SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

VOLUME 13 | number 5, September 2024

Spanish banks: Navigating uncertainty

funcas

WHAT MATTERS

SEFO is a bi-monthly Economic Journal published by Funcas and written by its experts, on the most pressing issues facing the Spanish and international economy / financial system today.

Readers can find this and archived issues of SEFO at www.funcas.es. Please contact us to request permission to republish an article at **publica@funcas.es**

Electronic Edition
An electronic edition of this Journal is available at
http://www.funcas.es/Publicaciones

Contact
publica@funcas.es

Web Site
www.funcas.es

Orders or Claims:
Funcas, publications
Tel.; +34-91-5965481, Fax: +34-91-5965796, e-mail: publica@funcas.es

Printed in Spain

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

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

SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

This page was left blank intentionally.

Letter from the Editors

The external environment remains unfavourable, with no turning point in sight in the short-term. In addition to the sluggish German economy, the stimulus provided to France by the Olympic Games is coming to an end. In the US, meanwhile, activity is showing signs of moderation, according to the employment and unemployment data released over the summer (although everything points to a slowdown, not a recession). In China, the effects of the bursting of the housing bubble continue to weigh on domestic demand, so that greater fiscal policy support is anticipated. Uncertainties surrounding global demand have spilled over to the energy markets. Finally, according to a recent WTO report, world trade is suffering from the intensification of protectionist tensions, particularly in the industrial and agricultural product markets. However, the services markets, which are less affected by the proliferation of trade barriers, are expected to continue to expand.

We start off the September *Spanish and International Economic & Financial Outlook (SEFO)* with a topic that underscores some of this recent instability and uncertainty that we have been seeing impacting both the global economy and financial markets – the reemergence of the spectre of EMU fragmentation, in particular sparked by concerns over France.

Persistent domestic and global political instability, along with economic uncertainty, have driven volatility in sovereign risk premiums across the EU, with France being particularly affected. While the EU's flexible fiscal rules offer some relief, underlying fiscal imbalances in several countries, including France, remain unaddressed. For example, France's fiscal deficit increased to 5.5% of GDP in 2023, while its public debt-to-GDP ratio went from 65% in 2007 to 110% by the end of 2023. highlighting the scale of the problem. Addressing these challenges requires long-term fiscal adjustments to stabilize debt ratios and ensure sustainable fiscal management, especially for France. However, political fragmentation and polarization complicate the implementation of necessary reforms, heightening the likelihood of prolonged market volatility across EU sovereign debt markets.

We then shift from markets to banks, with a focus on banks provisioning efforts in Spain and Europe and Spanish banks' internationalization. The banks' excellent earnings performance over the past two years, in both Spain and Europe, has been driven mainly by growth in net interest income. Interestingly, this momentum in margins, on the back of high benchmark rates, has not had an adverse impact on asset quality. Indeed, the downward trend in non-performance, observed in the Spanish banking system for nearly a decade now, has not been altered substantially by this new high-rate scenario, with both the non-performance and Stage 2

ratios holding steady, barely ticking higher after two years of sharply higher interest rates. Within this context of subdued non-performance, it is worth singling out the prudent provisioning effort being made by the Spanish banks, and the European banks in general, so far this year, recognising considerably more provisions (overlays) than they are required to do under applicable accounting standards and banking regulations.

Spain's banks are becoming increasingly more international, as shown by the share of total assets commanded by their international business. In 2023, that share stood at 55%, up nearly 10 points from 2015, one of the highest in the world. The banks' international presence is also increasingly geographically diversified, with the concentration index down by half since 2015. Business in third countries accounted for 70% of the Spanish banks' recurring profits in 2023. This strategy of international expansion and geographical diversification has paid off, yielding the benefits associated with both processes. Indeed, whereas profitability (ROE) in the domestic banking business in Spain reached 11% in 2023, that of the consolidated groups was 1.4 points higher, albeit it is worth noting that the international investments made by the latter were not recent.

Moving on, we address a more theoretical aspects related to banking from different angles, on the one hand, the ECB's new operating framework.

The European Central Bank (ECB) announced on 13 March 2024 that it would adopt a new "operational framework" for controlling monetary policy. That decision was necessary because the ECB is allowing the assets it purchased and accepted as collateral in exchange for long-term refinancing operations to mature or be returned to the market. With a shrinking balance sheet, the ECB needs to change its relationship with the banking system. It will also change its relationship with non-bank financial institutions and with the financial markets for public and private securities. This transformation is not immediate. The major consequences will start to be felt only in 2026 or 2027. But it is imminent. As the collective balance sheet of the central banks that participate in the euro as a common currency, the Eurosystem, falls from just under €6.5 trillion today to something just over €3 trillion in 2026-2027, the ECB must find a new way to set monetary policy while at the same time preserving financial stability. The first major step took place on 12 September 2024 with a realignment of the ECB's main policy rates. Important questions about future steps remain to be addressed.

We proceed in this number with some reflections on macroeconomic issues important to the Spanish economy, such as the automotive industry and the labour market.

The European automotive sector is experiencing a considerable slump in both absolute terms and relative to its American and, even more so, Chinese counterparts. Between 2019 and 2023, the sector contracted by 16.6%, and preliminary data for this year suggest that the downward trend is continuing. The decline is the result mainly of supply factors, including a technology lag, which is impeding the response to the new environmental requirements, creating high prices that are weighing on demand and affecting competition. Barriers to the demand of electric cars also persist. While Spain has not been immune to these challenges, it has managed to mitigate some of them, due to its relatively stronger position within the European market. Nevertheless, the broader industry faces an uncertain future without strategic interventions to address these structural weaknesses. Going forward, neither the imposition of tariffs nor vehicle purchase subsidies are likely, by themselves, to reverse the decline in a sustainable manner. According to the empirical evidence, investment incentives, centred around the technology of key components like batteries, would be the better policy alternative.

Labour shortages have become an increasingly pressing issue across various sectors

and occupations since the COVID-19 pandemic, with significant economic implications. In 2023, unfilled vacancies in Spain rose by 44% compared to 2019, resulting in an estimated loss of €8.15 billion in GDP. These shortages stem from three main sources: temporary demand-driven spikes, long-term supply shifts due to demographic changes, and mismatches in skills and geography. The impact of these shortages is felt across all levels of the workforce, from high-skilled ICT and health professionals to lower-skilled roles in hospitality, construction, and agriculture. Going forward, there is a need for targeted measures to improve skill matching and address long-term structural challenges, such as population ageing and the digital transition. While Spain's regional public employment services are implementing various initiatives, a more coordinated and sector-specific approach is needed to effectively tackle labour shortages and enhance labour market efficiency.

We then explore Spain's fiscal situation, concretely the outlook for the resolution of the impasse for the 2025 budget. The probability of a second consecutive budget carryover in 2025 is high, with the main obstacle to approval constituted by the new financing framework under negotiation for the Catalan region. The new framework would give this region similar status to the accords in place in the Basque region and Navarre, which are outside of the so-called common regime that currently encompasses Spain's 15 other 'autonomous regions'. Catalonia's exit from the common regime would leave the state with as much as 22 billion euros less for regional redistribution. As a result of the tense climate created by these negotiations, the government is having a hard time getting approval for the ceiling on non-financial spending, the first prerequisite for passing a budget for 2025.

Finally we close this *SEFO* with a piece on financial education. Financial education is evolving daily amidst rapid digitalization and economic transformation, bringing with it challenges and opportunities for improvement within Spain and abroad. For instance, financial literacy gaps remain significant, particularly among women, younger individuals, and low-income groups, who are most at risk of financial exclusion. Even though Spain has made progress in this area, there are still inequalities in the implementation and quality of the various educational programmes, warranting a more inclusive approach that is tailored for today's technological needs. It is thus necessary to carry out a thorough assessment of the financial education programmes in place in Spain. That said, despite the efforts made, the lack of longitudinal studies and random controlled tests limits the ability to identify best practices to continually fine-tune these programmes. Going forward, the establishment of control and monitoring systems to measure the real impact of financial education on financial behaviour in the long run will be necessary to ensure that the initiatives implemented meet their objectives and help reduce economic and social inequalities.

This page was left blank intentionally.

What´s Ahead (Next Month)

Month	Day	Indicator / Event
October	2	Social Security registrants and official unemployment (September)
	2	Tourists arrivals (August)
	4	Industrial production index (August)
	7	Eurogroup meeting
	9	Financial Accounts Institutional Sectors (2nd. quarter)
	15	CPI (September)
	17	ECB monetary policy meeting
	17-18	European Council meeting
	18	Foreign trade report (August)
	25	Labour Force Survey (3rd. quarter)
	28	Retail trade (September)
	30	GDP 3rd. quarter, advance estimate
	30	Preliminary CPI (October)
	31	Non-financial accounts: Central Government, Regional Governments and Social Security (August)
	31	Non-financial accounts, State (September)
	31	Balance of payments monthly (August)
November	4	Eurogroup meeting
	5	Social Security registrants and official unemployment (October)
	7	Industrial production index (September)
	14	CPI (October)
	18	Foreign trade report (September)
	28	Preliminary CPI (November)
	29	Retail trade (October)
	29	Non-financial accounts: Central Government, Regional Governments and Social Security (September)
	29	Non-financial accounts, State (October)
	29	Balance of payments monthly (September)

This page was left blank intentionally.

What Matters

Regulation and Economic Outlook

Key Facts

This page was left blank intentionally.

The reemergence of the spectre of EMU fragmentation: More debt and France in the eye of the storm

Economic and political instability, both domestically and globally, have led to increased volatility in EU sovereign risk premiums, with France particularly affected. While the EU's flexible fiscal rules offer temporary relief, long-term fiscal reforms are necessary to address underlying imbalances and return greater stability to EU sovereign debt markets.

José Manuel Amor, Camila Figueroa and Javier Pino

Abstract: Persistent domestic and global political instability, along with economic uncertainty, have driven volatility in sovereign risk premiums across the EU, with France being particularly affected. While the EU's flexible fiscal rules offer some relief, underlying fiscal imbalances in several countries, including France, remain unaddressed. For example, France's fiscal deficit increased to 5.5% of GDP in 2023, while its public debt-to-GDP ratio went from 65% in 2007 to 110% by the end of 2023. highlighting the scale of the problem. Addressing these challenges requires long-term fiscal adjustments to stabilize debt ratios and ensure sustainable fiscal management, especially for France. However, political fragmentation and polarization complicate the implementation of necessary reforms, heightening the likelihood of prolonged market volatility across EU sovereign debt markets.

> French sovereign bond spreads widened following the snap elections in June 2024, driven by concerns over political and fiscal stability.

Foreword

The legislative elections in France in June and July 2024, when the ultra-right party led by Marine Le Pen obtained its best result in its 40-year history, sparked a fresh episode of intense volatility in the eurozone sovereign debt markets. The political uncertainty and complicated fiscal situation in the second largest economy in the Economic and Monetary Union (EMU) rekindled fears of eurozone fragmentation. Nearly three years after the pandemic, several of the eurozone's main economies are feeling the weight of high public indebtedness. France ended 2023 with a public debt-to-GDP ratio of over 100%, which is above the eurozone average. The reinstatement of the fiscal rules in 2025, albeit watered down, will require governments to work harder to reduce their deficits and rein in their debt. This paper explores the recent trend in France's sovereign debt spreads along with those of certain periphery economies relative to the *Bund* and analyses the medium-term risks.

Volatility in the French sovereign risk premium in June and July 2024

In the wake of the snap election called on 10 June and the strong inroads made by Marine Le Pen's *Rassemblement National* (RN or National Rally) at the recent European Parliament elections, French spreads experienced idiosyncratic penalisation. The risk premium relative to the 10-year German bond increased to 80 basis points on 28 June. Behind the run-up was growing concern about political and fiscal stability in France.

The RN obtained 34.2% of the votes in the first round (30 June), cementing its position as the country's leading political force. The market responded by sending the OAT-*Bund* spread to 85bp.

During the days before the second round, the parties in third place in many electoral districts (mainly the New Popular Front (NFP) and the centrist alliance formed by Macron (Ensemble)) decided to withdraw their candidates in the districts in which the RN had won by a significant margin. The motive was to prevent the ultra-right party from winning an absolute majority by concentrating the vote against Le Pen in a single alternative, NFP or Ensemble. Although uncertainty was not fully dissipated by this play, the 10-year spread fell back to 63bp.

The second round on 7 July confirmed the existence of deep support for RN, which nevertheless failed to secure the absolute majority needed to form a government. The left-wing NFP leapt to first place, obtaining 182 seats (compared to 131 in 2022). Macron's centrist alliance (Ensemble) also lost ground but managed to hold onto 168 seats, to leave RN in third position, with 143 seats, well below the 240 it was expected to pick up following the first round.

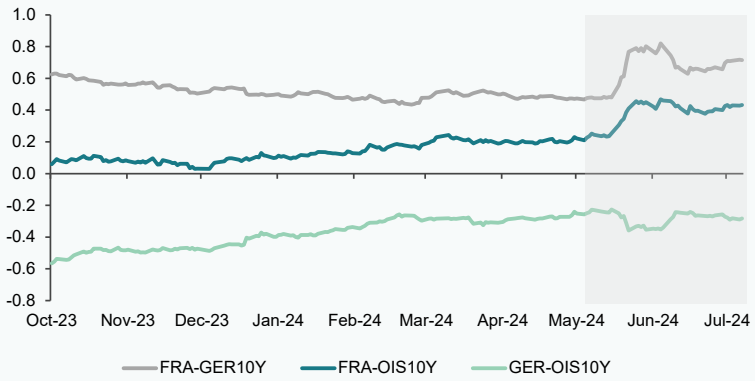
Despite side-stepping an absolute majority for RN, political uncertainty in France persists. Parliamentary fragmentation leaves the country paralysed unless a technocratic or coalition government can be formed. In sum, the results of the French elections leave the country in a state of considerable political uncertainty at a time when, as we will see, it needs to be taking important fiscal measures.

> Political fragmentation in France continues to pose challenges to forming a stable government capable of tackling fiscal reforms.

Exhibit 1

Trend in the spread between the French and German bonds and between the German bond and the euro OIS

10 year tenure | expressed in percentage



Source: Afi, Bloomberg.

This uncertainty has affected French debt while also generating, temporarily, a 'safe haven': German debt (specifically, the 10-year *Bund*), for which the negative spread relative to the €STR OIS rate widened, while French debt became cheaper relative to both the *Bund* and the OIS. Other measures customarily scrutinised to track the risk of fragmentation in the eurozone, such as the ISDA [1] basis on French debt, rose as high as 20bp, while the relative penalisation of French equities intensified compared to other eurozone stock indices.

Statements by the members of the Governing Council of the European Central Bank played

Table 1

Performance of French bonds since the snap elections were announced

Basis points

	FRA-GER 10Y spread	FRA-GER 2Y spread	Yield on FRA 2Y debt	Yield on FRA 5Y debt	Yield on FRA 10Y debt	Slope FRA 2-10Y
10-Jun	56	13	3.22	3.08	3.23	1
28-Jun	80	29	3.12	3.04	3.30	18
Change	*24*	*16*	*-9*	*-4*	*7*	*17*
28-Jun	80	29	3.12	3.04	3.30	18
8-Jul	63	16	3.06	2.94	3.17	11
Change	*-17*	*-14*	*-6*	*-9*	*-13*	*-7*
8-Jul	63	16	3.06	2.94	3.17	11
30-Jul	71	23	2.83	2.80	3.08	25
Change	*9*	*7*	*-23*	*-15*	*-9*	*14*

Source: Afi, Bloomberg.

> “Statements by the European Central Bank played an important role in stabilising French bond yields between the first and second rounds of voting.”

an important role in stabilising French bond yields between the first and second rounds of voting. Lagarde emphasised that the ECB was watching the situation in the sovereign debt markets closely, particularly movements in the French market. She underscored the ECB's commitment to financial stability in the eurozone, reiterating that the ECB stood ready to intervene if necessary and stressing the importance of the Transmission Protection Instrument (TPI) in guaranteeing that the ECB's monetary policy decisions are transmitted uniformly in all eurozone member states.

Limited contagion to periphery sovereign debt yields

The increase in the spread on French bonds had a limited impact on Spanish, Italian or Portuguese sovereign debt spreads. While the spreads did all move in the same direction, the scale of the widening and sensitivity of the peripheral countries' spreads was moderate compared to the trend in French bonds. Perceived systemic risk did not hit alarming levels.

The scant contagion from the sovereign bond stress in France to other markets comes into

Table 2 **Performance of periphery bonds since the snap elections were announced**

Basis points

	ESP-GER 10Y spread	ESP-GER 2Y spread	Slope ESP 2-10Y	ITA-GER 10Y spread	ITA-GER 2Y spread	Slope ITA 2-10Y
10-Jun	77	21	15	140	54	45
28-Jun	92	32	27	157	70	55
Change	*15*	*12*	*12*	*17*	*16*	*10*
28-Jun	92	32	27	157	70	55
8-Jul	76	18	22	135	50	49
Change	*-16*	***-14***	***-5***	***-22***	***-20***	***-6***
8-Jul	76	18	22	135	50	49
30-Jul	82	29	29	135	46	65
Change	*6*	*11*	***7***	*-0*	*-4*	*17*

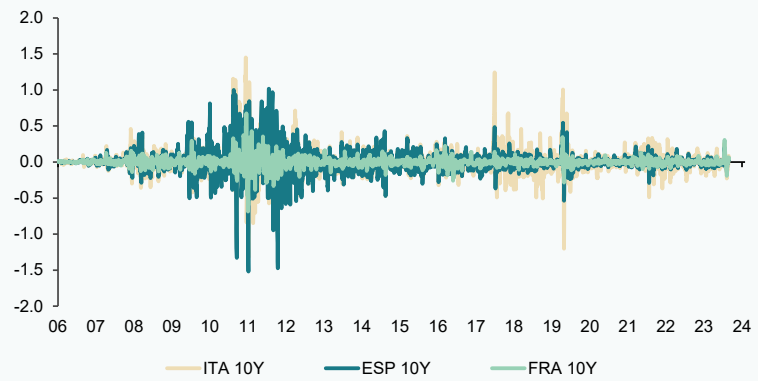
Source: Afi, Bloomberg.

> “The impact of France's sovereign debt stress has been limited in other eurozone markets.”

Exhibit 2

Weekly change in 10-year sovereign bond spreads relative to the Bund (2006-2024)

Percentage



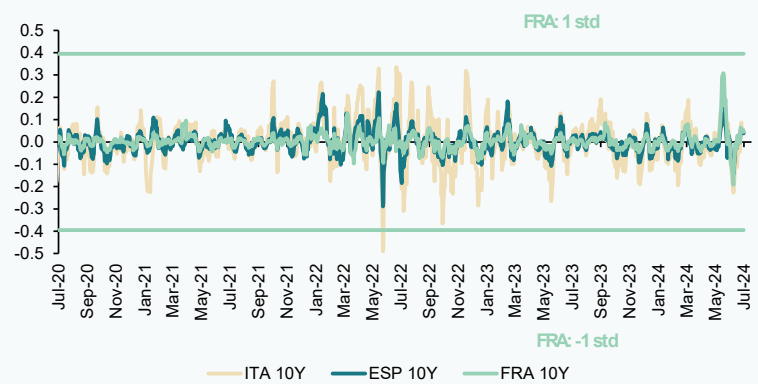
Source: Afi, Bloomberg.

focus if we compare the scale of the weekly movements in the various spreads relative to the German sovereign bond, measured in standard deviations, which were far more pronounced in France than in Spain or Italy. This evidences in our opinion, the idiosyncratic nature of the French problem and the low expectation of contagion to third countries. The movements observed in the spreads on this occasion contrast with what happened during the 2011-2012 sovereign debt crisis, the Italian political crisis of 2028, the onset of the pandemic in 2020 or Georgia Meloni's ascent to the top government office in Italy in 2022. On all of those occasions the size of the movements in periphery debt spreads was much bigger than the oscillation in the French sovereign bond spread.

Exhibit 3

Weekly change in 10-year sovereign bond spreads relative to the Bund (2020-2024)

Percentage



Source: Afi, Bloomberg.

> “Gradual convergence between French fundamentals and those of the peripheral member states.”

The trend in France’s macroeconomic and financial fundamentals over the past two decades reveals slow but steady deterioration, making the French economy look more and more like a eurozone periphery economy. Unlike Spain, Italy, Portugal, Greece and Ireland, which underwent boom and then bust between 2005 and 2013 and have since made significant adjustments, France has been far steadier but has etched out a path of constant deterioration, particularly in terms of its fiscal position.

For example, France’s fiscal deficit increased to 5.5% of GDP in 2023, while its public debt-to-GDP ratio went from 65% in 2007 to 110% by the end of 2023. As a result, France has converged towards a position in line with or worse than those presented by Italy, Spain and Portugal, whose debt ratios are similarly steep (137%, 107% and 99%, respectively in 2023). In 2023, the French economy registered GDP growth of 0.9%, which is well below the annual growth reported by Spain or Portugal, of 2.5% and 2.3%, respectively.

Modest economic growth combined with steep private sector leverage and considerably impaired fiscal ratios has undermined France’s perceived fiscal sustainability. Greater mistrust around the government’s ability to adequately manage the country’s public finances has translated into slow but steady widening in its sovereign debt spreads since 2021, as well as a drop in the country’s long-term sovereign debt credit ratings (S&P Global Ratings and Fitch Ratings lowered their ratings from AA to AA- between 2023 and 2024).

The cost of servicing French debt, measured as interest payments over GDP, has fallen in recent years, in line with the trend observed across the eurozone. In 2023, France earmarked 1.7% of its GDP to interest payments, down from 2.5% in 2010. However, the debt service burden remains significant, especially compared with Germany, where interest payments were equivalent to just 0.9% of GDP in 2023 (compared to 2.5% in Spain and 2.2% in Portugal). France’s fiscal divergence from the eurozone core is clear.

The cost of France’s stock of debt decreased from 4.1% in 2007 to 1.6% in 2023, mirroring the favourable bond market conditions prevailing for much the period that followed the Great Financial Crisis, marked by asset repurchases by the ECB and zero or negative interest rates. However, the room for manoeuvre is much narrower now that rates have normalised at around 2.5-3.0%, threatening to reverse the trend in the cost of the country’s debt if the rate on new issues remains above the average cost of its debt, as was the case in 2023. The average life of France’s outstanding sovereign debt is relatively long, at around eight years, in line with the other member states, which implies moderate refinancing risk. Lastly, 57% of France’s debt is held by foreign investors (RoW – private) and 16% is in the hands of the country’s domestic banks, a situation which exposes it to the risk of alterations in capital flows in the event of high-volatility scenarios.

The spread between the French 10-year sovereign bond yield and the €STR OIS for

> “France’s fiscal deficit increased to 5.5% of GDP in 2023, while its public debt-to-GDP ratio went from 65% in 2007 to 110% by the end of 2023.”

> “57% of France’s debt is held by foreign investors and 16% is in the hands of the country’s domestic banks, a situation which exposes it to the risk of alterations in capital flows in the event of high-volatility scenarios.”

Table 3a **Comparative trend in key macroeconomic variables**

	GDP growth (% YoY)					Inflation (% YoY)					Public deficit (% of GDP)				
	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023
Germany	3.0	4.2	0.4	1.1	-0.2	2.3	1.1	1.6	1.4	6.0	0.3	-4.4	0.0	1.5	-2.5
France	2.5	2.0	0.8	2.0	0.9	1.6	1.7	1.0	1.3	5.7	-3.0	-7.2	-4.9	-2.4	-5.5
Spain	3.6	0.2	-1.4	2.0	2.5	2.8	2.0	1.5	0.8	3.4	1.9	-9.5	-7.5	-3.1	-3.6
Portugal	2.5	1.7	-0.9	2.7	2.3	2.4	1.4	0.4	0.3	5.3	-2.9	-11.4	-5.1	0.1	1.2
Ireland	5.3	1.7	2.2	5.0	-5.5	2.9	-1.6	0.5	0.9	5.2	0.3	-32.1	-6.4	0.5	1.7
Italy	1.5	1.7	-1.8	0.5	0.9	2.0	1.6	1.2	0.6	5.9	-1.3	-4.2	-2.9	-1.5	-7.4

	Public debt (% of GDP)					Current account surplus/ (deficit) (% of GDP)					Private debt (% of GDP)				
	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023
Germany	64.2	82.0	78.3	59.6	63.6	6.9	5.8	6.6	8.2	5.9	121.3	119.5	114.9	112.2	111.4
France	65.4	86.3	94.7	97.9	110.6	-0.3	-0.8	-0.9	0.5	-0.8	115.9	132.0	137.4	153.1	155.4
Spain	35.8	60.5	100.5	98.2	107.7	-9.4	-3.7	2.0	2.1	2.6	193.1	203.2	178.1	129.0	111.6
Portugal	72.7	100.2	131.4	116.6	99.1	-9.7	-10.2	1.6	0.4	1.4	184.8	201.7	201.6	149.5	130.3
Ireland	23.9	86.2	120.1	57.1	43.7	-5.1	1.0	1.6	-11.3	9.9	197.8	257.3	266.3	209.5	N/A
Italy	103.9	119.2	132.5	134.2	137.3	-1.4	-3.3	1.2	3.2	0.5	109.9	123.1	122.0	106.0	97.7

	NIIP (% of GDP)					Competitiveness index (1)					Household wealth (% of GDP)				
	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023
Germany	23.5	37.2	46.5	73.5	83.9	94.1	92.6	91.9	92.9	93.8	250.8	256.7	250.0	281.5	309.5
France	-16.9	-15.0	-30.3	-31.0	-34.9	96.5	96.3	95.0	94.7	92.0	267.6	268.6	285.5	333.4	353.8
Spain	-172.1	-161.1	-170.0	-91.5	-63.1	109.3	110.5	111.0	108.4	106.0	132.7	132.3	139.4	180.5	195.7
Portugal	-181.8	-189.8	-220.1	-125.8	-86.6	104.6	102.4	102.5	101.3	99.4	182.1	195.6	179.2	164.7	152.7
Ireland	-37.9	-158.9	-261.6	-214.3	-125.7	111.7	105.8	102.4	98.5	96.7	1,259.0	1,722.3	1,847.1	1,805.2	N/A
Italy	-42.6	-35.7	-43.0	-2.5	8.3	101.4	102.1	103.1	100.5	100.0	114.2	125.1	129.0	162.9	167.4

(1) *The ECB’s harmonised competitiveness indicators (HCI) deflated by the CPIs.*

Sources: World Bank, Eurostat, and Afi.

Table 3b **Comparative trend in key macro-financial variables**

	Private sector credit gap (relative to GDP)					Housing price gap (relative to average for last 10 years)				
	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023
Germany	130.5	131.7	124.2	121.8	124.2	90.1	93.8	102.2	124.1	104.0
France	156.1	172.0	181.9	211.2	216.0	154.7	121.5	104.8	103.0	103.5
Spain	205.0	224.9	205.2	152.3	133.6	162.0	112.6	69.8	104.4	112.1
Portugal	189.8	216.1	225.6	163.6	143.2	93.9	88.5	79.6	126.7	136.6
Ireland	223.3	302.6	299.4	252.9	163.1	151.8	88.4	62.7	123.7	116.3
Italy	109.1	125.7	125.7	109.6	102.2	129.2	106.8	87.0	86.6	91.9

Sources: OECD, BIS, and Afi.

Table 3c **Comparative trend in key public debt variables**

	Public debt as % of GDP					Interest payments as % of GDP					Interest payments as % of current income				
	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023
Germany	64.2	82.0	78.3	59.6	63.6	2.7	2.5	1.8	0.8	0.9	6.1	5.6	4.1	1.7	1.9
France	65.4	86.3	94.7	97.9	110.6	2.7	2.5	2.3	1.5	1.7	5.3	5.0	4.3	2.9	3.3
Spain	35.8	60.5	100.5	98.2	107.7	1.6	1.9	3.6	2.3	2.5	3.8	5.2	9.2	5.8	5.7
Portugal	72.7	100.2	131.4	116.6	99.1	3.0	2.9	4.8	2.9	2.2	7.1	7.3	10.8	6.9	5.0
Ireland	23.9	86.2	120.1	57.1	43.7	1.0	2.8	4.3	1.3	0.7	2.8	8.7	12.6	5.2	2.8
Italy	103.9	119.2	132.5	134.2	137.3	4.7	4.3	4.8	3.4	3.8	10.4	9.4	10.0	7.2	7.9

	Cost of outstanding debt, (%)					Cost of debt issues (each year), (%)					Average life of outstanding debt (years)				
	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023
Germany	4.2	3.0	2.3	1.3	1.4	4.0	1.4	0.6	0.0	2.6	5.8	6.7	6.4	5.9	6.8
France	4.1	2.9	2.5	1.5	1.6	4.2	2.5	1.5	0.0	3.0	7.1	7.0	6.7	7.5	8.2
Spain	4.4	3.1	3.6	2.3	2.3	4.2	2.6	2.5	0.2	3.4	6.8	7.2	5.5	7.4	7.9
Portugal	4.1	2.9	3.7	2.5	2.2	N/A	4.2	4.2	1.1	3.5	6.0	6.8	4.8	6.2	7.8
Ireland	4.2	3.3	3.6	2.3	1.6	4.3	6.0	3.6	0.1	2.9	6.0	7.2	12.1	10.0	10.3
Italy	4.6	3.6	3.6	2.5	2.7	4.1	2.1	2.1	0.9	3.8	6.9	7.2	6.4	6.7	7.0

	% of public debt in hands of ECB					% of public debt in hands of RoW – private					% of public debt in hands of domestic banks				
	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023	2007	2010	2013	2019	2023
Germany	0.4	0.4	0.4	10.6	16.9	34.4	43.7	45.9	28.5	28.8	19.3	26.3	22.7	13.5	11.2
France	1.5	1.8	2.0	14.5	23.6	30.3	37.4	46.1	49.3	57.0	19.8	28.2	26.9	15.2	16.6
Spain	1.7	2.4	3.7	17.8	28.4	17.1	25.9	36.9	46.7	45.8	8.7	17.1	24.9	21.7	20.3
Portugal	0.3	1.0	1.1	15.8	25.8	51.5	61.2	86.6	60.3	41.6	6.8	21.5	26.7	16.9	10.8
Ireland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Italy	3.9	4.4	6.5	22.6	33.4	40.6	45.4	41.6	42.8	37.9	23.3	31.3	40.7	34.8	31.2

Sources: Afi, multiple sources (IMF, ECB, national treasuries).

> “ The rise in France’s sovereign risk premiums reflects deeper macroeconomic and fiscal imbalances. ”

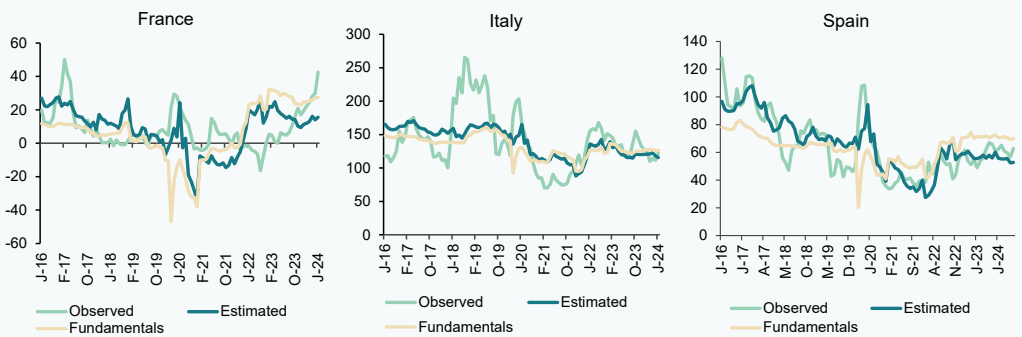
the same tenure increased sharply in the first quarter of 2023 and in the run-up to the snap elections (by 42bp, a movement not seen since the eurozone crisis of 2011 and 2012).

In an attempt to explain the extent to which the increase in the French country risk premium is attributable to the deterioration in its macroeconomic and fiscal fundamentals, we rely on the work of Burriel *et al.* (2024), estimating a model for the 10-year sovereign bond spreads for nine eurozone countries, using a sample that runs from January 2000 to June 2024. The model includes market and financial variables (such as the bid-ask spread for the sovereign bonds and the volatility index, VIX), in addition to macroeconomic fundamentals (market consensus forecasts for GDP growth, inflation, debt-to-GDP and the public deficit). We built an estimate of the spread using all of the variables included in the model and an estimate based on the fundamental value of the spread, *i.e.*, consistent with the level of the growth and fiscal variables.

Exhibit 4 illustrates the actual spread observed, our estimate using the full model and our estimate of the fundamental value of the sovereign spreads for France, Italy and Spain. As already posited in the last section, increased fiscal imbalances and reduced growth expectations explain much of the increase in the French sovereign bond spread since mid-2022. Considering the estimate based on fundamentals over the course of 2023 further reinforces this idea. The widening observed in the French sovereign spread since May 2023 can be interpreted as an adjustment that is consistent with its ailing macroeconomic fundamentals. In Italy and Spain, whose spreads remain at higher absolute levels, the increase in estimated spreads is less pronounced.

Exhibit 4 **Estimated spread for the 10-year sovereign bond spreads relative to OIS: France, Italy and Spain**

Basis points



Note: ‘Estimated’ corresponds to the estimated spread including fundamental macroeconomic and fiscal variables, as well as market and financial variables. ‘Fundamentals’ corresponds to the spread estimated using only the fundamental macroeconomic and fiscal variables (and country specific effects).

Source: Afi, Eurostat.

Conclusions and thoughts looking forward

In a context of uncertain domestic and global political, geopolitical and economic stability, volatility in the risk premiums demanded to hold the sovereign debt of France and other eurozone issuers could become a recurring feature rather than a passing phenomenon. The EU fiscal rules due to be reinstated are laxer than they used to be and may give the member states a little more room for manoeuvre. However, this temporary relief does not resolve the underlying fiscal issues affecting several countries, including France. Implementation of fiscal adjustments at a time of economic cooling and/or greater political fragmentation could exert upward pressure on debt spreads. It is complicated by the difficulties in the formation of stable governments capable of implementing the necessary fiscal and economic reforms. As a result, periods of volatility in sovereign risk premiums may persist, requiring governments to focus on long-term solutions to stabilize their debt ratios and ensure fiscal sustainability. France will need to navigate these challenges with particular care.

Notes

[1] The basis (bp) between the spread on the CDS (credit default swap) contract over French debt quoted on the 2013 definition, which contemplates redenomination into a currency other than the euro as a default event, relative to the 2004 version, which does not contemplate that eventuality as a default event.

References

Burriel, P., Delgado-Téllez, M., Figueroa, C., Kataryniuk, I., and Pérez, J. (2024). Estimating the contribution of macroeconomic factors to sovereign bond spreads in the euro area. *Working Papers,* No. 2408. Bank of Spain.

José Manuel Amor, Camila Figueroa and Javier Pino. Afi

Credit risk and provisions: Prudent management across the Spanish and European banks

Interestingly, the banks' excellent earnings performance over the past two years, in both Spain and Europe, driven mainly by growth in net interest income on the back of high benchmark rates, has not had an adverse impact on asset quality. Within this context, it is worth singling out the prudent provisioning effort being made by the Spanish banks, and the European banks in general, so far this year, recognising considerably more provisions (overlays) than required under applicable accounting standards and banking regulations.

Marta Alberni, Ángel Berges and María Rodriguez

Abstract: The banks' excellent earnings performance over the past two years, in both Spain and Europe, has been driven mainly by growth in net interest income. Interestingly, this momentum in margins, on the back of high benchmark rates, has not had an adverse impact on asset quality. Indeed, the downward trend in non-performance, observed in the Spanish banking system for nearly a decade now, has not been altered substantially by this new high-rate scenario, with both the non-performance and Stage 2 ratios holding steady, barely ticking higher after two years of sharply higher interest rates. Within this context of subdued non-performance, it is worth singling out the prudent provisioning effort being made by the Spanish banks, and the European banks in general, so far this year, recognising considerably more provisions (overlays) than they are required to do under

> “Despite an increase in interest rates of more than 350 basis points, the non-performance ratio continued to etch out a clear-cut downward trend until the end of 2022, in both Europe and Spain, going on to stabilise in 2023 with only a slight increase between the end of 2022 and Q12024 in both geographies.”

applicable accounting standards and banking regulations.

Asset quality: Non-performance and leading indicators stable

Bank asset creditworthiness has been under scrutiny since 2020 when the pandemic and related lockdown measures, which caused the Spanish economy to contract by over 10%, were expected to trigger an increase in non-performance. However, the wide range of measures deployed with direct and indirect effects on the bank sector (public guarantee schemes, implementation of payment moratoria, furlough scheme, *etc.*) and their swift take-up mitigated the adverse effects of the pandemic on the economic agents' ability to service their debts.

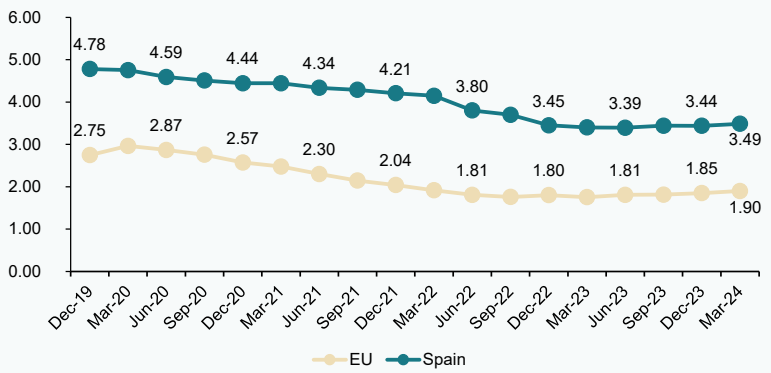
Subsequently, beyond the potential fallout from the pandemic on the bank sector, with non-performance remaining above the levels observed at the start of the financial crisis of 2008, asset quality would once again come under threat from inflationary forces and the adoption of restrictive monetary policies, particularly the swift and sharp benchmark rate hikes implemented by the central banks from mid-2022.

This increase in benchmark rates has had a clear positive impact on the recovery in the banks' top source of income, net interest income, and more specifically on the margin in the retail business, as a result, primarily, of credit repricing.

Exhibit 1

NPL ratio: Europe and Spain (domestic business)

Percentage



Sources: Authors' own elaboration based on the EBA Risk Dashboard *and the* Bank of Spain's Statistical Bulletin.

> "The banks' have taken a clearly proactive stance towards shoring up credit quality, in the form of both write-offs and asset portfolio sales, which have offset non-performing loan inflows to leave the non-performance ratio very stable."

The downside of the rate increases and inflationary episode that led to the monetary policy tightening was expected to be an uptick in sector non-performance, with the new rate environment taking a toll on the financial burden borne by leveraged businesses and households. However, and despite an increase in interest rates of more than 350 basis points, the non-performance ratio continued to etch out a clear-cut downward trend until the end of 2022, in both Europe and Spain, going on to stabilise in 2023 with only a slight increase of 5 to 10 basis points between the end of 2022 and the first quarter of 2024 in both geographies.

This resilience has probably been shaped by several factors that have mitigated the intense increase in interest rates. First of all, a positive macroeconomic environment, particularly in Spain, which recorded GDP growth of 2.5% in 2023, putting it at the forefront of the European economies. In parallel, the labour market has performed well, while household and business indebtedness has remained at much lower levels than at the onset of the financial crisis of 2008.

Moreover, the smaller increase in non-performance in the Spanish banking sector relative to the European sector as a whole is in line with the divergences among European countries pointed out by the European Central Bank in its latest *Financial Stability Review* (spring 2024). That report noted how the European countries with the lowest non-performance ratios had sustained moderate deterioration in that metric in 2023 relative to the countries still presenting non-performance ratios above the European average. In the latter group, which includes Spain, the non-performance ratio was more stable in 2023; the banks' have taken a clearly proactive stance towards shoring up credit quality, in the form of both write-offs and asset portfolio sales, which have offset non-performing loan inflows to leave the non-performance ratio very stable, taking advantage of the room for manoeuvre created by an excellent performance in the top half of their income statements.

If we look specifically at the trend in non-performance in the main credit segments during the period elapsing since interest rate tightening began, we can see small differences between the various segments and also between Europe and Spain.

In the household segment, for example, the NPL ratio moved higher in both geographies in 2023, with the volume of non-performing exposures increasing by 3.9% and 2.65% in Europe and Spain, respectively. The relatively more intense increase in Europe was shaped mainly by the growth in non-performance in consumer and other loans, which jumped by 5.49% in 2023, compared to more muted

> "Last year the Spanish banks experienced a sharper increase in non-performance in the mortgage segment (+6.93%), likely due to the higher weight of floating mortgages relative to the higher share of fixed-rate mortgages in Europe."

> “In Spain, the discrepancy between the favourable trend in non-performing exposures and the slight uptick in the NPL ratio is attributable to a denominator effect, specifically the balance of outstanding credit, which has fared differently in Spain and Europe.”

growth in non-performing exposures in the mortgage segment (+1.96%). In contrast, last year the Spanish banks experienced a sharper increase in non-performance in the mortgage segment (+6.93%), in all likelihood due to the higher weight of mortgages at floating rates, which have been more heavily penalised by the rate increase, relative to the higher share of fixed-rate mortgages in Europe. In contrast to the European banks and offsetting this sharper increase, non-performance in consumer and other credit continued to trend lower, contracting by 4.75% in 2023.

In another contrast between the two regions, the European banks recorded an increase in non-performance in the non-financial corporation (NFC) segment last year (+2.62%), compared to a sharp contraction (-8.37%) in non-performance in this segment in Spain. Note, however, that the latter trend came to an end in Spain in the last quarter of 2023, when non-performing exposures increased at a quarterly pace of 0.4%, a pattern that continued in the first quarter of 2024, when these exposures increased by 0.7%, albeit still smaller than the increase observed across the European banks in the first quarter (+1.9%).

Compared to the favourable momentum in non-performing exposures in Spain relative to Europe, the non-performing loan (NPL) ratio trended somewhat differently, ticking a little higher in both geographies, albeit by less in Europe than in Spain. Specifically, the NPL ratio in the household segment inched 5 basis points higher in Europe (2 basis points in the mortgage segment), compared to an increase of 14 basis points in Spain (22 basis points in the mortgage segment).

This discrepancy between the trend in non-performing exposures and the NPL ratio is attributable to a denominator effect, specifically the balance of outstanding credit, which has fared differently in Spain and Europe, as we discussed in an earlier paper.

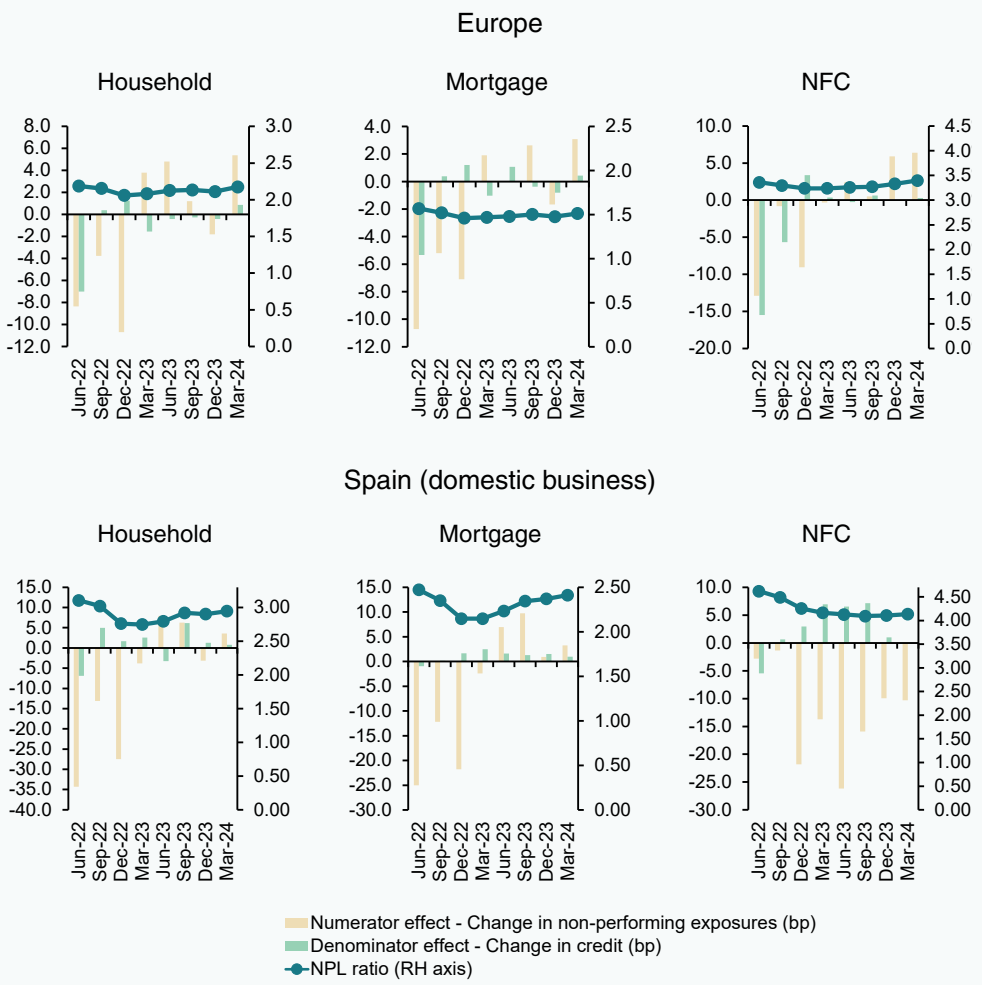
As shown in the following exhibits, household lending by European banks increased slightly, with growth in new mortgages helping reduce the non-performance ratio in this segment (denominator effect), whereas in Spain, the contraction in credit had a negative impact on the NPL ratio virtually every quarter (except for the seasonal effect in the consumer credit segment in June).

In the NFC segment, although the drop in outstanding credit had a negative denominator effect in Spain, the intense reduction in non-performance more than offset that effect, in contrast to the trend in the overall European NFC segment, where the NPL ratio increased slightly (+9 basis points compared to a drop of 15 basis points in Spain).

> “The Spanish banks’ share of Stage 2 loans and advances to total gross loans and advances went on to trend down from its highs until mid-2022, in contrast with the slight upward trend and higher levels recorded by the European banks on aggregate.”

Exhibit 2 **Trend in NPL ratio by segment and contribution of the numerator and denominator effects**

Percentage | Basis points



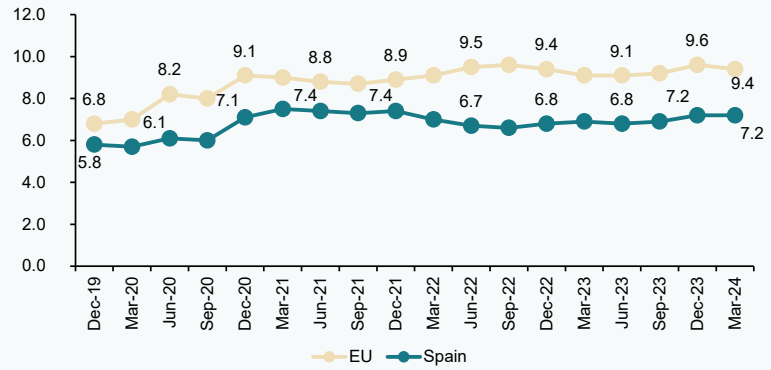
Sources: Authors' own elaboration based on the EBA Risk Dashboard *and the* Bank of Spain's Statistical Bulletin.

When tracking asset quality, in addition to monitoring non-performance it is important to look at the leading indicators, such as the volume of loans being classified as Stage-2 exposures (to use IFRS nomenclature). The Stage 2 ratio has also been remarkably steady in recent years, edging only slightly higher in 2023. Following a considerable increase in 2020, the European and Spanish banks reported rates of 9.1% and 7.4%, respectively, between 4Q20 and 1Q21. As shown in the following exhibit, the Spanish banks' share of Stage 2 loans and advances to total gross loans and advances went on to trend down from that high until mid-2022, in contrast with the slight upward trend and higher levels recorded by the European banks on aggregate, where this ratio moved above the levels reported during the pandemic as a result of the relative importance in certain European economies of sectors more exposed to the fallout from the Russian-Ukrainian conflict on energy and commodity prices.

Exhibit 3

Share of Stage 2 loans and advances: Europe and Spain (consolidated)

Percentage



Source: Authors' own elaboration based on the EBA Risk Dashboard.

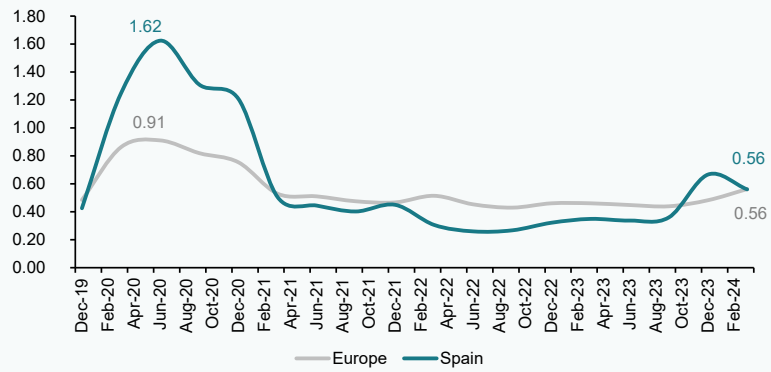
Prudent asset impairment provisioning (overlays)

Against this backdrop of muted deterioration in the European and, especially, the Spanish banks' main credit quality indicators, the entities have been notably prudent with their provisioning efforts, in line with the recommendations made by the supervisors in this regard. This is reflected in the trend in the cost of risk (impairment losses recognised on the banks' income statements as a percentage of credit exposures): following the efforts

Exhibit 4

Cost of risk: Europe and Spain (domestic business) as a percentage of credit exposures

Percentage



Source: Authors' own elaboration based on the EBA Risk Dashboard.

> “A wide majority of the banks with overlays in place ascribe them to the fact that inflation remains stubbornly above the target set by the ECB, as well as prevailing geopolitical uncertainty and its potential economic and financial impacts.”

made during the pandemic, particularly by the Spanish banks, both geographies have continued to report cost-of-risk metrics very much in line with, or even slightly above, pre-pandemic levels.

The healthy performance in banking margins in 2023, which continued into the first quarter of 2024, has allowed the banks to continue to shore up their provisioning efforts, translating into a logical increase in their cost of risk, which amounted to 0.56% in both Europe and Spain in 1Q24.

Although the data presented by the various banks show a significant degree of heterogeneity, they evidence relative stability around the level of provisions recognised in the first half of 2023, so that the cost of risk remains above ‘cruising speed’ levels. This level of provisioning continued against the backdrop of an aggregate NPL ratio of 3%, down 20 basis points from the first quarter, as non-performing loan inflows eased as outflows accelerated, either due to recoveries or portfolio sales.

This trend in provisions is aligned with the results of the recent (spring) edition of the *Risk Assessment Questionnaire* published by the European Banking Authority (EBA), in which a wide majority of the banks surveyed (90%) acknowledged using overlays when estimating their provisions. Overlays are also referred to as “management adjustments” to estimated provisions, *i.e.,* adjustments applied to the results of using in-model solutions to estimate provisions or in-model adjustments (to the model inputs and/or model parameters), in keeping with IFRS 9.

Based on the results published, a wide majority of the banks with overlays in place ascribe them to the fact that inflation remains stubbornly above the target set by the ECB, as well as prevailing geopolitical uncertainty and its potential economic and financial impacts, painting a picture once again of a bank sector that is managing expected credit loss prudently, looking beyond the absence of a clear-cut deterioration in performance.

Marta Alberni, Ángel Berges and María Rodriguez. Afi

This page was left blank intentionally.

Spanish banks' international footprint: Recent developments

Spain's banks are becoming increasingly more international, as shown by the share of total assets commanded by their international business. This strategy of international expansion and geographical diversification has paid off, yielding the benefits associated with both processes for the consolidated groups relative to the domestic banking business.

Joaquín Maudos

Abstract: Spain's banks are becoming increasingly more international, as shown by the share of total assets commanded by their international business. In 2023, that share stood at 55%, up nearly 10 points from 2015, one of the highest in the world. The banks' international presence is also increasingly geographically diversified, with the concentration index down by half since 2015. Business in third countries accounted for 70% of the Spanish banks' recurring profits in 2023. This strategy of international expansion and geographical diversification has paid off, yielding the benefits associated with both processes. Indeed, whereas profitability (ROE) in the domestic banking business in Spain reached 11% in 2023, that of the consolidated groups was 1.4 points higher, albeit it is worth noting that the international investments made by the latter were not recent.

Foreword

At year-end 2023, the Spanish banks' domestic business comprised approximately 2.9 trillion euros, whereas the total assets of the consolidated groups (*i.e.,* including their international banking activity) stood at 4.2 trillion euros. The scale of that difference illustrates the Spanish banks' intense international expansion via foreign subsidiaries with a presence in several countries around the world. In fact, according

> The Spanish banks' international presence has increased further over the past decade, with the banks' foreign businesses commanding a growing weight of the total.

to the Bank for International Settlements (BIS), specifically its consolidated banking statistics (CBS), in the fourth quarter of 2023, foreign assets (using foreign claims as proxy) accounted for 55% of the total, once again highlighting the degree to which the Spanish banks have expanded abroad. This international presence has increased further over the past decade, with the banks' foreign business commanding a growing weight of the total.

Against this backdrop, the aim of this paper is to analyse the recent trend in the Spanish banks' international strategies by comparison with other banking sectors, focusing on the changes observed during the last decade, using 2015 as our base year. We also analyse the geographical composition of the banks' overseas investments and current levels of concentration and diversification, taking stock of recent developments in this respect. We end the article enumerating some of the advantages afforded by international expansion of the banking business.

Trend in the Spanish banks' assets: Domestic *versus* foreign business

Since 2015, the Spanish banking sector's total domestic business assets have increased by just 8.8%, shaped primarily by private sector deleveraging during the period. Following the imbalances piled up during the previous real estate bubble, which led to intense growth in private sector credit, this loan book decreased by 11.6% between 2015 and 2023, implying a loss of 9 points in total assets to 39.1% by 2023. On the other hand, total consolidated assets, including the businesses of the Spanish banks' foreign subsidiaries, have increased by 13.3% since 2015, evidencing the greater momentum of the international business relative to the domestic business. The business generated by the banks' subsidiaries in third countries therefore explains much of the Spanish banks' growth.

An intuitive way to illustrate the importance of the Spanish banks' international expansion strategies, which have allowed them to offset or mitigate the idiosyncratic shocks affecting the Spanish economy, is to observe the trend in the international business as a percentage of the total. To do that we can use the information provided by the BIS in its consolidated banking statistics, specifically tracking their foreign and domestic claims. Although this metric does not include all financial assets, it is a good proxy as it clearly includes the majority of them.

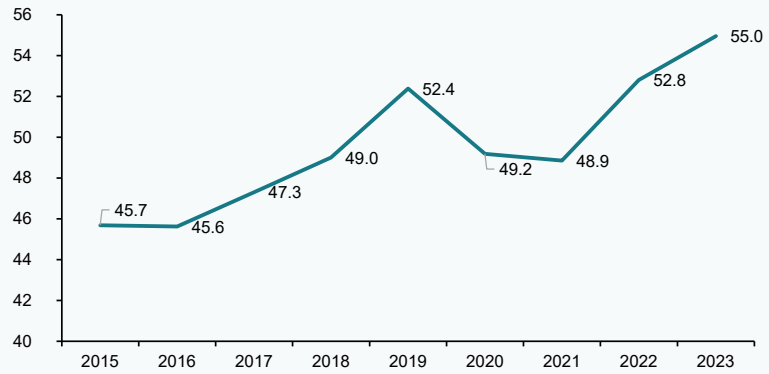
As shown in Exhibit 1, between 2015 and 2023, the share of international activities in the Spanish banks' total assets increased by almost 10 points, from 45.7% in 2015 to 55% in 2023. That share increased steadily until 2019, falling in 2020 and 2021 with the onset of the COVID-19 crisis to end 2021 at 48.9%. However, in 2022 and 2023 it once again increased sharply, reaching a high of 55% in 2023. This last figure is similar to the percentage of international assets over total banking assets reported by the Bank of Spain in its *Financial Stability Report* for the spring of 2024. The Bank of Spain puts foreign banking assets at 2.2 trillion euros, compared to domestic assets of 1.8 billion

> The share of international activities in the Spanish banks' total assets increased by almost 10 points from 2015 to 2023.

Exhibit 1

Weight of the Spanish banks' international business out of total (total claims)

Percentage



Source: BIS and author's own elaboration.

euros. The equivalent BIS figures (albeit for total claims not total assets), in dollars, estimate the international business at 2.0 trillion euros and the domestic business at 1.7 trillion euros.

By comparison with other banking systems, that percentage (55% of the Spanish banks' total assets) is relatively high. Of the 26 banking sectors for which the BIS tracks these statistics, the Spanish system ranks fourth, behind only the UK (59%), Singapore (58%) and Finland (58%). The Spanish banks' international footprint is clearly larger than that of the French (39%), Italian (29%), German (26%) or American (23%) banks.

Breaking down the Spanish banks' foreign assets by type reveals that household loans are the most important component, representing 32.8% of the total in 2023. The next most important category is public sector financing (25%), followed very closely by financing for non-financial corporates (23.7%). Compared to the composition in 2019 (pre-COVID), the drop in the relative importance of business and household financing (of 2.1 and 3.9pp, respectively) and the increase in the share of public sector financing (+3.5pp) stand out.

Geographical breakdown of the international business

Where are the Spanish banks' foreign assets concentrated? When the Spanish banks embarked on their international expansion, they initially focused on Latin America, [1] but with time they began to diversify into other regions. The most recent snapshot, which dates to 2023 (Exhibit 2), shows that the UK is the most important market for the Spanish banks: investments in the UK account for 20.3% (456 billion dollars) of total foreign assets. The UK is followed at

> "By comparison with other banking systems, the percentage of Spanish banks' international business (55% of total assets) is relatively high."

> The UK is the most important market for the Spanish banks, with investments accounting for 20.3% (456 billion dollars) of total foreign assets.

quite some distance by the US (12.9% of total foreign assets | 291.5 billion dollars), Mexico (11.6% | 261 billion dollars) and Brazil (9.7% | 219 billion dollars). The rest of the list comprising the 12 most important markets is made up of Italy (6.1%), Portugal (5.7%), France (5%), Germany (4.8%), Chile (3.2%), Poland (2.9%), Turkey (2.8%) and Colombia (1.4%). The eurozone accounts for 26% of the total and Latin America, 29%.

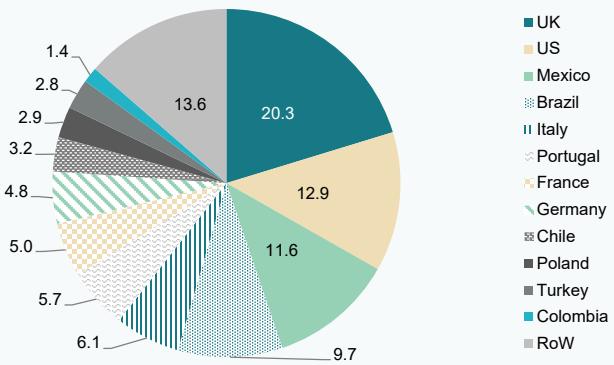
Comparing the geographical breakdown of the foreign banking business between 2015 and 2023 (Table 1), the key development is the loss of share of investments in the UK (of 6.9pp in the total pie) and in the US (-4.4pp), with new destination markets such as Chile, Turkey and Colombia taking up the slack. If we compare the situation with 2019, right before the pandemic, we once again observe a loss of share by the UK (-3.5pp) and US (-1.7pp), with the growth in exposure to Mexico (+2.2pp) standing out.

Turning our attention to the most recent figures, for 2023, as already noted, the UK is

Exhibit 2

Breakdown of the Spanish banks' international business by country, 2023

Percentage



Source: BIS and author's own elaboration.

> Between 2017 and 2021, concentration held steady, going on to fall in 2022 and 2023, so that diversification virtually doubled during the period under analysis.

Table 1

Changes in the breakdown of the Spanish banks' international business in their top 12 markets, 2023

	2023 (%)	2019 (%)	2015 (%)	Change 2015-2023 (pp)	Change 2019-2023 (pp)
United Kingdom	20.3	23.7	27.2	-6.9	-3.5
United States	12.9	14.7	17.4	-4.4	-1.7
Mexico	11.6	9.3	10.3	1.3	2.2
Brazil	9.7	8.9	8.1	1.7	0.8
Italy	6.1	4.5	3.2	2.9	1.6
Portugal	5.7	6.1	5.1	0.6	-0.4
France	5.0	5.0	3.6	1.4	0.0
Germany	4.8	3.8	3.2	1.6	1.0
Chile	3.2	3.2	0.0	3.2	0.0
Poland	2.9	2.9	2.3	0.6	0.0
Turkey	2.8	3.5	0.0	2.8	-0.6
Colombia	1.4	1.2	0.0	1.4	0.2

Source: BIS and author's own elaboration.

the Spanish banks' biggest market, mainly due to the investments by Banco Santander and Banco Sabadell. In Mexico, BBVA commands a notable presence, with Banco Santander the main bank in Brazil.

International presence: Concentration *versus* diversification

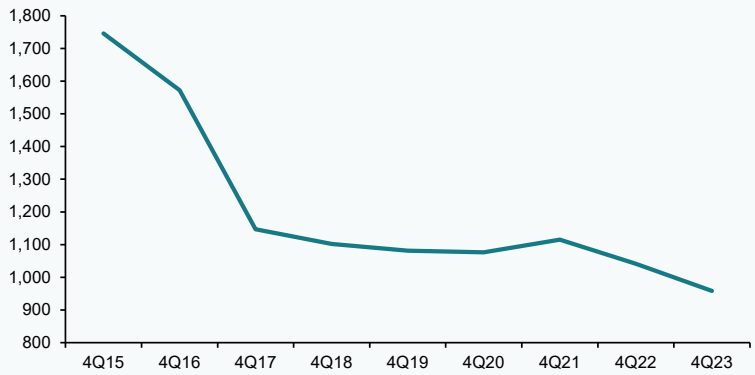
We use two indices to measure the degree of geographical diversification of the Spanish banks' foreign assets: the market shares of the top 3 (CR3) and 5 (CR5) investment destination markets and the Herfindahl-Hirschman Index (HHI). The advantage of the latter is that it considers all of the countries in which the Spanish banks have assets, not just the three or five most important.

In 2023, the UK, US and Mexico accounted for 60% of all of the Spanish banks' foreign assets. Adding in Brazil and Italy lifts the concentration ratio to 81%. If we compare these concentration ratios with the equivalent figures in 2015, the CR3 has increased by 2.6pp, while the CR5 has fallen by 2.25pp, giving us a mixed reading of the trend in concentration during this period.

The HHI avoids this problem by offering a single concentration reading. The HHI for the last quarter of 2023 was 958 points, which is nearly half of the reading as of year-end 2015 of 1,746 points. [2] As shown by Exhibit 3, between 2015 and 2017, the concentration index fell considerably, as the Spanish banks diversified their foreign investments. Between 2017 and 2021, concentration held steady, going on to fall in 2022 and 2023, so that diversification virtually doubled during the period under analysis.

> "In 2023, the net interest margin in Spain was 1.31% of total assets, compared to 2.3% for the consolidated groups."

Exhibit 3 **Geographical concentration of the Spanish banks' foreign assets. Herfindahl-Hirschman Index (HHI)**



Source: BIS and author's own elaboration.

Advantages of international expansion

It is well known that diversification reduces risk, a tenet that likewise applies to geographical diversification. And risk entails costs, which are therefore lower the more diversified a bank's business. This is borne out if we compare the profitability obtained by the Spanish banks from their domestic businesses with that of the consolidated groups, *i.e.,* including the business generated by the Spanish banks' foreign subsidiaries. With the exception of 2020, the year of the pandemic, since at least 2007, the ROE (return on equity) of the consolidated groups has been consistently higher than that of the individual groups (domestic business in Spain). For example, in 2023, the profitability gap amounted to 1.4pp, with the ROE rising to 12.4% when the Spanish banks' foreign subsidiaries are factored in.

Again, using the most recent data for 2023, the business generated by the Spanish banks' subsidiaries in third countries contributes a significant percentage of total profits. Specifically, based on the information provided by the Bank of Spain on the geographical breakdown of recurring profit attributable to the parent of the entities with significant international businesses, in 2023, 70% was generated by third countries, implying that the domestic business contributed the remaining 30%. In 2022, the contribution by the international businesses was even higher, at 74%.

The higher profitability of the consolidated groups relative to the purely domestic banks is attributable to the higher margins commanded by the Spanish banks in foreign markets. In 2023, the net interest margin in Spain was 1.31% of total assets, compared to 2.3% for the consolidated groups.

> "Disinflation should become more tangible in 2025, although we are still forecasting CPI above the ECB's target of 2%, in both Spain and the rest of the Eurozone."

Conclusions

a) By comparison with the world's main banking systems, the Spanish banking sector stands out for its significant international footprint, with foreign financial assets accounting for 55% of their total assets.

b) The Spanish banks' international presence has been increasing in recent years, with the share of foreign assets in total assets rising by almost 10 percentage points since 2015.

c) The UK is the Spanish banks' biggest overseas market, accounting for 20.3% of total foreign assets in 2023. The next biggest markets are the US (12.9%), Mexico (11.6%) and Brazil (9.7%).

d) The Spanish banks' international exposure is increasingly diverse geographically, with the concentration index falling by half since 2015.

e) Growing international exposure coupled with increased geographical diversification has paid off in terms of profitability, which is higher at the consolidated groups than in the purely domestic banking business. In 2023, 70% of the Spanish banks' profits were generated by their foreign subsidiaries, clearly illustrating the magnitude of their international footprint.

Notes

[1] Refer to AEI (2024) for an analysis of the Spanish banks' presence in Latin America.

[2] According to the values of the index, it is usual to consider the market highly concentrated for levels above 1,800 points, being moderately concentrated from 1,000 to 1,800 points.

References

AEI. (2024). *La banca española en América Latina: visión histórica, situación y perspectivas de futuro* [Spanish banks in Latin America: Looking back and looking forward]. Instituto Español de Banca y Finanzas.

Bank of Spain. (2024). *Financial Stability Review,* spring 2024.

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

This page was left blank intentionally.

ECB FRAMEWORK

Rewiring the European Central Bank

On 13 March 2024, the ECB announced a new operational framework to manage its shrinking balance sheet, fundamentally altering its relationship with the banking system and financial markets. The major impact will be felt by 2026-2027 as the Eurosystem's balance sheet decreases, requiring the ECB to adapt its monetary policy while preserving financial stability.

Erik Jones

Abstract: The European Central Bank (ECB) announced on 13 March 2024 that it would adopt a new "operational framework" for controlling monetary policy. That decision was necessary because the ECB is allowing the assets it purchased and accepted as collateral in exchange for long-term refinancing operations to mature or be returned to the market. With a shrinking balance sheet, the ECB needs to change its relationship with the banking system. It will also change its relationship with non-bank financial institutions and with the financial markets for public and private securities. This transformation is not immediate. The major consequences will start to be felt only in 2026 or 2027. But it is imminent. As the collective balance sheet of the central banks that participate in the euro as a common currency, the Eurosystem, falls from just under €6.5 trillion today to something just over €3 trillion in 2026-2027, the ECB must find a new way to set monetary policy while at the same time preserving financial stability. The first major step took place on 12 September 2024 with a realignment of the ECB's main policy rates. Important questions about future steps remain to be addressed.

Background

The European Central Bank – like all central banks – conducts monetary policy through the provision of "liquidity". This liquidity is not like the currency used by non-bank financial institutions, firms, or households. It exists only as accounting entries that financial institutions officially recognized as "banks" can access on the consolidated balance sheet of the central banks that have adopted the euro as a common currency – the Eurosystem. That central bank liquidity plays a key role in the financial system because it is the only form of currency that banks can use to meet their regulatory reserve requirements. It is also the safest instrument for banks to use in meeting their regulatory requirements to maintain an adequate volume of highly liquid assets on their own balance sheets. Central banks conduct monetary policy by setting the volume and price of this liquidity. In doing so, they influence the level of activity in the financial system. Central banks also have a direct impact on the performance of non-financial institutions and the markets for tradable public and private securities. More fundamentally, central banks use their control over liquidity to influence the performance of the real economy both at discrete points in the business cycle, slowing down inflation or pushing up activity, and, at least potentially, in creating longer-term incentives for innovation and investment. Therefore, any change in the way central banks connect to the banking system has significant implications for the functioning of the euro as a common currency.

Introduction

The Governing Council of the European Central Bank (ECB) has been wrestling with the challenge of reversing the instruments it deployed to fight the global economic and financial crisis for the better part of a decade (Jones, 2017). Initially, concern focused on the volatility that the ECB might introduce into financial markets. The Governing Council also worried that it might move too quickly in withdrawing monetary stimulus and so put a brake on the euro area's fragile recovery. These concerns only increased during the pandemic and in the initial days after Russia's full-scale invasion of Ukraine in February 2022.

With the sudden acceleration of inflation, however, Governing Council members recognized that they would have to withdraw monetary stimulus to slow the growth of prices. They also recognized that reversing their monetary policy stance would change the way the ECB is connected to European banks and financial markets. As a result, the change in monetary policy would also have implications for the way monetary policy is conducted – the ECB's "operational framework". Hence, the Governing Council launched a 14-month-long review of its operations.

The Governing Council announced the first results of that review on 13 March 2024 (ECB, 2024). What it admitted is that the onset of the global economic and financial crisis had broken the old way central banks used to conduct monetary policy, and the monetary policy instruments used to respond to the crisis had created a new way of working that would be unsustainable over the longer-term. Hence, the ECB would have to find a new operational framework that falls somewhere between what monetary policymakers did in the past and what they had to do during the crisis. The problem is that many important details about how this new operational framework will function remain uncertain.

"The onset of the global economic and financial crisis had broken the old way central banks used to conduct monetary policy, and the monetary policy instruments used to respond to the crisis had created a new way of working that would be unsustainable over the longer-term."

> “Qualification to access central bank liquidity is often what distinguishes a bank – in regulatory terms – from other financial institutions.”

The goal is for the Governing Council to have effective control over monetary conditions that is resilient to changing circumstances. The challenge is that achieving that objective depends on many factors outside the Governing Council's control. To understand why, it is necessary to consider how central banks are connected to the banking system, how that connection influences financial conditions more generally, and how that influence over financial conditions has an impact both on macroeconomic performance and on the structure of the real economy.

More than just a ledger

The distinctive feature of the European Central Bank – and any central bank, since the Bank of Amsterdam was founded at the start of the 17th Century (Quinn and Roberds, 2024) – lies in its ability to create money or liquidity by adding assets and liabilities to its balance sheet. The liquidity is not money in the conventional sense, although the ECB does have the ability to underwrite conventional currency as well. The difference is that ECB liquidity is available only to those institutions who are allowed to hold accounts on the balance sheets of those central banks that have adopted the euro as a common currency – the Eurosystem. Other financial institutions can tap the liquidity created by the ECB indirectly, through the banking system. But only banks have the ability to manage ECB liquidity directly. Indeed, qualification to access central bank liquidity is often what distinguishes a bank – in regulatory terms – from other financial institutions.

This focus on the balance sheet matters because of the way central banks like the ECB use access to their liquidity to influence monetary conditions more generally. When it started, the ECB gave banks access only to as much liquidity as they required to meet their regulatory obligations – auctioning off a fixed amount of liquidity set using estimates of what the banks would need over a specific “maintenance period” based on bids over prices and quantities made by individual institutions. This system allowed the Eurosystem to hold a relatively small collective balance sheet and it created strong incentives for banks to trade central bank liquidity with one another in the form of unsecured overnight lending during the liquidity maintenance period.

At the onset of the global economic and financial crisis, however, banks stopped trading with one another. As a result, the ECB's old operational framework for managing monetary policy broke down. Other central banks had a similar experience (Buiter, 2021: 10-15). Banks struggled to meet their regulatory requirements during the liquidity maintenance period. Rather than force these institutions to take out penalty loans through its marginal lending facility, the Governing Council opted to change the way it lent out liquidity so that banks could borrow as much as they required at a fixed rate rather than having to bid at auction (Gotti and Papadia, 2024: 6).

This expansion of lending through the introduction of fixed-rate, full-allotment procedures inevitably expanded the balance sheet of the ECB with additional bank

> “Even when the ECB purchased assets from non-bank financial institutions, the central bank liquidity remained within the banks with which those institutions did business.”

deposits on the liability side and lending to banks on the asset side. That expansion accelerated with the introduction of long-term refinancing operations and other forms of lending and with the relaxation of collateral rules that made it easier for banks to borrow central bank liquidity. But it also expanded as the ECB began to purchase assets outright both to stabilize particular asset classes like covered bonds and asset backed securities, and to provide additional liquidity to the banking system.

Such outright purchases are little different from the longer-term lending operations apart from the fact that the lending went only to banks while the purchases also involved non-financial institutions (Chadha, 2022: 143-146). The point to note is that even when the ECB purchased assets from non-bank financial institutions, the central bank liquidity remained within the banks with which those institutions did business. In turn, those banks amassed more central bank liquidity than they required to meet their regulatory obligations and which they left on deposit within the Eurosystem.

From one framework to another

This story is important because it explains why the Governing Council effectively developed a new operational framework during the financial crisis through which it began to influence monetary conditions both through quantitative easing – meaning expanding its balance sheet either through additional lending or asset purchases – and through changes in the rate it paid out on the deposit facility where banks parked their surplus liquidity. Within that new operational framework, banks have little incentive to engage in lending with one another to meet their liquidity requirements. Uncollateralized overnight bank lending has been replaced by collateralized lending either between banks or, increasingly, between banks and non-bank financial institutions (Schnable, 2023).

The results can be seen in the Eurosystem balance sheet (Table 1). The overall size of the balance sheet as of August 2024 is just under €6.5 trillion. On the asset side, €4.5 trillion takes the form of securities held for reasons related to monetary policy. Roughly €91 billion exists as lending to banks. Of that €76 billion comes from a targeted long-term lending operation that will mature in 2024, and only €2 billion comes out of the "main refinancing operations" that used to be the mainstay of the ECB's operational framework. [1]

The reason can be seen on the liability side. The banks can easily meet their reserve

Table 1 **The balance sheet of the Eurosystem on 2 August 2024**

EUR billion

Assets		Liabilities	
Gold and Foreign Currency	1,281.7	Banknotes in Circulation	1,566.1
Lending to Banks	90.9	Bank Reserves	159.7
Securities (Monetary Policy)	4,454.8	Bank Deposits	3,065.1
Other securities	220.5	Government Deposits	119.9
Other	420.8	Other	1,557.9
Total*	6,468.7	Total	6,468.7

*Note: *This figure is as of 10 September 2024.*

Source: European Central Bank, 3 September 2024, https://www.ecb.europa.eu/press/annual-reports-financial-statements/wfs/dis/html/index.en.html.

Table 2

Daily liquidity positions – 24 July 2024 to 17 September 2024*

EUR billion

Average Reserve Requirements	162.2
Average Current Account Holdings	134.4
Current Account Holdings	157.2
Use of the Marginal Lending Facility	1
Use of the Deposit Facility	3,072.2
Net Liquidity Effect of Autonomous Factors**	-3,141.4
Excess Liquidity	3,067.3

*Notes: *This figure is as of 10 September 2024; **Autonomous factors are beyond the direct control of the ECB and coincide with banknotes in circulation, government deposits, and much of the 'other' category in Table 1.*

Source: European Central Bank, https://www.ecb.europa.eu/mopo/liq/html/index.en.html

requirements of just under €160 billion with the liquidity available. Indeed, there are just over €4 trillion held by banks within the deposit facility. Not all of this money on deposit is surplus liquidity. Some liquidity is necessary to offset other parts of the balance sheet beyond the control of the ECB. Nevertheless, the ECB estimates that just over €3 trillion of the deposit facility goes beyond the liquidity requirements for the Eurosystem (Table 2).

This balance sheet is smaller than it was in the immediate aftermath of the pandemic, when the total volume of assets was more than €8 trillion. Of that total, €2.2 trillion were loans to banks as compared to €4.9 billion held in securities. [2] These numbers have come down as the Governing Council allowed both the loans and securities to mature without replacing them. There is a point at which this shrinkage will start to push banks back into interbank markets to meet their regulatory liquidity requirements. Researchers at the International Monetary Fund (IMF) have estimated that the tipping point will take place when surplus liquidity declines to around €1.3 billion, which could happen as early as 2026 (Brandoa-Marques and Ratnovsky, 2024: 25, 30); more recent estimates by researchers at Bruegel put the tipping point somewhere in a range between €1.3 trillion and €2 trillion, and have stretched out the timeline to 2027 (Gotti and Papadia, 2024: 2, 28).

Toward a new framework

Identifying this tipping point in the relationship between the provision of central bank liquidity and the use of interbank markets for liquidity redistribution matters because it is uncertain whether interbank lending markets will restart with the same depth and resilience as they had before the financial crisis either within euro area countries or, more important, across national boundaries. If those markets do restart, then it should be possible for the ECB to begin weaning

> "There is a point at which this ECB balance sheet shrinkage will start to push banks back into interbank markets to meet their regulatory liquidity requirements."

> If interbank markets do not restart, the ECB may need to expand its balance sheet again.

euro-area banks off their dependence of the provision of abundant central bank liquidity.

Such a return of interbank lending would not allow the Eurosystem to shrink its balance sheet to the levels maintained before the financial crisis. The growth of items on the balance sheet beyond the direct control of the ECB has been too extensive. But it would allow the ECB to reduce its footprint in the market for public and private securities, which would release more collateralizable assets back into the market and so facilitate collateralized interbank lending. It would also remove some of the moral hazard created for banks that have relatively free access to liquidity without market discipline and for governments that know they can count on the Eurosystem to hold onto a large share of their government debt (Schnabel, 2024).

If interbank markets do not restart, then the ECB will have to be prepared to expand its balance sheet again to provide adequate liquidity either through long-term refinancing operations or through direct asset purchases (Gotti and Papadia, 2024: 18-19). The instruments created during the global economic and financial crisis are only being reset and not dismantled. Indeed, those instruments remain an integral part of how the ECB will operate even if there are not moments of acute stress.

The new operational framework the Governing Council is developing takes this requirement into account. It also builds on the recognition that the balance sheet will be larger than it was prior to the crisis. And it accepts the possibility that interbank lending will not develop to redistribute liquidity across the banking system as efficiently as it did in the past. The Governing Council plans to use the deposit facility rate as its main instrument for influencing bank lending. It also plans to use a mix of long-term refinancing operations and outright asset purchases to create a structural portfolio of assets to ensure an adequate supply of liquidity on the liability side of its balance sheet (ECB, 2024). The details for this portfolio have yet to be worked out. The Governing Council plans to take that decision only in 2026, once the tensions in the banking system begin to emerge due to the relative shortage of surplus liquidity (Schnabel, 2024).

In the meantime, the Governing Council has decided to reduce the corridor between the deposit facility rate and its main refinancing operations from 50 basis points (or one half of one percent) to just 15 basis points (or 0.15 percent). That action took place at a monetary policy meeting on 12 September 2024. The reason is to ensure that if some banks find themselves running short of liquidity and yet unable to access interbank markets, they will not have to pay too large a premium to borrow what they need directly from the ECB in order to meet their regulatory requirements. This narrower corridor between the deposit rate and the rate charged on main refinancing operations should also reduce volatility of interbank lending rates by channelling any sudden stress on the banking system back to the ECB. That arrangement hews closely to recommendations made by the IMF even if the overall operating framework still contains significant ambiguities (Brandoa-Marques and Ratnovsky, 2024; Gotti and Papadia, 2024).

> The ECB is reducing the corridor between its deposit and refinancing rates from 50 to just 15 basis points.

> “ The ECB must implement its new framework without sparking financial volatility or political opposition. ”

The future of the euro area

The hope is that the ECB will be able to implement this new operational framework without financial volatility or political opposition. So far, the Governing Council has been very successful in communicating its new policy without creating too many hostages to fortune. There are obvious sources of potential threat coming from the structural changes underway in the global economy. The introduction of new digital technologies is another potential source of instability (Gotti and Papadia, 2024). Nevertheless, the Governing Council has managed to shrink down its balance sheet and push back against inflation without facing a significant amount of turbulence. That might change and yet progress has been consistent.

Strong political opposition to the new framework also has not emerged. Some voices express disappointment that the pace of balance sheet reduction is too sluggish and stress that the goal should be to reinvigorate market forces by withdrawing the ECB from financial markets, but even traditionally conservate voices on the Governing Council have supported the new framework (Nagel, 2024). And while more activist voices worry that the smaller balance sheet will leave the ECB less room to promote other economic objectives – like the green transition – even they admit that the framework being proposed is better than the alternative of trying to maintain the arrangement that emerged during the crisis. There is still scope for improvement and yet that is no reason for opposition (Batsaikhan *et al.,* 2024). Strengthening the relationship between the Eurosystem and the banking system it serves is too important.

Notes

[1] The latest data on open market operations conducted by the ECB can be found here: https://www.ecb.europa.eu/mopo/implement/omo/html/index.en.html

[2] Time series data for the annualized Eurosystem balance sheet can be found here: https://www.ecb.europa.eu/press/annual-reports-financial-statements/annual/balance/html/index.en.html

References

Batsaikhan, U., Diessner, S., and Schröder Bosch, J. (2024). *Future Fit Operational Framework for the European Central Bank*. Manuscript, June.

Brandoa-Marques, L., and Ratnovski, R. (2024). The ECB's Future Monetary Policy Operational Framework: Corridor or Floor? [*IMF Working Paper*]. Washington, D.C.: International Monetary fund, WP/24/56, March.

Buiter, W. (2021). *Central Banks as Fiscal Players: The Drivers of Fiscal and Monetary Space*. Cambridge: Cambridge University Press.

Chandha, J. (2022). *The Money Minders: The Parables, Trade-Offs and Lags of Central Banking*. Cambridge: Cambridge University Press.

European Central Bank. (2024). Changes to the Operational Framework for Implementing Monetary Policy. *Statement of the Governing Council*. Frankfurt: ECB, 13 March. https://www.ecb.europa.eu/press/pr/date/2024/html/ecb.pr240313~807e240020.en.html

Gotti, G., and Papadia, F. The European Central Bank's Operational Framework and What It Is Missing.' *Bruegel Working Paper,* No. 17. Brussels: Bruegel, 16 July.

Jones, E. (2017). Now for the Tricky Part: Unwinding the European Central Bank's Unconventional Monetary Policy Stance. *SEFO – Spanish Economic and Financial Outlook, 6*(3), 7-17. https://www.funcas.es/wp-content/uploads/Migracion/Articulos/FUNCAS_SEFO/031art02.pdf

Nagel, J. (2024). Reflections on the Eurosystem's New Operational Framework.' Speech. Frankfurt: Bundesbank, 16 May. https://www.bundesbank.

de/en/press/speeches/reflections-on-the-eurosystem-s-new-operational-framework-932572

Schnabel, I. (2023). Back to Normal? Balance Sheet Size and Interest Rate Control.' Speech. Frankfurt: ECB, 27 March. https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230327_1~fe4adb3e9b.en.html

Schnabel, I. (2024). The Eurosystem's Operational Framework.' Speech. Frankfurt: ECB, 14 March. https://www.ecb.europa.eu/press/key/date/2024/html/ecb.sp240314~8b609de772.en.html

Erik Jones. Director of the Robert Schuman Centre for Advanced Studies of the European University Institute

AUTOMOTIVE INDUSTRY

Europe's automotive industry in the face of competition from the US and China

The European automotive sector is facing a significant decline, with production contracting sharply between 2019 and 2023, placing it behind American and Chinese counterparts. While Spain has managed to mitigate some of these challenges given its relatively stronger position in the European market, the broader industry faces an uncertain future without strategic investment incentives to address a range of structural weaknesses.

Raymond Torres

Abstract: The European automotive sector is experiencing a considerable slump in both absolute terms and relative to its American and, even more so, Chinese counterparts. Between 2019 and 2023, the sector contracted by 16.6%, and preliminary data for this year suggest that the downward trend is continuing. The decline is the result mainly of supply factors, including a technology lag, which is impeding the response to the new environmental requirements, creating high prices that are weighing on demand and affecting competition. Barriers to the demand of electric cars also persist. While Spain has not been immune to these challenges, it has managed to mitigate some of them, due to its relatively stronger position within the European market. Nevertheless, the broader industry faces an uncertain future without strategic interventions to address these structural weaknesses. Going forward, neither the imposition of tariffs nor vehicle purchase subsidies are likely, by themselves, to reverse the decline in a sustainable manner. According to the empirical evidence, investment incentives, centred around the

> “Europe now accounts for just one of every six vehicles made globally, compared to one out of five just a decade ago.”

technology of key components like batteries, would be the better policy alternative.

Introduction

The automotive sector is one of the most exposed to the technological, energy and geopolitical challenges that are affecting the global economy. In Europe, the sector has historically played an important role, due to its share of the region's GDP and balance of payments, as well as its contribution to social and economic development in general. During the first two decades of this century, which have been marked by a succession of crises, accelerating technological change due to advances in robotics and the irruption of China, the sector managed to adapt, holding on to its position as one of bastions of European industrial power.

In recent years, however, doubts have emerged about its ability to respond to the challenges posed by a global market in the midst of profound global change. The aim of this paper is to analyse the origin of the difficulties it currently faces using sector production, demand and trade figures, focusing on Europe's and Spain's position relative to the US and China. Following a brief macroeconomic assessment, we share some considerations about the effectiveness of the different economic policy options: tariffs, demand subsidies and support for investment.

Europe's decline

The pandemic was a watershed moment for the European automotive industry. Prior to the health crisis, the sector indicators continued to reveal moderate growth, underpinned by favourable positioning in different international markets. Between 2015 and 2019, production increased by just over 2%, in contrast to a sharp 20% contraction in the US. During the same period, the region reported a trade surplus, while on the other side of the Atlantic the industry accumulated deficits. In parallel, China's car industry was making inroads, notching up production growth of 14%.

Table 1 **Production of passenger vehicles**

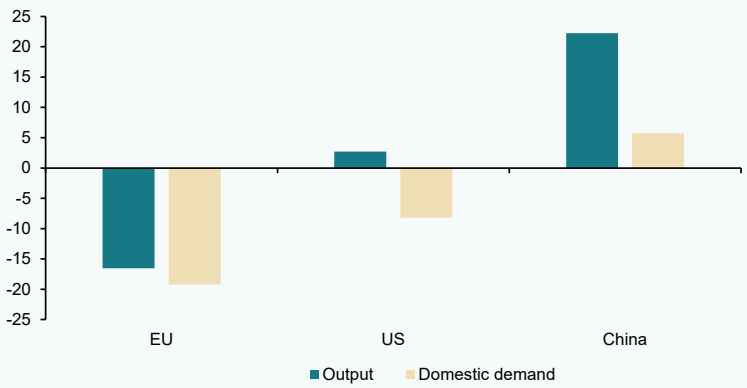
	Millions of units		Change, %
	2019	2023	2019-2023
EU	**14.5**	**12.1**	**-16.6**
Germany	4.7	3.9	*-17.0*
Spain	2.2	1.9	*-13.6*
France	1.7	1	*-41.2*
Italy	0.5	0.5	*0.0*
Rest of EU	5.4	4.8	*-11.1*
US	**7.4**	**7.6**	**2.7**
China	**20.7**	**25.3**	**22.2**
Worldwide	**74.1**	**75.6**	**2.0**

Source: Author's estimates based on ACEA data.

Exhibit 1

Automotive supply and domestic demand in the EU, US and China

Change in volumes between 2019 and 2023 (percentage)



Source: BIS and author's own elaboration.

This scenario of relative resistance, however, would appear to have vanished in recent years. Between 2019 and 2023, European production contracted by 16.6% and the data available for this year point to continuation of the negative trend. In the US, by contrast, the sector has managed to stabilise, even making up for a little of the ground lost in the previous years, registering growth of 2.7%, slightly above global total (Table 1). Meanwhile, China has made a leap forward, lifting production by 22.2%. Europe now accounts for just one of every six vehicles made globally, compared to one out of five just a decade ago.

The decline in Europe is attributable, firstly, to weaker demand, reflecting circumstantial factors that are to some degree reversible. The energy shock has taken a relatively higher toll on Europe on account of its dependence on Russian gas and imported fuels. Household purchasing power has been eroded as a result. Proximity to the armed conflicts that have broken out in recent years has also eroded consumer confidence. That explains why private consumption in Europe increased by just 2.3% between 2019 and 2023, compared to growth of 10.7% in the US. Consumption of durable goods, the category cars fall into, has suffered the most. During the period analysed, new registrations plummeted 19.2% in the EU, which is more than twice the drop observed in the US (Exhibit 1).

Regulatory uncertainty may have been a factor, too. The European Union is targeting decarbonisation, announcing a ban on sales of new petrol and diesel cars in the medium term, a measure clearly aimed at incentivising the transition to sustainable cars (which include electric and hybrid vehicles). However, demand for electric vehicles has lagged due to shortcomings in the recharging network, imperfect substitution between electric vehicles and conventional ones, and the fact that prices remain relatively high. Despite recent progress in terms of technology and economies of scale, European

> "Demand for electric vehicles has lagged due to shortcomings in the recharging network and the fact that prices remain relatively high."

> “However, the biggest obstacle is the technology lag that has accumulated around the electric vehicle, a key target of European economic policy.”

electric vehicles remain between 30% and 50% more expensive than conventional models (International Energy Agency, 2024). In some countries, such as Germany, the retail price gap has been reduced by public aid for green vehicle purchases. However, when this aid was recently scaled back due to budgetary constraints, retail prices rebounded, prompting a fresh collapse in new registrations.

Structural factors

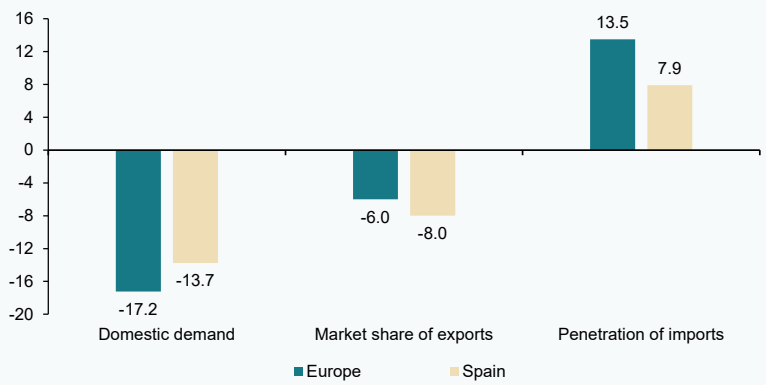
Whereas the above trends are largely circumstantial or could be tackled through better regulations and incentives, there are other more structural, and therefore more worrying, factors at play. First of all, an analysis of recent trade flows reveals that the European industry has lost competitiveness. Exports to third countries have stagnated, in contrast to the growth observed in international markets (Exhibit 2). The loss of the region’s market share is evident virtually across the globe but is particularly noteworthy in China, where flows have fallen by 20.2% in current prices. Imports, meanwhile, have increased at more than twice the pace of decline in exports. The US, China and Japan are among the competitors making the biggest inroads in Europe, as borne out by growth in imports from these markets of 51.4%, 39% and 37.1%, respectively.

Secondly, the trend in production costs attests to the loss of competitiveness. While labour costs have registered only moderate growth, productivity has deteriorated in relation to the region’s main competitors. Energy costs have shot up, especially in the countries that are more dependent on Russian gas.

Exhibit 2

Factors behind the decline in automotive production in the EU and Spain

Rate of growth, 2019-2023



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

> "One in every six vehicles sold worldwide in 2023 was an electric or hybrid vehicle, compared to one in 12 in 2021 (in 2016 these vehicles accounted for just 1% of the global market)."

However, the biggest obstacle is the technology lag that has accumulated around the electric vehicle, a key target of European economic policy. To produce at a large scale and affordable prices, it is crucial to have competitive technology and a secure supply chain right along the value chain, most importantly with respect to the electric battery. European manufacturers, however, have taken too long to make the investments needed to ensure this transition.

The figures are stark: the global sustainable vehicle market (including both electric and hybrid segments) doubled between 2022 and 2023 and while the provisional data point to a slowdown, the market is still expected to expand by 16% this year (Irle, 2024). As a result, one in every six vehicles sold worldwide in 2023 was an electric or hybrid vehicle, compared to one in 12 in 2021 (in 2016 these vehicles accounted for just 1% of the global market).

In this new paradigm, China has emerged as the big winner, ranking first among producer nations and consolidating its new-found positioning. This dominant position is attributable to the fact that the Chinese manufacturers moved so early, buoyed by ample public support, to take advantage of the green transition, carving out important economies of scale in their giant domestic market (Alochet, 2023). Being a first mover in a market can bring a lasting advantage from the point of view of technological leadership, product diversification in response to consumer preferences and control of the supply chain, especially the minerals that are essential for manufacturing electric vehicles. [1] Also, the subsidies, whether direct or hidden, by the Chinese state, have proven essential to kick-starting and consolidating the transition.

At any rate, the upshot is a lower sales price than the European or North American manufacturers can offer. The Chinese car makers have also been able to adapt for the spectrum of consumer preferences, designing high-end models as well as smaller, more city-friendly ones. More recently, faced by a slump in consumption in China and the risk of not generating a return on their investments, the industry has stepped up its efforts to export the stock of vehicles not sold in the domestic market.

For now, Europe is at a disadvantage. The difficulty in procuring key minerals and the technology lag are undermining the production of batteries, a core component. In tandem, consumer demand for vehicles is stagnating, so that the manufacturers cannot build the scale needed to lower costs, in turn making their products more expensive and further weighing on demand. This vicious circle and its financial consequences are threatening Northvolt, one of the most promising European ventures.

The result is that the EU is losing ground in the international markets for electric vehicles.

> "China has emerged as the big winner, ranking first among producer nations and consolidating its new-found positioning, with its dominant position attributable to its first mover advantage."

> The difficulty in procuring key minerals and the technology lag are undermining the production of batteries, a core component.

The initial trade surplus has narrowed drastically (Exhibit 3). The Chinese producers, forced to export to make up for the slump in domestic demand, are gaining market share in Europe, helping to widen the trade deficit with China. In parallel, the surplus with the US is narrowing as the latter attracts investments, drawn the powerful stimulus implied by the Inflation Reduction Act (IRA).

Specifically, the IRA (Inflation Reduction Act) and other recent initiatives like the Infrastructure Investment and Jobs Act are organized around four key objectives, covering the entire value chain of electric vehicles, with a special focus on batteries (Alochet, 2023). First, the Biden Administration has launched an ambitious program to revive the mining industry for minerals essential to battery production. The exploitation of these minerals had declined, and their processing had been outsourced to other countries, as in the case of rare earth elements, which were handed over to a Sino-American consortium in the 1990s. The second objective, which is the most heavily funded, focuses on the manufacturing of batteries and their main components. The program includes the application of tax credits and other subsidies for battery technology and production, contingent upon a high percentage of local content (around 80% of supplies must come from the U.S., Canada, or Mexico to qualify for public support). Third, in parallel with decarbonization goals, the IRA provides incentives for R&D and the production of electric vehicles on American soil. Finally, the battery charging network is being strengthened with a federal investment program and another at the local level.

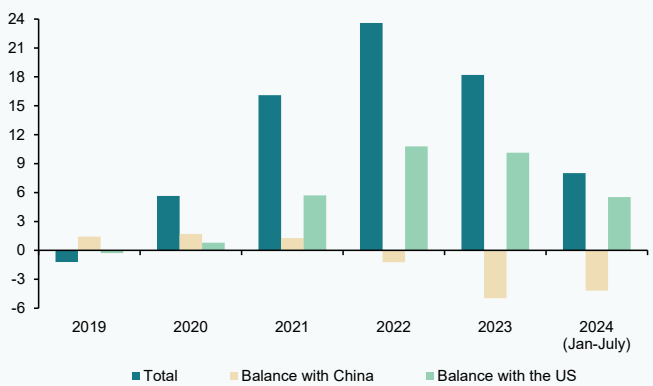
Spain is partially mitigating the general decline thanks to the European market

The trend in the Spanish automotive sector is similar to that of the rest of Europe (Exhibit 2)

Exhibit 3

Balance of trade in electric vehicles in the EU

Billions of euros



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

> "Spain benefits from better positioning in the European market, which is partially mitigating the loss of terrain outside of Europe."

but Spain benefits from better positioning in the European market, which is partially mitigating the loss of terrain outside of Europe. Between 2019 and 2023, exports to the EU increased by 18%, which is six points more than the increase in imports from other member states. The trade balance with the EU is a significant surplus. In contrast, the French and Italian car industries present trade deficits with the EU. This helps explain why production in Spain has fallen by somewhat less than the European average, as shown in Table 1.

Policy implications

Our analysis shows that the plight of the European automotive sector stems from tension between targets and the reality. On the one hand, the various governments have set much-needed environmental targets in keeping with their climate action commitments, which has translated into measures such as an increased cost of carbon emissions from 2025, a ban on new sales of conventional vehicles from 2035 (though this goal might be postponed), and incentives for the green transition. On the other hand, however, the production chain is not yet ready to satisfy the potential demand derived from these targets, while demand-side barriers persist. This tension is translating into a sharp contraction in the purchase of vehicles made in Europe and higher import penetration, notably of Chinese electric vehicles.

In this situation, the introduction of tariffs on imports would likely have a relatively insignificant impact on European production, which is essentially being limited by supply factors and the shortcomings of the electric vehicles made in Europe. Tariffs do, however, make sense in the context of subsidies and other practices that distort the playing field and violate international trade regulations. However, applied on their own, *i.e.,* in the absence of a parallel effort to increase the sector's productive capacity, tariffs do not constitute a long-term solution, as borne out by this analysis.

Subsidies for car purchases have a more direct impact on demand, but in principle do not discriminate between local and foreign production. Furthermore, subsidies come at a cost for the public coffers and are only sustainable if the manufacturers take advantage of the surge in demand to accelerate their technological transition. It has been proven that unwinding them, in order to meet budgetary targets, causes demand to collapse, as the car makers continue to wrestle with technological challenges.

In theory, investment incentives should be more effective as they are more likely to unlock technological development, which is the key issue. The diagnostic suggests that support should focus particular attention to technological development in the battery sector, its manufacturing and the supply chain that sustains it. The problem is that investment incentives take a long time to make their mark and, in the meantime, the region's competitors are at a considerable advantage. While the task is not easy, the way forward can only be to persevere and fine-tune

> "Subsidies for car purchases have a more direct impact on demand but in principle do not discriminate between local and foreign production."

the measures rolled out in response to their results. It is probably the best option in the face of the "existential" risk facing European industry (Draghi, 2024).

Notes

[1] Suarez and Lanzolla (2005) also give examples of the risks that face first movers.

References

Alochet, M. (2023). *Comparison of the Chinese, European and American regulatory frameworks for the transition to a decarbonized road mobility,* École Politechnique, Management Research Center. https://portail.polytechnique.edu/i3_crg/en/publication-report-comparison-chinese-european-and-american-regulatory-frameworks-transition

Draghi, M. (2024). *The Future of European Competitiveness*. https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en

International Energy Agency. (2024). *IEA Global Electric Vehicle Outlook*. https://www.iea.org/reports/global-ev-outlook-2024

Irle, R. (2024). Is the global EV market slowing down?, *Ev Volumes*. https://ev-volumes.com/news/ev/is-the-global-ev-market-slowing-down/

Suarez, F., and Lanzolla G. (2005). The half-truth of first-mover advantage. *Harvard Business Review* (April). https://hbr.org/2005/04/the-half-truth-of-first-mover-advantage

Raymond Torres. Funcas

Labour scarcity and labour market policies: A comparative analysis

Labour shortages have become an increasingly pressing issue across various sectors and occupations since the COVID-19 pandemic, with significant economic implications. While Spain's regional public employment services are implementing various initiatives, a more coordinated and sector-specific approach is needed to effectively tackle labour shortages and enhance labour market efficiency.

Miguel Ángel Malo

Abstract: Labour shortages have become an increasingly pressing issue across various sectors and occupations since the COVID-19 pandemic, with significant economic implications. In 2023, unfilled vacancies in Spain rose by 44% compared to 2019, resulting in an estimated loss of €8.15 billion in GDP. These shortages stem from three main sources: temporary demand-driven spikes, long-term supply shifts due to demographic changes, and mismatches in skills and geography. The impact of these shortages is felt across all levels of the workforce, from high-skilled ICT and health professionals to lower-skilled roles in hospitality, construction, and agriculture. Going forward, there is a need for targeted measures to improve skill matching and address long-term structural challenges, such as population ageing and the digital transition. While Spain's regional public employment services are implementing various initiatives, a more coordinated and sector-specific approach is needed to effectively tackle labour shortages and enhance labour market efficiency. [1]

> In Spain, unfilled vacancies increased by 44% in 2023, with an estimated cost of 8.15 billion euros.

Foreword

The shortage of manpower in certain sectors and occupations is not a new phenomenon but, since the COVID-19 pandemic, it is one of growing concern, with more and more companies reporting difficulties in filling their vacancies (Causa *et al.*, 2022). Although the labour shortage issue is less acute in Spain than in other European countries, in 2023 unfilled vacancies increased by 44% with respect to 2019 with an estimated cost (in terms of lost GDP) of 8.15 billion euros (BBVA-IVIE, 2024).

In general, the labour shortages originate from one of three basic sources (Ernst and Feist, 2024; Green *et al.*, 1998): demand-driven temporary shortages; supply-driven long-term shifts in the size and composition of the labour force; and shortages driven by ineffective labour market adjustments that result in skill or geographical mismatches. These sources are not mutually exclusive and can coexist or even feed off each other. The end of the pandemic generated a temporary, demand-driven shortage. In parallel, however, longer-term trends are also affecting the size and composition of the labour force. The developed economies' populations are ageing and that is altering the number of people available to work in certain sectors and occupations as more people retire. In turn, population ageing implies an increased need for labour in sectors and occupations related with health and care work. Inefficiencies in matching supply and demand are related with labour market dynamics and sector transformations whereby the job seekers that are available do not have the skills demanded by the businesses with unfilled vacancies. These mismatches can have a mobility angle to the extent that there may be a pool of individuals available to fill the existing vacancies and in possession of the required skills who are not located in the same place as the vacancies. On top of this, the pandemic prompted some workers to change occupation or sector who do not want to return to work in their original sectors due to the working or pay conditions.

This new episode of labour shortages has brought the public measures and policies for tackling the issue into sharper focus. This paper attempts to succinctly describe those policies from a Spanish perspective. To that end we take a look at the current situation in the European Union (EU) in order to provide a useful comparison with the situation in Spain. While other authors have approached this issue by analysing the major items of expenditure on labour market policies in Spain (for example, Mato, 2023), in this paper we emphasise the measures implemented at both the national level and by the various public regional employment services. In the last section of the paper, we outline a few considerations based on the results of our comparative analysis. In particular, we discuss aspects to which, until now at least, little attention has been paid in designing measures to address the labour shortages, such as the institutional structure of the labour market, the overeducation phenomenon and the level of monopsony.

Labour policies for tackling labour shortages

International situation

At the international level, the emergence from the COVID-19 pandemic largely explains the labour shortages reported by firms (Ernst and Feist, 2024). Not only due to the sudden increase in demand once the lockdowns were lifted but also because some workers, who had been forced to look for work that did not require major social distancing, realised they could take up different positions with better working conditions. Hence the scarcity of workers in the tourism and especially the hospitality sectors (Eurofound, 2023). In

> “Long-term transformations like ageing, technological change, and globalisation are major concerns in the labour market.”

parallel, the very shortage of labour gives workers greater bargaining power when negotiating with employers both individually and collectively in terms of weighing up whether to accept or reject a job offer (Zwysen, 2023).

However, it is the long-term transformations (ageing, technological change, the energy transition and globalisation), coupled with skills mismatches, that are of greatest concern (Brunello and Wruuck, 2021). In the EU in particular, the shortage of labour related with the lack of the right skills, is a phenomenon that would appear to be affecting the entire productive spectrum, including small and medium-sized enterprises (SMEs). Indeed, three quarters of European SMEs report encountering skills shortages for at least one job role at their firm. [2]

The current labour shortage phenomenon is a global problem which is affecting developed and developing markets alike. Its impact is also being felt in countries that still have an abundance of labour, as indicated by high unemployment or informal employment (Ernst and Feist, 2024). However, countries are affected differently depending on their sector and occupation structures. Within the EU, it is possible to distinguish between three major groups of countries (Eurofound, 2023):

- The first encompasses the countries in which the incidence of labour scarcity has increased significantly over the past decade and in which unfilled vacancies are currently running at over 4%. This group includes Germany.
- The second group includes the countries in which the vacancy rate is running at between 2% and 3% (as of the third quarter of 2023), in line with the European average. Italy and France fall into this category.
- The third group includes countries that have reported slight growth in vacancy rates in the last decade coupled with high levels of unemployment and of shadow economy employment. In these countries, the labour issues are not related so much to the existence of high vacancy levels as to mismatches between the existing supply of labour and unfilled vacancies. Spain belongs to this group.

These idiosyncrasies may explain certain differences between countries in the design of labour policies to address labour shortages, but there is a fundamental difference between the short- and long-term causes underlying the scarcity. In general, firms can develop a range of workforce management strategies for addressing transitory labour shortages (Fang, 2009) but are hard pressed to tackle the shortages that originate from long-term factors, which is therefore where public intervention makes more sense. As a result, strategies for alleviating labour shortages need to focus more on medium- and long-term factors (such as the digital and green transitions and population ageing) than drivers related with short-term shocks. As for the types of measures, the countries and regions with more problems related with mismatches between job seekers and existing vacancies need to place greater emphasis on general measures for improving labour intermediation (public and private) and facilitating geographical mobility, *etc.* Wherever labour shortages are more related with mismatched skills, the measures need to be medium- and long-term in nature, as adapting the skills of job seekers for the vacancies that are available is not usually a quick process. Upskilling and reskilling measures require time and resources.

As an example of the policies implemented in the EU in this area, Eurofound (2023) analysed a universe of 40 previously evaluated

> “Spain is facing a growing deficit of professionals in sectors like health, education, and care work.”

measures related with labour shortages in place in 22 European countries. They do not constitute a representative snapshot of the measures in place in these countries because the analysis only selected measures that had been evaluated; however, it does offer an interesting sample of measures by showing that all countries are aiming at similar targets: integration and activation of underutilised labour; attraction of workers (national and foreign); and enhanced use of existing labour (upskilling in specific sectors). These lines of initiative are implemented through programmes in specific sectors of the economy but in theory are applicable in all sectors.

Spain: A high-level perspective

Turning our attention to Spain and using SEPE data (2023), among the vacancies that require a high skill level, the dearth of skills in the information and communication technologies, particularly in STEM professions, and in renewable energy is noteworthy.

Elsewhere, the health sector is facing difficulties on account of a shortage of professionals, which is partly attributable to the phenomenon of young professionals moving abroad where working conditions are better. Moreover, Spain is experiencing a growing deficit of teachers and care givers.

In parallel, it is getting harder to hire in less skilled professions in certain sectors, notably including the hospitality, construction, transportation, agriculture and fishing sectors. Here the main issue is the lack of interest among the newer generations and harsher working conditions (pay, working hours, need to move around, work-life balance).

As for the hiring issues originating from an across-the-board shortage of skills among the candidates, this problem affects both more and less skilled professions. The skills currently in greatest demand include languages, computer skills, communication skills, soft skills, and knowledge about workplace safety. One of the biggest problems at present is the scarcity of professionals with mid-level skills (higher-level vocational training), coupled with unemployment among workers with low levels of education (SEPE, 2023).

Spain: Snapshot of the regional situation

Given the decentralisation of the public employment services in Spain, we reviewed the various regional public employment service websites and their respective employment observatories in order to try and identify patterns in the policies being deployed to address skills shortages and labour mobility. [3] Next we summarise the key takeaways from that information-gathering effort from an aggregate perspective, without focusing on any region in particular.

According to the information gleaned from the various Spanish regional employment observatories, the main issues encountered in filling vacancies are a shortage of specific skills in certain sectors and occupations, as well as working conditions. Some sectors (including the tourism, transportation and construction

> “One of the biggest problems at present is the scarcity of professionals with mid-level skills (higher-level vocational training), coupled with unemployment among workers with low levels of education.”

> "As regards Spain's regional employment, the main issues encountered in filling vacancies are a shortage of specific skills in certain sectors and occupations as well as working conditions."

sectors) often feature as sectors in which the working conditions are behind the lack of candidates, while the employers highlight that the candidates available lack the right skills, including soft skills in the case of occupations that require constant customer interaction.

Long-term trends that are not related with the end of the pandemic crisis are also putting pressure on Spain's regions. The green transition is not usually explicitly referred to in the analysis undertaken by the regional governments, but it could be lurking behind the hiring problems facing certain sectors that are being affected by the energy transition. The lack of digital skills does feature explicitly in both the assessments and several of the training programmes ongoing in a number of regions.

Population ageing is another relevant factor in the shortage of labour in Spain, with some of the regions expressly citing labour force ageing as the reason for the shortage of candidates in some sectors and occupations where the new generations are not taking up the slack. Here, working conditions appear to be the main reasons for workers not wanting to fill the open positions or move into these occupations and sectors. Some regions also mention that the shortage of candidates for positions in the health sector and as long-term care givers. is related with burgeoning demand being generated by population ageing.

It is encouraging that in all regions of Spain, the assessments of the labour and skills shortages are fairly detailed and in-depth. That being said, the programmes in place are largely generic in nature and the measures deployed to address labour shortages are appended to more general programmes. The latter is a worry because, according to the Eurofound (2023) study about programmes for reducing labour shortages in the EU, it is clear that the most successful interventions at the international level are those designed specifically to address labour shortages.

The situation revealed by the analysis of the regional information shows that the labour shortage in Spain has two origins: (i) a lack of candidates (low number of applicants and rejection of the working conditions on offer); and (ii) a lack of specific skills and/or qualifications. This situation is replicated, albeit with nuances, at the international level. In Germany, for example, the most pressing issue is the shortage of personnel, which implies the need to prioritise immigration and immigrant training programmes in order to address the deficits and skills mismatches relative to the jobs on offer. Given its demographic trends, it is likely that Spain will face a similar situation in the medium-term,

> "The programmes in place are largely generic in nature and the measures deployed to address labour shortages are appended to more general programmes, which is worrisome because the most successful international interventions are those designed specifically to address labour shortages."

so that the German experience will prove useful. The idea, therefore, is to adapt and make more room for measures that are not always considered part of the policies devised to address vacancies in the context of labour shortages in multiple sectors and occupations. These include measures to attract talent from other countries such as hiring at source, certification of foreign qualifications and more flexible access to nationality for workers with the required skills. The catalogue of hard-to-fill occupations falls into this category of measures. Many regions have programmes that facilitate the return of talent that emigrated from their home regions. It would be good to assess the effectiveness of those programmes and the nature of the positions these returnees can aspire to fill.

Conclusions

Our assessment of the general situation in Spain largely mirrors the labour shortage snapshot across the EU. The current shortage is related with short-term factors (bottlenecks in the aftermath of the pandemic) as well as longer-term drivers (major transformational trends in the labour markets). The occupations in which there is a shortfall of available workers, and a mismatch of skills are similar across all of Europe, albeit with small differences in the relative weight of the factors underlying the shortage of labour. Not underestimating the importance of the short-term causes, it makes more sense for public measures to focus on the long-term trends, such as the energy transition, technological progress, and population ageing. The assessments compiled by the various regional employment observatories stress the importance of all these underlying causes of labour shortages. Nevertheless, the measures in place are often, especially in relation to the energy transition, articulated in a manner that is not entirely focused on addressing the shortage of labour, whereas the Eurofound (2023) analysis finds that the measures that thrive are those designed specifically to mitigate such shortages.

Aside from the problems of insufficient personnel and mismatched skills, it is important to recall that another crucial reason for not being able to fill a vacancy that crops up time and time again is rejection by the applicants, a clear signal of poor working conditions and low pay. Spain is an example of this situation in the wake of the pandemic, but it is not alone in this in Europe (Eurofound, 2022, 2023). The issue can be tackled via the establishment of new standards by the authorities and monitoring of the existing standards, by means of workplace inspections, for example. In general, however, collective bargaining at the sector level has an active role to play in raising standards in the affected occupations (Zwysen, 2023). Given that there is little incentive to improve standards in agreements negotiated at the firm level (as better working conditions could lead to higher costs and competitive disadvantages), this matter is better addressed at the sector bargaining level. Elsewhere, tripartite social dialogue is the best avenue for hammering out major stable agreements around measures that could be controversial, such as the incorporation in the near future of foreign workers with the skills required for existing unfilled vacancies.

By way of observation with regards to skills-related issues, the matter of overeducation is not being factored into the labour shortage policies in Spain or in other EU countries. This is a problem because this educational misalignment affects young Spaniards in

> “Countries which, like Spain, have been reporting a high prevalence of overeducation among young university graduates for quite some time may suffer, in addition to a skills mismatch, relatively scant accumulation of new skills.”

particular and has a relatively greater impact on people on permanent contracts (Ortiz, 2010), as young people have opted for secure jobs over jobs aligned with their level of education. Given that the likely outcome of the overeducation phenomenon is that the skills mismatches will prove long-lasting (Cedefop, 2018), it would be sensible to include specific measures for closing this educational gap in the training programmes designed to tackle labour shortages as a result of skills mismatches. It is also important to remember that the educational gap may interact with the accumulation of skills on the job and, thereby, impede or favour the reduction of labour shortages as a result of mismatched skills (Cedefop, 2018). Workers who start their job presenting a qualifications or skills gap tend to take up jobs with more complex tasks and benefit more from informal on-the-job learning. In contrast, overqualified or overeducated employees usually start out in jobs with relatively less complex tasks, hence curtailing their subsequent skills development. As overeducated workers accumulate less new skills on the job, they are then worse off if they lose their jobs and need to find new employment. Countries which, like Spain, have been reporting a high prevalence of overeducation among young university graduates for quite some time (Barone and Ortiz, 2011) may suffer, in addition to a skills mismatch to start with, relatively scant accumulation of new skills.

Another factor contributing to the issue of scant training after completing formal education is the prevalence of temporary work, as it has been established that workers on temporary contracts have lower chances of receiving training at their firms (Albert *et al.*, 2005). The Spanish labour reforms of 2021, restricting the use of temporary contracts and ultimately diminishing employment churn, may have given Spanish firms more incentives to invest in their workers via specific training. Indeed, the experience in Italy has shown this to be the case when firms have more incentives to use indefinite instead of temporary contracts (Bratti *et al.*, 2011). The labour market institutions, contract regulations, collective bargaining (Zwysen, 2023) and the minimum wage (Astrov and Leiner, 2021) can all impact training needs and, in the process, the scarcity of skills for occupations being transformed by the major long-term trends shaping labour markets.

Lastly, if a labour market is relatively monopsonistic, a labour shortage may imply that salaries are too low to attract workers to the unfilled vacancies. In this situation, the salary being offered for the vacancies available is insufficient to increase the supply of labour. If this is the case, measures designed to increase or improve skills will be scantly effective when they are not accompanied by improved working conditions for the available vacancies, particularly in a "tight" labour market such as the current one.

Notes

[1] The author would like to thank Candela Paniagua Mariño for her help gathering the underlying information about the measures in place across the various regions of Spain.

[2] Data taken from the Eurobarometer (https://europa.eu/eurobarometer/surveys/detail/2994).

[3] The information corresponds to that available on their websites during the first quarter of 2024.

References

Albert, C., García-Serrano, C., and Hernanz, V. (2005). Firm-provided training and temporary contracts. *Spanish Economic Review,* 7, 67–88.

Astrov, V., and Leitner, S. (coords.) (2021). "How do economies in EU-CEE cope with labour shortages?" *Research Report,* No. 452. Vienna Institute for International Economic Studies. Vienna.

Barone, C., and Ortiz, L. (2011). Over-education among European University Graduates: A comparative analysis of its incidence and the importance of higher education differentiation. *Higher Education, 61*(3), 325-337.

BBVA-IVIE (2004). Capital humano y vacantes de empleo [Human capital and job vacancies] Essentials, 03/2024. https://www.fbbva.es/wp-content/uploads/2024/06/esenciales_03-2024-vacantes-espana.pdf

Bratti, M., Conti, M., and Sulis, G. (2011). Employment protection and firm-provided training in dual labour markets. *Labour Economics*, 69, 101972.

Brunello, G. and Wruuck, P. (2021). Skill shortages and skill mismatch: a review of the literature. *Journal of Economic Surveys*, 35, 1145–1167.

Causa, O., Abendschein, M., Luu, N., Soldani, E., and Soriolo, C. (2022). The post-COVID-19 rise in labour shortages. *OECD Economics Department Working Papers*, No 1721.

Cedefop. (2018). Insights into skill shortages and skill mismatch: Learning from Cedefop's European skills and jobs survey. Cedefop reference series, No 106. Luxembourg: Publications Office of the European Union.

Ernst, E., and Feist, L. (2024). Tomorrow at Work: The Age of Shortages. *Intereconomics, 59*(3), 125-131.

Eurofound. (2022). Working conditions in the time of COVID-19: Implications for the future. *European Working Conditions Telephone Survey 2021 series*. Luxembourg: Publications Office of the European Union.

Eurofound. (2023). *Measures to tackle labour shortages: Lessons for future policy*. Luxembourg: Publications Office of the European Union.

Green, F., Machin, S., and Wilkinson, D. (1998). The meaning and determinants of skills shortages. *Oxford Bulletin of Economics and Statistics, 60*(2), 165-187.

Mato, F. J. (2023). ¿Se necesita personal? Políticas de empleo para un mercado de trabajo con vacantes [A shortfall of personnel? Employment policies for a labour market with vacancies]. *Panorama Social,* 37, 81-96.

Ortiz, L. (2010). Not the right job, but a secure one: over-education and temporary employment in France, Italy and Spain. *Work, Employment & Society, 24*(1), 47-64.

SEPE. (2023). *Tendencias del Mercado de Trabajo en España* [Labour Market Trends in Spain]. Spain's Public Employment Services' Occupations Observatory Retrievable from: https://www.sepe.es/SiteSepe/contenidos/observatorio/Que-es-el-Observatorio/2023_Tendencias_Mercado_Trabajo.pdf

Zwysen, W. (2023). Labour shortages. Turning away from bad jobs. *ETUI Policy Brief,* 2023.03, Brussels.

Miguel Ángel Malo. University of Salamanca

2025 budget: At an impasse over financing for Catalonia

The probability of a second consecutive budget carryover in 2025 is high, with the main obstacle to approval constituted by the new financing framework under negotiation for the Catalan region. As a result of the tense climate created by these negotiations, the government is having a hard time getting approval for the ceiling on non-financial spending, the first prerequisite for passing a budget for 2025.

Desiderio Romero-Jordán

Abstract: The probability of a second consecutive budget carryover in 2025 is high, with the main obstacle to approval constituted by the new financing framework under negotiation for the Catalan region. The new framework would give this region similar status to the accords in place in the Basque region and Navarre, which are outside of the so-called common regime that currently encompasses Spain's 15 other 'autonomous regions'. Catalonia's exit from the common regime would leave the state with as much as 22 billion euros less for regional redistribution. As a result of the tense climate created by these negotiations, the government is having a hard time getting approval for the ceiling on non-financial spending, the first prerequisite for passing a budget for 2025.

The new financial accord for Catalonia: An obstacle for the next budget

On 16 July, the Spanish Cabinet approved the non-financial spending ceiling for 2025, along with new deficit and debt targets for 2025 to 2027. The spending ceiling is a compulsory step in the process of presenting and debating the budget in Parliament. However, against expectations, the spending threshold was not ratified in the Lower House one week later. As a result, the 2025 budget is, at the

> “The failure to secure the Parliamentary majority needed to pass the spending threshold was the result of votes against it by Junts per Catalunya, which demanded greater leeway around the regional government deficit.”

time of writing, at an impasse. The failure to secure the majority Parliamentary vote needed to pass the spending threshold was the result of votes against it by Junts per Catalunya, one of the partners of the ruling socialist party's minority government, which demanded greater leeway around the regional government deficit. Specifically, 0.1pp more than the 0.1% deficit approved by the Cabinet.

However, the obstacles facing the government in pushing the budget through go beyond a simple falling-out over the allocation of deficit targets among the various levels of government, particularly because the bulk of the consolidation effort looming in 2025 and beyond will fall on the central government. Political complexities in Catalonia have been tensing different aspects of national politics, including the state budget dynamics, for months now. The decision to call early elections in that region last March already led the President, Pedro Sánchez, to renounce the 2024 budget in anticipation of the failure to gain the support of his government's Catalan partners. As a result, the 2023 budget has been carried over to this year. Moreover, as part of the government deal reached in the wake of those regional Catalan elections, PSOE and Catalan party Esquerra Republicana agreed a new financing framework for the region of Catalonia which was coined a 'singular financing system'. In this new system, Catalonia would have its own taxation system and taxation authority which would have no ties whatsoever with their national counterparts. The precise impact on tax revenue of the region's exit from the common regime will depend on the specific terms and conditions agreed upon, the details of which have not yet been made public. Specifically, there is no information about how the region will pay for the services the state provides in Catalonia. Or about how Catalonia will contribute to the so-called inter-regional solidarity mechanism. Nevertheless, De la Fuente (2024) has estimated that the region's exit from the common regime will cost the system around 2.1 billion euros. On top of that, the state would cease to collect up to 22 billion euros in Catalonia. The creation of a Catalan tax agency is no small matter as it will have direct effects on fraud control efforts nationwide, depending on the impact on the level of collaboration with the state tax agency (AEAT).

There is broad consensus in the academic world that the new tax regime for Catalonia would be, in essence, similar to the economic accords in place in the Basque region and in Navarre. However, the Spanish Constitution only explicitly contemplates that possibility for those two autonomous regions. Legal matters aside, approval of an accord for a region other than the Basque region and Navarre would have adverse effects on inter-regional solidarity among the remaining autonomous regions, by leaving the central government with fewer resources to distribute among the

> “The region's exit from the common regime is estimated to cost the system around 2.1 billion euros, with the state ceasing to collect up to 22 billion euros in Catalonia.”

“ The new accord will create losers, especially among regions such as Andalusia, Valencia or Murcia, that have been struggling with underfinancing problems for years due to the failure to reform the common regime. ”

common regime regions with higher financing requirements. The new accord will create losers, especially among the regions, such as Andalusia, Valencia or Murcia, that have been struggling with underfinancing problems for years due to the failure to reform the common regime, unresolved since 2014.

To tackle this situation, the government has announced that it will double the funds it contributes to the so-called Interregional Compensation Fund (FCI for its acronym in Spanish) which is funded exclusively from state money. However, the FCI is, from a financial perspective, a small fund sized at less than 450 million euros per annum in recent years. To raise those extra funds, the government plans to take measures such as increasing the last state tranche of personal income tax, which is levied on tax bases of over 300,000 euros at a marginal rate of 24.5% (state share). To illustrate the impact, the 2-point increase in the marginal rate in that income bracket increased tax receipts by around 300 million euros in 2022 (AEAT, 2022). In short, this proposal is far from covering the financing needed to make up for the funds lost as a result of the economic accord in Catalonia. Indeed, endowing the FCI with sufficient funds would require far more ambitious tax measures. Looking at the general personal income tax rate, for example, the government would need to intervene in the middle class income brackets – between 20,000 and 60,000 euros according to the OECD (2019) – which is where most tax receipts come from. There are other reform options, such as fresh increases in capital gains tax or even increases in other taxes like VAT. What is clear is that it will take high-impact tax reforms that are hard to apply in the short-term. By way of example, full elimination of the two reduced VAT rates would raise around 15 billion euros (Government of Spain, 2023). In the absence of sufficient funding, the common regime regional governments will be forced to borrow if they want to maintain current funding levels for their public services. If not, they will have to reduce spending on those services.

There is no set date for voting on the new financing model in Parliament, which may not happen until the end of November, in light of the 100-day deadline agreed between the accord’s signatories. However, the government only has until 30 September to put the spending ceiling to another vote in the Lower House (the government approved the same spending ceiling in a Cabinet meeting on 10 September). The government will be hard pressed the break the current deadlock within that tight timeframe, although it is looking to accelerate the process with bilateral agreements with the various regional governments. The deals on offer are likely to include additional spending mandates (such as commuter trains) and haircuts on the debt owed by the regional governments to the state

“ In the absence of sufficient funding, the common regime regional governments will be forced to borrow if they want to maintain current funding levels for their public services, or alternatively reduce spending on those services. ”

> The tremendous impact of these agreements on the regions' long-term funding tips the balance in favour of a second consecutive carryover of the 2023 budget – particularly inopportune in the year of reinstatement of the EU's new fiscal rules.

via the Regional Liquidity Fund (FLA for its acronym in Spanish). This fund was set up in 2012 to help the regional governments raise financing. Indeed, as part of the national government investiture deal hammered out last November, the socialist party conceded its Catalan partners a 20% haircut on the regional government's FLA debt, equivalent to 15 billion euros. In short, the tremendous impact of these agreements on the regions' long-term funding tips the balance in favour of a second consecutive carryover of the 2023 budget. Such a rollover would be particularly inopportune in the year that the EU's new fiscal rules are reinstated.

Spending ceiling and deficit target for 2025

The Cabinet-approved spending ceiling for 2025 amounts to 195.35 billion euros, excluding expenditure financed by European funds, which marks growth of 3.2% from 2024. This increase reflects an expansionary bias, although it does not include the budgets of the regional governments or the Social Security (it does, however, include transfers to the Social Security). With this ceiling, in 2025, the government would have an additional roughly 6.1 billion euros for its budget action plan. The spending ceiling was calculated estimating growth of 6.5% in tax receipts in 2025. That figure is in line with growth in total non-financial receipts of 5.1%, according to the forecasts compiled by AIReF (2024), which projects revenue equivalent to 42.5% of GDP in 2024 and 42.6% in 2025. The estimated growth in non-financial revenue, while high, marks a slowdown from the growth of 8.4% and 8.9% observed in 2022 and 2023, heavily influenced by inflation-related tailwinds (IGAE, 2024). At any rate, to deliver that level of growth in tax receipts, the government will have to take decisions about the measures in place for mitigating the effects of inflation, like the VAT cut on certain food products, and consider making the temporary levies introduced on energy companies and banks, and the solidarity tax levied on large fortunes, permanent taxes. These are very important considerations as the reduced VAT rates reduce revenue by around 1 billion euros per annum, while the three temporary taxes mentioned above bring in around 3.5 billion euros (AIReF, 2024).

As shown in Table 1, the budget is underpinned by GDP growth of 2.4% in 2024, an estimate that is backed up by both AIReF and the Funcas Panel (AIReF, 2024; Funcas, 2024). However, growth is expected to lose steam in 2025, moving closer to 2% (AIReF, 2024; Funcas, 2024; Bank of Spain, 2024). The projected trajectory in the deficit and its breakdown by level of government are shown in Tables 2 and 3. The government expects the deficit to come down to 3% in 2024, a target

> To deliver on the growth in tax receipts, the government will have to take decisions about the measures in place for mitigating the effects of inflation, like the VAT cut on certain food products, and consider making the temporary levies introduced on energy companies and banks, and the solidarity tax levied on large fortunes, permanent.

Table 1 **GDP growth estimates**

	2024	2025	2026	2027
Government	2.4	2.2	2.0	2.0
AIReF (July 2024)	2.4	1.9	1.7	1.5
Bank of Spain (June 2024)	2.3	1.9	1.7	--
Funcas (September 2024)	2.5	1.8	--	--
Funcas Panel (September 2024)	2.6	2.1	--	--

Sources: Government of Spain (2020), AIReF (2024), Bank of Spain (2024), Funcas(2024).

that looks feasible on the basis of the current estimates of the Bank of Spain and leading Spanish think tanks. Looking further out, the government is projecting a clear downtrend in the deficit, to 2% by 2026. However, this estimate is far more optimistic than other projections. Specifically, the government's deficit target for 2025, of 2.5%, is between 0.5pp and 0.6pp better than the rest of the projections. As the Bank of Spain and AIReF have repeatedly warned, the deficit is expected to start to increase from 2026 in the absence of a fiscal consolidation plan. In other words, the medium-term deficit projections are subject to uncertainty that will only be dissipated when: (i) we know the contents of the fiscal plan to be sent by the government to Brussels in September; and, (ii) we have information about the Draft State Budget for 2025 or, in its absence, the Budgetary Plan.

The burden of the effort to rein in the deficit will fall on the central government. In 2025, it plans to reduce its deficit by 0.8pp, from 3% in 2024 to 2.2%. In contrast, the regional governments have been given more leeway around their deficits. The regional governments will be allowed to present a deficit of 0.1% (compared to the requirement to present balanced budgets this year), while the local governments will be asked to present a balanced budget in 2025, compared to a surplus of 0.2% in 2024. In sum, the sub-national governments will have more room for fiscal manoeuvre and spending. If these deficit targets are not approved, the deficit roadmap currently in place for 2024-2026 would remain in effect, which would be more exacting for the regional and local governments, both of which would then be required to present a budget surplus of 0.1% in 2025. That would require adjustments estimated by the government at 3.3 billion euros in the case of the regional governments and 1.6 billion euros in the case of the local bodies.

The governments' forecasts also point to higher funding via advance payments for both the regional and local governments in 2025. Those payments are forecast to increase by 9.5% in the case of the regional governments (to 147.41 billion euros) and by 13.1% for the local governments (to 26.89 billion euros). As for the Social Security, its deficit targets are unchanged at 0.2% in 2025 and subsequent

> "The burden of the effort to rein in the deficit will fall to the central government, which in 2025 plans to reduce its deficit by 0.8pp, from 3% in 2024 to 2.2%."

Table 2 **Deficit estimates**

	2024	2025	2026	2027
Government	-3.0	-2.5	-2.1	-1.8
AIReF (July 2024)	-3.0	--	-3.2	-3.2
Bank of Spain (June 2024)	-3.3	-3.1	-3.2	--
Funcas (September 2024)	-3.1	-3.0	--	--
Funcas Panel (September 2024)	-3.3	-3.0	--	--

Sources: Government of Spain (2020), AIReF (2024), Bank of Spain (2024), Funcas(2024).

Table 3 **Deficit breakdown by level of government**

	2024	2025	2026	2027
Aggregate deficit	-3.0	-2.5	-2.1	-1.8
Central government	-3.0	-2.2	-1.8	-1.5
Regional governments	0.0	-0.1	-0.1	-0.1
Local government	0.2	0.0	0.0	0.0
Social Security	-0.2	-0.2	-0.2	-0.2

Source: Government of Spain (2024).

years. The budget includes the transfer of 22.88 billion euros to the Social Security in 2025 to cover that deficit, growth of 7% from the transfer for 2024.

Expenditure rule in 2024 and 2025

The EU's new fiscal rules come into effect in 2025. They will limit growth in primary spending, which excludes interest expenditure, expenditure financed by European funds, cyclical unemployment benefits and discretionary revenue measures. Year-end 2024 will be the benchmark for application of Spain's medium-term fiscal strategy. For this transition year, the European Commission recommended limiting the growth in nationally financed primary expenditure net of discretionary revenue measures to 2.4%. However, AIReF (2024) estimates that this measure will increase by about 4.3% nationally, clearly above the Commission's recommendation. Meeting this recommendation would have required budget belt tightening in 2024 of 10.7 billion euros, which would have put the public deficit at 2.3% rather than 3%.

“ Meeting the European Commission's recommendation would have required budget belt tightening in 2024 of 10.7 billion euros, which would have put the public deficit at 2.3% rather than 3%. ”

> “The government has approved growth in primary expenditure of 3.2% in 2025, 3.3% in 2026 and 3.4% in 2027, limits it will include in the fiscal plan to be sent to the European Commission in October.”

Indeed, AIReF estimates the growth in primary expenditure at the regional and local government levels at 6.7% and 7.3%, respectively, in 2024, well above even the 4.8% forecast at the state level. These figures, particularly those of the regional and local governments, may mask strategic moves ahead of the tighter restrictions on spending growth looming at all levels of government from 2025. In fact, the budget outturn figures so far for 2024 indicate deterioration in the regional governments' deficit, which could deviate from the initially targeted 0.1% and come in at 0.3%. Nevertheless, this deviation is being offset over the course of the year by a better than forecast trend in the state deficit, which is headed for 2.5%. To meet the deficit targets contemplated in Table 3, the government has approved growth in primary expenditure of 3.2% in 2025, 3.3% in 2026 and 3.4% in 2027, limits it will include in the fiscal plan to be sent to the European Commission in October. As for the debt consolidation targets, the government estimates a leverage ratio of 103.6% in 2025, falling to under 100% in 2027. We will have to wait for the Commission's reports to see whether the primary expenditure growth targets contemplated by the government are deemed sufficient to deliver the deficit and debt consolidation targets through 2027.

References

AEAT. (2022). Monthly Tax Collection Reports – December 2022. https://sede.agenciatributaria.gob.es/static_files/AEAT/Estudios/Estadisticas/Informes_Estadisticos/Informes_mensuales_recaudacion_tributaria/2022/IMR_22_12_es_es.pdf

AIReF. (2024). *Report on Budgetary Execution, Public Debt and Expenditure Rule for 2024*. https://www.airef.es/en/centro-documental/informes/report-on-budgetary-execution-public-debt-and-the-expenditure-rule-2024-of-general-government/

Bank of Spain. (2024). *Macroeconomic projections and quarterly report on the Spanish economy*. https://www.bde.es/wbe/en/publicaciones/analisis-economico-investigacion/proyecciones-macro-informe-trimestral/proyecciones-e-informe-trimestral-de-la-economia-espanola--junio-2024.html

De la Fuente, A. (2024). La liquidación de 2022 del sistema de financiación de las comunidades autónomas de régimen común [2022 settlements within the common regime regional financing system] FEDEA, *Estudios sobre Economía Española,* No. 2024-26.

Funcas. (2024). *Spanish Economic Forecasts Panel.* https://www.sefofuncas.com/pdf/Panel%20julio%2013-4_1.pdf

Government of Spain. (2023). *General State Budget Bill – Yellow Paper*. https://www.sepg.pap.hacienda.gob.es/sitios/sepg/es-ES/Presupuestos/PGE/ProyectoPGE2023/Documents/LIBROAMARILLO2023.pdf

Government of Spain. (2024). *Limit on non-financial state spending in 2025 and stability targets for 2025 – 2027*. https://www.lamoncloa.gob.es/consejodeministros/resumenes/Paginas/2024/160724-rueda-de-prensa-ministros.aspx

IGAE. (2024). *National Accounts: Non-financial operations of the public administrations and their sub-sectors*. https://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Publicaciones/Paginas/Publicaciones.aspx

OECD. (2019). *Under pressure: The squeezed middle class*. Paris: OECD.

Desiderio Romero-Jordán. Rey Juan Carlos University and Funcas

This page was left blank intentionally.

Financial education and how to improve it

Financial education is evolving rapidly in the context of digitalization and economic transformation, yet Spain still faces inequalities in the implementation and quality of financial education programs. A thorough assessment, including the use of long-term studies and monitoring systems, is essential to ensure initiatives to improve financial education achieve their objectives and reduce social and economic inequalities.

Santiago Carbó Valverde, Pedro J. Cuadros Solas and Francisco Rodríguez Fernández

Abstract: Financial education is evolving daily amidst rapid digitalization and economic transformation, bringing with it challenges and opportunities for improvement within Spain and abroad. For instance, financial literacy gaps remain significant, particularly among women, younger individuals, and low-income groups, who are most at risk of financial exclusion. Even though Spain has made progress in this area, there are still inequalities in the implementation and quality of the various educational programmes, warranting a more inclusive approach that is tailored for today's technological needs. It is thus necessary to carry out a thorough assessment of the financial education programmes in place in Spain. That said, despite the efforts made, the lack of longitudinal studies and random controlled tests limits the ability to identify best practices to continually fine-tune these programmes. Going forward, the establishment of control and monitoring systems to measure the real impact of financial education on financial behaviour in the long run will be necessary to ensure that the initiatives implemented meet their objectives and help reduce economic and social inequalities.

> “Financial literacy gaps remain significant, particularly among women, younger individuals, and low-income groups, who are most at risk of financial exclusion.”

Current importance and main approaches

World Financial Planning Day takes place on 7 October 2024. Financial planning is a priority issue that remains a public policy challenge globally, particularly in the context of rapid digitalisation and accelerating economic and financial change. The *PISA 2022 Report,* published in 2024, stresses that despite improvements in financial literacy among youths in several countries, significant gaps remain, particularly among socio-economically disadvantaged students and students with reduced access to educational resources. These inequalities highlight the need for more inclusive and targeted interventions to ensure that all segments of the population can acquire the financial skills needed to tackle the challenges of the 21st century. Today, the main topics of debate around how to improve financial literacy pivot around:

- *Integration of financial education into education systems:* Despite some progress, one of the key topics of debate remains how to effectively integrate financial education into the formal education systems. Although many countries have adopted national financial literacy policies, implementation at the school level is uneven and often insufficient. To effectively attain financial literacy, financial education needs to begin in primary school and continue throughout formal schooling, evolving for students' changing needs.
- *Inequalities in financial literacy:* Inequalities in financial literacy constitute another crucial topic. These inequalities are not limited to country differences but also exist within countries, affecting women, youths and low-income individuals in particular. In Spain, the gender gap, in favour of men, in financial knowledge stands at 10 percentage points. According to the *Global Financial Literacy Survey* of 2023, women and youths remain the most vulnerable in terms of financial education, which exacerbates economic inequalities and limits their opportunities for improving their financial wellbeing (S&P Global FinLit Survey, 2023).
- *Impact of digitalisation and artificial intelligence (AI):* Financial service digitalisation has created both opportunities and challenges and the mainstreaming of AI is magnifying them. While facilitating access to financial products and education toolkits, new technologies are also increasing complexity and risks. Improving digital financial literacy remains a priority- it is necessary to ensure that consumers not only understand basic financial concepts but also know how to protect themselves in an increasingly complex digital environment.

In response to these challenges, the main initiatives in the public and private spheres are being articulated around three lines:

i. Improving the implementation and effectiveness of educational programmes,

> “It is necessary to ensure that consumers not only understand basic financial concepts but also know how to protect themselves in an increasingly complex digital environment.”

> “According to the *PISA 2022 report,* Spain has improved in terms of youth financial literacy but remains below the OECD average, particularly by comparison with northern European countries like Finland and the Netherlands.”

ensuring that they are accessible to all demographic groups.

ii. Tackling existing inequalities by focusing efforts on the most vulnerable groups, including women, youths and low earners, as the issues generated by educational inequalities lead to other types of inequality in later life.

iii. Adapting for new technology by promoting, in addition to traditional financial literacy, digital literacy so as to protect consumers in an increasingly complex technological environment, albeit one that is nevertheless rife with opportunities for learning.

Spain has made significant inroads towards improving financial education although notable challenges remain. According to the *PISA 2022 report*, Spain has improved in terms of youth financial literacy but remains below the OECD average, particularly by comparison with northern European countries like Finland and the Netherlands (OECD, 2024). This situation highlights the need to reinforce educational policy to better integrate financial education into the school curriculum. Spain has taken an important first step in this direction. The Royal Decree regulating minimum educational content in primary schooling (Royal Decree 157/2022, of 1 March 2022) requires that students start to learn about basic economic and financial concepts and how to apply them to everyday situations and problems. Spain faces a particular challenge around the financial inclusion of the most vulnerable groups. Despite public and private initiatives, [1] such as the so-called National Financial Education Strategy, there are still gaps to be closed in access to and use of financial services, particularly in rural populations and among immigrants.

How to ensure the measures taken are effective?

Research into financial education continues to advance, embracing multi-disciplinary approaches that run from the fields of psychology to educational technology. This section briefly explores the main approaches being taken, identifying the most critical pending issues and proposing solutions based on recent developments. Table 1 provides a broad overview of the priority issues, related proposals and their importance.

Assessing the effectiveness of financial education programmes

A central topic of the research thrust relates to assessing the effectiveness of the financial education programmes in place. Recent studies use random controlled tests (RCTs) and longitudinal studies to measure the impact of these programmes not only on financial knowledge but also financial behaviour in the long-term. Kaiser *et al.* (2022) demonstrate that rigorously designed programmes have a positive impact on individuals’ financial management, particularly when they are integrated into school curricula from an early age.

Personalisation of financial education

Personalisation is another key thrust. Educational programmes are being developed using new technologies such as artificial intelligence so that they can be tailored for users’ personal needs. This approach has proven more effective than generic methods by addressing individuals’ specific circumstances directly (D’Acunto *et al.,* 2019). Moreover, personalisation has been particularly successful in vulnerable groups, such as women and youths, who have traditionally been at a disadvantage in terms of financial literacy.

Table 1 **Challenges and proposals gleaned from recent research around financial education**

Issue	Proposal	Importance	Implementation difficulty
Inequalities in financial literacy	Targeting educational programmes at vulnerable groups (women, youths, low-income individuals)	High	Average
Lack of integration in educational systems	Integrating financial education into school syllabuses from primary to secondary level	Very high	High
Digitalisation and digital literacy challenges	Combining financial education with digital literacy tapping emerging technologies	Very high	High
Insufficient implementation of personalised programmes	Personalising financial education by using AI and digital tools	High	Average
Limited assessment of programme effectiveness	Rigorously assessing initiatives via RCTs and longitudinal studies	High	Average
Cultural and regional adaptation of financial education efforts	Designing culturally relevant, adapted and universally accessible programmes	High	Average

Source: Authors' own elaboration.

Integration of emerging technologies

Financial education is increasingly becoming digitalised. Gamification and e-learning platforms are making financial education more accessible and attractive to a broader audience. Online learning platforms have been developed that offer free courses, democratizing access to financial knowledge. Gamification is a relevant example as it has been demonstrated to help increase knowledge retention and foster positive financial behaviours (Fernandes *et al.*, 2014). The fintech's are also playing a crucial role, integrating educational modules into their platforms to enhance understanding of their financial products.

Cultural and regional adaptation

Studies have demonstrated that financial educational programmes are more effective when they are tailored for their users' cultural and regional realities. This approach acknowledges that there is no such thing as "one size fits all" in financial education and that programmes need to embrace local idiosyncrasies if they are to be truly effective (Hastings *et al.*, 2013).

Situation in Spain and specific ideas for doing better

According to the European Commission's most recent figures (2023), just 19% of the Spanish population has a high level of financial literacy, compared to the European Union average of 26%. Spain ranks fourth last in Europe in this respect. Although Spain has made significant progress on fostering financial literacy, it still faces big challenges around programme implementation and

> According to the European Commission's most recent figures, just 19% of the Spanish population has a high level of financial literacy, compared to the EU average of 26% – placing Spain fourth to last in Europe in this respect.

effectiveness. This section analyses the current state of financial literacy in Spain, highlighting the efforts made and areas for improvement and comparing its progress with that of other countries.

National Financial Education Strategy

Spain implemented its National Financial Education Strategy in 2008. It is coordinated by the Bank of Spain and the securities markets watchdog (CNMV). The strategy has been to improve financial literacy through educational drives, the inclusion of financial content in school curricula and partnerships between public and private entities. However, effective implementation of that strategy has been uneven. Although financial content has been introduced in some stages of compulsory schooling, the depth and quality of the related teaching varies considerably as financial education has not been integrated uniformly in all schools. This leads to differences in access to and the quality of the financial education received by students, according to the 2022-2025 Financial Education Plan drawn up by the Bank of Spain and CNMV (Bank of Spain and CNMV, 2022)

Challenges specific to Spain

- *Risk of regional inequalities:* One potential challenge in Spain is the risk of regional inequalities in financial education as a result of differences in educational and technological development among the various regions. Given that the regional governments have significant autonomy over the implementation of education policies, there is room for considerable differences in the quality and accessibility of financial education across the country. Moreover, differences in access to technology and digital educational resources could exacerbate these inequalities, affecting the more vulnerable groups in the more disadvantaged regions in particular.

- *Access to and use of digital financial services:* Another considerable – and related – challenge is readiness for financial digitalisation. Despite progress on financial inclusion, a significant percentage of the population, especially in rural areas and among the elderly, remain excluded from digital financial services. According to Spain's statistics bureau, the INE, 66.4% of Spaniards living in towns with fewer than 10,000 inhabitants use online banking services frequently, compared to 75.8% of residents in large cities and provincial capitals. The lack of digital literacy, coupled with low levels of financial education, increases the risk of financial exclusion and limits access to modern financial management tools (World Bank, 2024).

> According to Spain's statistics bureau, 66.4% of Spaniards living in towns with fewer than 10,000 inhabitants use online banking services frequently, compared to 75.8% of residents in large cities and provincial capitals.

Table 2 **Challenges in Spain and international comparison**

Aspect	Situation in Spain	International comparison
Level of financial literacy (PISA 2022)	Below the OECD average – Better than in prior reports but still lagging the leading countries	Finland and the Netherlands are among the global leaders, marked by full curricular integration and superior results
Regional inequalities	Risk derived from uneven quality of and access to education from one region to another	Possibly lower regional inequalities in countries whose educational systems are more standardised
Access to digital financial services	Better, although digital exclusion is still a risk among the more vulnerable groups (rural population, elderly, low-income individuals)	Better digital access in countries with more developed infrastructure and advanced digital literacy
Integration in school curriculum	Partial, marked by uneven integration at different levels of schooling and across the various regions	Full curricular integration in the leading countries where financial education is embedded into the compulsory curriculum from primary school
Programme assessment	Limited: Scarcity of rigorous and longitudinal assessment of programme effectiveness	Rigorous assessments in countries such as the US and Germany permit constant fine-tuning

Source: Authors' own elaboration.

- *Lack of rigorous assessment:* While efforts have been made to foster financial education, rigorous assessment of the effectiveness of these programmes remains limited. There are not enough studies to enable stringent measurement of real impact of the literacy initiatives on citizens' financial conduct. This impedes identification of good practices and continuous programme improvement.

By way of summary, Table 2 synthesis the challenges and current situation in Spain by comparison with the international experience.

Conclusions: Proposals for improving financial education

Financial education continues to evolve today, faced by several challenges that need to be tackled to improve its effectiveness and reach in both Spain and abroad. This section explores the key aspects that need attention, flagging the opportunities for improvement and the challenges that need surmounting.

Improving integration and quality of financial education in school curricula

One of the top challenges in financial education is the need for more complete and consistent integration in school syllabuses. While some progress has been made, with the National Financial Education Strategy in Spain, for example, teaching around personal finances is neither uniform nor compulsory at all levels of schooling. By comparison, counties such as Finland have managed to incorporate financial education end to end, from primary to secondary schooling, a strategy that has

> “Continuous financial learning for adults is key to navigating the challenges of a rapidly evolving digital and economic landscape.”

proven effective in improving financial knowledge and skills from an early age (OECD, 2024). It would be advisable to make financial education a compulsory subject at all levels of schooling, taking a progressive approach adapted for students' age and cognitive development. In addition, teachers need to be trained to convey this content in an effective and relevant manner.

Fostering continuous learning for adults

Financial education should not stop after formal schooling. As financial markets and digitalisation become increasingly complex, it is essential to provide adults with access to continuous financial learning. In many countries, including some of the most advanced in this area, such as Germany and Canada, specific programmes have been developed for adults that tackle issues such as retirement planning, investing and debt management. These programmes can be offered over accessible digital platforms, combining self-learning modules with personal tutoring.

Tackling regional and social inequalities

In countries like Spain, regional and social inequalities around education and digitalisation, among others, are a potential obstacle for effective financial education. Differences in the implementation of programmes between regions and reduced access in rural communities create gaps that perpetuate economic and social inequalities. Spain could develop incentive schemes for the regional governments to develop and share high-quality educational resources and invest in digital infrastructure in rural areas.

Tapping technology for personalisation and inclusion purposes

Emerging technologies like artificial intelligence offer the potential to tailor financial education programs to individual needs, making learning more accessible and effective.

Technology constitutes a unique opportunity for personalising financial education and making it more accessible. Fintech applications, e-learning programmes and artificial intelligence make it possible to tailor educational content for individual needs, which could be particularly useful for reaching different segments of the population with differing levels of knowledge and experience. It could therefore be useful to foster the development and take-up of technology platforms that offer personalised financial education. These platforms could take the form of mobile apps or online courses with automated teaching designed for different levels of financial and digital literacy.

Strengthening assessment and monitoring of educational programmes

Rigorous assessment of financial education programmes is crucial to understanding their effectiveness and improving their design. Until now, assessment has been limited in many countries, including Spain, which has made it harder to identify best practices or replicate successful programmes. To improve in this area, Spain could establish continuous

> “Emerging technologies like artificial intelligence offer the potential to tailor financial education programs to individual needs, making learning more accessible and effective.”

assessment and monitoring systems for all financial education programmes. This would involve carrying out longitudinal studies and random controlled tests (RCTs) to measure the long-term impact of the programmes on the participants' financial behaviour.

Notes

[1] Refer, for example, to these initiatives, taken by CECA | Funcas: https://www.funcas.es/articulos/iniciativas-recientes-de-funcas-en-materia-de-educacion-financiera/

References

Bank of Spain and CNMV. (2022). 2022-2025 Financial Education Plan. Bank of Spain and CNMV. https://www.cnmv.es/DocPortal/Publicaciones/PlanEducacion/plan-educa-financiera-2022-2025-en.pdf

D'Acunto, F., Prabhala, N., and Rossi, A. (2019). The Promises and Pitfalls of Robo-Advising. *Review of Financial Studies, 32*(5), 1983-2020.

European Commission. (2023). Monitoring the level of financial literacy in the EU. https://europa.eu/eurobarometer/surveys/detail/2953

Fernandes, D., Lynch, J. G., and Netemeyer, R. G. (2014). Financial Literacy, Financial Education, and Downstream Financial Behaviors. *Management Science, 60*(8), 1861-1883.

Hastings, J. S., Madrian, B. C., and Skimmyhorn, W. L. (2013). Financial Literacy, Financial Education, and Economic Outcomes. *Annual Review of Economics, 5*(1), 347-373.

INE. (2023). Survey on Equipment and Use of Information and Communication Technologies in Households.

Kaiser, T., Lusardi, A., Menkhoff, L., and Urban, C. (2022). Financial Education Affects Financial Knowledge and Downstream Behaviors. *Journal of Financial Economics, 145*(2), 255-272.

OECD. (2024). *PISA 2022 Results: Financial Literacy*. Paris: OECD Publishing.

S&P Global FinLit Survey. (2023). *Global Financial Literacy Survey*. Standard & Poor's.

World Bank. (2024). *Global Financial Inclusion and Consumer Protection Survey 2024*. World Bank.

Santiago Carbó Valverde. University of Valencia and Funcas

Pedro J. Cuadros Solas. CUNEF University and Funcas

Francisco Rodríguez Fernández. University of Granada and Funcas

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)

Organic Law 2/2024 on equal and balanced gender representation (*Official State Gazetter:* 2 August 2024)

The purpose of this Organic Law is to transpose Directive (EU) 2022/2381 on improving the gender balance among directors of listed companies and related measures into Spanish law and extend the gender balance requirements to other areas of society. To that end it modifies several laws to introduce minimum thresholds for boardroom representation by the underrepresented sex. It took effect 20 days after its publication.

Firstly, it amends the Corporate Enterprises Act (Royal Legislative Decree 1/2010), in order to introduce, in broad terms, the following new requirements:

- Listed companies must ensure that the underrepresented sex hold at least 40% of all board director positions. The number of all director positions deemed necessary to achieve the objective laid down shall be the number closest to the proportion of 40%, but not exceeding 49%. Other highlights:
  - If this objective is not met due to unanticipated developments (death, loss of ability to serve, legal disqualification, resignation), the proportion must be re-established when appointing the new director, first via co-option and later definitively at the first general meeting held after the vacancy arises.
  - Listed companies which do not achieve the objective must adjust the process for selecting candidates.
  - Listed companies must inform their shareholders about the measures taken to ensure balanced gender representation in their boardrooms at their general meetings, disclosing any penalties deriving from failure to accomplish the objectives.
  - Annually, the boards of listed companies must prepare and publish, as part of their sustainability reports, and on their websites, information about boardroom representation by the underrepresented sex. That information must be published in a readily accessible manner and submitted to the CNMV. The information must be disclosed by means of an "other relevant information" notice simultaneously with publication of the companies' annual corporate governance report and annual director remuneration report and must be made continuously available on their websites and via the CNMV.
- Listed companies must ensure that the underrepresented sex hold at least 40% of their senior officer positions. Their annual reports must provide an account of their compliance with this objective and in the event of non-compliance, a detailed explanation of the underlying reasons and the measures taken to achieve it in the following and subsequent years.
- The above regulations, except for that related to submission of the annual information to the CNMV in the case of unlisted companies, shall also apply to certain public interest entities (those with over 250 employees, annual turnover of over 50 million euros or total assets of more than 43 million euros).

Secondly, it amends the Securities Markets and Investment Services Act (Law 6/2023) to specify that the penalties for failing to meet the requirements laid down in the Corporate

Enterprises Act around boardroom gender balance shall qualify as a "serious offence" for securities market law purposes.

The CNMV and Instituto de las Mujeres (Women's Institute) are the bodies responsible for promoting, analysing, monitoring and supporting gender balance at listed companies and public interest entities (PIEs). In the case of PIEs they will do so in collaboration with the equivalent bodies at the regional government level. In the case of the boards of insurance companies, those duties will fall to the insurance sector watchdog (DGSFP).

The new legislation introduces additional amendments in order to extend the requirements around gender-balanced representation to other areas of society (Organic Law 5/1985, of 19 June 1985, on the General Electoral Regime; the organic laws regulating the constitutional bodies (specifically the Constitutional Court, State Council, Court of Auditors, Fiscal Council and General Council of the Judiciary); Law 40/2015, of 1 October 2015, on the Public Sector Legal Regime; Law 2/1974, of 13 February 1974, on Professional Bodies; Law 17/2006, of 5 June 2006, on state-owned radio and television; Organic Law 11/1985, of 2 August 1985, on Union Freedom; Legislative Royal Decree 2/2015, on 23 October 2015, enacting the consolidated text of the Workers Statute; Organic Law 2/2023, of 22 March 2023, on the University System; Law 50/2002, of 26 December 2002, on Foundations; Law 43/2015, of 9 October 2015, on the Third Sector; and Law 5/2011, of 29 March 2011, on the Social Economy, in all cases to ensure the principle of gender-balanced representation). Notably, the requirements apply to: (i) the representative, governing and administrative bodies of business associations entitled to negotiate collective agreements; and (ii) the governing and representative bodies of foundations with more than 125 employees and an annual budget of over 20 million euros. In both cases, appointments must be made following the principle of equal and balanced gender representation so that the members of either sex do not exceed 60% or fall short of 40%. Failure to uphold the principle must be duly justified.

The Organic Law stipulates the following timeframe for its application:

- For listed companies traded as part of the IBEX-35: from 30 June 2026.
- For all other listed companies: from 30 June 2027.
- Meanwhile, public interest entities are required to achieve 33% representation by the underrepresented sex by 30 June 2026 and lift it to 40% by 30 June 2029.
- For business associations, foundations, unions, and third sector organisations: from 30 June 2028.

Spanish economic forecasts panel: September 2024*

Funcas Economic Trends and Statistics Department

GDP growth estimate for 2024 raised two tenths of a percentage point to 2.6%

According to provisional data, GDP grew by 0.8% in the second quarter, three tenths of a percentage point more than expected by panelists. The growth contributions of domestic demand and the foreign sector reached three and five tenths of a percentage point, respectively. Thus, the indicators showed a good performance in the second quarter, which has been tempered in July and August, and may suggest a cooling of the economy.

The consensus is for quarter-on-quarter growth of 0.4% for the third and fourth quarters of this year (Table 2). The average estimate for the year as a whole stands at 2.6%, which is two tenths of a percentage point higher than the previous forecast (Table 1).

Regarding the composition of GDP growth for 2024, the contribution of domestic demand is expected to be two percentage points, in line with the previous Panel, and that of the foreign sector would be six tenths of a percentage point, two tenths of a percentage point more than in the previous forecast. The projections for investment and consumption, both public and household, should only slightly change. As for exports and imports, the estimate has been revised upwards by 0.6 and 0.1 percentage points, respectively (Table 1).

It should be noted that the forecasts contained in this Panel are consistent with the annual and quarterly National Accounts figures currently in force. INE will soon publish the revised figures for the entire historical series, which could result in some significant changes in recent growth patterns.

Forecast for 2025 also revised upward

The consensus forecast for GDP growth in 2025 has been revised upward by one tenth of a percentage point, compared to the previous Panel, to 2.1%. This is slightly higher than the forecasts of most major public international and national agencies (Table 1).

As for the composition of growth in 2025, the contribution of domestic demand is expected to be 1.9 percentage points, while the foreign sector would add two tenths of a percentage point, one more than in the previous consensus. Consumption, both public and household, is expected to grow less than in 2024, while investment should register a larger increase (Table 1).

Inflation estimate reduced by two tenths of a percentage point for 2024

The headline inflation rate continued its decline, at a faster pace than expected, in July and August, thanks to the fall in energy prices and the moderation of food prices. Core inflation also performed better than anticipated, although in the case of services inflationary pressures remain significant.

In the coming months, the headline rate is expected to turn upwards, closing out December at 2.8% (Table 3). The forecast for the average annual rate in 2024 is 3% for both headline inflation (two tenths of a percentage point lower than in the previous Panel) and core inflation (which remains unchanged). Regarding 2025, the forecast remains at 2.3% for both rates, with a year-on-year rate in December of 2.2%.

Labor market resilience

According to the Social Security enrollment figures, the seasonally adjusted employment growth rate in the summer months was lower than in the spring months, showing a pattern similar to that observed in the previous year. Despite this, the labor market continues to surprise with its strength, and the panelists have only slightly revised their forecasts with respect to the previous Panel. Employment is expected to grow by 2% for the year as a whole, and by 1.7% next year, while the average annual unemployment rate is expected to stand at 11.5% in 2024 and 11% in 2025.

The implicit forecast for productivity and unit labor cost (ULC) growth is derived from the forecasts for GDP, employment and wage growth. Productivity per

full-time equivalent job is expected to increase by 0.6% this year and by another 0.4% next year. As for ULCs, they are projected to increase by 3% in 2024 and by 2.4% in 2025.

Historic external surplus

The current account balance recorded a surplus up to June of 25.38 billion euros, or 3.3% of GDP, which is the best figure for this period in the historical series. This outcome is the result of a historic result in the trade balance, especially with regards to services, which more than offset the deterioration in the income balance.

The consensus forecast for the current account surplus has been raised to 2.3% and 2.2% of GDP by 2024 and 2025, respectively (Table 1).

Public deficit projections maintained

Public administrations, excluding local corporations, recorded a deficit of 18.29 billion euros up to May, compared to 19.5 billion euros in the same period of last year, due to an increase in revenues slightly higher than the increase in expenditures. The improvement came from the Central Administration and the Social Security Funds, which more than offset the deterioration suffered by the regional administration.

The consensus is for a reduction in the general government deficit during 2024 and 2025. Specifically, the deficit would reach 3.3% of GDP this year and 3% next year. These figures are higher than expected by the Government, AIReF and the European Commission (Table 1).

The international context is expected to remain largely unchanged

The external environment remains unfavorable, with no turning point in sight in the short-term. In addition to the sluggish German economy, the stimulus provided to France by the Olympic Games is coming to an end. The slight upturn in the PMI purchasing managers' index for the eurozone is insufficient to anticipate a vigorous recovery of the European economy in the coming months. In the US, meanwhile, activity is showing signs of moderation, according to the employment and unemployment data released over the summer (although everything points to a slowdown, not a recession). In China, the effects of the bursting of the housing bubble continue to weigh on domestic demand, so that greater fiscal policy support is anticipated. Uncertainties surrounding global demand have spilled over to the energy markets. Brent crude has fallen from around $85 a barrel in July to around $72 today.

Finally, according to a recent WTO report, world trade is suffering from the intensification of protectionist tensions, particularly in the industrial and agricultural product markets. However, the services markets, which are less affected by the proliferation of trade barriers, are expected to continue to expand.

The Panel reflects the unfavorable international outlook, which could even get worse in the short-term. For a majority of panelists, the assessment of the current external environment is negative, particularly in the EU. The outlook remains pessimistic for the coming months: only 3 panelists expect an improvement outside the EU, half as many as in the previous assessment, and 8 are of the same opinion for the EU, unchanged from the July Panel (Table 4).

Following the monetary policy turnaround, Euribor could fall to 2.5% by the end of 2025

Disinflation seems to have taken hold in the eurozone as a whole, with August CPI at 2.2% year-on-year. While underlying pressures remain (discounting energy and fresh food, CPI advanced by 2.8%), the ECB has once again decided on an interest rate cut at its September meeting, following an initial cut in June. In addition to the dissipation of the energy and supply shocks, the weak performance of the European economy generates expectations of further monetary easing. Signs of moderating growth and job creation on the other side of the Atlantic are pushing in a similar direction, although the Federal Reserve is likely to proceed with caution.

These expectations have been passed on to market rates. The one-year Euribor has fallen sharply and is now below 3%, nearly 60 basis points lower than two months ago. Government bond yields have also fallen, although less sharply (the 10-year bond is trading at around 3%, compared to 3.3% in July). There is no pressure on the Spanish risk premium, in contrast to the deterioration in French debt.

Interest rates are expected to fall more sharply than anticipated in the previous Panel. Euribor should close the current year at around 2.8%, half a point lower than in the July assessment, and would fall to

2.5% by the end of 2025, a quarter of a point lower than in the previous Panel (Table 2).

Recent recovery of the euro against the dollar

Following signs of moderating growth in the US, the euro has regained some of its lost ground against the dollar, now standing at around 1.1, up 1.9% from two months ago. Analysts expect the exchange rate to remain relatively stable over the forecast period (Table 2).

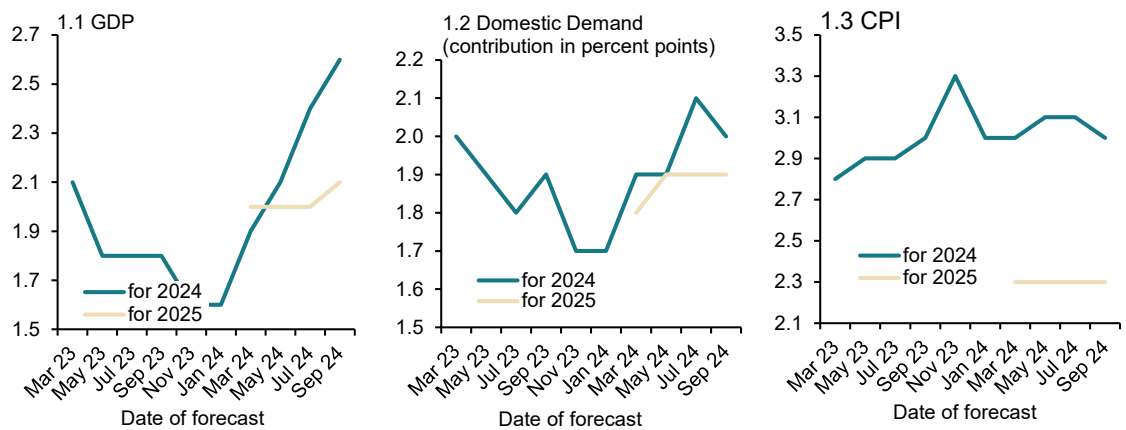
Monetary policy is being tighter than desirable

Given the improvement in inflation and the mediocre growth outlook for the eurozone, monetary policy assessments have undergone some changes. While there is still a consensus on the tightening nature of monetary policy, only four panelists now believe that the central bank should maintain this stance, half the number in the July Panel (Table 4). In contrast, there is little change of opinion on fiscal policy: the panelists continue to believe that fiscal policy should be neutral, or even restrictive, whereas it is being expansionary.

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: September 2024*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – September 2024

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand[3]	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	2.8	2.1	2.1	1.9	1.9	1.5	2.8	3.1	2.0	3.9	3.5	2.0	2.2	2.0
BBVA Research	2.5	2.1	2.2	1.9	1.8	1.3	3.4	5.4	2.7	5.6	3.7	4.7	2.2	2.4
CaixaBank Research	2.4	2.3	2.2	2.4	1.7	1.0	2.5	3.6	2.2	4.6	2.9	3.1	2.0	2.3
Cámara de Comercio de España	2.4	2.0	1.8	1.5	1.8	1.5	1.8	2.2	1.0	2.1	2.4	2.4	1.9	1.6
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.6	2.5	2.5	2.5	1.6	1.3	2.0	2.1	2.6	2.3	1.7	1.9	2.2	2.1
Centro de Predicción Económica (CEPREDE-UAM)	2.4	2.5	2.0	2.5	1.9	1.6	3.0	5.5	1.6	5.7	4.0	5.0	1.8	2.6
CEOE	2.7	2.0	2.0	1.4	2.4	0.9	2.1	1.4	0.9	1.4	2.7	1.5	2.0	1.3
Equipo Económico (Ee)	2.6	2.0	2.4	2.1	2.8	0.7	2.0	2.5	1.7	2.7	2.7	2.7	2.1	1.8
EthiFinance Ratings	2.5	2.2	2.3	2.0	1.5	1.4	2.9	5.7	2.0	5.7	4.8	5.8	--	--
Funcas	2.5	1.8	2.3	1.9	1.7	1.0	2.3	2.5	1.5	2.4	2.9	2.7	2.1	1.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.6	2.3	2.3	2.2	1.6	1.5	2.8	3.6	2.0	3.8	3.7	3.6	2.0	2.3
Instituto de Estudios Económicos (IEE)	2.6	1.9	2.1	1.5	2.4	1.6	2.3	1.5	2.1	1.7	2.5	1.5	2.1	1.5
Intermoney	2.2	1.8	2.2	1.9	1.6	1.5	2.7	2.6	2.6	3.2	2.8	2.2	2.0	1.8
Mapfre Economics	2.4	1.9	2.0	1.7	2.0	1.0	2.6	4.8	--	--	--	--	1.7	1.8
Metyis	2.7	2.1	2.3	2.2	2.0	1.3	3.0	2.5	2.3	2.2	3.5	3.0	2.1	1.9
Oxford Economics	2.8	2.0	2.0	1.7	1.8	1.2	2.9	4.8	1.0	3.0	1.2	2.6	2.1	2.0
Repsol	2.6	2.0	1.9	2.3	1.5	1.9	3.0	3.2	0.9	3.3	4.6	3.3	1.8	2.3
Santander	2.6	2.0	2.0	1.9	1.6	1.5	2.8	3.2	1.7	4.0	3.7	2.7	2.1	2.1
Universidad Loyola Andalucía	2.7	2.3	1.7	1.5	1.8	2.1	2.7	3.1	1.2	2.9	3.3	2.9	1.8	1.4
CONSENSUS (AVERAGE)	2.6	2.1	2.1	1.9	1.9	1.4	2.6	3.3	1.8	3.4	3.1	3.0	2.0	1.9
Maximum	2.8	2.5	2.5	2.5	2.8	2.1	3.4	5.7	2.7	5.7	4.8	5.8	2.2	2.6
Minimum	2.2	1.8	1.7	1.4	1.5	0.7	1.8	1.4	0.9	1.4	1.2	1.5	1.7	1.3
Change on 2 months earlier[1]	0.2	0.1	0.0	0.0	-0.1	0.1	0.0	0.1	-0.4	0.0	-0.1	0.1	0.0	0.0
- Rise[2]	13	9	9	5	5	8	7	5	3	3	6	5	6	6
- Drop[2]	0	0	4	4	6	3	4	4	6	5	5	4	6	2
Change on 6 months earlier[1]	0.7	0.1	0.2	0.1	-0.3	0.3	0.5	-0.1	-0.6	-0.1	1.4	0.0	0.1	0.1
Memorandum items:														
Government (July 2024)	2.4	2.2	2.2	2.2	1.7	1.1	3.4	4.8	--	--	--	--	2.2	2.4
Bank of Spain (June 2024)	2.3	1.9	2.4	2.0	1.6	1.7	2.2	2.4	--	--	--	--	2.1	1.9
AIReF (July 2024)	2.4	1.9	2.4	1.9	1.2	1.3	3.6	3.6	3.5	4.2	3.6	3.4	2.3	2.0
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 (July 2024)	2.4	2.1	--	--	--	--	--	--	--	--	--	--	--	--
OECD (May 2024)	1.8	2.0	--	--	--	--	--	--	--	--	--	--	--	--

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

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

[3] Contribution to GDP growth, in percentage points.

Table 1 (Continued)

Economic Forecasts for Spain – September 2024

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

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Wage earnings[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Analistas Financieros Internacionales (AFI)	4.1	3.2	2.5	3.1	3.2	2.3	3.0	2.1	3.9	3.2	1.7	1.5	11.7	11.4	1.9	2.1	-2.9	-2.5
BBVA Research	3.2	3.8	2.7	5.1	3.3	2.4	3.1	2.1	3.4	2.8	2.7	2.0	11.4	10.8	2.6	2.2	-2.9	-2.7
CaixaBank Research	3.6	2.4	2.9	2.5	3.2	2.5	3.0	2.4	4.2	3.1	2.7	2.2	11.6	11.1	2.7	2.7	-3.0	-2.6
Cámara de Comercio de España	3.0	2.0	1.6	1.2	3.0	2.1	3.3	2.8	--	--	2.0	1.5	11.6	10.9	2.6	2.5	-3.2	-3.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.4	4.6	3.2	2.9	3.3	2.8	3.2	3.0	--	--	1.2	2.1	11.0	10.6	1.0	1.0	-3.4	-2.8
Centro de Predicción Económica (CEPREDE-UAM)	3.8	3.7	2.6	4.4	3.0	2.3	--	--	3.2	2.2	1.6	1.4	11.8	11.4	2.7	1.5	-3.3	-3.6
CEOE	2.7	4.7	0.7	3.4	2.9	2.0	2.9	2.2	4.0	2.9	2.3	1.8	11.5	10.8	2.8	2.6	-3.3	-3.0
Equipo Económico (Ee)	2.9	2.1	1.8	1.8	3.0	2.3	3.1	2.3	3.9	3.6	2.3	1.3	11.6	11.4	2.0	1.9	-3.4	-3.2
EthiFinance Ratings	2.0	1.7	1.5	3.6	3.1	2.3	2.9	2.1	--	--	--	--	11.4	10.9	2.2	2.0	-3.1	-2.9
Funcas	3.9	2.4	3.1	2.5	2.8	2.1	2.9	2.0	3.4	2.6	2.2	1.5	11.2	10.3	2.9	2.8	-3.1	-3.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.3	2.5	2.6	2.4	3.0	2.5	3.0	2.3	--	--	1.9	1.5	11.2	10.5	2.5	2.5	-3.4	-3.0
Instituto de Estudios Económicos (IEE)	3.0	3.4	1.9	2.6	3.0	2.1	2.9	2.2	4.0	2.9	2.2	1.7	11.6	11.2	2.1	2.0	-3.4	-3.1
Intermoney	2.2	2.9	1.9	3.2	3.2	2.3	3.0	2.2	--	--	1.8	1.7	11.8	11.4	1.8	--	-3.6	-3.2
Mapfre Economics	3.7	2.4	2.2	2.3	3.0	2.3	3.1	2.3	3.4	2.1	--	--	11.5	11.1	2.7	2.5	-3.2	-3.0
Metyis	2.8	3.0	1.9	2.5	2.9	2.3	2.8	2.1	3.2	2.6	2.3	1.7	11.0	10.6	2.6	2.5	-3.1	-2.9
Oxford Economics	4.0	2.3	2.2	2.5	2.8	2.1	3.0	2.1	--	--	--	--	11.7	11.5	3.4	3.1	-3.2	-2.8
Repsol	4.2	4.2	2.4	5.4	2.9	2.1	3.0	2.6	3.0	2.2	1.9	1.4	11.8	12.2	2.0	1.0	-3.2	-3.0
Santander	4.2	3.0	2.5	3.3	2.8	2.2	2.8	2.3	--	--	2.4	1.7	11.4	10.7	--	--	--	--
Universidad Loyola Andalucía	4.3	2.5	2.2	1.8	3.0	2.1	3.0	2.0	--	--	1.7	1.7	11.6	11.1	1.5	1.7	-3.8	-3.8
CONSENSUS (AVERAGE)	3.4	3.0	2.2	3.0	3.0	2.3	3.0	2.3	3.6	2.8	2.0	1.7	11.5	11.0	2.3	2.2	-3.3	-3.0
Maximum	4.3	4.7	3.2	5.4	3.3	2.8	3.3	3.0	4.2	3.6	2.7	2.2	11.8	12.2	3.4	3.1	-2.9	-2.5
Minimum	2.0	1.7	0.7	1.2	2.8	2.0	2.8	2.0	3.0	2.1	1.2	1.3	11.0	10.3	1.0	1.0	-3.8	-3.8
Change on 2 months earlier[1]	0.6	-0.1	0.1	-0.1	-0.2	0.0	0.0	0.0	-0.1	-0.2	-0.1	0.0	0.0	-0.1	0.2	0.1	0.0	0.1
- Rise[2]	12	2	6	1	0	2	3	4	0	0	4	4	4	3	6	4	4	5
- Drop[2]	1	7	4	6	12	7	7	5	2	2	6	4	4	7	2	3	2	1
Change on 6 months earlier[1]	1.3	-0.1	0.0	-0.2	0.0	0.0	-0.1	-0.2	0.0	-0.2	0.0	-0.1	-0.1	-0.2	0.4	0.2	0.3	0.2
Memorandum items:																		
Government (July 2024)	3.7	2.4	3.5	3.4	--	--	--	--	--	--	3.0	2.4	11.1	10.2	--	--	-3.0	-2.5
Bank of Spain (June 2024)	2.4	2.4	2.0	2.7	3.0 [6]	2.0 [6]	2.6 [7]	2.0 [7]	--	--	1.1 [8]	1.7 [8]	11.6	11.3	--	--	-3.3	-3.1
AIReF (July 2024)	3.3	3.1	3.2	3.8	3.2	2.0	..	..	3.5	1.7	2.5	2.0	11.6	11.1	--	--	-3.0	--
EC (May 2024)	1.6	2.4	1.3	2.4	3.1 [6]	2.3 [6]	3.2 [7]	2.3 [7]	4.0	2.9	2.1	1.3	11.6	11.1	2.8	2.8	-3.0	-2.8
IMF (July 2024)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (May 2024)	--	--	--	--	..	..	..	..	--	--	--	--	--	--	--	--	--	--

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

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

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

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

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

[6] *Harmonized Index of Consumer Prices (HICP).*

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

[8] *Hours worked.*

Table 2

Quarterly Forecasts – September 2024

	24-I Q	24-II Q	24-III Q	24-IV Q	25-I Q	25-II Q	25-III Q	25-IV Q
GDP[1]	0.8	0.8	0.4	0.4	0.5	0.5	0.5	0.5
Euribor 1 yr [2]	3.72	3.65	3.11	2.83	2.71	2.64	2.58	2.52
Government bond yield 10 yr [2]	3.19	3.36	3.10	3.07	2.99	2.94	2.90	2.87
ECB main refinancing operations interest rate [3]	4.50	4.25	3.93	3.70	3.47	3.25	3.02	2.86
ECB deposit rates [3]	4.00	3.75	3.57	3.33	3.11	2.89	2.66	2.49
Dollar / Euro exchange rate [2]	1.09	1.08	1.09	1.09	1.10	1.10	1.10	1.11

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

Table 3

CPI Forecasts – September 2024

Year-on-year change (%)					
Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Dec-25
2.3	2.3	2.5	2.7	2.8	2.2

Table 4

Opinions – September 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	2	4	13	8	11	0
International context: Non-EU	1	7	11	3	13	3
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	2	17	1	18	0
Monetary policy assessment[1]	19	0	0	4	13	2

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

Key Facts

This page was left blank intentionally.

Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA* (1)

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
		Chain-linked volumes. annual percentage changes									
2016		3.0	2.7	1.0	2.4	1.6	3.1	5.4	2.6	2.0	1.0
2017		3.0	3.0	1.0	6.8	6.7	6.9	5.5	6.8	3.1	-0.2
2018		2.3	1.7	2.3	6.3	9.5	3.4	1.7	3.9	2.9	-0.6
2019		2.0	1.1	1.9	4.5	7.2	1.8	2.2	1.3	1.6	0.4
2020		-11.2	-12.3	3.6	-9.0	-9.2	-8.8	-20.1	-15.0	-9.0	-2.2
2021		6.4	7.1	3.4	2.8	0.4	5.2	13.5	14.9	6.6	-0.2
2022		5.8	4.7	-0.2	2.4	2.6	2.2	15.2	7.0	2.9	2.9
2023		2.5	1.8	3.8	0.8	2.3	-0.9	2.3	0.3	1.7	0.8
2024		2.5	2.3	1.7	2.3	2.9	1.5	3.9	3.1	2.1	0.4
2025		1.8	1.9	1.0	2.5	2.7	2.4	2.4	2.5	1.7	0.1
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	1.7	4.4	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	2.2	2.4	4.2	2.1	1.6	2.5	1.1	1.5	2.2	0.0
2024	I	2.6	2.6	3.4	1.8	3.4	0.0	-0.2	-0.7	2.3	0.3
	II	2.9	2.3	2.3	1.2	1.2	1.2	3.6	1.4	2.0	0.9
		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	1.3	1.7	-0.6	-2.6	1.8	-3.6	-2.9	0.8	-0.3
	IV	0.7	0.3	1.1	-1.6	-0.3	-3.2	2.8	2.4	0.5	0.2
2024	I	0.8	0.4	-0.6	2.6	2.8	2.3	3.3	2.2	0.3	0.5
	II	0.8	0.3	0.2	0.9	1.3	0.4	1.2	-0.2	0.3	0.5
		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		1,549	55.6	19.7	19.3	10.5	8.8	39.1	34.6	95.5	4.5
2025		1,615	55.7	19.5	19.6	10.8	8.8	39.1	34.7	95.6	4.4

**Seasonally and Working Day Adjusted.*

(1) These figures are prior to the revision of the National Accounts carried out by the INE in September, since the complete series were not available at the time this publication went to press.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2015=100

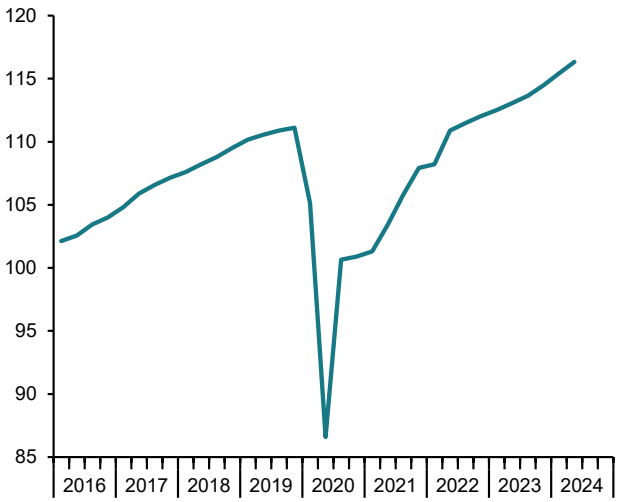


Chart 1.2 - Contribution to GDP annual growth

Percentage points

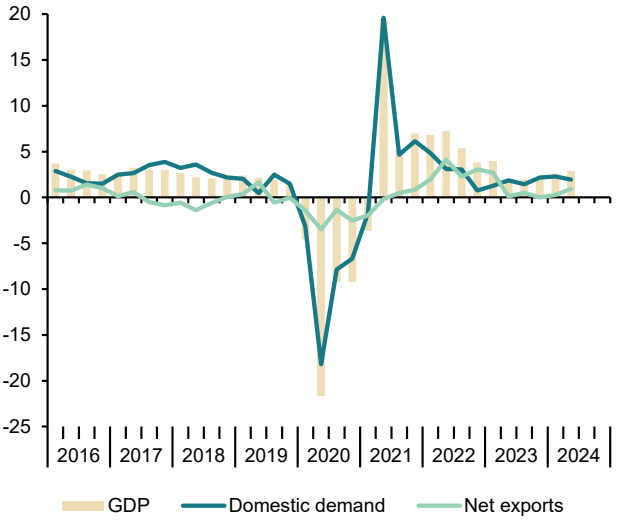


Chart 1.3 - Consumption

Level, 2015=100

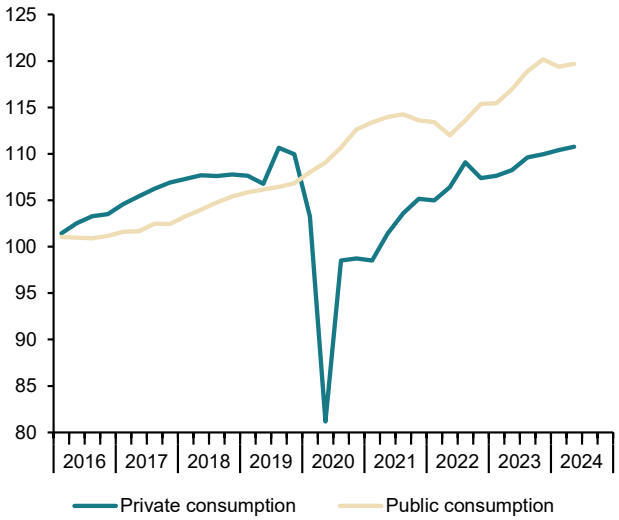


Chart 1.4 - Gross fixed capital formation

Level, 2015=100

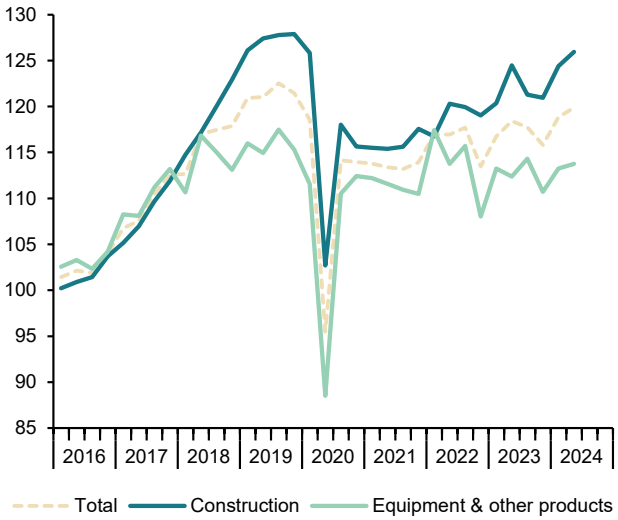


Table 2

National accounts: Gross value added by economic activity SWDA*(1)

		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	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	2.2	5.7	-0.1
	II	2.3	-2.1	0.8	2.1	2.1	2.8	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	2.3	0.5	1.9	3.0	2.0	2.5	3.6	2.1	0.9
2024	I	2.7	1.0	2.3	3.4	3.3	2.8	4.0	2.4	1.6
	II	2.9	2.9	4.0	5.6	2.4	2.7	2.4	2.8	2.3
		Chain-linked volumes. quarter-on-quarter percentage changes								
2022	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	-1.2	-1.0	0.9	1.0	1.7	0.7	0.6
	III	0.6	-4.2	-0.5	0.9	-0.7	1.1	1.2	1.1	-0.8
	IV	0.8	5.3	2.4	1.2	1.3	0.3	2.9	-0.6	-0.2
2024	I	0.7	3.1	1.6	2.3	1.8	0.4	-1.8	1.0	2.1
	II	0.8	-1.2	0.4	1.1	0.1	0.9	0.1	1.2	1.3
		Current prices EUR billions)	Percentage of value added at basic prices							
2016		1,011	3.1	16.2	12.4	5.9	74.9	18.4	56.5	10.2
2017		1,054	3.1	16.2	12.5	5.9	74.8	18.1	56.7	10.3
2018		1,089	3.0	16.0	12.2	5.9	75.0	18.1	56.9	10.5
2019		1,130	2.7	15.8	12.0	6.3	75.2	18.2	57.0	10.3
2020		1,021	3.1	16.1	12.0	6.0	74.9	20.2	54.6	9.6
2021		1,106	3.0	16.8	12.5	5.7	74.5	19.1	55.4	10.5
2022		1,226	2.6	17.4	12.5	5.4	74.6	17.8	56.8	9.9
2023		1,332	2.6	16.7	12.6	5.5	75.2	17.5	57.7	9.8

** Seasonally and Working Day Adjusted.*

(1) These figures are prior to the revision of the National Accounts carried out by the INE in September, since the complete series were not available at the time this publication went to press.

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2015=100

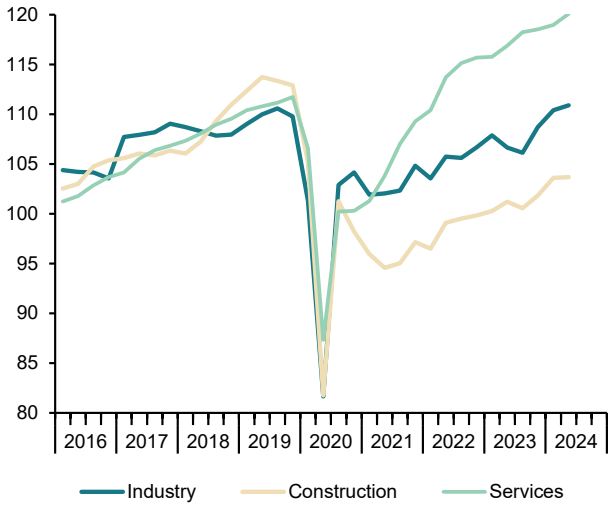


Chart 2.2 - GVA. Industry

Level, 2015=100

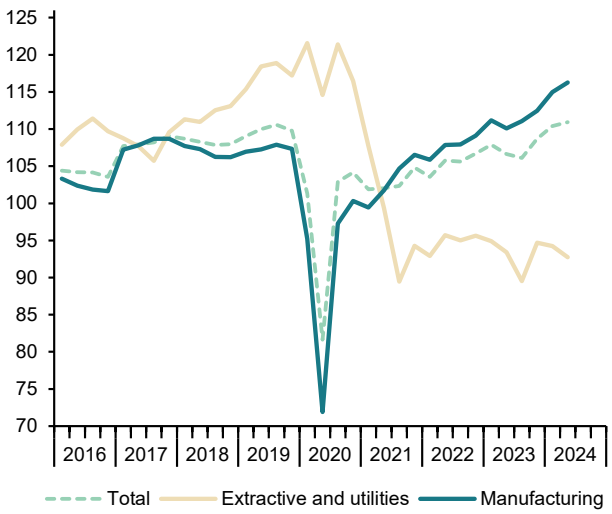


Chart 2.3 - GVA, services

Level, 2015=100

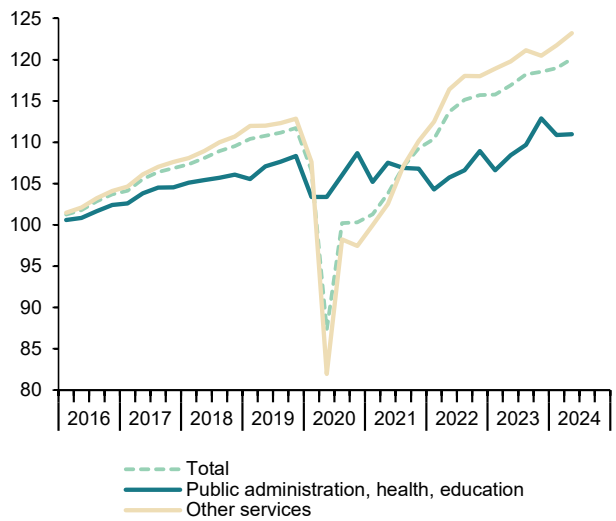


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

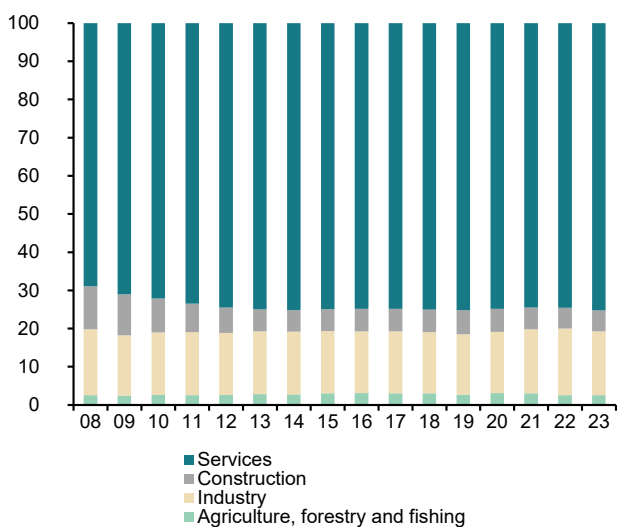


Table 3

National accounts: Productivity and labour costs (1)

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		116.2	122.4	94.9	120.7	127.1	102.9	--	--	--	--	--	--
2025		118.3	124.2	95.2	123.8	130.0	102.7	--	--	--	--	--	--
2022	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	117.6	95.7	115.2	120.4	101.5	111.2	113.9	97.6	111.3	114.0	91.5
	II	113.1	119.3	94.8	115.7	122.1	102.9	110.1	111.3	98.9	114.6	115.8	95.0
	III	113.6	120.8	94.1	117.8	125.2	105.1	111.1	112.1	99.0	118.4	119.5	95.9
	IV	114.5	121.5	94.2	118.1	125.3	103.0	112.5	113.2	99.4	120.3	121.0	96.9
2024	I	115.4	121.4	95.1	120.1	126.3	103.2	115.0	113.9	100.9	116.6	115.5	91.0
	II	116.3	121.7	95.6	120.8	126.4	103.2	116.3	115.3	100.8	120.2	119.2	94.9
		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		2.5	2.2	0.3	3.4	3.1	-0.3	--	--	--	--	--	--
2025		1.8	1.5	0.3	2.6	2.3	-0.2	--	--	--	--	--	--
2022	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	2.3	1.6	5.8	4.1	-2.0	5.0	4.5	0.5	5.0	4.4	-5.1
	II	2.0	3.9	-1.9	5.7	7.7	1.2	2.1	-1.1	3.2	6.7	3.4	-2.4
	III	1.9	3.1	-1.2	5.1	6.3	0.2	2.9	0.3	2.6	4.3	1.7	-3.3
	IV	2.2	3.6	-1.3	4.4	5.8	0.8	3.0	0.3	2.7	5.6	2.8	-0.1
2024	I	2.6	3.2	-0.6	4.2	4.9	1.7	3.4	0.0	3.4	4.7	1.3	-0.5
	II	2.9	2.0	0.9	4.4	3.5	0.3	5.6	3.6	1.9	4.9	2.9	-0.1

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

(1) These figures are prior to the revision of the National Accounts carried out by the INE in September, since the complete series were not available at the time this publication went to press.

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

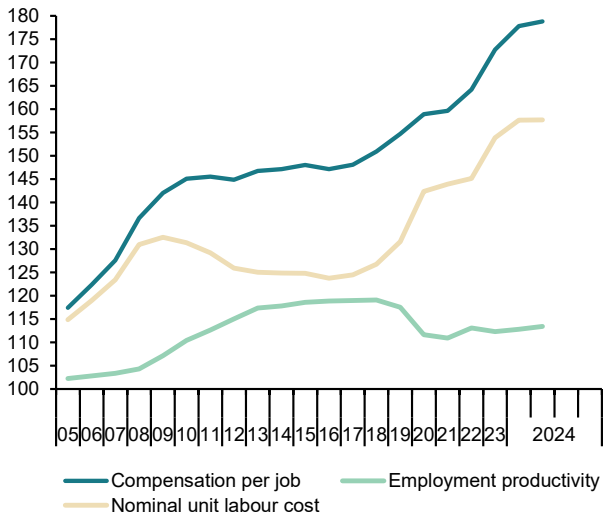
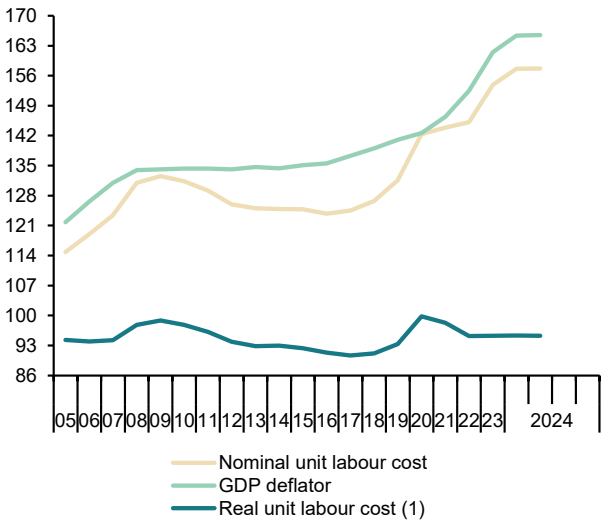


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

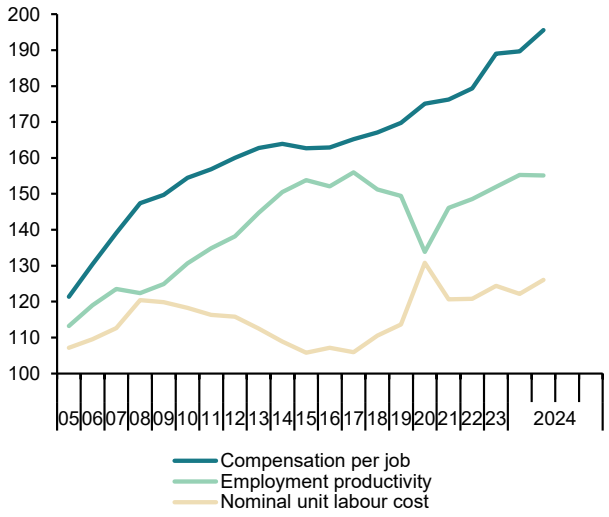
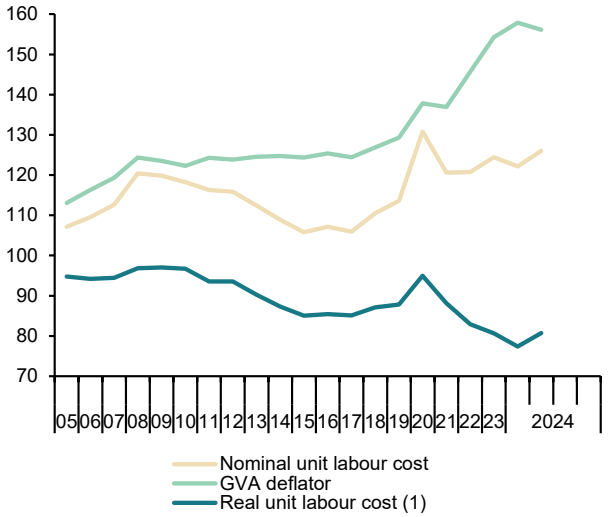


Chart 3.4 - Real ULC, manufacturing industry

Index. 2000=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition (1)

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions. 4-quarter cumulated transactions							Percentage of GDP					
2016		1,114.4	503.7	496.4	1,105.4	861.1	244.3	208.9	45.2	44.5	21.9	18.7	3.2	3.4
2017		1,162.5	523.7	519.0	1,152.8	895.1	257.7	225.5	45.0	44.6	22.2	19.4	2.8	3.0
2018		1,203.9	546.1	531.6	1,193.8	924.8	269.0	246.4	45.4	44.2	22.3	20.5	1.9	2.4
2019		1,245.5	580.2	537.7	1,235.1	949.5	285.7	259.4	46.6	43.2	22.9	20.8	2.1	2.4
2020		1,119.0	560.7	456.4	1,109.8	873.9	236.0	229.1	50.1	40.8	21.1	20.5	0.6	1.1
2021		1,222.3	599.4	496.5	1,219.8	946.6	273.2	263.9	49.0	40.6	22.4	21.6	0.8	1.6
2022		1,346.4	643.0	571.4	1,338.3	1,040.8	297.5	289.2	47.8	42.4	22.1	21.5	0.6	1.5
2023		1,461.9	699.7	619.3	1,439.6	1,104.7	334.9	296.9	47.9	42.4	22.9	20.3	2.6	3.7
2024		1,548.8	740.6	646.1	1,524.3	1,165.7	358.7	314.1	47.8	41.7	23.2	20.3	2.9	3.7
2025		1,615.3	772.3	671.3	1,589.3	1,213.2	376.2	330.9	47.8	41.6	23.3	20.5	2.8	3.5
2022	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	656.0	592.3	1,372.0	1,058.3	313.7	291.3	47.5	42.9	22.7	21.1	1.6	2.6
	II	1,410.8	670.8	605.8	1,396.8	1,074.1	322.7	293.9	47.5	42.9	22.9	20.8	2.0	3.0
	III	1,436.5	685.7	614.6	1,417.7	1,087.0	330.7	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	1,480.6	713.4	625.3	1,458.0	1,121.8	336.2	299.7	48.2	42.2	22.7	20.2	2.5	3.6
	II	1,502.4	725.4	633.3	--	1,137.5	--	303.7	48.3	42.2	--	20.2	--	--
		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		5.9	5.8	4.3	5.9	5.5	7.1	5.8	0.0	-0.6	0.2	0.0	0.3	0.0
2025		4.3	4.3	3.9	4.3	4.1	4.9	5.3	0.0	-0.2	0.1	0.2	-0.1	-0.1
2022	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	7.5	15.9	9.5	9.0	11.0	7.4	-1.1	2.2	0.2	-0.5	0.7	1.3
	II	9.5	7.8	14.4	8.7	7.9	11.1	5.3	-0.7	1.9	0.3	-0.8	1.2	1.6
	III	8.9	8.4	12.3	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	7.2	8.7	5.6	6.3	6.0	7.2	2.9	0.7	-0.6	0.0	-0.8	0.8	1.0
	II	6.5	8.1	4.5	--	5.9	--	3.3	0.7	-0.8	--	-0.6	--	--

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

(1) These figures are prior to the revision of the National Accounts carried out by the INE in September, since the complete series were not available at the time this publication went to press.

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

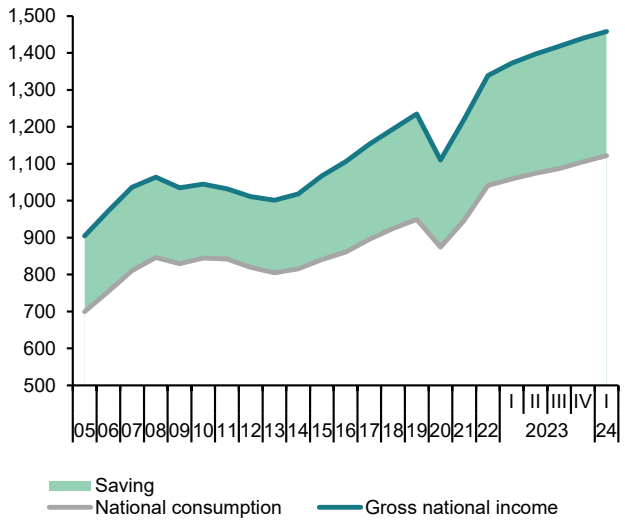


Chart 4.2 - National income, consumption and saving rate

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

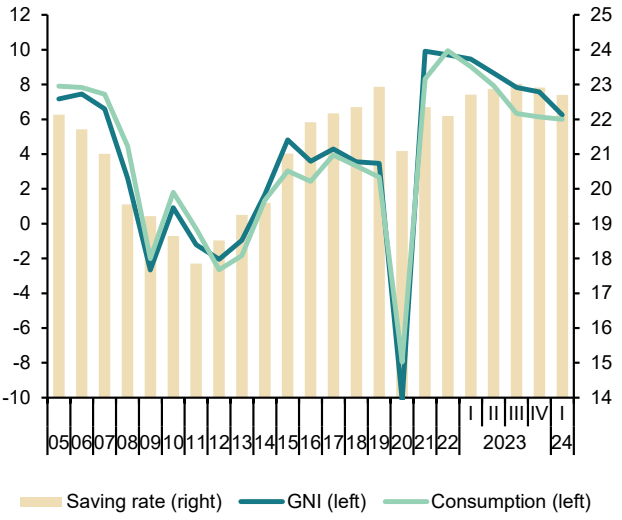


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

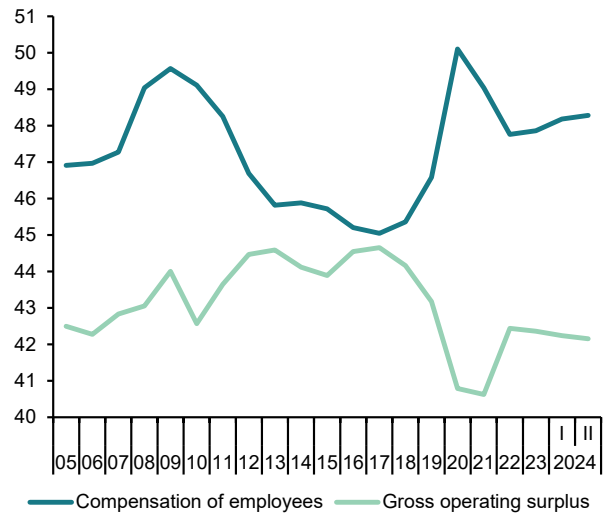


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

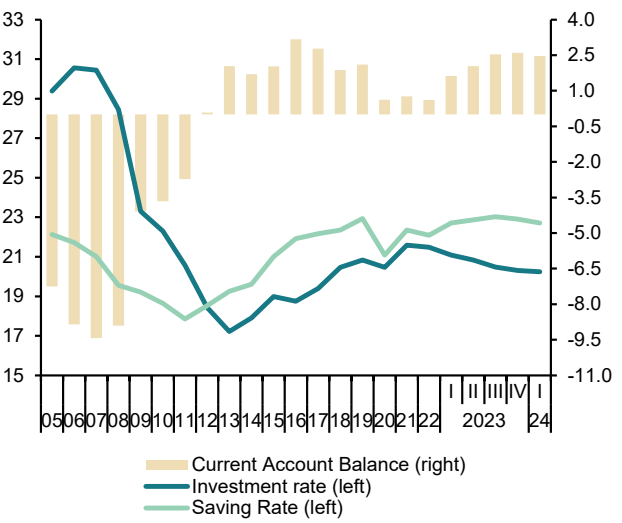


Table 5

National accounts: Household and non-financial corporations accounts (1)

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		968.1	861.0	104.7	67.1	10.8	4.3	2.3	305.3	217.2	189.3	14.0	12.2	2.2
2025		1,001.3	898.9	100.1	69.8	10.0	4.3	1.8	313.3	228.7	200.7	14.2	12.4	2.1
2022	II	815.9	735.1	78.7	63.8	9.6	5.0	1.3	259.3	187.9	171.9	14.6	13.3	1.9
	III	820.7	755.7	62.7	63.8	7.6	4.8	-0.1	274.8	199.8	178.6	15.1	13.5	2.2
	IV	832.2	766.6	63.4	59.7	7.6	4.4	0.2	291.9	216.4	182.3	16.1	13.5	3.1
2023	I	853.0	780.4	70.3	58.0	8.2	4.2	0.8	303.0	224.5	184.9	16.3	13.4	3.5
	II	880.5	790.9	87.3	58.4	9.9	4.1	2.0	307.9	222.3	186.7	15.8	13.2	3.1
	III	901.3	799.8	99.0	59.2	11.0	4.1	2.7	306.4	217.7	183.6	15.2	12.8	3.0
	IV	923.6	813.1	108.1	64.5	11.7	4.4	2.9	302.4	207.0	181.1	14.2	12.4	2.2
2024	I	940.3	823.7	114.6	64.3	12.2	4.3	3.3	299.0	203.4	183.6	13.7	12.4	1.7
		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		4.8	5.9	-3.2	4.0	-0.9	-0.1	-0.5	1.0	4.9	4.5	-0.1	-0.2	0.0
2025		3.4	4.4	-4.5	4.0	-0.8	0.0	-0.6	2.6	5.3	6.0	0.1	0.2	-0.1
2022	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
2024	I	10.2	5.6	62.9	11.0	3.9	0.1	2.5	-1.3	-9.4	-0.7	-2.5	-1.0	-1.7

(1) These figures are prior to the revision of the National Accounts carried out by the INE in September, since the complete series were not available at the time this publication went to press.

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

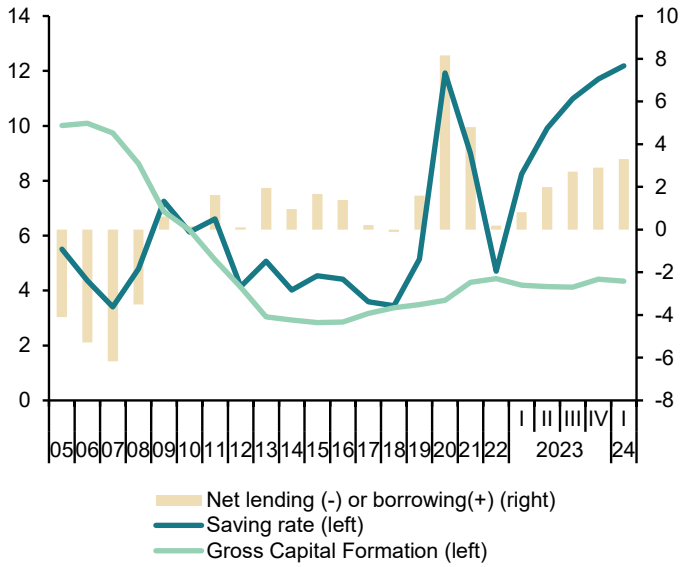


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

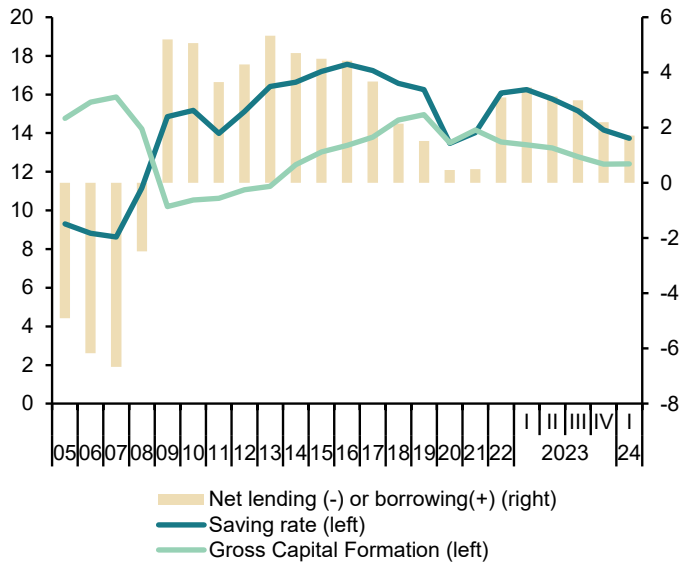


Table 6

National accounts: Public revenue, expenditure and deficit

Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)
		Taxes on production and imports	Taxes on income and wealth	Social contribu-tions	Capital and other revenue	Total	Compen-sation of employees	Interme-diate con-sumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expendi-ture	Total	
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8 +9+10+11	13=5-12
		EUR Billions. 4-quarter cumulated operations												
2016		128.9	110.0	135.6	50.9	425.3	121.5	59.2	30.7	203.0	30.3	28.4	473.2	-47.9
2017		135.1	116.9	142.4	49.6	444.0	123.5	60.5	29.3	207.4	31.5	28.1	480.3	-36.2
2018		141.2	127.3	149.5	54.2	472.1	127.7	62.6	29.3	216.6	37.4	29.8	503.4	-31.2
2019		143.0	129.1	160.7	55.7	488.5	134.8	65.2	28.4	229.6	37.2	31.6	526.7	-38.1
2020		126.7	125.3	162.2	53.3	467.6	140.6	67.0	25.1	262.2	44.3	41.5	580.8	-113.2
2021		146.9	143.5	171.7	67.1	529.2	148.1	72.2	26.2	263.4	60.1	41.4	611.5	-82.3
2022		160.7	164.8	180.2	68.4	574.1	154.9	79.7	31.8	267.0	53.3	51.1	637.8	-63.7
2023		166.0	182.8	196.9	79.9	625.7	163.4	85.7	36.0	292.7	55.6	45.4	678.8	-53.2
2024		184.8	190.2	209.4	67.4	651.8	168.3	92.0	41.0	307.5	56.3	35.5	700.5	-48.8
2025		194.4	198.8	219.8	68.9	681.9	172.5	96.5	44.1	320.2	60.4	37.0	730.8	-48.8
2022	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
2024	I	167.2	186.0	200.0	77.8	631.1	165.3	86.7	37.3	296.7	55.7	45.1	686.8	-55.7
		Percentage of GDP. 4-quarter cumulated operations												
2016		11.6	9.9	12.2	4.6	38.2	10.9	5.3	2.8	18.2	2.7	2.6	42.5	-4.3
2017		11.6	10.1	12.3	4.3	38.2	10.6	5.2	2.5	17.8	2.7	2.4	41.3	-3.1
2018		11.7	10.6	12.4	4.5	39.2	10.6	5.2	2.4	18.0	3.1	2.5	41.8	-2.6
2019		11.5	10.4	12.9	4.5	39.2	10.8	5.2	2.3	18.4	3.0	2.5	42.3	-3.1
2020		11.3	11.2	14.5	4.8	41.8	12.6	6.0	2.2	23.4	4.0	3.7	51.9	-10.1
2021		12.0	11.7	14.0	5.5	43.3	12.1	5.9	2.1	21.6	4.9	3.4	50.0	-6.7
2022		11.9	12.2	13.4	5.1	42.6	11.5	5.9	2.4	19.8	4.0	3.8	47.4	-4.7
2023		11.4	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		11.9	12.3	13.5	4.4	42.1	10.9	5.9	2.6	19.9	3.6	2.3	45.2	-3.1
2025		12.0	12.3	13.6	4.3	42.2	10.7	6.0	2.7	19.8	3.7	2.3	45.2	-3.0
2022	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
2024	I	11.3	12.6	13.5	5.3	42.6	11.2	5.9	2.5	20.0	3.8	3.0	46.4	-3.8

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

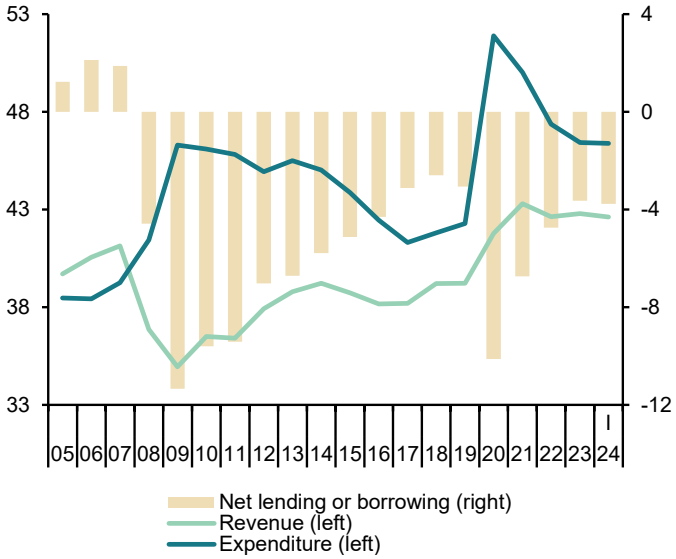


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

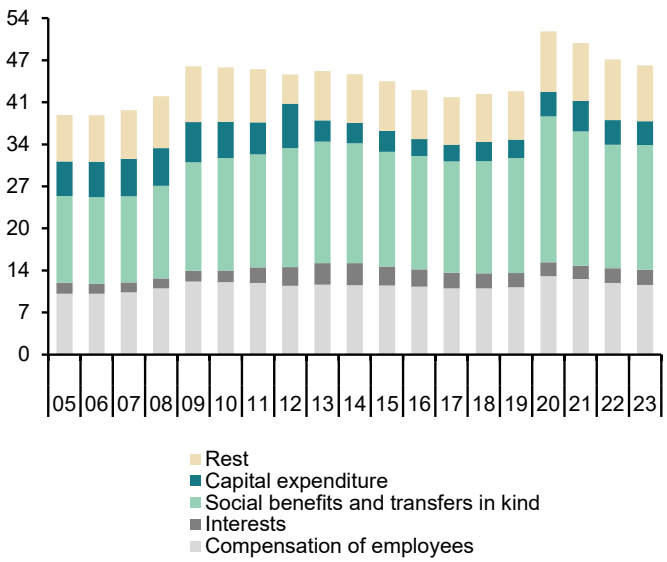


Table 7

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		--	--	--	--	-48.8	--	--	--	--	1,682.4
2022	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
2024	I	-31.2	-16.2	-2.4	-5.9	-55.7	1,474.5	328.9	23.1	116.2	1,613.0
		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		--	--	--	--	-3.1	--	--	--	--	105.3
2025		--	--	--	--	-3.0	--	--	--	--	104.2
2022	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
2024	I	-2.1	-1.1	-0.2	-0.4	-3.8	99.4	22.2	1.6	7.8	108.8

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

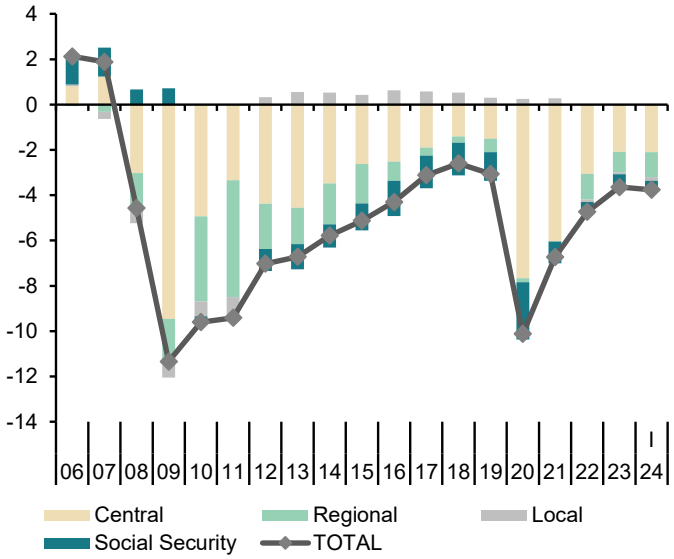


Chart 7.2 - Government debt

Percent of GDP

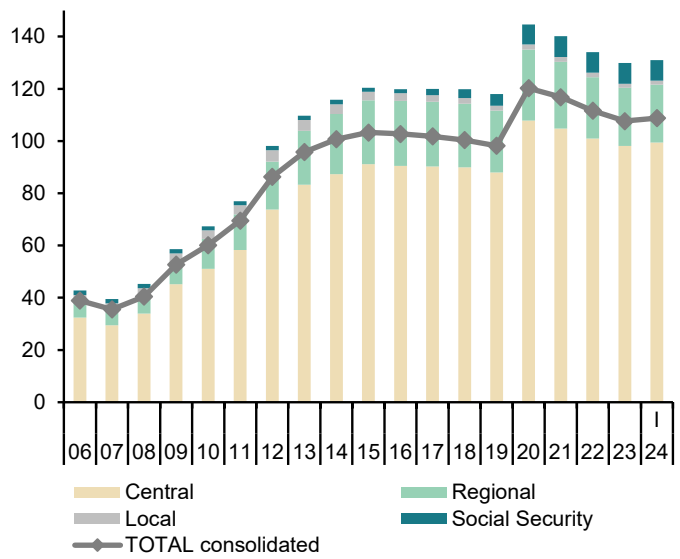


Table 8

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	2021=100	Thousands	Index	Balance of responses	2021=100	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	108.1	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	100.0	-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	100.6	52.5	20,193.2	19.2	101.3	2,363.7	48.0	-6.5	101.5	-10.9
2024 (b)	103.1	54.5	20,625.4	19.5	104.4	2,396.3	51.5	-5.0	102.7	-9.3
2022 IV	98.0	49.1	19,831.1	18.9	101.8	2,337.4	45.6	-5.3	102.7	-8.1
2023 I	100.2	55.2	19,971.7	19.3	101.6	2,347.6	50.1	-4.6	102.0	-9.0
II	101.3	54.7	20,162.4	19.0	100.8	2,359.1	48.5	-5.2	101.6	-7.1
III	100.8	50.1	20,268.2	19.1	100.7	2,369.4	47.4	-8.2	101.3	-13.7
IV	100.3	50.1	20,369.1	19.4	100.9	2,378.6	45.8	-8.1	101.3	-13.9
2024 I	102.4	53.6	20,507.8	19.4	101.2	2,390.2	50.7	-5.2	100.7	-9.2
II	102.8	56.0	20,654.2	19.3	100.9	2,398.2	52.9	-5.5	100.6	-9.6
III (b)	104.8	53.5	20,738.1	19.4	100.6	2,404.7	50.8	-4.0	99.5	-9.0
2024 Jun	102.5	55.8	20,697.3	19.2	101.0	2,401.1	52.3	-5.9	100.7	-7.6
Jul	104.1	53.4	20,720.3	19.2	100.6	2,402.9	51.0	-4.4	99.5	-8.6
Aug	105.4	53.5	20,755.9	19.6	--	2,406.5	50.5	-3.5	--	-9.5
					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	7.3	1.4	--	--	7.0	--
2022	--	--	4.0	-3.8	2.7	2.4	--	--	3.1	--
2023	--	--	2.7	-1.9	-1.4	1.7	--	--	-1.6	--
2024 (d)	--	--	2.5	1.3	0.4	1.7	--	--	-0.8	--
2022 IV	--	--	0.5	-3.1	-1.1	0.3	--	--	-1.6	--
2023 I	--	--	0.7	1.8	-0.2	0.4	--	--	-0.6	--
II	--	--	1.0	-1.4	-0.8	0.5	--	--	-0.5	--
III	--	--	0.5	0.6	-0.1	0.4	--	--	-0.3	--
IV	--	--	0.5	1.5	0.2	0.4	--	--	0.0	--
2024 I	--	--	0.7	-0.1	0.3	0.5	--	--	-0.6	--
II	--	--	0.7	-0.5	-0.3	0.3	--	--	-0.1	--
III (e)	--	--	0.4	0.6	-0.3	0.3	--	--	-1.1	--
2024 Jun	--	--	0.2	-0.2	0.2	0.1	--	--	0.4	--
Jul	--	--	0.1	-0.1	-0.4	0.1	--	--	-1.2	--
Aug	--	--	0.2	2.1	--	0.1	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Level, 2009=100

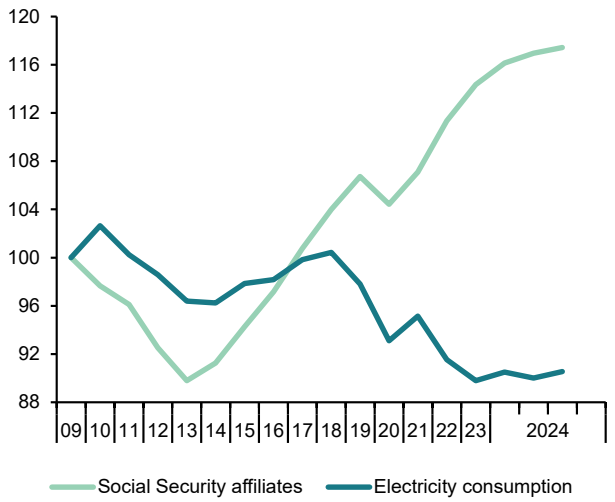


Chart 8.2 - General activity indicators (II)

Index

Chart 8.3 - Industrial sector indicators (I)

Level, 2009=100

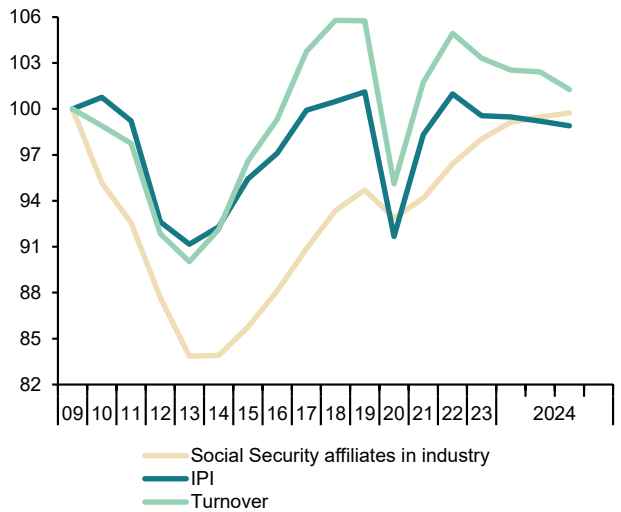


Chart 8.4 - Industrial sector indicators (II)

Index

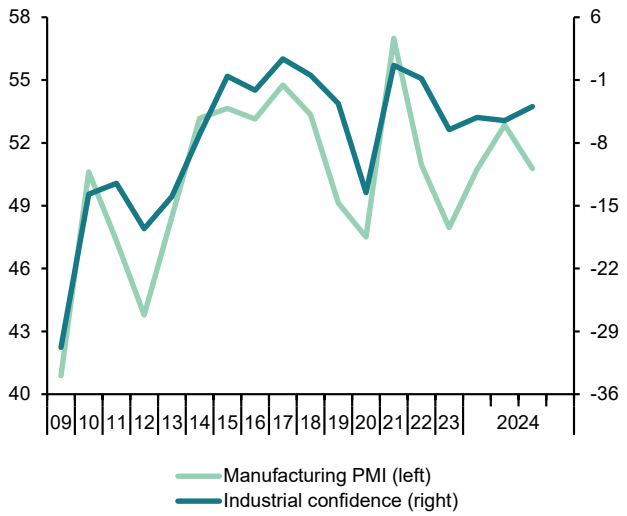


Table 9

Construction and services sector indicators (a)

	Construction indicators					Service sector indicators					
	Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security Affiliates in services (g)	Services Production Index (deflated)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
	Thousands	2021=100	Balance of responses	EUR Billions, monthly average	Million m^2, monthly average	Thousands	2021=100	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	8.9	2.3	1.7	14,926.3	107.1	52.5	26.7	20.2	12.2
2022	1,384.6	103.1	8.7	2.2	1.7	15,393.2	108.6	53.6	28.9	23.5	13.9
2024 (b)	1,407.3	110.8	7.4	2.3	1.9	15,782.2	108.3	55.2	31.6	26.0	17.3
2022 IV	1,356.0	104.9	14.8	3.0	1.8	15,073.7	109.1	50.8	27.8	22.1	5.9
2023 I	1,374.7	107.1	3.3	2.0	1.7	15,191.9	109.0	56.3	28.6	22.8	10.0
II	1,383.3	102.6	12.9	2.5	1.7	15,365.9	108.8	56.0	28.6	23.1	14.4
III	1,386.4	101.4	5.9	2.3	1.5	15,460.4	107.1	50.8	29.0	23.9	15.8
IV	1,394.7	101.1	12.8	2.1	1.7	15,553.2	111.0	51.2	29.5	24.4	15.4
2024 I	1,403.7	104.6	5.6	2.2	1.8	15,676.3	111.7	54.3	30.0	24.9	17.2
II	1,404.1	104.8	9.7	2.4	2.0	15,813.8	111.2	56.6	30.5	25.6	15.8
III (b)	1,410.6	104.1	6.6	--	--	15,890.1	--	54.2	30.2	25.9	19.5
2024 Jun	1,405.4	103.7	-1.0	2.5	--	15,857.7	110.4	56.8	30.5	25.8	19.3
Jul	1,409.0	104.1	11.9	--	--	15,874.2	--	53.9	30.2	25.9	17.5
Aug	1,412.1	--	1.3	--	--	15,906.0	--	54.6	30.2	26.0	21.5
				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	--	-23.3	-19.8	-2.3	-16.4	--	-73.1	-72.7	--
2021	4.5	12.0	--	68.6	22.7	2.8	14.3	--	87.4	57.8	--
2022	3.5	3.4	--	27.9	1.2	4.9	7.1	--	85.4	103.4	--
2023	3.8	-0.3	--	-3.6	-0.6	3.1	1.4	--	8.2	16.3	--
2024 (d)	1.8	0.7	--	1.3	11.8	3.0	2.4	--	5.6	10.1	--
2022 IV	1.4	0.4	--	44.8	7.2	0.6	1.8	--	1.3	4.3	--
2023 I	1.4	2.0	--	18.0	-3.7	0.8	-0.1	--	2.9	3.5	--
II	0.6	-4.1	--	14.7	12.2	1.1	-0.2	--	0.2	1.0	--
III	0.2	-1.2	--	-4.7	0.8	0.6	-1.6	--	1.2	3.4	--
IV	0.6	-0.3	--	-28.4	-9.1	0.6	3.7	--	2.1	2.4	--
2024 I	0.6	3.4	--	11.9	3.4	0.8	0.6	--	1.4	2.1	--
II	0.0	0.2	--	-7.0	26.3	0.9	-0.4	--	1.8	2.8	--
III (e)	0.5	-0.7	--	--	--	0.5	--	--	-1.0	1.0	--
2024 Jun	0.1	-1.1	--	-13.5	--	0.3	-1.0	--	-1.6	0.5	--
Jul	0.3	0.3	--	--	--	0.1	--	--	-1.2	0.2	--
Aug	0.2	--	--	--	--	0.2	--	--	0.0	0.4	--

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

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

Chart 9.1 - Construction indicators (I)

Level, 2009=100 and index

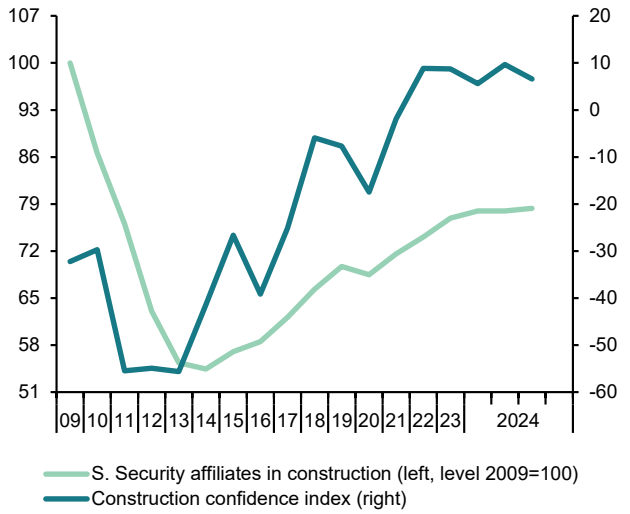


Chart 9.2 - Construction indicators (II)

Level, 2009=100

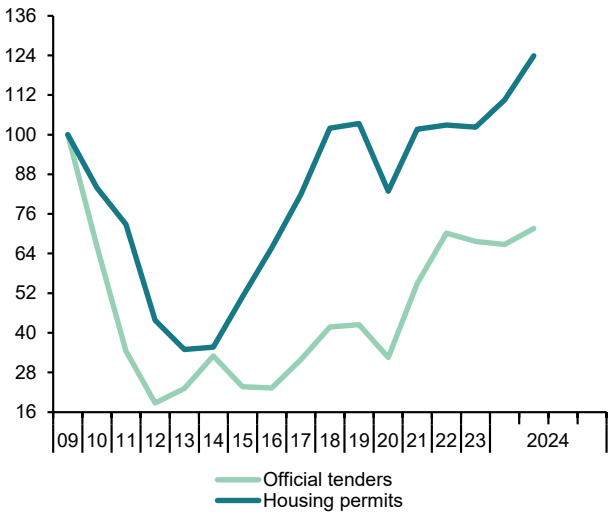


Chart 9.3 - Services indicators (I)

Level, 2009=100

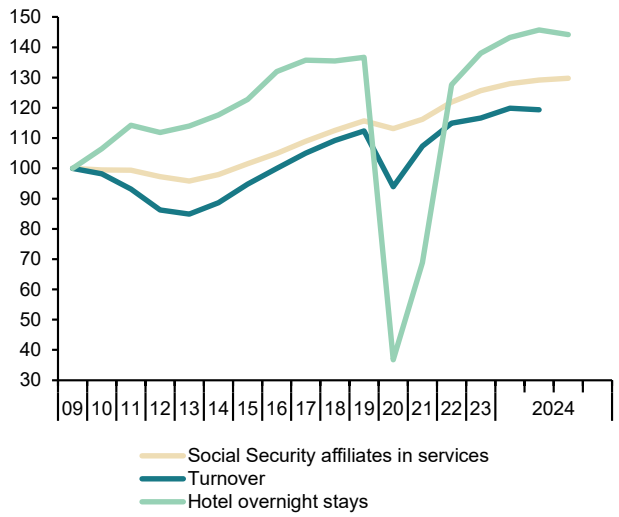


Chart 9.4 - Services indicators (II)

Index

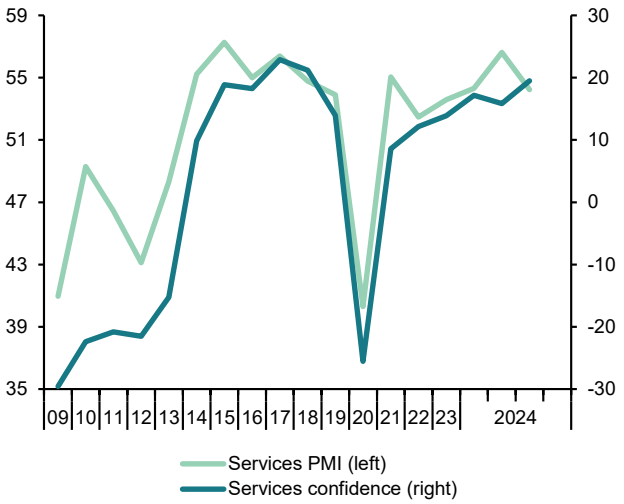


Table 10

Consumption and investment indicators (a)

		Consumption indicators						Investment in equipment indicators			
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Large company sales (consumer goods and services)	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)	Large company sales (capital goods)
		2021=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		102.6	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	120.8	17.2	17.9	138.2	143.4
2024	(b)	103.6	93.3	-15.5	10.7	-8.5	121.0	18.8	6.4	135.1	143.7
2022	IV	102.5	85.3	-27.7	10.2	-6.1	119.4	15.5	27.5	138.7	131.2
2023	I	103.9	85.4	-22.5	10.3	-5.7	119.1	16.8	25.8	140.1	145.8
	II	105.1	82.9	-19.1	10.1	-5.7	120.1	16.0	24.6	139.5	145.7
	III	104.6	85.9	-16.1	10.0	-8.5	121.8	17.1	11.8	137.8	139.2
	IV	105.4	96.3	-19.0	10.2	-7.4	122.1	19.0	9.4	136.5	143.0
2024	I	105.0	89.1	-17.2	10.2	-7.4	122.6	19.3	6.2	136.1	141.1
	II	105.5	92.0	-14.4	10.2	-10.5	123.5	18.0	10.1	136.1	144.5
	III (b)	106.1	85.1	-14.5	9.8	-7.3	124.3	16.3	1.2	136.6	141.8
2024	Jun	105.6	90.9	-14.2	10.2	-10.2	123.4	16.4	3.7	136.3	150.5
	Jul	106.1	81.5	-13.7	9.9	-9.8	124.3	16.3	1.2	136.6	141.8
	Aug	--	88.7	-15.2	9.7	-4.7	--	--	1.3	--	--
		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	--	1.4	--	1.8	24.1	--	3.5	15.1
2024	(d)	0.7	6.2	--	-0.3	--	3.2	9.9	--	-3.3	-1.9
2022	IV	-0.1	0.1	--	-0.7	--	1.1	8.0	--	7.5	17.7
2023	I	1.4	0.1	--	1.5	--	-1.1	8.3	--	4.0	52.8
	II	1.2	-3.0	--	-1.7	--	3.4	-4.9	--	-1.7	-0.4
	III	-0.5	3.6	--	-1.3	--	5.8	7.3	--	-4.8	-16.6
	IV	0.7	12.1	--	1.5	--	1.1	11.1	--	-3.7	11.4
2024	I	-0.4	-7.4	--	0.1	--	1.5	1.5	--	-1.3	-5.1
	II	0.5	3.2	--	0.2	--	3.0	-6.8	--	0.2	10.0
	III (e)	0.6	-7.4	--	-3.9	--	2.7	-9.5	--	1.5	-7.2
2024	Jun	0.4	0.3	--	-1.9	--	0.4	-10.5	--	0.1	5.1
	Jul	0.5	-10.3	--	-3.5	--	0.7	-0.9	--	0.2	-5.7
	Aug	--	8.8	--	-1.2	--	--	--	--	--	--

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

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

Chart 10.1 - Consumption indicators

Level, 2009=100 and balance of responses

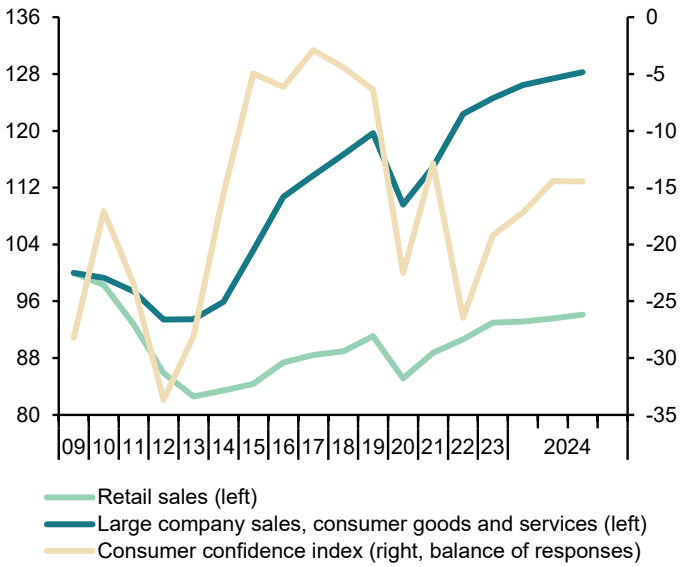


Chart 10.2 - Investment indicators

Level, 2009=100 and balance of responses

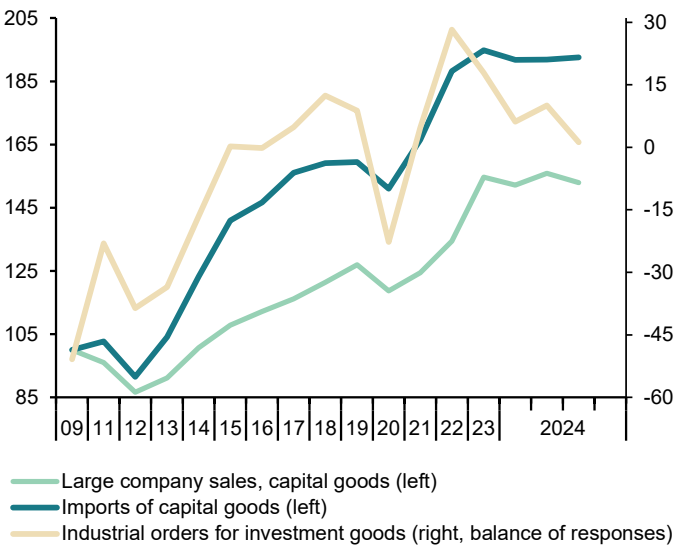


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate (a)	Employment rate (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted				Original	
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2016		38.5	22.8	--	18.3	--	4.5	--	75.4	60.5	19.6	44.4	18.7	26.6
2017		38.7	22.7	--	18.8	--	3.9	--	75.1	62.1	17.2	38.6	16.3	23.8
2018		38.9	22.8	--	19.3	--	3.5	--	74.9	63.4	15.3	34.3	14.3	21.9
2019		39.3	23.0	--	19.8	--	3.2	--	75.0	64.3	14.1	32.5	13.2	20.1
2020		39.6	22.7	--	19.2	--	3.5	--	73.4	61.9	15.5	38.3	14.1	24.6
2021		39.9	23.3	--	19.8	--	3.5	--	74.9	63.7	14.9	35.0	13.6	23.1
2022		40.4	23.6	--	20.5	--	3.1	--	75.3	65.4	13.0	29.7	12.0	19.4
2023		41.0	24.1	--	21.2	--	2.9	--	75.8	66.5	12.2	28.7	11.2	17.7
2024		41.4	24.4	--	21.7	--	2.7	--	--	--	11.2	--	--	--
2025		41.7	24.5	--	22.0	--	2.5	--	--	--	10.3	--	--	--
2022	III	40.5	23.8	23.7	20.7	20.6	3.0	3.1	75.2	65.4	12.9	30.6	11.8	18.6
	IV	40.6	23.7	23.7	20.6	20.6	3.1	3.1	75.0	65.3	12.9	29.0	12.0	18.9
2023	I	40.8	23.8	23.9	20.6	20.9	3.2	3.0	75.5	65.9	12.7	29.0	12.2	20.0
	II	40.9	24.1	24.1	21.3	21.2	2.8	2.9	75.9	66.6	12.2	28.8	10.7	17.1
	III	41.1	24.3	24.2	21.4	21.3	2.9	2.9	75.9	66.7	12.0	28.4	11.0	16.6
	IV	41.2	24.3	24.3	21.4	21.4	2.9	2.9	75.9	66.9	11.8	28.4	10.8	17.2
2024	I	41.3	24.2	24.4	21.3	21.5	3.0	2.8	76.0	67.1	11.7	27.0	11.1	18.6
	II	41.5	24.4	24.5	21.7	21.6	2.8	2.9	76.1	67.1	11.8	27.2	10.2	16.9
		Percentage changes (d)							Difference from one year ago					
2016		0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.4	--	2.6	--	-12.6	--	-0.3	1.6	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.3	-2.0	-4.2	-2.0	-2.0
2019		1.0	1.0	--	2.3	--	-6.6	--	0.1	0.9	-1.2	-1.8	-1.1	-1.8
2020		-1.9	-0.9	--	-7.3	--	38.0	--	0.4	-3.8	5.5	11.9	5.5	6.5
2021		3.6	2.1	--	8.1	--	-22.4	--	-0.4	3.2	-4.7	-9.4	-5.1	-3.6
2022		1.1	1.4	--	3.6	--	-11.4	--	0.3	1.7	-1.9	-8.9	-4.3	-4.4
2023		1.5	2.1	--	3.1	--	-4.6	--	0.5	1.1	-0.9	-5.7	-3.1	-4.2
2024		1.1	1.1	--	2.3	--	-7.3	--	--	--	--	--	--	--
2025		0.6	0.6	--	1.6	--	-7.1	--	--	--	--	--	--	--
2022	III	1.3	0.9	0.2	3.2	0.3	-12.7	-0.9	-0.2	1.3	-2.0	-1.2	-1.9	-3.1
	IV	1.5	1.3	0.1	1.8	0.2	-2.1	-0.3	0.0	0.4	-0.5	-2.1	-0.3	-2.0
2023	I	1.6	1.7	0.9	2.2	1.2	-0.9	-0.7	0.0	0.5	-0.6	-0.6	-0.3	-1.2
	II	1.5	2.0	0.8	3.2	1.4	-6.2	-3.3	0.5	1.1	-0.9	-0.9	-0.9	-1.9
	III	1.5	2.4	0.4	3.4	0.6	-4.3	-0.8	0.7	1.3	-0.9	-2.3	-0.7	-2.0
	IV	1.5	2.2	0.2	3.6	0.5	-7.2	-1.7	0.8	1.6	-1.1	-0.6	-1.2	-1.7
2024	I	1.4	1.7	0.4	3.0	0.5	-6.5	-0.4	0.5	1.3	-1.0	-2.0	-1.1	-1.4
	II	1.5	1.6	0.5	2.0	0.4	-1.9	1.2	0.2	0.5	-0.4	-1.5	-0.5	-0.3

(a) Labour force aged from 16 to 64 years over population aged from 16 to 64 years. (b) Employed aged from 16 to 64 years over population aged from 16 to 64 years. (c) Unemployed in each group over labour force in that group. (d) Annual percentage changes for original data; quarterly percentage changes for S.A. data.

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

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

Thousands and percentage of active population

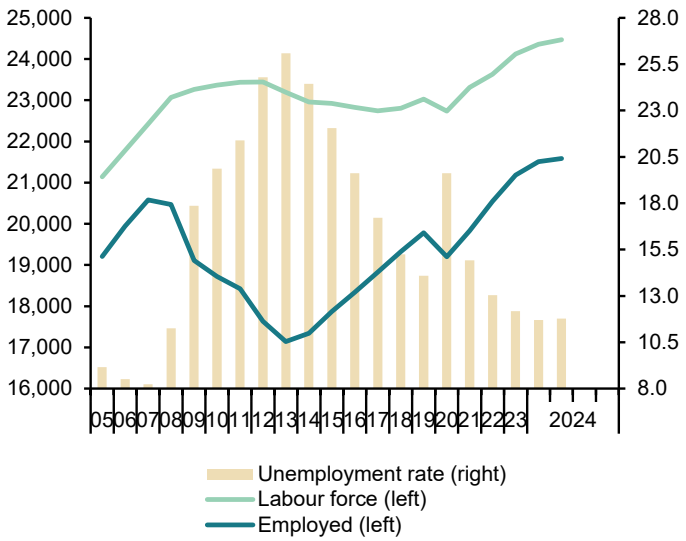


Chart 11a.2 - Unemployment rates

Percentage

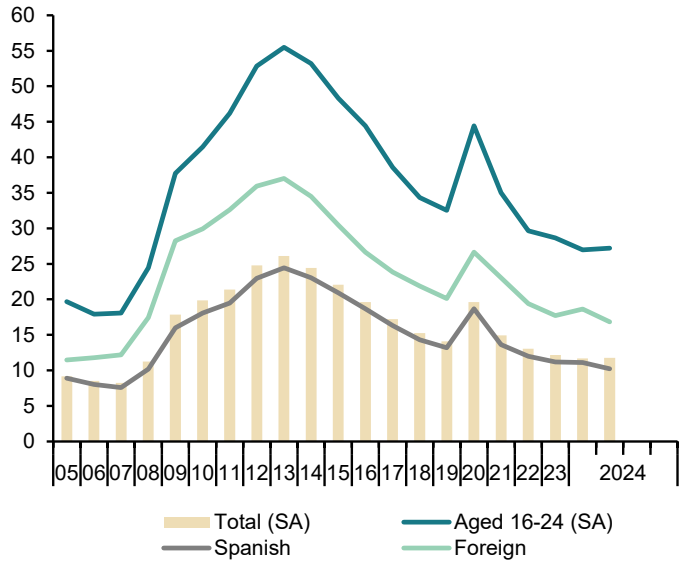


Table 11b

Labour market (II)

	Employed by sector				Employed by professional situation					Employed by duration of the working-day		
					Employees							
						By type of contract						
	Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	Part-time employment rate (b)
	1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
	Million (original data)											
2016	0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21
2017	0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97
2018	0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.50	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	2.86	1.45	16.39	18.25	2.89	15.36	15.8	3.21	18.53	2.94	13.70
2022 III	0.75	2.82	1.37	15.81	17.56	3.59	13.97	20.4	3.19	18.08	2.66	12.84
IV	0.78	2.81	1.34	15.72	17.49	3.18	14.31	18.2	3.15	17.84	2.80	13.59
2023 I	0.78	2.81	1.34	15.72	17.47	3.06	14.41	17.5	3.16	17.81	2.83	13.70
II	0.78	2.74	1.40	16.34	18.00	3.15	14.85	17.5	3.26	18.38	2.88	13.53
III	0.72	2.85	1.42	16.46	18.25	3.17	15.08	17.4	3.20	18.76	2.69	12.54
IV	0.79	2.86	1.44	16.30	18.13	3.01	15.12	16.6	3.26	18.51	2.88	13.47
2024 I	0.77	2.83	1.42	16.24	18.06	2.84	15.23	15.7	3.19	18.31	2.94	13.84
II	0.77	2.89	1.48	16.54	18.44	2.94	15.50	16.0	3.24	18.74	2.94	13.57
	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)	-0.9	3.0	5.7	2.3	2.9	-6.9	5.0	-1.7	0.1	2.4	3.2	0.1
2022 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
II	-0.6	5.4	5.3	1.3	2.5	-6.6	4.4	-1.5	-0.5	2.0	2.3	0.0

(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

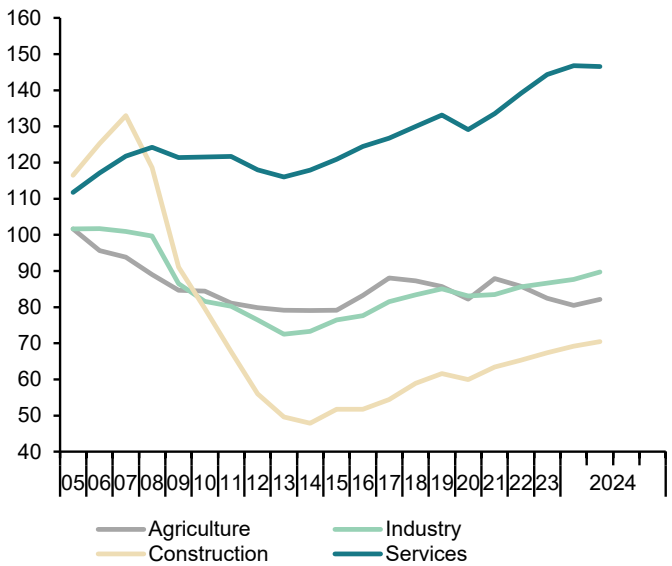


Chart 11b.2 - Temporary employment rate

Percentage over total employees

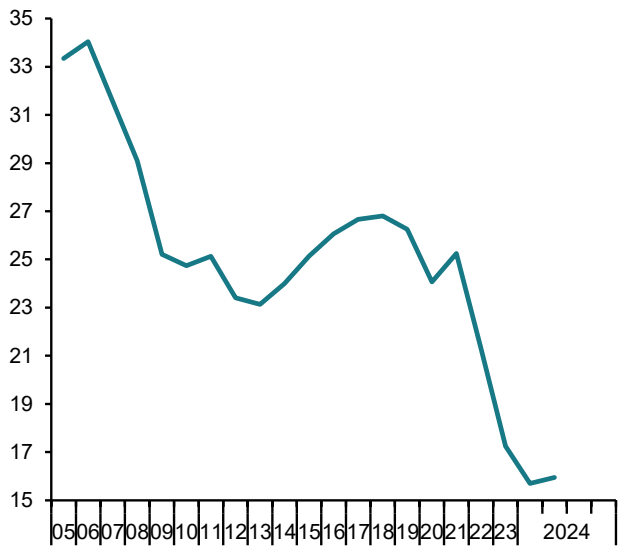


Table 12

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		115.5	111.2	114.8	109.4	111.7	128.7	125.4	108.6	127.6
2025		117.9	113.8	117.4	110.2	115.0	131.5	128.5	108.8	130.5
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		2.9	2.8	3.0	0.8	3.6	3.8	3.5	1.4	3.8
2025		2.1	2.3	2.2	0.7	3.0	2.1	2.5	0.2	2.2
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	3.6	2.7	3.0	0.7	3.7	4.2	4.6	8.0	4.3
	Jun	3.4	2.8	3.0	0.5	3.7	4.0	4.5	6.1	4.1
	Jul	2.8	2.6	2.8	0.7	3.4	3.4	2.6	2.7	3.2
	Aug	2.3	2.6	2.7	0.5	3.5	3.1	1.7	-1.5	2.7
	Sep	2.1	2.7	2.7	0.5	3.6	2.7	1.9	-3.4	2.5
	Oct	2.2	2.6	2.7	0.6	3.5	2.9	2.3	-1.6	2.7
	Nov	2.7	2.8	2.8	0.6	3.7	2.7	1.5	3.0	2.4
	Dec	2.9	2.8	2.8	0.7	3.7	2.7	1.7	5.5	2.4
2025	Jan	2.6	2.8	2.8	0.4	3.9	2.8	2.3	1.5	2.6
	Feb	2.5	2.7	2.5	0.5	3.6	2.0	3.5	1.7	2.4
	Mar	2.1	2.4	2.4	0.6	3.2	2.1	2.7	-1.1	2.3
	Apr	1.9	2.6	2.5	0.7	3.4	2.2	1.4	-2.4	1.9
	May	1.9	2.3	2.4	0.8	3.0	2.5	1.9	-2.0	2.3
	Jun	1.8	2.1	2.1	0.7	2.6	2.4	2.4	-1.8	2.4
	Jul	2.1	2.2	2.2	0.6	2.9	2.2	2.5	0.5	2.3
	Aug	2.3	2.3	2.2	0.8	2.9	2.2	4.1	1.3	2.7
	Sep	2.0	2.1	2.1	0.8	2.6	2.1	2.8	1.2	2.3
	Oct	1.9	2.0	1.9	0.8	2.6	1.6	1.9	1.6	1.7
	Nov	1.9	2.0	1.9	0.8	2.5	1.8	2.1	1.5	1.9
	Dec	1.9	1.9	1.9	0.8	2.5	1.9	2.4	0.9	2.1

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

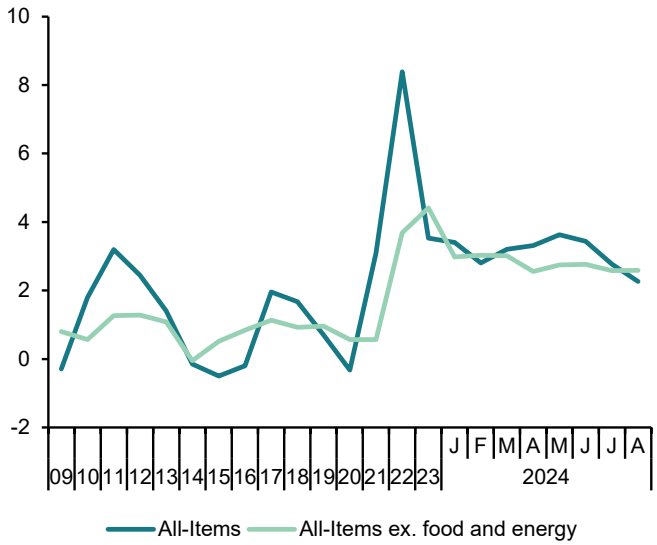


Chart 12.2 - Inflation rate (II)

Annual percentage changes

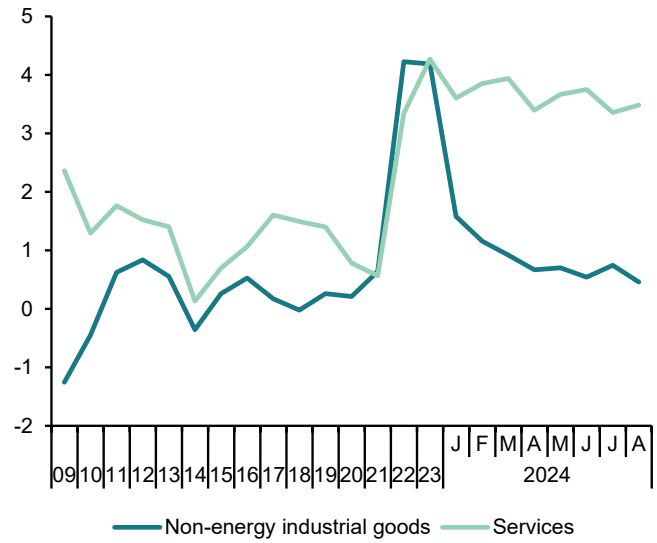


Table 13

Other prices and costs indicators

	GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
		Total	Excluding energy	Housing Price Index (INE)	m² average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
	2015=100	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	156.3	--
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	122.9	118.4	103.8	91.5	60.1	174.4	170.7	185.6	185.6	--
2022 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	122.4	123.2	118.3	102.0	90.7	60.1	170.2	165.2	185.4	180.6	--
II	122.5	121.5	118.5	105.7	92.2	--	178.6	176.2	185.9	190.5	--
III (b)	--	125.8	118.4	--	--	--	--	--	--	--	--
2024 May	--	121.0	118.6	--	--	--	--	--	--	--	--
Jun	--	123.7	118.6	--	--	--	--	--	--	--	--
Jul	--	125.8	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	-0.1	1.0
2017	1.3	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018	1.2	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.5	1.8
2019	1.4	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020	1.1	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.6	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	-5.2	0.3	7.1	5.0	13.0	4.0	3.9	4.3	4.4	3.0
2022 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	6.3	4.3	13.0	4.0	3.8	4.5	4.5	2.9
II	3.2	-4.8	0.4	7.8	5.7	--	4.0	4.0	4.0	4.4	3.0
III (e)	--	-2.7	0.8	--	--	--	--	--	--	--	3.0
2024 Jun	--	-3.2	0.9	--	--	--	--	--	--	--	3.0
Jul	--	-1.4	0.9	--	--	--	--	--	--	--	3.0
Aug	--	--	--	--	--	--	--	--	--	--	3.0

(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

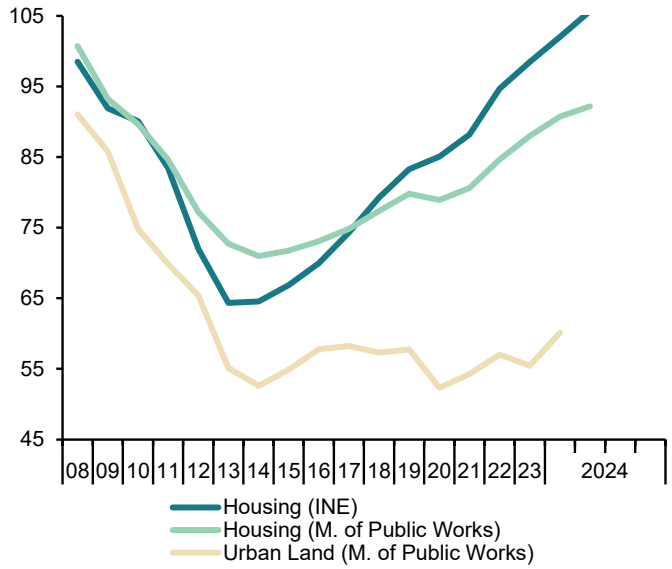


Chart 13.2 - Wage costs

Annual percent change

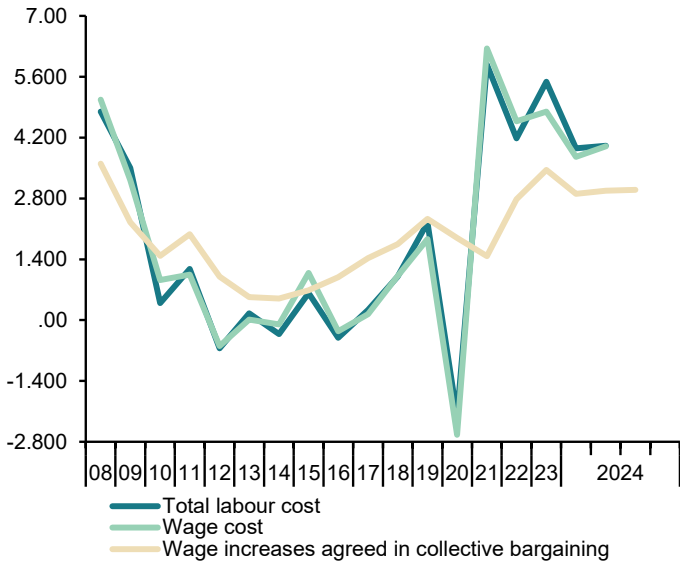


Table 14

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)		250.1	151.4	165.1	180.6	146.9	123.0	20.3	12.4	-2.7	0.3	2.9
2022	III	261.7	146.3	178.9	206.7	154.6	133.7	21.2	12.2	-6.2	-1.1	3.6
	IV	262.7	148.5	176.8	200.2	154.5	129.5	21.6	12.1	-4.9	-0.4	4.0
2023	I	267.2	151.4	176.5	191.0	150.9	126.6	21.4	12.1	-2.5	0.2	3.8
	II	244.3	149.4	163.5	181.2	143.8	126.0	19.7	11.8	-3.6	-0.7	2.2
	III	242.1	148.4	163.1	178.9	143.3	124.8	19.5	11.9	-3.4	-0.3	2.0
	IV	246.9	149.3	165.3	183.4	147.8	124.1	19.8	12.1	-3.7	-0.5	2.4
2024	I	248.4	150.0	165.6	180.2	147.7	122.0	19.8	11.6	-2.8	0.0	2.5
	II	252.0	153.0	164.7	182.0	146.3	124.4	19.9	12.3	-2.7	-0.1	2.9
2024	May	248.6	152.7	162.8	181.9	146.4	124.2	19.2	12.6	-3.2	-0.1	2.4
	Jun	253.9	152.7	166.2	177.7	144.7	122.8	20.4	12.3	-1.7	0.6	3.7
	Jul	249.2	151.2	164.8	178.1	146.2	121.9	19.5	12.0	-2.4	0.0	2.4
		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)		-0.9	1.2	-2.1	-1.7	0.1	-1.8	1.1	3.6	--	--	--
2022	III	2.8	1.6	1.1	2.6	4.4	-1.8	5.4	-2.5	-5.6	-1.0	3.2
	IV	0.4	1.5	-1.2	-3.1	-0.1	-3.1	2.3	-1.0	-4.2	-0.4	3.4
2023	I	1.7	1.9	-0.2	-4.6	-2.4	-2.3	-0.9	-0.1	-2.1	0.2	3.2
	II	-8.6	-1.3	-7.4	-5.2	-4.7	-0.4	-8.2	-2.7	-3.0	-0.6	1.8
	III	-0.9	-0.7	-0.2	-1.3	-0.3	-1.0	-1.1	1.3	-2.8	-0.2	1.6
	IV	2.0	0.6	1.3	2.5	3.1	-0.6	1.7	1.6	-2.9	-0.4	1.9
2024	I	0.6	0.4	0.2	-1.8	-0.1	-1.7	-0.2	-4.3	-2.2	0.0	1.9
	II	1.4	2.0	-0.6	1.0	-1.0	2.0	0.9	6.0	-2.1	-0.1	2.3
2024	May	-2.0	-0.5	-1.4	-2.4	-0.9	-1.5	-4.9	5.2	--	--	--
	Jun	2.1	0.0	2.1	-2.3	-1.2	-1.2	6.0	-2.3	--	--	--
	Jul	-1.8	-1.0	-0.8	0.3	1.0	-0.8	-4.1	-2.3	--	--	--

(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

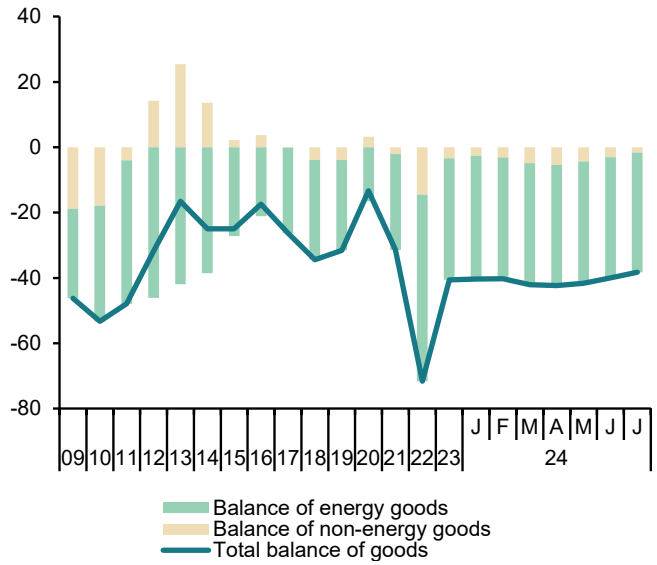


Table 15

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	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
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		37.69	-32.78	92.90	-9.47	-12.97	16.01	53.70	-55.40	-4.17	-14.76	-32.33	-4.15	115.36	6.26
2024 (a)		11.97	-5.96	20.40	-1.92	-0.54	1.11	13.09	36.36	-3.52	-9.42	51.81	-2.51	-28.86	-5.58
2022	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	8.16	-8.71	21.17	-1.22	-3.08	7.63	15.79	19.29	3.67	-14.16	28.48	1.31	1.90	5.40
2024	I	11.97	-5.96	20.40	-1.92	-0.54	1.11	13.09	36.36	-3.52	-9.42	51.81	-2.51	-28.86	-5.58
			Goods and Services		Primary and Secondary Income										
2024	Apr	2.83	5.30		-2.47		0.74	3.57	16.25	2.79	8.99	5.01	-0.54	-8.35	4.33
	May	5.56	8.97		-3.42		0.79	6.34	17.07	4.41	20.83	-8.47	0.30	-7.59	3.14
	Jun	5.02	7.69		-2.68		1.21	6.22	26.69	-0.34	-13.22	40.92	-0.67	-20.24	0.23
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	-1.0	-2.2	-0.3	7.9	0.4
2024 (a)		3.3	-1.6	5.5	-0.5	-0.1	0.3	3.6	9.9	-1.0	-2.6	14.1	-0.7	-7.8	-1.5
2022	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	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	2.1	-2.3	5.5	-0.3	-0.8	2.0	4.1	5.0	1.0	-3.7	7.4	0.3	0.5	1.4
2024	I	3.3	-1.6	5.5	-0.5	-0.1	0.3	3.6	9.9	-1.0	-2.6	14.1	-0.7	-7.8	-1.5

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

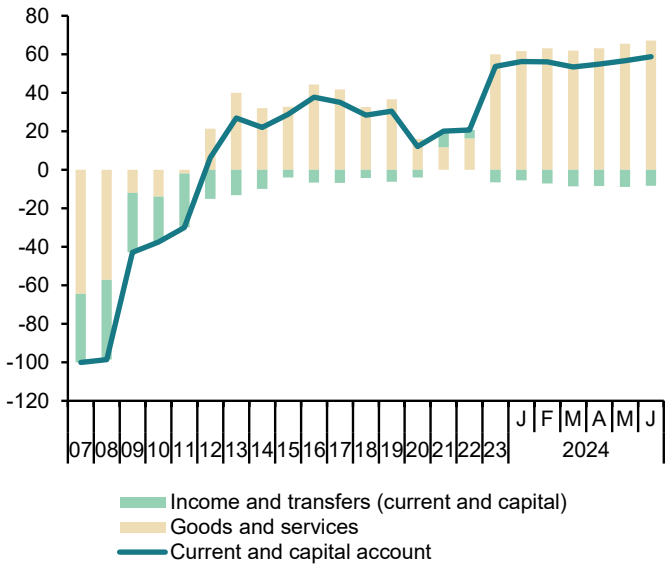


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

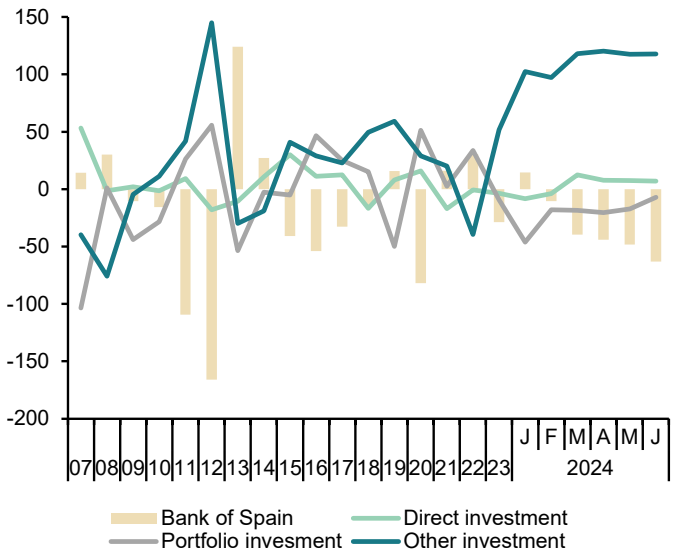


Table 16

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			2015=100			2021=100			1999 I =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)		--	--	--	123.0	125.7	97.9	121.2	120.6	100.5	107.5
2022	III	--	--	--	117.6	118.1	99.6	134.8	131.5	102.5	107.8
	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
	II	--	--	--	119.7	123.3	97.1	124.6	123.6	100.8	106.8
	III	--	--	--	120.7	124.0	97.4	125.6	123.0	102.1	107.0
	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	121.0	100.2	107.3
	II	--	--	--	124.0	126.3	98.2	120.3	120.1	100.2	107.9
2024	Jun	--	--	--	124.4	126.6	98.3	122.0	120.4	101.3	107.9
	Jul	--	--	--	123.5	126.6	97.6	123.6	121.0	102.1	107.1
	Aug	--	--	--	123.5	126.7	97.5	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2016		-1.3	-3.2	2.0	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.2
2017		-0.4	-0.3	0.0	2.0	1.5	0.5	4.2	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)		--	--	--	3.2	2.5	0.7	-3.8	-3.9	0.1	0.7
2022	III	--	--	--	10.0	9.3	0.7	32.9	31.6	1.3	-0.5
	IV	--	--	--	6.5	10.0	-3.5	17.0	21.6	-4.6	-3.2
2023	I	--	--	--	5.0	8.0	-3.0	4.7	9.5	-4.8	-2.1
	II	--	--	--	2.8	6.2	-3.4	-4.6	-0.3	-4.3	-2.2
	III	--	--	--	2.6	5.0	-2.4	-6.9	-6.5	-0.4	-0.7
	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	-5.8	0.7	0.5
	II	--	--	--	3.6	2.5	1.1	-3.5	-2.9	-0.6	1.0
2024	Jun	--	--	--	3.6	2.5	1.1	-2.1	-2.0	-0.1	1.0
	Jul	--	--	--	2.9	2.6	0.3	-0.6	-1.1	0.5	0.1
	Aug	--	--	--	2.4	2.2	0.2	--	--	--	--

(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

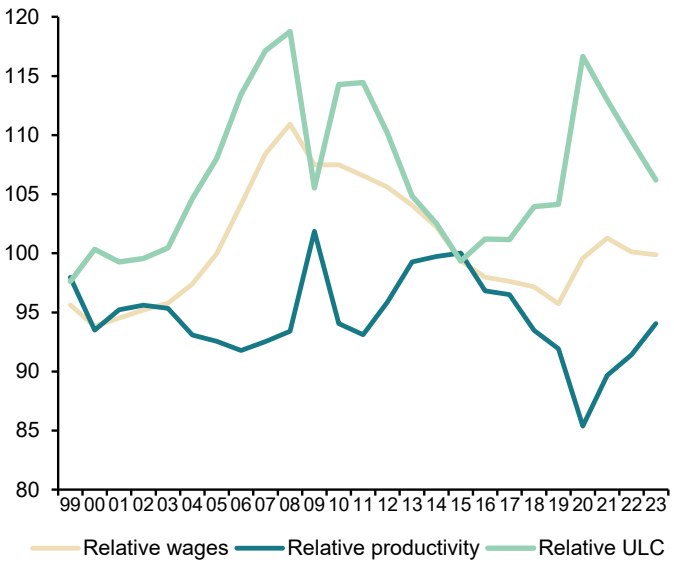


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

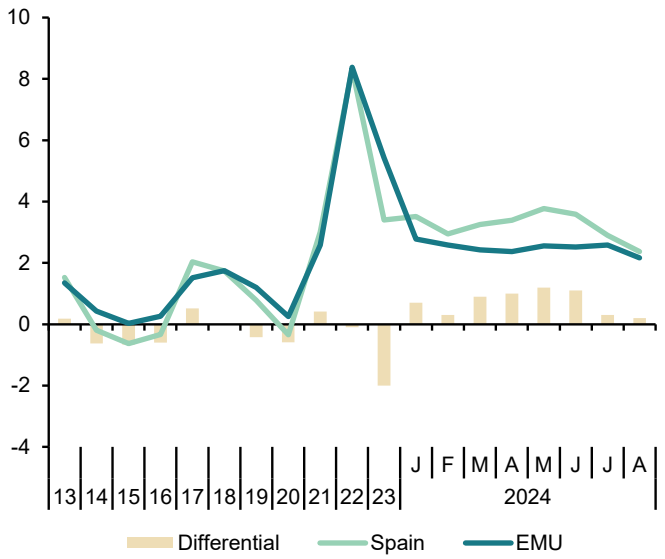


Table 17a

Imbalances: International comparison (I)

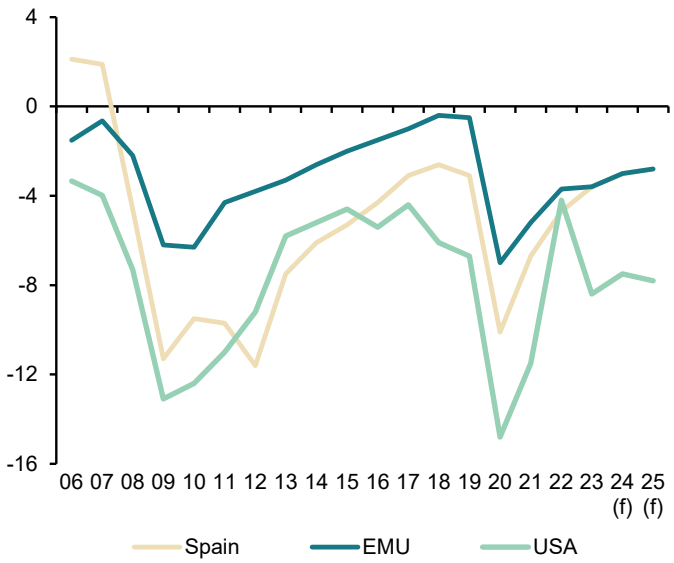
(In yellow: European Commission Forecasts)

	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	51.9	-439.8
2011	-103.6	-419.3	-1,712.6	743.0	8,678.3	15,222.9	-29.0	77.5	-460.3
2012	-119.1	-378.1	-1,497.0	927.8	9,173.9	16,432.7	0.9	211.8	-424.0
2013	-76.8	-323.5	-983.5	1,025.7	9,503.0	17,352.0	20.8	271.6	-351.2
2014	-63.1	-267.7	-911.1	1,084.8	9,749.7	18,141.4	17.5	315.1	-375.1
2015	-57.2	-215.1	-842.3	1,113.7	9,872.1	18,922.2	21.8	351.8	-423.1
2016	-47.9	-161.7	-1,013.9	1,145.1	10,016.4	19,976.8	35.4	383.9	-401.4
2017	-36.2	-113.7	-868.7	1,183.4	10,128.2	20,492.7	32.2	400.5	-378.0
2018	-31.2	-50.4	-1,263.4	1,208.9	10,230.7	21,974.1	22.6	408.2	-441.2
2019	-38.1	-60.7	-1,443.5	1,223.4	10,322.5	23,201.4	26.2	351.5	-448.4
2020	-113.2	-804.3	-3,152.6	1,345.8	11,379.1	27,747.8	6.9	269.3	-569.7
2021	-82.3	-651.7	-2,717.7	1,428.1	12,000.1	29,617.2	9.3	456.3	-847.8
2022	-63.7	-494.5	-1,087.7	1,502.8	12,441.3	31,419.7	8.2	130.6	-985.8
2023	-53.2	-515.7	-2,306.6	1,573.8	12,897.2	34,001.5	37.1	409.9	-831.2
2024	-46.0	-445.1	-2,162.9	1,626.7	13,400.5	35,923.6	42.8	475.4	-891.8
2025	-44.5	-435.7	-2,342.7	1,686.3	13,942.1	38,019.9	45.5	493.9	-944.8
				Percentage of GDP					
2010	-9.5	-6.3	-12.4	60.5	86.2	93.2	-3.7	0.5	-2.9
2011	-9.7	-4.3	-11.0	69.9	88.6	97.6	-2.7	0.8	-3.0
2012	-11.6	-3.8	-9.2	90.0	93.3	101.1	0.1	2.2	-2.6
2013	-7.5	-3.3	-5.8	100.5	95.6	102.8	2.0	2.7	-2.1
2014	-6.1	-2.6	-5.2	105.1	95.9	103.0	1.7	3.1	-2.1
2015	-5.3	-2.0	-4.6	103.3	93.8	103.4	2.0	3.3	-2.3
2016	-4.3	-1.5	-5.4	102.7	92.6	106.2	3.2	3.5	-2.1
2017	-3.1	-1.0	-4.4	101.8	90.2	104.5	2.8	3.6	-1.9
2018	-2.6	-0.4	-6.1	100.4	88.2	106.4	1.9	3.5	-2.1
2019	-3.1	-0.5	-6.7	98.2	86.1	107.8	2.1	2.9	-2.1
2020	-10.1	-7.0	-14.8	120.3	99.2	130.1	0.6	2.3	-2.7
2021	-6.7	-5.2	-11.5	116.8	96.6	125.5	0.8	3.7	-3.6
2022	-4.7	-3.7	-4.2	111.6	92.6	122.0	0.6	1.0	-3.8
2023	-3.6	-3.6	-8.4	107.7	90.2	124.3	2.5	2.9	-3.0
2024	-3.0	-3.0	-7.5	105.5	90.2	125.1	2.8	3.2	-3.1
2025	-2.8	-2.8	-7.8	104.8	90.6	127.3	2.8	3.2	-3.2

Source: European Commission Forecasts, Spring 2024.

Chart 17a.1 - Government deficit

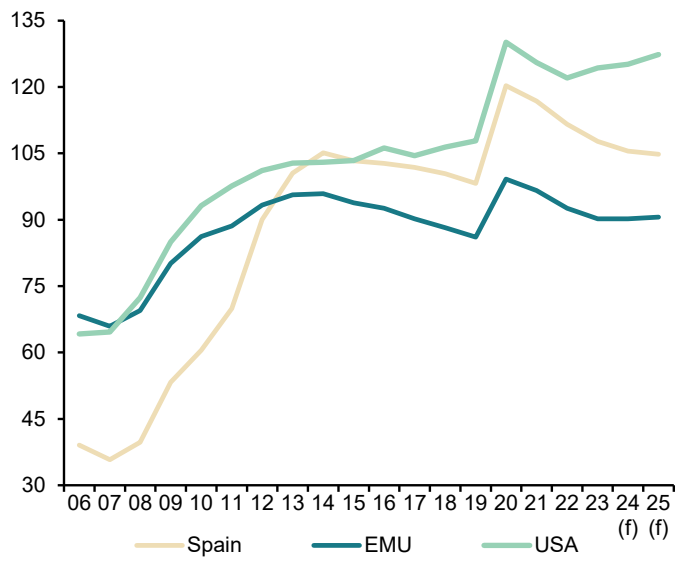
Percentage of GDP



(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

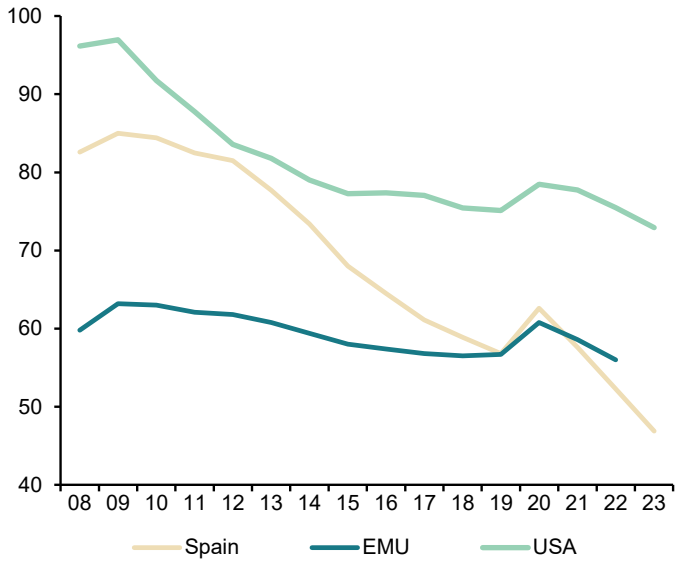
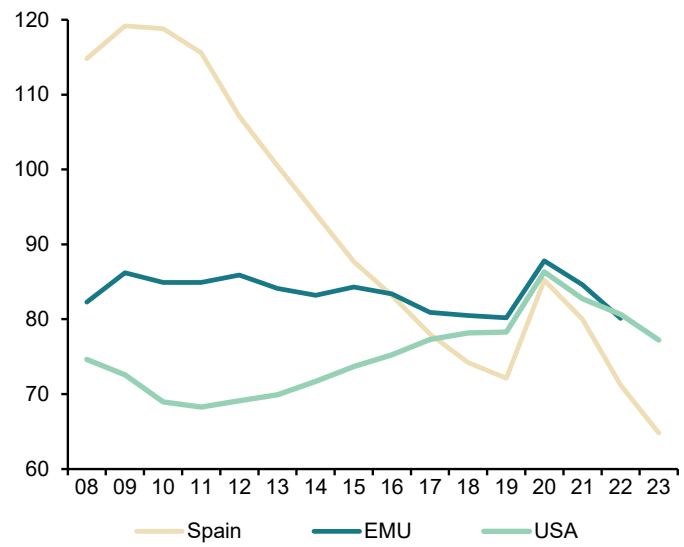


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: September 15th, 2024

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	1.7	June 2024
Other resident sectors' deposits in credit institutions (monthly average % var.)	2.6	June 2024
Doubtful loans (monthly % var.)	-3.0	June 2024
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	85,488	August 2024
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	3,019	August 2024
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	2	August 2024
"Operating expenses/gross operating income" ratio (%)	36,52	March 2024
"Customer deposits/employees" ratio (thousand euros)	12,810.31	March 2024
"Customer deposits/branches" ratio (thousand euros)	117,919.07	March 2024
"Branches/institutions" ratio	94.91	March 2024

A. Money and Interest Rates

Indicator	Source	Average 2001-2021	2022	2023	2024 August	2024 September	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	3.550	3.465	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.5	0.992	3.868	3.170	3.022	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.0	3.2	3.4	3.1	2.9	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": At its last meeting in September, the European Central Bank decided to lower the eurozone interest rates again, following the cut in June. This reduction is being reflected in interbank rates. By mid-September, the 12-month Euribor (the main reference for mortgages) dropped to 3.022% from an average of 3.170% in August, while the 3-month reference fell from 3.550% in August to 3.465% in mid-September. The yield on the 10-year government bond decreased from 3.1% to 2.9% between August and mid-September.

B. Financial Markets

Indicator	Source	Average 2001-2021	2022	2023	2024 June	2024 July	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	35.3	27.8	26.91	17.18	19.40	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	22.6	12.4	12.01	12.30	11.70	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.37	0.26	0.48	0.04	0.20	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.59	0.44	0.25	0.21	0.28	(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	3.3	3.3	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	3.3	-	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	-3.0	0.7	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	2.4	1.8	0.2	-17.0	-17.1	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	980.4	824.2	927.57	1,120.57 (b)	1,129.47 (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	11,401.9 (b)	11,540.2 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	4.482.6	10,466.4	12,970.61	17,713.62 (b)	17,683.98 (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	13.2 (b)	13.4 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial Markets (continued)

Indicator	Source	Average 2001-2021	2022	2023	2024 June	2024 July	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	0.86	8.01	8.0	1.1	-	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	0.3	-	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	10.9	5.1	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	15.1	35.8	41.8	-58.0	-60.0	IBEX-35 shares concluded transactions

(a) Last data published: September 15th. 2024; (b) Last data published: August 31th. 2024.

Comment on "Financial Markets": In the first half of September, Spanish stock market indices continued their upward trend after the fluctuations of early August. The IBEX-35 once again surpassed the 11,000-point mark, reaching 11,540.2. The Madrid Stock Exchange General Index stands at 1,129.47 points. In July (the latest available data), there was an increase in the trading ratio of simple spot transactions with Treasury bills (up to 19.40%). Meanwhile, the trading ratio of simple transactions with government bonds decreased compared to the previous month (down to 11.70%). Trading in IBEX-35 stock futures rose by 5.1%, while financial options on the same index fell by 60% compared to the previous month.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2020	2021	2022	2023 Q4	2024 Q1	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-0.9	1.9	1.5	3.7	3.6	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	3.3	3.7	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	275.7	319.9	278.1	256.8	256.4	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	63.1	58.4	53.0	46.9	46.0	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.9	2.7	2.8	2.9	1.9	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	0.1	-0.3	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": In the first quarter of 2024, financial savings in the overall economy amounted to 3.6% of GDP. In the household sector, the financial savings rate was 3.7% of GDP. It is also observed that household financial debt has decreased to 46.0% of GDP.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2021	2022	2023	2024 May	2024 June	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	0.2	-0.04	-0.05	1.7	Lending to the private sector percentage change for the sum of banks, savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	6.0	0.3	0.01	1.4	2.6	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	8.4	-0.7	1.2	0.9	0.2	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	1.0	-0.9	Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-2.0	0.5	2.5	7.1	6.2	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	0.5	-3.0	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.1	0.6	-2.4	11.5	-7.9	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	6.4	-0.1	0.1	0.6	1.5	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": In June, the latest available data, there was a 1.7% increase in credit to the private sector. Deposits grew by 2.6%. Fixed-income securities increased their balance sheet weight by 0.2%, while stocks and shares decreased by 0.9%. Additionally, there was a 3% reduction in the volume of non-performing loans compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2020	2021	2022	2023 December	2024 March	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	172	110	110	109	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	76	76	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	226,645	164,101	164,101	161,640 (a)	161,640 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	36,236	19,015	17,648	17,603	17,560	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	457,994	85,488 (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	27,860	3,019 (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	297	2 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2023.

(b) Last data published: August 31th, 2024.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In August 2024, the net appeal in long-term programs to the Eurosystem by Spanish financial institutions stood at 535 million euros.

MEMO ITEM: Since January 2015, the European Central Bank has also been reporting the amount of various asset purchase programs. In August 2024, their value in Spain was 582.1 billion euros and 4.4 trillion euros in the entire Eurozone.

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q4	2024 Q1	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	47.24	54.18	46.99	39,33	36,52	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	12,992.81	12,810.31	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	31,099.47	111,819.77	117,256.85	116,854.11	117,919.07	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2020	2021	2022	2023 Q4	2024 Q1	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	178.52	98.01	92.88	95.15	94.91	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.11	9.2	9.3	8.9	9.2	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	-0.07	0.6	1.3	1.6	0.01	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.5	0.7	1.0	1.1	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.25	6.9	9.8	12.3	13.4	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2024Q1. there was a relative increase in the profitability of Spanish banks. The RoE reached 13.4%.

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[b]	696,866[b]
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	48,630,010		18.0					28.4	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 yeard old (%)
2013	18,212	2.54	13.9	10.3	8.1	50.8
2014	18,329	2.52	14.2	10.6	8.2	50.4
2015	18,376	2.51	14.6	10.7	8.2	48.2
2016	18,444	2.50	14.6	10.9	8.3	47.2
2017	18,513	2.49	14.2	11.4	8.6	46.1
2018	18,581	2.49	14.3	11.5	8.3	46.1
2019	18,697	2.49	14.9	11.2	9.0	45.9
2020	18,794	2.49	15.0	11.4	9.1	43.2
2021	18,746	2.51	15.6	11.0	9.0	37.9
2022	19,078	2.49	15.4	11.7	8.8	40.4
2023	19,369	2.48	16.4	12.0	8.4	42.5
2024	19,503•	2,48•				41.9
Sources	EPA	EPA	EPF	EPF	EPF	EPA

EPF: Encuesta de Presupuestos Familiares.

EPA: Encuesta de Población Activa.

• Data refer to January-June.

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

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

Table 2 (Continued)

Households and families

	Nuptiality and divorces									
	Marriages per inhabitant	Marriages per inhabitant (Spanish)	Marriages per inhabitant (foreigners)	First marriages over total marriages (%)	Mean age at first marriage, men	Mean age at first marriage, women	Same sex marriages, men (%)	Same sex marriages, women (%)	Mixed marriages (%)	Divorces per inhabitant
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	IDB	IDB	MNP	MNP	MNP	IDB

IDB: Indicadores demográficos básicos.

MNP: INE, Movimiento Natural de la Población.

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

Mixed marriage: Marriage of a Spaniard to a foreigner.

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

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

IDB: Indicadores demográficos básicos.

MS: Ministerio Sanidad.

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

Table 3

Education

	Population 25 years and older with primary education (%)	Population 16 years and older with 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	46.0	67.1	42.6	55.4	46.1	
2024●	17.3	35.3	5.3	52.2					45.6	
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	1.29	21.6
2022		13.9	4.71		
2023		13.7			
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, average amount (€)	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	0.37	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■			954,775	1162	6,464,999	1440	2,351,189	895	822,485●	877,875●	172,115	280,656
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

** Data refer to January-May.*
● Data refer to January-July.
■ Data refer to January-August.

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

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

Table 6

Health

	Public expenditure (% GDP)	Private expenditure (% GDP)	Private expenditure (% total expenditure)	Primary care doctors per 1,000 people asigned	Primary care nurses per 1,000 people asigned	Medical specialists per 1,000 inhabitants	Specialist nurses per 1,000 inhabitants	Patients waiting for a first consultation in specialised care per 1,000 inhabitants*	Average waiting time for a first consultation specialised care (days)*	Patients waiting for a non-urgent surgical intervention per 1,000 inhabitants*	Average waiting time for non-urgent surgery (days)*
2013	6.2	2.6	29.0	0.76	0.65	1.78	3.04	39.0	67	12.3	98.0
2014	6.2	2.7	29.7	0.76	0.65	1.81	3.14	39.4	65	11.4	87.0
2015	6.2	2.6	28.7	0.76	0.64	1.85	3.19	43.4	58	12.2	89.0
2016	6.1	2.5	28.4	0.76	0.65	1.90	3.27	45.7	72	13.7	115.0
2017	6.0	2.6	29.5	0.77	0.65	1.93	3.38	45.9	66	13.1	106.1
2018	6.0	2.7	29.8	0.77	0.66	1.98	3.45	62.5	96	14.8	129.0
2019	6.1	2.7	29.5	0.78	0.67	1.97	3.50	63.7	88	15.5	121.5
2020	7.6	2.9	26.8	0.78	0.66	2.02	3.74	53.6	99	15.1	147.8
2021	7.2	2.7	26.3	0.77	0.66	2.11	3.90	77.2	89	15.4	122.9
2022	6.9	2.5	26.0	0.78	0.70	2.14	3.87	85.4	95	17.1	120.1
2023								81.5	101	18.1	128
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.*

This page was left blank intentionally.

Notes

Orders or claims:

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

ISSN: 2254 - 3880
9772254388005

funcas