SEFO

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Europe and Spain in transition: Institutional responses in the face of economic challenges

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Letter from the Editors

As inflation slows and interest rates begin to fall, Europe is entering a new phase. The emergency measures of the post-pandemic period appear to be over, but uncertainty remains–both in terms of monetary policy and national security. Rising geopolitical tensions are putting pressure on European institutions, challenging their ability to respond quickly, stay credible, and work together over the longer term.

Within this context, this month's issue of *Spanish and International Economic & Financial Outlook (SEFO)* opens with an assessment of the European Central Bank's strategic pivot, following its recent rate cut and what looks to be the end of its disinflation effort. On 5 June 2025, the Governing Council of the European Central Bank lowered its main policy rates by 25 basis points, bringing the deposit facility rate down to 2%. While this move does not yet return rates to their estimated long-term neutral level—and may not be the final adjustment—it marks an important shift. Specifically, it brings to a close the ECB's three-phase response to the inflation shock triggered by the COVID-19 pandemic and Russia's full-scale invasion of Ukraine. Looking ahead, the Governing Council will place less emphasis on whether interest rates are exactly at the "right level" for long-term price stability. Instead, the focus will shift toward how and when to respond to new external developments. In this new phase, the ECB aims to remain flexible and responsive while continuing to uphold its credibility with markets and the public. This forward-looking approach was outlined in a strategy assessment published by the ECB on 30 June, drawing on lessons from recent years. Concern for the neutrality of monetary policy will have to wait for a more predictable economic and political climate.

From there, we shift to another high-stakes policy domain—Europe's defense industry, exploring the structural inefficiencies holding back Europe's military-industrial base and present a compelling case for deeper integration. The European Union is the second-largest global spender on defence, but its effective military capacity has lagged. The current industrial model, marked by overlapping capabilities, limited economies of scale, and modest levels of collaborative innovation spending, has contributed to high production costs and missed opportunities for technological spillovers. Drawing on a simple modelling exercise, estimates show that full integration of the EU defence market could have raised industrial output by 22 percentage points in 2022 above observed growth, equivalent to roughly €46 billion or 14% of total EU defence spending. Most of the potential gain is tied to scale effects, with a smaller but important share linked to increased knowledge transfers. While countries with larger industrial bases would benefit most in absolute terms, smaller member states would experience stronger

relative growth, supporting more balanced development. Unlocking these gains would require addressing long-standing institutional and financial barriers and ensuring that benefits are distributed equitably across the bloc. At a time of heightened geopolitical pressure, improving industrial coordination offers a credible path to stronger strategic autonomy and more effective defence capacity.

Zooming in on Spain, we examine a different kind of vulnerability: the gap between headline growth and public sentiment. Despite leading GDP growth in the eurozone since 2021, Spain's strong economic performance has not translated into equally strong public sentiment. A new national survey reveals that while some households report financial improvement driven by wage gains and job stability, more believe their situation has worsened, citing inflation and taxes as the main causes. The disconnect between macroeconomic indicators and household sentiment is further demonstrated by continued concern over low wages, housing affordability, and inequality. Perceptions vary significantly by age, income, household composition, and political orientation, with younger, right-wing, and lower-income groups expressing greater dissatisfaction. The widespread sense of lost purchasing power, combined with sharp increases in VAT and income tax burdens since 2019, reinforces a sense of financial strain for many.

That mixed sentiment is mirrored in the underlying data. Against the backdrop of impressive GDP growth in Spain in 2024, household incomes grew strongly for a second consecutive year, supported by wage gains, rising property income, and easing inflation. This trend led to a significant increase in savings and a record high net lending position. Despite higher interest payments, households remained financially sound, with debt ratios continuing to fall relative to income and GDP thanks to a growth in savings. In contrast, non-financial corporations saw a decline in gross operating surplus and weak investment dynamics, with real capital formation still lagging pre-pandemic levels. While corporate dividend payouts reached record highs, retained earnings fell, suggesting limited reinvestment capacity. Overall, 2024 revealed a growing divergence between household financial resilience and corporate underperformance, pointing to a structural shift in Spain's post-pandemic economic landscape.

We then take a longer view of this corporate trajectory, tracing how Spanish non-financial firms have transitioned from debt-fueled expansion to equity-backed consolidation since the start of the euro era. The financial evolution of Spain's non-financial corporations (NFCs) over the first quarter-century of euro membership reveals a marked transition from aggressive debt-financed expansion to cautious, equity support consolidation. Using original estimates based on Eurostat and national accounts data, this paper constructs a consolidated balance sheet for Spain's NFC sector from 2000 to 2024, tracking changes in the composition of assets (operating *vs.* financial) and liabilities (debt *vs.* equity). While total assets tripled in current euros and doubled in real terms over the period, the growth was uneven, concentrated largely before the 2008 financial crisis and slowing afterwards. Financial assets increased rapidly in the early years but have remained steady at around 40% of total assets since 2010. On the liabilities side, a dramatic pre-crisis surges in bank debt reversed post-2009, with the leverage ratio falling from a peak of 65.3% to 35% by 2024 and bank credit declining to just 16% of total liabilities. The shift reflects a deeper structural change: since the crisis, retained earnings have persistently exceeded gross capital formation, enabling deleveraging and a net lending position. A simple regression confirms that while asset growth drives demand for external funds, strong internal financing capacity reduces reliance on debt, especially bank credit. The recent stagnation in asset accumulation cannot be attributed to credit constraints but rather suggests waning investment appetite, despite a financially healthier corporate sector.

The next two articles turn to households and financial inclusion. First, we assess the rise of

revolving credit in Spain—a product that offers flexibility and access, but also risk. Revolving credit has emerged as both a tool for financial inclusion and a source of concern in Spain, especially as its usage grows amid legal scrutiny and regulatory debate. Recent Supreme Court rulings demonstrate a need for clearer consumer information and greater transparency in contract terms, while European examples offer potential regulatory models. Although revolving credit remains a small share of household borrowing, close to 2%, its flexible features make it appealing to vulnerable borrowers. However, without robust consumer protection and financial education, the risk of long-term debt accumulation and exclusion from formal financial systems remains high. The implementation of Directive (EU) 2023/2225 provides an opportunity for Spain to enhance legal certainty, implement international best practices, and strike a better balance between access and safeguards.

We then present new insights into the roots of low financial literacy among adolescents. Despite widespread recognition of the importance of financial literacy, proficiency among adolescents remains uneven across varying socioeconomic and educational contexts. A typological framework helps clarify these disparities by distinguishing between cognitive disadvantages, structural disadvantages, and situational disadvantages that shape financial literacy outcomes among 15-year-olds. Drawing on international PISA data and a novel classification of risk factors, allows for the quantification of the independent and cumulative impact of each type of disadvantage on student performance. Cognitive deficits in math and reading are the strongest predictors of poor financial outcomes, followed by socioeconomic background and lack of exposure to financial concepts in school or at home. Importantly, research highlights the high modifiability of situational disadvantage through targeted educational interventions, while also drawing attention to the necessity of strong foundational skills in math and reading to combat cognitive disadvantages. Schools can play a pivotal role in leveling the playing field by integrating financial education into the core curriculum and improving instruction in the basic academic skills necessary for financial literacy, combining educational reform with broader social equity goals to prepare all adolescents for the financial demands of adult life.

We close this issue with a look at bank bond spreads—still wider than those of their corporate peers more than a decade after the Global Financial Crisis, but due to a very different set of underlying factors. The Global Financial Crisis reversed the historical norm in bond markets where financial institutions' debt, supported by regulation, liquidity access, and implicit state backing, had typically traded at tighter spreads than non-financial corporate debt. Following the collapse of Lehman and the subsequent sovereign-bank "doom loop" of the eurozone crisis, investor perceptions shifted sharply, and bank spreads widened structurally despite significant recapitalization efforts. While unconventional monetary policy helped stabilize the sector, banks faced ongoing headwinds from flat yield curves, low returns, and the introduction of loss-absorbing capital requirements. Since 2022, a mix of rate hikes, organic capital generation, reduced sovereign risk, and international diversification has materially improved fundamentals, narrowing risk premia in instruments such as credit default swaps (CDSs). Even so, financials still trade at a modest premium, less a reflection of sector weakness than of the banking sector's structural complexity and diversity. As tracked by the iTraxx Senior index, a key gauge of CDS spreads across European issuers, this divergence remains a central feature of the post-crisis credit landscape.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
August	1	Tourist arrivals (June)
	4	Social Security registrants and official unemployment (July)
	5	Industrial production index (June)
	13	CPI (July)
	18	Foreign trade report (June)
	18	Services sector production index (June)
	29	Preliminary CPI (August)
	29	Retail trade (July)
	29	Balance of payments monthly (June)
September	1	Tourist arrivals (July)
	2	Social Security registrants and official unemployment (August)
	10	Industrial production index (July)
	10-11	ECB monetary policy meeting
	12	Non-financial accounts, State (July)
	12	Non-financial accounts, Regional Governments and Social Security (June)
	12	CPI (August)
	23	Foreign trade report (July)
	23	Balance of payments quarterly (2nd quarter)
	23	Services sector production index (July)
	26	Quarterly National Accounts (2nd quarter, 2nd release)
	29	Retail trade (August)
	29	Preliminary CPI (September)
	30	Non-financial accounts, State (August)
	30	Non-financial accounts, Regional Governments and Social Security (July)
	30	Non-financial accounts, General Government (2nd quarter)
	30	Quarterly Non-financial Sector Accounts (2nd quarter)
	30	Balance of payments monthly (July)

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What Matters

Regulation and Economic Outlook

Key Facts

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MONETARY POLICY

The ECB's next challenge: Monetary policymaking in an age of uncertainty

With inflation falling and rates now below peak, the ECB has entered a new phase of policymaking focused less on neutrality and more on agility. In an increasingly volatile global environment, credibility and adaptability, rather than pre-set trajectories, will define the path forward.

Erik Jones

Abstract: On 5 June 2025, the Governing Council of the European Central Bank lowered its main policy rates by 25 basis points, bringing the deposit facility rate down to 2%. While this move does not yet return rates to their estimated long-term neutral level—and may not be the final adjustment—it marks an important shift. Specifically, it brings to a close the ECB's three-phase response to the inflation shock triggered by the COVID-19 pandemic and Russia's full-scale invasion of Ukraine. Looking ahead, the Governing Council will place less emphasis on whether interest rates are exactly at the "right level" for long-term price stability. Instead, the focus will shift toward how and when to respond to new external developments. In this new phase, the ECB aims to remain flexible and responsive while continuing to uphold its credibility with markets and the public. This forward-looking approach was outlined in a strategy assessment published by the ECB on 30 June, drawing on lessons from recent years. Concern for the neutrality of monetary policy will have to wait for a more predictable economic and political climate.

> “Lagarde’s comments suggest that the Governing Council’s three-phase response to the inflation shock that followed the COVID-19 pandemic and that was exacerbated by Russia’s full-scale invasion of Ukraine has come to an end.”

Introduction

European Central Bank (ECB) President Christine Lagarde announced that the Governing Council would reduce the ECB’s key policy rates by 25 basis points (or 0.25 percent) on 5 June 2025, bringing the rate at which commercial deposits held at the ECB are remunerated –the “deposit facility rate”– down to 2 percent. Given that headline inflation in the euro area was just under 2 percent according to flash estimates for May, this move brings inflation-adjusted (or ‘real’) remuneration of commercial deposits with the ECB close to zero, which most Governing Council members agree is neither restrictive nor accommodating.

When asked by reporters whether this move would place the ECB’s policy rates close to the level at which they would be neutral with respect to longer-term inflation and growth prospects, Lagarde insisted that such concerns were no longer the focus for attention. Although the Governing Council recently had intense debates about the long-term neutral rate –called r-star (or r*)– Lagarde insisted that the possibility had not even come up in the Governing Council’s deliberations. “The neutral rate is predicated on the absence of shock: great equilibrium, no shock,” Lagarde explained. ‘For the moment, we are facing significant uncertainty.’

Lagarde even rejected the possibility that the ECB’s monetary policy has a specific ‘direction of travel’. Instead, she underscored that this latest policy move puts the Governing Council ‘in a good position’ to respond to global events. Further monetary policy changes are possible – and Lagarde concluded her opening remarks by asserting that “we stand ready to adjust all our instruments within our mandate to ensure that inflation stabilises sustainably at our medium-term target” – but the implicit qualification is that such adjustments would be reactive and no longer formed part of the Governing Council’s strategy for disinflation. [1]

Lagarde’s comments suggest that the Governing Council’s three-phase response to the inflation shock that followed the COVID-19 pandemic and that was exacerbated by Russia’s full-scale invasion of Ukraine has come to an end. ECB Chief Economist Philip Lane agrees, arguing in a speech on 24 June that: “there has been sufficient progress in returning inflation to target to consider that this monetary challenge is largely completed.” [2] If so, it is worth asking whether such optimism on the part of the Governing Council is warranted. It is also worth considering whether and how the ECB’s monetary policy will change now that ‘uncertainty’ has come to dominate the Governing Council’s deliberations. The Governing Council has worked hard over the past three years to shore up the credibility of its commitment to price stability in the eyes of market participants; within the framework of the strategy assessment published on 30 June, demonstrating its ‘agility’ to respond to current events is equally if not more important. [3]

The three phases of disinflation

The Governing Council’s response to the acceleration of price inflation in the euro area began in July 2022, with a decision to increase the deposit facility rate by 50 basis points (or one half of 1 percent) to 0 percent. This move marked an end to the practice of taxing commercial deposits held above the regulatory requirements that had been introduced during the long period of very low inflation and slow economic performance that followed the European sovereign debt crisis and that

“ The challenge for the Governing Council was to assess whether the deceleration in headline inflation would continue or whether the underlying momentum in core and service sector inflation would prevent the Governing Council from bringing the headline rate down to its target of a medium-term inflation of close to 2 percent. ”

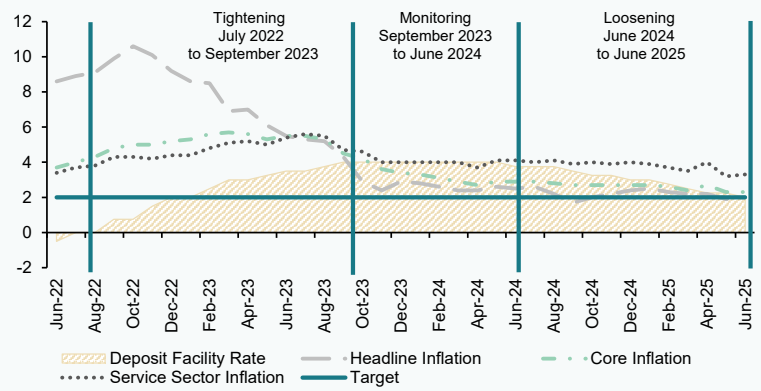
intensified during the pandemic. Governing Council members noted the acceleration of inflation after the pandemic, but they believed they could 'look through' the sudden increase in prices as a response to the confusion the pandemic created in global supply chains and Russia's full-scale invasion of Ukraine created in energy markets (Jones, 2022).

Once it became clear that these price increases were feeding into 'core inflation' – meaning inflation that excludes the influence of price movements for energy, food, alcohol, and tobacco – and "service sector inflation", however, Governing Council members acknowledged this could result in the emergence of a self-reinforcing price-wage spiral if left unaddressed. Therefore, they began to pull up policy rates in a series of large movements of between 50 and 75 basis points until the deposit facility rate peaked at 4 percent in September 2023. This series of sharp movements coincided with a rapid deceleration of headline price inflation from a peak of 10.6 percent in October 2022 to 4.3 percent the following September, but core and service sector price increases remained more persistent. (See Exhibit 1).

The challenge for the Governing Council was to assess whether the deceleration in headline inflation would continue or whether the underlying momentum in core and service sector inflation would prevent the Governing Council from bringing the headline rate down to its target of a medium-term inflation of close to 2 percent. The economic forecasts provided by the ECB's staff showed headline inflation converging on target in 2025, but the persistence of core and service sector inflation

Exhibit 1 **The three phases of the ECB's response to the inflation shock**

Percentage



Sources: Eurostat and ECB.

> “The ECB’s March and June 2025 forecasts show headline inflation stabilizing at or slightly below target through 2027 – with much of the undershooting explained by the fall in energy prices; moreover, the same projections show consistent performance in terms of economic growth.”

gave cause for concern, as did the acceleration in wage growth as workers pushed to recover real purchasing power in the face of persistently higher prices. Therefore, the Governing Council shifted from tightening its policy instruments to monitoring the impact of higher policy rates on both price inflation and underlying economic performance. That monitoring phase continued for nine months until the Governing Council began to lower its policy rates on 6 June 2024. [4]

The reduction in policy rates was both more gradual and less extensive than the tightening that took place during the first phase. The Governing Council moved in increments of 25 basis points, often on a quarterly basis rather than in consecutive monetary policy meetings. The concern was for overshooting in a way that would require the Governing Council to raise policy rates again in response to an acceleration in inflation rates. As this process of gradual loosening progressed, however, Governing Council members became more confident that core inflation would move down to target alongside headline numbers and they became more cautious about the impact of prolonged high interest rates on underlying economic performance. Service sector inflation remained a cause for concern, as did underlying wage bargaining trends, but Governing Council members felt confident enough to increase the pace of rate reductions even as they engaged in ever more intense debates about where the process should stop given the difficulty of estimating the long-run neutral policy rate.

Subsequent movements in service sector inflation rates and wage bargains validated that faster approach. Although both indicators remain above the ECB’s target for overall price inflation, both also show decreasing momentum which suggests that the adjustment to higher prices is coming to an end without igniting a wage-price spiral. The ECB’s March and June 2025 forecasts confirmed this assessment to show headline inflation stabilizing at or slightly below target through 2027 – with much of the undershooting explained by the fall in energy prices; moreover, the same projections show consistent performance in terms of economic growth. [5]

The reason for underscoring this point about economic performance is that – all things being equal – the growth estimates from the March and June projections are the same even as the headline inflation estimates have come down. By implication, the improvement in inflation over the medium term is not projected to be caused by a weakening of economic performance. This explains in part why most Governing Council members believe their policy response to the post-pandemic inflation shock is coming to an end. What that assessment leaves open is whether there are other shocks on the horizon that could upset the forecasts in terms of growth, inflation, or both.

From inflation to uncertainty

The list of potential shocks to European economic performance is long and includes a wide range of different mechanisms that can exert a powerful influence on European markets. The challenge is not simply to estimate what impact a given trade deal between the European Union (EU) and the United States (U.S.) might have on supply chains, prices, profitability, or employment, but also how the EU might be affected by trade negotiations between the United States and

China or other major economic actors, and whether close European economic partners will fall inside or outside safeguard provisions for European markets. Trade negotiations will also have an influence on energy markets, capital flows, and exchange rates (ECB, 2025a). The ECB has tried to develop scenario analysis to fold these possibilities into its decision making, but the possible variations are too numerous to bring into something resembling a modelling forecast.

The Governing Council's response to this changing environment can be found in the 2025 assessment of its monetary policy strategy as published on 30 June. [6] That assessment reaffirms the importance of having a symmetrical inflation target with a medium-term perspective (ECB, 2025b). These elements allow the Governing Council to "look through" temporary deviations in actual inflation performance on either side of the target while at the same time encouraging the Governing Council to act forcefully whenever inflation expectations in the market threaten to become unanchored from the 2 percent target. The assessment also underscores the role that the ECB can and should play in supporting the broader economic objectives of the European Union as set out in the European treaties. As part of that role, the assessment reaffirms the need to do a comprehensive proportionality assessment when setting monetary policy instruments to achieve price stability and to reinforce the functioning of the monetary transmission mechanism (ECB, 2025b).

These elements in the review are not new. In many ways they reiterate commitments made during the 2021 strategy revision. Nevertheless, this reiteration in the 2025 assessment is important given the change in context. The 2021 strategy revision came at the end of a long period of below-target inflation performance as the ECB set its instruments close to the effective lower bound (ECB, 2025a). The post-pandemic inflation shock started just after the new strategy came into effect. The Governing Council's response to that shock was a test of the new strategy and so the reiteration of core principles is a testament to the strategy's success.

The 2025 assessment also strikes an important note of caution: the success of the Governing Council's response to the shock could not be taken for granted (ECB, 2025a). Although the three-phase description given above shows continuous progress, the possibility that second-order effects of inflation on wage growth, service sector and manufacturing prices could de-anchor inflation expectations in the market was real, both because supply-shocks like those associated with the pandemic and Russia's full-scale invasion of Ukraine are becoming more common and because the mechanisms through which such shocks can propagate through the economy are increasingly less well understood. As the review makes clear, much of the uncertainty stems from the consequences of deep structural changes underway in the relationships between great powers at the international level, but also demographics, productive technology, energy, climate, and resource use (ECB, 2025a). These changes create shocks of their own; they also put downward pressure on the long-run neutral interest rate (r*).

This uncertainty creates two problems for monetary policymakers. One problem relates to the danger of overreacting in ways that could have powerful unintended consequences (Chadha, 2022). This problem could be seen in the distortions created by negative interest rates and large-scale asset purchase programmes. But they operate through other instruments as well. This problem of unintended consequences explains why the Governing Council chose to underscore the importance of conducting proportionality assessments. The other threat is that the Governing Council will do too little, too late, and so lose credibility among market participants. The 2025 strategy assessment argues that credibility was essential to its success in bringing inflation back down to target over the past three years (ECB, 2025a). Hence, in language that echoes back to the start of the ECB, ensuring the Governing Council's commitment to its price stability mandate remains credible is the ECB's most important contribution to its secondary mandate as well.

“ Although further rate reductions may support macroeconomic performance, they will also move the Governing Council closer to the effective lower bound for interest rates, thus forcing Governing Council members to rely more on the use of other policy instruments when faced with the need for decisive action. ”

The 2025 strategy assessment offers two ways to shore up the Governing Council's credibility. One is to increase the supply of relevant information to policymakers through the active use of scenario analysis alongside macro-economic forecasting (ECB, 2025b). Such scenario planning does not have to be accurate in the details to make a significant contribution to decision-making. The goal for such analysis is to point to new or different areas where policymakers might look for evidence of adverse influences, consequences, or feedback loops.

The second way to shore up credibility is to ensure that the Governing Council is prepared to act forcefully when required both should inflation appear to accelerate or, more particularly, should price inflation and policy instruments move close to the effective lower bound (ECB, 2025b). The need to be able to act forcefully at least partly explains why the Governing Council appears reluctant to continue cutting policy rates now that its three-phase response to the post-pandemic inflation shock is ending. Although further rate reductions may support macroeconomic performance, they will also move the Governing Council closer to the effective lower bound for interest rates, thus forcing Governing Council members to rely more on the use of other policy instruments when faced with the need for decisive action.

Those instruments remain in the toolkit. Some, like the targeted long term refinancing operations or outright asset purchases, are part of the new operational framework. The Governing Council will eventually need to deploy those instruments to maintain the balance sheet of the Eurosystem at a level sufficient to provide adequate liquidity to conduct monetary policy through changes in the deposit facility rate (Jones, 2024). That operational function is an additional incentive to retain some buffer in policy rates to use in case of need for decisive action. Although more unconventional monetary policy instruments have proved useful close to the effective lower bound, the unintended consequences of using those instruments to push up the inflation rate have been high and the effectiveness of relying on policy rates to achieve the same goal is greater. A similar logic holds for setting the inflation target at two percent with a symmetrical focus rather than having an asymmetrical target below but close to two percent as outlined by the first strategy review done in 2003 or below two percent with no lower bound as it was in the initial strategy drawn up when the ECB was founded in 1998.

Conclusion

The 2025 strategy assessment marks an important shift in the thinking of the Governing Council insofar as it strikes a new balance between the need for caution and

“ The 2025 strategy assessment marks an important shift in the thinking of the Governing Council insofar as it strikes a new balance between the need for caution and the requirements for credibility in an age of heightened uncertainty. ”

the requirements for credibility in an age of heightened uncertainty. Looking beyond the ECB's recent efforts to respond to the post-pandemic inflation shock, the assessment suggests that the Governing Council will need to develop new sources of information and new modelling techniques for the analysis underpinning its monetary policy decisions. Governing Council members will also need to strike a new balance in their communication efforts between the need to provide transparency for financial market participants and the wider public, and the need to avoid making rhetorical commitments that constrain them from reacting to developments in an agile fashion. The struggle to tame the post-pandemic inflation shock may be ending, but the challenge of making monetary policy in an age of uncertainty is only beginning. [7]

Notes

[1] The transcript of the press conference following the 5 June 2025 monetary policy announcement can be found here: https://www.ecb.europa.eu/press/press_conference/monetary-policy-statement/2025/html/ecb.is250605~f00a36ef2b.en.html

[2] The text of Lane's speech can be found here: https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250624~6bc6bae5ac.en.html

[3] This notion of 'agility' appears in the 2025 strategy assessment, but it plays a central role in a recent speech delivered by the Governor of the Banque de France, François Villeroy de Galhau within the "EMU Lab" organized by Marco Buti and Giancarlo Corsetti at the Robert Schuman Centre on 19 June 2025. The text of that speech can be found here: https://www.bis.org/review/r250623e.htm

[4] Christine Lagarde introduced this periodization of the ECB's response in terms of three "phases" in her 6 June 2024 press conference. The transcript of that press conference can be found here: https://www.ecb.europa.eu/press/press_conference/monetary-policy-statement/2024/html/ecb.is240606~d32cd6cc8a.en.html

[5] The ECB staff projections can be found here: https://www.ecb.europa.eu/press/projections/html/ecb.projections202506_eurosystemstaff~16a68fbaf4.en.html

[6] The announcement of the 2025 strategy assessment can be found here: https://www.ecb.europa.eu/mopo/strategy/strategy-review/strategy-review-assessment-2025/html/index.en.html. See also ECB (2025a, 2025b).

[7] Again, see Villeroy: https://www.bis.org/review/r250623e.htm

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Erik Jones. Director of the Robert Schuman Centre for Advanced Studies at the European University Institute and Non-resident Fellow at Carnegie Europe

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Economic insights for a more integrated European defence industry

Despite rising defence budgets across the EU, limited integration continues to constrain industrial efficiency and innovation. Coordinated production and collaborative investment could significantly enhance output without increasing overall spending.

Miguel Ángel González Simón

Abstract [1]: The European Union is the second-largest global spender on defence, but its effective military capacity has lagged. The current industrial model, marked by overlapping capabilities, limited economies of scale, and modest levels of collaborative innovation spending, has contributed to high production costs and missed opportunities for technological spillovers. Drawing on a simple modelling exercise, estimates show that full integration of the EU defence market could have raised industrial output by 22 percentage points in 2022 above observed growth, equivalent to roughly €46 billion or 14% of total EU defence spending. Most of the potential gain is tied to scale effects, with a smaller but important share linked to increased knowledge transfers. While countries with larger industrial bases would benefit most in absolute terms, smaller member states would experience stronger relative growth, supporting more balanced development. Unlocking these gains would require addressing long-standing institutional and financial barriers, and ensuring that benefits are distributed equitably across the bloc. At a time of heightened geopolitical pressure, improving industrial coordination

offers a credible path to stronger strategic autonomy and more effective defence capacity.

Foreword

The European Union is the second-largest bloc in terms of defence spending. However, its effective military capacity has lagged, evidencing a mismatch between the resources invested and the capabilities developed.

The defence industry plays a fundamental role in nations' military protection, as was underscored at the NATO summit of June 2025, which focused on the need to uplift production in line with the growth in spending. [2]

In recent decades, the European defence industry has focused on the manufacture of specialist equipment at a small scale, against the backdrop of scant collaboration. However, recent events have exposed the limits of this approach to face high-intensity threats.

This lack of coordination is reflected in the current productive map, characterised by the coexistence of multiple national capabilities and limited coordination among countries, generating overlap and curbing economies of scale. This fragmentation is not exclusive to the EU's defence sector, but its idiosyncrasies introduce additional complexity.

Against this backdrop, we ask how the defence industry would be affected by greater integration and closer collaboration on innovation spending among the member states.

This paper approaches this question quantitatively, with the aim of sizing up the potential impact from the perspective of industrial production.

European defence industry: Assessment and challenges

The end of the Cold War marked a turning point in the European defence sector's development. The contraction in defence spending that characterised the so-called "peace dividend" prompted the reorientation of the industrial ecosystem around the production of specialised equipment at a small scale, while maintaining high standards of quality (IISS, 2025).

The European defence industry transcends the production of weapons, also encompassing the provision of services and research and development efforts. A case that illustrates this idea is its participation in the manufacture of dual-use goods (*i.e.*, products with military and civil applications), mainly intermediate goods like electronic equipment and mechanical machinery. In the twentieth century dual-use technology has produced high-impact civil innovations such as the internet and GPS technology. Currently, they are facilitating accelerated industry development and acting as inputs for military goods in other areas.

The role of dual-use goods in the EU defence industry's configuration is two-fold. On the one hand, they could help accelerate industrial development in Europe and propel technological innovation, as the transfer of know-how between the two sectors increases the probability of success around new technologies, as well as reducing their cost (Martí Sempere, 2024). On the other hand, dual-use goods are closely related with EU trade policy, as borne out by the recent tightening of regulations by the European Commission (Alekseev and Lin, 2025).

From a geographical perspective, industrial production is concentrated in France, Germany, Italy, Sweden and Spain. However, countries like Poland and Romania have stepped up their sector positioning considerably in recent years. Since the invasion of Ukraine in 2022, productive capacity has been steady in some areas (guided weapons and main battle tanks), but the bloc remains utterly dependent on non-EU countries in others such as multiple rocket launchers and blue-water anti-submarine warfare aircraft (IISS, 2025).

Financial restrictions are one of the main obstacles facing the sector. European companies have reduced access to equity financing compared to their competitors from the U.S. and other countries (European Commission, 2024). In parallel, uncertainty

> “In 2023, as many as nine European firms were needed to account for 10% of global weapons sales, compared to just one U.S. firm.”

around future demand limits the expansion of capabilities by impeding a correct identification of investment areas and volumes.

The sector's business structure is very heterogeneous. It is characterised by the existence of just a few large-scale companies that compete in the global markets, alongside numerous small- and medium-sized enterprises playing a key role in the value chains. Calcara (2020) maintains that domestic market size contributes to this differentiation, creating two tiers. Companies focused on complete systems operate in the tier-one markets (France and Germany), larger in size, while the tier-two market (Spain, among others) players operate in specialist niches, supplying the former. This segmentation in turn determines the patterns of cooperation among European companies and contributes to the fragmentation that characterises the sector.

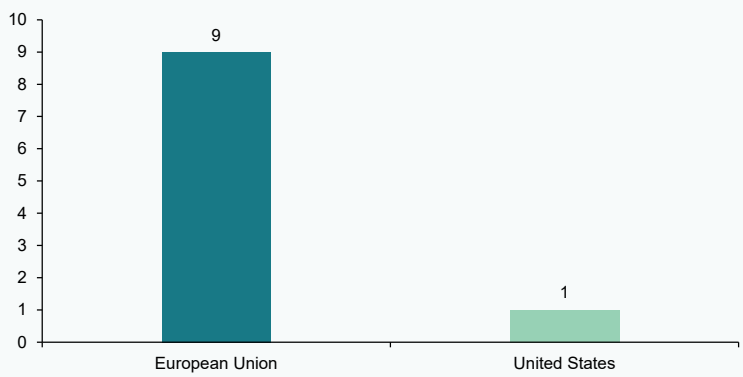
This fragmentation is particularly pronounced when compared with industrial production capabilities in the U.S. (Exhibit 1). In 2023, as many as nine European firms were needed to account for 10% of global weapons sales, compared to just one U.S. firm. This fragmentation is exacerbated by the structure of the supply chains across the various member states. A Commission task force documented that the prime manufacturers for the 46 most urgently needed components were located in 23 different member states (EU Defence Joint Procurement Task Force, 2024).

Sector fragmentation is also attributable to the specific characteristics of demand. The productive process is articulated around a 'build-to-order' system and depends essentially on the public sector. The preference for national sovereignty, in a context of underinvestment, has left the productive system less dynamic, narrowed opportunities for investment and

Exhibit 1

The European defence industry needs nine firms to compete with one U.S. firm in the global defence market

European defence industry fragmentation: No. of firms needed to account for 10% of the global market (2023)



Note: The metric indicates the number of firms needed to account for 10% of global arms sales (~$60 billion).
Source: Author's own elaboration based on data extracted from SIPRI as of June 2025.

> “Spending has been increasing as a percentage of GDP since 2015, with joint European defence spending taking off in 2022, albeit still very small in size (0.1% of GDP).”

limited the scope for tapping economies of scale.

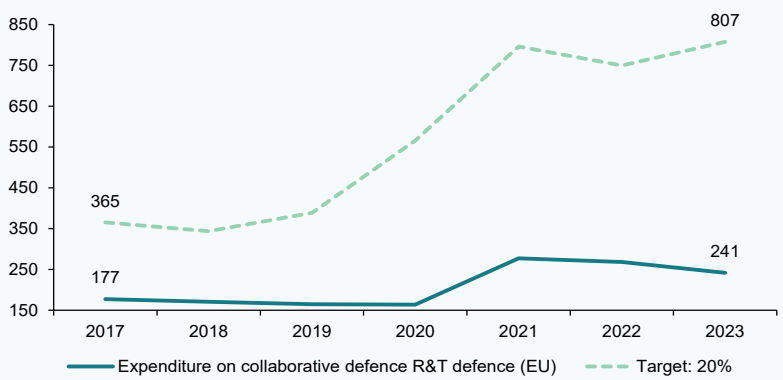
Globally, the EU is the second largest geographical region in terms of defence spending, albeit spending only around half of what the U.S. spends (SIPRI, 2025). [3] The EU's defence spending target [4] is dictated by NATO guidelines, which currently sets that target at 2% of GDP. [5] In 2024, the European average was below that target (1.9%). However, spending has been increasing as a percentage of GDP since 2015, with joint European defence spending taking off in 2022, albeit still very small in size (0.1% of GDP). These figures mask significant heterogeneity. Some countries, including Denmark, Greece and Poland, spend more than 2% on defence, with some even outspending the U.S., whereas others, such as Luxembourg and Belgium, are well below that threshold.

The defence spending fiscal multiplier in the EU is shaped significantly by the capital intensity of procurement (Sarasa-Flores, 2025). The difference in research and development (R&D) expenditure compared to the U.S. resides primarily in the public sector, where the gap amounted to approximately €60 billion in 2022 (Centrone and Fernandes, 2025). The structure of procurements also plays a role. In the EU, a high percentage of purchases come from outside the bloc, particularly from the U.S. (Maulny, 2023), limiting the effect of the multiplier on the European productive landscape.

Exhibit 2

Expenditure on collaborative defence innovation projects among the member states remains stagnant despite growth in overall spending

European expenditure on collaborative defence R&T *vs.* EU target (2017-2023)
Millions of euros (in constant 2023 euros)



Note: The 20% target refers to the EU members states' commitment to earmarking at least this share of their defence R&T expenditure to European collaborative R&T projects.

Source: Author's own elaboration based on EDA data for 2017-2023.

These shortcomings are evident in the gap between real expenditure on collaborative research and technology (R&T) projects, a subset of R&D, [6] and the target of 20% set by the EU (Exhibit 2). Since 2017, real expenditure on this heading has increased sharply (121%). However, the growth in collaborative spending has not matched this pace (37%). Between 2017 and 2023, the gap tripled in absolute terms (from €188 to €566 million).

This dynamic reflects persistent national preferences and a shortage of joint EU projects. In addition, the increase in R&T expenditure is concentrated among just a few member states (European Defence Agency, 2024).

Since 2017, real expenditure on innovation has increased sharply. However, the growth in collaborative spending has not matched this pace.

This organisational structure has at least three fundamental consequences. Firstly, overlap in production. For every system produced in the U.S., six are produced in the EU, with significant differences from one sector to the next (for main battle tanks, the ratio increases to 17). Secondly, higher production costs. A main battle tank (Leopard 2A8) in Germany costs €12 million more than an equivalent American tank (M1A2 Abrams), the higher unit cost being correlated with lower annual productive capacity (Mejino-López and Wolff, 2024). Thirdly, smaller production runs, which limit the scope for leveraging economies of scale and discourage industrial investment.

This assessment highlights how integration of the European market could create catalysts for industrial production in the defence sector. We look deeper into the potential impact in the next section.

A quantitative assessment of a more integrated European defence industry

There is consensus across the literature on the impact of European market integration that the benefits exceed the transition costs (Durá and Pasimeni, 2025), despite differing by sector and country (Harrison *et al.,* 1994 and Yotov y Fontagné, 2025). Characteristics specific to the defence sector, including its intense use of technology and the scope for economies of scale, could amplify these positive effects.

The current limits of the European defence sector restrict the scope for rapid expansion, so reaching the desired production levels will take time (IISS, 2025). In the context of restricted space for fiscal manoeuvre, greater integration and more collaboration around innovation constitute an alternative route for reinforcing the defence-industrial sector.

In order to quantify this counterfactual, we carry out a simple exercise to approximate the impact of greater integration of the EU defence market. The aim is to illustrate the potential increase in European production of defence goods [7] that would result from a more integrated single market.

The analysis captures two different channels. Firstly, the gains derived from access to a larger market (Scale), which would unlock available economies of scale. Secondly, the transfer of know-how among member states induced by higher expenditure on collaborative projects (Spillover), which would facilitate technological dissemination and improve productivity.

The model (Equation) compares observed production with that which would occur in a scenario of greater European integration ($\hat{V}$). A central component of this methodological framework is defining the potential market to which each member state would have access (V_{EU}). To calculate it, we consider production in the rest of the member states weighted by the intensity of imports from those countries and their absorptive capacity, measured as the distance to the volume of employment typical of the sector in the EU.

The parameters used are underpinned by econometric estimates taken from the existing literature. The Scale channel

Equation 1 **The impact of integration on industrial production is explained by a Scale effect and a Spillover effect**

$$\hat{V}_i = \underbrace{\left[\underbrace{(1+\beta * \ln(V_{EU}))}_{\text{Scale}} * \underbrace{(1+\sigma * \frac{\text{Collaborative R\&T}}{\text{R\&T}})}_{\text{Spillover}}\right]}_{\text{Effect of integration}},$$

$$V_{EU} = [(\sum_{i \neq j} Vj * \text{Import intensity}^{\text{intraEU}}) * \text{Absorptive capacity}] / V_i$$

Note: The parameters are calibrated from the existing specialised literature. Defence-industrial production (V) for the EU and each member state (i) is defined as the sum of NACE Rev. 2 codes C25.4 (manufacture of weapons and ammunition), C30.1 (building of military ships and vessels), C30.3 (manufacture of air and spacecraft) and C30.4 (manufacture of military fighting vehicles). Parameter β reflects the uplift in productivity associated with greater integration, using the estimations of Yotov and Fontagné, 2024. Coefficient σ is based on empirical estimations of technological know-how transfers between countries based on Moretti et al. *(2021). Finally, V_{EU} indicates the potential market production each member state would gain access to in the wake of integration, adjusted by its sectoral absorptive capacity (ratio of employment in the country relative to typical employment in the EU).*

Source: Author's own elaboration.

coefficient (β) reflects the uplift in production resulting from a larger market, in line with Yotov and Fontagné (2024) for those same sectors. Elsewhere, the parameter associated with the Spillover channel (σ) provides the average intensity with which technology is transferred among countries, based on Moretti *et al.* (2021).

The estimation uses the most recent data available (2022) and assumes the closure of the gap in collaborative R&T spending relative to the 20% target set by the EU, modelling a scenario of full integration and target achievement. This approach means the results indicate the maximum upside of hypothetical full integration.

The model results (Exhibit 3) allow us to decompose the effects on industrial production of defence goods. Between 2021 and 2022, observed industrial production increased by 15%. However, in a scenario of European integration, industrial production growth would have reached 37%.

This difference suggests that EU defence-industrial sector fragmentation would imply an opportunity cost of 22% of production growth observed in 2022, equivalent to approximately €46 billion.

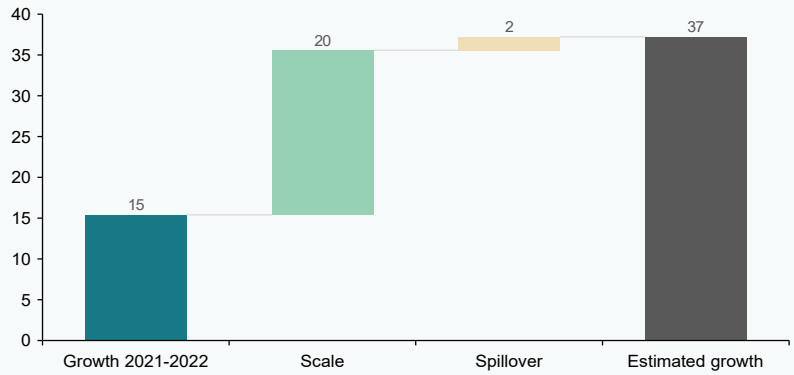
This figure is attributable mainly to the Scale channel, which would explain around 20 percentage points of the potential increase. Its magnitude highlights the opportunity cost

> “EU defence-industrial sector fragmentation implies an opportunity cost, measured in terms of production growth foregone in 2022, of 22%, or approximately 46 billion euros by value.”

Exhibit 3

Integration of the European defence market would have increased industrial production in 2022 by a further 22 percentage points

Decomposition of potential uplift in industrial production in the EU (2021-2022), rate of change (%) with respect to 2021



Note: Defence-industrial production defined as the sum of NACE Rev. 2 codes C25.4 (manufacture of weapons and ammunition), C30.13 (building of military ships and vessels), C30.3 (manufacture of air and spacecraft) and C30.4 (manufacture of military fighting vehicles). The vertical axis represents the percentage change in production relative to 2021 = 0. The 2021-2022 Growth column represents the growth observed and the Scale and Spillover columns illustrate the potential impact of the two channels through which integration would have impacted observed production in 2022. The universe covered represents 91.2% of the European industrial production of defence goods estimated by Eurostat in 2022.

Source: Author's own elaboration based on Eurostat's Structural Business Statistics (SBS, 2022).

of current European productive landscape fragmentation. Meanwhile, collaborative expenditure on innovation among the member states (Spillover) would explain almost two additional percentage points of growth foregone, indicating that technology transfers among countries would contribute to increasing the sector's industrial output.

This potential growth would be uneven across member states (Exhibit 4). The analysis classifies the countries into three categories by their percentiles of observed production in 2022, that is, their defence-industrial capabilities. The High category, which includes countries with the largest industrial capabilities (above the 66th percentile, including France and Spain), would garner over 17 percentage points of the estimated impact, therefore benefitting the most in absolute terms. The Medium category (percentiles 33-66, including the Czech Republic and Finland), and the Low category (below the 33rd percentile, including Portugal and Denmark) would account for around 5 percentage points of the potential growth in production over that observed in 2022.

The results suggest that the countries in a stronger starting position would be better

> "Countries in a stronger starting position would be better placed to tap larger markets; however, countries with smaller industrial bases would register a relatively greater uplift."

Exhibit 4

The countries with more industrial capacity would account for more of the potential growth derived from integration

Contribution by country to the growth in industrial production (Potential *vs.* Observed 2022), percentage points

Note: The bars show the contribution to the potential increase in defence-industrial production derived from integration (Conterfactual 2022 less Observed 2022), expressed in percentage points over production in 2021 = 0. The figures obtained are arrived at by weighting, for each category of countries, the 'Contrafactual less Observed' difference by their share of production in 2022. Groups: Large (≥ p66), Medium (p33-66) and Low (< p33), according to observed production in 2022. The proxy for defence production is the sum of NACE Rev. 2 codes C25.4, C30.1, C30.1 and C30.4, which cover 91.2% of the value of the sector's industrial output in Europe.

Source: Author's own elaboration based on Eurostat's Structural Business Statistics (SBS, 2022).

placed to tap larger markets. However, countries with smaller industrial bases would register a relatively greater uplift. Growth in production in countries with higher shares could propel industries in other countries indirectly through specialisation in relevant market niches and reinforcement of European value chains.

However, it also highlights the need to design compensation and industrial governance mechanisms to ensure fair distribution of the gains. It is essential that the boost in production combines the speed required with a structure designed to leverage the comparative advantages of member states, and provides sufficient incentives to ensure an encompassing European approach.

The results are, nevertheless, conditioned by certain methodological limitations which warrant their interpretation with caution. A precise contrafactual would require more extensive econometric studies and a peer review. The impact, for example, of the fiscal multiplier in defence is dynamic (Ilzetzki, 2025), can vary in the short and medium term (Antolín-Díaz and Surico, 2025) and its effects may not be linear (Linnemann and Winkler, 2016). The results may also be conditioned by the model's specification, as different methodologies may yield different effects.

In sum, the results suggest that the EU could expand its industrial base by up to 22% by means of greater integration, without having to increase overall spending. Countries with smaller production bases would enjoy relative convergence, while those with greater capabilities would benefit more in absolute terms. All member states would benefit, albeit through different channels. This evidence provides grounds for advancing towards greater integration and enhanced productive efficiency.

Economic implications of the findings

The estimations reveal that an increase in defence-industrial production does not rely exclusively on higher spending but also on its organisation. A more integrated European market would improve the defence industry's situation for the EU as a whole.

These figures need to be properly contextualized. Fragmentation of the European defence market would represent an opportunity cost of 22% in annual growth foregone in 2022 (around €46 billion), equivalent to roughly 14% of total EU defence spending.

This outcome complements the literature on the cost of non-Europe from a productive perspective. Centrone and Fernandes (2025) find that limited use of potential economies of scale in defence spending has an annual cost of between €18 and €57 billion, depending on the degree of integration modelled.

Mueller (2024), in a meta-synthesis of the quantitative literature on integration of the European defence market, concludes that greater cooperation among member states could save the EU up to 30% in defence spending. For 2024, that figure would be equivalent to approximately €98 billion for the defence sector as a whole, including effects beyond just the production of industrial goods.

Mejino-López and Wolff (2024) note that in the short term, reliance on non-EU suppliers may make economic sense. They argue, however, that in the long run, European integration is fundamental to preserving industrial capabilities and keeping strategic autonomy intact.

The ultimate aim of increasing defence-industrial production in member states is to enhance effective protection. Marsh *et al.* (2024) argue that integration and interest alignment are prerequisites for guaranteeing that increased spending translates into greater military capabilities.

Industrial production is just one dimension of the challenge at hand. The technological composition and interoperability between armed forces also play a meaningful role. The European Court of Auditors (2025) flags military mobility as one of the main challenges facing the continent, underscoring the importance of tackling the challenges from a holistic perspective.

Materialisation of these potential benefits would run up against barriers in practice. This industry's idiosyncrasies explain why member states show preference for national over European sovereignty, protected under article 346 of the TFEU since the Treaty of Rome of 1957. The EU countries have taken remarkably different positions on armed conflicts, impeding the industry's coordinated progress. From an economic perspective, this protectionism reduces possibilities for expansion and competitiveness, especially relative to the U.S.

Financial restrictions are another important limiting factor. In the public sector, [8] most member states have little space to increase their expenditure on defence, thus diluting the impact of the fiscal multipliers (Sarasa-Flores, 2025).

Nevertheless, private financing has a bigger role to play than public financing in this integration scenario. Private companies, due to the sector's specific characteristics and European capital markets fragmentation, face greater difficulties in accessing capital than their U.S. counterparts (European Commission, 2024). Enhanced market integration would have to be accompanied by broader financial instruments and reduced entry barriers.

Completion of the market also raises competition-related risks. [9] The redistribution of production among the member states needs to be based on leveraging comparative advantages, considering the specifics of the defence industry, so as to prevent the creation of an outsized sector concentrated in a small number of firms from certain countries.

In short, maintaining the defence industry's current productive structure implies an opportunity cost of €46 billion, or around 22% of potential production growth foregone in 2022, equivalent to 14% of EU defence spending. These consequences extend beyond the defence sector, as they affect the EU economy as a whole due to the potential loss of strategic relevance in the global system. Integration would unlock benefits, but their realisation would require tackling the identified political and financial barriers in a coordinated manner.

Notes

[1] The author would like to thank Raymond Torres for his input. However, the opinions and any possible errors contained in this document are the sole responsibility of the author.

[2] For further details, refer to the keynote speech by NATO's Secretary General: https://www.nato.int/cps/en/natohq/opinions_236429.htm

[3] DOI: https://doi.org/10.55163/CQGC9685

[4] With the exception of Austria, Cyprus, Ireland and Malta, which are not NATO members.

[5] An agreement was reached at the NATO meeting held in June 2025 whereby its members have agreed to increase the threshold to 5% of GDP, with nuances around composition.

[6] R&T expenditure covers expenditure for basic research, applied research and technology demonstration for defence purposes.

[7] The defence goods industry is defined as that encompassing the following NACE Rev. 2 codes: C25.4 (manufacture of weapons and ammunition), C30.1 (building of military ships and vessels), C30.3 (manufacture of air and spacecraft) and C30.4 (manufacture of military fighting vehicles). This classification is representative of the production of goods related to military security. However, it does not totally exclude from the analysis the portion of production devoted to civil uses.

[8] For a more detailed analysis of the debate around public financing for the defence sector, refer to Scazzieri and Tordoir (2024) and Guttenberg and Redeker (2025).

[9] For a description of the recent mergers and acquisitions in the defence sector and the prospects for sector M&A activity going forward, refer to Guijarro and Gómez (2025).

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Miguel Ángel González Simón. Funcas

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Household perceptions of the Spanish economy: Growth trends and social frictions

Spain has recorded some of the eurozone's strongest post-pandemic growth, with gains driven by tourism, immigration, and EU recovery funds. Yet, household perceptions remain mixed, shaped by inflation, tax pressures, and persistent inequality that undercut the broader economic narrative.

María Miyar and Desiderio Romero-Jordán

Abstract: Despite leading GDP growth in the eurozone since 2021, Spain's strong economic performance has not translated into equally strong public sentiment. A new national survey reveals that while some households report financial improvement driven by wage gains and job stability, more believe their situation has worsened, citing inflation and taxes as the main causes. The disconnect between macroeconomic indicators and household sentiment is further demonstrated by continued concern over low wages, housing affordability, and inequality. Perceptions vary significantly by age, income, household composition, and political orientation, with younger, right-wing, and lower-income groups expressing greater dissatisfaction. The widespread sense of lost purchasing power, combined with sharp increases in VAT and income tax burdens since 2019, reinforces a sense of financial strain for many.

Economic performance: The heart of the matter

The Spanish economy has been one of the most dynamic since the pandemic, recording

> “The reduction in the unemployment rate has come in tandem with sharp growth in employed immigrants.”

growth of 6.7%, 6.2%, 2.7% and 2.9% between 2021 and 2024. Those rates are clearly above the levels recorded in France and Germany, of 1.6% and -0.2%, respectively. Three key factors explain the momentum in growth in Spain. Firstly, the tourist sector has revisited pre-pandemic levels and emerged as a key economic growth engine for the country. Secondly, the labour force growth triggered by immigration has been a key pillar. The Bank of Spain (2025) estimates the impact of immigration at between 0.4 and 0.7 percentage points per annum between 2022 and 2024, which is equivalent to a quarter of the growth recorded during the period. Thirdly, the European recovery funds are transforming strategic sectors and are set to make a contribution to GDP growth estimated at between 0.4 and 0.5 points in 2025 and 2026, respectively (CaixaBank Research, 2025). This sharp growth has lifted employment. At the end of 2019, unemployment stood at around 14%. During the pandemic it edged towards 16%. Since 2021, it has been coming down gradually, ending the first quarter of 2025 at 11.4%. The reduction in the unemployment rate has come in tandem with sharp growth in employed immigrants. Nevertheless, Spain continues to rank poorly on unemployment, evidencing labour market weaknesses.

Despite the good GDP growth figures, the indicators that directly affect household wellbeing have fared less well. First of all, wages are particularly low in certain sectors. Employees earned an average of €28,049 in 2023 (most recent figure available), whereas in hospitality, the sector with the lowest wages, that average was just €19,985 (INE, 2025). Moreover, the jobs created in recent years have been concentrated in sectors that pay less and require less skilled workers (García and Pinto, 2025). Secondly, inflation during the post-pandemic era has hit low-income households more intensely, accentuating inequalities in real income (Romero-Jordán, 2023). Indeed, inequality remains a structural challenge, as revealed by the synthetic Gini coefficient, which, despite a small reduction relative to the crisis of 2008, remains high by comparison with other European countries (Eurostat, 2025). The situation facing the youngest households, which are facing growing housing affordability problems, is of particular concern (CaixaBank Research, 2024). Lastly, the household tax burden, via personal income tax and value-added tax, has increased sharply in recent years on account of the effects of inflation.

There is a growing gap between the picture painted by the national accounting statistics and households' subjective perceptions of what is happening to their personal finances, despite the fact that they tend to move in tandem (Miyar, 2023). To understand these differences it is necessary to better understand citizens' perceptions and experiences. One way of doing this is via opinion surveys. With that goal in mind, in May 2025, Funcas carried out the *Economy and Household Finances Survey,* using a representative sample of 1,200 people, the results of which are outlined in the next section of this paper.

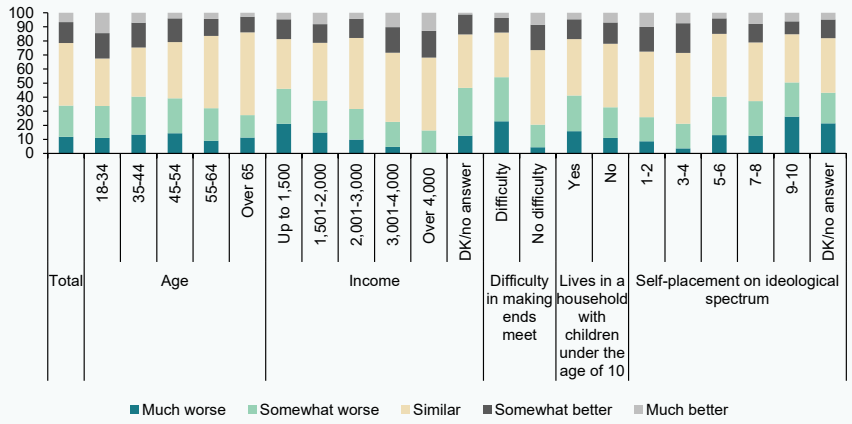
Respondents' perception of the national economy and their household finances

The survey asks the participants (who had to be already living in Spain in 2019) to compare their households' financial situation today with that of before the pandemic. Nearly half of the people surveyed answered that their household financial situation was similar today to before the health crisis (44%). However, 34% believe it has deteriorated, which is considerably more than the 22% who believe it has improved (Exhibit 1). As for the two main causes of the perceived trend, among those reporting an improved financial situation, the explanations are predominantly

Exhibit 1

Assessment of your household's current financial situation by comparison with before the pandemic, by age

Adult resident population (were living in Spain in 2019 | %)



Question: How would you describe your household's current financial situation compared with before the pandemic? I would describe it as…

Note: Higher values on the ideological scale indicate a more right-leaning political orientation.

Source: Funcas Economy and Household Finances Survey (2025).

personal or family-related. Nearly half of them mentioned higher wages for household members who were already in work before the pandemic (47%), while the second most common reason was improved job stability (44%) (Exhibit 2). They also frequently mentioned the employment of household members who were not previously working (26%) and a reduction in certain household expenses (22%). Other reasons cited include the collection of a pension (16%), unforeseen income (11%), the receipt of a social benefit for the first time (6%) and pension increases (6%). In general, we are talking about factors related with changes in household finances rather than structural dynamics. In contrast, those reporting a worse financial situation tended to signal external and general factors (Exhibit 2). The reason cited the most, by a wide margin, was inflation (85%), followed by higher taxes (42%). At a distance lie other more specific reasons such as reduced job stability (12%), lower wages (12%), unforeseen expenses (11%), the loss of a job (9%) and retirement (7%).

As for their assessment of the Spanish economy as a whole, the overall perception is remarkably negative, more so even than their assessment of their household finances. Specifically, over half of those surveyed (55%) consider that the Spanish economy has deteriorated since 2019: 24% said it was "much worse" and 31% described it as "somewhat worse". Just 25% believe the economic situation is similar and 20% believe it has improved (Exhibit 3). This contrast, *i.e.,* a relatively more benign assessment of

> "Nearly half of survey participants mentioned higher wages for household members who were already in work before the pandemic (47%) as the driver for an improvement in their financial situation, while the second most common reason was improved job stability (44%)."

Exhibit 2

Reasons for the change in your household's current financial situation compared to before the pandemic?

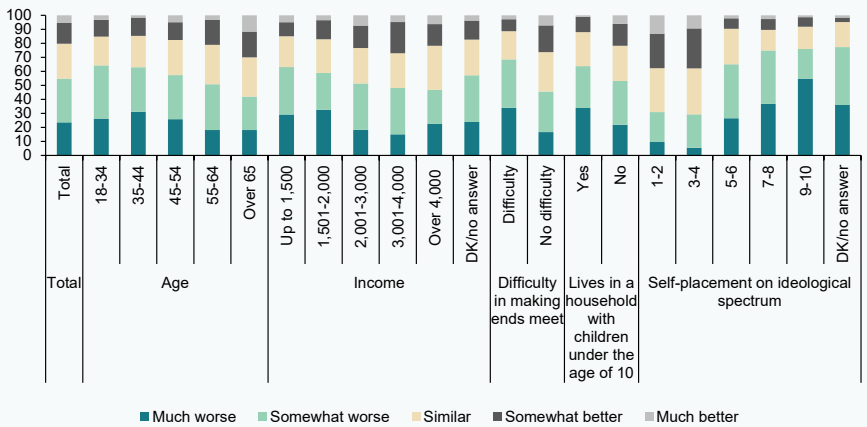
Adult resident population (were living in Spain in 2019 | %)

Question: Which of the following reasons best explains the improvement in your household's financial situation? And which would you rank second? [Participants who believe their household's financial situation has improved] Which of the following reasons best explains the deterioration in your household's financial situation? And which would you rank second? [Participants who believe their household's financial situation has deteriorated]
Source: Funcas Economy and Household Finances Survey (2025).

Exhibit 3

Assessment of the economic situation in Spain by comparison with before the pandemic, by age

Adult resident population (were living in Spain in 2019 | %)



Question: How would you describe Spain's current economic situation compared to before the pandemic?
Note: Higher values on the ideological scale indicate a more right-leaning political orientation.
Source: Funcas Economy and Household Finances Survey (2025).

personal situations relative to the general economic situation is common in public opinion polls, including the CIS barometers in Spain and other surveys conducted by Funcas in the past. It can be interpreted as the result of a cognitive process in which, when assessing the state of the country, individuals consider, in addition their immediate experiences, broader and more diverse aspects of the social and economic reality. It suggests that citizens are sensitive to collective problems beyond those that affect them directly.

It is important to ascertain to what extent the perceptions expressed by the respondents are shaped by differences in wellbeing and material living conditions as opposed to subjective factors, such as ideological positioning, for example. In light of the data collected, both dynamics play a relevant role. One the one hand, certain socio-demographic characteristics related with the cycle of life and material living conditions are systematically linked (and positively correlated) with the assessment of various economic dimensions. Differences in age, in household composition, in income levels and in the ability to make ends meet are significant factors. For example, people aged between 35 and 54, followed by the youngest cohort (18 to 34 years of age) tend to express the highest levels of dissatisfaction. Nearly four out of every 10 people aged between 35 and 54 said their financial situation had worsened, which is a little more than the percentage of young people making the same claim (34%) and considerably more than the shares of people close to retirement (32%) or already retired (27%) reporting a deterioration (Exhibit 1).

A majority of those under the age of 45 also expressed a negative assessment of the overall economic performance, almost two-thirds in fact. This percentage trends lower as age increases (Exhibit 3). A negative assessment is also more common among those reporting lower household income and difficulties in making ends meet. Note, lastly, that households with young children are systematically the most negative about their household situation and the economy in general, reflecting the additional difficulties encountered by families during their child-rearing years.

Elsewhere, the role played by ideological positioning also comes into play in these assessments. Among people who identify more along the left of the ideological spectrum, the percentages reporting an improvement or deterioration in their financial situation are more or less balanced. In fact, in the centre-left segment, positive perceptions slightly outweigh negative perceptions; this is the only segment where this is the case (Exhibit 1). In contrast, from the centre to the right, negative perceptions clearly dominate, with a much higher percentage of respondents reporting a perceived deterioration in their financial situation than those who perceived an improvement. The difference is at its highest the furthest to the right, where 50% report a perceived deterioration and just 15% cite an improvement.

These differences are even more pronounced in relation to the perceived trend in the country's economic performance compared to before the pandemic. Further to the left, positive assessments outweigh negative perceptions: 38% believe the economy has improved, compared to 30% who feel it has worsened (Exhibit 3). However, from the centre to the right, this situation clearly reverses: in ideological positions 5-6, 65% report that the economic situation has deteriorated, while in positions 9-10, the percentage increases to 76%.

The role played by political polarisation in assessing the economy becomes clear when the participants were asked about the reasons for their perception of the trend in Spain's economic situation. Among both those who believe the situation has worsened and those who perceive an improvement, the majority attributes the economic performance primarily to public policies (Exhibit 4). More specifically, among those signalling a perceived deterioration, 70% cited political decisions as the main cause, very significantly above other factors such as the international context (16%), society decisions (10%) or business management (5%). Meanwhile, a majority of those reporting an improvement also cite public policies (59%), albeit giving a little more weight to the international

> “Ninety per cent of those polled said their wages had lost purchasing power, either because they had not increased or had increased by less than prices.”

environment (20%), society decisions (14%) and business management (7%).

However, one dimension sparked consensus among the survey participants, namely the widespread perception of impaired purchasing power. This consensus is apparent in another two indicators yielded by the survey. Ninety per cent of those polled said their wages had lost purchasing power, either because they had not increased or had increased by less than prices (Exhibit 5). Unlike other perceptions expressed, here there is barely any variation by ideological positioning, reinforcing the idea that the loss of purchasing power constitutes a widely shared experience. In addition, as analysed in the next section, 70% reported that taxes had increased since the pandemic. Here, however, we do see considerable differences by political positioning: this perception is less common among people who identify more with the left and clearly increases as we move to the centre and right of the ideological spectrum (Exhibit 6).

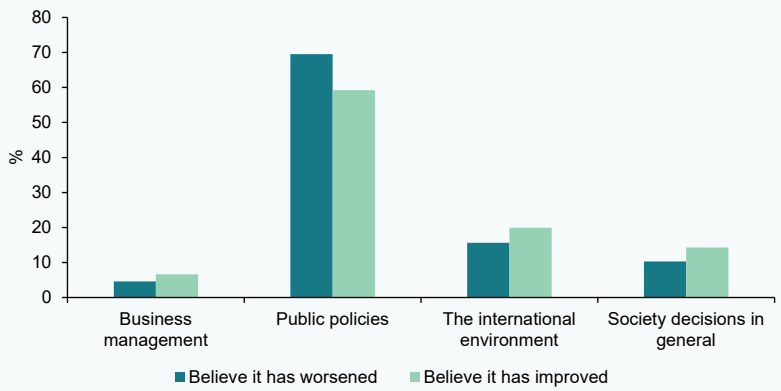
Receipts from the main taxes borne by households – personal income tax, VAT and excise duty – increased by €62.3 billion between 2019 and 2024 (AEAT, 2024). Over half of that increase (56%) was driven by personal income tax and another third (28%) by VAT, these being the two taxes households are most familiar with. For this reason, households perceive that the increase in the burden implied by these two taxes are key factors in their financial situation.

Roughly 70% of the people surveyed said that the main reason for their improved financial position was higher income associated with

Exhibit 4

Reasons for your opinion of the trend in the economic situation in Spain compared to before the pandemic

Adult resident population (were living in Spain in 2019 | %)



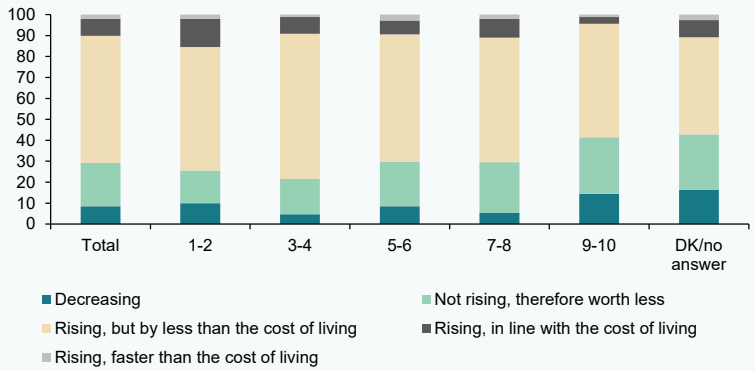
Question: Which of the following factors best explains the improvement/deterioration in Spain's economic situation?
Source: Funcas Economy and Household Finances Survey (2025).

> “The linkage between higher prices, lower real wages and a higher tax burden largely explains citizens’ negative perception of the economy.”

Exhibit 5

Assessment of the trend in wages by ideological positioning (scale of 0 to 10)

Adult resident population (%)

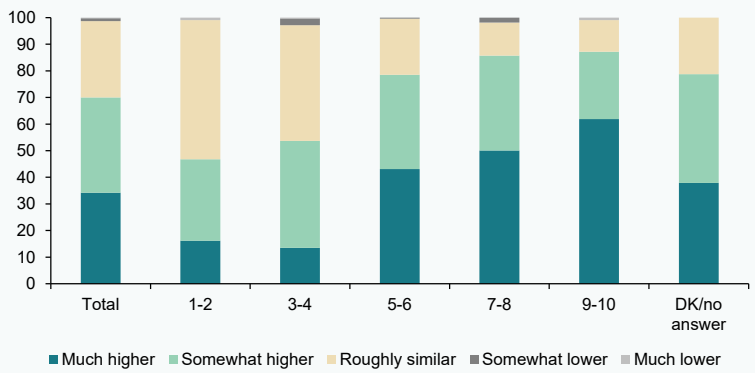


Question: Do you believe, on average, that wages in Spain are…?
Source: Funcas Economy and Household Finances Survey (2025).

Exhibit 6

Assessment of the trend in taxation by comparison with before the pandemic, by age

Adult resident population (were living in Spain in 2019, household head or couple | %)



Question: By comparison with before the pandemic, would you say that the taxes you pay are …?
Source: Funcas Economy and Household Finances Survey (2025).

their job situation. The perceived impact of taxation for this cohort is very low: just 2% cited a lower tax burden as the reason for the improvement. To the contrary, the role of taxation for those reporting a deteriorated financial situation was far more significant. Exhibits 7 illustrate the causes of the deterioration, differentiating between the primary and secondary causes given. Sixty per cent selected consumer price inflation as the primary cause of the deterioration, followed at a considerable distance by a worse job situation associated with lower income (18%) or higher taxes (14%). As their second cause, more chose the increased tax burden (28%) than any other cause, albeit closely followed by inflation (25%) and a worse job situation (22%). In other words, the linkage between higher prices, lower real wages and a higher tax burden largely explains citizens' negative perception of the economy.

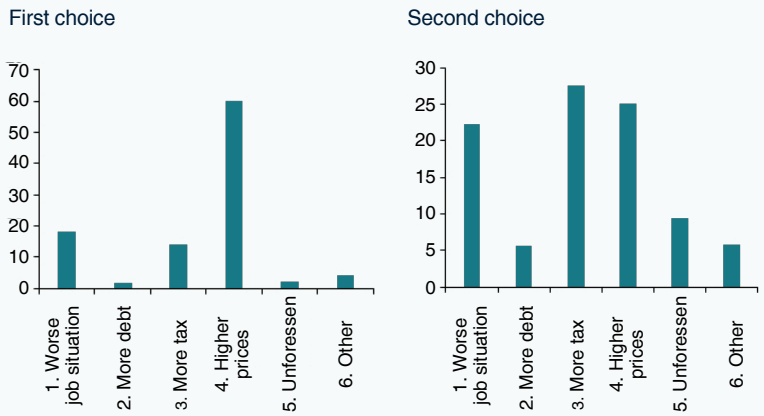
In fact, one out of every three survey participants said their personal financial situation had worsened by comparison with 2019. This personal sensation matches the objective data tracking the trend in real average household income and the household tax burden (higher personal income tax and VAT burden). Funcas has recently published several studies corroborating this perception. Specifically, net real household income was 4.3% lower in 2024 than in 2008. In parallel, the average real personal income tax burden was 14.4% higher in 2024 than it was in 2008 (Romero-Jordán, 2025a, 2025b). Meanwhile, the VAT tax burden increased by an average €450 per household between 2021 and 2024 due to the effect of inflation (Romero-Jordán, 2025b). In sum, the subjective perception gleaned from the surveys is closely correlated with the objective underlying information.

The perception of a higher tax burden by age bracket has the shape of an upside down "U". Specifically, 9% of those expressing this perception are under the age of 30, 30% are aged between 45 and 55 and around 20% are over the age of 65. This outcome makes sense in light of the differences in income levels

Exhibit 7

Primary and secondary reasons for worsening in current household financial situation compared to pre-pandemic

Adult resident population (lived in Spain in 2019, percentages)



Question: Which of the following reasons best explains why your household's economic situation has improved? And which would you rank second? [Respondents who believe that their household's economic situation has improved.] Which of the following reasons best explains why your household's economic situation has gotten worse? And which would you rank second? (Respondents who believe that their household's economic situation has gotten worse.)

Source: Funcas Economy and Household Finances Survey (2025).

and tax burdens by age cohort as household income tends to trend upward until the age of 55 to 60. However, it is the individuals with secondary school studies only who ascribe the highest weight to taxes in their negative perception of their financial situation: around 5 out of 10, compared to less than 3 out of 10 for individuals with university studies. This outcome is consistent with the idea put forward earlier that a negative perception of the economy is more common among those reporting lower household income and difficulties in making ends meet. This negative assessment is held by more than half of the participants in work (between 60% and 68%), which is significantly above the share of pensioners expressing a similar sentiment (around 18% to 20%). Lastly, the percentage of respondents who attribute their negative perception of the trend in their household finances to taxes is roughly three times higher among people who identify themselves as right-wing (positions 6 to 10 on the scale) compared to those to the left (positions 1 to 4).

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María Miyar. UNED and Funcas
Desiderio Romero-Jordán. Rey Juan Carlos University and Funcas

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Spain's household and corporate accounts in 2024: Diverging growth paths

In 2024, Spain's households continued to build financial strength through rising incomes, high savings, and manageable debt burdens. Meanwhile, non-financial corporations faced falling profitability and persistently weak investment, revealing a growing imbalance in the post-pandemic recovery.

María Jesús Fernández

Abstract: Against the backdrop of impressive GDP growth in Spain in 2024, household incomes grew strongly for a second consecutive year, supported by wage gains, rising property income, and easing inflation. This trend led to a significant increase in savings and a record-high net lending position. Despite higher interest payments, households remained financially sound, with debt ratios continuing to fall relative to income and GDP thanks to a growth in savings. In contrast, non-financial corporations saw a decline in gross operating surplus and weak investment dynamics, with real capital formation still lagging pre-pandemic levels. While corporate dividend payouts reached record highs, retained earnings fell, suggesting limited reinvestment capacity. Overall, 2024 revealed a growing divergence between household financial resilience and corporate underperformance, pointing to a structural shift in Spain's post-pandemic economic landscape.

General background

In 2024, Spanish GDP increased by 3.2%, which is well above the eurozone average and

> In 2024, Spanish GDP increased by 3.2%, driven by three key explanatory factors: higher-than-forecast growth in both tourism and public spending and demographic growth as a result of intense immigration.

also above the level forecast at the start of the year. There are three key explanatory factors: higher-than-forecast growth in both tourism and public spending and demographic growth as a result of intense immigration. Employment and average compensation per jobholder also registered healthy growth, despite slowing a little from 2023, while inflation eased from 3.5% in 2023 to 2.8%. The let-up in inflation across the eurozone allowed the European Central Bank to start to lower its interest rates in June, having peaked at 4% in September 2023.

In this paper, we analyse the trend in the accounts of Spain's households and non-financial corporations (NFCs) in 2024 using the non-financial accounts by institutional sector compiled by Spain's statistics office, the INE, following the same methodology and conventions as are used in the national accounts.

Consumption tapered as household income grew

Before analysing the household sector's accounts for 2024, we need to point out that the figures for 2023, analysed by Fernández (2024), have since been revised by the INE. More specifically, the main components of household income were revised upwards: employee compensation, gross operating surplus, mixed income and social benefits. Although other elements that reduce income (interest payments and social security contributions, for example) were also revised upwards, the net impact was an increase in the household sector's gross disposable income (GDI) with respect to the initially published figures. Despite the revisions, the analysis provided in the original paper remains valid; if anything, the conclusions reached have been reinforced.

Turning back to 2024, the net wages earned by Spanish households registered intense growth, of 7.7%, albeit easing from the 2023 figure, shaped by lower growth in both employment and average wages per jobholder. The latter, despite the slowdown, continued to register strong growth by historical standards, of 5% according to the national accounting figures. In the entire series, which goes back as far as 1995, there was just one year, 2009, aside from 2023, in which average earnings rose faster than 5%. Earnings also rose by more than prices for the second year in a row, allowing average wages to fully recover the purchasing power lost in the previous years of high inflation.

Property income – both interest income and dividends and other income – also registered strong growth, doubling the amounts collected in 2019. Growth in social benefits slowed considerably from 2023, heavily influenced by the restatement of pensions in 2023 for the inflation recorded in 2022 (Table 1).

> In the entire series, which goes back as far as 1995, there was just one year, 2009, aside from 2023, in which average earnings rose faster than 5%.

Table 1 **Non-financial accounts – households and NPISHs**

Millions of euros

	2019	2022	2023	2024	2023 *vs.* 2022 %	2024 *vs.* 2023 %
Net wages received	588,298	659,547	720,012	775,725	9.2	7.7
Household gross operating surplus and mixed income	216,984	227,673	242,260	268,280	6.4	10.7
Social benefits received	216,361	245,376	270,820	286,683	10.4	5.9
Interest and other property income received	51,179	48,217	87,885	102,523	82.3	16.7
Current transfers received	82,016	104,355	111,653	116,747	7.0	4.6
Total income received	1,154,838	1,285,168	1,432,630	1,549,958	11.5	8.2
Interest and other property income paid	5,719	7,227	25,269	27,095	249.6	7.2
Social security contributions	173,473	192,702	211,771	226,830	9.9	7.1
Current transfers paid	78,853	98,631	105,341	110,995	6.8	5.4
Income and property tax	106,219	132,744	145,178	157,323	9.4	8.4
Gross disposable income	790,574	853,864	945,071	1,027,715	10.7	8.7
Nominal consumption	720,025	774,497	830,450	889,060	7.2	7.1
Gross savings (plus net capital transfers)	66,723	75,261	112,263	146,147	49.2	30.2
Gross capital formation	44,216	64,694	67,666	71,734	4.6	6.0
Net lending (+) / borrowing (-) position	22,507	10,567	44,597	74,413	–	–
Memorandum item:						
Interest paid before the allocation of FISIM	13,992	14,027	23,864	28,130	70.1	17.9
Savings rate (% of GDI)	8.6	9.0	12.0	13.6	–	–
Real GDI per capita (2019 = 100)	100.0	97.9	101.6	105.0	3.8	3.4
Real consumption per capita (2019 = 100)	100.0	97.4	97.9	99.7	0.6	1.8
Household borrowings	708,638	706,867	690,694	695,616	-2.3	0.7
As a % of GDI	89.6	82.8	73.1	67.7	–	–

Sources: INE and Bank of Spain.

Interest payments (before the FISIM allocation) increased by €4.27 billion, shaped by the increase in the average effective borrowing rate. Although 12-month Euribor began to trend lower at the end of 2023 in anticipation of the ECB rate cuts that ultimately materialised mid-2024, the average effective rate paid by households increased last year due to the lag in the repricing of floating-rate loans to reflect movements in official rates. The growth in interest payments is not attributable to an increase in borrowing levels: although the balance outstanding at the end of the year was higher than at year-end

> “According to the Bank of Spain, the percentage of indebted households that have to set aside more than 40% of their income to service their debt decreased in 2024 from 2022 and dipped below the 2014-2022 average.”

2023 (Table 1), the balance was consistently lower year-on-year throughout the rest of 2024, only rising year-on-year in the last quarter.

The debt service burden, relative to GDI, increased for the second year in a row to the highest level in 10 years; however, as was the case in 2023, the increase was easily absorbed, on aggregate, thanks to the growth in household income. This is borne out in the downtrend in non-performance on mortgage loans, which started the year at 2.7% and ended it at 2.4%. The non-performing ratio on consumer credit also came down last year. According to the Bank of Spain (2025), the percentage of indebted households that have to set aside more than 40% of their income to service their debt decreased in 2024 from 2022 and dipped below the 2014-2022 average.

Elsewhere, the taxes paid by households on their income and wealth increased by 8.4% in 2024, which is just below the growth in taxable income (the latter calculated using the national account figures), paving the way for a slight decrease in the average effective tax rate, which nevertheless remains close to record highs. Social security contributions (which in national accounting terms include both the contributions paid by employers and those paid by employees within the compensation received by households) increased by 7.1%.

As a result (and factoring in the trend in transfers paid and received), nominal household gross disposable income registered growth of 8.7%, below the growth of 10.7% recorded in 2023 but still very high by historical standards. However, adjusting for inflation and population growth, real growth per capita falls to 4.8% (and if we use the consumption deflator instead of CPI, further again to 3.4%). As a result, for the first time, real GDI per capita exceeded (by 3.6%) the record levels of 2007-2008 (using the consumption deflator, that record was surpassed in 2023).

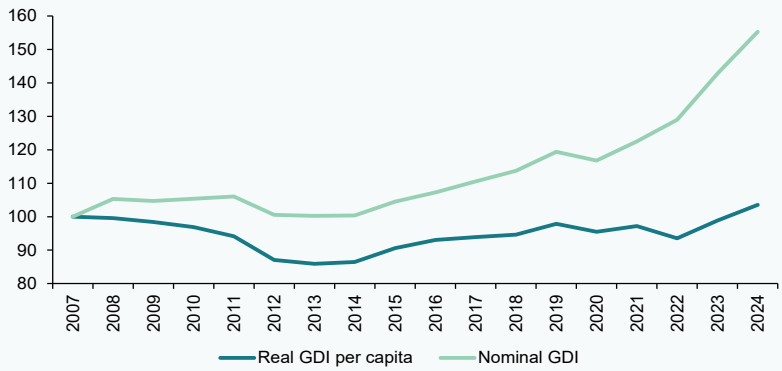
Returning to nominal figures, the growth in GDI was higher than the growth in consumption, paving the way for intense growth in savings. The household savings rate (savings as a percentage of GDI) rose to 13.6%, compared to 12% in 2023, well above the levels observed prior to the pandemic. The fact that the increase in the savings rate in the post-pandemic era is proving so persistent suggests that we are witnessing a largely structural phenomenon, which may be related, among other things, to demographic factors (García and Alcobé, 2025).

Roughly half of household savings was earmarked to GFCF, so that the household sector generated a net lending position – the difference between savings and investment – of €74.4 billion, which at 4.7% of GDP is the highest level in the entire series barring 2010.

> “Adjusting for inflation and population growth, for the first time, real GDI per capita exceeded (by 3.6%) the record levels of 2007-2008 (using the consumption deflator, that record was surpassed in 2023).”

Exhibit 1 **GDI, nominal total and real per capita**

2007 = 100



Source: Funcas, based on INE data.

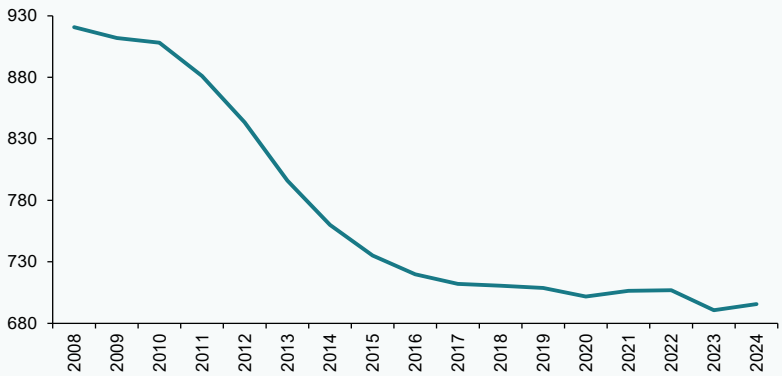
That surplus was used in full to purchase financial assets. In contrast to what we saw in 2023, Spanish households did not use their surplus to repay debt. To the contrary, their borrowings increased in nominal terms although they continued to come down as a percentage of GDP, to 43.7%, which is 7.8 points below the eurozone average.

Household deleveraging, which began in 2009, was uninterrupted in both nominal and relative (as a percent of GDI) terms until 2020. Since then, although borrowings have continued to come down in relative terms, the nominal balance has been up and down, indicating that the deleveraging process has probably come to an end, at least in nominal terms. From here on we are more likely to see debt trend more in line with the economic cycle (Exhibit 2).

Comparing the different variables with 2019 reveals that real GDI per capita was 5% higher

Exhibit 2 **Household borrowings**

Billion euros



Source: Bank of Spain.

> “All of the growth observed in consumption throughout this period (3.4% in real terms) has been driven by population growth.”

in 2024, whereas real consumption per capita was still slightly below pre-pandemic levels. This means that all of the growth observed in consumption throughout this period (3.4% in real terms) has been driven by population growth (derived from a simple decomposition of the growth in the variable aggregate; it is conceivable that per-capita consumption of the citizens who were already residents has increased but that they spend less on average than the newcomers, yielding the above result).

Here it is worth highlighting the important role played by immigration in economic growth in Spain in recent years, on both the demand side (contributing to growth in consumption) and on the supply side, providing the manpower needed to enable the growth in other key engines of Spain's economic growth, like tourism.

It is fair to say, in conclusion, that household behaviour in the last couple of years has been characterised by restrained spending in a context of income growth and financial health, unlocking growth in savings.

Slump in corporate profitability

The non-financial corporation account figures for 2023 and prior years have also been revised upwards so that their gross operating surplus (GOS) was higher than initially estimated, as was their income, defined as the sum of GOS, interest and dividends collected and other net income, less interest paid. Nevertheless, the conclusions drawn in the analysis by Fernández (2024) continue to hold as regards the weak profitability of the non-financial corporations, the lag in growth by comparison with household income in both 2023 and in the cumulative period since 2019, and the frailty of corporate investment.

Returning to 2024, the accounts published by the INE indicate a contraction in the NFCs' nominal GOS of 2.4% [1] (Table 2). As a percentage of GVA, the corporations' GOS fell to 37%, down 2.7 percentage points from their profit share in 2023 and down 4.5 points from 2019.

The contraction in GOS was driven by higher growth in compensation of employees than in GVA. Although the corporations recorded growth in net finance income (thanks to interest and dividends), it was insufficient to offset the drop in GOS, so that gross entrepreneurial income before tax dipped by 0.7%.

Nevertheless, the NFCs increased their dividend payments sharply, to €92.5 billion, topping the pre-pandemic record of 2019 for the first time (in nominal terms; in real terms it has yet to revisit that record). As a result, the sector's gross disposable income, which is essentially retained earnings, decreased by 6.1% to land just €3.5 billion above the 2019 figure. That sum, coupled with capital transfers received, which were substantially higher than the levels observed prior to 2019, due to the NGEU funds, was sufficient to finance gross fixed capital formation, which grew at very moderate levels in both real and nominal terms. Gross

> “Household behaviour in the last couple of years has been characterised by restrained spending in a context of income growth and financial health, unlocking growth in savings.”

> "The conclusions drawn in the analysis by Fernández (2024) continue to hold as regards the weak profitability of the non-financial corporations, the lag in growth by comparison with household income in both 2023 and in the cumulative period since 2019, and the frailty of corporate investment."

fixed capital formation (which excludes changes in stocks) registered slightly higher growth than total capital formation but remained notably weak. In real terms, the non-financial corporations' GFCF was around 10% below 2019 levels.

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

Millions of euros

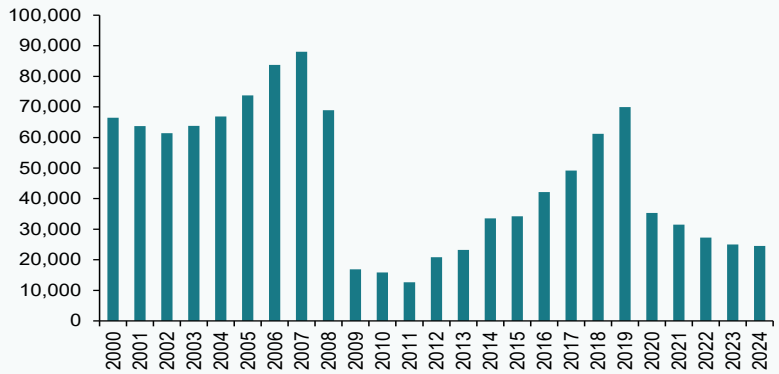
	2019	2022	2023	2024	2023 *vs.* 2022 %	2024 *vs.* 2023 %
Gross value added (GVA)	660,077	729,742	787,444	824,882	7.9	4.8
Compensation of employees	382,015	433,561	472,201	515,313	8.9	9.1
Gross operating surplus (GOS)	274,131	293,877	312,506	304,879	6.3	-2.4
Profit share (GOS/GVA) (%)	41.5	40.3	39.7	37.0	–	–
Interest, dividend and other income received (net)	51,516	38,991	70,374	81,404	80.5	15.7
Interest paid	11,107	13,593	37,360	43,251	174.8	15.8
Gross entrepreneurial income	314,540	319,275	345,520	343,032	8.2	-0.7
Income tax paid	18,577	27,440	32,556	32,612	18.6	0.2
Other net income	-9,683	-12,069	-12,748	-12,967	5.6	1.7
Entrepreneurial income after tax	286,280	279,766	300,216	297,453	7.3	-0.9
Dividends paid	84,813	60,972	81,976	92,517	34.4	12.9
Gross disposable income	201,467	218,794	218,240	204,936	-0.3	-6.1
Gross capital formation	188,119	199,302	195,252	202,328	-2.0	3.6
Capital transfers, net	2,947	9,699	6,716	11,632	-30.8	73.2
Net lending (+) /borrowing (-) position	16,295	29,191	29,704	14,240	1.8	-52.1
Memorandum item:						
Interest paid before the allocation of FISIM	18,378	19,809	39,961	47,945	101.7	20.0
Consolidated debt of non-financial corporations	948,051	1,004,876	989,536	1,010,727	-1.5	2.1
As a % of GDP	75.6	73.2	66.0	63.5	–	–

Sources: INE and Bank of Spain.

> NFCs GDI, coupled with capital transfers received, which were substantially higher than the levels observed prior to 2019, due to the NGEU funds, was sufficient to finance gross fixed capital formation, which grew at very moderate levels in both real and nominal terms.

Exhibit 3 **Net investment flows for non-financial corporations**

Million constant 2024 euros



Source: Bank of Spain.

Subtracting the consumption of fixed capital, since 2021, net investment flows have been at record lows for this century, with the exception of the financial crisis between 2009 and 2013 (Exhibit 3). Vicente Salas (2024a and b) has analysed this phenomenon, citing the increase in the user cost of capital coupled with a drop in the return on capital as the causes of this weakness. It has also been analysed in detail by Domenech and Sicilia (2024), who pinpoint additional potential causes, including institutional deterioration.

Lastly, after paying for those investments, the non-financial corporations obtained a financial surplus of €14 billion, equivalent to 0.9% of GDP. That surplus was used mainly to acquire financial assets, although the businesses also increased their debt, albeit very slightly. As a result, corporate indebtedness as a percentage of GDP continued to trend lower, extending the pattern observed virtually non-stop since 2010 (leverage only ticked higher in 2020), to 63.5%, which is considerably below the European average, as is the case with household leverage.

Conclusions

2024 was marked by a similar pattern to that observed since the pandemic (with the exception of 2022): business earnings

> Corporate indebtedness as a percentage of GDP continued to trend lower, extending the pattern observed virtually non-stop since 2010, to 63.5%, which is considerably below the European average, as is the case with household leverage.

weakness in contrast to more robust growth in household income. Momentum in the household sector continued thanks to ongoing growth in employment and wages, which was more than sufficient to absorb the increase in interest payments on the back of higher rates (all in aggregate terms for the household sector as a whole and using the national account conventions).

Another trend that carried over to 2024 was the restraint in household spending so that, as income continued to rise, the sector's savings rate consolidated at considerably higher levels than was usual prior to 2019, etching out what can now be described as a structural shift in the Spanish economy.

The non-financial corporations' GOS and income trended lower in 2024. Entrepreneurial income after tax was a mere 3.9% above the 2019 equivalent in nominal terms, which is significantly below the inflation observed during the period.

Lastly, corporate investment, despite some growth, remains remarkably weak, lingering sharply below 2019 levels in real terms, running at rates that are barely enough to make up for the consumption of fixed capital and so maintain the stock of productive capital.

Notes

[1] The Spanish economy's total gross operating surplus increased by 4.1%, with that growth coming from the other institutional sectors —government, households and financial corporations— as the non-financial corporations' GOS shrank.

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María Jesús Fernández. Senior Economist at Funcas

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Spanish non-financial corporates' balance sheets: Asset growth and deleveraging in the euro era

Since entering the euro area, Spain's non-financial corporations have doubled their real asset base while significantly reducing leverage, particularly bank debt. This structural shift from debt-financed expansion to self-funded investment reflects broader changes in corporate behavior amid evolving economic and financial conditions.

Vicente Salas Fumás

Abstract: The financial evolution of Spain's non-financial corporations (NFCs) over the first quarter-century of euro membership reveals a marked transition from aggressive debt-financed expansion to cautious, equity-supported consolidation. Using original estimates based on Eurostat and national accounts data, this paper constructs a consolidated balance sheet for Spain's NFC sector from 2000 to 2024, tracking changes in the composition of assets (operating *vs.* financial) and liabilities (debt *vs.* equity). While total assets tripled in current euros and doubled in real terms over the period, the growth was uneven, concentrated largely before the 2008 financial crisis and slowing afterwards. Financial assets increased rapidly in the early years but have remained steady at around 40% of total assets since 2010. On the liabilities side, a dramatic pre-crisis surge in bank debt reversed post-2009, with the leverage ratio falling from a peak of 65.3% to 35% by 2024 and bank credit declining to just 16% of total liabilities. The shift reflects a deeper structural change: since the crisis, retained earnings have persistently exceeded

gross capital formation, enabling deleveraging and a net lending position. A simple regression confirms that while asset growth drives demand for external funds, strong internal financing capacity reduces reliance on debt, especially bank credit. The recent stagnation in asset accumulation cannot be attributed to credit constraints but rather suggests waning investment appetite, despite a financially healthier corporate sector.

Foreword

This paper analyses the trend in the consolidated balance sheet of Spain's non-financial corporations (NFCs) during the 25 years of membership of the eurozone, looking closely at the composition of their total assets (operating assets and financial assets) and their liabilities (debt and equity). Spain does not have an official statistical source that publishes the balance sheet (assets + liabilities) of the economy as a whole. Nor is there an official separate balance sheet for each institutional sector: non-financial corporations, financial corporations, households and government. As a result, the balance sheet data presented throughout this paper were compiled by the author, using the account organisation criteria, statistical sources and calculation methods described in greater detail in a Funcas technical note (Salas Fumás, 2025).

The data indicate that between 2000 and 2024, the total assets held by the NFC sector in Spain tripled in current euros and doubled in constant euros (using the gross fixed capital formation deflator), albeit growing at different paces during the period depending on the economic momentum at the time. Even though non-operating financial assets increased by slightly more than operating assets during the first years of the euro, from 2009 on, the composition of total assets has been stable at approximately 60% and 40% of operating and financial assets, respectively.

On the liability side, the share of debt, and by extension the corresponding share of equity, has shifted considerably during the same timeframe. Until the financial crisis of 2008, the contribution of debt to financing the growth in assets was proportionately higher than the contribution of equity, shaping a considerable increase in the leverage ratio during that sub-period: from 40% in 2000 to 65.3% in 2008. After 2009, the leverage ratio began to come down and by the end of the period, 2024, had dipped below the starting point (35%). Bank debt, which at the start of the period accounted for two-thirds of total credit, represented just 45% of total debt by the end of the time horizon. This paper explains the trend in the debt, particularly the bank debt, of the NFCs in Spain, correlating it to the growth in assets (positively) and the lending/borrowing requirement (negatively).

Findings: Stock of assets and liabilities

Total assets and composition

Exhibit 1 shows the trend in estimated total assets, which matches the trend in total liabilities, of the NFCs in Spain every year (annual averages) between 1999 and 2024, in millions of constant euros (2000). The assets at constant prices were calculated by deflating the average annual stock each year previously calculated in current euros, using the implicit gross fixed capital formation (GFCF) deflator for the Spanish economy as a whole, set at 1 in 2000.

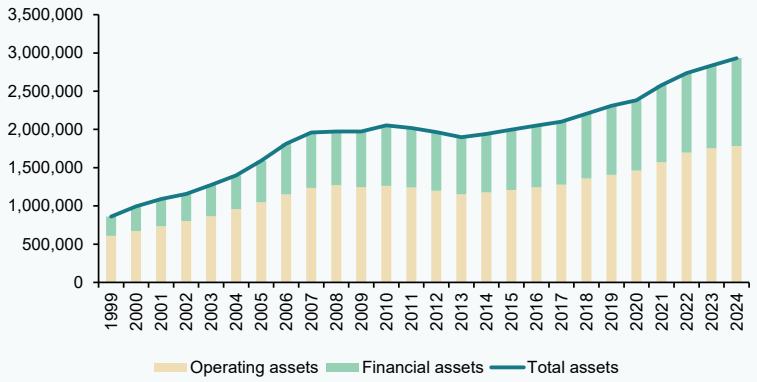
In the 25 years since the euro was introduced, 2000-2024, the total consolidated assets of Spain's NFCs in current euros went from €1 trillion to €3 trillion, more or less tripling.

“ In the 25 years since the euro was introduced, the total consolidated assets of Spain's NFCs in current euros went from €1 trillion to €3 trillion, more or less tripling. ”

Exhibit 1

Total NFC assets and their composition –operating assets and non-operating financial assets

Millions of current euros



Sources: Author's own elaboration based on Eurostat data, Financial Accounts and National Accounts.

When the stock in current euros is deflated to constant 2000, using the GFCF deflator as the proxy for the trend in prices, the stock of consolidated assets doubled, to €2 trillion in 2024 (in other words, the prices of fixed capital assets multiplied 1.5x between 2000 and 2024, when average annual inflation was below 2%).

The pace of asset accumulation was uneven over the period analysed. Half of the growth in the entire period was concentrated between 2000 and 2007, when total assets in constant euros went from €1 trillion to €1.5 trillion (growth of 50%). Between 2007 and 2013, the total stock decreased slightly in current euros but increased somewhat in constant euros due to asset price deflation those years. Between 2014 and 2019, growth in total assets resumed, albeit at a slower pace, increasing by a cumulative 25% those years. From the pandemic until the end of the period, the stock of total NFC assets in Spain registered significant growth in current euros (coinciding with the outbreak of inflation in 2021 and 2022), but stagnated in constant euros. In sum, during the last five years, the stock of NFC assets in Spain has barely changed.

Total NFC assets are made up of operating assets dedicated to produce goods and services in Spain, together with labor, and financial assets not tied to such production activities. According to Exhibit 1, at the time of the euro's creation, 30% of total NFC assets were financial assets and the remaining 70% were operating assets. In those early years of the euro, financial assets registered faster growth than operating assets so that by 2010, the proportions were approximately

“ Half of the growth in the entire period was concentrated between 2000 and 2007, when total assets in constant euros went from €1 trillion to €1.5 trillion (growth of 50%). ”

> “In relative terms, over total liabilities, in 2024, bank credit accounted for just 16% of total NCF liabilities in Spain, having represented nearly 50% in 2009.”

40% and 60%, respectively, having barely changed since.

Liabilities and their composition

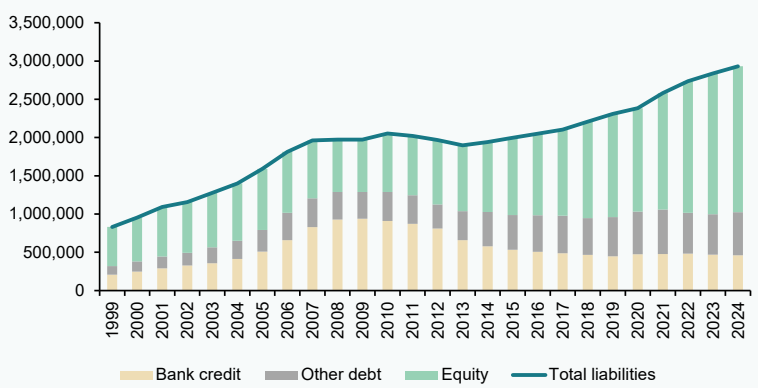
The liability accounts are divided between cost-bearing liabilities (*i.e.,* excluding trade payables) and within that category, between bank and other debt, on the one hand, and equity, on the other hand (Exhibit 2). In 2000, the financial structure was 40% debt and 60% equity. Bank credit accounted for two-thirds of total debt, a little over 26% of total liabilities. The accelerated growth in assets until the financial crisis of 2008 was financed more by debt than equity, driving growth in the share of debt financing, particularly bank debt, in the liabilities mix. When the financial crisis broke out, in 2008 and 2009, debt accounted for nearly two-thirds of total liabilities and 72% of total debt was bank debt. In absolute terms, bank credit went from €250 billion in 2000 to €940 billion in 2009, 47% of total liabilities.

After a few years of stability at peak levels, from 2008 to 2011, the NFCs began to deleverage from 2012. Their debt in absolute terms was virtually stable at around 1 trillion current euros. Since total liabilities in current euros trended higher, the ratio of debt to total liabilities gradually decreased from peak levels to a little over one-third (35%) in 2024. The loss of share of bank credit in financing the NFC sector’s total assets in Spain was even more pronounced: in absolute terms, at €450 billion, bank credit in 2024 was half of the peak volume observed in 2009. In relative terms, over total liabilities, in 2024, bank credit accounted for just 16% of total NCF liabilities in Spain, having represented nearly 50% in 2009.

Exhibit 2

Breakdown of total liabilities of NFCs in Spain between debt (bank *vs.* non-bank debt) and equity

Millions of current euros



Sources: Author’s own elaboration based on Eurostat data, Financial Accounts and National Accounts.

> By 2009, retained earnings already exceeded GFCF flows, a situation that would repeat itself until 2024, the sole exception being 2020, when the difference was virtually zero.

Explanation for leveraging/ deleveraging

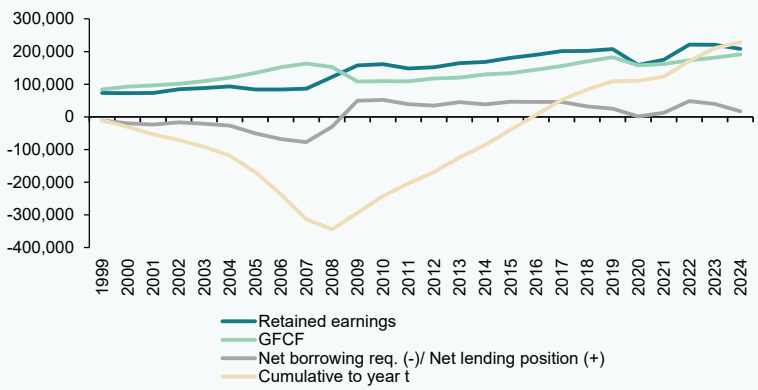
The NFCs generate monetary flows each year as a result of the economic activities they carry out, which they can use to finance new investments, pay dividends or repay debt, for example. The *funds generated* by business activities in a financial year include their net profit for the year (bottom line of the statement of profit or loss) plus fixed asset depreciation charges, which are accounted for as a cost but in reality do not imply a cash outflow for the companies. The corporations pay their financial partners dividends as remuneration for the financing they provide and the difference, funds generated less dividends, is retained by the corporations (*retained earnings* = funds generated less dividends), adding to their reserves and, in the process, their equity. When the earnings retained in a given financial year exceed investment in capital formation, the NFCs help finance the rest of the economy; if that is not the case, and their investments in operating assets exceed their retained earnings, the NFCs need funds from the rest of the economy to cover their financing requirements.

Exhibit 3 illustrates the trend in retained earnings, gross fixed capital formation (investment in operating assets) and the difference between the two, annual and cumulative, for the NFC sector in Spain as a whole over the period analysed. Until the financial crisis of 2008, annual GFCF flows for the Spanish NFCs as a whole amply exceeded their retained earnings, which meant that they relied on funds from other sectors of the economy, including foreign funds, to finance their flows of investments in productive

Exhibit 3

Flows of retained earnings (net profit + depreciation – dividends) and investment in fixed assets and the difference between the two. NFCs in Spain

Millions of current euros



Source: Author's own elaboration based on the National Accounts.

> “Between 2009 and 2024, the NFCs generated a total net lending position of over €570 billion, which is significantly more than the amount of debt repaid since 2010, €270 billion.”

capital. The crisis turned that situation on its head. By 2009, retained earnings already exceeded GFCF flows, a situation that would repeat itself until 2024, the sole exception being 2020, when the difference was virtually zero. The switch from a negative balance, a net funding requirement, to a positive balance, the ability to finance the rest of the economy, was the result of a contraction in investment flows (€55 billion smaller in 2009 than in 2007) and also growth in retained earnings (which were €70 billion higher in 2009 than in 2007).

In cumulative terms, between 1999 and 2008, the total need for funds to finance investment in operating assets exceeded retained earnings by nearly €350 billion. Over that same timeframe, the cost-bearing debt of the NFCs increased by practically €1 trillion (Exhibit 2), which means that 35% of the increase in debt was used to finance the shortfall of retained earnings in terms of financing gross fixed capital formation. By 2024, however, the cumulative surplus of retained earnings over the cumulative need to finance annual GFCF flows stood at €228 billion. That means that between 2009 and 2024, the NFCs generated a total net lending position of over €570 billion, which is significantly more than the amount of debt repaid since 2010, €270 billion.

To complement the exhibit, Table 1 presents the results of a simple regression analysis that explains the variation in the absolute volume of debt in year t with respect to year t-1 as a function of the change in total assets during the same period (demand for funds driven by the increase in the stock of assets needing financing) and as a function of the NFCs' net lending or borrowing position, the averages in year t and in t-1 (as a proxy for the availability of funds generated internally having financed gross fixed capital formation flows). We distinguish between the movement in bank debt, non-bank debt and total debt.

Table 1 **Estimated impact of asset growth and net lending on annual changes in NFC balance-sheet debt (average in years t and t–1)**

	Change in bank debt	Change in non-bank debt	Change in total debt
Constant	1,296.9 (9,719.2)	9,692.1 (11,375.6)	10,988.9 (11,083.6)
Change in total assets	0.26*** (0.09)	0.11 (0.10)	0.37*** (0.10)
Net lending/borrowing position	-1.40*** (0.17)	-0.08 (0.20)	-1.48*** (0.19)
Adjusted R-squared	0.85	0.02	0.85
Observation	25	25	25

**** Indicates a coefficient significantly different from zero, p < 1%; the values in parentheses are the standard errors.*

> "On the asset side, there was an increase in total NFC assets in Spain in constant 2000 euros of virtually 100% between 2000 and 2024."

The empirical model correlating the movement in the debt on the Spanish NFCs' balance sheets as a function of total demand for funding and their net internal financing capacity is statistically significant in explaining the variation in bank debt and total debt but is of no use in explaining the change in non-bank debt. More specifically, on average throughout the entire period, for every one euro increase in total assets, the NFCs add €0.37 of debt (the percentage of total debt over total liabilities throughout the period averages 48%), whereas one euro of net lending position decreases balance-sheet debt by €1.48 on average; in the case of bank debt, these figures are somewhat smaller in absolute terms but are equally statistically significant.

Conclusions

This paper describes and explains the trend in the main headings of the Spanish NFCs' balance sheets in the quarter of a century that has elapsed since the creation of the euro (selected from a broader study over the same timeframe (Salas Fumás, 2025)), distinguishing between financial assets and the assets used by the undertakings to produce goods and services in Spain and invest abroad, on the asset side, and between debt and equity, on the liability side.

On the asset side, the paper documents the increase in total NFC assets in Spain in current €2,000 of virtually 200% between 2000 and 2024 (100% in constant euros). That growth comes about at different rates: at an initially rapid pace until 2008, followed by a period of stagnation until 2013 and a third period of moderate growth until 2019, interrupted briefly by the pandemic. In the last five years, until 2024, the NFCs' stock of capital in constant euros has been stuck at under €2 trillion by our estimates, with the stagnation affecting both financial assets and operating assets. The latter include the fixed assets the NFCs use to produce goods and services in Spain, in combination with the labour factor, for subsequent sale in the market. The stagnation observed is consistent with the investor lethargy displayed by the NFCs in Spain in recent years, when gross investment flows have barely been enough to cover the capital consumed as a result of production.

The paper highlights the variability observed in the companies' financial structure during the period analysed, with the share of debt almost doubling (to nearly 66%) from before the euro by 2008-2010, after which it began to come down steadily, reaching a low in 2024, a downtrend that has affected bank debt in particular. A simple regression analysis shows that the movements in the NFCs' bank debt are correlated, positively, with growth in assets (funding requirement) and negatively with the free cash flows generated internally by the corporations. Until 2008, the funds generated internally by the corporations and retained by them (net profit + depreciation – dividends) trended considerably below GFCF flows, explaining the significant growth in debt. In the years after the crisis, the situation changes and the free cash flows generated by the NFCs as a whole went from negative to positive, allowing them to finance the nominal growth in their assets without the need to increase their debt in absolute terms (the

> "The share of debt nearly doubled by 2008–2010 before steadily declining to a low in 2024, with bank debt leading the adjustment."

stock of total (bank) debt has been stable at €1 trillion (€500 billion) since 2015). The corporations' comfortable financial position rules out the lack of financing as a possible cause of the stagnation in the stock of capital observed during the last few years of the period analysed.

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Vicente Salas Fumás. Professor Emeritus at Zaragoza University and Fellow Researcher at Funcas

Revolving credit in Spain: Between financial inclusion and consumer risk

Revolving credit plays a growing but still limited role in Spain's household borrowing landscape, offering flexible financing to consumers with limited access to conventional credit. However, its complex structure and high associated costs raise concerns around transparency, education, and regulatory oversight.

Aitana Bryant, Ángel Berges and Juana María Periago

Abstract: Revolving credit has emerged as both a tool for financial inclusion and a source of concern in Spain, especially as its usage grows amid legal scrutiny and regulatory debate. Recent Supreme Court rulings demonstrate a need for clearer consumer information and greater transparency in contract terms, while European examples offer potential regulatory models. Although revolving credit remains a small share of household borrowing, close to 2%, its flexible features make it appealing to vulnerable borrowers. However, without robust consumer protection and financial education, the risk of long-term debt accumulation and exclusion from formal financial systems remains high. The implementation of Directive (EU) 2023/2225 provides an opportunity for Spain to enhance legal certainty, implement international best practices, and strike a better balance between access and safeguards.

Revolving credit, a reality in Spain and Europe

In recent months, revolving credit has been the subject of growing litigation, highlighting

> “The balance of outstanding revolving credit currently stands at around 10 billion euros in Spain, implying very moderate growth from the 8 billion euros recorded in 2010.”

the need to ensure the provision of transparent information. Two recent Supreme Court rulings are a case in point. [1] In both rulings, the Supreme Court found that the interest rate clause in the revolving credit card agreements fails to surpass the transparency threshold when the consumer is not provided with clear, understandable and sufficient information prior to arrangement about how the credit works, its risks and the financial consequences of the repayment system.

Neither sentence in any way questions the validity of this financial product and both confirm that their rates of interest should be compared with the rates on this class of product, which are different from other consumer finance products.

Note, elsewhere, that the characteristics of the revolving credit products marketed in Spain are similar to the products in the same category on offer in other European countries.

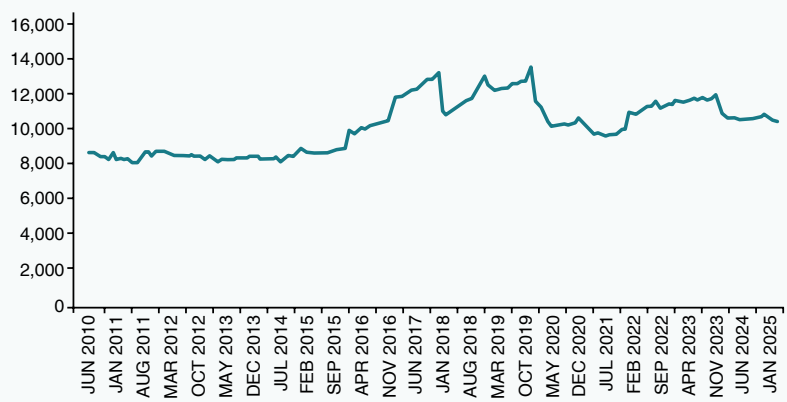
The balance of outstanding revolving credit currently stands at around €10 billion in Spain, implying very moderate growth from the €8 billion recorded in 2010, which is as far back as the information goes.

Despite the modest growth in the outstanding balance of revolving credit, this product's share of total household credit has almost doubled, from 1% in 2010 to close to 2% today. That is attributable to the sizeable contraction in the outstanding balance of household credit since the Great Financial Crisis, which unleashed a long process of deleveraging.

At the overall European level, the outstanding balance of revolving credit stands at around €180 billion, which is 3% of total household credit, compared to a little over 4% in 2010.

Exhibit 1 **Revolving credit in Spain: Trend in the outstanding balance**

Millions of euros

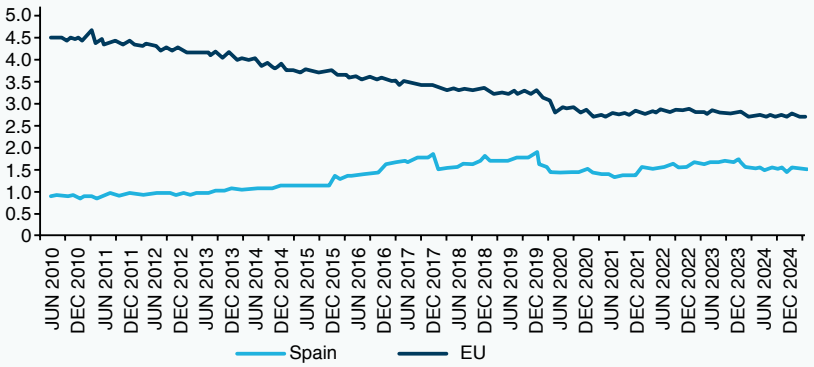


Source: Authors' own elaboration based on Bank of Spain data.

Exhibit 2

Revolving credit in Spain and Europe: Share of household credit

Percentage



Sources: Authors' own elaboration based on Bank of Spain and ECB data.

We can conclude, therefore, that, shaped by diverging trends (downward in the EU and upward in Spain), the share of revolving credit in Spain is converging towards European levels, of around 2% of total household credit.

This is a relatively small share – small enough to stave off the risk of financial instability, but it is significant in certain segments for whom it may be the only available alternative, facilitating their financial inclusion.

In this context, the idea is not to cast a negative light on the product in general, but rather to inject rigour and transparency into its analysis and, if possible, embrace best regulatory practices from other European countries. Those are the aims of the next two sections of this paper.

Revolving *versus* conventional credit: Financial inclusion and risks

Revolving credit is defined as "interest-bearing credit with no set duration or of a defined duration that can be rolled over automatically that is granted to individuals who are not required to repay the credit drawn in full at the end of the agreed settlement period" in Article 33 bis of Ministerial Order EHA/2899/2011 on banking service transparency and customer protection.

The next table compares and contrasts conventional and revolving credit:

As gleaned from the table above, the key traits of the revolving credit product include: i) flexibility, as it allows users to borrow up to a set limit and repay it over time in amounts that can be adjusted within certain bands;

> "At around 2%, the share of revolving credit is small enough to stave off the risk of financial instability, but it is significant in certain segments for whom it may be the only available alternative, facilitating their financial inclusion."

Exhibit 3

Characteristics	Conventional consumer credit	Revolving credit
Monthly fee	Fixed (usually)	Variable (depending on the amount selected or drawn)
Repayment term	Set from the outset	Indefinite or variable
Drawdown	In one go (at the start of the contract)	Multiple and continuous
Predefined repayment schedule	Yes	No*
Ability to reborrow the amounts repaid	No	Yes (automatic rollover)
Total amount of credit	Set (does not change)	Can change (depending on use and repayment)

** However, that customers are sent a monthly extract itemising the amount drawn, the balance available for drawdown, the principal repaid and the balance pending repayment.*

Source: Authors' own elaboration.

ii) automatic rollover, as any capital that is repaid can be re-borrowed, working like a permanent credit line; and, iii) interest charges only on the balance effectively drawn down.

Thanks to these characteristics, revolving credit can offer a financing solution for people with irregular income streams, temporary work or without ready access to traditional products on account of their risk profiles or the inability to put up collateral. For these consumers, access to a flexible credit line may well be preferable to finding themselves completely excluded from the formal financial system or having to resort to other opaque or inadequately regulated sources of financing.

The elimination or excessive restriction of these products could have undesired consequences, such as exclusion of certain segments of the population or deviation of demand to informal circuits. As a result, the challenge posed by these instruments is guaranteeing their adequate use by means of accessible information, proportionate terms and conditions and responsible conduct by all stakeholders.

This is a prerequisite as this product is by no means risk-free. If customers decide to make small repayments or directly default, interest builds on the balance outstanding. By opting for low instalments, customers end up paying high amounts of interest, potentially drawing the loan out for years and generating a high total cost. It is therefore vital to use these types of products responsibly by making the most of the periodical information provided by the banks as part of their disclosure and transparency requirements.

“ For certain more marginalized consumers, access to a flexible credit line may well be preferable to finding themselves completely excluded from the formal financial system or having to resort to other opaque or inadequately regulated sources of financing. ”

The typical revolving credit customer tends to be someone who needs a quick and flexible solution for tackling liquidity issues who generally has limited access to other sources of financing.

As a result, financial education is key, as the consumer needs to understand the consequences of deferring payments or paying small instalments. Hence the importance of the information provided, diligently and proactively, by the banks.

Consumer protection: Spain *versus* Europe

In Spain, the main piece of consumer protection legislation in this respect is Law 16/2011 on consumer credit agreements. Ministerial Order EHA/2899/2011 on banking service transparency and customer protection and Ministerial Order ETD/699/2020 regulating consumer credit are also relevant. These orders provide guidelines about the information that must be provided to consumers, including templates designed to display the main elements of the product arranged in a simple and user-friendly way.

In addition, the Bank of Spain, duly empowered to issue rules of conduct and transparency around the provision of financial services, has formulated its own Guidelines on the governance and transparency of revolving credit, applicable since 31 December 2024. That document contains supervisory guidelines intended to help the entities comply with and implement the revolving credit governance and transparency rules, while helping create best practices and procedures in this product class.

Revolving credit borrowers tend to share a common risk profile. The standard applicant for this type of financing is someone facing liquidity tensions, with a limited or previously impaired credit history or with a history of high leverage. They are often customers without easy access to other traditional sources of financing such as conventional personal loans. As a result, the cost of risk associated with these customers is, typically, relatively high. To assess that risk, the financial institutions analyse, as they are required to do, the borrowers' creditworthiness to ensure they are capable of repaying the debt they take on. This relatively high exposure to default risk justifies, from the perspective of the financial institutions, the application of higher rates than they charge on conventional consumer credit products.

By way of additional transparency and consumer protection tools, some European jurisdictions have set regulatory limits on the interest rates that can be applied.

Directive (EU) 2023/2225 was published at the end of 2023 (and is currently in the transposition period), reopening the debate about member states' scope [2] to introduce measures to limit borrower rates, the equivalent annual rates (APRs) or the total costs of credit for consumers.

France, Italy, Portugal and Belgium have already opted to define limits to tighten legal certainty and predictability. These regulations vary considerably from one country to the next, particularly in terms of the maximum permitted interest rates and the consumer protection mechanisms.

France, for example, stipulates that a loan is usurious if the APR is more than one-third higher than the average APR of comparable products during the previous quarter. That average, along with the percentage above which an interest rate is considered abusive, is calculated and published by the Bank of France quarterly.

Italy defines the usury rate (*tassi soglia*) as the so-called average overall effective rate (TEGM) published quarterly by the Bank of Italy multiplied by 1.25 plus an additional spread of 4 percentage points, subject to a ceiling of 8 percentage points above the average rate.

Portugal has a double threshold as any loan agreement whose APR is more than 1.25 times the average for the previous quarter for the same product category or that exceeds the average APR of all consumer credit

> “ In Spain, however, there are no usury thresholds. ”

agreements by 1.5 times is deemed usury. The Bank of Portugal is responsible for publishing the maximum APRs each quarter.

Lastly, the Belgian approach is different insofar as its usury thresholds benchmark money market indices such as 3-month Euribor or 2- or 3-year bond yields, depending on the category and amount of credit. Each index is grossed up by a fixed spread and the limits are adjusted automatically when the underlying index moves by at least 75 basis points. In this case, the Federal Public Service Economy is tasked with publishing these statistics.

In these four countries the system is based on classifying loans into like categories by size and/or nature, some with more nuances than others, allowing for accurate and distortion-free comparisons.

In Spain, however, there are no usury thresholds.

The analysis of the countries to have introduced thresholds reveals certain common elements that could serve as a framework for potential future reforms in Spain:

- The existence of categories for regulatory purposes designed to facilitate the comparison of like products;
- The use of an objective and public benchmark rate;
- The establishment of predictable maximum thresholds that are revised regularly; and,
- Official publication of these thresholds to disseminate them and facilitate compliance.

Given the lack of recent Spanish regulations in this regard, it has fallen to the courts to rule on a range of matters, notably including ratification [3] of the threshold of 6 percentage points above the average APR for the category in question for the purpose of assessing profiteering in revolving credit.

The main conclusion of this analysis is it is possible to balance consumer protection, access to credit and legal certainty through comprehensible and structured regulations.

Conclusions

Revolving credit is a financial instrument which, well used and framed by sufficient transparency, can facilitate access to credit for persons with irregular income or without sufficient collateral, acting as a financial inclusion tool and preventing borrowers from being pushed into the black market for credit. Its flexibility, by providing access to funds on an ongoing basis and allowing their repayment in adjustable instalments, makes it an attractive alternative to conventional consumer finance for these segments of the population.

However, the product’s very structure implies a risk of morphing into long-term debt if the customer fails to make responsible use of

> “ The key challenge as a society is to ensure that the consumer receives enough financial education to be able to understand the terms and conditions they are agreeing to, how the credit facility works and its financial consequences. ”

the product or information provided in keeping with prevailing legislation.

The key challenge as a society is to ensure that the consumer receives enough financial education to be able to understand the terms and conditions they are agreeing to, how the credit facility works and its financial consequences so that they can take informed and reasonable decisions.

The transposition of Directive (EU) 2023/2225 into Spanish law creates the opportunity to modernise national regulations and emulate the best practices already established in other jurisdictions, such as the classification of products into like categories, the use of public benchmarks and the regular disclosure of the legal thresholds. These reforms could be accompanied by reinforced financial education for consumers and continued high disclosure standards for the lending institutions.

In a nutshell, well-regulated revolving credit has a legitimate place in a balanced financial system. The objective should be to craft a regulatory framework that combines access to credit, effective consumer protection and legal certainty for all parties.

Notes

[1] Supreme Court Ruling of 30 January 2025, No. 154/2025 (ROJ: STS 242/2025 - ECLI: ES:TS:2025:242) and Supreme Court Ruling of 30 January 2025, No. 155/2025 (ROJ: STS 241/2025 - ECLI: ES:TS:2025:241).

[2] Directive 2008/48/EC already contemplated this possibility, although in several member states, the interest rate limitation regulations go back further in time.

[3] Supreme Court Sentence of 15 February 2023, No. 258/2023 (ROJ: STS 442/2023 - ECLI:ES:TS:2023:442).

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Spanish Law of 23 July 1908 on the annulment of usurious loan agreements.

Ministerial Order EHA/2899/2011 of 28 October 2011 on banking service transparency and customer protection.

Ministerial Order ETD/699/2020 of 24 July 2020 regulating revolving credit and amending Ministerial Order ECO/697/2004 of 11 March 2004 on the Central Credit Register, Ministerial Order EHA/1718/2010 of 11 June 2010 on banking service advertising regulation and control and Ministerial Order EHA/2899/2011 of 28 October 2011 on banking service transparency and customer protection.

Guidelines on the governance and transparency of revolving credit for financial institutions subject to Bank of Spain supervision.

European regulations: Code de la consommation (2016) (FR), Code monétaire et financier (2016) (FR), Decreto-Lei No. 133/2009, of 2 de junho (PT), Legge 7 marzo 1996, No. 108 (IT), Legge 12 luglio 2011, No. 106 (IT), Arrêté royal relatif aux coûts, aux taux, à la durée et aux modalités de remboursement des contrats de crédit soumis à l'application du livre VII du Code de droit économique et à la fixation des indices de référence pour les taux d'intérêt variables en matière de crédits hypothécaires et de crédits à la consommation y assimilés (2016) (BE) and Code de droit économique (BE)

Aitana Bryant, Ángel Berges and Juana María Periago. Afi

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Bridging the financial literacy gap: Structural, cognitive, and situational disadvantage in adolescence

In recent years, adolescent financial literacy has gained prominence as a critical skill, yet large gaps persist across academic and socioeconomic cohorts, as well as across varying degrees of exposure to financial education. These disparities reflect deeper structural and educational inequalities, emphasizing the need for targeted interventions that equip all students for real-world financial decision-making.

Financial and Digitalization Research, Funcas

Abstract: Despite widespread recognition of the importance of financial literacy, proficiency among adolescents remains uneven across varying socioeconomic and educational contexts. A typological framework helps clarify these disparities by distinguishing between cognitive disadvantages, structural disadvantages, and situational disadvantages that shape financial literacy outcomes among 15-year-olds. Drawing on international PISA data and a novel classification of risk factors, allows for the quantification of the independent and cumulative impact of each type of disadvantage on student performance. Cognitive deficits in math and reading are the strongest predictors of poor financial outcomes, followed by socioeconomic background and lack of exposure to financial concepts in school or at home. Importantly, research highlights the high modifiability of

“ The transition to adulthood exposes young people to complex financial decisions – from managing savings and student debt to choosing banking products – so lack of financial literacy can have adverse consequences. ”

situational disadvantage through targeted educational interventions, while also drawing attention to the necessity of strong foundational skills in math and reading to combat cognitive disadvantages. Schools can play a pivotal role in leveling the playing field by integrating financial education into the core curriculum and improving instruction in the basic academic skills necessary for financial literacy, combining educational reform with broader social equity goals to prepare all adolescents for the financial demands of adult life.

Adolescent financial education: Importance and existing gaps

The transition to adulthood exposes young people to complex financial decisions – from managing savings and student debt to choosing banking products – so lack of financial literacy can have adverse consequences. Previous research has found that adults with low financial literacy are more likely to make costly mistakes (*e.g.,* taking on too much debt or failing to plan for retirement) and accumulate less wealth over their lifetime. Recognizing this problem, many countries have implemented financial education courses in secondary schools to better prepare adolescents for the real economic world.

Despite these efforts, significant gaps persist in the level of financial literacy among young people. PISA assessments show that while some students demonstrate strength in concepts such as budgeting, interest or inflation, a considerable proportion do not reach even the basic level of financial competence. These differences in performance are often closely linked to the student's circumstances: their overall academic performance, their family and socioeconomic background, and the specific educational experiences to which they have been exposed. Historically, each of these factors has been studied separately. For example, the OECD has consistently highlighted the influence of socioeconomic status and parental education on students' financial competencies, as well as the importance of math skills as a direct determinant of financial literacy. However, understanding the problem holistically requires considering how these different axes of disadvantage intertwine and reinforce each other.

The study *Mapping Disadvantage in Adolescent Financial Literacy* (extended version of this summary) addresses this need by mapping disadvantage factors typologically. Rather than simply including control variables in isolation, it constructs a unified conceptual framework that groups sources of inequality into three main categories. Below, we describe each type of disadvantage and how it contributes to the observed gaps in financial literacy among adolescents.

“ Differences in performance are often closely linked to the students' circumstances: their overall academic performance, their family and socioeconomic background, and the specific educational experiences to which they have been exposed. ”

“ If a teenager has trouble with fractions or reading comprehension, he or she is also likely to struggle to understand compound interest on a loan, read a bank statement or compare investment options. ”

Typology of disadvantages affecting financial education

Cognitive disadvantage: This refers to deficits in fundamental academic skills, particularly in mathematics and reading comprehension. In practice, this encompasses students with general underachievement in core subjects, which often translates into difficulties in performing arithmetic calculations, understanding percentages or interpreting texts – all essential skills for understanding financial concepts. The logic is straightforward: if a teenager has trouble with fractions or reading comprehension, he or she is also likely to struggle to understand compound interest on a loan, read a bank statement or compare investment options. Cognitive disadvantage thus encapsulates a lack of the basic intellectual tools needed to process financial information.

Structural disadvantage: This category encompasses adverse socioeconomic and demographic conditions that may limit financial learning. Typically, it encompasses students from low-income households, with limited parental educational attainment, or from a migrant/minority background. These structural factors often involve fewer material resources (*e.g.,* no computer or Internet access at home), less educational support or encouragement from the environment (parents with long working hours or less familiarity with the financial system), and even lower academic expectations in the community. All this creates less fertile ground for the development of financial education. In other words, structural disadvantage reflects disparities of origin: these are obstacles linked to the student's socio-familial environment, beyond his or her personal aptitudes.

Situational disadvantage: This refers to the lack of opportunities or formative experiences in financial topics in the young person’s daily environment. This is neither cognitive ability nor socioeconomic context, but rather exposure (or lack thereof) to financial education in daily life. For example, this category includes students whose parents do not usually talk about money or finances at home, who do not manage a personal budget (even if it is managing a weekly allowance) or who attend schools where no subject or workshop on finances is taught. A situationally disadvantaged teenager may have solid academic skills and come from an affluent family, but if they have never had the opportunity to become familiar with concepts such as savings, credit or the value of money, they will face a significant gap in their financial literacy. The key to this disadvantage is that it involves a lack of practical or contextual learning: the student has not “lived” situations that teach him or her, even in a basic way, how to manage money. The good news is that, unlike the other categories, this gap is more easily remedied through specific educational interventions (such as courses, financial games, home education programs, *etc.*), since it does not stem from intrinsic limitations of the student or from long-term socioeconomic disadvantages. Simply put, it is an experience

“ Structural factors often involve fewer material resources, less educational support or encouragement from the environment, and even lower academic expectations in the community. ”

> The key to situation disadvantage is that it involves a lack of practical or contextual learning: the student has not "lived" situations that teach him or her, even in a basic way, how to manage money.

gap, not an ability gap, and can therefore be closed by providing that missing experience.

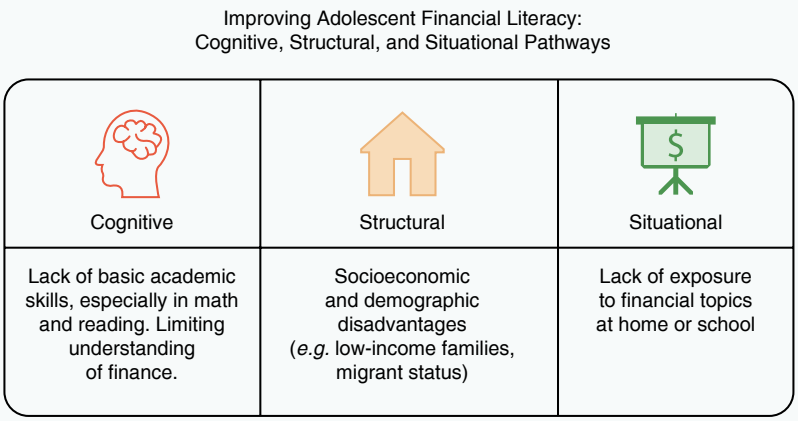
These three dimensions –cognitive, structural and situational–, which are summarized in Exhibit 1, are not exclusive, but offer a way of organizing and understanding the different causes of low financial literacy. The same student may face one, two or all three disadvantages simultaneously. For example, let us imagine a 15-year-old migrant student attending a school in a vulnerable area: if she is also behind in mathematics and has never received financial education, she would be going through all three forms of disadvantage at the same time. On the other hand, another student could have a high academic performance and come from a well-to-do family (without cognitive or structural disadvantage), but if his school does not offer financial content and his home does not talk about the subject, then he would only present situational disadvantage. The value of this typology is that it allows us to diagnose more precisely who is disadvantaged and what is they type of disadvantage, which is very useful for designing solutions tailored to each need.

How much do these disadvantages influence financial education performance?

A key question is to determine the extent to which each type of disadvantage affects financial literacy outcomes. The study quantifies these impacts using PISA data: by isolating each factor, it is possible to estimate how many financial literacy score points are "lost" on average when a student is disadvantaged compared to his or her peers without such disadvantage. The findings indicate that all disadvantage pathways lead to significant penalties in financial performance, albeit with different magnitudes.

- *Impact of cognitive disadvantage:* This is the single most influential factor. A student with well below-average math and reading

Exhibit 1 **Dimensions of disadvantages in financial education among adolescents**



> “Cognitive disadvantage is the single most influential factor - on average, the penalty associated with cognitive disadvantage is 58 points on the financial literacy scale compared to an average student.”

skills tends to score markedly lower on the financial test. On average, the penalty associated with cognitive disadvantage is around -58 PISA points (*i.e.,* 58 points lower) on the financial literacy scale compared to an average student. This drop is equivalent to more than half a PISA proficiency level, reflecting the weight of not having the basic skills to process numerical and textual information in financial contexts.

- *Impact of structural disadvantage:* This is also considerable, although somewhat less than cognitive disadvantage. Belonging to a disadvantaged socioeconomic background is associated, on average, with about 41 points lower in the financial literacy score, compared to students from a more advantaged position. This effect suggests that accumulated shortcomings (fewer educational resources at home, less parental support, possible lower quality school environments, *etc.*) take their toll on the financial knowledge that young people manage to acquire. It is worth noting that much of the structural disadvantage may manifest itself indirectly through cognitive disadvantage (for example, a student of low socioeconomic status may perform worse in mathematics because of these shortcomings). Yet, even at equal levels of academic ability, socioeconomic background still makes an appreciable difference in financial literacy outcomes. This indicates that there are environmental factors (such as attitudes towards money, financial stress at home, less access to banking services, *etc.*) that hinder the financial learning of low-income youth beyond their school performance.

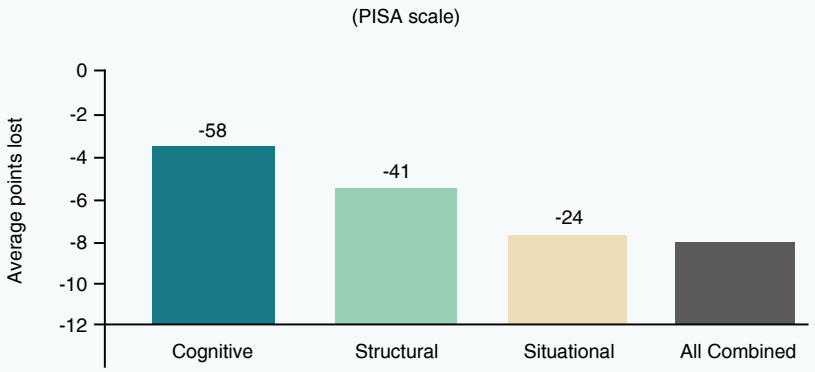
- *Impact of situational disadvantage:* Although this form of disadvantage might seem less “severe” than the previous ones, its effect is not negligible. Lack of exposure to financial education, either in school or in the home environment, is linked to approximately 24 points lower on average in financial performance on PISA than those who did have some training or practical experience. Put another way, a teenager who has never learned about basic economic concepts tends to fall behind those who did have the opportunity to become familiar with them in classes or everyday conversations. While ~24 points seems like a smaller gap compared to the cognitive and structural disadvantages, it still represents a significant difference equivalent to several months of learning. In addition, it is important to remember that situational disadvantage often co-exists with the others: for example, students from low-income families (structural disadvantage) are often the ones who do not receive financial education at their school (exacerbating situational disadvantage), which together amplifies the negative impact.

As Exhibit 2 illustrates, each type of disadvantage acts as a drag on financial performance. The gap linked to a single

> “A teenager who has never learned about basic economic concepts tends to fall behind those who did have the opportunity to become familiar with them in classes or everyday conversations.”

Exhibit 2

Average reduction in financial literacy score associated with each type of disadvantage



Note: The values indicate how many points less, on average, students in a disadvantaged situation obtain compared to their peers without such disadvantage (keeping the other factors constant). "Cognitive", "Structural" and "Situational" correspond to single disadvantage in that dimension, while "All combined" reflects the penalty when all three factors converge in the same student.

Source: Author's elaboration based on the original study.

dimension can range from 20 to 60 PISA points, but when a student suffers several disadvantages at once, the cumulative drop in his or her score can approach 100 points. On the PISA scale (where the average is usually around 500 points), a difference of 100 points is roughly equivalent to almost two standard deviations of performance, or in other words, the distance between an outstanding student and one who is lagging far behind. This data show the extreme vulnerability of those who face multiple disadvantages: they are young people who, without intervention, are at serious risk of being excluded from the basic financial literacy necessary for adult life.

A particularly encouraging finding of the study is the evidence that school-based financial education can counteract some of these gaps. Those students who have taken at least one finance subject or workshop in school perform significantly better than similar students who did not study such a subject. In estimated terms, the advantage associated with receiving formal financial instruction is of the order of +30 PISA points in financial education. This positive effect more than offsets the average situational disadvantage of -24 points mentioned above. In other words, offering financial education in the classroom can level the playing field for those who would otherwise have no exposure to the financial world. It is worth noting that this Exhibit comes from statistical comparisons controlled for other factors (it is not a randomized experiment); still, it strongly suggests that school does make a real difference in students' financial literacy.

It is important to note that not all gaps are equally easy to close (see Exhibit 3). Cognitive

"Data show the extreme vulnerability of those who face multiple disadvantages: they are young people who, without intervention, are at serious risk of being excluded from the basic financial literacy necessary for adult life."

Exhibit 3 **Relative importance of the gaps in financial education of adolescents**

Disadvantage type	Modifiability (Short-Term)	Relative Importance
Cognitive	Low	High
Structural	Moderate	High
Situational	High	Moderate

Source: Author's own elaboration.

disadvantage, for example, is linked to skills gaps that develop over many years (starting in primary education) and therefore has no immediate solution beyond continuing to improve the overall quality of education. Similarly, structural disadvantage reflects deep-rooted social inequalities, the reduction of which requires broad and long-term policies. Situational disadvantage, on the other hand, can be addressed more directly and quickly through targeted educational policies-primarily by incorporating financial education in schools on an equitable basis. This difference in "modifiability" was explicitly recognized in the study, which categorized cognitive disadvantage as low modifiability in the short term, structural disadvantage as moderate modifiability and situational disadvantage as high modifiability, given the possibility of introducing specific educational interventions.

In short, financial education gaps are due to multiple interrelated causes. The typological approach allows us to understand that there is no single way to reduce them: it is necessary to act on the set of factors that place certain students at a disadvantage compared to others. The main recommendations derived from these findings, aimed at informing public policies in the educational and social spheres, are presented below.

Implications for education and economic policy

The results of the study have relevance both for educational policy (what and how is taught in schools) and for broader socioeconomic policy (how to reduce the gaps of origin that influence learning). From the mapping of disadvantages, key lessons emerge:

- *Financial education in schools is fundamental and should be expanded.* Given the clear beneficial effect of formal financial instruction, a central recommendation is to integrate financial education into the compulsory secondary school curriculum (and even from basic levels, adapted to each age group). This would ensure that all young people acquire at least basic notions regardless of their family background. Evidence suggests that when the school offers this knowledge, the educational gap of those who do not obtain it at home is mitigated, significantly reducing the situational disadvantage. To maximize impact, these educational programs should be practical and attractive, connecting financial theory

> "Cognitive disadvantage was classified under low modifiability in the short term, structural disadvantage under moderate modifiability and situational disadvantage under high modifiability, given the possibility of introducing specific educational interventions."

> “Given the clear beneficial effect of formal financial instruction, a central recommendation is to integrate financial education into the compulsory secondary school curriculum (and even from basic levels, adapted to each age group).”

with real-life situations that adolescents can understand (managing a monthly budget, responsible use of credit cards, evaluation of telephone offers, *etc.*). It is also valuable to involve the community and families: for example, through assignments or projects that invite students to discuss finances with their parents, thus encouraging learning at home as well.

- *Don't neglect basic skills*. Investing in cognitive skills is investing in financial education. Educational leaders must recognize that improving math and reading instruction is not only an academic end in itself, but has a positive spillover effect on students' financial readiness. A strong numeracy and reading base empower young people to understand increasingly complex financial information. Therefore, policies such as strengthening the level of teaching in mathematics (*e.g.,* teacher training, updating teaching methods, support classes for students with difficulties) and promoting reading comprehension (*e.g.,* through readings applied to everyday contexts, including simple economic texts) should be an integral part of the strategy. This point also suggests that financial education should not be seen as an isolated content, but can be integrated transversally, taking advantage of mathematics classes (exercises with interest rates, expenditure statistics) and language classes (comprehension of basic economic items, financial vocabulary) to reinforce both types of literacy at the same time.

- *Comprehensive approach and intersectoral coordination*. The above lines of action should not be seen in isolation, but as complementary pieces of the same strategy. The study emphasizes that addressing the youth financial education gap requires a multisectoral approach. Schools alone can achieve a lot – indeed, they are key players in matching experiences – but they also need the support of broader economic and social policies. Ideally, ministries of education, central banks, consumer protection agencies and others should collaborate on national financial education programs that incorporate curricular improvements, teacher training, quality teaching materials, awareness campaigns for parents and youth, and ongoing evaluation of results. At the same time, financial inclusion initiatives (such as savings accounts for children, conditional scholarship programs, *etc.*) can be complemented with education to ensure that young people know how to take advantage of them. In short, the idea is to create an educational and social ecosystem in which every adolescent, regardless of his or her context, can acquire the financial knowledge and habits needed to succeed.

Conclusions

Financial literacy in adolescence is much more than a test score; it is a pillar for future

> “Educational leaders must recognize that improving math and reading instruction is not only an academic end in itself, but has a positive spillover effect on students' financial readiness.”

economic autonomy and, many experts argue, a form of citizenship in the 21st century. Analysis of the cognitive, structural and situational pathways of disadvantage teaches us that disparities in such literacy do not have a single cause, and therefore there is no simple solution. On the contrary, it requires a sustained commitment from multiple fronts: the educational system, social policies and family involvement.

A central lesson of the study is that schools can and should be agents of change to reduce gaps. Not just by imparting financial literacy, but by supplying the experiences that some students do not get at home-for example, through hands-on projects or simulations that bring young people into the real world of money in a guided and safe way. In this way, the school becomes an institution capable of "bridging" contextual differences and providing all students with a more equitable starting point.

At the same time, we must recognize that the financial performance of adolescents reflects to a large extent the broader inequities in our society. Improving financial literacy is therefore also a matter of educational justice and long-term social investment. Financially competent young people will make better economic decisions, avoid over-indebtedness traps, take advantage of investment or entrepreneurship opportunities, and contribute to a healthier economy. But for these benefits to reach everyone, we must start by closing the learning gap that separates different groups of students early on.

In conclusion, the study's mapping of disadvantage provides a valuable roadmap for action: it helps us diagnose the roots of inequality in financial literacy and guides the design of interventions according to need. By following this roadmap, policymakers and educators can implement targeted and effective strategies – from strengthening basic skills in elementary school to ensuring that financial education reaches far and wide, to providing more support to those facing difficult contexts. Only by addressing the cognitive, structural and situational pathways together will we ensure that the next generation of citizens is better prepared for the financial challenges of tomorrow, narrowing today's gaps and moving toward greater economic and social equity.

Financial and Digitalization Research, Funcas

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Bank bond spreads after the Global Financial Crisis: From fragility to fundamental strength

Once seen as safer and cheaper than corporate debt thanks to its regulated profile and implicit government backing, since the 2008 financial crisis, bank-issued debt has carried a risk premium, driven by regulatory shifts, sovereign exposures, and profitability concerns. Recent improvements in capital generation, liquidity, and diversification suggest that the premium may no longer be justified on fundamental grounds.

Juan Jesús García Curtit, Salvador Jiménez and Javier Pino

Abstract: The Global Financial Crisis reversed the historical norm in bond markets where financial institutions' debt, supported by regulation, liquidity access, and implicit state backing, had typically traded at tighter spreads than non-financial corporate debt. Following the collapse of Lehman and the subsequent sovereign-bank "doom loop" of the eurozone crisis, investor perceptions shifted sharply, and bank spreads widened structurally despite significant recapitalization efforts. While unconventional monetary policy helped stabilize the sector, banks faced ongoing headwinds from flat yield curves, low returns, and the introduction of loss-absorbing capital requirements. Since 2022, a mix of rate hikes, organic capital generation, reduced sovereign risk, and international diversification has materially improved fundamentals, narrowing risk premia in instruments such as credit default swaps (CDSs). Even so, financials still trade at a modest premium, less a reflection of sector weakness than of the banking sector's structural complexity

> “Since the financial crisis, the banks have been paying a premium over the yields provided by non-financial corporate bonds.”

and diversity. As tracked by the iTraxx Senior index, a key gauge of CDS spreads across European issuers, this divergence remains a central feature of the post-crisis credit landscape.

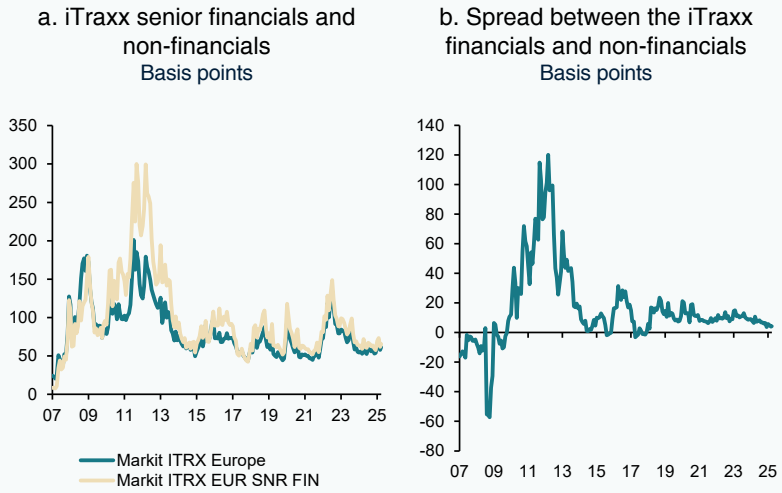
Introduction

Prior to the financial crisis, the bonds issued by financial corporations tended to offer bondholders a lower return (or yield) than the bonds issued by non-financial corporations. That lower yield was mainly attributable to the fact that the issuers belonged to a regulated sector, with privileged access to liquidity and in which bankruptcies in developed economies were rare on account of implicit government support.

Since the financial crisis, however, we have witnessed a radical and structural change (within which there have been a few episodes of pronounced stress) marked by investors demanding a premium to hold bank bonds (above the yield offered by corporate bonds) to compensate for the perception that the banks are more fragile issuers than the non-financial corporations.

The collapse of Lehman Brothers in September 2008 shone the spotlight on banking regulations. The worries included losses on mortgage portfolios, counterparty risk in the interbank market and the absence of an orderly bank resolution framework. The regulators reacted with preliminary designed for strengthening the Basel framework, increasing requirements around tier-1 capital (CET1), capital conservation and countercyclical buffering. Between 2009 and 2011, the European banks issued record volumes of senior and subordinated debt to reinforce their capital at considerably higher rates than they enjoyed prior to the crisis. Perceived systemic risk had increased sharply and the banks were no longer viewed as too safe and/or too big to fail.

Exhibit 1 **iTraxx in the financial and non-financial sector**



Source: Afi, ICE.

> “Unconventional monetary policy prevented eurozone fragmentation and helped the banks recapitalise but did not contribute to organic capital generation.”

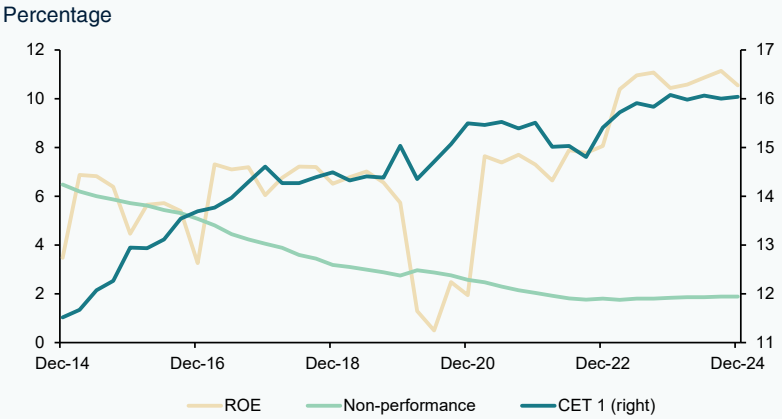
The premium for holding their bonds peaked at the height of the sovereign debt crisis in 2012. At the time, the banks were holding large portfolios of government bonds, close to 8% of total assets in 2012, with these holdings topping the 10% mark in countries such as Spain, Italy, Portugal and Greece. Those portfolios allowed the banks to accrue high returns and afforded them high-quality collateral, while the peripheral sovereign issuers needed the banks to fill in for foreign investors, which had reduced their holdings sharply. When the Italian or Spanish risk premiums shot up, the value of those bonds fell, raising the spectre of capital erosion at the banks and generating what the European Central Bank coined the sovereign-bank nexus, or “doom loop”. By the time the various interventions by the ECB (through its Securities Markets Programme (SMP) and, later, its Outright Monetary Transactions (OMT)) and the first Targeted Longer-Term Refinancing Operations (TLTROs) eased tensions (from 2012), the bank issuer risk premium had become a structural market characteristic.

In early 2015, in a bid to avoid deflation and spur economic growth, the ECB rolled out its asset purchase programme (APP), as even negative rates had proven insufficient in this regard. Among the various programmes, the Public Sector Purchase Programme, or PSPP, stood out. The rollout of this public debt buyback instrument flattened the yield curve (with the short end in negative terrain) and reduced yields considerably.

The battery of unconventional monetary policy measures was vital to creating an economic and financial environment conducive to allowing the banks to issue instruments at attractive rates in order to recapitalise and digest their toxic assets, paving the way for a gradual reduction in non-performance. However, that environment of negative rates and flat yield curves meant that the banks were unable to lift their ROEs back to pre-financial

Exhibit 2

European banks: ROE, non-performance and CET 1



Source: Afi, EBA.

“ Scant returns explains why the banks traded for so long at price-to-book ratios of less than one and also why, despite a reduction in the bank risk premium on the back of their recapitalisation, the market continued to question their business model ”

crisis levels. For the eurozone as a whole, the banks' ROE averaged 6.3% between 2015 and 2019, clearly below their cost of capital.

Scant returns explains why the banks traded for so long at price-to-book ratios of less than one and also why, despite a reduction in the bank risk premium on the back of their recapitalisation, the market continued to question their business model, incapable of generating sufficient returns, keeping the risk premium above 20bp. Moreover, the introduction of new regulatory requirements, such as the minimum requirement for own funds and eligible liabilities (MREL) in Europe, expanded the hierarchy of liabilities, adding a new loss-absorbing category, senior nonpreferred, which, by virtue of being bail-in eligible in a potential bank resolution, needed to offer additional compensation.

The COVID-19 pandemic injected fresh stress into the financial sector. In addition, since the financial crisis, in any event that implies a shock for the financial markets, the banks tend to be especially penalised during the early moments (also opening up very attractive opportunities for investors during periods of stress). In March 2020, the Itraxx credit spread shot up briefly. However, the packages of public aid and the temporary suspension of dividends allowed the banks to preserve capital, while the unprecedented fiscal stimulus package translated into a much smaller economic impact than initially forecast.

Since 2022, as shown in the initial exhibit, using CDSs – the most liquid instrument – as our proxy, spreads have been narrowing consistently. Several factors underpin this improvement in fundamentals:

- The ECB's hawkish shift in July 2022 marked a regime change. Between September 2019 and September 2023, the deposit facility rate went from -0.5% to 4%. This shift allowed the banks not only to substantially increase the rates charged on new loans and earn more from all floating-rate loans as they were repriced, it also led to remuneration on their liquidity at considerably higher rates than borne on retail funding. This in turn gave their net interest income a significant boost and pushed their ROEs back up towards 10%.

- The banks' net issuance volumes have been much smaller in recent years, having frontloaded their refinancing effort during the period of ultra-lax monetary policy, and also thanks to renewed organic capital generation.

- As for their funding, the banks have bolstered their structural liquidity thanks to growth in deposits. The average liquidity coverage ratio is currently well above the regulatory threshold, so reducing the need to tap the wholesale funding markets frequently.

“ Since 2022, multiple factors have improved the outlook for the bank sector, improving their fixed-income and equity fundamentals alike. ”

> “The reversal of the bank risk premium is attributable to both the new regulatory framework and a structural (and not merely cyclical) improvement in sector profitability.”

- In parallel, the banks are currently less exposed to sovereign risk. Their exposure to domestic sovereign bonds has dropped to just 6% of their assets, according to the EBA as of June 2024, and the average duration of those portfolios has also decreased. This reduced domestic exposure coupled with lower average duration is mitigating the sovereign-bank nexus that hit bank issuer spreads so hard in the past.

- The large traded banks are generating more than 40% of their gross operating income outside of their home markets, up from 25% in 2010 (ECB estimates and annual results). This international expansion, via subsidiaries, online banking platforms and pan-European investment banking businesses, reduces dependence on the domestic economic cycle and, by extension, eases the correlation between the banks' creditworthiness and sovereign credit ratings. A greater geographic spread of risks also smooths out earnings volatility and fortifies the ability to absorb losses.

Lastly, the jump in the banks' earnings in 2023 initially sparked sustainability concerns: many investors feared that once the ECB began to cut rates, profitability would deflate. However, three factors are tipping the balance in favour of a more stable earnings path:

- Firstly, credit volumes continue to register growth in the eurozone where there are no signs of fiscal consolidation; in fact, Germany has already announced an ambitious infrastructure and defence investment programme.

- Secondly, a steeper rate curve, shaped by a growing need for long-term public financing, preserves net interest margins even if official rates are being tapered.

- And thirdly, growing numbers of banks are diversifying their earnings streams by getting into the insurance and asset management businesses.

Combined, these factors reinforce the idea that the reversal of the bank risk premium is attributable to both the new regulatory framework and a structural (and not merely cyclical) improvement in sector profitability.

Structural appeal of the bank bond market

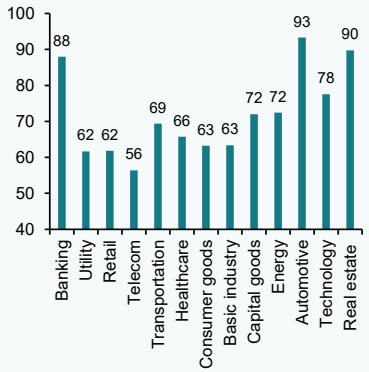
Beyond the recent premium compression, the financial issuer bond market stands out for its depth, diversity and dynamism. Approximately 26% of the universe of senior bonds denominated in euros – including both investment grade and high yield issuers – corresponds to financial sector issuers, with more than 1,148 active issues. That contrasts with the next biggest sector, utilities, with around 565 issues. This breadth, coupled with the frequency with which banks of all sizes tap the primary market, translates into high liquidity, fully covered credit curves and multiple tactical entry points. Advantages that are hard to replicate in other sectors where just a few issuers account for the bulk of the index.

However, an analysis of the bond market from a sector perspective (and not through the CDS market, which is limited to the major banks), could give the idea that the bank sector continues to offer an additional premium. To illustrate this idea, we selected a sample of bonds that mature in 3 to 5 years with credit ratings ranging between BBB and A-. [1] In this group, the average spread over the bank sector swap rate stands at 88 basis points, which is comparable to that of sectors that are currently under pressure, such as the automotive industry (93bp) and the real estate sector (90bp), and clearly above the

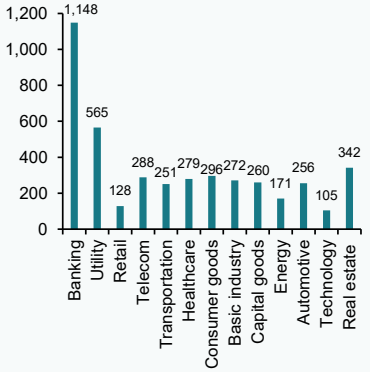
Exhibit 3

Average risk spreads in banking issues *vs.* other sectors

a. Average asset swap rate by sector for senior EUR bonds with tenure of 3-5 years and ratings from BBB to A-



b. No. of companies with senior EUR bond issues



Source: Afi, ICE.

sample average (71bp) and the minimum spread observed in the telecommunications sector (56bp).

In the case of the automotive sector, the spreads reflect intense competition from the Chinese OEMs, the complexity of pursuing two production models (combustion and electric propulsion) and tariff-related stress. The real estate sector is being affected by difficulties in the commercial real estate (CRE) segment in some countries and the impact of higher interest rates on highly-leveraged companies.

The bank sector, however, is not going through anything of the kind. The reason for its higher average spread lies with the market structure itself: a far broader and more heterogeneous issuer base made up of entities of different sizes, from different markets and with different business lines and risk profiles. This diversity contrasts with the concentration that characterises other sectors, dominated by large, consolidated corporations or national players operating in quasi-monopolistic environments.

In short, the spread observed on bank bonds should not be interpreted as a sign of weakness but rather as the manifestation of the structural richness of the financial issuer market which offers unique opportunities for analysis and tactical investment.

Bank bond spreads: Between normalisation and caution

The circumstances underpinning the bank bond risk premium have disappeared. Recapitalisation, the bank resolution framework and international diversification have put the European banks on an even

“ The spread observed on bank bonds should not be interpreted as a sign of weakness but rather as the manifestation of the structural richness of the financial issuer market which offers unique opportunities for analysis and tactical investment. ”

> “The circumstances underpinning the bank bond risk premium have disappeared – recapitalisation, the bank resolution framework and international diversification have put the European banks on an even footing, and even at an advantage in liquidity, with the large corporate issuers.”

footing – and even at an advantage in liquidity – with the large corporate issuers. With over 95% of the MREL targets already met, the sector offers visibility into issue schedules and volumes, eliminating the threat of a ‘maturity wall’. There are no fundamental reasons for financial issuer bonds to trade structurally at a premium to non-financial corporate credit.

The convergence is reversible, however. It should hold as long as: (i) bank ROEs remain above their cost of capital; (ii) asset performance remains in check, particularly in the CRE and SME segments; (iii) sovereign deleveraging prevents reactivation of the banksovereign loop; and (iv) the ongoing reduction in sovereign bond holdings limits the banks’ sensitivity to country ratings.

It could reverse if a return to low rates compresses margins and rekindles the search for risk/returns; if the energy transition increases the cost of risk in carbon-intensive sectors; or if a geopolitical shock triggers mass issuance of public debt, exerting fresh pressure on bank asset mixes.

Notes

[1] This sample was selected as it is well populated by all sectors while eliminating BBB-rated issuers where outliers hover (companies that were high-yield issuers until not long ago or are at significant risk of falling to high yield shortly), introducing noise into the sample.

Juan Jesús García Curtit, Salvador Jiménez and Javier Pino. Afi

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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)

Ministerial Order ECM/599/2025 amending Ministerial Order ECO/805/2003 on property appraisal rules and certain rights for certain financial purposes (*Official State Gazette:* 12 June 2025)

In broad terms, the Order introduces the following changes:

- It adds the principle of sustainability to the principles that must be considered by the credit institutions that provide appraisal services and the certified appraisal firms. According to this principle, property valuation calculation methods must consider indicators of the effect on valuation of factors of an environmental nature and must take into account the environmental and climate risks that could affect the property.

- It modifies the definition of "appraisal updates" to eliminate the reference to three years for appraisal updates for the purpose of determining the carrying amount of insurance and reinsurance firms.

- It modifies the definition of "useful floor area" to eliminate references to outdoor elements and adjust the "used floor area" to "that which has a significant influence on the value of the property". To this same end, it introduces the requirement to independently assess any spaces whose value is deemed independent of the property.

- The documentation to be furnished in order to calculate an appraisal value must include the property's energy efficiency certificate, regardless of whether the property being valued is a finished building, a building under construction or a planned development. In the case of buildings under construction or refurbishment, the administrative permit issued by the competent town council and the "new build deed" (in the case of construction) must also be presented.

- It updates the documentation requirements for properties located outside of Spain.

- Regarding the circumstances for including caveats or qualifications in appraisal reports, it adds the appraisal of properties based on administrative permits issued by the competent town council that meet certain characteristics.

- In the cases in which a specific qualification is required, it extends the timeframe during which the appraiser assesses that there is a high probability that the appraisal value could suffer a significant reduction from 12 to 18 months.

- It introduces automated valuation models, on the basis of Royal Decree-law 24/2021, for the purpose of updating the value of properties posted as collateral. The requirements around these appraisals will be implemented by means of a Bank of Spain Circular.

- It modifies the procedure for calculating valuations using comparables so that the appraiser can certify the sources of the relevant characteristics of the comparables, justify the traceability and consistency of the relevant characteristics of the comparables used in the valuation process and indicate whether or not it has adjusted the unit value or total value of the property for comparability purposes.

- It requires that appraisal reports be signed electronically.

- As for the object of the appraisal, it adds that when the floor area used is not the verified useful floor area, the appraisal must explicitly justify why it has chosen a different floor area definition.

- Among the permitted comparative methods, it adds the requirement to cite the source of each witness, record whether or not they were visited and all relevant information, particularly that corresponding to the variables used in the valuation adjustment process, along with other references.

- It empowers the insurance sector watchdog (DGSFP) to issue the circulars needed to implement this order and establish the means for submitting the information requested of the appraisal firms.

Spanish economic forecasts panel: July 2025*

Funcas Economic Trends and Statistics Department

Growth in 2025

GDP growth forecast for 2025 is reduced by one tenth of a percentage point to 2.4%, with downside risks

The most recent indicators point to a certain resilience of the Spanish economy in the face of trade and geostrategic challenges, albeit with signs of a slowdown. On the one hand, the number of Social Security affiliates grew by 0.6% in the second quarter, the same as in the previous quarter, and the manufacturing PMI also recorded, on average in the second quarter, the same result as in the first. On the other hand, however, the services PMI has declined, and tourist inflows have slowed significantly in recent months.

In line with these results, the consensus forecast for GDP growth remains unchanged at 0.5% in the second quarter, one tenth of a percentage point lower than in the first quarter (according to revised figures from INE). GDP is expected to grow at the same rate in the third quarter before slowing down to 0.4% in the last part of the year (Table 2).

All this would leave GDP growth at 2.4% for 2025 as a whole, a tenth of a percent lower than in the previous Panel. Eight panelists have modified their forecast downward, while none have done so upward. From the point of view of the composition of growth, the downward revision stems from a lower contribution from domestic demand (Table 1).

Eight panelists consider the forecast risk to be on the downside (*i.e.*, GDP could grow less than anticipated), compared to two panelists who consider the risk to be on the upside. For the remaining nine panelists, the risk is balanced, with a similar probability of upside and downside deviation.

It is important to note that most of the panelists have made their forecasts under the assumption that the average U.S. tariff on Europe will be between 10% and 15%.

Growth in 2026

The forecast for 2026 remains unchanged at 1.9%

The forecast for GDP growth in 2026 remains unchanged at 1.9%. This figure is slightly higher than that expected by the Bank of Spain, AIReF or the IMF, while it is below that contemplated by the Government, the European Commission or OECD (Table 1).

The deceleration would be caused by the lower expected vigor of domestic demand, which would reduce its contribution to 1.9 percentage points, while the contribution of the foreign sector would be nil (both unchanged with respect to the previous Panel). Quarter-on-quarter GDP growth rates would be around 0.5% throughout the year (Table 2).

Inflation

Few changes in inflation forecasts

After starting the year close to 3%, headline inflation has fallen in recent months to around 2.2%. The core inflation rate, meanwhile, after registering a low of 2% in March (the lowest since the end of 2021), stood at 2.2% in May and June. Persistent food price pressures are hampering the disinflation process.

The panelists expect the overall rate to rise in the coming months, although it is expected to end the year at 2.2% in December, with an annual average of 2.4% (one tenth less than in the previous Panel). For 2026, an annual average of 2% and a year-on-year rate of 2% in December (unchanged from the previous consensus forecast) are expected. As for the core rate, it has been revised down by one tenth to 2.2% in 2025, and the 2026 rate has been maintained at 2.1% (Tables 1 and 3).

Labor market

The unemployment rate is projected to fall to 10.4% in 2026

Job creation has remained stable so far this year, according to Social Security enrollment figures, although the pace of growth has moderated compared to last year. Consensus forecasts have undergone few changes: for the current year as a whole, with employment expected to grow by 2% (one tenth of a percentage point more than in the previous panel), and by 1.4% next year. The unemployment rate is expected to fall to 10.7% in 2025 and 10.4% in 2026, unchanged from the previous assessment (Table 1).

As for productivity and unit labor costs (ULC), calculated on the basis of GDP, wage compensation and employment growth forecasts in LFS (Labour Force Survey) terms, their growth is forecast at 0.4% for 2025 (two tenths of a percentage point less than in the previous Panel) and 2.9% (four tenths of a percentage point more), respectively. By 2026, productivity would grow by 0.5% and ULCs by 2.3%.

Balance of payments

External surplus shrinks, but remains high by historical standards

In the first quarter of this year, the current account balance recorded a surplus of €10 billion, which is 3.6 billion less than in the same period of last year. This worsening was caused by the contraction in the trade balance surplus (due to a larger deficit in trade in goods, which more than offset the improvement in the services surplus) coupled with a similar result in the income balance. In relation to GDP, the current account surplus stood at 1.8% of GDP for the quarter, which in terms of the historical series continues to be a comfortable result.

Consensus forecasts point to a surplus of 2.4% of GDP for this year (unchanged) and 2.2% for 2026, one tenth less than the previous forecast (Table 1).

Government deficit

Slight cut in the estimated public deficit for 2025

Public administrations recorded a deficit of €4.7 billion in the first quarter, a reduction of 12.3% compared to that recorded in the same period last year. The improvement came from the regional administration, local administrations and Social Security funds, only the central administration worsened its result. It is worth mentioning that, after incorporating the month of April, all administrations excluding local corporations (for which there is no data) reduced their improvement due to a worse performance of the regional administration.

The estimate of the general government deficit for the year as a whole has been revised down slightly, by one tenth of a percentage point, to 2.8% of GDP, while the forecast for 2026 remains unchanged at 2.7%. The latter is above the figures contemplated by the Bank of Spain and AIReF or international bodies such as the European Commission and the IMF (Table 1).

International context

Uncertainties surrounding U.S. tariff policy continue to weigh on the global economy

U.S. economic policy continues to set the international agenda. The deadline set by the Trump Administration to reach a trade agreement with the European Union (and other trading partners) has been extended to August 1st, after which, by default, a "reciprocal" tariff of 30% would apply, in principle. All this perpetuates the sense of uncertainty, particularly in sectors exposed to specific tariffs such as aluminum, steel and automobiles. A tariff of up to 17% on European agri-food exports is also on the horizon.

U.S. fiscal policy has also come to the forefront since the previous Panel, with the approval of a multi-year plan of tax and spending cuts. According to the Congressional Budget Office, this plan could increase public debt by 3 trillion dollars over the next ten years, generating a significant expansion in the supply of bonds in the international markets. Another relevant decision since the previous Panel is the European commitment to increase defense spending within the NATO framework.

In this context, qualitative indicators, such as business sentiment and consumer confidence indices, point to a sharp deterioration in the economic situation. These expectations have not yet been passed on to the real economy, which is showing some resilience. In the U.S., the Atlanta Fed's GDPnow index shows an upturn, while employment continues to grow, albeit at more moderate rates than last year. In Germany, there is also a slight recovery in industrial production. But other European countries do not share this improvement, with the PMI for the eurozone as a whole pointing to persistent stagnation (the index stood at 50.4 in the second quarter, the same as in the first quarter).

Panel assessments reflect the climate of uncertainty. Virtually all panelists believe that the global environment is unfavorable, and that this situation will continue to prevail in the coming months or deteriorate, with little change from the previous Panel. Views regarding the European environment are somewhat less pessimistic, as in the May consensus (Table 4).

Interest rates

The ECB is expected to make a final rate cut at the end of the year

The protectionist turn has complicated the Fed's task. On the one hand, tariffs will be passed on to prices, raising the risk of inflation. But at the same

time, trade restrictions tend to slow the economy, moving it away from full employment, which is the other objective of monetary policy along with price stability. Faced with doubts about the respective magnitude of the various impacts, and given the delays in trade policy itself, the Federal Reserve has opted to maintain interest rates unchanged, not yielding to pressure from the executive, which advocates a rapid easing.

In the eurozone, monetary policy has more room for manoeuvre, since the risk of stagflation is lower than in the U.S. (generalized countervailing import tariffs have not been activated). This situation, together with the appreciation of the euro, has paved the way for the ECB to cut its main interest rates: the deposit facility stands at 2%, a quarter of a point lower than in the previous Panel.

According to the consensus forecast, the ECB will further tighten the deposit facility rate to 1.75% by the end of the year and maintain that level for next year, in line with the May consensus (Table 2). Markets appear to have discounted these adjustments, such that the one-year Euribor would barely decline from around 2%-2.1% today to 1.9% by the end of 2026, little changed from the previous Panel (Table 2). Similarly, valuations offer little change with respect to Spanish 10-year bonds (the main market benchmark), whose yield is anticipated to remain in the vicinity of 3.2% throughout the forecast period (Table 2).

Foreign exchange market

Appreciation of the euro against the dollar

The portfolio adjustment that began after "liberation day" has continued, generating a rapid appreciation of the euro against the dollar (and also against the yuan and other currencies whose exchange rates are pegged to the dollar). At the time of writing, the common currency was trading at around $1.17, or 4% higher than in May and 13% above the values seen at the beginning of the year. Analysts predict that the exchange rate will hover around current levels until the end of 2026 (Table 2).

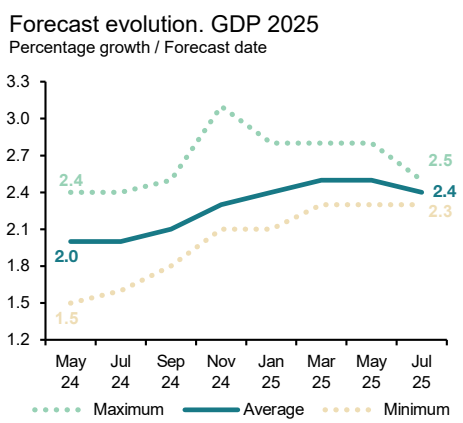
Budgetary and monetary policy considerations

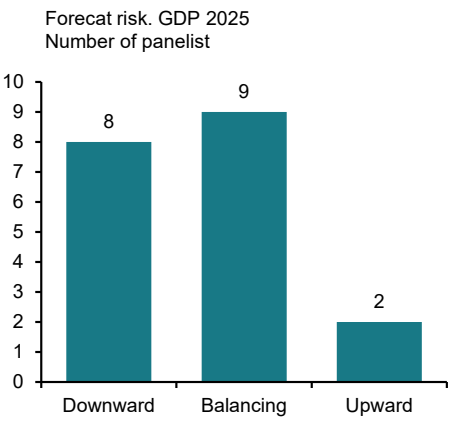
Monetary policy is no longer perceived as overly restrictive

Following the most recent interest rate cuts, most panelists believe that monetary policy is no longer in restrictive territory with respect to the cycle, and that the neutral stance that has been reached is appropriate (Table 4). As for fiscal policy, assessments have not changed much: analysts continue to believe that budgets are expansionary, when a neutral position would be the advisable stance for the Spanish economy.

Exhibit 1

Evolution and risk of forecasts





Source: Funcas Panel of Forecasts.

** The Spanish Economic Forecast Panel is a survey conducted by Funcas among the 19 analytical services listed in Table 1. The survey, which has been conducted since 1999, is published bimonthly in January, March, May, July, September and November. Based on the responses to the survey, "consensus" forecasts are provided, which are calculated as the arithmetic mean of the 19 individual forecasts. By way of comparison, although not forming part of the consensus, the forecasts of the Government, AIReF, the Bank of Spain and the main international organizations are also presented.*

Spanish economic forecasts panel: July 2025*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – July 2025

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

	GDP		Household consumption		Public consumption		Gross Fixed Capital Formation						Domestic demand[3]		Exports of goods & serv.		Imports of goods & serv.	
							Total		Machinery and capital goods		Construction							
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
Analistas Financieros Internacionales (AFI)	2.4	2.2	2.8	2.6	2.9	2.6	3.7	1.8	6.4	1.4	3.3	2.4	2.9	2.3	1.7	1.4	3.3	2.0
BBVA Research	2.5	1.7	2.8	1.9	2.5	2.0	5.5	5.0	6.3	2.6	5.3	5.8	3.0	2.4	1.3	1.9	3.0	4.4
CaixaBank Research	2.4	2.0	2.7	2.3	2.0	0.8	3.9	3.0	5.9	2.3	3.2	3.4	2.5	2.0	2.2	2.1	3.0	2.5
Cámara de Comercio de España	2.4	1.9	2.8	1.6	1.9	1.9	3.5	2.2	5.4	1.8	3.2	2.7	2.5	1.8	2.6	2.8	3.3	2.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.5	1.7	2.1	1.4	1.5	1.0	2.6	2.4	1.8	2.2	3.0	3.0	2.1	1.6	3.0	3.5	4.0	3.8
Centro de Predicción Económica (CEPREDE-UAM)	2.5	2.2	2.8	2.3	2.3	1.9	4.0	3.5	5.6	5.3	3.2	2.5	2.7	2.4	2.3	2.4	3.1	3.2
CEOE	2.5	2.0	2.7	1.8	2.0	1.4	3.8	2.2	5.3	2.4	3.6	2.1	2.6	1.8	2.9	3.5	3.4	3.3
Equipo Económico (Ee)	2.5	2.0	2.8	1.8	3.1	2.5	2.9	2.4	2.7	2.2	3.0	2.1	2.6	2.0	2.6	2.7	3.1	3.0
EthiFinance Ratings	2.5	1.9	2.5	1.5	2.2	0.8	4.5	5.8	5.3	5.9	4.1	5.5	2.3	2.3	1.7	1.4	2.9	3.0
Funcas	2.3	1.6	2.8	1.9	1.5	1.3	4.6	3.0	5.5	1.6	3.8	4.1	2.6	1.9	1.7	1.1	2.8	2.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.5	1.7	2.7	1.8	2.2	1.6	3.5	2.1	5.2	2.1	2.5	1.6	2.6	1.6	2.9	2.3	3.0	2.2
Instituto de Estudios Económicos (IEE)	2.3	1.8	2.7	1.8	2.5	2.0	2.8	1.8	4.5	1.8	2.3	2.1	2.5	1.9	2.4	1.9	2.9	2.0
Intermoney	2.3	1.9	2.8	2.0	2.2	1.4	3.4	2.9	3.5	2.8	3.5	3.0	2.3	1.9	2.3	2.8	3.2	3.0
Mapfre Economics	2.5	1.7	2.9	2.3	2.6	2.1	3.8	1.4	--	--	--	--	2.6	1.6	1.5	1.5	2.4	1.3
Metyis	2.3	1.8	2.8	2.0	2.5	1.8	2.5	2.2	2.2	2.0	3.0	2.4	2.5	1.9	2.2	2.1	2.9	2.6
Oxford Economics	2.5	1.7	3.0	2.2	1.7	2.3	3.9	1.4	6.0	-1.0	2.8	2.8	2.8	1.7	2.3	1.2	3.3	1.1
Repsol	2.3	1.9	2.9	1.8	1.1	1.3	4.4	3.9	7.7	5.3	3.1	1.9	2.4	2.0	3.2	3.9	4.2	4.7
Santander	2.3	1.7	2.7	2.0	1.9	0.9	3.7	1.5	2.1	0.3	3.3	2.2	2.7	1.7	2.0	1.4	3.2	1.7
Universidad Loyola Andalucía	2.4	2.2	3.4	2.0	2.8	3.0	3.9	2.4	6.0	4.4	2.7	2.0	2.1	2.0	2.0	2.2	2.3	2.2
CONSENSUS (AVERAGE)	2.4	1.9	2.8	1.9	2.2	1.7	3.7	2.7	4.9	2.5	3.3	2.9	2.5	1.9	2.3	2.2	3.1	2.7
Maximum	2.5	2.2	3.4	2.6	3.1	3.0	5.5	5.8	7.7	5.9	5.3	5.8	3.0	2.4	3.2	3.9	4.2	4.7
Minimum	2.3	1.6	2.1	1.4	1.1	0.8	2.5	1.4	1.8	-1.0	2.3	1.6	2.1	1.6	1.3	1.1	2.3	1.1
Change on 2 months earlier[1]	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.2	0.0	0.6	-0.1	0.0	0.2	-0.1	0.0	0.0	-0.2	-0.1	-0.2
- Rise[2]	0	1	4	1	3	5	9	6	7	3	5	7	1	4	6	1	6	2
- Drop[2]	8	5	7	6	8	5	3	3	2	4	2	1	6	4	6	8	5	10
Change on 6 months earlier[1]	0.0	--	0.3	--	-0.3	--	0.8	--	2.0	--	0.2	--	0.0	--	-0.6	--	-0.2	--
Memorandum items:																		
Government (April 2025)	2.6	2.2	3.2	2.4	2.3	2.0	4.3	5.1	--	--	--	--	3.1	2.8	1.2	1.8	2.7	3.7
Bank of Spain (June 2025)	2.4	1.8	2.7	1.8	2.5	1.8	3.6 [4]	2.3 [4]	--	--	--	--	2.7	1.9	1.9	2.3	3.0	2.8
AIReF (May 2025)	2.3	1.7	2.8	2.0	2.7	1.6	3.3	1.9	4.4	1.4	--	--	2.8	1.8	1.9	2.2	3.4	2.8
EC (May 2025)	2.6	2.0	2.9	2.1	2.3	1.6	3.4	3.1	--	--	--	--	2.8	2.1	2.4	2.3	3.2	2.8
IMF (April 2025)	2.5	1.8	2.2	2.0	2.9	2.4	4.9	2.0	--	--	--	--	2.8	1.9	1.9	2.4	2.9	3.1
OECD (March 2025)	2.6	2.1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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

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

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

[4] Gross capital formation.

Table 1 (Continued)

Economic Forecasts for Spain – July 2025

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

	CPI (annual av.)		Core CPI (annual av.)		Wage earnings		Employment (LFS)		Unemployment rate		Current Account (% of GDP)		Gen. goverment balance (% of GDP)	
	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026
Analistas Financieros Internacionales (AFI)	2.6	1.5	2.1	2.0	3.2	2.9	2.0	1.6	10.5	10.3	2.5	2.9	-2.3	-2.1
BBVA Research	2.1	2.0	2.1	2.1	2.9	2.8	2.7	1.5	10.6	10.3	2.5	2.1	-2.7	-2.5
CaixaBank Research	2.4	2.2	2.4	2.2	4.2	3.3	2.0	1.7	10.7	10.2	2.7	2.9	-2.8	-2.6
Cámara de Comercio de España	2.3	2.1	2.3	2.3	--	--	2.0	0.9	10.7	10.6	2.1	2.5	-3.0	-2.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.7	2.2	2.8	2.4	2.5	2.8	2.0	1.2	11.2	11.0	1.2	0.6	-2.5	-2.2
Centro de Predicción Económica (CEPREDE-UAM)	2.5	2.0	--	--	3.8	3.1	2.1	1.5	10.6	10.1	1.1	0.6	-2.1	-2.4
CEOE	2.4	1.9	2.2	2.1	3.2	2.7	2.1	1.7	10.5	10.0	2.6	2.2	-2.8	-2.7
Equipo Económico (Ee)	2.3	2.1	2.0	2.1	3.6	3.0	2.1	2.0	11.1	11.0	2.8	2.1	-2.9	-3.0
EthiFinance Ratings	2.3	2.1	2.1	2.0	3.0	3.0	1.8	1.5	10.7	10.5	2.6	2.6	-2.9	-2.7
Funcas	2.4	1.9	2.2	2.0	4.0	3.0	2.3	1.3	10.5	10.0	3.0	2.8	-3.0	-2.8
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.4	2.0	2.3	2.0	--	--	1.6	1.3	10.6	10.2	2.5	2.3	-3.0	-2.7
Instituto de Estudios Económicos (IEE)	2.5	2.1	2.3	2.2	3.2	2.7	1.9	1.5	10.7	10.3	2.6	2.2	-2.8	-2.7
Intermoney	2.6	2.1	2.5	2.2	--	--	1.8	1.4	10.7	10.3	--	--	-2.9	-2.7
Mapfre Economics	2.3	1.8	2.1	2.0	3.2	2.9	1.3	0.9	10.8	10.8	2.5	2.7	-3.0	-3.0
Metyis	2.4	2.2	2.3	2.0	3.2	2.5	1.7	1.5	10.8	10.6	2.4	2.5	-2.9	-2.6
Oxford Economics	2.4	1.7	2.2	2.1	--	--	2.0	0.8	10.9	10.9	2.7	2.7	-3.0	-3.1
Repsol	2.6	2.0	2.3	2.2	2.6	2.1	2.2	1.8	10.4	9.8	2.3	1.8	-3.0	-2.9
Santander	2.3	2.0	2.2	2.1	--	--	2.2	1.1	10.6	10.3	--	--	--	--
Universidad Loyola Andalucía	2.4	2.0	2.0	2.1	--	--	1.7	1.2	10.9	10.7	3.4	2.7	-3.4	-3.5
CONSENSUS (AVERAGE)	2.4	2.0	2.2	2.1	3.3	2.8	2.0	1.4	10.7	10.4	2.4	2.2	-2.8	-2.7
Maximum	2.7	2.2	2.8	2.4	4.2	3.3	2.7	2.0	11.2	11.0	3.4	2.9	-2.1	-2.1
Minimum	2.1	1.5	2.0	2.0	2.5	2.1	1.3	0.8	10.4	9.8	1.1	0.6	-3.4	-3.5
Change on 2 months earlier[1]	-0.1	0.0	-0.1	0.0	0.2	0.2	0.1	0.0	0.0	0.0	0.0	-0.1	0.1	0.0
- Rise[2]	4	1	1	4	3	3	5	3	3	3	3	3	2	2
- Drop[2]	6	6	6	4	0	0	3	2	4	4	5	6	1	2
Change on 6 months earlier[1]	0.2	--	-0.1	--	0.0	--	0.2	--	-0.4	--	-0.2	--	0.2	--
Memorandum items:														
Government (April 2025)	--	--	--	--	--	--	2.5 [5]	2.3 [5]	10.3	9.6	--	--	-2.8	--
Bank of Spain (June 2025)	2.4 [3]	1.7 [3]	2.6 [4]	2.1 [4]	--	--	2.2 [5]	1.0 [5]	10.5	10.2	--	--	-2.8	-2.6
AIReF (May 2025)	2.3	2.0	--	--	3.3	2.1	2.3 [6]	1.7 [6]	10.7	10.3	--	--	-2.8	-2.3
EC (May 2025)	2.3 [3]	1.9 [3]	--	--	3.4	2.6	2.1 [5]	1.6 [5]	10.4	9.9	2.7	2.8	-2.8	-2.5
IMF (April 2025)	2.2	2.0	--	--	--	--	1.5	0.9	11.1	11.0	2.4	2.2	-2.7	-2.4
OECD (March 2025)	2.5 [3]	2.1 [3]	2.2 [3]	1.9 [3]	--	--	--	--	--	--	--	--	--	--

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

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

[3] *Harmonized index.*

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

[5] *Persons, acording to National Accounts.*

[6] *Full time equivalent jobs.*

Table 2

Quarterly Forecasts – July 2025

	25-I Q	25-II Q	25-III Q	25-IV Q	26-I Q	26-II Q	26-III Q	26-IV Q
GDP [1]	0.6	0.5	0.5	0.4	0.5	0.4	0.5	0.5
Euribor 1 yr [2]	2.15	2.08	2.01	1.96	1.95	1.94	1.92	1.90
Government Bond yield 10 yr[2]	3.23	3.14	3.15	3.17	3.18	3.17	3.19	3.21
ECB deposit rates[3]	2.50	2.00	2.00	1.75	1.75	1.75	1.75	1.75
Dollar / Euro exchange rate[2]	1.119	1.152	1.156	1.156	1.161	1.167	1.171	1.173

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

Table 3

CPI Forecasts – July 2025

Year-on-year change (%)					
Jun-25	Jul-25	Aug-25	Sep-25	Dec-25	Dec-26
2.2	2.3	2.4	2.6	2.2	2.0

Forecasts in yellow.

Table 4

Opinions – July 2025

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	5	14	4	12	3
International context: Non-EU	0	1	18	1	13	5
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	3	16	3	16	0
Monetary policy assessment[1]	5	11	3	2	15	2

[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									
2017		2.9	3.1	1.0	6.8	6.8	6.7	5.6	6.7	5.2	0.0
2018		2.4	1.7	2.1	6.5	10.1	3.2	1.7	3.9	3.9	0.0
2019		2.0	1.1	2.2	4.9	8.4	1.4	2.3	1.3	3.5	-0.7
2020		-10.9	-12.1	3.5	-8.9	-8.4	-9.4	-20.1	-15.1	3.7	-0.8
2021		6.7	7.1	3.6	2.6	0.5	4.9	13.4	15.0	4.7	-1.6
2022		6.2	4.8	0.6	3.3	2.2	4.4	14.3	7.7	5.1	-1.6
2023		2.7	1.8	5.2	2.1	3.0	1.2	2.8	0.3	5.3	-1.3
2024		3.2	2.9	4.1	3.0	3.5	2.4	3.1	2.4	4.1	-0.6
2025		2.3	2.8	1.5	4.6	3.8	5.5	1.7	2.8	2.6	-0.3
2026		1.6	1.9	1.3	3.0	4.1	1.6	1.1	2.0	1.9	-0.3
2023	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	1.7	0.5
	IV	2.3	3.0	5.0	4.7	3.9	5.5	0.7	2.3	2.7	-0.4
2024	I	2.7	2.3	5.0	2.4	2.6	2.2	1.8	1.1	2.4	0.3
	II	3.3	2.6	3.5	3.0	3.6	2.4	2.8	1.1	2.6	0.7
	III	3.3	3.0	4.3	2.1	3.8	0.2	4.7	3.7	2.8	0.5
	IV	3.3	3.7	3.8	4.4	4.0	4.8	3.1	3.8	3.4	-0.1
2025	I	2.8	3.8	2.4	4.2	2.1	6.7	2.7	4.4	3.2	-0.4
		Chain-linked volumes, quarter-on-quarter percentage changes									
2023	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	1.1	0.6	1.0	1.7	3.8	-0.6	2.1	1.0	0.6	0.4
	II	0.8	1.0	0.3	0.6	0.6	0.6	0.6	0.5	0.7	0.1
	III	0.7	1.2	2.3	-1.4	-2.0	-0.6	0.4	1.1	0.9	-0.2
	IV	0.7	0.8	0.1	3.4	1.7	5.4	0.1	1.2	1.1	-0.4
2025	I	0.6	0.6	-0.4	1.6	1.9	1.2	1.7	1.6	0.5	0.1
		Current prices (EUR billions)	Percentage of GDP at current prices								
2017		1,170	58.4	18.4	18.9	9.1	9.8	34.9	31.3	96.4	3.6
2018		1,212	58.1	18.5	19.7	9.8	9.9	34.9	32.1	97.3	2.7
2019		1,254	57.4	18.7	20.3	10.5	9.8	34.7	31.7	97.0	3.0
2020		1,129	56.1	21.7	20.6	10.7	9.9	30.5	29.0	98.5	1.5
2021		1,235	56.1	21.0	20.2	10.4	9.8	33.8	32.8	99.0	1.0
2022		1,374	56.4	20.1	20.4	10.7	9.8	39.8	38.9	99.1	0.9
2023		1,498	55.4	19.6	19.7	10.5	9.2	38.1	34.1	96.1	3.9
2024		1,592	55.9	19.4	19.5	10.4	9.2	37.3	33.0	95.7	4.3
2025		1,669	56.0	19.1	20.1	10.6	9.5	36.7	32.6	96.0	4.0
2026		1,731	56.1	19.1	20.3	10.9	9.5	36.4	32.6	96.2	3.8

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2019=100

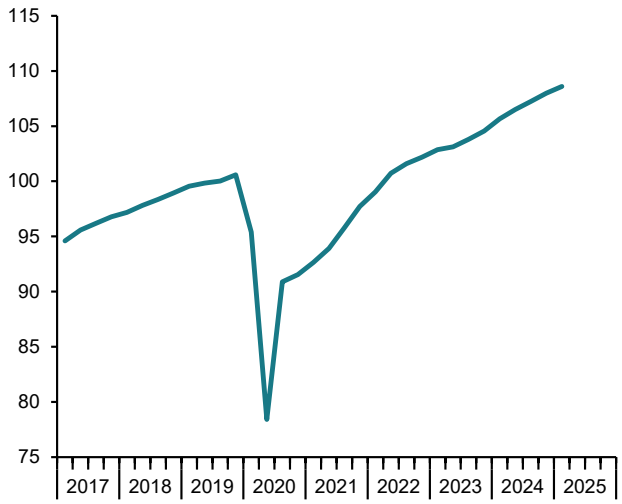


Chart 1.2 - Contribution to GDP annual growth

Percentage points

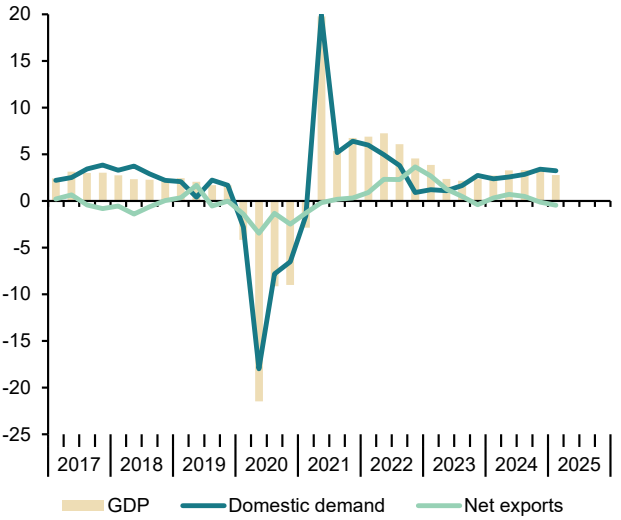


Chart 1.3 - Consumption

Level, 2019=100

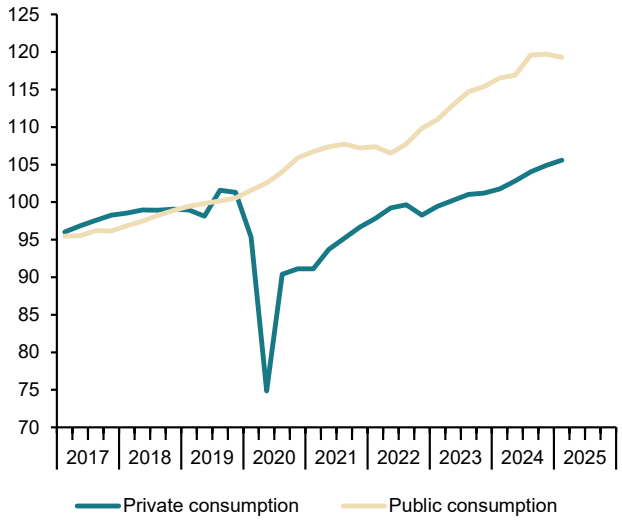


Chart 1.4 - Gross fixed capital formation

Level, 2019=100

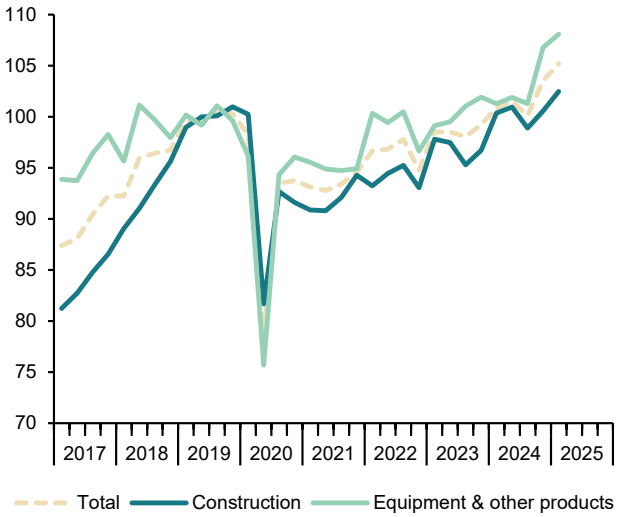


Table 2

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		3.5	8.3	2.7	3.5	2.1	3.7	3.2	3.8	-1.0
2023	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	11.6	1.3	1.9	2.6	3.4	3.5	3.4	-2.7
	II	3.8	7.3	3.4	4.8	1.8	4.0	3.0	4.2	-2.4
	III	3.7	10.3	3.7	4.0	1.6	3.6	3.8	3.5	-0.2
	IV	3.5	4.1	2.6	3.5	2.5	3.7	2.5	4.1	1.2
2025	I	3.0	6.6	2.2	2.4	1.8	3.1	2.7	3.2	0.6
		Chain-linked volumes, quarter-on-quarter percentage changes								
2023	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	5.7	1.4	1.8	1.0	0.8	-0.5	1.2	1.4
	II	1.0	-2.2	1.0	1.4	0.5	1.1	-0.1	1.5	-1.0
	III	0.6	1.4	0.0	-0.2	-1.6	0.9	1.5	0.7	1.4
	IV	0.8	-0.7	0.2	0.4	2.6	0.9	1.7	0.6	-0.6
2025	I	0.6	8.2	1.0	0.8	0.4	0.2	-0.4	0.4	0.7
		Current prices EUR billions)	Percentage of value added at basic prices							
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		1,450	2.8	15.6	11.8	5.8	75.8	17.4	58.5	9.8

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Level, 2019=100

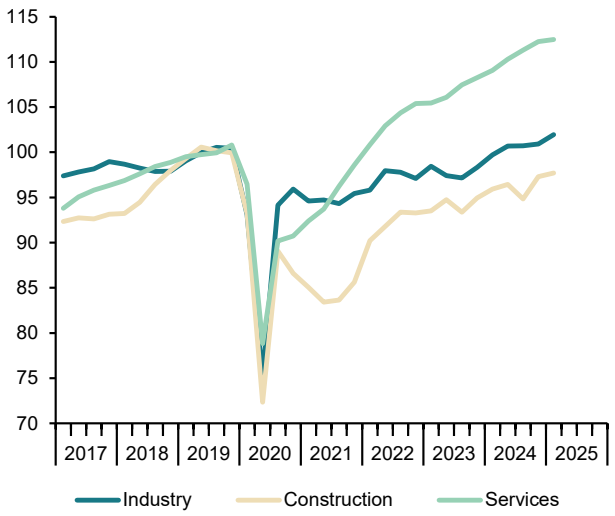


Chart 2.2 - GVA. Industry

Level, 2019=100

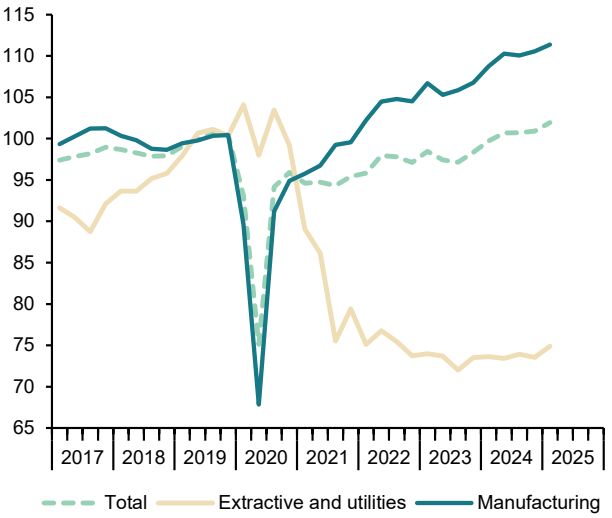


Chart 2.3 - GVA, services

Level, 2019=100

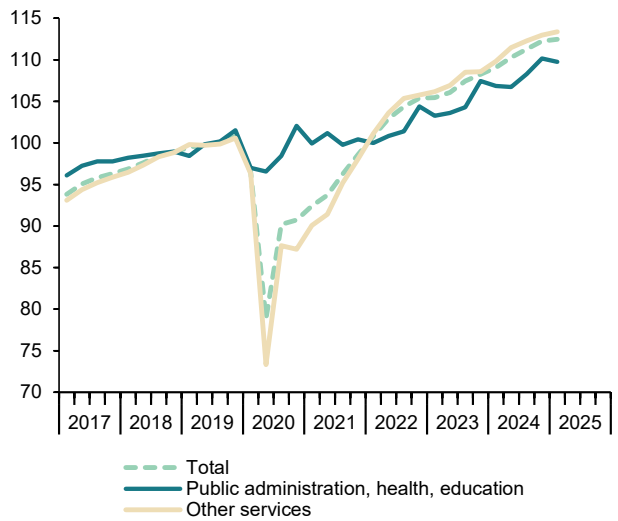


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

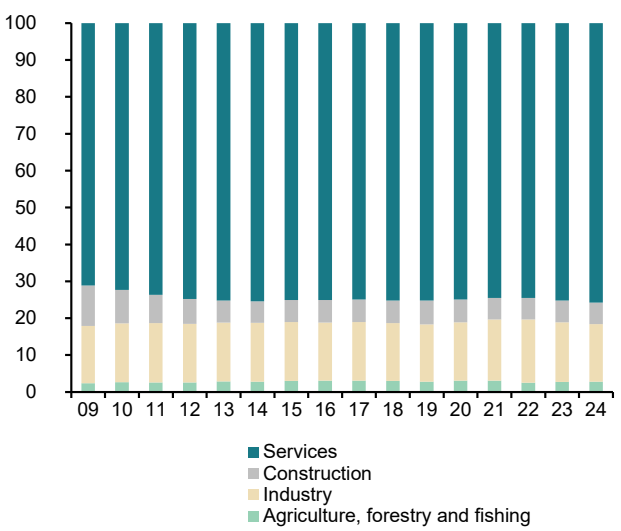


Table 3

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											
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		106.8	104.0	102.7	125.4	122.1	102.7	109.9	99.6	110.3	124.8	113.1	97.8
2025		109.3	105.9	103.2	130.4	126.3	103.7	--	--	--	--	--	--
2026		111.1	107.0	103.8	134.4	129.5	104.1	--	--	--	--	--	--
2023	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	105.7	102.9	102.7	123.4	120.2	101.0	108.7	98.9	110.0	122.1	111.0	93.8
	II	106.5	103.7	102.7	124.4	121.1	102.0	110.3	99.7	110.6	124.0	112.1	96.2
	III	107.2	103.9	103.2	126.6	122.6	102.3	110.1	98.8	111.4	127.0	114.0	98.1
	IV	108.0	105.6	102.3	127.1	124.3	102.8	110.5	101.1	109.3	126.1	115.3	100.0
2025	I	108.6	105.0	103.4	129.5	125.2	102.9	111.4	99.5	111.9	130.8	116.9	97.8
		Annual percentage changes											
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	1.2	5.5	4.2	1.2	3.5	1.2	2.3	5.6	3.2	2.3
2025		2.3	1.8	0.5	4.0	3.5	1.0	--	--	--	--	--	--
2026		1.6	1.0	0.6	3.1	2.5	0.4	--	--	--	--	--	--
2023	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	1.4	1.3	6.9	5.5	1.8	1.9	-0.9	2.9	6.1	3.1	1.9
	II	3.3	2.6	0.6	5.0	4.3	0.7	4.8	4.0	0.7	3.8	3.1	2.0
	III	3.3	1.2	2.0	5.7	3.5	0.0	4.0	-0.4	4.4	7.9	3.3	3.3
	IV	3.3	2.5	0.8	4.4	3.6	1.4	3.5	2.4	1.1	4.5	3.4	2.1
2025	I	2.8	2.1	0.7	4.9	4.2	1.9	2.4	0.7	1.8	7.2	5.3	4.3

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2019=100

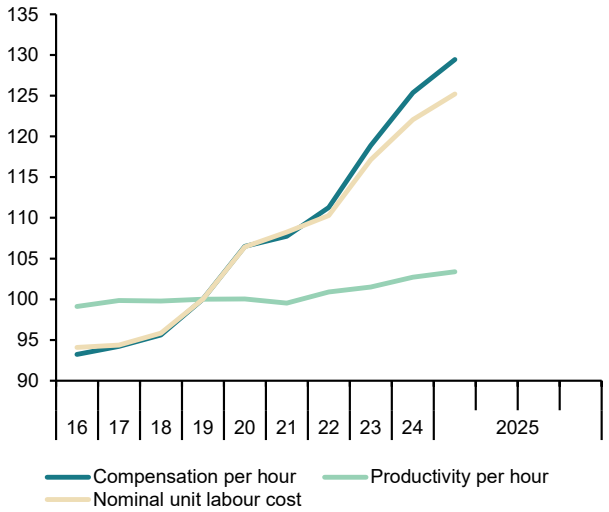
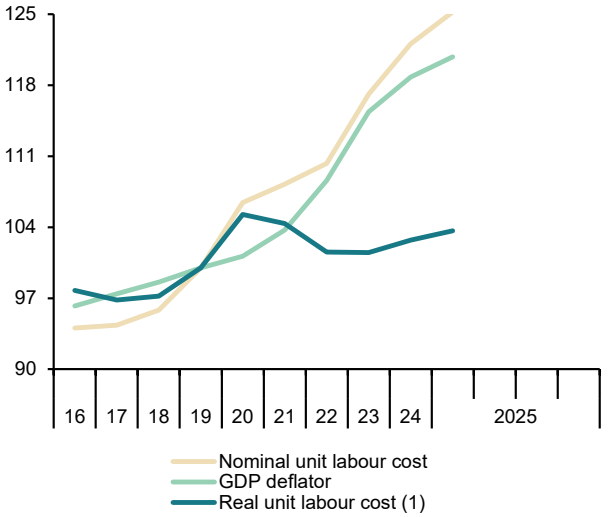


Chart 3.2 - Real ULC, total economy

Index, 2019=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2019=100

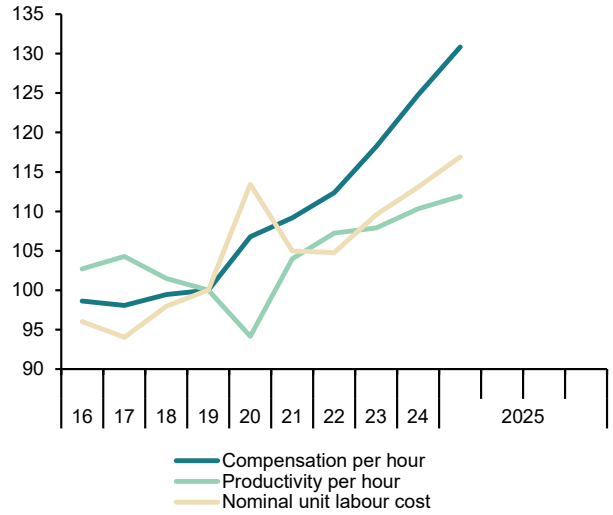
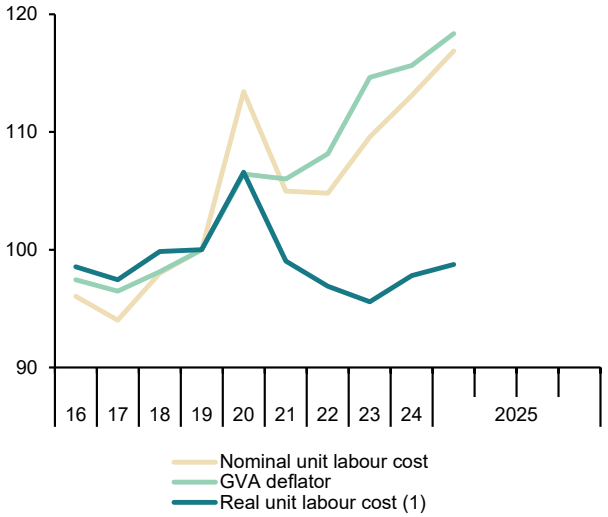


Chart 3.4 - Real ULC, manufacturing industry

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					
2017		1,170.0	528.1	521.9	1,160.2	898.6	261.6	228.9	45.1	44.6	22.4	19.6	2.8	3.0
2018		1,212.3	550.6	535.3	1,201.8	928.0	273.8	251.0	45.4	44.2	22.6	20.7	1.9	2.4
2019		1,253.7	585.8	540.4	1,243.0	954.2	288.8	262.1	46.7	43.1	23.0	20.9	2.1	2.5
2020		1,129.2	561.9	465.1	1,121.0	879.2	241.8	232.9	49.8	41.2	21.4	20.6	0.8	1.2
2021		1,235.5	604.2	504.3	1,232.8	953.0	279.8	270.2	48.9	40.8	22.6	21.9	0.8	1.6
2022		1,373.6	655.9	585.4	1,366.3	1,050.3	316.0	311.2	47.7	42.6	23.0	22.7	0.4	1.3
2023		1,498.3	715.6	639.2	1,479.3	1,124.8	354.5	314.7	47.8	42.7	23.7	21.0	2.7	3.7
2024		1,591.6	770.5	665.5	1,571.6	1,197.6	374.0	325.9	48.4	41.8	23.5	20.5	3.0	4.2
2025		1,668.6	817.0	684.8	1,650.9	1,254.4	396.4	347.1	49.0	41.0	23.8	20.8	3.0	4.0
2026		1,731.0	852.2	703.6	1,713.8	1,301.5	412.3	364.3	49.2	40.6	23.8	21.0	2.8	3.8
2023	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	1,519.2	730.1	644.9	1,500.1	1,143.8	356.2	316.6	48.1	42.5	23.4	20.8	2.6	3.7
	II	1,543.6	743.7	654.6	1,523.4	1,161.8	361.6	319.2	48.2	42.4	23.4	20.7	2.8	4.0
	III	1,567.3	756.8	663.6	1,547.2	1,179.6	367.6	321.8	48.3	42.3	23.5	20.5	2.9	4.2
	IV	1,591.6	770.5	665.5	1,571.6	1,197.6	374.0	325.9	48.4	41.8	23.5	20.5	3.0	4.2
2025	I	1,611.7	783.9	670.6	1,591.6	1,215.9	375.7	332.2	48.6	41.6	23.3	20.6	2.7	3.9
		Annual percentage changes							Difference from one year ago					
2017		4.2	4.0	4.3	4.2	4.0	4.9	6.9	-0.1	0.1	0.2	0.5	-0.4	-0.3
2018		3.6	4.3	2.6	3.6	3.3	4.6	9.7	0.3	-0.4	0.2	1.1	-0.9	-0.7
2019		3.4	6.4	0.9	3.4	2.8	5.5	4.4	1.3	-1.1	0.5	0.2	0.3	0.1
2020		-9.9	-4.1	-13.9	-9.8	-7.9	-16.3	-11.1	3.0	-1.9	-1.6	-0.3	-1.3	-1.2
2021		9.4	7.5	8.4	10.0	8.4	15.7	16.0	-0.9	-0.4	1.2	1.2	0.0	0.4
2022		11.2	8.6	16.1	10.8	10.2	12.9	15.2	-1.2	1.8	0.4	0.8	-0.4	-0.4
2023		9.1	9.1	9.2	8.3	7.1	12.2	1.1	0.0	0.0	0.7	-1.7	2.3	2.5
2024		6.2	7.7	4.1	6.2	6.5	5.5	3.5	0.6	-0.8	-0.2	-0.5	0.4	0.4
2025		4.8	6.0	2.9	5.0	4.7	6.0	6.5	0.6	-0.8	0.3	0.3	-0.1	-0.2
2026		3.7	4.3	2.7	3.8	3.8	4.0	5.0	0.3	-0.4	0.1	0.2	-0.2	-0.2
2023	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	1.5	0.5	-0.7	-0.1	-1.3	1.2	1.3
	II	7.0	8.6	5.1	6.5	6.7	6.0	1.9	0.7	-0.8	-0.2	-1.0	0.8	1.1
	III	6.6	8.1	4.5	6.4	6.7	5.5	3.0	0.7	-0.8	-0.2	-0.7	0.5	0.8
	IV	6.2	7.7	4.1	6.2	6.5	5.5	3.5	0.6	-0.8	-0.2	-0.5	0.4	0.4
2025	I	6.1	7.4	4.0	6.1	6.3	5.5	4.9	0.6	-0.8	-0.1	-0.2	0.1	0.2

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

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

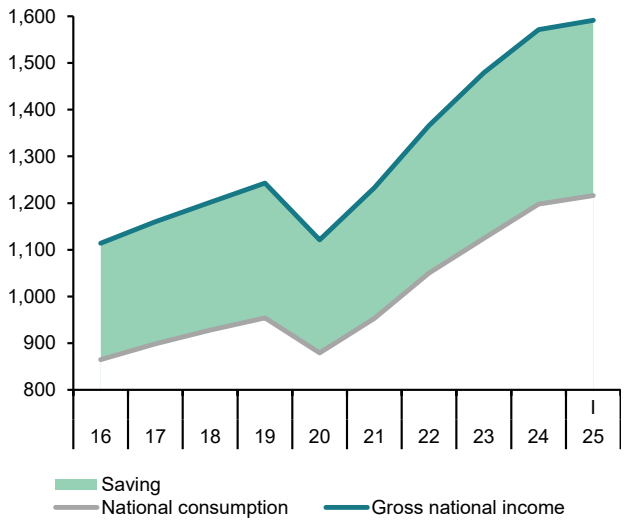


Chart 4.2 - National income, consumption and saving rate

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

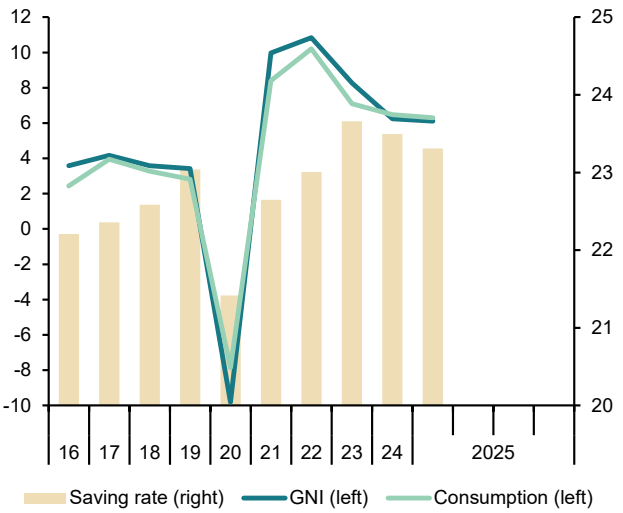


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

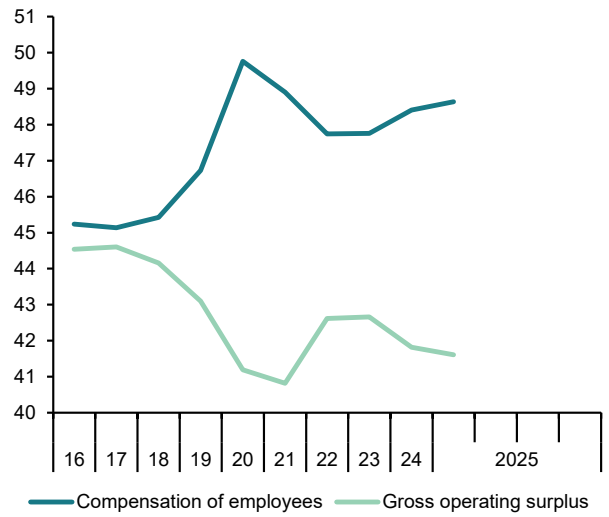


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

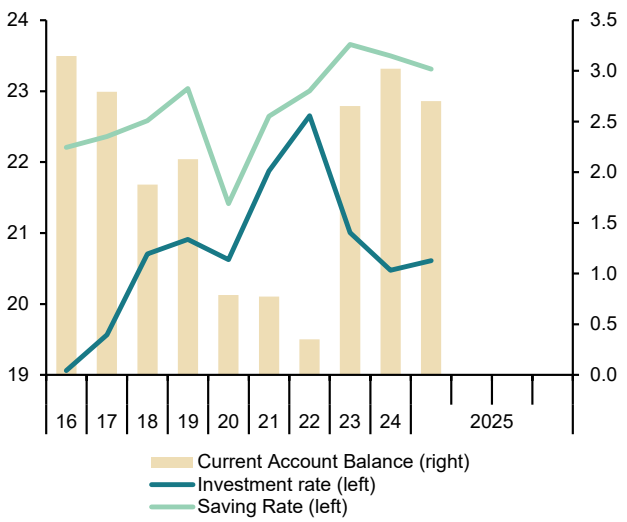


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions. 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions. 4-quarter cumulated operations			Percentage of GDP		
2017		731.8	682.8	45.9	37.7	6.3	3.2	0.5	266.1	200.0	162.2	17.1	13.3	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	14.0	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	14.6	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	13.9	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	13.1	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	12.6	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	12.1	2.0
2024		1,027.7	889.1	139.9	71.7	13.6	4.5	4.7	304.9	204.9	202.3	12.9	12.0	0.9
2025		1,067.8	935.1	130.6	76.3	12.2	4.6	3.1	315.9	214.2	217.0	12.8	13.0	0.5
2026		1,107.3	971.5	133.8	80.6	12.1	4.7	3.0	317.4	215.9	228.1	12.5	13.2	0.0
2023	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	968.3	844.3	123.6	69.7	12.8	4.6	3.4	306.4	212.5	194.2	14.0	12.8	1.6
	II	991.5	858.2	133.3	72.4	13.4	4.7	3.8	304.4	205.2	194.0	13.3	12.6	1.2
	III	1,009.2	872.0	137.9	74.7	13.7	4.8	4.0	305.3	206.1	194.6	13.2	12.4	1.3
	IV	1,027.7	889.1	139.9	71.7	13.6	4.5	4.7	304.9	204.9	202.3	12.9	12.7	0.9
2025	I	1,039.7	904.5	136.8	73.2	13.2	4.5	4.3	306.3	206.0	207.3	12.8	12.9	0.7
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
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	0.7	-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	0.5	-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	-0.6	-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	-0.8	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	-0.5	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	-0.5	-0.1
2024		8.7	7.1	23.0	6.0	1.6	0.0	1.7	-2.4	-6.1	3.6	-1.7	-0.1	-1.1
2025		3.9	5.2	-6.7	6.4	-1.4	0.1	-1.5	3.6	4.5	7.3	0.0	1.0	-0.4
2026		3.7	3.9	2.5	5.6	-0.1	0.1	-0.2	0.5	0.8	5.1	-0.4	0.2	-0.6
2023	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	-0.2	-7.3	-3.9	-2.3	-1.6	-1.0
	II	10.3	6.7	42.4	17.4	3.0	0.4	1.7	-3.3	-11.0	-4.9	-2.7	-1.6	-1.3
	III	9.4	7.0	30.3	19.1	2.2	0.5	1.1	-3.1	-9.0	-3.0	-2.2	-1.2	-1.1
	IV	8.7	7.1	23.0	6.0	1.6	0.0	1.7	-2.4	-6.1	3.6	-1.7	-0.3	-1.1
2025	I	7.4	7.1	10.7	5.1	0.4	0.0	0.9	0.0	-3.0	6.7	-1.2	0.1	-1.0

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDI/GDP, 4-quarter moving averages

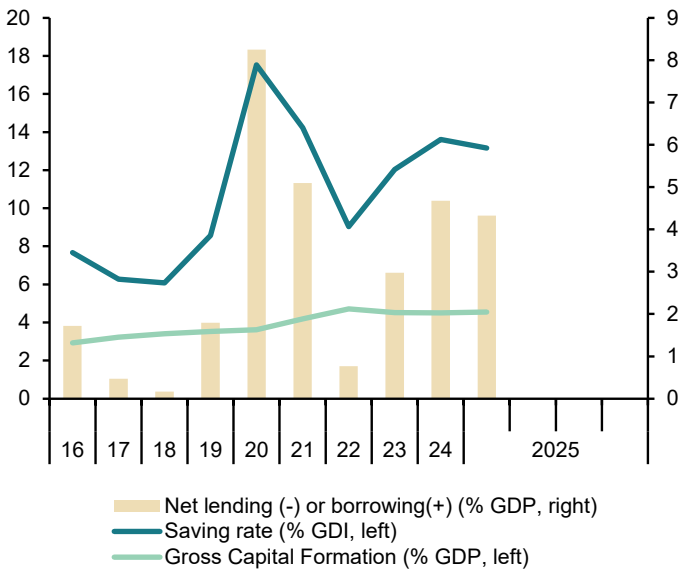


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

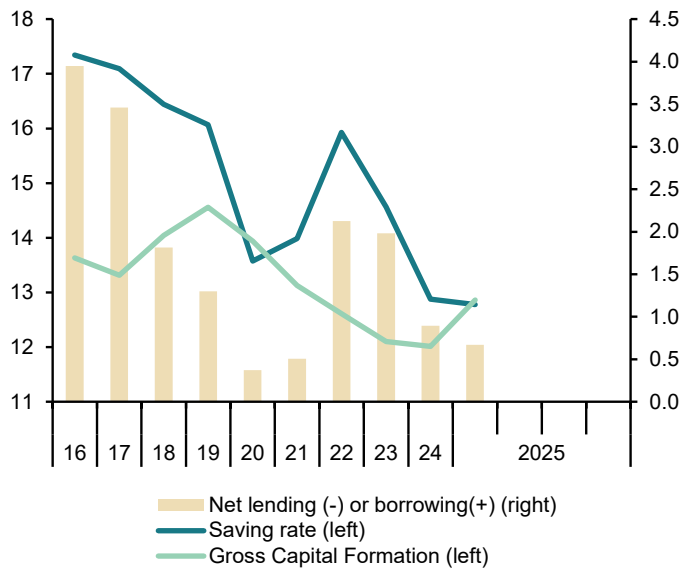


Table 6

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												
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		177.1	198.7	210.2	86.6	672.7	172.4	89.5	39.0	311.7	67.8	42.6	722.8	-50.2
2025		188.6	208.5	224.9	89.4	711.4	179.6	91.6	43.4	330.4	57.0	55.1	757.1	-50.7
2026		197.1	215.6	234.7	92.9	740.3	185.1	96.2	46.3	346.3	59.1	55.3	788.3	-48.0
2023	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	81.0	634.9	165.3	87.5	37.2	297.1	57.9	44.5	689.4	-54.5
	II	170.7	191.1	203.5	82.1	647.4	167.0	88.1	38.0	302.2	57.6	43.7	696.6	-49.2
	III	172.9	194.1	207.4	84.9	659.3	170.2	89.1	39.3	306.6	58.1	42.7	706.0	-46.7
	IV	177.1	198.7	210.2	86.6	672.7	172.4	89.5	39.0	311.7	67.8	42.6	722.8	-50.2
2025	I	179.8	201.5	213.8	87.7	682.8	173.7	90.2	40.0	316.1	68.0	44.3	732.3	-49.5
		Percentage of GDP. 4-quarter cumulated operations												
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	12.5	13.2	5.4	42.3	10.8	5.6	2.5	19.6	4.3	2.7	45.4	-3.2
2025		11.3	12.5	13.5	5.4	42.6	10.8	5.5	2.6	19.8	3.4	3.3	45.4	-3.0
2026		11.4	12.5	13.6	5.4	42.8	10.7	5.6	2.7	20.0	3.4	3.2	45.5	-2.8
2023	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	41.8	10.9	5.8	2.4	19.6	3.8	2.9	45.4	-3.6
	II	11.1	12.4	13.2	5.3	41.9	10.8	5.7	2.5	19.6	3.7	2.8	45.1	-3.2
	III	11.0	12.4	13.2	5.4	42.1	10.9	5.7	2.5	19.6	3.7	2.7	45.0	-3.0
	IV	11.1	12.5	13.2	5.4	42.3	10.8	5.6	2.5	19.6	4.3	2.7	45.4	-3.2
2025	I	11.2	12.5	13.3	5.4	42.4	10.8	5.6	2.5	19.6	4.2	2.7	45.4	-3.1

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

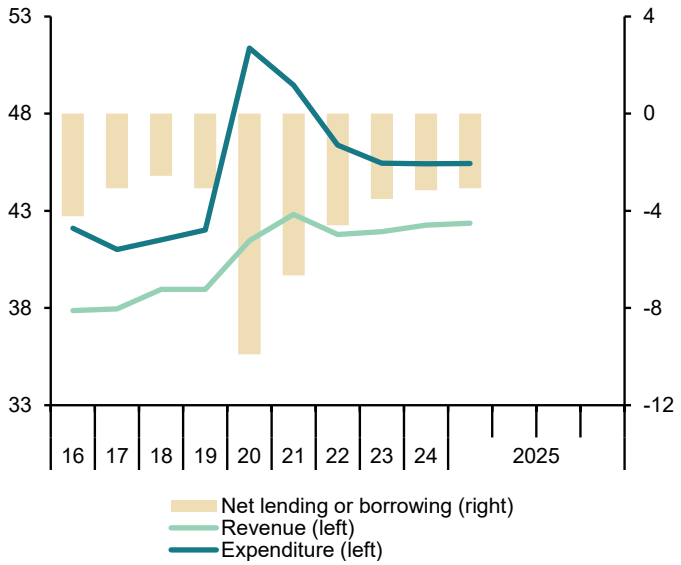


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

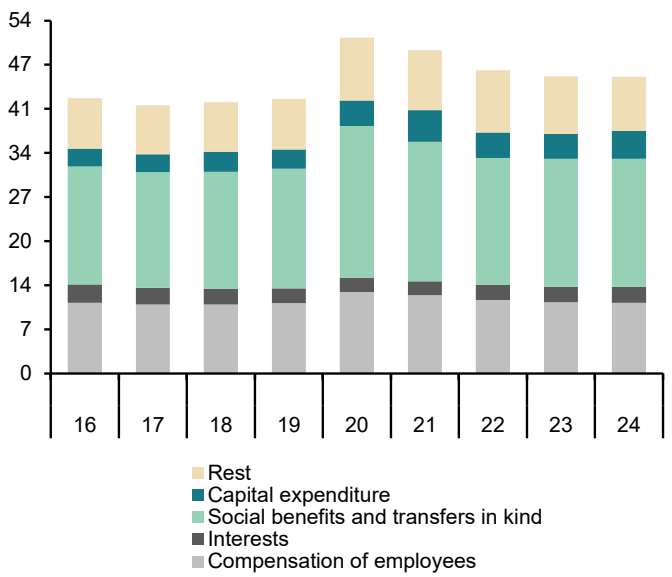


Table 7

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				
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		-46.3	-1.9	6.6	-8.6	-50.2	1,489.3	335.9	22.8	126.2	1,620.6
2025		--	--	--	--	-50.7	--	--	--	--	1,669.2
2026		--	--	--	--	-48.0	--	--	--	--	1,720.3
2023	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	-30.5	-16.4	-1.6	-6.1	-54.5	1,476.2	328.9	23.1	116.2	1,614.7
II		-25.3	-16.1	-0.1	-7.8	-49.2	1,484.7	337.5	23.5	116.2	1,625.7
	III	-39.9	-2.9	4.2	-8.1	-46.7	1,504.0	333.2	23.1	116.2	1,635.7
	IV	-46.3	-1.9	6.6	-8.6	-50.2	1,489.3	335.9	22.8	126.2	1,620.6
2025	I	-50.4	-0.9	8.0	-6.3	-49.5	1,533.2	338.2	22.8	126.2	1,667.4
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
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		-2.9	-0.1	0.4	-0.5	-3.2	93.6	21.1	1.4	7.9	101.8
2025		--	--	--	--	-3.0	--	--	--	--	100.0
2026		--	--	--	--	-2.8	--	--	--	--	99.4
2023	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	-3.6	97.1	21.6	1.5	7.6	106.2
	II	-1.6	-1.0	0.0	-0.5	-3.2	96.1	21.8	1.5	7.5	105.2
	III	-2.5	-0.2	0.3	-0.5	-3.0	95.8	21.2	1.5	7.4	104.2
	IV	-2.9	-0.1	0.4	-0.5	-3.2	93.6	21.1	1.4	7.9	101.8
2025	I	-3.1	-0.1	0.5	-0.4	-3.1	95.1	21.0	1.4	7.8	103.5

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

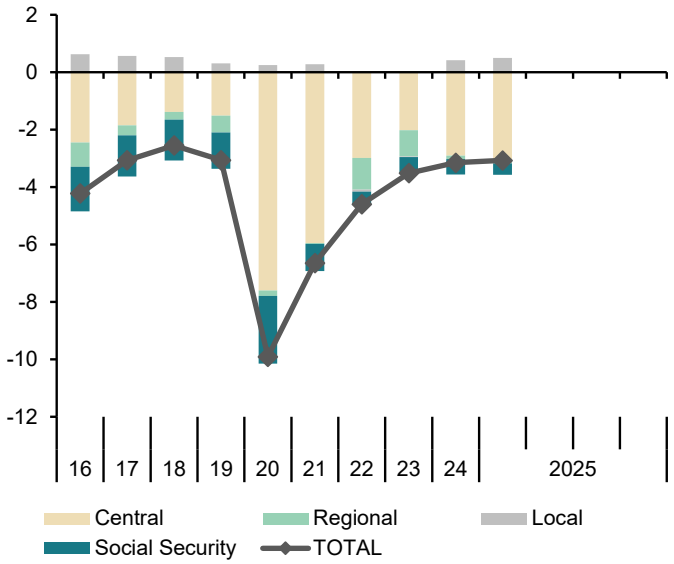


Chart 7.2 - Government debt

Percent of GDP

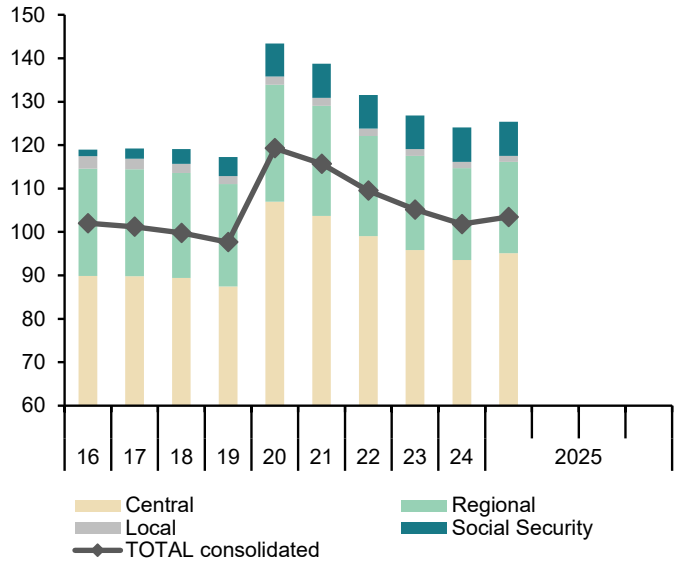


Table 8

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
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	89.3	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	95.0	-1.8
2022	101.2	51.8	19,663.0	19.6	99.7	2,324.3	51.0	-0.8	97.7	1.6
2023	100.5	52.5	20,193.2	19.3	98.1	2,363.7	48.0	-6.5	95.7	-10.9
2024	103.0	54.8	20,700.7	19.6	98.5	2,402.6	52.2	-4.9	95.5	-9.6
2025 (b)	103.2	53.2	21,042.2	20.1	100.2	2,426.5	50.0	-5.3	95.5	-8.9
2023 III	100.6	50.1	20,267.5	19.3	97.5	2,369.7	47.4	-8.2	95.5	-13.7
IV	100.2	50.1	20,367.7	19.5	97.6	2,377.7	45.8	-8.0	95.3	-13.9
2024 I	102.3	53.6	20,507.9	19.4	99.3	2,388.5	50.7	-5.1	94.6	-8.2
II	102.6	56.0	20,655.3	19.5	98.0	2,400.0	52.9	-5.6	95.3	-8.1
III	105.5	54.4	20,757.1	19.6	97.3	2,406.2	51.5	-2.9	95.3	-11.3
IV	101.5	55.0	20,880.5	19.7	98.9	2,415.3	53.6	-6.0	96.2	-10.7
2025 I	103.3	54.4	21,006.0	19.8	98.6	2,426.9	50.0	-5.4	96.9	-10.5
II (b)	103.0	52.0	21,136.1	19.8	98.9	2,437.0	50.0	-5.2	95.9	-7.3
2025 Apr	103.7	52.5	21,095.0	19.3	98.6	2,433.3	48.1	-4.3	95.9	-6.0
May	103.4	51.4	21,133.5	19.7	99.1	2,436.5	50.5	-5.1	--	-6.8
Jun	102.0	52.1	21,179.7	20.4	--	2,441.4	51.4	-6.3	--	-9.1
					Percentage changes (c)					
2017	--	--	3.7	1.7	2.9	3.1	--	--	3.9	--
2018	--	--	3.2	0.6	0.6	2.7	--	--	1.9	--
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	--	--	5.7	--
2022	--	--	4.0	-3.8	2.5	2.4	--	--	2.8	--
2023	--	--	2.7	-1.2	-1.6	1.7	--	--	-2.0	--
2024	--	--	2.5	1.5	0.5	1.6	--	--	-0.2	--
2025 (d)	--	--	2.4	1.1	0.1	1.6	--	--	1.3	--
2023 III	--	--	0.5	0.5	-0.5	0.4	--	--	-0.3	--
IV	--	--	0.5	1.3	0.1	0.3	--	--	-0.3	--
2024 I	--	--	0.7	-0.3	1.7	0.5	--	--	-0.7	--
II	--	--	0.7	0.4	-1.4	0.5	--	--	0.7	--
III	--	--	0.5	0.5	-0.6	0.3	--	--	0.0	--
IV	--	--	0.6	0.4	1.6	0.4	--	--	0.9	--
2025 I	--	--	0.6	0.4	-0.3	0.5	--	--	0.7	--
II (e)	--	--	0.6	0.2	0.3	0.4	--	--	-1.0	--
2025 Apr	--	--	0.2	-2.8	-0.7	0.1	--	--	-0.7	--
May	--	--	0.2	2.0	0.6	0.1	--	--	--	--
Jun	--	--	0.2	3.9	--	0.2	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Level, 2019=100

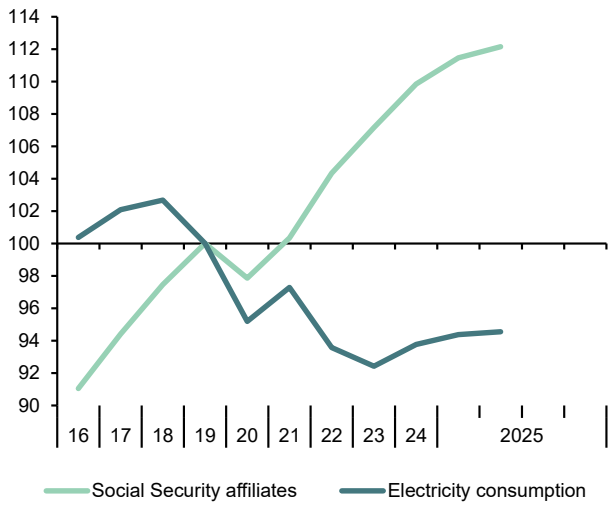


Chart 8.2 - General activity indicators (II)

Index

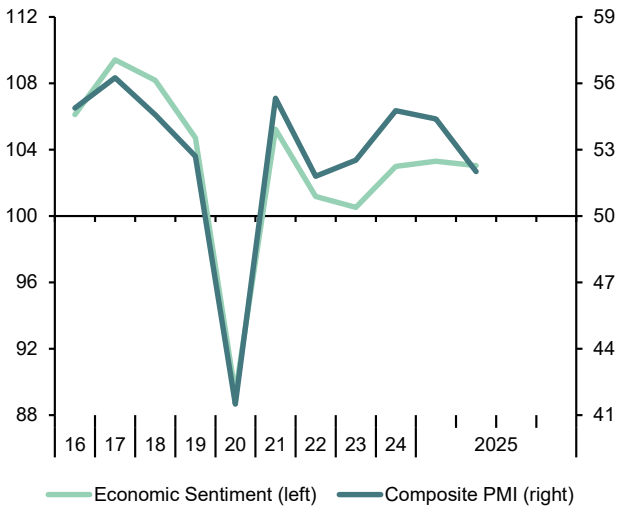


Chart 8.3 - Industrial sector indicators (I)

Level, 2019=100

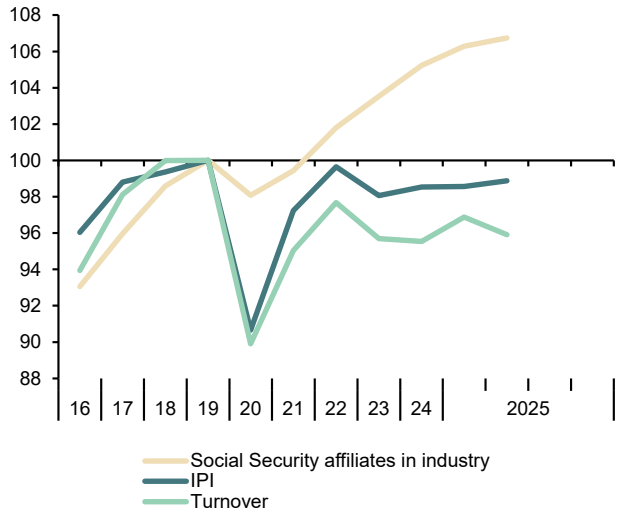


Chart 8.4 - Industrial sector indicators (II)

Index

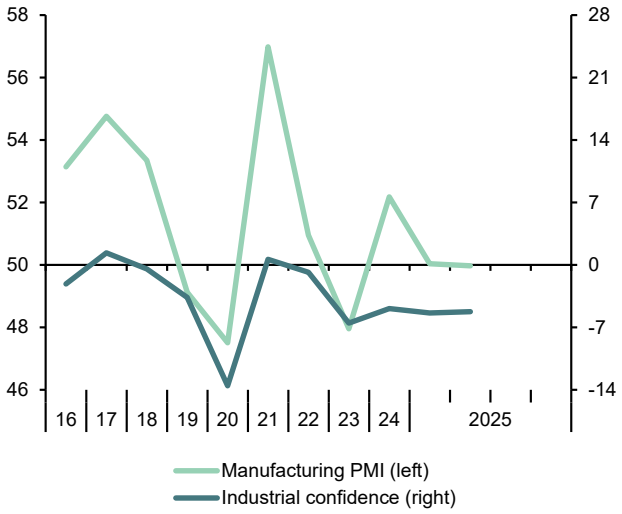


Table 9

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) (h)	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	2019=100	Dwellings, monthly average	Thousands	2019=100	Index	Million, monthly average	Million, monthly average	Balance of responses
2017	1,118.8	88.7	-25.1	76.9	6,732.2	13,338.2	93.5	56.4	28.4	20.7	22.9
2018	1,194.1	91.5	-5.9	98.5	8,394.4	13,781.3	97.3	54.8	28.3	21.9	21.2
2019	1,254.9	100.0	-7.7	100.0	8,855.5	14,169.1	100.0	53.9	28.6	23.1	13.9
2020	1,233.1	88.9	-17.4	77.1	7,127.9	13,849.2	83.5	40.3	7.7	6.3	-25.5
2021	1,288.6	99.5	-1.9	119.8	9,026.5	14,235.1	95.4	55.0	14.4	9.9	8.6
2022	1,333.8	99.2	8.9	131.7	9,076.9	14,926.3	102.3	52.5	26.7	20.2	12.2
2023	1,384.6	95.5	8.7	127.0	9,123.6	15,393.2	103.7	53.6	28.9	23.5	13.9
2024	1,410.4	95.1	7.8	139.9	10,643.4	15,852.0	106.3	55.3	30.3	25.7	17.0
2025 (b)	1,439.8	98.6	14.5	156.4	11,320.0	16,131.1	104.6	53.7	24.5	24.0	--
2023 III	1,386.7	94.7	6.3	131.9	8,575.7	15,458.1	103.9	50.8	29.1	23.8	15.8
IV	1,394.2	93.5	13.0	119.8	9,418.7	15,555.1	105.1	51.2	29.6	24.4	15.4
2024 I	1,402.8	94.9	5.9	125.5	10,082.7	15,678.5	105.5	54.3	30.0	25.0	17.1
II	1,405.3	92.9	8.7	128.9	10,999.0	15,810.6	106.4	56.6	30.4	25.7	15.7
III	1,412.3	93.6	7.1	151.1	10,587.7	15,906.7	107.3	55.2	30.3	25.9	18.2
IV	1,421.5	96.9	9.5	154.1	10,904.3	16,009.8	108.0	55.1	30.4	26.1	--
2025 I	1,433.0	97.0	13.5	154.0	12,034.0	16,115.5	109.5	55.3	30.3	26.4	--
II (b)	1,443.4	98.8	15.6	160.0	9,178.0	16,225.2	109.6	52.2	30.3	26.6	--
2025 Apr	1,440.0	98.6	12.3	146.7	9,178.0	16,192.2	109.6	53.4	30.3	26.6	--
May	1,443.1	99.0	18.0	173.2	--	16,223.6	--	51.3	30.4	26.6	--
Jun	1,447.2	--	16.4	--	--	16,259.8	--	51.9	--	--	--
					Percentage changes (c)						
2017	6.2	8.2	--	32.8	26.2	3.8	5.2	--	2.8	8.3	--
2018	6.7	3.1	--	28.0	24.7	3.3	4.0	--	-0.2	5.8	--
2019	5.1	9.3	--	1.6	5.5	2.8	2.8	--	0.9	5.3	--
2020	-1.7	-11.1	--	-22.9	-19.5	-2.3	-16.5	--	-73.1	-72.7	--
2021	4.5	12.0	--	55.3	26.6	2.8	14.3	--	87.4	57.8	--
2022	3.5	-0.3	--	9.9	0.6	4.9	7.2	--	85.4	103.4	--
2023	3.8	-3.7	--	-3.5	0.5	3.1	1.3	--	8.2	16.3	--
2024	1.9	-0.4	--	10.1	16.7	3.0	2.5	--	4.9	9.3	--
2025 (d)	2.5	2.9	--	24.2	8.6	2.7	3.9	--	-0.1	4.7	--
2023 III	0.2	-0.4	--	-5.3	-0.7	0.6	-0.1	--	1.7	2.9	--
IV	0.5	-1.3	--	-29.8	-7.8	0.6	1.2	--	1.7	2.5	--
2024 I	0.6	1.5	--	9.9	6.2	0.8	0.4	--	1.4	2.3	--
II	0.2	-2.0	--	-9.4	22.2	0.8	0.8	--	1.4	2.9	--
III	0.5	0.7	--	14.6	23.5	0.6	0.8	--	-0.5	0.8	--
IV	0.6	3.5	--	28.7	15.8	0.6	0.7	--	0.5	1.0	--
2025 I	0.8	0.1	--	22.7	19.4	0.7	1.3	--	-0.4	0.9	--
II (e)	0.7	1.9	--	26.2	-19.8	0.7	0.1	--	0.3	0.7	--
2025 Apr	0.4	1.1	--	24.3	-19.8	0.2	-0.1	--	0.3	-0.1	--
May	0.2	0.4	--	28.1	--	0.2	--	--	0.2	-0.1	--
Jun	0.3	--	--	--	--	0.2	--	--	--	--	--

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

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

Chart 9.1 - Construction indicators (I)

Level, 2019=100 and index

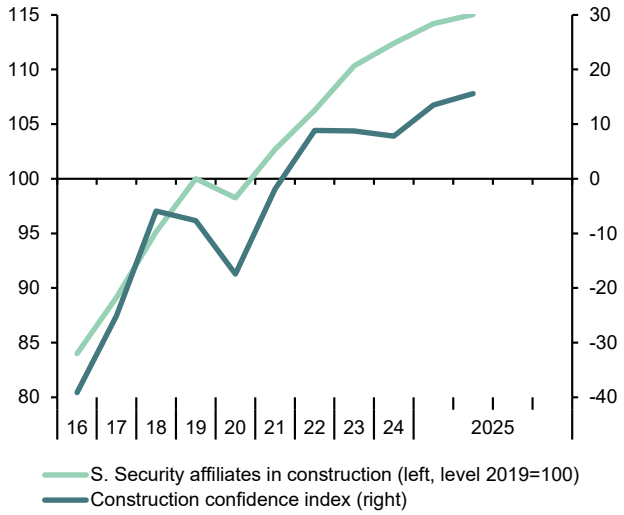


Chart 9.2 - Construction indicators (II)

Level, 2019=100

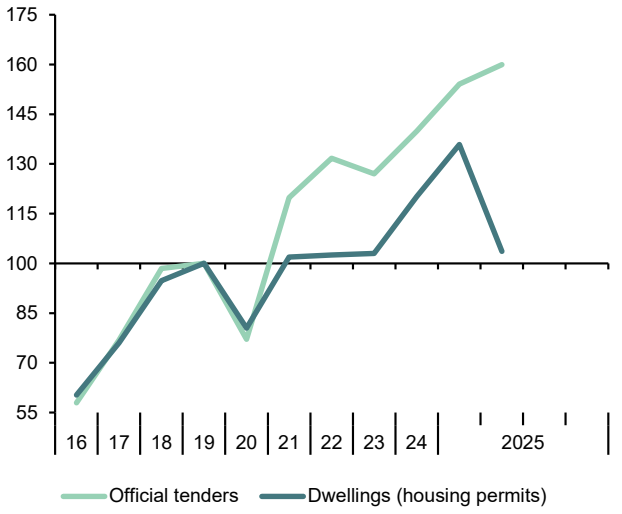


Chart 9.3 - Services indicators (I)

Level, 2019=100

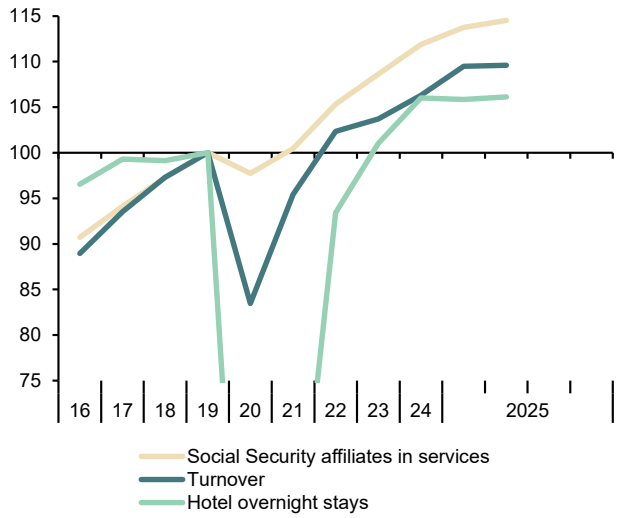


Chart 9.4 - Services indicators (II)

Index

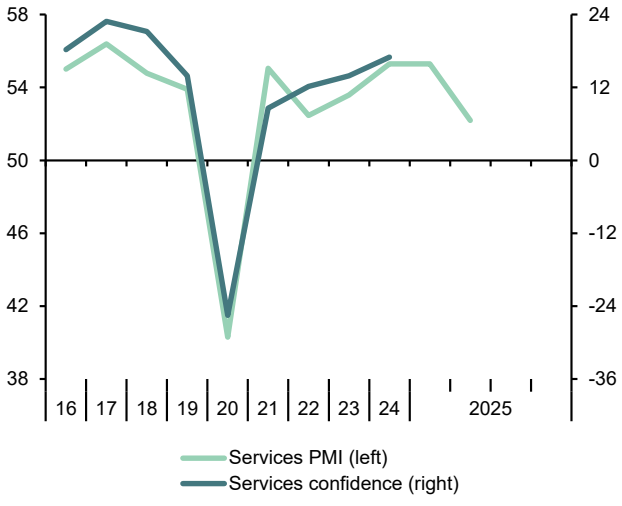


Table 10

Consumption and investment indicators (a)

	Consumption indicators						Investment in equipment indicators			
	Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Large company sales (consumer goods and services)	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)	Large company sales (capital goods)
	2019=100	Thousands, monthly average	Balance of responses	Million, monthly average	Balance of responses	2019=100	Thousands, monthly average	Balance of responses	2019=100	2019=100
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	-6.3	10.0	-2.9	100.0	19.2	8.8	100.0	100.0
2020	93.5	78.3	-22.6	4.3	-25.5	91.6	15.0	-22.7	94.7	93.5
2021	97.4	79.5	-12.8	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	103.9	94.3	-15.2	10.2	-10.1	107.8	19.6	4.3	127.1	123.3
2025 (b)	101.6	110.6	--	8.3	-9.6	--	20.6	-6.1	131.0	132.7
2023 III	101.8	85.9	-16.2	10.1	-8.5	105.0	16.8	11.8	121.3	118.2
IV	102.5	96.3	-18.9	10.1	-6.8	105.3	18.9	9.4	120.0	121.7
2024 I	102.5	89.1	-17.2	10.1	-7.8	105.7	19.4	6.8	120.4	119.9
II	102.9	92.0	-14.5	10.2	-10.8	106.5	18.2	10.1	122.7	122.8
III	104.4	91.8	-13.7	10.0	-7.8	108.6	17.4	-0.7	127.7	119.9
IV	105.5	108.2	--	10.2	-13.9	109.3	19.8	1.1	133.0	127.3
2025 I	105.9	103.1	--	10.2	-10.2	112.6	19.6	-10.7	137.3	133.0
II (b)	107.4	105.7	--	10.2	-9.0	113.7	19.2	-1.4	140.5	137.4
2025 Apr	107.2	102.7	--	10.1	-5.0	113.3	19.2	-1.7	140.5	135.7
May	107.5	108.7	--	10.3	-8.0	114.0	19.2	-1.5	--	139.1
Jun	--	--	--	--	-13.9	--	--	-1.0	--	--
	Percentage changes (c)									
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	1.8	8.8	--	0.3	--	3.5	9.2	--	4.0	1.1
2025 (d)	3.7	15.8	--	-0.5	--	5.9	4.2	--	10.9	12.2
2023 III	-0.7	3.6	--	-0.1	--	5.9	5.2	--	-6.6	-16.6
IV	0.7	12.1	--	-0.1	--	1.1	12.3	--	-4.4	12.2
2024 I	0.0	-7.4	--	0.2	--	1.5	2.6	--	1.3	-5.7
II	0.4	3.2	--	0.4	--	3.0	-5.9	--	8.0	10.0
III	1.5	-0.2	--	-1.4	--	8.3	-4.5	--	17.3	-9.2
IV	1.0	17.9	--	1.7	--	2.8	14.0	--	17.7	27.2
2025 I	0.5	-4.7	--	-0.3	--	12.5	-1.1	--	13.6	18.9
II (e)	1.3	2.5	--	0.1	--	3.8	-2.0	--	9.8	14.1
2025 Mar	0.0	-3.1	--	0.2	--	0.7	-5.0	--	1.1	4.0
Apr	0.8	0.6	--	-1.2	--	-0.3	0.3	--	1.2	-2.9
May	0.2	5.8	--	2.0	--	0.7	-0.1	--	--	2.5

(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

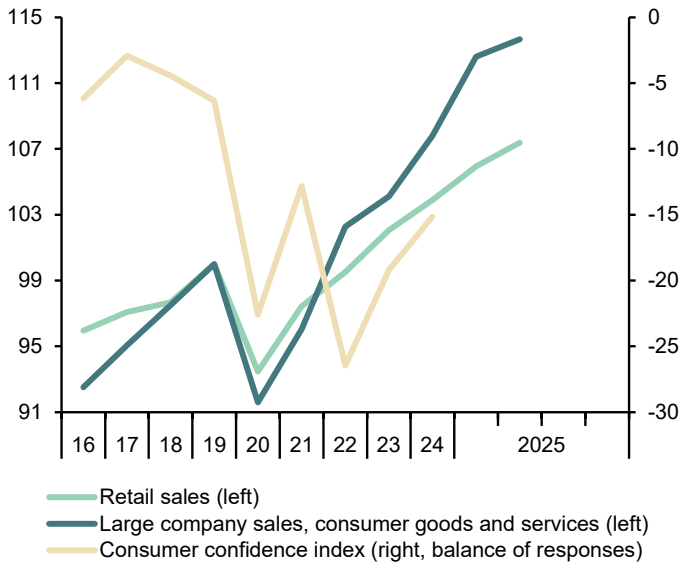


Chart 10.2 - Investment indicators

Level, 2019=100 and balance of responses

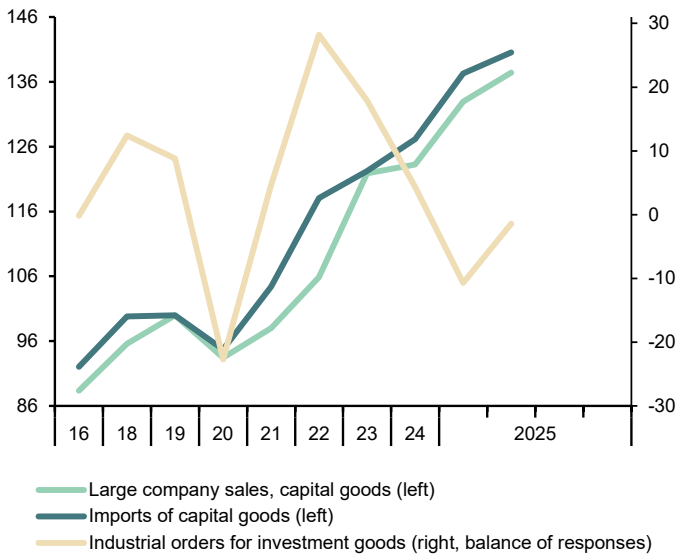


Table 11a

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					
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	62.0	15.5	38.3	14.1	24.6
2021		39.9	23.3	--	19.8	--	3.5	--	74.9	63.7	14.9	35.1	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	16.8
2025		42.1	24.7	--	22.1	--	2.6	--	75.8	--	10.5	--	--	--
2026		42.4	24.9	--	22.4	--	2.5	--	75.8	--	10.0	--	--	--
2023	II	40.9	24.1	24.1	21.3	21.2	2.8	2.9	75.9	66.6	12.2	28.9	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	28.2	11.0	16.6
	IV	41.2	24.3	24.3	21.4	21.4	2.9	2.9	76.0	66.8	11.9	28.5	10.8	17.2
2024	I	41.3	24.2	24.3	21.3	21.5	3.0	2.8	76.0	67.1	11.6	27.3	11.1	18.6
	II	41.5	24.4	24.4	21.7	21.6	2.8	2.8	75.9	67.1	11.5	26.8	10.2	16.9
	III	41.6	24.6	24.4	21.8	21.7	2.8	2.8	75.8	67.2	11.3	26.5	10.3	15.7
	IV	41.8	24.5	24.5	21.9	21.9	2.6	2.7	75.8	67.5	10.9	25.7	9.6	15.8
2025	I	41.9	24.6	24.7	21.8	22.0	2.8	2.7	76.1	67.8	10.8	26.3	10.3	16.5
		Percentage changes (d)							Difference from one year ago					
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		0.8	-1.3	--	-2.9	--	8.7	--	-1.5	-2.4	1.4	5.8	0.9	4.5
2021		0.9	2.5	--	3.3	--	-1.5	--	1.5	1.7	-0.6	-3.2	-0.5	-1.5
2022		1.1	1.4	--	3.6	--	-11.4	--	0.3	1.7	-1.9	-5.5	-1.7	-3.6
2023		1.5	2.1	--	3.1	--	-4.6	--	0.5	1.1	-0.9	-1.0	-0.8	-1.7
2024		1.4	1.3	--	2.2	--	-5.7	--	0.1	0.7	-0.8	-2.2	-0.9	-1.0
2025		1.3	1.1	--	2.1	--	-6.9	--	-0.1	--	-0.9	--	--	--
2026		0.7	0.7	--	1.2	--	-3.4	--	0.0	--	-0.4	--	--	--
2023	II	1.5	2.0	0.8	3.2	1.4	-6.2	-3.5	0.4	1.1	-0.9	-1.0	-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	-2.3	-0.7	-2.0
	IV	1.5	2.2	0.2	3.6	0.4	-7.2	-1.2	0.9	1.6	-1.0	-0.5	-1.2	-1.7
2024	I	1.4	1.7	0.2	3.0	0.5	-6.5	-2.0	0.5	1.2	-1.1	-1.9	-1.1	-1.4
	II	1.5	1.6	0.3	2.0	0.4	-1.9	-0.5	0.0	0.5	-0.6	-2.0	-0.5	-0.3
	III	1.4	1.0	0.1	1.8	0.4	-4.9	-2.3	-0.2	0.4	-0.8	-1.7	-0.7	-0.9
	IV	1.4	0.8	0.5	2.2	0.8	-9.3	-2.4	-0.1	0.7	-1.0	-2.9	-1.2	-1.4
2025	I	1.4	1.3	0.6	2.4	0.7	-6.3	-0.7	0.1	0.7	-0.8	-1.1	-0.8	-2.1

(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

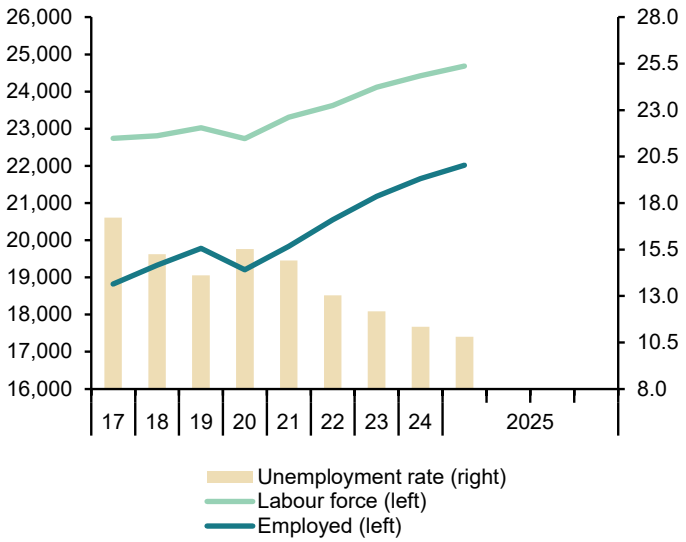


Chart 11a.2 - Unemployment rates

Percentage

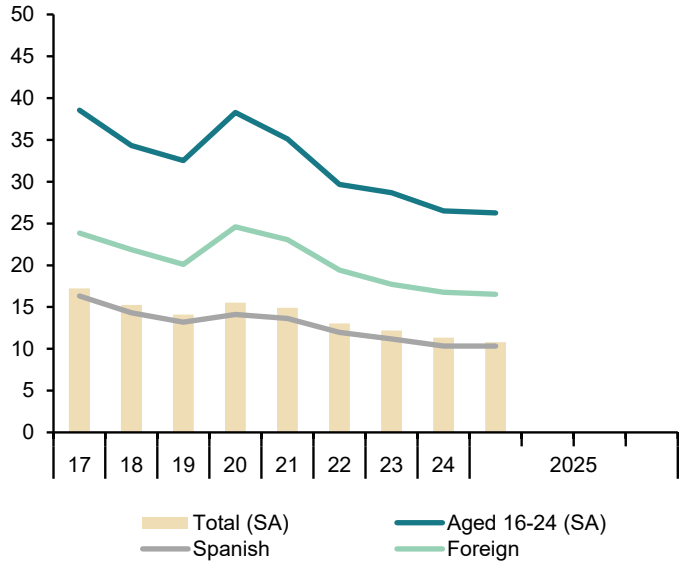


Table 11b

Labour market (II)

	Employed by sector				Employed by professional situation					Employed by duration of the working-day		
					Employees				Self employed			
					Total	By type of contract						
	Agriculture	Industry	Construction	Services		Tempo-rary	Indefinite	Temporary employment rate (a)		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)
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
2025 (c)	0.76	2.92	1.48	16.61	18.50	2.80	15.70	15.1	3.27	18.69	3.08	14.13
2023 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
IV	0.74	2.92	1.48	16.72	18.59	2.88	15.71	15.5	3.27	18.80	3.06	14.00
2025 I	0.76	2.92	1.48	16.61	18.50	2.80	15.70	15.1	3.27	18.69	3.08	14.13
	Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
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
2025 (d)	-0.5	3.2	4.3	2.3	2.4	-1.4	3.1	-0.6	2.5	2.1	4.6	0.3
2023 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
2025 I	-0.5	3.2	4.3	2.3	2.4	-1.4	3.1	-0.6	2.5	2.1	4.6	0.3

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

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

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

Level, 2019=100

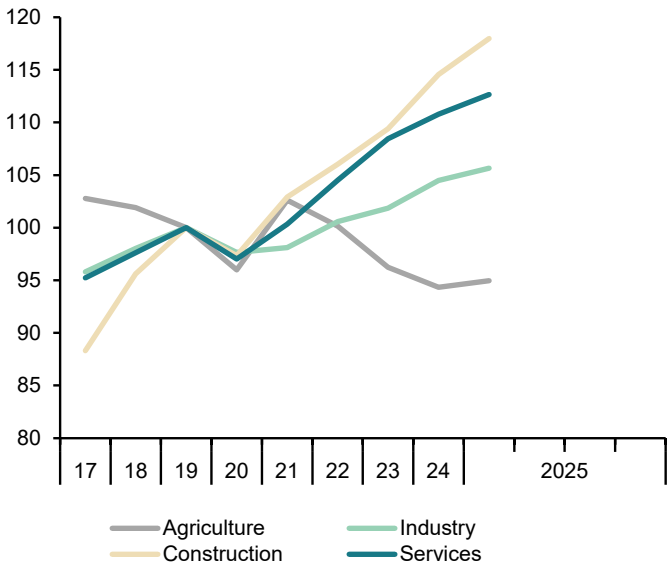


Chart 11b.2 - Temporary employment rate

Percentage over total employees

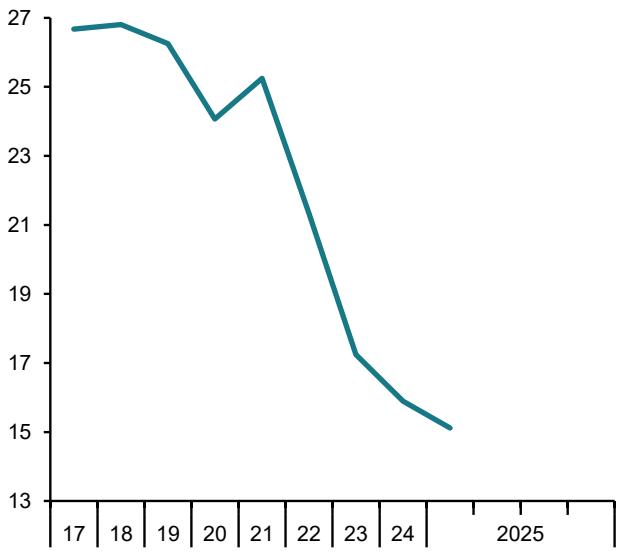


Table 12

Index of Consumer Prices

Forecasts in yellow

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2024		100.00	68.37	84.45	20.80	47.57	16.09	6.22	9.32	22.31
Indexes. 2021 = 100										
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		118.3	113.9	117.3	109.9	115.3	130.4	133.8	110.8	131.2
2026		120.5	116.2	119.7	110.5	118.4	133.0	139.7	109.7	134.7
Annual percentage changes										
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		2.6	2.5	2.3	0.5	3.3	1.4	6.8	2.5	2.9
2026		1.9	2.0	2.0	0.5	2.7	2.0	4.4	-1.0	2.7
2025	Jan	2.9	2.5	2.4	0.5	3.4	2.1	2.7	8.1	2.2
	Feb	3.0	2.4	2.2	0.5	3.2	1.3	5.0	9.0	2.3
	Mar	2.3	2.2	2.0	0.5	3.0	1.0	6.5	2.0	2.5
	Apr	2.2	2.8	2.4	0.5	3.9	0.7	6.0	-2.2	2.2
	May	2.0	2.4	2.2	0.6	3.3	1.0	7.1	-2.7	2.7
	Jun	2.3	2.5	2.2	0.6	3.2	1.1	8.0	-0.5	3.0
	Jul	2.6	2.5	2.3	0.5	3.4	1.4	7.2	1.7	3.0
	Aug	2.7	2.5	2.3	0.5	3.4	1.5	8.1	2.4	3.3
	Sep	3.0	2.5	2.4	0.5	3.4	1.8	8.5	5.2	3.6
	Oct	2.8	2.5	2.3	0.5	3.3	1.5	8.0	4.4	3.3
	Nov	2.7	2.5	2.4	0.5	3.4	1.7	7.6	2.1	3.4
	Dec	2.5	2.4	2.3	0.4	3.2	1.9	7.1	0.9	3.4
2026	Jan	1.9	2.5	2.3	0.6	3.3	1.5	7.0	-5.0	3.0
	Feb	1.7	2.4	2.2	0.5	3.2	1.5	5.9	-5.6	2.7
	Mar	2.0	2.4	2.3	0.5	3.2	1.9	4.5	-2.0	2.6
	Apr	2.0	1.9	1.9	0.5	2.5	2.1	4.4	0.8	2.7
	May	2.1	2.1	2.1	0.4	2.8	2.0	3.7	1.6	2.5
	Jun	1.8	1.9	1.9	0.4	2.6	2.1	3.1	-0.4	2.4
	Jul	1.8	1.9	1.9	0.5	2.5	2.2	3.8	-0.4	2.6
	Aug	1.8	1.9	1.9	0.5	2.5	2.2	4.0	-0.4	2.7
	Sep	1.9	1.9	1.9	0.5	2.5	2.2	4.0	0.0	2.7
	Oct	1.8	1.9	1.9	0.5	2.5	2.1	3.9	0.0	2.6
	Nov	1.9	1.9	1.9	0.5	2.5	2.1	4.3	0.0	2.7
	Dec	1.9	1.9	1.9	0.5	2.5	1.9	4.5	0.0	2.6

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

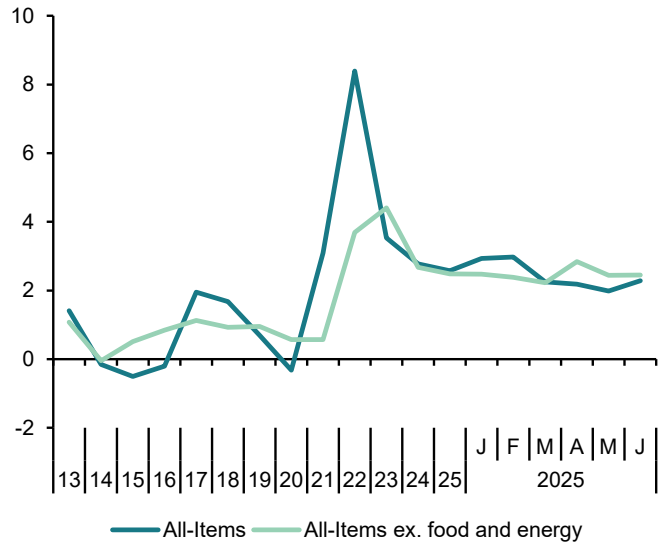


Chart 12.2 - Inflation rate (II)

Annual percentage changes

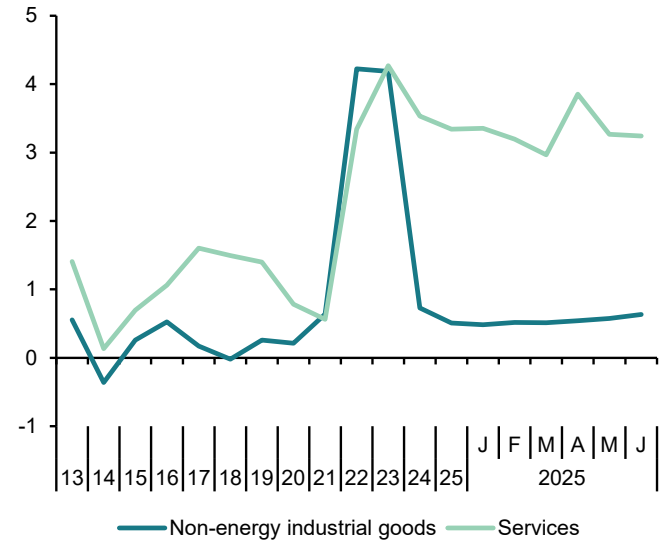


Table 13

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				
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	107.9	--
2023		115.4	145.0	126.0	118.2	110.2	96.0	113.8	113.4	115.0	113.7	--
2024		118.8	139.7	126.4	128.1	116.6	105.3	118.3	117.7	120.0	118.7	--
2025 (b)		120.8	141.3	126.4	137.5	123.9	107.4	118.7	117.1	123.4	115.5	
2023	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	104.6	114.8	112.8	120.7	121.6	--
	IV	120.1	142.7	125.8	132.8	120.2	109.1	123.8	124.9	120.7	125.1	--
2025	I	120.8	144.7	126.3	137.5	123.9	107.4	118.7	117.1	123.4	115.5	--
	II (b)	--	136.3	126.4	--	--	--	--	--	--	--	--
2025	Mar	--	141.3	126.6	--	--	--	--	--	--	--	--
	Apr	--	136.8	126.5	--	--	--	--	--	--	--	--
	May	--	135.8	126.2	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
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	1.4	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		3.0	-3.7	0.3	8.4	5.8	9.7	4.0	3.8	4.3	4.4	3.1
2025 (d)		2.3	3.1	-0.2	12.2	9.0	3.2	3.8	3.8	3.6	4.1	3.4
2023	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	4.5	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	4.9	4.4	4.1	5.2	5.2	3.0
	IV	2.3	-0.2	0.1	11.3	7.0	13.5	3.5	3.5	3.6	3.8	3.1
2025	I	2.3	4.6	-0.1	12.2	9.0	3.2	3.8	3.8	3.6	4.1	3.3
	II (e)	--	-0.1	-0.3	--	--	--	--	--	--	--	3.4
2025	Apr	--	1.6	-0.1	--	--	--	--	--	--	--	3.4
	May	--	0.0	-0.4	--	--	--	--	--	--	--	3.4
	Jun	--	--	--	--	--	--	--	--	--	--	3.4

(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

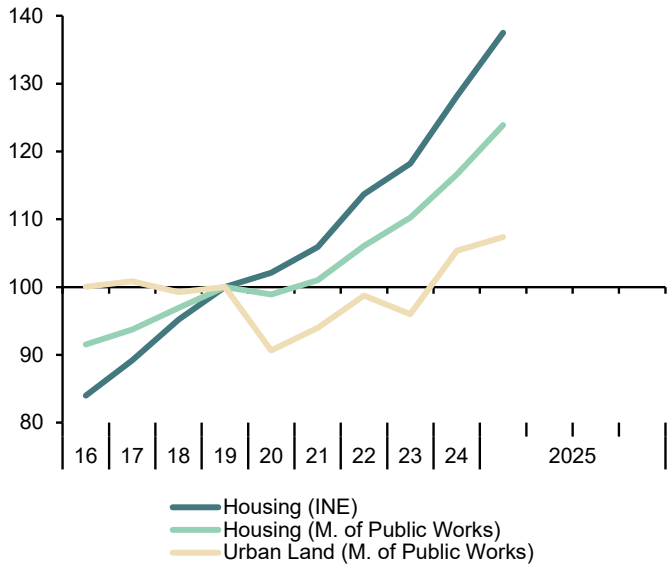


Chart 13.2 - Wage costs

Annual percent change

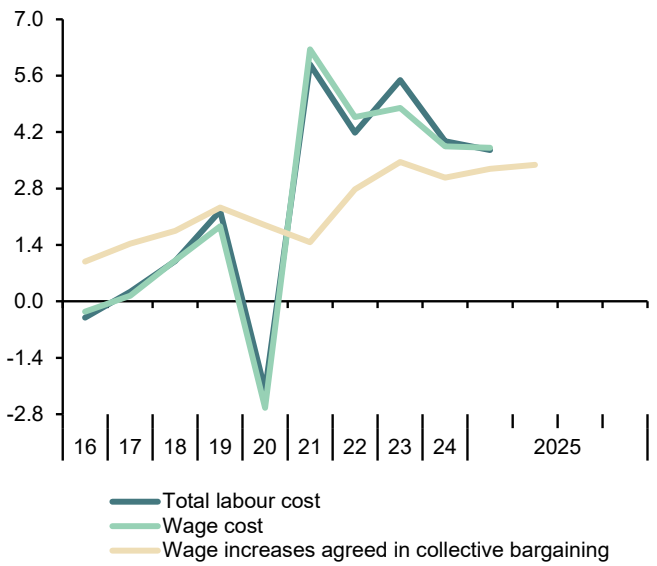


Table 14

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				
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		132.6	134.9	98.3	131.5	131.4	100.0	19.8	12.2	-3.4	-0.4	2.5
2025(b)		132.8	135.2	98.2	138.0	127.7	108.0	19.7	12.4	-4.7	-1.3	2.0
2023	II	130.6	132.4	98.6	130.8	129.8	100.7	19.7	11.9	-3.7	-0.8	2.2
	III	128.6	131.5	97.8	129.0	129.4	99.7	19.3	11.7	-3.7	-0.4	1.9
	IV	130.8	132.3	98.9	131.9	133.4	98.9	19.9	11.7	-3.9	-0.5	2.6
2024	I	130.6	133.0	98.2	129.0	133.0	97.0	19.8	11.7	-3.2	0.0	2.5
	II	134.4	135.7	99.0	131.2	132.0	99.4	19.9	12.5	-2.9	0.0	2.9
	III	133.5	135.2	98.8	130.5	130.5	100.0	20.1	12.2	-2.9	-0.1	2.9
	IV	132.1	135.9	97.2	135.1	130.2	103.8	19.4	12.5	-4.5	-1.2	1.9
2025	I	132.8	135.3	98.2	139.7	129.2	108.1	19.8	12.3	-5.5	-1.9	-2.1
2025	Feb	134.1	136.0	98.6	138.2	129.6	106.6	19.5	12.9	-4.8	-0.4	2.6
	Mar	132.6	135.0	98.2	142.5	128.4	111.1	20.4	11.6	-6.4	-3.9	1.2
	Apr	132.7	134.9	98.4	132.9	123.2	107.9	18.6	13.5	-3.8	0.1	1.4
		Percentage changes (c)								Percentage of GDP		
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		0.2	1.8	-1.6	0.1	-0.5	0.6	-1.1	2.4	-3.4	-0.4	2.6
2025(d)		0.8	1.0	-0.3	5.1	-4.0	9.5	-2.0	5.5	--	--	--
2023	II	-7.1	-1.3	-5.9	-4.3	-4.6	0.3	-8.4	-4.8	-3.0	-0.6	1.8
	III	-1.6	-0.7	-0.9	-1.4	-0.4	-1.0	-1.9	-1.0	-3.0	-0.3	1.5
	IV	1.8	0.6	1.1	2.3	3.1	-0.8	2.9	-0.1	-3.1	-0.4	2.0
2024	I	-0.2	0.5	-0.7	-2.2	-0.3	-1.9	-0.4	0.1	-2.5	0.0	1.9
	II	2.9	2.1	0.9	1.7	-0.7	2.5	0.7	6.7	-2.2	0.0	2.2
	III	-0.7	-0.4	-0.2	-0.5	-1.1	0.6	0.8	-3.0	-2.2	-0.1	2.2
	IV	-1.1	0.6	-1.6	3.5	-0.2	3.8	-3.4	2.9	-3.3	-0.9	1.4
2025	I	0.6	-0.5	1.0	3.3	-0.8	4.2	2.2	-1.9	-4.0	-1.4	-1.5
2025	Feb	1.8	0.9	0.9	0.0	-0.1	0.1	-0.6	5.5	--	--	--
	Mar	-1.2	-0.8	-0.4	3.1	-1.0	4.1	4.9	-10.3	--	--	--
	Abr	0.1	-0.1	0.2	-6.7	-4.0	-2.8	-9.2	16.3	--	--	--

(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 and Funcas.

Chart 14.1 - External trade (real)

Level, 2019=100

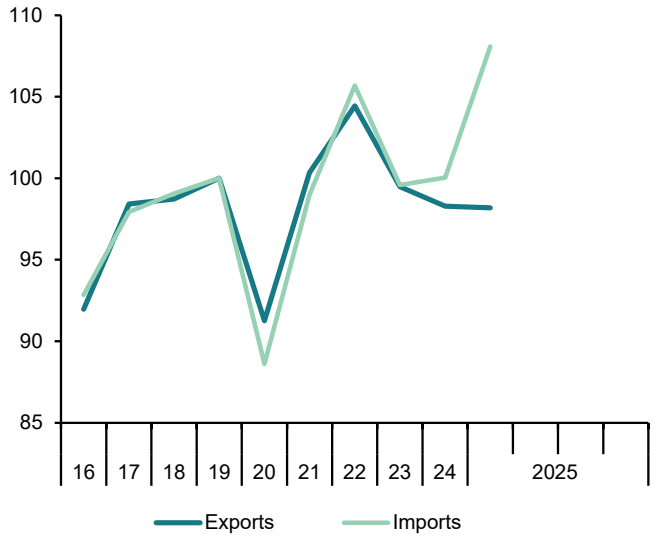
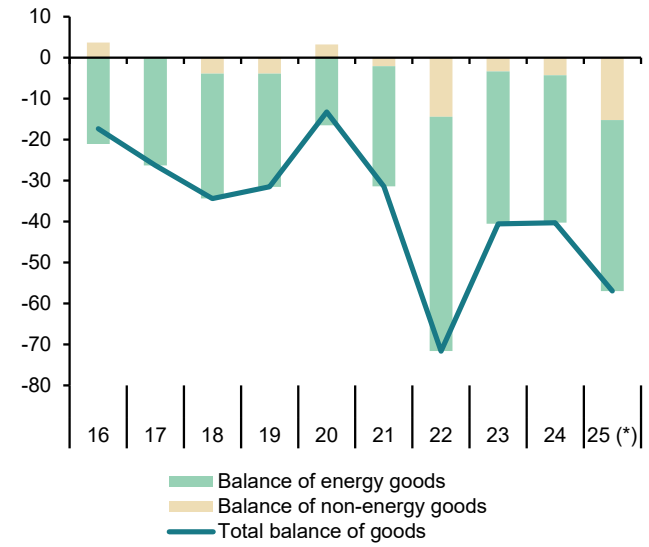


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months



(*) Period with available data.

Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

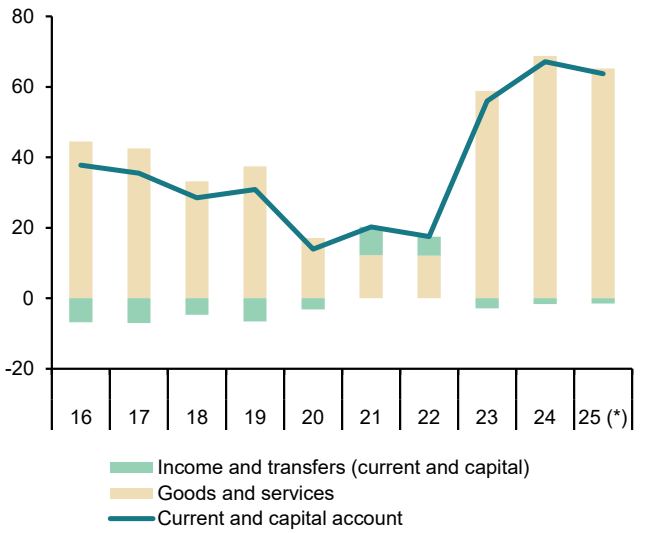
	Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
								Financial account. excluding Bank of Spain					Bank of Spain	
	Total	Goods	Services	Primary Income	Secondary Income			Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
	1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
						EUR billions								
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	0.14
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	2.53
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	5.57
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	3.79
2024	48.74	-32.26	101.03	-8.12	-11.90	18.40	67.15	120.54	21.01	5.25	98.25	-3.97	-48.20	5.20
2025 (a)	7.55	-13.09	22.53	-0.30	-1.59	2.55	10.10	9.38	4.56	-6.15	10.21	0.76	2.96	2.24
2023 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	12.01	-6.01	19.83	-1.03	-0.79	1.78	13.79	40.02	0.40	-14.51	55.40	-1.27	-28.80	-2.56
II	12.84	-6.03	27.25	-4.34	-4.03	3.16	16.01	59.89	6.00	20.16	36.13	-2.40	-36.08	7.81
III	14.70	-9.91	31.70	-2.65	-4.44	4.48	19.18	-7.47	2.71	-21.62	12.94	-1.51	17.63	-9.03
IV	9.19	-10.32	22.26	-0.10	-2.64	8.98	18.17	28.10	11.90	21.22	-6.22	1.21	-0.96	8.97
2025 I	7.55	-13.09	22.53	-0.30	-1.59	2.55	10.10	9.38	4.56	-6.15	10.21	0.76	2.96	2.24
		Goods and Services		Primary and Secondary Income										
2025 Feb	2.69	3.78		-1.09		0.85	3.54	18.57	-2.31	2.55	17.44	0.89	-16.50	-1.46
Mar	2.47	4.06		-1.59		1.40	3.87	10.05	3.26	-7.23	16.13	-2.11	-4.80	1.38
Apr	1.36	5.59		-4.24		0.73	2.08	-10.37	-0.91	5.38	-15.54	0.69	14.53	2.08
						Percentage of GDP								
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	0.5
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	3.1	-2.0	6.3	-0.5	-0.7	1.2	4.2	7.6	1.3	0.3	6.2	-0.2	-3.0	0.3
2025 (a)	1.9	-3.3	5.7	-0.1	-0.4	0.6	2.5	2.4	1.1	-1.5	2.6	0.2	0.7	0.6
2023 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	-1.6	5.3	-0.3	-0.2	0.5	3.7	10.6	0.1	-3.8	14.7	-0.3	-7.6	-0.7
II	3.2	-1.5	6.8	-1.1	-1.0	0.8	4.0	15.0	1.5	5.0	9.0	-0.6	-9.0	1.9
III	3.7	-2.5	8.1	-0.7	-1.1	1.1	4.9	-1.9	0.7	-5.5	3.3	-0.4	4.5	-2.3
IV	2.2	-2.5	5.3	0.0	-0.6	2.1	4.3	6.7	2.8	5.0	-1.5	0.3	-0.2	2.1
2025 I	1.9	-3.3	5.7	-0.1	-0.4	0.6	2.5	2.4	1.1	-1.5	2.6	0.2	0.7	0.6

(a) Period with available quarterly data

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

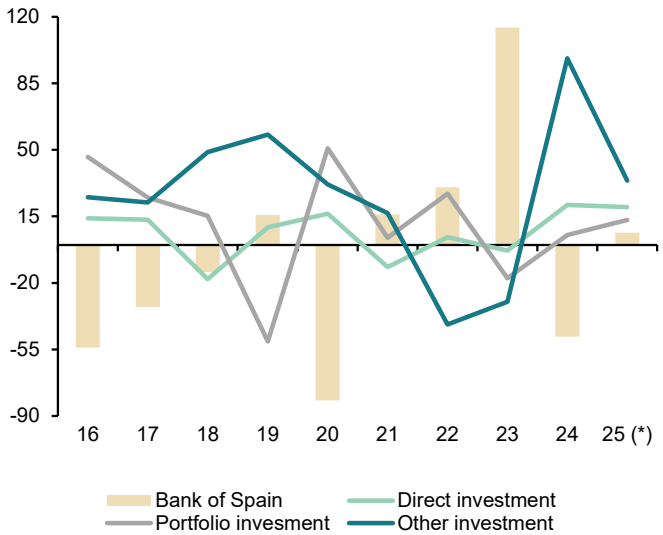
EUR Billions, 12-month cumulated



(*) Period with available data.

Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated



(*) Period with available data.

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	
		2000=100			2015=100			2021=100			1999 I =100
2017		101.7	97.3	104.5	101.7	101.8	99.9	88.5	91.1	97.1	109.7
2018		100.8	94.4	106.8	103.5	103.6	99.9	90.6	93.4	97.0	110.5
2019		99.4	93.3	106.5	104.3	104.8	99.5	90.3	93.8	96.3	109.0
2020		102.8	87.5	117.6	103.9	105.1	98.9	87.1	91.4	95.3	108.4
2021		105.3	92.9	113.3	107.0	107.8	99.3	100.0	100.0	100.0	108.9
2022		104.2	95.1	109.6	115.9	116.8	99.3	129.7	126.0	102.9	108.0
2023		103.9	96.3	107.8	119.9	123.2	97.3	125.6	124.6	100.8	107.0
2024		105.0	100.0	105.1	123.3	126.1	97.8	122.5	121.1	101.2	105.9
2025 (b)		--	--	--	125.5	127.9	98.1	123.9	122.1	101.5	105.9
2023	II	--	--	--	119.7	123.3	97.1	124.6	123.6	100.8	105.6
	III	--	--	--	120.7	124.0	97.4	125.6	123.0	102.1	105.7
	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	124.7	122.1	102.1	105.4
2025	I	--	--	--	124.9	127.4	98.1	126.3	123.4	102.3	105.6
2025	Mar	--	--	--	125.7	128.1	98.1	123.9	122.4	101.2	106.0
	Apr	--	--	--	126.4	128.8	98.2	120.8	120.3	100.4	106.6
	May	--	--	--	126.4	128.7	98.2	120.1	119.8	100.3	106.4
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2017		-0.4	-0.3	0.0	2.0	1.5	0.5	4.2	2.7	1.4	1.5
2018		-0.9	-3.0	2.2	1.7	1.7	0.0	2.4	2.6	-0.2	0.8
2019		-1.4	-1.2	-0.2	0.8	1.2	-0.4	-0.3	0.4	-0.7	-1.3
2020		3.4	-6.2	10.3	-0.3	0.3	-0.6	-3.6	-2.6	-1.0	-0.6
2021		2.4	6.3	-3.6	3.0	2.6	0.4	14.9	9.4	4.9	0.4
2022		-1.1	2.3	-3.3	8.3	8.4	-0.1	29.7	26.0	2.9	-0.8
2023		-0.3	1.3	-1.6	3.4	5.4	-2.0	-3.1	-1.1	-2.0	-0.9
2024		1.1	3.8	-2.6	2.9	2.4	0.5	-2.5	-2.8	0.3	-1.0
2025 (c)		--	--	--	2.4	2.2	0.2	2.8	1.2	1.6	-0.2
2023	II	--	--	--	2.8	6.2	-3.4	-4.6	-0.3	-4.3	-2.3
	III	--	--	--	2.6	5.0	-2.4	-6.9	-6.5	-0.4	-0.8
	IV	--	--	--	3.3	2.7	0.6	-5.1	-6.1	1.0	1.3
2024	I	--	--	--	3.2	2.6	0.6	-5.1	-5.8	0.7	0.4
	II	--	--	--	3.6	2.5	1.1	-3.5	-2.8	-0.7	0.9
	III	--	--	--	2.3	2.2	0.1	-1.6	-1.7	0.1	-0.1
	IV	--	--	--	2.4	2.2	0.2	0.3	-0.8	1.1	-0.6
2025	I	--	--	--	2.7	2.3	0.4	4.1	2.0	2.1	-0.3
2025	Mar	--	--	--	2.2	2.2	0.0	3.9	1.6	2.3	-0.4
	Apr	--	--	--	2.2	2.2	0.0	1.5	0.2	1.3	0.1
	May	--	--	--	2.0	1.9	0.1	0.2	0.0	0.2	-0.2

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

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

2000=100

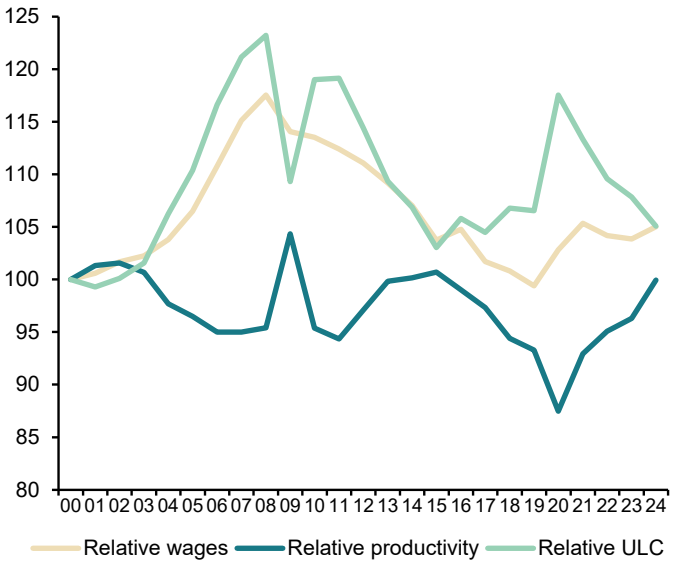


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

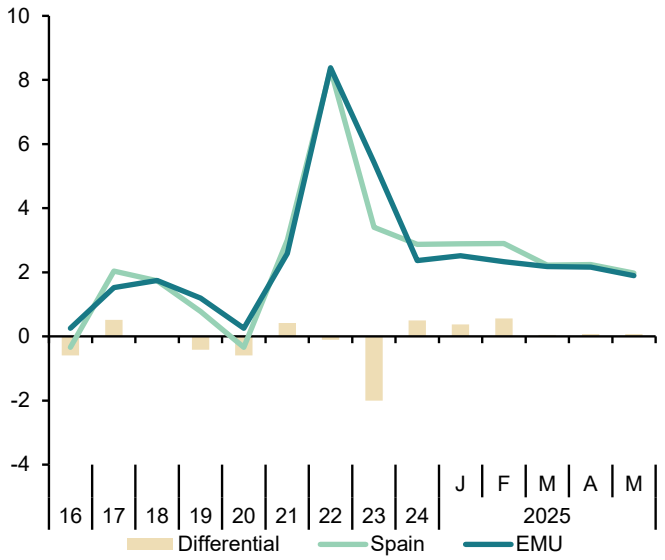


Table 17a

Imbalances: International comparison (I)

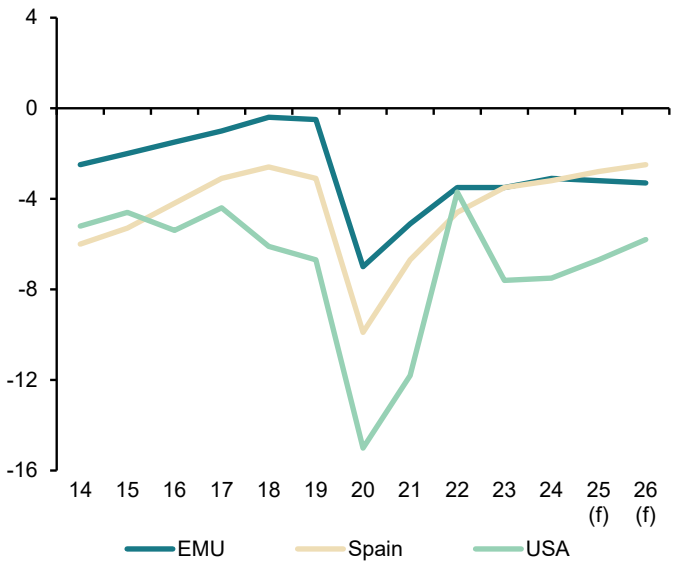
(In yellow: European Commission Forecasts)

	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					
2011	-420.9	-103.6	-1,712.6	8,726.1	743.0	15,222.9	94.1	-27.9	-460.3
2012	-384.9	-119.1	-1,497.0	9,225.9	927.8	16,432.7	224.8	1.6	-424.0
2013	-323.0	-76.8	-983.5	9,561.5	1,025.8	17,352.0	284.0	21.3	-351.2
2014	-260.8	-62.7	-911.1	9,814.5	1,085.2	18,141.4	329.9	18.5	-375.1
2015	-213.8	-57.2	-842.3	9,938.3	1,114.1	18,922.2	346.7	22.2	-423.1
2016	-161.3	-47.4	-1,013.9	10,084.0	1,145.7	19,976.8	405.7	35.3	-401.4
2017	-114.4	-35.9	-868.7	10,179.6	1,184.1	20,492.7	404.9	32.7	-378.0
2018	-52.7	-30.9	-1,263.4	10,284.8	1,209.7	21,974.1	421.9	22.8	-441.2
2019	-66.3	-38.4	-1,441.7	10,383.5	1,224.4	23,201.4	366.3	26.7	-447.3
2020	-811.2	-111.9	-3,198.3	11,447.3	1,346.9	27,747.8	274.8	8.9	-572.9
2021	-643.0	-82.2	-2,803.8	12,075.0	1,429.4	29,617.2	448.2	9.6	-879.4
2022	-475.3	-63.1	-954.1	12,519.1	1,504.1	31,419.7	143.2	4.8	-1,020.9
2023	-515.5	-52.7	-2,100.3	12,979.1	1,575.4	34,001.5	375.3	39.8	-915.9
2024	-468.6	-50.2	-2,197.2	13,475.5	1,620.6	36,218.6	498.5	48.6	-1,087.6
2025	-505.1	-46.6	-2,041.2	14,095.7	1,685.6	38,169.8	470.4	45.6	-1,089.7
2026	-530.8	-43.5	-1,847.7	14,752.9	1,753.4	39,927.9	489.3	48.2	-1,060.3
				Percentage of GDP					
2011	-4.2	-9.7	-11.0	88.0	69.5	97.6	0.9	-2.6	-3.0
2012	-3.9	-11.5	-9.2	92.7	89.6	101.1	2.3	0.2	-2.6
2013	-3.2	-7.5	-5.8	95.1	100.0	102.8	2.8	2.1	-2.1
2014	-2.5	-6.0	-5.2	95.3	104.4	103.0	3.2	1.8	-2.1
2015	-2.0	-5.3	-4.6	93.2	102.5	103.4	3.3	2.0	-2.3
2016	-1.5	-4.2	-5.4	92.1	102.0	106.2	3.7	3.1	-2.1
2017	-1.0	-3.1	-4.4	89.6	101.2	104.5	3.6	2.8	-1.9
2018	-0.4	-2.6	-6.1	87.6	99.8	106.4	3.6	1.9	-2.1
2019	-0.5	-3.1	-6.7	85.6	97.7	107.7	3.0	2.1	-2.1
2020	-7.0	-9.9	-15.0	98.6	119.3	129.9	2.4	0.8	-2.7
2021	-5.1	-6.7	-11.8	95.7	115.7	125.1	3.6	0.8	-3.7
2022	-3.5	-4.6	-3.7	91.2	109.5	120.8	1.0	0.4	-3.9
2023	-3.5	-3.5	-7.6	88.9	105.1	122.7	2.6	2.7	-3.3
2024	-3.1	-3.2	-7.5	88.9	101.8	124.1	3.3	3.1	-3.7
2025	-3.2	-2.8	-6.7	89.9	100.9	125.4	3.0	2.7	-3.6
2026	-3.3	-2.5	-5.8	91.0	100.8	126.3	3.0	2.8	-3.4

Source: European Commission Forecasts, Spring 2025

Chart 17a.1 - Government deficit

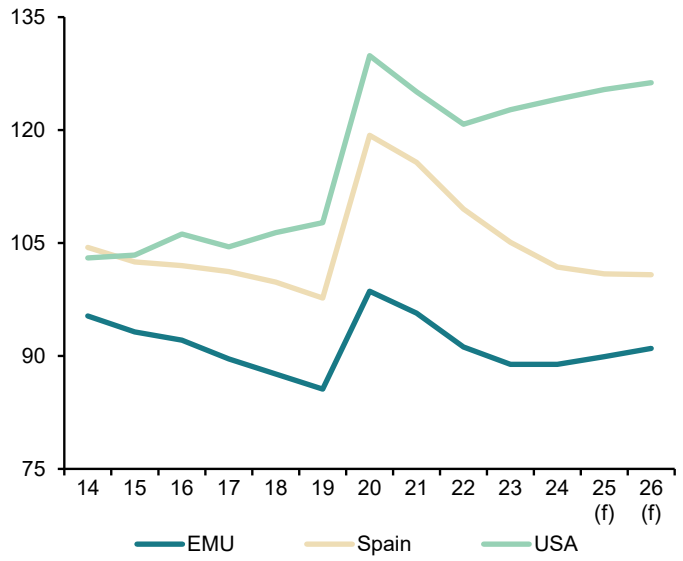
Percentage of GDP



(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			
2009	911.9	5,946.8	14,009.4	1,277.3	7,987.5	10,541.9
2010	908.2	6,089.7	13,777.6	1,276.7	8,078.2	10,410.9
2011	881.1	6,176.0	13,663.4	1,232.7	8,315.3	10,681.1
2012	843.4	6,168.1	13,550.5	1,106.2	8,444.5	11,260.1
2013	796.0	6,140.8	13,768.1	1,025.4	8,406.8	11,828.2
2014	759.9	6,152.0	13,866.0	1,009.1	8,531.3	12,653.2
2015	735.0	6,225.6	14,079.1	971.3	8,954.0	13,507.7
2016	719.8	6,338.5	14,486.8	968.1	9,162.1	14,181.9
2017	712.0	6,524.1	15,034.3	966.6	9,274.7	15,197.1
2018	710.5	6,698.9	15,496.6	935.3	9,481.3	16,190.9
2019	708.6	6,926.3	16,074.1	948.1	9,771.5	16,897.8
2020	701.7	7,099.9	16,620.1	1,014.7	10,258.2	18,469.2
2021	706.4	7,407.8	18,213.9	1,042.8	10,757.5	19,590.7
2022	706.9	7,684.9	19,375.2	1,004.9	11,020.9	20,610.2
2023	690.7	7,721.6	19,896.5	989.5	10,980.3	21,032.9
2024	695.6	7,811.6	20,195.5	1,010.7	11,085.8	21,552.9
			Percentage of GDP			
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	83.8	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	78.7	97.1	82.8	71.9
2015	67.6	58.4	77.0	89.4	84.0	73.8
2016	64.1	57.9	77.0	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	78.4
2020	62.1	61.1	77.8	89.8	88.3	86.5
2021	57.2	58.7	76.9	84.4	85.3	82.7
2022	51.5	56.0	74.5	73.2	80.3	79.2
2023	46.1	52.9	71.8	66.1	75.2	75.9
2024	43.7	51.5	69.2	63.5	73.2	73.8

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

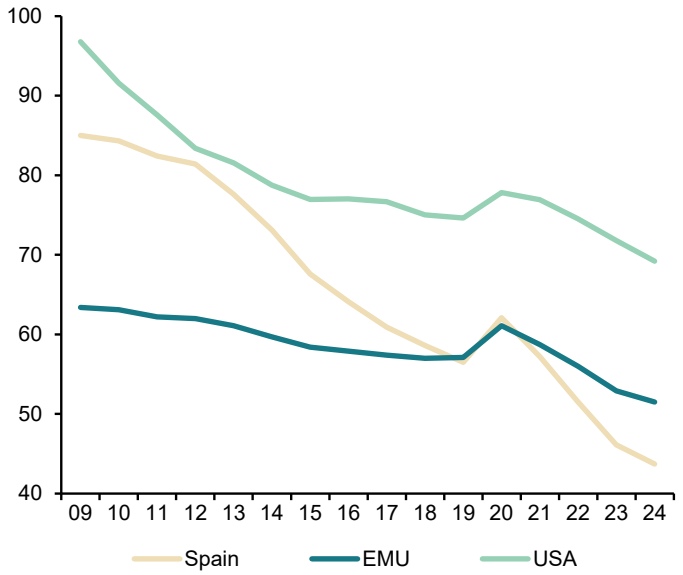
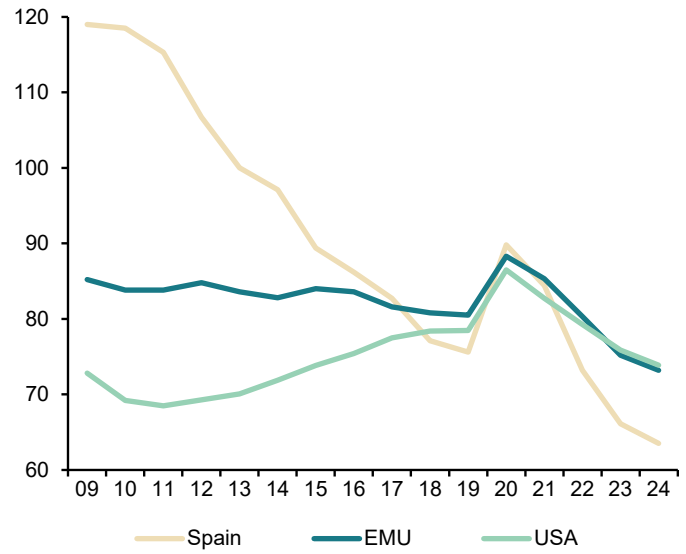


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: July 15th, 2025

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	0.3	April 2025
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.5	April 2025
Doubtful loans (monthly % var.)	-1.0	April 2025
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	13,426	June 2025
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	8,811	June 2025
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	39	June 2025
"Operating expenses/gross operating income" ratio (%)	34.51	March 2025
"Customer deposits/employees" ratio (thousand euros)	13,391.37	March 2025
"Customer deposits/branches" ratio (thousand euros)	126,454.66	March 2025
"Branches/institutions" ratio	93.5	March 2025

A. Money and Interest Rates

Indicator	Source	Average 2001-2022	2023	2024	2025 June	2025 July	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.5	0.1	3.4	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.2	3.433	3.572	1.986	1.976	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.4	3.868	3.274	2.081	2.072	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.0	3.4	3.0	3.1	3.3	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.6	-	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": At its most recent meeting on 5 June, the European Central Bank lowered eurozone interest rates by another 25 basis points for the eighth time, judging that the disinflationary process is well on track. This move further widened the divergence with the Federal Reserve, which, as in previous meetings, opted to keep rates unchanged. This decision, and the expectations surrounding it, had already been largely priced in by the interbank market. In the first half of July, the 12-month Euribor (the main benchmark for mortgages) decreased slightly to an average of 2.072% from June's 2.081%, while the 3-month reference rate declined from 1.986% in June to 1.976% in mid-July. Meanwhile, the yield on the 10-year government bond rose from 3.1% in June to 3.3% in mid-July.

B. Financial Markets

Indicator	Source	Average 2001-2022	2023	2024	2025 April	2025 May	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	34.9	26.91	18.1	10.93	8.34	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	22.1	12.01	11.9	1.88	3.34	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.36	0.48	0.24	0.04	-	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.58	0.25	0.27	0.42	0.32	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.29	3.15	3.16	2.12	1.98	Outright transactions in the market (not exclusively between account holders)
11. Ten-year maturity treasury bonds interest rate	BE	3.09	3.55	3.1	3.35	-	Average rate in 10-year bond auctions
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.04	1.1	1.1	1.27	5.26	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	2.3	0.2	-0.2	12.41	-15.9	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	973.3	92757	1,137.34	1,387.61 (b)	1,376.98 (a)	Base 1985=100
15. IBEX-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,474.8	9,347.05	11,595.0	13,991.90 (b)	13,874.70 (a)	Base dec1989=3000
16. Nasdaq Index	Nasdaq	4.754.6	12,970.61	19,310.79	20,369.73 (b)	20,677.80 (a)	Nadaq composite index
17. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.6	27.5	14.4	15.7 (b)	15.9 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"

B. Financial Markets (continued)

Indicator	Source	Average 2001-2022	2023	2024	2025 April	2025 May	Definition and calculation
18. Short-term private debt. Outstanding amounts (% chg.)	BE	1.1	8.0	2.8	-7.67	6.77	Change in the outstanding short-term debt of non-financial firms
19. Short-term private debt. Outstanding amounts	BE	0.7	-5.7	-0.1	-1.46	1.21	Change in the outstanding long-term debt of non-financial firms
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.3	34.5	-3.5	0.65	-22.5	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (% chg.)	Bank of Spain	16.0	41.8	4.2	91.04	15.1	IBEX-35 shares concluded transactions

(a) Last data published: July 15th 2025 (b) Last data published: June 30th 2025.

Comment on "Financial Markets": In the first half of July, the announcement of U.S. tariffs on the European Union prompted a slight decline in Spanish stock market indices compared to end-June levels. The IBEX-35 closed the first half of July at 13,874.70 points. The General Index of the Madrid Stock Exchange stood at 1,376.98 points. Meanwhile, in May (latest available data), the ratio of spot trading in Treasury bills declined to 8.34%. The ratio of spot trading in government bonds rose compared to the previous month, reaching 3.34%. Trading in IBEX-35 stock futures fell by 22.5%, while financial options on the same index increased by 15.1% compared to the previous month.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2021	2022	2023	2024 Q4	2025 Q1	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-0.7	1.5	4.1	5.0	4.9	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	4.7	4.2	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	250.2	249.1	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	62.7	53.0	46.1	43.8	43.5	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	2.1	1.9	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-0.8	0.4	0.1	1.2	0.4	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": In the first quarter of 2025, financial savings across the economy stood at 4.9% of GDP. In the household sector, the financial savings rate reached 4.2% of GDP. It is also worth noting that household financial debt decreased to 43.5% of GDP.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2022	2023	2024	2025 March	2025 April	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	4.9	-0.2	0.09	0.6	0.3	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	-0.5	0.39	0.5	-0.5	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	8.3	0.1	0.72	2.1	0.8	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	0.4	0.25	-1.9	-0.9	Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-1.9	5.9	7.24	6.1	6.0	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	-0.2	-0.65	-2.1	-1.0	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.1	1.9	3.65	-2.4	6.7	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	6.3	0.5	0.36	0.3	-0.8	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": In April, the latest available data, credit to the private sector increased by 0.3%. Deposits fell by 0.5%. Fixed-income securities grew by 0.8% as a share of the balance sheet, while equities and participations declined by 0.9%. Additionally, in April (latest available data), the volume of non-performing loans fell by 1% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2021	2022	2023	2024 December	2025 March	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	77	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	223,803	164,101	161,640	163,496	163,496 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	35,453	17,648	17,603	17,379	17,314	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	30,806	13,426 (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	8,217	8,811 (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	6	39 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2024.

(b) Last data published: June 30th, 2025.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In June 2025, the net recourse of Spanish financial institutions to the Eurosystem's long-term refinancing operations stood at €13.426 billion.

MEMO ITEM: Since January 2015, the European Central Bank has also been reporting the amounts of its various asset purchase programmes. In April 2025, their value stood at 530.016 billion euros in Spain and 3.9 trillion euros across the euro area.

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

Indicator	Source	Average 2000-2021	2022	2023	2024 Q4	2025 Q1	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	47.55	46.99	39.33	41.16	34.51	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	13,282.69	13,391.37	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	33,357.11	117,256.85	116,854.11	123,540.71	126,454.66	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2021	2022	2023	2024 Q4	2025 Q1	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	174.86	92.88	95.15	94.4	93.5	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.25	9.3	8.9	9.3	9.4	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	-0.03	1.3	1.6	1.8	2.7	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.41	0.7	1.0	1.3	1.4	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.32	9.8	12.3	15.7	16.5	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": In the first quarter of 2025, the profitability of the Spanish banking sector increased compared to the previous quarter. The return on equity (ROE) reached 16.5%.

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	48,619,695		18.0					28.4	47.8	13.4	18.2	32.1		
2025**	49,077,984		18.3					28.9	47.6	14.0	19.1			
Sources	ECP	IDB	ECP	IDB	IDB	IDB	IDB	ECP	ECP	ECP	ECP	ECP	EMCR and EM*	EMCR and EM*

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

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

ECP: Estadística continua de población.

IDB: Indicadores demográficos básicos.

EM: Estadística de migraciones.

EMCR: Estadística de migraciones y cambios de residencia.

** Estadística de migraciones y cambios de residencia (2021 onwards), Estadística de migraciones (up to 2020). Series not comparable.*

b: Break in the series.

*** Provisional.*

Table 2

Households and families

	Households					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Single-parent households (%)	Emancipation rate 25-29 yeard old (%)
2013	18,212	2.54	13.9	10.3	8.1	50.8
2014	18,329	2.52	14.2	10.6	8.2	50.4
2015	18,376	2.51	14.6	10.7	8.2	48.2
2016	18,444	2.50	14.6	10.9	8.3	47.2
2017	18,513	2.49	14.2	11.4	8.6	46.1
2018	18,581	2.49	14.3	11.5	8.3	46.1
2019	18,697	2.49	14.9	11.2	9.0	45.9
2020	18,794	2.49	15.0	11.4	9.1	43.2
2021	18,746	2.51	15.6	11.0	9.0	37.9
2022	19,078	2.49	15.4	11.7	8.8	40.4
2023	19,369	2.48	16.4	12.0	8.4	42.5
2024	19,537	2.48	16.3	11.9	9.5	42.3
2025*	19,672	2.48				43.1
Sources	EPA	EPA	EPF	EPF	EPF	EPA

** First quarter data.*

EPA: Encuesta de Población Activa.

EPF: Encuesta de Presupuestos Familiares.

Note: The EPA data from 2021 onwards are calculated using a new population base. The EPF data in 2023 are not strictly comparable with previous ones, as they are based on new population estimates.

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 unwed mothers (%)	Births to unwed mothers, Spanish (%)	Births to unwed 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 de 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 or less (%)	Population 25 years and older with tertiary education (%)	Population 25-34 with primary education (%)	Population 25-34 with tertiary education (%)	Gross enrolment rate in pre-primary education, first cycle (%)	Gross enrolment rate in Upper Secondary Education (General) (%)	Gross enrolment rate in Upper Secondary Education (vocational) (%)	Gross enrolment rate in Tertiary Education (vocational) (%)	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	54.8
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	17.0	35.4	5.0	52.6	47.9	65.8	43.4	57.3	45.7	
2025*	16.7	35.8	4.6	52.5						
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	4.38	1.42	25.1
2014	33.2	21.9	4.31	1.41	25.5
2015	33.2	20.0	4.29	1.37	24.5
2016	33.2	19.0	4.24	1.35	24.7
2017	31.7	18.3	4.22	1.31	24.1
2018	31.4	17.9	4.18	1.34	24.1
2019		17.3	4.24	1.32	23.7
2020		16.0	4.89	1.45	24.2
2021		13.3	4.84	1.29	23.7
2022		13.9	4.62		22.7
2023		13.7	4.53		20.4
2024		13.0			
Sources	MU	MEFPD	MEFPD	OECD	OECD

** First quarter data.*

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

LFS: Labour Force Survey.

MEFPD: Ministerio de Educación, Formación Profesional y Deportes.

ECP: Estadística continua de población.

MU: Ministerio de Universidades.

OECD: Organisation for Economic Co-operation and Development.

Gross enrolment rate 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 Education (General) enrolment in Bachillerato a percentage of the population aged 16 to 17.

Gross enrolment rate in Upper Secondary Education (vocational): enrolment in Ciclos Formativos de Grado Medio as a percentage of the population aged 16 to 17.

Gross enrolment rate in Tertiary Education (vocational): enrolment in Ciclos Formativos de Grado Superior 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: New entrants in an academic year who quit 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	31.2	19.7	18.7	8.9
2024				8.4
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	17.8	929,484	916	5,558,964	1,000	2,348,388	624			197,303	252,328
2015	0.16	17.0	931,668	923	5,641,908	1,021	2,353,257	631	838,392	1,102,529	198,891	253,838
2016	0.14	16.9	938,344	930	5,731,952	1,043	2,358,666	638	763,697	997,192	199,762	254,741
2017	0.14	16.6	947,130	936	5,826,123	1,063	2,360,395	646	726,575	902,193	199,120	256,187
2018	0.14	16.8	951,838	946	5,929,471	1,091	2,359,931	664	751,172	853,437	196,375	256,842
2019	0.14	17.3	957,500	975	6,038,326	1,138	2,361,620	712	807,614	912,384	193,122	259,570
2020	0.21	21.9	952,704	985	6,094,447	1,162	2,352,680	725	1,828,489	1,017,429	188,670	261,325
2021	0.33	20.1	949,765	994	6,165,349	1,190	2,353,987	740	922,856	969,412	184,378	262,177
2022	0.37	18.4	951,067	1,035	6,253,797	1,254	2,351,703	778	773,227	882,585	179,967	265,831
2023		18.5	945,963	1,119	6,367,671	1,375	2,351,851	852	801,091	875,969	175,792	272,188
2024			965,412	1,163	6,484,984	1,443	2,351,531	896	840,127	869,316	171,353	282,403
2025*			1,009,201	1,206	6,567,338	1,502	2,347,924	933	877,676	755,712	169,102	289,913
Sources	MTES	Eurostat	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES	MTES

MTES: Ministerio de Trabajo y Economía Social.

** January-May data, but for unemployment benefits (January-April).*

Expenditure on social protection, cash benefits: 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: 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	6.1	2.7	29.7	0.76	0.65	1.81	3.14	39.4	65	11.4	87.0
2015	6.1	2.6	28.7	0.76	0.64	1.85	3.19	43.4	58	12.2	89.0
2016	6.0	2.5	28.4	0.76	0.65	1.90	3.27	45.7	72	13.7	115.0
2017	5.9	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	6.8	2.5	26.0	0.78	0.70	2.14	3.87	85.4	95	17.1	120.1
2023	6.6	2.4	25.7	0.78	0.73	2.15	3.87	81.5	101	18.1	128.0
2024								83.2	105	17.8	126.0
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

Orders or claims:

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

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