SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Policy challenges and implications two years after the pandemic

funcas

WHAT MATTERS

Outlook for the **Spanish economy** in light of rising inflation

Recovering from the pandemic: The role of the **macroeconomic policy mix**

Spanish banks and monetary policy in 2022

Impact of the TLTRO and negative rates on **banking margins**

Zombie firms: An analysis of business sector vulnerability post-COVID-19

Tapping into know-how and innovation through **corporate venturing**

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Letter from the Editors

As the pandemic drags on, the spike in inflation has emerged as one of the key threats facing not only the Spanish, but also the global economy. Inflation is running the highest it has this century, prompting decoupling across monetary authorities in the US and Europe. Geopolitical factors, including the Russia-Ukraine conflict, together with the emergence of new variants and their potential to exacerbate business restrictions and spark fresh supply chain disruptions, remain legitimate downside risks.

Within this uncertain context, the January issue of *Spanish and International Economic & Financial Outlook (SEFO)* starts off with an analysis of the performance of the Spanish economy after two years of pandemic. The economy is expected to have grown by 5.1% in 2021, lower than initial expectations. The shortfall is stemming mainly from a weaker than projected recovery in consumption –as higher prices eroded purchasing power– and adverse investment trends in construction, together with a slower than anticipated execution of NGEU funds. In general, rising inflation has become one of the main threats facing the Spanish economy. The emergence of bottlenecks in 2021 drove production costs higher, curbing the rebound in economic activity. Going forward, although the reconfiguration of global supply chains should offset price increases, other inflationary pressures could last throughout the projection horizon. Of particular concern are developments in the energy markets as well as second-round effects. Our central scenario is still for strong GDP growth of 5.6% in 2022, fuelled primarily by both domestic demand, notably investment in construction and capital goods, and favourable export performance. Although this rebound is likely to lose momentum in 2023, growth is still forecast to reach 3.5%, which would put GDP back at pre-pandemic levels by the first quarter of that year. That said, this scenario rests on the evolution of inflation trends. Indeed, higher than projected prices would have a significant negative effect on real incomes and the strength of the recovery.

We then look more broadly at the European response to the pandemic crisis and the outstanding challenges faced by policy coordination in an uncharted economic context. European policymakers learned important lessons about the need for monetary and fiscal policy coordination from the Global Financial Crisis, which they applied at the start of the pandemic. The resulting recovery has been faster than expected, despite successive waves of variants. However, learning these policy lessons has not eliminated the many barriers to policy coordination, especially when there is disagreement among policymakers over macroeconomic performance, assignment of policy instruments to economic targets and concerns about policy interaction.

Unfortunately, the pandemic economic recovery has fostered such a context, as have efforts to respond to demographic change, global warming and digital innovation. Under this scenario, successful policy coordination will require both careful analysis of what is clearly an unfamiliar economic situation and strong political agreement on what European policymakers should do about it.

This issue of *SEFO* then assesses the outlook for monetary policy in 2022 and the resultant considerations for the Spanish banking sector. Monetary decoupling is already here in 2022. The Federal Reserve has set an end date for its asset purchase programme –the end of March– and signalled that rate hikes over the course of the year are likely. The European Central Bank (ECB), however, plans to continue to support liquidity until at least 2023 and does not expect to raise rates in 2022. That decoupling will have different impacts on both sides of the Atlantic, including on the ability of banks to generate margins, as well as on bond yields, exchange rates and the relative attractiveness of different monetary regions for investment. While Spanish banks have been able to increase lending capacity during the crisis on the back of state guarantee schemes and other support programs, as well as to shore up solvency, both profitability and solvency will remain key challenges in 2022, especially if rates remain ultra-low or negative and support measures are rolled back. Going forward, banks´ profitability will continue to rely to a significant degree on efficiency gains, however, after years of consolidation and structural adjustments, such gains may be achieved through greater adoption of digitalisation and the shift towards platform-based models, with implications for employee/branch rationalisation and increased investment in digitally-savvy talent.

Relatedly, we dive into the impact that the current monetary policy climate has had on banks´ net interest margins. The trend in the Spanish and European banks' net interest margin (NIM) is proving highly volatile in year-on-year and earnings contribution terms. One reason for this volatility is the "volume effect" associated with the trend in the outstanding balance of credit. That balance sustained sharp growth in 2020 (breaking a decade-long downtrend) thanks to the state guarantees rolled out to mitigate the economic ramifications of the COVID-19 pandemic before losing steam at the start of 2021. In this context of stagnant (or contracting) credit, the trend in the margin is highly sensitive to the ability to increasingly layer a negative component into funding costs. One such source is the widespread application of negative rates to a growing proportion of deposits, particularly those held by businesses and high net worth individuals. However, the banks' net interest margin is most sensitive to the use of the ECB's liquidity facilities in the form of targeted longer-term refinancing operations (TLTROs) and compliance with the related eligibility benchmarks which determine whether the (negative) rate applicable by the ECB is -1% or -0.5%. This will be especially important in the case of Spanish banks, which have used the facility heavily, and where NIM is particularly sensitive to benchmark compliance.

The final section of the January *SEFO* is dedicated to the corporate sphere. First, we look at the impact of policy support measures aimed to keep credit flowing during the crisis and the potential impact the phasing out of these measures may have on so-called "zombie firms". Subsequently, we shed some light on an emergent form of financing flowing from established companies towards start-ups referred to as corporate venturing, resulting in quantitative and qualitative gains for both sides.

The COVID-19 pandemic is wreaking financial and economic havoc on many sectors. The businesses operating in the sectors squeezed most by the crisis, such as those related to the provision of services, particularly tourism, hospitality, leisure, retail, passenger transportation and professional services, have been hit particularly hard. The measures rolled out to mitigate the adverse effects of the pandemic have helped keep money flowing to the real economy, mainly in the form of credit, containing unemployment

and staving off the demise of a significant number of businesses. That aid brings its own risks, however. Namely, that a considerable number of companies that were in precarious positions before COVID-19 may have used the pandemic support measures to survive, and lax financing conditions may be masking business models that are, in reality, not viable from an economic perspective. The survival or failure of such companies, known as "zombie firms", has implications for the outlook of the global economy and the financial sector. In the case of Spain, such firms currently account for around 2.0% of the total. In line with the estimated European average, this share is high enough to raise the risk of loan non-performance in the Spanish banking sector. As well, over 62% of Spain's zombie firms are small or microenterprises, which are more vulnerable to today's economic and financial frictions. Thus, risks could increase should a new variant trigger fresh lockdowns and business restrictions necessary to contain transmission.

Intense competition in developed markets has pushed companies to innovate and add value to their offerings. They need to focus their efforts on bringing something new to market, improving their productive processes, enhancing their services and honing their management style. In this environment, corporate venturing provides a tool that ticks all those boxes for investors, while also fostering business initiative. Corporate venturing entails investment by established companies in high-tech or otherwise ground-breaking start-ups. However, it is more than just financing. Corporate venturing provided by enterprises constitutes a formula for innovation articulated around financial and strategic criteria. The two principles converge around the search for returns in the context of new technologies, business models, talent and sources of innovation. In short, corporate venturing does not simply seek returns driven by multiple expansion or M&A-driven returns, as may be the case with private equity or venture capital funds; it also strives to acquire knowledge and know-how and foster collaboration. It is, in sum, a new way of tapping innovation. From the standpoint of entrepreneurs, this formula offers clear-cut advantages in terms of access to the business ecosystem, the corporates' management experience and contacts, while giving them the ability to scale up their projects, share know-how and tap into growth opportunities. In Spain, the number of start-up investment rounds reached 385 in 2021, which is 78 transactions more than closed in 2020 with a record level of funds raised totalling €4.21 billion. Going forward, the outlook appears bright for this form of corporate cooperation and development.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
February	2	Social Security registrants and official unemployment (January)
	3	ECB monetary policy meeting
	8	Industrial production index (December)
	15	CPI (January)
	17	Foreign trade report (December)
	28	Balance of payments monthly (December)
	28	Preliminary CPI (February)
March	2	Social Security registrants and official unemployment (February)
	8	Industrial production index (January)
	10	ECB monetary policy meeting
	11	CPI (February)
	14	Retail trade (January)
	14	Eurogroup meeting
	17	Foreign trade report (January)
	24-25	European Council
	25	Balance of payments quarterly (4th. quarter 2020)
	25	Quarterly National Accounts (4th. qr. 2020, 2nd. estimate)
	29	Retail trade (February)
	30	Preliminary CPI (March)
	31	Institutional sectors non-financial quarterly accounts (4th. qr. 2020)
	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 (4th. quarter 2020)
	31	Balance of payments monthly (January)

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What Matters

Regulation and Economic Outlook

Key Facts

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Outlook for the Spanish economy in light of rising inflation

As the COVID-19 pandemic drags on, Spain is grappling with a sharp rise in inflation brought on mainly by higher electricity and energy prices. While inflation is a major risk, we are forecasting continued recovery in 2022, with GDP expected to reach pre-pandemic levels by the start of 2023, underpinned by the assumption of a slowdown in energy-price inflation beginning in the spring.

Raymond Torres and María Jesús Fernández

Abstract: The economy is expected to have grown by 5.1% in 2021, lower than initial expectations. The shortfall is stemming mainly from a weaker than projected recovery in consumption –as higher prices eroded purchasing power– and adverse investment trends in construction, together with a slower than anticipated execution of NGEU funds. In general, rising inflation has become one of the main threats facing the Spanish economy. The emergence of bottlenecks in 2021 drove production costs higher, curbing the rebound in economic activity. Going forward, although the reconfiguration of global supply chains should offset price increases, other inflationary pressures could last throughout the projection horizon. Of particular concern are developments in the energy markets as well as second-round effects. Our central scenario is still for strong GDP growth of 5.6% in 2022, fuelled primarily by both domestic demand, notably investment in construction and capital goods, and favourable export performance. Although this rebound is likely

to lose momentum in 2023, growth is still forecast to reach 3.5%, which would put GDP back at pre-pandemic levels by the first quarter of that year. That said, this scenario rests on the evolution of inflation trends. Indeed, higher than projected prices would have a significant negative effect on real incomes and the strength of the recovery.

Recent trends and 2021 in review

Following the upward revision of the third-quarter GDP growth figure to 2.6%, the economic indicators out so far suggest that fourth-quarter growth will align with expectations. Some of those indicators, including retail sales, the industrial production index (IPI) and turnover at large enterprises, which had been languishing for much of the year, sustained sharp improvements in November, while tourist arrivals also continued to recover. Goods exports, based on sales reported by large enterprises, also registered growth in October and November.

There is more uncertainty regarding the economy's performance in December due to the potential impact of the new Omicron variant. In industry, the manufacturing PMI continued its downtrend, peaking in August but remaining at high levels. Meanwhile, manufacturing sector confidence and order indices improved. In the services sector, however, the PMI suffered a considerable setback and confidence deteriorated, suggesting the impact of Omicron may be limited to the services sector.

Elsewhere, job creation remained strong throughout the fourth quarter, judging by Social Security contributor reports. Although the monthly rate slowed in December compared with the average recorded throughout the second half, growth was still high by historical standards. As was the case throughout the second half of the year, the fourth-quarter growth in contributors was fuelled mainly by the private sector, which registered 3.6% quarter-on-quarter growth in contributors, including the people brought out of furlough.

We are reiterating our estimate for 2021 GDP growth of 5.1%, which is lower than we had been forecasting at the start of last year. The factors placing downward pressures on our original estimates ultimately had a greater than anticipated impact, particularly those related to the COVID-19 pandemic and vaccination developments around the world, the boost in consumption from the release of surplus savings pent up in 2020 and the execution of investments under the scope of the Next Generation EU (NGEU) programme.

In sum, the shortfall in GDP growth in 2021 relative to expectations stemmed mainly from a weaker than projected recovery in consumption and an adverse trend in investment in construction. Execution of the NGEU funds was also slower than the assumptions we had made at the start of the year. International tourism, on the other hand, performed in line with those initial assumptions.

In contrast with the slower than forecast output growth, job creation was more dynamic than we were expecting in 2021, outpacing growth in GDP. Employment, measured in terms of effective contributors, registered growth of 8.8% by comparison with 2020. Measured in terms of the number of hours worked, pending release of the fourth-quarter 2021 figure, the estimated growth narrows slightly to a little over seven per cent. Comparing those figures with our estimate for GDP growth of 5.1% suggests a significant loss of productivity, which is expected to prove transitory and to correct over the course of 2022 and start of 2023.

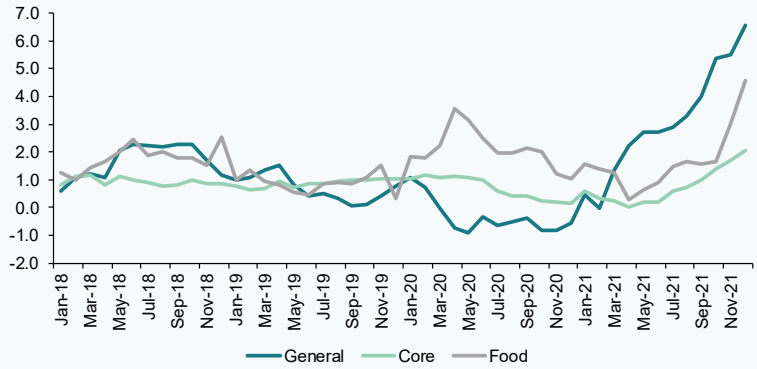
A final noteworthy characteristic of Spain's recent economic performance has been the

> "Inflation, almost nil at the start of 2021, ended the year at 6.7%."

Exhibit 1

Consumer Price Index

Percentage, year-on-year rate of growth



Source: INE.

sharp increase in inflation. Inflation started 2021 at very low levels, at close to zero, and ended the year at 6.7%. During the first half of the year, inflation was fuelled by energy, specifically the recovery in oil prices in the wake of the corrections sustained in 2020, and core inflation remained very subdued. From the summer onward, however, and more intensely in the final months of the year, the rise in oil prices was accompanied by sharp growth in electricity and food prices, such that core inflation also began to take off (Exhibit 1).

Core inflation ended 2021 at 2.1 per cent. The increase in the prices of food and other components of core inflation reflect higher production costs being passed on to end prices. In the case of service prices, an additional factor is lifting the inflation rate: price normalisation in certain services –hotels and tourist packages– that suffered a sharp price correction the previous year on account of the pandemic.

Outlook for 2022 and 2023

The main factors underpinning the COVID-19 recovery remain in place in relation to internal and external demand. The surplus savings set aside by Spanish households during the crisis will gradually be released, driving growth in private consumption and investment in construction, particularly in 2022. Our forecasts assume a reduction in the savings rate to 7.4% in 2023, which is close to the long-run average. Elsewhere, we expect the tendering and management of NGEU funds to accelerate and to see progress on negotiations with the European Commission on the sector-specific investment plans. Specifically, if the pace of investment against the European funds achieved in recent months were to continue, spending would increase to 24 billion euros in 2022 (of which around half was carried over

> “The key challenge is energy price inflation and its potential second-round effects on the Spanish economy.”

> We are forecasting GDP growth of 5.6% in 2022, fuelled primarily by both a rebound in domestic demand and favourable export performance.

from 2021), falling back to around 17 billion euros in 2023.

As for external demand, international tourist arrivals are expected to continue to recover, albeit not fully, due to lingering caution from the pandemic. We are forecasting revenue from international tourism at 80% of pre-crisis levels by the end of 2022, and of 90% by year-end 2023.

The key challenge is energy price inflation and its potential second-round effects on the Spanish economy. For this set of forecasts, we are assuming that electricity and hydrocarbon prices start to ease from the spring. According to the futures markets, gas and electricity prices are expected to come down by 15% from April, with oil prices (barrel of Brent) dipping 10% (an assumption we also layer into our baseline scenario). We are also assuming that as global supply chains recover, bottlenecks will continue to ease, making it easier for the productive apparatus to respond to growth in demand.

Based on those assumptions, we are forecasting GDP growth of 5.6% in 2022, fuelled primarily by a rebound in domestic demand, which is expected to contribute 5.2 points to that growth (Tables 1 and 2). We are forecasting a strong contribution by investment, in both construction and capital goods, thanks to the release of pent-up demand, coupled with the recovery plan stimulus measures. Household consumption is also expected to register sharp growth, shaped by the release of savings accumulated during the crisis and growth in disposable income driven by the jobs created, offsetting the loss of wage purchasing power. Public consumption is expected to ease as the spending induced by the pandemic slows.

The external sector is also expected to prove an important growth driver, making a contribution of 0.4 points. Exports of goods and non-tourism services are forecast to continue to gain market share while tourism services should benefit from the easing of travel restrictions as the vaccination drive continues around the world. Imports also look set to grow (assuming an elasticity of 1.4, which is close to the average for the period of growth that followed the financial crisis), but at a slower pace than exports.

Those growth drivers are likely to lose momentum in 2023, as the release of pent-up demand and surplus savings and the upside via recovering tourism run out of steam. Nevertheless, we are forecasting growth of 3.5%, which would put GDP back at pre-pandemic levels by the first quarter of that year (Exhibit 2). In 2023, all components of demand are expected to contribute to growth, most notably investment.

The job market should echo the economic recovery, albeit less intensely than in 2021 due to the discontinuation of "business reopening" effects. We are estimating the creation of 850,000 jobs (in FTE terms)

> We are estimating the creation of 850,000 net new jobs (in full-time equivalent terms) over the next two years, which will bring the unemployment rate to around 13%.

Table 1

Economic forecasts for Spain, 2021-2023

Annual growth rates of change in %, unless otherwise indicated

	Observed data				Funcas forecasts			Change in forecasts (a)	
	1996-2007 average	2008-2013 average	2014-2019 average	2020	2021	2022	2023	2021	2022
1. GDP and aggregates, constant prices									
GDP	3.7	-1.3	2.6	-10.8	5.1	5.6	3.5	0.0	-0.4
Final consumption households and NPISHs	3.7	-2.1	2.2	-12.0	5.4	4.9	3.2	0.4	-0.6
Final consumption general government	4.2	0.9	1.3	3.3	3.4	2.4	0.4	-0.3	-0.2
Gross fixed capital formation	6.1	-7.6	4.8	-9.5	3.8	9.4	7.1	-0.9	0.8
Construction	5.5	-10.7	4.9	-9.6	-2.2	9.6	7.6	-2.7	0.3
Capital goods and other products	7.5	-2.7	4.8	-9.5	10.3	9.3	6.7	0.9	1.5
Exports goods and services	6.5	1.8	4.0	-20.1	11.9	9.6	5.2	-0.2	-1.2
Imports goods and services	8.7	-4.0	4.4	-15.2	12.0	8.6	4.8	0.6	-0.5
National demand (b)	4.4	-3.1	2.6	-8.6	4.9	5.2	3.3	0.1	-0.2
External balance (b)	-0.7	1.8	0.0	-2.2	0.1	0.4	0.2	-0.3	-0.2
GDP, current prices: - € billion	--	--	--	1,121.9	1,197.3	1,289.6	1,362.2	--	--
- % change	7.3	-0.8	3.4	-9.8	6.7	7.7	5.6	0.2	-0.5
2. Inflation, employment and unemployment									
GDP deflator	3.5	0.5	0.7	1.1	1.6	2.0	2.1	0.3	0.0
Household consumption deflator	3.1	1.7	0.7	0.0	2.3	3.0	2.0	-0.4	0.8
Total employment (National Accounts, FTEJ)	3.3	-3.4	2.4	-7.6	6.3	3.0	1.7	1.4	1.0
Unemployment rate (LFS)	12.5	20.2	18.8	15.5	15.0	14.0	13.0	-0.3	-0.8
3. Financial balances (% of GDP)									
National saving rate	16.7	18.8	21.7	21.5	21.7	22.5	23.1	0.3	0.0
- of which, private saving	13.3	22.9	23.6	28.8	25.5	25.8	25.7	-1.4	-0.4
National investment rate	26.7	21.7	19.4	20.7	21.0	21.6	22.1	0.2	0.6
- of which, private investment	17.9	17.8	17.3	18.1	18.0	18.6	19.4	-0.2	0.2
Current account balance with RoW	-4.5	-2.9	2.3	0.8	0.8	0.9	1.0	0.3	-0.8
National net lending (+) / net borrowing (-)	-3.7	-2.4	2.7	1.2	1.5	2.7	2.4	0.3	-0.4
- Private sector	-3.8	6.4	6.6	12.2	8.0	8.4	7.2	-1.1	-0.7
- General gov. deficit exc. financial instit. bailouts	-0.9	-8.1	-3.9	-10.1	-6.5	-5.7	-4.8	1.4	0.3
Public debt according to EDP	52.2	67.6	98.5	120.0	119.4	116.4	114.6	-1.0	-0.7
4. Other variables									
Eurozone GDP	2.3	-0.2	1.9	-6.5	5.0	4.0	2.0	0.1	-0.2
Household saving rate (% of GDI)	9.5	8.8	6.7	14.9	10.4	9.3	7.4	0.0	2.0
Household gross debt (% of GDI)	93.3	128.5	101.7	94.4	91.4	85.1	82.1	0.1	-2.0
Non-financial corporations gross debt (% of GDP)	91.5	133.4	102.8	106.9	99.1	90.7	84.5	-0.6	0.2
12-month EURIBOR (annual averege %)	3.74	1.90	0.01	-0.30	-0.49	-0.35	-0.10	0.00	0.12
10-year government bond yield (annual average %)	5.00	4.74	1.58	0.38	0.35	0.80	1.30	0.03	0.22

(a) Change in forecast in relation to previous ones.
(b) Contribution to GDP growth, in percentage points.
Sources: 1996-2020: INE and Bank of Spain; Forecasts 2021-2023: Funcas.

Table 2

Quarterly forecasts for the Spanish economy

Growth rates of change in %, unless otherwise indicated

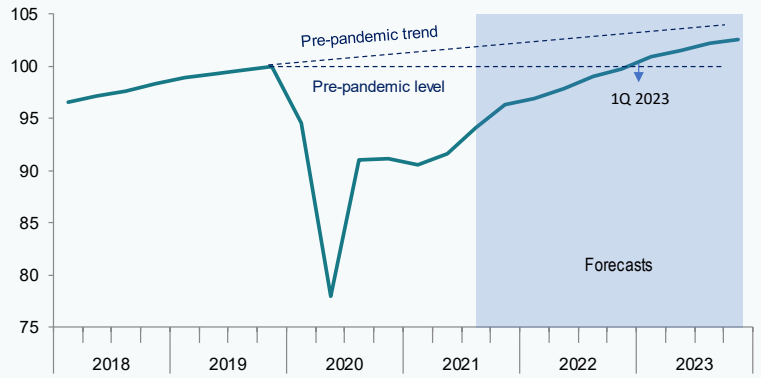
Forecasts in shadow area

	GDP	Private consumption	Public consumption	GFCF	Exports	Imports	Contrib. to growth (1)		Employ. (2)	Unemp. rate
							National demand	External balance		
2014	1.4	1.7	-0.7	4.1	4.5	6.8	1.9	-0.5	1.0	24.4
2015	3.8	2.9	2.0	4.9	4.3	5.1	3.9	-0.1	3.2	22.1
2016	3.0	2.7	1.0	2.4	5.4	2.6	2.0	1.0	2.8	19.6
2017	3.0	3.0	1.0	6.8	5.5	6.8	3.1	-0.2	2.9	17.2
2018	2.3	1.7	2.3	6.3	1.7	3.9	2.9	-0.6	2.2	15.3
2019	2.1	1.0	2.0	4.5	2.5	1.2	1.6	0.5	2.6	14.1
2020	-10.8	-12.0	3.3	-9.5	-20.1	-15.2	-8.6	-2.2	-7.6	15.5
2021	5.1	5.4	3.4	3.8	11.9	12.0	4.9	0.1	6.3	15.0
2022	5.6	4.9	2.4	9.4	9.6	8.6	5.2	0.4	3.0	14.0
2023	3.5	3.2	0.4	7.1	5.2	4.8	3.3	0.2	1.6	13.0
Quarter-on-quarter growth rates										Unemp. rate
2020 I	-5.4	-6.2	1.2	-3.0	-8.3	-5.5	-4.3	-1.1	-1.9	14.4
II	-17.7	-20.0	0.8	-19.9	-32.7	-27.6	-15.2	-2.4	-17.9	15.3
III	16.8	21.0	1.1	20.6	30.0	26.5	15.4	1.4	16.4	16.3
IV	0.2	-0.8	1.4	0.6	5.6	4.5	-0.1	0.3	1.1	16.1
2021 I	-0.7	-2.2	0.4	0.1	0.3	0.4	-0.6	0.0	1.1	16.0
II	1.2	4.9	0.8	-2.5	1.3	4.5	2.1	-0.9	-0.1	15.3
III	2.6	1.0	0.5	1.2	7.1	2.2	1.0	1.6	3.9	14.6
IV	2.4	1.6	1.2	3.7	1.1	0.8	2.3	0.1	-0.2	14.3
2022 I	0.6	0.5	0.4	2.2	1.6	2.0	0.7	-0.1	0.5	14.8
II	1.0	1.0	0.4	2.8	2.1	2.5	1.1	-0.1	0.8	14.0
III	1.3	1.2	0.4	2.9	2.5	2.5	1.3	0.0	0.3	13.5
IV	0.6	0.5	0.4	2.3	1.2	1.5	0.7	-0.1	0.1	13.9
Year-on-year growth rates										
2020 I	-4.3	-5.0	2.2	-2.9	-7.1	-5.1	-3.5	-0.9	-0.6	--
II	-21.5	-24.1	2.7	-22.2	-38.3	-31.6	-18.2	-3.3	-18.8	--
III	-8.7	-8.9	3.6	-7.3	-19.7	-14.5	-6.4	-2.2	-5.6	--
IV	-8.8	-10.0	4.7	-5.7	-15.3	-9.5	-6.5	-2.3	-5.2	--
2021 I	-4.3	-6.2	3.8	-2.6	-7.3	-3.8	-3.0	-1.2	-2.3	--
II	17.7	23.1	3.7	18.5	39.4	38.9	17.3	0.4	18.9	--
III	3.4	2.7	3.1	-0.6	14.8	12.2	2.5	0.9	6.2	--
IV	5.6	5.3	2.9	2.5	10.0	8.2	4.9	0.7	4.8	--
2022 I	7.0	8.2	2.9	4.6	11.4	9.9	6.4	0.6	4.2	--
II	6.8	4.2	2.5	10.3	12.3	7.7	5.2	1.5	5.1	--
III	5.3	4.4	2.4	12.2	7.5	8.0	5.4	-0.1	1.4	--
IV	3.5	3.2	1.6	10.6	7.6	8.7	3.8	-0.3	1.7	--

(1) Contribution in percentage points to GDP growth (2) Full-time equivalents.
Source: INE and Funcas (forecasts).

Exhibit 2 **GDP, rebased**

4th quarter 2019 = 100



Source: INE and Funcas (forecasts).

over the next two years, which is smaller than the job creation estimated in 2021. The participation rate, meanwhile, has already revisited pre-crisis levels and additional changes are not anticipated. As a result, the improvement in employment will be echoed in the unemployment rate, which is expected to dip to around 13% by the end of the projection period. However, Spain, along with Greece, will remain one of the few EU countries with a double-digit unemployment rate, in line with the European Commission's prognosis.

The buoyancy of demand, coupled with tension in the energy markets and supply restrictions, is expected to keep the CPI at 3.6% in 2022 (translating into a private consumption deflator of 3%) and 2% in 2023. Core inflation is similarly expected to converge towards those levels, as price increases become more widespread. The GDP deflator factors in that trend and is expected to increase to 2% in both years, the highest level since the onset of the crisis.

The rebound in inflation will cause, first of all, erosion of wage purchasing power in real terms of 3% throughout the overall projection period. Unit labour costs, meanwhile, are expected to decrease by around 2% during the two-year period. In light of the increases sustained in 2020–2021, those costs would still remain above pre-crisis levels.

Secondly, we think investors will demand higher returns for holding government bonds, as they are already doing in the US where inflationary pressures are considerably more pronounced. We are forecasting the yield on 10-year Spanish bonds at around 1.5% by the end of 2023, making the negative rates observed last year a thing of the past. Meanwhile, the European Central Bank (ECB) is expected to continue to normalise its monetary policy, specifically paring back its public bond purchases and, starting next year, fine-tuning its benchmark rates.

Spain's ample current account surplus should remain in place despite the higher cost of imports, especially of energy products, and the as-yet incomplete recovery in tourism. Spain's net lending position, which includes the influx of transfers from Europe in addition to the current account balance, will present an even bigger surplus.

We are trimming our forecast for the public deficit, as the 2021 deficit came in considerably

> “Reactivation of the European fiscal rules from 2023, having been put on hold during the pandemic, poses another major challenge for the Spanish economy.”

below our forecast thanks to growth in revenue from the various taxes that was higher than long-standing elasticities with respect to taxable income. Those elasticities are now expected to return to their usual levels and, on that basis, assuming no change to fiscal policy, we are forecasting a deficit of 5.7% of GDP in 2022 and of 4.8% in 2023. The face value of Spain's public debt will, however, continue to increase, although expressed as a percentage of GDP, indebtedness will ease a little from 116.4% this year to 114.6% next year. Both the estimated deficit and borrowing levels are higher than the thresholds set down in the EU's fiscal rules, which for the time being remain up in the air.

Inflation is the biggest risk

There is more downside than upside. The assumption that energy prices will begin to ease from the spring is subject to geopolitical factors, including the Russia-Ukraine conflict and the potential collapse of the gas market. The emergence of new variants of the coronavirus could exacerbate business restrictions, for example, in China where there are doubts about the protection offered by the vaccine, potentially sparking fresh supply chain disruption. Lastly, a wage price spiral looks unlikely but cannot be ruled out (second-round effects). If such a spiral were to materialise, it would hurt Spain's competitiveness and send risk premiums higher.

To illustrate the impact of inflation, we modelled a riskier scenario in which the CPI averages 4.7% in 2022 and 3% in 2023, *i.e.*, one point higher than in the baseline scenario. Assuming wage moderation, the increase in the CPI would erode purchasing power (Table 3). The result would be a reduction in household disposable income over the two years by between 13.7 billion euros (assuming a drop in savings rates to maintain spending) and 18.2 billion euros (assuming spending is suppressed to keep savings rates in line with those assumed in the baseline scenario, affecting the economy and jobs, and thus household incomes).

Reactivation of the European fiscal rules from 2023, having been put on hold during the pandemic, poses another major challenge for the Spanish economy. It does not seem likely that the European authorities will reintroduce

Table 3 **Impact on household accounts of an additional percentage point in inflation rates**

	2022	2023	Total
A. Savings rate reduction hypothesis (preference for spending)			
Disposable household income, billion euros	-7,594	-6,075	-13,669
Household saving rate, percentage points	-1.2	-2.0	-3.2
B. Savings rate maintenance hypothesis (preference for savings)			
Disposable household income, billion euros	-10,662	-7,554	-18,216
Household saving rate, percentage points	0.0	0.0	0.0

Source: Funcas.

their deficit and debt ceilings abruptly in light of the scale of the imbalances prevailing in several member states, including Spain. Against that backdrop, a debate is underway in the EU about the options for reforming those rules. Although there are multiple possible scenarios, all signs suggest that budget policy will be subject to limitations of one kind or another in the years to come.

Raymond Torres and María Jesús Fernández. Funcas

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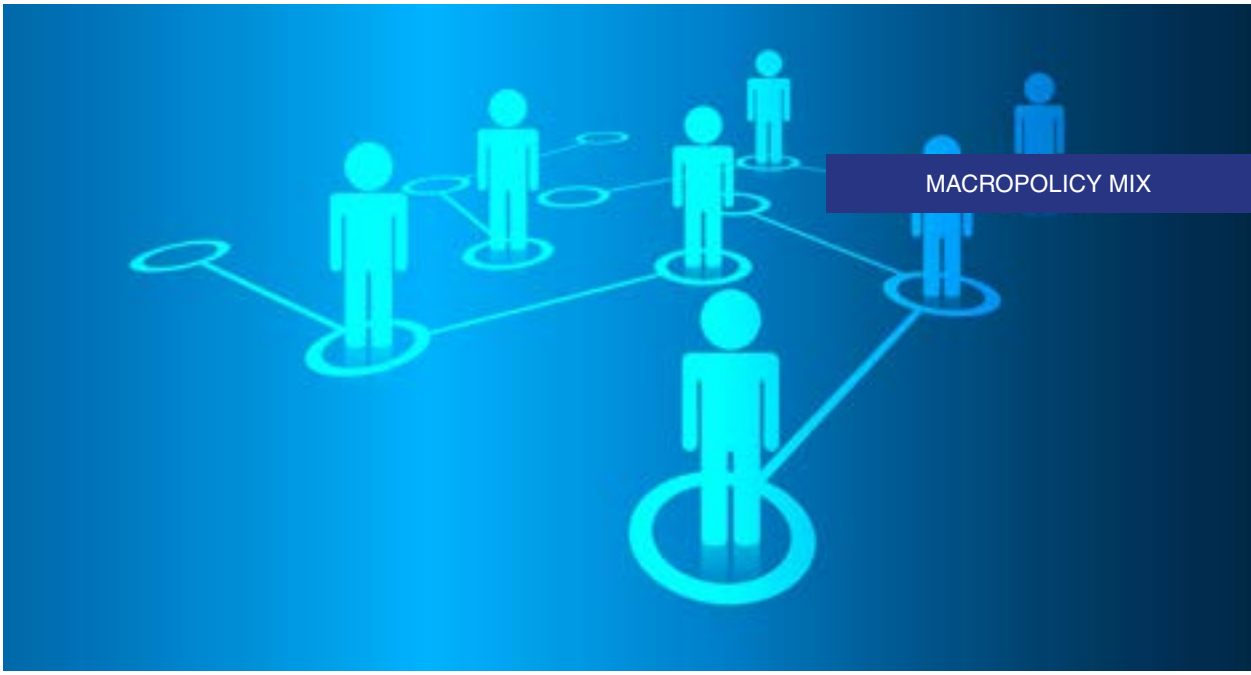


Recovering from the pandemic: The role of the macroeconomic policy mix

A new emphasis on policy coordination to mitigate the economic consequences of the COVID-19 pandemic led to a faster than expected European economic recovery, particularly compared to the Global Financial Crisis. However, policy coordination is still a challenge and will require a clear understanding of an unfamiliar economic context, together with strong agreement among European policymakers.

Erik Jones

Abstract: European policymakers learned important lessons about the need for monetary and fiscal policy coordination from the Global Financial Crisis, which they applied at the start of the pandemic. The resulting recovery has been faster than expected, despite successive waves of variants. However, learning these policy lessons has not eliminated the many barriers to policy coordination, especially when there is disagreement among policymakers over macroeconomic performance, assignment of policy instruments to economic targets and concerns about policy interaction. Unfortunately, the pandemic economic recovery has fostered such a context, as have efforts to respond to demographic change, global warming and digital innovation. Under this scenario, successful policy coordination will require both careful analysis of what is clearly an unfamiliar economic situation and strong political agreement on what European policymakers should do about it.

Introduction

The macroeconomic recovery from the economic consequences of the pandemic has been faster than expected, despite successive waves of variants. It is particularly fast compared to the recovery from the global economic and financial crisis. Forecasters expect most European economies to return to pre-pandemic levels of gross domestic product (GDP) and unemployment by the second quarter of 2022 (if they have not done so already). [1] That is just eight quarters after the shock. They expect the eurozone to reach pre-pandemic trends in real GDP growth by the end of the year. [2]

By contrast, recovery from the economic crisis took at least a decade for much of Europe. [3] In some countries, such as Italy, the economy had not recovered before COVID-19 struck. As Eurogroup President Paschal Donohoe explains, the difference is "to a large extent due to the coordinated policies we deployed to mitigate the economic consequences of the pandemic. It is a reminder that coordinated action achieves more than individual efforts." [4] He is no doubt correct that macroeconomic policy coordination would have been important in the last crisis, where it did not happen, and in the present crisis, where it did. What is less clear is whether European policymakers can now take successful policy coordination for granted.

A lack of coordination

Policymakers have long recognised coordination as important, both within and between countries (Cooper, 1968). Still, coordination is often difficult, and the global economic and financial crisis was, in many ways, a case study of the challenges we are facing now. The policymakers who confronted the initial shockwaves in 2007 and 2008 could recognise the tensions in financial markets; somewhat belatedly, they could also imagine how these tensions might have an impact on growth and employment. Nevertheless, they failed to anticipate how monetary policy would interact with fiscal policy, either directly in terms of how monetary policy is connected to sovereign debt markets, or indirectly in terms of where monetary and fiscal policymakers should focus their attention, and how those targets would interact.

This confusion is complicated enough that only a book-length treatment can unpack it completely (Tooze, 2018). The easiest way to illustrate the tensions is to point to moments of policy failure. For the European Central Bank (ECB), the obvious examples are in the late autumn of 2007 and summer of 2008, when the Governing Council chose to tighten its collateral rules (to restrict the expansion of credit and lower the risk on its own balance sheet) and to focus on inflation rather than financial stability by raising its policy rates. [5] Both moves had to be reversed in September 2008 when the US investment bank Lehman Brothers collapsed.

These monetary policy actions were not only misdirected in terms of macroeconomic performance. They also shifted much of the burden for macroeconomic stabilisation onto the automatic stabilisers built into fiscal policy, as the sudden slowdown in activity lowered taxes, while the increase in unemployment drew down benefits. Meanwhile, the reversal of European monetary policy following Lehman was not enough to blunt the impact of the crisis on government debts and deficits. Worse, it was inconsistent. The Governing Council tried again to raise its policy rates in the summer of 2011. [6] Again, that policy move had to be put into reverse.

The story on the fiscal side was complicated, too. Fiscal policymakers were quick to

"The reversal of European monetary policy following the collapse of Lehman Brothers was not enough to blunt the impact of the crisis on government debts and deficits."

recognise the contribution of automatic stabilisers to mitigating the impact of the crisis. Nevertheless, they worried that excessive reliance on those automatic features of taxes and transfers would result in lasting structural imbalances that could create unsustainable debt burdens (Schäuble, 2010). As a result, European fiscal policymakers began to tighten the rules for fiscal policy coordination to focus on long-term debt sustainability, even if this meant reducing the effectiveness of automatic fiscal stabilisers in supporting macroeconomic performance and preventing fiscal authorities from intervening effectively to shore up banks and, therefore, ensuring financial stability (Schmidt, 2020).

The effect of this shift in fiscal policy was to push much of the burden for financial stability and macroeconomic performance back onto the ECB. National fiscal authorities might try to play a more active role, but those countries already in distress quickly lost credibility among financial market participants (Hopkin, 2015). This explains why ECB President Mario Draghi promised to do "whatever it takes" to safeguard the euro in July 2012, even if that meant buying up unlimited amounts of sovereign debt from those countries most affected. It also explains how the ECB moved ever further into an unconventional monetary policy stance as the recovery from the global economic and financial crisis failed to materialise and involved both large-scale asset purchases and negative deposit rates.

The ECB's actions were sufficient to bring an end to the most acute phase of the European sovereign debt crisis, but they were not enough to promote a durable economic recovery. That is why the last major policy moves by the Governing Council prior to the pandemic were to add to its unconventional monetary stimulus. It is also why the leadership of the ECB began to advocate openly for greater European fiscal authority (Jones, 2019).

Despite Europe's relatively poor macroeconomic performance more than 10 years after the start of the crisis, European policymakers did not agree on how coordination across policy instruments would strengthen macroeconomic governance. More fundamentally, they disagreed on how the different instruments should be targeted and what those settings could realistically accomplish. Meanwhile, some policymakers grumbled about how the ECB's unconventional policy stance would lead to monetary dominance over fiscal policy, while others worried that excessive commitment to fiscal consolidation was tying the hands of monetary policymakers.

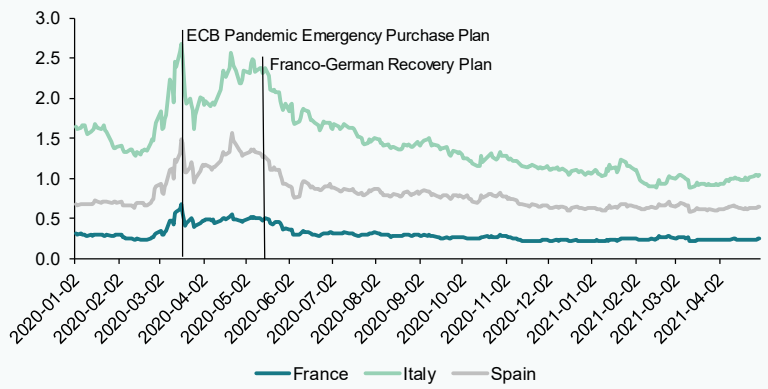
A new beginning

The onset of the pandemic changed the conversation fundamentally, but not immediately. During the early weeks of the pandemic, the old arguments about monetary dominance and fiscal austerity continued to resurface (Howarth and Quaglia, 2021). The results of this ongoing disagreement were sometimes dramatic, as when ECB President Christine Lagarde insisted that it was not the bank's job to "close the spread" between sovereign borrowing costs in those countries worst hit by the pandemic and those in other parts of the eurozone (Exhibit 1). The older debates could also be heard in Dutch Finance Minister Wopke Hoekstra's call for an investigation into why some of the southern European governments were not on better fiscal footing at the start of the pandemic. The reaction to this call from other parts of Europe played an important role in changing the tenor of the conversation (Jones, 2021a).

> "European policymakers began to focus more attention on finding ways for monetary and fiscal policy to have a stronger impact on macroeconomic performance and ensuring that they complement each other."

Exhibit 1 **Ten-year sovereign debt yield spread over Germany**

Percentage



Source: IHS Markit Group.

Policymakers both in the ECB's Governing Council and in the Eurogroup of finance ministers began to focus more attention on finding ways to strengthen the impact of monetary and fiscal policy on macroeconomic performance and to ensure that the two sets of instruments work together in a complementary fashion.

This new emphasis on coordination resulted in significant innovations. The ECB's Governing Council began to purchase sovereign debt more flexibly to ensure the smooth functioning of the monetary transmission mechanism (hence "closing the spreads"); it also began to use its deposit rate and long-term lending operations in a way that would directly subsidise bank lending to the private sector. At the same time, the Eurogroup empowered the European Commission to borrow funds directly from the markets to use in supporting Member State employment protection schemes and it worked closely with the European Stability Mechanism and the European Investment Bank to ensure that both governments and firms had access to other emergency sources of credit.

Not all innovations were equally successful (or attractive). What matters is that they all pointed in the same direction as monetary authorities targeted credit creation and financial market stability, while fiscal authorities stabilised incomes, consumption and investment. The creation of an even larger recovery and resilience facility (Next Generation EU) was the last step in this process. This innovation was important to ensure that the benefits of macroeconomic policy coordination extended symmetrically

"Not all innovations were equally successful, but they all pointed in the same direction as monetary authorities targeted credit creation and financial market stability, while fiscal authorities stabilised incomes, consumption and investment."

across the European Union, both inside and outside the single currency. It also signalled a fundamental shift in the debate away from a narrow focus on monetary or fiscal dominance and toward a more coordinated approach to macroeconomic stabilisation. Hence, the Franco-German proposal to enhance the European Commission's borrowing capacity in May 2020 had a major impact on bond markets (Jones, 2021b).

This change in the conversation was possible because policymakers had a shared understanding of the macroeconomic situation. When European leaders locked down their populations to minimise the spread of COVID-19, they knew this would shut down significant areas of economic activity, strain household and corporate balance sheets, depress prices and complicate government borrowing. They also knew that the ability of monetary authorities to stabilise economic performance without fiscal support was limited, and they knew that the ability of Member State governments to provide that fiscal support varied significantly across countries. Although this common understanding was not universal –there were important differences among Member State governments (Jones, 2021a)– it was shared widely enough to form the basis of an effective (and innovative) macroeconomic policy mix (Rhodes, 2021).

Macroeconomic policymakers also had a shared understanding of how monetary and fiscal policy would interact. The massive purchase of sovereign debt by the ECB pushed up bond prices and drove down interest rates, making it easier for governments to borrow and to sustain higher levels of debt. In turn, government borrowing not only supported higher levels of economic output and employment, but also helped to stabilise market expectations about future price inflation. This made it more likely that the ECB would meet its primary policy objective of price stability as defined, at that time, in terms of an expected annual inflation rate of below but close to two percent.

Finally, the combination of lending subsidies in the form of long-term refinance operations, income support measures and state aid helped to underpin financial market stability. In this way, the macroeconomic policy mix was complementary across multiple dimensions, as the different instruments reinforced one another and strengthened underlying macroeconomic performance. European policymakers like Donohoe are justifiably proud of their accomplishments.

Why coordination is difficult

The macroeconomic policy mix played an essential role in promoting Europe's economic recovery during the pandemic. Reliance on expansive European monetary policy and national fiscal efforts at the start of the crisis was not enough to stabilise either macroeconomic performance or market sentiment. Only the promise of European fiscal action was able to help turn the corner, particularly in sovereign debt markets, but also, somewhat later, in consumption, investment and employment (Jones, 2021b).

Nevertheless, the formula for coordinating the use of macroeconomic policy instruments is not obvious. The macroeconomic policy mix is more than just a matter of ensuring that monetary policy works together with fiscal policy. It is also a question of ensuring that both monetary policy and fiscal policy have stabilising effects on macroeconomic performance. More importantly, it is about ensuring that the different instruments stabilise different aspects of macroeconomic performance. This division of labour across macroeconomic policies is Jan Tinbergen's famous injunction that each instrument should be assigned a different macroeconomic target.

What Tinbergen's assignment problem implies –and this is most important– is that policymakers have a shared understanding of how the different variables they target, like output and employment, or inflation, interact in the real economy (Kydland, 1969). Where policymakers do not share that understanding, it is hard to see how they can coordinate their settings across policy instruments effectively. Instead, it is easy to see how they might become concerned about the influence that one set of policies –say, monetary or fiscal–

will have on the freedom of movement for the other.

This is how talk of the macroeconomic policy mix quickly devolves into conversations about monetary or fiscal dominance. The concerns focus less on complementarity and more on relative constraint. Political considerations penetrate easily into such conversations; along the way, more technical concerns take on an ideological appearance. As a result, whatever lessons policymakers may have learned about the virtues of working together during a crisis tend to lose force in the battle between competing models of how the macroeconomy works (Matthijs and Blyth, 2018).

This time is different

The onset of the pandemic was a rare moment where agreement among economic policymakers was relatively easy; the reason is that those policymakers –through the introduction of social distancing requirements and lockdown measures– were the source of the economic shock. They may have disagreed about the implications of lasting supply chain disruption or about the necessity to introduce specific measures, but they could not argue with the fact that the effect of such lockdowns –either domestically or in key partner countries– would have profound consequences for output, employment and prices (Cifuentes-Faura, 2021).

That easy consensus on how the economy works has not survived the recovery. This is due, at least in part, to the newness of the situation. No economist has ever experienced the kind of global restrictions that policymakers introduced to slow the spread of the virus, and so none has a clear model of how the world economy will perform as social distancing requirements are relaxed (Chen *et al.,* 2020). The first challenge was to restore public confidence that any loosening of social distancing requirements would not constitute a health threat (Demirgüç-Kunt, Lokshin and Torre, 2021).

Beyond that psychological element, the list of distortions runs from the displacement of shipping containers and the accumulation of household savings during the lockdown, to the shift from spending on services to manufacturing, the movement from retail shopping to home delivery and the rise of digital commerce. They also include the increase in remote or hybrid working practices, the accelerated globalisation of business-to-business service provision and the relocation of workers from urban to suburban or rural communities. Such changes not only resulted in a redistribution of capital across vast sectors of the economy, but also created important shortages in labour, intermediate components and raw materials required by those sectors that gained most from the redistribution.

To make matters more complicated, the effects of the pandemic came alongside longer term developments related to population ageing, climate change and technological innovation. Hence, governments seeking to respond to the crisis had to, at the same time, reengineer public services to meet the needs of different demographics, lower energy use, encourage recycling and introduce the infrastructure necessary for a more sustainable, digital economy. Given that these projects are at the centre of the European Union's recovery and resilience planning, there is consensus that these transitions require investment.

There is little consensus, however, on whether and how the investments required will have an impact on macroeconomic performance (Genberg, 2020; Pisani Ferry, 2021). While

“ The onset of the pandemic was a rare moment where agreement among economic policymakers was relatively easy; the reason is that those policymakers were the source of the economic shock. ”

“ Monetary policymakers worry that the pressure to underpin debt sustainability might hamper the fight against longer-term inflation rates, and fiscal policymakers worry that efforts to push back against inflation might trigger fiscal austerity. ”

the spending should stimulate economic activity, the implications for longer-term productivity growth and price inflation remain ambiguous. More optimistic models suggest a movement to a new, stable equilibrium; others point to increased volatility in the near-term and greater uncertainty across longer time horizons.

Such uncertainty has powerful implications for macroeconomic policy coordination as it affects considerations of both near-term inflation performance and longer term debt sustainability. The conversations about inflation performance already divide the ECB’s Governing Council, with prominent members of the Executive Board arguing that currently high rates of inflation are only temporary, while more hawkish national central bank governors express concern that high inflation rates may prove to be more permanent. [7] There are similar debates within the Eurogroup, which is focusing on reforming the rules for macroeconomic policy coordination. Here, the question is whether interest rates will remain low enough to make higher levels of public debt sustainable or whether it would be more prudent to bring in consolidation efforts sooner rather than later (Smith-Meyer, 2021).

Importantly, the two debates are connected. Monetary policymakers worry that the pressure to underpin debt sustainability might hamper the fight against longer-term inflation rates, and fiscal policymakers worry that efforts to push back against inflation might trigger fiscal austerity. The question is not just between competing macroeconomic models; it is also over the prospect of fiscal dominance or monetary dominance.

Recovery and the policy mix

European policymakers learned important lessons from the global economic and financial crisis, and they applied those lessons at the start of the pandemic. The resulting recovery has been much stronger than most policymakers expected initially. This is an important success. However, these policy lessons only underscore the importance of coordination in principle. In practice, it does not eliminate the many challenges that can prevent policy coordination from being implemented successfully. When policymakers disagree on how macroeconomic performance is likely to develop, where they question the assignment of their policy instruments to targets in the real economy and where they worry that the interaction across policies will lead to the dominance of monetary policy over fiscal policy or the reverse, the incentives for coordination –no matter how desired or well-intentioned– are diminished.

Unfortunately, the recovery from the economic consequences of the pandemic has created such a context, as do efforts to respond to demographic change, global warming and digital innovation. The conclusion is not that successful policy coordination to stabilise the recovery and smooth the transition is impossible. Rather, it is that such coordination cannot be taken for granted. It will require both careful analysis of what is clearly an unfamiliar economic situation and strong political agreement on what European policymakers should do about it.

Notes

[1] The European Central Bank’s December 2021 projections move the return to pre-pandemic output levels from the fourth quarter of 2021 to the first quarter of 2022. They anticipate slower growth in the second quarter of 2022, but a resurgence in the third quarter. They admit that

these forecasts are more conservative than those made by other international organizations. See: https://www.ecb.europa.eu/pub/projections/html/ecb.projections202112_eurosystemstaff~32e481d712.en.html - :~:text=The December 2021 projections suggest,around the turn of 2022

[2] See the letter by Eurogroup President Paschal Donohoe to the President of the European Council on December 16th, 2021: https://www.consilium.europa.eu/media/53380/peg-letter-to-president-michel-december-2021.pdf

[3] This press release from the European Commission celebrates the decade-long recovery as the result of "decisive action" from European institutions. See: https://ec.europa.eu/commission/presscorner/detail/en/IP_17_2401

[4] Again, see Donohoe's letter to the European Council President.

[5] The Governing Council's rate decision can be found here: https://www.ecb.europa.eu/press/pr/date/2008/html/pr080703.en.html. For a narrative history of the development of ECB collateral rules, see Eberl and Weber (2014).

[6] That monetary policy decision can be found here: https://www.ecb.europa.eu/press/pr/date/2011/html/pr110707.en.html

[7] The tension surrounding inflation forecasts is on display in ECB Executive Board Member Isabel Schnabel's January 10th, 2022 interview with the Süddeutsche Zeitung. For an English-language transcript of the interview, see: https://www.ecb.europa.eu/press/inter/date/2022/html/ecb.in220114~e43be9798e.en.html/

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Spanish banks and monetary policy in 2022

With the COVID-19 pandemic still threatening economic recovery and inflation running the highest it has this century, monetary authorities in the US and Europe have taken different approaches to normalisation, with US monetary policy likely more hawkish in the short-term. Within this context, Spanish banks will continue to face acute profitability challenges in 2022, which they will increasingly seek to address through digitalisation and transition to a platform-based model.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: Monetary decoupling is already here in 2022. The Federal Reserve has set an end date for its asset purchase programme –the end of March– and signalled that rate hikes over the course of the year are likely. The European Central Bank (ECB), however, plans to continue to support liquidity until at least 2023 and does not expect to raise rates in 2022. That decoupling will have different impacts on both sides of the Atlantic, including on the ability of banks to generate margins, as well as on bond yields, exchange rates and the relative attractiveness of different monetary regions for investment. While Spanish banks have been able to increase lending capacity during the crisis on the back of state guarantee schemes and other support programs, as well as to shore up solvency, both profitability and solvency will remain key challenges in 2022, especially if rates remain ultra-low or negative and support measures are rolled back. Going forward, banks' profitability will continue to rely to a significant degree on efficiency gains, however, after years of consolidation and structural adjustments, such gains may be achieved through greater adoption of digitalisation and the shift towards platform-based models, with implications

> “Bank profitability will remain an acute challenge in 2022, especially if rates remain ultra-low or even negative, and bankruptcies rise as pandemic support is rolled back.”

for employee/branch rationalisation and increased investment in digitally-savvy talent.

Introduction

Still recovering from the financial crisis, Spanish banks have been put to the test with yet another challenge – the COVID-19 pandemic. Although they have increased their lending capacity (thanks to the state guarantee scheme, among other support), and shored up solvency, profitability will remain an acute challenge in 2022, especially if rates remain ultra-low or even negative. As various public stimulus and support measures put in place during the COVID-19 crisis are rolled back, the banks will need to manage their credit proactively as they are likely to face an increase in business bankruptcies.

There have been several attempts to reverse prevailing expansionary monetary policy since the financial crisis. However, the central banks have encountered a range of doubts about the dynamism of the economic recovery, which ultimately altered expectations for policy normalisation.

Still, economic performance and the scope for monetary manoeuvre have varied in the eurozone and the US. While rates have been left at 0% in the eurozone and attempts to pare back debt repurchases have been fleeting, drowned out by macroeconomic uncertainties, in the US rates have moved up and down and asset purchases have also moved in either direction. However, authorities on both sides of the Atlantic have been forced to leave their quantitative easing (QE) measures and ultra-low, zero or negative benchmark rates in place. The pandemic was the last shock to prompt the central banks to leave their support in place, probably just when they were closest to changing their orientation, towards the end of 2019.

In 2022, however, it looks as if the end of QE is closer, although we are also seeing some decoupling, with the Federal Reserve announcing plans to scale back the pace of its asset purchases significantly at the end of December and, more importantly, signalling several potential rate hikes from 2022. The ECB also made statements about its monetary policy in mid-December. Conversely, it ratified maintenance of a markedly expansionary policy (beyond certain technical fine-tuning), with no signs of rate increases before 2023.

That situation implies the decoupling of monetary policy on either side of the Atlantic, which is happening at a time of inflationary pressure. It looks as if the prevailing price pressure is not set to wane any time soon, generating discord among the analysts and exerting pressure on the central banks. The key question is whether the inflation will prove fleeting or sustained, affecting medium– and long-term expectations. Although core inflation, which strips out the more volatile price elements, is not so concerning, analysts are watching closely for a potential wage price spiral. Considering that the prospect of recovery has been largely pushed back to 2022, this uncertainty is of little help.

> “The banks are on tenterhooks as they watch trends in inflation, interest rates and liquidity.”

The banks are on tenterhooks as they watch trends in inflation, interest rates and liquidity. 2021 was a challenging year in which the banks nevertheless managed to increase their market value and revisit pre-pandemic profitability levels. They also managed to keep up their private sector lending volumes. Growth in loans to businesses was joined by growth in lending to households, not only consumer loans (which were registering growth of 2.3% by November) but also, gradually, loans for home purchases (0.9% growth in November).

Regardless, the Spanish deposit-takers are facing a year in which generating margins and returns will remain a significant challenge in a climate of ultra-low or negative rates. Moreover, forecasts for the withdrawal of stimulus measures put in place to mitigate the effects of the pandemic –from furloughs to credit moratoria– could lead to an increase in bankruptcies and, ultimately, in loan non-performance.

This paper analyses the state of monetary policy, its impact on the banking sector and the outlook for the Spanish banking sector in 2022. It begins with an analysis of monetary policy decoupling and the attendant risks, followed by a focus on bank profitability and solvency. Sector consolidation and the shift towards a platform-based service model are addressed, followed by a few short conclusions.

Monetary policy decoupling

Having already made several moves and signalled the withdrawal of its stimulus measures, the Federal Reserve accelerated its actions considerably on December 15th, 2021. Following the last Federal Open Market Committee (FOMC) meeting of last year, the US monetary authority brought the definitive withdrawal of its asset purchase programme forward from June to March 2022. Although it left its official rate within a band of 0% to 0.25%, the Fed also signalled the possibility of raising rates as many as three times in 2022, the first of which in the first quarter, probably after the end of its tapering process. The Fed attributed the acceleration of its tightening to "inflation developments and the further improvement in the labor market".

These tightening decisions came despite the downward revision of macroeconomic forecasts due to the surprise appearance of the Omicron variant of the coronavirus. In 2022, the Fed is looking for GDP growth of 4% and inflation of 2.6%. The key is whether prices will hit such a low average rate with monthly rates topping the 6% mark towards the end of 2021. According to the Fed, "Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation" and "The path of the economy continues to depend on the course of the virus. Progress on vaccinations and an easing of supply constraints are expected to support continued gains in economic activity and employment as well as a reduction in inflation." It warned, however, that "Risks to the economic outlook remain, including from new variants of the virus."

More specifically, the FOMC decided to reduce the monthly pace of its net asset purchases by 20 billion dollars for Treasury securities and 10 billion dollars for agency mortgage-backed securities. As tends to be the case when providing testimony in times of uncertainty, the Federal Reserve also signalled its willingness to "adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals."

One day later, on December 16th, the ECB's Governing Council held its last meeting

> "The surprise appearance of the Omicron variant has prompted tightening decisions despite the downward revision of macroeconomic forecasts."

of 2021. Despite the run-up in prices, the ECB said it judges that "the progress on economic recovery and towards its medium-term inflation target permits a step-by-step reduction in the pace of its asset purchases over the coming quarters." The ECB was referring, however, to a reduction in the dedicated pandemic emergency purchase programme, or PEPP. Indeed, it noted that "monetary accommodation is still needed for inflation to stabilise at the 2% inflation target over the medium-term." It announced that it would be discontinuing net asset purchases under the PEPP at the end of March 2022, but that it would reinvest the maturing principal payments from securities purchased under the PEPP until at least the end of 2024.

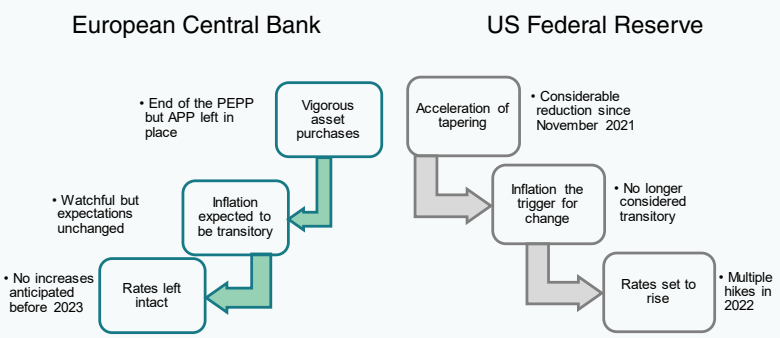
In parallel, the ECB ratified the continuity of its main asset purchase programme (APP). Specifically, the Governing Council settled on a monthly net purchase pace of 40 billion euros in the second quarter and 30 billion euros in the third quarter under the APP. From October 2022 onwards, the Governing Council will maintain net asset purchases under the APP at a monthly pace of 20 billion euros for as long as necessary to reinforce the accommodative impact of its policy rates. With that, the European monetary authority signalled that while it could reduce its asset purchases more significantly in the long-term, it was guaranteeing their continuity in 2022, along with the reinvestment of principal payments from maturing securities for as long as necessary.

As for interest rates, the ECB decided to leave the interest rate on the main refinancing operations, and the interest rates on the marginal lending facility and the deposit facility, unchanged at 0.00%, 0.25% and -0.50%, respectively. According to the monetary authority, despite the rise in prices, the "realised progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at 2% over the medium-term."

Lastly, the ECB said it expects the special conditions applicable under TLTRO III to end in June 2022 but, as on prior occasions, it reiterated its intention to monitor the two-tier system for reserve remuneration and extend the programme if necessary.

As shown in Exhibit 1, medium– and long-term tightening trends appear to be taking shape on both sides of the Atlantic, but in the short-term, US monetary policy is likely to

Exhibit 1 **Monetary policy decoupling**

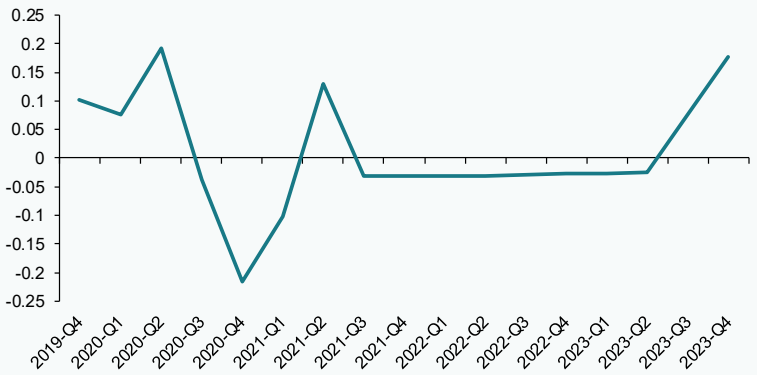


Source: Authors' own elaboration.

Exhibit 2

Expectations for eurozone interest rates in the medium-term

Percentage, expectations for 10-year public bond yields (Eurozone average)



Source: OECD and authors' own elaboration.

be far more hawkish, creating considerable monetary policy decoupling. For the banks, that could spell ongoing downward pressure on the European banks' net interest income relative to their US peers.

The Fed could raise rates up to three times in 2022, while the ECB is not planning to make any rate moves. Nevertheless, the expectation is that the eurozone could finally implement its long-anticipated monetary policy shift in 2023, after nearly 15 years of quantitative easing. As illustrated in Exhibit 2, based on estimates of long-term rate expectations (using 10-year sovereign bond yields as proxy), although the shift in the eurozone is expected to take longer, the rate movements anticipated in 2023 are considerable, with impacts on both short- and longer-term paper. Exhibit 2 depicts estimated average yields on 10-year public bonds in the eurozone member states, which are expected to rise to close to 0.2% that year.

Post-pandemic banking (I): Profitability and solvency

The Spanish banks have been very active in keeping credit flowing throughout the pandemic. The banks, the regulators and the supervisors all understood very early on that it was necessary to strike a balance between the risks of the lending business and the need to support the business communities most affected by mobility and business restrictions.

The programme of loans backed by Spain's official lending institute, the ICO, has played a vital role throughout the pandemic: by November 2021, 121.92 billion euros of financing had been extended under the scheme. That scheme was topped up by a surety line for direct investments in July 2021 of up to 40 billion euros. Another essential component articulating the financial "arm" of the pandemic response is credit moratoria, underpinned by a code of good practices

> "In the short-term, US monetary policy is likely to be far more hawkish, creating considerable monetary policy decoupling."

> “Spanish banks have kept credit flowing throughout the pandemic, with business, consumer and housing finance loans all on the rise at the end of 2021.”

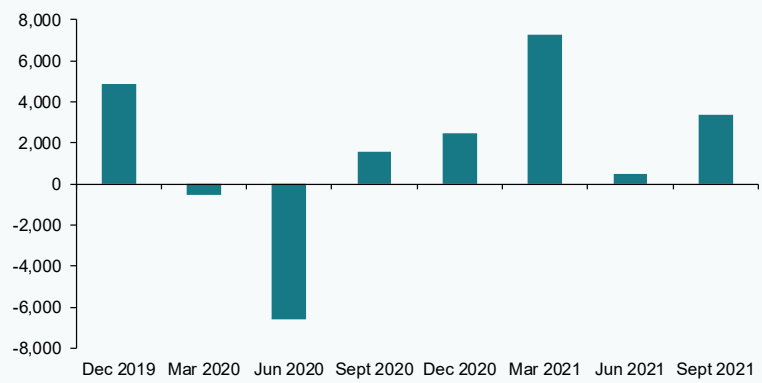
designed to allow financial institutions to defer the repayment of eligible loans, framed by strict liquidity facilitation and risk prevention criteria.

Loans to businesses were up by 2.5% year-on-year as of September 2021, having hovered between 2% and 3% since April. Although growth had been higher earlier on in the pandemic crisis (fuelled by the initial tranches of the state loan guarantee scheme), it is worth recalling that business lending contracted by 0.1% on average in 2018 and registered growth of 1.9% in 2019. Household lending was also starting to show signs of life by the third quarter, with lending up 0.8% in September, in line with the readings observed since May, putting an end to more than 18 months of contraction during the worst moments of the pandemic. That momentum was observable not only in the consumer loan segment, which sustained growth of 3.1%, but also in the home finance segment, which registered year-on-year growth of 0.7% in the third quarter of 2021.

The ultimate impact of these actions on solvency remains unknown: only when the stimulus and other measures rolled out to support businesses and jobs (such as the furloughs) are withdrawn will it be possible to calibrate how many business casualties result from the pandemic crisis and how many surviving firms will not be able to service their loan obligations. Regardless, sector supervisors argue that the reforms undertaken to address unsustainable leverage levels in the banking system, insufficient tier-1 capital levels, excessive maturity transformation and shortcomings in the macroprudential framework have proven crucial during the COVID crisis.

Exhibit 3 **Spanish banks: Quarterly profits throughout the pandemic**

Profits reported for accounting purposes (Millions of euros)



Source: Bank of Spain and authors' own elaboration.

> “Only when stimulus and other pandemic support measures are withdrawn will we see how many businesses survived and can service their loan obligations.”

Just as the ECB was considering a switch in monetary policy direction towards the end of the second half of 2019, the COVID-19 pandemic forced monetary authorities to leave their expansionary policies in place. When interest rates are consistently low, the banks face a structural issue of depressed profitability. However, the pandemic ushered in an even bigger challenge. The Spanish banks responded proactively, significantly stepping up their provisions against potential losses, an effort that drove the sector's quarterly profitability lower by 6.61 billion euros in the second quarter of 2020, as shown in Exhibit 3. In 2021, the banks' earnings gained momentum, albeit somewhat erratically due to the impact of new variants of the virus and the sector's structural adjustments. Sector profitability in the third quarter of 2021 amounted to 3.35 billion euros.

It is also worth pointing out that the Spanish banks' market cap has rallied notably since the end of October 2020, with the gap between the IBEX banks and the rest of Spain's blue chip index gradually closing. By the end of February 2021, the IBEX banks were outperforming the rest of the IBEX-35. However, the banks did not revisit their pre-COVID market value until the end of April 2021.

Post-pandemic banking (II): Consolidation and a shift in the business model

The Spanish banking sector has undergone significant restructuring since the financial crisis. In early 2008, there were 281 banks (70.8% of which were Spanish), a figure that had shrunk to 191 by the end of 2020 (58.6% Spanish). Following the financial crisis, certain banks had to embark on mergers to survive the tightening of their capital adequacy requirements. That consolidation has gained further traction due to the demands of an increasingly digital market that requires significant scale, but not necessarily an extensive physical infrastructure.

In 2021, sector restructuring continued in Spain with high-profile mergers, such as those between Caixabank and Bankia (March 2021) and between Unicaja and Liberbank (July 2021). That restructuring process has driven a change at both the entity and branch levels. In 2014, there were 31,817 bank branches in Spain, an average of 230 per bank. By the end of 2020, 22,299 branches remained. In other words, one in four of the branches in existence in 2014 had disappeared. In the first half of 2021 alone, 1,385 branches were closed, mainly due to mergers. By the same token, in 2014, the sector had 203,305 employees. In 2020, that figure was 175,185.

It is also worth noting that the average employee, or talent, profile has changed. Digital transformation is fuelling demand for highly qualified professionals. In the Spanish banking sector, there is growing demand for professionals with a technical background –computer engineers, data scientists and mathematicians– capable of developing applications to manage IT systems, business processes and quantitative risk models. Some

> “By the end of February 2021, the IBEX banks were outperforming the rest of the IBEX-35, however, the banks did not revisit their pre-COVID market value until the end of April 2021.”

> “Consolidation has dramatically altered Spain’s financial landscape, with one in four bank branches, along with over 28,000 employees, having disappeared in 2020 relative to 2014.”

global forecasters predict that between 15% and 20% of new positions will be related with digitalisation.

Spanish banks are going to lengths to transform their businesses and adapt to the new digital ecosystem in terms of providing a platform-based service offering. The COVID-19 pandemic has also driven growth in online customers. A comparison of figures from before the pandemic (end of 2019) with those at year-end 2020 reveals that the percentage of digital customers has increased by six percentage points from 60.5% to 66.6%, according to the INE. This means that, in the year after 2019, 2.7 million new people signed up for digital banking in Spain.

The financial digitalisation process has not, however, been homogeneous. There are significant differences in penetration rates across the various age categories. The highest percentage of digital banking users are in the 25–34 age group. In that category, nearly eight out of every ten internet users have adopted online banking. The figure is similar (75.5%) in the 35–44 cohort. Those two age categories represent the millennial generation and account for 9.48 million online banking users, which is 43.3% of the total in Spain.

In the past two decades, the Spanish banking sector has made major strides in digitalisation. Banks have stepped up their technology investments considerably and attracted new online customers, which has in turn spurred them to make new investments in emerging technology. Between 2014 and 2020, the ratio of investment in information technology in the Spanish banking sector averaged 4.97%. On a cumulative basis, IT investments registered growth of 71.78% between 2014 and 2020 (last year for which data are available).

Conclusions

Faced with specific challenges in 2022 and with inflation running at a high for this century, the Federal Reserve and ECB have taken different approaches. The US monetary authority has quickly ceased to consider the current bout of inflation a transitory phenomenon, moving to tackle it head on, bringing the end of its asset purchase programme forward to the end of March 2022 and signalling several possible rate hikes this year. Meanwhile, the ECB may pare back its asset purchases over the medium– or longer-term, but is planning to leave its liquidity support in place until at least 2023 and does not intend to raise rates in 2022.

Which strategy will prove correct is difficult to predict, but we are certainly facing monetary policy decoupling that will have a different impact on multiple aspects of financial activity on either side of the Atlantic, including the banks’ ability to generate net interest income, as well as on bond yields, exchange rates and the relative attractiveness of each monetary region for investment purposes.

The profitability of banks continues to rely to a significant degree on operating efficiency gains. After years of sector consolidation and structural adjustments, there seems to be a fresh twist in the transition to a platform-based model. Further branch and employee rationalisation are likely, and banks will be looking to bring in new digitally-savvy talent on both the sales and technical sides of the business in parallel.

Santiago Carbó Valverde and Francisco Rodríguez Fernández. University of Granada and Funcas

Impact of the TLTRO and negative rates on banking margins

Spanish and European banks' net interest margins (NIM) are proving highly volatile due to the "volume effect" on credit, as well as the difficulties in layering a negative rates component into funding costs. Going forward, the considerable sensitivity of banks' NIM could increase in 2022, depending on the level of compliance with TLTRO eligibility benchmarks.

Marta Alberni, Ángel Berges and María Rodríguez

Abstract: The trend in the Spanish and European banks' net interest margin (NIM) is proving highly volatile in year-on-year and earnings contribution terms. One reason for this volatility is the "volume effect" associated with the trend in the outstanding balance of credit. That balance sustained sharp growth in 2020 (breaking a decade-long downtrend) thanks to the state guarantees rolled out to mitigate the economic ramifications of the COVID-19 pandemic before losing steam at the start of 2021. In this context of stagnant (or contracting) credit, the trend in the margin is highly sensitive to the ability to increasingly layer a negative component into funding costs. One such source is the widespread application of negative rates to a growing proportion of deposits, particularly those held by businesses and high net worth individuals. However, the banks' net interest margin is most sensitive to the use of the ECB's liquidity facilities in the form of targeted longer-term refinancing operations (TLTROs) and compliance with the related eligibility benchmarks which determine whether the (negative) rate applicable by the ECB is -1%

> “The banks’ healthy earnings performance in 2021 was mainly due to a reduced provisioning effort and sizeable one-off gains unlocked by M&A activity.”

or -0.5%. This will be especially important in the case of Spanish banks, which have used the facility heavily, and where NIM is particularly sensitive to benchmark compliance.

Earnings growth via impairment losses and non-recurring gains

On the whole, the Spanish banking sector’s earnings in 2021 (with three sets of quarterly results already published) show clear improvement from 2020. This momentum is due not so much to a recovery in margins, which have been volatile and mainly trending negatively, but rather the positive effects of a smaller provisioning effort and the impact of sizeable one-off gains.

With respect to asset impairment charges, the extraordinary effort made by the banks to frontload their loan-loss provisions in 2020, triggering losses, on aggregate, across the Spanish banking system, has paved the way for a substantially lower provisioning effort in 2021 (around 50% of 2020 levels), albeit still nearly twice pre-pandemic levels.

On top of the impact of the lower volume of provisions, it is worth highlighting the high level of non-recurring gains unlocked by M&A activity concluded in 2021, with a significant impact on earnings at the aggregate level.

The offset of the positive effects of the restatement of the acquirees’ net assets to fair value is the recognition by the acquirors of sizeable non-recurring charges related to the restructuring plans associated with the mergers.

Both the “step-down” effect on provisions and the consequences of the various mergers on earnings are one-offs and largely responsible for the significant increase in returns being reported by the Spanish banks at above pre-pandemic levels in terms of return on equity.

Margins under pressure from interest income

The positive impact of the above one-offs should not distract us from the main recurring component of the banks’ income statements, their net interest margin (NIM). The trend presents high volatility, having sustained year-on-year growth of 1.5% in the first half, which had moved to a contraction of 1.6% by the end of the third quarter (with a strong likelihood that the negative trend will last until the end of the year).

The adverse margin trend is being shaped primarily by the drop in interest income as a result of the so-called volume effect, which in turn is driven by the pattern in outstanding credit over the course of 2021.

As shown in Exhibit 2, compared to the significant growth sustained in outstanding credit in 2020, tied mainly to the state guarantee scheme for pandemic relief, credit has been stagnating since early 2021, even registering small declines from April onward.

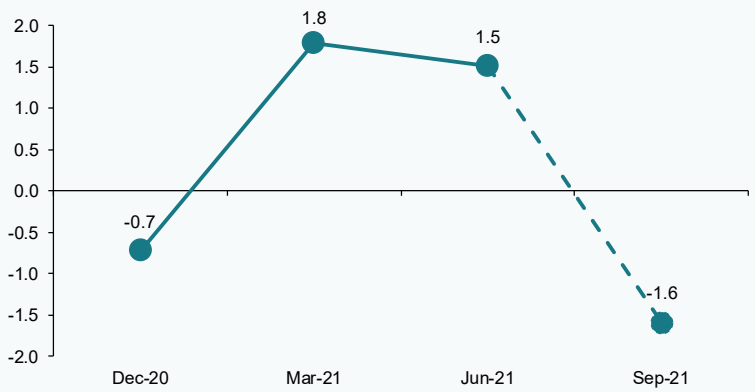
On top of the volume effect, the reconfiguration of the loan portfolio in 2020 is also having an impact on interest income: the weight of secured credit and mortgages, where new lending activity has registered growth of 40%, has increased relative to more profitable segments, driving the return on the banks’ loan books lower.

A final element exerting downward pressure on finance income is the lower contribution by the fixed-income portfolio in the form of coupons due to the high volume of assets sold by the entities last year to offset, at least partially, the adverse impact in 2021 of the banks’ strategic decision to frontload their loan-loss provisions.

Exhibit 1

Year-on-year change in net interest margin in the Spanish banking sector*

YoY change, percentage

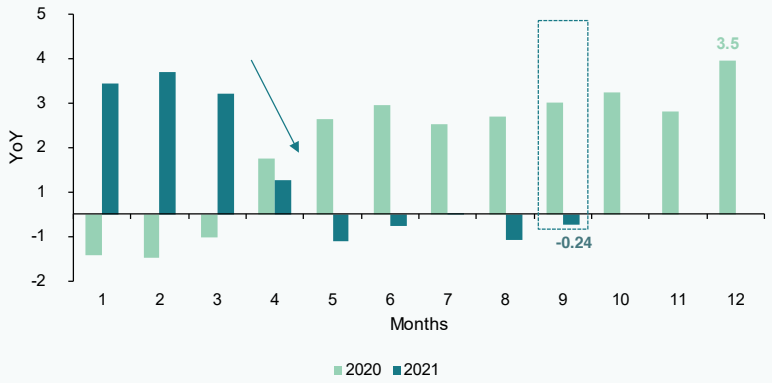


**Data as of September 2021 estimated on the basis of the earnings reported by the listed Spanish banks.*
Source: Afi based on Bank of Spain and sector entity figures.

Exhibit 2

Year-on-year change in outstanding credit in the Spanish banking sector

Percentage



Source: Afi based on Bank of Spain figures.

> “Customer deposits soared by over 100 billion euros in the wake of the pandemic, giving a significant boost to the banking system’s liquidity.”

Pass-through of negative rates to depositors

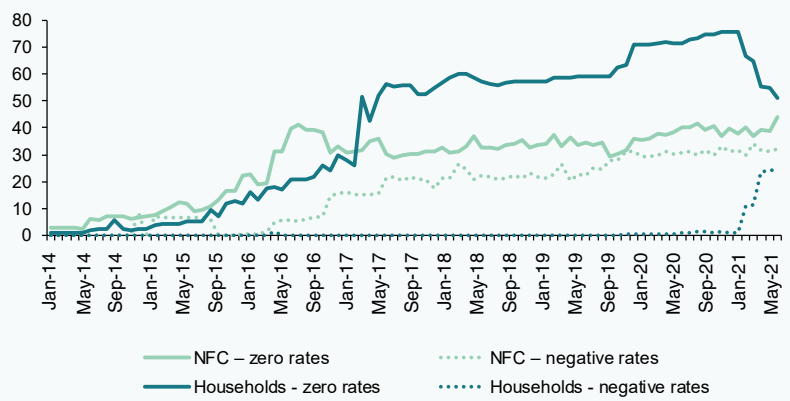
Faced with such sharp downward pressure on their interest income, the banks are being forced to eke out further savings in funding costs by venturing to apply negative rates on a growing percentage of deposits. That need is all the more imperative in light of the high growth in household bank deposits, which is being fuelled by the sharp increase in the savings rate. Customer deposits soared by over 100 billion euros in the wake of the pandemic, providing the banking system’s liquidity with a significant boost. That trend can also be observed in most European countries, where banking systems have begun to cross the “red line” of applying negative rates to a significant chunk of customer deposits.

The ECB flagged that trend in its recent *Financial Stability Review*, which is illustrated in Exhibit 3. It clearly shows the change of attitude in 2021 in terms of applying negative rates to deposits. The exhibit depicts the percentage of European banks applying zero or negative rates to the deposits taken in from businesses and households. In the business segment, the percentage of banks applying negative rates has been increasing systematically over the last five years, reaching 30% by mid-2021 (40% applying zero rates).

In terms of the household segment, while the application of zero rates has become more widespread over the last five years, resistance to “crossing the red line” to negative rates has been higher. However, a significant shift took place in mid-2021, with nearly 25% of banks that had been applying rates of zero shifting to application of negative rates.

Here, it is worth noting that the practice of charging for household deposits is not commonplace among the Spanish banks, which are providing low, but above zero,

Exhibit 3 **Percentage of banks remunerating deposits at zero or negative rates**



Source: Financial Stability Review, *ECB*.

> "The practice of charging for household deposits is not commonplace among the Spanish banks, which are providing low, but above zero, remuneration of about 0.05% on average."

remuneration of about 0.05% on average, according to the most recent data published. The alternative to negative rates, which have the danger of putting off retail banking customers, has been to focus on charging fees for services related with collections and payments, such as a current account maintenance fee and credit card fees, particularly for less "bundled" customers with weaker ties to the entity in question.

In addition to those efforts to pass negative rates through to depositors, the Spanish and European banking systems have significant volumes of funds currently making a positive contribution to their earnings, *i.e.*, funding at negative rates, such as that obtained via the new and improved TLTRO III.

Recall that among the measures rolled out to counteract the impact of the pandemic and ensure credit continued to flow to the real economy, in June 2020, the ECB launched a new round of financing under the umbrella of TLTRO III with particularly advantageous terms and conditions for the banks using the facility. Specifically, those liquidity auctions were designed to enable the banks to earn remuneration on the funds drawn of 0.5% (*i.e.*, a borrowing cost of -0.5%), which could increase to 1% if the trend in the reference loan portfolio meets the associated benchmarks.

Such favourable financing terms have prompted European banks to rely heavily on the new TLTRO III facility, which has translated into a liquidity injection of around 2.1 trillion euros in Europe since June 2020, generating significant savings for the banks in terms of borrowing costs.

The Spanish banks have used the facility heavily, drawing down close to 300 billion euros, which has had a positive impact on their margins in the first quarters of the year when the banks reported year-on-year growth in NIM (see Exhibit 1). However, that positive effect was diluted in the third quarter when the year-on-year change in NIM moved into negative territory. That may have had to do with a TLTRO III base effect, as the facility was introduced in June 2020, such that it was already responsible for a reduction in funding costs and a change in trend in the Spanish banks' NIM in the third quarter of that year.

The considerable earnings volatility introduced by the TLTRO III could intensify in 2022 depending on compliance with the benchmarks that would allow the banks to accrue a rate of -1% of the volume of financing drawn down, whereas non-compliance would cap the negative rate at -0.5%.

Our analysis of the key figures available suggests that the banks' net interest margin is

> "Favourable financing terms have prompted European banks to rely heavily on the new TLTRO III facility, which has translated into a liquidity injection of around 2.1 trillion euros in Europe since June 2020, generating significant savings for the banks in terms of borrowing costs."

> The considerable sensitivity of the banks' net interest margin to TLTRO III terms could increase in 2022 depending on the level of compliance with the associated benchmarks for triggering eligibility for a funding rate of -1%, *versus* -0.5% in the case of non-compliance.

highly sensitive to the benchmark compliance issue, which could translate into greater earnings volatility than that already observed in 2021.

Table 1 shows the "step" effect on the European and Spanish systems' NIM of compliance *versus* non-compliance with the benchmark set for eligibility for funding at -1% compared to -0.5%. Specifically, the European system has drawn down 2.1 trillion euros in total under the facility and sensitivity to non-compliance with the TLTRO III conditions stands at around 4% of NIM, with the Spanish sector relatively more exposed: by our estimates, that percentage impact on NIM increases to 6%, [1] expressed as the difference in NIM between compliance and non-compliance with the stipulated benchmark.

To that end, it is worth analysing the current level of compliance with the eligibility benchmarks across the various European banking sectors, focusing particularly on the Spanish system, whose NIM is particularly sensitive to compliance.

Before getting into the analysis, recall that the compliance scenario requires that the banks' eligible credit portfolios, comprised mainly of business and consumer loans, register growth between October 2020 and December 2021.

Framed by that requirement, based on the quarterly information available until the date shown in Exhibit 4, compliance was uneven across the main European banking sectors over the first half of 2021. Whereas in countries such as Germany and France the trend in the credit portfolio appeared clearly dynamic

Table 1 **Estimated impact of TLTRO III on NIM**

EUR billions, percentage

	Europe	Spain*
Allotted amount TLTRO III	2,071	280
Lending criteria scenarios		
Non-compliance with lending criteria (-0.5%)	10.4	1.4
Compliance with lending criteria (-1%)	20.7	2.8
Diference between scenarios	10.4	1.4
Net interest margin impact %	4	6

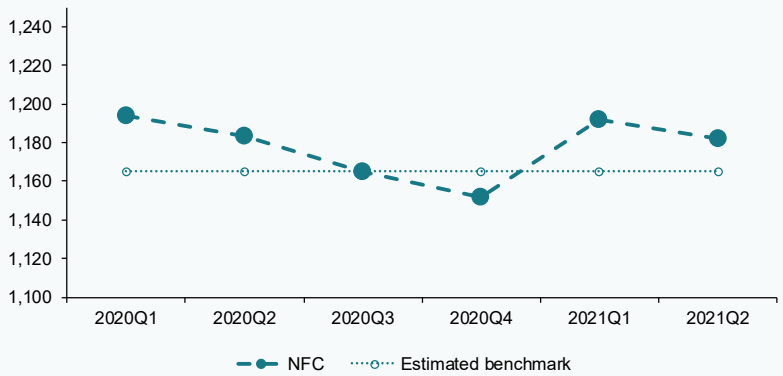
** Estimate, based on available information.*
Source: INE.

Exhibit 4

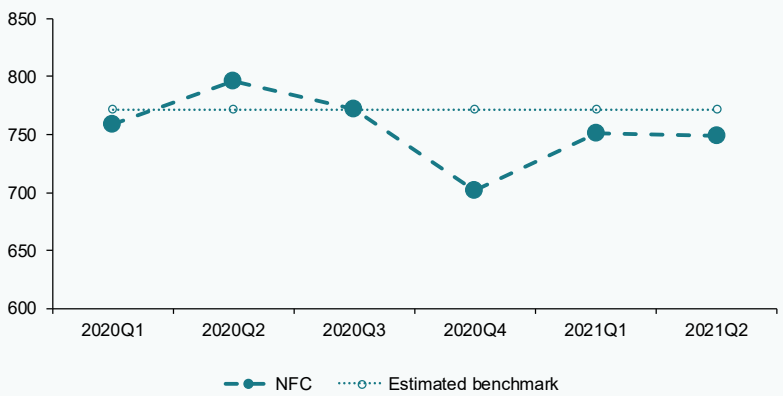
Estimated impact of TLTRO III on NIM

Billions euros

Germany



Spain



France

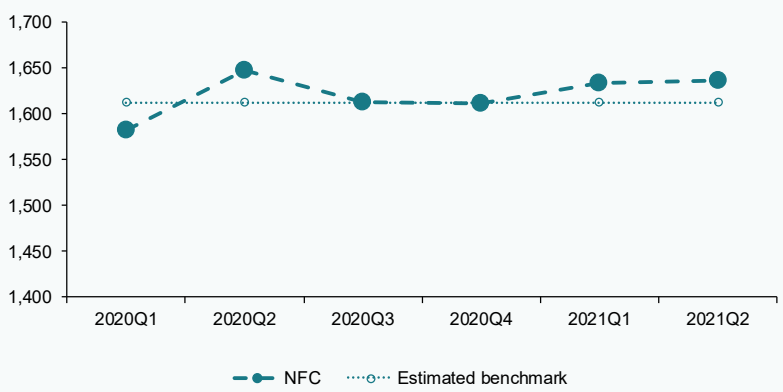
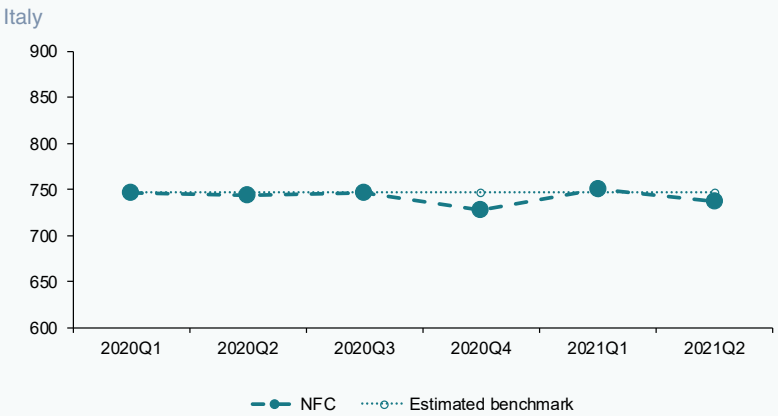


Exhibit 4 **Estimated impact of TLTRO III on NIM**

Billions euros

Continued



Source: ECB.

towards the end of 2021, which would put those systems in compliance with the ECB's financing benchmarks, the pattern does not look as favourable for the Italian or Spanish banks.

In the case of the Spanish banking sector, the overall balance of outstanding credit has been markedly stable throughout the year; however, as shown in Exhibit 4, in the business loan segment, which is particularly important for benchmarking purposes, the outstanding balance is clearly lower than it was at the end of the third quarter of 2020, taken as a proxy for the October 2020 balance, which marks the start of the period for measuring benchmark compliance. Although we do not yet have data for the second half of 2021, which will ultimately determine compliance with the benchmark, the trend observed in the first six months of the year calls into question whether the sector, on aggregate, will comply on the basis of the adverse trend in loans to SMEs and large enterprises and in the consumer loan segment, which also forms part of the benchmark portfolio.

As a result of the foregoing, the pronounced volatility in the Spanish banks' net interest margin in 2021 may well intensify in 2022 to the extent that the entities are not able to meet the terms stipulated under the framework of the TLTRO III facility to be entitled to accrue a cost of -1% on the total amount drawn. All this takes place in a market environment in which the net interest margin remains under pressure due to high volumes of household and corporate deposits and the attendant drag in funding costs, while any recovery in interest income depends largely on a rate hike scenario not anticipated in the near-term. On the other hand, lending activity looks set to pick up pace in 2022, fuelled by the expected economic recovery and the multiplier effect of execution of the NGEU funds.

Note

[1] Approximation of the impact for an average sector player. It should be noted that analysis of compliance with the benchmark will occur at the entity level and not at the aggregate sector level.

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Zombie firms: An analysis of business sector vulnerability post-COVID-19

Many companies that were not viable before the pandemic have survived thanks to financing and policy measures aimed at keeping money and credit flowing during the crisis. As support measures come to an end, these "zombie firms", now exposed to increased borrowing costs on the back of upcoming rate hikes, may pose a risk to the global economy and financial sector.

Fernando Rojas, Francisco del Olmo and Diego Aires

Abstract: The COVID-19 pandemic is wreaking financial and economic havoc on many sectors. The businesses operating in the sectors squeezed most by the crisis, such as those related to the provision of services, particularly tourism, hospitality, leisure, retail, passenger transportation and professional services, have been hit particularly hard. The measures rolled out to mitigate the adverse effects of the pandemic have helped keep money flowing to the real economy, mainly in the form of credit, containing unemployment and staving off the demise of a significant number of businesses. That aid brings its own risks, however. Namely, that a considerable number of companies that were in precarious positions before COVID-19 may have used the pandemic support measures to survive, and lax financing conditions may be masking business models that are, in reality, not viable from an economic perspective. The survival or failure of such companies, known as "zombie firms", has implications for the outlook of the global economy and the financial sector.

> Although not a new phenomenon, zombie firms are receiving closer scrutiny due to the monetary and fiscal policy measures aimed at helping businesses navigate the COVID-19 crisis.

In the case of Spain, such firms currently account for around 2.0% of the total. In line with the estimated European average, this share is high enough to raise the risk of loan non-performance in the Spanish banking sector. As well, over 62% of Spain's zombie firms are small or microenterprises, which are more vulnerable to today's economic and financial frictions. Thus, risks could increase should a new variant trigger fresh lockdowns and business restrictions necessary to contain transmission.

Introduction

2020 was marked by the pandemic induced by the SARS-CoV-2 virus, which triggered the so-called COVID-19 crisis. As has often been noted, the impact of that crisis, sparked mainly by the lockdowns and mobility restrictions introduced in an attempt to stem faster transmission of the virus, has been felt in multiple sectors and areas of the economy, most keenly in those related to retail and services, especially tourism-related services.

The economic disruption to the world's main economies has no precedent in peacetime and has hit countries most reliant on tourism, including Spain, Portugal and Italy, particularly hard. Although the economic recovery is proving vigorous, thanks in part to the progress made in vaccinating the population, vulnerabilities linger as a result of new variants (which have prompted new restrictions in some countries), as well as the fallout from the ensuing global supply chain friction, materials scarcity and a spike in energy product prices, which are pushing inflation to levels not seen for decades and fuelling intense debate about central bank strategy.

However, beyond the risks that could still jeopardise the recovery and, ultimately, challenging outlook for growth, such as the aforementioned spike in inflation, possible monetary policy tightening and financial asset price correction (Bank of Spain, 2021), in this article we analyse another consequence: burgeoning corporate zombification. The amount of zombie firms has been rising since the onset of the crisis as a result of the partial discontinuation of the aid initially provided in the form of monetary and fiscal measures, which, while welcome and necessary for countering the effects of the crisis (in their absence, the picture would be much worse), have fostered or could foster growth in their numbers.

Zombie firms are not a new phenomenon. The topic has been addressed by various analysts since the Great Financial Crisis of 2008 when unconventional monetary policy measures were put in place by the main central banks around the world. The papers published by the OECD in 2017 (Andrews, McGowan and Millot, 2017; McGowan, Andrews and Millot, 2017a, 2017b) stand out. Those articles analyse the trend in the percentage of zombie firms in Europe, the driving forces and the consequences for an economy's productivity. Elsewhere, the body of papers on the subject emphasises the relationship between zombie firms and the financial sector, signalling that the former are more likely to fund themselves with loans from banks that present certain weaknesses in terms of solvency and profitability (Andrews and Petroulakis, 2019).

The number of papers addressing the topic has increased since the beginning of the ongoing crisis, and look primarily at the measures designed to keep credit flowing to enterprises, particularly smaller ones. Those measures have covered the companies' short-term liquidity requirements, enabling many of them to survive the current climate.

> "According to the ECB, the share of zombie firms in Europe currently stands at 2% on aggregate, reaching nearly 7% in some countries."

However, some, regardless of the pandemic, operate under business models that are not sustainable in ordinary conditions.

What is a zombie firm?

Before getting into the analysis, it is necessary to put the notion of zombie firms into context. There are two main definitions:

- The European Central Bank's *Financial Stability Review* of May 2021 (ECB, 2021) devoted a section to analysing past and current trends in zombie firms. That document defines a zombie firm as one that is not viable in ordinary business conditions and survives thanks to highly accommodative financial conditions. More specifically, it defines zombie firms as those that meet all the following three criteria over at least two consecutive years:
  - Negative returns on assets (identifying unprofitable firms);
  - EBITDA over financial debt of below 5% (capturing indebted firms); and,
  - Negative net investment (to avoid capturing young firms).
- The above-mentioned OECD-backed studies define a zombie firm as one that has been operating for at least 10 years without covering its interest payments from earnings for more than three years in a row.

Although the ECB definition might appear more sophisticated, they both underscore the same idea – a company is a zombie firm if it has been around for some time, does not make money and is highly leveraged. In this paper we use both definitions: (i) firstly, to analyse the trend in zombie firms in Europe to provide context; and, (ii) to run simulations for the Spanish economy.

Trends in zombie firms in Europe

Based on the first definition, the ECB has estimated the trend in zombie firms between 2004 and 2019 in terms of assets and jobs, as illustrated in Exhibit 1. The peak, before the prevailing crisis, was reached in 2013, when zombie firms accounted for more than 2% of all assets and employees, although there are studies, such as by Acharya *et al.* (2020) which find that in 12 European countries, zombie firms had increased to nearly 7% by 2016. That percentage is likely to have dropped a little in recent years, but is probably close to the eurozone aggregate of 2%.

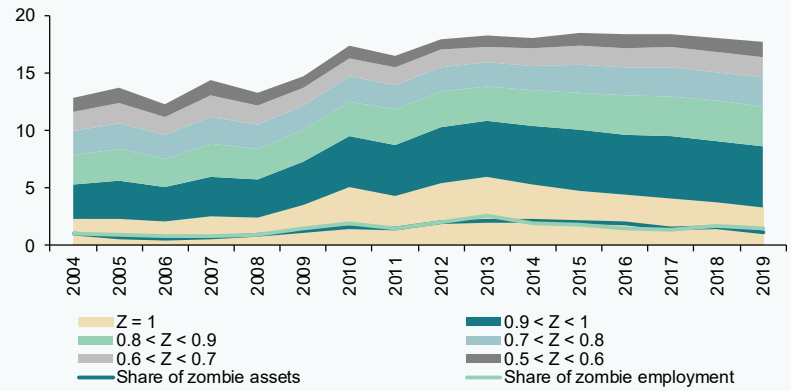
In addition, the ECB's empirical study concludes, as expected, that zombie firms are less productive, started out as smaller firms and are more leveraged. In turn, as shown in Exhibit 2, those same characteristics make zombie firms more likely to default on their debt and/or embark on debt restructuring or refinancing processes. Moreover, the higher credit risk associated with zombie firms translates into higher rates on the loans they receive, as illustrated in Exhibit 3.

Those numbers reflect the fact that small– and medium-sized enterprises (SMEs) are more exposed to imbalances, but also that they have received more aid to prop them up. It is worth highlighting, based on the 2018 figures, that SMEs account for 99.8% of total European Union firms by number (99.9% in Spain's case), contributing 57% of value added and representing over 66% of employment (62.2% and 72.4% in Spain, respectively) (Analistas Financieros Internacionales, 2019).

The ECB states that although the numerous measures taken, particularly on the credit

Exhibit 1

Percentage of zombie firms in the eurozone



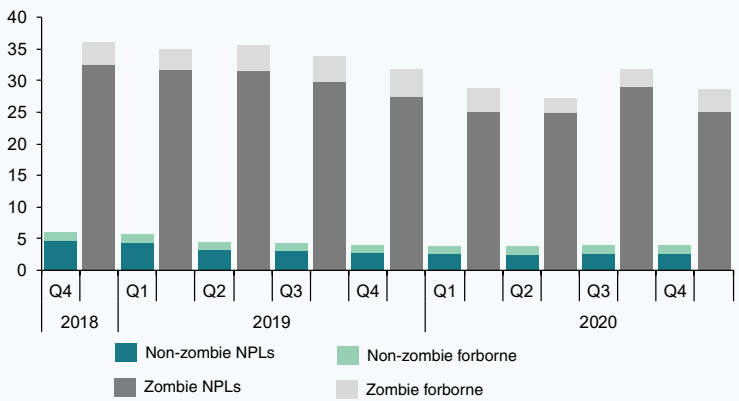
Note: Z is the zombie score and ranges from 0 (a fully viable firm) to 1 (a "crisp" zombie).
Source: Authors' own elaboration based on the ECB's Financial Stability Review (2021).

front in the form of guaranteed loan and moratorium schemes, have helped reduce the mortality of the firms eligible to receive such aid and artificially sustained certain companies whose economic viability was already in jeopardy prior to the pandemic (European Central Bank, 2021). In our view, this was coupled with lax monetary policy that has only gotten laxer since the onset of the pandemic.

Exhibit 2

NPLs and forborne loans for zombie and non-zombie firms

Percentage

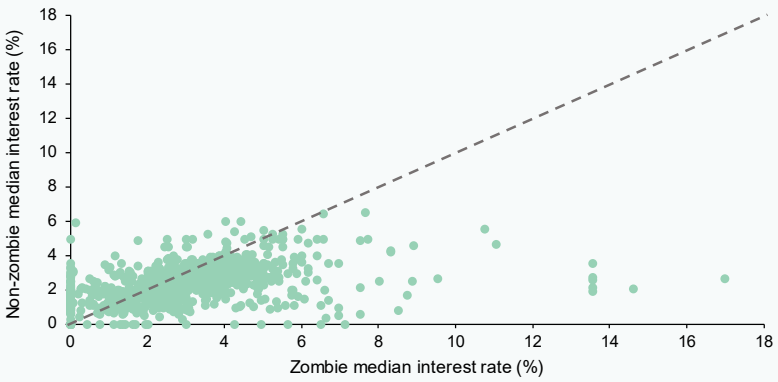


Source: Authors' own elaboration based on the ECB's Financial Stability Review *(2021).*

Exhibit 3

Country-sector median interest rates on loans extended to zombie and non-zombie firms

Percentage



Source: Authors' own elaboration based on the ECB's Financial Stability Review *(2021).*

That phenomenon, which will fuel growth in the number of zombie firms in the years to come, is primarily attributable, in the words of the ECB itself, to lax eligibility criteria that potentially failed to prevent zombie firms from becoming eligible for public support.

Framed by that approach, it is necessary to drill down further into the numbers to identify the percentage of firms that can be categorised as zombie firms that could drive up banks' credit risks and, ultimately, non-performing loans.

Spain: Scenario analysis ahead of a potential shift in monetary policy

Having analysed zombie firm vulnerabilities and contributing factors, along with the main insights gleaned from recent academic literature on the subject, we next perform a scenario analysis to simulate, for a sample of Spanish zombie firms, what would happen to an average profit and loss statement (P&L) in the Spanish business sector.

Note that the global economy is currently at an extremely complex juncture and shrouded by uncertainty. First, the COVID-19 pandemic continues to rage on and new variants are threatening to interrupt the economic recovery. Second, the supply shocks reverberating across the global economy are driving prices higher, pushing inflation to levels not seen in decades and shaping the expectation that the central banks will start to gradually roll back their unconventional measures, sparking a debate about rate hikes.

Therefore, businesses are currently in an extremely difficult predicament, facing rising

> "Businesses are in a bind, facing rising prices, supply chain issues, pandemic-induced business restrictions, as well as a potential rate hike, in what is tantamount to an earnings stress test."

input prices, which, coupled with global supply chain friction and business restrictions designed to thwart virus transmission, are tantamount to an earnings stress test. The expectation that rates may be hiked, with the attendant implications for firms' debt servicing, could nudge vulnerable firms towards business failure from which there is no going back.

The Spanish economy is by no means immune to this situation. In fact, some of the sectors most vulnerable to the measures rolled out to mitigate the pandemic are very prevalent in the country's business landscape.

The Bank of Spain's most recent *Financial Stability Report* (Bank of Spain, 2021) pinpoints the risks and vulnerabilities facing the Spanish economy and its financial system. Among those vulnerabilities, the monetary authority highlights what it terms "the weak financial position of certain segments of households and firms" (Bank of Spain, 2021). Specifically, it points out the fact that "the recovery remains incomplete in the hardest-hit sectors (*e.g.*, hospitality, transport and car manufacturing), which have recorded the largest increases in bank debt, and also non-performing loans" (Bank of Spain, 2021). Moreover, those same sectors account for the highest percentage of "latent" or unrealised bank loan impairment whose probability of materialisation is nevertheless high.

To categorise zombie firms in Spain, we rely on the OECD definition (Andrews, McGowan and Millot, 2017); McGowan, Andrews and Millot, 2017a, 2017b): firms aged ≥10 years and with an interest coverage ratio of <1 over three consecutive years. Although we are dealing with a highly complex concept for which there is no set definition in the prevailing body of literature, we rely on that definition because it is one of the most widely used (refer to the works of Osório, Bento and Xarepe (2017); Hallak, Harasztosi and Schich (2018); Banerjee and Hofmann (2018); Andrews and Petroulakis (2019); Grieder and Ortega (2020); El Ghoula, Fu and Guedhami (2020); Cella (2020); Banerjee and Hofmann (2020); and Carreira, Teixeira and Nieto-Carrillo (2021), among others). Note, importantly, that by establishing a 10-year threshold, the analysis distinguishes between zombie firms and more recently created companies, while the three-consecutive-year coverage ratio hurdle avoids bias caused by cyclical swings.

Framed by that definition, we drew from a sample of 17,979 legally incorporated Spanish firms taken from the SABI database, out of a total of around 975,000 (*i.e.*, around 2.0% of the total, in line with the ECB's estimate for Europe). This database compiles financial information pertaining to the enterprises that file their annual financial statements with Spain's Companies Register. We then cleaned up the sample distribution to remove outliers by filtering out the 5% of companies with the highest and lowest average borrowing costs.

Table 1 provides the initial sample gleaned from the SABI database, the cohort obtained using the zombie firm definition applied and the final sample after outliers were filtered out.

Meanwhile, Table 2 provides the sample breakdown by company size, business sector and region, and their average borrowing costs.

Table 1 **Analytical sample**

Active firms in business for over 10 years	975,396	100%
Active firms in business for over 10 years classified as zombies	19,977	2.0%
Final sample, after filtering out outliers	17,979	1.8%

Source: Authors' own elaboration using SABI data.

> “In its latest *Financial Stability Report*, the Bank of Spain warned of the vulnerability of the sectors hardest hit by the COVID-19 crisis.”

Table 2

Sample characteristics (2020)

Percentage

	Sample	Average borrowing cost
By size		
Large	32	1.92
Medium	6	2.11
Small	18	2.09
Micro	44	2.14
By sector		
Retail services	18	2.18
Other services	51	1.99
Construction	15	1.87
Manufacturing	13	2.32
Primary sector	3	1.87
By region		
Madrid	22	1.96
Catalonia	15	2.13
Valencia	10	2.11
Andalusia	10	1.92
Galicia	9	2.19
Basque Country	6	2.02
Castile and Leon	5	2.03
Castile-La Mancha	4	1.67
Aragon	4	2.13
Canary Islands	3	2.18
Asturias	3	2.42
Balearic Islands	2	2.03
Murcia	2	1.98
Navarre	2	1.80
Extremadura	2	2.10
La Rioja	1	1.99
Cantabria	1	2.36
Ceuta	0	1.48
Melilla	0	1.80

Source: Authors' own elaboration using SABI data.

Table 2 yields very interesting conclusions about the zombie firm paradigm in Spain. First, 62% of the zombie firms are small or microenterprises, indicating the significant vulnerability of companies that normally encounter greater difficulties in accessing financing (Maudos, 2014). This is also evident in their average borrowing costs.

> “62% of vulnerable firms are small or microenterprises, with large corporations accounting for the remaining third of zombie firms.”

Nevertheless, it is worth noting that the percentage of large enterprises in that same situation is by no means insignificant, accounting for a third of the sample, which is evidence of the impact of the pandemic crisis on certain sectors. Unless they redefine their general and financial strategies, those companies could pose a problem in employment terms.

Sector-wise, 51% of the zombie firms are involved in service sectors not related to retail, clearly reflecting the impact of the COVID-19 crisis and the mitigating measures rolled out in 2020.

Lastly, from a regional perspective, Madrid and Catalonia account for the highest shares of zombie firms, followed by Valencia, Andalusia and Galicia.

It is also worth highlighting that 29% of the companies in the sample display negative equity and, very significantly, 90% are loss-making at the EBIT level, clearly illustrating the extreme vulnerability of these companies from a strategic perspective, regardless of their financial structures.

Having analysed the overall zombie company paradigm in Spain, we decided to perform a sensitivity analysis. We simulated an increase in average borrowing costs, in line with the rate hikes being discounted by the market, of 50, 75 and 100 basis points, to analyse the impact on Spanish zombie firms' P&Ls. Finally, we simulated an average P&L statement for our cohort of firms.

Table 3, which synthesises the simulations, yields certain compelling conclusions. First, the firms in the sample present negative EBIT on average, which means they cannot even cover their current borrowing costs, despite having sizeable volumes of finance income shaped by the need to generate a financial return in a zero-rate environment.

On average, the earnings for the firms analysed would be undermined by monetary policy moves to increase interest rates. Specifically, all other things being equal, a 50 basis point increase in interest rates would drive 11% growth in losses for the year, a rate that would rise to 17% and 22% in the case of 75 and 100 basis point increases, respectively.

Table 3 **Sensitivity analysis – higher borrowing costs (total sample)**

	2020	Borrowing cost: +50bp	Borrowing cost: +75bp	Borrowing cost: +100bp
Operating profit/(loss)	**-477**	**-477**	**-477**	**-477**
+ Finance income	294	294	294	294
- Finance costs	-208	-251	-273	-295
Net finance income	**86**	43	21	0
Profit/(loss) before tax	**-391**	-434	-456	-477
Tax	0	0	0	0
Profit/(loss) for the year	**-391**	**-434**	**-456**	**-477**

Source: Authors' own elaboration using SABI data.

Table 4 **Sensitivity analysis - higher borrowing costs for zombie firms that are profitable at the EBIT level**

	2020	Borrowing cost: +50bp	Borrowing cost: +75bp	Borrowing cost: +100bp
Operating profit/(loss)	**170**	**170**	**170**	**170**
+ Finance income	286	286	286	286
- Finance costs	-461	-541	-582	-622
Net finance income	**-175**	**-255**	**-295**	**-335**
Profit/(loss) before tax	**-5**	**-85**	**-125**	**-165**
Tax	0	0	0	0
Profit/(loss) for the year	**-5**	**-85**	**-125**	**-165**

Source: Authors' own elaboration using SABI data.

Given the gravity of the situation for 90% of the cohort analysed, *i.e.* firms that are loss-making, we then removed those firms and ran the simulation again for the cohort of firms that reported a profit in 2020. The results of that exercise, provided in Table 4, are similarly interesting. The first thing to note is that, despite being profitable, these firms' borrowing costs are higher than for the Spanish zombie firms, on average. That means that despite being profitable at the EBIT level, they are ultimately loss-making in terms of their bottom lines. Those losses would increase sharply in the event of an increase in borrowing costs as a result of a shift in monetary policy. All other things being equal, a 50 basis point increase in interest rates would increase losses for the year by 80 million euros, a figure that would rise to 120 and 160 million euros in the case of 75 and 100 basis point increases, respectively.

These findings have implications not only for the companies themselves, but also for the banks that finance their business activities. A worsening of this cohort's plight would probably increase the banks' non-performance, as these zombie firms would not only be unable to service their interest, they would probably be unable to make their principal payments. A simulation that looks only at the firms profitable at the EBIT level, and therefore in theory less likely to default, assuming an average debt repayment time frame of five years, suggests that their interest and principal coverage ratio would fall from 4.65% to 4.55% in the event of a 50 basis point increase in their borrowing costs. If their borrowing costs were to increase by 75 or 100 basis points, that coverage ratio would decline to 4.50% and 4.45%, respectively, highlighting the credit risk to which the banks are exposed.

Conclusions

The current business climate is highly uncertain. The measures taken by the various institutions to counter the adverse effects of the lockdowns and business restrictions are nearing an end. Meanwhile, supply chain bottlenecks are undermining global trade and fuelling inflation. Inflation, originating mainly in rising energy prices and the inability to cater to burgeoning post-pandemic demand as savings get released, has put a shift in the expectations for prevailing ultra-lax monetary policy on the horizon. The market is currently discounting a rate hike as soon as 2022.

Against that backdrop, many zombie firms, most of which stem from the previous financial crisis and have received support that is now about to end, are exposed to an increase in borrowing costs on the back of a rate hike, and, by extension, deeper losses. In Spain, such firms currently account for around 2.0% of the total, in line with the estimated European

average, a share sufficient to pose a higher risk of loan non-performance in the Spanish banking sector, the key source of financing for these vulnerable firms.

Over 62% of Spain's zombie firms are small or microenterprises, which are more vulnerable to the economic and financial friction we are experiencing. Thus, risks could increase in the event of new virus variants that trigger fresh lockdowns and business restrictions to contain transmission.

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Tapping into know-how and innovation through corporate venturing

To thrive in an era of rapid technological change, companies have two main options – to innovate from within or to grow externally, through partnerships with innovators. One of the more novel options for external growth is corporate venturing, which blends the financing and expertise from experienced corporates with the fresh ideas and business approaches of start-ups.

Ignacio Astorqui, Isabel Gaya and Íñigo Morón

Abstract: Intense competition in developed markets has pushed companies to innovate and add value to their offerings. They need to focus their efforts on bringing something new to market, improving their productive processes, enhancing their services and honing their management style. In this environment, corporate venturing provides a tool that ticks all those boxes for investors, while also fostering business initiative. Corporate venturing entails investment by established companies in high-tech or otherwise ground-breaking start-ups. However, it is more than just financing. Corporate venturing provided by enterprises constitutes a formula for innovation articulated around financial and strategic criteria. The two principles converge around the search for returns in the context of new technologies, business models, talent and sources of innovation. In short, corporate venturing does not simply seek returns driven by multiple expansion or M&A-driven returns, as may be the case with private equity or venture capital funds; it also strives to acquire knowledge and know-how and foster collaboration. It is, in sum, a new

way of tapping innovation. From the standpoint of entrepreneurs, this formula offers clear-cut advantages in terms of access to the business ecosystem, the corporates' management experience and contacts, while giving them the ability to scale up their projects, share know-how and tap into growth opportunities. In Spain, the number of start-up investment rounds reached 385 in 2021, which is 78 transactions more than closed in 2020 with a record level of funds raised totalling €4.21 billion. Going forward, the outlook appears bright for this form of corporate cooperation and development.

Introduction

We are going through a period of unprecedented technological transition, replete with changes as convulsive as the digitalisation of our surroundings, blockchain, machine learning and artificial intelligence (AI), to name a few. Some of these technologies have been accelerated by the onset of COVID-19 pandemic, and technology is advancing in all sectors of the economy, requiring markets everywhere to relentlessly pursue innovation. In such an environment, a wide variety of opportunities inevitably emerges. The landscape for entrepreneurs and investors alike is fast-changing and dynamic and requires specific skillsets, including flexibility and the ability to adapt.

In such an environment, companies are being forced to seek out new strategies in order to meet these demands and remain competitive. Moreover, increased social awareness, and the resulting requirements arising from this trend, is adding another virtue to corporate venturing as it is a model that supports business creation and fosters ground-breaking initiatives. These and other questions are pushing established companies to scrutinise the entire spectrum of growth opportunities, and embrace new ways of innovating that can boost returns and respond to the prevailing circumstances.

Two paths to growth: Internal and external development

In response to this complex situation and the need to implement innovative processes, companies face two main paths to growth: internal and external development.

Internal development involves tapping innovation through a company's internal research and development (R&D) capabilities, retaining full control over all projects. However, the fact that legacy companies tend to operate with more static or established structures can make it harder for them to tackle disruptive, paradigmatic change. R&D-led innovation requires the exclusive use of in-house resources and dedicated teams. Both the funds and teams tied up in the R&D effort belong to the company, free from any outside interference.

External development, on the other hand, can be approached in three main ways:

- *Incubators*. These are platforms created within a company with the goal of spawning new enterprises with innovative ideas (*i.e.*, seed companies) by providing training, advice, access to finance and a network of contacts. Media exposure enhances their positioning without generally, but not always, taking in capital. Incubators are not external arms of the corporate venturers, but rather internal platforms set up by the companies themselves in order to maintain close contact with the entities participating in a given project. The start-ups being incubated are given access to the logistics networks, technology and know-how of the incubator firm, which in turn benefits from the innovation that is developed.

- *Mergers and acquisitions (M&A)*. Here, the idea is to acquire a stable and long-lasting equity interest in an innovative company. If a company purchases a majority stake, it will gain significant control and play an active role in the target's corporate governance, along with the ability to influence its strategic decisions. The M&A route also offers the ability to incorporate proven businesses and skills faster than would otherwise be possible, which is an advantage in terms of the time needed to create internal propositions from scratch. However, an M&A investment requires more exhaustive analysis of the universe of

potential investments, as this route lends itself to a smaller number of transactions than corporate venturing. This, in turn, involves higher levels of risk.

- *Corporate venture capital (CVC).* As previously defined, corporate venturing constitutes a firm's investment arm, with a focus on start-ups willing to cede part of their capital in exchange for financing. However, the crux of this form of investing is not just the financing extended or raised via the equity investment, but also purposely includes the synergies that can arise from collaboration between the two parties.

Corporate venture capital: A new way to tap innovation

Operationally, corporate venture investments can be structured in different ways:

- Through *ad hoc* investments in start-ups in the form of direct equity investments (usually, but not exclusively, minority interests). These are sporadic investments that do not have a genuine corporate venturing programme articulated around pre-defined investment criteria behind them.

- The use of a specific fund set up specifically for corporate venturing purposes. Equity interests and control arrangements vary under this formula. This method is characterised by the fact that a company's investments are made systematically and articulated around a programme for investing in start-ups. Note that when we talk about the creation of a special-purpose vehicle for corporate venturing, the entity incorporated is usually independent, other than in ownership terms, from the investing firm, *i.e.,* it has its own organisational and reporting structure similar to that of a mutual fund, and a specific investment policy (committed capital, investment timeframes and amounts, target sectors and markets, *etc.*)

- Investments in third-party venture capital funds specialised in start-ups with high growth potential. Firms tend to select funds with a similar sector focus to their own.

In the first two instances, known as direct corporate venturing, common advantages include ulterior financial and strategic returns, access to disruptive technology and products that are hard to generate internally, direct access to the company's everyday business management and internal information, *ad hoc* involvement in decision-making and the scope for taking on co-investors to bring in additional capital and/or strategic support – higher in the case of the Special Purpose Vehicle (SPV) route. Among the possible disadvantages, the most obvious are the lack of diversification (albeit higher relative to the M&A route) and the need to devote higher volumes of resources to generate returns. Indeed, it is customary to set up specific teams to spearhead the corporate venturing effort.

As for investing in third-party private equity funds, the scope for portfolio diversification and for value and Internal Rate of Return (IRR) maximisation is higher than via the first two alternatives. Transactions tend to be faster paced and more systematised, but this is at the cost of closer corporate/investor contact with investees, while management is focused exclusively around the generation of financial returns. This is because the manager has a single mandate –to maximise returns– which somewhat undermines one of the prime virtues

“As for investing in third-party private equity funds, the scope for portfolio diversification and for value and IRR maximisation is higher than via the first two alternatives, but this is at the cost of closer corporate/investor contact with investees.”

> “The benefits of corporate investing that transcend the financial sphere are vital in the early phases of a company’s development and are perhaps even more important than the capital the investor injects.”

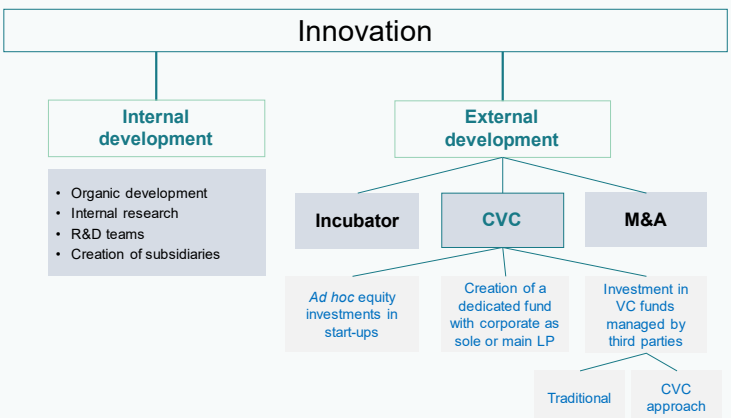
of corporate venturing: access to innovation. Nevertheless, the investor can, depending on the transparency and access to the management team, get detailed information about the investees and take advantage of that knowledge from a strategic standpoint. In addition, the fund may offer its own investors preferential co-investment rights.

The rest of this paper focuses on the first two corporate venturing options: *ad hoc* investments in start-ups and the creation of special purpose funds to invest in start-ups, which are the purest manifestations of corporate venturing.

As already noted, those strategies do not pursue purely financial ends, but rather seek strategic gains, such as up-close exposure to new technologies and business models and ways to capture talent and/or innovation capabilities. They offer access to new and highly innovative products, services and techniques that may end up being incorporated into the investor entity’s business model. They also tend to have a positive impact on the corporate’s brand image by shining the spotlight on its engagement with new (sector-related) business and value creation.

For entrepreneurs, corporate venturing provides, first and foremost, funds to finance their development. However, here too, the benefits transcend the financial sphere. The investor firms support their progress by contributing to their business development, opening business opportunities, sharing their experience and know-how, implementing marketing strategies, professionalising their management and lending brand association. All this is vital during the initial phases of a company’s development and is perhaps even more important than the capital the investor injects.

Exhibit 1 **Types of business innovation**



Source: Afi.

Collaboration and synergies between corporates and start-ups

The dual investment-innovation dynamic intrinsic to corporate venturing can unlock strategic synergies. The synergies in the fields of innovation and know-how are of particular interest.

From the corporate investor's standpoint, beyond a possible financial return, potential benefits include:

- *Identification of new trends and business lines that can help it stay ahead of their customers' needs*. Direct contact with start-ups brings the corporates a fresh perspective, providing them with visibility into new market trends and how to satisfy their customers' needs.

- *Access to technology and disruptive business models*. Businesses with established cultures and track records tend to get stuck in their ways, but engagement with newer companies can shake up this stagnation. Also, incorporating the technology acquired through corporate venturing in their productive processes opens access to innovation that sometimes cannot be attained by simply investing in R&D.

- *Access to talent and the start-up ecosystem*. Contrary to appearances, the external talent of the start-up is not meant to replace or undermine the investor's in-house talent; rather, to stimulate competition between the two teams and foster a joint approach to the challenges at hand.

- *New forms of business management*. The manner in which start-ups and corporates approach the culture of a business tends to differ, and corporate venturing provides the opportunity to meld these outlooks to enrich cooperation between the two firms. Just as the investing corporate contributes experience and know-how to the management of the investee, a matter we will discuss further on, the latter can bring a fresher and more creative decision-making approach.

- *Possible integration in the business group*. In the event that the synergies between the two parties end up being significant and they come to view their collaboration as long-lasting, the possibility of integrating the start-up into the business group becomes worth assessing. Such a development not only implies a clear-cut more advantageous than R&D investing in financial terms, it also represents the successful culmination of a joint collaboration and growth process.

Secondly, the advantages for the start-up include the following:

- *Experience*. The habits and capabilities established by the corporate over its business trajectory (which are sometimes very long) are immediately transferred in the form of information, know-how and support for the start-up, providing valuable assistance for its business activity.

- *Professionalisation of the management team*. Just as the start-up can shake up the way processes are managed, the investing entity typically has a solid management style and track record to offer that the investee can avail themselves of as they see fit.

- *Use of corporate resources*. Corporate assets, specifically teams, resources and financial wherewithal, can also be used by the start-up. Some of the formalities and costs the start-up faces can be overwhelming and the corporate venturer can lend financial support.

- *Assistance tapping new markets*. Beyond the specific use that may be given to the funds raised during the financing round, which often include growth in new markets, the business activities of the investing corporate often offer opportunities for diversification in different sectors and even geographies, and the association between the two firms provides a reputational gain for the start-up.

- *Access to customers*. Investees gain access to a new network of contacts once they begin to collaborate with the investor.

Exhibit 2 **What is corporate venture capital (CVC)?**

Source: Afi.

Corporate venture capital around the world: Origins and current situation

Although it is difficult to pinpoint the exact origins of this approach to innovation, there are examples of CVC dating to the early twentieth century, such as the acquisition of a start-up at the time, General Motors, by DuPont. One hundred years on, corporate venturing continues to register vigorous growth.

In fact, corporate venturing is currently at its most buoyant, garnering a lot of media attention. According to JCR (2020), the number of publications about CVC increased by 18% between 2015 and 2019 and was mentioned in the media over three times more frequently and has been covered at prestigious conferences such as the Mobile World Congress.

CB Insights (2020) reports that, despite the global impact of the COVID-19 pandemic, the volume of corporate venture investments increased by 23% year-on-year in 2020 to $73 billion worldwide. That momentum remains ongoing, with corporate venture investments hitting a new record in 2021 (CB Insights, 2021). In the first half of 2021 alone, CVC transactions amounted to $79 billion, representing approximately 2,100 deals.

In Spain, according to data published by *El Referente* (2021), the number of start-up investment rounds reached 385 in 2021 (real data as of December), which is 78 transactions more than closed in 2020. As for the volume invested in Spain, 2021 was also a record year, with funds raised totalling €4.21 billion. To put that figure in context, the volume of investments raised in 2021 alone was higher than the volume accumulated during the three previous years, which just topped the €3 billion mark.

> “Despite the impact of the pandemic, the volume of corporate venture investments hit a new record in 2021 at $79 billion, representing approximately 2,100 deals.”

> “In Spain, the number of start-up investment rounds reached a record 385 in 2021, 78 transactions more than closed in 2020, with funds raised totalling €4.21 billion – higher than the volume accumulated during the three previous years.”

Underpinning these metrics is exponential growth in the number of investment arms created by all sorts of companies.

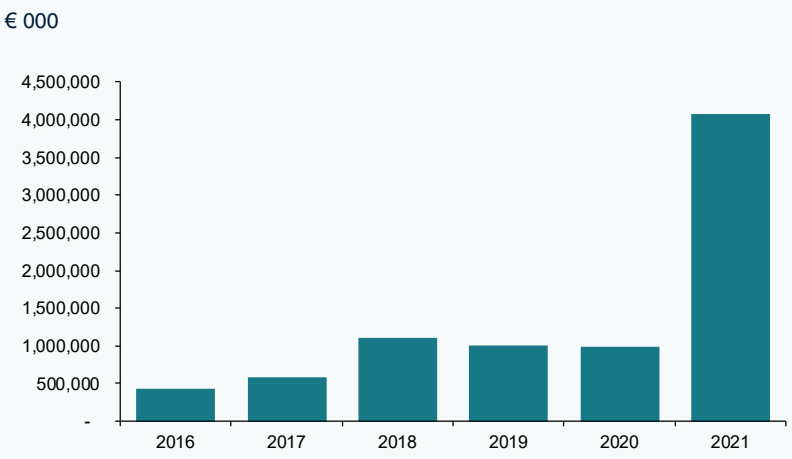
Some of the highest profile examples on the international stage include Intel, Microsoft and Google. In the early 1990s, Intel set up its corporate venturing division called Intel Capital (formerly CBD), which is currently one of the most sophisticated in the market. In total, Intel's corporate investment arm has created four investment funds with a particular focus on technology start-ups (telecommunications and software infrastructure). The number of investments made over the life of the division totals nearly 1,900, with exits totalling 570, and valued at over $150 billion.

Technology giant Google created Google Ventures in 2009 to invest in sectors such as e-commerce, health and life sciences, software, cybersecurity, developer operations, data analysis, AI, robotics and quantum computing. Today, it has invested in over 300 companies with more than $8 billion under management, having overseen 48 exits via IPOs and completed more than 180 M&A transactions.

Back in 2016, Microsoft set up a fund to invest in early-stage enterprise software companies known as M12 (formerly Microsoft Ventures). The vehicle invests in start-ups with a focus on business applications, cloud infrastructure, cybersecurity and identity, data analysis and AI, developer tools and healthcare and life sciences, to name a few. Since its creation,

Exhibit 3

Volume of investments in start-ups in Spain, 2016–2021



Source: Afi, based on El Referente *data.*

> The Spanish market has seen its fair share of corporate venturing, with several large and medium-sized enterprises investing significantly in a variety of sectors, including the automotive, energy, retail, tourism, financial and tech industries, as well as the circular economy.

Microsoft's CVC arm has invested in over 100 start-ups, notably including Aqua, WorkSpan, 1910 Genetics and Acerta.

Here in Europe, Siemens' CVC programme stands out. The German tech company set up its dedicated division, Next47, in 2016, focusing on start-ups devoted to AI and decentralised electrification. Next47 boasts €1 billion of funding and currently has over 35 start-ups in its portfolio.

The Spanish market has also seen its fair share of corporate venturing, with several large and medium-sized enterprises putting significant amounts into their various vehicles across a variety of sectors including the automotive, energy, retail, tourism, financial and tech industries, as well as the circular economy.

In the financial sector, both Santander and BBVA are active in CVC. The former launched its first investment arm, Santander InnoVentures, in July 2014, endowing it with €100 million. It was replaced by a new fund in 2020, Mouro Capital (€400 million), with a mission to invest above all in fintech start-ups. BBVA, meanwhile, in addition to its annual innovation programme for entrepreneurs, Open Talent, finances fintech start-ups via the North American private equity manager, Propel Venture Partners. The Spanish bank has also entered the Chinese innovation market, specifically the AI segment, after investing $50 million in Sinovation Fund IV (Sinovation Ventures). This was an example of a corporate investment in a private equity fund managed by third parties, the third avenue of external development.

As for the universe of non-financial corporates, the efforts of Iberdrola and Telefónica stand out. Since 2008, the former has been focusing, through its investment arm, Perseo, on financing projects that seek to make the energy model sustainable, with a total budget of €125 million. The latter has been managing a genuine CVC ecosystem since 2016 via Telefónica Open Future, which focuses on early-stage start-ups – Telefónica Innovation Ventures, which invests directly in technology start-ups and indirectly via the main private equity funds in which TIV is in turn an investor; and Telefónica Tech Ventures, which focuses on start-ups in the cybersecurity field.

A newer example of corporate venturing in the industrial arena is Enagas whose dedicated *Emprende* division searches for new business models aligned with its diversification strategy and its goal of adopting disruptive technology early on. Enagas' effort is subdivided into two programmes: Open Innovation Projects,

> Medium-sized enterprises stand to benefit, in particular, from corporate venturing thanks to the greater savings compared to in-house R&D investments and greater efficiency in terms of tapping technology and innovation.

which seeks innovation in collaboration with technology centres, universities, suppliers and public institutions; and Ventures, through which the energy company invests directly in start-ups, with a current portfolio of 14 investees and another eight under incubation.

While we have only provided examples of large multinational corporates, an increasing number of medium-sized companies are also rolling out corporate venture programmes, with the aim of building a position in niches of interest to their sectors or in adjacent industries of importance to their future strategies. Medium-sized enterprises stand to benefit, in particular, from corporate venturing thanks to the greater savings compared to in-house R&D investments and greater efficiency in terms of tapping technology and innovation.

Conclusions

Intense competition prevailing across developed markets has pushed companies to innovate and add value to their offerings. They need to focus their efforts on bringing something new to market, improving their productive processes, enhancing their services and honing their management style. In this environment, corporate venturing provides a tool that ticks all those boxes for investors while also fostering business initiative.

Corporate venturing is clearly a win-win for corporates and start-ups alike. It is a model that gives corporates access to innovation and technology, both of which are destined to be cornerstones of their business activities for years to come. From the standpoint of entrepreneurs, this formula offers clearcut advantages in terms of access to the business ecosystem, the corporates' management experience and contact networks, while giving them the ability to scale up their projects, share know-how and tap into growth opportunities.

The corporate venturing mechanism appears to be a clear formula for satisfying investors' innovation requirements. Going forward, the outlook seems bright for this form of corporate cooperation and development, not only to bring businesses closer to cutting-edge technology, but also to tap into alternative talent and management approaches whereby companies with markedly different experience and maturity collaborate to promote enterprise and business creation.

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Recent key developments in the area of Spanish financial regulation

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

Royal Decree-law 24/2021, transposing the EU directives on covered bonds and cross-border distribution of collective investment undertakings, among others (published in the *Official State Journal* on November 3rd, 2021)

I. Transposition of Directive (EU) 2019/2162 on covered bonds

This new piece of legislation regulates the issue and supervision of covered bonds, establishing their structural features, publication requirements and investor protection mechanisms. It takes effect on July 8th, 2022.

It will apply to covered bonds issued by credit institutions operating in Spain (including the country's official credit institute, ICO) and covered bonds issued outside of Spain by Spanish credit institutions.

In broad brushstrokes, the law addresses the following aspects:

- It defines the categories of covered bonds and regulates the use of the "European Covered Bond" and "European Covered Bond (Premium)" labels. It outlines the characteristics specific to each category of covered bond, indicating the cover assets eligible for each and their requirements.

- Dual recourse: covered bonds grant their holders a claim against the issuer and the possibility that the issuer may claim payment after its maturity.

- Cover pool: all covered bond programmes must have attached a cover pool to secure the obligations assumed by the issuer vis-à-vis the holders of such instruments and hedging derivative counterparties. Covered bond liabilities must be covered at all times by the credit claims attached to the cover assets.

  With respect to the cover pool for mortgage-backed bonds, the loans secured by mortgages may not exceed 60% of the appraisal value of the mortgaged asset, or 80% if the latter is a residential property. Issuers may temporarily hold loans in the cover pool whose loan-to-value is higher than is legally stipulated with the sole aim of lending a degree of stability to the cover pool. The repayment period for covered bonds that finance the acquisition, construction or refurbishments of a regular abode may not exceed 30 years.

- Special register: issuers must keep an up-to-date register of all of the loans and credit drawdowns, if any, the substitution assets, the assets for the cover pool liquidity buffer requirement and the derivative instruments comprising each of their cover pools, as well as any collateral received in connection with positions in derivative instruments and any credit claim deriving from damage insurance.

- Overcollateralisation: the covered bonds cover pool must have a minimum threshold of overcollateralisation of total assets. The new Royal Decree-law refers to the Capital Requirements Regulation (CRR) to note that such minimum threshold for covered bonds secured by mortgages, regional bonds and trade finance is 5%. However, that level of overcollateralisation may be higher when so set down in the contractual terms and conditions of the issue or listing prospectus, if any.

- Cover pool liquidity buffer: this buffer must be made up of high-quality liquid assets

to cover the net liquidity outflow of the covered bond programme over the next 180 days. There are procedures addressing the situation in which liquidity requirements set out in other Union legal acts result in an overlap with the cover pool liquidity buffer.

- Asset valuation: the legislation establishes the rules for valuing the assets included in the cover pool and the general principles for appraising physical collateral assets.

- The quarterly disclosure requirements issuers must provide with respect to their covered bond programmes.

- The general principles of the legal regime governing appraisal firms, including how they operate and how they are supervised.

- Sale and trading of covered bonds: the securities representing covered bonds may be sold by any means permitted by law, without the need for public notarisation or notification of the cover asset debtor. Moreover, they may be admitted for trading on regulated markets and multilateral trading facilities (MTFs).

- Cover pool monitor (external or internal): the issuer must appoint a cover pool monitor, which may be an external or internal body, for each programme, to look out for investors' rights. A monitor's mission is to perform ongoing oversight of the cover pool with regard to the requirements set out. Pool monitors must be authorised by the Bank of Spain.

- The Bank of Spain is tasked with supervising compliance with the contents of this new legislation for each covered bond programme.

- Issuer insolvency or resolution: here it is worth highlighting the potential appointment of a special administrator to ensure that the rights and interests of the covered bond investors are represented; the physical segregation and transfer of cover assets in the event of insolvency; cover asset valuation; the materialisation of segregated assets and payment to the covered bond holders and other segregated asset creditors; and the effects of resolution decisions. It also ranks the claims associated with covered bonds senior to the debtor's assets, including both their movable and immovable property.

- Penalty regime: classification of the breaches and applicable penalties in relation to covered bonds and the asset appraisal business.

With respect to previously issued covered bonds, note that the legal regime contemplated in this Royal Decree-law is due to apply to covered bonds issued after July 8th, 2022. Issuers will therefore be able to avail of the time elapsing between publication of the new legislation and its entry into force to make the changes and adaptations needed to facilitate compliance, particularly with respect to formation of cover pools and the corresponding asset registers. Lastly, the legislation establishes the procedure to be followed by credit institutions to allocate cover assets to the securities issued prior to July 8th, 2022, in order to ensure the neutrality and quality of the assets transferred to the cover pool.

II. Transposition of Directive (EU) 2019/1160 with regard to cross-border distribution of collective investment undertakings

This piece of legislation amends Spanish Law 35/2003 on collective investment undertakings and Law 22/2014 on private equity firms, closed-end collective investment undertakings and the companies that manage closed-end collective investment undertakings. It took effect the day after its publication.

The main measures introduced:

- It regulates pre-marketing in the EU by collective investment undertakings, other than those regulated by the UCITS Directive, managed by management companies authorised in Spain.

- It introduces modifications to the marketing in Spain of funds of collective investment undertakings authorised in another EU Member State and of funds of Spanish collective investment undertakings in the EU.

- It itemises the conditions for notifying the discontinuation of marketing by Spanish collective investment undertakings in the EU and by alternative investment funds managed by management companies authorised in Spain.

- It establishes the services on offer to retail investors under the scope of marketing in the EU of alternative investment funds managed by management companies authorised in Spain.

- It introduces reporting requirements for the CNMV with respect to information to be provided to the competent authorities of the Member State hosting the management company.

- Lastly, it regulates pre-marketing in Spain and the rest of the EU by private equity firms and closed-end collective investment undertakings managed by management companies authorised in Spain, addressing communication activities, investor contacts and the conditions for discontinuing marketing, in the same manner as it regulates those activities for collective investment undertakings.

Royal Decree-law 29/2021 enacting urgent measures in the energy field to foster electric mobility, self-consumption and the deployment of renewable energies (published in the *Official State Journal* on December 22nd, 2021)

Royal Decree-law 29/2021 amends Royal Decree-law 24/2021 in order to introduce technical improvements to guarantee the adequate entry into effect and application of the new covered bond regulation.

On the one hand, it clarifies that the submission of the covered bond issue prospectus or the base prospectus in the case of a covered bond programme is required in the event the issue is subject to such requirements under the European prospectus rules.

Elsewhere, it specifies that instruments issued before publication of Royal Decree-law 24/2021 will continue to be governed by the Mortgage Market Act and its implementing regulations until July 8th, 2022. Such issues and any carried out between publication of the above Royal Decree-law and July 8th, 2022, must be fully adapted for the new regime by that date.

Lastly, it clarifies which provisions will be repealed as of July 8th, 2022.

Royal Decree 970/2021, amending Royal Decree 1644/1997 regarding the authorisation rules and solvency requirements for counter guarantee societies, Royal Decree 2660/1998 on the exchange of foreign currency in establishments open to the public other than credit institutions and Royal Decree 84/2015, implementing Law 10/2014 on the structuring, supervision and capital adequacy of credit institutions (published in the *Official State Journal* on November 9th, 2021)

This Royal Decree partially transposes both the CRD V (Directive 2019/878) and the Investment Firms Directive (Directive 2019/2034). It took effect the day after its publication, with the exception of certain provisions, which took effect on January 1st, 2022.

It is worth highlighting the following amendments to Royal Decree 84/2015:

- It implements a new regime for the approval of financial holding companies and mixed financial holding companies.

- With respect to cross-border activities, it introduces new reporting requirements in a bid to reinforce supervision, by the Bank of Spain, of the activities of the branches of

credit institutions headquartered outside a European Union Member State.

- In relation to the prudential assessment of proposed acquisitions of significant interests, integrity and professional competence is presumed to exist when the acquirer is a public authority.

- The Bank of Spain or the European Central Bank (ECB) must assess the suitability of senior executives when there are reasonable grounds to suspect that money laundering or terrorist financing is being or has been committed or attempted. In addition, the Bank of Spain must send the information provided by the financial institutions about the gender pay gap to the European Banking Authority (EBA).

- In relation to the good governance of the institution, the legislation provides that membership of a related party need not in itself constitute an obstacle to independent decision-making.

- The regimes governing the subsidiaries of Spanish credit institutions located in offshore financial centres will have to have equivalent risk management and capital self-assessment systems, strategies, procedures and mechanisms unless the legislation in the country where the subsidiary is located so prohibits.

- The legislation introduces new obligations for the management of interest rate risk derived from activities outside of the entities' trading portfolio activity.

- The risks derived from the delegation of the performance of services or duties of credit institutions to a third party have been added explicitly to the policies and procedures in place for evaluating and managing exposure to operational risk.

- The situation in which the shortfall of own funds is smaller than the leverage ratio buffer requirement has been included as an exception to having to take measures to return to compliance with the applicable capital adequacy rules; if this situation arises the entity in question must draw up a capital conservation plan.

- The legislation modifies a number of aspects related with the capital buffers.

- On the supervisory front, the legislation explicitly obliges the Bank of Spain to apply the proportionality principle and gives it the ability to adapt the methodologies used for the supervisory review and evaluation process so as to be able to take into consideration similarities in the entities' risks. It also details when the Bank of Spain as competent authority is determined to be the consolidating supervisor of groups of credit institutions.

- It modifies certain measures regarding collaboration between supervisory authorities and introduces new prudential supervisory measures in relation to additional own funds.

- Lastly, it lays down the conditions for taking joint decisions with respect to the approval and waiving of approval of, and the supervisory measures applicable to, financial holding companies and mixed financial holding companies.

Royal Decree 1041/2021 amending Royal Decree 2606/1996 on credit institutions' deposit guarantee schemes and Royal Decree 1012/2015 implementing Law 11/2015 on the recovery and resolution of credit institutions and investment firms (published in the *Official State Journal* on November 24th, 2021)

This Royal Decree completes transposition of the BRRD II (Directive 2019/879) by amending Royal Decree 2606/1996, specifically introducing changes to the method for calculating and approving extraordinary contributions to the deposit guarantee scheme in order to introduce flexibility and specifying that deposits made by the credit

institutions do not count for scheme coverage purposes. The scheme has been vested with the power to verify the accuracy of the information regarding each depositor's eligible and coverage deposits, as well as that used to determine the basis for calculating their scheme contributions.

It additionally modifies Royal Decree 1012/2015 as follows:

- An independent expert, appointed by the so-called Fund for Orderly Bank Restructuring (FROB) must value the assets and liabilities of the troubled entity not only before ratification of any resolution measure but also when exercising its power to cancel or convert the pertinent equity instruments or eligible liabilities.

- As for resolution plans, the new legislation determines the stressed scenarios that should be used for the purpose of identifying resolution powers and tools. Resolution plans must include an estimate of minimum requirements for own funds and eligible liabilities (MREL) levels and subordination, along with a timeline that includes a deadline for compliance.

- As for the resolvability assessment, it establishes the technical criteria for calculating the maximum distributable amount for the purpose of the restrictions on distributions in the event an entity does not meet its obligations under the combined buffer requirement evaluated in conjunction with the MREL.

- It reinforces collaboration and information-sharing requirements with the resolution authorities and modifies the operating regime and dynamics of the European resolution authorities colleges.

- The legislation adds a new framework for determining the MREL, specifically introducing the technical standards related with determination of the MREL and the subordination requirement. It also regulates the procedure to be followed by the preventive resolution authority to determine the MREL and the powers the supervisor or competent resolution authorities can use in the event of non-compliance.

- The preventive resolution authority may establish a transitional period for compliance with the MREL, with full compliance required by January 1st, 2024, at the latest; any such period must include an intermediate target level to be met by the entities by January 1st, 2022.

Royal Decree 1041/2021 took effect the day after its publication in the *Official State Journal* with the exception of the annual requirement to publish supervisory reporting information and public disclosure of the MREL, which will take effect from January 1st, 2024, unless the resolution authority sets a compliance deadline later than January 1st, 2024, in which case the reporting requirements shall be met as from the date of ultimate compliance.

Bank of Spain Circular 4/2021 on confidential statement templates in the areas of market conduct, transparency and customer protection and on the registration of claims (published in the *Official State Journal* on December 1st, 2021)

The purpose of this Circular is to establish the contents and publication frequency of the confidential statement templates in the areas of market conduct, transparency and customer protection that certain financial institutions, including the banks, have to send the Bank of Spain. The first set of confidentiality statements related to conduct to be sent to the Bank of Spain are those corresponding to the second half of 2022.

The Circular also determines the minimum information contents the Bank of Spain must have access to in relation to customer claims. The entities have until December 31st, 2022, to complete their claims registers, which must include all claims received with a presentation date later than June 30th, 2022.

Bank of Spain Circular 5/2021 amending Circular 2/2016 on supervision and solvency, completing transposition into Spanish law of Directive 2013/36/UE and Regulation (EU) No. 575/2013 (published in the *Official State Journal* on December 23rd, 2021)

The purpose of this Circular is to regulate the establishment of countercyclical capital buffers for one or several sectors, exposure limits with respect to certain sectors and the possibility of establishing limits and conditions on the granting of loans and other transactions by entities in transactions entered into with the private sector in Spain. The Circular took effect 20 days after its publication.

With respect to the countercyclical capital buffer for certain specific sectors, it is worth highlighting the following:

- The credit institutions must maintain a countercyclical capital buffer comprising common equity tier 1 (CET1) capital calculated specifically for each entity or group, which will be determined with respect to all of the entity's or group's exposures or their exposures to a specific sector.

- To determine the percentage applicable to the balance of exposures to risk in one or more sectors, the Bank of Spain will evaluate and monitor on an ongoing basis the quantitative significance of the various sectors for the credit institutions or their categories of credit risk exposure, as well as a series of indicators for each sector or category.

- The countercyclical buffer will range between 0% and 5%, calibrated in steps of 0.25 percentage points. The Bank of Spain is allowed to establish a percentage higher than 5%.

- When the Bank of Spain decides to establish a percentage countercyclical buffer for exposure to risk in one or more sectors at the same time or it decides to increase that buffer, the date on which the buffer becomes enforceable is six months after the date of the announcement. The buffer will apply until the Bank of Spain deems that the systemic risk has dissipated.

- The Circular requires the entities to report to the Bank of Spain quarterly on their exposures to the corresponding sectors in the territory in question.

As for the sector-specific limits on exposure concentration, the Bank of Spain will evaluate the entities' confidential financial information periodically to determine whether to establish a concentration limit with respect to a specific sector of the economy. Such limits will be expressed as a percentage of CET1 and will apply for a period of two years at most.

Lastly, when the Bank of Spain concludes that the policies and criteria used by the banks could have an adverse impact on the intensity of the financial system's systemic risk, it may introduce additional macroprudential tools related with the imposition of limits and conditions for the granting of loans and other transactions, whether or not secured by a mortgage.

The limits and conditions the Bank of Spain may impose with respect to the financial characteristics of transactions include the following: limiting their terms of maturity and grace periods and setting minimum principal repayment requirements.

CNMV Circular 1/2022 on the advertising of cryptoassets presented as an investment opportunity (published in the *Official State Journal* on January 17th, 2022)

The purpose of the Circular is to implement the rules, principles and criteria governing the advertisement of cryptoassets, delimit their scope of application and itemise the regulator's supervisory and control powers in this area.

The Circular will apply to providers of services over cryptoassets (to the extent they engage in their advertising), the providers of advertising services and any other natural or legal person

that advertises cryptoassets at their own initiative or on behalf of third parties.

Advertising of cryptoassets that are marketed as an investment similarly falls under the scope of the Circular. It is presumed that a cryptoasset is being offered or marketed as a potential investment when a message promotes its purchase or makes any reference to current or future returns, prices or valuation that could suggest an opportunity to invest in that asset, even if it may ultimately be used as a means of exchange.

Advertising activities targeting investors in Spain do not have to be previously notified to the CNMV except for mass media advertising campaigns and when the regulator deems fit on account of the impact they could have on their target audience. The parties bound by the legislation must keep a register containing information and documentation pertaining to the advertising campaigns underway or carried out over the past two years. The CNMV is entitled to notify the bound parties of any deviations detected in their advertising activities and require them to discontinue the campaign or correct the message.

Resolution dated November 30th, 2021 prolonging and expanding the state guarantees for loans and amending the Code of Good Practices (published in the *Official State Journal* on December 1st, 2021)

In line with the decision to expand and prolong the EU's State Aid Temporary Framework until June 30th, 2022, Spain's Council of Ministers agreed to extend the deadline for applying for state guarantees for loans until June 1st, 2022, and to adjust the benchmark limits in line with the new ceilings for limited amounts of aid contemplated in the Temporary Framework (from 1,800,000 to 2,300,000 euros).

It also extends the deadlines for applying for the various measures encompassed by the Code of Good Practices and similarly modifies the benchmark limits in line with the new ceilings established in the European Temporary Framework.

The financial institutions that have endorsed the Code of Good Practices as of the date of the Resolution will have one month to notify the General Secretary for the Treasury and International Financing of their intention not to adhere to these modifications, thus continuing to be governed by the original version published on May 13th, 2021.

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Spanish economic forecasts panel: January 2022*

Funcas Economic Trends and Statistics Department

2021 GDP growth estimated at 4.9%

The analysts' consensus GDP forecast for 2021 is 4.9%, up 0.1pp from the last survey, shaped by the upward revision to the official third-quarter growth figure, from 2% to 2.6%, more than offsetting the cut to their fourth-quarter estimates, from 2.1% to 1.9% (Table 2), as a result of the surge in inflation and the emergence of the Omicron variant. Note, however, that leading indicators point to a sharp rebound in the fourth quarter.

National demand is expected to contribute 4.7 percentage points to the forecast GDP growth, unchanged from the last set of forecasts. The expected 0.2pp contribution by external demand, meanwhile, is up 0.1pp from the November survey.

The growth forecast for 2022 stands at 5.6%, down 0.1pp from the last report

The consensus forecast for GDP in 2022 is for growth of 5.6%, down 0.1pp since the last survey. As for the quarterly trend, the analysts are forecasting growth of around 1% every quarter, except for the third quarter, when growth is expected to be higher (Table 2).

In drawing up their forecasts, most of the analysts assumed that energy and commodity prices will remain at current levels until the spring, and then start to trend lower. Elsewhere, the assumption made by most of the analysts is that Spain will execute around 25 billion euros of the NGEU funds in 2022.

Growth in 2022 is expected to be driven by domestic demand, with a forecast contribution of 4.9 percentage points, down 0.2pp from November. Growth in investment is expected to pick up, driven by investment in construction, which should more than offset the anticipated slowdown in investment in machinery and capital goods. As for consumption, public spending is expected to slow, whereas household spending should keep pace. Foreign trade is expected to contribute 0.7 percentage points to growth, up 0.1pp from the last set of forecasts.

Significant upward revision to CPI forecasts

After headline inflation reached 5.4% in October, fuelled by the price of energy products and price recovery in certain services to pre-pandemic levels, inflation has only continued to rise, reaching 6.5% year-on-year in December. Such high rates suggest that the increase in production costs is getting passed on to end consumer prices.

The consensus forecast for average inflation in 2022 has increased by 1.1 points since the last report, to 3.5%, with the year-on-year rate trending lower to 1.3% by December (Table 3). The consensus forecast for core inflation, meanwhile, has been raised by 0.6pp from November to an average rate of 2%, which would be 1.2 points above the 2021 average.

The unemployment rate should continue to trend lower

According to the Social Security contributor numbers, although job creation slowed in the fourth quarter by comparison with the third, it remained dynamic. In 2021, average contributors increased by 476,000, or 2.5%. The number of people on furlough and self-employed professionals on benefit support continued to trend lower, ending the year at around 250,000.

The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULC). Productivity is thought to have decreased by 1.3% in 2021 (0.8pp more than was expected in November) and is expected to increase by 1.6% in 2022. Expectations are that ULCs increased by 1% in 2021 and will increase by 0.1% in 2022, having risen sharply in 2020. In the prevailing circumstances, however, these variables should be read with caution.

The average annual unemployment rate is estimated at 15.1% for 2021, falling to 14.2% in 2022, down

0.1 and 0.2 percentage points, respectively, from November estimates.

The trade surplus continues to widen

The current account surplus stood at 8.72 billion euros to October, compared to 5.32 billion euros in the same period of 2020. That improvement is attributable to a 33% increase in the trade surplus, more than offsetting the downturn in the investment income deficit.

The consensus forecast is for a surplus equivalent to 1% of GDP in 2021 (unchanged) and of 1.3% in 2022, up 0.1pp from November.

The 2021 public deficit is expected to come in below the government's forecast

The fiscal deficit, excluding local authorities, amounted to 47.54 billion euros in the first 10 months of 2021, compared to 81.16 billion euros in the same period of 2020. That improvement has been shaped significantly by the extraordinarily positive trend in tax revenue, which is running almost 30 billion euros higher than in the same period of 2020 and some 10.5 billion euros higher than even the 2019 figure. By the same token, social security contributions are up 5.7 billion euros year-on-year and are tracking 6.8 billion euros above 2019 levels.

The analysts are forecasting a deficit of 7.4% of GDP in 2021, down 0.5pp from the last set of forecasts. That is lower than the official government forecast, of 8.4%. In 2022, the consensus forecast is for a deficit of 5.4% of GDP, in this instance higher than the official forecast (5%).

The international environment is perceived to be deteriorating, especially outside the EU

The global economy continues to reel from the supply chain disruptions prevailing since the start of the recovery. Although certain bottlenecks have eased thanks to higher supply (*e.g.,* shipping and metals), the difficulties persist in other products (*e.g.,* technology parts and oil and gas extraction). Moreover, a number of countries tightened their restrictions in an attempt to curb the spread of Omicron, generating fresh supply delays. All of the above, coupled with labour shortages in some countries, especially Anglo-Saxon economies, is sending production costs, particularly energy costs, into an upward spiral.

The main activity indicators have worsened since the last survey. In the US, the PMI reading fell back sharply in January to just 50.7 points. The eurozone reading also declined, but to a lesser extent, and, at 52.4, it is still relatively high. The Chinese economy would also appear to be slowing.

In its winter outlook, the IMF has cut its global growth forecast for 2022 to 4.4% (0.5pp less than in the autumn forecasts). In the case of the eurozone, growth was cut by 0.4pp to 3.9%. As for inflation, the Washington experts have revised their projections sharply higher, to 3.9% across the universe of advanced economies (up 1.6 points from the forecasts available at the time of the last survey) and to 5.9% in the rest of the world (up 1 point).

Reflecting these trends, analysts that view the international context as unfavourable now clearly outnumber those that believe the opposite. Indeed, pessimistic assessments outweigh the optimists by six in the non-EU context and two in the EU. Nevertheless, the outlook for the coming months is relatively optimistic. Thirteen analysts think the context in the EU will improve (compared to 10 in November) and eight think the same will happen outside the EU (down one from November). Only one analyst thinks things will get worse in the EU and two think that will happen outside the EU.

Central bank decoupling amidst rising inflation

The return of inflation, coupled with the recovery of pre-pandemic output levels in many countries, has shifted the context for monetary policy. Central banks now are faced with the dilemma of curbing inflationary pressures without harming the recovery or triggering financial stress. Since November, that dilemma has triggered a reduction in the bond repurchase programmes rolled out at the onset of the pandemic, preparing the way for future rate hikes. The Fed is expected to tighten rapidly, while the ECB is taking a more gradual approach, reflecting the differences in economic momentum and inflation between the two regions.

Meanwhile, markets have begun to price in the shift in monetary policy. The yield on 10-year Spanish government bonds has widened to 0.65%, from 0.5% in November (the spread over German bonds is largely unchanged). 12-month EURIBOR has barely budged, however, reflecting how gradually the ECB is expected to move on rates, with the deposit facility rate expected to remain anchored at -0.5% for the near future.

Against that backdrop, the analysts believe that market rates will continue to climb higher throughout the projection period. The yield on 10Y public bonds is expected to increase to 0.83% by year-end 2022 (up from a forecast 0.79% as per the November survey).

Euro depreciation

In light of the shift in direction of US monetary policy and the prospect of sharper and sooner rate hikes than in the eurozone, the dollar has tended to appreciate against the euro since the last survey. Most analysts believe that the current rate of exchange -€/$1.13- will hold relatively steady throughout the projection period (Table 2).

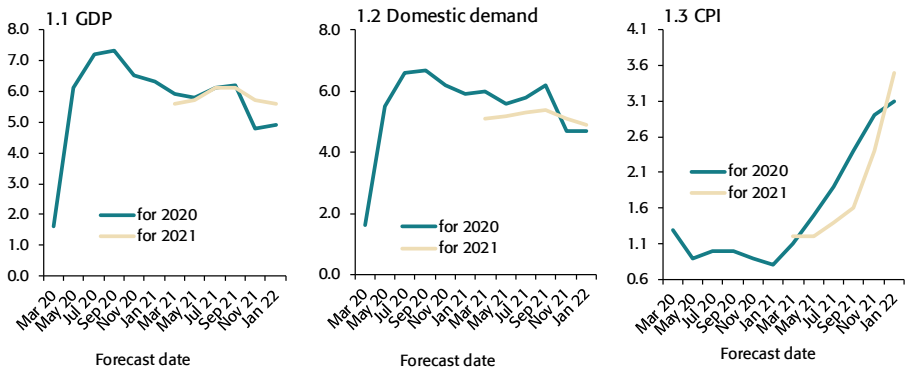
Macroeconomic policy remains clearly expansionary

There has been little change in the analysts' assessment of macroeconomic policy since our last survey. They remain unanimous about the expansionary character of prevailing policies. However, though most of them think that the current orientation is the right one, the number of analysts who think both fiscal and monetary policy should become more neutral has increased slightly (Table 4).

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 20 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 20 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 2022*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – January 2022

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[3]	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	5.0	6.0	6.7	4.9	2.8	2.9	3.4	8.1	6.2	8.5	0.4	8.6	4.9	5.0
Axesor Rating	4.7	5.5	4.1	5.5	3.2	1.5	3.2	4.4	--	--	--	--	--	--
BBVA Research	5.1	5.5	5.7	6.3	3.2	2.1	3.0	11.6	13.1	6.5	-3.1	15.5	4.8	6.3
CaixaBank Research	4.8	5.5	5.5	5.6	3.1	0.9	3.3	6.2	14.1	6.0	-3.0	6.1	5.4	4.6
Cámara de Comercio de España	4.7	5.5	4.8	4.0	3.0	2.3	3.3	9.0	13.0	10.6	-2.8	6.2	4.5	4.7
Cemex	4.8	5.6	5.3	5.9	3.5	2.5	4.0	8.0	12.6	4.8	-0.9	11.2	4.7	5.4
Centro de Estudios Economía de Madrid (CEEM-URJC)	4.9	6.1	4.9	5.9	3.6	2.1	4.0	8.1	12.1	8.3	-1.0	10.3	4.5	5.3
Centro de Predicción Económica (CEPREDE-UAM)	5.2	6.7	4.5	5.0	3.1	1.1	5.3	8.2	17.8	9.2	-1.5	8.8	4.6	5.2
CEOE	4.8	5.0	4.4	5.9	3.1	2.2	3.7	4.5	14.8	8.1	-3.1	2.4	4.3	3.8
Equipo Económico (Ee)	4.7	5.3	4.5	4.6	2.4	2.8	3.2	7.1	4.5	7.5	-0.6	8.2	4.0	4.7
Funcas	5.1	5.6	5.4	4.9	3.4	2.4	3.8	9.4	11.0	11.3	-2.2	9.6	4.9	5.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	5.0	5.9	5.0	6.0	3.1	1.7	4.3	7.4	15.2	9.0	-1.7	7.4	5.0	5.2
Instituto de Estudios Económicos (IEE)	4.6	5.2	4.3	5.3	3.1	2.2	3.3	7.2	13.9	8.0	-3.2	7.1	4.1	4.8
Intermoney	5.2	6.2	5.8	5.5	3.2	2.2	3.9	10.9	15.1	11.2	-2.6	11.1	4.8	5.6
Mapfre Economics	4.9	5.5	5.4	5.8	3.2	2.0	3.2	7.9	--	--	--	--	4.6	5.2
Oxford Economics	4.9	5.5	5.4	5.8	3.2	2.0	3.2	7.9	3.0	5.8	-4.7	4.6	4.6	5.2
Repsol	4.8	5.2	6.1	3.9	3.4	2.6	3.8	4.7	16.0	6.0	-3.0	3.8	4.7	3.6
Santander	4.8	5.8	5.3	4.6	3.1	0.6	3.5	10.4	14.2	13.4	-2.8	7.5	4.6	4.7
Metyis	4.7	5.2	5.5	5.0	3.3	1.8	3.6	8.3	16.3	9.1	-1.8	9.0	4.6	5.0
Universidad Loyola Andalucía	5.1	4.7	6.6	5.4	3.5	2.7	7.4	10.6	15.9	0.2	0.2	-1.0	5.0	4.2
CONSENSUS (AVERAGE)	4.9	5.6	5.3	5.3	3.2	2.0	3.8	8.0	12.7	8.0	-2.1	7.6	4.7	4.9
Maximum	5.2	6.7	6.7	6.3	3.6	2.9	7.4	11.6	17.8	13.4	0.4	15.5	5.4	6.3
Minimum	4.6	4.7	4.1	3.9	2.4	0.6	3.0	4.4	3.0	0.2	-4.7	-1.0	4.0	3.6
Change on 2 months earlier[1]	0.1	-0.1	0.2	0.0	0.0	-0.1	-0.4	-0.1	0.1	-0.9	-0.9	-0.5	0.0	-0.2
- Rise[2]	9	1	11	6	6	4	3	6	5	3	3	6	9	4
- Drop[2]	4	8	4	7	3	6	12	9	7	8	11	6	4	9
Change on 6 months earlier[1]	-1.2	-0.5	-1.3	-0.4	0.3	-0.2	-3.6	-0.6	0.5	-0.2	-6.7	-1.5	-1.1	-0.4
Memorandum items:														
Government (July 2021)	6.5	7.0	7.3	6.9	2.5	1.5	9.0	12.4	16.5	18.3	6.1	10.4	6.5	6.7
Bank of Spain (December 2021)	4.5	5.4	4.3	5.1	3.0	-0.2	3.9	7.8	--	--	--	--	4.2	4.4
EC (November 2021)	4.6	5.5	4.8	5.2	3.3	2.7	3.7	7.4	15.0	8.0	-2.7	7.6	4.2	5.0
IMF (January 2022)	4.9	5.8	--	--	--	--	--	--	--	--	--	--	--	--
OECD (December 2021)	4.5	5.5	4.4	4.5	3.2	2.5	3.8	8.1	--	--	-4.4	1.9	4.3	4.8

[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] Contribution to GDP growth, in percentage points.

Table 1 (Continued)

Economic Forecasts for Spain – January 2022

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.)		Wage earnings[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[6]	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	11.8	10.0	12.2	7.2	3.1	4.3	0.8	1.7	--	--	7.2	2.5	15.2	14.4	0.8	1.1	-7.9	-4.9
Axesor Rating	11.0	14.0	11.6	10.5	3.1	3.8	0.8	2.0	--	--	--	--	15.3	14.9	0.5	1.1	-8.0	-5.0
BBVA Research	12.7	15.1	12.5	18.3	3.1	3.2	0.8	2.1	-0.5	2.6	6.7	4.7	15.0	13.6	1.0	-0.2	-6.8	-4.8
CaixaBank Research	12.0	9.2	12.2	6.6	3.1	4.5	0.8	2.6	-0.5	2.2	6.7	5.2	15.0	13.9	1.1	1.7	-7.7	-5.3
Cámara de Comercio de España	12.6	11.6	10.7	9.7	3.1	2.6	0.8	1.5	--	--	4.8	4.9	15.3	14.4	1.1	1.2	-8.0	-6.3
Cemex	12.0	11.8	12.3	11.8	3.1	4.5	0.8	2.1	--	--	6.5	3.5	--	--	1.0	1.5	-7.5	-5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	12.8	14.5	12.2	12.9	3.1	2.7	0.8	1.9	--	--	4.6	3.0	15.1	14.7	1.1	2.0	-8.7	-5.8
Centro de Predicción Económica (CEPREDE-UAM)	12.6	13.6	11.0	9.2	3.1	3.0	0.8	--	-0.5	1.2	6.8	4.7	15.0	14.0	1.2	1.5	-7.5	-5.2
CEOE	12.9	11.2	11.6	7.9	3.1	2.3	0.8	1.3	-0.3	2.0	5.9	3.5	15.1	14.2	1.2	1.5	-7.8	-6.2
Equipo Económico (Ee)	12.4	10.2	11.1	9.3	3.1	4.2	0.8	2.3	0.8	1.5	4.0	3.1	15.2	14.3	1.0	1.2	-7.6	-5.8
Funcas	11.9	9.6	12.0	8.6	3.1	3.7	0.8	2.1	-0.7	0.7	6.3	3.0	15.0	14.0	0.8	0.9	-6.5	-5.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	12.4	10.9	11.7	8.5	3.1	3.3	0.8	2.0	--	--	6.5	4.2	15.0	13.8	0.9	1.0	-7.0	-4.8
Instituto de Estudios Económicos (IEE)	12.7	10.5	11.4	9.5	3.1	2.2	0.8	1.5	-0.4	1.9	5.8	4.0	15.2	14.4	1.0	1.5	-8.6	-6.2
Intermoney	13.8	13.2	13.4	12.3	3.1	4.0	0.8	2.2	--	--	6.5	4.3	15.2	14.0	0.9	1.4	-7.5	-5.6
Mapfre Economics	12.3	7.5	11.9	6.9	3.1	3.1	0.8	--	--	--	--	--	14.1	14.1	1.0	1.5	-7.2	-5.2
Oxford Economics	12.3	7.5	11.9	6.9	3.1	3.1	0.8	2.1	--	--	--	--	15.0	14.2	1.0	1.5	-7.2	-5.2
Repsol	15.0	14.9	14.5	10.6	3.1	3.7	0.8	2.1	-0.3	1.7	6.8	4.5	15.3	14.4	1.2	1.3	-7.9	-5.5
Santander	12.1	9.0	12.2	5.8	3.1	4.6	0.8	2.4	--	--	--	--	15.0	14.3	--	--	--	--
Metyis	12.7	8.2	11.6	8.1	3.1	3.6	0.8	2.0	--	--	6.5	5.0	15.1	14.5	1.1	1.4	-7.3	-5.5
Universidad Loyola Andalucía	15.8	12.2	15.5	10.0	3.1	3.0	0.8	2.2	--	--	6.8	3.2	14.9	13.1	0.9	0.7	-3.4	-3.4
CONSENSUS (AVERAGE)	12.7	11.2	12.2	9.5	3.1	3.5	0.8	2.0	-0.3	1.7	6.2	4.0	15.1	14.2	1.0	1.3	-7.4	-5.4
Maximum	15.8	15.1	15.5	18.3	3.1	4.6	0.8	2.6	0.8	2.6	7.2	5.2	15.3	14.9	1.2	2.0	-3.4	-3.4
Minimum	11.0	7.5	10.7	5.8	3.1	2.2	0.8	1.3	-0.7	0.7	4.0	2.5	14.1	13.1	0.5	-0.2	-8.7	-6.3
Change on 2 months earlier[1]	0.4	-0.3	0.3	-0.2	0.2	1.1	0.0	0.6	-0.5	-0.1	0.9	0.6	-0.1	-0.2	0.0	0.1	0.5	0.3
- Rise[2]	10	4	10	5	17	14	12	14	0	2	11	8	1	1	3	5	13	10
- Drop[2]	4	9	4	9	0	1	4	0	3	2	1	4	10	10	1	2	1	2
Change on 6 months earlier[1]	0.8	-0.6	1.1	-0.4	1.2	2.1	0.1	0.9	-0.9	0.2	1.5	0.6	-0.6	-0.7	0.1	0.1	0.8	0.3
Memorandum items:																		
Government (July 2021)	10.0	10.3	10.3	10.0	--	--	--	--	--	--	4.0	2.7	15.2	14.1	--	--	-8.4	-5.0
Bank of Spain (December 2021)	11.9	9.1	11.3	6.5	3.0[7]	3.7[7]	0.5[8]	1.8[8]	--	--	7.4[9]	3.8[9]	15.0	14.2	--	--	-7.5	-4.8
EC (November 2021)	12.1	10.4	11.9	9.2	2.8[7]	2.1[7]	--	--	-0.3	2.1	4.5	2.8	15.2	14.3	0.3	0.8	-8.1	-5.2
IMF (January 2022)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (December 2021)	11.7	10.7	11.4	8.5	2.9	3.2	0.4	1.2	3.1	3.2	2.5	2.3	15.0	14.2	0.6	1.0	-8.1	-5.4

[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 (HICP).*

[8] *Harmonized Index excluding energy and food.*

[9] *Hours worked.*

Table 2

Quarterly Forecasts – January 2022

	21-I Q	21-II Q	21-III Q	21-IV Q	22-I Q	22-II Q	22-III Q	22-IV Q
GDP[1]	-0.7	1.2	2.6	1.9	1.0	1.0	1.3	0.9
Euribor 1 yr [2]	-0.49	-0.48	-0.49	-0.50	-0.44	-0.41	-0.37	-0.34
Government bond yield 10 yr [2]	0.31	0.43	0.33	0.40	0.56	0.65	0.74	0.83
ECB main refinancing operations interest rate [2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ECB deposit rates [2]	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.48	-0.48
Dollar / Euro exchange rate [2]	1.19	1.21	1.18	1.13	1.14	1.13	1.14	1.15

Forecasts in yellow.
[1] Qr-on-qr growth rates.
[2] End of period.

Table 3

CPI Forecasts – January 2022

Year-on-year change (%)					
Dec-21	Jan-22	Feb-22	Mar-22	Dec-21	Dec-22
6.5	5.6	5.8	5.8	6.5	1.3

Table 4

Opinions – January 2022

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	3	12	5	13	6	1
International context: Non-EU	3	8	9	8	9	2
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	0	20	0	6	14
Monetary policy assessment[1]	0	0	20	1	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			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
		Chain-linked volumes, annual percentage changes									
2014		1.4	1.7	-0.7	4.1	3.0	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	3.1	5.4	2.6	2.0	1.0
2017		3.0	3.0	1.0	6.8	6.7	6.9	5.5	6.8	3.1	-0.2
2018		2.3	1.7	2.3	6.3	9.5	3.4	1.7	3.9	2.9	-0.6
2019		2.1	1.0	2.0	4.5	7.1	1.9	2.5	1.2	1.6	0.5
2020		-10.8	-12.0	3.3	-9.5	-9.6	-9.5	-20.1	-15.2	-8.6	-2.2
2021		5.1	5.4	3.4	3.8	-2.2	10.3	11.9	12.0	4.9	0.1
2022		5.6	4.9	2.4	9.4	9.6	9.3	9.6	8.6	5.2	0.4
2023		3.5	3.2	0.4	7.1	7.6	6.7	5.2	4.8	3.3	0.2
2020	I	-4.3	-5.0	2.2	-2.9	-1.4	-4.5	-7.1	-5.1	-3.5	-0.9
	II	-21.5	-24.1	2.7	-22.2	-20.3	-24.4	-38.3	-31.6	-18.2	-3.3
	III	-8.7	-8.9	3.6	-7.3	-7.8	-6.8	-19.7	-14.5	-6.4	-2.2
	IV	-8.8	-10.0	4.7	-5.7	-8.8	-2.4	-15.3	-9.5	-6.5	-2.3
2021	I	-4.3	-6.2	3.8	-2.6	-9.7	5.2	-7.3	-3.8	-3.0	-1.2
	II	17.7	23.1	3.7	18.5	9.2	29.3	39.4	38.9	17.3	0.4
	III	3.4	2.7	3.1	-0.6	-6.7	6.0	14.8	12.2	2.5	0.9
	IV	5.6	5.3	2.9	2.5	0.3	4.8	10.0	8.2	4.9	0.7
2022	I	7.0	8.2	2.9	4.6	5.7	3.6	11.4	9.9	6.4	0.6
	II	6.8	4.2	2.5	10.3	10.3	10.3	12.3	7.7	5.2	1.5
	III	5.3	4.4	2.4	12.2	13.0	11.5	7.5	8.0	5.4	-0.1
	IV	3.5	3.2	1.6	10.6	9.3	12.0	7.6	8.7	3.8	-0.3
		Chain-linked volumes, quarter-on-quarter percentage changes									
2020	I	-5.4	-6.2	1.2	-3.0	-2.2	-3.9	-8.3	-5.5	-4.3	-1.1
	II	-17.7	-20.0	0.8	-19.9	-18.4	-21.5	-32.7	-27.6	-15.2	-2.4
	III	16.8	21.0	1.1	20.6	16.5	25.3	30.0	26.5	15.4	1.4
	IV	0.2	-0.8	1.4	0.6	-1.8	3.2	5.6	4.5	-0.1	0.3
2021	I	-0.7	-2.2	0.4	0.1	-3.2	3.6	0.3	0.4	-0.6	0.0
	II	1.2	4.9	0.8	-2.5	-1.4	-3.5	1.3	4.5	2.1	-0.9
	III	2.6	1.0	0.5	1.2	-0.4	2.7	7.1	2.2	1.0	1.6
	IV	2.4	1.6	1.2	3.7	5.5	2.0	1.1	0.8	2.3	0.1
2022	I	0.6	0.5	0.4	2.2	2.0	2.5	1.6	2.0	0.7	-0.1
	II	1.0	1.0	0.4	2.8	3.0	2.7	2.1	2.5	1.1	-0.1
	III	1.3	1.2	0.4	2.9	2.0	3.8	2.5	2.5	1.3	0.0
	IV	0.6	0.5	0.4	2.3	2.0	2.5	1.2	1.5	0.7	-0.1
		Current prices (EUR billions)	Percentage of GDP at current prices								
2014		1,032	59.4	19.6	17.8	8.8	8.9	33.5	30.4	96.9	3.1
2015		1,078	58.5	19.5	18.0	8.7	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	8.6	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	9.0	9.7	35.1	31.5	96.4	3.6
2018		1,203	58.1	18.7	19.4	9.7	9.7	35.2	32.4	97.3	2.7
2019		1,244	57.3	18.8	20.1	10.4	9.7	35.0	32.0	97.1	2.9
2020		1,122	56.0	21.9	20.3	10.6	9.7	30.6	29.1	98.5	1.5
2021		1,197	56.5	21.5	20.2	10.0	10.1	33.7	32.7	99.0	1.0
2022		1,290	56.7	20.8	20.9	10.4	10.4	35.2	34.3	99.1	0.9
2023		1,362	56.5	20.0	21.5	10.9	10.7	35.7	34.4	98.7	1.3

**Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

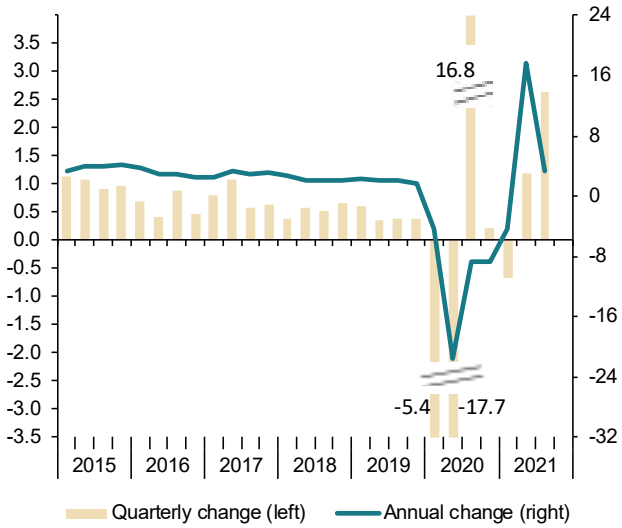


Chart 1.2 - Contribution to GDP annual growth

Percentage points

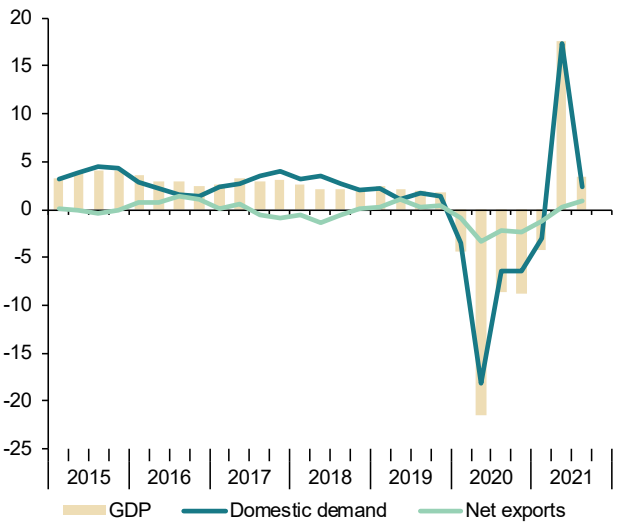


Chart 1.3 - Final consumption

Annual percentage change

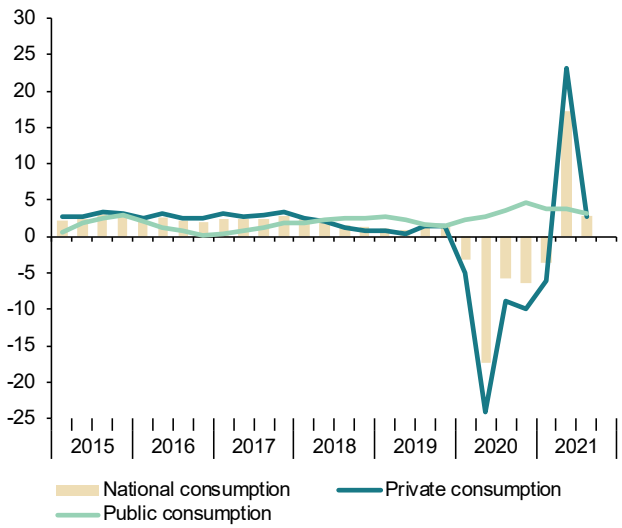


Chart 1.4 - Gross fixed capital formation

Annual percentage change

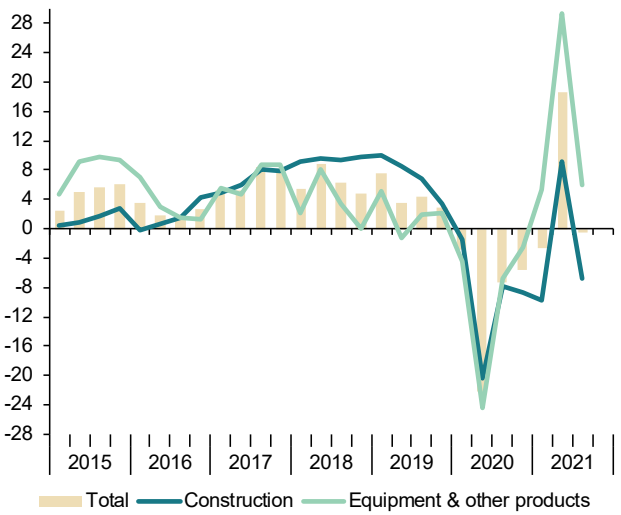


Table 2

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								
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		3.1	-3.7	4.0	5.7	2.0	3.3	2.5	3.5	1.9
2018		2.3	7.5	0.0	-1.1	2.3	2.6	1.7	2.9	2.1
2019		2.2	-2.5	1.4	0.7	5.3	2.3	1.3	2.6	1.1
2020		-10.8	4.3	-10.1	-12.1	-11.3	-11.5	-0.1	-15.1	-11.0
2021 (a)		4.7	-5.9	6.7	8.1	-3.8	5.4	3.9	6.0	6.9
2019	IV	1.9	-5.5	1.4	1.2	3.3	2.2	0.9	2.6	-0.1
2020	I	-4.1	0.2	-5.6	-7.0	-2.9	-4.1	-1.1	-5.0	-6.3
	II	-21.7	6.7	-24.8	-29.2	-25.1	-21.8	-1.2	-28.4	-19.9
	III	-8.7	3.1	-5.8	-6.9	-7.4	-9.8	0.2	-13.0	-8.7
	IV	-8.8	7.3	-4.4	-5.3	-9.6	-10.3	1.8	-14.1	-8.9
2021	I	-4.5	-2.5	0.0	-0.6	-11.0	-5.0	3.7	-7.9	-1.3
	II	17.3	-6.3	23.5	29.1	11.2	17.7	5.0	23.3	21.8
	III	3.5	-8.7	0.1	0.8	-8.5	5.8	3.0	6.9	2.2
		Chain-linked volumes, quarter-on-quarter percentage changes								
2019	IV	0.5	-0.1	-0.6	-0.4	0.3	0.8	0.4	0.9	-0.9
2020	I	-5.4	1.7	-5.9	-7.1	-4.3	-5.6	-1.6	-6.9	-5.5
	II	-18.0	3.7	-19.9	-23.8	-22.1	-18.1	0.3	-24.3	-14.2
	III	17.1	-2.1	25.7	32.0	23.9	15.8	1.2	22.3	13.6
	IV	0.4	4.0	0.9	1.4	-2.2	0.3	1.9	-0.3	-1.1
2021	I	-1.0	-7.6	-1.5	-2.5	-5.7	-0.1	0.2	-0.3	2.4
	II	0.7	-0.3	-1.2	-1.1	-2.7	1.5	1.6	1.4	5.9
	III	3.4	-4.7	2.0	3.1	2.0	4.1	-0.8	6.0	-4.7
		Current prices EUR billions)	Percentage of value added at basic prices							
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	12.5	5.9	74.8	18.1	56.7	10.3
2018		1,089	3.0	16.0	12.2	5.9	75.0	18.1	56.9	10.5
2019		1,128	2.9	16.0	12.1	6.3	74.9	18.1	56.8	10.3
2020		1,024	3.4	16.1	12.1	6.2	74.2	20.5	53.7	9.6

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

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

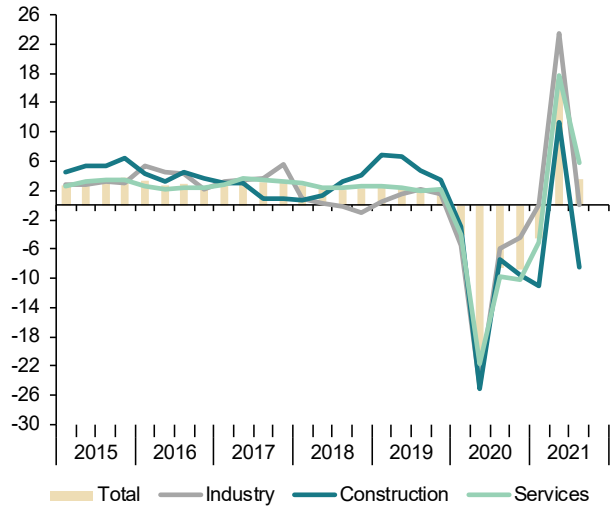


Chart 2.2 - GVA, Industry

Annual percentage change

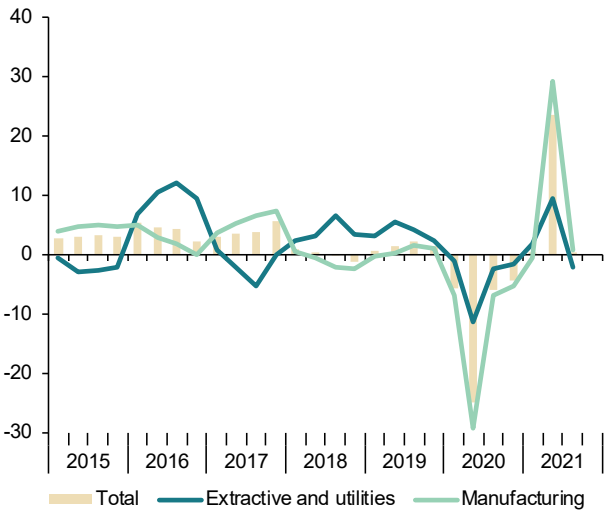


Chart 2.3 - GVA, services

Annual percentage change

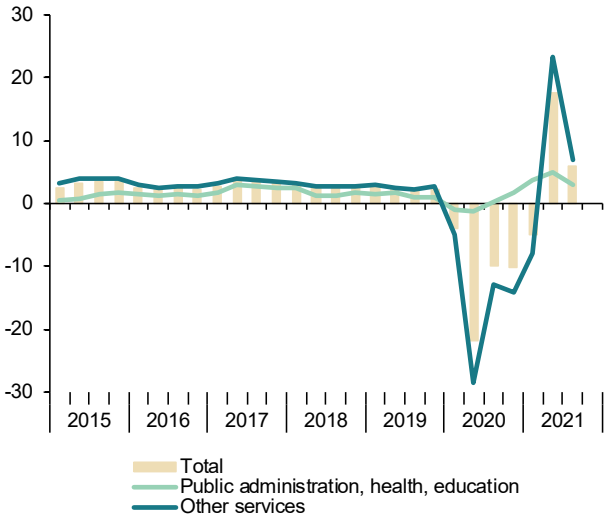


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

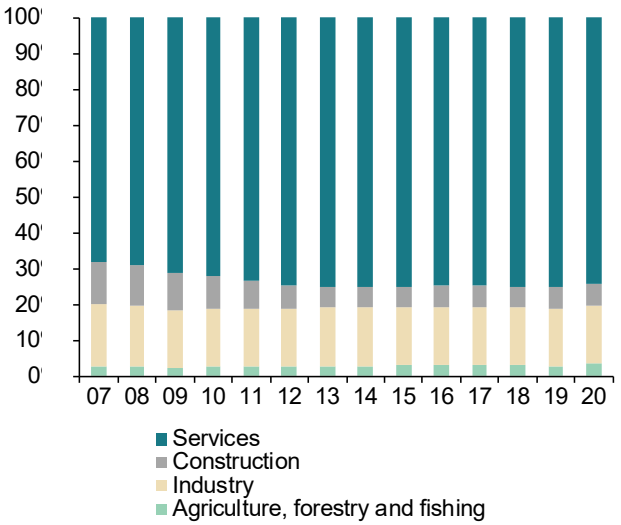


Table 3

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, 2015 = 100, SWDA											
2014		96.3	96.9	99.4	99.4	100.1	100.6	95.6	97.7	97.9	100.7	102.9	102.6
2015		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2016		103.0	102.8	100.2	99.4	99.2	98.8	102.3	103.5	98.9	100.1	101.2	100.4
2017		106.1	105.8	100.3	100.1	99.8	98.1	108.1	106.6	101.4	101.5	100.1	100.1
2018		108.5	108.1	100.4	101.9	101.5	98.6	106.9	108.7	98.3	102.7	104.5	102.4
2019		110.8	110.9	99.9	104.5	104.6	100.4	107.6	110.0	97.8	104.3	106.6	102.5
2020		98.8	102.5	96.4	105.8	109.8	104.2	94.6	101.5	93.2	101.8	109.2	101.6
2021		103.8	109.0	95.2	105.1	110.3	103.1	--	--	--	--	--	--
2022		109.6	112.4	97.6	105.8	108.4	99.3	--	--	--	--	--	--
2023		113.5	114.2	99.3	107.4	108.1	96.9	--	--	--	--	--	--
2019	IV	111.4	111.7	99.7	105.0	105.3	100.3	107.5	109.6	98.1	104.6	106.7	100.5
2020	I	105.4	109.6	96.2	104.5	108.6	104.0	99.9	109.5	91.3	104.8	114.8	111.4
	II	86.8	90.0	96.5	107.9	111.8	106.4	76.1	92.3	82.4	100.4	121.8	111.1
	III	101.4	104.7	96.8	105.7	109.1	103.1	100.5	101.0	99.5	100.7	101.2	94.4
	IV	101.6	105.9	96.0	105.5	109.9	103.6	101.9	103.2	98.7	101.0	102.2	92.9
2021	I	100.9	107.0	94.3	106.0	112.4	106.1	99.4	102.4	97.0	103.4	106.6	98.0
	II	102.1	106.9	95.5	103.9	108.8	102.5	98.3	102.7	95.7	101.4	105.9	95.7
	III	104.8	111.1	94.3	105.3	111.7	103.8	101.3	102.9	98.5	103.1	104.7	95.1
		Annual percentage changes											
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		3.0	2.9	0.1	0.7	0.6	-0.7	5.7	3.0	2.5	1.4	-1.1	-0.4
2018		2.3	2.2	0.1	1.8	1.7	0.5	-1.1	2.0	-3.1	1.1	4.4	2.3
2019		2.1	2.6	-0.5	2.5	3.1	1.8	0.7	1.1	-0.5	1.6	2.1	0.1
2020		-10.8	-7.6	-3.5	1.3	5.0	3.9	-12.1	-7.7	-4.7	-2.4	2.4	-0.9
2021		5.1	6.3	-1.2	-0.7	0.5	-1.1	--	--	--	--	--	--
2022		5.6	3.0	2.5	0.7	-1.8	-3.7	--	--	--	--	--	--
2023		3.5	1.7	1.8	1.5	-0.3	-2.4	--	--	--	--	--	--
2019	IV	1.7	2.4	-0.6	2.1	2.7	1.4	1.2	0.9	0.2	0.8	0.6	-2.4
2020	I	-4.3	-0.6	-3.7	0.9	4.8	4.0	-7.0	-0.2	-6.8	0.7	8.1	7.3
	II	-21.5	-18.8	-3.4	3.3	6.9	5.8	-29.2	-16.1	-15.6	-3.8	14.0	7.8
	III	-8.7	-5.6	-3.2	0.7	4.1	2.5	-6.9	-8.6	1.9	-3.4	-5.1	-8.2
	IV	-8.8	-5.2	-3.8	0.4	4.4	3.3	-5.3	-5.9	0.7	-3.5	-4.2	-7.6
2021	I	-4.3	-2.3	-2.0	1.4	3.5	2.0	-0.6	-6.4	6.2	-1.3	-7.1	-12.0
	II	17.7	18.9	-1.0	-3.7	-2.7	-3.6	29.1	11.2	16.1	1.0	-13.1	-13.8
	III	3.4	6.2	-2.6	-0.3	2.3	0.7	0.8	1.9	-1.0	2.4	3.5	0.7

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

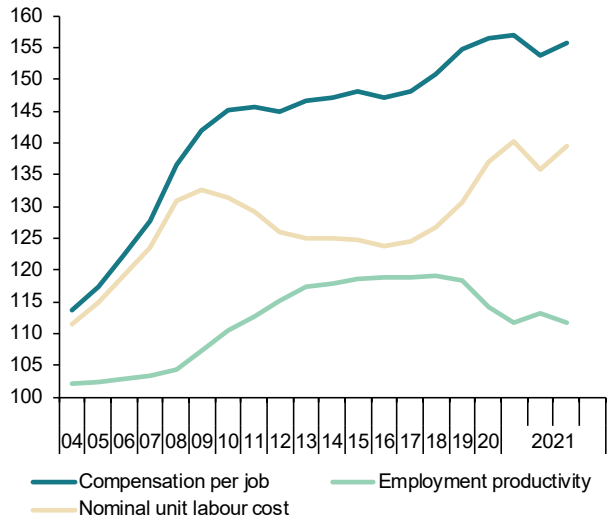
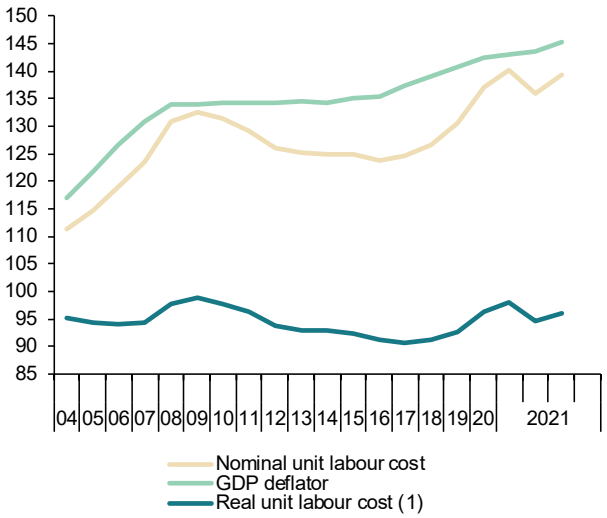


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

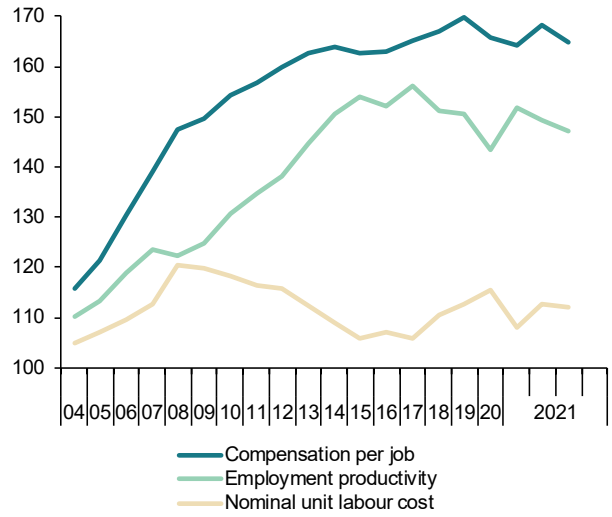
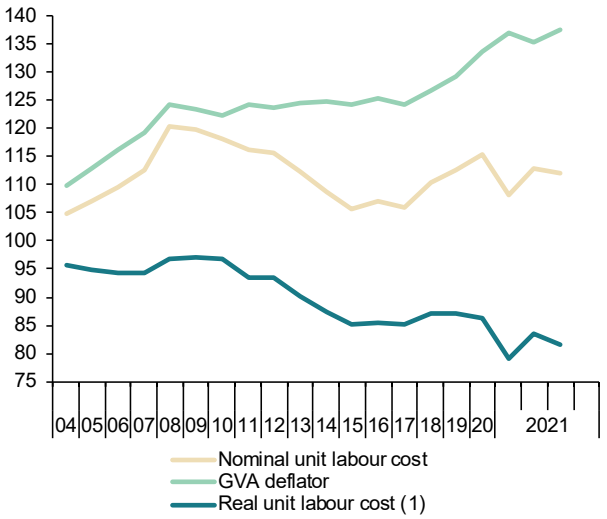


Chart 3.4 - Real ULC, manufacturing industry

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	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions, 4-quarter cumulated transactions							Percentage of GDP					
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	523.7	518.4	1,152.2	894.4	257.7	225.5	45.1	44.6	22.2	19.4	2.8	3.0
2018		1,203.3	545.7	531.4	1,193.2	924.2	269.0	246.4	45.4	44.2	22.4	20.5	1.9	2.4
2019		1,244.4	575.9	540.9	1,234.1	948.0	286.1	259.9	46.3	43.5	23.0	20.9	2.1	2.4
2020		1,121.9	543.9	476.4	1,114.7	873.3	241.4	232.1	48.5	42.5	21.5	20.7	0.8	1.2
2021		1,197.3	571.1	500.7	1,195.1	934.8	260.3	251.0	47.7	41.8	21.7	21.0	0.8	1.5
2022		1,289.6	592.2	554.9	1,289.8	999.7	290.1	278.3	45.9	43.0	22.5	21.6	0.9	2.7
2023		1,362.2	612.1	595.9	1,358.0	1,043.2	314.8	301.6	44.9	43.7	23.1	22.1	1.0	2.4
2019	IV	1,244.4	575.9	540.9	1,234.1	948.0	286.1	259.9	46.3	43.5	23.0	20.9	2.1	2.4
2020	I	1,233.3	578.1	530.0	1,225.3	943.3	282.0	258.1	46.9	43.0	22.9	20.9	1.9	2.5
	II	1,169.2	558.1	501.5	1,162.1	902.2	260.0	243.0	47.7	42.9	22.2	20.8	1.4	1.9
	III	1,146.7	550.9	491.9	1,139.5	888.6	250.9	238.0	48.0	42.9	21.9	20.8	1.1	1.4
	IV	1,121.9	543.9	476.4	1,114.7	873.3	241.4	232.1	48.5	42.5	21.5	20.7	0.8	1.2
2021	I	1,113.4	541.3	471.6	1,104.4	866.4	238.0	232.2	48.6	42.4	21.4	20.9	0.5	1.1
	II	1,159.7	556.6	488.7	1,153.1	903.1	250.0	243.9	48.0	42.1	21.6	21.0	0.5	1.4
	III	1,174.3	564.9	489.0	1,167.5	914.0	253.5	247.9	48.1	41.6	21.6	21.1	0.5	1.7
		Annual percentage changes							Difference from one year ago					
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	4.0	4.6	4.3	3.9	5.5	8.0	-0.2	0.1	0.3	0.7	-0.4	-0.4
2018		3.6	4.2	2.5	3.6	3.3	4.4	9.3	0.3	-0.5	0.2	1.1	-0.9	-0.7
2019		3.4	5.5	1.8	3.4	2.6	6.4	5.5	0.9	-0.7	0.6	0.4	0.2	0.1
2020		-9.8	-5.6	-11.9	-9.7	-7.9	-15.6	-10.7	2.2	-1.0	-1.5	-0.2	-1.3	-1.2
2021		6.7	5.0	5.1	7.2	7.0	7.8	8.1	-0.8	-0.7	0.2	0.3	0.0	0.3
2022		7.7	3.7	10.8	7.9	6.9	11.5	10.9	-1.8	1.2	0.8	0.6	0.1	1.2
2023		5.6	3.3	7.4	5.3	4.4	8.5	8.4	-1.0	0.7	0.6	0.5	0.1	-0.3
2019	IV	3.4	5.5	1.8	3.4	2.6	6.4	5.5	0.9	-0.7	0.6	0.4	0.2	0.1
2020	I	1.5	4.4	-0.7	1.7	1.4	2.7	2.0	1.3	-1.0	0.3	0.1	0.2	0.3
	II	-4.6	-0.7	-6.5	-4.4	-3.6	-7.0	-5.0	1.9	-0.9	-0.6	-0.1	-0.5	-0.5
	III	-7.2	-3.2	-8.6	-7.0	-5.6	-11.4	-8.1	2.0	-0.7	-1.0	-0.2	-0.8	-1.0
	IV	-9.8	-5.6	-11.9	-9.7	-7.9	-15.6	-10.7	2.2	-1.0	-1.5	-0.2	-1.3	-1.2
2021	I	-9.7	-6.4	-11.0	-9.9	-8.2	-15.6	-10.0	1.7	-0.6	-1.5	-0.1	-1.4	-1.4
	II	-0.8	-0.3	-2.6	-0.8	0.1	-3.8	0.4	0.3	-0.8	-0.7	0.2	-0.9	-0.6
	III	2.4	2.5	-0.6	2.5	2.9	1.0	4.2	0.1	-1.3	-0.3	0.4	-0.7	0.3

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

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

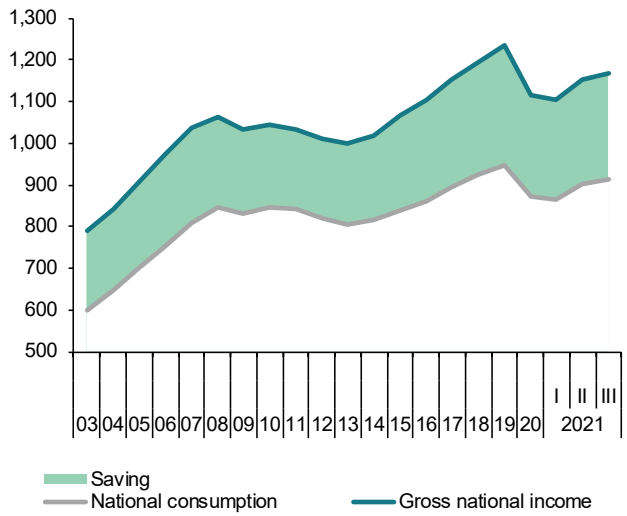


Chart 4.2 - National income, consumption and saving rate

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

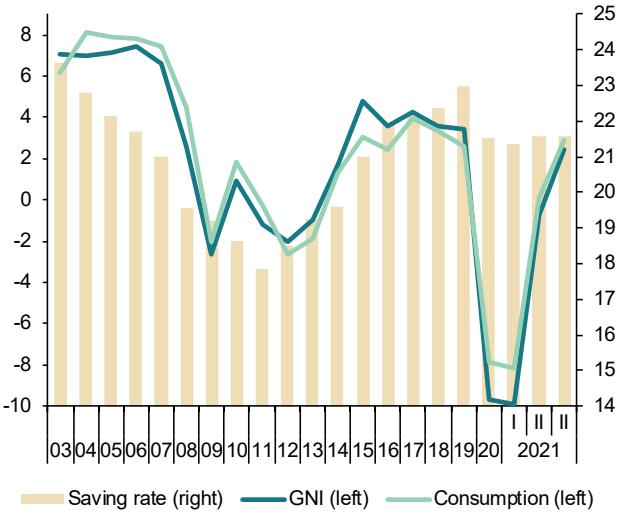


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

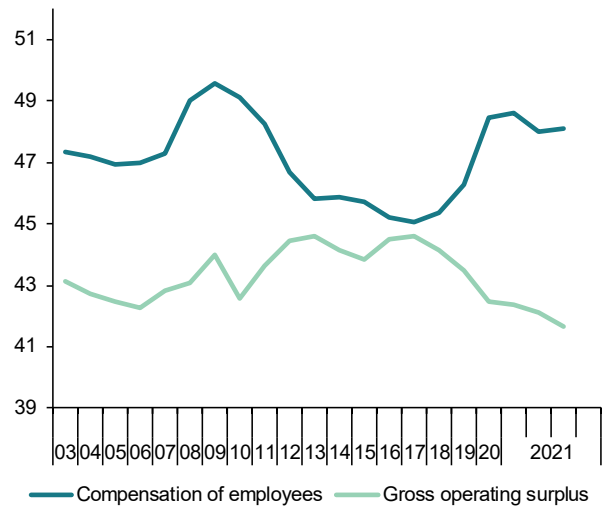


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

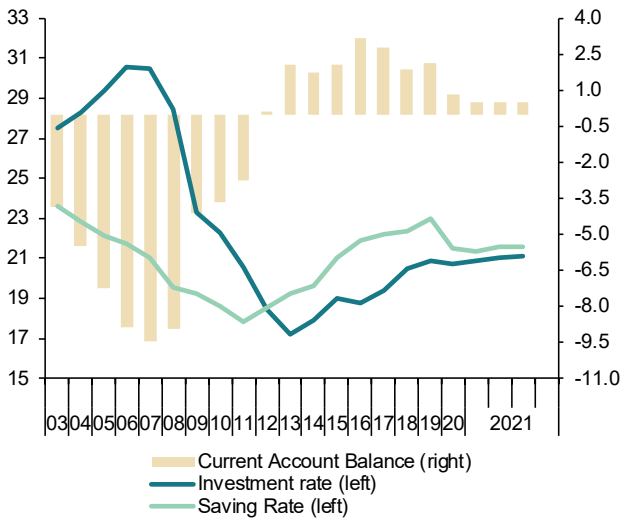


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions, 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions, 4-quarter cumulated operations			Percentage of GDP		
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		722.9	678.1	41.8	36.8	5.8	3.2	0.2	267.0	200.8	160.6	17.3	13.8	3.6
2018		743.6	699.5	41.3	40.7	5.5	3.4	-0.1	271.2	200.4	177.2	16.7	14.7	2.1
2019		780.9	713.6	64.5	42.0	8.3	3.4	1.7	274.4	203.0	189.2	16.3	15.2	1.3
2020		742.5	628.0	110.7	41.2	14.9	3.7	6.1	224.6	180.7	154.7	16.1	13.8	2.8
2021		759.5	677.0	78.6	59.8	10.4	5.0	1.4	236.9	182.7	151.7	15.3	12.7	3.1
2022		811.4	731.8	75.8	65.8	9.3	5.1	0.6	268.8	203.0	170.7	15.7	13.2	3.7
2023		836.3	770.2	62.2	73.0	7.4	5.4	-0.9	294.1	225.0	186.9	16.5	13.7	3.8
2019	IV	780.9	713.6	64.5	42.0	8.3	3.4	1.7	274.4	203.0	189.2	16.3	15.2	1.3
2020	I	782.1	703.8	75.4	42.6	9.6	3.4	2.5	263.8	193.8	183.8	15.7	14.9	0.9
	II	758.5	662.0	93.6	40.1	12.3	3.4	4.4	242.9	191.7	169.8	16.4	14.5	2.0
	III	753.8	648.4	102.0	41.4	13.5	3.6	5.2	234.9	184.1	162.1	16.1	14.1	2.1
	IV	742.5	628.0	110.7	41.2	14.9	3.7	6.1	224.6	180.7	154.7	16.1	13.8	2.8
2021	I	740.4	616.0	120.6	46.6	16.3	4.2	6.6	222.6	178.1	152.5	16.0	13.7	2.8
	II	749.9	648.5	97.3	53.4	13.0	4.6	3.6	236.4	185.1	156.6	15.9	13.5	3.0
	III	752.0	653.8	95.4	58.7	12.7	5.0	3.0	236.9	185.2	152.2	15.8	12.9	3.4
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
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		3.2	4.6	-15.2	15.7	-1.3	0.3	-1.2	4.6	2.3	7.7	-0.3	0.4	-0.8
2018		2.9	3.2	-1.2	10.6	-0.2	0.2	-0.3	1.6	-0.2	10.3	-0.6	0.9	-1.5
2019		5.0	2.0	56.4	3.3	2.7	0.0	1.8	1.2	1.3	6.7	-0.3	0.5	-0.8
2020		-4.9	-12.0	71.6	-1.9	6.6	0.3	4.5	-18.2	-11.0	-18.2	-0.2	-1.4	1.4
2021		2.3	7.8	-29.0	45.0	-4.6	1.3	-4.7	5.5	1.1	-1.9	-0.8	-1.1	0.4
2022		6.8	8.1	-3.6	10.1	-1.0	0.1	-0.8	13.4	11.1	12.5	0.5	0.6	0.6
2023		3.1	5.2	-17.9	10.9	-1.9	0.3	-1.6	9.4	10.8	9.5	0.8	0.5	0.0
2019	IV	5.0	2.0	56.4	3.3	2.7	0.0	1.8	1.2	1.3	6.7	-0.3	0.5	-0.8
2020	I	4.0	0.0	64.5	2.5	3.5	0.0	2.3	-2.8	-3.7	1.3	-0.8	0.0	-0.9
	II	-1.0	-6.3	62.6	-3.3	4.8	0.0	3.3	-10.9	-3.7	-8.7	0.1	-0.7	0.7
	III	-2.5	-8.7	71.0	-1.2	5.8	0.2	3.9	-13.8	-7.9	-13.4	-0.1	-1.0	0.8
	IV	-4.9	-12.0	71.6	-1.9	6.6	0.3	4.5	-18.2	-11.0	-18.2	-0.2	-1.4	1.4
2021	I	-5.3	-12.5	59.9	9.5	6.6	0.7	4.1	-15.6	-8.1	-17.0	0.3	-1.2	1.9
	II	-1.1	-2.0	4.0	33.4	0.6	1.2	-0.8	-2.7	-3.5	-7.8	-0.4	-1.0	1.0
	III	-0.2	0.8	-6.4	42.0	-0.8	1.4	-2.1	0.9	0.6	-6.1	-0.3	-1.2	1.4

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

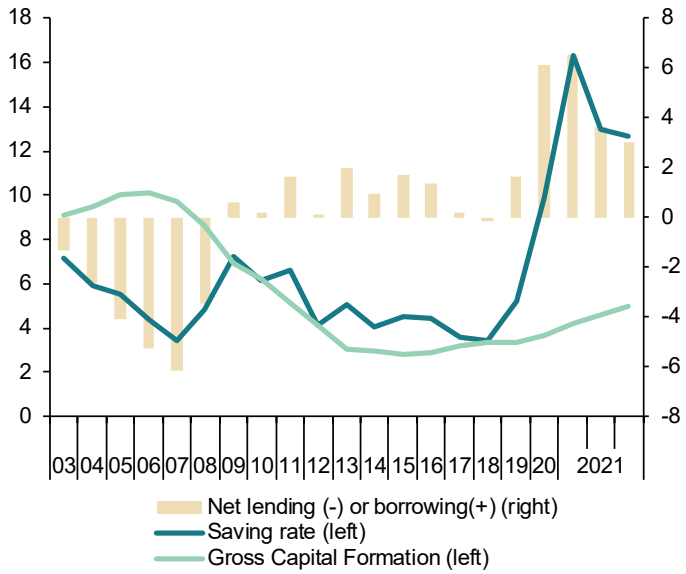


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

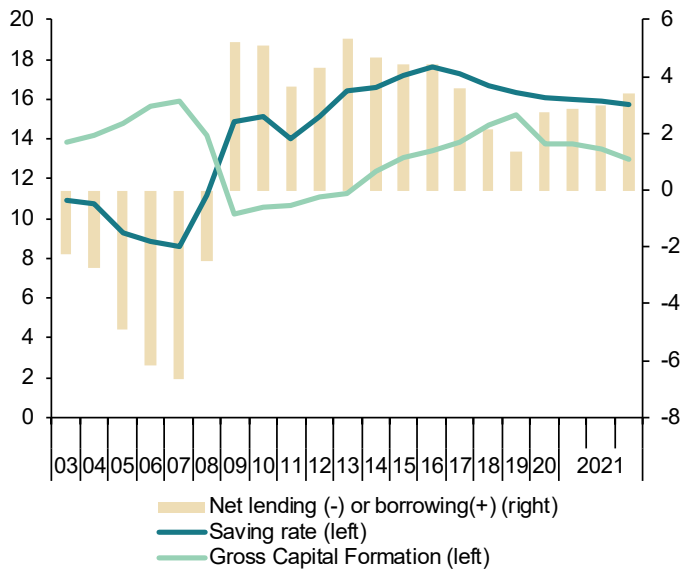


Table 6

National accounts: Public revenue, expenditure and deficit

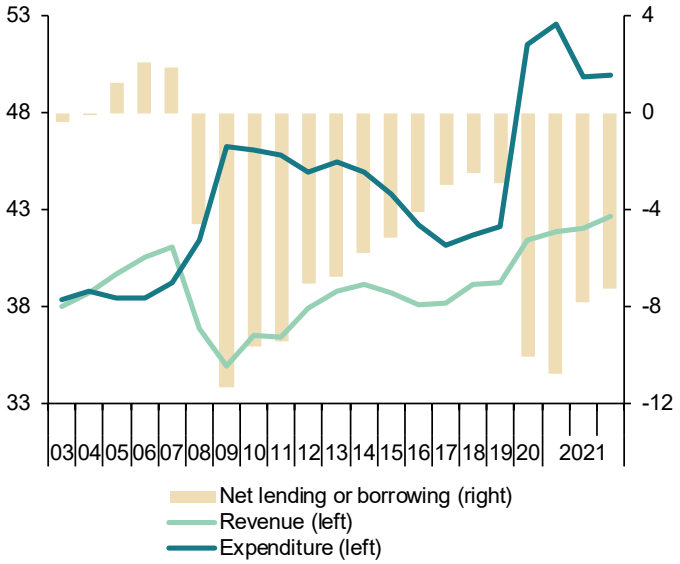
Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		Taxes on production and imports	Taxes on income and wealth	Social contributions	Capital and other revenue	Total	Compensation of employees	Intermediate consumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expenditure	Total		
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8+9+10+11	13=5-12	14
		EUR Billions, 4-quarter cumulated operations													
2014		118.5	104.4	129.0	52.7	404.6	115.0	56.3	35.5	198.5	32.4	28.0	465.7	-61.1	-59.7
2015		126.4	107.1	131.5	52.1	417.2	119.2	59.0	32.4	198.6	35.4	28.3	473.0	-55.8	-55.2
2016		128.9	110.0	135.6	50.3	424.8	121.5	58.7	30.7	203.0	30.4	28.4	472.7	-48.0	-45.6
2017		135.1	116.9	142.4	49.1	443.5	123.5	59.9	29.3	207.4	30.6	28.1	478.8	-35.3	-34.8
2018		141.2	127.3	149.5	53.8	471.7	127.6	62.1	29.3	216.6	36.4	29.8	501.8	-30.0	-30.0
2019		143.0	129.1	160.7	55.5	488.3	134.7	64.7	28.4	229.6	35.1	31.6	524.0	-35.8	-35.7
2020		126.5	125.3	162.2	51.3	465.4	140.5	66.5	25.2	262.2	52.4	41.5	588.3	-122.9	-113.0
2021		146.2	135.7	168.5	64.2	514.6	148.3	69.8	25.0	257.2	53.5	38.8	592.6	-78.0	-78.0
2022		157.2	137.2	168.8	75.9	539.1	151.6	73.0	25.6	265.6	58.9	37.5	612.3	-73.2	-73.2
2023		166.3	145.0	173.7	71.4	556.4	153.8	74.5	28.2	274.7	55.6	35.4	622.1	-65.7	-65.7
2019	IV	143.0	129.1	160.7	55.5	488.3	134.7	64.7	28.4	229.6	35.1	31.6	524.0	-35.8	-35.7
2020	I	141.9	130.6	161.6	56.2	490.2	135.9	64.6	27.9	234.2	37.4	32.1	532.0	-41.8	-41.8
	II	131.9	126.6	161.6	53.5	473.6	137.0	65.0	26.6	250.3	38.0	37.5	554.4	-80.8	-80.9
	III	128.4	126.7	161.5	52.3	468.8	138.4	65.4	26.0	255.9	38.5	38.8	563.0	-94.2	-94.2
	IV	126.5	125.3	162.2	51.3	465.4	140.5	66.5	25.2	262.2	52.4	41.5	588.3	-122.9	-113.0
2021	I	126.5	126.1	163.3	49.6	465.5	142.4	67.1	25.4	266.5	50.7	42.9	595.0	-129.5	-119.4
	II	136.4	132.2	164.9	54.3	487.9	144.8	68.3	25.5	259.0	51.2	39.7	588.4	-100.5	-90.6
	III	141.8	133.6	167.3	59.5	502.3	146.3	69.5	25.2	259.2	57.4	40.0	597.6	-95.3	-85.4
		Percentage of GDP, 4-quarter cumulated operations													
2014		11.5	10.1	12.5	5.1	39.2	11.1	5.5	3.4	19.2	3.1	2.7	45.1	-5.9	-5.8
2015		11.7	9.9	12.2	4.8	38.7	11.1	5.5	3.0	18.4	3.3	2.6	43.9	-5.2	-5.1
2016		11.6	9.9	12.2	4.5	38.1	10.9	5.3	2.8	18.2	2.7	2.6	42.4	-4.3	-4.1
2017		11.6	10.1	12.3	4.2	38.2	10.6	5.2	2.5	17.9	2.6	2.4	41.2	-3.0	-3.0
2018		11.7	10.6	12.4	4.5	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019		11.5	10.4	12.9	4.5	39.2	10.8	5.2	2.3	18.5	2.8	2.5	42.1	-2.9	-2.9
2020		11.3	11.2	14.5	4.6	41.5	12.5	5.9	2.2	23.4	4.7	3.7	52.4	-11.0	-10.1
2021		12.2	11.3	14.1	5.4	43.0	12.4	5.8	2.1	21.5	4.5	3.2	49.5	-6.5	-6.5
2022		12.2	10.6	13.1	5.9	41.8	11.8	5.7	2.0	20.6	4.6	2.9	47.5	-5.7	-5.7
2023		12.2	10.6	12.8	5.2	40.8	11.3	5.5	2.1	20.2	4.1	2.6	45.7	-4.8	-4.8
2019	IV	11.5	10.4	12.9	4.5	39.2	10.8	5.2	2.3	18.5	2.8	2.5	42.1	-2.9	-2.9
2020	I	11.5	10.6	13.1	4.6	39.7	11.0	5.2	2.3	19.0	3.0	2.6	43.1	-3.4	-3.4
	II	11.3	10.8	13.8	4.6	40.5	11.7	5.6	2.3	21.4	3.2	3.2	47.4	-6.9	-6.9
	III	11.2	11.1	14.1	4.6	40.9	12.1	5.7	2.3	22.3	3.4	3.4	49.1	-8.2	-8.2
	IV	11.3	11.2	14.5	4.6	41.5	12.5	5.9	2.2	23.4	4.7	3.7	52.4	-11.0	-10.1
2021	I	11.4	11.3	14.7	4.5	41.9	12.8	6.0	2.3	24.0	4.6	3.9	53.5	-11.6	-10.7
	II	11.8	11.4	14.2	4.7	42.0	12.5	5.9	2.2	22.3	4.4	3.4	50.7	-8.7	-7.8
	III	12.1	11.4	14.2	5.1	42.7	12.4	5.9	2.1	22.0	4.9	3.4	50.8	-8.1	-7.3

Source: IGAE 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 expenditures

Percentage of GDP, 4-quarter moving averages

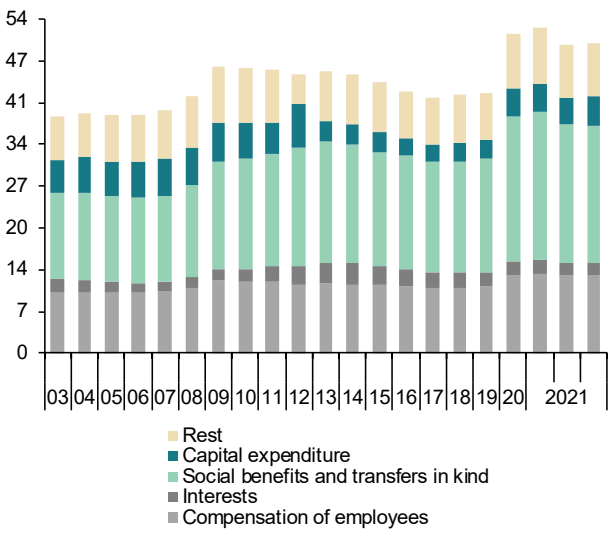


Table 7

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				
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	6.7	-16.8	-34.8	1,011.5	288.1	29.0	27.4	1,145.1
2018		-15.7	-3.3	6.3	-17.3	-30.0	1,047.3	293.4	25.8	41.2	1,173.4
2019		-16.4	-7.3	3.8	-15.9	-35.7	1,061.2	295.1	23.2	55.0	1,188.8
2020		-84.2	-2.4	2.9	-29.3	-113.0	1,206.6	304.0	22.0	85.4	1,345.8
2021		--	--	--	--	-78.0	--	--	--	--	1,429.8
2022		--	--	--	--	-73.2	--	--	--	--	1,500.9
2023		--	--	--	--	-65.7	--	--	--	--	1,561.6
2019	IV	-16.4	-7.3	3.8	-15.9	-35.7	1,061.2	295.1	23.2	55.0	1,188.8
2020	I	-15.0	-8.2	3.8	-22.3	-41.8	1,095.0	298.3	22.9	55.0	1,224.5
	II	-54.5	-6.6	2.5	-22.2	-80.9	1,159.2	305.7	25.0	68.9	1,291.0
	III	-64.7	-2.0	3.5	-30.9	-94.2	1,177.7	301.9	23.7	74.9	1,308.2
	IV	-84.2	-2.4	2.9	-29.3	-113.0	1,206.6	304.0	22.0	85.4	1,345.8
2021	I	-90.2	-3.4	3.3	-29.2	-119.5	1,247.8	307.7	22.1	85.4	1,393.1
	II	-70.9	-0.9	4.2	-23.1	-90.7	1,273.4	312.0	22.6	91.9	1,424.7
	III	-79.7	-4.0	4.2	-15.0	-94.5	1,281.4	312.2	22.3	91.9	1,432.2
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
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	87.0	24.4	2.1	3.4	97.5
2019		-1.3	-0.6	0.3	-1.3	-2.9	85.3	23.7	1.9	4.4	95.5
2020		-7.5	-0.2	0.3	-2.6	-10.1	107.5	27.1	2.0	7.6	120.0
2021		--	--	--	--	-6.5	--	--	--	--	119.4
2022		--	--	--	--	-5.7	--	--	--	--	116.4
2023		--	--	--	--	-4.8	--	--	--	--	114.6
2019	IV	-1.3	-0.6	0.3	-1.3	-2.9	85.3	23.7	1.9	4.4	95.5
2020	I	-1.2	-0.7	0.3	-1.8	-3.4	88.8	24.2	1.9	4.5	99.3
	II	-4.7	-0.6	0.2	-1.9	-6.9	99.1	26.1	2.1	5.9	110.4
	III	-5.6	-0.2	0.3	-2.7	-8.2	102.7	26.3	2.1	6.5	114.1
	IV	-7.5	-0.2	0.3	-2.6	-10.1	107.5	27.1	2.0	7.6	120.0
2021	I	-8.1	-0.3	0.3	-2.6	-10.7	112.1	27.6	2.0	7.7	125.1
	II	-6.1	-0.1	0.4	-2.0	-7.8	109.8	26.9	2.0	7.9	122.8
	III	-6.8	-0.3	0.4	-1.3	-8.0	109.1	26.6	1.9	7.8	122.0

(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

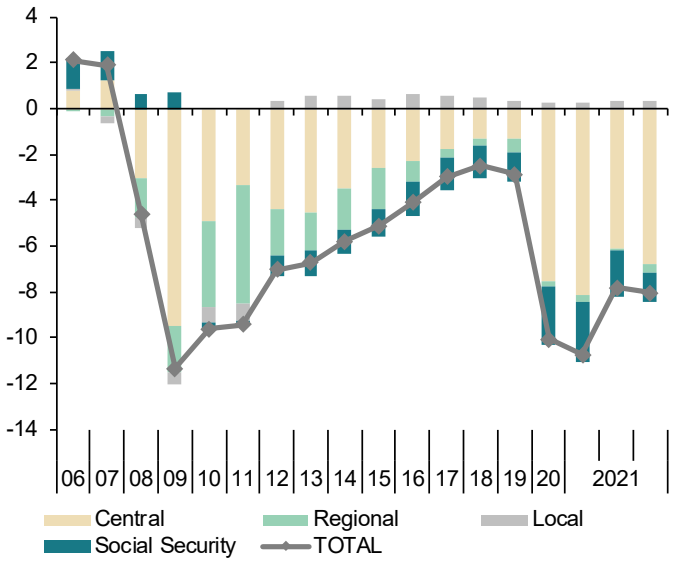


Chart 7.2 - Government debt

Percent of GDP

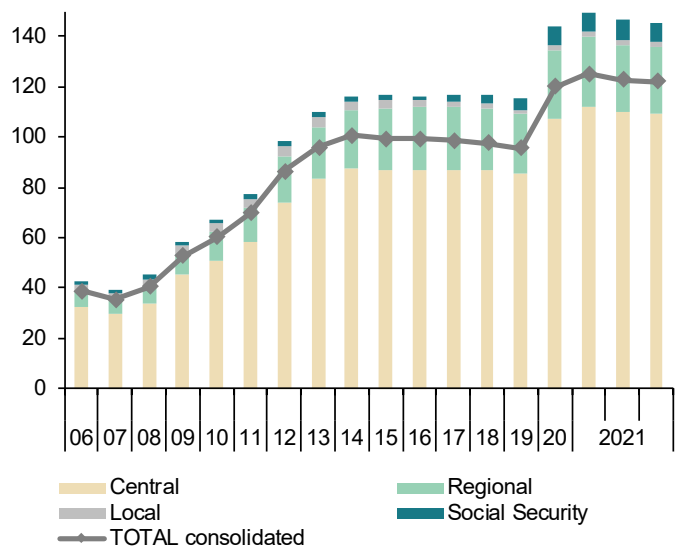


Table 8

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
2013	90.7	48.3	15,855.2	247.6	95.6	2,021.6	48.5	-14.0	93.2	-30.7
2014	100.9	55.1	16,111.1	247.2	96.8	2,022.8	53.2	-7.1	95.3	-16.3
2015	108.1	56.7	16,641.8	251.4	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016	105.9	54.9	17,157.5	252.1	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017	108.8	56.2	17,789.6	256.4	105.1	2,191.0	54.8	1.0	107.1	2.2
2018	108.4	54.6	18,364.5	257.9	105.3	2,250.9	53.3	-0.1	108.4	-0.2
2019	104.6	52.7	18,844.1	251.2	106.1	2,283.2	49.1	-3.9	108.9	-5.1
2020	90.2	41.5	18,440.5	239.1	95.8	2,239.3	47.5	-14.0	98.8	-30.0
2021 (b)	104.9	55.3	18,910.0	244.3	103.4	2,270.4	57.0	0.4	103.7	-1.7
2020 I	101.8	43.3	18,904.2	61.6	99.1	2,284.4	48.2	-2.0	103.8	-7.8
II	78.5	29.4	17,957.3	55.0	82.5	2,201.9	39.4	-27.8	82.3	-53.3
III	90.3	48.5	18,321.9	59.9	100.5	2,227.3	51.4	-11.9	102.8	-38.8
IV	90.1	44.8	18,592.5	61.5	102.1	2,244.1	51.1	-11.0	107.1	-20.2
2021 I	93.8	46.1	18,634.2	61.3	101.7	2,245.5	53.1	-7.3	104.1	-12.8
II	107.2	58.9	18,666.3	61.3	103.9	2,258.5	59.2	2.5	102.8	-1.5
III	108.7	59.6	19,018.8	60.5	102.2	2,280.7	58.8	2.1	103.9	0.2
IV (b)	109.9	56.6	19,320.5	60.8	104.0	2,296.9	56.9	4.4	104.8	7.3
2021 Oct	111.9	56.2	19,206.9	20.3	101.7	2,288.8	57.4	5.4	104.8	4.2
Nov	109.3	58.3	19,346.1	20.3	106.3	2,298.6	57.1	2.4	--	6.0
Dec	108.5	55.4	19,408.5	20.2	--	2,303.1	56.2	5.3	--	11.6
Percentage changes (c)										
2013	--	--	-2.9	-2.2	-1.5	-4.4	--	--	-1.9	--
2014	--	--	1.6	-0.1	1.3	0.1	--	--	2.3	--
2015	--	--	3.3	1.7	3.4	2.2	--	--	4.9	--
2016	--	--	3.1	0.3	1.8	2.8	--	--	2.7	--
2017	--	--	3.7	1.7	3.2	3.1	--	--	4.3	--
2018	--	--	3.2	0.6	0.2	2.7	--	--	1.2	--
2019	--	--	2.6	-2.6	0.7	1.4	--	--	0.5	--
2020	--	--	-2.1	-4.8	-9.7	-1.9	--	--	-9.3	--
2021 (d)	--	--	2.5	2.2	7.8	1.4	--	--	6.5	--
2020 I	--	--	-0.3	-1.4	-5.0	-0.3	--	--	-4.4	--
II	--	--	-5.0	-10.6	-16.8	-3.6	--	--	-20.7	--
III	--	--	2.0	8.9	21.9	1.2	--	--	24.9	--
IV	--	--	1.5	2.7	1.6	0.8	--	--	4.2	--
2021 I	--	--	0.2	-0.3	-0.4	0.1	--	--	-2.8	--
II	--	--	0.2	-0.1	2.2	0.6	--	--	-1.3	--
III	--	--	1.9	-1.2	-1.7	1.0	--	--	1.1	--
IV (e)	--	--	1.6	0.6	1.8	0.7	--	--	0.9	--
2021 Oct	--	--	0.5	-0.8	-0.3	0.1	--	--	-0.1	--
Nov	--	--	0.7	1.2	4.5	0.4	--	--	--	--
Dec	--	--	0.3	-0.6	--	0.2	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Annual percentage changes

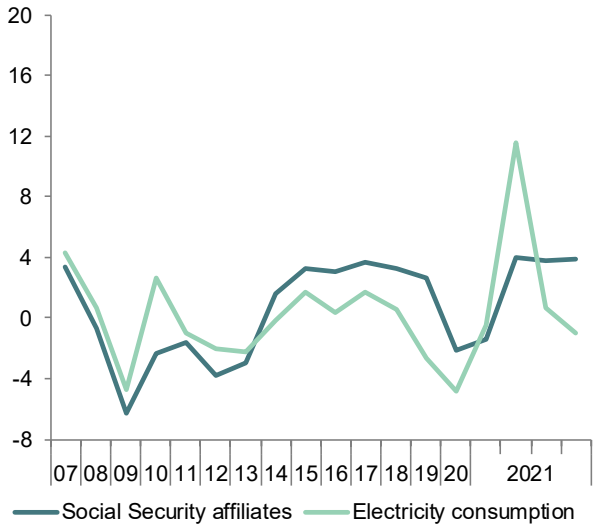


Chart 8.2 - General activity indicators (II)

Index

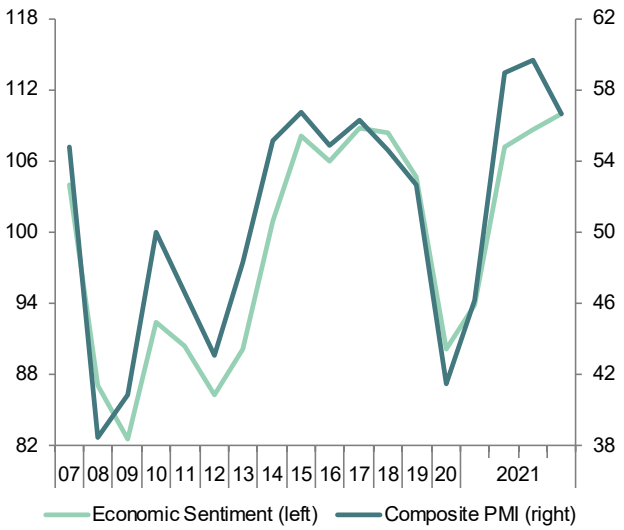


Chart 8.3 - Industrial sector indicators (I)

Annual percentage changes

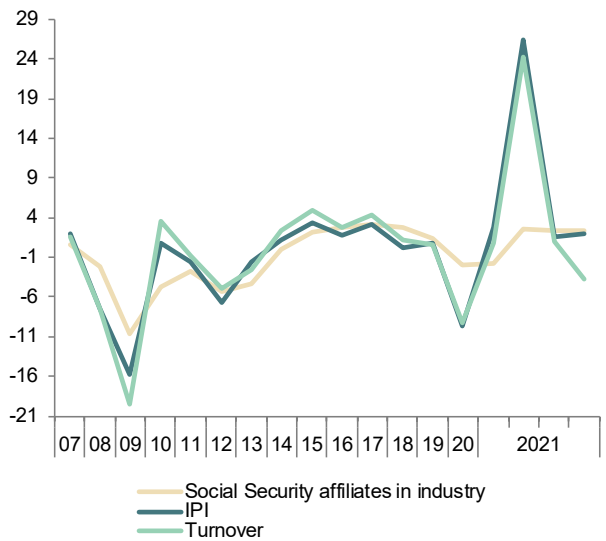


Chart 8.4 - Industrial sector indicators (II)

Index

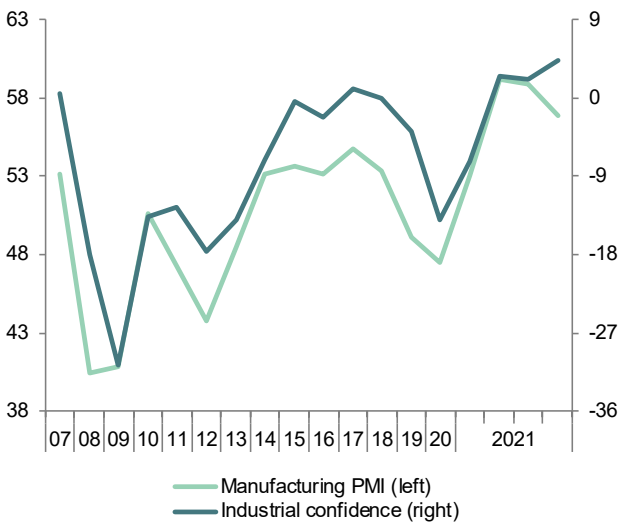


Table 9

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
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	104.1	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	1,254.9	124.8	-7.0	18.2	20.0	14,169.1	122.2	53.9	343.0	276.9	13.9
2020	1,233.1	110.6	-18.4	14.1	16.1	13,849.2	102.9	40.3	92.2	75.6	-26.2
2021 (b)	1,288.6	125.7	-2.0	21.0	16.2	14,235.1	116.0	54.8	159.0	119.4	6.8
2020 I	1,253.7	114.5	-8.6	3.3	4.7	14,250.7	114.7	42.5	70.9	56.0	7.8
II	1,166.6	92.0	-26.3	2.9	3.3	13,470.8	84.5	28.4	1.9	1.2	-47.1
III	1,250.3	118.2	-24.3	2.9	3.9	13,728.1	105.4	47.3	24.3	16.9	-35.9
IV	1,263.5	119.2	-14.4	4.9	4.2	13,958.9	108.2	43.0	14.9	12.7	-29.4
2021 I	1,261.4	121.0	-11.8	4.1	4.5	14,000.3	110.3	44.3	12.7	10.6	-25.5
II	1,281.0	125.5	2.2	6.4	5.0	14,008.1	116.0	58.8	22.8	16.4	10.2
III	1,300.4	124.4	1.2	6.4	5.1	14,327.0	121.3	59.6	57.8	39.4	18.8
IV (b)	1,312.3	127.3	0.4	4.1	1.7	14,604.4	125.5	56.5	46.8	49.4	23.5
2021 Oct	1,306.0	125.3	2.7	2.3	1.7	14,499.6	125.5	56.6	22.9	16.0	26.1
Nov	1,311.0	129.3	-3.0	1.8	--	14,626.7	--	57.6	23.9	17.0	29.4
Dec	1,320.0	--	1.5	--	--	14,686.9	--	55.3	--	16.4	15.1
				Percentage changes (c)							
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	4.1	--	7.4	11.0	--
2017	6.2	8.7	--	37.1	24.8	3.8	6.6	--	2.8	8.3	--
2018	6.7	2.5	--	30.8	24.5	3.3	5.8	--	-0.2	5.8	--
2019	5.1	9.2	--	10.2	1.3	2.8	4.0	--	0.9	5.3	--
2020	-1.7	-11.3	--	-22.9	-19.8	-2.3	-15.8	--	-73.1	-72.7	--
2021 (d)	4.5	13.0	--	80.3	23.1	2.8	14.9	--	78.7	57.8	--
2020 I	-0.9	-8.5	--	-33.8	-10.5	-0.3	-6.7	--	-19.2	-19.7	--
II	-7.0	-19.6	--	-33.5	-39.4	-5.5	-26.4	--	-97.3	-97.8	--
III	7.2	28.5	--	-36.3	-18.9	1.9	24.8	--	1,190.7	1,295.7	--
IV	1.1	0.9	--	15.6	-7.8	1.7	2.6	--	-38.5	-24.9	--
2021 I	-0.2	1.5	--	23.7	-4.1	0.3	1.9	--	-15.0	-16.6	--
II	1.6	3.7	--	119.1	48.9	0.1	5.2	--	79.9	54.5	--
III	1.5	-0.9	--	119.2	31.4	2.3	4.5	--	153.4	140.6	--
IV (e)	0.9	2.3	--	66.2	30.2	1.9	3.5	--	21.3	25.5	--
2021 Oct	0.0	-1.4	--	92.4	30.2	0.6	1.8	--	14.2	16.2	--
Nov	0.4	3.2	--	39.9	--	0.9	--	--	4.6	6.1	--
Dec	0.7	--	--	--	--	0.4	--	--	--	-3.6	--

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

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

Chart 9.1 - Construction indicators (I)

Annual percentage changes and index

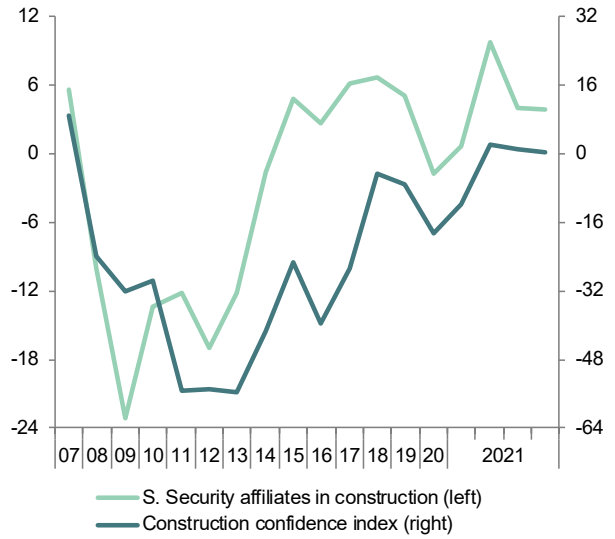


Chart 9.2 - Construction indicators (II)

Annual percentage changes

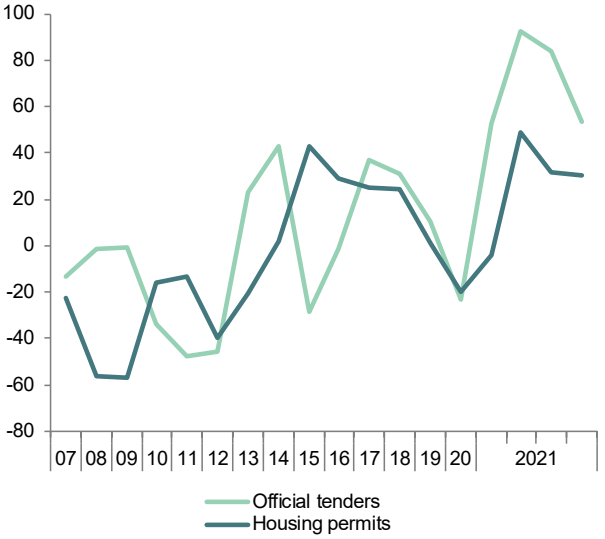


Chart 9.3 - Services indicators (I)

Annual percentage changes

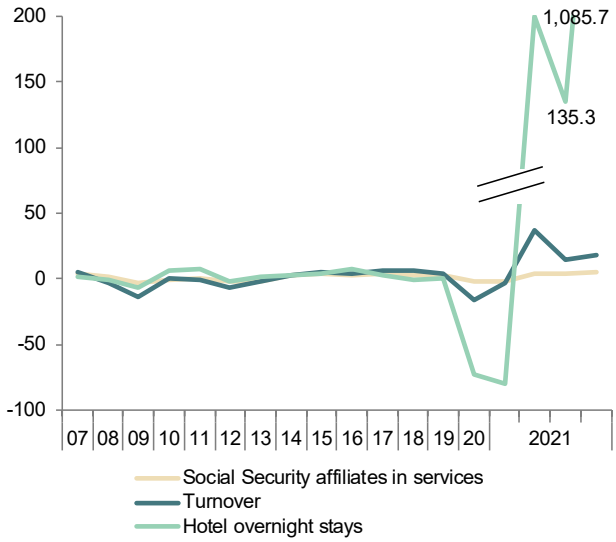


Chart 9.4 - Services indicators (II)

Index

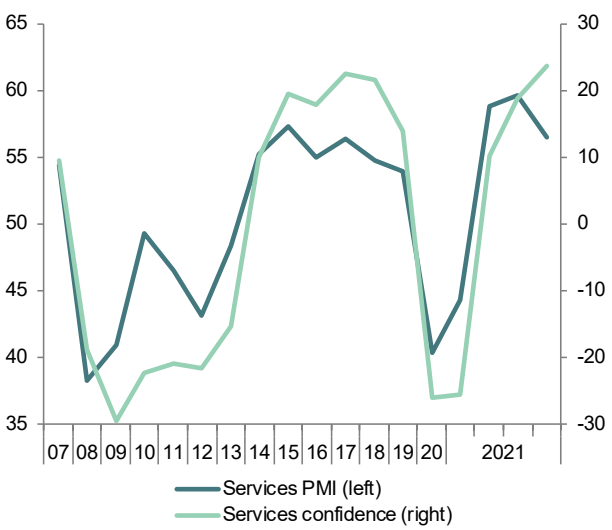


Table 10

Consumption and investment indicators (a)

		Consumption indicators					Investment in equipment indicators		
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4
2019		107.9	1,375.6	-6.3	119.6	-2.9	220.9	8.8	105.6
2020		100.4	939.1	-22.8	51.2	-25.5	170.8	-22.7	100.0
2021 (b)		102.4	953.7	-13.3	84.2	-11.5	186.9	4.7	110.1
2020	I	102.9	255.2	-10.3	24.5	-3.8	42.4	-11.4	94.5
	II	88.1	108.3	-27.9	1.6	-41.5	25.1	-41.0	94.4
	III	104.7	302.9	-26.9	17.0	-32.8	52.7	-28.9	101.3
	IV	105.2	301.5	-26.3	9.5	-23.7	52.7	-9.6	107.7
2021	I	101.7	199.0	-22.1	8.6	-18.3	50.4	-13.7	110.8
	II	104.2	250.7	-11.1	15.5	-15.3	49.2	11.4	111.4
	III	104.4	244.3	-9.1	30.7	-10.7	43.6	6.4	111.1
	IV (b)	107.1	256.6	-10.8	18.9	-1.8	42.8	14.7	111.0
2021	Oct	104.4	82.7	-6.8	10.3	-5.3	14.5	2.0	111.0
	Nov	109.7	84.8	-12.5	8.6	0.4	14.0	12.7	111.0
	Dec	--	89.1	-13.1	--	-0.4	14.5	29.4	--
		Percentage changes (c)							
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		2.3	-3.4	--	2.7	--	-4.0	--	0.2
2020		-6.9	-31.7	--	-57.2	--	-22.6	--	-5.3
2021 (d)		4.2	1.6	--	71.3	--	9.4	--	12.0
2020	I	-5.0	-26.3	--	-17.8	--	-21.1	--	-19.7
	II	-14.4	-57.6	--	-93.5	--	-40.8	--	-0.3
	III	18.8	179.6	--	965.7	--	110.0	--	32.5
	IV	0.5	-0.5	--	-44.1	--	0.0	--	28.0
2021	I	-3.3	-34.0	--	-9.3	--	-4.2	--	12.0
	II	2.5	26.0	--	79.6	--	-2.4	--	2.0
	III	0.2	-2.6	--	97.5	--	-11.4	--	-1.1
	IV (e)	2.6	5.0	--	-7.6	--	-1.2	--	-0.3
2021	Oct	-0.1	-3.9	--	1.9	--	-4.3	--	0.0
	Nov	5.1	2.5	--	-16.2	--	-3.9	--	0.0
	Dec	--	5.0	--	--	--	4.0	--	--

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

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

Chart 10.1 - Consumption indicators

Annual percentage changes and balance of responses

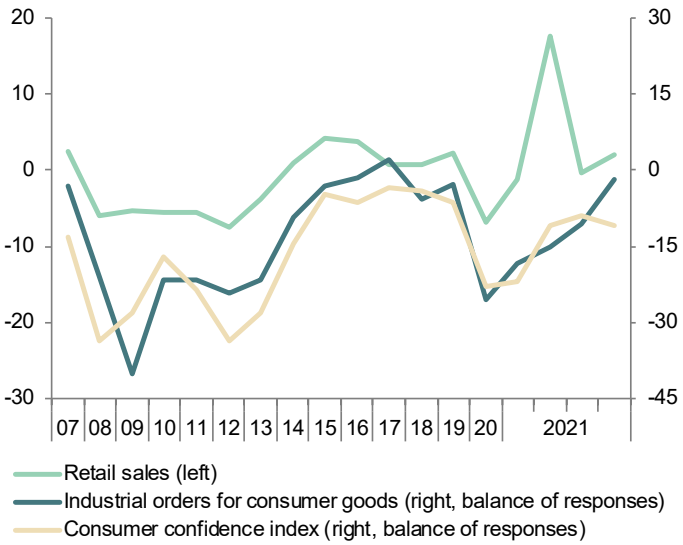


Chart 10.2 - Investment indicators

Annual percentage changes and balance of responses

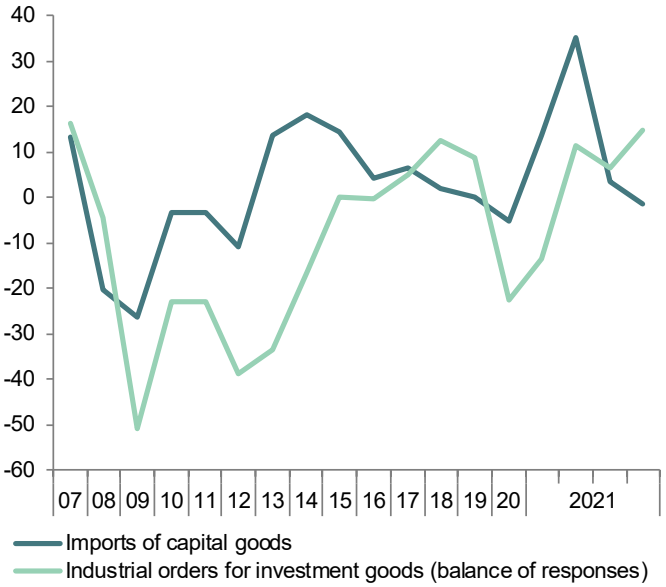


Table 11a

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)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted					
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
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	--	19.8	--	3.2	--	58.6	50.4	14.1	32.6	13.2	20.1
2020		39.6	22.7	--	19.2	--	3.5	--	57.4	48.5	15.5	38.3	14.1	24.6
2021		39.6	23.3	--	19.8	--	3.5	--	58.6	49.8	15.0	--	--	--
2022		39.8	23.5	--	20.2	--	3.3	--	59.0	50.7	14.0	--	--	--
2023		40.0	23.6	--	20.5	--	3.1	--	59.0	51.3	13.0	--	--	--
2019	IV	39.4	23.2	23.1	20.0	19.9	3.2	3.2	58.7	50.6	13.8	30.5	12.8	20.0
2020	I	39.5	23.0	23.1	19.7	19.9	3.3	3.2	58.6	50.4	14.4	33.0	13.3	21.2
	II	39.6	22.0	21.9	18.6	18.6	3.4	3.4	55.5	46.9	15.3	39.6	13.9	24.9
	III	39.6	22.9	22.8	19.2	19.0	3.7	3.8	57.6	48.1	16.3	40.4	14.8	25.7
	IV	39.6	23.1	23.0	19.3	19.3	3.7	3.7	58.1	48.7	16.1	40.1	14.5	26.6
2021	I	39.6	22.9	23.0	19.2	19.4	3.7	3.6	58.1	49.0	16.0	39.5	14.4	26.2
	II	39.6	23.2	23.2	19.7	19.6	3.5	3.6	58.5	49.5	15.3	38.4	13.9	23.8
	III	39.6	23.4	23.4	20.0	19.9	3.4	3.5	58.9	50.2	14.6	31.2	13.5	21.7
		Percentage changes (d)							Difference from one year ago					
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	1.0	--	2.3	--	-6.6	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		0.8	-1.3	--	-2.9	--	8.7	--	-1.2	-1.9	1.4	5.7	0.9	4.5
2021		0.2	2.3	--	2.9	--	-1.1	--	1.2	1.3	-0.5	--	--	--
2022		0.5	1.1	--	2.3	--	-5.6	--	0.4	0.9	-1.0	--	--	--
2023		0.4	0.3	--	1.5	--	-6.9	--	0.0	0.6	-1.0	--	--	--
2019	IV	1.0	1.3	0.5	2.1	0.9	-3.4	-2.3	0.1	0.5	-0.7	-3.0	-0.7	-0.8
2020	I	1.0	0.7	0.0	1.1	-0.1	-1.2	1.1	-0.1	0.0	-0.3	-2.0	-0.4	0.4
	II	0.9	-4.6	-5.2	-6.0	-6.8	4.3	4.6	-3.2	-3.5	1.3	6.5	0.8	4.7
	III	0.7	-0.8	4.0	-3.5	2.6	15.8	11.7	-0.9	-2.1	2.3	8.8	1.7	6.3
	IV	0.5	-0.4	0.9	-3.1	1.3	16.5	-1.5	-0.6	-1.9	2.3	9.6	1.6	6.6
2021	I	0.3	-0.6	0.0	-2.4	0.7	10.3	-3.7	-0.5	-1.3	1.6	6.5	1.1	5.0
	II	0.2	5.6	0.7	5.7	1.0	5.2	-0.8	3.0	2.6	-0.1	-1.2	0.1	-1.2
	III	0.1	2.4	0.7	4.5	1.3	-8.2	-2.3	1.3	2.1	-1.7	-9.3	-1.3	-3.9

(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; quarterly percentage changes for S.A. data.

Source: INE (Labour Force Survey) and Funcas.

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

Annual growth rates and percentage of active population

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

Percentage

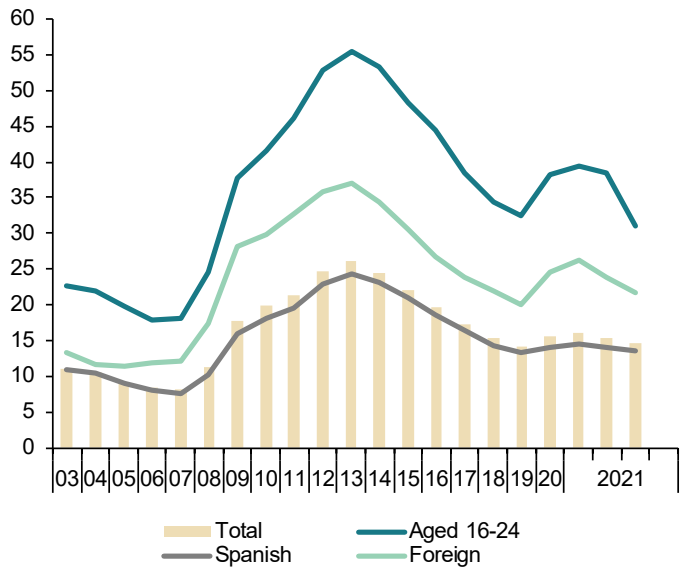


Table 11b

Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
						Employees							
							By type of contract						
		Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	Part-time employment rate (b)
		1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
		Million (original data)											
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		0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.95	2.83	14.30
2020		0.77	2.70	1.24	14.49	16.11	3.88	12.23	24.1	3.09	16.51	2.70	14.05
2021(c)		0.79	2.68	1.29	14.87	16.51	4.12	12.39	25.0	3.13	16.89	2.74	13.97
2019	IV	0.79	2.76	1.28	15.13	16.85	4.40	12.45	26.1	3.12	17.30	2.67	13.38
2020	I	0.78	2.77	1.28	14.85	16.56	4.14	12.42	25.0	3.12	16.83	2.85	14.47
	II	0.76	2.64	1.17	14.03	15.53	3.47	12.06	22.4	3.08	16.12	2.49	13.36
	III	0.73	2.69	1.25	14.51	16.11	3.89	12.21	24.2	3.07	16.52	2.65	13.84
	IV	0.78	2.69	1.28	14.59	16.24	4.00	12.24	24.6	3.10	16.55	2.80	14.47
2021	I	0.80	2.64	1.26	14.50	16.10	3.83	12.27	23.8	3.10	16.51	2.70	14.04
	II	0.81	2.67	1.32	14.87	16.51	4.14	12.37	25.1	3.16	16.84	2.84	14.41
	III	0.76	2.73	1.29	15.25	16.92	4.40	12.52	26.0	3.11	17.33	2.70	13.46
		Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
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		-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.6	0.5	2.3	2.3	0.0
2020		-4.0	-2.3	-2.6	-3.0	-3.4	-11.4	-0.5	-2.2	-0.5	-2.6	-4.6	-0.3
2021(d)		4.0	-0.8	5.0	2.8	2.8	7.5	1.3	1.1	1.2	2.4	3.0	0.1
2019	IV	-3.8	2.0	0.3	2.5	2.4	-0.5	3.4	-0.8	0.3	3.8	-7.7	-1.4
2020	I	-6.5	2.2	-0.3	1.4	1.2	-2.2	2.4	-0.9	0.2	1.6	-1.8	-0.4
	II	-5.7	-4.4	-8.4	-6.2	-7.0	-21.1	-1.9	-4.0	-1.2	-4.3	-15.8	-1.5
	III	-2.0	-4.5	-1.6	-3.5	-4.1	-13.0	-0.8	-2.5	-0.5	-3.3	-4.8	-0.2
	IV	-1.5	-2.5	-0.3	-3.6	-3.6	-9.0	-1.7	-1.5	-0.6	-4.3	4.8	1.1
2021	I	1.7	-4.6	-1.3	-2.3	-2.8	-7.5	-1.2	-1.2	-0.6	-1.9	-5.3	-0.4
	II	6.2	0.9	13.3	6.0	6.3	19.2	2.6	2.7	2.7	4.4	14.1	1.1
	III	4.2	1.5	3.5	5.1	5.0	13.0	2.5	1.8	1.5	4.9	1.6	-0.4

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

Source: INE (Labour Force Survey).

Chart 11b.1 - Employment by sector

Annual percentage changes

Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

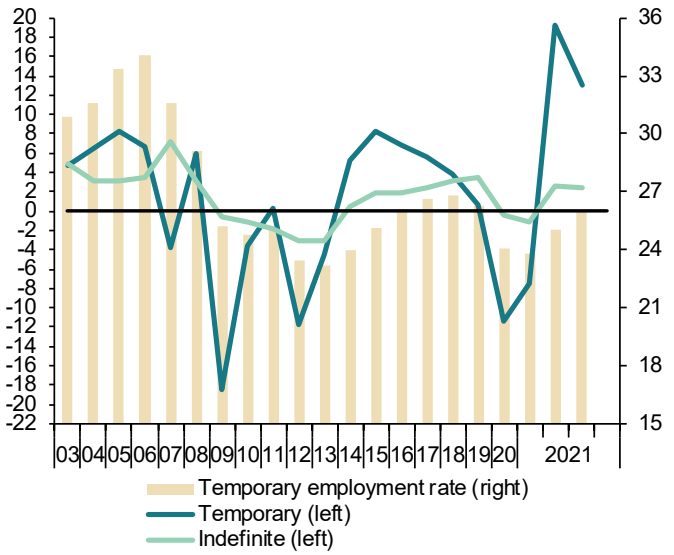


Table 12

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 2020		100.00	62.46	80.14	24.07	38.40	17.68	9.14	10.72	26.82
Indexes, 2016 = 100										
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		104.1	103.6	103.6	100.6	105.4	103.6	111.8	102.4	106.2
2021		107.3	104.2	104.4	101.3	106.0	104.9	114.5	124.1	108.0
2022		111.3	106.3	106.6	103.1	108.2	107.6	119.9	138.3	111.6
Annual percentage changes										
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	0.5	1.9	-1.2	0.9
2020		-0.3	0.6	0.7	0.2	0.8	1.3	3.7	-9.6	2.1
2021		3.1	0.6	0.8	0.6	0.6	1.3	2.4	21.2	1.7
2022		3.7	2.0	2.1	1.8	2.1	2.6	4.7	11.5	3.3
2021	Jan	0.5	0.4	0.6	0.3	0.5	1.1	2.5	-1.8	1.6
	Feb	0.0	0.1	0.3	0.2	0.1	0.7	2.6	-4.2	1.4
	Mar	1.3	0.1	0.3	0.3	0.0	0.6	2.6	8.4	1.3
	Apr	2.2	-0.1	0.0	0.4	-0.4	0.3	0.2	21.4	0.3
	May	2.7	0.1	0.2	0.5	-0.1	0.2	1.4	24.0	0.6
	Jun	2.7	0.1	0.2	0.7	-0.3	0.7	1.4	23.5	0.9
	Jul	2.9	0.4	0.6	0.4	0.5	1.0	2.4	20.7	1.5
	Aug	3.3	0.5	0.7	0.6	0.6	1.2	2.6	23.5	1.6
	Sep	4.0	0.8	1.0	0.7	0.9	1.5	1.6	28.8	1.6
	Oct	5.4	1.2	1.4	0.9	1.4	2.0	0.9	39.5	1.6
	Nov	5.5	1.5	1.7	1.1	1.7	2.5	3.9	35.9	3.0
	Dec	6.5	1.6	2.1	1.4	1.8	3.5	6.5	40.2	4.6
2022	Jan	5.4	1.6	2.0	1.7	1.6	3.4	4.9	28.5	3.9
	Feb	6.2	1.8	2.2	1.9	1.8	3.3	5.2	36.2	3.9
	Mar	5.4	2.0	2.3	1.9	2.1	3.3	4.7	26.2	3.8
	Apr	4.8	2.2	2.4	2.0	2.3	3.1	4.9	19.5	3.7
	May	4.4	2.2	2.3	2.1	2.2	3.0	4.8	15.5	3.6
	Jun	4.0	2.3	2.4	2.1	2.4	2.8	5.5	11.3	3.8
	Jul	4.1	2.4	2.4	2.0	2.6	2.7	5.2	11.6	3.6
	Aug	3.7	2.5	2.5	1.9	2.8	2.6	4.5	8.7	3.3
	Sep	2.9	2.1	2.2	1.7	2.3	2.5	5.4	3.8	3.5
	Oct	1.9	1.8	1.9	1.7	1.9	2.1	5.9	-2.2	3.4
	Nov	1.8	1.7	1.7	1.6	1.7	1.7	4.0	-0.8	2.5
	Dec	0.6	1.6	1.4	1.4	1.8	0.8	1.9	-6.6	1.2

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

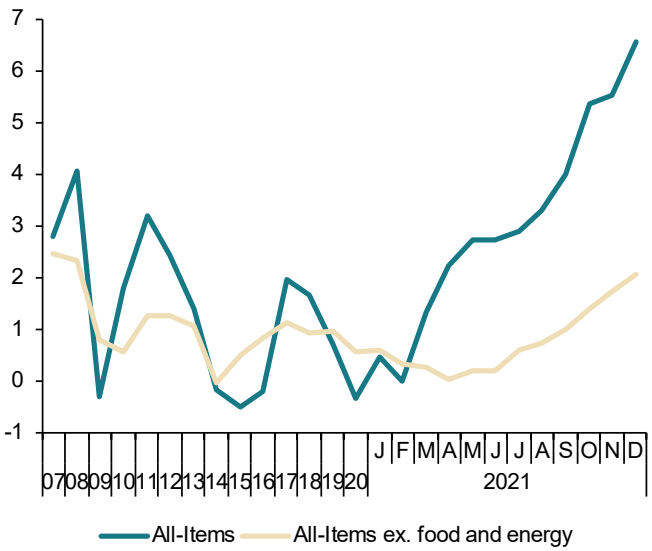


Chart 12.2 - Inflation rate (II)

Annual percentage changes

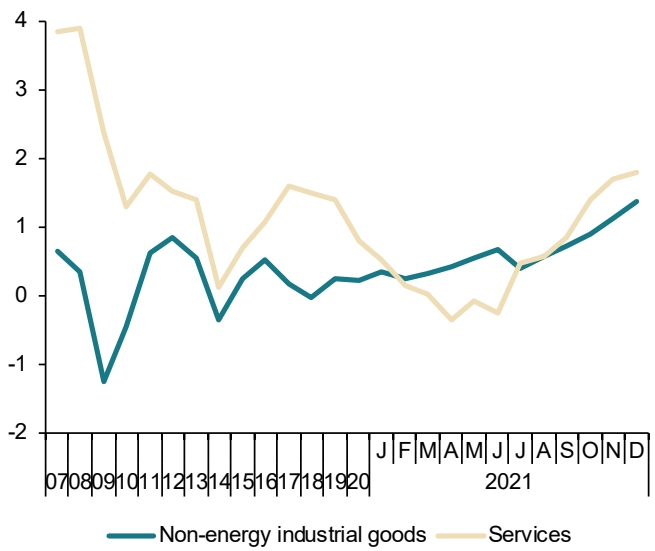


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2015=100	2015=100		2007=100			2000=100				
2013		99.7	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014		99.5	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.4	--
2015		100.0	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016		100.3	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.4	156.2	--
2017		101.6	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.2	--
2018		102.9	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019		104.2	103.6	103.2	83.3	79.8	57.7	148.7	146.4	155.7	162.7	--
2020		105.4	99.2	103.1	85.0	78.9	52.3	145.4	142.6	154.1	173.3	--
2021 (b)		107.1	114.6	109.9	87.4	80.0	53.2	151.1	147.9	160.9	169.8	--
2020	I	104.9	101.4	103.5	84.7	79.8	58.9	145.3	141.5	156.7	158.6	--
	II	105.6	96.3	102.6	84.8	78.3	50.1	138.1	135.1	147.2	180.2	--
	III	106.4	99.2	102.8	85.7	78.8	49.3	142.7	139.2	153.5	174.0	--
	IV	106.5	99.9	103.6	85.0	78.9	51.0	155.5	154.4	159.1	180.5	--
2021	I	106.4	104.0	106.2	85.4	79.0	49.0	147.3	142.9	160.7	163.5	--
	II	106.7	110.3	109.5	87.5	80.2	58.3	156.4	154.6	161.8	170.8	--
	III	108.1	118.2	111.4	89.3	80.8	52.4	149.7	146.2	160.3	175.2	--
	IV (b)	--	131.8	113.9	--	--	--	--	--	--	--	
2021	Sep	--	123.1	111.9	--	--	--	--	--	--	--	--
	Oct	--	130.6	113.2	--	--	--	--	--	--	--	--
	Nov	--	133.0	114.5	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
2013		0.4	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.4	0.5
2014		-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.1	0.5
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.7	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.2	1.0
2017		1.3	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.2	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.5	1.8
2019		1.3	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020		1.1	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.5	1.9
2021 (d)		1.3	15.7	6.7	2.8	1.4	0.8	6.4	6.7	5.6	-0.6	1.5
2020	I	0.8	-2.7	0.4	3.2	0.3	2.8	0.8	0.7	1.0	4.2	2.0
	II	1.0	-7.7	-0.7	2.1	-1.7	-15.1	-8.3	-9.4	-5.0	12.3	2.0
	III	1.6	-3.9	-0.4	1.7	-1.1	-15.2	-1.1	-1.0	-1.6	4.2	1.9
	IV	1.0	-2.8	0.5	1.5	-1.8	-9.7	-0.1	-0.7	1.6	5.4	1.9
2021	I	1.4	2.6	2.6	0.9	-0.9	-16.9	1.4	1.0	2.6	3.1	1.6
	II	1.0	14.5	6.7	3.3	2.4	16.3	13.2	14.4	9.9	-5.2	1.6
	III	1.6	19.1	8.4	4.2	2.6	6.2	4.9	5.0	4.4	0.7	1.5
	IV (e)	--	31.9	9.9	--	--	--	--	--	--	--	1.5
2021	Oct	--	32.0	9.7	--	--	--	--	--	--	--	1.5
	Nov	--	33.1	10.6	--	--	--	--	--	--	--	1.6
	Dec	--	--	--	--	--	--	--	--	--	--	1.5

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

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

Chart 13.1 - Housing and urban land prices

Index (2007=100)

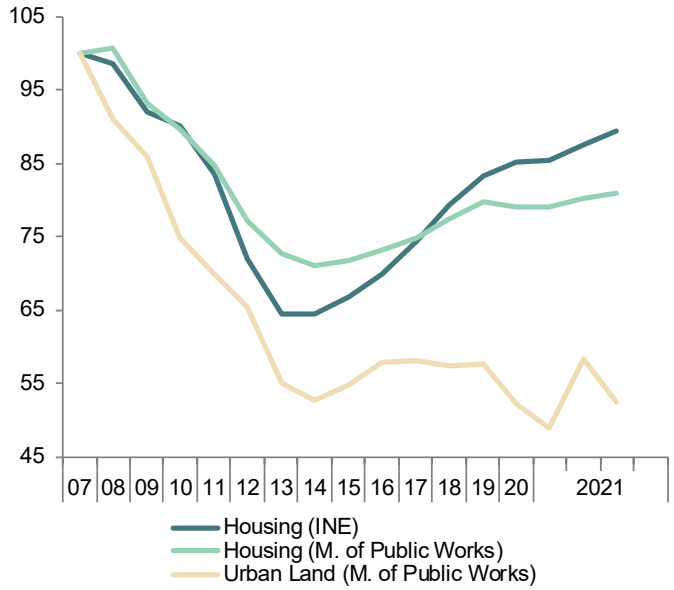


Chart 13.2 - Wage costs

Annual percent change

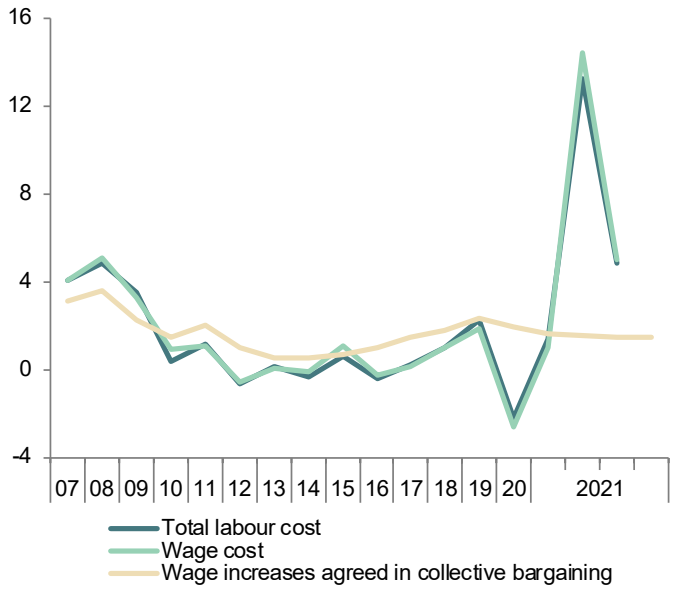


Table 14

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				
2014		155.2	109.4	141.9	114.0	107.3	106.3	11.4	8.7	-2.1	1.1	0.4
2015		161.2	110.1	146.5	118.0	104.6	112.9	12.0	8.9	-2.1	0.2	0.2
2016		165.4	108.2	153.0	117.5	101.3	116.1	12.5	8.8	-1.4	0.3	0.4
2017		178.2	108.9	163.7	129.8	106.1	122.4	13.6	9.5	-2.2	0.0	0.6
2018		184.0	112.1	164.2	137.2	110.9	123.8	14.1	9.7	-2.9	-0.3	0.7
2019		187.7	112.9	166.3	138.4	110.8	125.0	14.3	9.9	-2.6	-0.3	0.8
2020		168.5	112.1	150.6	117.9	107.4	109.5	13.2	8.6	-1.1	0.3	1.3
2021(b)		204.1	120.2	169.9	145.5	116.9	124.5	16.0	11.7	-1.9	0.3	2.1
2019	IV	186.1	114.3	162.8	134.2	113.1	118.6	14.0	9.8	-2.1	0.2	0.9
2020	I	176.6	113.4	155.8	129.7	111.1	116.7	13.6	9.0	-2.4	-0.2	0.9
	II	140.8	111.6	126.2	96.2	104.7	91.9	11.0	7.1	-0.6	0.2	1.7
	III	176.2	110.5	159.5	120.1	105.5	113.9	13.8	8.8	-0.6	0.6	1.5
	IV	181.0	112.5	160.9	123.8	107.4	115.3	14.0	9.2	-0.7	0.5	1.2
2021	I	187.4	115.2	162.6	129.9	110.6	117.4	14.9	9.2	-1.1	0.7	1.7
	II	208.9	119.4	175.1	146.0	115.8	126.1	16.5	10.3	-1.4	0.5	1.9
	III	210.4	122.4	171.8	150.3	119.6	125.7	16.7	10.3	-2.1	0.2	2.4
2021	Sep	216.0	122.8	175.8	150.1	120.2	124.8	17.0	10.7	-1.3	0.8	2.6
	Oct	209.8	124.5	168.5	157.8	122.7	128.6	16.7	10.2	-3.6	-0.5	2.1
	Nov	215.7	125.5	171.8	163.9	123.0	133.2	16.8	10.8	-4.0	-0.7	2.3
		Percentage changes (c)								Percentage of GDP		
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	5.3	1.8	-2.3	0.2	0.2
2016		2.6	-1.7	4.4	-0.4	-3.1	2.8	4.7	-0.1	-1.6	0.3	0.4
2017		7.7	0.7	7.0	10.5	4.7	5.5	8.3	6.9	-2.3	0.0	0.7
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.9	2.5	-2.9	-0.3	0.7
2019		2.0	0.7	1.3	0.9	-0.1	0.9	1.8	2.2	-2.5	-0.3	0.8
2020		-10.2	-0.7	-9.5	-14.8	-3.1	-12.4	-8.2	-13.1	-1.2	0.3	1.4
2021(d)		21.2	7.2	13.0	23.6	9.0	13.3	23.5	37.7	--	--	--
2019	IV	-0.5	1.6	-2.1	-4.1	3.4	-7.3	0.5	-1.8	-8.0	0.6	3.5
2020	I	-5.1	-0.8	-4.3	-3.4	-1.8	-1.6	-2.9	-8.2	-9.8	-0.6	3.5
	II	-20.3	-1.6	-19.0	-25.8	-5.7	-21.3	-19.3	-21.8	-2.7	1.0	8.2
	III	25.2	-1.0	26.4	24.8	0.7	24.0	25.5	24.7	-2.6	2.6	6.3
	IV	2.7	1.8	0.9	3.1	1.8	1.2	1.1	5.2	-3.0	1.9	5.2
2021	I	3.5	2.4	1.1	4.9	3.0	1.8	6.4	-0.9	-4.5	2.8	7.2
	II	11.5	3.6	7.6	12.4	4.7	7.4	10.8	12.6	-5.9	2.0	7.7
	III	0.7	2.6	-1.8	2.9	3.2	-0.3	1.4	-0.4	-8.2	1.0	9.4
2021	Sep	3.2	1.1	2.0	-2.4	0.5	-2.9	3.0	3.3	--	--	--
	Oct	-2.9	1.3	-4.1	5.1	2.1	3.0	-1.7	-4.7	--	--	--
	Nov	2.8	0.8	2.0	3.9	0.2	3.6	0.5	6.7	--	--	--

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

Source: Ministry of Economy.

Chart 14.1 - External trade (real)

Annual percent change

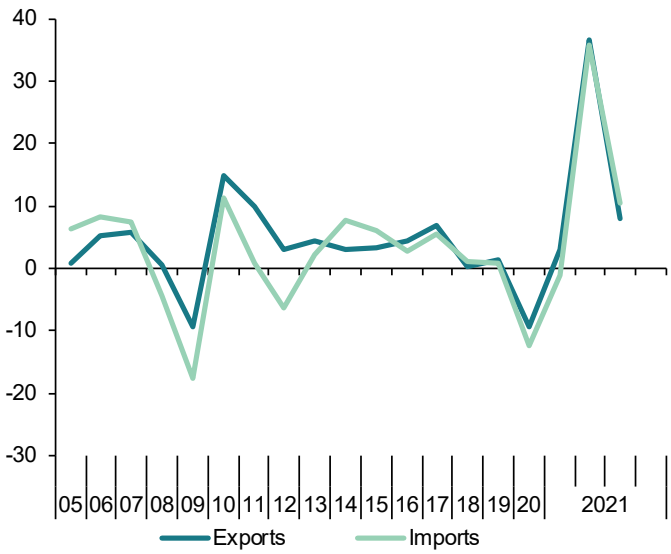


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

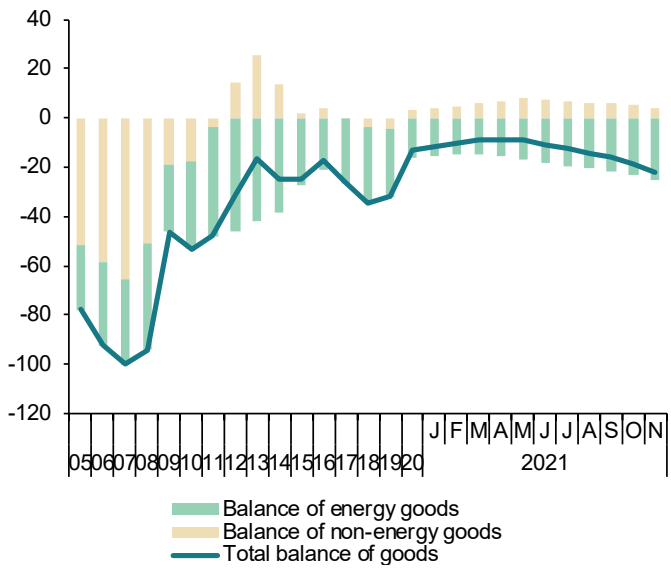


Table 15

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	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
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		32.21	-22.04	63.93	0.44	-10.13	2.84	35.05	68.01	12.46	25.08	22.74	7.72	-32.63	0.33
2018		22.61	-29.31	62.00	1.73	-11.81	5.81	28.42	46.64	-16.87	15.13	49.43	-1.05	-14.25	3.98
2019		26.19	-26.76	63.22	2.69	-12.96	4.22	30.40	10.48	6.62	-48.01	59.42	-7.55	14.82	-5.11
2020		9.25	-9.09	25.62	6.59	-13.87	4.47	13.72	98.22	19.60	53.67	32.05	-7.09	-80.98	3.53
2021 (a)		6.59	-10.11	25.16	2.04	-10.50	6.00	12.59	33.26	-23.00	21.29	32.46	2.52	-10.53	10.15
2019	IV	7.60	-5.94	13.30	2.88	-2.64	2.06	9.66	17.67	2.21	4.03	11.45	-0.02	-4.49	3.52
2020	I	0.16	-6.17	8.94	1.33	-3.95	0.74	0.90	46.43	-2.76	31.55	15.79	1.86	-43.40	2.13
	II	1.99	0.51	3.72	0.30	-2.54	0.73	2.71	1.76	5.14	-3.72	-3.26	3.60	5.62	4.67
	III	2.12	-2.71	7.55	0.10	-2.82	0.90	3.02	13.58	7.95	4.64	-0.98	1.98	-0.54	10.03
	IV	4.99	-0.73	5.41	4.86	-4.56	2.10	7.09	6.23	2.14	-7.38	11.19	0.28	5.70	4.84
2021	I	-0.76	-1.54	3.77	0.92	-3.91	0.68	-0.08	2.10	-4.56	3.66	1.33	1.67	-3.00	-0.83
	II	3.00	-1.42	6.68	1.16	-3.42	2.66	5.66	24.11	-16.20	15.43	24.71	0.16	-14.40	4.05
	III	4.35	-7.15	14.71	-0.04	-3.18	2.66	7.01	7.05	-2.24	2.20	6.41	0.68	6.88	6.93
			Goods and Services		Primary and Secondary Income										
2021	Aug	0.65	1.56		-0.91		0.27	0.92	-6.16	-2.68	0.44	-5.05	1.12	10.97	3.88
	Sep	1.21	2.26		-1.06		1.45	2.66	-4.96	6.23	-15.11	2.89	1.03	11.60	3.99
	Oct	2.14	3.34		-1.20		0.72	2.86	-1.82	-1.86	10.10	-11.39	1.32	3.76	-0.92
Percentage of GDP															
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		2.8	-1.9	5.5	0.0	-0.9	0.2	3.0	5.9	1.1	2.2	2.0	0.7	-2.8	0.0
2018		1.9	-2.4	5.2	0.1	-1.0	0.5	2.4	3.9	-1.4	1.3	4.1	-0.1	-1.2	0.3
2019		2.1	-2.2	5.1	0.2	-1.0	0.3	2.4	0.8	0.5	-3.9	4.8	-0.6	1.2	-0.4
2020		0.8	-0.8	2.3	0.6	-1.2	0.4	1.2	8.8	1.7	4.8	2.9	-0.6	-7.2	0.3
2021 (a)		0.8	-1.2	2.9	0.2	-1.2	0.7	1.4	3.8	-2.6	2.4	3.7	0.3	-1.2	1.2
2019	IV	2.3	-1.8	4.1	0.9	-0.8	0.6	3.0	5.4	0.7	1.2	3.5	0.0	-1.4	1.1
2020	I	0.1	-2.1	3.1	0.5	-1.4	0.3	0.3	16.0	-1.0	10.9	5.5	0.6	-15.0	0.7
	II	0.8	0.2	1.5	0.1	-1.0	0.3	1.1	0.7	2.0	-1.5	-1.3	1.4	2.2	1.9
	III	0.8	-1.0	2.7	0.0	-1.0	0.3	1.1	4.8	2.8	1.6	-0.3	0.7	-0.2	3.6
	IV	1.7	-0.2	1.8	1.6	-1.5	0.7	2.4	2.1	0.7	-2.5	3.7	0.1	1.9	1.6
2021	I	-0.3	-0.5	1.3	0.3	-1.4	0.2	0.0	0.8	-1.6	1.3	0.5	0.6	-1.1	-0.3
	II	1.0	-0.5	2.2	0.4	-1.1	0.9	1.9	8.0	-5.4	5.1	8.2	0.1	-4.8	1.3
	III	1.5	-2.4	5.0	0.0	-1.1	0.9	2.4	2.4	-0.8	0.7	2.2	0.2	2.3	2.3

(a) Period with available data.
Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

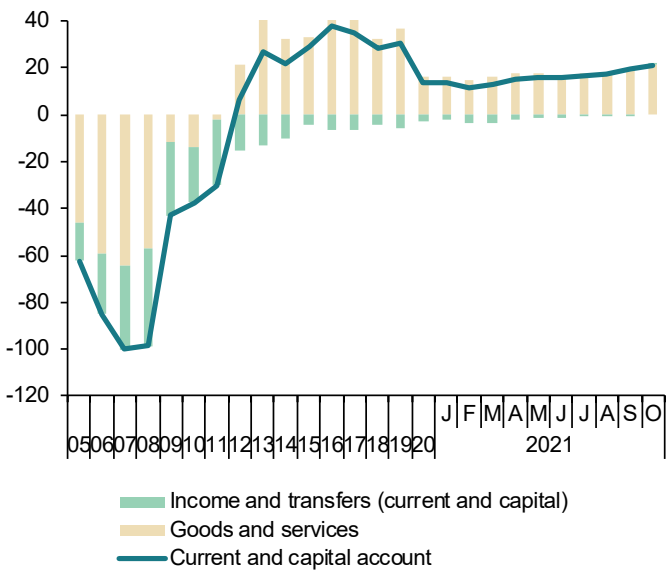


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

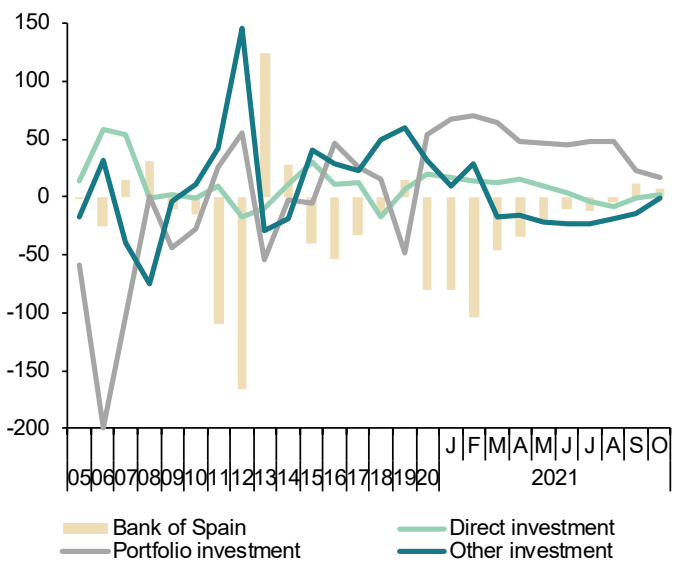


Table 16

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			1999 I =100
2014		102.2	99.8	102.5	100.6	100.0	100.7	102.1	102.8	99.3	112.2
2015		99.4	100.0	99.3	100.0	100.0	100.0	100.0	100.0	100.0	107.8
2016		98.1	96.8	101.3	99.7	100.3	99.4	96.9	97.9	98.9	108.0
2017		97.7	96.5	101.3	101.7	101.8	99.9	101.2	100.7	100.5	109.7
2018		97.0	94.9	102.3	103.5	103.6	99.9	103.8	103.3	100.4	110.5
2019		96.6	95.9	100.7	104.3	104.8	99.5	103.4	103.7	99.8	109.1
2020		94.6	96.8	97.7	103.9	105.1	98.9	99.8	101.2	98.6	108.5
2021 (b)		--	--	--	107.0	107.8	99.3	113.1	109.9	102.9	108.8
2020	I	--	--	--	103.6	104.7	98.9	101.6	102.8	98.8	107.7
	II	--	--	--	104.5	105.5	99.1	97.3	99.9	97.4	108.6
	III	--	--	--	103.4	105.1	98.4	99.7	100.6	99.2	108.2
	IV	--	--	--	104.1	105.0	99.1	100.4	101.4	99.0	109.3
2021	I	--	--	--	104.1	105.8	98.4	104.1	104.1	100.1	108.2
	II	--	--	--	106.9	107.4	99.5	109.5	107.2	102.2	109.5
	III	--	--	--	106.9	108.0	99.0	116.3	112.2	103.7	108.3
	IV	--	--	--	110.2	109.9	100.3	--	--	--	--
2021	Oct	--	--	--	109.6	109.4	100.2	126.3	118.4	106.7	109.5
	Nov	--	--	--	109.9	109.9	100.0	128.2	120.1	106.7	109.1
	Dec	--	--	--	111.1	110.4	100.7	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2014		-1.7	0.2	-1.9	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-1.1
2015		-2.8	0.3	-3.1	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-3.9
2016		-1.3	-3.2	2.0	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.2
2017		-0.4	-0.3	0.0	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-0.7	-1.7	1.0	1.7	1.7	0.0	2.5	2.6	-0.1	0.8
2019		-0.5	1.1	-1.6	0.8	1.2	-0.4	-0.3	0.3	-0.6	-1.3
2020		-2.0	0.9	-3.0	-0.3	0.3	-0.6	-3.3	-2.5	-0.8	0.3
2021 (c)		--	--	--	3.0	2.6	0.4	13.5	8.7	4.8	0.3
2020	I	--	--	--	0.7	1.1	-0.4	-2.1	-1.2	-0.9	-1.1
	II	--	--	--	-0.6	0.2	-0.8	-6.5	-3.8	-2.7	-1.1
	III	--	--	--	-0.6	0.0	-0.6	-3.3	-2.8	-0.5	-0.3
	IV	--	--	--	-0.8	-0.3	-0.5	-2.3	-2.0	-0.3	0.4
2021	I	--	--	--	0.5	1.1	-0.6	2.5	1.2	1.3	0.4
	II	--	--	--	2.3	1.8	0.5	12.5	7.3	5.2	0.9
	III	--	--	--	3.4	2.8	0.6	16.6	11.5	5.1	0.1
	IV	--	--	--	5.8	4.6	1.2	--	--	--	--
2021	Oct	--	--	--	5.4	4.1	1.3	26.7	17.2	9.5	0.5
	Nov	--	--	--	5.5	4.9	0.6	27.8	18.6	9.2	-0.2
	Dec	--	--	--	6.6	5.0	1.6	--	--	--	--

(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

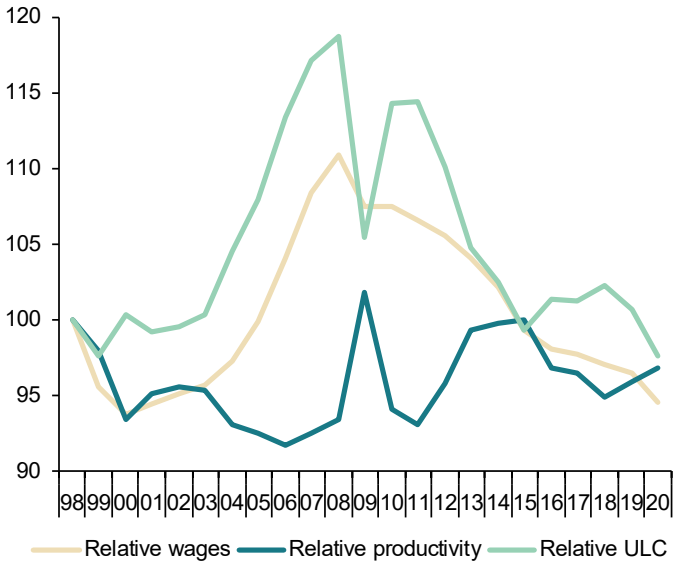


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

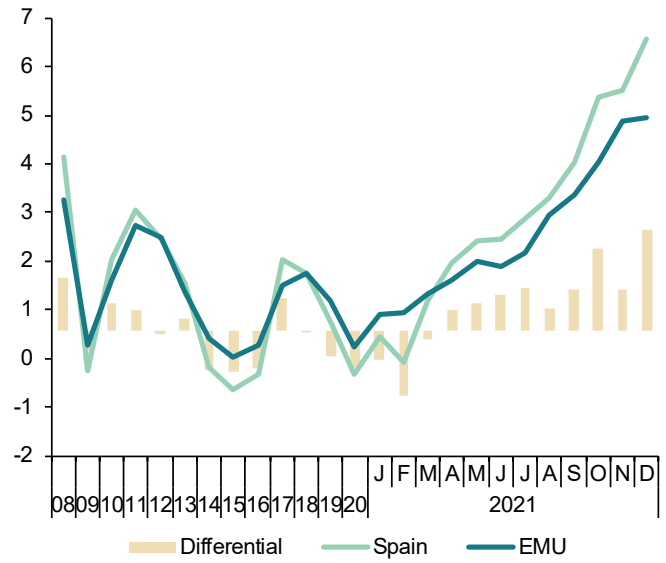


Table 17a

Imbalances: International comparison (I)

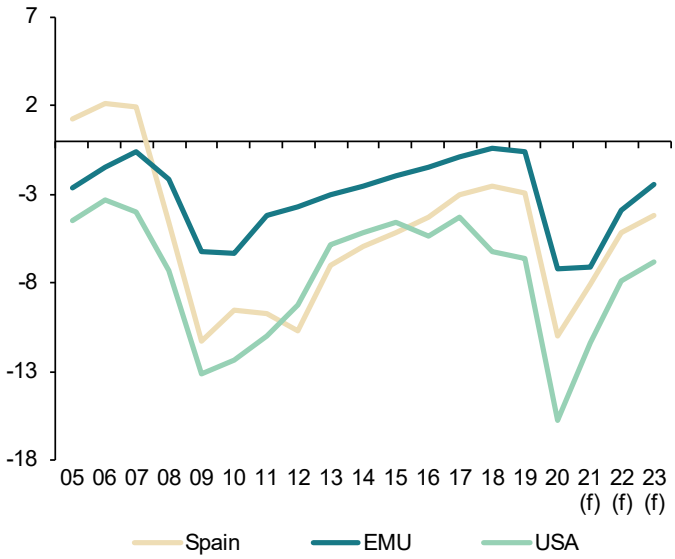
(In yellow: European Commission Forecasts)

	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					
2008	-50.7	-208.0	-1,084.5	440.6	6,700.8	10,844.6	-98.8	-49.1	-704.2
2009	-120.6	-578.3	-1,896.6	569.5	7,440.5	12,535.2	-43.7	64.9	-383.1
2010	-102.2	-598.3	-1,863.1	649.2	8,199.1	14,316.3	-39.2	59.1	-439.8
2011	-103.6	-416.1	-1,709.1	743.0	8,658.8	15,518.1	-29.0	88.5	-460.3
2012	-110.7	-366.2	-1,493.3	889.9	9,114.9	16,740.3	0.9	230.0	-423.9
2013	-71.8	-300.4	-977.3	977.3	9,429.4	17,597.5	20.8	285.1	-352.1
2014	-61.1	-251.0	-910.4	1,039.4	9,674.6	18,328.2	17.5	320.1	-376.2
2015	-55.8	-208.7	-837.2	1,070.1	9,792.7	19,089.9	21.8	359.2	-424.7
2016	-48.0	-159.7	-1,003.6	1,104.6	9,973.5	19,986.4	35.4	390.5	-403.7
2017	-35.3	-104.5	-839.2	1,145.1	10,052.2	20,642.2	32.2	414.5	-372.9
2018	-30.0	-50.6	-1,282.7	1,173.4	10,153.5	21,972.3	22.6	417.7	-440.3
2019	-35.8	-77.1	-1,419.1	1,188.8	10,240.3	23,188.6	26.2	371.0	-479.8
2020	-122.9	-821.7	-3,291.5	1,345.8	11,323.2	26,531.3	9.3	300.8	-587.1
2021	-96.1	-869.1	-2,615.2	1,436.7	12,167.3	29,623.6	4.0	379.5	-819.9
2022	-66.7	-503.1	-1,936.9	1,509.4	12,662.4	31,566.2	10.6	408.9	-883.5
2023	-56.2	-318.7	-1,733.9	1,572.5	13,046.5	33,302.6	14.1	463.5	-893.7
				Percentage of GDP					
2008	-4.6	-2.2	-7.3	39.7	69.6	73.4	-0.5	-8.9	-4.8
2009	-11.3	-6.2	-13.1	53.3	80.2	86.6	0.7	-4.1	-2.6
2010	-9.5	-6.3	-12.4	60.5	86.0	95.1	0.6	-3.7	-2.9
2011	-9.7	-4.2	-11.0	69.9	88.4	99.5	0.9	-2.7	-3.0
2012	-10.7	-3.7	-9.2	86.3	92.7	103.0	2.3	0.1	-2.6
2013	-7.0	-3.0	-5.8	95.8	94.9	104.5	2.9	2.0	-2.1
2014	-5.9	-2.5	-5.2	100.7	95.1	104.4	1.7	3.1	-2.1
2015	-5.2	-2.0	-4.6	99.3	93.1	104.9	2.0	3.4	-2.3
2016	-4.3	-1.5	-5.4	99.2	92.2	106.9	3.2	3.6	-2.2
2017	-3.0	-0.9	-4.3	98.6	89.6	106.0	2.8	3.7	-1.9
2018	-2.5	-0.4	-6.2	97.5	87.5	107.0	1.9	3.6	-2.1
2019	-2.9	-0.6	-6.6	95.5	85.5	108.5	2.1	3.1	-2.2
2020	-11.0	-7.2	-15.8	120.0	99.3	127.0	0.8	2.6	-2.8
2021	-8.1	-7.1	-11.4	120.6	100.0	129.3	0.3	3.1	-3.6
2022	-5.2	-3.9	-7.9	118.2	97.9	128.6	0.8	3.2	-3.6
2023	-4.2	-2.4	-6.8	116.9	97.0	129.8	1.0	3.4	-3.5

Source: European Commission Forecasts, Autumn 2021.

Chart 17a.1 - Government deficit

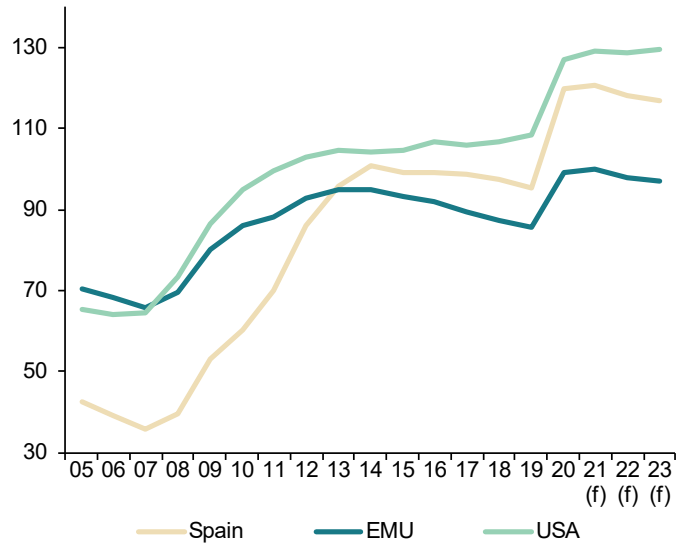
Percentage of GDP



(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	4,771.4	8,940.4	954.1	7,273.3	8,180.5
2006	783.5	5,193.1	9,940.3	1,171.9	7,914.9	9,000.7
2007	879.3	5,561.2	10,625.0	1,371.6	8,673.8	10,136.1
2008	916.7	5,774.0	10,577.3	1,460.0	9,363.5	10,709.7
2009	908.9	5,880.7	10,441.3	1,473.5	9,458.0	10,192.1
2010	905.2	6,021.5	9,992.3	1,498.0	9,696.1	10,060.1
2011	877.9	6,104.5	9,785.5	1,458.3	10,085.7	10,296.1
2012	840.9	6,097.0	9,537.1	1,339.2	10,245.9	10,839.2
2013	793.6	6,057.7	9,437.0	1,267.9	10,273.1	11,352.2
2014	757.8	6,064.6	9,387.3	1,203.7	10,645.3	12,121.6
2015	733.3	6,127.9	9,492.8	1,183.7	11,194.0	12,931.4
2016	718.5	6,232.8	9,658.8	1,166.5	11,534.4	13,588.5
2017	711.0	6,395.1	9,928.8	1,146.6	11,711.1	14,548.9
2018	709.6	6,582.3	10,203.9	1,138.0	12,016.1	15,515.6
2019	708.6	6,809.2	10,481.2	1,150.1	12,385.1	16,270.1
2020	701.3	7,000.7	10,919.7	1,199.3	12,810.8	17,718.4
	Percentage of GDP					
	Percentage of GDP					
2005	70.8	56.5	68.6	102.9	86.1	62.7
2006	78.0	58.4	71.9	116.7	89.0	65.1
2007	81.8	59.2	73.4	127.5	92.4	70.0
2008	82.6	60.0	71.6	131.6	97.3	72.5
2009	85.0	63.4	72.1	137.8	102.0	70.4
2010	84.4	63.2	66.4	139.6	101.7	66.8
2011	82.5	62.3	62.7	137.1	103.0	66.0
2012	81.6	62.0	58.7	129.9	104.2	66.7
2013	77.8	61.0	56.0	124.3	103.4	67.4
2014	73.4	59.6	53.5	116.6	104.6	69.1
2015	68.0	58.2	52.1	109.8	106.4	71.0
2016	64.5	57.6	51.7	104.7	106.7	72.7
2017	61.2	57.0	51.0	98.7	104.4	74.7
2018	59.0	56.7	49.7	94.6	103.6	75.6
2019	56.9	56.8	49.0	92.4	103.3	76.1
2020	62.5	61.4	52.3	106.9	112.4	84.8

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

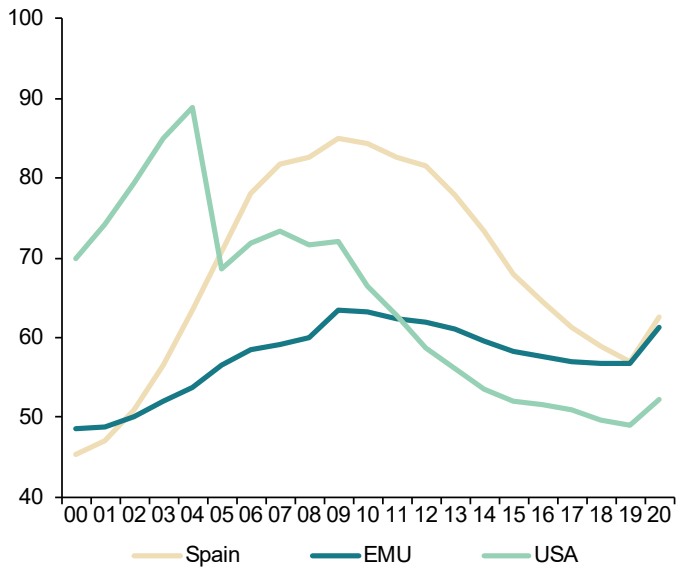
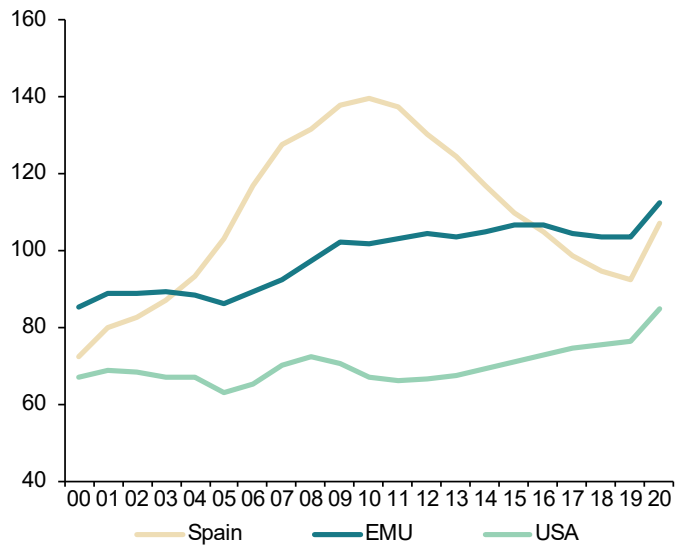


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: January 15th, 2022

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	0.008	October 2021
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.6	October 2021
Doubtful loans (monthly % var.)	0.2	October 2021
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	2,208,332	December 2021
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	289,545	December 2021
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	16	December 2021
"Operating expenses/gross operating income" ratio (%)	59.57	September 2021
"Customer deposits/employees" ratio (thousand euros)	11,929.24	September 2021
"Customer deposits/branches" ratio (thousand euros)	102,795.08	September 2021
"Branches/institutions" ratio	105.33	September 2021

A. Money and Interest Rates

Indicator	Source	Average 2001-2018	2019	2020	2021 December	2022 January 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.1	5.0	12.3	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.5	-0.383	-0.545	-0.572	-0.563	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.9	-0.249	-0.499	-0.501	-0.483	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.6	0.6	0.03	0.5	0.6	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	-	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": Monetary authorities continue to monitor inflation, showing increasing concerns. The Fed is expected to increase interest rates in March this year. Interest rate increases may take longer in the eurozone, not before 2023. Interbank rates increased in the first half of January. The 1-year Euribor rate went from -0501% in December to -0.483% by January 15th, and the 3-month interbank rate increased from -0.572% to -0.563% over the same period. As for the Spanish 10-year bond yield, it increased to 0.6%.

B. Financial Markets

Indicator	Source	Average 2001-2018	2019	2020	2021 October	2021 November	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	22.1	288.7	28.8	26.64	30.72	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	19.8	87.2	18.5	13.76	13.61	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.5	0.01	0.34	0.00	0.00	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.6	1.2	0.63	0.38	0.63	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.5	-0.54	-0.54	-0.65	-0.75	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	727.5	1,311.87	1,289.02	-	-	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	0.1	1.2	-0.6	2.35	-6.75	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	2.6	-7.4	10.7	27.72	-4.41	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	1,007.1	881.6	718.9	892.98	874.35 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,703.6	8,812.9	7,347.3	9,057.7	8,806.6 (a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.6	13.2	15.1	14.1	11.3 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange		-		-	-	Variation for all stocks

B. Financial Markets (continued)

Indicator	Source	Average 2001-2018	2019	2020	2021 October	2021 November	Definition and calculation
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF		-		-	-	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF		-		-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.9	-14.4	5.1	-20.3	19.2	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	12.9	30	35.4	-57.1	66.6	IBEX-35 shares concluded transactions

(a) Last data published: January 15th, 2021.

Comment on "Financial Markets": The stock market followed an increasing trend in the first half of January, despite the tensions on inflation and COVID variants. The IBEX-35 increased to 8,807 points, and the General Index of the Madrid Stock Exchange to 874. During November (last month available), there was an increase in transactions of outright spot T-bills to 30.72 and a decrease in spot government bonds transactions to 13.61. There was an increase in IBEX-35 futures of 19.2% and of options of 66.6%.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2018	2019	2020	2021 Q2	2021 Q3	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-1.4	2.5	1.2	1.4	1.7	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	1.7	2.2	7.1	4.8	4.2	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	270.1	282.0	335.3	331.8	327.4	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	63.7	56.9	62.5	61.4	59.8	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.5	5.9	1.8	2.8	-0.8	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.2	0.3	0.3	2.1	-0.7	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2021Q3, the financial savings to GDP in the overall economy increased by 1.7% of GDP. There was a decrease in the financial savings rate of households to 4.2%. The debt to GDP ratio of the economy reached 327%. Finally, there was a decrease in the stock of financial assets on households' balance sheets of 0.8% and of 0.7% in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2017	2018	2019	2021 September	2021 October	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.1	-4.7	0.2	0.3	0.08	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	7.0	0.7	0.3	0.3	-0.6	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	9.95	-0.9	-0.3	-3.1	1.7	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.3	-8.8	0.5	0.02	-0.4	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	-2.2	-0.6	-1.6	1.6	1.1	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	-0.3	-2.3	-1.7	-1.4	0.2	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	2.6	-1.4	-1.1	-0.2	-3.8	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	7.8	-4.1	0.3	-0.8	-0.9	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": The latest available data as of October show an increase in bank credit to the private sector of 0.08%. Data also show a decrease in financial institutions' deposit-taking of 0.6%. Holdings of debt securities rose 1.7%. Doubtful loans increased by 0.2% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2018	2019	2020	2021 June	2021 September	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	179	114	113	112	112	Total number of banks, savings banks and credit unions operating in Spanish territory
37. Number of foreign credit institutions operating in Spain	Bank of Spain	76	81	78	79	81	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	231,976	176,838	175,185	-	175,185 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	37,607	23,851	22,589	20,823	20,330	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	371,551	642,118	1,774,798	2,132,054	2,208,332 (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	79,421	132,611	260,971	290,262	289,545 (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	26,049	102	3	34	16 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2020.

(b) Last data published: December 2021.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In December 2021, recourse to Eurosystem funding by Spanish credit institutions reached 289.5 billion euros.

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 592 billion euros in September 2021 and 4.7 trillion euros for the entire Eurozone banking system.

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

Indicator	Source	Average 2000-2018	2019	2020	2021 Q2	2021 Q3	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	49.11	53.30	54.90	57.96	59.57	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions´ P&L accounts
44. "Customer deposits/ employees" ratio (Euro thousands)	Bank of Spain	4,219.37	9,574.38	11,173.92	11,620.24	11,929.24	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	27,149.27	74,450.04	89,952.10	100,175.86	102,795.08	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2018	2019	2020	2021 Q2	2021 Q3	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	194.96	123.09	116.74	109.02	105.33	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.24	7.7	8.1	8.6	8.6	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	0.04	0.25	-2.4	-0.7	-0.6	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.43	0.59	0.4	0.4	0.5	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.78	6.96	-0.7	5.9	6.5	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2021Q3, there was a relative increase in the profitability of Spanish banks.

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 (foreign-born)	New exits (born in Spain)
2008	46,157,822	40.8	16.5	78.2	84.3	47.5	24.5	13.1	701,997	33,053
2010	47,021,031	41.1	16.9	79.1	85.1	48.6	25.0	14.0	441,051	39,211
2012	47,265,321	41.6	17.4	79.4	85.1	50.4	26.1	14.3	344,992	51,666
2014	46,771,341	42.1	18.1	80.1	85.7	51.6	27.4	13.4	368,170	66,803
2015	46,624,382	42.4	18.4	79.9	85.4	52.4	28.0	13.2	417,655	74,873
2016	46,557,008	42.7	18.6	80.3	85.8	52.9	28.4	13.2	492,600	71,508
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	592,604	63,754
2018	46,722,980	43.1	19.1	80.5	85.9	53.6	29.3	13.7	715,255	56,745
2019	47,026,208	43.3	19.3	80.9	86.2	53.7	29.6	14.4	827,052	61,338
2020	47,450,795	43.6	19.4	79.6	85.1	53.5	29.8	15.2	523,618	41,708
2021●	47,344,649	43.8	19.7			53.4	30.2	15.4		
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 (%)
2008	16,742	2.71	12.0	10.2	8.5	8.4	2.39	32.4	30.2	1.6
2010	17,174	2.67	12.8	9.9	7.2	7.9	2.21	33.2	31.0	1.9
2012	17,434	2.63	13.7	9.9	7.2	6.7	2.23	33.8	31.7	2.0
2014	18,329	2.51	14.2	10.6	6.9	6.5	2.17	34.4	32.3	2.1
2015	18,376	2.54	14.6	10.7	7.3	6.5	2.08	34.8	32.7	2.3
2016	18,444	2.52	14.6	10.9	7.5	6.8	2.08	35.0	32.9	2.5
2017	18,512	2.52	14.2	11.4	7.4	7.0	2.11	35.3	33.2	2.7
2018	18,581	2.51	14.3	11.5	7.1	6.6	2.04	35.6	33.4	2.9
2019	18,697	2.52	14.9	11.2	7.1	6.7	1.95	36.0	33.9	3.1
2020	18,794	2.52	15.0	11.4	3.8	4.1	1.63	37.1	34.9	3.5
2021■	18,895	2.51								
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 (%)
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
2019	31.1	1.17	1.59	48.4	11.5	64.1
2020	31.2	1.12	1.45	47.6	10.3	65.8
Sources	ID INE	ID INE	ID INE	ID INE	MSAN	MSAN

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

Marriage rate: Number of marriages per thousand population.

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 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)
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	1,750,579	667,287	675,971	1,290,455	217,840	50,807,185	4.23
2019	19.3	6.3	30.3	44.7	1,749,597	673,740	706,533	1,296,379	237,118	53,056,500	4.26
2020	17.7	6.1	31.3	44.8	1,622,353●	684,804●	772,417●	1,340,632●	248,460●		
2021■	16.5	5.8	32.3	46.4							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	INE National Accounts

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			
		Retirement		Permanent disability		Widowhood			Social Security		
	Unemployment total	Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)	Unemployment	Retirement	Disability	Other
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	1,000	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	807,614	6,038,326	1,138	957,500	975	2,361,620	712	912,384	259,570	193,122	14,997
2020	1,828,489	6,094,447	1,162	952,704	985	2,352,680	725	1,017,429	261,325	188,670	13,373
2021	932,777■	6,165,348	1,190	949,765	994	2,353,986	740	975,654■	262,004■	184,692■	12,019■
Sources	INEM	INSS	INSS	INSS	INSS	INSS	INSS	INEM	IMSERSO	IMSERSO	IMSERSO

INEM: Instituto Nacional de Empleo.

INSS: Instituto Nacional de la Seguridad Social.

IMSERSO: Instituto de Mayores y Servicios Sociales.

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

■ *Data refer to January-November.*

Table 5

Social protection: Health care

	Expenditure				Resources				Satisfaction*		Time 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 asigned	Specialist nurses per 1,000 inhabitants	Primary care nurses per 1,000 people asigned	With the working of the health system	With medical history and tracing by family doctor or pediatrician	Non-urgent surgical procedures	First specialist consultations per 1,000 inhabitants
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	2.0	0.8	3.5	0.7	6.6	7.5	129	96
2019	9.00	6.40	3,616	2,560	2.0	0.8	3.5	0.7			115	81
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.

** Average of population satisfaction measured on a scale of 1 to 10, where 1 means "totally unsatisfactory" and 10 "totally satisfactory".*

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Notes

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