SEFO

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The future of Europe and Spain under Trump's second administration

funcas

WHAT MATTERS

Trump, **trade, and investment**

Can the **Draghi report** save Europe?

The Draghi report and the **Spanish economy**

Corporate access to **bank loans:** Assessing the impact of company and loan size

Bank profitability in the context of declining interest rates: Managing funding cost and allocation of household savings

AI in banking through the eyes of the consumer

Weakness in overall **construction sector profitability:** Low productivity exacerbated by labour shortages

Recent developments in **bancassurance** in Spain

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Letter from the Editors

As we start off 2025, the global economic landscape finds itself in the midst of profound transformation, with the return of Donald Trump to the U.S. presidency marking a pivotal moment for transatlantic relations. Europe is navigating an increasingly complex environment shaped by divergent economic trajectories: while the U.S. enjoys robust economic growth, albeit alongside persistent inflation, Europe is facing lacklustre growth rates with greater price stability, albeit given the appreciation of the dollar *versus* the euro, EU inflation may increase in the near-term. This decoupling, together with trade tensions, defence spending burdens, and divergent central bank policies, underscores the urgency for Europe to redefine its role in the new global economic order. In this issue of *Spanish and International Economic & Financial Outlook (SEFO),* we explore these dynamics, assessing how Europe, and Spain in particular, can adapt to the challenges of U.S. trade policy, intensifying competitiveness, and the ongoing drive for economic integration and strategic autonomy.

Within this context, we first explore how the new Trump administration will impact transatlantic trade and investment. The second Trump administration moved quickly to use tariffs and other trade policy instruments to push commercial partners of the United States to offer more favourable deals for American firms and to encourage manufacturers to invest in the United States. The European response to this move is to contemplate buying more American liquefied natural gas and military equipment, while threatening a tit-for-tat retaliation with trade instruments. There is still more to do. Europeans could also take the opportunity to negotiate a limited free trade agreement with the United States alongside an agreement for greater mutual recognition of regulatory equivalence. And Europe could strengthen that response over the longer-term by shifting its growth model away from a dependence on exports and greater autonomy in military procurement. Such longer-term responses not only offer the promise of rebalancing economic relations across the Atlantic but also strengthening the transatlantic partnership.

Delving into the topic of EU investment, we focus on the recent findings of the Draghi report, and of course, what these findings mean for Spain. The Draghi report, published at a pivotal moment for the European Union, identifies structural weaknesses in Europe's economic model and proposes comprehensive reforms to secure its future. With public and private investment needs estimated at €800 billion annually, the report calls for productivity-boosting measures, enhanced strategic autonomy, and a focus on the green and digital transitions. It highlights the importance of industrial policy, regulatory simplification, and improved governance to foster innovation and competitiveness.

However, implementation faces hurdles, including political fragmentation, limited fiscal space, and resistance to deeper integration, underscoring the urgency of prioritizing achievable reforms and embracing a multi-speed Europe.

As regards Spain, addressing the risk of a structural decline in the European economy, Mario Draghi's report on competitiveness presents two complementary solutions, namely: (i) the rollout of a common economic policy along with public investment incentives; and (ii) completion of the Single European Market. While both solutions are particularly relevant for Spain, further European integration would bring greater benefits in the short-term and is also the more feasible solution, considering the state of much of the EU's public finances. This is because, first of all, greater integration would provide Spain with better access to EU capital markets, thus addressing the current investment deficit, which stems largely from the private sector and a weak public-private investment multiplier. Secondly, more integration could help Spain further improve its competitive positioning within the EU, which has already seen significant gains, driven by relatively cheaper labour and energy costs. This could help offset the lost ground in global markets, particularly in the technology sector. While greater integration would channel European savings into Spain's productive sector, the biggest risk remains fragmentation among Member States amid the rising tide of protectionism.

The following section of this *SEFO* takes a closer look at financial sector issues. First, we look at access to finance in Europe and Spain, with a critical lens on the role of size. Spanish companies benefit from lower bank borrowing costs than other Eurozone enterprises, irrespective of loan size. Loan costs are higher on smaller-sized loans, which are more commonly applied for by smaller companies. However, the extra cost paid by smaller enterprises relative to their larger counterparts is very small and much lower in Spain than in the Eurozone. Moreover, only a very low percentage of Spanish companies (4.53%) view access to finance as their main problem and even though that percentage rises among small enterprises (4.91%), the difference with large companies (4.43%) is narrow. Elsewhere, the percentage of companies that face obstacles in obtaining a bank loan is similar in Spain to that observed in the Eurozone (7.9% *vs*. 7.3%), the main impediment being fear of rejection. Micro enterprises perceive more obstacles although in Spain, this size penalty is virtually negligible. As a result, size counts, but very little in Spain.

The next financial sector topic relates to liability management for Spanish banks in a low interest rate environment. Indeed, more than six months after the ECB started to cut rates, and almost one year since the market (Euribor) began to discount those cuts, unit margins (the difference between the return on credit and cost of deposits) have started to contract, partially offset by the slight growth in credit volumes observed for much of 2024. Notwithstanding this recent increase in new credit, the new scenario of falling rates, which is expected to continue for the next couple of years, forces the banks to focus on managing customer funds (striking the right balance between off-balance sheet assets and deposits and within the latter source of funding, between overnight deposits and deposits with agreed maturity) while controlling costs to unlock efficiency gains. Within this context, retail deposit funding costs have proven to be a key competitive advantage for certain banks, especially those with significant exposure to savers in smaller municipalities where deposit pass-through has been more contained. Banks that have managed these funding costs effectively are better positioned to preserve profitability as net interest margins continue to decline, particularly by shifting savings into time deposits and offering tailored advice to retain customers and maintain deposit stability.

Next, we explore a more theoretical topic: how digitalisation has transformed banking interactions, with 94% of customers using digital channels for everyday transactions. Younger users

are reliant predominantly on mobile applications while older cohorts demonstrate a preference for web platforms. AI excels in its ability to enhance security, particularly through its role in fraud detection, but has generated scepticism around autonomous decision-making in the areas of lending and investing. Satisfaction levels are high with the basic digital tasks but there is room for improvement with respect to more complex matters, such as incident resolution. Going forward, successful application within the financial sector lies in blending AI's capabilities with customer-centric strategies that address generational and technological divides, enabling banks to strengthen relationships and maintain competitiveness in an evolving market.

We close this *SEFO* with two additional topics. Firstly, we examine the weakness in overall construction sector profitability and how low productivity is being exacerbated by labour shortages. Secondly, we analyze the recent evolution of the bancassurance business in Spain.

On construction, the sector survived the rout ushered in by the Great Recession, recording steady growth up until the pandemic. As of 2023, its contribution to GDP was around 5.0%, close to the EU-27 average of 5.2%. After the health crisis, the rebound in demand for housing coupled with price growth paved the way for a sharp recovery in sector profitability. However, monetary policy tightening then stalled the trend of expanding margins. The sector has since overcome this difficulty but the shortage of qualified labour is becoming an increasingly pressing issue, undermining aggregate sector productivity particularly for smaller firms, as labour shortages persist despite a structural improvement in employment conditions. Although the Next Generation EU funds are enormously beneficial for the construction sector, it is vital to search for solutions for the shortage of human capital. Failure to do so could seriously jeopardise the firms' profitability and impede (urgently-needed) growth in the supply of housing.

As for bancassurance, of the roughly 176 insurance providers doing business in Spain, 29 have ties to the main banking groups. Their weight in the country's insurance business, especially the life insurance segment, and their contribution to their parent banks' domestic earnings are very significant. This contribution has been key to propping up the banks' financial statements during periods in which they had to recognise significant loan-impairment provisions and/or navigate ultra-low margins as a result of low market interest rates. Today, the bancassurance business accounts for nearly 14% of banks' domestic earnings directly, with the life insurance segment generating the bulk of that profit. Although traditional banking profits have surged due to rising interest rates, bancassurance remains a key revenue stream, with its contribution expected to grow further, driven by premium repricing and increased non-life insurance activity.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
February	4	Social Security registrants and official unemployment (January)
	4	Tourist arrivals (December)
	7	Industrial production index (December)
	14	CPI (January)
	17	Foreign trade report (December)
	17	Eurogroup meeting
	27	Preliminary CPI (February)
	28	Balance of payments monthly (December)
March	4	Social Security registrants and official unemployment (February)
	4	Tourist arrivals (January)
	5-6	ECB monetary policy meeting
	7	Industrial production index (January)
	10	Eurogroup meeting
	12	Retail trade (January)
	14	CPI (February)
	17	Foreign trade report (January)
	20-21	European Council
	24	Balance of payments quarterly (4^{th}. qr.)
	26	Quarterly National Accounts (4^{th}. qr., 2^{nd} estimate)
	27	Retail trade (February)
	28	Preliminary CPI (March)
	31	Non-financial accounts, State (Dec., Jan. and Feb.)
	31	Non-financial accounts: Central Government, Regional Governments and Social Security (Dec. and Jan.)
	31	Non-financial accounts, Total Government (4^{th}. qr.)
	31	Balance of payments monthly (January)

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What Matters

Regulation and Economic Outlook

Key Facts

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TRADE POLICY

Trump, trade, and investment

The second administration of U.S. President Donald Trump began with a promise to use tariffs and other trade instruments to strengthen America's economic performance and rebalance its relations with the outside world. The question is whether the European Union can use this challenge to meet its own economic objectives.

Erik Jones

Abstract: The second Trump administration moved quickly to use tariffs and other trade policy instruments to push commercial partners of the United States to offer more favourable deals for American firms and to encourage manufacturers to invest in the United States. The European response to this move is to contemplate buying more American liquefied natural gas and military equipment, while threatening a tit-for-tat retaliation with trade instruments. There is still more to do. Europeans could also take the opportunity to negotiate a limited free trade agreement with the United States alongside an agreement for greater mutual recognition of regulatory equivalence. And Europe could strengthen that response over the longer-term by shifting its growth model away from a dependence on exports and greater autonomy in military procurement. Such longer-term responses not only offer the promise of rebalancing economic relations across the Atlantic but also strengthening the transatlantic partnership.

Introduction

The second administration of Donald Trump believes that America's commercial partners are abusing the rules of the global economy to take away American manufacturing jobs and diminish American prosperity. This belief was already apparent during the first Trump administration, and it is easily found in the pages of *Project 2025*, which is the policy blueprint created by Trump's political allies, including many former advisors, during the run up to the 2024 United States (U.S.) Presidential elections (see, *e.g.*, Navarro, 2023; Lassman, 2023). In response, the administration plans to use tariffs and other

> The second administration of Donald Trump believes that America's commercial partners are abusing the rules of the global economy to take away American manufacturing jobs and diminish American prosperity.

trade instruments to push China, India, and the European Union into negotiations over trade and industrial policy. The European Union (EU) is aware of this challenge. In anticipation, the EU has developed an anti-coercion instrument to ensure it has adequate countermeasures (Freudlsperger and Meunier, 2024). The European Commission has also floated the prospect of purchasing more U.S. liquefied natural gas and military equipment in any effort to blunt American criticism and so minimize tensions across the Atlantic.

The EU has good reason to push back against the Trump administration's bargaining tactics. The use of tariffs and other trade instruments to force commercial partners into negotiations undermines the functioning of the rules-based international economic system. Nevertheless, appeals to multilateralism are unlikely to diminish tensions across the Atlantic and a tit-for-tat use of anti-coercive measures will only hurt firms and workers on both sides – as Trump's own political allies are quick to admit (Lasswell, 2023).

The challenge for European policymakers is to find some way to leverage the Trump administration's policies to achieve a more balanced and productive relationship with the United States. That challenge is complicated by the rhetoric deployed by the returning president and by the linkage between economics and security within the NATO alliance. Nevertheless, there is a possibility that negotiations with the new Trump administration could fuel a more constructive agenda both across the Atlantic and within the European Union.

Transactional does not mean protectionist

The prospect for constructive bargaining starts from the recognition that the returning U.S. President has few strong ideological commitments, beyond a tendency to engage in transactional bargaining, and his supporters are both varied and divided. This was obvious during his first administration (Barber and Pope, 2019). It remained true during the 2024 Presidential elections. Most voters believe Trump is broadly 'conservative', but they disagree on what that means in practice (Pew Research Centre, 2024). Such diversity of views is evident in *Project 2025* – which explains why Trump as a candidate could publicly disavow the document even as his allies and advisors could quietly set about planning for its implementation.

That diversity extends to trade policy. Rather than setting out a coherent argument for protectionism, the chapter on trade in *Project 2025* is a debate between Peter Navarro, who directed the Office of Trade and Manufacturing Policy in the first Trump administration and who will come back as Senior Counsellor in the second, and Kent Lassman, who directs the Competitive Enterprise Institute. In the introduction to that section of the report, the editors write that "Navarro disagrees with Lassman almost across the board" (Dans and Groves, 2023: 658). Navarro (2023) argues for 'fair trade' and the aggressive use of trade instruments to push America's commercial partners into negotiations that could level the competition; Lassman (2023) argues for 'free trade' and the elimination of tariffs and non-tariff barriers that disrupt the functioning of global markets.

Navarro's argument is not necessarily protectionist, at least in the context of the transatlantic relationship. The argument is very different with respect to China, which Navarro regards as a bad faith negotiating partner. Importantly, this negative view of China finds support among Democrats as well as Republicans. This broad suspicion

does not prevent U.S. foreign policy elites from imagining a constructive relationship with China, but it does rule out a belief in the virtues and discipline of free markets (Chivvis, 2024). Beyond China, Navarro makes the case for using protectionist instruments to push governments into negotiations. Lassman insists that the use of such instruments inevitably imposes high costs on the United States. That is the main difference between them.

Where Navarro and Lassman agree is on the importance of bargaining to eliminate tariffs or, if that is not possible, to harmonize tariff schedules and so avoid unnecessary distortion of market competition. Navarro (2023: 771) sets out two scenarios, where America's commercial partners match U.S. tariffs or the United States matches theirs. Lassman (2023: 808, 811) makes the case for negotiating free trade agreements that extend only to tariffs and quotas while at the same time expanding recognition of regulatory equivalence between the United States and its trusted allies, including the European Union.

These openings do not align with the European Commission's trade preferences. The Commission often negotiates agreements that extend beyond tariffs and quotas to include other forms of regulation for labour, climate action, and consumer protection. These are extensions that both Navarro and Lassman reject. The Commission is also reluctant to recognize regulatory equivalence with foreign jurisdictions, particularly in areas like food safety where fundamental European values come into play. Both the extension of trade agreements 'beyond the border' and the reluctance to extend regulatory equivalence reflect the Commission's reliance on the *acquis communautaire* (or shared body of EU regulations) to structure the internal market – even at the expense of bilateral or multilateral agreements with other partners (Jones, 2006).

Nevertheless, free trade and recognition of regulatory equivalence do offer pathways to move beyond trying to restore the status quo through the tit-for-tat imposition of new tariffs. The German Christian Democratic Chancellor candidate, Friedrich Merz, acknowledged as much in arguing that the EU should pursue free trade talks with the Trump administration rather than "a dangerous spiral of tariffs." [1] Whether or not voters choose to support that option in the upcoming German elections, the opening for such negotiations with the new Trump administration exists.

Trade is not the only imbalance

Trade negotiations can deflect conflict, but they cannot eliminate tensions across the Atlantic. More fundamentally, neither a close alignment on tariff rates nor a broad recognition of regulatory equivalence can change perceptions within the Trump administration that the European Union has some kind of unfair advantage. The measure of inequity, they argue, lies in the bilateral balance on imports and exports – where the European Union runs a surplus against the United States second only to China (Navarro, 2023: 767). According to data from the International Monetary Fund's Direction of Trade Statistics, the European Union exported €127 billion in goods to the United States above what it imported in 2016, the year before Trump first took office. That EU surplus increased to €169 billion by 2023, which is roughly 15 percent of the overall deficit in goods trade that the United States has with the rest of the world.

As Navarro acknowledges, tariffs can explain only part of a country's imbalances. Another

> "The European Union exported €127 billion in goods to the United States above what it imported in 2016, the year before Trump first took office – that EU surplus increased to €169 billion by 2023."

> “Importantly, the European Union did not contribute to macroeconomic imbalances prior to the crisis, but rather European countries with surplus savings tended to invest in other European countries that offered opportunities for further development.”

part has to do with capital flows, particularly with reference to the current account – which includes the trade in services and investment income in addition to goods like food, raw materials, or manufactured products. From Navarro's perspective (2023: 793): "Any deficit in the current account caused by imbalanced trade must be offset by a surplus in the capital account, meaning foreign investment in the [United States]." The reverse is also true, and any deficit in the capital account must be offset by a surplus in the current account. What this means in practice is that the European Union will continue to run current account surpluses with the rest of the world so long as it continues to send its capital abroad. [2]

Much of that European capital is invested in the United States. In turn, those investments give Americans the purchasing power to acquire more imports from Europe than they can cover with the money they earn from their own exports. And what is true for Europe is also true for China, Japan, and many of the countries of Southeast Asia. The growth models for these countries rely on net exports, which means these countries also tend to accumulate huge volumes of dollar-denominated assets. And the more money they send abroad, the more money Americans can use to pay for additional imports. Indeed, this macroeconomic imbalance – an excessive reliance on net exports for growth – is a large part of the explanation for the risks that accumulated in U.S. asset markets prior to the global economic and financial crisis (Jones, 2009).

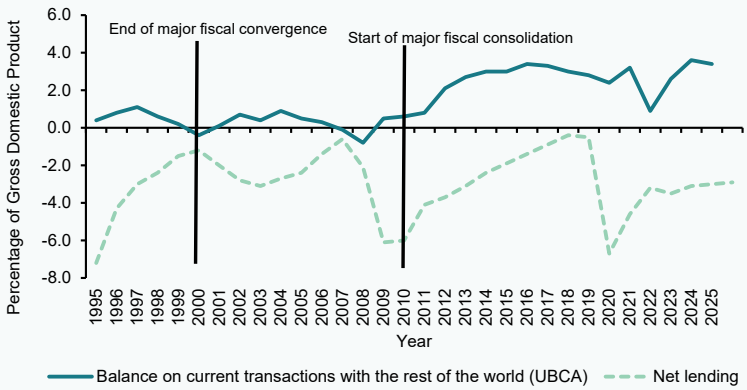
Importantly, the European Union did not contribute to macroeconomic imbalances prior to the crisis. Instead, European countries with surplus savings tended to invest in other European countries that offered opportunities for further development. This cross-border investment within Europe is what explains the convergence of nominal bond yields during the late 1990s and early-to-mid 2000s. It also explains the wide divergence in current account balances between the core countries that sent their capital abroad and the countries on the periphery that were the recipients of intra-European investments. The onset of the financial crisis caused those cross-border investments to unwind suddenly, collapsing asset prices on the periphery of the euro area, including in sovereign debt markets. In response, governments in the core countries began to push governments in peripheral countries to adopt export-led growth models while at the same time consolidating their fiscal accounts (Jones, 2015).

This pattern can be seen in Exhibit 1. On the left-hand side of the figure, EU Member States engaged in fiscal convergence to meet the requirements for entry into the single currency. Once in the euro or likely to join, those countries with opportunities for investment attracted savings from those

> “Both Letta and Draghi insist that European policymakers need to complete their ambition to form a ‘capital markets union’ in order to lower the barriers to cross-border investment.”

Exhibit 1

Current account balance and government net lending in the European Union



Source: AMECO Database, European Commission.

countries with already advanced industrial economies. After the crisis, however, all European governments embarked on efforts at fiscal consolidation even as banks and other large institutional investors began increasingly to invest European savings abroad.

The European Union now runs consistently large current account surpluses. Moreover, it will continue to do so no matter what tariffs are introduced by the Trump administration. The only way that pattern will change is if European policymakers create the conditions for the private sector to invest across borders within Europe and to accept higher risks on their intra-European investments. Arguably, both a greater appetite for cross-border investment and a higher tolerance for risk would be useful. This is conclusion Enrico Letta (2024) drew in his analysis of Europe's internal market. And it is a finding that Mario Draghi (2024) underscored in his inquiry into European competitiveness. Both Letta and Draghi insist that European policymakers need to complete their ambition to form a "capital markets union" in order to lower the barriers to cross-border investment. The also argue that governments should loosen restrictions on large institutional investors and create incentives for those firms to take on more risk.

If European policymakers follow Letta and Draghi's recommendations, they will strengthen the functioning of Europe's internal market while at the same time laying the foundations for Europe's future competitiveness. They will also create the conditions for focusing the investment of European savings on Europe. That rebalancing of European savings and investment will reduce the export of European capital and so also the surplus of on Europe's current account. This will not eliminate the surplus in European trade with the United States, but it will help reduce it. Some European countries will continue to export more to the United States than they import in American products, but for others the situation will be the reverse. Importantly, Trump's advisors recognize the importance of this macroeconomic rebalancing for Europe's trade performance. In that sense, European policymakers can sell a credible commitment to the recommendations made by Letta and Draghi as a commitment to reduce Europe's trade surplus with the United States.

Security is a long-term commitment

Trade is not the only or even the most important source of irritation for the Trump administration or the Republican members of Congress. An even greater friction comes from

> The Trump administration believes that Europeans benefit disproportionately from American spending on military security, and that Europeans use those benefits to undercut American competitiveness.

the link between security and economics. The Trump administration believes that Europeans benefit disproportionately from American spending on military security, and that Europeans use those benefits to undercut American competitiveness. Given the choice between a reduction in Europe's trade surplus and a sustained increase in European defence spending, many if not most Republicans would put the emphasis on defence – particularly given the threat from Russia and the war in Ukraine (Skinner, 2023: 181-182, 187-188). [3]

The purchase of American weapons for European security is one way to square the circle. Nevertheless, such purchases create divisions among European allies, they reinforce security dependency across the Atlantic, and they draw into question European political commitment to a sustained military buildup. These things tend to weaken and not strengthen the Atlantic alliance. They also tend to reinforce concerns that the European Union is unable to make meaningful security commitments either among its own membership or with neighbouring countries like Ukraine, Moldova, Georgia, or in the Western Balkans. Such concerns arise in *Project 2025*, but they also lie at the centre of the Sauli Niinistö's (2024: 4-11, 155-163) analysis of the requirements for European security and resilience.

Long-term investment in European defence industries coupled with longer-term contracts for European defence procurement offers another route to security. This strategy does not have to exclude the possibility of procuring American armaments, but it does stress the importance of building up Europe's own productive facilities, even if that means reimagining the role of state aid in the maintenance of European competitiveness. This is the argument Draghi (2024: Part B, 159-171) makes and Niinistö (2024: 6) reiterates.

What Draghi and Niinistö do not underscore is that investment in defence is another way for Europeans to redeploy their savings within Europe. This is particularly true if European governments borrow funds either for military procurement or to create incentives for more private investment in defence industries. In this sense, greater commitment to military security reinforces efforts at macroeconomic rebalancing even without relying on procurement from the United States. Moreover, Republicans in Congress are likely to accept this line of argument. Since security is their imperative, any improvement in trade relations – however manifest – is just icing on the cake.

Building a constructive agenda would be worth the effort

Embracing this line of argument will be harder to sell within Europe than with the Trump administration. European policymakers will find it hard to embrace a narrow free trade agenda that does not include beyond-the-

> Long-term investment in European defence industries coupled with longer-term contracts for European defence procurement offers another route to security.

border considerations. They will also find it hard to accept regulatory equivalence in areas of high political salience, like food safety. Efforts to complete Europe's capital markets union have been made since the Giovanini report was published in the 1990s but with little real progress. And the scars left by the global economic and financial crisis on relations between core and periphery countries in the European Union are difficult to reverse. It will be even harder to find agreement on making huge investments in European security, particularly if that implies additional public borrowing. The Letta, Draghi, and Niinistö reports attracted attention when they came out, but as yet have generated little momentum for lasting reform. The greatest threat – and likelihood – is that the incoming Trump administration will only distract European attention away from more important policy initiatives that Europeans should be embracing to safeguard the future of Europe.

But there is a chance to use the leverage created by the Trump administration's use of tariffs and other trade instruments to push in another direction for European policymakers to restart trade negotiations across the Atlantic with a goal to finding areas of possible agreement. They could also use those negotiations as another reason for committing to a reform agenda that Letta, Draghi, and Niinistö argue is essential to secure Europe's future no matter who is President in the United States. This new agenda will not be easy to accomplish, but European policymakers may have no real alternative. Perhaps the new Trump administration will make it easier for them to focus on what can be gained for Europe.

Notes

[1] "Germany: CDU's Merz Wants "Positive" Trump Trade Approach.' Deutsche Welle (2 January 2025) https://www.dw.com/en/germany-cdus-merz-wants-positive-trump-trade-approach/a-71199987

[2] A capital outflow is a debit on capital accounts and so has a negative value; a capital inflow is a credit. This explains why Navarro associated a capital account surplus with a current account deficit. When a country imports more than it exports – running a deficit on the current account – then it needs foreign credits to use as payment – a capital inflow, or surplus. The argument here is that a capital outflow provides credits that foreigners can use to purchase more exports from the sending country than it imports.

[3] This insight was reinforced in conversations with Republican Congressional staffers during the transition from the Biden administration to the Trump administration.

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Erik Jones. Director of the Robert Schuman Centre for Advanced Studies at the European University Institute and Nonresident Scholar at Carnegie Europe

Can the Draghi report save Europe?

The Draghi report provides a transformative blueprint for Europe's future, emphasizing strategic investments, industrial policy, and governance reforms to boost productivity and competitiveness. However, its ambitious proposals face significant challenges, including political fragmentation, limited fiscal capacity, and resistance to deeper integration, underscoring the need for prioritization of more viable reforms.

José Ramón Díez Guijarro

Abstract: The Draghi report, published at a pivotal moment for the European Union, identifies structural weaknesses in Europe's economic model and proposes comprehensive reforms to secure its future. With public and private investment needs estimated at €800 billion annually, the report calls for productivity-boosting measures, enhanced strategic autonomy, and a focus on the green and digital transitions. It highlights the importance of industrial policy, regulatory simplification, and improved governance to foster innovation and competitiveness. However, implementation faces hurdles, including political fragmentation, limited fiscal space, and resistance to deeper integration, underscoring the urgency of prioritizing achievable reforms and embracing a multi-speed Europe.

A turning point for Europe

The Draghi report was published at a key juncture for the European project considering the economic, political and social challenges facing the continent in the coming years: from a loss of competitiveness in a world in the throes of value chain reconfiguration to the financial challenge of having to bolster defence policies in the midst of an energy transition and the recalibration of relations among economies looming with Donald Trump's return to the Oval Office. Not to mention the

> “If Europe only advances in times of crisis, as has been the case in the last 15 years with the NGEU funds (health crisis) and Single Supervisory Mechanism (financial crisis), the opportunity for a change of paradigm is currently unbeatable considering the challenging international geopolitical climate.”

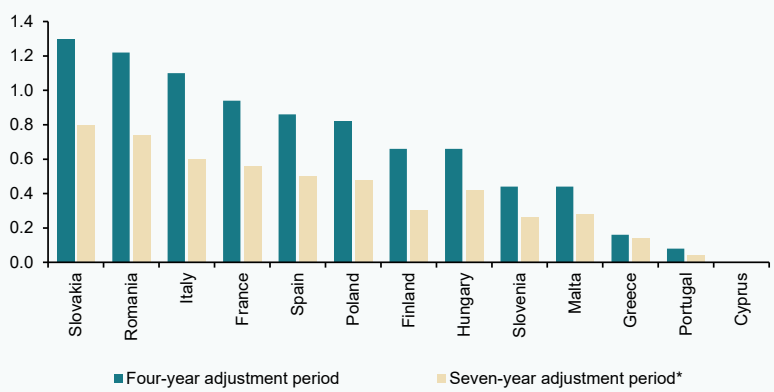
challenges associated with future expansion and the need to reinforce the institutional framework. If Europe only advances in times of crisis, as has been the case in the last 15 years with the NGEU funds (health crisis) and Single Supervisory Mechanism (financial crisis), the opportunity for a change of paradigm is currently unbeatable considering the challenging international geopolitical climate. The present *Zeintenwende* (a historical turning point or change of era) needs to be tackled with ambition to lay the foundations for the European project for the decades to come.

Economic reform priorities remain unchanged from five years ago: completing the Banking Union initiative with a European deposit insurance scheme; making progress on the Capital Markets Union; strengthening the role of the euro as international reserve currency; and creating a European risk-free asset. Now, however, the environment has become a lot more challenging, marked by several open fronts and the need for strategic decisions capable of addressing multiple objectives. The clouds that are gathering on the horizon – new security and defence policy, the need for greater strategic autonomy and the energy transition – will necessarily require a major investment effort. In other words, a huge financial challenge that will require reconfiguring the multi-year financing framework and squeezing it within the boundaries implied by the new Stability Pact (Exhibit 1), as Europe’s buffers have been depleted by a succession of shocks in recent years, as evidenced by the current public debt

Exhibit 1

Fiscal consolidation in Europe

Average annual reduction in primary structural deficit relative to 2024
(percentage points of GDP)



(*) Germany, Belgium and Austria have yet to submit their medium-term fiscal-structural plans.
Source: European Commission.

> “Europe is facing a huge financial challenge that will require reconfiguring the multi-year financing framework and squeezing it within the boundaries implied by the new Stability Pact, as the bloc’s buffers have been depleted by a succession of shocks in recent years, as evidenced by the current public debt ratios in both the EU-27 (82.6%) and EMU (89.9%).”

ratios in both the EU-27 (82.6%) and EMU (89.9%).

Europe, therefore, will have to tackle many challenges with limited room for fiscal manoeuvre. Meanwhile, although the ECB, with its Transmission Protection Instrument (TPI), has the ability to mitigate any increase in the risk of fragmentation not justified by economic fundamentals, it also has to continue to taper the size of its public debt portfolio in a very different environment than the one that warranted its intensive use of a non-conventional toolkit. [1]

All the while, there are additional challenges implied by uncertainty around transatlantic relations (tariffs, [2] Ukraine, defence policy/ NATO) with Trump returning to office, in an environment that looks tricky for the near future in light of the weak growth prospects for 2025 (the consensus forecast is for growth of 1% across the EMU), high dependence on trade for growth, fiscal weakness in France and Italy and the European Commission’s weak starting position (41% of votes went against the new Commission). On top of all of that, we are facing political instability in France and Germany which, in the near-term, will curtail traction in the region’s main engine. So, the outlook for the year ahead is a little bleak. The good news is that the fiscal and political deterioration in a country as important as France (where the risk of “Italianisation” is not insignificant) has only translated into an orderly realignment of risk premiums in the Eurozone, without penalising the peripheral countries. This may reflect the dissuasive power of the web of instruments designed in the past decade to address idiosyncratic crises in the region (ESM, TPI, *etc.*). Although we already know from experience that being the target of the financial markets is not the best scenario in times of turmoil, as we are seeing in the case of Britain of late.

Draghi report: A good assessment of how to tackle Europe’s structural challenges

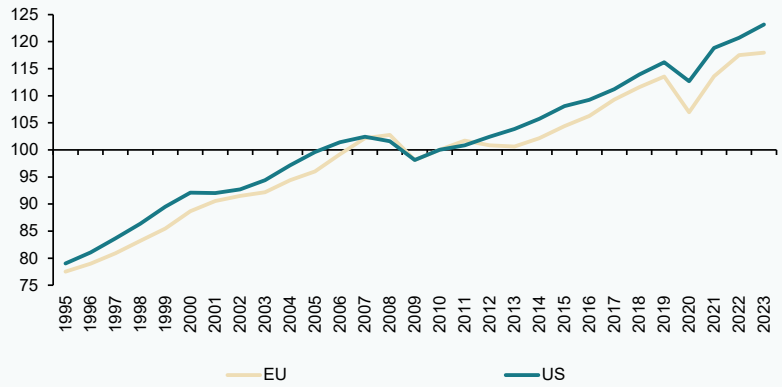
In this challenging context, the Draghi report seeks to reverse the European economy’s structural deterioration, which manifests itself through a weak growth trend, which is evident in the sizeable gap in per-capita GDP by comparison with the U.S.. The GDP gap between the U.S. and EU [3] increased from 15% to 30% between 2002 and 2023, although in terms of GDP per capita (Exhibit 2), the difference has been more stable (34% in 2023 *vs.* 31% in 2022) due to faster population growth in the U.S. Seventy per cent of the difference in per capita income on either side of the Atlantic is due to differences in productivity, [4] with the remainder

> “Seventy per cent of the difference in per capita income on either side of the Atlantic is due to differences in productivity, with the remainder attributable to the number of hours worked.”

Exhibit 2

Trend in real GDP per capita (Europe and US)

Rebased (100 = 2010) in PPP



Source: International Monetary Fund (WEO).

attributable to the number of hours worked. If the European economy's performance of recent decades does not revert, the European social model, which requires strong growth to attend to the needs of an ageing population, especially considering current low birth rates, could be in jeopardy.

However, although the report focuses on how to stimulate innovation and raise productivity, the real culprits of Europe's stagnation, it also emphasises the change of paradigm in which the global economy is immersed and Europe's weak position in this new environment. In the current context of deglobalisation and search for strategic autonomy, the European growth model, highly dependent on trade and low-wage-competitiveness, [5] constitutes a vulnerability, not only because of the issues the Trump administration is expected to prioritise, but also because the surplus of savings relative to investment (3% of GDP on average since 2012) ends up flowing to other areas of the economy in search of higher returns [6] (as also highlighted in the Letta report [7]). Against this backdrop, one of the challenges facing Europe is to mobilise the large volumes of savings which households and the rest of the EU's economic agents have been amassing and channel them into investments in more productive activities in order to escape the "middle technology trap" (low innovation, low investment and low productivity growth).

All the more so considering the investment effort that will be required by the twin green and digital transition.

Therefore, beyond detecting the key variables that explain Europe's mediocre results in recent decades, the document coordinated by Mario Draghi calls for a full overhaul of the European growth model, particularly in light of the unfolding and looming structural changes in the international order.

One vector and three major challenges

In this context, Europe's transformation strategy should be articulated around three major challenges: i) raising productivity [8] by reducing the innovation gap with the U.S. and China; ii) accelerating the decarbonisation process in a manner compatible with increased competitiveness; and iii) deepening the continent's strategic autonomy by increasing security and reducing dependence on imports. All of this should be accompanied by regulatory simplification [9] (a key vector for injecting momentum into the plan) and significant advances in the Single Market (services, capital markets, energy, digital, *etc.*).

The idea is to make industrial policy the backbone of the entire strategy, taking prominence (and prevailing over, if necessary) over trade and competition policy. The principles of this "new industrial policy" are: i) a focus on sectors rather than companies; ii) investments that are subject to rigorous monitoring; and iii) a focus on technologies where early entry can generate advantages.

All of which implies a considerable shift from the shape of economic policy in Europe in recent decades when competition policy has been prioritised over the creation of national champions. Therefore, the reports lays the groundwork for the reindustrialisation of Europe, combining horizontal actions with a menu of proposals for 10 strategic sectors. [10] In addition to nurturing key sectors and projects for an innovative climate in Europe, the policy strives to respond to the strategies being pursued in other countries that have tried to attract investment by European companies in recent years, most notably the Biden administration's Inflation Reduction Act (IRA).

The first major objective seeks to deliver a boost in productivity in Europe. If productivity is the result of the combination of innovation at leading large companies, the ability of mature companies to adopt that innovation speedily and the advent of new players that can challenge the rest, Europe compares poorly with the U.S. and China on all three fronts. For example, the start-ups created from scratch in the U.S. in the last 50 years with a market capitalisation of at least 10 billion dollars today (*arrivistes*) have a combined current market capitalisation of over 30 trillion dollars, which is nearly 70 times more than the market cap of the equivalent population in Europe. In order to stimulate innovation, the report recommends improving coordination of public investment in R&D across the Member States, adopting a single patent system and improving access to finance for innovative firms, favouring the development of venture capital. And pursuing academic and research excellence in parallel.

As for the second major objective, accelerating decarbonisation, Draghi suggests that the EU reorient its support for the manufacture of clean technologies to focus on those in which it is a leader or for which capacity development is of strategic importance (like batteries). One of the measures flagged in this line of initiative is the need to reduce energy prices for end users, as current high prices are a drag for European industry on a relative basis. [11] To achieve this, the report proposes a range of options that run the gamut from lower tax to modification of the price-setting mechanism so that the low cost of renewable energy has a positive impact on the whole economy and drives network connectivity. It also emphasises the need to develop a genuine Energy Union to unlock the joint purchase of natural gas or crude oil and the development of common strategies in the event of energy emergencies or crises (such as the sharp run-up in gas prices after Russia's invasion of Ukraine), preventing uncoordinated national responses that could distort the Single Market.

The last objective and lever for increasing competitiveness is reducing dependence on imports and increasing security in today's convulsive geopolitical environment. The idea of joint purchases crops up again here, in this case in reference to raw materials critical to the green transition. In parallel, development of a more autonomous defence policy is

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“ Europe will need to reinforce its governance, expanding the range of issues the Council can rule on with a qualified majority (instead of unanimously) while its budget needs to be made simpler and more flexible. ”

interrelated with beefing up industrial policy by paving the way for development of pan-European companies and greater standardisation and interoperability of equipment across the Member States. This, framed by the need to increase spending on defence (minimum target of 2% of GDP) and the need to heighten the focus on technological development, underpinned by cooperation, pooling of resources and joint orders.

The importance of the horizontal measures

To tackle these major challenges, it is essential to go further on key aspects of the European project, starting with full implementation of the Single Market, [12] which would also foster growth in the business population, improving the ability of the productive apparatus to absorb financing, reducing the risk of bottlenecks such as those affecting the rollout of the NGEU funds.

To achieve all of this, Europe will need to reinforce its governance, expanding the range of issues the Council can rule on with a qualified majority (instead of unanimously) while its budget needs to be made simpler and more flexible, with fewer items and reconfigured priorities articulated around the new objectives. Other proposals for strengthening governance include simplifying and rationalising Europe’s body of laws and procedures and creating a new “Competitiveness Coordination Framework”. All these changes will be hard to implement as they will mean that Europe may advance at different speeds. They will also involve sacrificing some of the most important programmes currently being financed by the European budget (*e.g.*), with a sizeable political cost in countries such as France.

The second major horizontal reform or building block is the creation of a propitious climate for financing the overhaul of European economic policy, with measures to bring together savings (public and private) and innovation. European households’ savings rate is much higher than that of their American counterparts; however, this has not given investment in the Eurozone a boost, as a good portion of this savings has been placed outside of EU borders.

Therefore, to facilitate innovation investment and financing it is necessary to stimulate, with tax breaks if necessary, the creation of European pension funds, complete development of the Capital Markets Union (which will make the financial channel a more efficient transmitter of monetary policy), stimulate venture capital and make all of that compatible with making the banks’ balance sheets more flexible by developing the securitisation market, so that the banks can release capital unlock additional lending.

“ European households’ savings rate is much higher than that of their American counterparts; however, this has not given investment in the Eurozone a boost, as a good portion of this savings has been placed outside of EU borders. ”

> “The volume of public and private investment needed to unlock a step change in Europe’s potential output is estimated at 800 billion euros per annum (nearly 5% of European GDP), which would have a very positive impact on cumulative growth (adding 6pp to GDP in 15 years) by comparison with a no-change scenario.”

What scale of investments are we talking about? According to the report, the volume of public and private investment needed to unlock a step change in the EU’s potential output is estimated at 800 billion euros per annum (nearly 5% of European GDP), financing the public part via the issuance of eurobonds. Delivering this increase would require the EU’s investment share to jump from around 22% of GDP today to around 27%, which would have a very positive impact on cumulative growth (adding 6pp to GDP in 15 years) by comparison with a no-change scenario.

The question is how all these measures would affect inflation and fiscal sustainability, although the potential adverse effects on certain macroeconomic magnitudes would be partially diluted by productivity gains. All of which should be seen against the backdrop of the NGEU funds whose execution is lagging expectations considerably with just 18 months left on the plan. In other words, the eternal question is does the EU have the capacity to efficiently manage and absorb such an ambitious public and private investment programme.

Conclusions

The Draghi report complements the Letta report and is a good assessment of the structural problems facing Europe. The two reports outline a menu of economic policy responses for tackling the challenges originating from a world in the midst of transformation and changing the inertia of the last two decades, combining horizontal initiatives designed to create a healthy general framework with vertical sector-specific initiatives. The overriding goal is to change an economic model no longer suited to tackling the challenges thrown up by a new international economic order.

The proposals made in the reports are very ambitious, particularly those involving investments (800 billion euros); the idea of issuing a “safe” European asset (eurobonds); strengthened governance through the use of majorities rather than unanimous agreement (which could give way to a multi-speed Europe); and the strategic importance attached to industrial policy, to which trade and competition policy would be subordinate.

The warm reception from the European Commission and the ECB signal the report’s potential importance as a guide for the changes Europe needs to take in the coming years. Its impact could be similar to that of the Delors report of 1989 (Report on Economic and Monetary Union) compared to other failed attempts such as Juncker’s White Book. For the time being, however, the German authorities have already expressed their long-standing misgivings about a European safe

> “Although it may seem like there are too many issues to deal with, the only thing that cannot happen at this crossroads for Europe is paralysis or complacency.”

asset and there are other potential obstacles, including scant room for fiscal manoeuvre and the need to build broad consensus with the social agents and civil society, to name a few. Moreover, with the new European Commission in a weak starting position, internal political fragmentation in the EU does not bode well for implementation of the report's big ideas considering the rise of the Eurosceptic vote and the persistence of starkly different visions for the pace and depth of economic and political integration, with the Berlin-Paris axis constrained for the very near -term at least.

The solution for avoiding a fresh bout of procrastination in the short-term is to prioritise and advance on the areas where agreement is more plausible, such as: ways to allocate EU resources more efficiently; progress on infrastructure of common interest; measures for reducing the cost of energy; or simplification of the existing regulatory burden. Medium- and longer-term, however, to advance on the most complicated parts of the agenda, there will have to be support for simple majorities in the European Union and, probably, progress on integration at different speeds, given the misgivings certain jurisdictions have about giving up more sovereignty.

In sum, now that the Letta and Draghi reports have properly assessed the challenges in need of tackling, the time has come for action as the degree of ambition displayed in the next legislature will determine the region's weight in a world headed irreversibly towards division around blocs, increasing the risk of failing to reduce dependence on external energy or technology (AI, chips, *etc.*) and seeing growth remain in or around "secular stagnation". Although it may seem like there are too many issues to deal with, the only thing that cannot happen at this crossroads for Europe is paralysis or complacency.

No plan can save Europe from itself, from its tendency to waver, hesitate, put off decisions, revisit the Hamlet-like avatar that has represented the European Union so many times over the course of its history, as Timothy Garton Ash reminds us in his excellent "Homelands. A personal history of Europe". These tendencies multiply in times of political disorder in the region, with anti-liberal options making inroads. However, the reality is that the twin green and digital transition constitutes a unique opportunity for interrupting Europe's gentle decline of recent decades and reducing the productivity and per-capita GDP gaps relative to the U.S. It has been done in the past, like at the end of the Second World War and in 1995, when European labour productivity jumped from 22% of the U.S. equivalent to 95% (Draghi, 2024).

The Draghi report may not be the panacea for Europe, but it is a good starting point, for both reflection and action. It evidences how the model followed in recent decades is no longer fit for a global order set to change very quickly in the coming years. And it proposes avenues for tackling a broad spectrum of outstanding challenges, both classical issues (European deposit scheme, Capital Markets Union and European safe asset) and newer ones (twin transition, strategic autonomy, boosting innovation, *etc.*).

Notes

[1] Having published a new operational framework in 2024, the ECB will undertake a strategic review in 2025. The last one took place in 2021, in a very different context to today's, with the risk of deflation very present.

[2] 3.4% of the EU's GVA depends on demand from the U.S., with certain sectors very exposed to a tariff war, including the pharmaceutical (22% of GVA depends on the U.S.), chemicals (10%) and transportation (8%) industries.

[3] Using 2015 market prices.

[4] This difference is largely explained by the respective economies' sector composition (marginal presence of the most productive ITC sectors in the EU).

[5] According to Draghi, growth in real wages has been four times higher in the EU than in the U.S. since 2008.

[6] European institutional investors have placed more funds in U.S. than European shares.

[7] The Letta report titled "Much More Than a Market," presents a comprehensive analysis of the European Union's Single Market and proposes strategic enhancements to address relevant challenges.

[8] Particularly considering that according to the Draghi report, by 2040 Europe's labour force will decrease by 2 million people per annum.

[9] Improvement of the regulatory framework would be propelled by creating a new EU-wide legal status for innovative start-ups (28th regime).

[10] Energy, critical raw materials, digitalisation and advanced technologies, energy-intensive industries, clean technologies, automotive, defence, space, pharma and transport.

[11] The prices paid by European firms for electricity are twice those paid by their U.S. counterparts.

[12] According to the IMF, internal barriers in the Single Market are equivalent to an *ad-valorem* tariff of 45% for the industrial sector and of 115% for the services sector. In the U.S., these barriers between states are four times lower. With barriers similar to those of the U.S., productivity in Europe would increase by 7% in seven years.

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The Draghi report and the Spanish economy

Mario Draghi's report identifies integration as key to addressing Europe's structural challenges, focusing on, first, the need to rollout a common economic policy and, second, the completion of the EU Single Market. For Spain, the latter measures would be the most effective in unlocking investment, though their success hinges on overcoming fragmentation risks amid rising protectionism.

Raymond Torres and Miguel Ángel González Simón

Abstract: Addressing the risk of a structural decline in the European economy, Mario Draghi's report on competitiveness presents two complementary solutions, namely: (i) the rollout of a common economic policy along with public investment incentives; and (ii) completion of the Single European Market. While both solutions are particularly relevant for Spain, further European integration would bring greater benefits in the short-term and is also the more feasible solution, considering the state of much of the EU's public finances. This is because, first of all, greater integration would provide Spain with better access to EU capital markets, thus addressing the current investment deficit, which stems largely from the private sector and a weak public-private investment multiplier. Secondly, more integration could help Spain further improve its competitive positioning within the EU, which has already seen significant gains, driven by relatively cheaper labour and energy costs. This could help offset the lost ground in global markets, particularly in the technology sector. While greater integration would channel European savings into Spain's productive sector, the biggest risk remains fragmentation among Member States amid the rising tide of protectionism.

Foreword

The European economy's weak performance, in both historical terms and by comparison

with other global economic powers, has sparked debate about the causes of its decline and possible solutions. Against this backdrop, the report on European competitiveness prepared by Mario Draghi at the request of the European Commission President constitutes an exhaustive assessment (European Commission, 2024). The report flags gaps in investment, innovation and technological development as the main impediments. Based on his assessment, the former President of the European Central Bank calls for the reconfiguration of European economic policy: a combination of measures designed to unlock investment, deepen European integration and accelerate structural reforms. Failure to make changes, the report claims, would plunge the European Union (EU) into an existential crisis.

The main goal of this paper is to examine the report's relevance for the Spanish economy based on its unique situation relative to the rest of Europe. While Draghi's underlying assessment is by and large shared in Brussels, the Spanish economy presents certain idiosyncrasies that suggest the need to prioritise the report's recommendations.

Draghi's assessment

The report's analysis starts from the observation that the world is undergoing rapid transformation as a result of the technological disruption implied by digitalisation and the advent of artificial intelligence, climate change, deglobalisation and their resulting energy and trade shocks, particularly since the pandemic. In this context, exacerbated by population ageing, the EU faces major challenges.

In recent decades, especially since the financial crisis, economic growth in the EU has been meagre by comparison with other global actors. In 2023, the difference in real GDP, adjusted for purchasing power parity, between the EU and U.S. was a gap of 12%, compared to an excess of 4% 20 years earlier. During the same period, China has tended to converge towards the standards of living enjoyed in Europe.

According to the report, around 70% of the shortfall in per-capita GDP with the other side of the Atlantic is attributable to the productivity gap. The remaining 30% is explained by the deficit in active population, an issue set to worsen considering the demographic forecasts for Europe.

The main reason for such low productivity is the shortfall of investment in the EU, prompting the Italian central banker to recommend increasing investment by around 800 billion euros per annum, which is equivalent to roughly five percentage points of the EU's annual GDP. By comparison, investment under the Marshall Plan was equivalent to 1-2% of the region's annual GDP.

Draghi maintains that Europe has abundant financial resources to deal with this huge investment effort. The household savings rate is high, at least by comparison with the U.S., and the region presents a consistent current account surplus, evidencing the persistence of excess savings. The way forward would thus be to mobilise these funds, which are currently exported to third countries, particularly the U.S., rather than being invested productively in Europe.

Several factors lie behind this outflow of capital. The first is capital markets fragmentation, which leads Draghi to call for the creation of the Capital Markets Union, so as to channel excess savings into strategic projects. The recommendations include

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“ Despite the existence of ample resources at the European level, their impact is curtailed by the excessive complexity and red tape involved in obtaining them and a lack of alignment around strategic priorities. ”

creating a single market regulator and regulatory standardisation, among other things.

Another obstacle is over reliance on bank financing. European banks face strict regulations, higher costs and smaller scale than their American counterparts, limiting their ability to assume the risks associated with large-scale innovation projects. The report recommends boosting the banks' funding capacity by developing the Capital Markets Union and completing the Banking Union.

The small size of European enterprises as a direct consequence of Single Market fragmentation constitutes an additional obstacle. Further integration of the markets for goods, services, people and capital is essential to fostering investment in the EU as it would lift businesses' growth potential and stimulate innovation.

Lastly, the report calls for a step-up in public investment, if possible, jointly orchestrated under the umbrella of a common industrial policy. The analysis flags the relative inefficient channelling of public funds. Despite the existence of ample resources at the European level, their impact is curtailed by the excessive complexity and red tape involved in obtaining them and a lack of alignment around strategic priorities. All these obstacles signal the lack of a genuine European economic policy.

Reforms are needed to enhance the multiplier of public spending on private-sector investment. Measures on the revenue side would also help, *e.g.*, by strengthening tax rules conducive to productive investment. The prospect of higher productivity gains would create fiscal space for these initiatives: the report's authors believe that the short-term impact on the budget of investment-friendly measures would be offset in the longer-term by its positive effects on productivity. [1]

The Draghi report presents an exhaustive assessment of the state of the EU economy and proposes economic policies for raising investment and productivity, thus boosting the region's competitiveness. Ultimately, the goal is to improve the investment climate, accelerate decarbonisation and increase economic autonomy. The report identifies three types of policies for attaining these goals: increasing Europe's public investment effort under the scope of an economic policy that coherently combines industrial, technology and competition policy; completion of the Single Market; and governance reforms.

Relevance of the assessment for Spain

The key trends identified in the Draghi report for the EU as a whole generally apply to Spain. Spain enjoys high economic growth relative to the rest of Europe. However, that growth is mainly driven by incorporating more workers into the economy, and not by increasing

“ The Draghi report presents an exhaustive assessment of the state of the EU economy and proposes economic policies for raising investment and productivity, thus boosting the region's competitiveness. ”

> “Spain enjoys high economic growth, but progress in terms of productivity is much less significant.”

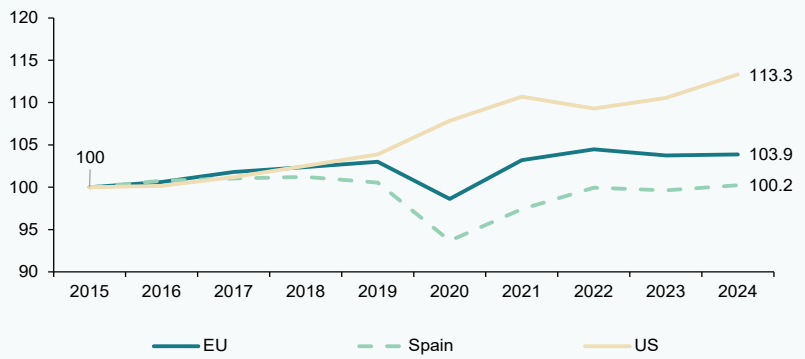
productivity. Indeed, little progress has been made in terms of GDP per employed person: the flagged weakness in European productivity relative to its main competitors, primarily the U.S., is more pronounced in Spain. GDP per person employed lies slightly below the level observed in 2015, compared to slight growth in the European average and sharp growth in the U.S. (Exhibit 1). The conclusion that ground has been lost also holds, albeit a little less forcefully, if productivity is measured per hour worked (shaped primarily by the upward trend in part-time work). The latest productivity figures are ticking up, although not yet enough to suggest a structural turnaround.

The aggregate European data paint a picture of a productive sector finding it hard to adapt to the transformations underway in technology, energy and trade. The

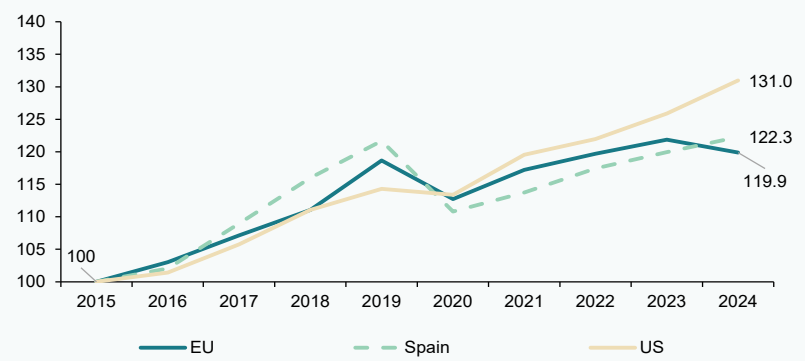
Exhibit 1

European productivity and investment deficits

GDP per person employed, 2015=100



Gross fixed capital formation, 2015=100



Source: Authors' own elaboration based on BEA and Eurostat.

> “Since 2019, investment has increased a mere 0.5% in volume terms in Spain and by 1% in the EU as a whole, compared to 14.6% in the U.S.”

automotive sector is a case in point (Torres, 2024). Historical evidence shows that increased investment is a prerequisite for surmounting the risk of structural stagnation. However, investment is one of the variables to have lagged the most during the recent expansionary period. Since 2019, investment (gross fixed capital formation) has increased a mere 0.5% in volume terms (discounting the movement in the investment deflator and comparing the first three quarters in both years), and by 1% in the EU as a whole. In the U.S., total investment has increased by 14.6% over the same period, lending support to the conclusion reached in the Draghi report that Europe's underperformance is largely attributable to its scant investment in equipment and technology.

To evidence these structural challenges, the Draghi report points to the ground lost by Europe's companies in global markets. The EU remains a net exporter at the global level, but its market share has been shrinking. Goods exports from the EU to the rest of the world (excluding intra-EU trade) have decreased to 14.3% of total global trade, down one point from 2019. Over the same period, U.S. exports have also lost market share, albeit somewhat less so (half a point less), while China has increased its presence (by one full percentage point).

The EU's trade balance continues to present a significant surplus, which merely reflects lethargic imports in a context of weak internal demand. Moreover, Europe's decline is particularly eye-catching in burgeoning sectors associated with the double digital and green transition, a concern for future competitiveness considering the extension of artificial intelligence. According to recent estimates, European presents a structural deficit in its trade in products associated with green energy. [2] And in the case of high-tech products, the trade balance has swung from a surplus to a deficit. [3]

Specifics of the Spanish productive model

While the Draghi assessment is applicable to the Spanish economy, there are also idiosyncrasies of major policy significance.

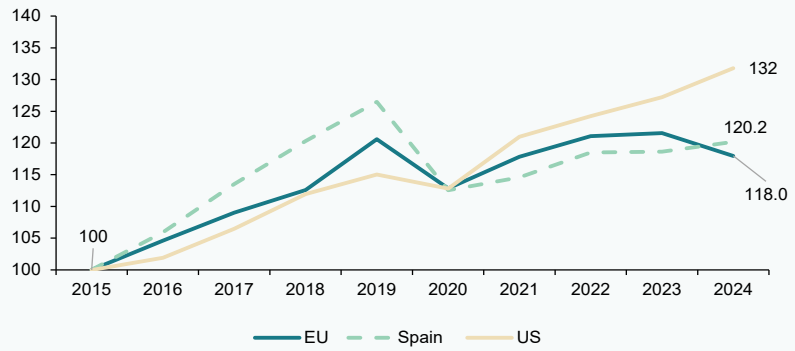
First of all, in Spain the investment gap originates almost entirely from the private sector. Since 2019, private investment has decreased, while public investment has increased intensely (Exhibit 2). In the EU, the divergence between the two sectors has been less pronounced than in Spain. And, in the U.S., growth in private sector investment has kept up with the effort made by the public sector, evidencing a high multiplier effect.

Private investment in Spain would have been expected to be stronger. Demand, one of the key determinants of investment according to empirical evidence, has been on a sharp upward trend over the past four years. Likewise, Spain's corporations are in relatively good financial health, presenting

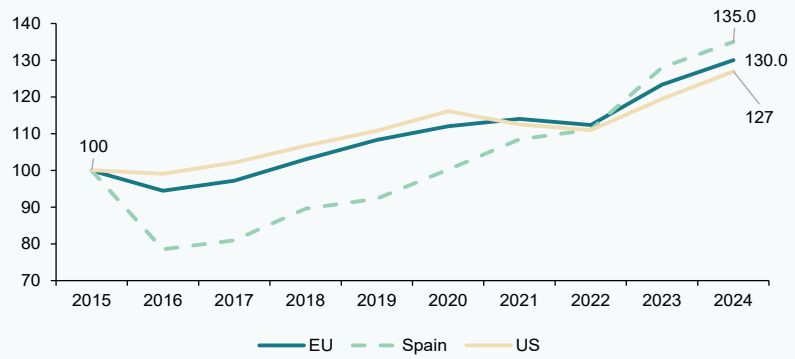
> “Spain's investment gap originates almost entirely from the private sector: since 2019, private investment has decreased, while public investment has increased intensely.”

Exhibit 2 **Investment weakness stems mainly from the private sector**

GFCF, **private sector,** 2015=100



GFCF, **public sector**, 2015=100



Sources: Authors' own elaboration based on BEA and Eurostat.

ample surpluses. Their total debt has fallen back to the lows last seen early this century, before the formation of the credit bubble. And still the corporate sector continues to pile up financial savings or reduce liabilities rather than reinforce productive capacity.

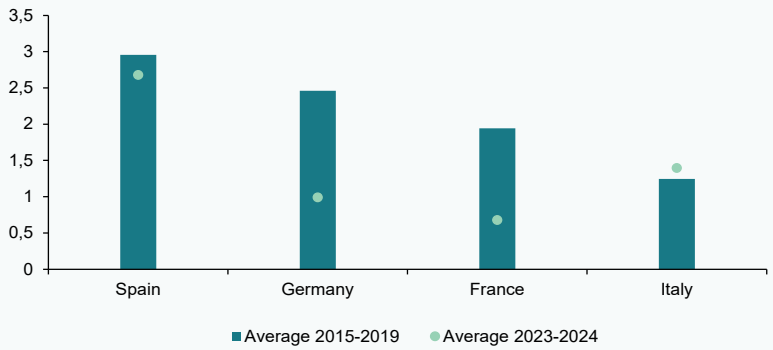
The availability of European funds under the scope of the NGEU programme also foreshadowed a swift recovery in private investment, by lowering the cost of capital. Instead, European funds have materialised mainly in public sector investment without in turn stimulating corporate investment. The small multiplier effect may be partly attributable to the context of rising interest rates, and its corollary in terms of higher returns on financial assets relative to expected returns on productive investments. However, the same phenomenon happened in other countries, without having the same harmful effect on investment.

Secondly, the deficit of private investment has a nationality bias: the companies less inclined to invest are the Spanish ones, particularly the small businesses that account for the bulk of the country's economy. In contrast, foreign direct investment (FDI), which generally hails from large international corporations, has increased relative to the levels observed before the pandemic, while total private investment has narrowed. In the last two years, the inflow of FDI has averaged 3% of GDP per annum,

> The deficit of private investment has a nationality bias: the companies less inclined to invest are the Spanish ones, particularly the small businesses that account for the bulk of the country's economy.

Exhibit 3

Inflows of foreign direct investment as a % of GDP



Source: Authors' own elaboration based on Eurostat.

which is more than twice the volume received by other major European economies relative to the size of their economies (Exhibit 3). Market services, notably technology- and telecommunications-related activities, are major recipients of FDI inflows (garnering 57% of the total in 2019-2023). Manufacturing, electricity supply and energy sectors also rank among the top recipients, receiving proportionately more funds than their share of GDP: the manufacturing sector accounted for 34% of total FDI during the same period.

Most of the FDI inflows (roughly 60% in 2019-2023) consist of new injections of productive capital, either greenfield operations or expansions of existing capacity, therefore contributing directly to the investment effort. The remainder consists of acquisitions, whose impact on investment at the recipient companies is more diffuse or uncertain.

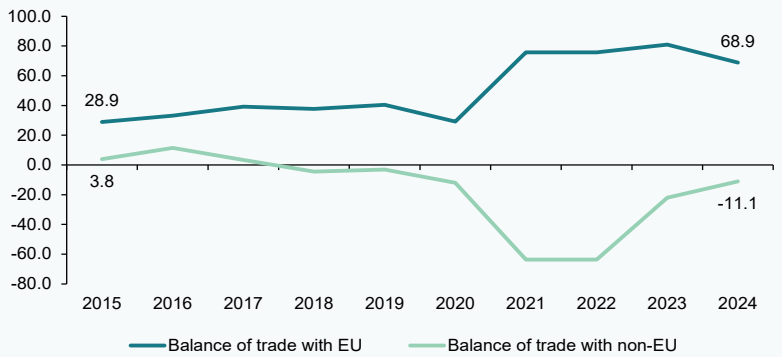
Spain's largest corporations have also tended to offshore some of their productive capacity, making significant direct investments abroad, similar in size to the funds received. In net terms therefore, subtracting the outflows from the inflows, the flow of productive capital has been close to zero, in contrast to the trend observed for the EU as a whole, where outflows have significantly outpaced inflows. During the first three quarters of 2024, the EU exported 269 billion euros of capital to third countries, evidencing the obstacles

> During the first three quarters of 2024, the EU exported 269 billion euros of capital to third countries, evidencing the obstacles to mobilising pent-up savings and channelling them into productive assets in Europe.

Exhibit 4

Spain's trade surplus with the EU offsets the deficit with third countries

Spain's balance of trade in goods and services, € bn



Source: Authors' own elaboration based on Eurostat.

to mobilising pent-up savings and channelling them into productive assets in Europe.

Thirdly, the loss of international market share has been mitigated in Spain by considerable growth in trade with other European partners. The value of the goods and services exported by Spanish companies to the rest of the EU is significantly higher than the value of the goods and services imported from those same economies, generating a surplus of close to 80 billion euros in 2023, which is nearly twice the pre-pandemic surplus (Exhibit 4). The 2024 surplus is expected to be even bigger judging by the data already available for the first three quarters. This surplus more than offsets Spain's trade deficit with non-EU countries, leaving it with a considerable overall trade surplus.

By comparison, the other large European economies present a deficit or shrinking surplus relative to their pre-pandemic positions. For example, Belgium, France, Italy, Portugal and the Scandinavian countries report a persistent or growing deficit in their intra-EU trade. Germany, meanwhile, has seen its intra-EU surplus fall to half the level observed before the pandemic.

The improvement in Spain's trade position relative to its European partners stems from its strong performance in both services and goods, the latter in spite of a quasi-industrial crisis. In both instances, the trade surplus is trending upwards, signalling improved competitiveness relative to the EU.

The step change in non-tourism services not only cements the overall performance but also reveals diversification of the productive model, reducing Spain's dependence on long-standing pillars such as tourism, retailing and construction. Despite this diversification, however, the growth model continues to be characterised by scant productivity gains, in line with its *additive*

"The improvement in Spain's trade position relative to its European partners stems from its strong performance in both services and goods, the latter in spite of a quasi-industrial crisis."

> “The lost ground in global markets, particularly in the technology sector, is being offset in Spain by a sizeable improvement in its competitive positioning within the EU, shaped by cheaper labour and energy costs.”

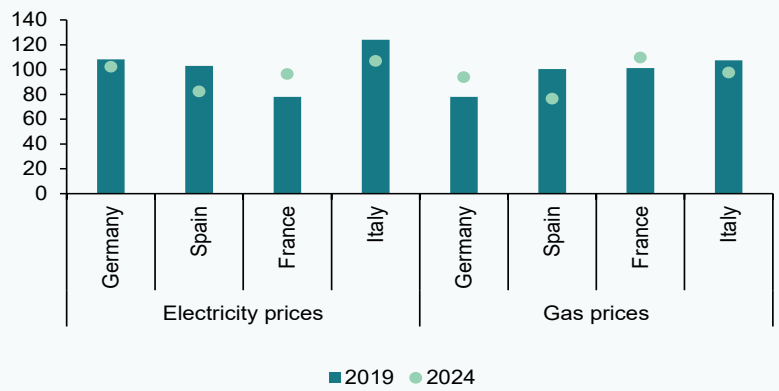
nature: GDP is growing largely supported by increases in the labour force, which is not translating into a substantial improvement in productive efficiency.

As for labour costs, Spain's competitive advantage already became clear during the 2010s. Between 2010 and 2019, unit labour costs held steady (dropping during the sovereign debt crisis, followed by a slight recovery), compared to growth of close to 10% across the EU. This competitive advantage, a key factor behind the improvement in Spain's foreign accounts, has survived the last few years relatively unscathed. However, it is worth recalling that the reduction in unit labour costs came from squeezing wages and not productivity growth.

Energy costs have also fared well by comparison with neighbouring economies (Exhibit 5). In the last five years, electricity prices for Spanish corporations have increased by 22%, and gas prices by 39%, which in both cases is less than half of the European averages. The deployment of renewable energy and availability of an ample infrastructure of liquefied gas processing help explain the relative improvement in energy prices, further cementing the country's competitive advantage in terms of productive costs and kindling investments by foreign companies.

Exhibit 5 **Average electricity and gas prices for corporations**

Rebased: EU average = 100



Source: Eurostat.

> “In the last five years, electricity prices for Spanish corporations have increased by 22%, and gas prices by 39%, which in both cases is less than half of the European averages.”

> The priority for the Spanish economy should be completing the Single Market as the main driver of growth.

So which of Draghi's recommendations should Spain prioritise?

In sum, this analysis confirms the relevance of the assessment made in the Draghi report, particularly as it concerns the investment and productivity gaps and the productive sector's difficulties in adapting for the major unfolding technology and trade challenges.

However, we also highlight some important idiosyncrasies of the Spanish productive model that should be taken into consideration in the European economic policy debate. Firstly, Spain's investment deficit stems above all from the private sector and not a shortfall of public resources, which remain relatively abundant. The public-private investment multiplier is worryingly weak. Secondly, the lost ground in global markets, particularly in the technology sector, is being offset in Spain by a sizeable improvement in its competitive positioning within the EU, shaped by cheaper labour and energy costs.

This means that the priority for the Spanish economy should be completing the Single Market as the main driver of growth. A step in the direction of Capital Markets Union would help channel European savings into the Spanish productive apparatus, considering its advantageous competitive positioning in Europe. Elsewhere, rather than a sharp increase in public investment, which is already at record levels, what the Spanish economy needs is to reinforce the linkage between public and private investment. In this sense, the Draghi report correctly calls for strengthening European integration and articulating a common European economic policy to tackle the key challenges. The biggest risk is fragmentation in light of the protectionist threat emerging on the other side of the Atlantic.

Notes

[1] The report refers to an increase in total factor productivity of 2% over a ten-year horizon thanks to the growth in public investment, whose budget cost would therefore be offset in the medium-term by higher tax revenue.

[2] Recent analysis points to a very low coverage rate in trade in solar panels, wind turbines and other products related to green energy. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20241014-1

[3] The EU's balance of trade in high-tech products has gone from a surplus prior to the pandemic to a deficit in recent years. Refer to https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_and_production_of_high-tech_products&oldid=615096

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Raymond Torres and Miguel Ángel González Simón. Funcas

Corporate access to bank loans: Assessing the impact of company and loan size

Spanish companies enjoy lower bank borrowing costs than their Eurozone peers, with neither the size of the loan nor the company significantly impacting costs. While micro firms face slightly more obstacles in obtaining loans, the size penalty is far less significant in Spain, making access to finance a relatively minor concern across all business sizes.

Joaquín Maudos

Abstract: Spanish companies benefit from lower bank borrowing costs than other Eurozone enterprises, irrespective of loan size. Loan costs are higher on smaller-sized loans, which are more commonly applied for by smaller companies. However, the extra cost paid by smaller enterprises relative to their larger counterparts is very small and much lower in Spain than in the Eurozone. Moreover, only a very low percentage of Spanish companies (4.53%) view access to finance as their main problem and even though that percentage rises among small enterprises (4.91%), the difference with large companies (4.43%) is narrow. Elsewhere, the percentage of companies that face obstacles in obtaining a bank loan is similar in Spain to that observed in the Eurozone (7.9% *vs.* 7.3%), the main impediment being fear of rejection. Micro enterprises perceive more obstacles although in Spain, this size penalty is virtually negligible. As a result, size counts, but very little in Spain.

Foreword

Job creation and economic growth stem from the investments made by companies. Profitable and, therefore, viable, investments require financing on acceptable terms. High

> The extra borrowing cost paid by smaller companies relative to their larger counterparts is very small and much lower in Spain than in the Eurozone.

borrowing costs jeopardise returns and could even render investment projects non-viable. This is where the financial system in general and the banking system in particular come into play: their job is to channel savings into investments. The more efficiently they fulfil this function, the better the terms and conditions they will offer in exchange for loans and, as a result, the higher an economy's investment and growth.

It is well known that company size affects borrowing costs. The main reason is the issue of asymmetric information between lenders (banks) and borrowers (companies), which is less pronounced at larger enterprises, for which more information is available (*e.g.*, existence of audited financial statements). This problem of information asymmetry gives rise to another issue of adverse selection and moral hazard, which is more of a problem at SMEs than at large enterprises. For these reasons, there is a negative correlation between company size and access to finance.

The purpose of this paper is to analyse the terms on which Spanish companies can access bank financing, flagging the differences by company size and comparing the situation in Spain with the broader Eurozone. To do this we focus our analysis on the years elapsing from before the onset of the COVID pandemic in 2019 until today, with the most recent data dating to October 2024. We combine data on the rates of interest on new bank loans by transaction size (as a proxy for company size) with information gleaned from the ECB's Survey on the access to finance of enterprises for the third quarter of 2024.

Cost of bank financing

The first variable yielded by the information regarding borrowing obstacles faced by companies depending on their size is the loan interest rate, using the differences in rates by loan size as our proxy. The ECB provides information for three loan size intervals: less than 250,000 euros, between 250,000 and one million euros, and over one million euros. It is fair to assume that the larger loans are more characteristic of larger enterprises, while the smaller loans are more typical of micro and small sized enterprises.

Focusing on the difference in cost between the smallest and largest loans (under 250,000 euros and over one million euros), Exhibit 1 plots the spread in basis points for Spain and the Eurozone. In both instances, except for one specific month in Spain, the difference is always positive, clearly demonstrating that smaller-sized companies face higher borrowing costs. This difference has been as high as >100 basis points (bp) in both Spain and the Eurozone at times. However, since the end of 2023, the gap has been clearly narrowing and by October 2024 stood at just 21bp in Spain and 52bp in the Eurozone. Therefore, using the most recent information available, the extra borrowing cost paid by smaller companies relative to their larger counterparts is very small and much lower in Spain than in the Eurozone.

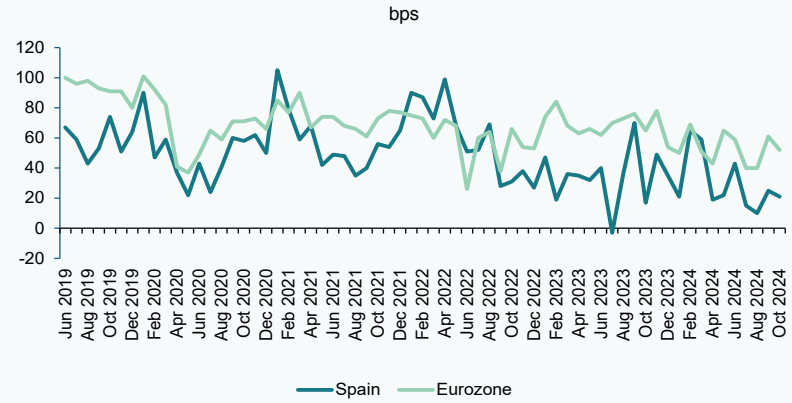
Where do companies pay higher interest on the loans they apply for? Spain or the Eurozone? The answer is found in Exhibit 2, which shows the difference in interest rates paid in Spain *versus* the Eurozone distinguishing by loan size.

In the smaller loan size category (under 250,000 euros) this spread has been trending lower since mid-2020, and since mid-2021, the interest rate applied by the Spanish banks has been consistently lower than that charged across the Eurozone. The difference reached 67bp in July 2023 and stood at 56bp

Exhibit 1

Difference between the interest rate charged on loans to enterprises of under 0.25 million euros *versus* loans of over 1 million euros

New business



Source: ECB and author's own elaboration.

in October 2024. Therefore, if this loan size is indeed more characteristic of micro and small enterprises, in Spain these sized companies benefit from lower borrowing costs than their counterparts in the Eurozone.

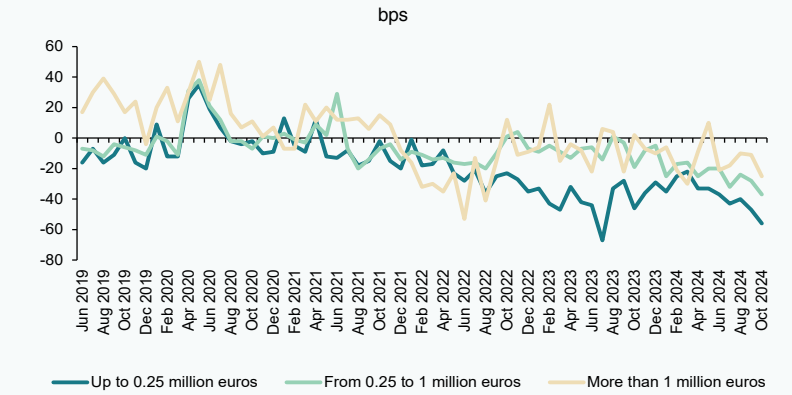
In medium-sized loans (between 250,000 and one million euros), the difference in rates between Spain and the Eurozone has also been narrowing since the summer of 2021 and, in general, has been negative since then, meaning that the Spanish firms in this size segment are also benefitting from lower interest rates. In fact, the biggest difference is observed for the most recent reading, that of October 2024, when interest rates in Spain were 37bp lower in this loan size category.

Lastly, in larger-sized loans (over one million euros), the trend in the spread between Spain

Exhibit 2

Interest rate spread between Spain and the Eurozone on loans to enterprises

New business



Source: ECB and author's own elaboration.

> The cost currently paid by enterprises for a bank loan is lower in Spain than in the Eurozone on average, irrespective of loan size.

and the Eurozone has been more volatile and there is no clear pattern during the years analysed, in which there have been periods of positive differences intermingled with periods of negative spreads. In October 2024, the spread was negative, indicating that Spanish companies applying for loans of this size were likewise enjoying lower borrowing costs than their European counterparts (25bp lower).

If we compare the three loan size categories, the cost difference (benefit) between Spain and the Eurozone is smallest in the largest loan size category (25bp) and highest in the smallest size category (56bp). In the latter category, the Spain-Eurozone spread is double that observed in the largest loan size category.

Bank borrowing costs in the Eurozone: Spain's ranking

If we turn our attention to the most recent figures (dated to October 2024 | Exhibit 3), the average rate on a new loan extended to an enterprise in Spain was 4.6%, which is lower than the Eurozone average of 4.7%. By comparison with the main banking sectors, borrowing costs in Spain were lower than in Italy or Germany but higher than in France.

For loans of less than 250,000 euros, the Spanish banks were charging a rate of 4.7%, the second lowest in the Eurozone, behind only France (4.6%). In loans sized between 250,000 and one million euros, the cost in Spain is the third lowest in the Eurozone, at 4.4%, with only Luxembourg (4%) and France (4.1%) offering cheaper bank loans. And in loans of more than one million euros, the Spanish banks are the fourth cheapest in the Eurozone (4.5%), charging less than the main Eurozone economies (Germany, France and Italy).

Another variable provided by the information on the differences in obstacles facing enterprises as a function of their size is the percentage that report access to finance as their main problem. This is one of the questions on the survey carried out by the ECB and provides information as a function of company size.

Using the most recent survey available (referring to the third quarter of 2024), only a small percentage of enterprises reported access to finance as their main problem, with the percentage doing so in Spain (4.53%) slightly above the Eurozone average (4.05%). Although there are differences by company size, they are insignificant and in all instances the percentages are small. At any rate, the percentage is higher among small enterprises (4.91%) than among large enterprises (4.43%), and a little lower among medium-sized companies (4.27%). This pattern is repeated across the Eurozone although in all company sizes the percentages are lower than in Spain. The biggest difference between Spain and the Eurozone is observed among small enterprises, where it stands at 73bp: 4.91% *vs.* 4.18%. For SMEs as a whole, 4.58% of Spanish enterprises report access to finance as their biggest issue, which is higher than the average of 4.06% for Eurozone SMEs.

Obstacles to obtaining a bank loan

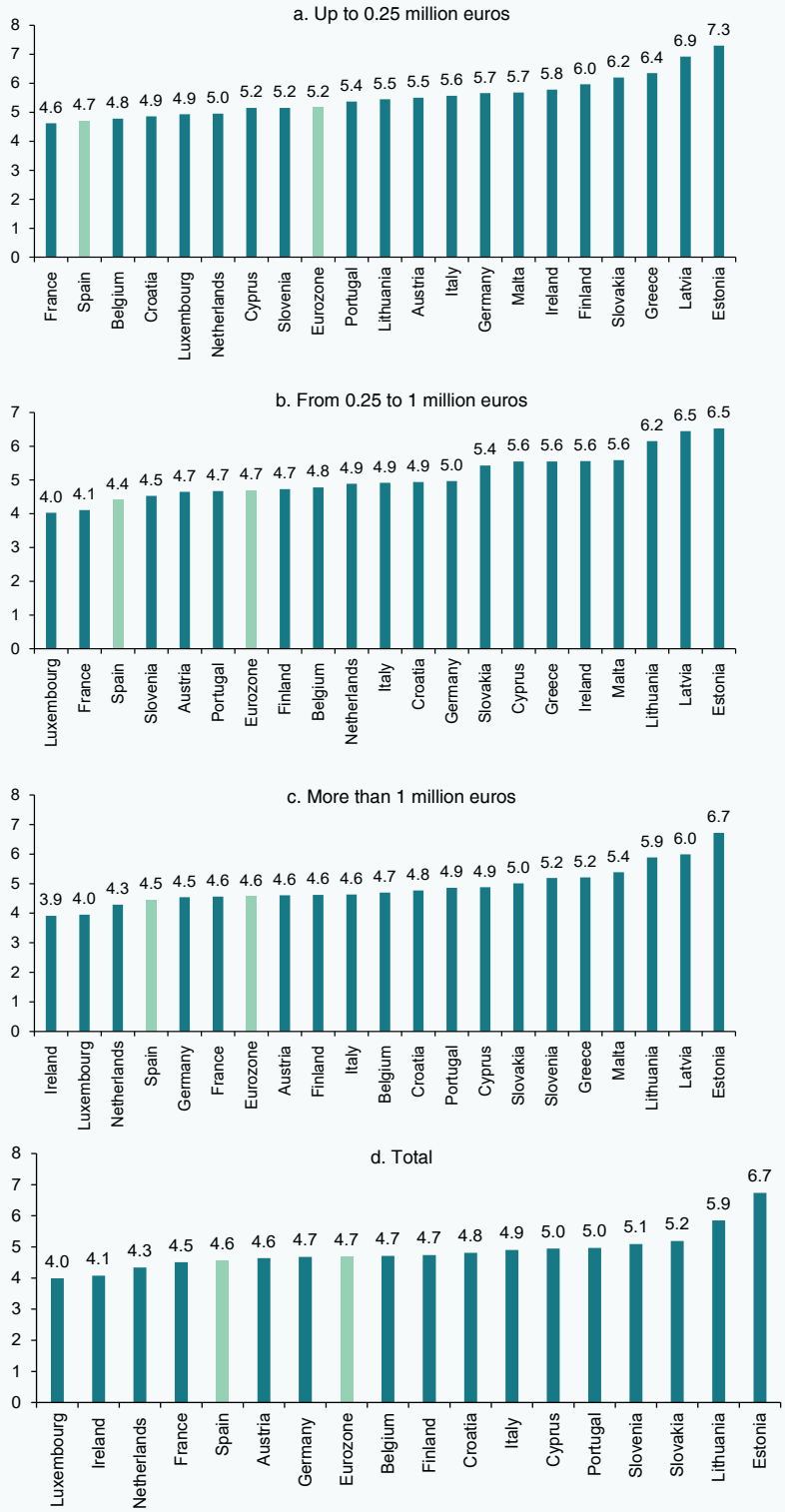
The ECB's regular report on enterprises' access to finance constructs an indicator that

> Only a small percentage of enterprises reported access to finance as their main problem, with the percentage doing so in Spain (4.53%) slightly above the Eurozone average (4.05%).

Exhibit 3

Rate of interest on loans to enterprises

New business. October 2024 (percentage)



Source: ECB and author's own elaboration.

can be interpreted as a financial restriction barometer which measures the percentage of firms that encounter obstacles in obtaining external financing. Specifically, the indicator is constructed by summing the percentage of enterprises that have: 1) submitted loan applications that were rejected; 2) decided not to apply for a loan for fear of rejection (discouraged borrowers); 3) submitted loan applications for which only a limited amount was granted; and 4) submitted applications that resulted in an offer that was declined by the enterprise because the borrowing costs were too high. This information is available for all firms and also by enterprise size: micro, small, medium, large and SMEs.

As shown in Table 1, based on the most recent data for third quarter of 2024, the percentage of Spanish companies facing these obstacles in obtaining a bank loan is 7.9%, which is above, although not much, the average for Eurozone firms, of 7.3%. Within this percentage, the main obstacle is the fear of rejection (3.7% in Spain and 4.9% in the Eurozone), which is more than half of the total for the Eurozone and 46% in Spain. It is followed by the obstacle of only being granted a limited amount: 2.7% in Spain, which is more than double the Eurozone average of 1.2%. The other two obstacles are relatively less important, particularly that of declining an offer because the borrowing costs were too high.

If we focus on the aggregate level of financial restriction implied by the sum of the four obstacles assessed, the highest percentage is reported by micro enterprises, albeit at a lower rate than in the Eurozone (8.3% *vs.* 11.3%). Among these smaller sized companies, the fear of rejection is the chief obstacle, and much more so in the Eurozone (7.3% *vs.* 4.6% in Spain).

It is noteworthy that in Spain the differences in this financial restriction indicator by company size are smaller than in the Eurozone. In fact, the above-mentioned share of 8.3% for Spanish micro enterprises is just 1.2pp above the percentage of medium-sized companies, which is the size category reporting the lowest overall percentage. In contrast, in the Eurozone, the highest percentage, which corresponds to the micro enterprises, at 11.3%, is twice the percentage reported by the large enterprises (5.7%).

Table 1 **Percentage of enterprises reporting obstacles to obtaining a bank loan third quarter of 2024**

	ALL		SME		LARGE	
	Euro	Spain	Euro	Spain	Euro	Spain
Applied but was rejected	1.00	1.21	1.,63	1.84	0.00	0.00
Did not apply because of possible rejection	4.94	3.66	5.52	3.73	4.04	3.53
Applied but only got a limited part of it	1.18	2.68	0.88	1.74	1.64	4.51
Applied but refused because cost too high	0.21	0.34	0.34	0.52	0.00	0.00
TOTAL	7.32	7.89	8.37	7.82	5.68	8.04

	MICRO		SMALL		MEDIUM	
	Euro	Spain	Euro	Spain	Euro	Spain
Applied but was rejected	2.57	1.83	0.93	2.10	1.06	1.52
Did not apply because of possible rejection	7.32	4.57	4.51	4.01	4.03	1.58
Applied but only got a limited part of it	1.18	1.94	0.50	0.61	0.88	2.80
Applied but refused because cost too high	0.20	0.00	0.54	0.85	0.32	1.16
TOTAL	11.27	8.34	6.49	7.57	6.28	7.06

Source: ECB and author's own elaboration.

Based on the most recent available information, the main conclusions are as follows:

- Spanish companies benefit from lower interest rates on bank loans than the Eurozone average, irrespective of loan size.
- Although the cost of bank loans is higher the smaller the loan size, the extra cost paid by smaller companies relative to their larger counterparts is very small and much lower in Spain than in the Eurozone.
- Only a very small percentage of Spanish companies (4.53%) view access to finance as their main problem and even though that percentage rises among small companies (4.91%), the difference with large companies (4.43%) is very narrow.
- The percentage of Spanish companies that report obstacles in obtaining a bank loan is similar to the Eurozone average (7.9% *vs.* 7.3%).
- The differences in the percentage reporting obstacles as a function of company size are smaller in Spain than in the Eurozone. Specifically, the difference in the percentage of SMEs and large enterprises reporting access to finance obstacles is just 0.2pp in Spain, compared to 2.7pp in the Eurozone. It is also noteworthy that this percentage is higher among large enterprises than SMEs in Spain, while the situation is the other way around in the Eurozone.
- Fear of rejection is the main obstacle facing enterprises in obtaining a bank loan and is more prevalent among micro enterprises and more of an issue in the Eurozone than in Spain.
- The bank loan rejection rate is zero for large enterprises in Spain and the Eurozone alike. And although the highest rates of loan rejection fear are reported by micro and small enterprises, the rates themselves are low (around 2%).

On the basis of these findings, it can be said that, at least at present, company size counts very little in terms of access to bank loans in Spain and counts much less in Spain than in the Eurozone. Moreover, the cost of bank loans is lower in Spain than in the Eurozone irrespective of company size, while the obstacles encountered in obtaining a bank loan are similar to those reported in the Eurozone.

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Bank profitability in the context of declining interest rates: Managing funding cost and allocation of household savings

As interest rates decline, Spanish banks face narrowing unit margins, prompting a strategic focus on managing retail deposit funding costs to preserve profitability. Banks with stronger control over deposit costs, particularly in smaller municipalities, are better positioned to stabilize savings flows because of their customers' profile and the provision of tailored advice.

Marta Alberni, Ángel Berges and María Rodríguez

Abstract: More than six months after the ECB started to cut its rates, and almost one year since the market (Euribor) began to discount those cuts, unit margins (the difference between the return on credit and cost of deposits) have started to contract, partially offset by the slight growth in credit volumes observed for much of 2024. Notwithstanding this recent increase in new credit, the new scenario of falling rates, which is expected to continue for the next couple of years, forces the banks to focus on managing customer funds (striking the right balance between off-balance sheet assets and deposits and within the latter source of funding, between overnight deposits and deposits with agreed maturity) while controlling costs to unlock efficiency gains. Within this context, retail deposit funding costs have proven to be a key competitive advantage for certain banks,

> “The banks’ net interest margins have been trending higher since the start of 2023 thanks to the credit portfolio repricing phenomenon, coupled with more modest growth in funding costs, notably at the banks whose main source of external funding is customer deposits.”

especially those with significant exposure to savers in smaller municipalities where deposit pass-through has been more contained. Banks that have managed these funding costs effectively are better positioned to preserve profitability as net interest margins continue to decline, particularly by shifting savings into time deposits and offering tailored advice to retain customers and maintain deposit stability.

Management of funding costs as a competitive advantage

The increases in interest rates from mid-2022 have boosted banking margins all across Europe, all the more so in Spain where the banks are more sensitive to this rate scenario and more exposed to the retail segment, so that customer deposits represent a significant share of their funding structures.

The rate increases have had a gradual impact on net interest rate spreads due mainly to the lag in the repricing of the banks’ credit portfolios, as analysed in a recent paper (see here). The banks’ net interest margins have been trending higher since the start of 2023 thanks to the above-mentioned credit portfolio repricing phenomenon, coupled with more modest growth in funding costs, notably at the banks whose main, and virtually sole, source of external funding is customer deposits, compared to a bigger increase in average funding costs at the entities that tend to tap the wholesale markets more frequently.

Regardless, considering that the Spanish banks’ main source of funding is customer deposits, it is worth noting that the ability to manage the average cost of retail funds has been uneven across the players, constrained by a series of factors related with their liquidity positions, business models and geographic positioning, among others, which have tended to yield a competitive advantage for certain entities in recent quarters.

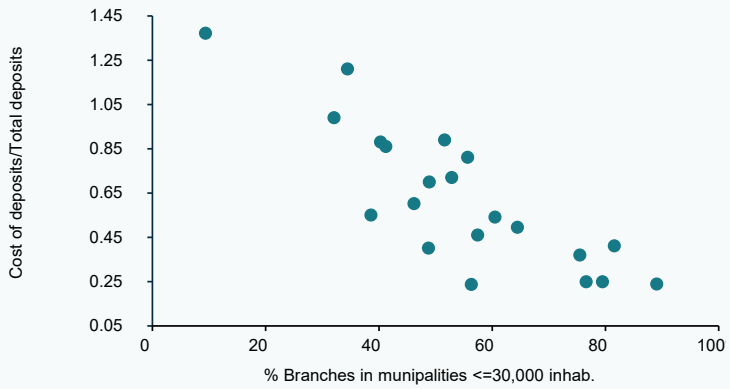
Focusing on the last two factors (business model and geographic positioning), what we have seen is that the entities specialised in customer segments with higher average deposit sizes (in both the retail and corporate and institutional banking businesses), customers with a more pronounced investor profile and, probably, greater sensitivity to rates (stronger positioning in personal or private banking customer segments) and entities with greater exposure to more digitally-savvy customers have been forced to offer those customers higher rates on their savings in order to manage the risk of their departure in a context of rising rates.

> “The entities with a stronger presence in rural areas (with a higher percentage of branches in small towns) have demonstrated more power to manage their average funding costs.”

Exhibit 1

Correlation between deposit costs and geographic positioning

Percentage



Sources: Authors' own elaboration based on information published by the Bank of Spain and the banks.

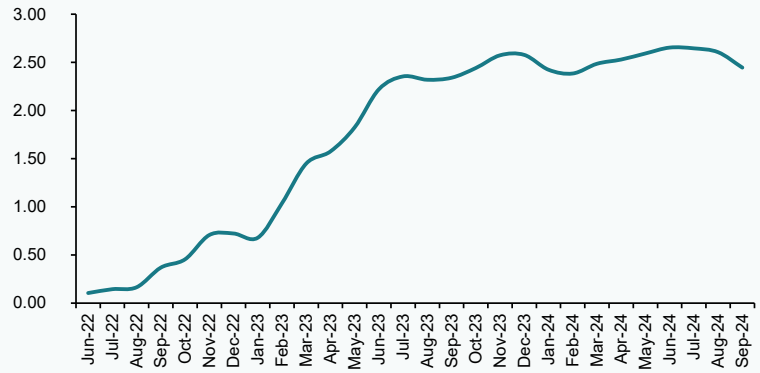
At the other end of the spectrum, banks with significant exposure to customers more inclined to save, characterised by a far more atomised and homogeneous deposit base and, therefore, smaller average deposit balances, have been better able to "manage" the pass-through of interest rate increases to retail deposit rates.

While we do not have sufficiently detailed public information about average deposit volumes per customer at each bank, it is possible to infer that competitive advantage at entities whose business model relies on pronounced geographic positioning in areas with a higher concentration of "savers", such as smaller-sized municipalities, which tend

Exhibit 2

Average rate on household deposits

Percentage



*Source: Authors' own elaboration based on information published by the Bank of Spain (*Statistical Bulletin, Chapter 19).

to be home to older populations with reduced propensity to invest.

Analysing the average funding cost and weight of branches in more rural municipalities (towns with fewer than 30 thousand inhabitants) for a representative sample of entities in the Spanish banking sector (Exhibit 1) yields a negative correlation between the two variables. In other words, the entities with a stronger presence in rural areas (with a higher percentage of branches in small towns) have demonstrated more power to manage their average funding costs, *i.e.,* they enjoy lower average deposit funding costs.

This relatively better positioning in terms of retail funding costs presented by certain entities thanks to their business models should nevertheless be seen against the backdrop of a contained increase in deposit rates across the board, particularly in the first half of 2023, as shown in Exhibit 2. In turn, that phenomenon proved a clear driver of the recalibration of Spanish household savings, as we will analyse next.

Recalibration of household savings in the context of rising rates

As already noted, the sector passed through the market rate increases to deposit rates in a controlled manner during the first half of 2023. That gave way to more intense repricing during the second half of the year in response, to a significant degree, to the impact of their strategy during the first half on where households channelled their savings during that same period.

Indeed, during the first half of 2023 the sector sustained a considerable outflow of household and corporate deposits – of over 40 billion euros between January and February with respect to the year-end 2022 balance, with outflows from the household segment reaching close to 18 billion euros. Analysing the trend in household financial savings in detail reveals that in the first quarter of 2023, the significant contraction in the stock of deposits held by Spanish families was channelled into a range of investment alternatives that were looking more attractive at the time.

A significant portion was channelled into investment funds, which recorded a peak in net subscriptions. In fact, that quarter net subscriptions topped the 14 billion euro mark with certain types of funds faring particularly well: money market funds and, most remarkably, short- and long-term euro fixed-income funds.

Elsewhere, another significant share of savings went to direct fixed-income investments, where net purchases amounted to close to 16 billion euros in the first half of 2023, with short-term paper the clear protagonist. These short-term fixed-income investments were predominantly investments in public debt, in line with the tremendous appetite for Spanish Treasury Bills observed during those same months.

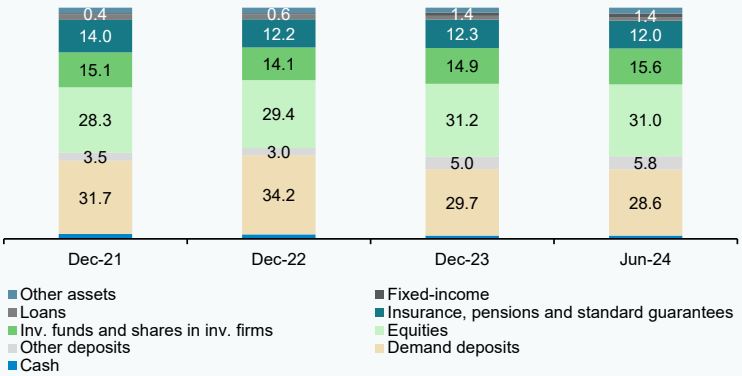
Beyond the shifts evidenced by household financial investment flows, it is worth mentioning a third key use of the savings withdrawn from deposits during that and subsequent quarters: debt repayment, mainly the prepayment of mortgages, helping to reduce households' financial liabilities in terms of long-term loans. This context of rising rates, and the uneven pass-through of the increases to the cost of credit relative

> "Changes in the composition of Spanish households' financial savings meant that the weight of the most important class of financial assets held by Spanish households, deposits and cash, decreased by three percentage points, from 39.3% of total financial assets in 2022 to 36.3% in 2023."

Exhibit 3

Composition of household financial savings

Percentage of total financial assets



Source: Authors' own elaboration based on the Bank of Spain's Financial Accounts of the Spanish Economy.

to the remuneration offered on savings gave households a clear incentive to deleverage, giving rise to a spike in prepayments that hurt the size of the banks' loan books beyond the contraction in new lending activity observed in 2023.

Despite the fact that a more intense increase in the rates offered on deposits during the second half of 2023 gave way to a gradual reduction in deposit withdrawals, the composition of Spanish households' financial savings changed during the year. As a result, the weight of the most important class of financial assets held by Spanish households, deposits and cash, decreased by three percentage points, from 39.3% of total financial assets in 2022 to 36.3% in 2023. Within the overall stock of deposits, sight deposits sustained the biggest correction (a little over four percentage points) to around 30% of total financial assets at year-end 2023. Some of those withdrawals were channelled to deposits with agreed maturity (5% of the total) so that the contraction in aggregate deposits was somewhat smaller.

In contrast, the weights of the various savings products into which these deposits were channelled increased in 2023. Specifically, the share commanded by investment funds increased to 15% (+0.8 percentage points *versus* 2022) and the weight of direct investments (fixed-income and equities) increased to 32.5% (+2.5 percentage points from 2022).

This household financial asset restructuring trend continued in 2024, albeit shaped by contrasting flows relative to the previous year. Specifically, the slight growth and stability observed in deposit rates during the first half of 2024, marked by expectations for interest rate cuts, coupled with continued healthy dynamics in the household savings rate last year, favoured a return to net inflows into deposits, to the tune of over 30 billion euros over the course of the first six months of the year.

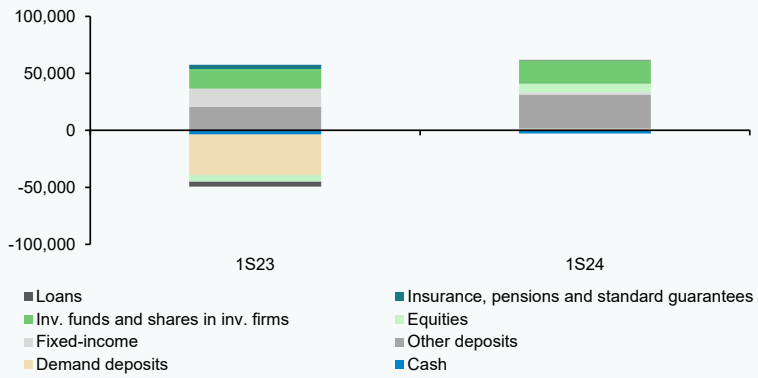
Despite the growth in deposit inflows, flows into investment funds were even stronger than

> "The household financial asset restructuring trend continued in 2024, albeit shaped by contrasting flows relative to the previous year."

Exhibit 4

Cumulative net flows across the main household financial asset classes in the first half of 2023 and 2024

Millions of euros



Source: Authors' own elaboration based on the Bank of Spain's Financial Accounts of the Spanish Economy.

in the first half of 2023, so that the weight of deposits and cash in total household savings decreased further to 35.8%, with the share of demand deposits stabilising and the weight of time deposits continuing to increase.

Management of funding costs as a profitability driver

In terms of the banking business, this ongoing gradual shift into deposits with agreed maturity and stabilisation in the average rate on household deposits during the first half of 2024 contrast with the trend observed in the sector's net interest margins, which despite increasing in the year as a whole, are starting to show signs of running out of steam, having probably peaked last year, as suggested by the European Central Bank in its last *Financial Stability Review*.

According to the data published by the leading players in the Spanish banking sector for the third quarter of 2024, the return on the loan portfolio, the sector's main source of interest income, stabilised in the first half of the year, going on to start to trend lower in the third quarter, a trend expected to continue for the coming quarters, despite the gradual recovery in the credit balance, which would mitigate that impact.

This gradual tapering in net interest income growth will force the banks to look for new earnings levers: reinforcement of alternative sources of income, such as net fee and commission income, and more efficient management of cost structures and expenditure in order to preserve the levels of profitability attained.

"The return on the loan portfolio, the sector's main source of interest income, stabilised in the first half of the year, going on to start to trend lower in the third quarter, a trend expected to continue for the coming quarters, despite the gradual recovery in the credit balance, which would mitigate that impact."

> “Without question, the key lever on the expense management side has to be management of funding costs, which is vital to preserving unit margins, leveraging the competitive advantage that, as we have seen, certain players have demonstrated.”

Without question, the key lever on the expense management side has to be management of funding costs, which is vital to preserving unit margins, leveraging the competitive advantage that, as we have seen, certain players have demonstrated. Alternatively, they could manage the flow of savings into time deposits observed in recent quarters, in line with the reduction in deposit rates emerging across the main European banking sectors during the first half of 2024 and more recently in the case of the Spanish banks (Exhibit 2).

This strategy should be implemented not only from the perspective of margin management but also with a view to creating value for customers, particularly savers, by providing advice as to how to channel their savings into products that offer them higher returns.

Conclusions

In 2024, the discounting of a change of rate scenario and its subsequent confirmation with the first rate cuts by the central banks on both sides of the Atlantic mean that the sector’s net interest margins, particularly in the retail banking business, probably peaked during the year and are now starting to taper. This scenario means that the banks need to look for earnings levers in order to preserve the levels of profitability attained. Among these levers, management of funding costs will be key considering the fact the current lower rate environment coincides with high household savings rates, which is fuelling ongoing growth in deposits and also constitutes an opportunity to create value for customers by offering them alternative ways to channel their savings.

Marta Alberni, Ángel Berges and María Rodríguez. Afi

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AI in banking through the eyes of the consumer

Digitalisation and artificial intelligence (AI) are redefining the relationship between customers and their banks by enhancing personalization, security, and efficiency; but not without risks. Striking a balance between innovation and trust, highlighting the role of transparency, ethical data management and human interaction, will be keys to its successful integration.

Santiago Carbó Valverde, Pedro Cuadros Solas and Francisco Rodríguez Fernández

Abstract: Digitalisation has transformed banking interactions, with 94% of customers using digital channels for everyday transactions. Younger users are reliant predominantly on mobile applications while older cohorts demonstrate a preference for web platforms. AI excels in its ability to enhance security, particularly through its role in fraud detection, but has generated scepticism around autonomous decision-making in the areas of lending and investing. Satisfaction levels are high with the basic digital tasks but there is room for improvement with respect to more complex matters, such as incident resolution. Going forward, successful application within the financial sector lies in blending AI's capabilities with customer-centric strategies that address generational and technological divides, enabling banks to strengthen relationships and maintain competitiveness in an evolving market.

Foreword

The banking sector is in the midst of crucial transformation, marked by the convergence of two technological forces: the maturity of the digitalisation thrust and the advent of artificial intelligence (AI). Over the last few decades, digitalisation has evolved from being an optional and differentiating element to become a universal norm in customer-bank

> “Over 90% of bank users rely on mobile apps and/or web platforms to perform their most basic banking business, such as making transfers or checking their account balances, evidencing the extent to which the digital channel has become a core part of the financial day to day.”

relations. Over 90% of bank users rely on mobile apps and/or web platforms to perform their most basic banking business, such as making transfers or checking their account balances, evidencing the extent to which the digital channel has become a core part of the financial day to day. However, in the wake of its mass adoption, digitalisation has become somewhat of a commodity: a functional yet homogeneous experience that is now harder for the banks to leverage to set themselves apart. Today's bank customers take a good digital experience for granted. Against this backdrop, AI is emerging as an opportunity to transforms and refresh this relationship and add a new level of value-added.

AI promises to revolutionise the banking industry on several fronts. From better fraud detection and credit risk management to financial product and service personalisation, the possibilities are as broad as they are ambitious. In addition, the introduction of virtual assistants and intelligent chatbots is helping to redefine customer service, making it more agile and accessible. However, this technological revolution also faces resistance. Although many customers appreciate the enhanced security and efficiency ushered in by AI, many have plenty of misgivings about its use in sensitive areas such as autonomous decision-making around investments or in credit assessment. This balance between innovation and trust has become a key challenge for the sector.

A recent study, *New frontiers in bank digitalisation: The advent of artificial intelligence (Nuevas fronteras de la digitalización bancaria: la irrupción de la inteligencia artificial)*, compiled by Funcas and The Cocktail Analysis, based on a representative sample of bank users in Spain, specifically 2,018 users aged between 18 and 75, sheds light on these tensions. Many of the conclusions presented in this paper are based on data gleaned from that survey. One of its main findings is that the youngest generations, which are more familiar with digital technology, are more receptive to the use of AI in their financial dealings. In contrast, older customers, even if they are using digital channels for their basic banking business, continue to prefer in-person interactions for more complex financial decisions. This generational contrast suggests that the banks may need to adapt their strategies to satisfy diverse expectations in an increasingly heterogeneous ecosystem.

However, the challenge is not limited to generational gaps. AI brings a paradox: customers are demanding more personalised and sophisticated products, yet they fear losing the control and autonomy the digital channel has given them in recent years. The key will lie with how transparently the banks integrate AI, demonstrating that this technology can coexist alongside the traditional values of trust and proximity, while offering customers a more enriching experience in parallel.

> “The key will lie with how transparently the banks integrate AI, demonstrating that this technology can coexist alongside the traditional values of trust and proximity, while offering customers a more enriching experience in parallel.”

> “Younger users, who have always been familiar with mobile devices, prioritise the immediacy and faster experience offered by the apps, while older customers tend to prefer the more traditional web platforms where they feel more familiar and in control.”

This paper explores how digitalisation and AI are redefining the relationship between banks and their customers. In the next section, we analyse how digitalisation has laid the foundations for this transformation, flagging the idea of user segmentation according to their digital behaviour. We then take a closer look at the areas where AI is already generating value, like security, and the misgivings that linger in areas of greater complexity. In the subsequent section we tackle the strategic challenges facing the banks in their quest to turn AI into a competitive advantage without eroding customer confidence. The paper ends with some final thoughts about how AI can become the central axis of a new period of transformation, making practical recommendations for overcoming existing barriers and maximising its potential.

Digitalisation: The (mainstream) basis of customer satisfaction

Digitalisation has overhauled the relationship between banks and their customers, cementing its place as the main channel for interaction and redefining the manner in which banking services are provided and perceived. According to the data analysed, 94% of bank users in Spain use digital platforms such as mobile apps and websites to manage their everyday financial needs. Exhibit 1 illustrates the channels used more frequently for the various banking operations. It shows how the digital channel prevails over the in-person channel (bank branch) in most financial activities. Activities such as balance checks, money transfers and bill payment have become fast and easy to perform from anywhere, giving customers an unprecedented amount of autonomy and convenience. This change has marked the definitive step towards an environment in which digital banking is the norm, relegating in-person interactions to *ad-hoc* or exceptional situations.

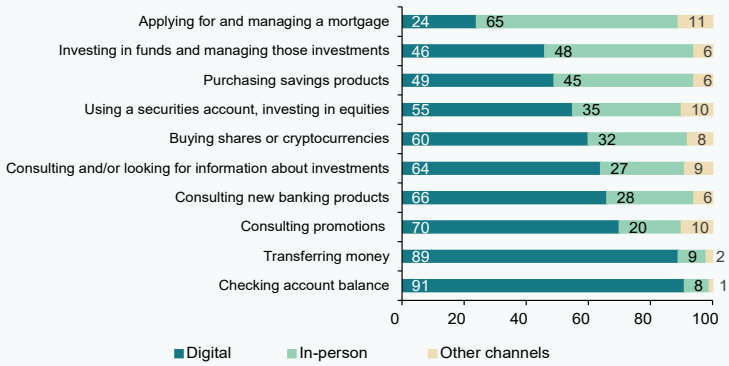
Despite the advances it has ushered in, digitalisation has also created new challenges in terms of customer satisfaction. One of the most noteworthy is the growing diversity of user profiles and expectations. Far from a uniform group of users, banks are facing a mosaic of customers with different needs, expectations and behavioural patterns in the digital space. The above-mentioned study identifies five main categories of digital customers which run the gamut from “basic” users, who carry out simple and sporadic tasks, to “sophisticated, self-sufficient” users, who manage their finances online in a proactive and complex manner. These differences not only reflect varying levels of digital know-how and confidence, but also generational factors. Younger users, who have always been familiar with mobile devices, prioritise the immediacy and faster experience offered by the apps. Older customers tend to prefer the more traditional web platforms where they feel more familiar and in control.

> “As they digitalise and standardise their services, the barriers to switching diminish: customers can move their accounts or products to a competitor without perceiving major differences in the user experience.”

> “Thanks to its ability to analyse data in real time, personalise recommendations and predict needs, AI has the power to inject a new layer of differentiation into the digital channels.”

Exhibit 1 **Channel used most frequently for different baking services**

Percentage



Source: Nuevas fronteras de la digitalización bancaria: la irrupción de la inteligencia artificial *and authors' own elaboration.*

This mainstreaming of digital banking has also led to a degree of “commoditisation” of banking services. Sixty-eight per cent of users take a fully functional digital channel for granted. While continuing to value the features provided by the digital tools, customers no longer perceive these characteristics as differential. In other words, having a user-friendly and functional banking app has become a prerequisite and is no longer a driver of loyalty. This creates a paradox for the banks: as they digitalise and standardise their services, the barriers to switching diminish: customers can move their accounts or products to a competitor without perceiving major differences in the user experience.

The level of satisfaction reported by customers with their digital services conveys this dichotomy. The more frequent tasks, such as checking an account balance or transferring money, receive very high scores of over eight out of ten. However, when asked about more complex operations, such as incident resolution or the purchase of specific financial products, satisfaction levels are lower. This suggests that there is still further room to improve digital channels to tackle aspects where the customer experience may be affected by a lack of human interaction or the rigidity of the current interfaces.

Another critical aspect is how digitalisation has altered customers' perception of control and confidence. On the one hand, the digital platforms offer greater autonomy, allowing users to manage their finances without having to depend on an advisor or manager. On the other hand, this new-found autonomy can generate a sense of isolation or vulnerability, especially when customers encounter problems, they cannot resolve easily using the digital interface. This creates an important opportunity for the banks: not only must they ensure a functional experience, they must also develop tools that bolster customer confidence in critical situations.

> “AI-based tools, such as systems that detect fraud in real time, generate confidence by taking preventive action in the face of suspicious account activity.”

AI looks like a possibly promising solution for surmounting this challenge. Thanks to its ability to analyse data in real time, personalise recommendations and predict needs, AI has the power to inject a new layer of differentiation into the digital channels. Moreover, it can tackle areas where digitalisation is not currently managing to fully satisfy customer expectations, such as proactive customer service in the event of incidents or the creation of personalised experiences that foster loyalty. We will address these issues in the next section, analysing AI's potential impact on bank customers' perceptions and satisfaction levels.

Artificial intelligence: Expectations and misgivings

Artificial intelligence (AI) already embodies the next revolution in the banking sector, with the potential to transform the customer experience as well as the banks' internal processes. However, despite its promises, users perceive this new technology with ambivalence, marked by a mix of expectations and misgivings. According to the source study, customers acknowledge the value of AI in areas such as security, service personalisation and repetitive task automation but express considerable misgivings when the technology forays into areas perceived as either more intrusive or riskier. Nevertheless, familiarity with digital technology predisposes users to be more receptive to AI, suggesting that less digitally-savvy customers will probably need more information and/or positive experiences to climb aboard the AI train.

One of the highest rated attributes of AI is its ability to enhance security, a recurring customer concern. AI-based tools, such as systems that detect fraud in real time, generate confidence by taking preventive action in the face of suspicious account activity. This tangible attribute leads many users to accept and value the use of AI in this field, where its impact is visible and its protective role clear. In fact, the study indicates that the positive perception of AI in security is significantly higher than that attained by other uses of this technology. Table 1 shows how the use of AI to prevent fraud is its most highly-rated application, with a score of 6.7 out of 10.

Another area where AI has begun to win over customers is personalisation. The possibility of receiving offers and recommendations adapted for their specific needs is perceived as a benefit, particularly by younger and more tech-savvy customers. For example, the algorithms that analyse spending patterns and suggest suitable financial products have been well received for their ability to make financial dealings simpler and more efficient. However, this acceptance is not universal. Where some see personalisation as an advantage, others see this data harvesting as an invasion of their privacy, one that generates mistrust around their banks' intentions.

> “The use of AI in more complex areas, such as investment management or loan approval, sparks scepticism, given that delegating these decisions onto a machine implies an emotional disconnection that undermines trust.”

Table 1 **Customer ratings for AI uses by type of service**

Uses of AI	Score (out of 10)	% of responses ≥ 9
Early detection and warning of attempted fraud	6.7	36
Automation of certain recurring transactions	5.1	14
Simplification of the process of opening a bank account or purchasing a financial product	4.9	13
Provision of information about personalised offers and new products	4.7	10
Assistance resolving operating problems or incidents	4.5	11
Assessment of credit profile for input into lending decisions	4.2	8
Management of investment portfolio	3.9	6

Source: Nuevas fronteras de la digitalización bancaria: la irrupción de la inteligencia artificial *and authors' own elaboration.*

The use of AI in more complex areas, such as investment management or loan approval, sparks even more scepticism. Although some customers value the possibility of using algorithms to eliminate human bias and optimise financial decisions, many fear losing control over critical processes that affect their economic wellbeing. This fear is related not only with not understanding how these systems work but also a perception of dehumanisation. For many, delegating these decisions onto a machine implies an emotional disconnection that undermines trust, even if the results may be objectively better.

In addition, the study underlines that misgivings around AI are not distributed evenly across the various demographic groups. While younger users tend to be more open to experimenting with new technologies, older customers remain more cautious, especially when it comes to areas related with the autonomous management of their money. This contrast evidences the need for the banks to tailor both their technology and communication strategies to address the specific concerns of each segment.

Banks must enhance transparency around data use and algorithms while ensuring human advisors remain available for customers seeking personal interaction. The challenge, therefore, lies not only with developing AI-based solutions but also integrating them in such a way that customers perceive them as a complementary feature that improves their experience without compromising their autonomy or privacy. The banks need to work on two fronts: firstly, on increasing transparency around how they use customer data and how their algorithms work; secondly, on ensuring that there is always a human option available for those who prefer

“ Banks must enhance transparency around data use and algorithms while ensuring human advisors remain available for customers seeking personal interaction. ”

to interact with an advisor. Only in this way will it possible for AI to become a tool for creating customer trust and loyalty instead of remaining a source of uncertainty.

The challenges facing banks

Aside from promising to improve operating efficiency and the customer experience, the implementation of AI in the banking system also raises major strategic and ethical challenges for the banks. Although many banks have already begun to implement AI-based technology to streamline internal processes and personalise services, the path to full integration is far from simple. Not only do the banks need to ensure that the technology works correctly, they also need to address key questions related with trust, ethics and sustainability in an environment of increasing social scrutiny.

One of the biggest challenges for the banks is earning and maintaining customer trust. Users tend to express more misgivings about AI in areas they perceive as invasive or high risk, such as autonomous decision-making in investing or lending activities. To overcome these barriers, the banks need to work on transparency and customers' ability to understand how the algorithms work and how the decisions are taken. This implies developing explainable technologies ("explainable AI") as well as educating users so that they understand the benefits and limitations of these tools.

Ethical data management is another fundamental challenge. AI depends of massive volumes of data to work effectively but the harvesting and use of that data raise privacy concerns. Customers need certainty that their data is being protected and used fairly and in their best interests. This requires the banks to design solid and transparent data policies while complying with strict regulations like Europe's General Data Protection Regulation (GDPR). They must also steer clear of practices that could be perceived as discriminatory or reinforcing of biases, ensuring that the algorithms are auditable and designed to mitigate inequalities.

Another significant challenge lies with the banks' ability to integrate AI into their organisational and operating structures. Although many institutions have adopted advanced tools, they continue to encounter difficulties in adapting their internal legacy processes and systems for the new technology. This problem implies the need for substantial investments in technological

Table 2 **AI-related challenges facing the banks**

Earning and retaining customer trust	Transparency around how algorithms work and automated decisions are taken
Ethical data management	Designing solid and transparent data policies and avoiding practices that could be perceived as discriminatory
Integration of AI into organisational and operating structures	Investing in technological infrastructure and fostering cultural change within the organisation
Liability and equality	Who is responsible if an algorithm makes a mistake that affects a customer? How to ensure that AI systems do not perpetuate existing inequalities?

Source: Authors' own elaboration.

infrastructure and employee upskilling so that their employees can work more effectively with the new AI. Moreover, the introduction of AI needs to be accompanied by cultural change within an organisation, fostering a mindset of innovation and adaptability at all levels of the hierarchy. The study also emphasises the importance of balancing automation with human interaction. Although AI can automate a broad range of tasks, from customer service to risk assessment, users continue to want human contact, especially in complex or emotional situations. The banks therefore must reconsider their service strategies, combining their AI capabilities with empathy and human judgement in order to offer a more holistic experience.

Lastly, AI has ethical and social implications that cannot be ignored. The automation of financial decisions raises difficult questions about liability and equality. Who is responsible if an algorithm makes a mistake that affects a customer? How to ensure that AI systems do not perpetuate existing inequalities? These dilemmas not only affect how the public perceives the banks, they also have the potential to unleash regulatory and legal conflicts if they are not tackled proactively.

Conclusions

Artificial intelligence is destined to be a central axis of banking sector transformation. However, its successful implementation hinges upon a tricky balance between technological innovation and customer trust. As detailed throughout this analysis, the advances made in digitalisation have laid the foundations for an environment in which AI can contribute real value but has also revealed some of the challenges intrinsic to its implementation. For the banks, it is not just a question of adopting the more cutting-edge technology but also a matter of integrating it in a transparent and ethical manner, aligned with customer expectations.

One of the key takeaways is that trust and transparency are fundamental to user acceptance of AI. In a context in which customers are increasingly valuing security and personalisation, the banks need to be clear about how they use their customers' data, how their algorithms work and what specific benefits they offer users. AI should not be seen as a substitute for human contact but rather as a tool that enriches the relationship between a bank and its customers by resolving problems proactively and generating more personalised experiences. It is also crucial that the banks do not lose sight of the diversity of their customer bases. Differences across generations and in digital conduct require tailoring strategies for a variety of profiles. Whereas younger users tend to be more receptive towards AI, older customers continue to value in-person interaction and the familiarity of the traditional way of doing things. The key lies with providing a hybrid approach in which AI capabilities are combined with empathy and human judgement at the moments that really count.

It is also worth highlighting the importance of addressing the ethical dilemmas associated with AI. Aspects such as data privacy, non-discriminatory decision-making and responsibility for possible errors are matters that need to be resolved before they become a problem. The banks naturally need to comply with the existing body of regulations, but they should also spearhead the debate about how AI can be used responsibly and fairly, positioning themselves as benchmarks in this area.

Lastly, the integration of AI must go beyond mere operational efficiency. The banks

“ The key lies with providing a hybrid approach in which AI capabilities are combined with empathy and human judgement at the moments that really count. ”

have the opportunity to use this technology to redefine their value propositions by optimising their processes as well as offering new forms of interaction with the potential to reinforce their customer relationships. AI, well applied, has the power to become a catalyst for recovering a competitive edge in a market in which digitalisation has levelled the playing field.

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Weakness in overall construction sector profitability: Low productivity exacerbated by labour shortages

The construction sector in Spain has shown resilience but continues to grapple with low productivity and labour shortages. Addressing these challenges is critical for maintaining profitability and meeting housing demand.

María José Moral

Abstract [1]: The construction sector survived the rout ushered in by the Great Recession, recording steady growth up until the pandemic. As of 2023, its contribution to GDP was around 5.0%, close to the EU-27 average of 5.2%. After the health crisis, the rebound in demand for housing coupled with price growth paved the way for a sharp recovery in sector profitability. However, monetary policy tightening then stalled the trend of expanding margins. The sector has since overcome this difficulty, but the shortage of qualified labour is becoming an increasingly pressing issue, undermining aggregate sector productivity particularly for smaller firms, as labour shortages persist despite a structural improvement in employment conditions. Although the Next Generation EU funds are enormously beneficial for the construction sector, it is vital to search for solutions for the shortage of human capital. Failure to do so could seriously jeopardise firms' profitability and impede (urgently-needed) growth in the supply of housing.

> “In 2023, the construction sector contributed 5.0% of GDP, consistent with the EU-27 average of 5.2%, reflecting the post-crisis stabilization of its size.”

A decade of resilience and stabilisation

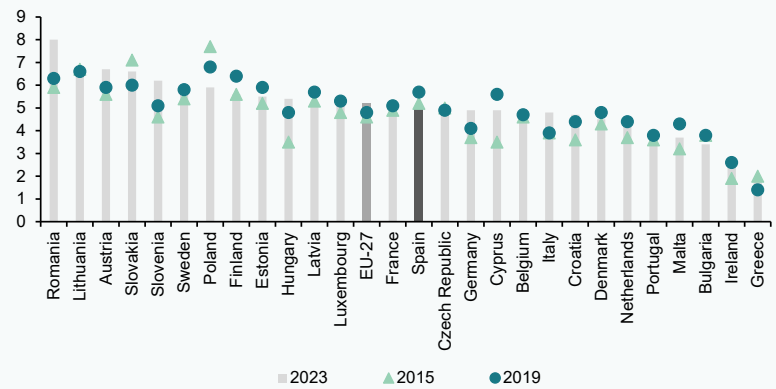
A real estate bubble formed in Spain at the beginning of the twenty-first century, [2] giving the construction sector unusual protagonism, with the sector contributing 10.7% of GDP and 13.4% of employment between 2005 and 2007. [3] However, the Great Recession ushered in major restructuring, and in 2014, the sector generated 5.1% of Spain's GDP, in line with the European average. Since then, this figure has been very stable, contributing 5.0% of GDP in 2023 (compared to an EU-27 average of 5.2%). Nevertheless, significant structural differences among the European Union Member States remain. As was the case in Spain at the end of the twentieth century, the construction sectors in countries such as Poland a few years back and Romania today generate 8% of their GDP (Exhibit 1).

The excessive size of the construction sector in Spain, and the structural changes induced by the Great Recession, have prompted numerous studies. [4] This paper seeks to make a dual contribution to that body of work. Firstly, by analysing the sector from a different perspective by using tax records for the construction firms to assess their earnings performance. Secondly, by looking at the last decade, until the third quarter of 2024 (most recent figures available at the time of writing). This period is of particular interest as the fundamental effects of the Great Recession have been assimilated and enough time has elapsed since the pandemic to properly evaluate the sector's recovery in the wake of that new shock. The database used consists of the aggregate VAT and employee income tax withholding records reported by the sector firms (those incorporated as public limited companies and limited liability companies) to the Spanish tax authority, the AEAT. [5]

The paper is structured as follows: The following section examines the trend in

Exhibit 1 **Contribution by the construction sector to GDP in the EU-27**

As a percentage of each country's GDP



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

“ Aggregate sector earnings have been remarkably weak since mid-2022, particularly considering the fact that the macroeconomic variables with the biggest impact on this sector have been performing well in recent months. ”

the gross value added generated by the construction firms. It then analyses the trend in wage costs, going on to look at the players' performance and profitability through their margins. The paper closes with a synopsis of the main conclusions.

Gross value added generated by the construction firms

Although the construction firms have posted healthy growth in revenue over the past decade, it has not always been sufficient to guarantee growth in value added due to the impact of the cost of materials.

Until 2019, the construction firms' GVA was increasing at a constant annual rate of 4.6%, in line with a period of economic expansion. The pandemic truncated that momentum, although the subsequent recovery was so strong that GVA increased at a constant annual rate of 7.2% between 2019 and 2022.

Several conditions paved the way for that extraordinary performance. Firstly, new home prices increased faster than the headline rate of inflation, [6] while material prices remained very stable.

Secondly, there was a very significant increase in new home sale transactions (in mid-2022, the year-on-year pace of growth was 25% above that recorded in 2019). However, in 2023, conditions deteriorated due to an increase in raw material and energy prices (ANCI, 2014), just as the run-up in interest rates curbed demand for new housing. As a result, in 2024, the real change in GVA stagnated, with the sector even recording a year-on-year contraction in the third quarter.

Aggregate sector earnings have been remarkably weak since mid-2022, particularly considering the fact that the macroeconomic variables with the biggest impact on this sector have been performing well in recent months. In fact, the interest rate on new mortgages peaked in October 2023 and revenue continues to rise as house prices continue to register growth of 10.1%, which is well above the average economic growth. Moreover, since the first quarter of 2024, housing transaction volumes are also increasing year-on-year. The growth in construction material prices has ceased with prices actually correcting by 0.65% in the past year.

Moreover, with respect to sector tailwinds, it is important to recall the positive impact of the Next Generation EU funds, a very significant portion of which are earmarked for the rehabilitation of housing and buildings (many of which are public) and the construction and upgrade of infrastructure. By way of example, of the 1,698 tenders called by the central government that had been executed by 31 March 2024, just 11 projects related with infrastructure and the rehabilitation of public

“ Of the 1,698 tenders called by the central government that had been executed by 31 March 2024, just 11 infrastructure and public building rehabilitation projects accounted for €6.56 billion euros of investment, 26.09% of all tenders executed by the Spanish government. ”

“ It is true that there is quite a dual track in the construction sector and this productivity drag does not apply to the large firms that are more geographically diversified, operate mainly in the infrastructure sector and can leverage economies of scale. ”

state buildings [7] accounted for 6.56 billion euros of investment (26.09% of all the tenders executed at the state government level. In the case of tenders for funding via local bodies, the aid for “the rehabilitation of buildings under public ownership” amounted to 593.12 million euros (23% of these tenders).

The lack of momentum in GVA in the construction sector is the result of low average productivity and difficulties in leveraging available technological progress. It is true that there is quite a dual track in the construction sector and this productivity drag does not apply to the large firms that are more geographically diversified, operate mainly in the infrastructure sector and can leverage economies of scale. Nevertheless, on aggregate the results imply considerable room for improvement.

The fact that the construction sector presents low productivity on aggregate is nothing new. One McKinsey study (2017) showed that average productivity in the Spanish construction sector decreased between 1995 and 2015, even though productivity at the large firms increased. Specifically, between 2010 and 2014, the top five Spanish construction firms were 175% more productive than the sector average. This productivity gap is also observable in other countries, albeit less pronounced. In Germany, for example it was 89%, while the gap was lower again in France (77%) and the United Kingdom (56%).

It is still interesting to analyse GVA for the universe of sector players as a whole as this is the sum available to the companies for remunerating the productive factors: labour and capital. [8] Accordingly, if there is no growth in GVA, remuneration of the factors of production will be compromised.

Rising labour costs

Since the construction sector uses labour very intensively and also faces impediments in increasing productivity, it is important to analyse the trend in labour costs in order to generate a snapshot of the companies’ profitability.

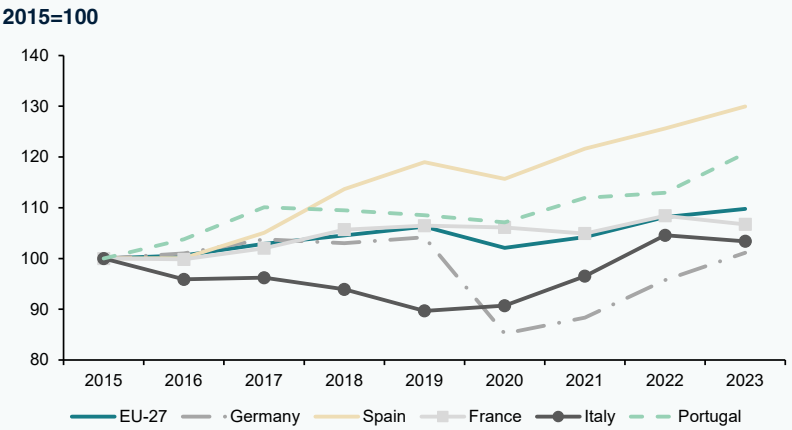
In the past decade, the construction firms have created employment at a sharp rate, with the exception of the three harshest quarters of the pandemic in 2020. In fact, since 2021, the construction firms have been hiring at an average annual pace of 4.4%, compared to an average for the overall Spanish economy of 3.8% (according to the *Labour Force Survey*).

The sharp correction in employment during the Great Recession (when 31% of jobs were destroyed) explains why the construction firms began to hire new workers almost as soon as the economy began to recover. In other European countries, however, fewer jobs were destroyed and the sector did not, therefore, have to hire new workers as soon. This explains why the pattern of job creation has been more intense in Spain during the last decade than the EU-27 average or than that observed in Germany, France, Italy or Portugal (Exhibit 2)– Spain being the only economy to add significant jobs between 2018 and 2019.

Labour costs depend on volume (number of employees) and price (their remuneration). As for average wages, the data reported by the firms indicate that wages did not increase until 2019, but did increase by 3.7% in real terms that year. This trend stagnated during the pandemic and, between 2021 and 2023, construction workers sustained a loss of purchasing power of 3.5% (returning to almost 2015 levels). However, this pattern

Exhibit 2

Employment in the construction sector in Europe



Note: Index rebased to 2015 for each country, calculated using the total number of people employed in the construction sector (whether employed or self-employed).

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

has since been broken and real wages are now increasing at a similar rate to that observed before the pandemic. [9] It is important to note that this growth in wages is taking place in parallel with significant growth in employment. In turn, the growth in average remuneration reflects: (i) the hiring of more skilled workers who earn more on average; and (ii) difficulties in finding and retaining less skilled workers without offering higher pay (BBVA Research, 2024).

Another important factor behind the growth in employee remuneration in this sector is the improvement in labour conditions, mainly related with contract types. Firstly, the weight of wage earners or employees has increased gradually, from just 68.2% of all construction sector workers in 2015 to 76.4% by the third quarter of 2024. Secondly, construction is the sector in which the share of employees on indefinite contracts has increased the most: in 2024, 85.3% of employees were on indefinite contracts, compared to 60% in 2019. This is unquestionably a beneficial structural change for sector workers and although it has already translated into higher costs, it should deliver productivity gains in the future.

Weakness in earnings

The other component of GVA relates to capital. The average return on capital at construction firms has tended to be considerably lower than at the rest of the non-financial corporations. In 2015, according to a Bank of Spain report (Bank of Spain, 2023), capital returns in construction accounted for just 27.8% of its GVA, compared to 34.3% for the other non-financial corporations. Although this gap clearly signals low productivity in the construction sector (Observatory of Productivity and Competitiveness in Spain (OPCE), 2024), the bigger concern is that this gap is not closing.

> “In 2024, 85.3% of employees in the construction sector were on indefinite contracts, up from just 60% in 2019, marking a structural improvement in labour conditions.”

> “Since mid-2022, the increase in material costs, interest rates, and wages has eroded construction firms’ margins, which stood at 6.1% of revenue as of the third quarter of 2024, well below the 8.7% reported in 2015.”

Before the pandemic, the trend in earnings before tax, interest, depreciation and amortisation (EBITDA) was complicated by the increase in labour costs detailed above, representing just 4.4% of revenue in 2019. The subsequent easing in pressure on labour costs contributed to growth in GVA and, by extension, margin expansion. However, since mid-2022, the increase in material costs, interest rates and wages has eroded the construction firms’ margins, which stood at 6.1% of revenue as of the third quarter of 2024, well below the 8.7% reported in 2015 (Table 1).

By comparison with other economic activities, the weak performance, on average, across the construction firms during the last year is out of sync with the pattern observed across other industrial sectors. That being said, it is true that the construction firms had already revisited – and surpassed – their pre-pandemic margins very quickly (in 2022), whereas the industrial companies had not. The

Table 1 **EBITDA at the construction firms**

	% of GVA	% of revenue
2015	29.75	8.68
2016	29.87	8.76
2017	24.52	6.44
2018	21.21	5.33
2019	18.45	4.41
2020	25.22	6.81
2021	24.95	6.37
2022	31.30	8.06
2023	28.27	7.09
2024	24.45	6.07

Note: Year-on-year rates for the 3rd quarter of each year. Based on nominal values.
Source: Author’s own elaboration based on VESGEP statistics (AEAT).

> “The main problem currently limiting profitability at the construction firms is the shortage of skilled labour, which is pushing wages higher.”

main problem currently limiting profitability at the construction firms is the shortage of skilled labour, which is pushing wages higher.

Conclusions

The construction sector survived the rout implied by the Great Recession, eking out steady growth. Moreover, the construction firms reacted very swiftly to the shock induced by the pandemic thanks to sharp growth in new home sales during a period in which house prices also continued to register considerable growth. The advent of obstacles such as higher interest rates or the shortage of skilled labour has put the sector players on alert. In fact, their margins have narrowed over the past year.

The sector outlook remains positive because interest rates are already moving lower, although financing issues and difficulties executing investments could linger. In addition, execution of the Next Generation EU funds should continue to have a positive impact on the sector. The most significant challenge facing the sector is the need to raise its productivity (especially at the smaller firms) in order to tackle a structural change in the labour force that is translating into better labour conditions (permanent contracts and higher pay).

From a broader economic policy perspective, in a context in which demand for housing continues to grow and the housing access problem worsens, it would be advisable for the government to step in and foster worker training at all skill levels. The construction sector needs to remain attractive in order to appeal to skilled workers and boost productivity which has been stagnant for decades despite technological progress and gains at specific companies (mainly large firms).

Notes

[1] The author would like to thank Fernando Arias and Carlos Ocaña for their feedback on an earlier version of this paper. The author alone, however, is responsible for the end product.

[2] At the end of the 20th century, the sector was outsized by comparison with other neighbouring countries (in 1995, is represented 8.6% of GDP). At the time there was a plausible explanation, as a lot of infrastructure (motorways, airports, *etc.*) was under construction and, although the resident population was not exerting too much pressure on demand for housing, the booming tourism industry was fuelling demand.

[3] To get a better idea of these magnitudes, suffice to note that the industrial sector (manufacturing + energy) accounted for 15.8% of GDP and 15.0% of employment.

[4] Refer, for example, to Albornoz (2010), Cuadrado-Roura (2011), CES (2016), Montalvo (2013 and 2019), Bank of Spain (2023) and Ezquiaga (2024).

[5] Moral (2024) provides a detailed analysis of the database used and of the real estate sector itself.

[6] Between 1Q21 and 1Q24, new house prices increased at an equivalent annual rate of 8.7% whereas the general price index registered growth of 5.4%.

[7] Only including projects that are clearly earmarked for infrastructure and rehabilitation and therefore excluding other projects that may involve several areas, such as infrastructure entailing physical and digital infrastructure or energy infrastructure projects (refer to https://planderecuperacion.gob.es/).

[8] Gross value added comprises: *GVA=CL+GOS*. The cost of labour (*CL*), which includes all wage-related costs, *i.e.,* wages and other costs associated with this input that are paid by the company, including social security payments and termination benefits. The proxy for the remuneration of capital is the companies' gross operating surplus (*GOS*), which includes all of the income received by them before the payment of interest and tax and before considering depreciation and amortisation charges.

[9] In the third quarter of 2024, the average real remuneration of employees increased by 3.7% year-on-year.

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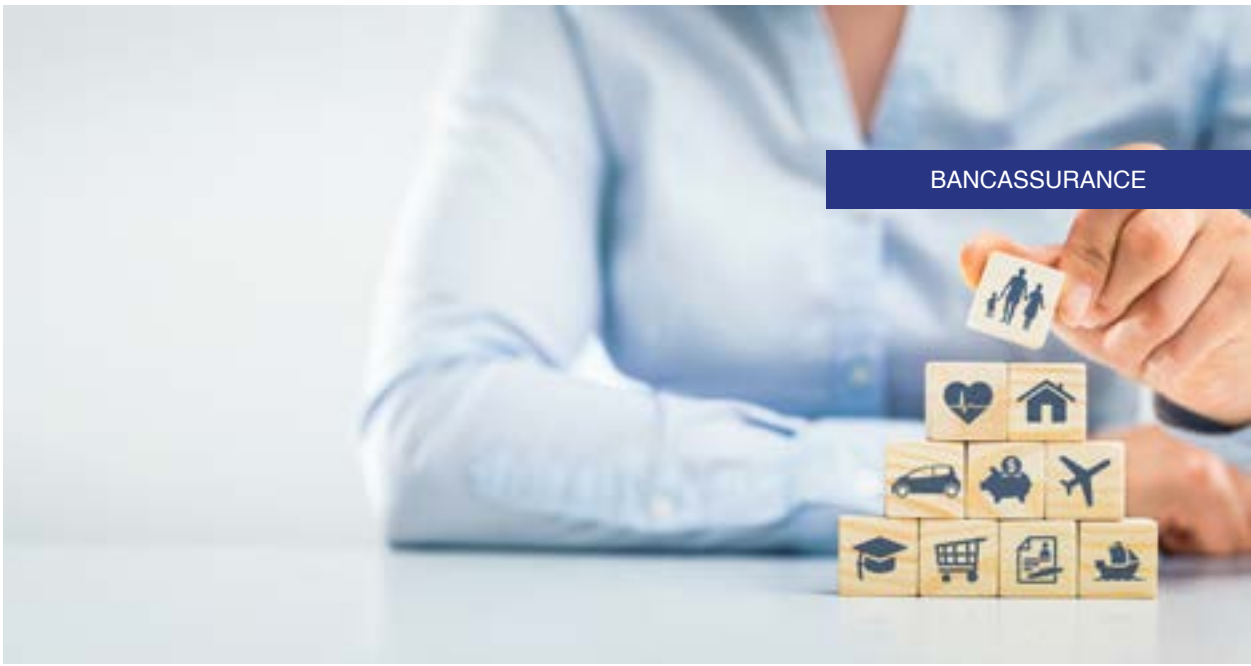
María José Moral. UNED and Funcas



Recent developments in bancassurance in Spain

Spanish banks' insurance business, particularly in life insurance, have been a crucial source of earnings, directly contributing nearly 14% of their domestic profits in 2023. This contribution remains essential for banks' profitability, with further growth expected from premium adjustments and rising non-life insurance activity.

Daniel Manzano

Abstract: Of the roughly 176 insurance providers doing business in Spain, 29 have ties to the main banking groups. Their weight in the country's insurance business, especially the life insurance segment, and their contribution to their parent banks' domestic earnings are very significant. This contribution has been key to propping up the banks' financial statements during periods in which they had to recognise significant loan-impairment provisions and/or navigate ultra-low margins as a result of low market interest rates. Today, the bancassurance business accounts for nearly 14% of banks' domestic earnings directly, with the life insurance segment generating the bulk of that profit. Although traditional banking profits have surged due to rising interest rates, bancassurance remains a key revenue stream, with its contribution expected to grow further, driven by premium repricing and increased non-life insurance activity.

Introduction

The close connection between the traditional banking business and other businesses in which the products sold contain an important financial component and/or whose marketing relies on the banks' distribution capabilities is well documented. All the more so in Spain, where the banks possess a highly valuable and far-reaching retail banking network. Good examples of these "para-banking" businesses include asset management and the insurance

> “The 29 insurers with bank ties continue to account for around 50% of the insurance business in Spain measured in terms of assets, technical provisions managed or earnings – largely concentrated in the life business.”

business, the focus of this paper. More specifically, we will focus our analysis on the Spanish banks' presence in the insurance business and how the latter contributes to their earnings.

Spanish banks' presence in the insurance business

Of the 176 insurance and reinsurance companies operating in Spain at the end of 2023 (19 fewer than at year-end 2022), 29 were related to bank groups or entities, which is three fewer [1] than the year before, due mainly to the consolidation process ongoing in Spain's banking sector in recent years. Of the 29, 15 operate in the life insurance business, making the banks the main channel for the distribution of life insurance in Spain (both savings and risk-life insurance). The remaining 14 operate in the non-life segment, in which, despite a minority presence, the banks have been showing growing interest. [2]

As shown in Table 1, the 29 insurers with bank ties continue to account for around 50% of the insurance business in Spain measured in terms of assets, technical provisions managed or earnings. Those entities' long-standing heavyweight status in the Spanish insurance sector is, nevertheless, clearly concentrated in the life business (which has a significant financial component). In 2023, they were responsible for almost 70% of the aggregate income generated by the life insurance segment. Their presence in the non-life segment is less significant, with the insurers related to banking groups generating just over 25% of its total income.

Table 1 **Key metrics for the Spanish bancassurance business (2023)**

Millions of euros

	No. of players	Assets	Technical provisions	Gross premiums written	Equity	Earnings (Net profit)	ROE %	Underwriting profit - Life	Underwriting profit - Non-life
Total	29	158,306	138,356	32,221	12,370	2,610	21.1	2,224	887
Of which:									
Life	15	141,974	128,236	23,200	8,364	2,058	24.6%	2,201	240
Non-life	14	16,331	10,120	9,022	4,006	552	13.8%	24	647
Sector total	176	330,247	260,904	84,587	45,808	5,554	12.1	3,216	3,355
% associated with banks	16	47.9	53.0	38.1	27.0	47.0		69.2	26.5

Source: Afi, insurers, DGSFP.

> “The average ROE of the 29 insurers related to banking groups in 2023 was 21.1%, which is well above the overall sector average of 12%.”

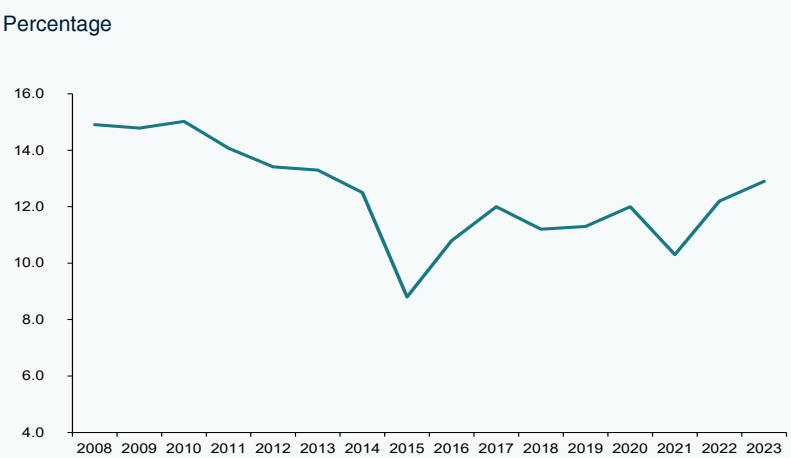
In addition to their important presence in the insurance business, the bank-related insurers stand apart for their ability to generate more profits relative to their own funds (capitalisation) compared to the rest of the insurance providers. By way of illustration, in 2023, these 29 firms generated 47% of the insurance sector's earnings (44% in 2022), while their equity accounted for just 27% of the total of the players operating in Spain. Here there are two factors at play: (i) relatively lower capitalisation levels at the entities associated with banking groups as a result of the preference to place 'surplus' capital at the parent (a bank); and, in parallel (ii) relatively greater business efficiency (compared to the universe of entities not associated with banks), with a positive impact on earnings.

The combination, in relative terms, of higher earnings and reduced use of own funds for accounting purposes translated into considerably higher profitability compared to the rest of insurance providers: the average ROE [3] of the 29 insurers related to banking groups in 2023 was 21.1%, which is well above the overall sector average of 12% and marks an even bigger gap, logically, with the average for the non-bank insurers, which was under 9%. [4]

Looking back in time, as shown in Exhibit 1, insurance sector profitability is running at a high for the past decade. A major contributing factor was the level reached by interest rates, a high for over a decade, fuelling extraordinary growth in the placement of life-savings products as the rates offered on bank deposits remained moderate.

The insurers with ties to the banking industry continue to present a mix of organisational and ownership structures in both the life and non-life segments. In life, half of the banking groups have opted for autonomous operation of the insurance business, including the leaders, CaixaBank and BBVA. In non-life, however, very few banks operate in the segment independently, with most sharing ownership with specialist insurance partners.

Exhibit 1 **Trend in ROE in the insurance business in Spain**

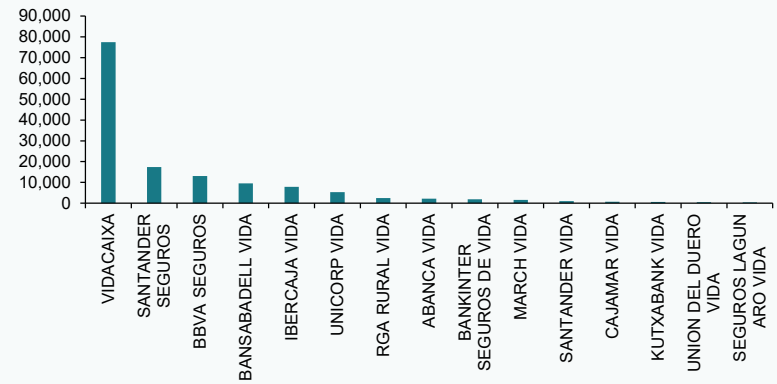


Source: Afi.

Exhibit 2

Bank subsidiaries operating in life insurance (2023)

Assets in millions of euros



Source: Afi, DGSFP.

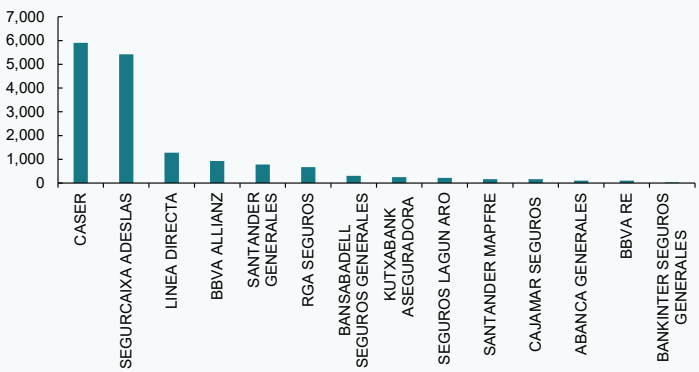
The fact that the banks are the predominant distribution channel in the life insurance business (for both savings and risk products) fosters the banks' supremacy in this segment (70%, as noted, in terms of the underwriting profit of the insurers with ties to the banks in the life segment). Contributing factors include the reach of the Spanish banks' branch networks, the proximity between savings insurance and the financial business and the importance of mortgages in the sale of risk-life insurance products.

All of the banking groups considered have ownership interests in insurance companies active in this segment, although the relative importance of this business varies considerably from one to another, as shown in Exhibit 2. Not only is there a very clear leader, CaixaBank, whose life insurance business is more than four times the size of that of its nearest competitors, that business garners almost 40% of the life insurance business in Spain, a position that has only increased in recent years in the wake of several acquisitions,

Exhibit 3

Bank subsidiaries operating in non-life insurance (2023)

Assets in millions of euros



Sources: Afi, insurers, DGSFP.

most notably that of Bankia. Overall, the seven biggest banking groups account for over 90% of the life bancassurance business in Spain, which generated 2.06 billion euros of profits in 2023. [5] A very substantial portion of that figure, almost 90% of the total, [6] translated into profits for the banks last year.

Albeit much smaller than in the life insurance business, the banks' share of roughly 25% of the non-life insurance business is not insignificant and is particularly relevant at certain specific institutions. One company, SegurCaixa Adeslas (a joint venture between CaixaBank and Mutua), accounts for the bulk of this business' contribution to the banks' earnings. The non-life insurers associated with the banks generated a little over 552 million euros of profits in 2023 (down slightly from 2022), of which 55% constituted a direct contribution to their shareholding banks' P&Ls. [7]

How the insurance business contributes to the banks' earnings

Although the bancassurance business in Spain is considerably profitable across the board, the breakdown of the contribution is very uneven. Such healthy profitability, particularly by comparison with that of the "typical" banking business, coupled with significant shareholdings by most of the banks active in the life insurance business, and also in the non-life segment at certain entities, translates into a significant contribution to the banks' overall profits. Indeed, in 2023, their interest in the domestic insurance business contributed 2.15 billion euros to the universe of Spanish banks' aggregate earnings, [8] marking annual growth of around 18%, driven by momentum in the life insurance business.

In some cases, that contribution is very significant. Table 2 below provides an estimate for 2023 and 2022 of the weight of the profits attributable to the insurance

Table 2 **Direct contribution by the insurance business to the banks' earnings (business in Spain)***

Millions of euros

Banking groups	2023 earnings	2022 earnings
	Insurance as a % of total	Insurance as a % of total
Santander Spain	9.0	11.0
BBVA Spain	8.0	14.0
Caixabank Spain	28.0	33.0
Sabadell Spain	6.0	9.0
Bankinter	3.0	9.0
Unicaja	25.0	32.0
Kutxabank	12.0	17.0
Ibercaja	23.0	40.0
Abanca	5.0	15.0
Cajamar	36.0	49.0
Laboral Kutxa	2.0	8.0
Banca March	4.0	7.0
Cajas Rurales	10.0	8.0
Total sector (business in Spain)	14.0	19.0

(*) Business in Spain refers to the earnings reported by Santander Spain, BBVA Spain, CaixaBank ex-BPI and Sabadell ex-TSB; those figures are gleaned from the statements of profit or loss presented by the entities for their Spanish business and do not coincide with their separate financial statements. Consolidated earnings for the other entities.

Sources: Afi, based on data published by the DGSFP and the annual reports and earnings presentations published by the individual entities.

> “The importance of the insurance business for the banks’ business in Spain is evident given its direct contribution alone represented around 14% of their earnings in 2023.”

companies associated with the banks relative to those banks’ total earnings from their business in Spain.

- The importance of the insurance business for the banks’ business in Spain: its direct contribution alone (profit attributable to their interests in their insurance subsidiaries) represented around 14% of their earnings in 2023. That does, however, mark a dip from the 19% reported in 2022 (and even higher percentages in prior years), attributable to a much higher contribution to profits by the traditional banking business in the wake of far higher interest rates.

- In addition to this direct contribution in their capacity as shareholders of their insurance investees, the banks earn fee and commission income from the distribution of those policies via their branch networks. [9] Although the public information available is not sufficiently detailed to make an accurate estimate, it is reasonable to assume that layering in that indirect contribution, the insurance business (summing the direct and estimated indirect contribution) contributes one-quarter (and probably more) of the banks’ earnings in Spain.

- In absolute terms, the contribution was higher than in 2022. However, in relative terms it narrowed as a result of the extraordinary growth in 2023 in the profitability of the typical banking business thanks to much higher interest rates and strong economic growth.

- The business conditions observed in 2024 suggest that in all likelihood the insurance business’ absolute contribution to the Spanish banks’ earnings will once again register strong growth. And we would not be surprised if its contribution also increases in relative terms: according to the ICEA, in the first nine months of last year, earnings in the insurance sector in Spain increased by an estimated 25% year-on-year, fuelled mainly by the non-life business on this occasion, helped by the “repricing” of the premiums collected in this sector to adjust for the impact of the bout of inflation sustained in prior years on claims costs.

- Table 2 also shows how the relative share of the individual banks’ earnings generated by the insurance business varies significantly from one entity to the next. The insurance business makes an outsize contribution at some entities, most notably CaixaBank, the leading player, garnering (through its interests in Vidacaixa and Segurcaixa Adelas) over half of all of the profit contributed by the insurance sector to the bank sector in Spain. Insurance is also an important contributor at Unicaja, Ibercaja and Cajamar.

Notes

[1] Merger of Sa Nostra into VidaCaixa and of Liberbank Vida into CCM Vida at Unicorp.

> “In the first nine months of last year, earnings in the insurance sector in Spain increased by an estimated 25% year-on-year, fuelled mainly by the non-life business.”

[2] See, for example, the creation in recent years of companies such as Santander-Mapfre in car insurance and BBVA-Allianz in general (non-health) insurance. In parallel, specialist insurers are displaying an interest in increasing their marketing and distribution capabilities through alliances with retailers, such as that between Mutua Madrileña and El Corte Inglés.

[3] Measured as net profit over equity at year-end.

[4] This universe of firms includes a host of mutual societies. Although their relative weight as a cohort is small, their non-profit status tends to lead to very low returns.

[5] This figure of 2.06 billion euros is the aggregate profit for 2023 of the 15 bank subsidiaries active in the life insurance segment. Of that total, the bulk, nearly 1.85 billion euros, trickles through to the banks' P&Ls thanks to their generally majority interests in their subsidiary life insurers.

[6] The share at each individual bank depends on their ownership interests in their insurance investees.

[7] This figure of 552 million euros is the aggregate profit for 2023 of the 14 bank subsidiaries active in the non-life insurance segment. On the basis of their ownership interests and resulting consolidation methods, the banks recognised 304 million euros in their statements of profit or loss in 2023.

[8] Of which, 1.21 billion euros (over half) inflated earnings at a single entity, CaixaBank, thanks to its interests in Vidacaixa and Segurcaixa Adeslas.

[9] The insurers owned by the banks recognised over 2.85 billion euros of policy acquisition costs in their financial statements in 2023, a substantial percentage of which are fees and commissions paid to market and sell their policies through banking networks.

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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-law 6/2024, of 5 November 2024, implementing urgent measures in response to the damage caused in different municipalities by the flash floods between 28 October and 4 November 2024 (*Official State Gazette:* 6 November 2024)

The following measures of financial relevance stand out:

1. Guarantee line. Provision of guarantees for financing provided by banks and specialised lending institutions to households, corporations and self-employed professionals to cover the damage caused by the flash floods from 29 October 2024. The guarantees will be managed by Spain's Corporate State-owned Entity, the ICO. The scheme has a limit of 5 billion euros and runs until 31 December 2025.

2. Moratorium. The legislation regulates the suspension of interest and principal payment obligations on loans and credit facilities, irrespective of whether the borrowers are current on those payments, with or without mortgage collateral, granted to parties affected by the flash floods in any of the municipalities affected. The main characteristics are as follows:

    - The following loans and credit facilities are eligible for the suspension of interest and principal payments: (i) loans secured by mortgages over properties located in any of the affected towns: natural and legal persons with income of under 6 million euros in the last full year; or (ii) unsecured loans: natural persons resident in the affected area and self-employed workers and legal persons with income of under 6 million euros in the last full year whose main business activity is located in an affected area.

    - To certify eligibility, the application is all that is required in the case of mortgaged transactions; if it is not available, natural persons need to present a census certificate and self-employed workers and legal persons need to present any document certifying their eligibility along with an affidavit. There is a penalty regime in the event a borrower is found to have benefitted from the measures without having been eligible to do so.

    - The moratorium consists of the suspension of the debt (principal and interest) for three months, including any debt past due. After the first three months, the moratorium on principal payments will be extended for a further nine months.

    - Borrowers can apply for a moratorium within the three months following effectiveness of the Royal Decree-law.

    - Once the suspension has been applied for, the creditor must proceed to suspend the borrower's obligations under the loan or credit agreement and notify the Bank of Spain of the suspension. Effectiveness of the suspension does not require an agreement or any contractual amendment between the parties.

      In the event of mortgaged loans, the suspension must be placed on public record and registered. If the credit or loan is secured by a registrable claim other than a mortgage or arranged under the so-called movable property instalment sales register, extension of

the repayment term does have to be registered.

- The provisions relating to the moratorium scheme will have the status of organisational and conduct standards and the lenders will be required to report to the Bank of Spain monthly.

- Acknowledgement of application of the suspension of mortgage debt will not be bound by the provisions of Spanish Law 5/2019 (of 15 March 2019) governing real estate credit agreements and the lender may unilaterally: (i) place acknowledgement of the suspension on public record; and (ii) bring about the official recording of the policy or public deed in which acknowledgement of the suspension is documented and its registration, if warranted, in the Property Register, so long as the loan or credit were secured by some form of registrable claim other than a mortgage or had been entered into the Register.

Royal Decree-law 7/2024, of 11 November 2024, implementing urgent measures for propelling the Immediate Response, Reconstruction and Revitalisation Plan in response to the damage caused in different municipalities by the flash floods between 28 October and 4 November 2024 (*Official State Gazette:* 12 November 2024)

The following financial measures stand out:

1. Modification of the Code of Good Practices. Royal Decree-law 19/2022 has been amended to extend the Code's duration, generally from 24 to 36 months. In the case of natural persons resident in an affected town, it is being extended to 42 months.

   If the application is made during the period of suspension of interest and principal payment obligations for mortgaged loans and credit lines contemplated in Royal Decree-law 6/2024, the entity must apply the measures set down in the Code after the end of the nine-month moratorium on principal payments.

2. Exceptional access to vested pension plan rights. Pension plan beneficiaries affected by the flash floods are allowed to avail of their vested rights during a six-month period starting from effectiveness of the Royal Decree-law.

   There is a ceiling on drawdown per holder, specifically the result of apportioning the annual rate of IPREM (acronym in Spanish for the public income index) for 12 payments in force for 2024, multiplied by three, over a maximum period of six months from the date of effectiveness of the Royal Decree-law.

   The management company must make the reimbursement within a deadline of seven days from when the holder presents all the required supporting documentation. In the event of occupational pension plans, that deadline increases to 30 working days and in the case of occupational pension plans that are defined benefit or mixed for contingencies defined in the defined benefit regime or related thereto, the early drawdown provision will only be applicable when the pension commitment so allows and it is contemplated specifically in the plan rules.

3. Amendment of Royal Decree-law 6/2024. Notably:

   - Guarantee line: amendment of the requirement to be resident in any of the towns affected, substituting that requirement with that of being registered there for census purposes or having one's place of work, regular or sporadic residence, registered office or industrial, commercial or services establishment in any of those towns. The new wording adds that corporations and self-employed professionals whose means of transport used for business or professional purposes has been

damaged by the flooding may also apply for the guarantee line.

- Novation of secured financing transactions: secured financing transactions can be novated without losing the guarantee when the reason for the novation is to increase the amount of financing when households, corporations or self-employed professionals have applied for new aid under the programmes approved by the competent authorities and that aid is arranged with a financial guarantee. The lenders may unilaterally bring about the official recording of the policy documenting the novation carried out.

- Scope of application of the moratorium: stipulation that (i) in working capital financing facilities, a grace period or suspension of reclamation rights will apply for 12 months from the application, leaving the facilities operational on their usual terms and conditions; and (ii) in interest-bearing consumer credit loans with an indefinite term or a defined term that can be extended, the suspension will apply to the balance drawn down as of the date of publication of the Royal Decree-law.

- Concession of moratorium: the amended wording adds that the guarantees securing loans whose principal and interest is suspended will remain unaltered until the end of the extension period.

- Effects of the moratorium: the amended wording adds that after the first three months of suspension, any late-payment interest accrued will become enforceable. It also adds that accrual by the lenders of the commission on the ICO guarantee facility will be suspended for borrowers that apply for this measure during this period for the loans extended with respect to the ICO COVID and ICO UKRAINE guarantee lines.

Royal Decree-law 8/2024, of 11 November 2024, implementing complementary measures under the scope of the Immediate Response, Reconstruction and Revitalisation Plan in response to the damage caused in different municipalities by the flash floods between 28 October and 4 November 2024 (*Official State Gazette:* 29 November 2024)

Among other matters, this piece of legislation amends Royal Decree-law 6/2024 to include a specific tranche in the already-contemplated ICO guarantee line of up to 240 million euros specifically for self-employed professionals and industrial or commercial businesses with two aims: (i) guaranteeing affected SMEs the financing they need to ensure they have sufficient working capital to cover their operating cycle; and (ii) guaranteeing affected self-employed professionals the financing they need to ensure they have sufficient working capital to cover their operating cycle and to upgrade their assets or make other investments so as to be able to extend, improve or diversify damaged establishments or improve their production process in general. The interest generated on the guaranteed financing extended under this tranche may be subsidised in full. The specific terms and conditions applicable to this tranche and any interest subsidies will be established via a resolution by the Spanish Cabinet. The subsidy will be awarded strictly on a first come, first served basis.

Royal Decree-law 9/2024, of 23 December 2024, implementing urgent measures in economic, tax, transport and social security matters, extending certain measures introduced to address situations of social vulnerability (*Official State Gazette:* 24 December 2024)

The following measures stand out along the economic and social dimensions:

- Extension of the temporary regime suspending the deregulation of certain direct foreign investments by residents of other EU Member States.

- Adjustment of pensions and other public benefits for 2025.

- Extension until 31 December 2025 of the tax relief for works carried out to make residences more energy efficient.

- Introduction of specifications to the legal regime applicable to concession agreements for the development of social or affordable housing on land or in buildings under public ownership.

- Extension until 31 December 2025 of the suspension of eviction proceedings and foreclosures for financial vulnerable persons and extension of the deadline for landlords and owners to apply for compensation until 31 January 2026.

- Introduction of a new window for applying for the moratorium on principal and interest payment obligations for secured and unsecured loans or credit extended to people affected by the volcanoes in La Palma Island.

- Establishment of other support measures for groups affected by the volcanic eruptions in La Palma Island, the flash flooding and to other regions of Spain.

Royal Decree 1101/2024, of 29 October 2024, enacting the Statute of the Independent Whistleblower Protection Authority (*Official State Gazette:* 30 October 2024)

The reason for Royal Decree 1101/2024 is to implement the Statute contemplated in Law 2/2023, of 20 February 2023, regulating the protection of persons who report breaches of the law and the fight against corruption. It took effect the day after its publication.

Broadly, the Statute regulates the following aspects:

- Nature. It is an independent administrative authority at the state level with its own legal personality and full public and private capacity to act. It will act autonomously and independently, organically and functionally, of the government, the entities comprising the public sector, the public powers and any other public or private entity in the course of carrying out its duties.

- Purpose. Guaranteeing the protection of whistleblowers and serving as an essential institutional pillar in the fight against corruption, acting in coordination with other organisations and authorities with similar functions.

- Functions. The following stand out: (i) processing the reports and notifications received via the external channel; (ii) implementing measures to protect and support the whistleblower; (iii) initiating, hearing and ruling on disciplinary proceedings; and (iv) establishing cooperative relations and formulating proposals for action with other organisations with similar functions. In contrast, it cannot carry out the tasks within the remit of a judge or competent court, the public prosecutor's office or the judicial policy, nor may it investigate the matters those bodies are investigating.

- Structure. It is made up of the following bodies: Presidency and Whistleblower Protection Advisory Committee.

- Economic regime. The authority will draw its funding from: (i) the appropriations made with a charge against the general state budget; (ii) the goods and rights that constitute its assets and the output and income derived therefrom; (iii) the percentage determined by law (the budget act) of the amounts collected as a result of financial penalties imposed by the authority itself in the course of exercising its disciplinary powers; and (iv) any other sources that may be attributed to it.

CNMV Circular 1/2024, of 17 December 2024, repealing Circular 1/2022, of 10 January 2022, on the advertising of crypto-assets presented as an investment opportunity (*Official State Gazette:* 27 December 2022)

The Markets in Crypto-Assets (MiCA) Regulation does not contain an express

reference to national law; nor does it grant the Member States discretionary powers to implement provisions regarding the advertising of crypto-assets, so that it is not compatible to maintain a national regulation governing aspects that are regulated at the European level. Therefore, the CNMV has proceeded to repeal Circular 1/2022.

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Spanish economic forecasts panel: January 2025*

Funcas Economic Trends and Statistics Department

GDP estimated to grow by 3.1% in 2024

According to the analysts' consensus, GDP grew by 3.1% in 2024, one tenth of a percentage point more than anticipated in the November Panel. Likewise, GDP is estimated to have grown by 0.7% in the fourth quarter of the year, one tenth of a percentage point more than expected in November.

Domestic demand was projected to have contributed 2.6 percentage points to GDP growth (one tenth more than expected in the previous consensus) and the foreign sector, 0.5 percentage points (one tenth less). Estimates for consumption, both private and, especially, public, have been revised upwards, while estimates for investment have been maintained for construction and reduced by one tenth of a percentage point for machinery and equipment. As for the external sector, growth estimates for both exports and imports have been reduced, more in the case of exports than imports (Table 1).

Forecast for 2025 rises to 2.4%

The consensus forecast for GDP growth in 2025 has been raised by one tenth of a percentage point to 2.4%, slightly below that of the Bank of Spain and AIReF and above that of international organizations such as the European Commission and the OECD (Table 1). An increase of 0.6% is expected in the first quarter, followed by growth of 0.5% in each of the remaining quarters (Table 2).

For the year as a whole, domestic demand is expected to contribute 2.5 percentage points of growth, two tenths of a percentage point more than in the previous forecast, while the foreign sector is expected to subtract one tenth of a percentage point. The slowdown compared to 2024 is expected to be felt in consumption, especially in the public sector, and in the foreign sector, due to a greater increase in imports than in exports. Investment, on the other hand, should show more vigor than last year, especially in machinery and equipment (Table 1).

Inflation forecast for 2025 revised upward

The headline inflation rate in 2024 declined until September. Since that month, it rebounded, as expected, to end the year at 2.8% in December, the same figure as the annual average. Core inflation continues to show downward resistance and oscillated since September in the 2.4%-2.6% range, with an annual average of 2.9%.

Headline inflation is projected at 2.2% in 2025, one tenth of a percentage point more than in the previous Panel. The year-on-year rate for December is estimated at 2.1% (Table 3). Regarding core inflation, the forecast for the annual average has also been raised by one tenth to 2.3%.

Labor market resilience

According to Social Security enrollment figures, job creation in the fourth quarter was in line with that of the previous quarter, although it was slightly lower than in the first two quarters of the year.

The consensus estimate for LFS employment growth in 2024 is 2.2%, and for 2025 a growth of 1.8% is forecast (no comparisons are made with the November forecasts because this is the first Panel to request employment forecasts in LFS terms, as opposed to full-time equivalent employment in previous editions). Productivity and unit labor costs (ULC), calculated from forecasts of GDP growth, wage compensation and employment in LFS terms, are estimated at 0.9% and 3.8% for 2024, respectively. For 2025, the forecast is 0.6% and 2.7%, respectively.

The average annual unemployment rate is estimated at 11.5% in 2024, according to the consensus, and is expected to fall to 11.1% in 2025 (Table 1).

Historic external surplus

The current account balance recorded a surplus of 45.8 billion euros up to October, the best figure for this period in the historical series. This result reflects the strong services balance, driven mainly by tourism services, which more than offsets the

deterioration of the income balance. The consensus estimate points to a surplus of 2.8% of GDP in 2024 as a whole, the same as in the previous Panel, and 2.6% in 2025, also unchanged from the November Panel (Table 1).

Public deficit forecast is maintained

Public administrations, excluding local corporations, recorded a deficit of 16.6 billion euros up to October, compared with 19.6 billion euros in the same period of the previous year. This improved result is a consequence of a solid increase in government revenues, especially tax receipts and social security contributions, which more than offset the increase in public expenditure.

The analysts' consensus is for a public deficit of 3.2% and 3% of GDP for 2024 and 2025, respectively, one tenth of a percentage point higher in both cases than in the previous forecast. Both figures are higher than those contemplated by the Government and the main international organizations (Table 1).

Relative decline in the Eurozone

After the surprise of the third quarter, the Eurozone economy appears to have stagnated again at the end of the year. The weakening is particularly marked in Germany, which has now been in negative territory for two years. Conversely, the expansion is continuing in the U. S., as witnessed by the latest job creation data, and the tax cuts announced by President Donald Trump foretell a new boost to demand. Inflation could also prove more persistent, especially if announcements in the area of tariffs and immigration were to materialize. Markets anticipate that the Federal Reserve will have little room to maintain the path of interest rate cuts.

In its January economic outlook, the IMF projects for the U. S. robust growth of 2.7% in 2025 (half a point higher than in the October round). This is almost triple the 1% forecast for the Eurozone (two tenths of a point less than in the Fall round). In addition, the Fund stresses the risks of fragmentation of international trade and increased uncertainty because of the protectionist wave on the horizon, which would be particularly damaging for the European economies, among the most dependent on exports. Geopolitical tensions could also affect the price of raw materials. It is a fact that oil and gas have tended to become more expensive since the last Panel, given the threat of new disruptions in the markets.

The Panel maintains its pessimistic view of the international environment, particularly in the EU. Of the 19 panelists, 17 believe that the context is unfavorable in Europe, and 13 feel the same about the non-European situation. Moreover, the majority opinion is that the situation will not change in the near future (Table 4).

Slight decline in interest rates

The monetary environment is less conducive to a rapid decline in interest rates than anticipated in November. The relative robustness of the U.S. economy, together with persistent inflation, has made the Fed's discourse less accommodating. In Europe, disinflation is more likely to continue, given the economic weakness. However, the downward pressure on the euro is a challenge that could force the ECB to cut more gradually than expected. All in all, the consensus is for a cut in ECB benchmark rates of around 75 basis points by the end of the year (Table 2).

This gradualism is perceptible in the markets. The one-year Euribor has rebounded since the beginning of December to around 2.6% and is only expected to fall by around 35 basis points by the end of the year, according to the consensus forecast. Longer-term maturity market rates have rebounded even more sharply, on expectations of rising government bond yields globally. The 10-year government bond is trading at around 3.2%, half a point higher than a month and a half ago, in line with the upward trend observed in international debt markets, and is expected to fall by only 30 basis points by the end of this year (Table 2). There is no pressure on the Spanish risk premium.

Euro nears parity with the dollar

The persistence of a significant growth outlook and interest rate differential between the Eurozone and the U. S. has been reflected in the currency markets. The euro has continued to depreciate, losing 3% of its value against the dollar since the last Panel. Analysts do not forecast a recovery in the short-term, with the exchange rate likely to be around 1.04 by the end of this year, compared to 1.09 in the previous assessment (Table 2).

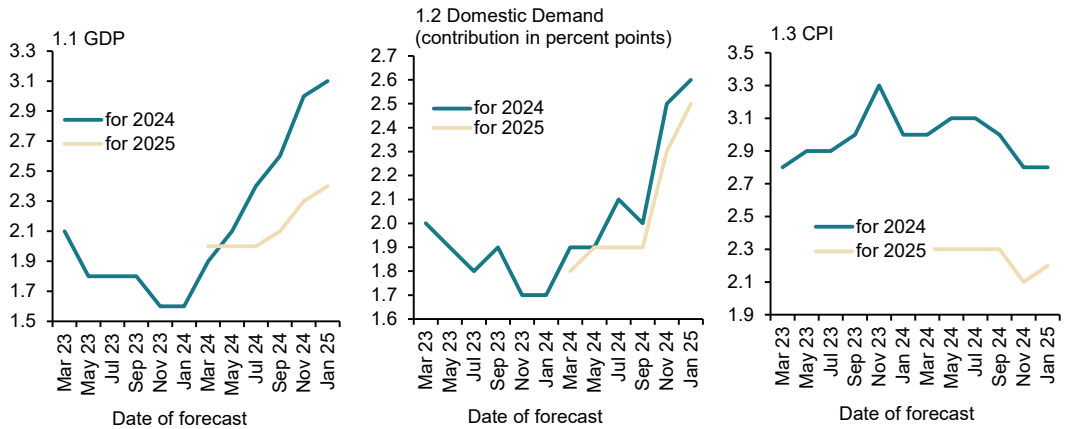
Fiscal policy is being expansionary and monetary policy restrictive

Macroeconomic policy assessments suffered few variations in relation to the previous Panel. Fiscal policy is being expansionary, when most panelists would recommend a neutral position, more in line with the growth cycle of the Spanish economy (Table 4). Conversely, the majority opinion is that monetary policy is overly restrictive, in light of the weak economic situation. In sum, what emerges from the Panel is that a change in the policy mix would be desirable.

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: January 2025*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – January 2025

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	2.8	2.5	4.8	2.7	1.7	3.3	0.8	3.1	2.5	3.2	2.9	2.7
BBVA Research	3.1	2.3	2.8	2.6	4.7	3.7	2.1	5.2	1.2	5.2	3.0	6.1	2.6	3.2
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)	3.1	2.8	2.5	2.3	4.9	1.8	1.4	1.2	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	2.8	2.7	2.6	5.0	3.1	1.8	2.1	1.0	2.4	2.4	1.6	2.6	2.5
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	3.1	2.4	3.0	3.0	4.9	2.4	1.7	2.1	0.8	1.2	2.4	3.0	2.7	2.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.1	2.4	2.9	2.9	3.8	2.2	1.9	2.7	1.4	2.8	2.5	2.8	2.5	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	3.0	2.3	2.7	2.5	4.0	2.2	1.2	2.9	0.7	2.4	1.7	3.4	2.5	2.3
Mapfre Economics	3.1	2.4	2.9	2.9	4.7	1.9	1.7	2.5	--	--	--	--	2.8	2.5
Metyis	3.1	2.4	2.6	2.5	4.3	2.1	2.2	2.3	1.4	2.2	2.8	3.0	2.5	2.2
Oxford Economics	3.1	2.5	2.9	3.0	4.7	1.9	1.7	2.7	1.5	1.6	2.8	3.2	2.8	2.6
Repsol	3.1	2.4	2.8	2.6	5.0	3.6	1.7	1.4	1.0	2.5	2.5	1.0	2.6	2.5
Santander	3.1	2.4	2.9	2.9	4.8	2.2	2.0	4.7	2.0	4.0	2.9	5.0	2.8	2.5
Universidad Loyola Andalucía	2.9	2.5	2.6	2.5	3.9	3.3	2.4	1.6	1.2	2.9	2.6	1.1	2.5	2.6
CONSENSUS (AVERAGE)	3.1	2.4	2.7	2.5	4.5	2.5	1.9	2.9	1.3	2.9	2.7	3.1	2.6	2.5
Maximum	3.1	2.8	3.0	3.0	5.0	3.7	2.7	5.3	2.0	5.3	4.0	6.1	2.9	3.2
Minimum	2.8	2.1	2.4	1.8	3.6	1.5	1.2	1.2	0.5	0.7	1.7	1.0	2.3	2.0
Change on 2 months earlier[1]	0.1	0.1	0.1	0.2	0.5	0.1	-0.2	-0.2	-0.1	-0.1	0.0	0.1	0.1	0.2
- Rise[2]	7	6	10	9	10	7	1	2	2	0	4	3	11	7
- Drop[2]	1	2	0	3	0	2	7	8	5	6	3	3	0	0
Change on 6 months earlier[1]	0.7	0.4	0.6	0.6	2.5	1.2	-0.7	-0.3	-0.9	-0.5	-0.5	0.2	0.6	0.6
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 (December 2024)	3.1	2.5	2.8	2.9	4.2	1.9	0,8[4]	3,1[4]	--	--	--	--	2.6	2.6
AIReF (January 2025)	3.1	2.5	--	--	--	--	--	--	--	--	--	--	2.7	2.5
EC (November 2024)	3.0	2.3	2.5	2.2	3.4	1.6	2.0	3.2	--	--	--	--	2.5	2.1
IMF (January 2025)	3.1	2.3	--	--	--	--	--	--	--	--	--	--	--	--
OECD (December 2024)	3.0	2.3	2.7	2.4	4.6	2.8	1.7	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 – January 2025

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]		Employment (LFS)		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[4]		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)	2.9	3.4	2.6	3.9	2.8	2.0	2.9	2.1	4.5	3.3	2.0	1.6	11.6	11.0	3.3	2.3	-2.9	-2.7
BBVA Research	3.4	4.2	2.4	7.4	2.8	1.8	2.9	2.1	4.5	2.6	2.2	2.0	11.4	10.7	2.9	2.8	-3.0	-2.7
CaixaBank Research	3.0	2.3	1.9	2.8	2.8	2.5	2.9	2.5	5.0	3.5	2.2	2.0	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	2.8	1.8	2.9	2.3	--	--	2.1	1.5	11.5	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	2.9	2.9	4.8	4.5	2.1	2.0	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	2.8	2.1	2.9	--	4.7	3.3	2.1	1.6	11.5	11.2	3.3	3.0	-2.8	-3.2
CEOE	3.4	3.6	2.0	2.9	2.8	2.1	2.9	2.1	4.7	2.9	2.1	1.9	11.5	10.7	3.0	2.6	-3.2	-2.8
Equipo Económico (Ee)	3.0	3.4	2.0	2.9	2.8	2.2	2.9	2.3	4.7	3.6	2.4	2.0	11.5	11.3	3.1	2.7	-3.2	-3.0
EthiFinance Ratings	3.0	1.7	1.9	3.6	2.8	2.0	2.9	2.1	--	--	--	--	11.4	10.9	2.9	2.8	-3.1	-2.9
Funcas	2.9	2.4	1.9	3.5	2.8	2.2	2.9	2.3	5.0	2.9	2.1	1.6	11.5	10.9	3.2	2.9	-3.1	-2.9
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.3	2.6	2.2	2.5	2.8	2.3	2.9	2.3	--	--	2.2	1.7	11.4	10.9	2.8	2.8	-3.2	-2.9
Instituto de Estudios Económicos (IEE)	3.5	3.4	1.9	3.2	2.8	2.0	2.9	2.4	4.7	2.9	2.0	1.6	11.6	10.9	2.9	2.3	-3.3	-3.0
Intermoney	3.2	3.1	2.2	3.6	2.8	2.4	2.9	2.2	--	--	2.2	1.8	11.6	11.2	2.0	--	-3.3	-2.9
Mapfre Economics	2.8	1.9	1.8	2.2	2.8	2.5	2.9	2.3	--	--	--	--	11.5	11.3	3.4	3.0	-3.3	-3.2
Metyis	3.2	2.9	2.1	2.7	2.8	2.3	2.9	2.2	4.4	3.0	2.2	1.6	11.5	11.0	2.8	2.5	-3.3	-2.9
Oxford Economics	2.8	2.1	1.8	2.3	2.8	2.2	2.9	2.3	--	--	2.1	1.2	11.5	11.3	3.4	3.3	-3.3	-3.1
Repsol	3.0	4.2	2.1	4.8	2.8	2.5	2.9	2.3	4.9	3.5	2.1	1.6	11.7	11.8	2.9	2.5	-3.2	-2.9
Santander	2.7	1.6	1.9	3.0	2.8	2.1	2.9	2.3	--	--	2.3	1.7	11.4	10.7	--	--	--	--
Universidad Loyola Andalucía	2.4	2.3	1.5	2.2	2.8	2.0	2.9	2.0	--	--	2.2	2.6	11.6	11.3	1.5	1.7	-3.2	-3.5
CONSENSUS (AVERAGE)	3.1	2.9	2.0	3.3	2.8	2.2	2.9	2.3	4.7	3.3	2.2	1.8	11.5	11.1	2.8	2.6	-3.2	-3.0
Maximum	3.8	4.6	2.6	7.4	3.0	2.6	3.2	2.9	5.0	4.5	2.4	2.6	11.7	11.8	3.4	3.3	-2.8	-2.6
Minimum	2.4	1.6	1.5	2.2	2.7	1.8	2.8	2.0	4.4	2.6	2.0	1.2	11.4	10.7	1.5	1.7	-3.4	-3.5
Change on 2 months earlier[1]	-0.2	0.0	-0.1	0.1	0.0	0.1	0.0	0.1	0.4	0.2	--	--	0.0	0.0	0.0	0.0	-0.1	-0.1
- Rise[2]	0	2	2	5	9	5	2	6	3	2	--	--	2	4	4	3	2	5
- Drop[2]	10	7	4	3	1	3	0	0	1	1	--	--	5	5	2	4	6	5
Change on 6 months earlier[1]	0.3	-0.2	-0.1	0.2	-0.4	-0.1	-0.1	0.0	1.0	0.3	--	--	0.0	0.0	0.7	0.5	0.1	0.1
Memorandum items:																		
Government (September 2024)	4.2	2.4	2.6	3.6	--	--	--	--	4.0	3.1	2.6 [7]	2.5 [7]	11.2	10.3	--	--	-3.0	-2.5
Bank of Spain (December 2024)	3.3	3.0	2.1	3.8	2.9 [5]	2.1 [5]	2.9 [6]	2.3 [6]	--	--	2.1 [7]	1.6 [7]	11.5	10.8	--	--	-3.4	-2.9
AIReF (January 2025)	--	--	--	--	2.8	2.1	--	--	--	--	2.3 [8]	2.1 [8]	--	--	--	--	-3.3	--
EC (November 2024)	3.4	2.9	2.2	2.8	2.8 [5]	2.2 [5]	--	--	4.6	3.1	2.3 [7]	2.1 [7]	11.5	11.0	4.2	4.5	-3.0	-2.6
IMF (January 2025)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (December 2024)	3.4	3.0	2.2	3.4	2.8 [5]	2.1 [5]	2.9 [6]	2.3 [6]	4.8	2.4	2.2	1.8	11.5	10.9	3.0	2.7	-3.0	-2.5

[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] *Current account balance.*

[5] *Harmonized index*

[6] *Harmonized index excluding food an energy.*

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

[8] *Hours worked.*

Table 2

Quarterly Forecasts – January 2025

	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	0.7	0.6	0.5	0.5	0.5
Euribor 1 yr [2]	3.72	3.65	2.94	2.44	2.42	2.35	2.24	2.22
Government Bond yield 10 yr[2]	3.19	3.36	3.00	2.89	2.99	2.95	2.92	2.89
ECB deposit rates[3]	4.00	3.75	3.50	3.00	2.76	2.47	2.29	2.20
Dollar / Euro exchange rate[2]	1.09	1.08	1.11	1.05	1.03	1.04	1.04	1.04

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

Table 3

CPI Forecasts – January 2025

Year-on-year change (%)				
Dec-24	Jan-25	Feb-25	Mar-25	Dec-25
2.8	2.5	2.3	2.1	2.1

Table 4

Opinions – January 2025

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	1	17	6	11	2
International context: Non-EU	0	6	13	2	14	3
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	3	16	5	14	0
Monetary policy assessment[1]	16	3	0	3	15	1

[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		3.2	2.9	4.9	2.3	2.6	2.0	2.9	2.0	2.8	0.4
2025		2.4	3.0	2.4	2.1	3.0	1.2	2.4	3.5	2.6	-0.2
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	2.7	2.2	5.4	1.8	1.8	1.8	1.7	0.7	2.3	0.4
	II	3.3	2.5	4.1	2.3	2.6	2.0	2.6	0.7	2.5	0.8
	III	3.5	3.0	5.1	1.4	2.9	-0.2	4.6	3.2	2.8	0.6
	IV	3.5	3.7	4.9	3.6	3.0	4.3	3.0	3.4	3.5	0.0
		Chain-linked volumes. quarter-on-quarter percentage changes									
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	1.0	0.4	1.4	1.1	3.0	-1.0	2.0	0.7	0.5	0.5
	II	0.8	1.1	0.5	0.5	0.5	0.5	0.5	0.4	0.8	0.0
	III	0.8	1.2	2.5	-1.4	-2.0	-0.6	0.4	0.9	1.0	-0.2
	IV	0.8	1.0	0.4	3.4	1.6	5.4	0.1	1.3	1.2	-0.4
		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		1,593	55.8	19.6	19.4	10.3	9.1	37.2	32.9	95.7	4.3
2025		1,668	56.1	19.6	19.4	10.5	8.9	36.8	32.9	96.1	3.9

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2019=100

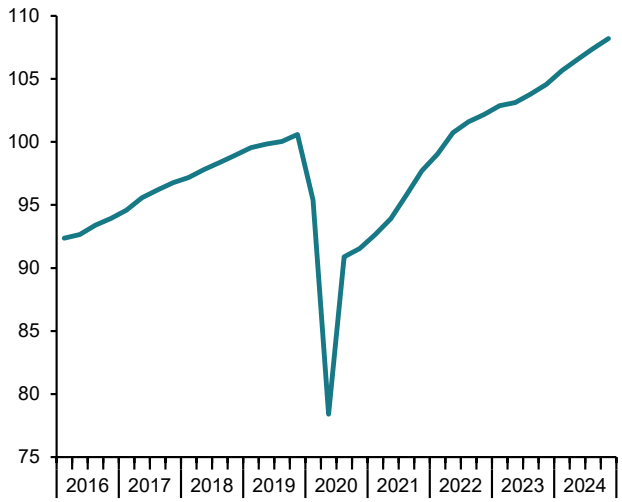


Chart 1.2 - Contribution to GDP annual growth

Percentage points

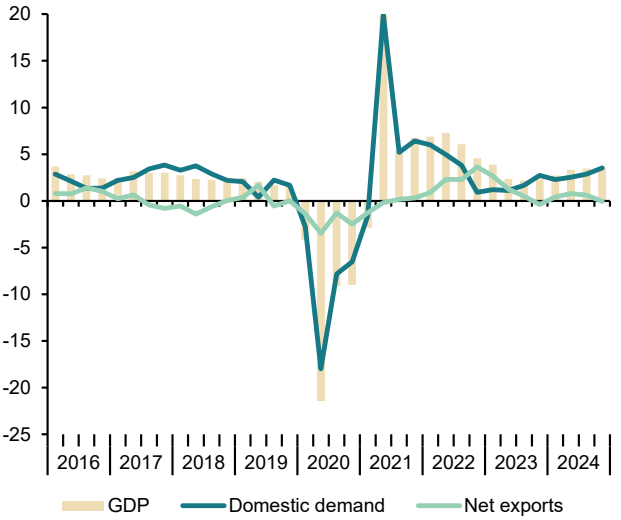


Chart 1.3 - Consumption

Level, 2019=100

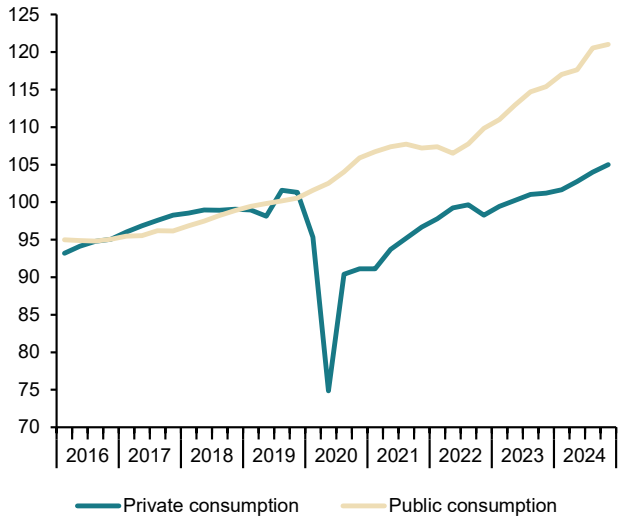


Chart 1.4 - Gross fixed capital formation

Level, 2019=100

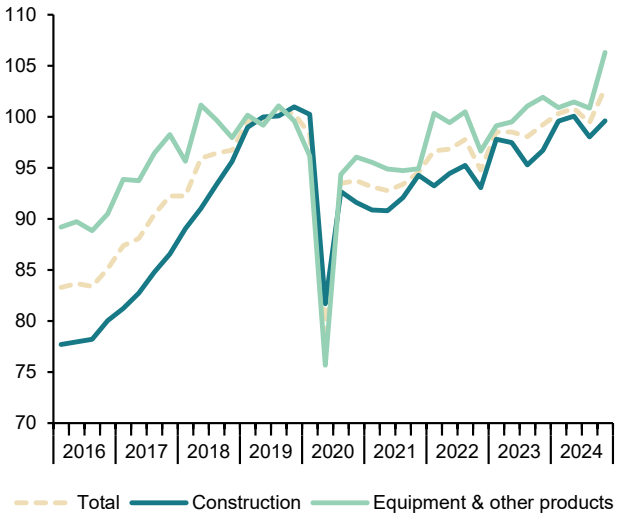


Table 2

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								
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
2024		3.6	8.5	2.9	3.7	1.9	3.8	3.2	3.9	-0.9
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	3.2	11.7	1.3	1.9	2.4	3.4	3.3	3.5	-2.6
	II	3.9	7.5	3.4	4.8	1.6	4.0	2.9	4.3	-2.3
	III	3.8	10.6	3.9	4.2	1.4	3.7	3.9	3.7	-0.1
	IV	3.7	4.4	2.9	3.8	2.3	3.9	2.7	4.3	1.4
		Chain-linked volumes. quarter-on-quarter percentage changes								
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	1.0	5.8	1.4	1.9	0.9	0.7	-0.7	1.2	1.5
	II	1.0	-2.1	1.0	1.5	0.5	1.2	-0.1	1.5	-1.0
	III	0.7	1.5	0.1	-0.1	-1.6	1.0	1.6	0.9	1.4
	IV	0.9	-0.7	0.3	0.5	2.6	0.9	1.8	0.7	-0.5
		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
2024		1,452	2.8	15.6	11.7	5.8	75.8	17.3	58.5	9.7

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2019=100

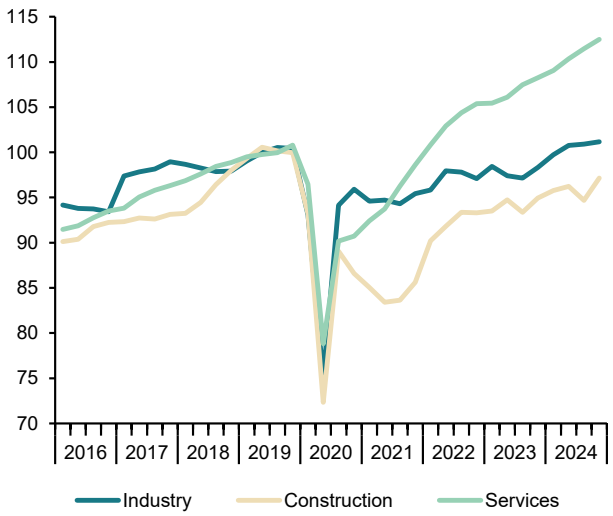


Chart 2.2 - GVA. Industry

Level, 2019=100

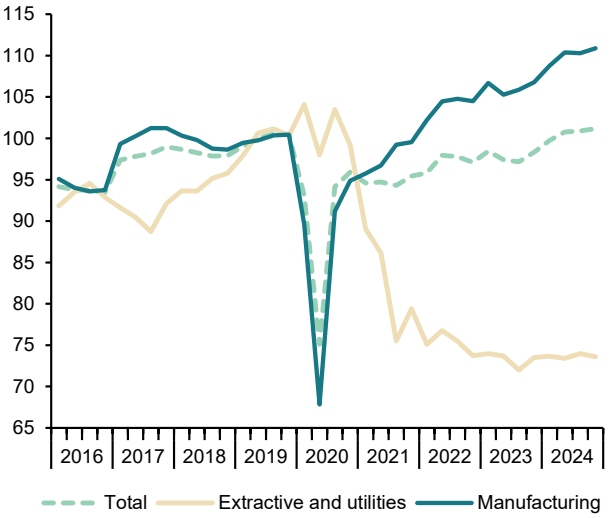


Chart 2.3 - GVA, services

Level, 2019=100

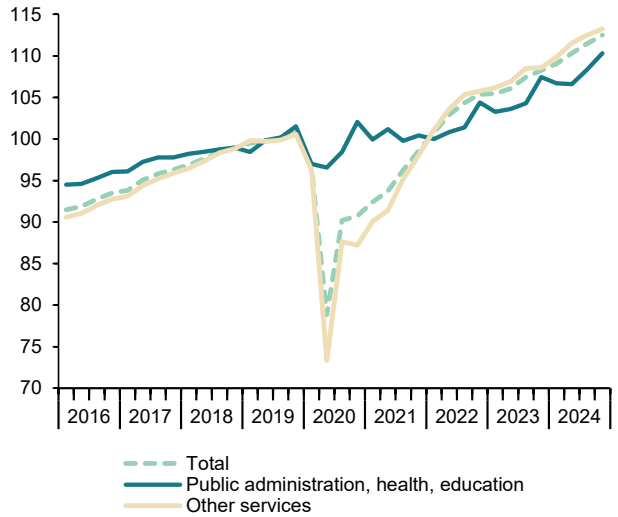


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

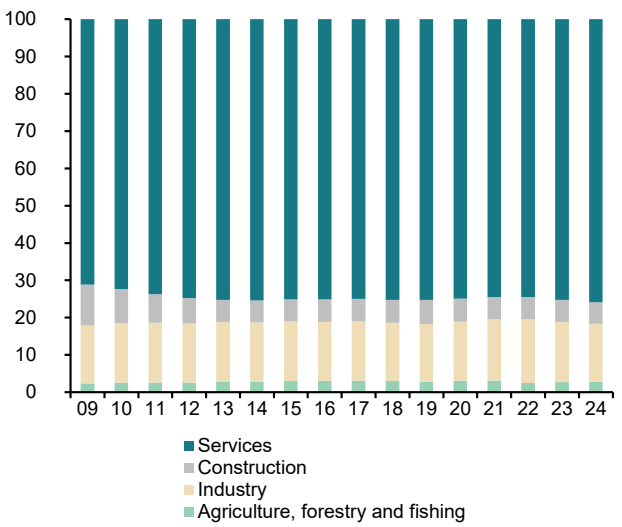


Table 3

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	97.8	94.1	91.6	102.7	98.6	96.0	98.5
2017		95.8	95.9	99.8	94.2	94.4	96.8	100.5	96.4	104.3	98.1	94.0	97.5
2018		98.1	98.3	99.8	95.6	95.8	97.2	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	104.4	97.8	94.1	104.0	109.2	105.0	99.0
2022		100.9	100.0	100.9	111.3	110.3	101.5	104.0	97.0	107.2	112.4	104.8	96.9
2023		103.6	102.0	101.5	118.9	117.1	101.5	106.1	98.4	107.9	118.2	109.6	95.6
2024		106.9	104.0	102.8	125.4	122.0	102.0	110.1	99.6	110.5	124.7	112.9	96.9
2025		109.5	106.2	103.6	128.4	124.6	101.8	--	--	--	--	--	--
2023	I	102.9	101.5	101.3	115.5	114.0	99.2	106.7	99.8	106.9	115.1	107.6	92.0
	II	103.1	101.0	102.1	118.4	116.0	101.3	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	101.4	106.8	98.7	108.1	120.7	111.6	97.9
2024	I	105.6	102.6	103.0	123.9	120.3	101.0	108.7	98.2	110.7	122.9	111.0	93.7
	II	106.5	103.6	102.8	124.5	121.0	101.9	110.4	99.4	111.0	124.3	112.0	96.1
	III	107.4	104.0	103.3	126.5	122.5	102.2	110.3	99.0	111.5	126.7	113.7	98.0
	IV	108.2	105.9	102.2	126.9	124.2	102.7	110.9	101.9	108.8	125.0	114.9	99.9
		Annual percentage changes											
2016		3.0	2.8	0.2	-0.6	-0.8	-1.2	2.3	3.5	-1.1	0.1	1.3	0.5
2017		2.9	2.1	0.7	1.0	0.3	-1.0	6.8	5.2	1.6	-0.6	-2.1	-1.1
2018		2.4	2.5	-0.1	1.5	1.6	0.4	-1.1	1.6	-2.7	1.4	4.2	2.5
2019		2.0	1.7	0.2	4.6	4.4	2.9	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	-0.8	13.9	3.1	10.4	2.2	-7.4	-7.1
2022		6.2	4.8	1.4	3.3	1.9	-2.7	6.3	3.1	3.1	2.9	-0.2	-2.2
2023		2.7	2.0	0.6	6.9	6.2	0.0	2.1	1.5	0.6	5.2	4.6	-1.4
2024		3.2	1.9	1.3	5.5	4.2	0.4	3.7	1.2	2.4	5.5	3.0	1.4
2025		2.4	2.1	0.8	2.4	2.1	-0.1	--	--	--	--	--	--
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	2.7	1.1	1.6	7.3	5.5	1.8	1.9	-1.6	3.5	6.7	3.1	1.8
	II	3.3	2.6	0.7	5.1	4.3	0.6	4.8	3.8	1.0	4.0	3.0	1.8
	III	3.5	1.3	2.1	5.6	3.4	-0.2	4.2	-0.3	4.5	7.7	3.0	3.1
	IV	3.5	2.8	0.7	4.2	3.5	1.4	3.8	3.2	0.6	3.6	2.9	2.0

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2019=100

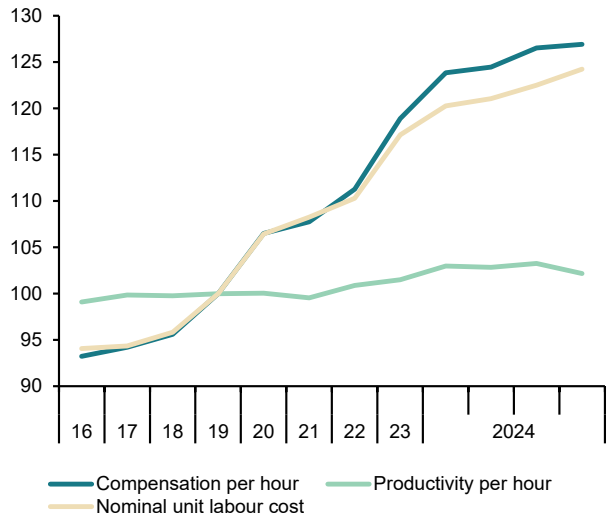
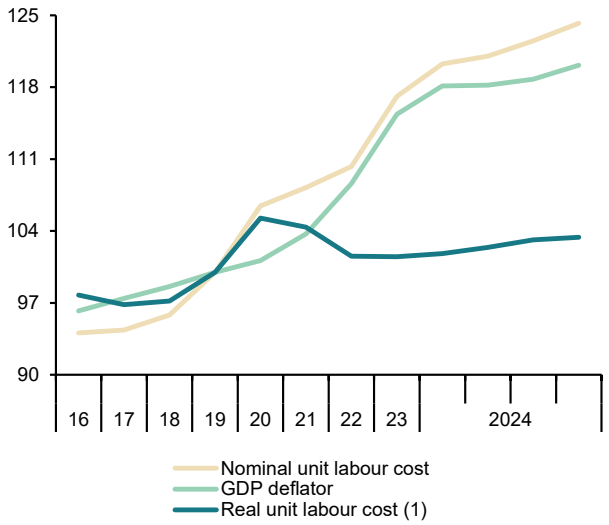


Chart 3.2 - Real ULC, total economy

Index, 2019=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2019=100

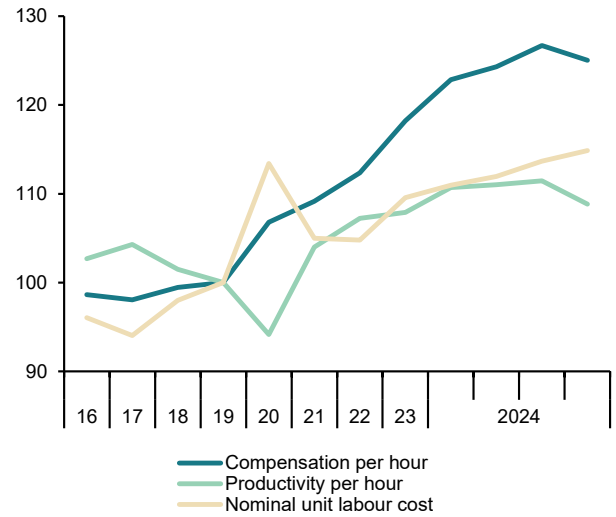
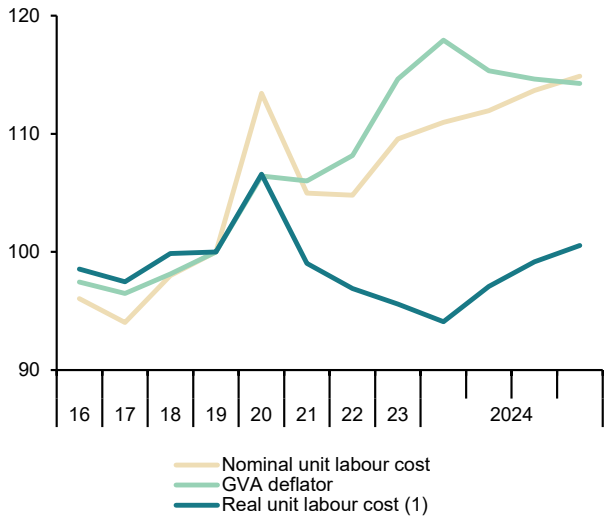


Chart 3.4 - Real ULC, manufacturing industry

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		1,593.1	770.9	666.7	1,578.9	1,200.5	378.5	323.7	48.4	41.9	23.8	20.3	3.2	4.2
2025		1,668.3	804.6	696.2	1,651.6	1,263.2	388.4	340.2	48.2	41.7	23.3	20.4	2.9	3.8
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	1,519.5	730.1	644.9	1,500.2	1,144.0	356.2	316.4	48.0	42.4	23.4	20.8	2.6	3.7
	II	1,544.1	743.7	654.7	1,524.0	1,162.6	361.4	318.7	48.2	42.4	23.4	20.6	2.8	4.0
	III	1,568.3	756.8	664.3	1,548.6	1,181.1	367.5	320.5	48.3	42.4	23.4	20.4	3.0	4.2
	IV	1,593.1	770.9	666.7	–	1,200.5	–	323.7	48.4	41.9	–	20.3	–	–
		Annual percentage changes							Difference from one year ago					
2016		3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017		4.2	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		6.3	7.7	4.3	6.7	6.7	6.8	2.9	0.6	-0.8	0.1	-0.7	0.5	0.5
2025		4.7	4.4	4.4	4.6	5.2	2.6	5.1	-0.2	-0.1	-0.5	0.1	-0.3	-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	7.2	1.4	0.5	-0.7	-0.1	-1.3	1.2	1.3
	II	7.0	8.6	5.1	6.6	6.7	6.0	1.8	0.7	-0.8	-0.2	-1.1	0.8	1.1
	III	6.7	8.1	4.6	6.5	6.8	5.5	2.6	0.6	-0.8	-0.3	-0.8	0.5	0.8
	IV	6.3	7.7	4.3	–	6.7	–	2.9	0.6	-0.8	–	-0.7	–	–

(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

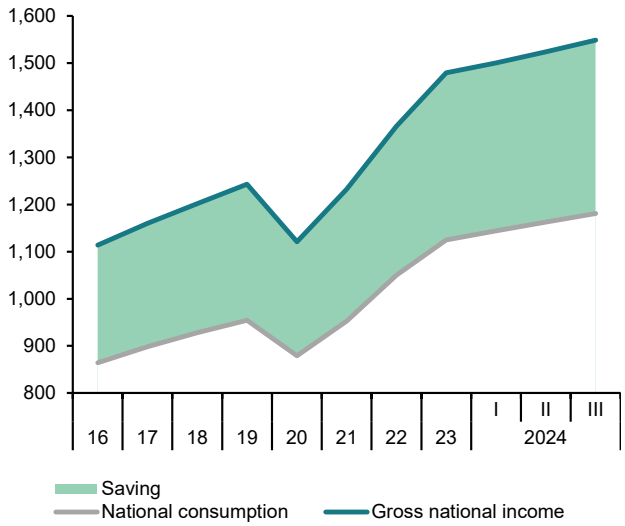


Chart 4.2 - National income, consumption and saving rate

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

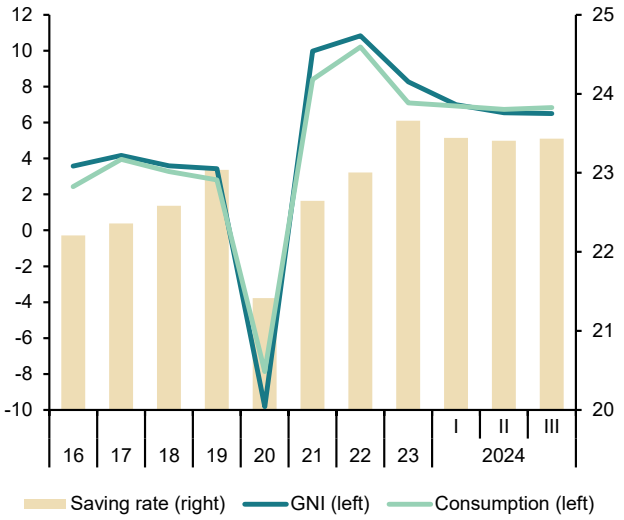


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

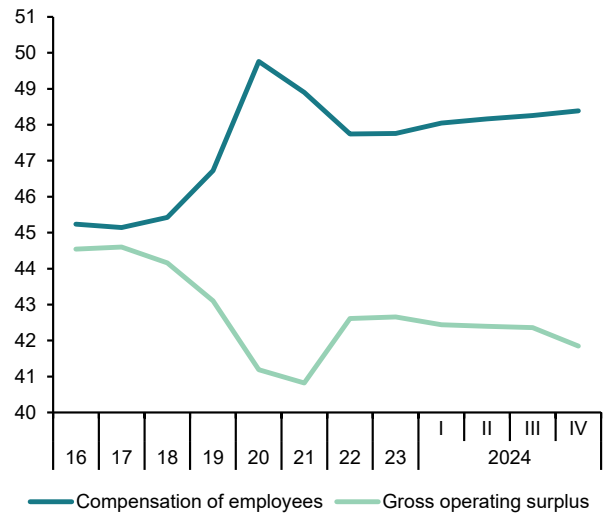


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

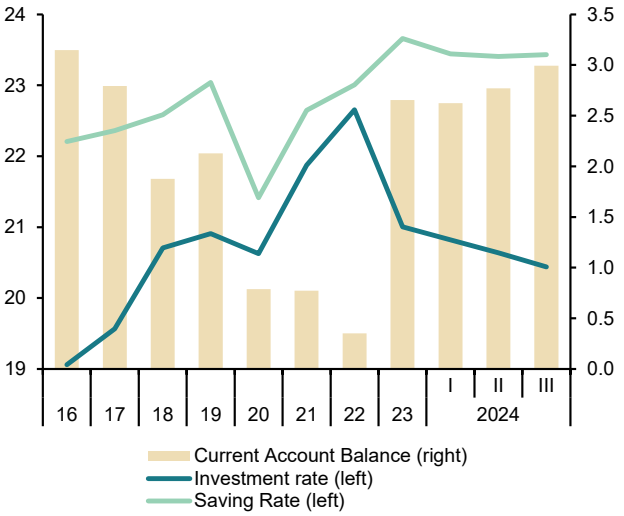


Table 5

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		1,028.6	885.4	142.3	77.1	13.8	4.8	4.0	302.1	197.8	193.3	12.4	12.1	0.7
2025		1,067.7	936.0	130.8	82.5	12.2	4.9	2.8	311.0	210.1	204.9	12.6	12.3	0.7
2022	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	968.2	844.2	123.5	69.7	12.8	4.6	3.4	306.8	212.5	194.1	14.0	12.8	1.6
	II	991.3	858.1	133.2	72.4	13.4	4.7	3.9	305.0	203.2	193.3	13.2	12.5	1.1
	III	1,009.4	871.8	138.3	74.2	13.7	4.7	4.0	306.3	203.6	193.0	13.0	12.3	1.2
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.6	5.6	6.1	0.4	0.3	-0.1
2017		3.0	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		8.8	6.6	25.1	14.0	1.8	0.3	1.0	-3.3	-9.4	-1.0	-2.2	-0.9	-1.3
2025		3.8	5.7	-8.1	7.0	-1.6	0.1	-1.2	3.0	6.2	6.0	0.2	0.2	0.0
2022	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	11.0	6.8	54.9	12.8	3.6	0.2	2.3	-0.1	-7.3	-4.0	-2.3	-1.6	-1.0
	II	10.2	6.7	42.3	17.3	3.0	0.4	1.8	-3.1	-11.9	-5.2	-2.8	-1.6	-1.4
	III	9.5	7.0	30.6	18.3	2.2	0.5	1.2	-2.8	-10.1	-3.9	-2.4	-1.3	-1.2

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

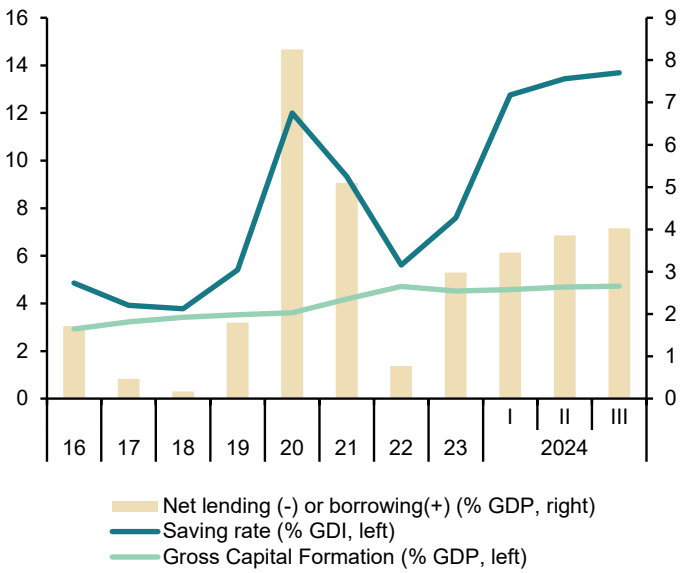


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

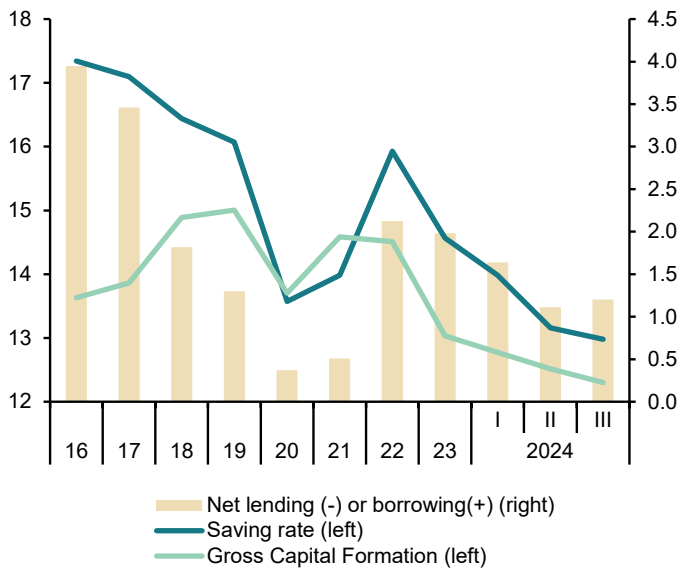


Table 6

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		177.4	196.8	210.7	69.8	654.8	173.2	88.0	40.9	312.9	50.0	39.9	705.0	-50.2
2025		188.9	207.5	218.7	71.5	686.6	180.1	96.8	43.6	328.2	50.4	35.1	734.3	-47.7
2022	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	80.1	633.9	165.3	87.7	37.1	297.1	57.8	44.6	689.6	-55.6
	II	170.6	191.1	203.5	81.7	646.8	167.0	88.6	37.9	302.4	57.6	43.9	697.5	-50.7
	III	172.8	194.1	207.4	83.6	657.9	170.3	89.9	39.0	306.5	58.9	43.0	707.7	-49.8
		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		11.1	12.3	13.2	4.4	41.1	10.9	5.5	2.6	19.6	3.1	2.5	44.2	-3.1
2025		11.3	12.4	13.1	4.3	41.2	10.8	5.8	2.6	19.7	3.0	2.1	44.0	-2.9
2022	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	3.7	2.8	45.2	-3.3
	III	11.0	12.4	13.2	5.3	42.0	10.9	5.7	2.5	19.5	3.8	2.7	45.1	-3.2

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

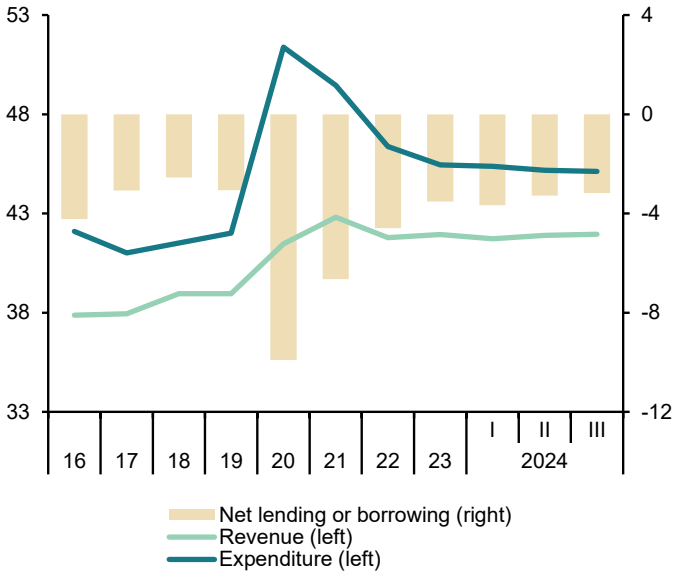


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

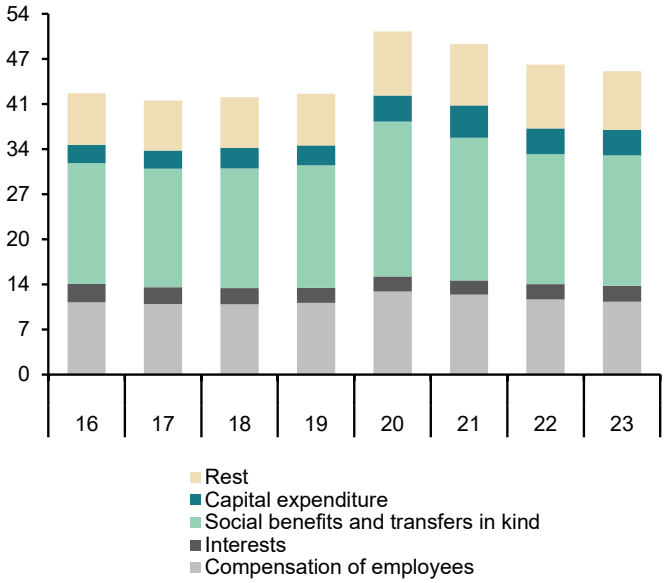


Table 7

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		--	--	--	--	-50.2	--	--	--	--	1,628.5
2025		--	--	--	--	-47.7	--	--	--	--	1,679.2
2022	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	-16.8	-1.9	-6.1	-55.6	1,476.2	328.9	23.1	116.2	1,614.7
	II	-25.9	-15.9	-1.2	-7.7	-50.7	1,485.1	337.5	23.5	116.2	1,626.1
	III	-38.6	-3.8	2.4	-9.8	-49.8	1,504.4	333.2	23.1	116.2	1,636.1
		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	--	--	--	--	102.2
2025		--	--	--	--	-2.9	--	--	--	--	100.7
2022	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	-1.0	-0.1	-0.5	-3.3	96.2	21.9	1.5	7.5	105.3
	III	-2.5	-0.2	0.2	-0.6	-3.2	95.9	21.2	1.5	7.4	104.2

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

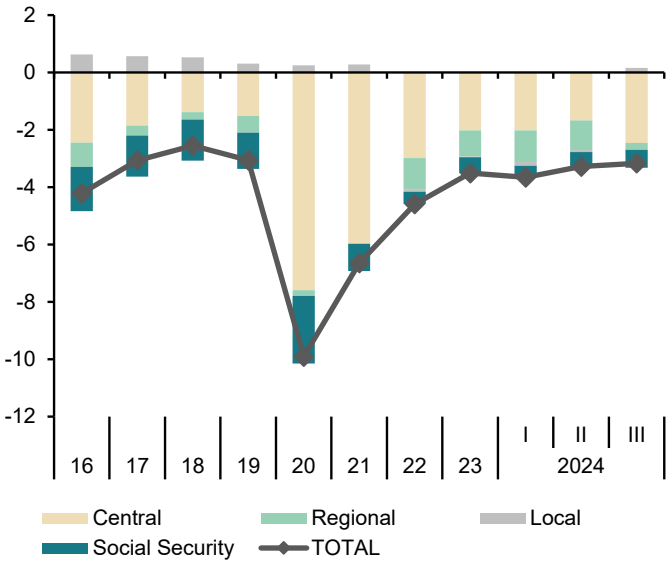


Chart 7.2 - Government debt

Percent of GDP

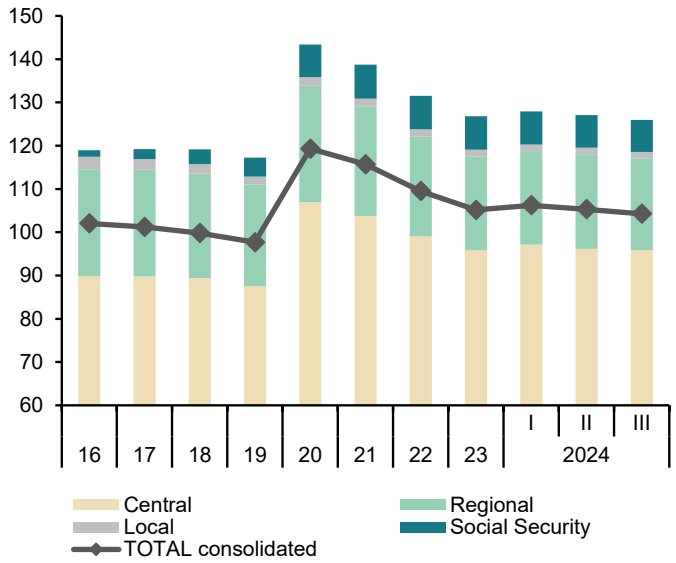


Table 8

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	105.2	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)	103.1	54.8	20,700.7	19.5	99.2	2,402.6	52.2	-4.9	97.8	-9.7
2023 I	100.2	55.2	19,972.2	19.2	98.4	2,347.4	50.1	-4.6	98.3	-9.0
II	101.3	54.7	20,151.9	19.0	97.7	2,357.5	48.5	-5.3	97.9	-7.1
III	100.8	50.1	20,269.8	19.1	97.5	2,369.6	47.4	-8.3	97.4	-13.7
IV	100.3	50.1	20,376.1	19.4	97.5	2,380.1	45.8	-8.0	97.4	-13.9
2024 I	102.4	53.6	20,510.0	19.5	98.0	2,390.0	50.7	-5.2	97.0	-9.4
II	102.7	56.0	20,643.8	19.3	97.8	2,396.3	52.9	-5.5	97.1	-9.7
III	105.5	54.4	20,757.3	19.5	97.8	2,406.1	51.5	-2.9	97.3	-9.8
IV (b)	101.6	55.0	20,890.8	19.5	98.1	2,418.1	53.6	-5.9	97.8	-10.0
2024 Oct	100.0	55.2	20,849.0	19.6	98.5	2,413.0	54.5	-7.9	97.3	-13.9
Nov	102.0	53.2	20,889.7	19.4	97.7	2,418.1	53.1	-5.2	98.2	-9.7
Dec	102.9	56.8	20,933.7	19.6	--	2,423.2	53.3	-4.5	--	-6.5
					Percentage changes (c)					
2016	--	--	3.1	0.3	1.8	2.8	--	--	2.6	--
2017	--	--	3.7	1.7	2.9	3.1	--	--	4.5	--
2018	--	--	3.2	0.6	0.6	2.7	--	--	2.0	--
2019	--	--	2.6	-2.6	0.6	1.4	--	--	0.0	--
2020	--	--	-2.1	-4.8	-9.3	-1.9	--	--	-10.1	--
2021	--	--	2.5	2.2	7.3	1.4	--	--	7.0	--
2022	--	--	4.0	-3.8	2.5	2.4	--	--	3.1	--
2023	--	--	2.7	-1.9	-1.6	1.7	--	--	-1.6	--
2024 (d)	--	--	2.5	1.4	0.3	1.6	--	--	-0.2	--
2023 I	--	--	0.7	1.6	-0.3	0.4	--	--	-0.5	--
II	--	--	0.9	-1.2	-0.7	0.4	--	--	-0.3	--
III	--	--	0.6	0.7	-0.1	0.5	--	--	-0.6	--
IV	--	--	0.5	1.3	0.0	0.4	--	--	0.0	--
2024 I	--	--	0.7	0.4	0.5	0.4	--	--	-0.4	--
II	--	--	0.7	-0.8	-0.2	0.3	--	--	0.2	--
III	--	--	0.6	0.8	0.0	0.4	--	--	0.2	--
IV (e)	--	--	0.6	0.4	0.4	0.5	--	--	0.5	--
2024 Oct	--	--	0.2	0.4	0.5	0.1	--	--	-1.3	--
Nov	--	--	0.2	-1.1	-0.8	0.2	--	--	0.9	--
Dec	--	--	0.2	1.2	--	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

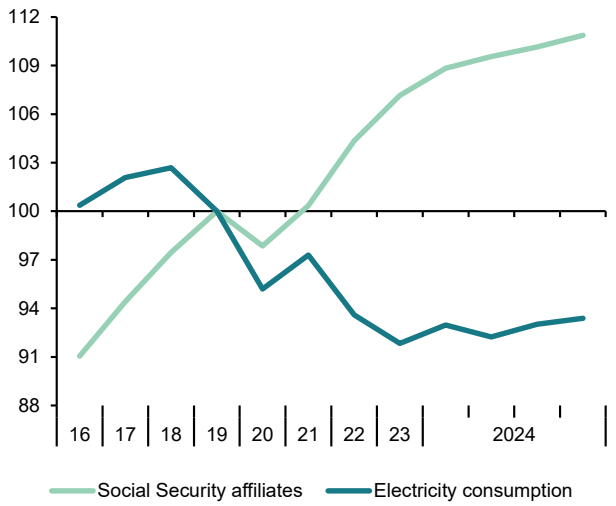


Chart 8.2 - General activity indicators (II)

Index

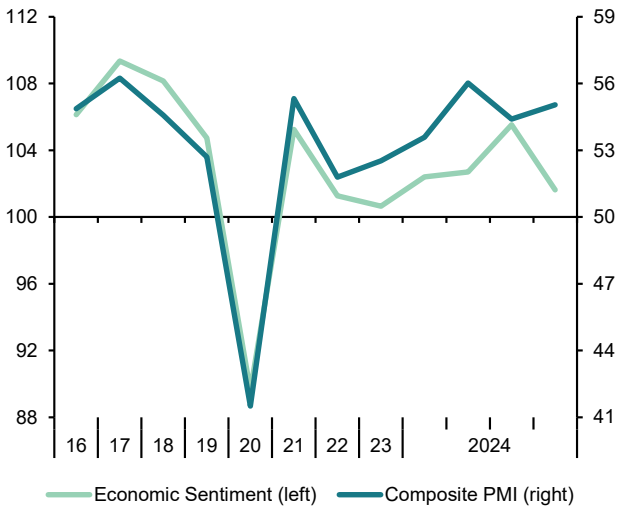


Chart 8.3 - Industrial sector indicators (I)

Level, 2019=100

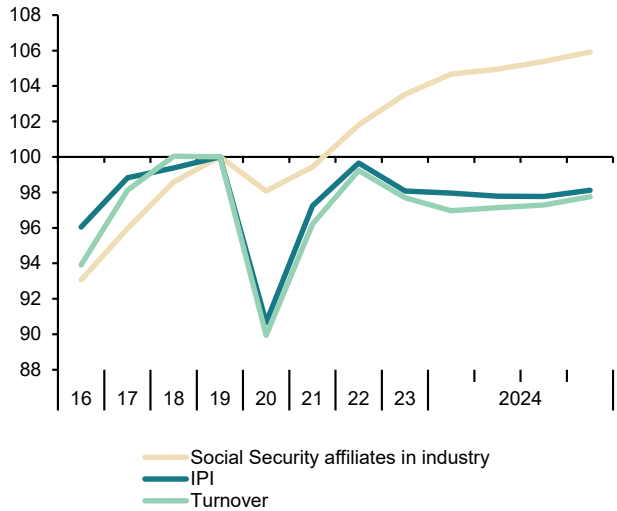


Chart 8.4 - Industrial sector indicators (II)

Index

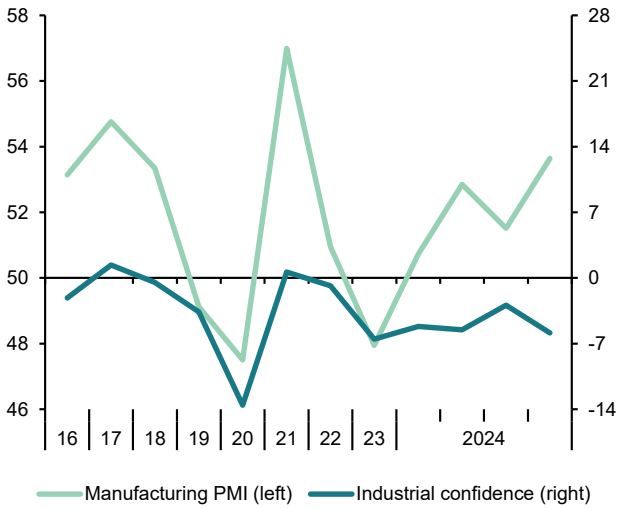


Table 9

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	-17.4	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	8.9	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)	1,410.4	96.0	7.8	2.4	1.9	15,852.0	105.5	55.3	30.3	25.7	17.0
2023 I	1,374.3	98.0	3.4	2.0	1.7	15,193.5	104.1	56.3	28.5	22.8	10.0
II	1,382.1	95.6	12.9	2.5	1.7	15,358.5	104.0	56.0	28.6	23.1	14.4
III	1,386.6	95.0	5.9	2.3	1.5	15,460.2	102.5	50.8	29.0	23.8	15.8
IV	1,396.3	92.7	12.7	2.2	1.7	15,557.4	105.8	51.2	29.5	24.5	15.5
2024 I	1,403.1	94.4	5.6	2.2	1.8	15,680.3	106.6	54.3	30.0	25.0	17.1
II	1,402.5	93.5	9.7	2.3	1.9	15,806.9	106.2	56.6	30.4	25.6	15.5
III	1,412.3	94.3	6.8	2.6	1.8	15,906.2	106.1	55.2	30.2	26.0	18.3
IV (b)	1,424.3	96.2	9.1	2.3	2.1	16,012.7	108.0	55.1	30.4	26.3	--
2024 Oct	1,418.9	97.2	14.4	2.1	2.1	15,984.3	108.0	54.9	30.7	26.2	--
Nov	1,423.4	95.2	8.6	2.5	--	16,012.6	108.1	53.1	30.4	26.3	--
Dec	1,430.7	--	4.4	--	--	16,041.3	--	57.3	30.2	26.4	--
				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	--	-23.5	-19.8	-2.3	-16.4	--	-73.1	-72.7	--
2021	4.5	12.1	--	68.6	22.7	2.8	14.3	--	87.4	57.8	--
2022	3.5	-0.4	--	28.1	1.2	4.9	7.1	--	85.4	103.4	--
2023	3.8	-3.7	--	-3.5	-0.6	3.1	1.4	--	8.2	16.3	--
2024 (d)	1.9	-1.0	--	8.7	12.2	3.0	2.7	--	4.9	9.3	--
2023 I	1.3	-0.7	--	17.9	-3.7	0.8	0.0	--	2.5	3.3	--
II	0.6	-2.5	--	14.5	12.2	1.1	-0.1	--	0.5	1.1	--
III	0.3	-0.6	--	-4.7	0.8	0.7	-1.5	--	1.5	3.4	--
IV	0.7	-2.4	--	-27.8	-9.1	0.6	3.3	--	1.7	2.7	--
2024 I	0.5	1.8	--	10.9	3.4	0.8	0.8	--	1.5	2.1	--
II	0.0	-1.0	--	-8.5	17.1	0.8	-0.4	--	1.5	2.5	--
III	0.7	0.8	--	15.5	18.1	0.6	-0.1	--	-0.6	1.3	--
IV (e)	0.9	2.0	--	28.7	9.0	0.7	1.8	--	0.7	1.2	--
2024 Oct	0.2	1.7	--	26.5	9.0	0.3	0.6	--	1.1	0.3	--
Nov	0.3	-2.0	--	30.9	--	0.2	0.1	--	-1.0	0.3	--
Dec	0.5	--	--	--	--	0.2	--	--	-0.5	0.5	--

(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

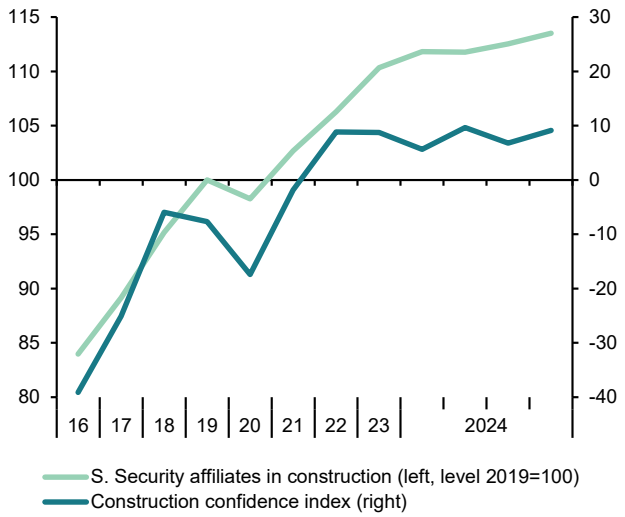


Chart 9.2 - Construction indicators (II)

Level, 2019=100

Chart 9.3 - Services indicators (I)

Level, 2019=100

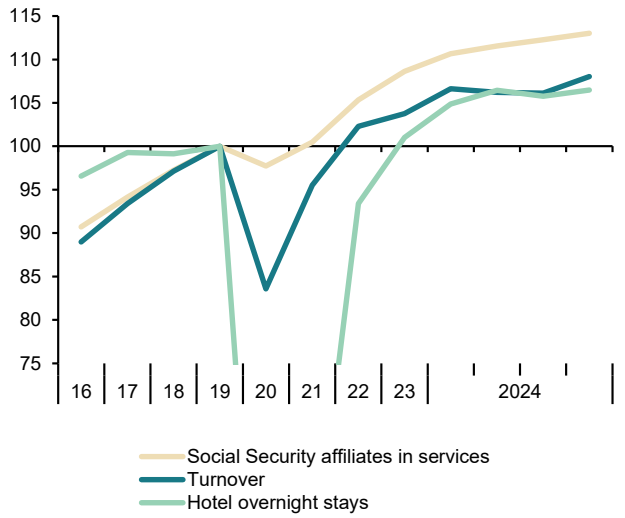


Chart 9.4 - Services indicators (II)

Index

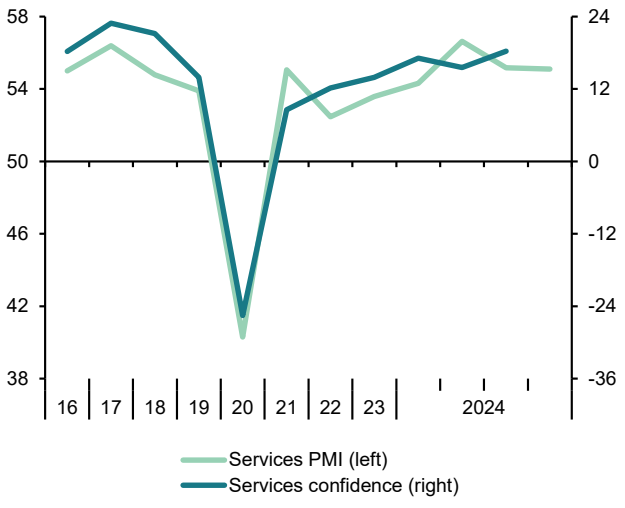


Table 10

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	-6.7	104.1	18.0	17.9	122.2	121.9
2024 (b)	102.0	94.3	-15.1	10.2	-10.0	106.0	19.6	4.2	124.4	120.6
2023 I	101.2	85.4	-22.5	10.2	-5.7	102.7	16.5	25.8	123.9	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	121.3	118.2
IV	102.6	96.3	-19.1	10.1	-6.8	105.3	18.9	9.4	120.1	121.7
2024 I	102.4	89.1	-17.2	10.1	-7.2	105.7	19.4	6.2	120.5	119.9
II	103.0	92.0	-14.4	10.2	-10.7	106.5	18.2	10.1	122.6	122.8
III	104.4	91.8	-13.6	10.0	-8.0	108.6	17.4	-0.7	127.1	119.9
IV (b)	104.9	108.2	--	10.2	-14.3	108.8	19.8	1.1	131.6	125.9
2024 Oct	105.2	115.9	--	10.2	-13.3	109.7	21.8	-2.7	130.8	124.9
Nov	104.6	103.1	--	10.3	-10.8	107.9	18.7	3.9	132.5	126.8
Dec	--	105.7	--	10.1	-18.7	--	19.0	2.1	--	--
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)	1.5	8.8	--	0.2	--	3.4	9.2	--	1.8	0.5
2023 I	1.4	0.1	--	0.4	--	-1.1	6.8	--	4.6	52.8
II	1.3	-2.9	--	-0.7	--	3.4	-3.3	--	-1.8	-0.4
III	-0.8	3.6	--	-0.2	--	5.9	5.2	--	-6.3	-16.6
IV	0.8	12.1	--	-0.2	--	1.1	12.3	--	-4.1	12.2
2024 I	-0.2	-7.4	--	0.2	--	1.5	2.6	--	1.3	-5.7
II	0.6	3.2	--	0.7	--	3.0	-5.9	--	7.4	10.0
III	1.3	-0.2	--	-1.7	--	8.3	-4.5	--	15.6	-9.2
IV (e)	0.5	17.9	--	1.9	--	0.8	14.0	--	14.9	21.4
2024 Oct	0.0	10.3	--	0.8	--	-0.1	14.9	--	1.4	-1.2
Nov	-0.6	-11.0	--	1.0	--	-1.7	-14.3	--	1.3	1.5
Dec	--	2.5	--	-1.6	--	--	1.4	--	--	--

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

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

Chart 10.1 - Consumption indicators

Level, 2019=100 and balance of responses

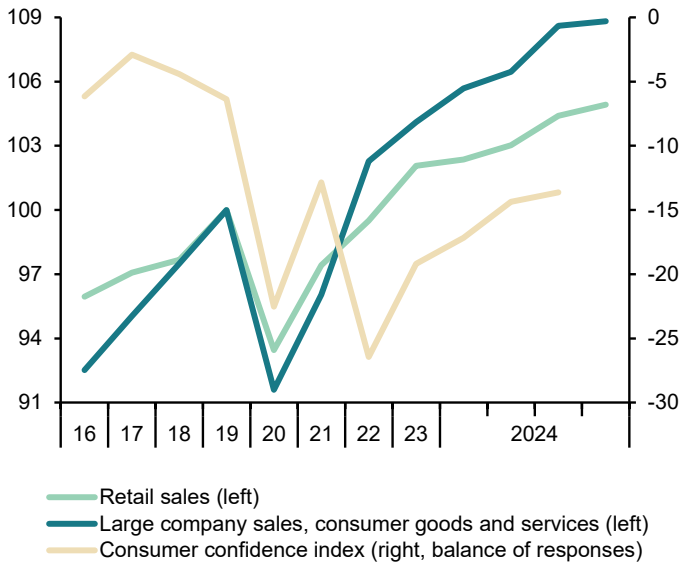


Chart 10.2 - Investment indicators

Level, 2019=100 and balance of responses

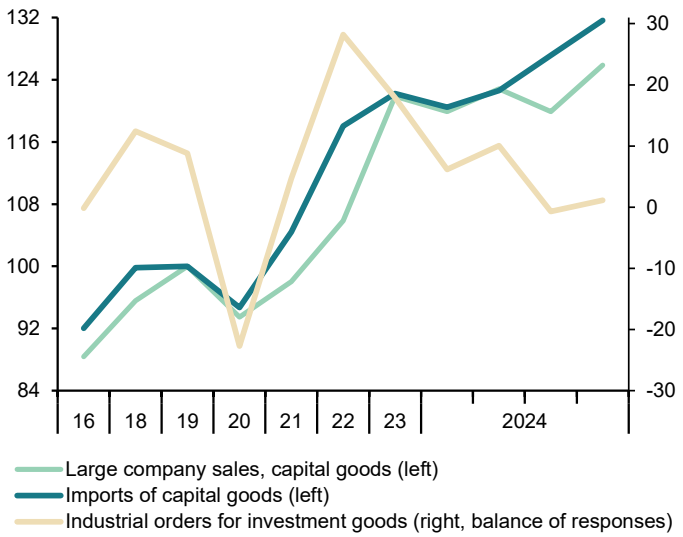


Table 11a

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		41.6	24.4	--	21.7	--	2.8	--	75.9	67.2	11.3	26.5	10.3	16.7
2025		42.1	24.7		22.0		2.7		75.8	--	10.8	--	--	--
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	66.8	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	66.8	11.9	28.6	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	27.0	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	2.7	75.8	67.2	11.2	26.8	10.3	15.7
	IV	41.8	24.5	24.5	21.9	21.9	2.6	2.6	75.7	67.5	10.8	25.2	9.6	15.8
		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	1.3	--	2.2	--	-5.7	--	0.1	0.7	-0.8	-6.0	-2.9	-3.4
2025		1.2	1.1	--	1.7	--	-3.5	--	-0.1	--	-0.5	--	--	--
2023	I	1.6	1.7	0.9	2.2	1.2	-0.9	-0.7	0.0	0.5	-0.6	-0.6	-0.3	-1.2
	II	1.5	2.0	0.8	3.2	1.4	-6.2	-3.5	0.4	1.1	-0.9	-0.9	-0.9	-1.9
	III	1.5	2.4	0.6	3.4	0.6	-4.3	-0.1	0.8	1.4	-0.9	-2.2	-0.7	-2.0
	IV	1.5	2.2	0.2	3.6	0.4	-7.2	-1.4	0.9	1.6	-1.0	-0.4	-1.2	-1.7
2024	I	1.4	1.7	0.3	3.0	0.5	-6.5	-1.3	0.5	1.2	-1.0	-2.1	-1.1	-1.4
	II	1.5	1.6	0.3	2.0	0.4	-1.9	-0.6	0.1	0.5	-0.6	-1.9	-0.5	-0.3
	III	1.4	1.0	0.0	1.8	0.4	-4.9	-3.0	-0.2	0.4	-0.8	-1.7	-0.7	-0.9
	IV	1.4	0.8	0.3	2.2	0.8	-9.3	-3.6	-0.2	0.7	-1.1	-3.4	-1.2	-1.4

(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

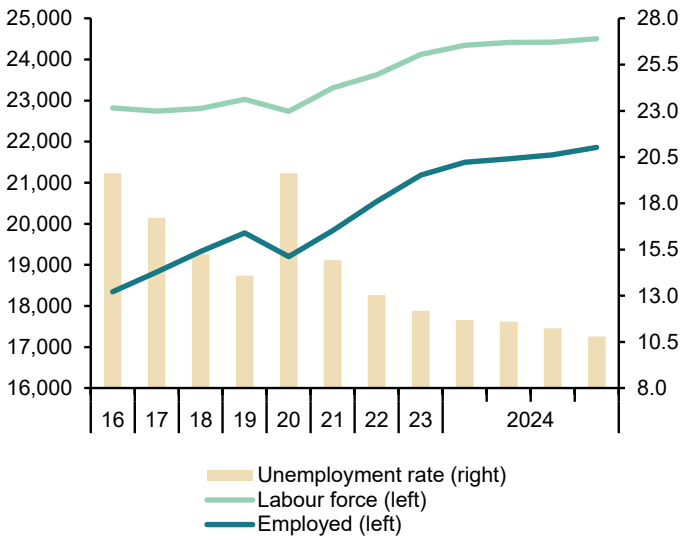


Chart 11a.2 - Unemployment rates

Percentage

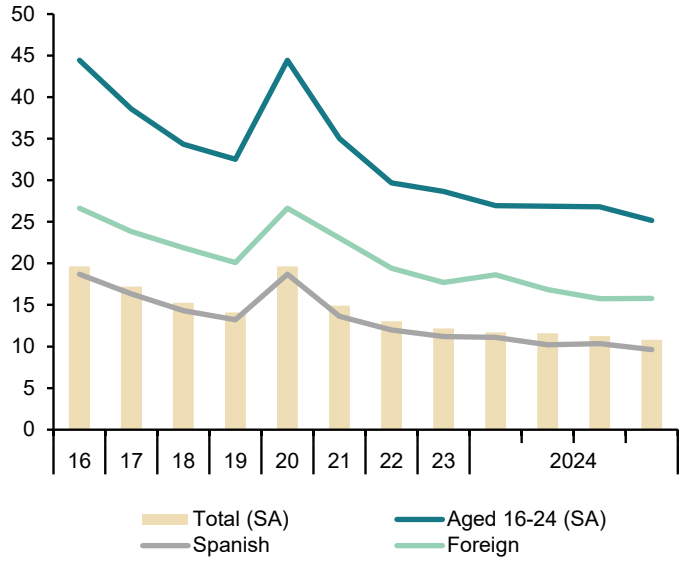


Table 11b

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)											(b)
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		0.75	2.89	1.46	16.55	18.44	2.93	15.51	15.9	3.21	18.72	2.93	13.55
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
	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		-2.0	2.6	4.7	2.2	2.7	-5.4	4.3	-1.4	-0.2	1.9	4.1	0.2
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
	IV	-7.1	1.9	3.1	2.6	2.5	-4.4	3.9	-1.1	0.4	1.6	6.2	0.5

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

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

Chart 11b.1 - Employment by sector (LFS)

Level, 2019=100

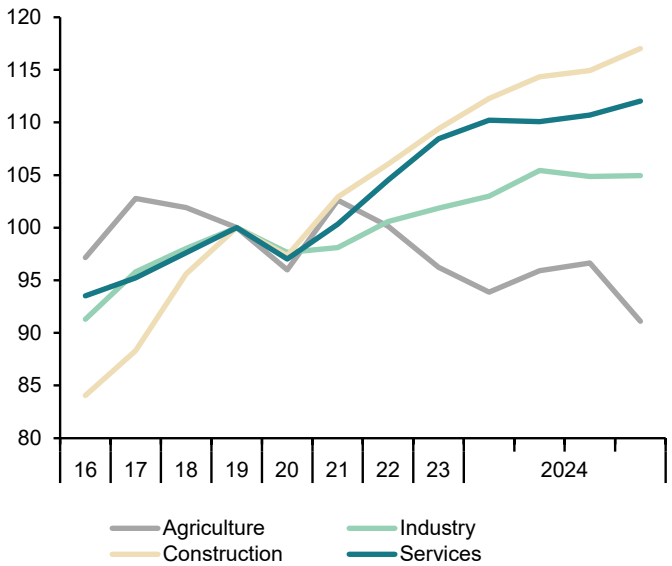


Chart 11b.2 - Temporary employment rate

Percentage over total employees

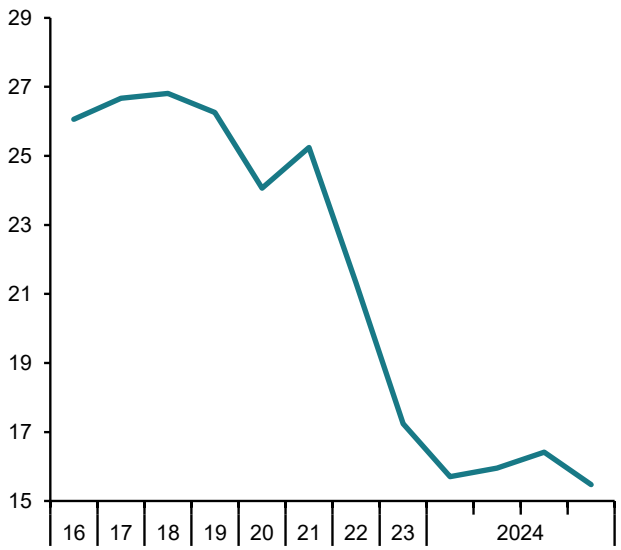


Table 12

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	114.7	109.4	111.6	128.6	125.2	108.1	127.5
2025		118.4	113.9	117.3	109.8	115.3	130.6	128.7	115.0	129.9
					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		2.8	2.7	2.9	0.7	3.5	3.7	3.3	1.0	3.6
2025		2.7	2.4	2.3	0.4	3.3	1.5	2.8	6.4	1.9
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	2.2
	Nov	2.4	2.5	2.4	0.5	3.3	2.4	1.1	2.9	2.0
	Dec	2.8	2.6	2.6	0.6	3.5	2.3	2.3	5.8	2.3
2025	Jan	3.0	2.6	2.4	0.3	3.6	1.7	2.8	8.2	2.0
	Feb	2.8	2.5	2.2	0.4	3.4	1.1	3.3	8.3	1.7
	Mar	2.6	2.4	2.2	0.4	3.3	1.2	3.2	5.5	1.8
	Apr	2.4	2.6	2.3	0.4	3.5	1.1	2.1	3.7	1.4
	May	2.4	2.4	2.2	0.4	3.4	1.3	2.8	4.1	1.7
	Jun	2.5	2.4	2.2	0.4	3.3	1.5	3.1	4.7	1.9
	Jul	2.7	2.4	2.3	0.2	3.4	1.8	3.2	5.5	2.2
	Aug	2.8	2.4	2.3	0.3	3.3	1.8	3.9	6.9	2.4
	Sep	3.1	2.5	2.4	0.5	3.4	2.0	3.4	9.8	2.4
	Oct	2.8	2.4	2.3	0.5	3.3	1.6	1.8	8.8	1.7
	Nov	2.6	2.4	2.2	0.5	3.2	1.6	2.1	6.3	1.8
	Dec	2.4	2.2	2.1	0.4	3.1	1.7	1.9	5.1	1.7

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

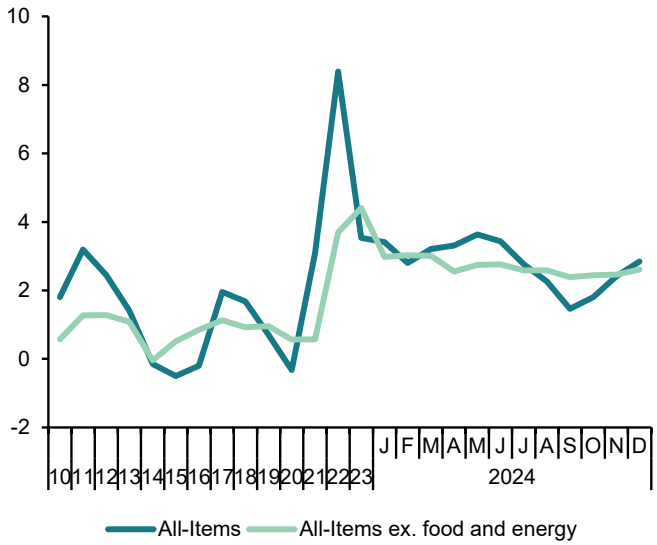


Chart 12.2 - Inflation rate (II)

Annual percentage changes

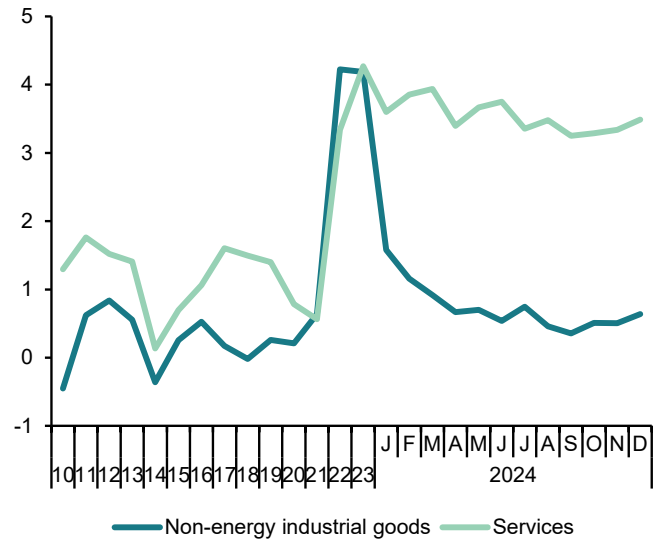


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		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)		118.8	139.7	126.4	126.6	115.4	103.8	116.5	115.3	119.7	116.6	--
2023	I	114.5	148.6	126.4	115.2	109.0	92.1	110.1	108.8	114.0	106.3	--
	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	118.1	138.3	126.5	122.5	113.7	104.1	114.5	112.8	119.1	111.0	--
	II	118.2	136.5	126.8	126.9	115.5	103.6	120.1	120.4	119.4	117.1	--
	III	118.8	141.2	126.4	130.4	117.0	--	114.8	112.8	120.7	121.7	--
	IV (b)	120.1	142.7	125.8	--	--	--	--	--	--	--	--
2024	Oct	--	139.6	126.3	--	--	--	--	--	--	--	--
	Nov	--	143.6	125.8	--	--	--	--	--	--	--	--
	Dec	--	144.8	125.4	--	--	--	--	--	--	--	--
		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	1.9	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)		3.0	-3.7	0.3	7.4	5.3	10.4	4.1	4.0	4.6	4.7	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
	II	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	3.9	3.8	4.5	4.4	2.9
	II	3.2	-4.8	0.4	7.8	5.7	7.9	4.0	4.0	4.1	4.3	3.0
	III	3.3	-2.7	0.7	8.2	6.0	--	4.4	4.1	5.2	5.2	3.0
	IV (e)	2.3	-0.2	0.1	--	--	--	--	--	--	--	3.1
2024	Oct	--	-3.8	0.4	--	--	--	--	--	--	--	3.1
	Nov	--	1.2	0.2	--	--	--	--	--	--	--	3.1
	Dec	--	2.3	-0.2	--	--	--	--	--	--	--	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

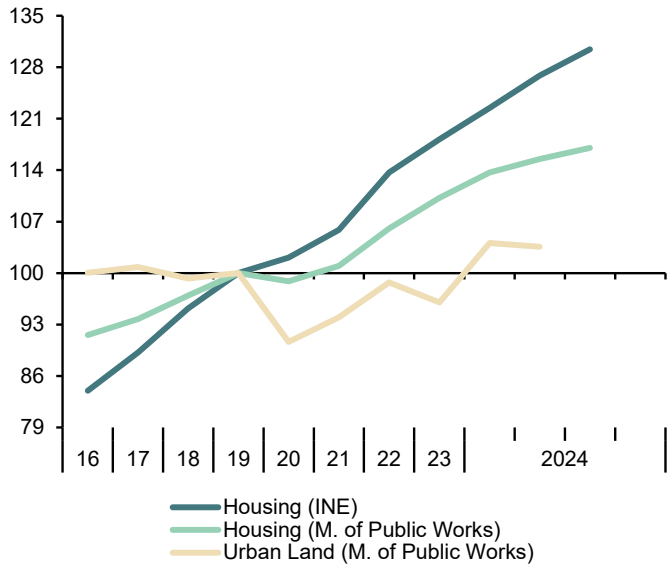


Chart 13.2 - Wage costs

Annual percent change

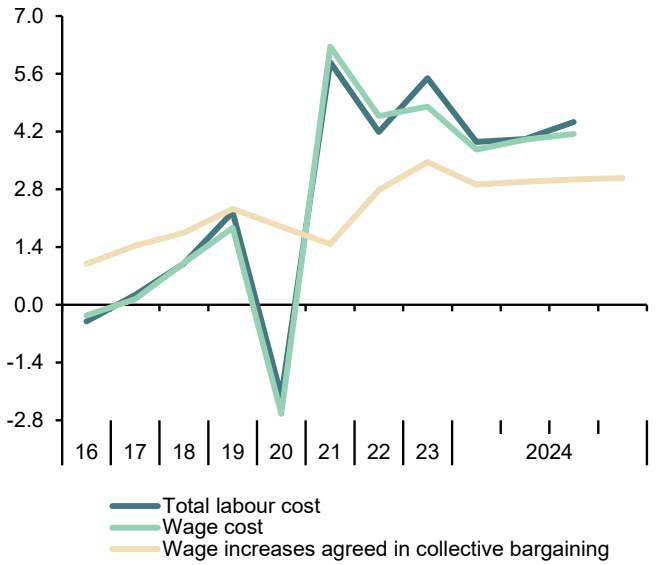


Table 14

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)		132.6	134.8	98.3	131.1	131.4	99.8	20.0	12.2	-3.3	-0.3	2.7
2022	IV	139.6	131.6	106.0	144.8	140.8	102.8	21.7	12.0	-5.0	-0.1	4.0
2023	I	141.9	134.3	105.7	136.7	135.4	100.9	21.5	12.8	-2.3	0.3	3.9
	II	129.6	132.5	97.8	129.6	128.6	100.8	19.7	11.6	-3.4	-0.7	2.2
	III	128.2	131.5	97.5	129.6	130.0	99.6	19.3	11.6	-3.7	-0.3	1.9
	IV	131.3	132.3	99.2	132.5	134.6	98.4	19.9	11.8	-3.8	-0.4	2.5
2024	I	131.8	133.0	99.0	128.8	132.6	97.2	19.8	12.0	-2.6	0.1	2.5
	II	133.6	135.7	98.5	130.3	130.9	99.5	19.9	12.3	-2.6	0.0	2.9
	III	133.0	135.0	98.5	131.1	131.4	99.8	20.1	12.0	-3.0	-0.1	2.9
2024	Sep	133.5	135.1	98.8	130.9	132.6	98.7	20.1	12.2	-2.8	-0.2	2.9
	Oct	135.0	137.1	98.4	134.3	130.3	103.1	20.1	12.5	-3.4	-0.1	2.4
	Nov	127.9	134.9	94.8	137.0	130.6	105.0	18.9	11.9	-5.8	-2.0	1.3
		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)		0.0	1.7	-1.7	-0.3	-0.3	0.0	0.0	2.2	--	--	--
2022	IV	0.6	1.5	-0.9	-3.3	0.3	-3.6	2.9	-3.2	-4.2	-0.1	3.4
2023	I	1.6	2.0	-0.4	-5.6	-3.8	-1.9	-0.9	6.1	-1.9	0.2	3.1
	II	-8.7	-1.3	-7.5	-5.2	-5.0	-0.2	-8.4	-9.1	-2.7	-0.6	1.8
	III	-1.0	-0.8	-0.3	0.0	1.1	-1.1	-1.9	0.3	-3.0	-0.3	1.5
	IV	2.4	0.6	1.8	2.3	3.5	-1.2	2.8	1.8	-2.9	-0.3	2.0
2024	I	0.4	0.5	-0.2	-2.8	-1.6	-1.3	-0.2	1.4	-2.0	0.1	1.9
	II	1.4	2.0	-0.6	1.1	-1.3	2.4	0.7	2.6	-2.0	0.0	2.2
	III	-0.4	-0.5	0.0	0.6	0.4	0.2	0.8	-2.5	-2.2	0.0	2.2
2024	Sep	-0.1	-0.6	0.5	-1.7	2.4	-4.0	-3.1	5.4	--	--	--
	Oct	1.1	1.5	-0.4	2.6	-1.8	4.5	0.1	2.6	--	--	--
	Nov	-5.2	-1.6	-3.6	2.0	0.2	1.8	-5.8	-4.3	--	--	--

(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

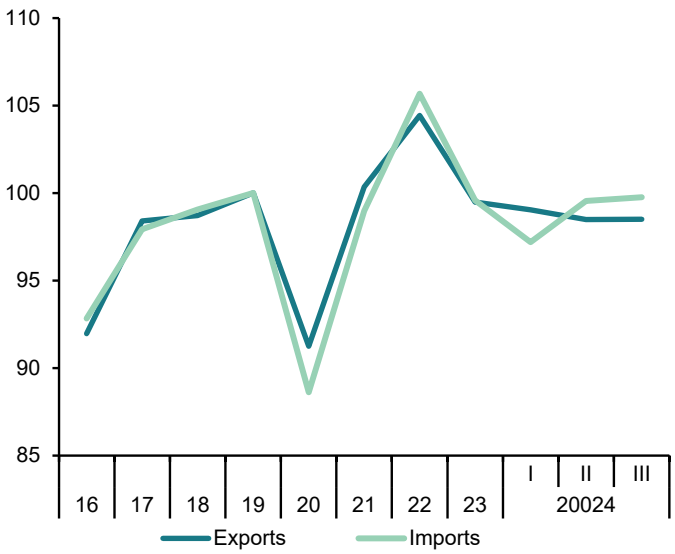


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

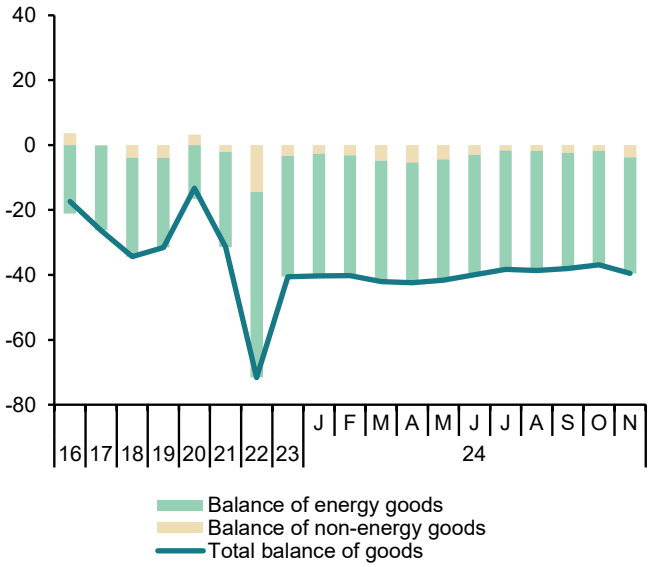


Table 15

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

		Current account					Capital account	Current and capital accounts	Financial account						
		Total	Goods	Services	Primary Income	Secondary Income			Financial account. excluding Bank of Spain					Bank of Spain	Errors and omissions
									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)		40.89	-21.60	79.40	-8.07	-8.84	8.64	49.53	88.65	12.41	-15.89	100.88	-8.75	-47.47	-8.35
2022	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	13.21	-6.04	27.43	-4.31	-3.88	3.57	16.78	61.61	6.77	21.30	35.82	-2.28	-36.18	8.65
	III	15.70	-9.96	32.44	-2.56	-4.23	3.71	19.41	-9.60	4.88	-23.57	13.04	-3.94	17.57	-11.43
			Goods and Services		Primary and Secondary Income										
2024	Aug	5.53	7.55		-2.02		1.35	6.88	-3.86	-3.20	-0.63	-0.09	0.06	9.58	-1.15
	Sep	3.56	5.13		-1.57		1.25	4.81	22.77	1.38	-17.76	43.01	-3.87	-22.02	-4.06
	Oct	4.93	7.18		-2.25		1.65	6.58	-15.00	5.82	7.84	-27.91	-0.75	26.96	5.38
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)		3.5	-1.8	6.8	-0.7	-0.8	0.7	4.2	7.6	1.1	-1.4	8.6	-0.7	-4.0	-0.7
2022	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	6.8	-1.1	-1.0	0.9	4.2	15.4	1.7	5.3	8.9	-0.6	-9.0	2.2
	III	4.0	-2.5	8.2	-0.6	-1.1	0.9	4.9	-2.4	1.2	-6.0	3.3	-1.0	4.5	-2.9

(a) Period with available quarterly data

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

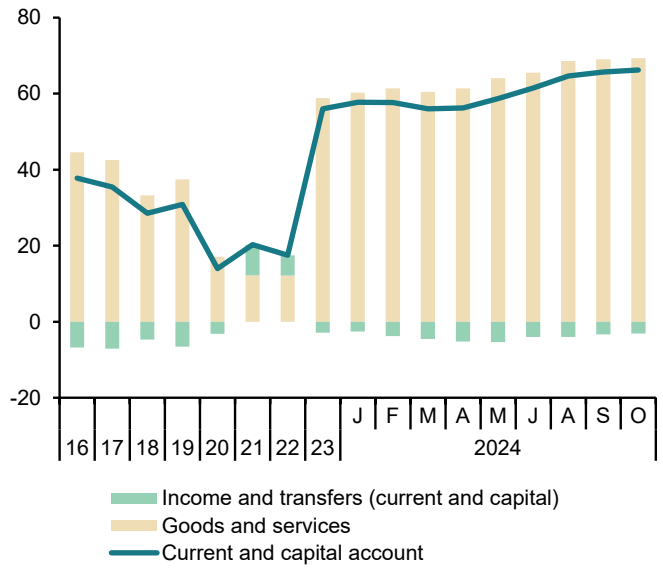


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

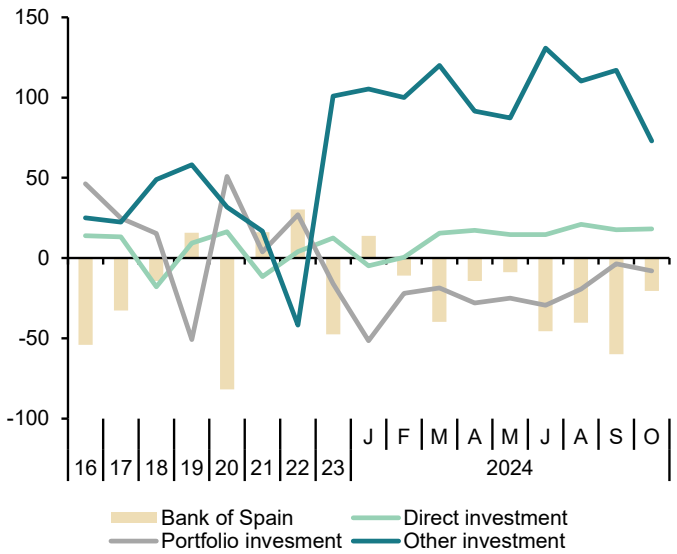


Table 16

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			2015=100			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)		--	--	--	123.3	126.1	97.8	122.1	120.9	101.0	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	106.0
2024	I	--	--	--	121.7	124.4	97.8	121.3	121.1	100.2	105.9
	II	--	--	--	124.0	126.3	98.2	120.3	120.1	100.1	106.5
	III	--	--	--	123.5	126.6	97.5	123.5	120.9	102.2	105.6
	IV	--	--	--	124.1	126.9	97.8	--	--	--	105.4
2024	Oct	--	--	--	123.9	127.1	97.5	122.6	121.0	101.3	105.4
	Nov	--	--	--	124.0	126.6	97.9	125.2	122.5	102.2	105.5
	Dec	--	--	--	124.5	127.1	98.0	--	--	--	--
		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	-2.9	-3.1	0.2	0.2
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	0.1
2024	I	--	--	--	3.2	2.6	0.6	-5.1	-5.8	0.7	-0.7
	II	--	--	--	3.6	2.5	1.1	-3.5	-2.8	-0.7	-0.3
	III	--	--	--	2.3	2.2	0.1	-1.6	-1.7	0.1	-1.3
	IV	--	--	--	2.4	2.2	0.2	--	--	--	-0.6
2024	Oct	--	--	--	1.8	2.0	-0.2	-2.5	-2.2	-0.3	-0.5
	Nov	--	--	--	2.4	2.2	0.2	1.2	-0.6	1.8	-0.7
	Dec	--	--	--	2.8	2.4	0.4	--	--	--	--

(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

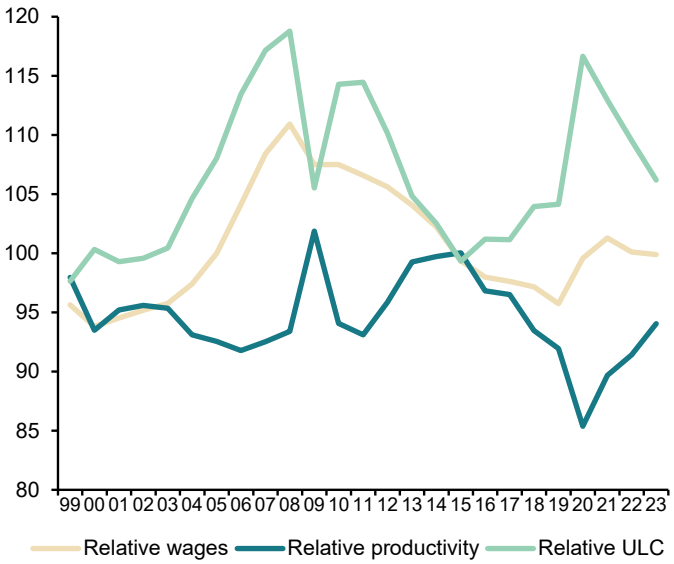


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

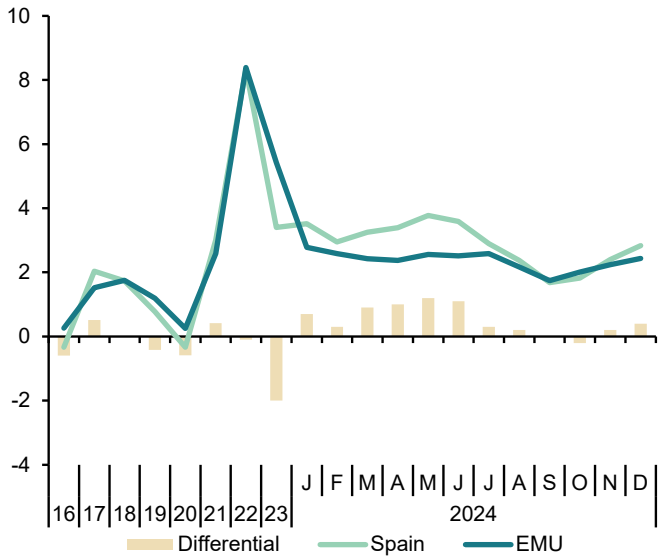


Table 17a

Imbalances: International comparison (I)

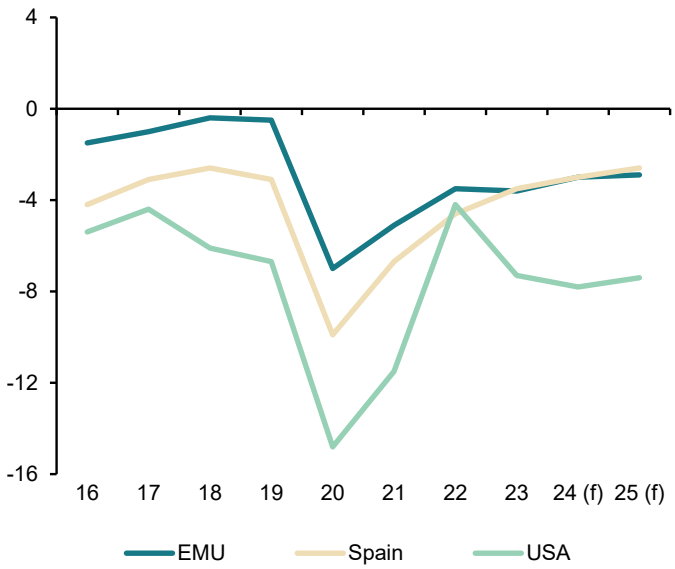
(In yellow: European Commission Forecasts)

	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

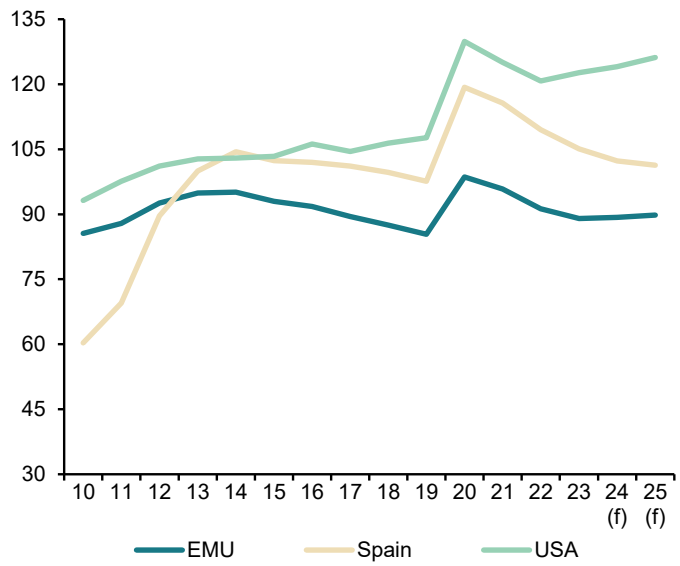
Percentage of GDP



(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	14,175.8	1,277.3	7,903.6	11,054.5
2009	911.9	5,946.8	14,011.9	1,277.3	7,988.2	10,544.1
2010	908.2	6,089.7	13,780.2	1,276.7	8,080.5	10,412.9
2011	881.1	6,176.0	13,666.9	1,232.7	8,317.7	10,682.3
2012	843.4	6,168.1	13,554.3	1,106.2	8,447.0	11,261.2
2013	796.0	6,140.8	13,771.2	1,025.4	8,409.2	11,830.2
2014	759.9	6,152.0	13,870.2	1,009.1	8,533.7	12,654.3
2015	735.0	6,225.6	14,083.0	971.3	8,956.5	13,509.3
2016	719.8	6,338.5	14,490.7	968.1	9,164.6	14,183.3
2017	712.0	6,524.1	15,038.6	966.6	9,277.0	15,198.1
2018	710.5	6,698.9	15,500.7	935.3	9,483.7	16,192.3
2019	708.6	6,926.3	16,076.2	948.1	9,774.8	16,901.3
2020	701.7	7,100.2	16,625.8	1,014.7	10,310.8	18,468.7
2021	706.4	7,407.9	18,222.0	1,042.8	10,766.5	19,589.8
2022	706.9	7,684.8	19,382.5	1,004.8	11,020.8	20,615.0
2023	690.6	7,722.4	19,928.4	987.9	10,954.5	21,020.4
			Percentage of GDP			
2008	82.8	59.8	96.0	114.8	81.3	74.8
2009	85.0	63.4	96.8	119.0	85.2	72.8
2010	84.3	63.1	91.6	118.5	83.8	69.2
2011	82.4	62.2	87.6	115.3	83.9	68.5
2012	81.4	62.0	83.4	106.7	84.8	69.3
2013	77.6	61.1	81.6	100.0	83.6	70.1
2014	73.1	59.7	78.8	97.1	82.8	71.9
2015	67.6	58.4	77.0	89.4	84.0	73.8
2016	64.1	57.9	77.1	86.2	83.6	75.4
2017	60.9	57.4	76.7	82.7	81.6	77.5
2018	58.6	57.0	75.0	77.1	80.8	78.4
2019	56.5	57.1	74.6	75.6	80.5	78.5
2020	62.1	61.1	77.9	89.8	88.7	86.5
2021	57.2	58.7	76.9	84.4	85.4	82.7
2022	51.5	56.0	74.5	73.2	80.3	79.3
2023	46.1	52.9	71.9	66.0	75.1	75.8

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

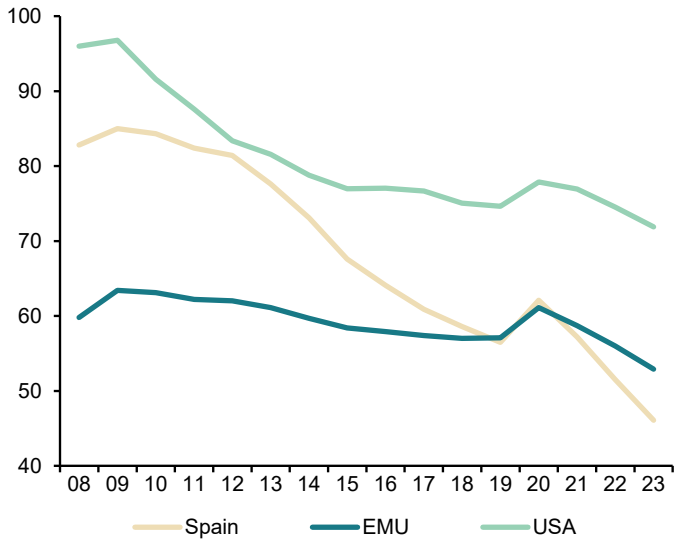
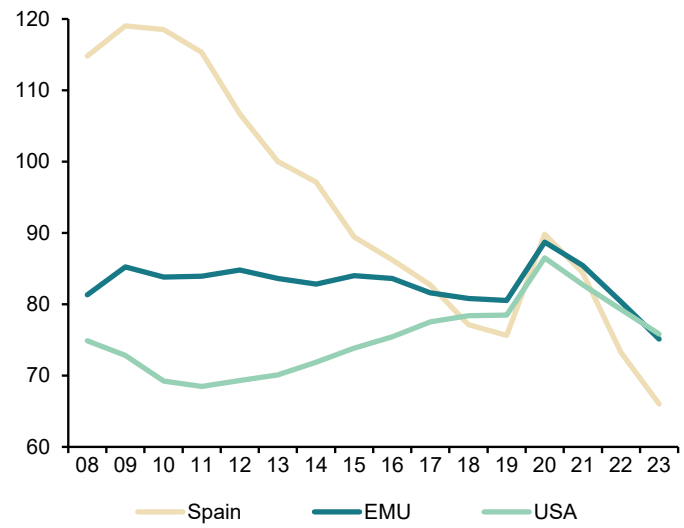


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: January 31th, 2025

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.1	December 2024
Other resident sectors' deposits in credit institutions (monthly average % var.)	1.3	December 2024
Doubtful loans (monthly % var.)	0.3	November 2024
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	30,806	December 2024
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	8,217	December 2024
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	6	December 2024
"Operating expenses/gross operating income" ratio (%)	44.01	September 2024
"Customer deposits/employees" ratio (thousand euros)	13,160.34	September 2024
"Customer deposits/branches" ratio (thousand euros)	122,381.65	September 2024
"Branches/institutions" ratio	94.9	September 2024

A. Money and Interest Rates

Indicator	Source	Average	2022	2023	2024 December	2025 January	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	2.839	2.736	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.5	0.992	3.868	2.434	2.525	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 January meeting, the European Central Bank once again lowered eurozone interest rates by 25 basis points, considering that the disinflationary process is well on track, despite causing some decoupling from the Fed, which has decided to keep rates unchanged. This decision had already been anticipated by the markets. In January, the 12-month Euribor monthly average (the main reference for mortgages) rose to 2.525% from the December average of 2.434%, while the 3-month reference rate decreased from 2.839% in December to 2.736% in January. The yield on the 10-year government bond increased from 3.0% in December to 3.1% in January.

B. Financial Markets

Indicator	Source	Average 2001-2021	2022	2023	2024 October	2024 November	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	35.3	27.8	26.91	19.32	16.92	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	22.6	12.4	12.01	12.06	10.54	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.37	0.26	0.48	-	0.05	(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	0.33	0.50	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.31	0.02	3.15	3.06	2.73	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	2.92	-	Average rate in 10-year bond auctions
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.11	-1.3	1.1	-1.42	-0.63	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	19.05	1.72	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	1,137.34 (b)	1,213.96 (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,.595.0 (b)	12,368.9 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	4.482.6	10,466.4	12,970.61	19,310,79 (b)	19,627.44 (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	14.4 (b)	14.6 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial Markets (continued)

Indicator	Source	Average 2001-2021	2022	2023	2024 November	2024 December	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	0.86	8.01	8.0	7.1	-	Change in the outstanding short-term debt of non-financial firms
19. Short-term private debt. Outstanding amounts	BE	0.99	-5.72	-5.7	1.0	-	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	16.5	-5.3	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	15.1	35.8	41.8	100.0	37.5	IBEX-35 shares concluded transactions

(a) Last data published: January 31st 2024 (b) Last data published: December 31st 2024

Comment on "Financial Markets": In January, despite some fluctuations, Spanish stock indices have increased compared to their year-end values. The IBEX-35 reached 12,368.9 points, while the Madrid Stock Exchange General Index stands at 1,213.96 points. Meanwhile, in November (the latest available data), there was a slight decline in the trading ratio of simple cash transactions with Treasury bills, falling to 16.92%. The trading ratio of simple transactions with government bonds also slightly decreased compared to the previous month, reaching 10.54%. Transactions with IBEX-35 stock futures dropped by 5.3%, whereas financial options on this same index increased by 37.5% compared to the previous month.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2021	2022	2023	2024 Q2	2024 Q3	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-0.7	1.5	4.1	4.7	4.1	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	4.5	3.9	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	251.0	250.7	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	45.4	44.1	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	0.7	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	1.8	-1.6	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": In the third quarter of 2024, financial savings across the economy stood at 4.1% of GDP. In the household sector, the financial savings rate was 3.9% of GDP. Additionally, household financial debt slightly decreased to 44.1% of GDP.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2021	2022	2023	2024 November	2024 December	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	0.2	-0.04	1.1	-0.1	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	1.8	1.3	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	8.4	-0.7	1.2	0.6	-0.2	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	7.5	0.1	-0.1	0.5	1.5	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	6.8	7.3	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.4	-0.4	-1.5	0.3	-	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.1	0.6	-2.4	2.8	12.3	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	0.08	0.07	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": In December, the latest available data, a slight decrease of 0.1% was observed in credit to the private sector. Deposits increased by 1.3%. Fixed-income securities reduced their balance sheet weight by 0.2%, while stocks and equity holdings increased by 1.5%. Additionally, in November (the latest available data), the volume of non-performing loans rose by 0.3% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2021	2022	2023	2024 June	2024 September	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	169	110	109	108	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	75	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	17,388	17,382	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	83,911	30,806 (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	4,343	8,217 (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	3	6 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2023.

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

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In December 2024, the net recourse to long-term programs from the Eurosystem by Spanish financial institutions stood at 103 million euros.

MEMO ITEM: Since January 2025, the European Central Bank has also been reporting the amount of its various asset purchase programs. In December 2024, their value in Spain stood at 567.356 billion euros, while in the entire Eurozone, it reached 4.2 trillion euros.

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

Indicator	Source	Average 2000-2021	2022	2023	2024 Q2	2024 Q3	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	47.55	46.99	39.33	32.91	44.01	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	12,902.69	13,160.34	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	33,357.11	117,256.85	116,854.11	119,944.32	122,381.65	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	94.5	94.9	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.25	9.3	8.9	9.3	9.2	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	-0.03	1.3	1.6	2.4	0.3	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.7	1.0	1.2	1.2	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.32	9.8	12.3	14.9	15.0	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2024Q3. there was a relative increase in the profitability of Spanish banks. The RoE reached 15%.

Social Indicators

Table 1

Population

Population														
	Total population	Average age	67 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (men)	Life expectancy at 65 (men)	Life expectancy at 65 (women)	Dependency rate (67 or older)	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	1,250,991	608,695
2024	48,628,256		18.0					26.6	47.8	13.4	18.1			
Source	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 (%)
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
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

EPA: Encuesta de Población Activa.

EPF: Encuesta de Presupuestos Familiares.

• 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 with tertiary education (%)	Population 25-34 with primary education (%)	Population 25-34 with tertiary education (%)	Gross enrolment ratio in pre-primary education, first cycle	Gross enrolment rate in Upper Secondary	Gross enrolment rate in lower vocational training	Gross enrolment rate in upper vocational training	Gross enrolment rate in undergraduate or posgraduate studies	Graduation rate in 4-year university degrees (%)
2013	28.6	28.2	7.6	41.1	31.9	81.3	39.1	37.1	46.5	48.6
2014	26.3	29.0	6.8	41.5	33.0	81.5	41.0	40.6	47.6	50.2
2015	25.2	29.3	7.3	41.0	34.2	80.7	41.5	41.7	47.4	51.8
2016	24.2	29.8	7.2	41.0	35.1	80.2	40.3	41.0	47.4	52.8
2017	23.2	30.4	6.7	42.6	36.7	76.9	38.5	43.6	47.7	53.4
2018	22.3	31.1	6.3	44.3	38.5	74.3	37.8	45.1	47.6	
2019	20.9	32.3	5.8	46.5	39.9	72.5	38.1	44.9	47.1	
2020	19.2	33.4	5.5	47.4	41.3	71.0	38.8	47.3	46.7	
2021	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●	47.8*	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	24.5
2016	33.2	19.0	4.27	1.35	24.7
2017	31.7	18.3	4.25	1.31	24.1
2018		17.9	4.21	1.34	24.1
2019		17.3	4.26	1.32	23.7
2020		16.0	4.93	1.45	24.2
2021		13.3	4.89	1.29	23.7
2022		13.9	4.71		22.7
2023		13.7			20.4
Sources	MU	MEFPD	MEFPD	OECD	OECD

● *Data refer to January-September.*

** Provisional data.*

Note: The EPA data from 2021 onwards are calculated using a new population base.

EPA: Encuesta de población activa

MEFPD: Ministerio de Sanidad.

ECP: Encuesta Continua de Población.

MU: Ministerio de Universidades.

OECD: Organisation for Economic Co-operation and Development.

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

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

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

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

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

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

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

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

Table 4

Inequality and poverty

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

ECV: Encuesta de Condiciones de Vida.

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

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

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

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

Table 5

Social protection: Benefits

	Contributory benefits									Non-contributory benefits		
	Public expenditure on minimum income benefits (% GDP)	Expenditure on social protection, cash benefits (% GDP)	Permanent disability, pensions	Permanent disability, average amount (€)	Retirement, pensions	Retirement, average amount (€)	Widowhood, pensions	Widowhood, average amount (€)	Unemployment	Unemployment	Disability	Retirement
2013	0.15	18.2	935,220	908	5,451,465	979	2,336,240	618			195,478	250,815
2014	0.15	17.9	929,484	916	5,558,964	1000	2,348,388	624			197,303	252,328
2015	0.16	17.2	931,668	923	5,641,908	1021	2,353,257	631	838392	1,102,529	198,891	253,838
2016	0.14	17.0	938,344	930	5,731,952	1043	2,358,666	638	763697	997,192	199,762	254,741
2017	0.14	16.7	947,130	936	5,826,123	1063	2,360,395	646	726575	902,193	199,120	256,187
2018	0.14	16.9	951,838	946	5,929,471	1091	2,359,931	664	751172	853,437	196,375	256,842
2019	0.14	17.4	957,500	975	6,038,326	1138	2,361,620	712	807614	912,384	193,122	259,570
2020	0.21	22.2	952,704	985	6,094,447	1162	2,352,680	725	1828489	1,017,429	188,670	261,325
2021	0.33	20.3	949,765	994	6,165,349	1190	2,353,987	740	922856	969,412	184,378	262,177
2022	0.37	18.8	951,067	1035	6,253,797	1254	2,351,703	778	773227	882,585	179,967	265,831
2023			945,963	1119	6,367,671	1375	2,351,851	852	801091	875,969	175,792	272,188
2024■			965,412	1,163	6,484,984	1,443	2,351,531	896	833,256	864,046	171,353	282,403
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 December, with the exception of those related to unemployment (January to November).*

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
2024								83.8	94	17.9	121.0
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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