SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Europe's housing challenge: Assessing affordability in the EU and Spain

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WHAT MATTERS

Spain's inflation outlook in the wake of the Persian Gulf ceasefire

Acting under uncertainty: **The ECB's shift** toward discretionary monetary policy

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Spanish bank exposure to real estate: Structural correction and European comparison

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Spain's 2025 sector accounts: Strong household balances, weak business investment

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Letter from the Editors

Just as energy markets appeared to be stabilising, the war in the Middle East has again shown how quickly geopolitical shocks can complicate the inflation and monetary policy outlook. Although the fragile ceasefire between the United States and Iran has eased immediate energy-market pressures, it has not eliminated uncertainty surrounding inflation, interest rates, and monetary policy, especially in the wake of renewed hostilities.

This tension between cyclical price shocks and more structural sources of inflation provides a useful entry point for this issue of *Spanish and International Economic & Financial Outlook* (*SEFO*). Nowhere is that distinction more visible than in housing. Energy shocks can fade, commodity prices can correct, and central banks can recalibrate policy. But housing affordability pressures reflect deeper structural constraints: insufficient supply, planning rigidities, demographic pressures, financial-market exposure, and political incentives that often make well-intentioned policies less effective than expected.

Against this backdrop, the July issue of *SEFO* explores the housing affordability challenge in Spain and Europe, examining why it has become one of the defining structural economic issues facing policymakers and financial markets alike.

We begin with an assessment of Spain's inflation outlook after the Persian Gulf ceasefire. [1] The memorandum of understanding between the United States and Iran has eased the acute phase of the inflationary shock triggered by the conflict, with oil and gas prices moving towards pre-conflict levels as the Strait of Hormuz reopens to shipping. Even so, normalization will be gradual, as demining operations in the Strait and rebuilding damaged infrastructure could keep commodity prices above their pre-war levels through year-end. Production costs across Spanish industry continue to reflect the shock, feeding through to consumer prices with a lag and offsetting part of the disinflationary effect of lower energy costs. At the same time, the scheduled withdrawal of Spain's fuel tax relief will add substantially to headline inflation. Beyond these energy-related developments, core inflation has proven more persistent than forecast, reflecting structural pressures that predate the conflict, particularly in services sectors. Altogether, inflation is projected to average 3.3% in 2026, well above the euro area as a whole, leaving monetary policy poorly positioned to address a shock that is becoming increasingly domestic in origin.

The issue then turns to the European Central Bank's response to the latest geopolitical shock, examining how the latest policy decisions reflect the difficult balance between responding to temporary

geopolitical shocks and ensuring that more persistent inflation pressures do not become embedded. The ECB's 25 basis point rate rise on 11 June 2026 sets it apart from the Federal Reserve and the Bank of England, both of which held rates steady the following week despite acknowledging elevated inflation and resilient growth. The divergence reflects the central role of judgement in monetary policymaking under conditions of deep uncertainty, when a ceasefire can be announced the day after a Governing Council meeting and collapse shortly thereafter. The war in the Middle East has produced a classic stagflationary tension: energy and commodity shortages pushing up prices while uncertainty suppresses investment and consumption, with second-order effects on trading partners amplifying both dynamics. The Governing Council's primary concern is not the current data but the risk that firms and households stop looking through temporary price rises and begin embedding higher inflation into wages, contracts, and business models, a de-anchoring that survey data would only confirm with a significant lag. The ECB's experience during the 2020-2024 inflation-disinflation cycle, when delayed action allowed inflation to exceed 10% before the tightening response, has raised the institutional premium on demonstrating a capacity to act early. Structural factors, including climate adaptation costs, AI investment, and demographic pressures pulling in opposite directions, mean the neutral rate remains contested and offers little practical guide, giving the Governing Council room to treat a 25 basis point move as predominantly symbolic. The broader implication is that other central banks may face similar pressure to show their own capacity to act, regardless of what the data say at the moment of decision.

From there, the July *SEFO* shifts to its central theme: Europe's housing affordability crisis. First, we examine why decades of well-intentioned housing policies have often failed to improve affordability, arguing that increasingly inelastic housing supply and restrictive planning systems lie at the heart of Europe's structural housing shortage. Europe's housing affordability crisis reflects a fundamental mismatch between growing demand and increasingly inelastic supply, particularly in economically dynamic cities where planning constraints have become progressively more binding. Despite continued population growth, housing completions per capita have fallen substantially across the continent. As outward urban expansion has been curtailed, housing expansion has become increasingly dependent on redevelopment, a process that is slower, costlier, and more politically contentious than greenfield construction, and which often replaces affordable older stock without meaningfully expanding the total housing stock. Demand-side interventions such as mortgage subsidies and first-time buyer schemes tend to be capitalised into higher land values where supply is constrained, benefiting existing owners and developers rather than prospective buyers. The political economy of homeownership further reinforces these dynamics. Homeowners, whose wealth is tied to property values, have incentives to lobby for more restrictive land use regulation. The resulting reduction in housing supply responsiveness amplifies house price and rent growth, benefiting incumbent — particularly older — homeowners while imposing welfare losses on renters, younger households, and future generations. Lasting improvement in affordability requires evaluating policies by their long-run general equilibrium effects and reforming planning and tax systems to align political incentives with the objective of expanding housing supply.

The discussion then moves to Spain, analysing the country's affordable housing challenge and the opportunities created by the EU's revised framework for services of general economic interest to mobilise both public and private investment in expanding affordable housing supply. Spain's housing crisis reflects a structural supply-demand imbalance that has deepened over the past decade, pushing not only vulnerable households but middle-income groups out of urban rental and purchase

markets. Net investment in social housing has been virtually stagnant since 2013, with much of the earlier public effort eroded as subsidised homes were deregulated back into the open market. Private developers have retreated from the affordable segment because regulated rents and price caps routinely fail to cover construction and land costs, producing a funding gap that, absent public compensation, makes investment unviable regardless of demand. The decisive regulatory shift comes from the revised EU SGEI Decision of late 2025, which formally designates affordable housing as a service of general economic interest, allowing public authorities to compensate developers without prior Commission notification, provided compensation does not exceed net costs plus a reasonable return. Activating this framework requires Spanish authorities to define public service obligations, model funding gaps precisely, and establish transparent compensation parameters, disciplines that would sharpen housing policy while giving patient private capital the legal certainty it has lacked. The framework's main virtue is that it integrates available instruments, allowing land transfers, subsidies, and construction grants from different levels of government to be bundled within a single project without triggering state aid accumulation rules.

Housing is then examined through a financial stability lens. Rather than the credit-fuelled excesses that characterised the period before the global financial crisis, European real estate risks today increasingly reflect structural supply shortages, affordability pressures, commercial real estate vulnerabilities, climate risks, and regulatory distortions. European real estate markets no longer pose the risks that defined the pre- 2008 period, yet policy and public debate have been slow to update their analytical frameworks. The central challenge has shifted from credit-fuelled oversupply to an ecosystem of interconnected vulnerabilities, namely supply shortfalls, affordability deterioration, commercial real estate stress, and climate exposure. Spain exemplifies the new profile: despite household debt falling from over 85% of GDP in 2010 to around 44% today, affordability has deteriorated sharply, annual housing completions fall well short of household formation rates, and the rate of young people living independently remains among the lowest in Europe, with housing access increasingly dependent on family wealth transfers. At the EU level, financial concern has migrated toward commercial real estate, where remote work consolidation, rising refinancing costs, and falling property valuations have created concentrated exposures in several northern European banking systems. Demand-side subsidies and rent controls, however well-intentioned, tend to inflate prices in unregulated segments when supply is structurally inelastic, substituting short- term relief for the structural reforms that shortages require. The broader implication is that housing can no longer be treated as an ordinary market: dysfunction can ripple through productivity, labor mobility, and intergenerational equity in ways that now make it essential economic infrastructure.

Next, we consider what these developments mean for Spain's banking sector. Although banks remain closely linked to the housing market, their balance sheets are considerably more resilient than before 2008, reflecting profound changes in lending patterns and risk exposure. Since the 2008 financial crisis, Spanish banks have radically rebalanced their real estate loan books, shedding the developer and construction credit that once defined their property exposure in favour of lower-risk home mortgages. Before the crisis, high-risk loans to those two segments dominated the portfolio; by 2025 their combined share of real estate credit had fallen from 42% to just 16%, while lower-risk home mortgages now account for the large majority of the banks' property-related lending. The correction was accompanied by severe asset quality deterioration: non-performing loan ratios reached 30% in property development and 34.3% in construction at their 2013 peak, before recovering sharply as restructuring efforts and improved economic conditions took hold. Today,

overall non-performance in real estate has receded to levels broadly in line with pre- crisis norms. A comparison with European peers, using European Banking Authority consolidated data, confirms that Spanish banks remain somewhat more exposed to real estate than the EU average, though this gap is attributable to Spain's entrenched home ownership culture rather than speculative lending. In the higher-risk construction and developer segments, Spanish banks carry below-average non-performance ratios relative to European peers. On balance, the sector is navigating the current real estate cycle, characterised by rising prices driven by a supply-demand imbalance, from a position of substantially greater solvency and resilience than in the recent past.

Attention then turns to bank profitability, exploring how Spanish banks are adapting to a period in which higher interest margins are expected to normalise and long-term profitability will increasingly depend on business diversification and customer relationships. As rate tailwinds fade, Spanish banks face the structural challenge of sustaining profitability without relying on net interest margin expansion. Loan portfolio composition proves central to this challenge. Banks with higher loan-to-asset ratios consistently generate stronger interest income, while holdings in fixed-income securities and interbank assets correlate negatively with yields. Within the loan book itself, segment diversification is a decisive differentiator: entities with greater exposure to business and consumer lending report higher loan yields than those concentrated in mortgages, reflecting the higher risk, shorter duration, and repricing flexibility of those segments. Given the structural weight of mortgage lending in Spanish bank portfolios, customer bundling emerges as a complementary lever. Banks with higher mortgage volumes show a strong positive correlation with off-balance sheet assets, and the resulting fee income offsets compressed interest margins on standardised products. Sustaining profitability ultimately requires balancing portfolio diversification with a shift toward customer-level profitability management, supported by analytical frameworks that link product mix to lifecycle value.

The issue subsequently broadens to household and corporate balance sheets, assessing how Spanish households and firms have navigated the recent period of inflation and higher interest rates, and what this implies for investment, savings, and financial resilience. Spain's household and non-financial corporation accounts for 2025 reflect the defining traits of the current growth phase: robust nominal income growth, cautious balance sheet management, and persistent weakness in business investment. Household disposable income grew in nominal terms, driven mainly by employment expansion, but real per-capita gains were modest and purchasing power remains only marginally above 2019 levels. The savings rate declined as consumption growth outpaced income with net household lending falling to 2.9% of GDP. However, debt leverage and debt service burdens continued to ease and financial wealth rose sharply on the back of equity and investment fund revaluations. For non- financial corporations, operating surpluses grew in nominal terms but the profit share in gross value added continued to compress, and real earnings have still not recovered to pre- pandemic levels. Both sectors nonetheless again generated net lending positions and saw significant asset revaluations, leaving them with meaningful buffers against an uncertain macroeconomic outlook.

Finally, we conclude this *SEFO* with an examination of one of the structural forces that will increasingly shape Spain's public finances over the coming decades: population ageing. Beyond its well-known effects on public spending, demographic change is also expected to erode the tax base, reinforcing the importance of policies that support both housing supply and long-term economic growth. Population ageing poses well- documented risks to public finances through higher spending, but its revenue implications have received

comparatively little attention in the Spanish literature. This analysis focuses on the three taxes that together account for around 77% of total tax revenue—personal income tax, social security contributions, and VAT—and estimates their exposure to demographic change through a static simulation that applies projected 2040 household age distributions to 2025 tax data. Personal income tax is the most structurally vulnerable, given its reliance on earned income, which peaks during prime working years before declining after retirement as wages are replaced by pensions. Social security contributions face analogous pressure as the pensioner share grows and the wage share of national income contracts. VAT revenue is affected both because older households spend less overall and because they devote a larger share of consumption to goods subject to reduced rates, such as food, medicines, and assistive devices. Aggregating across all three taxes, the simulation points to a total revenue reduction of around 3.3%, equivalent to approximately 12.9 billion euros, with the burden of revenue generation shifting toward households whose main earner is aged between 60 and 75. Offsetting this shortfall through immigration would require around 650,000 additional households in the 30–39 age bracket, although this estimate is conservative, as immigrant households tend to generate less tax revenue than native households of comparable age.

Notes

[1] This article was written in the immediate aftermath of the June 2026 ceasefire agreement between the United States and Iran. Since then, hostilities have resumed and the ceasefire has effectively broken down. The analysis should therefore be read as reflecting the economic and policy outlook at the time the ceasefire was agreed.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
August	3	Tourist arrivals (June)
	4	Social Security registrants and official unemployment (July)
	6	Industrial production index (June)
	13	CPI (July)
	18	Foreign trade report (June)
	18	Services production index (June)
	28	Preliminary CPI (August)
	28	Retail trade (July)
	31	Balance of payments monthly (June)
September	1	Tourist arrivals (July)
	2	Social Security registrants and official unemployment (August)
	9-10	ECB monetary policy meeting
	10	Industrial production index (July)
	11	Non-financial accounts, State (July)
	11	Non-financial accounts, Regional Governments and Social Security (June)
	15	CPI (August)
	22	Foreign trade report (July)
	23	Balance of payments quarterly (2nd quarter)
	23	Services production index (July)
	25	Quarterly National Accounts (2nd quarter, 2nd release)
	29	Retail trade (August)
	29	Preliminary CPI (September)
	30	Non-financial accounts, State (August)
	30	Non-financial accounts, Regional Governments and Social Security (July)
	30	Non-financial accounts, General Government (2nd quarter)
	30	Quarterly Non-financial Sector Accounts (2nd quarter)
	30	Balance of payments monthly (July)

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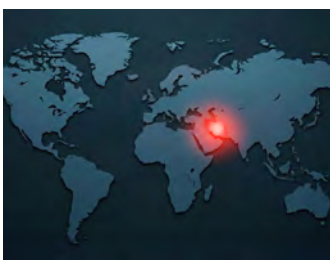
What Matters



5 **Spain's inflation outlook in the wake of the Persian Gulf ceasefire**

The ceasefire between the United States and Iran pushed oil and gas prices closer to pre-conflict levels, easing inflationary pressures on the Spanish economy. However, the withdrawal of fuel tax relief and persistently high services inflation mean that overall inflation will normalize more slowly than energy markets.

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13 **Acting under uncertainty: The ECB's shift toward discretionary monetary policy**

On 11 June 2026, the ECB became the first major central bank to raise policy rates in response to inflation pressures stemming from the war in the Middle East, reversing a cut made one year earlier. The decision reflects a deliberate shift toward discretionary policymaking, driven less by current data than by the risk that firms and households begin embedding higher inflation into wages, prices, and contracts before evidence emerges that inflation expectations have become de-anchored.

Erik Jones



23 **The roots of Europe's housing crisis: Why good intentions so often produce bad outcomes**

Across Europe, real house prices have risen sharply since 1970 while housing completions per capita have fallen substantially in every major economy, reflecting a growing mismatch between demand and increasingly inelastic supply. The evidence points to restrictive planning systems and political incentives that constrain new housing supply, while showing that demand-side subsidies often raise prices rather than improve affordability.

Christian A. L. Hilber



33 **Housing supply and the limits of the market: Spain's path to an investable social stock**

Spain faces a structural housing shortfall estimated at around 700,000 units, with social housing accounting for just 3.3% of the residential stock, well below the EU average. The EU' s reclassification of affordable housing as a service of general economic interest opens a legally secure path for combining public and private financing, but only if authorities rigorously model funding gaps and design compensation that is sufficient without generating windfall returns.

Enrique Martín and Irene Piedra, Afi



41 **A new risk taxonomy for European real estate markets**

European real estate risks have shifted from credit-driven overheating to structural supply shortages and affordability stress, with Spain illustrating how household debt deleveraging and housing scarcity can coexist. Commercial real estate pressures, climate exposure, and counterproductive regulatory interventions add further layers to a risk landscape that conventional bubble-focused analysis no longer captures.

Francisco Rodríguez Fernández



47 **Spanish bank exposure to real estate: Structural correction and European comparison**

Spain's banking sector has undergone a structural transformation in its real estate exposure since the 2008 financial crisis, shifting away from high-risk developer and construction lending toward a more mortgage-dominated, better-quality loan book. Yet, exposure still exceeds the European average, reflecting deep-rooted home ownership culture rather than renewed speculative excess.

Joaquín Maudos



55 **Loan portfolio profitability: Diversification and bundling as structural levers**

Spanish banks are entering a phase of margin normalisation after rate-driven income growth, with lending showing early signs of recovery across segments. Portfolio composition and the depth of customer relationships are emerging as the primary determinants of sustainable profitability.

Marta Alberni, Laura Ciriza and María Rodríguez, Afi



63 **Spain's 2025 sector accounts: Strong household balances, weak business investment**

Spanish households maintained sound balance sheets in 2025, continuing to generate a net lending surplus even as the savings rate declined and real purchasing power grew only modestly. Non-financial corporations again ran a surplus and saw financial asset revaluations, but business investment remained below pre-pandemic levels, widening a capital gap relative to the eurozone.

María Jesús Fernández



73 **Population ageing and public finances: Spain's tax revenue gap by 2040**

A static simulation applying 2040 demographic projections to 2025 household tax data estimates that population ageing alone would reduce Spanish tax revenue by around 3.3% through its impact on personal income tax, social security contributions, and VAT. The decline reflects the shrinking weight of younger and prime working-age households in the population, while immigration can only partially offset the shortfall and depends heavily on household composition and income levels.

Desiderio Romero-Jordán

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Spain's inflation outlook in the wake of the Persian Gulf ceasefire

The ceasefire between the United States and Iran pushed oil and gas prices closer to pre-conflict levels, easing inflationary pressures on the Spanish economy. However, the withdrawal of fuel tax relief and persistently high services inflation mean that overall inflation will normalize more slowly than energy markets.

Raymond Torres and María Jesús Fernández

Abstract [1]: The memorandum of understanding between the United States and Iran has eased the acute phase of the inflationary shock triggered by the conflict, with oil and gas prices moving towards pre-conflict levels as the Strait of Hormuz reopens to shipping. Even so, normalization will be gradual, as demining operations in the Strait and rebuilding damaged infrastructure could keep commodity prices above their pre-war levels through year-end. Production costs across Spanish industry continue to reflect the shock, feeding through to consumer prices with a lag and offsetting part of the disinflationary effect of lower energy costs. At the same time, the scheduled withdrawal of Spain's fuel tax relief will add substantially to headline inflation. Beyond these energy-related developments, core inflation has proven more persistent than forecast, reflecting structural pressures that predate the conflict, particularly in services sectors. Altogether, inflation is projected to average 3.3% in 2026, well above the euro area as a whole, leaving monetary policy poorly positioned to address a shock that is becoming increasingly domestic in origin.

Introduction

The recently announced memorandum of understanding between the U.S. and Iran has created a window of opportunity for both the surrounding countries hardest hit by the armed conflict and the global economy at large. [2] The agreement contemplates an extendable 60-day ceasefire, and addresses geopolitical issues, including reaffirmation by Iran of its commitment not to develop nuclear arms (which it had already committed to under earlier agreements). It also contains decisions of major significance for the economy, most notably the full reopening of the Strait of Hormuz within a period of 30 days and a series of concessions for the Iran regime: the lifting of restrictions on its oil exports; the creation of a 300 billion dollar reconstruction fund and the release of frozen Iranian assets being retained abroad.

The memorandum, pending official ratification, leaves important points up for negotiation and does not dispel questions about the involvement of other regional players, potentially curtailing effectiveness of the ceasefire, which is key to full normalisation of maritime traffic through the Strait of Hormuz. Despite these uncertainties, the end of the conflict currently looks more likely, to which end this paper examines the economic impact in Spain, particularly on inflation —the variable most exposed to the geopolitical tensions— of a prolonged ceasefire.

Reaction of energy markets

The most immediate and tangible impact of the new scenario has been felt in commodities markets. The price of a barrel of Brent has sunk to around 72 dollars, with gas prices (Mibgas) slumping to around 43 euros, values that are approaching their pre-conflict levels. Therefore, with the reopening of the Strait and liberation of oil and gas exports from Gulf nations, which prior to the conflict accounted for roughly one-fifth of global trade in these commodities, the energy crisis might soon be a thing of the past.

However, several factors suggest that normalisation could take time. Firstly, on the supply side, demining operations in the Strait could be a complex and lengthy process. Elsewhere, the sense that crossing the Persian Gulf is dangerous will not disappear overnight, limiting traffic while pushing up the cost of insurance policies. Another possible cost is the toll that Iran reserves the right to impose following a 60-day trial period (although the memorandum does not address this matter, Tehran considers that the U.S. government has, in principle, given the concept its blessing).

However, the biggest unknown relates to the extent of damage to the region's oil and gas fields, petrochemical complexes and other productive assets as a result of the missiles exchanged across the entire region. The International Energy Agency believes that in some cases the repairs could take as long as two years to complete.

Moreover, on the demand side, the countries that import oil will have to replenish much-diminished reserves. That effort will keep prices tight for some time, even if supplies from the Persian Gulf fully rebound (something which, as already noted, is likely to take time). By the same token, the countries that import gas will have to step up their purchases to rebuild stocks ahead of next winter.

Therefore, even if geopolitical tensions de-escalate rapidly, the prices of oil, gas and other commodities are likely to remain above pre-conflict levels until the end of the year.

“ The biggest unknown relates to the extent of damage to the region's oil and gas fields, petrochemical complexes and other productive assets as a result of the missiles exchanged across the entire region. ”

The tide is, however, favourable and could gather momentum in the medium term. In addition, the perceived supply risk has underlined the need to reduce reliance on fossil fuels and imports from conflictive regions, accelerating efforts to electrify transportation and transition to renewable sources. It is a fact that demand for electric vehicles has increased in recent months, particularly in Asia. Moreover, the removal of sanctions against Iran will allow it to trade normally with Western countries and revisit pre-sanctions oil production levels. It is conceivable, therefore, that we could face a glut of oil and gas in the medium term.

The shock triggered by the war and its knock-on effects on production costs and consumer prices

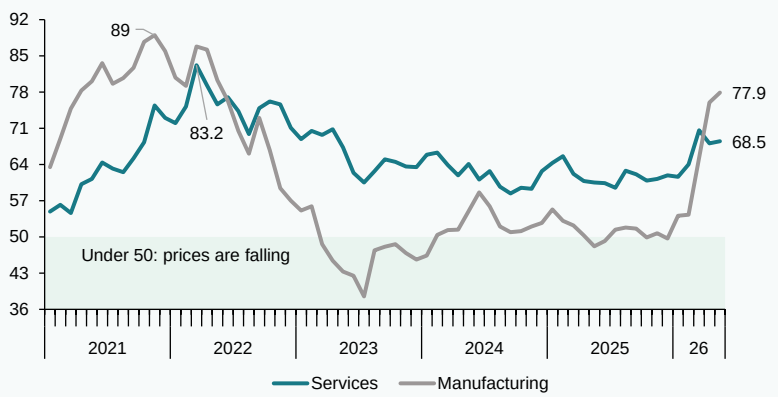
Despite the relief provided by the memorandum of understanding, the run-up in commodity prices sparked by the Middle East conflict continues to ripple through the Spanish productive system.

The increase in transportation costs, the backbone of the supply chain, continues to face spill-over effects. Another example is aluminium, where prices have risen by over 25% in the last three months, impacting production costs across a broad range of industrial goods that rely on that metal as an input. Similarly, producers of fertilisers and chemical products like plastic have only partially passed through the increase in costs to their customers. And oil derivatives can represent virtually all of the variable costs of certain products such as ammonium, which is used to make fertilisers and is the basis of many disinfectants and nylon, the latter used extensively in the textile industry.

Elsewhere, the conflict has thrown supply chains into disarray, prompting delays in the dispatch of key components, from sulphur to helium. It will also take a while for those supply chains to return to normal.

As a result, the escalation in production costs, already palpable, will not dissipate immediately. In April, the Spanish industry production price index increased by 8.5% year-on-year, going on to jump 10.5% in May (leaving behind the year-on-year contractions observed during the months prior to the conflict). In the services sector, price statistics are released with more of a lag, but indicators derived from PMI business surveys also reveal growing upward pressures, albeit less acute than in the manufacturing sector (Exhibit 1).

Exhibit 1 **PMI prices paid by businesses in Spain**

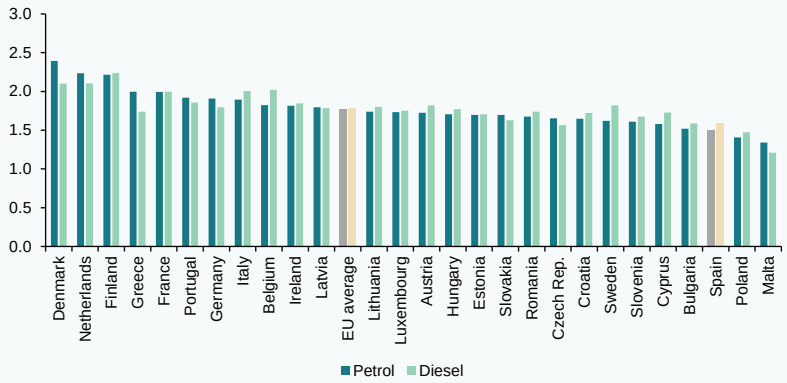


Source: S&P.

Exhibit 2

Fuel prices, among the lowest in the EU as a result of tax cuts

Petrol and diesel prices including tax, as of 15 June 2026. Percent



Source: European Commission.

The run-up in production costs is also evident in the consumer price index, which has been hovering at over 3% year-on-year in recent months, one point above pre-conflict trends. This outcome is primarily attributable to the abrupt increase in fuel prices, which have increased by nearly 15% over the period despite the energy tax cuts introduced by the Spanish government to mitigate the effects of the war (a measure that sets Spain apart in Europe and explains why fuel costs are a lot lower than in other major EU economies, as suggested in Exhibit 2). Core inflation, which excludes volatile energy and food prices, has also risen as the shock has trickled through to end prices.

This phenomenon is set to linger for the next few months, offsetting to some extent the positive impact of energy deflation. Overall, however, it is likely that the pass-through of the shock to consumer prices will be much smaller than at the time of the Ukraine war four years ago, when the economy was experiencing sharp growth in demand (which is not the case today, especially in the three largest eurozone economies, which may be on the verge of recession).

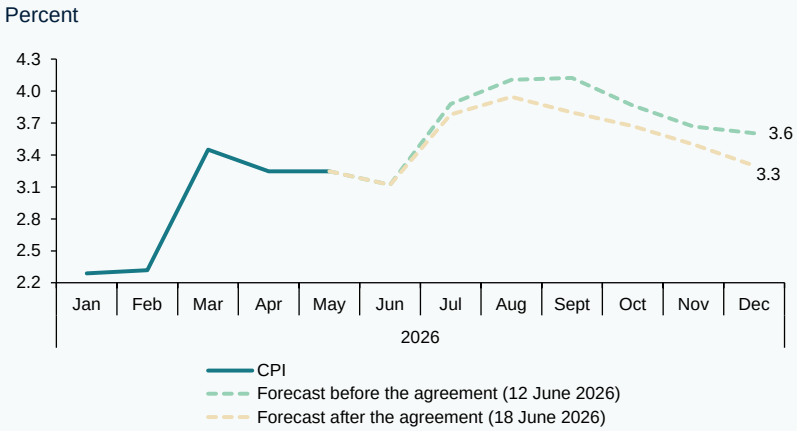
Inflation outlook

Looking to the months ahead, the drop in oil prices since the ceasefire was announced signals a shift towards a less fraught scenario, although prices are not expected to return to pre-conflict levels for the time being. Crude futures prior to the agreement suggested that inflation would top 4% during the summer (assuming the rollback of the tax measures on 30 June 2026), easing to around 3.6% by the end of the year, implying an annual average rate of 3.4%. The new scenario depicted by futures markets is for inflation to land 0.2 to 0.3 percentage points below the pre-agreement forecast, implying an average annual rate of 3.3% (Exhibit 3).

> “It is likely that the pass-through of the shock to consumer prices will be much smaller than at the time of the Ukraine war four years ago.”

Exhibit 3

Inflation projections before and after the memorandum of understanding



Source: INE and Funcas forecasts.

By comparison, before the conflict, inflation was expected to average 2.4% in 2026 (Exhibit 4). In any case, the removal of the fuel tax relief will increase the inflation rate by between 0.8 and 0.9 percentage points, so that its monthly profile, and by extension the annual average, will depend significantly on when those taxes are reinstated. If the taxes are not reintroduced until 1 October, for example, the inflation spike would not materialise until then, leaving the average annual rate at 3.1%. In that instance, the step effect of the increase in taxes would extend until September of next year instead of June, so that the average annual rate in 2027 would be higher than if the taxes are reinstated from 1 July 2026.

As for core inflation, the trend has been worse than expected in recent months, particularly in services. Inflation in services increased to 4.1% in May, a jump that cannot be attributed entirely to the pass-through of higher production costs as a result of the conflict; indeed, it largely reflects the persistence of independent inflationary pressures in existence before war broke out in Iran.

At any rate, in the coming months, some or all of the increase in production costs, which as we have noted are expected to remain above pre-conflict levels, is expected to trickle through to core inflation. This, coupled with more persistent pre-existing tensions than initially estimated, put our forecast for core inflation at 2.9% this year and 2.7% in 2027, both of which are above the eurozone equivalents.

In short, recent trends suggest that inflationary pressures will remain stronger in Spain than in the rest of the eurozone, making it unlikely that monetary policy will act as a mitigating factor.

> “The new scenario depicted by futures markets is for inflation to land 0.2 to 0.3 percentage points below the pre-agreement forecast, implying an average annual rate of 3.3%.”

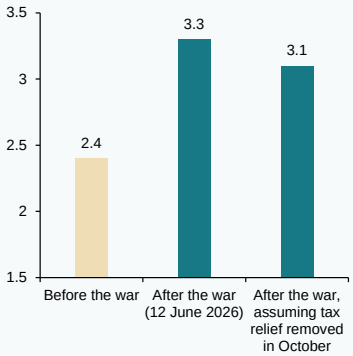
> “For core inflation, the trend has been worse than expected in recent months, particularly in services, reflecting pre-conflict upward pressures.”

Exhibit 4

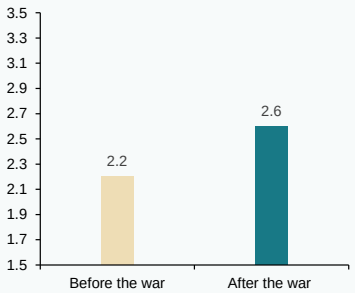
Forecasts for headline CPI for 2026 and 2027, by estimation date

Percent

4.1. Forecasts for 2026



4.2. Forecasts for 2027



Source: Funcas.

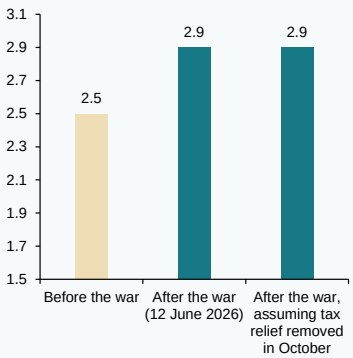
The source of the pressure is concentrated in the services sector, calling for measures focused on enhancing product market competition. Lastly, an acceleration in investment (Torres, 2026) and productivity would facilitate the convergence of core inflation and dissipate the risk of a loss of competitiveness foreshadowed by prevailing trends.

Exhibit 5

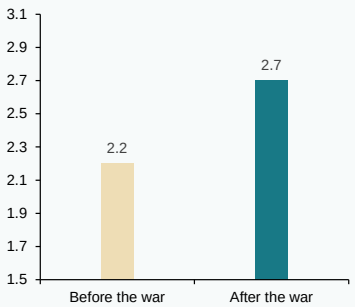
Forecasts for core CPI for 2026 and 2027, by estimation date

Percent

5.1. Forecasts for 2026



5.2. Forecasts for 2027



Source: Funcas.

Notes

[1] This article was written in the immediate aftermath of the June 2026 ceasefire agreement between the United States and Iran. Since then, hostilities have resumed and the ceasefire has effectively broken down. The analysis should therefore be read as reflecting the economic and policy outlook at the time the ceasefire was agreed.

[2] For further analysis of the impact of the conflict, refer to Torres et al. (2026).

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Raymond Torres and María Jesús Fernández. Funcas

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Acting under uncertainty: The ECB's shift toward discretionary monetary policy

On 11 June 2026, the ECB became the first major central bank to raise policy rates in response to inflation pressures stemming from the war in the Middle East, reversing a cut made one year earlier. The decision reflects a deliberate shift toward discretionary policymaking, driven less by current data than by the risk that firms and households begin embedding higher inflation into wages, prices, and contracts before evidence emerges that inflation expectations have become de-anchored.

Erik Jones

Abstract: The ECB's 25 basis point rate rise on 11 June 2026 sets it apart from the Federal Reserve and the Bank of England, both of which held rates steady the following week despite acknowledging elevated inflation and resilient growth. The divergence reflects the central role of judgement in monetary policymaking under conditions of deep uncertainty, when a ceasefire can be announced the day after a Governing Council meeting and collapse shortly thereafter. The war in the Middle East has produced a classic stagflationary tension: energy and commodity shortages pushing up prices while uncertainty suppresses investment and consumption, with second-order effects on trading partners amplifying both dynamics. The Governing Council's primary concern is not the current data but the risk that firms and households stop looking through temporary price rises and begin embedding higher inflation into wages, contracts, and business models, a de-anchoring that survey data would only confirm with a significant lag. The ECB's

> The Governing Council of the European Central Bank (ECB) decided on 11 June 2026 to raise its three policy rates, including the deposit facility rate (DFR), by 25 basis points, or one quarter of one percent.

experience during the 2020-2024 inflation-disinflation cycle, when delayed action allowed inflation to exceed 10% before the tightening response, has raised the institutional premium on demonstrating a capacity to act early. Structural factors, including climate adaptation costs, AI investment, and demographic pressures pulling in opposite directions, mean the neutral rate remains contested and offers little practical guide, giving the Governing Council room to treat a 25 basis point move as predominantly symbolic. The broader implication is that other central banks may face similar pressure to show their own capacity to act, regardless of what the data say at the moment of decision.

Introduction

The Governing Council of the European Central Bank (ECB) decided on 11 June 2026 to raise its three policy rates — including, most important, the deposit facility rate (DFR), which is the rate paid to banks for holding surplus liquidity in the ECB — by 25 basis points, or one quarter of one percent. That decision — effectively reversing a movement made one year earlier at the end of the last inflation-disinflation cycle — was "unanimous" and "without reservation". [1] ECB President Christine Lagarde explained that the move is necessary to position the Governing Council to "navigate the uncertainty" surrounding the war in the Middle East and overlapping geopolitical crises. She insisted that it is consistent with multiple scenarios for European economic performance looking ahead, even one more gentle than the baseline that the forecasting team at the ECB provided. And she concluded that it does not commit the Governing Council "to a particular rate path"; the Governing Council will continue to take its decisions "meeting-by-meeting" in a manner that is "data dependent". [2]

Other major central banks took a different approach. When they met the following week, the members of the Federal Reserve's (Fed) Open Market Committee (OMC) voted unanimously to hold interest rates constant. While they noted that "inflation remains elevated relative to the Committee's 2 percent goal", and they recognised that "economic activity is expanding at a solid pace despite elevated uncertainty" coming (in part) from the war in the Middle East, they found no strong reason to act. [3]

Opinions were more divided on the Bank of England's Monetary Policy Committee (MPC). The vote to hold rates steady split 7 to 2, with the dissenting voices arguing for a 25-basis point rise like that made by the ECB. There too, policymakers acknowledged that inflation is above target and growth is resilient (meaning, in the British case, still "expected to be subdued"). Nevertheless, seven of the nine remained confident that they would be able to bring inflation back to target; only the two dissenting voices arguing that an upward adjustment would "help anchor inflation expectations" and put the Bank in a good place "to address the significant uncertainties the MPC faces". [4]

This contrast between the ECB and the other two central banks reflects the importance of "judgement" in monetary policy making under conditions of extreme uncertainty. Monetary policy makers cannot make a "right" or "wrong" move when they cannot anticipate whether, for example, the United States and Iran will agree on a sixty-day ceasefire the day after they are meeting — which is what happened to the ECB's Governing Council. They also cannot estimate whether that ceasefire might fall apart — as in the case of the Fed's OMC and the Bank of England's MPC.

“ The most immediate problem for monetary policymakers lies in the fact that the impact of the war in the Middle East accelerates the pace of inflation while at the same time putting downward pressure on growth and employment. ”

Those committees met between the formal announcement of the deal and Iran's closure of the Strait of Hormuz in response to Israeli action in Lebanon. The ceasefire remains in place, but no one can guess for how long or with what impact.

More fundamentally, monetary policymakers lack precise knowledge about how and how quickly the combination of geopolitical uncertainty, supply shocks, and price rises will work their way through the economy. They also do not know how and how quickly firms and households will adapt to rising prices. Their “judgement call” — borrowing from a recent speech by ECB Chief Economist Philip Lane — reflects a wide range of considerations that do not fit easily into the standard economic models used for monetary policymaking. [5] And the implications of this reliance on “judgement” in monetary policymaking are significant for economic performance both within and across countries.

Conflicting pressures

The most immediate problem for monetary policymakers lies in the fact that the impact of the war in the Middle East accelerates the pace of inflation while at the same time putting downward pressure on growth and employment. This was obvious from the outset. The closure of the Strait of Hormuz by Iran and the United States created a shortage of energy resources and other basic commodities (like fertiliser) that pushes up prices. Meanwhile, uncertainty about how long the shortage will last and whether the conflict will spread makes it more likely that firms will delay investments and households will put off consumption. These first-order effects show up in the macroeconomic data only slowly as firms pass on higher costs to their customers and as caution spreads across firms and households. They show up even more slowly as workers respond to higher prices by demanding higher wages.

Monetary policy is not the only or even the best instrument to use in addressing this kind of tension. A better solution is to use existing stockpiles of fuel and other commodities to slow down the increase in prices while at the same time providing relief for firms and households so that they will continue to invest and spend. Governments have used these stocks and other forms of relief wherever they are available, primarily in the wealthier countries of North America, Europe, and Asia. By implication, the immediate problems have been more acute in other parts of the world, like Southeast Asia, Sub-Saharan Africa, or Latin America (Ro, 2026).

This unequal response across countries creates a second-order challenge insofar as these parts of the world are important trading partners for wealthier countries; the more emerging market economies are hurt by the immediate effects of the crisis, the less they are able to import and the more they are going to charge for their own exports. Shrinking export markets put more downward pressure on economic performance while rising import prices put more upward pressure on inflation (OECD 2026: 15-19). And so long as firms and households are uncertain about how strong these effects will be, the more they are likely to adapt accordingly by slowing down investment, putting up their own prices, and putting off consumption to increase savings.

Monetary policymakers worry that these second-order effects will become built into the expectations for firms and households about how prices will continue to rise and so those higher rates of inflation will need to be built into business models, spending patterns,

> In her press conference on 11 June, ECB President Christine Lagarde pointed to the resilience in consumption, the continued moderation in wage bargaining, and other more specific indicators that inflation expectations remain anchored in the medium term at or close to the ECB's target of an annual rate of 2 percent.

and wage negotiations. This is what monetary policymakers mean by the "de-anchoring" of inflation expectations. The difficulty is to measure that de-anchoring in real time. They can observe the uptick in prices and the corresponding pace in economic activity, but they cannot see whether firms and consumers are going to "look through" a temporary increase in prices resulting from the conflict or whether they are going to build them into how they understand the way the economy works more generally. This tension was already clear when the ECB's Governing Council met in March for the first time after the joint American and Israeli assault on Iran. [6] It remained prominent when they met again in April. [7] And it resurfaced in their discussions in June. [8]

Between March and June, monetary policymakers became increasingly concerned that the conflict would last longer than initially expected, that a longer conflict would build more momentum in terms of price inflation, that it would run down available stocks used to buffer the shortages in energy supplies and other commodities, that it would start to stretch governments' abilities to provide relief for firms and households, and that government efforts to cushion the impact of the crisis would start to reinforce inflation by keeping up demand for energy and other commodities while at the same time adding spending into the economy. Many of these concerns are hard to measure directly, but the data they did have showed increasing momentum building in terms of price inflation. The problem was not just that producer prices and headline inflation in the harmonized index for consumer prices (HICP) began to accelerate; it was that inflation accelerated in prices excluding energy and food (core inflation) and in the price of services. (See Table 1).

The chain of events linking this increase in momentum to a more fundamental change in expectations about inflation is hard

Table 1 **Annualised monthly price inflation**

Percentage

Percent	January	February	March	April	May
HICP	1.7	1.9	2.6	3.0	3.2
Core	2.3	2.4	2.2	2.3	2.6
Services	3.2	3.4	3.3	3.0	3.5
Producer	-2.1	-3.0	2.0	4.9	

Source: 'Annual Inflation up to 3.2% in the Euro Area,' (Brussels: Eurostat, 17 June 2026 -- https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/2-17062026-ap); 'Industrial Producer Prices up by 0.6% in the Euro Area and by 0.7% in the EU,' (Brussels: Eurostat, 3 June 2026 -- https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/4-03062026-ap).

to assess. In her press conference on 11 June, Lagarde pointed to the resilience in consumption, the continued moderation in wage bargaining, and other more specific indicators that inflation expectations remain anchored in the medium term at or close to the ECB's target of an annual rate of 2 percent. Since much of this data is slow moving and takes time to collect, however, the possibility that momentum is building cannot be discounted entirely. The policy move, Lagarde argued, would put the Governing Council in a good place to respond to future developments. [9]

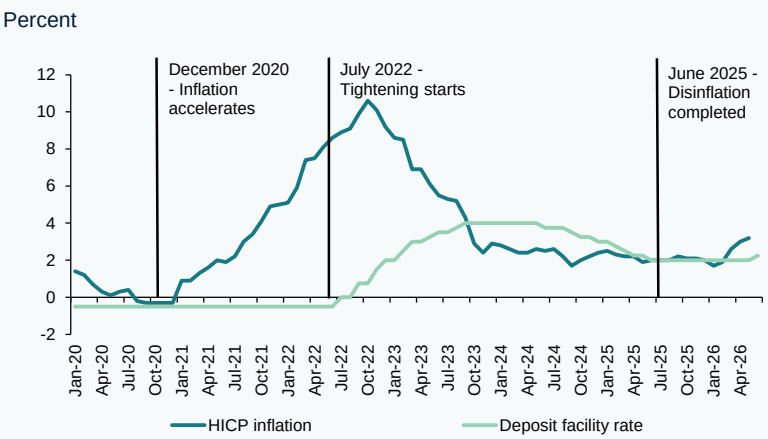
Loose parallels

The difficulty for Lagarde lies in the comparison with the inflation shock that followed the pandemic and that gained momentum after Russia's full-scale invasion of Ukraine. That shock started in December 2020. The Governing Council only began putting up its policy rates in July 2022. Between those two points, inflation moved from a slight annualized decline in prices to an annualized increase over 8.5 percent. By that time, many observers complained that the Governing Council had been too complacent in refusing to push back against inflation more quickly, particularly following Russia's full-scale invasion of Ukraine (Jones 2022b). That charge still resonates and Lagarde pushes back against it consistently. [10]

She may have a point – certainly in the current context but perhaps also previously. When it did move, the Governing Council raised interest rates decisively, starting with a 50 basis point rise in July and followed by a two 75 basis point increases in September and November. By the time the tightening cycle ended in October 2023, interest rates had risen from -0.5 percent to 4.0 percent. Even in the face of that pressure, however, it took time for inflation to come back down. After peaking in October 2022 at an annualized rate of over 10.6 percent, inflation dropped back below 3 percent only a year later. This convergence on the 2 percent target progressed only slowly thereafter. The Governing Council began to put down its policy rates in June 2024 and the disinflation process came to an end in June 2025. (See Exhibit 1; see also Jones, 2025).

The 2020-2024 inflation-disinflation cycle was the first major deviation from the ECB's target since the start of the single currency, and it marked a significant break from the long period of very low inflation (including episodes of disinflation) that followed the global economic and financial crisis. As such, it caught everyone — meaning firms and households as well as monetary policymakers— unaware. Monetary policymakers assumed that firms and households would "look through" the temporary increase in prices that resulted from the supply chain disruption

Exhibit 1 **The 2020-2023 inflation-disinflation cycle and after**



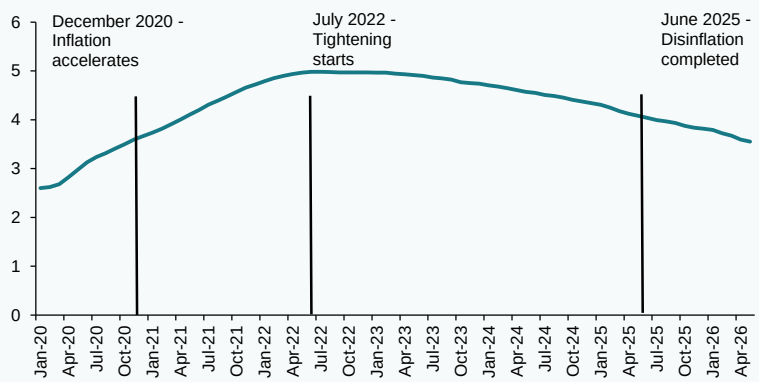
Source: European Central Bank.

experienced during and immediately following the pandemic. As a result, the policymakers themselves sought to "look through" higher prices rather than put up policy rates. The thinking at the time was that exercising caution would be better than putting up policy rates in a way that would only add to the economic distortions (Jones, 2022a). On the contrary, the Governing Council continued to use its large-scale asset purchase programmes (including one created specifically to deal with the pandemic) to add liquidity into the economy. The balance sheet for the Eurosystem had EUR 3.6 trillion in November 2020 and EUR 5.0 trillion in May 2022. (See Exhibit 2).

Firms and households did not "look through" the acceleration in price rises with the same determination. Although there was initial hesitation to embrace inflation as a justification to charge higher prices or to demand higher wages, that hesitation dissolved once it became clear that accelerating price rises were a new normal in the euro area economy. Unfortunately, the survey data and other indicators only reflected that change with a significant lag, allowing inflation expectations to become de-anchored and spreading the change in attitudes and reactions further. The policy response needed to be dramatic to shift expectations in the market.

That disinflation process was controversial, and the Governing Council was deeply divided through the end of the tightening phase. The Governing Council only came together again during the loosening phase of the cycle as interest rates came back down and the ECB began shrinking its balance sheet. As part of this reconciliation, they agreed on a new — more symmetrical — monetary policy strategy and the outlines for a new operational framework for monetary policy. They also agreed to disagree on where policy rates would be "neutral" with respect to output and inflation. With so many changes going on both in the real economy and in market attitudes toward inflation, the estimates for neutral policy rates were too

Exhibit 2 **Cumulative ECB asset purchases (€ trillions)**



Source: ECB.

> "The lesson learned within the Governing Council is that effectively controlling inflation will require a quicker, more decisive policy response; just how much quicker and more decisive will depend on the lessons learned by households and firms."

diverse and imprecise to offer a meaningful guide for policymaking. Meanwhile, the rise of geopolitical uncertainties related to international conflict and domestic politics made it impossible for monetary policymakers to try and micro-manage economic performance (Jones, 2025).

By the end of the inflation-disinflation cycle, the Governing Council reestablished the credibility of its commitment to price stability. It also insisted on a new, clearer division of labour between the use of monetary policy instruments and other policy instruments controlled at the national and European levels for use in fiscal stabilization or market-structural reform. What it could not assess is how the experience of inflation had changed attitudes towards inflation among households and firms. The question is whether those actors will be even less willing to "look through" any increase in price levels in the future and so quicker to push for adjustments in prices and wages to compensate for higher costs. The lesson learned within the Governing Council is that effectively controlling inflation will require a quicker, more decisive policy response; just how much quicker and more decisive will depend on the lessons learned by households and firms.

Structural factors

Larger structural changes unfolding over the longer term may give the Governing Council greater leverage and more room for manoeuvre. This is evident both in debates about the "neutral" interest rate and the transition to the new operational framework. The reason that estimates of the "neutral" rate are such a poor guide to policymaking is that so many factors have a potential impact on the relationship between interest rates and inflation. The costs of mitigating and adapting to climate change are one illustration. Those costs should result in rising prices no matter what the prevailing interest rate. Therefore, it is likely that interest rates will need to be higher to prevent inflation from spreading. A similar point could be made about the need for investment in new technologies like artificial intelligence. So long as that need is great and the cost is significant, we should expect an increase in demand for investment with costs being passed onto consumers. Again, the "neutral" interest rate will be higher. As Lane suggested in a speech on 23 March, the "neutral" rate could even be as high as 2.5 percent. [11]

The impact of population aging and demographic decline pushes in the opposite direction. These processes push down the demand for investment and any resulting upward pressure on prices no matter what the prevailing rate of interest. Therefore, the neutral rate could be lower with respect to the Governing Council's inflation target. Given that both factors are happening at the same time, the combined impact could be large. And yet the interaction between these demographic concerns and the investments required for adaptation to climate change and new technologies is indeterminate. That is why the range of estimates for the neutral rate is so large. It is also why members of the Governing Council have agreed to disagree on where the neutral interest rate lies (Jones, 2025).

What this means in practice is that the Governing Council has room for manoeuvre in setting its policy instruments. Estimates of the "neutral" rate no longer feature prominently in monetary policy debates, if they arise at all. Lagarde made it clear in her question and answer that: "we have not discussed the neutral rate ... we have not debated our positioning with reference to the neutral rate ... this was not debated at all by the Governing Council." [12] That would change if a proposal were made to move outside the range of neutral rates, but it remains the case so long as the range estimates for the "neutral" rate contains whichever policy move is recommended.

Meanwhile, the gradual but continuous shrinking of the Eurosystem balance sheet makes even smaller changes in policy rates more important (Jones, 2024). Between May 2025 and May 2026, the ECB has pulled almost EUR 500 billion in liquidity out of the euro area economy. (See again Exhibit 2). As the volume of surplus liquidity diminishes, banks become more sensitive to policy and market interest rates in managing

> “This shift towards policymaking by judgement calls represents an important change in the balance between rules and discretion in the conduct of monetary policy.”

their regulatory liquidity requirements. This makes it easier for the Governing Council to signal its commitment to maintaining price stability with less dramatic policy shifts. Lagarde made that point explicitly in her press conference: “The decision we've made is not a forceful decision either, right? Twenty-five basis points is a decision which is clearly a signal....” [13] Lagarde also insisted that the Governing Council would continue to adjust its instruments in whatever way necessary to ensure it achieved its price stability mandate.

Implications

This shift to policymaking by judgement calls represents an important change in the balance between rules and discretion in the conduct of monetary policy. When three major central banks face many of the same conditions, they should be expected to behave differently depending on who is setting the policy and not just depending on their mandates. That was always likely to be the case. Not all central bankers have the same outlook on monetary policy even though most belong to the same epistemic community (Johnson, 2016). But now the role of discretion is more prominent.

Concern for the possibility of paralysis through analysis is also more prominent. Given the Governing Council's experience during the last inflation-disinflation cycle, the pressure to demonstrate a capacity for action must be immense — particularly when it could be argued that a policy change still lies within neutral territory and so is predominantly symbolic. There will never be enough data to demonstrate what is the precise balance between the underlying mechanisms at work until it is too late. Inaction becomes an explicit policy choice. This is as true for the Fed and the Bank of England as the ECB. While the monetary policy committees of those institutions took different decisions from the Governing Council, they may soon face the need to show their capacity to act as well (Smith, 2026).

Notes

[1] For an analysis of last year’s rate movement, see Jones (2025). The text of the monetary policy statement and press conference on 11 June 2026 can be found here: https://www.ecb.europa.eu/press/press_conference/monetary-policy-statement/2026/html/ecb.is260611~372040d313.en.html

[2] See June press conference (note 1).

[3] The text of the Fed’s announcement can be found here: https://www.federalreserve.gov/newsevents/pressreleases/monetary20260617a.htm.

[4] The text of the MPC’s monetary policy announcements including both the minutes of the meeting and the justification for votes can be found here: https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/june-2026.

[5] The text of Lane’s speech can be found here. The reference to ‘judgement call’ comes at the end: https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260513~5b14c78806.en.html.

[6] The monetary accounts for the March 2026 meeting can be found here: https://www.ecb.europa.eu/press/accounts/2026/html/ecb.mg260416~6a27b0c258.en.html.

[7] The monetary accounts for the April 2026 meeting can be found here: https://www.ecb.europa.eu/press/accounts/2026/html/ecb.mg260528~a93230dc4b.en.html

[8] The monetary accounts for June are only available with a delay. Here you should look at the June press conference (note 1).

[9] See June press conference (note 1).

[10] See June press conference (note 1).

[11] The text of Lane's 23 March 2026 remarks can be found here: https://www.ecb.europa.eu/press/key/date/2026/html/ecb.sp260323_1~1e06784a89.en.html

[12] See June press conference (note 1).

[13] See June press conference (note 1).

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The roots of Europe's housing crisis: Why good intentions so often produce bad outcomes

Across Europe, real house prices have risen sharply since 1970 while housing completions per capita have fallen substantially in every major economy, reflecting a growing mismatch between demand and increasingly inelastic supply. The evidence points to restrictive planning systems and political incentives that constrain new housing supply, while showing that demand-side subsidies often raise prices rather than improve affordability.

Christian A. L. Hilber

Abstract: Europe's housing affordability crisis reflects a fundamental mismatch between growing demand and increasingly inelastic supply, particularly in economically dynamic cities where planning constraints have become progressively more binding. Despite continued population growth, housing completions per capita have fallen substantially across the continent. As outward urban expansion has been curtailed, housing expansion has become increasingly dependent on redevelopment, a process that is slower, costlier, and more politically contentious than greenfield construction, and which often replaces affordable older stock without meaningfully expanding the total housing stock. Demand-side interventions such as mortgage subsidies and first-time buyer schemes tend to be capitalised into higher land values where supply is constrained, benefiting existing owners and developers rather than prospective buyers. The political economy

of homeownership further reinforces these dynamics. Homeowners, whose wealth is tied to property values, have incentives to lobby for more restrictive land use regulation. The resulting reduction in housing supply responsiveness amplifies house price and rent growth, benefiting incumbent — particularly older — homeowners while imposing welfare losses on renters, younger households, and future generations. Lasting improvement in affordability requires evaluating policies by their long-run general equilibrium effects and reforming planning and tax systems to align political incentives with the objective of expanding housing supply.

Europe's housing affordability puzzle

Housing affordability has become one of Europe's defining economic and social challenges. Across much of the continent, households with ordinary incomes struggle to find affordable housing close to jobs and opportunities, while homelessness is rising in many countries. Young adults postpone leaving the parental home, are forced to live in shared accommodation, and find homeownership increasingly out of reach. What was once perceived as a problem affecting low-income households has become a broader concern for the middle class, with implications not only for inequality but also for labor mobility, productivity, and long-run economic growth.

The European picture is far from uniform. As Exhibit 1 illustrates, since 1970 real house prices have risen dramatically in countries such as the United Kingdom, Ireland, and Spain, while remaining comparatively stable in Germany, Finland, Italy, and Switzerland.

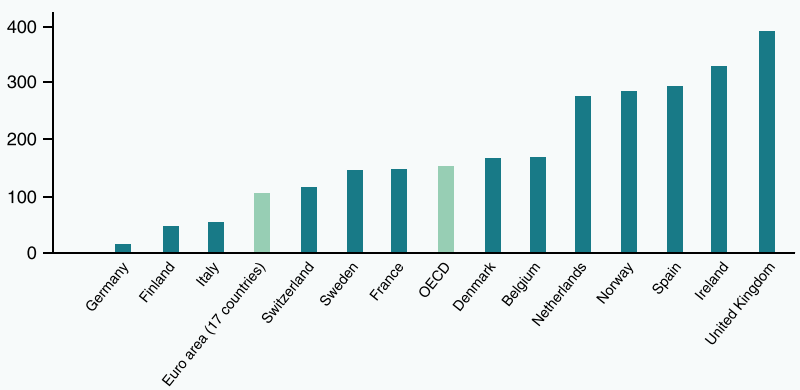
Yet house prices tell only part of the story. An equally striking — but often overlooked — development is the dramatic decline in housing construction relative to population. Table 1 compares housing completions per 1,000 inhabitants in 1970 and the latest available year for Spain, the United Kingdom, Germany, and Switzerland. Despite continued population growth, all four countries have experienced substantial declines in housing construction per capita.

New housing is needed not only to accommodate population growth and newly

Exhibit 1

Real house price growth, 1970-Q1* to 2025-Q1

Percentage



Notes: The figure reports long-run real house price growth rather than a direct measure of housing affordability. Although rent burdens relative to income provide a more direct measure of housing affordability, internationally comparable long-run rental data are generally unavailable.

*Source: OECD, quarterly real house price index. Derived from OECD Data Explorer Platform. *Spain is from 1971-Q1 onwards.*

Table 1 **Housing completions, 1970 to 2023/2024/2025**

	Units completed per 1,000 inhabitants			Population growth
	1970	Latest year*	Δ in %	1970-Latest year*
Spain	9.1	2.1	-76%	+44%
UK	6.8	2.6	-62%	+25%
Germany	7.1	3.0	-58%	+7%
Switzerland	10.3	5.9	-43%	+44%

*Notes: Own calculations for four countries with available data. *ESP: 2024, UK: fiscal year 2024/25, GER: 2024, CH: 2023. 1970: West and East Germany combined.*

Sources: Population figures are from the World Bank Development Indicators. Housing figures are from the respective national statistical agencies. Spain (completed dwellings, viviendas terminadas): 2024: Ministry of Housing and Urban Agenda; 1970: Carreras Yáñez (1980), Table 1, page 253. UK (permanent dwellings completed): 1969/70 and 2024/25: Ministry of Housing and Local Government (MHCLG)/Office for National Statistics (ONS). Germany (dwellings completed, Baufertigstellungen von Wohnungen): 1970: Federal Statistical Office (Destatis), Historical Time Series on Housing Construction since 1949 ("Lange Reihen"); 2024: Destatis. Switzerland (newly completed dwellings, neu erstellte Wohnungen): 1970: Swiss Federal Statistical Office (FSO), Statistical Yearbook of Switzerland 1971, p. 163; 2023: FSO.

formed households, but also to replace dwellings that become obsolete through aging, demolition, or conversion to other uses. Even in countries with little or no population growth, substantial ongoing construction is therefore required simply to maintain and renew the housing stock. For example, England's long-standing target of around 300,000 new homes annually broadly reflects these replacement needs in addition to projected household formation. Yet, during the past two years, only around 140,000-150,000 new homes were completed each year.

Taken together, Exhibit 1 and Table 1 suggest that deteriorating affordability cannot be explained by rising demand alone. Europe has become more populous and more prosperous and demand for housing has continued to grow. Yet housing construction relative to population has declined markedly across many countries. The central puzzle is therefore why housing supply has become progressively less responsive to growing demand. This commentary argues that Europe's affordability crisis arises because growing demand collides with increasingly inelastic housing supply in economically successful places, especially superstar cities and tourist destinations. Many popular housing policies address the consequences of housing scarcity rather than the institutional and political factors that make housing supply so unresponsive in the first place. Explaining why requires understanding not only the economics of housing supply but also the political incentives that shape housing policy.

The causes of the affordability crisis

Demand for housing has grown especially strongly in Europe's most productive metropolitan areas. As households' real incomes rise, they demand disproportionately more housing services, reflecting the relatively high income elasticity of housing demand (Cheshire and Sheppard, 2001). Population

“ Europe's affordability crisis arises because growing demand collides with increasingly inelastic housing supply in economically successful places, especially superstar cities and tourist destinations. ”

> “ Future housing growth increasingly depends on inward densification and redevelopment. ”

growth, immigration, tourism, international investment, and the prolonged period of exceptionally low interest rates following the Global Financial Crisis have further strengthened these demand pressures.

Whether these demand pressures translate into additional housing or higher prices depends on the responsiveness of housing supply. A large body of empirical evidence shows that long-run housing supply elasticities differ substantially across cities and countries because of physical (natural and development-induced) and regulatory constraints (Saiz, 2010, for the U.S.; Hilber and Vermeulen, 2016, for England).

Physical constraints include natural features such as topography (*e.g.*, steep slopes), geography (*e.g.*, water bodies), and geology (*e.g.*, poor soil conditions), as well as development-induced constraints. In high-demand metropolitan areas, where much of the land has already been developed, expanding the housing stock requires redevelopment rather than greenfield construction. Redevelopment is more complex, financially riskier, slower, and more politically contentious, making housing supply less responsive to growing demand (Hilber and Vermeulen, 2016; Baum-Snow and Han, 2024).

In high-demand cities, regulatory constraints are typically the most binding. They have become progressively more binding for two distinct reasons. First, many European countries have deliberately tightened restrictions on outward urban expansion to limit sprawl, protect agricultural land, and preserve environmental amenities. As a result, future housing growth increasingly depends on inward densification and redevelopment, which are inherently more difficult than greenfield development. Second, even unchanged planning regulations become more restrictive as demand intensifies and cities expand upward and outward. Height limits, urban growth boundaries, and green belts that initially impose little constraint can become increasingly binding over time as demand grows. England's Green Belt illustrates this dynamic: introduced in the 1950s to contain urban sprawl, it became progressively more restrictive as cities expanded, contributing to a less responsive housing supply.

An important implication is frequently overlooked in the public debate. Inward densification often generates only modest increases in the housing stock, if any. In many European cities, aging buildings are demolished and replaced by modern, higher-quality housing. If redevelopment occurs at broadly similar densities, housing quality improves but the number of dwellings changes little. Because new construction reflects current land values, stricter building standards, and rising construction costs, the new units are inevitably more expensive than those they replace. This helps explain a common paradox: residents observe cranes and intensive construction activity, yet housing affordability continues to deteriorate. What ultimately matters is whether the effective housing stock expands sufficiently to accommodate growing demand.

Switzerland provides a particularly instructive example. The 2013 revision of the Spatial Planning Act substantially tightened restrictions on outward expansion while promoting inward development. As housing growth increasingly relies on redevelopment rather than greenfield construction, adding new housing becomes more costly, slower, and more politically contentious. In cities such as Zurich, Geneva, and Basel, inexpensive older housing has been replaced by modern dwellings commanding substantially higher rents, even where the number of housing units increases.

> “ Where housing supply is constrained, demand-side subsidies are largely capitalized into higher land values and house prices, offsetting their intended effects. ”

Because existing tenancies in Switzerland are subject to rent regulation, while newly let dwellings can generally be rented at prevailing market rates, redevelopment often substantially increases observed rents. Thus, whereas political attention during the 2000s and 2010s focused primarily on limiting urban sprawl, today housing affordability dominates the public debate. The widespread use of the term *Dichtestress* ("density stress") and the recent, narrowly defeated 10-million initiative illustrate how rapidly political priorities have shifted.

The political economy of housing policy failure

If the fundamental causes of the housing affordability crisis are broadly understood, why do governments continue to adopt policies that often fail to improve affordability? The answer lies partly in the nature of housing markets and partly in political incentives.

Housing markets are characterized by powerful general equilibrium effects. Policies rarely affect only their intended beneficiaries. They also trigger broader market adjustments, and these market-wide responses often dominate a policy's direct effects.

Mortgage subsidies, tax advantages for owner-occupation, and first-time buyer assistance schemes, for example, are politically popular because they appear to make housing more affordable. Yet where housing supply is constrained, demand-side subsidies are largely capitalized into higher land values and house prices, offsetting their intended effects. Evidence from the UK's Help to Buy equity loan program for new builds illustrates this mechanism. Carozzi et al. (2024) show that in the highly supply-constrained London market, the program increased house prices and developers' profits while generating no additional construction. In fact, house prices increased by twice the present value of the subsidy, presumably because the subsidy was fully capitalized and the relaxation of credit constraints further increased demand for housing. Similar results emerge for the U.S. mortgage interest deduction. Hilber and Turner (2014) show that in metropolitan areas with tight land use regulation the subsidy failed to increase — and in fact reduced — homeownership because higher house prices made it harder for prospective buyers to satisfy down-payment and mortgage qualification requirements. A policy intended to promote homeownership can therefore end up making homeownership less attainable for the very households it is designed to help.

General equilibrium effects help explain why many housing policies fail economically. Political incentives help explain why such policies nevertheless persist. Governments operate within relatively short electoral cycles, whereas housing is highly durable and housing markets adjust over decades. Policies that generate immediate, visible benefits for identifiable groups are naturally attractive politically. Their long-run costs, by contrast, are often diffuse, emerge only gradually, and are borne disproportionately by future generations and other groups with little or no political voice today. By contrast, reforms that tackle the underlying causes of the housing crisis — such as rationalizing land use regulation and reforming property taxation to strengthen incentives for local governments to permit new housing (Cheshire and Hilber, 2021) — typically impose visible short-run costs on well-organized interest groups while delivering benefits only gradually and less visibly. This political asymmetry helps explain why many housing policies persist even when they ultimately make housing less affordable.

> “ Rising house prices strengthen homeowners' incentives to resist new development, leading to tighter land use regulation, lower housing supply elasticities, and ultimately even faster house price growth. ”

Rent control illustrates this logic particularly well. Stricter rent controls can protect incumbent tenants against rising rents and displacement. These benefits are immediate and highly visible. However, a substantial body of empirical evidence suggests that stricter rent regulation has several well-documented adverse long-run effects. Diamond et al. (2019), for example, find that the expansion of rent control in San Francisco benefited protected tenants but discouraged investment in the rental stock, reduced long-run rental supply, and ultimately contributed to higher market rents for those seeking accommodation. Policies designed to improve affordability for today's tenants may therefore worsen affordability for tomorrow's tenants. Moreover, the stricter the rent control, the greater the insider-outsider divide, with incumbent tenants benefiting as insiders while young people, migrants, workers who need to relocate for employment, and others unable to access rent-controlled housing — including the homeless —bear the costs as outsiders.

Political incentives become even more powerful when homeowners themselves shape land use regulation. Homeownership has traditionally been promoted because it is associated with wealth accumulation, neighborhood stability, and civic engagement. Yet it may also create incentives that unintentionally reinforce housing scarcity.

The homevoter hypothesis, first articulated by Fischel (2001), argues that homeowners oppose new residential development to protect the value of their homes – often their largest financial asset. Such NIMBY ("Not In My Back Yard") behavior may reflect concerns about congestion, obstructed views, changes to neighborhood character, or, at least in homeowners' perceptions, slower future house price appreciation.

Recent work by Greaney et al. (2026) provides causal evidence for this mechanism. Exploiting the exogenous increase in local homeownership generated by England's Right to Buy reforms, the authors show that higher homeownership causes local planning authorities to become more restrictive, leading to significantly fewer new homes being built.

The authors further show that higher homeownership can generate a self-reinforcing political equilibrium. Rising house prices strengthen homeowners' incentives to resist new development, leading to tighter land use regulation, lower housing supply elasticities, and ultimately even faster house price growth. While this dynamic benefits incumbent — particularly older — homeowners, it comes at the expense of renters, younger households, and, above all, future generations, who bear the largest welfare losses despite having no influence over today's planning decisions.

The broader lesson extends well beyond these examples. Housing policies should be judged not by their short-run intentions but by their long-run general equilibrium effects. Policies that stimulate housing demand without enabling supply to respond rarely improve affordability in the long run. Equally, policies that make development more difficult — even when motivated by legitimate environmental, heritage, or social objectives — may unintentionally exacerbate housing shortages if they fail to facilitate sufficient new supply elsewhere. Existing homeowners are numerous, politically well organized, and highly engaged in local planning decisions, whereas prospective residents and future generations are essentially unrepresented. The resulting political economy creates a powerful bias toward restrictive land use regulation, even when such policies reduce housing affordability, limit economic

opportunity for younger households, and impose growing welfare losses on future generations.

The politics of blame: Look beyond the usual scapegoats

Housing affordability crises invariably generate scapegoats. Developers, institutional investors, foreign buyers, landlords, second-home owners, and short-term rental platforms such as Airbnb are frequently blamed for rising housing costs. In some locations these factors undoubtedly contribute to local affordability pressures. Tourist destinations, for example, may lose long-term rental housing to short-term accommodation, driving up rents (Garcia-López et al., 2020), while foreign investment may affect prices in selected neighborhoods of superstar cities (Badarinza and Ramadorai, 2018).

However, focusing on these groups risks confusing amplifying factors with the underlying cause of the problem. Whether strong demand translates into additional housing or higher prices and rents depends fundamentally on the responsiveness of housing supply. If developers operate in competitive markets and can readily build additional homes, stronger demand — whether from domestic households, migrants, tourists, or investors — will largely translate into more construction. Where supply is constrained, the same demand shocks are instead capitalized into higher prices and rents.

Developers do not create housing shortages by building homes; on the contrary, they are among the few actors capable of alleviating them. Likewise, restricting Airbnb or foreign investment may provide some local relief but cannot resolve a structural housing shortage. As long as economically successful cities remain unable to expand their housing supply, pressures on prices and rents will persist.

The temptation to search for scapegoats is politically understandable. Blaming developers or foreign buyers is easier than reforming planning institutions or confronting local opposition to development. Yet focusing policy on targeting these groups risks diverting attention from the deeper structural constraints that drive housing scarcity.

The role of institutions: Lessons from England and Switzerland

England and Switzerland lie at opposite ends of the European spectrum, illustrating how planning systems and fiscal incentives shape housing supply.

England provides one of the clearest examples of a highly supply-constrained housing market. Since the post-war period, residential development has increasingly been governed by a discretionary planning system that creates considerable uncertainty for developers and gives substantial influence to local political opposition. At the same time, local authorities bear much of the cost of development while capturing little of its long-term fiscal benefit. These institutional arrangements restrict housing supply, amplifying the impact of demand shocks on prices and rents (Hilber and Vermeulen, 2016; Hilber and Mense, 2025) and contributing to one of Europe's most persistent housing affordability crises.

Historically, Switzerland offered the opposite incentives. Municipalities retained considerable planning autonomy while collecting local income and wealth tax revenues, creating strong incentives to attract more affluent residents and businesses. Combined with a rules-based planning system, this encouraged residential construction and helped maintain comparatively favorable housing affordability, albeit at the cost of substantial urban sprawl.

Growing concern about urban sprawl eventually shifted political priorities, culminating in the Second Homes Initiative of 2012 (Hilber and Schöni, 2020) and the revision of the Spatial Planning Act in 2013. The revision sought to curb outward expansion and promote inward development. While this reform addressed legitimate concerns, it also made housing

growth increasingly dependent on the more difficult process of urban redevelopment discussed earlier. Housing construction — and especially net additions to the housing stock — began to weaken despite continued population growth, while affordability concerns steadily climbed the political agenda. Switzerland illustrates an important lesson: when cities can no longer expand outward yet fail to accommodate sufficient housing through upward and inward growth, declining affordability becomes inevitable.

Despite their stark institutional differences, both countries illustrate the same fundamental lesson. Housing affordability worsens when demand grows faster than housing supply can respond. Institutions matter because they determine whether stronger demand is accommodated through additional housing or capitalized into higher prices and rents.

Toward a more effective housing policy

What follows from this analysis? First, housing policy should focus on increasing the responsiveness of housing supply rather than stimulating demand. Where supply is constrained, demand-side subsidies merely raise housing costs.

Second, policymakers should evaluate housing policies according to their long-run general equilibrium effects rather than their immediate political appeal. Policies that benefit incumbent homeowners or tenants today may reduce housing supply and worsen affordability for future households.

Third, planning systems need to facilitate meaningful increases in housing supply where demand is strongest. This does not imply abandoning environmental protection or heritage preservation. Rather, it requires recognizing the trade-offs involved and creating incentives that reward rather than penalize local governments and residents for accommodating housing growth. In essence, policy should align incentives so that local communities benefit from development—in other words, by turning NIMBYs into YIMBYs ("Yes In My Back Yard" residents). Replacing aging buildings with expensive new developments at similar densities will improve the quality of the housing stock and may over time improve affordability through filtering, but meaningful improvements in affordability require substantial expansion of the housing stock. This, in turn, requires rewarding higher-density housing where demand is strongest.

Finally, policymakers should recognize that housing affordability is fundamentally a long-run challenge. Institutional reforms are often politically difficult because their benefits emerge only gradually while their costs are immediate and concentrated. Yet without such reforms, affordability is unlikely to improve in a lasting way.

Conclusion

Housing affordability has become one of Europe's defining public policy challenges. Yet many governments continue to rely on policies that alleviate symptoms while leaving the underlying causes largely untouched.

The central lesson of recent research is straightforward. Housing affordability deteriorates when strong demand collides with increasingly inelastic housing supply. Many popular housing policies fail because they ignore long-run market adjustments and political incentives. Institutions matter because they determine whether successful cities can expand in line with growing demand or whether demand is instead capitalized into higher prices and rents.

Europe therefore faces a choice. It can continue to respond to affordability crises with ever more interventionist policies that treat the symptoms while leaving housing scarcity largely intact. Or it can address the institutional and political barriers that prevent housing supply from responding. Good intentions are not enough. Only by aligning political incentives with the long-run objective of expanding housing supply can Europe make housing more affordable for both current and future generations.

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Housing supply and the limits of the market: Spain's path to an investable social stock

Spain faces a structural housing shortfall estimated at around 700,000 units, with social housing accounting for just 3.3% of the residential stock, well below the EU average. The EU's reclassification of affordable housing as a service of general economic interest opens a legally secure path for combining public and private financing, but only if authorities rigorously model funding gaps and design compensation that is sufficient without generating windfall returns.

Enrique Martín and Irene Piedra

Abstract: Spain's housing crisis reflects a structural supply-demand imbalance that has deepened over the past decade, pushing not only vulnerable households but middle-income groups out of urban rental and purchase markets. Net investment in social housing has been virtually stagnant since 2013, with much of the earlier public effort eroded as subsidised homes were deregulated back into the open market. Private developers have retreated from the affordable segment because regulated rents and price caps routinely fail to cover construction and land costs, producing a funding gap that, absent public compensation, makes investment unviable regardless of demand. The decisive regulatory shift comes from the revised EU SGEI Decision of late 2025, which formally designates affordable housing as a service of general economic interest, allowing public authorities to compensate developers without prior Commission notification, provided

> “In the main urban areas, the growth in rents and property prices has far outstripped wage growth, driving not only vulnerable households but also large sections of the middle class out of the market.”

compensation does not exceed net costs plus a reasonable return. Activating this framework requires Spanish authorities to define public service obligations, model funding gaps precisely, and establish transparent compensation parameters, disciplines that would sharpen housing policy while giving patient private capital the legal certainty it has lacked. The framework's main virtue is that it integrates available instruments, allowing land transfers, subsidies, and construction grants from different levels of government to be bundled within a single project without triggering state aid accumulation rules.

Introduction: Housing as an economic challenge

Access to housing is one of the biggest concerns burdening the Spanish public today and a challenge with significant economic implications. The tension between house prices, both for owner-occupied properties and, increasingly, for rented accommodation, and households' purchasing power is not a temporary phenomenon, but rather the upshot of a structural imbalance between supply and demand that has worsened over the last decade. In the main urban areas, where economic activity and employment are concentrated, the growth in rents and property prices has far outstripped wage growth, driving not only vulnerable households but also large sections of the middle class out of the market. House price and rent increases have not been confined to large cities but have spread like an “oil slick” to municipalities in the metropolitan area, extending to the inner and outer suburbs.

The scale of the mismatch is well documented. Bank of Spain estimates put the cumulative housing shortfall relative to the formation of new households at around 600,000 units between 2022 and 2024, a figure that its most recent estimates raise to around 700,000 homes including 2025. Spain’s central bank has warned that this scarcity of supply, coupled with the rapid rate of household formation, could become a bottleneck for the economy. The pressure on prices is consistent with this assessment: according to Eurostat data, house prices in the European Union rose by nearly 48% between 2015 and 2023, with even higher rates of growth in many Spanish cities. The Bank of Spain’s own analysis of the residential rental market flags the limited share of social housing and lacklustre private institutional investment as causes.

A comparison with the situation in Europe is particularly revealing. In Spain, social housing accounts for just 3.3% of the residential housing stock, which is well below the European average of nearly 8% and far behind the leading countries, such as the Netherlands, at around 30%, and Austria, at around 24%. The share of the rental housing stock is also low, according to Eurostat, compared with the EU-27 and benchmarks such as Austria or Denmark. Aside from the low starting base, Spain presents a low level of investment — around four times below the European average measured in terms of expenditure per inhabitant — and the development of social housing has been at a virtual standstill since 2013. The result is

> “In Spain, social housing accounts for just 3.3% of the residential housing stock, which is well below the European average of nearly 8% and far behind the leading countries.”

a meagre stock which has, moreover, been shrinking: many of the subsidised homes developed have since been deregulated, so that the public investment effort has not created a permanent pool of housing.

This assessment has unequivocal implications for the economy. Affordable housing is not just social policy: it is a prerequisite for the smooth functioning of the labour market, channelling resources to the most economically dynamic parts of the country, as many of the people moving to these areas — young people and immigrants — have reduced purchasing power. In turn, affordable housing releases spending power and pent-up savings by not having to earmark a growing share of housing income to paying for housing.

The economic dimension: Market failure, shortage of financing and business model

Correcting this mismatch requires mobilising massive sums of investment which governments cannot shoulder alone and which necessarily require the involvement of the private sector. The underlying question, therefore, is not how much public investment to allocate but how to set up a scheme that is capable of attracting private capital without distorting competition or generating windfall profits.

The private sector, which has not been immune to the property crisis unleashed in 2008, which triggered changes in the development sector's ownership structure and ability to access finance, has focused in recent years on less risky business segments, namely buyers with access to credit and, often already on the housing ladder, implying significant prior savings. The sector has therefore shifted to higher-quality, more fitted out and larger housing than is available in the second-hand market.

The focus on the build-to-rent segment, which started off strong as a diversification strategy for the large developers and sparked interest among value-add managers, has petered out, overwhelmed by the appeal of reorienting properties for sale in a climate of rising prices and strong demand, a strategy dubbed "privatisation".

The economic logic is undeniable. The growth in construction costs has made it unviable to develop housing for sale or rent at the income threshold levels set in the various regional governments' social housing schemes. One way of addressing the situation has been to increase affordable housing sales prices or rents by tweaking the price cap formulas or creating new specific regimes, in addition to providing aid for their development. There is evidence in numerous Spanish regions of privately-owned land that is not being developed as it is not economically viable to do so, although it is not easy to put figures on the amount of land in question or the number of homes that could be built on it.

The economic rationale for public intervention lies with the existence of a clear market failure when regulated rental income is insufficient to cover construction costs, let alone the cost of land in the locations where housing is needed the most, and does not generate an adequate return for the developer. In that scenario, private developers will not undertake the investment, no matter how strong demand is. The market quite simply does not provide the good in the quantity and, above all, at the price consistent with affordability.

Quantification of this market failure translates into the funding gap concept: the difference between the total cost of the project, including development and long-term operation, and the income it is capable of generating, given the affordability constraints. Well-designed public aid is that which, essentially, covers that gap. No more and no less. If it falls short, the investment will stall; if it is too generous, windfall gains are generated, distorting competition. Hence the importance of precisely modelling the underlying property market, which is very different in nature for affordable rental housing than the traditional build-to-sell model: long horizons, modest and stable returns, inflation impact and sensitivity to cost and financing terms. In addition, many affordable rental housing projects are

> The new State Housing Plan ensures that publicly funded social and affordable housing remains permanently protected, rather than reverting to the private market after a fixed period.

developed on land provided by the public authorities under arrangements for which, despite being around for a long time, there is no liquid market to provide investors with a clear exit strategy. The uncertainty around the potential exit route and price prompts investors in these models to demand a higher return than for other developments even though they often gain access to the land free of charge, which implies not facing permitting risks (as the land provided is permitted as ready to build) and demand is already pent-up.

This combination determines the kinds of investors that fit in this segment. The provision of social housing has fallen almost exclusively to public players, although private actors are beginning to get involved in affordable housing thanks to public-private partnership arrangements designed to mobilise public land. A number of strategies abound: from investors looking to exit in the medium term to very long-term, non-profit or quasi non-profit property managers. The international experience tells us that building a solid and sustainable sector requires a coherent and stable combination of support measures; sporadic or unclear measures attract opportunistic capital rather than patient investors. The transfer of land, arranged through public concessions or surface rights, is necessary but not sufficient: access to finance, its cost and controlled construction costs ultimately determine viability.

The rollout of aid in Spain: State housing policy and state-sponsored credit

Spanish housing policy has intensified sharply in recent years. It is currently articulated around the 2026-2030 State Housing Plan, approved by Royal Decree 326/2026 and in effect since 2026, the first plan formulated under the auspices of Spanish Law 12/2023 on the right to housing. It has a budget of 7 billion euros, of which the state will provide 60% and the regional governments the other 40%, 2.8 billion euros, which is triple the funding allocation under the last budget. The funds are being allocated to three major lines: around 40% to lifting the supply of social and affordable housing; 30% to urban and rural regeneration and refurbishment; and the other 30% to lowering the housing cost burden and helping young people move out of home.

Beyond the figures, the plan ensures that publicly funded social and affordable housing remains permanently protected, rather than reverting to the private market after a fixed period. This fixes the biggest flaw in the previous model, in which public investment was diluted when the homes were returned to the open market. The state is assuming a leadership and coordination role, creating new instruments such as a state-owned housing company and the mobilisation of public land, while day-to-day management falls to the regional governments, which are largely responsible for housing policy in Spain.

The host of measures that can be tapped to increase the supply of housing is extensive and they can be used in combination with other aid, necessitating a thorough analysis not only of how to implement aid for public and private players, but also of how to quantify the appropriate level of aid. The Plan contemplates the possibility that the amount of aid needed could exceed the 7 billion euros allocated; the aid can take the form of land transfers, equity or debt financing and there is scope for providing non-repayable tranches of debt or planning incentives.

Spain's official credit institute, the ICO for its acronym in Spanish, has so far played a key role in driving and enabling the development of

affordable rental housing. Under the scope of the addendum to Spain's Recovery and Resilience Plan, the ICO is managing a 4 billion euro Housing Facility comprising loans to public and private developers, supplemented by a 2 billion euro guarantee scheme from the Ministry of Housing covering up to 50% of the principal, to support the creation of around 40,000 social or affordable rental homes, through new-build and refurbishment projects. In addition, it has introduced innovative instruments in the housing sector, such as calls for investment in the capital of vehicles set up to develop and manage social rental housing, backed by InvestEU guarantees and aimed at mobilising private capital, as the ICO is only allowed to take a minority stake in the capital of the selected vehicles.

It is likely that ICO will continue to play a key role in promoting affordable housing, by developing new instruments in line with the guidelines set out in the State Housing Plan, adapting its financing to market needs, creating blended finance instruments that combine debt with non-repayable concessional tranches and promoting industrialised or offsite construction, an area where private banks do not generally offer financing solutions.

The role of the regional governments

Responsibility for housing lies with Spain's regional governments and it is at this level that policy is formulated and implemented. This will be particularly important for taking advantage of the new European framework because, as we will see, any regional government can formally entrust a service of general economic interest. It is, therefore, the regional governments that can make use of the new flexibility available, by designing support schemes and selecting players on an equal footing, taking into account the possible accumulation of aid under other arrangements.

In practice, the regional governments have been developing different strategies that can now be integrated and reinforced. Regional programmes for the development of affordable housing on public land through surface rights or public land concessions, grants for the construction of such housing, the creation of new social housing schemes aimed at ensuring financial viability, authorisation of changes in land use, increases in buildable area or density or reduced requirements for amenities such as parking spaces, or other measures aimed at mobilising vacant housing, to name a few.

This diversity is both an opportunity, by creating space to tailor the various instruments for the reality of each market, and a challenge, in ensuring that regional implementation is suitably adapted for local needs and effective in mobilising additional private capital. Coordination between the state and the regional governments, together with stable and transparent regional regulations, is essential for long-term private capital to find the certainty it craves.

A paradigm shift: EU recognition of housing as a SGEI

All this support, however, relies on a fundamental regulatory development that redefines the rules of the game. For years, public support for social housing in Spain and across much of the European Union operated on the basis of a tacit assumption: that subsidies for social housing did not, strictly speaking, constitute state aid subject to the European Commission's scrutiny.

“ For years, public support for social housing in Spain and across much of the European Union operated on the basis of a tacit assumption: that subsidies for social housing did not constitute state aid subject to the European Commission's scrutiny. ”

Moreover, the convention was that all subsidised housing fell under the category of social housing, whereas in reality — and increasingly so in recent years, with increases in price and rent caps, as well as the creation of new schemes — certain categories of social housing have come to be targeted not at the most vulnerable households, but at middle-income groups struggling to afford housing. This area of legal ambiguity created room for manoeuvre, but it also introduced uncertainty regarding the scope, accumulation and limits of the support that could be granted, particularly when that support was directed beyond the most disadvantaged groups.

That framework has changed substantively. Decision 2012/21/EU, which regulated the compatibility of public service compensation with the internal market, was repealed and replaced at the end of 2025 by Decision 2025/2630/EU, or the revised SGEI Decision, which expressly expands the service of general economic interest (SGEI) concept to include social housing and, in a major new development, affordable housing, whether for purchase or rent. As a result, member states, regions and local authorities may entrust the provision of this service to public and private operators and compensate them with public funds without the need for prior notification to or individual authorisation from the Commission, provided that the Decision terms and conditions are met. It is precisely this power that provides shape and legal certainty to the range of support measures described in the preceding sections.

The new SGEI framework, however, requires a change of approach. The structuring of public support for affordable housing under the SGEI regime requires compliance with a series of formal and substantive requirements which the Spanish authorities have not addressed systematically to date: formal definition of the public service obligations with which the beneficiaries of the compensation must comply; precise identification of the end beneficiaries of the SGEI, including both housing developers and managers as well as end-users; the establishment of pre-defined and transparent parameters for calculating compensation; performance of a cost analysis to determine the level of support necessary and sufficient to make the service viable without providing the beneficiary with disproportionate advantages; and the provision of mechanisms for monitoring and recovering overcompensation.

This set of requirements may seem bureaucratically burdensome, but in reality represents an opportunity to substantially improve the design and efficiency of housing policy in Spain. Conducting a rigorous analysis of the affordable housing market failure and funding gap, as required by the SGEI framework, will oblige public authorities to gain a detailed understanding of the characteristics of the market in which the support measures will operate — including land prices, construction costs, market rents and financing costs — and to accurately quantify the level of support required to make the affordable housing developments viable. That information is essential for designing efficient support instruments and for assessing their impact. This requirement shifts the analysis to the economic terrain.

The SGEI framework as a tool for integrating different support mechanisms

The main virtue of the new framework is not that it expands the suite of support measures,

> “By stipulating that compensation not exceed net costs plus a reasonable profit, and by eschewing an absolute monetary cap, the SGEI framework recognises the true scale of the investment required and offers private operators the prospect of reasonable returns over the long term.”

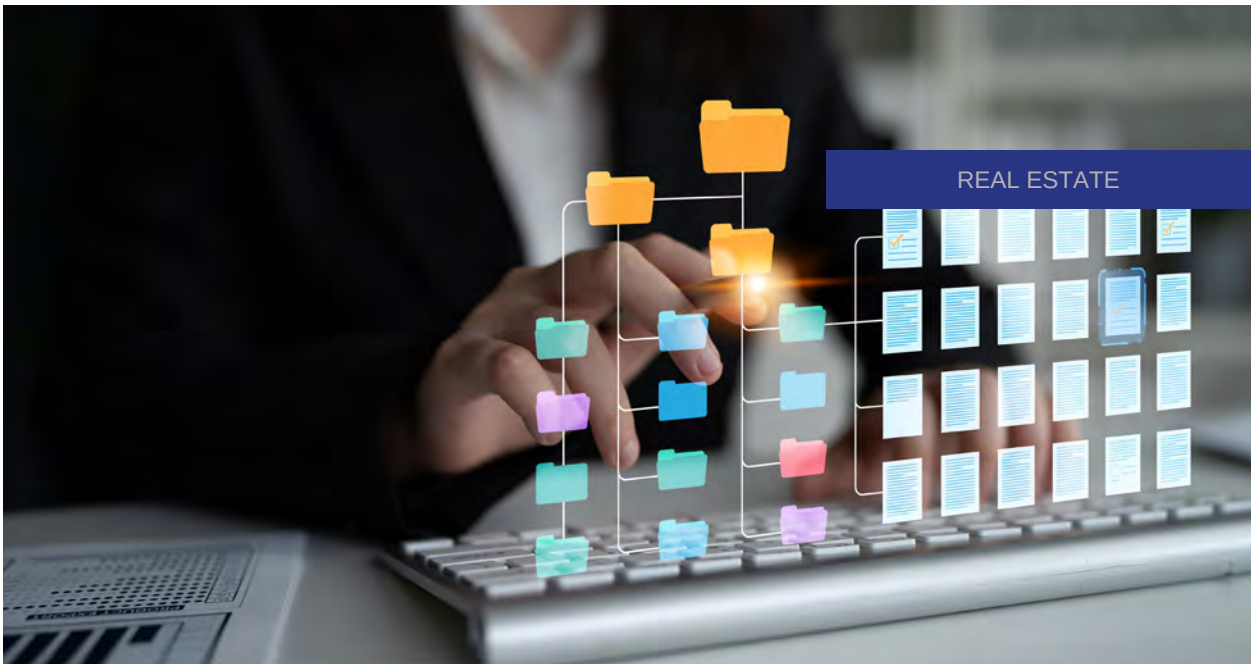
many of which already existed, but that it provides a tool for integrating them around a common objective. The entrustment of a SGEI allows for the allocation of land, interest rate subsidies, tax incentives and subsidies for construction or operating costs — provided by different bodies and levels of government — to be combined within a single project without the need for a case-by-case analysis of compatibility with state aid and without the complex rules on accumulation that have hampered such arrangements in the past. The result is to increase legal certainty and lower the administrative cost of putting complex support packages together.

Equally important is the nature of the limit imposed by the SGEI. By setting the sole limit that compensation must not exceed net costs plus a reasonable profit, and by eschewing an absolute monetary cap, the framework recognises the true scale of the investment required and, at the same time, offers private operators something they previously lacked: the prospect of a reasonable and stable return over the long term. This is the precise combination — the absence of overcompensation coupled with the guarantee of a sufficient return — that stands to draw the patient private capital that the sector needs, without turning public support into an unjustified transfer of income.

In short, Spain faces the affordable housing challenge with a structurally limited social housing stock, a need for investment far exceeding available budgetary resources and, for the first time, a European framework that enables a coherent and legally secure support scheme. The paradigm shift implied by the twin December actions — the revised SGEI Decision and the European Affordable Housing Plan — essentially consists of moving away from treating housing support as exceptional aid with an uncertain legal framework to treating it as remuneration for a strictly defined service of general interest. Success will depend on articulating the instruments within a chain of funding, from the EIB to the ICO and from there to the operators; on the State Housing Plan and regional programmes precisely covering the shortfall for each project; and on the regional governments activating SGEI status with stable and transparent rules. If this framework is implemented with financial discipline, affordable housing could cease to be a recurring aspiration and instead yield a stock of housing that is permanent and, above all, investable.

Enrique Martín and Irene Piedra. Afi

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A new risk taxonomy for European real estate markets

European real estate risks have shifted from credit-driven overheating to structural supply shortages and affordability stress, with Spain illustrating how household debt deleveraging and housing scarcity can coexist. Commercial real estate pressures, climate exposure, and counterproductive regulatory interventions add further layers to a risk landscape that conventional bubble-focused analysis no longer captures.

Francisco Rodríguez Fernández

Abstract: European real estate markets no longer pose the risks that defined the pre-2008 period, yet policy and public debate have been slow to update their analytical frameworks. The central challenge has shifted from credit-fuelled oversupply to an ecosystem of interconnected vulnerabilities, namely supply shortfalls, affordability deterioration, commercial real estate stress, and climate exposure. Spain exemplifies the new profile: despite household debt falling from over 85% of GDP in 2010 to around 44% today, affordability has deteriorated sharply, annual housing completions fall well short of household formation rates, and the rate of young people living independently remains among the lowest in Europe, with housing access increasingly dependent on family wealth transfers. At the EU level, financial concern has migrated toward commercial real estate, where remote work consolidation, rising refinancing costs, and falling property valuations have created concentrated exposures in several northern European banking systems. Demand-side subsidies and rent controls, however well-intentioned, tend to inflate prices in unregulated segments when supply is

structurally inelastic, substituting short-term relief for the structural reforms that shortages require. The broader implication is that housing can no longer be treated as an ordinary market: dysfunction can ripple through productivity, labor mobility, and intergenerational equity in ways that now make it essential economic infrastructure.

Housing: More than just a market

For years, economic analysis of the European real estate market was shaped by the memory of the global financial crisis. Every price increase immediately evoked the specter of 2008, and every decline in affordability reignited the debate over a potential bubble. However, that analogy is becoming less and less useful. Current tensions in European real estate markets stem from a different risk landscape. The problem is no longer, fundamentally, an excess of credit fueling an uncontrolled expansion of supply, but rather a structural housing shortage coexisting with persistent demand and new financial vulnerabilities. Housing is no longer just another sector of the economy. It has become a critical infrastructure that shapes labor mobility, productivity, birth rates, wealth inequality, territorial cohesion, and financial stability.

Spain is a prime example. The country no longer exhibits the credit imbalances that led to the 2008 crisis, but it has accumulated new vulnerabilities. Annual housing production is well below the rate of household formation, rents are rising faster than wages, affordability is deteriorating rapidly, and demographic pressure is concentrated in a few metropolitan areas.

The ECB, the Bank of Spain, the ESRB, the IMF, and the OECD agree on a fundamental point: the main European real estate risk is no longer a homogeneous bubble, but rather the accumulation of multiple interconnected vulnerabilities.

This article proposes a taxonomy of these risks and argues that some of the most significant ones barely feature in the public debate.

From a single risk to a taxonomy of interconnected risks

Traditional analysis has tended to reduce real estate risk to almost a single variable: price

Table 1 **Taxonomy of risks arising from tensions in real estate markets**

Category	Main mechanism	Time horizon	Current relevance in Spain	Current relevance EU
Accessibility risk	Decoupling of prices and rents	Short to medium term	Very high	High
Supply risk	New housing shortage	Long term	Very high	High
Mortgage risk	Deterioration in repayment capacity	Medium term	Medium	Medium
Banking risk	Exposure to real estate assets	Medium term	Medium	High
Commercial real estate risk	Correction in office and retail	Short-to-medium term	Medium	Very high
Macroeconomic risk	Lower mobility and productivity	Long term	High	High
Fiscal risk	Rising cost of public aid	Long term	Medium	Medium
Regulatory risk	Interventions that reduce supply	Medium term	High	Medium
Climate risk	Depreciation and adaptation costs	Long term	High	High
Geopolitical risk	Impact on materials and financing	Short term	Medium	Medium

Sources: Author's own elaboration based on data from the ECB, ESRB, Bank of Spain, IMF, and OECD.

> “Housing has become a critical infrastructure that shapes labor mobility, productivity, birth rates, wealth inequality, territorial cohesion, and financial stability.”

trends. This is an excessive simplification. Real estate tensions simultaneously generate risks of different natures and with different time horizons. Some are immediate and financial; others are structural and manifest themselves over decades (Table 1).

Spain: The main risk is a shortage, not a bubble

There is a general consensus that Spain does not currently have a real estate bubble in the traditional sense. Mortgage lending is growing at a moderate pace, lending standards are much stricter than they were two decades ago, and household debt has fallen significantly.

Spanish household debt has fallen from over 85% of GDP in 2010 to around 44% in 2025, one of the largest deleveraging processes in the EU. However, this financial improvement coexists with a rapid deterioration in housing affordability.

The Bank of Spain estimates that there is a cumulative housing deficit of nearly 500,000 units, while various estimates place annual construction needs between 220,000 and 250,000 units—far exceeding the approximately 100,000–120,000 units completed annually in recent years. The problem is particularly acute in Madrid, Barcelona, Málaga, Valencia, Alicante, and the Balearic Islands. Paradoxically, Spain has gone from suffering an excess of housing to facing a localized shortage. This is an extraordinarily complex transition from an economic standpoint: a country can simultaneously have vacant homes and a severe affordability crisis. It is not a contradiction — rather, a problem of the spatial distribution of supply.

The most underestimated risk: Housing as a drag on productivity

Real estate tensions are ceasing to be a sectoral problem and becoming a macroeconomic one. The ECB and the OECD have emphasized that housing shortages reduce labor mobility and hinder the efficient reallocation of human capital. When workers cannot afford to live near economic centers, three consequences arise: a reduction in aggregate productivity, the deterioration of the labor market, and the deepening of intergenerational inequalities.

Spain is one of the most extreme cases in Europe. The rate of young people leaving their parents' homes remains one of the lowest on the continent, and more than 65% of young people aged 18 to 34 continue to live in the family home. Housing is becoming a mechanism for transmitting intergenerational wealth inequalities. In practice, access to housing increasingly depends on family transfers.

Financial risk has shifted toward commercial real estate

Europe's primary financial concern no longer lies in the residential segment. The ECB, the EBA, and the ESRB have been warning about commercial *real estate* (CRE) for several

> “The Bank of Spain estimates that there is a cumulative housing deficit of nearly 500,000 units.”

> More than 65% of young people in Spain aged 18 to 34 continue to live in the family home.

Table 2 **Main sources of real estate vulnerability in Europe (2025–2026)**

Country	Residential risk	Commercial real estate risk	Accessibility risk	Banking risk
Spain	High	Medium	Very high	Medium
Germany	Medium	Very high	High	High
France	Medium	High	High	Medium
Netherlands	High	High	Very high	High
Sweden	Medium	Very high	High	High
Italy	Low	Medium	Medium	Medium

Sources: Author's own calculations based on data from the ECB, ESRB, and IMF.

years. Offices represent the most vulnerable segment. The consolidation of remote work has reduced the structural demand for space in numerous European markets. Three additional factors compound this:

- refinancing at higher interest rates;
- an increase in vacancy rates;
- falling valuations.

Exposures (Table 2) are particularly significant in Germany, Sweden, the Netherlands, and some Nordic countries. Losses will not necessarily trigger a systemic crisis, but they could constrain credit and amplify economic slowdowns. Spain has comparatively lower exposure, though it is not entirely immune.

Regulatory risks: When the solution makes the problem worse

Tensions in the housing market are creating strong political pressure to intervene. However, international evidence accumulated over the past two decades shows that many interventions have counterproductive effects. Rent controls are the most obvious example. In the short term, they benefit existing tenants, but in the long term they tend to reduce supply, displace investment, and drive up prices in unregulated segments. Something similar occurs with numerous demand-side subsidies.

When supply is inelastic, part of the public aid ends up being passed on in the form of higher prices. The regulatory risk lies precisely in substituting structural policies with temporary relief measures. Not all interventions are ineffective. But there is an empirical pattern: no demand-side policy can compensate for a persistent shortage of supply.

Climate risk: The new frontier in real estate

Until recently, climate risk barely featured in real estate analysis. This is changing

> Spain is particularly vulnerable to both extreme weather and the risks associated with the green transition.

> “The greatest risk for Spain is not a repeat of 2008, but the normalization of a situation of permanent scarcity.”

rapidly. The ECB estimates that a growing portion of Europe's real estate stock faces two types of threats. The first are physical risks: floods, fires, droughts, and extreme weather events.

The second are transition risks: energy costs, regulatory requirements, and mandatory retrofitting. Spain is particularly vulnerable. Mediterranean coastal areas simultaneously face climate exposure, tourism pressure, and high residential demand.

Furthermore, the gradual implementation of the European Directive on the Energy Performance of Buildings could trigger a “green discount” phenomenon: energy-inefficient properties could experience relative losses in value.

Early warning indicators

The experience of 2008 shows that real estate crises are rarely sudden. They are usually preceded by a gradual accumulation of signals (Table 3).

Conclusions: The greatest risk is assuming the problem is financial

The main lesson from recent experience is that Europe is fighting the risks of the 21st century using analytical categories from the 20th century. Housing can no longer be understood exclusively as a financial asset. It is economic infrastructure. The greatest risk for Spain is not a repeat of 2008, but the normalization of a situation of permanent scarcity. Insufficient housing undermines productivity, delays independence, amplifies wealth inequalities, reduces labor mobility, and increases social vulnerability.

At the European level, the main financial threat lies not in the residential market, but in certain segments of the commercial real estate market. Finally, there is a particularly significant political risk: the temptation to substitute structural reforms with short-term interventions. The accumulated evidence is clear. No regulation, subsidy, or administrative control can compensate for a persistently insufficient supply over the long term. Europe no longer has a problem of widespread real estate bubbles. It has something more

Table 3 **Early warning indicators to monitor**

Indicator	Risk signal
Price/disposable income	Persistent growth exceeding 20% above the trend
Price/rent	Prolonged decoupling
Mortgage growth	Exceeds nominal GDP growth
Household debt	Rapid increases
Housing production	Persistent shortfall relative to household formation
Housing affordability ratio	Exceeding 35% of income
Bank exposure to CRE	High concentration
Office vacancy	Rising trend
Construction costs	Persistent inflation
Climate risk	Increase in exposed areas

Source: Own analysis.

complex: an ecosystem of interconnected risks whose defining feature is scarcity. And scarcity, unlike bubbles, does not burst. It becomes entrenched.

Francisco Rodríguez Fernández.
University of Granada and Funcas



Spanish bank exposure to real estate: Structural correction and European comparison

Spain's banking sector has undergone a structural transformation in its real estate exposure since the 2008 financial crisis, shifting away from high-risk developer and construction lending toward a more mortgage-dominated, better-quality loan book. Yet, exposure still exceeds the European average, reflecting deep-rooted home ownership culture rather than renewed speculative excess.

Joaquín Maudos

Abstract: Since the 2008 financial crisis, Spanish banks have radically rebalanced their real estate loan books, shedding the developer and construction credit that once defined their property exposure in favour of lower-risk home mortgages. Before the crisis, high-risk loans to those two segments dominated the portfolio; by 2025 their combined share of real estate credit had fallen from 42% to just 16%, while lower-risk home mortgages now account for the large majority of the banks' property-related lending. The correction was accompanied by severe asset quality deterioration: non-performing loan ratios reached 30% in property development and 34.3% in construction at their 2013 peak, before recovering sharply as restructuring efforts and improved economic conditions took hold. Today, overall non-performance in real estate has receded to levels broadly in line with pre-crisis norms. A comparison with European peers, using European Banking Authority consolidated data, confirms that Spanish banks remain somewhat more

exposed to real estate than the EU average, though this gap is attributable to Spain's entrenched home ownership culture rather than speculative lending. In the higher-risk construction and developer segments, Spanish banks carry below-average non-performance ratios relative to European peers. On balance, the sector is navigating the current real estate cycle, characterised by rising prices driven by a supply-demand imbalance, from a position of substantially greater solvency and resilience than in the recent past.

Foreword

For the past two decades, the relationship between the Spanish banking sector and the real estate sector (in the broad sense, meaning loans for home purchases, construction activity and property development) has changed significantly and those changes explain why the banks' current exposure to the sector is very different from that of the recent past. Shortly before the financial crisis erupted in 2008, exposure in Spain peaked at 61% of all credit extended to the resident private sector. The intense rate of growth in real estate lending in the preceding years had made Spain one of the European economies most financially reliant on the real estate sector, ultimately amplifying the impact on the banks of the crisis and bursting of the real estate bubble.

The bursting of the credit-real estate bubble triggered a property price correction, causing loan non-performance to spike and forcing provisions and write-downs worth millions of euros. The necessary subsequent sector restructuring has translated into continuous deleveraging in terms of an ever-shrinking stock of outstanding credit and an improvement in asset quality, which has been accompanied by higher solvency on the back of tighter capital requirements. The upshot has been a substantial reduction in the share of real estate credit in the total loan book with respect to the highs observed right before the crisis.

By comparison with other European countries, the trend is eye-catching. The German and French banking sectors were never as exposed to the real estate sector as Spain's banks, making the Spanish case a clear story of structural correction following a period of intense sector concentration. The international comparison puts the magnitude of the Spanish problem and the scale of the subsequent correction into context. Today, although mortgage lending remains an important part of the retail banking business, direct exposure to the development and construction segments represents a much smaller share compared to 20 years ago.

Bank exposure to the property sector is particularly important from the financial stability perspective. The reduced volume of real estate assets on the Spanish banks' books suggests that the sector is navigating the present economic and real estate cycle from a far more robust position than in the recent past: the composition of the banks' exposure to real estate assets is radically different at present. Before the financial crisis, loans to construction firms and developers commanded a significant share, peaking at 42% of real estate credit, compared to just 16% today, when mortgage loans, which are far less risky, are predominant.

The purpose of this paper is to analyse the Spanish banks' exposure to real estate and provide a comparison with the situation in Europe. To do that, we first analyse the trend in the domestic business (*i.e.*, in Spain), followed by an assessment of the banks' total exposure (including their business outside of Spain).

“ Although mortgage lending remains an important part of the retail banking business, direct exposure to the development and construction segments represents a much smaller share compared to 20 years ago. ”

> “At the start of the Great Recession, construction and developer credit accounted for 42% of real estate credit, whereas by 2025 that figure had fallen to 16%.”

Trend in the Spanish banks' exposure to real estate: The domestic business

By exposure to real estate, we mean three types of bank loans: loans to finance the acquisition or refurbishment of a home; loans to the construction sector; and loans to property developers. Adding the three types together, as shown in Exhibit 1, the outstanding stock peaked at 61.5% of total credit in 2006-2007, shaped by continuous sharp growth since 2000. Since the onset of the financial crisis in 2008, that figure has been coming down almost continually, landing at 49.6% at the end of 2025, revisiting the share commanded back in 2002.

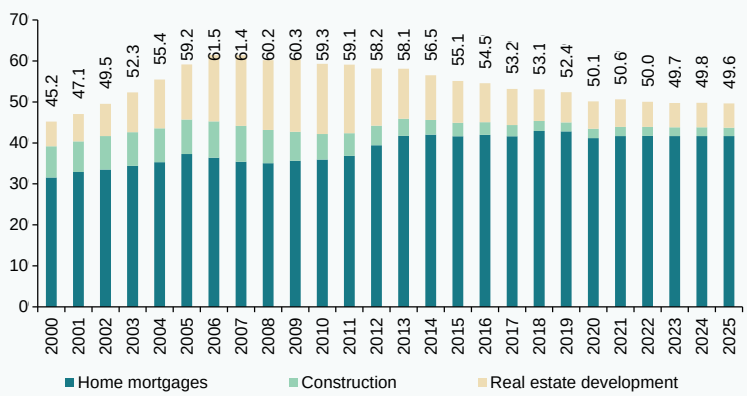
More interesting is the change in the composition of that real estate credit. At the start of the Great Recession, construction and developer credit accounted for 42% of real estate credit (with developer loans the bigger category), whereas by 2025 that figure had fallen to 16%, well below even the 2000 figure (30%). In parallel, the share of home mortgages, the category with the lowest non-performance ratios, has been climbing steadily since the crisis. As a result, the quality of the Spanish banks' real estate loan books has improved considerably. Today, home mortgages account for 41.7% of all private sector credit, compared to shares of just 2.1% for construction credit and 5.9% for property developer loans. Developer credit is the category that has contracted the most, plummeting from 17.5% of the total in 2009, which is triple its share today.

If we focus on new credit flows rather than the accumulated stock, the mortgage segment registered growth of 20% in 2024 and 22% in 2025; those figures are high but are not exceptional compared to earlier years. Although new credit flows marked their highest level since 2009 in 2025, the

Exhibit 1

Share of real estate credit in total resident private sector credit. Business in Spain

Percent



Source: Bank of Spain.

> “The ensuing restructuring effort and improvement in economic conditions explain the subsequent downtrend in non-performance.”

volume was still well below (half) the levels observed in the years prior to the property bubble burst. Therefore, the growth in house prices in recent years is not being fuelled by unfettered growth in bank loans.

In the case of construction and developer credit, the stock continues to contract in the case of the former (by 0.2% in 2025) and has been increasing timidly since 2024 in the case of the latter (2.2% in 2025), in contrast to the heady growth of almost 50% shortly before the onset of the crisis. Indeed, the flow of credit for real estate activities increased by 49% in 2006 and grew by over 40% between 2003 and 2006.

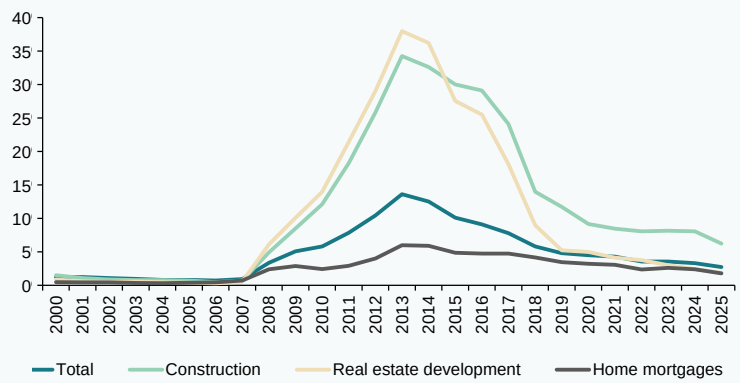
Quality of real estate exposure in Spain

Such significant exposure to property, as depicted above, took an enormous toll due to loan impairments derived from the correction in property prices and the macroeconomic crisis itself, which affected households and businesses' ability to service their debt. That asset impairment is illustrated by the trend in the non-performance ratio depicted in Exhibit 2. Before the financial crisis, the non-performance ratio on total credit was less than 1%; it went on to climb steadily, peaking at 13.6% in 2013. In the property development segment, non-performance peaked at 30% that same year and in the construction segment, that ratio went as high as 34.3%. Those ratios were many times the highest non-performance ratios observed in the mortgage segment, which peaked at 6%. It is noteworthy that during those years of crisis, for every 100 euros of non-performing loans, 72 euros were real estate exposures.

The ensuing restructuring effort and improvement in economic conditions explain the subsequent downtrend in non-performance. By the end of 2025, non-

Exhibit 2 **Non-performing loan ratio in the private resident sector. Business in Spain**

Percent



Source: Bank of Spain.

performance was back at 2.71% for total private sector credit, 6.24% in construction, 1.87% in property development and 1.8% in home mortgages. And for every 100 euros of non-performing loans, real estate accounted for 36 euros, exactly half the peak of the crisis. The non-performance ratio has come down most significantly in the property development segment.

How do the Spanish banks compare to their European counterparts in terms of their real estate exposure?

To compare the Spanish banks' real estate exposure with that of their European peers, we looked to the information reported by the European Banking Authority (EBA) for consolidated groups. That means that the information used in the comparison includes the Spanish banks' business in Spain and that of their foreign subsidiaries, so that the figures are not comparable with those analysed above, which related to their domestic businesses only.

The EBA has been providing this information since the end of 2019, preventing us from going back to the year when the crisis was hitting the banks the hardest. That year, the share of real estate credit in the Spanish banks' loan books was 37% (it was higher, as we have seen, in the domestic business in Spain, at 52.4%), six points above the EU average (Exhibit 3). In 2019, Spain ranked somewhere in the middle of the European ranking, with Sweden and Slovakia taking pole position that year (60%). The Spanish banks' exposure was higher than that of the German (22.5%), French (19.3%) and Italian banks (26.5%).

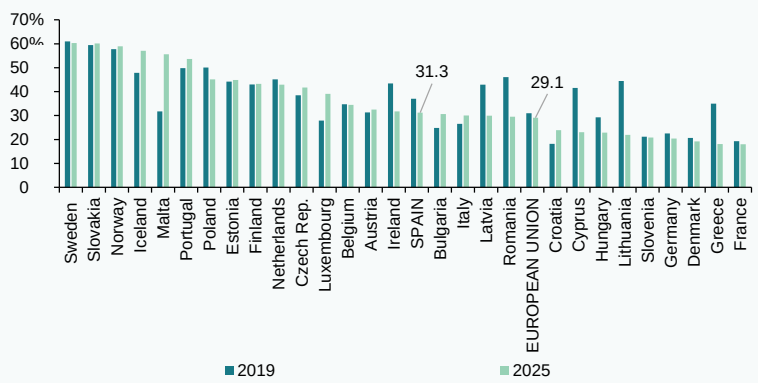
Today (the most recent statistics date to the fourth quarter of 2025), the real estate sector accounts for 31.3% of the Spanish banks' private sector credit and the distance to the EU average has narrowed to just 2.2 points. The Spanish banks are still more exposed to the sector than the other major European economies. There is no clear time pattern in the different banking sectors' real estate exposure although it has shrunk in more countries besides Spain.

The Spanish banks' relatively higher exposure to the real estate sector at present is

Exhibit 3

Share of real estate credit in total private sector credit. Consolidated groups

Percent



Note: The countries are ordered from highest to lowest exposure as of 2025.

Source: European Banking Authority.

> “Today, the real estate sector accounts for 31.3% of the Spanish banks’ private sector credit and the distance to the EU average has narrowed to just 2.2 points.”

attributable to the mortgage segment, which accounted for 28% of total credit in 2025 and 90% of all real estate credit (compared to 84% in the domestic business), compared to averages of 22% and 75% in the EU. In contrast, construction and developer loans represent just 3% of the Spanish banks’ overall loan books, which is less than half of the EU average (7%).

Recall that in Spain, home mortgages have always constituted a large share of the banks’ business, shaped by a strong preference for home ownership, in contrast to the pattern in other European countries, where rental tenancy is more significant. In addition, for decades, tax policies and market conditions were conducive to buying over renting, reinforcing that preference.

Quality of real estate assets: Spain *versus* Europe

If we compare the most recent non-performance ratios for real estate exposures for the Spanish banking sector (consolidated groups, *i.e.*, including their businesses outside of Spain) with those of the other European countries (Exhibit 4), we see that Spain places second on the ranking, with a ratio of 2.1%, above the EU average of 1.3%. Nevertheless, 2.1% is not a high ratio.

In the construction segment, the Spanish banks’ present lower than average non-performance (4.5% *vs.* 6.1%), as is the case in the property development segment (2.2% *vs.* 2.8%).

Conclusions and implications

The analysis carried out shows that the Spanish banking sector has radically

Exhibit 4

Non-performing loan ratio in the real estate segment. Consolidated groups, 2025

Percent

a) Home mortgages

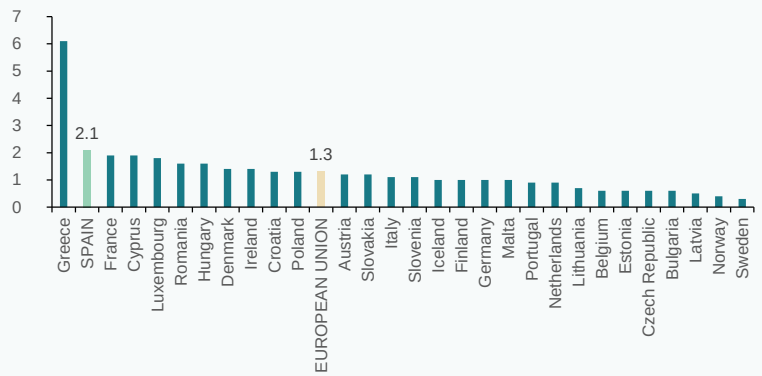


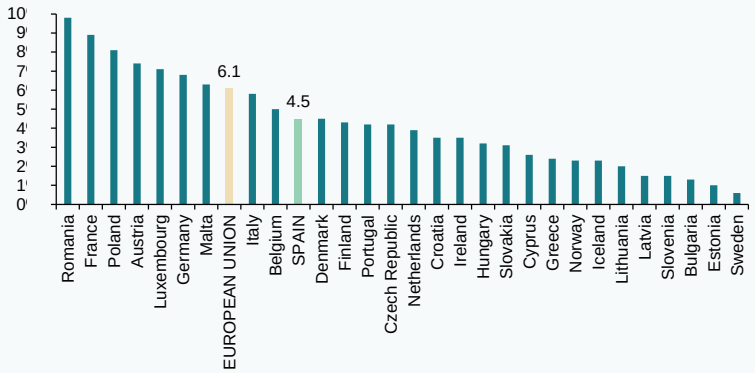
Exhibit 4

Non-performing loan ratio in the real estate segment. Consolidated groups, 2025

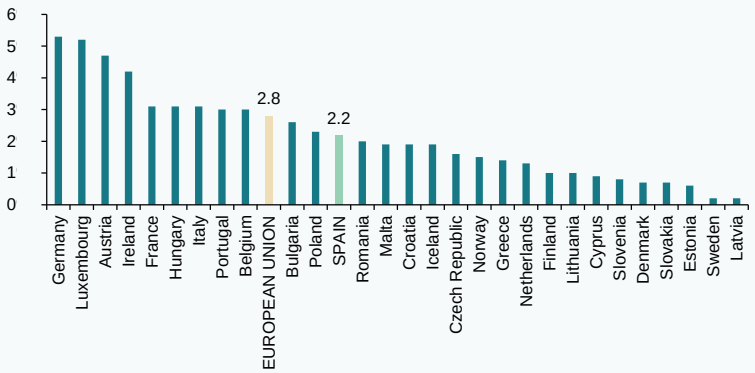
Percent

Continued

b) Construction



c) Property development



Source: European Banking Authority.

transformed its exposure to the real estate sector since the financial crisis broke out in 2008. Compared to a legacy of concentrated real estate credit risk (which at one point accounted for over 60% of total private sector credit, with developer and construction loans accounting for significant shares), today's exposure is far more balanced. Intense deleveraging, asset restructuring and regulatory tightening have unlocked significant reductions in the relative size of that exposure and in its risk levels. Today, home mortgages, which have long presented lower non-performance ratios, account for the large majority of the Spanish banks' real estate exposure, while the shares of developer and construction credit have contracted to record lows. A comparison with the situation in Europe confirms that although the Spanish banks remain a little more exposed to the real estate sector than their European counterparts on average, the

> “Although the Spanish banks remain a little more exposed to the real estate sector than their European counterparts on average, the gap is attributable to the higher cultural and financial weight of home ownership, rather than rampant financing of speculative activities.”

gap is attributable to the higher cultural and financial weight of home ownership (which is where Spanish households put their savings and create their wealth), rather than rampant financing of speculative activities, as was the case prior to the Great Recession. Moreover, the current asset quality indicators evidence a considerable improvement relative to the crisis years, marked by much lower non-performance ratios and a lower contribution by the real estate sector to overall non-performance. All of which is occurring against the backdrop of a private sector that is far less indebted than in the past.

As a result, the evidence indicates that the Spanish banking sector is navigating the current real estate cycle (marked by rising prices, as demand outstrips scant supply) from a position of increased solvency, lower vulnerability and significantly reduced exposure to the real estate sector. Moreover, the banks' residual exposure is very different in structure from when it was the source of the banks' woes in the not-too-distant past.

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



Loan portfolio profitability: Diversification and bundling as structural levers

Spanish banks are entering a phase of margin normalisation after rate-driven income growth, with lending showing early signs of recovery across segments. Portfolio composition and the depth of customer relationships are emerging as the primary determinants of sustainable profitability.

Marta Alberni, Laura Ciriza and María Rodríguez

Abstract: As rate tailwinds fade, Spanish banks face the structural challenge of sustaining profitability without relying on net interest margin expansion. Loan portfolio composition proves central to this challenge. Banks with higher loan-to-asset ratios consistently generate stronger interest income, while holdings in fixed-income securities and interbank assets correlate negatively with yields. Within the loan book itself, segment diversification is a decisive differentiator: entities with greater exposure to business and consumer lending report higher loan yields than those concentrated in mortgages, reflecting the higher risk, shorter duration, and repricing flexibility of those segments. Given the structural weight of mortgage lending in Spanish bank portfolios, customer bundling emerges as a complementary lever. Banks with higher mortgage volumes show a strong positive correlation with off-balance sheet assets, and the resulting fee income offsets compressed interest margins on standardised products. Sustaining profitability ultimately requires balancing portfolio diversification with a

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shift toward customer-level profitability management, supported by analytical frameworks that link product mix to lifecycle value.

Foreword

Margins recovered sharply across the Spanish bank sector as rates increased between 2022 and 2024. They have since stabilised, heralding the start of a phase of normalisation in which banks can no longer rely on net interest margin expansion driven by rate hikes. In parallel, lending is showing incipient signs of recovery in an economic environment which nevertheless continues to be marked by uncertainty, not least of which the potential fallout from the conflict in the Middle East.

As a result, the banks are gradually turning their attention to defending their profitability and activating levers for sustaining it on an ongoing basis. Given the prevailing uncertainty and competitive pressure, it is pertinent to analyse to what extent asset diversification, particularly loan portfolio diversification, is key to explaining differences in profitability among entities and, now that the upside is more limited, to what degree the entities are focusing strategically on building long-term relationships with their customers with a view to unlocking their targeted profitability levels.

Diversification as a driver of loan portfolio profitability

As our starting point, it is critical to analyse the extent to which the composition of the banks' assets explains their profitability by estimating potential correlation between more dynamic lending activity relative to wholesale funding as a prior determinant of the composition of the loan book itself. For this analysis to prove illustrative, we used a sample of banks which includes both significant institutions (SIs), which tend to present a more diversified business model in terms of both geographical presence and business lines, and less significant institutions (LSIs), which generally speaking pursue a more geographically focused business with higher concentration in the core financial intermediation activity.

An analysis of the asset structures depicted in Exhibits 1 and 2 appears to confirm the central role of the loan portfolio as the prime driver of recurring interest income. At the end of 2025, the banks with high percentages of loans to total assets presented higher profitability in terms of interest income over average total assets (ATAs). Exhibit 2 shows how the higher weight of other interest-bearing assets, such as fixed-income securities and interbank assets (which mostly represent the banks' surplus liquidity) is negatively correlated to the interest income. This correlation is consistent with the role in those portfolios of investments in public debt where returns are lower, reflecting their reduced risk.

That being said, the contribution to profitability of the public debt portfolios can differ significantly from one entity to another insofar as the banks that have had the chance to make new investments or refinance existing investments when rates were highest, from mid-2022, will report a higher return on those securities than other banks carrying older, less profitable investments. Nevertheless, this pattern suggests that even though these assets fulfil a relevant function in terms of liquidity management, asset diversification and risk profile and capital optimisation, their contribution to the generation of interest income is, in relative terms, smaller than that of credit.

Exhibit 1

Correlation between the interest income and the share of loans over total assets (2025)



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

Beyond the higher return generated by the lending business, the positive effect on interest income is not uniform across the different banks. That is because the margin on the loan book is determined significantly by the type of financing provided, so that the composition of

Exhibit 2

Correlation between the interest income and the share of other interest-earning assets* (2025)



(*) Other interest-earning assets = Investments in fixed-income securities and interbank assets.
Source: Authors' own elaboration based on Bank of Spain data.

> "A lower level of diversification (*i.e.*, a lower index value) reflects a higher share of mortgage lending, whereas a higher degree of diversification (*i.e.*, a higher value) corresponds to a larger presence in business and consumer loans."

the portfolio itself, *i.e.*, its diversification, is a key variable in explaining different profitability levels across the various entities.

A lower level of diversification (i.e., a lower index value) reflects a higher share of mortgage lending, whereas a higher degree of diversification (*i.e.*, a higher value) corresponds to a larger presence in business and consumer loans.

To quantify the level of diversification of the banks' loan portfolios we created a synthetic index calculated as the inverse of the Herfindahl-Hirschman Index [1] (HHI), widely used as a measure of concentration, so that it can also be used conversely as a measure of diversification. To calculate it, we started from the relative weight of each credit segment over the total credit portfolio, using the breakdowns provided by the banks themselves in their annual financial statements. By inverting the HHI, the indicator can be interpreted in terms of diversification, so that a higher value denotes a more balanced mix of loans by segments, whereas a lower value depicts relatively higher concentration in the core segment. Given the reality of the Spanish banking sector, particularly the banks taken for our sample, a lower level of diversification (*i.e.*, a lower index value) reflects a higher share of mortgage lending, whereas a higher degree of diversification (*i.e.*, a higher value) corresponds to a larger presence in the other two segments: business and consumer loans and other loans.

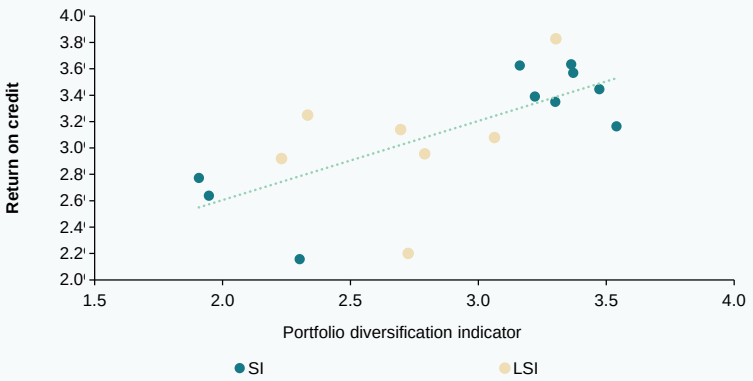
The comparison between the portfolio diversification indicator and the profitability metric (Exhibit 3) demonstrates that diversification is a key driver of profitability. We see that the banks that are less diversified due to concentration in the mortgage business present lower loan yields. This pattern reflects the relatively reduced profitability of this segment, since mortgages are a more standardised and less risky product, while the segment has been characterised by intense competition of late.

In contrast, higher diversification levels associated with relatively greater exposure to other segments, including business and consumer loans, have a positive impact on profitability. That higher profitability is not a coincidence; it is linked to transactions that are riskier, more sensitive to the economic cycle and enjoy less collateral, among other factors determining how they are priced and, by extension, explaining these segments' contribution to income generation.

While diversification into other segments such as business and consumer lending can

Exhibit 3

Correlation between credit profitability and the level of loan portfolio diversification (2025)



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

> “Diversification across loan segments, in addition to boosting the ability to generate recurring income, can reinforce overall profitability during periods of growth but makes income more procyclical during episodes of stress.”

boost income generation and increase average loan returns, this effort also generally implies higher operating expenses relative to more standardised segments or products, as well as increasing exposure to credit risk.

As a result, diversification by segments needs to be analysed not only through the lens of the interest income associated with that lending activity but also the extent to which it translates into net profitability for the banks. Here it is interesting to analyse the extent to which more diversified loan books translate into net returns and whether their profits are more variable.

To check for correlation in this respect, we prepared an econometric model that relates credit segment diversification for a sample of banks to their profitability measured using their return on equity (ROE). That correlation is analysed from a dual perspective: firstly, assessing the possible relationship with average ROEs reported in a given period; and secondly, assessing the possible relationship between variability in ROE during different periods of the cycle.

The results of this analysis show how during periods of abrupt deterioration, such as the downturn sparked by the pandemic between 2020 and 2021, a more diversified portfolio, understood as one with more exposure to business and consumer loans, exhibits higher sensitivity to the economic cycle, increasing the loan-loss provisioning requirement and putting pressure on net profits, which oscillate by more and translate into lower ROEs during those times compared to the less diversified entities. In contrast, during periods of growth, such as that underway since 2022, portfolio diversification unlocks higher ROEs, thanks to higher spreads and more power to reprice assets given the shorter average maturities typical of these segments and the reduction in the cost of risk in times of economic bonanza.

In sum, the conclusion is that diversification across loan segments, in addition to boosting the ability to generate recurring income, can reinforce overall profitability during periods of growth but makes income more procyclical during episodes of stress.

Bundling customers as a means to capturing profits outside of interest income

The conclusions drawn reveal diversification, as opposed to excessive concentration in the mortgage segment, as a key driver of profitability. However, given the importance of the mortgage segment in the Spanish banks' business mix, the same conclusions apply to the importance of a secondary and complementary driver: customer bundling, understood as a mechanism for reinforcing profitability in this segment outside of the interest earned on the loan itself.

This complementary lever is critical in both the business and retail segments. In the former, this lever is manifesting in a clear trend towards the creation of an ecosystem of products and services that provide full coverage of a business' or professional's needs, including beyond the strict financial realm. In the latter, its relevance is becoming increasingly patent in a market context in which competitive pressure is compressing margins on lending transactions. Against this backdrop, the long-term relationship enabled by the mortgage transaction creates an opportunity to gradually deepen the customer bond beyond the confines of the transaction, the goal being to become the customer's go-to bank whenever a financing need arises.

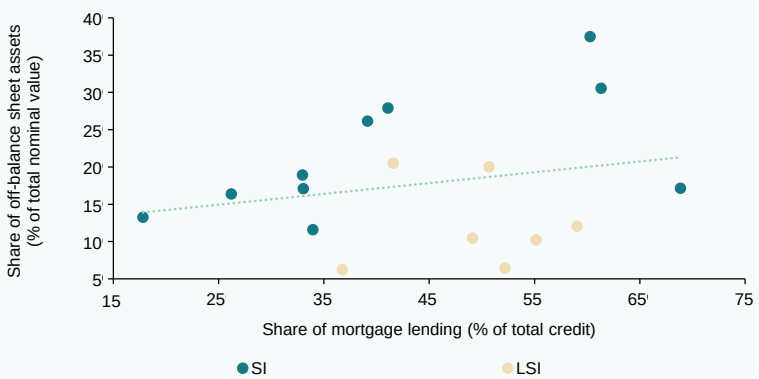
> “Banks are generating value through a complementary business and financial perspective by linking proactive marketing efforts to deeper knowledge of customer needs depending on their profile and stage of life.”

In the mortgage segment, the attempt to sell the customer more products and services traditionally starts early on, in the form of the basket of products that accompanies the arrangement of the loan, usually tied to a potential reduction in the loan rate, provided the customer finds them worthwhile. The market reality at present, clear in the terms being offered by the main banks in Spain, shows how this initial bundling effort tends to focus on the transactional relationship (tying in payroll accounts, direct debits, use of cards), complemented by insurance products, such as insurance over the homes mortgaged, as well as life and health insurance. In addition, some banks complement that basket of products with investment funds and pension plans and, more recently, we are seeing the odd inclusion of related services such as discretionary portfolio management.

This relationship between the mortgage business and the marketing of off-balance sheet products can be inferred from Exhibit 4, which shows a clear positive correlation between mortgage lending and off-balance sheet asset volumes. This demonstrates how the value of a customer for a bank can extend, through product and service bundling, beyond the return generated by the mortgage. As is shown in Exhibit 5, this higher incidence of off-balance sheet business tends to lead to higher fee and commission margins, offsetting the reduced interest margin generated by these undifferentiated products.

Nevertheless, it is worth noting that in the highly competitive environment characterising the mortgage market in Spain today, the immediate return generated by initial customer bundling is very slim, if not insufficient, by comparison with other

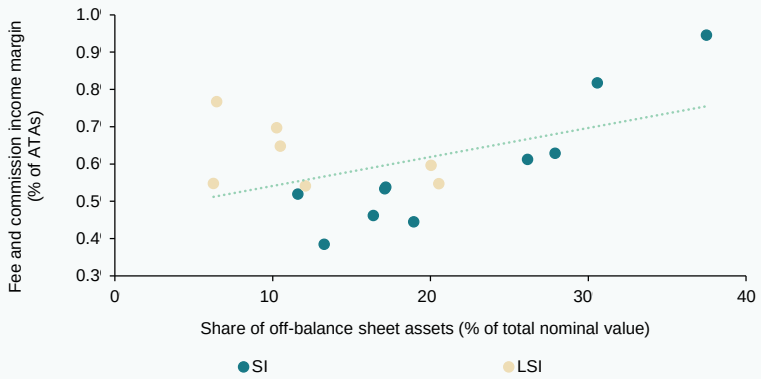
Exhibit 4 **Correlation between the share of mortgage lending and off-balance sheet assets (2025)**



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

Exhibit 5

Correlation between the fee and commission margin and off-balance sheet assets (2025)



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

investment alternatives, falling short of the returns targeted by the banks themselves. This customer relationship therefore needs to be nurtured throughout the duration of the loan, which implies highly personalised and proactive management to convert customers' medium- and long-term financial needs into a fundamental bond with the bank.

The sector is increasingly developing analytical methodologies for estimating the potential for binding a customer throughout the term of the loan so as to be able to assess their potential profile-based value. The use of these methodologies is driving the shift from individual product profitability to overall customer profitability. In this manner, the banks are generating value through a complementary business and financial perspective by linking proactive marketing efforts to deeper knowledge of customer needs depending on their profile and stage of life, setting profitability targets, underpinned by an optimal product mix, at the customer level.

Conclusions

The analysis carried out evidence that the sustainability of profitability in the current environment of fading rate tailwinds lies with two key levers which complement each other: diversification and bundling.

The key for the banks is, therefore, to strike the right balance between the two dimensions based on their business models: optimising loan portfolio composition from the perspective of the potential profitability of each transaction, while maximising overall customer value throughout their lifelong relationship with the bank. This balancing act is the reason for the shift in focus, which we are seeing more and more in the sector, to overall customer profitability, underpinned by the development of analytical capabilities and the use of management information as the basis for decision-making.

Notes

[1] The Herfindahl-Hirschman Index measures the degree of concentration of a market by summing the square of the market shares of all of the companies operating in that market; the higher the value, the less intense the competition. It is used extensively by regulatory and anti-trust authorities to assess the impact of mergers and acquisitions on competition at the sector level.

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Spain's 2025 sector accounts: Strong household balances, weak business investment

Spanish households maintained sound balance sheets in 2025, continuing to generate a net lending surplus even as the savings rate declined and real purchasing power grew only modestly. Non-financial corporations again ran a surplus and saw financial asset revaluations, but business investment remained below pre-pandemic levels, widening a capital gap relative to the eurozone.

María Jesús Fernández

Abstract: Spain's household and non-financial corporation accounts for 2025 reflect the defining traits of the current growth phase: robust nominal income growth, cautious balance sheet management, and persistent weakness in business investment. Household disposable income grew in nominal terms, driven mainly by employment expansion, but real per-capita gains were modest and purchasing power remains only marginally above 2019 levels. The savings rate declined as consumption growth outpaced income, with net household lending falling to 2.9% of GDP. However, debt leverage and debt service burdens continued to ease and financial wealth rose sharply on the back of equity and investment fund revaluations. For non-financial corporations, operating surpluses grew in nominal terms but the profit share in gross value added continued to compress, and real earnings have still not recovered to pre-pandemic levels. Both sectors nonetheless again generated net lending positions and saw significant asset revaluations, leaving them

with meaningful buffers against an uncertain macroeconomic outlook.

General background

The Spanish economy remained dynamic throughout 2025, registering GDP growth of 2.8%, ahead of the figure estimated at the start of the year. The labour market also continued to create work at a remarkably vigorous and stable pace, with some growth in productivity per hour worked but not yet in productivity per employee. Inflation was very sticky, averaging 2.7%, which is just 0.1 percentage points below the 2024 figure, while core inflation actually tracked higher during the second half of the year. Spanish inflation continued to outpace the eurozone average, pointing to stronger demand and, possibly, second-round effects. Twelve-month interest rates were lower year-on-year, while long-term bond yields were very similar to those of 2024, not moving much other than a transient bump when the Trump administration announced its new tariff policy.

This paper analyses the trend in the household and non-financial corporation accounts for 2025, drawing from the institutional sector non-financial accounts, compiled by Spain's national statistics office, the INE, using national accounting methodology and concepts.

Households continue to shore up their financial position

Before analysing the household accounts for 2025, we need to look at the adjustments to the 2024 figures, as discussed in Fernández (2025). Growth in gross disposable income (GDI) was a little lower than initially published (7.5% instead of 8.7%). Nominal household consumption also grew by a little less than first reported, as did household savings, whereas the sector's gross capital formation (GCF) was a little stronger. As a result, the annual savings rate amounted to 12.7% of GDI (as opposed to the initially published 13.6%) and the household sector's net lending position was equivalent to 3.9% of GDP, down 0.8 percentage points from the previous estimate. These are relatively minor adjustments that do not affect the conclusions or analyses conducted at the time.

Turning to the 2025 accounts (Table 1), growth in employee compensation slowed but remained high, at 7.2%, driven by growth in employment of 2.7% and an increase in average compensation per person of 4.3%. Property income contracted as a result of the downtrend in interest rates, offsetting the growth in dividend income. Interest paid by households also decreased, solely on account of the drop in the effective rate paid, as nominal borrowings actually increased.

In short, the growth in total income collected by Spanish households slowed, whereas the pace of growth in income and wealth taxes paid accelerated, yielding a fresh increase in the effective tax rate, extending the trend of recent years. The slowdown in growth in income, coupled with a continued strong rate of growth in nominal consumption, triggered erosion of the savings rate to 12% of GDI, a level that nevertheless remains high by historic standards. Around two-thirds of those savings went into investments, which increased by 10.1%. The drop in savings and growth in investment yielded a reduction in the sector's net lending position (*i.e.*, the difference between savings and investment) to 2.9% of GDP.

In real, per-capita terms, GDI increased by 1.4% to land 5.6% above 2019 levels, modest annual growth by historical standards, below that of recent years and below the average observed during the pre-pandemic growth period. Real consumption per capita

" The growth in total income collected by Spanish households slowed, whereas the pace of growth in income and wealth taxes paid accelerated. "

Table 1 **Non-financial accounts - households and NPISHs**
Millions of euros

	2019	2024	2025	2024 vs. 2023, %	2025 vs. 2024, %
Employee compensation received	588,298	768,983	824,133	7.4	7.2
Household gross operating surplus and mixed income	216,984	256,427	269,598	5.5	5.1
Social benefits received	216,361	287,028	304,828	6.2	6.2
Interest and other property income received	51,179	103,510	99,446	21.0	-3.9
Current transfers received	82,016	117,887	127,729	6.8	8.3
Total income received	1,154,838	1,533,835	1,625,734	7.6	6.0
Interest and other property income paid	5,719	26,745	24,956	14.8	-6.7
Social security contributions	173,473	226,897	240,478	7.1	6.0
Current transfers paid	78,853	111,728	121,810	6.9	9.0
Income and property tax	106,219	157,518	174,032	8.5	10.5
Gross disposable income	790,574	1,010,947	1,064,458	7.5	5.3
Nominal consumption	720,025	882,611	937,447	6.3	6.2
Gross savings (plus net capital transfers)	66,723	134,995	128,349	25.3	-4.9
Gross capital formation (GCF)	44,216	72,350	79,685	9.7	10.1
Net lending (+) or net borrowing (-) (gross savings less FCF)	22,507	62,645	48,664	49.8	-22.3
As a % of GDP	1.8	3.9	2.9	–	–
Memorandum item:	–	–	–	–	–
Interest paid before the allocation of FISIM	13,992	28,279	27,497	19.5	-2.8
Savings rate (% of GDI)	8.6	12.7	12.0	–	–
Real GDI per capita (2019 = 100)	100.0	104.1	105.6	3.0	1.4
Real consumption per capita (2019 = 100)	100.0	99.7	102.0	2.0	2.3
Household borrowings	708,638	696,293	722,828	0.8	3.8
As a % of GDI	89.6	68.9	67.9	–	–

Sources: Bank of Spain and INE.

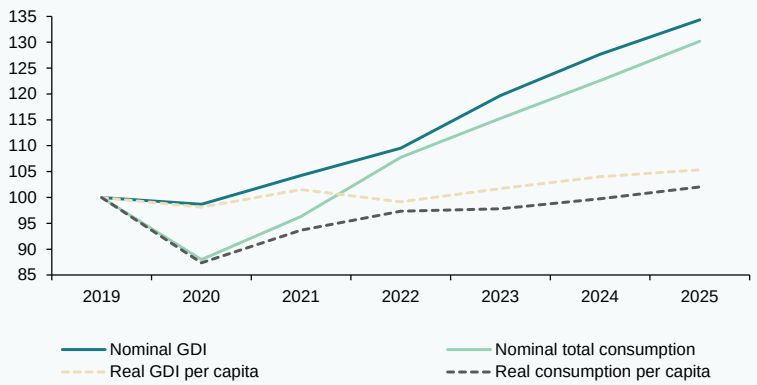
increased by 2.3% in 2025, revisiting the 2019 level for the first time (Exhibit 1). The wide gap between the trend in these variables in total nominal and real per capita terms with respect to 2019 is attributable to the sharp inflation sustained during the period, along with high demographic growth.

As for household borrowings, despite growth in absolute terms, leverage came down as a percentage of GDI, to 67.9%. The downtrend in interest rates enabled a reduction in the debt service burden to 2.6% of GDI, which nevertheless remains above pre-2022 levels. According to the 2024 Survey of Household Finances (the most recent available), at the end of that year, the median indebted household had to earmark 13.4% of its gross income to debt servicing, a little below the figure of 13.9% observed in 2022. Elsewhere, the median volume of outstanding debt represented 69.7% of annual indebted household income in 2024, down from 77.4% in 2022. The share of households with debt-to-income ratios of over 3 times was 10.5% in 2024 compared to 14.1% in 2022.

Exhibit 1

GDI and household consumption: Nominal total and real per capita

Rebased to 2019 = 100



Source: INE.

Taken as a whole, therefore, Spain's households remain in good financial health insofar as they continue to generate a surplus and their borrowings and debt service burdens are manageable and declining. However, purchasing power per capita has only registered modest growth since 2019. Around one-third of the growth in the real per-capita income received by households compared to 2019, which is 10% before deducting tax, social security and interest payments, comes from the growth In employment, whereas the growth in real average wages (measured in accordance with national accounting and deflated by the consumption deflator) explains around 15%, which is similar to the percentages explained by the real per-capita growth in benefits, property income and other transfers.

The net lending position generated allowed Spanish households to acquire 95 billion euros of financial assets. The breakdown of the assets acquired in 2025 was different to that of the previous two years: the volume of term deposits and debt securities decreased, while the amount of transferable deposits increased, possibly reflecting reduced incentives to hold short-term, interest-bearing assets on account of slim returns. Households also made relatively high investments in equity and investment fund shares by historical standards, in this instance in line with the 2024 figures (Exhibit 2).

The value of the financial assets on the household sector's balance sheet increased by 9.3%, one of the highest rates in the series, which is substantially more than the value of the assets acquired that year. That performance was driven by the sharp increase in the value of the equity and investment fund shares in household portfolios, whose share of financial assets increased to a record

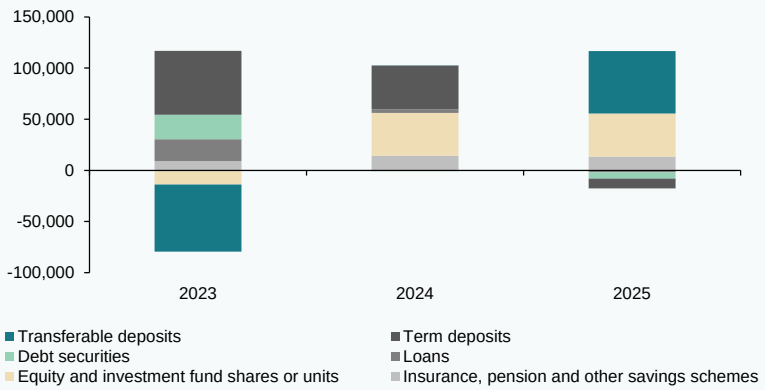
"Spain's households remain in good financial health insofar as they continue to generate a surplus and their borrowings and debt service burdens are manageable and declining."

> The value of the financial assets on the household sector's balance sheet increased by 9.3%, driven by the sharp increase in the value of the equity and investment fund shares in household portfolios.

Exhibit 2

Household financial asset acquisitions

Millions of euros



Source: Bank of Spain.

level of 49%. The sharp growth in household financial wealth is significant for its capacity to create a wealth effect that could help prop up consumption in the context of an uncertain outlook for 2026.

The business investment deficit continues to accumulate

The accounts of the non-financial corporations (NFCs) for 2024 have also been revised, in this case suffering a more significant impact relative to the initially published and analysed figures (Fernández, 2025). The original figures pointed to a drop in the sector's gross operating surplus (GOS) and entrepreneurial income, whereas the revised figures point to growth, albeit modest, in both aggregates. GFCF also increased by more than initially estimated and the sector's net lending position was 1.6% of GDP, rather than 0.9%. The revised figures do not, however, alter the conclusion that the business profit share of the NFCs fell as a percentage of their GVA, to 39% in 2024, compared to 41.5% in 2019.

As for 2025, although the sector's GOS increased by 4%, the business profit share (GOS/GVA ratio) continued to decrease, to 38.2% (Table 2). As we saw with the household sector, the NFCs' interest payments decreased in 2025 on the back of lower interest rates. The growth in entrepreneurial income slowed, particularly

> Despite growth in GFCF in 2025, business investment remained 3.3% below 2019 levels in real terms.

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

Millions of euros

	2019	2024	2025	2024 vs. 2023, %	2025 vs. 2024, %
Gross value added (GVA)	660,077	835,386	888,136	6.3	6.3
Compensation of employees	382,015	504,526	544,967	7.9	8.0
Gross operating surplus (GOS)	274,131	326,205	339,387	3.7	4.0
Business profit share (GOS/GVA) (%)	41.5	39.0	38.2	–	–
Interest, dividend and other income received (net)	51,516	82,969	79,996	21.2	-3.6
Interest paid	11,107	43,294	34,876	21.1	-19.4
Gross entrepreneurial income	314,540	365,880	384,507	5.3	5.1
Income tax paid	18,577	32,381	37,935	-0.8	17.2
Other net income	-9,683	-12,968	-13,614	3.5	5.0
Entrepreneurial income after tax	286,280	320,531	332,958	6.1	3.9
Dividends paid	84,813	93,515	100,130	15.0	7.1
Gross disposable income	201,467	227,016	232,828	2.8	2.6
Gross capital formation	188,119	213,170	222,895	7.5	4.6
Capital transfers, net	2,947	11,658	10,554	77.0	-9.5
Net lending (+) /borrowing (-) position	16,295	25,504	20,487	-12.4	-19.7
As a % of GDP	1.3	1.6	1.2	–	–
Memorandum item:	–	–	–	–	–
Interest paid before the allocation of FISIM	18,378	48,677	39,207	22.3	-19.5
Consolidated debt of non-financial corporations	948,051	1,047,531	1,055,606	2.7	0.8
As a % of GDP	99.4	86.0	81.3	–	–

Sources: Bank of Spain and INE.

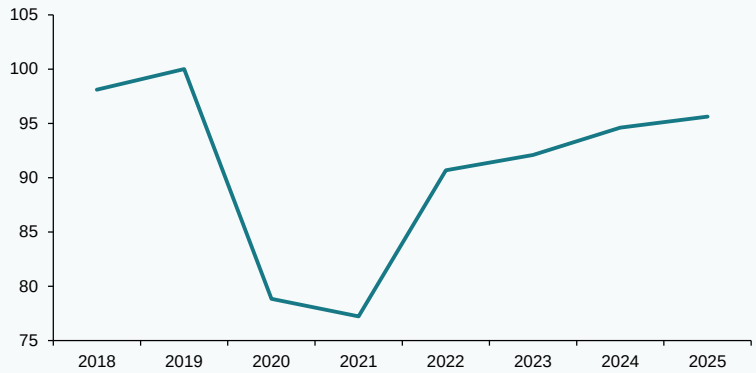
in after-tax terms, extending the weak pattern witnessed ever since the pandemic in real terms and trailing the levels observed in previous periods of growth. Indeed, in real terms, the sector's income has yet to revisit 2019 levels (Exhibit 3). As a result,

> "The value of the non-financial corporation sector's financial assets increased at the highest rate seen in 19 years (10.5%)."

Exhibit 3

Real net entrepreneurial income

Rebased to 2019 = 100



Source: Funcas, based on INE data.

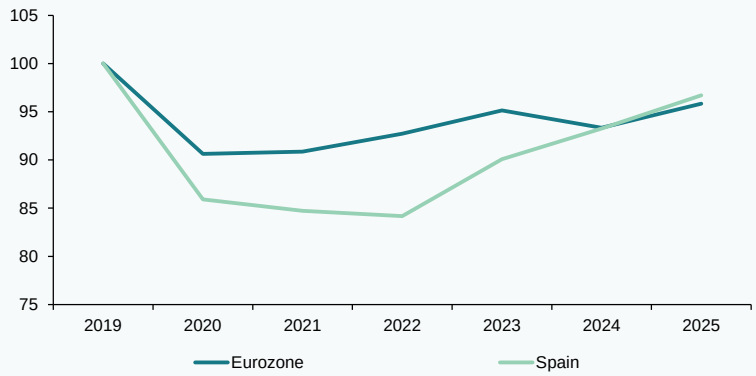
the dividends paid out, which in 2024 surpassed pre-pandemic levels in nominal terms, continued to increase in 2025, albeit remaining below 2019 levels in real terms.

Despite growth in GFCF in 2025, business investment remained 3.3% below 2019 levels in real terms. The weakness in business investment ever since 2019, an issue analysed in Fernández (2025), is a pattern observed across the eurozone, where the comparison between 2025 and 2019 reveals a similar contraction. Nevertheless, between 2020 and 2023, business investment in the eurozone was higher than in Spain (Exhibit 4), implying a relatively bigger accumulation of capital during the period as a whole. Moreover, given the strong growth in employment in

Exhibit 4

Business investment (NFC GFCF) in real terms

Rebased to 2019 = 100

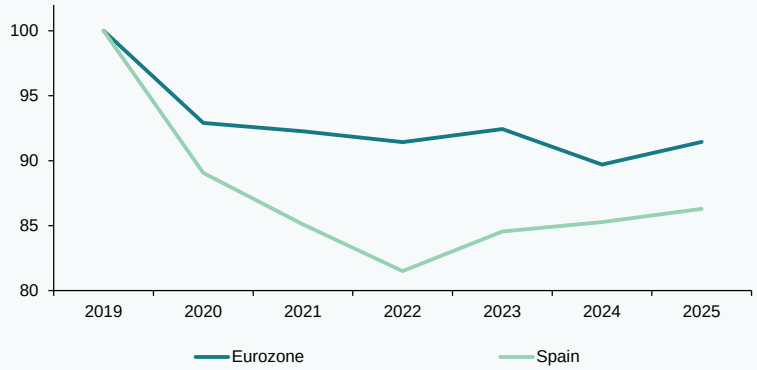


Source: Funcas based on Eurostat data (series deflated using the GFCF deflator).

Exhibit 5

Real business investment (NFC GFCF) per employee (*)

Rebased to 2019 = 100



(*) Per person employed (as per LFS) in the non-financial private sector.
Source: Funcas, based on Eurostat data.

Spain, investment per employee, which has fallen in both geographies, has contracted more intensely in Spain (Exhibit 5), so that the accumulated investment deficit by comparison with the eurozone has continued to widen.

Lastly, the non-financial corporations once again generated a net lending position, saving more than they invested, extending an uninterrupted trend year observed since 2009. That surplus amounted to 20.5 billion euros in 2025, 1.2% of GDP. Spain's firms used that surplus to acquire financial assets and while they also increased their liabilities, the ratios of consolidated debt to both GDP and GOS nevertheless declined. As we saw with the household sector, the value of this sector's financial assets increased at the highest rate seen in 19 years (10.5%), shoring up its financial solidity and buffer in the event of unforeseen developments.

Conclusions

Since 2022, when its GDP revisited pre-pandemic levels, the Spanish economy has been registering stable and dynamic growth, despite a succession of shocks, and displaying a series of specific characteristics that differentiate this phase from previous periods of growth. Those characteristics notably include trends in the household and NFC sector accounts, where the key patterns barely changed in 2025. In the case of the household sector, those traits are: growth in disposable income, intense in nominal terms but modest in real and per-capita terms (driven mainly by the growth in employment); a high savings rate; the generation of a solid net lending position; growth in investment; a manageable and declining debt service burden; and low levels of financial vulnerability (in general and in macroeconomic terms).

As for the non-financial corporations, the defining traits have been: reduced growth in earnings, which has yet to revisit 2019 levels in real terms; a drop in the business profit ratio; accompanied, however, by the generation of a net lending position, which, coupled with deleveraging and, in 2025, financial asset revaluation, leave them with a buffer for absorbing shocks, even though business investment levels are worryingly low.

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Population ageing and public finances: Spain's tax revenue gap by 2040

A static simulation applying 2040 demographic projections to 2025 household tax data estimates that population ageing alone would reduce Spanish tax revenue by around 3.3% through its impact on personal income tax, social security contributions, and VAT. The decline reflects the shrinking weight of younger and prime working-age households in the population, while immigration can only partially offset the shortfall and depends heavily on household composition and income levels.

Desiderio Romero-Jordán

Abstract: Population ageing poses well-documented risks to public finances through higher spending, but its revenue implications have received comparatively little attention in the Spanish literature. This analysis focuses on the three taxes that together account for around 77% of total tax revenue—personal income tax, social security contributions, and VAT—and estimates their exposure to demographic change through a static simulation that applies projected 2040 household age distributions to 2025 tax data. Personal income tax is the most structurally vulnerable, given its reliance on earned income, which peaks during prime working years before declining after retirement as wages are replaced by pensions. Social security contributions face analogous pressure as the pensioner share grows and the wage share of national income contracts. VAT revenue is affected both because older households spend less overall and because

> “ Pension spending is projected to increase from 12.0% of GDP in 2023 to 16.1% in 2050. ”

they devote a larger share of consumption to goods subject to reduced rates, such as food, medicines, and assistive devices. Aggregating across all three taxes, the simulation points to a total revenue reduction of around 3.3%, equivalent to approximately 12.9 billion euros, with the burden of revenue generation shifting toward households whose main earner is aged between 60 and 75. Offsetting this shortfall through immigration would require around 650,000 additional households in the 30–39 age bracket, although this estimate is conservative, as immigrant households tend to generate less tax revenue than native households of comparable age.

Population ageing and tax revenue: What do we know?

Population ageing is a concern due to impact on the sustainability of the welfare state. Both the European Commission and AIReF provide regular projections for public spending on pensions, healthcare and long-term care (European Commission, 2024; AIReF, 2023, 2025). Both underscore the pressure bearing down on public spending, which in the case of pensions is projected to increase from 12.0% of GDP in 2023 to 16.1% in 2050 (AIReF, 2025). Indeed, interest in the impact of population ageing on public finances has been largely focused on the spending side, paying less attention to the revenue aspect. One of the rare exceptions is López and Ramos (2024), who analyse the impact on the bases and effective rates for the main taxes, but without projecting the future impact on tax receipts. As far as we are aware, Romero-Jordán (2026) is the only study that projects the long-term impact of ageing on tax revenue, albeit focusing exclusively on VAT.

The contribution of this paper is to help fill that gap by projecting the impact of ageing on VAT, personal income tax and social security revenue. We concentrate on those three taxes, which account for around 77% of total tax revenue (IGAE, 2025). Personal income tax is the most exposed to ageing due to its reliance on earned income. In Spain, personal income tax contributes around 38% of tax revenue, which is 4 percentage points above the EU-27 average. Earned income etches out an inverted U-shape: it rises with age, stabilises at around the age of 50 and falls after retirement. López and Ramos (2024) flag two distinct effects of ageing on personal income tax. The first factor comes into play at the level of the tax base. People over the age of 65 declare less income, reducing the overall effective rate and tax receipts. The second is a composition effect, marked by a shift from wages to pensions. At the end of the 1990s, wages represented around 83% of the combined stock of wages and pensions. Since 2020, that share has been falling steadily and currently stands at close to 69% (AEAT, 2026). Population ageing reduces revenue from social security contributions in two ways. Firstly, the number of job holders paying into the system falls as the share of pensioners grows. Secondly, it exerts downward pressure on the share of wages in national income. This effect is bigger in Spain, where social security contributions accounted for 12.8% of GDP in 2022 and 34% of tax revenue, compared to 10.8% and 29.6% on average in the EU-27, respectively (López and Ramos, 2024).

> “ Ageing progressively alters the composition of the shopping basket, increasing the proportion of goods subject to the reduced and super-reduced rates. ”

In addition, population ageing alters both the level and composition of household spending (Romero-Jordán, 2026). Average VAT per household also follows an inverted U-shape, peaking at around 56. Ageing progressively alters the composition of the shopping basket, increasing the proportion of goods subject to the reduced and super-reduced rates — for example, food, pharmacy goods and assistive devices. By way of illustration, the share of the tax base subject to the super-reduced rate of VAT increases from 6.1% among those under the age of 30 to 15.7% among those over the age of 75. Lastly, wealth is concentrated in the older age categories and is dominated by property wealth. The households whose main breadwinner is over the age of 65 hold more than 40% of total net wealth in Spain (López and Ramos, 2024). Population ageing widens the potential wealth tax base associated with the older generations.

What impact will population ageing have on tax revenue in Spain by 2040?

To quantify that impact, we analyse what effects population ageing will have on social security, VAT and personal income tax revenue between 2025 and 2040. By means of a static simulation, we address the following question: What would the 2025 tax take look like using the demographics (older population) forecast for 2040? To do that we use two microdata bases: (i) the *Living Conditions Survey* (LCS-2026); and the (ii) *Household Budget Survey* (HBS-2025). The *Living Conditions Survey* provides information about the personal income tax and social security borne by each household, gleaned from the tax authority's administrative records. The VAT tax burden borne by each household was estimated using the microdata from the *Household Budget Survey*, as per Romero-Jordán (2026).

Columns 1 to 3 of Table 1 provide the average tax revenue per household for each of the three taxes analysed in 2025. Columns 4 and 5 provide the breakdown of households by age category. The 2025 figures come direct from INE (2026), whereas the household breakdown for 2040 was estimated using the

Table 1 **Simulation of the impact of ageing**

Age	Average tax revenue per household				Share of households		Total revenue		Change %
	PIT+ SSC employees, € (1)	SSC employers, € (2)	VAT € (3)	Total (1) to (3)	2025 % (4)	2040 % (5)	2025, € million (6)	2040, € million (7)	(8)
<30	6,486	9,203	2,519	18,208	5.3	2.0	18,812	7,104	-62.2
30 - 39	9,336	10,992	3,025	23,353	14.6	11.4	66,437	51,937	-21.8
40 - 49	10,365	11,108	3,225	24,698	21.6	17.5	103,981	84,319	-18.9
50 - 59	11,737	11,618	3,454	26,809	20.8	20.6	108,673	107,740	-0.9
60 - 69	10,084	7,128	2,975	20,187	16.5	22.1	64,913	87,034	34.1
70 - 75	5,899	1,274	2,522	9,695	7.4	15.3	13,932	28,936	107.7
>75	3,230	675	1,926	5,831	13.9	11.1	15,828	12,628	-20.2
					100	100	392,575	379,698	-3.3

Sources: Author's own elaboration based on (i) microdata from the LCS-2026, (ii) microdata from the HBS-2025; and (iii) Romero-Jordán (2026).

> "Population ageing will reduce total tax revenue by around 3.3%, which is equivalent to around 12.9 billion euros."

> To make up for the loss of 12.9 billion euros, Spain would need around 650,000 equivalent immigrant households in the 30-39 age bracket.

methodology described in Romero-Jordán (2026).

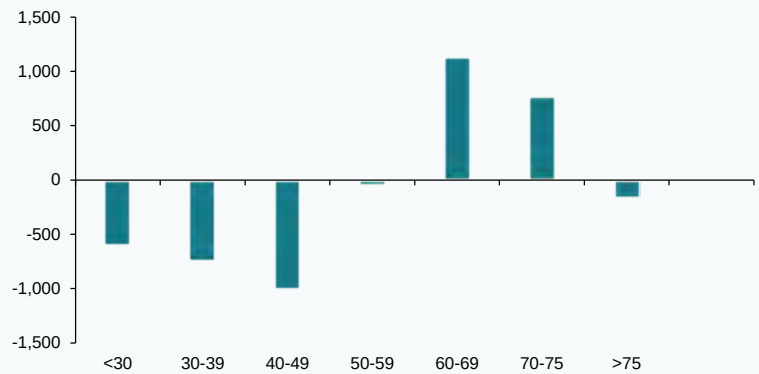
In this simulation, the total number of households in 2040 is kept the same as in 2025; only the breakdown by age category changes as a result of population ageing. Therefore, the tax revenue changes estimated between 2025 and 2040 are exclusively attributable to the standalone impact of ageing. In other words, the figures do not reflect any other economic effects as a result of wage growth, inflation or changes in employment or productivity. As shown in Table 1, the drop in the relative size of the under-50 cohort is offset by sharp growth in the share of households whose main earner is aged between 60 and 75.

Average tax revenue per household peaks between the age of 50 and 59, at 26,809 euros. The households whose main earner falls into that age cohort generate 47% more tax receipts than those under the age of 30. Tax revenue per cohort increases gradually until it peaks; however, the subsequent fall-off is more pronounced as the age of the main earner rises. On aggregate, the results show that population ageing will reduce total tax revenue — personal income tax, social security and VAT — by around 3.3%, which is equivalent to around 12.9 billion euros. The reduction is not spread evenly by age category. As shown in Exhibit 1, revenue falls more sharply in households whose main income earner is under the age of 50, as a result of this cohort's smaller share of the population in 2040. On the other hand, the revenue generated by households whose top earner is aged between 60 and 75 increases considerably on the back of a significant increase in their share of the population. This outcome demonstrates that population ageing not only has a moderate negative impact on total revenue but also shifts the brunt of its generation to the older age categories. In parallel, it

Exhibit 1

Change in average tax revenue by age cohort between 2025 and 2040

Euros



Sources: Author's own elaboration based on (i) microdata from the LCS-2026, (ii) microdata from the HBS-2025; and (iii) Romero-Jordán (2026).

reduces the bases associated with salaried employment, particularly the social security contributions (SSC) borne by employers.

How many immigrant households would Spain need to offset the population ageing effect?

According to the INE (2026), the average age of immigrants in Spain is around 33. Using that information, we ask how many immigrant households in the 30 - 39 age cohort would be necessary to compensate for the standalone impact of population ageing on tax revenue. As shown in Table 1, a household in that cohort generates an average of 23,353 euros of tax revenue per year, summing together personal income tax, social security and VAT. Therefore, to make up for the loss of 12.9 billion euros, Spain would need around 650,000 equivalent households in that age bracket.

That figure should be seen as a lower threshold, as the average revenue used includes both native and immigrant households. The tax burden borne by immigrant households is, on average, lower than that of native households due to differences in composition, income levels, spending levels and spending patterns. By way of illustration, in the case of VAT, the average difference in revenue between native and immigrant households in the under-65 bracket is approximately 850 euros per year (Romero-Jordán, 2026). Nevertheless, these figures provide an initial approximation of the potential role of immigration in offsetting the effect of population ageing on tax revenue.

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Recent key developments in the area of Spanish financial regulation

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

Ministerial Order ECM/531/2026, of 27 May 2026, amending Ministerial Order ECO/697/2004, of 11 March 2004, regarding the Bank of Spain's Central Credit Register, and Ministerial Order EHA/1718/2010, of 11 June 2010, on the regulation and control of banking services and products advertising (*Official State Gazette:* 29 May 2026)

This Ministerial Order amends the regimes governing the Bank of Spain's Central Credit Register (CCR) and the advertisement of banking services and products.

In broad terms, the Order introduces the following changes:

- To the CCR's framework:
  - The Bank of Spain is empowered to establish the procedure and method for submitting the information required.
  - A distinction is made between use of data by the Bank of Spain for supervisory purposes and its use by the credit institutions for commercial purposes.
  - The threshold triggering the requirement to report exposure is reduced from 3,000 euros to 1,000 euros, following a transition period that ends in 2027.
  - Consolidated information is required for all obligors with cumulative risk exposure to or exceeding 1,000 euros.
  - For processing and provisioning information, procedures around obligors' exposures are introduced to ensure that reporting institutions and credit intermediaries have access to the latest information reported on the 21st day of each month.
- Regarding the advertising regime for banking services and products:
  - Advertising principles are reinforced (clear, sufficient, objective and not misleading), as well as the Bank of Spain's supervisory powers over advertising campaigns.
  - Requirement to provide standardised, representative examples to facilitate an understanding of product costs, particularly in the case of revolving credit products are introduced.
  - Credit institutions are required to have internal advertising control policies.

Ministerial Order TDF/558/2026, of 4 June 2026, amending Ministerial Order TDF/149/2025, of 12 February 2025, establishing measures for combating identity theft and fraud via fraudulent phone calls and text messages to ensure easily identifiable numbers for the provision of customer services and unsolicited marketing calls (*Official State Gazette*: 5 June 2026)

This Order provides the extension until 15 September 2026 of the deadline for implementing the blocking of illegitimate messages or those originating from aliases that have not been duly registered, and their corresponding entry in the so-called Register of Aliases.

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Spanish economic forecasts panel: July 2026*

Funcas Economic Trends and Statistics Department

Growth in 2026

The consensus forecast for GDP growth in 2026 has risen to 2.3%, while perceived downside risks have lessened

The latest economic indicators suggest that the Spanish economy recorded healthy growth in the second quarter. While consumption shows signs of stagnation or retreat, construction, industry and tourism seem to have gathered momentum. In line with those indicators, the consensus forecast for second-quarter GDP growth has risen by 0.1pp to 0.5%, which is still 0.1pp below the 1Q26 figure. Growth is expected to slow in the third quarter, to 0.4%, with a similar rate forecast for the fourth quarter (Table 2).

As a result, Spanish GDP is now predicted to register growth of 2.3% this year, up 0.1pp from the last survey. The upward revision stems from a higher expected contribution from domestic demand. The foreign sector, meanwhile, is expected to detract from growth by 0.4pp, unchanged from the last Panel (Table 1).

Lastly, the perception of risk has improved. Whereas in the last survey the large majority of analysts believed that there was more downside risk to delivery of their forecasts (*i.e.*, most thought that growth could come in below expectations), now more than half see either upside risks (they believe growth could come in above their current forecasts) or a balance between downside and upside risks.

Growth in 2027

2027 GDP growth forecast unchanged at 2%

The consensus projection for GDP growth in 2027 is unchanged at 2%. This is above the forecasts of organisations such as the Bank of Spain, European Commission, IMF and OECD, in line with AIReF current projections and below those of the Spanish government (Table 1).

The slowdown next year is expected to be driven by a let-up in investment and consumption, both public and private, reducing the contribution of domestic demand to 2.1 percentage points (unchanged from the last Panel). The foreign sector is expected to detract from growth by just 0.1pp (unchanged). The quarter-on-quarter rates of GDP growth are forecast at around 0.5% throughout 2027 (Table 2).

Inflation

Outlook for inflation largely unchanged

The conflict in the Middle East drove headline inflation from 2.3% at the start of the year to 3.4% in March, after which it fell back to 3.2% during the following three months. Core inflation, meanwhile, oscillated between 2.8% and 3%. However, the inflationary pressures already being felt in services are proving sticky, whereas pressure on food prices appears to have abated (although it is still too soon to say whether this phenomenon is structural or will prove transient).

The analysts expect inflation to increase slightly in the coming months, returning to 3% in December, which would imply an annual average rate of 3.2% (up 0.1pp from the last Panel). In 2027, annual inflation is expected to average 2.3%, ending the year at 2.1% year-on-year (as in the last round). As for core inflation, the consensus forecast for 2026 is unchanged at 2.7% but in 2027 core inflation is now expected to come in 0.1pp higher, at 2.5% (Tables 1 and 3).

Labour market

Unemployment forecast to drop to 9.6% in 2027

Following a weak first quarter on account of bad weather, growth in Social Security contributors gathered pace, thus increasing 0.8% in the second quarter. This is the best performance of the last 11 quarters, albeit distorted by the effect of the ongoing process of regularisation of immigrants.

The consensus forecasts have not changed much: employment is expected to increase by 2% in 2026 (up 0.1pp from the last Panel) and by 1.5% next year (unchanged). The average annual rate of unemployment is expected to drop to 10% in 2026 and 9.6% in 2027, unchanged from the last forecast (Table 1).

Productivity and unit labour costs (ULC), calculated on the basis of the forecasts for growth in GDP, employee compensation and employment (as per LFS), are expected to grow by 0.3% and 3%, respectively (roughly the same as in the previous consensus). In 2027, growth in productivity is forecast at 0.5% (unchanged), while ULCs would increase by 2.6% (up 0.1pp from the last survey).

Balance of payments

Favourable developments in the goods and services trade balance

In the first four months of the year, the current account surplus amounted to 10.8 billion euros, which is 1.55 billion euros less than in the same period of 2025. The downturn is the result of a deterioration in the deficit in the primary and secondary income accounts, which more than offset the improvement in the trade account, shaped by a lower goods deficit and higher services trade surplus, particularly in non-travel services.

The consensus forecast is for a current account surplus of 2.2% of GDP in 2026 and one of 2% in 2027, both figures unchanged from the last survey (Table 1).

Public deficit

Sharply diverging public deficit forecasts

The public deficit was flat year-on-year in the first quarter, at 6.43 billion euros, practically the same as last year, as the improvement in the regional governments' accounts and Social Security funds was offset by an increase in the central and local government deficits. Importantly, adding in the April figures, the deficit at all levels of government other than the local layer (for which data are not yet available) decreased by 33.4% year-on-year.

The consensus forecast for the public deficit this year is unchanged at 2.5% of GDP, whereas the forecast for 2027 has increased 0.1pp to 2.4%. However, there are considerable differences among analysts with respect to deficit forecasts. Note that both government and international institutions and organisations predict a lower public deficit than the Panel consensus (Table 1).

International context

The ceasefire agreement in the Middle East marks a turning point but its fragility is weighing on expectations

The agreement reached last month between the U.S. and Iran has provided a respite to energy and other commodity markets. During the days following the announcement of the memorandum of understanding, traffic through the Strait of Hormuz picked up, facilitating oil and gas exports throughout the region. The most tangible result was a sharp drop in Brent oil prices, which plummeted from close to USD 115/barrel at the time of the last Panel to less than USD 70 in early July. Since then, the renewal of hostilities has jeopardised passage through the Persian Gulf, pushing Brent prices back up towards USD 80 at the time of writing.

In its recently updated World Economic Outlook, the IMF warns of the impact of the geopolitical uncertainties on confidence and expectations. The IMF is now expecting the eurozone economy to slow by more than initially anticipated, to 0.9% in 2026, which is 0.2pp below its spring forecast. The U.S. is expected to register growth of 2.3% (unchanged from the spring round), fuelled by investment in AI, with China projected to grow at 4.6% (up 0.2pp). Overall, the global economy appears to have withstood the geopolitical shock better than feared in some scenarios. The most recent PMI readings are even signalling a slight improvement in both the global economy and in Europe.

The analysts have factored in the inflection point marked by the agreement in the Middle East but remain cautious in terms of their assessments of the international environment. Most believe that the international climate is unfavourable, both within the EU and beyond it, and that the current situation will persist during the coming months (Table 4). However, the number of analysts who envisage a pick up in the EU has increased from 4 to 5, and from 4 to 6 in the case of the global economy.

Interest rates

ECB expected to pause its rate increases

At its June meeting, the ECB decided to raise its key interest rates by a quarter of a point, in line with the consensus forecast as of last May. The decision was motivated by the uptick in inflation and the need for preventing a hypothetical deanchoring of expectations. The Federal Reserve, meanwhile, decided it was not necessary to tighten its monetary policy, in light of the rate levels attained, of between 3.5% and 3.75%, compared to the ECB deposit facility rate of 2.25% (after the June increase).

Meanwhile, inflation is showing signs of slowing, at least in Europe, albeit still above the levels observed before the onset of the conflict in the

Middle East. Eurozone CPI eased from 3.2% in May to 2.8% in June (still above the 1.9% recorded in February). This let-up has fuelled expectations that the ECB will pause its rate increases. In fact, the analysts now expect the deposit facility rate to remain anchored at 2.25% throughout the forecast horizon (Table 2).

12-month Euribor, the main benchmark in the mortgage market, has also taken a breather, currently trading at around 2.7%, down 0.1pp from May. The panellists expect that benchmark to continue to trend lower over the coming months, ending the year at around 2.75% (Table 2). In tandem, the yield of Spanish 10-year treasury bonds has eased a little. The analysts expect the yield to remain broadly unchanged during the projection.

Currency market

Dollar appreciation in the wake of the agreement in the Middle East

The dollar rallied on the back of the announced reopening of the Strait of Hormuz and has barely been affected by the exchange of missiles in recent days. It is currently trading at around 1.14 against the dollar, compared to 1.16 at the time of the last Panel. The growth differential between both sides of the Atlantic revealed by the most recent figures may have contributed to this realignment of the dollar. However, the consensus forecast is that between now and the end of 2027, the euro will gain ground, albeit less than was expected in our last report (Table 2).

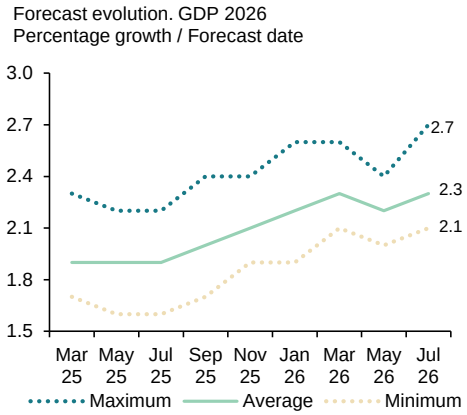
Fiscal and monetary policy considerations

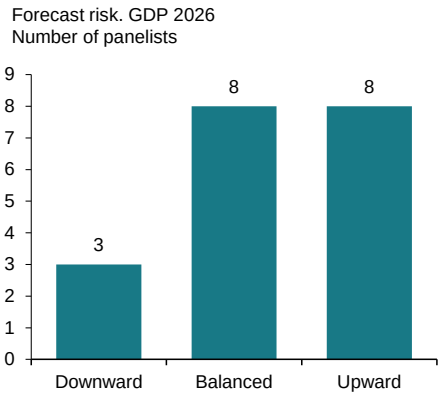
Fiscal policy should be less expansionary

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: July 2026*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – July 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)	2.4	2.1	2.9	2.2	2.0	1.4	3.7	2.0	2.6	2.3	3.8	2.0	2.7	1.9	-0.3	2.5	0.7	2.3
BBVA Research	2.4	2.1	2.8	2.0	2.2	2.5	5.0	5.5	2.7	3.0	5.6	4.9	3.0	2.7	1.4	2.9	3.2	5.1
CaixaBank Research	2.1	1.8	2.4	1.8	1.4	1.9	3.9	2.1	2.8	2.2	4.1	2.0	2.5	1.9	0.6	1.9	1.6	2.1
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)	2.3	2.0	2.6	2.3	2.2	1.7	4.3	3.8	6.5	5.5	4.5	3.0	3.0	2.6	3.5	3.3	5.3	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	2.4	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	2.5	1.8	2.4	1.6	2.0	1.8	4.9	3.8	4.3	2.7	5.4	4.8	2.8	2.1	1.8	2.3	3.1	3.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.5	2.0	2.7	2.1	1.7	1.2	4.6	3.4	4.2	2.8	4.8	3.2	2.8	2.2	1.4	2.5	2.1	3.2
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	2.4	1.8	2.0	2.6	2.6	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	2.3	2.0	2.6	2.2	2.3	2.5	3.7	2.7	3.4	2.3	4.3	3.1	2.6	2.3	2.1	2.1	3.9	4.1
Oxford Economics	2.7	2.2	2.8	2.1	1.8	1.2	4.4	3.7	4.0	3.0	6.0	4.0	2.9	2.2	1.1	2.0	1.7	2.4
Repsol	2.4	2.0	2.7	1.8	1.9	1.4	3.8	4.4	1.8	6.9	4.3	3.2	2.6	2.2	1.3	2.9	2.0	4.0
Santander	2.3	2.0	2.7	2.1	1.6	1.6	3.8	1.8	3.8	1.8	4.0	1.8	2.7	1.9	1.4	2.8	2.2	2.8
Universidad Loyola Andalucía	2.1	1.8	2.5	2.1	1.9	1.9	3.6	1.9	4.7	1.8	2.6	2.3	2.6	1.8	2.2	2.4	4.2	3.1
CONSENSUS (AVERAGE)	2.3	2.0	2.6	2.0	1.9	1.7	4.2	3.1	3.5	2.8	4.4	3.0	2.7	2.1	1.7	2.5	3.0	3.2
Maximum	2.7	2.2	2.9	2.3	3.5	2.6	6.3	5.5	6.5	6.9	6.0	4.9	3.0	2.7	3.5	3.3	5.3	5.1
Minimum	2.1	1.8	2.2	1.6	1.1	1.1	3.3	1.8	1.8	1.2	2.6	1.2	1.9	1.7	-0.3	1.9	0.7	2.1
Change on 2 months earlier[1]	0.1	0.0	0.0	0.0	0.1	0.0	-0.1	0.1	-0.1	0.0	0.0	0.0	0.1	0.0	-0.1	0.0	-0.2	0.2
- Rise[2]	8	3	5	3	7	6	5	5	3	4	5	4	8	2	3	5	6	6
- Drop[2]	1	3	3	5	1	3	4	2	3	3	2	2	2	4	4	2	5	3
Change on 6 months earlier[1]	0.1	--	0.1	--	0.0	--	0.5	--	0.0	--	0.6	--	0.2	--	-0.5	--	-0.3	--
Memorandum items:																		
Government (June 2026)	2.6	2.2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Bank of Spain (June 2026)	2.3	1.7	2.6	1.6	1.5	1.7	4.1 [4]	2.2 [4]	--	--	--	--	2.7	1.7	0.8	2.6	2.1	2.8
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 (May 2026)	2.4	1.9	2.9	2.0	1.7	1.8	4.4	2.8	--	--	--	--	2.8	2.0	1.1	2.3	2.4	2.8
IMF (July 2026)	2.1	1.8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (June 2026)	2.2	1.7	2.6	1.8	1.4	1.1	4.1	2.1	--	--	-	--			0.6	2.0	1.7	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 – July 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)	3.0	2.6	2.9	2.8	4.5	4.8	1.9	1.4	10.1	9.9	1.8	2.1	-2.6	-2.4
BBVA Research	3.8	2.8	2.9	2.8	--	--	2.4	2.0	9.9	9.6	2.7	1.7	-2.8	-2.5
CaixaBank Research	3.5	2.7	2.7	2.9	3.6	3.5	2.5	1.6	9.8	9.3	2.3	2.5	-2.3	-2.3
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	3.0	2.8	1.1	0.9	10.3	10.2	2.3	2.1	-2.1	-2.0
Centro de Predicción Económica (CEPREDE-UAM)	2.9	2.3	--	--	3.6	3.4	1.8	1.4	10.3	10.0	1.7	1.0	-2.5	-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)	3.1	2.6	2.7	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	3.1	2.5	2.8	2.6	3.0	2.8	2.4	1.7	9.8	9.1	2.3	1.8	-2.4	-2.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	3.4	2.0	2.8	2.4	--	--	1.9	1.4	9.9	9.6	2.3	2.0	-2.2	-2.6
Instituto de Estudios Económicos (IEE)	3.2	2.4	2.7	2.5	3.1	2.7	1.8	1.5	9.9	9.5	1.9	1.7	-2.6	-2.4
Intermoney	3.4	2.8	3.1	3.0	--	--	1.8	1.6	9.9	9.8	--	--	-2.4	-2.4
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	2.7	2.5	3.1	2.7	2.0	1.5	10.0	9.5	2.4	2.2	-2.5	-2.2
Oxford Economics	3.2	2.3	2.8	2.6	--	--	2.2	1.4	9.9	9.1	2.7	2.8	-2.3	-2.3
Repsol	2.7	1.8	2.7	2.3	--	--	1.9	1.6	10.6	10.4	2.5	2.0	-2.8	-2.4
Santander	3.3	2.1	2.6	2.4	3.4	3.1	2.1	1.7	10.0	9.8	--	--	-2.6	-2.4
Universidad Loyola Andalucía	3.2	2.5	2.5	2.6	--	--	2.2	1.5	9.8	9.5	--	--	-2.9	-2.8
CONSENSUS (AVERAGE)	3.2	2.3	2.7	2.5	3.3	3.1	2.0	1.5	10.0	9.6	2.2	2.0	-2.5	-2.4
Maximum	3.8	2.8	3.1	3.0	4.5	4.8	2.5	2.0	10.6	10.4	2.7	2.8	-2.1	-2.0
Minimum	2.6	1.8	2.3	1.9	3.0	2.5	1.1	0.9	9.4	9.1	1.7	1.0	-2.9	-2.8
Change on 2 months earlier[1]	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
- Rise[2]	4	6	6	6	3	3	8	5	3	3	3	3	3	1
- Drop[2]	6	4	4	3	1	2	0	3	6	5	3	2	4	5
Change on 6 months earlier[1]	1.0	--	0.4	--	0.4	--	0.3	--	0.0	--	-0.2	--	0.0	--
Memorandum items:														
Government (June 2026)	--	..	--	..	--	--	--	..	9.9	9.4	--	--	-2.1	-1.8
Bank of Spain (June 2026)	3.6 [3]	2.6 [3]	3.2 [4]	3.2 [4]	--	--	2.2 [5]	1.5 [5]	10.0	9.8	--	--	-2.4	-2.3
AIReF (May 2026)	3.2	2.3	--	--	3.1	3.2	2.3 [6]	1.9 [6]	10.2	10.1	--	--	-2.6	-2.2
EC (May 2026)	3.0 [3]	2.5 [3]	--	--	3.4	2.9	2.3 [5]	1.4 [5]	9.9	9.6	1.9	1.8	-2.4	-2.0
IMF (July 2026)	..	..	..	..	--	--	--	--	--	--	--	--	--	--
OECD (June 2026)	3.3 [3]	2.9 [3]	2.9 [3]	2.6 [3]	--	--	--	--	10.2	9.8	2.9	2.4	-2.2	-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] *Harmonized index.*

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

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

[6] *Full time equivalent jobs.*

Table 2

Quarterly Forecasts – July 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	0.5	0.4	0.4	0.5	0.5	0.5	0.5
Euribor 1 yr [2]	2.57	2.80	2.78	2.75	2.66	2.62	2.56	2.54
Government Bond yield 10 yr[2]	3.39	3.42	3.42	3.43	3.41	3.39	3.38	3.35
ECB deposit rates[3]	2.00	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Dollar / Euro exchange rate[2]	1.156	1.152	1.153	1.160	1.166	1.166	1.175	1.179

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 – July 2026

Year-on-year change (%)					
Jun-26	Jul-26	Aug-26	Sep-26	Dec-26	Dec-27
3.2	3.2	3.3	3.3	3.0	2.1

Forecasts in yellow.

Table 4

Opinions – July 2026

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	1	2	16	5	14	0
International context: Non-EU	0	2	17	6	12	1
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	4	15	2	16	1
Monetary policy assessment[1]	2	17	0	1	18	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		2.5	2.4	2.0	4.9	5.4	4.3	1.8	3.1	2.8	-0.3
2027		1.8	1.6	1.8	3.8	4.8	2.7	2.3	3.5	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	2.4	5.6	6.0	5.0	0.8	3.2	3.5	-0.8
	II	2.7	2.8	2.5	5.8	6.3	5.3	1.0	3.4	3.4	-0.7
	III	2.5	2.1	1.4	4.7	5.2	4.1	2.9	3.0	2.4	0.1
	IV	2.2	1.6	1.6	3.5	4.0	2.9	2.7	2.7	2.1	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	1.6	0.7	1.2	0.9	-0.1
2026	I	0.6	0.6	0.5	0.4	0.1	0.7	-0.6	-1.0	0.5	0.1
	II	0.7	0.3	0.3	1.1	1.1	1.0	1.6	1.9	0.7	0.0
	III	0.4	0.3	0.3	1.0	1.3	0.7	1.1	1.0	0.3	0.1
	IV	0.4	0.4	0.4	0.9	1.3	0.5	0.5	0.8	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		1,780	55.7	19.3	21.1	11.1	10.0	36.0	33.0	96.9	3.1
2027		1,860	55.5	19.3	21.4	11.4	10.0	35.6	32.7	97.0	3.0

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Level, 2019=100

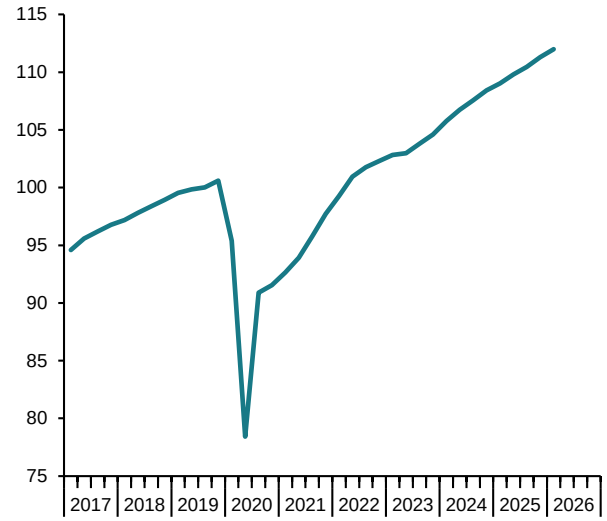


Chart 1.2 - Contribution to GDP annual growth

Percentage points



Chart 1.3 - Consumption

Level, 2019=100

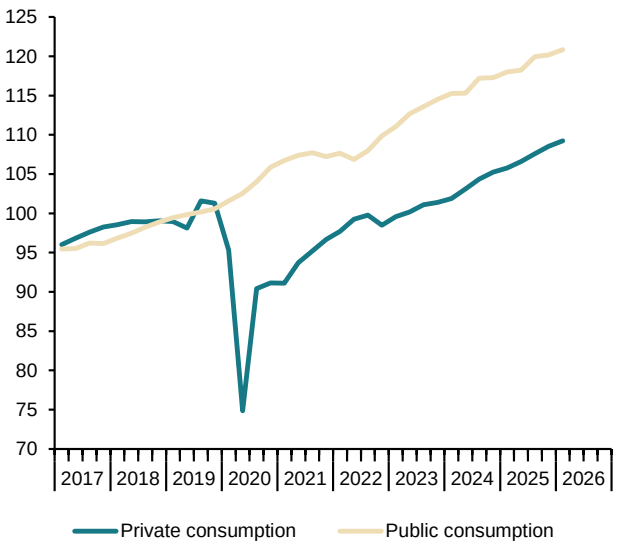


Chart 1.4 - Gross fixed capital formation

Level, 2019=100

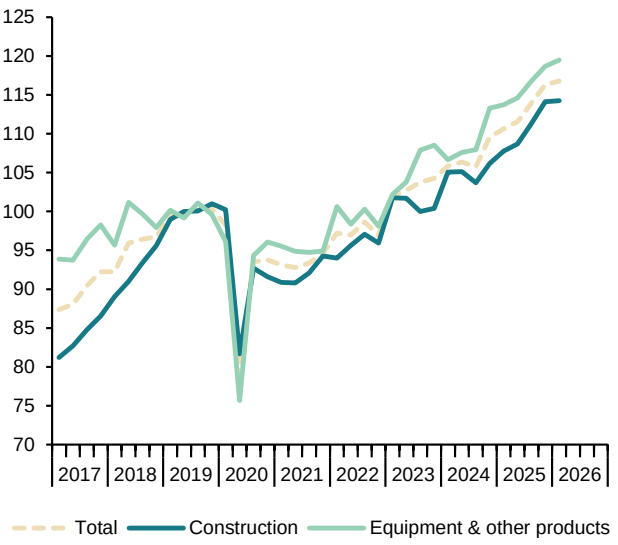


Table 2

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	4.0	-0.5
	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	3.7	-0.8
2026	I	3.1	-3.3	1.6	1.6	6.3	3.4	1.0	4.2	-1.1
		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	0.5	0.6	0.3	-0.3	0.4	-0.1
	II	0.8	-6.1	0.9	1.0	2.7	0.9	-0.1	1.2	0.1
	III	0.7	-0.3	0.2	0.2	1.6	0.8	0.8	0.8	-0.8
	IV	0.8	0.0	0.2	0.1	2.0	0.9	-0.1	1.2	0.0
2026	I	0.7	3.3	0.3	0.3	0.0	0.8	0.3	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

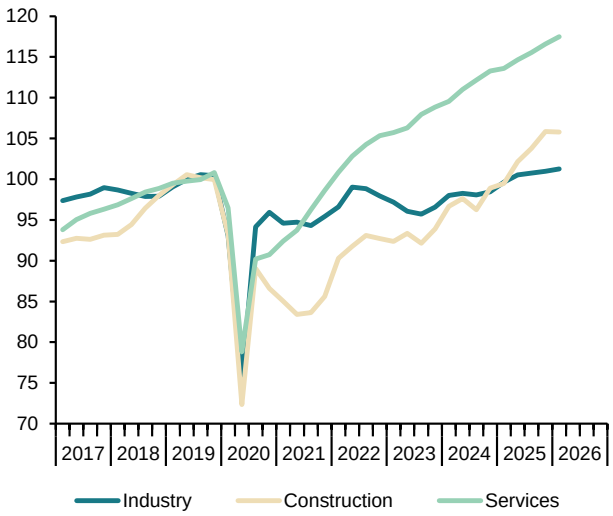


Chart 2.2 - GVA. Industry

Level, 2019=100

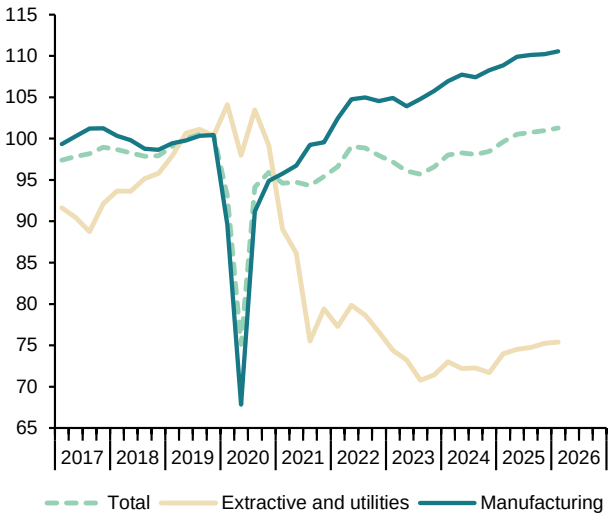


Chart 2.3 - GVA, services

Level, 2019=100

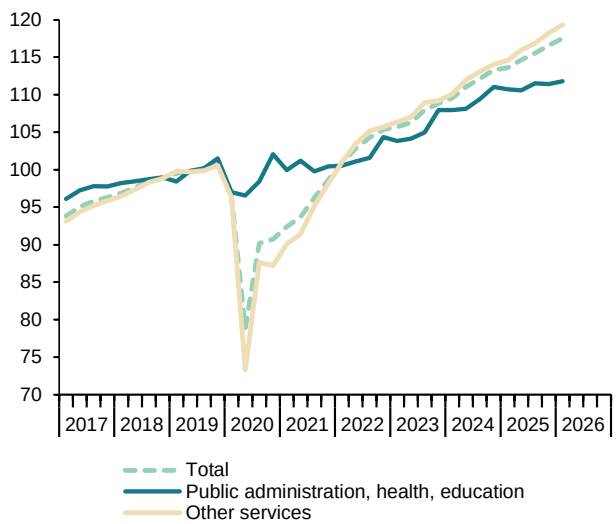


Chart 2.4 - GVA. structure by sectors

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		112.9	109.6	103.0	132.8	128.9	102.5	--	--	--	--	--	--
2027		114.9	110.9	103.7	136.6	131.8	102.1	--	--	--	--	--	--
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	108.8	101.2	107.5	127.3	118.3	96.9
	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	104.9	128.9	122.9	99.4
2026	I	112.0	108.6	103.2	132.4	128.3	102.4	110.5	105.1	105.2	131.7	125.2	99.7
		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		2.5	2.0	0.5	3.3	2.8	-0.1	--	--	--	--	--	--
2027		1.8	1.2	0.6	2.9	2.3	-0.4	--	--	--	--	--	--
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	6.1	5.6	4.8
	II	2.9	1.6	1.2	5.1	3.8	1.3	2.0	1.6	0.5	5.2	4.8	4.1
	III	2.7	2.5	0.2	4.3	4.1	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	0.5	1.8	2.7	-0.9	4.3	5.3	2.2
2026	I	2.7	2.1	0.6	4.7	4.0	0.7	1.6	3.8	-2.2	3.5	5.8	3.0

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2019=100

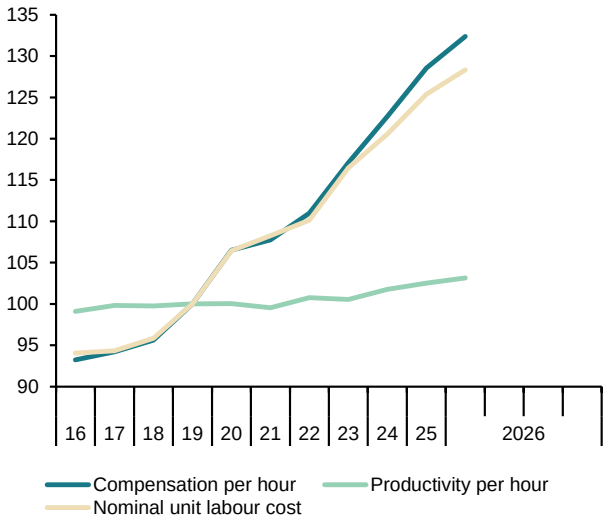
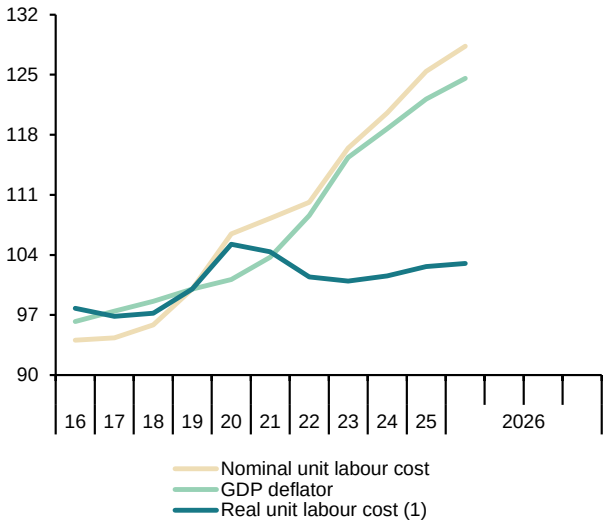


Chart 3.2 - Real ULC, total economy

Index, 2019=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2019=100

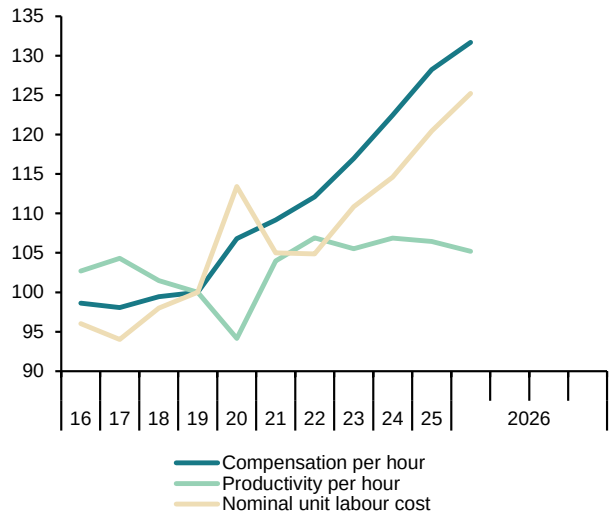
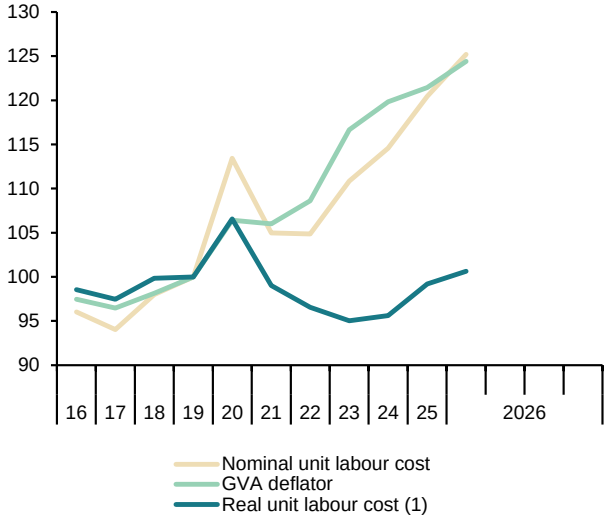


Chart 3.4 - Real ULC, manufacturing industry

Index, 2019=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions. 4-quarter cumulated transactions							Percentage of GDP					
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		1,779.9	863.3	741.2	1,765.1	1,333.8	431.3	391.2	48.5	41.6	24.2	22.0	2.3	3.3
2027		1,859.8	899.6	767.7	1,837.4	1,391.9	445.5	413.0	48.4	41.3	24.0	22.2	1.8	2.2
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	680.9	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	686.7	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	803.6	692.3	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	1,711.8	833.1	707.8	1,693.3	1,279.8	413.5	364.8	48.7	41.3	24.2	21.3	2.8	3.8
		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		5.5	5.4	6.0	5.6	5.7	5.0	8.3	0.0	0.2	-0.1	0.6	-0.7	-0.7
2027		4.5	4.2	3.6	4.1	4.4	3.3	5.6	-0.1	-0.4	-0.3	0.2	-0.5	-1.0
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	3.1	5.8	5.7	6.0	7.5	0.7	-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	4.0	6.0	6.0	5.9	6.2	0.5	-0.9	0.0	0.0	-0.1	-0.3

(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

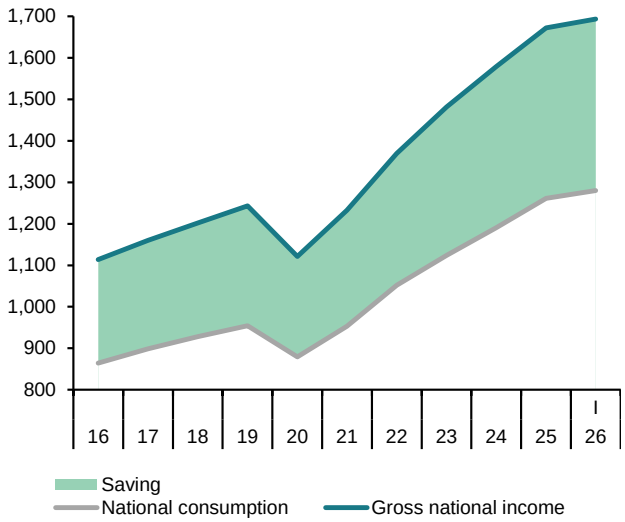


Chart 4.2 - National income, consumption and saving rate

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

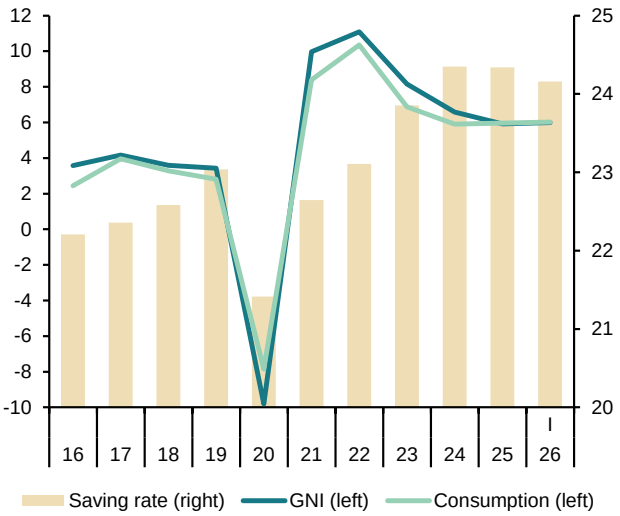


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

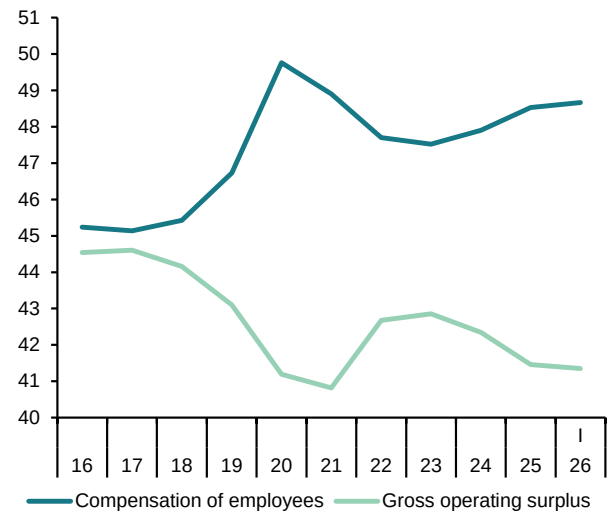


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

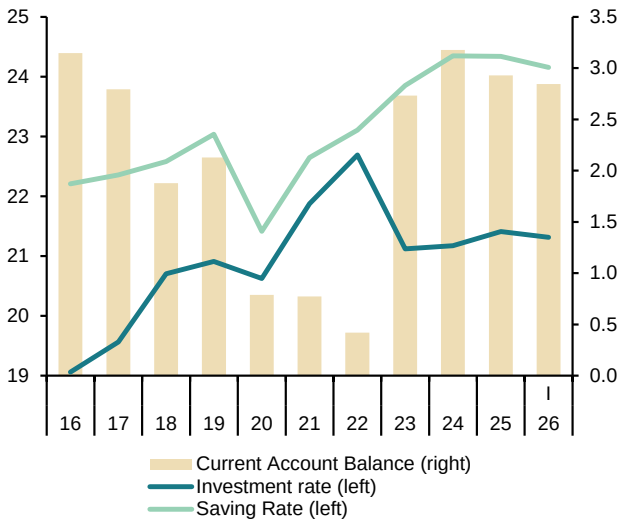


Table 5

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		1,115.5	990.9	123.0	86.5	11.0	4.9	2.1	357.6	245.7	241.4	13.8	13.6	0.9
2027		1,160.1	1,033.1	125.6	90.9	10.8	4.9	1.9	373.6	260.7	254.4	14.0	13.7	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
2026	I	1,076.9	951.4	126.8	81.1	11.8	4.8	2.7	343.1	235.3	225.2	13.9	13.3	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		4.8	5.7	-4.0	8.5	-1.0	0.1	-0.8	5.4	5.5	8.3	0.0	0.4	-0.3
2027		4.0	4.3	2.1	5.1	-0.2	0.0	-0.2	4.5	6.1	5.4	0.2	0.1	0.0
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
2026	I	5.2	6.2	-1.5	9.3	-0.8	0.2	-1.1	4.7	3.0	4.1	-0.2	-0.1	-0.3

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: net lending or borrowing

Percentage of GDI/GDP, 4-quarter moving averages

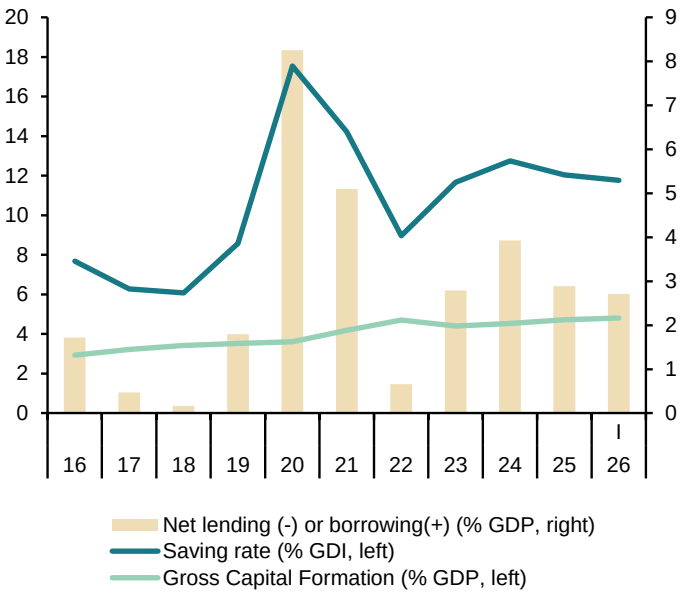


Chart 5.2 - Non-financial corporations: net lending or borrowing

Percentage of GDP, 4-quarter moving averages

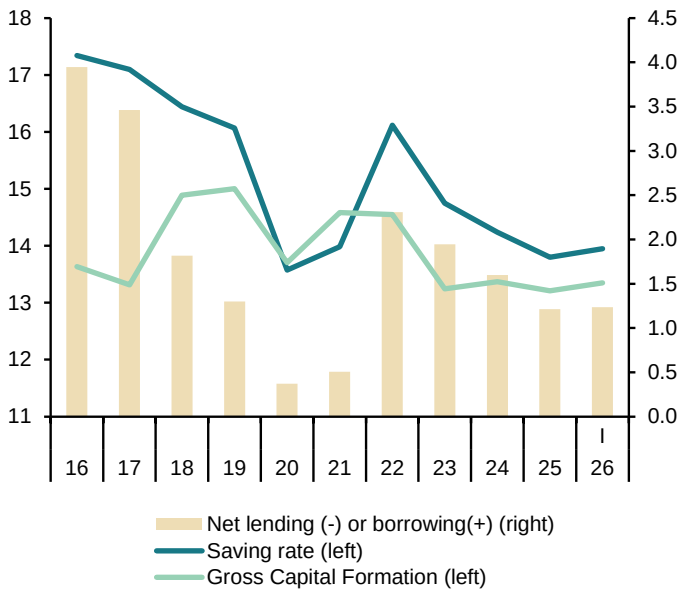


Table 6

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		198.0	238.1	238.6	91.2	765.8	190.6	105.9	41.6	350.0	57.9	62.8	808.7	-42.8
2027		215.3	246.8	248.3	80.4	790.9	197.2	114.5	41.4	367.9	62.1	48.4	831.6	-40.7
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
2026	I	193.7	224.9	227.9	90.0	736.5	184.2	97.9	40.5	336.0	69.3	48.9	776.8	-40.4
		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		11.1	13.4	13.4	5.1	43.0	10.7	5.9	2.3	19.7	3.3	3.5	45.4	-2.4
2027		11.6	13.3	13.4	4.3	42.5	10.6	6.2	2.2	19.8	3.3	2.6	44.7	-2.2
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
2026	I	11.3	13.1	13.3	5.3	43.0	10.8	5.7	2.4	19.6	4.0	2.9	45.4	-2.4

Source: IGAE and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit

Percentage of GDP, 4-quarter moving averages

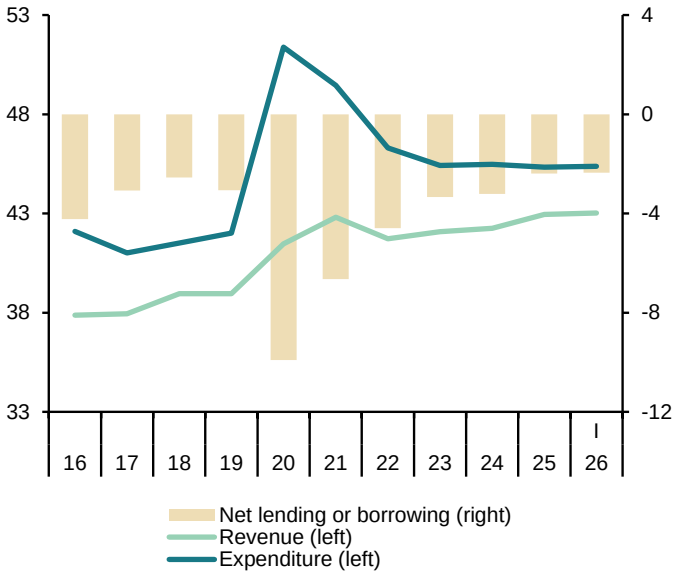


Chart 6.2 - Public sector: Main expenditures

Percentage of GDP

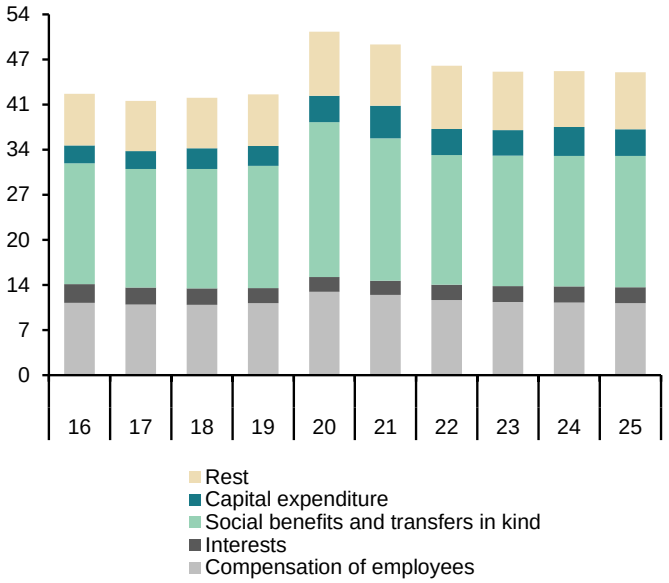


Table 7

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		--	--	--	--	-42.8	--	--	--	--	1,749.1
2027		--	--	--	--	-40.7	--	--	--	--	1,797.8
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
2026	I	-33.6	-4.7	3.2	-5.2	-40.4	1,602.0	346.9	20.7	136.2	1,739.5
		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		--	--	--	--	-2.4	--	--	--	--	98.3
2027		--	--	--	--	-2.2	--	--	--	--	96.7
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
2026	I	-2.0	-0.3	0.2	-0.3	-2.4	93.6	20.3	1.2	8.0	101.6

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

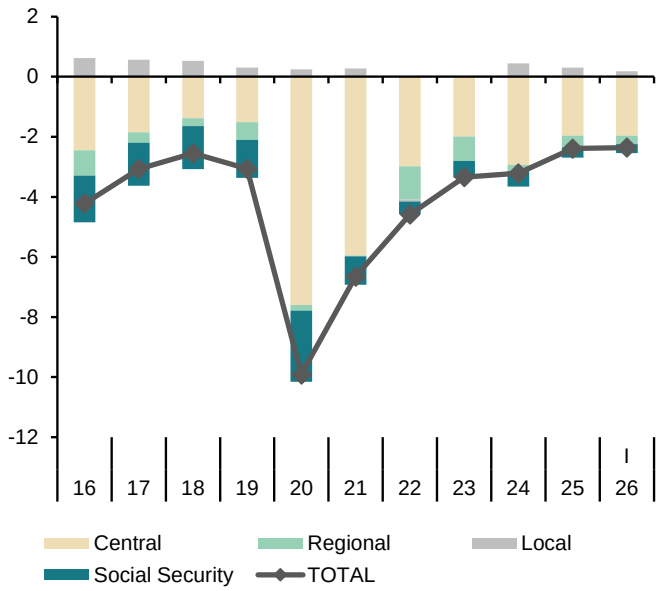


Chart 7.2 - Government debt

Percent of GDP

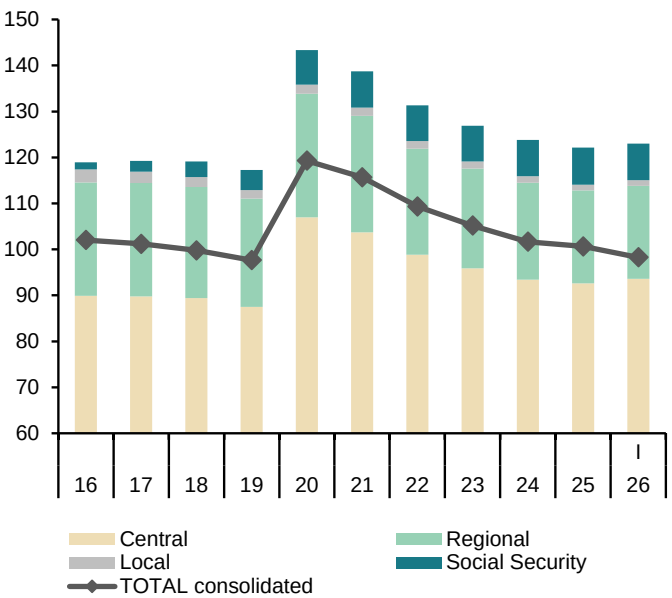


Table 8

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	20.0	99.8	2,451.0	50.9	-4.8	96.2	-9.9
2026 (b)	104.0	51.5	22,006.1	20.3	101.5	2,478.6	50.1	-3.6	95.1	-8.4
2024 III	105.4	54.4	21,198.9	19.6	97.3	2,413.7	51.5	-3.0	95.1	-9.8
IV	102.1	55.0	21,320.1	19.7	98.7	2,424.2	53.6	-6.1	96.7	-10.3
2025 I	103.2	54.4	21,454.0	19.8	99.1	2,436.3	50.0	-5.1	97.0	-10.5
II	102.3	52.0	21,570.4	19.9	99.1	2,444.6	50.0	-5.3	96.2	-8.9
III	102.7	54.1	21,683.8	19.9	99.6	2,456.1	52.6	-5.0	96.3	-10.7
IV	104.3	55.6	21,830.1	20.1	100.5	2,467.1	51.1	-3.9	95.5	-9.3
2026 I	105.1	52.3	21,947.0	20.1	99.6	2,477.8	49.3	-3.2	96.3	-9.0
II (b)	102.9	50.7	22,131.6	19.9	101.6	2,490.8	50.9	-4.1	97.5	-7.7
2026 Apr	102.7	48.7	22,062.3	19.8	101.0	2,486.5	51.7	-4.9	97.5	-9.0
May	102.6	50.2	22,126.9	20.0	102.2	2,490.4	51.2	-4.1	--	-6.9
Jun	103.3	53.3	22,205.6	20.0	--	2,495.4	49.7	-3.2	--	-7.3
					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)	--	--	2.4	1.0	1.3	1.8	--	--	-0.2	--
2024 III	--	--	0.4	0.8	-0.6	0.3	--	--	0.2	--
IV	--	--	0.6	0.1	1.5	0.4	--	--	1.6	--
2025 I	--	--	0.6	0.6	0.5	0.5	--	--	0.3	--
II	--	--	0.5	0.4	0.0	0.3	--	--	-0.8	--
III	--	--	0.5	0.1	0.5	0.5	--	--	0.1	--
IV	--	--	0.7	1.2	0.9	0.4	--	--	-0.8	--
2026 I	--	--	0.5	-0.2	-0.8	0.4	--	--	0.8	--
II (e)	--	--	0.8	-0.8	2.0	0.5	--	--	1.3	--
2026 Apr	--	--	0.3	-0.7	-0.3	0.2	--	--	-0.5	--
May	--	--	0.3	1.1	1.2	0.2	--	--	--	--
Jun	--	--	0.4	0.2	--	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

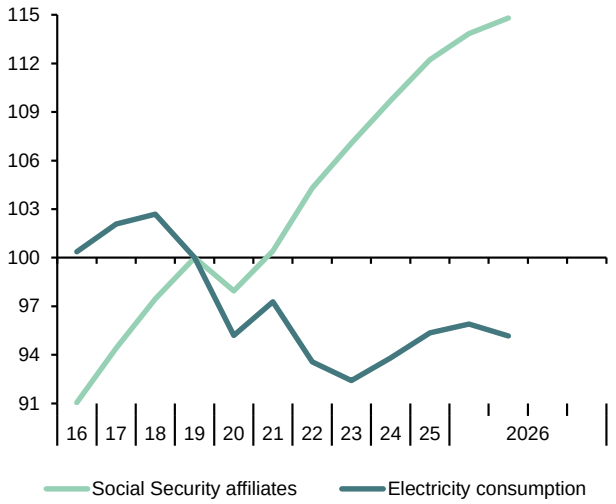


Chart 8.2 - General activity indicators (II)

Index

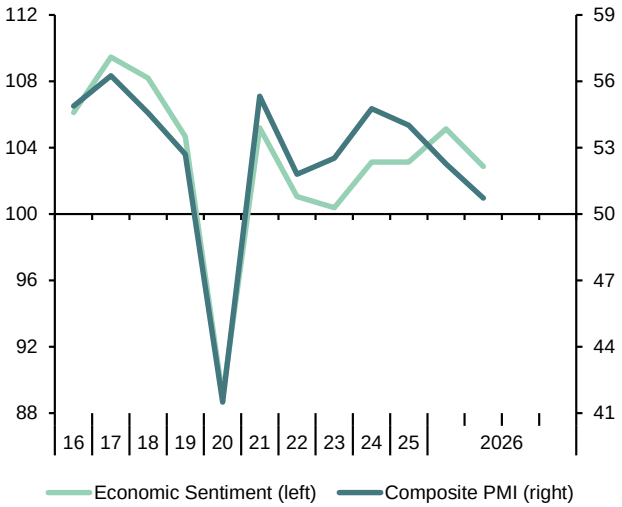


Chart 8.3 - Industrial sector indicators (I)

Level, 2019=100

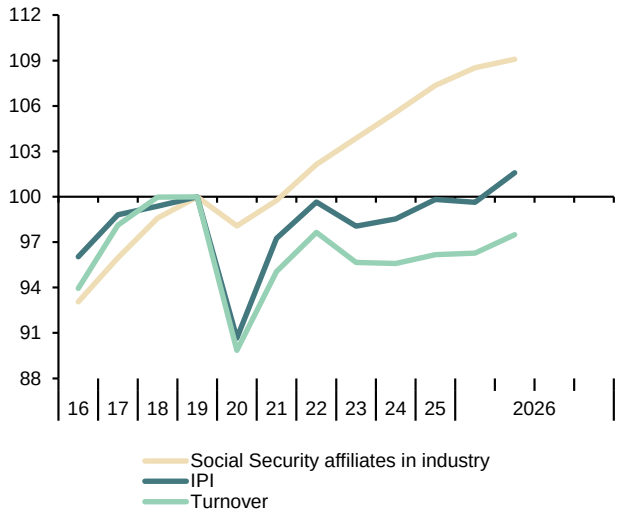


Chart 8.4 - Industrial sector indicators (II)

Index

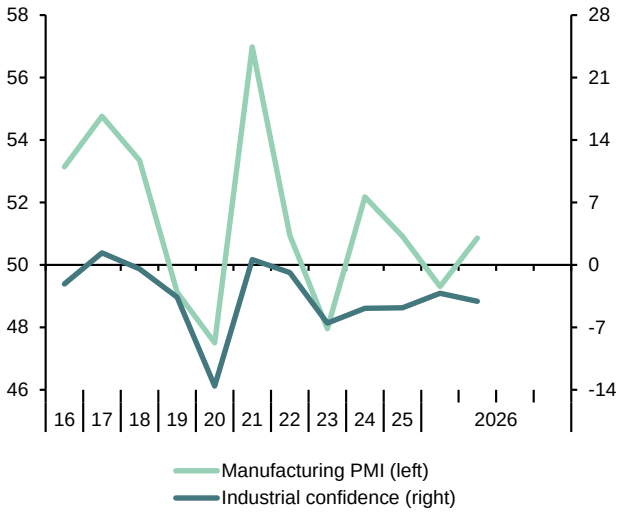


Table 9

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	-17.4	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	30.5	26.7
2026 (b)		1,444.9	98.1	18.1	140.8	12,495.5	17,038.5	106.4	51.8	25.0	24.9
2024	III	1,355.9	93.8	7.1	147.1	10,587.7	16,396.5	106.7	55.2	30.2	25.9
	IV	1,364.1	96.4	9.4	153.5	10,904.3	16,495.1	107.8	55.1	30.5	26.1
2025	I	1,377.4	96.9	13.5	146.4	12,034.0	16,609.6	109.5	55.3	30.4	26.4
	II	1,387.1	97.7	15.7	149.0	11,323.3	16,710.5	109.8	52.2	30.5	26.6
	III	1,402.0	96.6	14.5	132.8	10,085.0	16,800.6	110.4	54.2	30.7	26.8
	IV	1,418.7	98.5	20.5	169.1	12,896.3	16,921.7	111.0	56.4	30.9	27.1
2026	I	1,431.3	97.3	18.5	148.2	12,495.5	17,009.2	111.2	52.9	31.2	27.0
	II (b)	1,458.0	99.9	17.7	129.7	--	17,155.0	111.8	50.7	31.4	27.9
2026	Apr	1,448.4	97.8	26.6	129.4	--	17,101.2	111.8	47.9	31.4	27.8
	May	1,457.5	102.0	14.4	130.1	--	17,151.3	--	50.1	31.4	28.0
	Jun	1,468.3	--	12.1	--	--	17,212.4	--	54.2	--	--
						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	3.7	--	0.9	4.0
2026 (d)		4.5	-0.4	--	-3.6	9.3	2.5	1.6	--	2.6	3.8
2024	III	0.4	1.0	--	11.8	23.5	0.5	0.6	--	-0.4	1.2
	IV	0.6	2.7	--	29.1	15.8	0.6	1.0	--	0.8	0.9
2025	I	1.0	0.5	--	16.9	19.4	0.7	1.6	--	-0.1	1.3
	II	0.7	0.8	--	16.2	2.9	0.6	0.3	--	0.1	0.5
	III	1.1	-1.1	--	-9.7	-4.7	0.5	0.5	--	0.8	0.9
	IV	1.2	2.0	--	10.2	18.3	0.7	0.6	--	0.7	1.0
2026	I	0.9	-1.2	--	1.2	9.3	0.5	0.1	--	0.8	-0.2
	II (e)	1.9	2.7	--	-10.0	--	0.9	0.5	--	0.8	3.2
2026	Apr	0.6	-2.6	--	-1.7	--	0.3	-0.2	--	0.5	1.3
	May	0.6	4.3	--	-18.3	--	0.3	--	--	-0.2	1.0
	Jun	0.7	--	--	--	--	0.4	--	--	--	--

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

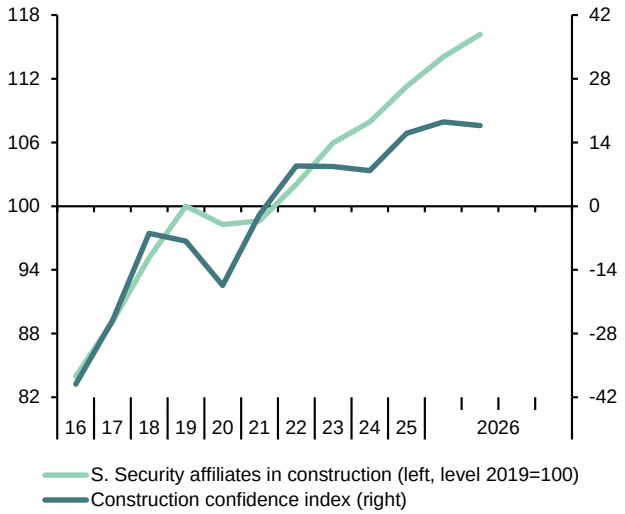


Chart 9.2 - Construction indicators (II)

Level, 2019=100

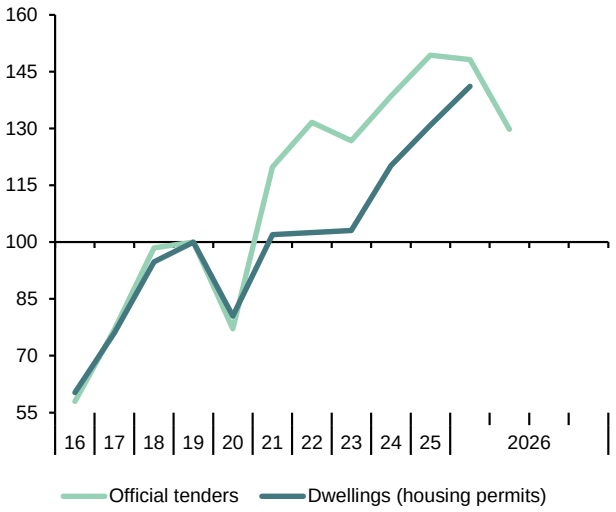


Chart 9.3 - Services indicators (I)

Level, 2019=100

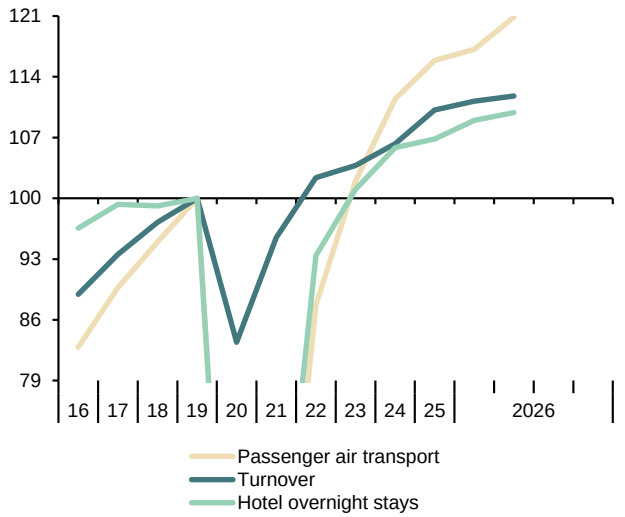


Chart 9.4 - Services indicators (II)

Index

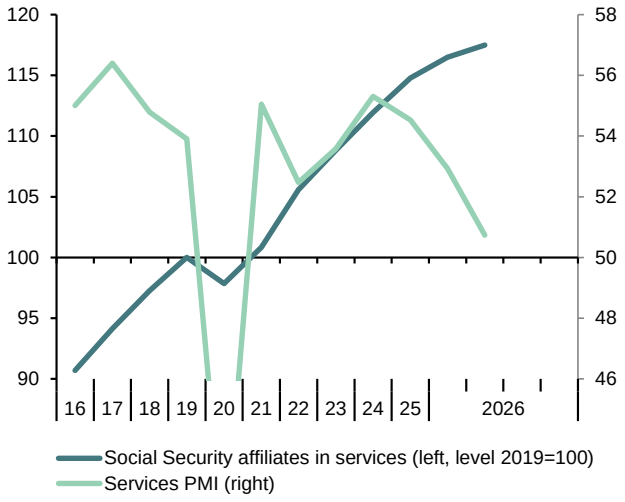


Table 10

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	10.1	-8.8	114.3	21.3	-8.8	140.3	136.3
2026 (b)		104.2	115.7	8.3	-5.9	109.9	22.3	-7.8	140.8	139.2
2024	III	104.3	91.8	10.1	-8.0	108.6	17.4	-0.7	127.7	119.9
	IV	105.4	108.2	10.3	-14.0	109.3	19.8	1.1	133.3	127.3
2025	I	106.2	103.1	10.2	-10.2	112.6	19.6	-7.5	137.1	133.0
	II	107.9	105.9	10.1	-8.8	114.3	20.0	-5.0	139.5	137.2
	III	108.9	108.8	10.2	-8.6	115.1	20.7	-10.4	141.4	134.9
	IV	109.7	121.2	10.2	-7.5	116.6	21.3	-12.6	143.8	138.0
2026	I	109.8	111.2	10.2	-6.1	117.1	21.5	-7.4	146.0	140.1
	II (b)	110.0	111.5	10.3	-5.8	116.2	21.9	-8.2	147.6	145.2
2026	Apr	109.5	111.5	10.4	-6.6	115.8	21.9	-8.5	147.6	144.9
	May	110.4	--	10.2	-3.4	116.5	--	-8.4	--	145.5
	Jun	--	--	--	-7.3	--	--	-7.7	--	--
		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)		2.8	8.6	1.2	--	2.5	11.8	--	7.5	4.3
2024	III	1.4	-0.2	-1.2	--	8.3	-4.5	--	18.9	-9.2
	IV	1.1	17.9	1.6	--	2.8	14.0	--	18.8	27.2
2025	I	0.8	-4.7	-0.8	--	12.5	-1.1	--	11.9	19.1
	II	1.6	2.7	-0.2	--	6.1	2.1	--	7.0	13.1
	III	0.9	2.7	0.5	--	2.9	3.5	--	5.6	-6.6
	IV	0.7	11.4	0.0	--	5.1	2.8	--	7.1	9.6
2026	I	0.2	-8.2	0.2	--	2.0	0.9	--	6.3	6.1
	II (e)	0.1	0.3	0.8	--	-3.3	1.8	--	4.4	15.5
2026	Mar	1.5	1.2	1.3	--	-0.9	-4.6	--	0.6	8.7
	Apr	-1.2	-3.4	1.1	--	-0.4	2.9	--	0.5	-3.1
	May	0.8	--	-1.7	--	0.6	--	--	--	0.4

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

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

Chart 10.1 - Consumption indicators

Level, 2019=100 and balance of responses

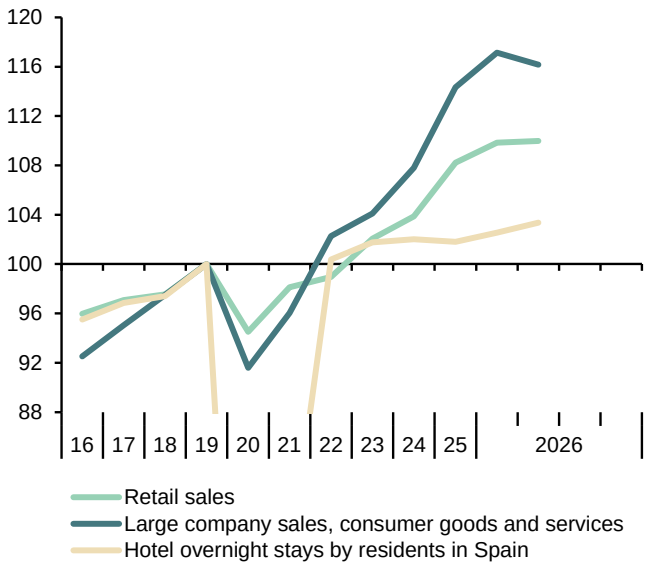


Chart 10.2 - Investment indicators

Level, 2019=100 and balance of responses

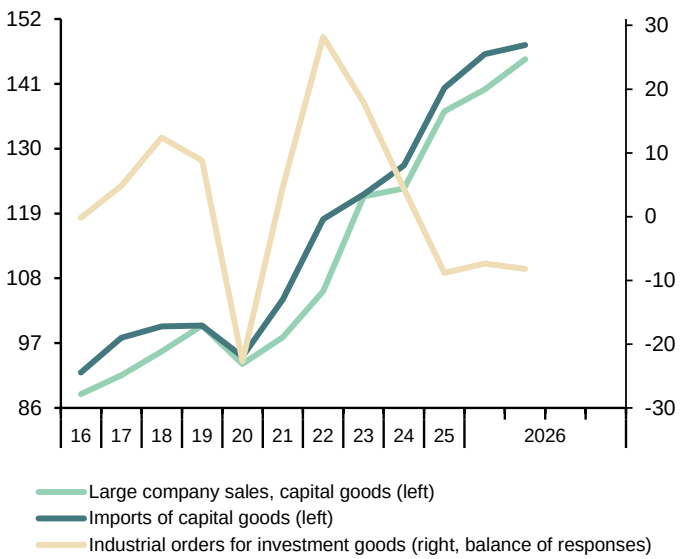


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate (a)	Employment rate (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted				Original	
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
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

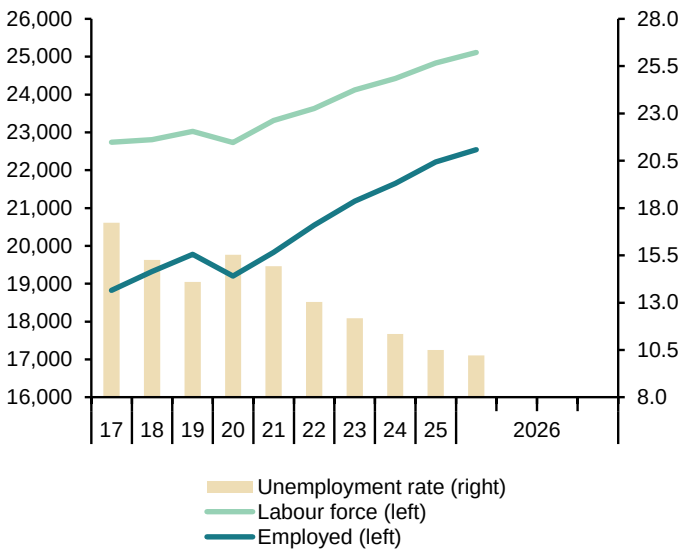


Chart 11a.2 - Unemployment rates

Percentage

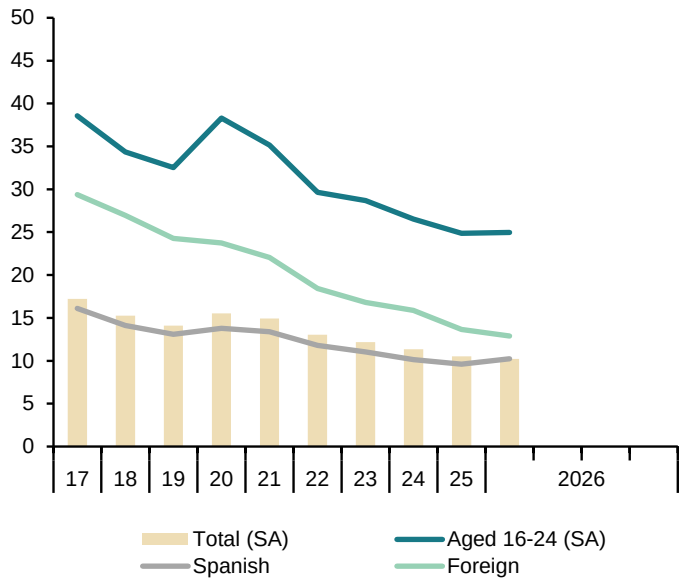


Table 11b

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

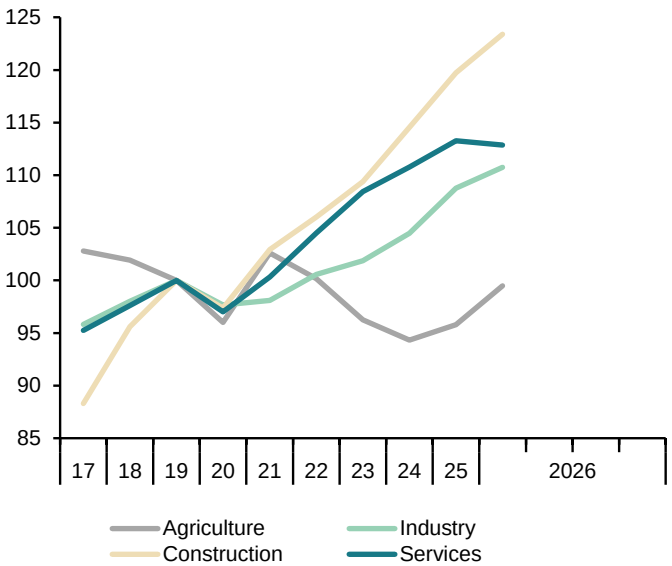


Chart 11b.2 - Temporary employment rate

Percentage over total employees

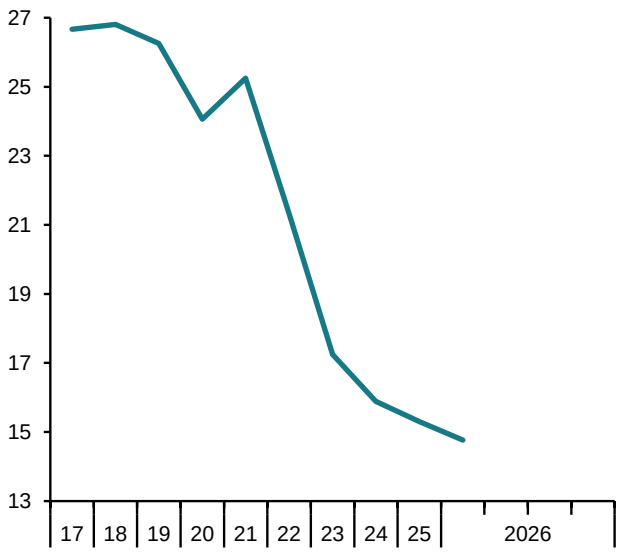


Table 12

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		103.1	103.0	102.8	101.0	103.6	102.4	104.8	104.7	103.1
2027		105.7	105.5	105.4	101.7	107.0	105.4	108.2	106.6	106.2
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		3.1	3.0	2.8	1.0	3.6	2.4	4.8	4.7	3.1
2027		2.5	2.5	2.6	0.6	3.2	2.9	3.2	1.8	3.0
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	3.2	3.2	3.0	0.9	4.1	2.0	3.3	5.9	2.4
	Jun	3.2	3.1	2.9	0.9	3.9	1.8	2.6	6.7	2.1
	Jul	3.1	3.1	2.9	1.1	3.7	2.4	3.2	4.7	2.6
	Aug	3.3	3.1	2.9	1.2	3.6	2.6	5.6	5.4	3.4
	Sep	3.4	3.0	2.9	1.1	3.6	2.8	6.0	6.2	3.7
	Oct	3.3	2.8	2.8	0.9	3.5	2.8	5.7	7.2	3.7
	Nov	3.2	2.8	2.7	0.8	3.5	2.8	4.9	6.5	3.4
	Dec	3.2	2.7	2.7	0.9	3.4	2.8	4.7	6.6	3.3
2027	Jan	3.3	2.9	2.9	1.1	3.6	2.6	4.6	6.6	3.2
	Feb	3.3	2.9	2.9	0.8	3.7	2.8	3.9	7.2	3.1
	Mar	2.4	2.5	2.6	0.2	3.5	3.0	3.3	-0.5	3.1
	Apr	2.6	2.6	2.7	0.2	3.5	3.3	2.7	1.9	3.1
	May	2.6	2.3	2.5	0.7	2.9	3.4	3.1	3.7	3.3
	Jun	2.5	2.3	2.5	0.8	3.0	3.7	3.3	2.1	3.6
	Jul	2.5	2.4	2.6	0.6	3.1	3.2	3.2	1.5	3.2
	Aug	2.5	2.4	2.5	0.6	3.1	3.0	3.1	1.6	3.1
	Sep	2.4	2.4	2.5	0.6	3.1	2.8	3.0	0.8	2.9
	Oct	2.2	2.4	2.5	0.6	3.1	2.6	2.9	-1.1	2.7
	Nov	2.1	2.4	2.4	0.6	3.1	2.5	2.8	-1.3	2.6
	Dec	2.1	2.4	2.4	0.6	3.1	2.3	2.7	-0.7	2.4

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

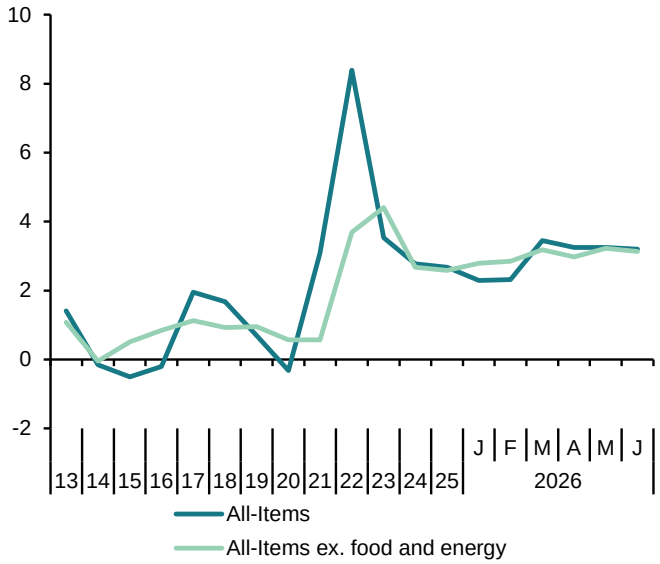


Chart 12.2 - Inflation rate (II)

Annual percentage changes

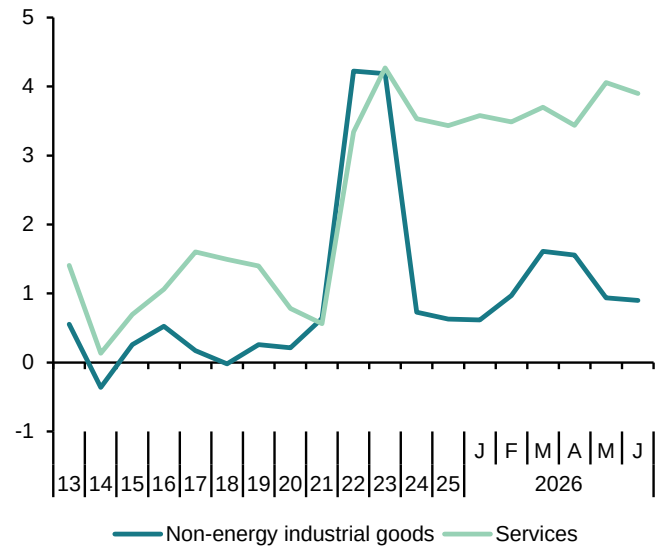


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2019=100	2019=100		2019=100			2019=100				
2018		98.6	100.4	99.9	95.2	96.9	99.3	97.8	98.2	96.7	97.4	--
2019		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	--
2020		101.1	95.7	100.0	102.1	98.9	90.6	97.8	97.4	99.0	106.6	--
2021		103.7	112.3	107.0	105.9	101.0	94.0	103.5	103.4	103.8	105.9	--
2022		108.6	152.2	121.5	113.7	106.1	98.7	107.9	108.2	107.0	108.0	--
2023		115.4	145.0	126.0	118.2	110.2	96.0	113.8	113.4	115.0	113.7	--
2024		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	144.5	128.6	155.2	141.1	116.7	124.6	122.9	129.3	121.6	--
2024	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	115.6	--
	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	124.6	141.4	127.5	155.2	141.1	116.7	124.6	122.9	129.3	121.6	--
	II (b)	--	149.2	130.3	--	--	--	--	--	--	--	--
2026	Mar	--	145.6	128.1	--	--	--	--	--	--	--	--
	Apr	--	148.5	129.9	--	--	--	--	--	--	--	--
	May	--	149.9	130.6	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
2018		1.2	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.5	1.8
2019		1.4	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020		1.1	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.6	1.9
2021		2.6	17.3	7.0	3.7	2.1	3.7	5.9	6.3	4.8	-0.6	1.5
2022		4.7	35.5	13.6	7.4	5.0	5.0	4.2	4.6	3.1	1.9	2.8
2023		6.2	-4.7	3.6	4.0	3.9	-2.8	5.5	4.8	7.5	5.3	3.5
2024		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	1.8	12.9	13.9	8.7	4.9	5.0	4.8	5.2	3.0
2024	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	3.2	-2.3	1.0	12.9	13.9	8.7	4.9	5.0	4.8	5.2	2.9
	II (e)	--	8.5	3.2	--	--	--	--	--	--	--	2.9
2026	Mar	--	3.1	1.1	--	--	--	--	--	--	--	2.9
	Apr	--	8.5	2.7	--	--	--	--	--	--	--	2.9
	May	--	10.5	3.4	--	--	--	--	--	--	--	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

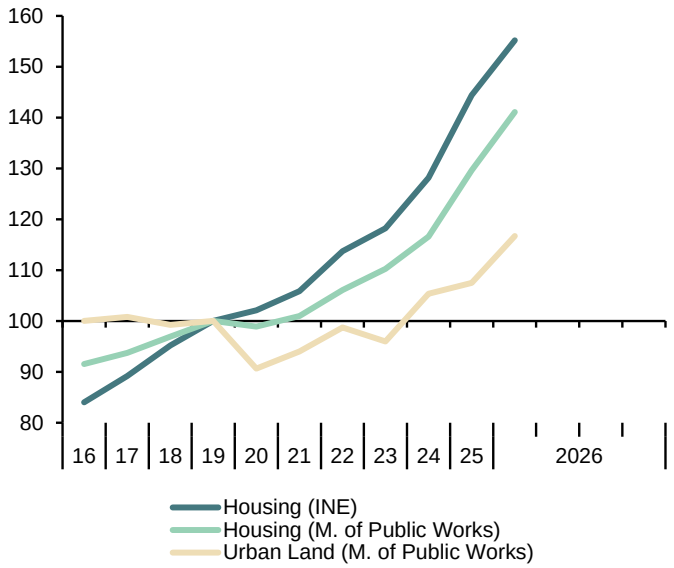


Chart 13.2 - Wage costs

Annual percent change

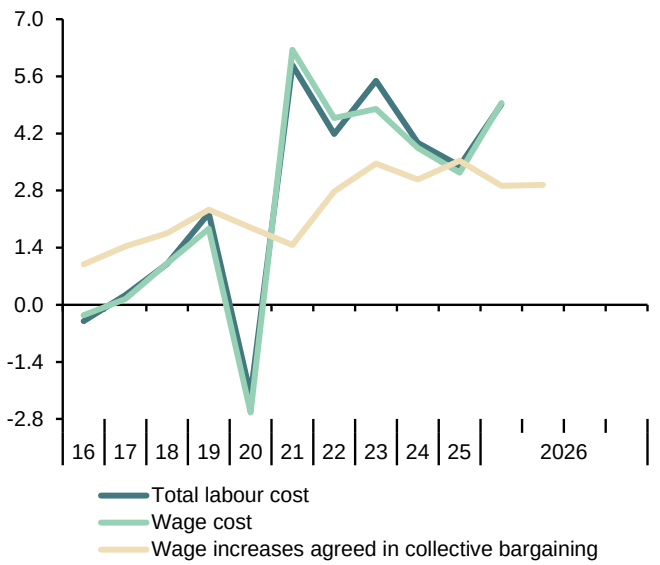


Table 14

External trade (a)

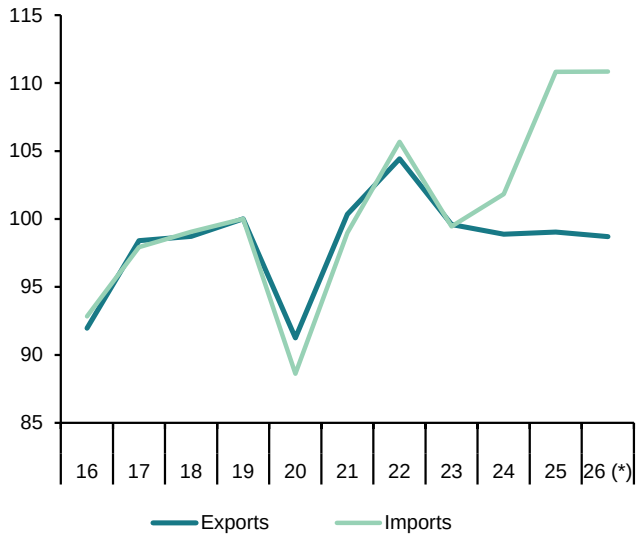
	Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
	Nominal	Prices	Real	Nominal	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)	136.6	138.4	98.7	139.4	127.7	109.1	20.5	12.5	-4.4	-1.6	2.1
2024 I	131.4	133.2	98.7	129.8	132.6	97.9	19.9	11.8	-3.1	-0.1	2.5
II	132.8	135.8	97.8	132.2	132.7	99.6	19.8	12.2	-3.4	-0.3	2.9
III	132.9	135.1	98.3	131.0	130.8	100.2	20.1	12.0	-3.1	-0.4	2.9
IV	132.0	136.0	97.0	133.9	129.8	103.1	19.4	12.4	-4.1	-1.3	2.0
2025 I	134.2	135.5	99.1	140.3	128.8	108.9	19.8	12.6	-5.2	-2.1	-2.0
II	134.6	135.3	99.4	137.1	122.4	112.0	20.0	12.5	-4.3	-1.5	-1.7
III	131.1	133.8	98.0	136.2	123.5	110.2	19.9	11.7	-4.9	-2.2	-1.7
IV	133.6	134.4	99.4	138.6	123.2	112.5	20.0	12.3	-4.9	-2.9	-1.3
2026 I	134.7	136.7	98.6	136.4	125.1	109.1	20.2	12.3	-4.1	0.0	-1.9
2026 Feb	134.5	135.5	99.3	136.8	123.6	110.7	20.2	12.3	-4.2	-2.2	1.7
Mar	136.7	138.0	99.0	142.3	128.3	111.0	20.8	12.2	-5.2	-1.8	2.2
Apr	142.0	143.7	98.8	148.3	135.7	109.3	21.4	12.9	-5.5	-1.2	2.6
	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)	2.0	2.3	-0.3	0.3	0.3	0.0	4.4	-2.0	--	--	--
2024 I	0.4	0.7	-0.4	-0.5	-0.4	-0.1	0.0	1.1	-2.4	-0.1	1.9
II	1.1	2.0	-0.9	1.8	0.1	1.7	-0.3	3.4	-2.6	-0.3	2.2
III	0.0	-0.5	0.5	-0.8	-1.4	0.6	1.2	-1.8	-2.3	-0.3	2.2
IV	-0.7	0.6	-1.3	2.2	-0.8	3.0	-3.3	3.6	-3.0	-1.0	1.5
2025 I	1.7	-0.4	2.1	4.7	-0.8	5.6	1.9	1.5	-3.8	-1.5	-1.4
II	0.3	-0.1	0.3	-2.2	-5.0	2.9	1.0	-0.9	-3.1	-1.1	-1.2
III	-2.6	-1.1	-1.5	-0.7	0.9	-1.6	-0.3	-6.2	-3.5	-1.6	-1.2
IV	1.9	0.4	1.5	1.8	-0.3	2.1	0.3	4.6	-3.4	-2.0	-0.9
2026 I	0.9	1.7	-0.8	-1.5	1.5	-3.0	1.3	0.2	-2.8	0.0	-1.3
2026 Feb	1.2	-0.7	1.9	5.1	0.3	4.8	2.6	-1.1	--	--	--
Mar	1.6	1.9	-0.3	4.0	3.8	0.2	2.9	-0.6	--	--	--
Apr	3.9	4.1	-0.2	4.2	5.8	-1.6	3.0	5.5	--	--	--

(a) Seasonally adjusted. except for annual data. (b) Period with available data. (c) Percent change from the previous quarter for quarterly data. from the previous month for monthly data. (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)

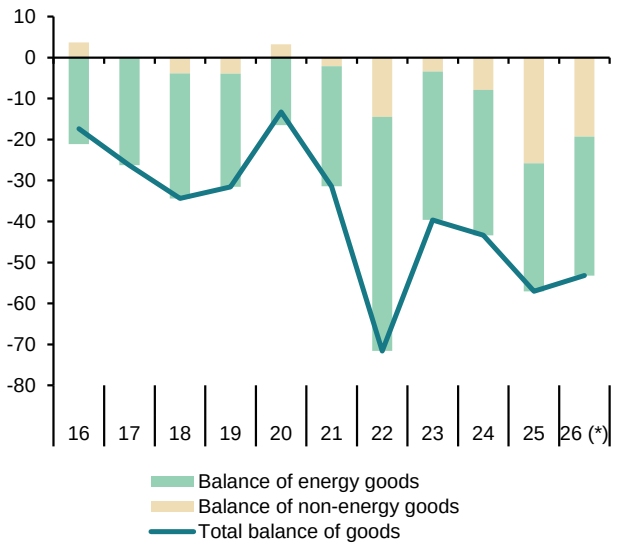
Level, 2019=100



(*) 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)

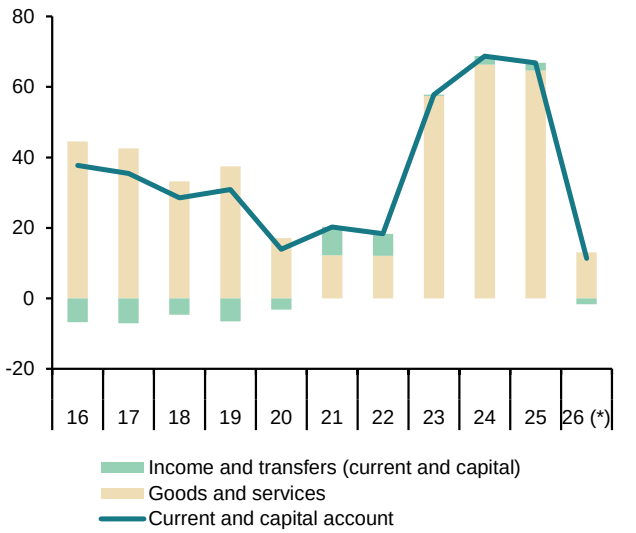
		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account. excluding Bank of Spain					Bank of Spain	
									Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
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		49.52	-48.97	113.63	-1.09	-14.05	17.33	66.86	41.07	16.25	33.12	-11.76	3.46	29.25	3.46
2026	(a)	8.93	-11.87	24.94	0.75	-4.89	2.44	11.38	41.53	1.85	6.14	35.14	-1.60	-39.84	-9.68
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	10.48	-12.12	25.58	1.83	-4.81	7.41	17.88	47.64	4.25	24.62	17.35	1.43	-26.75	3.00
2026	I	8.93	-11.87	24.94	0.75	-4.89	2.44	11.38	41.53	1.85	6.14	35.14	-1.60	-39.84	-9.68
			Goods and Services		Primary and Secondary Income										
2026	Feb	2.56	4.13		-1.57		0.72	3.28	24.94	1.25	1.33	22.18	0.18	-30.29	-8.63
	Mar	4.16	5.48		-1.32		1.49	5.65	31.52	5.49	12.44	16.72	-3.12	-29.39	-3.51
	Abr	1.88	6.89		-5.01		0.66	2.54	1.38	2.57	3.46	-6.44	1.80	8.66	7.50
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		2.9	-2.9	6.7	-0.1	-0.8	1.0	4.0	2.4	1.0	2.0	-0.7	0.2	1.7	0.2
2026	(a)	2.1	-2.8	5.9	0.2	-1.2	0.6	2.7	9.9	0.4	1.5	8.3	-0.4	-9.5	-2.3
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	5.7	0.4	-1.1	1.6	4.0	10.6	0.9	5.5	3.9	0.3	-5.9	0.7
2026	I	2.1	-2.8	5.9	0.2	-1.2	0.6	2.7	9.9	0.4	1.5	8.3	-0.4	-9.5	-2.3

(a) Period with available quarterly data

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

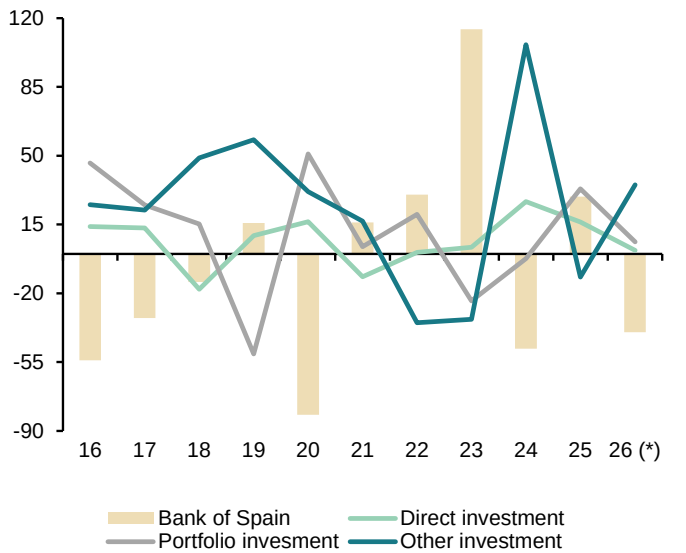
EUR Billions, 12-month cumulated



(*) 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 (d)
		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	97.1
2019		99.2	93.5	106.1	104.3	104.8	99.5	90.3	93.8	96.3	95.4
2020		102.6	87.9	116.8	103.9	105.1	98.9	87.1	91.4	95.3	96.4
2021		104.9	93.2	112.6	107.0	107.8	99.3	100.0	100.0	100.0	97.3
2022		103.6	94.6	109.6	115.9	116.8	99.3	129.7	126.0	102.9	99.1
2023		102.6	95.4	107.5	119.9	123.2	97.3	125.6	124.6	100.8	101.9
2024		102.7	97.8	105.0	123.3	126.1	97.8	122.5	121.1	101.2	101.9
2025		103.3	95.4	108.3	126.6	128.9	98.3	123.5	121.1	101.9	101.0
2026 (b)		--	--	--	129.8	131.4	98.8	126.2	123.5	102.3	101.7
2024	I	--	--	--	121.7	124.4	97.8	121.3	121.1	100.2	102.1
	II	--	--	--	124.0	126.3	98.2	120.3	120.1	100.1	102.1
	III	--	--	--	123.5	126.6	97.5	123.5	120.9	102.2	102.0
	IV	--	--	--	124.1	126.9	97.8	124.7	122.1	102.1	101.6
2025	I	--	--	--	124.9	127.5	98.0	126.3	123.4	102.3	100.5
	II	--	--	--	126.7	128.9	98.3	121.3	120.1	101.0	101.2
	III	--	--	--	127.0	129.4	98.1	123.2	120.3	102.4	101.1
	IV	--	--	--	128.0	129.6	98.7	123.0	120.6	102.0	101.0
2026	I	--	--	--	128.4	130.1	98.7	124.0	122.1	101.5	101.7
2026	Apr	--	--	--	130.9	132.8	98.6	129.1	125.2	103.1	--
	May	--	--	--	131.0	132.9	98.6	130.2	125.7	103.6	--
	Jun	--	--	--	131.9	132.8	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	0.7
2019		-1.6	-1.4	-0.2	0.8	1.2	-0.4	-0.3	0.4	-0.7	-1.8
2020		3.4	-6.1	10.1	-0.3	0.3	-0.6	-3.6	-2.6	-1.0	1.1
2021		2.2	6.0	-3.6	3.0	2.6	0.4	14.9	9.4	4.9	0.9
2022		-1.2	1.5	-2.7	8.3	8.4	-0.1	29.7	26.0	2.9	1.9
2023		-1.0	0.9	-1.9	3.4	5.4	-2.0	-3.1	-1.1	-2.0	2.8
2024		0.1	2.5	-2.4	2.9	2.4	0.5	-2.5	-2.8	0.3	0.1
2025		0.6	-2.5	3.2	2.7	2.2	0.5	0.8	0.1	0.7	-1.0
2026 (c)		--	--	--	3.2	2.5	0.7	1.9	1.1	0.8	1.3
2024	I	--	--	--	3.2	2.6	0.6	-5.1	-5.8	0.7	-0.4
	II	--	--	--	3.6	2.5	1.1	-3.5	-2.8	-0.7	-0.3
	III	--	--	--	2.3	2.2	0.1	-1.6	-1.7	0.1	1.1
	IV	--	--	--	2.4	2.2	0.2	0.3	-0.8	1.1	-0.2
2025	I	--	--	--	2.7	2.4	0.3	4.1	2.0	2.1	-1.6
	II	--	--	--	2.2	2.1	0.1	0.8	0.1	0.7	-0.8
	III	--	--	--	2.8	2.2	0.6	-0.2	-0.4	0.2	-0.9
	IV	--	--	--	3.1	2.1	1.0	-1.4	-1.3	-0.1	-0.6
2026	I	--	--	--	2.8	2.0	0.8	-1.8	-1.0	-0.8	1.3
2026	Apr	--	--	--	3.5	3.0	0.5	4.1	6.9	-2.8	--
	May	--	--	--	3.7	3.2	0.5	4.9	8.4	-3.5	--
	Jun	--	--	--	3.6	2.8	0.8	--	--	--	--

(a) EMU excluding Ireland and Spain. (b) Period with available data. (c) Growth of available period over the same period of the previous year. (d) With export prices.

Sources: Eurostat. Bank of Spain and Funcas.

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

2000=100

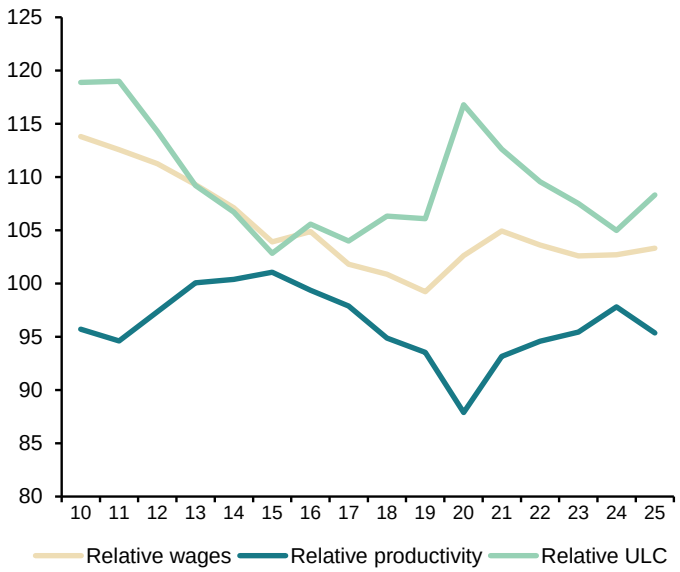
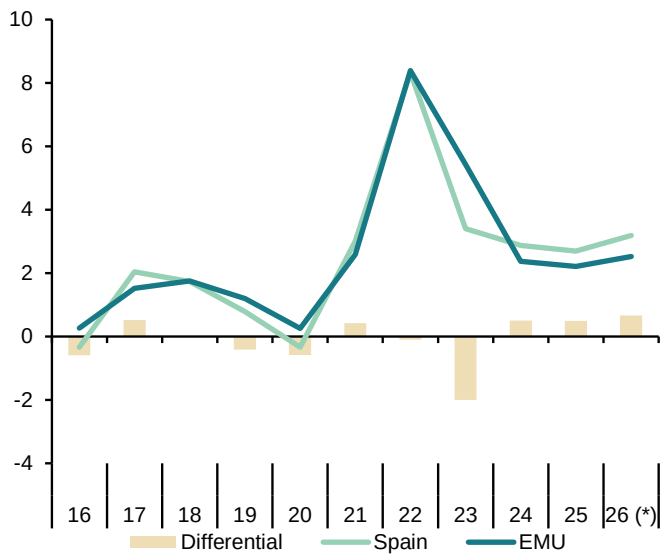


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points



(*) Period with available data.

Table 17a

Imbalances: International comparison (I)

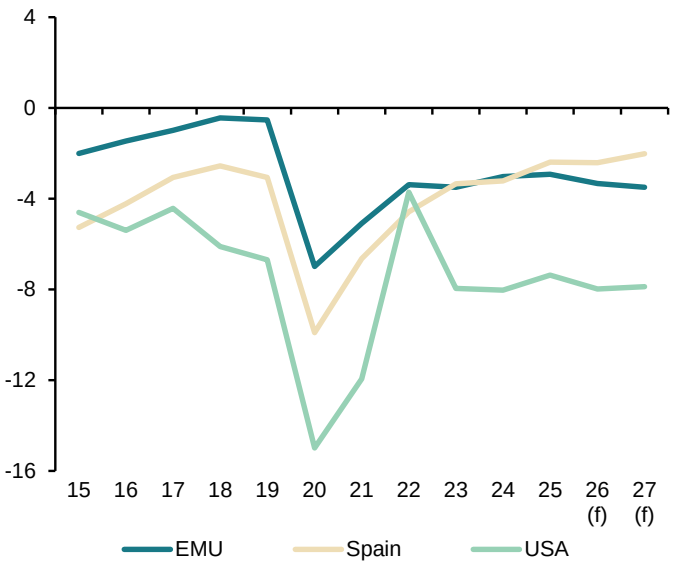
(In yellow: European Commission Forecasts)

	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								
2015	-215.1	-57.2	-842.3	9,950.6	1,114.1	18,922.2	345.1	22.2	-423.1
2016	-161.2	-47.4	-1,013.9	10,099.3	1,145.7	19,976.8	405.1	35.3	-401.4
2017	-113.2	-35.9	-868.7	10,193.2	1,184.1	20,492.7	400.4	32.7	-378.0
2018	-51.5	-30.9	-1,263.4	10,297.2	1,209.7	21,974.1	415.3	22.8	-441.2
2019	-64.0	-38.4	-1,441.7	10,395.9	1,224.4	23,201.4	366.8	26.7	-447.3
2020	-815.6	-111.9	-3,203.4	11,462.4	1,346.9	27,747.8	275.5	8.9	-564.6
2021	-646.6	-82.2	-2,835.5	12,090.1	1,429.4	29,617.2	447.7	9.6	-869.2
2022	-468.8	-63.1	-969.3	12,537.0	1,504.1	31,419.7	124.0	5.8	-1,001.2
2023	-515.8	-50.0	-2,211.8	12,998.6	1,575.4	34,001.5	381.1	40.9	-937.8
2024	-464.9	-51.3	-2,355.4	13,506.6	1,620.6	36,218.6	511.2	50.6	-1,179.9
2025	-466.1	-40.3	-2,268.9	14,159.1	1,698.2	38,514.0	392.4	47.1	-1,134.7
2026	-549.3	-42.9	-2,592.1	14,862.4	1,765.9	41,030.0	287.8	33.3	-1,123.3
2027	-598.0	-37.5	-2,666.1	15,570.8	1,833.0	43,621.1	288.8	32.4	-1,218.8
	Percentage of GDP								
2015	-2.0	-5.3	-4.6	92.9	102.5	103.4	3.2	2.0	-2.3
2016	-1.5	-4.2	-5.4	91.8	102.0	106.2	3.7	3.1	-2.1
2017	-1.0	-3.1	-4.4	89.3	101.2	104.5	3.5	2.8	-1.9
2018	-0.4	-2.6	-6.1	87.2	99.8	106.4	3.5	1.9	-2.1
2019	-0.5	-3.1	-6.7	85.2	97.7	107.7	3.0	2.1	-2.1
2020	-7.0	-9.9	-15.0	98.2	119.3	129.8	2.4	0.8	-2.6
2021	-5.1	-6.7	-12.0	95.3	115.7	124.8	3.5	0.8	-3.7
2022	-3.4	-4.6	-3.7	90.6	109.3	120.6	0.9	0.4	-3.8
2023	-3.5	-3.3	-8.0	88.0	105.2	122.3	2.6	2.7	-3.4
2024	-3.0	-3.2	-8.0	88.0	101.6	123.6	3.3	3.2	-4.0
2025	-2.9	-2.4	-7.4	88.7	100.7	125.2	2.5	2.8	-3.7
2026	-3.3	-2.4	-8.0	90.2	99.6	126.4	1.7	1.9	-3.5
2027	-3.5	-2.0	-7.9	91.2	98.9	129.0	1.7	1.8	-3.6

Source: European Commission Forecasts, Spring 2026.

Chart 17a.1 - Government deficit

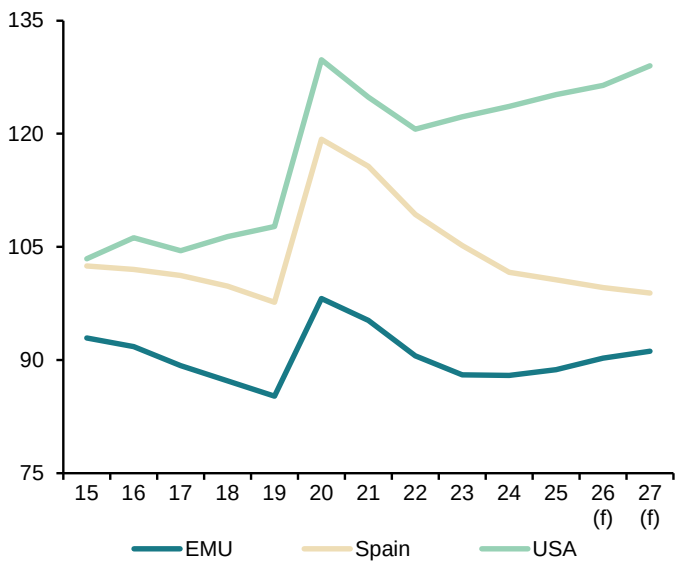
Percentage of GDP



(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			
2015	735.0	6,219.2	14,078.2	971.3	8,959.1	13,463.8
2016	719.8	6,330.9	14,487.6	968.1	9,167.6	14,142.4
2017	712.0	6,518.5	15,033.3	966.6	9,280.5	15,156.4
2018	710.5	6,693.9	15,499.7	935.3	9,492.4	16,154.2
2019	708.6	6,902.8	16,081.0	948.1	9,787.5	16,864.8
2020	701.7	7,095.1	16,616.8	1,014.7	10,275.3	18,463.0
2021	706.4	7,400.7	18,204.3	1,042.0	10,768.8	19,587.5
2022	706.8	7,681.7	19,418.0	1,005.8	11,031.3	20,562.5
2023	690.6	7,707.4	19,970.7	1,019.9	11,082.8	20,936.3
2024	696.3	7,790.6	20,305.9	1,047.5	11,161.3	21,452.8
2025	722.8	8,000.2	20,933.7	1,055.6	11,318.6	22,198.5
			Percentage of GDP			
2015	67.6	58.3	77.0	89.4	84.0	73.6
2016	64.1	57.8	77.0	86.2	83.7	75.2
2017	60.9	57.3	76.7	82.7	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	80.6	78.3
2020	62.1	61.1	77.7	89.8	88.4	86.4
2021	57.2	58.6	76.7	84.4	85.3	82.6
2022	51.4	55.8	74.5	73.1	80.2	78.9
2023	46.1	52.5	71.8	68.1	75.6	75.3
2024	43.7	51.1	69.3	65.7	73.2	73.2
2025	42.8	50.5	68.1	62.5	71.4	72.2

(a) Loans and debt securities, consolidated.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

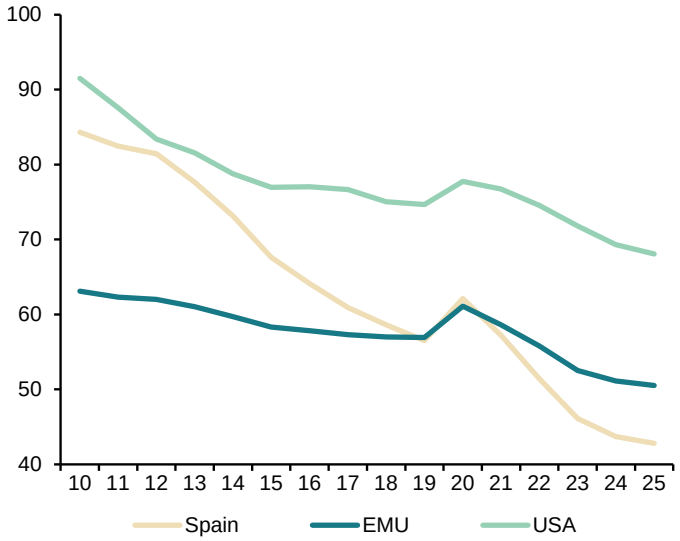
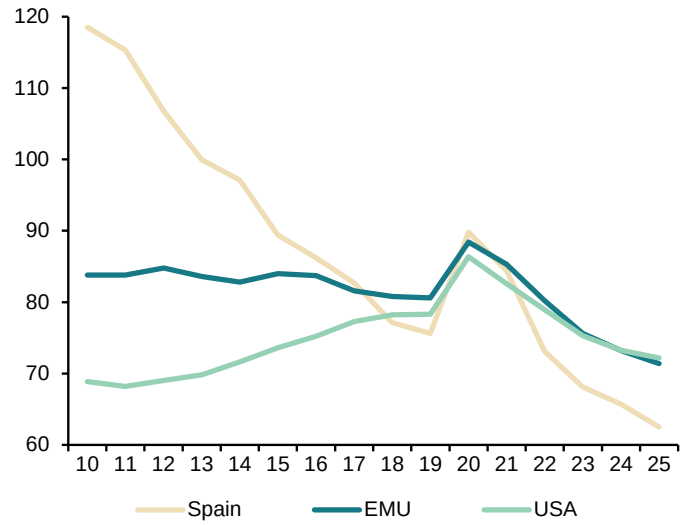


Chart 17b.2 - Non-financial corporations consolidated debt

Percentage of GDP



50 Financial System Indicators

Updated: June 30th, 2026

Highlights		
Indicator	Last value available	Corresponding to:
1-year Euribor interest rate	2.801	June 30, 2026
Bank lending to other resident sectors (monthly average % var.)	-0.43	April 2026
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.6	April 2026
Doubtful loans (monthly % var.)	0.9	April 2026
Recourse to the Eurosystem L/T (Eurozone financial institutions. million euros)	12,775	May 2026
Recourse to the Eurosystem L/T (Spanish financial institutions. million euros)	31	May 2026
Ratio of operating expenses to ordinary income	37.3	Q1 2026
Ratio of customer deposits to employees (thousands of euros)	14,449.90	Q1 2026
Ratio of customer deposits to branches (thousands of euros)	140,633.98	Q1 2026
Ratio of "Branches/institutions" ratio	93.0	Q1 2026

A. Money and Interest Rates

Indicator	Based on data from	Average 2019-2023	2024	2025	2026 May	2026 June	Definition and calculation
1. Money supply (% change)	ECB	5.8	3.4	3.3	3.2	-	Change in M3 aggregate (seasonally adjusted)
2. 3-month interbank interest rate	BE	0.5	3.572	2.177	2.224	2.340	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	0.8	3.274	2.202	2.804	2.801	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	0.5	3.645	2.2	1.931	2.038	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	1.4	3.0	3.2	3.5	3.4	Market interest rates (not exclusively between account holders)
6. US dollar (USD)/euro (EUR) exchange rate	BE	1.116	1.082	1.130	1.167	1.152	Official exchange rates US dollar (USD) / Euro (EUR)

Commentary "Money and interest rates": After seven consecutive pauses, at its last meeting on June 11, the European Central Bank decided to raise interest rates by 25 basis points to combat rising inflation figures in the eurozone. This decision has been passed through to interest rates in the interbank markets. In June, the monthly average of the 12-month Euribor (the main reference for mortgages) decreased slightly, moving to 2.801% from an average of 2.804% in May. The 3-month benchmark increased slightly from 2.224% in May to 2.340% in June. The yield on 10-year government bonds decreased slightly to 3.4% from 3.5% the previous month (provisional data as of June 30, 2026). Meanwhile, in June, the average dollar/euro exchange rate depreciated slightly, moving to 1.152 from 1.167 in May.

B. Financial Markets

Indicator	Based on data from:	Average 2019-2023	2024	2025	2026 April	2026 May	Definition and calculation
7. Trading ratio in spot, forward, and repo transactions with Treasury bills	Spanish Treasury	13.23	4.96	6.59	9.17	-	(Average daily amount traded/outstanding balance) x100 for the market as a whole (not exclusively between account holders)
8. Trading ratio in spot, forward, and repo transactions with government bonds and debentures	Spanish Treasury	6.74	5.74	6.51	7.08	-	(Average daily 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	0.36	3.16	2.08	2.12	2.16	In simple transactions and for the market as a whole (not exclusively between account holders)
10. Interest rate on 10-year government bonds	BE	1.4	3.1	3.2	3.44	3.39	Weighted average rates of 10-year government bond auctions
11. Madrid Stock Exchange capitalization (average monthly variation %)	BE and Madrid Stock Exchange	0.41	1.1	2.91	3.88	2.83	Rate of change for all resident companies
12. Stock market trading volume (average monthly variation %)	BE and Madrid Stock Exchange	2.31	-0.2	5.09	-21.69	-3.88	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	843.10	1,137.34	1,416.68	1,872.50b	1,926.10a	Based on 1985=100
14. Ibex-35 (Dec 1989=3000)	BE and Madrid Stock Exchange	8,528.62	11,595.0	14,566.94	19,032.00b	19,471.90a	Based on Dec 1989=3000
15. Nasdaq	NASDAQ	11,595.99	19,310.79	20,501.59	26,683.94b	26,213.72a	NASDAQ composite index
16. PER ratio (price/ earnings ratio) Madrid Stock Exchange	BE and Madrid Stock Exchange	17.98	14.4	19.03	16.38b	16.68a	Price/earnings ratio on the IBEX-35. Median value
17. CBOE Volatility Index (VIX)	VIX	21.36	17.35	18.93	16.20b	16.45a	Implied volatility of the S&P 500® (SPX) for the next 30 days

B. Financial Markets (continued)

Indicator	Based on data from:	Average 2019-2023	2024	2025	2026 April	2026 May	Definition and calculation
18. Bitcoin price (₿) in dollars ($)	Coinmarket. cap	41,512.91	93,429.20	101,624.49	66,125.10b	58,603.16a	Bitcoin price in dollars ($)
19. Short-term private debt. Outstanding balance (% change)	BE	-0.56	2.8	1.11	-47.33	0.18	Change in the outstanding balance of short-term debt of non-financial corporations
20. Long-term private debt. Outstanding balance (% change)	BE	-0.13	-0.1	0.04	-1.69	1.76	Change in the outstanding balance of long-term debt of non-financial corporations
21. Transactions carried out with IBEX-35 financial futures (% change)	BE	-1.49	-3.5	-1.82	-27.11	-15.79	Transactions carried out on IBEX-35 shares
22. Transactions carried out with financial options on IBEX-35 shares (% change)	BE	22.3	4.2	72.08	50	-50	Transactions carried out on IBEX-35 shares

(a) Latest data as of June 30, 2026 (b) June 30, 2026.

Commentary "Financial markets": In June, despite geopolitical instability due to the Middle East conflict, which continues to affect Spanish stock market indices and drive relative volatility, indices rose slightly compared to their closing values at the end of May. The IBEX-35 stands at 19,471.90 points at the end of June. The Madrid Stock Exchange General Index stands at 1,926.10 points. Meanwhile, in April (latest data available), the trading ratio in spot, forward, and repo transactions with Treasury bills stood at 9.17%. The trading ratio with government bonds and debentures stood at 7.08%. In May (latest data available), transactions with IBEX-35 stock futures decreased by 15.79%, and financial options on this same index decreased by 50% compared to the previous month.

C. Savings and financial indebtedness

Indicator	Based on data from:	Average 2019-2023	2024	2025	2025 (Q3)	2025 (Q4)	Definition and calculation
23. Net financial savings/GDP (National Economy)	BE	2.0	4.9	4.6	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	3.6	4.5	3.8	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	300.05	249.7	248.2	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	55.8	43.7	43.3	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	2.1	2.5	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	-0.1	1.2	1.0	-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 2019-2023	2024	2025	2026 March	2026 April	Definition and calculation
29. Bank credit to other resident sectors (% average monthly change)	BE	-0.03	0.03	0.31	0.72	-0.43	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	0.29	0.43	0.38	0.7	-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	0.26	0.85	1.21	4.6	0.9	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	0.06	0.17	0.32	-2.8	0.3	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	0.99	7.21	6.21	3.8	3.7	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	-0.82	-0.57	-1.36	-1.1	0.9	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	-0.03	3.13	0.60	-10.6	2.0	Percentage change in repurchase agreements in liabilities of the sum of banks, savings banks, and credit unions
36. Net equity (average monthly change %)	BE	0.08	0.53	0.22	-2.7	0.4	Percentage change in net equity of the sum of banks, savings banks, and credit unions

Commentary "Deposit institutions. Business performance": In April, the latest data available, there was a 0.43% decrease in lending to the private sector. Deposits decreased by 0.6%. Fixed-income securities increased their weight in the balance sheet by 0.9%, and shares and participations increased by 0.3%. Likewise, in April (latest data available), there was a 0.9% increase 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 2019-2023	2024	2025	2025 December	2026 March	Definition and calculation
37. Number of Spanish deposit institutions	BE	112	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	80	76	78	79	79	Total number of foreign deposit institutions operating in Spain
39. Number of employees	BE	167,216	163,496	165,842	165,842	165,842a	Total number of employees in the banking sector
40. Number of branches	BE	20,083	17,379	17,202	17,109	17,040	Total number of branches in the banking sector
41. Long-term Eurosystem appeal (total Eurozone financial institutions) (millions of euros)	BE	14,004	30,806	13,534	11,650	12,775b	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	199	6	61	0	31b	Open market operations: main long-term operations. Total Spain

(a): December 2025.

(b): Latest data as of May 31, 2026.

Commentary "Deposit institutions. Market structure and Eurosystem financing": In May 2026, Spanish financial institutions' net recourse to the Eurosystem's long-term programs stood at €12,775 million. MEMO-ITEM: Since January 2015, the European Central Bank has also been reporting on the amount of the various asset purchase programs. In May 2026, their value in Spain was €469,778 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 2019-2023	2024	2025	2025 (Q4)	2026 (Q1)	Definition and calculation
43. Ratio of operating expenses to ordinary income	BE	46.40	38.79	41.57	40.7	37.3	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	12,076.76	12,851.64	13,632.16	14,117.31	14,449.90	Productivity indicator: business acquisition capacity per employee
45. Ratio of customer deposits to branches (thousands of euros)	BE	102,300.29	120,904.04	132,140.13	136,842.83	140,633.98	Productivity indicator: business acquisition capacity per branch

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

Indicator	Based on data from:	Average 2019-2023	2024	2025	2025 (Q4)	2026 (Q1)	Definition and calculation
46. Ratio of branches to institutions	BE	105.02	94.4	92.98	93.0	93.0	Network expansion indicator
47. Employees/ branches	BE	8.4	9.4	9.5	9.6	9.7	Branch size indicator
48. Equity (% average monthly change)	BE	0.1	0.4	0.2	0.6	0.57	Indicator of change in deposit institutions' equity
49. ROA	BE	0.6	1.3	1.3	1.3	1.3	Profitability indicator, defined as the ratio of "Profit before tax/ average total assets"
50. ROE	BE	7.0	15.9	15.5	15.5	16.7	Profitability indicator, defined as the ratio "Profit before tax/ equity"

Commentary "Deposit institutions. Efficiency and productivity, risk and profitability": In the first quarter of 2026, the ROA of the Spanish banking sector remained stable compared to the previous quarter (1.3%). ROE reached 16.7%.

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 **	49,590,099		18.5					27.3	47.4	14.6	20.2	32.8		
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	16.0	11.4	7.9	37.9
2022	19,078	2.49	15.9	12.1	8.1	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	16.5	11.8	9.6	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*	-	-	1,057,552	1,254	6,680,909	1,568	2,343,073	973	897,476	919,449	165,196	299,378
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	2.21	3.91	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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