

Spain's fiscal challenge under the new administration

WHAT MATTERS

The **Spanish economy** in 2019
and forecasts for 2020-2022

Deficit reduction: Insufficient
progress and low probability of
improvement

Snapshot of the **FinTech sector**
in Spain

Shift in retail money from **funds**
to **deposits**

The **greening of the ECB**

The **climate change challenge**
for the Spanish economy

The **housing market:** An uneven
recovery across regions

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SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

Letter from the Editors

Spain's fiscal outlook is at the core of the January issue of *SEFO*. Following the recent coming into power of Spain's first ever coalition government since the country's transition to democracy in the late 1970s, we start out by taking stock of Spain's recent economic performance and presenting our medium-term forecasts – drawing attention to the country's main challenge of reigning in public expenditures. Drilling down on fiscal issues, we then measure recent progress on deficit reduction and provide some insights on the expected consolidation path.

The Spanish economy registered growth of 1.9% in 2019, in line with October forecasts. The forecast for growth in 2020 is 1.5%, shaped by a slowdown in housing investment, public consumption and exports, the latter marked by a climate of heightened trade tensions and a slowdown in trade in manufactured products. Based on an improved global backdrop (*i.e.*, relaxation of US/China trade tensions, expansionary monetary –and in some cases fiscal– policies), the slowdown in Spain could hit bottom during the second half of the year, facilitating a modest rebound in 2021 and 2022 to 1.7%. Under those conditions, Spain would create close to 800,000 jobs over the next three years, fuelling a drop in the unemployment rate to 11.1% in 2022. A key concern lies with the public deficit, which, pending specification of the new government's economic policy, is barely expected to come

down during the projection period, at an estimated 2.2% of GDP in 2022. In any event, these forecasts may be subject to revisions once the 2020 budget is approved and there is more clarity over the new government's economic policy agenda. However, the biggest downside risk lies abroad, particularly with the prevailing trade tensions which, if they were to intensify, could hurt the economic outlook.

Due to both economic and political pressures, Spain has repeatedly pushed back its deficit targets. Unfortunately, the total public deficit will not come down substantially in 2019 compared to 2018, as expenditure has continued to grow. Moreover, although the government failed to pass its general state budget for 2019, it did push through increases in public sector wages, pensions and unemployment benefits by way of decree. To put the situation into context, with a public debt-to-GDP ratio of 98.9%, Spain is the seventh most indebted European nation, well above the eurozone (86.4%) and EU-27 (80.5%) averages. Looking forward, the 2020 state budget has yet to take shape. However, initial estimates show that while announced tax increases could boost revenue between 0.3% to 0.4% of GDP, implementation of the expenditure measures contained in the coalition agreement will require paring back other spending initiatives or additional measures on the revenue-generation front.

As regards Spain's financial sector, the January *SEFO* provides a snapshot of the landscape for the FinTech sector in Spain, as well as an analysis of the recent changes in households' financial asset allocation and risk preferences.

The FinTech sector has sustained considerable growth in Spain in recent years, measured by both the number of players and the private investment it has attracted. In fact, FinTech firms raised 192.93 million euros in 2019, equivalent to an average of over 4 million euros per round of financing. Most firms are the result of entrepreneurial activity based in Spain's largest cities, such as Madrid, Barcelona and Valencia. Specifically, 93% of existing FinTech firms were established by groups of entrepreneurs, with just under 7% founded within an existing enterprise. The sector is primarily concentrated around four segments: credit, payments, investments and personal finance management. Many of these offerings are B2B solutions, with FinTech firms supporting the digitalisation of Spain's SMEs. While the initial expectation was that the Fintech players and banks would compete, there has been a marked shift towards collaboration among these two types of firms. Most notably, the banking sector frequently invests in FinTech start-ups and sponsors accelerators or incubators to support these firms in the early stages of their development.

The growth in the volume of retail customer funds managed by Spain's financial institutions has accelerated in the last year from the scant 1% observed in prior years to nearly 4%. This development has occurred in tandem with a two-percentage point increase in the savings rate. Of particular note is the shift from mutual funds to demand deposits. While the former attracted increased capital after 2012 thanks to the strong performance of equity markets and ultra-lax monetary policy, this trend has lost steam over the past year in both Spain and other main EU markets. Specifically, assets under management contracted by around 4 billion euros in Spain with bank deposits growing by 37 billion euros. Such a reversal is curious given the continued decline in demand deposit interest rates, indicating

growing caution among households due to global uncertainty as well as increasing sensitivity to swings in the value of holdings. Importantly, these changes in risk appetite could lead to greater volatility in households' financial asset allocation decisions, with potential implications for financial stability.

We then focus on an intensifying debate at the global, European and Spanish level – climate change. This year's World Economic Forum (WEF) in Davos towards the end of January essentially approximated a climate conference. According to the latest WEF global risk report, all five of the top risks in terms of likelihood touched on climate and the environment. In this issue of *SEFO*, we explore potential to address the climate change challenge from the European standpoint and through a somewhat unconventional lens – evaluating the capacity for greening the ECB. We also assess how Spain is addressing the climate change challenge at the country level and progress on transitioning to a greener economy.

Incoming ECB President Christine Lagarde has signalled a commitment to 'green' the ECB. In this regard, the ECB could potentially support efforts to adapt to climate change through changes to supervisory requirements, credit rating agencies' methodologies, and/or its own formulas for macro-prudential supervision. It could even intervene in financial markets under a 'green' asset purchase program, however this could potentially create distortions, while effectiveness would be conditioned on the timing of such programs. The institution could even consider the use of its own investment portfolio to meet such objectives, creating a signalling effect. Nevertheless, to date, former ECB presidents have interpreted this dual mandate as prioritizing price stability over any economic policy objective. Thus, critics have expressed concern that going beyond that, *i.e.*, with the ECB's foray into climate change activism, could undermine the political independence of the central bank.

Preliminary estimates of the European Environment Agency (EEA) show greenhouse gas emissions in the European Union decreased

by 2% in 2018, having edged 0.6% higher in 2017. Although a positive trend, scenarios envisioned by the European Environment Agency indicate the EU would still miss its stated target of a 40% reduction by 2030. The advancement of climate change will involve structural shocks with effects in the medium and long-term. However, climate change and the actions taken to stall it are bound to have a growing impact on macroeconomic performance, too. In Spain, the government estimates that emissions decreased by 2.2% year-on-year in 2018, thanks to reduced emissions by the electricity sector, partially offset by growth in emissions in transport. Similarly, there has been an increase in the share of renewable energy and a decrease in the intensity of energy usage. Nevertheless, Spain's agricultural, energy, and tourism sectors remain highly exposed to climate change. Thus, it is imperative that the country make further advancements by taking advantage of its relative abundance of renewable sources, which will also mitigate the economic cost of its dependence on imported oil and gas.

Finally, we close with an assessment of the real estate market, taking a look at the broad transnational differences in this still-significant segment of the economy. House prices in Spain have recovered significantly over the past years and currently stand at a little over 80% of pre-crisis peak levels. Nevertheless, noteworthy variation exists across Spain's regions. While nine provinces have outperformed the national average, 22 of Spain's provinces have achieved a price recovery equivalent to just 65% of peak levels. Furthermore, the rebound in transaction volumes has lagged the recovery in prices. Volumes currently stand at just over 60% of peak levels but present considerable differences across provinces. It is worth highlighting the weak new housing construction figures. These statistics suggest Spain's housing market is still digesting the legacy stock of unsold housing from the previous construction boom. Lastly, housing affordability has improved in all regions, even those in which the price recovery has been most dynamic, putting prices at close to pre-crisis levels. Looking forward, the data suggest the housing market is likely to experience a soft

landing rather than another crash. That said, the varying degrees of recovery draw attention to important structural dynamics, which could pose future challenges.

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What's Ahead (Next Month)

Month	Day	Indicator / Event
February	4	Social Security registrants and official unemployment (January)
	7	Industrial production index (December)
	14	CPI (January)
	17	Eurogroup meeting
	20	Special European Council
	20	Foreign trade report (December)
	27	Preliminary CPI (February)
	31	Balance of payments monthly (December)
March	3	Social Security registrants and official unemployment (February)
	6	Industrial production index (January)
	11	Retail trade (January)
	12	ECB monetary policy meeting
	13	CPI (February)
	16	Eurogroup meeting
	20	Foreign trade report (January)
	25	Balance of payments quarterly (4 th . quarter)
	26-27	European Council
	30	Preliminary CPI (March)
	30	Retail trade (February)
	31	Quarterly National Accounts (4 th . qr. 2018)
	31	Institutional Sectors Non-financial quarterly accounts (4 th . qr. 2018)
	31	Non-financial accounts, State (Dec., Jan. and Feb.)
	31	Non-financial accounts: Central Government, Regional Governments and Social Security (Dec. and Jan.)
	31	Non-financial accounts, Total Government (4 th . quarter)
	31	Balance of payments monthly (January)

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What Matters



5 The Spanish economy in 2019 and forecasts for 2020-2022

While Spain's growth is projected to slow to 1.5% in 2020, supportive international factors should begin to take effect during the second half of the year, underpinning a recovery in 2021 and 2022. That said, risks remain in the form of a persistently high budget deficit and global trade tensions.

Raymond Torres and María Jesús Fernández



15 Deficit reduction: Insufficient progress and low probability of improvement

Spain's public deficit targets have been repeatedly relaxed. While it is not yet certain what form the 2020 General State Budget will take, analysis suggests the coalition's expenditure measures will need to be met by additional efforts on the revenue-generation front or cuts in other spending programs.

Santiago Lago Peñas



25 Snapshot of the FinTech sector in Spain

Spain has seen a five-fold increase in its number of FinTech firms, many of which are the result of ambitious entrepreneurs whose solutions are supporting the digitalisation of Spanish SMEs. Although FinTech firms were expected to compete directly with established banks, the two sectors increasingly collaborate through funding and innovation labs.

Santiago Carbó Valverde, Pedro Cuadros Solas and Francisco Rodríguez Fernández



33 **Shift in retail money from funds to deposits**

The past year has seen a reversal of capital flows from previously dominant mutual funds to demand deposits, despite the continued decline in interest rates. This dynamic indicates a growing sense of caution and sensitivity among households, which could contribute to greater volatility in households' financial asset allocation decisions and financial markets in general.

Ángel Berges, Federica Troiano and Fernando Rojas, A.F.I



39 **The greening of the ECB**

Christine Lagarde has signaled her desire to 'green' the European Central Bank (ECB), a statement that has both garnered applause from climate change activists and alarmed orthodox monetarists. While the ECB does have a dual mandate and numerous instruments at its disposal to achieve Lagarde's objectives, there is concern that such actions could undermine the political independence of the central bank.

Erik Jones



47 **The climate change challenge for the Spanish economy**

The Spanish economy is making progress on reducing its greenhouse gas emissions and energy intensity, while increasing renewable energy generation. Given its energy dependence, as well as its abundance of renewable energy sources, accelerating the transition towards a low-carbon economy represents a future insurance policy and an opportunity.

Gonzalo García and David del Val, A.F.I



57 **The housing market: An uneven recovery across regions**

Over the past years, Spain's housing market has, to varying degrees across regions, rebounded in terms of prices and transaction volumes, while improving in affordability. Although the housing market is expected to cool in the near-term, it is unlikely to experience a hard landing.

Fernando Gómez Díaz

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The Spanish economy in 2019 and forecasts for 2020-2022

While Spain's growth is projected to slow to 1.5% in 2020, supportive international factors should begin to take effect during the second half of the year, underpinning a recovery in 2021 and 2022. That said, risks remain in the form of a persistently high budget deficit and global trade tensions.

Raymond Torres and María Jesús Fernández

Abstract: The Spanish economy registered growth of 1.9% in 2019, in line with October forecasts. The forecast for growth in 2020 is 1.5%, shaped by a slowdown in housing investment, public consumption and exports, the latter marked by a climate of heightened trade tensions and a slowdown in trade in manufactured products. Based on an improved global backdrop (*i.e.*, relaxation

of US/China trade tensions, expansionary monetary –and in some cases fiscal– policies), the slowdown in Spain could hit bottom during the second half of the year, facilitating a modest rebound in 2021 and 2022 to 1.7%. Under those conditions, Spain would create close to 800,000 jobs over the next three years, fuelling a drop in the unemployment rate to 11.1% in 2022. A key concern lies with

the public deficit, which, pending specification of the new government's economic policy, is barely expected to come down during the projection period, at an estimated 2.2% of GDP in 2022. In any event, these forecasts may be subject to revisions once the 2020 budget is approved and there is more clarity over the new government's economic policy agenda. However, the biggest downside risk lies abroad, particularly with the prevailing trade tensions which, if they were to intensify, could hurt the economic outlook.

The Spanish economy in 2019

Although not all the fourth-quarter indicators are available, it is expected that Spain will have grown by 1.9% in 2019, down from 2.4% in 2018 (Exhibit 1). That figure, although in line with Funcas' October forecasts, is below that of the Funcas' panel of consensus forecasts at the end of 2018, of 2.2%. Note, however, that those consensus forecasts were prepared on the basis of the then prevailing national accounting figures, which were revised significantly downwards in September 2019.

The slowdown was driven entirely by domestic demand, as foreign trade made a positive contribution to growth for the first time in three years. Growth eased across all components of domestic demand, except for public consumption, which accelerated (Exhibit 2).

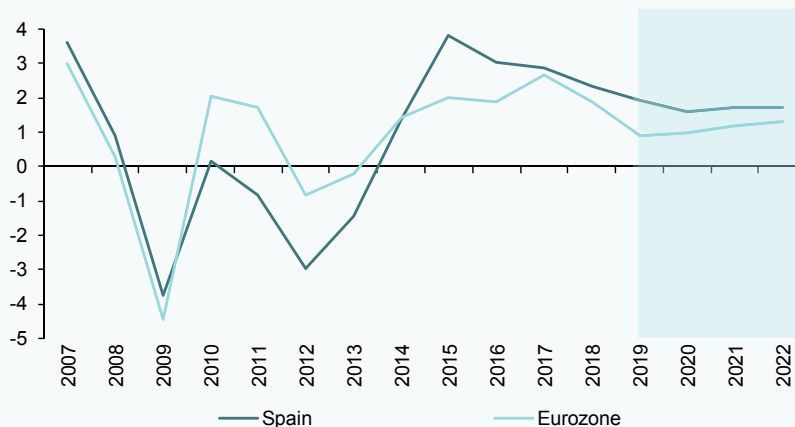
It is worth highlighting the resilience of investment in capital goods, especially given the uncertainty felt globally. Growth in this heading, albeit lower than in 2018, was above the eurozone average, despite the fact that growth in domestic demand trailed that of the eurozone. The dynamism of investment in capital goods in Spain has been a persistent trait since the start of the recovery (Exhibit 3).

Growth in goods exports also lost momentum, virtually stagnating in 2019. In contrast, exports of services other than tourism, registered sharp growth. Imports, on the other hand, slowed by more than exports. In fact, the low growth in imports throughout 2019, which was well below the level derived from applying the usual rates of elasticity

Exhibit 1

GDP

Annual growth rates



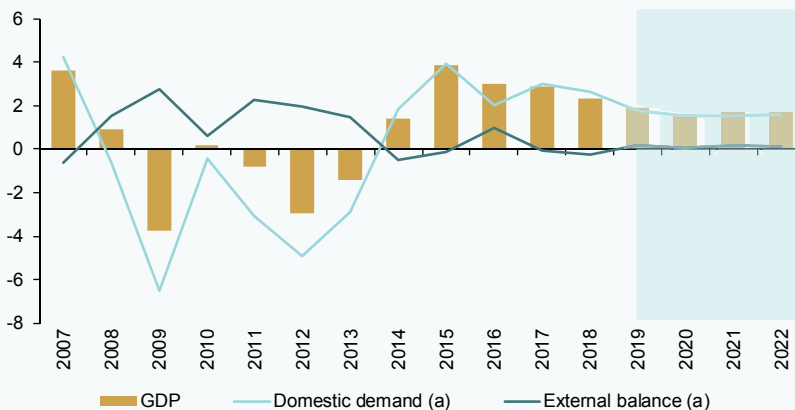
Forecasts in shaded area.

Source: INE and Funcas (forecasts).

Exhibit 2

GDP, domestic demand and external sector

Annual growth rates and contributions to growth



(a) Contribution to GDP growth in percent points.

Forecasts in shaded area.

Source: INE and Funcas (forecasts).

with respect to final demand, was one of the economy's defining characteristics last year. For all those reasons, exports grew by more than imports, so that trade made a positive contribution to GDP growth, having detracted from that growth during the two previous years.

Sector-wise, one of the most surprising trends was the slump in the construction sector, which contracted during the second half. Similarly noteworthy was the continuation of the pattern already observed last year, and common throughout the eurozone, of divergence between the relative weakness of the manufacturing sector, which eked out growth of just 0.5%, and the services sector, which expanded by more than 2.5%. The

fact that the manufacturing sector's weak performance did not spill over to services may be attributable to the fact that the former has continued to create jobs despite its scant growth.

Nevertheless, job creation eased in all sectors in 2019. In parallel, the downtrend in unemployment stalled considerably, slowing more intensely than job creation due to growth in the labour force following higher inflows of immigrants. The average annual rate of unemployment in 2019 is estimated at 14.2%.

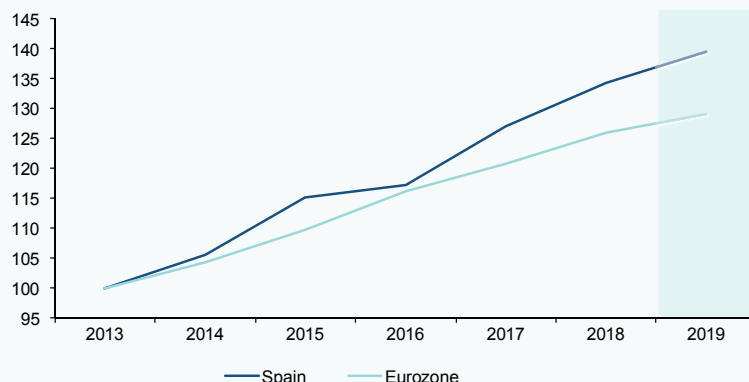
Wages increased by around 2%, the highest rate since 2010, in part due to discretionary

“ The low growth in imports was one of the economy's defining characteristics in 2019. ”

Exhibit 3

Investment in machinery and equipment

Index: 2013=100



Forecasts in shaded area.

Source: INE and Funcas (forecasts).

measures, such as the increases in the minimum wage and public sector pay, as well as wage increases negotiated under the umbrella of collective bargaining. Productivity, meanwhile, the weak link in the recovery of recent years, deteriorated, such that unit labour costs sustained their fastest growth since 2008 (Exhibit 4).

Following the review of the national accounting figures, the household savings rate for 2018 was revised upwards to 5.9% of gross disposable income, an increase from 5.5% in 2017. The data as of the third quarter of 2019 suggest that this metric has continued its upward trajectory, rising to just under 7%. That has enabled a recovery in the household sector's net lending position from virtually zero in 2017 and 2018 (figures revised upwards from negative numbers) to 0.5% of GDP in 2019. The net flow of new loans for this sector was positive in 2018 for the first time since 2010 (*i.e.*, new loans exceeded repayments), a trend that continues into the third quarter of 2019. Nevertheless, the nominal value of household debt and the resulting leverage rate continued to decline. Household finances, therefore, remain solid,

although the deleveraging process may be nearing its end (Exhibit 5).

Spain's non-financial corporates also presented a net lending position. This marks the continuation of a trend first observed in 2009, though this figure now stands at less than 2% of GDP as of 2019. Despite generating a considerable financial surplus, the non-financial corporates are no longer reducing their volume of nominal debt. However, their borrowings as a percentage of GDP continue to fall.

The public sector deficit is expected to come in at 2.5% of GDP in 2019. The slowdown in public revenue as a result of the lower growth in GDP was not accompanied by an equivalent moderation in spending growth. Instead, public spending remained buoyant with public sector pay increases and hiring, as well a growth in expenditure on pensions. The upshot was a deterioration in the primary deficit (net of interest payments), interrupting the downward trend initiated in 2010.

The 2018 balance of payments figures were revised upwards considerably, such that

Exhibit 4

Employment and productivity

Annual growth rates



Forecasts in shaded area.

Source: INE and Funcas (forecasts).

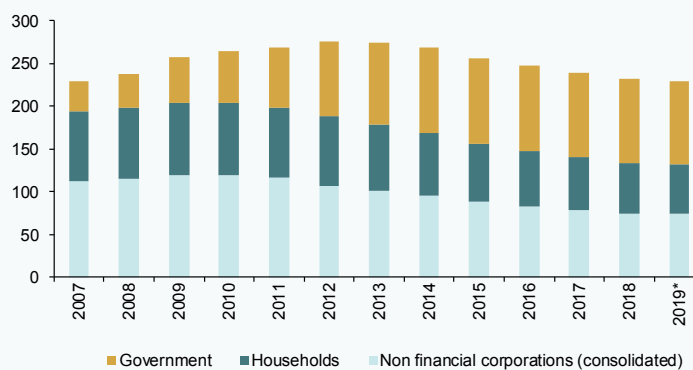
the overall surplus increased by one whole percentage point to 1.9% of GDP. This solid performance is a fundamental part of Spain's ability to continue the reduction in its foreign

borrowings. In 2019, the surplus narrowed, due mainly to growth in the income deficit, to around 1.6% of GDP, still comfortably in positive territory (Exhibit 6).

Exhibit 5

Debt

% of GDP



* 3rd quarter.

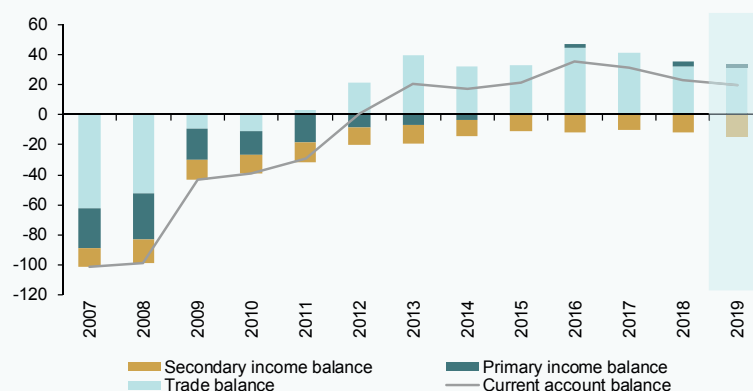
Source: INE and Funcas (forecasts).

“ Lower growth caused a slowdown in public revenues not accompanied by an equivalent moderation in public spending growth, which resulted in the deterioration of the primary deficit - interrupting the downward trend since 2010. ”

Exhibit 6

Current account balance of payments

Billion euros



Forecasts in shaded area.

Source: INE and Funcas (forecasts).

Forecasts for 2020-2022

The slowdown is expected to continue in coming quarters, in line with the outlook for trade, which is shaped by weak international markets. Those markets are barely expected to grow until mid-2020 as a result of trade tensions, the cooling of the Chinese economy and the slump in manufacturing, particularly the automotive sector. During the second half of the year, relaxation of the trade war between the US and China, coupled with monetary stimulus measures from the main

central banks and an element of fiscal easing in some countries, such as Germany and France, should begin to take effect, underpinning a slight recovery in 2021 and 2022.

That profile of weak growth marked by global uncertainty for much of this year, followed by a rebound, is echoed in the main international organisations' current forecasts. In its latest set of projections, the IMF expects global GDP growth of 3.3% in 2020, down 0.1 percentage points from its last estimate, and of 3.4% in

“ The IMF expects global GDP growth of 3.3% in 2020, down 0.1 percentage points from its last estimate. ”

“ Net exports are expected to make a positive contribution to growth in Spain, driven by the rebound in world markets. ”

2021, down 0.2 percentage points. In the eurozone, Funcas, in line with a majority of analysts, is projecting growth of 1% in 2020 (down 0.1pp from 2019), followed by slightly stronger performance thereafter.

For Spain, pending further specifics on the direction of the new government's economic policy, the projections assume the carry-over of prior-year budgets, albeit with a few adjustments, such as pension and public pay increases and advance payments to the regional governments.

The trends in the global and European economies, coupled with the direction of fiscal policy, will shape Spain's economic performance. We are forecasting GDP growth of 1.5% in 2020, which is lower than the 2019 figure and unchanged from our previous estimate. We expect the slowdown to be driven by slower growth in investment, particularly in the construction sector, and less buoyant public consumption. The slight uptick in private consumption is attributable to the expectation that the savings rate will stabilise (in 2019, Spanish households increased their savings as pent-up demand was depleted), albeit not by enough to fully offset the slowdown in the other components of domestic demand.

Foreign trade is expected to reduce its contribution to growth in 2020, due to: (i) export weakness (exports are expected to grow at about half of the pace registered during the recovery, as a result of the slowing growth in global trade); and, (ii) growth in imports more in line with the trend in demand (based on the elasticity as estimated by Funcas), after

having expanded at a lower rate in 2019 as a result of exceptional factors.

The anticipated improvement in the external environment towards the end of the year, albeit less intense than previously estimated, will have a positive effect in 2021. For that year we are forecasting GDP growth of 1.7%, down slightly from the 1.8% we estimated in October. Driven by the rebound in exports, foreign trade is expected to make a positive contribution to growth. Investment, particularly in capital goods, the element of domestic demand most responsive to the exports climate, should also recover. Private consumption is forecast to grow in line with disposable household income, while public consumption would repeat the performance of 2020. More of the same is expected for most demand components in 2022, leaving GDP growth at around its potential.

The positive growth differential with the rest of the eurozone suggests that Spain will continue to record a solid current account surplus throughout the projection period. That would mean that, underpinned by a favourable competitive position, the Spanish economy would have notched up consecutive, albeit waning, external surpluses throughout an entire decade, an unprecedented achievement.

Job creation is expected to lose momentum as a result of the economic slowdown. Nevertheless, the economy would still generate close to 800,000 net new jobs over the next three years (in full-time equivalent terms), thus bringing the unemployment rate down to 11.1% in 2022. That year, 19.1 million

“ The economy is forecast to generate close to 800,000 net jobs over the next three years. ”

Table 1 Economic forecasts for Spain, 2020-2022

Annual rates of change in %, unless otherwise indicated

	Actual data				Funcas forecasts			
	Average 1996-2007	Average 2008-2013	Average 2014-2017	2018	2019	2020	2021	2022
1. GDP and aggregates, constant prices								
GDP	3.7	-1.3	2.7	2.4	1.9	1.5	1.7	1.7
Final consumption households and NPISHs	3.7	-2.1	2.4	1.8	1.3	1.5	1.5	1.5
Final consumption general government	4.2	0.9	1.0	1.9	2.2	1.4	1.4	1.3
Gross fixed capital formation	6.1	-7.6	4.5	5.3	2.8	1.9	2.8	3.0
Construction	5.5	-10.7	3.7	6.6	1.9	1.0	2.2	2.5
Residential construction	7.6	-11.1	7.0	7.7	2.6	1.2	2.6	2.9
Non-residential construction	3.7	-10.0	0.8	5.3	0.9	0.7	1.6	2.1
Capital goods and other products	7.5	-2.7	5.3	4.1	3.8	2.7	3.4	3.5
Exports goods and services	6.5	1.8	4.4	2.2	2.0	2.5	2.9	3.1
Imports goods and services	8.7	-4.0	4.9	3.3	1.7	2.6	2.9	3.2
National demand (a)	4.4	-3.1	2.7	2.6	1.8	1.5	1.6	1.7
External balance (a)	-0.7	1.8	0.0	-0.3	0.1	0.0	0.1	0.0
GDP, current prices: - € billion	--	--	--	1,202.2	1,244.4	1,279.0	1,317.6	1,356.7
- % change	7.3	-0.8	3.3	3.5	3.5	2.8	3.0	3.0
2. Inflation, employment and unemployment								
GDP deflator	3.5	0.5	0.6	1.1	1.6	1.2	1.3	1.2
Household consumption deflator	3.1	1.7	0.7	1.5	1.0	1.1	1.2	1.2
Total employment (National Accounts)	3.3	-3.4	2.5	2.5	2.2	1.4	1.5	1.4
Productivity	0.4	2.1	0.2	-0.2	-0.3	0.2	0.3	0.3
Wages	7.2	-1.3	3.1	4.0	4.6	2.8	2.9	3.0
Gross operating surplus	7.1	-0.2	3.2	2.5	2.0	2.7	3.2	3.0
Wages per worker	3.3	2.4	0.2	0.9	2.1	1.1	1.1	1.3
Unit labour costs	2.8	0.3	0.0	1.0	2.4	0.9	0.8	1.0
Unemployment rate	12.5	20.2	19.7	15.3	14.2	13.5	12.3	11.1

Table 1 **Economic forecasts for Spain, 2020-2022**

Annual rates of change in %, unless otherwise indicated

(Continued)

	Actual data				Funcas forecasts			
	Average 1996-2007	Average 2008-2013	Average 2014-2018	2018	2019	2020	2021	2022
3. Financial balances (% of GDP)								
National saving rate	16.7	18.8	21.4	22.3	22.6	22.7	22.9	23.2
- of which, private saving	13.3	22.9	23.5	22.8	23.0	23.0	23.1	23.3
National investment rate	26.7	21.7	19.1	20.4	21.0	21.2	21.4	21.7
- of which, private investment	17.9	17.8	16.9	18.2	18.8	19.0	19.3	19.6
Current account balance with RoW	-4.5	-2.9	2.3	1.9	1.6	1.5	1.5	1.4
Nation's net lending (+) / net borrowing (-)	-3.7	-2.4	2.7	2.4	2.0	1.8	1.8	1.7
- Private sector	-3.8	6.4	6.9	5.0	4.5	4.3	4.1	3.9
- Public sector (general government deficit)	0.1	-8.8	-4.2	-2.5	-2.5	-2.4	-2.3	-2.2
- General gov. deficit exc. financial instit. bailouts	-0.9	-8.1	-4.1	-2.5	-2.5	-2.4	-2.3	-2.2
Public debt according to EDP	52.2	67.6	99.1	97.6	96.9	96.7	96.1	95.5
4. Other variables								
Eurozone GDP	2.5	-0.3	1.9	2.0	0.9	1.0	1.2	1.3
Household saving rate (% of GDI)	9.5	8.8	6.4	5.9	6.8	6.8	6.7	6.7
Household gross debt (% of GDI)	93.3	128.5	103.8	94.9	90.3	86.5	83.1	79.8
Non-financial corporates gross debt (% of GDP)	91.5	133.4	105.2	95.5	92.0	89.3	86.5	83.8
Spanish external gross debt (% of GDP)	60.6	162.4	168.0	167.5	165.5	164.3	162.4	160.7
12-month EURIBOR (annual %)	3.74	1.90	0.06	-0.17	-0.22	-0.25	-0.05	0.08
10-year government bond yield (annual %)	5.00	4.74	1.77	1.43	0.66	0.60	0.75	0.90

Note: (a) Contribution to GDP growth, in percentage points.

Sources: 1996-2018: INE and Bank of Spain; Forecasts 2019-2022: Funcas.

“ The main internal concern is the public deficit –forecast at 2.4% in 2020– which, barring new policy announcements, is barely expected to come down during the projection period. ”

“ The recovery anticipated from the second half of this year depends crucially on developments in trade negotiations –the scope for agreements between the US and China and the UK and EU– and an improvement in the investment climate. ”

people would be in work, which would still be half a million shy of the pre-crisis peak. Thanks to the reversal of migration flows, with more arrivals than departures since 2018, the working-age population is expected to increase by 300,000 by 2022.

Wage growth is projected to lag that of 2019, which was heavily influenced by the hike in the minimum wage. That, coupled with modest productivity gains, should translate into moderate growth in unit labour costs, but not enough to erode Spain's competitiveness.

The main concern lies with the public deficit, which, in the absence of new policy-making, is barely expected to come down during the projection period. We are forecasting a deficit of 2.4% in 2020, despite the downward trend in borrowing costs in the current low-rate environment. The deficit is expected to dip to 2.2% in 2022. As a result, public debt would decline marginally as a percentage of GDP.

Risks and opportunities

The international environment remains the primary risk factor. The recovery anticipated from the second half of this year depends largely on developments in trade negotiations –the scope for agreements between the US and China– and an improvement in the investment climate. In Europe, the forecasts assume that the UK's exit from the EU will be orderly, although the details of the new regime of bilateral trade agreements remains shrouded with uncertainty. Lastly, the forecasts presented in this paper were made assuming oil prices remain stable at around \$65 per barrel of Brent. However, any intensification of the geopolitical conflicts in the Persian Gulf (which should not be ruled out) would have an immediate impact on the

markets and would weigh on the Spanish economy.

On the upside, the deployment of new reforms designed to reduce economic and social deficits, in addition to improving long-term growth prospects, would have a positive impact on confidence in the short-term and help shore up growth throughout the projection period.

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Deficit reduction: Insufficient progress and low probability of improvement

Spain's public deficit targets have been repeatedly relaxed. While it is not yet certain what form the 2020 General State Budget will take, analysis suggests the coalition's expenditure measures will need to be met by additional efforts on the revenue-generation front or cuts in other spending programs.

Santiago Lago Peñas

Abstract: Due to both economic and political pressures, Spain has repeatedly pushed back its deficit targets. Unfortunately, the total public deficit will not come down substantially in 2019 compared to 2018, as expenditure has continued to grow. Moreover, although the government failed to pass its general state budget for 2019, it did push through

increases in public sector wages, pensions and unemployment benefits by way of decree. To put the situation into context, with a public debt-to-GDP ratio of 98.9%, Spain is the seventh most indebted European nation, well above the eurozone (86.4%) and EU-27 (80.5%) averages. Looking forward, the 2020 state budget has yet to take shape. However,

“ The budget deficit target of 1.1% has been delayed to 2020 and the probability of achieving it on schedule is extremely unlikely. ”

initial estimates show that while announced tax increases could boost revenue between 0.3% to 0.4% of GDP, implementation of the expenditure measures contained in the coalition agreement will require paring back other spending initiatives or additional measures on the revenue-generation front. [1]

2019: Deficit reduction, insufficient progress

Budget planning in Spain has been characterized by laxness and ongoing revisions to public deficit targets for the past decade. Established targets have been repeatedly revised to reflect the reality of budget outcomes. These revisions are due to both economic and political considerations including changes of government, no-confidence votes, budget carryovers, *etc.* Either way, the reality is that the end goal of a balanced budget has been repeatedly pushed back.

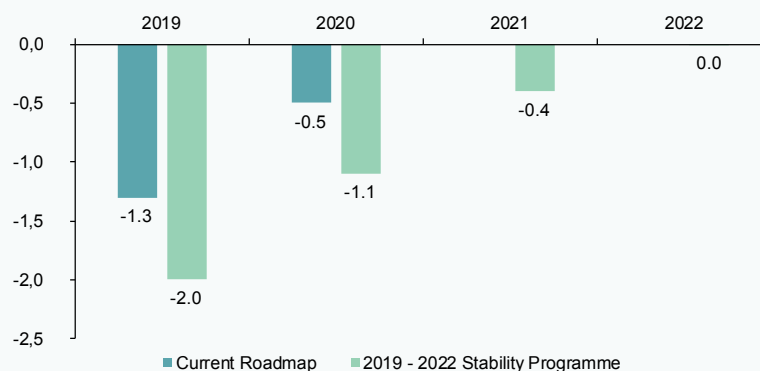
For example, the 2012-2015 Stability Programme was designed to deliver a total public deficit in terms of gross domestic product (GDP) of 1.1% by the end of the period, starting from the deficit forecast at the time for 2011 of 8.5%. Two years later, when the Programme was updated for 2014-2017, the target for 2015 had already been revised upwards to 4.2% and the target of 1.1% had been pushed back to 2017. Today, that goal is still a long way off.

The current deficit-cutting roadmap was approved by Spain's Cabinet on July 7th, 2017, (and subsequently ratified by the Parliament) for 2018-2020. In July 2018, the Government tried to revise it upwards, but the new figures did not secure a majority vote in the Senate, thus they were dismissed. Subsequently, the Stability Programme was updated for 2019-2022, once again raising the deficit target for 2019, despite the change not having been

Exhibit 1

Budget deficit targets, 2019-2022

Percentage of GDP



Source: Authors' own elaboration based on Ministry of Finance report (2019a).

ratified by the legislative process. Exhibit 1 presents the current actual targets and those included in the most recent proposed updates, referred to above. The target of 1.1% has been delayed to 2020 and the probability of achieving it on schedule is extremely unlikely.

Barring unforeseen developments in the comprehensive budget settlements for 2019, which should be disclosed in March 2020, the total public deficit will not come down substantially in 2019 compared to 2018. By extension, this implies an increase in the structural deficit. The deficit recorded in 2018 was 2.5%. The consensus forecast published by Funcas calls for a deficit of 2.4% in 2019, with the analysts forecasting that metric within a range from 1.9% to 2.6% (Funcas, 2020).

Indeed, the monthly settlement figures available to October (Ministry of Finance, 2019b) point to a deterioration in the deficit compared to the first 10 months of 2018. Excluding the local authorities, the deficit was running at 1.41% compared to 1.08% in 10M18. If we use the figures for the first three quarters, in order to include local government numbers, the outcome is also worse: 1.47% in 9M19 *vs.* 1.2% in 9M18.

The deterioration is primarily attributable to expenditure. Although the government failed to pass its general state budget for 2019 (2019 GSB) resulting in an extension of the 2018 GSB, it did push through increases in public sector wages, pensions and unemployment benefits by way of decree. That said, the changes made in 2018 had a positive impact in the last quarter of 2019 affecting social security contributions and the instalment payment system for corporate income tax. These developments suggest that the year-end figures may be less negative than initially anticipated. The Bank of Spain's most recent calculations (2019) point to a 2019

deficit of 2.5%, which coincides with the figure estimated by Conde-Ruiz, Marín and Rubio Jiménez (2019). Elsewhere, Funcas (2019) is also predicting a deficit in line with that of 2018 (2.5%)

Spain's independent fiscal institution, the AIREF (2019a), is a little more optimistic. In addition to the above-mentioned last-quarter revenue boost, the AIREF, in its base-case scenario, is forecasting a deficit of 2.2%. However, the target of 2% is considered "improbable".

By level of government, the figures point to a significant shift in responsibility for the failure to deliver the fiscal stability targets (Ministry of Finance, 2019b). The central government has improved its performance considerably. As of October 2019, its deficit had decreased from 0.73% in the first 10 months of 2018 to 0.58%. In contrast, the regional governments' finances had deteriorated substantially, moving from a surplus of 0.14% to a deficit of 0.35%. Elsewhere, the local authorities' surplus has narrowed while the deficit at the social security level has increased slightly. The main reasons for the disparate performances at the central and regional government levels lie with: (i) the lag in executing advance payments to the regional governments; and, (ii) the impact of the change in the VAT management system introduced in 2017 with the rollout of the so-called Immediate Supply of Information regime.

By year-end, the first factor should reverse, reducing the regional governments' deficit and increasing that of the central government, as the advance payments made in December were well above usual. On the contrary, the VAT impact will not be reversed. The switch in management regime will translate into a drop in revenue for the regional governments, which the central government will keep, equivalent to 0.2 percentage points of GDP

“ The most recent estimates by both the Bank of Spain and Funcas point to a deficit for 2019 of 2.5%. ”

“ Spain, with a public debt-to-GDP ratio of 98.9%, is the seventh most indebted European nation. ”

in 2019. The government formed in the wake of the no-confidence vote of June 2018 previously announced that the VAT impact would be neutralised. As a result, the regional governments prepared their budgets for 2019 with that funding in mind- around 2.5 billion euros. However, the challenging political environment and carryover of the 2018 budget have meant that offset did not occur, thereby undermining the regional governments' finances.

To put the current fiscal situation into context, Exhibits 2 and 3 depict, respectively, public debt at the end of the second quarter of 2019 and the structural public deficit. Spain, with a public debt-to-GDP ratio of 98.9%, is the seventh most indebted European nation, presenting leverage that is well above the eurozone (86.4%) and EU-27 (80.5%) averages. Only other southern European economies (Greece, Italy, Portugal, and Cyprus) as well as France and Belgium are more indebted.

That ratio is significantly above the European Union benchmark (60%); it massively restricts Spain's ability to use national fiscal policy as a macroeconomic policy tool; and heightens the economy's exposure to sovereign debt crises or rate increases.

That is why it is so important to analyse deficit dynamics, which increase or reduce the stock of debt from one year to the next. Examining the structural deficit is particularly important as it eliminates the effect of the economic cycle and highlights the underlying mismatch between public revenue and expenditure. The estimate shown in Exhibit 3 corresponds to 2019 and was compiled by the European Commission. Here, Spain is one of the underperformers with only France, Hungary and Romania presenting higher structural deficits.

In short, Spain (along with Italy and, to a lesser extent, France and Belgium) faces

Exhibit 2

Spanish public debt as of 2Q19

Percentage of GDP

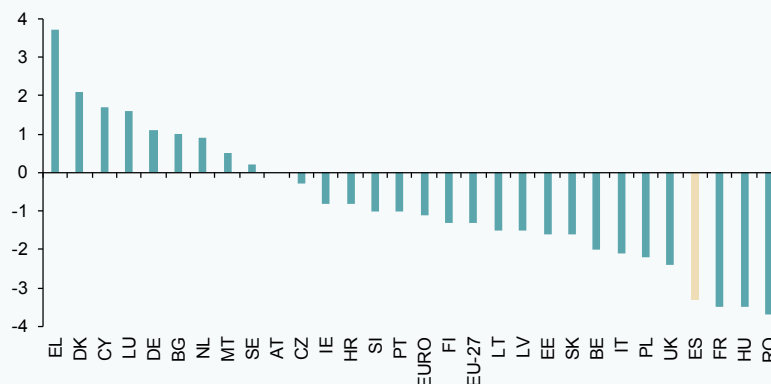


Source: Author's own elaboration based on Eurostat data.

Exhibit 3

Estimated structural deficit (-) or surplus (+) in 2019

Percentage of GDP



Source: Author's own elaboration based on European Commission estimates (2019).

an excessive public debt burden that the government has failed to resolve. Spain has not taken advantage of its strong growth since 2014 to reduce its debt ratio, managing only to stabilise it at around 100%. According to the AIREF (2019b), the positive impact of the growth in nominal GDP would have enabled an 18-percentage point reduction in the debt ratio by 2019 (which would put Spain in line with the EU-27 average), were it not for the structural deficit, which has almost entirely wiped out that effect.

Outlook for 2020

The Funcas (2019) consensus forecast for 2020 is for an overall deficit of 2.2%, with analysts' estimates spanning a range of 1.5% and 2.8%. The Bank of Spain's most recent forecasts (2019) point to a deficit of 2.1%, while the European Commission (2019) anticipates a 2.2% deficit. These figures are well above

those projected in the roadmap depicted in Exhibit 1. The most recent fiscal consolidation roadmap approved by the Spanish Parliament targets a deficit of 0.5%, while the 2019-2022 Stability Programme is targeting 1.1%.

Meanwhile, the fiscal landscape has become increasingly uncertain. At present there is not even a draft GSB for 2020. The lack of a sufficiently large parliamentary majority has prevented approval of the limit on non-financial spending for 2020 or the revision of the fiscal stability targets. The main reference document available at this time is the Draft Budgetary Plan for 2020 (2020 Plan), which was published and submitted to the European Commission on October 15th, 2019 (Ministry of Finance, 2019a). The 2020 Plan reflects a "no-policy-change" fiscal scenario. This entails a lack of additional measures on the revenue side with the odd intervention on

“ The lack of a sufficiently large parliamentary majority has prevented approval of the limit on non-financial spending for 2020 or the revision of the fiscal stability targets. ”

“ The coalition agreement between PSOE and Podemos as well as bilateral agreements with other parties mean increased pressure on spending. ”

the spending side, all of which will be adopted upon government formation. Specifically, this entails implementation of the agreement with the unions for the period 2018-2020 to increase public sector wages and the commitment to increase pensions at the same rate as the expected increase in consumer prices in 2020. According to the Spanish government, the result of the no-policy-change scenario would be a reduction in the overall deficit from 2.0% to 1.7%.

The European Commission did not respond favourably to this 2020 Plan for three main reasons. Firstly, according to the projections made by the EU, the 2019 Spanish deficit will be 2.3%, 0.3 percentage points above the government's projection. Secondly, increases in public wages and pensions involve a significant increase in public expenditure of 0.4%-0.5% of GDP, such that the overall 2020 deficit would barely budge (2.2%). Finally, the structural deficit will deteriorate by 0.1 percentage points while the Stability and Growth Pact recommends a structural deficit reduction of 0.65% of GDP. The Commission therefore concluded that the Plan runs the risk of non-compliance with the provisions of the Stability and Growth Pact. It does, however, acknowledge that given the Plan's "no-policy-change" nature, there is room for an additional deficit reduction effort. This should be included in an updated draft budgetary plan when the draft 2020 budget law is submitted to the Spanish parliament.

What can we expect from the new 2020 GSB? The investiture of Pedro Sánchez as president on January 7th, 2020, partially reduces political uncertainty, although the parliamentary arithmetic continues to complicate the drafting and passage of a new budget, on which there will be pressure to increase spending. This is due to two dynamics. The first relates to the coalition agreement between Spain's socialist party, PSOE, and Unidas Podemos. [2] The second is due to the multiple bilateral agreements reached with parties with purely national interests.

There are different ways of trying to determine what direction the fiscal policy of the 2020 GSB will take. One possible approach would be to quantify the impact of the measures with an eye on spending and revenue contained in the investiture agreements. The issue, however, lies with the sheer number of agreements and the lack of precise figures. Nevertheless, Spain's Employers' Confederation, the CEOE, has taken a partial stab at it by focusing solely on the agreement between PSOE and Unidas Podemos. According to their calculations, expenditure and revenue is set to increase by 1.5 and 0.5 percentage points, respectively. This would push the 2020 deficit over the 3% threshold again. [3]

There is, however, an alternative approach to this calculation. Starting from the 2020 Plan, we include the additional sources of revenue

“ According to the Spanish Employers' Confederation (CEOE), expenditure and revenue is set to increase by 1.5 and 0.5 percentage points, respectively, pushing the deficit one percentage point higher to the 3% threshold. ”

featured in the Draft Budgetary Plan for 2019 (2019 Plan), which are essentially identical to those in the subsequent draft 2019 GSB (Lago-Peñas, 2019), and then layer in the possible sources of additional tax revenue outlined in the coalition agreement. Because the 2019 Plan includes more precise calculations and measures affecting total public revenue that are absent from the agreements with other parties, these calculations are less uncertain. Such an approach gives us an idea of how much room the coalition government has to increase expenditure over and above the

no-policy-change scenario underpinning the 2020 Plan, which already includes wage increases for public employees and higher pensions.

Table 1 presents the government's and AIReF's estimates for each of the new revenue measures included in the 2019 Plan and for the increase in the social security earnings cap, a measure only decided on by the government after it sent the Plan to the European Commission. Layering the latter measure in puts the government's estimate

Table 1

Revenue measures included in the Draft Budgetary Plan for 2019 and assessments by the AIReF

Millions of euros

Revenue measures	Draft Budgetary Plan for 2019	AIReF estimates
Corporate income tax: Limit on double taxation exemptions and minimum rate over taxable income	1,776	(1,650 / 1,900)
Corporate income tax: Rate cut for SMEs	-260	(-242 / -278)
Tax on financial transactions	850	(420 / 850)
Tax on certain digital services	1,200	(546 / 968)
Increase in personal income tax rates in highest-income brackets	328	(245 / 255)
Green taxes (tax on hydrocarbons)	670	(649 / 693)
VAT: Rate cut for veterinary services	-35	-35
VAT: Gender equality oriented tax measures	-18	-18
Remedy of tax fraud: Limit on cash payments	218	(100 / 200)
Remedy of tax fraud: Reinforced list of tax debtors	110	(50 / 100)
Remedy of tax fraud: Best international practices for the prevention and remedy of tax fraud	500	(200 / 270)
Social security contributions following minimum wage increase	1,500	(1,500 / 1,700)
Property tax	339	(0 / 8)
<i>All measures as per budgetary plan</i>	<i>7,178</i>	<i>(5,065 / 6,613)</i>
<i>Measure not contemplated in the budgetary plan</i>	<i>--</i>	<i>(1,000 / 1,100)</i>
<i>Increase in social security earnings cap</i>		
<i>All measures</i>	<i>7,178</i>	<i>(6,065 / 7,713)</i>

Source: AIReF (2018).

“ In the no-policy-change scenario depicted in the 2020 Draft Budgetary Plan, there is already an increase included for public wages and pensions. ”

for incremental revenue (7.18 billion euros) within the confidence interval projected by the AIREF (6.07-7.71 billion euros). If we subtract the increases in the social security earnings cap that were implemented despite the vote against the 2019 GSB from those figures, as well as the estimated increases from anticipated social security contributions (*i.e.*, after the minimum wage increase) AIREF's interval decreases to 3.57-4.91 billion euros. All of which would imply an increase in revenue of between 0.3% and 0.4% of GDP.

Section 10 of the coalition agreement sets out the measures agreed on for increasing public revenue and guaranteeing budget equilibrium. In the case of corporate and personal income tax, the coalition agreement essentially mimics the contents of the 2019 Plan. The new taxes on certain digital services and the tax on financial transactions also feature in the 2019 Plan. The same is true of the VAT reduction and the measures for combating tax fraud. Lastly, the coalition agreement does not make any reference to increasing the net wealth tax, but does explicitly state that the government will “study the taxation of high net worth individuals with the aim of ensuring they contribute to a more just and progressive tax system”. In short, the coalition agreement does not include significant measures for boosting revenue different to those already quantified in the 2019 Plan and endorsed by the AIREF.

Let us depart from the European Commission's estimate for the deficit in 2020 in the above-mentioned no-policy-change scenario depicted in the 2020 Plan (2.2%). Implementation of all of the revenue measures outlined to date would put the overall deficit at 1.8% in the best-case scenario. That figure would neither comply with the 2019-2022 Stability Programme target nor would it

deliver the targets for reducing the structural deficit in 2020 (-0.65% of GDP).

Furthermore, the period contemplated in Transitional Arrangement One of Organic Law 2/2012 of April 27th, 2012, on Budget Stability and Financial Sustainability ended on January 1st, 2020. The limits stipulated in articles 11 and 13 of that legislation are now in full effect. Specifically, article 11 stipulates that: “no public administration may incur a structural deficit, defined as the cyclically-adjusted budget balance net of one-off and temporary measures. However, in the event of structural reforms with budgetary effects in the long term, in keeping with European legislation, Spain may incur an overall structural deficit of 0.4 percent of gross domestic product expressed in nominal terms, or the percentage stipulated in European legislation to the extent lower”. Additionally, the organic law in question implements article 135 of the Spanish constitution, which stipulates that: “Neither the State nor the Autonomous Communities shall enter into a structural deficit beyond the limits stipulated, if applicable, by the European Union for its Member States [...] Ceilings on structural deficit and public debt volume may only be overrun in the event of natural catastrophes, economic recession or situations of extraordinary emergency which are beyond the State's control and considerably harm the State's financial situation or its economic or social sustainability, recognised as such by the absolute majority of the Congress of Deputies”.

Accordingly, it seems the implementation of the expenditure measures contained in the coalition agreement between PSOE and Unidas Podemos will require paring back other spending initiatives or additional measures on the revenue-generation front, preferably framed by a far-reaching and in-depth reform of the Spanish tax system.

Notes

- [1] The author would like to thank Fernanda Martínez and Alejandro Domínguez for their assistance.
- [2] Retrievable from <https://www.psoe.es/media-content/2019/12/30122019-Coalici%C3%B3n-progresista.pdf>
- [3] Retrievable from: <https://www.elmundo.es/economia/2020/01/09/5e162291fdddfa4418b4638.html>

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Snapshot of the FinTech sector in Spain

Spain has seen a five-fold increase in its number of FinTech firms, many of which are the result of ambitious entrepreneurs whose solutions are supporting the digitalisation of Spanish SMEs. Although FinTech firms were expected to compete directly with established banks, the two sectors increasingly collaborate through funding and innovation labs.

Santiago Carbó Valverde, Pedro Cuadros Solas and Francisco Rodríguez Fernández

Abstract: The FinTech sector has sustained considerable growth in Spain in recent years, measured by both the number of players and the private investment it has attracted. In fact, FinTech firms raised 192.93 million euros in 2019, equivalent to an average of over 4 million euros per round of financing. Most firms are the result of entrepreneurial activity

based in Spain's largest cities, such as Madrid, Barcelona and Valencia. Specifically, 93% of existing FinTech firms were established by groups of entrepreneurs, with just under 7% founded within an existing enterprise. The sector is primarily concentrated around four segments: credit, payments, investments and personal finance management. Many of these

“ The FinTech sector has grown from 78 companies in 2015 to 385 in 2019. ”

offerings are B2B solutions, with FinTech firms supporting the digitalisation of Spain's SMEs. While the initial expectation was that the Fintech players and banks would compete, there has been a marked shift towards collaboration among these two types of firms. Most notably, the banking sector frequently invests in FinTech start-ups and sponsors accelerators or incubators to support these firms in the early stages of their development.

Introduction

Although the financial sector had already begun to embrace technology in the run-up to 2007, the financial crisis accelerated this trend. The post-crisis years were shaped by the proliferation of new financial services firms with business models based on technology solutions aimed at enhancing the customer experience.

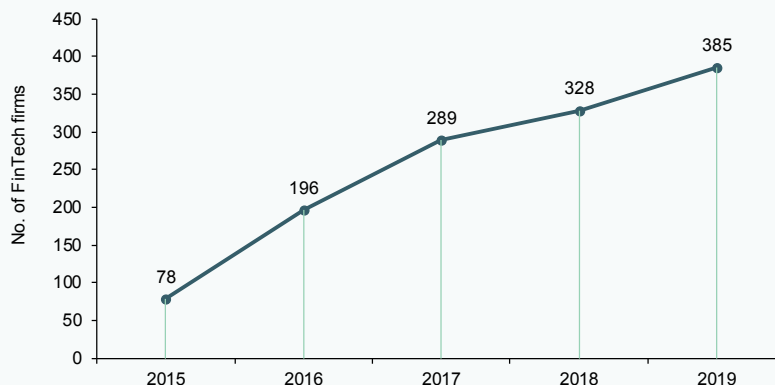
The Spanish FinTech phenomenon has left a considerable mark. As illustrated in Exhibit 1,

the sector has grown from 78 companies in 2015 to 385 in 2019- a nearly five-fold increase. The types of financial services offered have also become more diversified. Although credit and payment service providers continue to dominate, new players have emerged in personal finance management and the foreign currency arena. In some instances, FinTech players have gradually added new financial services, morphing into so-called 'neobanks' (digital-only banks).

The evolution of Spain's FinTech sector includes a changing relationship with the country's banking sector. Initially, Fintech players and banks were seen as direct competitors. However, over the last few years these firms have increasingly collaborated together. Where competition persists, evidence suggests that it is oriented around intellectual property. Indeed, over the past few years, Spanish financial institutions have invested in Spanish FinTech companies, either

Exhibit 1

Trend in the number of FinTech companies in Spain (2015-2019)



Source: Finnovating and authors' own elaboration.

“ Spanish FinTech firms are involved in 11 types of financial services. ”

by taking direct equity interests or fostering FinTech incubators and accelerators.

Overview of the Spanish FinTech ecosystem

One of the unique characteristics of the Spanish FinTech landscape is the broad spectrum of financial intermediation activities performed by the 385 FinTech enterprises. Exhibit 2 shows the breakdown of FinTech firms by activity. We identify 11 types of financial services. As shown in Exhibit 2, the majority are lenders. A total of 96 FinTech companies, one out of every four, are active in this segment. A high percentage (15.06%) of FinTech firms is devoted to payments. This category includes all the firms that provide, whether directly or through other entities, retail electronic payment services. Many of these FinTech firms are certified by the National

Securities Market Commission (CNMV) as electronic money and payments institutions.

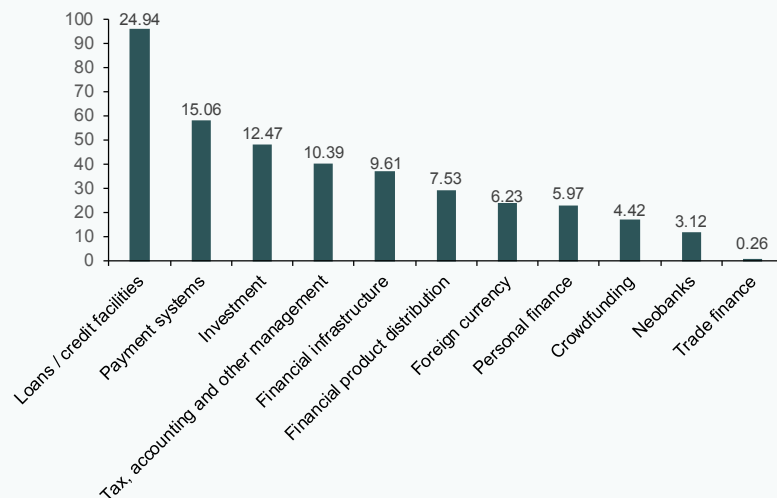
Another 12.47% are active in the investment arena. This category includes FinTech firms that provide investment advisory services on an automated basis, automated management services, investment networks, and trading platforms. Lastly, the number of firms offering accounting, tax and other management activities, which currently account for 10.39% of the total, has been growing. Exhibit 2 shows the concentration of Spanish FinTech firms –62.86%– in the above four categories: lending, payments, investment and tax/accounting.

Exhibit 2 further highlights a unique characteristic of the Spanish FinTech sector. While Europe stands out for the proliferation

Exhibit 2

Breakdown of FinTech firms by segment of activity

Percentage



Source: Finnovating and authors' own elaboration.

“ Unlike the broader European FinTech trend, only 5% of Spanish FinTechs have relied on crowdfunding platforms. ”

of crowdfunding platforms, in Spain there are just 17 FinTech firms –less than 5% of the total– of this kind. Exhibit 2 also evidences the advent of the ‘neobanks’. In many cases, the neobanks are FinTech firms that were set up to specialise in lending or payments and have gradually expanded their service offerings to become ‘new digital-only banks’.

Table 1 depicts some of the key characteristics of Spain’s FinTech players in terms of their founding and business models. On average they have 2.03 founders. The vast majority are the result of individual entrepreneurship. Indeed, 93% of existing FinTech firms were established by groups of entrepreneurs, with a broad range of professional backgrounds. These entrepreneurs shared the common aim of developing innovative ideas in financial digitalisation. Only a small portion –under 7%– were founded within an existing enterprise.

Table 1 also evidences how geographically concentrated these firms are. Over half of all existing FinTech firms (56%) are located in Madrid. Another 19% reside in Barcelona and 7%, in Valencia. Just two out of every 10 FinTech firms are located outside of these three provinces. Unquestionably, these hubs’ dynamic business landscapes, economic strength and relatively greater opportunities for scaling up are the reasons for their ability to attract the bulk of Spain’s FinTech activity. Moreover, some of these regions have actively pushed the creation of FinTech hubs.

As for their business model, Table 1 reveals that 56% of FinTech firms target their activities at other firms, offering intermediation services or interim financial solutions. In many cases, FinTech firms’ customers are small and medium-sized enterprises (SMEs). As a result, many FinTech firms are supporting SMEs’ digital transformation through services, such

Table 1

Key characteristics: Founders, location of start-up and business model

Nº of founder	2.03
Start-ups, %	93
Existing firms, %	7
Location of start-up	
Madrid, %	56
Barcelona, %	19
Valencia, %	7
Rest of Spain, %	19
Business model	
B2B, %	56
B2C, %	34
B2B & B2C, %	10

Source: Dealroom.co, Sabi and authors’ own elaboration.

“ Over half of all existing FinTech firms (56%) are located in Madrid. ”

Table 2 **FinTech funding trends in Spain, 2015-2019**

	Round	Money raised (€ m)	Money raised/ round (€ m)	Top 10, %	Rest, %
2015	40	33.80	0.85	47	53
2016	51	25.22	0.49	78	22
2017	62	90.81	1.46	79	21
2018	49	79.62	1.62	77	23
2019	46	192.93	4.19	90	10
Total	248	422.38	1.70	95	5

Source: Dealroom.co and authors' own elaboration.

as electronic payment platforms that enable SMEs to sell their products and services online. Some 34% of FinTech firms clearly target end customers. These firms essentially facilitate personal finance/wealth management and investment.

Another noteworthy aspect of Spanish FinTech firms is their funding structure, which is key to their ability to grow and achieve the scalability needed to generate profits. Table 2 shows how Spanish FinTech firms have been financing their growth. There have been 248 rounds of financing, raising over 400 million euros, since 2015. Over half of those rounds have taken the form of seed capital or venture capital, the key difference between the two being the relatively larger investment size associated with the latter.

Recently, the sector has attracted new financing mechanisms such as ‘media for equity’

arrangements. This consists of the major audiovisual groups offering FinTech firms advertising time on their television and radio channels in exchange for equity interests. It is a financing method more commonly seen in the UK and Germany but one that is beginning to proliferate in Spain, particularly for FinTech players that have surpassed certain milestones and are looking to build scale by means of mass advertising.

Although the number of financing rounds has not varied significantly from one year to the next, the highest number was recorded in 2017 (62 rounds). The amount raised has been increasing gradually. In 2019, FinTech players raised 192.93 million euros, equivalent to an average of over 4 million euros per round. Those figures evidence the sector’s traction, marked by FinTech companies with more advanced projects and a greater ability to attract private financing

“ In 2019, 90% of the 192.93 million euros raised was captured by the top 10 deals. ”

“ Between 2015 and 2019, 8 financial institutions participated in 13 rounds of financing. ”

to continue to fund their growth. Table 2 also illustrates the concentration of that financing. The percentage of funds garnered by the top 10 rounds of financing has been increasing. In 2019, 90% of the 192.93 million euros raised was captured by the top 10 deals.

The relationship between FinTech firms and the Spanish banking sector

When the FinTech phenomenon began to take off in the wake of the crisis, the relationship between these newcomers and the banking sector was viewed through the prism of direct competition. The advent of new financial service providers in the context of growing financial digitalisation meant that FinTech players and established financial institutions saw each other as natural competitors. However, that perception has shifted over time as banks and Fintech firms have explored the possibilities of collaboration. New terms have been coined to define their relationship, including ‘co-opetition’, a portmanteau of cooperation and competition. The idea is that

two competitors come together to collaborate in the hope of attaining mutually beneficial results.

In parallel, the banking sector has learned from FinTech’s innovation thrust. For example, banks have invested in many FinTech firms. Table 3 shows that between 2015 and 2019, 8 financial institutions participated in 13 rounds of financing. That figure remains small by comparison with the total number of rounds during the period (248) but is concentrated during the last two years. This trend echoes the recent shift in the configuration of FinTech-bank relations, with the traditional banks emerging as prominent investors since 2018. Moreover, the money raised in these rounds is above the period average (9.14 million euros). Half of the investor banks participated in the 10 largest financing rounds, mostly at the earlier stages of development.

The Spanish banking sector’s role in the FinTech sector also consists of providing logistics and financial support during the earliest stages of development via incubators

Table 3 **Equity investments in Spanish FinTech firms by the Spanish banks, 2015-2019**

		2015-2019
Investments	Rounds of financing	13
	Participating banks	8
	Average raised in rounds in which banks participated (€ m)	9.14
	Banks participating in the top 10 financing rounds	4
Incubators/ accelerators	Nº of incubators	4
	Banks	4

Source: Dealroom.co and authors' own elaboration.

“ Analysis shows the coexistence of smaller FinTech players at the initial stages of development that have a limited ability to attract private financing and more established firms capable of drawing large sums of money to fund their growth. ”

or accelerators. These vehicles act as digital innovation hubs in which selected projects are given the opportunity to thrive in a collaborative arrangement with the bank. The aim is to create technological solutions that support emerging business models. At present, there are 4 active FinTech incubator projects spearheaded by Spanish financial institutions. The pioneer incubator was set up in 2016 –it was named “Bankia FinTech by Insomnia” and located in Valencia– and has completed a total of 5 calls for participation, nurturing the development of more than 50 FinTech start-ups.

Conclusion

In this paper, we have analysed developments in the Spanish FinTech sector and its relationship with conventional banks. The main conclusions are:

- The Spanish FinTech ecosystem is currently five times the size it was in 2015. That growth has been accompanied by diversification in the range of financial services offered by these firms. Although still less significant in quantitative terms as compared to the traditional banking sector, it provides the climate for noteworthy innovation and technological development.
- Over half of Spain’s FinTech firms (62.86%) are concentrated in four lines of business: lending, payments, investment and tax/accounting. Moreover, the majority are the result of start-ups, created in Spain’s biggest cities (Madrid, Barcelona and Valencia), with business models targeted at servicing other firms (B2B).
- The Spanish FinTech sector has attracted 422.38 million euros of investment since 2015. An analysis of this financing shows the

coexistence of smaller FinTech players at the initial stages of development that have a limited ability to attract private financing and more established firms capable of drawing large sums of money to fund their growth.

- Banks have gradually increased their presence in the FinTech sector, taking direct equity interests in FinTech firms and establishing incubators and accelerators to foster the growth of earlier stage start-ups. Such activity has grown most notably since 2018.

Overall, the FinTech sector has developed considerably in Spain in terms of the number of players and their ability to attract ongoing funding. It is marked by a shift towards models of ‘co-opetition’ with the banking sector, in which the banks and more developed FinTech firms strike collaboration agreements, albeit continuing to compete in certain niche areas.

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Shift in retail money from funds to deposits

The past year has seen a reversal of capital flows from previously dominant mutual funds to demand deposits, despite the continued decline in interest rates. This dynamic indicates a growing sense of caution and sensitivity among households, which could contribute to greater volatility in households' financial asset allocation decisions and financial markets in general.

Ángel Berges, Federica Troiano and Fernando Rojas

Abstract: The growth in the volume of retail customer funds managed by Spain's financial institutions has accelerated in the last year from the scant 1% observed in prior years to nearly 4%. This development has occurred in tandem with a two-percentage point increase in the savings rate. Of particular note is the shift from mutual funds to demand deposits.

While the former attracted increased capital after 2012 thanks to the strong performance of equity markets and ultra-lax monetary policy, this trend has lost steam over the past year in both Spain and other main EU markets. Specifically, assets under management contracted by around 4 billion euros in Spain with bank deposits growing by 37 billion

“ Assets under management reached a bottom at 122 billion euros in the summer of 2012, recovering thereafter to reach 273 billion euros by the summer of 2018. ”

euros. Such a reversal is curious given the continued decline in demand deposit interest rates, indicating growing caution among households due to global uncertainty as well as increasing sensitivity to swings in the value of holdings. Importantly, these changes in risk appetite could lead to greater volatility in households’ financial asset allocation decisions, with potential implications for financial stability.

Introduction

The volume of retail customer funds has grown close to 4%, from a scant 1% in previous years. This is consistent with a similarly significant recovery in the household savings rate, which topped 7% of gross disposable income in mid-2019, up from less than 5% a year earlier. Importantly, the rise in the savings rate is reason for caution amidst growing economic uncertainty.

More significant, however, than the overall trend in customer funds is the notable shift

in the composition between their two major components –bank deposits and mutual funds– from the latter to the former. This shift has interrupted the non-stop upward trend observed in mutual funds since the peak of the crisis in the summer of 2012. Factors that triggered the trend include: (i) the ECB’s decisive message (the now-famous “whatever it takes”); (ii) a political commitment to completing Banking Union; and, (iii) the rapid execution of Spain’s financial assistance programme in summer 2012, which marked the start of an extraordinary period of growth in mutual funds, which would receive the bulk of household savings throughout the ensuing years.

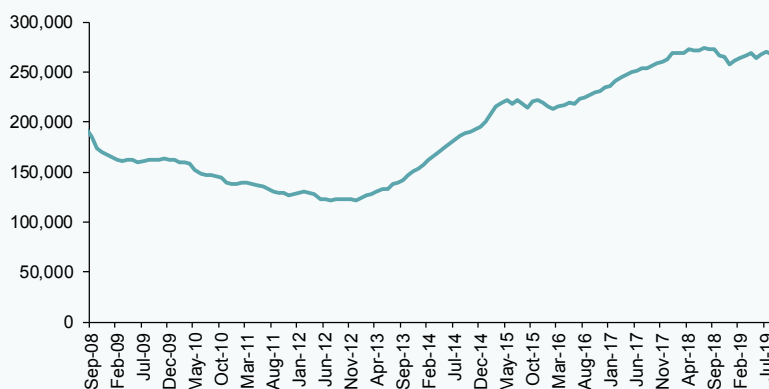
2012-2018: The growth of mutual funds

Exhibit 1 illustrates the trend in assets under management in Spanish mutual funds over the past decade. Those assets contracted during the early years of the crisis, as the securities markets corrected sharply. Assets under

Exhibit 1

Assets under management in mutual funds in Spain, 2008-2019

Millions of euros



Source: Afi, Inverco.

management reached a bottom at 122 billion euros in the summer of 2012, recovering thereafter to reach 273 billion euros by the summer of 2018.

The growth in assets under management over the course of the six-year period (150 billion euros) was shaped by two dynamics. The first related to valuation growth (~25 billion euros), which was driven by well-performing markets. The second, and most important driver, is the significant contributions by unitholders. Those mutual funds subscriptions, which reached around 125 billion euros over the course of six years, accounted for a very important chunk of household savings. Moreover, they outpaced the growth in deposits over the period, which amounted to a much lower 80 billion euros.

Shift to deposits

As already analysed in an earlier paper by Berges, Rojas and Troiano (2018), *The structure of customer deposits in the Spanish banking system*, the growth in mutual fund assets at the expense of deposits was strongly driven by the rollout of an ultra-lax monetary policy. This in turn led to a sharp reduction in the interest rates relevant to the banking business. This trend was supported by the absence of liquidity problems, which was influenced by the drop in credit activity, derived from a demand problem by the private sector that did not go to the banking channel for financing, as well as the virtually unlimited capacity of resorting to the European Central Bank (ECB) to obtain liquidity.

However, that systematic growth in mutual fund assets lost steam over the past year (Exhibit 1). Indeed, assets under management have contracted by around 4 billion euros in the last year. That contraction has coincided with noteworthy growth in bank deposits, which have increased by 37 billion euros, albeit heavily skewed towards demand

deposits (+69 billion euros), at the expense of term deposits (-23 billion).

While the switch from deposits to funds between 2012 and 2018 was mainly attributable to the drop in the deposit interest rates, the reversed dynamic does not explain the subsequent recalibration, as rates have continued to trend lower. There has even been talk of penalising certain deposits with negative rates (deposits placed by corporates and high net worth individuals) in order to offset the negative rate (-0.5%) applied to the liquidity placed with the ECB's deposit facility.

Understanding the drivers of the trend

It is therefore necessary to identify the factors behind retail investors' paradoxical retreat from mutual funds just as their savings are registering strong growth. Why are they earmarking all of their financial investments to a single product, namely demand deposits, which are not offering remuneration and are clouded by the spectre of negative rates?

Before considering the factors driving this paradoxical trend, it is worth highlighting that the growth in deposits at the expense of mutual funds when deposits interest rates are low is not exclusive to Spain. This dynamic has been observed across the main European economies (Germany, France and Italy), as illustrated in Exhibits 2 and 3, which depict the year-on-year changes in deposit and mutual fund holdings in each of those countries. In every case, the trend is similar to that observed in Spain: significant growth in household bank deposits, with growth in mutual fund assets clearly slowing and even contracting in Spain and France.

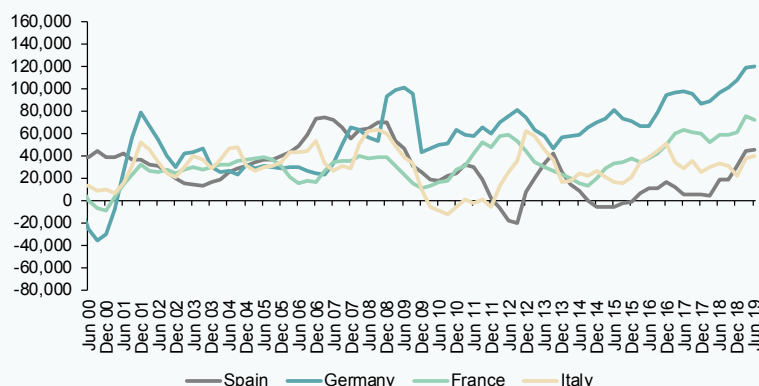
Focusing on the situation in Spain, we have broken down the contraction in mutual fund

“ Bank deposits have increased by 37 billion euros, albeit heavily skewed towards demand deposits (+69 billion euros), at the expense of term deposits (-23 billion). ”

Exhibit 2

Household deposits

YoY change, millions of euros



Sources: Afi, ECB.

assets into its two key components: the net change in subscriptions and revaluation by unitholders as well as the portfolio valuation effect. This analysis reveals that since the peak of September 2018, assets under management have decreased by 5 billion euros. Specifically,

4 billion euros of the contraction is attributable to the valuation effect and 1 billion to a net outflow of holdings.

The change in the attitude of Spanish and European households away from mutual funds

Exhibit 3

Mutual fund assets held by households

YoY change, millions of euros



Sources: Afi, ECB.

“ Since the peak of September 2018, assets under management have decreased by 5 billion euros, largely attributable to valuation effects. ”

at a time when there is no opportunity cost to eschewing deposits can only be attributed to a higher degree of caution. That renewed investor caution –or risk aversion– is also displayed in the trend of movements between the various classes of funds. Significantly, the overall net outflow of 1 billion euros during the past year masks two starkly different trends between pure fixed-income funds (net subscriptions of close to 8 billion euros) and those with higher exposure to equities (pure equity, mixed, global and absolute return funds), in which redemptions have outstripped subscriptions by a little over 8 billion euros.

The heightened risk aversion is likely attributable to both a global economic environment rife with uncertainty and a ‘self-fulfilling prophecy’ whereby a number of fund holders exhibit sensitivity to the swings in the value of their holdings. Indeed, the net outflow of capital from mutual funds

with greater exposure to equities intensified in the final months of 2018 and the early months of 2019, following a period of adverse performance by the equity markets with very negative implications for portfolio valuations.

The negative feedback loop and implications

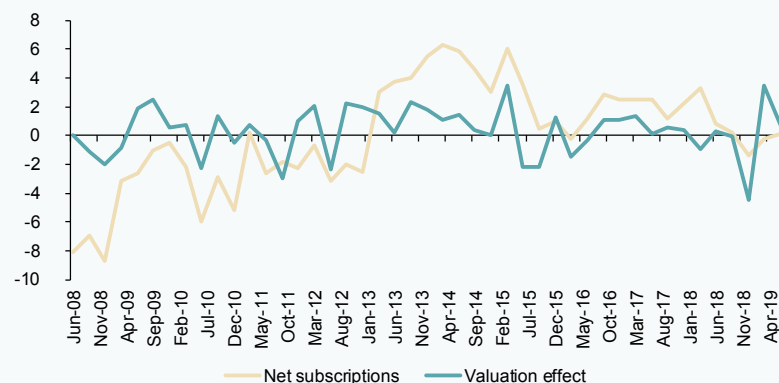
The correlation between fund performance and the subsequent trend in subscriptions and redemptions indicates a negative feedback loop. This is a situation that supervisors strive to avoid in the securities market by requiring managers to include in their prospectuses the classic disclaimer that “prior returns are no guarantee of future performance”.

In order to analyse whether such a feedback loop is affecting mutual funds in Spain today, we have broken the change in assets under management down into its two components: (i) the valuation effect; and (ii) net subscriptions/redemptions. We then

Exhibit 4

Cumulative net subscriptions and valuation effect by quarter

Percentage



Sources: Afi, Inverco.

“ Fund subscriptions are expected to recover towards the end of 2019 and in the early part of 2020, as the markets’ strong performance in 2019 trickles down to portfolio valuations and statements. ”

measured the two components by quarter, expressing the changes as a percentage of net asset value (NAV) at the start of each quarter.

Exhibit 4 reveals how closely correlated the two components are, verifying the existence of the above-mentioned feedback loop, or ‘herd behaviour’ as it is known in financial circles.

The trend in net subscriptions (subscriptions less redemptions) is also very closely correlated to the trend in portfolio valuations with a one-quarter time lag. This suggests investors adjust their investment behaviour to the performance observed in their funds with a bit of a lag, likely between the market trend in question and the fund statements received by investors. If that is indeed the driving force, we can posit that fund subscriptions will recover towards the end of 2019 and in the early part of 2020, as the markets’ strong performance in 2019 trickles down to portfolio valuations and statements.

Conclusion

Regardless of these developments, it is worth emphasising that while the weight of mutual funds in household savings in Spain still trails that of neighbouring economies, it reflects an assumption of risk in this segment of the economy. This in turn could lead to greater volatility in households’ financial asset allocation decisions. That heightened volatility, and its potential implications for financial stability, explain the growing interest of organisations such as the International Monetary Fund (2019) and the International Organisation of Securities Commissions (2018) who are concerned about the ability of the funds, and institutional investment community as a whole, to absorb the liquidity shocks associated with sudden shifts in investor preferences, which are closely correlated with sharp increases in market volatilities.

Paradoxically, these potential liquidity shocks can be more intense in fixed-income funds than in equities funds for two reasons. Firstly, households are less prone to absorb losses on their fixed-income holdings than on their equity investments. Secondly, liquidity in the fixed-income markets has decreased considerably following the massive bond purchases by the central banks (essentially the ECB), eroding those markets’ ability to absorb sudden sale orders by funds in the event of potential interest rate hikes.

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The greening of the ECB

Christine Lagarde has signaled her desire to ‘green’ the European Central Bank (ECB), a statement that has both garnered applause from climate change activists and alarmed orthodox monetarists. While the ECB does have a dual mandate and numerous instruments at its disposal to achieve Lagarde’s objectives, there is concern that such actions could undermine the political independence of the central bank.

Erik Jones

Abstract: Incoming ECB President Christine Lagarde has signaled a commitment to ‘green’ the ECB. In this regard, the ECB could potentially support efforts to adapt to climate change through changes to supervisory requirements, credit rating agencies’ methodologies, and/or its own formulas for macro-prudential supervision. It could even intervene in financial markets under a

‘green’ asset purchase program, however this could potentially create distortions, while effectiveness would be conditioned on the timing of such programs. The institution could even consider the use of its own investment portfolio to meet such objectives, creating a signalling effect. Nevertheless, to date, former ECB presidents have interpreted this dual mandate as prioritizing price stability over

any economic policy objective. Thus, critics have expressed concern that going beyond that, *i.e.*, with the ECB's foray into climate change activism, could undermine the political independence of the central bank.

Introduction

Christine Lagarde is not Mario Draghi. She admitted as much in her first encounter with the Economic and Monetary Affairs Committee of the European Parliament. During the question and answer session, she joked with committee members that she is still learning German and hopes one day to be able to answer their questions in that language. She also joked that she is still learning to speak like a central banker. That language is very precise, she insisted:

“So bear with me, show a little bit of patience, don't over-interpret, if I may say so. I will have my way of also addressing some of the key issues that have to do with monetary policy.” [1]

Lagarde repeated this theme in her first press conference last December. She told the assembled journalists that they are an important audience, but that she also must speak to a wider public. She explained that this is likely to create confusion, particularly as she acclimates to her new position. And she admitted that she has not yet mastered the many details related to the conduct of monetary policy or the deeper infrastructure that underpins European financial markets. She is learning, but by her own admission, she is not there yet. [2]

Lagarde's rhetoric reveals her intentions both to disarm her critics and to achieve her central objective — to bring the European Central Bank closer to the people of Europe; to make the ECB more relatable and more transparent; and to help the people understand both not

just that monetary policy is 'important', but that it is also relevant. As Lagarde deepens her knowledge of monetary policy, so will the rest of Europe.

The fight against climate change is another tool that Lagarde has at her disposal. During her confirmation hearings before the European Parliament last October, Lagarde announced her intention to use whatever instruments the ECB has at its disposal to help 'in sustaining global cooperation' to prevent climate change. [3] She reiterated that commitment when she testified before the Economic and Monetary Affairs Committee and again in her press conferences in December and in January. Moreover, she has linked this commitment to a strategic review of the conduct of monetary policy — putting everything on the table, including the definition of the ECB's policy objective.

This commitment has attracted considerable attention. [4] It has also created some uncertainty in the markets about what the ECB can do and how much that effort might change (or challenge) the conduct of monetary policy. That uncertainty revolves around three issues: the ECB's mandate; its instruments together with its functioning as an institution; and its political independence.

The ECB's dual mandate

The Statute of the ESCB agreed at the time of the Maastricht Treaty gives the European Central Bank a dual mandate with a clear hierarchy. As Article 2 of the Statute makes clear:

The primary objective of the ECB shall be to maintain price stability. Without prejudice to the objective of price stability, it shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union

“ Lagarde has announced her intention to use whatever instruments the ECB has at its disposal to help 'in sustaining global cooperation' to prevent climate change. ”

“ Former ECB President Duisenberg argued that the ECB’s contribution to the European Union’s broader economic objectives is the achievement of price stability. ”

as laid down in Article 3 of the Treaty on European Union. [5]

When that Statute was drafted, Article 3 of the Treaty on European Union (originally numbered Article 2) included a broad range of issues running from cohesion across countries to sustainable growth and employment. In the years that preceded the start of Europe’s economic and monetary union, the European Council continued to broaden the range of economic policy objectives. Meanwhile, the Council of Economic and Finance Ministers (ECOFIN Council) gave more precise structure in the elaboration of Broad Economic Policy Guidelines as part of the pattern of macroeconomic policy coordination.

The problem for the first ECB Governing Council as it began to meet in 1998 just prior to the launch of the single currency was to choose between the ever-widening policy objectives set out in the Treaty (and referred to by the Statute) or the more precise policy guidelines set out by the ECOFIN Council. It was also to decide how to explain which of the Broad Economic Policy Guidelines the ECB would support provided it had met its objective of price stability.

For then German Finance Minister Oskar Lafontaine, this problem was not theoretical. He wanted the ECB to focus on unemployment and to lower interest rates accordingly (Jones, 2000). This brought Lafontaine into conflict with then ECB President Wim Duisenberg. Duisenberg was uncomfortable announcing that the ECB had achieved price stability when the Governing Council was still trying to understand the new aggregates used to measure price inflation across the monetary union and when it was only just starting to experiment with a dual approach to defining what price stability means, using both expected inflation over the medium-term

and a targeted growth rate for the broad monetary aggregate (M3). In response to Lafontaine’s insistence that the ECB do more to tackle unemployment as part of its dual mandate, Duisenberg argued that the ECB’s contribution to the European Union’s broader economic objectives is the achievement of price stability:

“A climate of price stability is the best thing we can deliver; and to the extent that we deliver price stability, then, as the Treaty says, without prejudice to the price stability, monetary policy should and will contribute to the other economic roles as specified in Article 2 [now Article 3] of the Treaty on European Union.” [6]

Duisenberg reiterated that argument about the ECB’s dual mandate throughout his time as ECB president and long after Lafontaine resigned from the German Finance Ministry. Moreover, both Jean-Claude Trichet and Mario Draghi picked up on that refrain. In this way, successive ECB presidents tied the two sides of the ECB’s dual mandate together so tightly that it became easy to ignore the fact that the ECB even has a dual mandate. Instead, it became commonplace to assert that the ECB’s mandate is to secure price stability.

This tension shows up clearly when Lagarde talks about the possibility for the Governing Council to support the Green Deal of the European Commission. On the one hand, Lagarde is quick to point out that such support is possible insofar as the ECB has a dual mandate. On the other hand, she is quick to insist that the ECB’s mandate is to ensure price stability.

For those who worry most about fighting climate change, only the broader mandate is important. They want to see how much and how quickly the ECB can throw its weight

behind their goals. Their goal is to encourage Lagarde to take action. For those who focus more narrowly on price stability, the question is how to enforce this priority. Even accepting that the dual mandate allows the ECB to support the broader economic policies of the European Union, they want a clear sense of how the Governing Council will know it has achieved the goal of price stability; they also want to know how the Governing Council should determine whether efforts to support the fight against climate change will not get in the way of that objective.

A choice of instruments

The debate between climate change activists and orthodox monetarists has a technical dimension insofar as it touches on the whole range of instruments deployed by central banks, including the ECB, from financial supervision to outright asset purchases and open market operations. Each of these instruments has a powerful impact on the financial economy. As a result, each is also surrounded by controversy. Hence the opportunities for effective central bank involvement are more limited than many might anticipate (Honohan, 2019).

For example, the ECB can support efforts to adapt to climate change by requiring banks to build climate risks into their supervisory requirements; the ECB can also encourage other financial market participants like credit ratings agencies to make the role of climate risks more explicit in their analysis; and, it can add climate risks to the formulas it uses for broader financial stability planning or macro-prudential supervision. Such actions will create incentives for financial institutions to reallocate their portfolios away from assets that foster climate change and also from assets that are exposed to the negative consequences of any damage done to the environment — and

toward assets that help to mitigate climate change or to respond to any necessary adaptation or adjustment. The question here is whether the regulators, the credit ratings agencies, or the financial institutions fully understand the risks involved in a process so large and so complex. There is good reason to believe they do not — in which case, the first requirement is to begin sorting out what kind of modeling or conceptual foundations are necessary to differentiate between how different firms are exposed to potential losses and what kind of systemic implications such losses entail (Bolton *et al.*, 2020).

The ECB can also intervene more directly in financial markets. For example, the Governing Council can lower the haircuts charged on (or reduce the eligibility requirements for) ‘green’ assets pledged as collateral in routine financial operations. Alternatively, the Governing Council can skew the structure of its direct asset purchases away from ‘brown’ industries and toward assets created to support ‘green’ finance initiatives. As Lagarde has been quick to admit, however, the challenge in this area is three-fold:

- First, the European Commission has not come out with a clear ‘taxonomy’ of which assets are ‘green’, which are ‘brown’, and which fall into the shades in between. Moreover, this taxonomy is not a simple matter of categorizing the firms that create these assets: even otherwise ‘brown’ firms are involved in ‘green’ ventures and so it is important ‘to be extremely granular’, borrowing one of Lagarde’s phrases, in examining the uses of the asset in order to avoid creating perverse incentives. [7] There has been progress made in negotiations between the Council and the European Parliament, but the final legislation is still to be completed and will not come into effect until the end of 2021. [8] Hence, relying

“ The question here is whether the regulators, the credit ratings agencies, or the financial institutions fully understand the risks involved in a process so large and so complex. ”

“ A change in the investment of ‘other assets’ would not implicate the conduct of monetary policy but would instead touch upon the ECB as an institution. ”

on the commercial paper side of the ECB’s asset purchasing program is anything but straightforward.

- Second, the European Central Bank has a responsibility to avoid creating market distortions and the supply of tailor-made ‘green’ assets is simply too small for the ECB to intervene in an effective manner. The bank has already purchased some of these assets, both from the corporate sector and from the official sector, including the European Investment Bank; indeed, analysis published by the ECB in 2018 shows that the percentage of ‘green’ assets already acquired is on a par with ECB holdings of other assets (De Santis *et al.*, 2018). Doing any more would threaten to distort markets. Worse, there is little evidence that it will generate much of a positive effect in terms of relative financing costs (Honohan, 2019).
- Third, the large-scale asset purchasing program is designed to be temporary rather than permanent. At some point in the future, the ECB will seek to scale down its balance sheet as part of the normalization of monetary policy. In turn, this will require the ECB to scale down both the net purchases and eventually also the holdings of any green assets. By implication, the effectiveness of any ECB intervention through outright purchases will be only temporary as well and also subject to reversal. These actions may be unpopular –particularly among climate activists, as noted by Bundesbank President Jens Weidmann– but, as Lagarde has insisted repeatedly, the ECB’s responsibility for price stability comes first. [9]

Another instrument that the ECB could consider is its own investment portfolio –meaning, not the balance sheet that it holds for the Eurosystem as a whole, but the assets

it acquires to fund operational expenses, pensions and the like. These ‘other assets’ – in the language of the ECB’s annual report – are worth roughly €20 billion. Their purpose is to maximize risk-weighted return in order to ensure that the ECB meets its financial obligations as reported in profits and loss. Just over 60 percent of these assets have a maturity of one year or more (ECB, 2019). And, Lagarde has suggested, it should be possible to skew the distribution of this portfolio toward the acquisition of ‘green’ assets:

“[W]e clearly also have to include climate change imperatives in our investment operations –the ones we do for our own portfolio– and we also have to include that in the management of the pension fund.” [10]

Such a change in the investment of ‘other assets’ would not implicate the conduct of monetary policy but would instead touch upon the ECB as an institution. The result would not be as dramatic as further operations on the balance sheet for monetary policy operations, but it would be non-negligible. As Lagarde put it in her January press conference: “small rivers make very large oceans eventually when they are protected.” [11] To give a sense of the relative magnitudes, Table 1 provides estimates from the ECB of the total stock of ‘green’ assets eligible for inclusion in both the corporate sector asset purchasing program and the public sector asset purchasing program together with the percentage already held by the ECB on its monetary policy portfolio. The scale is closer to the size of the ‘other assets’ portfolio than might be imagined. Moreover, such a change in investment policy would send an important signal of the ECB’s determination –as an institution– to lend its weight to the fight against climate change and to set an example for others to follow.

“ The problem is that even a marginal use of the ECB’s monetary instruments to support other economic objectives opens a Pandora’s box of political considerations. ”

Table 1 **ECB exposure to green assets as a share of eligible securities**

	Value of eligible securities	Share held by ECB
Public sector purchasing program	€48 billion	24%
Corporate sector purchasing program	€31 billion	20%

Source: De Santis et al., 2018, pp. 23, 26.

Political independence

The symbolism of directing the ECB as an institution would fit well with one of the key objectives of Lagarde’s agenda – to bring the institution closer to the people. Indeed, it would work much better than any attempt to qualify the use of monetary policy instruments with the goal of underpinning green finance. Most importantly, such an act would help to insulate the ECB from engaging too openly in distributive politics. If the Governing Council can use its large scale asset purchasing program to nurture green finance, then it could also use its balance sheet to encourage greater regional cohesion or social solidarity – two goals that lie at the core of the broader economic objectives in the Treaty on European Union and that have been decided time and again by European institutions.

The problem is that even a marginal use of the ECB’s monetary instruments to support other economic objectives opens a Pandora’s box of political considerations. That is why successive ECB Presidents have chosen to tie the two sides of the bank’s mandate so closely together. It is why Jens Weidmann expressed concern that “a monetary policy which pursues explicitly environmental policy objectives is

at risk of being overburdened.” [12] And it is why Lagarde “agree[s] with Mr. Weidmann” that “we can be effective in participating in the fight against climate change ... [but] this ... does not turn us into having, as mandate number one, the fight against climate change.” [13] The ECB can help improve the models that are used to understand the risks involved, it can look at the margins of its monetary policy activities to see where they might have some positive influence, and it can commit itself as an institution to set an example and to serve as a focal point for coordination.

Doing any more than that, however, would bring the ECB into the realm of political decision making and it would jeopardize the bank’s political independence. The result would be to make the ECB more controversial and not less. It would also make it harder for European citizens to understand why the Governing Council is doing what it is doing. These things all run against one key element of Lagarde’s agenda – bringing the ECB closer to the people.

By contrast, relying more heavily on symbolic and institutional commitments pushes in the opposite direction. As the former Irish Central

Bank Governor Patrick Honohan (2019) argues:

“Central banks that have bought private securities as part of their monetary policy are behind the curve... and, in their attempt to be market neutral, risk being seen as opposed to a growing consensus for the need for private and public actions to address climate change. The opportunity for signaling endorsement of this consensus has not yet been seized. To protect their public standing they should seek a way of rejoining a more centrist position...; this too should be possible without compromising their independence from government—and indeed could ultimately strengthen broad support for that independence.”

Honohan suggests that this more centrist position could be in the form of “any new round of asset purchases” (which is the text removed in the second ellipsis). Since the goal is symbolic, however, a clear institutional commitment to greening the ECB may offer better signaling. Indeed, that seems to be where Lagarde is headed.

Notes

- [1] ‘Committee on Economic and Monetary Affairs, Monetary Dialogue with Christine Lagarde, President of the European Central Bank (pursuant to Article 284(3) TFEU), Brussels, Monday, 2 December 2019,’ (Brussels: European Parliament, 2 December 2019) p. 2. https://www.ecb.europa.eu/press/key/date/2019/html/ecb.sp191202_transcript~d4f3a2cd06.mu.pdf?78d045819d63b8fcc20d506ee59dfe91
- [2] The transcript of the 12 December ECB monetary press conference is available here: <https://www.ecb.europa.eu/press/pressconf/2019/html/ecb.is191212~c9e1a6ab3e.en.html>
- [3] ‘Opening Statement by Christine Lagarde to the Economic and Monetary Affairs Committee of the European Parliament,’ (Washington, D.C.: International Monetary Fund, 4 September 2019). <https://www.imf.org/en/News/Articles/2019/09/04/sp090419-Opening-Statement-by-Christine-Lagarde-to-ECON-Committee-of-European-Parliament>
- [4] See, for example, Gavyn Davies, ‘Central Banks Begin to Grapple with Climate Change,’ *Financial Times* (12 January 2020) <https://www.ft.com/content/eafee5dc-2e52-11ea-bc77-65e4aa615551>; Claire Jones, ‘Splits over Green QE are a Sign of the Times,’ *FT Alphaville* (15 January 2020) <https://ftalphaville.ft.com/2020/01/14/1579014159000/Splits-over-Green-QE-are-a-sign-of-the-times/>
- [5] ‘Protocol (No 4): On the Statute of the European System of Central Banks and of the European Central Bank,’ *Official Journal of the European Union* C 326 (26 October 2012) p. 230. https://www.ecb.europa.eu/ecb/legal/pdf/c_32620121026en_protocol_4.pdf
- [6] The transcript of this 1 December 1998 ECB press conference with Wim Duisenberg can be found here: <https://www.ecb.europa.eu/press/pressconf/1998/html/is981201.en.html>
- [7] ‘Committee on Economic and Monetary Affairs,’ p. 17.
- [8] The announcement of the political agreement on the taxonomy regulation between the European Parliament and the Council of the European Union was made on 17 December 2019, after Lagarde’s testimony before the Committee on Economic and Monetary Affairs. Once finalized, that taxonomy will only come into force as of December 2021. See, ‘Update on Political Agreement on the EU Taxonomy’ (Zurich: International Capital Markets Association, 19 December 2019) <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/EU-Taxonomy-Political-Agreement-ICMA-December-2019final-191219.pdf>
- [9] Weidmann’s speech on climate change, given in Frankfurt on 29 October 2019, is available here: <https://www.bis.org/review/r191029a.htm>. See also Martin Arnold and Olaf Storbeck, ‘Weidmann opposes using monetary policy to fight climate change,’ *Financial Times* (29 October 2019) <https://www.ft.com/content/60d9832c-fa3f-11e9-a354-36acbbb0d9b6>. Lagarde’s response to this argument came in the question and answer from her hearing before the Economic and Monetary Affairs Committee of the European Parliament. See, ‘Committee on Economic and Monetary Affairs,’ pp. 13–14.
- [10] Committee on Economic and Monetary Affairs,’ p. 14.

[11] The transcript of the 23 January 2020 ECB press conference with Christine Lagarde can be found here: <https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200123~0bc778277b.en.html>.

[12] Again, Weidmann's speech can be found here: <https://www.bis.org/review/r191029a.htm>.

[13] 'Committee on Economic and Monetary Affairs,' p. 13.

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The climate change challenge for the Spanish economy

The Spanish economy is making progress on reducing its greenhouse gas emissions and energy intensity, while increasing renewable energy generation. Given its energy dependence, as well as its abundance of renewable energy sources, accelerating the transition towards a low-carbon economy represents a future insurance policy and an opportunity.

Gonzalo García and David del Val

Abstract: Preliminary estimates of the European Environment Agency (EEA) show greenhouse gas emissions in the European Union decreased by 2% in 2018, having edged 0.6% higher in 2017. Although a positive trend, scenarios envisioned by the European Environment Agency indicate the EU would still miss its stated target of a 40% reduction

by 2030. The advancement of climate change will involve structural shocks with effects in the medium and long-term. However, climate change and the actions taken to stall it are bound to have a growing impact on macroeconomic performance, too. In Spain, the government estimates that emissions decreased by 2.2% year-on-year in 2018,

“ Having remained steady between 2014 and 2016, global greenhouse gas emissions spiked the following two years, largely driven by the emerging economies. ”

thanks to reduced emissions by the electricity sector, partially offset by growth in emissions in transport. Similarly, there has been an increase in the share of renewable energy and a decrease in the intensity of energy usage. Nevertheless, Spain's agricultural, energy and tourism sectors remain highly exposed to climate change. Thus, it is imperative that the country make further advancements by taking advantage of its relative abundance of renewable sources, which will also mitigate the economic cost of its dependence on imported oil and gas.

Introduction

The recent trend of rising greenhouse gas (GHG) emissions and the materialisation of the initial effects of climate change have focused attention on their macroeconomic impacts. However, this slow process is characterised by persistent effects that are hard to model. The Twenty-Fifth UN Climate Change Conference of Parties (COP25) held in December 2019 in Madrid highlighted the need for investment in accelerating the transformation towards a low-carbon economic model. General macroeconomic weakness provides an additional impetus for linking macroeconomic dynamics and efforts to stem climate change.

The most recent data on global greenhouse gas emissions have caused alarm. Having remained steady between 2014 and 2016, emissions spiked the following two years, largely driven by the emerging economies. According to the IMF, the emissions of the G-7 economies, excluding the United States, declined in 2018. In the most recent update

of his integrated assessment model of climate change, Nobel Prize-winner William Nordhaus concludes that the trends in emissions and carbon prices are far from the progress needed to deliver the targets laid down at the Paris COP. He also flags the degree of high uncertainty regarding the macroeconomic impacts, which only reinforces the pressing need for more aggressive policies.

In a symbolic move, the European Parliament and the Spanish government (just recently) have declared a climate emergency. The European Commission has also presented the broad lines of the so-called European Green Deal, an ambitious project aimed at boosting the transformation of the bloc's growth model in order to deliver GHG neutrality in 2050. In its 2021-2030 Integrated Energy and Climate Plan, the Spanish government has set targets for reducing greenhouse gas emissions and increasing renewable energy and energy efficiency.

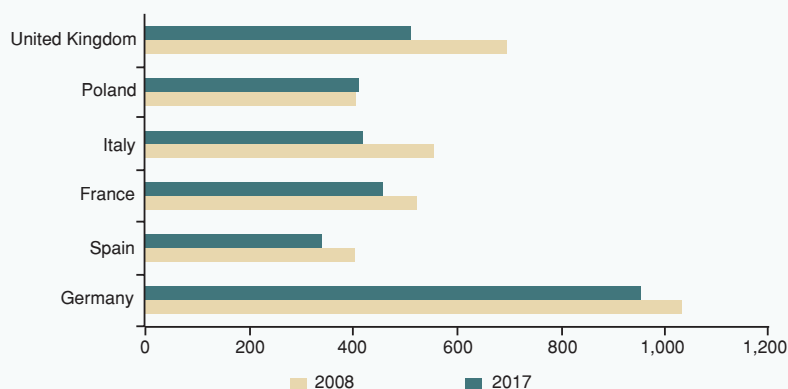
Climate change involves structural shocks with effects in the medium and long-term. However, climate change and the actions taken to stall it are bound to have a growing impact on macroeconomic performance. Developments in the European automotive industry since new emission testing regulations took effect in September 2018 is a good example. In Spain, there are idiosyncratic factors that accentuate the macroeconomic ramifications of climate change due to the country's exposure to its adverse effects and the opportunities presented by energy transition.

Relative situation in Spain

According to the preliminary estimates of the European Environment Agency (EEA),

“ Despite progress, the EU could miss its stated target of a 40% reduction in GHG emissions by 2030. ”

Exhibit 1

Selected EU economies' greenhouse gas emissionsMillion metric tonnes of CO₂ equivalent

Source: Afi, Eurostat.

greenhouse gas emissions in the European Union decreased by 2% in 2018, having edged 0.6% higher in 2017. The estimated 2018 reading marks a 23% decline from 1990 levels, which is ahead of the EU's target for a 20% reduction by 2020. With the commitments already announced, member states believe that a no-change-policy scenario would result in a 30% cut in emissions by 2030. However, proposed additional measures could result in a 36% reduction in 2030 (in all instances with respect to 1990 levels). Although a positive trend, each scenario means the EU would miss its stated target of a 40% reduction by 2030.

In Spain, emissions reached a bottom in 2013. Since the economic recovery began, emissions levels have varied, trending higher until 2017. Last July, the government estimated that emissions had decreased by 2.2% year-on-year in 2018, thanks to reduced emissions by

the electricity sector, partially offset by growth in emissions in transport.

It is worth considering the varying contributions of Spain's main sectors. Despite the scant weight of the manufacturing industry in the Spanish economy (just 12.1%, compared to 23.1% in Germany and 14.8% in Sweden), it is responsible for 23.7% of total emissions, a percentage that is well above the EU average. The private transport sector also stands out negatively in both absolute and relative contribution terms. On the other hand, higher temperatures in Spain mean that emissions caused by central heating are not particularly high.

The trend in emissions depends on GDP and population growth as well as two key energy sector parameters: energy intensity and the use of renewable sources. The former affects the demand for energy relative to GDP, while

“ The Spanish private transport sector stands out negatively for both its absolute and relative contribution to emissions. ”

“ The change in the composition of output among Spanish sectors is responsible for a relatively higher percentage of the reduction in energy intensity compared to the eurozone average (50% vs. 25%). ”

the latter determines the emissions generated in meeting that demand. The Spanish energy sector has been improving its performance on both fronts, which has had a positive impact on emissions. However, relative to other European economies, the Spanish economy still has a long way to go in terms of making more efficient use of energy and configuring a more carbon-friendly energy mix.

The composition of demand for energy in Spain has evolved in terms of both electricity consumption and the overall energy mix (oil/gas/coal). During the recovery, demand for energy lagged growth in GDP. Energy-to-GDP elasticity, *i.e.*, the proportional change in demand for energy in response to a change in GDP, has fallen from 1.3 to 0.3. This suggests that for every point of growth in GDP, demand for energy increases by 0.3 points, compared to 1.3 points previously.

This improvement is attributable to two factors:

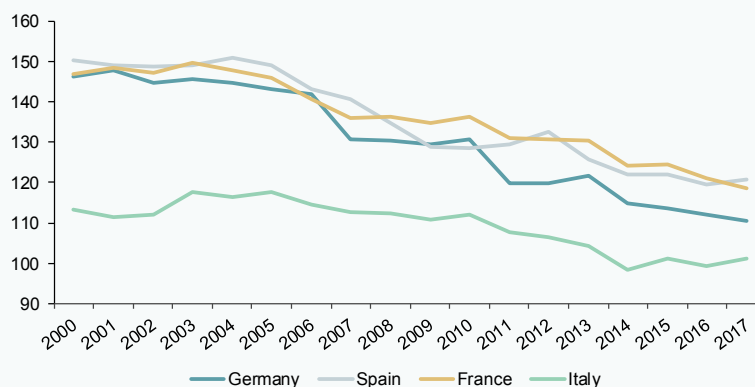
- Greater energy efficiency, which is the result of the effort being made to use energy inputs less intensely during the production processes; and,
- A change in the sectoral make-up of Spanish GDP. Since the crisis, the construction industry and the sectors that supply it (*e.g.*, non-metallic minerals) have reduced their weight in Spanish output considerably, with service sectors that use relatively less energy taking up the slack.

The result has been a reduction in the Spanish economy's energy intensity, measured as the consumption of energy in tonnes of oil equivalent (toe) per thousand euros of GDP. As shown in Exhibit 2, this trend is not exclusive to Spain. The major eurozone

Exhibit 2

Energy intensity

Tonnes of oil equivalent per 1,000 euros of GDP in real terms



Source: Afi, Eurostat.

“ The renewable energy capacity available for the generation of electric power currently accounts for 49.3% of total generation capacity. ”

economies are also improving their energy intensity. According to a study compiled by CEPREDE, an economic forecasting centre, for Red Eléctrica de España (REE), the grid manager, the change in the composition of output among Spanish sectors is responsible for a relatively higher percentage of the reduction in energy intensity compared to the eurozone average (50% *vs.* 25%). As a result, more effort will need to be made on energy efficiency. In relative terms, it is fair to say that the Spanish economy has not performed badly in terms of energy intensity, reducing this metric at a similar pace to France and by only a little less than Germany. Meanwhile, energy consumption in Spain has remained lower than in both of those economies, as well as Italy, which is logical considering the smaller size of the Spanish economy.

In addition to using less energy per unit of GDP, delivery of Spain's emission-cutting targets (which could be made even more ambitious under the European Commission's

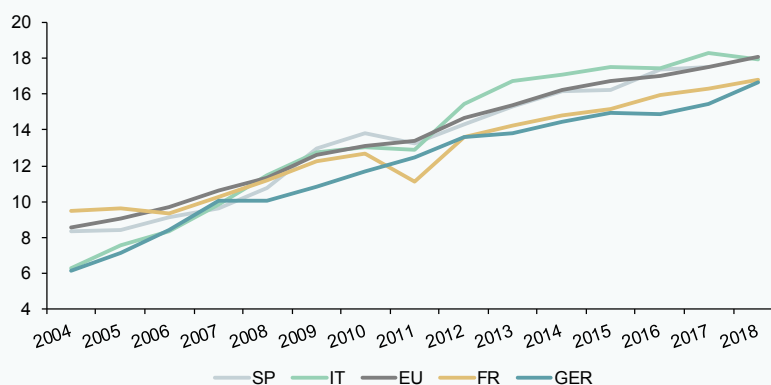
Green Deal) requires increasing the weight of renewable sources in the electricity generation mix. Renewable energy penetration in Spain, expressed in terms of total electricity consumption, is in line with the European average (17.8% *vs.* 18.1%). As revealed by Exhibit 3, the Spanish level is a little higher than that of France and Germany, though still somewhat lower than that of Italy and far below penetration in Sweden, where it has reached over 50%.

According to the most recent data published by the grid manager, Red Eléctrica, the renewable energy capacity available for the generation of electric power increased again in 2019 and currently accounts for 49.3% of total generation capacity. In parallel, coal-fired power generation capacity and usage decreased in 2019 (Exhibit 4). As a result, the percentage of electricity generation free of greenhouse gas emissions stands at 60% of the total.

Exhibit 3

Penetration of renewable energy

% of final electricity consumption

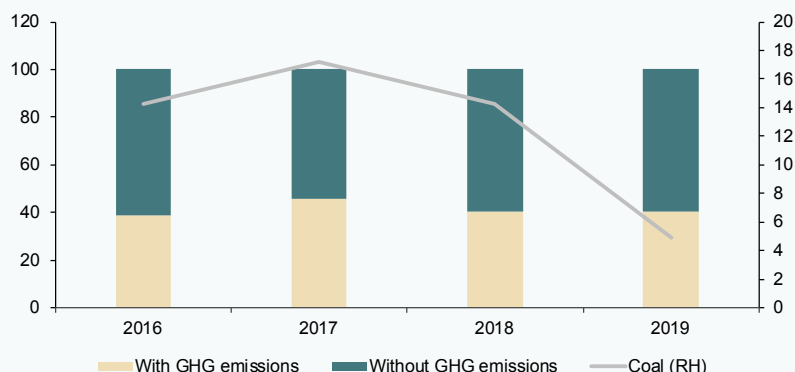


Sources: Afi, Eurostat, EEA.

Exhibit 4

Electricity generation mix by CO₂ emissions

% of total



Source: Afi, REE.

Climate change impact channels and policy options

Climate change will drive an increase in average temperatures, a decrease in rainfall and more frequent extreme weather events (particularly heatwaves). Spain's weather agency, AEMET, has analysed the 2000 figures in comparison with those of 1971-2000 and found an increase in the average temperature (particularly in the spring and summer), growth in the surface area of semi-arid climates to 30,000 km² and a higher frequency of heatwaves (AEMET, 2019).

The national CLIVAR programme in Spain (comprised of a group of experts on climate) estimates that between 2021 and 2050, average summer temperatures in Spain could rise by between 1.1 °C and 2.8 °C, while precipitation could decrease by as much as 30%, irrespective of the greenhouse gas emissions scenario. It also expects the number of snowy and windy days to decline and the

frequency of periods of drought to increase. Those predictions coincide with reports compiled by the European Commission's Joint Research Centre on climate impact in the European Union, which considers Southern Europe to be the region most exposed.

These climate changes will affect several economic sectors and natural resource systems, including:

- *The energy sector.* In terms of resources, climate change could drive a decrease in wind power due to lower wind speeds. Hydroelectric generation could also fall as a result of lower water availability. As well, higher temperatures (albeit partially offset by higher irradiance) could also reduce photovoltaic generation. On the demand side, the composition of energy consumed would shift, marked by growth in demand for cooling and a decline in demand for heating.

“ It is estimated that in Spain, between 2021 and 2050, the average summer temperatures could rise by between 1.1 °C and 2.8 °C. ”

- *Water resources.* Lower rainfall, coupled with higher evapotranspiration and lower runoff, [1] will drive a reduction in water resources, which is expected to gather traction as the century advances. The impact will be greater in the island systems and south of mainland Spain. The economic cost in terms of the impact on agricultural output and hydroelectric power generation will be considerable, and higher than the costs recorded in prior episodes of severe drought (estimated at between 0.1 and 0.2 percentage points of GDP). Moreover, if droughts were to become catastrophic, the costs could increase non-linearly, affecting sectors, such as the tourism industry.
- *Agriculture and livestock.* Here the impacts will be highly varied depending on the type of activity and its location. In general, however, production costs are expected to increase and conditions to become more volatile.
- *Tourism.* Spain's Ministry of Agriculture, Food and the Environment (2016b) estimates that the sector's contribution to GDP could decline by 0.86% by 2080, due to a loss of competitiveness in certain coastal areas, such as the Mediterranean and the Canary Islands, and more attractive tourism in several European countries that compete with Spain.

In general, the studies drawn up as part of the national plan for adapting to climate change underscore the uncertainty surrounding the estimation of economic impacts. This is partly because of the global emissions scenarios as well as the result of the regional and sectoral heterogeneity of the impacts. There is no doubt, however, that climate change will be a structural and persistent force that will affect economic activity in Spain over the course of

this century. Moreover, the adverse impact in Spain is expected to be notably greater than in other EU countries.

It is also important to emphasise that the net economic impact of climate change will depend largely on the ability of the private and public sectors to foster the transformation of the productive system. This will require both mitigating the scope of climate change effects and facilitating adaptation to them. The 2021-2030 National Integrated Energy and Climate Plan acts as a catalyst and timeframe for that transformation in Spain. The three drivers of change contemplated in it are:

- Energy efficiency.
- Increasing the penetration of renewable sources of energy in the power generation mix.
- Electrification of the economy.

The impact assessment study accompanying the Plan (Basque Climate Centre, 2019) includes a few macroeconomic estimates. It starts from a reference or baseline scenario in which greenhouse gas emissions increase by 8% with respect to 1990 and compares that scenario with the target scenario in which emissions are cut by 20% in 2020. The main economic shock modelled in the Plan is a boost in investment of 195 billion euros compared to the baseline scenario, 80% of which would come from the private sector. However, the reconfiguration of the energy sector implies an additional positive shock via the substitution of imported fossil fuels with renewable sources. That drop in imports is permanent and drives growth in the value added generated in Spain.

The impact of these two shocks on GDP is estimated at 1.8% in 2030 and would be

“ The net economic impact of climate change will depend largely on the ability of the private and public sectors to foster the transformation of the productive system. ”

“ The gain unlocked by the recent progress on reducing energy intensity and the boost in generation from renewable sources is estimated at 15 billion euros since 2015. ”

accompanied by growth in employment of 1.7% and a reduction in the unemployment rate of between 1.1 and 1.6 percentage points. These effects would compensate certain costs, such as those derived from divestment from nuclear and carbon power plants starting in 2025. Although the public sector would invest an additional 37 billion euros through 2030, the budgetary impact would be relatively limited, as it is assumed it would substitute other areas of expenditure (besides the fact that the growth in GDP would in turn generate additional revenue).

The Plan and its assessment highlight the areas where action must be taken to capitalise on the opportunities presented by energy transformation and efforts to mitigate the effects of climate change. Further progress must be made on reducing energy intensity and increasing the penetration of renewables. The Plan calls for a reduction in primary

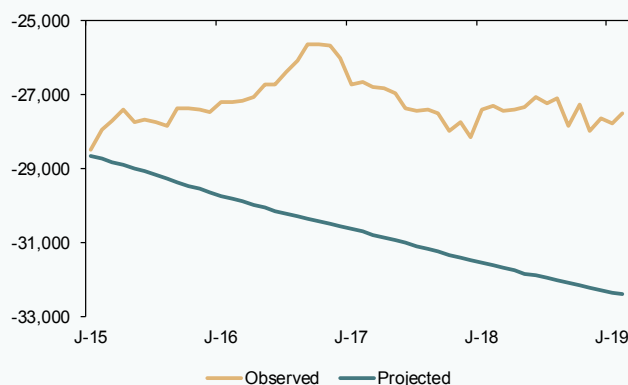
energy intensity of 37% between 2015 and 2030 and an increase in the penetration of renewables in final energy consumption to 42%, compared to 17% at present. However, the baseline scenario may not adequately reflect the adverse impact of the earliest effects of climate change, which will materialise over the next decade.

In Spain, the effect of reducing the economy's energy dependence, which has been a considerable burden for its balance of trade, is of particular interest. We estimate the gain unlocked by the recent progress on reducing energy intensity and the boost in generation from renewable sources at 15 billion euros since 2015. If the energy deficit, volume-wise, had remained at around 3% of GDP since 2015, the deficit would today stand at over 32 billion euros. Although modest, it is a recurring impact and should therefore be

Exhibit 5

Energy surplus/deficit

% of GDP, constant 2014 euros, last 12 months



Source: Afi, Secretary of State for Commerce.

considered a positive effect associated with the energy transition.

Conclusion

The recent progress on energy transition and emission-cutting in Spain has been shaped by the consequences of the climate crisis as well as both the structural and sectoral realignment of the economy triggered in its wake. A more pronounced change in the energy generation mix and further advances on energy efficiency could accelerate this progress in the coming years. Greater transformation would enable Spain to take advantage of its relative abundance of renewable sources and mitigate the economic cost of its dependence on imported oil and gas.

However, the Spanish economy is relatively exposed to climate change. The magnitude is very hard to quantify and is subject to significant uncertainty. Moreover, it is safe to say that climate change will be a persistent force in the decades to come, affecting some of the foundations of Spain's economic model. The push from the European Green Deal for policies that accelerate the transformation of the European economy and their transfer to Spain via the Integrated Energy and Climate Plan represents an opportunity to prepare for and mitigate the net impact down the line.

Notes

- [1] Runoff is the part of the water cycle that flows over land as surface water instead of being absorbed into groundwater or evaporating. It is essential to the process of collecting water.

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REAL ESTATE

The housing market: An uneven recovery across regions

Over the past years, Spain's housing market has, to varying degrees across regions, rebounded in terms of prices and transaction volumes, while improving in affordability. Although the housing market is expected to cool in the near-term, it is unlikely to experience a hard landing.

Fernando Gómez Díaz

Abstract: House prices in Spain have recovered significantly over the past years and currently stand at a little over 80% of pre-crisis peak levels. Nevertheless, noteworthy variation exists across Spain's regions. While nine provinces have outperformed the national average, 22 of Spain's provinces have achieved a price recovery equivalent to just 65% of peak levels. Furthermore, the rebound

in transaction volumes has lagged the recovery in prices. Volumes currently stand at just over 60% of peak levels but present considerable differences across provinces. It is worth highlighting the weak new housing construction figures. These statistics suggest Spain's housing market is still digesting the legacy stock of unsold housing from the previous construction boom. Lastly, housing

“ Supply and demand variables evidence the fact that the housing market has staged a strong recovery in recent years. ”

affordability has improved in all regions, even those in which the price recovery has been most dynamic, putting prices at close to pre-crisis levels. Looking forward, the data suggest the housing market is likely to experience a soft landing rather than another crash. That said, the varying degrees of recovery draw attention to important structural dynamics, which could pose future challenges.

Introduction

Interest from diverse stakeholders in the housing situation is longstanding. This interest has materialised as a debate that can be approached from many angles, especially in Spain where the last major financial crisis was closely related with the bursting of the real estate bubble. Supply and demand variables evidence the fact that the housing market has staged a strong recovery in recent years. While, the most recent indicators point to a slowdown, the lack of major imbalances suggests this is unlikely to lead to another market collapse (Ocaña and Torres, 2019). The housing market is also closely related with financial variables, which have been a source of positive news for the housing sector (Carbó, Cuadros and Rodríguez, 2019).

The aforementioned slowdown had begun to take shape at the end of 2019, with the contraction in supply, reflected in indicators such as new construction visas and cement consumption, as well as in demand, as perceived in transactions (the first year exhibiting negative growth after four years of positive growth rates above 10%) and mortgages. However, it should be noted that as regards both demand side indicators, previously, in the months of August and September, they presented a strong contraction due to the entry into force of the new Mortgage Law. At present, there is not enough subsequent data to analyze how much these indicators have recovered, but it seems that it is not enough to compensate

for the slowdown due to the general cooling of the market. This panorama has dragged the indicator of confidence in construction to low levels, but it remains much higher than those levels registered a couple of years ago. Meanwhile, according to the latest available data (through the third quarter of 2019) on average housing appraisal values, there has been a similar increase as in the previous year, with rates above 3%.

This paper analyses the housing market from a regional and local perspective that takes into consideration patterns of marked segmentation by multiple variables, such as the size, type or location of housing. The housing sector is commonly referred to as a niche market. This description reflects the fact that a country's housing supply does not necessarily meet the specific demands of all consumers. Individuals require housing with specific features and in particular locations. As a result, if preferred housing options are in short supply, they will command high prices, and *vice versa*. Thus, while top-down analysis does reveal key insights and trends, it is worth drilling down more locally. In short, we will examine a series of variables in order to depict the recovery of the real estate market across the various regions of Spain.

Recovery in prices and transaction volumes

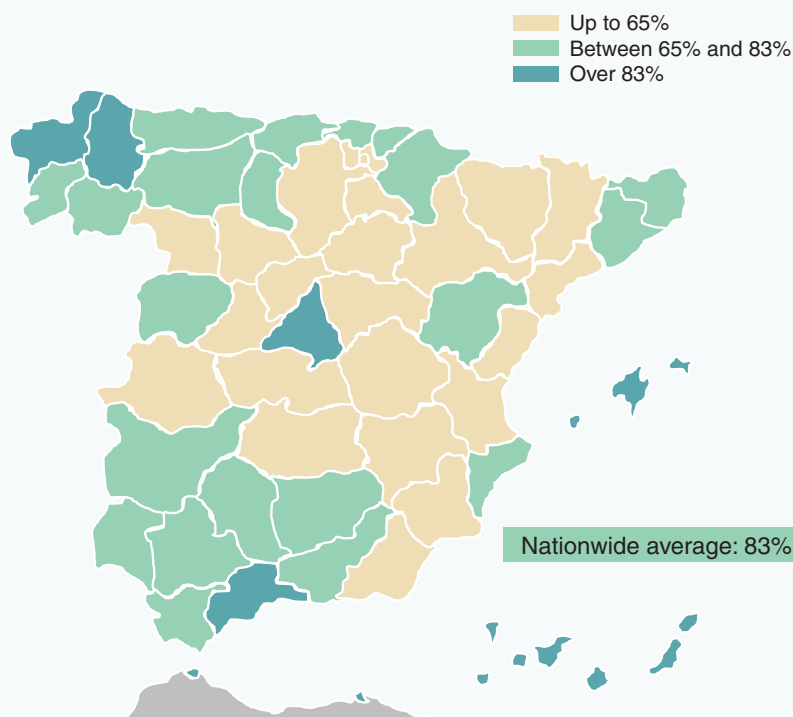
As of the third quarter in 2019, the Spanish housing market's value stood at 83% of its peak size pre-crisis. Nine of Spain's provinces and autonomous cities saw price recoveries above the national average, whereas in 43 territories the prices recovery has lagged the national average (Map 1).

The recovery has been particularly strong in the Balearic Islands, where prices have already reached 2008 peak levels. As well, in Malaga (province) prices have risen to 90% of

Map 1

House prices, 2019 (unsubsidised)

Expressed as a % of historical annual highs, segmented



Source: Spanish Ministry of Public Works.

peak levels. The autonomous cities of Ceuta and Melilla, Community of Madrid, Lugo and Santa Cruz de Tenerife also present strong price recoveries of around 86%. They are followed by Las Palmas and La Coruña.

The 43 territories in which price recovery has lagged the national average include the province of Barcelona. Here, prices are equivalent to 75% of peak levels. In 22 provinces, house prices remain below 65% of the peak prices reached before the crisis. The worst-performing provinces are Toledo,

Cuenca and Guadalajara in Castile-La Mancha, Castellon in Valencia, Tarragona and Lerida in Catalonia and Burgos and Avila in Castile and Leon.

All of the capitals [1] in the provinces where price recovery has been stronger than the national average have recorded higher growth than the average in their regions. In contrast, provincial capitals where price momentum has been weaker have sustained gains that similarly lag their regional average. This suggests that potential buyers have lost interest

“ In 22 provinces, house prices remain below 65% of the peak prices reached before the crisis. ”

“ While transaction volumes have strengthened, the recovery has been more tepid than the rebound in prices, with volumes remaining far below pre-crisis levels. ”

in the capitals of these provinces, with other cities and towns becoming more attractive for different reasons, such as proximity to another dynamic region. This has turned them into commuter or dormitory towns, *e.g.*, towns in the province of Guadalajara with respect to Madrid.

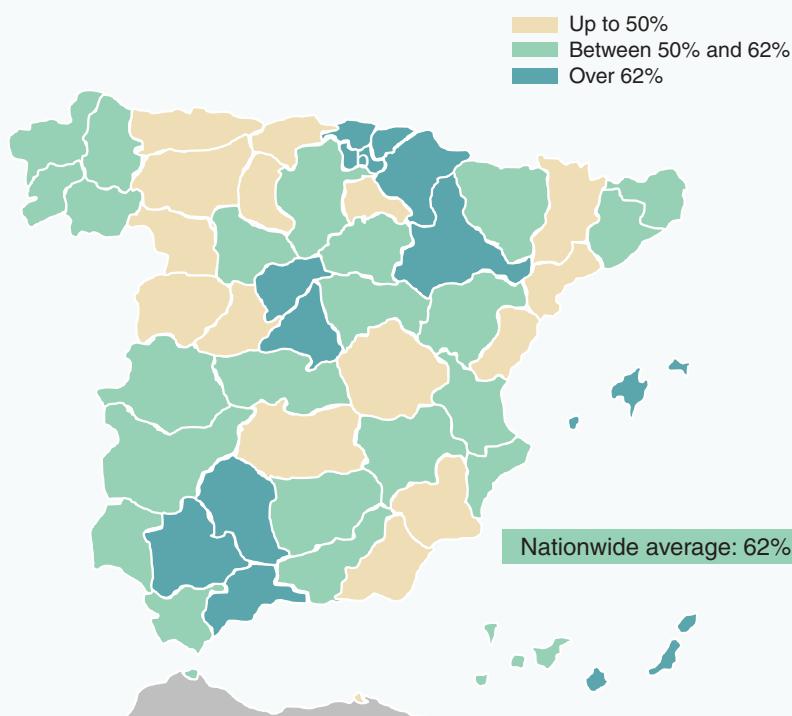
As for the number of transactions (unsubsidised housing market), this metric topped 800,000 a year –even rising above

900,000 in 2006– in the years before the bubble burst, which implied a pace of 1.9-2 house sales for every 100 inhabitants. The volume began to trend lower from 2009, falling until 2016 when it stood below 1 sale per 100 inhabitants. In recent years, house sales have recovered gradually, topping one transaction per 100 inhabitants. That said, transactions did lose steam in 2018, mainly due to strong price growth (Registradores de España, 2019a).

Map 2

House transactions, 2018 (unsubsidised)

Expressed as a % of historical annual highs, segmented



Source: Spanish Ministry of Public Works.

“ Between 2014 and 2018, just one in every ten transactions involved a new build, compared to four in every ten in the run-up to the crisis. ”

While transaction volumes have strengthened, the recovery has been more tepid than the rebound in prices, with volumes remaining far below pre-crisis levels. In Spain, transaction volumes have recovered to 62% of the peak reached in 2006. As shown in Map 2, volume recovery has been above the national average in 12 provinces. In 16 regions, however, transactions remain at less than 50% of the pre-crisis peak. The remainder fall somewhere in between.

The provinces in which transactions have recovered the most are also those in which prices have recovered strongly. Exceptions include La Coruña and Lugo in Galicia where

the healthy price recovery has not been accompanied by a marked improvement in volumes. At the other end of the spectrum, Navarre, Alava and Vizcaya have all sustained strong volume recovery in the absence of significant price gains.

Second-hand houses have dominated sales in recent years. Between 2014 and 2018, just one in every ten transactions involved a new build, compared to four of every ten in the run-up to the crisis. Those figures evidence the stock accumulated in the period before the collapse, which was so large that it had to be absorbed gradually over the following years. Nevertheless, the stock of unsold housing in

Table 1

Population and (unsubsidised) house price recovery, 2019

Expressed as a % of historical annual high

		Population	House prices
	National average	101	83
Group 1	Asturias	95	67
	Castile and Leon	94	66
	Castile-La Mancha	97	58
	Extremadura	96	68
Group 2	Aragon	99	64
	Cantabria	98	71
	Valencia	100	68
	La Rioja	98	62
Group 3	Andalusia	101	81
	Murcia	102	63
	Navarre	102	75
	Basque region	100	74
Group 4	Balearic Islands	107	100
	Canary Islands	105	85
	Catalonia	101	74
	Region of Madrid	104	87
Other	Galicia	97	84
	Ceuta	100	88
	Melilla	100	87

Sources: Spanish National Statistics Office and Ministry of Public Works.

“ The Madrid region stands out with price recovery of 87%. ”

Spain remains at over 400,000 homes (Alves and Urtasun, 2019).

Consequently, the recovery in the number of finished homes has been modest. Whereas between 2004 and 2008, Spain constructed more than half a million new homes a year, at present that number stands at just over 50,000. By region, leaving the exceptional case of Melilla aside, the recovery has been strongest in the Basque provinces of Guipuzcoa and Vizcaya, which in 2018 recorded new builds equivalent to 35% of the pre-crisis peak. In the rest of the Spanish provinces, that figure stands at under 30% and in 34 it remains at less than 10%.

Population and employment are key price drivers

The Spanish population was growing at an annual average rate of close to 2% before the onset of the crisis in 2008. That growth subsequently dipped sharply, even entering negative territory between 2013 and 2015. The population began to rise once again in 2016, with growth reaching 0.7% in 2019. This trend occurred across Spain's provinces and the rate of population growth has not recovered to pre-crisis levels in any of them. Nevertheless, there are 19 provinces whose populations have reached series highs, topping their pre-crisis peaks in absolute terms.

Population growth is very closely correlated with housing prices. We can group Spain's regions into four categories as a function of the trend in the two variables (Table 1):

- The first group consists of those regions where population loss has been substantial and price recovery is trailing the national

average. Examples of this dynamic include Castile and Leon, a region where all of the provinces have seen a decline in their populations and prices have recovered to just 66% of peak levels. Castile-La Mancha has also seen its population shrink in all of its provinces other than Guadalajara, while price recovery stands at around 58% of pre-crisis levels. In Extremadura and Asturias the population has decreased and price recovery stands at 68% and 67% of pre-crisis highs, respectively.

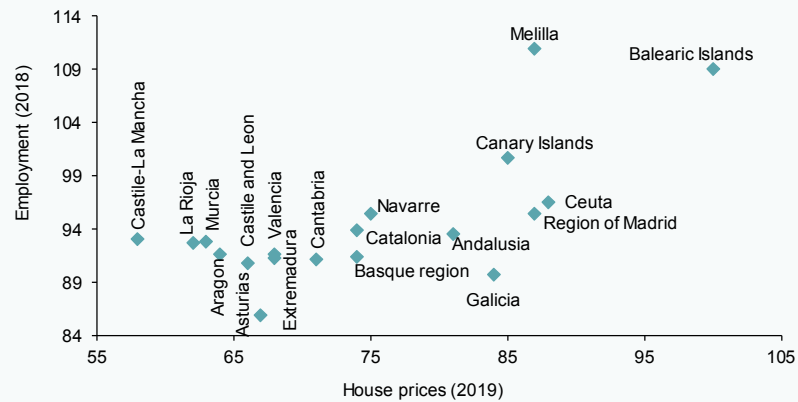
- The second group is made up of provinces registering similar price growth to the first group but smaller population losses. This group comprises Aragon, Cantabria and La Rioja, where prices stand at 64%, 71% and 62% of peak levels, respectively. They are joined by the region of Valencia, where all provinces other than Alicante have lost residents and prices have recovered to 68% of peak levels.
- The third group includes the regions which have sustained net positive population growth combined with moderate house price recovery. It encompasses the regions of Murcia and Navarra, where price recovery stands at 63% and 75% of pre-crisis levels, respectively. It is accompanied by the Basque region at 74%, although the province of Vizcaya has seen its population decline. Andalusia also falls into this category. Prices in this region are at 81% of peak levels, which is higher than the other regions in this category on account of the sharp price recovery observed in the province of Malaga (95%).
- The fourth category is composed of the regions where population growth has been

“ Employment has recovered particularly well in the same regions in which prices are closest to pre-crisis levels. ”

Exhibit 1

Recovery in employment (active employment survey) and house prices

Expressed as a % of historical annual high



Sources: Spanish National Statistics Office and Ministry of Public Works.

more pronounced and price recovery has also been intense. The Canary Islands and Balearic Islands are particularly noteworthy. Both have sustained very significant population growth and price recovery with respect to peak levels of 85% and 100%, respectively. The Madrid region also stands out with price recovery of 87%. This group is joined by Catalonia, although population growth has been lower due to a decline in Lerida.

Spain's autonomous cities, on account of their special characteristics, tend to exhibit different trends that make it hard to group them together with the regions. These cities have seen virtually no population growth but prices have recovered strongly, above the national average.

Galicia does not fit into any of the categories. Although it is losing residents, especially in Lugo and Orense, price recovery has been strong at 84% of peak levels. If we look at the net change in population in the universe of towns with more than 50,000 inhabitants, the loss is not particularly significant, which partially explains the anomalous dynamic and

mismatch with respect to the four groups. Specifically, the population loss has been concentrated in small towns of much lower significance in the housing market.

Looking at Spain's other regions, if we analyse the population trend in the larger towns only –those with over 50,000 inhabitants– the snapshot is similar to that revealed by the trend in each region's population as a whole.

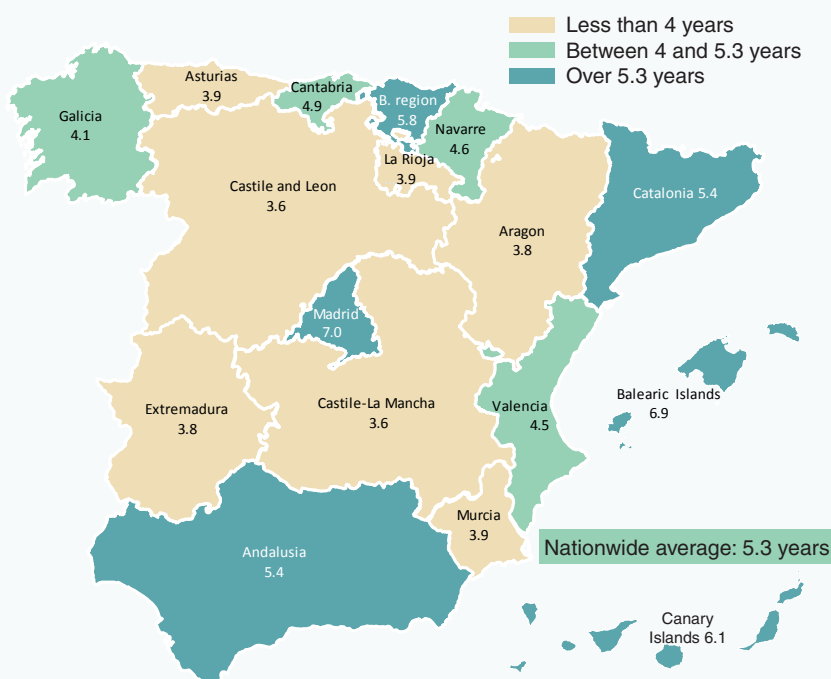
The trend in employment is very closely aligned with the changes in population and a vital factor in the decision to purchase a home. As shown in Exhibit 1, employment has recovered particularly well in the same regions in which prices are closest to pre-crisis levels. And so, in the regions in which price recovery has been stronger than the national average, job creation has similarly been more intense, with the exception of Galicia, as discussed above. Elsewhere, in the regions where price recovery is lagging the national average, job dynamics are also weaker than in the country as a whole, with the exception of Navarre and Catalonia.

In short, with the odd exception, in the areas where population growth and job creation has

Map 3

Housing affordability (unsubsidised)

Years of gross household income needed to purchase a home in 2018



Sources: Spanish Ministry of Public Works and National Statistics Office (Living Conditions Survey).

been strongest, housing prices have recovered more intensely. In contrast, the regions with weaker population and employment dynamics have experienced a weaker recovery in house prices.

Housing affordability

The variables analysed so far provide a snapshot of the recovery in the housing market across Spain. However, it is also important to consider how the housing

affordability indicators have fared. One way of quantifying affordability is to divide house prices by average gross household income by region. This provides an estimation of the number of years needed to purchase a home if all household income is earmarked for just that purpose.

In 2018, the national average for the number of years of gross household income it took to purchase a house was 5.3. As shown in Map 3,

“ In 2018, the national average for the number of years of gross household income it took to purchase a house was 5.3. ”

“ Overcoming regional inequalities in the face of the anticipated, near-term slowdown in the housing market will represent a key challenge. ”

the regions topping this particular ranking that year were Madrid, the Basque region, Catalonia, Andalusia and the Canary Islands. Conversely, in the inland regions –now dubbed ‘Unpopulated Spain’– and the coastal regions of Murcia and Asturias, that indicator stood at less than four years. The rest of the regions fell somewhere in between.

In 2018, Spanish households needed on average 1.2 years less income to buy a house than at the height of the boom. All Spanish regions are below peak ‘non-affordability’ by more than one year, with five regions off this peak amount by more than two years. However, in the Canary Islands and Madrid, the affordability indicator is within one year of the peak reading.

Conclusion

Our analysis of the housing market recovery in the various regions of Spain yields the following noteworthy conclusions:

- House prices in Spain have recovered significantly over the past years and currently stand at a little over 80% of pre-crisis peak levels. However, there are considerable differences from one region to the next. There are still 22 provinces in which price recovery remains at less than 65% of peak levels, while in nine, prices have outperformed the national average.
- The recovery in transaction volumes has lagged the recovery in prices. Volumes currently stand at just over 60% of peak levels and similarly present considerable differences across the various provinces. It is worth highlighting the weak new housing construction figures, as the market is still digesting the legacy stock of unsold housing left over from the real estate bubble.
- Spain’s population declined in the wake of the crisis and has since gone on to recover gradually, albeit growing at lower rates

than those observed before the financial crisis. Nevertheless, there are 19 provinces in which the population is at an all-time high. With the odd exception, those regions where population and employment growth have been strong have seen more intense house price recoveries.

- Housing affordability has improved since the height of the boom in all regions, even those in which price recovery has been most dynamic, putting prices at close to pre-crisis levels.

Lastly, although it looks as if the housing market as a whole will experience a soft rather than a hard landing, the differing rates of recovery from one region to the next highlight the important structural changes in Spanish society that could pose future challenges.

Notes

- [1] Data compiled by national appraiser TINSA for all provincial capitals except Burgos, Soria, Toledo, Tarragona, La Coruña, Lugo, Orense and Logroño.

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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 on the definition of the materiality threshold for past due credit obligations (Bank of Spain Circular 3/2019, published in the *Official State Journal* on November 1st, 2019)

The ECB adopted Regulation (EU) No. 2018/1845 on the exercise of the discretion conferred in the Capital Requirements Regulation for defining the threshold for assessing the materiality of credit obligations past due with respect to *significant credit institutions* on November 21st, 2018. As there were no provisions regarding the definition of this threshold for Spain's *less significant* credit institutions, the Bank of Spain has defined them in this Circular, reflecting the thresholds set by the ECB.

The Circular stipulates that less significant institutions shall assess the materiality of their past due credit obligations against the following *threshold*, which is comprised of two components:

- a) A limit in terms of the *sum of all amounts past due* owed by the obligor to the credit institution, its parent undertaking or any of its subsidiaries, equal to:
 - *EUR 100*, or the equivalent amount in the pertinent national currency, for *retail exposures*;
 - *EUR 500*, or the equivalent amount in the pertinent national currency, for *exposures other than retail exposures*.
- b) A limit in terms of the *amount of the credit obligation past due* in relation to the total amount of on-balance sheet exposures

to that obligor for the credit institution, its parent undertaking or any of its subsidiaries, excluding equity exposures, *equal to 1%*.

In the case of credit institutions that apply the definition of default *at the level of an individual credit facility*, the threshold shall apply at the level of the individual credit facility granted to the obligor.

A default is deemed to have occurred when both of the limits set out under points a) and b) above are exceeded for *90 consecutive days*.

Credit institutions shall apply this threshold *from December 31st, 2020*, at the latest and they were required to notify the Bank of Spain, before December 31st, 2019, of when precisely they intend to start to apply it.

The Circular took effect on the twentieth day after its publication in the official state journal.

Bank of Spain Circular for financial credit establishments on public and confidential financial reporting requirements and financial statement templates (Bank of Spain Circular 4/2019, published in Spain's *Official State Journal* on December 6th, 2019)

The Circular constitutes the accounting regime for financial credit establishments (*establecimientos financieros de crédito* or EFCs for their acronym in Spanish) and their consolidated groups and determines: (i) the documents they must publish; and, (ii) the recognition, measurement, presentation

and disclosure criteria applicable to the preparation of their annual financial statements and public and confidential financial statement templates.

To draw up the regime, the Bank of Spain used the Accounting Circular (Circular 4/2017), the accounting regime applicable to credit institutions, as its reference. It set analogous criteria and maintained consistency with the accounting framework in place prior to 2014, which is when the EFCs ceased to be classified as credit institutions. It also upholds the spirit of convergence with international accounting standards.

In broad terms, the Circular regulates the following:

- **Public financial disclosures:** It determines the documents EFCs must publish (annual financial statements, management report and auditor's report) and the general requirements for the contents of their separate and consolidated annual financial statements. EFCs must also publish separate and consolidated financial statements as per their public templates with the required frequency.

As for the applicable recognition, measurement, presentation and disclosure rules for the annual financial statements and accompanying notes, the Circular cross-references the Accounting Circular.

- **Confidential financial information:** The Circular specifies the contents of the confidential statements (separate, consolidated and those required for EMU statistical purposes) in terms of templates, disclosures, frequency and submission deadlines.

- With respect to *internal accounting and management control* requirements and the *presentation of financial information to the Bank of Spain*, it again cross-references the Accounting Circular.

The Circular took effect on January 1st, 2020.

CNMV Circular amending the Circular 1/2017 on liquidity contracts (CNMV Circular 2/2019, published in the *Official State Journal* on December 10th, 2019)

The changes made by Circular 2/2019 to Circular 1/2017 respond to demands from securities market participants for access to liquidity contracts for a larger universe of issuers, particularly those whose shares are less liquid, and also to *fine-tune certain restrictions on broker-dealer trading during auctions*.

More specifically, the amendments imply the following:

- A *new limit* has been set for contracts arranged by issuers whose shares are not traded in a liquid market but are traded on a regulated market via the fixing system or on a multilateral trading facility. The securities market regulator –the CNMV– has also been empowered to authorise the application of the limit to contracts arranged by issuers whose shares are traded on a regulated market via the regular trading system. Issuers can ask the CNMV to apply the limit, attaching a report from the company that manages the corresponding regulated market substantiating the conclusion that the stock is highly illiquid despite not being included in the fixing trading system.
- The new text eliminates the restriction on financial intermediaries executing a liquidity contract from buying and selling shares during an *auction*, obliging those present on both sides of the order book to make the arrangements necessary to prevent self-execution.

The Circular will take effect three months after its publication.

Royal Decree on the legal regime governing payment services and payment institutions (Royal Decree 736/2019, published in the *Official State Journal* on December 24th, 2019)

Royal Decree 736/2019 lends continuity to the *transposition of the payment services*

Directive (PSD2), which had been partially transposed via Royal Decree-Law 19/2018 (of November 23rd, 2018) on payment services and other urgent financial matters. To that end, it implements the following:

- The *legal regime governing payment institutions*, mainly regulating the incorporation of this type of firm and the key aspects of its operations such as authorisation, bylaw amendments, diversification of activities and structural modifications involving a payment institution.
- With respect to the Bank of Spain's power to authorise the *creation of payment institutions*, it stipulates the details of the procedure, specific considerations for certain payment service providers and the entities subject to certain exceptions.
- It regulates the *cross-border activities* of payment institutions by establishing the manner in which payment institutions authorised in another Member State must proceed in Spain. To that end, it establishes a procedure for the sharing of information between each Member State's supervisory authorities.
- As for the use of *agents* by payment institutions, it requires the players to send the Bank of Spain certain *information* about their agents and requires their inscription in the Bank of Spain's so-called *Special Register*. It similarly regulates the specifics to be borne in mind when agents are going to operate in other European Union Member States.
- It also implements disclosure obligations with respect to *functions that are outsourced*.
- It sets the requirements in terms of *guarantees, own funds* which must be met by payment institutions as well as requirements on *user protection* to be met by payment providers.
- It sets out the specifics of the legal regime regarding the so-called *hybrid payment*

institutions, which offer other services in addition to regulated payment services.

- It addresses the *penalty regime* for payment providers and *reporting requirements* in terms of the capital structure and the rules of conduct applicable to payment institutions.
- It *repeals Royal Decree 712/2010* (of May 28th, 2010) the outgoing legal regime governing payment services and institutions.

The Royal Decree took effect the day after its publication, with the exception of certain provisions, which will take effect later.

Ministry of the Economy Order on payment service transparency rules and information requirements (Order ECE/1263/2019, published in the Official State Journal on December 30th, 2019)

Ministerial Order 1263/2019 implements article 29 of Royal Decree-Law 19/2018 with respect to the determination of the *information requirements applicable to single payment transactions* and the *requirements applicable to framework contracts and the transactions associated therewith*. It also addresses *coordination vis-à-vis certain provisions in Ministerial Order EHA/2899/2011*, on banking service transparency and customer protection, insofar as both govern similar situations.

It regulates the obligations applicable to traditional payment service providers as well as those specific to the new payment service providers (account information and payment initiation service providers).

The Order is binding upon provider and user, insofar as the user is a *consumer* or a *micro-enterprise*. When other classes of users are involved, they may negotiate with the payment service provider for a full or partial waiver of this Order.

In broad terms, the Order implements the following:

- The aspects specific to single payment transactions and framework contracts and the information that must be provided with respect to the *currency in which transactions are denominated*, the rate of exchange, fees and commissions and applicable charges.
- The information that must be provided to the payer regarding *additional charges or price discounts* for the use of a specific payment instrument, before the payment transaction is initiated.
- The information requirement exemptions for *low value* payments (individual payment transactions not exceeding EUR 30 or which either have a spending limit of EUR 150 or store funds which do not exceed EUR 150 at any time).
- The information obligations applicable to payment service providers in *single payment transactions*. They include: (i) prior general information and conditions of such transactions; (ii) information for the payer after receipt of the payment order; (iii) information for the payee after execution of the single payment transaction; and, (iv) information for the payer and payee after initiation of a payment order through a *payment initiation service provider*.
- Information requirements in respect of *framework contracts*. The Order establishes the general information that must be provided before the payment service user is bound by any contract and before the execution of specific transactions, as well other specific obligations to the payer and the payee.
- The conditions necessary for a payment service provider to *modify or terminate a framework contract*.
- It empowers the Bank of Spain to specify the accounting regime applicable to payment institutions.
- As for the *distance marketing* of payment services, it stipulates that certain articles

of the new Order shall apply rather than the corresponding articles of Spanish Law 22/2007 (of July 11th, 2007) on the distance marketing of consumer financial services.

Lastly, it repeals and replaces *EHA/1608/2010* (of June 14th, 2010) on payment service transparency and information requirements.

The Order takes effect on July 1st, 2020.

Spanish economic forecasts panel: January 2020*

Funcas Economic Trends and Statistics Department

Spanish GDP grew by 1.9% in 2019

The consensus is that Spanish GDP grew by 1.9% in 2019, down 0.1pp from the last survey, even though the forecast for fourth-quarter growth is unchanged at 0.4%. The reason for the trimmed forecast is the National Statistics Office's downward revision of the growth figures for the first three quarters. Domestic demand is expected to contribute 1.7 percentage points (up 0.2pp from the last forecast) and foreign demand the remaining 0.2 percentage points (down 0.3pp). The upward revision of estimated import growth –to 1.3%– stands out. The estimate for growth in investment has been raised by 0.1pp, due to a significant increase in the estimate for investment in capital goods, partially offset by the reduction in estimated investment in construction.

Growth forecast for 2020: Unchanged at 1.6%

The consensus forecast for GDP growth in 2020 is unchanged at 1.6%, with barely any analysts having changed their forecasts. Flat quarterly growth of around 0.4% is still expected (Table 2). However, the composition of that growth has shifted a little since the last survey, with domestic demand lifted up by 0.2pp to 1.7%, while the contribution by trade has been cut by 0.2pp to -0.1%.

Slightly higher estimate for 2020 inflation

As foreshadowed in November, the December 2019 year-on-year rate of inflation stood at 0.8%, putting the annual average at 0.7%, compared to 1.7% in 2018. The drop in inflation is attributable primarily to the reduction in energy prices and, to a lesser degree, slower growth in the cost of non-processed food.

The forecast is for average annual inflation of 1.1% in 2020, which is up 0.1pp from November and would mark growth of 0.4pp with respect to the 2019 rate. The forecasts imply a year-on-year inflation rate in December 2020 of 1.2% (Table 3). The forecast for core inflation is unchanged at 1.1%, which is 0.2pp above the 2019 rate.

Slowing job creation

According to the Social Security contributor numbers, job creation was a little stronger in the fourth quarter of 2019 than in the third quarter, albeit continuing to slow. For the year as a whole, contributor numbers climbed 2.6%, which is equivalent to 489,000 new contributors.

In terms of full-time equivalent jobs, the analysts put employment growth at 2.2% in 2019 and are forecasting a slowdown to 1.4% in 2020. Both figures are unchanged from the November consensus forecasts.

The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULC). The former eased by 0.3% in 2019 and is expected to increase by 0.2% in 2020, while ULCs increased by 2.2% in 2019 and are expected to increase a further 1.5% in 2020.

The average annual unemployment rate is expected to continue to decline to 14.1% in 2019 and 13.5% in 2020 (up 0.2pp from the November survey).

External surplus expected to persist in 2020

The current account surplus stood at 18.4 billion euros to October, compared to 19.3 billion euros in the same period of 2018. That slight reduction is attributable to a wider income deficit, as the trade balance was broadly flat year-on-year.

The consensus forecast is for a surplus equivalent to 1.6% of GDP in 2019 and of 1.2% in 2020, both of which have been revised upwards –by 0.2pp and 0.1pp, respectively– since November.

The government is expected to miss its fiscal deficit targets in both 2019 and 2020

In the first 10 months of the year, the deficit at all levels of government except for the local corporations stood at 17.5 billion euros, compared

to 13 billion euros over the same period in 2018, due to slower growth in revenue (3.8%) relative to spending (4.9%). The weaker performance is attributable to the regional governments, which have moved from surplus into deficit territory, more than offsetting the deficit reduction at the state level. The Social Security deficit was more or less similar year-on-year.

Nearly all of the analysts expect the 2019 deficit to come in above the government's target as set in October. The consensus forecast for 2020 is similarly above the government's target (by 0.5pp). Some of the analysts caution, moreover, that they have yet to factor in the coalition government's recently announced spending and revenue measures.

The outlook for the international environment has become slightly less negative

The global economy is trending in line with expectations as of November. The main economic activity indicators, such as the PMI readings, suggest that the manufacturing sector continues to contract due to the sharp slowdown in global trade and adaptation difficulties in certain sectors, such as the car industry. The services sector, meanwhile, continues to expand, driven by growth in consumption and the resilience of the labour market.

In its January outlook, the IMF cut its forecast for global growth in 2019 by 0.2pp to 2.9%, and for 2020 by 0.1pp to 3.3%. The IMF believes that the economy will rebound slightly, within the context of global economic weakness, thanks to the expected rebound in trade as a result of the easing of tensions between the US and China (phase one of the trade deal). The monetary stimuli delivered by the main central banks are also expected to contribute to putting a floor on the slowdown.

Most of the analysts view the external environment as unfavourable, in both the EU and globally. They have become slightly less pessimistic about the outlook for the months to come, however. None of them expects the international environment outside of the EU to deteriorate in the near future (whereas three of them did in November). And just one thinks that the outlook will get worse in the EU (*versus* three in November).

Monetary policy set to remain expansionary

Monetary policy has been characterised by continuity ever since the Draghi era. The prospects for ECB benchmark rates and asset purchase volumes under the programme (APP) are the same as in November. The ECB continues to expect economic weakness in Europe, making it unlikely that inflation will close in on the target rate of close to 2% in 2020. However, during her last presentation, Christine Lagarde flagged certain signs of improvement. Elsewhere, banks are showing more signs of interest in the new targeted long-term refinancing operations programme (TLTRO-III) as the last series' operations mature.

12-month EURIBOR remains firmly anchored in negative territory, up slightly since November. The yield on 10-year Spanish bonds also remains low and will continue to do so judging by the success of recent Treasury placements.

The analysts remain unanimous about the expansionary nature of monetary policy. The yield on the 10-year bond is barely expected to move in the next few months and is forecast at 0.58% at the end of 2020, marginally down from the last forecast of 0.60%. 12-month EURIBOR is expected to remain in negative territory for the entire forecast horizon, at similar readings to those forecast in November. The majority of analysts believe that the prevailing accommodative monetary policy is what the Spanish economy needs right now (similar stance to that expressed in the last survey).

Euro stability against the dollar

Since November, the euro has been trading sideways against the dollar, oscillating at around 1.11, despite the fact that the US economy has been outperforming the EU. The analysts are forecasting an exchange rate of EUR/USD1.13 at the end of the projection period, up USD0.01 from the last report.

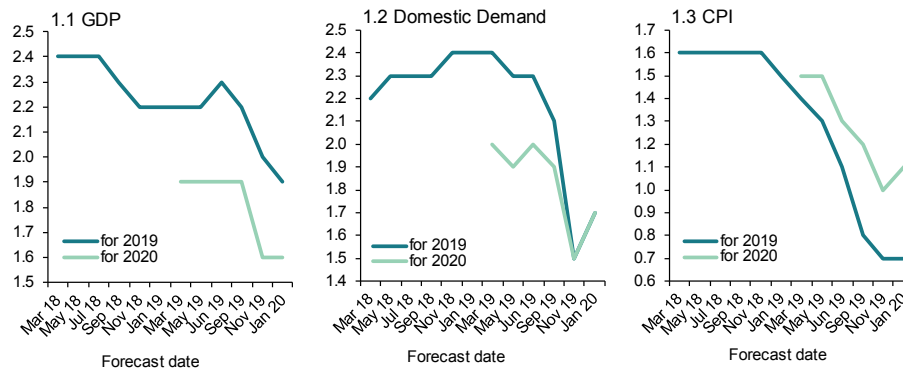
Fiscal policy should be neutral or contractionary

There is no major change in the analysts' assessment of fiscal policy. A solid majority believes that it is expansionary. Moreover, their opinion with respect to what line fiscal policy should take has remained consistent. All except one believe it should be neutral or contractionary.

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

* The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 19 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly in the months of January, March, May, July, September and November. The responses to the survey are used to produce a “consensus” forecast, which is calculated as the arithmetic mean of the 19 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.

Spanish economic forecasts panel: January 2020*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – January 2020

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	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Analistas Financieros Internacionales (AFI)	1.9	1.7	1.2	1.5	2.1	1.9	2.4	2.5	4.6	2.1	1.6	3.4	1.6	1.8
Axesor	2.0	1.6	1.0	1.2	1.8	1.3	3.6	2.2	2.4	1.9	3.6	2.6	1.6	1.4
BBVA Research	1.9	1.6	1.2	1.4	2.2	1.7	2.7	2.6	3.9	3.2	1.7	1.4	1.7	1.7
Bankia	1.9	1.5	1.2	1.4	2.2	2.0	2.5	2.4	3.2	2.8	1.8	1.7	1.7	1.7
CaixaBank Research	1.9	1.5	1.2	1.6	2.3	1.8	2.8	2.8	5.1	5.3	1.4	1.1	1.7	1.9
Cámara de Comercio de España	2.0	1.7	1.1	1.2	2.3	2.2	3.1	2.8	4.0	3.8	2.9	2.6	1.7	1.9
Cemex	1.9	1.6	1.1	1.3	2.2	2.0	2.7	2.1	3.5	3.0	2.0	1.8	1.6	1.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.0	1.6	1.1	1.3	2.2	1.8	2.7	2.3	3.4	2.6	2.1	2.2	1.6	1.6
Centro de Predicción Económica (CEPREDE-UAM)	2.0	1.7	1.2	1.0	2.1	1.5	2.5	3.3	2.6	2.1	2.1	3.6	1.7	1.5
CEOE	1.9	1.6	1.1	1.2	2.2	2.0	2.5	1.8	3.3	2.0	2.2	1.4	1.6	1.5
Equipo Económico (Ee)	2.0	1.8	1.5	1.5	1.9	1.8	2.5	3.0	2.4	2.5	3.0	3.7	1.6	1.7
Funcas	1.9	1.5	1.3	1.5	2.2	1.4	2.8	1.9	3.8	2.7	1.9	1.0	1.8	1.6
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.9	1.7	1.2	1.8	1.4	1.8	3.0	3.9	4.2	5.5	2.3	4.4	1.9	1.9
Instituto de Estudios Económicos (IEE)	1.9	1.5	1.1	1.2	2.2	2.1	2.3	1.6	3.2	1.8	2.1	1.3	1.5	1.4
Intermoney	1.9	1.6	1.1	1.2	2.1	1.5	2.4	2.0	3.5	2.2	1.8	1.9	1.7	1.6
Repsol	1.9	1.5	1.2	1.3	2.2	2.2	3.1	2.9	5.5	7.0	1.8	-0.1	1.7	1.7
Santander	1.9	1.7	1.2	1.4	2.2	1.7	2.9	2.6	4.3	3.5	1.9	2.1	1.8	1.8
Solchaga Recio & asociados / Y Group Companies	1.9	1.5	1.2	1.3	2.2	2.0	2.4	2.3	4.4	3.0	1.7	2.0	1.7	1.7
Universidad Loyola Andalucía	1.9	1.6	1.2	1.4	2.2	1.8	2.8	2.2	3.7	2.7	2.1	1.9	1.7	1.6
CONSENSUS (AVERAGE)	1.9	1.6	1.2	1.4	2.1	1.8	2.7	2.5	3.7	3.1	2.1	2.1	1.7	1.7
Maximum	2.0	1.8	1.5	1.8	2.3	2.2	3.6	3.9	5.5	7.0	3.6	4.4	1.9	1.9
Minimum	1.9	1.5	1.0	1.0	1.4	1.3	2.3	1.6	2.4	1.8	1.4	-0.1	1.5	1.4
Change on 2 months earlier ¹	-0.1	0.0	0.1	0.2	0.0	0.1	0.1	0.1	0.5	0.4	-0.3	-0.2	0.2	0.2
- Rise ²	1	1	10	10	6	7	10	7	9	8	6	5	12	11
- Drop ²	5	1	2	1	5	5	3	5	6	4	10	8	0	1
Change on 6 months earlier ¹	-0.4	-0.3	-0.6	-0.3	0.2	0.2	-1.4	-1.0	-0.8	-0.4	-2.1	-1.6	-0.6	-0.3
Memorandum items:														
Government (October 2019)	2.1	1.8	0.9	1.2	2.0	1.5	3.1	3.0	--	--	--	--	--	--
Bank of Spain (December 2019)	2.0	1.7	1.2	1.6	2.2	1.7	2.7	3.3	4.1	4.9	1.4	1.6	--	--
EC (November 2019)	1.9	1.5	0.8	1.0	2.0	1.5	2.5	2.5	1.9	2.3	--	--	--	--
IMF (January 2020)	2.0	1.6	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2019)	2.0	1.6	1.2	1.8	2.3	1.6	2.8	3.6	--	--	--	--	1.7	2.1

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

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

Table 1 (Continued)

Economic Forecasts for Spain – January 2020

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) ⁶	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Analistas Financieros Internacionales (AFI)	2.2	3.2	0.9	3.5	0.7	1.0	0.9	1.2	--	--	2.2	1.6	14.2	13.6	1.6	1.2	-2.3	-2.1
Axesor	2.3	2.6	0.8	3.0	0.8	1.3	1.1	1.1	0.6	0.4	2.3	1.6	14.1	13.5	1.7	1.2	-2.3	-2.0
BBVA Research	2.0	2.6	1.6	3.0	0.7	1.0	0.9	1.0	2.2	2.0	2.1	1.4	14.2	13.5	1.7	1.2	-2.4	-2.2
Bankia	2.1	2.4	1.4	3.0	0.7	1.3	0.9	1.1	2.1	1.6	2.1	1.4	14.1	13.3	1.8	1.5	--	--
CaixaBank Research	1.7	2.1	1.0	3.3	0.7	1.0	0.9	1.2	2.2	2.6	2.2	1.4	14.2	13.6	1.6	1.3	-2.3	-2.0
Cámara de Comercio de España	1.8	2.1	1.0	3.0	0.6	1.1	0.9	1.1	--	--	2.1	1.0	14.2	13.6	1.9	1.4	-2.4	-2.1
Cemex	1.9	2.5	1.2	2.5	0.7	1.0	0.9	1.0	--	--	2.2	1.5	14.1	13.2	1.5	1.0	-2.5	-2.2
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.0	2.5	1.0	2.6	0.7	1.1	0.9	1.2	--	--	2.1	1.3	14.1	13.6	1.7	1.0	-2.5	-2.2
Centro de Predicción Económica (CEPREDE-UAM)	2.3	3.4	1.4	2.8	0.7	1.1	--	--	2.3	1.7	2.2	1.5	14.2	13.7	1.4	0.7	-1.9	-1.5
CEOE	1.9	1.9	1.2	1.9	0.7	0.8	0.9	0.9	2.1	1.9	2.2	1.6	14.1	13.2	1.7	1.4	-2.4	-2.5
Equipo Económico (Ee)	2.0	2.5	0.8	2.6	0.7	1.4	0.9	1.3	1.8	1.6	2.1	1.6	14.0	13.2	1.2	1.0	-2.5	-2.3
Funcas	2.0	2.5	1.7	2.6	0.7	0.9	0.9	1.0	2.1	1.1	2.2	1.4	14.2	13.5	1.6	1.5	-2.5	-2.4
Instituto Complutense de Análisis Económico (ICAE-UCM)	2.0	1.9	1.5	3.3	0.8	1.2	0.8	1.0	--	--	2.0	1.6	14.0	13.1	0.7	0.6	-2.3	-2.1
Instituto de Estudios Económicos (IEE)	2.0	1.9	1.1	1.8	0.7	0.8	0.9	0.9	2.1	2.0	2.2	1.5	14.1	13.3	1.8	1.5	-2.6	-2.8
Intermoney	2.0	2.7	1.6	3.0	0.8	1.1	1.0	1.0	--	--	2.2	1.4	14.1	13.4	1.5	1.3	-2.4	--
Repsol	2.0	2.1	1.6	2.8	0.7	1.1	0.9	1.0	1.9	2.0	2.2	1.5	14.1	13.4	1.6	1.3	-2.3	-2.3
Santander	2.0	2.2	1.6	2.5	0.7	1.1	0.9	1.3	1.6	1.8	2.2	1.1	14.3	13.7	1.7	1.6	--	--
Solchaga Recio & asociados / Y Group Companies	2.0	2.1	1.1	2.6	0.7	1.0	0.8	1.0	--	--	2.0	1.2	14.2	13.7	1.8	1.6	-2.5	-2.2
Universidad Loyola Andalucía	2.0	2.5	1.5	2.6	0.7	0.9	1.0	0.9	--	--	2.1	1.5	14.1	13.5	1.6	1.4	-2.3	-2.0
CONSENSUS (AVERAGE)	2.0	2.4	1.3	2.8	0.7	1.1	0.9	1.1	1.9	1.7	2.2	1.4	14.1	13.5	1.6	1.2	-2.4	-2.2
Maximum	2.3	3.4	1.7	3.5	0.8	1.4	1.1	1.3	2.3	2.6	2.3	1.6	14.3	13.7	1.9	1.6	-1.9	-1.5
Minimum	1.7	1.9	0.8	1.8	0.6	0.8	0.8	0.9	0.6	0.4	2.0	1.0	14.0	13.1	0.7	0.6	-2.6	-2.8
Change on 2 months earlier ¹	0.1	0.1	0.6	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.1	-0.1	-0.2
- Rise ²	12	7	15	13	2	5	2	2	3	4	1	3	7	11	8	7	1	2
- Drop ²	1	6	0	1	1	3	1	2	3	2	3	5	0	1	3	5	6	8
Change on 6 months earlier ¹	0.4	-0.1	-0.3	-0.1	-0.4	-0.2	-0.1	-0.1	0.1	-0.2	0.0	-0.3	0.4	0.8	1.0	0.7	-0.1	-0.3
Memorandum items:																		
Government (October 2019)	1.7	2.3	0.1	2.0	--	--	--	--	2.1	2.2	2.3	2.0	13.8	12.3	1.8	1.6	-2.0	-1.7
Bank of Spain (December 2019)	1.8	2.3	1.0	3.3	0.8 ⁽⁷⁾	1.2 ⁽⁷⁾	1.1 ⁽⁸⁾	1.4 ⁽⁸⁾	--	--	2.0	1.3	14.2	13.8	--	--	-2.5	-2.1
EC (November 2019)	2.0	2.3	0.5	2.0	0.9 ⁽⁷⁾	1.1 ⁽⁷⁾	--	--	2.4	2.2	2.2	1.0	13.9	13.3	2.4	2.5	-2.3	-2.2
IMF (January 2020)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2019)	1.6	1.3	1.0	3.0	0.8 ⁽⁷⁾	1.1 ⁽⁷⁾	1.1 ⁽⁷⁾	1.3 ⁽⁷⁾	2.3	1.9	2.1	0.9	14.2	14.1	1.6	1.3	-2.2	-1.8

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 Excluding financial entities bail-out expenditures.⁷ Harmonized Index of Consumer Prices (HIPC).⁸ HIPC excluding energy and food.

Table 2

Quarterly Forecasts – January 2020

	19-I Q	19-II Q	19-III Q	19-IV Q	20-I Q	20-II Q	20-III Q	20-IV Q
GDP ¹	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Euribor 1 yr ²	-0.11	-0.19	-0.34	-0.26	-0.24	-0.24	-0.22	-0.21
Government bond yield 10 yr ²	1.13	0.50	0.18	0.44	0.46	0.51	0.53	0.58
ECB main refinancing operations interest rate ²	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Dollar / Euro exchange rate ²	1.13	1.13	1.10	1.11	1.12	1.12	1.12	1.13

Forecasts in yellow.

¹ Qr-on-qr growth rates.

² End of period.

Table 3

CPI Forecasts – January 2020

Year-on-year change (%)					
Jan-20	Feb-20	Mar-20	Apr-20	Dec-20	Dec-21
0.9	0.8	0.8	0.7	1.2	1.4

Table 4

Opinions – January 2020

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	4	15	6	12	1
International context: Non-EU	0	6	13	4	15	0
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment ¹	0	3	16	6	12	1
Monetary policy assessment ¹	0	0	19	0	5	14

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

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Equipment & others products	Exports	Imports	Domestic demand (a)	Net exports (a)	
					Total	Construction							
						Total	Housing	Other constructions					
Chain-linked volumes, annual percentage changes													
2013		-1.4	-2.9	-2.1	-3.8	-8.2	-7.6	-8.7	1.3	4.4	-0.2	-2.9	1.4
2014		1.4	1.7	-0.7	4.1	3.0	9.9	-2.6	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	-3.2	5.7	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	8.9	-4.8	3.1	5.4	2.6	2.0	1.0
2017		2.9	3.0	1.0	5.9	5.9	11.5	0.2	5.9	5.6	6.6	3.0	-0.1
2018		2.4	1.8	1.9	5.3	6.6	7.7	5.3	4.1	2.2	3.3	2.6	-0.3
2019		1.9	1.3	2.2	2.8	1.9	2.6	0.9	3.8	2.0	1.7	1.8	0.1
2020		1.5	1.5	1.4	1.9	1.0	1.2	0.7	2.7	2.5	2.6	1.5	0.0
2021		1.7	1.5	1.4	2.8	2.1	2.6	1.6	3.4	2.9	2.9	1.6	0.1
2022		1.7	1.5	1.3	3.0	2.5	2.9	2.1	3.5	3.1	3.2	1.7	0.0
2019	I	2.2	1.1	2.3	4.7	4.0	3.1	5.1	5.4	0.4	-0.1	2.0	0.2
	II	2.0	0.8	2.2	0.9	2.1	3.6	0.4	-0.1	2.1	-0.2	1.2	0.8
	III	1.9	1.4	2.2	2.4	0.9	2.0	-0.5	4.0	3.0	3.1	1.8	0.1
	IV	1.7	1.8	2.0	3.4	0.6	2.0	-1.2	6.2	2.3	3.8	2.1	-0.4
2020	I	1.5	1.8	1.8	2.3	0.6	1.6	-0.5	3.9	2.2	3.7	1.9	-0.4
	II	1.5	1.8	1.6	2.7	0.8	0.8	0.8	4.6	1.5	3.1	1.9	-0.5
	III	1.5	1.3	1.2	1.3	1.5	1.2	1.8	1.2	2.6	1.9	1.2	0.3
	IV	1.6	1.0	1.0	1.1	1.0	1.1	0.9	1.2	3.7	1.9	1.0	0.7
2021	I	1.7	1.2	1.1	1.9	1.3	1.6	0.9	2.5	3.6	2.5	1.3	0.5
	II	1.8	1.4	1.4	2.4	1.7	2.2	1.0	3.0	3.2	2.6	1.5	0.3
	III	1.8	1.6	1.5	2.9	2.3	2.7	1.7	3.5	2.8	3.0	1.8	0.0
	IV	1.6	1.7	1.6	3.9	3.2	3.6	2.6	4.6	2.1	3.5	2.0	-0.4
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2019	I	2.1	0.8	2.5	5.5	1.4	3.7	-1.2	9.7	2.5	1.6	1.7	0.4
	II	1.4	0.6	1.7	-0.6	0.0	3.8	-4.5	-1.2	6.1	4.5	0.8	0.7
	III	1.6	3.4	2.2	7.1	-1.3	-0.2	-2.7	15.8	0.0	7.2	4.0	-2.3
	IV	1.7	2.4	1.6	1.7	2.3	0.8	4.1	1.2	0.8	2.0	2.0	-0.4
2020	I	1.3	0.8	1.6	1.2	1.7	2.0	1.2	0.8	2.0	1.2	1.0	0.3
	II	1.3	0.8	0.8	1.0	0.8	0.8	0.8	1.2	3.2	2.0	0.8	0.5
	III	1.8	1.0	0.8	1.4	1.2	1.2	1.2	1.6	4.5	2.4	1.0	0.8
	IV	2.2	1.2	0.8	0.8	0.4	0.4	0.4	1.2	5.3	2.0	1.0	1.2
2021	I	1.6	1.7	1.8	4.5	2.8	4.1	1.2	6.1	1.6	3.6	2.2	-0.6
	II	1.7	1.7	2.0	2.8	2.4	3.2	1.2	3.2	1.6	2.4	1.9	-0.2
	III	1.6	1.6	1.2	3.6	3.6	3.2	4.1	3.6	2.8	4.1	1.9	-0.3
	IV	1.6	1.6	1.2	4.7	4.1	4.1	4.1	5.3	2.4	4.1	2.1	-0.5
	Current prices (EUR billions)	Percentage of GDP at current prices											
2013		1,020	59.0	19.9	17.4	8.7	3.9	4.8	8.7	33.0	29.0	96.1	3.9
2014		1,032	59.4	19.6	17.8	8.8	4.2	4.6	8.9	33.5	30.4	96.9	3.1
2015		1,078	58.5	19.5	18.0	8.7	4.0	4.6	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	8.6	4.4	4.2	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	9.0	4.8	4.2	9.6	35.2	31.6	96.4	3.6
2018		1,202	58.3	18.6	19.4	9.6	5.3	4.3	9.8	35.1	32.4	97.3	2.7
2019		1,244	57.6	18.9	20.0	10.0	5.7	4.4	10.0	34.8	32.3	97.5	2.5
2020		1,279	57.5	18.9	20.2	10.1	5.8	4.3	10.1	35.1	32.7	97.5	2.5
2021		1,318	57.3	18.8	20.5	10.2	5.9	4.3	10.3	35.5	33.0	97.5	2.5
2022		1,357	57.1	18.6	20.8	10.3	6.0	4.3	10.5	35.9	33.4	97.5	2.5

* Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

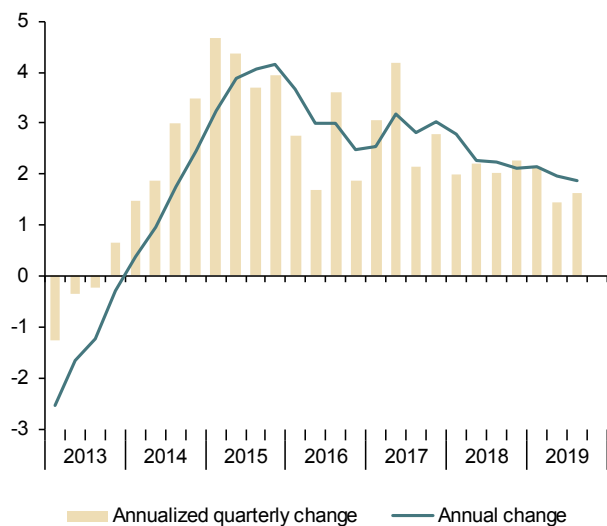


Chart 1.2 - Contribution to GDP annual growth

Percentage points

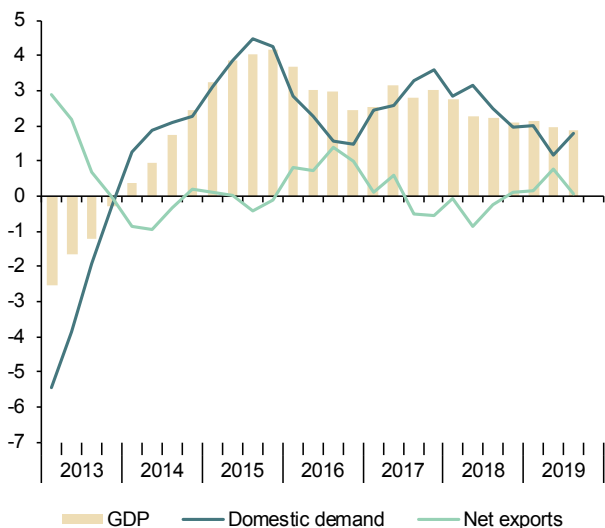


Chart 1.3 - Final consumption

Annual percentage change

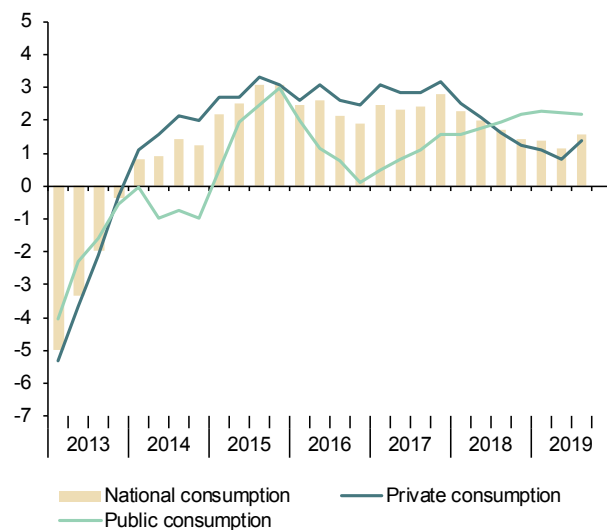


Chart 1.4 - Gross fixed capital formation

Annual percentage change

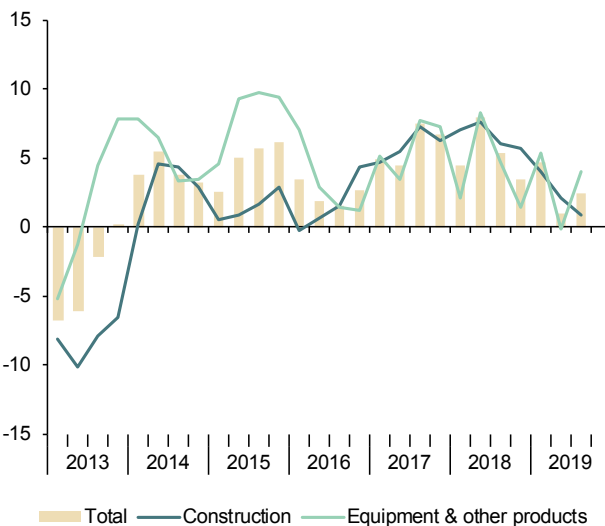


Table 2

National accounts: Gross value added by economic activity SWDA*

Gross value added at basic prices									
			Industry			Services			
	Total	Agriculture, forestry and fishing	Total	Manufacturing	Construction	Total	Public administration, health, education	Other services	Taxes less subsidies on products
Chain-linked volumes, annual percentage changes									
2013	-1.3	13.9	-4.0	-1.0	-10.3	-0.4	0.2	-0.7	-3.1
2014	0.9	-1.3	1.3	2.1	-1.3	1.1	-0.7	1.7	6.1
2015	3.3	4.7	3.0	4.6	5.4	3.1	1.1	3.8	9.6
2016	2.8	4.8	4.1	2.3	3.9	2.4	1.4	2.7	5.2
2017	2.9	-3.0	3.1	4.9	4.9	2.9	1.5	3.4	2.8
2018	2.5	5.9	-0.4	0.7	5.7	2.7	1.7	3.0	1.2
2017 IV	3.1	0.9	4.2	6.6	5.2	2.8	1.5	3.2	2.3
2018 I	2.8	5.9	0.4	1.7	5.0	3.0	1.9	3.4	2.4
II	2.4	7.8	-0.3	1.2	5.5	2.5	1.2	2.9	1.5
III	2.4	3.0	-0.2	0.2	6.2	2.6	1.8	2.9	0.8
IV	2.3	6.9	-1.5	-0.3	5.9	2.7	2.0	2.9	0.0
2019 I	2.4	0.1	-0.5	0.0	6.0	2.9	2.1	3.1	-0.5
II	2.2	-4.5	0.6	0.0	4.2	2.7	2.2	2.8	-0.7
III	2.0	0.1	1.2	0.6	2.4	2.2	1.8	2.4	0.3
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate									
2017 IV	2.9	7.7	3.2	2.3	6.5	2.4	1.5	2.6	1.8
2018 I	2.0	10.5	-1.7	-0.7	4.4	2.3	1.4	2.5	1.9
II	2.4	8.3	-1.9	0.5	8.2	2.6	1.0	3.1	0.3
III	2.3	-12.6	-0.3	-1.3	5.7	3.3	3.3	3.2	-0.6
IV	2.6	25.0	-1.9	0.2	5.3	2.5	2.1	2.7	-1.4
2019 I	2.4	-15.2	2.2	0.8	4.7	3.0	2.0	3.4	-0.1
II	1.7	-10.0	2.6	0.3	1.3	2.0	1.6	2.1	-0.8
III	1.5	5.3	2.2	1.1	-1.6	1.4	1.5	1.4	3.4
	Current prices EUR billions)	Percentage of value added at basic prices							
2012	948	2.6	16.3	12.1	6.6	74.5	18.5	56.0	8.7
2013	932	2.9	16.4	12.2	5.8	74.9	18.9	56.0	9.4
2014	940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015	978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016	1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017	1,053	3.1	16.2	12.6	6.0	74.7	18.0	56.7	10.3
2018	1,088	3.1	15.9	12.4	6.2	74.8	18.0	56.9	10.5

* Seasonally and Working Day Adjusted.

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

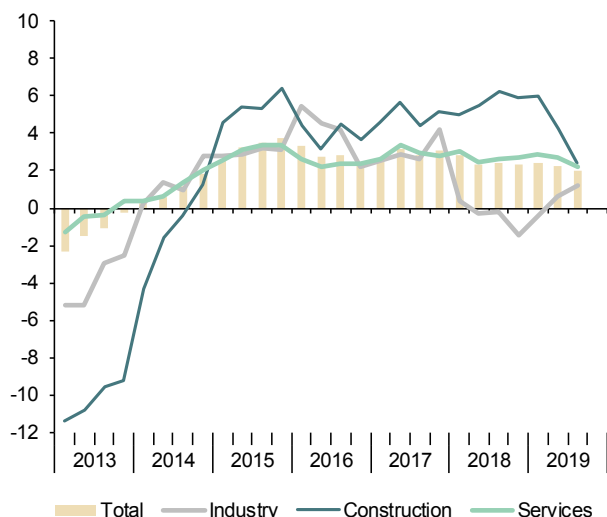


Chart 2.2 - GVA, Industry

Annual percentage change

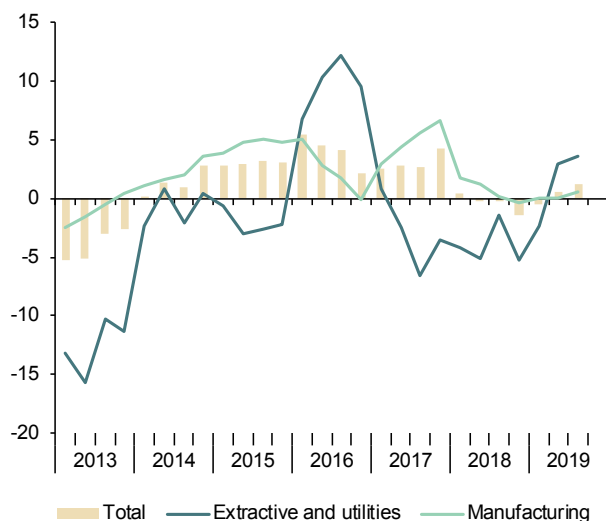


Chart 2.3 - GVA, services

Annual percentage change

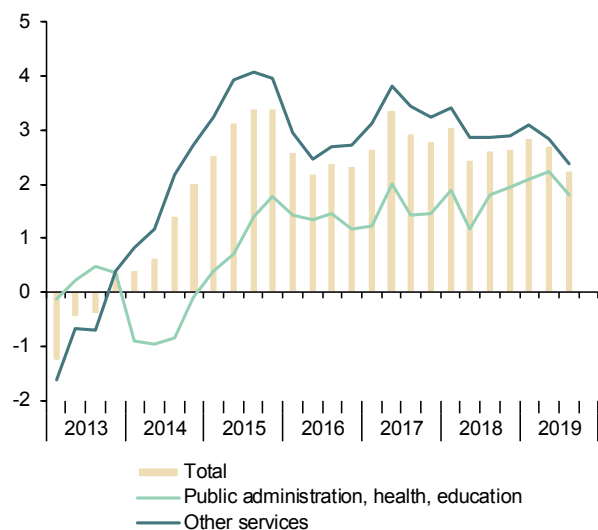


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

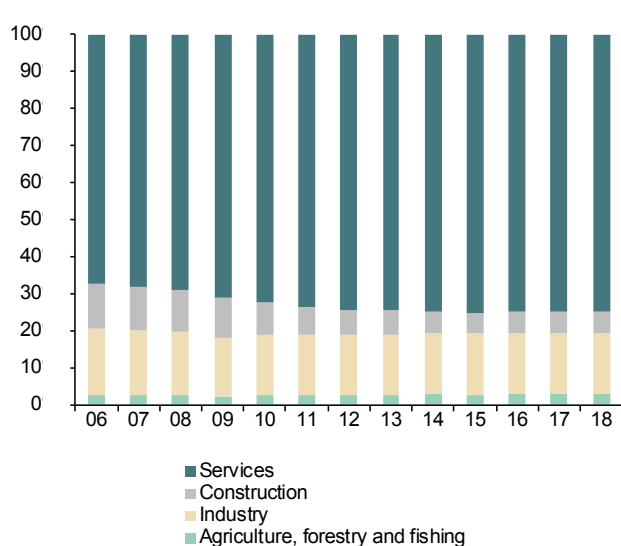


Table 3

National accounts: Productivity and labour costs
 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, 2010 = 100, SWDA												
2012	96.4	92.4	104.3	99.9	95.7	96.1	94.6	87.6	108.0	103.6	95.9	98.8
2013	95.0	89.3	106.4	101.1	95.1	95.1	93.7	82.7	113.2	105.4	93.1	95.3
2014	96.3	90.2	106.8	101.4	95.0	95.2	95.6	81.2	117.7	106.1	90.2	92.2
2015	100.0	93.0	107.5	102.0	94.9	94.6	100.0	83.1	120.3	105.4	87.6	89.8
2016	103.0	95.6	107.7	101.4	94.1	93.5	102.3	86.0	119.0	105.5	88.7	90.2
2017	106.0	98.3	107.8	102.1	94.7	92.9	107.3	89.2	120.3	106.5	88.5	89.4
2018	108.5	100.8	107.6	103.2	95.9	92.9	108.0	91.0	118.7	107.0	90.1	90.0
2019	110.6	103.0	107.3	105.3	98.1	93.7	--	--	--	--	--	--
2020	112.3	104.5	107.5	106.5	99.1	93.4	--	--	--	--	--	--
2021	114.2	106.0	107.8	107.7	99.9	93.0	--	--	--	--	--	--
2022	116.2	107.5	108.1	109.1	100.9	92.8	--	--	--	--	--	--
2017	IV	107.1	99.3	107.9	102.5	95.0	92.7	108.3	90.8	119.3	107.9	90.4
2018	I	107.6	99.8	107.9	102.6	95.1	92.7	108.1	90.9	118.9	106.4	89.5
	II	108.2	100.5	107.7	102.8	95.4	92.6	108.2	91.1	118.7	106.6	89.8
	III	108.8	101.2	107.5	103.4	96.2	93.3	107.9	91.0	118.5	107.1	90.3
	IV	109.4	101.9	107.3	103.9	96.8	93.2	107.9	90.9	118.7	107.9	90.9
2019	I	110.0	102.5	107.3	104.4	97.4	93.7	108.1	91.8	117.8	107.7	91.4
	II	110.3	103.0	107.2	105.0	98.0	93.5	108.2	92.4	117.1	108.1	92.2
	III	110.8	103.1	107.5	105.7	98.3	93.7	108.5	93.5	116.1	107.9	93.0
Annual percentage changes												
2012	-3.0	-5.0	2.1	-0.4	-2.5	-2.4	-5.8	-8.1	2.4	2.0	-0.4	0.0
2013	-1.4	-3.3	2.0	1.3	-0.7	-1.1	-1.0	-5.5	4.8	1.7	-2.9	-3.5
2014	1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3
2015	3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6
2016	3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4
2017	2.9	2.8	0.0	0.7	0.7	-0.7	4.9	3.7	1.1	1.0	-0.2	-0.9
2018	2.4	2.5	-0.2	1.0	1.2	0.1	0.7	2.0	-1.3	0.5	1.8	0.7
2019	1.9	2.2	-0.3	2.1	2.4	0.8	--	--	--	--	--	--
2020	1.5	1.4	0.2	1.1	0.9	-0.3	--	--	--	--	--	--
2021	1.7	1.5	0.3	1.1	0.8	-0.4	--	--	--	--	--	--
2022	1.7	1.4	0.3	1.3	1.0	-0.2	--	--	--	--	--	--
2017	IV	3.0	2.9	0.1	0.8	0.6	-0.9	6.6	4.1	2.4	1.9	-0.5
2018	I	2.8	2.6	0.2	0.6	0.4	-0.8	1.7	3.6	-1.8	0.4	2.3
	II	2.3	2.4	-0.1	0.9	1.0	-0.1	1.2	2.9	-1.7	0.5	2.3
	III	2.2	2.5	-0.2	1.3	1.5	0.6	0.2	1.5	-1.3	0.9	2.3
	IV	2.1	2.7	-0.6	1.3	1.9	0.6	-0.3	0.2	-0.5	0.0	0.6
2019	I	2.2	2.7	-0.6	1.8	2.4	1.1	0.0	1.0	-1.0	1.2	2.2
	II	2.0	2.5	-0.5	2.2	2.7	1.1	0.0	1.4	-1.4	1.3	2.7
	III	1.9	1.8	0.0	2.2	2.1	0.5	0.6	2.7	-2.0	0.8	2.9

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

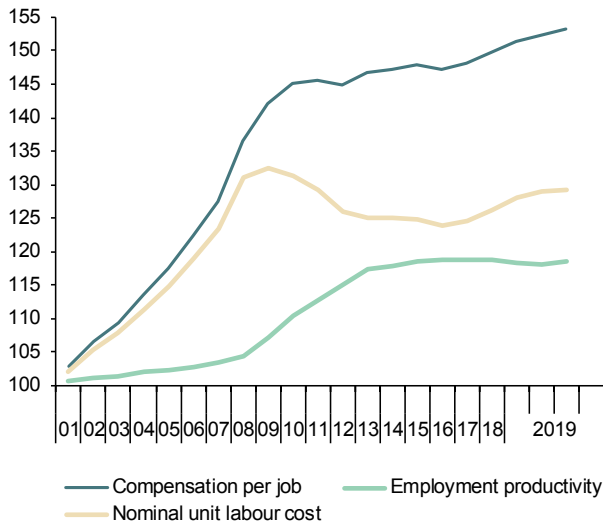
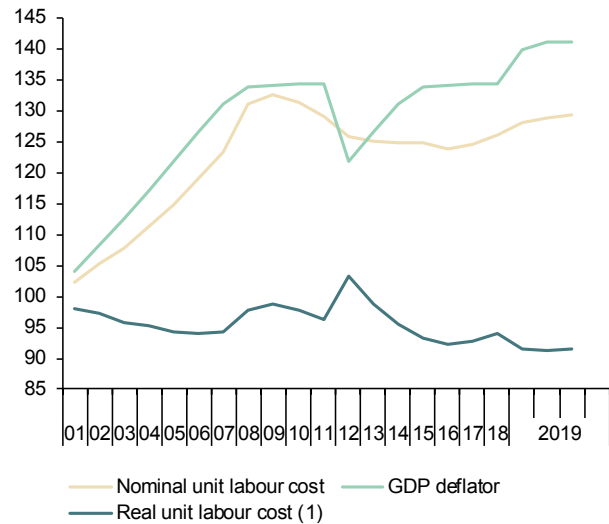


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

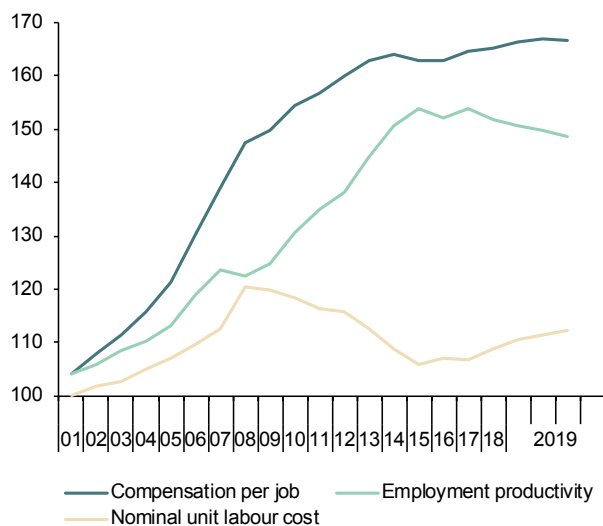
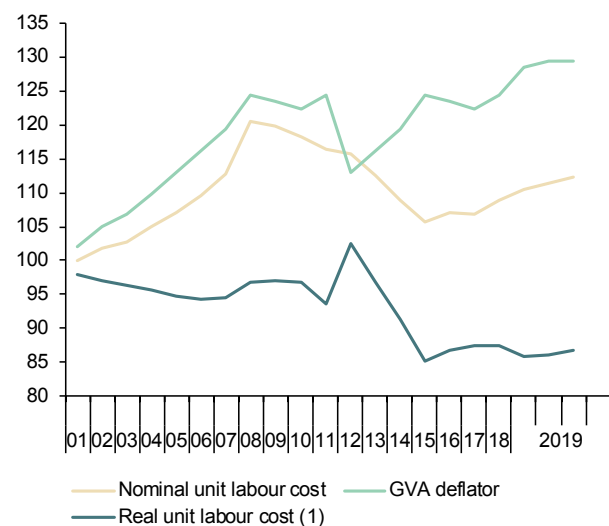


Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition

Forecasts in yellow

		Gross domestic product	Compensation of employees	Gross operating surplus	Gross national disposable income	Final national consumption	Gross national saving (a)	Gross capital formation	Compensation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions, 4-quarter cumulated transactions							Percentage of GDP					
2013		1,020.3	467.5	455.0	1,001.1	804.6	196.5	175.7	45.8	44.6	19.3	17.2	2.0	2.6
2014		1,032.2	473.5	455.4	1,017.7	815.4	202.3	184.8	45.9	44.1	19.6	17.9	1.7	2.1
2015		1,077.6	492.9	472.6	1,066.7	840.1	226.5	204.7	45.7	43.9	21.0	19.0	2.0	2.7
2016		1,113.8	503.7	495.8	1,104.8	860.5	244.3	208.9	45.2	44.5	21.9	18.8	3.2	3.4
2017		1,161.9	523.4	518.7	1,151.4	894.6	256.8	225.7	45.1	44.6	22.1	19.4	2.7	2.9
2018		1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019		1,244.4	569.7	542.3	1,233.0	952.3	280.7	261.1	45.8	43.6	22.6	21.0	1.6	2.0
2020		1,279.0	585.5	556.7	1,266.7	976.9	289.8	270.8	45.8	43.5	22.7	21.2	1.5	1.8
2021		1,317.6	602.3	574.6	1,304.0	1,002.3	301.8	282.4	45.7	43.6	22.9	21.4	1.5	1.8
2022		1,356.7	620.4	591.5	1,343.3	1,028.2	315.1	294.7	45.7	43.6	23.2	21.7	1.5	1.7
2017	IV	1,161.9	523.4	518.7	1,151.4	894.6	256.8	225.7	45.1	44.6	22.1	19.4	2.7	2.9
2018	I	1,173.2	528.1	524.1	1,161.7	902.1	259.6	228.9	45.0	44.7	22.1	19.5	2.6	2.9
	II	1,182.9	533.1	527.0	1,172.8	909.0	263.8	234.9	45.1	44.5	22.3	19.9	2.4	2.7
	III	1,192.2	538.7	529.1	1,181.7	917.2	264.6	239.1	45.2	44.4	22.2	20.1	2.1	2.5
	IV	1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019	I	1,212.4	551.2	534.1	1,202.8	931.3	271.5	251.5	45.5	44.1	22.4	20.7	1.7	2.1
	II	1,223.2	557.9	537.9	1,213.5	938.2	275.3	254.5	45.6	44.0	22.5	20.8	1.7	2.2
	III	1,233.9	564.0	541.6	1,223.4	944.4	279.0	258.4	45.7	43.9	22.6	20.9	1.7	2.1
		Annual percentage changes							Difference from one year ago					
2013		-1.0	-2.9	-0.8	-1.0	-1.8	2.9	-7.6	-0.9	0.1	0.7	-1.2	2.0	2.0
2014		1.2	1.3	0.1	1.7	1.3	3.0	5.2	0.1	-0.5	0.3	0.7	-0.3	-0.5
2015		4.4	4.1	3.8	4.8	3.0	12.0	10.8	-0.1	-0.3	1.4	1.1	0.3	0.5
2016		3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017		4.3	3.9	4.6	4.2	4.0	5.1	8.1	-0.2	0.1	0.2	0.7	-0.5	-0.5
2018		3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019		3.5	4.6	2.0	3.4	3.0	4.7	6.6	0.5	-0.6	0.3	0.6	-0.3	-0.4
2020		2.8	2.8	2.7	2.7	2.6	3.2	3.7	0.0	-0.1	0.1	0.2	-0.1	-0.2
2021		3.0	2.9	3.2	2.9	2.6	4.1	4.3	-0.1	0.1	0.2	0.2	0.0	0.0
2022		3.0	3.0	3.0	3.0	2.6	4.4	4.4	0.0	0.0	0.3	0.3	0.0	-0.1
2017	IV	4.3	3.9	4.6	4.2	4.0	5.1	8.1	-0.2	0.1	0.2	0.7	-0.5	-0.5
2018	I	4.4	3.9	4.9	4.0	3.8	4.4	8.3	-0.2	0.2	0.0	0.7	-0.7	-0.5
	II	4.0	3.9	4.0	4.0	3.6	5.6	9.3	0.0	0.0	0.3	1.0	-0.6	-0.5
	III	3.8	4.0	3.3	3.8	3.5	4.7	8.3	0.1	-0.2	0.2	0.8	-0.6	-0.5
	IV	3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019	I	3.3	4.4	1.9	3.5	3.2	4.6	9.9	0.4	-0.6	0.3	1.2	-1.0	-0.8
	II	3.4	4.6	2.1	3.5	3.2	4.4	8.3	0.5	-0.6	0.2	0.9	-0.7	-0.6
	III	3.5	4.7	2.4	3.5	3.0	5.5	8.1	0.5	-0.5	0.4	0.9	-0.5	-0.3

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

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

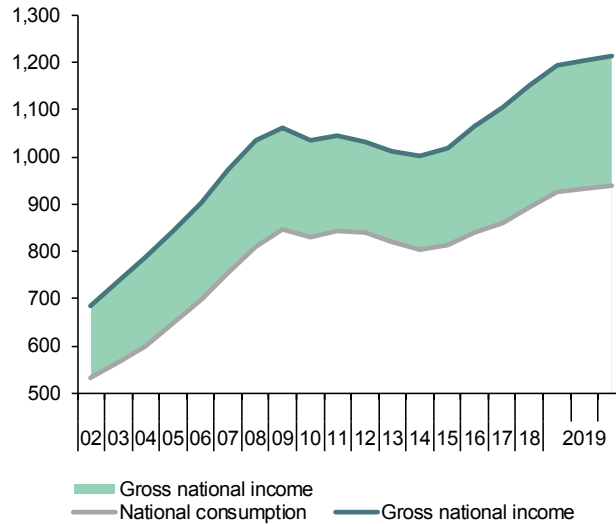


Chart 4.2 - National income, consumption and saving rate

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

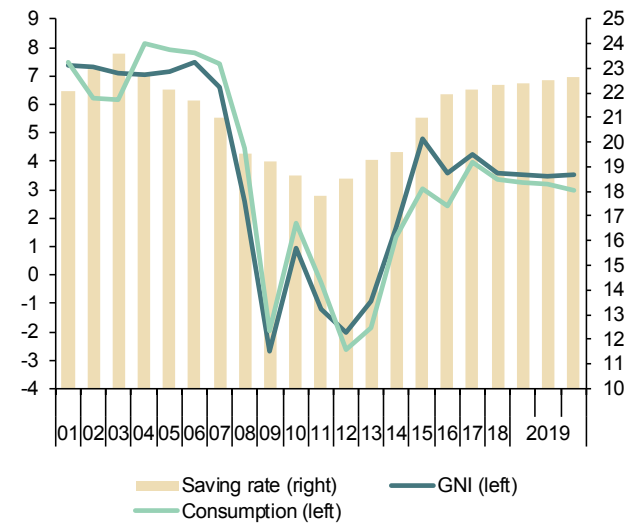


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

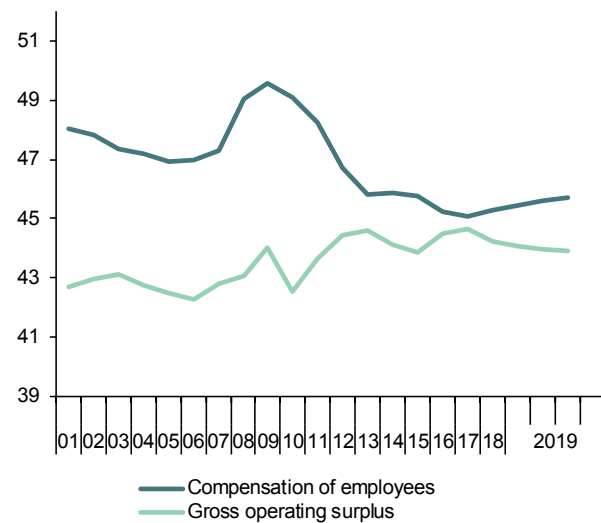


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

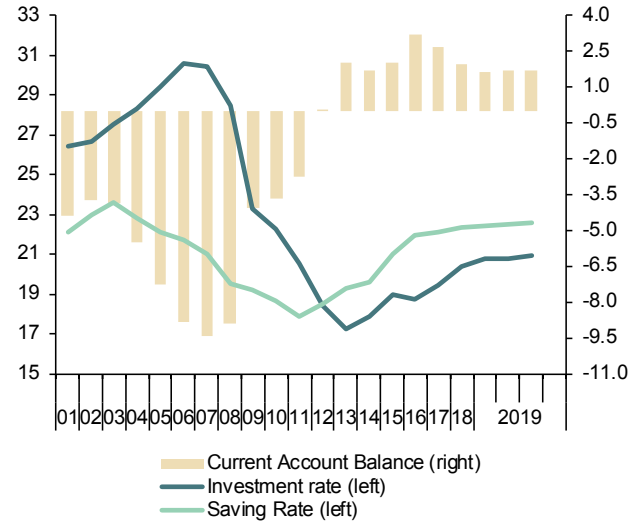


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions, 4-quarter cumulated operations				Percentage of GDP			EUR Billions, 4-quarter cumulated operations				Percentage of GDP	
2013		655.9	601.7	51.7	31.0	7.9	3.0	1.9	228.6	167.4	114.7	16.4	11.2	5.3
2014		656.2	612.7	41.5	30.2	6.3	2.9	1.0	228.7	171.7	127.7	16.6	12.4	4.7
2015		682.2	630.2	49.0	30.5	7.2	2.8	1.7	241.0	185.1	140.4	17.2	13.0	4.4
2016		700.6	648.3	49.2	31.8	7.0	2.9	1.4	255.3	196.2	149.2	17.6	13.4	4.4
2017		721.1	678.2	39.8	37.1	5.5	3.2	0.0	266.8	202.1	160.1	17.4	13.8	3.8
2018		747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019		772.0	716.8	52.4	44.7	6.8	3.6	0.5	271.9	200.9	185.4	16.1	14.9	1.5
2020		791.8	735.2	53.7	46.9	6.8	3.7	0.4	278.6	206.9	192.4	16.2	15.0	1.4
2021		812.0	754.9	54.3	49.5	6.7	3.8	0.2	289.7	214.7	200.0	16.3	15.2	1.3
2022		834.2	775.2	56.2	51.9	6.7	3.8	0.2	299.8	222.2	208.8	16.4	15.4	1.1
2017	IV	721.1	678.2	39.8	37.1	5.5	3.2	0.0	266.8	202.1	160.1	17.4	13.8	3.8
2018	I	727.0	684.3	39.8	37.0	5.5	3.2	0.0	268.4	203.9	163.6	17.4	14.0	3.6
	II	734.0	689.5	41.6	38.3	5.7	3.2	0.1	269.5	204.6	166.7	17.3	14.1	3.4
	III	739.7	695.5	41.5	39.3	5.6	3.3	0.0	270.0	202.2	172.1	17.0	14.5	2.7
	IV	747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019	I	754.6	705.4	46.4	42.0	6.2	3.5	0.2	271.2	199.6	179.6	16.5	14.8	1.9
	II	765.5	709.1	53.9	41.6	7.0	3.4	0.8	272.6	198.2	184.2	16.2	15.0	1.4
	III	770.7	713.4	54.2	41.4	7.0	3.4	0.8	273.1	198.9	187.2	16.1	15.2	1.3
Annual percentage changes						Difference from one year ago			Annual percentage changes				Difference from one year ago	
2013		-0.4	-2.0	20.9	-27.0	1.4	-1.1	1.8	0.6	7.4	0.5	1.3	0.2	1.0
2014		0.0	1.8	-19.8	-2.7	-1.6	-0.1	-1.0	0.0	2.5	11.3	0.2	1.1	-0.6
2015		4.0	2.9	18.1	1.1	0.9	-0.1	0.7	5.4	7.8	10.0	0.5	0.7	-0.3
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.9	6.0	6.2	0.4	0.4	0.0
2017		2.9	4.6	-19.3	16.8	-1.5	0.3	-1.4	4.5	3.0	7.3	-0.2	0.4	-0.7
2018		3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019		3.2	2.3	18.5	8.0	0.9	0.1	0.4	0.7	1.1	5.9	-0.4	0.3	-0.7
2020		2.6	2.6	2.4	4.8	0.0	0.1	-0.1	2.5	3.0	3.7	0.0	0.1	-0.1
2021		2.6	2.7	1.1	5.6	-0.1	0.1	-0.2	4.0	3.8	4.0	0.1	0.1	0.0
2022		2.7	2.7	3.5	4.9	0.0	0.1	0.0	3.5	3.5	4.4	0.1	0.2	-0.2
2017	IV	2.9	4.6	-19.3	16.8	-1.5	0.3	-1.4	4.5	3.0	7.3	-0.2	0.4	-0.7
2018	I	3.2	4.2	-9.8	9.5	-0.8	0.2	-0.7	4.1	2.4	9.2	-0.3	0.6	-1.0
	II	3.3	3.7	-2.3	11.5	-0.3	0.2	-0.5	3.2	4.0	8.6	0.0	0.6	-0.6
	III	3.6	3.6	4.6	10.0	0.0	0.2	-0.1	2.9	2.5	10.0	-0.2	0.8	-1.0
	IV	3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019	I	3.8	3.1	16.6	13.4	0.7	0.3	0.1	1.0	-2.1	9.8	-0.9	0.8	-1.7
	II	4.3	2.8	29.5	8.5	1.4	0.2	0.8	1.2	-3.1	10.5	-1.1	0.9	-2.0
	III	4.2	2.6	30.6	5.4	1.4	0.1	0.9	1.1	-1.6	8.8	-0.9	0.7	-1.5

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

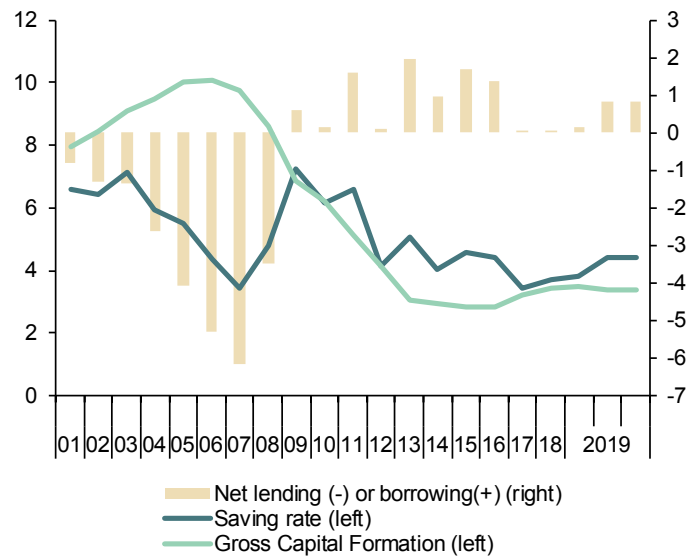


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

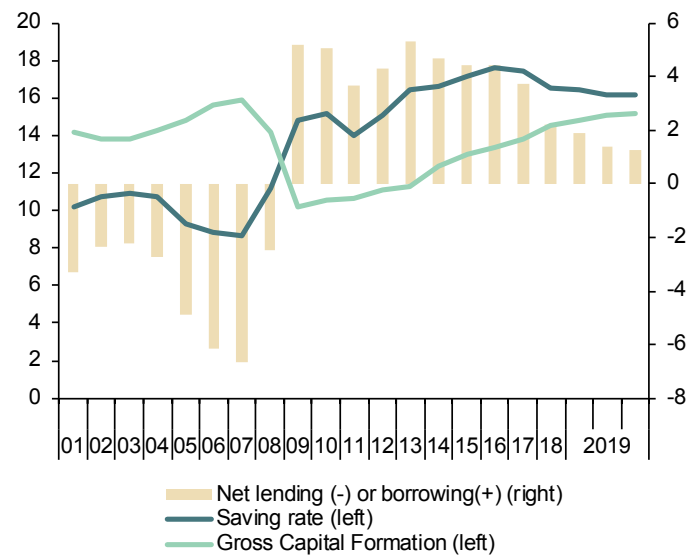


Table 6

National accounts: Public revenue, expenditure and deficit

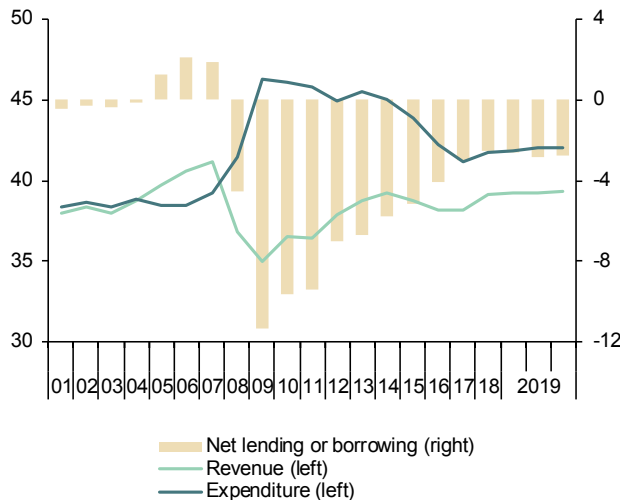
Forecasts in yellow

		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															
2013		143.5	112.4	102.2	126.9	114.4	23.7	170.4	20.4	156.0	202.9	-46.8	25.0	-71.8	-68.5
2014		143.5	118.0	104.4	129.0	115.0	25.0	170.7	20.5	163.8	202.7	-38.9	22.2	-61.1	-59.7
2015		147.6	126.0	107.1	131.5	119.2	23.4	170.2	21.4	177.9	209.9	-32.0	23.8	-55.8	-55.2
2016		149.8	128.4	110.0	135.6	121.5	22.0	173.7	20.8	185.7	212.3	-26.5	21.4	-48.0	-45.6
2017		152.2	134.5	116.9	142.4	123.5	21.8	177.3	20.3	203.1	216.3	-13.2	21.9	-35.1	-34.6
2018		156.7	140.4	127.3	149.4	127.6	21.5	185.2	21.4	218.1	223.8	-5.7	24.8	-30.5	-30.4
2019		164.3	146.0	131.4	161.8	134.3	20.2	197.8	21.0	230.1	235.5	-5.5	25.9	-31.4	-31.4
2020		168.3	150.6	135.5	166.7	137.8	19.6	204.9	21.2	237.6	241.7	-4.1	27.2	-31.3	-31.3
2021		172.8	154.9	140.4	171.4	141.1	19.4	212.2	21.7	245.0	247.4	-2.4	27.9	-30.3	-30.3
2022		176.9	159.3	145.2	176.4	144.3	19.9	219.7	21.8	252.1	253.0	-0.9	28.9	-29.8	-29.8
2017	IV	152.2	134.5	116.9	142.4	123.5	21.8	177.3	20.3	203.1	216.3	-13.2	21.9	-35.1	-34.6
2018	I	152.9	136.0	118.7	144.3	124.0	21.5	178.5	21.2	206.7	217.5	-10.8	23.4	-34.2	-33.8
	II	153.8	137.9	120.1	146.0	124.8	20.9	180.0	20.8	211.3	219.0	-7.6	25.0	-32.6	-32.5
	III	155.2	138.9	123.0	147.7	126.0	20.9	182.7	20.8	214.5	221.2	-6.7	25.1	-31.8	-31.7
	IV	156.7	140.4	127.3	149.4	127.6	21.5	185.2	21.4	218.1	223.8	-5.7	24.8	-30.5	-30.4
2019	I	158.3	141.8	127.0	152.4	129.2	20.6	187.9	22.1	219.7	226.3	-6.5	24.9	-31.4	-31.6
	II	160.7	141.8	129.0	155.3	131.5	21.0	192.2	22.7	219.2	229.3	-10.0	25.0	-35.1	-35.0
	III	161.7	142.5	130.8	157.6	132.5	20.4	193.9	23.5	222.2	230.7	-8.4	25.9	-34.3	-34.2
Percentage of GDP, 4-quarter cumulated operations															
2013		14.1	11.0	10.0	12.4	11.2	2.3	16.7	2.0	15.3	19.9	-4.6	2.4	-7.0	-6.7
2014		13.9	11.4	10.1	12.5	11.1	2.4	16.5	2.0	15.9	19.6	-3.8	2.1	-5.9	-5.8
2015		13.7	11.7	9.9	12.2	11.1	2.2	15.8	2.0	16.5	19.5	-3.0	2.2	-5.2	-5.1
2016		13.4	11.5	9.9	12.2	10.9	2.0	15.6	1.9	16.7	19.1	-2.4	1.9	-4.3	-4.1
2017		13.1	11.6	10.1	12.3	10.6	1.9	15.3	1.7	17.5	18.6	-1.1	1.9	-3.0	-3.0
2018		13.0	11.7	10.6	12.4	10.6	1.8	15.4	1.8	18.1	18.6	-0.5	2.1	-2.5	-2.5
2019		13.2	11.7	10.6	13.0	10.8	1.6	15.9	1.7	18.5	18.9	-0.4	2.1	-2.5	-2.5
2020		13.2	11.8	10.6	13.0	10.8	1.5	16.0	1.7	18.6	18.9	-0.3	2.1	-2.4	-2.4
2021		13.1	11.8	10.7	13.0	10.7	1.5	16.1	1.6	18.6	18.8	-0.2	2.1	-2.3	-2.3
2022		13.0	11.7	10.7	13.0	10.6	1.5	16.2	1.6	18.6	18.6	-0.1	2.1	-2.2	-2.2
2017	IV	13.1	11.6	10.1	12.3	10.6	1.9	15.3	1.7	17.5	18.6	-1.1	1.9	-3.0	-3.0
2018	I	13.0	11.6	10.1	12.3	10.6	1.8	15.2	1.8	17.6	18.6	-0.9	2.0	-2.9	-2.9
	II	13.0	11.7	10.2	12.4	10.6	1.8	15.2	1.8	17.9	18.5	-0.6	2.1	-2.8	-2.7
	III	13.0	11.7	10.3	12.4	10.6	1.8	15.3	1.7	18.0	18.6	-0.6	2.1	-2.7	-2.7
	IV	13.0	11.7	10.6	12.4	10.6	1.8	15.4	1.8	18.1	18.6	-0.5	2.1	-2.5	-2.5
2019	I	13.0	11.7	10.5	12.6	10.7	1.7	15.5	1.8	18.1	18.6	-0.5	2.1	-2.6	-2.6
	II	13.1	11.6	10.5	12.7	10.7	1.7	15.7	1.9	17.9	18.7	-0.8	2.0	-2.9	-2.9
	III	13.1	11.5	10.6	12.8	10.7	1.7	15.7	1.9	18.0	18.7	-0.7	2.1	-2.8	-2.8

Source: INE 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

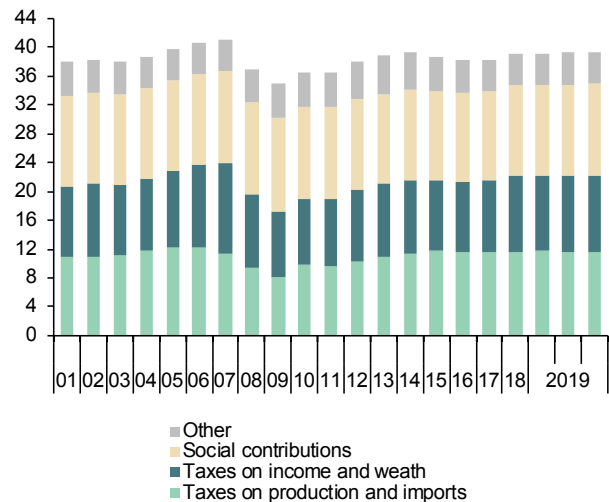


Chart 6.3.- Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

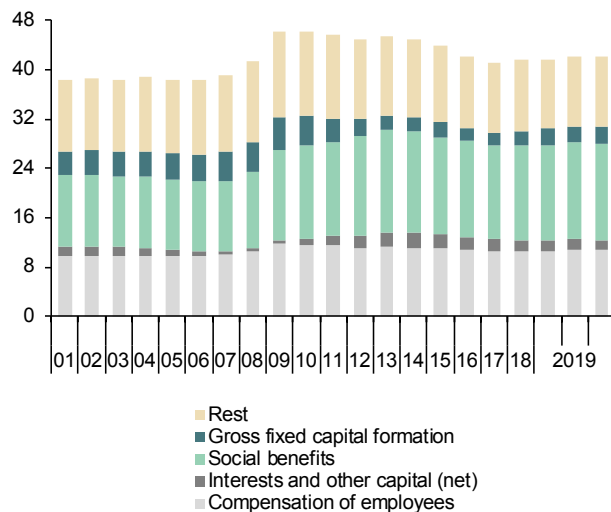
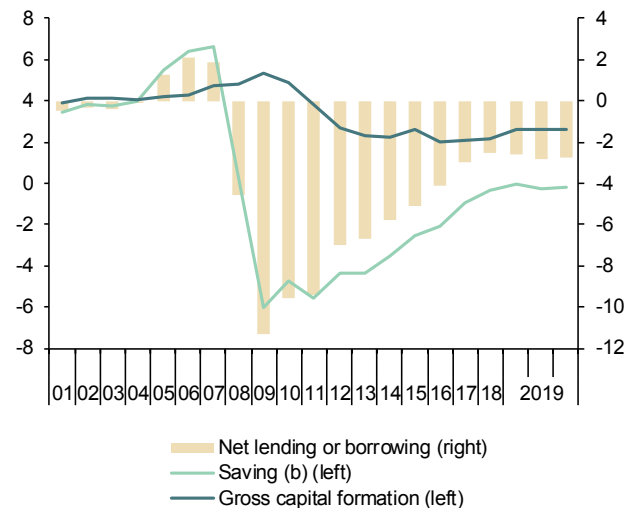


Chart 6.4 - Public sector: Saving, investment and deficit (a)

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					
2013		-46.5	-16.4	5.7	-11.3	-68.5	849.4	210.5	42.1	17.2	977.3
2014		-35.9	-18.7	5.5	-10.6	-59.7	901.4	237.9	38.3	17.2	1,039.4
2015		-28.2	-18.9	4.6	-12.9	-55.2	939.3	263.3	35.1	17.2	1,070.1
2016		-25.7	-9.5	7.0	-17.4	-45.6	968.4	277.0	32.2	17.2	1,104.6
2017		-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018		-15.9	-3.3	6.1	-17.4	-30.4	1,047.2	293.4	25.8	41.2	1,173.3
2019		--	--	--	--	-31.4	--	--	--	--	1,206.2
2020		--	--	--	--	-31.3	--	--	--	--	1,236.5
2021		--	--	--	--	-30.3	--	--	--	--	1,265.8
2017	IV	-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018	I	-21.4	-3.1	6.7	-16.0	-33.8	1,029.0	289.7	29.0	27.4	1,162.1
	II	-18.6	-2.9	5.5	-16.5	-32.5	1,034.9	293.4	29.4	34.9	1,166.0
	III	-18.0	-2.9	5.2	-16.0	-31.7	1,048.7	292.4	28.0	34.9	1,177.7
	IV	-15.9	-3.3	6.1	-17.4	-30.4	1,047.2	293.4	25.8	41.2	1,173.3
2019	I	-18.5	-3.4	5.6	-15.3	-31.6	1,069.8	296.9	26.0	43.1	1,200.5
	II	-18.4	-4.1	5.8	-18.3	-35.0	1,075.9	300.6	26.2	48.7	1,211.4
	III	-12.5	-8.6	5.0	-18.1	-34.2	1,074.2	298.1	25.2	52.4	1,207.8
Percentage of GDP, 4-quarter cumulated operations						Percentage of GDP					
2013		-4.6	-1.6	0.6	-1.1	-6.7	83.3	20.6	4.1	1.7	95.8
2014		-3.5	-1.8	0.5	-1.0	-5.8	87.3	23.1	3.7	1.7	100.7
2015		-2.6	-1.8	0.4	-1.2	-5.1	87.2	24.4	3.3	1.6	99.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	86.9	24.9	2.9	1.5	99.2
2017		-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018		-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019		--	--	--	--	-2.5	--	--	--	--	96.9
2020		--	--	--	--	-2.4	--	--	--	--	96.7
2021		--	--	--	--	-2.3	--	--	--	--	96.1
2017	IV	-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018	I	-1.8	-0.3	0.6	-1.4	-2.9	87.8	24.7	2.5	2.3	99.2
	II	-1.6	-0.2	0.5	-1.4	-2.7	87.5	24.8	2.5	3.0	98.6
	III	-1.5	-0.2	0.4	-1.3	-2.7	88.1	24.6	2.4	2.9	98.9
	IV	-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019	I	-1.5	-0.3	0.5	-1.3	-2.6	88.2	24.5	2.1	3.5	98.9
	II	-1.5	-0.3	0.5	-1.5	-2.9	87.9	24.6	2.1	4.0	98.9
	III	-1.0	-0.7	0.4	-1.5	-2.8	87.1	24.2	2.0	4.3	97.9

(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

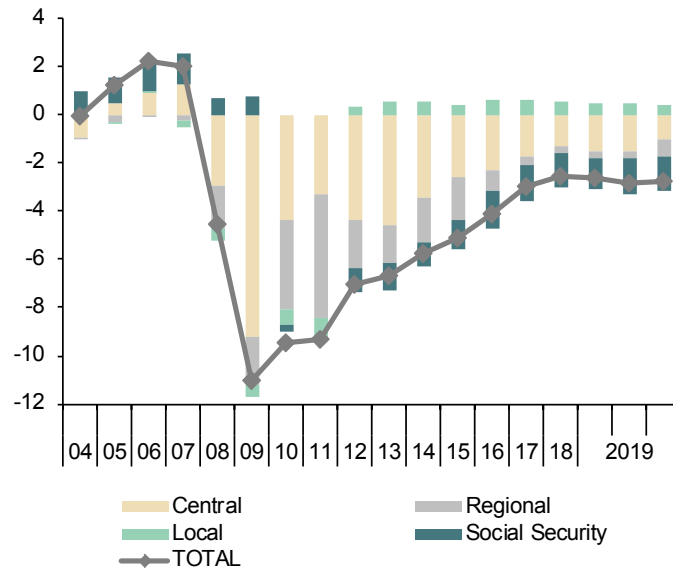


Chart 7.2 - Government debt

Percent of GDP

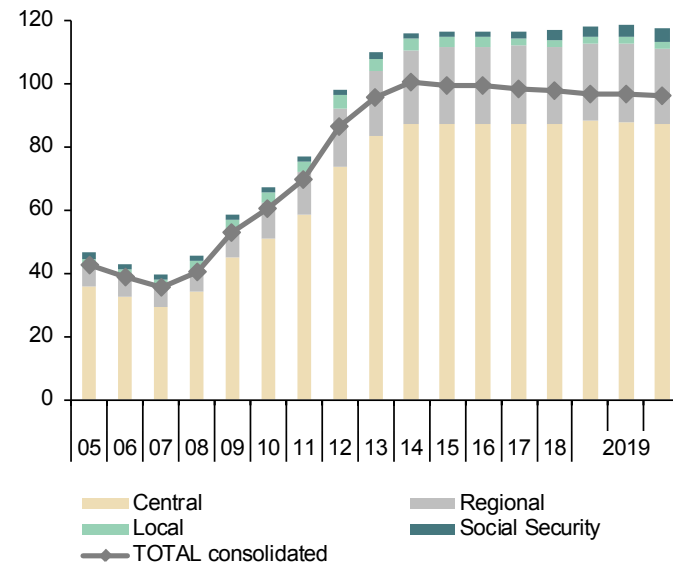


Table 8

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	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2012	86.3	43.1	16,335.3	255.7	97.1	2,113.9	43.8	-17.6	96.7	-37.1
2013	90.6	48.3	15,855.2	250.0	95.5	2,021.6	48.5	-14.0	94.2	-30.7
2014	100.7	55.1	16,111.1	249.6	96.8	2,022.8	53.2	-7.1	96.1	-16.3
2015	107.6	56.7	16,641.8	253.8	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016	105.6	54.9	17,157.5	253.8	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017	108.3	56.2	17,789.6	258.4	105.0	2,191.0	54.8	1.0	107.0	2.2
2018	108.0	54.6	18,364.5	259.3	105.3	2,250.9	53.3	-0.1	108.6	-0.2
2019 (b)	104.4	52.7	18,844.1	251.9	107.0	2,283.2	49.1	-3.9	109.4	-4.8
2018 I	109.6	56.6	18,158.1	65.3	106.1	2,234.8	55.3	2.8	109.1	1.2
II	109.4	55.4	18,292.4	64.7	105.2	2,246.6	53.8	1.2	109.2	2.9
III	106.7	52.7	18,428.8	65.4	105.4	2,257.0	52.4	-2.6	109.2	-2.4
IV	106.4	53.7	18,579.3	64.0	105.0	2,265.5	51.8	-1.9	109.1	-2.4
2019 I	105.2	54.5	18,707.0	63.8	106.0	2,274.0	51.1	-3.8	109.1	-5.9
II	104.8	52.4	18,811.4	63.2	106.7	2,281.2	49.9	-4.6	109.1	-2.7
III	105.6	52.0	18,886.6	62.2	106.5	2,286.4	48.2	-2.0	108.9	-4.6
IV (b)	102.1	51.9	18,966.1	62.7	106.1	2,291.1	47.2	-5.2	108.6	-6.3
2019 Oct	101.2	51.2	18,949.0	20.8	105.6	2,289.8	46.8	-7.9	108.6	-13.6
Nov	101.9	51.9	18,966.4	20.8	106.7	2,291.1	47.5	-5.1	108.5	-2.3
Dec	103.2	52.7	18,982.9	20.8	--	2,292.2	47.4	-2.6	--	-2.9
Percentage changes (c)										
2012	--	--	-3.7	-2.1	-6.7	-5.3	--	--	-4.9	--
2013	--	--	-2.9	-2.2	-1.6	-4.4	--	--	-2.6	--
2014	--	--	1.6	-0.2	1.3	0.1	--	--	2.0	--
2015	--	--	3.3	1.7	3.4	2.2	--	--	4.1	--
2016	--	--	3.1	0.0	1.8	2.8	--	--	2.7	--
2017	--	--	3.7	1.8	3.2	3.1	--	--	4.3	--
2018	--	--	3.2	0.3	0.3	2.7	--	--	1.5	--
2019 (d)	--	--	2.6	-2.8	0.8	1.4	--	--	0.2	--
2018 I	--	--	3.1	-0.4	-6.1	3.2	--	--	1.5	--
II	--	--	3.0	-3.6	-3.5	2.1	--	--	0.4	--
III	--	--	3.0	4.6	0.9	1.9	--	--	-0.1	--
IV	--	--	3.3	-8.2	-1.8	1.5	--	--	-0.4	--
2019 I	--	--	2.8	-1.5	4.2	1.5	--	--	0.0	--
II	--	--	2.3	-3.4	2.6	1.3	--	--	-0.1	--
III	--	--	1.6	-6.2	-0.9	0.9	--	--	-0.7	--
IV (e)	--	--	1.7	3.2	-1.3	0.8	--	--	-1.1	--
2019 Oct	--	--	0.2	1.0	-0.5	0.1	--	--	-0.1	--
Nov	--	--	0.1	0.3	1.0	0.1	--	--	-0.1	--
Dec	--	--	0.1	-1.8	--	0.0	--	--	--	--

(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

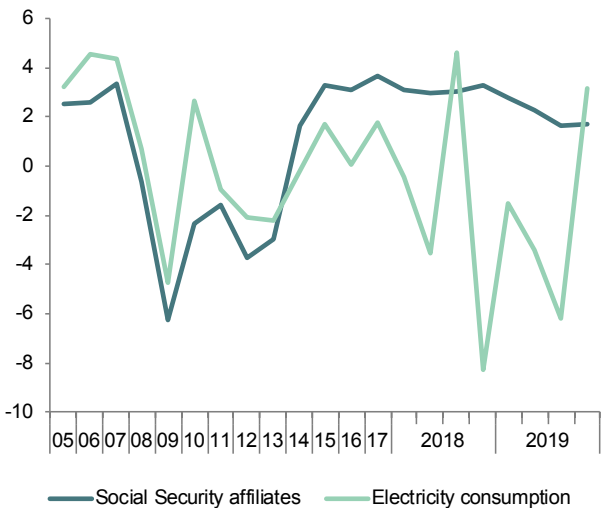


Chart 8.2.- General activity indicators (II)

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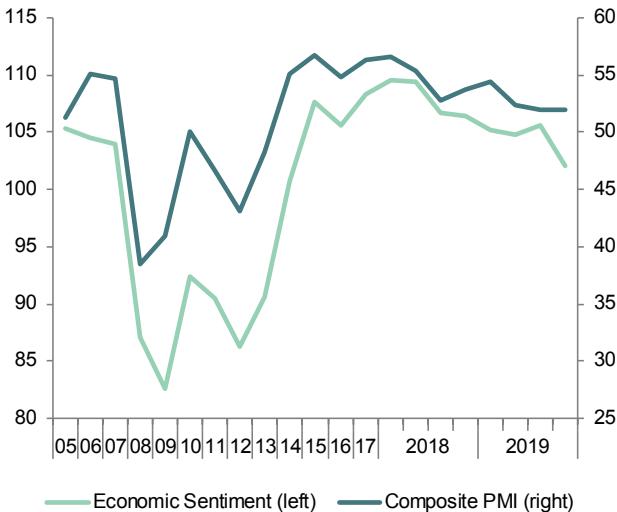


Chart 8.3 - Industrial sector indicators (I)

Annualized percent change from previous period

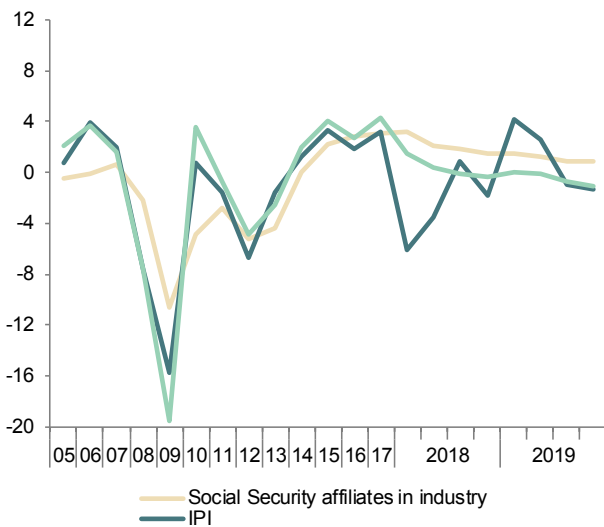


Chart 8.4 - Industrial sector indicators (II)

Index

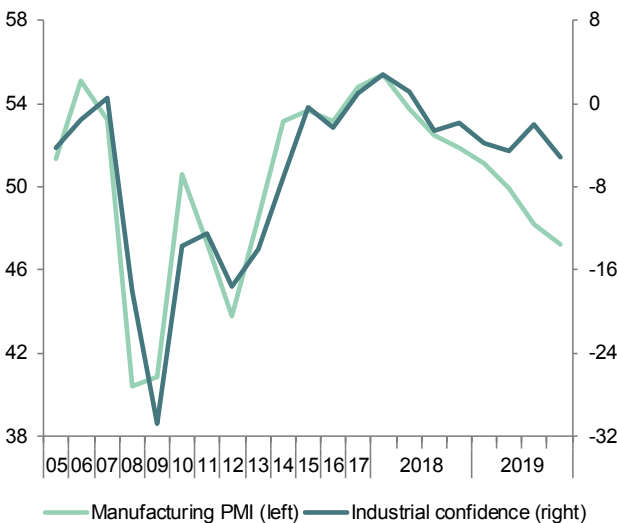


Table 9

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	2015=100 (smoothed)	Balance of responses	EUR Billions (smoothed)	Million m ²	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2012	1,135.5	101.2	-54.9	7.4	8.5	11,907.2	94.8	43.1	280.7	193.2	-21.5
2013	996.8	93.6	-55.6	9.2	6.8	11,727.9	92.9	48.3	286.0	186.5	-15.3
2014	980.3	92.8	-41.4	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	9.9
2015	1,026.7	100.0	-25.3	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	19.4
2016	1,053.9	102.6	-39.6	9.2	12.7	12,851.6	104.2	55.0	331.2	229.4	17.8
2017	1,118.8	111.5	-26.9	12.7	15.9	13,338.2	111.0	56.4	340.6	248.4	22.5
2018	1,194.1	114.2	-4.6	16.6	19.8	13,781.3	117.5	54.8	340.0	262.9	21.7
2019 (b)	1,254.9	125.8	-7.0	16.8	17.2	14,169.1	121.4	53.9	326.2	274.4	13.9
2018	I	1,164.4	112.9	-4.3	3.8	13,626.4	115.4	56.8	85.3	64.6	23.5
	II	1,182.9	113.6	-4.1	3.9	13,724.3	117.1	55.8	85.3	65.4	23.5
	III	1,206.1	115.7	-8.3	4.4	13,830.0	118.7	52.6	85.7	66.4	21.6
	IV	1,223.4	119.0	-1.6	5.0	13,943.6	120.0	54.0	86.3	67.5	18.0
2019	I	1,244.5	122.4	-0.6	5.2	14,040.4	121.1	55.3	86.6	68.3	15.5
	II	1,253.6	124.1	-7.8	4.9	14,136.2	122.0	53.1	86.5	68.6	14.8
	III	1,259.4	124.2	-7.4	4.3	14,208.7	122.6	53.5	86.3	69.0	14.2
	IV (b)	1,262.2	124.3	-12.4	2.4	14,287.8	123.1	53.6	57.4	69.9	11.0
2019	Oct	1,263.3	124.3	-7.9	1.2	14,263.2	123.0	52.7	28.7	23.2	10.6
	Nov	1,262.7	124.4	-15.3	1.1	14,288.7	123.2	53.2	28.7	23.3	11.2
	Dec	1,260.6	--	-13.9	--	14,311.4	--	54.9	--	23.4	11.3
Percentage changes (c)											
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	4.9	--	4.4	6.0	--
2016	2.6	2.6	--	-1.7	29.0	3.4	4.2	--	7.4	11.0	--
2017	6.2	8.6	--	37.2	24.8	3.8	6.6	--	2.8	8.3	--
2018	6.7	2.4	--	30.9	24.5	3.3	5.8	--	-0.2	5.8	--
2019 (d)	5.1	9.1	--	16.7	4.5	2.8	3.9	--	0.9	4.4	--
	I	5.6	0.4	--	59.0	18.9	3.3	6.4	--	-0.5	5.8
	II	6.5	2.5	--	35.2	23.5	2.9	6.0	--	0.3	5.3
	III	8.1	7.7	--	28.6	32.7	3.1	5.6	--	1.7	6.0
2019	IV	5.9	11.6	--	32.5	23.3	3.3	4.4	--	2.8	6.9
	I	7.1	12.1	--	36.6	11.0	2.8	3.8	--	1.3	4.5
	II	3.0	5.5	--	27.2	6.8	2.8	3.0	--	-0.3	1.8
	III	1.9	0.4	--	-1.6	-3.4	2.1	2.1	--	-1.0	2.5
2019	IV (e)	0.9	0.4	--	-26.9	2.8	2.2	1.5	--	-0.7	5.0
	Oct	0.1	0.1	--	-12.4	2.8	0.2	0.1	--	-0.1	0.4
	Nov	0.0	0.1	--	-45.4	--	0.2	0.1	--	0.0	0.5
	Dec	-0.2	--	--	--	--	0.2	--	--	0.5	--

(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

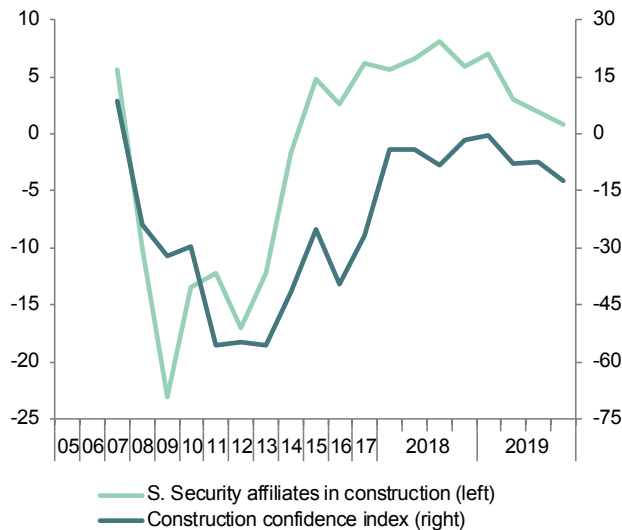


Chart 9.2 - Construction indicators (II)

Annualized percentage changes from previous period

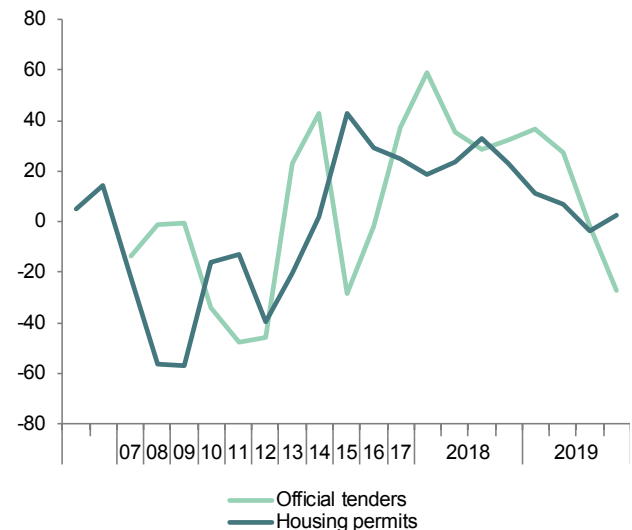


Chart 9.3 - Services indicators (I)

Annualized percentage change from previous period

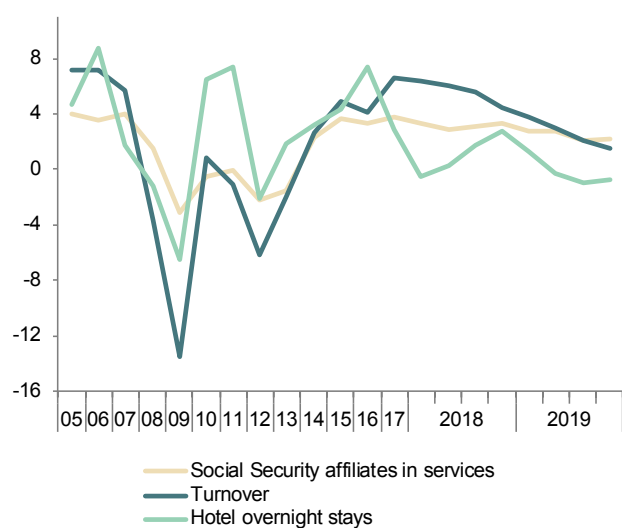


Chart 9.4 - Services indicators (II)

Index

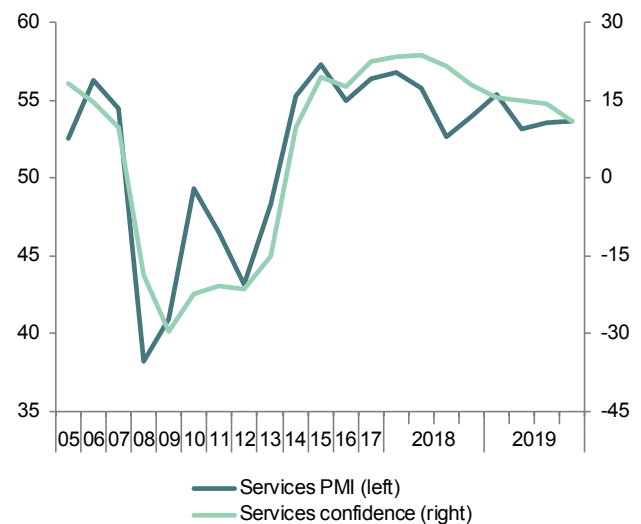


Table 10

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	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	2005=100 (smoothed)
2012		98.8	710.6	-33.7	102.1	-24.2	107.7	60.6
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	105.4
2019 (b)		106.3	1,375.6	-6.3	112.4	-2.5	220.9	106.2
2018	I	105.3	358.5	-3.9	29.0	-0.4	56.6	104.0
	II	105.3	361.7	-3.0	29.0	-5.1	57.7	106.1
	III	105.5	357.9	-3.7	29.2	-10.4	58.1	106.9
	IV	106.0	345.1	-6.2	29.6	-6.3	57.5	105.9
2019	I	106.8	338.7	-4.8	29.8	-3.5	56.8	105.7
	II	107.7	339.2	-4.0	29.9	-2.0	55.7	106.6
	III	108.5	342.7	-5.8	29.8	-4.2	54.5	107.4
	IV (b)	109.2	347.2	-10.5	19.8	-0.3	52.9	107.8
2019	Oct	109.1	115.2	-9.1	9.9	-3.8	17.8	107.8
	Nov	109.4	115.7	-10.3	9.9	-0.9	17.6	107.9
	Dec	--	116.2	-12.1	--	3.8	17.5	--
Percentage changes (c)								
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	--	1.4	--	8.5	6.4
2018		0.7	6.1	--	0.6	--	10.8	2.0
2019 (d)		2.4	-3.4	--	2.6	--	-4.0	0.4
2017	IV	0.3	14.4	--	1.2	--	16.0	-1.5
	I	0.4	7.7	--	0.0	--	12.1	5.2
	II	0.2	3.7	--	0.1	--	8.3	8.3
	III	0.7	-4.1	--	2.7	--	2.6	2.8
2019	IV	2.0	-13.6	--	5.1	--	-3.7	-3.6
	I	3.0	-7.2	--	3.2	--	-4.9	-0.6
	II	3.4	0.6	--	1.0	--	-7.3	3.4
	III (e)	3.3	4.2	--	-1.4	--	-8.9	3.1
2019	Oct	0.3	0.4	--	-0.2	--	-1.0	0.1
	Nov	0.3	0.4	--	-0.2	--	-1.0	0.1
	Dec	--	0.4	--	--	--	-1.0	--

(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

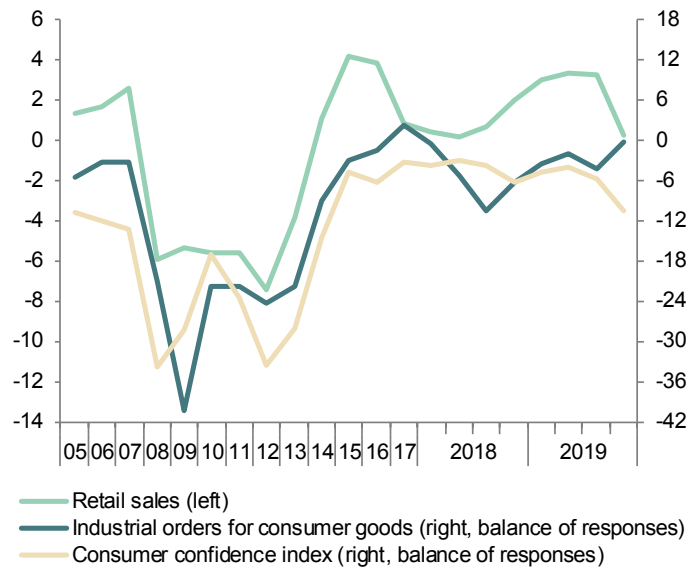


Chart 10.2 - Investment indicators

Percent change from previous period and balance of responses

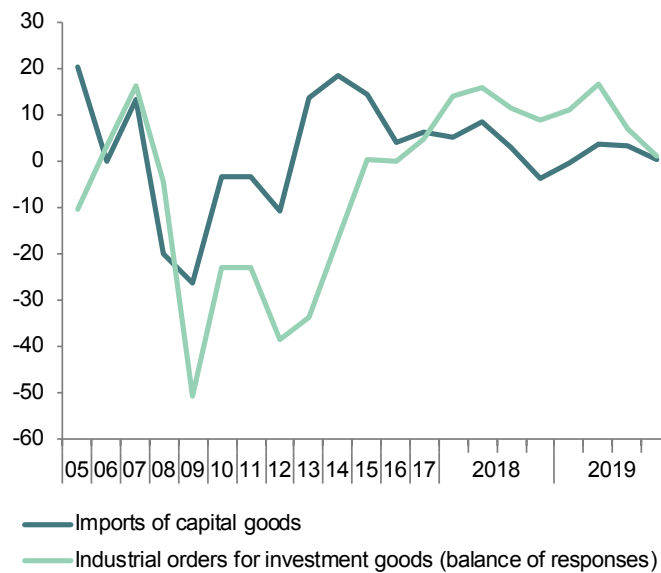


Table 11a

Labour market (I)
 Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted			Total	Aged 16-24	Spanish	Foreign
											Seasonally adjusted			
		I	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
Million									Percentage					
2013		38.6	23.2	--	17.1	--	6.1	--	60.0	44.4	26.1	55.5	24.4	37.0
2014		38.5	23.0	--	17.3	--	5.6	--	59.6	45.0	24.4	53.2	23.0	34.5
2015		38.5	22.9	--	17.9	--	5.1	--	59.5	46.4	22.1	48.3	20.9	30.5
2016		38.5	22.8	--	18.3	--	4.5	--	59.2	47.6	19.6	44.4	18.7	26.6
2017		38.7	22.7	--	18.8	--	3.9	--	58.8	48.7	17.2	38.6	16.3	23.8
2018		38.9	22.8	--	19.3	--	3.5	--	58.6	49.7	15.3	34.4	14.3	21.9
2019		39.3	23.0	--	19.7	--	3.3	--	58.6	50.3	14.2	--	--	--
2020		39.6	23.1	--	20.0	--	3.1	--	58.5	50.6	13.5	--	--	--
2021		39.8	23.2	--	20.3	--	2.8	--	58.2	51.0	12.3	--	--	--
2022		40.1	23.2	--	20.6	--	2.6	--	57.9	51.4	11.1	--	--	--
2017	IV	38.7	22.8	22.8	19.0	18.9	3.8	3.9	58.8	48.8	16.5	37.5	15.6	23.6
2018	I	38.8	22.7	22.7	18.9	19.0	3.8	3.8	58.7	49.0	16.7	36.3	15.7	24.3
	II	38.8	22.8	22.8	19.3	19.2	3.5	3.6	58.7	49.4	15.3	34.7	14.3	21.9
	III	38.9	22.9	22.8	19.5	19.3	3.3	3.5	58.6	49.6	14.6	33.0	13.7	20.6
	IV	39.0	22.9	22.8	19.6	19.5	3.3	3.4	58.6	49.9	14.4	33.5	13.5	20.8
2019	I	39.1	22.8	22.9	19.5	19.6	3.4	3.3	58.5	50.0	14.7	35.0	13.8	20.9
	II	39.2	23.0	23.0	19.8	19.6	3.2	3.3	58.6	50.0	14.0	33.2	13.1	20.3
	III	39.3	23.1	23.0	19.9	19.6	3.2	3.4	58.6	50.0	13.9	31.7	13.1	19.3
Percentage changes (d)									Difference from one year ago					
2013		-0.5	-1.1	--	-2.8	--	4.1	--	-0.4	-1.1	1.3	2.6	1.5	1.1
2014		-0.3	-1.0	--	1.2	--	-7.3	--	-0.4	0.7	-1.7	-2.3	-1.4	-2.5
2015		0.0	-0.1	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0
2016		0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9
2019		1.0	0.9	--	2.1	--	-5.9	--	0.0	0.6	-1.0	--	--	--
2020		0.8	0.5	--	1.4	--	-4.7	--	-0.1	0.3	-0.7	--	--	--
2021		0.6	0.1	--	1.5	--	-8.8	--	-0.3	0.4	-1.2	--	--	--
2022		0.6	0.1	--	1.4	--	-9.5	--	-0.3	0.4	-1.2	--	--	--
2017	IV	0.3	0.1	0.3	2.6	1.7	-11.1	-5.9	-0.2	1.1	-2.1	-5.5	-2.3	-1.1
2018	I	0.4	-0.1	-0.3	2.4	1.9	-10.8	-10.6	-0.3	0.9	-2.0	-5.3	-2.1	-1.2
	II	0.5	0.5	0.6	2.8	4.1	-10.8	-16.1	-0.1	1.1	-1.9	-4.8	-2.0	-1.7
	III	0.6	0.3	0.5	2.5	2.5	-10.9	-9.7	-0.2	0.9	-1.8	-3.0	-1.8	-2.1
	IV	0.8	0.5	0.8	3.0	3.4	-12.3	-12.6	-0.2	1.1	-2.1	-3.9	-2.0	-2.8
2019	I	0.9	0.7	0.7	3.2	2.5	-11.6	-9.3	-0.1	1.1	-2.0	-1.4	-1.9	-3.4
	II	1.0	0.9	1.3	2.4	1.0	-7.4	3.0	-0.1	0.7	-1.3	-1.5	-1.3	-1.7
	III	1.1	1.0	1.3	1.8	0.4	-3.4	7.1	0.0	0.4	-0.6	-1.3	-0.6	-1.3

(a) Labour force aged 16 or more over population aged 16 or more. (b) Employed aged 16 or more over population aged 16 or more. (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

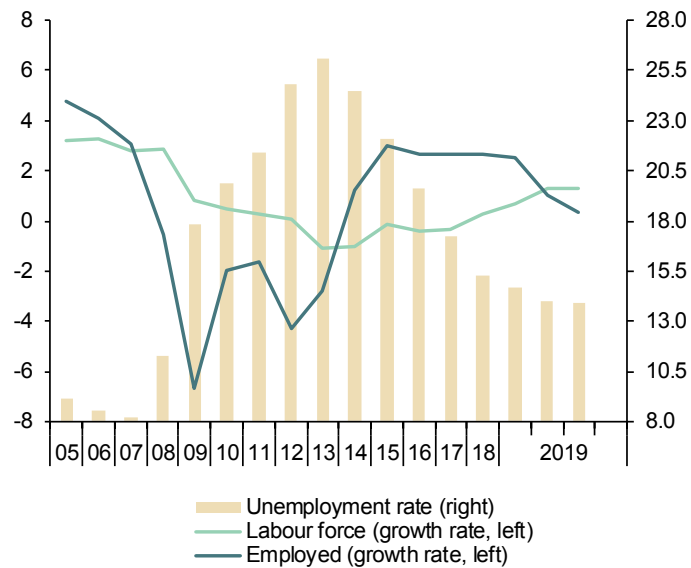


Chart 11a.2 - Unemployment rates, S.A.

Percentage

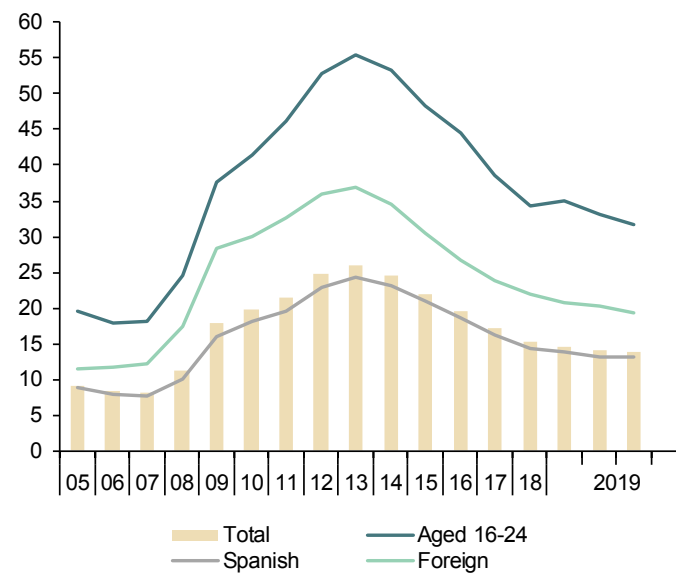


Table 11b

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)													
2012	0.74	2.48	1.16	13.24	14.57	3.41	11.16	23.4	3.06	15.08	2.55	14.49	
2013	0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.80	
2014	0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91	
2015	0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74	
2016	0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21	
2017	0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97	
2018	0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31	
2019 (c)	0.80	2.76	1.28	14.88	16.61	4.37	12.24	26.3	3.10	16.84	2.88	14.61	
2017	IV	0.82	2.71	1.14	14.32	15.92	4.25	11.67	26.7	3.08	16.19	2.81	14.77
2018	I	0.83	2.68	1.15	14.21	15.79	4.12	11.67	26.1	3.08	16.06	2.81	14.91
	II	0.82	2.72	1.22	14.58	16.26	4.36	11.90	26.8	3.09	16.71	2.64	13.63
	III	0.77	2.73	1.24	14.79	16.43	4.51	11.93	27.4	3.09	16.81	2.71	13.90
	IV	0.83	2.71	1.28	14.75	16.45	4.42	12.03	26.9	3.11	16.67	2.89	14.80
2019	I	0.84	2.71	1.28	14.64	16.36	4.23	12.12	25.9	3.11	16.57	2.90	14.90
	II	0.81	2.76	1.28	14.95	16.69	4.40	12.29	26.4	3.12	16.85	2.95	14.90
	III	0.75	2.82	1.27	15.04	16.79	4.48	12.31	26.7	3.08	17.09	2.79	14.03
Annual percentage changes								Difference from one year ago	Annual percentage changes			Difference from one year ago	
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	5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2	
2018	-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7	
2019 (d)	-1.2	2.0	6.1	2.4	2.8	0.9	3.5	-0.5	0.6	1.9	5.8	0.5	
2017	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
2018	I	-1.6	4.1	6.5	2.0	2.9	4.4	2.4	0.4	-0.5	3.2	-2.1	-0.7
	II	-1.2	3.3	7.2	2.6	3.6	3.6	3.6	0.0	-1.2	4.8	-8.1	-1.6
	III	-1.1	2.1	7.4	2.4	3.3	3.5	3.2	0.1	-1.5	3.0	-0.4	-0.4
	IV	0.6	-0.1	11.9	3.0	3.3	3.9	3.1	0.2	1.1	2.9	3.2	0.0
2019	I	0.7	1.2	11.2	3.0	3.6	2.7	3.9	-0.2	1.0	3.2	3.1	0.0
	II	-1.6	1.5	5.0	2.5	2.7	1.0	3.3	-0.4	1.0	0.9	11.9	1.3
	III	-2.9	3.3	2.4	1.7	2.2	-0.7	3.3	-0.8	-0.3	1.6	2.8	0.1

(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

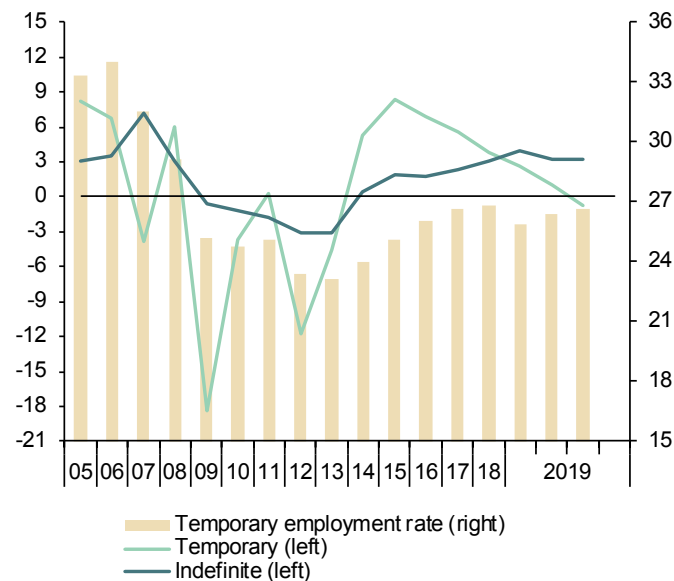


Table 12

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	66.27	80.76	25.15	41.12	14.49	7.29	11.95	21.78
Indexes, 2016 = 100										
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		103.7	102.1	102.0	100.2	103.1	101.7	105.8	114.7	103.1
2019		104.4	103.0	102.9	100.4	104.6	102.2	107.8	113.2	104.0
2020		105.3	104.1	103.9	100.7	106.1	102.9	109.7	112.7	105.1
Annual percentage changes										
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		1.7	0.9	0.9	0.0	1.5	1.0	3.1	6.1	1.8
2019		0.7	1.0	0.9	0.3	1.4	0.6	2.0	-1.2	1.0
2020		1.0	1.1	1.0	0.4	1.5	0.7	2.3	-0.3	1.3
2019	Jan	1.0	0.9	0.8	0.1	1.4	0.4	2.3	1.5	1.0
	Feb	1.1	0.7	0.7	0.1	1.1	0.4	3.4	2.6	1.4
	Mar	1.3	0.7	0.7	0.2	1.1	0.4	2.0	5.6	0.9
	Apr	1.5	1.1	0.9	0.2	1.7	0.3	1.8	5.4	0.8
	May	0.8	0.8	0.7	0.2	1.2	0.3	1.0	1.3	0.6
	Jun	0.4	1.0	0.9	0.2	1.4	0.4	0.6	-2.6	0.5
	Jul	0.5	0.9	0.9	0.3	1.4	0.5	1.6	-2.4	0.9
	Aug	0.3	1.0	0.9	0.4	1.4	0.6	1.5	-4.5	0.9
	Sep	0.1	1.1	1.0	0.4	1.5	0.6	1.3	-6.6	0.8
	Oct	0.1	1.1	1.0	0.5	1.4	0.7	1.8	-6.5	1.1
	Nov	0.4	1.1	1.0	0.4	1.5	0.9	2.7	-5.2	1.5
	Dec	0.8	1.1	1.0	0.2	1.6	0.8	2.9	-2.1	1.5
2020	Jan	0.9	1.1	1.0	0.2	1.6	0.9	3.3	-1.2	1.7
	Feb	0.7	1.1	1.0	0.2	1.6	0.8	2.5	-3.1	1.4
	Mar	0.6	1.1	1.0	0.2	1.6	0.8	2.5	-3.6	1.3
	Apr	0.5	1.1	1.0	0.3	1.6	0.7	2.0	-4.4	1.2
	May	0.4	1.1	1.0	0.3	1.6	0.7	1.5	-4.0	1.0
	Jun	0.8	1.0	1.0	0.3	1.5	0.6	0.7	-0.5	0.7
	Jul	0.8	1.0	0.9	0.3	1.5	0.6	0.8	-0.5	0.7
	Aug	0.9	1.0	0.9	0.2	1.4	0.5	0.9	1.1	0.6
	Sep	1.1	1.0	0.9	0.3	1.4	0.7	1.7	2.1	1.0
	Oct	1.1	1.0	0.9	0.2	1.4	0.6	1.7	2.0	1.0
	Nov	1.2	0.9	0.9	0.3	1.3	0.7	1.4	2.8	0.9
	Dec	1.3	1.0	0.9	0.4	1.3	0.8	1.7	3.9	1.1

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation Rate (I)

Annual percentage changes

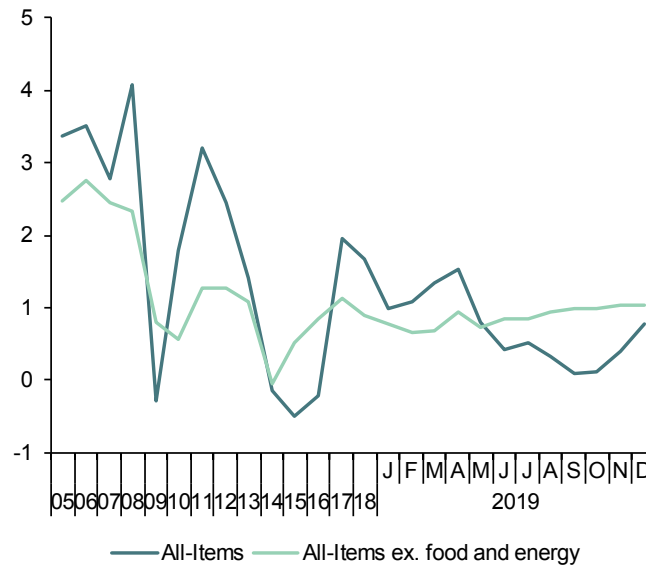


Chart 12.2 - Inflation rate (II)

Annual percentage changes

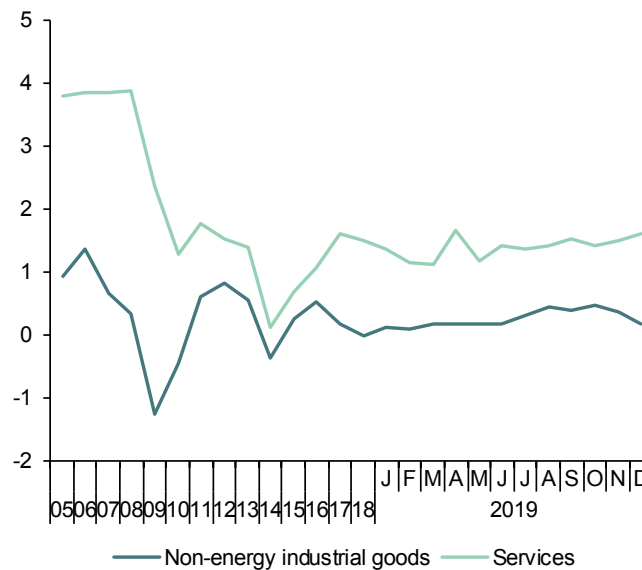


Table 13

Other prices and costs indicators

	GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
		Total	Excluding energy	Housing Price Index (INE)	m² average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2010=100	2015=100	2007=100			2000=100				
2012	99.7	102.9	99.8	72.0	77.2	65.4	143.6	141.1	151.3	154.7	--
2013	100.1	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014	99.9	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.5	--
2015	100.5	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016	100.8	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.3	--
2017	102.2	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.3	--
2018	103.3	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019 (b)	104.6	103.8	103.2	83.1	79.6	58.2	146.4	143.4	155.4	159.9	--
2018	I	102.7	102.2	102.9	76.9	76.2	141.2	138.1	150.7	148.6	--
	II	103.2	103.4	103.1	78.8	77.2	147.0	146.2	149.6	155.6	--
	III	103.3	105.6	103.1	80.5	77.3	141.3	138.0	151.4	163.3	--
	IV	103.9	105.2	103.0	80.9	78.7	152.2	152.7	150.6	166.8	--
2019	I	104.0	104.2	103.0	82.1	79.6	144.1	140.5	155.2	152.2	--
	II	104.9	104.3	103.4	83.0	79.6	150.6	149.2	155.0	160.4	--
	III	105.0	103.3	103.2	84.3	79.7	144.3	140.6	155.9	167.0	--
	IV (b)	--	103.0	103.0	--	--	--	--	--	--	--
2019	Sep	--	102.8	103.1	--	--	--	--	--	--	--
	Oct	--	103.3	103.0	--	--	--	--	--	--	--
	Nov	--	102.7	103.0	--	--	--	--	--	--	--
Annual percent changes (c)											
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	0.3	0.5
2014	-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.5
2015	0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.6	0.7
2016	0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.1	1.0
2017	1.4	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018	1.1	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.5	1.8
2019 (d)	1.5	-0.3	0.1	5.6	3.5	1.0	2.2	1.9	3.2	2.6	2.3
2018	I	1.2	0.8	1.4	6.2	1.4	0.7	0.8	0.3	1.0	1.5
	II	1.0	3.0	1.1	6.8	2.6	0.6	0.5	1.0	0.9	1.6
	III	0.9	5.0	1.1	7.2	2.2	1.9	1.9	1.9	2.8	1.7
	IV	1.3	3.1	0.8	6.6	0.4	0.9	0.9	0.7	1.2	1.8
2019	I	1.3	1.9	0.2	6.8	1.5	2.1	1.7	3.0	2.4	2.2
	II	1.6	0.9	0.3	5.3	1.2	2.4	2.1	3.6	3.1	2.2
	III	1.6	-2.2	0.1	4.7	1.6	2.2	1.9	3.0	2.3	2.3
	IV (e)	--	-2.1	0.0	--	--	--	--	--	--	2.3
2019	Sep	--	-3.3	0.0	--	--	--	--	--	--	2.3
	Oct	--	-2.8	-0.2	--	--	--	--	--	--	2.3
	Nov	--	-2.3	-0.1	--	--	--	--	--	--	2.3

(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)

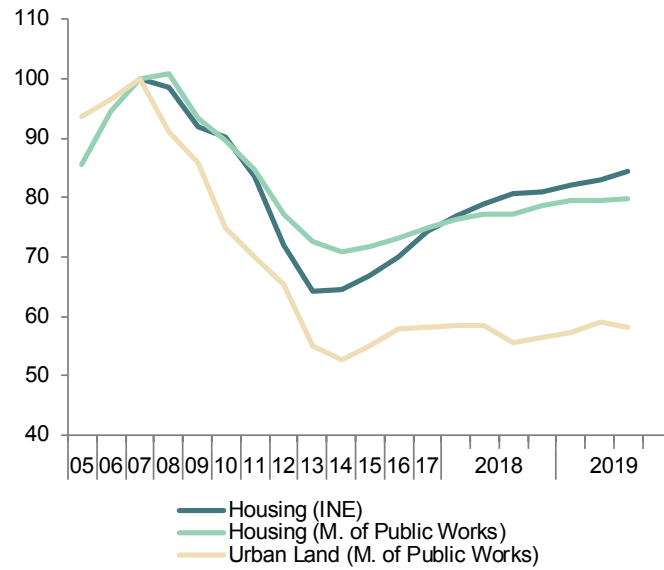


Chart 13.2 - Wage costs

Annual percent change

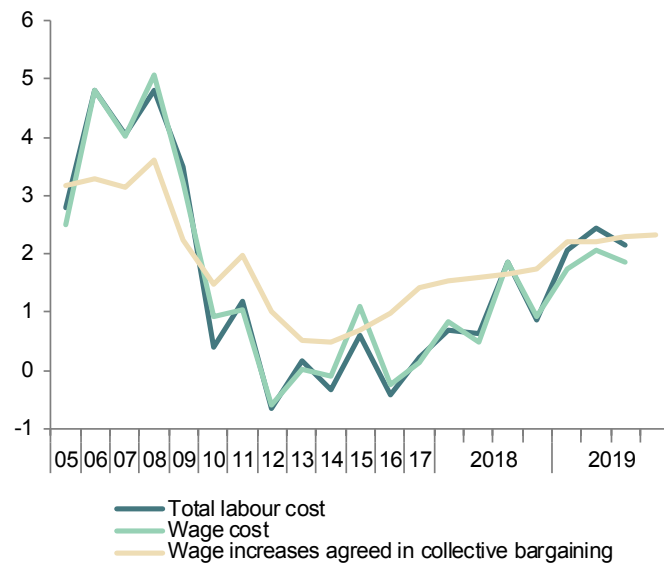


Table 14

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
2012		145.9	110.7	131.9	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	98.7	12.3	7.3	-1.4	2.1	1.4
2014		155.2	109.4	141.9	114.0	107.3	106.3	12.7	7.3	-2.1	1.1	0.9
2015		161.2	110.1	146.5	118.0	104.6	112.9	13.5	7.3	-2.1	0.2	0.6
2016		165.4	108.2	153.0	117.5	101.3	116.1	14.2	7.2	-1.4	0.3	1.2
2017		178.2	108.9	163.7	129.8	106.1	122.4	15.1	7.9	-2.2	0.0	1.3
2018		183.9	112.1	164.1	136.9	110.9	123.5	15.6	8.2	-2.8	-0.3	1.3
2019(b)		188.6	112.7	167.4	139.4	110.3	126.3	16.0	8.3	-2.7	-0.2	1.5
2017	III	180.0	108.8	165.4	130.1	105.1	123.8	14.9	8.1	-2.1	-0.1	1.2
	IV	185.2	110.2	168.0	133.3	107.5	124.0	15.6	8.1	-2.0	0.0	1.4
2018	I	185.3	110.9	167.2	135.1	108.2	124.8	15.8	7.9	-2.3	0.2	1.5
	II	182.8	111.3	164.3	136.6	109.1	125.2	15.3	8.1	-3.0	-0.6	0.9
2019	III	187.4	112.6	166.4	138.2	112.5	122.8	15.7	8.3	-2.7	-0.1	1.5
	IV	186.1	113.5	164.0	140.0	113.7	123.1	15.5	8.3	-3.2	-0.4	1.3
	I	183.5	112.8	162.7	138.4	110.1	125.7	15.6	7.9	-3.2	-0.7	1.3
	II	192.5	111.7	172.3	139.0	110.4	125.9	16.1	8.5	-2.2	0.0	1.8
	III	188.1	112.5	167.2	140.6	109.5	128.5	15.8	8.3	-3.1	-0.9	1.2
	Sep	188.9	113.1	167.0	142.4	110.1	129.3	15.8	8.4	-3.3	-1.2	1.1
2019	Oct	193.2	115.1	167.9	140.5	112.3	125.1	16.2	8.5	-2.4	-0.2	1.5
	Nov	188.8	113.5	166.4	138.3	111.7	123.8	15.9	8.3	-2.5	-0.3	1.3
Percentage changes (c)									Percentage of GDP			
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		7.7	0.7	7.0	10.5	4.7	5.5	6.5	10.1	-2.3	0.0	1.3
2018		3.2	3.0	0.2	5.4	4.5	0.9	3.1	3.5	-2.8	-0.3	1.3
2019(d)		1.4	0.5	0.8	1.0	-0.3	1.3	1.7	0.8	--	--	--
2017	III	1.8	4.1	-2.2	8.4	1.7	6.5	-1.2	3.6	-2.1	-0.1	1.3
	IV	12.1	5.3	6.5	10.1	9.4	0.6	4.6	-0.2	-2.1	0.0	1.4
2018	I	0.4	2.3	-1.9	5.5	2.6	2.9	1.3	-2.3	-2.4	0.2	1.5
	II	-5.4	1.4	-6.8	4.8	3.6	1.2	-3.1	2.0	-3.0	-0.6	0.9
2019	III	10.6	5.1	5.2	4.7	13.1	-7.4	2.3	3.0	-2.7	-0.1	1.5
	IV	-2.8	3.1	-5.7	5.2	4.1	1.1	-0.9	-0.4	-3.2	-0.4	1.3
	I	-5.5	-2.6	-3.0	-4.5	-12.0	8.5	0.2	-4.4	-3.2	-0.6	1.3
2019	II	21.3	-3.7	25.9	1.7	0.9	0.8	3.5	7.7	-2.1	0.0	1.7
	III	-8.9	2.8	-11.3	4.7	-3.3	8.2	-1.8	0.0	-3.0	-0.9	1.1
	Sep	1.5	2.5	-1.0	1.2	2.8	-1.5	0.2	4.0	--	--	--
2019	Oct	2.3	1.8	0.5	-1.4	2.0	-3.3	2.5	1.8	--	--	--
	Nov	-2.3	-1.4	-0.9	-1.5	-0.5	-1.0	-2.1	-2.6	--	--	--

(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

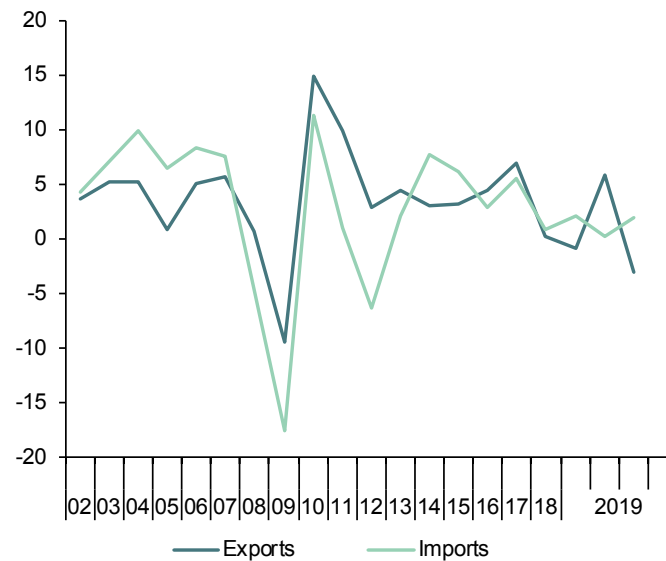


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

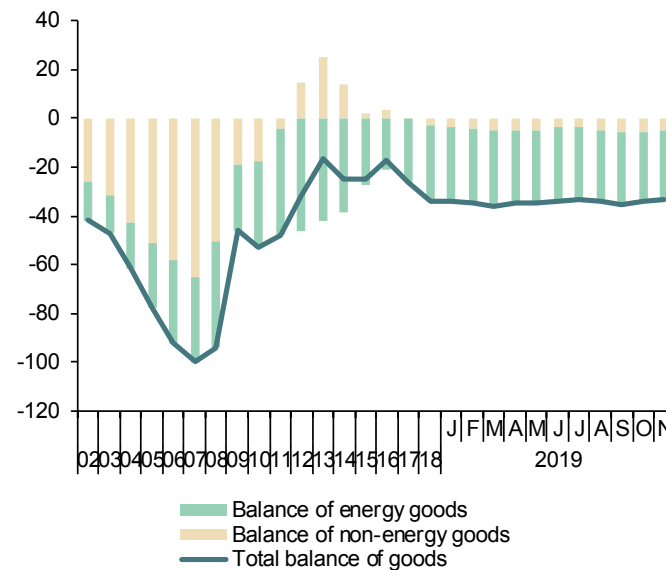


Table 15

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

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					Bank of Spain	
									Total	Direct investment	Portfolio investment	Other investment	Financial derivatives		
1=2+3+4+5		2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14	
EUR billions															
2012		0.89	-27.98	49.27	-8.25	-12.16	5.39	6.28	174.42	-17.96	55.72	145.01	-8.35	-165.99	2.16
2013		20.81	-12.61	52.70	-6.82	-12.47	6.19	26.99	-93.14	-10.58	-53.68	-29.92	1.04	124.17	4.04
2014		17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94
2015		21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12
2016		35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34
2017		31.09	-22.12	63.71	-0.27	-10.23	2.84	33.93	65.31	11.99	25.08	20.77	7.48	-32.63	-1.24
2018		23.29	-29.33	61.95	2.70	-12.04	5.77	29.05	45.54	-15.19	12.99	46.15	1.58	-14.25	2.23
2019 (a)		15.55	-23.18	49.50	-0.30	-10.48	1.61	17.16	0.69	8.49	-56.02	54.72	-6.50	21.38	4.91
2017	IV	8.18	-5.51	13.04	2.00	-1.36	1.32	9.50	6.72	1.61	-7.35	11.41	1.04	5.70	2.91
2018	I	1.33	-5.71	9.68	0.69	-3.33	0.49	1.82	3.11	-3.83	4.07	1.26	1.60	-3.00	-1.72
	II	9.09	-6.35	18.46	-1.00	-2.02	0.67	9.76	21.05	-17.88	16.31	23.47	-0.84	-14.40	-3.11
	III	7.40	-9.56	21.04	-0.63	-3.45	0.89	8.29	5.94	-2.03	1.31	5.80	0.86	6.88	4.52
	IV	5.47	-7.71	12.78	3.64	-3.25	3.72	9.18	15.44	8.55	-8.70	15.62	-0.04	-3.72	2.54
2019	I	-2.35	-8.43	9.99	0.80	-4.71	0.64	-1.71	-1.90	-3.46	-23.65	26.00	-0.79	1.79	1.60
	II	10.12	-4.68	18.06	-1.05	-2.21	0.68	10.80	18.96	8.07	-14.74	26.51	-0.88	-3.93	4.23
	III	7.78	-10.07	21.45	-0.05	-3.56	0.28	8.06	-16.37	3.88	-17.62	2.20	-4.83	23.52	-0.91
			Goods and Services		Primary and Secondary Income										
2019	Aug	3.57	4.40		-0.83		-0.02	3.55	-1.71	1.73	-6.17	4.32	-1.58	6.06	0.80
	Sep	0.89	1.69		-0.80		0.14	1.03	-18.36	0.43	-13.72	-3.34	-1.73	16.85	-2.54
	Oct	2.83	3.77		-0.94		0.33	3.16	-3.53	1.54	5.18	-9.44	-0.81	5.54	-1.15
Percentage of GDP															
2012		0.1	-2.7	4.7	-0.8	-1.2	0.5	0.6	16.8	-1.7	5.4	13.9	-0.8	-16.0	0.2
2013		2.0	-1.2	5.2	-0.7	-1.2	0.6	2.6	-9.1	-1.0	-5.3	-2.9	0.1	12.2	0.4
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.7	-1.9	5.5	0.0	-0.9	0.2	2.9	5.6	1.0	2.2	1.8	0.6	-2.8	-0.1
2018		1.9	-2.4	5.2	0.2	-1.0	0.5	2.4	3.8	-1.3	1.1	3.8	0.1	-1.2	0.2
2017	IV	2.7	-1.8	4.3	0.7	-0.4	0.4	3.1	2.2	0.5	-2.4	3.8	0.3	1.9	1.0
2018	I	0.5	-2.0	3.4	0.2	-1.2	0.2	0.6	1.1	-1.3	1.4	0.4	0.6	-1.0	-0.6
	II	3.0	-2.1	6.1	-0.3	-0.7	0.2	3.2	6.9	-5.9	5.4	7.7	-0.3	-4.7	-1.0
	III	2.5	-3.2	7.1	-0.2	-1.2	0.3	2.8	2.0	-0.7	0.4	2.0	0.3	2.3	1.5
	IV	1.7	-2.4	4.1	1.2	-1.0	1.2	2.9	4.9	2.7	-2.8	5.0	0.0	-1.2	0.8
2019	I	-0.8	-2.8	3.4	0.3	-1.6	0.2	-0.6	-0.6	-1.2	-7.9	8.7	-0.3	0.6	0.5
	II	3.2	-1.5	5.7	-0.3	-0.7	0.2	3.4	6.0	2.6	-4.7	8.4	-0.3	-1.2	1.3
	III	2.5	-3.3	7.0	0.0	-1.2	0.1	2.6	-5.4	1.3	-5.8	0.7	-1.6	7.7	-0.3

(a) Period with available data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

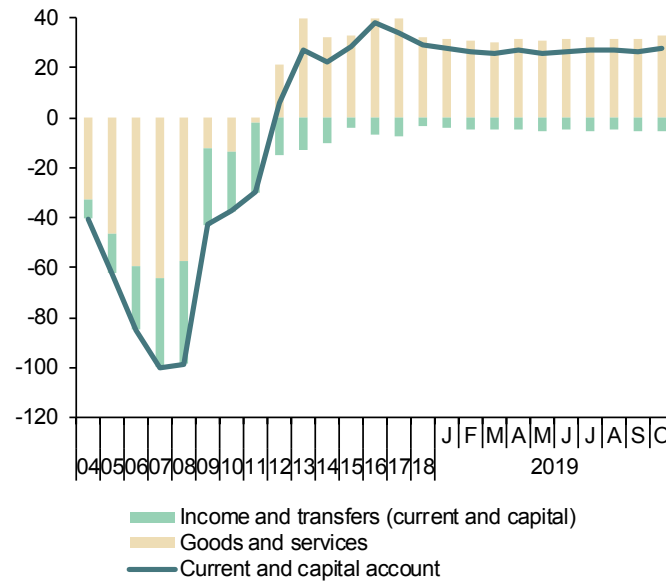


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

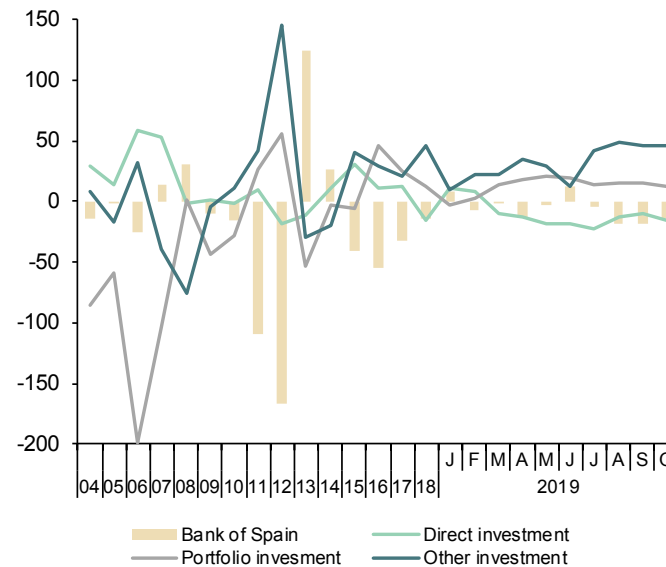


Table 16

Competitiveness indicators in relation to EMU

	Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
	Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
	1998=100			2015=100			2015=100			
2012	105.6	95.7	110.2	99.3	98.2	101.1	102.9	104.6	98.3	111.7
2013	104.0	99.0	105.0	100.8	99.5	101.3	103.5	104.4	99.1	113.4
2014	102.1	99.4	102.7	100.6	100.0	100.7	102.1	102.8	99.3	112.4
2015	99.3	100.0	99.4	100.0	100.0	100.0	100.0	100.0	100.0	108.8
2016	97.9	96.3	101.7	99.7	100.3	99.4	96.9	97.9	98.9	108.7
2017	97.8	95.5	102.4	101.7	101.8	99.9	101.2	100.7	100.5	110.2
2018	96.6	94.0	102.7	103.5	103.6	99.9	103.8	103.3	100.4	110.9
2019 (b)	--	--	--	104.3	104.8	99.5	103.5	103.7	99.9	109.7
2018	I	--	--	101.7	102.1	99.7	102.2	102.1	100.1	110.7
	II	--	--	104.1	103.8	100.3	103.2	102.8	100.4	111.4
	III	--	--	103.6	104.1	99.5	105.0	104.0	100.9	110.3
	IV	--	--	104.4	104.3	100.1	104.7	104.3	100.4	110.9
2019	I	--	--	102.9	103.5	99.4	103.8	104.0	99.8	109.5
	II	--	--	105.2	105.3	99.9	104.1	103.9	100.2	110.3
	III	--	--	104.0	105.1	99.0	103.1	103.4	99.7	109.1
	IV	--	--	105.0	105.3	99.6	--	--	--	--
2019	Oct	--	--	105.0	105.4	99.6	103.2	103.2	100.0	109.6
	Nov	--	--	105.0	105.1	99.9	102.8	103.4	99.4	109.8
	Dic	--	--	104.9	105.4	99.5	--	--	--	--
Annual percentage changes						Differential	Annual percentage changes		Differential	Annual percentage changes
2012	-0.8	3.0	-3.7	2.4	2.5	-0.1	3.8	2.9	0.9	2.3
2013	-1.5	3.4	-4.7	1.5	1.3	0.2	0.6	-0.2	0.8	1.5
2014	-1.8	0.4	-2.2	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-0.9
2015	-2.7	0.6	-3.3	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-3.1
2016	-1.4	-3.6	2.3	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	-0.1
2017	-0.1	-0.9	0.8	2.0	1.5	0.5	4.5	2.8	1.7	1.3
2018	-1.2	-1.5	0.3	1.7	1.7	0.0	2.5	2.6	-0.1	0.6
2019 (c)	--	--	--	0.8	1.2	-0.4	-0.2	0.4	-0.6	-1.1
2018	I	--	--	1.1	1.1	0.0	0.8	1.4	-0.6	-3.4
	II	--	--	1.8	1.8	0.0	2.8	2.5	0.3	-3.5
	III	--	--	2.3	2.3	0.0	4.2	3.6	0.6	-3.0
	IV	--	--	1.8	1.8	0.0	2.4	2.8	-0.4	-2.6
2019	I	--	--	1.1	1.4	-0.3	1.6	1.9	-0.3	-1.0
	II	--	--	1.1	1.4	-0.3	0.8	1.1	-0.3	-0.5
	III	--	--	0.4	1.0	-0.6	-1.8	-0.6	-1.2	0.1
	IV	--	--	0.5	1.0	-0.5	--	--	--	--
2019	Oct	--	--	0.2	0.7	-0.5	-2.3	-1.4	-0.9	-1.2
	Nov	--	--	0.5	1.0	-0.5	-1.8	-1.1	-0.7	-1.2
	Dic	--	--	0.8	1.3	-0.5	--	--	--	--

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

Sources: Eurostat, Bank of Spain and Funcas.

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

1998=100

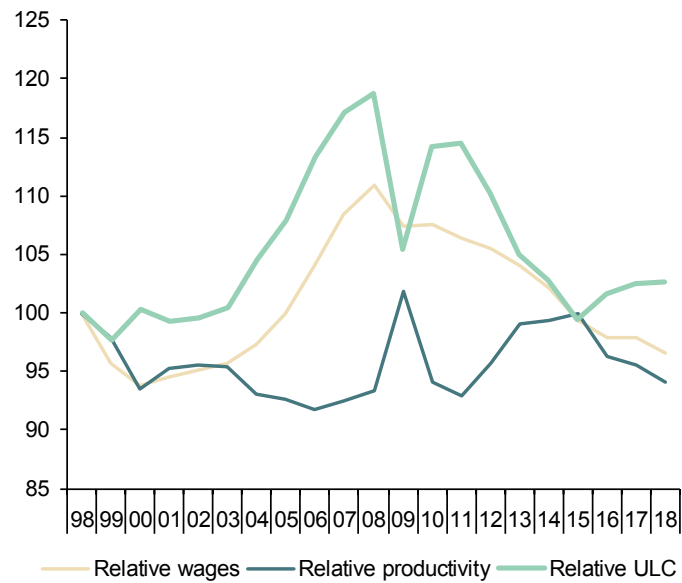


Chart 16.2.- Harmonized Consumer Prices

Annual growth in % and percentage points

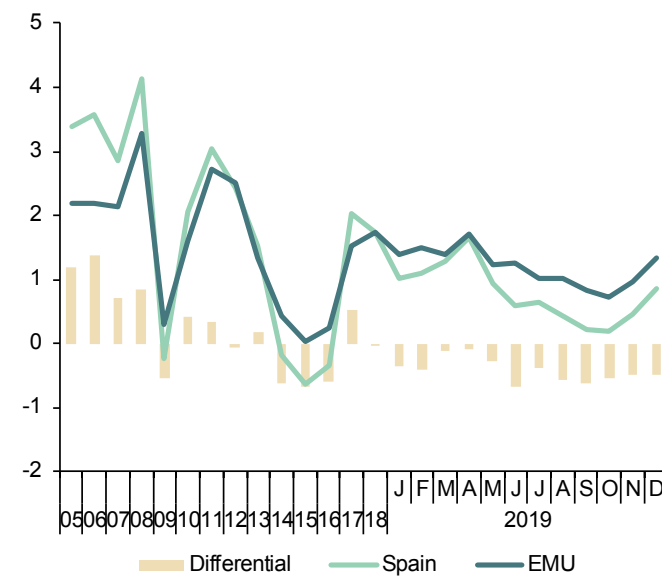


Table 17a

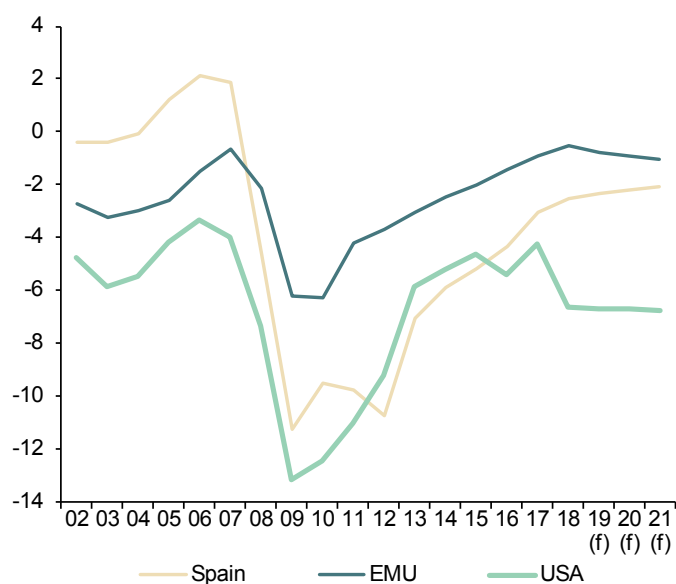
Imbalances: International comparison (I)
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
Billions of national currency									
2007	20.3	-59.9	20.3	384.7	6,191.6	9,341.2	-101.4	23.2	-728.5
2008	-50.7	-207.5	-50.7	440.6	6,700.3	10,838.3	-98.8	-49.9	-866.1
2009	-120.6	-578.0	-120.6	569.5	7,440.0	12,525.9	-43.7	63.4	-564.3
2010	-102.2	-597.9	-102.2	649.2	8,198.5	14,301.9	-39.2	59.0	-497.7
2011	-103.6	-414.6	-103.6	743.0	8,658.2	15,501.9	-29.0	87.1	-412.4
2012	-110.7	-364.6	-110.7	889.9	9,115.0	16,718.0	0.9	226.3	-206.8
2013	-71.8	-299.2	-71.8	977.3	9,428.8	17,582.1	20.8	281.2	-208.2
2014	-61.1	-250.2	-61.1	1,039.4	9,674.3	18,299.9	17.5	315.3	-86.4
2015	-55.8	-208.0	-55.8	1,070.1	9,791.3	19,072.3	21.8	361.3	-169.2
2016	-48.0	-156.3	-48.0	1,104.6	9,968.4	19,991.2	35.4	390.6	-329.4
2017	-35.1	-103.5	-35.1	1,145.1	10,060.4	20,688.3	31.1	425.5	-399.0
2018	-30.5	-57.9	-30.5	1,173.3	10,161.2	22,292.4	23.3	434.0	-520.3
2019	-29.0	-93.3	-29.0	1,201.0	10,260.8	23,729.4	29.8	395.1	--
2020	-28.3	-109.8	-28.3	1,234.4	10,383.6	25,220.4	32.1	389.7	--
2021	-27.0	-131.0	-27.0	1,261.4	10,546.4	26,766.0	33.7	383.4	--
Percentage of GDP									
2007	1.9	-0.6	-4.0	35.8	65.9	64.6	-9.4	0.2	-5.0
2008	-4.6	-2.2	-7.4	39.7	69.6	73.7	-8.9	-0.5	-5.9
2009	-11.3	-6.2	-13.1	53.3	80.2	86.7	-4.1	0.7	-3.9
2010	-9.5	-6.3	-12.4	60.5	86.0	95.4	-3.7	0.6	-3.3
2011	-9.7	-4.2	-11.0	69.9	88.4	99.7	-2.7	0.9	-2.7
2012	-10.7	-3.7	-9.2	86.3	92.7	103.2	0.1	2.3	-1.3
2013	-7.0	-3.0	-5.8	95.8	94.9	104.7	2.0	2.8	-1.2
2014	-5.9	-2.5	-5.2	100.7	95.1	104.4	1.7	3.1	-0.5
2015	-5.2	-2.0	-4.6	99.3	93.0	104.7	2.0	3.4	-0.9
2016	-4.3	-1.4	-5.4	99.2	92.2	106.8	3.2	3.6	-1.8
2017	-3.0	-0.9	-4.3	98.6	89.8	106.0	2.7	3.8	-2.0
2018	-2.5	-0.5	-6.6	97.6	87.9	108.3	1.9	3.8	-2.5
2019	-2.3	-0.8	-6.7	96.7	86.4	110.8	2.4	3.3	--
2020	-2.2	-0.9	-6.7	96.6	85.1	113.6	2.5	3.2	--
2021	-2.1	-1.0	-6.7	96.0	84.1	116.7	2.6	3.1	--

Source: European Commission Forecasts, Autumn 2019.

Chart 17a.1 - Government deficit

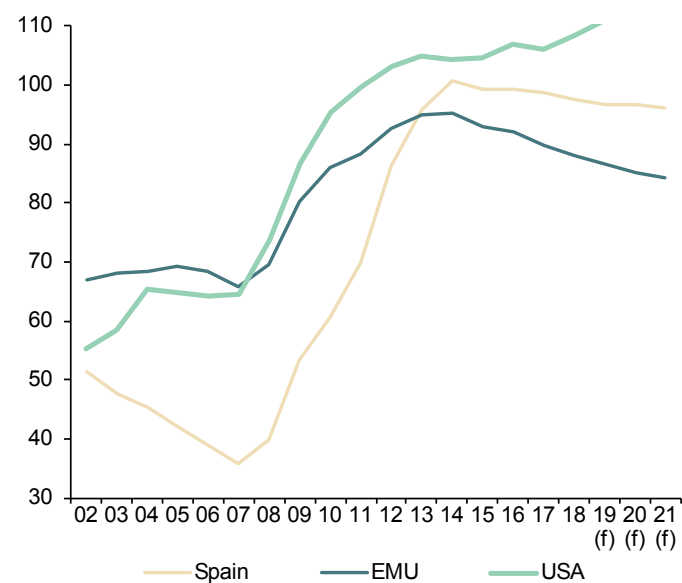
Percentage of GDP



(f) European Commission forecast.

Chart 17a.2 - Government gross debt

Percentage of GDP



(f) European Commission forecast.

Table 17b

Imbalances: International comparison (II)

	Household debt (a)			Non-financial corporations debt (a)		
	Spain	EMU	USA	Spain	EMU	USA
Billions of national currency						
2005	656.2	4,762.5	12,034.3	954.1	7,017.9	8,156.9
2006	783.5	5,185.2	13,319.6	1,171.9	7,620.6	8,976.5
2007	879.3	5,553.0	14,242.4	1,371.6	8,395.5	10,105.6
2008	916.7	5,766.2	14,111.6	1,460.0	9,066.5	10,672.1
2009	908.9	5,873.6	13,952.7	1,473.5	9,157.2	10,160.2
2010	905.2	6,016.4	13,737.2	1,498.0	9,327.9	10,021.5
2011	877.9	6,100.3	13,588.3	1,458.3	9,705.2	10,276.5
2012	840.9	6,092.8	13,588.6	1,339.2	9,879.5	10,781.1
2013	793.4	6,053.4	13,725.5	1,267.9	9,871.3	11,247.3
2014	757.5	6,060.1	13,974.0	1,209.9	10,317.7	11,978.4
2015	733.0	6,120.9	14,167.3	1,184.1	10,877.6	12,795.6
2016	718.2	6,226.2	14,596.4	1,164.1	11,237.8	13,469.8
2017	710.7	6,388.6	15,149.0	1,153.3	11,535.6	14,412.5
2018	709.4	6,571.9	15,618.8	1,148.4	11,850.8	15,321.7
Percentage of GDP						
2005	70.8	56.4	92.3	102.9	83.0	62.6
2006	78.0	58.3	96.4	116.7	85.7	65.0
2007	81.8	59.1	98.6	127.5	89.4	69.9
2008	82.6	59.9	95.9	131.6	94.2	72.5
2009	85.0	63.3	96.6	137.8	98.8	70.3
2010	84.4	63.1	91.6	139.6	97.9	66.8
2011	82.5	62.3	87.4	137.1	99.1	66.1
2012	81.6	61.9	83.9	129.9	100.5	66.6
2013	77.8	60.9	81.8	124.3	99.3	67.0
2014	73.4	59.6	79.7	117.2	101.4	68.3
2015	68.0	58.2	77.7	109.9	103.4	70.2
2016	64.5	57.6	78.0	104.5	103.9	72.0
2017	61.2	57.0	77.6	99.3	103.0	73.8
2018	59.0	56.8	75.9	95.5	102.5	74.4

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

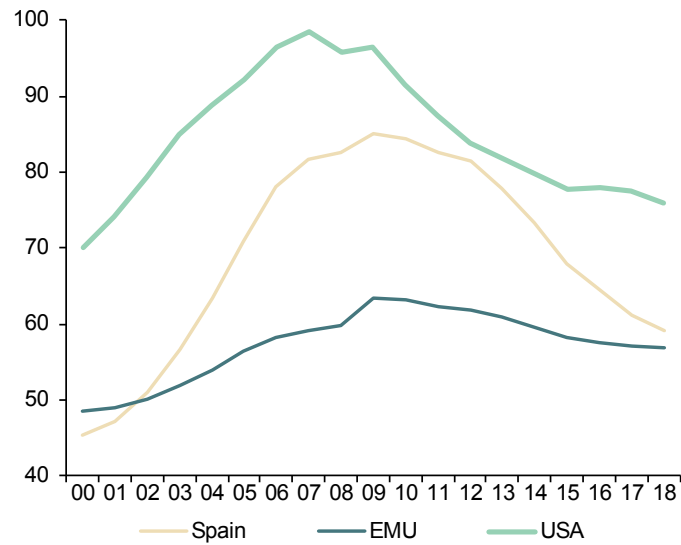
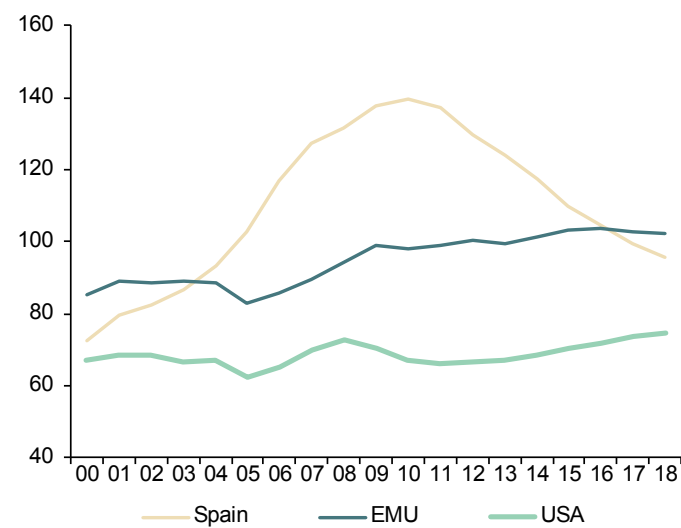


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: January 15th, 2020

Highlights		
Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.2	October 2019
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.6	October 2019
Doubtful loans (monthly % var.)	-1.2	October 2019
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	642,118	December 2019
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	132,611	December 2019
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	102	December 2019
"Operating expenses/gross operating income" ratio (%)	55.74	September 2019
"Customer deposits/employees" ratio (thousand euros)	9,774.41	September 2019
"Customer deposits/branches" ratio (thousand euros)	71,572.44	September 2019
"Branches/institutions" ratio	124.89	September 2019

A. Money and Interest Rates

Indicator	Source	Average 2001-2016	2017	2018	2019 December	2020 January 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.6	4.7	4.1	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.9	-0.329	-0.309	-0.394	-0.388	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	2.2	-0.186	-0.117	-0.249	-0.243	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.0	1.5	1.4	0.4	0.4	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	1.4	1.5	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": Interbank rates increased during the first half of January. The 3-month interbank moved from -0.394% in December to -0.388%, and the 1-year Euribor increased from -0.249% to -0.243%. Although there is an upward trend, these figures are still negative and still reflect the latest decisions of the ECB, significantly expanding the stimulus program. As for the Spanish 10-year bond yield, it stood at 0.4%.

B. Financial Markets

Indicator	Source	Average 2001-2016	2017	2018	2019 October	2019 November	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	16.3	54.60	84.19	245.71	212.79	(Traded amount/outstanding balance) × 100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	17.5	27.60	49.25	93.75	98.15	(Traded amount/outstanding balance) × 100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.4	3.46	1.07	0	0.07	(Traded amount/outstanding balance) × 100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.3	4.76	1.84	1.30	1.14	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.7	-0.7	-0.52	-0.59	-0.58	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec 1987=100)	Bank of Spain	676.8	1,127.1	1,164.63	1,253.93	1,257.14	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	0.4	-1.3	-5.9	113	-	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	3.2	2.2	-5.3	44.4	-	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	1,013.32	1,055.4	862.6	923.4	946.7 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,732.1	10,451.5	8,539.9	9,257.5	9,511.10 (a)	Base dec 1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.8	15.8	12.2	14.2	15.6 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	5.3	-	-	-	-	Variation for all stocks

B. Financial Markets (continued)

Indicator	Source	Average 2001-2016	2017	2018	2019 October	2019 November	Definition and calculation
18. Commercial paper: Trading balance (% chg.)	Bank of Spain and AIAF	1.6	-	-	-	-	AIAF fixed-income market
19. Commercial paper: Three-month interest rate	Bank of Spain and AIAF	2.2	-	-	-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	1.4	0.6	-6.14	8.01	-13.7	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	10.6	5.8	58.5	-20.5	-22.6	IBEX-35 shares concluded transactions

(a) Last data published: January 15th, 2020.

Comment on "Financial Markets": During November, there was a decrease in transactions with outright spot T-bills to 212.8% and an increase of spot government bonds transactions to 98.15%. The stock market underwent some volatility in the first half of January 2020 but ended the fortnight in similar levels to that of end 2019 with the IBEX-35 at 9,511 points, and the General Index of the Madrid Stock Exchange at 947. There was a decrease in Ibex-35 futures and options of 13.7% and 22.6%, respectively.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2015	2017	2018	2019 Q2	2019 Q3	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-2.3	2.0	1.5	2.2	2.1	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.1	0.5	0.1	1.7	2.4	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	261.5	287.4	280.7	289.2	288.2	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	64.6	61.3	58.9	58.6	57.4	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.5	3.8	-1.6	3.1	-0.3	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.5	-0.1	0.1	1.6	-1.5	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2019Q3, the financial savings to GDP in the overall economy fell to 2.1% of GDP. There was an increase in the financial savings rate of households of 2.4%. The debt to GDP ratio of the economy reached 288.2%. Finally, the stock of financial assets on households' balance sheets registered a decrease of 0.3%, and there was a 1.5% fall in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2016	2017	2018	2019 September	2019 October	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.5	-0.4	-4.7	-0.3	-0.2	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	7.3	2.4	0.7	0.2	-0.6	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	108.1	-3.7	-0.9	0.6	-1.6	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	9.9	0.7	-8.8	0.8	0.9	Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-2.3	-1.7	-0.6	-0.1	-0.01	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.1	-3.8	-2.3	-2.0	-1.2	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	-3.0	-3.5	-1.4	-11.8	11.1	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	8.4	-1.2	-4.1	0.9	-0.4	Equity percentage change for the sum of banks and savings banks and credit unions.

Comment on "Credit institutions. Business Development": The latest available data as of October show a fall in bank credit to the private sector of 0.2%. Data also show a decrease of financial institutions deposit-taking of 0.6%. Holdings of debt securities fell 1.6%. Doubtful loans decreased 1.2% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2001-2015	2016	2017	2019 June	2019 September	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	194	124	122	115	115	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	75	82	83	83	84	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	246,618	189,280	187,472	181,999(a)	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,047	28,643	27,320	25,408	24,855	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	318,141	527,317	762,540	714,781	642,118 (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	65,106	138,455	170,445	164,162	132,611 (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	20,270	1,408	96	180	102 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2018.

(b) Last data published: December 2019.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In December 2019, recourse to Eurosystem funding by Spanish credit institutions reached 132.6 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 332 billion euro in December 2019, and 2.6 trillion euro for the entire Eurozone banking system.

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

Indicator	Source	Average 2000-2013	2015	2016	2017	2018	2019 Q3	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	50.89	50.98	54.18	54.03	54.39	55.74	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	5,595.62	5,600.48	6,532.25	9,461.19	9,774.41	Productivity indicator (business by employee)
45. "Customer deposits/branches" ratio (Euro thousands)	Bank of Spain	21,338.27	36,791.09	39,457.04	47,309.12	68,190.72	71,572.44	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2013	2015	2016	2017	2018	2019 Q3	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	205.80	229.04	139.84	122.22	109.28	124.89	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.1	6.57	7.05	6.97	7.20	7.3	Branch size indicator
48. "Equity capital (monthly average % var.)	Bank of Spain	0.11	0.01	-0.62	0.84	-0.79	1.41	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.45	0.39	0.26	0.44	0.57	0.58	Profitability indicator; defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	6.27	5.04	3.12	3.66	4.25	4.50	Profitability indicator; defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2019Q3, 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-28 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	80.3	85.8	52.9	28.4	13.2	534,574	33.4
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	637,375	39.3
2018	46,722,980	43.1	19.1	80.5●	85.9●	53.6	29.3	13.7	760,804	25.8
2019●	47,007,367	43.4	19.3			53.6	29.6	14.3		
Sources	EPC	EPC	EPC	ID INE	ID INE	EPC	EPC	EPC	EVR	EVR

ID INE: Indicadores Demográficos INE.

EPC: Estadística del Padrón 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.

● Provisional data.

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	14.2	11.4	7.4	7.0	2.11	35.3	33.2	2.67
2018	18,581	2.51	14.3	11.5	7.1	6.6	2.04	35.6	33.4	2.90
2019■	18,680	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	1.72	45.8	10.4	65.8
2017	30.9	1.25	1.71	46.8	10.5	66.1
2018	31.0	1.20	1.65	47.3	11.1	65.3
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.

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.

Divorce rate: Number of divorces per thousand population.

Abortion rate: Number of abortions per thousand women (15-44 years).

■ Data refer to January-September.

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	4.22
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	4.47
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846,415	4.32
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,597,784	4.31
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1,303,252	190,143	47,578,997	4.25
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458,049	4.24
2018	20.5	6.4	29.2	42.4	1,747,374●	667,426●	677,083●	1,293,892●	214,528●		
2019■	19.4	6.4	30.2	44.7							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	Contabilidad Nacional del INE

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

INE: Instituto Nacional de Estadística.

● Provisional data.

■ Data refer to January-September.

Table 4

Social protection: Benefits

	Contributory benefits *							Non-contributory benefits			
	Unemployment total	Retirement		Permanent disability		Widowhood		Unemployment	Social Security		
		Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)		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	751,172	5,929,471	1,091	951,838	946	2,359,931	664	853,437	256,842	196,375	16,472
2019	799,886■	6,038,326	1,138	957,500	975	2,361,620	712	909,966■	259,281♦	193,488♦	15,156♦
Sources	BEL	BEL	BEL	BEL	BEL	BEL	BEL	BEL	IMRSERO	IMRSERO	IMRSERO

BEL: Boletín de Estadísticas Laborales.

IMRSERO: Instituto de Mayores y Servicios Sociales.

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

■ Data refer to January-November.

♦ Data refer to January-October.

Table 5

Social protection: Health care

	Expenditure				Resources				Satisfaction		Patients on waiting list (days)	
	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	First specialist consultations
2006	7.76	5.62	2,391	1,732	1.6	0.7	2.8	0.6	5.6	7.0	70	54
2008	8.29	6.10	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.01	6.74	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.09	6.55	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.08	6.36	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.16	6.51	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	8.98	6.34	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.84	6.25	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.90	6.20	3,323	2,341					6.6	7.5		
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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