SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Spain and Europe in an era of policy uncertainty

funcas

WHAT MATTERS

Outlook for **Spain's economy and public finances:** 2024-2025

Industrial production in the euro area: Navigating shocks, sectoral challenges, and global trade shifts

The evolution of **Spain's high-tech exports** through 2023

The **ECB's new monetary playbook**

Countercyclical capital in Spanish banks: A review in the context of capital buffers

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Ten years of AIReF: A comparative evaluation

Spain's gender pay gap: Convergence faces upcoming challenges

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Letter from the Editors

Clearly, the main event since the September publication of *Spanish and International Economic & Financial Outlook (SEFO)* has been the U.S. presidential election, with Donald Trump's victory leaving significant uncertainty about future U.S. domestic and foreign policy.

The external environment remains unfavourable, particularly in Europe, with the IMF revising downward its forecast GDP growth in the eurozone to 0.8% this year and 1.2% in 2025.The forecast for China has also been cut, so that, among the major powers, growth has been revised upwards only for the U.S. Noteworthy is that the Spanish economy continues to outperform significantly the EU average, with growth expected at 3% this year and 2.1% in 2025, which is 0.5 and 0.3 percentage points up from our last set of forecasts.

Relatedly, the IMF sees an increased risk of fragmentation of world trade, with this trend being particularly detrimental to the most export-dependent economies, with China and Europe in the mix. In an uncertain environment, commodity prices, including oil, have tended to decline, with forecasts also pointing to a slight fall for the next two years.

Within this context, we start off the November *SEFO* with our updated forecasts for the Spanish economy, as well as the outlook for Europe through the lens of industrial production and the ECB's new monetary playbook.

The Spanish economy continues to grow faster than the European average. The current growth cycle is being driven by the favourable external competitiveness position, especially in terms of both tourism and non-tourism services. Another factor is the contribution by immigration to the labour force. Public consumption has also fuelled growth, though this is hardly sustainable in light of fiscal rules. As state previously, the economy is expected to grow by 3% this year and 2.1% in 2025, which is 0.5 and 0.3 percentage points up from our last set of forecasts. Despite the economic momentum, the public deficit will not fall below 3% in 2025, coming in half a point above the official target. To align with the target, the government would have to introduce budget savings in the order of 8 billion euros, an effort that would not jeopardise growth in the short-term and would generate benefits in the medium-term in terms of confidence and room for manoeuvre in the event of future shocks.

The euro area's industrial sector, historically a pillar of economic strength, faces significant challenges in the wake of the COVID-19 pandemic and the Russia-Ukraine conflict. These exogenous shocks have exposed structural weaknesses, causing

a divergence in performance between countries and sectors. While Germany, France, and Italy have experienced notable declines in industrial output, Spain and smaller eurozone countries have demonstrated resilience, with positive industrial production figures derived in part from varying degrees of reliance on Russian energy. At the sectoral level, energy intensive goods and intermediate products have faced the steepest declines, underscoring structural vulnerabilities, while non-durable consumer goods showed resilience due to lower sensitivity to business cycles. External trade dynamics are further complicating recovery, with additional trade headwinds from China potentially exacerbating existing tensions. Thus, as the region navigates these obstacles, it will be necessary to complement country-specific policies with EU-wide strategies to support key sectors, such as the automotive industry.

Relatedly, we look at the performance of Spain's high-tech exports. Spain's high-tech product export intensity ranked sixteenth in the EU-27 in 2022, which is a considerable improvement from its position between 2014 and 2018. Despite this recent convergence with the EU, Spain's trade deficit in this product category has widened to €16.8 billion in 2023. The biggest contributor to that deficit was the electronics-telecommunications sector (deficit of 11.1 billion euros), followed by computers-office machinery and scientific instruments. Elsewhere, of the sectors reporting a surplus, the largest was less than €700 million. The best performers in that respect were the armament, non-electrical machinery, aerospace and pharmaceuticals sectors. In the latter sector, export volumes to Belgium between 2021-2023 were very significant, yet atypical. Given the role played by the high-tech manufacturing industry in unlocking sustained competitiveness gains, strategies are needed to further improve Spain's recent achievements in this area and to start to close the technology gap with other countries.

Moving on to monetary policy, in 2024, the European Central Bank (ECB) introduced a "new monetary playbook," emphasizing the transition from a rigid rulebook to a more adaptive and flexible operational framework to address today's complex economic landscape. This new strategy relies on calibrated interest rate adjustments, reduced reliance on extraordinary liquidity measures, and a targeted communication strategy to better manage market expectations and reinforce confidence. Key shifts include lowering the deposit facility rate to 3.25% and adjusting the other main benchmark rates in tandem, as well as narrowing the spread between deposit and refinancing rates to encourage bank participation in short-term refinancing operations. These adjustments reflect the ECB's goal of balancing inflation control with economic growth in a volatile and globalized world, where inflationary pressures, energy stability, and fluctuating market conditions require a dynamic policy response. The next review of the ECB's operational policy is scheduled for 2026. While not without risks, this "new monetary playbook" marks a new era, in which the ECB continually fine-tunes its approach in response to evolving economic conditions, holding fast to its commitment to long-term stability and growth.

Relatedly, on the topic of banking, we take a look at the Bank of Spain's recently announced changes to the countercyclical capital buffer (CCyB) as part of a process of ongoing convergence with the European supervisory standards and at the recommendation of the European Systemic Risk Board (ESRB), the institution tasked with issuing macroprudential supervisory guidelines in the eurozone. Framed by the move to increase the buffer rate from 0% at present to 1% in two stages (the first by year-end 2025 and the second by year-end 2026). The new buffer will feature a much more important modification – the requirement to set the neutral buffer rate at 1%, from where it can be increased, but also the possibility of releasing the buffer when warranted by an episode of crisis. These modifications of the CCyB are just the first step in a higher-level review of capital buffers, framed

by dual micro and macroprudential dimensions, designed to reinforce banking system resilience. The changes highlight the need to recalibrate Spain's CCyB, taking into account potential tensions between micro and macro perspectives, to allow for greater adaptability in response to the economic cycle. As well, going forward, stress tests should be a crucial part of the toolkit for linking the two perspectives, particularly when determining and redefining the P2G requirement. Nevertheless, the tests existing weaknesses, such as the static balance sheet assumption or the failure to consider the probability of occurrence of the scenario analysed, should be addressed by reforms in order to deliver both financial stability and economic efficiency.

We then shift our focus to fiscal considerations. Importantly, we examine the recent agreement with Catalonia and potential implications for the region, as well as Spanish public finances more broadly. We then assess the functioning of Spain's Independent Financial Institution, the AIReF, benchmarked against its counterparts within the EU, to determine strengths as well as areas for improvement.

The recent agreement reached between Catalonia's Partit dels Socialistes de Catalunya (PSC) and Esquerra Republicana de Catalunya (ERC) marks a potential shift in Spain's regional financing model, aiming to enhance Catalonia's fiscal autonomy while minimizing interregional redistributive flows. Key proposals include transferring the administration of all taxes collected in Catalonia from the central government to the regional tier and establishing a "Catalan contribution" to offset reduced central taxation power. Financial projections indicate that Catalonia's per capita financing would substantially rise. More broadly, however, the agreement could lead to structural changes in Spain's decentralization framework, reducing central government fiscal capacity and potentially influencing other regions to pursue similar autonomy arrangements. While the agreement faces implementation challenges, including the need to reform basic legislation and address the risks of increased tax competition and fiscal fragmentation, it ultimately underscores the need for comprehensive debate on the future of Spain's interregional equity and fiscal stability.

In response to the Global Financial Crisis, an increasing number of countries worldwide adopted independent fiscal institutions (IFIs) to promote good governance in public finances with a view to preventing repetition of such a crisis. By the mid-2010s, all euro member states were required to create IFIs. In Spain, the Independent Authority for Fiscal Responsibility (AIReF) was established as part of a comprehensive legislation consistent with the EU rules-based fiscal framework. In its first ten years of operation, AIReF has helped support the functioning of the country's fiscal policy, enhancing transparency and economic governance. While there are still several areas where AIReF could be improved, the institution's performance is increasingly in line with international standards of good practice across IFIs.

We close this issue with perspectives on a socioeconomic note – taking a look at the gender wage pay gap in Spain. An analysis of data from the *Wage Structure Surveys* undertaken between 2002 and 2022 reveal that over the last two decades, Spain's gender pay gap has narrowed significantly, from 29% in 2002 to 17%. The meaningful reduction so far this century appears to be partly attributable to higher labour intensity and significant flows of women into higher-paid sectors and occupations over the last decade. However, the most recent data suggest that the pay gap is currently stagnant at 2022 levels, prompting a debate about the policies that need to be adopted, such as those aimed to deliver more equitable childcare and more flexible working hours, to achieve further convergence in the years to come.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
December	3	Social Security registrants and official unemployment (November)
	3	Tourists arrivals (October)
	5	Industrial production index (October)
	9	Eurogroup meeting
	12	ECB monetary policy meeting
	13	CPI (November)
	19	Foreign trade report (October)
	19-20	European Council meeting
	23	Non-financial accounts: Central Government, Regional Governments and Social Security (October)
	23	Non-financial accounts, State (November)
	23	Balance of payments quarterly (3rd. quarter)
	23	GDP (3rd. quarter, 2nd. estimate)
	27	Retail trade (November)
	30	Balance of payments monthly (October)
	30	Preliminary CPI (December)
	30	Quarterly sector accounts (3rd. quarter)
January	3	Social Security registrants and official unemployment (December)
	9	Financial Accounts Institutional Sectors (3rd. quarter)
	30	ECB monetary policy meeting
	31	Balance of payments monthly (November)

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What Matters

5 Outlook for Spain's economy and public finances: 2024-2025

The Spanish economy continues to grow faster than the European average, with growth projections revised upwards for 2024 and 2025 to 3% and 2.1%, respectively. However, fiscal slippage relative to official targets is expected in 2025, requiring the government to introduce approximately 8 billion euros in budget savings to align with official targets – allowing for sustained short-term growth, while increasing confidence and providing space for discretionary spending in the event of future shocks.

Raymond Torres, María Jesús Fernández and Fernando Gómez Díaz

15 Industrial production in the euro area: Navigating shocks, sectoral challenges, and global trade shifts

The euro area's industrial sector, historically a pillar of economic strength, faces significant challenges in the wake of recent external shocks, with divergent performance across countries and sectors. Going forward, the outlook for the industrial sector remains uncertain; thus, requiring that country-specific policies be complemented with EU-wide strategies to support key industrial sectors, such as the automotive industry.

Miguel Ángel González Simón

25 The evolution of Spain's high-tech exports through 2023

Spain's high-tech product export intensity ranked sixteenth in the EU-27 in 2022, which is a considerable improvement from its position between 2014 and 2018. Given the role played by the high-tech manufacturing industry in unlocking sustained competitiveness gains, strategies are needed to further improve Spain's recent achievements in this area and to start to close the technology gap with other countries.

Ramon Xifré

Regulation and Economic Outlook

Key Facts

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Outlook for Spain's economy and public finances: 2024-2025

The Spanish economy continues to grow faster than the European average, with growth projections revised upwards for 2024 and 2025 to 3% and 2.1%, respectively. However, fiscal slippage relative to official targets is expected in 2025, requiring the government to introduce approximately 8 billion euros in budget savings to align with official targets – allowing for sustained short-term growth, while increasing confidence and providing space for discretionary spending in the event of future shocks.

Raymond Torres, María Jesús Fernández and Fernando Gómez Díaz

Abstract: The Spanish economy continues to grow faster than the European average. The current growth cycle is being driven by the favourable external competitiveness position, especially in terms of both tourism and non-tourism services. Another factor is the contribution by immigration to the labour force. Public consumption has also fuelled growth, though this is hardly sustainable in light of fiscal rules. The economy is expected to grow by 3% this year and 2.1% in 2025, which is 0.5 and 0.3 percentage points up from our last set of forecasts. Despite the economic momentum, the public deficit will not fall below 3% in 2025, coming in half a point above the official target. To align with the target, the government would have to introduce budget savings in the order of 8 billion euros, an effort that would not jeopardise growth in the short-term and would generate benefits in the medium-term in terms of confidence and room for manoeuvre in the event of future shocks.

Faster than expected economic growth

Last September, Spain's statistics office, the INE, carried out its ordinary and extraordinary review of the entire series of

> “Domestic demand contributed 3.1 percentage points to the revised growth figure, with foreign demand adding the remaining 0.5 percentage points.”

national accounting figures. The result was to increase the level of cumulative GDP growth in the post-pandemic period, from 2.5% to 3.6%. Domestic demand contributed 3.1 percentage points to the revised figure, with foreign demand adding the remaining 0.5 percentage points. Within domestic demand, the INE revised the contributions by the various components higher. Nevertheless, the contribution by public consumption remains very significant (2.7 points), with private consumption much weaker. Most notably, however, the contribution by gross fixed capital formation remains negative (*i.e.*, this component is still below its 2019 equivalent), although the contribution by total gross capital formation (including inventories) was close to neutral. As for the foreign sector, its contribution has been revised downwards. However, the contribution by net exports of non-tourist services remains surprisingly strong, at 1.4 percentage points, which is more than the contribution by tourism, with the net trade in goods detracting from growth (Exhibit 1).

Turning to this year, GDP growth has been remarkable for the first three quarters, particularly by comparison with the eurozone average: the Spanish economy registered growth of 0.9% in the first quarter and of 0.8% in each of the following two quarters. The year-on-year rate of growth in the first nine months of the year was therefore 3%. Private consumption increased by 2.6%, fuelled by the recovery in purchasing power and growth in employment, despite which, in real per capita terms, this metric remains below 2019 levels. The most eye-catching growth, of 4.6%, came in public consumption.

As for gross fixed capital formation, the construction component registered growth of 2.5% in the first nine months of the year, with capital goods notching up growth of 1.5%. The weakness in the latter aggregate remains a

Exhibit 1

Contribution to GDP growth, 2019-2023

Contribution by the main components

Percentage

Source: INE.

> "The number of foreign job holders increased by 810,000, which means that, on aggregate, the entire new active immigrant population found work, along with some of those that were formerly unemployed."

concern: by the end of September 2024 it had yet to recover from the contraction sustained in 2020, and throughout the entire post-pandemic period, its growth has been lagging behind GDP, which is very unusual during periods of economic growth.

The foreign sector contributed 0.6 percentage points to GDP growth in the first nine months, led by the growth in tourist services, of 12.6%, and non-tourist services, of 9.3%, while overseas sales of goods contracted somewhat. Growth in imports has been trending below the historical elasticities relative to end demand, which may be attributable, albeit only partially, to the composition of Spanish growth, marked by lower contributions by the more import-intensive components: GFCF and goods exports.

So far this year, GDP growth has been much stronger than expected at the start of the year. In January of this year, the consensus forecast tracked by Funcas called for growth of 1.6% in 2024. The outperformance is attributable to sharp and unanticipated growth in public expenditure and in exports of tourist services.

Role of immigration

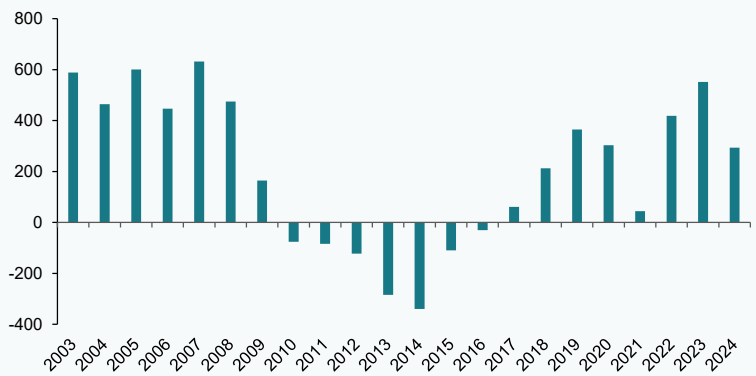
A key factor underpinning Spain's economic growth in recent years has been the growth in the foreign labour force. The immigrant population increased by 1,263,000 between July 2021 and July 2024, while the national population increased by only 187,000 during thesame period. Albeit a high figure, it is in the vicinity of the numbers observed prior to the crisis of 2008 (Exhibit 2).

As a result, the active foreign population increased by 737,000 in the third quarter of 2024 compared to the same period of 2021. The number of foreign job holders increased by 810,000, which means that, on aggregate,

Exhibit 2

Growth in the foreign population (to 1 July)

Year-on-year increase, in thousands of people



Source: INE.

the entire new active immigrant population found work, along with some of those that were formerly unemployed. Moreover, those 810,000 jobs account for 47% of total employment created during the period, underlining the importance of foreign labour to economic growth in recent years.

The foreign population's contribution to the economy materialises not only on the supply side, by providing the human resources needed to cover vacancies in numerous sectors that are finding it hard to attract workers, but also on the demand side, by boosting private consumption. According to the Household Budget Survey, 25% of the increase in total private consumption between 2021 and 2023 originated in households whose main provider was a foreigner. Nevertheless, private consumption contributed a mere third of GDP growth during the period, which means that the main contribution by the foreign population came on the supply side.

Economic forecasts, 2024-2025

Funcas projections assume a shift to less expansionary fiscal policy than in recent years, accompanied by less contractionary monetary policy. The change in the macroeconomic mix, similar to that anticipated in earlier sets of forecasts, is shaped, firstly, by budget targets, taking into account the reactivation of the European fiscal rules and the need to place massive amounts of debt on the markets on terms that the public treasury can afford, something that is only possible with a fiscal roadmap that inspires confidence. Secondly, the change in the policy mix which is hypothesised in the present projections reflects the expectation that the ECB will adjust its interest rates as disinflation takes hold across the eurozone. We are assuming that the deposit facility rate will trend down to around 2.5% by the end of the projection period.

As for the international climate, the assumption is that the Middle East conflict will continue to undermine confidence, but without seriously destabilising trade in this fossile-rich region, or at the global level. We are forecasting Brent oil prices of around $75 per barrel throughout the projection period. Elsewhere, disinflation in Europe should create space for a slight uptick in consumption and growth over the course of next year.

Framed by these assumptions, and factoring in the growth reported in the first half of the year, we are projecting GDP growth of 3% in 2024, up half a percentage point from our last forecasts. This upward revision is mainly shaped by a bigger contribution by domestic demand, particularly public consumption, which would expand faster than expected. We have also raised our forecasts for private consumption in response to higher than anticipated growth in pay: as in other European markets, wage negotiations are featuring mechanisms articulated to compensate for the loss of purchasing power in recent times. On the other hand, we still expect gross fixed capital formation to remain relatively weak, leaving our forecasts for this key variable largely unchanged. Lastly, the external demand contribution is now expected to be stronger than initially anticipated: the growth in exports, while less dynamic than originally contemplated, is more than offsets by a weak import elasticity.

Altogether, the main drivers of growth in 2024 will be public consumption and net exports, with both registering growth of over 3%. The boom in exports is noteworthy in the current context of lethargic European markets, coupled with rising trade barriers between major trading blocs. The momentum in tourism (with forecast growth of 13.4% in real terms in 2024) and non-tourist exports (+9.7%) is eye-catching and more than offsets the small contraction in goods' exports (-0.4%). Elsewhere, for the second year in a row, growth in imports will continue to trail demand. This abnormally-low import elasticity is partly attributable to sluggish investment in capital goods, a variable characterised by a high import intensity.

Demand in the private sector is also expected to lag GDP growth. We are projecting growth of 2.7% in private consumption, two points below the rise in disposable household income

in real terms. The gap between income and spending will lead to a significant increase in the savings rate, a trend which can be ascribed to market uncertainty and high interest rates, encouraging households to deleverage and take a cautious approach to spending. As noted, we are forecasting limited growth in gross fixed capital formation, particularly in terms of investment in capital goods. The non-financial corporation sector is expected to continue to present a net lending position (difference between disposable income and investment) equivalent to 1.5% of GDP.

In 2025, we are projecting GDP growth of 2.1%, down from this year as already anticipated in our earlier estimates. That growth is expected to come almost entirely from domestic demand, which should account for 2 points. We are forecasting strong growth in private consumption, underpinned by job creation and the release of some of the excess savings. Investment should pick up slightly as the deadline for executing the Next Generation funds gets closer, with lower interest rates stimulating the demand for credit. As a result, we expect the private sector to continue to deleverage: liabilities are expected to reach lows for the century for both household and non-financial corporations (Exhibit 3). On the other hand, we are forecasting a slowdown in public consumption, as the European fiscal rules start to bite, and in light of intensified market vigilance.

The external sector is expected to contribute just 0.1 points to GDP growth in 2025 as the growth in tourism eases and imports revisit their historical elasticities.

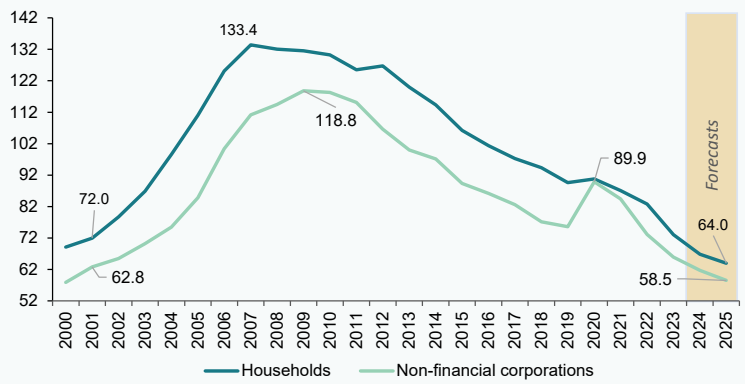
In short, over the next two years we are forecasting more vigorous growth than initially expected, thanks to fiscal expansion and the Spanish economy's favourable competitive positioning, particularly in both tourism and non-tourism services. These projections contrast with the meagre growth forecast for the eurozone: by year-end 2025, Spanish GDP is expected to be 8.9% above pre-pandemic levels, compared to a European average of 5.7% (Exhibit 4).

Disinflation should take hold in the coming quarters, as food prices ease and energy costs hold relatively stable. However, core inflation, particularly as regards services, is expected to prove more stubborn. As a result, while headline inflation should dip just below 2% in 2025, the GDP deflator, which reflects the underlying price pressures, is projected to remain at 2.4%. We are expecting a small impact in 2025 from wage adjustments

Exhibit 3

Private debt

Leverage: households (percentage of disposable income) and non-financial corporations (percentage of GDP)

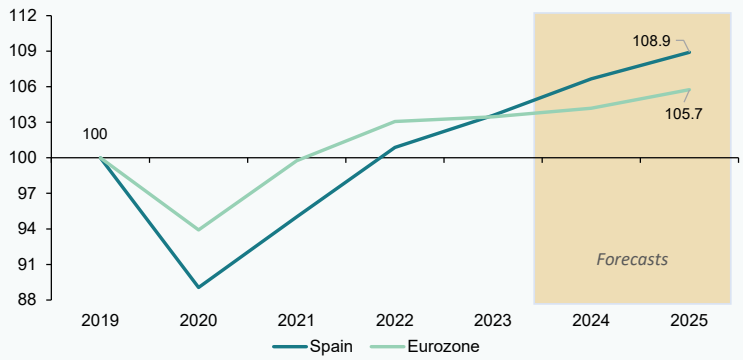


Sources: INE, Bank of Spain and Funcas (forecasts).

Exhibit 4

GDP in Spain *vs.* eurozone

Rebased to 100=2019



Sources: INE, Bank of Spain and Funcas (forecasts).

designed to offset the loss of purchasing power, thereby curbing the growth in average earnings per employee. Real wages would therefore increase by a mere 0.4%, broadly in line with productivity.

Between the second quarter of this year (latest figures available) and the end of 2025, we are forecasting net new job creation of close to 550,000 in *Labour Force Survey* terms. While still a significant increase, job creation would in fact be slower than in recent times (between the end of 2021 and the second quarter of this year, Spain created net new jobs of over one million). The strong job performance should drive the unemployment rate down towards 10.5% by the end of next year, which is slightly above our last forecast due to the incorporation of new immigrants into the labour market. The unemployment rate would still remain well above the European Union average.

Thanks to strong export performance, the current account surplus is projected at 2.9% of GDP in 2025, which is about the same as we are forecasting for this year. The overall surplus masks two contrasting trends: a significant surplus in the balance of trade in goods and services, more than offsetting the deficit in income generated by the growing impact of remittances by immigrants. At any rate, the foreign surplus is expected to remain virtually unchanged in 2025, facilitating a significant reduction in external debt.

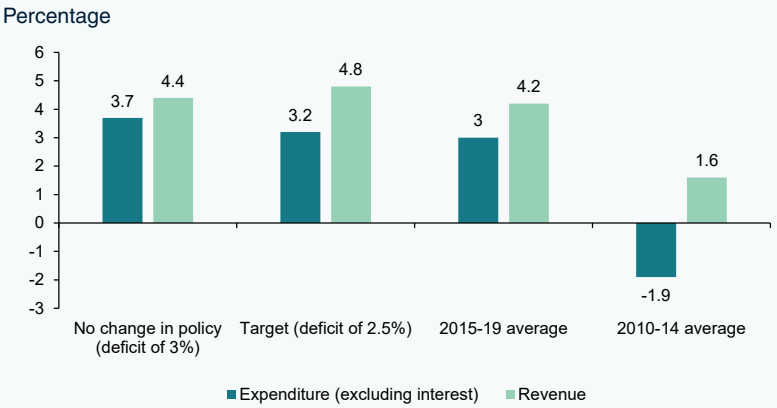
Fiscal projections

Despite such strong economic growth, little progress has been made on reining in the country's budget imbalances so far this year. The deficit built up in the first eight months of the year at all levels of government (excluding local government) stood at 2.3% of GDP, up 0.1 of a percentage point year-on-year. That performance is the result of higher

> "We are projecting a deficit of 3.1% of GDP this year, virtually unchanged at 3% in 2025, which is half a point above the government's official target."

Exhibit 5

Growth in public expenditure and income in 2025: no-policy-change scenario I official target I average in prior periods



Source: Funcas and Budgetary Plan.

growth in expenditure than expected in light of the budget carry-over: all signs suggest that the dampening effect on expenditure of that rollover has been neutralised by changes in the credit and settlements on account provided to the regional governments.

The current forecasts suggest that the hole in the budget will remain larger than would be expected at this juncture of the cycle. That is because momentum in expenditure by the authorities is offsetting the extra tax being collected as a result of the vigorous economic growth. As a result, we are projecting a deficit of 3.1% of GDP this year and 3% in 2025 – which is half a point above the government's official target. The slippage reflects the fact that these forecasts are based on policies either approved or announced, while the official target factors in new measures the details of which are unknown at the time of writing. To reduce the deficit by half a point, the government would need to pare it down by almost 8 billion euros, an adjustment that is similar in size to that made between 2015 and 2019 (Exhibit 5). Such a budget saving would be relatively small, thus having a limited impact on growth in the short-term, and yet generating benefits in the medium-term in terms of confidence and room for manoeuvre in the event of future shocks.

Assuming a scenario of policy continuity and absent detailed information about the planned adjustments, Spain's public debt will continue to come down in the coming years but at a slower pace than is required to comply with the European fiscal rules (Exhibit 6). Besides its commitments to the European Union, the persistence of a sizeable fiscal deficit implies scant room to respond to swings in the economic and financial environment. To steer clear of those risks, the deficit needs to be cut further and trendline economic growth needs to be

> "The main risk to delivery of these forecasts continues to lie with geopolitical strains and global trade fragmentation."

Table 1

Economic forecasts for Spain, 2024-2025

Annual rate of change in percentages, unless otherwise indicated

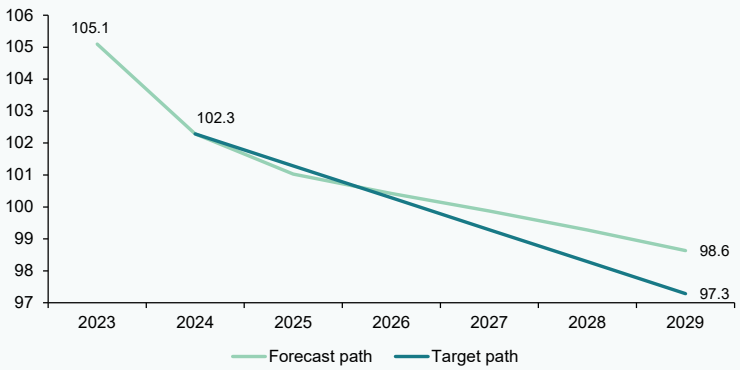
	Actual data				Funcas forecasts		Change from last set of forecasts (a)	
	2008-2013 Average	2014-2019 Average	2020-2022 Average	2023	2024	2025	2024	2025
1. GDP and aggregates, constant prices								
GDP	**-1.3**	**2.6**	**0.6**	**2.7**	**3.0**	**2.1**	**0.5**	**0.3**
Final consumption households and NPISHs	-2.0	2.2	0.0	1.8	2.7	2.3	0.4	0.4
Final consumption government	0.6	1.3	2.6	5.2	3.8	1.5	2.1	0.5
Gross fixed capital formation	-7.4	5.0	-1.0	2.1	2.2	2.5	-0.1	0.0
Construction	-10.5	5.3	-1.9	3.0	3.3	3.5	0.4	0.8
Capital goods and other products	-2.6	4.7	0.0	1.2	1.0	1.3	-0.5	-1.1
Exports of goods and services	1.8	4.0	2.5	2.8	3.3	2.7	-0.6	0.3
Imports of goods and services	-4.1	4.4	2.5	0.3	1.9	2.9	-1.2	0.4
Internal demand (b)	-3.1	2.6	0.7	1.7	2.4	2.0	0.3	0.3
Net exports (b)	1.8	0.0	0.0	1.0	0.6	0.1	0.2	0.0
GDP, current prices: - billion of euros	--	--	--	1,498.3	1,591.5	1,663.7	--	--
- % change	-0.8	3.4	3.6	9.1	6.2	4.5	0.3	0.2
2. Inflation, employment and unemployment								
GDP deflator	0.5	0.8	2.8	6.2	3.2	2.4	-0.2	-0.1
Household consumption deflator	1.7	0.7	2.9	5.5	3.0	2.5	-0.5	0.0
Total employment (National Accounts, FTEs)	-3.3	2.3	1.4	3.2	2.0	1.6	-0.2	0.1
Compensation per employee (per FTE)	2.4	1.2	2.6	5.6	5.0	2.9	1.6	0.3
Unemployment rate (Spanish LFS, % of active pop.)	20.2	18.8	14.5	12.2	11.6	10.8	0.4	0.5
3. Financial eqilibrium (% of GDP)								
National savings rate	19.0	21.9	22.4	23.7	23.5	23.4	0.4	0.1
- of which, private savings	23.0	23.8	26.4	24.8	23.6	23.4	0.2	0.1
National investment rate	21.8	19.6	21.7	21.0	20.5	20.6	0.2	0.1
- of which, private investment	17.9	17.5	19.0	18.1	17.5	17.5	0.2	0.1
Current account surplus/(deficit)	-2.8	2.3	0.6	2.7	3.0	2.9	0.1	0.1
Spain's net lending (+) or borrowing (-)	-2.4	2.7	1.4	3.7	3.7	3.6	0.1	0.1
- Private sector	6.6	6.7	8.4	7.3	6.8	6.6	0.0	0.0
- Public sector	-9.0	-4.0	-7.1	-3.5	-3.1	-3.0	0.0	0.0
Government debt, EDP criteria	68.7	101.3	114.8	105.1	102.3	101.0	-3.0	-3.2
4. Other variables								
Eurozone GDP	-0.2	1.9	1.0	0.5	0.7	1.5	-0.2	0.1
Household savings rate (% of GDI)	9.3	7.2	13.6	12.0	13.7	12.0	2.9	2.0
Gross borrowings, households (% of GDI)	127.7	100.5	86.9	73.1	66.8	64.0	-2.1	-1.2
Consolidated gross borrowings, NFCs (% of GDP)	112.2	84.7	82.5	65.9	61.7	58.5	1.2	1.0
12-month Euribor (annual average %)	1.90	0.01	0.10	3.86	3.31	2.50	-0.30	-0.60
Yield on 10Y Spanish bonds (annual, average %)	4.74	1.58	0.97	3.48	3.15	2.82	-0.20	-0.30

(a) Percentage-point change between the current estimates and the last set of forecasts.
(b) Contribution to GDP growth in percentage points.
Sources: 2008-2023: INE and Bank of Spain; Forecasts 2024-2025: Funcas.

Exhibit 6

Public debt: Forecast and targets under the European fiscal rules

Percentage of GDP



Note: The forecast roadmap assumes a no-policy-change scenario, potential output of 1.75% per annum and inflation of 2%.

Source: Funcas.

higher, a scenario that requires a recovery in investment and productivity.

Risks

The main risk to delivery of these forecasts continues to lie with geopolitical strains and global trade fragmentation. Other risks relate to some of Spain's most important European trading partners: the German economy could take longer than expected to rebound, while the markets are watching the fiscal situation in France closely. In this scenario, the persistence of a high deficit poses a risk to fiscal sustainability and minimises space for economic policy manoeuvring in the event of shocks.

As for the upside, the household savings rate could come down faster than expected, giving household consumption a boost. Note, moreover, that both the household and corporate sectors are in much better financial health on aggregate terms.

Longer-term, the stagnation in corporate investment is a concern. A chronic shortfall of investment would compromise the prospects for a recovery in productivity, the Achilles heel of the Spanish economy. Finally, the weakness in residential investment, were it to persist, could constrain labour mobility, the inflow of foreign workers and potential output.

Raymond Torres, María Jesús Fernández and Fernando Gómez Díaz. Funcas

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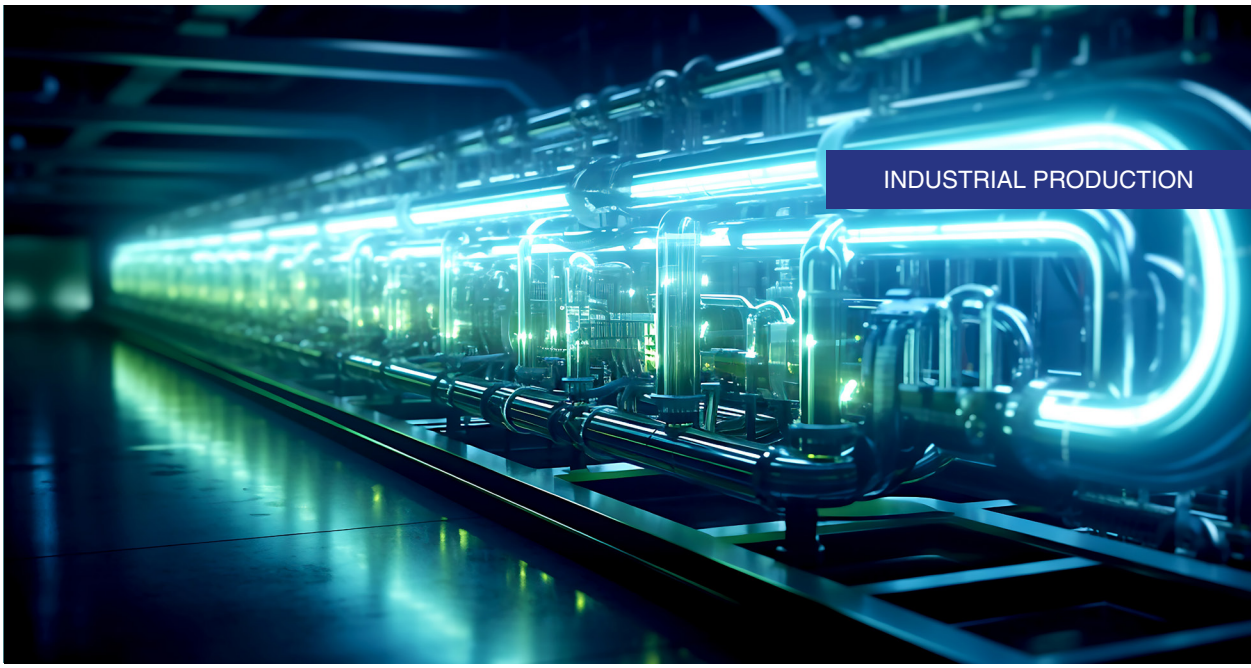


Industrial production in the euro area: Navigating shocks, sectoral challenges, and global trade shifts

The euro area's industrial sector, historically a pillar of economic strength, faces significant challenges in the wake of recent external shocks, with divergent performance across countries and sectors. Going forward, the outlook for the industrial sector remains uncertain; thus, requiring that country-specific policies be complemented with EU-wide strategies to support key industrial sectors, such as the automotive industry.

Miguel Ángel González Simón

Abstract: The euro area's industrial sector, historically a pillar of economic strength, faces significant challenges in the wake of the COVID-19 pandemic and the Russia-Ukraine conflict. These exogenous shocks have exposed structural weaknesses, causing a divergence in performance between countries and sectors. While Germany, France, and Italy have experienced notable declines in industrial output, Spain and smaller eurozone countries have demonstrated resilience, with positive industrial production figures derived in part from varying degrees of reliance on Russian energy. At the sectoral level, energy-intensive goods and intermediate products have faced the steepest declines, underscoring structural vulnerabilities, while non-durable consumer goods showed resilience due to lower sensitivity to business cycles. External trade

> “In 2023, the euro area’s industrial sector contributed around 19% of GDP and employed approximately 17% of the workforce.”

dynamics are further complicating recovery, with additional trade headwinds from China potentially exacerbating existing tensions. Thus, as the region navigates these obstacles, it will be necessary to complement country-specific policies with EU-wide strategies to support key sectors, such as the automotive industry.

Foreword

The European economy is undergoing some notable changes. The COVID-19 pandemic and the Russian invasion of Ukraine represent two major shocks that have exposed vulnerabilities and prompted structural shifts across sectors. The evolution of industry captures these dynamics in a representative way, and the recent announcement by Volkswagen of its plans to shut down several plants is a remarkable example.

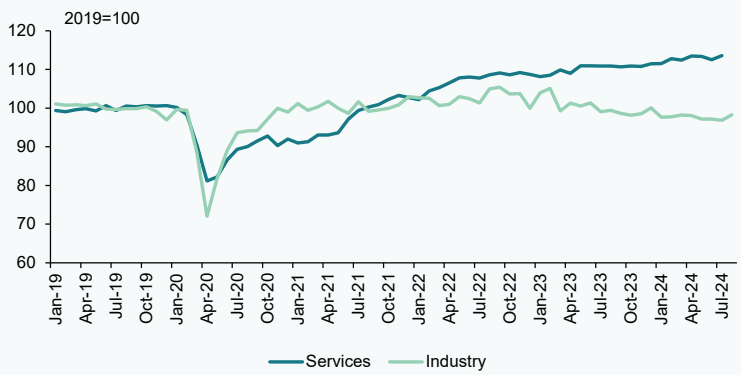
The euro area’s industrial sector has long been a cornerstone of its economy. In 2023, it contributed around 19% of GDP and employed approximately 17% of the workforce. Europe’s industrial might has sustained its global standing, particularly in high-value sectors like automotive and machinery. Domestically, industry has reinforced the single market by driving cross-border supply chains and boosting productivity. However, recent years have revealed deep flaws in this growth model, as ECB Board Member Isabel Schnabel recently underscored (Schnabel, 2024) .

The outbreak of the COVID-19 pandemic and the Russian invasion of Ukraine marked a critical turning point for euro area industrial production (see Exhibit 1). The health crisis led to a significant decline in the production of goods across the euro area, which was more pronounced than in services. This is somewhat surprising given the nature of the shock. The recovery in industrial production was faster than in services, although both sectors

Exhibit 1

The weakness of industrial production

Production: Services and Industry



Note: Data from January 2019 to July 2024 (services) and August 2024 (industry).
Source: Author’s calculation based on Eurostat data.

“ Germany, in particular, may have been hard hit by the combination of rising energy prices and supply chain disruptions, leading to a contraction of approximately 12% in its industrial production over the past five years. ”

followed a similar pattern. However, a divergence began to emerge in 2022. While services experienced a remarkable dynamism, industrial production began to stagnate and had not recovered to its pre-pandemic level by 2024. This development may explain the uneven economic performance across Member States, with those more dependent on services (*e.g.*, Spain and Greece) performing better.

A potential limiting factor could be the behaviour of external demand. The weakness of some of the euro area countries' main trading partners would have had, and may continue to have, a negative impact on the overall industrial performance.

Understanding this uneven landscape is essential for charting the euro area's economic future. The drag on industrial production poses a direct threat to the region's short-term growth prospects, particularly for manufacturing-dependent countries. In the long-term, this imbalance could exacerbate regional disparities if they are not properly addressed. Navigating these complexities will be crucial if the eurozone is to maintain a competitive industrial base and achieve a sustainable recovery in the coming years. In addition, the industrial performance is directly linked to the climate change objectives pursued by the Member States.

The aim of this article is to analyse the evolving challenges faced by the industrial sector in the euro area. More specifically, we shed some light on the different developments registered at the country and sector level, as these are key to better understand the overall performance. The remainder of the article presents: first, a geographical evaluation of industrial production; second, an illustration of the sectoral developments; third, an assessment of the factors that would explain the overall performance; fourth, an analysis of international trade to shed some light on how it could be related to industry; and, finally, an exploration of future developments.

An uneven cross-country performance

G4 countries (Germany, Spain, France, and Italy), except Spain, have registered larger decreases than the euro area as a whole (see Exhibit 2). Germany and Italy, which represent more than 50% of the euro area's total industry, have underperformed. Germany, in particular, may have been hard hit by the combination of rising energy prices and supply chain disruptions, leading to a contraction of approximately 12% in its industrial production over the past five years. Italy has also struggled, although its decline has been less severe (-5.7% from 2019 to 2024). In addition, France has also registered a notable decrease in industrial production (-6.3% in the past five years). These developments could explain, at least partially, the overall performance showed by the euro area.

In contrast, Spain has demonstrated stronger results (-1.1% from 2019 to 2024). One factor that would have contributed to the relative resilience compared with the other G4 countries is the lower exposure to Russian energy of the industrial sector.

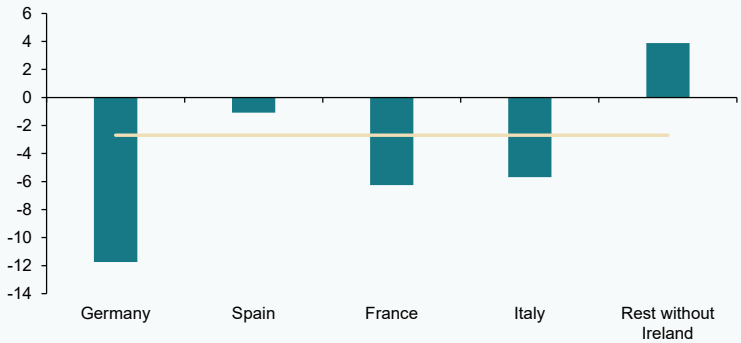
Outside the G4, countries have outperformed the euro area since the COVID-19 pandemic, on average. However, there is a notable heterogeneity. Greece and, especially, Ireland have registered very good industrial production figures since 2019 (18.9% and 54.4%, respectively). On the contrary, Luxembourg, Estonia and Portugal have registered the largest decreases in industrial

Exhibit 2

Cross-country developments

Industrial production growth rate by country (2019-2024)

Percentage



Note: The growth rate is calculated as the cumulated evolution from January to August in 2024 with respect to the same dates in 2019. The bars represent the growth rate for each country ("Rest" shows the weighted average for non-G4 countries except Ireland), while the line represents the growth rate for the euro area.

Source: Author's calculation based on Eurostat data.

output within this group of countries (-14.1%, -7.6% and -6.5%, respectively, since 2019). Other countries such as the Netherlands have slightly increased its industrial production over the past five years (1.4% from 2019 to 2024).

Given its weight in the industrial sector of non-G4 countries, the role of Ireland is key to explaining this exceptionally good performance. Without the performance of Ireland, the rest of these countries would still have increased their industrial production, but to a lesser extent (3.9% since 2019).

Sector-specific developments

Further analysis by sector reveals additional insights into the euro area's industrial path. All the major sectors, except non-durable consumer goods, have decreased their level of industrial production.

Intermediate and energy goods production declined notably more than the total eurozone's output (-7.8% and -12.2%, respectively, between 2019 and 2024). These sectors play a crucial role in explaining the overall performance of industrial production. First, because they both represent more than 60% of total production. Second, due to the nature of the energy shock, which is more related to the production of these goods. Thirdly, these goods tend to be inputs for the production of others, so this evolution may reflect a structural challenge for industrial production rather than a cyclical one.

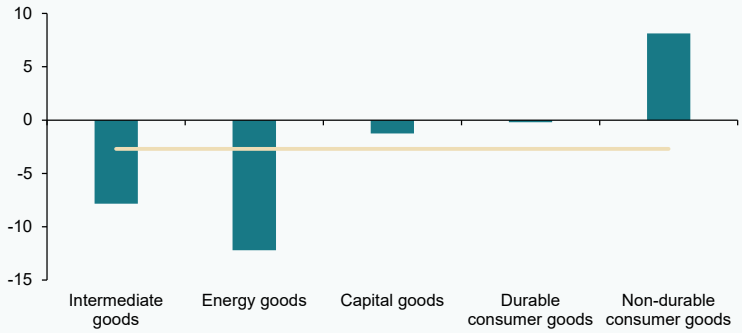
"Intermediate and energy goods production declined notably more than the total eurozone's output (-7.8% and -12.2%, respectively, between 2019 and 2024)."

Exhibit 3

Sectoral heterogeneity of industrial production

Sectoral industrial production in the euro area

Percentage



Note: The growth rate is calculated as the cumulated evolution from January to August in 2024 with respect to the same dates in 2019. The bars represent the growth rate for each sector, while the line represents the total growth rate for the euro area.

Source: Author's calculation based on Eurostat data.

These decreases, together with the weak performance of the capital goods sector, may have contributed to the overall decline in industrial production. Nonetheless, despite the rise in interest rates, which might have been expected to dampen its production, the output of capital goods has shown an unexpected relative resilience.

The production of non-durable consumer goods has provided a much-needed counterbalance to the broader slowdown in industrial output. These goods, such as basic household items, are less sensitive to business cycles and energy price volatility, which may have allowed this sector to behave better in recent years (8.1% since 2019).

The durable goods sector, however, has faced more significant challenges. Industrial production in this sector has remained practically the same over the past five years (-0.2%). Nonetheless, this figure could hide some heterogeneity. The European automotive industry, which is a key component of the durable goods sector, has struggled with rising input costs, semiconductor shortages, and supply chain disruptions [1] .

In sum, geographical heterogeneity sheds some light on the weak evolution of industrial production. Nonetheless, the sectoral composition also seems to have played a role in recent developments in the euro area.

Who is pulling the weight?

A crucial question that arises from these developments is whether they are driven by

> "The production of non-durable consumer goods has provided a much-needed counterbalance to the broader slowdown in industrial output, up 8.1% since 2019."

> “The evidence leans towards a stronger country effect, suggesting that challenges within specific industries are having a less pronounced impact than a widespread national slowdown.”

country-specific weaknesses (*country effect*), or by the underperformance of certain sectors (*sectoral effect*). The evidence (see Exhibit 4) leans towards a stronger *country effect*, suggesting that challenges within specific industries are having a less pronounced impact than a widespread national slowdown.

Germany, Europe's industrial powerhouse, exhibits negative deviations from the euro area's average across all major sectors, particularly in durable and intermediate goods. This widespread pattern of negative differences across all sectors highlights a comprehensive challenge within Germany's industrial base. A potential explanation of this behaviour is the high sensitivity of the sectoral composition to the two major shocks that have occurred after 2020, and it would reflect the lack of a rapid reaction to them.

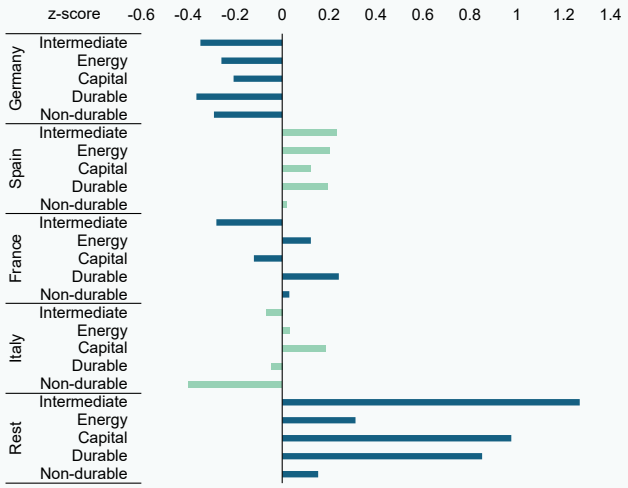
However, this weakness is not uniform across the other G4 countries, and this variation across countries underlines that no single national economy within the G4 is solely responsible for the overall industrial slowdown in the euro area.

Spain displays moderate positive deviations in most sectors, pointing to a more resilient industrial structure to the recent shocks. These figures would indicate that Spain's

Exhibit 4

The country effect dominates

Country and sector deviations from eurozone's industry



Note: The bars represent the normalised deviation of industrial production from the euro area's average for each sector. The category "Rest" comprises eurozone countries other than G4 and shows a weighted average for each sector.

Source: Author's calculation based on Eurostat data.

performance would be less the result of *country effects* and more a reflection of positive sectoral dynamics within its industrial structure. These developments can be explained, at least partially, by how the Spanish industry employs production factors.

France shows a mix of sector-specific strengths and weaknesses rather than a consistent pattern of underperformance. The consumer (both durable and non-durable) and energy sectors stand out from the eurozone's average. In contrast, intermediate and capital goods production present negative deviations from the euro area. This mixed pattern reinforces the idea that France's industrial output is primarily shaped by *sectoral effects*.

Italy also demonstrates varied sectoral performance, rather than *country effects*. The production of intermediate goods and, especially, consumer non-durables present negative deviations. On the contrary, the energy and capital goods sectors outperform the euro area average.

Non-G4 countries stand out with positive deviations in all sectors. This strong performance shows that smaller countries are showing resilience and outperforming the euro area's average industrial production. This behaviour contrasts sharply with that of the G4 countries, notably Germany, highlighting the differing industrial dynamics between eurozone countries. Also, these developments support the idea of strong *country effects*.

Nevertheless, industrial slowdown would also be driven by sectoral effects –even though the country dynamics dominate. In particular, the relative strength or weakness of specific factors –such as intermediate and consumer goods– would shape the industrial landscape across the eurozone. These findings highlight the importance of addressing sectoral challenges directly, as part of broad national policies. For instance, economic policies that promote innovation in the non-durable goods sector (*e.g.* car manufacturing production) can, at least partially, offset the negative trend in industrial output in the euro area.

All in all, the *country effect* would be the main factor that shapes industrial performance, as evidenced by consistent national deviations in Germany and non-G4 countries. However, understanding the role of external factors can also shed some light on how to help the industry to reverse these dynamics.

Trade headwinds

External economic relations have been essential to better understand the underlying dynamics of the Member States. The outbreak of the COVID-19 pandemic and the Russian invasion of Ukraine have underscored the need for many countries to rethink how they manage these relationships to guarantee an adequate provision of key goods and services. They are crucial to stay on track in the technological and ecological transition that the European Union and, by extension the euro area, is pursuing.

The eurozone's trade of goods orientation was no exception to these global developments (see Exhibit 5, panel a). The G4 countries have shown different developments. Germany's total import orientation has slightly decreased since 2019 (-1.2%). On the contrary, Italy has registered a notable increase in the share of goods imports in the recent years (13.8% since 2019). Spain and France have relatively increased their imports of goods over the last five years (3.8% and 0.9%, respectively). For their part, countries other than the G4 show an overall reduction in import dependence.

The story is slightly different for total export orientation, which has generally declined.

> "Germany registered the largest fall in exports to China (-14.9%), while Italy and Spain both reduced their shares by around 8 % each."

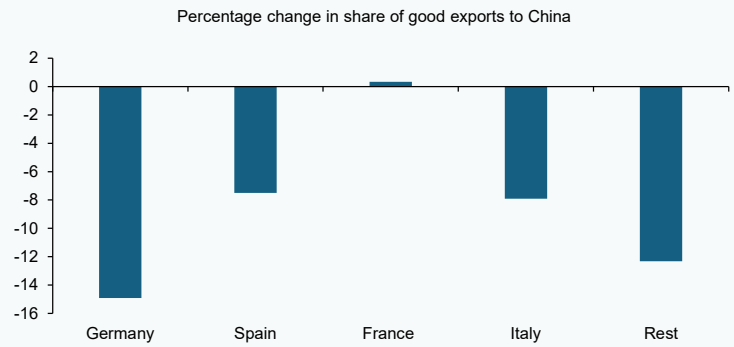
Exhibit 5

Change in trade of goods (2019-2024)

Percentage

Panel a

Panel b



Note: Columns represent the change in export and import orientation between 2024 and 2019 for total trade and trade with China. Export (import) orientation is defined as the ratio of exports (imports) with respect to national value added. The category "Rest" shows the median value of the other euro area countries. The share of exports of goods is defined as the ratio of exports to China to each country's total extra-euro area exports of goods.

Source: Author's calculation based on Eurostat data.

Germany, France and the non-G4 countries have reduced their total export orientation (-2.5%, -4.4% and -2.0% respectively since 2019). In contrast, Spain and, especially, Italy have increased their goods export orientation over the last five years (1.9% and 10.8% respectively). This behaviour may reflect a strategic shift to other markets in response to the Russian invasion of Ukraine.

Another relevant insight is the development of goods sales to China (see Exhibit 5, panel b). The share of exports to China as a share of each country's total extra-eurozone exports declined for all G4 countries except France. Germany registered the largest fall (-14.9%), while Italy and Spain both reduced their shares by around 8% each. France's share of sales to China remained practically unaltered over the last five years.

The rest of the countries have also decreased their exports to China since 2019 (-12.3 %). These reductions may be related to the weakness of Chinese demand, as the Asian country is struggling with national demand.

The exposure of the eurozone to China has been widely documented (for example, Sandkamp, 2024 or Vandermeeren, 2024). One of the main characteristics of the commercial ties between the two areas is the persistent deficit of the euro area with China, especially in goods, although this figure is unequal among Member States. For goods, Germany, France, and the Czech Republic have the largest deficits, which reflects that countries with more industrialised economies tend to be more dependent on China.

The last five years have been a turmoil for the international stage, with various shocks –health and energy– hitting the world economy. The euro area has reacted to these events by maintaining practically unaltered the share of goods coming from, and to, the rest of the world, and modifying its composition. The whole picture shows that the euro area's relationship with China is characterised by different dynamics. First, the lower number of good exports accounted for by Germany, Spain and Italy, may reflect the reduction in demand experienced by China. Despite the efforts made by the Chinese authorities, the slowdown in consumption may have an impact on the industrial sector of the euro area via exports of goods. Second, the imposition of duties on Chinese cars may aggravate these developments. On the one hand, because they are designed to reduce imports. On the other hand, because they may lead to a tariff war that could further reduce exports to the Asian country.

Looking ahead

The euro area has experienced two major shocks that have affected industrial production in recent years. The evidence presented in this article suggests that the decline is mainly explained by country-specific rather than sectoral factors. This would motivate the application of policies focused primarily on addressing structural and economic factors unique to each country. Such an approach could enhance resilience by aligning support with the specific needs and vulnerabilities of individual economies, and ultimately promote a more balanced recovery across the euro area. It would go against the proliferation of State Aid which has spread in recent years, without much impact on the performance of most-affected countries –a policy which also runs risk of fragmenting the Single Market.

Nevertheless, sectoral composition could also be relevant. In particular, the automobile industry seems to be facing significant challenges in the euro area as a whole. This would suggest the relevance of EU-wide policies to support technological change and innovation (see Torres, 2024).

Another complication is the region's external trade performance, particularly with China and the US. Trade barriers and the evolution of Chinese demand will provide additional headwinds, further straining the ability of the industrial sector to fully recover. In this regard, China's reaction to European tariffs represents a downside risk in the next years. A 10% general increase in Chinese tariffs could reduce G4 GDP by 0.3% on average (Schumacher and Dezeure, 2024). Additionally, the sectoral composition of these obstacles may exacerbate the negative effects.

Potential protectionist measures established by the new US administration would pose an additional challenge. A 10% general increase in US tariffs could reduce G4 GDP by 0.4% on average (Schumacher and Dezeure, 2024).

“ Another complication is the region's external trade performance, particularly with China and the US. ”

However, the final impact will be conditioned on the behaviour of several dynamic factors such as the EU's strategic response and exchange rate developments.

The goal should not only be to get over the current cyclical moment, but also to ensure a lasting turnaround. The guidelines proposed in Mario Draghi's recent report on European competitiveness and Enrico Letta's document on the single market are a good example of how these proposals can be implemented in more concrete terms.

Notes

[1] For further analysis, see Torres (2024).

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Miguel Ángel González Simón. Funcas

The evolution of Spain's high-tech exports through 2023

Spain's high-tech product export intensity ranked sixteenth in the EU-27 in 2022, which is a considerable improvement from its position between 2014 and 2018. Given the role played by the high-tech manufacturing industry in unlocking sustained competitiveness gains, strategies are needed to further improve Spain's recent achievements in this area and to start to close the technology gap with other countries.

Ramon Xifré

Abstract: Spain's high-tech product export intensity ranked sixteenth in the EU-27 in 2022, which is a considerable improvement from its position between 2014 and 2018. Despite this recent convergence with the EU, Spain's trade deficit in this product category has widened to €16.8 billion in 2023. The biggest contributor to that deficit was the electronics-telecommunications sector (deficit of 11.1 billion euros), followed by computers-office machinery and scientific instruments. Elsewhere, of the sectors reporting a surplus, the largest was less than €700 million. The best performers in that respect were the armament, non-electrical machinery, aerospace and pharmaceuticals sectors. In the latter sector, export volumes to Belgium between 2021-2023 were very significant, yet atypical. Given the role played by the high-tech manufacturing industry in unlocking sustained competitiveness gains, strategies are needed to further improve Spain's recent achievements in this area and to start to close the technology gap with other countries.

Foreword

The linkage between exports of high-tech products and economic growth has been

“ Mario Draghi’s recent report on the outlook for competitiveness in the EU concludes that the lack of innovation clusters devoted to fostering the sale of high-tech products is one of the barriers holding the EU back from lifting its competitiveness. ”

clearly established (Falck, 2009), with interest in what determines these exports increasing of late. Sepehrdoust *et al.* (2021) analyse the influence of scientific productivity; Özsoy *et al.* (2022) emphasise the use of information and communication technologies; Navarro Zapata *et al.* (2022) find positive impacts associated with a series of factors linked to the knowledge economy; Adbullah *et al.* (2023) highlight the positive impact of participating in global value chains; and Manzetti and Osang (2024) focus their work on studying the impact of government effectiveness, regulatory stability and the rule of law.

This issue is also relevant for economic policy. Mario Draghi’s recent report on the outlook for competitiveness in the EU concludes that the lack of innovation clusters (made up of universities, large companies, start-ups and venture capitalists) devoted to fostering the sale of high-tech products is one of the barriers holding the EU back from lifting its competitiveness (Draghi, 2024, p. 25). Exports of high-tech products can be seen as a good proxy for the existence and effectiveness of those clusters.

With the aim of contributing to this debate, this paper provides the most recent data for Spanish exports of high-tech products, carrying on from earlier studies but also providing new analyses with respect previous papers (Xifré, 2014, 2018, 2020, 2023).

It relies on the high-tech sector definitions provided by the OECD and Eurostat, specifically nine sectors: aerospace, armament, chemistry, computers and office machinery, electrical machinery, electronics-telecommunications, non-electrical machinery, pharmaceuticals and scientific instruments. The annex to this paper provides the detailed composition of the above nine sectors using the SITC Rev. 4 classification. [1] It also uses two Eurostat sources. Firstly, the statistics that measure the share of total exports commanded by high-tech products (export intensity). Secondly, and for much of the underlying analysis, duly-processes microdata taken from COMEXT, which provides disaggregated international trade figures (six-digit disaggregation of the Harmonised System).

High-tech export intensity relative to the EU

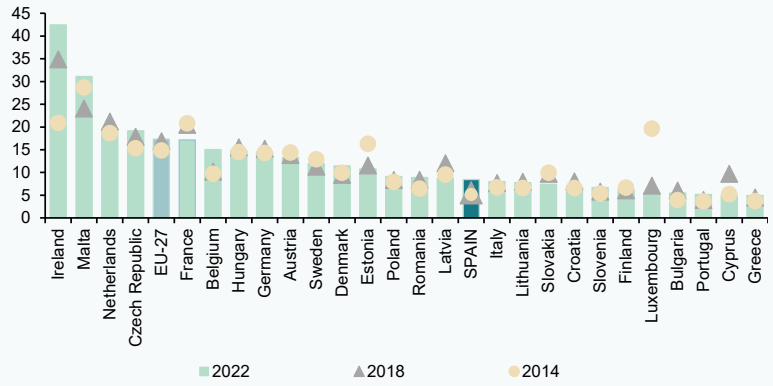
Exhibit 1 provides the share of high-tech product exports in total goods exports for the EU member states for 2014, 2018 and 2022 (the most recent year for which this information is available). In 2022, Spain ranked sixteenth on this list, with an intensity of 8.46%. That position, while in the bottom half of the ranking, marks considerable progress from 2018 (#25 | intensity of 5.5%) and 2014 (#24 | intensity of 5.1%). For further context, note that the EU as a whole has been gradually increasing its high-tech export intensity, from 15.3% in 2014 to 17.3% in 2022.

At the top of the list in 2022 are two small-sized economies (Ireland and Malta). The highest-ranked economy of considerable size is the Netherlands, which has managed to keep its export intensity at 20% in all three years analysed. Germany presents an even more stable profile, with high-tech products accounting for an almost fixed share of total exports of 15%. France has always ranked ahead of Spain and Italy was also ahead in 2014 and 2018; in 2022, however, Spain overtook Italy by one spot.

Exhibit 1

Share of EU exports of high-tech products relative to total exports, 2014, 2018 and 2022

Percentage



Source: Eurostat.

Net balance of Spanish high-tech exports

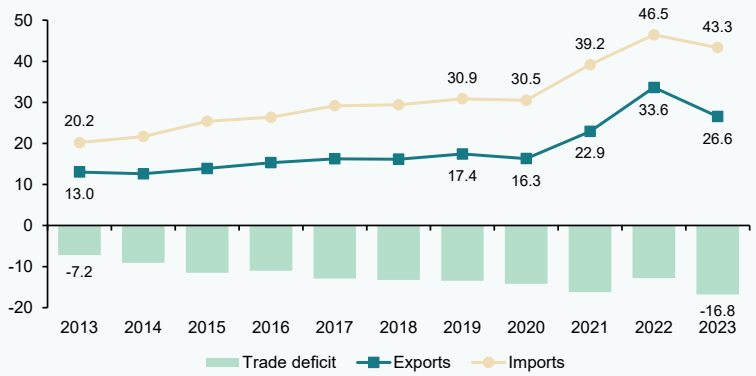
Exhibit 2 shows Spanish exports and imports and the net balance of trade in high-tech products between 2013 and 2023. The source of the data analysed from here on is the disaggregated data taken from Eurostat's COMEXT database.

It shows that the balance of trade in high-tech products has been negative throughout the period analysed, and increasingly so with

Exhibit 2

Spanish exports and imports of high-tech products and balance of trade, 2013-2023

Billions of euros

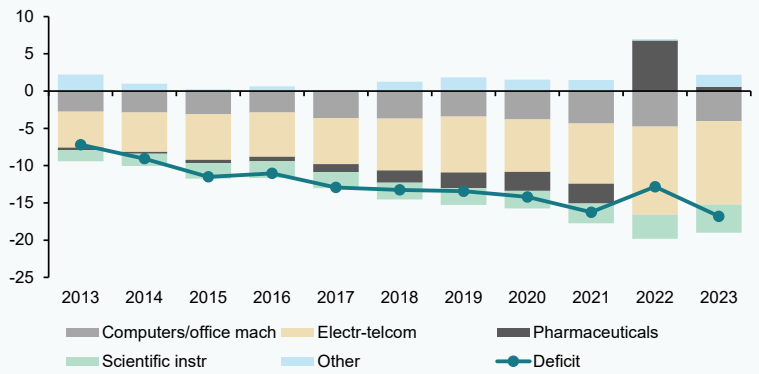


Source: Eurostat.

Exhibit 3

Net exports (balance of trade) of high-tech products by sector, 2013-2023

Billions of euros



Source: Eurostat.

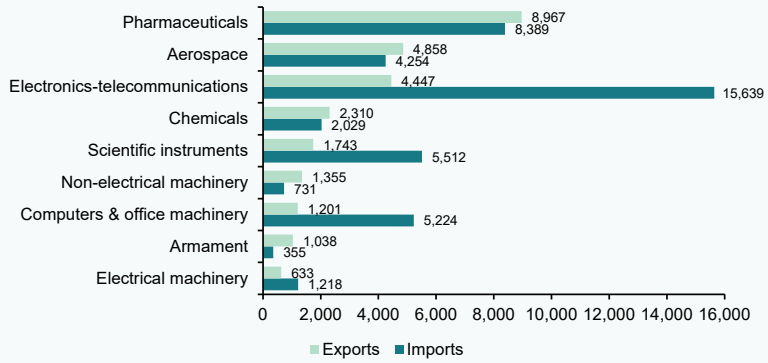
time. The deficit has more than doubled since 2013, from 7.2 billion euros to 16.8 billion euros in 2023. In the series analysed, both exports and imports increased subsequent to the pandemic, in 2021 and 2022, to well above the pre-pandemic trendline. 2023, on the other hand, was marked by the largest drop of the entire series in both flows, probably reflecting a correction process following the atypical increases in the two previous years.

Exhibit 3 breaks down the aggregate Spanish trade deficit in high-tech products into the main product categories for 2013-2023

Exhibit 4

Spanish exports and imports of high-tech products by sector, 2023

Millions of euros



Source: Eurostat.

> "The four best-performing segments were armament (683 million euros), followed by non-electrical machinery (624 million euros), aerospace (603 million euros) and pharmaceuticals (577 million euros)."

and Exhibit 4 breaks down exports and imports in 2023 for all the product groups, in descending order of value of exports.

Both exhibits show that the sector responsible for the bulk of the overall deficit is electronics-telecommunications, whose deficit has jumped from 4.8 billion euros in 2013 to 11.1 billion euros in 2023, accounting for two-thirds of the total deficit that year. The next biggest contributors to the overall deficit in 2023 were computers and office machinery (deficit of 4 billion euros) and scientific instruments (3.7 billion euros).

Turning to the sectors that reported a surplus, none of them managed to generate a surplus of more than 700 million euros. The four best-performing segments were armament (683 million euros), followed by non-electrical machinery (624 million euros), aerospace (603 million euros) and pharmaceuticals (577 million euros). The other sector to record a surplus, albeit much lower, was chemicals (281 million euros).

The trend depicted by Exhibit 3 reveals the pharmaceuticals sector as an outlier in 2022, when it recorded a surplus of 6.79 billion euros, in contrast to systematic deficits between 2013 and 2021 and a modest surplus of 579 million euros in 2023. We will analyse this phenomenon further on.

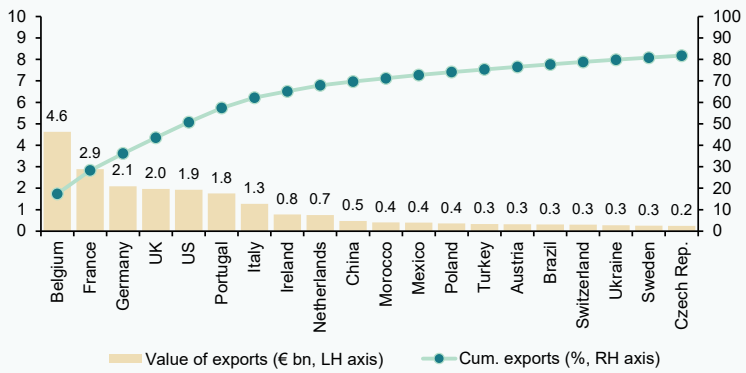
Geographical concentration of exports and imports

Exhibit 5 represents, for 2023, Spanish exports of high-tech products to the top 20 destination markets as bars, with a line depicting the cumulative share from the top

Exhibit 5

Spanish exports of high-tech products to the top 20 destinations, 2023

Billions of euros and cumulative share of total exports from the top destination, percentage



Source: Eurostat.

> The six largest markets account for almost 60% of total Spanish high-tech exports – Belgium ranks first, with a share of 17.4% of the total, followed by France (with nearly 11%) and Germany (almost 8%).

destination to the country in question relative to total exports.

The six largest markets account for almost 60% of total Spanish high-tech exports. Notably, Belgium ranks first, with a share of 17.4% of the total, followed by France (with nearly 11%) and Germany (almost 8%). In fact, seven of the top nine destinations are EU member states (the other two being the UK and US). As a whole, the top 20 destinations account for close to 82% of total high-tech exports.

Focusing on the top six destinations in 2023 (Belgium, France, Germany, the UK, US and Portugal), Exhibit 6 shows Spanish exports to these markets between 2013 and 2023. Between 2013 and 2020, Spain's most important markets were France and Germany. Belgium bursts onto the scene, without precedent, in 2021 (5.79 billion euros), outperforming all the other markets in 2022 (13.16 billion euros) and remaining the number one destination in 2023 (4.62 billion euros).

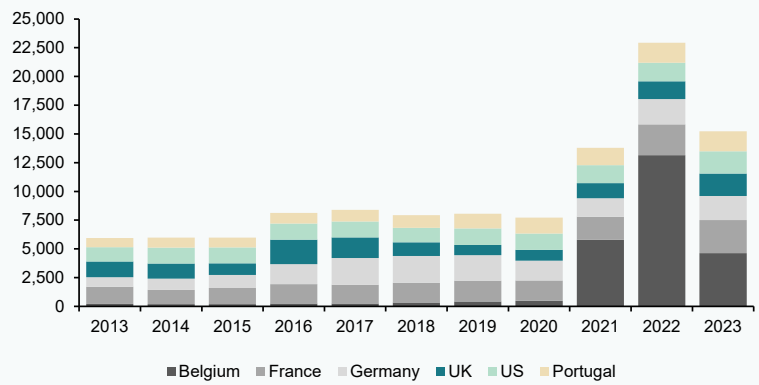
Detailed analysis of the growth in exports to Belgium reveals that the pharmaceuticals sector is behind the trend. Exhibit 7 shows exports of Spanish pharmaceuticals products to Belgium between 2019 and 2023.

If we relate the figures in Exhibit 7 with those in Exhibit 2, we observe that an atypical and extremely high share of Spanish high-tech exports worldwide is accounted for by exports of pharmaceuticals products to Belgium. In 2022, this sector-country

Exhibit 6

Spanish exports of high-tech products to the top six destinations in 2023

Millions of euros, 2013-2023



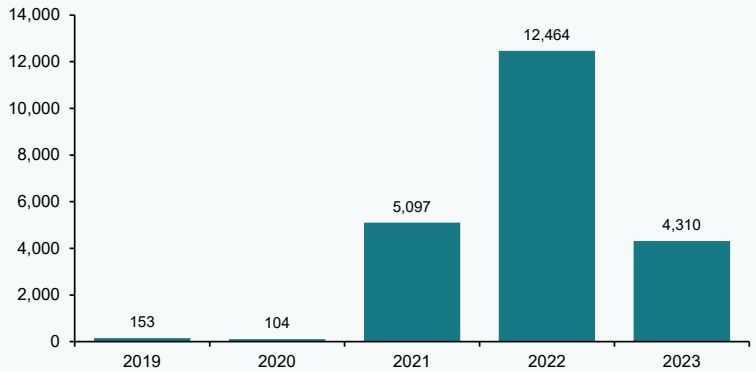
Source: Eurostat.

> In 2022, this sector-country combination (pharmaceuticals products/ Belgium) alone accounted for 37% of total high-tech exports (22% in 2021 and 16% in 2023).

Exhibit 7

Spanish exports of pharmaceuticals products to Belgium, 2019-2023

Millions of euros



Source: Eurostat.

combination alone accounted for 37% of total high-tech exports (22% in 2021 and 16% in 2023). Although the reasons for this atypical pattern need to be studied in greater detail, it is reasonable to assume that it is not derived solely from satisfying Belgian demand for Spanish pharmaceuticals products but rather has more to do with some form of reallocation of productive activity in this sector.

To round out the analysis, we look at the concentration of Spanish imports of high-tech products. Exhibit 8 is analogous to Exhibit 5 but represents the value of imports. It shows that Spanish high-tech imports are even more concentrated than its exports, with the top six markets of origin (Netherlands, Germany, China, the US, Italy and France) accounting for nearly 70% of the total.

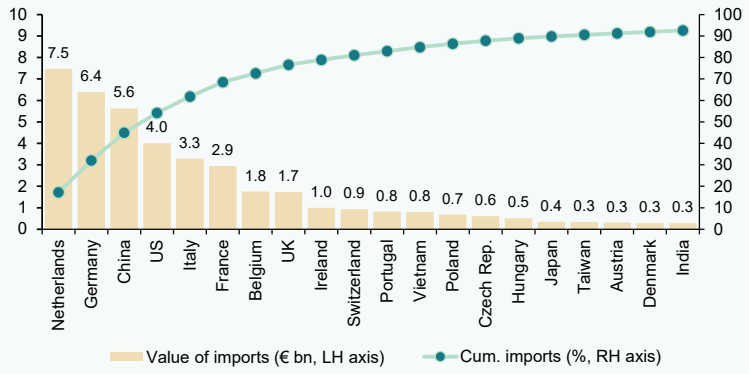
Exhibit 9 is in turn the mirror of Exhibit 6, presenting Spanish imports from the top six markets of origin. It reveals a more stable geographical pattern in imports than

> Spanish high-tech imports are even more concentrated than its exports, with the top six markets of origin (Netherlands, Germany, China, the US, Italy and France) accounting for nearly 70% of the total.

Exhibit 8

Spanish imports of high-tech products from the top 20 markets of origin, 2023

Billions of euros and cumulative share of total imports from the top market of origin, percentage



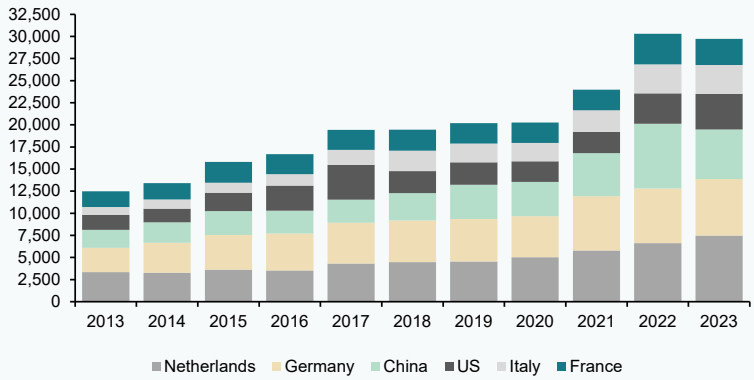
Source: Eurostat.

in exports. In 10 of the 11 years analysed, the main source of Spanish imports was the Netherlands, followed by Germany and then by China. 2022 was the exception. That year, China was the main source of Spanish high-tech imports (7.31 billion euros), with electronics-telecommunications accounting for the bulk of that flow.

Exhibit 9

Spanish imports of high-tech products from the top six markets of origin in 2023

Millions of euros, 2013-2023



Source: Eurostat.

Conclusions

Exports of technological products, beyond their direct impact on wealth generation and progress, are a very good proxy for the health of the innovation ecosystem, or innovation clusters, in a country. To be able to export technological products, a company has to be able to complete the entire technology and innovation cycle: access to basic science, ability to adapt innovations and sufficient knowledge of the international markets for these niche products.

From that perspective, an analysis of the trend between 2013 and 2023 yields ambivalent results. On the one hand, Spain has converged considerably towards the rest of the EU-27 in terms of the technological intensity of its exports. Having ranked towards the very bottom of the bloc's ranking in 2014 and 2018, it climbed to the sixteenth position by 2022. However, these positive outcomes are overshadowed by a growing trade deficit in high-tech products: year after year, Spain is becoming more dependent on technology imports. This dependence is particularly pronounced in electronics-telecommunications, computers and office machinery and scientific instruments. On the other hand, Spain is presenting modest surpluses in the armament, non-electrical machinery, aerospace and pharmaceuticals sectors, in the latter instance due to an anomalous increase in exports to Belgium.

As recently underlined by Mario Draghi (Draghi, 2024), investment in technology and productivity gains are critical to maintaining the European social model and, perhaps even the EU's very survival. In his report, Draghi proposes several specific measures, some of which target technology sectors in which Spain comes up short. Moreover, a country needs to have cross-cutting policies to foster education, R&D investment stability and better regulations, for sector-specific policies to be more effective. Although we face some truly important challenges, we have well-calibrated assessments and recommendations to turn to.

Notes

[1] Refer also to https://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an_5.pdf

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Annex

High-tech products according to the OECD and Eurostat (SITC Rev. 4)

Group	SITC Rev. 4 code	Description
Aerospace	(714-714.89-714.99)+	Aeroplane motors, excluding 714.89 and 714.99
	792.1+	Helicopters
	792.2+792.3+792.4+	Aeroplanes and other aircraft, mechanically-propelled (other than helicopters)
	792.5+	Spacecraft (including satellites) and spacecraft launch vehicles
	792.91+	Propellers and rotors and parts thereof
	792.93+	Undercarriages and parts thereof
	874.11	Direction finding compasses; other navigational instruments and appliances
Computers and office Machinery	751.94+	Multifunction office machines, capable of connecting to a computer or a network
	751.95+	Other office machines, capable of connecting to computer or a network
	752+	Computers
	759.97	Parts and accessories of group 752
Electronics-telecommunications	763.31+	Sound recording or reproducing apparatus operated by coins, bank cards, *etc.*
	763.8+	Video apparatus
	(764-764.93-764.99)+	Telecommunications equipment, excluding 764.93 and 764.99
	772.2+	Printed circuits
	772.61+	Electrical boards and consoles < 1000V
	773.18+	Optical fibre cables
	776.25+	Microwave tubes
	776.27+	Other valves and tubes
	776.3+	Semiconductor devices
	776.4+	Electronic integrated circuits
	776.8+	Piezoelectric crystals
	898.44+	Optical media
	898.46	Semiconductor media
Pharmaceuticals	541.3+	Antibiotics
	541.5+	Hormones and their derivatives
	541.6+	Glycosides, glands, antisera, vaccines
	542.1+	Medicaments containing antibiotics or derivatives thereof
	542.2	Medicaments containing hormones or other products of subgroup 541.5
Scientific instruments	774+	Electrodiagnostic apparatus for medicine or surgery and radiological apparatus
	871+	Optical instruments and apparatus
	872.11+	Dental drill engines
	(874-874.11-874.2)+	Measuring instruments and apparatus, excluding 874.11, 874.2
	881.11+	Photographic cameras
	881.21+	Cinematographic cameras
	884.11+	Contact lenses
	884.19+	Optical fibres other than those of heading 773.1
	(899.6-899.65-899.69)	Orthopaedic appliances, excluding 899.65, 899.69

High-tech products according to the OECD and Eurostat (SITC Rev. 4)

Continued

Group	SITC Rev. 4 code	Description
Electrical machinery	778.6-778.61-778.66-	Electrical capacitors, fixed, variable or adjustable, excluding 778.61, 778.66, 778.69
	778.69)+	Electrical machines, having individual functions
	778.7+	Electric sound or visual signalling apparatus
	778.84	
Chemistry	522.22+	Selenium, tellurium, phosphorus, arsenic and boron
	522.23+	Silicon
	522.29+	Calcium, strontium and barium
	522.69+	Other inorganic bases
	525+	Radioactive materials
	531+	Synthetic organic colouring matter and colour lakes
	574.33+	Polyethylene terephthalate
	591	Insecticides, disinfectants
Non-electrical machinery	714.89+	Other gas turbines
	714.99+	Part of gas turbines
	718.7+	Nuclear reactors and parts thereof, fuel elements, *etc.*
	728.47+	Machinery and apparatus for isotopic separation
	731.1+	Machine-tools working by laser or other light or photon beam, *etc.*
	731.31+	Horizontal lathes, numerically controlled
	731.35+	Other lathes, numerically controlled
	731.42+	Other drilling machines, numerically controlled
	731.44+	Other boring-milling machines, numerically controlled
	731.51+	Milling machines, knee-type, numerically controlled
	731.53+	Other milling machines, numerically controlled
	731.61+	Flat-surface grinding machines, numerically controlled
	731.63+	Other grinding machines, numerically controlled
	731.65+	Sharpening machines, numerically controlled
	733.12+	Bending, folding, straightening or flattening machines, numerically controlled
	733.14+	Shearing machines, numerically controlled
	733.16+	Punching machines, numerically controlled
	735.9+	Parts and accessories of 731 and 733
	737.33+	Machines and apparatus for resistance welding of metal, fully or partly automatic
	737.35	Machines and apparatus for arc welding of metal, fully or partly automatic
Armament	891	Arms and ammunition

The ECB's new monetary playbook

In 2024, the European Central Bank (ECB) introduced a "new monetary playbook," emphasizing the transition from a rigid rulebook to a more adaptive and flexible operational framework to address today's complex economic landscape. While not without risks, this "new monetary playbook" marks a new era, in which the ECB continually fine-tunes its approach in response to evolving economic conditions, holding fast to its commitment to long-term stability and growth.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: In 2024, the European Central Bank (ECB) introduced a "new monetary playbook," emphasizing the transition from a rigid rulebook to a more adaptive and flexible operational framework to address today's complex economic landscape. This new strategy relies on calibrated interest rate adjustments, reduced reliance on extraordinary liquidity measures, and a targeted communication strategy to better manage market expectations and reinforce confidence. Key shifts include lowering the deposit facility rate to 3.25% and adjusting the other main benchmark rates in tandem, as well as narrowing the spread between deposit and refinancing rates to encourage bank participation in short-term refinancing operations. These adjustments reflect the ECB's goal of balancing inflation control with economic growth in a volatile and globalized world, where inflationary pressures, energy stability, and fluctuating market conditions require a dynamic policy response. The next review of the ECB's operational policy is scheduled for 2026. While not without risks, this "new monetary playbook" marks a new era, in which the ECB continually fine-tunes its approach in response to evolving economic conditions, holding fast to its commitment to long-term stability and growth.

Strategic shifts in the ECB's monetary policy

The ECB's monetary policy has evolved in response to an increasingly complex and

> One of the key changes was the decision to reduce the spread between the deposit facility and main refinancing operations rates from 50 basis points to just 15 basis points.

challenging economic environment. Historically its efforts focused on controlling inflation and supporting financial stability using conventional tools such as interest rates and short-term refinancing operations. However, the ECB has been making significant adjustments to its operational framework in 2024, evidencing its transition to a more balanced and adaptive approach in an attempt to reconnect with classical principles but with the flexibility required by current conditions.

As part of this transition, it has implemented specific changes to its interest rates to facilitate transmission of its monetary policies and keep inflation in check. In October 2024, it cut its deposit facility rate by 25 basis points, to leave it at 3.25%, reducing the rates on its main refinancing operations to 3.4% and its marginal lending facility to 3.65% in parallel. This series of adjustments, embarked on mid-year, reflects a staggered strategy designed to mitigate inflationary pressures, which have in turn eased on the back of the recent let-up in wage increases and broader economic growth. Christine Lagarde, president of the ECB, has said that the monetary authority plans to continue to take a prudent stance, evaluating each step as a function of the economic data, to avoid commitments that could limit future flexibility.

In addition to lowering its rates, the ECB has modified its operational framework to optimise liquidity and reduce volatility in the money markets. One of the key changes was the decision to reduce the spread between the deposit facility and main refinancing operations rates from 50 basis points to just 15 basis points. This change, which took effect in September, is designed to give the banks an incentive to participate more actively in the ECB's weekly refinancing auctions, so reducing their dependence on less stable instruments and fostering closer alignment with conventional monetary policy tools. The rationale for these adjustments is to get the main refinancing operations to play a central role again, allowing the ECB to have a more direct influence on the system's financial stability.

Communication is also a crucial component of this "new playbook" being written by the ECB. Lagarde and the Governing Council are stressing the importance of transparency and clarity of message in avoiding misinterpretations that could destabilise the markets. In this vein, the ECB has announced that it will revise its operational framework in 2026, staying open to the possibility of fine-tuning its policies if so warranted by economic conditions. This "data-dependent" approach lets the ECB adapt to market fluctuations without committing to a rigid rate policy, so earning the public's and investor community's confidence in the effectiveness and flexibility of monetary policy.

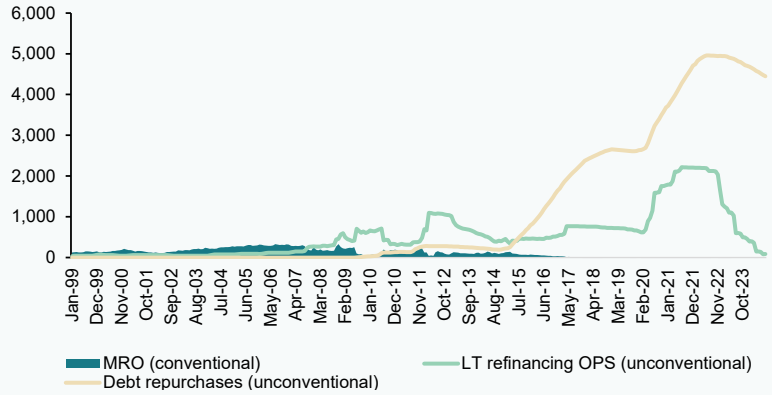
Exhibit 1 illustrates this tricky transition graphically. More specifically, it illustrates the growing influence of the deposit facility rate instead of the main refinancing operations (MRO) rate since implementation of mass-scale bond repurchase programmes in

> Lagarde and the Governing Council are stressing the importance of transparency and clarity of message in avoiding misinterpretations that could destabilise the markets.

Exhibit 1

Monetary policy liquidity windows: The challenge of returning to conventional policy

Thousands of euros



Source: Bank of Spain and authors' own elaboration.

2014. These programmes, designed to inject liquidity and stability into the markets during episodes of crisis, entrenched the use of the deposit facility and minimised the banks' need to resort to the MROs to raise short-term funding. Today, after years of dependence on quantitative easing (QE) instruments, the ECB faces the challenge of restoring the MROs to their long-standing importance in its monetary policy. The return to the classical operational framework will not be either immediate or simple, as the banks have adapted to a system in which the deposit facility rate plays a dominant role. Beyond the trend in interest rates, this exhibit therefore symbolises the difficulty in "returning to the old playbook". This transition requires gradual adjustments and a strategic approach.

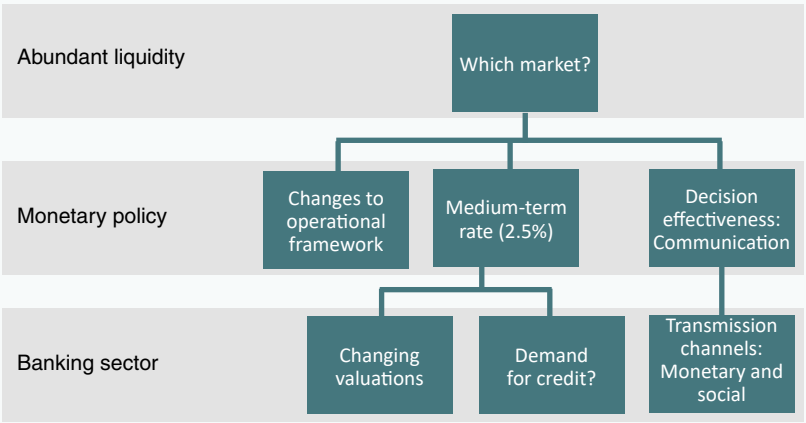
The paradox and dilemma of modern monetary policy

The recent shift in the ECB's monetary policy has not only affected interest rates. It has also exposed a core aspect of how economic policy is handled: the need to adapt the conventional tools for a financial system characterised by excess liquidity and extreme sensitivity to market movements. Against this backdrop, the ECB has had to tackle the paradox of how to apply effective measures in an economy that, despite its growth cycles, is proving markedly volatile, with inflationary pressures that are defying traditional monetary policy.

The goal now is to refocus its efforts on maintaining a balance between controlling inflation and propping up growth in an environment that has become increasingly complex. The ECB's decisions, particularly its decision to cut the deposit rate and modify its main refinancing operations within its operational framework (Exhibit 2), evidence a deliberate attempt to stabilise the money markets and reduce reliance on extraordinary instruments, such as the long-term refinancing operations that characterised the past decade. The rationale for this shift

> "The return to the classical operational framework will not be either immediate or simple, as the banks have adapted to a system in which the deposit facility rate plays a dominant role."

Exhibit 2 **Implications of the ECB's new operational framework**



Source: Authors' own elaboration.

is to reinforce the role played by the main refinancing operations and deposit facility as cornerstones of its monetary policy, providing more influence over the flow of credit making its way to the real economy.

The paradox of monetary policy today is also evident in the correlation between inflation and interest rates. In contrast to other periods of monetary easing, when rate cuts were introduced in response to weak demand, in 2024, the ECB had to adjust its policies in an environment of uncertainty around inflation, coming off a period of rampant price growth. Navigating this new territory has required meticulous planning and exhaustive analysis of the market so as not to fuel inflation by injecting too much liquidity, while providing households and businesses with borrowing terms and conditions they can afford.

The ECB's role in managing expectations has also taken on outsize importance. Market volatility and extreme investor sensitivity to any sign of change has meant that ECB communication has ceased to be a complementary tool and is now playing a key role in delivering the authority's stability goals. On several occasions, Christine Lagarde has stressed the importance of clear messages that guide market expectations towards the long-term, avoiding excessive oscillations. The narrative around rate decisions, for example, has carefully emphasised the fact that monetary policy will follow a data-dependent approach, allowing the ECB to respond to abrupt changes in the economic scenario. At present, the expectation is that rates will fall to a neutral level of 2.5% by the end of 2025.

The interest rate dilemma

The ECB's interest rate policy faces complexities in the current economic climate in which rate cuts have broader, and often contradictory, effects on the financial system. The recent rate cuts were motivated by the

> "The recent shift in ECB monetary policy exposed the need to adapt the conventional tools for a financial system characterised by excess liquidity and extreme sensitivity to market movements."

> "In a context of excess liquidity and high rates, the aim is to maintain control over short-term rates without stimulating undue growth in credit that could fuel inflation."

desire to alleviate borrowing costs and stimulate the economy. However, the move also poses the risk of rekindling inflationary pressures if the rate cuts are not doled out carefully and in harmony with the economic indicators. The ECB has decided to take a gradual approach, lowering the rate on its deposit facility by small increments so as to avoid sudden changes and foster stability around market expectations. In a context of excess liquidity and high rates, the aim is to maintain control over short-term rates without stimulating undue growth in credit that could fuel inflation. Moreover, the ECB has adopted a "data-dependent" approach to its rate decisions whereby each decision takes stock of the most recent data around core inflation, economic growth and job market conditions.

Unlike other cycles of rate cuts, this one was not prompted solely by a slump in demand or imminent recession, but also the need to stabilise an environment marked by slow growth and still-uncertain inflation patterns. This cautious approach to its rate policy reflects what the ECB has learned about the limits of its traditional tools as excessive cuts could have unintended consequences, such as pronounced depreciation of the euro or debt overload. International market volatility, shaped by geopolitical events and the impact of factors exogenous to inflation, constitutes another risk the ECB has to manage.

This approach to rate policy has also had direct consequences for consumers and businesses. For households with floating-rate mortgages, official rate cuts can bring relief, as Euribor, the rate used as the benchmark for many loans, has begun to reflect the cuts. However, the effect on mortgage costs is not always immediate and depends, largely, on loan terms and conditions (such as the timing of rate resets). For businesses, lower rates can also create space for new investments and growth, to the extent that financial conditions remain stable and predictable.

Towards more flexible monetary policy

In recent years, the ECB has had to embrace the fact that monetary policy can no longer be articulated around rigid rules or inflexible rulebooks. In a global environment marked by rapid economic fluctuations, geopolitical tensions and market volatility, the ECB has opted to pursue a flexible strategy that combines conventional tools and new approaches. This flexible approach responds to the need for monetary policy not only to control inflation but also to stand ready to tackle structural shifts in the European and world economies.

One key characteristic of this adaptive policy is the ability to adjust interest rates and refinancing operations more responsively, considering a wide range of macroeconomic data, including core inflation, labour market metrics and general financial stability. This more flexible vision allows the ECB to move faster in the event of unanticipated

> "Unlike prior policies that concentrated on internal indicators, this new flexible monetary policy takes stock of new inputs such as energy stability, commodity prices and fluctuations in key currencies."

> “This flexible model is not a definitive solution, but it marks the start of a path in which a permanent attitude of prudence and adaptability is needed to tackle global challenges, from geopolitical fluctuations to financial market transformation.”

developments, without relying exclusively on predictive long-terms models that may prove insufficient in today’s volatile environment. As part of this transition, the ECB has sought to rely less on extraordinary tools such as the massive repurchase of assets, focusing more on effective use of its interest rates and liquidity operations. Whether or not these policies are transmitted in the intended manner and with the desired intensity and timeliness is another matter entirely.

In addition to recalibrating its toolbox, the ECB has factored external factors into its analysis. Unlike prior policies that concentrated on internal indicators, this new flexible monetary policy takes stock of new inputs such as energy stability, commodity prices and fluctuations in key currencies. This allows the ECB to anticipate more accurately the possible impacts of international events, from trade wars to energy shortages, and respond with specific measures that mitigate the identified risks more effectively.

Another important component of this flexibility is the ability to revise the operational framework periodically. This process of continuous fine-tuning means that the ECB will evaluate the effectiveness of its policies and redefine the parameters it considers central to its monetary strategy at regular intervals. For example, the next revision of its operational framework is scheduled for 2026. During that exercise it will analyse the results of the decisions taken since 2024 and make any adjustments needed to reinforce stability in the long-term.

Conclusions

The ECB has demonstrated in recent years that monetary policy, in an increasingly interconnected and volatile world, requires constant fine-tuning. This “new playbook” does not represent a return to what worked in the past but rather a recalibration that combines the lessons learned with tools redesigned to tackle the contemporary challenges. From rate adjustments and the operational framework to the importance of clear and strategic communication, the ECB has taken significant steps towards a policy that can address both stability demands and the need for economic growth.

This flexible model is not a definitive solution and there are no guarantees of unimpeded success. To the contrary, it marks the start of a path in which a permanent attitude of prudence and adaptability is needed to tackle global challenges, from geopolitical fluctuations to financial market transformation. In a climate in which every decision can have deep and far-reaching implications, the ECB appears to be committed to a strategy that prioritises stability and public trust.

This “new monetary playbook” is, in essence, a declaration of the ECB’s ability to evolve. In a context in which certainties are increasingly scarce, the ECB is saying that its mission is to be as dynamic as the times it is navigating and that monetary policy, far from a closed book, should be rewritten tirelessly in response to unfolding, prevailing challenges.

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Countercyclical capital in Spanish banks: A review in the context of capital buffers

In efforts to achieve convergence with EU supervisory standards and in response to recommendations from the European Systemic Risk Board (ESRB), the Bank of Spain has recently announced significant revisions to the countercyclical capital buffer (CCyB), increasing it gradually from 0% at present to 1% by year-end 2026 and introducing greater flexibility. The changes highlight the need to recalibrate Spain's CCyB, taking into account potential tensions between micro and macro perspectives, to allow for greater adaptability in response to the economic cycle.

Ángel Berges, Jesús Morales and Javier Restoy

Abstract: The Bank of Spain recently announced significant changes to the countercyclical capital buffer (CCyB) as part of a process of ongoing convergence with the European supervisory standards and at the recommendation of the European Systemic Risk Board (ESRB), the institution tasked with issuing macroprudential supervisory guidelines in the eurozone. Framed by the move to increase the buffer rate from 0% at present to 1% in two stages (the first by year-end 2025 and the second by year-end 2026), the new buffer will feature a much more important modification – the requirement to set the neutral buffer rate at 1%, from where it can be increased, but also the possibility of releasing the buffer when warranted by an episode of crisis. These modifications of the CCyB are just the first step in a higher-level review of capital buffers,

> “The Bank of Spain’s recent decision to set the neutral countercyclical buffer rate at 1% marks an inflection point in the country’s macroprudential policy.”

framed by dual micro and macroprudential dimensions, designed to reinforce banking system resilience. The changes highlight the need to recalibrate Spain’s CCyB, taking into account potential tensions between micro and macro perspectives, to allow for greater adaptability in response to the economic cycle. As well, going forward, stress tests should be a crucial part of the toolkit for linking the two perspectives, particularly when determining and redefining the P2G requirement. Nevertheless, the tests existing weaknesses, such as the static balance sheet assumption or the failure to consider the probability of occurrence of the scenario analysed, should be addressed by reforms in order to deliver both financial stability and economic efficiency.

Foreword

The Bank of Spain’s recent decision to set the neutral countercyclical buffer rate at 1% marks an inflection point in the country’s macroprudential policy. The announcement signals the start of a gradual increase, with a buffer of 0.5% required by October 2025, followed by an additional 50bp increase by October 2026. This move provides an excellent opportunity to assess the effectiveness and drawbacks of the countercyclical capital buffer for banking regulation purposes.

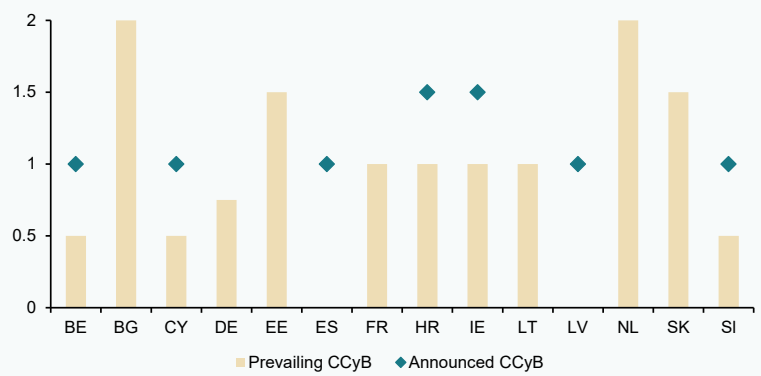
It is worth noting that the European Systemic Risk Board (ESRB) had explicitly recommended a positive neutral countercyclical capital buffer, prompting several European countries to introduce this change already. The early activation of these mechanisms has been advised so as to foster the stability and efficiency of the financial system.

The countercyclical buffer is a key macroprudential policy instrument. Its

Exhibit 1

Countries with CCyB in place

Percentage



Source: ESRB.

> “Given that the Spanish financial system plays an outsize role in financing the real economy, a positive CCyB gives the banks additional room for continuing to lend money in times of adversity, preventing excessive credit contractions during cyclical downturns.”

main purpose is to create a flexible capital buffer that can be adjusted in line with evolving economic conditions. The aim is to increase capital requirements during periods of economic growth to curb excessive credit growth and facilitate their reduction during recessionary episodes in order to stimulate lending and support economic recovery.

The Bank of Spain believes that a positive neutral countercyclical buffer is not harmful for several reasons and can even be beneficial for the Spanish economy at present:

- *Spain's financial cycle is very volatile:* The Spanish economy is characterised by financial cycles marked by more pronounced phases of growth and contraction than other European economies. A positive CCyB provides a reserve of capital that can released to cushion the negative effects of contractions and decouple credit cyclicality. Early activation of this buffer, in anticipation of problems, rather than in response to their materialisation, reduces the severity of recessions.

- *Importance of the banking sector in financing the economy:* The Spanish financial system plays an outsize role in financing the real economy. A positive CCyB gives the banks additional room for continuing to lend money in times of adversity, preventing excessive credit contractions during cyclical downturns.

- *Historical experience and empirical evidence:* Recent evidence shows that the banks are reluctant to dip into their non-releasable capital buffers to absorb losses during recessions. This phenomenon can lead to procyclicality. A positive CCyB could help prevent this pattern by ensuring the availability of a buffer that can be released if needed.

- *Spanish and international macroeconomic context:* The IMF's recommendations and the ECB's approach to the build-up of releasable macroprudential space support this measure. The global climate of uncertainty reinforces the advisability of putting this buffer in place.

- *Gradual build-up implies reduced costs:* The cost of building up a positive neutral CCyB is low, particularly if done gradually. The benefits of having this capital buffer which can be released during adverse episodes easily outweigh the costs.

The modus operandi for the CCyB proposed by the Bank of Spain over the macro-financial cycle can be summed up as follows:

- *Phase 1 (Low risk |systemic risks have already materialised):* The CCyB is equal to zero. The Bank of Spain would make public its expectations regarding the reactivation of this buffer, which would not take place until cyclical systemic risks had reached a standard level.

- *Phase 2 (Standard risk):* The CCyB is built up gradually, in quarterly increments or multiples of 0.25 percentage points until it reaches 1%. Its build-up is gradual and decisions can be modified or reversed as new information becomes available. The goal is to lift the buffer to 1% within a defined timeframe (of two years, for example).

- *Phase 3a (High risk):* If system vulnerability increases significantly or systemic risks are expected to have a bigger impact, the CCyB would be raised to above 1%.

- *Phase 3b (Risk materialisation):* If the risks materialise, the CCyB built up will be released, in part or in full, so that the banks can absorb losses.

- *Phase 4 (Return to standard risk):* Once the crisis is over and risk is considered back at standard levels, the CCyB is gradually rebuilt until it reaches the neutral 1% rate once again.

In essence, the way the CCyB works is dynamic and flexible. It starts with gradual build-up in a situation of standard risk, allows a flexible response to increases in risk or materialisation thereof and ends after a crisis with gradual rebuilding to the neutral rate of 1%. The main goal is to act as a countercyclical buffer, preventing procylicality and shoring up the financial system's resilience.

Despite its theoretically well-defined purpose, the countercyclical buffer's design bumps up against certain challenges that limit its effectiveness at smoothing the credit cycle.One of the main issues is its asymmetrical impact during different phases of the economic cycle. Studies and observations (refer to Restoy and Berges ,2021) have found that whereas the buffer is fairly effective at containing credit growth during times of economic overheating, its ability to stimulate credit during periods of recession is considerably lower. This asymmetry raises questions about how to best design and implement the buffer so as to serve its purpose during upswings and downswings alike.

This asymmetric performance by the CCyB can be understood by looking at several factors intrinsic to the credit market and efficiency of the financial markets. Those factors explain why the buffer works differently at different stages of the economic cycle.

Utility of the countercyclical buffer

Does supply or demand drive the credit cycle?

Firstly, the observed asymmetry can be attributed to how the credit market works. The traditional theory behind the countercyclical buffer presumed that the credit market is mainly supply-driven, *i.e.,* driven by the supply of credit offered by the banks. It was assumed that when capital requirements are reduced, the banks are more willing to increase their supply of credit.

Recent experience, however, suggests that the credit market may in fact be more demand-driven. In a recessionary climate, even if capital is released on the back of lower requirements, the downturn in macroeconomic conditions and expectations often undermines demand for credit. This means that from the banks' point of view, the little credit in demand is neither attractive nor lucrative, so limiting the impact of the capital release. In other words, the assumption that the market is supply driven does not always hold during episodes of recession, limiting the countercyclical buffer's ability to stimulate credit.

Interlinkage with economic capital

A second reason for the observed asymmetry lies with how the banks manage their economic capital in a context of efficient financial markets, whereby the banks and investors set a level of economic capital adjusted for the nature of the entity's business, irrespective of regulatory capital requirements. Through this lens, the existence of adjustable capital requirements will be irrelevant if the banks are holding more economic capital than is required of them for regulatory purposes. Therefore, a sufficiently intense increase in regulatory capital requirements can always restrict banking activity. On the other hand, if the reduced capital requirement lies below the economic capital threshold set internally by the bank, the release will not be effective at stimulating lending activity.

That being said, this second argument is weakened by how the market really works, which is not always perfectly efficiently. Often times, economic capital is calculated as a spread over regulatory capital, adjusted for each entity's specific circumstances. So, when capital requirements are eased during a recession, economic capital can be reduced

> "CCyB design flaws meant that during episodes of recession that did not follow a period of overheating, the banks did not have any capital that could be released to stimulate credit."

by an equivalent amount, which should, in theory, stimulate the provision of credit.

In Spain, there is evidence in defence of the utility of countercyclical buffers. In fact, the literature points to a more intense positive impact when they are released than the contractionary impact during their build-up (refer to Broto y Galán, 2021).

Beyond the possible fundamental, almost philosophical, problems around the mere definition of countercyclical buffers as a tool, there are specific design questions that affect the utility of this instrument. Those questions relate to how this tool is perceived and used in the context of bank regulations.

Countercyclical buffer design issues

The way the countercyclical buffer is designed presents several practical challenges. One of the main issues has been its "usability". Until the recent reforms announced by the Bank of Spain, the countercyclical buffer was set at a neutral rate of 0% in normal economic conditions. That design meant that during episodes of recession that did not follow a period of overheating, the banks did not have any capital that could be released to stimulate credit. The Bank of Spain's decision to set the buffer at 1% in neutral circumstances stems directly from that limitation: the aim is to provide the banks with a higher buffer for use in the event of recession.

Despite this design improvement, there isstill an important impediment to using the buffer as a broader regulatory tool. The key issue is that using a single tool to deliver macro and microprudential objectives poses a dilemma, especially during recessionary periods. During a recession, the macroprudential goal of stabilising the financial system and the microprudential goal of guaranteeing the stability of each entity could come into conflict.

In the current framework, the microprudential and macroprudential authorities share the goal of making the financial system more resilient but their approaches can take different tacks. During periods of economic growth, supervisory measures can be reinforced by macroprudential policies that increase the banks' capital requirements to protect the system from rising risks and curb the supply of credit. During recessions, however, divergent perspectives may arise. The banking supervisors tend to focus their attention on the stability of the individual banks, whereas the macroprudential authorities worry about the risk of excessive deleveraging that could exacerbate the crisis. This can lead both authorities to use their tools to counteract policies considered too strict or lax by the other party, creating friction and inconsistencies at the policy level.

The countercyclical buffer and the stress tests

Several reforms have been suggested for tackling these complexities. The Bank of International Settlements (BIS)

> "During a recession, the macroprudential goal of stabilising the financial system and the microprudential goal of guaranteeing the stability of each entity could come into conflict."

> “The Bank of International Settlements (BIS) Financial Stability Institute (FSI) has suggested modifying the buffer system to include a component under Pillar 2, adapted for each financial institution’s individual profile.”

Financial Stability Institute (FSI) has suggested modifying the buffer system to include a component under Pillar 2, adapted for each financial institution’s individual profile. This approach would allow specific adjustments to factor in the idiosyncrasies of each institution, facilitating more efficient management of the simultaneous prudential objectives. In the EU, this role is played by the Pillar 2 Guidance (P2G), a requirement that emerges from the individual assessments of the various banks as part of the stress tests conducted by the European Banking Authority (EBA).

The use of this Pillar 2 component from this dual perspective – micro and macroprudential – provides an extra layer of flexibility and personalisation, potentially mitigating the conflicts between macroprudential and microprudential goals. This approach would take stock of the need for greater tailoring of regulatory practices, adjusting capital requirements for the specific characteristics and risks of each bank, thereby optimising their impact during different phases of the economic cycle.

To maximise harmonisation between the Pillar 2 Guidance and macroprudential approach of the countercyclical buffer, it is vital to revisit and fine-tune the economic scenarios modelled for stress-testing purposes. The scenarios are what should serve to make the two tools compatible, ensuring a P2G requirement that adequately factors in the considerations related to the economic cycle. This would not only reinforce the banks’ capital planning processes but would also ensure a coordinated response to economic fluctuations, so supporting financial stability in the long-run.

At this juncture, we need to analyse the problems inherent to how the stress tests are currently configured. The design and assumptions underlying these tests need to be revisited in order to accurately capture the real-world economic and financial dynamics. A rigorous and flexible approach is needed to ensure that these scenarios are not only theoretical but also practical and relevant for prevailing conditions.

Here it is worth pausing to assess the ways in which the stress tests have been adapted for the European banking universe since the Single Supervisory Mechanism (SSM) was created. Since 2014, the EBA has conducted five rounds of stress tests to evaluate the impact on the banks’ capital of stressed scenarios considered low probability yet plausible that would have a significant adverse impact on the institutions.

The testing methodology has been adapted over the years to factor in developments in accounting and prudential regulations, such as the introduction of IFRS 9 in 2018 or the completion of Basel III in 2025, and to reflect certain ad-hoc developments in the business environment, such as the treatment of moratoria and public guarantees during the COVID-19 crisis.

Until 2016, the EBA used a ‘pass or fail’ stress testing system articulated around the banks’ ability to maintain common equity tier 1 (CET1) capital above the minimum thresholds set by the regulator in the scenarios modelled.

For the 2014 tests, the EBA set a pass-fail cutoff for CET1 of 8% in the baseline scenario and 5.5% in the adverse scenario. Failure to meet one or both thresholds meant the banks failed the tests and were required to

announce credible measures for recapitalising in the short-term.

Since 2016, when the EBA discontinued the pass or fail approach, the results of the European stress tests are used by the supervisors to help determine the banks' minimum Pillar 2 capital requirement. Specifically, the supervisor sets different ranges for CET1 depletion in the adverse stress test scenario which are paired with minimum and maximum P2G top-up requirements. Specification of a higher or lower capital requirement for a given range of capital depletion in the adverse scenario reflects circumstances specific to each individual bank, such as its risk profile or the year in which its capital ratio reaches its lowest level during the stress test time horizon.

The above regulatory and methodological adjustments have reinforced the role of the stress tests as a standardised tool for assessing the stability of the financial system. However, there are still some limitations, such as the static balance sheet assumption, the lack of idiosyncratic or business scenarios and the failure to address emerging risk factors [1] that would make the tests more robust.

Elsewhere, the current European stress testing methodology is based on a predetermined level of severity that does not always reflect changing market conditions or the dynamics of the economic cycle. Insofar as the goal is to capture the potential risks on the economic horizon, this approach may be handicapped by failing to take stock of changes in the probability of occurrence of disruptions in the credit market.

Taking a probability-based approach to the scenarios could provide more value, particularly during recessionary episodes, when the likelihood of significant credit disruptions diminishes, which should in turn influence both the microprudential and macroprudential approaches.

Under this approach, the microprudential buffer could be adapted to better capture the effects of the cyclical position on the financial system, paving the way for opportune adjustments to the capital requirements based on the results of the stress tests. By so doing, there would be less pressure to reduce the macroprudential buffer, as the two mechanisms could operate in harmony, diminishing potential tensions between micro and macroprudential policies.

Transitioning towards a probability-based approach to scenario modelling would not only enrich the tests' predictive capacity but would also bring about greater cohesion between the microprudential and macroprudential perspectives. This change would deliver two fundamental objectives for the macroprudential authority and the supervisors: the financial system would be better prepared to absorb shocks, taking advantage of cyclical dynamics to streamline capital requirements, while also fostering lending and economic stability in the long-term.

The proposed changes to the current stress-testing system seek to mitigate the bias towards an excessively restrictive scenario focused on extremely adverse scenarios, without factoring in their probability of occurrence, and the static balance sheet assumption, which underestimates the banks' ability to respond to these scenarios. This overly restrictive approach may be counterproductive for the banks, preventing a more balanced

“ Transitioning towards a probability-based approach to scenario modelling would not only enrich the tests' predictive capacity but would also bring about greater cohesion between the microprudential and macroprudential perspectives. ”

risk assessment. The idea is, therefore, to integrate a "pro-growth" perspective that lends itself to a more dynamic and realistic risk assessment, while also fostering policies that facilitate financial reactivation and stability in the long-term, which are critical for processes such as the (de)activation of the countercyclical capital buffer.

Notes

[1] So far, the EBA stress tests have not embraced macroprudential approaches based on the measurement of emerging risk scenarios. Climate and cybersecurity risks were analysed by the European Central Bank in specific stress tests in 2022 and 2024. Those tests, which rely on methodology that differs considerably from that used by the EBA in its bi-annual tests, carry out isolated assessments of those risks and until now have been focused on evaluating the banks' ability to collect data and develop methodologies. In the future it would be better to integrate their assessment within the EBA's financial stress tests to include in-depth analysis of the linkages that exist between the materialisation of emerging risks and other adverse scenarios with an impact on the macroeconomic environment and on the banks' business.

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Regional financing reforms and the Catalan agreement

The recent fiscal agreement reached with Catalonia seeks to increase the region's fiscal autonomy, bringing with it the potential to reshape Spain's autonomous financing framework. Nevertheless, while implementation faces challenges, it underscores the need for comprehensive debate on the future of Spain's interregional equity and fiscal stability.

Santiago Lago Peñas

Abstract: The recent agreement reached between Catalonia's Partit dels Socialistes de Catalunya (PSC) and Esquerra Republicana de Catalunya (ERC) marks a potential shift in Spain's regional financing model, aiming to enhance Catalonia's fiscal autonomy while minimizing interregional redistributive flows. Key proposals include transferring the administration of all taxes collected in Catalonia from the central government to the regional tier and establishing a "Catalan contribution" to offset reduced central taxation power. Financial projections indicate that Catalonia's per capita financing would substantially rise. More broadly, however, the agreement could lead to structural changes in Spain's decentralization framework, reducing central government fiscal capacity and potentially influencing other regions to pursue similar autonomy arrangements. While the agreement faces implementation challenges, including the need to reform basic legislation and address the risks of increased tax competition and fiscal fragmentation, it ultimately underscores the need for comprehensive debate on the future of Spain's interregional equity and fiscal stability.

“The deal reached significantly reinforces the regional government’s autonomy, to the point of minimising the state’s room to tax in Catalonia.”

Foreword

On 30 July 2024, two Catalan political parties, Partit dels Socialistes de Catalunya (PSC) and Esquerra Republicana de Catalunya (ERC) struck an agreement to inaugurate the socialist party’s candidate as the president of the regional government of Catalonia (PSC & ERC, 2024). A core part of that agreement has to do with the region’s funding.

The deal reached significantly reinforces the regional government’s autonomy, to the point of minimising the state’s room to tax in Catalonia. In addition, the preliminary analyses (De la Fuente, 2024b) point to a substantial reduction in today’s interregional redistributive flows, with Catalonia benefitting from the new scenario. Nevertheless, the inauguration document leaves important matters undefined, impeding an accurate quantification of its impacts and obliging us to resort to simulation of a series of alternatives making different assumptions about several aspects of the agreements. Moreover, its implementation will require amendments to organic laws, involving a debate in the Congress of Deputies and absolute majorities at a time when votes are highly fragmented.

The goal of this paper is to analyse the agreement and its implications. To do so, we briefly review its core aspects, take a look at its potential financial consequences, identify other economic derivatives of the agreement and, finally, debate some of its broader implications for Spain’s current subnational government system.

The contents of the agreement

As far as the regional financing regime is concerned, the core goals of the agreement between PSC and ERC are to achieve full financial autonomy for the Catalan regional government, prioritise bilateral relations between the regional and central governments, and obtain a substantial increase in funding for Catalonia by reducing its contribution to other regions of Spain. To deliver these three goals, the parties have agreed on the following two fundamental changes to the existing model:

a) Replacement of the state tax authority (AEAT) with the Catalan tax authority (ATC) for the management, collection, settlement, and inspection of all taxes borne in Catalonia, giving the regional government significantly greater regulatory power. The handover would be implemented on a staggered basis, starting with personal income tax in 2025.

b) To offset this withdrawal by the central government, the idea is to create a “Catalan contribution to the state’s finances”, made up of two components: (i) a contribution to the central government’s expenditures; and (ii) a contribution to the interregional equalisation system (a

“The core goals of the agreement are to achieve full financial autonomy for the Catalan regional government, prioritise bilateral relations between the regional and central governments, and obtain a substantial increase in funding for Catalonia by reducing its contribution to other regions of Spain.”

> “ The impact in the medium-term is expected to be in the range of 6.6 billion and 13.2 billion euros, which would imply increasing the regional government’s like-for-like financing per capita by between 25% and 50%. ”

“solidarity” contribution as it is termed in the agreement) which would be limited by the “no reordering principle”. In other words, Catalonia’s position on the regional ranking must be the same before and after the equalisation payments.

The combination of these two changes looks similar to the special regional tax regimes in place in the Basque region and Navarre, albeit with certain differences. Firstly, in the case of Catalonia, the agreement states that the region will continue to contribute to the regional equalisation system, albeit in an as yet undefined amount. Secondly, the ultimate scope of the tax regulation powers to be delegated to the Catalan regional government has yet to be specified. The lack of definition in both instances will have to be resolved via a later negotiation process and then written into law, adding uncertainty around their implementation.

The scale of the changes agreed means having to amend organic laws in the Congress of Deputies, which would, in turn, imply having to garner the support of at least 176 deputies, a threshold that might be hard to reach considering the diversity of public positions around regional financing.

Financial consequences of the agreement

The lack of definition described in the previous section makes it impossible to accurately estimate what impact effective implementation of the agreement might have. What we can do is quantify scenarios making assumptions for some of the inputs, most importantly the region’s “solidarity” contribution to the rest of Spain. De la Fuente (2024a) has already run some scenarios for the economic impact on the Catalan and Spanish treasuries. He assumes that the size of the intraregional contribution will be set as a function of the Catalan regional government’s deficit reduction target in 2023. By his calculations, the impact in the medium-term would range between 6.6 billion and 13.2 billion euros, which would imply increasing the regional government’s like-for-like financing per capita by between 25% and 50%, starting from an index per capita (relative to the average) of 101 in 2022.

Fernández Leiceaga and Lago Peñas (2024) use a different approach to run their scenarios. Under the terms of the agreement, the Catalan treasury would be allocated all taxable income generated in its territory in 2022 and would be expected to contribute to the state government’s expenditure in proportion to its gross domestic product (GDP). The Catalan tax authority would increase its net income by 5.28 billion euros and its adjusted financing index per inhabitant would increase to 120, the average being 100. If the contribution to the central government’s expenditure were calculated in proportion to its population, the figures above would increase to 9.04 billion euros and an index of 135, respectively. In both instances, implementing a “solidarity” contribution would decrease the figures proportionately. For example, if the Catalan contribution to interregional equalisation under the new system were 50% of its contribution under the current system, the top-up for the Catalan treasury would be 2.64 billion euros if the contribution were calculation as a function of GDP and 4.52 billion euros if it were estimated based on the population of Catalonia.

In addition, the authors simulate what would happen if the Catalan arrangement were applied across the board to all of Spain’s autonomous regions. Without any

> If the arrangement applied in Catalonia was applied to all regions, financing in Madrid would increase to an index of 151 relative to the average, while funding in Extremadura, which is at the opposite end of the spectrum, would fall to 67.

redistribution and assuming that the regional contributions to government spending are calculated based on GDP, the movements in adjusted financing per inhabitant would be disruptive. Financing in Madrid would increase to an index of 151 relative to the average, while funding in Extremadura, which is at the opposite end of the spectrum, would fall to 67. The index in the Balearics would be 134.

In short, no reform until now has had anything like the impact on the relative position of an autonomous region as that proposed under the Catalan agreement.

Additional economic effects

The economic ramifications of extending the new financing arrangements nationwide are not limited to the immediate financial effects estimated in the section above. Specifically, a nationwide application presents the following risks and problems (Fernández Leiceaga and Lago Peñas, 2024):

- The central government currently faces a structural deficit in funding its responsibilities, which are very important and require sufficient budgetary coverage, and in honouring its unavoidable payment commitments (García Díaz, 2024). As for the first set of responsibilities, we are talking about transfers to social security to finance pensions; fundamental public goods such as national defense, citizen protection, and justice; the overall infrastructure policy and necessary initiatives in industry and energy, culture, R&D and agriculture, to mention a few. As for the second universe of obligations, they include the interest due on the country's public debt, transfers to the local governments and contributions to the European Union. Increasing the regional governments' tax autonomy and funding cannot sidestep this reality.

- Reducing the central government's tax capacity in respect of a growing portion of Spanish territory would limit its ability to respond to asymmetric adverse shocks in line with those that have materialized over the last 15 years. The loss of central government autonomy would also move the country further from an integrated and homogeneous nationwide fiscal system, beyond the autonomy exercised by the subnational governments.

- A reduction in the central government's fiscal capacity without a corresponding transfer of financial liabilities would also harm the balance between the volume of debt borne by the central government and the tax base underpinning it. This would affect Spain's sovereign bond credit ratings.

> Reducing the central government's tax capacity in respect of a growing portion of Spanish territory would limit its ability to respond to asymmetric adverse shocks in line with those that have materialized over the last 15 years.

- There is no precedent among the main federal countries in the OECD for the transfer of 100% of personal income tax. Its transfer would curtail the ability to define, at the highest level, the progressiveness of the Spanish tax system and common distributive criteria, to implement measures for application in an equal fashion to the entire population and tackle asymmetric crisis at the regional level.

- Territorial fragmentation of tax management would complicate the collection processes and control of fraud. Highly advanced and efficient information-sharing and coordination mechanisms would be required, although this may not be realistic. The reality is that today we do not have these mechanisms for the taxes that are already being managed by the regional tax authorities and the experience concerning coordination between the Navarre and Basque treasuries and the AEAT is far from ideal.

- The transfer of corporate income tax along with regulatory powers to the regional governments would open the door to potentially harmful tax competition, increase compliance costs for taxpayers, and heighten the risk of tax fraud.

Implications for Spain's system of subnational government

Taking a historical perspective, the agreement between PSC and ERC would lead to changes in the regional financing system that are different in nature to those derived from the reforms undertaken to date. In the past, the reforms introduced paved the way for increasingly shaping the concept of the regional treasury as a federal treasury. With each round of reforms, progress was made in reinforcing the regional governments' tax autonomy and tax management space, alongside the recommendations emanating from the theory of fiscal federalism and the shared experiences of comparable federal countries. [1] Unquestionably, problems remain, and multiple adjustments are needed. The White Paper drafted in 2017 identified them and suggested solutions. The Catalan concert is another scenario. It is important to underline this fact.

Some analysts believe that the agreement sets limits for the proposed reforms and that it would be possible during the process of pinning it down to make it fit with the logic presiding over the current "common" regional financing regime (outside of Navarre and the Basque region). The difficulty with that in practice is that the votes of one of the parties (ERC) are fundamental not only for the stability of the government in Catalonia but also for the passage of the general state budget for 2025, as well as for many of the initiatives under debate in Congress. As a result, the room for straying from ERC's positions in defining the details of the agreement is limited. At any rate, the text agreed in July is the only tangible thing that can be debated and used to generate simulations and implications at present. And that agreement implies a shift towards a model more akin to a confederation in which the parts and not the whole become the protagonists. The exercise of tax powers would be effectively transferred to the regional government under the agreement, with the central government becoming subsidiary in fiscal matters. It turns the current situation on its head and makes the central treasury look more like the regional treasuries in the 1980s: a treasury financed via grants.

Thirdly, if the spirit of the agreement prevails, other regions would have strong incentives to ask for a similar arrangement. Both Madrid and the Balearics would stand to benefit financially from a similar agreement in their regions. Even in Galicia, a net beneficiary under the current interregional redistribution scheme, the nationalist political party, BNG, has already staked its claim. Mainstreaming the new arrangement would not only undermine interregional equalisation but would also reduce the central government's fiscal capacity. And that is what really sets this agreement apart. Even in the US, where there is no explicit interstate redistribution system like there is in Spain, Switzerland, Canada, Australia, and Germany, the federal government reserves broad tax powers over the union and has its own sources of funding

to implement compensatory policies of various kinds. In the opposite scenario, in which the agreement does not prosper, it would become the benchmark for a broad social and electoral majority for years to come in Catalonia, complicating a return to a scenario of multilateral negotiations around regional financing, putting an issue the Catalan government has been dodging for a decade on the agenda.

The regional financing proposal at the heart of the agreement between PSC and ERC affects Spain's model of decentralisation. Its implementation on the terms drafted would imply a turning point for the regional financial system, for the current asymmetries, for the vertical distribution of power, and for relations between the central and regional governments. The decisions finally taken need to guarantee that the preferences of the majority of Spaniards remain aligned with Spain's subnational government model, making a prior broad and well-informed debate about its effects and implications a prerequisite.

Notes

[1] Refer to the papers by Lago Peñas (2021) and Cadaval *et al.* (2024).

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Ten years of AIReF: A comparative evaluation

In its first ten years of operation, Spain's Independent Authority for Fiscal Responsibility (AIReF) has helped support the functioning of the country's fiscal policy, enhancing transparency and economic governance. While there are still several areas where AIReF could be improved, the institution's performance is increasingly in line with international standards of good practice across IFIs. [1]

George Kopits

Abstract: In response to the Global Financial Crisis, an increasing number of countries worldwide adopted independent fiscal institutions (IFIs) to promote good governance in public finances with a view to preventing repetition of such a crisis. By the mid-2010s, all euro member states were required to create IFIs. In Spain, the Independent Authority for Fiscal Responsibility (AIReF) was established as part of a comprehensive legislation consistent with the EU rules-based fiscal framework. Indeed, over the past decade, AIReF has contributed to the enhancement of transparency and economic governance as regards Spain's fiscal policy, with a mandate to monitor not only the central government, but also the subnational governments – in practice a unique function among IFIs. Nevertheless, there is scope for improvement in areas such as formalizing budgetary costing of policy proposals, developing fiscal risk assessment, and assuming the role of official macro-fiscal forecasting. In addition, AIReF's effectiveness should be strengthened by securing timely and full access to the government database and forecasts, which may not always be easy to achieve. Despite these challenges, AIReF's performance is increasingly in line with international good practices across comparable IFIs.

> Effective 2014, AIReF has been endowed with a broad mandate that includes monitoring compliance with the rules-based fiscal framework prescribed by the EU Stability and Growth Pact (SGP).

Background and context

Legislative enactment of AIReF, [2] effective 2014, endowed the institution with a broad mandate that includes monitoring compliance with the rules-based fiscal framework prescribed by the EU Stability and Growth Pact (SGP). In turn, the SGP requirement for IFIs in the euro area, including in its recent reform, has been inspired by the Principles for Independent Fiscal Institutions, promulgated by the OECD (OECD, 2014).

In fact, the OECD Principles for IFIs have become the normative standard of good practice for IFIs within the EU. The nine principles (local ownership, independence and non-partisanship, mandate, resources, relationship with the legislature, access to information, transparency, communication and external evaluation) have been broadly reaffirmed most recently by the European Council for regulation by the European Parliament (European Council, 2024: Art. 22). According to the regulation, besides following the Principles, IFIs in the euro area are required to monitor government compliance with the expenditure rule, as well as the reference values for government deficit and debt; to review the medium-term national structural-fiscal plans; and to endorse or prepare the macroeconomic forecasts underlying the official fiscal forecasts.

Beyond the common denominator of achieving transparency and independence in public finances, there is significant heterogeneity among IFIs in terms of structure and functions. [3] As regards structure, while some IFIs are stand-alone bodies, others are nominally attached to the government, the legislature, the central bank, or the audit authority – without affecting their operational independence. Some are headed by a single leader; others consist of collegial leadership. A few are large; the majority are small in size. The scope of most is limited to the national government, others cover subnational governments as well. The enabling statutory basis ranges anywhere from government decree to constitutional law. Despite some variation in mandate (budgetary forecasting, costing of policy proposals, long-term sustainability analysis, risk assessment, policy advice), by now practically all IFIs in the euro area endeavor to comply with requirements regarding preparation or endorsement of macroeconomic forecasts and assessment of compliance with the fiscal framework.

Since its inception, AIReF's structure broadly conforms with the other EU IFIs and observes good practices. [4] A competent staff, headed by a professional president appointed by the legislature, are charged with macro-fiscal analysis and forecasting, debt sustainability assessments, and policy evaluations.

> AIReF is unique worldwide in that it exercises an effective surveillance role encompassing the entire public sector, including all subnational governments (autonomous communities and municipalities) given more than half of their share of general government expenditures.

> “AIReF issued a critical assessment of the government’s official macroeconomic forecasts for 2025-26, granting only a qualified endorsement, pursuant to the obligation under the new EU fiscal framework.”

Given its proven track record, AIReF seems well-equipped for surveillance and forecasting under the reformed framework.

Meanwhile, AIReF is unique worldwide in that it exercises an effective surveillance role encompassing the entire public sector, including all subnational governments (autonomous communities and municipalities) given more than half of their share of general government expenditures. In fact, AIReF’s subnational mandate extends far beyond the merely nominal surveillance over subnational jurisdiction by three other IFIs (Austria, Belgium, Germany). Notably, outside the EU, in two major federal systems (Canada and the US) the IFIs lack altogether such a mandate. Also unique is the financing of AIReF largely from fee-for-service payments by subnational governments. In any event, the institution has met a rapidly increasing number of requests for policy analysis and technical assistance from subnational governments; consequently, it has a much larger staff than most other EU IFIs.

Core functions

Operational independence

Over the past decade, the majority of IFIs have made significant progress gaining a reputation for independence and competence. Whereas many had a chance to prove their operational independence and technical competence, few have been called upon to confront a government that intends to ignore a critical evidence-based opinion of the IFI, supported by statutory requirement. In the course of 2022, for example, three IFIs stood out as having been thus challenged. In Portugal, Slovakia, and the United Kingdom, the IFIs refused to go along with the government’s attempt to fast-track the legally mandated budgetary process and without IFI monitoring. In all three cases, the IFI prevailed, and the government was forced to back down, establishing a valuable precedent in each country. [5]

Albeit less spectacular, recently, AIReF issued a critical assessment of the government’s official macroeconomic forecasts underlying its budget bill for 2025 and its medium-term 2025-26 structural-fiscal plan. Hence, because of the lack of information on the nature of the measures incorporated in the budget and the plan, AIReF granted only a qualified endorsement, pursuant the obligation under the new EU fiscal framework (AIReF, 2024b).

In addition to its proven operational independence, AIReF is a nonpartisan institution, unlike the bipartisan IFIs in Austria, Belgium, and Germany, which are in essence corporative bodies consisting of government officials (including at subnational levels) and various interest

> “AIReF’s surveillance function encompasses each autonomous community, and selected municipalities, which entail short- and medium-term budgetary forecasts twice a year.”

groups (trade unions, business associations, *etc.*). The opinions and forecasts of AIReF are the result of expertise instead of a consensus of subjective views among participants from interest groups. Moreover, there is no evidence of any government attempt to influence or interfere with the workings and opinions of the institution.

Real-time surveillance

As many IFIs, AIReF is legally responsible for continuous real-time assessment of macro-fiscal developments over the full budgetary cycle. But besides the central government level, AIReF's surveillance function includes each autonomous community, and selected municipalities. This task entails short- and medium-term budgetary forecasts twice a year, on time for the legislative debate preceding the vote on the central government budget bill as well as for approval of the structural-fiscal plan. As noted, AIReF is required by EU regulations to endorse or prepare the underlying official macroeconomic forecasts, particularly vouching for the veracity of the interest and growth rate assumptions. This task is, however, hampered by limited access to official databases.

All these exercises are necessary for real-time surveillance of the government's adherence to the EU fiscal rules, including the phased reduction of the debt-to-GDP ratio, and of the availability of fiscal space to contain the effect of crises on the economy. For this purpose, as practiced by some IFIs, AIReF prepares probabilistic fan charts around medium-term forecasts of the budget balance and of the debt ratio to reflect uncertainty. In addition, quantitative estimates of specific risks, consisting mainly of contingent liabilities associated with public pensions, healthcare programs, PPP projects, among others, are to be prepared by the Finance Ministry – which often it fails to do – subject to review by AIReF. [6]

Forward-looking analysis

As do some IFIs, AIReF prepares no-policy-change macro-fiscal forecasts over the short- to medium-term time horizon, which serve to endorse or reject the government's forecasts, as required by the EU. During the pre-COVID period, as compared to the actual outcome, AIReF's macroeconomic forecasts have been more accurate than those of the government and other institutions at home and abroad (Government, Bank of Spain, European Commission, Funcas). Faced with the erosion of credibility of the government, attributable to a historically strong optimistic forecast bias, in the United Kingdom and Netherlands, the IFIs have been assigned the responsibility of preparing the official macroeconomic forecasts. Similarly, transfer of the task of official forecasting to AIReF would likely improve the credibility and transparency of public finances in Spain.

Building on previous analytical work, in 2023, AIReF began publishing biennially debt sustainability assessments for the general government. For this purpose, long-term scenarios are being enhanced with an explicit demographic component, as well as capital accumulation, technological change, climate change, and other determinants of productivity, consistent with an endogenous growth model. As a further step, baseline scenarios would incorporate estimated fiscal risks in debt sustainability assessments.

> "In 2023, AIReF began publishing biennially debt sustainability assessments for the general government, enhancing long-term scenarios with components such as demographic factors and climate change."

> “Although not an explicit part of its legal mandate, AIReF occasionally performs policy costing of new measures or reform programs upon request by the central or subnational governments.”

Policy costing

At least in ten EU countries, IFIs engage in some form of budgetary costing on a routine basis. The most thorough quantitative costing of every proposed measure can be found in the United States and the Netherlands; in the latter case, every political party requests a costing of the measures contained in its economic platform during electoral campaigns. Given the staff-intensive nature of such function when covering all proposed measures, the UK IFI applies a selective “traffic light” approach to expedite and save resources. The finance ministry is obliged to estimate the budgetary cost of each proposed measure, and then, upon review, the IFI may assign a green light, if the ministry’s costing is acceptable; yellow, if it requires further clarification or estimation; or red, if it is declared unacceptable and is returned to the ministry for revision.

Although not an explicit part of its legal mandate, AIReF occasionally performs policy costing of new measures or reform programs but only upon request by the central government or by subnational governments, rather than on its own initiative. Instead, for the sake of fiscal transparency, policy costing should become a routine function of the institution. Adoption of the “traffic light” approach would be particularly commendable on grounds of being the most cost-effective, assuming that the finance ministry be required to disclose its own calculations of the budgetary cost of each measure.

Access to information

The most serious constraint facing the AIReF is the lack of timely and unlimited access to information from the Finance Ministry and the Economy Ministry – unlike most other EU IFIs which are legally obliged to receive such access. Refusal to grant necessary timely and usable information by these ministries violates the AIReF’s mandate laid down in the Organic Law. [7] For example, the Finance Ministry provides only aggregated subnational governments data, without detail on the individual jurisdictions; also, it fails to translate cash-based into accrual-based accounts. The Economy Ministry provides aggregate data and forecasts with delays beyond the deadline for endorsement by AIReF.

In more than a dozen countries, the legal mandate is reinforced by a Memorandum of Understanding (MoU) signed by the IFI and each relevant government agency to confirm automatic and full access to information. In Spain, MoUs only exists between AIReF and the tax and the social security authorities. Senior ministry officials deem unnecessary subscribing to a memorandum on grounds that AIReF already has access to any information relevant for its activities as soon as it is made available to the general public – but in fact without sufficient detail and too late for AIReF’s supervisory function. In any event, access to critical data and information should be made automatic and timely, removed permanently from the discretion of public officials.

> “The most serious constraint facing the AIReF is the lack of timely and unlimited access to information from the Finance Ministry and the Economy Ministry.”

> “According to cross-country estimates of fiscal transparency by the International Budget Partnership, Spain is located at the bottom of the ranking of euro area members and next to the last place among all EU member states.”

Implications

Policymaking

Any rigorous attempt at assessing the impact and usefulness of an IFI in shaping policy is rather elusive insofar as it would require comparing the actual fiscal performance with a counterfactual outcome in the absence of the IFI, which cannot be observed. The impact on public perceptions or on market perceptions is likewise challenging as it would involve disentangling the effect of the IFI among a range of other determinants.

Among the various efforts at communication and outreach by IFIs, expected to help strengthening their public image, has been the observance of the “comply-or-explain” obligation by governments as regards compliance with IFI recommendations. Laudable in principle, the “comply-or- explain” requirement, has been invoked rather frequently by AIReF albeit with mixed results.

Indirectly, however, the effectiveness of IFIs in influencing policymaking might be assessed by means of a key manifestation of good governance, namely, transparency in public finances. Promotion of openness is, in fact, a fundamental rationale of IFIs. According to cross-country estimates of fiscal transparency by the International Budget Partnership (2024) – based on a comprehensive survey of the availability and quality of information contained in budget documents of the central government – Spain is located at the bottom of the ranking of euro area members and next to the last place among all EU member states. [8] The low score reflects a culture of opacity entrenched in the Ministry of Finance over a long time. [9] (Notably, the score excludes the surge in transparency of subnational government finances since AIReF’s surveillance of subnational governments.)

The central question on impact involves the influence of the IFI on specific policy settings or policy decisions. This influence can take place explicitly or implicitly. Even the most established IFI can seldom explicitly influence policymaking that is observable in an episode where the government or the legislature changes policy course, modifies a budget bill, or retracts a proposed measure when confronted by an adverse IFI opinion – given the likely reputational cost incurred by the government.

Far more frequent, albeit less tangible, is the implicit influence exercised through the legislative debate, policy dialogue in think tanks, or public reaction to IFI views reported in the media. Most powerful implicit influence takes place in a preemptive manner, through the technical arm of the executive or legislature, which alerts the political decision-makers as to the potentially critical IFI assessment that would elicit a given policy measure under consideration. Such implicit influence eludes statistical documentation and can only be supported with anecdotal evidence, though it intensifies over time as the role of the IFI becomes routine and anticipated by the press and the public. On the other hand, not even a robust IFI can guarantee sound fiscal policymaking. In fact, so far the US government could ignore altogether the warnings of an IFI about the ominous consequence of a rapidly growing public debt ratio, regardless of a proven 50-year excellence of the IFI, as demonstrated under the current and previous administrations.[10].

> “Spain could benefit greatly from greater fiscal transparency and a more cooperative relationship between the Ministries of Finance and Economy, and AIReF, in terms of timely and automatic access to information, including to the government’s database.”

Perceptions

Whereas the impact of IFI’s performance on public perceptions are often revealed in opinion surveys, press coverage, or commentaries by specialized stakeholders, none of these sources is immune to subjective confirmation bias. Market perceptions reflected in levels and changes in sovereign risk premiums and in credit ratings tend to be more reliable indicators of the soundness of government finances and of the influence of an IFI. At an extreme, circumstantial evidence suggests a possible causal effect of the creation (abolition) of an IFI on the decline (increase) in the risk premium on government bonds as experienced in some highly indebted countries. [11]

The Spanish economy, where public debt stands larger than the size of GDP, is likely to be particularly vulnerable to sudden shifts in investor sentiment, reflected in a relatively high sovereign risk premium – of about 70 basis points on 10-year bonds, over same maturity German bunds – surpassed only by Greece and Italy, within the EU. In such circumstances, perceptions of effectiveness of AIReF’s vigilance over fiscal policymaking could shield the economy from shocks regardless of their nature or provenance. An important lesson is that Spain could benefit greatly from greater fiscal transparency and a more cooperative – although always at arm’s length – relationship between the Ministries of Finance and Economy and AIReF in terms of timely and automatic access to information, including to the government’s database, albeit this may not be easily achieved in practice.

Concluding remarks

AIReF has faced multiple challenges, especially given a mandate encompassing the entire public sector, including a wide range of sectoral and regional components. On the tenth anniversary of its creation, having largely complied with OECD Principles for IFIs, while supervising the government’s compliance with the national and EU rules-based fiscal framework, AIReF has made significant progress towards converging with standards of good practice across EU IFIs.

Nevertheless, there is still scope for improvement, especially in securing timely and full access to the government database and forecasts, confirmed with a MoU with the Ministries of Finance and of Economy. Agreement on the draft MoU would be a major step toward enhancing the Government’s credibility in front of the general public and financial markets. In addition, the effectiveness of AIReF would greatly benefit from formalizing the budgetary costing of policy proposals, strengthening fiscal risk assessment, and transferring the role of official macro-fiscal forecasting to AIReF.

Ultimately, however, it should be kept in mind that adherence to sound practices by an IFI, such as AIReF, including an effective communication strategy, constitutes a necessary but not sufficient condition to maximize its beneficial influence on policymaking and society. The sufficient condition consists of ownership of the institution by the political leadership and the public at large, which may waver over time. There are current examples even in countries (notably, the United States) where the favorable image of, and respect for, the

IFI have been deeply rooted for decades, yet eroded significantly in recent years, so that by now its forecasts and analysis practically have no longer any influence on policymaking.

Notes

[1] This article draws on a fact-finding visit to Madrid, on March 11-22, 2024, conducted by the author at the invitation of AIReF for meetings with its staff and interviews with senior government officials and private stakeholders. The author assumes responsibility for all views expressed.

[2] *Spanish Official State Gazette* (2013).

[3] Case studies of the earliest IFIs are provided in Kopits (2013).

[4] For an in-depth assessment of AIReF's structure, functions and performance, see Kopits (2024).

[5] In Slovakia, the IFI deemed that the government's proposed measures violated the constitutional requirement of consistency with long-term debt sustainability. In Portugal, the government attempted to submit a medium-term forecast without incorporating envisaged policy measures over the forecast period. In the UK, a short-lived government unveiled a mini-budget bill without the support of official macro-fiscal forecasts by the IFI as mandated by law.

[6] Gaps in information on specific risks are flagged in AIReF (2024a, pp. 130-131).

[7] The Organic Law unequivocally requires government agencies, including the ministries, to provide AIReF all information necessary for fulfilling its functions, subject to confidentiality on the part of AIReF; see Spanish Official State Gazette (2013, chapter 1, article 4).

[8] The Transparency Index is calculated for 125 participating countries on the basis of answers to 109 questions. Each country is assigned a score from 0 to 100 as a simple average of the responses to each question. Countries with a score above 80 are deemed to have extensive information available; scores in the 61 to 80 range denote availability of substantial information; and scores in the 41 to 60 range denote limited availability, including Spain with a score of 54.

[9] This interpretation is confirmed by Cabo (2024).

[10] The most recent no-policy-change baseline long-term projection reported by the US Congressional Budget Office (2024) indicates that the federal debt held by the public (excluding subnational government paper), which averaged 58 percent of GDP over the past 30 years and expected to reach 100 percent this year, is forecast to rise to a stunning 166 percent over the next three decades.

[11] Coincidentally, the cases of the United Kingdom and Hungary following elections in mid-2010 illustrate this point. While the (then) conservative government in the UK created immediately an IFI, a similar government in Hungary proceeded to abolish a well-functioning IFI. Without claiming causality, it was observable that the risk premium on sovereign debt declined significantly in the former and rose in the latter.

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Spain's gender pay gap: Convergence faces upcoming challenges

Over the last two decades, Spain's gender pay gap has narrowed significantly, from 29% in 2002 to 17% in 2022. However, recent stagnation in convergence is prompting a debate about the policies that need to be adopted for continued progress in the years to come.

Ángel Martínez

Abstract: An analysis of data from the *Wage Structure Surveys* undertaken between 2002 and 2022 reveal that over the last two decades, Spain's gender pay gap has narrowed significantly, from 29% in 2002 to 17%. The meaningful reduction so far this century appears to be partly attributable to higher labour intensity and significant flows of women into higher-paid sectors and occupations over the last decade. However, the most recent data suggest that the pay gap is currently stagnant at 2022 levels, prompting a debate about the policies that need to be adopted, such as those aimed to deliver more equitable childcare and more flexible working hours, to achieve further convergence in the years to come.

The trend in the gender pay gap in Spain in the twenty-first century

The gender pay gap in Spain has attracted significant attention and criticism following the rapid incorporation of women into the workforce at the end of the twentieth century. Analysis of this important variable has sparked lively debate every time the related statistics are updated. However, that analysis often fails

> “Specifically, the pay gap in terms of hourly earnings has fallen by half, from 20% in 2002 to 9.4% in 2022, which is the first year in the entire series in which this metric dipped below 10%.”

to look at a sufficiently long period of time to assess the trend in this gap over more than a decade. Reduction of the gender pay gap is a cross-cutting thrust within Spain's recovery, transformation and resilience plan, piling further pressure on the need to lessen it in the near future.

Thanks to the microdata gleaned from the *Wage Structure Survey*, which are published by Spain's statistics office (INE) every four years, we can observe the trend in the gender pay gap over most of this century, specifically from 2002 [1] until 2022, the last year for which these figures are available. In just 20 years, the gender pay gap in Spain has decreased very considerably, from close to 30% at the century's turn to 17% in 2022.

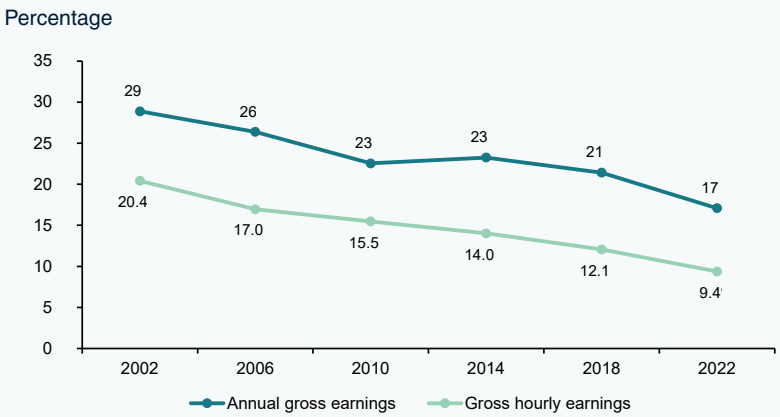
The reduction in the pay gap has been even more intense in terms of gross hourly earnings than in terms of gross annual earnings, suggesting higher flows of women into sectors and occupations with higher pay per hour over the course of the last two decades. Specifically, the pay gap in terms of hourly earnings has fallen by half, from 20% in 2002 to 9.4% in 2022, which is the first year in the entire series in which this metric dipped below 10% (Exhibit 1).

The drop in the hourly earnings pay gap is not attributable solely to a higher share of women in the workforce: other factors are at play, such as a higher level of education and increased presence of women in higher-paid sectors, to provide a couple of examples. However, the drop in the hourly earnings pay gap may also be due to an inter-sector movement of female employees into positions that are higher paid on an hourly basis. Exhibit 2 attempts to shed light onto the effect each of these two

Exhibit 1

Trend in the gender pay gap in Spain

Gender pay gap in Spain (2002-2022)



Source: Wage Structure Survey.

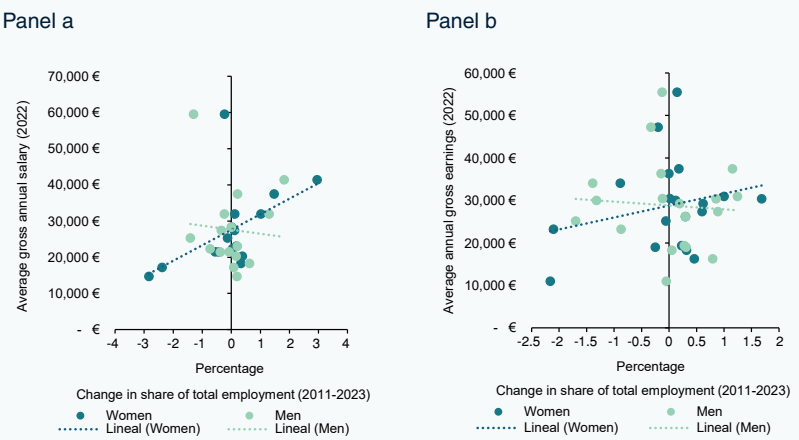
> "Most significantly, the pay gap in terms of hourly earnings has effectively disappeared among employees aged between 20 and 30, currently standing at just 1%."

channels (on the one hand, the reallocation of employees across different sectors and the reallocation across occupations, on the other) has had on the changes in pay and reduction in the pay gap since 2010. Although the data demonstrate a positive correlation between both the reallocation of women across sectors and across occupations and growth in their average earnings, unlike what we see for men, the correlation is considerably stronger in terms of occupations (panel A) than economic sectors (panel B).

To get an idea of the magnitude of the effect of each channel, we carry out a simple counterfactual exercise in which we assume the average earnings per sector and per occupation for 2022 but apply the shares commanded by women for each occupation/sector in 2011. Under those assumptions, women's average earnings would be 2.6% higher if they continued to hold the same shares in the various sectors and 4.6% lower if they held the same shares of the various occupations, indicating that shifts among occupations played a considerably bigger role than cross-sector moves, albeit quantitatively relevant in both instances.

As would be expected, these changes in the composition of the labour market are being driven primarily by the younger generations of women who have been entering the job market and beginning their careers in recent years. It is therefore no surprise that pay gaps have contracted more intensely among the youngest age groups. Most significantly, the pay gap in terms of hourly earnings has effectively disappeared among employees aged between 20 and 30, currently standing at just 1% (Exhibit 3).

Exhibit 2 **Changes in occupations (A) and changes in sectors (B)**

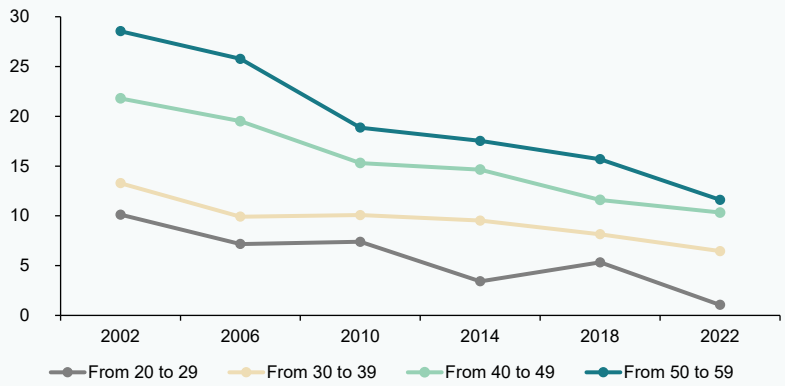


Source: Wage Structure Survey.

Exhibit 3

Trend in the gender pay gap in terms of hourly earnings by age group (2002-2022)

Percentage



Source: Wage Structure Survey.

Now that we understand the effect played by the reallocation of employees across sectors and occupations in reducing the gender pay gap, the next question is what share of the more recent reduction has had to do with the increase in hours worked, which recent analyses (Hidalgo, 2024) have cited as one of the main sources of wage growth for low-earners in recent years.

Role played by the number of hours worked in reducing the gap (2014-2022)

The academic literature in gender pay gap field has consistently identified the intensity of work, measured using both contractually-agreed working hours and the number of months worked, as one of the main factors behind the pay gap and its performance over time. In fact, recent evidence for Spain (de Quinto *et al.,* 2021) shows that these two channels of impact, working hours and days worked, are key to explaining the origin of the gender pay gap that materialises after the birth of a first child. Their work shows, as was expected, that the adjustment channels available are used differently by women depending on their level of education, with women with higher studies tending to reduce their working hours and women with lower levels of education tending to reduce the number of days they work per year.

With all this in mind, it is reasonable to think that at least part of the reduction in the pay gap in recent years may have been driven by changes in the number of hours worked. Given that the gap analysis for this paper does not take into account differences between men and women in the number of days worked, we focus solely on the potential role of longer working days for women, which we can break down into different segments.

The next exhibit shows the trend in the average number of hours worked per month by men and women according to the last three Wage Structure Surveys, which were carried out in 2014, 2018 and 2022. Although the change in the number of hours worked was very small between 2014 and 2018, it looks as if the increases observed between 2018 and 2022, of 1.6% in the case of men and 2.8% in the case of women, may have contributed to the reduction in the pay gap during that period of time.

Interestingly, although one might think that the increase in the average number of hours

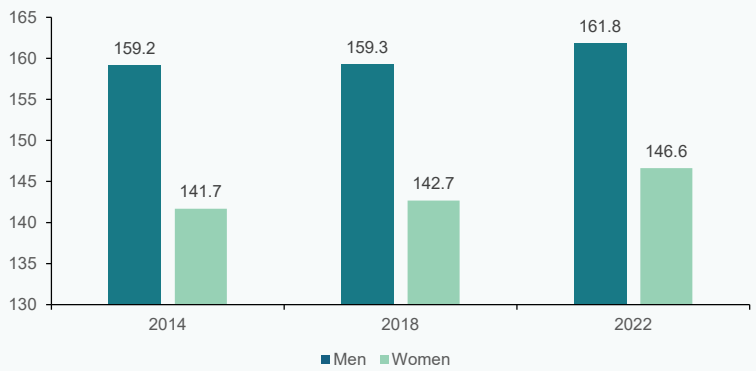
> "One-quarter of the reduction in the pay gap between 2014 and 2022 can be explained by the higher growth in the average number of hours worked by women compared to men, with the remaining three-quarters attributable to the reduction in the pay gap in terms of hourly wages."

worked by women might be associated with a sharp drop in the percentage of women working part-time, the incidence of part-time work has decreased more intensely among men than women since 2018 (by 2 percentage points in the case of men, compared to 1.5 points in the case of women), suggesting that the increase in the number of hours worked by women was more likely shaped by growth in the hours worked within the cohort of female employees working part time (Exhibit 4).

To measure the positive effect of this divergent growth in the number of hours worked by men and women between 2018 and 2022, we simulate the trend in the pay gap in terms of gross annual earnings between 2014 and 2022 had the average number of hours worked by women per month not changed during that timeframe, staying rather at the levels observed in 2014. In other words, we calculate what the pay gap would have been assuming that hourly earnings did continue to rise (shaped by the composition effects documented in the last section) but that the number of hours worked did not. As a result, the difference between the two series can be seen as a proxy for the contribution to the reduction in pay gap by the relatively faster growth in the number of hours worked by women.

Exhibit 5 depicts the two series between 2014 and 2022. The positive effect of work intensity on the drop in the gender pay gap narrows with time, particularly between 2018 and 2022. The findings suggest that the

Exhibit 4 **Trend in the average number of hours worked per month by gender**



Source: Wage Structure Survey.

> One-quarter of the reduction in the pay gap during that period can be explained by the higher growth in the average number of hours worked by women compared to men, with the remaining three quarters attributable to the reduction in the pay gap in terms of hourly wages.

pay gap in 2022 would have been 1.4 points higher if the number of hours worked had stayed constant at 2014 levels. Considering that the gender pay gap contracted by 5.5 points over that time span, the contribution by the number of hours worked on the overall reduction in the gap amounts to 25%. In other words, one-quarter of the reduction in the pay gap during that period can be explained by the higher growth in the average number of hours worked by women compared to men, with the remaining three-quarters attributable to the reduction in the pay gap in terms of hourly wages.

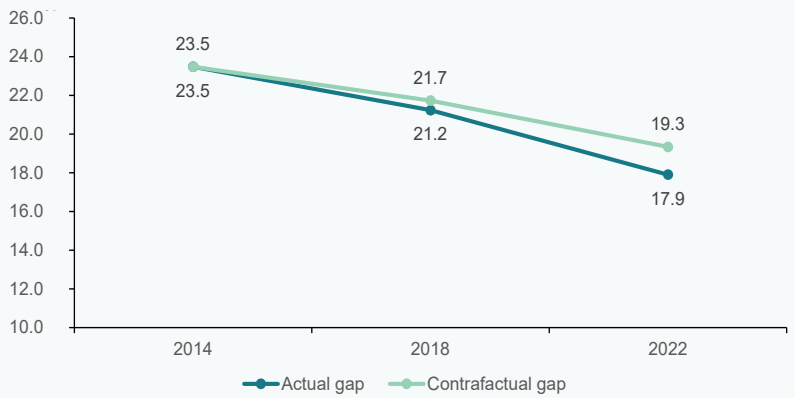
Trend in the adjusted pay gap

In addition to quantifying the gender pay gap, the literature in this field usually estimates the pay gap adjusted for the observable characteristics of the employees and the work they do. In this last section, we calculate the adjusted gender pay gap from 2014 to 2022 by estimating a minimum least squares model that considers the basic characteristics of an employee, such as his or her region of residence, age, experience and level of education, the characteristics of his or her work (occupation, sector, main market for the company and job responsibilities) and lastly, firm-specific traits such as size in terms of employee headcount.

Exhibit 6 depicts the trend in the three pay gap measures: gross annual earnings, gross hourly earnings and adjusted hourly earnings for each of the three cutoffs. In contrast to the trend observed in the gaps measures in terms of annual and hourly pay, the trend

Exhibit 5 **Reduction of the pay gap in different scenarios**

Percentage

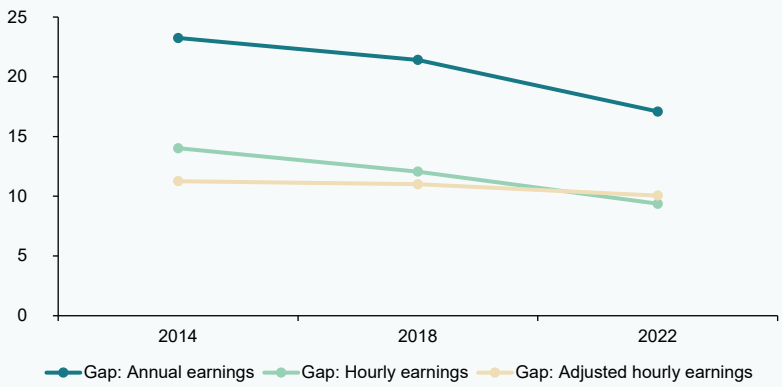


Source: Wage Structure Survey.

Exhibit 6

Trend in the gender pay gap (2014-2022)

Percentage



Source: Wage Structure Survey.

in the adjusted pay gap has been far more disappointing, decreasing by just one point, compared to decreases of between four and six points for the other gender pay gaps analysed. This lacklustre underperformance in the adjusted pay gap since 2014 suggests that most of the contraction in the gap in terms of annual earnings may be explained by the higher intensity in the number of hours worked of the composition effect in terms of employees characteristics, rather than a reduction in the adjusted gap.

There may be several reasons for these differences, such as stagnation in the assumption by men of shared responsibilities in the home or sharp pay cuts in exchange for flexibility around working hours, among other, with different factors coming into play in different employee categories and sectors. To try and identify in which sectors of the labour market the adjusted pay gap has fallen more intensely, we estimate the model separately for workers with and without higher-level studies and for public and private sector employees.

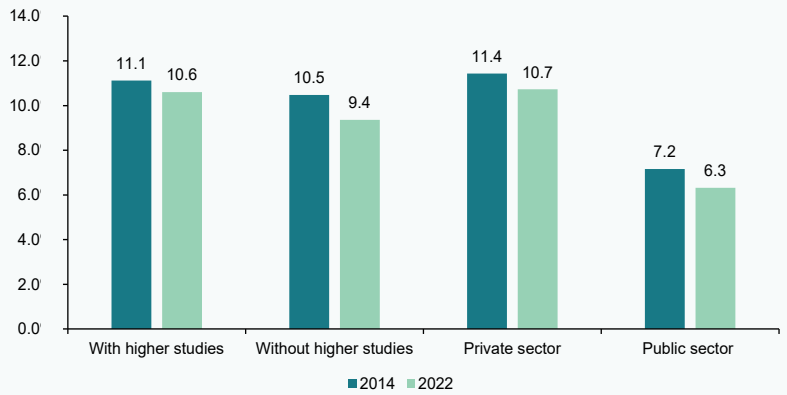
The results, presented in the Exhibit 7, indicate relatively more intense reductions among employees without higher-level studies and public sector workers relative to employees with third-level education and private sector employees. An alternative hypothesis for explaining this difference in the reduction in the adjusted pay gap depending on employees' education levels can be found in the actual disaggregated *Wage Structure Survey* data. If, within a group of female employees with higher studies, the women remain under-represented in the degrees with higher pay expectations (such as STEM degrees) (Cobreros *et al.*, 2024), these composition differences among the highest educated female employees, which cannot be taken into consideration in the wage equation due to a lack of data in the area of higher studies, might explain why the adjusted pay gap has barely moved in this particular cohort.

Unfortunately, the usual lag in obtaining official statistics limits our overall analysis to 2022, the last year for which the INE has published disaggregated microdata in any of the national surveys containing salary information. However, we have much more recent data with which to calculate pay gap proxies: the social security contribution bases, which despite offering a biased result due to the existence of minimum and maximum bases, can provide some insight into how the pay gap has trended in 2023 and part of 2024.

Exhibit 7

Trend in the adjusted gender pay gap per hour

Percentage



Source: Wage Structure Survey.

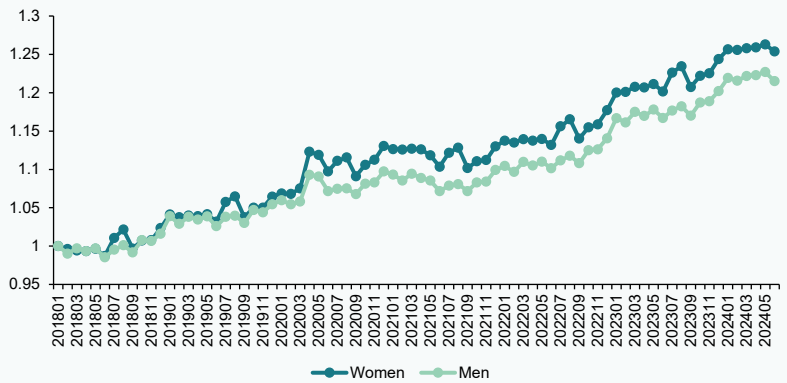
Exhibit 8 depicts the trend in the average contribution base between men and women from January 2018 until April 2024. As expected, between 2018 and 2022, the average female contribution base increased at a faster rate than the male equivalent, in keeping with the earlier findings. In contrast, growth in average bases between both sexes was extremely similar in 2023 and the first few months of 2024, at around 4% in both cases, suggesting that, at least in recent times, the gender pay gap in Spain has stagnated.

Conclusions

Whereas at the end of the last century the main labour-related challenge facing women

Exhibit 8

Trend in average contribution base by gender in Spain (rebased to 1 = 2018)



Source: Wage Structure Survey.

was convergence with their male counterparts in terms of employment and participation rates, the chief challenge on the equality front this century is surely eliminating the gender pay gap. The progress made during the last 20 years is encouraging as the pay gap has narrowed considerably measured in terms of both gross annual earnings and gross hourly earnings. That success is partly attributable to higher labour intensity and significant flows of women into higher-paid sectors and occupations over the last decade.

However, the flip side is that the adjusted gender pay gap has fared significantly worse, at least in the last decade, decreasing by a negligible percentage point. Although we cannot clearly identify the reasons curbing the reduction in the adjusted pay gap, the fact that it is holding steady over time implies that in the future it will be considerably harder to continue to reduce the pay gap at the rates achieved since the turn of the century. The explanation is simple: once the pay gap cannot come down any further via increases in working hours or a greater female presence in higher-paid sectors and occupations, a structural pay gap, that will be far harder to eliminate, of close to 10% will remain.

On the positive side of things, there is recent evidence for several successful policies for reducing the adjusted pay gap, such as more equal sharing of childcare responsibilities and more flexible working hours (Goldin, 2014). In fact, the latter is the most promising line of initiative according to the most recent study published by the winner of the Nobel Prize in Economics Sciences, Claudia Goldin, who finds a non-linear relationship between hours worked and earnings, where working shorter, discontinuous hours tends to lead to a disproportionate penalty in terms of hourly wages. Although we have yet to obtain evidence in this regard, the increased incidence of working from home in the developed world may provide some of the sought-after flexibility without a pay penalty that is needed to continue to reduce the gender gap in the coming decades.

Notes

[1] The *Wage Structure Surveys* undertaken in 2002 and 2006 followed methodologies that are substantially different from those carried out in the following years, most notably due to the omission of a significant percentage of public employees and, in 2022, of employees at small-sized enterprises. Although these omissions cause biases in the gaps calculated in those years, we use the original data for the first section of this paper.

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Recent key developments in the area of Spanish financial regulation

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

Royal Decree 1086/2024 amending the Pension plan and fund regulation (*Official State Gazette:* 23 October 2024)

Royal Decree 1086/2024 amends the Pension plan and fund regulation enacted via Royal Decree 304/2004 (20 February 2004) in order to foster occupational pension funds. The key changes:

- Pension plan rules may not curtail the provision of benefits for services provided in the event of partial retirement.

- With respect to defined contribution plans that guarantee benefits, the financial-actuarial review requirement is limited to occupational pension funds.

- Pension fund statements regarding their investment policy principles must mention: (i) how sustainability risks are integrated into their investment decisions; and (ii) the results of the assessment of the possible repercussions of the sustainability risks on the returns of the financial products on offer.

  In addition, for the funds contemplated in articles 8 and 9 of the Sustainable Finance Disclosure Regulation, an express reference has been added to the information contained in the fund's general information document and its corresponding sustainability annex.

- Both the Promoting and Monitoring Committee and the Special Control Committee are permitted to ask the Social Security Administration's legal services for legal advice.

- The so-called Special Control Committee shall meet, in full, at the call of the person tasked with presiding the committee, at his or her own initiative or at the request of five of its members, whenever the duties vested in it so warrant and at least once a month.

  It may be called, hold sessions, ratify resolutions and submit meeting minutes in-person or remotely. Session recording is permitted.

- The members of the Special Control Committee will only be entitled to remuneration associated with meeting attendance from when the aggregate assets of the funds reach one billion euros and for so long as assets under management maintain that threshold. The foregoing also applies to application of the additional remuneration corresponding to the members that serve as president, vice-president and secretary of the committee.

  In the case of members nominated by a union or business organisation, the latter may receive the remuneration directly, once received by the members themselves.

- Funds have six months to amend their legal documentation to contemplate the collection of vested pension plan rights in the event of partial retirement and the procedure for applying for those benefits.

New framework for setting the countercyclical capital buffer (Bank of Spain website, 1 October 2024)

The Bank of Spain has approved a new framework for the countercyclical capital buffer (CCyB) with respect to banks' exposures in Spain. As a result of the framework revision, systemic cyclical risks are currently considered to be at standard levels and the banks are required to start to build their

CCyBs up, initially to 0.5%, from the fourth quarter of 2024.

The revised framework for setting the CCyB in respect of exposures in Spain contemplates a positive neutral buffer of 1% when systemic risks are considered standard (intermediate level between low and high risk), to be increased to a higher percentage when those risks are considered high. The banks are being permitted to build their CCyBs to 1% in two 0.5pp stages starting in the fourth quarters of 2024 and 2025 with effect by the fourth quarters of 2025 and 2026, respectively.

The revised framework has been organised into three sections:

- Cyclical systemic risk monitoring framework. This framework draws on a set of 16 key indicators, grouped into four dimensions: macroeconomic indicators (*e.g.*, output gap; unemployment rate); macro-financial indicators (*e.g.*, adjusted credit-to-GDP gap; indicators of real estate price imbalances); financial market indicators (the systemic risk indicator); and banking system financial indicators (*e.g.*, ROE; NPL ratio; NII to total assets); and four complementary indicators as proxies for the state of banks' solvency, liquidity, efficiency and funding costs. In a second stage, the complementary information available, including qualitative information, is analysed in order to ratify or correct the preliminary result obtained previously.

- Setting the level of the CCyB in a standard risk level environment. The level of the CCyB is determined on the basis of the results of multiple simulations of the Spanish economy's response to various adverse cyclical shocks and the associated capital consumption of the Spanish banking system, estimated through stress tests.

- Operation of the CCyB over the macro-financial cycle. This section illustrates how the CCyB would work in practice over a hypothetical complete macro-financial cycle.

Spanish economic forecasts panel: November 2024*

Funcas Economic Trends and Statistics Department

GDP will grow by 3% in 2024, four tenths of a percentage point higher than in the previous Panel

The INE revised up first quarter GDP growth by one tenth of a percentage point to 0.9% and advanced that third quarter growth was 0.8%, which is four tenths of a percentage point higher than anticipated by the panelists. As a result, all the Panel participants have revised upwards their annual forecasts for 2024, although some have pointed out that they expect a negative impact on growth in the fourth quarter because of storms arising from DANA, (a Spanish acronym for high-altitude isolated depression), that has mainly affected the province of Valencia.

Economic indicators continue to show strength at the beginning of the fourth quarter, although the consensus forecast is for an increase of 0.4%, much lower than in the previous quarter (Table 2). The result is growth of 3% for the year, which is four tenths of a percentage point higher than the previous consensus forecast (Table 1).

This result would come from a contribution of the foreign sector of five tenths of a percentage point (one tenth of a percentage point less than in the previous Panel), and of 2.5 percentage points from domestic demand, increasing by five tenths of a percentage point compared to the September consensus. The forecast for private consumption, and especially for public consumption, has been revised upwards, while that for investment has been reduced. With respect to the external sector, there was a slight downward revision for both exports and imports (Table 1).

The projection for 2025 rises to 2.3%

Most of the panelists have increased their GDP growth forecast for 2025, which puts the average at 2.3% (two tenths of a percentage point higher than in the previous Panel). This forecast is slightly below that of the Government, in line with that of AIReF and above that of other organizations such as the Bank of Spain or the IMF (Table 1). Regarding the quarterly profile, growth of 0.6% is expected in the first and second quarters, followed by growth of 0.5% and 0.4% in the third and fourth quarters, respectively (Table 2).

As for the composition of growth for next year, the contribution of the foreign sector will be nil, while domestic demand will add 2.3 percentage points, four tenths more than in the previous Panel. Consumption, both public and household, is expected to grow less than in 2024, while investment will register a larger increase, especially in machinery and capital goods (Table 1).

Inflation expectations continue to moderate

The headline inflation rate declined sharply in the summer months, due to the fall in energy product prices and the moderation of food inflation. Core inflation also declined during this period, although to a lesser extent.

For the remainder of the year, the headline rate is expected to rise to end December to 2.4% (Table 3). The forecast for the average annual rate in 2024 is 2.8% for headline inflation, two tenths of a point lower than in the previous Panel and 2.9% for core inflation, one tenth of a point lower. For 2025, the annual average forecast is forecast at 2.1% for headline and 2.2% for core inflation, with a year-on-year rate of 2.2% in December.

Employment will grow less in 2025, but the unemployment rate will fall

According to the EPA, employment, in seasonally adjusted terms, recorded growth in the third quarter of similar magnitude to that of the previous quarter. The unemployment rate fell by one tenth of a percentage point to seven tenths of a percentage point below the value of a year ago. In contrast to the EPA, Social Security enrollment showed a slowdown in the months of the third quarter. This slowdown was, however, interrupted by the October figure.

However, the employment growth forecast for this year has been revised upwards to 2.2%, and remains

at 1.7% for next year. As for the average annual unemployment rate, 11.5% is expected for this year and 11.1% for 2025, one tenth of a percentage point higher than in the previous Panel.

The implicit forecast for productivity and unit labor cost (ULC) growth is obtained from the forecasts for GDP, employment and wage growth. Productivity per full-time equivalent job is expected to increase by 0.8% this year and another 0.6% next year, two tenths of a percentage point more for both years compared to the previous forecast. As for ULCs, they will increase by 3.5% in 2024 and 2.5% in 2025, which is five tenths and one tenth more, respectively, compared to the previous Panel.

Historic external surplus

The current account balance of payments recorded a surplus up to August of 36.445 billion euros, the best figure for this period in the historical series. This figure is the result of the trade balance, mainly driven by services, and within this, especially by tourism services, which more than offset the deterioration recorded by the income balance. The forecast for the current account surplus rises to 2.8% and 2.6% of GDP for 2024 and 2025, respectively (Table 1).

Government deficit to reach 2.9% of GDP in 2025

The General Government excluding local corporations, recorded a deficit of 35.981 billion euros up to August of this year, compared to 32.523 billion euros in the same period of the previous year, due to an increase in expenditures greater than that of revenues, even though the latter maintain a strong growth rate. The deterioration comes from the Social Security Funds, as well as from the Central Government, which increased its deficit largely due to transfers to the regional governments derived from the definitive liquidation of 2022.

The consensus forecast expects a reduction in the deficit for the General Government of a greater magnitude than forecast in the September Panel, to 3.1% and 2.9%, for this year and next year, respectively. These figures are higher than expected by the Government, the European Commission and the IMF (Table 1).

Deterioration of the international context

These projections have been made before the outcome of the U.S. elections and therefore do not yet incorporate the consequences of Donald Trump's victory. In any case, the external environment remains unfavorable, particularly in Europe, according to the IMF's autumn projections. The Washington-based experts are forecasting GDP growth in the eurozone of 0.8% this year and 1.2% in 2025, one tenth less and three tenths less, respectively, than in the previous forecast. The forecast for China has also been cut, so that, among the major powers, growth has been revised upwards only in the U.S.

The IMF sees an increased risk of fragmentation of world trade, with this trend being particularly detrimental to the most export-dependent economies such as those in Europe. In an uncertain environment, commodity prices, including oil, have tended to decline since the previous Panel, with forecasts also pointing to a slight fall for the next two years.

The Panel reflects these uncertainties: 16 panelists consider that the context is unfavorable in the EU, and 13 are of the same opinion about the context outside the EU. The assessments about the coming months remain mostly pessimistic: only 7 analysts expect an improvement in the EU (one less than in the previous Panel), and 3 have the same opinion about the global outlook beyond the EU (Table 4).

Short-term interest rates are expected to fall, driven by disinflation

Since the last Panel, the main central banks have proceeded to a further cut in interest rates. The easing is supported by the moderation of inflation, as well as, in the case of the eurozone, the weak performance of the economy. In the last two months, total CPI in the eurozone was close to or below the 2% target. However, this performance was mainly due to the moderation in energy and food prices. Core inflation, meanwhile, is more persistent, particularly in the services sectors. The Federal Reserve may proceed more cautiously, given the strength of demand and the risks inherent in an expansionary fiscal policy and the accumulation of public deficits, so that the interest rate path with long-term maturities is more uncertain.

The central banks' monetary tightening has been passed on to market rates with short-term maturities. The one-year Euribor is trading slightly above 2.5%, four tenths of a point lower than in the previous Panel. However, market rates with long-term maturities have rebounded

slightly on expectations of growth in the volume of government bonds globally. The Spanish 10-year bond is trading at around 3.1%, two tenths of a point higher than a month ago, in line with the upward trend observed in international debt markets. There is no pressure on the Spanish risk premium.

The panelists anticipate a further decrease in the ECB rates, a movement that would be reflected in the markets, so that Euribor would close next year at around 2.35%. The yield on the 10-year Spanish government bond would remain close to 3% (Table 2).

The euro depreciates against the dollar

In light of the different cyclical position between the U.S. and the EU, the euro has tended to depreciate against the dollar in recent weeks, particularly since the election of Donald Trump. Nevertheless, analysts expect the exchange rate to remain relatively stable over the forecast period (Table 2).

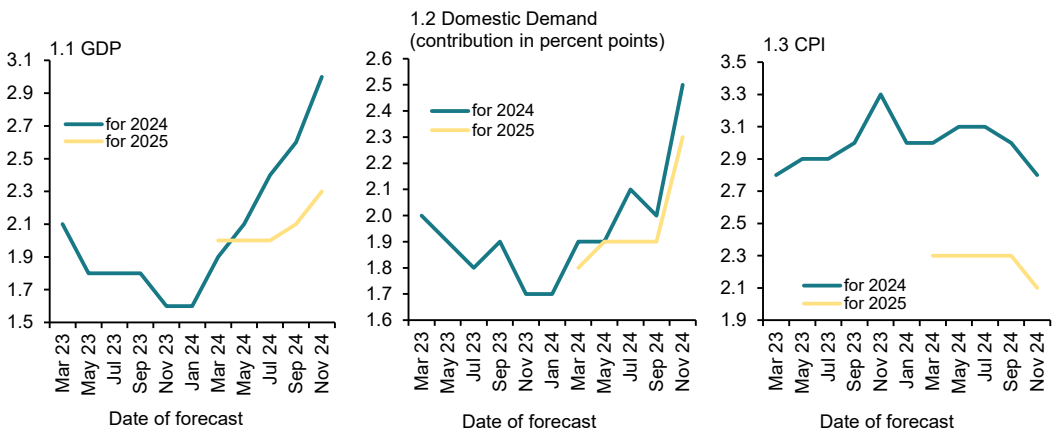
Monetary policy should be less restrictive

Monetary policy assessments reflect the moderation of inflation and the weakness of the European economy. For the most part, panelists believe that monetary policy is too tight, whereas a more neutral stance would be desirable (no significant change compared to the previous Panel). As for fiscal policy, assessments continue to point out that this policy should be neutral, or even restrictive, when it is being expansionary (Table 4).

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

** The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 19 research departments listed in Table 1. The survey, circulated since 1999, is a bi-monthly publication issued in the months of January, March, May, July, September and November. The responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 19 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organizations are also included for comparison, but do not form part of the consensus forecast.*

Spanish economic forecasts panel: November 2024*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – November 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)	3.1	2.6	2.7	2.4	4.6	2.7	1.7	3.5	1.1	3.5	2.5	3.2	2.8	2.7
BBVA Research	2.9	2.4	2.5	2.1	3.9	2.7	2.7	5.0	1.1	5.5	3.6	4.5	2.4	2.7
CaixaBank Research	2.8	2.3	2.5	2.5	3.6	1.6	2.7	3.4	1.8	4.3	3.5	3.0	2.5	2.5
Cámara de Comercio de España	3.1	2.1	2.6	2.2	4.6	2.6	1.7	3.3	1.2	3.4	2.8	3.0	2.5	2.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.2	3.1	2.5	2.5	4.9	5.0	1.4	1.8	0.5	0.7	2.0	2.5	2.4	2.3
Centro de Predicción Económica (CEPREDE-UAM)	3.0	2.3	2.7	2.3	4.7	3.3	2.0	4.3	1.3	5.3	2.6	4.1	2.5	2.8
CEOE	3.1	2.3	2.5	2.1	4.2	1.5	2.2	2.0	1.7	1.8	2.7	2.3	2.6	2.0
Equipo Económico (Ee)	3.1	2.2	2.7	2.0	4.5	2.0	1.8	2.4	1.0	2.7	2.4	1.9	2.5	2.0
EthiFinance Ratings	3.0	2.3	2.4	2.0	4.4	2.4	2.6	5.3	2.0	4.5	4.0	5.0	2.5	2.7
Funcas	3.0	2.1	2.7	2.3	3.8	1.5	2.2	2.5	1.0	1.3	3.3	3.5	2.4	2.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.0	2.4	2.8	3.3	3.8	2.2	1.9	2.2	1.4	2.8	2.4	1.9	2.4	2.5
Instituto de Estudios Económicos (IEE)	3.0	2.1	2.4	1.8	3.7	2.0	2.0	2.1	1.4	1.8	2.4	2.5	2.3	2.0
Intermoney	2.9	2.1	2.4	1.9	2.8	1.6	2.0	2.9	1.3	2.4	2.6	3.4	1.8	1.9
Mapfre Economics	2.9	2.1	2.5	2.0	3.6	1.3	2.9	4.6	--	--	--	--	2.5	1.9
Metyis	3.1	2.4	2.5	2.3	2.2	1.4	2.5	2.5	2.3	2.2	2.8	3.0	2.3	2.0
Oxford Economics	3.1	2.4	2.7	2.4	4.5	2.1	2.1	3.9	1.5	2.9	2.7	3.5	2.7	2.5
Repsol	3.0	2.3	2.7	2.6	4.7	3.6	1.8	1.5	1.3	2.9	2.4	0.8	2.5	2.5
Santander	2.9	2.4	2.7	2.0	4.5	2.1	1.4	4.7	1.4	4.0	2.0	5.0	2.5	2.5
Universidad Loyola Andalucía	2.9	2.5	2.6	2.7	3.9	3.3	2.4	1.6	1.2	2.9	2.6	1.1	2.5	2.6
CONSENSUS (AVERAGE)	3.0	2.3	2.6	2.3	4.0	2.4	2.1	3.1	1.4	3.0	2.7	3.0	2.5	2.3
Maximum	3.2	3.1	2.8	3.3	4.9	5.0	2.9	5.3	2.3	5.5	4.0	5.0	2.8	2.8
Minimum	2.8	2.1	2.4	1.8	2.2	1.3	1.4	1.5	0.5	0.7	2.0	0.8	1.8	1.9
Change on 2 months earlier[1]	0.4	0.2	0.5	0.4	2.1	1.0	-0.5	-0.2	-0.4	-0.4	-0.4	0.0	0.5	0.4
- Rise[2]	19	17	18	14	19	19	3	6	4	3	5	9	17	18
- Drop[2]	0	1	0	2	0	0	16	11	11	11	12	8	1	0
Change on 6 months earlier[1]	0.9	0.3	0.6	0.5	1.9	1.1	-0.4	0.0	-0.8	-0.4	0.0	0.0	0.6	0.4
Memorandum items:														
Government (September 2024)	2.7	2.4	2.2	2.1	1.8	1.6	3.3	5.8	--	--	--	--	2.2	2.7
Bank of Spain (September 2024)	2.8	2.2	2.2	2.1	1.8	2.0	1.8 (4)	2.1 (4)	--	--	--	--	2.0	2.0
AIReF (November 2024)	2.9	2.3	2.4	2.3	3.1	2.1	2.2	2.4	1.6	1.8	--	--	2.4	2.2
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 (October 2024)	2.9	2.1	2.2	2.0	3.8	2.2	2.1	3.1	--	--	--	--	2.0	1.9
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.

[4] Gross capital formation.

Table 1 (Continued)

Economic Forecasts for Spain – November 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)	3.4	3.8	2.8	4.2	2.8	2.0	2.9	2.1	4.5	3.3	2.0	1.6	11.6	11.1	3.3	2.3	-2.9	-2.5
BBVA Research	3.5	4.7	2.3	6.1	2.8	1.8	2.9	2.0	4.7	3.1	1.9	1.8	11.5	10.8	3.4	3.2	-2.9	-2.5
CaixaBank Research	3.0	2.3	1.9	2.8	3.0	2.5	3.0	2.5	5.0	3.5	2.3	2.1	11.6	11.2	3.1	3.1	-3.0	-2.6
Cámara de Comercio de España	3.2	2.0	2.0	2.3	2.9	1.8	3.1	2.3	--	--	2.2	1.5	11.6	10.9	2.6	2.5	-3.2	-3.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.8	4.6	2.2	2.9	2.8	2.6	3.0	2.9	4.8	4.5	2.3	2.1	11.4	11.0	2.0	1.9	-3.4	-3.0
Centro de Predicción Económica (CEPREDE-UAM)	3.4	2.9	2.3	4.8	3.0	2.2	--	--	4.7	3.3	2.2	1.5	11.5	11.2	3.3	3.0	-3.6	-4.1
CEOE	3.4	3.6	2.0	2.9	2.7	1.7	2.9	2.1	4.7	2.9	2.3	2.0	11.5	10.7	3.0	2.6	-3.1	-2.8
Equipo Económico (Ee)	3.3	2.7	2.0	2.4	2.7	2.2	2.9	2.3	4.6	3.6	2.3	1.5	11.5	11.2	2.7	2.5	-3.2	-3.1
EthiFinance Ratings	3.0	1.7	1.9	3.6	2.9	2.0	2.9	2.1	--	--	--	--	11.4	10.9	2.9	2.8	-3.1	-2.9
Funcas	3.3	2.7	1.9	2.9	2.7	1.8	2.9	2.1	5.0	2.9	2.0	1.6	11.6	10.8	3.0	2.9	-3.1	-3.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.3	2.6	2.2	2.5	2.6	2.5	2.9	2.3	--	--	2.3	1.5	11.2	10.5	2.5	2.5	-3.4	-3.0
Instituto de Estudios Económicos (IEE)	3.5	3.4	1.9	3.2	2.8	2.1	2.9	2.2	4.7	2.9	2.2	1.7	11.6	10.9	2.9	2.3	-3.3	-3.0
Intermoney	3.5	3.1	1.9	3.4	2.7	2.4	3.1	2.2	--	--	2.3	1.7	11.6	11.2	2.0	--	-3.3	-2.9
Mapfre Economics	2.9	2.2	1.8	2.7	2.6	2.0	--	--	3.1	2.3	--	--	11.6	11.5	3.4	3.6	-3.1	-2.9
Metyis	3.6	3.2	2.3	2.7	2.7	2.3	2.8	2.1	3.2	2.6	2.3	1.7	11.0	10.6	2.9	2.6	-3.1	-2.9
Oxford Economics	3.3	2.5	2.0	2.8	2.7	1.9	2.9	2.2	--	--	--	--	11.5	11.5	3.4	3.7	-3.3	-3.2
Repsol	3.1	3.4	2.1	4.4	2.7	1.8	2.9	2.2	3.0	2.2	1.9	1.4	11.8	12.2	2.0	1.0	-3.1	-2.7
Santander	3.2	2.1	2.2	3.0	2.7	2.1	2.8	2.3	--	--	2.3	1.7	11.4	10.7	--	--	--	--
Universidad Loyola Andalucía	2.4	2.3	1.5	2.2	2.9	2.0	3.2	2.0	--	--	2.0	1.4	11.6	11.3	1.5	1.7	-2.2	-2.5
CONSENSUS (AVERAGE)	3.3	2.9	2.1	3.2	2.8	2.1	2.9	2.2	4.3	3.1	2.2	1.7	11.5	11.1	2.8	2.6	-3.1	-2.9
Maximum	3.8	4.7	2.8	6.1	3.0	2.6	3.2	2.9	5.0	4.5	2.3	2.1	11.8	12.2	3.4	3.7	-2.2	-2.5
Minimum	2.4	1.7	1.5	2.2	2.6	1.7	2.8	2.0	3.0	2.2	1.9	1.4	11.0	10.5	1.5	1.0	-3.6	-4.1
Change on 2 months earlier[1]	-0.1	-0.1	-0.1	0.2	-0.2	-0.2	-0.1	-0.1	0.7	0.3	0.2	0.0	0.0	0.1	0.5	0.4	0.2	0.1
- Rise[2]	9	8	6	14	0	1	2	3	8	6	7	5	4	5	13	12	7	8
- Drop[2]	10	7	11	3	18	14	8	5	1	0	4	3	5	6	0	0	2	3
Change on 6 months earlier[1]	1.0	-0.2	0.2	0.0	-0.3	-0.2	-0.2	-0.2	0.5	0.1	0.0	0.1	0.0	-0.1	0.7	0.6	0.3	0.2
Memorandum items:																		
Government (September 2024)	4.2	2.4	2.6	3.6	--	--	--	--	4.0	3.1	2.6	2.5	11.2	10.3	--	--	-3.0	-2.5
Bank of Spain (September 2024)	3.5	2.7	1.4	2.5	2.9[6]	2.1[6]	2.8[7]	2.2[7]	--	--	1.8[8]	1.7[8]	11.5	11.0	--	--	-3.3	-3.1
AIReF (November 2024)	3.4	3.4	2.2	3.5	2.9	2.1	..	..	4.9	2.6	2.1	2.2	11.5	10.9	--	--	--	--
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 (October 2024)	3.7	2.8	1.4	2.6	2.8	1.9	--	--	--	--	2.1	1.4	11.6	11.2	3.4	3.2	-3.0	-2.8
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 – November 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]	0.9	0.8	0.8	0.4	0.6	0.6	0.5	0.4
Euribor 1 yr [2]	3.72	3.65	2.94	2.69	2.53	2.46	2.40	2.35
Government bond yield 10 yr [2]	3.19	3.36	3.00	3.01	2.98	2.98	2.97	2.97
ECB main refinancing operations interest rate [3]	4.50	4.25	3.65	3.32	3.05	2.77	2.58	2.50
ECB deposit rates [3]	4.00	3.75	3.50	3.10	2.86	2.59	2.40	2.30
Dollar / Euro exchange rate [2]	1.09	1.08	1.11	1.09	1.09	1.09	1.10	1.10

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

Table 3

CPI Forecasts – November 2024

Year-on-year change (%)				
Sep-24	Oct-24	Nov-24	Dec-24	Dec-25
1.7	1.9	2.3	2.4	2.2

Table 4

Opinions – November 2024

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	2	16	7	11	1
International context: Non-EU	1	5	13	3	12	4
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	2	17	3	16	0
Monetary policy assessment[1]	16	3	0	3	16	0

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

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
		Chain-linked volumes. annual percentage changes									
2016		2.9	2.7	0.9	2.0	0.9	3.1	5.4	2.6	1.9	1.0
2017		2.9	3.1	1.0	6.8	6.8	6.7	5.6	6.7	3.0	-0.1
2018		2.4	1.7	2.1	6.5	10.1	3.2	1.7	3.9	3.0	-0.6
2019		2.0	1.1	2.2	4.9	8.4	1.4	2.3	1.3	1.6	0.4
2020		-10.9	-12.1	3.5	-8.9	-8.4	-9.4	-20.1	-15.1	-8.8	-2.2
2021		6.7	7.1	3.6	2.6	0.5	4.9	13.4	15.0	6.9	-0.3
2022		6.2	4.8	0.6	3.3	2.2	4.4	14.3	7.7	3.9	2.3
2023		2.7	1.8	5.2	2.1	3.0	1.2	2.8	0.3	1.7	1.0
2024		3.0	2.7	3.8	2.2	3.3	1.0	3.3	1.9	2.4	0.6
2025		2.1	2.3	1.5	2.5	3.5	1.3	2.7	2.9	2.0	0.1
2022	I	6.9	7.3	0.6	3.8	2.6	5.0	14.4	12.2	6.0	0.9
	II	7.3	5.9	-0.8	4.4	4.0	4.8	18.8	12.1	5.0	2.3
	III	6.1	4.7	0.0	4.7	3.4	6.1	13.9	7.4	3.8	2.3
	IV	4.6	1.6	2.4	0.2	-1.3	1.8	10.6	0.0	0.9	3.7
2023	I	3.9	1.7	3.4	1.9	4.9	-1.2	9.0	1.8	1.2	2.7
	II	2.4	1.0	6.0	1.7	3.2	0.1	1.8	-1.5	1.1	1.3
	III	2.2	1.4	6.4	0.3	0.0	0.6	0.0	-1.3	1.6	0.5
	IV	2.3	3.0	5.0	4.7	3.9	5.5	0.7	2.3	2.8	-0.4
2024	I	2.6	2.3	5.1	1.9	1.8	2.0	1.5	0.7	2.3	0.3
	II	3.2	2.6	4.0	2.3	2.6	1.9	2.6	0.9	2.5	0.7
	III	3.4	2.8	4.7	1.8	3.2	0.4	5.1	3.6	2.7	0.7
		Chain-linked volumes. quarter-on-quarter percentage changes									
2022	I	1.3	1.1	0.1	2.2	-1.1	5.7	2.5	0.5	0.7	0.7
	II	1.7	1.5	-0.8	0.2	1.3	-0.9	6.6	3.8	0.7	1.0
	III	0.9	0.4	1.1	0.9	0.8	1.1	0.3	-1.7	0.2	0.7
	IV	0.6	-1.4	1.9	-3.1	-2.3	-3.8	0.9	-2.5	-0.6	1.2
2023	I	0.7	1.2	1.1	3.9	5.1	2.6	1.0	2.3	0.9	-0.3
	II	0.2	0.8	1.8	0.0	-0.3	0.4	-0.4	0.4	0.6	-0.3
	III	0.7	0.8	1.5	-0.5	-2.2	1.6	-1.5	-1.4	0.7	0.0
	IV	0.7	0.2	0.6	1.2	1.5	0.9	1.6	1.1	0.5	0.2
2024	I	0.9	0.5	1.1	1.2	2.9	-0.8	1.8	0.7	0.5	0.4
	II	0.8	1.0	0.6	0.4	0.5	0.3	0.7	0.6	0.7	0.1
	III	0.8	1.1	2.2	-0.9	-1.7	0.0	0.9	1.2	0.9	-0.1
		Current prices (EUR billions)	Percentage of GDP at current prices								
2016		1,123	58.1	18.9	18.2	8.7	9.5	33.6	29.6	96.0	4.0
2017		1,170	58.4	18.4	18.9	9.1	9.8	34.9	31.3	96.4	3.6
2018		1,212	58.1	18.5	19.7	9.8	9.9	34.9	32.1	97.3	2.7
2019		1,254	57.4	18.7	20.3	10.5	9.8	34.7	31.7	97.0	3.0
2020		1,129	56.1	21.7	20.6	10.7	9.9	30.5	29.0	98.5	1.5
2021		1,235	56.1	21.0	20.2	10.4	9.8	33.8	32.8	99.0	1.0
2022		1,374	56.4	20.1	20.4	10.7	9.8	39.8	38.9	99.1	0.9
2023		1,498	55.4	19.6	19.7	10.5	9.2	38.1	34.1	96.1	3.9
2024		1,592	55.2	19.7	19.6	10.4	9.1	37.5	32.9	95.4	4.6
2025		1,664	55.3	19.5	19.7	10.6	9.1	37.7	33.1	95.4	4.6

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2019=100

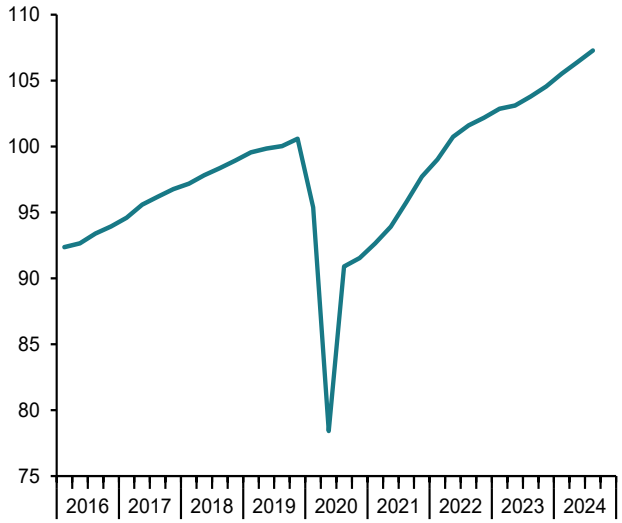


Chart 1.2 - Contribution to GDP annual growth

Percentage points

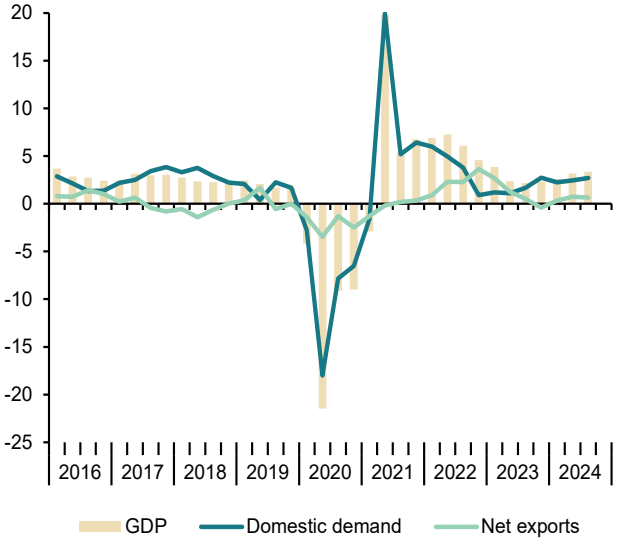


Chart 1.3 - Consumption

Level, 2019=100

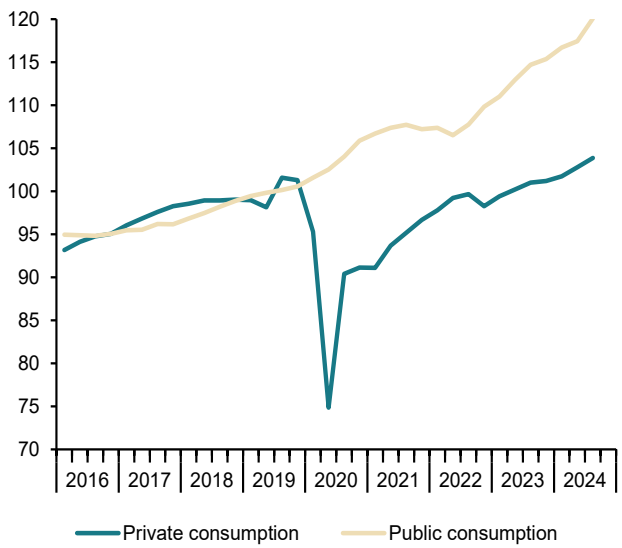


Chart 1.4 - Gross fixed capital formation

Level, 2019=100

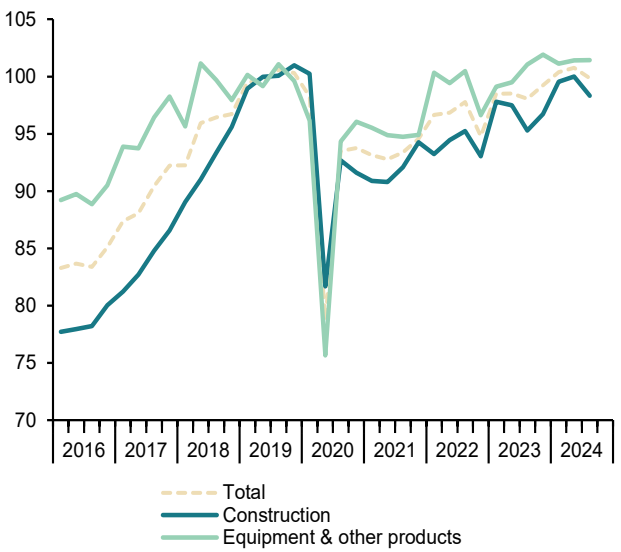


Table 2

National accounts: Gross value added by economic activity SWDA*

		Gross value added at basic prices								
				Industry			Services			
		Total	Agriculture. forestry and fishing	Total	Manufacturing	Construction	Total	Public administration. health. education	Other services	Taxes less subsidies on products
		Chain-linked volumes. annual percentage changes								
2016		2.7	4.5	3.6	1.7	3.5	2.3	1.1	2.7	5.5
2017		3.0	-3.5	4.6	6.8	1.7	3.1	2.2	3.3	1.6
2018		2.5	4.2	0.1	-1.1	3.0	2.8	1.4	3.3	1.8
2019		2.1	-2.8	1.9	0.6	4.7	2.1	1.4	2.3	0.9
2020		-10.9	-2.0	-10.4	-14.1	-14.7	-10.9	-1.5	-13.9	-11.7
2021		6.3	7.0	5.8	13.9	-1.0	7.0	1.9	8.8	10.9
2022		6.7	-20.3	2.5	6.3	9.2	8.5	1.3	11.0	1.2
2023		2.9	6.5	0.7	2.1	2.1	3.3	3.0	3.4	0.5
2022	IV	5.4	-20.2	1.7	5.0	9.0	6.9	3.9	7.8	-3.0
2023	I	4.0	-4.0	2.7	4.4	3.7	4.6	3.3	5.0	2.4
	II	2.6	6.1	-0.6	0.8	3.2	3.1	2.8	3.2	0.4
	III	2.4	12.5	-0.7	1.0	0.0	3.0	2.9	3.0	0.0
	IV	2.6	12.6	1.3	2.2	1.8	2.7	2.9	2.6	-0.8
2024	I	3.1	10.3	1.4	2.0	3.1	3.3	3.1	3.3	-2.8
	II	3.8	5.4	3.6	5.0	2.4	3.8	3.0	4.1	-2.8
	III	3.7	7.5	4.1	4.6	2.4	3.6	3.2	3.8	-0.7
		Chain-linked volumes. quarter-on-quarter percentage changes								
2022	IV	0.7	5.2	-0.7	-0.3	-0.1	1.0	2.9	0.4	-1.1
2023	I	0.4	6.7	1.4	2.1	0.2	0.0	-1.1	0.4	3.3
	II	0.4	1.7	-1.1	-1.3	1.3	0.6	0.3	0.7	-1.3
	III	0.8	-1.4	-0.3	0.6	-1.5	1.3	0.7	1.5	-0.8
	IV	1.0	5.2	1.2	0.9	1.7	0.7	3.0	0.0	-1.9
2024	I	0.9	4.5	1.5	2.0	1.5	0.6	-0.9	1.0	1.3
	II	1.0	-2.8	1.1	1.6	0.6	1.2	0.2	1.5	-1.3
	III	0.8	0.5	0.2	0.1	-1.4	1.1	0.9	1.2	1.4
		Current prices EUR billions)	Percentage of value added at basic prices							
2016		1,019	3.1	15.7	12.1	6.1	75.1	18.1	57.0	10.2
2017		1,061	3.1	15.9	12.3	6.1	75.0	17.8	57.2	10.3
2018		1,098	3.0	15.7	11.9	6.1	75.2	17.7	57.5	10.4
2019		1,138	2.8	15.5	11.8	6.5	75.2	17.8	57.4	10.2
2020		1,031	3.1	15.9	11.9	6.2	74.9	19.8	55.1	9.5
2021		1,119	3.1	16.6	12.4	5.9	74.5	18.8	55.7	10.4
2022		1,252	2.5	17.1	12.0	5.8	74.5	17.7	56.8	9.7
2023		1,368	2.7	16.1	11.9	5.9	75.2	17.4	57.8	9.6

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2019=100

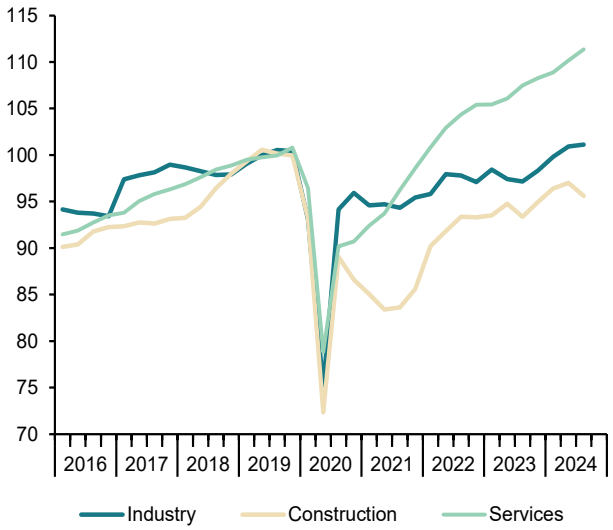


Chart 2.2 - GVA. Industry

Level, 2019=100

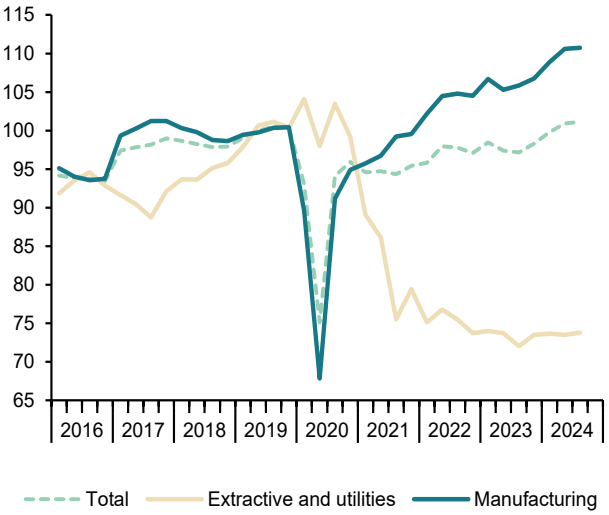


Chart 2.3 - GVA, services

Level, 2019=100

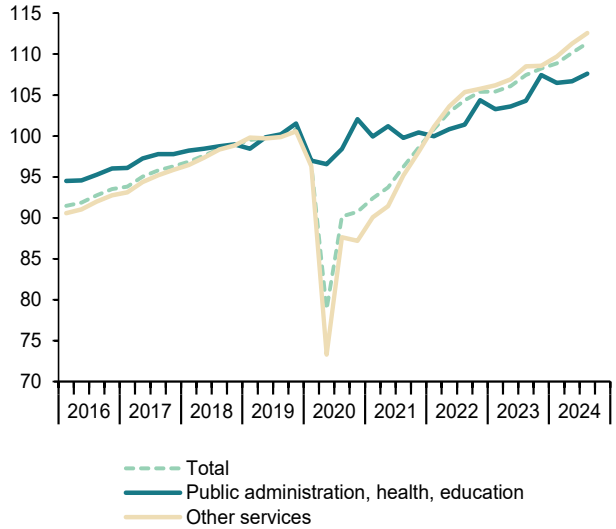


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

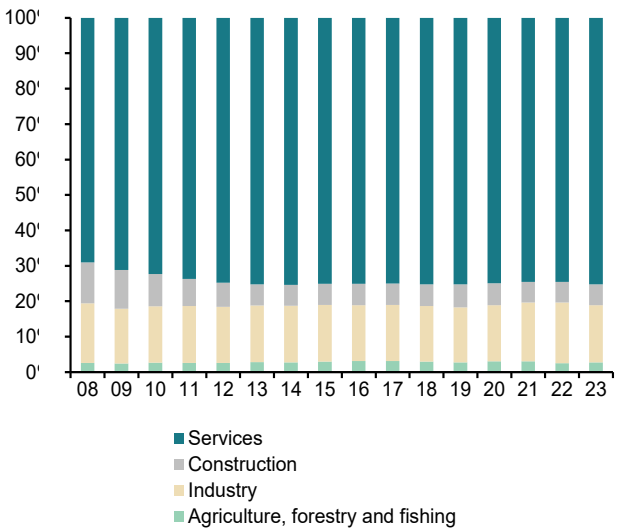


Table 3

National accounts: Productivity and labour costs

Forecasts in yellow

		Total economy						Manufacturing Industry					
		GDP, constant prices	Employment (working hours)	Productivity per hour	Compensation per hour worked	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (working hours)	Productivity per hour	Compensation per hour worked	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
		Index, 2019 = 100, SWDA											
2016		93.1	93.9	99.1	93.2	94.1	98.0	94.1	91.6	102.7	98.6	96.0	98.5
2017		95.8	95.9	99.8	94.2	94.4	97.0	100.5	96.4	104.3	98.1	94.0	97.5
2018		98.1	98.3	99.8	95.6	95.8	97.3	99.4	97.9	101.5	99.5	98.0	99.9
2019		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2020		89.1	89.0	100.0	106.5	106.4	105.2	85.9	91.2	94.2	106.8	113.4	106.6
2021		95.0	95.5	99.5	107.7	108.2	104.7	97.8	94.1	104.0	109.2	105.0	99.0
2022		100.9	100.0	100.9	111.3	110.3	101.3	104.0	97.0	107.2	112.4	104.8	96.9
2023		103.6	102.0	101.5	118.9	117.1	101.1	106.1	98.4	107.9	118.2	109.6	95.6
2024		106.7	103.6	102.5	125.4	121.8	101.9	--	--	--	--	--	--
2025		108.9	105.5	103.0	128.8	124.7	102.0	--	--	--	--	--	--
2022	IV	102.2	100.3	101.9	114.5	112.3	99.8	104.5	98.4	106.2	113.5	106.9	94.8
2023	I	102.9	101.5	101.3	115.5	114.0	99.1	106.7	99.8	106.9	115.1	107.6	92.0
	II	103.1	101.0	102.1	118.4	116.0	101.2	105.3	95.8	109.9	119.5	108.7	94.4
	III	103.8	102.6	101.1	119.8	118.4	102.3	105.9	99.2	106.7	117.7	110.3	95.0
	IV	104.6	103.0	101.5	121.8	120.0	101.3	106.8	98.7	108.1	120.7	111.6	97.9
2024	I	105.5	102.5	102.9	123.9	120.4	101.0	108.9	98.4	110.7	122.5	110.7	93.8
	II	106.4	103.3	103.0	124.8	121.2	101.9	110.6	98.8	112.0	125.0	111.6	96.1
	III	107.3	103.5	103.7	127.1	122.6	102.2	110.7	97.8	113.3	128.1	113.1	97.4
		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		2.9	2.1	0.7	1.0	0.3	-1.1	6.8	5.2	1.6	-0.6	-2.1	-1.1
2018		2.4	2.5	-0.1	1.5	1.6	0.3	-1.1	1.6	-2.7	1.4	4.2	2.5
2019		2.0	1.7	0.2	4.6	4.4	2.8	0.6	2.1	-1.5	0.6	2.1	0.1
2020		-10.9	-11.0	0.0	6.5	6.4	5.2	-14.1	-8.8	-5.8	6.8	13.4	6.6
2021		6.7	7.2	-0.5	1.2	1.7	-0.5	13.9	3.1	10.4	2.2	-7.4	-7.1
2022		6.2	4.8	1.4	3.3	1.9	-3.2	6.3	3.1	3.1	2.9	-0.2	-2.2
2023		2.7	2.0	0.6	6.9	6.2	-0.2	2.1	1.5	0.6	5.2	4.6	-1.4
2024		3.0	1.5	1.0	5.5	4.0	0.8	--	--	--	--	--	--
2025		2.1	1.8	0.5	2.7	2.4	0.0	--	--	--	--	--	--
2022	IV	4.6	3.2	1.3	3.6	2.3	-2.7	5.0	3.9	1.0	1.6	0.6	-4.4
2023	I	3.9	2.4	1.5	5.8	4.3	-2.1	4.4	4.9	-0.5	3.7	4.3	-5.1
	II	2.4	0.9	1.5	8.4	6.8	-0.2	0.8	-0.7	1.5	6.5	4.9	-2.7
	III	2.2	2.2	0.0	6.8	6.8	0.4	1.0	1.3	-0.3	4.3	4.6	-1.6
	IV	2.3	2.8	-0.4	6.4	6.9	1.5	2.2	0.4	1.8	6.3	4.4	3.3
2024	I	2.6	1.0	1.6	7.3	5.6	1.9	2.0	-1.4	3.5	6.5	2.9	2.0
	II	3.2	2.3	0.9	5.4	4.5	0.7	5.0	3.1	1.9	4.6	2.7	1.7
	III	3.4	0.9	2.5	6.1	3.5	0.0	4.6	-1.5	6.2	8.9	2.5	2.5

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2019=100

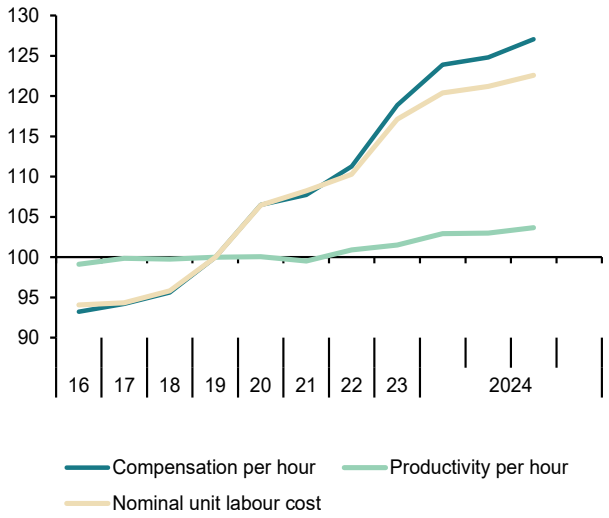
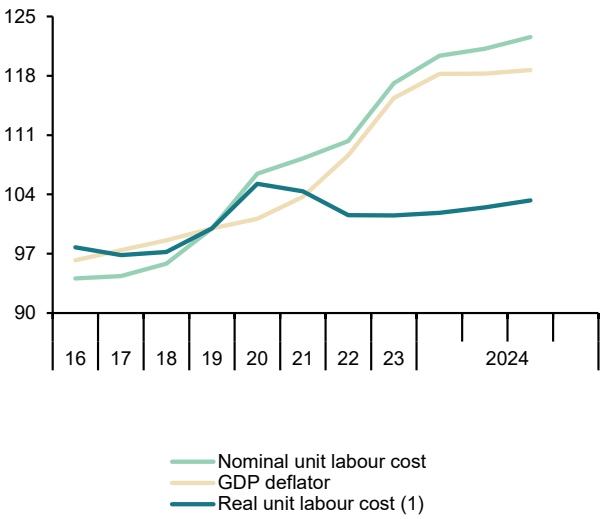


Chart 3.2 - Real ULC, total economy

Index, 2019=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2019=100

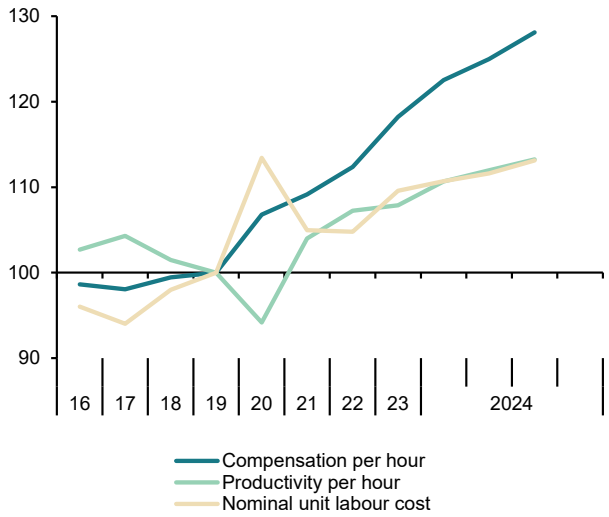
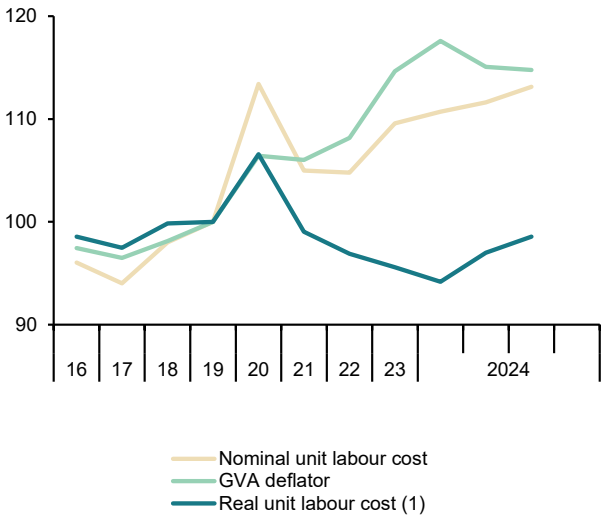


Chart 3.4 - Real ULC, manufacturing industry

Index, 2019=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions. 4-quarter cumulated transactions							Percentage of GDP					
2016		1,123.0	508.0	500.2	1,113.8	864.4	249.4	214.1	45.2	44.5	22.2	19.1	3.1	3.4
2017		1,170.0	528.1	521.9	1,160.2	898.6	261.6	228.9	45.1	44.6	22.4	19.6	2.8	3.0
2018		1,212.3	550.6	535.3	1,201.8	928.0	273.8	251.0	45.4	44.2	22.6	20.7	1.9	2.4
2019		1,253.7	585.8	540.4	1,243.0	954.2	288.8	262.1	46.7	43.1	23.0	20.9	2.1	2.5
2020		1,129.2	561.9	465.1	1,121.0	879.2	241.8	232.9	49.8	41.2	21.4	20.6	0.8	1.2
2021		1,235.5	604.2	504.3	1,232.8	953.0	279.8	270.2	48.9	40.8	22.6	21.9	0.8	1.6
2022		1,373.6	655.9	585.4	1,366.3	1,050.3	316.0	311.2	47.7	42.6	23.0	22.7	0.4	1.3
2023		1,498.3	715.6	639.2	1,479.3	1,124.8	354.5	314.7	47.8	42.7	23.7	21.0	2.7	3.7
2024		1,591.5	767.7	671.4	1,564.9	1,191.2	373.7	326.7	48.2	42.2	23.5	20.5	3.0	3.7
2025		1,663.7	804.0	699.7	1,634.7	1,244.8	390.0	342.3	48.3	42.1	23.4	20.6	2.9	3.6
2022	IV	1,373.6	655.9	585.4	1,366.3	1,050.3	316.0	311.2	47.7	42.6	23.0	22.7	0.4	1.3
2023	I	1,410.2	670.0	608.0	1,402.2	1,070.0	332.2	311.9	47.5	43.1	23.6	22.1	1.4	2.4
	II	1,442.5	684.9	623.1	1,430.3	1,089.2	341.1	313.2	47.5	43.2	23.6	21.7	1.9	2.9
	III	1,470.4	700.3	634.9	1,454.1	1,105.6	348.5	312.5	47.6	43.2	23.7	21.3	2.4	3.4
	IV	1,498.3	715.6	639.2	1,479.3	1,124.8	354.5	314.7	47.8	42.7	23.7	21.0	2.7	3.7
2024	I	1,519.4	730.1	645.3	1,500.1	1,144.2	355.9	316.5	48.1	42.5	23.4	20.8	2.6	3.7
	II	1,543.8	743.7	655.7	1,523.6	1,162.8	360.8	318.5	48.2	42.5	23.4	20.6	2.7	4.0
	III	1,567.4	756.7	665.2	--	1,180.8	--	320.5	48.3	42.4	--	20.5	--	--
		Annual percentage changes							Difference from one year ago					
2016		3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017		4.2	4.0	4.3	4.2	4.0	4.9	6.9	-0.1	0.1	0.2	0.5	-0.4	-0.3
2018		3.6	4.3	2.6	3.6	3.3	4.6	9.7	0.3	-0.4	0.2	1.1	-0.9	-0.7
2019		3.4	6.4	0.9	3.4	2.8	5.5	4.4	1.3	-1.1	0.5	0.2	0.3	0.1
2020		-9.9	-4.1	-13.9	-9.8	-7.9	-16.3	-11.1	3.0	-1.9	-1.6	-0.3	-1.3	-1.2
2021		9.4	7.5	8.4	10.0	8.4	15.7	16.0	-0.9	-0.4	1.2	1.2	0.0	0.4
2022		11.2	8.6	16.1	10.8	10.2	12.9	15.2	-1.2	1.8	0.4	0.8	-0.4	-0.4
2023		9.1	9.1	9.2	8.3	7.1	12.2	1.1	0.0	0.0	0.7	-1.7	2.3	2.5
2024		6.2	7.3	5.0	5.8	5.9	5.4	3.8	0.5	-0.5	-0.2	-0.5	0.3	0.0
2025		4.5	4.7	4.2	4.5	4.5	4.3	4.8	0.1	-0.1	0.0	0.0	-0.1	-0.1
2022	IV	11.2	8.6	16.1	10.8	10.2	12.9	15.2	-1.2	1.8	0.4	0.8	-0.4	-0.4
2023	I	11.0	8.6	17.3	10.5	9.5	13.8	11.0	-1.0	2.3	0.6	0.0	0.6	1.1
	II	10.3	8.3	16.3	9.6	8.7	12.8	6.8	-0.9	2.2	0.5	-0.7	1.2	1.6
	III	9.5	8.8	13.8	8.7	7.4	13.0	3.2	-0.3	1.6	0.7	-1.3	2.0	2.3
	IV	9.1	9.1	9.2	8.3	7.1	12.2	1.1	0.0	0.0	0.7	-1.7	2.3	2.5
2024	I	7.7	9.0	6.1	7.0	6.9	7.1	1.5	0.5	-0.6	-0.1	-1.3	1.2	1.3
	II	7.0	8.6	5.2	6.5	6.8	5.8	1.7	0.7	-0.7	-0.3	-1.1	0.8	1.1
	III	6.6	8.1	4.8	--	6.8	--	2.6	0.7	-0.7	--	-0.8	--	--

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

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

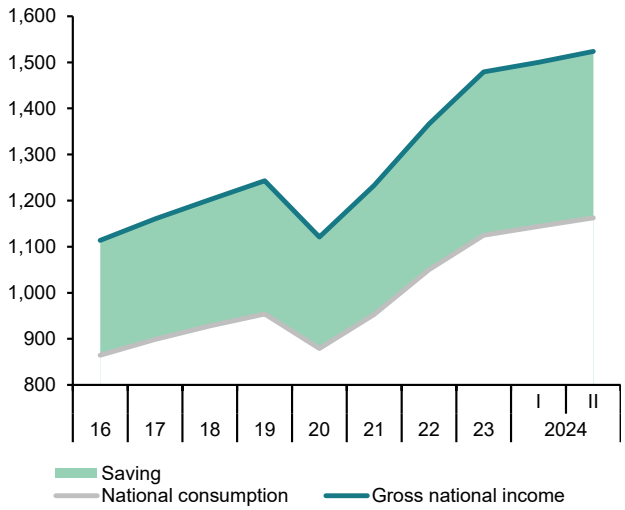


Chart 4.2 - National income, consumption and saving rate

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

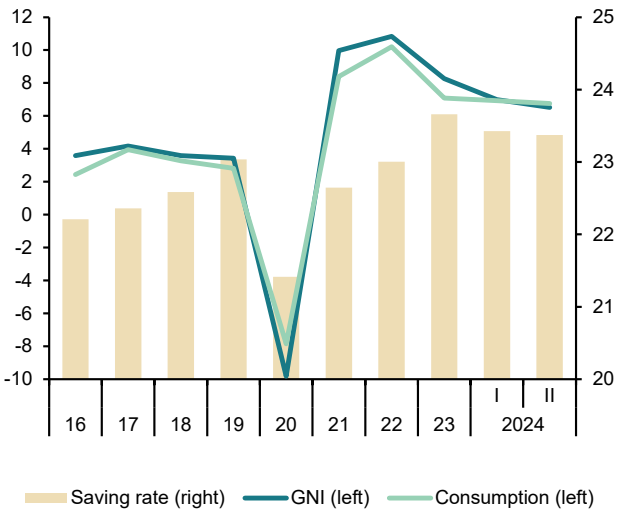


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

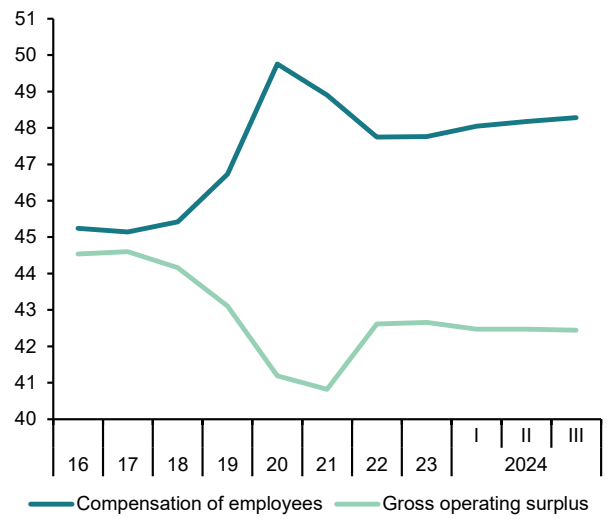


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

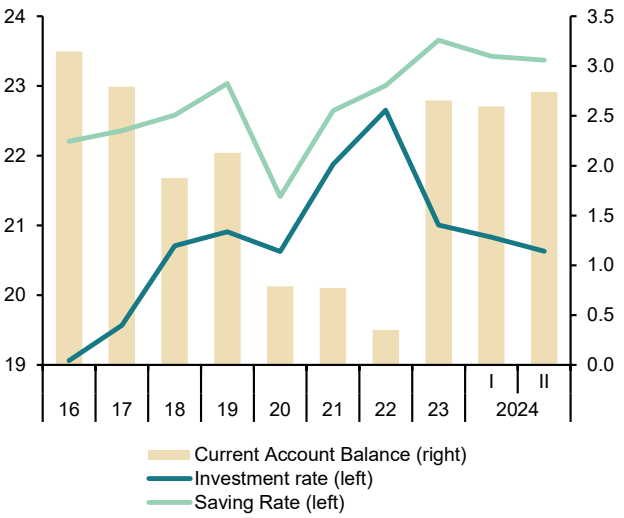


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions. 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions. 4-quarter cumulated operations			Percentage of GDP		
2016		710.1	652.5	54.5	32.9	7.7	2.9	1.7	254.3	194.7	153.1	17.3	13.6	3.9
2017		731.8	682.8	45.9	37.7	6.3	3.2	0.5	266.1	200.0	162.2	17.1	13.9	3.5
2018		752.9	704.4	45.7	41.4	6.1	3.4	0.2	270.3	199.3	180.5	16.4	14.9	1.8
2019		790.6	720.0	67.8	44.2	8.6	3.5	1.8	274.1	201.5	188.1	16.1	15.0	1.3
2020		773.0	633.6	135.5	40.8	17.5	3.6	8.3	216.5	153.3	154.7	13.6	13.7	0.4
2021		811.2	693.6	115.4	51.7	14.2	4.2	5.1	237.4	172.8	180.2	14.0	14.6	0.5
2022		853.9	774.5	77.2	64.7	9.0	4.7	0.8	293.9	218.8	199.3	15.9	14.5	2.1
2023		945.1	830.5	113.7	67.7	12.0	4.5	3.0	312.5	218.2	195.3	14.6	13.0	2.0
2024		1,019.0	878.1	139.9	74.4	13.7	4.7	4.0	313.5	206.6	191.3	13.0	12.0	1.4
2025		1,046.7	920.5	125.3	78.2	12.0	4.7	2.7	330.6	227.6	202.8	13.7	12.2	1.9
2022	III	839.9	762.0	75.6	65.3	9.0	4.9	0.7	275.5	200.7	194.2	15.0	14.5	1.2
	IV	853.9	774.5	77.2	64.7	9.0	4.7	0.8	293.9	218.8	199.3	15.9	14.5	2.1
2023	I	872.3	790.5	79.8	61.8	9.1	4.4	1.1	307.2	229.2	202.2	16.3	14.3	2.6
	II	899.2	804.0	93.6	61.7	10.4	4.3	2.1	314.8	230.5	203.9	16.0	14.1	2.5
	III	922.2	814.9	105.9	62.7	11.5	4.3	2.8	315.0	226.4	200.7	15.4	13.7	2.4
	IV	945.1	830.5	113.7	67.7	12.0	4.5	3.0	312.5	218.2	195.3	14.6	13.0	2.0
2024	I	968.7	844.3	124.0	69.4	12.8	4.6	3.5	306.0	211.7	194.0	13.9	12.8	1.6
	II	991.0	858.1	132.8	71.4	13.4	4.6	3.9	303.4	200.2	193.1	13.0	12.5	0.9
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.6	5.6	6.1	0.4	0.3	-0.1
2017		3.0	4.6	-15.7	14.7	-1.4	0.3	-1.2	4.6	2.7	5.9	-0.2	0.2	-0.5
2018		2.9	3.2	-0.4	9.7	-0.2	0.2	-0.3	1.6	-0.4	11.3	-0.7	1.0	-1.6
2019		5.0	2.2	48.2	6.8	2.5	0.1	1.6	1.4	1.1	4.2	-0.4	0.1	-0.5
2020		-2.2	-12.0	99.9	-7.7	9.0	0.1	6.5	-21.0	-23.9	-17.7	-2.5	-1.3	-0.9
2021		4.9	9.5	-14.9	26.7	-3.3	0.6	-3.2	9.7	12.7	16.4	0.4	0.9	0.1
2022		5.3	11.7	-33.1	25.1	-5.2	0.5	-4.3	23.8	26.6	10.6	1.9	-0.1	1.6
2023		10.7	7.2	47.3	4.6	3.0	-0.2	2.2	6.3	-0.3	-2.0	-1.4	-1.5	-0.1
2024		7.8	5.7	23.0	10.0	1.7	0.2	1.0	0.3	-5.3	-2.0	-1.6	-1.0	-0.6
2025		2.7	4.8	-10.5	5.0	-1.8	0.0	-1.3	5.5	10.2	6.0	0.7	0.2	0.5
2022	III	5.4	13.5	-38.6	41.6	-6.4	1.0	-5.5	21.1	21.4	13.5	1.2	0.2	0.7
	IV	5.3	11.7	-33.1	25.1	-5.2	0.5	-4.3	23.8	26.6	10.6	1.9	-0.1	1.6
2023	I	6.3	9.9	-19.5	7.2	-2.9	-0.2	-2.1	24.1	26.1	11.0	1.9	0.0	1.9
	II	8.0	8.5	4.7	-5.0	-0.3	-0.7	0.3	21.4	22.2	10.4	1.6	0.0	1.4
	III	9.8	6.9	40.0	-3.9	2.5	-0.6	2.1	14.3	12.8	3.4	0.4	-0.8	1.2
	IV	10.7	7.2	47.3	4.6	3.0	-0.2	2.2	6.3	-0.3	-2.0	-1.4	-1.5	-0.1
2024	I	11.1	6.8	55.5	12.3	3.7	0.2	2.4	-0.4	-7.6	-4.1	-2.3	-1.6	-1.0
	II	10.2	6.7	41.9	15.7	3.0	0.3	1.8	-3.6	-13.2	-5.3	-3.0	-1.6	-1.6

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

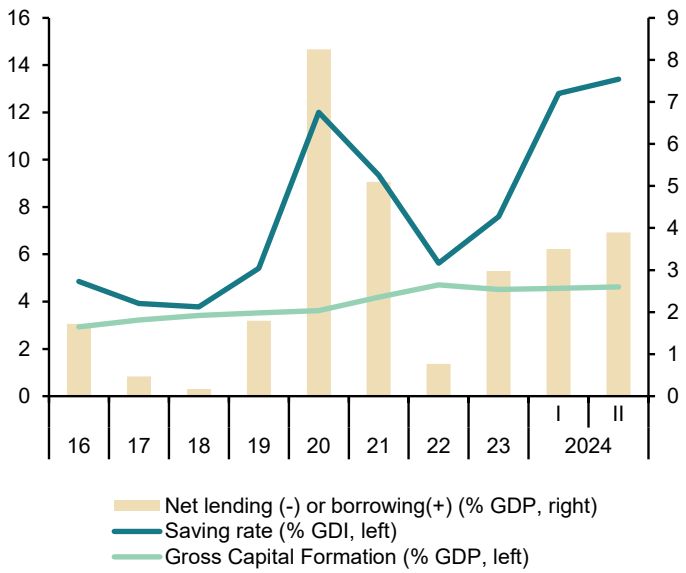


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

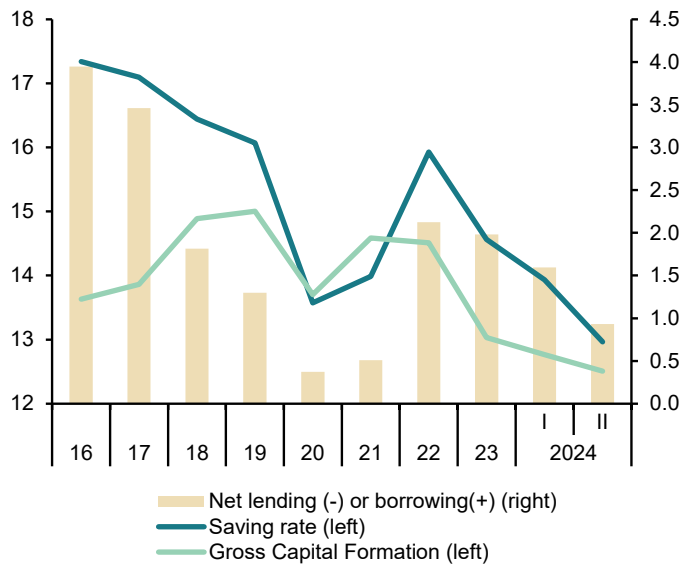


Table 6

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		128.8	110.0	135.6	50.9	425.3	121.5	58.6	31.2	203.1	30.2	27.9	472.7	-47.4
2017		135.1	116.9	142.4	49.6	444.0	123.5	59.8	29.6	207.6	31.5	27.9	479.9	-35.9
2018		141.2	127.3	149.5	54.3	472.3	127.7	62.3	29.6	216.7	37.4	29.6	503.2	-30.9
2019		143.1	129.1	160.7	55.5	488.3	134.8	65.0	28.2	229.7	37.2	31.7	526.8	-38.4
2020		126.8	125.3	162.2	54.0	468.3	140.7	66.9	25.1	261.6	44.4	41.5	580.2	-111.9
2021		147.0	143.5	171.7	66.8	529.0	148.1	71.9	26.2	263.6	60.1	41.2	611.1	-82.2
2022		160.4	164.8	180.1	68.7	574.0	154.5	79.6	31.8	266.8	53.4	51.0	637.1	-63.1
2023		165.5	183.2	197.0	82.5	628.3	163.4	86.5	35.7	292.9	57.3	45.2	681.0	-52.7
2024		173.7	207.6	211.6	69.1	662.0	171.5	94.6	41.1	310.2	58.0	36.0	711.4	-49.4
2025		181.4	215.6	222.0	70.7	689.8	178.4	97.8	44.2	322.0	62.2	35.0	739.7	-49.9
2022	III	162.0	160.5	177.6	68.8	568.9	151.5	77.4	29.6	265.3	54.9	45.3	624.0	-55.1
	IV	160.4	164.8	180.1	68.7	574.0	154.5	79.6	31.8	266.8	53.4	51.0	637.1	-63.1
2023	I	162.3	168.1	184.0	73.0	587.4	156.5	81.5	32.2	271.4	55.1	51.0	647.7	-60.3
	II	161.9	172.5	188.4	75.8	598.6	159.5	83.6	33.7	279.2	56.2	50.2	662.4	-63.7
	III	162.5	177.3	192.4	76.9	609.2	161.8	85.1	35.0	284.9	58.1	47.7	672.6	-63.4
	IV	165.5	183.2	197.0	82.5	628.3	163.4	86.5	35.7	292.9	57.3	45.2	681.0	-52.7
2024	I	166.9	186.8	200.2	80.4	634.1	165.3	87.7	37.1	297.1	58.3	44.6	690.1	-56.0
	II	170.6	191.1	203.5	81.7	646.9	167.0	88.5	37.9	302.2	58.7	44.1	698.4	-51.5
		Percentage of GDP. 4-quarter cumulated operations												
2016		11.5	9.8	12.1	4.5	37.9	10.8	5.2	2.8	18.1	2.7	2.5	42.1	-4.2
2017		11.5	10.0	12.2	4.2	37.9	10.6	5.1	2.5	17.7	2.7	2.4	41.0	-3.1
2018		11.6	10.5	12.3	4.5	39.0	10.5	5.1	2.4	17.9	3.1	2.4	41.5	-2.6
2019		11.4	10.3	12.8	4.4	39.0	10.7	5.2	2.3	18.3	3.0	2.5	42.0	-3.1
2020		11.2	11.1	14.4	4.8	41.5	12.5	5.9	2.2	23.2	3.9	3.7	51.4	-9.9
2021		11.9	11.6	13.9	5.4	42.8	12.0	5.8	2.1	21.3	4.9	3.3	49.5	-6.7
2022		11.7	12.0	13.1	5.0	41.8	11.2	5.8	2.3	19.4	3.9	3.7	46.4	-4.6
2023		11.0	12.2	13.2	5.5	41.9	10.9	5.8	2.4	19.5	3.8	3.0	45.4	-3.5
2024		10.9	13.0	13.3	4.3	41.6	10.8	5.9	2.6	19.5	3.6	2.3	44.7	-3.1
2025		10.9	13.0	13.3	4.2	41.5	10.7	5.9	2.7	19.4	3.7	2.1	44.5	-3.0
2022	III	12.1	12.0	13.2	5.1	42.4	11.3	5.8	2.2	19.8	4.1	3.4	46.5	-4.1
	IV	11.7	12.0	13.1	5.0	41.8	11.2	5.8	2.3	19.4	3.9	3.7	46.4	-4.6
2023	I	11.5	11.9	13.0	5.2	41.7	11.1	5.8	2.3	19.2	3.9	3.6	45.9	-4.3
	II	11.2	12.0	13.1	5.3	41.5	11.1	5.8	2.3	19.4	3.9	3.5	45.9	-4.4
	III	11.0	12.1	13.1	5.2	41.4	11.0	5.8	2.4	19.4	4.0	3.2	45.7	-4.3
	IV	11.0	12.2	13.2	5.5	41.9	10.9	5.8	2.4	19.5	3.8	3.0	45.4	-3.5
2024	I	11.0	12.3	13.2	5.3	41.7	10.9	5.8	2.4	19.6	3.8	2.9	45.4	-3.7
	II	11.0	12.4	13.2	5.3	41.9	10.8	5.7	2.5	19.6	3.8	2.9	45.2	-3.3

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

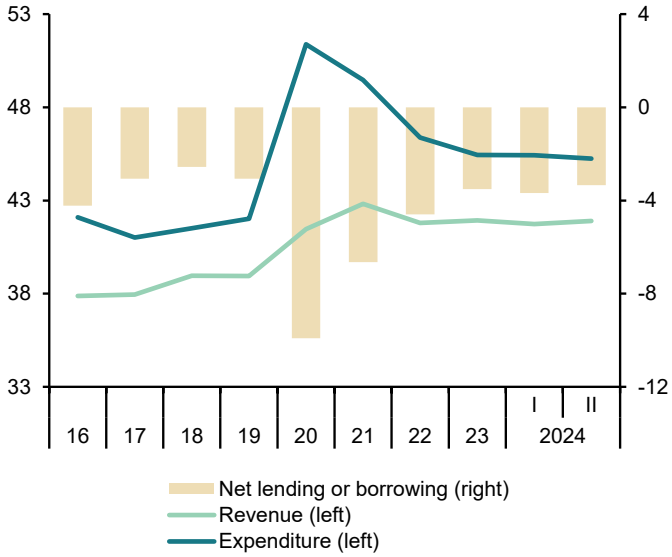


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

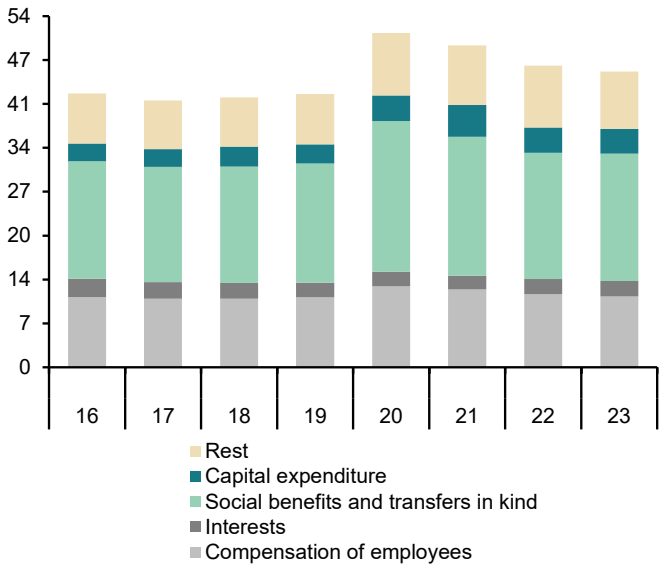


Table 7

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		-27.5	-9.5	7.0	-17.4	-47.4	1,009.5	277.0	32.2	17.2	1,145.7
2017		-21.7	-4.0	6.6	-16.8	-35.9	1,050.5	288.1	29.0	27.4	1,184.1
2018		-16.8	-3.2	6.4	-17.3	-30.9	1,083.6	293.4	25.8	41.2	1,209.7
2019		-19.0	-7.4	3.8	-15.9	-38.4	1,096.8	295.1	23.2	55.0	1,224.4
2020		-85.8	-2.2	2.8	-26.7	-111.9	1,207.7	304.0	22.0	85.4	1,346.9
2021		-73.5	-0.3	3.4	-11.7	-82.2	1,281.4	312.6	22.8	97.2	1,429.4
2022		-41.0	-15.2	-1.0	-5.9	-63.1	1,360.2	317.1	23.1	106.2	1,504.1
2023		-30.3	-13.7	-0.3	-8.4	-52.7	1,435.7	325.2	23.3	116.2	1,575.4
2024		--	--	--	--	-49.4	--	--	--	--	1,627.8
2025		--	--	--	--	-49.9	--	--	--	--	1,680.7
2022	III	-33.4	-15.3	-1.3	-5.1	-55.1	1,360.7	314.9	22.8	99.2	1,506.0
	IV	-41.0	-15.2	-1.0	-5.9	-63.1	1,360.2	317.1	23.1	106.2	1,504.1
2023	I	-35.5	-18.7	-0.5	-5.6	-60.3	1,389.0	322.4	23.1	106.2	1,536.7
	II	-37.6	-20.2	-1.7	-4.2	-63.7	1,421.5	327.3	23.7	106.2	1,570.1
	III	-46.0	-12.4	-0.1	-4.9	-63.4	1,436.2	325.5	23.3	106.2	1,578.8
	IV	-30.3	-13.7	-0.3	-8.4	-52.7	1,435.7	325.2	23.3	116.2	1,575.4
2024	I	-30.8	-16.9	-2.2	-6.1	-56.0	1,476.2	328.9	23.1	116.2	1,614.7
	II	-25.9	-16.4	-1.8	-7.4	-51.5	1,485.1	337.5	23.5	116.2	1,626.1
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2016		-2.5	-0.8	0.6	-1.5	-4.2	89.9	24.7	2.9	1.5	102.0
2017		-1.9	-0.3	0.6	-1.4	-3.1	89.8	24.6	2.5	2.3	101.2
2018		-1.4	-0.3	0.5	-1.4	-2.6	89.4	24.2	2.1	3.4	99.8
2019		-1.5	-0.6	0.3	-1.3	-3.1	87.5	23.5	1.9	4.4	97.7
2020		-7.6	-0.2	0.2	-2.4	-9.9	107.0	26.9	1.9	7.6	119.3
2021		-6.0	0.0	0.3	-0.9	-6.7	103.7	25.3	1.8	7.9	115.7
2022		-3.0	-1.1	-0.1	-0.4	-4.6	99.0	23.1	1.7	7.7	109.5
2023		-2.0	-0.9	0.0	-0.6	-3.5	95.8	21.7	1.6	7.8	105.1
2024		--	--	--	--	-3.1	--	--	--	--	102.3
2025		--	--	--	--	-3.0	--	--	--	--	101.0
2022	III	-2.5	-1.1	-0.1	-0.4	-4.1	101.5	23.5	1.7	7.4	112.4
	IV	-3.0	-1.1	-0.1	-0.4	-4.6	99.0	23.1	1.7	7.7	109.5
2023	I	-2.5	-1.3	0.0	-0.4	-4.3	98.4	22.8	1.6	7.5	108.9
	II	-2.6	-1.4	-0.1	-0.3	-4.4	98.5	22.7	1.6	7.4	108.8
	III	-3.1	-0.8	0.0	-0.3	-4.3	97.6	22.1	1.6	7.2	107.3
	IV	-2.0	-0.9	0.0	-0.6	-3.5	95.8	21.7	1.6	7.8	105.1
2024	I	-2.0	-1.1	-0.1	-0.4	-3.7	97.1	21.6	1.5	7.6	106.2
	II	-1.7	-1.1	-0.1	-0.5	-3.3	96.2	21.9	1.5	7.5	105.3

Sources: National Statistics Institute. Bank of Spain (Financial Accounts of the Spanish Economy) and Funcas (Forecasts).

Chart 7.1 - Government deficit

Percent of GDP, 4-quarter cumulated operations

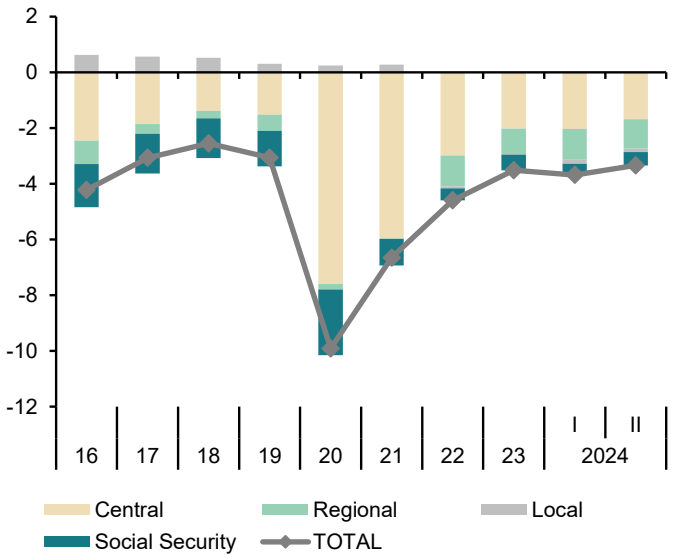


Chart 7.2 - Government debt

Percent of GDP

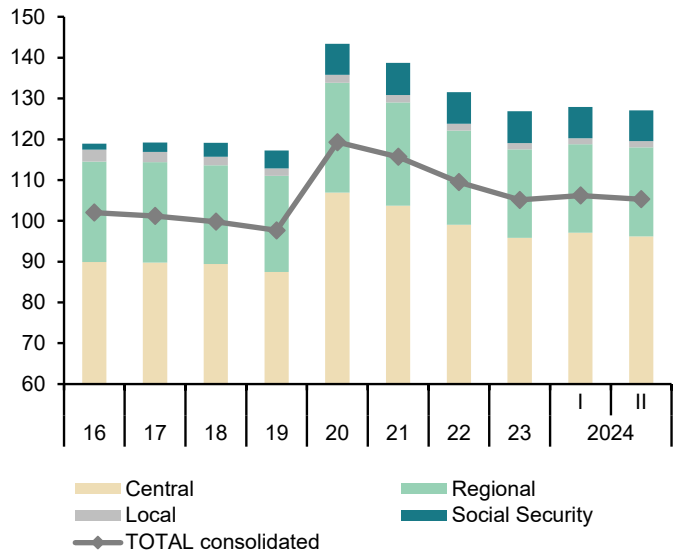


Table 8

General activity and industrial sector indicators (a)

	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing turnover index deflated (g)	Industrial orders
	Index	Index	Thousands	1000 GWH, monthly average	2019=100	Thousands	Index	Balance of responses	2019=100	Balance of responses
2016	106.1	54.9	17,157.5	21.0	96.0	2,124.7	53.1	-2.1	93.9	-5.4
2017	109.4	56.2	17,789.6	21.4	98.8	2,191.0	54.8	1.4	98.1	2.2
2018	108.2	54.6	18,364.5	21.5	99.4	2,250.9	53.3	-0.5	100.0	-0.2
2019	104.7	52.7	18,844.1	20.9	100.0	2,283.2	49.1	-3.6	100.0	-5.1
2020	89.6	41.5	18,440.5	19.9	90.7	2,239.3	47.5	-13.6	89.9	-30.0
2021	105.3	55.3	18,910.0	20.4	97.2	2,270.4	57.0	0.6	96.2	-1.8
2022	101.3	51.8	19,663.0	19.6	99.7	2,324.3	51.0	-0.8	99.2	1.6
2023	100.7	52.5	20,193.2	19.2	98.1	2,363.7	48.0	-6.5	97.7	-10.9
2024 (b)	103.4	54.7	20,665.1	19.2	98.2	2,399.8	52.0	-4.9	96.0	-10.2
2023 I	100.2	55.2	19,970.1	19.3	98.4	2,347.6	50.1	-4.5	98.2	-9.0
II	101.3	54.7	20,161.9	19.0	97.6	2,358.8	48.5	-5.3	97.8	-7.1
III	100.7	50.1	20,272.0	19.1	97.5	2,369.5	47.4	-8.3	97.5	-13.7
IV	100.3	50.1	20,367.6	19.4	97.6	2,378.8	45.8	-7.9	97.5	-13.7
2024 I	102.4	53.6	20,504.7	19.4	97.9	2,390.2	50.7	-5.1	96.9	-9.2
II	102.7	56.0	20,654.0	19.3	97.7	2,397.8	52.9	-5.5	96.8	-9.7
III	105.5	54.4	20,761.4	19.4	97.6	2,405.7	51.5	-3.0	96.1	-10.1
IV (b)	102.4	55.2	20,858.7	19.5	--	2,412.3	54.5	-8.1	--	-14.6
2024 Aug	105.3	53.5	20,760.1	19.6	97.4	2,405.9	50.5	-3.6	96.3	-9.9
Sep	107.2	56.3	20,799.2	19.5	97.8	2,408.5	53.0	-0.9	--	-11.7
Oct	102.4	55.2	20,858.7	19.5	--	2,412.3	54.5	-8.1	--	-14.6
					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	2.5	2.4	--	--	3.1	--
2023	--	--	2.7	-1.9	-1.6	1.7	--	--	-1.6	--
2024 (d)	--	--	2.5	1.5	0.2	1.7	--	--	-0.8	--
2023 I	--	--	0.7	1.8	-0.3	0.4	--	--	-0.6	--
II	--	--	1.0	-1.4	-0.8	0.5	--	--	-0.4	--
III	--	--	0.5	0.6	-0.1	0.5	--	--	-0.3	--
IV	--	--	0.5	1.4	0.1	0.4	--	--	0.0	--
2024 I	--	--	0.7	0.1	0.3	0.5	--	--	-0.6	--
II	--	--	0.7	-0.5	-0.2	0.3	--	--	-0.1	--
III	--	--	0.5	0.8	-0.1	0.3	--	--	-0.8	--
IV (e)	--	--	0.5	0.4	--	0.3	--	--	--	--
2024 Aug	--	--	0.2	1.8	-0.1	0.1	--	--	0.4	--
Sep	--	--	0.2	-0.4	0.5	0.1	--	--	--	--
Oct	--	--	0.3	0.1	--	0.2	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Level, 2019=100

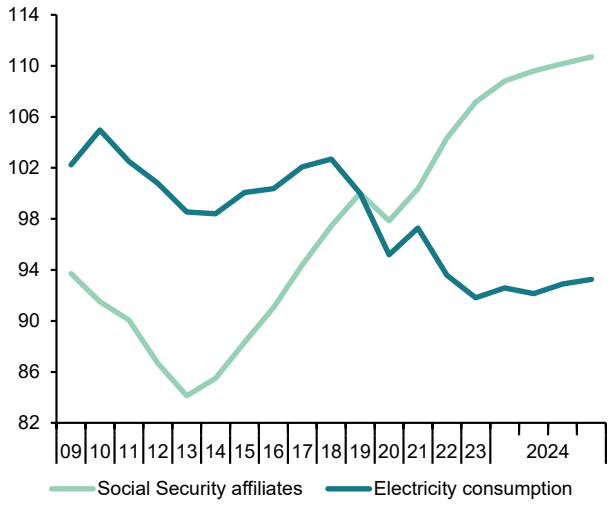


Chart 8.2 - General activity indicators (II)

Index

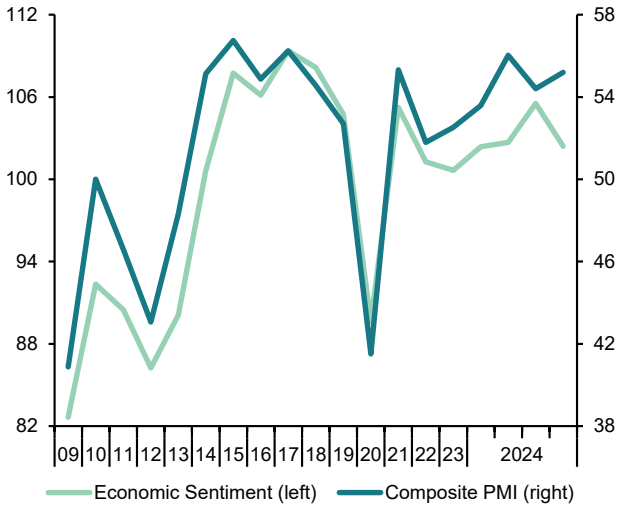


Chart 8.3 - Industrial sector indicators (I)

Level, 2019=100

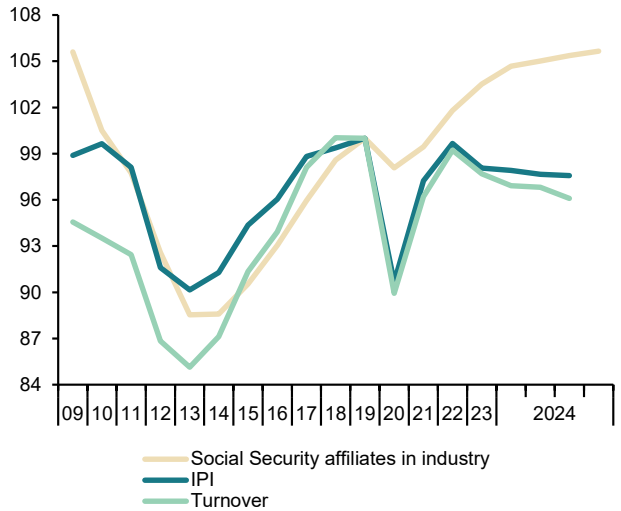


Chart 8.4 - Industrial sector indicators (II)

Index

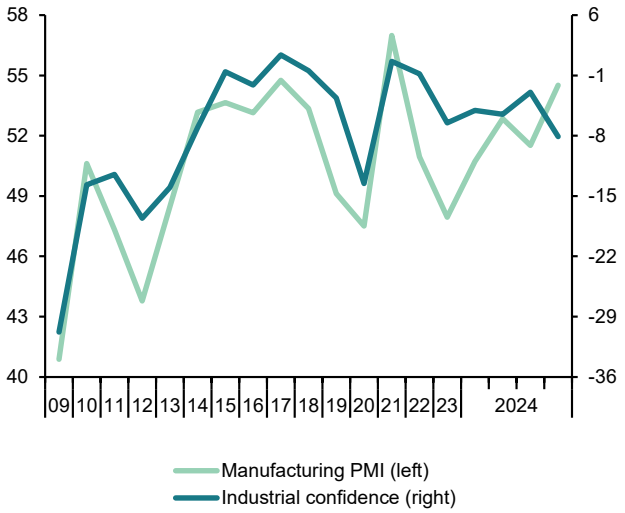


Table 9

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	2019=100	Balance of responses	EUR Billions, monthly average	Million m2, monthly average	Thousands	2019=100	Index	Million, monthly average	Million, monthly average	Balance of responses
2016	1,053.9	82.0	-39.1	0.8	1.1	12,851.6	89.0	55.0	27.6	19.1	18.2
2017	1,118.8	88.8	-25.1	1.1	1.3	13,338.2	93.4	56.4	28.4	20.7	22.9
2018	1,194.1	91.5	-6.0	1.4	1.6	13,781.3	97.1	54.8	28.3	21.9	21.2
2019	1,254.9	100.0	-7.7	1.4	1.7	14,169.1	100.0	53.9	28.6	23.1	13.9
2020	1,233.1	88.9	-17.5	1.1	1.3	13,849.2	83.6	40.3	7.7	6.3	-25.5
2021	1,288.6	99.6	-1.9	1.8	1.6	14,235.1	95.5	55.0	14.4	9.9	8.6
2022	1,333.8	99.2	8.8	2.3	1.7	14,926.3	102.3	52.5	26.7	20.2	12.2
2022	1,384.6	95.6	8.7	2.2	1.7	15,393.2	103.8	53.6	28.9	23.5	13.9
2024 (b)	1,408.3	94.4	8.1	2.4	1.8	15,823.0	104.2	55.3	32.4	26.5	17.0
2023 I	1,374.6	98.0	3.3	2.0	1.7	15,190.3	104.1	56.3	28.5	22.8	10.0
II	1,383.3	95.5	12.9	2.5	1.7	15,365.7	103.8	56.0	28.5	23.2	14.4
III	1,386.3	94.9	6.0	2.3	1.5	15,463.6	102.3	50.8	29.0	23.8	15.8
IV	1,394.8	93.0	12.6	2.2	1.7	15,551.8	106.1	51.2	29.6	24.4	15.5
2024 I	1,403.6	94.4	5.6	2.2	1.8	15,673.3	106.6	54.3	29.9	25.0	17.1
II	1,404.2	93.2	9.7	2.3	1.9	15,813.9	106.0	56.6	30.4	25.6	15.5
III	1,411.9	93.6	6.9	2.8	1.8	15,912.3	105.3	55.2	30.3	26.0	18.3
IV (b)	1,417.0	--	14.6	--	--	15,998.6	--	54.9	--	26.2	--
2024 Aug	1,412.0	92.8	1.4	2.0	1.3	15,910.6	104.5	54.6	30.2	25.9	21.1
Sep	1,414.6	94.9	7.3	2.6	--	15,947.8	--	57.0	30.5	26.1	16.6
Oct	1,417.0	--	14.6	--	--	15,998.6	--	54.9	--	26.2	--
				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	--	1.5	1.3	2.8	3.0	--	0.9	5.3	--
2020	-1.7	-11.1	--	-23.4	-19.8	-2.3	-16.4	--	-73.1	-72.7	--
2021	4.5	12.1	--	68.4	22.7	2.8	14.3	--	87.4	57.8	--
2022	3.5	-0.4	--	27.9	1.2	4.9	7.1	--	85.4	103.4	--
2023	3.8	-3.7	--	-3.5	-0.6	3.1	1.5	--	8.2	16.3	--
2024 (d)	1.8	-2.4	--	7.8	12.1	3.0	2.4	--	5.2	9.4	--
2023 I	1.4	-0.8	--	17.8	-3.7	0.8	-0.2	--	2.5	3.7	--
II	0.6	-2.6	--	14.9	12.2	1.2	-0.2	--	0.0	1.6	--
III	0.2	-0.6	--	-5.0	0.8	0.6	-1.5	--	1.6	2.9	--
IV	0.6	-2.0	--	-27.9	-9.1	0.6	3.7	--	2.0	2.5	--
2024 I	0.6	1.4	--	11.0	3.4	0.8	0.5	--	1.2	2.1	--
II	0.0	-1.2	--	-8.8	17.1	0.9	-0.6	--	1.6	2.7	--
III	0.5	0.5	--	23.8	21.5	0.6	-0.7	--	-0.5	1.3	--
IV (e)	0.4	--	--	--	--	0.5	--	--	--	0.8	--
2024 Aug	0.2	-0.4	--	29.5	29.6	0.2	-1.5	--	0.0	0.4	--
Sep	0.2	2.3	--	16.0	--	0.2	--	--	0.9	0.7	--
Oct	0.2	--	--	--	--	0.3	--	--	--	0.2	--

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

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, 2019=100 and index

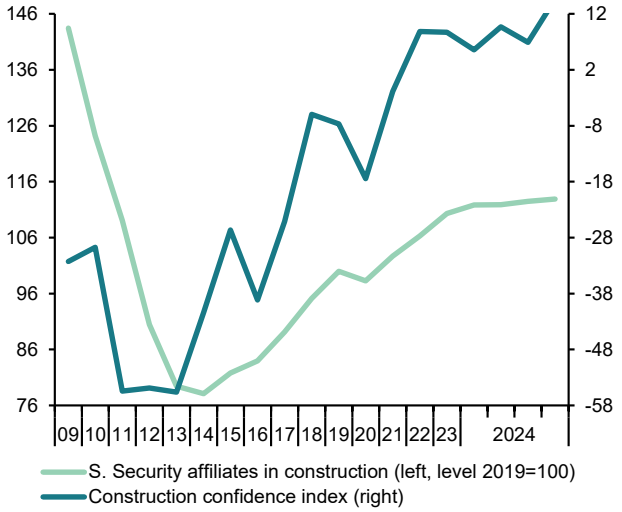


Chart 9.2 - Construction indicators (II)

Level, 2019=100

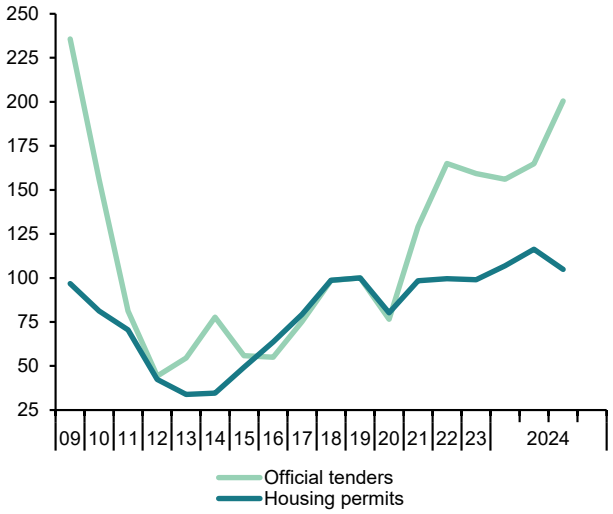


Chart 9.3 - Services indicators (I)

Level, 2019=100

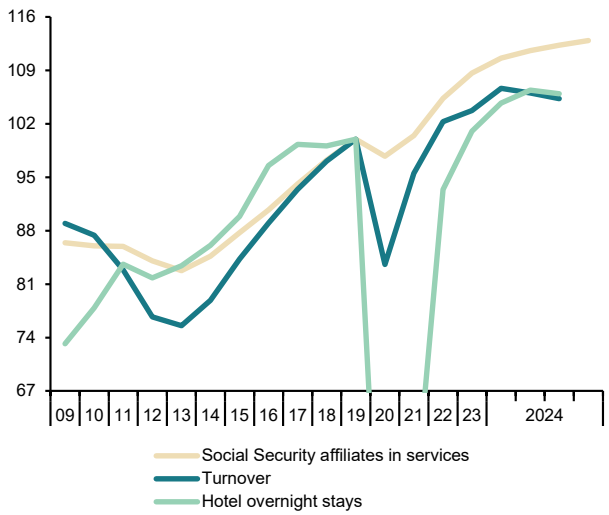


Chart 9.4 - Services indicators (II)

Index

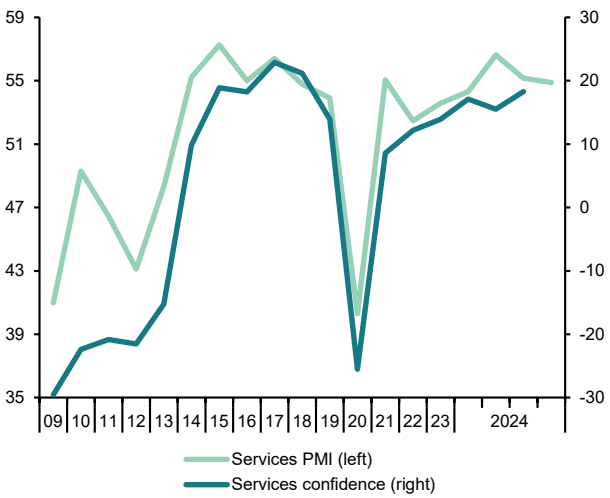


Table 10

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)
		2019=100	Thousands, monthly average	Balance of responses	Million, monthly average	Balance of responses	2019=100	Thousands, monthly average	Balance of responses	2019=100	2019=100
2015		92.6	91.2	-4.9	9.2	-3.1	86.2	15.3	0.2	88.4	84.9
2016		96.0	102.5	-6.2	9.5	-1.4	92.5	16.3	-0.2	92.0	88.4
2017		97.1	111.8	-2.9	9.7	2.2	95.0	17.8	4.9	97.9	91.5
2018		97.7	118.7	-4.4	9.7	-5.6	97.5	19.9	12.4	99.8	95.6
2019		100.0	114.6	-6.4	10.0	-2.9	100.0	19.2	8.8	100.0	100.0
2020		93.5	78.3	-22.5	4.3	-25.5	91.6	15.0	-22.7	94.7	93.5
2021		97.4	79.5	-12.9	7.6	-11.1	96.0	16.4	4.7	104.4	98.0
2022		99.5	76.2	-26.5	10.0	-2.8	102.3	14.6	28.2	118.1	105.8
2023		102.1	86.7	-19.2	10.1	-6.8	104.1	18.0	17.9	122.2	121.9
2024	(b)	101.5	92.5	-15.1	10.8	-9.0	105.0	19.5	4.4	119.4	117.5
2023	I	101.2	85.4	-22.5	10.3	-5.7	102.7	16.5	25.8	124.0	123.9
	II	102.5	82.8	-19.1	10.1	-5.7	103.5	16.0	24.6	123.3	123.7
	III	101.8	85.9	-16.1	10.1	-8.5	105.0	16.8	11.8	121.5	118.2
	IV	102.6	96.3	-19.1	10.2	-7.1	105.3	18.9	9.4	120.4	121.7
2024	I	102.3	89.1	-17.2	10.2	-7.4	105.7	19.4	6.2	120.6	119.9
	II	103.0	92.0	-14.4	10.2	-10.6	106.5	18.2	10.1	122.1	122.8
	III	104.4	91.8	-13.6	9.9	-7.6	108.5	17.4	-0.7	125.4	119.8
	IV (b)	--	115.9	--	--	-12.8	--	21.8	-2.7	--	--
2024	Aug	104.2	88.7	-15.0	9.8	-4.9	108.7	15.8	1.3	125.4	112.8
	Sep	105.3	105.1	-12.3	10.0	-8.0	109.7	19.0	-4.6	126.7	126.2
	Oct	--	115.9	--	--	-12.8	--	21.8	-2.7	--	--
		Percentage changes (c)									
2015		4.3	22.9	--	5.3	--	7.6	31.4	--	14.4	7.1
2016		3.6	12.4	--	3.6	--	7.3	6.7	--	4.1	4.0
2017		1.2	9.1	--	1.4	--	2.7	9.6	--	6.4	3.6
2018		0.6	6.1	--	0.6	--	2.6	11.4	--	2.0	4.4
2019		2.4	-3.4	--	2.7	--	2.6	-3.2	--	0.2	4.6
2020		-6.5	-31.7	--	-57.2	--	-8.4	-21.9	--	-5.3	-6.5
2021		4.2	1.5	--	77.3	--	4.9	9.3	--	10.3	4.9
2022		2.1	-4.1	--	32.3	--	6.5	-10.9	--	13.0	8.0
2023		2.6	13.7	--	1.4	--	1.8	22.9	--	3.5	15.1
2024	(d)	1.3	6.9	--	-0.3	--	3.2	10.7	--	-0.4	-0.6
2023	I	1.4	0.1	--	0.5	--	-1.1	6.8	--	4.4	52.8
	II	1.3	-2.9	--	-2.2	--	3.4	-3.3	--	-2.1	-0.4
	III	-0.7	3.6	--	0.0	--	5.9	5.2	--	-5.8	-16.6
	IV	0.7	12.1	--	1.2	--	1.1	12.3	--	-3.6	12.2
2024	I	-0.2	-7.4	--	-0.4	--	1.5	2.6	--	0.6	-5.7
	II	0.7	3.2	--	-0.1	--	3.0	-5.9	--	5.1	10.0
	III	1.4	-0.2	--	-2.4	--	8.0	-4.5	--	11.3	-9.4
	IV (e)	--	26.3	--	--	--	--	25.5	--	--	--
2024	Aug	0.4	8.8	--	-1.3	--	1.4	-9.3	--	1.0	-6.4
	Sep	1.0	18.4	--	2.0	--	0.9	20.4	--	1.0	11.9
	Oct	--	10.3	--	--	--	--	14.9	--	--	--

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

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

Chart 10.1 - Consumption indicators

Level, 2019=100 and balance of responses

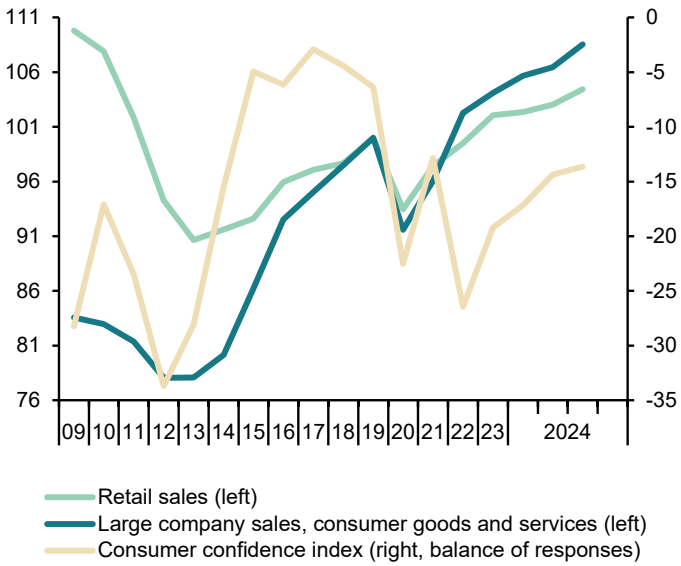


Chart 10.2 - Investment indicators

Level, 2019=100 and balance of responses

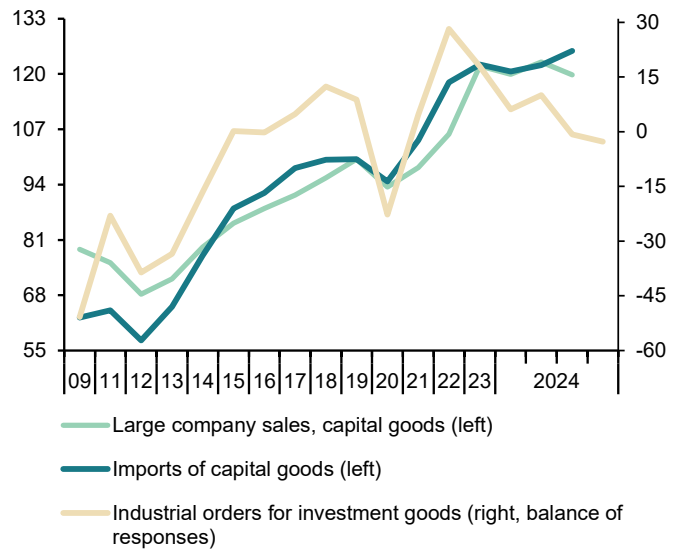


Table 11a

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		41.5	24.5	--	21.6	--	2.8	--	75.8	--	11.6	--	--	--
2025		42.0	24.7	--	22.0	--	2.7	--	75.8	--	10.8	--	--	--
2022	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	65.8	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	28.7	10.7	17.1
	III	41.1	24.3	24.2	21.4	21.3	2.9	2.9	76.0	66.7	12.1	28.5	11.0	16.6
	IV	41.2	24.3	24.3	21.4	21.4	2.9	2.9	75.9	66.9	11.9	28.5	10.8	17.2
2024	I	41.3	24.2	24.3	21.3	21.5	3.0	2.8	76.0	67.1	11.7	26.9	11.1	18.6
	II	41.5	24.4	24.4	21.7	21.6	2.8	2.8	75.9	67.1	11.6	26.9	10.2	16.9
	III	41.6	24.6	24.4	21.8	21.7	2.8	2.8	75.8	67.2	11.3	27.0	10.3	15.7
		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		1.4	1.5	--	2.2	--	-3.6	--	0.0	--	-0.6	--	--	--
2025		1.2	0.8	--	1.7	--	-5.5	--	0.0	--	-0.7	--	--	--
2022	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	0.7	3.2	1.3	-6.2	-3.5	0.4	1.1	-0.9	-0.9	-0.9	-1.9
	III	1.5	2.4	0.5	3.4	0.6	-4.3	0.0	0.8	1.4	-0.9	-2.1	-0.7	-2.0
	IV	1.5	2.2	0.2	3.6	0.5	-7.2	-1.8	0.9	1.6	-1.0	-0.5	-1.2	-1.7
2024	I	1.4	1.7	0.3	3.0	0.5	-6.5	-1.3	0.5	1.3	-1.0	-2.1	-1.1	-1.4
	II	1.5	1.6	0.3	2.0	0.4	-1.9	-0.2	0.1	0.5	-0.6	-1.8	-0.5	-0.3
	III	1.4	1.0	0.0	1.8	0.4	-4.9	-2.4	-0.2	0.4	-0.8	-1.5	-0.7	-0.9

(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

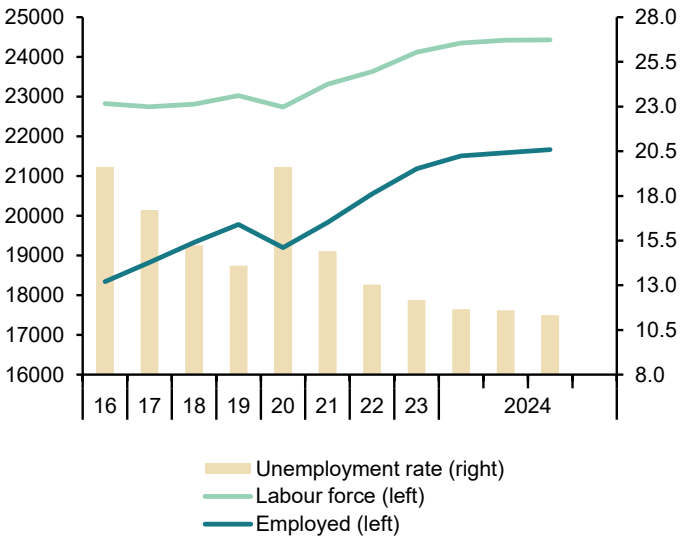


Chart 11a.2 - Unemployment rates

Percentage

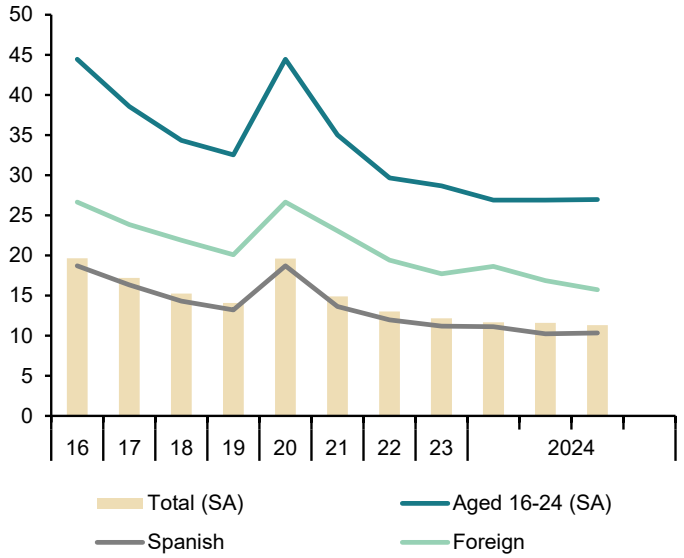


Table 11b

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)	0.76	2.88	1.46	16.49	18.39	2.95	15.44	16.0	3.20	18.69	2.89	13.40
2022	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
	III	0.73	2.91	1.48	16.70	18.67	3.06	15.60	16.4	3.16	19.03	2.79	12.80
		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)	-0.2	2.8	5.3	2.0	2.7	-5.7	4.5	-1.4	-0.3	2.1	3.4	0.1
2022	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
	III	1.3	2.3	4.4	1.5	2.3	-3.4	3.5	-1.0	-1.2	1.5	3.9	0.3

(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 (LFS)

Level, 2019=100

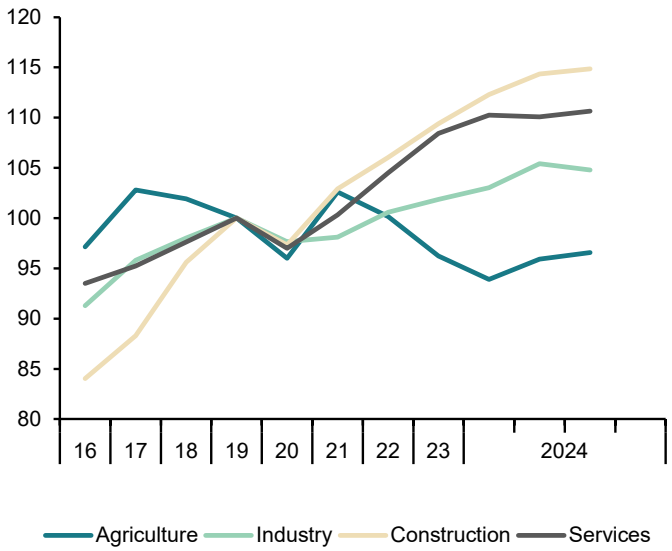


Chart 11b.2 - Temporary employment rate

Percentage over total employees

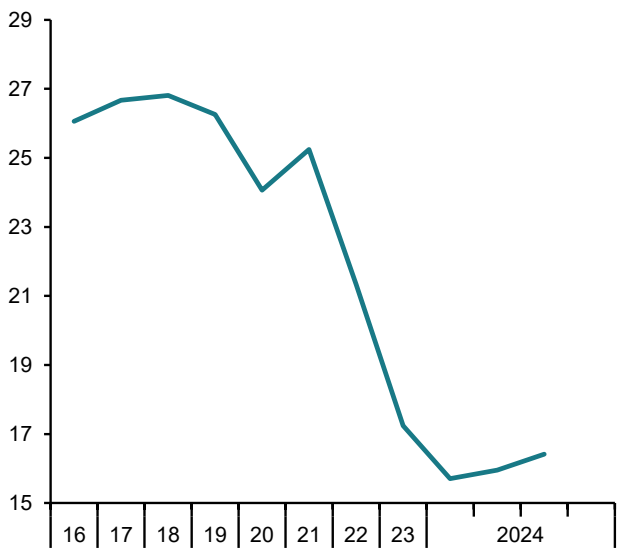


Table 12

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		115.3	111.2	114.8	109.4	111.6	128.6	125.0	107.7	127.4
2025		117.3	113.6	117.2	110.0	114.8	131.2	127.4	106.2	130.0
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		2.7	2.7	2.9	0.7	3.6	3.7	3.2	0.6	3.6
2025		1.8	2.1	2.1	0.5	2.9	2.0	1.9	-1.4	2.0
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	1.5	2.4	2.4	0.4	3.3	2.5	0.8	-6.5	2.1
	Oct	1.8	2.4	2.5	0.5	3.3	2.5	1.3	-3.7	1.8
	Nov	2.3	2.7	2.6	0.5	3.6	2.4	0.5	1.1	1.9
	Dec	2.5	2.7	2.6	0.5	3.6	2.4	0.7	2.8	1.9
2025	Jan	2.3	2.7	2.6	0.3	3.7	2.6	1.7	-0.7	2.3
	Feb	2.2	2.5	2.4	0.4	3.4	2.0	3.0	-0.4	2.2
	Mar	1.7	2.3	2.2	0.5	3.0	2.0	2.2	-3.2	2.0
	Apr	1.5	2.4	2.3	0.5	3.2	1.8	0.8	-4.6	1.5
	May	1.4	2.1	2.1	0.6	2.8	1.9	1.3	-4.3	1.7
	Jun	1.3	1.9	1.9	0.6	2.4	1.9	1.8	-4.1	1.9
	Jul	1.7	2.0	2.0	0.4	2.7	2.1	2.0	-1.9	2.1
	Aug	1.8	2.1	2.1	0.5	2.7	2.1	2.9	-1.2	2.3
	Sep	2.1	2.1	2.2	0.6	2.8	2.3	2.5	1.8	2.3
	Oct	1.8	2.0	2.0	0.6	2.6	1.9	1.5	1.1	2.1
	Nov	1.7	1.9	1.9	0.6	2.4	1.9	1.7	0.6	1.9
	Dec	1.7	1.8	1.8	0.6	2.4	1.7	2.0	0.6	1.8

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

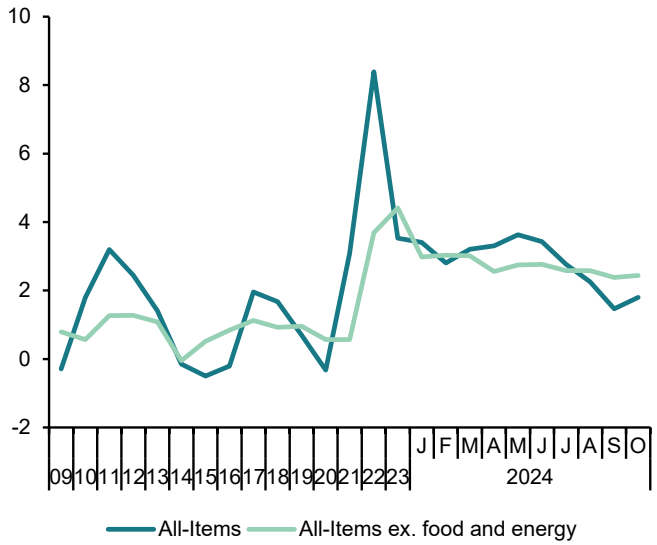


Chart 12.2 - Inflation rate (II)

Annual percentage changes

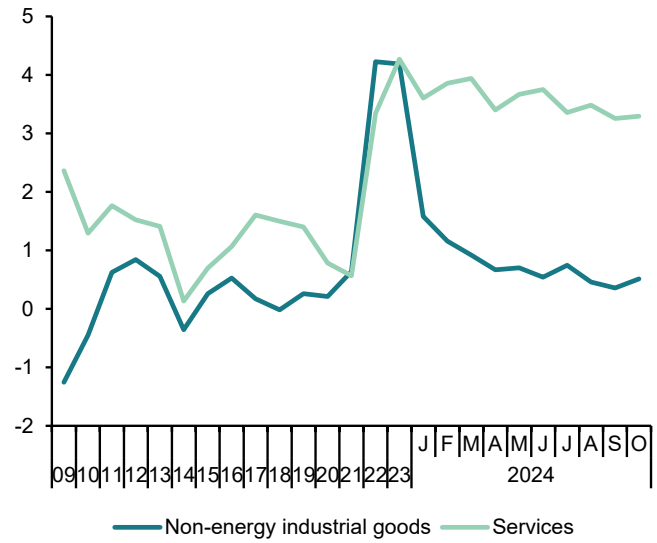


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2019=100	2019=100		2019=100			2019=100				
2016		96.2	93.5	96.6	84.0	91.6	100.0	96.6	97.1	95.3	96.0	--
2017		97.4	97.5	98.8	89.2	93.8	100.8	96.8	97.2	95.8	96.0	--
2018		98.6	100.4	99.9	95.2	96.9	99.3	97.8	98.2	96.7	97.4	--
2019		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	--
2020		101.1	95.7	100.0	102.1	98.9	90.6	97.8	97.4	99.0	106.6	--
2021		103.7	112.3	107.0	105.9	101.0	94.0	103.5	103.4	103.8	105.9	--
2022		108.6	152.2	121.5	113.7	106.1	98.7	107.9	108.2	107.0	108.0	--
2023		115.4	145.0	126.0	118.2	110.2	96.0	113.8	113.4	115.0	113.7	--
2024 (b)		118.4	138.7	126.6	124.7	114.6	103.8	117.3	116.6	119.3	114.1	--
2022	IV	111.9	154.0	124.3	114.5	106.6	99.4	113.9	116.0	107.9	114.5	--
2023	I	114.5	148.6	126.4	115.2	109.0	92.1	110.1	108.8	114.0	106.2	--
	II	114.6	143.3	126.2	117.6	109.3	96.0	115.5	115.7	114.8	112.2	--
	III	115.0	145.2	125.6	120.6	110.4	99.8	110.0	108.3	114.7	115.7	--
	IV	117.4	142.9	125.7	119.3	112.3	96.1	119.6	120.7	116.5	120.6	--
2024	I	118.2	138.3	126.5	122.5	113.7	104.1	114.5	112.8	119.1	111.0	--
	II	118.3	136.5	126.8	126.9	115.5	103.6	120.1	120.4	119.4	117.1	--
	III (b)	118.7	141.2	126.5	--	--	--	--	--	--	--	--
2024	Jul	--	141.0	126.7	--	--	--	--	--	--	--	--
	Aug	--	143.0	126.4	--	--	--	--	--	--	--	--
	Sep	--	139.7	126.4	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
2016		0.4	-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		2.6	17.3	7.0	3.7	2.1	3.7	5.9	6.3	4.8	-0.6	1.5
2022		4.7	35.5	13.6	7.4	5.0	5.0	4.2	4.6	3.1	2.0	2.8
2023		6.2	-4.7	3.6	4.0	3.9	-2.8	5.5	4.8	7.5	5.3	3.5
2024 (d)		3.2	-4.8	0.4	7.1	5.0	10.4	4.0	3.9	4.3	4.4	3.1
2023	I	7.1	4.7	9.0	3.5	3.1	-8.8	6.2	6.0	6.7	4.5	3.1
I	I	6.8	-6.4	3.0	3.6	3.0	-5.1	5.8	5.1	8.0	5.7	3.3
	III	6.2	-9.0	1.8	4.5	4.2	6.8	5.0	4.2	7.2	5.5	3.4
	IV	4.9	-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	7.9	4.0	4.0	4.0	4.4	3.0
	III	3.2	-2.7	0.7	--	--	--	--	--	--	--	3.0
	IV (e)	--	--	--	--	--	--	--	--	--	--	3.1
2024	Aug	--	-1.4	0.6	--	--	--	--	--	--	--	3.0
	Sep	--	-5.2	0.4	--	--	--	--	--	--	--	3.0
	Oct	--	--	--	--	--	--	--	--	--	--	3.1

(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, 2019=100

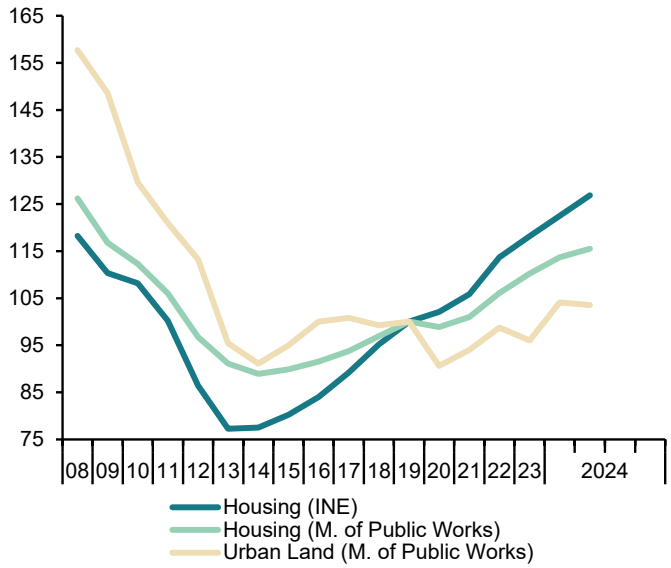


Chart 13.2 - Wage costs

Annual percent change

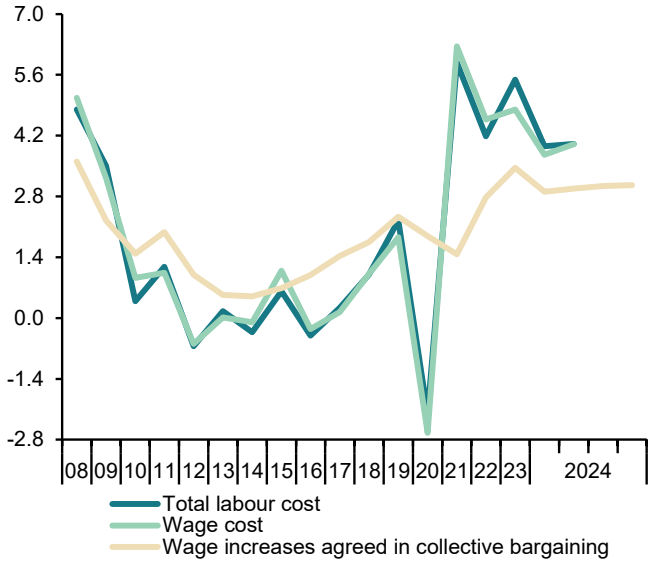


Table 14

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					
		2019=100			2019=100			EUR Billions				
2016		88.1	95.8	92.0	84.9	91.5	92.8	12.5	8.8	-1.4	0.3	0.4
2017		94.9	96.5	98.4	93.8	95.8	97.9	13.6	9.5	-2.2	0.0	0.6
2018		98.1	99.3	98.7	99.1	100.1	99.1	14.1	9.7	-2.9	-0.3	0.7
2019		100.0	100.0	100.0	100.0	100.0	100.0	14.3	9.9	-2.6	-0.3	0.8
2020		90.6	99.3	91.2	85.9	96.9	88.6	13.3	8.6	-1.1	0.3	1.3
2021		108.2	107.9	100.3	107.4	108.5	99.0	16.1	10.1	-2.6	-0.2	1.7
2022		133.2	127.6	104.4	142.4	134.8	105.7	20.3	12.0	-6.0	-1.2	3.1
2023		131.9	132.6	99.5	131.6	132.1	99.6	20.0	11.9	-3.4	-0.3	2.6
2024(b)		133.0	134.6	98.8	129.8	131.6	98.6	19.8	12.0	-3.0	-0.1	2.9
2022	IV	139.4	131.7	105.8	145.3	140.8	103.2	21.6	12.0	-5.2	-0.2	3.9
2023	I	141.8	134.2	105.7	136.7	135.4	101.0	21.5	12.8	-2.3	0.3	3.8
	II	129.7	132.5	97.8	129.4	128.6	100.6	19.7	11.6	-3.3	-0.7	2.2
	III	128.5	131.5	97.7	129.1	130.0	99.3	19.4	11.6	-3.5	-0.3	2.0
	IV	131.0	132.4	98.9	133.2	134.7	98.9	19.8	11.8	-4.0	-0.5	2.4
2024	I	131.8	133.0	99.1	128.9	132.6	97.3	19.8	12.1	-2.7	0.1	2.5
	II	133.7	135.7	98.6	130.0	130.9	99.3	20.0	12.3	-2.5	0.0	3.0
	III	133.4	135.0	98.8	130.4	131.4	99.3	20.2	12.0	-2.7	0.1	3.1
2024	Jul	132.2	134.1	98.7	128.8	132.2	97.4	19.6	12.4	-2.5	-0.2	2.5
	Aug	133.9	135.9	98.5	132.5	129.5	102.3	20.8	11.5	-3.1	0.5	3.7
	Sep	134.0	135.1	99.2	130.1	132.7	98.0	20.2	12.1	-2.4	0.0	3.1
		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	-2.2	0.0	0.7
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.9	2.5	-2.8	-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	-2.5	-0.2	1.6
2022		23.1	18.3	4.1	32.6	24.2	6.8	25.7	19.0	-5.2	-1.1	2.7
2023		-1.0	3.9	-4.7	-7.6	-1.9	-5.8	-1.1	-0.8	-2.7	-0.2	2.1
2024(d)		-0.3	1.4	-1.6	-1.0	0.3	-1.3	-1.0	0.8	--	--	--
2022	IV	0.3	1.5	-1.2	-2.6	0.3	-3.0	2.3	-3.0	-4.4	-0.2	3.3
2023	I	1.8	1.9	-0.2	-5.9	-3.8	-2.2	-0.7	6.2	-1.9	0.2	3.1
	II	-8.6	-1.3	-7.4	-5.4	-5.0	-0.4	-8.2	-9.3	-2.7	-0.5	1.8
	III	-0.9	-0.7	-0.2	-0.2	1.1	-1.3	-1.6	0.2	-2.8	-0.2	1.6
	IV	1.9	0.6	1.3	3.2	3.5	-0.4	2.0	1.9	-3.1	-0.4	1.9
2024	I	0.7	0.5	0.2	-3.2	-1.6	-1.7	-0.1	1.9	-2.0	0.1	1.9
	II	1.4	2.0	-0.5	0.8	-1.3	2.1	1.1	2.0	-1.9	0.0	2.3
	III	-0.2	-0.5	0.2	0.3	0.4	-0.1	1.2	-2.5	-2.0	0.1	2.3
2024	Jul	-1.9	-1.0	-0.8	1.0	1.7	-0.7	-4.1	1.9	--	--	--
	Aug	1.3	1.4	-0.1	2.9	-2.0	5.0	6.4	-6.8	--	--	--
	Sep	0.1	-0.6	0.7	-1.8	2.5	-4.2	-2.8	5.3	--	--	--

(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, 2019=100

Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

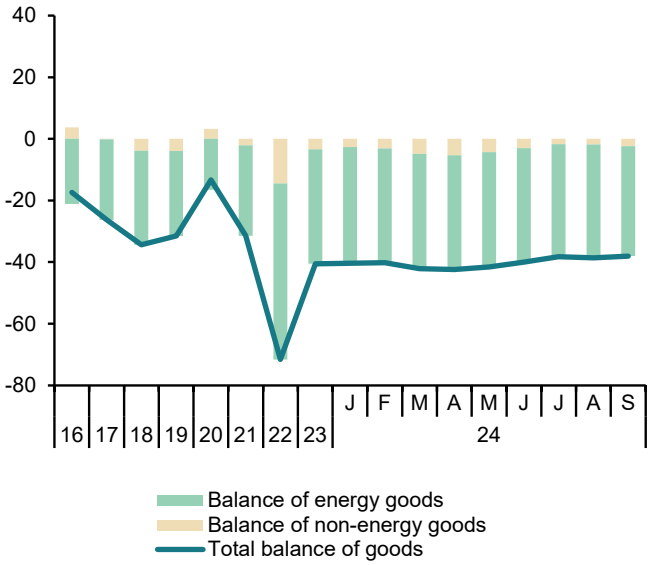


Table 15

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		35.34	-13.74	58.27	1.81	-11.01	2.42	37.76	87.87	13.93	46.25	25.13	2.57	-54.02	-3.91
2017		32.69	-21.19	63.70	-0.49	-9.33	2.79	35.48	68.25	13.23	24.91	22.38	7.72	-32.63	0.15
2018		22.76	-28.25	61.47	0.44	-10.90	5.79	28.55	45.32	-17.91	15.26	48.87	-0.90	-14.25	2.52
2019		26.69	-25.19	62.62	1.21	-11.94	4.20	30.89	11.02	9.30	-50.83	58.08	-5.53	15.76	-4.11
2020		8.91	-7.03	24.15	2.06	-10.27	5.04	13.95	92.45	16.47	50.87	31.79	-6.67	-81.84	-3.34
2021		9.55	-21.30	33.53	8.25	-10.93	10.73	20.29	9.71	-11.60	3.76	16.72	0.84	16.12	5.55
2022		4.81	-60.08	72.21	6.00	-13.31	12.67	17.49	-8.42	3.99	26.95	-41.81	2.45	30.27	4.37
2023		39.78	-34.63	93.47	-7.22	-11.84	16.22	55.99	-54.59	-2.93	-17.54	-29.95	-4.16	114.36	3.78
2024 (a)		25.03	-11.78	47.04	-5.70	-4.52	4.98	30.01	96.52	8.37	4.16	90.84	-6.85	-65.04	1.48
2022	III	2.67	-19.11	24.86	1.01	-4.09	3.09	5.77	-26.64	-8.50	-10.78	-10.36	3.00	29.12	-3.29
	IV	5.29	-11.17	16.44	2.12	-2.11	5.92	11.21	17.47	7.81	3.35	6.99	-0.68	-11.77	-5.51
2023	I	10.52	-4.90	17.20	-0.04	-1.74	2.84	13.36	-50.76	3.88	18.59	-70.72	-2.51	55.91	-8.21
	II	9.03	-8.56	24.91	-3.95	-3.37	2.22	11.25	-17.21	-14.85	-9.78	8.66	-1.24	33.20	4.75
	III	11.48	-12.11	30.78	-2.69	-4.51	3.23	14.71	-6.44	5.83	-12.77	2.21	-1.72	23.35	2.20
	IV	8.76	-9.06	20.58	-0.55	-2.22	7.93	16.68	19.82	2.20	-13.58	29.90	1.30	1.90	5.04
2024	I	11.98	-5.61	19.53	-1.20	-0.73	1.36	13.34	36.64	0.76	-13.62	52.03	-2.53	-28.86	-5.57
	II	13.05	-6.18	27.51	-4.50	-3.79	3.62	16.66	59.89	7.60	17.79	38.81	-4.31	-36.18	7.05
			Goods and Services		Primary and Secondary Income										
2024	Jun	5.78	7.56		-1.78		1.80	7.58	32.15	0.16	-8.39	41.95	-1.59	-20.24	4.32
	Jul	5.79	9.31		-3.52		1.30	7.09	-26.18	4.87	0.70	-31.88	0.14	30.00	-3.27
	Aug	5.62	7.72		-2.09		0.70	6.32	-4.81	-2.87	-1.03	-1.23	0.32	9.58	-1.55
Percentage of GDP															
2016		3.1	-1.2	5.2	0.2	-1.0	0.2	3.4	7.8	1.2	4.1	2.2	0.2	-4.8	-0.3
2017		2.8	-1.8	5.4	0.0	-0.8	0.2	3.0	5.8	1.1	2.1	1.9	0.7	-2.8	0.0
2018		1.9	-2.3	5.1	0.0	-0.9	0.5	2.4	3.7	-1.5	1.3	4.0	-0.1	-1.2	0.2
2019		2.1	-2.0	5.0	0.1	-1.0	0.3	2.5	0.9	0.7	-4.1	4.6	-0.4	1.3	-0.3
2020		0.8	-0.6	2.1	0.2	-0.9	0.4	1.2	8.2	1.5	4.5	2.8	-0.6	-7.2	-0.3
2021		0.8	-1.7	2.7	0.7	-0.9	0.9	1.6	0.8	-0.9	0.3	1.4	0.1	1.3	0.4
2022		0.4	-4.4	5.3	0.4	-1.0	0.9	1.3	-0.6	0.3	2.0	-3.0	0.2	2.2	0.3
2023		2.7	-2.3	6.2	-0.5	-0.8	1.1	3.7	-3.6	-0.2	-1.2	-2.0	-0.3	7.6	0.3
2024 (a)		6.6	-3.1	12.5	-1.5	-1.2	1.3	7.9	25.6	2.2	1.1	24.0	-1.8	-17.2	0.4
2022	III	0.8	-5.6	7.3	0.3	-1.2	0.9	1.7	-7.8	-2.5	-3.2	-3.0	0.9	8.5	-1.0
	IV	1.4	-3.0	4.5	0.6	-0.6	1.6	3.0	4.7	2.1	0.9	1.9	-0.2	-3.2	-1.5
2023	I	2.9	-1.4	4.8	0.0	-0.5	0.8	3.7	-14.2	1.1	5.2	-19.8	-0.7	15.7	-2.3
	II	2.4	-2.3	6.6	-1.1	-0.9	0.6	3.0	-4.6	-4.0	-2.6	2.3	-0.3	8.8	1.3
	III	3.1	-3.3	8.3	-0.7	-1.2	0.9	4.0	-1.7	1.6	-3.5	0.6	-0.5	6.3	0.6
	IV	2.2	-2.3	5.2	-0.1	-0.6	2.0	4.2	5.0	0.6	-3.4	7.5	0.3	0.5	1.3
2024	I	3.2	-1.5	5.2	-0.3	-0.2	0.4	3.5	9.7	0.2	-3.6	13.8	-0.7	-7.6	-1.5
	II	3.3	-1.5	6.9	-1.1	-0.9	0.9	4.2	15.0	1.9	4.4	9.7	-1.1	-9.0	1.8

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

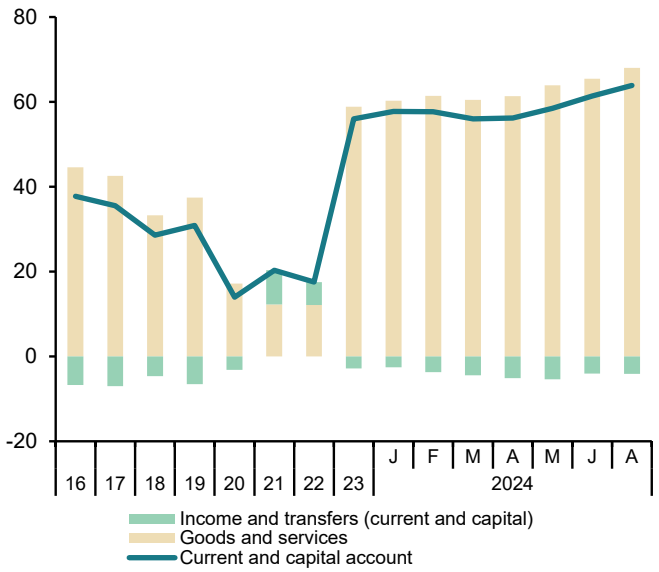


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

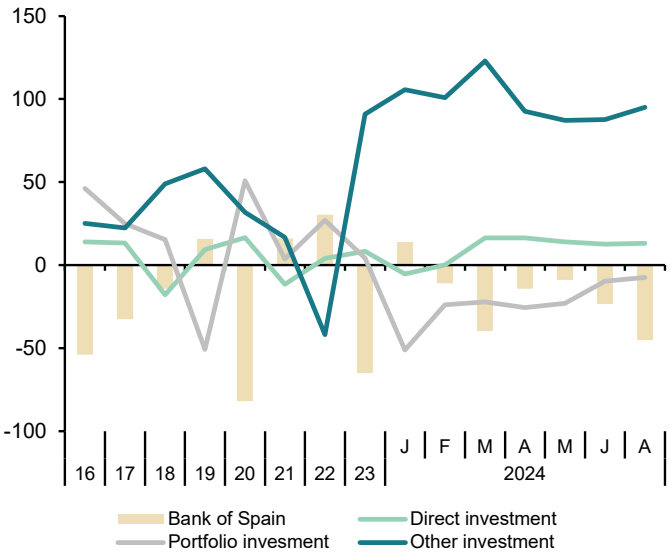


Table 16

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)		--	--	--	123.1	125.9	97.8	121.7	120.6	100.9	107.4
2022	IV	--	--	--	117.4	120.8	97.1	131.0	131.1	99.9	105.9
2023	I	--	--	--	117.9	121.3	97.2	127.8	128.5	99.5	106.7
	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
	III	--	--	--	123.5	126.6	97.5	123.5	120.8	102.3	107.0
2024	Aug	--	--	--	123.5	126.7	97.5	124.7	121.0	103.1	107.0
	Sep	--	--	--	123.4	126.6	97.5	122.5	120.5	101.7	106.9
	Oct	--	--	--	123.9	127.0	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)		--	--	--	2.9	2.4	0.5	-3.4	-3.5	0.1	0.5
2022	IV	--	--	--	6.5	10.0	-3.5	17.0	21.6	-4.6	-3.2
2023	I	--	--	--	5.0	8.0	-3.0	4.7	9.5	-4.8	-2.1
	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
	III	--	--	--	2.3	2.2	0.1	-1.6	-1.8	0.2	0.0
2024	Aug	--	--	--	2.4	2.2	0.2	-0.6	-1.6	1.0	0.1
	Sep	--	--	--	1.7	1.7	0.0	-3.5	-2.6	-0.9	-0.3
	Oct	--	--	--	1.8	2.0	-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

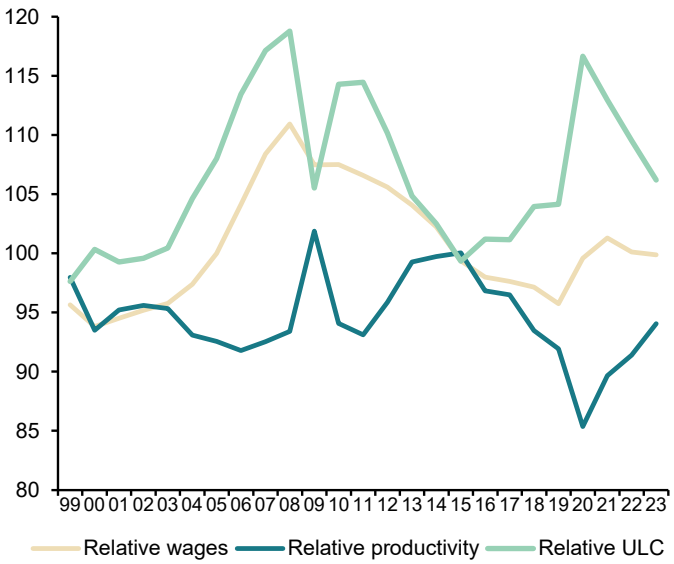


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

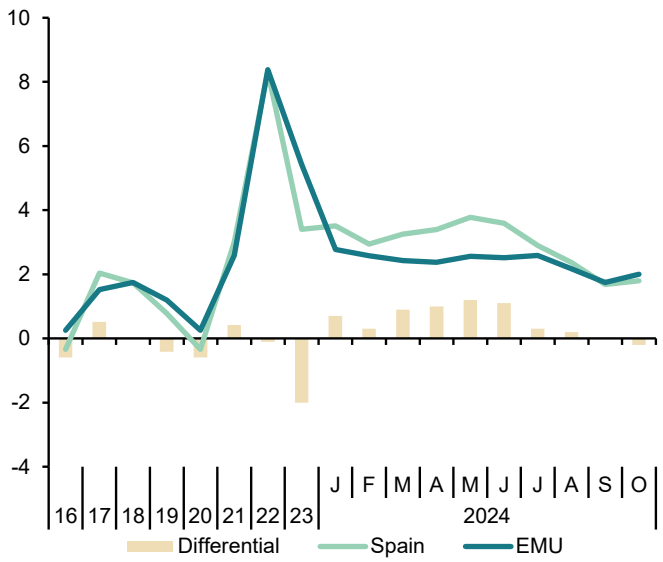


Table 17a

Imbalances: International comparison (I)

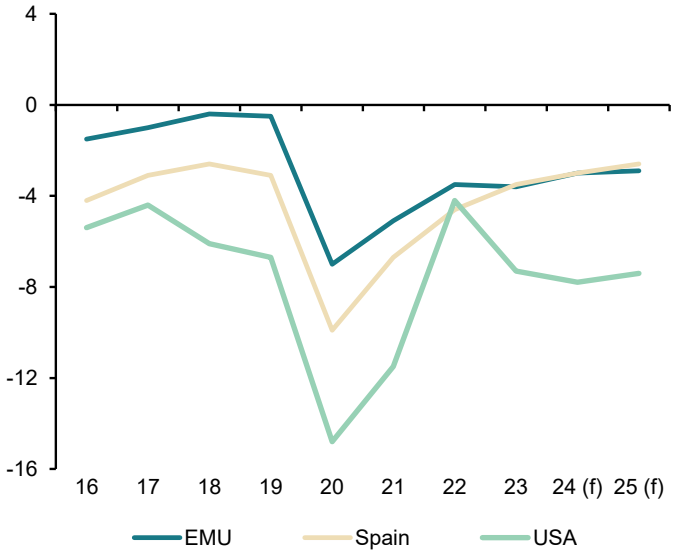
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	EMU	Spain	USA	EMU	Spain	USA	EMU	Spain	USA
				Billions of national currency					
2010	-606.6	-102.2	-1,866.1	8,216.5	649.2	14,025.2	67.1	-38.3	-439.8
2011	-417.5	-103.6	-1,712.6	8,678.3	743.0	15,222.9	94.8	-27.9	-460.3
2012	-382.4	-119.1	-1,497.0	9,173.9	927.8	16,432.7	225.6	1.6	-424.0
2013	-320.5	-76.8	-983.5	9,503.0	1,025.7	17,352.0	284.6	21.3	-351.2
2014	-258.5	-62.7	-911.1	9,749.7	1,084.8	18,141.4	329.9	18.5	-375.1
2015	-212.2	-57.2	-842.3	9,872.1	1,113.7	18,922.2	345.7	22.2	-423.1
2016	-160.8	-47.4	-1,013.9	10,016.4	1,145.1	19,976.8	404.8	35.3	-401.4
2017	-114.6	-35.9	-868.7	10,128.2	1,183.4	20,492.7	403.4	32.7	-378.0
2018	-52.6	-30.9	-1,263.4	10,230.7	1,208.9	21,974.1	421.5	22.8	-441.2
2019	-66.3	-38.4	-1,443.5	10,322.5	1,223.4	23,201.4	365.0	26.7	-447.3
2020	-807.6	-111.9	-3,152.6	11,398.5	1,346.9	27,747.8	276.5	8.9	-572.9
2021	-640.9	-82.2	-2,717.7	12,024.0	1,429.4	29,617.2	447.9	9.6	-879.4
2022	-474.3	-63.1	-1,087.7	12,467.1	1,504.1	31,419.7	148.9	4.8	-1,020.9
2023	-520.7	-52.7	-2,032.8	12,926.3	1,575.4	34,001.5	368.5	39.8	-915.9
2024	-453.2	-47.2	-2,266.5	13,434.6	1,625.8	36,187.5	569.4	66.5	-1,028.4
2025	-448.5	-43.8	-2,255.1	13,992.3	1,687.9	38,362.9	561.9	74.2	-1,011.3
				Percentage of GDP					
2010	-6.3	-9.5	-12.4	85.6	60.3	93.2	0.7	-3.6	-2.9
2011	-4.2	-9.7	-11.0	87.9	69.5	97.6	1.0	-2.6	-3.0
2012	-3.9	-11.5	-9.2	92.6	89.6	101.1	2.3	0.2	-2.6
2013	-3.2	-7.5	-5.8	94.9	100.0	102.8	2.8	2.1	-2.1
2014	-2.5	-6.0	-5.2	95.1	104.4	103.0	3.2	1.8	-2.1
2015	-2.0	-5.3	-4.6	93.0	102.4	103.4	3.3	2.0	-2.3
2016	-1.5	-4.2	-5.4	91.8	102.0	106.2	3.7	3.1	-2.1
2017	-1.0	-3.1	-4.4	89.5	101.1	104.5	3.6	2.8	-1.9
2018	-0.4	-2.6	-6.1	87.5	99.7	106.4	3.6	1.9	-2.1
2019	-0.5	-3.1	-6.7	85.4	97.6	107.7	3.0	2.1	-2.1
2020	-7.0	-9.9	-14.8	98.6	119.3	129.9	2.4	0.8	-2.7
2021	-5.1	-6.7	-11.5	95.8	115.7	125.1	3.6	0.8	-3.7
2022	-3.5	-4.6	-4.2	91.3	109.5	120.8	1.1	0.4	-3.9
2023	-3.6	-3.5	-7.3	89.0	105.1	122.7	2.5	2.7	-3.3
2024	-3.0	-3.0	-7.8	89.3	102.3	124.1	3.8	4.2	-3.5
2025	-2.9	-2.6	-7.4	89.8	101.3	126.2	3.6	4.5	-3.3

Source: European Commission Forecasts, Autumn 2024

Chart 17a.1 - Government deficit

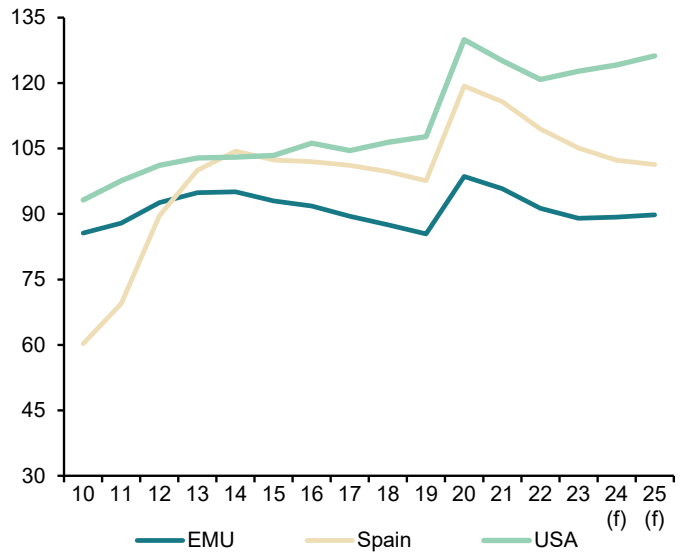
Percentage of GDP



(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	920.8	5,808.1	14,206.9	1,277.3	7,903.6	11,024.4
2009	911.9	5,946.8	14,043.1	1,277.3	7,988.2	10,513.6
2010	908.2	6,089.7	13,810.8	1,276.7	8,080.5	10,382.4
2011	881.1	6,176.0	13,697.7	1,232.7	8,317.7	10,651.5
2012	843.4	6,168.1	13,585.5	1,106.2	8,447.0	11,230.0
2013	796.0	6,140.8	13,804.8	1,025.4	8,409.2	11,796.8
2014	759.9	6,152.0	13,907.3	1,009.1	8,533.7	12,617.5
2015	735.0	6,225.6	14,124.5	971.3	8,956.5	13,468.4
2016	719.8	6,338.5	14,538.9	968.1	9,164.6	14,135.8
2017	712.0	6,524.1	15,092.6	966.6	9,277.0	15,145.1
2018	710.5	6,698.9	15,562.8	935.3	9,483.7	16,131.6
2019	708.6	6,926.3	16,148.0	948.1	9,774.8	16,829.4
2020	701.7	7,100.2	16,709.2	1,014.7	10,310.8	18,384.8
2021	706.4	7,407.9	18,319.3	1,042.8	10,766.5	19,496.9
2022	706.9	7,684.8	19,387.0	1,004.8	11,020.8	20,622.3
2023	690.6	7,722.4	19,918.2	987.5	10,954.1	21,032.0
			Percentage of GDP			
2008	82.8	59.8	96.2	114.8	81.3	74.6
2009	85.0	63.4	97.0	119.0	85.2	72.6
2010	84.3	63.1	91.8	118.5	83.8	69.0
2011	82.4	62.2	87.8	115.3	83.9	68.3
2012	81.4	62.0	83.6	106.7	84.8	69.1
2013	77.6	61.1	81.8	100.0	83.6	69.9
2014	73.1	59.7	79.0	97.1	82.8	71.7
2015	67.6	58.4	77.2	89.4	84.0	73.6
2016	64.1	57.9	77.3	86.2	83.6	75.2
2017	60.9	57.4	77.0	82.7	81.6	77.2
2018	58.6	57.0	75.3	77.1	80.8	78.1
2019	56.5	57.1	75.0	75.6	80.5	78.1
2020	62.1	61.1	78.2	89.8	88.7	86.1
2021	57.2	58.7	77.4	84.4	85.4	82.3
2022	51.5	56.0	74.5	73.2	80.3	79.3
2023	46.1	52.9	71.9	66.0	75.1	75.9

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

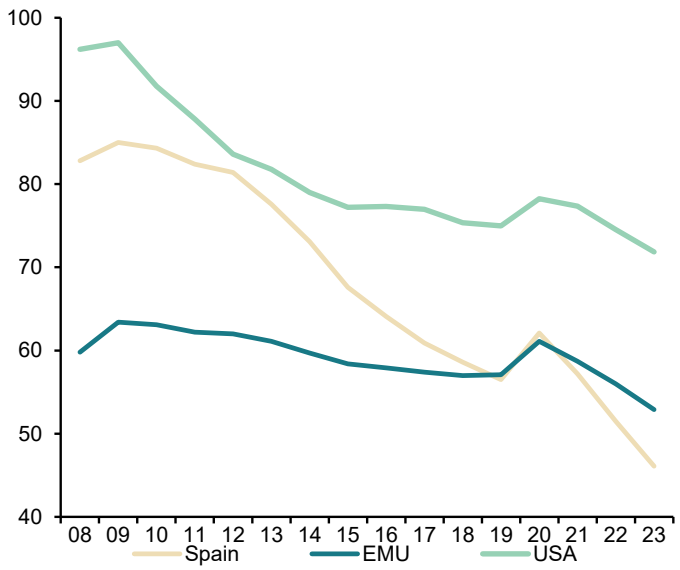
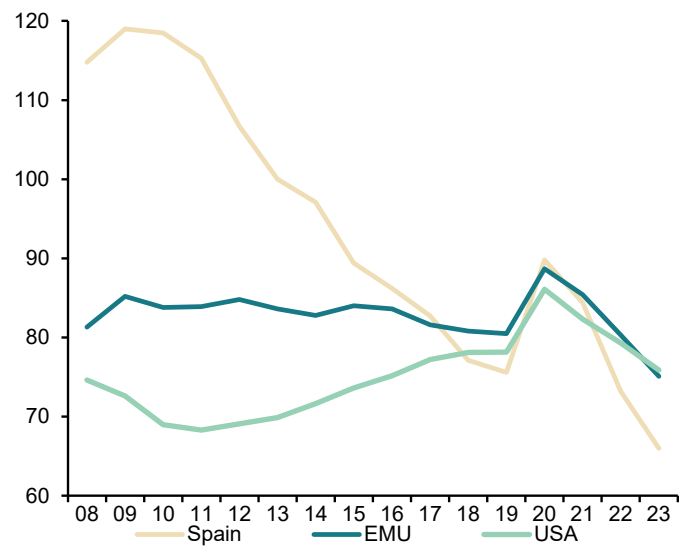


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: November 15th, 2024

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.5	August 2024
Other resident sectors' deposits in credit institutions (monthly average % var.)	0.4	August 2024
Doubtful loans (monthly % var.)	-0.1	August 2024
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	39,892	October 2024
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	9,035	October 2024
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	2	October 2024
"Operating expenses/gross operating income" ratio (%)	32.91	June 2024
"Customer deposits/employees" ratio (thousand euros)	12,902.69	June 2024
"Customer deposits/branches" ratio (thousand euros)	119,944.32	June 2024
"Branches/institutions" ratio	94.5	June 2024

A. Money and Interest Rates

Indicator	Source	Average	2022	2023	2024 October	2024 November 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.6	4.1	0.1	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.2	2.162	3.433	3.171	3.043	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.5	0.992	3.868	2.698	2.564	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.0	3.2	3.4	3.0	3.1	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.6	-	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": In its October meeting, the European Central Bank decided to lower eurozone interest rates once again, maintaining expectations for further reductions in the coming months. This move was followed by a 50-basis-point cut by the U.S. Federal Reserve. The ECB's decisions have significantly impacted interbank rates. For instance, in the first half of November, the 12-month Euribor (a key reference for mortgages) dropped to 2.564% from the October average of 2.698%, while the 3-month reference rate fell from 3.171% in October to 3.043% by mid-November. Meanwhile, the yield on 10-year government bonds rose from 3.0% in October to 3.1% by mid-November.

B. Financial Markets

Indicator	Source	Average 2001-2021	2022	2023	2024 August	2024 September	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	35.3	27.8	26.91	14.06	19.88	(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	10.76	12.32	(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	-	-	(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	0.15	0.18	(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	2.08	2.86	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	3.11	3.34	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	3.05	3.94	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	-29.46	16.93	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	1,141.66 (b)	1,140.26 (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	11,672.6 (b)	11,635.9 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	4,482.6	10,466.4	12,970.61	18,095.15 (b)	18,680.12 (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	13.9 (b)	14.02 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial Markets (continued)

Indicator	Source	Average 2001-2021	2022	2023	2024 August	2024 September	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	0.86	8.01	8.0	1.9	-	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	-0.2	-	Change in the outstanding long-term debt of non-financial firms
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.4	-1.21	34.5	-60.0	1.6	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	15.1	35.8	41.8	0.0	100.0	IBEX-35 shares concluded transactions

(a) Last data published: November 15th 2024 (b) Last data published: October 31st 2024

Comment on "Financial Markets": In the first half of November, Spanish stock indices remained relatively stable despite an initial drop following the U.S. election results. The IBEX-35 reached 11,635.9 points, while the Madrid Stock Exchange General Index stood at 1,140.26 points. Meanwhile, in September (the latest available data), there was an increase in the trading ratio of simple cash transactions with Treasury bills, reaching 19.88%. The trading ratio of simple transactions with government bonds also rose compared to the previous month, reaching 12.32%. Additionally, transactions involving IBEX-35 stock futures increased by 1.6%, while financial options on the same index surged by 100% compared to the previous month.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2021	2022	2023	2024 Q1	2024 Q2	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-0.7	1.5	4.1	3.9	4.5	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.2	0.9	2.7	3.9	4.0	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	278.8	278.1	253.6	253.8	250.9	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	62.7	53.0	46.1	45.2	45.4	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	1.0	2.8	2.9	1.9	1.9	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-0.8	0.4	0.1	-0.3	1.8	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 July	2024 August	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	0.2	-0.04	-0.7	-0.5	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	-1.6	0.4	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	8.4	-0.7	1.2	-0.4	0.5	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	7.5	0.1	-0.1	-0.3	0.6	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	7.8	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	-1.2	-0.1	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	3.6	0.7	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	0.7	0.6	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": In August, the latest available data, credit to the private sector declined by 0.5%, while deposits increased by 0.4%. Fixed-income securities grew their balance sheet share by 0.5%, and equities and participations increased by 0.6%. Additionally, there was a 0.1% reduction in the volume of non-performing loans compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2021	2022	2023	2024 March	2024 June	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	169	110	109	109	108	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	80	76	76	76	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	223,803	164,101	161,640	161,640 (a)	161,640 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	35,453	17,648	17,603	17,560	17,388	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	531,032	1,638,831	457,994	362,656	39,892 (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	99,642	192,970	27,860	3,501	9,035 (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	22,501	5	297	85	2 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2023.

(b) Last data published: October 31st,2024

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In October 2024, the net uptake of long-term programs from the Eurosystem by Spanish financial institutions stood at 175 million euros.

MEMO ITEM: Since January 2015, the European Central Bank has also reported the amounts allocated to various asset purchase programs. In October 2024, their value in Spain stood at €579.274 billion, while in the entire Eurozone, it amounted to €4.3 trillion.

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

Indicator	Source	Average 2000-2021	2022	2023	2024 Q1	2024 Q2	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	47.55	46.99	39.33	36.52	32.91	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	4,739.84	12,610.21	12,992.81	12,810.31	12,902.69	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	33.357.11	117,256.85	116,854.11	117,919.07	119,944.32	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2021	2022	2023	2024 Q1	2024 Q2	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	174.86	92.88	95.15	94.91	94.5	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.25	9.3	8.9	9.2	9.3	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	-0.03	1.3	1.6	0.01	2.4	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.7	1.0	1.1	1.2	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.32	9.8	12.3	13.4	14.9	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": In the second quarter of 2024, the profitability of the Spanish banking sector increased compared to the previous quarter, with the ROE reaching 14.9%.

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	81.1	86.3	19.7	23.5	26.4	48.1	12.7	17.1	32.2		
2024	48,628,256		18.0					26.6	47.8	13.4	18.1			
Sources	ECP	IDB	ECP	IDB	IDB	IDB	IDB	ECP	ECP	ECP	ECP	ECP	EMCR and EM*	EMCR and EM*

Dependency rate (67 or older): (population aged 67 or older / population aged 16 to 66) x 100.

Dependency rate: ((population from 0 to 15 years + population from 67 years or older) / population from 16 to 66) x 100.

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	19,518•	2.48•				42.0
Sources	EPA	EPA	EPF	EPF	EPF	EPA

EPF: Encuesta de Presupuestos Familiares.

EPA: Encuesta de Población Activa.

• Data refer to January-September.

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	1.05	0.91	15.0	0.28
2014	0.49	0.52	0.34	84.3	34.4	32.3	1.03	0.98	13.7	0.29
2015	0.52	0.55	0.34	83.7	34.8	32.7	1.14	1.07	13.1	0.28
2016	0.54	0.58	0.37	83.1	35.1	32.9	1.25	1.22	13.2	0.28
2017	0.55	0.58	0.38	82.4	35.3	33.2	1.34	1.33	14.0	0.29
2018	0.53	0.57	0.36	81.5	35.6	33.4	1.41	1.50	14.2	0.28
2019	0.53	0.57	0.37	80.5	36.0	33.9	1.50	1.59	15.1	0.27
2020	0.28	0.30	0.22	76.6	37.1	34.9	1.66	1.86	17.3	0.23
2021	0.47	0.52	0.30	80.4	36.8	34.6	1.48	1.93	14.8	0.25
2022	0.58	0.63	0.37	81.4	36.7	34.6	1.59	1.89	15.3	0.24
2023	0.55	0.60	0.35	81.5	36.9	35.7	1.84	2.09	16.7	0.22
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
2023	31.5	32.2	28.5	1.12	1.09	1.28	50.0	52.7	41.5	12.2	63.1
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	17,2●	35,4●	5,1●	52,7●	47.6*	65.8*	43.3*	57.2*	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-September.*

** Provisional data.*

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	1,000	2,348,388	624			197,303	252,328
2015	0.16	17.2	931,668	923	5,641,908	1,021	2,353,257	631	838,392	1,102,529	198,891	253,838
2016	0.14	17.0	938,344	930	5,731,952	1,043	2,358,666	638	763,697	997,192	199,762	254,741
2017	0.14	16.7	947,130	936	5,826,123	1,063	2,360,395	646	726,575	902,193	199,120	256,187
2018	0.14	16.9	951,838	946	5,929,471	1,091	2,359,931	664	751,172	853,437	196,375	256,842
2019	0.14	17.4	957,500	975	6,038,326	1,138	2,361,620	712	807,614	912,384	193,122	259,570
2020	0.21	22.2	952,704	985	6,094,447	1,162	2,352,680	725	1,828,489	1,017,429	188,670	261,325
2021	0.33	20.3	949,765	994	6,165,349	1,190	2,353,987	740	922,856	969,412	184,378	262,177
2022	0.37	18.8	951,067	1,035	6,253,797	1,254	2,351,703	778	773,227	882,585	179,967	265,831
2023			945,963	1,119	6,367,671	1,375	2,351,851	852	801,091	875,969	175,792	272,188
2024■			959,968	1,162	6,473,849	1,441	2,351,231	896	829,802	867,945	171,683	281,504
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

■ *Data refer to the period from January to October, with the exception of those related to unemployment (January to September).*

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		2.4	25.7	0.78	0.73			81.5	101	18.1	128.0
Sources	Eurostat	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

** Only in the public health system.*

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Notes

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