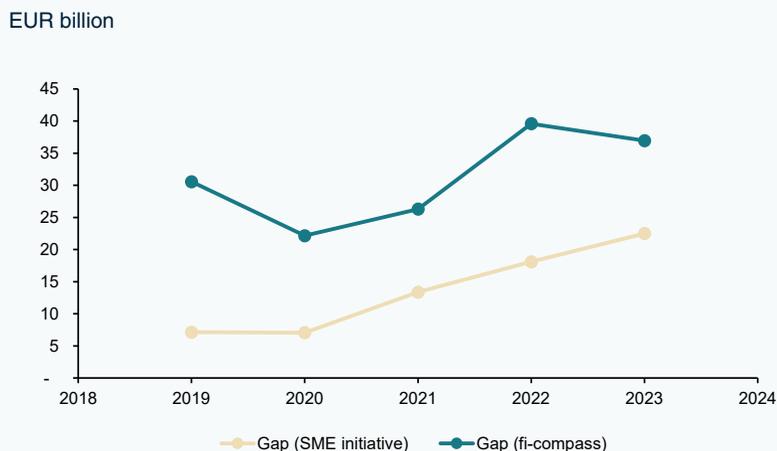
As shown before, one reason for this neutral result on the supply side is the package of extraordinary and urgent measures enacted to ensure the sustainability of the firms, particularly those targeted at shoring up their financial solvency, such as the ICO-COVID guarantees schemes and other guarantees lines provided by CESGAR as guarantor of the Guarantee System. [2] That meant that while they were in force (2021) the rate of loan application rejection by the banks fell

to record lows (Exhibit 3), keeping credit flowing to the economy despite a drop of over 30pp in financially viable firms in 2020.

Once the worst of the pandemic-related restrictions were lifted, which is when inflation began to wreak havoc, the funding gap began to climb steadily, increasing to around 15 billion euros by 2023, using both methodologies. This increase in financing needs came about despite a backdrop of intense firms' destruction (-12%), in which the ones that survived have improved their financial viability (+7%) and their demand for financing (+22%), underpinned by a stronger willingness to invest (+30%).

However, the biggest contribution to the increase in the funding gap stems from the increase in the percentage of firms whose application is rejected or that do not accept

Exhibit 6 **Trend in the market funding gap for Spanish SMEs**



Sources: Authors' own elaboration based on DIRCE, SAFE and CESGAR data.

“ A good example of the countercyclical market response is the guarantee scheme designed and implemented during the pandemic through ICO and CERSA, preventing an exponential increase in SMEs’ financing needs. ”

the terms offered (high cost), coupled with growth in borrowers discouraged by market uncertainty (+108%). This factor, as a symptom of supply side restrictions, drove the unsatisfied financing need to between 22.5 billion euros (SME initiative method) and 36.9 billion euros (fi-compass method) in 2023. These results indicate that the average funding gap increased by 58% between 2019 and 2023, and by 76% between 2020 and 2023.

These figures, which represents between 1.5% and 2.5% of Spanish GDP in 2023 respectively, reflect well the scale of the unsatisfied financing needs of the Spanish SMEs, which compromise economic growth and employment creation in the medium- and long-term, as well as the investments needed to transform the economy and its productive assets in the short-term.

### **Public intervention as a tool for supporting corporate investment**

The increase in the funding gap derived from structural market failures, and exacerbated by the economic context, justifies public sector intervention to bring about a more efficient allocation of market results.

Public financial instruments are a good tool for intervening in the financing market. Evidence of this is the strong push that has been made at the European level since the 2014-2020 programming period through structural funds, but whose greatest representation has come with the recent deployment of funds to aid the transformation and transition of the economy towards a more resilient, digital, and green productive model. Specifically, Next Generation EU or Invest EU funds are the prime examples of the strong commitment to these types of instruments.

Not only at the European level but also at the national level, the role of the state as a financial agent had already been formalised through several bodies and public organisations that support firms and provide a straightforward response to market failures. In Spain, these organisations notably include the ICO as a national promotional bank, and other strategic bodies for accessing to public financing, such as CERSA (guarantees), CDTI (science and technology), ENISA (start-ups and innovation), COFIDES (internationalization) and SEPIDES (industry support).

A good example of the countercyclical market response is the guarantee scheme designed and implemented during the pandemic through the instruments allocated to ICO and CERSA. As seen, this scheme sustained the flow of credit by bolstering the system’s solvency, thereby preventing an exponential increase in SMEs’ financing needs.

In parallel, and associated with the rollout of the NGEU funds, we are seeing a strong commitment to capital markets development by designing and implementing financial instruments in the form of private equity or quasi-equity funds with the aim of kick-starting private investment in smaller firms at a time of growing appetite for alternatives to bank financing.

Additionally, we are seeing at the regional level financial support initiatives using financial instruments conceived of to cover the funding gap. These instruments are designed and implemented by the ecosystem of agents that comprise the regional development agencies (ADRs), regional finance institutes (IFAs) and mutual guarantee societies (SGRs).

In sum, clear strategic public support for SME financing is emerging at the supranational,

national, and regional levels. Ongoing reinforcement of the guarantee system, coupled with the opening of new alternative financing markets and reinforcement of the classic public liquidity channels, should remain key economic policy instruments on the intervention side of the solution.

The new strategic targets around the twin digital and green transitions are bound to continue to increase the SMEs' financing needs, requiring public intervention to help complement and correct the market to make it more relevant, effective and efficient. Against that backdrop, it is essential for public planners and decision-makers to carry out ex-ante and ex-post assessments of those interventions in order to continue to provide accurate financial support to SMEs at a time of ongoing uncertainty.

## Notes

[1] Equity, supplier finance, grants, family offices, business angels, etc.

[2] The Guarantee System is made up of CERSA, the 17 mutual guarantee societies and SAECA.

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# Capitalisation of Spanish corporations since the financial crisis

An analysis of the stock of fixed capital of Spain's non-financial corporations from 2011 to 2023 reveals the persistence of a post-pandemic time lag in the recovery of corporate investment. A recovery in investment will require a recovery in returns to pre-pandemic levels and a drop in the user cost of capital as inflation eases, rebalancing the relative costs of capital and labour in the process.

Vicente Salas Fumás

**Abstract:** An analysis of the stock of fixed capital of Spain's non-financial corporations from 2011 to 2023 reveals the persistence of a post-pandemic time lag in the recovery of corporate investment. The results point to two contributing factors: (i) the trend in the relative costs of capital and labour, unfavourable for the accumulation of capital since 2021; and (ii) the relationship between the return on and user cost of capital. Relative input prices have favoured more labour-intensive production, while the proximity of returns to costs of capital have provided

an incentive to invest only the minimum needed to replenish the capital consumed. A recovery in investment will require a recovery in returns to pre-pandemic levels and a drop in the user cost of capital as inflation eases, rebalancing the relative costs of capital and labour in the process.

## Foreword

In 2023, Spain's non-financial corporations (NFCs) invested 173 billion euros in fixed capital, 5 billion euros (current) less than in

“ The lag in the recovery in corporate investment in the wake of the pandemic contrasts with the trend in output and employment in the NFC sector, which by 2023 were a comfortable 3.1% and 8.8% above 2019 levels, respectively. ”

2019. Adjusting for the trend in the prices of capital goods (the deflator for gross fixed capital formation), corporate investment was 30.7 billion euros lower in 2023 than in 2019 (17% lower). If investment had held steady at 2019 levels in constant euros, between 2020 and 2023, the corporate sector would have increased its stock of productive assets by 95 billion euros more than it has in actual fact. The corporate sector's "non-investment" represents over half of the total NGEU funds. The lag in the recovery in corporate investment in the wake of the pandemic contrasts with the trend in output and employment in the NFC sector, which by 2023 were a comfortable 3.1% and 8.8% above 2019 levels, respectively.

The goal of this paper is to analyse the capitalisation process in the NCF sector in Spain in recent years, putting it in context with the recovery path etched out from the lows of 2012, dragged down by the consequences of the financial crisis of 2008 and its scars, with the ultimate aim of better understanding the reasons for the lag. [1] Our analysis is limited to the NFC sector because of the comparability of the accounting information available and its importance to the economy, as it contributes over 80% of the Spanish private sector's GDP.

It is structured into four sections. The first looks at the trend in the stock of fixed (productive, not financial) capital of the NFCs during the period under analysis, outlining the assumptions used to arrive at a conclusion based on the information available. The second section shows the trend in the stock of capital by comparison with the trend in annual NFC output and in the other primary input used in production: labour. To interpret the figures we look at the trend in the relative prices of the capital and labour inputs during

the period and estimate the gap between potential and observed output opened up by the pandemic. The third section relates the accumulation of capital with the correlation between the gross return on investment in capital and the user cost of capital. The paper ends with a few conclusions to explain the factors that have influenced the stock of capital in the NFC sector in Spain in recent years.

### **Estimating the stock of productive capital at the NFCs**

The NFCs' stock of productive or fixed capital (their balance sheets also include financial assets and working capital that are not within the scope of this analysis) is the result of a dynamic process shaped by the new investments made by the corporations individually over time and their depreciation as a result of usage, wear and tear, technological obsolescence or other factors. The stock of productive capital at the end of each year  $t$  is calculated using the perpetual inventory method using aggregate investment flow and capital consumption figures for the overall NFC sector published in the national accounts. Essentially, this method consists of acknowledging that the fixed assets accumulated by corporations over time are valued at the prices at which they were acquired at the time and that the corporations do not replace their depreciated assets with identical assets but rather replace the productive capacity lost by investing in new capital goods that are generally technically superior to those depreciated. Since the prices of capital goods change over time, the sum of monetary investments made in the past may include monetary units that do not correspond to the equivalent in comparable productive capital services from one period to the next.

“ The stability in the capital stock means that each year corporations have been investing roughly the amount needed to replace, at current prices, their capital as it depreciated. ”

The perpetual inventory method calculates the stock of capital at current or replacement prices and subsequently deflates that value to obtain a homogeneous measure of homogeneous capital service units. The calculations use information about the initial stock of capital published by the Bank of Spain and data for the flows of gross fixed capital formation (GFCF) and capital consumption published in the national accounts. The trend in the price of capital services over time is measured using the gross fixed capital formation deflator (GFCFD). Lastly, we assume a rate of embodied technological change of 1%. [2]

Exhibit 1 provides the trend in the stock of NFC fixed productive capital in Spain at current prices and constant 2011 prices between 2011 and 2023. The stock of capital in constant euros increased at a healthy rate until 2019, up a cumulative 18% from 2011.

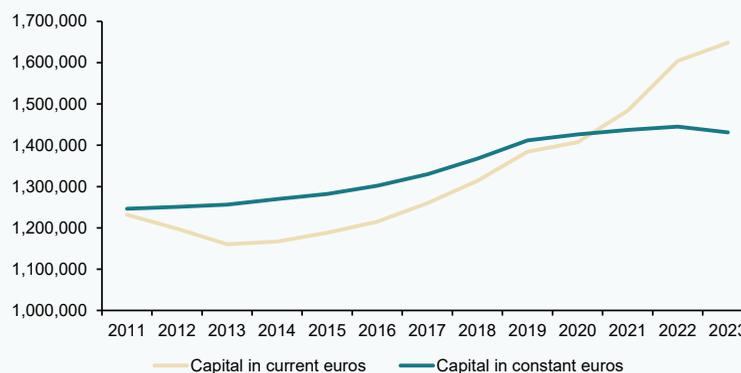
In the years following the pandemic and the subsequent recovery, the stock of capital held stable in time, before shrinking a little in 2023. The stability in the capital stock means that each year corporations have been investing roughly the amount needed to replace, at current prices, their capital as it depreciated, whether through consumption or technological obsolescence.

The fact that the stock of capital in constant euros trended above the stock in current euros for much of the period analysed is primarily attributable to the general downtrend in fixed asset prices, measured using the GFCF deflator, between 2008 and 2014 (Exhibit 2). For comparative purposes, Exhibit 2 includes GDP and the labour cost index. The values for each year are rebased to 2019. Deflation in the prices of capital goods following the financial crisis (the comparable GFCFD in 2008 was 1.31, compared to practically 1 in 2011) did

Exhibit 1

### Estimation of the stock of fixed productive capital of the Spanish NFCs at current replacement prices and constant 2011 replacement prices

Millions of euros

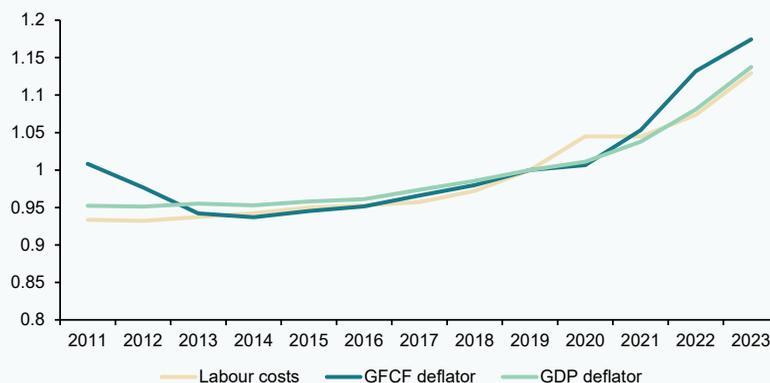


Source: Author's own elaboration based on INE figures.

Exhibit 2

**Trend in the GDP deflator, GFCF deflator and labour cost index**

Rebased to 2019 = 1



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

not affect the companies' final sales prices (GDP deflator) or their labour costs, which were relatively stable. The GFCFD bottomed out in 2014, going on to recover, albeit slowly, until 2019, virtually recovering that year, closing in on the price level of 2011. In 2020, the deflator stabilised and for the rest of the period, until 2023, increased considerably,

accumulating growth of 17.5% between 2019 and 2023. Output prices and labour costs also increased during the episode of inflation, by a cumulative 13%, which is less than the increase in the prices of capital goods. [3]

Exhibit 3 shows the dynamics in capital accumulation using the rate of growth in the

Exhibit 3

**Rate of growth in the stock of capital (constant euros) and rate of net investment by NFCs in Spain throughout the analysis period**

Percentage



Source: Author's own elaboration.

“ The recovery from the worst of the pandemic has changed the mix of inputs used in production, marked by more intense use of labour relative to capital. ”

stock of capital in constant euros and the rate of net investment by the NFCs (gross investment less depreciation during the year in current replacement euros, rebased to the stock of capital at replacement prices at the start of the period). Both variables depict a similar dynamic: growth that accelerates to a peak of 3% in 2019, when it was interrupted by the pandemic and embarked on a downward trend to the current values of close to zero.

### NFCs in Spain: Inputs and output

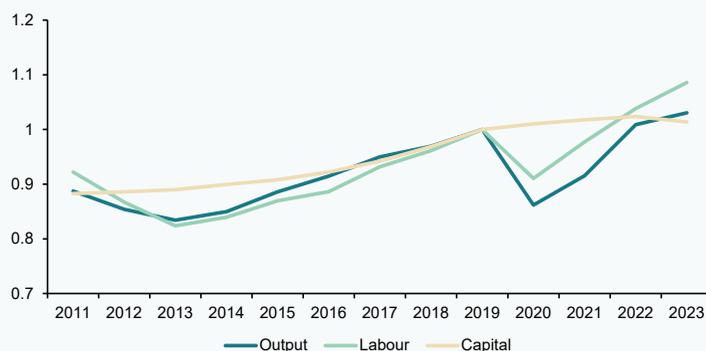
Capital services are combined with labour services to add value to the intermediate products that corporations purchase from external suppliers. Exhibit 4 shows the trend in the two factors of production and in estimated output in the NFC sector during the period of analysis, rebased to the 2019 values. Output is estimated by deflating the gross value added (GVA) of the NFCs, using the GDP price deflator (Exhibit 2). The labour factor is estimated by deflating the NFCs'

employee compensation costs by the labour cost index (Exhibit 2). The stock of capital is that shown in Exhibit 1.

Until the pandemic, in 2019, the NFCs' inputs and output move in tandem, with output particularly correlated to the labour factor. The onset of the health crisis in 2020 deviated those trends. The pandemic adversely affected output (decreasing by 14% in 2020 *versus* 2019) and the labour input, although less so (decrease of 9%). The growth in the stock of capital slowed considerably but remained positive until 2022, probably shaped by inertia around investment projects already in progress that were not cancelled, sufficient to delay the contraction in the capital stock (nevertheless very minor, at -0.4%) until 2023. Exhibit 4 clearly illustrates how the recovery from the worst of the pandemic has changed the mix of inputs used in production, marked by more intense use of labour relative to capital.

Exhibit 4 **Trend in capital, labour and output at NFCs in Spain**

Indexed to 2019 = 1



Source: Author's own elaboration.

“ Changes in the relationship between the prices of the inputs will lead to changes in the intensity of capital per unit of labour used in production, marked by more (less) capital per unit of labour when the price of the cost of labour increases (decreases) relative to the price of the cost of capital. ”

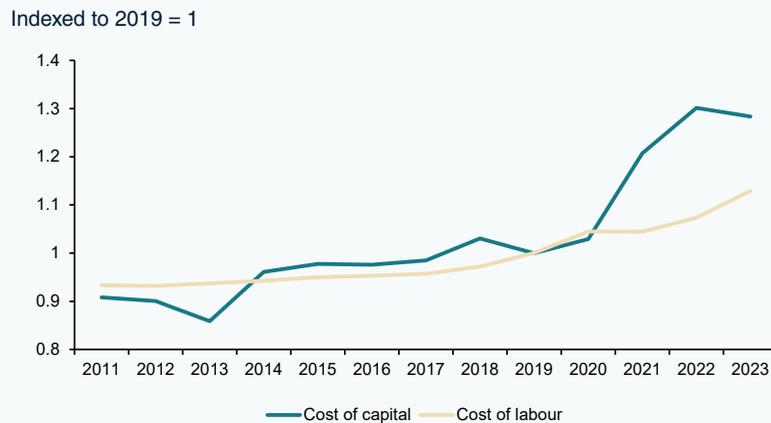
**Mix of production inputs**

Companies that seek to maximise their profits choose the mix of inputs, capital and labour for our purposes, to use in their production process as a function of the cost of the inputs and production technology. Specifically, the ratio of capital to labour used to maximise profits is correlated positively to the ratio of the elasticities of output to the quantities of inputs based on the production function and inversely to the relationship between the unit cost of capital and cost of labour. Therefore, for a given production technology, changes in the relationship between the prices of the inputs will lead to changes in the intensity of capital per unit of labour used in production, marked by more (less) capital per unit of labour when the price of the cost of labour

increases (decreases) relative to the price of the cost of capital.

Exhibit 5 shows the trend in the indices (indexed to 2019 = 1) for the user cost of capital and labour. The user cost of capital reflects the fact that companies supply themselves with the capital services needed to produce goods and services from the stock of capital they own. There is, therefore, no benchmark market price for this cost, which has to be derived. Technically, its calculation involves (Salas Fumás, 2024) the finance cost (interest) paid by the company on its borrowings, fixed asset depreciation and the change in the value of the stock of fixed assets due to changes in the prices of the assets (negative when the stock revalues and positive when it devalues).

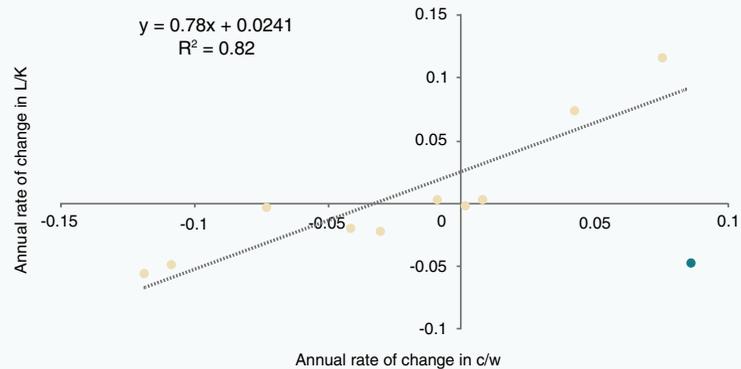
**Exhibit 5** Trend in the input price indices: Capital (user cost of capital) and labour (labour cost)



Note: Labour cost index as per Exhibit 2.  
Source: Author's own elaboration.

Exhibit 6

**Correlation between the annual change in the relationship between the prices of capital (user cost of capital,  $c$ ) and labour ( $w$ ) and the relationship between labour ( $L$ ) and capital ( $K$ )**



Note: The green dot corresponds to the 2023 correlation.

Source: Author's own elaboration.

In the years following the pandemic, 2021-2023, the user cost of capital moved away from the cost of labour, implying a relative increase in the cost of capital as an input. Framed by the profit maximisation goal outlined above, the change in the relative prices of these inputs would be expected to lead to more intense use of labour and less intense use of capital in the production process, as is borne out by Exhibit 4. Elsewhere, Exhibit 6 shows how, in general throughout the entire period, the changes in the relative input prices have marked the direction of the change in the capital-labour production factor mix.

The 2023 data point depicts a clearly atypical situation: following the reduction in relative capital/labour costs that year, shaped by the double impact of a slight decrease in the cost of capital and an increase in the cost of labour,

the replacement of capital with labour would have been expected to ease. But that did not happen. Perhaps the companies are not yet perceiving the reduction in the financial component of the cost of capital and are continuing to use labour intensely in light of the fact that wage growth remains moderate.

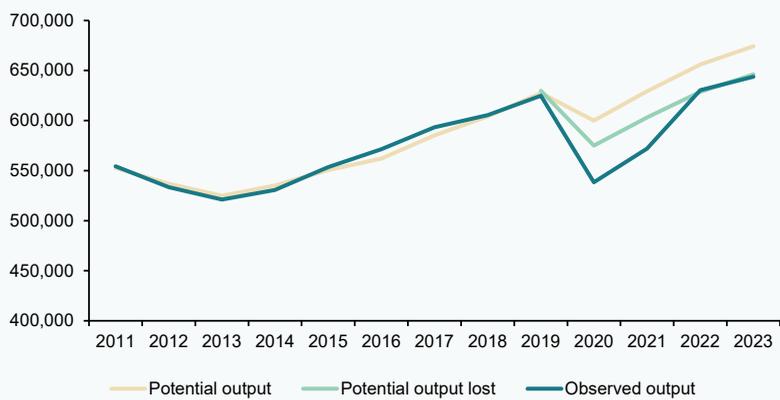
#### **Potential output**

Exhibit 4 points to a bigger decrease in output during the pandemic and subsequent recovery than might have been expected as a function of the availability and use of the capital and labour inputs over that same period of time. The shock implied by the health crisis may have altered the relationship between the inputs and output beyond what can be explained by the change in relative prices. To analyse this possibility we perform a comparison between observed output and potential output in the NFC sector

“ The shock implied by the health crisis may have altered the relationship between the inputs and output beyond what can be explained by the change in relative prices. ”

Exhibit 7

### Comparison between potential and observed output for the NFC sector on aggregate using different assumptions regarding the effects of the crisis of 2020



Source: Authors' own elaboration.

(Exhibit 7). Potential output is calculated using a hypothetical production function with two inputs, capital and labour, using the amounts behind the indices provided in Exhibit 4 and assuming regular growth in total factor productivity of 0.5% per annum, accumulating year to year from 2011 on. [4]

Potential and observed output overlap between 2011 and 2019, which means that production technology and the assumption regarding disembodied technological change (cumulative annual rate of 0.5%) provide a true reflection of the productive potential of Spain's NFCs as a whole. The 2020 pandemic opened up a considerable gap between the two, with potential output trending above actual output.

The gap between observed and potential output from 2020 on could be attributable to

several factors, from technological change to change in specialisation of the production mix (more intense output of services relative to manufactured goods, for example) or even a change in the quality of the inputs and/or in utilisation rates (fewer hours of work and lower machine utilisation than before the pandemic). The explanation implicit in Exhibit 7, the light green line, is that the pandemic destroyed production capacity that did not recover when activity returned to normal in the following years. That loss of capacity, according to Exhibit 7, could be in the order of 25 billion euros (equivalent to 5% of 2019 GVA). Once we acknowledge the step effect implied by that loss, the observed and potential paths fall back into sync.

#### Return on and cost of capital

The relative prices of the capital and labour inputs explain the trend in the mix of

“ The pandemic destroyed an estimated 25 billion euros (5% of 2019 GVA) of production capacity that did not recover when activity returned to normal in the following years. ”

Exhibit 8

**Gross return on capital and user cost of capital for Spain's NFCs**

Source: Authors' own elaboration.

factors of production when seeking profit maximisation for a given technology. Expansion of productive capacity and potential output, however, depends on the economic incentive to invest. Before the pandemic, the growth in the stock of capital of around 2%-3% per annum indicates strong incentives. Those incentives, whether positive or negative, in turn depend on the relationship between the return on and user cost of capital, specifically whether or not the return is higher than the cost.

Exhibit 8 provides the trend over time in the gross return on the stock of capital and the user cost of capital. The gross return is calculated by dividing the NFCs' gross operating surplus (GOS = GVA less staff costs) in year  $t$  by the stock of capital in current euros at the start of the period (end of year  $t-1$ ). The user cost of capital is the same cost

as is behind the indexed figures provided in Exhibit 5. Between 2011 and 2019, the gross return was comfortably above the user cost of capital, by a margin of between 5 and 6 percentage points [5]. In 2020, the pandemic triggered a drop of over 5 percentage points in the gross return on capital, eliminating the spread relative to the user cost of capital. In the following years, 2021-2023, the return on capital recovered but in 2023 was still two percentage points below the 2019 value (Salas Fumás, 2024b). Elsewhere, the cost of capital increased during the recent episode of inflation, so that the capital return and cost have been virtually the same in recent years.

For as long as the gap between the return and cost is positive, between 2011 and 2019, the stock of capital increases at a healthy pace, as was shown in Exhibit 3. In contrast, when the return and cost coincide, the

“ The cost of capital increased during the recent episode of inflation, so that the capital return and cost have been virtually the same in recent years. ”

“ A recovery in investment depends on a drop in the user cost of capital, which will be helped by the let-up in capital goods price inflation and a decrease in borrowing costs, coupled with a recovery in profit margins to 2019 levels. ”

stock of capital stagnates (the companies only invest what they need to make up for the capital they consume). In 2023, with less inflation, the user cost eased, but the return on capital also dropped because last year the GOS decreased by one percentage point, which is the amount by which the share of employee compensation in GVA increased. From the standpoint of the financial incentives to invest, as measured here, a recovery in investment depends on a drop in the user cost of capital, which will be helped by the let-up in capital goods price inflation and a decrease in borrowing costs, coupled with a recovery in profit margins to 2019 levels.

## Conclusions

The recovery in investment in productive capital by the Spanish corporate segment to levels that compensate for the consumption of capital and allow growth in the stock of available capital is important to delivering sustained and quality growth (productivity gains through the technological change embodied in capital goods and disembodied technological change). This article demonstrates that the stock of capital was sensitive to the trend in the relative prices of capital and labour throughout the period under analysis, except for an anomalous outcome in 2023, which is when the financial incentives to add to the stock of capital were insufficient (the return on capital equalled its cost). For the corporations to have the incentive to increase their stock of capital at net positive rates similar to those observed in the years prior to the pandemic, the return on those investments needs to comfortably outstrip their user costs of capital. In other words, the return on capital, still below pre-pandemic levels in 2023, needs to increase, with inflation in capital goods returning

to 2015-2017 levels. Nevertheless, the comparison between potential and observed output in recent years suggests that the pandemic alone may have destroyed up to 25 billion euros of output in constant euros, equivalent to roughly 5% of the NCFs' output in 2020.

The picture painted in this paper of the accumulation of productive capital in Spain is partial. Not only because it leaves out the financial institutions, unincorporated businesses, households and the government, but also because the capital assets of the universe of NFCs within the scope of this analysis are aggregated, without considering their composition. The national accounts include investment in R&D and intellectual property in gross capital formation but leave out other intangible assets (such as organisational capital). Moreover, within tangible assets, the gross capital formation aggregate does not distinguish between investment in housing (which commands a significant weight on the NFC balance sheets published by the INE) and investment in other assets such as capital goods or transport equipment. Not to mention the loss of accuracy implied by working with aggregate sector data rather than individual company data. Nevertheless, within the body of work that can be considered comparable in terms of methods and data used, we believe this analysis provides new and relevant perspective on the possible reasons for the lag in the recovery in productive investment in Spain in the wake of the pandemic. Essentially, there has been a lack of financial incentives to add to the stock of capital: despite considerable growth in nominal profits, that growth has been insufficient to offset the parallel increase in the user cost of capital.

## Notes

- [1] This article follows up on a previous paper by Salas Fumás (2024a) which covers a shorter time period and focuses on investment flows rather than explaining the trend in the stock of capital. The Valencian Institute of Economic Research (Ivie) (Pérez *et al.*, 2023) regularly publishes far more complete and detailed estimates of productive capital than presented here. This paper is different insofar as it focuses on NFC capital, which is explained on the basis of the companies' financial decisions and earnings performance.
- [2] For a more detailed explanation of the perpetual inventory method used in these calculations and a comparison between the NFC capital stock measurements published by the INE and the estimates used in our papers, refer to Salas Fumás (2022). The capital stock figures arrived at are closer to those published by the Bank of Spain's Central Balance Sheet Data Office than those published by Spain's Statistics Office, the INE.
- [3] The stock of capital estimated for 2008, in current euros, amounts to 1.29 trillion; by 2011, the figure was lower, at 1.24 trillion current euros. In constant 2011 euros, the 2008 stock of capital increases to 1.35 trillion euros.
- [4] Refer to Salas Fumás (2024a). We model a Cobb Douglas production function with a total factor productivity value of 3.91 in 2011 and an elasticity of output to labour of 0.57 and an elasticity of output to capital of 0.33, both of which calculated as the ratio of the NFCs' labour and capital costs over their GVA, respectively, which represent the values of these ratios in the years prior to the pandemic.
- [5] The difference between the return and user cost can be interpreted as a measure of windfall profits when it is positive or an indicator of financial loss when it is negative. The specific differences featured in the exhibit should be interpreted with caution for a number of reasons. Firstly, the NFCs' fixed assets do not include all of their productive assets; they also use working capital (cash plus trade receivables plus inventories less trade payables), which tends to be positive. Secondly, the cost of capital is estimated assuming a constant, real, after-tax financial return of 4% throughout the entire period. It would be more accurate to

estimate a weighted cost of the equity and debt the companies use to finance their assets for each time period, factoring in the financiers' interest rates and equity risk premiums. Considering those adjustments, the figure of 4% should be seen as a floor and proxy for an unknown financial cost. Lastly, profit includes the remuneration earned by business owners and executives that are not included in staff costs in the companies' profit and loss accounts.

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# Recent key developments in the area of Spanish financial regulation

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

## **Draft legislation adjusting the size criteria applied to undertakings and groups for corporate reporting purposes (published on the Ministry of the Economy, Trade and Business website on 2 April 2024)**

The purpose of this future law is to transpose Delegated Directive (EU) 2023/2775 to introduce the adjustments to the size criteria for small- and medium-sized undertakings or groups (as the adjustments for micro and large undertakings and groups will be enacted in the legislation that transposes the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464, or the CSRD) into Spanish law. The consultation ended on 7 May 2024.

In brief, the draft bill amends the following pieces of legislation:

- The Corporate Enterprises Act (Royal Legislative Decree 1/2010): introducing adjustments in relation to the thresholds for presenting a short-form balance sheet, increasing the balance sheet total (from €4 million to €5 million) and net turnover (from €8 million to €10 million). The average number of employees is unchanged at 50;
- The Financial Statement Audit Act (Law 22/2015): adjusting the criteria for classifying the following company sizes- (i) small-sized enterprises: increasing the thresholds for the balance sheet total (from €4 million to €5 million) and net turnover (from €8 million to €10 million), leaving the average number of employees unchanged at 50; and (ii) medium-sized enterprises: increasing the thresholds for the balance sheet total (from €20 million to €25 million) and net turnover (from

€40 million to €50 million), leaving the average number of employees unchanged at 250; and,

- The General Accounting Plan for SMEs (Royal Decree 1515/2007): the criteria and thresholds for qualifying as a small-sized enterprise are adjusted as above.

Lastly, the thresholds contemplated in Royal Decree 1491/2011 whereby all non-profits can apply the General Accounting Plan for SMEs have also been increased, albeit by less than for a small-sized enterprise.

The new legal provisions will apply in reporting periods beginning on or after 1 January 2024.

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# Spanish economic forecasts panel: May 2024\*

Funcas Economic Trends and Statistics Department

## **GDP growth estimate for 2024 raised by two tenths of a percentage point to 2.1%**

In the first quarter of 2024, GDP grew by 0.7%, according to provisional estimates, three tenths above the previous consensus expectation (the fourth quarter of 2023 has also been revised upward to 0.7%).

The contribution of domestic demand to growth was two tenths of a percentage point, driven by private consumption and investment. The foreign sector contributed five tenths of a percentage point, reflecting strong net exports, both of tourism and non-tourism services.

With respect to the beginning of the second quarter of this year, the few available indicators remain similar in strength, even slightly higher, than in previous months.

Due to this better-than-expected result, the consensus forecast for GDP growth for 2024 as a whole has been increased by two tenths of a percentage point to 2.1%. Thirteen out of the nineteen panelists have revised their forecasts upwards, and none downwards.

The growth forecast for domestic demand has been maintained, although with a greater role for investment and a lesser one for public consumption. The contribution of the external sector, on the other hand, has been revised upwards by two tenths of a percentage point to 0.2, due to lower growth in imports and slightly higher growth in exports, compared to the previous consensus forecast (Table 1). As for the quarterly growth profile, quarter-on-quarter rates of 0.4% are predicted for the remaining quarters of the year (Table 2).

## **GDP growth projection for 2025 remains at 2%**

The consensus forecast for GDP growth in 2025 remains at 2%. This figure is in line with those announced by national organizations, such as the

Bank of Spain or AIREF, and international bodies, such as the IMF or the European Commission.

The higher growth of investment, both in construction and in machinery and equipment, will offset the expected slowdown in consumption -especially public consumption- so that the contribution of domestic demand will remain as in the current year. As for the foreign sector, it is expected to add one tenth of a percentage point, compared to the two tenths this year (Table 1).

## **Inflation slightly above 2% by the end of 2025**

After slowing at the beginning of the year, largely due to the weather-related drop in electricity prices, inflation has rebounded above 3%, due in part to the withdrawal of the main anti-inflation measures adopted in the aftermath of the energy shock.

Panelists expect the inflation rate to continue to rise in the coming months and then decline to end the year at 3.1% (Table 3). For the year as a whole, annual average rates of 3.1% are expected for both headline and core inflation, one tenth of a percentage point higher for headline than in the previous Panel.

Forecasts for 2025 stand at 2.3% and 2.4% for the general rate and the core rate, respectively (Table 1). The December year-on-year rate is expected to be slightly above 2%.

## **Employment will continue to grow and the unemployment rate will fall to 11.2% in 2025**

According to the Labor Force Survey, employment increased by 0.5% in the first quarter (after eliminating seasonal effects), which comes close to the record of the previous two quarters. The unemployment rate stood at 12.3%, 1.1 percentage points lower than in the same period of the previous year. Social Security enrollment, on the other hand, points to an acceleration in job creation in the first quarter compared to the previous two quarters.

According to the most recent data, the labor market continues to advance, although with a certain tendency to decelerate.

The employment growth forecast for this year has been revised upward from the previous Panel by two tenths of a percentage point to 2.2%, while that for 2025 is revised downward by two tenths of a percentage point to 1.6%. All this would result in a decline in the unemployment rate to 11.2% in 2025, unchanged from the previous consensus (Table 1).

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 0.4% next year. As for ULCs, they will increase by 3.9% in 2024 and by 2.6% in 2025, in line with the price disinflation process.

### **The strength of the balance of payments continues**

The current account balance recorded a surplus of 38 billion in 2023, which is the best result in nominal terms in the historical series, and one of the best results ever in relation to GDP, which at 2.6% was just below the historical highs of 2016 and 2017. In the first two months of 2024, the trade balance was higher than that recorded in the same period of 2023, while the income balance deficit narrowed, bringing the current account balance up to 2.4 billion euros.

The consensus forecast for the current account surplus is 2.1% of GDP for 2024 -two tenths of a percentage point higher than in the previous Panel- and 2% for 2025. These values are still high by historical standards.

### **Government deficit forecast revised downward**

The general government recorded a deficit of 3.6% of GDP in 2023, compared to 4.7% in the previous year. In the first two months of 2024, there was a deterioration in both the central government and regional government deficits, the latter of greater magnitude than the former. It should be noted, however, that the first months of the year are not very representative.

The Panel expects the general government deficit to continue to contract over the next two years, with

a forecast of 3.4% for this year and 3.1% for 2025, which is two and one-tenth of a percentage point, respectively, lower than in the previous consensus forecast (Table 1).

### **Slight improvement in the external environment**

The global situation remains uncertain, in line with the persistence of armed conflicts in Eastern Europe and the Middle East, with their repercussions on international trade and the transport of goods through the Red Sea. Nevertheless, the relative stability of the energy markets and the resilience of the labor market, among other factors, have encouraged the prospect of a recovery in Europe. This is evidenced by economic indicators, even in Germany, one of the economies most affected by the geopolitical changes (German manufacturing PMI has rebounded, though still remaining in contractionary territory). Signs of sustained growth in the US economy are more tangible, while inflation remains above target, reducing the prospects of interest rate cuts by the Federal Reserve. The Chinese economy, meanwhile, seems to be showing signs of improvement in the second quarter.

Panelists have incorporated the slight improvement in the external environment. Although most of them still consider the external environment to be unfavorable, the number who anticipate positive developments in the coming months outside Europe has increased to 5, three more than in the previous Panel (Table 4). Similarly, optimistic assessments grew to 7, one more than in March, regarding the European economic outlook.

### **Interest rates to fall more slowly than anticipated**

The persistence of inflation in the US has led to a significant readjustment of interest rate cut expectations. In March, when the previous Panel was conducted, markets were anticipating as many as six rate cuts in 2024 by the Federal Reserve, in a cycle that would begin this spring. At the time of writing, however, this easing is predicted to be slower and starting later. While the market believes that the ECB could go ahead and proceed with a first tightening in June, Frankfurt will also have to consider the reaction of the capital markets, so that its decisions do not affect the value of the euro against the dollar, hindering disinflation.

In light of this, the Panel maintains the forecast of a first cut in June, but adjustments would be milder thereafter, so that the ECB's deposit facility would still be above 2.5% at the end of next year, 20 basis points higher than the previous forecast (Table 2). Market interest rates would follow a similar, albeit less pronounced, trend, with Euribor at 3.2% by the end of this year and 2.8% by the end of 2025 (slightly above the previous assessment). The decline in yields on the Spanish 10-year government bonds will be even more gradual, getting closer to 3% at the end of next year.

### Slight recovery of the euro against the dollar

Since the last Panel, the euro has depreciated against the dollar, reflecting differences in the monetary cycle. However, the trend seems to have been interrupted, and panelists predict a gradual

recovery of the euro over the projection period (Table 2).

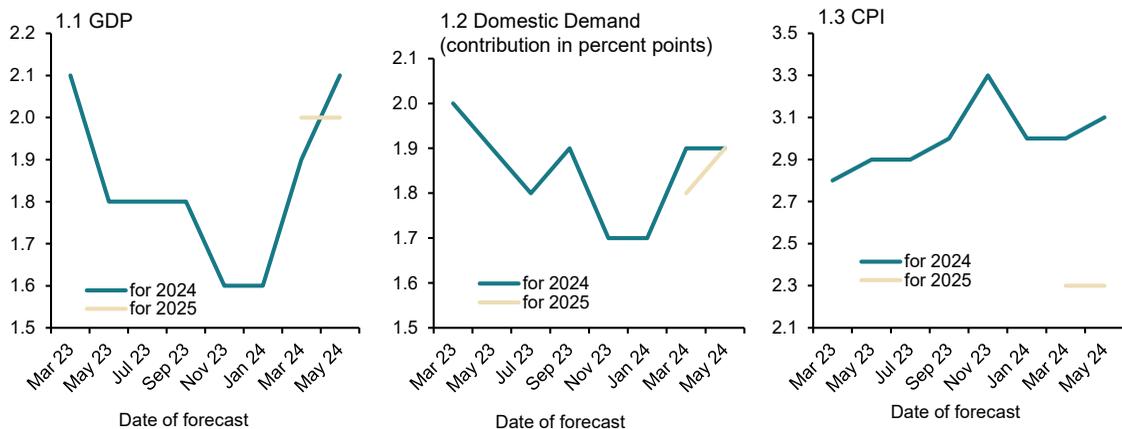
### Fiscal policy should be neutral or restrictive

Although the majority of panelists continues to see the current stance of fiscal policy as pro-cyclical, there is a slight increase in the number of panelists who consider that the impulse is neutral or even restrictive (3 instead of 1 in the previous Panel). In any case, unanimity persists on the need for a non-expansionary stance of fiscal policy (Table 4). Regarding monetary policy, the assessments show little change: there is agreement that monetary policy is currently restrictive, while the number of panelists who advocate a less restrictive policy stance has increased slightly (11 instead of 10 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 – May 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 <sup>3</sup>	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	2.3	2.0	1.9	1.6	0.6	0.8	3.1	2.9	3.9	4.3	3.2	1.6	1.8	1.7
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	2.3	2.3	2.7	1.6	0.6	3.1	0.2	3.8	0.2	2.8	2.2	2.2
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)	2.2	2.3	2.2	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	1.8	2.4	2.9	2.3	4.5	4.1	3.1	4.3	5.5	3.2	2.3	2.5
CEOE	2.3	1.8	1.8	1.5	2.5	0.8	1.8	1.1	0.2	1.1	2.4	1.3	2.0	1.3
Equipo Económico (Ee)	2.2	1.9	1.9	2.0	2.8	0.7	2.0	2.5	2.4	2.9	2.0	2.5	1.8	1.7
EthiFinance Ratings	2.0	2.0	2.1	1.8	2.3	0.8	2.3	5.9	3.1	3.0	1.3	5.9	--	--
Funcas	2.1	2.0	1.9	1.6	2.0	1.6	2.2	2.5	1.4	2.4	3.0	2.6	1.9	1.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.3	2.2	1.9	1.9	1.2	1.5	2.6	3.4	2.0	3.8	3.7	3.3	1.8	2.0
Instituto de Estudios Económicos (IEE)	2.1	1.7	1.7	1.2	2.3	1.0	1.6	1.1	0.3	1.0	2.0	1.3	1.8	1.2
Intermoney	1.8	1.9	2.2	1.8	1.0	1.2	3.2	3.0	3.0	3.9	3.5	2.2	2.0	1.8
Mapfre Economics	2.1	1.6	1.8	1.6	3.0	0.6	1.4	1.5	--	--	1.8	3.0	1.9	1.7
Metysis	2.3	2.0	2.1	2.1	2.0	1.3	3.0	2.5	2.3	2.2	3.6	3.0	2.1	1.9
Oxford Economics	2.4	1.8	1.8	1.7	1.9	1.1	2.6	5.0	1.5	4.5	1.5	4.0	2.0	2.0
Repsol	2.0	2.0	1.8	2.3	1.2	2.0	5.2	4.0	5.4	4.8	6.6	3.9	1.5	2.2
Santander	2.2	2.0	2.0	2.0	1.2	1.3	2.5	2.8	2.3	4.2	2.9	2.0	1.9	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
<b>CONSENSUS (AVERAGE)</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>1.8</b>	<b>2.1</b>	<b>1.3</b>	<b>2.5</b>	<b>3.1</b>	<b>2.2</b>	<b>3.4</b>	<b>2.7</b>	<b>3.0</b>	<b>1.9</b>	<b>1.9</b>
Maximum	2.4	2.4	2.3	2.4	3.4	2.5	5.2	7.3	5.4	8.9	6.6	7.2	2.5	2.5
Minimum	1.8	1.5	1.7	1.2	0.6	0.6	0.6	1.0	0.2	1.0	0.2	1.3	1.3	0.9
Change on 2 months earlier <sup>1</sup>	0.2	0.0	0.1	0.0	-0.1	0.2	0.4	-0.3	-0.2	-0.1	1.0	0.0	0.0	0.1
- Rise <sup>2</sup>	13	4	8	5	4	5	10	4	4	3	10	5	7	4
- Drop <sup>2</sup>	0	5	4	4	9	1	2	7	5	5	1	4	7	6
Change on 6 months earlier <sup>1</sup>	0.5	--	0.1	--	0.8	--	-0.2	--	-0.8	--	0.6	--	0.2	--
Memorandum items:														
Government (April 2024)	2.0	1.9	2.4	2.1	1.3	1.0	2.8	4.0	--	--	--	--	2.3	2.1
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
AIReF (April 2024)	2.0	1.9	2.4	2.0	1.2	1.3	2.7	2.1	--	--	--	--	2.1	1.8
EC (May 2024)	2.1	1.9	2.1	1.9	1.8	1.3	1.9	2.9	2.0	4.0	1.6	2.6	--	--
IMF (April 2024)	1.9	2.1	1.8	2.0	--	--	2.2	4.0	--	--	--	--	--	--
OECD (November 2023)	1.4	2.0	1.9	2.0	1.6	1.3	1.4	2.3	--	--	--	--	--	--

<sup>1</sup> Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).

<sup>2</sup> Number of panellists revising their forecast upwards (or downwards) since two months earlier.

<sup>3</sup> Contribution to GDP growth, in percentage points.

Table 1 (Continued)

**Economic Forecasts for Spain – May 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 <sup>3</sup>		Jobs <sup>4</sup>		Unempl. (% labour force)		C/A bal. of payments (% of GDP) <sup>5</sup>		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)	3.5	4.1	2.4	3.4	3.2	2.1	2.8	2.3	3.9	3.2	1.7	1.5	11.7	11.4	1.9	2.1	-3.2	-3.2
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	0.1	2.1	1.1	2.3	3.0	2.5	2.7	2.5	4.4	2.5	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 Económica 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)	1.9	4.3	2.7	4.9	3.0	2.5	--	--	3.9	3.3	2.0	1.5	12.3	11.8	1.3	0.9	-4.1	-4.1
CEOE	0.2	4.9	-1.0	3.8	3.4	1.9	2.9	2.1	4.0	2.9	2.5	1.7	11.4	10.9	1.8	1.7	-3.3	-3.0
Equipo Económico (Ee)	1.9	2.0	1.0	1.8	3.1	2.3	3.0	2.3	3.9	3.6	2.2	1.3	11.8	11.6	1.6	1.8	-3.5	-3.2
EthiFinance Ratings	2.0	1.5	3.0	3.7	3.1	2.3	2.9	2.1	--	--	--	--	11.4	10.9	1.3	1.0	-3.6	-2.9
Funcas	2.1	3.3	1.7	2.7	3.2	2.3	3.1	2.3	3.5	2.7	2.1	1.0	11.4	10.6	2.6	2.2	-3.2	-3.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.1	3.2	2.4	2.7	3.2	2.5	3.1	2.3	--	--	1.9	1.5	11.2	10.8	2.5	2.5	-3.4	-3.0
Instituto de Estudios Económicos (IEE)	1.7	4.4	0.9	3.4	3.5	2.1	3.0	2.3	4.0	2.9	2.3	1.6	11.6	11.2	1.9	1.8	-3.4	-3.1
Intermoney	1.5	2.9	2.3	3.2	3.4	2.3	3.2	2.2	--	--	2.0	1.6	12.0	11.6	1.8	--	-3.6	-3.4
Mapfre Economics	2.2	2.4	1.9	3.0	3.1	2.2	2.9	2.1	--	--	1.9	0.5	11.3	11.3	3.4	3.3	-3.1	-3.1
Metysis	2.6	3.0	1.5	2.5	3.1	2.4	3.2	2.5	3.4	2.8	2.4	1.7	11.2	10.8	2.7	2.7	-3.3	-3.2
Oxford Economics	3.0	2.4	1.9	3.0	3.3	2.0	3.0	2.3	--	--	--	--	11.5	11.4	3.4	3.6	-3.0	-2.8
Repsol	3.5	4.3	2.5	5.6	3.3	2.4	3.1	2.6	3.2	2.5	2.3	2.1	12.0	11.9	1.5	1.0	-3.0	-3.0
Santander	2.7	2.8	1.8	3.0	3.0	2.3	2.9	2.2	--	--	2.3	2.1	11.6	10.9	--	--	--	--
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
<b>CONSENSUS (AVERAGE)</b>	<b>2.3</b>	<b>3.1</b>	<b>1.9</b>	<b>3.2</b>	<b>3.1</b>	<b>2.3</b>	<b>3.1</b>	<b>2.4</b>	<b>3.8</b>	<b>3.0</b>	<b>2.2</b>	<b>1.6</b>	<b>11.5</b>	<b>11.2</b>	<b>2.1</b>	<b>2.0</b>	<b>-3.4</b>	<b>-3.1</b>
Maximum	4.1	4.9	5.0	5.6	3.5	2.8	3.7	3.5	4.4	3.6	3.1	2.1	12.3	11.9	3.4	3.6	-3.0	-2.8
Minimum	0.1	1.5	-1.0	1.8	2.0	1.7	2.7	2.1	3.2	2.5	1.2	0.5	10.4	10.0	1.0	0.9	-4.2	-4.1
Change on 2 months earlier <sup>1</sup>	0.2	0.0	-0.3	0.0	0.1	0.0	0.0	-0.1	0.2	0.0	0.2	-0.2	-0.1	0.0	0.2	0.0	0.2	0.1
- Rise <sup>2</sup>	8	5	5	4	10	5	2	3	5	2	8	1	2	2	9	3	10	8
- Drop <sup>2</sup>	5	3	6	5	2	5	7	8	1	2	1	6	8	7	1	4	1	1
Change on 6 months earlier <sup>1</sup>	0.5	--	-0.3	--	-0.2	--	-0.2	--	0.3	--	0.6	--	-0.2	--	0.8	--	0.2	--
Memorandum items:																		
Government (April 2024)	1.7	3.1	2.7	3.9	--	--	--	--	--	--	2.4	1.7	11.2	10.7	1.3	1.6	-3.0	-2.5
Bank of Spain (March 2024)	1.7	3.0	2.1	3.4	2.7 <sup>(6)</sup>	1.9 <sup>(6)</sup>	2.2 <sup>(7)</sup>	1.9 <sup>(7)</sup>	--	--	1.8 <sup>(8)</sup>	1.1 <sup>(8)</sup>	11.6	11.5	--	--	-3.5	-3.5
AIReF (April 2024)	2.1	3.1	2.6	3.2	3.1	2.2	--	--	3.3	2.0	2.5	1.5	11.6	11.1	--	--	-3.0	-2.9
EC (May 2024)	1.6	2.4	1.3	2.4	3.1 <sup>(6)</sup>	2.3 <sup>(6)</sup>	3.2 <sup>(7)</sup>	2.3 <sup>(7)</sup>	4.0	2.9	2.1	1.3	11.6	11.1	2.8	2.8	-3.0	-2.8
IMF (April 2024)	3.0	3.9	3.3	4.4	2.7	2.4	--	--	--	--	1.4	0.9	11.6	11.3	2.5	2.4	-3.1	-3.0
OECD (November 2023)	1.4	2.6	2.0	2.4	3.7 <sup>(6)</sup>	2.3 <sup>(7)</sup>	3.1 <sup>(7)</sup>	2.2 <sup>(7)</sup>	3.1	3.1	2.2	2.3	12.0	11.8	1.4	1.2	-3.2	-3.1

<sup>1</sup> Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).

<sup>2</sup> Number of panellists revising their forecast upwards (or downwards) since two months earlier.

<sup>3</sup> Average earnings per full-time equivalent job.

<sup>4</sup> In National Accounts terms: Full-time equivalent jobs.

<sup>5</sup> Current account balance, according to Bank of Spain estimates.

<sup>6</sup> Harmonized Index of Consumer Prices (HICP).

<sup>7</sup> Harmonized Index excluding energy and food.

<sup>8</sup> Hours worked.

Table 2

### Quarterly Forecasts – May 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 <sup>1</sup>	0.7	0.4	0.4	0.4	0.5	0.6	0.6	0.5
Euribor 1 yr <sup>2</sup>	3.72	3.58	3.41	3.22	3.03	2.94	2.85	2.76
Government bond yield 10 yr <sup>2</sup>	3.19	3.23	3.19	3.13	3.07	3.02	2.98	2.95
ECB main refinancing operations interest rate <sup>3</sup>	4.50	4.34	4.02	3.74	3.50	3.24	3.00	2.86
ECB deposit rates <sup>3</sup>	4.00	3.84	3.63	3.34	3.13	2.88	2.65	2.54
Dollar / Euro exchange rate <sup>2</sup>	1.09	1.08	1.09	1.09	1.10	1.10	1.10	1.10

Forecasts in yellow.

<sup>1</sup> Qr-on-qr growth rates.

<sup>2</sup> End of period.

<sup>3</sup> Last day of the quarter.

Table 3

### CPI Forecasts – May 2024

Year-on-year change (%)					
Apr-24	May-24	Jun-24	Jul-24	Dec-24	Dec-25
3.3	3.5	3.5	3.3	3.1	2.2

Table 4

### Opinions – May 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	5	13	7	11	1
International context: Non-EU	1	5	13	5	13	1
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment <sup>1</sup>	1	3	15	3	16	0
Monetary policy assessment <sup>1</sup>	19	0	0	8	11	0

<sup>1</sup> In relation to the current state of the Spanish economy.

# Key Facts

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Economic Indicators	Page 101
Financial System Indicators	Page 139
Social Indicators	Page 145

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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	3.6	3.4	6.2	3.9	1.7	8.9	7.6	8.2	5.9	-1.5	
2017	0.9	-0.7	6.0	-4.3	-5.9	-1.0	-0.9	-5.5	6.0	-1.5	
2018	-3.8	-3.6	4.2	-17.3	-16.3	-19.1	-10.8	-18.3	5.2	0.0	
2019	0.2	0.4	1.5	-5.4	-11.1	5.7	9.1	6.2	4.0	0.0	
2020	-0.8	-2.5	0.0	-7.6	-12.3	0.0	8.2	-0.6	3.4	-0.7	
2021	-3.0	-3.3	-4.2	-7.4	-10.4	-3.4	0.9	-5.8	3.8	-0.8	
2022	-1.4	-2.9	-2.0	-3.8	-8.2	1.3	4.4	-0.2	4.7	-1.6	
2023	1.4	1.7	-0.6	4.1	3.0	5.2	4.5	6.8	5.2	-1.5	
2024	2.1	1.9	2.0	2.2	3.0	1.4	2.1	1.7	1.9	0.2	
2025	2.0	1.6	1.6	2.5	2.6	2.4	3.3	2.7	1.7	0.3	
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	4.0	2.5	1.8	-0.2	3.1	-3.5	9.6	2.4	1.3	2.7
	II	2.0	1.8	4.5	1.3	3.5	-1.2	0.0	-0.2	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	2.1	2.3	4.1	2.1	1.6	2.5	1.1	1.6	2.2	-0.1
2024	I	2.4	2.4	3.0	1.8	3.5	-0.1	-1.1	-1.7	2.2	0.2
	II	2.2	2.3	3.0	0.9	0.6	1.3	1.3	1.3	2.2	0.1
	III	2.0	1.5	1.4	2.0	3.5	0.2	5.2	4.6	1.7	0.3
	IV	1.6	1.5	0.5	4.2	4.3	4.1	2.7	2.6	1.5	0.1
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	0.4	0.2	0.1	2.9	1.1	4.8	4.6	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	0.5	1.2	1.6	-0.6	-2.6	1.7	-3.6	-2.8	0.8	-0.4
	IV	0.7	0.3	1.0	-1.6	-0.3	-3.2	2.8	2.4	0.5	0.2
2024	I	0.7	0.3	-1.0	2.6	3.0	2.1	2.4	1.1	0.2	0.5
	II	0.4	0.5	1.3	0.6	0.5	0.7	-0.2	0.6	0.7	-0.3
	III	0.2	0.4	0.1	0.4	0.3	0.6	0.1	0.4	0.3	-0.1
	IV	0.3	0.3	0.2	0.5	0.5	0.6	0.4	0.4	0.3	0.0
	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	1,541	55.5	19.8	19.4	10.6	8.8	38.6	34.3	95.7	4.3	
2025	1,608	55.3	19.7	19.6	10.8	8.8	39.0	34.5	95.5	4.5	

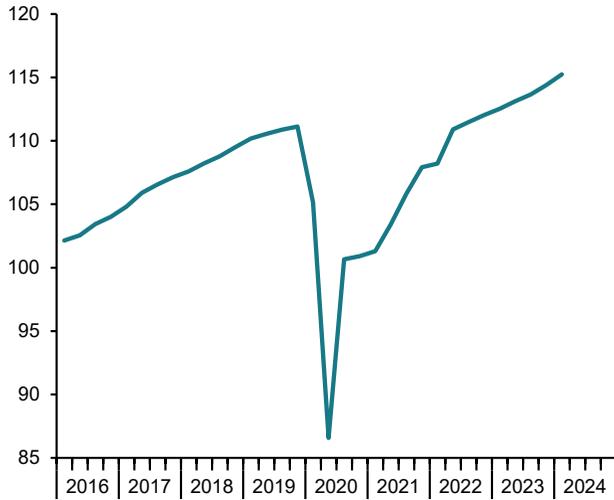
\*Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

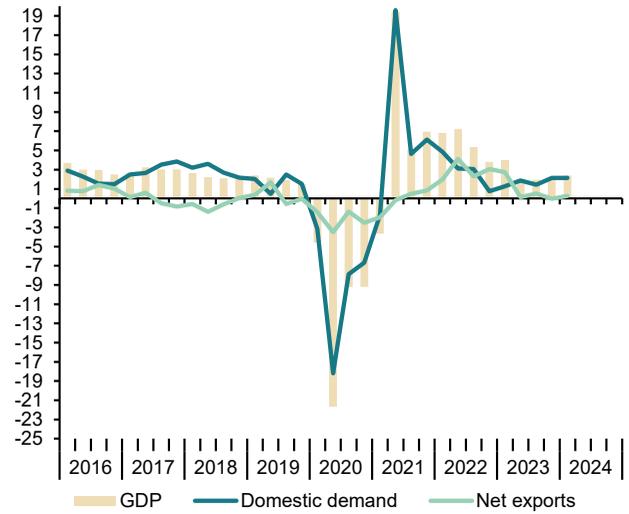
**Chart 1.1 - GDP**

Level, 2015=100



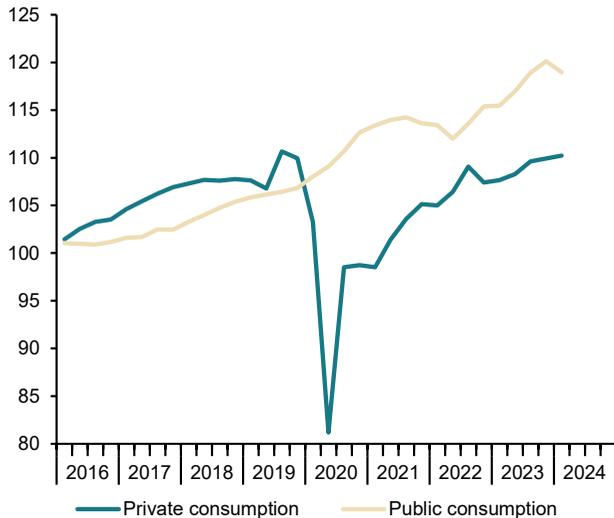
**Chart 1.2 - Contribution to GDP annual growth**

Percentage points



**Chart 1.3 - Consumption**

Level, 2015=100



**Chart 1.4 - Gross fixed capital formation**

Level, 2015=100

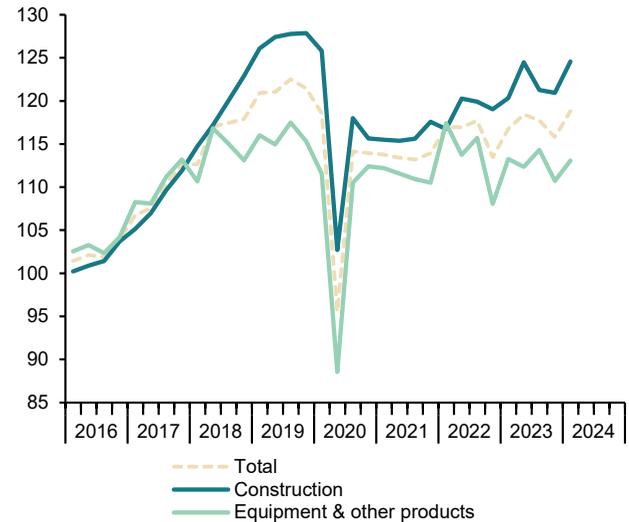


Table 2

**National accounts: Gross value added by economic activity SWDA\***

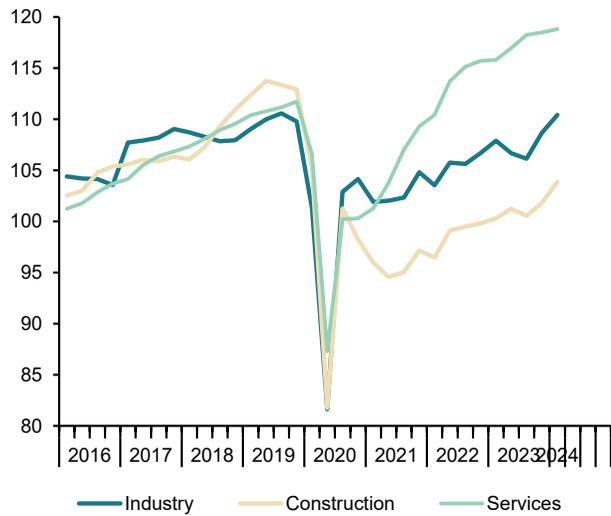
		Gross value added at basic prices								
		Industry			Services					
		Total	Agriculture, forestry and fishing	Total	Manufacturing	Construction	Total	Public administration, health, education	Other services	Taxes less subsidies on products
Chain-linked volumes, annual percentage changes										
2016		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	-1.9	1.8	3.3	2.3	3.2	2.8	3.3	-0.2
2022	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	4.4	-7.1	4.2	5.0	3.9	4.9	2.3	5.7	-0.1
	II	2.3	-2.1	0.9	2.1	2.2	2.9	2.6	2.9	-1.4
	III	2.2	1.7	0.5	2.9	1.1	2.7	2.9	2.6	-0.3
	IV	2.2	0.5	1.8	3.0	2.0	2.4	3.5	2.0	0.9
2024	I	2.5	0.4	2.3	3.3	3.6	2.6	3.9	2.2	0.9
Chain-linked volumes, quarter-on-quarter percentage changes										
2022	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	0.3	2.6	1.1	1.9	0.5	0.1	-2.1	0.8	1.4
	II	0.5	-2.9	-1.1	-1.0	1.0	1.0	1.8	0.8	0.6
	III	0.6	-4.2	-0.5	0.9	-0.7	1.1	1.1	1.1	-0.8
	IV	0.7	5.3	2.4	1.2	1.2	0.2	2.8	-0.6	-0.3
2024	I	0.7	2.5	1.6	2.2	2.0	0.3	-1.8	0.9	1.4
		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	9.8

\* Seasonally and Working Day Adjusted.

Source: INE.

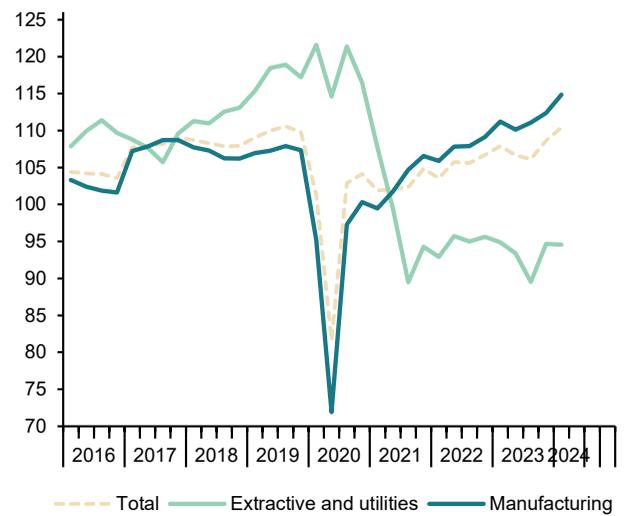
**Chart 2.1 - GVA by sectors**

Level, 2015=100



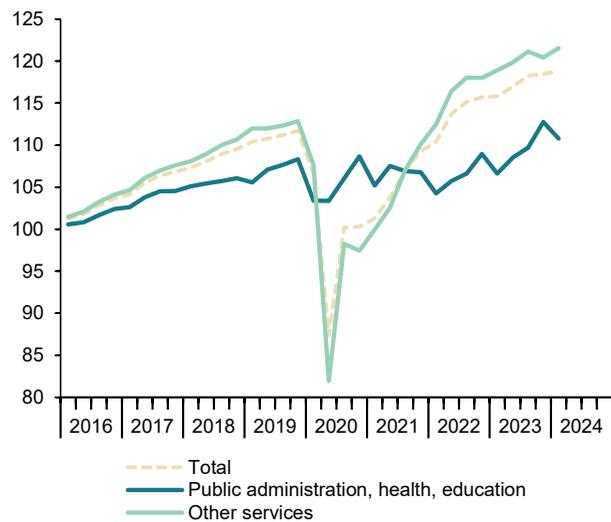
**Chart 2.2 - GVA. Industry**

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

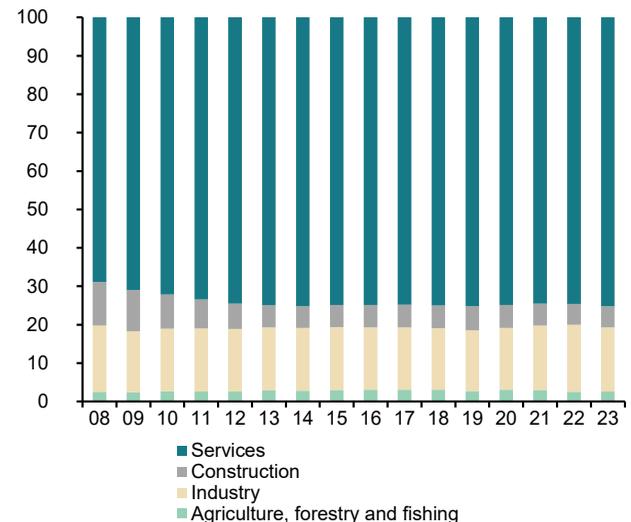


Table 3

**National accounts: Productivity and labour costs**

Forecasts in yellow

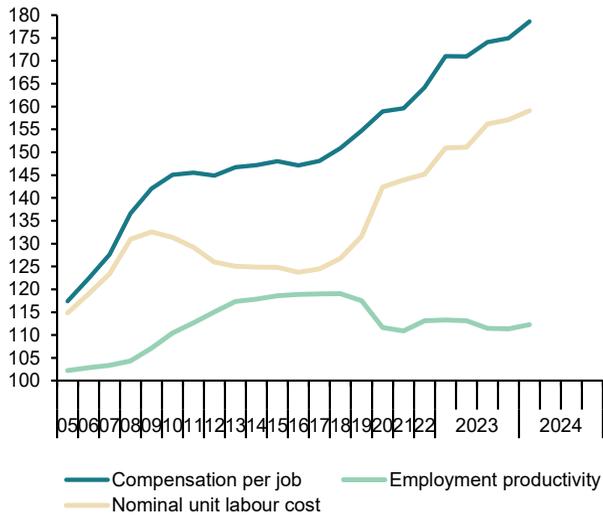
	Total economy						Manufacturing Industry						
	GDP constant prices	Employment (jobs. full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added constant prices	Employment (jobs. full time equivalent)	Employment productivity	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	115.8	122.3	94.7	120.8	127.6	103.4	--	--	--	--	--	--	
2025	118.1	123.5	95.6	124.1	129.7	102.8	--	--	--	--	--	--	
2022	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	112.5	117.8	95.5	115.5	120.9	101.9	111.2	113.1	98.3	111.8	113.7	91.2
	II	113.1	118.6	95.4	115.5	121.1	102.0	110.1	112.5	97.9	113.8	116.3	95.4
	III	113.7	121.0	94.0	117.6	125.2	105.1	111.1	112.1	99.1	118.4	119.6	95.9
	IV	114.4	121.9	93.9	118.2	125.9	103.5	112.4	112.7	99.7	120.5	120.9	96.8
2024	I	115.2	121.7	94.7	120.7	127.5	104.1	114.9	112.9	101.7	118.7	116.7	92.1
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		2.1	2.1	0.0	3.5	3.5	0.3	--	--	--	--	--	--
2025		2.0	1.0	1.0	2.7	1.7	-0.6	--	--	--	--	--	--
2022	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	4.0	2.5	1.5	6.1	4.5	-1.6	5.0	3.8	1.2	5.4	4.2	-5.4
	II	2.0	3.3	-1.3	5.5	6.8	0.4	2.1	0.0	2.1	5.9	3.8	-2.0
	III	1.9	3.3	-1.3	4.9	6.2	0.1	2.9	0.3	2.6	4.3	1.7	-3.2
	IV	2.1	3.9	-1.7	4.5	6.3	1.3	3.0	-0.1	3.1	5.9	2.7	-0.2
2024	I	2.4	3.4	-0.9	4.4	5.4	2.1	3.3	-0.2	3.5	6.2	2.6	1.0

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

Source: INE and Funcas (Forecasts).

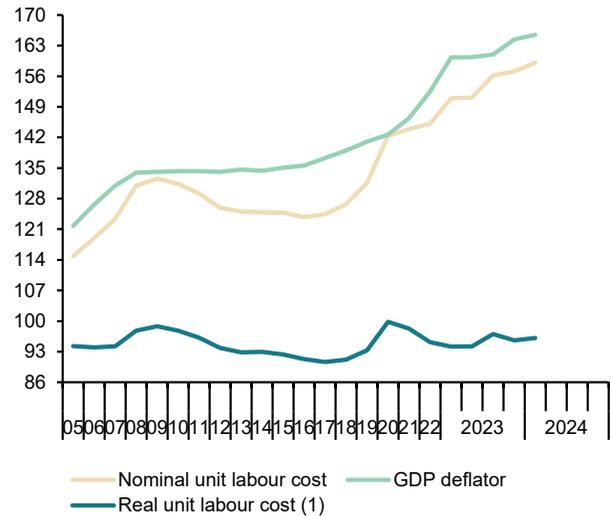
**Chart 3.1 - Nominal ULC, total economy**

Index, 2000=100



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

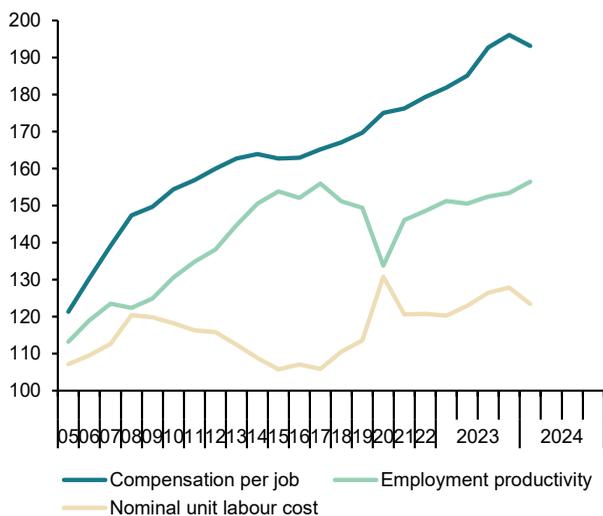
Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

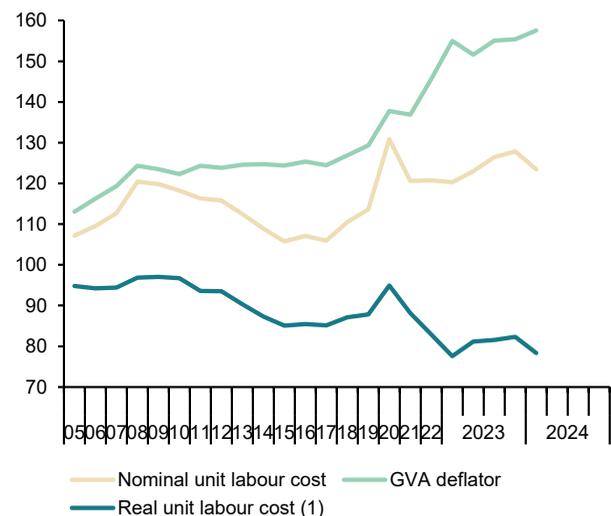
**Chart 3.3 - Nominal ULC, manufacturing industry**

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

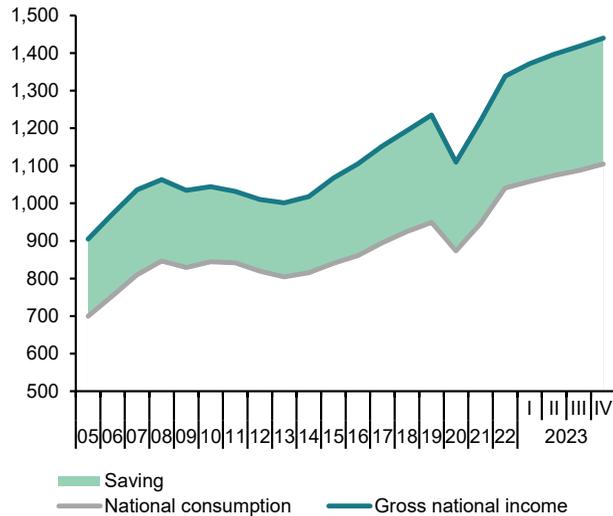
	Gross domestic product	Compensation of employees	Gross operating surplus	Gross national disposable income	Final national consumption	Gross national saving (a)	Gross capital formation	Compensation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing	
	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	1,540.8	740.7	646.2	1,517.9	1,160.5	357.4	314.1	48.1	41.9	23.2	20.4	2.8	3.6	
2025	1,607.7	769.3	675.0	1,576.9	1,205.3	371.5	330.7	47.9	42.0	23.1	20.6	2.5	3.1	
2022	II	1,289.0	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	1,319.6	632.3	547.4	1,314.6	1,022.3	292.3	285.0	47.9	41.5	22.2	21.6	0.6	1.3
	IV	1,346.4	643.0	571.4	1,338.3	1,040.8	297.5	289.2	47.8	42.4	22.1	21.5	0.6	1.5
2023	I	1,381.2	656.9	591.5	1,372.0	1,058.4	313.7	291.3	47.6	42.8	22.7	21.1	1.6	2.6
	II	1,410.8	670.6	606.0	1,396.8	1,074.2	322.6	293.9	47.5	43.0	22.9	20.8	2.0	3.0
	III	1,436.5	685.2	615.2	1,417.7	1,087.1	330.6	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
2024	I	1,479.9	714.0	623.3	--	1,121.1	--	299.7	48.2	42.1	--	20.3	--	--
	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	5.4	5.9	4.3	5.4	5.1	6.7	5.8	0.2	-0.4	0.3	0.1	0.2	-0.1	
2025	4.3	3.9	4.5	3.9	3.9	4.0	5.3	-0.2	0.0	-0.1	0.2	-0.3	-0.5	
2022	II	10.6	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	11.0	7.4	14.2	11.0	10.5	12.7	13.7	-1.6	1.1	0.3	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	10.0	7.7	15.7	9.5	9.0	10.9	7.4	-1.0	2.1	0.2	-0.5	0.7	1.3
	II	9.5	7.8	14.5	8.7	7.9	11.1	5.3	-0.7	1.9	0.3	-0.8	1.1	1.6
	III	8.9	8.4	12.4	7.8	6.3	13.1	3.2	-0.2	1.3	0.9	-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
2024	I	7.1	8.7	5.4	--	5.9	--	2.9	0.7	-0.7	--	-0.8	--	--

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

Source: INE and Funcas (Forecasts).

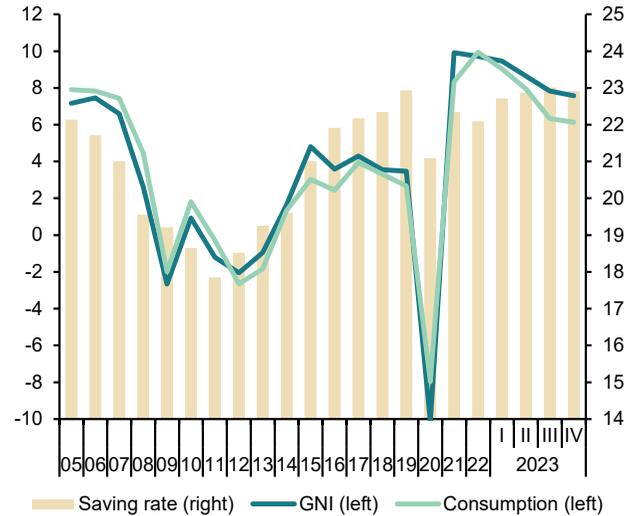
**Chart 4.1 - National income, consumption and saving**

EUR Billions, 4-quarter cumulated



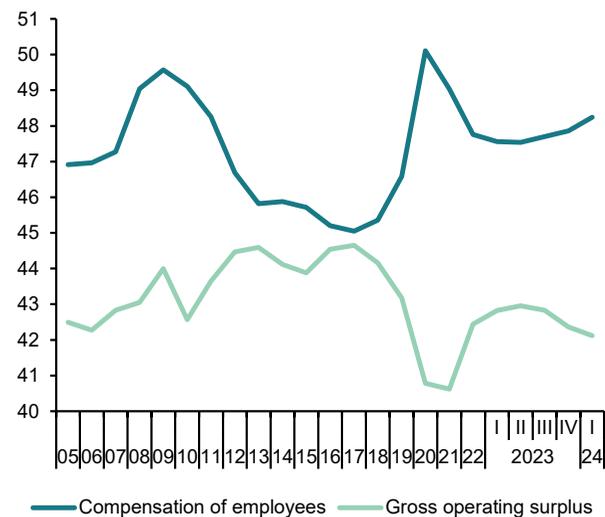
**Chart 4.2 - National income, consumption and saving rate**

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

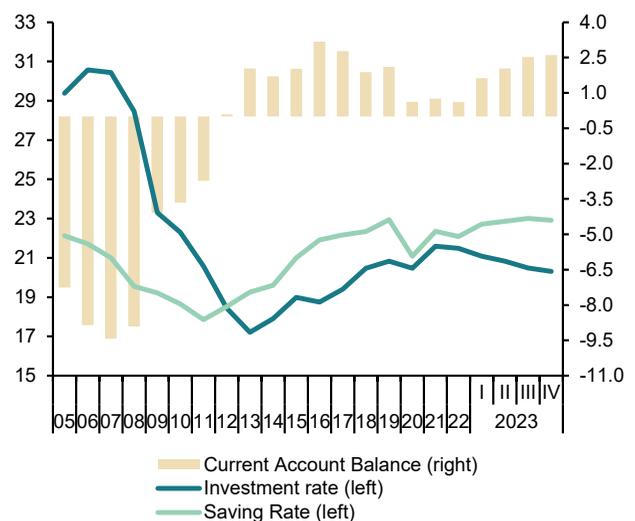


Table 5

**National accounts: Household and non-financial corporations accounts**

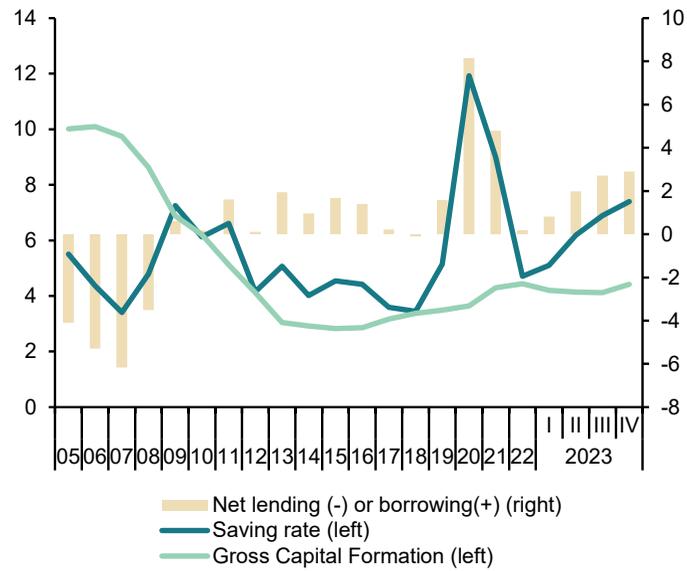
Forecasts in yellow

	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	963.3	855.1	105.8	67.1	11.0	4.4	2.4	304.4	212.6	189.3	13.8	12.3	1.9	
2025	994.9	888.6	103.9	69.8	10.4	4.3	2.0	314.4	224.1	200.7	13.9	12.5	1.8	
2022	I	807.3	713.6	91.3	57.3	11.3	4.6	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	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	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	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	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	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	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	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	4.3	5.2	-2.2	4.0	-0.7	-0.1	-0.5	0.6	2.7	4.5	-0.4	-0.1	-0.3	
2025	3.3	3.9	-1.8	4.0	-0.5	0.0	-0.4	3.3	5.4	6.0	0.1	0.2	-0.1	
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

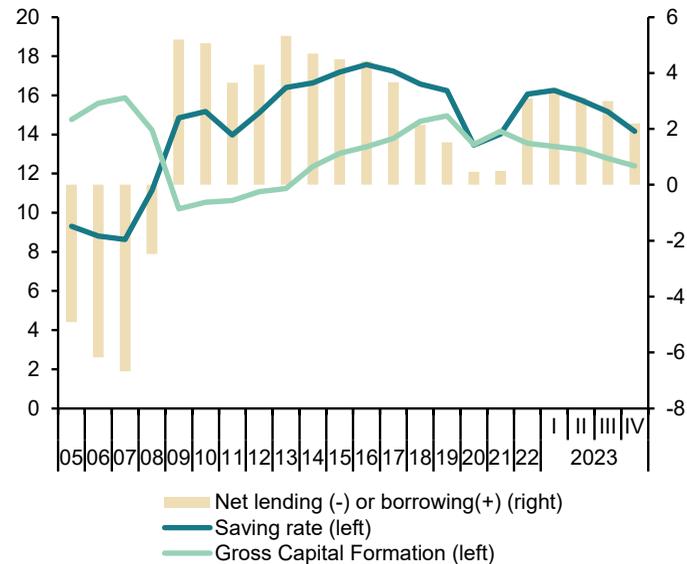


Table 6

### National accounts: Public revenue, expenditure and deficit

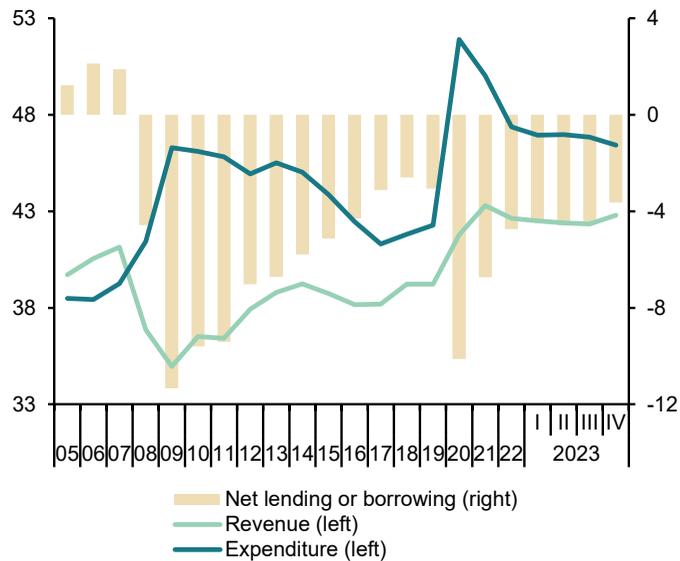
Forecasts in yellow

	Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	
	Taxes on production and imports	Taxes on income and wealth	Social contributions	Capital and other revenue	Total	Compensation of employees	Intermediate consumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expenditure	Total		
	1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8+9+10+11	13=5-12	
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	176.5	196.2	208.5	69.6	650.7	168.3	92.5	39.6	307.1	56.4	35.7	699.5	-48.8	
2025	186.1	205.3	218.6	70.9	680.8	172.5	98.4	41.8	319.1	60.5	37.3	729.6	-48.7	
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	12.7	13.5	4.5	42.2	10.9	6.0	2.6	19.9	3.7	2.3	45.4	-3.2	
2025	11.6	12.8	13.6	4.4	42.3	10.7	6.1	2.6	19.8	3.8	2.3	45.4	-3.0	
2022	I	12.2	11.7	13.8	5.4	43.2	11.9	5.9	2.1	20.9	4.5	3.2	48.5	-5.4
	II	12.3	11.8	13.6	5.4	43.1	11.7	5.9	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	46.9	-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

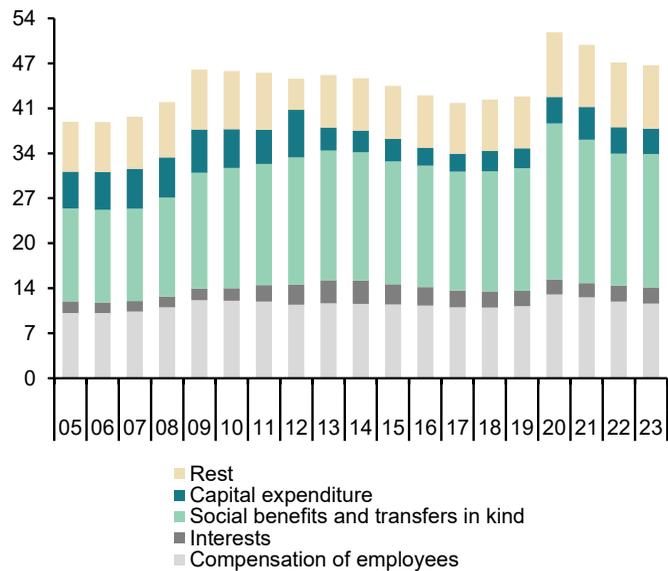


Table 7

**Public sector balances by level of Government**

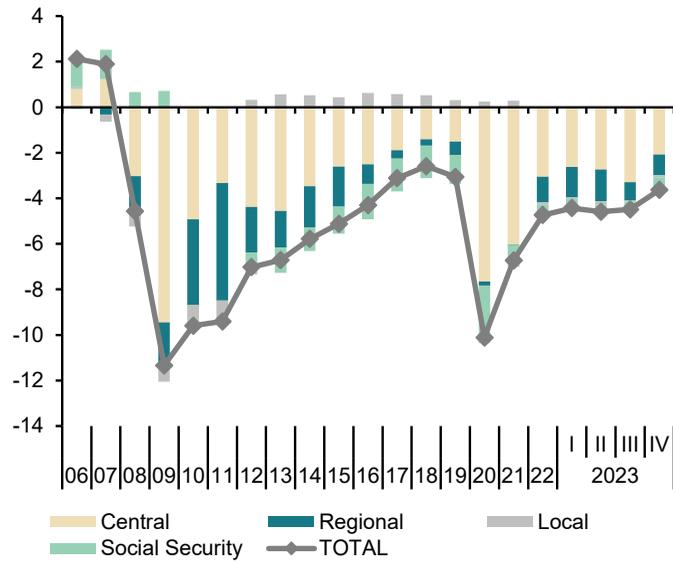
Forecasts in yellow

	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	--	--	--	--	-48.8	--	--	--	--	1,630.5	
2025	--	--	--	--	-48.7	--	--	--	--	1,682.2	
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	--	--	--	--	105.8	
2025	--	--	--	--	-3.0	--	--	--	--	104.6	
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	23.4	1.7	7.7	111.2
	II	-2.7	-1.4	-0.2	-0.3	-4.6	100.8	23.2	1.7	7.5	111.3
	III	-3.3	-0.8	0.0	-0.3	-4.5	99.9	22.7	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

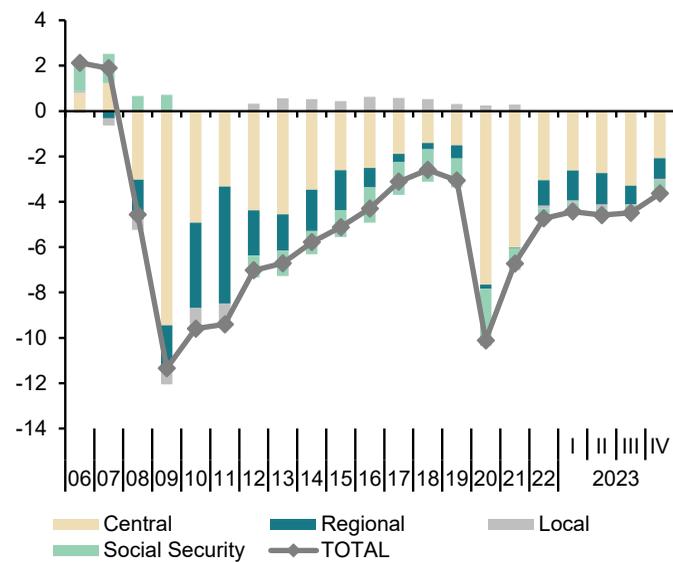


Table 8

**General activity and industrial sector indicators (a)**

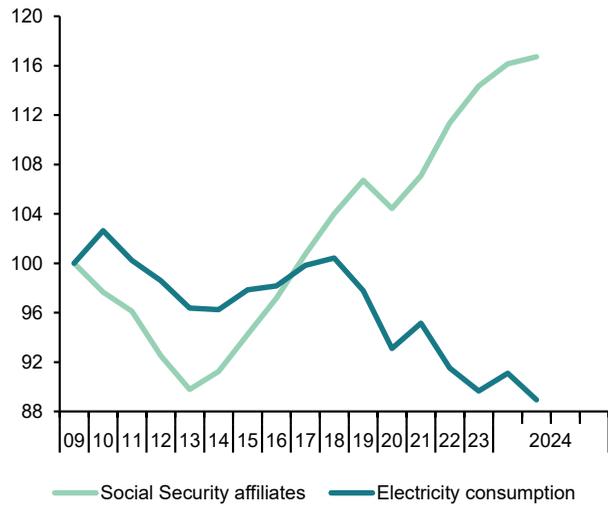
	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence 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	97.5	-5.4
2017	109.4	56.2	17,789.6	21.4	101.6	2,191.0	54.8	1.4	101.9	2.2
2018	108.2	54.6	18,364.5	21.5	102.2	2,250.9	53.3	-0.5	103.9	-0.2
2019	104.7	52.7	18,844.1	20.9	102.8	2,283.2	49.1	-3.6	103.9	-5.1
2020	89.6	41.5	18,440.5	19.9	93.2	2,239.3	47.5	-13.6	93.4	-30.0
2021	105.2	55.3	18,910.0	20.4	100.0	2,270.4	57.0	0.6	99.9	-1.8
2022	101.3	51.8	19,663.0	19.6	102.7	2,324.3	51.0	-0.8	103.1	1.6
2023	100.7	52.5	20,193.2	19.2	101.3	2,363.7	48.0	-6.5	101.5	-11.2
2024 (b)	102.8	54.1	20,377.7	21.2	104.1	2,379.1	51.1	-5.0	100.0	-9.8
2022	III	97.1	19,725.7	19.5	102.9	2,329.9	49.2	-4.9	104.2	-4.1
	IV	98.0	19,829.5	18.9	101.8	2,337.4	45.6	-5.3	102.7	-8.1
2023	I	100.2	19,972.3	19.3	101.6	2,347.8	50.1	-4.6	102.0	-9.0
	II	101.3	20,168.0	18.9	100.7	2,359.2	48.5	-5.2	101.7	-6.0
	III	100.9	20,263.8	19.1	100.6	2,369.0	47.4	-8.2	101.1	-15.4
	IV	100.3	20,365.4	19.3	101.0	2,378.4	45.8	-8.1	101.3	-14.3
2024	I	102.3	20,509.7	19.5	101.6	2,390.5	50.7	-5.2	100.7	-8.7
	II (b)	104.3	20,611.8	19.0	--	2,396.8	52.2	-4.4	--	-13.1
2024	Feb	102.3	20,510.2	19.7	102.1	2,390.6	51.5	-4.6	100.4	-7.4
	Mar	102.0	20,569.4	19.6	101.4	2,393.3	51.4	-5.7	101.1	-5.1
	Apr	104.3	20,611.8	19.0	--	2,396.8	52.2	-4.4	--	-13.1
Percentage changes (c)										
2016	--	--	3.1	0.3	1.8	2.8	--	--	2.6	--
2017	--	--	3.7	1.7	2.9	3.1	--	--	4.5	--
2018	--	--	3.2	0.6	0.6	2.7	--	--	2.0	--
2019	--	--	2.6	-2.6	0.6	1.4	--	--	0.0	--
2020	--	--	-2.1	-4.8	-9.3	-1.9	--	--	-10.1	--
2021	--	--	2.5	2.2	7.2	1.4	--	--	7.0	--
2022	--	--	4.0	-3.8	2.7	2.4	--	--	3.1	--
2023	--	--	2.7	-2.0	-1.4	1.7	--	--	-1.5	--
2024 (d)	--	--	2.6	1.1	1.4	1.8	--	--	-0.1	--
2022	III	--	0.5	-2.1	-0.1	0.5	--	--	-0.5	--
	IV	--	0.5	-3.3	-1.1	0.3	--	--	-1.5	--
2023	I	--	0.7	1.9	-0.2	0.4	--	--	-0.6	--
	II	--	1.0	-1.8	-0.9	0.5	--	--	-0.3	--
	III	--	0.5	0.9	-0.1	0.4	--	--	-0.6	--
	IV	--	0.5	1.2	0.4	0.4	--	--	0.2	--
2024	I	--	0.7	1.0	0.6	0.5	--	--	-0.6	--
	II (e)	--	0.5	-2.4	--	0.3	--	--	--	--
2024	Feb	--	0.3	2.5	0.7	0.1	--	--	-0.4	--
	Mar	--	0.3	-0.4	-0.7	0.1	--	--	0.7	--
	Apr	--	0.2	-2.9	--	0.1	--	--	--	--

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

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

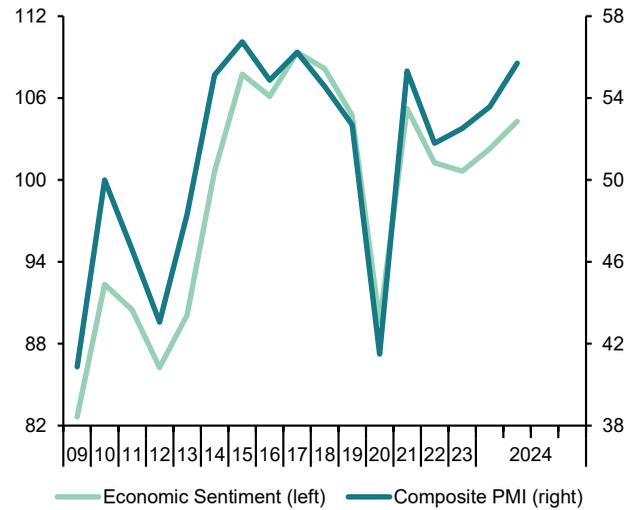
**Chart 8.1 - General activity indicators (I)**

Level, 2009=100



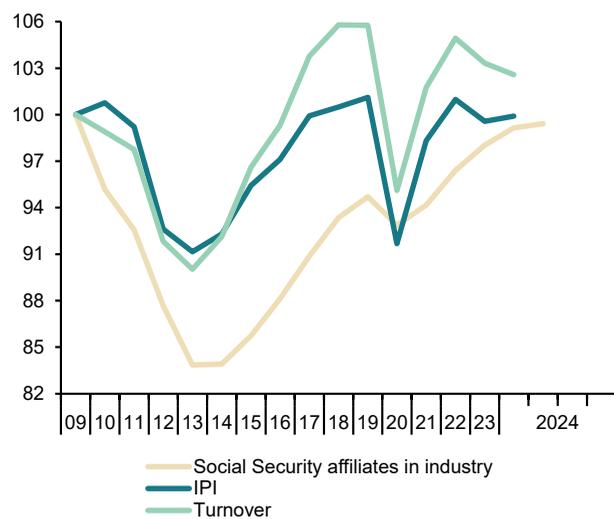
**Chart 8.2 - General activity indicators (II)**

Index



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

Level, 2009=100



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

Index

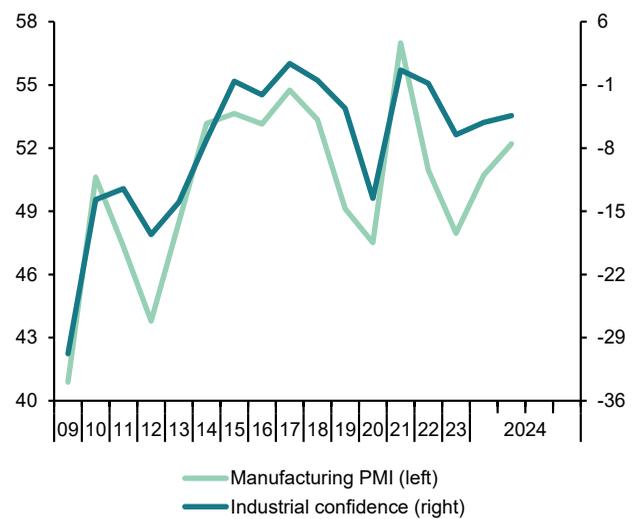


Table 9

**Construction and services sector indicators (a)**

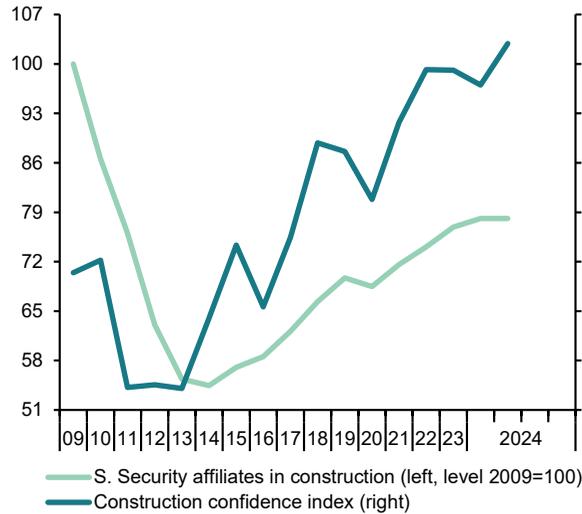
	Construction indicators					Service sector indicators						
	Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index deflated (h)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index	
	Thousands	2015=100	Balance of responses	EUR Billions, monthly average	Million m <sup>2</sup> 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	93.2	55.0	27.6	19.1	18.2	
2017	1,118.8	89.2	-25.1	1.1	1.3	13,338.2	97.8	56.4	28.4	20.7	22.9	
2018	1,194.1	91.9	-6.0	1.4	1.6	13,781.3	101.7	54.8	28.3	21.9	21.2	
2019	1,254.9	100.4	-7.7	1.4	1.7	14,169.1	104.7	53.9	28.6	23.1	13.9	
2020	1,233.1	89.2	-17.4	1.1	1.3	13,849.2	87.5	40.3	7.7	6.3	-25.5	
2021	1,288.6	100.0	-1.9	1.8	1.6	14,235.1	100.0	55.0	14.4	9.9	8.6	
2022	1,333.8	103.4	8.8	2.3	1.7	14,926.3	107.1	52.5	26.7	20.2	12.1	
2022	1,384.6	103.1	8.7	2.3	1.7	15,393.2	108.6	53.6	28.9	23.5	13.9	
2024 (b)	1,397.5	109.0	7.8	2.3	1.6	15,554.5	104.5	54.8	21.7	21.5	16.0	
2022	III	1,335.8	104.5	6.0	2.4	14,986.1	107.1	51.0	27.2	21.2	11.6	
	IV	1,356.5	105.0	14.8	3.0	15,071.7	109.0	50.8	27.8	22.1	5.9	
2023	I	1,377.7	107.5	3.4	2.0	15,188.8	109.1	56.3	28.6	22.8	10.0	
	II	1,381.5	101.8	12.8	2.5	15,373.4	108.9	56.0	28.9	23.2	14.3	
	III	1,384.4	101.0	5.8	2.3	15,458.8	107.0	50.8	28.7	23.8	16.0	
	IV	1,395.2	101.8	12.8	2.2	15,549.2	110.9	51.2	29.5	24.4	15.4	
2024	I	1,406.3	106.8	5.7	2.3	15,674.3	111.8	54.3	30.0	24.9	16.8	
	II (b)	1,406.2	--	14.1	--	15,764.8	--	56.2	30.0	25.5	13.7	
2024	Feb	1,406.3	107.3	6.7	2.1	15,674.5	112.9	54.7	29.9	25.0	14.9	
	Mar	1,404.5	108.0	8.3	3.2	15,728.0	110.5	56.1	30.3	25.2	16.7	
	Apr	1,406.2	--	14.1	--	15,764.8	--	56.2	30.0	25.5	13.7	
Percentage changes (c)												
2016	2.6	2.5	--	-1.7	29.0	3.4	5.6	--	7.4	11.0	--	
2017	6.2	8.3	--	37.1	24.8	3.8	5.0	--	2.8	8.3	--	
2018	6.7	3.0	--	30.8	24.5	3.3	4.0	--	-0.2	5.8	--	
2019	5.1	9.3	--	1.6	1.3	2.8	3.0	--	0.9	5.3	--	
2020	-1.7	-11.1	--	-23.2	-19.8	-2.3	-16.4	--	-73.1	-72.7	--	
2021	4.5	12.1	--	68.2	22.7	2.8	14.3	--	87.4	57.8	--	
2022	3.5	3.4	--	28.1	1.2	4.9	7.1	--	85.4	103.4	--	
2023	3.8	-0.3	--	-2.9	-0.6	3.1	1.4	--	8.3	16.3	--	
2024 (d)	2.0	0.4	--	13.5	-3.8	3.1	2.5	--	7.1	11.7	--	
2022	III	1.1	-0.3	--	18.9	-9.7	0.5	-0.3	--	1.6	6.4	--
	IV	1.5	0.5	--	45.0	7.2	0.6	1.8	--	1.9	4.0	--
2023	I	1.6	2.4	--	19.3	-3.7	0.8	0.0	--	3.1	3.1	--
	II	0.3	-5.3	--	14.8	12.2	1.2	-0.1	--	1.1	1.8	--
	III	0.2	-0.8	--	-3.2	0.8	0.6	-1.8	--	-0.7	2.7	--
	IV	0.8	0.8	--	-28.0	-9.1	0.6	3.7	--	2.7	2.4	--
2024	I	0.8	4.8	--	13.5	-3.4	0.8	0.8	--	1.7	2.4	--
	II (e)	0.0	--	--	--	--	0.6	--	--	0.1	2.1	--
2024	Feb	-0.1	2.3	--	36.8	-16.0	0.3	0.9	--	0.2	1.0	--
	Mar	-0.1	0.6	--	12.5	--	0.3	-2.1	--	1.5	0.9	--
	Apr	0.1	--	--	--	--	0.2	--	--	-0.9	1.2	--

(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 Commission, S&P Global, M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

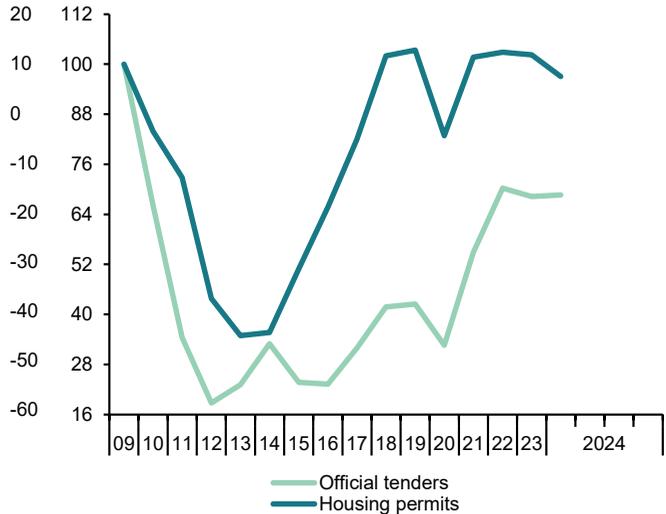
**Chart 9.1 - Construction indicators (I)**

Level, 2009=100 and index



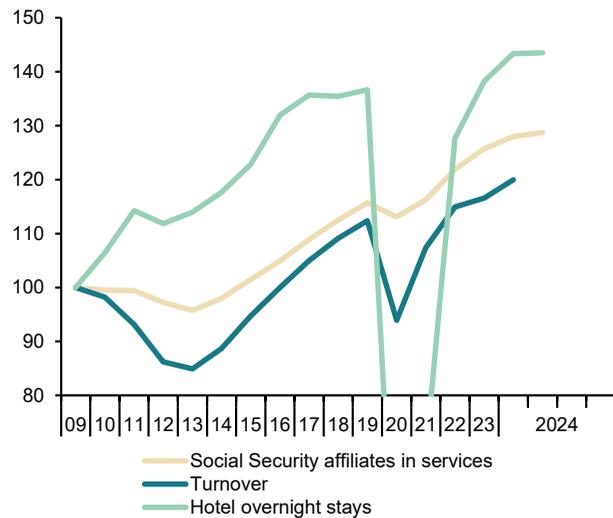
**Chart 9.2 - Construction indicators (II)**

Level, 2009=100



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

Level, 2009=100



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

Index

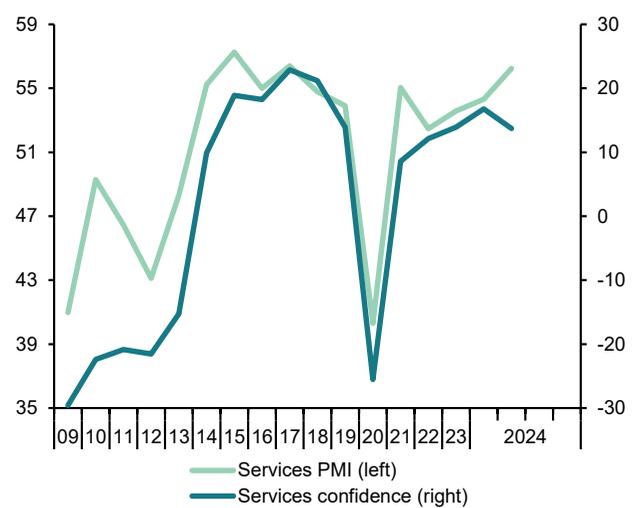


Table 10

**Consumption and investment indicators (a)**

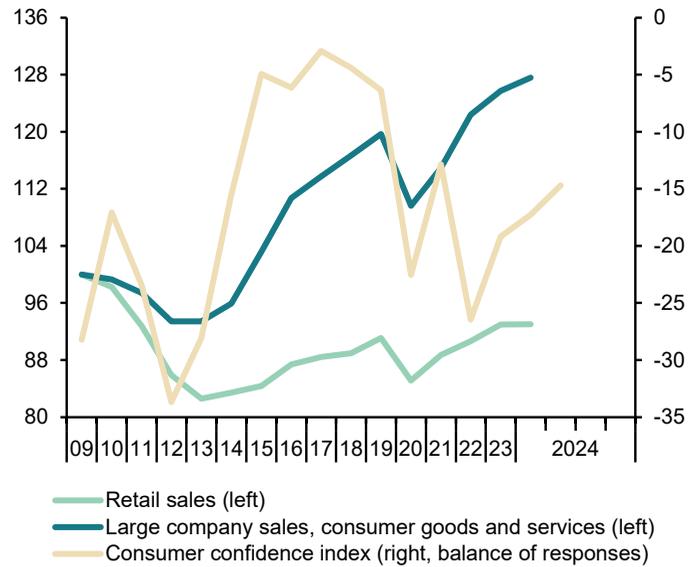
	Consumption indicators						Investment in equipment indicators			
	Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Large company sales (consumer goods and services)	Cargo vehicles registrations	Industrial 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	98.5	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	95.9	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	143.7
2024 (b)	99.1	92.9	-16.6	7.7	-8.7	116.9	18.6	6.9	131.8	135.5
2022 III	102.5	85.2	-33.4	10.2	-8.5	119.3	14.3	21.7	135.8	126.1
IV	102.4	85.3	-27.8	10.2	-6.1	119.6	15.5	27.5	138.8	131.3
2023 I	103.9	85.4	-22.5	10.2	-5.7	120.2	16.8	25.8	140.6	146.0
II	105.1	82.9	-19.1	10.3	-5.7	121.4	16.0	24.6	139.5	145.9
III	104.7	85.9	-16.1	9.9	-8.3	122.8	17.1	11.8	137.3	139.3
IV	105.3	96.3	-19.1	10.1	-7.4	123.0	19.0	9.4	135.9	143.4
2024 I	104.8	89.1	-17.3	10.2	-7.5	123.7	19.3	6.2	134.6	141.6
II (b)	--	94.3	-14.7	10.0	-12.4	--	19.2	8.9	--	--
2024 Feb	105.2	92.2	-17.2	10.1	-8.5	122.6	20.0	10.6	134.6	140.5
Mar	104.6	82.1	-15.9	10.2	-8.6	125.1	16.4	5.7	133.9	144.9
Apr	--	94.3	-14.7	10.0	-12.4	--	19.2	8.9	--	--
Percentage changes (c)										
2015	4.3	22.9	--	5.3	--	7.6	31.1	--	14.4	7.1
2016	3.6	12.4	--	3.6	--	7.3	6.1	--	4.1	4.0
2017	1.2	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	-6.5	-31.7	--	-57.2	--	-8.4	-22.6	--	-5.3	-6.5
2021	4.2	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	--	2.7	24.1	--	3.5	15.3
2024 (d)	0.8	8.7	--	-1.1	--	3.5	17.1	--	-6.8	-5.3
2022 III	-0.1	11.2	--	-1.1	--	2.6	7.5	--	9.4	15.6
IV	-0.1	0.1	--	-0.1	--	0.9	8.0	--	8.9	17.5
2023 I	1.4	0.1	--	0.8	--	2.3	8.3	--	5.3	52.7
II	1.2	-3.0	--	0.3	--	3.8	-4.9	--	-3.1	-0.3
III	-0.4	3.6	--	-3.7	--	5.0	7.3	--	-6.0	-16.7
IV	0.6	12.1	--	2.3	--	0.7	11.1	--	-4.1	12.2
2024 I	-0.5	-7.4	--	0.5	--	2.0	1.5	--	-3.9	-5.1
II (e)	--	5.8	--	-2.0	--	--	-0.6	--	--	--
2024 Feb	0.5	-1.0	--	-0.9	--	-0.6	-6.8	--	-0.4	0.9
Mar	-0.5	-10.9	--	0.5	--	2.1	-17.8	--	-0.5	3.1
Apr	--	14.9	--	-2.0	--	--	16.6	--	--	--

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

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

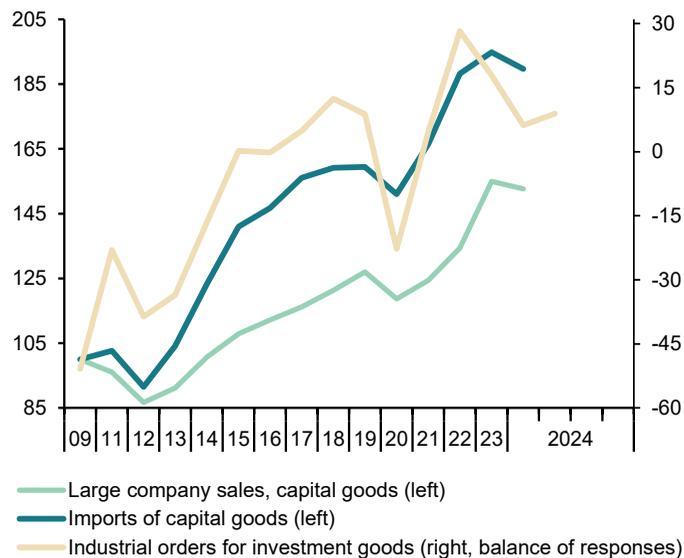
### Chart 10.1 - Consumption indicators

Level, 2009=100 and balance of responses



### Chart 10.2 - Investment indicators

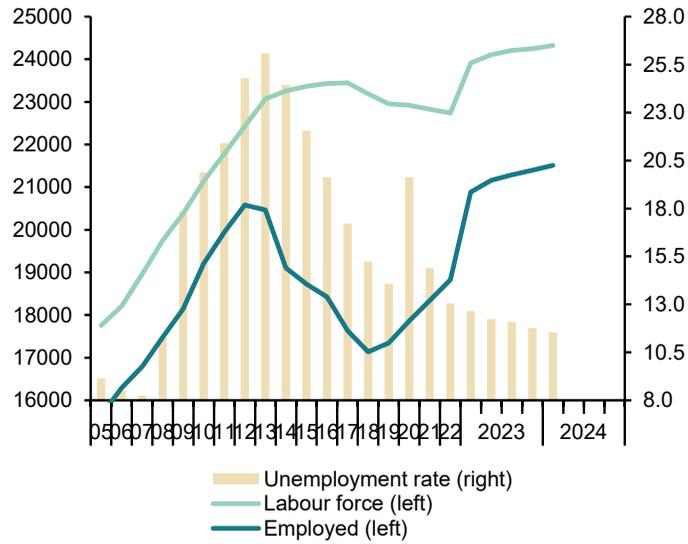
Level, 2009=100 and balance of responses





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

Thousands and percentage of active population



### Chart 11a.2 - Unemployment rates

Percentage

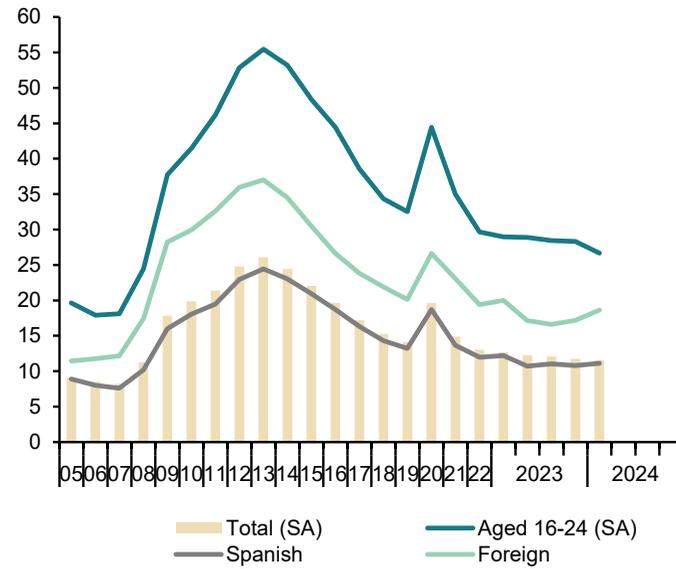


Table 11b

**Labour market (II)**

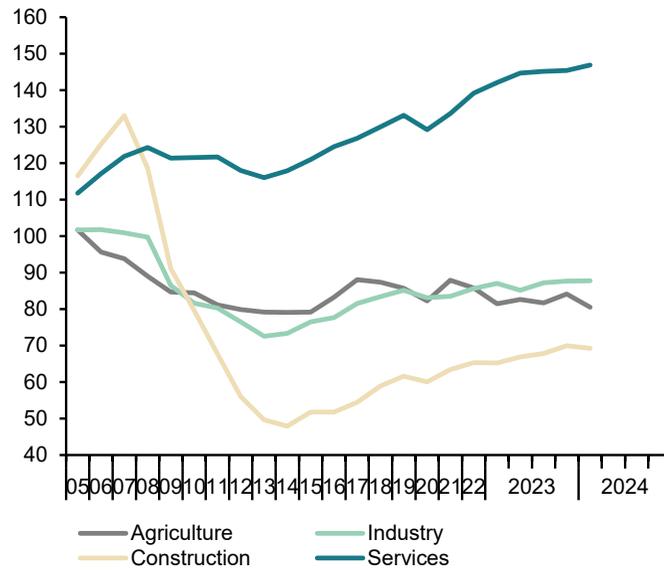
	Employed by sector				Employed by professional situation				Employed by duration of the working-day				
	Agriculture	Industry	Construction	Services	Employees			Self employed	Full-time	Part-time	Part-time employment rate (b)		
					Total	By type of contract							
						Tempo- rary	Indefinite					Temporary employment rate (a)	
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	16.50	2.83	14.65	
2019	0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.88	2.90	14.64	
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	0.82	2.71	1.32	14.99	16.66	4.21	12.45	25.2	3.17	17.08	2.75	13.87	
2022	0.80	2.78	1.35	15.61	17.37	3.70	13.66	21.3	3.18	17.76	2.78	13.55	
2023	0.77	2.81	1.40	16.20	17.96	3.10	14.87	17.2	3.22	18.36	2.82	13.31	
2024 (c)	0.77	2.83	1.42	16.24	18.06	2.84	15.23	15.7	3.19	18.31	2.94	13.84	
2022	II	0.81	2.78	1.37	15.64	3.91	13.49	22.5	3.20	17.77	2.84	13.77	
	III	0.75	2.82	1.37	15.81	3.59	13.97	20.4	3.19	18.08	2.66	12.84	
	IV	0.78	2.81	1.34	15.72	3.18	14.31	18.2	3.15	17.84	2.80	13.59	
2023	I	0.78	2.81	1.34	15.72	3.06	14.41	17.5	3.16	17.81	2.83	13.70	
	II	0.78	2.74	1.40	16.34	3.15	14.85	17.5	3.26	18.38	2.88	13.53	
	III	0.72	2.85	1.42	16.46	3.17	15.08	17.4	3.20	18.76	2.69	12.54	
	IV	0.79	2.86	1.44	16.30	3.01	15.12	16.6	3.26	18.51	2.88	13.47	
2024	I	0.77	2.83	1.42	16.24	2.84	15.23	15.7	3.19	18.31	2.94	13.84	
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	3.1	0.4	-0.3
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	-2.2	-6.9	-0.6
2021		6.9	0.5	5.7	3.4	3.4	8.5	1.8	1.2	2.6	3.5	2.0	-0.2
2022		-2.4	2.5	3.0	4.2	4.3	-11.9	9.7	-3.9	0.2	4.0	1.2	-0.3
2023		-3.9	1.3	3.2	3.8	3.4	-16.4	8.8	-4.1	1.3	3.4	1.2	-0.2
2024 (d)		-1.2	0.7	6.1	3.3	3.4	-7.2	5.7	-1.8	0.7	2.8	4.1	0.1
2022	II	-1.4	3.9	1.7	5.2	5.3	-6.2	9.2	-2.8	0.4	5.3	-0.2	-0.7
	III	-3.4	2.8	3.7	3.6	3.5	-19.2	11.6	-5.7	1.3	3.9	-1.5	-0.6
	IV	-8.7	1.1	2.2	2.5	2.7	-27.0	12.9	-7.4	-2.8	1.8	2.1	0.0
2023	I	-8.8	3.7	-0.7	2.8	2.7	-26.2	11.9	-6.8	-0.4	2.6	-0.2	-0.3
	II	-4.2	-1.6	2.4	4.4	3.4	-19.5	10.0	-5.0	1.8	3.5	1.3	-0.2
	III	-3.7	1.1	3.6	4.1	3.9	-11.5	7.9	-3.0	0.3	3.7	1.0	-0.3
	IV	1.6	2.0	7.5	3.7	3.7	-5.3	5.6	-1.6	3.5	3.8	2.7	-0.1
2024	I	-1.2	0.7	6.1	3.3	3.4	-7.2	5.7	-1.8	0.7	2.8	4.1	0.1

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

Source: INE (Labour Force Survey).

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

Level, 2003=100



**Chart 11b.2 - Temporary employment rate**

Percentage over total employees

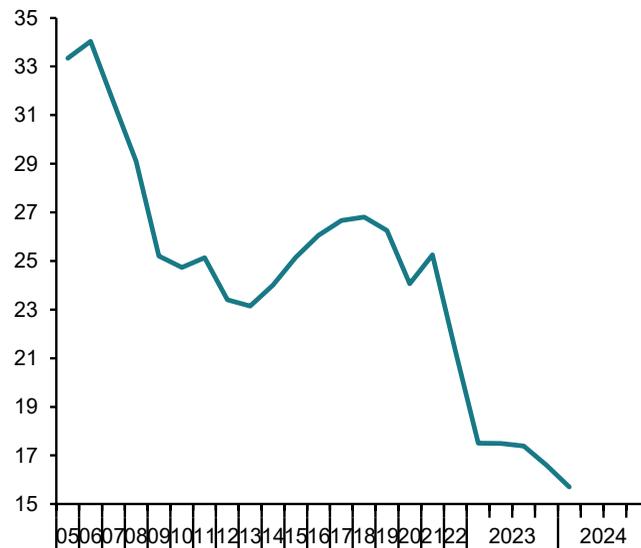


Table 12

### Index of Consumer Prices

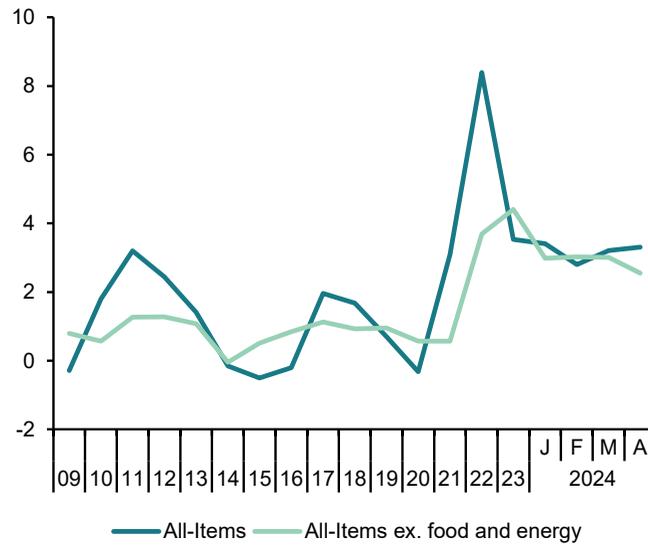
Forecasts in yellow

	Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food	
			Total	Non-energy industrial goods	Services	Processed food				
% of total in 2023	100.00	67.63	84.29	20.77	46.86	16.67	6.34	9.36	23.01	
Indexes, 2021 = 100										
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	115.9	111.1	114.9	109.3	111.5	130.1	127.0	110.7	129.1	
2025	118.5	113.4	117.6	109.9	114.6	134.5	131.6	111.8	133.5	
Annual percentage changes										
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	3.2	2.6	3.1	0.7	3.4	5.0	4.8	3.4	4.9	
2025	2.3	2.1	2.3	0.5	2.8	3.4	3.6	1.0	3.4	
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	3.2	3.0	3.3	0.9	3.9	4.7	3.1	1.6	4.3
	Apr	3.3	2.6	2.9	0.7	3.4	4.4	5.0	5.0	4.6
	May	3.7	2.6	3.0	0.7	3.4	4.6	4.8	8.9	4.6
	Jun	3.4	2.4	2.8	0.5	3.2	4.6	5.3	7.2	4.8
	Jul	3.4	2.4	3.0	0.5	3.2	5.3	4.6	6.1	5.1
	Aug	3.2	2.5	3.1	0.4	3.4	5.4	5.6	2.4	5.4
	Sep	2.8	2.4	2.9	0.4	3.3	5.1	4.5	0.3	4.9
	Oct	2.9	2.3	2.8	0.4	3.2	4.8	4.0	2.5	4.6
	Nov	3.3	2.5	2.9	0.4	3.4	4.7	3.4	7.0	4.3
	Dec	3.5	2.5	2.9	0.4	3.4	4.7	3.9	8.7	4.5
2025	Jan	3.2	2.6	2.9	0.4	3.6	4.3	4.3	4.5	4.3
	Feb	3.0	2.4	2.7	0.4	3.3	3.8	5.6	4.5	4.3
	Mar	2.6	2.2	2.5	0.5	2.9	4.0	4.8	1.6	4.2
	Apr	2.4	2.3	2.6	0.6	3.0	3.9	3.4	0.3	3.7
	May	2.3	2.2	2.5	0.6	2.9	3.9	3.9	-0.2	3.9
	Jun	2.3	2.1	2.4	0.5	2.8	3.7	4.1	0.0	3.8
	Jul	2.0	2.0	2.2	0.5	2.7	2.9	3.1	0.0	2.9
	Aug	1.9	1.9	2.1	0.5	2.6	2.7	2.9	0.2	2.7
	Sep	1.9	1.9	2.1	0.5	2.5	2.7	3.1	0.2	2.8
	Oct	1.9	1.9	2.0	0.5	2.5	2.8	2.8	0.3	2.8
	Nov	1.9	1.8	2.1	0.6	2.4	2.9	2.8	0.4	2.9
	Dec	2.0	1.8	2.1	0.6	2.4	3.1	2.8	0.5	3.0

Source: INE and Funcas (Forecasts).

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

Annual percentage changes



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

Annual percentage changes

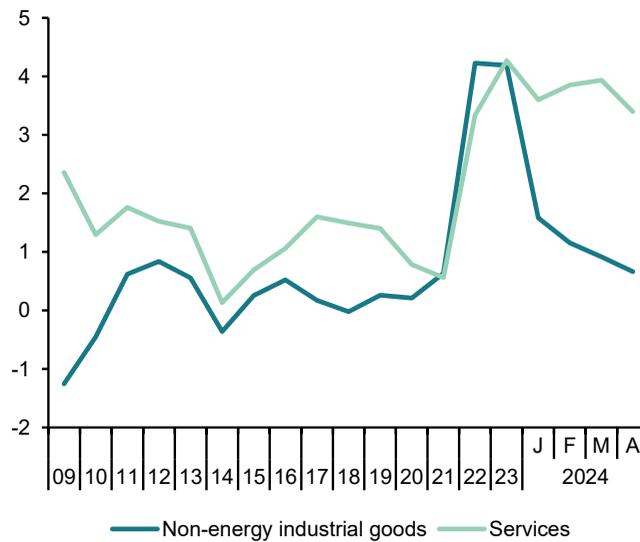


Table 13

## Other prices and costs indicators

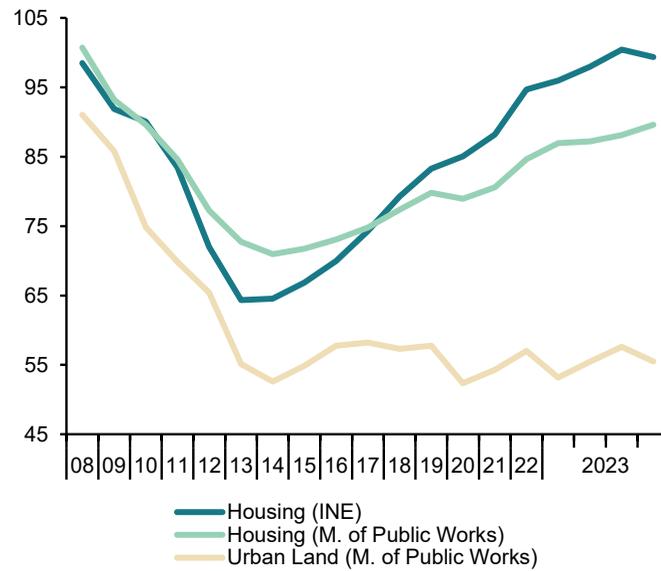
	GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining	
		Total	Excluding energy	Housing Price Index (INE)	m <sup>2</sup> average price (M. Public Works)		Total labour costs per worker	Wage 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)	122.5	122.4	118.3	--	--	--	--	--	--	--	--	
2022	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	118.6	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	121.7	127.3	117.5	99.4	89.6	55.5	177.9	176.7	181.4	196.2	--
2024	I	122.5	123.2	118.3	--	--	--	--	--	--	--	--
	II (b)	--	120.0	118.4	--	--	--	--	--	--	--	--
2024	Feb	--	123.0	118.2	--	--	--	--	--	--	--	--
	Mar	--	120.3	118.5	--	--	--	--	--	--	--	--
	Apr	--	120.0	118.4	--	--	--	--	--	--	--	--
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)		3.2	-6.8	0.0	--	--	--	--	--	--	--	2.9
2022	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	3.2	-6.9	0.1	--	--	--	--	--	--	--	2.9
	II (e)	--	-6.0	0.3	--	--	--	--	--	--	--	2.9
2024	Feb	--	-8.5	0.0	--	--	--	--	--	--	--	2.9
	Mar	--	-8.2	-0.1	--	--	--	--	--	--	--	2.9
	Apr	--	-6.6	0.0	--	--	--	--	--	--	--	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

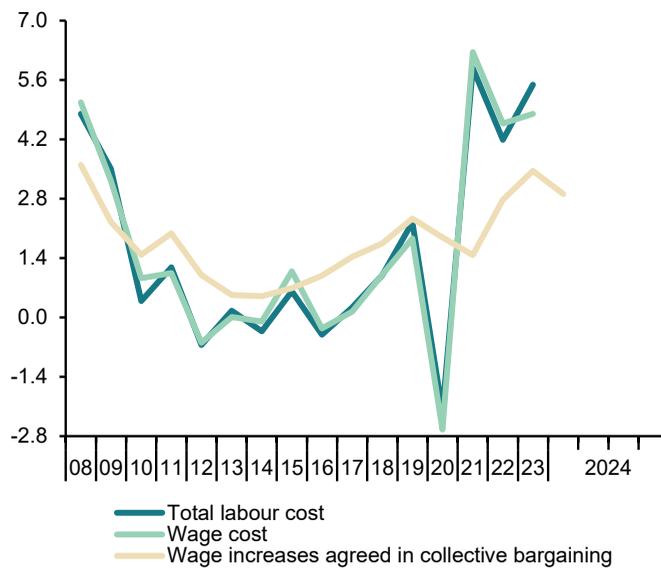


Table 14

**External trade (a)**

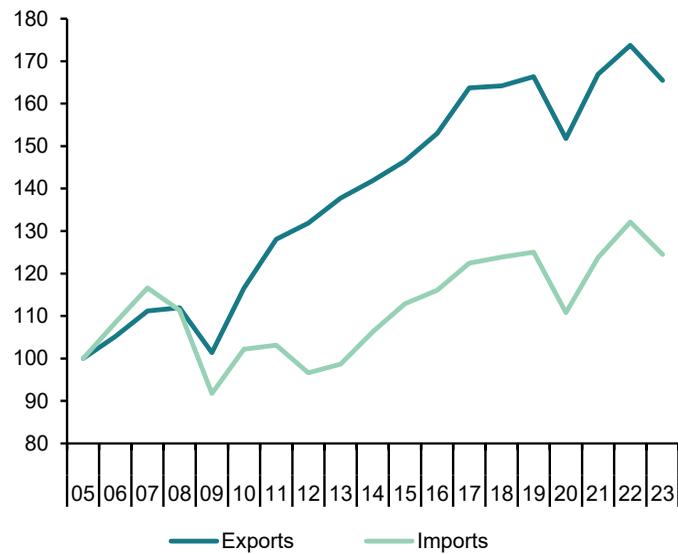
	Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)	
	Nominal	Prices	Real	Nominal	Prices	Real						
	2005=100			2005=100								EUR Billions
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	
2024(b)	246.1	150.1	163.9	179.8	147.8	121.6	19.8	11.4	-2.7	0.4	2.6	
2022	II	257.0	144.1	178.3	201.6	147.8	136.5	20.1	12.6	-6.0	-0.4	3.2
	III	262.4	146.3	179.3	206.6	154.7	133.6	21.2	12.2	-6.2	-1.7	3.7
	IV	262.0	148.5	176.4	200.0	154.5	129.4	21.6	12.1	-5.0	-0.2	3.9
2023	I	264.4	151.2	174.8	190.5	150.7	126.4	21.4	12.0	-2.9	0.6	3.7
	II	247.0	149.6	165.1	182.0	143.8	126.5	19.7	11.8	-3.5	-1.0	2.3
	III	243.0	148.4	163.7	178.7	143.3	124.7	19.5	12.0	-3.3	-1.4	2.0
	IV	246.0	149.3	164.8	183.1	147.7	123.9	19.8	12.1	-3.8	-2.5	2.4
2024	I	246.1	150.1	163.9	179.8	147.8	121.6	19.0	12.2	-3.1	0.2	1.6
2024	Jan	248.0	150.9	164.4	179.4	146.3	122.6	19.1	12.2	-2.8	1.8	1.7
	Feb	248.8	148.6	167.4	181.0	151.1	119.8	18.9	12.2	-3.0	0.2	1.6
	Mar	241.5	151.0	159.9	178.9	146.1	122.4	18.9	12.2	-3.6	-1.4	1.6
		Percentage changes (c)						Percentage of GDP				
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	
2024(d)	-5.6	3.0	-8.4	2.5	8.3	-5.3	-1.3	-4.8	--	--	--	
2022	II	9.8	5.8	3.8	9.5	4.8	4.5	7.4	13.1	-5.4	-0.4	2.9
	III	2.1	1.5	0.6	2.4	4.7	-2.1	5.5	-2.8	-5.5	-1.5	3.3
	IV	-0.2	1.5	-1.7	-3.2	-0.1	-3.1	1.9	-0.9	-4.3	-0.2	3.3
2023	I	0.9	1.8	-0.9	-4.7	-2.5	-2.3	-1.2	-1.0	-2.4	0.5	3.1
	II	-6.6	-1.1	-5.6	-4.5	-4.6	0.1	-7.6	-1.5	-2.9	-0.8	1.9
	III	-1.6	-0.8	-0.8	-1.8	-0.4	-1.4	-1.2	1.0	-2.8	-1.1	1.7
	IV	1.3	0.6	0.7	2.4	3.1	-0.6	1.5	1.6	-3.0	-2.0	1.9
2024	I	0.0	0.6	-0.5	-1.8	0.1	-1.9	-4.1	0.3	-2.5	0.2	1.3
2024	Jan	1.0	0.8	0.2	-1.9	-1.5	-0.5	-4.0	0.6	--	--	--
	Feb	0.3	-1.5	1.8	0.9	3.3	-2.3	-0.8	0.2	--	--	--
	Mar	-2.9	1.6	-4.5	-1.2	-3.3	2.2	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

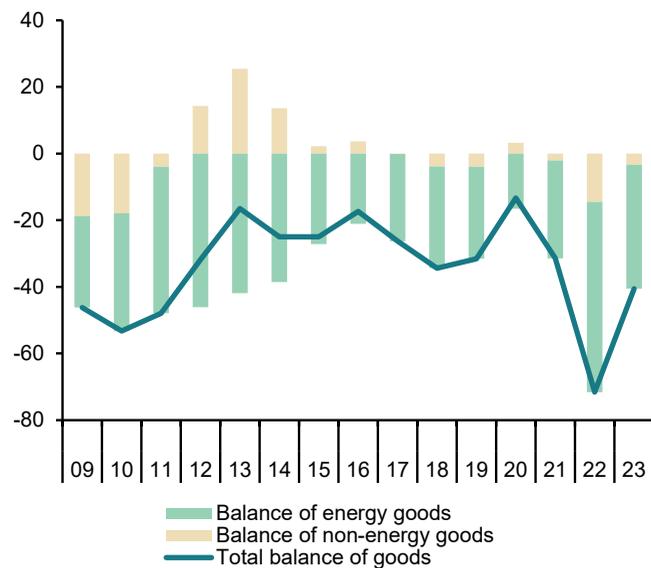


Table 15

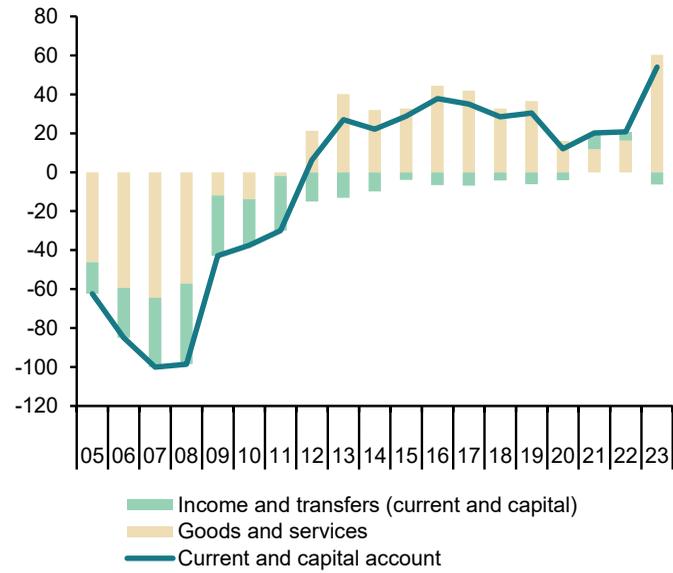
**Balance of Payments (according to IMF manual)**  
 (Net transactions)

	Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions	
	Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					Bank of Spain		
								Total	Direct investment	Portfolio 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															
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	38.01	-32.74	93.02	-9.23	-13.05	15.94	53.94	-55.30	-3.86	-17.85	-30.43	-3.16	115.57	6.33	
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	10.47	-4.36	16.90	-0.44	-1.64	2.85	13.32	-47.39	2.68	22.39	-69.95	-2.51	56.17	-4.54	
II	8.58	-7.93	24.81	-4.65	-3.65	2.25	10.83	-19.76	-15.86	-11.41	8.75	-1.24	33.66	3.07	
III	10.48	-11.78	30.01	-3.17	-4.59	3.28	13.75	-7.55	5.34	-11.58	0.39	-1.71	23.63	2.33	
IV	8.48	-8.68	21.30	-0.97	-3.17	7.56	16.04	19.40	3.98	-17.26	30.38	2.30	2.12	5.48	
			Goods and Services		Primary and Secondary Income										
2023	Dec	1.54	2.04		-0.50	4.96	6.51	48.90	-0.16	3.56	44.44	1.07	-39.36	3.03	
2024	Jan	5.13	3.16		1.97	0.30	5.43	-35.72	-0.42	-25.11	-9.58	-0.61	37.20	-3.94	
	Feb	1.90	4.82		-2.92	0.42	2.32	31.24	-4.66	6.33	30.28	-0.71	-32.94	-4.02	
Percentage of GDP															
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		2.6	-2.2	6.4	-0.6	-0.9	1.1	3.7	-3.8	-0.3	-1.2	-2.1	-0.2	7.9	0.4
2022 I	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	I	3.0	-1.2	4.8	-0.1	-0.5	0.8	3.8	-13.6	0.8	6.4	-20.0	-0.7	16.1	-1.3
	II	2.3	-2.2	6.8	-1.3	-1.0	0.6	3.0	-5.4	-4.3	-3.1	2.4	-0.3	9.2	0.8
	III	2.9	-3.3	8.3	-0.9	-1.3	0.9	3.8	-2.1	1.5	-3.2	0.1	-0.5	6.6	0.6
	IV	2.2	-2.3	5.5	-0.3	-0.8	2.0	4.2	5.0	1.0	-4.5	7.9	0.6	0.5	1.4

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

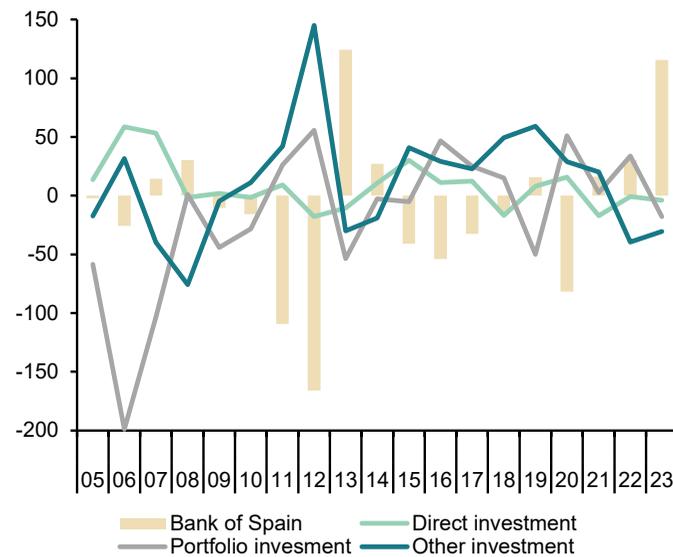


Table 16

**Competitiveness indicators in relation to EMU**

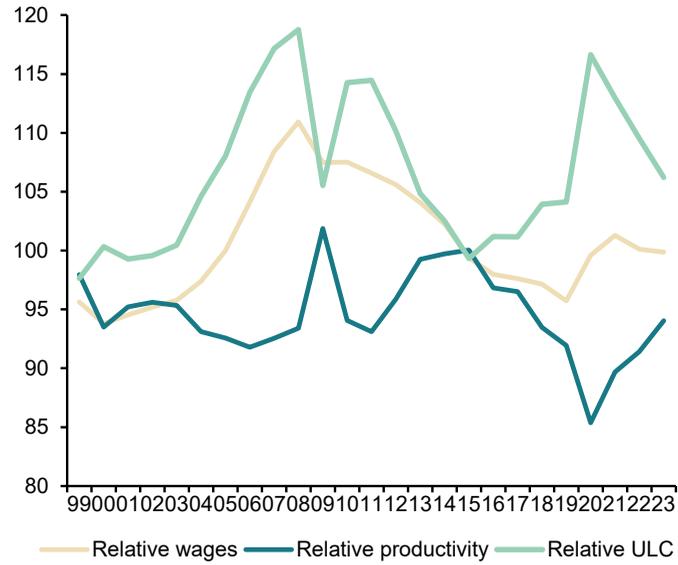
	Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries 1999 I = 100	
	Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU		
	1998=100			2015=100			2021=100				
2016	98.0	96.8	101.2	99.7	100.3	99.4	84.9	88.7	95.8	108.0	
2017	97.6	96.5	101.2	101.7	101.8	99.9	88.5	91.1	97.1	109.7	
2018	97.2	93.5	103.9	103.5	103.6	99.9	90.6	93.4	97.0	110.5	
2019	95.7	91.9	104.1	104.3	104.8	99.5	90.3	93.8	96.3	109.0	
2020	99.6	85.4	116.7	103.9	105.1	98.9	87.1	91.4	95.3	108.4	
2021	101.3	89.7	113.0	107.0	107.8	99.3	100.0	100.0	100.0	108.9	
2022	100.1	91.4	109.5	115.9	116.8	99.3	129.7	126.0	102.9	108.0	
2023	99.9	94.0	106.2	119.9	123.2	97.3	125.6	124.6	100.8	107.0	
2024 (b)	--	--	--	122.2	124.8	97.9	121.3	121.3	100.0	107.4	
2022 II	--	--	--	116.5	116.1	100.4	130.7	124.0	105.3	109.2	
2022 III	--	--	--	117.6	118.1	99.6	134.8	131.5	102.5	107.8	
2022 IV	--	--	--	117.4	120.8	97.1	131.0	131.1	99.9	105.9	
2023 I	--	--	--	117.9	121.3	97.2	127.8	128.5	99.5	106.7	
2023 II	--	--	--	119.7	123.3	97.1	124.6	123.6	100.8	106.8	
2023 III	--	--	--	120.7	124.0	97.4	125.6	123.0	102.1	107.0	
2023 IV	--	--	--	121.3	124.2	97.7	124.3	123.1	101.0	107.3	
2024 I	--	--	--	121.7	124.4	97.8	121.3	121.3	100.0	107.3	
2024 Feb	--	--	--	121.3	124.4	97.5	121.1	121.2	99.9	106.8	
2024 Mar	--	--	--	122.9	125.3	98.1	119.2	120.9	98.6	107.8	
2024 Apr	--	--	--	123.7	126.1	98.1	--	--	--	107.9	
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	4.2	2.7	1.4	1.5	
2018	-0.5	-3.1	2.8	1.7	1.7	0.0	2.4	2.6	-0.2	0.8	
2019	-1.5	-1.6	0.2	0.8	1.2	-0.4	-0.3	0.4	-0.7	-1.3	
2020	4.0	-7.1	12.0	-0.3	0.3	-0.6	-3.6	-2.6	-1.0	-0.6	
2021	1.7	5.0	-3.2	3.0	2.6	0.4	14.9	9.4	4.9	0.4	
2022	-1.2	1.9	-3.0	8.3	8.4	-0.1	29.7	26.0	2.9	-0.8	
2023	-0.2	2.9	-3.0	3.4	5.4	-2.0	-3.1	-1.1	-2.0	-0.9	
2024 (c)	--	--	--	3.3	2.5	0.8	-5.1	-5.6	0.5	0.6	
2022 II	--	--	--	8.9	8.0	0.9	36.7	28.9	7.8	-0.3	
2022 III	--	--	--	10.0	9.3	0.7	32.9	31.6	1.3	-0.5	
2022 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	
2023 II	--	--	--	2.8	6.2	-3.4	-4.6	-0.3	-4.3	-2.2	
2023 III	--	--	--	2.6	5.0	-2.4	-6.9	-6.5	-0.4	-0.7	
2023 IV	--	--	--	3.3	2.7	0.6	-5.1	-6.1	1.0	1.4	
2024 I	--	--	--	3.2	2.6	0.6	-5.1	-5.6	0.5	0.5	
2024 Feb	--	--	--	2.9	2.6	0.3	-6.2	-5.8	-0.4	0.2	
2024 Mar	--	--	--	3.3	2.4	0.9	-6.2	-5.3	-0.9	0.8	
2024 Apr	--	--	--	3.4	2.4	1.0	--	--	--	0.8	

(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

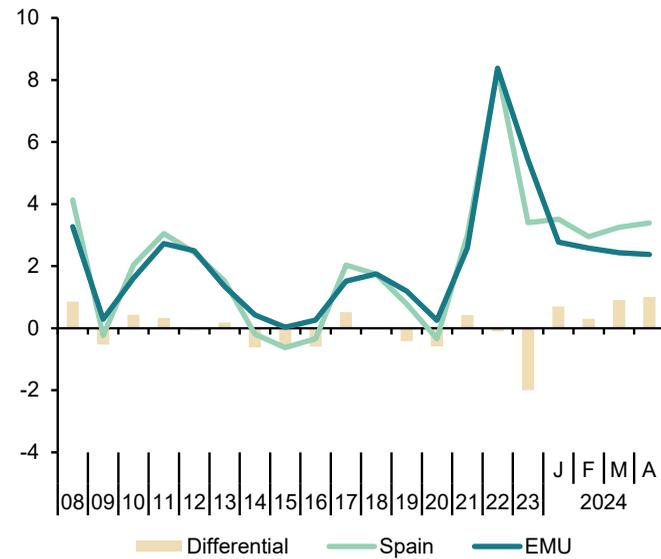


Table 17a

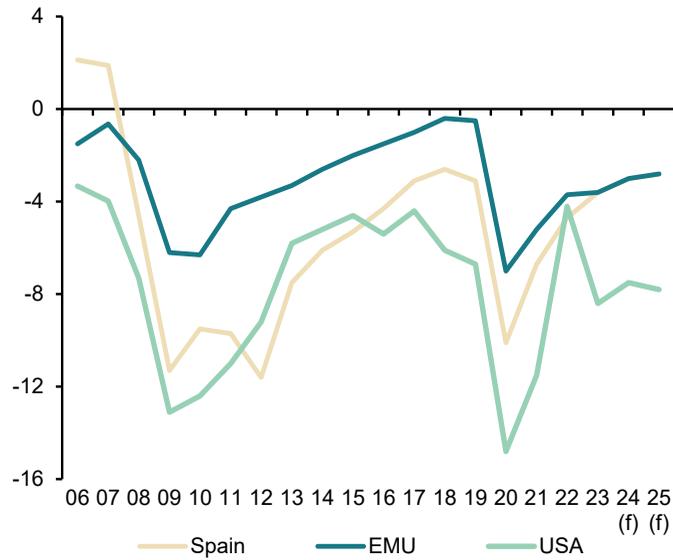
**Imbalances: International comparison (I)**  
(In yellow: European Commission Forecasts)

	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									
2010	-102.2	-604.0	-1,866.1	649.2	8,216.5	14,025.2	-39.2	-	-432.0
2011	-103.6	-419.3	-1,712.6	743.0	8,678.3	15,222.9	-29.0	-	-455.3
2012	-119.1	-378.1	-1,497.0	927.8	9,173.9	16,432.7	0.9	-	-418.2
2013	-76.8	-323.5	-983.5	1,025.7	9,503.0	17,352.0	20.8	206.8	-339.5
2014	-63.1	-267.7	-911.1	1,084.8	9,749.7	18,141.4	17.5	236.6	-370.1
2015	-57.2	-215.1	-842.3	1,113.7	9,872.1	18,922.2	21.8	285.7	-408.5
2016	-47.9	-161.7	-1,013.9	1,145.1	10,016.4	19,976.8	35.4	325.4	-396.2
2017	-36.2	-113.7	-868.7	1,183.4	10,128.2	20,492.7	32.2	349.7	-367.6
2018	-31.2	-50.4	-1,263.4	1,208.9	10,230.7	21,974.1	22.6	323.4	-439.8
2019	-38.1	-60.7	-1,443.5	1,223.4	10,322.5	23,201.4	26.2	287.2	-441.8
2020	-113.2	-804.3	-3,152.6	1,345.8	11,379.1	27,747.8	6.9	192.3	-597.1
2021	-82.3	-651.7	-2,717.7	1,428.1	12,000.1	29,617.2	9.3	338.2	-831.4
2022	-63.7	-494.5	-1,087.7	1,502.8	12,441.3	31,419.7	8.2	-79.0	-971.6
2023	-53.2	-515.7	-2,306.6	1,573.8	12,897.2	34,001.5	38.0	239.8	-818.8
2024	-46.0	-445.1	-2,162.9	1,626.7	13,400.5	35,923.6	43.7	-	-891.8
2025	-44.5	-435.7	-2,342.7	1,686.3	13,942.1	38,019.9	46.4	-	-944.8
Percentage of GDP									
2010	-9.5	-6.3	-12.4	60.5	86.2	93.2	-3.7	-	-2.9
2011	-9.7	-4.3	-11.0	69.9	88.6	97.6	-2.7	-	-2.9
2012	-11.6	-3.8	-9.2	90.0	93.3	101.1	0.1	-	-2.6
2013	-7.5	-3.3	-5.8	100.5	95.6	102.8	2.0	2.1	-2.0
2014	-6.1	-2.6	-5.2	105.1	95.9	103.0	1.7	2.3	-2.1
2015	-5.3	-2.0	-4.6	103.3	93.8	103.4	2.0	2.7	-2.2
2016	-4.3	-1.5	-5.4	102.7	92.6	106.2	3.2	3.0	-2.1
2017	-3.1	-1.0	-4.4	101.8	90.2	104.5	2.8	3.1	-1.9
2018	-2.6	-0.4	-6.1	100.4	88.2	106.4	1.9	2.8	-2.1
2019	-3.1	-0.5	-6.7	98.2	86.1	107.8	2.1	2.4	-2.1
2020	-10.1	-7.0	-14.8	120.3	99.2	130.1	0.6	1.7	-2.8
2021	-6.7	-5.2	-11.5	116.8	96.6	125.5	0.8	2.7	-3.5
2022	-4.7	-3.7	-4.2	111.6	92.6	122.0	0.6	-0.6	-3.8
2023	-3.6	-3.6	-8.4	107.7	90.2	124.3	2.6	1.7	-3.0
2024	-3.0	-3.0	-7.5	105.5	90.2	125.1	2.8	-	-3.1
2025	-2.8	-2.8	-7.8	104.8	90.6	127.3	2.9	-	-3.2

Source: European Commission Forecasts, Spring 2024.

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

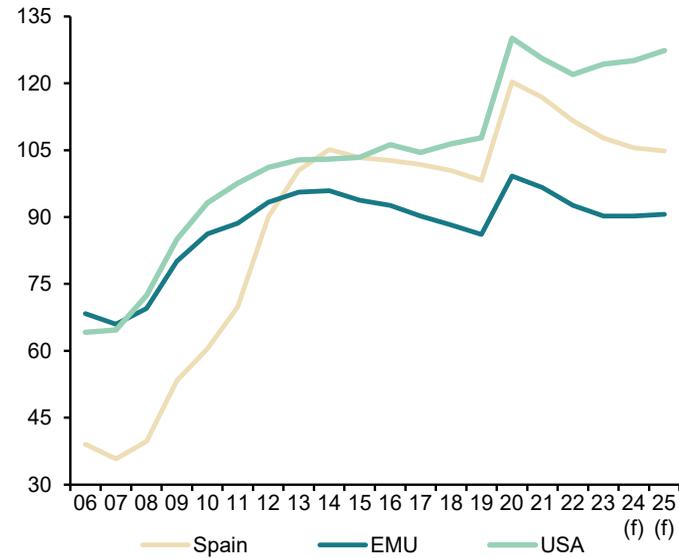
Percentage of GDP



(f) European Commission forecast.

**Chart 17a.2 - Government gross debt**

Percentage of GDP



(f) European Commission forecast.

Table 17b

**Imbalances: International comparison (II)**

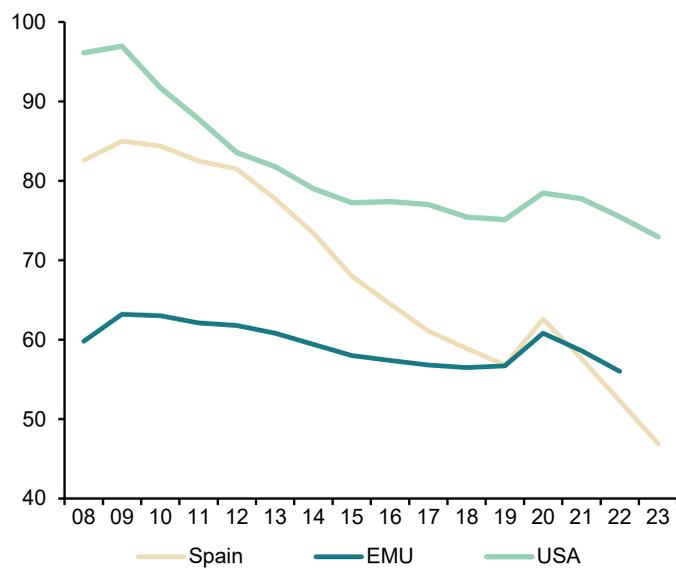
	Household debt (a)			Non-financial corporations debt (a)		
	Spain	EMU	USA	Spain	EMU	USA
Billions of national currency						
2008	916.7	5,784.4	14,200.6	1,273.7	7,961.4	11,020.0
2009	908.9	5,890.7	14,037.3	1,274.7	8,034.2	10,509.2
2010	905.2	6,031.9	13,804.9	1,274.3	8,134.3	10,377.9
2011	877.9	6,112.3	13,692.8	1,230.1	8,360.6	10,648.1
2012	840.7	6,104.1	13,582.7	1,104.3	8,488.1	11,229.4
2013	793.4	6,064.0	13,807.9	1,024.9	8,395.2	11,800.9
2014	757.5	6,071.1	13,911.7	971.3	8,490.6	12,623.2
2015	733.1	6,134.7	14,134.9	945.6	8,907.3	13,479.4
2016	718.3	6,238.6	14,554.1	927.4	9,059.8	14,151.7
2017	710.8	6,401.0	15,109.5	907.0	9,115.8	15,162.6
2018	709.4	6,589.5	15,582.0	893.2	9,379.4	16,151.0
2019	707.6	6,822.3	16,165.1	898.5	9,654.9	16,846.8
2020	700.4	7,008.0	16,730.5	954.3	10,104.0	18,408.8
2021	704.2	7,306.8	18,343.2	978.9	10,559.7	19,525.6
2022	703.6	7,563.8	19,429.5	958.4	10,815.0	20,761.5
2023	685.4	--	19,955.2	946.5	--	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	56.7	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	56.0	75.5	71.2	80.1	80.6
2023	46.9	--	72.9	64.8	--	77.2

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

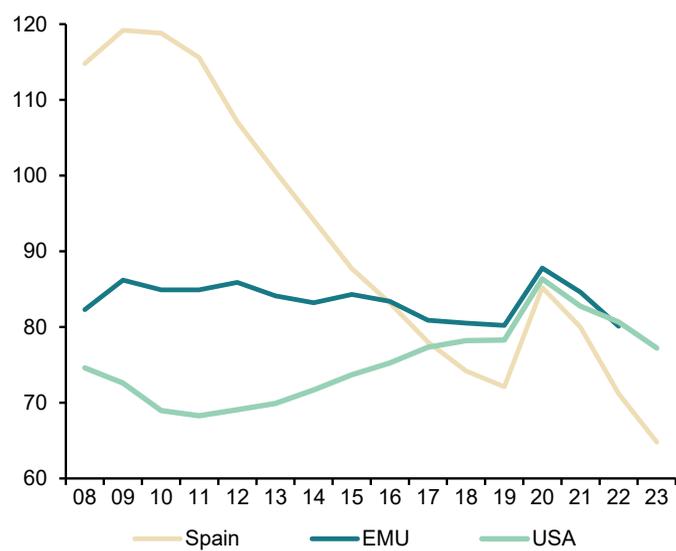
**Chart 17b.1 - Household debt**

Percentage of GDP



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

Percentage of GDP



# 50 Financial System Indicators

Updated: May 15<sup>th</sup>, 2024

Highlights		
Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.04	February 2024
Other resident sectors' deposits in credit institutions (monthly average % var.)	0.04	February 2024
Doubtful loans (monthly % var.)	-1.5	February 2024
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	150,328	April 2024
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	2,092	April 2024
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	75	April 2024
"Operating expenses/gross operating income" ratio (%)	39.33	December 2023
"Customer deposits/employees" ratio (thousand euros)	12,992.81	December 2023
"Customer deposits/branches" ratio (thousand euros)	116,854.11	December 2023
"Branches/institutions" ratio	95.15	December 2023

## A. Money and Interest Rates

Indicator	Source	Average 2001-2021	2022	2023	2024 April	2024 May 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	3.888	3.819	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.5	0.992	3.868	3.703	3.659	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.0	3.2	3.4	3.4	3.2	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%. Although the ECB calls for prudence, market expectations are that rate cuts will come soon. These expectations are being reflected in interbank rates. In the first half of May, the 12-month Euribor (the main reference for mortgages) has fallen to 3.659% from 3.703% in April, while the 3-month reference has also decreased, dropping from 3.888% in April to 3.819% in mid-May. The yield on the 10-year government bond has decreased from 3.4% in April to 3.2% in mid-May.*

## B. Financial Markets

Indicator	Source	Average 2001-2021	2022	2023	2024 February	2024 March	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	35.3	27.8	26.91	20.89	16.15	(Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	22.6	12.4	12.01	12.93	12.47	(Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.37	0.26	0.48	0.17	0.00	(Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.59	0.44	0.25	0.14	0.20	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.31	0.02	3.15	3.74	3.65	Outright transactions in the market (not exclusively between account holders)
11. Ten-year maturity treasury bonds interest rate	BE	3.14	2.17	3.55	3.1	-	Average rate in 10-year bond auctions
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.11	-1.3	1.1	-1.0	9.35	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	2.4	1.8	0.2	5.0	19.5	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	980.4	824.2	927.57	1,076.93 (b)	1,126.28 (a)	Base 1985=100
15. IBEX-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,504.5	8,851.0	9,347.05	10,854.4 (b)	11,362.8 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	4,482.6	10,466.4	12,970.61	15,657.82 (b)	16,742.39 (a)	Nadaq composite index
17. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.6	16.1	27.5	24.8 (b)	25.3 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

## B. Financial Markets (continued)

Indicator	Source	Average 2001-2021	2022	2023	2023 February	2024 March	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	0.86	8.01	8.0	8.3	-	Change in the outstanding short-term debt of non-financial firms
19. Short-term private debt. Outstanding amounts	BE	0.99	-5.72	-5.7	-1.2	-	Change in the outstanding long-term debt of non-financial firms
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.4	-1.21	34.5	-12.2	2.7	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	15.1	35.8	41.8	-33.3	14.1	IBEX-35 shares concluded transactions

(a) Last data published: May 15<sup>th</sup> 2024; (b) Last data published: April 30<sup>th</sup> 2024.

Comment on "Financial Markets": In the first half of May, Spanish stock indices have continued the upward trend initiated in the second half of April, reaching year-to-date highs. The IBEX-35 has reached 11,362.8 points, while the General Index of the Madrid Stock Exchange stands at 1,126.28 points. In February (the latest available data), there was a decline in the trading ratio of simple cash transactions with Treasury bills (down to 16.15%) and in the trading ratio of simple transactions with government bonds (down to 12.47%). Transactions with IBEX-35 stock futures increased by 2.7%, while financial options on the same index rose by 14.1% compared to the previous month.

## C. Financial Saving and Debt

Indicator	Source	Average 2008-2020	2021	2022	2023 Q3	2023 Q4	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-0.9	1.9	1.5	3.5	3.7	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	2.6	3.3	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	256.7	256.8	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	48.0	46.9	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.9	2.7	2.8	-0.6	2.9	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	-2.2	0.1	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": In the fourth quarter of 2023, financial savings in the overall economy increased to 3.7% of GDP. In the household sector, the financial savings rate was 3.3% of GDP. It is also observed that household financial debt has decreased to 46.9% of GDP.

## D. Credit institutions. Business Development

Indicator	Source	Average 2001-2021	2022	2023	2024 January	2024 February	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	0.2	-0.04	4.9	-0.04	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	6.0	0.01	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	8.3	1.2	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	7.5	-0.1	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	-1.9	2.5	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.4	-0.4	-1.5	-0.4	-1.5	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.1	0.6	-2.4	2.1	-2.4	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	6.4	-0.1	0.1	6.3	0.1	Equity percentage change for the sum of banks, savings banks and credit unions.

*Comment on "Credit institutions. Business Development": In February, the latest available data, there was a slight decrease in credit to the private sector of 0.04%. Deposits increased by 0.01%. Fixed-income securities increased their balance sheet weight by 1.2%, while stocks and shares fell by 0.1%. Additionally, there was a slight decrease in the volume of non-performing loans by 1.5% compared to the previous month.*

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

Indicator	Source	Average 2000-2020	2021	2022	2023 September	2023 December	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	172	110	110	110	109	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	76	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	17,458	17,603	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	587,195	150,328 (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	37,588	2,092 (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	393	75 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2022.

(b) Last data published: April 30<sup>th</sup>, 2024.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In April 2024, the net appeal to the Eurosystem by Spanish financial institutions was 2,092 million euros.

MEMO ITEM: Since January 2015, the European Central Bank has also been reporting the amount of various asset purchase programs. In April 2024, their value in Spain was 598,466 billion euros and 4.5 trillion euros in the entire Eurozone.

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q3	2023 Q4	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	47.24	54.18	46.99	42.20	39.33	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	12,899.22	12,992.81	Productivity indicator (business by employee)
45. "Customer deposits/branches" ratio (Euro thousands)	Bank of Spain	31,099.47	111,819.77	117,256.85	116,975.59	116,854.11	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q3	2023 Q4	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	178.52	98.01	92.88	92.86	95.15	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.11	9.2	9.3	9.0	8.9	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	-0.07	0.6	1.3	0.7	1.6	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.5	0.7	0.9	1.0	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.25	6.9	9.8	11.77	12.3	Profitability indicator, defined as the "pre-tax profit/equity capital"

*Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2023Q4, there was a relative increase in the profitability of Spanish banks. The RoE reached 12.3%.*

# 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 <sup>b</sup>	696,866 <sup>b</sup>
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	48,610,458		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.

b: 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 year 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
2024	19,511●	2.47●				
Sources	LFS	LFS	EPF	EPF	EPF	LFS

EPF: Encuesta de Presupuestos Familiares.

● Data refer to January-March

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

Emancipation rate 25-29 year 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	34.3	32.2	1.07	0.93	15.0	0.28
2014	0.49	0.52	0.34	84.3	34.4	32.3	1.05	1.00	13.7	0.29
2015	0.52	0.55	0.34	83.7	34.8	32.7	1.17	1.10	13.1	0.28
2016	0.54	0.58	0.37	83.1	35.1	32.9	1.28	1.25	13.2	0.28
2017	0.55	0.58	0.38	82.4	35.3	33.2	1.37	1.37	14.0	0.29
2018	0.53	0.57	0.36	81.5	35.6	33.4	1.45	1.54	14.2	0.28
2019	0.53	0.57	0.37	80.5	36.0	33.9	1.54	1.64	15.1	0.27
2020	0.28	0.30	0.22	76.6	37.1	34.9	1.72	1.93	17.3	0.23
2021	0.47	0.52	0.30	80.4	36.8	34.6	1.54	2.00	14.8	0.25
2022	0.58	0.63	0.37	81.4	36.7	34.6	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	31.0	27.3	1.27	1.23	1.52	40.9	41.0	40.2	11.7	62.2	62.2
2014	31.1	27.5	1.32	1.27	1.61	42.5	43.1	39.7	10.5	63.3	63.3
2015	31.2	27.6	1.33	1.28	1.65	44.5	45.5	39.6	10.4	63.9	63.9
2016	31.3	27.6	1.33	1.28	1.71	45.9	47.0	40.7	10.4	64.5	64.5
2017	31.5	27.6	1.31	1.25	1.70	46.8	48.1	41.1	10.5	64.6	64.6
2018	31.6	27.8	1.26	1.20	1.64	47.3	48.9	41.2	11.1	63.7	63.7
2019	31.7	28.1	1.23	1.17	1.58	48.4	50.1	42.4	11.5	62.6	62.6
2020	31.8	28.3	1.18	1.13	1.45	47.6	50.0	39.3	10.3	64.1	64.1
2021	32.1	28.8	1.18	1.15	1.35	49.3	52.0	39.2	10.7	65.1	65.1
2022	32.2	28.5	1.16	1.12	1.35	50.1	53.1	40.3	11.7	66.7	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 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 postgraduate 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	18.4	34.1	5.6	48.5	36.0	70.4	41.1	53.6	47.6	
2022	18.0	34.4	5.6	50.2	42.0	69.5	42.3	54.6	47.3	
2023	17.8	34.9	5.3	52.0	45.7	67.2	42.7	54.8	46.2	
2024●	17.3	35.3	5.3	51.9						
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	4.71		
2023		13.6			
Sources	MU	MEFPD	MEFPD	OECD	OECD

● Data refer to January-March

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 postgraduate 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	1000	2,348,388	624			197,303	252,328
2015	0.16	17.2	931,668	923	5,641,908	1021	2,353,257	631	838,392	1,102,529	198,891	253,838
2016	0.14	17.0	938,344	930	5,731,952	1043	2,358,666	638	763,697	997,192	199,762	254,741
2017	0.14	16.7	947,130	936	5,826,123	1063	2,360,395	646	726,575	902,193	199,120	256,187
2018	0.14	16.9	951,838	946	5,929,471	1091	2,359,931	664	751,172	853,437	196,375	256,842
2019	0.14	17.4	957,500	975	6,038,326	1138	2,361,620	712	807,614	912,384	193,122	259,570
2020	0.21	22.2	952,704	985	6,094,447	1162	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	1190	2,353,987	740	922,856	969,412	184,378	262,177
2022		18.8	951,067	1035	6,253,797	1254	2,351,703	778	773,227	882,585	179,967	265,831
2023			945,963	1119	6,367,671	1375	2,351,851	852	801,091	875,969	175,792	272,188
2024*			945,182	1161	6,454,650	1437	2,351,795	893	865.983■	910.864■	172.887■	277.612■
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

\* Data refer to January-April.

■ Data refer to January-March.

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 assigned	Primary care nurses per 1,000 people assigned	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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