

Spain's financial sector: Current trends and future challenges

WHAT MATTERS

The Spanish economy:
Scenarios for 2018-2020

Bank profitability ten years after
the crisis: The digital opportunity

Recent trends in **Spain's private
equity market**

Spanish banks ahead of MREL:
Estimating projected issuance for
compliance

**Bank financing for micro and
small enterprises:** Spain in the
European context

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SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

Letter from the Editors

Global economic prospects seem brighter – the OECD has recently revised upwards its world economic growth forecast since November for this year and next. But 2018 also appears to be a year marked by heightened uncertainty and market volatility. As regards Spain, the economy's current growth cycle is the most balanced in recent economic history. In the past, growth had been accompanied by external imbalances, relatively high inflation and an erosion of competitiveness that ultimately triggered fresh recessions. Evidence suggests, however, that today's Spanish economy is significantly better positioned to withstand external shocks.

It is within this context that we open the March issue of *Spanish and International Economic & Financial Outlook (SEFO)* with an assessment of the robustness of Spain's current growth cycle under different scenarios – *i.e.*, in response to various potential macroeconomic shocks – both external and domestic, as well as negative and positive.

From the formulation of four scenarios for the period 2018-2020, we conclude that in all of them, the Spanish economy would continue to grow until 2020 and even under the most adverse scenario, would not fall into a prolonged recession. In the central scenario, activity would approach its non-inflationary potential by the end of 2020 and the unemployment rate would drop to around 10%. Some Autonomous Regions (Balearic Islands, Basque Country and Navarre) would

be close to full employment. This increased resilience of the Spanish economy is due to a combination of factors, including: i) the improved financial position of non-financial enterprises; ii) a healthier post-crisis financial sector; and, iii) the country's favourable competitive position. Nevertheless, in all scenarios, public debt and unemployment remain the main medium-term challenges, highlighting the need for additional reform.

Next, we turn the focus to current trends and upcoming challenges for Spanish financial system actors by looking at bank profitability after the crisis and assessing the prospects of the digital opportunity in the years to come. While the latest quantitative indicators for the European banking sector largely show improvement in the ten years following the financial crisis, the sector has not been able to fully dispel doubts over asset quality. Moreover, banks still face important profitability challenges, with margins still significantly below pre-crisis levels. The five major Spanish banks posted a combined net profit of 13.44 billion euros in 2017, up 53.5% from 2016 and nearing the levels reported in 2008 - at the start of the crisis. Compared to the main European markets, Spanish banks perform relatively well in terms of profitability and efficiency, albeit still below average on capital adequacy. The restructuring forced by the crisis is ongoing, particularly as regards digitalisation. In this context, a more qualitative analysis of the situation reveals digitalisation as the best opportunity for

lifting profitability, framed by the choice of a range of competitive alternatives. Spanish banks are relatively well positioned compared to their European counterparts for tackling the digital challenge, although we do not rule out that relevant changes in the competitive landscape and service channels may still materialise.

Other areas of Spain's financial landscape are also showing improvement. After experiencing a somewhat slow start from its origination in the mid-eighties, the Spanish private equity market has evolved substantially, achieving record levels of investment in 2017 and a recovery in fundraising activity since the crisis – with international funds playing an increasingly prominent role. Moreover, the existence of favourable financing conditions, on offer from banks and non traditional financiers alike, is helping to get transactions closed. Nevertheless, increased competition will present challenges for the sector going forward.

While the outlook for the country's financial sector appears to be improving, Spain's banks, alongside their European counterparts, having digested new capital requirements imposed under Basel III, are now facing requirements to have easily 'bail-inable' instruments for loss absorption purposes in the event of resolution under the so-called Minimum Requirement of Eligible Liabilities (MREL). In recent months, progress has been made on specifying MREL requirements for European banks, allowing for an estimation of Spanish banks' associated funding requirements for compliance. Based on year-end 2016 data, we estimate an issuance requirement of between 65 and 79 billion euros, over one-quarter of which was already covered in 2017 in a very propitious market for 'bail-inable' liability issues, principally for senior 'non-preferred' notes following recent regulatory changes. Going forward, strong investment appetite and constructive market conditions should underpin continued issuance at favourable terms of the remaining MREL requirements for Spain's significant banks in the coming year. However, the final levels of bail-inable capital needed for MREL compliance may still vary given that numerous regulatory

parameters have yet to be defined, together with the entity-specific approach taken by European authorities.

The final topic addressed as regards financial issues looks at financing conditions as perceived from the demand side; specifically, banks financing for micro and small enterprises in Spain in the European context. In, Spain, the weight of micro and small enterprises is the most relevant to the productive landscape, accounting for 59.5% of all jobs (10pp above the EU average) and 44.0% of GDP (+5.3pp). Yet, the small size of Spanish companies serves as a barrier in terms of the ability to invest in the factors that drive productivity (R&D, human capital, international expansion, *etc.*), as well as in terms of their access to finance. The findings of the latest ECB survey addressing firms' access to finance show that micro and small enterprises face harsher financing conditions, particularly in the case of micro enterprises. Although these terms and conditions have improved substantially in recent years, firms with fewer than 50 employees are perceiving the improvement to a lesser degree. The good news is that the differences in spreads on bank loans by loan size have narrowed and that access to finance is now the key problem for only a very small percentage of Spanish companies (around 7%), irrespective of size. In addition, financing conditions have improved in terms of interest rates, but have gotten tighter in terms of commissions and collateral, more so for micro and small enterprises.

What's Ahead (Next Two Months)

| Month | Day | Indicator / Event |
|-------|-------------------------------------|---|
| April | 3 | Social Security registrants and official unemployment (March) |
| | 6 | Industrial production index (February) |
| | 13 | CPI (March) |
| | 16 | Financial Accounts Spanish Economy (4 th quarter 2017) |
| | 20 | Foreign trade report (January) |
| | 26 | Labour Force Survey (1 st quarter 2018) |
| | 26 | ECB monetary policy meeting |
| | 26 | Non-financial accounts, State (March) |
| | 26 | Non-financial accounts, Regional Governments and Social Security (February) |
| | 27 | Eurogroup meeting |
| | 27 | Preliminary CPI (April) |
| | 27 | Retail trade (March) |
| | 27 | Preliminary GDP (1 st quarter 2018) |
| | 30 | Balance of payments monthly (February) |
| | May | 4 |
| 9 | | Industrial production index (March) |
| 11 | | CPI (April) |
| 22 | | Foreign trade report (March) |
| 24 | | Eurogroup meeting |
| 29 | | Non-financial accounts, State (April) |
| 29 | | Non-financial accounts, Regional Governments and Social Security (March) |
| 30 | | Retail sales (April) |
| 30 | | Preliminary CPI (May) |
| 31 | | Quarterly National Accounts (1 st quarter 2018) |
| 31 | Balance of payments monthly (March) | |

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What Matters



3 **The Spanish economy: Scenarios for 2018-2020**

The correction of a number of key macroeconomic imbalances in the wake of the crisis has strengthened the country's ability to withstand potential shocks over the medium-term; thus, a recession would be averted even in the most adverse scenario considered in this paper. Nonetheless, the still high level of public debt combined with pervasive job precariousness remain key medium-term vulnerabilities that need to be addressed.

Raymond Torres and María Jesús Fernández



15 **Bank profitability ten years after the crisis: The digital opportunity**

The latest quantitative indicators for the European banking sector largely show improvement in the ten years following the financial crisis. Despite recovery, key profitability challenges remain for most of Europe's, including Spain's, banks, with the digital channel offering opportunities to increase financial results, but not without risks.

Santiago Carbó Valverde and Francisco Rodríguez Fernández



29 **Recent trends in Spain's private equity market**

Despite a somewhat slow start, in 2017, Spain's private equity market experienced record levels of investment and a recovery in fundraising activity since the crisis. Nevertheless, increased competition will present challenges for the sector going forward.

Irene Peña and Pablo Mañueco, A.F.I.



37 **Spanish banks ahead of MREL: Estimating projected issuance for compliance**

In response to greater regulatory clarity and favourable market conditions, Spanish banks have already issued over a quarter of their MREL requirements in 2017. The outlook for issuance remains constructive in the coming year, although there is still scope for adjustment to ultimate outstanding MREL funding needs.

Ángel Berges, Alfonso Pelayo and Fernando Rojas, A.F.I.



45 **Bank financing for micro and small enterprises: Spain in the European context**

In Spain, the weight of micro and small enterprises is the most relevant to the productive landscape. Like their EU counterparts, Spanish micro and small firms face harsher terms and conditions in accessing finance, but improvement observed in recent years has also benefitted these firms the most.

Joaquín Maudos

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MACRO SCENARIOS

The Spanish economy: Scenarios for 2018-2020

The correction of a number of key macroeconomic imbalances in the wake of the crisis has strengthened the country's ability to withstand potential shocks over the medium-term; thus, a recession would be averted even in the most adverse scenario considered in this paper. Nonetheless, the still high level of public debt combined with pervasive job precariousness remain key medium-term vulnerabilities that need to be addressed.

Raymond Torres and María Jesús Fernández

Abstract: The Spanish economy's current growth cycle is the most balanced in recent economic history. In the past, growth had been accompanied by external imbalances, relatively high inflation and an erosion of competitiveness that ultimately triggered fresh recessions. Evidence suggests, however, that today's Spanish economy is significantly better positioned to withstand external shocks. From the formulation of four scenarios for

the period 2018-2020, we conclude that in all of them, the Spanish economy would continue to grow until 2020 and even under the most adverse scenario, would not fall into a prolonged recession. In the central scenario, activity would approach its non-inflationary potential by the end of 2020 and the unemployment rate would drop to around 10%. Some Autonomous Regions (Balearic Islands, Basque Country and

Navarre) would be close to full employment. This increased resilience of the Spanish economy is due to a combination of factors, including: i) the improved financial position of non-financial enterprises; ii) a healthier post-crisis financial sector; and, iii) the country's favourable competitive position. Nevertheless, in all scenarios, public debt and unemployment remain the main medium-term challenges, highlighting the need for additional reform.

Introduction

In recent years, the Spanish economy, in addition to growing at levels in excess of 3%, has managed to maintain a substantial trade surplus and kept inflation in check, contributing to the relatively favourable competitive positioning of its enterprises. As a result, the current growth cycle is the most balanced in recent economic history. In the past, growth had been accompanied by external imbalances, relatively high inflation and an erosion of competitiveness that ultimately triggered fresh recessions.

The main purpose of this paper is to analyse the robustness of the current growth cycle in response to potential macroeconomic shocks, whether positive or negative. The ability to extend balanced growth would also help to absorb the legacy of unemployment and indebtedness left by the crisis.

Lastly, this analysis is conducted in the context of the stress tests initiated by the European Banking Authority (EBA) and changes in European accounting regulations – particularly the entry into force in 2018 of IFRS 9 – which make it necessary to model risk scenarios to evaluate the financial sector's and broader economy's ability to withstand potential shocks [1].

Key assumptions

To evaluate the strength of the current growth cycle, we analysed four scenarios for 2018-2020, a period of time that lends itself to forecasting with a reasonable degree of confidence. What differentiates these scenarios from each other are the assumptions made regarding the external environment and

the home market context (Appendix 1). The scenarios thus contain different assumptions regarding global growth, interest rates, oil prices and the situation in Catalonia.

In the *baseline scenario*, the favourable international environment is assumed to continue until 2020 both within and beyond the eurozone. Oil prices are modelled close to the average observed in recent weeks. Benchmark interest rates are assumed to start to rise from the end of 2018, albeit with a limited impact on the 10-year yield on Spanish sovereign bonds thanks to a slight reduction in the risk premium, driven by stronger investor confidence. The euro exchange rate is expected to remain stable at current levels (1.25 dollars per euro), easing somewhat in 2020 towards its equilibrium level, estimated at 1.20 dollars. The situation in Catalonia is assumed to normalise gradually so that the impact on growth in Spain as a whole will be 0.3pp, mainly via consumption and tourism, in keeping with the figures observed in recent months.

This scenario assumes continuity of prevailing macroeconomic policy (gradual normalisation of ECB policy and compliance with fiscal deficit targets), which is considered fairly probable. The formation of a broad coalition in Germany lends greater credibility to the monetary policy assumptions. Elsewhere, some of the global risks (bursting of the credit bubble in China, protectionism, protracted recession in Brazil and other emerging markets) and Europe-specific risks (economic situation in the eurozone) have dissipated. However, uncertainty regarding Brexit lingers and there is new concern in the wake of the Trump administration's fiscal policy decisions and their more than probable impact on the deficit and inflation and the reaction by the Federal Reserve. Overall, the probability assigned to this scenario materialising is 60 to 70%.

For the *optimistic scenario*, we used the average growth forecast of the five most upbeat analysts (oil prices and the euro exchange rate assumptions are unchanged from the baseline scenario however) [2]. Moreover, the tension in Catalonia is expected to dissipate rapidly in

“ Addressing the tensions in Catalonia will require reforms to the regional financing regime and institutional fit, areas of complexity that will take time to resolve. ”

this scenario, cancelling out the 0.3pp erosion modelled in the baseline scenario. This would in turn lead to a ratings upgrade for Spanish sovereign debt.

The probability that this scenario will materialise is lower than for the baseline scenario. Some countries such as Germany, the US and Japan are nearing full employment, which may impede faster growth. On the other hand, digital transformation could drive productivity gains not witnessed to date. On the domestic front, it would seem improbable that the tension in Catalonia will disappear altogether in the absence of reforms to address the regional financing regime and institutional fit, areas of complexity that will take time to resolve. Bearing in mind the various parameters, this scenario's probability of occurrence is estimated at between 15% and 25%.

The *risk scenario* is based on a less favourable international climate. Accordingly, it uses the average global growth forecast of the five most pessimistic analysts as well as assuming oil prices of \$80 per barrel, closer to the upper end of the range in the futures market. The euro is assumed to be weaker in 2019 and 2020 than in the baseline scenario assuming that the less benign global economic situation would drive investors to seek refuge in the dollar. This scenario assumes that the tension in Catalonia continues, affecting investment in the region (in addition to the impact on consumption and tourism modelled in the baseline scenario). Investment in Catalonia accounts for 16.5% of the national total. Extrapolating the growth in this variable in the first three quarters of 2017 points to estimated growth of 4.5% in 2017, which means that Catalonia contributed 0.7 points of growth in investment in Spain. Therefore, if we assume for our risk scenario that growth in investment contracts by half, Catalonia

would contribute 0.35 points less to growth in nationwide investment relative to the baseline scenario.

This scenario cannot be ruled out in light of uncertainty regarding macroeconomic policy in the US and the rollback by the developed world's central banks of their ultra-lax monetary policies. Elsewhere, geopolitical tensions could drive oil prices higher. On the home front, the biggest risk is that of the *chronification* of the Catalan conflict and prolonged paralysis of the reform thrust. Overall, the probability assigned to this scenario materialising is 10% to 15%. The low likelihood of a slowdown in global growth coinciding with a sudden increase in oil prices is what makes the probability of occurrence of this scenario lower.

Lastly, we modelled a *heightened-risk scenario*, which combines an increase in oil prices similar to that of the last scenario and a financial shock similar to that underpinning the EBA's macroeconomic projections. It assumes an increase in financial uncertainty in the US, triggering a flight to safety.

The EBA's projections are based on a hypothetical increase in US Treasury yields that would weigh on yields in Europe. In Spain, the impact would be an increase in the risk premium compared to the baseline scenario. However, the EBA's report does not explain how it calibrates the shock or the reaction in the European markets. In this respect, the scenario modelled by Funcas is more specific, as it assumes a shock of a similar magnitude to that of 2011. That year, financial turbulence choked off credit and drove the risk premium to 278 points (which is more than double the level modelled by the EBA). In addition, in a context of high volatility, the European economy saw its growth rate contract by 0.6pp, with the international economy

“ In all instances, even the heightened-risk scenario, the Spanish economy would continue to grow until 2020, while also averting an imbalance in the external accounts – the key factor unleashing prior recessions – or an unsustainable uptick in inflation. ”

contracting by 1.2pp. The pessimistic Funcas scenario combines this dual interest rate and international trade shock, calibrated in proportion to that of 2011.

The lessons learned from the crisis, coupled with the current dynamism in the global economy, make this scenario highly improbable. It is assigned a probability of occurrence of 0% to 5%.

The results

Exhibit 1 illustrates the key results of the simulations. In all instances, even the heightened-risk scenario, the Spanish economy would continue to grow until 2020. Furthermore, this growth would not prompt an imbalance in the external accounts – the key factor unleashing prior recessions – or an unsustainable uptick in inflation.

The *baseline scenario* foreshadows a gradual slowdown in the Spanish economy (Table 1) [3].

Private consumption would slow as the demand pent up during the middle years of the crisis is satisfied. So, as the rebound effect peters out, private spending would revert to growing in line with household income, putting an end to the outperformance of recent years. The household savings rate would remain constant at close to its equilibrium rate, estimated at 6% of disposable income. Investment would remain dynamic, albeit possibly easing in the wake of monetary policy normalisation from 2019. Even though the external sector would continue to make a positive contribution, this would decline somewhat relative to the early phase of recovery as imports regain their historical elasticity. Elsewhere, the separatist movement in Catalonia would undermine overall Spanish growth by 0.3pp in 2018, with this adverse impact narrowing over the rest of the projection period.

In contrast to prior episodes of growth, this phase of growth would be sustainable, marked by a solid surplus in the external accounts

Exhibit 1

Growth and current account surplus in the three main scenarios modelled by Funcas for the Spanish economy

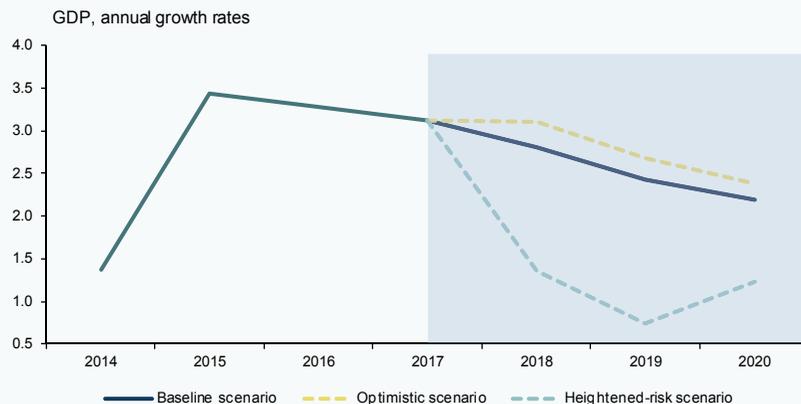
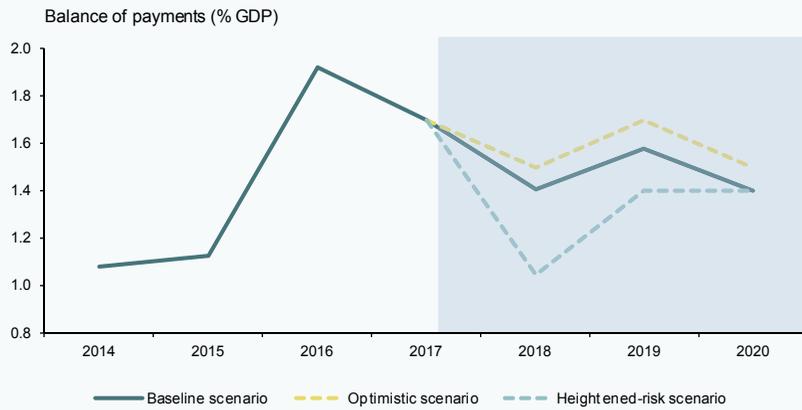


Exhibit 1

Growth and current account surplus in the three main scenarios modelled by Funcas for the Spanish economy

(continued)



Source: Authors' own elaboration.

Table 1

The Funcas baseline scenario

(Probability: 60-70%)

| | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|------|------|------|------|
| GDP | 3.1 | 2.8 | 2.4 | 2.2 |
| Private consumption | 2.4 | 2.2 | 2.0 | 2.0 |
| Public consumption | 1.6 | 1.2 | 1.0 | 1.0 |
| Gross fixed capital formation | 5.0 | 5.5 | 4.5 | 3.6 |
| - Construction | 4.6 | 5.6 | 4.7 | 3.3 |
| - Equipment and other products | 5.4 | 5.4 | 4.3 | 3.9 |
| Exports | 5.0 | 5.0 | 4.8 | 4.4 |
| Imports | 4.7 | 4.9 | 4.8 | 4.4 |
| National demand (contribution) | 2.8 | 2.6 | 2.3 | 2.1 |
| External sector (contribution) | 0.3 | 0.2 | 0.1 | 0.1 |
| Inflation rate | 2.0 | 1.5 | 1.4 | 1.8 |
| Employment | 2.8 | 2.4 | 2.1 | 1.9 |
| Unemployment rate | 17.2 | 15.1 | 13.2 | 11.2 |
| Current account of the BoP (% of GDP) | 1.7 | 1.4 | 1.6 | 1.4 |
| Household savings rate (% of GDI) | 5.9 | 5.9 | 5.9 | 6.0 |
| Public borrowings (% of GDP) | 98.4 | 96.6 | 94.8 | 92.6 |

Source: Authors' own elaboration.

and core inflation of under 2%, in line with the eurozone average. Although public borrowings would remain one of the Spanish economy's key challenges, leverage would trend lower.

By the end of 2020, growth would be nearing its non-inflationary potential while unemployment would have fallen to close to 10%. Some regions (Balearics, Basque region and Navarre) would enjoy near full employment which could facilitate real wage growth in keeping with productivity. However, in the absence of reforms, the quality of jobs would remain suboptimal.

In the *optimistic scenario*, the strong pace of global growth, coupled with rapid normalisation in Catalonia, would translate into an even more gradual slowdown than

observed in the baseline scenario (Table 2). All imbalances (unemployment, public debt) would come down faster than in the baseline scenario, but without exerting pressure on the balance of payments or inflation.

The surplus in the current account of the balance of payments would be slightly higher than in the baseline scenario, owing to the larger external contribution to growth arising from the optimistic assumptions regarding world trade. The stronger trade surplus would be only partly offset by the increased interest payments arising from higher interest rates. Inflation, meanwhile, would only be slightly higher in the optimistic scenario. The sharp increase in competition worldwide as a result of the globalisation of the economy has driven a structural reduction in inflation in the developed economies that is also evident

Table 2 **The Funcas optimistic scenario**

(Probability: 15-25%)

| | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|------|------|------|------|
| GDP | 3.1 | 3.1 | 2.7 | 2.4 |
| Private consumption | 2.4 | 2.5 | 2.2 | 2.2 |
| Public consumption | 1.6 | 1.2 | 1.1 | 1.1 |
| Gross fixed capital formation | 5.0 | 5.7 | 4.8 | 3.7 |
| - Construction | 4.6 | 5.8 | 4.3 | 3.5 |
| - Equipment and other products | 5.4 | 5.6 | 5.3 | 3.9 |
| Exports | 5.0 | 5.3 | 5.0 | 4.5 |
| Imports | 4.7 | 5.0 | 4.9 | 4.5 |
| National demand (contribution) | 2.8 | 2.8 | 2.5 | 2.3 |
| External sector (contribution) | 0.3 | 0.3 | 0.2 | 0.1 |
| Inflation rate | 2.0 | 1.5 | 1.5 | 1.9 |
| Employment | 2.8 | 2.8 | 2.4 | 2.0 |
| Unemployment rate | 17.2 | 14.8 | 12.7 | 10.6 |
| Current account of the BoP (% of GDP) | 1.7 | 1.5 | 1.7 | 1.5 |
| Household savings rate (% of GDI) | 5.9 | 5.7 | 5.7 | 5.7 |
| Public borrowings (% of GDP) | 98.4 | 96.1 | 93.9 | 91.5 |

Source: Authors' own elaboration.

Table 3 **The Funcas risk scenario**

(Probability: 10-15%)

| | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|------|------|------|------|
| GDP | 3.1 | 2.0 | 1.5 | 1.8 |
| Private consumption | 2.4 | 1.2 | 0.9 | 1.4 |
| Public consumption | 1.6 | 1.0 | 0.9 | 1.0 |
| Gross fixed capital formation | 5.0 | 4.7 | 2.5 | 2.9 |
| - Construction | 4.6 | 4.8 | 2.3 | 2.9 |
| - Equipment and other products | 5.4 | 4.6 | 2.8 | 2.8 |
| Exports | 5.0 | 4.5 | 3.5 | 4.1 |
| Imports | 4.7 | 4.1 | 2.9 | 3.8 |
| National demand (contribution) | 2.8 | 1.7 | 1.2 | 1.6 |
| External sector (contribution) | 0.3 | 0.3 | 0.3 | 0.2 |
| Inflation rate | 2.0 | 2.4 | 1.4 | 1.7 |
| Employment | 2.8 | 1.7 | 1.2 | 1.4 |
| Unemployment rate | 17.2 | 15.7 | 14.5 | 13.0 |
| Current account of the BoP (% of GDP) | 1.8 | 0.6 | 0.7 | 0.7 |
| Household savings rate (% of GDI) | 6.0 | 5.7 | 6.3 | 6.4 |
| Public borrowings (% of GDP) | 98.4 | 98.0 | 97.8 | 96.8 |

Source: Authors' own elaboration.

in Spain. This structural phenomenon is expected to last, so that the elimination of idle productive capacity is not expected to exert the same pressure on prices as in the past.

The Spanish economy would slow substantially were the *risk scenario* to materialise (Table 3). The lower rate of global growth would affect its growth prospects. The impact would be higher than in prior cycles due to the greater weight of the export sector. Meanwhile, the spike in oil prices would impair the outlook

for inflation and the trade balance. Lastly, *chronification* of the Catalan conflict would exert upward pressure on the risk premium.

More specifically, the impact of higher oil prices on inflation would take place in 2018, which is the year in which the shock is assumed to take place. In subsequent years, oil prices are modelled flat in accordance with the scenario estimates, so that energy inflation would be nil, pushing the headline rate lower. The reduced rate of growth and

“ In the heightened risk scenario, growth would collapse on the back of the credit crunch and spike in interest rates. Yet, projections would be less adverse than in EBA stress tests and a recession would be avoided. ”

attendant lower capacity utilisation rate would translate into slightly lower rates of inflation compared to the baseline scenario in 2019 and 2020. Higher oil prices would erode the current account surplus relative to the baseline scenario but not to the point of pushing it into deficit.

Lastly, in the *heightened risk scenario*, growth would collapse on the back of the credit crunch and spike in interest rates. However, unlike what happened in 2011-2012, the economy would not enter recession (Table 4). Note that these projections are less adverse than the EBA estimates, which call for negative growth of 0.3%, 1.5% and 1.1% in 2018, 2019 and 2020, respectively.

This difference is attributable to the starting point, which is relatively favourable compared

to the situation before the last crisis, circumstances the EBA projections fail to fully factor in:

- Companies are in a better financial position, with more elbow room for absorbing interest rate shocks. Between 2010 and 2017, Spain's non-financial corporates have deleveraged by over 310 billion euros. This deleveraging effort, coupled with the economic recovery, has brought their leverage ratio down to 96% of GDP, down 36 points from 2010. In 2017, these companies paid close to 13 billion euros in interest, compared to 33 billion euros in 2010. As a result, an increase in interest rates would have a smaller impact than in earlier years. Under this heightened risk scenario, in 2018 the non-financial corporates' interest bill would increase by half as much as it did in 2011.

Table 4 **The Funcas heightened-risk scenario**

(Probability: 0-5%)

| | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|------|------|-------|-------|
| GDP | 3.1 | 1.4 | 0.7 | 1.2 |
| Private consumption | 2.4 | 0.5 | 0.3 | 0.6 |
| Public consumption | 1.6 | 1.0 | 0.9 | 0.9 |
| Gross fixed capital formation | 5.0 | 1.8 | 0.3 | 1.4 |
| - Construction | 4.6 | 1.9 | 0.6 | 1.2 |
| - Equipment and other products | 5.4 | 1.7 | -0.1 | 1.6 |
| Exports | 5.0 | 3.7 | 2.4 | 3.3 |
| Imports | 4.7 | 2.5 | 1.3 | 2.3 |
| National demand (contribution) | 2.8 | 0.9 | 0.3 | 0.8 |
| External sector (contribution) | 0.3 | 0.5 | 0.4 | 0.4 |
| Inflation rate | 2.0 | 2.4 | 1.3 | 1.6 |
| Employment | 2.8 | 1.1 | 0.4 | 0.8 |
| Unemployment rate | 17.2 | 16.2 | 15.7 | 14.7 |
| Current account of the BoP (% of GDP) | 1.8 | 1.0 | 1.4 | 1.4 |
| Household savings rate (% of GDI) | 6.0 | 5.5 | 5.9 | 6.2 |
| Public borrowings (% of GDP) | 98.4 | 99.2 | 100.5 | 101.5 |

Source: Authors' own elaboration.

- Spain's households are also better positioned to withstand a financial shock. Since 2010, they have pared back their borrowings by 170 billion euros to a level equivalent to close to one year's gross disposable income – which nears the threshold estimated by the BIS as the proxy for being able to withstand a potential crisis [4]. In the heightened risk scenario, the household debt service burden would be lower than in 2011, as would the increase in interest payments.
- Elsewhere, the trend in the labour market, crucial for private consumption decisions and investor expectations, has changed substantially. In 2011, employment was still contracting sharply as a result of the bursting of the real estate bubble a few years earlier and the structural contraction of the construction sector. When the financial shock occurred, employment plummeted and productivity (GDP per job holder) registered annual growth of over 2%. Nowadays, however, the construction sector has completed its downsizing, so that job creation should trend more in line with growth. As a result, in the event of a fresh financial shock, employment would not play such a pro-cyclical role as in the prior crisis.
- And the healthier state of the financial sector would help to cushion an interest rate shock or a standstill in international capital flows. Liquidity and capital ratios have improved substantially. Meanwhile, the banks' reduced exposure to sovereign debt would reduce the impact of an increase in the risk premium on their balance sheets. As a result, the banks would continue to be able to extend credit.

Having surmounted the initial impact of higher oil prices, in 2019 and 2020 inflation would be the lowest of any of the scenarios due to the lower rate of growth in internal demand and relatively greater amount of idle capacity. The balance of payments surplus would be lower than in the baseline scenario as a result of higher oil prices but higher than in the risk scenario as the slowdown in domestic demand (and, therefore, imports) would be more

intense in this instance than the slowdown in global demand (and, therefore, exports). This is because of the greater impairment of confidence and bigger increase in interest rates which Spain would sustain, as embodied by a sharp increase in the risk premium. This loss of confidence would in turn drive a high level of public indebtedness, this being one of the Spanish economy's greatest sources of vulnerability, particularly in the event of a financial crisis.

Job precariousness is its other key vulnerability. The significant weight of temporary employment lends itself to heavy redundancies during periods of recession, more so than in other European countries, with a pro-cyclical impact on growth.

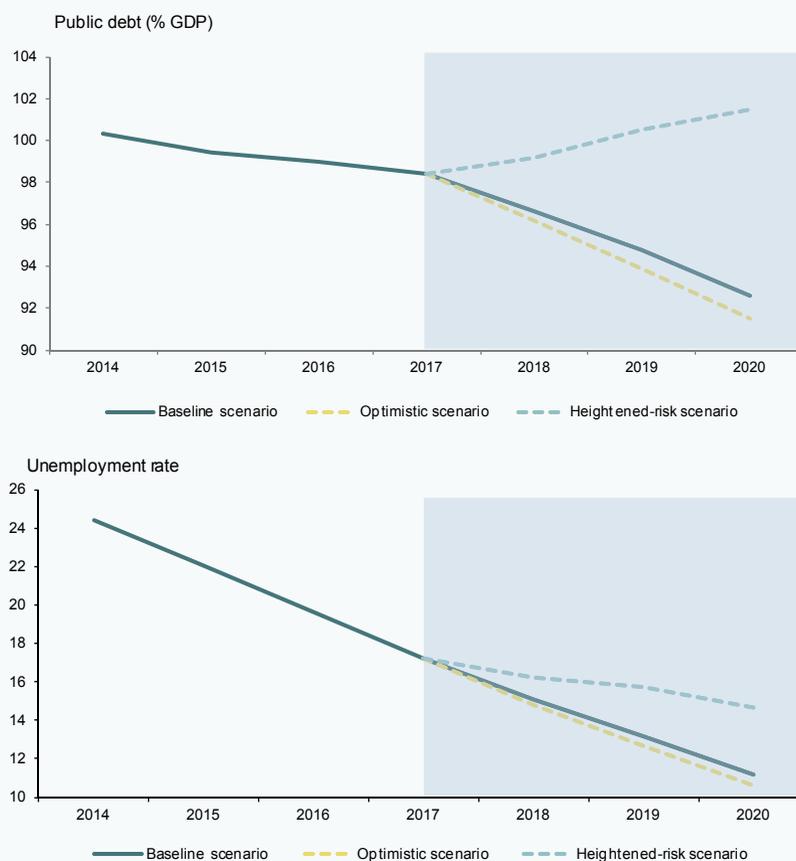
It is worth highlighting that the estimated trend in the effective cost of the various sectors' borrowings is very relevant in terms of calculating the outcomes for the various macroeconomic variables both in this scenario and in the other scenarios modelled. Note however that the estimation method used has yielded very positive results in the past, as is shown in the correlations presented in Appendix 2.

Conclusions

In short, all signs suggest that the Spanish economy is significantly better positioned than in the past to withstand external shocks from here to 2020. In the worst-case scenario (which combines an increase in the risk premium of the magnitude observed in 2011 and higher oil prices), economic growth would slow substantially but there would not be a prolonged recession. The result would be significantly less adverse than the projections modelled by the EBA in the context of its bank stress testing exercise. Moreover, Spain would continue to present a current account surplus even in the best case scenario, characterised by dynamic growth in domestic demand over the next three years. The Spanish economy's ability to withstand shocks, whether positive or negative, is attributable to the improved financial health of its companies, the restructuring of the financial sector and the country's favourable competitive positioning. Nevertheless, in all scenarios, public debt and unemployment

Exhibit 2

Public debt and unemployment in Funcas' three main scenarios for the Spanish economy



Source: Authors' own elaboration.

remain the main challenges facing the country in the medium term (Exhibit 2), evidencing the need for new reforms.

Notes

[1] Refer to European Systemic Risk Board (ESRB), "Adverse macro-financial scenario for the 2018 EU-wide banking sector stress test," January 2018, www.esrb.europa.eu

[2] The source of the forecasts of the various analysts for global and European growth is Consensus Economics (www.consensuseconomics.com).

[3] For further details about the baseline scenario, refer to Raymond Torres and María Jesús Fernández, "The Spanish economy in 2017 and the outlook for 2018", *Spanish Economic and*

Financial Outlook, No. 262, January-February 2018.

[4] Refer to the BIS Working Paper No. 607, January 2017, "The real effects of household debt in the short and long run", <https://www.bis.org/publ/work607.pdf>

Raymond Torres and María Jesús Fernández. Economic Trends and Statistics Department, Funcas

Appendix 1

Key assumptions underpinning the scenarios for the Spanish economy

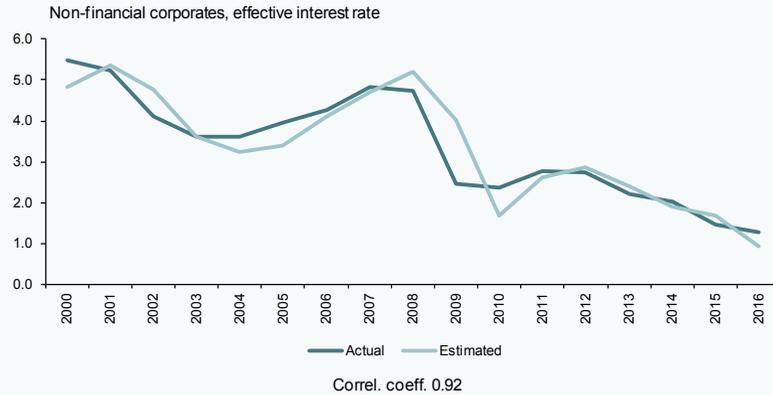
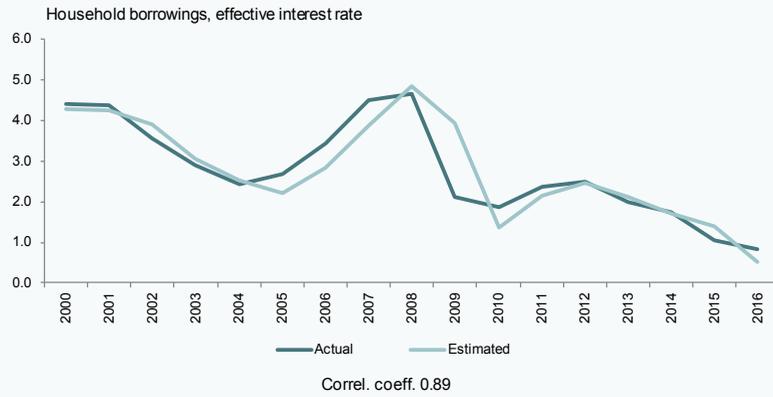
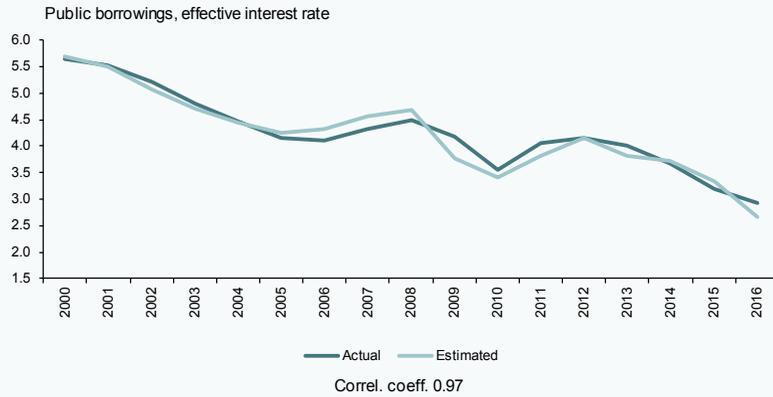
| Baseline scenario | | | | |
|---------------------|------|-------|------|------|
| | 2017 | 2018 | 2019 | 2020 |
| Global GDP growth | 3.6 | 3.6 | 3.5 | 3.5 |
| Eurozone GDP growth | 2.5 | 2.3 | 1.9 | 1.8 |
| Oil prices | 54.3 | 65 | 65 | 65 |
| LT interest rates | 1.6 | 1.4 | 1.5 | 1.8 |
| Risk premium | 1.2 | 0.7 | 0.5 | 0.6 |
| ST interest rates | -0.3 | -0.32 | 0.07 | 0.75 |
| Euro exchange rate | 1.1 | 1.25 | 1.25 | 1.20 |
| Productivity | 0.2 | 0.4 | 0.4 | 0.4 |
| Wage growth | 0.1 | 1.0 | 1.0 | 1.9 |

| Optimistic scenario | | | | |
|---------------------|------|-------|------|------|
| | 2017 | 2018 | 2019 | 2020 |
| Global GDP growth | 3.6 | 3.7 | 3.6 | 3.5 |
| Eurozone GDP growth | 2.5 | 2.4 | 2.1 | 1.9 |
| Oil prices | 54.3 | 65 | 65 | 65 |
| LT interest rates | 1.6 | 1.5 | 1.6 | 1.9 |
| Risk premium | 1.2 | 0.6 | 0.4 | 0.5 |
| ST interest rates | -0.3 | -0.29 | 0.16 | 0.90 |
| Euro exchange rate | 1.1 | 1.25 | 1.25 | 1.20 |
| Productivity | 0.2 | 0.4 | 0.4 | 0.4 |
| Wage growth | 0.1 | 1.0 | 1.2 | 2.1 |

| Risk scenario | | | | |
|---------------------|------|-------|-------|------|
| | 2017 | 2018 | 2019 | 2020 |
| Global GDP growth | 3.6 | 3.2 | 2.8 | 3.0 |
| Eurozone GDP growth | 2.5 | 1.9 | 1.4 | 1.4 |
| Oil prices | 54.3 | 80 | 80 | 80 |
| LT interest rates | 1.6 | 1.6 | 1.6 | 2.0 |
| Risk premium | 1.2 | 1.2 | 1.0 | 1.1 |
| ST interest rates | -0.3 | -0.32 | -0.11 | 0.35 |
| Euro exchange rate | 1.1 | 1.25 | 1.18 | 1.18 |
| Productivity | 0.2 | 0.4 | 0.4 | 0.4 |
| Wage growth | 0.1 | 1.0 | 1.0 | 1.5 |

| Heightened-risk scenario | | | | |
|--------------------------|------|-------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 |
| Global GDP growth | 3.6 | 2.7 | 2.0 | 2.6 |
| Eurozone GDP growth | 2.5 | 1.7 | 1.0 | 1.4 |
| Oil prices | 54.3 | 80 | 80 | 80 |
| LT interest rates | 1.6 | 3.5 | 3.8 | 4.0 |
| Risk premium | 1.2 | 2.8 | 2.8 | 2.8 |
| ST interest rates | -0.3 | -0.33 | -0.33 | -0.33 |
| Euro exchange rate | 1.1 | 1.25 | 1.25 | 1.20 |
| Productivity | 0.2 | 0.4 | 0.4 | 0.4 |
| Wage growth | 0.1 | 1.0 | 1.0 | 1.0 |

Appendix 2 **Effective cost of debt by sector. Comparison between the initially estimated cost and actual cost**



Bank profitability ten years after the crisis: The digital opportunity

The latest quantitative indicators for the European banking sector largely show improvement in the ten years following the financial crisis. Despite recovery, key profitability challenges remain for most of Europe's, including Spain's, banks, with the digital channel offering opportunities to increase financial results, but not without risks.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: In the ten years from the advent of the financial crisis, various quantitative indicators suggest that although the European banking sector is today considerably more solvent, it has not managed to fully dispel concerns about the quality of its assets. Moreover, the sector faces important challenges in terms of profitability, with margins still significantly below pre-crisis levels. The five major Spanish banks posted a combined net profit of 13.44

billion euros in 2017, up 53.5% from 2016 and nearing the levels reported in 2008 – at the start of the crisis. Compared to the main European markets, Spanish banks rank in the mid to upper quadrant in terms of profitability and efficiency, albeit still faring below average on capital adequacy. The restructuring forced by the crisis is ongoing, particularly as regards digitalisation, as banks strive to bring about more radical transformation in the ways

customers are serviced in the years to come. In this context, a more qualitative analysis of the situation reveals digitalisation as the best opportunity for lifting profitability, framed by the choice of a range of competitive alternatives. Spanish banks are relatively well positioned compared to their European counterparts for tackling the digital challenge, although we do not rule out that relevant changes in the competitive landscape and service channels may still materialise.

Business environment at the start of 2018

The banking sector is experiencing a period of transformation all over the world, one that is uniquely characterised by intense technological transition – probably the most intense of the last four decades. In parallel, the gradual normalisation of monetary conditions could, however, result in destabilisation to the extent this process leads to greater volatility in the markets. This paper analyses these challenges in the case of European banks – paying particular attention to the Spanish banking system – in 2018, a year that is shaping up to mark a ‘crossroads’. It has been ten years since the moment that best pinpoints the start of the crisis: October 2008. The time is right for considering how the European banking industry has changed in the past decade.

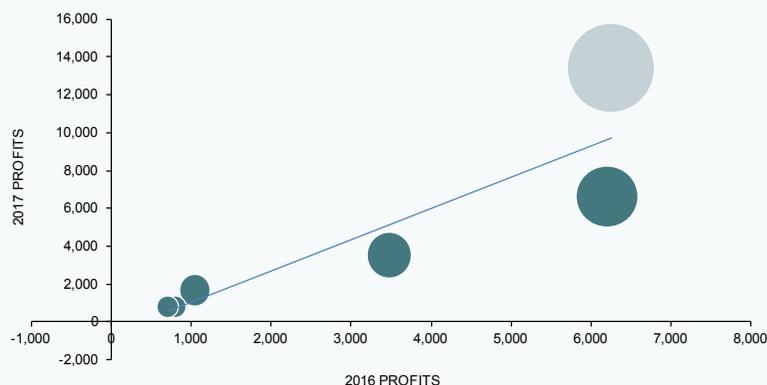
The crisis in the eurozone was marked by different circumstances to that of the United States, differences which affected the banking sector in particular. The sovereign debt crisis of 2012 and 2013 marked a first significant difference with respect to the crisis experienced on the other side of the Atlantic. Many of the eurozone economies suffered a second wave of recession, protracting the crisis and triggering fresh episodes of financial instability. Although conditions

started to improve considerably from 2014 – particularly with the articulation for more ambitious quantitative easing strategies – European banks have continued to see their market values swing considerably in recent years. *SEFO* has been noting that the unfinished business on the recapitalisation front –coupled with the uneven pace of progress being made by the various member states in this respect – has eroded investor confidence. Elsewhere, regulatory pressure, coupled with negative real rates, has had an adverse impact on profitability and equity market valuations.

The outlook is still for higher rates but it is unlikely that we will see the beginning of rate hikes in 2018. As a result, pressure on margins lingers. Europe’s banks have begun to react by cutting costs – also at an uneven pace, as we will show later on – and M&A activity has been intense. Elsewhere, the sole supervisor policy attempts to address concerns regarding the sector’s financial health. This response is, at best, one of wavering intensity. In 2018, the key benchmark on the transparency front will be the new European Banking Authority (EBA) stress tests, the results of which are due to be published this November. On January 31st, 2017, the EBA published the basic guidance defining how these tests will be performed. The adverse scenario to be modelled contemplates a deviation with respect to currently-estimated baseline EU GDP of an accumulated 8.3% between 2018 and 2020, a scenario the EBA itself describes as “the most severe scenario to date”. Another new development in the tests is the fact that the information will be submitted in keeping with IFRS for the first time. And, in response to widespread demand stemming from prior experiences, for the first time, it incorporates IFRS 9 accounting standards. No pass-fail threshold has been included as the results of the exercise are designed to serve as an input

“ The Spanish banking sector heads into the EBA stress tests from a position of relative strength thanks to the recapitalisation efforts already undertaken. ”

Exhibit 1

Net profit (millions of euros) of the top five banks in Spain in 2016 and 2017

Note: Combined profits of the top 5 shown in grey. The size of the bubble is proportionate to profit volumes in 2017.

Source: The results reported by the individual banks and authors' own elaboration.

to the Supervisory Review and Evaluation Process (SREP). The Spanish banking sector heads into this transparency exercise from a position of relative strength thanks to the recapitalisation efforts already undertaken.

Elsewhere, on the profitability front, Spanish banks have been reporting their 2017 results in recent weeks. As shown in Exhibit 1, the year-on-year improvement in net profits was sustained across the board. The five largest Spanish banks (Santander, BBVA, CaixaBank, Bankia and Sabadell) posted aggregate net profits of €13.44 billion in 2017, marking growth of 53.5% from 2016. The results do not include the cost for the Bankia group of acquiring BMN in order to make the year-on-year comparison more meaningful.

The banks' 2017 profits are beginning to get close to the 17.46 billion euros earned by the top 5 banks in Spain in 2008, the year in which the crisis was sparked internationally, although it would not be felt in Spain until somewhat later. What has changed at the European banks in the last 10 years? What sets the Spanish sector apart?

Ten years after the crisis: What has changed?

The data provided by the European Central Bank's Statistical Warehouse allow us to track a series of key banking business and profitability indicators over time, in this case from 2008 until 2017. Our analysis looks at three classes of indicators: i) profitability and efficiency indicators; ii) income structure indicators; and, iii) leverage and capital

“ There is widespread consensus that pre-crisis profitability levels can no longer be the norm, due to prevailing regulatory pressure, interest rate levels and a competitive landscape marked by new players, new technology and falling prices. ”

adequacy indicators. We take the Spanish banks as our reference and compare their situation with those of the other four major European banking systems, namely those of Germany, France, Italy and the Netherlands.

Table 1 provides the banks' return on equity (RoE) figures. In all instances, the trend is one of widespread reduction. Pre-crisis RoEs were typically in the double digits and made the banking sector a benchmark in terms

of market value growth. However, there is widespread consensus that those levels can no longer be the norm, due to prevailing regulatory pressure, interest rate levels and a competitive landscape marked by new players, new technology and falling prices. The Spanish banks rank somewhere in the middle on this count, presenting an average RoE of 5.72% in the third quarter of 2017 (latest data available), behind the Netherlands (7.19%) and Italy (6.14%) but above France

Table 1 **Return on equity (RoE) for a sample of eurozone countries (2008-2017)**

| | Germany | Spain | France | Italy | Netherlands |
|---------|---------|--------|--------|--------|-------------|
| Q3 2017 | 1.51 | 5.72 | 5.26 | 6.14 | 7.19 |
| Q2 2017 | 0.93 | 4.08 | 3.50 | 4.62 | 4.82 |
| Q1 2017 | 0.60 | 1.97 | 1.61 | 2.92 | 2.15 |
| Q4 2016 | 2.21 | 5.03 | 6.50 | -7.74 | 7.29 |
| Q3 2016 | 0.97 | 5.20 | 5.50 | 1.41 | 6.20 |
| Q2 2016 | 0.82 | 3.39 | 3.72 | 1.52 | 3.84 |
| Q1 2016 | 0.34 | 1.76 | 1.40 | 1.08 | 1.87 |
| Q4 2015 | 1.69 | 6.59 | 6.83 | 3.14 | 7.04 |
| Q3 2015 | 0.46 | 6.11 | 5.71 | 2.99 | 6.70 |
| Q2 2015 | 1.47 | 4.78 | 3.78 | 2.50 | 3.67 |
| Q1 2015 | 0.63 | 2.30 | 1.57 | 1.98 | 1.69 |
| Q4 2014 | 2.49 | 6.69 | 4.39 | -2.78 | 3.31 |
| Q2 2014 | 4.77 | 7.39 | 4.85 | 2.41 | 5.89 |
| Q4 2013 | 1.26 | 5.77 | 6.00 | -11.51 | 5.00 |
| Q2 2013 | 5.61 | 8.27 | 6.85 | 1.39 | 5.26 |
| Q4 2012 | 1.11 | -24.88 | 3.42 | -1.00 | 4.12 |
| Q2 2012 | 4.48 | -4.39 | 7.11 | 1.93 | 5.62 |
| Q4 2011 | 2.17 | 0.16 | 5.59 | -12.99 | 6.05 |
| Q2 2011 | 9.12 | 8.04 | 8.99 | 4.32 | 7.21 |
| Q4 2010 | 1.88 | 8.54 | 8.35 | 3.68 | 7.47 |
| Q2 2010 | 6.92 | 9.71 | 7.11 | 4.00 | 6.72 |
| Q4 2009 | -2.17 | 8.89 | 4.68 | 3.97 | -0.30 |
| Q4 2008 | -9.78 | 12.36 | 2.91 | 4.90 | -12.12 |

Source: European Central Bank (Consolidated Banking Data) and authors' own elaboration.

(5.26%) and Germany (1.51%). The table also depicts how the impact of the crisis was not homogeneous timing-wise and highlights that the years of the sovereign debt crisis were particularly adverse for banks' earnings.

Probably the most commonplace response to the difficulties in boosting returns has been to cut costs. As shown in Table 2, most of the major European banking sectors presented

higher efficiency levels (lower cost-to-income ratios) than at the start of the crisis. Although a more detailed empirical analysis is needed to draw more definitive conclusions, the data would appear to suggest that the years in which the crisis (in its two waves) required the greatest restructuring efforts were also the years in which the banks improved their cost-to-income ratios the most. In 2008, Spain presented the lowest cost-to-income ratio of the countries analysed and continued to do

Table 2

Cost-to-income ratio (operating expenses/operating income) for a sample of eurozone countries (2008-2017)

| | Germany | Spain | France | Italy | Netherlands |
|---------|---------|--------|--------|--------|-------------|
| Q3 2017 | -71.01 | -51.76 | -71.70 | -62.41 | -55.99 |
| Q2 2017 | -70.61 | -51.50 | -71.61 | -57.55 | -56.92 |
| Q1 2017 | -71.94 | -51.16 | -72.48 | -67.98 | -60.59 |
| Q4 2016 | -73.96 | -53.32 | -69.34 | -73.46 | -58.00 |
| Q3 2016 | -71.52 | -52.21 | -69.13 | -67.81 | -58.72 |
| Q2 2016 | -71.07 | -51.72 | -69.02 | -67.40 | -60.52 |
| Q1 2016 | -71.93 | -52.53 | -76.17 | -68.01 | -66.72 |
| Q4 2015 | -73.11 | -50.71 | -68.14 | -64.55 | -57.59 |
| Q3 2015 | -69.63 | -49.21 | -67.13 | -62.08 | -55.70 |
| Q2 2015 | -68.99 | -47.82 | -67.06 | -59.86 | -53.80 |
| Q1 2015 | -70.66 | -48.10 | -70.93 | -57.33 | -55.53 |
| Q4 2014 | -72.56 | -48.87 | -69.57 | -63.20 | -63.21 |
| Q2 2014 | -73.26 | -46.85 | -68.76 | -59.49 | -65.38 |
| Q4 2013 | -73.76 | -52.40 | -69.30 | -59.06 | -63.05 |
| Q2 2013 | -70.93 | -50.07 | -67.68 | -61.09 | -63.29 |
| Q4 2012 | -73.89 | -50.37 | -70.44 | -62.66 | -65.79 |
| Q2 2012 | -74.83 | -48.25 | -66.63 | -60.36 | -63.34 |
| Q4 2011 | -70.49 | -51.46 | -66.25 | -64.90 | -60.54 |
| Q2 2011 | -66.77 | -49.99 | -63.91 | -61.23 | -62.24 |
| Q4 2010 | -66.67 | -47.92 | -64.67 | -62.97 | -63.46 |
| Q2 2010 | -69.41 | -44.96 | -66.63 | -64.13 | -63.29 |
| Q4 2009 | -67.84 | -42.82 | -66.87 | -59.76 | -69.19 |
| Q4 2008 | -88.02 | -47.11 | -75.30 | -65.66 | -86.18 |

Source: European Central Bank (Consolidated Banking Data) and authors' own elaboration.

so as of the third quarter of 2017: at 51.76%, Spain's banks were more efficient than even the Dutch banks (55.99%) and significantly more so than the French (71.70%), German (71.01%) and Italian (62.41%) banks. Given that branch network and staff downsizing has already been intense in many of these countries, it would appear that the digitalisation phenomenon may require harder work on this front, requiring the banks to maintain even lower cost-to-income ratios.

Although inflation has trended upwards, European banks continue to face negative real interest rates. This is making it hard for them to generate income from their most basic intermediation activity, *i.e.*, the spread between the return on funds loaned and the cost of funding. As shown in Table 3, the net interest margin (as a percentage of total assets) has been trending lower, albeit unevenly, between 2008 and 2014 and, although it has recovered slightly in recent years, it remains

Table 3

Ratio of net interest income over total assets for a sample of eurozone countries (2008-2017)

| | Germany | Spain | France | Italy | Netherlands |
|---------|---------|-------|--------|-------|-------------|
| Q3 2017 | 0.80 | 1.49 | 0.71 | 0.93 | 1.00 |
| Q2 2017 | 0.54 | 0.98 | 0.48 | 0.66 | 0.67 |
| Q1 2017 | 0.28 | 0.49 | 0.24 | 0.34 | 0.32 |
| Q4 2016 | 1.12 | 1.90 | 0.96 | 1.30 | 1.30 |
| Q3 2016 | 0.81 | 1.41 | 0.71 | 1.00 | 0.93 |
| Q2 2016 | 0.54 | 0.92 | 0.46 | 0.70 | 0.62 |
| Q1 2016 | 0.29 | 0.46 | 0.23 | 0.36 | 0.32 |
| Q4 2015 | 1.14 | 1.95 | 1.01 | 1.42 | 1.29 |
| Q3 2015 | 0.84 | 1.47 | 0.74 | 1.04 | 0.94 |
| Q2 2015 | 0.57 | 0.95 | 0.49 | 0.72 | 0.63 |
| Q1 2015 | 0.28 | 0.46 | 0.23 | 0.36 | 0.30 |
| Q4 2014 | 1.11 | 1.82 | 0.98 | 1.46 | 1.28 |
| Q2 2014 | 0.80 | 1.78 | 1.06 | 1.49 | 1.28 |
| Q4 2013 | 1.13 | 1.81 | 1.12 | 1.47 | 1.29 |
| Q2 2013 | 0.76 | 1.70 | 1.05 | 1.40 | 1.21 |
| Q4 2012 | 1.01 | 1.82 | 1.07 | 1.52 | 1.15 |
| Q2 2012 | 0.71 | 1.78 | 1.08 | 1.58 | 1.10 |
| Q4 2011 | 1.04 | 1.69 | 1.16 | 1.64 | 1.16 |
| Q2 2011 | 0.78 | 1.69 | 1.19 | 1.64 | 1.20 |
| Q4 2010 | 1.02 | 1.79 | 1.23 | 1.65 | 1.22 |
| Q2 2010 | 0.72 | 1.81 | 1.08 | 1.59 | 1.13 |
| Q4 2009 | 1.02 | 1.96 | 1.18 | 1.82 | 1.13 |
| Q4 2008 | 0.85 | 1.64 | 0.71 | 1.87 | 1.01 |

Source: European Central Bank (Consolidated Banking Data) and authors' own elaboration.

below pre-crisis levels. Note that in terms of the annual trend, there is considerable variation quarter over quarter. In the third quarter of 2017, the Spanish sector presented the highest spread (1.49%), outperforming the Netherlands (1%), Italy (0.93%), Germany (0.80%) and France (0.71%).

It is hard to say whether fee and commission income has largely offset the downtrend in net interest income. Table 4 shows how the ratio of

net fee and commission income to total assets does not follow a clearly-defined pattern (even though in most cases this source of income increased during the initial years of the crisis, going on to decline and since recovering slightly). As of the third quarter of 2017, this ratio stood at 0.55% in Spain, below Italy (0.79%) but above France (0.53%), Germany (0.39%) and the Netherlands (0.24%).

The financial crisis has also shifted the banking sectors' relative ranking in terms of leverage,

Table 4

Ratio of net fee and commission income to total assets for a sample of eurozone countries (2008-2017)

| | Germany | Spain | France | Italy | Netherlands |
|---------|---------|-------|--------|-------|-------------|
| Q3 2017 | 0.39 | 0.55 | 0.53 | 0.79 | 0.24 |
| Q2 2017 | 0.26 | 0.36 | 0.36 | 0.54 | 0.17 |
| Q1 2017 | 0.13 | 0.18 | 0.19 | 0.27 | 0.08 |
| Q4 2016 | 0.51 | 0.67 | 0.68 | 1.00 | 0.31 |
| Q3 2016 | 0.36 | 0.50 | 0.49 | 0.79 | 0.22 |
| Q2 2016 | 0.23 | 0.33 | 0.32 | 0.53 | 0.15 |
| Q1 2016 | 0.11 | 0.16 | 0.18 | 0.27 | 0.08 |
| Q4 2015 | 0.52 | 0.67 | 0.71 | 1.09 | 0.31 |
| Q3 2015 | 0.37 | 0.50 | 0.51 | 0.81 | 0.23 |
| Q2 2015 | 0.25 | 0.33 | 0.35 | 0.56 | 0.16 |
| Q1 2015 | 0.12 | 0.16 | 0.18 | 0.29 | 0.08 |
| Q4 2014 | 0.49 | 0.65 | 0.64 | 1.02 | 0.31 |
| Q2 2014 | 0.13 | 0.33 | 0.35 | 0.52 | 0.15 |
| Q4 2013 | 0.49 | 0.67 | 0.72 | 1.00 | 0.31 |
| Q2 2013 | 0.11 | 0.31 | 0.34 | 0.48 | 0.15 |
| Q4 2012 | 0.42 | 0.61 | 0.67 | 0.91 | 0.28 |
| Q2 2012 | - | 0.31 | - | - | - |
| Q4 2011 | 0.40 | 0.62 | 0.71 | 0.96 | 0.34 |
| Q2 2011 | - | - | - | - | - |
| Q4 2010 | 0.40 | 0.62 | 0.75 | 0.98 | 0.38 |
| Q2 2010 | - | - | - | - | - |
| Q4 2009 | 0.39 | 0.61 | 0.73 | 0.92 | 0.37 |
| Q4 2008 | 0.38 | 0.63 | 0.62 | 0.90 | 0.36 |

Source: European Central Bank (Consolidated Banking Data) and authors' own elaboration.

Table 5

Loan-to-deposit ratios for a sample of eurozone countries (2008-2017)

| | Germany | Spain | France | Italy | Netherlands |
|---------|---------|-------|--------|--------|-------------|
| Q3 2017 | 91.24 | 89.59 | 102.79 | 101.82 | 116.86 |
| Q2 2017 | 90.99 | 90.84 | 102.15 | 103.22 | 118.16 |
| Q1 2017 | 92.49 | 91.37 | 102.94 | 101.47 | 117.57 |
| Q4 2016 | 92.62 | 92.49 | 106.18 | 101.16 | 119.57 |
| Q3 2016 | 95.20 | 93.62 | 105.54 | 103.05 | 118.20 |
| Q2 2016 | 94.20 | 93.17 | 104.60 | 102.78 | 119.85 |
| Q1 2016 | 94.75 | 91.82 | 104.85 | 104.49 | 122.68 |
| Q4 2015 | 94.57 | 91.75 | 104.66 | 105.79 | 122.15 |
| Q3 2015 | 96.70 | 90.91 | 104.01 | 106.97 | 123.50 |
| Q2 2015 | 96.18 | 91.08 | 104.91 | 107.07 | 125.64 |
| Q1 2015 | 97.80 | 91.34 | 104.49 | 108.21 | 127.92 |
| Q4 2014 | 97.46 | 90.26 | 105.12 | 109.17 | 127.04 |

Source: European Central Bank (Consolidated Banking Data) and authors' own elaboration.

defined as the ratio between borrowed funds and sources of financing. The most basic, yet perhaps most intuitive, expression of this relationship is the loan-to-deposit ratio. Table 5 indicates that this ratio has come down across all sectors (comparable information is not available prior to 2014), which is probably attributable to a combination of factors. These include more prudent lending policies and regulatory pressure which, in addition to shaping capital adequacy, is increasingly having a bearing on liquidity and leverage. At any rate, as of 2017, Germany and Spain continued to present a ratio of around 90%, whereas Italy, France and the Netherlands presented ratios of above 100%.

There is little doubt that if there is one requirement that has become more stringent since the crisis – due to pressure from the regulators and the market alike – it is capital adequacy. Table 6 shows the trend in the ratio of tier 1 capital to risk weighted assets (comparative information prior to 2014 is not available). Although Spain appears to be in a comfortable position in this respect (12.59%), there is nevertheless a gap with respect to the other major European banking sectors, especially Germany (15.84%) and the Netherlands (16.51%). It is worth noting that this across-the-board requirement to hold ample capital buffers implies an opportunity cost in terms of investment, further eroding the scope for higher returns.

“ Although Spain appears to be in a comfortable position as regards its CET1 ratio (12.59%), there is nevertheless a gap with respect to the other major European banking sectors, especially Germany (15.84%) and the Netherlands (16.51%). ”

Table 6

Core Tier 1 (CET1) capital ratio in a sample of eurozone countries (2008-2017)

| | Germany | Spain | France | Italy | Netherlands |
|---------|---------|-------|--------|-------|-------------|
| Q3 2017 | 15.84 | 12.59 | 13.90 | 13.06 | 16.51 |
| Q2 2017 | 15.43 | 11.85 | 13.98 | 11.95 | 16.45 |
| Q1 2017 | 14.92 | 12.19 | 13.82 | 11.60 | 16.08 |
| Q4 2016 | 15.04 | 12.78 | 13.68 | 10.86 | 15.69 |
| Q3 2016 | 14.93 | 12.94 | 12.90 | 12.12 | 15.24 |
| Q2 2016 | 14.79 | 12.57 | 12.84 | 11.93 | 14.91 |
| Q1 2016 | 14.46 | 12.35 | 12.69 | 11.64 | 14.63 |
| Q4 2015 | 14.90 | 12.66 | 12.57 | 11.80 | 14.64 |
| Q3 2015 | 14.58 | 12.22 | 12.10 | 11.56 | 14.44 |
| Q2 2015 | 14.62 | 12.40 | 12.09 | 11.49 | 14.06 |
| Q1 2015 | 14.01 | 12.19 | 11.82 | 10.89 | 14.41 |
| Q4 2014 | 14.30 | 11.82 | 11.80 | 11.27 | 14.39 |

Source: European Central Bank (Consolidated Banking Data) and authors' own elaboration.

The profitability horizon: The new bank transformation function and the digital opportunity

Our analysis of the prospects for profitability is constrained by the quasi-inevitable restriction of not having hard data regarding how the shift in technology and channels will affect banks' profits. In this section, however, we attempt to analyse in qualitative terms how the banking industry in general, and the Spanish sector in particular, can leverage the opportunity afforded by the digital dimension in order to boost its efficiency and profitability, framed by the restriction of having to face competition from newcomers to the market.

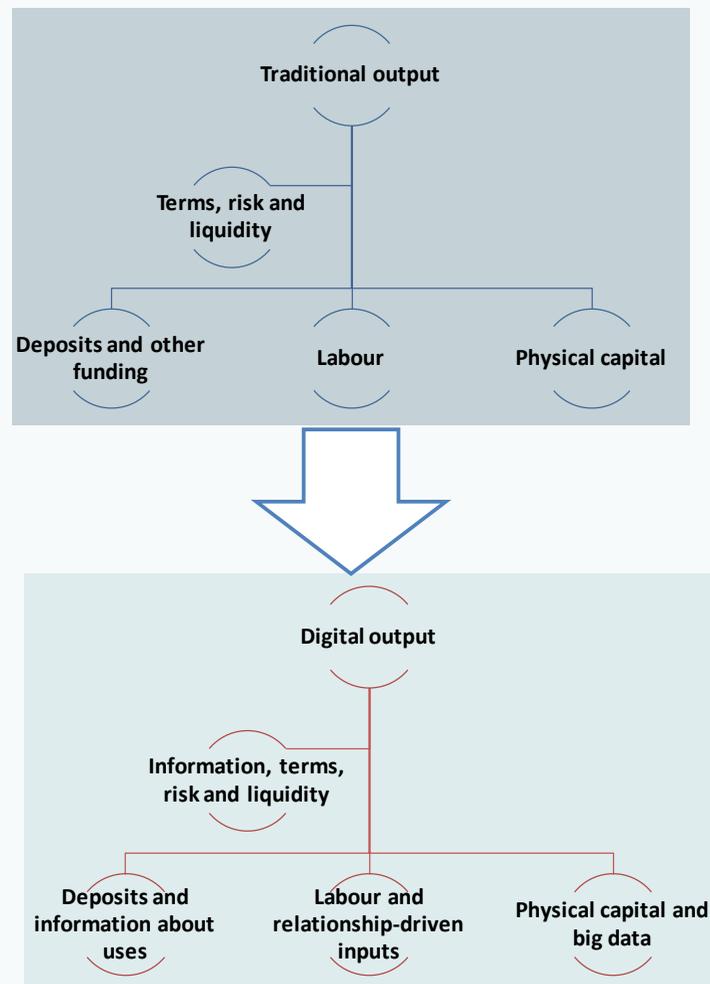
Drawing from the evidence gleaned from the profitability and efficiency indicators analysed

above, one might wonder why the banks are not accelerating their restructuring processes and opting for pure play digital strategies. Among the various responses to this question, two are worthy of special attention. Firstly, the digital banking market is not shaped solely by supply but also by demand; in short, customers need to embrace digital uses that work with the channels offered to them by the banks. Secondly, this transformation entails a shift in the banks' culture, internalisation of a new transformation function, as depicted in Exhibit 2. The traditional conception of the banks' intermediation function (top section of the exhibit) is that of agents that transform liquidity (raised via deposit-taking and used to extend loans), term management (short-term fund withdrawal vs. long-term loans)

“ With the entry into force this year of PSD2, banks face the possibility of having to share information with other competitors, but also the option to leverage information to add a new dimension to their customer relationships, creating the opportunity to exploit big data to provide far more personalised services. ”

Exhibit 2

The bank's new digital transformation function



Source: Authors' own elaboration.

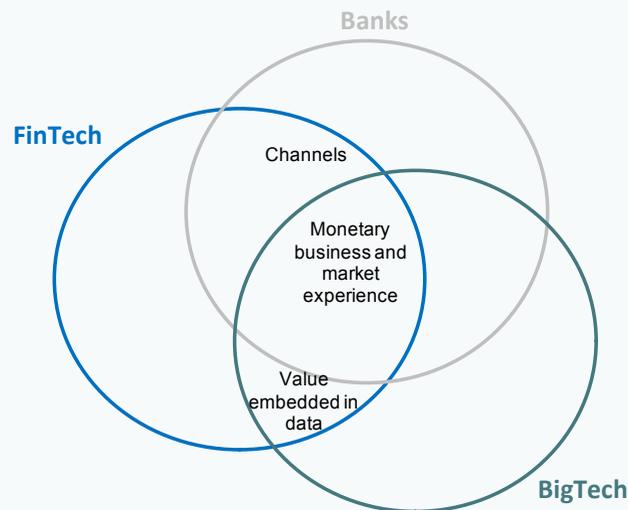
and risks (high for loans extended and low for deposits taken). In the classical banking equation, these functions are performed using three inputs: essentially, deposits and other funds, staff and physical capital. However, version 2.0 of the banking business equation (bottom section of the exhibit) introduces information into the transformation function. This implies tremendous scope for interaction with customer data. The regulatory framework in Spain and Europe – starting this year with application of the second European payments services directive (PSD2) –

implies the possibility of having to share part of this information with other competitors. To produce, these new banks can leverage their information to add a new dimension to their customer relationships, creating the opportunity to exploit their big data to provide far more personalised services.

This information is generated, as is shown in Exhibit 3, in an area of intersection between the traditional or incumbent banks, their competitors in the FinTech environment and the major BigTech players (the likes

Exhibit 3

Intersection of the value chains of incumbent banks, FinTech and BigTech



Source: Authors' own elaboration.

of Apple, Google, Facebook and Amazon). There is overlap among channels, businesses and the value embedded in data that can be approached via a range of competitive formulae that go beyond that of natural rivalry, such as cooperation, integration and process outsourcing.

Within this qualitative assessment, the Spanish banks are of particular interest for a number of reasons:

- In Spain, the sector has been and continues to be radically restructured with new digitalisation initiatives emerging in parallel at the incumbent banks and newcomers alike. From the structural standpoint, this competitive environment means that variables such as branch density are no longer as important as indicators of market power or rivalry. The result – as demonstrated by the case of Spain – is competition along price and non-price variables whose geographic pinpointing is increasingly difficult in light of the declining importance of the physical distance between customer and provider.

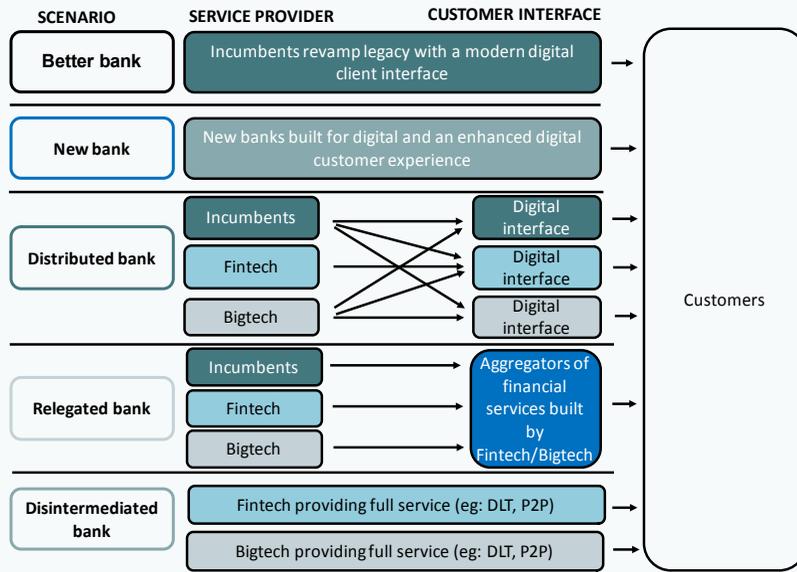
- The physical structure (branches) of the Spanish financial sector and its high level of specialisation generated a banking system in the past in which the relationship component was of great significance to the value chain. That relationship component is currently being redefined by the advent of the digital dimension.

- The Spanish banks' cost competitiveness (refer to the previous section of this paper) is a sound starting point for tapping the opportunities afforded by digitalisation in order to drive their efficiency even higher and remain at the forefront of financial service provision in Europe.

One of the difficulties posed by the banking sector's emerging structure is that, although the incumbent banks continue to dominate, the possibilities for competing as a financial institution have multiplied. It is worth resorting to an intuitive taxonomy in order to visualise where things are headed. The Bank for International Settlements published a report last February titled Implications of

Exhibit 4

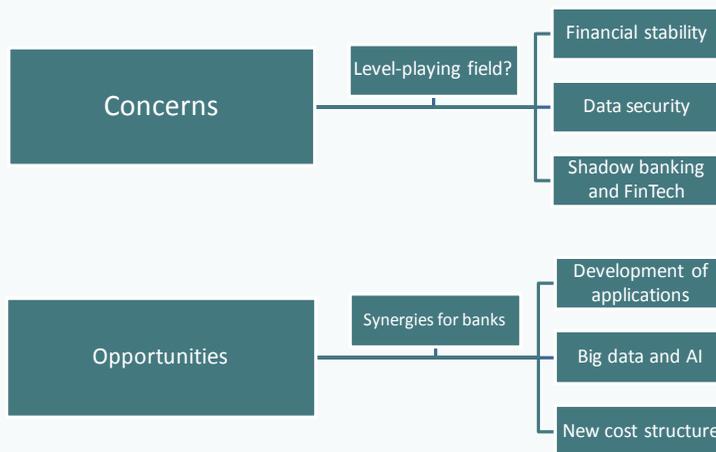
The banking panorama in five scenarios and key players



Source: Bank for International Settlements (BIS), Sound practices: Implications of fintech developments for banks and bank supervisors, February 2018.

Exhibit 5

Competitive intersection with other digital players: Concerns and opportunities for the banking value chain



Source: Authors' own elaboration.

fintech for banks and bank supervisors which provides a highly intuitive classification scheme, reproduced here in Exhibit 4. At the bottom of the schematic, we observe the 'Disintermediated bank', that which would theoretically lose its intermediation space as a result of failing to respond to the challenges posed by the FinTech and BigTech players. At the top of the schematic, at the other extreme, we have the 'Better bank', incumbent suppliers that fully internalise the change imposed by the digital challenge. These entities compete with the so-called 'New banks', created as pure-play digital entities, without the trajectory of a traditional bank but also without the need to transform legacy models. In the middle of the exhibit is where a significant number of entities in the midst of the transformation process find themselves. If they fail to embrace change and interact with digital channels and suppliers, they risk becoming 'Relegated banks'. However, cooperation and the development of digital interfaces gives them the chance to become 'Distributed banks', with a mix of in-house processes and processes outsourced to new suppliers.

Lastly, it is worth highlighting the fact that this new playing field implies risks and opportunities, as depicted in Exhibit 5. The regulations themselves are introducing significant constraints. Regulations such as PSD2 are creating a benchmark legal framework but do not guarantee a level playing field. Although most of the new suppliers introduce a level of competition that should ultimately boost service standards in the sector as a whole, the difficulty in determining the legal origin or true nature of some of the suppliers' activities also raises potential concerns about financial stability and security aspects and the development of 'shadow' Fintech players. Nevertheless, the digital arena is replete with opportunities for the world of banking by presenting the scope for extracting cost synergies and developing more tailored products and services.

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Recent trends in Spain´s private equity market

Despite a somewhat slow start, in 2017, Spain's private equity market experienced record levels of investment and a recovery in fundraising activity since the crisis. Nevertheless, increased competition will present challenges for the sector going forward.

Irene Peña and Pablo Mañueco

Abstract: Private equity is good for breathing life into the business landscape and fostering innovation. Although this financing instrument has been around for a long time, its development in Spain has lagged somewhat as a result of both cultural factors and the timing of the creation of a regulatory framework propitious to its development. Having originated in the public sector, with a focus on facilitating investment in SMEs, the private equity sector has evolved

substantially and today, the majority of private equity investors come from the private sector, with international funds playing an increasingly prominent role. This ability to attract investment from abroad, against the backdrop of economic growth, led to growth in investment volumes to an all-time high in 2017. Moreover, the existence of favourable financing conditions, on offer from banks and non traditional financiers alike, is helping to get transactions closed.

Introduction

The private equity business has been regulated in Spain since 1986, although it was not until 1999 that a specific legal regime for entities providing this form of financing was developed. Subsequently, between 2005 and 2014, the regulatory framework was updated and made more flexible with the aim of addressing the shortcomings that were impeding the sector's growth.

Private equity entities (firms and funds) are investment vehicles whose core business is to take temporary equity interests in companies other than financial institutions or real estate companies. To achieve their purpose, they can provide profit-participating loans and other forms of financing to their investees along with advisory services.

This form of financing offers companies flexible solutions, specifically capital to fund their growth plans, develop innovative new projects, acquire other companies or restructure their capital. Private equity investors usually add value to their investees by injecting credibility *vis-à-vis* third parties as well as by sharing their experience, expertise and contacts.

Three key measures are used to track the private equity business: (i) investment volumes; (ii) fundraising; and, (iii) exit volumes.

Investment

Analysing the trend in investment volumes, it is possible to distinguish between four major stages of development in Spain. Firstly, the *development period, from 1986 to 1999*, which culminated with the creation of a comprehensive legal framework for the private equity business. During this period, private equity investment volumes were scant and almost entirely confined to public investment.

It was followed by what can be termed the *take-off period, from 2001 to 2007*, marked by sharp growth in investment activity, particularly from 2005, when strong economic momentum coincided with a fresh regulatory reform to fuel annual investment volumes of over 4 billion euros.

The sector was affected considerably by the *recessionary period, from 2008 to 2013*, years in which investment volumes and fundraising plummeted. As we will show later on, the reduced investment dynamism those years was also attributable to the decisions taken by many funds to delay their exit strategies until the crisis had reverted.

Lastly, we have the *growth recovery period, from 2014 to 2017 (ongoing)*, which started with a new reform of the regulatory landscape in 2014 with the aim of incentivizing fundraising and balanced growth by fostering investment in companies at an earlier stage of development (seed or venture capital). This period has culminated – to date – with a record year for Spain's private equity industry: investment volumes reached close to 5 billion euros in 2017.

Several factors explain the very positive trend in investment volumes in recent years, including the prevailing, low interest rate environment, coupled with ample liquidity, which, in the context of economic growth, have drawn international investors to the country. In addition, the presence of these international funds has triggered the return to the market of the so-called mega deals – sized at over 100 million euros –, while the middle market (deal size: between 10 and 100 million euros) has also remained very active.

According to data provided by Spain's private equity association, ASCRI, in 2016, international funds accounted for 71.9% of all investment in Spain, investing 2.6 billion

“ 2017 was a record year for private equity in Spain with investment volumes of 5 billion euros. ”

euros, 75% of which classified as 'mega deals', 20% as middle market deals and the remaining 5% as deals sized 10 million euros or less. By number of transactions, however, most of the deals (82%) entailed investment of less than one million euros.

In addition, some of the positive trend in private equity in recent years is attributable to greater acceptance of this form of financing on the part of Spanish companies. In the wake of the recent crisis, many firms realized the importance of equity in their capital structure in reducing their dependence on external sources of financing. Indeed, a recent study by Harvard University shows that the companies backed by private equity funds received higher flows of debt and equity in the period immediately following the crisis and therefore were able to post higher rates of growth than the companies that did not have such backing.

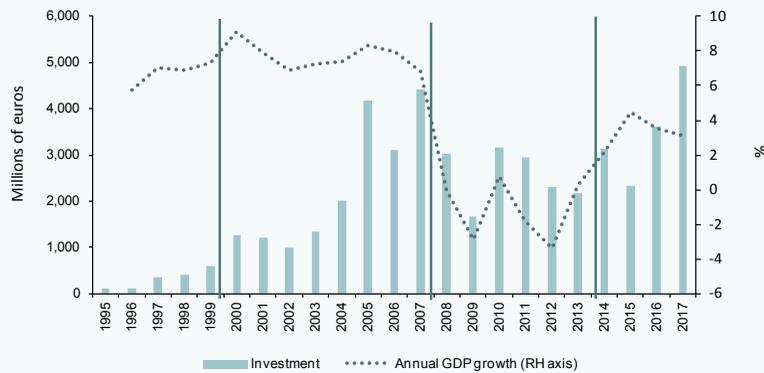
As for the destination of investment flows during the various periods, growth and mature companies have traditionally received

the most money from private equity firms. Nevertheless, funds focused on seed and venture capital have proliferated in recent years thanks to the recovery in valuations, regulatory support for these kinds of investments, investor appetite for new projects with a technological slant and the start-up of multi-sector incubators and accelerators at the regional level.

This momentum in venture capital is particularly relevant in an economy such as Spain's in which SMEs play such a dominant role in the business landscape. Despite their importance for economic growth, SMEs have more limited access to financing than larger enterprises and, as was evidenced recently, are more affected by episodes of recession and credit contraction.

These differences are even starker in the case of innovative start-ups, towards which the banks are more risk averse. For these companies, venture capital funds are sometimes the only external source of financing and a necessary

Exhibit 1 **Historical trend in investment volumes**
Percentage



Sources: Authors' own elaboration based on ASCRI and Capital & Corporate data.

“ In the context of economic growth, low interest rates and ample liquidity, international funds are being drawn to Spain. ”

“ In recent years, we are seeing a greater presence of seed and venture capital funds, which are channelling investment back towards SMEs and facilitating innovation. ”

ally in enabling them to invest sufficiently in innovation and R&D so as to launch their products and services onto the market quickly enough to guarantee their survival.

Moreover, private equity managers are highly experienced at generating economies of scale and bring a deep network of contacts when it comes to looking for strategic partners; they also offer financial and strategic advice needed for subsequent investment rounds, helping to accelerate their development.

According to a recent study by the European Commission, the SMEs that have benefitted from private equity financing are characterised by:

- Faster growth relative to other start-ups or SMEs.

- A higher rate of survival and greater scope for international expansion.

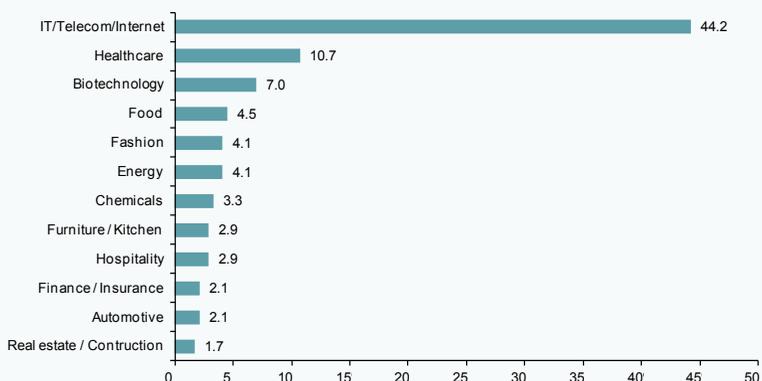
- A high level of innovation, not only in terms of the products and services offered but also in organisational and process terms.

Looking at this last point in more depth, private equity favours innovation thanks to the firms’ ability to carry out R&D activities and advise their investees on processes such as patent applications. Elsewhere, within venture capital funds’ investment strategy it is worth highlighting their strategic focus on innovative companies: support for innovation is somewhat intrinsic to venture capital.

From a sector standpoint, once again looking at the private equity sector as a whole, there is a preference in terms of the number of deals closed for companies with a presence in the

Exhibit 2 Breakdown of investments in 2017 by number of deals and sector

Percentage



Source: Authors’ own elaboration based on Capital & Corporate data.

“ Some 25 SME private equity firms, a format created and regulated in 2014 to drive investment in start-up SMEs, were already up and running in 2016. ”

technology and internet sectors. These sectors offer private equity firms the opportunity to generate high returns and the scope for helping to create value at the companies themselves. As shown in the breakdown of the allocation of investments by sector provided in Exhibit 2, in 2017, over half of the transactions recorded took place in the internet, telecommunications and IT sectors, followed by healthcare (a share of 10.7%), biotechnology (7.0%) and food (4.5%).

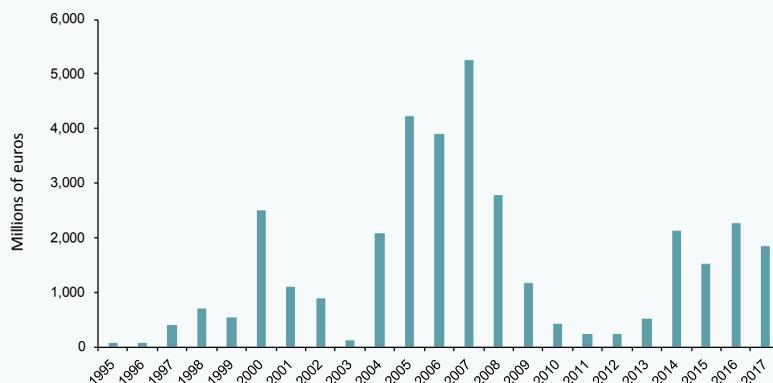
Because these companies tend to be small-sized start-ups, unit investment in technology companies is relatively smaller than the transactions closed in other sectors. Even so, looking at the breakdown of investments by value, the telecommunications and IT sectors received the second-highest level of investment in 2016 (18% of total investment that year), ranking only behind the hospitality and leisure sector (25%) and followed by consumer products (10%).

Fundraising

As for the second key metric used to track the private equity sector, namely fundraising activity, the trend in this measure tends to closely mirror the dynamics observed in investment activity and the length of time the funds stay on in their investees (an investment cycle typically of around five years). Looking at the historical trend in this metric, we note that fundraising volumes peaked in 2005 and 2007, remaining broadly constant between 2014 and 2017 (Exhibit 3).

In the last four years, private equity firms have raised 7.8 billion euros in total, compared to 1.45 billion euros between 2010 and 2013. In 2017, they raised 1.86 billion of new funds (2.27 billion euros in 2016) and the expectation is that they will continue to raise money for new funds in 2018 against the backdrop of still-abundant liquidity and scant returns on liquid fixed-income assets, buoyed by continued strong confidence in Spain on the part of international investors.

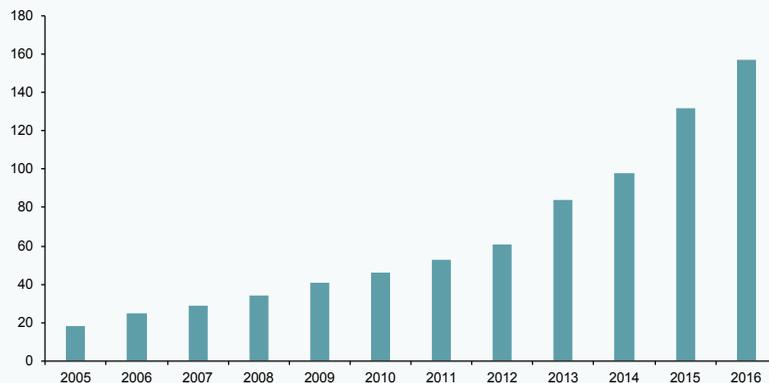
Exhibit 3 **Historical trend in fundraising activity**



Source: Authors' own elaboration based on ASCRI data.

Exhibit 4

Number of international private equity players with investments in Spain



Source: Authors' own elaboration based on ASCRI data.

The momentum in fundraising volumes is reflected in the number of players. According to ASCRI data, 120 new private equity firms were created in Spain between 2000 and 2007, putting the total at the end of that year at 162 entities. At year-end 2016, according to the most recent records of the CNMV, the securities market regulator, the number of entities stood at 292 (up 10% from 2015). As for the new entities set up in 2016 it is worth highlighting two trends: the positive trend in SME private equity vehicles (a format introduced as part of the regulatory reforms of 2014), which went from 14 to 25 in number and whose investment strategy is focused on smaller sized SMEs; and, (ii) the creation of the first European private equity funds that can be marketed in Spain and in other EU members states alike.

As for the various classes of private equity firms, there have been considerable changes in the sector's make-up. When the private equity sector took its first steps in Spain 32 years ago, it got going thanks to the public sector. Today, however, it is the private sector private equity firms that totally dominate the landscape. There has also been sustained growth in the presence of international players in Spain, as shown in Exhibit 4.

Lastly, there has also been a shift in the type of investors in these funds, namely a shift away from the banks, which in 1997 accounted for over 40% of the sector's fundraising, towards a more diversified financing profile populated by a significant number of pension funds, insurance companies and funds of funds (vehicles that do not invest in companies directly but rather buy interests in other funds).

Exits

As for these funds' exit process, the period of time they remain invested in their investees has lengthened in recent years as a result of the effects of the financial crisis, reaching a record high of seven years on average in 2016. The sector waited for an improvement in the economic cycle so as to maximise exit valuations. As a result, in 2014 and 2015 exit volumes totalled 9.5 billion euros, which is more than in the prior six years together (8.59 billion euros). In 2017, exit volumes increased once again. According to ASCRI, they increased to 3.48 billion euros (divestment volumes are stated at investment cost) from 1.85 billion euros in 2016 (growth of 87.9%).

In terms of the exit routes taken, the most common exit formula in Spain has

“ Intense competition and the increased presence of international funds is pushing valuation multiples higher. ”

traditionally been to sell the company either to a trade buyer, the investees' own management teams (MBO) or another private equity firm, while the role of IPOs has been relatively less significant. This reduced reliance on IPOs in Spain compared to other economies may reflect the size of the investees, in many instances too small to access the continuous market, and the limited liquidity of alternative stock market (the MAB) for growth companies.

As a result, divestments in the form of IPOs represented just 14% of exit volumes in 2016, whereas 57% were accounted for by private sales: 26% by sales to third parties, 18% to management buyouts and 13% to secondary buyouts (sales to other private equity firms).

Price bubble?

The last aspect warranting analysis in terms of the state of play of the private equity market in Spain today is the risk of a transaction price 'bubble' that some analysts and players are currently perceiving.

The sharp increase in investment volumes, which as we have noted peaked in 2017, has created a highly competitive environment for the private equity firms operating in Spain, which in some instances are beginning to feel pressure to place the abundant resources raised in prior years. Moreover, competition has intensified as a result of the strong commitment of some of the world's largest private equity houses, drawn by Spain's bright economic prospects and instigators of some of the largest transactions closed in recent years.

In addition, the existence of bank financing on highly favourable terms (amount, conditions, cost and collateral requirements), coupled with the advent of alternative financiers, has also spurred deal-making, characterised by growth in leveraged buyouts and resulting in higher debt levels compared to previous years.

This competitive pressure has been evident in numerous transactions to have hit the market in recent months in which we have seen auctions among the entities culminating in the payment of valuation multiples well above those observed in prior years.

In such an environment of high entry-level multiples, the managers' expertise in generating value from their investees will be more necessary than ever, as the returns they generate for their investors will depend more on their ability to boost profits at their investees than on changes in multiples upon exit.

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Spanish banks ahead of MREL: Estimating projected issuance for compliance

In response to greater regulatory clarity and favourable market conditions, Spanish banks have already issued over a quarter of their MREL requirements in 2017. The outlook for issuance remains constructive in the coming year, although there is still scope for adjustment to ultimate outstanding MREL funding needs.

Ángel Berges, Alfonso Pelayo and Fernando Rojas

Abstract: Having digested the new capital requirements imposed under Basel III, banks are now facing requirements to have easily 'bail-inable' instruments for loss absorption purposes in the event of resolution under the so-called Minimum Requirement of Eligible Liabilities (MREL). In recent months, progress has been made on specifying MREL requirements for European banks,

and providing sufficient detail to allow for an estimation of Spanish banks' associated funding requirements for MREL compliance. Based on year-end 2016 data, we estimate an issuance requirement of between 65 and 79 billion euros. Over one-quarter of required issuance was already covered in 2017 in a very propitious market for 'bail-inable' liability issues, principally for senior 'non-

preferred' notes – instruments that have been specifically regulated in Spain (June 2017) as particularly appropriate for the purpose of meeting MREL requirements. Going forward, strong investment appetite and constructive market conditions should underpin continued issuance at favourable terms of the remaining MREL requirements for Spain's significant banks in the coming year. However, the final levels of bail-inable capital needed for MREL compliance may still vary given that numerous parameters of the regulations have yet to be defined, together with the entity-specific approach taken by European authorities.

MREL: A complement to capital requirements

In order to shore up the new capital requirements imposed by the new Basel III framework in response to the financial crisis, international banking regulations, and European regulations in particular, have introduced additional requirements regarding the composition of banks' liabilities, specifically the need to have liabilities capable of absorbing losses in the event of resolution.

The rationale for the new requirements lies with an attempt to avoid the massive injections of public capital that numerous countries – not only Spain but virtually every country in Europe and the United States – incurred in the wake of the banking crisis between 2008 and 2012, with the ultimate aim of preventing such a situation from happening again. A first step in this direction is the requirement to hold more and better quality capital, these being the two basic tenets of the new Basel III framework, as outlined by Rojas, Sánchez and Valero in a previous paper for this same publication.

However, it is not just about holding more capital. In addition, banks have to have a second line of liabilities that, without strictly qualifying as capital, can be readily used to absorb losses and to recapitalise the bank once it emerges from resolution.

In short, the idea is to lay the foundations so that in the event of future banking crises, the cost of recapitalisation (and the absorption of

the losses preceding that recapitalisation) is shouldered by the banks' own creditors ('bail-in'), minimising the need to call on taxpayers (bail-out), so massively resorted to during the last crisis.

It is with this objective in mind that the international regulatory authorities (specifically, the Financial Stability Board or FSB) developed the Total Loss Absorption Capacity (TLAC) concept for systemically important institutions; and in the case of Europe, what is known as Minimum Requirement of Eligible Liabilities (MREL), which is applicable to all European banks unless it is assumed that they would be liquidated on account of not performing a critical function in the financial system. Given that it will be required of virtually every European bank, in this paper we focus on MREL, the progress being made on its definition, how Spanish banks are positioned in terms of complying with it and the issues we have been seeing recently in an attempt to advance towards compliance.

In this respect, it is important to note that numerous parameters of MREL have yet to be specified. In fact, the requirements will entail an element of the 'bespoke', entity by entity, approach, depending on resolution strategies and systemic importance (their 'resolvability'), which in all likelihood will not be disclosed by the supervisors. Notwithstanding these unknowns, there is enough information to estimate the approximate magnitude of the funding requirement.

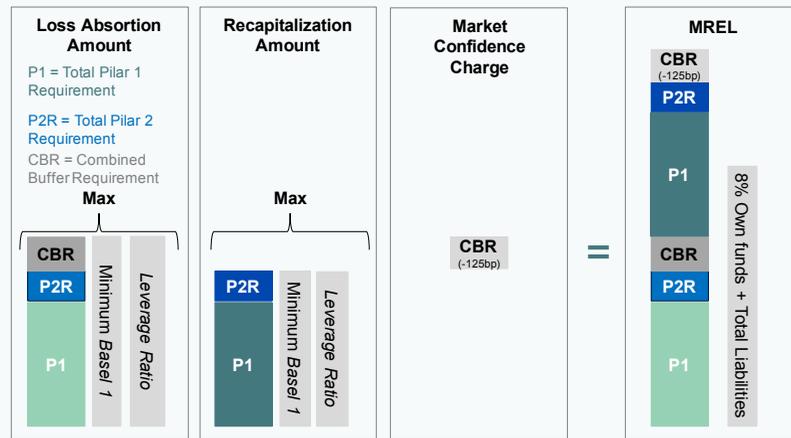
Defining MREL, new developments

On December 20th, 2017, the European Single Resolution Board (Single Resolution Board, 2017a) published a new guide, fine-tuning that of 2016, on MREL, which includes the basis for its calculation and breaks down its two basic components: a *default loss absorbing amount (LAA)* and a *recapitalisation amount (RCA)*.

Although the first attempt at defining the base for calculating the MREL requirement considered the use of total assets, the definitive version has opted for risk-weighted assets (RWA), in line with the instrument defined

Exhibit 1

The SRB approach to MREL in 2016 and 2017



Source: Single Resolution Board (2017b).

by the FSB for systemic entities (G-SIIs), TLAC. This ensures greater consistency for the entities that must meet and report the two requirements.

In order to calculate *the minimum loss absorbing amount*, entities must use the highest of the following three measures:

- The sum of the pillar 1 and pillar 2 regulatory capital requirements and the combined buffer requirement (on a fully-loaded basis).
- The Basel 1 floor requirement;
- In a new development, this formula of maximums contemplates the leverage ratio, although this will not take effect until it is a compulsory ratio in the eurozone.

The second core MREL component defined by the SRB is the so-called *recapitalisation amount*, which reflects the capital needed to meet ongoing prudential requirements after resolution and is the maximum of:

- The sum of pillar 1 and pillar 2 capital requirements;
- The Basel 1 floor requirement;
- And the leverage ratio (again, new).

In addition to the two basic components, MREL contemplates the need to *ensure market confidence post-resolution*, to which it adds a new ‘market confidence charge’ (MCC), which consists of the combined capital buffer requirement less 125bp.

“ The subordination benchmark required by the SRB will depend on the banks’ systemic importance and has been set at 13.5% for G-SIIs and 12% for O-SIIs. It will be analysed on a case by case basis for all other banks. ”

Notwithstanding these three components which add together to make up MREL, and which we will quantify later, it is important to clarify certain specific aspects.

The first relates to the subordination benchmarks. Specifically, to comply with MREL, banks will have to tap the market to issue a minimum percentage of bail-inable instruments depending on their systemic importance. Specifically, for global systemically important institutions (G-SIIs), the subordination benchmark is 13.5% of their risk-weighted assets plus the combined buffer ratio. For other systemically important institutions (O-SIIs), the subordination benchmark is 12% plus the CBR. And for other banks, this requirement will be analysed on a case by case basis.

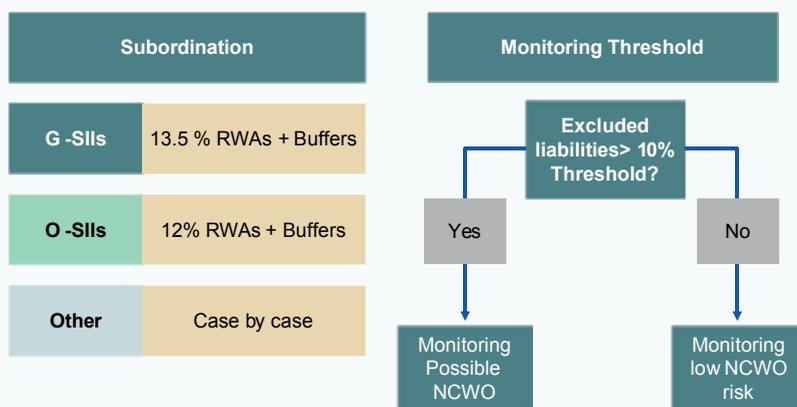
Elsewhere, the ongoing MREL debate is also taking into consideration the resolution strategies deemed reasonable for one entity versus another and their implications for MREL requirements. Specifically, for entities not considered systemically important, for which it would be logical to believe that the resolution strategy would consist of a trade sale, it is reasonable to assume that, after

the resolution losses are absorbed, the bank would be recapitalised by the buyer, as indeed was the case of Banco Popular, which was bought and recapitalised by Banco Santander. If this is the key assumption for these kinds of entities, it does not make sense to require them to maintain the full MREL recapitalisation amount.

In this respect, the most recent report by the EBA on the updated impact of MREL [1] assumes that the resolution funding requirement for entities not categorised as systemically important would be 50% of the theoretically defined amount based on the understanding that these banks would be resolved via trade sales for the most part, such that they would not need to hold bail-inable liabilities in respect of the recapitalisation amount as this process would presumably be handled by the buyer. In this paper, in calculating the bail-inable liability funding needs by entity, we also make this assumption on the understanding that these banks cannot be expected to meet the same requirement as their systemically important counterparts.

In addition, the guide published by the SRB carves out the following liabilities as eligible

Exhibit 2 SRB policy on subordinated instruments for 2017



* NCWO: No creditor worse off

Source: Single Resolution Board (2017b).

“ As of December 31st, 2016, Spanish banks needed to issue 80 billion euros of instruments to comply with their MREL requirement of 22%. ”

for MREL calculation: long-term deposits (more than one year) not covered by the Deposit Guarantee Fund and those that have a redemption clause below one year or for which there is no sufficient evidence that they cannot be withdrawn. Elsewhere, it reaffirms the exclusion of structured notes and instruments issued by entities outside of the EU.

Spanish banks, state of play *vis-à-vis* MREL

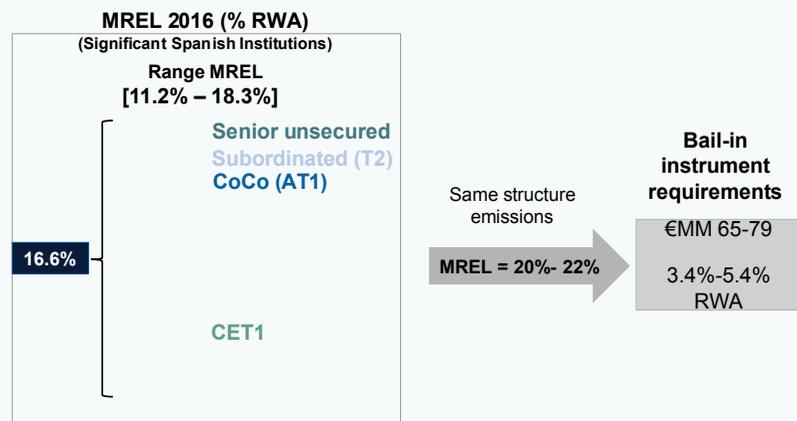
Based on the above assessment, we can say that the definitive version of the SRB’s MREL is not quite ready and that each entity’s requirement could well vary as a result of its ‘resolvability’ and/or systemic importance.

Nevertheless, based on the three MREL components defined to date, we have estimated the requirement for each of the Spanish banks subject to direct supervision by the SSM.

The estimates were made on the basis of the assets of each of the 14 most significant banks (which represent over 85% of the Spanish banking sector’s assets) at year-end 2016, as gleaned from their annual financial statements for that year, this being the most recent information available at this time.

The first source of heterogeneity in the various entities’ MREL requirement stems from the components tied to the pillar 2 capital requirement and capital buffer requirement, both of which are defined specifically for each entity. Factoring in this link to variable pillar 2 and capital buffer requirements, we estimate that the loss absorption amount will range between 10% and 12%, that the recapitalisation amount will range between 8% and 10%, and, lastly, that the market confidence charge will come in at between 1.5% and 2.5%. The sum of these three components will translate, on average for the significant entities, into a requirement for bail-inable instruments of between 20% and 22% of their total RWAs.

Exhibit 3 **Bail-inable funding requirement**



Source: Afi based on data taken from the banks’ financial statements.

As shown in Exhibit 3, at December 31st, 2016, these 14 significant entities on aggregate presented a volume of bail-inable liabilities equivalent to 16.6% of their RWAs (with a range of 11.2% – 18.3%), i.e., between 3.4 and 5.4 percentage points below our estimated average requirement.

Of the 14 banks' bail-inable liabilities, 75% is accounted for by common equity tier 1 capital (CET 1), 6% by convertible bonds, 5% by subordinated bonds and the remaining 14% by senior notes.

Starting from the amount of bail-inable liabilities that each entity already has, and assuming that they all have to reach the range of 20% to 22% estimated as the average benchmark for the sector as a whole, the funding requirement for meeting the MREL requirement would amount to between 65 and 79 billion euros, based on December 2016 data. Next, we analyse how the entities have already made significant progress in 2017 towards closing the gap between the bail-inable liabilities they hold and those they will be required to have when MREL becomes binding.

Banks' response to MREL

As shown in Exhibit 4, in 2017, Spanish banks stepped up their issuance of liabilities deemed eligible for the MREL ratio, issuing almost 35 billion euros in total, which is more than three times the amount issued in 2016.

As for the types of instruments issued, it is worth noting that Spanish legislation (specifically Royal Decree 11/2017, of June 23rd, 2017, on urgent financial measures) has regulated the possibility of issuing a new instrument that would compute for MREL purposes, namely *senior non-preferred instruments*.

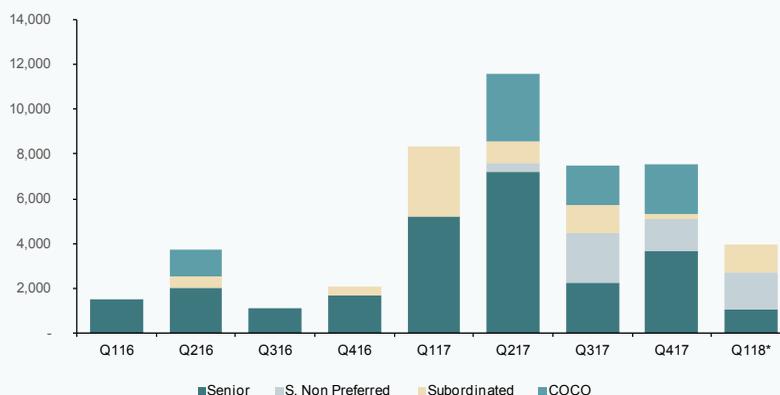
This legal backing for a new instrument clearly designed to facilitate compliance with the MREL requirement has prompted intense issuance of non-preferred senior instruments, particularly by the larger Spanish banks: issuance of this new instrument totalled 4 billion euros in 2017, a trend continuing in 2018, with a further 1.6 billion euros issued by mid-February 2018. It is foreseeable that this will be one of the core instruments around which the banks articulate their funding plans.

Elsewhere, is it worth analysing the terms on which the Spanish banks have tapped

Exhibit 4

Issuance of bail-inable instruments by the Spanish banks

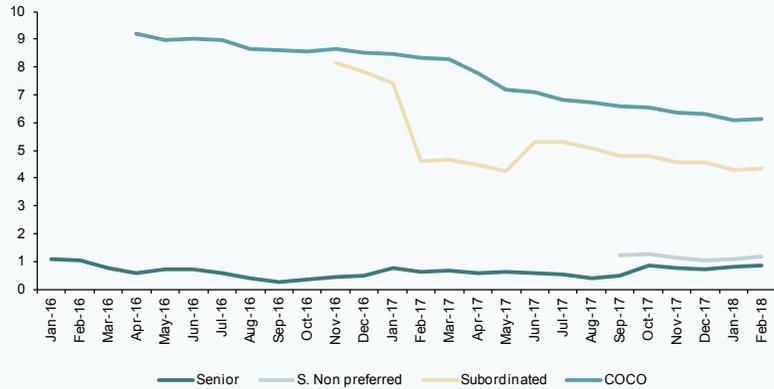
€ millions



Note: * Q1 18 is the sum of issuance in January and February.

Source: Bloomberg, Afi.

Exhibit 5 **Average yield at issuance by instrument type**



Source: Bloomberg, Afi.

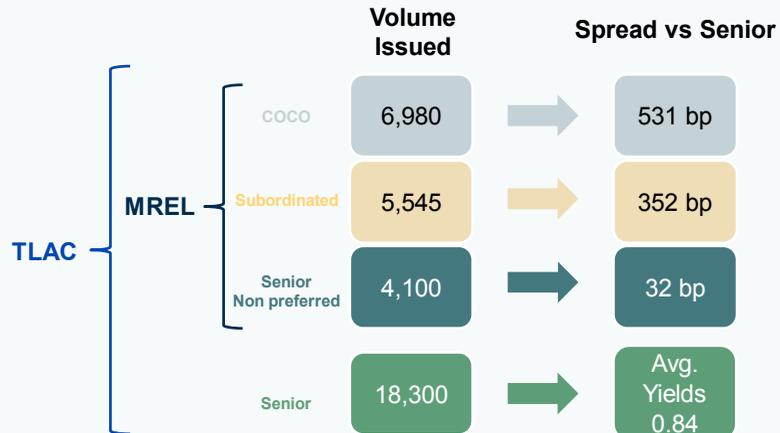
the market. Notably, the terms of issuance, specifically the rate of interest (yield) has trended considerably lower since 2016, evidencing improved market confidence in the banking sector in general and Spanish banks in particular.

Exhibit 5 illustrates how all throughout 2017, market terms were far more favourable than in

2016, marked by a substantial improvement in the instruments that qualify as capital, such as contingent convertible bonds (COCOs) and subordinated bonds.

By way of summarising this widespread improvement in issuance terms, Exhibit 6 depicts issuance volumes by instrument type alongside the average issuance yields in

Exhibit 6 **Issuance volumes and spreads by instrument**



Source: Bloomberg, Afi.

“ Spanish banks issued 35 billion euros of bail-inable instruments in 2017, up over 300% from 2016, in response to greater regulatory clarification with respect to MREL, coupled with the widespread improvement in issuance terms. ”

2017. Note in respect of non-preferred senior instruments, by virtue of qualifying as bail-inable instruments, the market priced them at a spread to traditional senior paper of around 30bp.

The improvement in financing terms has facilitated the banks' task of issuing subordinated instruments in order to meet this new regulatory requirement. And as long as the rate curve remains at an all-time low, it is likely that banks will continue to issue bail-inable instruments in this vein.

Conclusions

In the wake of the new prudential requirements in the capital adequacy arena, the regulations addressing instruments eligible for resolution strategies (MREL) are in the process of being finalised.

The definition of MREL components (loss absorption amount, recapitalisation amount and market confidence charge) was substantially narrowed down at the end of 2017, notwithstanding the adjustments that may ultimately be made for each entity. Based on the newly defined general requirements, we have estimated Spanish banks' possible bail-inable instrument funding requirement and analysed the issuance activity of 2017 in a bid to meet the expected new requirements.

By our estimates, as of year-end 2016, the significant Spanish banks need to issue between 65 and 79 billion euros to meet the MREL requirement once it becomes binding, which will not be earlier than four years from when each entity is notified of its requirement. In 2017 alone, banks issued a volume equivalent to 25% of that figure, with the issuance of senior non-preferred notes standing out, this instrument having been

specifically regulated in Spain, emulating the example set in other countries, as particularly suitable for MREL compliance purposes.

Not only has this issuance effort been intense volume-wise, it is also worth highlighting the fact that investor appetite for these instruments has translated into very favourable issuance terms (interest rates) which in all likelihood will continue to prevail this year, as is foreshadowed by issuance activity during the first six weeks of 2018.

Notes

[1] EBA (December 20th, 2017), *Quantitative update of the EBA MREL report* (December 2016 data).

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Ángel Berges, Alfonso Pelayo and Fernando Rojas. A.F.I. - Analistas Financieros Internacionales, S.A.



Bank financing for micro and small enterprises: Spain in the European context

In, Spain, the weight of micro and small enterprises is the most relevant to the productive landscape. Like their EU counterparts, Spanish micro and small firms face harsher terms and conditions in accessing finance, but improvement observed in recent years has also benefitted these firms the most.

Joaquín Maudos

Abstract: One of the distinguishing traits of Spain's productive landscape is the significant weight of its micro and small enterprises, which generate 60% and 44% of all jobs and GDP in Spain, respectively, well above the EU averages. But the small size of Spanish companies serves as a barrier

in terms of the ability to invest in the factors that drive productivity (R&D, human capital, international expansion, *etc.*) as well as in terms of their access to finance. The findings of the latest ECB survey addressing firms' access to finance show that micro and small enterprises face harsher financing conditions,

“ In Spain, it is not the weight of SMEs but specifically that of micro and small enterprises that is most relevant to the productive landscape, accounting for 59.5% of all jobs (10pp above the EU average) and 44.0% of GDP (+5.3pp). ”

particularly in the case of micro enterprises. Although these terms and conditions have improved substantially in recent years, firms with fewer than 50 employees are perceiving the improvement to a lesser degree. The good news is that the differences in spreads on bank loans by loan size have narrowed and that access to finance is now the key problem for only a very small percentage of Spanish companies (around 7%), irrespective of size. In addition, financing conditions have improved in terms of interest rates, but have gotten tighter in terms of commissions and collateral, more so for micro and small enterprises[*].

Introduction

The important role played by SMEs in Spain’s productive landscape is well documented and has accordingly been the subject of research and focus of public policy. To recap, 99.9% of Spain’s companies are SMEs; they account for 72.6% of employment and 61.8% of the economy’s value added. On these last two variables, the importance of companies of this

size is evident in the fact that they contribute six and five percentage points (pp) more to employment and GDP than the EU averages, respectively.

However, the characteristic that sets Spain’s productive landscape most strikingly apart from that of other countries is not the weight of its SMEs but specifically that of its micro and small enterprises [1]. Micro firms, those with fewer than 10 employees, are responsible for 41.2% of all employment in Spain, 11.4 pp more than the EU average, with Spain ranking fourth in the EU-28 on this measure (Exhibit 1). As for value added, the weight is lower (25.9%, a sign of their reduced productivity), but still 5 pp above the EU average, with Spain once again ranking as one of the member states in which this size of company is most significant on this count. In the case of small enterprises (those with between 10 and 49 employees), the differences with Europe are narrower, and their weight is still above average in Spain in terms of value added but not in terms of employment.

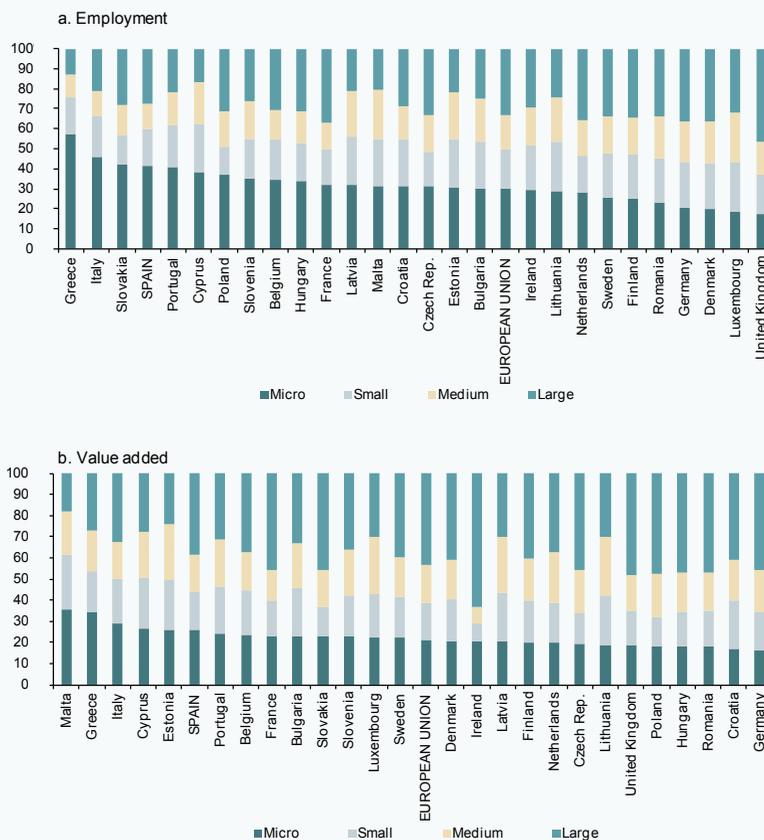
Table 1 **Percentage breakdown of the business landscape by firm size, 2016**

| | Companies | | Employees | | Value added | |
|--------|-----------|-------|-----------|-------|-------------|-------|
| | Spain | EU | Spain | EU | Spain | EU |
| Micro | 94.9 | 93.0 | 41.2 | 29.8 | 25.9 | 20.9 |
| Small | 4.4 | 5.8 | 18.3 | 20.0 | 18.1 | 17.8 |
| Medium | 0.6 | 0.9 | 13.1 | 16.7 | 17.8 | 18.2 |
| SMEs | 99.9 | 99.8 | 72.6 | 66.6 | 61.8 | 56.8 |
| Large | 0.1 | 0.2 | 27.4 | 33.4 | 38.2 | 43.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: European Commission (2017).

Exhibit 1

Percentage breakdown: Employment and value added, 2016



Note: The countries are ordered from highest to lowest according to the weight of their micro firms.
 Source: European Commission.

In short, within the universe of SMEs, the most important sub-segment is by far the smallest-sized enterprises, to the extent that they account for more jobs than their larger-sized counterparts, in contrast to the EU average. In Spain, enterprises with fewer than 50 employees account for 59.5% of all jobs (10pp above the EU average) and 44% of GDP (+5.3pp).

Size confers businesses an advantage in terms of access to financing and financing conditions. To start with, it is very hard to access capital markets unless an enterprise has a minimum size to absorb the costs of issuing debt. In fact, in Spain, despite the creation of an alternative fixed-income market, the MARF, designed to

facilitate SME access to the corporate bond market, just 11 companies have managed to do so. Elsewhere, the so-called alternative financing route remains very insignificant in Spain. As a result, this type of company (to a greater extent micro and small enterprises) is highly dependent on bank credit, which is why it is important to analyse the terms on which they can access bank financing.

There are reasons justifying the advantages size affords in terms of access to bank financing. In particular, banks have less and poorer quality information about smaller companies, for one thing because many of them are not audited. The issues posed by asymmetric information in the banking

“ Since the ECB has been tracking information on firms’ access to finance, the percentage of Spanish and eurozone firms reporting this as their main concern was at its lowest in the latest April-September survey. ”

to achieving the paper’s objectives. The time horizon analysed runs from 2012 until today, as 2012 marked a turning point in financing access terms as a result of the expansionary monetary policies adopted by the ECB. The most recent available wave of the survey on the access to finance of enterprises (SAFE) corresponds to the period between April and September 2017.

Access to bank financing: A top concern

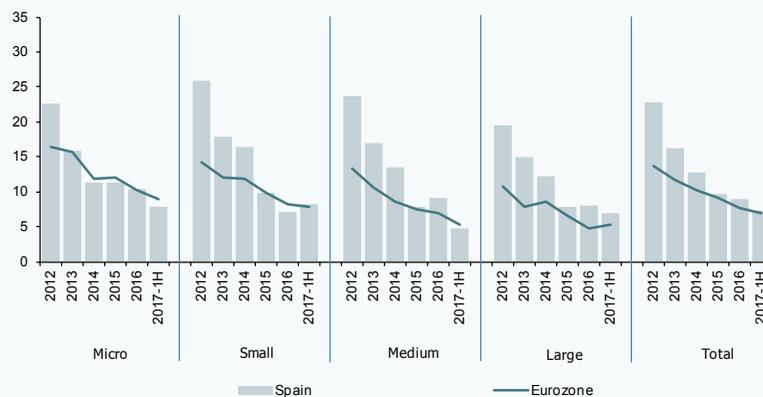
The first indicator of the importance of size when it comes to getting finance is the quantification of the percentage of enterprises in each size category that report that their biggest problem is access to finance, ahead of other issues such as ‘finding customers’, ‘competition’, the ‘availability of skilled labour’, ‘regulation’ or ‘costs of production’.

Just 7.2% of Spanish enterprises reported ‘access to finance’ as their dominant concern, a figure that is very similar to the average for all eurozone enterprises (7%). This percentage has been falling steadily since 2012, closing the gap versus the eurozone in the process. In 2012, the percentage of enterprises in Spain reporting access to finance as their major concern stood at 22.7%, at which point of time this percentage was 9 pp lower in the eurozone. Since the ECB has been tracking this information, this percentage was at its lowest in Spain and the eurozone alike in the April-September survey, the percentage in Spain being lower than in Italy (7.4%) and France (8.3%), albeit higher than in Germany (4.8%).

The breakdown by company size (Exhibit 3) reveals that a higher percentage of micro and small enterprises cite access to finance as their

Exhibit 3

Percentage of firms whose dominant concern is access to finance



Note: Between 2012 and 2016, the information refers to the period from October of the year in question until March of the following year, whereas in 2017 it refers to April to September.

Source: ECB.

main problem in Spain and in the broader eurozone. In Spain, 7.9% and 8.1% of micro and small-sized companies currently report access to finance as their major problem, respectively, compared to 4.7% and 7% in the case of medium and large enterprises, respectively. These percentages are similarly higher for micro and small enterprises in the broader eurozone.

Availability of bank financing

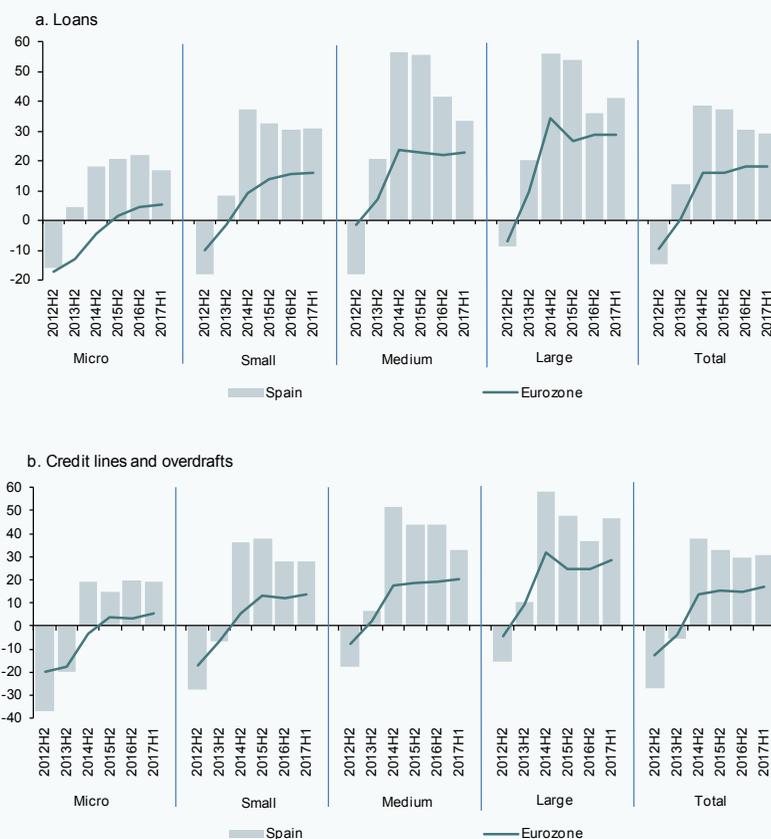
Another aspect of the financing equation on which enterprise size has an impact is availability, *i.e.*, the amount of bank loans or credit lines/overdrafts available. In the

first instance, the difference between the percentage of Spanish companies reporting that availability had improved and those reporting that it had decreased currently stands at 29 pp, which is significantly higher than the difference of 18.3 pp reported by the eurozone enterprises as a whole. Gone therefore are the years of credit rationing: the percentage of enterprises reporting a perceived improvement in credit availability is well above those perceiving a deterioration.

As shown in Exhibit 4, there are significant differences in the net percentages of enterprises perceiving an improvement in

Exhibit 4

Availability of bank loans. Difference between the percentage of firms reporting an increase and that reporting a decrease



Note: Between 2012 and 2016, the information refers to October of the year in question until March of the following year, whereas in 2017 it refers to April to September.

Source: ECB.

the availability of bank loans by enterprise size, with these percentages increasing with size. Specifically, while the percentage of large enterprises perceiving an improvement in credit availability is 41 pp higher than those perceiving a deterioration, in micro, small and medium sized enterprises, these net percentages fall to 16.8, 30.8 and 33.5 pp, respectively. It is worth highlighting that the difference between medium and small enterprises is small, suggesting that it is above 10 employees (the threshold separating micro from small sized enterprises) that the availability of bank financing improves most significantly. The micro enterprises present by far the smallest net percentage regardless of the year analysed. This aspect is common to all of the eurozone enterprises and across all time intervals.

As for the availability of bank financing in the form of overdrafts, the pattern is similar: a) availability increases with firm size; b) perceived availability varies only scantily above the threshold of 10 employees; c) the net percentage of micro firms reporting improved perceived availability is currently 28 pp below that reported by large enterprises; and, d) whereas the perceived improvement in bank overdraft availability began in 2013 in

the case of medium and large enterprises, in the case of small and micro firms it took until 2014 for this to take place. On the plus side it is worth highlighting the fact that the improvement in the amount of financing available has been higher in Spain than in the eurozone as a whole across all firm size categories since 2014.

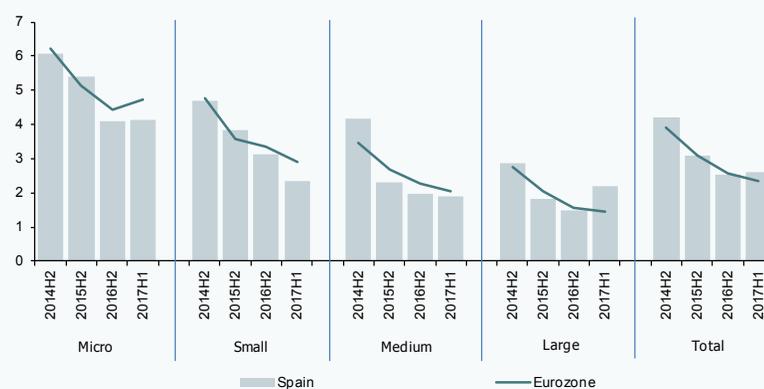
Costs of corporate financing

In 2014, the ECB added a question to its survey which is of significant interest in terms of analysing the terms on which enterprises can access finance: the interest rate applied to their financing transactions. As is logical, this cost has been diminishing in parallel with the downtrend in the ECB benchmark rate and money market rates. Specifically, Spanish companies – all sizes – report that the interest rates they are charged have fallen by 1.6 pp, from 4.2% to 2.6%, between 2014 and 2017. In the eurozone as a whole, the trend has been similar, with average interest rates currently standing 25 bp below those of Spain.

Zooming in on the differences encountered by companies of different sizes, the cost borne by micro firms is in all instances significantly higher, at 4.12% according to the latest survey, compared to a cost of 2.2% borne by

Exhibit 5 **Rate of interest applied on loans extended**

Percentage



Note: Between 2012 and 2016, the information refers to the period from October of the year in question until March of the following year, whereas in 2017 it refers to April to September.

Source: ECB.

large enterprises, 1.91% by medium firms and 2.35% by small companies. Here the good news is that except for the large enterprises, the Spanish firms in the other size categories currently enjoy lower borrowing costs than their European counterparts, with the micro and small enterprises enjoying the greatest comparative advantage in this respect. Note that in terms of interest rate levels, it is the threshold of 10 employees that makes the biggest difference: the biggest change in borrowing costs is observed between micro and small companies, with the former paying a spread

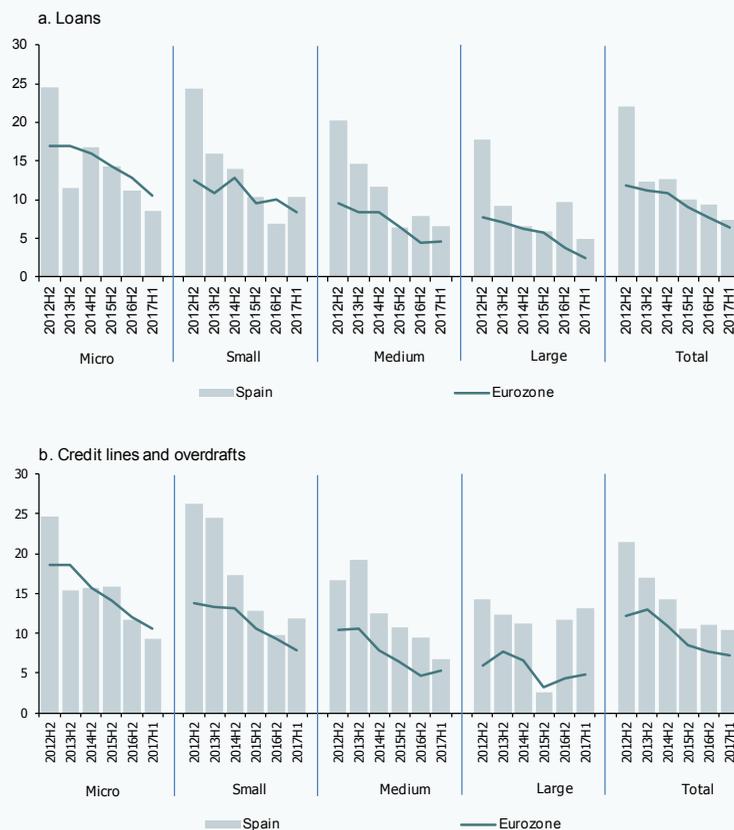
premium of 177 bp, compared to a difference of just 15 bp between small and large firms. In contrast, in the broader eurozone, the cost gap between micro and small firms (183 bp) and small and large firms (147 bp) is similar. In Spain, therefore, relief in terms of bank financing costs comes above all when companies achieve the scale of a small enterprise.

Obstacles to receiving a bank loan

One of the questions on the ECB survey of greatest value in evaluating the terms and

Exhibit 6 **Financing obstacles. Overall indicator**

Percentage



Notes: The indicator is the sum of the percentages of firms reporting: that their loan applications were rejected; applications for which only a limited amount was granted; loan applications which resulted in an offer that was rejected because the borrowing costs were too high; and that they did not apply for a loan for fear of rejection. Between 2012 and 2016, the information refers to the period from October of the year in question until March of the following year, whereas in 2017 it refers to April to September.

Source: ECB.

conditions on which enterprises can access finance is that related to the obstacles they have encountered. The overall indicator in this respect is measured as the sum of the percentages of firms reporting: a) that their loan applications were rejected; b) applications for which only a limited amount was granted; c) loan applications which resulted in an offer that was rejected because the borrowing costs were too high; and, d) that they did not apply for a loan for fear of rejection.

In the specific case of bank loans (Exhibit 6a), financing obstacles have been trending lower in Spain: the cited obstacles have gone from affecting 22.1% of companies in 2012 to 7.5% in 2017, just one point above the eurozone average. Yet again, the relationship between company size and terms of access to finance is clear, with micro and small firms reporting greater obstacles. In particular, the last survey indicates that these obstacles affect 8.5% and 10.3% of micro and small firms, respectively, compared to 6.6% and 4.9% in the case of medium and large enterprises. On the other hand, it is the micro enterprises that have reported the biggest drop in financing obstacles: 16 pp between 2012 and 2017.

The percentage of firms reporting obstacles when applying for an overdraft is higher, 3 pp more in 2017 (10.5% vs. 7.5% for bank loans) and 3.2 pp above the Eurozone average. What is eye-catching on this occasion is the fact that it is the large enterprises that report the highest percentages in Spain (13.2%), in marked contrast with the trend in the broader eurozone (4.9%).

Terms and conditions of access to finance

What terms and conditions do banks apply to the financing they extend to companies? Has the amount of financing improved? And the rate of interest? What about their non-

interest charges, fees and commissions? Are banks looking for more collateral in order to extend a loan? These are the variables (amount, interest rate, fees and commissions and collateral) that define financing terms and conditions.

Exhibit 7 shows the difference between the percentage of enterprises that believes that their financing terms and conditions have improved and the percentage that believes they have deteriorated. Note that in the case of interest rates, non-interest charges and collateral, a positive net percentage indicates that conditions have deteriorated, while in the case of the loan size, a positive net difference points to improved conditions.

In terms of the loan size, the net percentages have been in positive territory since 2013, at 19.9 pp in 2017, indicating a predominance of firms that perceive that the amount of available credit is improving. This is 13.9 pp above the eurozone average. The net percentages are lower in the case of micro firms (13.9 pp), broadly similar between small (17.3 pp) and medium enterprises (17.1 pp) and much higher in the case of large enterprises (27.2 pp). In short, the large enterprises are reporting the greatest improvement in the amount of credit available and the micro firms the smallest improvement.

Focusing now on the price of bank loans, Spanish firms have predominantly been perceiving an improvement in this metric since 2014, with a current net percentage of -18.4 pp, better than the eurozone average of -13 pp. What is surprising and of concern here is that the only size segment in which a higher percentage of firms continues to believe that interest rates have increased relative to those that believe they have fallen (net difference: 3 pp) is the micro segment, a trait shared by the Spanish firms of this size with

“ For Spanish companies as a whole, although there has been some improvement, more firms believe that banks are charging more fees and commissions than believe the opposite. ”

their European counterparts. The situation changes radically for firms with more than 10 employees, with small enterprises reporting a negative net percentage of -4.3 pp in Spain, compared to -5.6 pp across the eurozone. Had the cost of financing analysis been performed at the aggregate SME level, we would have mistakenly concluded that more companies with fewer than 250 employees perceive that their borrowing costs have fallen relative to those that believe they have increased, something we have seen is not true in the case of the micro companies.

Banks' non-interest charges also affect borrowing costs. In this instance, size counts, as only the large-sized enterprises are currently reporting a negative net percentage,

i.e., a higher percentage of respondents who believe these charges have come down. The highest positive net percentages are reported by the micro (24.3 pp) and small enterprises (24.7 pp), with the medium-sized respondents reporting a much smaller gap (7 pp). For the Spanish companies as a whole, although the net percentages are lower than in 2012 and 2013, they remain positive, which means more firms believe that banks are charging more fees and commissions than believe the opposite. Nevertheless, these percentages are currently lower in Spain than in the eurozone (10.2 vs. 19.9 pp) and this phenomenon holds across all size categories.

Lastly, in the case of collateral requirements, although terms have improved, a higher

Exhibit 7

Terms and conditions of access to bank loans. Difference between the percentage of firms reporting an increase and that reporting a decrease

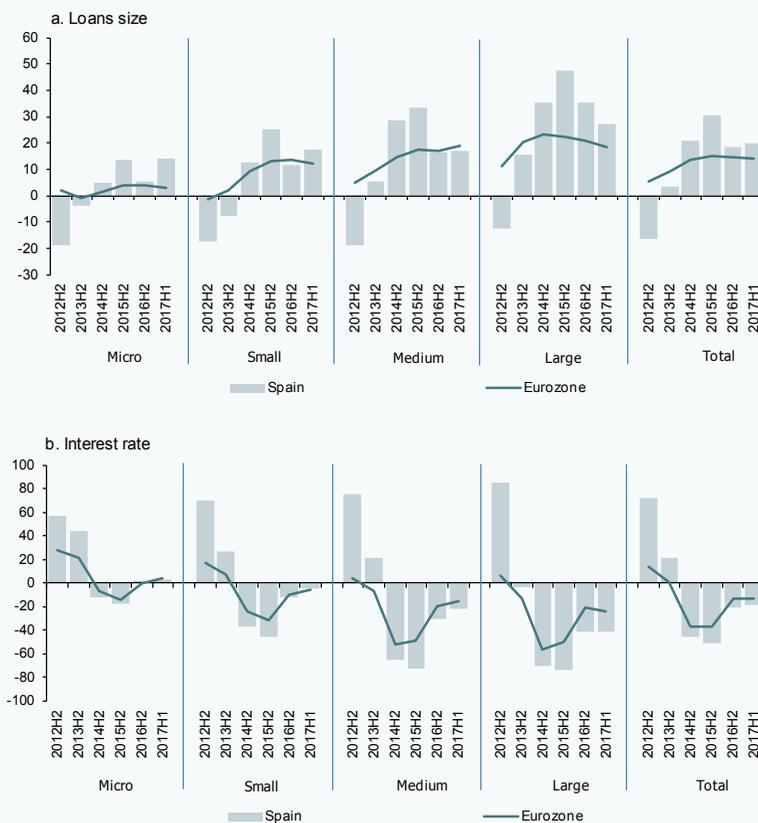
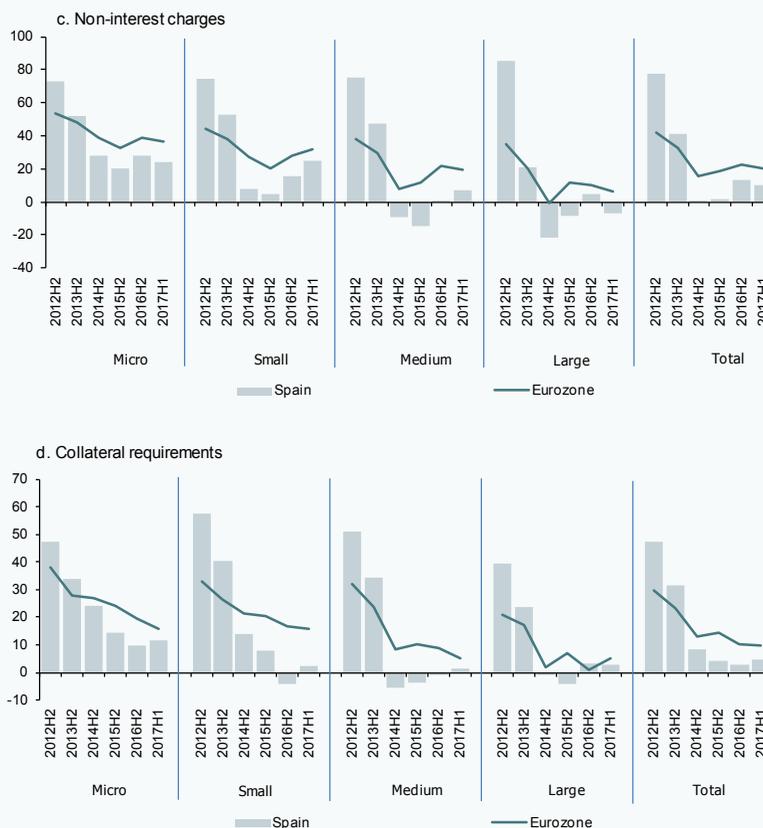


Exhibit 7

Terms and conditions of access to bank loans. Difference between the percentage of firms reporting an increase and that reporting a decrease

(continued)



Note: Between 2012 and 2016, the information refers to the period from October of the year in question until March of the following year, whereas in 2017 it refers to April to September.

Source: ECB.

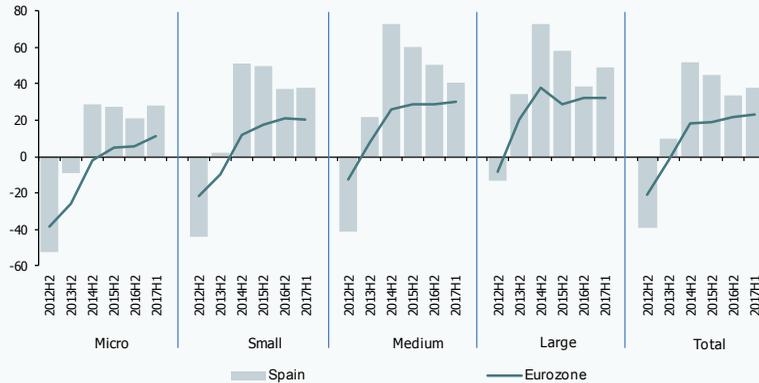
percentage of firms continues to perceive that banks are demanding tighter collateral and guarantees, with Spain reporting a net percentage of 4.8 pp, compared to 9.6 pp in the eurozone. The micro companies reported the highest positive net percentages (11.5 pp in 2017, albeit below the eurozone average of 15.8 pp), followed at a good distance by the small (2.4 pp), medium (1.3 pp) and large enterprises (2.7 pp). In short, the collateral requirements – another important aspect of the access to financing equation – demanded are yet again more stringent for micro firms and have become tighter in recent years.

Willingness of banks to lend

The willingness of banks to lend money (Exhibit 8) has improved continuously in Spain since 2013, with the percentage of companies reporting an improvement in willingness consistently higher than the percentage reporting the opposite. The latest survey reveals a net percentage of 38 pp, which is 15 pp above the eurozone average. The differences by company size are noteworthy, with the net percentage reported by micro firms some 20.5 pp lower than that reported by the large enterprises. The difference between a micro and small enterprise is

Exhibit 8

Willingness of banks to lend. Difference between the percentage of firms reporting an increase and that reporting a decrease



Note: Between 2012 and 2016, the information refers to the period from October of the year in question until March of the following year, whereas in 2017 it refers to April to September.

Source: ECB.

substantial (9.2 pp lower for the former), whereas the difference between small and medium firms is narrower. Thus by merely surpassing the barrier of 10 employees, firms benefit from a significant improvement in financing, evident in banks' substantially higher propensity to lend money to somewhat larger firms. In terms of the comparison with Europe, it is worth highlighting the fact that the improvement in banks' willingness to lend is higher in Spain for all company sizes, the biggest difference being observed in the micro category.

Company expectations regarding future availability of bank financing in the coming months

In the case of bank loans, Spanish companies have been optimistic about the availability of credit since 2013. The most recent 2017 figure

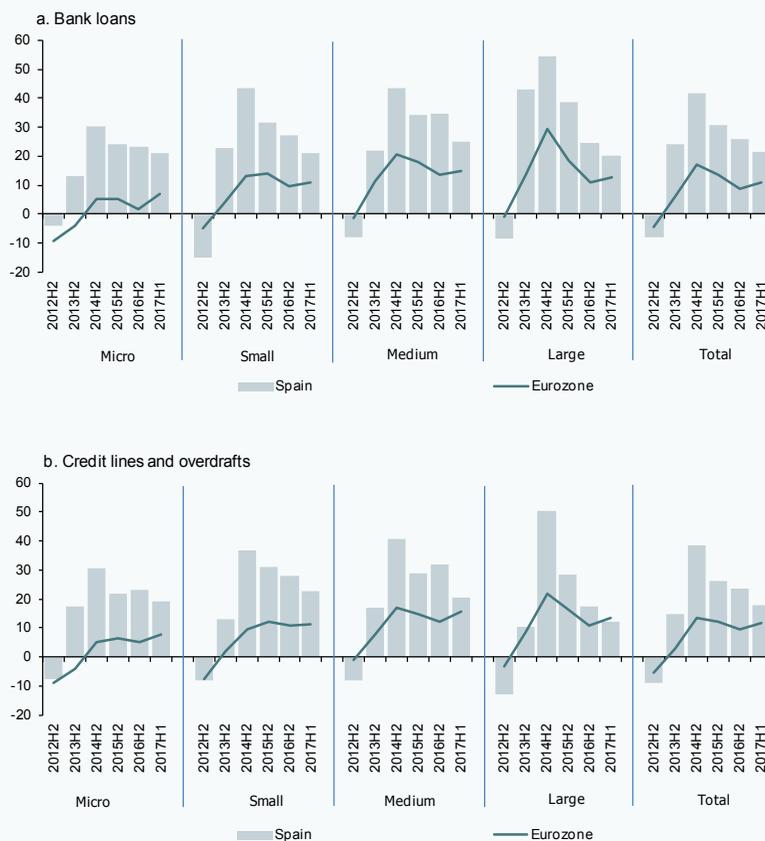
indicates a difference between the percentage of firms expecting the availability of financing to improve compared to those expecting the opposite to happen of 21.4 pp, double the eurozone average. In contrast to the rest of the indicators analysed to date, in this instance the differences in net percentages by company size are very small, with medium firms the most optimistic and small firms the least optimistic. In Spain, the micro firms are far more optimistic regarding the outlook for the availability of financing (net percentage: 21.3 pp) than their European counterparts (6.8 pp).

The snapshot is very similar looking at the expectations regarding the availability of credit lines or bank overdrafts in the coming months, albeit somewhat less optimistic. Also on this occasion, as we saw earlier regarding

“ By merely surpassing the barrier of 10 employees, firms benefit from a significant improvement in financing, evident in banks' substantially higher propensity to lend money to somewhat larger firms. ”

Exhibit 9

Expectations regarding the availability of banks loans in the coming months. Difference between the percentage of firms reporting an increase and that reporting a decrease



Note: Between 2012 and 2016, the information refers to the period from October of the year in question until March of the following year, whereas in 2017 it refers to April to September.

Source: ECB.

other findings on overdrafts, the large firms present the lowest net percentages (12.2 pp), figures that are considerably below those reported by the other sizes of companies. This trait is not shared with other large corporates in the eurozone, where these firms are more optimistic in this regard than the micro and small firms.

Conclusions

It is true when they say that Spain is a country of SMEs and that this is a shortcoming in terms of attaining higher productivity levels in light of the barrier implied by size in

terms of the key drivers of productivity (R&D effort, international expansion, investment in skills, *etc.*). However, the universe of SMEs comprises firms of very different sizes and it is on the incidence of micro (< 10 employees) and small firms (between 10 and 49) that Spain stands out most starkly compared to its European counterparts. Micro firms are the biggest contributors to job creation in Spain, accounting for 41.2% of the total, ranking fourth in the EU-28 on this measure. Although their weight is smaller than that of the large firms in terms of contribution to GDP, Spain once again ranks sixth in Europe by this count.

The barrier posed by failing to achieve a certain size manifests not only in terms of the key productivity drivers but also the restrictions micro and small firms face in terms of access to finance. However, a higher cost in terms of interest rates should not be interpreted as a penalty, as it is logical for banks to apply a premium to compensate for the greater risk assumed when financing these companies on account of the issue of asymmetric information (banks tend to have less and poorer quality information about these firms).

The information analysed in this paper demonstrates that in effect micro and small firms face harsher terms and conditions in accessing finance, a condition they share with their European counterparts. The good news is that the improvement observed in recent years, which has coincided with the ECB's rollout of expansionary monetary policies, has also benefitted these firms the most. The key findings are:

- Today, the difference between the level of interest rates borne by the smallest Spanish companies (proxy: a loan of less than 250,000 euros) compared to larger enterprises (loans above this amount) is smaller than in 2012 and stands at a spread of 65 bp in the case of loan of between 250,000 and 1,000,000 euros and 82 bp in the case of a loan of over 1,000,000 euros. In contrast, these differences stood at 160 bp and 320 bp in 2012, respectively.
- The improvement in access to finance is evident in the fact that an increasingly lower percentage of firms cite access to finance as their biggest concern: this percentage currently stands at 7.2% in Spain, which is similar to the eurozone average. At micro and small firms this percentage (~ 8%) is currently very similar to that reported by large enterprises (7%).
- The size barrier is more evident in the availability of bank loans. The latest available survey in this respect reveals that in Spain the difference between the percentage of firms reporting that availability has improved and that reporting

the opposite stands at 16.8 pp in the case of micro firms, compared to 33.5 pp and 41 pp for medium and large firms, respectively. The message is the same in the case of credit lines/overdrafts.

- Size is also relevant in explaining obstacles encountered in receiving financing, with the the smallest companies the most affected. That being said, micro firms have reported the biggest reduction in these obstacles.
- The terms and conditions of access to bank financing have improved significantly in recent years for all companies. However, micro firms have perceived this improvement to a lesser degree and their perception of the interest rates they are charged is noteworthy. In 2016 and 2017 a higher percentage of micro firms reported an increase rather than a decrease in the interest rates they were charged, albeit a situation similarly experienced by their European counterparts.
- One area of concern in terms of access to finance is the fact that, except for the large Spanish firms, more companies than not in the other size categories report an increase in fees and commissions, this net percentage being highest for micro and small firms. In a similar vein, the firms report that banks are demanding more stringent collateral and guarantees, with micro firms again bearing the greatest burden in this respect.
- Lastly, the improvement in access to bank financing is evident in the fact that a majority of firms report that banks are more willing to extend finance. However, the net percentage of micro firms reporting this improvement is 20 pp lower in comparison with the large enterprises.

Notes

[*] This article was written as part of research work tendered by the Spanish Ministry of Economy, Industry and Competitiveness (ECO2017-84828-R).

[1] Micro enterprises are those with fewer than 10 employees and less than 2 million euros of revenue or assets. Small enterprises are

those with between 10 and 49 employees and between 2 and 10 million euros of revenue/assets. Medium-sized enterprises are those with between 50 and 249 employees and under 43 million euros of revenue/assets. Large enterprises have 250 employees or more and over 50 million euros of revenue or 43 million euros of assets.

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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)

Bank of Spain Circular amending the Circular on banking service transparency and responsible lending (Circular 5/2017, published in the Official State Journal on January 3rd, 2017)

Bank of Spain Circular 5/2017 stems from the need to adapt existing legislation for recent changes that require the *ad hoc* and largely superficial amendment of Annex 8 of Circular 5/2012, whose wording had become obsolete in respect to the following two aspects:

- Circular 5/2012 continued to refer to the European Banking Federation as the manager of Euribor, even though its name was changed to the European Money Markets Institute (EMMI) in June 2014. The purpose of this change is to highlight the operational independence of the EMMI with respect to the European Banking Federation.
- The above-mentioned Circular failed to refer to Euribor as a “critical benchmark”, despite this rate having gained this status in Commission Implementing Regulation (EU) 2016/1368 of August 11th, 2016. That Regulation established a list of critical benchmarks used in financial markets, specifically including the Euro Interbank Offered Rate (Euribor®) on that list.

As a result, this Circular, which took effect the day after its publication, updates the contents of Annex 8 in relation to the definitions of Euribor and Mibor in order to introduce these changes.

Royal Decree amending the regulation on the articulation of pension commitments by companies for employees and beneficiaries and the regulation governing pension plans and funds (Spanish Royal Decree 62/2018, published in the Official State Journal on February 10th, 2018)

Royal Decree 62/2018 (February 9th, 2018), which amends the Regulation on the articulation of pension commitments by companies for employees and beneficiaries enacted by means of Royal Decree 1588/1999 (October 15th, 1999) and the Regulation on pension plans and funds enacted by Royal Decree 304/2004 (February 20th, 2004), took effect the day after its publication except with respect to the remuneration of pension fund managers and depositories, these aspects being due to take effect two months after its publication.

Royal Decree 62/2018 stems from the amendment of the consolidated text of the Pension Plans and Funds Regulation Act, enacted by Legislative Royal Decree 1/2002 (of November 29th, 2002), by virtue of Law 26/2014 [1]. The above-mentioned amendment introduced: (i) the possibility that pension plan unit holders could gain early access to vested investments in respect of contributions made at least 10 years earlier; and, (ii) the duty on the part of the source management company to inform the destination entity about the procedures for switching vested entitlements between plans.

To this end, the Regulation on the articulation of pension commitments by companies for

employees and beneficiaries enacted by means of Royal Decree 1588/1999 (October 15th, 1999) was amended to introduce changes with respect to: the information to which insured employees, beneficiaries already receiving their benefits with a charge against the insurance contract, and those insured under a company pension plan are entitled in the event that they wish to gain early access to economic entitlements corresponding to the premiums paid at least 10 years earlier.

Elsewhere, the amendment of the Pension Plans and Funds Regulation, enacted by Royal Decree 304/2004 (February 20th, 2004), refers to the following aspects, among others:

- Introduction of a new liquidity event for pension plans and similar schemes. As a result, the unit holders of individual and group pension plans may gain early access, in full or in part, to the vested rights corresponding to contributions made at least 10 years earlier.
- These vested rights may be monetised by means of one or several successive payments, subject to the terms or limitations that may be stipulated in the company pension plans. Monetisation of these entitlements shall be compatible with making contributions to pension plans for potential contingencies.
- Criteria have been added to the pension plan specifications for the calculation of the daily value applicable to: contributions; plan switches; benefits payments; and liquidity events under exceptional circumstances and the early monetisation option.
- Changes have been made in the area of pension fund investments in order to reflect prevailing regulations. These include the requirements to be met by the properties and the shares or unit holdings in closed-end collective investment schemes in order to qualify as apt investments for pension funds.

- In terms of management fees, the single maximum threshold (1.5% per annum of the value of the balance in the account to which they are to be charged) is replaced by a range of fee ceilings depending on the funds' investment policies. Specifically, in the case of a fixed-income pension fund [2], the maximum fee has been set at 0.85% per annum; for a mixed fixed-income fund [3], the ceiling has been set at 1.3% per annum; and for all other pension funds [4], it has been set at 1.5%.
- Meanwhile, the maximum custodial fee receivable by the custodian firm as total remuneration for performance of its duties has been reduced from 0.25% to 0.20% of the balance in the accounts to which it is to be charged.
- There is a term of six months from entry into effect of Royal Decree 62/2018 for adapting the pension plan specifications, newsletters and other documents with key information for individual plan holders and the pension plan operating rules for the contents of this new piece of legislation.

Bank of Spain Circular on the method for calculating contributions to the Deposit Guarantee Scheme (Circular 1/2018, published in the *Official State Journal* on February 9th, 2018)

Bank of Spain Circular 1/2018 amending: Circular 5/2016 (May 27th, 2016) on the method for calculating contributions to the Deposit Guarantee Scheme for Credit Institutions such that they are commensurate to their risk profiles; and Circular 8/2015 (December 18th, 2015) addressed to institutions and branches participating in the Deposit Guarantee Scheme for Credit Institutions, on information for determining the calculation basis of the contributions, took effect the day after its publication.

The changes introduced by means of Circular 1/2018 were prompted by the measures set down in final provision one of Royal Decree-Law 11/2017 (June 23rd, 2017) on urgent financial measures, which empowers the Bank of Spain to develop the methods necessary so

that the annual contributions made by the credit institutions to the Deposit Guarantee Scheme (DGS) are commensurate to their risk profiles, adding a new consideration: participation by a credit institution in one of the Institutional Protection Schemes (IPSS) contemplated in prevailing legislation (whether in one of the ‘reinforced’ or ‘fully-mutualised’ IPSS regulated in Spanish Law 10/2014 [5] or one of those contemplated in the CRR).

It is understood that the constitution of an IPSS reinforces the liquidity and capital adequacy of the credit institutions comprising it, thus modifying their risk profile. To this end, the amendments to Circular 5/2016 are designed to introduce this new factor to the calculation method so that the contributions made to the DGS by its members are commensurate to their risk profiles. The following aspects stand out:

- Calibration of the contribution to the DGS as a function of a credit institution’s membership in one of the IPSS contemplated in the CRR (article 113.7) that has set up an *ex ante* fund that guarantees that the IPSS has funds directly available to it for ensuring its liquidity and solvency to avoid bankruptcy where necessary.
- Specifically, the amendments add the risk indicator described as “Participation by the entity in one of the IPSS contemplated in article 113.7 of the CRR” to the category “business model and management model” with a risk weight of 8%. As a result, the risk weights assigned to the remaining indicators have been adjusted, with some of them reduced.
- Credit institutions that, at December 31st of the year immediately preceding that corresponding to the contribution to the DGS, belong to one of the IPSS contemplated in Spanish Law 10/2014 shall be subject as a whole to the risk weight determined for the main entity and other members on a consolidated basis, such that the risk indicator level is determined at the consolidated level.
- Exceptions are contemplated when a member credit institution has been exonerated from the liquidity and prudential requirements on an individual basis in keeping with the CRR or from having to meet a minimum level of own funds and eligible liabilities in keeping with Spanish Law 11/2015.
- When the information regarding an indicator is not available or when none of the credit institutions contributing to the DGS belong to one of the above IPSS, the risk weight corresponding to that indicator shall be distributed evenly across the risk weights for the other indicators corresponding to the same risk category.
- The corresponding amendments have been introduced to Annexes 1 and 2 of Circular 5/2016. It is worth noting the addition of phases 7 and 8 in the calculation method to reflect: (i) the treatment of the contributions by credit institutions belonging to one of the IPSS contemplated in the CRR that has set up an *ex ante* fund (reducing the amount of the annual contribution to the DGS by an amount equal to that contributed to the *ex ante* fund of that IPSS the prior year, subject to a ceiling of 60%); and, (ii) the distribution of the contributions by the credit institution belonging to the DGS.

Elsewhere, the amendments made to Circular 8/2015 attempt to compile information about the *ex ante* funds set up by IPSS. To this end, credit institutions that form part of one of the IPSS contemplated in the CRR that has set up an *ex ante* fund to guarantee that the IPSS has funds directly available to it, must send the Bank of Spain the fund information stipulated in Annex 1 bis of the said Circular on a quarterly basis, unless one of its members has been designated as the party required to submit that information. It further stipulates the deadlines for submitting this information for the purposes of calculating contributions to the DGS in 2018 and in 2019.

Lastly, Circular 1/2018 stipulates that these modifications shall be used for the first time in calculating the contributions to the DGS determined in respect of 2018.

Notes

- [1] Law 26/2014 (of November 27th, 2014), amending Law 35/2006 (of November 28th, 2006) on Personal Income Tax, the consolidated text of the Non-Resident Income Tax Act, enacted by Legislative-Royal Decree 5/2004 (of March 5th, 2004) and other tax legislation.
- [2] No exposure to equities.
- [3] Less than 30% of total exposure in equities.
- [4] Overall exposure to equities of 30% or higher.
- [5] Law 10/2014 (June 26th, 2014) on the structuring, supervision and capital adequacy of credit institutions.

Spanish economic forecasts panel: March 2018*

Funcas Economic Trends and Statistics Department

Estimated 2018 GDP growth has increased to 2.7%, up 0.1pp from the last Panel forecast

GDP growth in the last quarter of 2017 was in line with that recorded the previous quarter, at 0.7% (revised down from 0.8%). Growth for the year thus came in at 3.1%.

The indicators released to date for the first quarter suggest that this growth continues apace. The consumer confidence and economic sentiment indicators for January and February were stronger than the fourth-quarter 2017 average, as was the composite PMI. And, according to the Social Security contributor numbers, the pace of job creation is also being sustained.

The consensus forecast for 2018 is for GDP growth of 2.7%, up 0.1 percentage points from the last Panel forecast. This figure is higher than that forecast by the international organisations, the Spanish government and the Bank of Spain.

National demand is expected to contribute 2.4 percentage points to that growth, which is 0.2 percentage points up from the January forecasts. The upwards revision to the forecast for growth in investment stands out. As for the foreign sector, current forecasts point to a contribution of 0.3 points, down 0.1 percentage points. Growth is expected to be even from one quarter to the next, specifically 0.7% in the first quarter and 0.6% in each of the last three quarters of 2018. The slight slowdown originally anticipated for the end of the year is no longer being forecast.

The forecast for 2019 is 2.4%

This was the first survey to ask for estimates for 2019. The consensus forecast for GDP growth in 2019 stands at 2.4%, which is 0.3 percentage points below the forecast for 2018. The consensus forecast for 2019 is nevertheless higher than the growth forecast for the eurozone as a whole by the European Central Bank and the European Commission. The anticipated slowdown is attributable mainly to weaker private consumption, which is expected

to grow by 0.3 percentage points less than in 2018, and gross fixed capital formation, which in turn explain the lower forecast contribution by domestic demand.

Subdued inflation in 2018 and 2019

Inflation fell sharply to 0.6% in January as a result mainly of the drop in electricity prices, going on to recover in February, when the year-on-year rate climbed back to 1.1%. Having hit a high for the year of almost 70 dollars a barrel in January, oil prices have been trading at around the 65 dollar mark in recent weeks. Core inflation remains at moderate levels.

Inflation is expected to continue to firm until the third quarter, at which point it is expected to fall back to end the year at an average rate of 1.5%, 0.1 percentage points below the last set of forecasts. As for 2019, the consensus forecast stands at 1.6%; however, it is worth highlighting the lack of consensus in this respect, with the forecasts ranging from a low of 1.2% to a high of 2%.

The year-on-year CPI rates forecast for December 2018 and December 2019 are 1.4% and 1.5%, respectively.

Slight slowdown in job creation in 2018

According to the Social Security contribution numbers, average growth in contributors in January and February was somewhat higher than the average monthly growth observed in the preceding months. The numbers reveal a recovery in market services, which had lost steam last quarter, a slowdown in construction and accelerated job growth in industry.

In terms of full-time equivalent jobs, growth in 2018 is estimated at 2.4%, up 0.1 percentage points from the last Panel, slowing to 2% in 2019.

Using the forecasts for growth in GDP, job creation and wage remuneration yields implied forecasts for growth in labour productivity and unit labour costs: the former is expected to

register growth of 0.3% in 2018 and 0.4% in 2019 (up 0.1pp from the last Panel), while ULCs are expected to increase by 0.8% and 1% in 2018 and 2019, respectively.

The average annual unemployment rate is expected to continue to come down – to 15.3% in 2018 (no change from the last Panel) and to 13.7% in 2019.

Another ample current account surplus forecast for 2018

According to provisional figures, the current account surplus amounted to 19.8 billion euros in 2017, down 1.7 billion euros from 2016, shaped by a reduction in the trade surplus that was not fully offset by the narrower income deficit.

The consensus forecasts point to a slight reduction in the surplus to 1.6% of GDP in 2018 and 1.5% in 2019.

The public deficit looks set to narrow, but missing the targets

In the first 11 months of the year, the deficit at all levels of government except for the local corporations stood at 24 billion euros, down 36% year-on-year. The improvement came at the central and regional government levels. The latter recorded a surplus of 1.2 billion euros. In contrast, the Social Security Funds deficit widened, albeit due to a reduction in the transfers received from the state's public employment service (SEPE for its acronym in Spanish). The Social Security System's deficit declined thanks to faster growth in revenue from contributions relative to benefits.

The Panel of analysts is expecting the deficit to come down over the next two years. The forecast for 2018 is for a deficit of 2.4% of GDP (unchanged from the last Panel), declining to 1.8% in 2019, which would imply a shortfall with respect to the targets of 0.2 and 0.5 percentage points, respectively.

Positive outlook for the global economy, albeit clouded by rising tensions among trading partners

The OECD has revised its forecasts for global growth upwards. It is now forecasting growth of close to 4% this year and next. And all the major economies are expected to extend their growth. The US is set to benefit in the short term from

the recently announced corporate tax cuts, which might prompt the Federal Reserve to take more decisive action than initially contemplated. The Chinese economy appears to be absorbed by the issues posed by excessive leverage in the corporate sector. Meanwhile, the recovery is expected to gain traction in Argentina, Brazil and other Latin American countries that are emerging from their recessions of recent years. Lastly, momentum in the eurozone's economy is healthy. Consumer and business confidence indicators remain strong, at levels consistent with growth of over 2% in the next couple of years. The trade tensions arising in the wake of the tariff hikes announced in the US pose the biggest threat to this favourable scenario.

Overall, virtually all of the Panel members view the international climate as favourable and expect it to remain so in the months to come, both within and beyond the EU. Just three analysts are expecting the international environment to deteriorate.

Long-term rates expected to move higher

The ECB continues to signal the looming normalisation of monetary policy. For the time being, it has left its key benchmark rates (the main refinancing operations, the marginal lending facility and the rates on the deposit facility) intact. This stability is evident in the 3-month Euribor rate (the interest rate that indicates the cost of short-term interbank lending), which remains at ultra-low levels, albeit marginally higher, at -0.33%. Almost all our Panel members view this level as low and the majority believe that these favourable credit conditions will continue in the months to come.

In recent weeks, investors have been active in the sovereign bond markets. This has driven down the yield on the Spanish 10-year bond, which is trading clearly under the 1.4% mark. The risk premium over the German Bund has also narrowed since the last Panel. The Panel members consider that long-term interest rates remain low. However, the majority expect bond yields to rise in the coming months.

Potential euro appreciation against the dollar

The euro has been trading at around 1.23 dollars, implying no significant movement since the last Panel. The momentum being displayed by the

European economy coupled with the prospect of rate hikes continues to prop up demand for the euro.

that this is the correct stance. Some call for a more restrictive fiscal policy.

Most of the analysts believe that the euro is trading at close to equilibrium levels and that it will stay steady at current levels in the months to come. However, some are forecasting currency appreciation.

As for monetary policy, all of the analysts continue to view it as expansionary. None of the analysts are expecting monetary tightening in the coming months, as was the case in our last Panel publication.

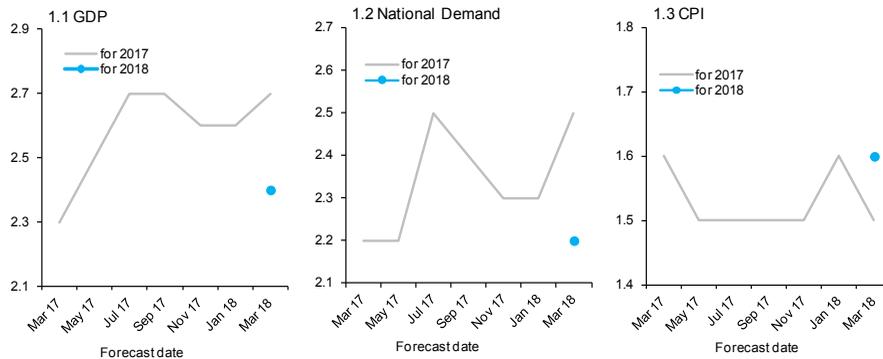
Neutral fiscal policy and expansionary monetary policy

The analysts’ assessment of prevailing macroeconomic policies is unchanged since our last publication. The majority believe that fiscal policy is neutral and

Exhibit 1

Change in forecasts (Consensus values)

Percentage annual change



Source: Funcas Panel of forecasts.

* The Spanish economic forecasts panel is a survey run by Funcas which consults the 17 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly in the first fortnights of January, March, May, July, September and November. The responses to the survey are used to produce a “consensus” forecast, which is calculated as the arithmetic mean of the 17 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

Spanish economic forecasts panel: March 2018*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – March 2018

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

| | GDP | | Household consumption | | Public consumption | | Gross fixed capital formation | | GFCF machinery and capital goods | | GFCF construction | | Domestic demand | |
|--|------------|------------|-----------------------|------------|--------------------|------------|-------------------------------|------------|----------------------------------|------------|-------------------|------------|-----------------|------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Analistas Financieros Internacionales (AFI) | 2.8 | 2.3 | 2.1 | 1.8 | 1.4 | 2.0 | 4.6 | 4.1 | 5.6 | 4.7 | 4.2 | 4.0 | 2.5 | 2.3 |
| Axesor | 2.8 | 2.4 | 2.3 | 1.8 | 1.8 | 1.7 | 3.8 | 3.5 | 5.1 | 4.1 | 3.7 | 3.4 | 2.5 | 2.2 |
| Banco Bilbao Vizcaya Argentaria (BBVA) | 2.5 | 2.3 | 2.2 | 1.9 | 1.8 | 1.9 | 3.7 | 4.4 | 3.5 | 4.3 | 3.4 | 4.1 | 2.4 | 2.3 |
| Bankia | 2.9 | 2.3 | 2.4 | 2.0 | 1.4 | 1.1 | 4.4 | 3.9 | 4.8 | 4.0 | 4.2 | 3.9 | 2.6 | 2.3 |
| CaixaBank | 2.8 | 2.4 | 2.6 | 2.0 | 1.2 | 0.8 | 3.3 | 3.0 | 3.8 | 2.6 | 3.1 | 3.2 | 2.5 | 2.0 |
| Cámara de Comercio de España | 2.7 | 2.4 | 2.3 | 1.8 | 1.2 | 1.4 | 4.4 | 2.7 | 5.9 | 5.1 | 3.7 | 1.5 | 2.6 | 2.1 |
| Cemex | 2.7 | 2.3 | 2.4 | 2.1 | 1.4 | 1.2 | 4.1 | 3.8 | 4.4 | 3.8 | 4.2 | 4.0 | 2.5 | 2.2 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 2.5 | 2.2 | 2.1 | 1.6 | 1.2 | 1.0 | 4.2 | 4.2 | 4.1 | 3.5 | 4.8 | 5.0 | 2.3 | 2.0 |
| Centro de Predicción Económica (CEPREDE-UAM) | 2.6 | 2.3 | 2.3 | 2.0 | 2.0 | 1.6 | 4.2 | 3.5 | 5.3 | 4.0 | 4.3 | 3.3 | 2.6 | 2.2 |
| CEOE | 2.8 | 2.6 | 2.4 | 2.2 | 1.3 | 1.7 | 4.7 | 4.1 | 5.9 | 4.4 | 4.3 | 4.2 | 2.6 | 2.4 |
| Funcas | 2.8 | 2.4 | 2.2 | 2.0 | 1.2 | 1.0 | 5.5 | 4.5 | 5.8 | 4.3 | 5.6 | 4.7 | 2.6 | 2.3 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 2.7 | 2.7 | 2.7 | 2.6 | 1.2 | 1.4 | 3.7 | 4.0 | 6.4 | 5.9 | 3.9 | 3.5 | 2.5 | 2.6 |
| Instituto de Estudios Económicos (IEE) | 2.8 | 2.3 | 2.5 | 2.0 | 1.6 | 1.1 | 4.2 | 3.4 | 6.0 | 4.7 | 3.2 | 2.0 | 2.8 | 2.2 |
| Intermoney | 2.8 | 2.4 | 2.2 | 2.0 | 1.2 | 1.3 | 4.4 | 4.1 | 4.5 | 4.2 | 4.4 | 4.0 | 2.6 | 2.3 |
| Repsol | 2.6 | 2.4 | 2.2 | 1.9 | 1.4 | 1.5 | 4.9 | 3.9 | 6.0 | 3.8 | 4.7 | 4.1 | 2.4 | 2.2 |
| Santander | 2.7 | 2.3 | 2.4 | 2.0 | 0.9 | 0.8 | 3.9 | 3.7 | 4.8 | 3.0 | 3.2 | 4.3 | 2.4 | 2.1 |
| Solchaga Recio & asociados | 2.9 | 2.4 | 2.2 | 1.9 | 1.1 | 1.0 | 4.5 | 4.1 | 5.0 | 4.0 | 4.5 | 4.5 | 2.5 | 2.2 |
| CONSENSUS (AVERAGE) | 2.7 | 2.4 | 2.3 | 2.0 | 1.4 | 1.3 | 4.3 | 3.8 | 5.1 | 4.2 | 4.1 | 3.8 | 2.5 | 2.2 |
| Maximum | 2.9 | 2.7 | 2.7 | 2.6 | 2.0 | 2.0 | 5.5 | 4.5 | 6.4 | 5.9 | 5.6 | 5.0 | 2.8 | 2.6 |
| Minimum | 2.5 | 2.2 | 2.1 | 1.6 | 0.9 | 0.8 | 3.3 | 2.7 | 3.5 | 2.6 | 3.1 | 1.5 | 2.3 | 2.0 |
| Change on 2 months earlier ¹ | 0.1 | -- | 0.1 | -- | 0.3 | -- | 0.4 | -- | 0.9 | -- | 0.4 | -- | 0.2 | -- |
| - Rise ² | 11 | -- | 9 | -- | 13 | -- | 11 | -- | 13 | -- | 7 | -- | 13 | -- |
| - Drop ² | 1 | -- | 4 | -- | 0 | -- | 4 | -- | 2 | -- | 4 | -- | 2 | -- |
| Change on 6 months earlier ¹ | 0.0 | -- | -0.1 | -- | 0.2 | -- | 0.2 | -- | 0.6 | -- | 0.2 | -- | 0.1 | -- |
| Memorandum items: | | | | | | | | | | | | | | |
| Government (October 2017) | 2.3 | -- | 1.8 | -- | 0.7 | -- | 3.4 | -- | -- | -- | -- | -- | -- | -- |
| Bank of Spain (December 2017) | 2.4 | 2.1 | 1.9 | 1.4 | 0.9 | 0.7 | 4.0 | 3.7 | 4.4 | 3.7 | 3.8 | 4.2 | -- | -- |
| EC (February 2018) | 2.6 | 2.1 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| IMF (January 2018) | 2.4 | 2.1 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| OECD (November 2017) | 2.3 | 2.1 | 2.0 | 1.7 | 0.8 | 0.7 | 3.4 | 4.0 | -- | -- | -- | -- | 2.1 | 2.0 |

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

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

Table 1 (continued)

Economic Forecasts for Spain – March 2018

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

| | Exports of goods & services | | Imports of goods & services | | CPI (annual av.) | | Core CPI (annual av.) | | Labour costs ³ | | Jobs ⁴ | | Unempl. (% labour force) | | C/A bal. of payments (% of GDP) ⁵ | | Gen. gov. bal. (% of GDP) ⁷ | |
|--|-----------------------------|------------|-----------------------------|------------|------------------|------------|-----------------------|------------|---------------------------|------------|-------------------|------------|--------------------------|-------------|--|--------------------|--|-------------|
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Analistas Financieros Internacionales (AFI) | 4.5 | 3.8 | 4.2 | 2.5 | 1.6 | 1.8 | 1.1 | 1.2 | 1.4 | 1.4 | 2.4 | 2.0 | 15.1 | 13.6 | 1.8 | 1.6 | -2.6 | -2.0 |
| Axesor | 3.3 | 4.1 | 2.5 | 3.6 | 1.5 | 2.0 | 1.2 | 1.5 | 1.0 | 1.3 | 2.3 | 1.9 | 15.1 | 13.3 | 1.2 | 0.7 | -2.5 | -2.0 |
| Banco Bilbao Vizcaya Argentaria (BBVA) | 4.4 | 5.2 | 4.4 | 5.8 | 1.6 | 1.7 | 1.2 | 1.4 | 1.6 | 2.4 | 2.2 | 1.7 | 15.3 | 14.0 | 1.9 | 1.7 | -2.3 | -1.7 |
| Bankia | 4.9 | 3.6 | 4.2 | 3.6 | 1.7 | 1.8 | 1.4 | -- | 1.1 | 1.5 | 2.5 | 1.8 | 15.3 | 13.9 | 1.6 | 1.4 | -- | -- |
| CaixaBank | 3.5 | 4.2 | 2.8 | 3.2 | 1.5 | 1.9 | 1.0 | 1.6 | 1.1 | 1.7 | 2.4 | 2.1 | 15.3 | 13.5 | 1.8 | 1.8 | -2.5 | -1.8 |
| Cámara de Comercio de España | 5.1 | 5.2 | 4.4 | 4.3 | 1.7 | 1.4 | 1.4 | 1.1 | -- | -- | 2.4 | 2.0 | 15.5 | 13.8 | 1.3 | 1.5 | -2.2 | -1.3 |
| Cemex | 4.4 | 3.8 | 4.2 | 4.0 | 1.5 | 1.7 | 1.3 | 1.3 | -- | -- | 2.5 | 1.8 | 15.4 | 14.0 | 1.5 | 1.5 | -2.5 | -2.0 |
| Centro de Estudios Economía de Madrid (CEEM-URJC) | 4.5 | 4.2 | 4.2 | 4.0 | 1.5 | 1.6 | 1.3 | 1.8 | -- | -- | 2.2 | 1.9 | 15.2 | 13.4 | 1.8 | 1.9 | -2.5 | -2.2 |
| Centro de Predicción Económica (CEPREDE-UAM) | 4.7 | 4.9 | 4.8 | 4.6 | 1.6 | 1.9 | -- | -- | 0.9 | 1.4 | 2.3 | 1.9 | 15.8 | 14.5 | 1.4 | 1.6 | -2.5 | -2.1 |
| CEOE | 4.9 | 4.2 | 4.7 | 4.0 | 1.1 | 1.2 | 0.9 | 1.0 | 0.8 | 1.2 | 2.6 | 2.4 | 15.1 | 13.1 | 1.3 | 1.1 | -2.5 | -2.0 |
| Funcas | 5.0 | 4.8 | 4.9 | 4.8 | 1.5 | 1.3 | 1.2 | 1.5 | 1.0 | 1.0 | 2.4 | 2.1 | 15.1 | 13.2 | 1.4 | 1.6 | -2.2 | -1.8 |
| Instituto Complutense de Análisis Económico (ICAE-UCM) | 3.7 | 4.4 | 4.1 | 5.0 | 1.6 | 1.6 | 1.3 | 1.4 | -- | -- | 2.6 | 2.2 | 15.2 | 14.0 | 1.8 | 1.8 | -2.4 | -1.8 |
| Instituto de Estudios Económicos (IEE) | 3.9 | 4.6 | 4.0 | 4.5 | 1.5 | 1.2 | 0.9 | 0.9 | -- | -- | 2.4 | 1.9 | 15.8 | 14.7 | 1.7 | 1.9 | -1.8 | -1.4 |
| Intermoney | 4.5 | 4.1 | 4.3 | 4.2 | 1.6 | 1.7 | 1.4 | 1.6 | -- | -- | 2.3 | 1.9 | 15.2 | 13.5 | 1.6 | 1.4 | -2.3 | -1.9 |
| Repsol | 3.2 | 3.2 | 2.8 | 2.9 | 1.5 | 1.6 | 1.1 | 1.2 | 1.0 | 0.8 | 2.4 | 2.3 | 14.9 | 12.6 | 1.6 | 1.5 | -2.2 | -1.3 |
| Santander | 3.7 | 3.7 | 2.9 | 3.1 | 1.2 | 1.4 | -- | -- | 1.3 | 1.5 | 2.1 | 1.6 | 15.5 | 14.2 | 1.6 | 1.6 | -2.3 | -1.3 |
| Solchaga Recio & asociados | 5.0 | 4.3 | 4.0 | 4.1 | 1.6 | 1.5 | 1.5 | 1.7 | -- | -- | 2.3 | 2.0 | 15.2 | 13.3 | 1.6 | 1.5 | -2.4 | -1.8 |
| CONSENSUS (AVERAGE) | 4.3 | 4.3 | 4.0 | 4.0 | 1.5 | 1.6 | 1.2 | 1.4 | 1.1 | 1.4 | 2.4 | 2.0 | 15.3 | 13.7 | 1.6 | 1.5 | -2.4 | -1.8 |
| Maximum | 5.1 | 5.2 | 4.9 | 5.8 | 1.7 | 2.0 | 1.5 | 1.8 | 1.6 | 2.4 | 2.6 | 2.4 | 15.8 | 14.7 | 1.9 | 1.9 | -1.8 | -1.3 |
| Minimum | 3.2 | 3.2 | 2.5 | 2.5 | 1.1 | 1.2 | 0.9 | 0.9 | 0.8 | 0.8 | 2.1 | 1.6 | 14.9 | 12.6 | 1.2 | 0.7 | -2.6 | -2.2 |
| Change on 2 months earlier ¹ | -0.3 | -- | 0.1 | -- | -0.1 | -- | 0.0 | -- | 0.0 | -- | 0.1 | -- | 0.0 | -- | 0.0 | -- | 0.0 | -- |
| - Rise ² | 5 | -- | 7 | -- | 4 | -- | 5 | -- | 2 | -- | 10 | -- | 7 | -- | 7 | -- | 4 | -- |
| - Drop ² | 9 | -- | 5 | -- | 7 | -- | 7 | -- | 4 | -- | 1 | -- | 6 | -- | 6 | -- | 4 | -- |
| Change on 6 months earlier ¹ | -0.6 | -- | -0.3 | -- | 0.0 | -- | -0.2 | -- | -0.1 | -- | 0.0 | -- | 0.1 | -- | -0.1 | -- | 0.0 | -- |
| Memorandum items: | | | | | | | | | | | | | | | | | | |
| Government (October 2017) | 5.1 | -- | 4.1 | -- | -- | -- | -- | -- | 1.1 | -- | 2.4 | -- | 15.5 | -- | 1.6 | -- | -2.2 | -1.3 |
| Bank of Spain (December 2017) | 4.9 | 4.7 | 4.1 | 4.2 | 1.5 | 1.4 | 1.2 | 1.6 | -- | -- | 2.3 | 1.7 | 14.9 | 13.2 | 2.1 ⁽⁶⁾ | 2.1 ⁽⁶⁾ | -2.5 | -2.1 |
| EC (February 2018) | -- | -- | -- | -- | 1.5 | 1.6 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| IMF (January 2018) | 2.4 | 2.1 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| OECD (November 2017) | 4.6 | 4.3 | 4.0 | 4.2 | 1.3 | 1.6 | 1.5 | 1.6 | -- | -- | -- | -- | 15.4 | 14.0 | 1.6 | 1.6 | -2.4 | -1.5 |

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

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

³ Average earnings per full-time equivalent job.

⁴ In National Accounts terms: full-time equivalent jobs.

⁵ Current account balance, according to Bank of Spain estimates.

⁶ Net lending position vis-à-vis rest of world.

⁷ Excluding financial entities bail-out expenditures.

Table 2

Quarterly Forecasts – March 2018¹

| | Quarter-on-quarter change (percentage) | | | | | | | |
|------------------------------------|--|--------|---------|--------|-------|--------|---------|--------|
| | 18-IQ | 18-IIQ | 18-IIIQ | 18-IVQ | 19-IQ | 19-IIQ | 19-IIIQ | 19-IVQ |
| GDP ² | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 |
| Household consumption ² | 0.6 | 0.6 | 0.6 | 0.5 | 0.4 | 0.5 | 0.5 | 0.4 |

¹ Average of forecasts by private institutions listed in Table 1.

² According to series corrected for seasonality and labour calendar.

Table 3

CPI Forecasts – March 2018¹

| Monthly change (%) | | | | Year-on-year change (%) | |
|--------------------|--------|--------|--------|-------------------------|--------|
| Mar-18 | Apr-18 | May-18 | Jun-18 | Dec-18 | Dec-19 |
| 0.4 | 0.7 | 0.2 | 0.2 | 1.4 | 1.5 |

¹ Average of forecasts by private institutions listed in Table 1.

Table 4

Opinions – March 2018

Number of responses

| | Currently | | | Trend for next six months | | |
|---|-------------------------|---------------------|--------------------------|---------------------------|-----------|--------------|
| | Favourable | Neutral | Unfavourable | Improving | Unchanged | Worsening |
| International context: EU | 15 | 2 | 0 | 1 | 16 | 0 |
| International context: Non-EU | 14 | 3 | 0 | 1 | 13 | 3 |
| | Low ¹ | Normal ¹ | High ¹ | Increasing | Stable | Decreasing |
| Short-term interest rate ² | 16 | 1 | 0 | 3 | 14 | 0 |
| Long-term interest rate ³ | 15 | 2 | 0 | 11 | 6 | 0 |
| | Overvalued ⁴ | Normal ⁴ | Undervalued ⁴ | Appreciation | Stable | Depreciation |
| Euro/dollar exchange rate | 3 | 13 | 1 | 6 | 10 | 1 |
| | Is being | | | Should be | | |
| | Restrictive | Neutral | Expansionary | Restrictive | Neutral | Expansionary |
| Fiscal policy assessment ¹ | 0 | 15 | 2 | 5 | 12 | 0 |
| Monetary policy assessment ¹ | 0 | 0 | 17 | 0 | 4 | 13 |

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

² Three-month Euribor.

³ Yield on Spanish 10-year public debt.

⁴ Relative to theoretical equilibrium rate.

Key Facts

| | |
|-----------------------------|----------|
| Economic Indicators | Page 73 |
| Financial System Indicators | Page 111 |
| Social Indicators | Page 117 |

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA* (ESA 2010, Base 2010)

Forecasts in yellow

| | GDP | Private consumption | Public consumption | Gross fixed capital formation | | | | Equipment & others products | Exports | Imports | Domestic demand (a) | Net exports (a) | |
|---|-------------------------------|-------------------------------------|--------------------|-------------------------------|--------------|---------|---------------------|-----------------------------|---------|---------|---------------------|-----------------|------|
| | | | | Total | Construction | | | | | | | | |
| | | | | | Total | Housing | Other constructions | | | | | | |
| Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate | | | | | | | | | | | | | |
| 2011 | -1.0 | -2.4 | -0.3 | -6.9 | -11.7 | -13.3 | -10.2 | 0.9 | 7.4 | -0.8 | -3.1 | 2.1 | |
| 2012 | -2.9 | -3.5 | -4.7 | -8.6 | -12.3 | -10.3 | -13.9 | -3.5 | 1.1 | -6.4 | -5.1 | 2.2 | |
| 2013 | -1.7 | -3.1 | -2.1 | -3.4 | -8.6 | -10.2 | -7.3 | 2.8 | 4.3 | -0.5 | -3.2 | 1.5 | |
| 2014 | 1.4 | 1.5 | -0.3 | 4.7 | 4.2 | 11.3 | -1.1 | 5.2 | 4.3 | 6.6 | 1.9 | -0.5 | |
| 2015 | 3.4 | 3.0 | 2.1 | 6.5 | 3.8 | -1.0 | 7.9 | 9.4 | 4.2 | 5.9 | 3.9 | -0.4 | |
| 2016 | 3.3 | 3.0 | 0.8 | 3.3 | 2.4 | 4.4 | 0.9 | 4.2 | 4.8 | 2.7 | 2.5 | 0.7 | |
| 2017 | 3.1 | 2.4 | 1.6 | 5.0 | 4.6 | 8.3 | 1.5 | 5.4 | 5.0 | 4.7 | 2.8 | 0.3 | |
| 2018 | 2.8 | 2.2 | 1.2 | 5.5 | 5.6 | 8.3 | 3.1 | 5.4 | 5.0 | 4.9 | 2.6 | 0.2 | |
| 2019 | 2.4 | 2.0 | 1.0 | 4.5 | 4.7 | 7.2 | 2.1 | 4.3 | 4.8 | 4.8 | 2.3 | 0.1 | |
| 2017 | I | 3.0 | 2.2 | 1.0 | 4.9 | 4.5 | 6.1 | 3.0 | 5.4 | 5.6 | 4.5 | 2.5 | 0.5 |
| | II | 3.1 | 2.4 | 1.5 | 3.9 | 4.3 | 8.4 | 0.7 | 3.6 | 4.5 | 3.1 | 2.5 | 0.6 |
| | III | 3.1 | 2.4 | 1.4 | 5.6 | 5.1 | 9.2 | 1.6 | 6.2 | 5.6 | 5.9 | 3.0 | 0.1 |
| | IV | 3.1 | 2.5 | 2.4 | 5.6 | 4.8 | 9.5 | 0.5 | 6.4 | 4.4 | 5.2 | 3.2 | -0.1 |
| 2018 | I | 2.9 | 2.6 | 1.4 | 4.7 | 4.3 | 7.8 | 1.1 | 5.1 | 3.2 | 2.8 | 2.7 | 0.2 |
| | II | 2.7 | 2.2 | 1.2 | 5.6 | 5.1 | 8.2 | 2.1 | 6.1 | 4.0 | 4.1 | 2.7 | 0.1 |
| | III | 2.7 | 2.0 | 1.1 | 5.6 | 6.4 | 9.2 | 3.8 | 4.8 | 5.5 | 5.2 | 2.5 | 0.2 |
| | IV | 2.6 | 1.9 | 0.8 | 6.1 | 6.7 | 8.0 | 5.5 | 5.5 | 7.4 | 7.4 | 2.4 | 0.2 |
| 2019 | I | 2.5 | 1.9 | 0.9 | 5.2 | 5.7 | 7.2 | 4.1 | 4.7 | 6.2 | 6.1 | 2.3 | 0.2 |
| | II | 2.4 | 1.9 | 0.9 | 4.6 | 4.9 | 7.0 | 2.8 | 4.3 | 5.5 | 5.4 | 2.3 | 0.1 |
| | III | 2.3 | 2.0 | 0.9 | 4.3 | 4.3 | 7.1 | 1.5 | 4.2 | 4.1 | 4.2 | 2.3 | 0.1 |
| | IV | 2.3 | 2.1 | 1.1 | 4.0 | 3.9 | 7.5 | 0.1 | 4.1 | 3.3 | 3.5 | 2.3 | 0.0 |
| Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate | | | | | | | | | | | | | |
| 2017 | I | 3.2 | 1.8 | 4.4 | 11.5 | 10.3 | 18.5 | 3.3 | 12.8 | 10.1 | 15.7 | 4.4 | -1.2 |
| | II | 3.5 | 3.3 | 1.9 | 2.5 | 3.9 | 7.1 | 1.1 | 1.1 | 4.2 | 1.8 | 2.6 | 0.9 |
| | III | 2.8 | 2.8 | 1.7 | 5.6 | 1.0 | 3.2 | -1.0 | 10.4 | 2.3 | 4.1 | 3.3 | -0.5 |
| | IV | 2.7 | 2.2 | 1.7 | 2.9 | 4.0 | 9.9 | -1.2 | 1.9 | 1.1 | 0.0 | 2.4 | 0.3 |
| 2018 | I | 2.7 | 2.0 | 0.5 | 7.7 | 8.3 | 11.0 | 5.5 | 7.1 | 5.4 | 5.3 | 2.6 | 0.1 |
| | II | 2.7 | 1.9 | 1.0 | 6.2 | 7.2 | 9.0 | 5.5 | 5.1 | 7.3 | 7.0 | 2.5 | 0.3 |
| | III | 2.6 | 1.8 | 1.2 | 5.6 | 6.2 | 7.0 | 5.5 | 5.0 | 8.6 | 8.7 | 2.4 | 0.2 |
| | IV | 2.5 | 1.8 | 0.7 | 5.1 | 5.2 | 5.0 | 5.5 | 5.0 | 8.5 | 8.7 | 2.3 | 0.2 |
| 2019 | I | 2.3 | 2.0 | 0.9 | 3.9 | 4.1 | 8.0 | 0.1 | 3.7 | 0.8 | 0.4 | 2.1 | 0.1 |
| | II | 2.3 | 2.0 | 1.0 | 3.9 | 4.1 | 8.0 | 0.1 | 3.7 | 4.1 | 4.2 | 2.2 | 0.1 |
| | III | 2.3 | 2.2 | 1.2 | 4.2 | 3.9 | 7.5 | 0.1 | 4.5 | 3.3 | 3.8 | 2.4 | -0.1 |
| | IV | 2.4 | 2.2 | 1.5 | 4.0 | 3.4 | 6.5 | 0.1 | 4.5 | 5.2 | 5.6 | 2.4 | 0.0 |
| | Current prices (EUR billions) | Percentage of GDP at current prices | | | | | | | | | | | |
| 2010 | | 57.2 | 20.5 | 23.0 | 14.3 | 6.9 | 7.4 | 8.7 | 25.5 | 26.8 | 101.3 | -1.3 | |
| 2011 | 1,080.9 | 57.8 | 20.5 | 21.5 | 12.5 | 5.7 | 6.8 | 9.0 | 28.9 | 29.2 | 100.2 | -0.2 | |
| 2012 | 1,039.8 | 58.8 | 19.7 | 19.8 | 10.9 | 4.9 | 6.0 | 8.9 | 30.7 | 29.2 | 98.5 | 1.5 | |
| 2013 | 1,025.7 | 58.3 | 19.7 | 18.8 | 9.7 | 4.1 | 5.6 | 9.0 | 32.2 | 29.0 | 96.7 | 2.2 | |
| 2014 | 1,037.8 | 58.6 | 19.5 | 19.3 | 9.9 | 4.5 | 5.4 | 9.4 | 32.7 | 30.3 | 97.6 | 2.4 | |
| 2015 | 1,080.0 | 58.0 | 19.3 | 19.8 | 10.0 | 4.4 | 5.5 | 9.9 | 32.9 | 30.7 | 97.7 | 2.3 | |
| 2016 | 1,118.5 | 57.6 | 18.9 | 20.0 | 10.0 | 4.6 | 5.3 | 10.0 | 32.9 | 29.9 | 97.0 | 3.0 | |
| 2017 | 1,163.7 | 57.7 | 18.5 | 20.6 | 10.4 | 5.1 | 5.3 | 10.2 | 34.1 | 31.4 | 97.3 | 2.7 | |
| 2018 | 1,212.7 | 57.4 | 18.1 | 21.3 | 10.9 | 5.5 | 5.3 | 10.5 | 34.9 | 32.3 | 97.4 | 2.6 | |
| 2019 | 1,258.3 | 57.2 | 17.8 | 21.8 | 11.2 | 5.9 | 5.3 | 10.6 | 35.5 | 32.9 | 97.4 | 2.6 | |

*Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE (Quarterly National Accounts) and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

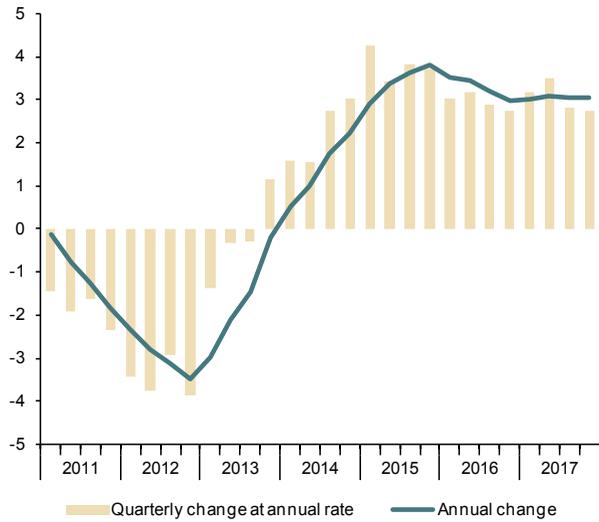


Chart 1.2 - Contribution to GDP annual growth

Percentage points

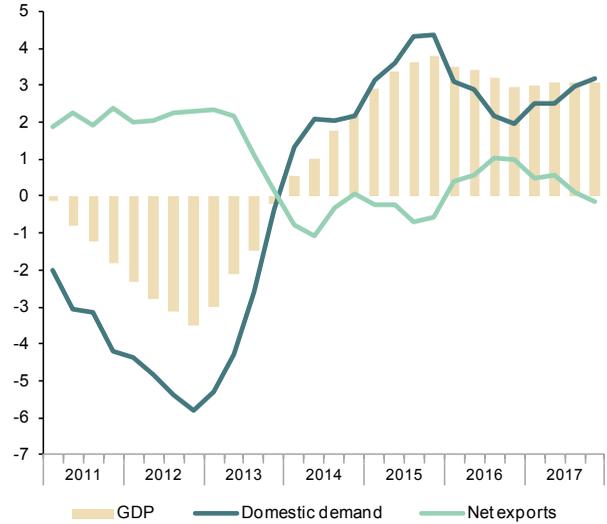


Chart 1.3 - Final consumption

Percentage change

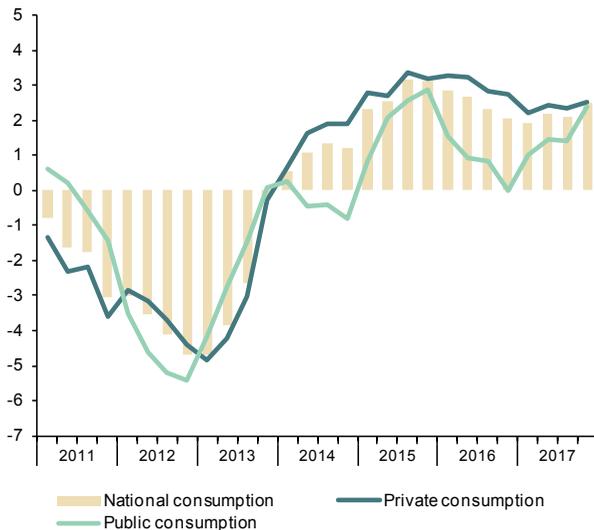


Chart 1.4 - Gross fixed capital formation

Percentage change

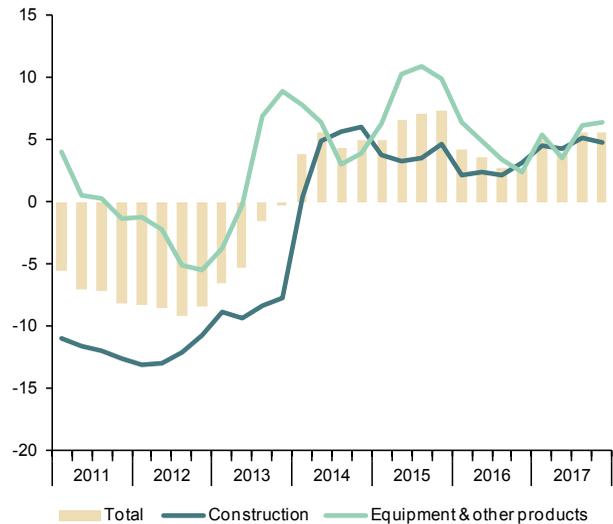


Table 2

National accounts: Gross value added by economic activity SWDA* (ESA 2010, Base 2010)

| | | 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 | | | | | | | | | | |
| 2011 | | -0.6 | 4.4 | -0.2 | -1.3 | -12.8 | 0.7 | -0.1 | -0.2 | -5.5 |
| 2012 | | -2.8 | -9.7 | -4.9 | -5.2 | -8.8 | -1.5 | -1.9 | 1.6 | -4.0 |
| 2013 | | -1.5 | 13.6 | -3.9 | -0.2 | -10.5 | -0.6 | -1.7 | 3.3 | -4.3 |
| 2014 | | 1.1 | -1.2 | 2.0 | 3.0 | -2.0 | 1.3 | -0.8 | 2.0 | 4.0 |
| 2015 | | 2.9 | -2.4 | 5.4 | 7.8 | 2.4 | 2.6 | 2.2 | 2.7 | 8.6 |
| 2016 | | 3.2 | 6.9 | 3.6 | 3.5 | 1.9 | 3.0 | 2.0 | 3.4 | 4.4 |
| 2016 | I | 3.3 | 7.9 | 4.0 | 5.2 | 1.2 | 3.0 | 2.4 | 3.3 | 5.9 |
| | II | 3.3 | 7.3 | 4.1 | 4.0 | 1.2 | 3.2 | 2.3 | 3.5 | 4.5 |
| | III | 3.2 | 7.4 | 3.1 | 2.7 | 2.3 | 3.1 | 2.0 | 3.4 | 3.7 |
| | IV | 2.9 | 5.2 | 3.0 | 2.3 | 2.8 | 2.8 | 1.3 | 3.3 | 3.6 |
| 2017 | I | 2.9 | 5.0 | 3.0 | 2.6 | 4.5 | 2.7 | 1.3 | 3.2 | 4.1 |
| | II | 2.9 | 3.7 | 3.4 | 3.5 | 4.9 | 2.6 | 1.2 | 3.1 | 4.6 |
| | III | 2.9 | 4.2 | 3.9 | 4.3 | 4.9 | 2.5 | 1.3 | 2.9 | 4.2 |
| | IV | 3.0 | 2.0 | 4.6 | 4.7 | 5.4 | 2.5 | 1.6 | 2.8 | 3.7 |
| Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate | | | | | | | | | | |
| 2016 | I | 3.3 | 11.0 | 3.6 | 1.8 | -0.1 | 3.1 | 1.9 | 3.6 | 0.8 |
| | II | 3.0 | 3.8 | 2.9 | 1.4 | 2.8 | 3.1 | 1.3 | 3.7 | 4.6 |
| | III | 2.7 | 2.5 | 0.8 | 0.5 | 4.7 | 3.1 | 1.2 | 3.7 | 4.4 |
| | IV | 2.6 | 3.8 | 4.9 | 5.4 | 4.2 | 1.9 | 0.9 | 2.2 | 4.5 |
| 2017 | I | 3.2 | 9.9 | 3.3 | 3.0 | 6.4 | 2.7 | 1.7 | 3.1 | 2.8 |
| | II | 3.2 | -1.3 | 4.8 | 5.0 | 4.5 | 2.8 | 1.2 | 3.4 | 7.0 |
| | III | 2.8 | 4.5 | 2.6 | 3.9 | 4.6 | 2.7 | 1.5 | 3.1 | 2.6 |
| | IV | 2.7 | -4.4 | 7.6 | 6.9 | 6.2 | 1.6 | 2.1 | 1.4 | 2.6 |
| | | Current prices EUR (billions) | Percentage of value added at basic prices | | | | | | | |
| 2011 | | 972.9 | 2.5 | 17.5 | 13.5 | 7.5 | 72.5 | 18.7 | 53.8 | 8.8 |
| 2012 | | 1,025.6 | 2.5 | 17.4 | 13.2 | 6.7 | 73.5 | 18.5 | 54.9 | 9.0 |
| 2013 | | 1,006.1 | 2.8 | 17.5 | 13.4 | 5.8 | 74.0 | 19.0 | 55.0 | 9.6 |
| 2014 | | 989.9 | 2.7 | 17.6 | 13.7 | 5.6 | 74.1 | 18.8 | 55.4 | 9.9 |
| 2015 | | 983.7 | 2.8 | 18.0 | 14.2 | 5.6 | 73.6 | 18.8 | 54.8 | 10.2 |
| 2016 | | 954.0 | 2.8 | 17.9 | 14.2 | 5.6 | 73.8 | 18.7 | 55.0 | 10.2 |
| 2017 | | 935.6 | 2.9 | 18.1 | 14.4 | 5.8 | 73.3 | 18.3 | 55.0 | 10.3 |

*Seasonally and Working Day Adjusted.

Source: INE (Quarterly National Accounts) and Funcas (Forecasts).

Chart 2.1 - GVA by sectors

Annual percentage change

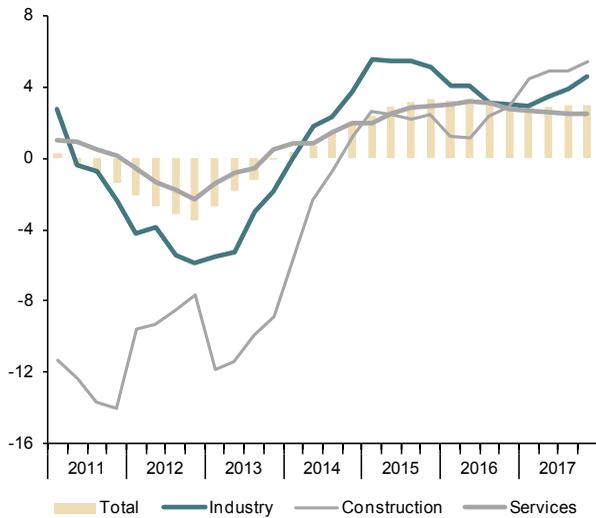


Chart 2.2 - GVA, Industry

Annual percentage change



Chart 2.3 - GVA, services

Annual percentage change

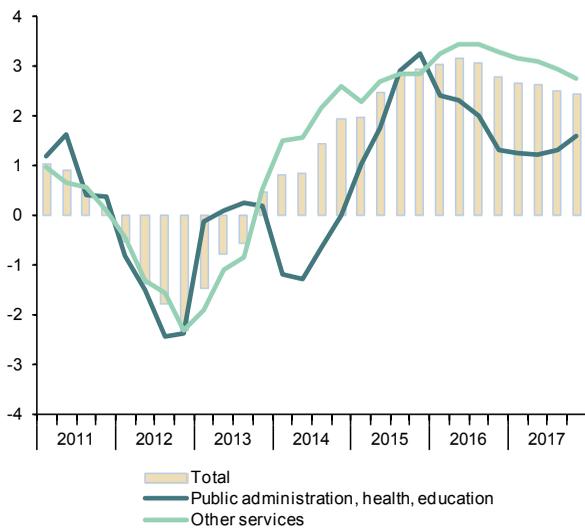


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

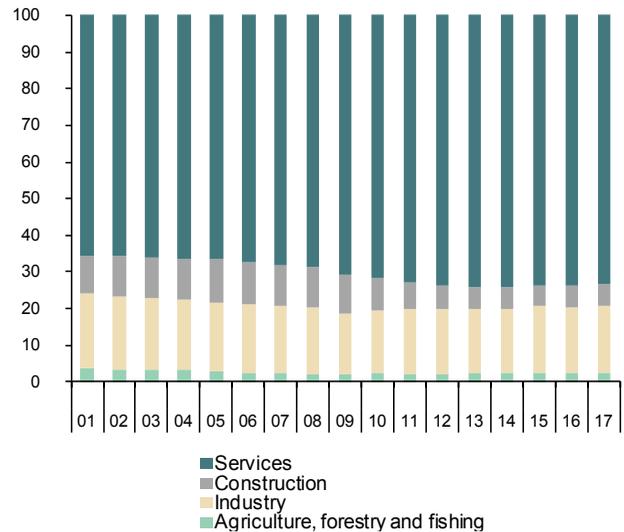


Table 3

National accounts: Productivity and labour costs (ESA 2010, Base 2010)

Forecasts in yellow

| | Total economy | | | | | | Manufacturing Industry | | | | | | |
|---------------------------|----------------------|---|-------------------------|----------------------|--------------------------|---------------------------|------------------------------------|---|-------------------------|----------------------|--------------------------|---------------------------|------|
| | GDP, constant prices | Employment (jobs, full time equivalent) | Employment productivity | Compensation per job | Nominal unit labour cost | Real unit labour cost (a) | Gross value added, constant prices | Employment (jobs, full time equivalent) | Employment productivity | Compensation per job | 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 | |
| Indexes, 2000 = 100, SVDA | | | | | | | | | | | | | |
| 2011 | 123.3 | 110.8 | 111.3 | 147.1 | 132.2 | 98.4 | 98.8 | 75.9 | 130.1 | 159.0 | 122.1 | 95.3 | |
| 2012 | 119.7 | 105.5 | 113.5 | 146.2 | 128.9 | 95.9 | 93.7 | 70.3 | 133.2 | 161.6 | 121.4 | 94.4 | |
| 2013 | 117.6 | 101.9 | 115.5 | 148.2 | 128.4 | 95.2 | 93.5 | 67.0 | 139.6 | 164.2 | 117.6 | 91.5 | |
| 2014 | 119.3 | 103.0 | 115.9 | 148.4 | 128.1 | 95.1 | 96.2 | 66.1 | 145.5 | 165.1 | 113.5 | 88.1 | |
| 2015 | 123.4 | 106.2 | 116.2 | 150.8 | 129.8 | 95.8 | 103.7 | 68.0 | 152.5 | 167.3 | 109.7 | 85.4 | |
| 2016 | 127.4 | 109.4 | 116.5 | 150.3 | 129.0 | 95.0 | 107.4 | 70.2 | 152.9 | 167.6 | 109.6 | 85.5 | |
| 2017 | 131.3 | 112.5 | 116.7 | 150.5 | 128.9 | 94.0 | 111.4 | 72.5 | 153.7 | 168.5 | 109.7 | 84.1 | |
| 2018 | 134.9 | 115.2 | 117.1 | 152.0 | 129.8 | 93.3 | -- | -- | -- | -- | -- | -- | |
| 2019 | 138.1 | 117.6 | 117.5 | 153.5 | 130.7 | 92.7 | -- | -- | -- | -- | -- | -- | |
| 2016 | I | 126.0 | 108.3 | 116.3 | 150.1 | 129.0 | 95.3 | 106.7 | 69.5 | 153.6 | 167.3 | 108.9 | 85.2 |
| | II | 127.0 | 109.0 | 116.5 | 150.5 | 129.2 | 95.3 | 107.0 | 69.8 | 153.3 | 167.5 | 109.2 | 85.4 |
| | III | 127.9 | 109.9 | 116.4 | 150.1 | 128.9 | 94.9 | 107.2 | 70.4 | 152.1 | 167.7 | 110.2 | 85.9 |
| | IV | 128.8 | 110.4 | 116.7 | 150.6 | 129.0 | 94.5 | 108.6 | 71.2 | 152.6 | 167.9 | 110.0 | 85.3 |
| 2017 | I | 129.8 | 111.1 | 116.8 | 150.6 | 128.9 | 94.6 | 109.4 | 71.6 | 152.8 | 168.4 | 110.2 | 84.7 |
| | II | 130.9 | 112.2 | 116.7 | 150.2 | 128.7 | 94.0 | 110.8 | 72.2 | 153.5 | 168.3 | 109.6 | 84.0 |
| | III | 131.8 | 113.0 | 116.6 | 150.5 | 129.0 | 94.0 | 111.8 | 72.8 | 153.7 | 168.5 | 109.7 | 84.3 |
| | IV | 132.7 | 113.5 | 116.9 | 150.8 | 129.0 | 93.4 | 113.7 | 73.5 | 154.7 | 168.8 | 109.1 | 83.3 |
| Annual percentage changes | | | | | | | | | | | | | |
| 2011 | 3.8 | -2.8 | 6.7 | 0.9 | -5.5 | -5.5 | 1.9 | -3.8 | 5.9 | 2.2 | -3.5 | -5.5 | |
| 2012 | -2.9 | -4.8 | 2.0 | -0.6 | -2.5 | -2.6 | -5.2 | -7.4 | 2.3 | 1.7 | -0.6 | -1.0 | |
| 2013 | -1.7 | -3.4 | 1.8 | 1.4 | -0.4 | -0.7 | -0.2 | -4.8 | 4.8 | 1.6 | -3.1 | -3.0 | |
| 2014 | 1.4 | 1.0 | 0.3 | 0.1 | -0.2 | 0.0 | 3.0 | -1.3 | 4.3 | 0.6 | -3.5 | -3.8 | |
| 2015 | 3.4 | 3.2 | 0.3 | 1.6 | 1.4 | 0.7 | 7.8 | 2.8 | 4.8 | 1.3 | -3.4 | -3.0 | |
| 2016 | 3.3 | 3.0 | 0.3 | -0.3 | -0.6 | -0.9 | 3.5 | 3.3 | 0.2 | 0.2 | -0.1 | 0.1 | |
| 2017 | 3.1 | 2.8 | 0.2 | 0.1 | -0.1 | -1.0 | 3.8 | 3.3 | 0.5 | 0.6 | 0.1 | -1.6 | |
| 2018 | 2.8 | 2.4 | 0.3 | 1.0 | 0.7 | -0.7 | -- | -- | -- | -- | -- | -- | |
| 2019 | 2.4 | 2.1 | 0.3 | 1.0 | 0.7 | -0.7 | -- | -- | -- | -- | -- | -- | |
| 2016 | I | 6.5 | 3.4 | 3.0 | -0.4 | -3.3 | -3.3 | 5.2 | 3.5 | 1.7 | 0.4 | -1.3 | -0.1 |
| | II | 6.9 | 2.8 | 4.0 | -0.1 | -3.9 | -4.2 | 4.0 | 2.8 | 1.1 | 0.1 | -1.0 | -0.6 |
| | III | 7.0 | 3.1 | 3.8 | -0.4 | -4.1 | -4.4 | 2.7 | 3.1 | -0.3 | 0.2 | 0.6 | 0.3 |
| | IV | 6.9 | 2.7 | 4.1 | -0.5 | -4.3 | -4.8 | 2.3 | 3.8 | -1.4 | 0.0 | 1.5 | 0.6 |
| 2017 | I | 3.0 | 2.6 | 0.4 | 0.3 | 0.0 | -0.8 | 2.6 | 3.1 | -0.5 | 0.7 | 1.2 | -0.7 |
| | II | 3.1 | 2.9 | 0.2 | -0.2 | -0.3 | -1.3 | 3.5 | 3.4 | 0.1 | 0.5 | 0.4 | -1.7 |
| | III | 3.1 | 2.9 | 0.2 | 0.3 | 0.0 | -0.9 | 4.3 | 3.3 | 1.0 | 0.5 | -0.5 | -1.9 |
| | IV | 3.1 | 2.9 | 0.2 | 0.2 | 0.0 | -1.2 | 4.7 | 3.3 | 1.4 | 0.6 | -0.8 | -2.2 |

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

Source: INE (Quarterly National Accounts) and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

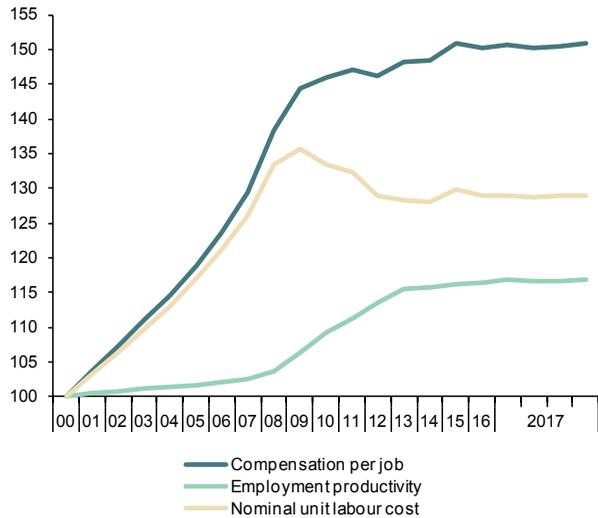
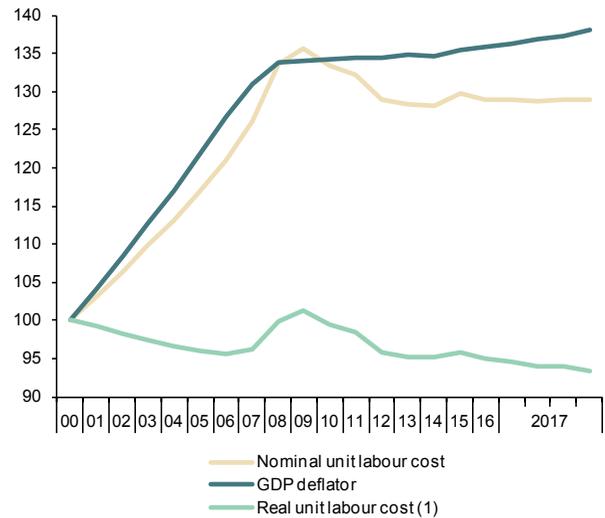


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

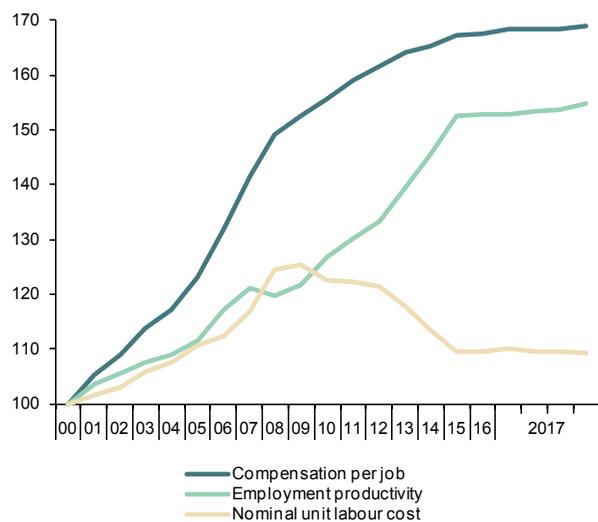
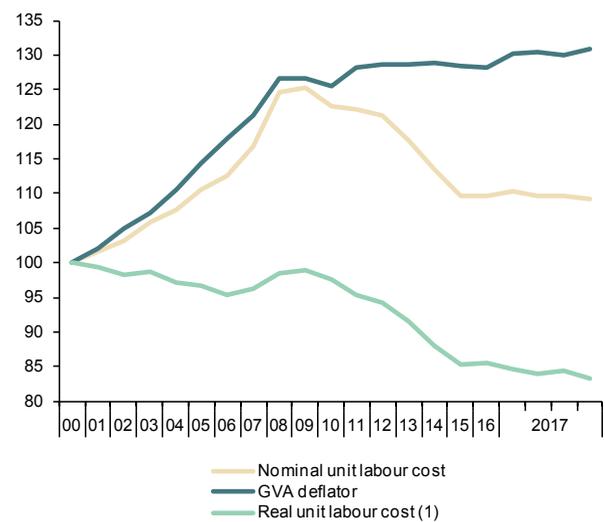


Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Table 4

National accounts: National income, distribution and disposition (ESA 2010, Base 2010)
 Forecasts in yellow

| | Gross domestic product | Compensation of employees | Gross operating surplus | Gross national product | Gross national income | Final national consumption | Gross national saving (a) | Gross capital formation | Compensation of employees | Gross operating surplus | Saving rate | Investment rate | Current account balance | |
|------|--|---------------------------|-------------------------|------------------------|-----------------------|----------------------------|---------------------------|-------------------------|------------------------------|-------------------------|-------------|-----------------|-------------------------|-----|
| | EUR Billions, 4-quarter cumulated transactions | | | | | | | Percentage of GDP | | | | | | |
| 2010 | 1,080.9 | 541.5 | 445.8 | 1,065.8 | 1,053.1 | 840.5 | 212.6 | 254.5 | 50.1 | 41.2 | 19.7 | 23.5 | -3.9 | |
| 2011 | 1,070.4 | 531.0 | 449.3 | 1,051.9 | 1,037.7 | 838.6 | 199.2 | 234.5 | 49.6 | 42.0 | 18.6 | 21.9 | -3.3 | |
| 2012 | 1,039.8 | 498.8 | 446.7 | 1,032.5 | 1,019.9 | 816.6 | 203.3 | 207.9 | 48.0 | 43.0 | 19.5 | 20.0 | -0.4 | |
| 2013 | 1,025.7 | 485.3 | 440.4 | 1,020.4 | 1,007.3 | 800.4 | 206.9 | 191.9 | 47.3 | 42.9 | 20.2 | 18.7 | 1.5 | |
| 2014 | 1,037.8 | 491.6 | 441.8 | 1,034.4 | 1,023.0 | 810.7 | 212.2 | 201.9 | 47.4 | 42.6 | 20.4 | 19.5 | 1.0 | |
| 2015 | 1,080.0 | 517.8 | 449.1 | 1,077.7 | 1,066.5 | 835.3 | 231.2 | 220.2 | 47.9 | 41.6 | 21.4 | 20.4 | 1.0 | |
| 2016 | 1,118.5 | 532.9 | 471.0 | 1,118.3 | 1,105.9 | 855.6 | 250.3 | 229.2 | 47.6 | 42.1 | 22.4 | 20.5 | 1.9 | |
| 2017 | 1,163.7 | 550.3 | 493.6 | 1,163.2 | 1,152.0 | 886.6 | 265.4 | 246.1 | 47.3 | 42.4 | 22.8 | 21.1 | 1.7 | |
| 2018 | 1,212.7 | 570.7 | 515.3 | 1,214.4 | 1,203.2 | 915.7 | 287.4 | 265.3 | 47.1 | 42.5 | 23.7 | 21.9 | 1.8 | |
| 2019 | 1,258.3 | 589.6 | 535.7 | 1,260.0 | 1,248.8 | 943.5 | 305.3 | 281.6 | 46.9 | 42.6 | 24.3 | 22.4 | 1.9 | |
| 2016 | I | 1,088.5 | 521.7 | 454.7 | 1,086.8 | 1,075.9 | 840.0 | 235.9 | 223.3 | 47.9 | 41.8 | 21.7 | 20.5 | 1.2 |
| | II | 1,099.6 | 525.7 | 460.4 | 1,097.0 | 1,086.8 | 844.9 | 241.9 | 226.3 | 47.8 | 41.9 | 22.0 | 20.6 | 1.4 |
| | III | 1,109.4 | 529.7 | 465.1 | 1,108.0 | 1,096.4 | 850.0 | 246.4 | 227.7 | 47.7 | 41.9 | 22.2 | 20.5 | 1.7 |
| | IV | 1,118.5 | 532.9 | 471.0 | 1,118.3 | 1,105.9 | 855.6 | 250.3 | 229.2 | 47.6 | 42.1 | 22.4 | 20.5 | 1.9 |
| 2017 | I | 1,129.5 | 536.6 | 476.3 | 1,130.1 | 1,118.9 | 864.5 | 254.4 | 232.9 | 47.5 | 42.2 | 22.5 | 20.6 | 1.9 |
| | II | 1,140.6 | 540.5 | 482.1 | 1,141.2 | 1,129.2 | 871.8 | 257.4 | 236.1 | 47.4 | 42.3 | 22.6 | 20.7 | 1.9 |
| | III | 1,151.1 | 545.4 | 486.6 | 1,152.1 | 1,140.1 | 878.4 | 261.6 | 240.7 | 47.4 | 42.3 | 22.7 | 20.9 | 1.8 |
| | IV | 1,163.7 | 550.3 | 493.6 | -- | -- | 886.6 | -- | 246.1 | 47.3 | 42.4 | -- | 21.1 | -- |
| | | Annual percentage changes | | | | | | | Difference from one year ago | | | | | |
| 2010 | 0.2 | -1.4 | -2.0 | 0.6 | 0.8 | 1.7 | -2.8 | -4.0 | -0.8 | -0.9 | -0.6 | -1.0 | 0.4 | |
| 2011 | -1.0 | -1.9 | 0.8 | -1.3 | -1.5 | -0.2 | -6.3 | -7.9 | -0.5 | 0.7 | -1.1 | -1.6 | 0.6 | |
| 2012 | -2.9 | -6.1 | -0.6 | -1.8 | -1.7 | -2.6 | 2.1 | -11.3 | -1.6 | 1.0 | 0.9 | -1.9 | 2.9 | |
| 2013 | -1.4 | -2.7 | -1.4 | -1.2 | -1.2 | -2.0 | 1.8 | -7.7 | -0.7 | 0.0 | 0.6 | -1.3 | 1.9 | |
| 2014 | 1.2 | 1.3 | 0.3 | 1.4 | 1.6 | 1.3 | 2.6 | 5.2 | 0.1 | -0.4 | 0.3 | 0.7 | -0.5 | |
| 2015 | 4.1 | 5.3 | 1.7 | 4.2 | 4.3 | 3.0 | 8.9 | 9.1 | 0.6 | -1.0 | 1.0 | 0.9 | 0.0 | |
| 2016 | 3.6 | 2.9 | 4.9 | 3.8 | 3.7 | 2.4 | 8.3 | 4.1 | -0.3 | 0.5 | 1.0 | 0.1 | 0.9 | |
| 2017 | 4.0 | 3.3 | 4.8 | 4.0 | 4.2 | 3.6 | 6.0 | 7.4 | -0.4 | 0.3 | 0.4 | 0.7 | -0.2 | |
| 2018 | 4.2 | 3.7 | 4.4 | 4.4 | 4.4 | 3.3 | 8.3 | 7.8 | -0.2 | 0.1 | 0.9 | 0.7 | 0.2 | |
| 2019 | 3.8 | 3.3 | 4.0 | 3.8 | 3.8 | 3.0 | 6.2 | 6.1 | -0.2 | 0.1 | 0.6 | 0.5 | 0.1 | |
| 2016 | I | 4.0 | 4.9 | 2.4 | 4.1 | 4.2 | 3.0 | 8.8 | 8.6 | 0.4 | -0.6 | 1.0 | 0.9 | 0.1 |
| | II | 4.0 | 4.4 | 3.3 | 3.8 | 4.0 | 2.8 | 8.1 | 7.8 | 0.2 | -0.3 | 0.8 | 0.7 | 0.1 |
| | III | 3.9 | 3.8 | 3.7 | 3.8 | 3.8 | 2.6 | 8.1 | 6.1 | 0.0 | -0.1 | 0.9 | 0.4 | 0.4 |
| | IV | 3.6 | 2.9 | 4.9 | 3.8 | 3.7 | 2.4 | 8.3 | 4.1 | -0.3 | 0.5 | 1.0 | 0.1 | 0.9 |
| 2017 | I | 3.8 | 2.9 | 4.8 | 4.0 | 4.0 | 2.9 | 7.8 | 4.3 | -0.4 | 0.4 | 0.8 | 0.1 | 0.7 |
| | II | 3.7 | 2.8 | 4.7 | 4.0 | 3.9 | 3.2 | 6.4 | 4.3 | -0.4 | 0.4 | 0.6 | 0.1 | 0.4 |
| | III | 3.8 | 3.0 | 4.6 | 4.0 | 4.0 | 3.3 | 6.2 | 5.7 | -0.4 | 0.4 | 0.5 | 0.4 | 0.1 |
| | IV | 4.0 | 3.3 | 4.8 | -- | -- | 3.6 | -- | 7.4 | -0.4 | 0.3 | -- | 0.7 | -- |

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

Source: INE (Quarterly National Accounts) and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

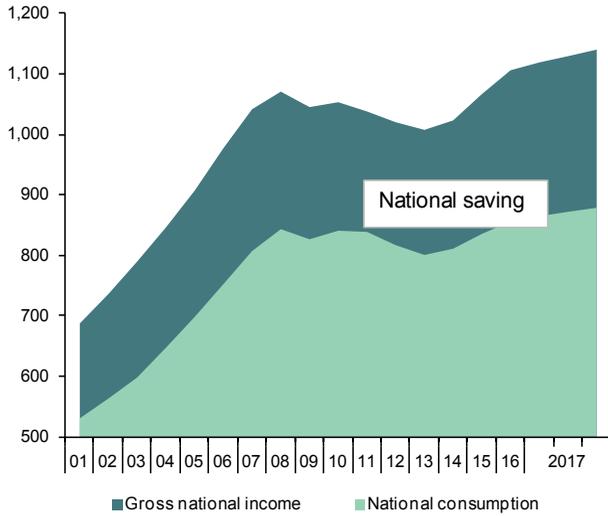


Chart 4.2 - National income, consumption and saving rate

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

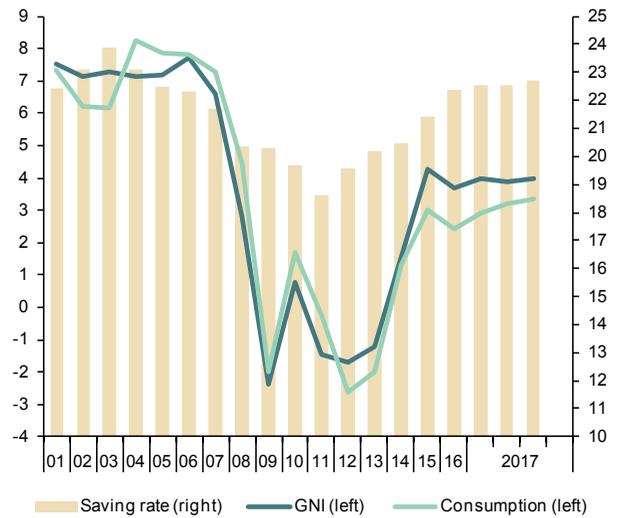


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

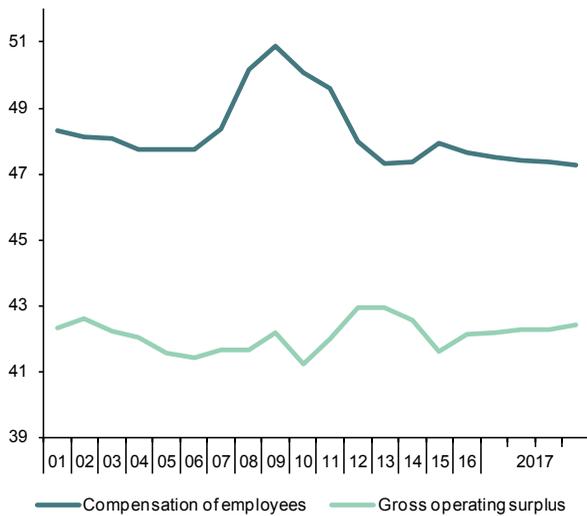


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

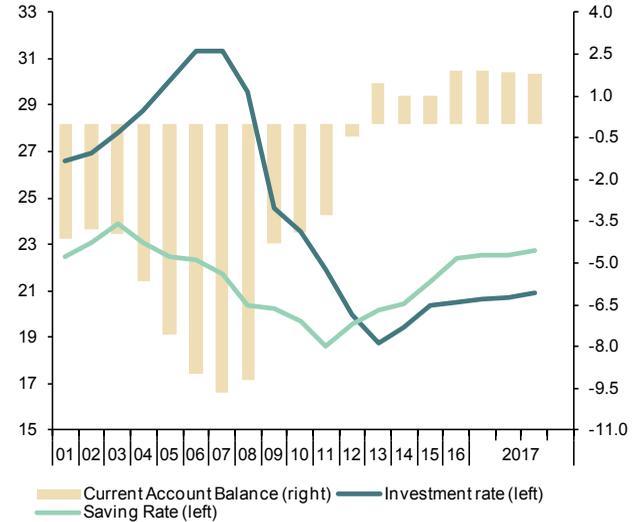


Table 5

National accounts: Household and non-financial corporations accounts (ESA 2010, Base 2010)
 Forecasts in yellow

| | Households | | | | | | | Non-financial corporations | | | | | | |
|--|-------------------------------|-------------------------------|--------------|-------------------------|---|--|---|----------------------------|--------------|-------------------------|---|--|---|------|
| | Gross disposable income (GDI) | Final consumption expenditure | Gross saving | Gross capital formation | Saving rate (gross saving as a percentage of GDI) | Gross capital formation as a percentage of GDP | Net lending or borrowing as a percentage of GDP | Gross operating surplus | Gross saving | Gross capital formation | Saving rate (gross saving as a percentage of GDP) | Gross capital formation as a percentage of GDP | Net lending or borrowing as a percentage of GDP | |
| EUR Billions, 4-quarter cumulated operations | | | | | | | | | | | | | | |
| 2011 | 694.2 | 618.9 | 74.7 | 52.2 | 10.8 | 4.9 | 2.6 | 232.8 | 144.8 | 131.4 | 13.5 | 12.3 | 2.1 | |
| 2012 | 670.6 | 611.3 | 57.2 | 38.8 | 8.5 | 3.7 | 2.2 | 234.6 | 144.8 | 136.5 | 13.9 | 13.1 | 1.4 | |
| 2013 | 664.4 | 598.5 | 63.9 | 25.7 | 9.6 | 2.5 | 4.0 | 235.0 | 160.5 | 136.2 | 15.7 | 13.3 | 2.9 | |
| 2014 | 671.8 | 608.7 | 62.1 | 27.0 | 9.2 | 2.6 | 3.4 | 236.9 | 158.8 | 148.5 | 15.3 | 14.3 | 1.8 | |
| 2015 | 686.6 | 626.3 | 58.9 | 33.6 | 8.6 | 3.1 | 2.3 | 243.6 | 175.4 | 153.0 | 16.2 | 14.2 | 2.9 | |
| 2016 | 700.1 | 644.7 | 54.0 | 35.8 | 7.7 | 3.2 | 1.6 | 258.3 | 194.2 | 166.2 | 17.4 | 14.9 | 3.1 | |
| 2017 | 715.0 | 671.7 | 41.9 | 40.6 | 5.9 | 3.5 | 0.1 | 271.3 | 205.1 | 177.8 | 17.6 | 15.3 | 2.8 | |
| 2018 | 741.4 | 696.2 | 43.8 | 46.2 | 5.9 | 3.8 | -0.2 | 282.8 | 215.7 | 190.2 | 17.8 | 15.7 | 2.7 | |
| 2019 | 766.4 | 719.5 | 45.5 | 51.3 | 5.9 | 4.1 | -0.5 | 293.6 | 225.4 | 200.2 | 17.9 | 15.9 | 2.5 | |
| 2015 | IV | 686.6 | 626.3 | 58.9 | 33.6 | 8.6 | 3.1 | 243.6 | 175.4 | 153.0 | 16.2 | 14.2 | 2.9 | |
| 2016 | I | 690.5 | 630.7 | 58.7 | 33.3 | 8.5 | 3.1 | 245.8 | 179.7 | 157.2 | 16.5 | 14.4 | 2.8 | |
| | II | 694.9 | 634.6 | 59.0 | 34.7 | 8.5 | 3.2 | 250.7 | 187.5 | 158.6 | 17.1 | 14.4 | 3.3 | |
| | III | 696.6 | 639.0 | 56.4 | 35.1 | 8.1 | 3.2 | 254.6 | 193.0 | 163.3 | 17.4 | 14.7 | 3.3 | |
| | IV | 700.1 | 644.7 | 54.0 | 35.8 | 7.7 | 3.2 | 258.3 | 194.2 | 166.2 | 17.4 | 14.9 | 3.1 | |
| 2017 | I | 702.7 | 652.5 | 48.7 | 37.9 | 6.9 | 3.4 | 261.6 | 199.7 | 168.6 | 17.7 | 14.9 | 3.3 | |
| | II | 707.7 | 659.5 | 46.8 | 38.8 | 6.6 | 3.4 | 264.9 | 197.9 | 172.2 | 17.4 | 15.1 | 2.8 | |
| | III | 709.7 | 665.2 | 43.2 | 40.0 | 6.1 | 3.5 | 267.7 | 199.4 | 174.2 | 17.3 | 15.1 | 2.7 | |
| Annual percentage changes | | | | | Difference from one year ago | | | Annual percentage changes | | | Difference from one year ago | | | |
| 2011 | | 0.8 | 0.0 | 7.5 | -17.1 | 0.7 | -0.9 | 1.3 | -1.3 | -10.5 | -0.5 | -1.4 | 0.1 | -1.6 |
| 2012 | | -3.4 | -1.2 | -23.4 | -25.6 | -2.2 | -1.1 | -0.3 | 0.8 | 0.0 | 3.9 | 0.4 | 0.9 | -0.7 |
| 2013 | | -0.9 | -2.1 | 11.7 | -33.9 | 1.1 | -1.2 | 1.8 | 0.1 | 10.9 | -0.2 | 1.7 | 0.2 | 1.4 |
| 2014 | | 1.1 | 1.7 | -2.9 | 5.1 | -0.4 | 0.1 | -0.6 | 0.8 | -1.1 | 9.0 | -0.3 | 1.0 | -1.1 |
| 2015 | | 2.2 | 2.9 | -5.0 | 24.5 | -0.7 | 0.5 | -1.1 | 2.8 | 10.4 | 3.0 | 0.9 | -0.1 | 1.1 |
| 2016 | | 2.0 | 2.9 | -8.4 | 6.5 | -0.9 | 0.1 | -0.7 | 6.0 | 10.8 | 8.7 | 1.1 | 0.7 | 0.2 |
| 2017 | | 2.1 | 4.2 | -22.4 | 13.5 | -1.9 | 0.3 | -1.5 | 5.0 | 5.6 | 7.0 | 0.3 | 0.4 | -0.2 |
| 2018 | | 3.7 | 3.6 | 4.5 | 13.7 | 0.0 | 0.3 | -0.3 | 4.3 | 5.2 | 7.0 | 0.2 | 0.4 | -0.2 |
| 2019 | | 3.4 | 3.3 | 4.0 | 10.9 | 0.0 | 0.3 | -0.3 | 3.8 | 4.5 | 5.3 | 0.1 | 0.2 | -0.2 |
| 2015 | IV | 2.2 | 2.9 | -5.0 | 24.5 | -0.7 | 0.5 | -1.1 | 2.8 | 10.4 | 3.0 | 0.9 | -0.1 | 1.1 |
| 2016 | I | 2.0 | 3.0 | -7.7 | 16.4 | -0.9 | 0.3 | -1.0 | 2.8 | 9.2 | 4.9 | 0.8 | 0.1 | 0.6 |
| | II | 1.7 | 3.0 | -10.1 | 17.9 | -1.1 | 0.4 | -1.2 | 4.2 | 13.2 | 3.0 | 1.4 | -0.1 | 1.4 |
| | III | 1.3 | 2.8 | -12.1 | 12.7 | -1.2 | 0.2 | -1.1 | 4.9 | 14.4 | 6.9 | 1.6 | 0.4 | 0.9 |
| | IV | 2.0 | 2.9 | -8.4 | 6.5 | -0.9 | 0.1 | -0.7 | 6.0 | 10.8 | 8.7 | 1.1 | 0.7 | 0.2 |
| 2017 | I | 1.8 | 3.5 | -17.0 | 13.9 | -1.6 | 0.3 | -1.4 | 6.4 | 11.1 | 7.2 | 1.2 | 0.5 | 0.5 |
| | II | 1.8 | 3.9 | -20.7 | 12.0 | -1.9 | 0.3 | -1.6 | 5.7 | 5.6 | 8.6 | 0.3 | 0.7 | -0.6 |
| | III | 1.9 | 4.1 | -23.4 | 13.8 | -2.0 | 0.3 | -1.7 | 5.2 | 3.3 | 6.7 | -0.1 | 0.4 | -0.6 |

Source: INE (Quarterly National Accounts) and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

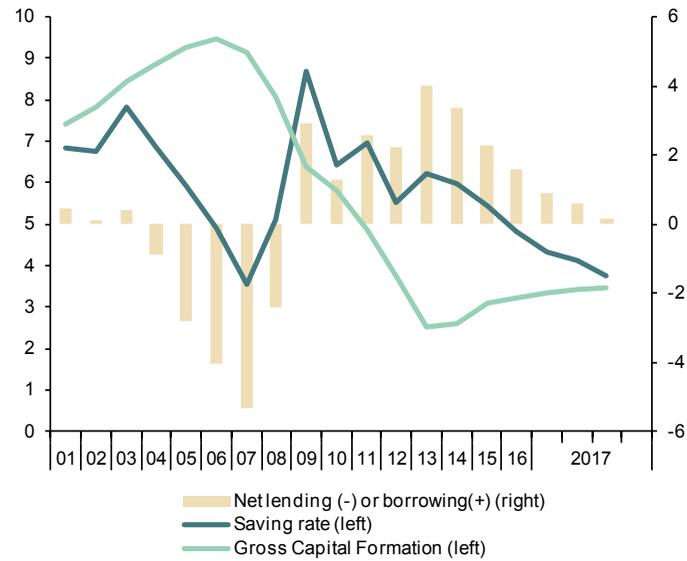


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

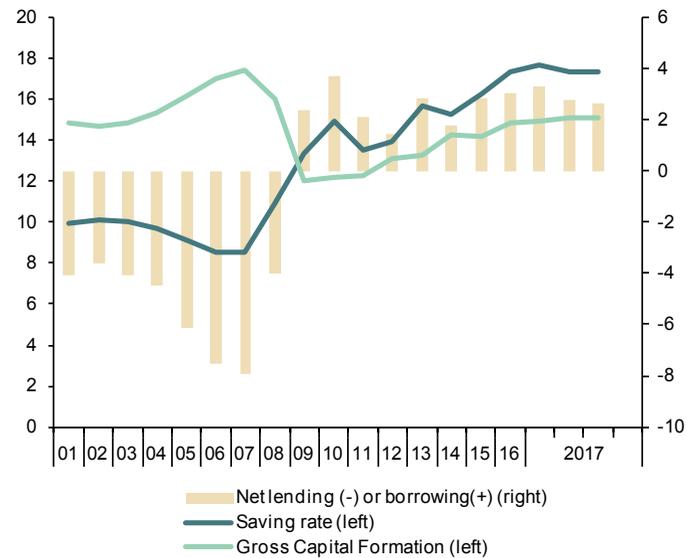


Table 6

National accounts: Public revenue, expenditure and deficit (ESA 2010, Base 2010)

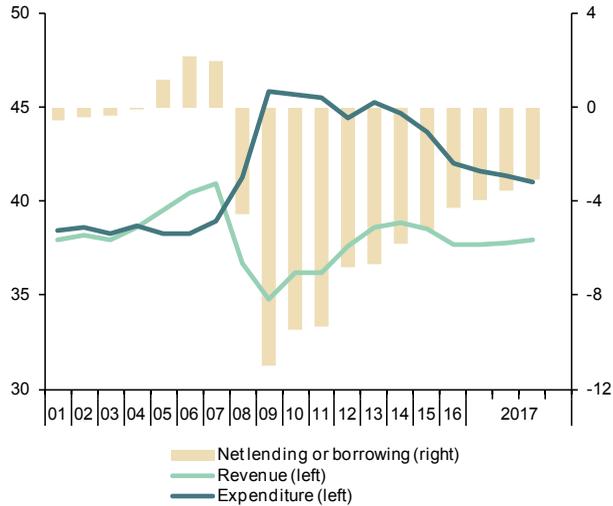
Forecasts in yellow

| | Gross value added | Taxes on production and imports receivable | Taxes on income and wealth receivable | Social contributions receivable | Compensation of employees | Interests and other capital incomes payable (net) | Social benefits payable | Subsidies and net current transfers payable | Gross disposable income | Final consumption expenditure | Gross saving | Net capital expenditure | Net lending(+)/ net borrowing(-) | Net lending(+)/ net borrowing(-) excluding financial entities bail-out expenditures | |
|---|-------------------|--|---------------------------------------|---------------------------------|---------------------------|---|-------------------------|---|-------------------------|-------------------------------|--------------|-------------------------|----------------------------------|---|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9=1+2+3+4-5-6-7-8 | 10 | 11=9-10 | 12 | 13=11-12 | 14 | |
| EUR Billions, 4-quarter cumulated operations | | | | | | | | | | | | | | | |
| 2011 | 150.3 | 106.2 | 102.0 | 137.8 | 122.6 | 16.2 | 164.2 | 22.5 | 170.8 | 219.7 | -48.9 | 54.3 | -103.2 | -99.7 | |
| 2012 | 142.2 | 108.2 | 106.4 | 131.9 | 113.9 | 20.3 | 168.6 | 18.6 | 167.2 | 205.3 | -38.1 | 70.8 | -108.8 | -70.6 | |
| 2013 | 143.0 | 114.6 | 105.2 | 128.2 | 114.7 | 24.1 | 170.8 | 20.6 | 160.8 | 201.9 | -41.1 | 30.6 | -71.7 | -68.4 | |
| 2014 | 143.4 | 119.2 | 105.6 | 130.1 | 115.2 | 25.7 | 171.1 | 20.6 | 165.7 | 202.0 | -36.3 | 25.6 | -61.9 | -60.6 | |
| 2015 | 147.5 | 127.0 | 109.2 | 132.3 | 119.4 | 24.4 | 170.6 | 21.3 | 180.3 | 208.9 | -28.6 | 28.4 | -57.0 | -56.5 | |
| 2016 | 149.4 | 128.8 | 110.8 | 136.2 | 121.3 | 23.1 | 173.8 | 20.8 | 186.2 | 210.9 | -24.7 | 25.7 | -50.4 | -48.0 | |
| 2017 | 151.7 | 135.6 | 115.8 | 142.5 | 123.6 | 21.5 | 176.1 | 21.2 | 203.2 | 214.8 | -11.6 | 24.5 | -36.1 | -35.7 | |
| 2018 | 154.4 | 143.0 | 120.5 | 147.7 | 126.3 | 19.1 | 180.4 | 21.7 | 218.2 | 219.5 | -1.3 | 25.2 | -26.5 | -26.5 | |
| 2019 | 157.1 | 150.0 | 124.6 | 152.3 | 128.9 | 20.0 | 185.3 | 22.3 | 227.4 | 224.0 | 3.4 | 26.0 | -22.6 | -22.6 | |
| 2015 | IV | 147.5 | 127.0 | 109.2 | 132.3 | 119.4 | 170.6 | 21.3 | 180.3 | 208.9 | -28.6 | 28.4 | -57.0 | -56.5 | |
| 2016 | I | 147.4 | 126.2 | 106.9 | 132.9 | 119.3 | 171.1 | 20.7 | 178.5 | 209.4 | -30.9 | 26.9 | -57.8 | -57.4 | |
| | II | 148.4 | 127.3 | 105.0 | 134.1 | 120.4 | 172.5 | 19.3 | 179.1 | 210.3 | -31.2 | 26.9 | -58.1 | -56.1 | |
| | III | 149.2 | 128.4 | 107.0 | 135.2 | 121.1 | 173.1 | 20.7 | 181.7 | 211.1 | -29.4 | 24.7 | -54.1 | -51.8 | |
| | IV | 149.4 | 128.8 | 110.8 | 136.2 | 121.3 | 173.8 | 20.8 | 186.2 | 210.9 | -24.7 | 25.7 | -50.4 | -48.0 | |
| 2017 | I | 149.9 | 130.6 | 111.9 | 137.9 | 121.7 | 174.3 | 19.6 | 191.7 | 211.8 | -20.1 | 26.8 | -46.9 | -44.2 | |
| | II | 149.7 | 132.2 | 114.7 | 139.6 | 121.4 | 175.0 | 20.6 | 196.3 | 212.0 | -15.7 | 25.7 | -41.4 | -40.5 | |
| | III | 150.3 | 133.5 | 118.3 | 141.3 | 121.9 | 175.9 | 20.7 | 202.4 | 212.8 | -10.4 | 25.3 | -35.7 | -35.1 | |
| Percentage of GDP, 4-quarter cumulated operations | | | | | | | | | | | | | | | |
| 2011 | | 14.0 | 9.9 | 9.5 | 12.9 | 11.5 | 1.5 | 15.3 | 2.1 | 16.0 | 20.5 | -4.6 | 5.1 | -9.6 | -9.3 |
| 2012 | | 13.7 | 10.4 | 10.2 | 12.7 | 11.0 | 2.0 | 16.2 | 1.8 | 16.1 | 19.7 | -3.7 | 6.8 | -10.5 | -6.8 |
| 2013 | | 13.9 | 11.2 | 10.3 | 12.5 | 11.2 | 2.3 | 16.6 | 2.0 | 15.7 | 19.7 | -4.0 | 3.0 | -7.0 | -6.7 |
| 2014 | | 13.8 | 11.5 | 10.2 | 12.5 | 11.1 | 2.5 | 16.5 | 2.0 | 16.0 | 19.5 | -3.5 | 2.5 | -6.0 | -5.8 |
| 2015 | | 13.7 | 11.8 | 10.1 | 12.3 | 11.1 | 2.3 | 15.8 | 2.0 | 16.7 | 19.3 | -2.6 | 2.6 | -5.3 | -5.2 |
| 2016 | | 13.4 | 11.5 | 9.9 | 12.2 | 10.8 | 2.1 | 15.5 | 1.9 | 16.6 | 18.9 | -2.2 | 2.3 | -4.5 | -4.3 |
| 2017 | | 13.0 | 11.7 | 9.9 | 12.2 | 10.6 | 1.8 | 15.1 | 1.8 | 17.5 | 18.5 | -1.0 | 2.1 | -3.1 | -3.1 |
| 2018 | | 12.7 | 11.8 | 9.9 | 12.2 | 10.4 | 1.6 | 14.9 | 1.8 | 18.0 | 18.1 | -0.1 | 2.1 | -2.2 | -2.2 |
| 2019 | | 12.5 | 11.9 | 9.9 | 12.1 | 10.2 | 1.6 | 14.7 | 1.8 | 18.1 | 17.8 | 0.3 | 2.1 | -1.8 | -1.8 |
| 2015 | IV | 13.7 | 11.8 | 10.1 | 12.3 | 11.1 | 2.3 | 15.8 | 2.0 | 16.7 | 19.3 | -2.6 | 2.6 | -5.3 | -5.2 |
| 2016 | I | 13.5 | 11.6 | 9.8 | 12.2 | 11.0 | 2.2 | 15.7 | 1.9 | 16.4 | 19.2 | -2.8 | 2.5 | -5.3 | -5.3 |
| | II | 13.5 | 11.6 | 9.5 | 12.2 | 11.0 | 2.1 | 15.7 | 1.8 | 16.3 | 19.1 | -2.8 | 2.4 | -5.3 | -5.1 |
| | III | 13.4 | 11.6 | 9.6 | 12.2 | 10.9 | 2.1 | 15.6 | 1.9 | 16.4 | 19.0 | -2.7 | 2.2 | -4.9 | -4.7 |
| | IV | 13.4 | 11.5 | 9.9 | 12.2 | 10.8 | 2.1 | 15.5 | 1.9 | 16.6 | 18.9 | -2.2 | 2.3 | -4.5 | -4.3 |
| 2017 | I | 13.3 | 11.6 | 9.9 | 12.2 | 10.8 | 2.0 | 15.4 | 1.7 | 17.0 | 18.8 | -1.8 | 2.4 | -4.2 | -3.9 |
| | II | 13.1 | 11.6 | 10.1 | 12.2 | 10.6 | 2.0 | 15.3 | 1.8 | 17.2 | 18.6 | -1.4 | 2.3 | -3.6 | -3.5 |
| | III | 13.1 | 11.6 | 10.3 | 12.3 | 10.6 | 2.0 | 15.3 | 1.8 | 17.6 | 18.5 | -0.9 | 2.2 | -3.1 | -3.0 |

Source: INE (Quarterly National Accounts) and Funcas (Forecasts).

Chart 6.1 - Public sector: Revenue, expenditure and deficit (a)

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures

Chart 6.2 - Public sector: Main revenues

Percentage of GDP, 4-quarter moving averages

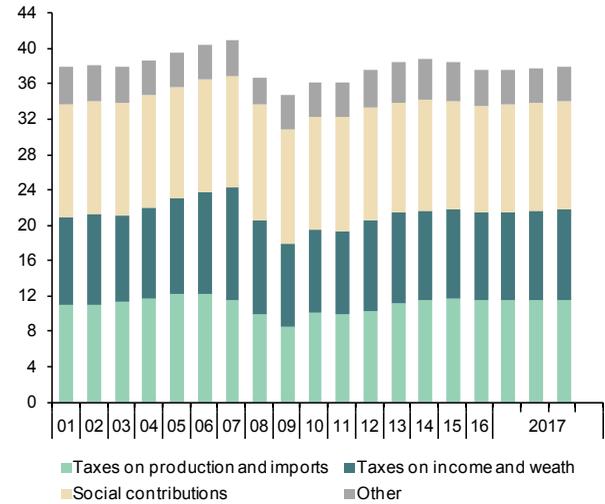


Chart 6.3.- Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

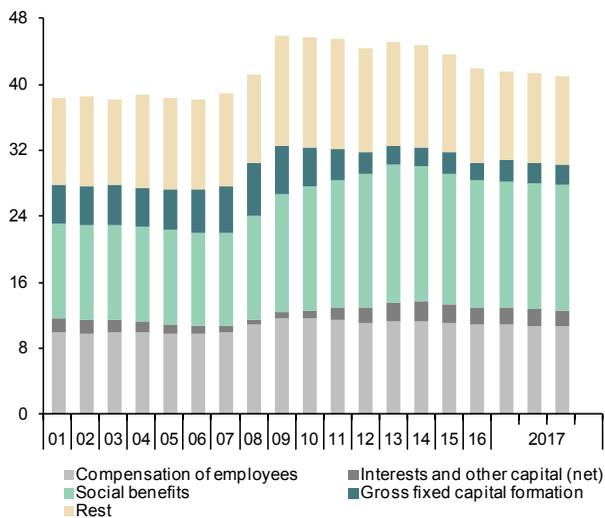
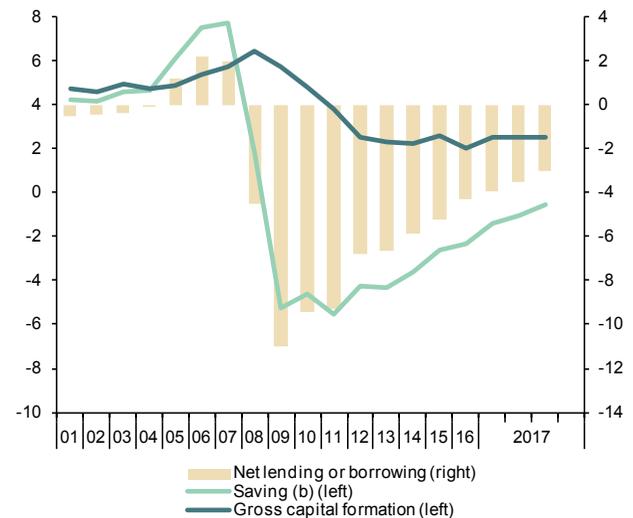


Chart 6.4 - Public sector: Saving, investment and deficit (a)

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures
(b) Including net capital transfers

Table 7

Public sector balances, by level of Government

Forecasts in yellow

| | Net lending (+)/ net borrowing (-) (a) | | | | | 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 | | | | | |
| 2011 | -35.3 | -54.8 | -8.5 | -1.1 | -99.7 | 624.2 | 145.9 | 36.8 | 17.2 | 744.3 | |
| 2012 | -44.3 | -19.4 | 3.3 | -10.2 | -70.6 | 761.9 | 189.2 | 44.0 | 17.2 | 891.5 | |
| 2013 | -46.4 | -16.2 | 5.7 | -11.5 | -68.4 | 850.2 | 210.5 | 42.1 | 17.2 | 979.0 | |
| 2014 | -36.8 | -18.5 | 5.5 | -10.8 | -60.6 | 902.5 | 237.9 | 38.3 | 17.2 | 1,041.6 | |
| 2015 | -29.3 | -18.7 | 4.6 | -13.0 | -56.5 | 940.4 | 263.3 | 35.2 | 17.2 | 1,073.9 | |
| 2016 | -27.8 | -9.3 | 6.8 | -17.8 | -48.0 | 969.6 | 277.0 | 32.2 | 17.2 | 1,107.2 | |
| 2017 | -15.3 | -7.0 | 2.9 | -16.4 | -35.7 | -- | -- | -- | -- | 1,144.6 | |
| 2018 | -7.1 | -3.6 | 2.4 | -18.2 | -26.5 | -- | -- | -- | -- | 1,171.1 | |
| 2019 | -8.1 | 0.0 | 1.9 | -16.4 | -22.6 | -- | -- | -- | -- | 1,192.7 | |
| 2015 | IV | -29.3 | -18.7 | 4.6 | -13.0 | -56.5 | 940.4 | 263.3 | 35.2 | 17.2 | 1,073.9 |
| 2016 | I | -29.7 | -17.9 | 4.2 | -14.0 | -57.4 | 962.1 | 266.0 | 35.1 | 17.2 | 1,096.9 |
| | II | -28.3 | -16.9 | 4.5 | -15.4 | -56.1 | 964.7 | 273.5 | 35.1 | 17.2 | 1,107.1 |
| | III | -33.1 | -9.1 | 6.9 | -16.6 | -51.8 | 968.8 | 272.7 | 34.7 | 17.2 | 1,108.4 |
| | IV | -27.8 | -9.3 | 6.8 | -17.8 | -48.0 | 969.6 | 277.0 | 32.2 | 17.2 | 1,107.2 |
| 2017 | I | -23.0 | -10.1 | 7.1 | -18.2 | -44.2 | 987.9 | 279.4 | 31.7 | 17.2 | 1,129.0 |
| | II | -20.4 | -10.0 | 7.3 | -17.4 | -40.5 | 996.1 | 285.9 | 32.4 | 17.2 | 1,137.9 |
| | III | -17.8 | -6.3 | 7.4 | -18.4 | -35.1 | 1,000.1 | 284.4 | 30.6 | 23.2 | 1,136.2 |
| | | Percentage of GDP, 4-quarter cumulated operations | | | | Percentage of GDP | | | | | |
| 2011 | | -3.3 | -5.1 | -0.8 | -0.1 | -9.3 | 58.3 | 13.6 | 3.4 | 1.6 | 69.5 |
| 2012 | | -4.3 | -1.9 | 0.3 | -1.0 | -6.8 | 73.3 | 18.2 | 4.2 | 1.7 | 85.7 |
| 2013 | | -4.5 | -1.6 | 0.6 | -1.1 | -6.7 | 82.9 | 20.5 | 4.1 | 1.7 | 95.5 |
| 2014 | | -3.5 | -1.8 | 0.5 | -1.0 | -5.8 | 87.0 | 22.9 | 3.7 | 1.7 | 100.4 |
| 2015 | | -2.7 | -1.7 | 0.4 | -1.2 | -5.2 | 87.1 | 24.4 | 3.3 | 1.6 | 99.4 |
| 2016 | | -2.5 | -0.8 | 0.6 | -1.6 | -4.3 | 86.7 | 24.8 | 2.9 | 1.5 | 99.0 |
| 2017 | | -1.3 | -0.6 | 0.3 | -1.4 | -3.1 | -- | -- | -- | -- | 98.4 |
| 2018 | | -0.6 | -0.3 | 0.2 | -1.5 | -2.2 | -- | -- | -- | -- | 96.6 |
| 2019 | | -0.6 | 0.0 | 0.2 | -1.3 | -1.8 | -- | -- | -- | -- | 94.8 |
| 2015 | IV | -2.7 | -1.7 | 0.4 | -1.2 | -5.2 | 87.1 | 24.4 | 3.3 | 1.6 | 99.4 |
| 2016 | I | -2.7 | -1.6 | 0.4 | -1.3 | -5.3 | 88.4 | 24.4 | 3.2 | 1.6 | 100.8 |
| | II | -2.6 | -1.5 | 0.4 | -1.4 | -5.1 | 87.7 | 24.9 | 3.2 | 1.6 | 100.7 |
| | III | -3.0 | -0.8 | 0.6 | -1.5 | -4.7 | 87.3 | 24.6 | 3.1 | 1.5 | 99.9 |
| | IV | -2.5 | -0.8 | 0.6 | -1.6 | -4.3 | 86.7 | 24.8 | 2.9 | 1.5 | 99.0 |
| 2017 | I | -2.0 | -0.9 | 0.6 | -1.6 | -3.9 | 87.5 | 24.7 | 2.8 | 1.5 | 100.0 |
| | II | -1.8 | -0.9 | 0.6 | -1.5 | -3.5 | 87.3 | 25.1 | 2.8 | 1.5 | 99.8 |
| | III | -1.5 | -0.5 | 0.6 | -1.6 | -3.0 | 86.9 | 24.7 | 2.7 | 2.0 | 98.7 |

(a) Excluding financial entities bail-out expenditures.

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

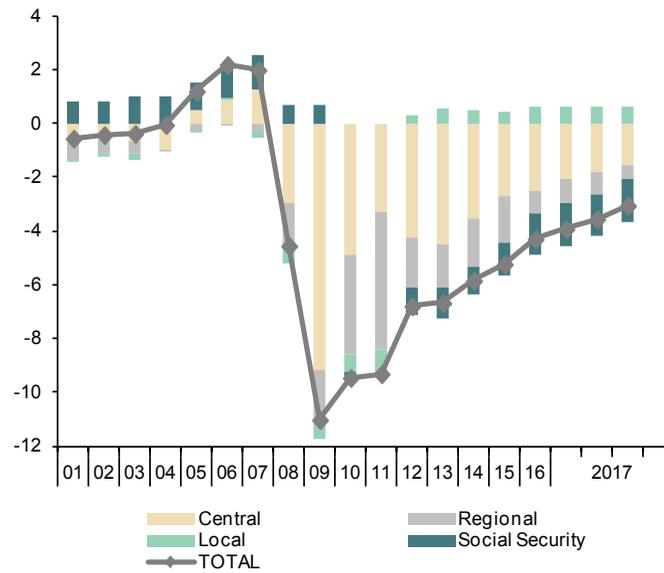


Chart 7.2 - Government debt

Percent of GDP

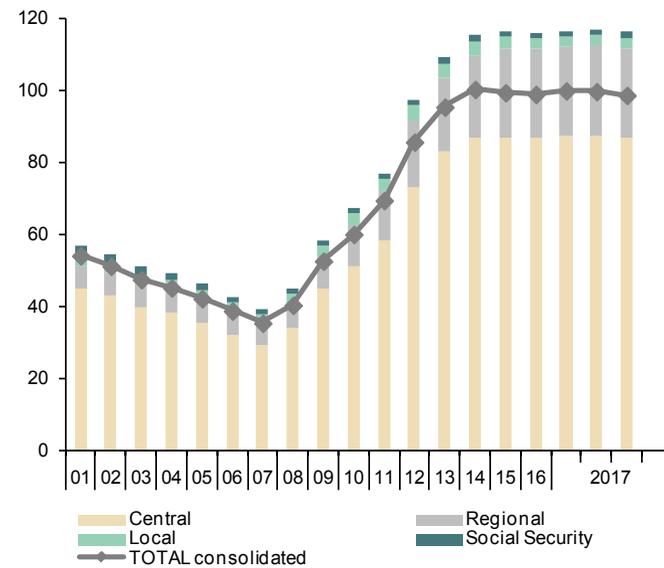


Table 8

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 | Industrial orders |
| | Index | Index | Thousands | 1,000 GWH (smoothed) | 2010=100 | Thousands | Index | Balance of responses | 2010=100 (smoothed) | Balance of responses |
| 2011 | 92.3 | 46.6 | 16,970.3 | 261.1 | 104.0 | 2,231.9 | 47.3 | -12.5 | 106.9 | -30.8 |
| 2012 | 87.6 | 43.1 | 16,335.3 | 255.7 | 97.1 | 2,113.9 | 43.8 | -17.6 | 102.6 | -37.1 |
| 2013 | 91.7 | 48.3 | 15,855.2 | 250.2 | 95.5 | 2,021.6 | 48.5 | -14.0 | 99.2 | -30.7 |
| 2014 | 101.8 | 55.1 | 16,111.1 | 249.7 | 96.8 | 2,022.8 | 53.2 | -7.1 | 100.6 | -16.3 |
| 2015 | 108.3 | 56.7 | 16,641.8 | 253.9 | 100.0 | 2,067.3 | 53.6 | -0.3 | 102.1 | -5.4 |
| 2016 | 106.0 | 54.9 | 17,157.5 | 254.1 | 101.8 | 2,124.7 | 53.1 | -2.3 | 103.3 | -5.4 |
| 2017 | 108.6 | 56.2 | 17,789.6 | 258.4 | 105.0 | 2,191.0 | 54.8 | 1.0 | 109.0 | 2.3 |
| 2018 (b) | 110.6 | 56.9 | 17,896.0 | 48.4 | 102.5 | 2,215.6 | 55.6 | 3.3 | -- | -0.6 |
| 2016 II | 105.6 | 55.3 | 17,061.5 | 63.6 | 101.1 | 2,116.5 | 52.5 | -2.8 | 96.9 | -2.9 |
| III | 104.6 | 54.2 | 17,231.6 | 63.8 | 101.8 | 2,132.2 | 51.4 | -3.8 | 98.0 | -6.7 |
| IV | 106.9 | 55.0 | 17,388.8 | 63.9 | 102.6 | 2,147.8 | 54.4 | -0.6 | 99.4 | -4.2 |
| 2017 I | 107.3 | 56.2 | 17,546.9 | 64.0 | 103.8 | 2,165.4 | 54.8 | 0.3 | 100.8 | -3.1 |
| II | 108.1 | 57.4 | 17,723.3 | 64.3 | 104.2 | 2,182.3 | 54.9 | -0.5 | 102.2 | 6.1 |
| III | 108.7 | 56.1 | 17,862.7 | 64.6 | 104.9 | 2,199.6 | 53.5 | -0.1 | 103.7 | 0.5 |
| IV | 110.1 | 55.2 | 18,022.1 | 65.1 | 107.4 | 2,217.5 | 55.9 | 4.3 | 105.5 | 5.6 |
| 2018 I (b) | 110.6 | 56.9 | 18,151.8 | 43.6 | 105.7 | 2,234.1 | 55.6 | 3.3 | -- | -0.6 |
| 2017 Dec | 110.0 | 55.4 | 18,068.8 | 21.7 | 108.5 | 2,224.1 | 55.8 | 4.8 | 106.1 | 3.5 |
| 2018 Jan | 110.9 | 56.7 | 18,123.5 | 21.8 | 105.7 | 2,230.8 | 55.2 | 4.2 | -- | -1.2 |
| Feb | 110.2 | 57.1 | 18,180.1 | 21.8 | -- | 2,237.4 | 56.0 | 2.4 | -- | 0.0 |
| Percentage changes (c) | | | | | | | | | | |
| 2011 | -- | -- | -1.6 | -1.0 | -1.6 | -2.7 | -- | -- | 1.2 | -- |
| 2012 | -- | -- | -3.7 | -2.1 | -6.7 | -5.3 | -- | -- | -4.0 | -- |
| 2013 | -- | -- | -2.9 | -2.2 | -1.6 | -4.4 | -- | -- | -3.3 | -- |
| 2014 | -- | -- | 1.6 | -0.2 | 1.3 | 0.1 | -- | -- | 1.4 | -- |
| 2015 | -- | -- | 3.3 | 1.7 | 3.4 | 2.2 | -- | -- | 1.5 | -- |
| 2016 | -- | -- | 3.1 | 0.1 | 1.8 | 2.8 | -- | -- | 1.2 | -- |
| 2017 | -- | -- | 3.7 | 1.7 | 3.2 | 3.1 | -- | -- | 5.6 | -- |
| 2018 (d) | -- | -- | 3.6 | 0.7 | 0.7 | 3.3 | -- | -- | -- | -- |
| 2016 II | -- | -- | 2.7 | 0.9 | -3.0 | 2.5 | -- | -- | 2.0 | -- |
| III | -- | -- | 4.0 | 0.3 | 2.6 | 3.0 | -- | -- | 4.4 | -- |
| IV | -- | -- | 3.7 | 0.0 | 3.4 | 3.0 | -- | -- | 5.9 | -- |
| 2017 I | -- | -- | 3.7 | 1.8 | 4.5 | 3.3 | -- | -- | 6.0 | -- |
| II | -- | -- | 4.1 | 1.4 | 1.7 | 3.2 | -- | -- | 5.6 | -- |
| III | -- | -- | 3.2 | 0.5 | 2.8 | 3.2 | -- | -- | 6.2 | -- |
| IV | -- | -- | 3.6 | 3.2 | 9.6 | 3.3 | -- | -- | 7.0 | -- |
| 2018 I (e) | -- | -- | 2.9 | 0.8 | -6.2 | 3.0 | -- | -- | -- | -- |
| 2017 Dec | -- | -- | 0.2 | 0.2 | 1.1 | 0.3 | -- | -- | 0.6 | -- |
| 2018 Jan | -- | -- | 0.3 | 0.2 | -2.6 | 0.3 | -- | -- | -- | -- |
| Feb | -- | -- | 0.3 | 0.2 | -- | 0.3 | -- | -- | -- | -- |

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

Sources: European Commission, Markit Economics Ltd., M. of Labour, M. of Industry, National Statistics Institute, REE and Funcas.

Chart 8.1 - General activity indicators (I)

Annualized percent change from previous period

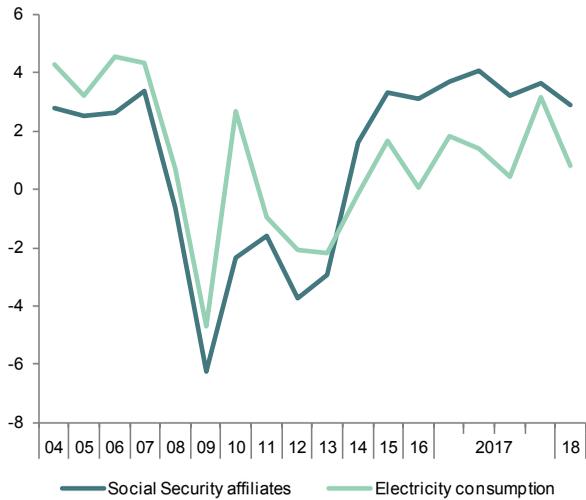


Chart 8.2.- General activity indicators (II)

Index



Chart 8.3 - Industrial sector indicators (I)

Annualized percent change from previous period

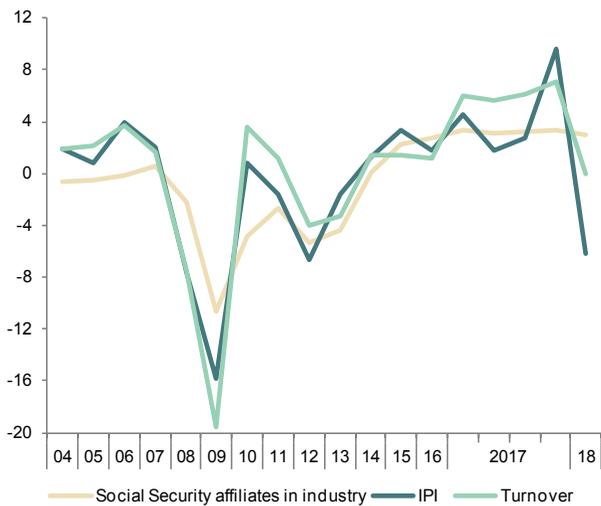


Chart 8.4 - Industrial sector indicators (II)

Index



Table 9

Construction and services sector indicators (a)

| | Construction indicators | | | | | Service sector indicators | | | | | | |
|------------------------|--|--|-------------------------------------|----------------------------|------------------------|--|--------------------------------|-----------------------|--------------------------|----------------------------|---------------------------------|------|
| | Social Security Affiliates in construction | Industrial production index construction materials | Construction confidence index | Official tenders (f) | Housing permits (f) | Social Security Affiliates in services (g) | Turnover index (nominal) | Services PMI index | Hotel overnight stays | Passenger air transport | Services confidence index | |
| | Thousands | 2010=100 (smoothed) | Balance of responses | EUR Billions (smoothed) | Million m ² | Thousands | 2010=100 (smoothed) | Index | Million (smoothed) | Million (smoothed) | Balance of responses | |
| 2011 | 1,368.9 | 141.0 | -55.4 | 13.7 | 14.1 | 12,176.1 | 98.9 | 46.5 | 286.8 | 203.3 | -20.8 | |
| 2012 | 1,135.5 | 101.2 | -54.9 | 7.4 | 8.5 | 11,907.2 | 92.8 | 43.1 | 280.7 | 193.2 | -21.5 | |
| 2013 | 996.8 | 93.6 | -55.6 | 9.2 | 6.8 | 11,727.9 | 91.0 | 48.3 | 286.0 | 186.5 | -15.3 | |
| 2014 | 980.3 | 92.8 | -41.4 | 13.1 | 6.9 | 11,995.5 | 93.3 | 55.2 | 295.3 | 194.9 | 9.9 | |
| 2015 | 1,026.7 | 100.0 | -25.3 | 9.4 | 9.9 | 12,432.3 | 97.8 | 57.3 | 308.2 | 206.6 | 19.4 | |
| 2016 | 1,053.9 | 102.6 | -39.6 | 9.3 | 12.7 | 12,851.6 | 102.0 | 55.0 | 331.2 | 229.4 | 17.8 | |
| 2017 | 1,118.8 | 111.5 | -26.9 | 12.9 | 15.9 | 13,338.2 | 108.7 | 56.4 | 340.3 | 248.4 | 22.5 | |
| 2018 (b) | 1,145.1 | 100.3 | -3.9 | 1.4 | -- | 13,387.2 | -- | 57.1 | 15.4 | 30.6 | 22.0 | |
| 2016 | II | 1,046.4 | 101.7 | -40.4 | 2.3 | 3.2 | 12,779.3 | 101.1 | 55.5 | 82.2 | 56.4 | 17.5 |
| | III | 1,059.7 | 103.1 | -44.3 | 2.3 | 2.9 | 12,909.4 | 102.7 | 54.9 | 83.4 | 57.8 | 16.0 |
| | IV | 1,071.4 | 106.0 | -42.0 | 2.2 | 3.2 | 13,027.5 | 104.5 | 54.9 | 84.4 | 59.1 | 18.7 |
| 2017 | I | 1,091.3 | 108.8 | -43.7 | 2.4 | 4.0 | 13,147.8 | 106.3 | 56.4 | 85.0 | 60.3 | 19.2 |
| | II | 1,110.4 | 110.5 | -24.7 | 2.8 | 4.2 | 13,283.7 | 107.9 | 57.8 | 85.3 | 61.4 | 23.3 |
| | III | 1,126.0 | 111.8 | -23.5 | 3.5 | 3.7 | 13,397.2 | 109.4 | 56.8 | 85.4 | 62.6 | 25.2 |
| | IV | 1,148.1 | 114.1 | -15.7 | 4.2 | 4.0 | 13,519.8 | 111.1 | 54.6 | 85.8 | 64.0 | 22.3 |
| 2018 | I (b) | 1,166.4 | 115.7 | -3.9 | 1.6 | -- | 13,615.1 | -- | 57.1 | 28.7 | 57.5 | 22.0 |
| 2017 | Dec | 1,155.7 | 114.9 | -18.7 | 1.5 | 1.1 | 13,555.1 | 111.7 | 54.6 | 28.7 | 21.5 | 19.8 |
| 2018 | Jan | 1,163.5 | 115.7 | -3.0 | 1.6 | -- | 13,593.7 | -- | 56.9 | 28.7 | 21.7 | 20.1 |
| | Feb | 1,169.4 | -- | -4.7 | -- | -- | 13,636.5 | -- | 57.3 | -- | 21.9 | 23.8 |
| Percentage changes (c) | | | | | | | | | | | | |
| 2011 | | -12.2 | -9.8 | -- | -47.9 | -13.2 | -0.1 | -1.1 | -- | 7.3 | 6.0 | -- |
| 2012 | | -17.0 | -28.2 | -- | -45.5 | -39.9 | -2.2 | -6.1 | -- | -2.1 | -5.0 | -- |
| 2013 | | -12.2 | -7.5 | -- | 23.2 | -20.3 | -1.5 | -2.0 | -- | 1.9 | -3.5 | -- |
| 2014 | | -1.7 | -0.9 | -- | 42.6 | 2.2 | 2.3 | 2.6 | -- | 3.2 | 4.6 | -- |
| 2015 | | 4.7 | 7.8 | -- | -28.2 | 42.6 | 3.6 | 4.8 | -- | 4.4 | 6.0 | -- |
| 2016 | | 2.6 | 2.6 | -- | -0.8 | 29.0 | 3.4 | 4.4 | -- | 7.4 | 11.0 | -- |
| 2017 | | 6.2 | 8.7 | -- | 38.3 | 24.8 | 3.8 | 6.6 | -- | 2.7 | 8.3 | -- |
| 2018 (d) | | 7.4 | 5.6 | -- | 115.4 | -- | 3.7 | -- | -- | 1.3 | 9.0 | -- |
| 2016 | II | 2.5 | -0.8 | -- | -8.3 | 28.4 | 3.0 | 5.1 | -- | 6.7 | 10.8 | -- |
| | III | 5.2 | 6.0 | -- | 6.7 | 13.7 | 4.1 | 6.6 | -- | 6.0 | 10.1 | -- |
| | IV | 4.5 | 11.5 | -- | 10.4 | 19.6 | 3.7 | 7.0 | -- | 5.0 | 9.5 | -- |
| 2017 | I | 7.6 | 11.2 | -- | 9.5 | 16.9 | 3.7 | 7.0 | -- | 2.9 | 8.3 | -- |
| | II | 7.2 | 6.1 | -- | 22.4 | 29.3 | 4.2 | 6.3 | -- | 1.4 | 7.4 | -- |
| | III | 5.7 | 5.1 | -- | 52.0 | 28.9 | 3.5 | 5.9 | -- | 0.8 | 7.9 | -- |
| | IV | 8.1 | 8.2 | -- | 88.7 | 24.8 | 3.7 | 6.3 | -- | 1.9 | 9.8 | -- |
| 2018 | I (e) | 6.5 | 5.7 | -- | 105.8 | -- | 2.8 | -- | -- | 1.6 | -- | -- |
| 2017 | Dec | 0.6 | 0.7 | -- | 92.6 | 15.3 | 0.2 | 0.5 | -- | 0.2 | 0.8 | -- |
| 2018 | Jan | 0.7 | 0.7 | -- | 115.4 | -- | 0.3 | -- | -- | 0.2 | 0.8 | -- |
| | Feb | 0.5 | -- | -- | -- | -- | 0.3 | -- | -- | -- | 0.8 | -- |

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

Sources: European Commission, Markit Economics Ltd., M. of Labour, M. of Public Works, National Statistics Institute, AENA, OFICEMEN, SEOPAN and Funcas.

Chart 9.1 - Construction indicators (I)

Annualized percentage changes from previous period and index

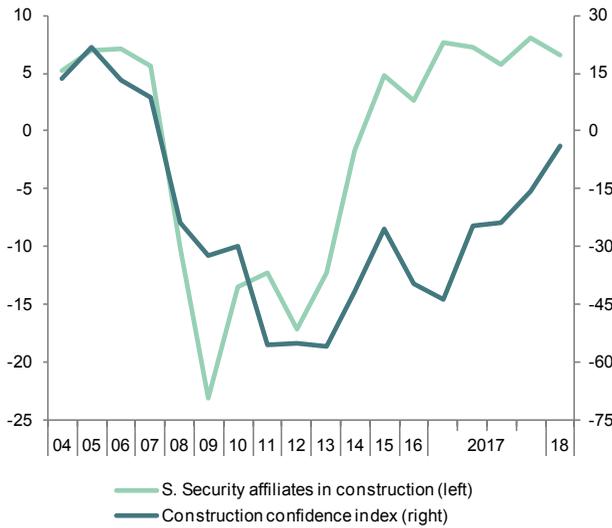


Chart 9.2 - Construction indicators (II)

Annualized percentage changes from previous period

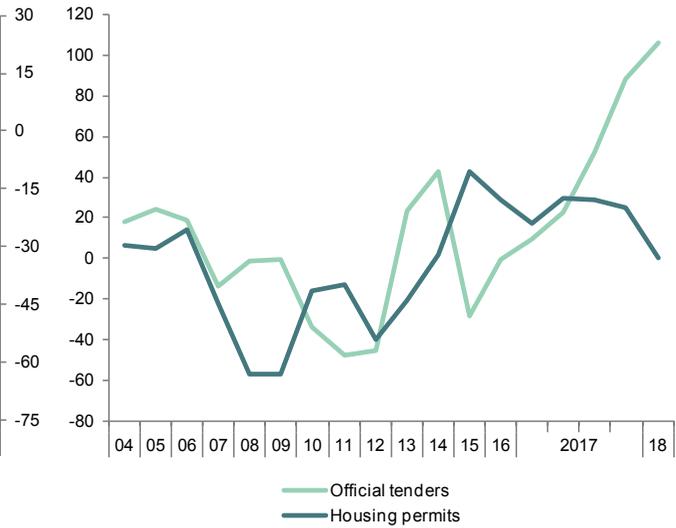


Chart 9.3 - Services indicators (I)

Percentage change from previous period

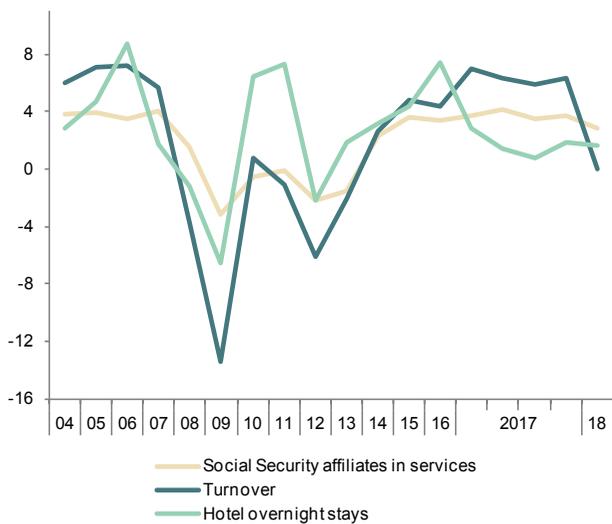


Chart 9.4 - Services indicators (II)

Index

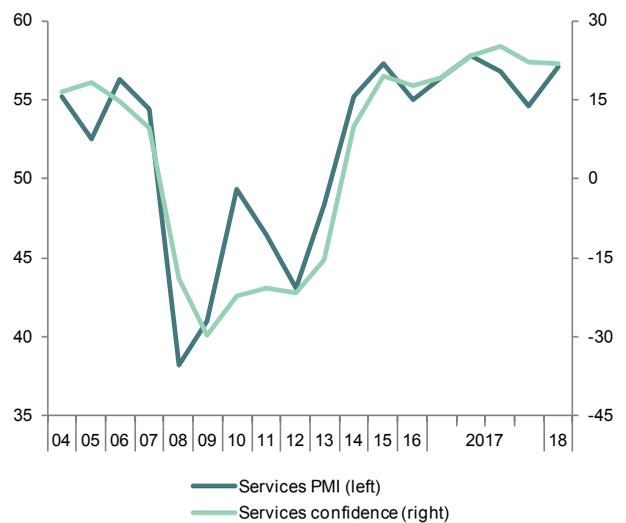


Table 10

Consumption and investment indicators (a)

| | Consumption indicators | | | | | Investment in equipment indicators | | | |
|------------------------|------------------------|----------------------|---------------------------|---|--------------------------------------|------------------------------------|--|-----------------------------------|-------|
| | Retail sales deflated | Car registrations | Consumer confidence index | Hotel overnight stays by residents in Spain | Industrial orders for consumer goods | Cargo vehicles registrations | Industrial orders for investment goods | Imports of capital goods (volume) | |
| | 2010=100 (smoothed) | Thousands (smoothed) | Balance of responses | Million (smoothed) | Balance of responses | Thousands (smoothed) | Balance of responses | 2005=100 (smoothed) | |
| 2011 | 106.7 | 808.3 | -17.1 | 111.5 | -21.7 | 142.0 | -23.0 | 68.0 | |
| 2012 | 98.8 | 710.6 | -31.7 | 102.1 | -24.3 | 107.7 | -38.6 | 60.6 | |
| 2013 | 95.0 | 742.3 | -25.3 | 100.6 | -21.9 | 107.6 | -33.5 | 68.9 | |
| 2014 | 96.0 | 890.1 | -8.9 | 104.7 | -9.2 | 137.5 | -16.5 | 81.6 | |
| 2015 | 100.0 | 1,094.0 | 0.3 | 110.3 | -3.1 | 180.3 | 0.2 | 93.3 | |
| 2016 | 103.9 | 1,230.1 | -3.8 | 114.2 | -1.4 | 191.3 | -0.2 | 97.2 | |
| 2017 | 104.7 | 1,341.6 | -0.7 | 115.3 | 2.0 | 207.6 | 5.2 | 103.3 | |
| 2018 (b) | 106.7 | -- | 0.9 | 5.4 | -3.5 | -- | 13.9 | -- | |
| 2016 | II | 103.5 | 302.4 | -3.2 | 28.1 | -5.5 | 47.0 | 1.9 | 97.0 |
| | III | 104.0 | 308.4 | -6.1 | 28.4 | 1.0 | 48.4 | 2.3 | 98.5 |
| | IV | 104.2 | 314.6 | -3.2 | 28.6 | 2.2 | 49.5 | -2.6 | 100.2 |
| 2017 | I | 104.4 | 320.5 | -2.8 | 28.6 | 0.1 | 50.3 | 1.4 | 102.9 |
| | II | 104.8 | 328.0 | 1.5 | 28.6 | 2.5 | 51.3 | 7.6 | 104.3 |
| | III | 105.0 | 339.0 | 0.2 | 28.8 | 6.8 | 52.8 | -2.0 | 103.4 |
| | IV | 105.2 | 353.4 | -1.5 | 29.3 | -1.2 | 53.9 | 13.6 | 101.8 |
| 2018 | I (b) | 105.3 | -- | 0.9 | 9.9 | -3.5 | -- | 13.9 | -- |
| 2017 | Dec | 105.3 | 119.5 | -1.5 | 9.8 | 7.6 | 18.1 | 5.1 | 101.3 |
| 2018 | Jan | 105.3 | -- | 1.3 | 9.9 | -4.7 | -- | 21.1 | 100.9 |
| | Feb | -- | -- | 0.4 | -- | -2.2 | -- | 6.7 | -- |
| Percentage changes (c) | | | | | | | | | |
| 2011 | | -5.6 | -19.2 | -- | -1.5 | -- | -6.6 | -- | -3.2 |
| 2012 | | -7.4 | -12.1 | -- | -8.4 | -- | -24.2 | -- | -10.9 |
| 2013 | | -3.8 | 4.5 | -- | -1.4 | -- | -0.1 | -- | 13.7 |
| 2014 | | 1.1 | 19.9 | -- | 4.1 | -- | 27.8 | -- | 18.4 |
| 2015 | | 4.2 | 22.9 | -- | 5.3 | -- | 31.1 | -- | 14.4 |
| 2016 | | 3.9 | 12.4 | -- | 3.6 | -- | 6.1 | -- | 4.1 |
| 2017 | | 0.8 | 9.1 | -- | 0.9 | -- | 8.5 | -- | 6.4 |
| 2018 (d) | | 2.0 | -- | -- | 2.3 | -- | -- | -- | -2.9 |
| 2016 | II | 3.0 | 10.1 | -- | 3.0 | -- | 7.5 | -- | 6.5 |
| | III | 2.0 | 8.3 | -- | 3.9 | -- | 11.9 | -- | 6.0 |
| | IV | 0.8 | 8.3 | -- | 2.3 | -- | 9.9 | -- | 7.4 |
| 2017 | I | 0.6 | 7.7 | -- | 0.0 | -- | 6.3 | -- | 11.3 |
| | II | 1.4 | 9.7 | -- | 0.7 | -- | 8.5 | -- | 5.2 |
| | III | 1.1 | 14.1 | -- | 2.7 | -- | 12.0 | -- | -3.1 |
| | IV | 0.7 | 18.1 | -- | 6.4 | -- | 8.6 | -- | -6.2 |
| 2018 | I (e) | 0.5 | -- | -- | 4.9 | -- | -- | -- | -- |
| 2017 | Dec | 0.1 | 1.4 | -- | 0.6 | -- | 0.5 | -- | -0.5 |
| 2018 | Jan | 0.1 | -- | -- | 0.6 | -- | -- | -- | -0.4 |
| | Feb | -- | -- | -- | -- | -- | -- | -- | -- |

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

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

Chart 10.1 - Consumption indicators

Percent change from previous period and balance of responses

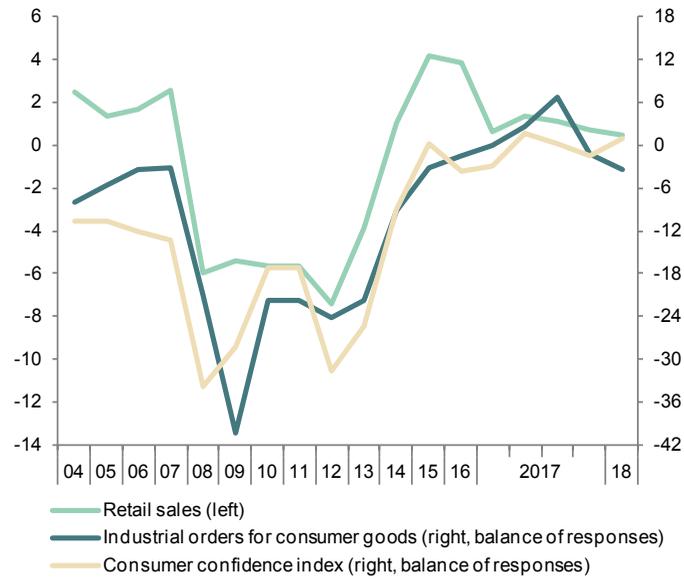


Chart 10.2 - Investment indicators

Percent change from previous period and balance of responses

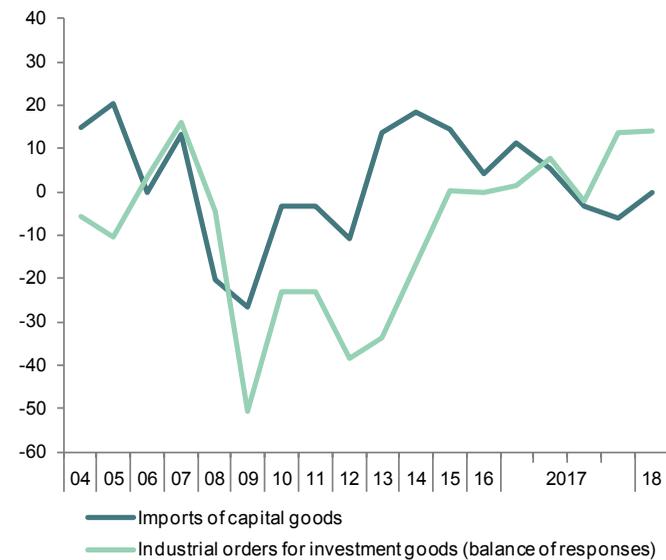


Table 11a

Labour market (I)

Forecasts in yellow

| | Population aged 16-64 | Labour force | | Employment | | Unemployment | | Participation rate 16-64 (a) | Employment rate 16-64 (b) | Unemployment rate (c) | | | | | |
|------------------------|-----------------------|--------------|---------------------|------------|---------------------|--------------|---------------------|------------------------------|---------------------------|-----------------------|---------------------|---------|---------|------|----|
| | | Original | Seasonally adjusted | Original | Seasonally adjusted | Original | Seasonally adjusted | | | Total | Aged 16-24 | Spanish | Foreign | | |
| | | I | 2=4+6 | 3=5+7 | 4 | 5 | 6 | | | 7 | Seasonally adjusted | | | | |
| | | | | | | | | | | Percentage | | | | | |
| | | | | | | | | | | 8 | 9 | 10=7/3 | 11 | 12 | 13 |
| | | | | | | | | | | Million | | | | | |
| | | | | | | | | | | Percentage | | | | | |
| 2011 | | 31.1 | 23.4 | -- | 18.4 | -- | 5.0 | -- | 74.9 | 58.8 | 21.4 | 46.2 | 19.5 | 32.6 | |
| 2012 | | 30.9 | 23.4 | -- | 17.6 | -- | 5.8 | -- | 75.3 | 56.5 | 24.8 | 52.9 | 23.0 | 35.9 | |
| 2013 | | 30.6 | 23.2 | -- | 17.1 | -- | 6.1 | -- | 75.3 | 55.6 | 26.1 | 55.5 | 24.4 | 37.0 | |
| 2014 | | 30.3 | 23.0 | -- | 17.3 | -- | 5.6 | -- | 75.3 | 56.8 | 24.4 | 53.2 | 23.0 | 34.5 | |
| 2015 | | 30.2 | 22.9 | -- | 17.9 | -- | 5.1 | -- | 75.5 | 58.7 | 22.1 | 48.3 | 20.9 | 30.5 | |
| 2016 | | 30.1 | 22.8 | -- | 18.3 | -- | 4.5 | -- | 75.4 | 60.5 | 19.6 | 44.4 | 18.7 | 26.6 | |
| 2017 | | 30.1 | 22.7 | -- | 18.8 | -- | 3.9 | -- | 75.1 | 62.1 | 17.2 | 38.7 | 16.3 | 23.8 | |
| 2018 | | 30.1 | 22.7 | -- | 19.3 | -- | 3.4 | -- | 74.9 | 63.6 | 15.1 | -- | -- | -- | |
| 2019 | | 30.1 | 22.7 | -- | 19.7 | -- | 3.0 | -- | 74.7 | 64.8 | 13.2 | -- | -- | -- | |
| 2016 | I | 30.1 | 22.8 | 22.9 | 18.0 | 18.2 | 4.8 | 4.6 | 75.3 | 59.4 | 20.3 | 45.4 | 19.2 | 28.2 | |
| | II | 30.1 | 22.9 | 22.8 | 18.3 | 18.3 | 4.6 | 4.6 | 75.5 | 60.3 | 20.0 | 45.7 | 19.0 | 27.5 | |
| | III | 30.1 | 22.8 | 22.8 | 18.5 | 18.4 | 4.3 | 4.4 | 75.5 | 61.1 | 19.3 | 43.5 | 18.5 | 25.6 | |
| | IV | 30.0 | 22.7 | 22.7 | 18.5 | 18.5 | 4.2 | 4.2 | 75.1 | 61.1 | 18.6 | 42.6 | 17.8 | 24.8 | |
| 2017 | I | 30.0 | 22.7 | 22.7 | 18.4 | 18.6 | 4.3 | 4.1 | 75.0 | 60.8 | 18.0 | 40.5 | 17.2 | 24.0 | |
| | II | 30.0 | 22.7 | 22.7 | 18.8 | 18.8 | 3.9 | 3.9 | 75.1 | 62.0 | 17.2 | 38.9 | 16.4 | 23.8 | |
| | III | 30.0 | 22.8 | 22.7 | 19.0 | 18.9 | 3.7 | 3.8 | 75.2 | 62.8 | 16.8 | 37.6 | 15.9 | 23.5 | |
| | IV | 30.1 | 22.8 | 22.8 | 19.0 | 19.0 | 3.8 | 3.8 | 75.1 | 62.6 | 16.5 | 37.1 | 15.5 | 23.7 | |
| Percentage changes (d) | | | | | | | | Difference from one year ago | | | | | | | |
| 2011 | | -0.2 | 0.3 | -- | -1.6 | -- | 8.0 | -- | 0.4 | -0.9 | 1.5 | 4.7 | 1.4 | 2.7 | |
| 2012 | | -0.5 | 0.0 | -- | -4.3 | -- | 15.9 | -- | 0.4 | -2.3 | 3.4 | 6.7 | 3.5 | 3.3 | |
| 2013 | | -1.1 | -1.1 | -- | -2.8 | -- | 4.1 | -- | 0.0 | -0.9 | 1.3 | 2.6 | 1.5 | 1.1 | |
| 2014 | | -0.9 | -1.0 | -- | 1.2 | -- | -7.3 | -- | 0.0 | 1.2 | -1.7 | -2.3 | -1.4 | -2.5 | |
| 2015 | | -0.5 | -0.1 | -- | 3.0 | -- | -9.9 | -- | 0.2 | 1.9 | -2.4 | -4.9 | -2.1 | -4.0 | |
| 2016 | | -0.4 | -0.4 | -- | 2.7 | -- | -11.4 | -- | -0.1 | 1.8 | -2.4 | -3.9 | -2.2 | -3.8 | |
| 2017 | | 0.0 | -0.4 | -- | 2.6 | -- | -12.6 | -- | -0.3 | 1.6 | -2.4 | -5.8 | -2.4 | -2.8 | |
| 2018 | | 0.1 | -0.2 | -- | 2.4 | -- | -12.6 | -- | -0.2 | 1.5 | -2.1 | -- | -- | -- | |
| 2019 | | 0.2 | -0.1 | -- | 2.1 | -- | -12.8 | -- | -0.2 | 1.2 | -1.9 | -- | -- | -- | |
| 2016 | I | -0.5 | -0.3 | 0.0 | 3.3 | 3.1 | -12.0 | -10.9 | 0.0 | 2.1 | -2.8 | -4.8 | -2.6 | -3.8 | |
| | II | -0.4 | -0.6 | -0.3 | 2.4 | 1.2 | -11.2 | -6.2 | -0.2 | 1.6 | -2.4 | -2.8 | -2.2 | -3.6 | |
| | III | -0.3 | -0.2 | -0.4 | 2.7 | 2.9 | -10.9 | -12.8 | 0.1 | 1.8 | -2.3 | -4.5 | -2.0 | -4.2 | |
| | IV | -0.3 | -0.6 | -1.4 | 2.3 | 2.1 | -11.3 | -15.1 | -0.2 | 1.5 | -2.3 | -3.5 | -2.1 | -3.7 | |
| 2017 | I | -0.2 | -0.6 | 0.0 | 2.3 | 3.0 | -11.2 | -12.1 | -0.3 | 1.4 | -2.3 | -4.9 | -2.0 | -4.2 | |
| | II | -0.1 | -0.6 | -0.6 | 2.8 | 3.3 | -14.4 | -17.0 | -0.5 | 1.7 | -2.7 | -6.9 | -2.6 | -3.7 | |
| | III | 0.0 | -0.3 | 0.8 | 2.8 | 2.8 | -13.6 | -8.5 | -0.3 | 1.7 | -2.5 | -5.9 | -2.6 | -2.1 | |
| | IV | 0.1 | 0.1 | 0.2 | 2.6 | 1.6 | -11.1 | -6.4 | -0.1 | 1.5 | -2.1 | -5.5 | -2.3 | -1.1 | |

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

Source: INE (Labour Force Survey) and Funcas.

Chart 11a.1 - Labour force, Employment and unemployment, S.A.

Annual / annualized quarterly growth rates and percentage of active population

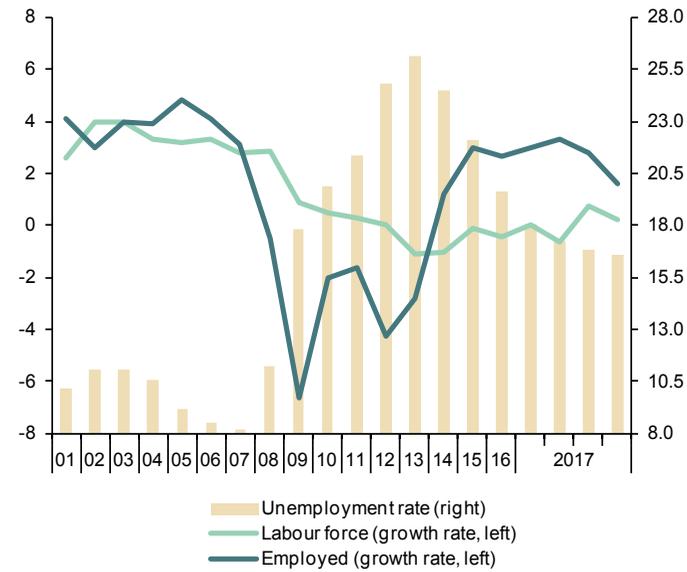


Chart 11a.2 - Unemployment rates, S.A.

Percentage

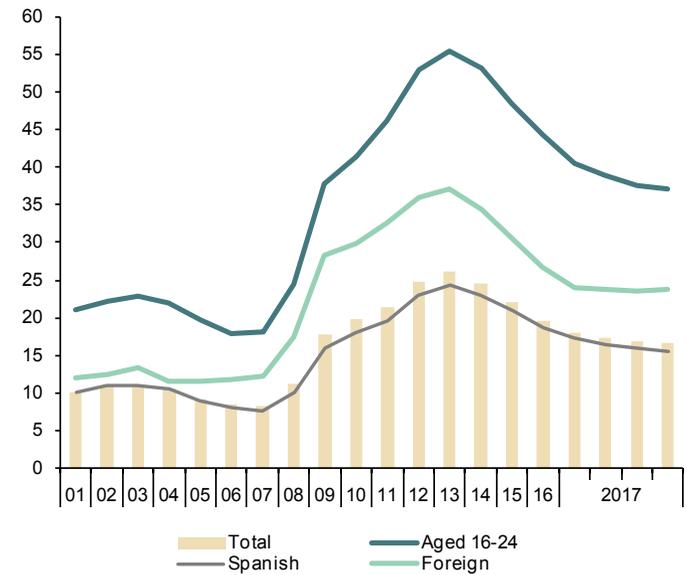


Table 11b

Labour market (II)

| | Employed by sector | | | | Employed by professional situation | | | | Employed by duration of the working-day | | | | |
|---------------------------|--------------------|----------|--------------|----------|------------------------------------|---------------------|------------|---------------|---|---------------------------|-------------------------------|-------------------------------|------------------------------|
| | Agriculture | Industry | Construction | Services | Employees | | | Self employed | Full-time | Part-time | Part-time employment rate (b) | | |
| | | | | | Total | By type of contract | | | | | | | |
| | | | | | | Tempo- rary | Indefinite | | | | | Temporary employment rate (a) | |
| I | 2 | 3 | 4 | 5=6+7 | 6 | 7 | 8=6/5 | 9 | 10 | 11 | 12 | | |
| Million (original data) | | | | | | | | | | | | | |
| 2009 | 0.79 | 2.81 | 1.89 | 13.62 | 15.88 | 4.00 | 11.88 | 25.21 | 3.23 | 16.71 | 2.40 | 12.54 | |
| 2010 | 0.79 | 2.65 | 1.65 | 13.64 | 15.59 | 3.86 | 11.73 | 24.74 | 3.13 | 16.29 | 2.44 | 13.02 | |
| 2011 | 0.76 | 2.60 | 1.40 | 13.66 | 15.39 | 3.87 | 11.52 | 25.13 | 3.03 | 15.92 | 2.50 | 13.56 | |
| 2012 | 0.74 | 2.48 | 1.16 | 13.24 | 14.57 | 3.41 | 11.16 | 23.41 | 3.06 | 15.08 | 2.55 | 14.49 | |
| 2013 | 0.74 | 2.36 | 1.03 | 13.02 | 14.07 | 3.26 | 10.81 | 23.14 | 3.07 | 14.43 | 2.71 | 15.80 | |
| 2014 | 0.74 | 2.38 | 0.99 | 13.23 | 14.29 | 3.43 | 10.86 | 24.00 | 3.06 | 14.59 | 2.76 | 15.91 | |
| 2015 | 0.74 | 2.48 | 1.07 | 13.57 | 14.77 | 3.71 | 11.06 | 25.14 | 3.09 | 15.05 | 2.81 | 15.74 | |
| 2016 | 0.77 | 2.52 | 1.07 | 13.97 | 15.23 | 3.97 | 11.26 | 26.06 | 3.11 | 15.55 | 2.79 | 15.21 | |
| 2017 (c) | 0.82 | 2.65 | 1.13 | 14.23 | 15.72 | 4.19 | 11.52 | 26.67 | 3.11 | 16.01 | 2.82 | 14.97 | |
| 2016 | I | 0.78 | 2.48 | 1.03 | 13.74 | 14.94 | 3.74 | 11.19 | 25.04 | 3.09 | 15.20 | 2.83 | 15.70 |
| | II | 0.76 | 2.50 | 1.08 | 13.97 | 15.19 | 3.91 | 11.28 | 25.72 | 3.11 | 15.50 | 2.80 | 15.31 |
| | III | 0.74 | 2.53 | 1.11 | 14.15 | 15.40 | 4.15 | 11.25 | 26.95 | 3.12 | 15.83 | 2.70 | 14.56 |
| | IV | 0.82 | 2.58 | 1.08 | 14.03 | 15.39 | 4.07 | 11.31 | 26.47 | 3.12 | 15.68 | 2.83 | 15.31 |
| 2017 | I | 0.85 | 2.57 | 1.08 | 13.94 | 15.34 | 3.95 | 11.39 | 25.75 | 3.10 | 15.56 | 2.87 | 15.59 |
| | II | 0.83 | 2.64 | 1.13 | 14.21 | 15.69 | 4.21 | 11.48 | 26.81 | 3.12 | 15.94 | 2.87 | 15.26 |
| | III | 0.78 | 2.67 | 1.15 | 14.45 | 15.91 | 4.36 | 11.55 | 27.38 | 3.14 | 16.32 | 2.73 | 14.31 |
| | IV | 0.82 | 2.71 | 1.14 | 14.32 | 15.92 | 4.25 | 11.67 | 26.71 | 3.08 | 16.19 | 2.81 | 14.77 |
| Annual percentage changes | | | | | | | | | Difference from one year ago | Annual percentage changes | | | Difference from one year ago |
| 2009 | -4.8 | -13.3 | -23.2 | -2.3 | -5.8 | -18.4 | -0.6 | -3.9 | -10.6 | -7.5 | -0.4 | 0.8 | |
| 2010 | -0.3 | -5.6 | -12.6 | 0.1 | -1.8 | -3.6 | -1.2 | -0.5 | -2.9 | -2.5 | 1.7 | 0.5 | |
| 2011 | -3.9 | -1.7 | -15.0 | 0.2 | -1.3 | 0.3 | -1.8 | 0.4 | -3.3 | -2.2 | 2.5 | 0.5 | |
| 2012 | -1.6 | -4.6 | -17.3 | -3.0 | -5.3 | -11.8 | -3.1 | -1.7 | 1.1 | -5.3 | 2.3 | 0.9 | |
| 2013 | -0.9 | -5.2 | -11.4 | -1.7 | -3.5 | -4.6 | -3.1 | -0.3 | 0.4 | -4.3 | 6.0 | 1.3 | |
| 2014 | -0.1 | 1.0 | -3.5 | 1.7 | 1.5 | 5.3 | 0.4 | 0.9 | -0.4 | 1.1 | 1.9 | 0.1 | |
| 2015 | 0.1 | 4.3 | 8.1 | 2.6 | 3.4 | 8.3 | 1.9 | 1.1 | 1.1 | 3.2 | 1.9 | -0.2 | |
| 2016 | 5.1 | 1.6 | 0.0 | 2.9 | 3.1 | 6.8 | 1.8 | 0.9 | 0.7 | 3.3 | -0.8 | -0.5 | |
| 2017 (d) | 5.8 | 5.0 | 5.1 | 1.9 | 3.2 | 5.6 | 2.3 | 0.6 | -0.1 | 2.9 | 1.0 | -0.2 | |
| 2016 | I | 8.4 | 1.7 | -2.7 | 3.8 | 3.8 | 10.1 | 1.8 | 1.4 | 1.1 | 4.0 | -0.2 | -0.6 |
| | II | 2.7 | -0.4 | -1.4 | 3.2 | 2.9 | 5.5 | 2.0 | 0.6 | 0.3 | 3.0 | -0.6 | -0.5 |
| | III | 4.8 | 0.5 | 2.3 | 3.0 | 3.0 | 6.2 | 1.9 | 0.8 | 0.7 | 3.5 | -1.9 | -0.7 |
| | IV | 4.7 | 4.7 | 2.0 | 1.7 | 2.6 | 5.9 | 1.5 | 0.8 | 0.6 | 2.8 | -0.4 | -0.4 |
| 2017 | I | 9.0 | 3.6 | 4.8 | 1.4 | 2.7 | 5.6 | 1.7 | 0.7 | 0.1 | 2.4 | 1.5 | -0.1 |
| | II | 9.5 | 5.6 | 5.2 | 1.7 | 3.3 | 7.7 | 1.8 | 1.1 | 0.3 | 2.9 | 2.5 | -0.1 |
| | III | 4.5 | 5.5 | 4.3 | 2.1 | 3.3 | 4.9 | 2.7 | 0.4 | 0.6 | 3.1 | 1.1 | -0.2 |
| | IV | 0.5 | 5.1 | 6.0 | 2.1 | 3.5 | 4.4 | 3.2 | 0.2 | -1.5 | 3.3 | -1.0 | -0.5 |

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Period with available data. (d) Growth of available period over the same period of the previous year.

Source: INE (Labour Force Survey).

Chart 11b 1.- Employment by sector

Annual percentage changes



Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

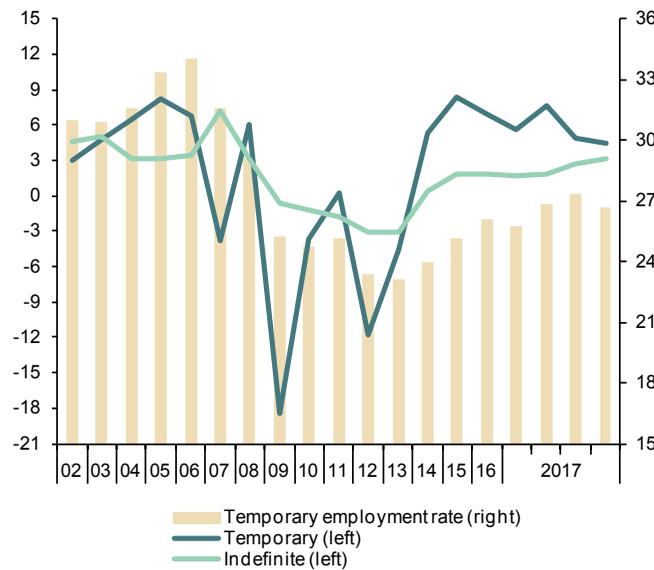


Table 12

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 2018 | 100.00 | 66.15 | 81.20 | 24.82 | 41.33 | 15.06 | 7.34 | 11.46 | 22.40 | |
| Indexes, 2016 = 100 | | | | | | | | | | |
| 2011 | 97.1 | 96.4 | 95.6 | 98.2 | 95.3 | 92.1 | 91.8 | 111.4 | 92.0 | |
| 2012 | 99.5 | 97.6 | 97.1 | 99.0 | 96.8 | 94.9 | 93.9 | 121.2 | 94.6 | |
| 2013 | 100.9 | 98.7 | 98.5 | 99.6 | 98.1 | 97.9 | 97.3 | 121.3 | 97.7 | |
| 2014 | 100.7 | 98.7 | 98.6 | 99.2 | 98.3 | 98.2 | 96.0 | 120.3 | 97.6 | |
| 2015 | 100.2 | 99.2 | 99.2 | 99.5 | 98.9 | 99.2 | 97.7 | 109.4 | 98.7 | |
| 2016 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |
| 2017 | 102.0 | 101.1 | 101.1 | 100.2 | 101.6 | 100.7 | 102.6 | 108.0 | 101.3 | |
| 2018 | 103.4 | 102.4 | 102.3 | 100.7 | 103.3 | 101.7 | 104.6 | 111.3 | 102.6 | |
| Annual percentage changes | | | | | | | | | | |
| 2011 | 3.2 | 1.3 | 1.7 | 0.6 | 1.8 | 3.8 | 1.8 | 15.7 | 3.2 | |
| 2012 | 2.4 | 1.3 | 1.6 | 0.8 | 1.5 | 3.1 | 2.3 | 8.9 | 2.8 | |
| 2013 | 1.4 | 1.1 | 1.4 | 0.6 | 1.4 | 3.1 | 3.6 | 0.0 | 3.2 | |
| 2014 | -0.2 | 0.0 | 0.0 | -0.4 | 0.1 | 0.4 | -1.2 | -0.8 | -0.1 | |
| 2015 | -0.5 | 0.5 | 0.6 | 0.3 | 0.7 | 0.9 | 1.8 | -9.0 | 1.2 | |
| 2016 | -0.2 | 0.8 | 0.8 | 0.5 | 1.1 | 0.8 | 2.3 | -8.6 | 1.3 | |
| 2017 | 2.0 | 1.1 | 1.1 | 0.2 | 1.6 | 0.7 | 2.6 | 8.0 | 1.3 | |
| 2018 | 1.5 | 1.2 | 1.2 | 0.5 | 1.7 | 1.0 | 1.9 | 3.0 | 1.3 | |
| 2017 | Jan | 3.0 | 1.2 | 1.1 | 0.8 | 1.3 | 0.3 | 2.7 | 17.5 | 1.1 |
| | Feb | 3.0 | 1.2 | 1.0 | 0.6 | 1.3 | 0.0 | 5.4 | 16.8 | 1.7 |
| | Mar | 2.3 | 1.0 | 0.9 | 0.6 | 1.1 | 0.1 | 4.3 | 11.7 | 1.4 |
| | Apr | 2.6 | 1.5 | 1.2 | 0.3 | 2.1 | 0.2 | 3.4 | 12.0 | 1.2 |
| | May | 1.9 | 1.1 | 1.0 | 0.1 | 1.7 | 0.4 | 2.8 | 8.3 | 1.2 |
| | Jun | 1.5 | 1.3 | 1.2 | 0.2 | 1.9 | 0.7 | 1.4 | 3.7 | 0.9 |
| | Jul | 1.5 | 1.4 | 1.4 | 0.3 | 1.9 | 1.0 | -1.0 | 4.1 | 0.3 |
| | Aug | 1.6 | 1.2 | 1.2 | 0.0 | 1.7 | 1.1 | -1.6 | 6.3 | 0.3 |
| | Sep | 1.8 | 1.3 | 1.2 | 0.1 | 1.8 | 0.9 | 2.2 | 5.8 | 1.3 |
| | Oct | 1.6 | 0.9 | 0.9 | -0.2 | 1.6 | 1.0 | 4.9 | 3.9 | 2.3 |
| | Nov | 1.7 | 0.8 | 0.8 | -0.3 | 1.5 | 1.2 | 4.3 | 5.9 | 2.2 |
| | Dec | 1.1 | 0.7 | 0.8 | -0.3 | 1.3 | 1.2 | 2.8 | 2.6 | 1.7 |
| 2018 | Jan | 0.6 | 0.8 | 0.8 | -0.2 | 1.3 | 1.1 | 1.6 | -1.7 | 1.3 |
| | Feb | 1.1 | 1.1 | 1.1 | 0.0 | 1.7 | 1.4 | 0.3 | 1.4 | 1.0 |
| | Mar | 1.3 | 1.2 | 1.2 | 0.1 | 1.8 | 1.3 | 0.7 | 2.8 | 1.1 |
| | Apr | 0.9 | 0.6 | 0.7 | 0.2 | 0.8 | 1.2 | 1.4 | 2.0 | 1.3 |
| | May | 1.3 | 1.0 | 1.0 | 0.2 | 1.5 | 1.0 | 1.4 | 3.3 | 1.1 |
| | Jun | 1.6 | 1.0 | 1.0 | 0.3 | 1.5 | 0.8 | 2.5 | 5.4 | 1.4 |
| | Jul | 1.8 | 1.2 | 1.1 | 0.6 | 1.6 | 0.7 | 3.2 | 6.2 | 1.5 |
| | Aug | 1.9 | 1.4 | 1.2 | 0.7 | 1.8 | 0.6 | 4.7 | 5.4 | 1.9 |
| | Sep | 2.0 | 1.6 | 1.4 | 0.8 | 2.0 | 0.9 | 3.6 | 4.8 | 1.8 |
| | Oct | 1.7 | 1.7 | 1.6 | 0.9 | 2.2 | 0.9 | 0.4 | 3.5 | 0.8 |
| | Nov | 1.6 | 1.7 | 1.6 | 1.0 | 2.2 | 0.8 | 1.4 | 1.6 | 1.0 |
| | Dec | 1.7 | 1.8 | 1.6 | 1.1 | 2.2 | 0.8 | 2.3 | 2.0 | 1.3 |

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation Rate (I)

Annual percentage changes

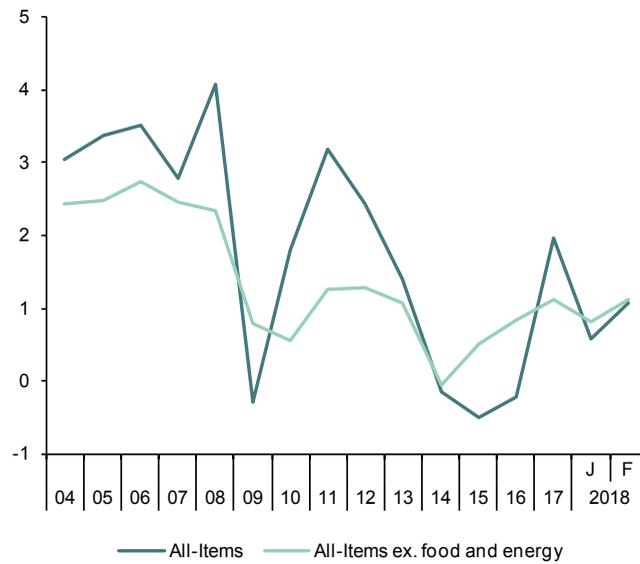


Chart 12.2 - Inflation rate (II)

Annual percentage changes

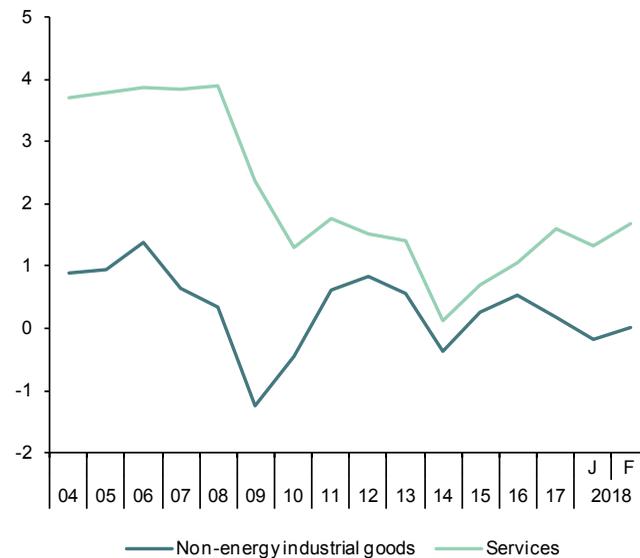


Table 13

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 | | |
| | | 2010=100 | 2015=100 | 2007=100 | | | 2000=100 | | | | | |
| 2011 | 100.0 | 99.1 | 98.1 | 83.4 | 84.6 | 69.8 | 144.5 | 141.9 | 152.5 | 154.8 | -- | |
| 2012 | 100.1 | 102.9 | 99.8 | 72.0 | 77.2 | 65.4 | 143.6 | 141.1 | 151.3 | 154.7 | -- | |
| 2013 | 100.5 | 103.5 | 100.5 | 64.3 | 72.7 | 55.1 | 143.8 | 141.1 | 152.2 | 155.2 | -- | |
| 2014 | 100.3 | 102.1 | 99.7 | 64.5 | 71.0 | 52.6 | 143.3 | 140.9 | 150.7 | 155.5 | -- | |
| 2015 | 100.9 | 100.0 | 100.0 | 66.8 | 71.7 | 54.9 | 144.2 | 142.5 | 149.6 | 156.5 | -- | |
| 2016 | 101.2 | 96.9 | 99.6 | 70.0 | 73.1 | 57.8 | 143.6 | 142.1 | 148.4 | 156.2 | -- | |
| 2017 | 102.1 | 101.1 | 101.9 | 74.3 | 74.8 | 58.2 | 144.0 | 142.3 | 149.1 | 156.3 | -- | |
| 2018 (b) | -- | 102.6 | 102.7 | -- | -- | -- | -- | -- | -- | -- | -- | |
| 2016 | II | 101.0 | 95.8 | 99.4 | 69.9 | 73.3 | 146.2 | 145.5 | 148.4 | 154.5 | -- | |
| | III | 101.2 | 97.3 | 99.9 | 70.5 | 72.9 | 138.2 | 135.1 | 147.7 | 159.4 | -- | |
| | IV | 101.7 | 99.5 | 100.1 | 70.8 | 73.5 | 149.8 | 150.6 | 147.3 | 163.7 | -- | |
| 2017 | I | 101.5 | 101.4 | 101.4 | 72.4 | 74.2 | 140.2 | 137.0 | 150.1 | 147.1 | -- | |
| | II | 101.9 | 100.4 | 101.9 | 73.8 | 74.4 | 146.1 | 145.5 | 148.2 | 154.4 | -- | |
| | III | 102.2 | 100.5 | 102.0 | 75.2 | 74.9 | 138.7 | 135.5 | 148.7 | 158.9 | -- | |
| | IV | 102.9 | 102.1 | 102.2 | 75.8 | 75.8 | 150.9 | 151.3 | 149.6 | 164.9 | -- | |
| 2018 | I (b) | -- | 102.6 | 102.7 | -- | -- | -- | -- | -- | -- | -- | |
| 2017 | Dec | -- | 102.4 | 102.3 | -- | -- | -- | -- | -- | -- | -- | |
| 2018 | Jan | -- | 102.6 | 102.7 | -- | -- | -- | -- | -- | -- | -- | |
| | Feb | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | |
| Annual percent changes (c) | | | | | | | | | | | | |
| 2011 | | 0.0 | 6.9 | 4.2 | -7.4 | -5.6 | -6.7 | 1.2 | 1.0 | 1.6 | 2.2 | 2.0 |
| 2012 | | 0.1 | 3.8 | 1.7 | -13.7 | -8.7 | -6.4 | -0.6 | -0.6 | -0.8 | -0.1 | 1.0 |
| 2013 | | 0.4 | 0.6 | 0.7 | -10.6 | -5.8 | -15.7 | 0.2 | 0.0 | 0.6 | 0.4 | 0.5 |
| 2014 | | -0.2 | -1.3 | -0.8 | 0.3 | -2.4 | -4.6 | -0.3 | -0.1 | -1.0 | 0.1 | 0.5 |
| 2015 | | 0.6 | -2.1 | 0.3 | 3.6 | 1.1 | 4.3 | 0.6 | 1.1 | -0.7 | 0.7 | 0.7 |
| 2016 | | 0.3 | -3.1 | -0.4 | 4.7 | 1.9 | 5.3 | -0.4 | -0.3 | -0.8 | -0.2 | 1.1 |
| 2017 | | 1.0 | 4.4 | 2.3 | 6.2 | 2.4 | 0.8 | 0.2 | 0.1 | 0.5 | 0.1 | 1.4 |
| 2018 (d) | | -- | 0.1 | 1.6 | -- | -- | -- | -- | -- | -- | -- | 1.5 |
| 2016 | II | 0.3 | -5.4 | -0.9 | 3.9 | 1.8 | 6.6 | -0.2 | 0.0 | -1.0 | 0.1 | 1.1 |
| | III | 0.3 | -3.3 | -0.5 | 4.0 | 0.8 | -3.5 | -0.5 | -0.3 | -0.9 | -0.4 | 1.1 |
| | IV | 0.5 | 1.2 | 0.6 | 4.5 | 0.4 | 13.0 | -0.8 | -0.7 | -0.8 | -0.5 | 1.1 |
| 2017 | I | 0.7 | 6.9 | 2.4 | 5.3 | 2.3 | 6.2 | -0.1 | -0.2 | 0.1 | -0.2 | 1.3 |
| | II | 0.9 | 4.8 | 2.5 | 5.6 | 2.0 | 1.8 | 0.0 | 0.0 | -0.2 | -0.1 | 1.3 |
| | III | 1.0 | 3.3 | 2.1 | 6.6 | 1.8 | 7.4 | 0.4 | 0.3 | 0.7 | -0.3 | 1.4 |
| | IV | 1.2 | 2.6 | 2.1 | 7.2 | 0.9 | -10.9 | 0.7 | 0.5 | 1.5 | 0.7 | 1.4 |
| 2018 | I (e) | -- | 1.2 | 1.2 | -- | -- | -- | -- | -- | -- | -- | -- |
| 2017 | Dec | -- | 1.7 | 1.9 | -- | -- | -- | -- | -- | -- | -- | 1.4 |
| 2018 | Jan | -- | 0.1 | 1.6 | -- | -- | -- | -- | -- | -- | -- | 1.5 |
| | Feb | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1.5 |

(a) Seasonally adjusted. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data, unless otherwise indicated. (d) Growth of available period over the same period of the previous year. (e) Annualized 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

Index (2007=100)

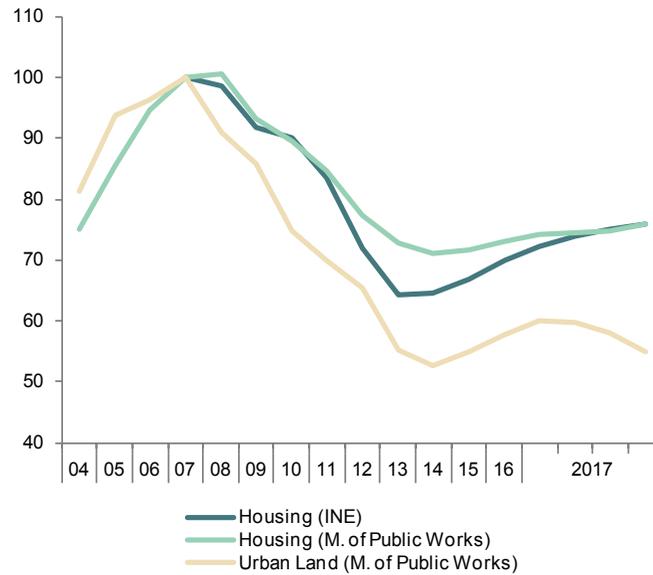


Chart 13.2 - Wage costs

Annual percent change

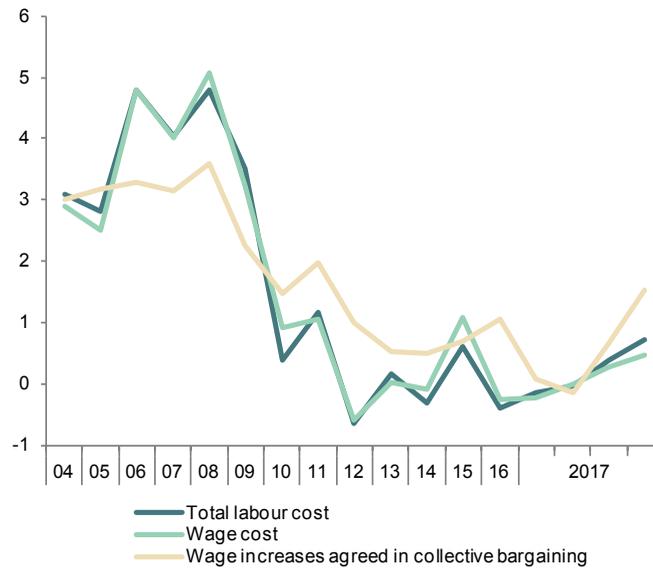


Table 14

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 | | | | | | |
| | 2005=100 | | | 2005=100 | | | | | | | | EUR Billions |
| 2011 | 138.9 | 108.4 | 128.1 | 113.0 | 109.6 | 103.1 | 11.9 | 6.1 | -4.0 | -0.3 | 0.3 | |
| 2012 | 145.9 | 110.7 | 131.8 | 110.7 | 114.7 | 96.6 | 11.9 | 6.9 | -2.7 | 1.2 | 1.0 | |
| 2013 | 152.1 | 110.5 | 137.7 | 108.3 | 109.8 | 98.6 | 12.3 | 7.3 | -1.4 | 2.1 | 1.4 | |
| 2014 | 155.2 | 109.4 | 141.8 | 114.0 | 107.3 | 106.3 | 12.7 | 7.3 | -2.1 | 1.1 | 0.9 | |
| 2015 | 161.2 | 110.1 | 146.4 | 118.0 | 104.6 | 112.8 | 13.5 | 7.3 | -2.1 | 0.2 | 0.6 | |
| 2016 | 165.4 | 108.2 | 152.9 | 117.5 | 101.3 | 116.0 | 14.2 | 7.2 | -1.4 | 0.3 | 1.2 | |
| 2017 | 178.8 | 108.9 | 164.2 | 129.6 | 106.1 | 122.1 | 15.2 | 7.9 | -2.1 | 0.1 | 1.4 | |
| 2018 (b) | 187.2 | 110.8 | 169.0 | 139.4 | 109.7 | 127.1 | 15.5 | 7.3 | -3.9 | -0.7 | 1.7 | |
| 2016 | I | 158.7 | 107.7 | 147.4 | 114.0 | 99.4 | 114.7 | 13.7 | 8.1 | -2.9 | 0.2 | 1.4 |
| | II | 165.8 | 107.7 | 153.9 | 117.2 | 100.3 | 116.8 | 14.1 | 7.2 | -1.4 | 0.3 | 1.0 |
| | III | 165.6 | 108.3 | 153.0 | 117.4 | 101.6 | 115.6 | 13.9 | 7.3 | -1.5 | 0.3 | 0.9 |
| | IV | 171.5 | 108.8 | 157.7 | 122.6 | 104.0 | 117.9 | 14.5 | 7.5 | -1.7 | 0.1 | 1.3 |
| 2017 | I | 177.8 | 108.5 | 163.9 | 130.7 | 107.2 | 122.0 | 15.2 | 7.6 | -2.5 | 0.2 | 1.3 |
| | II | 179.5 | 107.7 | 166.6 | 127.7 | 104.6 | 122.1 | 15.2 | 7.8 | -1.7 | 0.3 | 1.6 |
| | III | 179.2 | 108.8 | 164.7 | 130.5 | 105.1 | 124.2 | 14.8 | 8.1 | -2.3 | -0.2 | 1.1 |
| | IV | 185.8 | 110.2 | 168.5 | 133.0 | 107.5 | 123.7 | 15.7 | 8.1 | -1.9 | 0.2 | 1.4 |
| 2017 | Nov | 187.3 | 110.3 | 169.9 | 134.2 | 107.3 | 125.1 | 15.6 | 8.4 | -1.9 | 0.5 | 1.3 |
| | Dec | 187.8 | 110.5 | 170.0 | 133.0 | 108.2 | 122.9 | 16.2 | 7.9 | -1.6 | 0.2 | 1.8 |
| 2018 | Jan | 187.2 | 110.8 | 169.0 | 139.4 | 109.7 | 127.1 | 15.8 | 8.1 | -2.9 | 0.2 | 1.4 |
| | | Percentage changes (c) | | | | | | | Percentage of GDP | | | |
| 2011 | | 15.2 | 4.9 | 9.9 | 9.6 | 8.6 | 1.0 | 12.7 | 20.5 | -4.5 | -0.4 | 0.3 |
| 2012 | | 5.1 | 2.1 | 2.9 | -2.0 | 4.7 | -6.3 | 0.5 | 14.1 | -3.1 | 1.4 | 1.2 |
| 2013 | | 4.3 | -0.2 | 4.5 | -2.2 | -4.2 | 2.1 | 3.1 | 6.3 | -1.6 | 2.5 | 1.7 |
| 2014 | | 2.0 | -0.9 | 3.0 | 5.2 | -2.3 | 7.7 | 3.5 | -0.4 | -2.4 | 1.3 | 1.0 |
| 2015 | | 3.8 | 0.6 | 3.2 | 3.5 | -2.5 | 6.1 | 5.8 | 0.4 | -2.3 | 0.2 | 0.7 |
| 2016 | | 2.6 | -1.7 | 4.4 | -0.4 | -3.1 | 2.8 | 5.3 | -2.3 | -1.6 | 0.3 | 1.2 |
| 2017 | | 8.1 | 0.7 | 7.4 | 10.3 | 4.7 | 5.3 | 7.0 | 10.3 | -2.1 | 0.1 | 1.4 |
| 2018 (d) | | 6.5 | 1.9 | 4.5 | 8.9 | 2.3 | 6.5 | 6.7 | 6.0 | -- | -- | -- |
| 2016 | I | -14.4 | -7.7 | -7.3 | -13.0 | -16.1 | 3.7 | -1.2 | -35.3 | -3.2 | 0.3 | 1.6 |
| | II | 19.1 | 0.2 | 18.9 | 11.5 | 3.8 | 7.4 | 10.8 | 37.7 | -1.5 | 0.3 | 1.1 |
| | III | -0.5 | 1.9 | -2.4 | 0.9 | 5.1 | -4.0 | -4.2 | 7.2 | -1.6 | 0.3 | 0.9 |
| | IV | 15.0 | 1.9 | 12.9 | 18.6 | 9.6 | 8.1 | 18.2 | 9.2 | -1.8 | 0.1 | 1.4 |
| 2017 | I | 15.5 | -1.1 | 16.8 | 29.5 | 12.9 | 14.7 | 18.7 | 9.3 | -2.6 | 0.2 | 1.3 |
| | II | 3.9 | -2.7 | 6.7 | -8.8 | -9.1 | 0.3 | 0.7 | 10.4 | -1.7 | 0.3 | 1.7 |
| | III | -0.8 | 4.1 | -4.7 | 8.9 | 1.7 | 7.0 | -9.0 | 16.7 | -2.3 | -0.3 | 1.1 |
| | IV | 15.5 | 5.3 | 9.7 | 7.8 | 9.4 | -1.5 | 24.3 | 0.7 | -1.9 | 0.2 | 1.4 |
| 2017 | Nov | 2.8 | -23.8 | 35.0 | 1.8 | -15.0 | 19.8 | 3.1 | 2.2 | -- | -- | -- |
| | Dec | 0.3 | -0.8 | 1.1 | -0.9 | 22.9 | -19.3 | 3.7 | -6.1 | -- | -- | -- |
| 2018 | Jan | -0.3 | 6.8 | -6.7 | 4.8 | -30.2 | 50.2 | -2.2 | 3.6 | -- | -- | -- |

(a) Seasonally adjusted, except for annual data. (b) Period with available data. (c) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data. (d) Growth of available period over the same period of the previous year.

Source Ministry of Economy.

Chart 14.1 - External trade (real)

Percent change from previous period

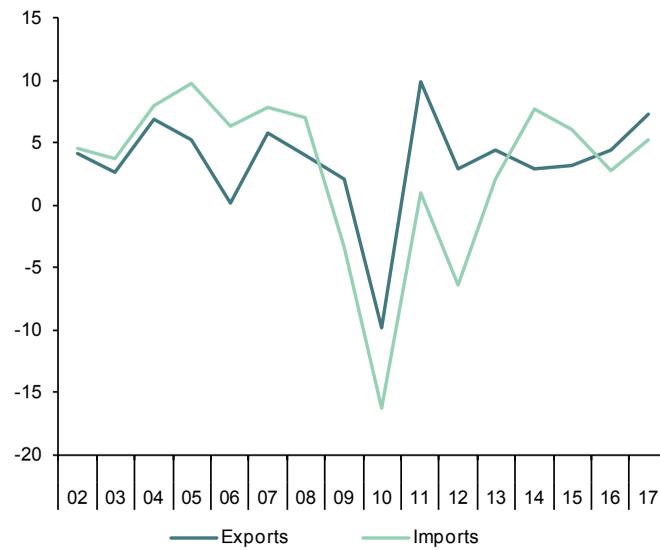


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

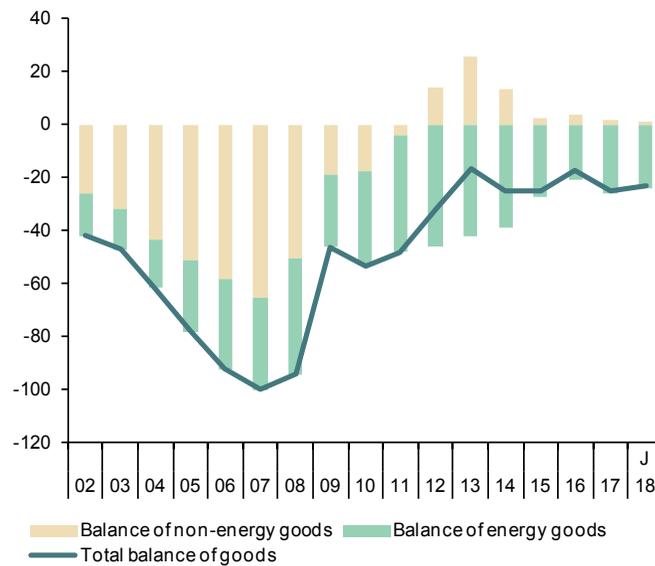


Table 15

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

| | Current account | | | | | Capital account | Current and capital accounts | Financial account | | | | | Bank of Spain | Errors and omissions | |
|-------------------|-----------------|--------|--------------------|------------------------------|------------------|-----------------|------------------------------|--|--------|--------------|--------|--------|---------------|----------------------|-------|
| | Total | Goods | Services | Primary Income | Secondary Income | | | Financial account, excluding Bank of Spain | | | | | | | |
| | 1=2+3+4+5 | 2 | 3 | 4 | 5 | | | 6 | 7=1+6 | 8=9+10+11+12 | 9 | 10 | | | 11 |
| EUR billions | | | | | | | | | | | | | | | |
| 2008 | -103.25 | -87.04 | 29.82 | -30.49 | -15.55 | 4.67 | -98.58 | -69.23 | -1.53 | 0.96 | -75.72 | 7.07 | -30.22 | -0.86 | |
| 2009 | -46.19 | -41.47 | 29.54 | -19.62 | -14.64 | 3.33 | -42.86 | -40.70 | 1.94 | -44.04 | -4.66 | 6.05 | -10.46 | -8.31 | |
| 2010 | -42.39 | -47.80 | 33.93 | -15.13 | -13.38 | 4.89 | -37.49 | -27.24 | -1.46 | -28.40 | 11.23 | -8.61 | -15.70 | -5.44 | |
| 2011 | -34.04 | -44.48 | 42.59 | -18.36 | -13.79 | 4.06 | -29.98 | 79.51 | 9.23 | 26.25 | 41.96 | 2.07 | -109.23 | 0.26 | |
| 2012 | -2.40 | -29.25 | 45.25 | -7.01 | -11.39 | 5.18 | 2.77 | 170.51 | -21.12 | 55.40 | 144.57 | -8.35 | -168.76 | -1.02 | |
| 2013 | 15.59 | -14.01 | 47.78 | -5.29 | -12.89 | 6.58 | 22.17 | -84.89 | -18.54 | -52.99 | -14.40 | 1.04 | 118.19 | 11.13 | |
| 2014 | 11.22 | -22.22 | 47.89 | -3.37 | -11.09 | 5.05 | 16.27 | -15.39 | 6.48 | -5.44 | -17.71 | 1.28 | 27.49 | -4.17 | |
| 2015 | 12.18 | -22.30 | 47.56 | -2.26 | -10.81 | 7.07 | 19.25 | 63.86 | 27.93 | -6.80 | 43.74 | -1.01 | -40.16 | 4.45 | |
| 2016 | 21.48 | -17.42 | 51.10 | -0.18 | -12.01 | 2.68 | 24.17 | 79.33 | 16.67 | 38.29 | 26.99 | -2.62 | -52.63 | 2.53 | |
| 2017 (a) | 12.45 | -18.03 | 43.33 | -3.08 | -9.77 | 1.10 | 13.54 | 51.68 | 16.19 | 26.05 | 12.41 | -2.98 | -37.54 | 0.59 | |
| 2015 | IV | 5.95 | -5.44 | 10.19 | 3.02 | -1.82 | 3.36 | 9.31 | 25.06 | 4.08 | -6.42 | 27.04 | 0.36 | -16.79 | -1.04 |
| 2016 | I | -0.89 | -4.71 | 8.76 | -0.31 | -4.63 | 0.68 | -0.20 | 2.32 | 5.22 | 16.93 | -18.32 | -1.50 | -7.19 | -4.67 |
| | II | 6.16 | -2.66 | 13.16 | -2.59 | -1.74 | 0.66 | 6.82 | 39.86 | 4.90 | 9.19 | 25.93 | -0.17 | -34.60 | -1.56 |
| | III | 8.08 | -4.98 | 17.54 | -1.46 | -3.02 | 0.38 | 8.46 | 18.80 | 0.13 | 10.02 | 9.74 | -1.09 | -6.48 | 3.86 |
| | IV | 8.12 | -5.06 | 11.63 | 4.18 | -2.63 | 0.96 | 9.09 | 18.36 | 6.42 | 2.15 | 9.64 | 0.14 | -4.37 | 4.91 |
| 2017 | I | -0.74 | -6.51 | 8.94 | 0.52 | -3.69 | 0.49 | -0.26 | 40.90 | -0.53 | 28.82 | 14.22 | -1.61 | -43.23 | -2.07 |
| | II | 5.76 | -4.17 | 15.24 | -2.67 | -2.65 | 0.38 | 6.13 | -1.71 | 5.44 | -4.74 | -2.12 | -0.29 | 5.90 | -1.94 |
| | III | 7.43 | -7.35 | 19.15 | -0.94 | -3.43 | 0.24 | 7.67 | 12.49 | 11.28 | 1.97 | 0.32 | -1.08 | -0.22 | 4.60 |
| | | | Goods and Services | Primary and Secondary Income | | | | | | | | | | | |
| 2017 | Oct | 1.68 | 2.93 | -1.25 | 0.15 | 1.83 | -7.41 | 1.32 | 6.29 | -15.21 | 0.19 | 13.11 | 3.88 | | |
| | Nov | 3.04 | 2.14 | 0.90 | 0.14 | 3.18 | 5.81 | 0.93 | -2.10 | 7.04 | -0.06 | -3.41 | -0.78 | | |
| | Dec | 2.64 | 0.70 | 1.95 | 0.51 | 3.15 | 11.91 | 6.09 | -12.41 | 17.72 | 0.51 | -3.99 | 4.77 | | |
| Percentage of GDP | | | | | | | | | | | | | | | |
| 2008 | | -9.3 | -7.8 | 2.7 | -2.7 | -1.4 | 0.4 | -8.8 | -6.2 | -0.1 | 0.1 | -6.8 | 0.6 | -2.7 | -0.1 |
| 2009 | | -4.3 | -3.8 | 2.7 | -1.8 | -1.4 | 0.3 | -4.0 | -3.8 | 0.2 | -4.1 | -0.4 | 0.6 | -1.0 | -0.8 |
| 2010 | | -3.9 | -4.4 | 3.1 | -1.4 | -1.2 | 0.5 | -3.5 | -2.5 | -0.1 | -2.6 | 1.0 | -0.8 | -1.5 | -0.5 |
| 2011 | | -3.2 | -4.2 | 4.0 | -1.7 | -1.3 | 0.4 | -2.8 | 7.4 | 0.9 | 2.5 | 3.9 | 0.2 | -10.2 | 0.0 |
| 2012 | | -0.2 | -2.8 | 4.4 | -0.7 | -1.1 | 0.5 | 0.3 | 16.4 | -2.0 | 5.3 | 13.9 | -0.8 | -16.2 | -0.1 |
| 2013 | | 1.5 | -1.4 | 4.7 | -0.5 | -1.3 | 0.6 | 2.2 | -8.3 | -1.8 | -5.2 | -1.4 | 0.1 | 11.5 | 1.1 |
| 2014 | | 1.1 | -2.1 | 4.6 | -0.3 | -1.1 | 0.5 | 1.6 | -1.5 | 0.6 | -0.5 | -1.7 | 0.1 | 2.6 | -0.4 |
| 2015 | | 1.1 | -2.1 | 4.4 | -0.2 | -1.0 | 0.7 | 1.8 | 5.9 | 2.6 | -0.6 | 4.0 | -0.1 | -3.7 | 0.4 |
| 2016 | | 1.9 | -1.6 | 4.6 | 0.0 | -1.1 | 0.2 | 2.2 | 7.1 | 1.5 | 3.4 | 2.4 | -0.2 | -4.7 | 0.2 |
| 2017 (a) | | 1.4 | -2.1 | 5.0 | -0.4 | -1.1 | 0.1 | 1.6 | 6.0 | 1.9 | 3.0 | 1.4 | -0.3 | -4.4 | 0.1 |
| 2015 | IV | 2.1 | -1.9 | 3.6 | 1.1 | -0.6 | 1.2 | 3.3 | 8.9 | 1.4 | -2.3 | 9.6 | 0.1 | -5.9 | -0.4 |
| 2016 | I | -0.3 | -1.8 | 3.3 | -0.1 | -1.7 | 0.3 | -0.1 | 0.9 | 2.0 | 6.3 | -6.9 | -0.6 | -2.7 | -1.7 |
| | II | 2.2 | -0.9 | 4.6 | -0.9 | -0.6 | 0.2 | 2.4 | 14.0 | 1.7 | 3.2 | 9.1 | -0.1 | -12.2 | -0.5 |
| | III | 2.9 | -1.8 | 6.3 | -0.5 | -1.1 | 0.1 | 3.1 | 6.8 | 0.0 | 3.6 | 3.5 | -0.4 | -2.3 | 1.4 |
| | IV | 2.8 | -1.7 | 4.0 | 1.4 | -0.9 | 0.3 | 3.1 | 6.3 | 2.2 | 0.7 | 3.3 | 0.0 | -1.5 | 1.7 |
| 2017 | I | -0.3 | -2.3 | 3.2 | 0.2 | -1.3 | 0.2 | -0.1 | 14.7 | -0.2 | 10.4 | 5.1 | -0.6 | -15.6 | -0.7 |
| | II | 2.0 | -1.4 | 5.2 | -0.9 | -0.9 | 0.1 | 2.1 | -0.6 | 1.8 | -1.6 | -0.7 | -0.1 | 2.0 | -0.7 |
| | III | 2.6 | -2.6 | 6.7 | -0.3 | -1.2 | 0.1 | 2.7 | 4.4 | 3.9 | 0.7 | 0.1 | -0.4 | -0.1 | 1.6 |

(a) Period with available data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

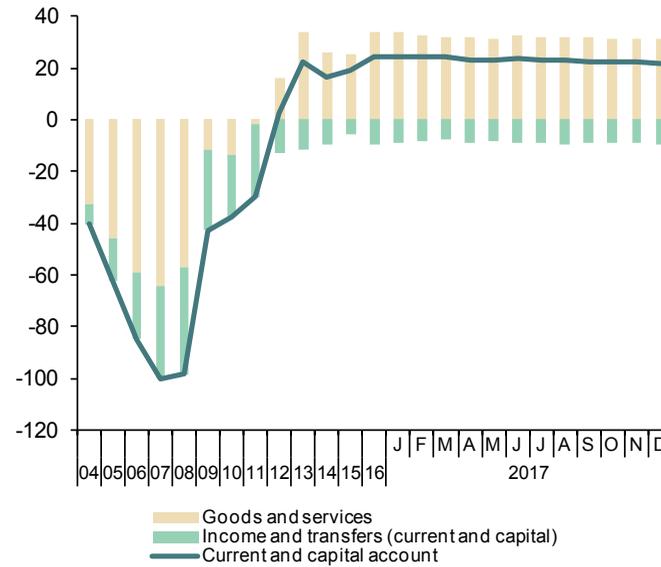


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

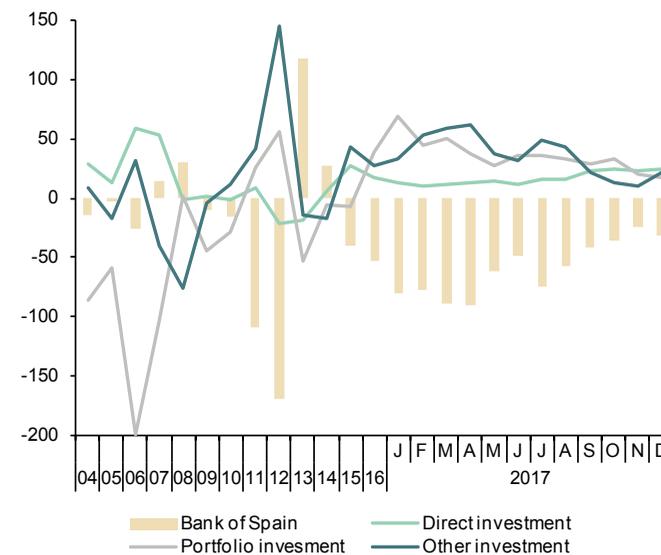


Table 16

Competitiveness indicators in relation to EMU

| | Relative Unit Labour Costs in industry (Spain/EMU) | | | Harmonized Consumer Prices | | | Producer prices | | | Real Effective Exchange Rate in relation to developed countries | |
|---------------------------|--|------------------------------|--------------|----------------------------|-------|-----------|-----------------|---------------------------|-----------|---|---------------------------|
| | Relative hourly wages | Relative hourly productivity | Relative ULC | Spain | EMU | Spain/EMU | Spain | EMU | Spain/EMU | | |
| | 1998=100 | | | 2015=100 | | | 2015=100 | | | | 1999 I =100 |
| 2011 | 106.3 | 94.8 | 112.2 | 96.9 | 95.8 | 101.2 | 99.1 | 101.7 | 97.5 | 113.1 | |
| 2012 | 105.3 | 96.0 | 109.7 | 99.3 | 98.2 | 101.1 | 102.9 | 104.6 | 98.3 | 111.6 | |
| 2013 | 103.9 | 95.7 | 108.6 | 100.8 | 99.5 | 101.3 | 103.5 | 104.4 | 99.1 | 113.4 | |
| 2014 | 102.2 | 95.5 | 107.1 | 100.6 | 100.0 | 100.7 | 102.1 | 102.8 | 99.3 | 112.4 | |
| 2015 | 101.7 | 94.7 | 107.4 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 109.0 | |
| 2016 | 100.3 | 93.8 | 106.9 | 99.7 | 100.3 | 99.4 | 96.9 | 97.7 | 99.2 | 108.8 | |
| 2017 | 100.6 | 93.7 | 107.3 | 101.7 | 101.8 | 99.9 | 101.1 | 100.7 | 100.4 | 110.3 | |
| 2018 (a) | -- | -- | -- | 101.3 | 101.9 | 99.4 | 102.6 | 102.3 | 100.3 | 110.9 | |
| 2016 | I | -- | -- | -- | 98.0 | 99.2 | 98.8 | 94.8 | 96.7 | 98.1 | 107.7 |
| | II | -- | -- | -- | 100.1 | 100.4 | 99.7 | 95.8 | 97.0 | 98.8 | 109.1 |
| | III | -- | -- | -- | 99.5 | 100.3 | 99.2 | 97.3 | 98.0 | 99.3 | 108.7 |
| | IV | -- | -- | -- | 101.1 | 101.0 | 100.1 | 99.5 | 99.1 | 100.4 | 110.0 |
| 2017 | I | -- | -- | -- | 100.7 | 101.0 | 99.7 | 101.4 | 100.7 | 100.7 | 109.2 |
| | II | -- | -- | -- | 102.2 | 102.0 | 100.2 | 100.4 | 100.2 | 100.2 | 110.3 |
| | III | -- | -- | -- | 101.3 | 101.8 | 99.5 | 100.5 | 100.4 | 100.1 | 110.4 |
| | IV | -- | -- | -- | 102.6 | 102.4 | 100.2 | 102.1 | 101.6 | 100.5 | 111.4 |
| 2017 | Dec | -- | -- | -- | 102.7 | 102.7 | 100.1 | 102.4 | 101.9 | 100.5 | 111.4 |
| 2018 | Jan | -- | -- | -- | 101.2 | 101.8 | 99.4 | 102.6 | 102.3 | 100.3 | 110.9 |
| | Feb | -- | -- | -- | 101.4 | 102.0 | 99.4 | -- | -- | -- | -- |
| Annual percentage changes | | | | | | | Differential | Annual percentage changes | | Differential | Annual percentage changes |
| 2011 | | -1.1 | 0.2 | -1.2 | 3.0 | 2.7 | 0.3 | 6.5 | 5.2 | 1.3 | 0.2 |
| 2012 | | -1.0 | 1.3 | -2.3 | 2.4 | 2.5 | -0.1 | 3.8 | 2.9 | 0.9 | -1.3 |
| 2013 | | -1.3 | -0.3 | -1.0 | 1.5 | 1.3 | 0.2 | 0.6 | -0.2 | 0.8 | 1.5 |
| 2014 | | -1.6 | -0.2 | -1.4 | -0.2 | 0.4 | -0.6 | -1.3 | -1.5 | 0.2 | -0.9 |
| 2015 | | -0.5 | -0.8 | 0.3 | -0.6 | 0.0 | -0.6 | -2.0 | -2.8 | 0.8 | -3.0 |
| 2016 | | -1.4 | -1.0 | -0.4 | -0.3 | 0.3 | -0.6 | -3.1 | -2.3 | -0.8 | -0.1 |
| 2017 | | 0.3 | -0.1 | 0.4 | 2.0 | 1.5 | 0.5 | 4.4 | 3.1 | 1.3 | 1.3 |
| 2018 (b) | | | | | 1.0 | 1.2 | -0.2 | 0.1 | 1.5 | -1.4 | 1.1 |
| 2016 | I | -- | -- | -- | -0.8 | 0.0 | -0.8 | -5.1 | -3.8 | -1.3 | -0.9 |
| | II | -- | -- | -- | -1.0 | -0.1 | -0.9 | -5.4 | -3.9 | -1.5 | -0.5 |
| | III | -- | -- | -- | -0.3 | 0.3 | -0.6 | -3.3 | -2.0 | -1.3 | 0.1 |
| | IV | -- | -- | -- | 0.8 | 0.7 | 0.1 | 1.3 | 0.4 | 0.9 | 0.9 |
| 2017 | I | -- | -- | -- | 2.7 | 1.8 | 0.9 | 6.9 | 4.2 | 2.7 | 1.4 |
| | II | -- | -- | -- | 2.1 | 1.5 | 0.6 | 4.8 | 3.4 | 1.4 | 1.1 |
| | III | -- | -- | -- | 1.8 | 1.4 | 0.4 | 3.3 | 2.4 | 0.9 | 1.6 |
| | IV | -- | -- | -- | 1.6 | 1.4 | 0.2 | 2.6 | 2.5 | 0.1 | 1.3 |
| 2017 | Dec | -- | -- | -- | 1.2 | 1.4 | -0.2 | 0.2 | 0.1 | 0.1 | 1.4 |
| 2018 | Jan | -- | -- | -- | 0.7 | 1.3 | -0.6 | 0.1 | 1.5 | -1.4 | 1.1 |
| | Feb | -- | -- | -- | 1.2 | 1.1 | 0.1 | -- | -- | -- | -- |

(a) Period with available data. (b) Growth of available period over the same period of the previous year.

Sources: Eurostat, Bank of Spain and Funcas.

Chart 16.1 - Relative Unit Labour Costs in industry (Spain/EMU)

1998=100

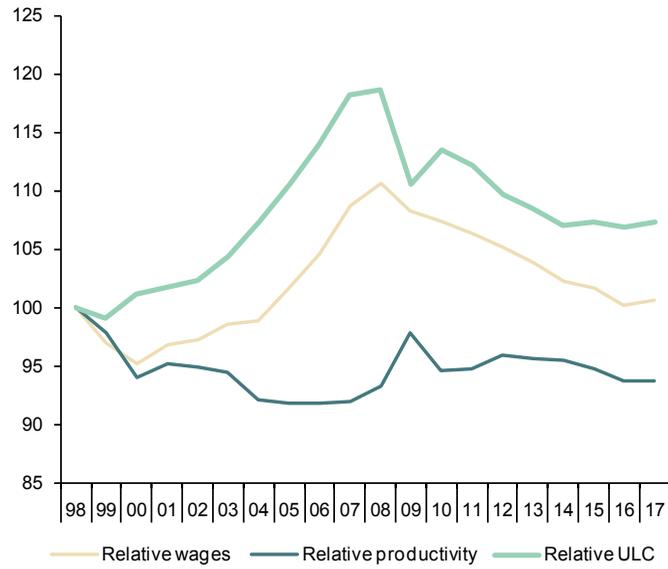


Chart 16.2.- Harmonized Consumer Prices

Annual growth in % and percentage points

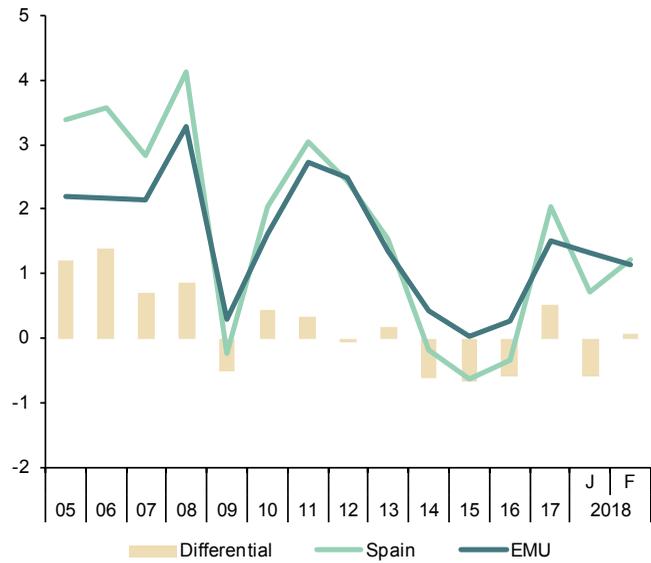


Table 17a

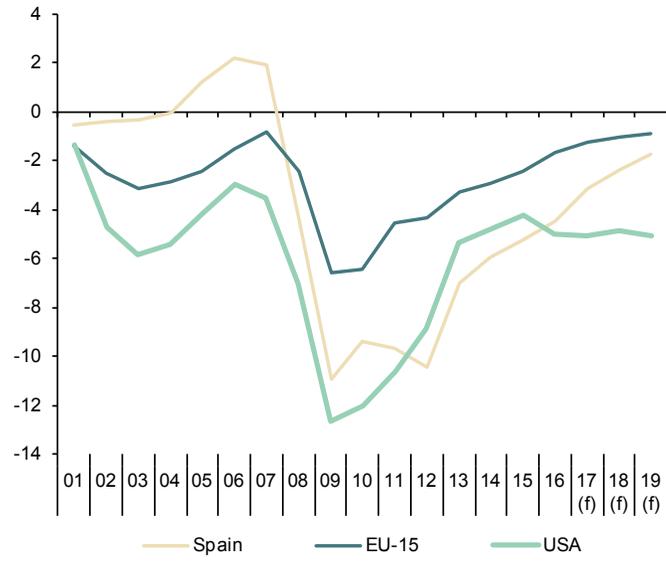
Imbalances: International comparison (I)
(In yellow: European Commission Forecasts)

| | Government net lending (+) or borrowing (-) | | | Government consolidated gross debt | | | Current Account Balance of Payments (National Accounts) | | |
|-------------------------------|---|--------|----------|------------------------------------|----------|----------|---|--------|--------|
| | Spain | EU-15 | USA | Spain | EU-15 | USA | Spain | EU-15 | USA |
| Billions of national currency | | | | | | | | | |
| 2006 | 22.2 | -171.1 | -411.6 | 392.1 | 7,064.4 | 8,818.1 | -90.7 | 6.4 | -584.9 |
| 2007 | 20.8 | -95.5 | -513.6 | 384.7 | 7,139.9 | 9,267.8 | -104.1 | -10.4 | -735.6 |
| 2008 | -49.3 | -290.8 | -1,033.3 | 440.6 | 7,580.8 | 10,722.1 | -102.9 | -104.1 | -791.0 |
| 2009 | -118.2 | -750.8 | -1,827.4 | 569.5 | 8,545.9 | 12,405.0 | -46.5 | -2.1 | -457.2 |
| 2010 | -101.4 | -758.2 | -1,797.7 | 650.1 | 9,591.0 | 14,176.1 | -42.0 | 17.7 | -495.1 |
| 2011 | -103.2 | -551.4 | -1,646.6 | 744.3 | 10,277.8 | 15,361.9 | -35.3 | 59.4 | -443.2 |
| 2012 | -108.8 | -533.3 | -1,430.7 | 891.5 | 10,913.9 | 16,558.7 | -4.6 | 136.8 | -264.9 |
| 2013 | -71.7 | -413.2 | -894.0 | 979.0 | 11,277.3 | 17,462.8 | 15.0 | 164.8 | -248.2 |
| 2014 | -61.9 | -382.2 | -834.9 | 1,041.6 | 11,815.5 | 18,194.1 | 10.3 | 187.4 | -154.1 |
| 2015 | -57.0 | -329.8 | -761.2 | 1,073.9 | 12,140.7 | 18,965.9 | 11.0 | 249.5 | -194.7 |
| 2016 | -50.4 | -230.3 | -925.3 | 1,107.2 | 12,018.4 | 19,947.7 | 21.1 | 258.1 | -313.7 |
| 2017 | -36.4 | -171.0 | -975.7 | 1,144.9 | 12,126.2 | 20,943.4 | 20.3 | 257.1 | -- |
| 2018 | -29.0 | -150.8 | -981.4 | 1,175.1 | 12,260.9 | 21,934.8 | 23.2 | 281.0 | -- |
| 2019 | -21.5 | -131.0 | -1,068.3 | 1,197.9 | 12,398.1 | 22,993.0 | 24.3 | 292.8 | -- |
| Percentage of GDP | | | | | | | | | |
| 2006 | 2.2 | -1.5 | -3.0 | 38.9 | 61.6 | 63.6 | -9.0 | 0.1 | -4.2 |
| 2007 | 1.9 | -0.8 | -3.5 | 35.6 | 59.2 | 64.0 | -9.6 | -0.1 | -5.1 |
| 2008 | -4.4 | -2.4 | -7.0 | 39.5 | 63.2 | 72.8 | -9.2 | -0.9 | -5.4 |
| 2009 | -11.0 | -6.6 | -12.7 | 52.8 | 75.2 | 86.0 | -4.3 | 0.0 | -3.2 |
| 2010 | -9.4 | -6.4 | -12.0 | 60.1 | 81.2 | 94.7 | -3.9 | 0.1 | -3.3 |
| 2011 | -9.6 | -4.5 | -10.6 | 69.5 | 84.7 | 99.0 | -3.3 | 0.5 | -2.9 |
| 2012 | -10.5 | -4.3 | -8.9 | 85.7 | 88.1 | 102.5 | -0.4 | 1.1 | -1.6 |
| 2013 | -7.0 | -3.3 | -5.4 | 95.5 | 90.4 | 104.6 | 1.5 | 1.3 | -1.5 |
| 2014 | -6.0 | -3.0 | -4.8 | 100.4 | 91.5 | 104.4 | 1.0 | 1.5 | -0.9 |
| 2015 | -5.3 | -2.4 | -4.2 | 99.4 | 89.2 | 104.7 | 1.0 | 1.8 | -1.1 |
| 2016 | -4.5 | -1.7 | -5.0 | 99.0 | 87.8 | 107.1 | 1.9 | 1.9 | -1.7 |
| 2017 | -3.1 | -1.2 | -5.0 | 98.4 | 86.6 | 108.2 | 1.7 | 1.8 | -- |
| 2018 | -2.4 | -1.0 | -4.9 | 96.9 | 84.7 | 108.4 | 1.9 | 1.9 | -- |
| 2019 | -1.7 | -0.9 | -5.1 | 95.5 | 82.9 | 108.8 | 1.9 | 2.0 | -- |

Source: European Commission Forecasts, Autumn, 2017.

Chart 17a.1 - Government deficit

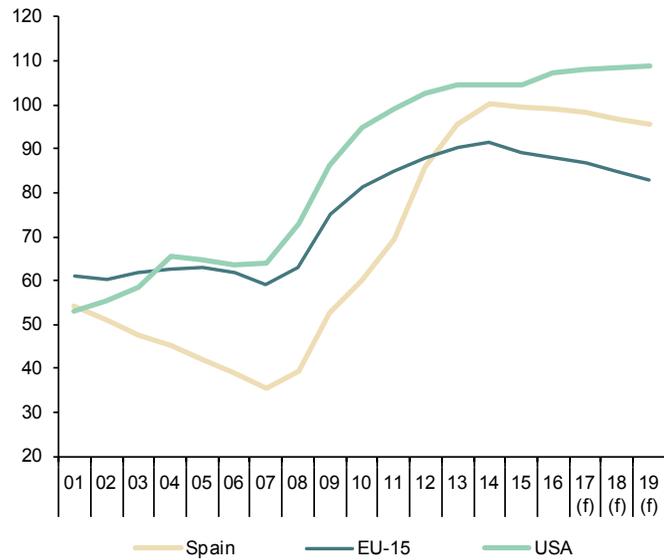
Percentage of GDP



(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-19 | USA | Spain | EMU-19 | USA |
| Billions of national currency | | | | | | |
| 2005 | 653.5 | 4,786.2 | 11,976.1 | 925.0 | 7,586.3 | 8,156.7 |
| 2006 | 780.7 | 5,196.3 | 13,256.8 | 1,158.8 | 8,230.8 | 8,973.0 |
| 2007 | 876.6 | 5,561.3 | 14,175.0 | 1,344.5 | 9,021.8 | 10,099.8 |
| 2008 | 914.0 | 5,806.6 | 14,048.4 | 1,422.6 | 9,597.3 | 10,667.0 |
| 2009 | 906.2 | 5,935.6 | 13,812.9 | 1,406.1 | 9,531.4 | 10,145.2 |
| 2010 | 902.5 | 6,070.3 | 13,576.2 | 1,429.4 | 9,809.4 | 9,995.9 |
| 2011 | 875.2 | 6,161.1 | 13,382.4 | 1,415.7 | 9,964.6 | 10,257.6 |
| 2012 | 838.2 | 6,146.9 | 13,445.2 | 1,309.8 | 10,167.6 | 10,761.7 |
| 2013 | 790.6 | 6,094.4 | 13,597.5 | 1,230.6 | 10,065.2 | 11,245.7 |
| 2014 | 754.2 | 6,116.1 | 13,954.6 | 1,179.5 | 10,457.0 | 11,933.9 |
| 2015 | 730.4 | 6,177.0 | 14,218.1 | 1,157.2 | 11,050.4 | 12,737.4 |
| 2016 | 717.2 | 6,283.7 | 14,673.9 | 1,137.2 | 11,274.5 | 13,434.5 |
| 2017 III qrt. | 711.5 | 6,399.9 | 15,067.5 | 1,128.3 | 11,371.5 | 14,061.8 |
| Percentage of GDP | | | | | | |
| 2005 | 70.2 | 56.6 | 91.5 | 99.4 | 89.7 | 62.3 |
| 2006 | 77.5 | 58.3 | 95.7 | 115.0 | 92.4 | 64.8 |
| 2007 | 81.1 | 59.1 | 97.9 | 124.4 | 95.9 | 69.8 |
| 2008 | 81.9 | 60.3 | 95.4 | 127.5 | 99.6 | 72.5 |
| 2009 | 84.0 | 63.9 | 95.8 | 130.3 | 102.6 | 70.4 |
| 2010 | 83.5 | 63.6 | 90.7 | 132.2 | 102.7 | 66.8 |
| 2011 | 81.8 | 62.9 | 86.2 | 132.3 | 101.7 | 66.1 |
| 2012 | 80.6 | 62.5 | 83.2 | 126.0 | 103.4 | 66.6 |
| 2013 | 77.1 | 61.3 | 81.5 | 120.0 | 101.3 | 67.4 |
| 2014 | 72.7 | 60.2 | 80.1 | 113.7 | 102.9 | 68.5 |
| 2015 | 67.6 | 58.7 | 78.5 | 107.1 | 105.1 | 70.3 |
| 2016 | 64.1 | 58.2 | 78.8 | 101.7 | 104.5 | 72.1 |
| 2017 III qrt. | 61.8 | 57.9 | 78.6 | 98.1 | 102.8 | 73.3 |

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

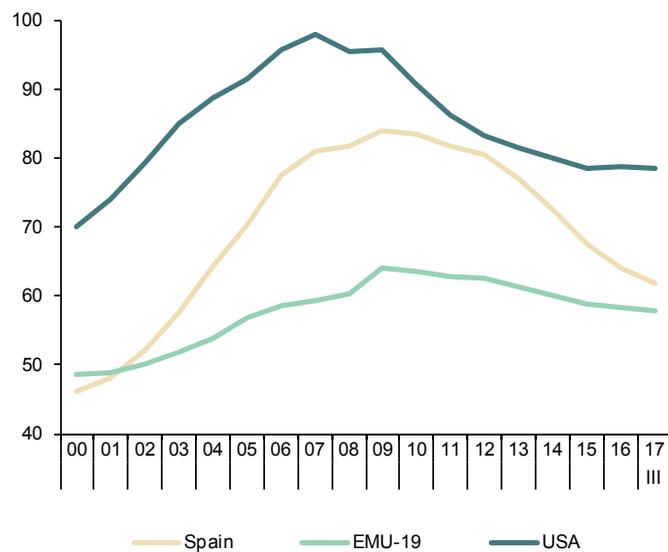
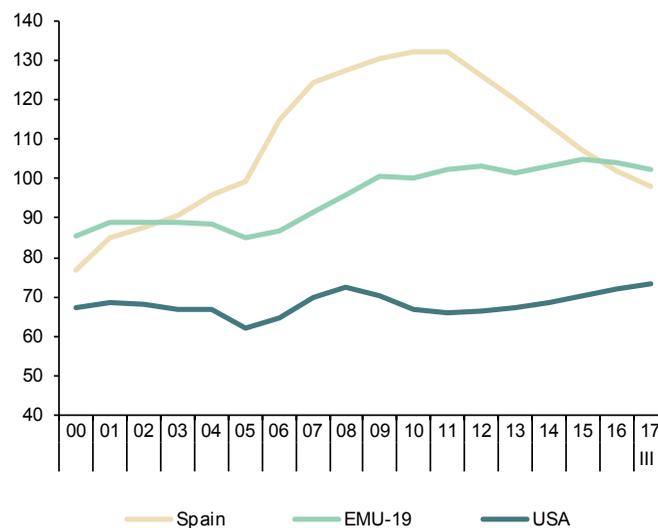


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: March 15th, 2018

| Indicator | Last value available | Corresponding to: |
|--|----------------------|-------------------|
| Bank lending to other resident sectors (monthly average % var.) | -0.4 | December 2017 |
| Other resident sectors' deposits in credit institutions (monthly average % var.) | 2.4 | December 2017 |
| Doubtful loans (monthly % var.) | -3,8 | December 2017 |
| Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros) | 760,643 | February 2018 |
| Recourse to the Eurosystem L/T (Spanish financial institutions, million euros) | 169,933 | February 2018 |
| Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations | 43 | February 2018 |
| "Operating expenses/gross operating income" ratio (%) | 57.22 | June 2017 |
| "Customer deposits/employees" ratio (thousand euros) | 6,429.18 | June 2017 |
| "Customer deposits/branches" ratio (thousand euros) | 46,215.17 | June 2017 |
| | 135.64 | June 2017 |

A. Money and Interest Rates

| Indicator | Source | Average 2001-2014 | 2015 | 2016 | 2017 | 2018 March 15 | Definition and calculation |
|--|---------------|-------------------|------|-------|--------|---------------|--|
| 1. Monetary Supply (% chg.) | ECB | 5.4 | 4.7 | 5.0 | - | - | M3 aggregate change (non-stationary) |
| 2. Three-month interbank interest rate | Bank of Spain | 2.19 | -0.1 | -0.26 | -0.329 | -0.327 | Daily data average |
| 3. One-year Euribor interest rate (from 1994) | Bank of Spain | 2.5 | 0.2 | -0.03 | -0.186 | -0.191 | End-of-month data |
| 4. Ten-year Treasury bonds interest rate (from 1998) | Bank of Spain | 4.4 | 1.7 | 1.4 | 1.5 | 1.4 | Market interest rate (not exclusively between account holders) |
| 5. Corporate bonds average interest rate | Bank of Spain | 4.3 | 2.1 | 2.3 | - | - | End-of-month straight bonds average interest rate (> 2 years) in the AIAF market |

Comment on "Money and Interest Rates": Interbank rates followed an unequal path in the first fortnight of March. The 3-month interbank rate went up to -0.327% from -0.329 in February and the 1-year Euribor rate decreased to -0.191%. The ECB has announced tapering may not go forward, having in mind the evolution of monetary conditions in the United States. As for the Spanish 10-year bond yield, it has fallen to 1.4%.

B. Financial Markets

| Indicator | Source | Average 2001-2014 | 2015 | 2016 | 2017 December | 2018 January | Definition and calculation |
|--|---|-------------------|----------|---------|---------------|--------------|--|
| 6. Outright spot treasury bills transactions trade ratio | Bank of Spain | 39.0 | 75.5 | 102.6 | 54.60 | 106.41 | (Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders) |
| 7. Outright spot government bonds transactions trade ratio | Bank of Spain | 78.4 | 65.3 | 55.1 | 27.60 | 64.86 | (Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders) |
| 8. Outright forward treasury bills transactions trade ratio | Bank of Spain | 1.1 | 1.3 | 0.4 | 3.46 | 0.17 | (Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders) |
| 9. Outright forward government bonds transactions trade ratio | Bank of Spain | 4.7 | 3.4 | 1.9 | 4.76 | 2.25 | (Traded amount/outstanding balance) in the market (not exclusively between account holders) |
| 10. Three-month maturity treasury bills interest rate | Bank of Spain | 2.0 | 0.0 | 0.0 | -0.7 | -0.5 | Outright transactions in the market (not exclusively between account holders) |
| 11. Government bonds yield index (Dec 1987=100) | Bank of Spain | 642.9 | 1,058.2 | 1,104.9 | 1,127.71 | 1,136.38 | Outright transactions in the market (not exclusively between account holders) |
| 12. Madrid Stock Exchange Capitalization (monthly average % chg.) | Bank of Spain and Madrid Stock Exchange | 0.3 | 0.5 | 0.2 | -1.3 | 3.5 | Change in the total number of resident companies |
| 13. Stock market trading volume. Stock trading volume (monthly average % var.) | Bank of Spain and Madrid Stock Exchange | 4.1 | -0.2 | 0.7 | 2.2 | - | Stock market trading volume. Stock trading volume: change in total trading volume |
| 14. Madrid Stock Exchange general index (Dec 1985=100) | Bank of Spain and Madrid Stock Exchange | 1,038.3 | 965.1 | 943.6 | 1,055.4 (a) | 982.6(a) | Base 1985=100 |
| 15. Ibex-35 (Dec 1989=3000) | Bank of Spain and Madrid Stock Exchange | 9,750.4 | 10,647.2 | 8,790.9 | 10,451.5 (a) | 9,684.2(a) | Base dec 1989=3000 |
| 16. Madrid Stock Exchange PER ratio (share value/profitability) | Bank of Spain and Madrid Stock Exchange | 16.7 | 15.4 | 23.6 | 15.8(a) | 14.2(a) | Madrid Stock Exchange Ratio "share value/ capital profitability" |
| 17. Long-term bonds. Stock trading volume (% chg.) | Bank of Spain and Madrid Stock Exchange | 4.9 | 21.3 | 55.9 | - | - | Variation for all stocks |

B. Financial Markets (continued)

| Indicator | Source | Average 2001-2014 | 2015 | 2016 | 2017 December | 2018 January | Definition and calculation |
|---|------------------------|-------------------|------|------|---------------|--------------|---------------------------------------|
| 18. Commercial paper. Trading balance (% chg.) | Bank of Spain and AIAF | 1.9 | -0.2 | 0.1 | - | - | AIAF fixed-income market |
| 19. Commercial paper. Three-month interest rate | Bank of Spain and AIAF | 2.5 | 0.1 | 0.0 | - | - | AIAF fixed-income market |
| 20. IBEX-35 financial futures concluded transactions (% chg.) | Bank of Spain | 1.6 | 1.3 | -0.4 | 0.6 | 0.6 | IBEX-35 shares concluded transactions |
| 21. IBEX-35 financial options concluded transactions (%chg.) | Bank of Spain | 8.9 | 17.7 | 5.8 | 107.0 | -26.8 | IBEX-35 shares concluded transactions |

(a) Last data published: March 15th, 2018.

Comment on "Financial Markets": In January, there was an increase in transactions with outright spot T-bills to 106.41% and also an increase of spot government bonds transactions to 64.86%. The stock market has registered a fall in the first fortnight of March, with the IBEX-35 down to 9,684 points, and the General Index of the Madrid Stock Exchange to 983. There was an increase in Ibx-35 financial futures of 0.6% and a fall in options of 26.8%.

C. Financial Saving and Debt

| Indicator | Source | Average 2008-2013 | 2014 | 2015 | 2016 | 2017 Q3 | Definition and calculation |
|--|---------------|-------------------|-------|-------|-------|---------|--|
| 22. Net Financial Savings/GDP (National Economy) | Bank of Spain | -2.8 | 1.6 | 2.2 | 2.1 | 2.0 | Difference between financial assets and financial liabilities flows over GDP |
| 23. Net Financial Savings/GDP (Households and non-profit institutions) | Bank of Spain | 2.5 | 3.4 | 3.6 | 2.6 | 1.3 | Difference between financial assets and financial liabilities flows over GDP |
| 24. Debt in securities (other than shares) and loans/GDP (National Economy) | Bank of Spain | 288.1 | 320.0 | 302.3 | 297.0 | 288.7 | Public debt. non-financial companies debt and households and non-profit institutions debt over GDP |
| 25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions) | Bank of Spain | 81.4 | 72.4 | 67.5 | 64.4 | 61.8 | Households and non-profit institutions debt over GDP |
| 26. Households and non-profit institutions balance: financial assets (quarterly average % chg.) | Bank of Spain | 0.6 | 2.1 | 1.7 | 0.6 | -0.3 | Total assets percentage change (financial balance) |
| 27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.) | Bank of Spain | -1.8 | -4.0 | -2.9 | 1.1 | -1.2 | Total liabilities percentage change (financial balance) |

Comment on "Financial Savings and Debt": During 2017Q3, the financial savings to GDP in the overall economy fell 2% of GDP. There was also a decrease in the financial savings rate of households from 2.6% in 2016Q4 to 1.3% in 2017Q3. The debt to GDP ratio fell to 61.8%. Finally, the stock of financial assets on households' balance sheets registered a decrease of 0.3%, and there was a 1.2% fall in the stock of financial liabilities.

D. Credit institutions. Business Development

| Indicator | Source | Average 2001-2014 | 2015 | 2016 | 2017 November | 2017 December | Definition and calculation |
|---|---------------|-------------------|-------|-------|---------------|---------------|--|
| 28. Bank lending to other resident sectors (monthly average % var.) | Bank of Spain | 7.5 | -4.0 | -4.1 | 0.6 | -0.4 | Lending to the private sector percentage change for the sum of banks. savings banks and credit unions |
| 29. Other resident sectors' deposits in credit institutions (monthly average % var.) | Bank of Spain | 8.0 | -0.1 | -0.1 | 6.8 | 2.4 | Deposits percentage change for the sum of banks. savings banks and credit unions |
| 30. Debt securities (monthly average % var.) | Bank of Spain | 10.0 | -15.2 | -11.6 | -1.5 | -3.7 | Asset-side debt securities percentage change for the sum of banks. savings banks and credit unions |
| 31. Shares and equity (monthly average % var.) | Bank of Spain | 10.0 | -5.9 | -1.0 | -0.7 | 0.7 | Asset-side equity and shares percentage change for the sum of banks. savings banks and credit unions |
| 32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets) | Bank of Spain | -2.1 | -5.2 | -4.5 | -1.2 | -1.7 | Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end) |
| 33. Doubtful loans (monthly average % var.) | Bank of Spain | 39.8 | -22.4 | -13.6 | -0.9 | -3.8 | Doubtful loans. Percentage change for the sum of banks. savings banks and credit unions |
| 34. Assets sold under repurchase (monthly average % var.) | Bank of Spain | -2.1 | -30.8 | -22.2 | 7.7 | -3.5 | Liability-side assets sold under repurchase. Percentage change for the sum of banks. savings banks and credit unions |
| 35. Equity capital (monthly average % var.) | Bank of Spain | 8.8 | -1.8 | -0.3 | 0.8 | -1.2 | Equity percentage change for the sum of banks, savings banks and credit unions |

Comment on "Credit institutions. Business Development": The latest available data as of December 2017 show a decrease in bank credit to the private sector of 0.4%. Data also show a growth in financial institutions deposit-taking of 2.4%. Holdings of debt securities fell by 3.7%. Doubtful loans decreased 3.8% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

| Indicator | Source | Average 2000-2013 | 2014 | 2015 | 2016 December | 2017 September | Definition and calculation |
|--|---------------|-------------------|---------|---------|---------------|----------------|---|
| 36. Number of Spanish credit institutions | Bank of Spain | 199 | 138 | 135 | 124 | 124 | Total number of banks, savings banks and credit unions operating in Spanish territory |
| 37. Number of foreign credit institutions operating in Spain | Bank of Spain | 73 | 86 | 82 | 82 | 83 | Total number of foreign credit institutions operating in Spanish territory |
| 38. Number of employees | Bank of Spain | 246,418 | 203,305 | 203,305 | 202,954 | 189,280(a) | Total number of employees in the banking sector |
| 39. Number of branches | Bank of Spain | 40,703 | 31,817 | 30,921 | 28,807 | 27,810(b) | Total number of branches in the banking sector |
| 40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions) | Bank of Spain | - | 406,285 | 460,858 | 527,317 | 760,643(b) | Open market operations and ECB standing facilities. Eurozone total |
| 41. Recourse to the Eurosystem: long term (total Spanish financial institutions) (Euro millions) | Bank of Spain | - | 111,338 | 122,706 | 138,455 | 169,933(b) | Open market operations and ECB standing facilities. Spain total |
| 42. Recourse to the Eurosystem (total Spanish financial institutions): main refinancing operations (Euro millions) | Bank of Spain | 22,794 | 21,115 | 10,515 | 1,408 | 43(b) | Open market operations: main long term refinancing operations. Spain total |

(a) Last data published: June 2017.

(b) Last data published: February 2018.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In February 2018, recourse to Eurosystem funding by Spanish credit institutions reached 169.93 billion euro.

MEMO ITEM: From January 2015, the ECB also offers information on the asset purchase programs. The amount borrowed by Spanish banks in these programs reached 310.8 billion euro in March and 2.43 trillion euro for the entire Eurozone banking system.

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

| Indicator | Source | Average 2000-2013 | 2014 | 2015 | 2016 December | 2017 June | Definition and calculation |
|--|---------------|-------------------|-----------|-----------|---------------|-----------|--|
| 43. "Operating expenses/gross operating income" ratio | Bank of Spain | 50.89 | 47.27 | 50.98 | 54.18 | 57.22 | Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions' P&L accounts |
| 44. "Customer deposits/employees" ratio (Euro thousands) | Bank of Spain | 3,519.51 | 5,892.09 | 5,595.62 | 5,600.48 | 6,429.18 | Productivity indicator (business by employee) |
| 45. "Customer deposits/branches" ratio (Euro thousands) | Bank of Spain | 21,338.27 | 40,119.97 | 36,791.09 | 39,457.04 | 46,215.17 | Productivity indicator (business by branch) |

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

| Indicator | Source | Average 2000-2013 | 2014 | 2015 | 2016 December | 2017 June | Definition and calculation |
|--|---------------|-------------------|--------|--------|---------------|-----------|---|
| 46. "Branches/institutions" ratio | Bank of Spain | 205.80 | 142.85 | 229.04 | 139.84 | 135.64 | Network expansion indicator |
| 47. "Employees/branches" ratio | Bank of Spain | 6.1 | 6.8 | 6.57 | 7.05 | 6.21 | Branch size indicator |
| 48. "Equity capital (monthly average % var.) | Bank of Spain | 0.11 | 0.07 | 0.01 | -0.62 | 0.93 | Credit institutions equity capital variation indicator |
| 49. ROA | Bank of Spain | 0.45 | 0.49 | 0.39 | 0.26 | 0.31 | Profitability indicator; defined as the "pre-tax profit/average total assets" |
| 50. ROE | Bank of Spain | 6.27 | 6.46 | 5.04 | 3.12 | 3.87 | Profitability indicator; defined as the "pre-tax profit/equity capital" |

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": In June 2017, most of the profitability and efficiency indicators improved for Spanish banks. Productivity indicators have also improved since the restructuring process of the Spanish banking sector was implemented.

Social Indicators

Table 1

Population

| Population | | | | | | | | | | |
|------------|------------------|-------------|------------------|--------------------------------|----------------------------------|-----------------|---------------------------------|-----------------------------|---------------------------------|------------------------------|
| | Total population | Average age | 65 and older (%) | Life expectancy at birth (men) | Life expectancy at birth (women) | Dependency rate | Dependency rate (older than 64) | Foreign-born population (%) | New entries (all nationalities) | New entries (EU-27 born) (%) |
| 2006 | 44,708,964 | 40.6 | 16.7 | 77.7 | 84.2 | 47.5 | 24.6 | 10.8 | 840,844 | 37.6 |
| 2008 | 46,157,822 | 40.8 | 16.5 | 78.2 | 84.3 | 47.5 | 24.5 | 13.1 | 726,009 | 28.4 |
| 2010 | 47,021,031 | 41.1 | 16.9 | 79.1 | 85.1 | 48.6 | 25.0 | 14.0 | 464,443 | 35.6 |
| 2012 | 47,265,321 | 41.6 | 17.4 | 79.4 | 85.1 | 50.4 | 26.1 | 14.3 | 370,515 | 36.4 |
| 2014 | 46,771,341 | 42.1 | 18.1 | 80.1 | 85.7 | 51.6 | 27.4 | 13.4 | 399,947 | 38.0 |
| 2015 | 46,624,382 | 42.4 | 18.4 | 79.9 | 85.4 | 52.4 | 28.0 | 13.2 | 455,679 | 36.4 |
| 2016 | 46,557,008 | 42.7 | 18.6 | 80.4 | 85.9 | 52.9 | 28.4 | 13.2 | 534,574 | 33.4 |
| 2017 | 46,572,132 | 42.9 | 18.8 | | | 53.2 | 28.8 | 13.2 | | |
| Sources | PMC | PMC | PMC | ID INE | ID INE | PMC | PMC | PMC | EVR | EVR |

ID INE: *Indicadores Demográficos INE*.

PMC: *Padrón Municipal Continuo*.

EVR: *Estadística de Variaciones Residenciales*.

Dependency rate: (15 or less years old population + 65 or more years old population)/ 16-64 years old population, as a percentage.

Dependency rate (older than 64): 65 or more years old population/ 16-64 years old population, as a percentage.

Table 2

Households and families

| | Households | | | | Nuptiality | | | | | |
|---------|------------------------|------------------------|--|--|-------------------------|------------------------------------|--------------|---------------------------------|-----------------------------------|------------------------|
| | Households (thousands) | Average household size | Households with one person younger than 65 (%) | Households with one person older than 65 (%) | Marriage rate (Spanish) | Marriage rate (foreign population) | Divorce rate | Mean age at first marriage, men | Mean age at first marriage, women | Same sex marriages (%) |
| 2006 | 15,856 | 2.76 | 11.6 | 10.3 | 9.3 | 9.5 | 2.86 | 32.2 | 29.7 | 2.08 |
| 2008 | 16,742 | 2.71 | 12.0 | 10.2 | 8.5 | 8.4 | 2.39 | 32.4 | 30.2 | 1.62 |
| 2010 | 17,174 | 2.67 | 12.8 | 9.9 | 7.2 | 7.9 | 2.21 | 33.2 | 31.0 | 1.87 |
| 2012 | 17,434 | 2.63 | 13.7 | 9.9 | 7.2 | 6.7 | 2.23 | 33.8 | 31.7 | 2.04 |
| 2014* | 18,329 | 2.51 | 14.2 | 10.6 | 6.9 | 6.5 | 2.17 | 34.4 | 32.3 | 2.06 |
| 2015 | 18,376 | 2.54 | 14.6 | 10.7 | 7.3 | 6.5 | 2.08 | 34.8 | 32.7 | 2.26 |
| 2016 | 18,444 | 2.52 | 14.6 | 10.9 | 7.5 | 6.8 | 2.08 | 35.0 | 32.9 | 2.46 |
| 2017 | 18,512 | 2.52 | | | | | | | | |
| Sources | LFS | LFS | EPF | EPF | ID INE | ID INE | ID INE | ID INE | ID INE | MNP |

Table 2 (continued)

Households and families

| | Fertility | | | | | |
|---------|----------------------------------|--------------------------------------|--------------------------------------|------------------------------|---------------|------------------------------------|
| | Median age at first child, women | Total fertility rate (Spanish women) | Total fertility rate (Foreign women) | Births to single mothers (%) | Abortion rate | Abortion by Spanish-born women (%) |
| 2006 | 29.3 | 1.31 | 1.69 | 28.4 | 10.6 | |
| 2008 | 29.3 | 1.36 | 1.83 | 33.2 | 11.8 | 55.6 |
| 2010 | 29.8 | 1.30 | 1.68 | 35.5 | 11.5 | 58.3 |
| 2012 | 30.3 | 1.27 | 1.56 | 39.0 | 12.0 | 61.5 |
| 2014 | 30.6 | 1.27 | 1.62 | 42.5 | 10.5 | 63.3 |
| 2015 | 30.7 | 1.28 | 1.66 | 44.4 | 10.4 | 65.3 |
| 2016 | 30.8 | 1.27 | 1.70 | 45.8 | 10.4 | 65.8 |
| Sources | ID INE | ID INE | ID INE | ID INE | MSAN | MSAN |

LFS: *Labour Force Survey*. EPF: *Encuesta de Presupuestos Familiares*. ID INE: *Indicadores Demográficos INE*. MNP: *Movimiento Natural de la Población*. MSAN: *Ministerio de Sanidad, Servicios Sociales e Igualdad*.

Marriage rate: Number of marriages per thousand population.

Divorce rate: Number of divorces per thousand population.

Total fertility rate: The average number of children that would be born per woman living in Spain if all women lived to the end of their childbearing years and bore children according to a given fertility rate at each age.

Abortion rate: Number of abortions per 1,000 women (15-44 years).

Table 3

Education

| | Educational attainment | | | | Students involved in non-compulsory education | | | | | Education expenditure | |
|---------|--|---|---|--|---|---------------------|---------------------|-------------------------|--|-------------------------------------|-------------------------------|
| | Population 16 years and older with primary education (%) | Population 30-34 with primary education (%) | Population 16 years and older with tertiary education (%) | Population 30-34 with tertiary education (%) | Pre-primary education | Secondary education | Vocational training | Under-graduate students | Post-graduate studies (except doctorate) | Public expenditure (thousands of €) | Public expenditure (%GDP) |
| 2006 | 32.9 | 8.4 | 15.6 | 25.3 | 1,557,257 | 630,349 | 445,455 | 1,405,894 | 16,636 | 42,512,586 | 4.31 |
| 2008 | 32.1 | 9.2 | 16.1 | 26.9 | 1,763,019 | 629,247 | 472,604 | 1,377,228 | 50,421 | 51,716,008 | 4.63 |
| 2010 | 30.6 | 8.6 | 17.0 | 27.7 | 1,872,829 | 672,213 | 555,580 | 1,445,392 | 104,844 | 53,099,329 | 4.91 |
| 2012 | 28.5 | 7.5 | 17.8 | 26.6 | 1,912,324 | 692,098 | 617,686 | 1,450,036 | 113,805 | 46,476,414 | 4.46 |
| 2014 | 24.4 | 6.1 | 27.2 | 42.3 | 1,840,008 | 690,738 | 652,846 | 1,364,023 | 142,156 | 44,846,415 | 4.31 |
| 2015 | 23.3 | 6.6 | 27.5 | 40.9 | 1,808,322 | 695,557 | 641,741 | 1,321,698 | 171,043 | 46,648,800● | 4.34● |
| 2016 | 22.4 | 6.6 | 28.1 | 40.7 | 1,778,620● | 687,692● | 651,722● | 1,30,7461● | 184,745● | | |
| 2017 | 21.4 | 6.6 | 28.5 | 41.2 | | | | | | | |
| Sources | LFS | LFS | LFS | LFS | MECD | MECD | MECD | MECD | MECD | MECD | Contabilidad Nacional del INE |

LFS: *Labour Force Survey*.

MECD: *Ministerio de Educación, Cultura y Deporte*.

INE: *Instituto Nacional de Estadística*.

● Provisional data.

Table 4

Social protection: Benefits

| | Contributory benefits* | | | | | | | Non-contributory benefits | | | |
|---------|------------------------|------------|--------------------|----------------------|--------------------|------------|--------------------|---------------------------|------------|------------|---------|
| | Unemployment total | Retirement | | Permanent disability | | Widowhood | | Social Security | | | |
| | | Total | Average amount (€) | Total | Average amount (€) | Total | Average amount (€) | Unemployment | Retirement | Disability | Other |
| 2006 | 720,384 | 4,809,298 | 723 | 859,780 | 732 | 2,196,934 | 477 | 558,702 | 276,920 | 204,844 | 82,064 |
| 2008 | 1,100,879 | 4,936,839 | 814 | 906,835 | 801 | 2,249,904 | 529 | 646,186 | 265,314 | 199,410 | 63,626 |
| 2010 | 1,471,826 | 5,140,554 | 884 | 933,730 | 850 | 2,290,090 | 572 | 1,445,228 | 257,136 | 196,159 | 49,535 |
| 2012 | 1,381,261 | 5,330,195 | 946 | 943,296 | 887 | 2,322,938 | 602 | 1,327,027 | 251,549 | 194,876 | 36,310 |
| 2014 | 1,059,799 | 5,558,964 | 1000 | 929,484 | 916 | 2,348,388 | 624 | 1,221,390 | 252,328 | 197,303 | 26,842 |
| 2015 | 838,392 | 5,641,908 | 1,021 | 931,668 | 923 | 2,353,257 | 631 | 1,102,529 | 253,838 | 198,891 | 23,643 |
| 2016 | 763,697 | 5,731,952 | 1,043 | 938,344 | 930 | 2,364,388 | 638 | 997,192 | 254,741 | 199,762 | 21,350 |
| 2017 | 726,575 | 5,826,123 | 1,063 | 947,130 | 936 | 2,360,395 | 646 | 902,193 | 256,187 | 199,120 | 19,019 |
| 2018 | 805,972• | 5,885,974• | 1,076• | 949,125• | 940• | 2,358,339• | 652• | 912,779• | 256,299• | 198,197• | 17,623• |
| Sources | BEL | BEL | BEL | BEL | BEL | BEL | BEL | BEL | IMSERSO | IMSERSO | IMSERSO |

BEL: *Boletín de Estadísticas Laborales*.

IMSERSO: Instituto de Mayores y Servicios Sociales.

* Benefits for orphans and dependent family members of deceased Social Security affiliates are excluded.

• Data refer to January.

▪ Data refer to January-February.

Table 5

Social protection: Health care

| | Expenditure | | | | Resources | | | | Satisfaction | | Patients on waiting list | |
|---------|---------------|----------------|---------------------------------------|-------------------------------------|---|--|---|---|---------------------------------------|---|--|--|
| | Total (% GDP) | Public (% GDP) | Total expenditure (\$ per inhabitant) | Public expenditure (per inhabitant) | Medical specialists per 1,000 inhabitants | Primary care doctors per 1,000 people assigned | Specialist nurses per 1,000 inhabitants | Primary care nurses per 1,000 people assigned | With the working of the health system | With medical history and tracing by family doctor or pediatrician | Non-urgent surgical procedures per 1,000 inhabitants | Specialist consultations per 1,000 inhabitants |
| 2006 | 7.76 | 5.62 | 2,391 | 1,732 | 1.6 | 0.7 | 2.8 | 0.6 | 5.6 | 7.0 | 9.4 | 35.4 |
| 2008 | 8.29 | 6.10 | 2,774 | 2,042 | 1.8 | 0.8 | 3.0 | 0.6 | 6.4 | 7.0 | 9.2 | 37.5 |
| 2010 | 9.01 | 6.74 | 2,886 | 2,157 | 1.8 | 0.8 | 3.2 | 0.6 | 6.6 | 7.3 | 9.8 | 33.0 |
| 2012 | 9.09 | 6.55 | 2,902 | 2,095 | 1.8 | 0.8 | 3.1 | 0.6 | 6.6 | 7.5 | 11.8 | 35.9 |
| 2014 | 9.08 | 6.36 | 3,057 | 2,140 | 1.8 | 0.8 | 3.1 | 0.7 | 6.3 | 7.5 | 11.4 | 39.4 |
| 2015 | 9.16 | 6.51 | 3,180 | 2,258 | 1.9 | 0.8 | 3.2 | 0.7 | 6.4 | 7.5 | 12.2 | 43.4 |
| 2016 | 8.98 | 6.34 | 3,248 | 2,293 | | 0.8 | | 0.6 | 6.6 | 7.5 | 12.7 | 40.9 |
| Sources | OECD | OECD | OECD | OECD | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS | INCLASNS |

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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Notes

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