# SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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# The uneven age of artificial intelligence

funcas

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# SEFO

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# Letter from the Editors

Just as inflation pressures had begun to moderate and markets were increasingly anticipating a more stable monetary environment, renewed tensions involving Iran have once again exposed the fragility of the global economy. Rising uncertainty surrounding energy prices and trade flows has complicated the outlook for growth and inflation at a moment when Europe was already struggling with weak productivity, industrial pressures, and growing geopolitical fragmentation.

At the same time, the rapid acceleration of artificial intelligence is beginning to reshape labor markets and business models at a speed that increasingly challenges the ability of firms, workers, and institutions to adapt. Together, these developments are reinforcing a broader reality confronting Europe: the next phase of economic adjustment will be shaped not only by geopolitical instability, but also by uneven technological transformation and intensifying competition across sectors and regions.

Against this backdrop, the May issue of *Spanish and International Economic & Financial Outlook* (SEFO) examines how these overlapping transitions are beginning to reshape the European and Spanish economies, financial systems, and labor markets.

We begin with an assessment of the economic impact of tensions in the Middle East on Spain. The conflict in the Persian Gulf has delivered a renewed supply-side shock to the Spanish economy at a time when growth remained relatively strong, unemployment was falling, and the effects of the tariff war were beginning to ease. Energy markets are the main transmission channel: following the sharp rise in oil and gas prices, the passthrough to fuel and food prices is already visible, while futures markets suggest elevated costs could persist well into 2027. Unlike the 2022 shock following Russia's invasion of Ukraine, however, this episode is not being driven by excess demand. Household savings are more limited, and domestic consumption, while resilient, is not overheating, reducing the risk of a sustained inflationary spiral. Under the baseline scenario—in which the Strait of Hormuz gradually reopens before the summer—Funcas projects GDP growth of 2.2% in 2026, with inflation averaging 3.3% this year. Tourism flows redirected toward Spain as a perceived safe destination may partially offset weaker goods exports and softer private consumption. The more serious risk lies in a prolonged closure of the Strait of Hormuz. Under that scenario, inflation would rise to 4% and GDP growth would slow to 1.8% in 2026, while Europe would move close to recession in the second half of the year.

We then turn to trade and the growing strategic importance of the European Union's expanding network of trade agreements at a time of intensifying geopolitical fragmentation and mounting pressure on global supply

chains. The EU has accelerated its trade agreement agenda in recent years, yet the effects of those agreements have not been uniform across member states. Spain's trade profile is distinctive: exports account for 37% of GDP, the country records a goods surplus with EU partners but a deficit with the rest of the world, and its trade with third countries is particularly concentrated in markets with historical or linguistic ties. This distinctiveness raises the question of whether EU trade agreements are associated with differentiated effects on Spanish goods exports, and whether they widen the basket of exported products or instead intensify existing flows. Spanish goods exports to agreement partners exhibit greater responsiveness than those of other large EU economies, with cumulative growth reaching 23.5% in *Neighbouring* partner markets, compared with 10.1% for Germany and 7.7% for France over the same horizon. Moreover, the deepening of existing trade flows explains most of that performance, particularly in markets where historical ties already lower entry costs. In more distant markets without such ties, Spain activates the extensive margin more intensively than its European peers, expanding its export basket through the addition of new products at a comparatively faster rate. The pipeline of agreements now entering into force—including Mercosur, the modernised agreements with Mexico and Chile, and prospective agreements with India and Indonesia—aligns closely with these patterns in ways that carry distinct implications for Spanish exporters. Realising that potential, however, will depend not only on the agreements themselves, but also on the depth of their provisions, firms' effective utilisation of trade preferences, and the availability of institutional support at the point of market entry.

The issue then broadens its focus to the evolving international monetary and geopolitical landscape through an analysis of the dollar's uncertain hegemony. For decades, the dollar's dominance rested on a set of durable foundations: deep capital markets, credible monetary institutions, and the implicit guarantee that the U.S. would not weaponize its currency against allies. That compact is fraying, as the Trump administration has recast the dollar as an instrument of geopolitical leverage. The cost of doing so is already visible in currency markets: the greenback weakened through 2025 even as tariff hikes should, by conventional logic, have pushed it higher. In response, central banks and sovereign wealth funds have begun accelerating reserve diversification and driving gold to historic highs as an alternative reserve asset. The dollar's structural position, anchoring 56% of global reserves and the bulk of international trade finance, remains intact, and the "there is no alternative" (TINA) argument still holds in the short run. However, the incentive to reduce dollar dependence grows with each new sanction deployed and each threat of financial exclusion. Whether the current weakness reflects a transient risk premium or the early phase of a more durable erosion is a crucial uncertainty.

Following the analysis of the dollar, we then examine how financial risk itself is increasingly migrating across the global financial system through the rapid expansion of private credit and non-bank financial intermediation. The rapid expansion of non-bank financial intermediation since 2008 has reshaped the global credit landscape, with private credit growing from roughly $400 billion in 2020 to nearly $1.8 trillion today. This segment now concentrates many of the tensions shaping the current cycle: opaque valuations, liquidity mismatches, continued reliance on bank funding, and rising exposure to sectors facing refinancing pressure and technological disruption.Recent stress points in U.S. evergreen business development companies (BDCs)—publicly listed vehicles that provide financing to mid-sized firms—and the acceleration of synthetic risk transfers (SRTs)—transactions through which banks transfer credit risk to investors without selling the underlying loans—in Europe illustrate how these vulnerabilities are manifesting. In the United States, liquidity promises attached to illiquid loans have been tested by valuation gaps and rising redemption pressure. In Europe, banks have used SRTs to release regulatory capital while often retaining the underlying exposures, raising questions about how much risk is actually

being transferred and how incentives to monitor borrowers evolve after the transfer.The picture is not one of imminent systemic crisis, but of mounting friction within an increasingly complex financial architecture. Credit risk has shifted into structures with different transparency, governance, and loss-absorption dynamics, while remaining closely interconnected with the banking system. Understanding where that risk ultimately resides, and how it would behave under stress, has become central to assessing financial stability in this cycle.

Geopolitical tensions are also increasingly shaping financial markets and banking dynamics more directly. Geopolitical risk is playing an increasingly visible role in the valuation of banks and their operating conditions. Evidence from the IBEX-35 Banks index shows that immediate and persistent equity declines follow major geopolitical events, such as Russia's invasion of Ukraine, escalating tensions in the Middle East, and protectionist policy announcements. These episodes reflect a combination of weaker macroeconomic expectations, tighter financing conditions, and rising risk premiums. At the same time, the Spanish banking sector stands out for its high level of internationalization, with nearly 56% of total activity linked to foreign markets as of the end of 2025. This geographic diversification allows banks to offset adverse shocks in some regions with stronger performance in others, acting as a stabilizing mechanism for earnings and valuations. However, the effectiveness of this buffer depends not only on the extent of internationalization but also on the composition of exposure across economies with different risk profiles and cycles. The findings suggest that geopolitical risk is now a structural feature of the global banking environment, requiring more systematic integration into banks' strategic planning and risk management frameworks.

The May SEFO then turns to the European insurance sector through an assessment of the Solvency II framework ten years after its implementation. A decade after its implementation, Solvency II has consolidated itself as an international benchmark for risk-based regulation, having delivered higher average solvency, more rigorous internal governance, and greater supervisory convergence across the EU. Practical experience, however, has also exposed structural limitations: the framework's technical complexity has imposed a heavy regulatory burden, particularly on smaller insurers and notably in Spain, whose compliance costs are disproportionate to their actual risk profiles. The short-term sensitivity of the solvency capital requirement to market movements has likewise sat in persistent tension with the long-term nature of insurance liabilities, generating procyclical pressures and constraining the sector's ability to channel savings into illiquid and long-term assets — precisely the kind of patient financing that Europe's green and digital transitions require. The review now underway addresses these imbalances along several axes: a recalibrated extrapolation of the risk-free curve, a redesigned and more entity-specific volatility adjustment, proportionality provisions for Small and Non-Complex Undertakings (SNCUs), and a reduction in the risk margin's cost-of-capital rate from 6% to 4.75%. The SCR itself is also refined, with preferential treatment for long-term equity investments and a more accurate capture of interest rate risk, including negative rates. Complementing these technical changes, the reform formally embeds ESG and climate risks into governance and reporting, equips supervisors with new macroprudential tools, and updates the rules for cross-border groups. The intent is to preserve the prudential solidity the framework has built while removing the constraints that have prevented insurance from fully functioning as a stable, long-term source of financing for the real economy.

The remainder of this issue focuses on artificial intelligence and the increasingly uneven nature of technological transformation across Europe. Assessments of AI's economic impact are often distorted by a flawed understanding of intelligence — one that conflates pattern recognition with reasoning, and imitation with creativity. AI excels at the former, defining both its power and its limits: it can outperform humans in structured, repetitive cognitive tasks

while remaining incapable of original inquiry or genuine creativity. Early productivity data support this distinction. In the United States, a 10 percentage point increase in AI adoption between 2019 and 2025 is associated with a cumulative productivity gain of 2.9 percentage points, meaningful but far from transformative. The more consequential divergence, however, is geographic. In 2026, 43% of U.S. employees used AI compared with 32% in the EU, while adoption gaps within Europe continue to follow familiar divides between Northern and Central Europe on the one hand, and Southern and Eastern Europe on the other, rooted more in management practices than in access to technology. Europe's combination of strong employment protection, precautionary regulation, and hierarchical corporate cultures is likely to slow the labour reallocation required for AI-driven productivity gains to materialise. The distributional effects also challenge conventional assumptions. Evidence suggests that AI may disproportionately augment lower-educated workers while putting pressure on structured mid-level roles, reversing the pattern observed during earlier technological transitions. AI will destroy some jobs and create others, but countries with more rigid labour markets are likely to absorb the transition more slowly, deferring the productivity dividend rather than avoiding the disruption itself.

Artificial intelligence is also exposing deeper structural divisions within Europe itself. The economic impact of artificial intelligence will depend not only on how firms use the technology, but also on how widely adoption spreads across Europe. While AI adoption among EU firms has risen sharply—from 7.6% in 2021 to around 20% in 2025—the pace of diffusion remains highly uneven, ranging from more than 35% in Scandinavia to below 10% in parts of Southern and Eastern Europe. Drawing on EU-ICT-Firm Survey data and diffusion of innovation theory, this study finds that GDP per capita, R&D intensity, and workplace digitalisation are key drivers of firm-level AI adoption, whereas general human capital appears less significant. Yet even after accounting for these factors, a persistent divide remains between the Central-Northern and Southern-Eastern blocs, pointing to deeper differences in institutional quality and management practices. Even as the experience of early adopters facilitates the subsequent diffusion of AI across lagging regions, the continuous evolution of these technologies nevertheless risks turning existing adoption gaps into a more persistent source of economic divergence within the EU.

Finally, the implications for employment are explored further in the following article on artificial intelligence and the labor market in Spain. The relationship between artificial intelligence and employment has shifted substantially since Frey and Osborne's 2017 estimate that 47% of U.S. jobs faced high automation risk, a figure now subject to methodological revision. Second-generation indices, built on task-level analysis rather than occupational categories, find that exposure to generative AI is concentrated among educated, higher-wage workers, not the routine manual jobs of the previous paradigm. Experimental evidence reinforces this picture: productivity gains are significant, but benefit less experienced workers the most, while aggregate TFP gains over a ten-year horizon are estimated at under 1%. Applying an adapted version of the AI Occupation Exposure index to Spain's CNO-11 occupational classification, the model projects gross job displacement of between 1.7 and 2.3 million positions over 2025–2035, with a central estimate of 2.0 million concentrated in administrative, technical support, and scientific professional roles. Against this, complementarity effects benefit an estimated 3.1 million workers in services and manufacturing, and new occupation creation is projected at 1.61 million, placing the net loss at around 400,000 jobs in the baseline scenario. The distribution of that loss across geography, sector, and educational level is highly uneven, and the transition window depends critically on the pace at which displaced workers can access reskilling. Spain's position at a historic employment peak as AI adoption accelerates represents an opportunity to manage that transition from a position of relative strength.

# What´s Ahead (Next Month)

| Month | Day | Indicator / Event |
|---|---|---|
| June | 2 | Social Security registrants and official unemployment (May) |
| | 2 | Tourist arrivals (April) |
| | 4 | Industrial production index (April) |
| | 10-11 | ECB monetary policy meeting |
| | 11 | Eurogroup meeting |
| | 12 | CPI (May) |
| | 18-19 | European Council meeting |
| | 23 | Foreign trade report (April) |
| | 23 | Balance of payments quarterly (1st quarter) |
| | 24 | Services Production Index (April) |
| | 25 | Quarterly National Accounts (1st quarter, 2nd release) |
| | 29 | Retail trade (May) |
| | 29 | Preliminary CPI (June) |
| | 29 | Non-financial accounts, State (May) |
| | 29 | Non-financial accounts, Regional Governments and Social Security (April) |
| | 29 | Non-financial accounts, General Government (1st quarter) |
| | 30 | Balance of payments monthly (April) |
| | 30 | Quarterly Non-financial Sector Accounts (1st quarter) |
| July | 2 | Social Security registrants and official unemployment (June) |
| | 2 | Tourist arrivals (may) |
| | 3 | Industrial production index (May) |
| | 9 | Quarterly Financial Accounts Institutional Sectors (1st quarter) |
| | 15 | CPI (June) |
| | 21 | Foreign trade report (May) |
| | 21 | Services production index (May) |
| | 22-23 | ECB monetary policy meeting |
| | 28 | Labour Force Survey (2nd quarter) |
| | 28 | Retail trade (June) |
| | 30 | Preliminary Quarterly National Accounts (2nd quarter) |
| | 30 | Preliminary CPI (July) |
| | 31 | Non-financial accounts, State (June) |
| | 31 | Non-financial accounts, Regional Governments and Social Security (May) |
| | 31 | Balance of payments monthly (May) |

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# What Matters





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# The impact of the Middle East conflict on the Spanish economy

The conflict in the Middle East has renewed inflationary pressures in Spain through higher energy and commodity prices, further weakening a growth outlook already strained by rising trade tensions. Domestic demand remains strong for now, but a prolonged closure of the Strait of Hormuz would push Europe closer to recession and inevitably also weigh on the Spanish economy.

Raymond Torres, María Jesús Fernández and Fernando Gómez Díaz

Abstract: The conflict in the Persian Gulf has delivered a renewed supply-side shock to the Spanish economy at a time when growth remained relatively strong, unemployment was falling, and the effects of the tariff war were beginning to ease. Energy markets are the main transmission channel: following the sharp rise in oil and gas prices, the pass-through to fuel and food prices is already visible, while futures markets suggest elevated costs could persist well into 2027. Unlike the 2022 shock following Russia's invasion of Ukraine, however, this episode is not being driven by excess demand. Household savings are more limited, and domestic consumption, while resilient, is not overheating, reducing the risk of a sustained inflationary spiral. Under the baseline scenario—in which the Strait of Hormuz gradually reopens before the summer—Funcas projects GDP growth of 2.2% in 2026, with inflation averaging 3.3% this year. Tourism flows redirected toward Spain as a perceived safe destination may partially offset weaker goods exports and softer private consumption. The more serious risk lies in a prolonged closure of the Strait of Hormuz. Under that scenario, inflation would rise to 4% and GDP growth would slow to 1.8% in 2026, while Europe would move close to recession in the second half of the year.

More broadly, the succession of shocks since 2020 has significantly reduced Spain's fiscal room for manoeuvre: although public debt has stabilised relative to GDP thanks to strong nominal growth, its trajectory would become more difficult to manage in the event of a deeper economic downturn.

## Foreword

The Spanish economy, having weathered the trade turbulence sparked by the tariff war, is now facing a new stress test as a result of the conflict in the Middle East. The starting point is relatively favourable, with Spain having already recorded growth of 0.6% in the first quarter, a result that, within a robust growth cycle, does not yet reflect the impact of the geopolitical crisis.

The shock in oil and commodity prices unleashed by the onset of the conflict is trickling through to more recent indicators. Indeed, although the ceasefire reached between the U.S. and Iran on 7 April marked a change of scenario, bringing immediate relief for oil prices, tensions have resumed and continued to simmer in recent weeks. At the time of writing, passage through the Strait of Hormuz was heavily restricted, creating a bottleneck for the movement of oil, gas and other key commodities.

The purpose of this paper is to show how the conflict is affecting the Spanish economy and present our forecasts for the next two years on the basis of different assumptions, modelling a baseline scenario and a prolonged-conflict scenario.

## Conflict transmission channels

The standstill in exports of oil, gas, fertiliser, chemicals and a wide range of minerals and parts produced in the Gulf states has thrown supply chains into disarray. Kerosene, for example, is running short in some regions, disrupting civil aviation.

Even if shipping through the Strait were to resume in the coming weeks, energy product prices would take time to come back down to pre-conflict levels as the war has caused damage to the production infrastructure throughout the region, curbing supply in the short term. The world's largest gas field, shared by Qatar and Iran, has been one of the hardest hit by missile crossfire. The hostilities have also caused grave harm to major petrochemical complexes in the region and to one of the main oil pipelines. Port facilities have emerged as war targets and Kharg Island, the lifeline of Iranian crude exports, has been bombed.

In addition to destroying production capacity, the conflict has interrupted oil and gas pumping in the regions where exports must necessarily pass through the Persian Gulf, in the absence of alternative shipping routes. Resuming production will not only require new investments, it will also take time. Another factor expected to continue to exert pressure on international prices is the surplus demand that will foreseeably flood the market in order to replenish the strategic reserves depleted in recent weeks and perhaps even increase them in light of the prevailing uncertainty.

Elsewhere, we are looking at a lasting increase in shipping insurance costs, as the perceived risks for maritime safety will take time to dissipate, even if the ceasefire holds. If Iran were to levy a toll on freight passage through the Strait, that would imply an additional cost.

"Even if shipping through the Strait were to resume in the coming weeks, energy product prices would take time to come back down to pre-conflict levels as the war has caused damage to the production infrastructure throughout the region."

> “Businesses are already reporting a sharp increase in input costs, as well as greater difficulty in obtaining them as a result of the freight transportation disruption caused by the conflict.”

These repercussions, or hysteresis effects, are tangible in the forward energy markets, which are discounting Brent oil prices above pre-conflict levels for the months to come, albeit trending lower. The forecast gap narrows to 20% by the end of the year. Gas prices are expected to remain high for even longer: futures point to barely any movement in prices until next winter, *i.e.,* 35% more expensive than at the end of February (according to the Mibgas futures market).

The increase in oil and gas prices has been passed through to end prices. Refilling the tank cost 4% more in Spain as of the end of April, even after the VAT and duty cuts, and diesel remains 20% above the average February reading, fully absorbing those cuts. Unlike what happened following the onset of the war in Ukraine, however, electricity bills have not moved significantly, even though the electricity pool price in April was 150% above average February levels.

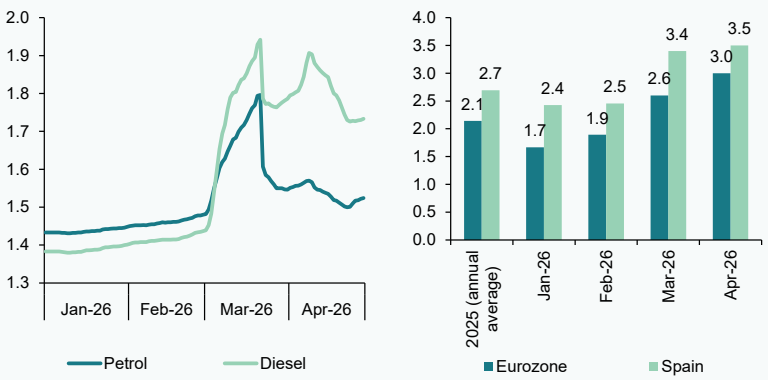
Inflation has begun to reflect the energy shock, highlighting the so-called first-round effects. Harmonised Spanish CPI increased by nearly one percentage point in March to 3.4%, with the eurozone average increasing to 2.6% (Exhibit 1), with both rising again to 3.5% and 3%, respectively, in April. In the months to come, food could well take the baton from energy, due to the higher cost of transportation, fertilisers and other raw materials needed for agriculture.

According to purchasing managers’ index (PMI), businesses are already reporting a sharp increase in input costs, as well as greater difficulty in obtaining them as a result of the freight transportation disruption caused by the conflict (Exhibit 2). The cost increase is being felt in both manufacturing and services. In the case of manufacturing, the PMI indicator of prices paid by enterprises climbed to levels not far off the peaks reached during the 2022 crisis triggered by the war in Ukraine. In services, the increase has been

Exhibit 1

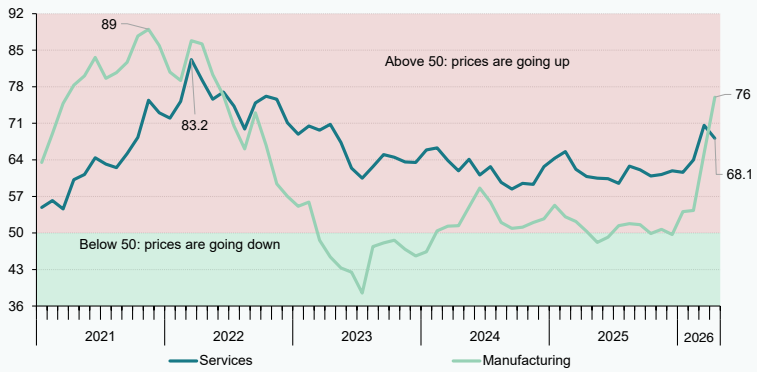
## Impact on prices

Petrol and diesel prices (euros/litre) and headline CPI (year-on-year growth)
Percentage points




*Sources: Authors’ own elaboration based on INE and Ministry of Economy data up to 28 April.*

Exhibit 2 **PMI indicator of input prices**




*Source: S&P.*

more moderate but is similarly worrying given service businesses' greater propensity to pass cost increases through to end prices. That said, while we are therefore seeing inflationary pressures on the supply side, the extent to which they materialise will depend on how long the conflict lasts.

The trajectory in interest rates is consistent with this prognosis of a considerable —so far, manageable—, uptick in inflation. 12-month Euribor has been hovering at around 2.8% since mid-March, which is 0.6 points above pre-conflict levels, discounting three ECB rate increases. The yield on the 10-year Spanish bond, meanwhile, has registered a smaller increase, from around 3.2% in February to 3.5%.

As for the trend in economic activity since the war began, the few indicators available point to a downturn in the European economy but not a recession, at least for now. In Spain, the manufacturing PMI performed well in April, reaching one of its highest levels of the past six months. However, this result appears to have been driven in part by customer order front-loading amid concerns over potential supply chain disruptions. Meanwhile, the services PMI continued its sharp decline, falling to its lowest level in the last two years and dropping below the 50 threshold that signals lower output. The confidence and economic sentiment readings also registered dips, albeit moderate, with the exception of consumer confidence, which suffered a more notable decline. However, the number of social security contributors has continued to increase vigorously, without sending any signs, at least for now, of a weakening job market. All of which suggests that, so far, the impact of the Middle East crisis has been contained.

## Baseline scenario for 2026-2027

Our forecasts are based on the assumption that energy prices will move in line with futures markets. This means that a barrel of Brent oil would still cost around 80 dollars at the end of the year, with gas prices at roughly 45 euros per MWh. Prices are projected to return to pre-conflict levels, *i.e.,* around 70 dollars and 30 euros, respectively, towards the end of 2027. Other commodities such as fertilisers and polymers are expected to follow a similar path. Importantly, the assumption that the energy and commodity price shock will prove contained presupposes that the Strait of Hormuz will gradually reopen before the summer.

On the macroeconomic policy front, we assume two ECB interest rate hikes, increasing the deposit facility rate from 2% today to 2.5% in September, after which we

> “The Spanish economy is expected to continue to grow, albeit somewhat less vigorously, with GDP growth forecast at 2.2% this year, down 0.2 points from the last set of Funcas forecasts.”

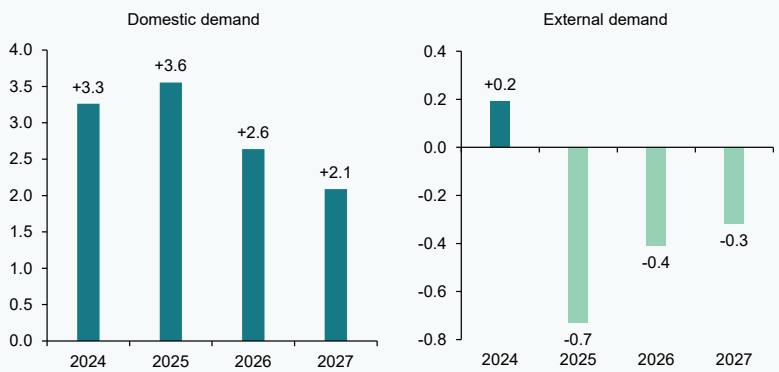
are forecasting no additional movements. Fiscal policy reflects the measures taken in response to the war in Iran, some of which, including the energy tax relief, are assumed to be reversed in the autumn. Meanwhile, public support for investment will continue throughout the projection horizon, as the addendum simplifying the management of Next Generation funds spreads the execution of the programme over time, *i.e.* beyond the initial deadline of August 2026 (González Simón et al., 2026). The other budget metrics (non-energy taxes and current spending) are expected to trend in line with the budget carryover scenario that has been playing out for the last three years.

Framed by these assumptions, the Spanish economy is expected to continue to grow, albeit somewhat less vigorously. GDP growth is forecast at 2.2% this year, down 0.2 points from the last set of Funcas forecasts. The reduction is attributable to a loss of momentum in domestic demand, whose contribution to growth is now forecast at 2.6 points, down half a point from the last round of forecasts (Exhibit 3) (Torres et al., 2026). Private consumption is now expected to be less dynamic due to a loss of purchasing power on the heels of a fresh bout of inflation. Growth in investment is also expected to be slower due to the uncertainty implied by the conflict and supply chain disruption caused by the closure of the Strait of Hormuz.

Foreign trade is expected to detract from growth by 0.4 percentage points, which marks an improvement of 0.3 points compared to the February forecasts. Here, the improvement is explained by the redirection of tourism to safer destinations like Spain in response to the risks associated with travelling to the Middle East. Nevertheless, the sharp increase in the cost of air travel and flight cancellations already beginning to materialise could limit longer-distance travel, while foreseeably translating into lower average spending per visitor. The growth in the number of tourists should offset

Exhibit 3 **Contribution to GDP growth in Spain**

Percentage points




*Source: INE (2024 and 2025) and Funcas forecasts (2026 and 2027).*

greater weakness in goods exports in the context of economic stagnation in Europe. Imports, meanwhile, are still expected to register strong growth, particularly imports from China.

In this baseline scenario, the Spanish economy is predicted to continue to grow above the European average in 2027, at 1.8%, unchanged with respect to the last set of Funcas forecasts. The growth cycle would be nurtured by domestic demand, in turn underpinned by population growth, construction and the remnant of European funds. External demand would continue to undermine GDP growth, as the complex international context drags on activity in the EU, the Spanish economy's most important export market.

This growth pattern, coupled with higher import prices, is expected to erode the current account surplus, from 2.9% of GDP in 2025 to 1.8% in 2027. That surplus would nevertheless remain solid by historical standards and also in comparison with the other large European economies, where growth is expected to be more sluggish.

The inflation path will be altered by the Middle East conflict, even assuming a prompt peaceful resolution and a gradual reopening of the Strait of Hormuz before the summer, in line with the assumptions outlined above. This assessment is consistent with an inflation rate (CPI) of around 3.5% until the end of the year, which would translate into a rate of 3.3% for the year as a whole.

The slowdown in growth will in turn slow the downtrend in unemployment a little. Spain is expected to create nearly 650,000 jobs over the two years, which would imply an average annual unemployment rate of 9.3% in 2027, up 0.3 points from our February forecasts. Elsewhere, the legalisation on immigration will increase the labour force participation rate by injecting undocumented workers who are not currently looking for work (such a labour force expansion effect took place during a previous amnesty episode back in 2005).

The package of measures for mitigating the impact of the conflict in the Middle East will also halt progress in the correction of budget imbalances. The public deficit is now forecast to increase by 0.2 points to 2.6% and fall back slightly to 2.4% in 2027, as those measures are rolled back. At the end of that year, government debt is forecast at 97.5% of GDP, which is still a relatively high figure.

## Prolonged-conflict scenario

Uncertainty continues to dominate the international climate, marked by geopolitical conflicts and the transition from a rules-based multilateral system to an asymmetric power-based order. The biggest risk at present relates to the situation in the Persian Gulf, whose impact on the supply of certain basic products is already beginning to be felt. If passage through the Strait of Hormuz remains closed for several months longer, the fuel shortage would lead to more pronounced increases in oil and gas prices and would hit manufacturing, firstly, in Asia, and, later, in the rest of the world, given the Asian nations' position in the global value chains, with a much bigger impact on the global — and Spanish — economy than is contemplated in the baseline set of forecasts.

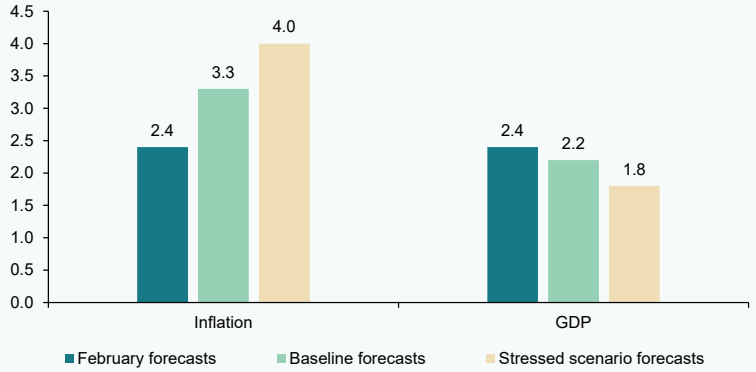
To simulate this risk, we modelled an alternative scenario in which oil prices remain at around 115 dollars per barrel all year long. In this stressed scenario, inflation would average 4% (+0.7pp compared to the baseline scenario) and GDP growth would slip to 1.8% (-0.4pp) (Exhibit 4). In this scenario,

> "In a scenario where oil prices remain at around 115 dollars per barrel all year long, inflation would average 4% and GDP growth would slip to 1.8%."

Exhibit 4

**Inflation and GDP growth forecasts for 2026**

Baseline scenario and stressed scenario
Percentage points




*Source: Funcas forecasts.*

the Spanish economy would barely grow in the second half of the year and the European economy would verge on recession.

In addition to the risk of persistently stressed energy prices, it is possible that the perception of insecurity and uncertainty generated by the geopolitical turbulence could have a more lasting impact on precautionary savings and investment decisions at the global scale, translating into lower growth rates. [1]

On the other hand, in this alternative scenario, and in line with the positive recent trend in hotel bookings, we would expect to see a bump in tourist flows to Spain as it is viewed as a safer, closer destination. However, this effect could be smaller than expected if offset by a general slump in global tourist flows on the back of higher flight prices or a desire among households to rein in spending out of precaution in light of the uncertainty or general inflation.

## The role of fiscal policy in response to the succession of shocks

In sum, a relatively short conflict would have limited consequences for the Spanish economy. It looks unlikely that the first-round price effects, which are inevitable, will lead to a bout of inflation similar in magnitude to that unleashed four years ago, when the supply shock coincided with abundant demand, fuelled by the excess savings set aside by households during the pandemic. This time around, pressure via demand is weaker, even in a growing economy like Spain. By the same token, the growth momentum is expected to continue, albeit at a slower pace than was forecast before the onset of the war.

However, if the conflict were to drag into the summer, the consequences would be significant for both growth and inflation, particularly in Europe, which would very likely tip into recession.

> “If the conflict were to drag into the summer, the consequences would be significant for both growth and inflation, particularly in Europe, which would very likely dip into recession.”

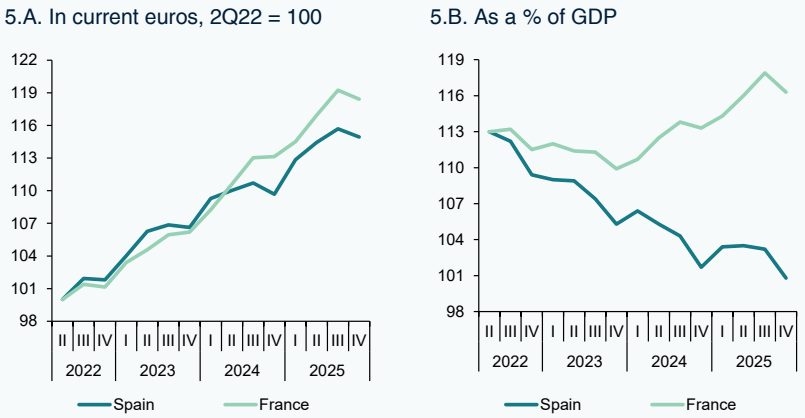
Table 1 **Economic forecasts for Spain, 2026-2027**

Annual growth rates of change in %, unless otherwise indicated

| | Actual data | | | | Funcas forecasts | | Change in forecasts (a) | |
|---|---|---|---|---|---|---|---|---|
| | "2014-2019 average" | "2020-2022 average" | "2023-2025 average" | 2025 | 2026 | 2027 | 2026 | 2027 |
| **GDP and aggregates, constant prices** | | | | | | | | |
| GDP | 2.6 | 0.4 | 2.9 | 2.8 | 2.2 | 1.8 | -0.2 | 0.0 |
| Final consumption, households and NPISHs | 2.2 | -0.4 | 2.7 | 3.4 | 2.6 | 1.9 | -0.2 | -0.2 |
| Final consumption, government | 1.2 | 2.6 | 3.3 | 2.4 | 1.6 | 1.5 | 0.0 | 0.0 |
| Gross fixed capital formation | 5.0 | -0.9 | 5.1 | 5.8 | 4.6 | 3.4 | -1.0 | 0.0 |
| Construction | 5.2 | -1.5 | 4.9 | 5.2 | 4.8 | 4.4 | -1.3 | 0.0 |
| Capital goods and other products | 4.7 | -0.2 | 5.3 | 6.5 | 4.3 | 2.2 | -0.8 | 0.0 |
| Exports of goods and services | 4.0 | 1.1 | 3.0 | 3.6 | 0.4 | 1.9 | -1.4 | 0.0 |
| Imports of goods and services | 4.4 | 1.7 | 3.0 | 6.2 | 1.7 | 3.0 | -2.5 | -0.2 |
| Domestic demand (contribution in pp) | 2.6 | 0.5 | 2.8 | 3.6 | 2.6 | 2.1 | -0.5 | -0.1 |
| External demand (contribution in pp) | 0.0 | -0.1 | 0.1 | -0.7 | -0.4 | -0.3 | 0.3 | 0.1 |
| GDP, current prices: - billions of euros | - | - | - | 1,687.2 | 1,776.0 | 1,852.1 | - | - |
| - % change | 3.4 | 4.5 | 7.6 | 5.8 | 5.3 | 4.3 | 0.4 | 0.4 |
| **Inflation, employment and unemployment** | | | | | | | | |
| GDP deflator | 0.8 | 2.8 | 6.1 | 2.9 | 3.0 | 2.5 | 0.5 | 0.4 |
| Household consumption deflator | 0.7 | 2.9 | 5.7 | 2.8 | 3.3 | 2.4 | 0.8 | 0.3 |
| Compensation per employee (per FTE) | 1.2 | 3.4 | 4.6 | 4.3 | 3.0 | 2.6 | 0.0 | 0.0 |
| Employment (LFS) | 2.4 | 1.3 | 2.6 | 2.6 | 2.0 | 1.4 | -0.3 | 0.1 |
| Unemployment rate (Spanish LFS, % of labour force) | 18.8 | 14.5 | 11.3 | 10.5 | 9.9 | 9.3 | 0.4 | 0.3 |
| **Financial equilibrium (% of GDP)** | | | | | | | | |
| National savings rate | 21.9 | 22.4 | 24.2 | 24.3 | 24.2 | 23.9 | -0.2 | -0.5 |
| National investment rate | 19.6 | 21.7 | 21.2 | 21.4 | 21.8 | 22.1 | -0.4 | -0.4 |
| Current account surplus/(deficit) | 2.3 | 0.7 | 2.9 | 2.9 | 2.4 | 1.8 | 0.1 | -0.2 |
| Spain's net lending (+) or borrowing (-) position | 2.7 | 1.4 | 4.0 | 4.0 | 3.4 | 2.3 | 0.2 | 0.0 |
| Public surplus (+) or deficit (-) | -4.0 | -7.0 | -3.0 | -2.4 | -2.6 | -2.4 | -0.3 | -0.2 |
| Government debt, EDP criteria | 101.3 | 114.8 | 102.5 | 100.7 | 98.7 | 97.5 | -0.1 | -0.3 |
| **Other variables** | | | | | | | | |
| Real GDP per capita | 2.4 | -0.1 | 1.8 | 1.8 | 1.4 | 1.3 | -0.1 | 0.0 |
| Eurozone GDP | 2.0 | 1.1 | 1.1 | 1.5 | 1.0 | 1.2 | -0.3 | -0.2 |
| Household savings rate (% of GDI) | 7.2 | 13.6 | 12.1 | 12.0 | 10.9 | 10.6 | -0.6 | -0.4 |
| Gross borrowings, households (% of GDI) | 100.5 | 86.9 | 70.1 | 67.9 | 66.7 | 65.4 | 0.1 | -0.2 |
| Consolidated gross debt of NFCs (% of GDP) | 84.7 | 82.4 | 65.5 | 62.6 | 59.4 | 57.0 | 0.0 | -1.4 |
| 12-month Euribor (annual average, %) | 0.01 | 0.10 | 3.12 | 2.22 | 2.70 | 2.50 | 0.50 | 0.30 |
| Yield on 10Y Spanish bonds (annual average, %) | 1.58 | 0.97 | 3.28 | 3.22 | 3.50 | 3.50 | 0.20 | 0.20 |

*(a) Change in percentage points between current and last set of forecasts*
*Sources: 2014-2025: INE and Bank of Spain; Forecasts 2026-2027: Funcas.*

Exhibit 5 **Public debt**




*Source: Eurostat.*

In general, the succession of shocks sustained in recent years has evidenced the importance of having room for budget manoeuvre so as to mitigate their effects. Here it is important to recall that Spanish public debt has been rising continuously in nominal terms, at a pace very similar to that of other countries like France. Meanwhile, the ratio of debt-to-GDP has come down, that is thanks to the considerable nominal growth enjoyed by the Spanish economy, which sets it apart from its northern neighbour (Exhibit 5).

That has kept Spain's risk premium in check, below that of even France. In the event that a serious disruption were to trigger a significant downturn, however, the public deficit would shoot up, and the "denominator" effect would cease to work in Spain's favour. The public debt ratio would head sharply north, leaving Spain exposed to new risks, which would not only impede the ability to implement fiscal relief measures but would oblige it to make deep cuts at exactly the most inopportune time.

## Notes

[1] Private investment is, already, the Spanish economy's weak link (see Torres, 2026).

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# EU trade agreements and goods exports: The Spanish differential

Spanish goods exports exhibit greater responsiveness to EU trade agreements than those of other member states, with the divergence becoming more pronounced over time. Where trading partners share historical or linguistic ties with Spain, export growth is driven primarily by the intensive margin; where such ties are absent, the expansion of the export basket through the addition of new products plays a comparatively more important role.

Miguel Ángel González Simón and Rocío Arroyo González

Abstract: The EU has accelerated its trade agreement agenda in recent years, yet the effects of those agreements have not been uniform across member states. Spain's trade profile is distinctive: exports account for 37% of GDP, the country records a goods surplus with EU partners but a deficit with the rest of the world, and its trade with third countries is particularly concentrated in markets with historical or linguistic ties. This distinctiveness raises the question of whether EU trade agreements are associated with differentiated effects on Spanish goods exports, and whether they widen the basket of exported products or instead intensify existing flows. Spanish goods exports to agreement partners exhibit greater responsiveness than those of other large EU economies, with cumulative growth reaching 23.5% in *Neighbouring* partner markets, compared with 10.1% for Germany and 7.7% for France over the same horizon. Moreover, the deepening of existing trade flows explains most of that performance, particularly in markets where historical ties already lower entry costs. In more distant markets without such ties, Spain activates the extensive margin more intensively than its European peers, expanding its export basket through the addition of new products at a comparatively faster rate. The

> The period following the financial crisis marked an inflection point for Spain, giving way to a current account surplus of 2.9% of GDP in 2025, which the country has maintained ever since.

pipeline of agreements now entering into force—including Mercosur, the modernised agreements with Mexico and Chile, and prospective agreements with India and Indonesia—aligns closely with these patterns in ways that carry distinct implications for Spanish exporters. Realising that potential, however, will depend not only on the agreements themselves, but also on the depth of their provisions, firms' effective utilisation of trade preferences, and the availability of institutional support at the point of market entry.

## Spain's exposure to the EU's network of trade agreements

A first approach to understanding Spain's trade position is to look at the trend in its current account balance over time. The period following the financial crisis marked an inflection point for Spain, giving way to a current account surplus which the country has maintained ever since (2.9% of GDP in 2025). Although services exports played a key role in turning the deficit around, goods have also played an important role, thanks to a considerably reduced deficit (Hidalgo and Steinberg, 2023). The Spanish economy's increased export bias is reflected in the share of internal output sent abroad, which increased by eight points of GDP between 2000 and 2025.

Despite this strategic focus on exports, the Spanish economy remains reliant on trade with the rest of the European single market, where sales of Spanish goods exceed purchases by 1.5% of GDP. In contrast, Spain presents a considerable goods trade deficit with the rest of the world (4.4% of GDP).

Trade with European partners and the rest of the world are not mutually exclusive trade-offs. The single market provides scale, integration in production chains and a stable base of demand, whereas penetration of third countries creates the ability to leverage specific competitive advantages and geographically diversify the export base.

Moreover, a goods trade deficit is not in itself a negative performance indicator: it can reflect production specialisation patterns and be consistent with a balanced current account, as is the case in Spain. The important analytical question, therefore, relates to its composition and the tools that could modify it, notably including trade agreements.

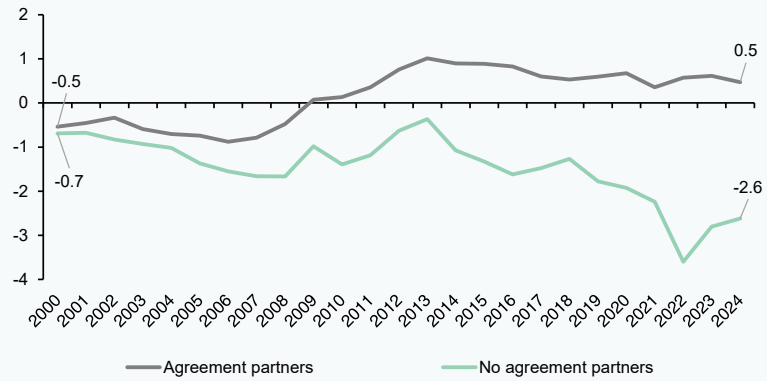
Exhibit 1 provides the balance of trade in goods, excluding energy products, distinguishing between countries with and without trade agreements with the EU. The UK is excluded from the analysis because its agreement is the result of Brexit, which implies a move away from the single market to a regime with trade barriers.

The balance of trade in goods with partners with trade agreements has been roughly balanced since 2000 and marked by a small but consistent surplus since 2009. In contrast, the balance with countries without an agreement has been deteriorating steadily, from a deficit of 0.7% of GDP in 2000 (similar to the original deficit with countries with trade agreements) to one of 2.6% in 2024, marked by a pronounced drop from 2018. China accounts for a considerable share of that deficit, but the conclusion is similar in qualitative terms even if China is excluded from the analysis. The asymmetry does not reflect an *ad-hoc* episode, therefore, but rather a pattern of sustained divergence across trading partners depending on whether or not they are part of the network of EU trade agreements.

Exhibit 1

**Balance of trade in Spanish goods, other than energy products**

As a percentage of GDP




*Note: The lines depict the trend between 2000 and 2024 in the trade balance measured as the difference between goods exports and imports as a percentage of GDP. The grey line reflects the balance of trade with countries with a current trade agreement, and the green line those without an agreement. In both cases, energy products are excluded.*
*Sources: Authors' own elaboration based on BACI (CEPII) and FRED St. Louis data.*

Although the sign of the overall trade balance reflects that asymmetry, the analysis that follows focuses on exports. The reason is that trade agreements reduce the costs of accessing the partner market for European firms, and *vice versa*, although the trend in European imports is also shaped by internal demand and the composition of the counterparty's product offering. Arjona et al. (2026) tackle the import side of this issue, documenting a shift in EU imports to partners with trade agreements in recent times.

All member states enjoy the same terms and conditions when trading with third countries; the differences in performance depend on the structure of their trade, their sector specialisation and the geographical mix of their trading partners. The EU trade agreement network encompasses over 80 countries, with 39 agreements coming into effect between 2000 and 2024. The agreements present a relatively homogeneous profile geography-wise, and they have been coming into force steadily throughout the twenty-first century.

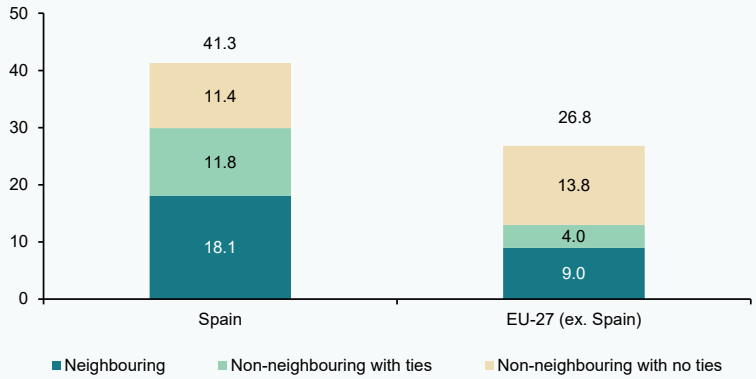
The analysis presented in the rest of this paper focuses on the agreements taking effect between 2000 and 2024 and uses the taxonomy put forward by Arjona et al. (2026), which allows their classification as (i) geographically close partners (*Neighbouring agreement partners*) with whom an agreement is in place; (ii) geographically distant partners (*Non-neighbouring agreement partners*) with whom an agreement is in place; and (iii) trading partners, regardless of proximity, with whom there has been no agreement during the period analysed (*Non-agreement partners*). In this analysis, therefore, the countries belonging to the EFTA, an

> "Spanish goods exports are geographically more biased towards the trading partners with whom agreements have been struck since 2000 (41.3%) than the other member states (26.8%)."

Exhibit 2

**Share of non-energy goods exports by type of partner**

Percentage extra-EU




*Note: The bars show the structure of goods exports outside of the EU in 2024 from Spain and from the EU-27 (excluding Spain). The destinations are classified into three groups: Neighbouring ; Non-neighbouring with linguistic or colonial ties; and Non-neighbouring with no ties. The analysis excludes energy products and the United Kingdom. Those ties are identified in accordance with GeoDist (CEPII).*
*Sources: Authors' own elaboration based on BACI (CEPII, HS92 rev. 202601) and GeoDist (CEPII).*

agreement that pre-dates 2000, belong to the *Non-agreement* category. As do the United States and China, with whom there is no agreement in force.

An additional dimension is included to reflect colonial ties and linguistic affinity between Spain and third countries to represent the importance of this aspect in Spain's export activities. This criterion is applied symmetrically for Spain and the rest of the EU so as to be able to draw comparisons for the same set of markets.

The pattern of goods exports to third countries reveals considerable differences between Spain and the rest of the EU (Exhibit 2). Spanish goods exports are geographically more biased towards the trading partners with whom agreements have been struck since 2000 (41.3%) than the other member states (26.8%). Although a higher share of Spanish trade is exposed to those agreements, that higher exposure does not, by itself, translate into a bigger advantage.

Among the agreement partners, Spanish goods exports are more exposed to the *Neighbouring* partners than the rest of the EU (18.1% for Spain *vs*. 9.0% for the EU) as well as the group of *Non-neighbouring* partners with language or colonial ties (11.8% *vs*. 4.0%), reflecting the extent of trade relations with partners with such ties, characteristics that potentially reduce the costs of accessing

> "Spanish goods exports are more heavily concentrated than those of the rest of the EU in *Neighbouring* partner markets and in *Non-neighbouring* countries with historical or linguistic ties, reflecting the depth of Spain's trade relationships with those economies."

those markets. In contrast, exposure to more distant countries without historic or language ties to Spain is higher in the other member states (11.4% share of goods exports for Spain *vs*. 13.8% for the EU).

These differences shape how trade agreements can affect the exports of each member state. Their effects may differ not only in magnitude but also in composition terms. Next we examine whether Spain's higher exposure relative to the other member states to agreement partners translates into more momentum following their entry into effect and how that materialises.

## Export responsiveness to trade agreements

There is consensus in the literature that the average effect of a trade liberalisation agreement is to increase bilateral economic flows, a finding that is robust to the methodology used. Baier and Bergstrand (2007) correct for endogeneity in the choice of agreements and estimate that, on average, bilateral trade doubles in 10 years. Nagengast and Yotov (2025) examine the staggered entry into effect of the agreements and estimate an even bigger impact.

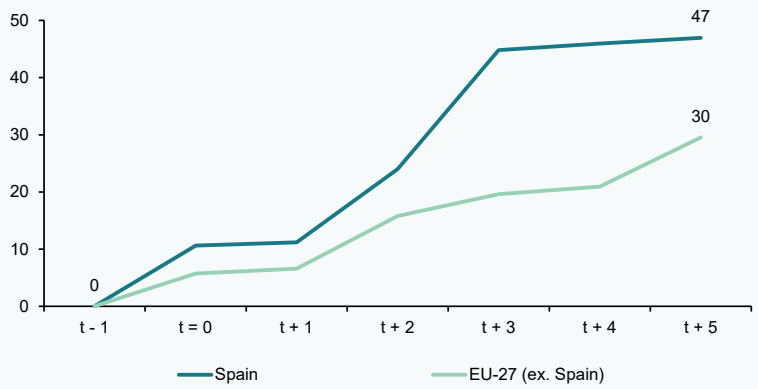
The evidence for Europe's trade agreements is related primarily to specific case studies. Jung (2023) finds that exports increased by a cumulative 39% over five years as a result of the agreement with South Korea. Van der Vorst (2025), meanwhile, assessed the effectiveness of the agreement with Japan, concluding that it depends on the utilisation of the tariff preferences by exporters. Those documents establish quantitative references for specific agreements but do not provide an aggregate reading of the overall universe of agreements.

The contribution made by this paper is, indeed, to examine, firstly, whether entry into effect of the agreements translates into more dynamic goods exports. And, secondly, to examine what explains that momentum.

Exhibit 3 depicts the trend in non-energy goods exports around the time of entry into force of the different agreements. Each agreement is weighted by the volume of sales by the exporting nation to the partner in

Exhibit 3 **Cumulative rate of change with respect to the year before the agreement came into force**

Percentage




*Note: The lines depict cumulative growth in non-energy goods exports in percentage terms relative to the year prior to effectiveness of the trade agreement (t-1). The exercise includes transactions exceeding 100,000 dollars which present observations for at least two years after effectiveness of the agreement.*
*Source: Authors' own elaboration based on BACI (CEPII, HS92 rev. 202601).*

> “ Spanish goods exports respond more intensely to trade agreements than those of the rest of the EU. ”

question in the year before the entry into force of the agreement, denoting its importance. There is also a minimum threshold for exports of 100,000 dollars and a two-year persistence requirement applied symmetrically before and after the agreement with the aim of stripping out *ad-hoc* flows that could distort the results.

The aim is to illustrate whether the agreements are related to an acceleration in exports to the countries with whom they are arranged. This exercise does not constitute causality as the entry into force of the agreements could coincide with other factors that affect bilateral trade. However, the comparison between goods exports under the same trade terms, on the one hand, and with respect to the same partners before the agreement, on the other, depicts reasonably differentiated patterns.

Both paths depict a dynamic trend since the entry into effect of the agreements pointing to a positive impact on goods exports by European firms. However, Spanish goods exports respond more intensely than those of the rest of the EU. This gap does not open up right from the beginning. The two geographies register similar growth rates in the first two years and begin to separate from then on. The countries making the biggest contributions are Mexico and Algeria, while sector-wise, the biggest contributors are machinery and reactors and automotive vehicles.

Overall, the results show divergence between Spanish goods exports and those of the other member states after the agreements take effect. However, these results do not allow us to distinguish whether the greater responsiveness of Spanish exports is explained by higher exports of products that were already being exported or the addition of new products to the export basket.

Growth in exports can materialise through two channels with different implications. On the one hand, businesses can increase the volume of products they are already exporting to a given market, deepening the existing trade (intensive margin). On the other hand, they can introduce new products into their export baskets, widening the universe of goods they sell overseas. This second channel, called the extensive margin, is particularly relevant from the standpoint of trade policy as it represents around 60% of large economies' exports (Hummels and Klenow, 2005).

To differentiate between the two margins, Exhibit 4 disaggregates the growth in goods exports following effectiveness of the trade agreements under analysis. The extensive margin shows the contribution of products that were not exported to the trading partner before the agreement and that are sold consistently (at least two years) following its entry into force. The intensive margin captures the change in the volume of products that were already being exported to that country, whereas the disappearances reflect the impact of products that cease to be exported to those markets. In this exercise, for consistency, the same filters (minimum threshold and consistency) are applied as for the Exhibit 3 analysis.

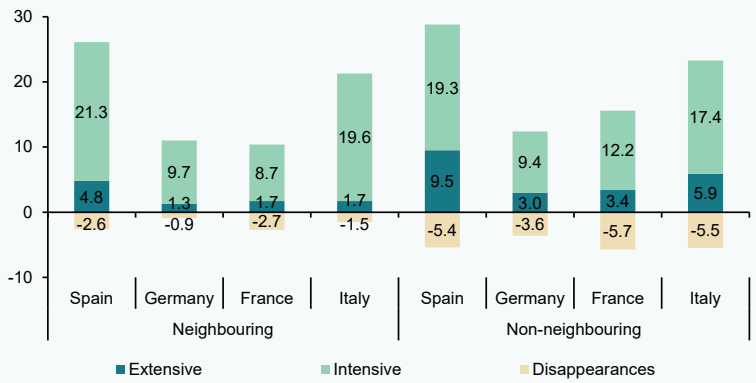
The decomposition of the growth in exports reveals a pattern that is common across the four largest EU economies. The intensive margin explains most of the growth in exports in all instances, whereas the extensive margin makes a more limited contribution. In aggregate terms, the Italian pattern is more similar to the Spanish experience, while Germany and France both display a less pronounced uplift in their goods exports associated with the agreements.

In *Neighbouring*, Spain registers net growth of 23.5%, compared to 10.1% in Germany, 7.7% in France and 19.6% in Italy. This result is concentrated in the intensive margin, which contributes 21.3 percentage points

Exhibit 4

**Growth margins in goods exports extra-EU by destination category following entry into effect of the trade agreements**

In percentage points




*Note: The bars show the decomposition of the cumulative growth in goods exports five years after entry into effect of the agreements for each country and by type of agreement (Neighbouring and Non-neighbouring).*
*Source: Authors' own elaboration based on BACI (CEPII, HS92 rev. 202601).*

(pp) of the growth in Spain, marking a big difference with respect to Germany (9.7pp) and France (8.7pp). That contribution is explained primarily by Algeria and Morocco (70%), while in terms of sectors, the mix is relatively diversified, although the steel and automotive sectors stand out.

In *Non-neighbouring*, the aggregate growth in Spanish goods exports (23.4%) is similar to the growth in *Neighbouring* and compares to a range of between 8.8% and 17.8% for the other European economies. The differences in aggregate growth between the four major economies are smaller but not the composition effect. The contribution of the extensive margin in the case of Spain amounts to 9.5pp, compared to a range of between 3pp and 5.9pp for its European peers.

The decomposition by historical and linguistic ties reveals that these links are more relevant for the intensive margin, explaining 71.7% of its contribution (13.8pp). Chile and, especially, Mexico, are the countries that make the biggest contribution to this result. By sector, machinery and reactors and automotive vehicles stand out.

Meanwhile, the extensive margin kicks in more in the agreements reached with countries without ties. Those agreements explain 64.2% of the extensive margin contribution, or 6.1pp, and that contribution alone is bigger than the total extensive margin of Spain's European counterparts. South Korea, Singapore and Japan explain most of the result in the case of Spain, while steel, iron and electronics are the biggest-contributing sectors.

The "disappearances" segment reflects pre-existing product-market pairings that cease to exist following effectiveness of an agreement and in the four major economies act as counterweight, playing a bigger role in Non-neighbouring.

The results highlight that the momentum in Spanish export activity not only depends more on *Non-neighbouring* trading partners compared to its European peers, but also its composition is different. That differentiation runs through two asymmetric channels associated with historic or linguistic ties. The markets with those ties account for most of the intensification in pre-existing flows, while the markets with no ties explain most

of the new product flows. This decomposition suggests that future trade agreements could shape exports in different ways depending on the characteristics of the new trading country or region.

The agreements have a positive impact on Spanish goods exports, a bigger one than in the rest of the EU, and the composition of the growth by margins and geographies is also different. That contribution is consistent with the asymmetry observed in Exhibit 1 but does not explain it in full. Moreover, some of the gap between Spain and the other member states may reflect factors that are not captured in the analysis, such as productive specialisation. The study identifies, therefore, the correlation between the agreement network and the Spanish export pattern but not all of the determinants of its goods trade balance.

In sum, the national response associated with this EU Trade Policy instrument is not uniform across the member states. Next, we provide a forward-looking assessment of the more recently concluded trade agreements, building from the analysis presented.

## Takeaways for new agreements and conclusions

The analysis shows that Spanish exports respond more intensely to trade agreements than the rest of the EU in both aggregate and composition terms. When the trading partners are *Neighbouring* countries, the growth is explained mainly by the intensive margin. With more geographically distant countries, the Spanish economy triggers the extensive margin more intensely than the other large European economies.

Moreover, historical and linguistic ties count. If the countries have a prior relationship with Spain, the intensive margin dominates. If not, the extensive margin comes into play more. These patterns are consistent with a differential response in Spanish goods exports.

Against this backdrop, the agreements closed or pending effectiveness since 2024 can be classified into three groups. The first group comprises the Mercosur region, with whom the agreement has been in partial and provisional effect since May 2026. The expected transmission channel is mixed. Linguistic ties should reinforce existing flows, whereas the agreement could also activate the extensive margin on account of the region's size and sector structure.

The second group consists of the modernised trade agreements with Mexico and Chile, where the intensive margin can be expected to come into play. Agreement updates can have meaningful positive effects on trade relations (Nagengast and Yotov, 2025). The third group includes partners without meaningful pre-existing ties and includes India, Indonesia and Australia, where the results suggest that the extensive margin will be more of a factor. The specifics will depend, however, on the depth of the agreement and support for businesses.

The network of trade agreements is, therefore, a necessary but not sufficient condition on its own to manifest the export potential documented in this paper. The entire process from signature, through ratification and, ultimately, effective implementation can move in fits and starts and take years to complete. Once in force, another constraint is effective utilisation of the trade preferences by businesses. Also, the sensitivity of certain sectors, such as the food and automotive industries, is an additional factor in agreement effectiveness.

The interplay between the characteristics of the agreement and the starting position of the Spanish firms has implications for the provision of institutional support. The agreements' impact can be expected to be bigger where there is more scope for growth via the extensive margin, but market entry costs are higher.

In an environment marked by tariff tensions and competitive pressure, trade agreements are an additional tool for achieving Europe's economic targets. The EU's common trade policy does not have a uniform impact on all member states. The results of this paper

suggest that the potential for stronger growth in Spanish goods exports depends on the existence of deep agreements, institutional support and effective utilisation of trade preferences.

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# The dollar's uncertain hegemony: Headed towards a new equilibrium?

The dollar has lost more than 11% of its effective exchange rate value since early 2025, defying the appreciation that would normally accompany higher tariffs. The evolution reflects not just policy uncertainty but a deeper recalibration of the dollar's role as the anchor of the international financial system.

José Ramón Díez Guijarro

Abstract: For decades, the dollar's dominance rested on a set of durable foundations: deep capital markets, credible monetary institutions, and the implicit guarantee that the U.S. would not weaponize its currency against allies. That compact is fraying, as the Trump administration has recast the dollar as an instrument of geopolitical leverage. The cost of doing so is already visible in currency markets: the greenback weakened through 2025 even as tariff hikes should, by conventional logic, have pushed it higher. In response, central banks and sovereign wealth funds have begun accelerating reserve diversification and driving gold to historic highs as an alternative reserve asset. The dollar's structural position, anchoring 56% of global reserves and the bulk of international trade finance, remains intact, and the "there is no alternative" (TINA) argument still holds in the short run. However, the incentive to reduce dollar dependence grows with each new sanction deployed and each threat of financial exclusion. Whether the current weakness reflects a transient risk premium or the early phase of a more durable erosion is a crucial uncertainty.

> The U.S. administration's new security strategy starts from a premise: competition between the major powers has become structural, and the economy in general is a core instrument of national power.

## The dollar: A new economic policy tool?

The accession to power of the new U.S. administration has implied a radical shift in foreign policy of the world's leading power and, along with it, in diplomatic relations with the U.S.'s traditional allies. In parallel, it is also affecting economic policy, which is striving to adapt the role played by the U.S. as anchor and equilibrium of the global economy in recent decades for new geopolitical paradigms (Lighthizer, 2026).

The U.S. administration's new security strategy starts from the following premise: competition between the major powers has become structural and the economy in general, and the international financial system in particular, is a core instrument of national power. Seen through this lens, the dollar ceases to be merely a financial asset or international currency, emerging as another national security tool, playing a role similar to that of tariffs. This could have profound implications for its role as reserve currency, payment mechanism and store of value.

In recent decades, the strength of the dollar has relied on deep financial markets, low-risk, abundant and liquid assets, the independence and credibility of the Federal Reserve since the days of Volcker and dominance of the international payment systems (cards, SWIFT, *etc.*). All of which under the umbrella created by the existence of mutual trust among traditional allies, namely the certainty that the U.S. would provide liquidity in dollars if needed and would not use sanctions as a coercive tool.

However, one eye-opening trait of the new American strategy is the potential use of the dollar as a tool of geoeconomic power. Applying economic sanctions, blocking access to the dollar payment systems and freezing assets have emerged as staple tools of American foreign policy rather than mechanisms to be used only in extreme circumstances. In the short term, this new strategy may reinforce the role of the greenback, as there is no alternative capable of replacing the financial infrastructure dominated by the U.S. However, it could lead countries from the global south (as well as middle powers) to perceive greater risk associated with holding reserves in dollars, which would trigger a search for ways to diversity in terms of both currency reserves and dependence on the payment systems operated by U.S. companies. At the end of the day, it would not look like a smart idea to provide the users of your star product with incentives to look for alternatives.

In sum, the pre-eminence of the dollar is not in imminent danger, but its use as an economic policy instrument will imply decreasing returns: each new sanction is effective in the short term but increases the incentive to taper reliance on the dollar in the long term. Therefore, geopolitical factors stand to have a bigger medium-term impact

> The dollar's use as an economic policy instrument will imply decreasing returns: each new sanction is effective in the short term but increases the incentive to taper reliance on the dollar in the long term.

on a shift in the role played by the dollar in recent decades. Against this backdrop, the question is whether such changes are already tangible in the dollar's trading performance.

## A year of changes in the currency markets

Since October 2024, when the polls began to discount victory for Donald Trump in the presidential elections, the trend in the dollar has reflecting the ups and downs in investor sentiment in response to the dysfunctional U.S. economic policy roadmap. More specifically, in just over 12 months, we have witnessed the dollar navigate four phases.

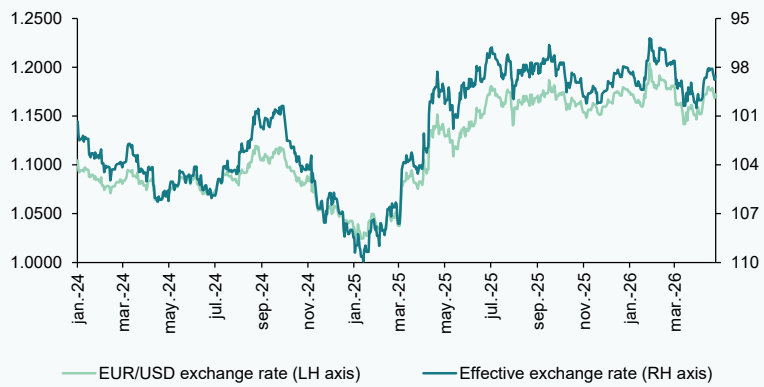
*Phase 1:* Intense initial appreciation of the U.S. currency between October 2024 and February 2025 (gains of 8% against the euro and in the effective exchange rate), shaped by initial expectations that liberalisation and fiscal expansion policies (tax cuts) would shore up economic growth and business profits, offsetting the adverse effects of the new administration's tariff and immigration policies. That initial "Trump trade" reflected investors' bet on a strong dollar.

*Phase 2:* Sharp depreciation from the end of the first quarter of 2025 until the summer (11.2% in the case of the effective exchange rate and nearly 13% against the euro) as the U.S. administration tightened its foreign policy, announced higher trade barriers than investors had initially priced in and, above all, increased uncertainty around the use of tariffs as a geopolitical bargaining chip. In parallel, fears grew that the exchange rate could be used as yet another coercive tool in negotiations with other countries, creating the risk of a shift in the traditional defence of a "strong dollar" by all preceding U.S. administrations, regardless of political affiliation. Those fears were fuelled by the positions taken by some of the prominent members of the new economic team (such as Stephen Miran [1]) in favour of using the dollar to achieve domestic strategic targets (manufacturing, employment, tax receipts), including the potential use of unilateral and politically sensitive pressure measures (Miran, 2024).

*Phase 3:* Stabilisation of the dollar between the summer of 2025 and February 2026, following the negotiation of tariff agreements with America's most important trade partners, although uncertainty around U.S. economic policy increased somewhat, particularly after the appointment of Kevin Warsh as a candidate for Fed Chairman.

*Phase 4:* Following the onset of the war in the Persian Gulf on 28 February 2026, the dollar appreciated during the first few weeks of the conflict, gaining almost 4% against the euro; however, the dollar gave back those

Exhibit 1 **Trend in the U.S. dollar**




*Source: Author's own own elaboration, based on Bloomberg data.*

gains after the U.S. administration declared a ceasefire mid-March, trading back at the levels observed prior to the start of the war. Therefore, in a context of significantly heightened uncertainty, the traditional role of the dollar as a safe haven asset has been less pronounced than in previous episodes of increased risk and volatility.

This is borne out by an upward trend in dollar position hedging by the major international fund managers [2] and continuation of the reserve currency diversification process by central banks around the world (Exhibit 2), coupled with a reduction in dollar holdings across the major sovereign funds of countries affected by American foreign policy noise (*e.g.*, Greenland). In short, the sudden change in direction in the greenback's evolution since the first quarter of 2025 (with the exception of the first fortnight of the war) is attributable to structural drivers related to both changes in the geopolitical order, with the global south looking to reduce dependence on the U.S., and circumstantial factors associated with heightened uncertainty about the tone of U.S. economic policy.

The loss of dollar value in 2025 is more significant considering that according to conventional theory, the greenback should have appreciated on the back of the tariff hikes. Traditionally, the currency of the country that raises trade barriers tends to increase in value in real terms. As imports become more expensive, domestic demand for foreign products decreases, reducing the need to purchase foreign currency to import them. This currency appreciation acts as an adjustment mechanism that neutralises much of the expected effect of the higher tariffs on foreign trade. However, this has not been the case with the dollar since the first quarter of 2025: not only has it not appreciated in real terms, it has lost value against the majority of other currencies.

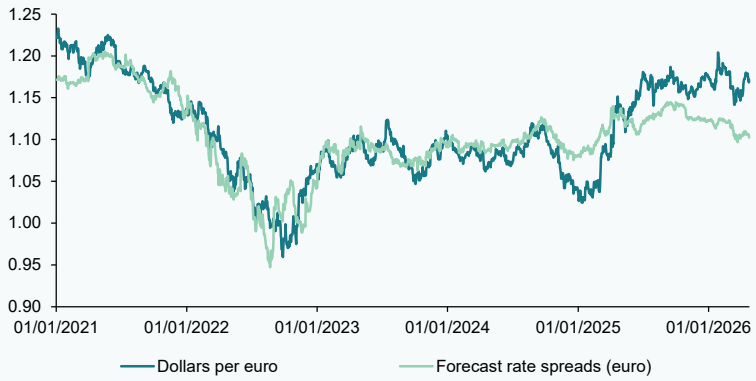
Another indication of the downturn in sentiment towards the greenback is the gap opened since last April between the trend in the dollar against the euro (depreciation) and the trajectory predicted by the interest rate spreads between the two monetary regions (Exhibit 3). [3] The decoupling

Exhibit 2 **Official central bank reserves in dollars**


*Source: Author's own elaboration, based on Bloomberg data.*

> "The loss of dollar value in 2025 is more significant considering that according to conventional theory, the greenback should have appreciated on the back of the tariff hikes."

Exhibit 3 **USD/EUR exchange rate and interest rate spreads**




*Source: Author's own elaboration.*

since that turning point amounts to nearly 10%, evidencing investor concern about the tone of U.S. economic policy, in addition to improved sentiment towards Europe (relative institutional quality, outlook for more dynamic growth on the back of fiscal expansion in Germany and higher spending on defence, *etc.*).

Lastly, it is worth noting that the correlation between the dollar and commodities markets has also changed since Donald Trump came to power, albeit in this instance revisiting the traditional negative correlation which had inverted from 2020-2021, when the U.S. switched from being a net importer of oil to a net exporter. The return to pre-pandemic patterns largely reflects a strengthening of the negative correlation between the dollar and precious metals, particularly gold. Gold has become increasingly attractive both as a safe-haven asset for investors and as a reserve asset for central banks, reinforcing its role as a natural hedge against concerns over the performance of the dollar.

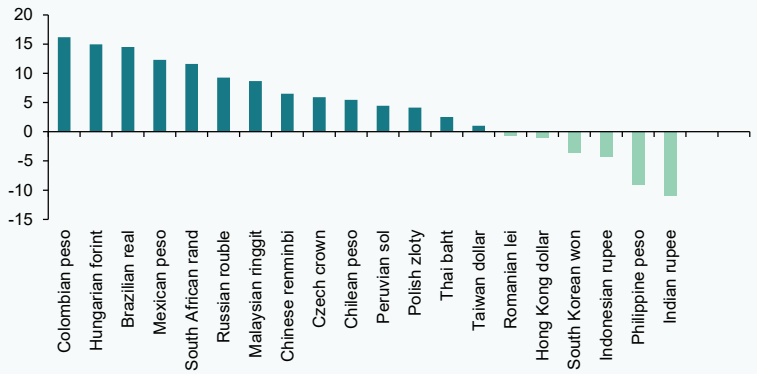
The traditional negative correlation between commodity prices and the value of the dollar is explained by the fact that most commodities are priced in dollars, [4] so that dollar weakness lowers the cost of those products for non-U.S. buyers, increasing demand and pushing up prices. However, on this occasion, the movement has been more intense, because some portfolios are beginning to reflect the "debasement trade" and, by extension, a loss of confidence in fiat currencies as a result of trade tensions and imbalanced macroeconomic policies.

The winners in this scenario of concerns about the dollar's performance and newfound negative correlation with commodity prices have been the emerging market currencies, particularly the commodities-producing economies. This is also sketching out a new and more fragmented global order in which the 10 largest emerging economies already account for over 50% of global GDP. [5]

In short, during the last 12 months, the dollar has weakened by more than would be expected

"The winners in this scenario of concerns about the dollar's performance have been the emerging market currencies, particularly the commodities-producing economies."

Exhibit 4 **Trend in emerging market currencies**




*Source: Author's own elaboration, based on Bloomberg data.*

in light of macroeconomic fundamentals or interest rate expectations, evidencing a degree of international investor concern about the role it could play in the future. Dollar weakness is a true reflection of a disruptive economic policy without a clear objective, particularly with respect to trade policy, with average effective U.S. tariffs currently at their highest levels since World War II.

If the question is whether we are likely to see an accelerating decline in the dollar's pre-eminence in the near term, the answer is no: the greenback continues to account for 56% of international currency reserves (followed by the euro at 21% and the yen at 6%); 45% of daily trading volumes in the currency markets (14% in euros and 9% in yen); [6] and is the currency of denomination of 53% of international loans (23%, the euro). There is no currency capable of challenging its role as the benchmark currency of global trade and finance in the short term. Recall that previous benchmark currencies (pound sterling or Spanish *real*) only lost their dominance after wars or debt crises (Rogoff, 2025). However, what we may end up seeing is a rebalancing, evidencing the global south's efforts to reduce dependence on the dollar and the ambitions of the middle powers to gain financial autonomy.

## Conclusions

The trend in the dollar in recent months reflects a change of attitude among global investors towards the greenback. Underpinning that performance, unusual for a country that has raised tariffs substantially in recent months, lie investor concerns about the tone of American economic policy and, underneath that, uncertainty around the new administration's strategic vision for its currency. The upshot is that some of the long-standing correlations in the financial markets are decoupling, reflecting doubts about the future role of the greenback that are translating into increased diversification of global investment portfolios. In parallel, central banks around the world are fine-tuning their balance sheets in response to this emerging multi-polar world.

As a result, the future of the dollar in the face of geopolitical tensions has emerged as a key topic of today's economic agenda. In the near term, the TINA argument is the most robust line of reasoning. However, the attacks on the credibility of U.S. institutions, widening fiscal imbalances and the suspicion that the dollar could be used as a bargaining tool within U.S. economic policy could prove a cocktail that ends up harming the dollar.

The question is whether we are looking at a transient trend — an increase in the dollar risk premium tied to the instability and noise being created by the Trump administration's economic policy — or, to the contrary, we

are at the beginning of a more meaningful shift attributable to structural vulnerabilities in the U.S. caused by a combination of institutional fragility, discretionary fiscal policy and political interference at the central bank. Ultimately, monetary and exchange rate credibility tends to take a long time to build but can be lost very swiftly. And even the benchmark currency could get caught up in that asymmetry. As Kenneth Rogoff said, the dollar will probably continue to dominate for some time (he describes its situation as a "late middle age") with the adjustment taking place gradually at the beginning and then more abruptly. The problem is that in that transition we could see a sharp increase in global instability, reflecting the relevance of the old adage: "The dollar is our currency, but it is your problem". [7]

## Notes

[1] Chair of the Council of Economic Advisers (CEA) between March 2025 and February 2026 and member of the Federal Reserve Board of Governors since September 2025.

[2] Before the distortion of portfolio asset allocations caused by the war in Iran, global fund manager surveys indicated that nearly 30% were overweight European assets in their portfolios relative to neutral levels (9% in the autumn of 2025).

[3] We use the real 2Y OIS swap rate (*i.e.*, subtracting the 2Y inflation swap).

[4] The Bretton Woods (1944) Agreements laid the foundations for the generalised use of the dollar in commodity trading. Despite the fact that the collapse of Bretton Woods (1971-1973) ended dollar-gold convertibility, the denomination of all other commodities (oil, metals and agricultural commodities) has continued, underpinned by the depth of the financial markets in dollars, liquidity and dominant role of the U.S. in international trade.

[5] Financial Times. (11 February 2026). *Emerging economies shine despite US volatility*.

[6] According to the BIS, of the 7.5 trillion daily trades, the U.S. dollar is involved on one or other side of the trade 88% of the time.

[7] A phrase attributed to John Connally, U.S. Treasury Secretary under President Richard Nixon.

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# Private credit and the relocation of risk in modern finance

Private credit has expanded rapidly into segments vacated by banks, emerging as a central pillar of corporate financing within the non-bank ecosystem. Its continued growth, alongside persistent linkages to the banking system, is reshaping the distribution of risk and raising questions about how losses would be absorbed under stress.

Javier Pino and José Manuel Amor

Abstract: The rapid expansion of non-bank financial intermediation since 2008 has reshaped the global credit landscape, with private credit growing from roughly $400 billion in 2020 to nearly $1.8 trillion today. This segment now concentrates many of the tensions shaping the current cycle: opaque valuations, liquidity mismatches, continued reliance on bank funding, and rising exposure to sectors facing refinancing pressure and technological disruption. Recent stress points in U.S. evergreen business development companies (BDCs)—publicly listed vehicles that provide financing to mid-sized firms—and the acceleration of synthetic risk transfers (SRTs)—transactions through which banks transfer credit risk to investors without selling the underlying loans—in Europe illustrate how these vulnerabilities are manifesting. In the United States, liquidity promises attached to illiquid loans have been tested by valuation gaps and rising redemption pressure. In Europe, banks have used SRTs to release regulatory capital while often retaining the underlying exposures, raising questions about how much risk is actually being transferred and how incentives to monitor borrowers evolve after the transfer. The picture is not one of imminent systemic crisis, but of mounting friction within an increasingly complex financial architecture. Credit risk has shifted into structures with different transparency,

governance, and loss-absorption dynamics, while remaining closely interconnected with the banking system. Understanding where that risk ultimately resides, and how it would behave under stress, has become central to assessing financial stability in this cycle.

## From the banking system to the NBFI ecosystem

The NBFI (Non-bank financial intermediation) ecosystem is a mixed bag of entities: insurance companies, pension funds, money market funds, hedge funds, structured vehicles, *etc*. These different moving parts do not all imply the same levels of risk and many simply offer an alternative channel for funnelling savings into the real economy. However, the scale and opacity of the universe as a whole have forced the supervisor to classify it. Acharya, Cetorelli and Tuckman, in a paper taken up by the G30, distinguish between three types of entities depending on how they engage with the banks: the parallel view, where entities offer services the banks do not provide; the substitution view, where entities compete directly with the traditional banks; and the transformation view, where entities are reorganising the banking business without migrating away from it altogether. Private credit belongs to the third category: private lenders lend to companies that used to finance themselves using bank loans but continue to rely on those same banks for credit facilities and/or repos (back leverage).

This is why private credit has become a focal point of concern within the non-bank financial intermediation (NBFI) system. Not because it poses an immediate systemic risk, but because it concentrates many of the features that preoccupy supervisors: rapid growth (from $400 billion in 2020 to nearly $1.8 trillion today), opaque valuations, a mismatch between illiquid assets and investor liquidity expectations, continued reliance on bank funding, and concentrated exposure to sectors undergoing disruption from artificial intelligence. A recent development is exacerbating those concerns: private credit has made its way into the retail investor segment through evergreen vehicles and their distribution through private banking networks, reshaping the profile of the investors who would end up absorbing the losses should they materialise.

This paper focuses on two specific episodes — the deterioration of BDCs in the U.S. and the growth in SRTs in Europe — in order to argue that the right question today is not whether private credit will trigger the next crisis but what does it tell us about the system in which it has embedded itself. Since 2008, credit risk has not decreased on aggregate; rather it has shifted location, form and counterparty. Mapping those routes and understanding who stands to absorb any losses at their endpoints is where the supervisor needs to focus in this cycle.

## The space occupied by private credit

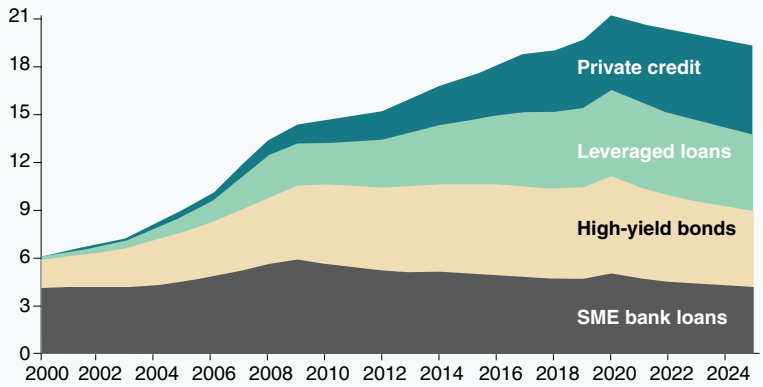
Episodes of financial instability rarely take the same form as those that precede them. After the subprime mortgage, shadow banking and commercial real estate crises, the market is currently shining the spotlight on private credit and semi-liquid (evergreen) investment funds. The draw is clear: the market has grown very swiftly in recent years, is opaque by definition, uses valuations that are less tested by the market than other segments and has emerged as a key channel for financing businesses that used to depend far more on the banks or syndicated loan markets. It would be a mistake to conclude we are looking at the functional equivalent of 2008. But it would also be wrong to conclude that the growth in private credit does not pose a "systemic" risk

> "The right question today is not whether private credit will trigger the next crisis but what does it tell us about the system in which it has embedded itself."

Exhibit 1

**Business lending in the U.S.**

Percentage of GDP




*Source: Afi.*

just because the banks are better capitalised than they were 20 years ago.

The important question is to understand the shift in the financial architecture since the Great Financial Crisis. Within that new architecture, credit risk has not decreased in aggregate terms; it has shape-shifted, relocating to other types of balance sheets and vehicles. In the U.S., that shift has taken the form of vehicles that promise access to illiquid assets, or assets which cannot be monetised quickly. In Europe, it has often taken a less visible form: that of the synthetic transfer of credit risk to allow the release of capital without removing the loans from the balance sheet. The two paths look different on paper but both lead to the same question: who really assumes the risk when credit migrates outside the banking perimeter?

Private credit has filled a structural vacuum. The regulatory climate prevailing since 2008 has pushed the banks to abandon the originate-and-hold model (where they extend a loan and then hold it on their balance sheet) in favour of an originate-and-distribute model, transferring risk to institutional investors. That shift accelerated the banks' withdrawal from multiple leveraged finance segments as well as from the middle market. In parallel, many medium- and large-sized enterprises continued to need flexible, swift and tailored financing. That is where private credit found its niche. Moreover, the market no longer only serves small or bank-restricted borrowers: the growth in large transactions and increasingly blurred line between bilateral direct lending and the syndicated loan market evidence the existence of a financing continuum rather than a clear boundary between the two worlds. The private credit market has grown to close to 1.8 trillion dollars (from around 400 billion dollars in 2020), making it a structural component of the leveraged financing world.

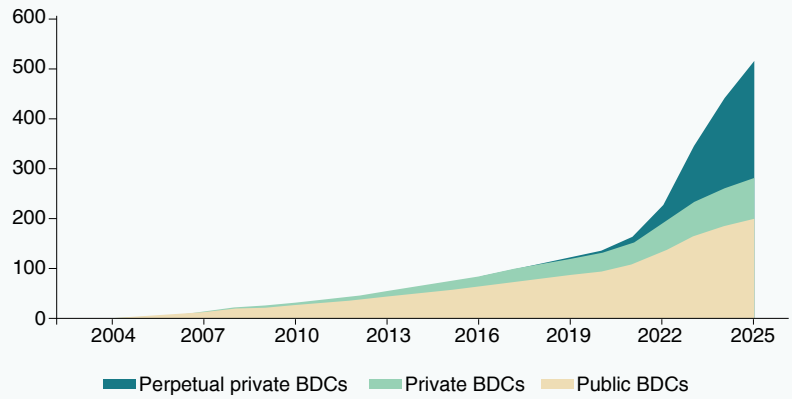
## U.S.: When the liquidity promised is mismatched with the asset

In the U.S., the highest-profile episode involves BDCs and within that segment, the boom in evergreen structures. BDCs were created to finance middle market companies that had been abandoned by bank credit. For years they took one of two forms: listed BDCs, which offer daily market liquidity; and the classic private and closed-end BDCs. The evergreen BDC is a more recent development, promising periodic liquidity windows, usually quarterly and capped at around 5% of net asset value. This new format has been one of the key drivers of the recent growth by offering access to private

Exhibit 2

**BDC direct lending AuM**

Billions of dollars




*Source: Afi.*

credit yields without, at least on paper, the illiquidity associated with this asset class. Assets under management (AuM) in BDCs currently stand at around 500 billion dollars, half of which is in evergreen funds.

Here is where the first source of friction emerges. The underlying asset remains an illiquid, bilateral loan with a scant secondary market and valuations that often rely on internal models. The liability, in contrast, features a promised periodic exit. This mismatch becomes an issue when a listed BDC begins to send a price signal that differs from unlisted BDC valuations. That is what happened in the U.S., where the listed BDCs were at some point trading at discounts to NAV (Net Asset Value) of close to 20%. For investors in an evergreen vehicle, that discount suggests that their fund's internal valuation may not match its market value. At that juncture, the liquidity window becomes a valuable option. Redemption requests surge, triggering gate activation by some of the biggest managers.

It is important to underline that those gates are not evidence of a market failure. They are defence mechanisms designed to prevent the forced sale of illiquid assets at distressed prices. The underlying problem is not the liquidity gates, which fulfil their function, but rather the message that may have been marketed to retail investors, creating an expectation of more liquidity than the underlying asset can bear.

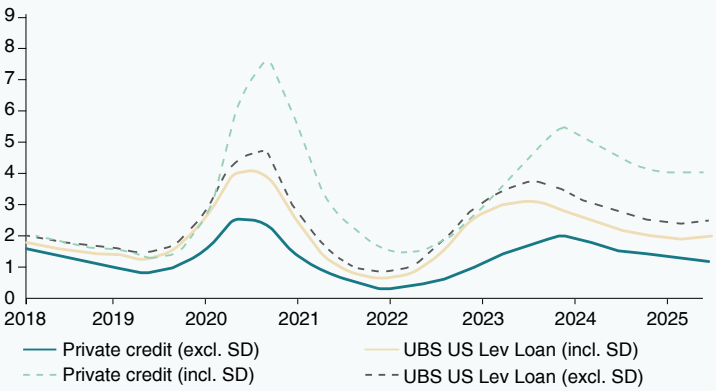
The second source of friction has less to do with the vehicle structure and more to do with the quality of the underlying credit. The software sector has accounted for a very considerable share of the growth in private credit in the last decade, representing more than 20% of today's portfolios. The investment rationale made perfect sense when rates were low: high-growth businesses, high margins, recurring income and asset light models. Today, however, the sector faces existential threats. Firstly, many of these companies will have to refinance their debt in the next two years in a much tougher rate and spread environment. Secondly, artificial intelligence is altering the outlook for the sustainability of the business model. In addition, being an asset-light model, originally a plus, has become a liability, implying lower recoverability rates in the event of default.

For that reason, it is important not to make too light of the trend in default rates. The headline default metrics remain relatively contained. However, the downturn is more tangible when the scope of the analysis is broadened to include more hidden signs of distress such

Exhibit 3

**Effective defaults (continuous line) and defaults including restructurings and PIK arrangements (dotted line)**

Percentage points




*Source: Afi.*

as restructurings, maturity extensions, and payment-in-kind options. Looking at defaults in the strictest sense, the figure is barely over 2%, but adding in those other practices, the rate could be more than 6%. Another concern is the growth in the share of interest accrued and not collected at some BDCs, where those accruals are running at 6% of their income.

That being said, it would be just as mistaken to turn this snapshot into a prediction of looming collapse as it would be to minimise it. Recent evidence does not point to an imminent systemic threat. Other than the Great Financial Crisis, private credit does not have a history of major losses and other indicators do not yet indicate abrupt deterioration. In addition, the software exposure issue is not exclusive to private lending; it is also a factor in the syndicated markets and pockets of the high yield universe, albeit to a lesser degree. That curbs the temptation to present the problem as something idiosyncratic to private credit. The current situation is more compatible with a cyclical and sector correction, exacerbated by liquidity friction, rather than an episode of a systemic nature.

## Europe: Risk transfer without derecognition

The picture looks different in Europe, where the issue has not been about the liquidity promised to end investors as much as capital engineering by the banks in the form of synthetic risk transfers (SRTs). Here the loans remain on the banks' balance sheets, but the banks transfer the first-loss or junior tranche to investors, so reducing risk-weighted assets and freeing up regulatory capital. In contrast to BDCs, the investor does not buy direct exposure to the loan. The difference with a traditional securitisation is that the asset is not removed from the bank's balance sheet. This alters the location of the risk

> "In Europe, the problem is one of the banks boosting their capitalisation without offloading the credit or reducing the system's vulnerability proportionately."

substantially. In Europe, the problem is not one of a vehicle promising liquidity from an illiquid asset; it is one of the banks boosting their capitalisation without offloading the credit or reducing the system's vulnerability proportionately.

The market growth speaks for itself. The outstanding balance of synthetically transferred corporate loans in the eurozone jumped from around 60 billion euros in 2018 to over 300 billion euros at the end of 2024. The median size of the junior tranche is roughly 15%. That stock of credit is estimated to have enabled the release of between 20 and 25 billion euros of Tier 1 capital. Sizeable numbers but a nuanced interpretation is required. From the aggregate perspective, the BIS underlines that the protection provided by SRTs was equivalent at the end of 2024 to around 2% or less of total loans and that the average relief in terms of CET1 (common equity tier 1) was around 40 basis points. Seen that way, the market continues to be small relative to the size of the banking system. However, even though the market remains contained at the system level, at the individual entity level, it can be relevant.

What concerns the supervisor the most is not, therefore, the standalone size of the market but rather the incentives it generates. A recent ECB paper provides valuable evidence. It appears that the banks do randomly select loans for SRTs. They tend to transfer assets that are especially "efficient" from the regulatory perspective, *i.e.*, loans that consume substantial capital relative to their economic risk. That means that the capital released can be reused without generating a proportionate improvement in loss-absorbing capacity. The banks can end up with a more comfortable capital ratio without delivering a more robust balance sheet in economic terms. Moreover, after the risk is transferred, the incentive to monitor the borrower fades. The ECB finds significant reduction in the frequency with which the banks update their default probabilities for transferred exposures.

Elsewhere, some of the investors who purchase risk in SRTs also have credit relationships with the banks. In the sample analysed by the ECB, the banks are more inclined to sell risk to investors to which they also extend credit, and a significant share of those investments would appear to be financed, directly or indirectly, using bank debt. This nexus does not mean there is a "doom" loop but does suggest that the risk transferred may re-enter the system through another door. The BIS dubs this spillover phenomenon "circles of risk": the credit formally exits the banking perimeter but returns as exposure to funds, insurers or vehicles financed by banks. If you then add in the risk of rollover (the SRTs mature and, in order to maintain the capital relief, need to be renewed), this circular chain becomes more worrying during periods of stress.

In other words, the European version of the problem is not one of open-end vehicles facing a surge in redemptions but rather one of a system that may be creating the appearance of more risk transfer than is actually taking place. As long as financing is abundant, investors accept the subordinated tranche and the regulator agrees to the capital relief, the mechanism works well. However, if appetite for risk, the cost of credit protection or supervisory tolerance shift, some of that risk could re-emerge, and do so at a time when the banks have already used the capital released to extend new credit or remunerate their shareholders. Here the procyclicality dynamic comes into sharp focus.

## Systemic reading and supervisory agenda

The systemic risk does not, therefore, reside solely with a hypothetical wave of defaults in private credit, but also the possibility that a sector shock or loss of confidence could force asset sales, restrict financing or shut down refinancing channels in several segments at the same time.

In the U.S., the combination of discounts to NAV, limited exit gates and gradual impairment of the credit more exposed to software and refinancing risk constitutes a stress test for the marketing promise of regular liquidity. In Europe, the growth in

> “It is no longer sufficient to rely on headline default rates or targeted returns: closer attention must be paid to less visible indicators, such as the gap between market prices and net asset values (NAV) in listed comparables.”

SRTs raises questions about the extent to which the banks' capital optimisation efforts may be making their balance sheets appear more robust while fuelling dependence on non-bank investors and exposure to the potential closure of the SRT market. In both cases, the overriding question is whether the financial system as a whole is today more transparent and better able to absorb losses without the need for explicit public support.

For that to be the case, there needs to be improved access to information about valuations, PIK (payment in-kind) usage, maturity extensions, sector exposures and interconnectedness between the banks and non-bank vehicles. There is also a need for truly systemic and not just entity-specific stress tests. The supervisor needs to understand not only what would happen to each bank or fund as a standalone entity but also what would happen if a shock were to force all of them to demand liquidity at the same time. Lastly, it is advisable to resist the deregulation thrust. It is no longer sufficient to look at headline default rates or funds' targeted returns. It is important to follow the less visible signs such as the distance between price and NAV at listed comparables; the growing share of capitalised interest; the share of uncollected income; concentrated exposure to sectors with low recovery rates; maturity schedules; dependence on sponsor recapitalisations; and, in Europe, the scale of the capital relief being generated by certain entities thanks to SRTs and their resulting future dependence on that market.

## Conclusions

The moral of this story is, ultimately, simple. Private credit has provided financing where the banks pulled back. And precisely because it has already become a structural component of the system, it requires more balance sheet rigour as a whole and less marketing messaging. The right question is not whether the risk has left the banking perimeter but rather where it reappears when tension rises. In the U.S., it reappears in BDCs as a conflict between promised liquidity and an illiquid underlying asset. In Europe, it emerges in SRTs as a possible circular chain between capital relief, laxer monitoring and dependence on non-bank investors. In either case, the conclusion is the same: the risk has not disappeared; it has changed location and form.

Crises rarely return in the same form. Since 2008, the system has been reinforced along some of its more visible seams, but that process has also displaced risk to less transparent and harder to discipline areas. This does not condone private credit, but it does spell abandoning the simple notions held by those who believe that all non-bank growth is synonymous with healthy innovation and by those who believe that anything opaque necessarily implies an immediate crash. Between the two simplifications, there is less comfortable but more useful terrain: that of understanding how to connect the dots today between liquidity, capital, valuations and supervision in a system in which what counts is who ultimately absorbs the losses when confidence fails more than who provides the credit.

**Javier Pino and José Manuel Amor.** Afi

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# Geopolitics and the internationalization of Spanish Banking: Risk and diversification

Rising geopolitical tensions are increasingly shaping bank valuations, financial conditions, and risk perceptions in global markets. Spanish banks' high degree of internationalization offers a partial buffer, with geographic diversification helping to stabilize earnings and mitigate exposure to localized shocks.

Pedro Cuadros-Solas and Nuria Suárez

Abstract: Geopolitical risk is playing an increasingly visible role in the valuation of banks and their operating conditions. Evidence from the IBEX-35 Banks index shows that immediate and persistent equity declines follow major geopolitical events, such as Russia's invasion of Ukraine, escalating tensions in the Middle East, and protectionist policy announcements. These episodes reflect a combination of weaker macroeconomic expectations, tighter financing conditions, and rising risk premiums. At the same time, the Spanish banking sector stands out for its high level of internationalization, with nearly 56% of total activity linked to foreign markets as of the end of 2025. This geographic diversification allows banks to offset adverse shocks in some regions with stronger performance in others, acting as a stabilizing mechanism for earnings and valuations. However, the effectiveness of this buffer depends not only on the extent of internationalization but also

on the composition of exposure across economies with different risk profiles and cycles. The findings suggest that geopolitical risk is now a structural feature of the global banking environment, requiring more systematic integration into banks' strategic planning and risk management frameworks.

## Introduction

Geopolitical risk is associated with the probability that international events may negatively impact economic activity and financial markets, altering both the expectations of market participants and the functioning of trade channels and capital flows. Recently, these types of risks—typically associated with trade tensions, international conflicts, economic sanctions, or the strategic use of industrial and financial policies by countries—have gained increasing relevance, becoming a focal point of economic and financial analysis.

The financial system—and, specifically, the banking sector—is no exception. The role of banks as intermediaries that facilitate the flow of funds and manage risk in an increasingly global environment means that such uncertainties stemming from the geopolitical landscape directly affect their performance. The growing global interconnectedness and the expansion of banks' international business in recent years have amplified the impact of geopolitical factors, so that localized disruptions can spread rapidly to other regions not only through commercial channels but also through financial markets. Recent examples of geopolitical tensions illustrate this reality. The war between Russia and Ukraine has caused disruptions in energy markets that have led to significant episodes of volatility in financial markets. During the first quarter of 2026, the conflict in the Middle East has led to increased global uncertainty, pushing up commodity prices and, consequently, increasing market volatility, resulting in a perception of widespread economic uncertainty.

In this context, the international banking business faces significant challenges, such as the potential increase in credit risk in certain environments, the need to adapt to new regulations resulting from changes in the institutional and/or political setting, or the management of operational risks stemming from its exposure to jurisdictions particularly affected by such geopolitical risks. At the same time, however, the greater internationalization of the banking business can act as a mitigating factor for risks arising from geopolitical tensions. Indeed, adequate geographic diversification can help institutions offset the negative impact borne in regions more exposed to geopolitical uncertainty with better performance in others, thereby reducing their aggregate exposure to specific shocks and contributing to greater resilience against geopolitical risks.

The objective of this article is, therefore, to examine the extent to which the geopolitical landscape affects the market valuation of banks and how banks' international exposure can play a moderating role in reducing risks and leveraging the benefits of business diversification, with a specific focus on the Spanish case.

## Geopolitical risk and the financial environment

The financial system is not immune to the risks stemming from geopolitical and

"Adequate geographic diversification can help institutions offset the negative impact borne in regions more exposed to geopolitical uncertainty with better performance in others, thereby reducing their aggregate exposure to specific shocks and contributing to greater resilience against geopolitical risks."

> “Episodes of heightened geopolitical uncertainty tend to be reflected in increased volatility in financial asset prices, valuation adjustments, and changes in required risk premiums.”

geoeconomic conditions. Indeed, investment and financing decisions—and, consequently, expectations of economic growth—depend on the stability of financial markets (Levine, 1997). On the one hand, episodes of armed conflicts, diplomatic tensions, or shifts in strategic alliances generate uncertainties that often translate into greater volatility in financial markets, fluctuations in commodity prices, and movements in exchange rates. All of this affects the real economy through changes in the prices of goods and services. On the other hand, geoeconomic risk—related to trade policies, the imposition of tariffs, regulatory changes, or crisis episodes—impacts supply chains, international trade, and capital flows. Both risks are closely interconnected and can amplify each other.

To provide evidence on the most recent trend in the geopolitical scenario, Exhibit 1 presents the daily evolution of the Geopolitical Risk Index (GPR) provided by Caldara and Iacoviello (2022) for the period from January 2025 to the first quarter of 2026. During the first months of 2025, the indicator reflects an already tense environment, marked primarily by the persistence of the war between Russia and Ukraine. Throughout 2025, other flashpoints of instability emerge—such as the escalation between India and Pakistan in May 2025 or the persistent conflicts in the Middle East—which keep the index at relatively high levels. During the second half of 2025, however, a certain easing is observed, consistent with a scenario in which conflicts persist but no new tensions arise. The index's behavior changes significantly again in early 2026, alongside the escalation of the conflict in the Middle East following U.S. and Israeli attacks on Iran in late February 2026.

The economic consequences of these events—especially in energy markets—have been immediate, with the price of the oil barrel rising from $62 in early January 2026 to $126 on March 31. Furthermore, disruptions along strategic routes such as the Strait of Hormuz have heightened global uncertainty, as reflected in the GPR index's performance during the first quarter of 2026.

The effects of changing geopolitical conditions also spill over into financial markets. In this regard, episodes of heightened geopolitical uncertainty, such as those mentioned above, tend to be reflected in increased volatility in financial asset prices, valuation adjustments, and changes in required risk premiums. In the specific case of banks, additional transmission channels come into play. On the one hand, a worsening macroeconomic outlook tends to degrade the quality of the loan portfolio extended to households and firms, raising the risk of default (see Correa et al., 2023). On the other hand, tensions in financial markets can make it more difficult and expensive for financial intermediaries to access financing (Phan et al., 2022).

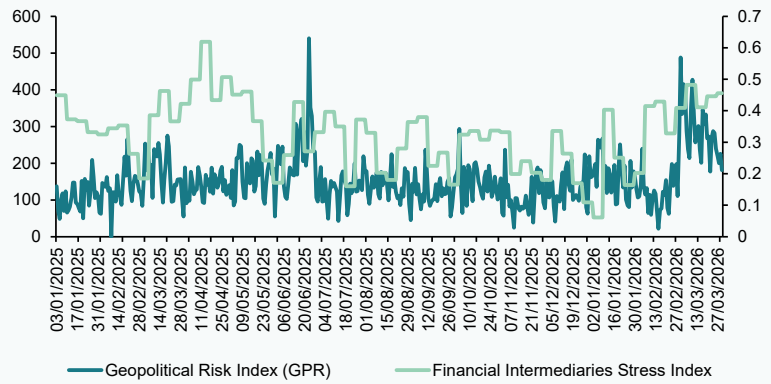
Exhibit 1 also shows the evolution of the financial intermediaries market stress indicator in Spain, provided by the National Securities Market Commission (CNMV). [1]

> “The increase in financial intermediary stress during major geopolitical events reflects greater risk aversion among investors.”

Exhibit 1

**Evolution of the global GPR index and the financial intermediaries market stress indicator**

January 2025–Q1 2026




*Sources: Authors' own calculations based on data from Caldara and Iacoviello (2022) and the CNMV.*

The recent evolution of this indicator reveals a dynamic that, while related to the described geopolitical context and the trend observed for the GPR index, also depicts distinct episodes potentially linked to financial and macroeconomic factors that may specifically affect the banking sector. Throughout 2025, isolated spikes are observed coinciding with the episodes of heightened geopolitical instability previously noted. However, these increases are temporary and do not consolidate at persistently high levels. In the second half of 2025, and in line with the greater stabilization of the GPR index, the market stress indicator also tends to show more stable levels. During the first quarter of 2026, rising geopolitical tensions, coupled with higher energy commodity prices and a deterioration in the economic outlook, lead to a spike in the stress indicator. This increase reflects greater risk aversion among investors, as well as a tightening of financial conditions, affecting asset valuations and, consequently, the financing conditions that financial intermediaries encounter in the markets.

## Events and the banking environment

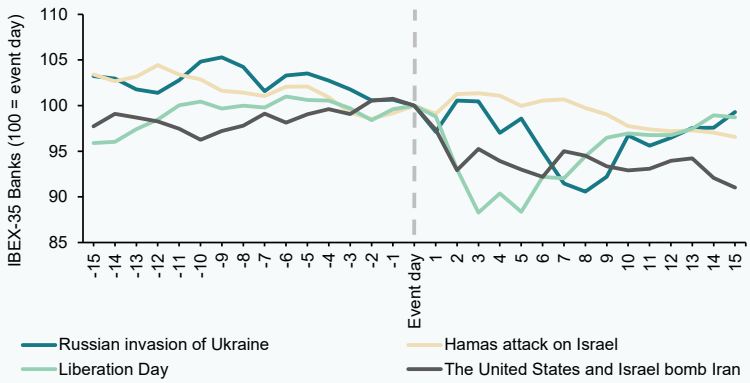
The banking sector, both in Spain and in other countries, is not immune to geopolitical events. The market valuation of banks is impacted by these events, reflecting uncertainty in financial markets. Exhibit 2 shows how the IBEX-35 Banks index reacts negatively to some of the major geopolitical events that have occurred in recent years. As can be seen, in all cases, a stock market decline is recorded in the days following the materialization of the geopolitical risk. "Liberation Day" (Trump's tariffs announcement) stands out in particular, showing the largest correction, reaching a maximum drop of 11.72% and reflecting a strong impact of increased protectionism on the banking sector. By comparison, Russia's invasion of Ukraine caused a maximum drop of 9.43%, while the U.S. and Israeli attack of Iran resulted in a slightly smaller decline of 8.97%. This confirms that, although all events have a negative impact, the intensity varies depending on their nature and economic consequences.

Furthermore, in the four cases, a certain degree of persistence is observed, as stock valuations do not fully recover within the fifteen days following the event. This behavior highlights the banking sector's high sensitivity to increased uncertainty, particularly through channels such as deteriorating growth expectations, rising financing costs, and

Exhibit 2

**Performance of the IBEX-35 Banks Index in response to geopolitical risk events**

15 days before and after the event




*Source: Authors' own analysis based on data from Refinitiv.*

increased risk premiums. Likewise, the market reaction suggests that investors anticipate a potential negative impact on banks' future profitability, whether due to reduced lending activity or a deterioration in asset quality. Taken together, these episodes reinforce the idea that geopolitical shocks have effects that extend beyond the immediate term.

## International business: Exposure and risk diversification

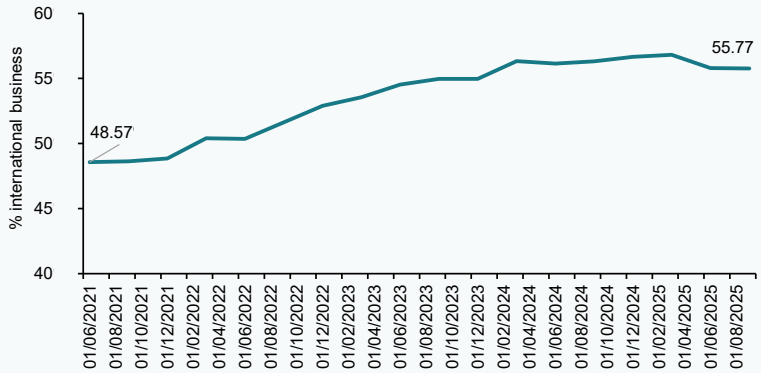
In the face of this exposure to geopolitical risks, the Spanish banking sector has a distinctive feature: its high degree of internationalization. Unlike other banking systems more focused on the domestic market, the major Spanish banks have established a significant presence in multiple regions, particularly in Latin America, the U.S., and Europe. This is especially relevant in a scenario characterized by regional uncertainty, where geographic and business diversification strengthens resilience against domestic crises. Data published by the Bank for International Settlements (BIS) confirm this geographic diversification. In the case of Spain, the data consistently show that a very significant portion of the banking sector's aggregate balance sheet stems from business outside Spain, reflecting the sector's strong international orientation.

Exhibit 3 clearly shows the growing trend in the share of international activity within the total activity of the Spanish banking sector in recent years. From levels close to 49% in 2021 to nearly 56% in the fourth quarter of 2025. This means that, currently, more than half of Spanish banks' consolidated assets are linked to their international business, confirming a very high degree of internationalization compared to other European banking systems. This international expansion strategy has traditionally been interpreted as a mechanism to reduce dependence on the domestic economic cycle and take advantage of growth opportunities in other markets.

> "Currently, more than half of Spanish banks' consolidated assets are linked to their international business, confirming a very high degree of internationalization compared to other European banking systems."

Exhibit 3

**Share of international activity in total activity (total claims) of the Spanish banking sector**

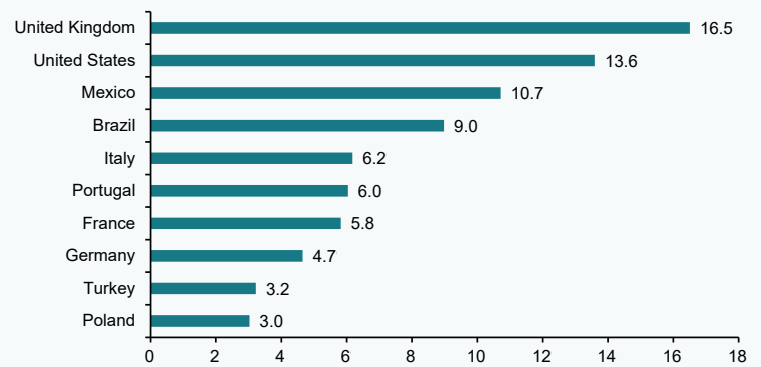



*Source: Authors' own calculations based on data from the BIS.*

Exhibit 4 shows that the composition of Spanish banks' international business at the end of 2025 is not concentrated solely in a few key markets. The United Kingdom (16.5%) and the U.S. (13.6%) stand out as the main destinations, followed by Mexico (10.7%) and Brazil (9.0%), reinforcing the strong presence in Latin America. In Europe, exposure is distributed among Italy (6.2%), Portugal (6.0%), France (5.8%), and Germany (4.7%), while Turkey (3.2%) and Poland (3.0%) provide diversification into emerging markets and Eastern Europe. This structure reflects the pursuit of a strategic balance between mature and emerging economies, allowing Spanish banks to combine stability and growth and strengthen their resilience in the face of episodes of geopolitical uncertainty. In this regard, internationalization and geographic diversification are key elements in managing geopolitical risk, as they reduce dependence on a single region and allow for offsetting potential adverse shocks in certain markets with better performance in others. Exposure

Exhibit 4

**Composition of Spanish banks' international business as a percentage of total foreign claims (top 10) at the end of 2025**




*Source: Authors' own calculations based on data from the BIS.*

> “Internationalization and geographic diversification are key elements in managing geopolitical risk, as they reduce dependence on a single region and allow for offsetting potential adverse shocks in certain markets with better performance in others.”

to different economies, with distinct cycles and risks, acts as a buffer that helps stabilize results and valuations in environments of global uncertainty.

## Conclusions

Geopolitical risk has become a key determinant of valuations and financing conditions in the banking sector. Recent episodes show that markets react quickly and persistently to such shocks, incorporating a heightened perception of risk regarding banks' future profitability. At the same time, the case of Spanish banks highlights that the degree of internationalization and geographic diversification serve as a useful tool to cushion these impacts. A balanced presence across different regions and economies helps offset localized disruptions and strengthens the sector's ability to adapt.

In the current environment, geopolitical risk can no longer be considered a residual exogenous factor, but rather a structural element of the global banking business. Consequently, banks must more systematically incorporate the geopolitical dimension into their frameworks for analysis, strategic planning, and risk management.

Furthermore, the results suggest that the quality of diversification is just as important as its extent. It is not merely a matter of expanding international presence, but of achieving an appropriate mix of markets with different risk profiles, regulatory frameworks, and economic cycles. In this regard, diversification that is overly concentrated in regions with similar vulnerabilities could limit its mitigating effect. Therefore, active management of geographic exposure, together with continuous monitoring of the geopolitical environment, is a key element in preserving financial stability and long-term value creation in the banking sector.

## Notes

[1] Note that the market stress indicator for financial intermediaries is provided on a weekly basis for the period January 2025–March 2026.

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# A decade of Solvency II and the review underway

Since 2016, Solvency II has reinforced solvency, governance and supervisory convergence across the EU, but has also revealed procyclical pressures, an excessive compliance burden on smaller insurers, and constraints on the sector's capacity to finance long-term productive investment. The review now underway aims to correct these imbalances while preserving the framework's prudential foundations.

Aitor Milner, Ignacio Blasco, Alfredo Yagüe and Moisés Hernández

Abstract: A decade after its implementation, Solvency II has consolidated itself as an international benchmark for risk-based regulation, having delivered higher average solvency, more rigorous internal governance, and greater supervisory convergence across the EU. Practical experience, however, has also exposed structural limitations: the framework's technical complexity has imposed a heavy regulatory burden, particularly on smaller insurers and notably in Spain, whose compliance costs are disproportionate to their actual risk profiles. The short-term sensitivity of the solvency capital requirement to market movements has likewise sat in persistent tension with the long-term nature of insurance liabilities, generating procyclical pressures and constraining the sector's ability to channel savings into illiquid and long-term assets — precisely the kind of patient financing that Europe's green and digital transitions require. The review now underway addresses these imbalances along several axes: a recalibrated extrapolation of the risk-free curve, a redesigned and more entity-specific volatility adjustment, proportionality provisions for Small and Non-Complex Undertakings (SNCUs) and a reduction in the risk margin's cost-of-capital rate from 6% to 4.75%. The SCR itself is also refined, with preferential treatment for long-

term equity investments and a more accurate capture of interest rate risk, including negative rates. Complementing these technical changes, the reform formally embeds ESG and climate risks into governance and reporting, equips supervisors with new macroprudential tools, and updates the rules for cross-border groups. The intent is to preserve the prudential solidity the framework has built while removing the constraints that have prevented insurance from fully functioning as a stable, long-term source of financing for the real economy.

## Looking back at implementation of Solvency II in Europe and Spain

Implementation of Solvency II in January 2016 marked a structural shift in European insurance regulations. The new framework was designed to reinforce policyholder protection, improve financial stability and spur integration of the internal market, all of which underpinned by more realistic risk assessment, better aligned with economic principles.

In the last 10 years, the experience has been, on balance, positive. The regime has helped boost sector resilience, uplift the quality of internal governance and standardise supervisory standards in the EU. The application of market valuation principles and risk-adjusted capital requirements marked an improvement with respect to the outgoing Solvency I regime, which was far more static and reliant on fixed coefficients.

In Spain, the sector regulator, the DGSFP for its acronym in Spanish, maintains that Solvency II has been conducive to higher average solvency and more robust risk management. The sector has made strides in discipline, analytical capacity and supervisory comparability.

However, as with any complex prudential framework, accumulated experience has also revealed significant limitations. One of its most criticised aspects is the technical complexity of the framework, which has impeded its implementation and created a considerable regulatory burden.

Moreover, the sensitivity of the solvency capital requirement (SCR) to market movements has created a level of volatility that in certain contexts may not accurately reflect the long-term nature of the insurance business. In fact, the experience gained during its first decade of application has revealed a degree of tension between the long-term nature of the insurance business and short-term sensitivity to certain prudential requirements. Solvency II has strengthened the sector but has also evidenced that potentially conservative or pro-cyclical regulations can end up curbing one of its most valuable economic functions: acting as a stable institutional investor, capable of providing long-term financing and mitigating episodes of market stress.

## Rationale for the current review

After several years in action, both the European Commission and EIOPA noted that even though Solvency II had delivered its core objectives, the framework presented room for improvement. The revision underway, defined within a framework of recurring updates, seeks to adjust technical, operational and strategic aspects of the system without altering its general architecture. The main institutional and economic reasons for the review include:

1. *An environment of structurally low rates:* The original framework assumed an interest rate normalisation process that did not materialise for a long time.

“ Solvency II has strengthened the insurance sector but has also evidenced that potentially conservative or pro-cyclical regulations can end up curbing one of its most valuable economic functions: acting as a stable institutional investor, capable of providing long-term financing and mitigating episodes of market stress. ”

This situation affected the valuation of long-term liabilities in the life insurance segment in particular and often led to the overestimation of the capital requirement and excessive volatility in prudential metrics.

2. *The need to stimulate long-term investments:* The twin green and digital transitions, private sector innovation and reindustrialisation in Europe require stable financing channels. However, Solvency II has proven somewhat rigid in its treatment of certain illiquid or long-term assets, preventing the insurance sector from fully deploying its capacity to finance infrastructure, capital or other productive assets.

3. *Disproportionate regulatory burden:* Many insurers, particularly the smaller ones, as is the case in Spain, have had to bear a high regulatory and operational burden relative to their real risk profiles. This relative over-regulation has increased compliance costs without always bringing equivalent benefits in terms of stability or supervisory quality.

4. *Complexity and administrative burden:* Pillar III has proven particularly onerous. The volume of data, reporting frequency and technical documentation demands have put a strain on human and technological resources, particularly at firms with small operating structures.

5. *Resilience in systemic crises:* The COVID-19 pandemic and subsequent episodes of financial stress served as unanticipated stress tests. Although the framework responded well, it also revealed certain balance sheet instabilities tied to the sensitivity of the capital requirement and certain valuation measures to abrupt and transient market shocks.

Overall, these factors have prompted a technical revision of the regulatory framework with a dual objective: preserving the prudential solidity attained since 2016 while fine-tuning Solvency II to layer in a rationale more compatible with the economic function of insurance as a provider of protection and channel for long-term savings and institutional investment.

## Key aspects under review

### *Proportionality and small insurers*

One of the biggest changes ushered in by the reforms is the explicit acknowledgement that not all insurers are the same. A specific category is being set up for Small and Non-Complex Undertakings (SNCUs), which will be bound by simpler administrative and reporting requirements: shorter reports, less frequent internal risk assessments and simplified capital calculations when certain risks are relatively immaterial for the undertaking as a whole. The underlying rationale is clear: the level of requirements should be proportional to the size and complexity of each company, rather than being uniformly applied across the entire sector.

### *The cost of prudence: The risk margin*

All insurance undertakings must hold an additional financial buffer, beyond their technical provisions, calculated based on their best estimate of liabilities. This buffer is called the risk margin and its amount depends on a cost of capital, among other factors. The reforms reduce the cost-of-capital rate from 6% to 4.75% and also introduce a mechanism that progressively reduces the weight of risks further out in time. The practical impact is significant: insurers will be able to release capital which they can then earmark to growth or investments, without compromising policyholder protection.

“ The reforms reduce the cost-of-capital rate from 6% to 4.75% and introduce a mechanism that progressively reduces the weight of risks further out in time. ”

### *Discount curves: How future commitments are measured*

Insurers assume very long-term payment commitments, for example annuities and life insurance. To calculate how much those future commitments are worth today, they use a risk-free interest rate curve, which provides the basis for the discounting exercise. The reforms introduce three changes in this respect:

- Firstly, they introduce new methodology for extrapolating that curve beyond the horizon for which there are reliable data, with a transition period extending to 2032. The goal is to make the curve smoother, more stable and more representative of the economic reality, particularly in times of low or anomalous interest rates.

- Secondly, the so-called volatility adjustment is getting a new design. This mechanism allows insurers to mitigate the balance sheet impact of sudden market oscillations that do not represent a real risk of default. The reformulated version will make this adjustment more entity-specific and harder to use in excess or disproportionately, so providing a fairer view of each undertaking's real financial situation.

- Thirdly, the reforms eliminate the restriction that limited recognition of the advantages of diversification for life insurers that manage long-term asset and liability portfolios together. Its removal corrects an unjustified penalty for this type of management.

### *Mandatory capital: How much the insurers should set aside*

The SCR is the amount of capital an insurer must hold so as to be able to absorb unexpected losses and continue to protect its customers. The reforms introduce several changes to how it is calculated:

- With respect to long-term investments in equities, the methodology acknowledges that not all equity investments entail the same risk. If an insurer can demonstrate that it will not be obliged to sell those investments if the market falls (recall that their commitments to policyholders are also long-term in nature), it can apply a lower capital requirement (22%) than the standard rate. This amounts to recognition that long-term management warrants differential treatment and also creates an incentive for insurers to take on long-term investments.

- As for interest rate risk, the new methodology improves the manner in which the standard formula captures the impact of sudden movements in rates, in either direction, even if rates are negative, correcting a previous design flaw conducive to the potential underestimation of this risk.

- Lastly, the SNCUs can use simplified calculation methods for risks that, individually or as a whole, represent a very small share of their total capital. This further cements the principle that prudential rigour should not require the same level of sophistication of all undertakings but should be flexible enough to allow for tailoring to reflect what really counts on a case-by-case basis.

### *New tools for system stability*

The reforms give the supervisors new tools for acting if they detect risks that could affect the financial system as a whole. They can limit the payment of dividends or bonuses, require the undertakings to provide liquidity management plans and intervene preventively in the event of perceived systemic risks. These measures reinforce the supervisor's ability to take action in the face not only of individual problems but also threats of a broader nature.

### *Sustainability and climate risks*

The integration of environmental, social and governance (ESG) factors in insurance management will no longer be a recommendation but rather a formal requirement. Insurers will be required to incorporate them into their internal

> “Solvency II does not seek to deregulate the sector but rather to better calibrate its prudential incentives so that the insurance business remains a solid sector and potential source of financing for the real economy.”

governance structures, periodical risk assessments and the information they report to both the supervisor and the market. The reasoning is that climate and sustainability risks are real financial risks and should be treated as such.

#### *Supervision of groups and cross-border activity*

The reforms also update the rules applicable to insurance groups, *i.e.,* groups with more than one undertaking under the same parent and reinforces cooperation between the national supervisors across the different countries. Specific measures are being introduced to address broader cross-border activities, so acknowledging that the European insurance market is increasingly integrated and that its supervision must follow suit.

Taken together, these modifications seek to keep the framework robust but adapt it for an economic, technological and geopolitical environment in flux. The reforms do not seek to deregulate the sector but rather to better calibrate its prudential incentives so that the insurance business remains a solid sector and potential source of financing for the real economy.

## Challenges and opportunities for the insurance sector

The Solvency II reforms mark the start of a period of transition which poses significant challenges as well as strategic opportunities for European and Spanish insurers. This time around. The debate is not limited to prudential concerns: it is directly linked to the sector's ability to channel stable savings into productive investments without compromising their role as insurance providers.

#### *Challenges*

- Technical adaptation for the new valuation parameters, particularly with respect to the rate curve, risk margin, volatility adjustment and rate risk treatment, which could require considerable adjustments to internal models, financial planning and asset and liability management.

- Management of the regulatory changes in a still-demanding environment in which practical implementation will require revising policies, internal metrics, validation processes and supervisor engagement mechanisms.

- Operational reorganisation to apply the proportionality principle, particularly at groups with multiple subsidiaries and different local frameworks, and reinforced analytical capabilities in order to justify the use of preferential or simplified treatments.

#### *Opportunities*

- By making certain requirements more flexible, the reforms may allow the release of some capital and foster the allocation of funds to productive investments, such as investments in infrastructure, the digital economy or the green transition, areas where the insurance sector may be able to provide stable financing that is hard to substitute with other sources.

- A more attuned prudential design could mitigate procyclical incentives and reinforce the sector’s role as stabiliser during episodes of stress by reducing the sensitivity of the solvency position to short-term fluctuations, thereby easing the pressure to adjust portfolios during times of adversity.

> By reducing certain overly burdensome requirements and better recognising the economics behind long-term investing, the reforms align the prudential approach more closely with the real role of insurance in the economy.

- The insurers that are quick to build climate, sustainability and liquidity risks into their corporate governance could improve their competitive positioning and credibility *vis-à-vis* the supervisor, while developing new capital allocation capabilities aligned with Europe's strategic priorities.

For the national supervisor, the challenge lies with applying the proportionality principle without undermining prudential standards and ensuring that any capital released does not translate only into capital distributions but also leaves the sector better equipped to provide long-term financing and shore up business resilience and financial stability.

## Insurers as institutional investors and macroeconomic buffers

The regulatory reforms take on additional meaning through the prism of the economic role of the insurers' capital. These undertakings manage stable, long-term and relatively predictable liabilities, putting them in a unique position to invest with long time horizons, absorb transient volatility and help fund projects that require "financial patience". Against this backdrop, an overly rigid prudential framework not only affects the insurers' profitability or capital usage, but also the financial system's aggregate ability to channel savings into investments.

In that sense, the Solvency II reforms can also be seen as a correction of incentives. By reducing certain overly burdensome requirements and better recognising the economics behind long-term investing, the reforms align the prudential approach more closely with the real role of insurance in the economy: protecting households and businesses, shoring up confidence in adverse environments and acting as an institutional investor with a natural capacity to contribute to competitiveness, the productive transition and resilience of the business ecosystem.

## Conclusions

After a decade in effect, the Solvency II regime has earned credibility as an international benchmark for risk-based regulation, having reinforced the solvency of the European insurance sector and improved market transparency and discipline. However, its application in practice has also revealed certain imbalances and rigidities and excessive sensitivity to certain financial variables that needed correcting.

The review currently under way does not imply a break but rather a necessary evolution in order to align the existing framework with the latest challenges: sustainability, structurally different levels of interest rates than initially contemplated and a need for proportionality, macroprudential management

> The key lies with preserving that which has worked well - prudential solidity, a risk—based culture and policyholder protection — while correcting the things that have curtailed the sector's ability to fully deploy its economic function.

and mobilisation of savings into more productive investments.

The key lies with preserving that which has worked well —prudential solidity, a risk—based culture and policyholder protection - while correcting the things that have curtailed the sector's ability to fully deploy its economic function. The success of the reforms will hinge largely on this balancing act between prudence and macroeconomic utility.

If they are implemented wisely, the reforms could simultaneously achieve three objectives: more representative balance sheets for insurers, more proportionate supervision and a bigger role for the sector in providing stable financing to the real economy. That is, ultimately, the real purpose of the reforms: not watering down Solvency II but making the framework more compatible with the nature of the insurance business.

In sum, these reforms go beyond a regulatory framework update to redefine the insurance sector's economic fit within the European financial architecture: as provider of protection, as taker of long-term savings and as stabilising agent in a context of productive, climate and geopolitical flux.

**Aitor Milner, Ignacio Blasco, Alfredo Yagüe and Moisés Hernández.** Afi

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# The limitations of AI and their implications for the economy

Public debate on AI oscillates between dismissal and alarmism, but both extremes stem from the same misunderstanding: misreading what the technology actually does. Pattern recognition and imitation do not amount to capacity for reasoning or creativity, and that distinction will shape AI's ultimate impact on jobs and productivity.

Wolfgang Münchau

Abstract: Assessments of AI's economic impact are often distorted by a flawed understanding of intelligence — one that conflates pattern recognition with reasoning, and imitation with creativity. AI excels at the former, defining both its power and its limits: it can outperform humans in structured, repetitive cognitive tasks while remaining incapable of original inquiry or genuine creativity. Early productivity data support this distinction. In the United States, a 10 percentage point increase in AI adoption between 2019 and 2025 is associated with a cumulative productivity gain of 2.9 percentage points, meaningful but far from transformative. The more consequential divergence, however, is geographic. In 2026, 43% of U.S. employees used AI compared with 32% in the EU, while adoption gaps within Europe continue to follow familiar divides between Northern and Central Europe on the one hand, and Southern and Eastern Europe on the other, rooted more in management practices than in access to technology. Europe's combination of strong employment protection, precautionary regulation, and hierarchical corporate cultures is likely to slow the labour reallocation required for AI-driven productivity gains to materialise. The distributional effects also challenge conventional assumptions. Evidence suggests that AI may disproportionately augment lower-educated

workers while putting pressure on structured mid-level roles, reversing the pattern observed during earlier technological transitions. AI will destroy some jobs and create others, but countries with more rigid labour markets are likely to absorb the transition more slowly, deferring the productivity dividend rather than avoiding the disruption itself.

## Introduction

If you have the wrong ideas about human intelligence, you are guaranteed to not understand artificial intelligence either, let alone assess its economic impact. The way we thought about intelligence in the past was lazy and wrong. We compressed a multidimensional phenomenon into a one-dimensional linear scale. Then we developed a convenient metric, the IQ test, to measure it. Financial economists did the same when they developed the fateful "value-at-risk" metrics that played a role in the Global Financial Crisis by giving bankers a false sense of security.

Our overconfidence about human intelligence is the reason behind many of the misjudgements about artificial intelligence. Eric Schmidt, the former CEO of Google, believes that AI will become "as smart as the smartest mathematician, physicist, artist, writer, thinker, politician". Right now, the discourse about AI straddles the entire spectrum from complacency to alarmism. The Luddites of this world, which includes a majority of my own profession of journalism but also many economists, have persistently underestimated the impact of AI. The European financial media tend to associate the word "AI" with the word "bubble". Jason Furman, Barack Obama's chief economic adviser, and now a Harvard economics professor, made a revealing comment recently: "A few months ago the discourse was about whether or not AI was a bubble. Now it's shifted to whether or not we're about to enter a dramatically new era."

Really? Anybody who has seriously engaged with AI and its underlying technology has known for a long time that AI would not be a bubble. Some market valuations may have been too optimistic, but that's a different story.

Perhaps the most common misjudgement, to which the tech industry is prone to, is getting the direction of the forecast right, but timing all wrong. One person who took this to an extreme was the head of Citrini Research, a financial analyst, who published a fictional AI Armageddon scenario that briefly sent Wall Street into a downward spiral – until they realised it was just a story.

In that story, entitled the "2028 Global Intelligence Crisis"[1] the stock market almost collapsed. It was a dystopian tale of how by 2028 AI takes over a growing proportion of white-collar jobs. Unemployment rises, people spend less money on services. They no longer go on holidays and can no longer afford their mortgages. The financial system collapses. As brilliant as the story is, I think it is wrong – because it is too optimistic about what AI can do. Before we discuss what AI will do to the economy, it is worth reflecting on what AI is good at, and what it is not.

## What AI can do — and what it cannot

The technology behind modern AI is the neural network. What it does is probabilistic pattern recognition on a large scale. Pattern recognition also forms an under-appreciated part of human intelligence. We think of chess grandmasters as very intelligent. A lot of their skill is memorisation or a large number of moves combined with superior visual pattern recognition. IQ tests get these concepts mixed up. AI can do logical reasoning by applying the rules of a logical system in a consistent way. Human logical reasoning, by contrast, works differently. It includes, at least to some extent, memorisation and pattern recognition.

"Anybody who has seriously engaged with AI and its underlying technology has known for a long time that AI would not be a bubble."

“ AI is also not truly creative but excels at imitation. ”

The mathematician Terence Tao recently reported that AI managed to find a mistake in one of his proofs. It also managed to come up with the proof of a conjecture in discrete mathematics all by itself. But it does not think like a mathematician. On that point, Schmidt is completely wrong. AI is good at answering questions, but not good at asking them. Some of the most important contributions to mathematics started with interesting theories, like Fermat’s Last Theorem, the Goldbach conjecture or the Riemann Hypothesis – all three related to number theory.

AI is also not truly creative but excels at imitation. AI improves a lot of people’s writing. But AI is incapable of original writing.

I gained some hands-on experience with AI when I developed an AI system by myself, using available open-source technologies, to create a filtered newswire in my specific area of interest, the European economy. The system I developed goes through a long list of publicly-available newsfeeds in most European countries, filters, translates, classifies, and then summarises. This is a non-trivial endeavour even for AI as it combines several different functions. The end result is a much more filtered list than anything else I find on the internet. It gets complicated things right. But it also gets easy things wrong. For example, on one occasion it told me that Pedro Sánchez was the prime minister of Israel. And this is not because it has a sense of humour.

To understand AI at a certain level of depth is important for the discussion about the impact of AI on productivity. If we treat it as a black box technology, we will most likely get it wrong.

## Productivity gains do not imply human replacement

In some sectors, AI has already started to replace humans. I would not advise young people to become advertising copy writers or event photographers. When the AI company Anthropic introduced the Claude Cowork platform with legal plugins, it took over the work of junior lawyers and legal assistants. It made the senior lawyers more productive. It got rid of some legal assistance, but not of lawyers themselves.

But be careful with generalising predictions, like those of Schmidt. Even Geoffrey Hinton, the godfather of the neural network, the technology behind AI, committed an error of hubris. In 2016, he predicted that within five years, AI would replace all radiologists. Back then, AI had become very good at detecting tumours on X-rays or other medical images. Hinton must have thought that looking at pictures is what radiologists do all day. His prediction was completely wrong. According to the Royal College of Radiologists, the UK had 3,318 consultant radiologists in 2014. By 2024, that number had grown to 4,923.

Hinton fell for a classic “lump of labour” or “fixed-sized pie” fallacy. In our specific case, the fallacy consists of the idea that if AI takes half of our jobs, the rest of us have to share the remaining half between us. This is essentially what the Citrini report did too.

So, instead of asking how AI will affect the economy, we should start by asking: What effect will it have on existing white-collar employment? Over what period? And will it eventually add more jobs than it destroys?

The AI software developer and computer scientist Francois Chollet once remarked: “I'm so old I remember when fully autonomous cars were going to be ready for mass deployment by late 2017.” In 2017, people predicted that it would happen by the mid-2020s. The self-driving car will be one of the biggest technological innovations of all time. The robotaxi industry has made impressive progress, but they are still at stage four of the five stages of autonomous driving.

> “Even if AI destroys millions of white-collar jobs, it does not mean that it destroys white-collar employment if new industries spring up.”

By September of last year, Waymo robotaxis had clocked 127 million miles collecting data without a driver in the car. When they reach stage five, they will be ready for a bigger rollout. They will still lack human intuition. They will not be perfect, but they will be better, on average, than humans because they don't drive angry, they don't speed, don't drink alcohol, and they don't send text messages whilst driving or fall asleep. When we get to the final stage, Waymo will have been collecting data for some twenty years. And when the self-driving cars and taxis are eventually deployed, at that point we will no longer need taxi drivers.

Even if AI destroys millions of white-collar jobs, it does not mean that it destroys white-collar employment if new industries spring up. Ivan Yotzov et al. [2] presented research results in an NBER paper that would outwardly point towards a contradiction. The survey found that executives predict AI would boost productivity at their companies by 1.4% and cut employment 0.7%. Employees, by contrast, thought it would raise employment by 0.5%. Both statements can be simultaneously true if existing companies cut their workforce, and new companies hire.

## Early evidence on productivity and adoption

AI has already had an economic impact, and this has started to show in productivity data. It's still early days. Alexander Bick et al. [3] analysed U.S. and European business surveys to find the impact of AI on productivity. They found that for the period 2019-2025, a 10 percentage point increase in the AI adoption rate in the U.S. would lead to an increase in cumulated productivity of 2.9 percentage points. The authors issued a warning about reading these statistics, but the data seem consistent with the result that the impact of AI on productivity is real, but nothing like what the Citrini scare story would suggest. One of the caveats I would add is that the study related to the period from 2019 to 2025. The really big economic events still lie ahead – AI-based manufacturing in particular. This is an example of where the past may not be a reliable guide to the future.

The report also throws light on the difference in AI adoption rates between the U.S. and the EU, and within the EU. They found that in 2026, 43% of employees in the U.S. used AI against 32% in the EU. The U.S. also has a nearly double adoption rate of AI for manufacturing production. Unsurprisingly, the U.S. leads Europe.

But perhaps the bigger story is the gap between the European AI adopters and the laggards. The UK is at the top, with an adoption of rate of 36%, still behind the U.S., whereas Italy is at the bottom with 26%. The overall picture is a classic European north-south and east-west divide.

But why is this so? It is unsurprising that the U.S. is ahead of Europe. Modern AI is an American technology. The Europeans did themselves no favour by starting to regulate before they even had an AI industry.

Why is the adoption rate so different amongst EU countries? This dates back to a

> “For the period from 2019-2025, a 10 percentage point increase in the AI adoption rate in the U.S. would lead to an increase in cumulated productivity of 2.9 percentage points.”

well-known issue that has been extensively studied by economists: the low adoption rate of computers and internet-technology in European companies. This is a story primarily about management practice, as Luis Garicano reminded us in a recent article. [4]

The reason why Italy became a laggard in adopting ICT technologies was outdated management practices. I have been observing similar phenomena in recent years in Germany, especially in the car industry. The hierarchies in the car industry imposed old views, steeped in 20th century engineering and management traditions, a view that was oblivious to new technological trends.

It is not just the car industry. The chief executive of Rheinmetall, the German defence company, ridiculed Ukrainian drones on the grounds that the biggest manufacturers were housewives with 3d printers. I would surmise that his company will probably not be at forefront of the development of AI-powered drones. Italy started its economic decline around the beginning of the century. German productivity growth has been stagnating since 2018. Germany's economic institutes see potential growth at 0.1% from 2030 onwards. One of the reasons for this decline is Europe's structural attachment to old companies and old technologies. Europe was once, but no longer is, a place for entrepreneurs.

Another not yet widely recognised factor that will limit the impact of AI on productivity is laws that prevent companies from dismissing workers and replacing them with AI. This is already happening in China. The Intermediate People's Court of Hangzhou has ruled against a company that dismissed a worker and replaced him with AI. The case was brought by an employee of a financial technology firm, whose job it was to assess the quality of large-language models. I am not aware yet of any such cases in Europe, but this is almost surely only a matter of time. Given the strong labour protection rights of European workers, it is hard to imagine that large European companies would manage to improve their productivity by shedding workers. The best shot they will have is to make their existing workforce more productive.

There will be no such protection in the U.S. JP Morgan rolled out what it called "human redeployment plans" over the next few years, with a targeted headcount reduction of 10% in operations and account services. Meta, the company that owns Facebook and Instagram, has already announced a 10% cut in its workforce, some 8,000 jobs, not so much because of productivity gains through AI, but to offset the cost of building AI systems. Content moderators are amongst the staff the company is willing to let go.

The data sets we have at this moment do not give us a complete picture, and they probably underestimate the gap between the U.S. and Europe by a wide margin. I cannot think of any European companies planning job cuts to make room for AI. The main impact from AI will come from new companies with AI-era business models, or existing companies that expand. The more interesting question is what happens if these AI-driven firms begin to outcompete traditional companies with large workforces.

## Who gains and who loses from AI

AI will be different in one respect from previous technological innovation. The main impact of shocks will not hit the lower end of the income scale – but the middle part. It could make poorly educated people more productive, but it might squeeze those in the middle. Cruces et. al. [5] write in a recent NBER paper about a survey amongst 1,174

> "The reason why mid-level clerical jobs are most affected by AI is that these jobs are structured and repetitive – thus prone to being taken over by AI."

adults aged between 25-45, showing that AI benefits people with lower education more than those with higher education.

We have to be careful here not to draw the wrong inference. AI will itself change education. Memorisation will count for less than critical and original thinking, tasks at which AI does not excel. The reason why mid-level clerical jobs are most affected by AI is that these jobs are structured and repetitive – thus prone to being taken over by AI. The bank employee who spends their time checking on mortgage applications will almost surely be replaced. The chief executive of the bank will not. Manual workers are safe from AI right now, but China is already busy developing humanoid robots that can perform human tasks. They can even run marathons. We should probably not rush to conclusions as to who will be most affected.

But I am confident to predict that AI will be the most consequential technological development of our age. The industrial revolution forced humans to move from rural areas into cities. It destroyed many agricultural jobs but added more industrial ones. The invention of electricity ended the job of the street-lighter, who would walk around the streets at dusk to illuminate our neighbourhoods. They were the car mechanics and legal assistants of their era. AI, too, will destroy jobs. But its main economic effect is that it will make our economies more productive over time.

But it will cause disruption on the way- although nothing like what Citrini or Schmidt are predicting. I am much less worried about the economic effects than the political ones. The industrial revolution drove workers into the cities, but where do the workers displaced by AI go? And what political parties will they vote for?

Countries with flexible labour markets, like the U.S., and to a lesser extent the UK, will get through this economic and social transition faster than countries with a high degree of employment protection like France and Germany. The latter will probably avoid some of the disruptions in the short run, but the quid pro quo is that they will not benefit from the productivity gains that come from AI later.

I think the optimal policy response will be to let this change happen, and at the same time to encourage companies and their employees to diversify into new sectors. My personal hunch is that Europeans will not follow this advice.

## Notes

[1] https://www.citriniresearch.com/p/2028gic?hide_intro_popup=true

[2] https://www.nber.org/system/files/working_papers/w34836/w34836.pdf

[3] https://www.brookings.edu/wp-content/uploads/2026/03/6_Bick-et-al_unembargoed.pdf

[4] https://www.siliconcontinent.com/p/what-explains-heterogeneity-in-ai

[5] https://www.nber.org/papers/w34851

**Wolfgang Münchau.** Managing Director of Eurointelligence LTD


# AI diffusion in the EU: Why geography still determines technology adoption

AI adoption among EU firms has accelerated rapidly but remains highly uneven, with Scandinavian economies recording adoption rates above 35% compared with single digits in parts of Southern and Eastern Europe. Persistent gaps in economic development, research capacity, and workplace digitalisation help explain this divergence, with potentially significant implications for long-term productivity convergence across the bloc.

Vicente Salas Fumás

Abstract: The economic impact of artificial intelligence will depend not only on how firms use the technology, but also on how widely adoption spreads across Europe. While AI adoption among EU firms has risen sharply—from 7.6% in 2021 to around 20% in 2025—the pace of diffusion remains highly uneven, ranging from more than 35% in Scandinavia to below 10% in parts of Southern and Eastern Europe. Drawing on EU-ICT-Firm Survey data and diffusion of innovation theory, this study finds that GDP per capita, R&D intensity, and workplace digitalisation are key drivers of firm-level AI adoption, whereas general human capital appears less significant. Yet even after accounting for these factors, a persistent divide remains between the Central-Northern and Southern-Eastern blocs, pointing to deeper differences in institutional quality and management practices. Even as the experience of early adopters facilitates the subsequent diffusion of AI across lagging regions, the

> “Not all firms adopt AI at the same time, meaning that its overall economic impact will depend not only on the technical capabilities and use of the technology by those that adopt it, but also on the speed and breadth of its diffusion across the business ecosystem.”

continuous evolution of these technologies nevertheless risks turning existing adoption gaps into a more persistent source of economic divergence within the EU.

## Foreword

Artificial intelligence (AI) is considered a new general-purpose technology (GPT) with the potential to transform productive processes, organisational practices and the competitive dynamics in a broad spectrum of sectors. As with earlier GPTs, such as electricity, information and communication technologies (ICT) and the internet, AI is characterised by its broad range of applications, dependence on complementary investments and scope for continuous improvement (Peña, 2026). Much of the interest in calibrating the economic impact of AI has focused on the consequences for employment and productivity in the businesses using this technology (Yotzov et al., 2026, for example). However, less attention has been given to the fact that not all firms adopt AI at the same time, which means that the impact of AI on the economy as a whole will depend not only on the technical capabilities and use of the technology by those that adopt, but also the speed and breadth of diffusion within the business ecosystem.

A hallmark and well-documented characteristic of the major technology transitions of the past is that diffusion proves highly uneven. Adoption tends to follow an S-shaped curve over time but at certain points in time, significant disparities are observed across firms and sectors. In the case of AI, that inequality goes beyond specific industries and firm traits and includes substantial differences across countries. The firms doing business in certain economies present relatively high AI adoption rates whereas those in other economies are clearly lagging behind, despite presenting similarities in terms of size, sector or observable capabilities (Bick et al., 2026). Moreover, the gaps across countries are showing little sign of closing rapidly, generating concern about the persistence of differences in productivity growth and international competitiveness.

This paper focuses on documenting and explaining the differences across countries and regions in AI take-up by businesses using data gleaned from the EU-ICT-Firm Survey of businesses in countries and regions of the EU (Eurostat, 2026). [1] Although a significant body of literature has analysed the determinants of technology adoption at the firm level (highlighting factors such as company size, human capital, management practices and access to financing), most of those studies were conducted in specific national contexts, detached from the broader geographic landscape in which the firms operate. [2] In parallel, the macroeconomic literature on technology diffusion has underscored the importance of country-specific factors, such as their institutions, education systems, infrastructure and regulatory frameworks (Comín and Mestieri, 2014). Ideally, the two perspectives should be brought together to yield an explanation as to why firms with similar observable characteristics exhibit systematically different AI adoption behaviours depending on their country of origin. However, the data available for this study only allows for an analysis of observable differences in AI adoption rates in the business universe in different countries and regions.

AI adoption usually requires access to advanced digital infrastructure, large volumes of well-managed data and a labour force

with specialist skills. Other enabling factors include regulatory clarity around the use of data, the strength of the innovation ecosystem and the availability of complementary assets such as cloud computing and organisational knowledge. Those factors are largely determined at the national level. In this sense, firms do not adopt AI in a bubble: their adoption decisions are embedded into national systems that can facilitate or curb the diffusion process. This paper shares the results of a preliminary study that explains the differences in AI adoption rates across EU countries and regions as a function of variables that are observable for each, such as GDP/capita, the stock of knowledge, and human capital endowment, which have proven their ability to explain differences in technology diffusion between countries with respect to prior episodes of innovation.

The analysis shows that AI adoption starts sooner and spreads faster in the more economically developed countries, measured using GDP/capita, going on to spread more slowly thereafter in less developed countries. Elsewhere, for a given level of development, diffusion is faster in countries with a bigger stock of scientific and technical knowledge and more digitalised productive processes. However, differences in the stock of general human capital do not explain differences in adoption rates across countries and regions. Controlling for these structural differences between countries and regions, we are still left with differences in average firm-level AI adoption rates between the central and northern bloc of EU member states, on the one hand, and the southern and eastern bloc, on the other, which may be attributable to differences in productive specialisation, management practices, and institutional quality. Here, further analysis is required.

These differences in countries and regions' ability to foster the diffusion of general-purpose technologies like AI will influence future patterns in productivity growth and divergence between economies because AI is not a one-off innovation but rather an evolving one. Therefore, although the firms in follower countries benefit from pioneer adopter knowledge and experience spillovers, the permanent innovation in AI technology could lead to chronic differences in its adoption, use and leverage across countries with different starting development levels. Public policies can in theory help alter the structural constraints and prevent or mitigate entrenchment. However, the "structural" nature of the contributing factors means that results should not be expected in the short term. For example, public policies designed to close gaps in digitalisation levels curtailing AI adoption take time to materialise.

## AI adoption by firms in the European Union and Spain

This section provides a synthesis of the results of AI adoption by firms in the European Union using data from the EU-ICT-Firm survey. A firm is considered to have adopted AI when it declares having used at least one of the technologies itemised in the questionnaire. Accordingly, the adoption rate is defined as the percentage of firms with 10 or more employees that use some form of AI technology out of the total firm population. Eurostat provides this information at the country level and, partially, at the regional level (NUTS-2), allowing us to analyse not only differences between member states but also internal heterogeneity in countries like Spain. Next, we examine the aggregate results for the EU, going on to present AI adoption rates by Spanish region.

### *AI adoption by EU member state*

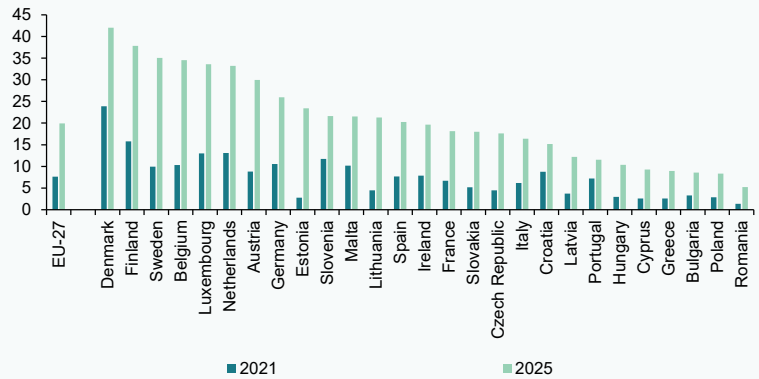
The information on average adoption rates by country is provided in Exhibit 1. In 2025, approximately 20% of the European Union's firms were using at least one type of AI, up from 7.6% in 2021, denoting rapid recent growth in the use of this technology in the business ecosystem. However, adoption rates vary widely across the different countries. Penetration is highest in Denmark, Finland and Sweden, which present rates of over 35%. At the opposite end of the spectrum are several Southern and Eastern European countries, including Romania, Poland, Bulgaria and Greece, where adoption rates are below 10%.

Spain ranks somewhere in the middle, with a rate of 20.3% in 2025, practically in line

> “In 2025, approximately 20% of the European Union’s firms were using at least one type of AI, however, adoption rates vary widely across the different countries.”

Exhibit 1 **Firm-level AI adoption rates by country, 2021 and 2025**

Percentage of total firms




*Source: Author's own elaboration based on EU-ICT-Firm (Eurostat).*

with the European average. That figure is below that of Germany, for example (26%), but higher than the rates reported for France (18.2%), Italy (16.4%) and Portugal (11.5%). In general terms, the distribution of the adoption rates within the EU is statistically dispersed, even among countries which share a common institutional framework, indicating the importance of national structural factors.

Compared to the results from other studies, Ferrando et al. (2026) —ECB— report a business adoption rate in the eurozone for 4Q25 of 38% (moderate or significant use of AI), well above the 20% found for the EU-27 by the EU-ICT-Firm. The adoption rate published by Fernández Cerezo et al. (2025) —Bank of Spain— for Spain, 20%, coincides almost exactly with the figure in Exhibit 1. Bick et al. (2026) compare firm-level AI adoption in Europe (EU-ICT-Firm) and the U.S. (BTOS) in the production of goods and services and, by extrapolation, for any business purpose. The results show rates of 7% (production) and 34% (general) in the U.S. and rates of 4% and 20%, respectively, in the EU.

### *Adoption speed dynamics*

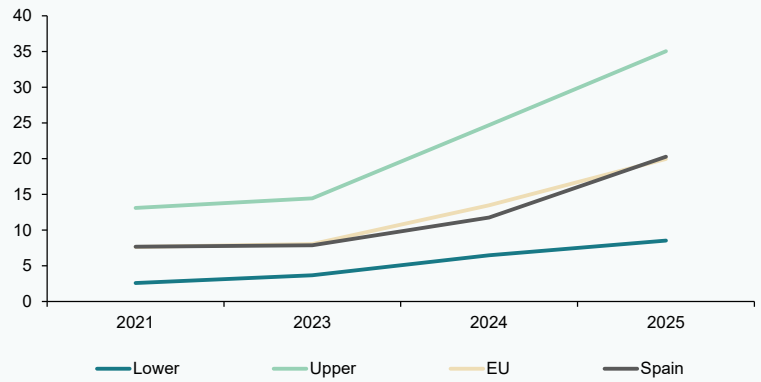
The trend in adoption rates over time permits an assessment of speed and convergence (or otherwise) in diffusion across countries. Between 2021 and 2025, adoption increased in all countries, but at different speeds. Exhibit 2 shows the lower (lowest 10$^{th}$ percentile) and upper (90$^{th}$ percentile) limits and the median for the adoption rate distributions between 2021 and 2025, along with the trend in the adoption rate in the EU and Spain.

Diffusion accelerated in 2024 and, at the same time, the absolute gap between the lower and upper limits of the distribution widened, shaped above all by an increase in the distance between the upper limit and the median. The trend in the average adoption rates in Spain coincides with the trend in

Exhibit 2

**Trend over time in the firm-level AI average adoption rate distribution for the EU, 2021-2025**

Percentage of total firms




*Source: Author's own elaboration based on EU-ICT-Firm (Eurostat).*

the median of the rate distribution for the EU countries. That figure once again singles Spain out as a country that is representative of what is happening in the broader European Union and implies that AI diffusion in Spain is lagging relative to diffusion in the countries that are ahead of the curve. Relating the absolute rate of change between 2025 and 2021 to the adoption rate in 2021, the simple correlation between the two variables is positive, indicating that the absolute change has been higher in the countries starting from higher rates in 2021, which is consistent with the increase in the distance between the lower and upper limits of the distribution range in Exhibit 2. [3]

### *Differences attributable to firm size and sector of activity*

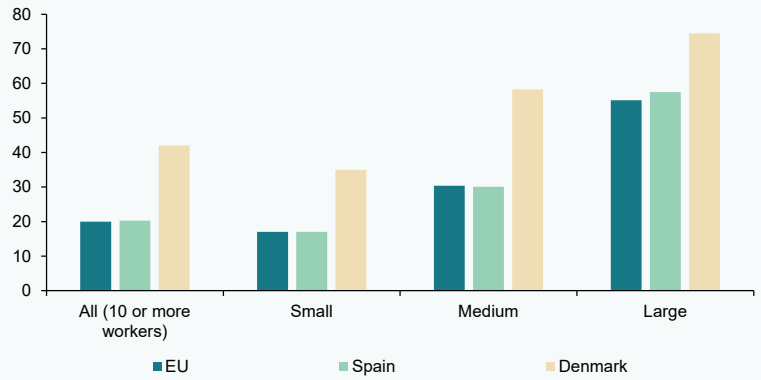
Exhibit 3 compares the adoption rates for small firms (between 10 and 49 workers), medium-sized firms (between 50 and 249) and large enterprises (250+) for the EU as a whole, for Spain and for Denmark, the selected benchmark on account of the fact that it reported the highest AI adoption rate in the EU in 2025. The distribution of adoption rates by firm size in Spain is once again similar to that of the EU as a whole, except for slightly higher penetration in Spain among the large enterprises. The firm-level adoption rate in Denmark is significantly higher than the Spanish rate and EU average in all size categories but the relative differences are more pronounced among SMEs (where the adoption rate in Denmark is twice that of Spain) than among large firms, where the distance to Spain narrows to 36%. In addition, in Spain, the adoption rate among large enterprises is three times that of its small firms, compared to a multiple of two times in Denmark. In terms of annual growth between 2023 and 2025, the absolute changes in the adoption rate are highest among large corporations but in relative terms they are highest among small businesses.

The propensity to adopt also varies by sector of activity, a pattern seen across all three geographies analysed (Exhibit 4). The sectors with the highest adoption rates in 2025 are the ICT sector in all cases (60% in Spain and 80% in Denmark), followed by scientific and technical activities (40% and 60%, respectively). Behind those industries, with adoption rates of under 15%, are construction, transportation and storage and accommodation and food services. In the manufacturing sector, adoption stood at 17.3% in Spain and close to 40% in Denmark in 2025.

Exhibit 3

**Adoption rates by firm size category for the EU as a whole, Spain and Denmark (2025)**

Percentage of all firms




*Source: Author's own elaboration based on EU-ICT-Firm (Eurostat).*

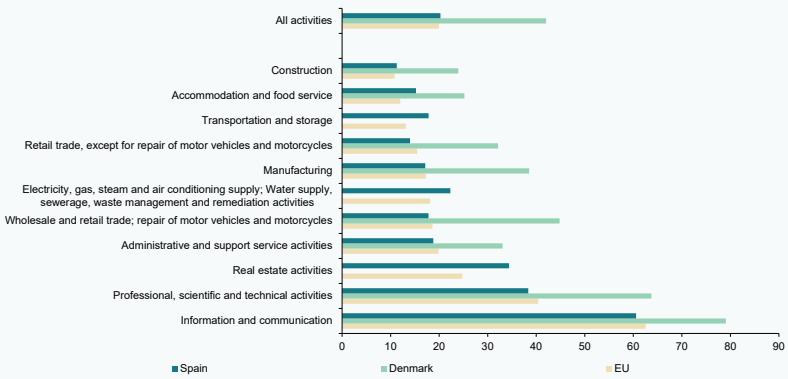
### *Firm-level AI adoption by Spanish region*

Eurostat disaggregates the AI adoption rates for firms in the EU at the NUTS-2 region level, which yields insight into AI adoption rates by businesses in the different regions of Spain and in a subset of regions in the EU (Exhibit 5). In Spain, the regional analysis also reveals considerable heterogeneity. In 2025, certain regions, including Madrid, Catalonia and the Basque region, presented adoption rates well above the national average, whereas other regions, notably Ceuta and Melilla, but also the Balearic Islands and Cantabria, ranked considerably below it. Overall, the regional differences observed in Spain reproduce, on a smaller scale, the pattern observed across European countries.

Exhibit 4

**AI adoption rates by sector of activity. Comparison between the EU, Spain and Denmark (2025)**

Percentage of all firms

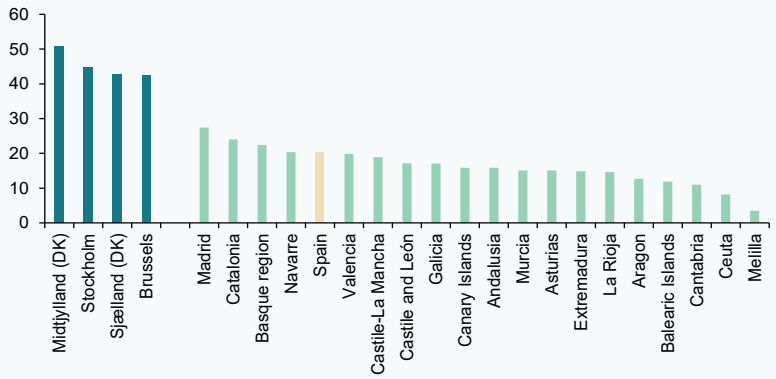



*Source: Author's own elaboration based on EU-ICT-Firm (Eurostat).*

Exhibit 5

**Firm-level AI adoption in the Spanish regions and in the regions of the EU with the highest adoption rates in 2025**

Percentage of total firms




*Note: DK refers to Denmark.*
*Source: Author's own elaboration based on EU-ICT-Firm (Eurostat NUTS-2).*

By comparison with the EU countries, the adoption rate in Madrid, at 27.4%, would rank it eighth on the country ranking, between Austria and Germany, far from the penetration rate of 42% observed in Denmark, which tops the ranking. Exhibit 5 also shows the AI adoption rates for the top four NUTS-2 regions in the regional ranking. The adoption rate in Madrid, which tops the regional ranking for Spain, is well below the top-performing regions in 2025 (Midtjylland, Denmark: 50.8%; Stockholm: 44.78%; and Brussels: 43.2%), which means that the differences between national averages shown in Exhibit 1 are repeated when comparing differences in regional distributions within the countries.

By way of summary of the results of this descriptive part of the study, the evidence shows that the EU is lagging the U.S. in terms of AI adoption at the firm level. The diffusion of AI — the result of technology adoption decisions at the firm level - emerges as a dynamic albeit uneven process across EU countries. Based on the data provided thus far, two variables —differences in the distribution by firm size and in productive sector specialisation across countries— may explain the differences observed in firm adoption rates. For example, the higher share of large corporations and/or sectors in the information and communication and scientific and technical activities sectors in Denmark than in Spain. However, the descriptive information does not explain why firm size and/or sector specialisation influence the propensity to adopt AI technology. Moreover, even if the distribution by size of firms with 10 or more workers were similar in the two countries, the adoption rate would continue to be higher in Denmark because within each size category, the propensity to adopt AI is higher in Denmark than in Spain. The

> “Differences in two key variables - firm size distribution and sectoral specialisation - across countries may help explain the wide disparities observed in AI adoption rates among European firms.”

next section outlines the fundamentals of the economic theory of how technology adoption spreads and provides a preliminary empirical analysis informed by the theory and prior evidence that correlates the differences in adoption rates to structural differences across countries.

## Firm-level AI adoption explained by diffusion of innovation theory

### *The theory*

Diffusion of innovation theory studies the decisions taken around the adoption and use of new technologies by firms (or individuals) that have not participated directly in their development. Its purpose is to characterise the accumulation of technology over time that results from individual adoption decisions. It includes theoretical and empirical analysis aimed at answering three main research questions (Comín and Mestieri, 2014; Stokey, 2020): What patterns are observed in technology diffusion and how do they change over time? What factors influence new technology adoption times, diffusion speeds and diffusion breadth? What are the micro and macro consequences of diffusion? Application of diffusion of innovation theory can help answer these three questions in the specific case of AI technologies. However, this specific analysis focuses exclusively on partial aspects of the first and second questions (the economic impact of AI diffusion falls outside the scope of this analysis).

The general premise of the exercise is that the adoption of new technology by a firm consumes time and resources and that economic motives determine who adopts the new technology and at what speed. As use of the innovation extends, its quality tends to increase while the costs of adoption fall. As a result, early adoption of the innovation by certain users facilitates subsequent adoption by the remaining potential users. Adoption cost dynamics, flows of information whereby followers can learn from pioneers and the ability to harness the information and know-how received explain the adoption times and the cumulative adoption pattern in a given country or market over time. The study of innovation diffusion processes completed in the past reveals an almost universal consistency: the rate of first adopters of the technology evolves in an S-shape (a logistics function) over time (slow introduction, acceleration, tipping point, deceleration and saturation). [4]

Elsewhere, the speed and breadth of innovation diffusion tend to be uneven across countries and markets, which is attributable to differences in their structural factors, shaping the costs and benefits of adoption that are common to all firms in a given country. The literature has identified a set of variables that explain the differences observed in the speed of innovation diffusion across countries, which could also explain the differences being observed in the speed of adoption of AI by businesses in the EU countries to date. Comín and Mestieri (2014), in a review of their own research work and that of other authors, group these variables into three categories: knowledge, institutions and policies and demand. For example, in a pioneering study which includes multiple technologies and countries over time, Comín and Hobijn (2004) find that income per capita (demand), human capital endowment (knowledge), the level of openness to trade (policies), type of government (institutions) and adoption of predecessor technologies (knowledge) have a positive effect on countries' technology adoption rates.

### *Explanation of the differences in adoption rates across countries in 2025*

The hypothesis implicit in this study is that the firm-level AI adoption rates for EU countries and regions between 2021 and 2025, as published by Eurostat, correspond to points in logistics functions, one for each country, which describe their respective innovation diffusion paths. In this respect, by explaining the differences observed in diffusion across countries and regions for the most recent year, that with the most complete datasets, *i.e.,* 2025, the model is explaining differences in the parameters of the corresponding logistics functions. Those parameters, in turn, vary across countries as a function of structural variables that can be observed. The explanatory variables were selected on the basis of the existing body of literature and the information available (Eurostat).

### Variables and empirical model

The dependent variable is the *adoption rate* (percentage of firms using at least one of the AI technologies) in the EU country or region in 2025. The explanatory variables are the following:

*GDP per capita* (in euros in purchasing power parity terms) in the country or region. The expectation is that in the wealthier countries firms have more of an incentive to adopt AI than in poorer countries because (i) there are more resources available, so reducing uncertainty about the costs and benefits of adoption; and (ii) because more demand for the output generated by the innovation will increase the return for a given fixed adoption cost.

*Share of people employed in the country or region who work in activities related with research and development (R&D).* The countries with more people employed in R&D activities are more technologically advanced countries with a bigger stock of scientific and technical knowledge, facilitating adoption of AI by virtue of having better information and judgement in terms of knowing how to adapt the new technology in order to be able to use it profitably sooner.

*Share of workers who use the internet in their ordinary job activities.* This variable attempts to measure differences across countries in workers' experience with digital technologies, giving them know-how that could be useful in facilitating usage and thereby accelerating the adoption of AI. It represents another form of knowledge embodied in individuals, which, unlike the more general knowledge accumulated through R&D activities, is a better proxy for the knowledge required to use the new AI technology. Internet connection at work varies with an economy's productive specialisation. Elsewhere, an internet connection is a prerequisite for using AI.

*Share of individuals with third-level education.* A higher variable is associated with a higher level of formal education in the population in the country or region in question, with more general knowledge to complement the scientific and specific knowledge accumulated from prior adoption of digital technologies.

*Geography and institutions.* The countries and regions in the sample are grouped into four blocs based on their geographical location and presumed institutional affinity: Central Europe (Belgium, Netherlands, France, Germany and Austria), Scandinavia (Denmark, Finland and Sweden), Southern Europe (Spain, Portugal, Greece, Malta and Cyprus) and Eastern Europe (the remaining EU countries). Each country and region within the bloc is ascribed a value of 1, while the countries and regions that do not belong to that bloc are assigned a value of zero. In this manner, four dichotomous variables are defined: *Central Europe, Scandinavia, Southern Europe and Eastern Europe.* Implicit in the definition of this variable is the assumption that geography determines a series of cultural affinities and institutional similarities (not directly observable) that may condition the adoption of innovation, as has been established in earlier literature. In this manner we also control for variables related to geography and institutions omitted from the empirical regression model that are correlated with the dependent variable and the other explanatory variables; for example, differences across blocs in average firm size, productive specialisation, management practices, *etc.*

The empirical model estimated attempts to explain the adoption rate in country/region j in 2025, $y_j$ as a function of the explanatory variables $X_{ij}$; the subindex i corresponds to each of the variables in the above list:

$$y_j = a + \sum_i b_i X_{ij} + u_j \qquad (1)$$

Where $a$ and $b_i$ are the parameters to estimate and $u_j$ is the error term.

The adoption rate values, which relate to 2025, and the explanatory variable values, which relate to 2024, are sourced from Eurostat. In total, full information is obtained for 131 EU countries and/or regions. The results of the OLS estimation with heteroskedasticity-

> A region's geographical location within the EU remains highly informative of firm-level AI adoption rates, with particularly significant differences persisting between the Central-Northern and Southern-Eastern blocs.

consistent standard errors are shown in Table 1 for different specifications of the equation (1).

In the first specification, only the dichotomous variables (geography-institutions) are included. Those variables present a high explanatory capacity: an adjusted $R^2$ of 66%. The average AI adoption rate in the Scandinavian regions is 4.5 percentage points above the average adoption rate in the Central European regions and countries. The average AI adoption rates in the Southern and Eastern European regions are 14 and 18 percentage points, respectively,

Table 1 **Results of the empirical model estimation (1) with respect to the determinants of the differences in AI adoption rates across European countries and regions in 2025**

| | | | | | | |
|---|---|---|---|---|---|---|
| Constant | 29.71*** (1.45) | -248.44*** (21.9) | -135.64*** (19.9) | -88.59*** (32.38) | -73.86** (30.71) | -75.21** (32.08) |
| Scandinavia | 4.53* (2.37) | — — | 5.9*** (2.01) | 5.66*** (2.05) | 2.57 (2.59) | 2.64 (2.63) |
| Southern Europe | -13.96*** (1.83) | — — | -9.18*** (1.52) | -8.76*** (1.56) | -8.37*** (1.54) | -8.05*** (1.61) |
| Eastern Europe | -18.19*** (1.66) | | -10.69*** (1.66) | -11.2*** (1.75) | -10.51*** (1.79) | -10.32*** 1.76 |
| ln (GDP/ capita) | — — | 25.56*** (2.23) | 15.37*** (1.84) | 10.62*** (3.06) | 8.36*** (3.16) | 8.51*** (3.3) |
| Employees in R&D | — — | — — | — — | 2.11* (1.18) | 1.86* (1.11) | 2.04* (1.14) |
| Internet connection | — — | — — | — — | — — | 0.15** (0.07) | 0.16** (0.07) |
| University graduates | — — | — — | — — | — — | — — | -0.04 (0.07) |
| | — | — | — | — | — | — |
| Adjusted R-squared | 0.66 | 0.57 | 0.79 | 0.8 | 0.81 | 0.8 |
| F-statistic | 69.78*** | 143.7*** | 128.37*** | 97.47*** | 89.58*** | 75.97*** |
| n | 131 | 131 | 131 | 131 | 131 | 131 |

*Note: ***, p < 0.01; **, p < 0.05; *, p < 0.10. Standard errors in parentheses adjusted for heteroskedasticity (White errors). Geography variable omitted:* Central Europe.
*Source: Author's own elaboration.*

> A difference of 10% in GDP per capita across countries is associated with a difference of approximately 2.56 percentage points in the AI adoption rate.

below the average diffusion rate in the Central Europe regions. The geographical location of a region within the EU (defined as Central, Southern or Eastern Europe and Scandinavia) is very informative of the average rate of AI adoption by the firms located there, yielding economically and statistically significant differences, particularly between the Central-North axis on the one hand and South-East axis, on the other.

In the second calibration, the adoption rate is explained solely by GDP per capita (in logarithms). The estimated coefficient of 25.56 indicates that a 10% difference in GDP per capita across countries is associated with an approximately 2.56 percentage point difference in the AI adoption rate. Based on the average value of the dependent variable (18.4%), this implies an estimated elasticity of AI adoption with respect to GDP per capita of 1.39. [5] In other words, the sensitivity of AI adoption to differences in the level of economic development is particularly high. The adjusted $R^2$ yielded by the regression is lower than in the first column, which means that the geographical-institutional bloc to which the region belongs within the EU is more informative than the level of GDP/capita in explaining the differences in AI adoption rates by firms.

The third column in the table shows the results of the empirical model estimation that explain the regional adoption rate as a function of GDP per capita and the geographical-institutional variables. Here the adjusted $R^2$ rises to 79%, *i.e.*, the model's explanatory power increases. Elsewhere, the coefficient estimated for the GDP/capita variable (in logs) decreases to 15.4 and the estimated coefficients for the dichotomous geography variables change with respect to the first column: controlling for the level of GDP/capita, the differences in average adoption rates across regional blocs narrow, albeit without changing the sign of the differences. Lastly, controlling for the geographical bloc to which each region belongs, the elasticity of the AI adoption rate to changes in GDP decreases to 0.84.

Columns four, five and six show the results of the empirical model estimation when successively adding in the three variables that capture differences in knowledge and human capital across regions. The incremental increase in the adjusted $R^2$ obtained by layering in these explanatory variables is smaller, increasing from 79% (column three) to 81% (column five). The coefficients estimated for the proxies for people working in R&D activities and those using an internet connection to do their jobs are positive and statistically significant, whereas, controlling for the other explanatory variables, the coefficient estimated for the share of individuals with third-level education (university graduates) is not statistically significant.

In quantitative terms, a difference across regions of one percentage point in the share of individuals employed in R&D activities implies a difference of approximately two percentage points in the AI adoption rate, in favour of the region with more R&D workers. Meanwhile, the variable measuring the use of internet at work yields a coefficient of around 0.15–0.16. That means that a difference of 10 percentage points in the share of workers who use internet at work is associated with a difference in the adoption rate of approximately 1.5–1.6 percentage points. This outcome evidences the role of digitalisation as direct enabler of AI deployment at companies. The fact that the variable measuring the share of people with third-level studies is not statistically significant indicates that, when controlling for the other explanatory variables in the model, the differences in a population's general knowledge or human capital do not explain cross-regional differences in AI adoption rates. [6]

When including the proxy for the level of an economy's digitalisation in the explanatory variables in the model, the coefficient for the Scandinavia variable ceases to be statistically significant, whereas the coefficients estimated for the Southern and Eastern European variables barely budge. Apparently, the differences in average AI adoption rates by firms doing business in the Scandinavian countries and regions and the average adoption rates by firms in Central Europe are explained by a higher level of digitalisation

(higher share of individuals working using an internet connection) in Northern Europe relative to Central Europe.

Lastly, in column five, when the R&D employment and internet connection variables are added in, the estimated coefficient for the GDP/capita variable falls again to approximately 8.5. Differences in GDP per capita across regions are positively correlated with differences in R&D employment and digitalisation levels, as borne out by the positive and statistically significant correlation of 0.6-0.8 between GDP/capita and each of these variables. When isolating the effect of GDP/capita as an explanatory variable for the AI adoption rate by controlling for the other two variables that are positively correlated with GDP/capita and the adoption rate, the elasticity of the adoption rate to changes in economic development levels falls to 0.46 (8.5/18.4); *i.e.*, to one-third of the elasticity estimated when GDP/capita is the only explanatory variable in the model.

If we turn to the results for the Spanish regions within the general model, the difference between the average adoption rate for the Spanish regions, 16.3%, and the average adoption rate for the European regions as a whole, 18.4%, appears to be explained by less intense employment in R&D and less digitalisation in the workplace in the Spanish regions compared to the averages for these variables in the EU regions as a whole (the average of Log-GDP/capita for the Spanish regions is similar to that of the EU regions as a whole).

On balance, the quantitative results are in line with those of Comín et. al and confirm that AI adoption is sensitive to differences in the level of regional wealth and, in particular, to differences in the levels of wealth correlated with differences in human capital (scientific knowledge, specific knowledge unlocked by experience with digitalisation and education standards). These differences act by influencing the propensity to experiment of the early adopters (mainly thanks to greater scientific knowledge) and the speed with which the followers imitate them (shaped by experience with digitalisation). In turn, controlling for differences in wealth levels and their determinants, considerable differences persist in the average AI adoption rates in the regions and countries in Northern and Central Europe and the average adoption rates in Southern and Eastern Europe, which remain unexplained (differences in institutional quality, openness to trade, management practices and productive specialisation, among others, that are not fully embodied in GDP/capita).

## Conclusions

The adoption of artificial intelligence technologies by firms is a necessary first step in unlocking their potential effects on productivity, employment and competitiveness at the aggregate level. This paper analyses the diffusion of AI in firms in the EU using data from the Eurostat EU-ICT-Firm Survey, combining descriptive evidence, focusing on the data for Spain, and empirical analysis of the determinants of the differences in adoption rates across countries and regions grounded on the theory of technological diffusion.

The results reveal, firstly, that AI adoption in the EU has increased rapidly in recent years. However, penetration in the EU as a whole is estimated to lag behind adoption in the U.S. Also, adoption is highly uneven across countries and regions. Whereas certain countries in Northern and Central Europe present high adoption rates, in other regions, concentrated in Southern and Eastern Europe, penetration remains relatively low. Spain falls somewhere in the middle, both by comparison with the rest of Europe and in terms of its internal regional heterogeneity. Regionally, Madrid presents by far the highest adoption rate, albeit still less than half of the adoption rates observed for the pioneering regions of the EU.

Secondly, the empirical model estimated to explain the adoption rates across EU regions and countries as of 2025 reveals that the differences in AI penetration are largely explained by structural factors. The level of economic development, intensity of employment in R&D activities, level of digitalisation and stock of human capital

“ AI adoption begins in the richest regions and countries and then spreads to those with lower levels of GDP per capita. ”

associated with experience with digital technologies adjacent to AI emerge as significant determinants. Overall, these variables explain a substantial amount of the observed variation, suggesting that the diffusion of AI is not a random process but rather one shaped by well-defined economic and institutional traits.

The strongest general conclusion from this exercise is that, as with earlier innovations, AI adoption begins in the richest regions and countries and then spreads to those with lower levels of GDP per capita. The difference in the propensity to adopt between rich and poor regions increases when the wealth differences are correlated with differences in scientific and technical knowledge and experience with digitalisation across regions and, despite not directly evidenced in this paper, differences in institutional quality, economic openness and management practices. In Spain, a relatively smaller average R&D effort and relative lag in digitalisation, coupled with high dispersion of these resources across regions, are dragging on the adoption and spread of AI among firms.

These results have relevant implications for economic policy. More specifically, they highlight how differences in the starting conditions across countries and regions can amplify differences in the economic impact of AI across territories because those initial conditions will determine the propensity to adopt this technology and the speed with which it spreads through the economy. In the absence of public intervention to at least partially correct the effects of the starting differences, AI could accentuate economic divergences within the European Union, directly at first until the follower firms complete adoption and later indirectly insofar as the early adopters will be in a better position than the laggards to move quicker in response to successive innovations in the AI space.

The results of this paper should be interpreted considering the limitations with respect to the data available, particularly the lack of information about the intensity with which AI is being used, and the unknowns on how the technology may develop in the future. Elsewhere, the analysis focused exclusively on the first stage of adoption of the technology. To complete the impact assessment, studies are needed into the impacts on productivity and employment and the interaction between firm-level technology adoption and organisational changes.

## Notes

[1] This is an abridged version of a longer text published in the form of a Funcas research note (Salas Fumás, 2026).

[2] By way of example, for Spain, Fernández de Guevara and Mínguez (2025); Fernández Cerezo et al. (2025); COTEC-ISEAK (2025); Rodríguez Fernández (2026).

[3] This result is the opposite of what would be expected if adoption rates were converging over time. However, when the change in the adoption rate between 2025 and 2021 is measured in relative terms, the correlation with the 2021 adoption rate is negative, which would support the convergence hypothesis.

[4] The pioneering studies include those of Griliches (1957), Mansfield (1961) and Bass (1969).

[5] Elasticity of the adoption rate, z, to GDP per capita derived from the estimation is calculated as: *Elasticity of the adoption rate to* $GDP\ pc = \frac{\beta_{GDP\,pc}}{Average\ adoption\ rate} = \frac{25.6}{18.4} = 1.39$.

[6] The simple correlation between the share of people with third-level education and AI adoption rate variable is 0.54. On the other hand, the correlation between general human capital and GDP/capita, the share of individuals working in R&D and the share of individuals working with an internet connection is around 0.65.

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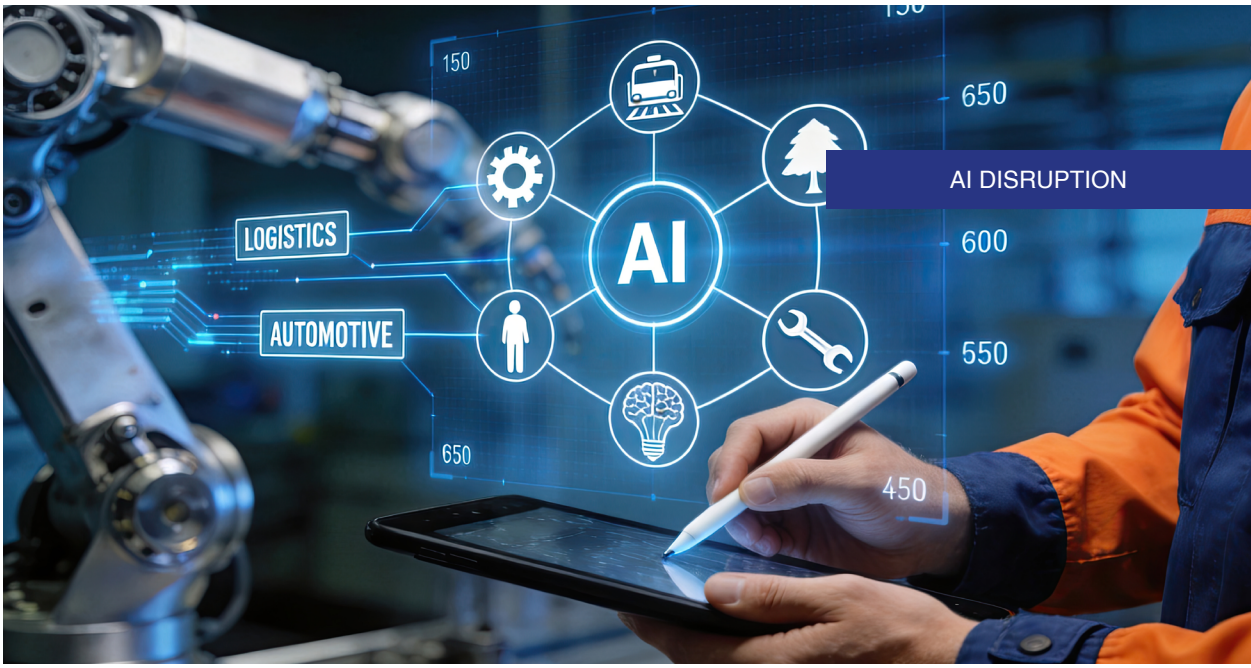


# Artificial intelligence and the labor market in Spain: Occupational exposure and estimated effects on employment

AI adoption among Spanish firms rose from 12.4% to 21.1% between 2023 and 2025, concentrated in sectors where exposure to automation is already highest. While the distributional consequences fall disproportionately on mid-level white-collar workers, reversing earlier displacement patterns, Spain's position at a historic employment peak offers an opportunity to manage this transition from a position of relative strength.

Francisco Rodríguez Fernández

Abstract: [1] The relationship between artificial intelligence and employment has shifted substantially since Frey and Osborne's (2017) estimate that 47% of U.S. jobs faced high automation risk, a figure now subject to methodological revision. Second-generation indices, built on task-level analysis rather than occupational categories, find that exposure to generative AI is concentrated among educated, higher-wage workers, not the routine manual jobs of the previous paradigm. Experimental evidence reinforces this picture: productivity gains are significant, but benefit less experienced workers the most, while aggregate TFP gains

over a ten-year horizon are estimated at under 1%. Applying an adapted version of the AI Occupation Exposure index to Spain's CNO-11 occupational classification, the model projects gross job displacement of between 1.7 and 2.3 million positions over 2025–2035, with a central estimate of 2.0 million concentrated in administrative, technical support, and scientific professional roles. Against this, complementarity effects benefit an estimated 3.1 million workers in services and manufacturing, and new occupation creation is projected at 1.61 million, placing the net loss at around 400,000 jobs in the baseline scenario. The distribution of that loss across geography, sector, and educational level is highly uneven, and the transition window depends critically on the pace at which displaced workers can access reskilling. Spain's position at a historic employment peak as AI adoption accelerates represents an opportunity to manage that transition from a position of relative strength.

## The transition from the Frey and Osborne paradigm to second-generation indices

Modern analysis of the relationship between technology and employment is grounded in the task framework proposed by Autor et al. (2003), whose key contribution was to distinguish between the content of the tasks performed by workers and occupations as aggregate categories. This perspective was formalized by Acemoglu and Restrepo (2018, 2019, 2020) in a model that identifies two opposing mechanisms: the productivity effect, which increases labor demand by reducing costs, and the displacement effect, which reduces demand by replacing human labor in specific tasks. The sign of the net effect depends on the relative magnitude of both.

The estimate by Frey and Osborne (2017) that 47% of U.S. jobs were at high risk of automation marked the first generation of exposure studies. Today, it is the subject of systematic methodological criticism: it treated entire occupations as units of analysis, without recognizing that automation operates on a task-by-task basis and that workers can be reassigned to non-automated tasks within the job. The widespread adoption of generative AI starting in 2022 spurred a second generation of more nuanced indices.

Felten et al. (2023) construct the AIOE (AI Occupational Exposure) index based on ten capabilities of AI systems and link them to the skills of each occupation according to the O*NET database. Their most significant finding is that exposure to generative AI correlates positively with median wages and educational attainment: it is white-collar and highly skilled occupations—not the routine manual jobs of the previous paradigm—that are most exposed. Eloundou et al. (2024), in a paper published in *Science*, reach a similar conclusion: approximately 80% of the U.S. workforce could see at least 10% of their tasks affected by language models, and around 19% could see more than half affected.

The OECD (2024), applying methodologies similar to its PIAAC database, places Spain at a potential exposure of 27.4%, slightly above the average (26%). However, the same report distinguishes between potential exposure and actual risk of automation: in Spain, the actual risk is estimated at 5.9%, considerably below the OECD average of 12%. This difference is attributed to the higher proportion of tasks with interpersonal, physical, or creative components in the Spanish occupational structure, which are difficult to automate even in occupations with high potential exposure.

> “The OECD estimates that 27.4% of jobs in Spain are potentially exposed to AI-driven task automation—slightly above the OECD average (26%)—yet the share at high risk of actual automation remains much lower at 5.9%, compared with 12% across the OECD.”

> “ The COTEC-ISEAK report (2025) estimates that companies adopting AI exhibit, on average, 27% higher productivity than non-adopting firms. ”

## Experimental evidence on productivity

Alongside exposure studies, controlled experiments measuring the actual impact of generative AI on productivity have proliferated. Brynjolfsson et al. (2023, published in QJE in 2025) study the implementation of a conversational assistant among 5,179 customer service agents: access to the assistant increases productivity by 14% on average, with a 34% effect on new employees and virtually none on veterans. The authors —interpret this pattern as evidence that AI encodes best practices and narrows the productivity distribution within the company.

Noy and Zhang (2023), in an experiment published in *Science*, randomly assign access to ChatGPT to 453 professionals performing writing tasks: the time required is reduced by 40%, and quality, as evaluated by blind judges, increases by 18%. Once again, workers with lower relative skill benefit the most. These results, however, should be interpreted with caution when extrapolated to the economy as a whole. Acemoglu (2024, published in *Economic Policy* in 2025) provides the framework for this extrapolation using Hulten’s theorem: by combining the exposure parameters from Eloundou et al. with the experimental savings estimates, he concludes that the cumulative increase in TFP over ten years will not exceed 0.66%. This result is modest because, although savings on individual tasks are significant, the share of total value added corresponding to tasks that are currently automatable is relatively small.

Spanish business adoption confirms this tension between microeconomics and macroeconomics. The INE’s ETICCE for the first quarter of 2025 puts adoption at 21.1% of firms with ten or more employees, compared to 12.4% in 2023: an increase of 8.7 percentage points in just two years. Sectoral heterogeneity is very pronounced: the ICT sector leads with 58.7%, compared to 25.7% in services, 17.5% in industry, and 11.4% in construction. The COTEC-ISEAK report (2025) estimates that adopting companies have an average productivity 27% higher than non-adopting companies, although the authors themselves caution against reverse causality: the most productive companies are also the ones most likely to adopt AI.

## Estimate for Spain: The AIOE-CNO model

Applying the above framework to the Spanish labor market requires resolving the issue of correspondence between occupational classifications: the AIOE index uses the U.S. SOC, while the Spanish EPA uses the CNO-11. The strategy adopted consists of a double mapping: first between SOC and ISCO-08 using tables from the Bureau of Labor Statistics and Eurostat, and then between ISCO-08 and CNO-11 using tables from the INE. To account for the loss of precision associated with this double translation and the structural differences between the two labor markets, an adjustment factor $\varphi = 0.82$ is applied, which reduces the AIOE score by 18%. This value is an assumption of the analysis and will need to be refined once an exposure index constructed directly on the CNO-11 is available.

The model estimates the effects through three channels. The substitution channel applies to groups with an AIOE-CNO above the threshold $\alpha = 0.35$ and combines the fraction of tasks susceptible to automation ($\delta\_sust = 0.22$, calibrated with Eloundou et al., 2024), the fraction that is actually automated over the ten-year horizon ($\gamma = 0.65$, based on Acemoglu, 2024), and the firm-level diffusion rate ($\rho = 0.211$, equal to

the ETICCE adoption rate in 1Q2025). The complementarity channel affects groups with AIOE-CNO between 0.15 and 0.35 with a parameter of productivity gain δ_comp = 0.09. The creation of new occupations is exogenous to the model and is calibrated using Randstad/COIT (2024).

Table 1 summarizes the distribution of employment by CNO-11 groups, the AIOE-CNO scores, and the estimated effects in the baseline scenario. The four groups with AIOE-CNO scores above the threshold account for virtually all of the estimated job losses: scientific technicians and professionals (group 2) represent 45% of total job losses, support technicians (group 3) 26%, and administrative employees (group 4) 21%. Directors and managers (group 1) have high AIOE but a more modest total volume. In contrast, groups 5 (services and commerce) and 7 (crafts and manufacturing) experience a complementarity effect affecting 3.1 million workers who do not lose their jobs but gain relative productivity.

## Results, net balance, and uncertainty

Applying the model to the baseline scenario data yields a gross job destruction of between 1.7 and 2.3 million jobs over the

Table 1 **Distribution of employment by ISCO-11 groups, AIOE exposure, and estimated effects (central scenario, 2025–2035 horizon)**

| CNO-11 Group | Employed 4Q2025 (thousands) | AIOE-CNO (assumption) | Estimated destruction (central estimate) (thousands) | Complementarity effect (thousands) | Dominant channel |
|---|---|---|---|---|---|
| 0. Armed Forces | 70 | 0.10 | — | — | Not applicable |
| 1. Directors and managers | 870 | 0.52 | ~150 | — | Replacement |
| 2. Technicians and scientific professionals | 4,350 | 0.63 | ~906 | — | High turnover |
| 3. Technicians and support staff | 2,900 | 0.55 | ~527 | — | Replacement |
| 4. Administrative staff | 2,100 | 0.60 | ~417 | — | High turnover |
| 5. Services and trade | 4,050 | 0.20 | — | ~2,217 | Complementarity |
| 6. Skilled agricultural workers | 540 | 0.10 | — | — | No effect |
| 7. Artisans and manufacturing industries | 2,150 | 0.15 | — | ~883 | Complementarity |
| 8. Facility operators | 1,650 | 0.13 | — | — | No effect |
| 9. Elementary occupations | 3,780 | 0.08 | — | — | No effect |
| TOTAL | 22,460 | — | ~2,000 | ~3,100 | — |

*Note: The AIOE-CNO scores are estimates derived from the SOC→ISCO→CNO-11 mapping with an adjustment factor φ = 0.82. The estimated job destruction applies to groups with AIOE-CNO > 0.35 (groups 1–4, ~10.2 million employed). The complementarity effect applies to groups with AIOE-CNO between 0.15 and 0.35 (groups 5 and 7, ~6.2 million); these workers do not lose their jobs but rather gain in productivity. Destruction and complementarity operate on different populations and do not offset each other.*
*Sources: Author's own calculations based on EPA 4Q2025 (INE), the AIOE index by Felten et al. (2023), and parameters calibrated using Acemoglu (2024) and Eloundou et al. (2024).*

“ The net balance between gross job destruction (2.0 million) and creation (1.61 million) places the net loss at around 400,000 jobs in the baseline scenario. ”

2025–2035 horizon, with a central value of approximately 2.0 million. This estimate is consistent with the independent projections by Randstad Research/COIT (2024) for Spain. It is important to clarify what this job loss means: it does not imply that all these jobs will disappear *en masse*, but rather that this volume of tasks—currently performed by workers—could be carried out by AI systems over the considered time horizon. The reality will be a combination of workforce reductions through non-renewal of contracts, reduced hiring of replacements, and reorganization of duties within remaining positions.

Alongside the displacement channel, the model identifies two positive forces. Complementarity affects 2.8–3.5 million workers in groups 5 and 7, whose productivity increases without their jobs disappearing. The creation of new occupations—exogenous to the model and calibrated with Randstad/COIT (2024)—is estimated at 1.61 million over the 2023–2033 horizon, primarily technical and AI systems management roles. The net balance between gross job destruction (2.0 million) and creation (1.61 million) places the net loss at around 400,000 jobs in the baseline scenario, although its distribution by geography, sector, and educational level is highly uneven.

Whether this net loss will materialize depends, above all, on the speed at which displaced workers can acquire the skills demanded by the new occupations. The PwC AI Jobs Barometer (2025) documents a 56% wage premium for jobs requiring AI skills and 14% growth in occupations with the highest exposure to AI in Spain during 2019–2024, compared to 7% for those with the lowest exposure. This suggests that recent trends have been predominantly characterized by complementarity and job creation, not net displacement; however, this outcome may be temporary if technological acceleration continues.

The model's uncertainty is very high. In the optimistic scenario (minimum parameters), job losses are reduced to about 700,000; in the pessimistic scenario (maximum parameters), they exceed 3.5 million. This wide range reflects genuine uncertainty regarding the pace of adoption and the speed of process redesign in companies. Additionally, the ten-year horizon is not an empirical estimate of diffusion in Spain, but rather a convention in the field inherited from Acemoglu (2024) and Svanberg et al. (2024). A five-year horizon would be equally plausible if diffusion continues at the pace observed between 2023 and 2025.

## Implications for economic policy

The reviewed evidence and the model results point to a scenario of significant labor transition, although the mechanisms and magnitude depend on parameters with considerable uncertainty. The most relevant distinction is between the short-term horizon—where complementarity and job creation

“ The PwC AI Jobs Barometer (2025) documents a 56% wage premium for jobs requiring AI skills and 14% growth in occupations with the highest exposure to AI in Spain during 2019–2024, compared to 7% for those with the lowest exposure. ”

effects predominate—and the medium-term horizon, where deepening automation may generate more intense displacement pressures. The fact that Spain is at an all-time high in employment just as AI adoption accelerates offers a window of opportunity to anticipate the transition from a position of strength.

The priority should be the design of active labor market policies specifically targeted at groups most at risk of displacement—mid-level administrative and technical employees—combining intensive reskilling programs with hiring incentives for new AI-related occupations. The 56% wage premium suggests that acquiring these skills is a significant driver of upward mobility. However, access to AI training tends to be concentrated among workers with higher prior educational attainment, which may widen existing gaps. Policies that combine training support with mechanisms for recognizing skills acquired through non-formal channels will be particularly important for expanding access for lower-skilled workers.

From a business perspective, the risk that SMEs—which account for 99.8% of the business sector and approximately 70% of private employment—will lag behind in adoption is real and has direct implications for employment. If large firms automate at a faster pace, the competitiveness gap widens and sectoral concentration accelerates. Policies supporting the digitalization of SMEs, including access to low-cost AI tools and assistance with managing organizational change, are a necessary complement to labor market policies. The full version of this paper elaborates on the model's parameters, the optimistic and pessimistic scenarios, and a detailed analysis of methodological limitations.

## Notes

[1] This article is an abridged version of a more extensive study by the same author for Funcas: https://www.funcas.es/documentos_trabajo/inteligencia-artificial-y-mercado-de-trabajo-en-espana-exposicion-ocupacional-efectos-sobre-el-empleo-y-adopcion-empresarial/

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# Recent key developments in the area of Spanish financial regulation

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

## Royal Decree-law 7/2026, of 20 March 2026, approving the Comprehensive Plan in Response to the Crisis in the Middle East and introducing a new package of urgent measures to address the economic and social consequences of the new conflict in the Middle East and other international conflicts (*Official State Gazette:* 21 March 2026)

Broadly speaking, Royal Decree-law 7/2026 introduces the following financial measures:

- The granting, through Spain's official credit institute, ICO, of counter-guarantees covering bank guarantees issued by financial institutions to self-employed professionals and small and medium-sized enterprises in the road freight transport sector to cover fuel credit cards, for an amount of EUR 2 billion.

- The amendment of article 42 of Law 10/2010, of 28 April 2010, on anti-money laundering and counter-terrorism financing (AML/CTF) in relation to the implementation of financial sanctions by financial institutions so as to:

    - Ban, limit or condition the establishment or maintenance of subsidiaries, branches or representation offices of financial institutions from third countries that imply a high risk of money laundering, terrorism financing or the proliferation of weapons of mass destruction financing.

    - Ban, limit or condition the establishment or maintenance by financial institutions of subsidiaries, branches or representative offices in third countries.

    - Require financial institutions to review, modify and, where appropriate, terminate correspondent banking relationships with financial institutions from the third country.

    - Subject subsidiaries and branches of third-country financial institutions to enhanced supervision or external review or audit.

    - Impose additional disclosure requirements or an external audit on financial groups with respect to any subsidiary or branch located or operating in the third country.

## Royal Decree 238/2026, of 25 March 2026, implementing the mandatory electronic invoicing system between business owners and professionals (*Official State Gazette*: 31 March 2026)

The purpose of Royal Decree 238/2026 is to establish the technical and information requirements pertinent to the Spanish mandatory invoicing system between business owners and professionals and the requirements incumbent upon electronic invoice exchange platforms.

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# Spanish economic forecasts panel: May 2026*

Funcas Economic Trends and Statistics Department

## Growth in 2026

### *Consensus 2026 GDP growth cut 0.1pp to 2.2%*

Spanish GDP increased by 0.6% in 1Q26, which is 0.1pp better than the most recent consensus forecast. Domestic demand contributed 0.4pp, driven above all by private consumption, whereas investment slowed. Foreign demand contributed 0.2pp, with the drop in imports exceeding the correction in exports.

For the rest of the year, the analysts expected quarterly growth to slow to 0.4% (Table 2). That yields a GDP growth projection for 2026 as a whole of 2.2%, with domestic demand contributing 2.6pp and foreign trade detracting 0.4pp (Table 1).

Compared to the last survey, the analysts now see significant downside risks. Most of them think there is a higher probability that growth will fall short of their forecasts, with just one seeing upside risks.

The uncertainty derived from the conflict in the Middle East has increased variability in the assumptions used by the analysts to draw up their forecasts, particularly with respect to where they think oil prices may be headed. On average, they are assuming that a barrel of Brent will cost around 103 dollars in June, 82 dollars in December and around 74 dollars in 2027.

## Growth in 2027

### *2027 GDP growth forecast unchanged at 2%*

The consensus forecast for GDP growth in 2027 is unchanged at 2%. That is higher than the growth forecast by the Bank of Spain and other international organisations such as the OECD or IMF (Table 1).

The slowdown with respect to 2026 would come from domestic demand, whose contribution would slow to 2.1pp (down 0.1pp from the last consensus forecast), with foreign demand detracting 0.1pp. As for the quarterly profile, the analysts are looking for quarterly growth of around 0.5% (Table 2).

## Inflation

### *Significant upward revision to inflation forecasts due to the Gulf conflict*

Following the onset of the Gulf conflict, headline inflation increased to 3.4% in March, falling back slightly to 3.2% in April. Core inflation has moved between 2.6% and 2.8% during the first four months of the year.

The consensus forecast for the average rate this year is 3.1% for headline inflation and 2.7% for core inflation, up 0.5pp and 0.2pp from the last set of forecasts, respectively. For 2027, the consensus forecasts for the headline and core rates are 2.3% and 2.4%, respectively, both of which 0.2pp higher than in the previous consensus. The year-on-year rates of change in December of this year and next are currently forecast at 3% and 2.1%, respectively (Tables 1 and 3).

## Labor market

### *Unemployment estimated at around 10% in 2026*

According to the labour force survey, employment increased by 0.4% in the first quarter, adjusting for seasonal effects, marking slight easing from the quarterly growth observed in 2025 (with the exception of the third quarter). The unemployment rate was 10.8%, down 0.6pp year-on-year. Social Security contributors also registered weaker growth in the first quarter due to poor performances in January and February, shaped by weather conditions. However, job creation accelerated in March and April, returning to the average month-on-month rates observed throughout 2025.

The consensus forecasts for growth in employment in 2026 and 2027 are unchanged at 1.9% and 1.5%, respectively. As a result, the unemployment rate is expected to come in at 10% in 2026 (up 0.1pp from the last set of forecasts) and drop another 0.4pp in 2027 to 9.6% (unchanged). (Table 1).

Productivity and unit labour costs (ULCs), calculated on the basis of the forecasts for growth in GDP, employee compensation and employment (as per LFS), are expected to register growth of 0.3%

and 3%, respectively. For 2027, additional growth of 0.5% and 2.5% is expected.

## Balance of payments

### *Current account surplus expected to decline*

According to the revised figures, the current account surplus amounted to 49.3 billion euros in 2025, which is the second best figure on record in nominal terms and one of the best relative to GDP, at 2.9%, with higher surpluses only ever recorded in 2016 and 2024. In the first two months of 2026, the trade deficit improved year-on-year, while the deficit in the primary and secondary income accounts widened, so that the current account surplus was almost unchanged compared to last year.

The consensus forecast is for a current account surplus equivalent to 2.2% of GDP in 2026 and 2% in 2027, down 0.2pp from the last set of forecasts in both instances (Table 1).

## Public deficit

### *The public deficit could increase this year*

Spain recorded a general government deficit of 2.4% of GDP in 2025 (excluding expenditure related with the deadly flash floods, the deficit was 2.2%), compared to 3.2% in 2024. In the first two months of 2026, the balances recorded by the Social Security and regional governments improved, while the state government reported a similar deficit. However, the early months of the year are scantly representative.

The analysts expect the public deficit to increase this year to 2.5% (up 0.1pp from the last set of forecasts), going on to fall back to 2.3% (down 0.1pp) in 2027 (Table 1).

## International context

### *Deteriorating international climate*

The uncertainty around the conflict in the Middle East continues to cloud the global economic outlook. At the time of writing, the Strait of Hormuz remained blockaded, choking the global supply of oil, gas and other commodities, whose prices have shot up from the levels observed prior to the flare-up. The futures markets point to a more lasting disruption than anticipated at the time of our last report, with prices remaining high until at least the end of the year. In addition, the International Energy Agency has warned that there is a risk that oil reserves could be depleted if the shipping restrictions through the Persian Gulf continue beyond the summer.

In this context, the IMF, in its April round, cut its forecast for global growth to 3.1%, down 0.2pp from its January projections. Importantly, the IMF considers that, if it were not for the war in Iran, the growth forecast would have been upgraded due to the catalytic impact of AI on investment, among other factors.

The European Union, which was already starting from a situation of relative weakness, is one of the regions most exposed to the oil shock. This is already visible in the behaviour of the purchasing managers' index (PMI) of the eurozone, which dropped below the 50-mark in both April and May.

In line with these trends, the analysts have become more pessimistic about the international outlook (Table 4). They all believe that the global context is unfavourable and the majority thinks that the current situation will continue or even worsen in the short run. Their assessments with respect to the situation in the EU and the outlook for the region in the near term are similarly pessimistic.

## Interest rates

### *The ECB is expected to raise rates by a quarter of a point in June*

The spike in consumer price inflation triggered by the run-up in energy and other commodity prices is complicating the task of monetary policy, in light of the difficulty in assessing the risk of inflation expectations decoupling in such an uncertain environment. For now, the main central banks have opted to leave their interest rates unchanged, while expressing their readiness to react if they detect signs that the inflationary episode could prove persistent.

Markets believe that rate adjustments are inevitable. Euribor is trading at around 2.8%, up from 2.2% before the Gulf war (and close to 30 basis points above the levels observed at the time of the last Panel in March). Likewise, the yield on the 10-year Spanish bond has increased from 3% in February to close to 3.6% at present (up 0.1pp versus March). The analysts expect the yield to continue to trade at current levels throughout most of the year (Table 2), i.e., above the last consensus forecast.

Similarly, the consensus forecast is for an increase in the ECB's deposit facility rate from 2% currently to 2.25% next month. After that, the European monetary authority is expected not to tighten rates again throughout the end of 2027 (Table 2).

## Currency market

### *Euro appreciation against the dollar over the projection horizon*

Currency markets have moved in tandem with the news flow around the conflict in the Middle East. Reflecting its safe haven status, the dollar has tended to appreciate since the start of the attacks on Iran, albeit oscillating significantly. Today, the dollar is trading at around 1.16 per euro, compared to 1.18 in February. However, the consensus forecast is that between now and the end of 2027, the euro will regain the ground lost during the past two months (Table 2).

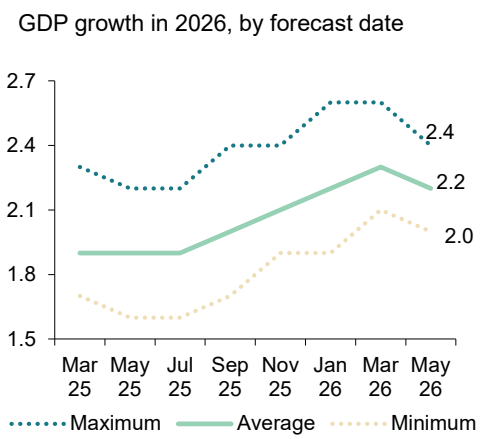
## Fiscal and monetary policy considerations

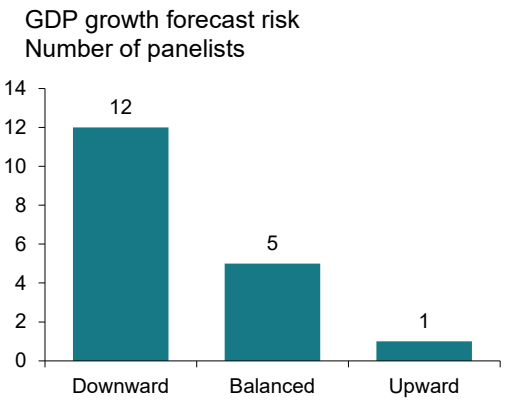
### *Fiscal policy should be less expansionary*

The analysts believe that the Spanish economic cycle is sufficiently robust as to not need additional stimulus via fiscal policy. According to a majority of analysts, the budget remains expansionary when it should be neutral, meaning it should not provide additional stimulus. As for monetary policy, the perception is one of a better fit with the cycle: the consensus is that monetary policy is neutral, which is what the Spanish economy currently requires (Table 4).

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 research services listed in Table 1. The survey, which dates back to 1999, is published every two months, in January, March, May, July, September and November. The responses to this survey generate "consensus" forecasts, which are calculated as the arithmetic mean of the 19 individual forecasts. For comparative purposes, albeit not part of the consensus, the forecasts of the Spanish government, AIReF, Bank of Spain and leading international organisations are also presented.*

# Spanish economic forecasts panel: May 2026*

Funcas Economic Trends and Statistics Department

Table 1

## Economic Forecasts for Spain – May 2026

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 | | | | | | | |
| | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 |
| Analistas Financieros Internacionales (AFI) | 2.1 | 2.1 | 2.4 | 2.2 | 1.6 | 1.4 | 3.7 | 2.0 | 2.6 | 2.3 | 3.8 | 2.0 | 2.4 | 1.9 | -0.5 | 2.3 | 0.2 | 2.1 |
| BBVA Research | 2.4 | 2.4 | 2.8 | 2.2 | 2.4 | 2.7 | 6.1 | 5.8 | 4.0 | 3.7 | 6.8 | 5.0 | 3.3 | 2.9 | 2.0 | 3.6 | 4.8 | 5.7 |
| CaixaBank Research | 2.4 | 2.0 | 3.0 | 2.1 | 1.4 | 1.8 | 5.2 | 2.5 | 4.4 | 2.5 | 5.6 | 2.4 | 3.2 | 2.1 | 2.1 | 2.1 | 4.1 | 2.4 |
| Cámara de Comercio de España | 2.3 | 2.0 | 2.5 | 2.1 | 2.4 | 2.6 | 4.6 | 4.5 | 2.8 | 3.9 | 5.2 | 4.8 | 2.8 | 2.2 | 1.9 | 2.8 | 3.5 | 3.7 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 2.1 | 2.0 | 2.5 | 2.3 | 2.2 | 1.7 | 4.0 | 3.8 | 6.5 | 5.5 | 4.0 | 3.0 | 2.8 | 2.6 | 3.5 | 3.3 | 5.0 | 4.2 |
| Centro de Predicción Económica (CEPREDE-UAM) | 2.4 | 2.0 | 2.9 | 2.3 | 1.3 | 1.1 | 4.8 | 3.5 | 3.7 | 3.1 | 4.7 | 3.2 | 2.8 | 2.2 | 2.1 | 2.3 | 3.6 | 3.2 |
| CEOE | 2.3 | 1.9 | 2.6 | 1.7 | 1.6 | 1.1 | 4.4 | 2.5 | 2.8 | 1.2 | 4.8 | 2.6 | 2.8 | 1.7 | 2.0 | 2.8 | 3.3 | 2.5 |
| Equipo Económico (Ee) | 2.4 | 2.1 | 2.9 | 1.9 | 3.5 | 2.5 | 3.8 | 2.4 | 3.2 | 2.5 | 3.9 | 2.1 | 2.9 | 2.1 | 1.4 | 2.6 | 3.0 | 2.7 |
| EthiFinance Ratings | 2.3 | 1.9 | 2.2 | 1.8 | 1.9 | 1.7 | 4.0 | 2.9 | 4.3 | 3.0 | 3.2 | 2.9 | 2.3 | 2.1 | 2.1 | 2.3 | 3.5 | 3.0 |
| Funcas | 2.2 | 1.8 | 2.6 | 1.9 | 1.6 | 1.5 | 4.6 | 3.4 | 4.3 | 2.2 | 4.8 | 4.4 | 2.6 | 2.1 | 0.4 | 1.9 | 1.7 | 3.0 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 2.3 | 2.2 | 2.8 | 2.2 | 1.7 | 1.6 | 4.1 | 3.4 | 4.2 | 2.8 | 4.7 | 3.2 | 2.8 | 2.3 | 2.1 | 2.0 | 3.0 | 2.6 |
| Instituto de Estudios Económicos (IEE) | 2.1 | 1.8 | 2.4 | 2.0 | 1.4 | 1.1 | 3.4 | 1.8 | 1.8 | 1.2 | 3.8 | 1.2 | 2.5 | 1.8 | 2.8 | 3.0 | 4.1 | 3.1 |
| Intermoney | 2.2 | 1.8 | 2.4 | 1.9 | 1.7 | 1.7 | 3.3 | 2.3 | 3.4 | 1.4 | 3.8 | 3.2 | 2.3 | 1.8 | 2.6 | 2.6 | 3.2 | 2.6 |
| Mapfre Economics | 2.1 | 1.9 | 2.9 | 2.0 | 1.1 | 1.6 | 6.3 | 3.5 | - | - | - | - | 1.9 | 1.8 | 1.9 | 1.9 | 4.2 | 2.3 |
| Metyis | 2.0 | 1.8 | 2.4 | 2.0 | 2.2 | 2.1 | 3.2 | 2.4 | 3.3 | 2.1 | 4.0 | 2.9 | 2.5 | 2.2 | 2.1 | 2.1 | 3.6 | 2.6 |
| Oxford Economics | 2.4 | 2.1 | 2.7 | 2.0 | 1.7 | 1.3 | 4.8 | 3.5 | 4.0 | 3.0 | 6.0 | 4.0 | 2.8 | 2.2 | 1.1 | 2.0 | 2.1 | 2.5 |
| Repsol | 2.1 | 1.8 | 2.4 | 1.7 | 1.4 | 1.2 | 2.9 | 3.6 | 1.1 | 5.5 | 3.1 | 2.5 | 2.2 | 1.9 | 0.9 | 2.8 | 1.1 | 3.7 |
| Santander | 2.3 | 2.0 | 2.7 | 2.2 | 1.5 | 1.1 | 3.8 | 1.8 | 3.1 | 1.9 | 4.0 | 1.6 | 2.6 | 2.0 | 1.4 | 2.4 | 2.1 | 2.4 |
| Universidad Loyola Andalucía | 2.1 | 1.8 | 2.5 | 2.1 | 1.6 | 1.7 | 3.9 | 1.8 | 5.1 | 1.7 | 2.6 | 2.3 | 2.6 | 1.8 | 2.2 | 2.4 | 4.2 | 3.1 |
| CONSENSUS (AVERAGE) | 2.2 | 2.0 | 2.6 | 2.0 | 1.8 | 1.7 | 4.3 | 3.0 | 3.6 | 2.8 | 4.4 | 3.0 | 2.6 | 2.1 | 1.8 | 2.5 | 3.2 | 3.0 |
| Maximum | 2.4 | 2.4 | 3.0 | 2.3 | 3.5 | 2.7 | 6.3 | 5.8 | 6.5 | 5.5 | 6.8 | 5.0 | 3.3 | 2.9 | 3.5 | 3.6 | 5.0 | 5.7 |
| Minimum | 2.0 | 1.8 | 2.2 | 1.7 | 1.1 | 1.1 | 2.9 | 1.8 | 1.1 | 1.2 | 2.6 | 1.2 | 1.9 | 1.7 | -0.5 | 1.9 | 0.2 | 2.1 |
| Change on 2 months earlier[1] | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 | 0.0 | -0.4 | -0.2 | -0.7 | -0.5 | -0.3 | 0.2 | -0.2 | -0.1 | -0.5 | 0.1 | -0.7 | 0.1 |
| - Rise[2] | 2 | 1 | 6 | 3 | 4 | 1 | 5 | 2 | 4 | 0 | 3 | 5 | 4 | 2 | 2 | 5 | 4 | 7 |
| - Drop[2] | 9 | 4 | 9 | 5 | 6 | 7 | 10 | 8 | 10 | 10 | 8 | 4 | 9 | 8 | 9 | 2 | 9 | 3 |
| Change on 6 months earlier[1] | 0.1 | - | 0.3 | - | 0.0 | - | 1.0 | - | 0.6 | - | 1.0 | - | 0.3 | - | -0.5 | - | 0.0 | - |
| Memorandum items: | | | | | | | | | | | | | | | | | | |
| Government (April 2026) | 2.2 | 2.1 | 2.4 | 2.2 | 1.8 | 1.8 | 5.1 | 4.1 | - | - | - | - | 2.8 | 2.5 | 1.9 | 1.9 | 3.9 | 3.2 |
| Bank of Spain (March 2026) | 2.3 | 1.7 | 2.7 | 1.5 | 1.8 | 1.9 | 5.5 [4] | 2.1 [4] | - | - | - | - | 3.0 | 1.7 | 2.4 | 2.6 | 4.9 | 2.9 |
| AIReF (May 2026) | 2.2 | 2.0 | 2.8 | 2.2 | 2.0 | 2.0 | 4.2 | 2.6 | - | - | - | - | 2.8 | 2.1 | 1.3 | 3.4 | 3.1 | 4.2 |
| EC (November 2025) | 2.3 | 2.0 | 2.3 | 1.9 | 1.8 | 1.7 | 3.4 | 2.5 | - | - | - | - | 2.3 | 1.9 | 2.3 | 2.2 | 2.7 | 2.2 |
| IMF (April 2026) | 2.1 | 1.8 | 2.7 | 2.2 | 2.3 | 1.4 | 4.0 | 1.7 | - | - | - | - | - | - | 1.9 | 2.5 | 4.3 | 2.8 |
| OECD (November 2025) | 2.2 | 1.8 | 2.7 | 2.1 | 1.3 | 1.2 | 4.0 | 2.2 | - | - | - | - | 2.6 | 1.8 | 1.7 | 2.0 | 3.2 | 2.2 |

*[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 – May 2026

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. Government balance (% of GDP) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 | 2026 | 2027 |
| Analistas Financieros Internacionales (AFI) | 3.4 | 2.5 | 3.2 | 2.6 | 4.4 | 4.8 | 1.2 | 1.2 | 10.3 | 10.0 | 1.8 | 2.1 | -2.5 | -2.3 |
| BBVA Research | 2.9 | 2.0 | 2.6 | 2.5 | 4.8 | 2.8 | 2.3 | 2.2 | 9.8 | 9.3 | 2.1 | 1.0 | -2.3 | -2.4 |
| CaixaBank Research | 2.4 | 2.2 | 2.6 | 2.2 | 3.5 | 2.9 | 2.5 | 1.8 | 9.8 | 9.2 | 2.7 | 2.9 | -2.1 | -2.1 |
| Cámara de Comercio de España | 3.2 | 2.2 | 3.0 | 1.9 | -- | -- | 1.6 | 1.3 | 9.8 | 9.2 | 2.3 | 2.1 | -2.8 | -2.5 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 2.6 | 2.1 | 2.3 | 2.2 | 2.9 | 2.8 | 0.8 | 0.9 | 10.5 | 10.2 | 2.3 | 2.1 | -2.2 | -2.0 |
| Centro de Predicción Económica (CEPREDE-UAM) | 2.9 | 2.3 | -- | -- | 4.0 | 3.7 | 1.8 | 1.4 | 10.3 | 10.0 | 1.7 | 1.0 | -2.6 | -2.1 |
| CEOE | 3.1 | 1.9 | 2.7 | 2.6 | 3.2 | 2.8 | 2.1 | 1.7 | 9.9 | 9.4 | 2.0 | 1.8 | -2.4 | -2.2 |
| Equipo Económico (Ee) | 3.2 | 2.6 | 2.5 | 2.4 | 3.1 | 2.8 | 2.4 | 2.0 | 10.0 | 9.8 | 1.9 | 2.1 | -2.6 | -2.6 |
| EthiFinance Ratings | 2.9 | 2.0 | 2.4 | 2.1 | 3.0 | 2.7 | 1.5 | 1.2 | 9.8 | 9.6 | 2.2 | 2.2 | -2.5 | -2.4 |
| Funcas | 3.4 | 2.6 | 2.9 | 2.8 | 3.0 | 2.6 | 2.0 | 1.4 | 9.9 | 9.3 | 2.4 | 1.8 | -2.6 | -2.4 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 3.5 | 2.8 | 3.0 | 2.7 | -- | -- | 1.8 | 1.5 | 9.8 | 9.7 | 2.3 | 2.0 | -2.2 | -2.6 |
| Instituto de Estudios Económicos (IEE) | 3.0 | 2.0 | 2.6 | 2.5 | 3.1 | 2.7 | 1.8 | 1.5 | 9.9 | 9.5 | 1.9 | 1.7 | -2.6 | -2.4 |
| Intermoney | 2.6 | 2.4 | 2.5 | 2.3 | -- | -- | 1.7 | 1.6 | 10.2 | 9.8 | -- | -- | -2.4 | -2.3 |
| Mapfre Economics | 3.6 | 2.2 | 3.0 | 2.3 | 3.0 | 2.5 | -- | -- | 9.4 | 9.1 | 2.0 | 2.1 | -2.2 | -2.2 |
| Metyis | 3.1 | 2.4 | 2.6 | 2.5 | 3.1 | 2.6 | 2.0 | 1.5 | 10.0 | 9.5 | 2.5 | 2.3 | -2.5 | -2.2 |
| Oxford Economics | 3.4 | 2.3 | 2.8 | 2.4 | -- | -- | 2.2 | 1.2 | 9.8 | 9.2 | 2.6 | 2.6 | -2.3 | -2.2 |
| Repsol | 3.4 | 2.0 | 2.9 | 2.6 | -- | -- | 1.7 | 1.4 | 10.8 | 10.8 | 2.0 | 1.5 | -2.7 | -2.4 |
| Santander | 3.3 | 2.0 | 2.6 | 2.3 | 3.4 | 3.4 | 1.9 | 1.3 | 10.1 | 9.7 | -- | -- | -2.6 | -2.4 |
| Universidad Loyola Andalucía | 3.2 | 2.6 | 2.5 | 2.6 | 2.3 | 2.4 | 2.2 | 1.5 | 9.8 | 9.5 | 2.2 | 2.5 | -2.9 | -2.8 |
| CONSENSUS (AVERAGE) | 3.1 | 2.3 | 2.7 | 2.4 | 3.3 | 3.0 | 1.9 | 1.5 | 10.0 | 9.6 | 2.2 | 2.0 | -2.5 | -2.3 |
| Maximum | 3.6 | 2.8 | 3.2 | 2.8 | 4.8 | 4.8 | 2.5 | 2.2 | 10.8 | 10.8 | 2.7 | 2.9 | -2.1 | -2.0 |
| Minimum | 2.4 | 1.9 | 2.3 | 1.9 | 2.3 | 2.4 | 0.8 | 0.9 | 9.4 | 9.1 | 1.7 | 1.0 | -2.9 | -2.8 |
| Change on 2 months earlier[1] | 0.5 | 0.2 | 0.2 | 0.2 | 0.0 | 0.3 | 0.0 | 0.0 | 0.1 | 0.0 | -0.2 | -0.2 | -0.1 | 0.1 |
| - Rise[2] | 16 | 10 | 13 | 12 | 6 | 2 | 2 | 4 | 8 | 5 | 2 | 2 | 6 | 6 |
| - Drop[2] | 1 | 3 | 1 | 0 | 1 | 0 | 6 | 3 | 2 | 6 | 8 | 7 | 8 | 7 |
| Change on 6 months earlier[1] | 1.0 | -- | 0.5 | -- | 0.3 | -- | 0.2 | -- | 0.0 | -- | -0.2 | -- | 0.1 | -- |
| Memorandum items: | -- | -- | -- | -- | 2.7 | 1.9 | 2.1 [5] | 1.9 [5] | 9.9 | 9.5 | 2.2 | 1.6 | -2.1 | -1.8 |
| Government (April 2026) | 3.0 [3] | 2.5 [3] | 2.7 [4] | 2.7 [4] | -- | -- | 2.2 [5] | 1.3 [5] | 9.9 | 9.6 | -- | -- | -2.3 | -2.3 |
| Bank of Spain (March 2026) | 3.2 | 2.3 | -- | -- | 3.1 | 3.2 | 2.3 [6] | 1.9 [6] | 10.2 | 10.1 | -- | -- | -- | -- |
| AIReF (May 2026) | 2.0 [3] | 2.0 [3] | -- | -- | 2.8 | 2.3 | 1.9 [5] | 1.4 [5] | 9.8 | 9.6 | 2.7 | 2.7 | -2.1 | -2.1 |
| EC (November 2025) | 3.0 | 2.3 | -- | -- | -- | -- | -- | -- | 9.8 | 9.8 | 2.2 | 1.9 | -2.1 | -2.3 |
| IMF (April 2026) | 2.3 [3] | 1.8 [3] | 2.2 [3] | 1.8 [3] | -- | -- | -- | -- | 10.1 | 9.8 | 2.8 | 2.8 | -2.3 | -2.3 |
| OECD (November 2025) | | | | | | | | | | | | | | |

[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 and energy.*

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

[6] *Full time equivalent jobs.*

Table 2

## Quarterly Forecasts – May 2026

| | 26-I Q | 26-II Q | 26-III Q | 26-IV Q | 27-I Q | 27-II Q | 27-III Q | 27-IV Q |
|---|---|---|---|---|---|---|---|---|
| GDP [1] | 0.6 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Euribor 1 yr [2] | 2.57 | 2.71 | 2.72 | 2.68 | 2.61 | 2.57 | 2.53 | 2.52 |
| Government Bond yield 10 yr[2] | 3.39 | 3.47 | 3.46 | 3.27 | 3.42 | 3.40 | 3.37 | 3.38 |
| ECB deposit rates[3] | 2.00 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.00 |
| Dollar / Euro exchange rate[2] | 1.156 | 1.165 | 1.170 | 1.175 | 1.180 | 1.184 | 1.188 | 1.189 |

*Forecasts in yellow.*
*[1] Qr-on-qr growth rates.*
*[2] End of period.*
*[3] Last day of the quarter. Average of responses rounded to the nearest multiple of 0.25.*

Table 3

## CPI Forecasts – May 2026

| Year-on-year change (%) | | | | | |
|---|---|---|---|---|---|
| Apr-26 | May-26 | Jun-26 | Jul-26 | Dec-26 | Dec-27 |
| 3.2 | 3.4 | 3.4 | 3.3 | 3.0 | 2.1 |

*Forecasts in yellow.*

Table 4

## Opinions – May 2026

Number of responses

| | Currently | | | Trend for next six months | | |
|---|---|---|---|---|---|---|
| | Favourable | Neutral | Unfavourable | Improving | Unchanged | Worsening |
| International context: EU | 1 | 1 | 17 | 4 | 15 | 0 |
| International context: Non-EU | 0 | 0 | 19 | 4 | 13 | 2 |
| | **Is being** | | | **Should be** | | |
| | Restrictive | Neutral | Expansionary | Restrictive | Neutral | Expansionary |
| Fiscal policy assessment[1] | 0 | 4 | 15 | 1 | 17 | 1 |
| Monetary policy assessment[1] | 1 | 17 | 1 | 3 | 16 | 0 |

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

# Key Facts

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# Economic Indicators

Table 1

## National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

| | | GDP | Private consumption | Public consumption | Gross fixed capital formation | | | Exports | Imports | Domestic demand (a) | Net exports (a) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total | Construction | Equipment & others products | | | | |
| | | Chain-linked volumes, annual percentage changes | | | | | | | | | |
| 2018 | | 2.4 | 1.7 | 2.1 | 6.5 | 10.1 | 3.2 | 1.7 | 3.9 | 3.0 | -0.6 |
| 2019 | | 2.0 | 1.1 | 2.2 | 4.9 | 8.4 | 1.4 | 2.3 | 1.3 | 1.6 | 0.4 |
| 2020 | | -10.9 | -12.1 | 3.5 | -8.9 | -8.4 | -9.4 | -20.1 | -15.1 | -8.8 | -2.2 |
| 2021 | | 6.7 | 7.1 | 3.6 | 2.6 | 0.5 | 4.9 | 13.4 | 15.0 | 6.9 | -0.3 |
| 2022 | | 6.4 | 4.9 | 0.8 | 4.2 | 4.0 | 4.6 | 14.2 | 7.7 | 4.1 | 2.3 |
| 2023 | | 2.5 | 1.8 | 4.5 | 5.9 | 5.5 | 6.3 | 2.2 | 0.0 | 1.6 | 0.9 |
| 2024 | | 3.5 | 3.1 | 2.9 | 3.6 | 4.0 | 3.1 | 3.2 | 2.9 | 3.3 | 0.2 |
| 2025 | | 2.8 | 3.4 | 2.4 | 5.8 | 5.2 | 6.5 | 3.6 | 6.2 | 3.6 | -0.7 |
| 2026 | | 2.2 | 2.6 | 1.6 | 4.6 | 4.8 | 4.3 | 0.4 | 1.7 | 2.6 | -0.4 |
| 2027 | | 1.8 | 1.9 | 1.5 | 3.4 | 4.4 | 2.2 | 1.9 | 3.0 | 2.1 | -0.3 |
| 2025 | I | 3.1 | 3.8 | 2.4 | 4.5 | 2.6 | 6.6 | 3.4 | 5.3 | 3.6 | -0.5 |
| | II | 2.9 | 3.4 | 2.5 | 4.9 | 3.4 | 6.5 | 4.1 | 6.4 | 3.5 | -0.6 |
| | III | 2.7 | 3.1 | 2.3 | 7.7 | 7.3 | 8.1 | 3.1 | 6.6 | 3.8 | -1.1 |
| | IV | 2.6 | 3.1 | 2.5 | 6.2 | 7.5 | 4.8 | 3.7 | 6.6 | 3.4 | -0.8 |
| 2026 | I | 2.7 | 3.3 | 2.0 | 5.6 | 6.0 | 5.1 | 0.9 | 3.1 | 3.4 | -0.7 |
| | II | 2.3 | 2.9 | 2.2 | 5.7 | 6.0 | 5.3 | -0.3 | 2.0 | 3.1 | -0.8 |
| | III | 2.1 | 2.3 | 1.0 | 4.3 | 4.4 | 4.1 | 0.8 | 1.3 | 2.2 | -0.1 |
| | IV | 1.8 | 1.9 | 1.2 | 2.9 | 3.0 | 2.9 | 0.5 | 0.8 | 1.8 | -0.1 |
| | | Chain-linked volumes, quarter-on-quarter percentage changes | | | | | | | | | |
| 2025 | I | 0.5 | 0.5 | 0.6 | 1.0 | 1.5 | 0.4 | 2.3 | 2.2 | 0.4 | 0.1 |
| | II | 0.7 | 0.8 | 0.2 | 0.8 | 0.9 | 0.8 | 1.4 | 1.7 | 0.8 | -0.1 |
| | III | 0.6 | 0.9 | 1.4 | 2.1 | 2.4 | 1.9 | -0.7 | 1.4 | 1.3 | -0.7 |
| | IV | 0.8 | 0.9 | 0.2 | 2.1 | 2.6 | 1.7 | 0.7 | 1.2 | 0.9 | -0.1 |
| 2026 | I | 0.6 | 0.6 | 0.2 | 0.4 | 0.1 | 0.7 | -0.5 | -1.2 | 0.4 | 0.2 |
| | II | 0.3 | 0.4 | 0.3 | 0.9 | 0.9 | 1.0 | 0.2 | 0.7 | 0.5 | -0.2 |
| | III | 0.4 | 0.4 | 0.3 | 0.8 | 0.9 | 0.7 | 0.4 | 0.7 | 0.4 | -0.1 |
| | IV | 0.5 | 0.5 | 0.4 | 0.8 | 1.1 | 0.5 | 0.4 | 0.7 | 0.5 | -0.1 |
| | | Current prices (EUR billions) | Percentage of GDP at current prices | | | | | | | | |
| 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 | | 1,376 | 56.4 | 20.0 | 20.5 | 10.7 | 9.8 | 39.7 | 38.8 | 99.1 | 0.9 |
| 2023 | | 1,498 | 55.4 | 19.6 | 20.5 | 10.7 | 9.8 | 37.8 | 34.0 | 96.2 | 3.8 |
| 2024 | | 1,594 | 55.4 | 19.3 | 20.3 | 10.6 | 9.7 | 37.1 | 32.9 | 95.8 | 4.2 |
| 2025 | | 1,687 | 55.6 | 19.2 | 20.6 | 10.8 | 9.8 | 36.6 | 32.8 | 96.2 | 3.8 |
| 2026 | | 1,776 | 55.9 | 19.1 | 21.1 | 11.1 | 10.0 | 35.5 | 32.4 | 96.9 | 3.1 |
| 2027 | | 1,852 | 55.9 | 19.1 | 21.4 | 11.4 | 10.0 | 35.2 | 32.3 | 97.2 | 2.8 |

**Seasonally and Working Day Adjusted.*

*(a) Contribution to GDP growth.*

*Source: INE and Funcas (Forecasts).*

**Chart 1.1 - GDP**

Level, 2019=100

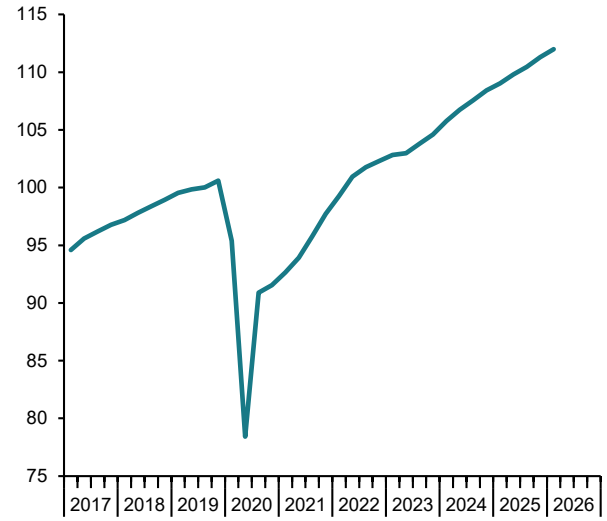



**Chart 1.2 - Contribution to GDP annual growth**

Percentage points


**Chart 1.3 - Consumption**

Level, 2019=100

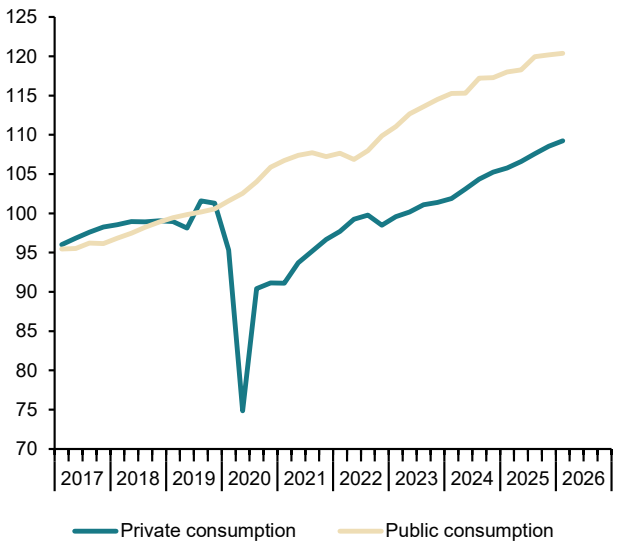



**Chart 1.4 - Gross fixed capital formation**

Level, 2019=100

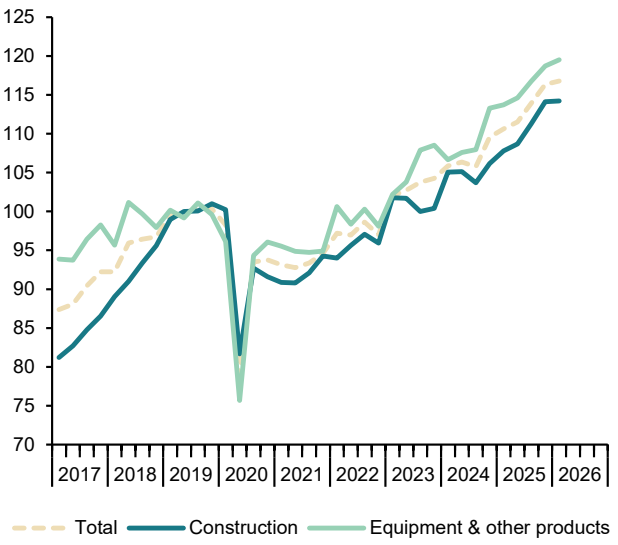


Table 2

## 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 | | | | | | | | |
| 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 | | 6.9 | -16.9 | 3.5 | 6.5 | 8.9 | 8.5 | 1.5 | 10.8 | 1.2 |
| 2023 | | 2.6 | 3.4 | -1.8 | 0.6 | 1.1 | 3.8 | 3.3 | 3.9 | 0.7 |
| 2024 | | 3.9 | 10.8 | 1.9 | 2.6 | 4.8 | 4.0 | 3.7 | 4.1 | -1.3 |
| 2025 | | 3.1 | 1.2 | 2.3 | 2.0 | 5.6 | 3.2 | 1.8 | 3.6 | -0.5 |
| 2024 | I | 3.4 | 10.3 | 0.9 | 1.9 | 4.7 | 3.6 | 4.0 | 3.5 | -2.8 |
| | II | 4.3 | 10.4 | 2.3 | 3.7 | 4.6 | 4.4 | 3.8 | 4.6 | -2.6 |
| | III | 4.0 | 15.9 | 2.5 | 2.5 | 4.5 | 3.9 | 4.2 | 3.8 | -0.5 |
| | IV | 3.9 | 7.0 | 1.9 | 2.4 | 5.3 | 4.1 | 2.9 | 4.5 | 1.0 |
| 2025 | I | 3.4 | 6.9 | 1.6 | 1.8 | 2.9 | 3.7 | 2.6 | 4.1 | -0.6 |
| | II | 3.1 | 0.3 | 2.3 | 2.0 | 4.6 | 3.3 | 2.3 | 3.5 | 0.7 |
| | III | 3.1 | -1.8 | 2.7 | 2.5 | 7.8 | 3.0 | 1.9 | 3.3 | -1.4 |
| | IV | 3.0 | -0.6 | 2.6 | 1.8 | 7.0 | 2.9 | 0.4 | 3.6 | -0.7 |
| 2026 | I | 3.1 | -3.4 | 1.8 | 1.8 | 6.5 | 3.4 | 0.8 | 4.1 | -0.9 |
| | | Chain-linked volumes, quarter-on-quarter percentage changes | | | | | | | | |
| 2024 | I | 1.1 | 6.4 | 1.5 | 1.1 | 3.0 | 0.6 | 0.0 | 0.8 | 1.4 |
| | II | 1.1 | 0.1 | 0.3 | 0.7 | 1.0 | 1.3 | 0.1 | 1.7 | -1.1 |
| | III | 0.7 | 1.7 | -0.2 | -0.3 | -1.4 | 1.0 | 1.2 | 1.0 | 1.4 |
| | IV | 0.9 | -1.2 | 0.4 | 0.8 | 2.8 | 1.0 | 1.5 | 0.9 | -0.6 |
| 2025 | I | 0.6 | 6.3 | 1.2 | 0.6 | 0.6 | 0.3 | -0.2 | 0.4 | -0.2 |
| | II | 0.8 | -6.1 | 0.9 | 1.0 | 2.7 | 0.9 | -0.1 | 1.2 | 0.2 |
| | III | 0.7 | -0.4 | 0.2 | 0.2 | 1.6 | 0.8 | 0.8 | 0.8 | -0.7 |
| | IV | 0.8 | 0.0 | 0.2 | 0.1 | 2.0 | 0.9 | -0.1 | 1.2 | 0.1 |
| 2026 | I | 0.7 | 3.3 | 0.4 | 0.5 | 0.1 | 0.7 | 0.2 | 0.9 | -0.4 |
| | | Current prices EUR billions) | Percentage of value added at basic prices | | | | | | | |
| 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 | | 1,255 | 2.6 | 17.4 | 12.1 | 5.8 | 74.1 | 17.6 | 56.6 | 9.7 |
| 2023 | | 1,367 | 2.9 | 16.1 | 12.0 | 5.8 | 75.3 | 17.2 | 58.1 | 9.6 |
| 2024 | | 1,453 | 3.0 | 15.6 | 11.9 | 5.7 | 75.6 | 17.3 | 58.3 | 9.8 |
| 2025 | | 1,529 | 3.0 | 15.7 | 11.7 | 5.9 | 75.4 | 17.3 | 58.2 | 10.4 |

** Seasonally and Working Day Adjusted.*

*Source: INE.*

**Chart 2.1 - GVA by sectors**

Level, 2019=100

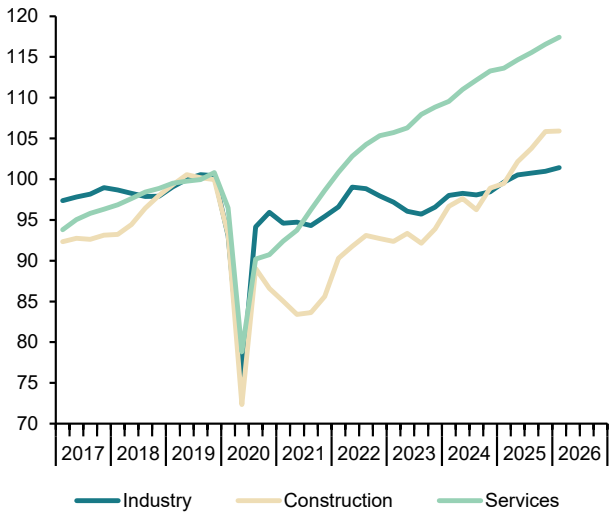



**Chart 2.2 - GVA. Industry**

Level, 2019=100

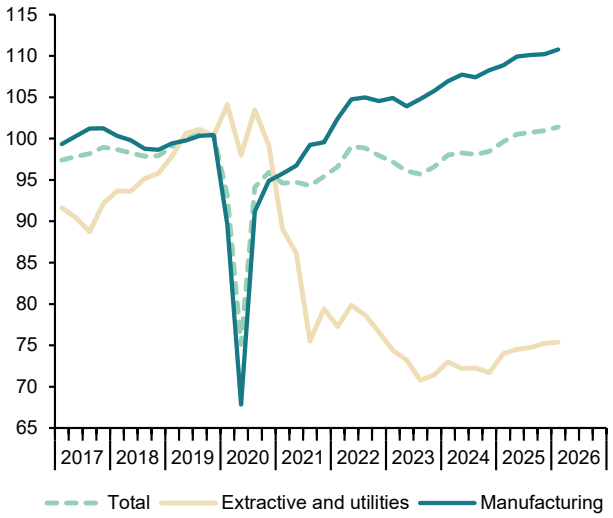



**Chart 2.3 - GVA, services**

Level, 2019=100

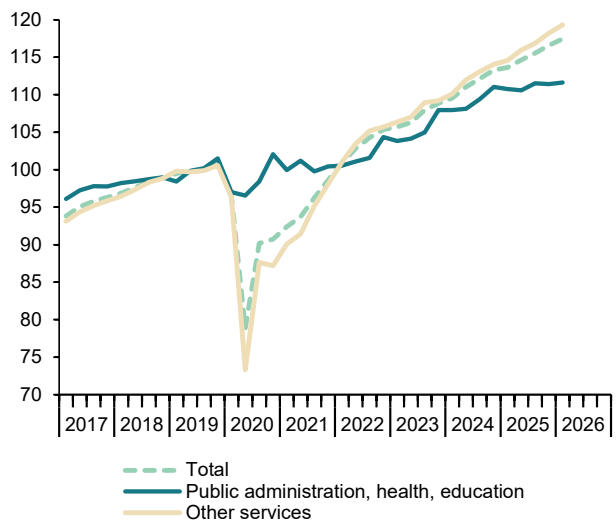



**Chart 2.4 - GVA. structure by sectors**

Percentage of value added at basic prices

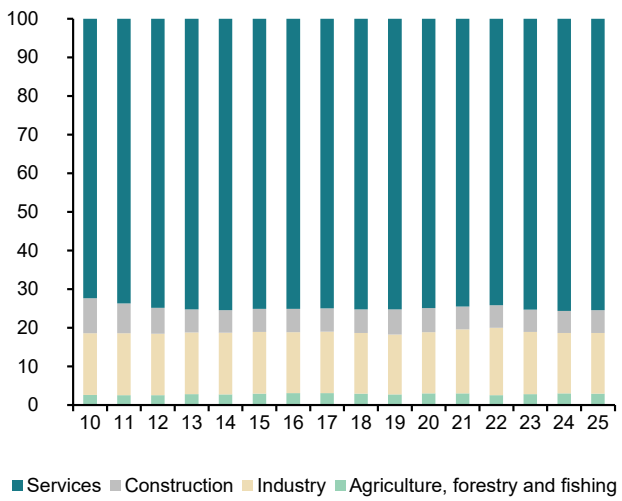


Table 3

## 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 | | | | | | | | | | | |
| 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 | | 101.1 | 100.3 | 100.8 | 111.0 | 110.1 | 101.4 | 104.2 | 97.4 | 106.9 | 112.1 | 104.9 | 96.6 |
| 2023 | | 103.6 | 103.0 | 100.6 | 117.1 | 116.5 | 100.9 | 104.8 | 99.4 | 105.5 | 117.0 | 110.8 | 95.0 |
| 2024 | | 107.1 | 105.3 | 101.8 | 122.7 | 120.5 | 101.5 | 107.6 | 100.7 | 106.9 | 122.5 | 114.6 | 95.6 |
| 2025 | | 110.2 | 107.4 | 102.5 | 128.5 | 125.4 | 102.6 | 109.8 | 103.1 | 106.4 | 128.2 | 120.5 | 99.2 |
| 2026 | | 112.6 | 109.3 | 103.0 | 132.5 | 128.6 | 102.3 | - | - | - | - | - | - |
| 2027 | | 114.6 | 110.5 | 103.8 | 136.0 | 131.1 | 101.7 | - | - | - | - | - | - |
| 2024 | I | 105.8 | 104.1 | 101.6 | 121.0 | 119.1 | 100.3 | 107.0 | 99.9 | 107.0 | 120.0 | 112.1 | 92.5 |
| | II | 106.7 | 105.0 | 101.7 | 121.7 | 119.7 | 101.0 | 107.7 | 100.6 | 107.1 | 121.9 | 113.8 | 94.3 |
| | III | 107.6 | 105.2 | 102.3 | 123.6 | 120.9 | 101.2 | 107.4 | 99.9 | 107.6 | 124.4 | 115.7 | 96.3 |
| | IV | 108.4 | 106.8 | 101.5 | 124.2 | 122.4 | 101.5 | 108.3 | 102.3 | 105.8 | 123.5 | 116.7 | 97.2 |
| 2025 | I | 109.0 | 106.4 | 102.5 | 126.5 | 123.4 | 101.7 | 108.9 | 101.2 | 107.6 | 127.2 | 118.3 | 96.8 |
| | II | 109.8 | 106.7 | 102.9 | 128.0 | 124.3 | 102.3 | 109.9 | 102.1 | 107.6 | 128.3 | 119.2 | 98.1 |
| | III | 110.5 | 107.8 | 102.5 | 128.9 | 125.8 | 102.6 | 110.1 | 104.0 | 105.9 | 128.4 | 121.3 | 99.5 |
| | IV | 111.3 | 108.9 | 102.2 | 130.8 | 128.0 | 102.1 | 110.2 | 105.1 | 104.8 | 129.0 | 123.0 | 99.5 |
| 2026 | I | 112.0 | 108.6 | 103.2 | 132.4 | 128.4 | 102.4 | 110.8 | 105.1 | 105.4 | 132.0 | 125.2 | 99.9 |
| | | Annual percentage changes | | | | | | | | | | | |
| 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 | | 6.4 | 5.1 | 1.2 | 3.0 | 1.7 | -2.8 | 6.5 | 3.6 | 2.8 | 2.7 | -0.1 | -2.5 |
| 2023 | | 2.5 | 2.7 | -0.2 | 5.5 | 5.7 | -0.5 | 0.6 | 2.0 | -1.3 | 4.3 | 5.7 | -1.6 |
| 2024 | | 3.5 | 2.2 | 1.2 | 4.7 | 3.5 | 0.6 | 2.6 | 1.3 | 1.3 | 4.7 | 3.4 | 0.6 |
| 2025 | | 2.8 | 2.1 | 0.7 | 4.8 | 4.0 | 1.1 | 2.0 | 2.4 | -0.4 | 4.7 | 5.1 | 3.7 |
| 2026 | | 2.2 | 1.7 | 0.5 | 3.1 | 2.6 | -0.4 | - | - | - | - | - | - |
| 2027 | | 1.8 | 1.1 | 0.7 | 2.6 | 1.9 | -0.6 | - | - | - | - | - | - |
| 2024 | I | 2.9 | 1.6 | 1.2 | 6.2 | 4.9 | 1.3 | 1.9 | -0.8 | 2.8 | 5.4 | 2.5 | 0.6 |
| | II | 3.7 | 3.0 | 0.7 | 3.9 | 3.2 | 0.1 | 3.7 | 4.3 | -0.6 | 2.8 | 3.4 | 0.5 |
| | III | 3.6 | 1.3 | 2.3 | 5.5 | 3.1 | -0.6 | 2.5 | -1.2 | 3.8 | 7.6 | 3.7 | 1.8 |
| | IV | 3.7 | 3.0 | 0.6 | 3.5 | 2.8 | 0.8 | 2.4 | 3.3 | -0.9 | 3.0 | 3.9 | 0.3 |
| 2025 | I | 3.1 | 2.2 | 0.9 | 4.5 | 3.6 | 1.4 | 1.8 | 1.3 | 0.5 | 6.0 | 5.5 | 4.7 |
| | II | 2.9 | 1.6 | 1.2 | 5.1 | 3.8 | 1.3 | 2.0 | 1.6 | 0.5 | 5.2 | 4.7 | 4.0 |
| | III | 2.7 | 2.5 | 0.2 | 4.2 | 4.0 | 1.4 | 2.5 | 4.2 | -1.6 | 3.2 | 4.9 | 3.3 |
| | IV | 2.6 | 2.0 | 0.7 | 5.3 | 4.6 | 0.6 | 1.8 | 2.7 | -0.9 | 4.4 | 5.4 | 2.3 |
| 2026 | I | 2.7 | 2.1 | 0.6 | 4.7 | 4.1 | 0.7 | 1.8 | 3.8 | -2.0 | 3.8 | 5.9 | 3.2 |

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

*Source: INE and Funcas (Forecasts).*

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

Index, 2019=100

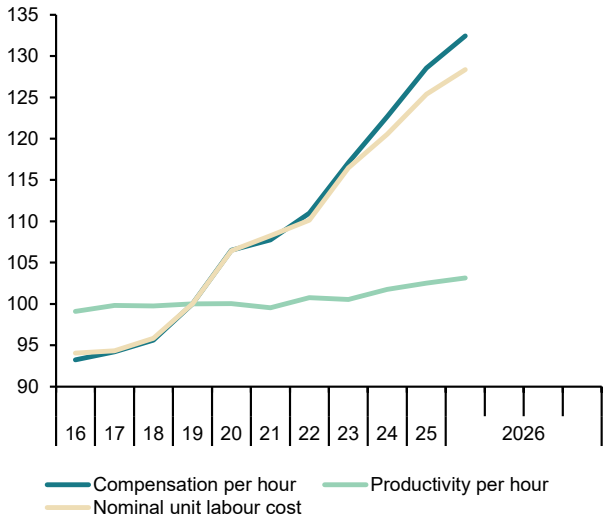
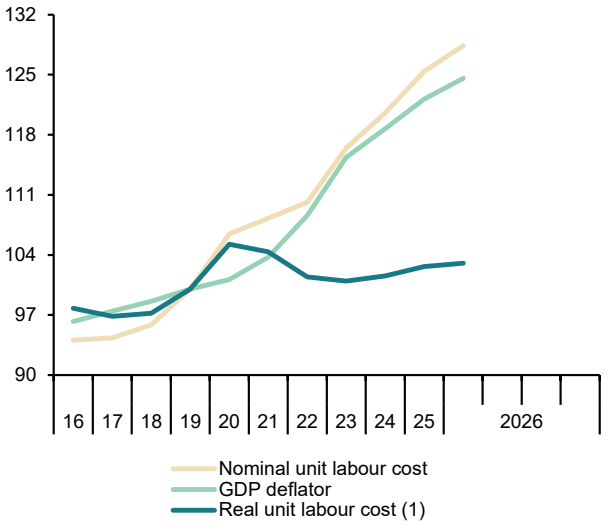



**Chart 3.2 - Real ULC, total economy**

Index, 2019=100




*(1) Nominal ULC deflated by GDP deflator.*

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

Index, 2019=100

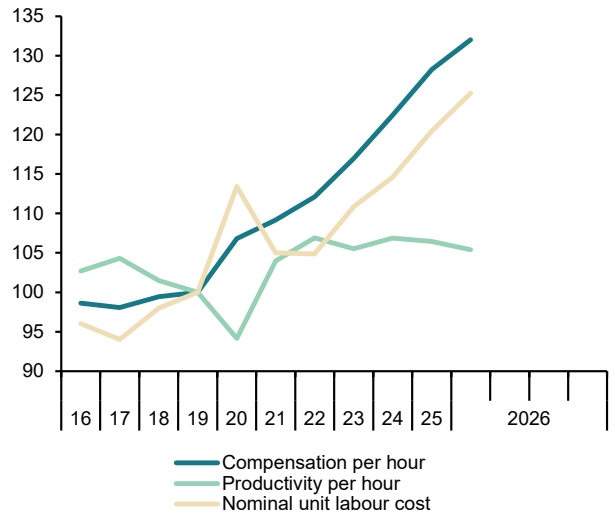
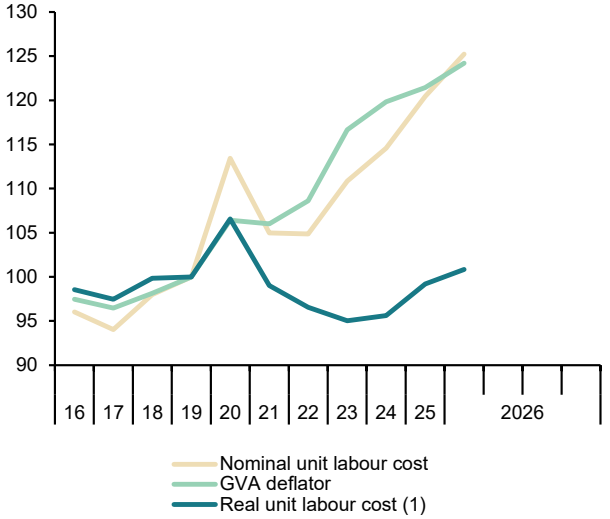



**Chart 3.4 - Real ULC, manufacturing industry**

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 | | | | | |
| 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 | | 1,375.9 | 656.3 | 587.2 | 1,369.6 | 1,051.6 | 317.9 | 312.2 | 47.7 | 42.7 | 23.1 | 22.7 | 0.4 | 1.3 |
| 2023 | | 1,497.8 | 711.8 | 641.9 | 1,481.2 | 1,124.0 | 357.3 | 316.3 | 47.5 | 42.9 | 23.9 | 21.1 | 2.7 | 3.9 |
| 2024 | | 1,594.3 | 763.7 | 675.1 | 1,578.6 | 1,190.4 | 388.2 | 337.6 | 47.9 | 42.3 | 24.4 | 21.2 | 3.2 | 4.3 |
| 2025 | | 1,687.2 | 818.8 | 699.5 | 1,672.1 | 1,261.4 | 410.6 | 361.2 | 48.5 | 41.5 | 24.3 | 21.4 | 2.9 | 4.0 |
| 2026 | | 1,776.0 | 859.3 | 731.0 | 1,762.4 | 1,332.8 | 429.7 | 387.5 | 48.4 | 41.2 | 24.2 | 21.8 | 2.4 | 3.4 |
| 2027 | | 1,852.1 | 892.0 | 757.8 | 1,833.5 | 1,390.9 | 442.7 | 408.9 | 48.2 | 40.9 | 23.9 | 22.1 | 1.8 | 2.3 |
| 2024 | I | 1,519.3 | 725.4 | 649.2 | 1,503.6 | 1,141.9 | 361.6 | 320.6 | 47.7 | 42.7 | 23.8 | 21.1 | 2.7 | 3.9 |
| | II | 1,544.7 | 738.3 | 660.4 | 1,528.5 | 1,159.0 | 369.5 | 325.8 | 47.8 | 42.8 | 23.9 | 21.1 | 2.8 | 4.1 |
| | III | 1,569.2 | 750.6 | 671.2 | 1,553.8 | 1,174.6 | 379.2 | 331.4 | 47.8 | 42.8 | 24.2 | 21.1 | 3.0 | 4.4 |
| | IV | 1,594.3 | 763.7 | 675.1 | 1,578.6 | 1,190.4 | 388.2 | 337.6 | 47.9 | 42.3 | 24.4 | 21.2 | 3.2 | 4.3 |
| 2025 | I | 1,613.5 | 776.5 | 681.0 | 1,597.5 | 1,207.1 | 390.4 | 343.5 | 48.1 | 42.2 | 24.2 | 21.3 | 2.9 | 4.1 |
| | II | 1,635.1 | 789.8 | 686.8 | 1,619.6 | 1,223.7 | 395.9 | 348.8 | 48.3 | 42.0 | 24.2 | 21.3 | 2.9 | 4.1 |
| | III | 1,657.5 | 803.5 | 692.4 | 1,643.1 | 1,241.3 | 401.9 | 356.3 | 48.5 | 41.8 | 24.2 | 21.5 | 2.8 | 4.0 |
| | IV | 1,687.2 | 818.8 | 699.5 | 1,672.1 | 1,261.4 | 410.6 | 361.2 | 48.5 | 41.5 | 24.3 | 21.4 | 2.9 | 4.0 |
| 2026 | I | 1,711.6 | 833.2 | 706.5 | - | 1,279.3 | - | 365.2 | 48.7 | 41.3 | - | 21.3 | - | - |
| | | Annual percentage changes | | | | | | | Difference from one year ago | | | | | |
| 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 | | 11.4 | 8.6 | 16.4 | 11.1 | 10.3 | 13.6 | 15.5 | -1.2 | 1.9 | 0.5 | 0.8 | -0.4 | -0.3 |
| 2023 | | 8.9 | 8.5 | 9.3 | 8.2 | 6.9 | 12.4 | 1.3 | -0.2 | 0.2 | 0.7 | -1.6 | 2.3 | 2.5 |
| 2024 | | 6.4 | 7.3 | 5.2 | 6.6 | 5.9 | 8.7 | 6.7 | 0.4 | -0.5 | 0.5 | 0.1 | 0.4 | 0.4 |
| 2025 | | 5.8 | 7.2 | 3.6 | 5.9 | 6.0 | 5.8 | 7.0 | 0.6 | -0.9 | 0.0 | 0.2 | -0.2 | -0.4 |
| 2026 | | 5.3 | 4.9 | 4.5 | 5.4 | 5.7 | 4.6 | 7.3 | -0.1 | -0.3 | -0.1 | 0.4 | -0.6 | -0.6 |
| 2027 | | 4.3 | 3.8 | 3.7 | 4.0 | 4.4 | 3.0 | 5.5 | -0.2 | -0.2 | -0.3 | 0.3 | -0.5 | -1.1 |
| 2024 | I | 7.6 | 8.3 | 6.5 | 7.0 | 6.5 | 8.6 | 2.4 | 0.3 | -0.4 | 0.2 | -1.1 | 1.3 | 1.4 |
| | II | 7.0 | 8.0 | 5.8 | 6.7 | 6.3 | 7.8 | 3.7 | 0.4 | -0.5 | 0.2 | -0.7 | 0.9 | 1.2 |
| | III | 6.7 | 7.6 | 5.4 | 6.7 | 6.2 | 8.1 | 5.6 | 0.4 | -0.5 | 0.3 | -0.2 | 0.5 | 0.9 |
| | IV | 6.4 | 7.3 | 5.2 | 6.6 | 5.9 | 8.7 | 6.7 | 0.4 | -0.5 | 0.5 | 0.1 | 0.4 | 0.4 |
| 2025 | I | 6.2 | 7.0 | 4.9 | 6.2 | 5.7 | 7.9 | 7.2 | 0.4 | -0.5 | 0.4 | 0.2 | 0.2 | 0.2 |
| | II | 5.9 | 7.0 | 4.0 | 6.0 | 5.6 | 7.2 | 7.1 | 0.5 | -0.8 | 0.3 | 0.2 | 0.1 | 0.0 |
| | III | 5.6 | 7.1 | 3.2 | 5.8 | 5.7 | 6.0 | 7.5 | 0.6 | -1.0 | 0.1 | 0.4 | -0.3 | -0.4 |
| | IV | 5.8 | 7.2 | 3.6 | 5.9 | 6.0 | 5.8 | 7.0 | 0.6 | -0.9 | 0.0 | 0.2 | -0.2 | -0.4 |
| 2026 | I | 6.1 | 7.3 | 3.8 | – | 6.0 | – | 6.3 | 0.6 | -0.9 | – | 0.0 | – | – |

*(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

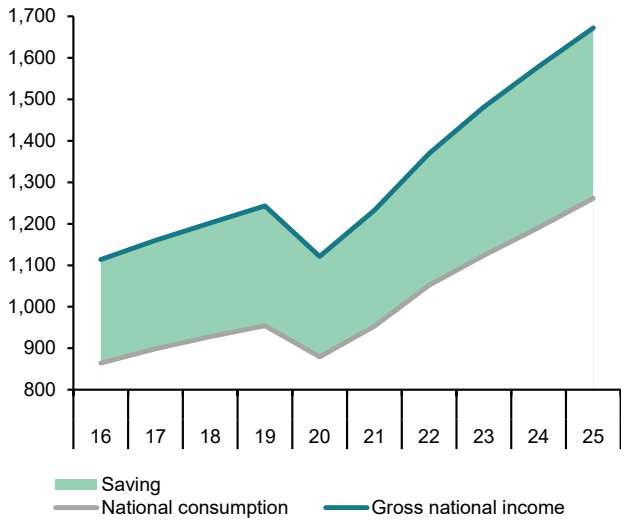



**Chart 4.2 - National income, consumption and saving rate**

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

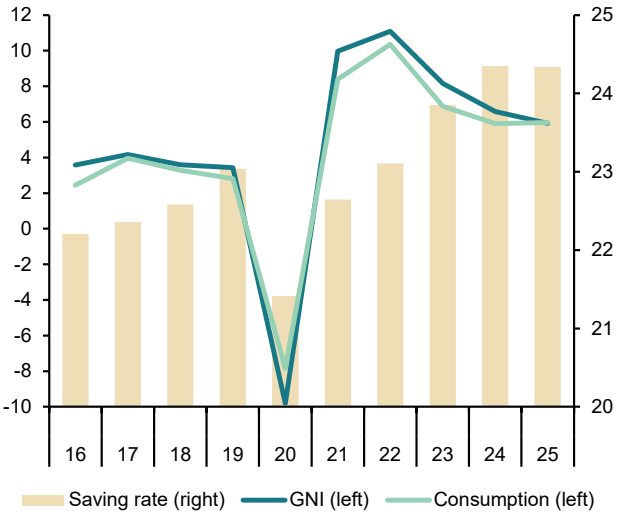



**Chart 4.3 - Components of National Income**

Percentage of GDP, 4-quarter moving averages

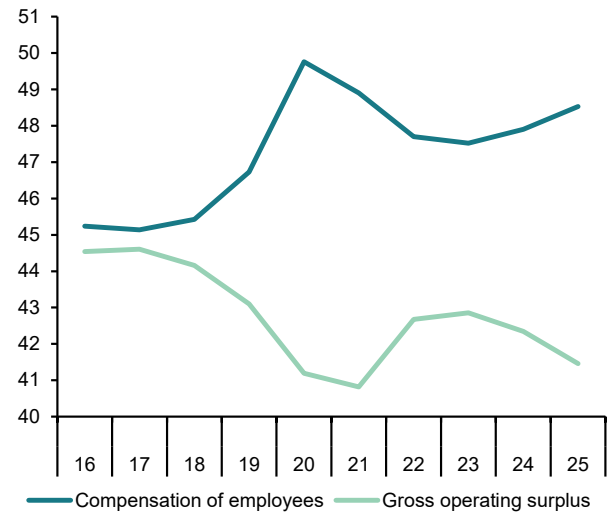



**Chart 4.4 - Saving, Investment and Current Account Balance**

Percentage of GDP, 4-quarter moving averages

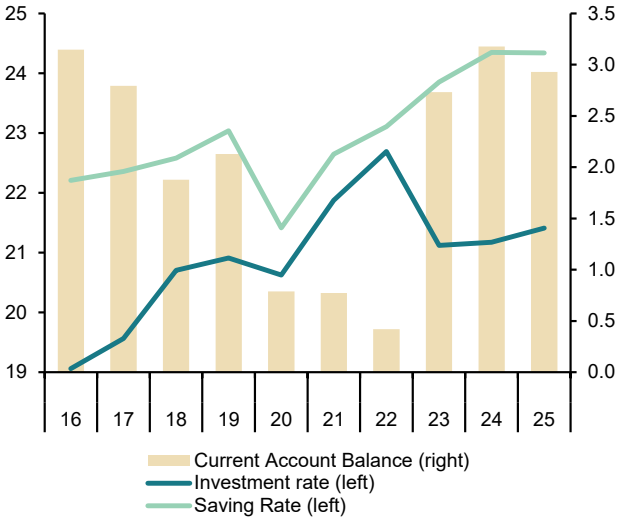


Table 5

## 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 | | |
| 2018 | | 752.9 | 704.4 | 45.7 | 41.4 | 6.1 | 3.4 | 0.2 | 270.3 | 199.3 | 180.5 | 16.4 | 14.9 | 1.8 |
| 2019 | | 790.6 | 720.0 | 67.8 | 44.2 | 8.6 | 3.5 | 1.8 | 274.1 | 201.5 | 188.1 | 16.1 | 15.0 | 1.3 |
| 2020 | | 773.0 | 633.6 | 135.5 | 40.8 | 17.5 | 3.6 | 8.3 | 216.5 | 153.3 | 154.7 | 13.6 | 13.7 | 0.4 |
| 2021 | | 811.2 | 693.6 | 115.4 | 51.7 | 14.2 | 4.2 | 5.1 | 237.4 | 172.8 | 180.2 | 14.0 | 14.6 | 0.5 |
| 2022 | | 854.6 | 775.8 | 76.6 | 64.8 | 9.0 | 4.7 | 0.7 | 295.0 | 221.7 | 200.2 | 16.1 | 14.5 | 2.3 |
| 2023 | | 940.7 | 830.1 | 109.7 | 66.0 | 11.7 | 4.4 | 2.8 | 314.7 | 220.9 | 198.3 | 14.7 | 13.2 | 1.9 |
| 2024 | | 1,010.9 | 882.6 | 128.8 | 72.4 | 12.7 | 4.5 | 3.9 | 326.2 | 227.0 | 213.2 | 14.2 | 13.4 | 1.6 |
| 2025 | | 1,064.5 | 937.4 | 128.1 | 79.7 | 12.0 | 4.7 | 2.9 | 339.4 | 232.8 | 222.9 | 13.8 | 13.2 | 1.2 |
| 2026 | | 1,116.1 | 993.1 | 121.4 | 85.6 | 10.9 | 4.8 | 2.0 | 358.4 | 248.6 | 241.6 | 14.0 | 13.6 | 1.0 |
| 2027 | | 1,160.3 | 1,036.3 | 122.6 | 89.8 | 10.6 | 4.8 | 1.8 | 374.7 | 263.1 | 257.1 | 14.2 | 13.9 | 0.9 |
| 2024 | I | 960.5 | 842.5 | 117.4 | 67.7 | 12.2 | 4.5 | 3.1 | 312.0 | 218.7 | 200.3 | 14.4 | 13.2 | 1.6 |
| | II | 980.2 | 855.7 | 124.1 | 69.7 | 12.7 | 4.5 | 3.4 | 315.2 | 215.7 | 203.5 | 14.0 | 13.2 | 1.3 |
| | III | 993.9 | 867.5 | 126.6 | 71.5 | 12.7 | 4.6 | 3.4 | 320.8 | 223.1 | 207.0 | 14.2 | 13.2 | 1.6 |
| | IV | 1,010.9 | 882.6 | 128.8 | 72.4 | 12.7 | 4.5 | 3.9 | 326.2 | 227.0 | 213.2 | 14.2 | 13.4 | 1.6 |
| 2025 | I | 1,023.5 | 895.7 | 128.7 | 74.2 | 12.6 | 4.6 | 3.8 | 327.7 | 228.5 | 216.3 | 14.2 | 13.4 | 1.5 |
| | II | 1,039.7 | 908.7 | 131.8 | 76.4 | 12.7 | 4.7 | 3.8 | 330.0 | 229.8 | 217.4 | 14.1 | 13.3 | 1.5 |
| | III | 1,049.7 | 921.9 | 128.8 | 77.4 | 12.3 | 4.7 | 3.5 | 334.2 | 232.2 | 222.3 | 14.0 | 13.4 | 1.3 |
| | IV | 1,064.5 | 937.4 | 128.1 | 79.7 | 12.0 | 4.7 | 2.9 | 339.4 | 232.8 | 222.9 | 13.8 | 13.2 | 1.2 |
| | | Annual percentage changes | | | | Difference from one year ago | | | Annual percentage changes | | | Difference from one year ago | | |
| 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 | 0.1 | -0.5 |
| 2020 | | -2.2 | -12.0 | 99.9 | -7.7 | 9.0 | 0.1 | 6.5 | -21.0 | -23.9 | -17.7 | -2.5 | -1.3 | -0.9 |
| 2021 | | 4.9 | 9.5 | -14.9 | 26.7 | -3.3 | 0.6 | -3.2 | 9.7 | 12.7 | 16.4 | 0.4 | 0.9 | 0.1 |
| 2022 | | 5.3 | 11.9 | -33.6 | 25.3 | -5.3 | 0.5 | -4.4 | 24.3 | 28.3 | 11.1 | 2.1 | 0.0 | 1.8 |
| 2023 | | 10.1 | 7.0 | 43.3 | 1.8 | 2.7 | -0.3 | 2.1 | 6.7 | -0.4 | -0.9 | -1.4 | -1.3 | -0.4 |
| 2024 | | 7.5 | 6.3 | 17.4 | 9.7 | 1.1 | 0.1 | 1.1 | 3.7 | 2.8 | 7.5 | -0.5 | 0.1 | -0.3 |
| 2025 | | 5.3 | 6.2 | -0.6 | 10.1 | -0.7 | 0.2 | -1.0 | 4.0 | 2.6 | 4.6 | -0.4 | -0.2 | -0.4 |
| 2026 | | 4.9 | 5.9 | -5.2 | 7.4 | -1.2 | 0.1 | -0.9 | 5.6 | 6.8 | 8.4 | 0.2 | 0.4 | -0.2 |
| 2027 | | 4.0 | 4.3 | 0.9 | 4.9 | -0.3 | 0.0 | -0.2 | 4.6 | 5.8 | 6.4 | 0.2 | 0.3 | -0.2 |
| 2024 | I | 10.2 | 6.4 | 49.8 | 7.4 | 3.2 | 0.0 | 2.2 | 1.3 | -5.6 | -0.8 | -2.0 | -1.1 | -1.2 |
| | II | 9.2 | 6.4 | 35.8 | 9.7 | 2.5 | 0.1 | 1.6 | -0.4 | -7.6 | 0.3 | -2.2 | -0.9 | -1.5 |
| | III | 8.1 | 6.4 | 22.8 | 10.9 | 1.5 | 0.2 | 0.9 | 1.2 | -2.8 | 3.5 | -1.4 | -0.4 | -1.1 |
| | IV | 7.5 | 6.3 | 17.4 | 9.7 | 1.1 | 0.1 | 1.1 | 3.7 | 2.8 | 7.5 | -0.5 | 0.1 | -0.3 |
| 2025 | I | 6.6 | 6.3 | 9.6 | 9.5 | 0.3 | 0.1 | 0.6 | 5.0 | 4.5 | 8.0 | -0.2 | 0.2 | -0.1 |
| | II | 6.1 | 6.2 | 6.2 | 9.7 | 0.0 | 0.2 | 0.4 | 4.7 | 6.5 | 6.8 | 0.1 | 0.1 | 0.2 |
| | III | 5.6 | 6.3 | 1.7 | 8.2 | -0.5 | 0.1 | 0.1 | 4.2 | 4.1 | 7.4 | -0.2 | 0.2 | -0.3 |
| | IV | 5.3 | 6.2 | -0.6 | 10.1 | -0.7 | 0.2 | -1.0 | 4.0 | 2.6 | 4.6 | -0.4 | -0.2 | -0.4 |

*Source: INE and Funcas (Forecasts).*

**Chart 5.1 - Households: net lending or borrowing**

Percentage of GDI/GDP, 4-quarter moving averages

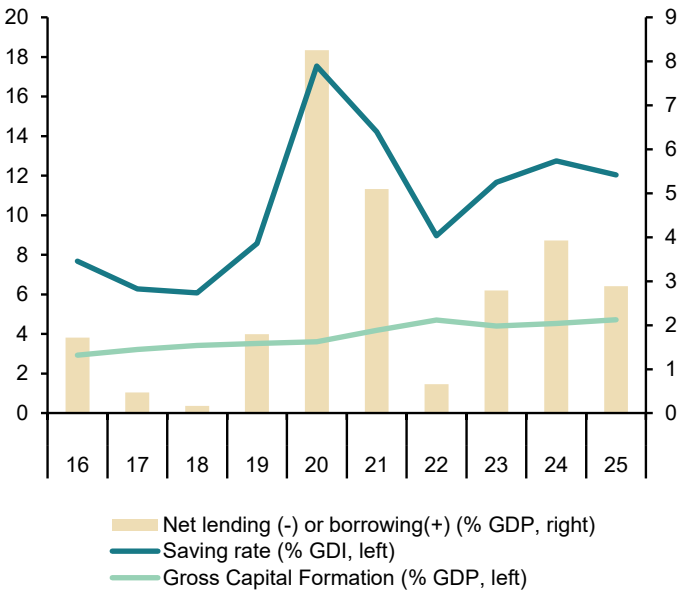



**Chart 5.2 - Non-financial corporations: net lending or borrowing**

Percentage of GDP, 4-quarter moving averages

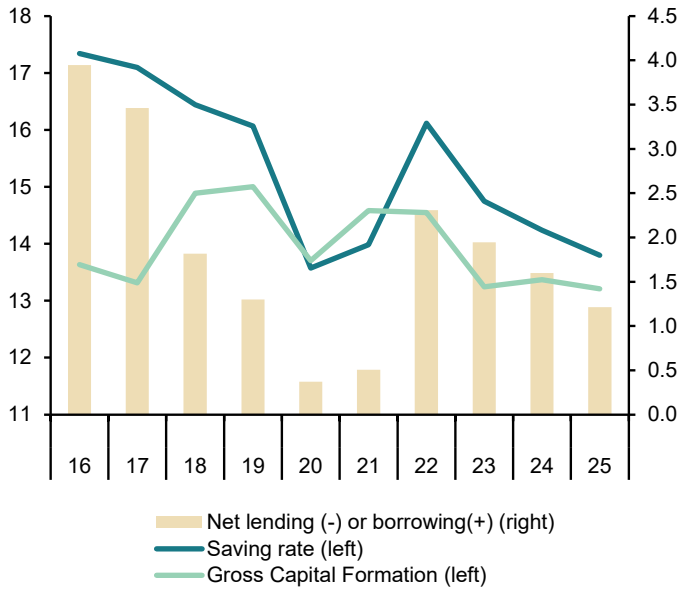


Table 6

## 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 | Intermediate consump-tion | 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 | | | | | | | | | | | | |
| 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 | | 165.9 | 183.1 | 197.0 | 84.2 | 630.2 | 163.9 | 86.3 | 35.6 | 292.5 | 57.3 | 44.8 | 680.2 | -50.0 |
| 2024 | | 176.9 | 198.7 | 210.3 | 87.7 | 673.7 | 172.7 | 90.1 | 38.8 | 311.3 | 69.2 | 42.8 | 725.0 | -51.3 |
| 2025 | | 191.5 | 220.6 | 223.6 | 88.8 | 724.6 | 181.5 | 96.7 | 40.3 | 331.2 | 67.8 | 47.4 | 764.9 | -40.3 |
| 2026 | | 199.8 | 230.7 | 235.4 | 89.7 | 755.5 | 187.9 | 105.3 | 44.7 | 347.5 | 55.6 | 61.0 | 802.0 | -46.5 |
| 2027 | | 215.8 | 240.1 | 244.5 | 78.4 | 778.8 | 192.6 | 114.9 | 45.1 | 365.1 | 57.3 | 48.3 | 823.3 | -44.6 |
| 2024 | I | 167.2 | 186.8 | 200.2 | 83.0 | 637.2 | 165.8 | 87.5 | 37.0 | 296.6 | 57.8 | 44.1 | 688.9 | -51.8 |
| | II | 170.9 | 191.1 | 203.5 | 84.3 | 649.8 | 167.4 | 88.3 | 37.8 | 301.8 | 57.4 | 43.5 | 696.3 | -46.5 |
| | III | 173.1 | 194.1 | 207.4 | 87.2 | 661.8 | 170.4 | 89.5 | 39.2 | 306.3 | 58.2 | 42.6 | 706.3 | -44.4 |
| | IV | 176.9 | 198.7 | 210.3 | 87.7 | 673.7 | 172.7 | 90.1 | 38.8 | 311.3 | 69.2 | 42.8 | 725.0 | -51.3 |
| 2025 | I | 179.6 | 201.4 | 213.1 | 88.8 | 682.9 | 173.8 | 91.2 | 39.7 | 315.8 | 70.3 | 44.6 | 735.4 | -52.5 |
| | II | 183.0 | 205.2 | 216.5 | 89.3 | 694.0 | 175.4 | 92.7 | 40.0 | 320.5 | 72.9 | 46.1 | 747.6 | -53.6 |
| | III | 186.2 | 211.6 | 219.9 | 90.1 | 707.8 | 176.7 | 94.4 | 40.1 | 324.8 | 74.4 | 46.9 | 757.3 | -49.5 |
| | IV | 191.5 | 220.6 | 223.6 | 88.8 | 724.6 | 181.5 | 96.7 | 40.3 | 331.2 | 67.8 | 47.4 | 764.9 | -40.3 |
| | | Percentage of GDP. 4-quarter cumulated operations | | | | | | | | | | | | |
| 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 | 41.7 | 11.2 | 5.8 | 2.3 | 19.4 | 3.9 | 3.7 | 46.3 | -4.6 |
| 2023 | | 11.1 | 12.2 | 13.2 | 5.6 | 42.1 | 10.9 | 5.8 | 2.4 | 19.5 | 3.8 | 3.0 | 45.4 | -3.3 |
| 2024 | | 11.1 | 12.5 | 13.2 | 5.5 | 42.3 | 10.8 | 5.7 | 2.4 | 19.5 | 4.3 | 2.7 | 45.5 | -3.2 |
| 2025 | | 11.3 | 13.1 | 13.3 | 5.3 | 42.9 | 10.8 | 5.7 | 2.4 | 19.6 | 4.0 | 2.8 | 45.3 | -2.4 |
| 2026 | | 11.3 | 13.0 | 13.3 | 5.0 | 42.5 | 10.6 | 5.9 | 2.5 | 19.6 | 3.1 | 3.4 | 45.2 | -2.6 |
| 2027 | | 11.7 | 13.0 | 13.2 | 4.2 | 42.0 | 10.4 | 6.2 | 2.4 | 19.7 | 3.1 | 2.6 | 44.5 | -2.4 |
| 2024 | I | 11.0 | 12.3 | 13.2 | 5.5 | 41.9 | 10.9 | 5.8 | 2.4 | 19.5 | 3.8 | 2.9 | 45.3 | -3.4 |
| | II | 11.1 | 12.4 | 13.2 | 5.5 | 42.1 | 10.8 | 5.7 | 2.4 | 19.5 | 3.7 | 2.8 | 45.1 | -3.0 |
| | III | 11.0 | 12.4 | 13.2 | 5.6 | 42.2 | 10.9 | 5.7 | 2.5 | 19.5 | 3.7 | 2.7 | 45.0 | -2.8 |
| | IV | 11.1 | 12.5 | 13.2 | 5.5 | 42.3 | 10.8 | 5.7 | 2.4 | 19.5 | 4.3 | 2.7 | 45.5 | -3.2 |
| 2025 | I | 11.1 | 12.5 | 13.2 | 5.5 | 42.3 | 10.8 | 5.7 | 2.5 | 19.6 | 4.4 | 2.8 | 45.6 | -3.3 |
| | II | 11.2 | 12.5 | 13.2 | 5.5 | 42.4 | 10.7 | 5.7 | 2.4 | 19.6 | 4.5 | 2.8 | 45.7 | -3.3 |
| | III | 11.2 | 12.8 | 13.3 | 5.4 | 42.7 | 10.7 | 5.7 | 2.4 | 19.6 | 4.5 | 2.8 | 45.7 | -3.0 |
| | IV | 11.3 | 13.1 | 13.3 | 5.3 | 42.9 | 10.8 | 5.7 | 2.4 | 19.6 | 4.0 | 2.8 | 45.3 | -2.4 |

*Source: IGAE and Funcas (Forecasts).*

**Chart 6.1 - Public sector: Revenue, expenditure and deficit**

Percentage of GDP, 4-quarter moving averages

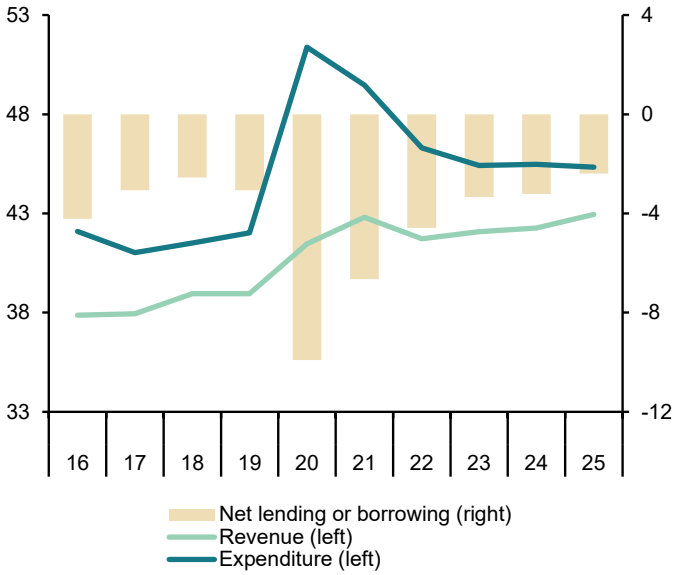



**Chart 6.2 - Public sector: Main expenditures**

Percentage of GDP

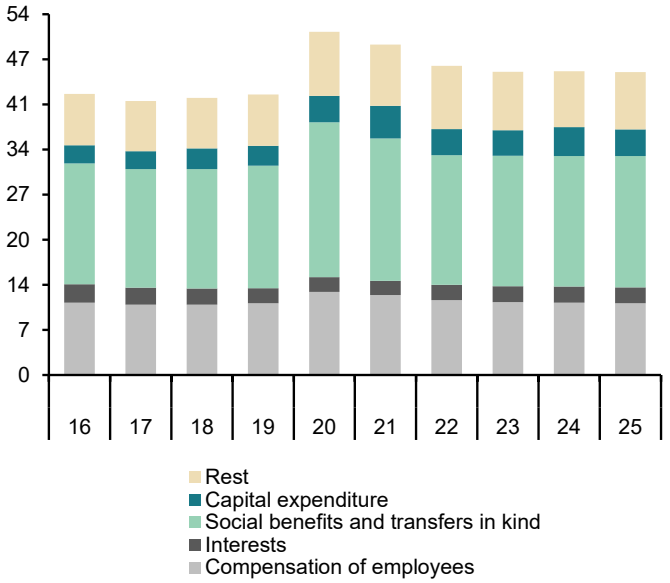


Table 7

## 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 | | | | |
| 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 | | -29.8 | -12.2 | 0.3 | -8.3 | -50.0 | 1,435.7 | 325.2 | 23.3 | 116.2 | 1,575.4 |
| 2024 | | -46.9 | -3.2 | 7.1 | -8.2 | -51.3 | 1,489.3 | 335.9 | 22.9 | 126.2 | 1,620.6 |
| 2025 | | -33.2 | -6.7 | 5.1 | -5.6 | -40.3 | 1,562.6 | 341.6 | 20.7 | 136.2 | 1,698.2 |
| 2026 | | - | - | - | - | -46.5 | - | - | - | - | 1,752.7 |
| 2027 | | - | - | - | - | -44.6 | - | - | - | - | 1,805.2 |
| 2024 | I | -29.9 | -15.0 | -0.9 | -6.0 | -51.8 | 1,476.2 | 328.9 | 23.1 | 116.2 | 1,614.7 |
| | II | -24.7 | -14.7 | 0.6 | -7.7 | -46.5 | 1,484.7 | 337.5 | 23.5 | 116.2 | 1,625.7 |
| | III | -39.4 | -1.8 | 4.8 | -8.0 | -44.4 | 1,504.0 | 333.2 | 23.1 | 116.2 | 1,635.7 |
| | IV | -46.9 | -3.2 | 7.1 | -8.2 | -51.3 | 1,489.3 | 335.9 | 22.9 | 126.2 | 1,620.6 |
| 2025 | I | -51.0 | -2.8 | 8.0 | -6.7 | -52.5 | 1,533.2 | 338.1 | 22.9 | 126.2 | 1,667.4 |
| | II | -50.1 | -2.4 | 6.7 | -7.8 | -53.6 | 1,548.6 | 342.8 | 23.3 | 126.2 | 1,690.9 |
| | III | -45.1 | -6.5 | 4.9 | -2.8 | -49.5 | 1,571.6 | 338.8 | 22.5 | 126.2 | 1,709.3 |
| | IV | -33.2 | -6.7 | 5.1 | -5.6 | -40.3 | 1,562.6 | 341.6 | 20.7 | 136.2 | 1,698.2 |
| | | Percentage of GDP, 4-quarter cumulated operations | | | | | Percentage of GDP | | | | |
| 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 | 98.9 | 23.0 | 1.7 | 7.7 | 109.3 |
| 2023 | | -2.0 | -0.8 | 0.0 | -0.6 | -3.3 | 95.9 | 21.7 | 1.6 | 7.8 | 105.2 |
| 2024 | | -2.9 | -0.2 | 0.4 | -0.5 | -3.2 | 93.4 | 21.1 | 1.4 | 7.9 | 101.6 |
| 2025 | | -2.0 | -0.4 | 0.3 | -0.3 | -2.4 | 92.6 | 20.2 | 1.2 | 8.1 | 100.7 |
| 2026 | | - | - | - | - | -2.6 | - | - | - | - | 98.7 |
| 2027 | | - | - | - | - | -2.4 | - | - | - | - | 97.5 |
| 2024 | I | -2.0 | -1.0 | -0.1 | -0.4 | -3.4 | 97.1 | 21.6 | 1.5 | 7.6 | 106.2 |
| | II | -1.6 | -1.0 | 0.0 | -0.5 | -3.0 | 96.1 | 21.8 | 1.5 | 7.5 | 105.2 |
| | III | -2.5 | -0.1 | 0.3 | -0.5 | -2.8 | 95.7 | 21.2 | 1.5 | 7.4 | 104.1 |
| | IV | -2.9 | -0.2 | 0.4 | -0.5 | -3.2 | 93.4 | 21.1 | 1.4 | 7.9 | 101.6 |
| 2025 | I | -3.2 | -0.2 | 0.5 | -0.4 | -3.2 | 94.9 | 20.9 | 1.4 | 7.8 | 103.2 |
| | II | -3.1 | -0.1 | 0.4 | -0.5 | -3.3 | 94.6 | 20.9 | 1.4 | 7.7 | 103.3 |
| | III | -2.7 | -0.4 | 0.3 | -0.2 | -3.0 | 94.7 | 20.4 | 1.4 | 7.6 | 103.0 |
| | IV | -2.0 | -0.4 | 0.3 | -0.3 | -2.4 | 92.6 | 20.2 | 1.2 | 8.1 | 100.7 |

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

**Chart 7.1 - Government deficit**

Percent of GDP, 4-quarter cumulated operations

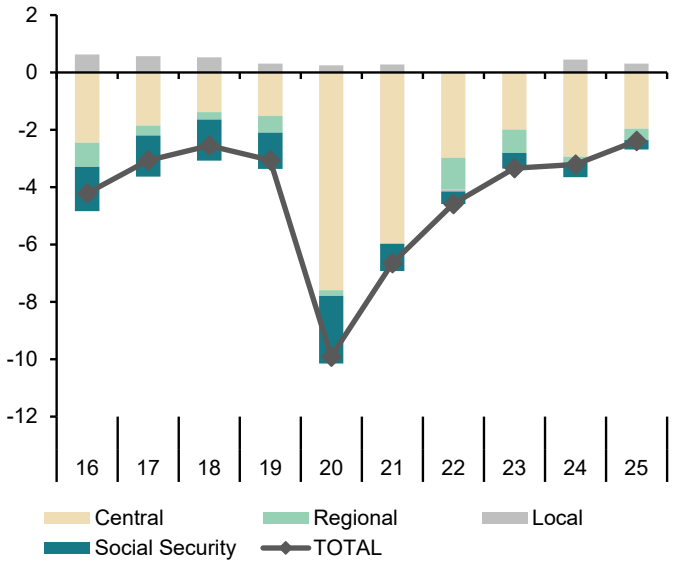



**Chart 7.2 - Government debt**

Percent of GDP

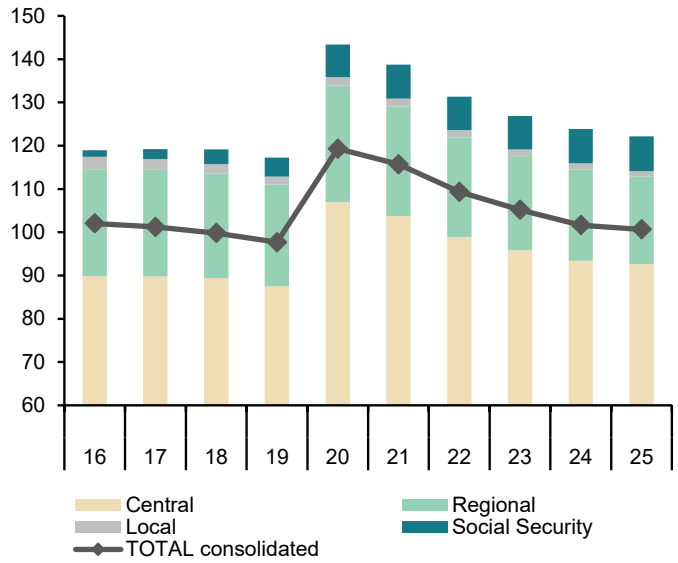


Table 8

## General activity and industrial sector indicators (a)

| | General activity indicators | | | | Industrial sector indicators | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Economic Sentiment Index | Composite PMI index | Social Security Affiliates (f) | Electricity consumption (temperature adjusted) | Industrial production index | Social Security Affiliates in industry | Manufacturing PMI index | Industrial confidence index | Manufacturing turnover index deflated (g) | Industrial orders |
| | Index | Index | Thousands | 1000 GWH, monthly average | 2019=100 | Thousands | Index | Balance of responses | 2019=100 | Balance of responses |
| 2018 | 108.2 | 54.6 | 18,788.1 | 21.5 | 99.4 | 2,250.9 | 53.3 | -0.4 | 100.0 | -0.2 |
| 2019 | 104.7 | 52.7 | 19,277.8 | 20.9 | 100.0 | 2,283.2 | 49.1 | -3.6 | 100.0 | -4.9 |
| 2020 | 89.0 | 41.5 | 18,881.3 | 19.9 | 90.7 | 2,239.3 | 47.5 | -13.6 | 89.9 | -30.1 |
| 2021 | 105.2 | 55.3 | 19,357.3 | 20.4 | 97.2 | 2,277.7 | 57.0 | 0.6 | 95.1 | -1.7 |
| 2022 | 101.1 | 51.8 | 20,107.7 | 19.6 | 99.7 | 2,332.0 | 51.0 | -0.9 | 97.6 | 1.6 |
| 2023 | 100.4 | 52.5 | 20,642.6 | 19.3 | 98.1 | 2,371.6 | 48.0 | -6.5 | 95.7 | -11.1 |
| 2024 | 103.1 | 54.8 | 21,147.9 | 19.6 | 98.5 | 2,410.7 | 52.2 | -4.9 | 95.6 | -9.7 |
| 2025 | 103.1 | 54.0 | 21,635.2 | 19.9 | 99.8 | 2,451.0 | 50.9 | -4.8 | 96.2 | -9.8 |
| 2026 (b) | 104.5 | 51.4 | 21,808.1 | 21.7 | 99.7 | 2,468.1 | 49.9 | -3.7 | 89.2 | -9.2 |
| 2024 III | 105.5 | 54.4 | 21,205.7 | 19.6 | 97.3 | 2,413.9 | 51.5 | -2.9 | 95.1 | -9.8 |
| IV | 102.1 | 55.0 | 21,324.1 | 19.7 | 98.6 | 2,424.5 | 53.6 | -6.1 | 96.5 | -10.3 |
| 2025 I | 103.2 | 54.4 | 21,449.3 | 19.8 | 98.9 | 2,436.3 | 50.0 | -5.1 | 97.0 | -10.5 |
| II | 102.3 | 52.0 | 21,562.5 | 19.9 | 99.4 | 2,443.9 | 50.0 | -5.3 | 96.5 | -8.8 |
| III | 102.8 | 54.1 | 21,692.9 | 19.9 | 99.7 | 2,456.3 | 52.6 | -4.9 | 96.3 | -10.6 |
| IV | 104.3 | 55.6 | 21,835.0 | 20.1 | 100.3 | 2,467.6 | 51.1 | -3.9 | 95.1 | -9.3 |
| 2026 I | 105.1 | 52.3 | 21,941.1 | 19.9 | 99.3 | 2,477.7 | 49.3 | -3.2 | 94.6 | -9.1 |
| II (b) | 102.6 | 48.7 | 22,042.5 | 19.4 | - | 2,485.9 | 51.7 | -5.1 | - | -9.5 |
| 2026 Feb | 105.9 | 51.5 | 21,934.9 | 19.9 | 98.5 | 2,477.2 | 50.0 | -2.5 | 94.7 | -9.9 |
| Mar | 103.5 | 52.4 | 21,993.9 | 19.7 | 100.8 | 2,481.8 | 48.7 | -4.4 | - | -9.5 |
| Apr | 102.6 | 48.7 | 22,042.5 | 19.4 | - | 2,485.9 | 51.7 | -5.1 | - | -9.5 |
| | | | | | Percentage changes (c) | | | | | |
| 2018 | - | - | 3.1 | 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 | 1.7 | - | - | 5.8 | - |
| 2022 | - | - | 3.9 | -3.8 | 2.5 | 2.4 | - | - | 2.7 | - |
| 2023 | - | - | 2.7 | -1.2 | -1.6 | 1.7 | - | - | -2.0 | - |
| 2024 | - | - | 2.4 | 1.5 | 0.5 | 1.6 | - | - | -0.1 | - |
| 2025 | - | - | 2.3 | 1.6 | 1.3 | 1.7 | - | - | 0.6 | - |
| 2026 (d) | - | - | 2.3 | 0.4 | 0.1 | 1.7 | - | - | -3.2 | - |
| 2024 III | - | - | 0.5 | 0.7 | -0.7 | 0.3 | - | - | 0.0 | - |
| IV | - | - | 0.6 | 0.0 | 1.3 | 0.4 | - | - | 1.5 | - |
| 2025 I | - | - | 0.6 | 0.6 | 0.3 | 0.5 | - | - | 0.6 | - |
| II | - | - | 0.5 | 0.6 | 0.4 | 0.3 | - | - | -0.5 | - |
| III | - | - | 0.6 | -0.2 | 0.3 | 0.5 | - | - | -0.3 | - |
| IV | - | - | 0.7 | 1.0 | 0.7 | 0.5 | - | - | -1.3 | - |
| 2026 I | - | - | 0.5 | -0.5 | -1.1 | 0.4 | - | - | -0.5 | - |
| II (e) | - | - | 0.5 | -2.5 | - | 0.3 | - | - | - | - |
| 2026 Feb | - | - | 0.2 | -1.6 | -0.1 | 0.1 | - | - | 0.3 | - |
| Mar | - | - | 0.3 | -1.3 | 2.3 | 0.2 | - | - | - | - |
| Apr | - | - | 0.2 | -1.2 | - | 0.2 | - | - | - | - |

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

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

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

Level, 2019=100

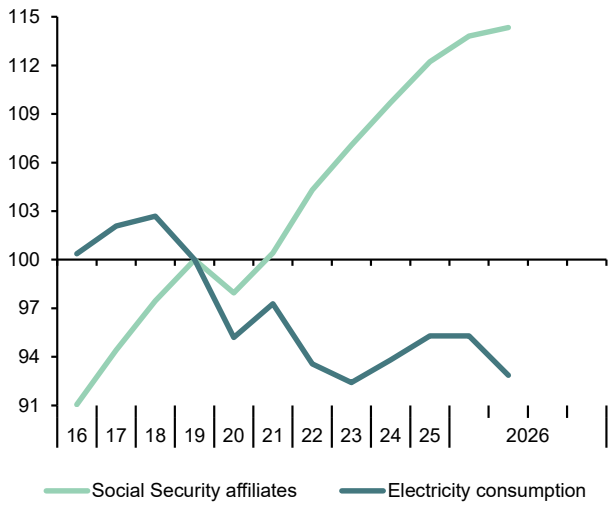



**Chart 8.2 - General activity indicators (II)**

Index

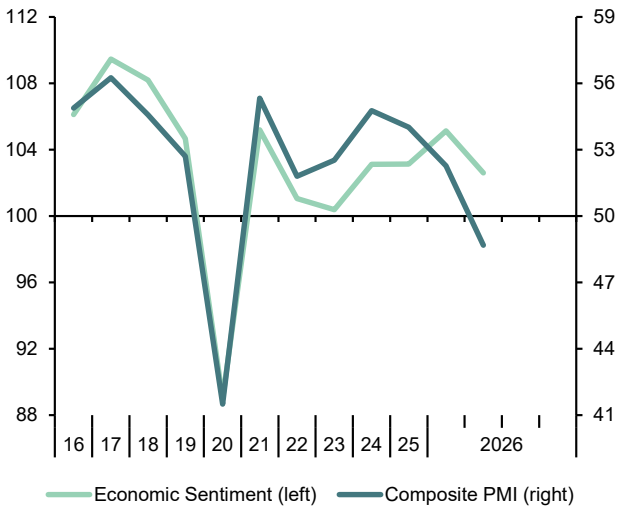



**Chart 8.3 - Industrial sector indicators (I)**

Level, 2019=100

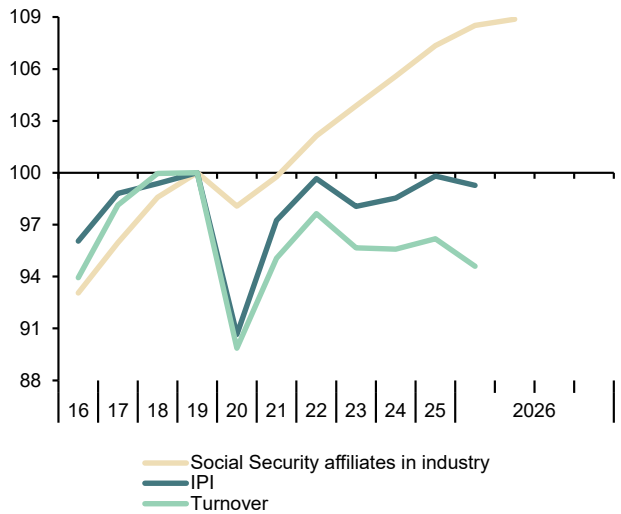



**Chart 8.4 - Industrial sector indicators (II)**

Index

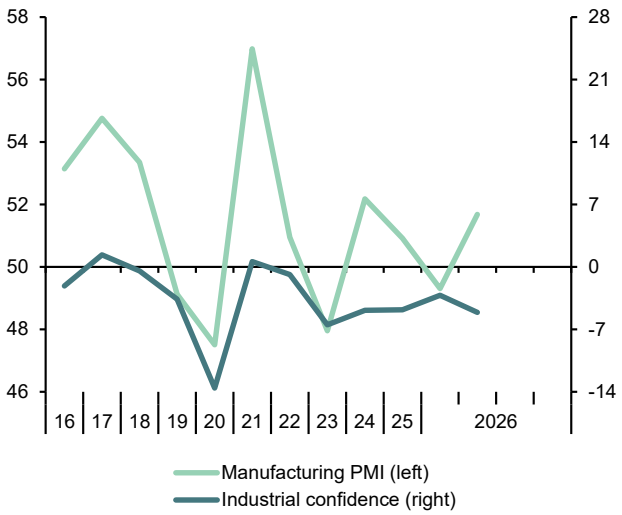


Table 9

## Construction and services sector indicators (a)

| | | Construction indicators | | | | | Service sector indicators | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Social Security Affiliates in construction | Industrial production index construction materials | Construction confidence index | Official tenders (f) (h) | Housing permits (f) | Social Security Affiliates in services (g) | Turnover index deflated | Services PMI index | Hotel overnight stays | Passenger air transport |
| | | Thousands | 2019=100 | Balance of responses | 2019=100 | Dwellings, monthly average | Thousands | 2019=100 | Index | Million, monthly average | Million, monthly average |
| 2018 | | 1,194.1 | 91.5 | -6.0 | 98.5 | 8,394.4 | 14,204.9 | 97.3 | 54.8 | 28.3 | 21.9 |
| 2019 | | 1,254.9 | 100.0 | -7.7 | 100.0 | 8,855.5 | 14,602.8 | 100.0 | 53.9 | 28.6 | 23.1 |
| 2020 | | 1,233.1 | 88.9 | -17.5 | 77.1 | 7,127.9 | 14,290.1 | 83.4 | 40.3 | 7.7 | 6.3 |
| 2021 | | 1,237.4 | 99.5 | -1.9 | 119.8 | 9,026.5 | 14,726.0 | 95.5 | 55.0 | 14.4 | 9.9 |
| 2022 | | 1,280.8 | 99.2 | 8.8 | 131.6 | 9,076.9 | 15,415.9 | 102.4 | 52.5 | 26.7 | 20.2 |
| 2023 | | 1,329.6 | 95.5 | 8.7 | 126.7 | 9,123.6 | 15,889.3 | 103.8 | 53.6 | 28.9 | 23.5 |
| 2024 | | 1,354.4 | 95.1 | 7.8 | 138.5 | 10,643.4 | 16,346.6 | 106.3 | 55.3 | 30.3 | 25.7 |
| 2025 | | 1,396.3 | 98.1 | 16.0 | 149.3 | 11,584.7 | 16,761.2 | 110.2 | 54.5 | 30.6 | 26.7 |
| 2026 (b) | | 1,429.6 | 92.7 | 20.7 | 149.7 | 12,495.5 | 16,874.3 | 101.2 | 51.7 | 19.9 | 23.4 |
| 2024 | III | 1,356.6 | 93.9 | 7.1 | 147.1 | 10,587.7 | 16,402.5 | 106.7 | 55.2 | 30.2 | 26.0 |
| | IV | 1,364.7 | 96.4 | 9.4 | 153.5 | 10,904.3 | 16,498.3 | 107.7 | 55.1 | 30.4 | 26.1 |
| 2025 | I | 1,376.8 | 96.9 | 13.6 | 146.4 | 12,034.0 | 16,605.9 | 109.6 | 55.3 | 30.4 | 26.4 |
| | II | 1,386.1 | 97.7 | 15.6 | 149.0 | 11,323.3 | 16,703.3 | 109.9 | 52.2 | 30.5 | 26.6 |
| | III | 1,402.9 | 96.7 | 14.5 | 132.8 | 10,085.0 | 16,808.7 | 110.3 | 54.2 | 30.7 | 26.9 |
| | IV | 1,419.4 | 98.5 | 20.5 | 169.1 | 12,896.3 | 16,925.6 | 110.8 | 56.4 | 30.9 | 27.0 |
| 2026 | I | 1,430.6 | 96.8 | 18.6 | 149.7 | 12,495.5 | 17,004.6 | 110.3 | 52.9 | 31.1 | 27.0 |
| | II (b) | 1,446.1 | - | 26.8 | - | - | 17,084.6 | - | 47.9 | - | 27.5 |
| 2026 | Feb | 1,427.6 | 95.9 | 15.1 | 135.5 | 11,413.0 | 17,001.9 | 110.3 | 51.9 | 31.0 | 26.9 |
| | Mar | 1,438.3 | 99.4 | 14.4 | 211.3 | - | 17,041.5 | - | 53.3 | 31.1 | 27.4 |
| | Apr | 1,446.1 | - | 26.8 | - | - | 17,084.6 | - | 47.9 | - | 27.5 |
| | | | | | | Percentage changes (c) | | | | | |
| 2018 | | 6.7 | 3.2 | - | 28.0 | 24.7 | 3.1 | 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 | -2.1 | -16.6 | - | -73.1 | -72.7 |
| 2021 | | 0.4 | 12.0 | - | 55.3 | 26.6 | 3.1 | 14.5 | - | 87.4 | 57.8 |
| 2022 | | 3.5 | -0.3 | - | 9.8 | 0.6 | 4.7 | 7.2 | - | 85.4 | 103.4 |
| 2023 | | 3.8 | -3.8 | - | -3.7 | 0.5 | 3.1 | 1.4 | - | 8.2 | 16.3 |
| 2024 | | 1.9 | -0.4 | - | 9.3 | 16.7 | 2.9 | 2.4 | - | 4.8 | 9.3 |
| 2025 | | 3.1 | 3.1 | - | 7.8 | 8.8 | 2.5 | 3.6 | - | 1.0 | 4.0 |
| 2026 (d) | | 4.1 | -2.0 | - | 2.3 | 9.3 | 2.4 | 0.6 | - | 3.4 | 3.4 |
| 2024 | III | 0.5 | 1.0 | - | 11.8 | 23.5 | 0.6 | 0.6 | - | -0.6 | 1.4 |
| | IV | 0.6 | 2.7 | - | 29.1 | 15.8 | 0.6 | 1.0 | - | 0.8 | 0.4 |
| 2025 | I | 0.9 | 0.5 | - | 16.9 | 19.4 | 0.7 | 1.7 | - | -0.1 | 1.2 |
| | II | 0.7 | 0.8 | - | 16.2 | 2.9 | 0.6 | 0.3 | - | 0.2 | 1.0 |
| | III | 1.2 | -1.0 | - | -9.7 | -4.7 | 0.6 | 0.4 | - | 0.6 | 1.0 |
| | IV | 1.2 | 1.8 | - | 10.2 | 18.3 | 0.7 | 0.4 | - | 0.8 | 0.5 |
| 2026 | I | 0.8 | -1.7 | - | 2.3 | 9.3 | 0.5 | -0.4 | - | 0.5 | 0.0 |
| | II (e) | 1.1 | - | - | - | - | 0.5 | - | - | - | 1.8 |
| 2026 | Feb | 0.1 | 0.9 | - | -30.4 | -0.9 | 0.2 | 0.0 | - | -0.4 | 0.5 |
| | Mar | 0.7 | 3.6 | - | 56.0 | - | 0.2 | - | - | 0.5 | 1.6 |
| | Apr | 0.5 | - | - | - | - | 0.3 | - | - | - | 0.5 |

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

*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

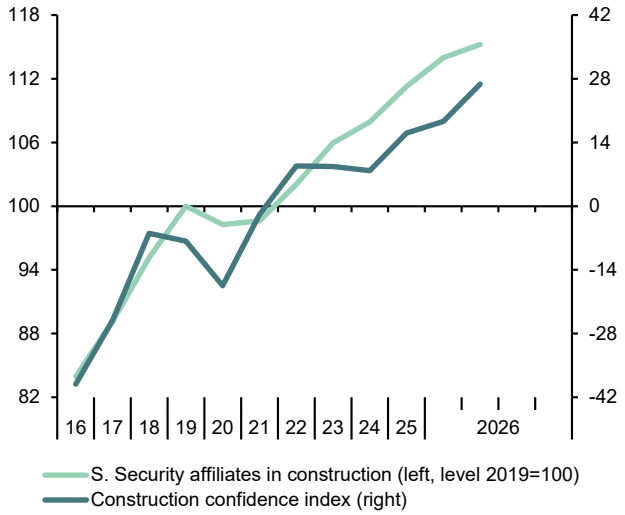



**Chart 9.2 - Construction indicators (II)**

Level, 2019=100


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

Level, 2019=100

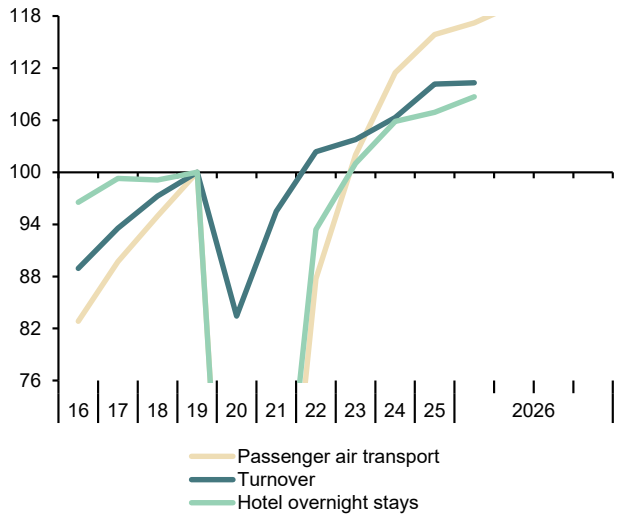



**Chart 9.4 - Services indicators (II)**

Index

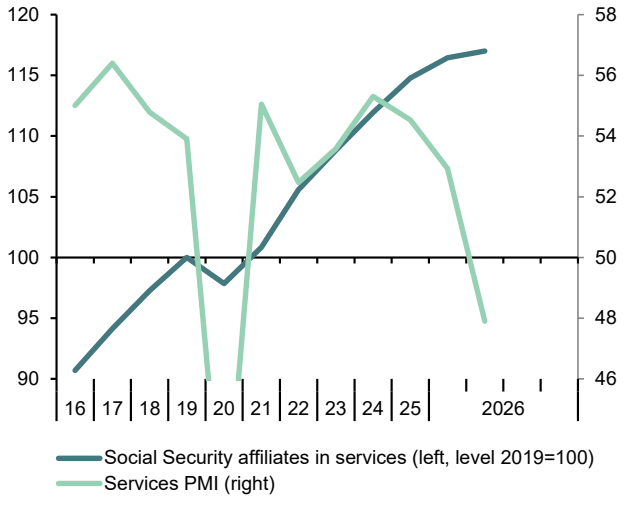


Table 10

## Consumption and investment indicators (a)

| | Consumption indicators | | | | | | Investment in equipment indicators | | |
|---|---|---|---|---|---|---|---|---|---|
| | Retail sales deflated | Car registrations | 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 | Million, monthly average | Balance of responses | 2019=100 | Thousands, monthly average | Balance of responses | 2019=100 | 2019=100 |
| 2018 | 97.5 | 118.7 | 9.7 | -5.6 | 97.5 | 19.9 | 12.4 | 99.8 | 95.6 |
| 2019 | 100.0 | 114.6 | 10.0 | -2.9 | 100.0 | 19.2 | 8.8 | 100.0 | 100.0 |
| 2020 | 94.5 | 78.3 | 4.3 | -25.5 | 91.6 | 15.0 | -22.7 | 94.7 | 93.5 |
| 2021 | 98.1 | 79.5 | 7.6 | -11.1 | 96.0 | 16.4 | 4.7 | 104.4 | 98.0 |
| 2022 | 98.9 | 76.2 | 10.0 | -2.8 | 102.3 | 14.6 | 28.2 | 118.1 | 105.8 |
| 2023 | 102.1 | 86.7 | 10.1 | -6.7 | 104.1 | 18.0 | 17.9 | 122.2 | 121.9 |
| 2024 | 103.9 | 94.3 | 10.2 | -10.1 | 107.8 | 19.6 | 4.3 | 127.1 | 123.3 |
| 2025 | 108.2 | 108.7 | 10.2 | -8.8 | 114.3 | 21.3 | -8.8 | 140.3 | 136.3 |
| 2026 (b) | 102.8 | 98.2 | 6.9 | -6.2 | 109.7 | 20.3 | -7.6 | 131.4 | 135.8 |
| 2024 III | 104.2 | 91.8 | 10.1 | -8.0 | 108.6 | 17.4 | -0.7 | 127.7 | 119.9 |
| IV | 105.4 | 108.2 | 10.2 | -14.0 | 109.3 | 19.8 | 1.1 | 133.3 | 127.3 |
| 2025 I | 106.3 | 103.1 | 10.1 | -10.2 | 112.6 | 19.6 | -7.5 | 137.2 | 133.0 |
| II | 107.7 | 105.9 | 10.2 | -8.8 | 114.3 | 20.0 | -5.0 | 139.7 | 137.2 |
| III | 108.9 | 108.8 | 10.2 | -8.6 | 115.1 | 20.7 | -10.3 | 141.4 | 134.9 |
| IV | 109.8 | 121.2 | 10.2 | -7.5 | 116.6 | 21.3 | -12.6 | 143.0 | 137.9 |
| 2026 I | 110.1 | 109.1 | 10.2 | -6.1 | 117.2 | 21.6 | -7.3 | 143.6 | 139.3 |
| II (b) | - | - | - | -6.6 | - | - | -8.6 | - | - |
| 2026 Feb | 109.5 | 114.1 | 10.1 | -6.2 | 117.3 | 22.3 | -9.1 | 143.6 | 136.9 |
| Mar | 111.2 | - | 10.2 | -7.3 | 116.3 | - | -6.8 | - | 148.7 |
| Apr | - | - | - | -6.6 | - | - | -8.6 | - | - |
| Percentage changes (c) | | | | | | | | | |
| 2018 | 0.7 | 6.1 | 0.6 | - | 2.6 | 11.4 | - | 2.0 | 4.4 |
| 2019 | 2.5 | -3.4 | 2.7 | - | 2.6 | -3.2 | - | 0.2 | 4.6 |
| 2020 | -5.5 | -31.7 | -57.2 | - | -8.4 | -21.9 | - | -5.3 | -6.5 |
| 2021 | 3.8 | 1.5 | 77.3 | - | 4.9 | 9.3 | - | 10.3 | 4.9 |
| 2022 | 0.8 | -4.1 | 32.3 | - | 6.5 | -10.9 | - | 13.0 | 8.0 |
| 2023 | 3.1 | 13.7 | 1.4 | - | 1.8 | 22.9 | - | 3.5 | 15.1 |
| 2024 | 1.8 | 8.8 | 0.2 | - | 3.5 | 9.2 | - | 4.0 | 1.1 |
| 2025 | 4.2 | 15.3 | -0.2 | - | 6.1 | 8.4 | - | 10.4 | 10.6 |
| 2026 (d) | 3.4 | 5.6 | 2.1 | - | 3.9 | 8.8 | - | 6.4 | 3.6 |
| 2024 II | 0.0 | 3.2 | 0.1 | - | 3.0 | -5.9 | - | 9.1 | 10.0 |
| III | 1.4 | -0.2 | -0.9 | - | 8.3 | -4.5 | - | 18.7 | -9.2 |
| IV | 1.1 | 17.9 | 0.8 | - | 2.8 | 14.0 | - | 18.9 | 27.2 |
| 2025 I | 0.8 | -4.7 | -0.7 | - | 12.5 | -1.1 | - | 12.3 | 19.1 |
| II | 1.4 | 2.7 | 0.1 | - | 6.1 | 2.1 | - | 7.2 | 13.0 |
| III | 1.0 | 2.7 | 0.2 | - | 2.9 | 3.5 | - | 4.9 | -6.6 |
| IV | 0.8 | 11.4 | -0.2 | - | 5.1 | 2.8 | - | 4.8 | 9.4 |
| 2026 I (e) | 0.3 | -10.0 | 0.0 | - | 2.1 | 1.4 | - | 1.5 | 4.2 |
| 2026 Jan | 0.0 | -2.8 | 0.4 | - | 1.4 | -3.3 | - | 0.1 | -4.0 |
| Feb | -0.1 | 9.6 | -0.9 | - | -0.4 | 6.4 | - | 0.1 | 3.4 |
| Mar | 1.6 | - | 0.4 | - | -0.9 | - | - | - | 8.7 |

*(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

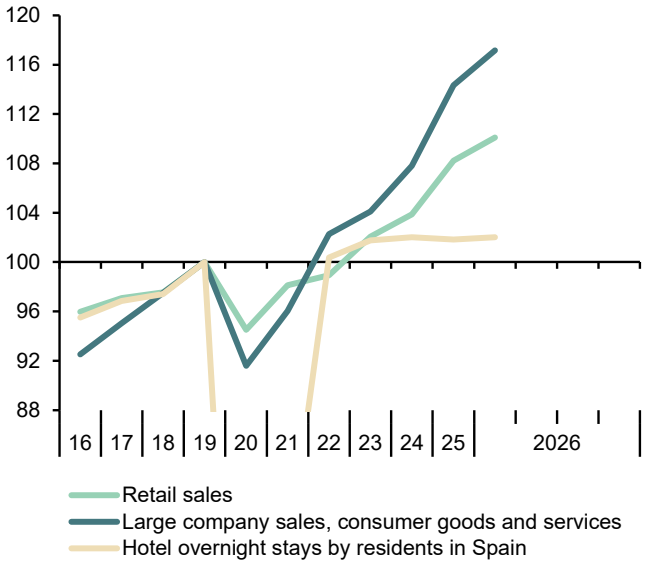



**Chart 10.2 - Investment indicators**

Level, 2019=100 and balance of responses

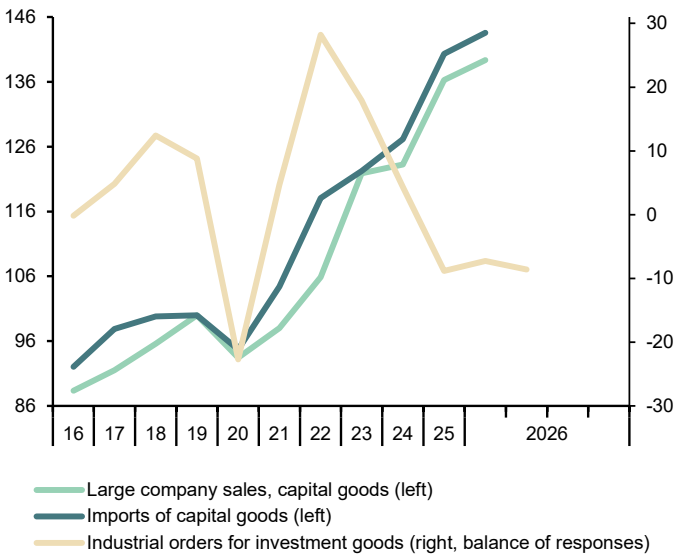


Table 11a

## 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 | | | | | |
| 2018 | 38.9 | 22.8 | - | 19.3 | - | 3.5 | - | 74.9 | 63.4 | 15.3 | 34.3 | 14.1 | 26.9 |
| 2019 | 39.3 | 23.0 | - | 19.8 | - | 3.2 | - | 75.0 | 64.3 | 14.1 | 32.5 | 13.1 | 24.3 |
| 2020 | 39.6 | 22.7 | - | 19.2 | - | 3.5 | - | 73.4 | 62.0 | 15.5 | 38.3 | 13.8 | 23.7 |
| 2021 | 39.9 | 23.3 | - | 19.8 | - | 3.5 | - | 74.9 | 63.7 | 14.9 | 35.1 | 13.4 | 22.0 |
| 2022 | 40.4 | 23.6 | - | 20.5 | - | 3.1 | - | 75.3 | 65.4 | 13.0 | 29.7 | 11.8 | 18.4 |
| 2023 | 41.0 | 24.1 | - | 21.2 | - | 2.9 | - | 75.8 | 66.5 | 12.2 | 28.7 | 11.0 | 16.8 |
| 2024 | 41.6 | 24.4 | - | 21.7 | - | 2.8 | - | 75.9 | 67.2 | 11.3 | 26.5 | 10.1 | 15.9 |
| 2025 | 42.1 | 24.8 | - | 22.2 | - | 2.6 | - | 76.2 | 68.1 | 10.5 | 24.9 | 9.6 | 13.7 |
| 2026 | 42.6 | 25.2 | - | 22.7 | - | 2.5 | - | - | - | 9.9 | - | - | - |
| 2027 | 42.9 | 25.3 | - | 23.0 | - | 2.4 | - | - | - | 9.3 | - | - | - |
| 2024 I | 41.3 | 24.2 | 24.3 | 21.3 | 21.5 | 3.0 | 2.8 | 76.0 | - | 11.6 | 28.3 | 10.8 | 17.9 |
| II | 41.5 | 24.4 | 24.4 | 21.7 | 21.6 | 2.8 | 2.8 | 75.9 | - | 11.6 | 26.8 | 10.1 | 15.8 |
| III | 41.6 | 24.6 | 24.4 | 21.8 | 21.7 | 2.8 | 2.8 | 75.9 | - | 11.3 | 25.0 | 10.1 | 15.1 |
| IV | 41.8 | 24.5 | 24.5 | 21.9 | 21.8 | 2.6 | 2.7 | 75.7 | - | 10.9 | 26.1 | 9.5 | 14.7 |
| 2025 I | 41.9 | 24.6 | 24.7 | 21.8 | 22.0 | 2.8 | 2.7 | 76.0 | - | 10.8 | 27.0 | 10.2 | 15.5 |
| II | 42.0 | 24.8 | 24.8 | 22.3 | 22.2 | 2.6 | 2.6 | 76.2 | - | 10.5 | 24.8 | 9.1 | 14.3 |
| III | 42.2 | 25.0 | 24.9 | 22.4 | 22.3 | 2.6 | 2.6 | 76.3 | - | 10.4 | 23.6 | 9.5 | 13.8 |
| IV | 42.3 | 24.9 | 25.0 | 22.5 | 22.4 | 2.5 | 2.6 | 76.4 | - | 10.3 | 24.2 | 9.6 | 10.9 |
| 2026 I | 42.5 | 25.0 | 25.1 | 22.3 | 22.5 | 2.7 | 2.6 | 76.4 | - | 10.2 | 25.0 | 10.2 | 12.9 |
| | Percentage changes (d) | | | | | | | Difference from one year ago | | | | | |
| 2018 | 0.6 | 0.3 | - | 2.7 | - | -11.2 | - | -0.2 | 1.3 | -2.0 | -4.2 | -2.0 | -2.4 |
| 2019 | 1.0 | 1.0 | - | 2.3 | - | -6.6 | - | 0.1 | 0.9 | -1.2 | -1.8 | -1.0 | -2.7 |
| 2020 | 0.8 | -1.3 | - | -2.9 | - | 8.7 | - | -1.5 | -2.4 | 1.4 | 5.8 | 0.7 | -0.5 |
| 2021 | 0.9 | 2.5 | - | 3.3 | - | -1.5 | - | 1.5 | 1.7 | -0.6 | -3.2 | -0.4 | -1.7 |
| 2022 | 1.1 | 1.4 | - | 3.6 | - | -11.4 | - | 0.3 | 1.7 | -1.9 | -5.5 | -1.6 | -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 | -0.9 |
| 2025 | 1.3 | 1.7 | - | 2.6 | - | -5.9 | - | - | - | -0.8 | - | - | - |
| 2026 | 1.2 | 1.4 | - | 2.0 | - | -4.3 | - | - | - | -0.6 | - | - | - |
| 2027 | 0.8 | 0.7 | - | 1.4 | - | -5.7 | - | - | - | -0.6 | - | - | - |
| 2024 I | 1.4 | 1.7 | 0.2 | 3.0 | 0.5 | -6.5 | -2.1 | 0.4 | 1.2 | -1.1 | -2.2 | -1.2 | -1.0 |
| II | 1.5 | 1.6 | 0.3 | 2.0 | 0.4 | -1.9 | -0.1 | 0.2 | 0.5 | -0.4 | -1.5 | -0.5 | -0.5 |
| III | 1.4 | 1.0 | 0.1 | 1.8 | 0.5 | -4.9 | -2.7 | -0.1 | 0.4 | -0.7 | -1.4 | -0.8 | -0.5 |
| IV | 1.4 | 0.8 | 0.3 | 2.2 | 0.7 | -9.3 | -2.5 | -0.3 | 0.7 | -1.2 | -3.6 | -1.1 | -1.7 |
| 2025 I | 1.4 | 1.3 | 0.6 | 2.4 | 0.8 | -6.3 | -1.0 | 0.0 | 0.7 | -0.9 | -1.2 | -0.6 | -2.4 |
| II | 1.3 | 1.6 | 0.4 | 2.7 | 0.7 | -7.3 | -1.6 | 0.2 | 1.0 | -1.0 | -2.0 | -0.9 | -1.5 |
| III | 1.3 | 1.7 | 0.3 | 2.6 | 0.4 | -5.1 | -0.6 | 0.4 | 1.0 | -0.8 | -1.5 | -0.7 | -1.2 |
| IV | 1.2 | 2.0 | 0.7 | 2.8 | 0.8 | -4.6 | -0.8 | 0.6 | 1.1 | -0.7 | -1.9 | 0.2 | -3.7 |
| 2026 I | 1.3 | 1.8 | 0.3 | 2.4 | 0.4 | -2.9 | -0.4 | 0.4 | 0.8 | -0.5 | -2.0 | 0.0 | -2.6 |

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

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

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

Thousands and percentage of active population

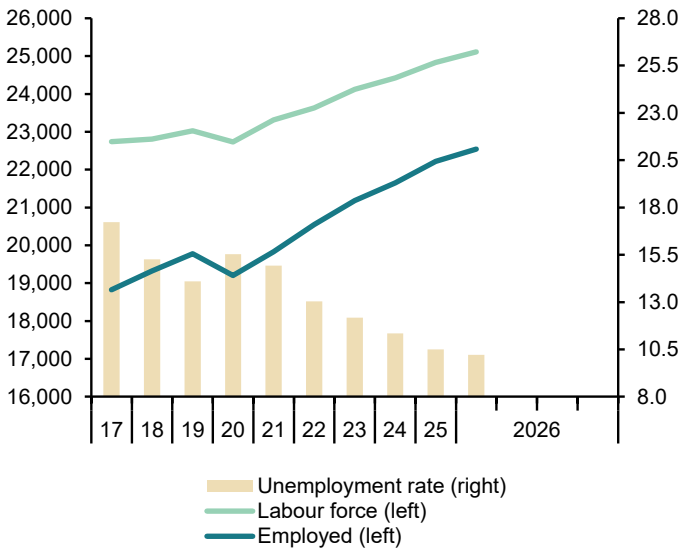



**Chart 11a.2 - Unemployment rates**

Percentage

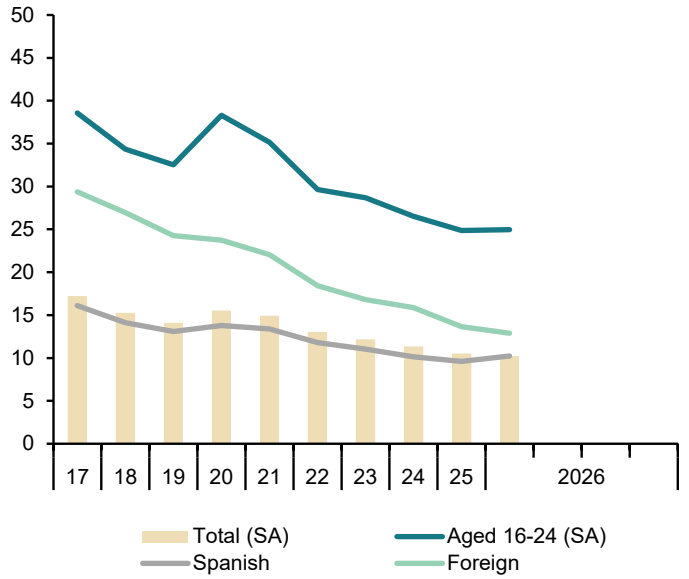


Table 11b

## Labour market (II)

| | Employed by sector | | | | Employed by professional situation | | | | | Employed by duration of the working-day | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Employees | | | | | | | |
| | | | | | | By type of contract | | | | | | |
| | Agriculture | Industry | Construction | Services | Total | Tempo-rary | Indefinite | Temporary employment rate (a) | Self employed | Full-time | Part-time | Part-time employment rate |
| | 1 | 2 | 3 | 4 | 5=6+7 | 6 | 7 | 8=6/5 | 9 | 10 | 11 | 12 |
| | Million (original data) | | | | | | | | | | | (b) |
| 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 | 0.76 | 3.01 | 1.53 | 16.92 | 18.94 | 2.90 | 16.04 | 15.3 | 3.28 | 19.18 | 3.04 | 13.68 |
| 2026 (c) | 0.79 | 3.06 | 1.58 | 16.86 | 19.06 | 2.81 | 16.24 | 14.8 | 3.24 | 19.26 | 3.04 | 13.62 |
| 2024 I | 0.77 | 2.83 | 1.42 | 16.24 | 18.06 | 2.84 | 15.08 | 15.7 | 3.19 | 18.31 | 2.94 | 13.84 |
| II | 0.77 | 2.89 | 1.48 | 16.54 | 18.44 | 2.94 | 15.12 | 16.0 | 3.24 | 18.74 | 2.94 | 13.57 |
| III | 0.73 | 2.91 | 1.48 | 16.70 | 18.67 | 3.06 | 15.23 | 16.4 | 3.16 | 19.03 | 2.79 | 12.80 |
| IV | 0.74 | 2.92 | 1.48 | 16.72 | 18.59 | 2.88 | 15.50 | 15.5 | 3.27 | 18.80 | 3.06 | 14.00 |
| 2025 I | 0.76 | 2.92 | 1.48 | 16.61 | 18.50 | 2.80 | 15.60 | 15.1 | 3.27 | 18.69 | 3.08 | 14.13 |
| II | 0.76 | 3.01 | 1.52 | 16.97 | 18.98 | 2.92 | 15.71 | 15.4 | 3.29 | 19.17 | 3.09 | 13.89 |
| III | 0.75 | 3.07 | 1.56 | 17.01 | 19.11 | 2.98 | 15.70 | 15.6 | 3.28 | 19.49 | 2.90 | 12.94 |
| IV | 0.78 | 3.03 | 1.56 | 17.09 | 19.16 | 2.90 | 16.06 | 15.1 | 3.30 | 19.37 | 3.09 | 13.75 |
| 2026 I | 0.79 | 3.06 | 1.58 | 16.86 | 19.06 | 2.81 | 16.13 | 14.8 | 3.24 | 19.26 | 3.04 | 13.62 |
| | Annual percentage changes | | | | | | | Difference from one year ago | Annual percentage changes | | | Difference from one year ago |
| 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 | 1.5 | 4.1 | 4.5 | 2.2 | 2.7 | -1.1 | 3.4 | -0.6 | 2.2 | 2.5 | 3.6 | 0.1 |
| 2026 (d) | 4.1 | 5.0 | 6.6 | 1.5 | 3.0 | 0.6 | 3.4 | -0.4 | -0.9 | 3.0 | -1.3 | -0.5 |
| 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 |
| II | -0.9 | 4.0 | 3.1 | 2.6 | 2.9 | -0.7 | 3.6 | -0.6 | 1.4 | 2.3 | 5.1 | 0.3 |
| III | 1.9 | 5.4 | 5.3 | 1.9 | 2.4 | -2.9 | 3.4 | -0.8 | 3.8 | 2.4 | 3.7 | 0.1 |
| IV | 5.9 | 3.8 | 5.4 | 2.2 | 3.1 | 0.8 | 3.5 | -0.3 | 1.1 | 3.1 | 1.0 | -0.2 |
| 2026 I | 4.1 | 5.0 | 6.6 | 1.5 | 3.0 | 0.6 | 3.4 | -0.4 | -0.9 | 3.0 | -1.3 | -0.5 |

*(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

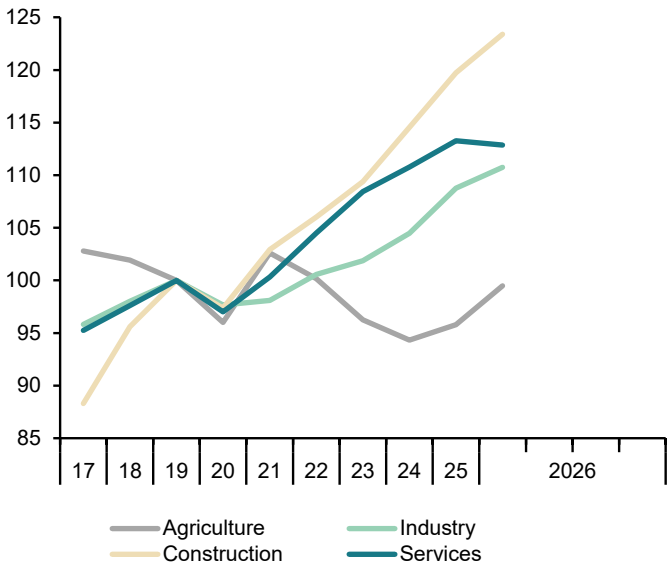



**Chart 11b.2 - Temporary employment rate**

Percentage over total employees

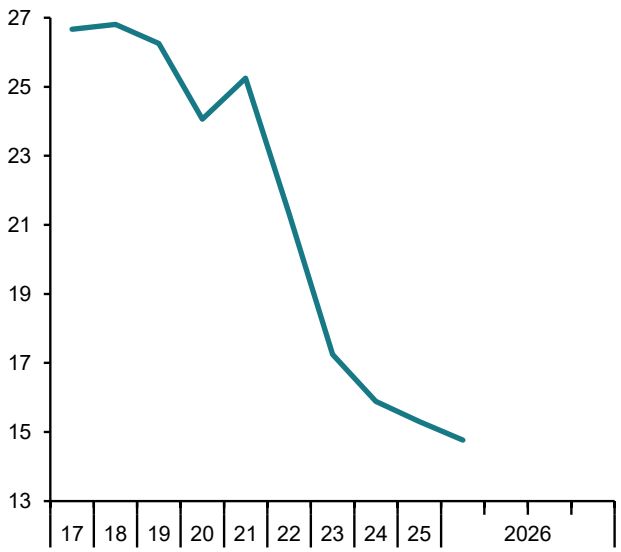


Table 12

## 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 2025 | | 100.00 | 70.15 | 84.82 | 19.84 | 50.31 | 14.67 | 6.25 | 8.93 | 20.92 |
| Indexes. 2025 = 100 | | | | | | | | | | |
| 2020 | | 81.9 | 87.2 | 84.5 | 90.3 | 86.2 | 75.7 | 73.5 | 73.8 | 75.1 |
| 2021 | | 84.4 | 87.7 | 85.2 | 90.9 | 86.7 | 76.7 | 75.3 | 89.4 | 76.4 |
| 2022 | | 91.5 | 90.9 | 89.5 | 94.7 | 89.6 | 84.8 | 83.5 | 114.4 | 84.6 |
| 2023 | | 94.8 | 94.9 | 95.0 | 98.7 | 93.4 | 95.1 | 91.2 | 95.8 | 94.0 |
| 2024 | | 97.4 | 97.5 | 97.7 | 99.4 | 96.7 | 98.6 | 94.3 | 96.7 | 97.4 |
| 2025 | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2026 | | 103.4 | 103.0 | 102.9 | 101.4 | 103.5 | 102.8 | 106.0 | 106.6 | 103.8 |
| 2027 | | 106.1 | 105.7 | 105.8 | 102.2 | 107.0 | 106.5 | 111.0 | 106.3 | 107.8 |
| Annual percentage changes | | | | | | | | | | |
| 2020 | | -0.3 | 0.6 | 0.7 | 0.2 | 0.8 | 1.3 | 3.7 | -9.6 | 2.1 |
| 2021 | | 3.1 | 0.6 | 0.8 | 0.6 | 0.6 | 1.3 | 2.4 | 21.2 | 1.7 |
| 2022 | | 8.4 | 3.7 | 5.2 | 4.2 | 3.3 | 10.6 | 10.9 | 27.9 | 10.7 |
| 2023 | | 3.5 | 4.4 | 6.0 | 4.2 | 4.3 | 12.1 | 9.3 | -16.3 | 11.1 |
| 2024 | | 2.8 | 2.7 | 2.9 | 0.7 | 3.5 | 3.7 | 3.3 | 1.0 | 3.6 |
| 2025 | | 2.7 | 2.6 | 2.3 | 0.6 | 3.4 | 1.4 | 6.1 | 3.4 | 2.7 |
| 2026 | | 3.4 | 3.0 | 2.9 | 1.4 | 3.5 | 2.8 | 6.0 | 6.6 | 3.8 |
| 2027 | | 2.6 | 2.6 | 2.8 | 0.8 | 3.3 | 3.5 | 4.7 | -0.3 | 3.9 |
| 2026 | Jan | 2.3 | 2.8 | 2.6 | 0.6 | 3.6 | 2.1 | 6.1 | -2.5 | 3.2 |
| | Feb | 2.3 | 2.9 | 2.7 | 1.0 | 3.5 | 2.3 | 6.5 | -3.1 | 3.5 |
| | Mar | 3.4 | 3.2 | 2.9 | 1.6 | 3.7 | 2.3 | 4.8 | 7.3 | 3.0 |
| | Apr | 3.2 | 3.0 | 2.8 | 1.6 | 3.4 | 2.3 | 4.6 | 6.6 | 3.0 |
| | May | 3.4 | 3.2 | 3.0 | 1.5 | 3.8 | 2.4 | 4.2 | 6.0 | 2.9 |
| | Jun | 3.5 | 3.2 | 3.1 | 1.5 | 3.8 | 2.6 | 4.0 | 7.7 | 3.0 |
| | Jul | 3.5 | 3.2 | 3.1 | 1.6 | 3.7 | 2.9 | 4.8 | 6.5 | 3.5 |
| | Aug | 4.3 | 3.1 | 3.1 | 1.6 | 3.5 | 3.2 | 7.5 | 13.3 | 4.4 |
| | Sep | 4.2 | 3.1 | 3.1 | 1.5 | 3.5 | 3.5 | 8.2 | 12.3 | 4.8 |
| | Oct | 3.9 | 2.9 | 3.0 | 1.4 | 3.4 | 3.6 | 7.8 | 10.0 | 4.8 |
| | Nov | 3.7 | 2.8 | 2.9 | 1.3 | 3.4 | 3.6 | 7.1 | 8.4 | 4.6 |
| | Dec | 3.6 | 2.8 | 2.9 | 1.3 | 3.3 | 3.5 | 6.8 | 7.7 | 4.5 |
| 2027 | Jan | 3.6 | 2.9 | 3.0 | 1.2 | 3.6 | 3.5 | 6.8 | 7.5 | 4.5 |
| | Feb | 3.7 | 2.9 | 3.1 | 1.0 | 3.7 | 3.8 | 6.2 | 7.8 | 4.5 |
| | Mar | 2.9 | 2.8 | 3.0 | 1.0 | 3.5 | 4.0 | 5.7 | -0.2 | 4.5 |
| | Apr | 3.1 | 2.8 | 3.0 | 0.8 | 3.5 | 4.4 | 5.3 | 2.0 | 4.6 |
| | May | 3.0 | 2.4 | 2.8 | 0.7 | 3.1 | 4.3 | 5.1 | 3.5 | 4.5 |
| | Jun | 2.6 | 2.4 | 2.7 | 0.7 | 3.1 | 4.0 | 4.8 | 0.8 | 4.2 |
| | Jul | 2.5 | 2.5 | 2.7 | 0.7 | 3.2 | 3.7 | 4.4 | -0.6 | 3.9 |
| | Aug | 1.9 | 2.5 | 2.7 | 0.7 | 3.2 | 3.5 | 4.0 | -5.9 | 3.6 |
| | Sep | 2.0 | 2.5 | 2.6 | 0.7 | 3.3 | 3.2 | 3.7 | -5.4 | 3.3 |
| | Oct | 2.0 | 2.5 | 2.6 | 0.7 | 3.2 | 2.9 | 3.6 | -4.3 | 3.1 |
| | Nov | 2.0 | 2.5 | 2.5 | 0.7 | 3.2 | 2.7 | 3.5 | -4.0 | 2.9 |
| | Dec | 2.1 | 2.5 | 2.5 | 0.7 | 3.2 | 2.5 | 3.4 | -2.9 | 2.8 |

*Source: INE and Funcas (Forecasts).*

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

Annual percentage changes

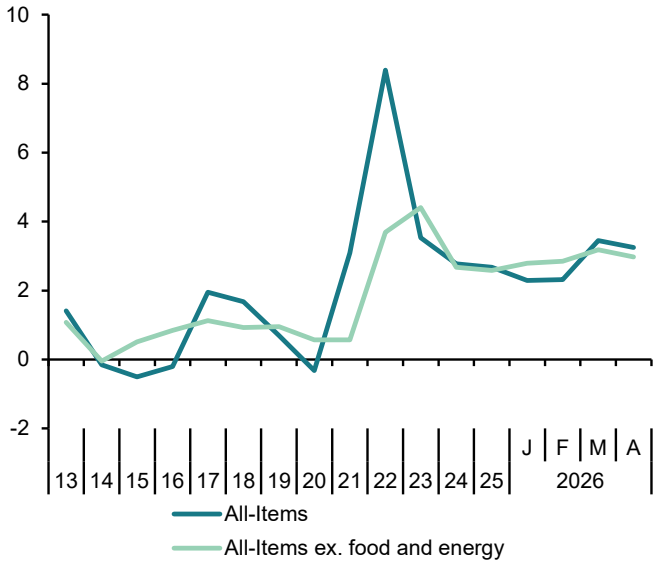



**Chart 12.2 - Inflation rate (II)**

Annual percentage changes

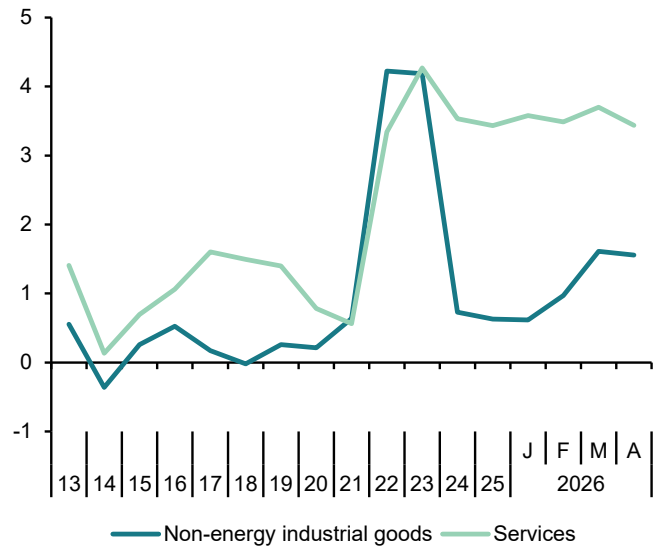


Table 13

## Other prices and costs indicators

| | GDP deflator (a) | Industrial producer prices | | Housing prices | | Urban land prices (M. Public Works) | Labour Costs Survey | | | | Wage increase agreed in collective bargaining |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Excluding energy | Housing Price Index (INE) | m² average price (M. Public Works) | | Total labour costs per worker | Wage costs per worker | Other cost per worker | Total labour costs per hour worked | |
| | 2019=100 | 2019=100 | | 2019=100 | | | 2019=100 | | | | |
| 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 | 118.7 | 139.7 | 126.4 | 128.1 | 116.6 | 105.3 | 118.3 | 117.7 | 120.0 | 118.7 | - |
| 2025 | 122.2 | 140.9 | 126.2 | 144.4 | 129.6 | 107.5 | 122.3 | 121.5 | 124.6 | 123.0 | - |
| 2026 (b) | 124.6 | 141.5 | 127.6 | - | - | - | - | - | - | - | - |
| 2024 II | 118.1 | 136.5 | 126.8 | 126.9 | 115.5 | 103.6 | 120.1 | 120.4 | 119.4 | 117.1 | - |
| III | 118.7 | 141.2 | 126.4 | 130.4 | 117.0 | 104.6 | 114.8 | 112.8 | 120.7 | 121.7 | - |
| IV | 120.0 | 142.7 | 125.8 | 132.8 | 120.2 | 109.1 | 123.8 | 124.9 | 120.7 | 125.1 | - |
| 2025 I | 120.7 | 144.7 | 126.3 | 137.5 | 123.9 | 107.4 | 118.7 | 117.1 | 123.4 | 115.5 | - |
| II | 121.1 | 137.6 | 126.3 | 143.0 | 127.6 | 112.0 | 123.8 | 123.6 | 124.3 | 121.5 | - |
| III | 122.1 | 140.7 | 126.1 | 147.2 | 131.2 | 104.3 | 118.3 | 116.0 | 124.9 | 124.7 | - |
| IV | 124.7 | 140.5 | 126.3 | 149.9 | 135.9 | 106.3 | 128.5 | 129.4 | 125.9 | 130.3 | - |
| 2026 I (b) | 124.6 | 141.5 | 127.6 | - | - | - | - | - | - | - | - |
| 2026 Jan | - | 141.3 | 127.1 | - | - | - | - | - | - | - | - |
| Feb | - | 137.1 | 127.5 | - | - | - | - | - | - | - | - |
| Mar | - | 146.0 | 128.1 | - | - | - | - | - | - | - | - |
| Annual percent changes (c) | | | | | | | | | | | |
| 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 | 2.9 | -3.7 | 0.3 | 8.4 | 5.8 | 9.7 | 4.0 | 3.8 | 4.3 | 4.4 | 3.1 |
| 2025 | 2.9 | 0.9 | -0.1 | 12.7 | 11.2 | 2.0 | 3.4 | 3.2 | 3.9 | 3.6 | 3.5 |
| 2026 (d) | 3.2 | -2.2 | 1.0 | - | - | - | - | - | - | - | 2.9 |
| 2024 II | 3.1 | -4.8 | 0.4 | 7.8 | 5.7 | 7.9 | 4.0 | 4.0 | 4.1 | 4.3 | 3.0 |
| III | 3.2 | -2.7 | 0.7 | 8.2 | 6.0 | 4.9 | 4.4 | 4.1 | 5.2 | 5.2 | 3.0 |
| IV | 2.2 | -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 | 3.7 | 3.8 | 3.6 | 4.1 | 3.3 |
| II | 2.5 | 0.8 | -0.4 | 12.7 | 10.4 | 8.1 | 3.1 | 2.7 | 4.1 | 3.7 | 3.4 |
| III | 2.9 | -0.3 | -0.3 | 12.8 | 12.1 | -0.3 | 3.0 | 2.8 | 3.5 | 2.5 | 3.5 |
| IV | 3.9 | -1.6 | 0.4 | 12.9 | 13.1 | -2.6 | 3.8 | 3.6 | 4.3 | 4.2 | 3.5 |
| 2026 I (e) | 3.2 | -2.2 | 1.0 | - | - | - | - | - | - | - | 2.9 |
| 2026 Feb | - | -6.9 | 0.9 | - | - | - | - | - | - | - | 2.9 |
| Mar | - | 3.4 | 1.2 | - | - | - | - | - | - | - | 2.9 |
| Apr | - | - | - | - | - | - | - | - | - | - | 2.9 |

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

*Sources: M. of Public Works. M. of Labour and INE (National Statistics Institute).*

**Chart 13.1 - Housing and urban land prices**

Level, 2019=100

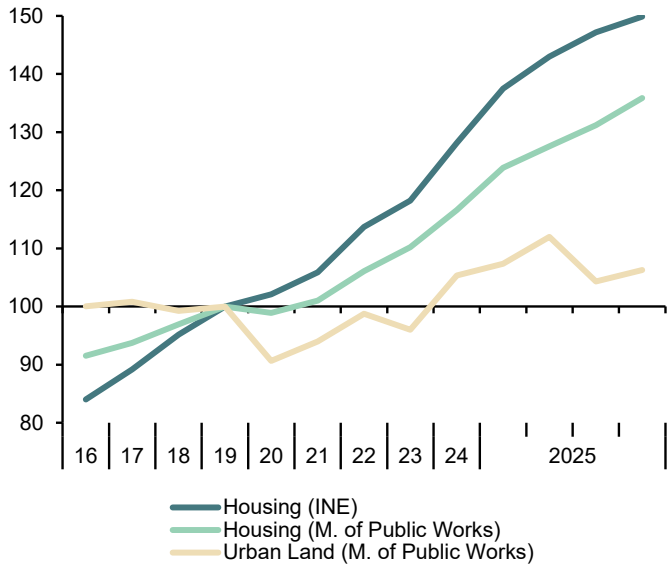



**Chart 13.2 - Wage costs**

Annual percent change

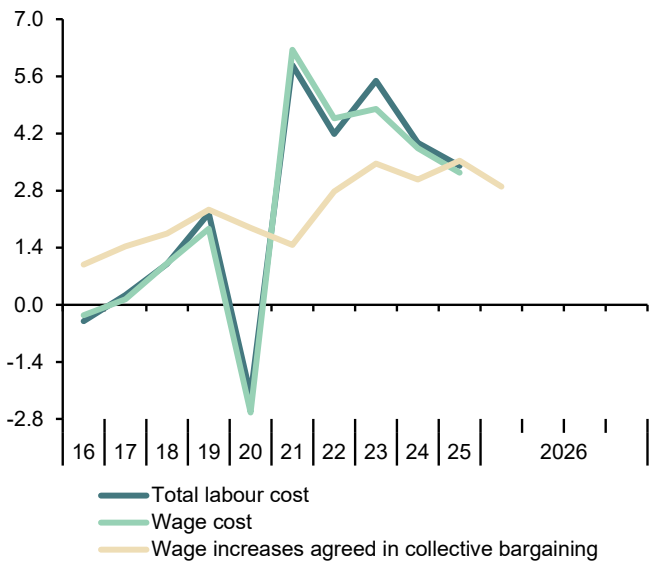


Table 14

## External trade (a)

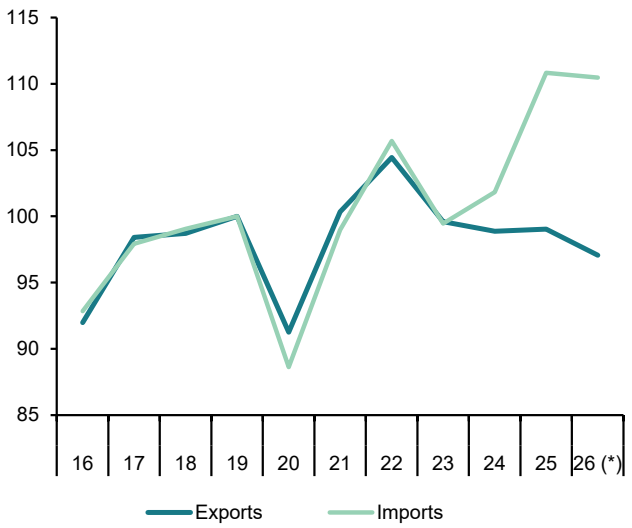
| | Exports of goods | | | Imports of goods | | | Exports to EU countries (monthly average) | Exports to non-EU countries (monthly average) | Total Balance of goods (monthly average) | Balance of goods excluding energy (monthly average) | Balance of goods with EU countries (monthly average) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal | Prices | Real | Nominal | Prices | Real | | | | | |
| | 2019=100 | | | 2019=100 | | | EUR Billions | | | | |
| 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 | 132.0 | 132.6 | 99.6 | 131.4 | 132.1 | 99.5 | 20.0 | 12.0 | -3.3 | -0.3 | 2.6 |
| 2024 | 133.5 | 135.0 | 98.9 | 133.9 | 131.4 | 101.8 | 19.8 | 12.5 | -3.6 | -0.7 | 2.5 |
| 2025 | 133.1 | 134.4 | 99.0 | 137.7 | 124.3 | 110.8 | 19.9 | 12.3 | -4.8 | -2.1 | 1.6 |
| 2026 (b) | 132.7 | 136.0 | 97.6 | 134.0 | 123.4 | 108.5 | 18.7 | 13.3 | -4.0 | -1.7 | 1.1 |
| 2024 I | 131.4 | 133.1 | 98.7 | 129.2 | 132.6 | 97.5 | 19.8 | 11.9 | -3.0 | -0.1 | 2.5 |
| II | 134.0 | 135.8 | 98.7 | 131.5 | 132.7 | 99.1 | 19.9 | 12.5 | -3.0 | -0.3 | 2.9 |
| III | 133.2 | 135.1 | 98.6 | 130.9 | 130.8 | 100.0 | 20.1 | 12.1 | -3.0 | -0.4 | 2.9 |
| IV | 131.6 | 136.0 | 96.8 | 134.3 | 129.9 | 103.4 | 19.3 | 12.5 | -4.3 | -1.3 | 1.9 |
| 2025 I | 133.3 | 135.5 | 98.4 | 140.1 | 128.8 | 108.7 | 19.8 | 12.4 | -5.4 | -2.1 | -2.0 |
| II | 135.5 | 135.3 | 100.1 | 135.9 | 122.4 | 111.0 | 20.1 | 12.6 | -3.8 | -1.5 | -1.7 |
| III | 131.5 | 133.8 | 98.2 | 136.3 | 123.5 | 110.3 | 19.9 | 11.8 | -4.9 | -2.2 | -1.8 |
| IV | 133.1 | 134.3 | 99.0 | 138.7 | 123.2 | 112.6 | 19.8 | 12.4 | -5.1 | -2.9 | -1.1 |
| 2025 Dec | 130.1 | 135.6 | 96.0 | 135.9 | 120.5 | 112.8 | 19.4 | 12.0 | -5.1 | -2.4 | 1.2 |
| Jan | 131.9 | 136.4 | 96.7 | 131.1 | 123.3 | 106.4 | 19.5 | 12.3 | -3.4 | -1.2 | 1.7 |
| Feb | 133.4 | 135.5 | 98.5 | 136.8 | 123.6 | 110.7 | 18.0 | 14.2 | -4.5 | -2.2 | 0.5 |
| | Percentage changes (c) | | | | | | | | Percentage of GDP | | |
| 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 | -0.9 | 3.9 | -4.6 | -7.7 | -1.9 | -5.9 | -1.2 | -0.5 | -2.6 | -0.2 | 2.1 |
| 2024 | 1.1 | 1.8 | -0.7 | 1.9 | -0.5 | 2.4 | -1.1 | 4.7 | -2.7 | -0.5 | 1.9 |
| 2025 | -0.3 | -0.4 | 0.2 | 2.9 | -5.4 | 8.8 | 0.6 | -1.7 | -3.4 | -1.5 | 1.2 |
| 2026 (d) | -1.8 | 0.2 | -2.0 | -4.8 | -4.5 | -0.3 | -6.3 | 5.6 | - | - | - |
| 2024 I | 0.2 | 0.7 | -0.5 | -1.6 | -0.5 | -1.2 | 0.8 | -0.6 | -2.3 | -0.1 | 1.9 |
| II | 2.0 | 2.0 | 0.0 | 1.8 | 0.1 | 1.7 | 0.3 | 4.8 | -2.3 | -0.3 | 2.2 |
| III | -0.6 | -0.5 | 0.0 | -0.4 | -1.4 | 1.0 | 0.9 | -2.9 | -2.2 | -0.3 | 2.2 |
| IV | -1.2 | 0.6 | -1.9 | 2.6 | -0.8 | 3.4 | -4.0 | 3.5 | -3.2 | -1.0 | 1.4 |
| 2025 I | 1.3 | -0.4 | 1.7 | 4.3 | -0.8 | 5.1 | 2.6 | -0.7 | -4.0 | -1.5 | -1.4 |
| II | 1.6 | -0.1 | 1.7 | -3.0 | -5.0 | 2.1 | 1.7 | 1.6 | -2.7 | -1.1 | -1.3 |
| III | -2.9 | -1.1 | -1.9 | 0.3 | 0.9 | -0.7 | -0.8 | -6.3 | -3.4 | -1.6 | -1.3 |
| IV | 1.2 | 0.4 | 0.8 | 1.8 | -0.3 | 2.1 | -0.9 | 4.6 | -3.5 | -2.0 | -0.8 |
| 2025 Dec | -1.5 | 1.7 | -3.1 | -3.5 | -4.1 | 0.6 | 0.3 | -4.2 | - | - | - |
| Jan | 1.4 | 0.6 | 0.8 | -3.5 | 2.3 | -5.7 | 0.5 | 2.9 | - | - | - |
| Feb | 1.2 | -0.7 | 1.8 | 4.3 | 0.3 | 4.0 | -7.8 | 15.3 | - | - | - |

*(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)**

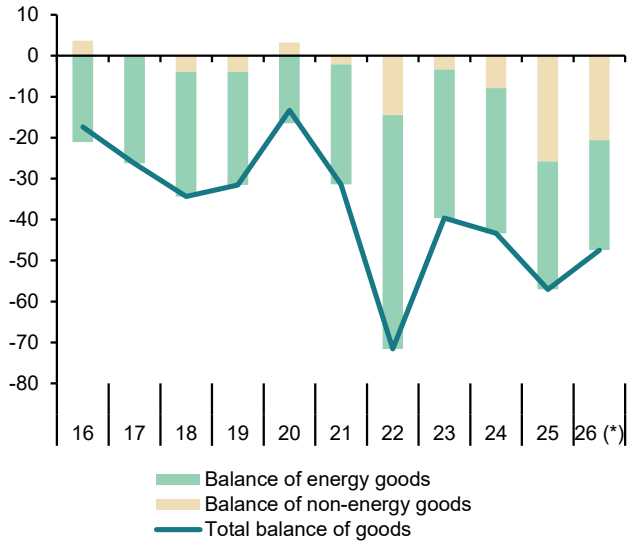
Level, 2019=100




*(*) Period with available data, CVE.*

**Chart 14.2 - Trade balance**

EUR Billions




*(*) Period with available data, CVE and annualized.*

Table 15

## Balance of Payments (according to IMF manual)

(Net transactions)

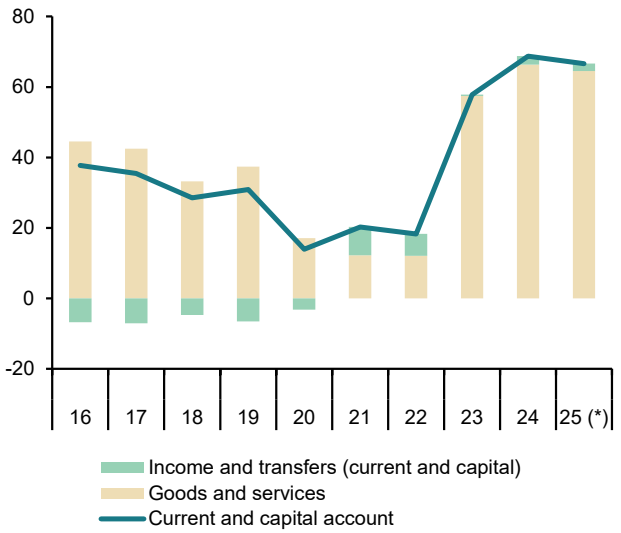
| | | Current account | | | | | Capital account | Current and capital accounts | Financial account | | | | | | Errors and omissions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Financial account. excluding Bank of Spain | | | | | Bank of Spain | |
| | | Total | 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 | | | | | | | | | | | | | |
| 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 | | 5.76 | -60.22 | 72.29 | 6.86 | -13.17 | 12.56 | 18.32 | -11.77 | 0.86 | 20.18 | -34.95 | 2.13 | 30.27 | 0.18 |
| 2023 | | 40.92 | -35.05 | 92.50 | -4.90 | -11.64 | 16.90 | 57.82 | -60.09 | 3.51 | -23.83 | -33.19 | -6.58 | 114.37 | -3.54 |
| 2024 | | 50.68 | -33.86 | 100.21 | -4.02 | -11.65 | 18.06 | 68.74 | 132.12 | 26.69 | -2.32 | 106.46 | 1.28 | -48.21 | 15.18 |
| 2025 (a) | | 49.39 | -48.96 | 113.48 | -1.13 | -14.00 | 17.23 | 66.62 | 38.83 | 16.00 | 31.23 | -12.02 | 3.63 | 29.25 | 1.45 |
| 2024 | I | 12.84 | -6.36 | 19.59 | -0.03 | -0.36 | 1.83 | 14.68 | 46.13 | 1.43 | -14.85 | 57.89 | 1.66 | -29.04 | 2.42 |
| | II | 13.38 | -6.42 | 27.01 | -3.14 | -4.07 | 3.22 | 16.60 | 63.12 | 8.29 | 17.17 | 37.92 | -0.26 | -36.51 | 10.01 |
| | III | 15.27 | -10.36 | 31.57 | -1.76 | -4.17 | 4.56 | 19.84 | -4.66 | 3.36 | -23.87 | 16.68 | -0.83 | 18.21 | -6.29 |
| | IV | 9.18 | -10.71 | 22.04 | 0.90 | -3.05 | 8.45 | 17.63 | 27.52 | 13.61 | 19.23 | -6.03 | 0.71 | -0.86 | 9.03 |
| 2025 | I | 9.90 | -12.45 | 23.07 | 0.36 | -1.08 | 2.50 | 12.40 | 12.43 | 3.13 | -0.17 | 6.74 | 2.73 | 2.76 | 2.79 |
| | II | 14.15 | -9.34 | 30.19 | -2.54 | -4.16 | 3.48 | 17.63 | 3.87 | 0.46 | -3.28 | 6.92 | -0.24 | 20.87 | 7.11 |
| | III | 15.00 | -15.05 | 34.78 | -0.73 | -4.00 | 3.95 | 18.94 | -22.87 | 8.41 | 11.95 | -42.77 | -0.46 | 32.38 | -9.44 |
| | IV | 10.35 | -12.12 | 25.43 | 1.79 | -4.76 | 7.31 | 17.65 | 45.40 | 4.00 | 22.72 | 17.09 | 1.59 | -26.75 | 1.00 |
| | | | Goods and Services | | Primary and Secondary Income | | | | | | | | | | |
| 2025 | Dec | 2.81 | 2.58 | | 0.23 | | 5.16 | 7.97 | 38.81 | 3.61 | 15.54 | 18.82 | 0.84 | -26.30 | 4.54 |
| | Jan | 2.73 | 4.09 | | -1.36 | | 0.15 | 2.88 | -13.67 | -5.07 | -5.34 | -4.67 | 1.42 | 19.84 | 3.30 |
| | Feb | 4.04 | 5.55 | | -1.51 | | 0.69 | 4.74 | 26.69 | 0.91 | 3.54 | 22.45 | -0.21 | -30.29 | -8.33 |
| | | Percentage of GDP | | | | | | | | | | | | | |
| 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 | 0.5 | -1.0 | 0.9 | 1.3 | -0.9 | 0.1 | 1.5 | -2.5 | 0.2 | 2.2 | 0.0 |
| 2023 | | 2.7 | -2.3 | 6.2 | -0.3 | -0.8 | 1.1 | 3.9 | -4.0 | 0.2 | -1.6 | -2.2 | -0.4 | 7.6 | -0.2 |
| 2024 | | 3.2 | -2.1 | 6.3 | -0.3 | -0.7 | 1.1 | 4.3 | 8.3 | 1.7 | -0.1 | 6.7 | 0.1 | -3.0 | 1.0 |
| 2025 (a) | | 2.9 | -2.9 | 6.7 | -0.1 | -0.8 | 1.0 | 3.9 | 2.3 | 0.9 | 1.9 | -0.7 | 0.2 | 1.7 | 0.1 |
| 2024 | I | 3.4 | -1.7 | 5.2 | 0.0 | -0.1 | 0.5 | 3.9 | 12.2 | 0.4 | -3.9 | 15.3 | 0.4 | -7.7 | 0.6 |
| | II | 3.3 | -1.6 | 6.7 | -0.8 | -1.0 | 0.8 | 4.1 | 15.7 | 2.1 | 4.3 | 9.4 | -0.1 | -9.1 | 2.5 |
| | III | 3.9 | -2.6 | 8.0 | -0.4 | -1.1 | 1.2 | 5.0 | -1.2 | 0.9 | -6.1 | 4.2 | -0.2 | 4.6 | -1.6 |
| | IV | 2.2 | -2.5 | 5.2 | 0.2 | -0.7 | 2.0 | 4.2 | 6.5 | 3.2 | 4.6 | -1.4 | 0.2 | -0.2 | 2.1 |
| 2025 | I | 2.5 | -3.1 | 5.8 | 0.1 | -0.3 | 0.6 | 3.1 | 3.1 | 0.8 | 0.0 | 1.7 | 0.7 | 0.7 | 0.7 |
| | II | 3.3 | -2.2 | 7.1 | -0.6 | -1.0 | 0.8 | 4.2 | 0.9 | 0.1 | -0.8 | 1.6 | -0.1 | 4.9 | 1.7 |
| | III | 3.6 | -3.6 | 8.3 | -0.2 | -1.0 | 0.9 | 4.5 | -5.5 | 2.0 | 2.9 | -10.3 | -0.1 | 7.8 | -2.3 |
| | IV | 2.3 | -2.7 | 5.6 | 0.4 | -1.1 | 1.6 | 3.9 | 10.1 | 0.9 | 5.0 | 3.8 | 0.4 | -5.9 | 0.2 |

*(a) Period with available quarterly data*

*Source: Bank of Spain.*

**Chart 15.1 - Balance of payments: Current and capital accounts**

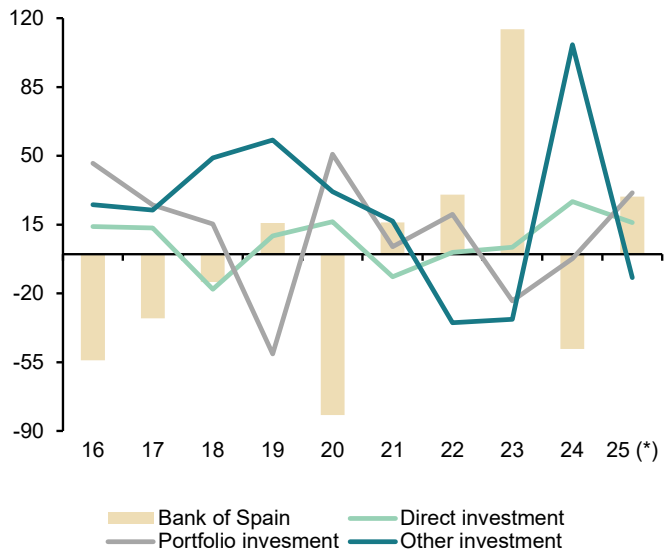
EUR Billions, 12-month cumulated




*(*) 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 |
| 2018 | 100.9 | 94.9 | 106.3 | 103.5 | 103.6 | 99.9 | 90.6 | 93.4 | 97.0 | 110.5 |
| 2019 | 99.2 | 93.5 | 106.1 | 104.3 | 104.8 | 99.5 | 90.3 | 93.8 | 96.3 | 108.4 |
| 2020 | 102.6 | 87.9 | 116.8 | 103.9 | 105.1 | 98.9 | 87.1 | 91.4 | 95.3 | 107.7 |
| 2021 | 104.9 | 93.2 | 112.6 | 107.0 | 107.8 | 99.3 | 100.0 | 100.0 | 100.0 | 107.3 |
| 2022 | 103.6 | 94.6 | 109.6 | 115.9 | 116.8 | 99.3 | 129.7 | 126.0 | 102.9 | 105.9 |
| 2023 | 102.6 | 95.4 | 107.5 | 119.9 | 123.2 | 97.3 | 125.6 | 124.6 | 100.8 | 104.9 |
| 2024 | 102.7 | 97.8 | 105.0 | 123.3 | 126.1 | 97.8 | 122.5 | 121.1 | 101.2 | 105.1 |
| 2025 | 103.3 | 95.4 | 108.3 | 126.6 | 128.9 | 98.3 | 123.5 | 121.1 | 101.9 | 106.1 |
| 2026 (b) | - | - | - | 129.9 | 131.4 | 98.9 | 124.0 | 122.1 | 101.6 | 107.3 |
| 2024 I | - | - | - | 121.7 | 124.4 | 97.8 | 121.3 | 121.1 | 100.2 | 105.1 |
| II | - | - | - | 124.0 | 126.3 | 98.2 | 120.3 | 120.1 | 100.1 | 105.7 |
| III | - | - | - | 123.5 | 126.6 | 97.5 | 123.5 | 120.9 | 102.2 | 104.9 |
| IV | - | - | - | 124.1 | 126.9 | 97.8 | 124.7 | 122.1 | 102.1 | 104.7 |
| 2025 I | - | - | - | 124.9 | 127.5 | 98.0 | 126.3 | 123.4 | 102.3 | 104.8 |
| II | - | - | - | 126.7 | 128.9 | 98.3 | 121.3 | 120.1 | 101.0 | 106.0 |
| III | - | - | - | 127.0 | 129.4 | 98.1 | 123.2 | 120.3 | 102.4 | 106.3 |
| IV | - | - | - | 128.0 | 129.6 | 98.7 | 123.0 | 120.6 | 102.0 | 107.2 |
| 2026 I | - | - | - | 128.4 | 130.1 | 98.7 | 124.0 | 122.1 | 101.6 | 107.3 |
| 2026 Feb | - | - | - | 127.9 | 129.8 | 98.5 | 121.0 | 120.7 | 100.2 | 107.2 |
| Mar | - | - | - | 130.0 | 131.4 | 98.9 | 127.2 | 124.3 | 102.3 | 107.4 |
| Apr | - | - | - | 134.5 | 135.5 | 99.3 | | | | |
| | Annual percentage changes | | | | | Differential | Annual percentage changes | | Differential | Annual percentage changes |
| 2018 | -0.9 | -3.0 | 2.2 | 1.7 | 1.7 | 0.0 | 2.4 | 2.6 | -0.2 | 0.8 |
| 2019 | -1.6 | -1.4 | -0.2 | 0.8 | 1.2 | -0.4 | -0.3 | 0.4 | -0.7 | -1.9 |
| 2020 | 3.4 | -6.1 | 10.1 | -0.3 | 0.3 | -0.6 | -3.6 | -2.6 | -1.0 | -0.7 |
| 2021 | 2.2 | 6.0 | -3.6 | 3.0 | 2.6 | 0.4 | 14.9 | 9.4 | 4.9 | -0.4 |
| 2022 | -1.2 | 1.5 | -2.7 | 8.3 | 8.4 | -0.1 | 29.7 | 26.0 | 2.9 | -1.3 |
| 2023 | -1.0 | 0.9 | -1.9 | 3.4 | 5.4 | -2.0 | -3.1 | -1.1 | -2.0 | -1.0 |
| 2024 | 0.1 | 2.5 | -2.4 | 2.9 | 2.4 | 0.5 | -2.5 | -2.8 | 0.3 | 0.2 |
| 2025 | 0.6 | -2.5 | 3.2 | 2.7 | 2.2 | 0.5 | 0.8 | 0.1 | 0.7 | 1.0 |
| 2026 (c) | - | - | - | 3.7 | 2.8 | 0.9 | -1.8 | -1.0 | -0.8 | 1.2 |
| 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 | 2.4 | 0.3 | 4.1 | 2.0 | 2.1 | -0.3 |
| II | - | - | - | 2.2 | 2.1 | 0.1 | 0.8 | 0.1 | 0.7 | 0.3 |
| III | - | - | - | 2.8 | 2.2 | 0.6 | -0.2 | -0.4 | 0.2 | 1.4 |
| IV | - | - | - | 3.1 | 2.1 | 1.0 | -1.4 | -1.3 | -0.1 | 2.4 |
| 2026 I | - | - | - | 2.8 | 2.0 | 0.8 | -1.8 | -1.0 | -0.8 | 2.4 |
| 2026 Feb | - | - | - | 2.5 | 1.9 | 0.6 | -5.5 | -2.7 | -2.8 | 2.6 |
| Mar | - | - | - | 3.4 | 2.6 | 0.8 | 2.7 | 1.6 | 1.1 | 2.1 |
| Apr | - | - | - | 6.4 | 5.2 | 1.2 | - | - | - | - |

*(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

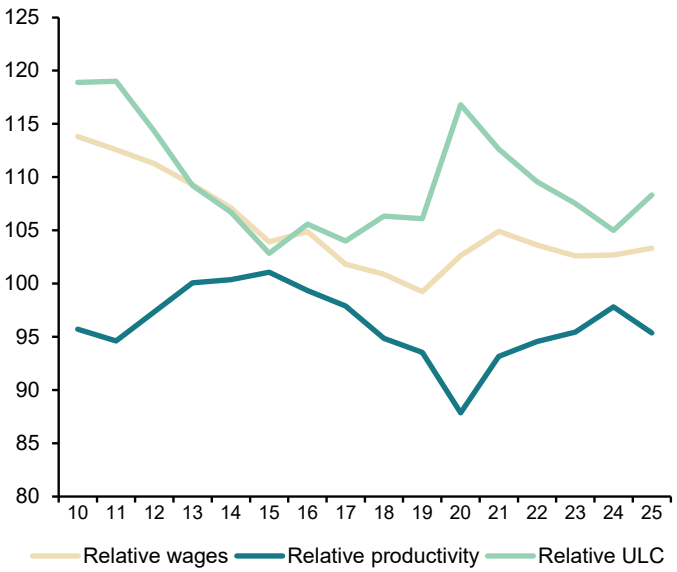



**Chart 16.2 - Harmonized Consumer Prices**

Annual growth in % and percentage points

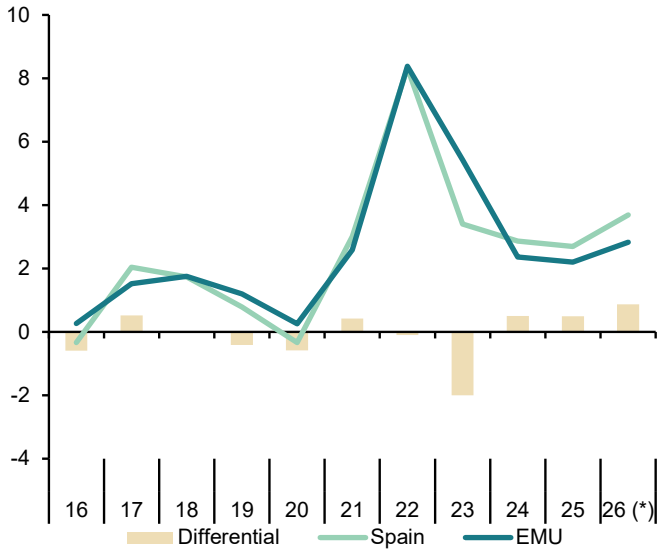


Table 17a

## Imbalances: International comparison (I)

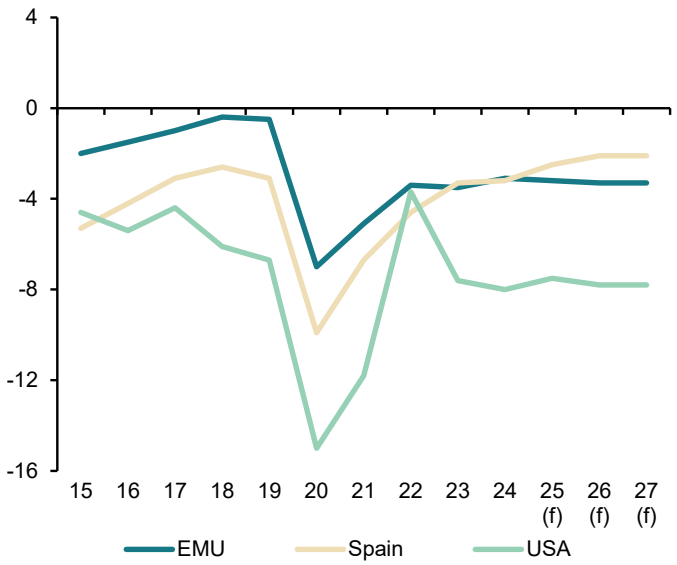
(In yellow: European Commission Forecasts)

| | 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 | | | | | | | | |
| 2012 | -384.9 | -119.1 | -1,497.0 | 9,226.3 | 927.8 | 16,432.7 | 223.2 | 1.6 | -424.0 |
| 2013 | -323.0 | -76.8 | -983.5 | 9,561.8 | 1,025.8 | 17,352.0 | 282.5 | 21.3 | -351.2 |
| 2014 | -260.4 | -62.7 | -911.1 | 9,815.0 | 1,085.2 | 18,141.4 | 327.1 | 18.5 | -375.1 |
| 2015 | -214.2 | -57.2 | -842.3 | 9,938.8 | 1,114.1 | 18,922.2 | 345.0 | 22.2 | -423.1 |
| 2016 | -161.3 | -47.4 | -1,013.9 | 10,085.1 | 1,145.7 | 19,976.8 | 403.6 | 35.3 | -401.4 |
| 2017 | -114.1 | -35.9 | -868.7 | 10,180.0 | 1,184.1 | 20,492.7 | 398.8 | 32.7 | -378.0 |
| 2018 | -52.5 | -30.9 | -1,263.4 | 10,284.7 | 1,209.7 | 21,974.1 | 415.0 | 22.8 | -441.2 |
| 2019 | -65.2 | -38.4 | -1,441.7 | 10,383.7 | 1,224.4 | 23,201.4 | 365.8 | 26.7 | -447.3 |
| 2020 | -812.2 | -111.9 | -3,198.3 | 11,447.3 | 1,346.9 | 27,747.8 | 275.2 | 8.9 | -564.6 |
| 2021 | -643.7 | -82.2 | -2,803.8 | 12,073.1 | 1,429.4 | 29,617.2 | 447.9 | 9.6 | -869.2 |
| 2022 | -466.8 | -63.1 | -954.1 | 12,517.6 | 1,504.1 | 31,419.7 | 126.3 | 5.8 | -1,001.2 |
| 2023 | -513.5 | -50.0 | -2,100.3 | 12,975.9 | 1,575.4 | 34,001.5 | 379.8 | 40.9 | -937.8 |
| 2024 | -466.6 | -51.3 | -2,332.4 | 13,480.7 | 1,620.6 | 36,218.6 | 511.0 | 50.6 | -1,179.9 |
| 2025 | -505.1 | -42.4 | -2,301.2 | 14,105.9 | 1,681.4 | 38,468.7 | 425.1 | 45.5 | -1,262.5 |
| 2026 | -548.2 | -36.5 | -2,493.7 | 14,765.8 | 1,723.2 | 40,913.6 | 422.0 | 46.8 | -1,196.7 |
| 2027 | -566.5 | -37.5 | -2,610.6 | 15,383.5 | 1,774.2 | 43,477.6 | 411.6 | 50.2 | -1,235.0 |
| | Percentage of GDP | | | | | | | | |
| 2012 | -3.9 | -11.5 | -9.2 | 92.7 | 89.6 | 101.1 | 2.2 | 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 | 3.2 | 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 | 3.5 | 2.8 | -1.9 |
| 2018 | -0.4 | -2.6 | -6.1 | 87.6 | 99.8 | 106.4 | 3.5 | 1.9 | -2.1 |
| 2019 | -0.5 | -3.1 | -6.7 | 85.5 | 97.7 | 107.7 | 3.0 | 2.1 | -2.1 |
| 2020 | -7.0 | -9.9 | -15.0 | 98.5 | 119.3 | 129.8 | 2.4 | 0.8 | -2.6 |
| 2021 | -5.1 | -6.7 | -11.8 | 95.7 | 115.7 | 124.8 | 3.5 | 0.8 | -3.7 |
| 2022 | -3.4 | -4.6 | -3.7 | 91.0 | 109.3 | 120.6 | 0.9 | 0.4 | -3.8 |
| 2023 | -3.5 | -3.3 | -7.6 | 88.5 | 105.2 | 122.3 | 2.6 | 2.7 | -3.4 |
| 2024 | -3.1 | -3.2 | -8.0 | 88.5 | 101.6 | 123.6 | 3.4 | 3.2 | -4.0 |
| 2025 | -3.2 | -2.5 | -7.5 | 89.2 | 100.0 | 125.5 | 2.7 | 2.7 | -4.1 |
| 2026 | -3.3 | -2.1 | -7.8 | 90.2 | 98.2 | 127.5 | 2.6 | 2.7 | -3.7 |
| 2027 | -3.3 | -2.1 | -7.8 | 90.8 | 97.1 | 129.9 | 2.4 | 2.7 | -3.7 |

*Source: European Commission Forecasts, Autumn 2025.*

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

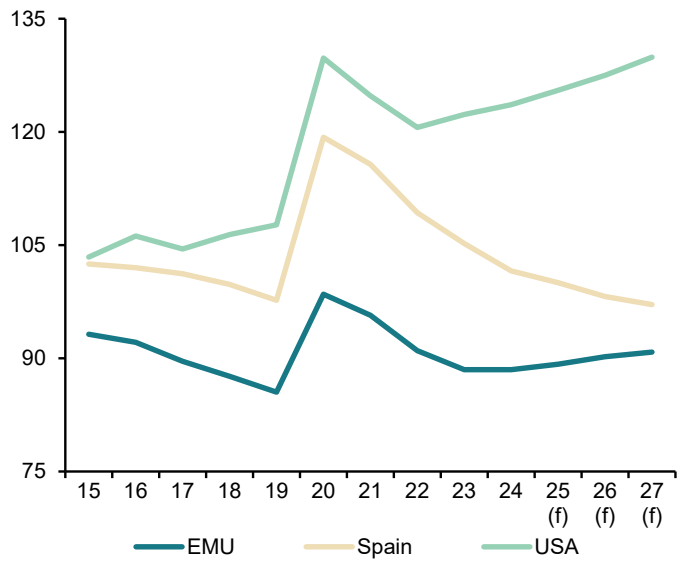
Percentage of GDP




*(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 | | | |
| 2010 | 908.2 | 6,089.7 | 13,770.5 | 1,276.7 | 8,078.2 | 10,362.3 |
| 2011 | 881.1 | 6,176.0 | 13,662.1 | 1,232.7 | 8,315.3 | 10,635.6 |
| 2012 | 843.4 | 6,168.1 | 13,553.4 | 1,106.2 | 8,444.6 | 11,218.5 |
| 2013 | 796.0 | 6,139.3 | 13,766.1 | 1,025.4 | 8,406.9 | 11,781.6 |
| 2014 | 759.9 | 6,152.0 | 13,866.3 | 1,009.1 | 8,531.4 | 12,608.9 |
| 2015 | 735.0 | 6,219.2 | 14,077.8 | 971.3 | 8,954.3 | 13,462.7 |
| 2016 | 719.8 | 6,330.9 | 14,487.2 | 968.1 | 9,162.4 | 14,140.4 |
| 2017 | 712.0 | 6,518.5 | 15,032.9 | 966.6 | 9,275.0 | 15,154.3 |
| 2018 | 710.5 | 6,693.9 | 15,499.3 | 935.3 | 9,486.5 | 16,152.1 |
| 2019 | 708.6 | 6,902.8 | 16,080.6 | 948.1 | 9,781.0 | 16,863.8 |
| 2020 | 701.7 | 7,095.1 | 16,616.5 | 1,014.7 | 10,268.8 | 18,461.8 |
| 2021 | 706.4 | 7,400.7 | 18,203.4 | 1,042.0 | 10,761.9 | 19,586.3 |
| 2022 | 706.8 | 7,681.7 | 19,417.1 | 1,005.8 | 11,028.4 | 20,561.3 |
| 2023 | 690.6 | 7,707.1 | 19,956.7 | 1,019.9 | 11,034.5 | 20,944.8 |
| 2024 | 696.3 | 7,789.7 | 20,290.9 | 1,047.5 | 11,098.3 | 21,464.0 |
| 2025 | 722.8 | - | 20,934.5 | 1,055.6 | - | 22,209.3 |
| | | | Percentage of GDP | | | |
| 2010 | 84.3 | 63.1 | 91.5 | 118.5 | 83.8 | 68.9 |
| 2011 | 82.4 | 62.3 | 87.6 | 115.3 | 83.8 | 68.2 |
| 2012 | 81.4 | 62.0 | 83.4 | 106.8 | 84.8 | 69.0 |
| 2013 | 77.6 | 61.0 | 81.5 | 100.0 | 83.6 | 69.8 |
| 2014 | 73.1 | 59.7 | 78.7 | 97.1 | 82.8 | 71.6 |
| 2015 | 67.6 | 58.3 | 76.9 | 89.3 | 84.0 | 73.6 |
| 2016 | 64.1 | 57.8 | 77.0 | 86.2 | 83.6 | 75.2 |
| 2017 | 60.9 | 57.3 | 76.7 | 82.6 | 81.6 | 77.3 |
| 2018 | 58.6 | 57.0 | 75.0 | 77.1 | 80.8 | 78.2 |
| 2019 | 56.5 | 56.9 | 74.7 | 75.6 | 80.5 | 78.3 |
| 2020 | 62.1 | 61.1 | 77.7 | 89.9 | 88.4 | 86.4 |
| 2021 | 57.2 | 58.6 | 76.7 | 84.3 | 85.3 | 82.6 |
| 2022 | 51.4 | 55.8 | 74.5 | 73.1 | 80.2 | 78.9 |
| 2023 | 46.1 | 52.6 | 71.8 | 68.1 | 75.2 | 75.3 |
| 2024 | 43.7 | 51.1 | 69.3 | 65.7 | 72.8 | 73.3 |
| 2025 | 42.8 | - | 68.1 | 62.6 | - | 72.2 |

*(a) Loans and debt securities, consolidated.*

*Sources: Eurostat and Federal Reserve.*

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

Percentage of GDP

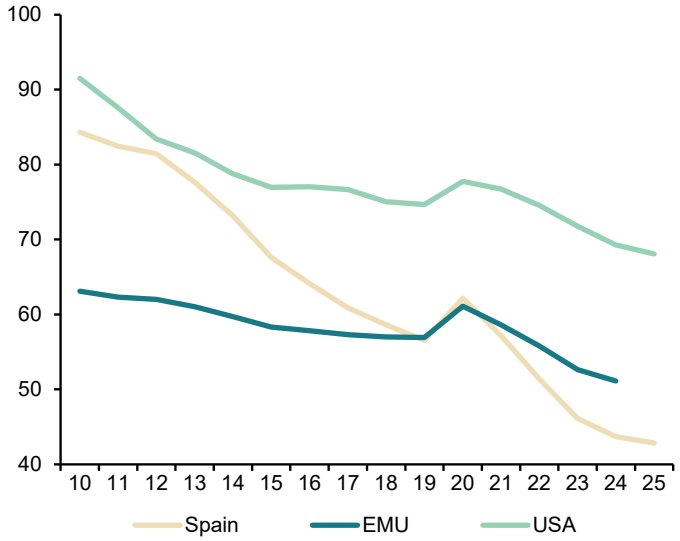
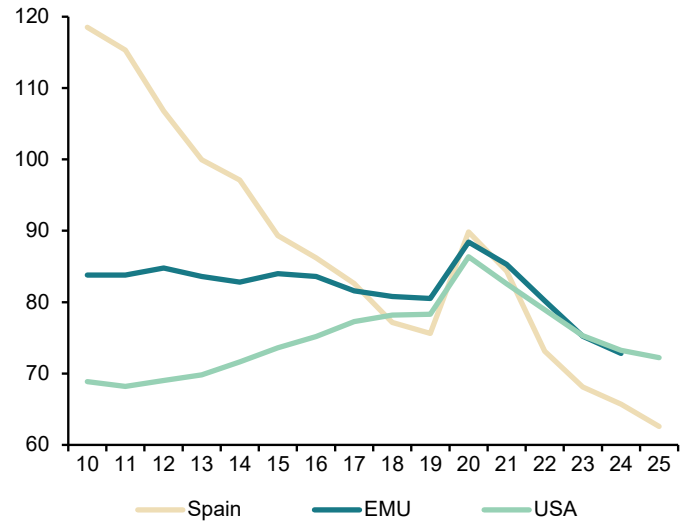



**Chart 17b.2 - Non-financial corporations consolidated debt**

Percentage of GDP



# 50 Financial System Indicators

Updated: May 15th, 2026

| *Highlights* | | |
|---|---|---|
| Indicator | Last value available | Corresponding to: |
| 1-year Euribor interest rate | 2.816 | May 15, 2026 |
| Bank lending to other resident sectors (monthly average % var.) | 0.26 | February 2026 |
| Other resident sectors' deposits in credit institutions (monthly average % var.) | 0.6 | February 2026 |
| Doubtful loans (monthly % var.) | -0.7 | February 2026 |
| Recourse to the Eurosystem L/T (Eurozone financial institutions. million euros) | 11,858 | April 2026 |
| Recourse to the Eurosystem L/T (Spanish financial institutions. million euros) | 6 | April 2026 |
| Ratio of operating expenses to ordinary income | 40.7 | Q4 2025 |
| Ratio of customer deposits to employees (thousands of euros) | 14,319.89 | Q4 2025 |
| Ratio of customer deposits to branches (thousands of euros) | 136,842.83 | Q4 2025 |
| Ratio of "Branches/institutions" ratio | 93.0 | Q4 2025 |

## A. Money and Interest Rates

| Indicator | Based on data from | Average 2001-2023 | 2024 | 2025 | 2026 April | 2026 15 May | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 1. Money supply (% change) | ECB | 5.3 | 3.4 | 3.3 | - | - | Change in M3 aggregate (seasonally adjusted) |
| 2. 3-month interbank interest rate | BE | 1.4 | 3.572 | 2.177 | 2.174 | 2.241 | Since September 1, 2023, this indicator is shown as a monthly average (or annual average for full years) |
| 3. 1-year Euribor interest rate (since 1994) | BE | 1.6 | 3.274 | 2.202 | 2.765 | 2.816 | Since September 1, 2023, this indicator is shown as a monthly average (or annual average for full years) |
| 4. Short-term interest rate (one day) for the euro area (€STR) | BE | 1.2 | 3.645 | 2.2 | 1.932 | 1.930 | Very short-term (one-day) reference interest rate for the euro area. This indicator is shown as a monthly average (or annual average for full years). |
| 5. Interest rate on 10-year government bonds (since 1998) | BE | 3.2 | 3.0 | 3.2 | 3.4 | 3.5 | Market interest rates (not exclusively between account holders) |
| 6. US dollar (USD)/euro (EUR) exchange rate | BE | 1.205 | 1.082 | 1.130 | 1.171 | 1.174 | Official exchange rates US dollar (USD) / Euro (EUR) |

*Commentary "Money and interest rates": At its last meeting on April 30, the European Central Bank decided to keep the three official interest rates unchanged. This is the seventh pause after several consecutive cuts (up to eight), although at this latest meeting the ECB has flagged concerns about inflation. In this context, expectations of possible rate hikes due to an inflation rebound linked to the Middle East conflict have led interest rates to increase slightly in the first half of May. In the first half of May, the monthly average of the 12-month Euribor (the main reference for mortgages) rose slightly to 2.816% from an average of 2.765% in April. The 3-month benchmark increased slightly from 2.174% in April to 2.241% in mid-May. The yield on 10-year government bonds rose to 3.5% (provisional data as of May 15, 2026). Meanwhile, in the first half of May, the average dollar/euro exchange rate appreciated slightly, moving to 1.174 from 1.171 in April."*

## B. Financial Markets

| Indicator | Based on data from: | Average 2001-2022 | 2023 | 2024 | 2025 | 2026 February | 2026 March | Definition and calculation |
|---|---|---|---|---|---|---|---|---|
| 7. Trading ratio in simple spot transactions with Treasury bills | BE | 34.9 | 26.91 | 18.1 | 20.46 | - | - | (Amount traded/outstanding balance) x100 for the market as a whole (not exclusively between account holders) |
| 8. Trading ratio in simple spot transactions with government bonds and debentures | BE | 22.1 | 12.01 | 11.9 | 13.95 | - | - | (Amount traded/outstanding balance) x100 for the market as a whole (not exclusively between account holders) |
| 9. Interest rate on Treasury bills with maturity up to 3 months | BE | 0.29 | 3.15 | 3.16 | 2.08 | 1.95 | 1.98 | In simple transactions and for the market as a whole (not exclusively between account holders) |
| 10. Interest rate on 10-year government bonds | BE | 3.09 | 3.55 | 3.1 | 3.2 | 3.17 | 3.48 | Weighted average rates of 10-year government bond auctions |
| 11. Madrid Stock Exchange capitalization (average monthly variation %) | BE and Madrid Stock Exchange | 0.04 | 1.1 | 1.1 | 2.91 | 2.56 | -6.36 | Rate of change for all resident companies |
| 12. Stock market trading volume (average monthly variation %) | BE and Madrid Stock Exchange | 2.3 | 0.2 | -0.2 | 5.09 | 14.32 | 41.16 | Rate of change in total trading by the Association of Stock Exchanges and Governing Bodies of Stock Exchanges |
| 13. Madrid Stock Exchange general index (Dec 1985=100) | BE and Madrid Stock Exchange | 973.3 | 927.57 | 1,137.34 | 1,416.68 | 1,758.80b | 1,740.00a | Based on 1985=100 |
| 14. Ibex-35 (Dec 1989=3000) | BE and Madrid Stock Exchange | 9,474.8 | 9,347.05 | 11,595.0 | 14,566.94 | 17,781.00b | 17,622.70a | Based on Dec 1989=3000 |
| 15. Nasdaq | NASDAQ | 4,754.6 | 12,970.61 | 19,310.79 | 20,501.59 | 24,892.31b | 26,225.14a | NASDAQ composite index |
| 16. PER ratio (price/ earnings ratio) Madrid Stock Exchange | BE and Madrid Stock Exchange | 15.6 | 27.5 | 14.4 | 19.03 | 16.07b | 15.95a | Price/earnings ratio on the IBEX-35. Median value |
| 17. CBOE Volatility Index (VIX) | VIX | 20.05 | 12.45 | 17.35 | 18.93 | 16.89b | 18.05a | Implied volatility of the S&P 500® (SPX) for the next 30 days |

## B. Financial Markets (continued)

| Indicator | Based on data from: | Average 2001-2022 | 2023 | 2024 | 2025 | 2026 February | 2026 March | Definition and calculation |
|---|---|---|---|---|---|---|---|---|
| 18. Bitcoin price (₿) in dollars ($) | Coinmarket. cap | 15,142.47 | 42,265.19 | 93,429.20 | 101,624.49 | 76,451.86b | 79,100.00a | Bitcoin price in dollars ($) |
| 19. Short-term private debt. Outstanding balance (% change) | BE | 1.1 | 8.0 | 2.8 | 1.11 | 11.58 | 5.67 | Change in the outstanding balance of short-term debt of non-financial corporations |
| 20. Long-term private debt. Outstanding balance (% change) | BE | 0.7 | -5.7 | -0.1 | 0.04 | 0.89 | -1.61 | Change in the outstanding balance of long-term debt of non-financial corporations |
| 21. Transactions carried out with IBEX-35 financial futures (% change) | BE | 0.3 | 34.5 | -3.5 | -1.82 | -2.14 | 24.93 | Transactions carried out on IBEX-35 shares |
| 22. Transactions carried out with financial options on IBEX-35 shares (% change) | BE | 16.0 | 41.8 | 4.2 | 72.08 | -7.36 | -52.68 | Transactions carried out on IBEX-35 shares |

*(a) Latest data as of May 15, 2026 (b) April 30, 2026.*

*Commentary "Financial markets": In the first half of May, geopolitical instability due to the Middle East conflict continued to affect Spanish stock market indices, driving relative volatility. In this first half of May, indices have fallen slightly compared to their closing values at the end of April. The IBEX-35 stood at 17,622.70 points in mid-May. The Madrid Stock Exchange General Index stood at 1,740.00 points. In March (latest data available), transactions with IBEX-35 stock futures increased by 24.93%, while financial options on this same index decreased by 52.68% compared to the previous month."*

## C. Savings and financial indebtedness

| Indicator | Based on data from: | Average 2008-2022 | 2023 | 2024 | 2025 (Q3) | 2025 (Q4) | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 23. Net financial savings/GDP (National Economy) | BE | -0.5 | 4.1 | 4.9 | 4.5 | 4.2 | Difference between financial asset and financial liability flows in relation to GDP according to Financial Accounts |
| 24. Net financial savings/GDP (Households and non-profit institutions) | BE | 2.1 | 2.7 | 4.5 | 4.4 | 3.6 | Difference between financial asset and financial liability flows in relation to GDP according to Financial Accounts |
| 25. Debt in securities other than shares and loans/GDP (National Economy) | BE | 278.7 | 253.6 | 249.7 | 249.2 | 244.8 | Including the debt of public administrations, non-financial corporations, households, and non-profit institutions serving households in relation to GDP |
| 26. Debt in securities other than shares and loans/GDP (Households and non-profit institutions) | BE | 62.0 | 46.1 | 43.7 | 43.0 | 42.8 | Including households and non-profit institutions serving households in relation to GDP |
| 27. Financial assets on the balance sheet of households and non-profit institutions. (average quarterly % change) | BE | 1.1 | 2.9 | 2.1 | 1.9 | 3.5 | Percentage change in total assets on the financial balance sheet of the Financial Accounts |
| 28. Financial liabilities on the balance sheet of households and non-profit institutions (% average quarterly change) | BE | -0.7 | 0.1 | 1.2 | -1.1 | 1.7 | Percentage change in total liabilities on the financial balance sheet of the Financial Accounts |

*Commentary "Savings and debt": In the fourth quarter of 2025, financial savings in the economy as a whole stood at 4.2% of GDP. In the household sector, the financial savings rate stood at 3.6% of GDP. It can also be seen that the financial debt of domestic economies stands at 42.8% of GDP.*

## D. Deposit institutions. Business performance

| Indicator | Based on data from: | Average 2002-2023 | 2024 | 2025 | 2026 January | 2026 February | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 29. Bank credit to other resident sectors (% average monthly change) | BE | 0.28 | 0.03 | 0.31 | -0.01 | 0.26 | Percentage change in credit to the private sector from the sum of banks, savings banks, and credit unions. |
| 30. Deposits from other resident sectors in deposit-taking institutions (% average monthly change) | BE | 0.40 | 0.43 | 0.38 | -1.0 | 0.6 | Percentage change in private sector deposits from banks, savings banks, and credit unions combined. |
| 31. Securities other than shares and equity (% average monthly change) | BE | 0.39 | 0.85 | 1.21 | 1.8 | 1.9 | Percentage change in securities other than shares and holdings in the assets of banks, savings banks and credit cooperatives combined. |
| 32. Shares and participations (average monthly % change) | BE | 0.46 | 0.17 | 0.32 | -1.3 | 1.7 | Percentage change in shares and holdings in the assets of banks, savings banks, and credit unions combined. |
| 33. Credit institutions. Net position (difference between assets and liabilities of deposit institutions) (% of total assets) | BE | -1.96 | 7.21 | 6.21 | 6.0 | 4.6 | Difference between the item "Credit System" in assets and liabilities as an approximation of the net position at the end of the month in the interbank market. |
| 34. Doubtful loans (% average monthly change) | BE | 0.69 | -0.57 | -1.36 | -0.5 | -0.7 | Percentage change in the item for doubtful loans in the assets of banks, savings banks and credit cooperatives. |
| 35. Repurchase agreements (% average monthly change) | BE | -0.13 | 3.13 | 0.60 | 7.2 | 1.0 | Percentage change in repurchase agreements in liabilities of the sum of banks, savings banks, and credit unions. |
| 36. Net equity (average monthly change %) | BE | 0.43 | 0.53 | 0.22 | 3.4 | -0.3 | Percentage change in net equity of the sum of banks, savings banks, and credit unions. |

*Commentary "Deposit institutions. Business performance": In February, the latest data available, there was a 0.26% increase in lending to the private sector. Deposits increased by 0.6%. Fixed-income securities increased their weight in the balance sheet by 1.9%, and shares and participations increased by 1.7%. Likewise, in February (latest data available), there was a 0.7% decrease in the volume of non-performing loans compared to the previous month..*

## E. Deposit institutions. Market structure and financing of the Eurosystem

| Indicator | Based on data from: | Average 2001-2023 | 2024 | 2025 | 2025 September | 2025 December | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 37. Number of Spanish deposit institutions | BE | 163 | 108 | 106 | 105 | 105 | Total number of banks, savings banks, and credit unions operating in Spain. |
| 38. Number of foreign deposit institutions operating in Spain | BE | 78 | 76 | 78 | 78 | 79 | Total number of foreign deposit institutions operating in Spain. |
| 39. Number of employees | BE | 217,611 | 163,496 | 163,496a | 163,496a | 163,496a | Total number of employees in the banking sector. |
| 40. Number of branches | BE | 33,739 | 17,379 | 17,202 | 17,168 | 17,109 | Total number of branches in the banking sector. |
| 41. Long-term Eurosystem appeal (total Eurozone financial institutions) (millions of euros) | BE | 607,740 | 30,806 | 13,534 | 11,650 | 11,858b | Open market operations and standing facilities of the European Central Bank. Eurozone total |
| 42. Appeals to the Eurosystem (total Spanish financial institutions): main financing operations (millions of euros) | BE | 13,826 | 6 | 61 | 0 | 6b | Open market operations: main long-term operations. Total Spain |

*(a): December 2024.*

*(b): Latest data as of April 30, 2026*

*Commentary "Deposit institutions. Market structure and Eurosystem financing": In April 2026, Spanish financial institutions' net recourse to the Eurosystem's long-term programs stood at €11,858 million. MEMO-ITEM: Since January 2015, the European Central Bank has also been reporting on the amount of the various asset purchase programs. In April 2026, their value in Spain was €481,737 million and €3.5 trillion in the Eurozone as a whole.*

## F. Deposit institutions. Efficiency and productivity, risk and profitability

| Indicator | Based on data from: | Average 2001-2023 | 2024 | 2025 | 2025 (Q3) | 2025 (Q4) | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 43. Ratio of operating expenses to ordinary income | BE | 49.21 | 38.79 | 41.57 | 51.1 | 40.7 | Operating efficiency indicator. The numerator and denominator of this ratio are obtained directly from the income statements of deposit institutions. |
| 44. Ratio of customer deposits to employees (thousands of euros) | BE | 8,768.73 | 12,851.64 | 13,827.77 | 13,983.09 | 14,319.89 | Productivity indicator: business acquisition capacity per employee. |
| 45. Ratio of customer deposits to branches (thousands of euros) | BE | 60,646.84 | 120,904.04 | 132,140.13 | 135,730.25 | 136,842.83 | Productivity indicator: business acquisition capacity per branch. |

F. Deposit institutions. Efficiency and productivity, risk and profitability (continued)

| Indicator | Based on data from: | Average 2001-2023 | 2024 | 2025 | 2025 (Q3) | 2025 (Q4) | Definition and calculation |
|---|---|---|---|---|---|---|---|
| 46. Ratio of branches to institutions | BE | 137.72 | 94.4 | 92.98 | 93.8 | 93.0 | Network expansion indicator |
| 47. Employees/ branches | BE | 6.69 | 9.4 | 9.5 | 9.5 | 9.6 | Branch size indicator. |
| 48. Equity (% average monthly change) | BE | 0.43 | 0.4 | 0.2 | -1.1 | 0.6 | Indicator of change in deposit institutions' equity |
| 49. ROA | BE | 0.39 | 1.3 | 1.3 | 1.2 | 1.3 | Profitability indicator, defined as the ratio of "Profit before tax/ average total assets" |
| 50. ROE | BE | 5.27 | 15.9 | 15.5 | 15.8 | 15.5 | Profitability indicator, defined as the ratio "Profit before tax/ equity" |

*Commentary "Deposit institutions. Efficiency and productivity, risk and profitability": In the fourth quarter of 2025, the ROA of the Spanish banking sector increased slightly compared to the previous quarter. ROE reached 15.5%.*

# Social Indicators

Table 1

## Population

| Population | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total population | Average age | 67 and older (%) | Life expectancy at birth (men) | Life expectancy at birth (women) | Life expectancy at 65 (men) | Life expectancy at 65 (women) | Dependency rate (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 | 44.4 | 18.0 | 81.4 | 86.5 | 19.9 | 23.6 | 26.6 | 47.8 | 13.4 | 18.2 | 32.1 | 1,288,562 | 662,294 |
| 2025 | 49,128,297 | 44.6 | 18.3 | | | | | 26.9 | 47.6 | 14.1 | 19.3 | 32.2 | | |
| 2026 ** | 49,570,725 | | 18.6 | | | | | 27.4 | 47.5 | 14.6 | 20.2 | | | |
| 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.*

*** Provisional data.*

*b: Break in the series.*

Table 2

## Households and families

| | Households | | | | | |
|---|---|---|---|---|---|---|
| | Households (thousands) | Average household size | Households with one person younger than 65 (%) | Households with one person older than 65 (%) | Single-parent households (%) | Emancipation rate 25-29 yeard old (%) |
| 2013 | 18,212 | 2.54 | 13.9 | 10.3 | 8.1 | 50.8 |
| 2014 | 18,329 | 2.52 | 14.2 | 10.6 | 8.2 | 50.4 |
| 2015 | 18,376 | 2.51 | 14.6 | 10.7 | 8.2 | 48.2 |
| 2016 | 18,444 | 2.50 | 14.6 | 10.9 | 8.3 | 47.2 |
| 2017 | 18,513 | 2.49 | 14.2 | 11.4 | 8.6 | 46.1 |
| 2018 | 18,581 | 2.49 | 14.3 | 11.5 | 8.3 | 46.1 |
| 2019 | 18,697 | 2.49 | 14.9 | 11.2 | 9.0 | 45.9 |
| 2020 | 18,794 | 2.49 | 15.0 | 11.4 | 9.1 | 43.2 |
| 2021 | 18,746 | 2.51 | 15.6 | 11.0 | 9.0 | 37.9 |
| 2022 | 19,078 | 2.49 | 15.4 | 11.7 | 8.8 | 40.4 |
| 2023 | 19,369 | 2.48 | 16.4 | 12.0 | 8.4 | 42.5 |
| 2024 | 19,537 | 2.48 | 16.3 | 11.9 | 9.5 | 42.3 |
| 2025 | 19,760 | 2.48 | | | | 43.5 |
| 2026 * | 19,918 | 2.47 | | | | 43.7 |
| 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 | 34.9 | 1.84 | 2.09 | 16.7 | 0.22 |
| 2024 | 0.55 | 0.61 | 0.36 | 81.4 | 37.3 | 35.2 | 2.02 | 2.16 | 16.7 | 0.24 |
| Sources | IDB | IDB | IDB | IDB | IDB | IDB | MNP | MNP | MNP | IDB |

*IDB: Indicadores demográficos básicos.*

*MNP: INE, Movimiento natural de la población.*

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

*Mixed marriage: Marriage of a Spaniard to a foreigner.*

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

| | Fertility | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average age at first child, total women | Average age at first child, Spanish women | Average age at first child, foreign women | Total fertility rate | Total fertility rate, Spanish | Total fertility rate, foreigners | Births to single mothers (%) | Births to single mothers, Spanish (%) | Births to single mothers, foreigners (%) | Abortion rate | Abortion by Spanish-born women (%) |
| 2013 | 30.4 | 31.0 | 27.3 | 1.27 | 1.23 | 1.52 | 40.9 | 41.0 | 40.2 | 11.7 | 62.2 |
| 2014 | 30.6 | 31.1 | 27.5 | 1.32 | 1.27 | 1.61 | 42.5 | 43.1 | 39.7 | 10.5 | 63.3 |
| 2015 | 30.7 | 31.2 | 27.6 | 1.33 | 1.28 | 1.65 | 44.5 | 45.5 | 39.6 | 10.4 | 63.9 |
| 2016 | 30.8 | 31.3 | 27.6 | 1.33 | 1.28 | 1.71 | 45.9 | 47.0 | 40.7 | 10.4 | 64.5 |
| 2017 | 30.9 | 31.5 | 27.6 | 1.31 | 1.25 | 1.70 | 46.8 | 48.1 | 41.1 | 10.5 | 64.6 |
| 2018 | 31.0 | 31.6 | 27.8 | 1.26 | 1.20 | 1.64 | 47.3 | 48.9 | 41.2 | 11.1 | 63.7 |
| 2019 | 31.1 | 31.7 | 28.1 | 1.23 | 1.17 | 1.58 | 48.4 | 50.1 | 42.4 | 11.5 | 62.6 |
| 2020 | 31.2 | 31.8 | 28.3 | 1.18 | 1.13 | 1.45 | 47.6 | 50.0 | 39.3 | 10.3 | 64.1 |
| 2021 | 31.5 | 32.1 | 28.8 | 1.18 | 1.15 | 1.35 | 49.3 | 52.0 | 39.2 | 10.7 | 65.1 |
| 2022 | 31.6 | 32.2 | 28.5 | 1.16 | 1.12 | 1.35 | 50.1 | 53.1 | 40.3 | 11.7 | 66.7 |
| 2023 | 31.5 | 32.2 | 28.5 | 1.12 | 1.09 | 1.28 | 50.0 | 52.7 | 41.5 | 12.2 | 63.1 |
| 2024 | 31.5 | 32.3 | 28.4 | 1.10 | 1.07 | 1.27 | 50.0 | 52.4 | 42.9 | 12.4 | 62.2 |
| 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 (%) | Population 16 years and older with with tertiary education (%) | Population 25-34 with primary education (%) | Population 25-34 with tertiary education (%) | Gross enrolment ratio in pre-primary education, first cycle | Gross enrolment rate in Upper Secondary | Gross enrolment rate in lower vocational training | Gross enrolment rate in upper vocational training | Gross enrolment rate in undergraduate or posgraduate studies | Graduation rate in 4-year university degrees (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | 28.6 | 28.2 | 7.6 | 41.1 | 33.0 | 81.5 | 41.0 | 40.6 | 47.6 | 48.6 |
| 2014 | 26.3 | 29.0 | 6.8 | 41.5 | 34.2 | 80.7 | 41.5 | 41.7 | 47.4 | 50.2 |
| 2015 | 25.2 | 29.3 | 7.3 | 41.0 | 35.1 | 80.2 | 40.3 | 41.0 | 47.4 | 51.8 |
| 2016 | 24.2 | 29.8 | 7.2 | 41.0 | 36.7 | 76.9 | 38.5 | 43.6 | 47.7 | 52.8 |
| 2017 | 23.2 | 30.4 | 6.7 | 42.6 | 38.5 | 74.3 | 37.8 | 45.1 | 47.6 | 53.4 |
| 2018 | 22.3 | 31.1 | 6.3 | 44.3 | 39.9 | 72.5 | 38.1 | 44.9 | 47.1 | 54.8 |
| 2019 | 20.9 | 32.3 | 5.8 | 46.5 | 41.3 | 71.0 | 38.8 | 47.3 | 46.7 | 55.5 |
| 2020 | 19.2 | 33.4 | 5.5 | 47.4 | 36.0 | 70.4 | 41.1 | 53.6 | 47.6 | - |
| 2021 | 18.4 | 34.1 | 5.6 | 48.5 | 42.0 | 69.5 | 42.3 | 54.6 | 47.3 | - |
| 2022 | 18.0 | 34.4 | 5.6 | 50.2 | 46.0 | 67.1 | 42.6 | 55.4 | 46.1 | - |
| 2023 | 17.8 | 34.9 | 5.3 | 52.0 | 47.9 | 63.6 | 43.0 | 57.0 | 45.4 | - |
| 2024 | 17.0 | 35.4 | 5.0 | 52.6 | 49.3 | 62.7 | 43.3 | 58.0 | 45.8 | - |
| 2025 | 16.8 | 35.8 | 4.7 | 52.4 | | | | | | |
| 2026 * | 16.5 | 36.6 | 4.6 | 53.1 | | | | | | |
| Sources | EPA | EPA | EPA | EPA | 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 | 1.41 | 24.5 |
| 2014 | 33.2 | 21.9 | 4.31 | 1.41 | 24.7 |
| 2015 | 33.2 | 20.0 | 4.29 | 1.36 | 24.1 |
| 2016 | 33.2 | 19.0 | 4.24 | 1.34 | 24.1 |
| 2017 | 31.7 | 18.3 | 4.22 | 1.30 | 23.7 |
| 2018 | 31.4 | 17.9 | 4.18 | 1.33 | 24.2 |
| 2019 | 30.6 | 17.3 | 4.24 | 1.31 | 23.7 |
| 2020 | - | 16.0 | 4.89 | 1.43 | 22.7 |
| 2021 | - | 13.3 | 4.84 | 1.28 | 20.4 |
| 2022 | - | 13.9 | 4.62 | - | - |
| 2023 | - | 13.7 | 4.54 | - | - |
| 2024 | - | 13.0 | 4.48 | - | - |
| 2025 | - | 12.8 | - | - | - |
| 2026 * | | | | | |
| Sources | MU | MEFPD | MEFPD | OECD | OECD |

** EPA data are for the first quarter.*

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

*EPA: Encuesta de Población Activa.*

*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 (percentage): New entrants in an academic year who stop studying in one of the following 3 years.*

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

Table 4

## Inequality and poverty

| | Gini index of equivalised disposable income | At-risk-of-poverty rate (%) | At-risk-of-poverty rate, 2008 fixed threshold (%) | Severe material deprivation (%) |
|---|---|---|---|---|
| 2013 | 34.7 | 22.2 | 30.9 | 6.2 |
| 2014 | 34.6 | 22.1 | 29.9 | 7.1 |
| 2015 | 34.5 | 22.3 | 29.2 | 6.4 |
| 2016 | 34.1 | 21.6 | 26.5 | 5.8 |
| 2017 | 33.2 | 21.5 | 25.5 | 5.1 |
| 2018 | 33.0 | 20.7 | 24.9 | 5.4 |
| 2019 | 32.1 | 21.0 | 21.8 | 4.7 |
| 2020 | 33.0 | 21.7 | 22.8 | 7.0 |
| 2021 | 32.0 | 20.4 | 20.5 | 7.3 |
| 2022 | 31.5 | 20.2 | 20.1 | 8.1 |
| 2023 | 31.2 | 19.7 | 18.7 | 8.9 |
| 2024 | 30.8 | 19.5 | 16.3 | 8.4 |
| 2025 | - | - | - | 7.6 |
| 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 | 0.35 | 18.4 | 951,067 | 1,035 | 6,253,797 | 1,254 | 2,351,703 | 778 | 773,227 | 882,585 | 179,967 | 265,831 |
| 2023 | 0.42 | 18.5 | 945,963 | 1,119 | 6,367,671 | 1,375 | 2,351,851 | 852 | 801,091 | 875,969 | 175,792 | 272,188 |
| 2024 | | 18.7 | 965,412 | 1,163 | 6,484,984 | 1,443 | 2,351,531 | 896 | 840,127 | 869,316 | 171,353 | 282,403 |
| 2025 | | | 1,026,943 | 1,209 | 6,594,140 | 1,506 | 2,348,268 | 935 | 864,169 | 916,498 | 167,868 | 292,951 |
| 2026* | | | 1,057,723 | 1,254 | 6,676,034 | 1,567 | 2,343,501 | 973 | 908,999 | 920,462 | 165,386 | 298,161 |
| Sources | MTES | Eurostat | MTES | MTES | MTES | MTES | MTES | MTES | MTES | MTES | MTES | MTES |

*MTES: Ministerio de Trabajo y Economía Social.*

** January to April data, but for unemployment and non-contributory pensions (January-March).*

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

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

Table 6

## Health

| | Public expenditure (% GDP) | Private expenditure (% GDP) | Private expenditure (% total expenditure) | Primary care doctors per 1,000 people 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 | 2.7 | 29.9 | 0.76 | 0.65 | 1.78 | 3.04 | 39.0 | 67 | 12.3 | 98.0 |
| 2014 | 6.1 | 2.8 | 30.7 | 0.76 | 0.65 | 1.81 | 3.14 | 39.4 | 65 | 11.4 | 87.0 |
| 2015 | 6.1 | 2.7 | 29.7 | 0.76 | 0.64 | 1.85 | 3.19 | 43.4 | 58 | 12.2 | 89.0 |
| 2016 | 6.0 | 2.7 | 29.5 | 0.76 | 0.65 | 1.90 | 3.27 | 45.7 | 72 | 13.7 | 115.0 |
| 2017 | 5.9 | 2.8 | 30.5 | 0.77 | 0.65 | 1.93 | 3.38 | 45.9 | 66 | 13.1 | 106.1 |
| 2018 | 6.0 | 2.8 | 30.8 | 0.77 | 0.66 | 1.98 | 3.45 | 62.5 | 96 | 14.8 | 129.0 |
| 2019 | 6.1 | 2.8 | 30.6 | 0.78 | 0.67 | 1.97 | 3.50 | 63.7 | 88 | 15.5 | 121.5 |
| 2020 | 7.6 | 3.0 | 27.9 | 0.78 | 0.66 | 2.02 | 3.74 | 53.6 | 99 | 15.1 | 147.8 |
| 2021 | 7.2 | 2.8 | 27.4 | 0.77 | 0.66 | 2.11 | 3.90 | 77.2 | 89 | 15.4 | 122.9 |
| 2022 | 6.8 | 2.6 | 27.1 | 0.78 | 0.70 | 2.14 | 3.87 | 85.4 | 95 | 17.1 | 120.1 |
| 2023 | 6.6 | 2.5 | 26.8 | 0.79 | 0.74 | 2.15 | 3.87 | 81.5 | 101 | 18.1 | 128 |
| 2024 | 6.5 | 2.5 | 27.2 | 0.79 | 0.76 | - | - | 83.2 | 105 | 17.8 | 126 |
| 2025 | - | - | - | - | - | - | - | 81.4 | 96 | 17.4 | 119 |
| Sources | Eurostat | OECD | OECD | *INCLASNS* | *INCLASNS* | *INCLASNS* | *INCLASNS* | *INCLASNS* | *INCLASNS* | *INCLASNS* | *INCLASNS* |

*INCLASNS: Indicadores clave del Sistema Nacional del Salud.*

** Only in the public health system.*

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# Notes

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