SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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The Spanish economy in the context of a shift in monetary policy

funcas

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Letter from the Editors

Concerns about global economic prospects have intensified since the last issue of *Spanish and International Economic & Financial Outlook (SEFO)*. The OECD's June forecasts project global growth of 3% this year, down almost 1.5 points from its prior estimate, and the organisation has flagged the risk of stagflation. The invasion of Ukraine has compounded existing tensions in the energy and commodities markets, spilling over to other prices and driving inflation to levels not seen in the developed world since the 1980s. Importing nations, notably including the EU, are facing a loss of purchasing power that is weighing on the recovery expected in the wake of the pandemic. The inflationary environment is prompting monetary policy tightening, led by the Federal Reserve, followed by the ECB.

Given the importance of the monetary policy shift to the economic outlook for Europe and Spain, we start off the July issue of *SEFO* with a focus on the ECB´s policy debate. The European Central Bank's Governing Council faces a conundrum as it speeds up the withdrawal of stimulus to tackle accelerating inflation. The rapid tightening of monetary policy and expectations of its future path threatened to incite financial market fragmentation through widening spreads on sovereign bonds across the eurozone over the spring of 2022. The Governing Council of the ECB must walk a fine line between unwinding its unconventional monetary policy tools, while preventing the fragmentation of European financial markets and potential disruption of the monetary transmission mechanism. This challenge is complicated by the fact that much of the potential for disruption lies in the minds of market participants. In order to maintain the ability to shape market expectations, the Governing Council requires credibility, yet that credibility suffered a hit as the ECB had to walk back much of its forward guidance from late 2021. Fortunately, the Governing Council appears to have a plan, and that plan appears to be working. The next two meetings will be crucial in deciding just how much it can deliver.

Within this context, the July *SEFO* then takes a look at the economic prospects for the Spanish economy. Despite an extremely modest expansion in the first quarter of the year, Spain's economy is still expected to grow by 4.2% in 2022. Investment, goods and non-tourism services exports and tourism are expected to drive growth until the third quarter. Thereafter, headwinds related to inflation, high energy prices, geopolitics and more restrictive monetary policy will cause growth to slow significantly. GDP is expected to grow by 2.0% in 2023 (lower than the previous March forecast of around 3.3%). Over the forecast horizon, high and persistent inflation is expected to dampen households' purchasing power and real consumption. Investment will still be supportive, partly driven by Next Generation EU (NGEU) funds. While the pace of job creation should slow, the unemployment rate could fall below 12% by the end of the projection period. Spain's balance of payments should remain favourable with strong tourism earnings offsetting rising energy import costs. As growth slows into 2023, household and corporate balance sheets appear to be in a position to sustain higher interest rates, especially when compared to the 2011-2014 financial crisis. Public finances are more vulnerable to the turn in monetary policy. They should remain sustainable if growth continues and deficits are gradually reduced. Risks to growth include geopolitics (war in Ukraine) and higher energy prices, along with monetary tightening and the prospect of fragmentation in eurozone financial markets.

We then shift our attention to inflation and its possible implications. Major monetary policy decisions were taken in June to curb rising inflation, which increasingly exhibits considerable structural traits. While central banks are acting, they acknowledge that if the exogenous supply factors contributing to high inflation persist, more aggressive measures would be needed. Central bank action also appears to be more aggressive than initially contemplated in response to rising market expectations. The timing of interest rate hikes should be cautious, due to possible impacts on consumers and businesses, especially if the economy and labour market were to deteriorate. To the extent that inflation remains at elevated levels (even less than present), the real interest rate will remain clearly negative. One of the markets most exposed to the rate environment is the property market and, relatedly, the mortgage market, albeit the impact in Spain is expected to be moderate. In Spain, new home prices increased at 10.1% year-on-year in the first quarter of 2022, with resale house prices not far behind, at 8.2%. Concurrently, home mortgages have been growing at around 1.2% year-on-year in recent months. Despite the sources of concern and uncertainty, business lending has been growing at a rate of 1% to 1.7% year-on-year from January to April 2022, but risks are rising. One such risk is a higher-than-expected increase in borrowing costs, especially if the sovereign risk premium rises, which would have significant knock-on effects for private sector financing.

Rising inflation and the subsequent monetary policy response will also impact sovereign yield curves. The upward shift in yield curves since mid-2021 carries major implications for European banks. On the positive side, interest rate tightening foreshadows a period of increasing short-term rates, which will support retail bank net interest income following five years of negative rates and downward pressure on margins. On the negative side, rate hikes portend adverse effects for European banks through two channels: i) higher borrowing and energy costs may impact households' and businesses' ability to service their debts with implications for rising non-performing loans; and, ii) the direct and immediate losses on public debt securities held by the banks on their balance sheets. The effect of losses on bank balance sheets related to public debt securities threatens reviving memories of the sovereign-bank risk loop unleashed in the eurozone between 2010 and 2012 via the bank-public debt nexus, but there are noteworthy mitigating factors. In the case of Spain, two factors mitigate the fact that domestic sovereign debt exposures are slightly above the European average in terms of their sensitivity to impairment losses on those portfolios. The first is the average maturity of the public debt portfolios, which is shorter in Spain than in Europe and the second is how those exposures are classified for accounting purposes, which, among other things, translates to lower volatility.

The ultra-low rate environment has also exerted pressure on banks' net interest income, forcing them to seek out alternative sources of income in order to generate returns at the level expected by investors. The average net interest margin hit a record low of 0.8% of assets in 2021, dropping to 49% as a share of total income. In parallel, fee and commission income has increased, and now accounts for 31% of total income. The composition of both interest income and fee mix has also evolved over the years.

Compared to European banks, Spanish banks stands out for having the highest share of interest income in total earnings and among the lowest share of fee and commission income in total earnings. Fee and commission income, measured as a percentage of average total assets, is in line with the eurozone average.

Finally, within the financial sector, we assess the implications of the current economic environment on the insurance sector. The bottlenecks caused by the pandemic and the war in Ukraine are sending prices soaring and leading to inflationary pressures not seen in decades. Major central banks have announced sharp and sustained rate hikes, while clouds have gathered over forecasts for Spain´s economic growth. Spain´s insurance sector has traditionally proven highly resilient and capable of adapting to shifting market environments. The changes taking hold will impact the sector's investment portfolios and trigger a business response mainly in life insurance and traditional savings products, which have suffered from under-development in recent years due to a period of protracted low interest rates. The anticipated economic slowdown could also negatively impact demand for certain non-life products. Finally, inflation is expected to increase the costs of claims as not all segments can pass on rising costs to client premiums.

Lastly, we close the July *SEFO* with an analysis of the impact of the pandemic and the post-pandemic recovery within Spain´s manufacturing sector. At the headline level, the Spanish manufacturing industry appears to have fully overcome the harsh effects of the pandemic, with revenue and hiring back to pre-pandemic levels. However, the new geopolitical paradigm and supply side frictions are weighing on growth once more. The situation in the transport materials sector is of particular concern, with revenue and employment still 10% and 8% below 2019 levels. Meanwhile, other sectors have fully recovered and have grown revenues and workforces above pre-pandemic levels, except for the textile and clothing and the paper, publishing, and graphic arts sectors. While revenue is back above pre-pandemic levels for these two sectors, firms have taken advantage of the pandemic to find efficiencies and downsize their labour forces. At the opposite end of the spectrum, sectors experiencing strong sales growth, such as the food, beverage and tobacco and chemicals and pharmaceuticals sectors, are generating new jobs.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
August	2	Social Security registrants and official unemployment (July)
	2	Tourist arrivals (June)
	5	Industrial production index (June)
	12	CPI (July)
	18	Foreign trade report (June)
	30	Retail trade (July)
	30	Preliminary CPI (August)
	31	Balance of payments monthly (June)
September	1	Tourist arrivals (July)
	2	Social Security registrants and official unemployment (August)
	8	ECB monetary policy meeting
	9	Industrial production index (July)
	12	Non-financial accounts, State (July)
	12	Non-financial accounts, Regional Governments and Social Security (June)
	13	CPI (August)
	20	Foreign trade report (July)
	23	Balance of payments quarterly (2nd quarter)
	23	Quarterly National Accounts (2nd quarter, 2nd release)
	29	Preliminary CPI (September)
	30	Retail trade (August)
	30	Non-financial accounts, State (August)
	30	Non-financial accounts, Regional Governments and Social Security (July)
	30	Non-financial accounts, General Government (2nd quarter)
	30	Quarterly Non-financial sector accounts (2nd quarter)
	30	Balance of payments monthly (July)

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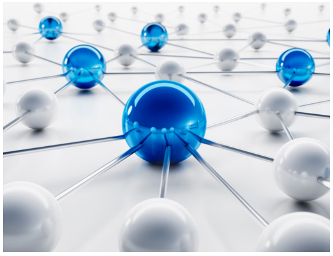
What Matters



31 The yield curve and the bank-public debt nexus

For banks, higher rates mean better interest income, but also higher debt servicing costs for households and businesses and a decline in the value of securities held on banks´ balance sheets. In this context, for the first time since the Eurozone Crisis, the bank-public debt nexus is under renewed scrutiny, as monetary tightening unsettles markets and yield curves shift up.

Marta Alberni, Ángel Berges and María Rodríguez, A.F.I.

37 The shifting income structure of Spanish banks

While recording among the lowest share of fee and commission income as a percent of total earnings compared to other EU banks, in line with their peers, Spanish banks too adapted to the low interest rate environment by raising fee and commission revenues. With interest rates on their way up and volatility increasing, rising net interest income and trading gains for Spanish banks may help reverse downward pressures on profitability.

Joaquín Maudos

45 Readiness of the Spanish insurance sector in a shifting economic and financial environment

Increasing interest rates and rising inflation bring a mixture of opportunity and concern for Spain's insurance sector. Rising rates should support life insurance and savings products, while slowing growth and higher inflation may erode demand and margins for other products and segments.

Daniel Manzano and Aitor Milner, A.F.I.

Regulation and Economic Outlook

Key Facts

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The ECB's policy conundrum

Higher and more persistent than expected inflation disrupted the ECB's initial forward guidance from late 2021. As the ECB pivots to unwind stimulus more aggressively to tame inflation, it must minimize fragmentation risk and the disruption of monetary policy transmission across eurozone financial markets.

Erik Jones

Abstract: The European Central Bank's Governing Council faces a conundrum as it speeds up the withdrawal of stimulus to tackle accelerating inflation. The rapid tightening of monetary policy and expectations of its future path threatened to incite financial market fragmentation through widening spreads on sovereign bonds across the eurozone over the spring of 2022. The Governing Council of the ECB must walk a fine line between unwinding its unconventional monetary policy tools, while preventing the fragmentation of European financial markets and potential disruption of the monetary transmission mechanism. This challenge is complicated by the fact that much of the potential for disruption lies in the minds of market participants. In order to maintain the ability to shape market expectations, the Governing Council requires credibility, yet that credibility suffered a hit as the ECB had to walk back much of its forward guidance from late 2021. Fortunately, the Governing Council appears to have a plan, and that plan appears to be working. The next two meetings will be crucial in deciding just how much it can deliver.

Introduction

On December 16th, 2021, European Central Bank (ECB) President Christine Lagarde announced the Governing Council's plan to wind up the pandemic emergency purchase program (PEPP) by the end of the next quarter. [1] Her message was cautiously optimistic.

> “The question now is whether the Governing Council can deliver both in terms of price stability and in holding together the monetary transmission mechanism.”

The critical phase of the pandemic-induced emergency had ended and the recovery of the eurozone's economy had taken root. Inflation was already accelerating, but the Governing Council could confidently look through it to a medium-term when expected price inflation would be below the 2 percent target for 'price stability'. Therefore, some monetary accommodation remained necessary. Indeed, the Governing Council planned to expand net purchases under the regular (*i.e.,* non-pandemic) asset purchase program to smooth the transition away from the pandemic emergency program. Policy rates would not come up until net purchases under the regular asset purchase program ended. Prior to the meeting, Largarde made it clear that market participants should not expect that kind of normalisation of monetary policy until after the coming calendar year (see Arnold and Lagarde, 2021).

Six months later, inflation was much higher than the Governing Council anticipated. (see Table 1). Some of this was due to the Russian invasion of Ukraine and the impact that had on food and energy prices. However, much of the elevated inflation was due to the surprising resilience of pre-war trends, including continued supply chain disruptions due to the ongoing pandemic. By this point it was clear to almost everyone on the Governing Council that it might not be possible to 'look through' currently high rates of inflation. The ECB's own estimates showed that price inflation would be above the 2 percent target for the rest of the forecast period. Consequently, Lagarde used her June 9th monetary press conference to announce that net asset purchases would cease by the end of the second quarter. [2] She also promised that policy rates would increase by 25 basis points (or one quarter of one percent) when the Governing Council meets on July 21st. She committed to another rate increase the following September, conceding that it could be larger than 25 basis points if the revised estimates showed higher than expected inflation. She also insisted that the Governing Council would not allow this 'normalisation'

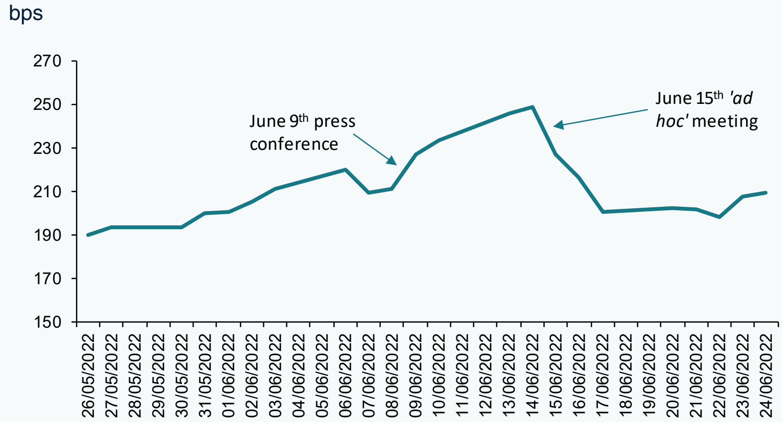
Table 1 **Successive ECB forecasts**

	Forecast Date	2021	2022	2023	2024
HICP Price-Inflation	December '21	2.6	3.2	1.8	1.8
	March '22	2.6	5.1	2.1	1.9
	June '22	*2.6*	*6.8*	*3.5*	*2.1*
Real GDP Growth	December '21	5.1	4.2	2.9	1.6
	March '22	5.4	3.7	2.8	1.6
	June '22	*5.4*	*2.8*	*2.1*	*2.1*

Source: European Central Bank (https://www.ecb.europa.eu/mopo/strategy/ecana/html/table.en.html).

Exhibit 1

Spread BTP over BUND



Source: Il Sole 24 Ore.

of monetary policy to disrupt the monetary policy transmission mechanism. In practice that means she promised to hold down the spread between long-term government bond yields across the euro area.

The reaction within the markets to this change in policy was not immediately favourable. Many market participants complained that the Governing Council was too far behind the curve of accelerating inflation. They worried that the ECB remained too committed to its forward guidance and too timid in the pace of removing monetary accommodation. As a result, these market participants argued, Lagarde ran a real risk of losing control over inflation expectations. If she did, she would not face another sustained period of high inflation like many European countries saw in the 1970s. Instead, she would have to make a much sharper policy correction in the near future as the Governing Council over-corrected its own errors. Such a policy adjustment would be very unfavourable for highly indebted countries, with Italy a particular concern. Hence market participants started speculating against long-term Italian sovereign debt prices, and in doing so, widened the yield spread between Italian and German bonds. This development threatened to disrupt the monetary transmission mechanism. The Governing Council responded by calling an 'ad hoc' or emergency meeting on June 15th. At the end of that meeting, the Governing Council promised to do whatever it takes to achieve its objectives without breaking Europe's monetary union. [3] The details for

> "Given that national central banks hold the risks associated with their purchases of the securities from their own country, including government bonds, the gains and losses from any portfolio reallocation decisions could have important redistributive implications across governments and households."

this new action remained unclear, but market participants reacted with reassurance and the spread declined as a result (see Exhibit 1). The question now is whether the Governing Council can deliver both in terms of price stability and in holding together the monetary transmission mechanism.

Sequencing

To understand the complexity of the challenge, it is useful to review the sequencing that the Governing Council announced as part of its forward guidance for normalizing its monetary policy stance. The initial plan was to run down net purchases on both the pandemic emergency and regular asset purchase programs, then to continue monitoring economic activity until it looked as though expected inflation would converge on or marginally overshoot two percent per annum over the forecast period before starting to raise the policy rates. Along the way, the Governing Council would continue to reinvest the maturing principal on its existing holdings. Simultaneously, the ECB would run down the third round of targeted long-term refinancing operations introduced during the pandemic to encourage banks to lend to firms at concessionary interest rates.

This sequencing is important for two reasons. The first is redistributive. Any increase in policy rates will immediately put downward pressure on bond prices. If the ECB were to continue to make net asset purchases in such an environment, as ECB Executive Board Member Isabel Schnabel explained last November, *central banks would be willingly accepting losses on their balance sheets that would ultimately lead to losses for the average taxpayer, and the continuation of net asset purchases would benefit mostly wealthier households* (see Schnabel, 2021). Of course, such losses apply only to the extent to which the central banks are looking to sell their holdings before they mature. This is how policy rate increases interact with decisions to reinvest the maturing principal of any holdings rather than allow the central bank's balance sheet to shrink. It also suggests the challenges associated with portfolio re-allocation decisions to sell any one group of assets before it matures to expand holdings of (and therefore demand for) other assets – particularly across countries. Given that national central banks hold the risks associated with their purchases of the securities from their own country, including government bonds, the gains and losses from any portfolio reallocation decisions could have important redistributive implications across governments and households.

The second reason for the sequencing relates to effectiveness. Increases in the ECB's policy rates help to withdraw liquidity from the market and so reduce monetary accommodation. This occurs via two channels, the first is mechanical and relates to how banks pass along the costs of meeting their own liquidity requirements via the interbank market. The other is psychological and relates to how market participants speculate against asset price movements as they anticipate the implications of future policy moves for macroeconomic and market performance. This is also referred to as the expectations channel. Whether and how smoothly any change in the policy rates can withdraw monetary accommodation and so slow down the pace of economic activity and therefore price inflation depends upon how much impact it has through both channels.

The ECB's targeted long-term refinancing operations effectively shut down the mechanical transmission of policy rate rises through the banking system because banks can use these long-term concessionary loans to meet their liquidity requirements, at least for the next several months. The first tranche of the pandemic emergency lending was €1.3

> "Banks will not only respond to policy rate increases by changing the cost of borrowing for customers, but they will anticipate them."

trillion and will mature only at the end of June 2023. Another €700 billion will mature in quarterly increments through the end of June 2024. The last two bundles –€98 billion and €52 billion– will run off by the end of that year. This large liquidity overhang explains why very few banks in the euro area try to meet their regulatory liquidity requirements either through the interbank market or through the ECB's main refinancing operations. For example, euro area banks borrowed only €700 million in the weekly liquidity auction that was concluded on June 22nd. [4]

When euro area banks do not get their liquidity at a cost close to the main refinancing rate, then any movement in that rate will not translate mechanically into borrowing costs. That does not mean that there is no impact of a rate rise. On the contrary, banks will not only respond to policy rate increases by changing the cost of borrowing for customers, but they will anticipate them. Banks have been raising the cost of mortgages consistently for the past six months, leading the ECB to warn about a possible fall in house prices (see Arnold, 2022). The point to underscore is that this impact is largely psychological and reflects market assessments of what the ECB's policy moves mean for future asset prices. Moreover, because these market assessments rely on various different factors, this psychological or expectations channel is relatively more volatile than the mechanical influence of monetary policy changes as they operate through the need for banks to meet their regulatory liquidity maintenance requirements through the interbank market.

The ECB's original sequencing for withdrawing from its unconventional monetary policy stance was designed to minimize both the political sensitivities surrounding the central banks' large asset holdings and the implicit constraints that would arise if the ECB had to shrink or restructure its balance sheet. That sequencing was also intended to restore the mechanical transmission of monetary policy changes, while at the same time providing clear guidance for market participants as they shaped expectations about how the normalization of monetary policy would impact on future asset prices. In essence, the strategy was to ensure that the Governing Council maximized both its flexibility and its effectiveness. Both elements were always going to be important; no one imagined that exiting from the ECB's unconventional policy stance was ever going to be easy (see Jones, 2017). The huge expansion of the ECB's balance sheets alongside government borrowing during the pandemic has only increased the degree of complexity.

Acceleration

Unfortunately, the pace of events has accelerated beyond expectations. As a result, much of the sequencing announced by the Governing Council in its forward guidance appears to be collapsing. The ECB is ending net asset purchases before increasing the policy rates, but only by a short period of time, and the huge overhang of liquidity created by the targeted long-term refinancing operations remains in place. Worse, market participants initially reacted to the acceleration of policy tightening by speculating that some assets would suffer more dramatic price declines than others. That is why the spread between Italian and German government bonds suddenly started to widen. Such movements threatened to disrupt the mechanical transmission of monetary policy changes by creating a division between Italian and German interbank markets. Those markets may not be necessary for routine liquidity operations in the banking system at the moment, but they are essential if the ECB is to be able to run down its targeted long-term refinancing operations without creating significant financial distress in Italy.

> "The promise to create some kind of 'anti-fragmentation' tool to hold European interbank markets together appears to have succeeded both psychologically and in more mechanical terms."

Therefore, it was necessary for the Governing Council to reassure the markets that any relative movement in Italian and German government bond prices could be contained sufficiently for the cross-border interbank market to function efficiently over the next two-to-three years. That is why the Governing Council held its ad hoc meeting on June 15th.

This acceleration of events has challenged the effectiveness of ECB policy. The promise to create some kind of 'anti-fragmentation' tool to hold European interbank markets together appears to have succeeded both psychologically and in more mechanical terms. Market participants are willing to accept that the Governing Council knows what it is doing and that it will do whatever it takes to preserve the monetary transmission mechanism.

The challenge now is for the Governing Council to address Isabel Schnabel's distributive implications, both across households and across national governments. To understand why, imagine what such an anti-fragmentation tool would need to respond to if an increase in speculation caused a further widening of the Italian and German spreads. There is an important debate about conditionality here that this discussion ignores. Governments that receive support under such a program should demonstrate they are not subject to moral hazard. But how that demonstration takes place is for another argument. Instead, the focus is on the identification of relative gains and losses.

The first line of defence would be to redistribute the reinvestment of the principal on the pandemic emergency purchase holdings of €1.7 trillion from bonds that trade at a relatively high price to bonds that are under pressure in the markets. According to reporting from *Bloomberg Business,* roughly €17 billion in assets from that program mature each month, of which €12 billion could be redirected (see Randow and Migliaccio, 2022). This volume is small relative to the €20 billion in monthly net asset purchases that are coming to an end. However, this volume is considerable relative to the share of purchases directed at countries that could face market speculation. This commitment is sufficient to restore the status quo through the end of 2024, which is the period when the ECB expects to continue reinvesting the maturing principal on its pandemic emergency program purchases. The net result would be to redistribute holdings from one group of countries to another, so to bolster government bond prices (and therefore hold down relative borrowing costs) for the target group. Such distributive consequences would be significant, but arguably proportionate to the need to sustain the monetary transmission mechanism – especially given the challenges associated with winding up the concessionary long-term refinancing operations introduced during the pandemic.

The next line of defence would be to bolster the purchase of assets facing speculation in the markets by anticipating the sale of holdings for those countries not facing speculation. This becomes more complicated because any sale of assets before they mature would have to take place in secondary markets and so would likely be below the par value that the bonds would garner as they mature. The result would be to impose losses on the central banks (and hence taxpayers) of those governments that sell their holdings early to the advantage of central banks (and governments) of those countries facing speculation. The gains would come not only in terms of high bond prices but also in the yield to maturity of the assets that are purchased. It could be possible to mitigate this discrepancy by anticipating the portfolio redistribution across time rather than matching new purchases with early sales. However, this would increase liquidity and so work against the normalization of monetary policy (and the removal of monetary accommodation) necessary to push back against inflation. Hence it is more likely that the Governing Council will need to 'sterilize' any net asset purchases for countries facing speculation with sales on other parts of its asset portfolio to remain consistent with its goal of promoting price stability.

The proportionality of this second line of defence is more controversial given the greater distributive consequences. Nevertheless, the ECB has been clear that there is no *a priori* objection to this kind of instrument. That is what the 'ad hoc' Governing Council meeting

> Some differentiation in government bond prices is warranted given governments´ differing macroeconomic and political circumstances, and the temptation in the markets will be to find just how much variation the Governing Council will be willing to tolerate.

concluded. As a result, market participants face a high level of uncertainty in speculating how aggressively the ECB might commit to this line of defence. If speculation has calmed in the aftermath of that meeting, it is because few in the markets are willing to risk underestimating the Governing Council's commitment. So far, the ECB's 'anti-fragmentation' tool is a success in terms of shaping market expectation in that sense.

Beyond politics

The challenge will come if the Governing Council needs to step up the pace of its monetary policy normalization. This will come by either raising policy rates more quickly or by reconsidering the pace at which it runs down the size of its balance sheet both in terms of its pandemic emergency purchases and its other accumulated asset holdings. In such an environment, market expectations for the relative strength of government bond prices will depend on many factors beyond the Governing Council's commitment– because governments in Europe face very different macroeconomic challenges while relying on equally varied political coalitions. Some differentiation in government bond prices is warranted in such circumstances, and the temptation in the markets will be to find just how much variation the Governing Council will be willing to tolerate.

The distributive consequences of accelerating the normalization of monetary policy would also become more important. Here Schnabel's observation is critical, because slimming down the ECB's balance sheet, while simultaneously raising interest rates will impose losses on central banks – particularly if the structure and pace of that balance sheet consolidation depends upon disposing assets before they mature. This may require a third line of defence to redistribute losses across national holdings to offset the distribution of gains that arise from the operation of any anti-fragmentation instrument, real or implicit.

The mistake would be to assume that the problem the ECB faces is purely or even primarily political. There is a clear tension between the Governing Council's need to stabilize the monetary transmission mechanism and its ability to shape the course of actual and expected inflation. That tension emerges from the way in which the normalization of monetary policy interacts with the way that policy has an impact on the markets, both mechanically and through the psychology of market participants. The Governing Council has managed to strike a fine balance in terms of convincing market participants to hold judgement. What the Governing Council does in the July and September meetings will determine the policy's overall effectiveness.

Notes

[1] For the text of the December 16th 2021 monetary policy statement and related press conference. https://www.ecb.europa.eu/press/pressconf/2021/html/ecb.is211216~9abaace28e.en.html

[2] For the text of the June 9th 2022 monetary policy statement and related press conference. https://www.ecb.europa.eu/press/pressconf/2022/html/ecb.is220609~abe7c95b19.en.html

[3] The statement following the ad hoc meeting can be found here: https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220615~2aa3900e0a.en.html

[4] The ECB publishes data for its open market operations here: https://www.ecb.europa.eu/mopo/implement/omo/html/index.en.html

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Erik Jones. Professor and Director of the Robert Schuman Centre for Advanced Studies at the European University Institute

Spanish economic forecasts for 2022-2023

Despite a weak start to the year and headwinds from high energy prices and double-digit inflation, Spain's prospects for the next few months remain favourable. However, after the end of the tourism season, the loss of consumers´ purchasing power along with more restrictive financial conditions and geopolitical risks mean growth is expected to slow considerably from the end of 2022.

Raymond Torres and María Jesús Fernández

Abstract: Despite an extremely modest expansion in the first quarter of the year, Spain's economy is still expected to grow by 4.2% in 2022. Investment, goods and non-tourism services exports and tourism are expected to drive growth until the third quarter. Thereafter, headwinds related to inflation, high energy prices, geopolitics and more restrictive monetary policy will cause growth to slow significantly. GDP is expected to grow by 2.0% in 2023 (lower than the previous March forecast of around 3.3%). Over the forecast horizon, high and persistent inflation is expected to dampen households' purchasing power and real consumption. Investment will still be supportive, partly driven by Next Generation EU (NGEU) funds. While the pace of job creation should slow, the unemployment rate could fall below 12% by the end of the projection period. Spain's balance of payments should remain favourable with strong tourism earnings offsetting rising energy import costs. As growth slows into 2023, household and corporate balance sheets

appear to be in a position to sustain higher interest rates, especially when compared to the 2011-2014 financial crisis. Public finances are more vulnerable to the turn in monetary policy. They should remain sustainable if growth continues and deficits are gradually reduced. Risks to growth include geopolitics (war in Ukraine) and higher energy prices, along with monetary tightening and the prospect of fragmentation in eurozone financial markets.

Recent performance of the Spanish economy

According to the recently revised national accounts, Spain's GDP expanded by 0.2% in the first quarter of this year. This weak performance represents a significant loss of momentum compared to the robust growth experienced in the second half of 2021.

The slowdown in growth is mainly attributable to a slump in private consumption, which, despite registering modest growth in nominal prices, contracted by 1.9% in real terms. The result is that private consumption remains about 8.1% below pre-COVID levels.

Growth near historic highs in capital goods investment offset weakness in private consumption. The strong performance of capital goods investment in the first quarter of 2022 followed vigorous growth in the preceding quarter, making this component of demand the best-performing during this period of recovery. Investment in capital goods now stands 16.8% above its pre-pandemic level.

Exports of goods and services also expanded during the first quarter, with the trend in exports of non-tourism services standing out. Due to strong growth in recent quarters, the exports of non-tourism services will stand at 11.7% above pre-pandemic levels as of the end of the first quarter of 2022. International tourism has also contributed to the recovery, although the pace of growth eased in the first quarter of 2022 by comparison to the second half of 2021 due to the imposition of restrictions in a number of countries in late 2021 aimed at curtailing the spread of the Omicron variant.

Growth in employment, measured as the number of hours worked, increased by 3.2% in Q12022, outpacing GDP growth by a substantial margin. As a result, productivity per hour worked remains below pre-pandemic levels.

The household savings rate came in at -0.8% of gross disposable income. However, this variable tends to be highly unfavourable during the initial months of the year. Moreover, the fall in the savings rate is considerably smaller than was customary in the same period in the years prior to the pandemic. Adjusting for seasonality, the savings rate came to 7.5% in Q12022, which is below the level recorded throughout 2021, but still slightly above the average for the pre-pandemic expansionary period, 2014-2019.

Looking ahead to the second quarter of 2022 PMI readings point to continued economic growth, underpinned by the services sector, but with manufacturing expected to remain weak. Tourism looks likely to put in a very strong performance. The number of international tourists visiting Spain in May was 88% of the May 2019 figure. Domestic tourism is also very buoyant, with the number of overnight hotel stays by Spanish residents in April revisiting pre-pandemic levels.

Judging by the retail sales index in May, consumption is recovering. Car sales in April and May were also higher compared to the previous quarter, albeit remaining well below last year's figures. Industrial orders for consumer goods also look to be recovering, despite the dip in the consumer confidence index. Elsewhere, employment remained very dynamic throughout the second quarter according to the Social Security contributor reports, with the recovery in the hotel sector standing out.

Inflation stayed above forecast levels throughout the second quarter. This trend was more noticeable for core inflation, suggesting that increases in production costs are being passed on to end consumer prices to a higher degree than anticipated. In addition to energy products, growth in food prices was notable at over 10%. Non-energy goods and services

> "We expect the expansionary forces to offset recessionary pressures until the end of the tourism season, and as a result still forecast headline GDP growth of 4.2% in 2022 (unchanged from our previous forecasts)."

registered lower, but still significantly above target, rates of price growth of close to 4%.

Forecasts for 2022-2023

The outlook is clouded by the turbulence that is engulfing the global economy on three fronts: (i) geopolitical tensions and, more specifically, the war in Ukraine; (ii) the energy crisis; and, (iii) the shift in monetary policy prompted by the persistence of inflation. Each of these factors is dampening growth forecasts, while at the same time inflation projections lie considerably above central bank targets.

During the next few months, the rebound in tourism, ongoing positive trade dynamics (goods as well as non-tourism services) and labour market buoyancy are expected to continue to support growth. However, these tailwinds will probably lose steam towards the end of the peak tourism season, just as the geopolitical tensions, energy crisis, and more restrictive monetary policy gain force, thereby weighing on internal demand.

Overall, we expect the expansionary forces to offset recessionary pressures for the year as a whole, and as a result still forecast headline GDP growth of 4.2% (unchanged from our previous forecasts). While our forecast headline growth rate is unchanged, we now expect the contribution from domestic demand to fall to 2.1 points (1.7 points below our March forecasts). This downward revision is primarily attributable to consumers' loss of purchasing power resulting from rampant inflation. Nominal household gross disposable income is expected to increase at 6% (thanks to moderate wage growth combined with employment gains), implying a contraction of 2.6% after adjusting for CPI inflation. Households are likely to draw down excess savings accumulated during the pandemic to fund spending, enabling slight growth in private consumption, albeit at a slower pace than projected in the March forecasts. Non-energy companies are also facing margin contractions because of the surge in the cost of energy and other raw materials. That said, despite tighter margins, investment is still expected to expand partly due to accelerating execution of the recovery plan financed by the NGEU funds.

In contrast to domestic demand, we have raised our forecast for the contribution to GDP growth of net exports to 2.1 points (up 1.7 points from March). This upward revision is fuelled by the recovery in receipts from tourism to pre-pandemic levels and, to a lesser degree, the recovery in external sales of goods and non-tourism services. Imports, on the other hand, are expected to increase in parallel with growth in domestic demand, translating into slower growth relative to that in exports.

We are forecasting a sharp slowdown in 2023, specifically GDP growth of 2%, down

> "We are forecasting a sharp slowdown as from this autumn, leading to GDP growth of 2% in 2023, down 1.3 percentage points from the previous projections."

1.3 percentage points from the previous set of forecasts. This downgrade reflects the end of the rebound in tourism and reduced export demand in line with a prospective slowing of growth across the EU as a result of the risks associated with Russian gas supplies. Even if Russian gas supplies are not cut off entirely, a reduction is expected to detract one point from eurozone growth in 2023. The contribution of the external sector to economic growth is therefore expected to turn neutral next year, in marked contrast with the dynamism predicted for this year.

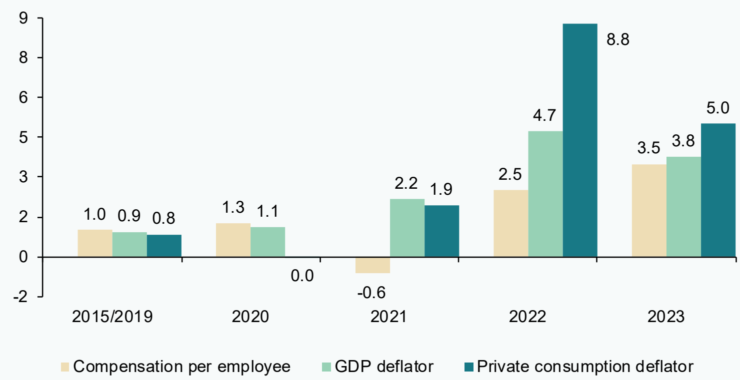
Domestic demand, meanwhile, is expected to register a small recovery, but not sufficient to totally offset the reduced contribution of the external sector. Household consumption is predicted to recover a small part of the ground lost this year, assuming both that salaries stage a slight recovery, and that the savings rate dips further, to below the long-run average. Nevertheless, by the end of 2023, spending on private consumption in real terms would still be around 3% below pre-pandemic levels. On the other hand, investment, though losing steam as a result of prevailing uncertainty and interest rate increases, should remain a driver of growth thanks to the European funds.

Inflation will continue to shape the economic outlook. Assuming that energy prices continue to rise until next spring before stabilising, particularly in the case of gas, we are forecasting the consumption deflator at 8.8% this year and at 5% in 2023 (Exhibit 1). These forecasts incorporate the Spanish government's newest anti-inflation plan. As for the GDP deflator, the variable that best reflects internal prices, we are projecting significantly lower rates of 4.7% and 3.8% in 2022 and 2023, respectively. The gap between consumer prices and the GDP deflator is at a historical high since the 1970s. This extremely large differential between internal and external prices evidences the exceptional nature of the import price shock and the loss of purchasing power which is currently being borne by the Spanish economy.

Despite the surge in import prices, the external accounts are expected to remain in surplus throughout the projection period (Exhibit 2). The nation's net lending position is attributable to the growth in tourism receipts, partially offsetting the higher cost of the energy bill, as well as transfers from Europe under the scope of the NGEU scheme.

Exhibit 1 **Salaries and prices**

Annual average growth (Percentage)

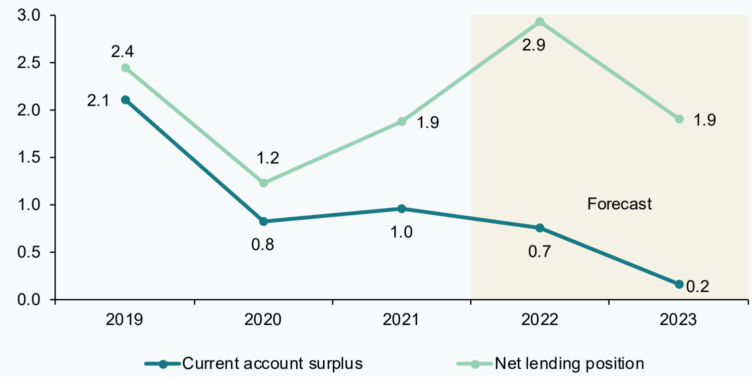


Source: INE and Funcas (forecasts).

Exhibit 2

External accounts

Percentage of GDP



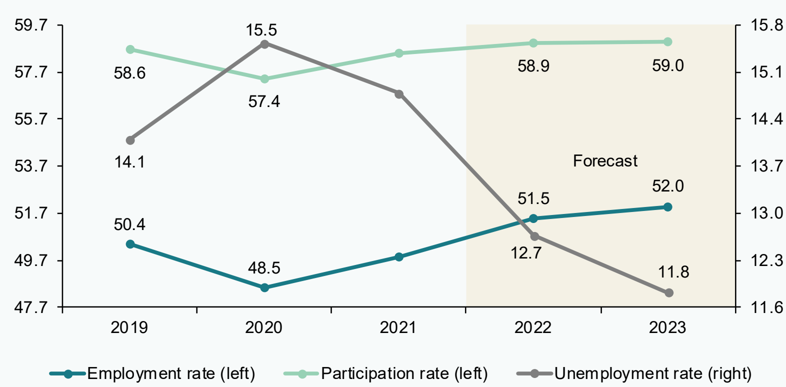
Source: Bank of Spain and Funcas (forecasts).

Job market dynamics are predicted to continue (Exhibit 3), albeit marked by slowing growth in tandem with the sharp economic slowdown. We are forecasting the creation of 600,000 jobs by the end of 2023, driving unemployment to below 12%.

Exhibit 3

Labour market

Percentage



Source: INE and Funcas (forecasts).

> “Strong economic growth, private sector deleveraging in recent years (which has not reverted in spite of the pandemic) and the banks’ relatively healthier exposure have made balance sheets more resilient compared to a decade ago.”

The public deficit is set to come down this year thanks to the interplay of automatic stabilisers, coupled with inflation dynamics. However, little progress is expected on addressing the prevailing imbalances in 2023 on account of the economic slowdown, public sector pay increases and indexation of certain budget headings, such as pensions. The deficit is forecast at around 4.5% of GDP in 2023, which is close to its structural level, with public debt at around 112%.

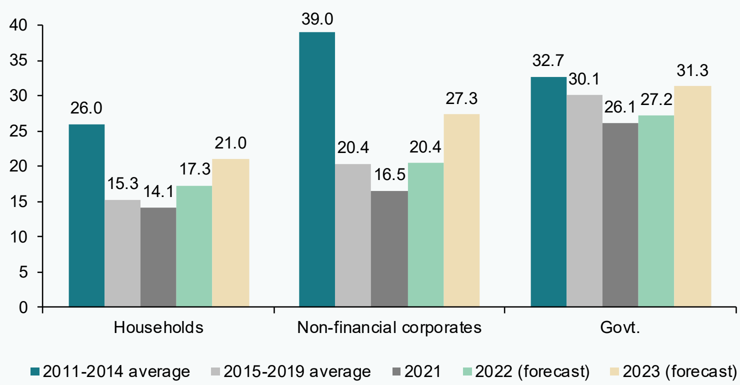
The persistence of inflation has forced the ECB to re-evaluate its stance and is compelling it to raise its key rates. That shift needs to be gradual, however, so as not to accelerate the economic slowdown, and be accompanied by firewalls against financial fragmentation (for which the exact mechanism has yet to be defined at the time of writing). Our forecasts envision an increase in the deposit facility to 1.5% by the end of the projection period. That would be consistent with EURIBOR trading around that threshold and a yield on 10-year Spanish bonds of close to 3%.

Risks

These forecasts are subject to a high degree of uncertainty around key drivers such as the duration of the war in Ukraine and the trend in energy prices. A negotiated end to the conflict would improve the outlook for inflation substantially and inject confidence all around. That would be propitious to using the savings buffer built up during the pandemic out of precaution to invest and spend. All of which would revitalise the economy. To the contrary, a perpetuation of the armed conflict or its extension to other countries could ultimately lead to stagflation.

Exhibit 4 **Interest payments**

Billions of euros



Source: INE and Funcas (forecasts).

The extent to which monetary policy is able to cope with stagnation tendencies is another crucial issue. As already noted, these forecasts contemplate moderate interest rate increases, in line with what the market is discounting. The result would be an increase in household and corporate financial burdens, albeit to levels relatively affordable by comparison with the 2011-2014 financial crisis (Exhibit 4). Strong economic growth, private sector deleveraging in recent years (which has not reverted in spite of the pandemic) and the banks' relatively healthier exposure compared to the past, have made balance sheets more resilient compared to a decade ago.

In the case of the public sector, however, the anticipated monetary policy tightening will have a more pronounced effect considering the scale of the existing imbalances. However, the public sector should remain in a sustainable position so long as economic growth continues and a credible roadmap for gradually correcting the deficit is put in place. Unquestionably, the creation by the ECB of an effective anti-fragmentation mechanism would also help contain financial risks.

Raymond Torres and María Jesús Fernández. Funcas

Table 1

Economic forecasts for Spain, 2022-2023

Annual growth rates of change in %, unless otherwise indicated

	Observed data				Funcas forecasts		Change in forecasts (a)	
	2008-2013 average	2014-2019 average	2020	2021	2022	2023	2022	2023
1. GDP and aggregates, constant prices								
GDP	3.7	-1.3	-10.8	5.1	4.2	2.0	0.0	-1.3
Final consumption households and NPISHs	3.7	-2.1	-12.0	4.6	1.8	2.0	-2.0	-0.9
Final consumption general government	4.2	0.9	3.3	3.1	0.6	1.5	-0.5	-0.6
Gross fixed capital formation	6.1	-7.6	-9.5	4.3	5.0	2.8	-1.8	-4.1
Construction	5.5	-10.7	-9.6	-2.8	1.1	3.8	-4.9	-4.1
Capital goods and other products	7.5	-2.7	-9.5	12.1	8.7	2.0	1.0	-4.0
Exports goods and services	6.5	1.8	-20.1	14.7	13.0	3.3	5.9	-1.6
Imports goods and services	8.7	-4.0	-15.2	13.9	7.4	3.6	1.2	-1.2
National demand (b)	4.4	-3.1	-8.6	4.7	2.1	2.0	-1.7	-1.2
External balance (b)	-0.7	1.8	-2.2	0.5	2.1	0.0	1.7	-0.1
GDP, current prices: - € billion	--	--	1,121.9	1,205.1	1,315.4	1,391.9	--	--
- % change	7.3	-0.8	-9.8	7.4	9.2	5.8	1.7	-0.4
2. Inflation, employment and unemployment								
GDP deflator	3.5	0.5	1.1	2.2	4.7	3.8	1.5	1.0
Household consumption deflator	3.1	1.7	0.0	1.9	8.8	5.0	2.8	2.0
Total employment (National Accounts, FTEJ)	3.3	-3.4	-7.6	6.6	3.1	1.1	0.8	-0.4
Unemployment rate (LFS)	12.5	20.2	15.5	14.8	12.7	11.8	-1.1	-1.1
3. Financial balances (% of GDP)								
National saving rate	16.7	18.8	21.5	22.4	22.3	21.7	0.4	-0.9
- of which, private saving	13.3	22.9	28.8	26.0	24.6	23.9	0.1	-0.9
National investment rate	26.7	21.7	20.7	21.5	21.6	21.6	0.0	-0.2
- of which, private investment	17.9	17.7	18.0	18.8	18.7	18.9	0.1	-0.1
Current account balance with RoW	-4.5	-2.9	0.8	0.9	0.7	0.2	0.4	-0.5
Nation's net lending (+) / net borrowing (-)	-3.7	-2.4	1.2	1.9	2.9	1.9	0.8	-0.2
- Private sector	-3.8	6.6	11.5	8.8	7.6	6.5	0.5	-0.1
- General gov. deficit exc. financial instit. bailouts	-0.9	-8.1	-10.1	-6.8	-4.7	-4.5	0.3	0.0
Public debt according to EDP	52.2	69.0	120.0	118.4	113.9	112.1	-1.1	-0.3
4. Other variables								
Eurozone GDP	-0.2	1.9	-6.4	5.3	2.5	1.5	0.0	-0.5
Household saving rate (% of GDI)	9.5	8.8	14.9	11.4	7.4	6.5	0.5	0.7
Household gross debt (% of GDI)	93.3	128.5	94.3	92.8	87.4	82.1	0.7	-0.3
Non-financial corporations gross debt (% of GDP)	91.5	133.4	107.0	102.7	93.0	87.3	2.7	3.4
12-month EURIBOR (annual averege %)	3.7	1.9	-0.3	-0.5	0.5	1.4	0.7	1.2
10-year government bond yield (annual average %)	5.00	4.74	0.38	0.35	1.99	2.97	0.57	0.97

(a) Change in forecast in relation to previous ones.
(b) Contribution to GDP growth, in percentage points.
Sources: 1996-2021: INE and Bank of Spain; Forecasts 2022-2023: Funcas.

Table 2

Quarterly forecasts for the Spanish economy

Growth rates of change in %, unless otherwise indicated

Forecasts in shaded area

Period		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	4.6	3.1	4.3	14.7	13.9	4.7	0.5	6.6	14.8
2022		4.2	1.8	0.6	5.0	13.0	7.4	2.1	2.1	3.1	12.7
2023		2.0	2.0	1.5	2.8	3.3	3.6	2.0	0.0	1.1	11.8
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	-0.5	-2.5	1.0	-0.5	1.0	0.4	-0.7	0.2	1.1	16.0
	II	1.1	4.8	0.5	-0.1	1.3	5.9	2.5	-1.3	0.0	15.3
	III	2.6	0.6	0.6	0.3	7.5	1.8	0.7	1.9	4.0	14.6
	IV	2.2	1.4	-1.6	3.1	7.2	4.5	1.2	1.0	0.7	13.3
2022	I	0.2	-1.9	0.1	3.4	1.1	-0.8	-0.5	0.7	0.5	13.6
	II	0.7	1.4	1.0	-1.0	2.2	2.5	0.8	-0.1	0.1	12.5
	III	0.5	0.5	0.8	0.2	1.0	1.1	0.5	0.0	0.0	12.2
	IV	0.0	0.0	0.4	-0.5	0.2	0.1	0.0	0.0	0.0	12.3
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	-4.1	-6.5	4.4	-3.3	-6.7	-3.9	-3.1	-1.0	-2.3	--
	II	17.8	22.6	4.1	20.6	40.4	40.6	17.6	0.2	18.9	--
	III	3.5	1.8	3.5	0.3	16.1	13.2	2.4	1.1	6.3	--
	IV	5.5	4.1	0.4	2.8	17.9	13.1	3.8	1.8	5.8	--
2022	I	6.3	4.8	-0.4	6.8	18.1	11.7	4.0	2.3	5.3	--
	II	5.8	1.4	0.1	5.7	19.1	8.2	2.2	3.7	5.4	--
	III	3.6	1.4	0.3	5.6	11.9	7.4	1.9	1.7	1.4	--
	IV	1.4	-0.1	2.3	1.9	4.5	2.8	0.7	0.7	0.7	--

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

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The financial risks posed by inflation

Rapid monetary tightening in response to persistent inflation carries serious risks for business and consumer borrowers. A higher-than-expected increase in borrowing costs would have significant knock-on effects for private sector financing with the property and mortgage markets particularly exposed following a period of robust growth, albeit the impact in Spain is expected to be moderate.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: Major monetary policy decisions were taken in June to curb rising inflation, which increasingly exhibits considerable structural traits. While central banks are acting, they acknowledge that if the exogenous supply factors contributing to high inflation persist, more aggressive measures would be needed. Central bank action also appears to be more aggressive than initially contemplated in response to rising market expectations. The timing of interest rate hikes should be cautious, due to possible impacts on consumers and businesses, especially if the economy and labour market were to deteriorate. To the extent that inflation remains at elevated levels (even less than present), the real interest rate will remain clearly negative. One of the markets most exposed to the rate environment is the property market and, relatedly, the mortgage market, albeit the impact in Spain is expected to be moderate. In Spain, new home prices increased at 10.1% year-on-year in the first quarter of 2022, with resale house prices not far behind, at 8.2%. Concurrently, home mortgages have been growing at around 1.2% year-on-year in recent months. Despite the sources of concern and uncertainty, business lending has been growing at a rate of 1% to 1.7% year-on-year from January to April 2022, but risks are rising. One such risk is a higher-

> For the first time, we are seeing an accelerated sell-off of both stock and bond markets, simultaneously, implying that the classic portfolio allocations for risk diversification purposes (*e.g.,* the standard 60% equities *versus* 40% fixed income) are not of much use at present.

than-expected increase in borrowing costs, especially if the sovereign risk premium rises, which would have significant knock-on effects for private sector financing.

Historic inflation, extraordinary measures

The series of developments accompanying hard to contain inflation appear to have shattered consensus forecasts and more timid expectations in June and have ushered in fears of sustained structural price increases. The uncertainty is being felt across financial markets, affecting both equity and fixed-income markets alike. For the first time, we are seeing an accelerated sell-off of both asset classes simultaneously, implying that the classic share and bond allocations for risk diversification purposes (*e.g.,* the standard 60% equities *versus* 40% fixed income) are not of much use at present. There also appears to be no clear place for investors to take refuge. 2022 is turning out to be a challenging year from an investment perspective.

The biggest issue appears to be who should spearhead the effort to control inflation. While central banks constitute the first line of defence, inflation is being shaped not only by demand related factors that push core prices, but also others related with the growth in production costs and supply chain friction. The monetary authorities can help partially counteract the former but will be hard pressed to do much about the latter.

Central banks have been taking more forceful decisions as the structural component of prevailing inflation and lack of consumer and market confidence in how long it might take to tame inflation has become tangible. In the eurozone, the European Central Bank took definitive new steps on June 9th, when it made several announcements. First, it announced the end of net asset purchases under its Asset Purchase Programme (APP) from July 1st, 2022. Nevertheless, it reiterated its intention to "continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates and, in any case, for as long as necessary to maintain ample liquidity conditions and an appropriate monetary policy stance".

However, the biggest development was the ECB's "careful review of the conditions which, according to its forward guidance, should be satisfied before it starts raising the key ECB interest rates". The Governing Council concluded that those conditions have been met, announcing plans to increase its key rates by 25 basis points at its July monetary policy meeting. It also said it "expects to raise the key ECB interest rates again in September", noting that the "calibration of this increase" will depend on the updated outlook for medium-term inflation, which appears to leave the door open to a bigger rate increase in September. The ECB stressed that after the summer it anticipates "a gradual but sustained path of further increases in interest rates".

One week after that ECB meeting, June 15th, marked a fresh milestone in monetary policy decisions. Markets were continuing to signal a lack of faith in the measures taken to control inflation, while in Europe, the sovereign risk premiums across the south of the eurozone started to rise sharply, setting off alarm bells. In the US, the Federal Reserve, which had embarked on rate tightening earlier in 2022, stepped up its efforts. The Federal Reserve increased its benchmark rate by three quarters of a percentage point (75 bps), marking the most aggressive move since 1994.

The Fed had already issued reports signalling that inflation seemed to be continuing to rise and that the measures taken to date were falling short. However, in its public statement, the US monetary authority emphasised the risks that are hard to control: “The invasion of Ukraine by Russia is causing tremendous human and economic hardship. The invasion and related events are creating additional upward pressure on inflation and are weighing on global economic activity. In addition, COVID-related lockdowns in China are likely to exacerbate supply chain disruptions. The Committee is highly attentive to inflation risks.”

That same day, the ECB also took the markets by surprise, holding an emergency Governing Council meeting “to exchange views on the current market situation.” In the press release, the ECB stressed the fact that it had committed to act against resurgent fragmentation risks in December 2021 and that the spike in risk premiums in some eurozone member states was clearly a risk to that commitment. It flagged “lasting vulnerabilities in the euro area economy which are indeed contributing to the uneven transmission of the normalisation of our monetary policy across jurisdictions.” Based on that assessment, the ECB decided to apply flexibility in reinvesting redemptions coming due in the Pandemic Emergency Purchase Programme portfolio. Most important was the announcement of the design of a mechanism for preventing those fragmentation risks. Specifically, the ECB announced it had decided to “mandate the relevant Eurosystem Committees together with the ECB services to accelerate the completion of the design of a new anti-fragmentation instrument.”

Forecasts and market interpretation

Part of the problem implied by such high inflation from the financial standpoint stems from the decoupling between inflation projections and realized inflation. The short- and medium-term forecasts made by the central banks contrast with the inflationary surprises we have seen. That mismatch prompts investors to readjust their expectations for two reasons. First, they interpret that the now-structural character of inflation might be hard to reverse. Second, they believe that central banks will have to step up their monetary tightening efforts even further.

In the years after the financial crisis, reported inflation figures rarely deviated from the ECB’s inflation forecasts by more than a small margin for any matter of time. Those differences were mainly attributable to the fact that prices remained extraordinarily low for longer than expected, and always below the targeted threshold of 2%. In the years prior to the pandemic and the war in Ukraine, there was a consensus of sorts that inflation would remain subdued for some time to come. Indeed, the ECB’s 1-year ahead projected *versus* realized inflation did not differ significantly prior to the pandemic, as shown in Exhibit 1. However, since the onset of the pandemic and, more so, the outbreak of war in Ukraine, deviations between estimated and actual inflation have become more pronounced. What was initially interpreted as a transitory increase in prices has turned into a full-blown inflationary shock with supply– and demand-side components that are hard to control. That decoupling between expectations and the definitive price readings is sparking even greater concern.

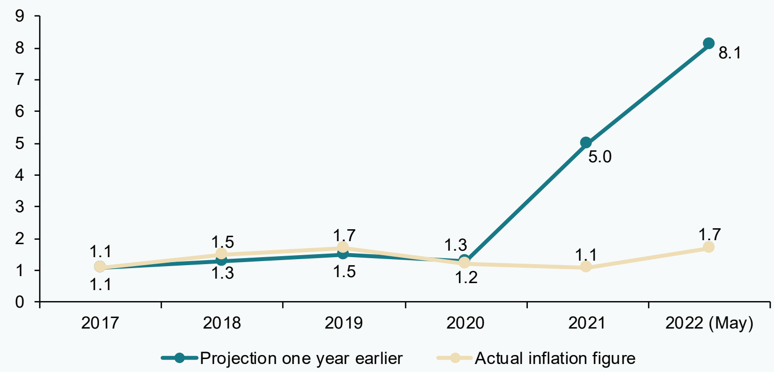
The uncertainty around the ability to tame inflation prompted financial market to discount interest rate increases even before the central banks had signalled such a shift in their forward guidance. That was tangible in the eurozone throughout the spring, with market rates increasing considerably before the ECB had even announced potential hikes

> “The short- and medium-term forecasts made by the central banks contrast with the inflationary surprises we have seen.”

Exhibit 1

ECB inflation projections and realized inflation figures

Percentage

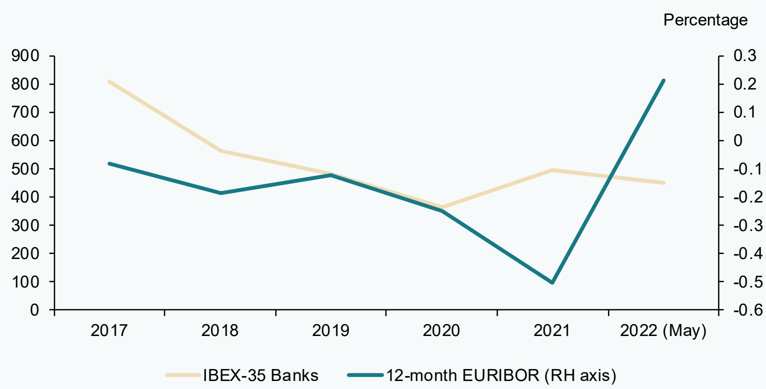


Source: Eurostat and authors´ calculations.

in its key rates. Within financial markets, those rate increases are of particular relevance to banks. Financial institutions had been anticipating "monetary normalisation" for some time but would have preferred a smoother transition. As illustrated in Exhibit 2, the 12-month EURIBOR turned positive in April and has climbed considerably since then. As a result, banks may be able to operate in a more 'normal' financial environment in

Exhibit 2

12-month EURIBOR *versus* the IBEX-35 banks



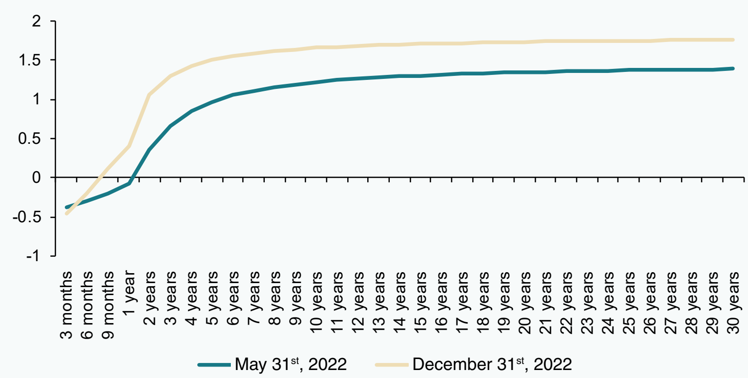
Sources: Euribor-rates, BME and authors´ calculations.

> “Within the IBEX-35, despite the banking sector being affected by the financial turbulence and macroeconomic risks, bank stocks seem to be outperforming the market.”

the medium-term, but they may also have to navigate a more delicate economic climate. Within the IBEX-35, despite the banking sector being affected by the financial turbulence and macroeconomic risks, bank stocks seem to be outperforming the market. This is due to the fact that the sector had already begun to stage a recovery –before the outbreak of war in Ukraine– compatible with a more robust business climate accompanied by higher interest rates.

Despite a favourable business environment, rate hikes should be interpreted with caution in terms of their ultimate impact on consumers and businesses. Should inflation remain near its current high levels (or even noticeably lower than at present), the real interest rate (discounting prices) will remain negative. Nevertheless, the pace of rate increases could cause some trouble. The first collateral effects have been seen in the European bond market, where prices have decreased (so that yields have increased). As shown in Exhibit 3, which depicts the trend in average prices on AAA European bonds across different maturities, we have seen a marked decline since the end of the pandemic. Slope-wise, there are significant differences between the yields on the shortest-dated paper and on bonds that mature in two and three years, suggesting the persistence of uncertainty in the short-term. The sovereign debt yield curves for southern eurozone issuers, particularly Italy, have proven particularly vulnerable. This underlines why the ECB has been concerned about: i) the impact of these risks on the sustainability of the affected countries' public debt; and, ii) the ramifications for general borrowing terms (public and private), with respect to which these factors could create significant fragmentation across eurozone member states.

Exhibit 3 **Price of AAA-rated bonds in the eurozone**



Source: ECB and authors' own elaboration.

Persistence and financial normalisation: Effects on the mortgage market and corporate financing

Consumers and businesses are observing the duration of elevated inflation with concern. The measures taken by the government in Spain to curb the cost of fuel and electricity do not appear to be affecting inflation readings. This is partially explained by a boom in demand accompanying supply constraints and cost inflation in certain sectors, caused by the "return to normal", as economies leave the worst of the pandemic behind.

One of the markets most exposed to the rate environment is the property market and by extension the mortgage market. In the first quarter of 2022, new housing prices jumped 10.1% year-on-year, while home resale prices increased by 8.2%. Some of that price growth is attributable to demand pent up during the pandemic, which is driving price growth to the rates being observed in other eurozone members. Some of the growth is also the result of a lack of investment alternatives in a zero or negative rate world which had brought property investing to the fore. It is hard to quantify how much, but a high percentage of transactions reflects speculative rather than residential investing. As the financial situation normalises and interest rates rise, the property market is likely to cool. It is worth recalling, that with inflation this high, real rates are set to remain negative for some time. Financing may become more expensive but will remain relatively low. Mortgage lending increased by 0.7% during the final months of 2021, and accelerated to 1.2% in 2022 as of April (the latest figure available). These modest levels of mortgage lending growth also seem to suggest that it is possible to rule out excess leverage and the occurrence of a price bubble. Furthermore, pertinent to property and mortgage related risks, consumers are gradually shifting into fixed-rate mortgages. Promisingly, three out of four new mortgages are being arranged at fixed rates with fixed-rate mortgages currently accounting for 48% of the current stock.

Business lending growth increased well above 2% throughout 2021. In 2022, despite the sources of concern, this segment is still growing at between 1% and 1.7% year-on-year from January to April, with ups and downs shaped by uncertainty. Moreover, the business financing landscape is underpinned by the Recovery and Resilience Facility (RRF) and the Next Generation-EU Funds, which will be particularly important for the SME segment. Although that public-private partnership may well bolster the economic recovery, there are sources of uncertainty, including the risk of a higher-than-expected increase in borrowing costs if the sovereign risk premium were to increase. Such a development would have significant knock-on effects for private sector financing.

Conclusion

In the current climate of heightened uncertainty, central banks are coming to the rescue once again. However, they are aware that if exogenous supply-side factors persist, it won't be easy to tame inflation. Central banks are taking more aggressive action than initially contemplated in order to appease private-sector expectations. The "missing inflation" talked about for so long would appear to have been found, and its reappearance has caught many economies by surprise as policy makers were rolling out fiscal stimulus to kickstart growth in the wake of the pandemic. If contractionary monetary policy cannot tackle all factors contributing to the growth of prices, and should fiscal policy remain expansionary, taming inflation will be no easy task.

In the financial domain, monetary normalisation is not coming in the manner

"One of the markets most exposed to the rate environment is the property market and by extension the mortgage market."

anticipated. Markets expected that increases in interest rates would be gradual and come against the backdrop of a sustained economic recovery. Instead, rate hikes are unfolding at a time of heightened uncertainty and coming much faster than anticipated. Monetary policy surprises will have an impact on the conduct of financial markets that is hard to define. Financial markets are having a tough year due to the difficulty in pinning down how long inflation will last and what impact geopolitical risks might have. This is also occurring at a time when investment portfolio recalibration was expected. Interest rate increases are accelerating this development and a retreat from higher-risk assets (*e.g.,* technology start-ups and crypto-assets) accompanied by a shift into more traditional securities, such as energy and financial businesses.

In the case of the banks, the effects are similarly mixed. On the one hand, long-awaited rate increases that should support increases in margins appear to be on the cusp of materialising. On the other hand, with high inflation and elevated macroeconomic risks, the outlook for the banking business looks more uncertain, albeit still positive so long as employment is not adversely affected.

Santiago Carbó Valverde and Francisco Rodríguez Fernández. Universidad de Granada and Funcas

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The yield curve and the bank-public debt nexus

For banks, higher rates mean better interest income, but also higher debt servicing costs for households and businesses and a decline in the value of securities held on banks´ balance sheets. In this context, for the first time since the Eurozone Crisis, the bank-public debt nexus is under renewed scrutiny, as monetary tightening unsettles markets and yield curves shift up.

Marta Alberni, Ángel Berges and María Rodríguez

Abstract: The upward shift in yield curves since mid-2021 carries major implications for European banks. On the positive side, interest rate tightening foreshadows a period of increasing short-term rates, which will support retail bank net interest income following five years of negative rates and downward pressure on margins. On the negative side, rate hikes portend adverse effects for European banks through two channels: i) higher borrowing and energy costs may impact households' and businesses' ability to service their debts with implications for rising non-performing loans; and, ii) the direct and immediate losses on public debt securities held by the banks on their balance sheets. The effect of losses on bank balance sheets related to public debt securities threatens reviving memories of the sovereign-bank risk loop unleashed in the eurozone between 2010 and 2012 via the bank-public debt nexus, but there are noteworthy mitigating factors. In the case of Spain, two factors mitigate the fact that domestic sovereign debt exposures are slightly above the European average in terms of their sensitivity to impairment losses on those portfolios. The first is the average maturity of the public debt portfolios, which is shorter in Spain than in

> The uptick in rates was initially very good news for stock prices of banks as investors finally began to expect the end of zero or negative interest rates on the horizon, after more than five years of eroding net interest income in the retail banking business.

Europe and the second is how those exposures are classified for accounting purposes, which, among other things, translates to lower volatility.

Yield curve trends foreshadow margin expansion

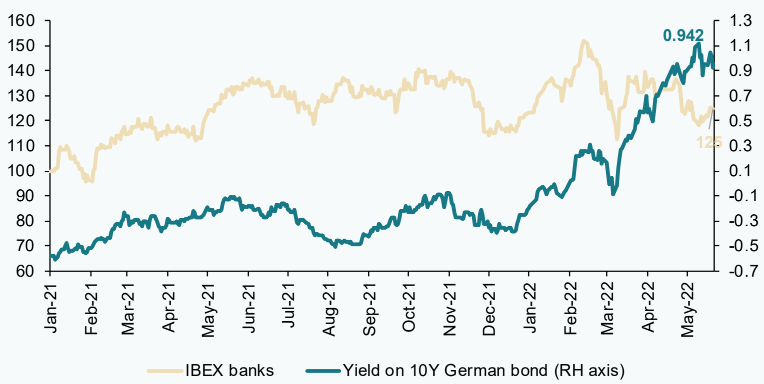
Interest rate curves have shifted significantly upwards in both the eurozone and the US, discounting rate interventions by the respective central banks in response to inflation. Inflation is increasingly showing symptoms of becoming persistent and causing second-round effects. The run-up in energy and commodity prices caused by the conflict in Ukraine has prolonged, accelerated and broadened the surge in inflation. Accelerating and above target inflation was initially observed in mid-2021 when the 'end' of the pandemic revealed a sharp mismatch between robust demand and tight supply, restricted by the bottlenecks related to closures and lockdowns.

The uptick in rates was initially very good news for the banks' stock prices as investors´ expectations began to envision the end of zero or negative rates. For more than five years, low rates had eroded net interest income in the retail banking business, a topic closely followed in previous articles of this publication.

The European Central Bank (ECB) has acknowledged that rate normalisation will be highly beneficial for the European banks' margins. To showcase this potential, the ECB's most recent *Financial Stability Review* simulates the impact of a parallel upward shift of the yield curve by 200 basis points on the European banks' net interest margins. For a

Exhibit 1 **IBEX banks (rebased to 31/12/2020) *versus* the yield on the 10Y German bond**

Percentage



Source: Authors' calculations based on Bloomberg figures.

sample of 80 significant institutions, the ECB estimates a sizeable positive impact equivalent to between 2 and 4 percentage points in terms of their return on equity (ROE). Within that range, Spanish banks fall at the high end of sensitivity to rate increases as the percentage of loans extended at floating rates in Spain is relatively high.

The discounting of the favourable impact of higher rates on net interest income is likely behind the strong performance of European banks' stocks recently, in addition to the uptick in German bond yields (Exhibit 1). Movements in both these variables are unquestionably the purest embodiment of future expectations for short-term rates.

That initial increase in the banks' stock prices in response to the upward shift in yield curves has fallen back considerably in recent months. This trend has given way to concerns over a bank-public debt nexus that is considerably more complex to assess than the bright outlook for margin recovery. The intensification and persistence of inflationary pressure is also fuelling a growing fear of damage to economic growth. These concerns have focused on the erosion of household consumption via higher prices as well as the effect of higher rates on more highly leveraged households and businesses.

The ECB's *Financial Stability Review* also contained vulnerability analysis modelling adverse growth and inflation assumptions related to the energy shock and the knock-on effects for credit impairment. In response to this scenario, the ECB estimates that the probability of default would increase by between 3 and 5 percentage points over the next two years. It should be noted that estimates were dispersed across a wide range depending on the sector, are highly uncertain, and will likely warrant constant revision.

Bank-public debt portfolios

There is another –direct and immediate– link between the shift in yield curves and bank share prices, namely the volume of public debt (and fixed-income securities in general) recognised on the banks' balance sheets. As rates rise, the market value of those portfolios will fall significantly, with ramifications for the banking sector, in terms of earnings, equity or value depending on how those fixed-income holdings are treated for accounting purposes. The potential fall in the value of public debt holdings will compound the effects of possible impairment of credit quality due to stressed yield curves.

The link between the value of the stock of public debt and the impact on bank balance sheets played a prominent role in the financial crisis of 2010-2012. This relationship gave rise to the so-called "doom loop", in reference to the nexus between sovereign and bank risks, and both accelerated and amplified the eurozone financial crisis. Indeed, the push for a Banking Union was largely spurred by an attempt to protect against that nexus, so that no bank's perceived risk or solvency would be affected by the level of public borrowings of their home state.

The crises that have unfolded over the past two years –the pandemic followed by the war– have once again moved the spotlight on to the bank-sovereign nexus. While this issue likely has a reduced capacity to disrupt financial markets to the extent seen during the last financial crisis, it is still worth paying close attention to.

"The crises that have unfolded over the past two years –the pandemic followed by the war– have once again moved the spotlight on to the bank-sovereign nexus, albeit this issue is likely to be less disruptive to financial markets this time around relative to the previous financial crisis."

> "Overly aggressive withdrawal of ECB stimulus measures poses a risk of fragmentation across national public debt markets in the eurozone."

The International Monetary Fund's (IMF) spring issue of the *Global Financial Stability Report* (GFSR) was the first to recall the nexus, albeit noting that it was largely limited to emerging economies. Specifically, the IMF's GFSR highlights how the pandemic has brought the bank-sovereign nexus to the fore in the emerging economies with particular intensity through the heavy issuance of public debt needed to fund pandemic support programmes, and large absorption of that public debt by local banks. As a result, according to the data published by the IMF, those local banks' public debt holdings have increased considerably towards around 15% or 20% of their total assets.

The same is not true in the advanced economies (Europe and the US mainly). The main buyers of the pandemic debt issuance by sovereigns have been the corresponding central banks (the Federal Reserve, ECB, and Bank of England) under the umbrella of their asset purchase programmes, framed as part of their quantitative easing policies. According to the GFSR, as a result, the incidence of public debt holdings across advanced economy banking sectors is substantially lower.

That has not stopped the IMF from reviving the old debate about the regulatory treatment of the banks' public debt exposures. The debate around regulatory treatment focuses on either assigning different capital requirements as a function of sovereign ratings (capital surcharges) or by means of risk concentration limits that would curtail exposure to home market public debt.

An additional factor that could further exacerbate the bank-sovereign nexus in Europe is the risk of fragmentation across various national public debt markets if the ECB were to withdraw its stimulus measures too aggressively. In this regard, we highlight the end of the ECB's Pandemic Emergency Purchase Programme (PEPP) under which the ECB was able to go beyond strict country shares when it came to repurchasing the public debt.

The ECB itself has flagged fragmentation risks. The ECB has pointed out that increases

Table 1 **Sovereign debt holdings at year-end 2021**

	Spain	Europe
Total (EUR billion)	**468**	**3,181**
Weight of assets	13%	12%
Home market exposure	53%	52%
Domestic public debt (EUR billion)	**248**	**1,654**
Weight of assets	7%	6%

Source: Authors' calculations based on the 4Q21 Risk Dashboard *(EBA).*

> "The shorter duration of Spanish banks' sovereign exposures helps offset their higher relative exposure in terms of share of assets, as well as the fact that the upward shift in the Spanish public debt curve has been somewhat more pronounced than the European average."

in the anchor rate –the German Bund– are resulting in uneven increases in sovereign bond spreads across other member states, with the most highly leveraged nations sustaining relatively greater spread widening. The divergence between the spreads of the various issuer countries has become considerably more exaggerated in recent weeks and constitutes one of the main sources of concern for the ECB with respect to potential collateral damage of its monetary normalisation effort.

This context makes it more important than ever to analyse the state of the Spanish banks relative to their European counterparts in terms of their domestic public debt holdings. This includes paying close attention to their sensitivity to movements in the corresponding curves and the potential accounting impacts, depending on how their investment portfolios are classified in their financial statements.

At year-end 2021, according to data published by the European Banking Authority (EBA) in its *Risk Dashboard,* Spanish banks held 468 billion euros of public debt. For Spain, 53% of these holdings (around 250 billion euros) were in domestic sovereign debt, with the European average of slightly lower at 52% of total sovereign debt exposure (Table 1). In relative terms, expressed as a percentage of total assets, the weight of domestic public debt exposures in Spain is just slightly above the European average, as shown in Table 1.

Two factors mitigate the fact that domestic sovereign debt exposures are slightly above the European average in Spain in terms of their sensitivity to impairment losses on those portfolios (the bank-sovereign nexus). The first is the average maturity of the public debt portfolios (Exhibit 2), which is shorter in Spain than in Europe and the second is how those exposures are classified for accounting purposes (refer to Table 2).

Table 2 **Breakdown of public debt exposures by accounting classification**

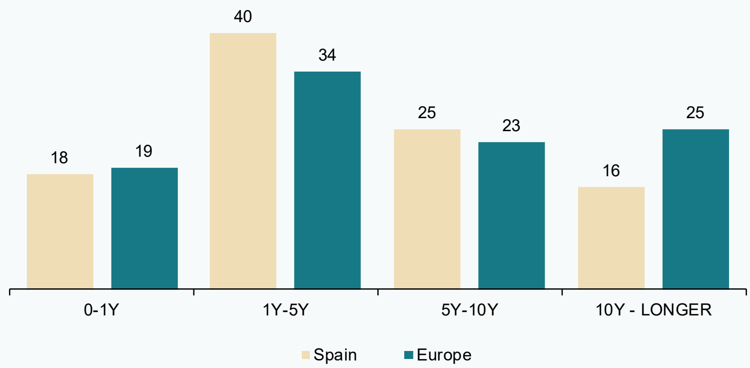
Percentage

	Spain	Europe
Held for trading	10.0	14.0
At FV through profit or loss	0.0	1.0
At FV through equity	29.0	23.0
Amortised cost	60.0	58.0

Source: Authors' calculations based on the 4Q21 Risk Dashboard *(EBA).*

Exhibit 2 **Breakdown of the public debt portfolio by maturity**

Percentage



Source: Authors' calculations based on the 4Q21 Risk Dashboard *(EBA).*

Based on the maturity profile data published by the EBA, the average duration of the public debt portfolios held by Spanish banks is estimated at approximately 4.1 years, compared to an average of 4.7 years across other European banks. The shorter duration of Spanish banks' sovereign exposures helps offset their higher relative exposure in terms of share of assets, as well as the fact that the upward shift in the Spanish public debt curve has been somewhat more pronounced than the European average.

On the topic of how these exposures are classified for accounting purposes at Spanish banks, Table 2 highlights the percentage of assets classified as 'held-for-trading'. In Spain, the level of assets held for trading is much lower at 10%, *versus* the European average of 14%. Held-for-trading assets are clearly the most volatile as the impact of changes in their valuations are reflected directly in the banks' statements of profit or loss. Another 29% of the Spanish banks' exposures (*vs.* 23% in Europe) are classified as financial assets at fair value through equity, while the bulk are carried at amortised cost (60%). That classification mixture has the capacity to mitigate the potential adverse effects of rate increases on Spanish banks. The fact that the bulk of exposures for Spanish banks are carried at amortised cost, means that potential valuation losses do not have to be recognised immediately in banks' equity or earnings.

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Marta Alberni, Ángel Berges and María Rodríguez. Afi – Analistas Financieros Internacionales, S.A.

The shifting income structure of Spanish banks

While recording among the lowest share of fee and commission income as a percent of total earnings compared to other EU banks, in line with their peers, Spanish banks too adapted to the low interest rate environment by raising fee and commission revenues. With interest rates on their way up and volatility increasing, rising net interest income and trading gains for Spanish banks may help reverse downward pressures on profitability.

Joaquín Maudos

Abstract: The ultra-low rate environment has exerted pressure on banks' net interest income, forcing them to seek out alternative sources of income in order to generate returns at the level expected by investors. The average net interest margin hit a record low of 0.8% of assets in 2021, dropping to 49% as a share of total income. In parallel, fee and commission income has increased, and now accounts for 31% of total income. The composition of both interest income and fee mix has also evolved over the years. Compared to European banks, Spanish banks stand out for having the highest share of interest income in total earnings and among the lowest share of fee and commission income in total earnings. Fee and commission income, measured as a percentage of average total assets, is in line with the eurozone average.

Foreword

In recent years, rates have been ultra-low, dipping into negative territory, until not long ago. The EURIBOR was negative between February 2016 and March 2022 because of the ECB's extremely accommodative monetary policies. The existence of negative rates for a prolonged period eroded bank interest margins, which hit a low of 0.8% of average total assets (ATA) in Spain in 2021. In that context, banks have sought out other sources of income to lift their profitability to the levels expected by their investors. This has meant cultivating fee income, which has been steadily increasing as a percentage of bank income. In addition, the income mix is changing in tandem with the business model, with the contribution of interest income falling in line with the banks' exposure to the lending business.

In parallel to the reduction in net interest income, other factors have exerted downward pressure on the banks' profitability in recent years. This includes intense deleveraging by the private sector, which is evident by the 35% contraction in the stock of outstanding credit since 2008. In absolute terms, this translates into a loss of business of about 659 billion euros. This largescale deleveraging has led the weight of the private resident sector in the overall credit portfolio to decline nearly 20 percentage point from its level just before the 2007-2008 financial crisis, to about 41%, a low not seen in several decades. The cost of complying with increasingly stringent capital requirement regulations has also increased. As a result, the profitability of the Spanish banks' home market business has trailed their cost of capital. This includes 2021, a year of broad earnings recovery where the sector's return on equity (ROE) ended at 6.9%, below its cost of capital. At the consolidated level, however, (*i.e.*, including their international subsidiaries) Spanish banks' ROE (11.3%) exceeded that cost of capital. That performance was not shaped by operating income, but rather a reduction in provisions for credit impairment following the intense provisioning effort of 2020 in anticipation of the impact of the COVID-19 crisis.

Against that backdrop, the purpose of this article is to analyse the trend in the Spanish banks' income structure. We analyse various classes of income comprising banks' statements of profit and losses for the domestic business in Spain and at the consolidated level (to include their international subsidiaries). The period analysed runs from the start of the Global Financial Crisis in 2008 until 2021 and includes the impact of the pandemic.

Trends in the income mix of Spanish banks

The prolonged period of negative rates in the eurozone began in June 2014 because of the ECB's expansionary policy (for the deposit facility). This development applied downward pressure on banks´ net interest margins. For Spain's domestic banking business, net interest margins, which represented 1.19% of ATA in 2008, fell to an all-time low of 0.8% in 2021. This implies that since 2016 (the year in which 12-month EURIBOR turned negative), their net interest income has been insufficient to cover their operating expenses (in 2021, they covered 88%). As a result, banks have had to resort to different sources of income, the most important being fees and commissions.

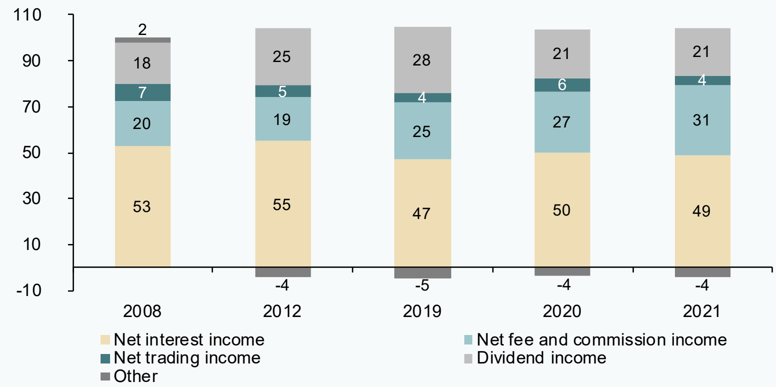
As shown in Exhibit 1, in 2008, net interest income accounted for 53% of net operating income from the domestic banking business in Spain. By 2021, that contribution had fallen to 49%. In parallel, the weight of fee and commission income had increased to 31% by 2021, up from 20% in 2008, representing the highest growth in contribution for any segment compared to 2008.

> "Pressured by negative rates, net interest income in Spain fell to a record low of 0.8% of average total assets in 2021, meanwhile fee and commission income increased to 31% of total income in 2021 up from 20% in 2008, offsetting earnings erosion."

Exhibit 1

Breakdown of net operating income by source of income in the Spanish banking sector

Percent by source



Source: Bank of Spain and author's calculations.

Other sources of income, such as dividend income, has been more volatile, as it depends to a greater degree on the economic cycle and financial entities' profits. In 2009, a year of deep recession in Spain, when GDP contracted by 3.7%, dividends accounted for just 12% of net operating income, while in 2019 the contribution by dividends more than doubled to 28%. With the onset of the pandemic, the weight of dividend income fell to 21% in 2020, a level it stayed at in 2021. Net trading income (gains and losses on the purchase and sale of assets) contributed as much as 18% of net operating income in 2013 (almost 10 billion euros), and also made a sizeable contribution in 2014 and 2015 as a result of ECB rate cuts and the corresponding asset revaluations. However, once interest rates approached their lower bound and there was little room for further cuts, the scope for generating trading gains narrowed. This led to net trading income accounting for just 4%, or 1.8 billion euros, of net operating income in 2021, about one-fifth of the level obtained in 2013.

In relation to ATA, net interest income has fallen by 33% between 2008 and 2021, reaching an all-time low of 0.8% in 2021 (Exhibit 2). Over the same period, (2008 to 2021) the 12-month EURIBOR dropped from an annual average of +4.8% in 2008 to *negative* 0.42% in 2021. [1] Initially, when EURIBOR turned negative, specifically between 2016 and 2019, the net interest margin proved resilient. However, the persistence of negative rates made it impossible to continue to defend those margins.

Regarding net fee income for domestic Spanish banks (fee and commission income less fee and commission expense), its weight of ATA has increased from 0.44% in 2008 to 0.5% in 2021, albeit falling between 2008 and 2012. From a level of 0.36% in 2012, the weight of this source of income has increased by 46%, almost revisiting pre-2007 crisis levels. With the onset of the COVID-19 crisis, fees and commissions per unit of assets fell (from 0.49% to 0.46%) but recovered to 0.5% in 2021.

Exhibit 2

Weight of net fee and commission income in ATA in the Spanish banking sector for domestic activities

Percent

Source: Bank of Spain.

Breakdown of interest income

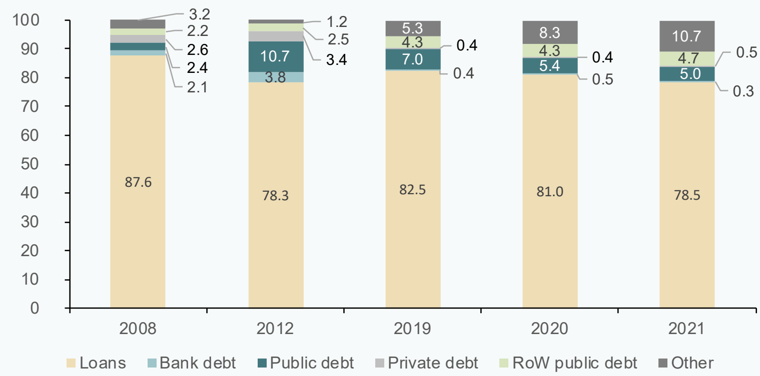
Another noteworthy aspect of the trend in banking income in Spain in recent years is the shift in the composition of interest income. This shift stems mainly from two sources: loans extended by banks and investments in fixed-income securities. Whereas in 2008, lending activity accounted for 88% of interest income, by 2021, its weight had fallen by 9.5 points to 78.5% (Exhibit 3). Despite making the same contribution in 2021 and in 2008 (~10%), the weight of interest income generated by investments in fixed-income securities has been falling steadily since 2014, when it accounted for a little over one-quarter of interest income. That performance is attributable to the banks' investments in Spanish public debt, which in 2014 accounted for 15.5% of their total interest income, *versus* just 5% in 2021. The weight of interest generated by investments in foreign debt has been increasing however, contributing roughly the same amount as Spanish sovereign debt holdings (4.7%) in 2021 (almost €1.4 billion).

When interpreting the role played by Spanish sovereign debt holdings in interest generation, it is important to consider the weight of those holdings as a percentage of assets. Spanish sovereign debt holdings have fallen from about 10% of average total assets (ATA) in early 2015 to 6.7% by the end of 2021, with the gradual reduction in exposure translating into lower interest income from these investments. The opposite is true of other sovereign exposures, whose weight of ATA increased to 3.5% by the end of 2021 (113 billion euros).

> "Since 2008, the percentage of interest income generated by the lending business has decreased by 9.5 percentage points to 78.5% in 2021, meanwhile interest income from public debt holdings has also decreased to 5%."

Exhibit 3 **Breakdown of interest income**

Percent by income source



Source: ECB.

The growing importance of fees and commissions

The growing weight of fee and commission income as a percentage of net operating income and average total assets (ATA) is taking place concurrently with a shift in composition. Within the fee and commission mix, the contributions by collection and payment services (transfers, checks, account maintenance, *etc.*) and securities services (administration and custody, subscription, management, underwriting and placement) have declined. Whereas the fees and commissions derived from the marketing and sale of banking products and services have risen. This category includes income from products distributed, but not managed by banks, such as the sale of third-party investment and pension funds and insurance policies. Fees from those sales accounted for 30% of total fee and commission income in 2021 (Exhibit 4). This exceeds the amount banks generated from collection and payment services, which amounted to 27% of the total in 2021 (down from 40% in 2008). The entry of new online entities offering collection and payment services (such as Fintech players) is eroding the market shares of traditional banks and wearing away the volume of fees and commissions that banks can collect.

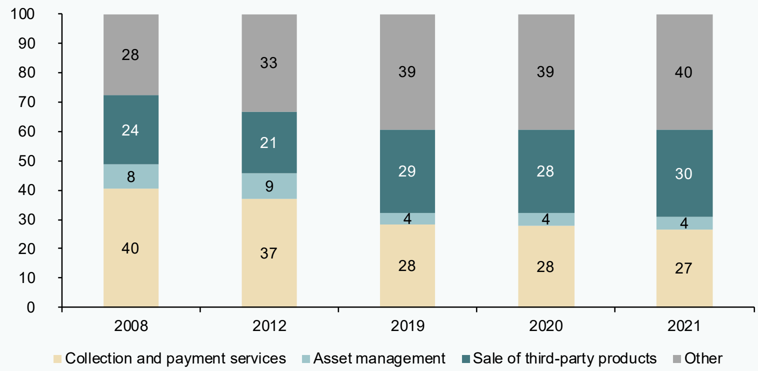
The weight of fees from securities services has also decreased, declining steeply from 8% in 2008 to 4% in 2021. Other sources of fee and commission income currently represent 40% of the total. These fees and commissions

> “The contribution of payment services to fee and commission income in the Spanish banking system is falling over time (27% in 2021), whereas the fees generated by the sale of third-party products have been increasing their share (to 30%, a high since 2008).”

Exhibit 4

Breakdown of fee and commission income

Percent by income stream



Source: Bank of Spain.

are generated by activities, such as the sale of foreign currency, extension of financing (analysis, arrangement, prepayment fees, *etc.*), assumption of contingent risks (such as bonds and sureties), extension of contingent commitments (credit lines), and provision of advisory services, *etc.*

Income structure: Comparative international analysis

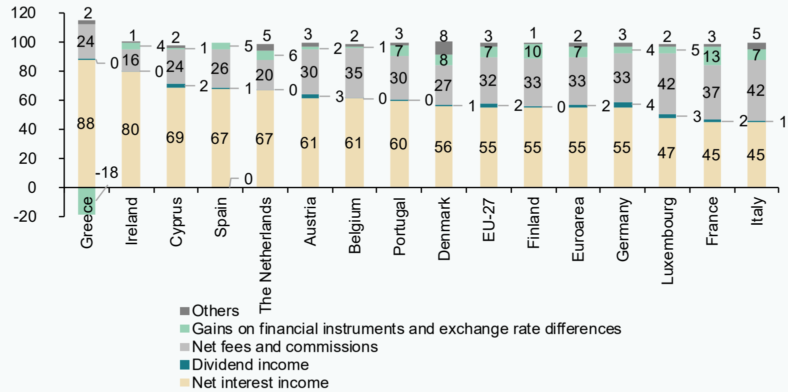
To compare the Spanish banks' income structure with that of its European peers, we rely on the data published by the ECB for consolidated financial groups, which includes the international subsidiaries of various banking groups. The most recent data reveal that the traditional deposit-taking and lending business garners a higher weight in the Spanish banks' interest income relative to their European peers. Whereas the traditional intermediation business –net interest income– accounts for 67% of total income in Spain (Exhibit 5), the average in the EU-27 and eurozone is 55%, 12 percentage points lower.

Fees and commissions are the second biggest source of revenue for the Spanish banks, accounting for 26% of total income, 6 percentage points below the EU-27 average (32%) and 7 below the eurozone average (33%). Dividends contribute just 1% of income (half the EU-27 and eurozone average), while net trading income represents 5% of net operating income (2 pp below the european averages). In the ranking of the EU-27 banking sectors, Spain is positioned at the high end of the range

> "Fees and commissions account for 26% of the Spanish banks' net operating income, 7 pp below the eurozone average, yet expressed as a percentage of assets, the Spanish figure of 0.65%, is similar to the European equivalent."

Exhibit 5 **Structure of European banks' income in 2021**

Percent by source



Source: ECB.

in terms of the share of net operating income contributed by net interest income.

If instead of focusing on the breakdown of income, we analyse its weight over the ATA, as an indicator of average prices, Spanish banks boast net operating margins above the European average. The net operating margin in Spain was 2.49% of ATA, 49 basis points above the eurozone average. The main difference lies in that net interest margins (at 1.68%, which is twice the metric secured by the Spanish business – compared to Spanish banks' foreign subsidiaries) are 58 basis points above the eurozone average. The weight of dividends in ATA is very low (0.03% *vs.* 0.04% in the eurozone), while that of fee and commissions is almost identical (0.65% *vs.* 0.66%). This last figure is higher than the 0.5% weight accounted for by fees and commissions as a percentage of assets in the domestic business in Spain. This suggests that the Spanish banks' foreign subsidiaries charge higher commissions than at home.

Focusing more closely on fee and commission income as a percentage of ATA, the most recent figure for 2021 places Spanish banks at a consolidated level in line with the eurozone average (0.65%), below Italy (0.97%) and France (0.68%), and just ahead of Germany (0.61%).

Conclusion

The intensity of the factors that have shaped profitability for Spanish banks in recent years (particularly the ultra-low rate environment) has driven considerable changes in their income structure. The share of interest income has declined, while the share of fees and commissions has grown. This change has unfolded in tandem with shifts observed in the business models of Spanish banks. This has come in the form of private sector deleveraging and considerable reduction in credit over assets. Today, private resident credit stands at 41% of assets down nearly 20 points from its level prior to the 2007-2008 financial crisis. Faced with these shifts, in recent year, Spanish banks have struggled to generate returns from their domestic business that satisfy investors.

Highlights of the analysis of Spanish banks' income structures and trends are the following:

- The drop in rates has exerted pressure on the banks' net interest margins, which hit a record low of 0.8% of ATA in 2021. Net interest income accounted for 49% of net operating income in 2021, down 4 points from 2008.

- The drop in interest income has forced the banks to look for alternative sources of income, chiefly fees and commissions. In 2021, this category contributed 31% of total income and has grown considerably since 2008. As a percentage of ATA, fee and commission income for domestic Spanish banks increased to 0.5%, a level that is still below 2007, prior to the financial crisis.

- The fee and commission income mix has also changed considerably. The weight of payment and collection services has declined (partially due to competition from the Fintech players) and the contribution of fees from the sale and marketing of third-party products, such as funds and insurance policies has increased. In 2021, fees from payment and collection services accounted for 27% of total income (a low since 2008), whereas fees from the sale and marketing of third-party products accounted for 30% (a high since 2008).

- Interest income composition has also shifted, with interest income from the lending business falling (accounting for 78.5% in 2021, 9.5 points less than in 2008) and that from fixed-income investments increasing. For interest income from fixed-income investments, the contribution generated by interest earnings from Spanish sovereign debt holdings has decreased, while that generated by other countries' debt has increased.

- When comparing Spanish banks and their foreign subsidiaries to the average of European banks, Spanish banks stand out for their relatively higher weight of interest in their income structure (67% *vs.* 55% in the eurozone) and the lower weight of fee and commission income (26% *vs.* 33%). As a percentage of ATA, however, fee and commission income in Spain at the consolidated level is in line with the European banks' average (0.65%). Net interest income over assets, however, is higher in Spain than in the eurozone (1.68% *vs.* 1.10%).

Notes

[1] So far in 2022, EURIBOR has rebounded sharply and was trading at over 1% at the time of writing.

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

Readiness of the Spanish insurance sector in a shifting economic and financial environment

Increasing interest rates and rising inflation bring a mixture of opportunity and concern for Spain's insurance sector. Rising rates should support life insurance and savings products, while slowing growth and higher inflation may erode demand and margins for other products and segments.

Daniel Manzano and Aitor Milner

Abstract: The bottlenecks caused by the pandemic and the war in Ukraine are sending prices soaring and leading to inflationary pressures not seen in decades. Major central banks have announced sharp and sustained rate hikes, while clouds have gathered over forecasts for economic growth. Spain's insurance sector has traditionally proven highly resilient and capable of adapting to shifting market environments. The changes taking hold will impact the sector's investment portfolios and trigger a business response mainly in life insurance and traditional savings products, which have suffered from under-development in recent years due to a period of protracted low interest rates. The anticipated economic slowdown could also negatively impact demand for certain non-life products. Finally, inflation is expected to increase the costs of claims as not all segments can pass on rising costs to client premiums.

> "The return to higher rates has been accompanied by a rally in the share prices of banks and will also facilitate the development of the life and savings businesses in the insurance industry."

Foreword

The economic and financial scenario has shifted considerably in recent months. The yield curve has sustained a prolonged and accelerated upward shift and clouds have gathered over the outlook for growth for the year ahead. The immediate explanation for the sudden shift in expectations lies with persistently elevated inflation, which has reached levels not seen in advanced economies in decades. The key driver of the latest surge in inflation is energy and commodity prices induced by the war in Ukraine. This was preceded by a wave of elevated inflation that had begun mid-last year, when the 'end' of the pandemic brought robust demand in contact with constrained supply handicapped by bottlenecks related to pandemic closures and lockdowns. The sharp increase in yield curves is a reflection of market expectations that the main central banks, including the ECB, will follow the paths already embarked on by the Federal Reserve and Bank of England. In the immediate future, we will see the unwinding of the extraordinarily accommodative monetary policies of recent years, including a considerable increase in benchmark interest rates.

Following years of navigating zero and negative interest rates, the financial industry will return to a landscape characterized by higher rates. The shift to higher rates reflects a return to more traditional conditions for carrying out certain financial industry businesses, and has been accompanied by a rally in the share prices of banks. The return to higher rates will also facilitate the development of the life and savings businesses in the insurance industry. On the other hand, tighter monetary conditions have led to stock market corrections for other sectors.It is important to point out the adverse effects that accompany rising interest rates and high inflation. The increase in rates will carry some negative implications for financial entities' asset portfolios, while high inflation will erode the economy's growth potential. The extent to which economic activity and by extension, the health of the banking and/or underwriting businesses, will be ultimately impacted is dependent on whether central banks manage to bring inflation back to target and how long it takes. This paper focuses on the exposure of the insurance business to the dramatic shift in macroeconomic conditions. In the first section we analyse the sector's current health based on the most recent information available. We then asses firms' foreseeable responses and the key implications for Spain's insurance sector.

Current situation

Using information that runs until the middle of 2021, in an earlier article published in this journal (Blasco, Manzano and Milner, 2021) we concluded that, as a result of the impact of the pandemic on the insurance business, *...notwithstanding asymmetries across the various lines of business and markets, the sector has once again displayed a unique ability,*

> "The extent to which economic activity and by extension, the health of the banking and/or underwriting businesses, will be ultimately impacted is dependent on whether central banks manage to bring inflation back to target and how long it takes."

compared to other sectors, to ride out the storm. Indeed, its profitability and solvency continue to present solid foundations in the current context and the sector looks poised to maintain its pre-pandemic cruising speed. Moreover, the most recently released indicators point to a smaller impact and faster rebound that one would expect following the initial shock.

Subsequent data for the second half of 2021 and the first half of 2022 have enforced this assessment. In 2021, for the non-life business, except for motor insurance, revenue (premium) growth was solid. Health insurance (+4.92% year-on-year), multi-risk (+4.69%) and ‘other’ (5.56%) segments also reported vigorous growth, which have accelerated even further over the first quarter of 2022 (Table 1). The weak performance in motor insurance is intuitively related to the meagre growth in the stock of cars against the backdrop of the many bottlenecks plaguing the industry worldwide and, perhaps, also the car-as-a-service trend.

In the case of life insurance, it is worth noting that the significant recovery (+7.88%) in revenue followed an extraordinary contraction the year before (-20.66%). Life and savings products were also considerably weak in the years prior the pandemic for structural reasons (protracted low interest rates). Since markets expected low rates to continue for some time until just a few months ago the partial recovery in the life business is attributable to the life-risk segment and the noteworthy growth in the sale of unit-linked (policyholder risk) products. The welcome recent surge in unit-linked products, generally underdeveloped in the Spanish market compared to other major European countries, has been fuelled by their novel offering of attractive interest rates to customers in traditional medium- and long-term savings products. The highly favourable returns in securities markets until just a few months ago also contributed to their attractiveness. The trend of life insurance products is depicted in Table 2, which illustrates the contraction in more traditional life and savings products relative to products in which the policyholder bears the risk. That pattern has continued throughout the early months of 2022.

The positive trend in revenue in the non-life business, which continued to expand (as

Table 1

Trend in premiums by segment, 2019-1Q22

Estimated total volume of premiums written in the sector (millions of euros)				Change 2020/2019 (%)	Change 2021/2020 (%)	Change 1Q22/1Q21 (%)
Line	2019	2020	2021			
Total direct insurance	64,175	58,892	61,834	-8.23	5.00	4.32
Non-life	36,652	37,055	38,276	1.10	3.30	4.85
Motor	11,312	11,086	10,990	-2.00	-0.87	1.64
Health	8,936	9,387	9,849	5.05	4.92	7.21
Multi-risk	7,521	7,753	8,117	3.08	4.69	5.07
Other non-life	8,883	8,829	9,320	-0.61	5.56	5.89
Life	27,523	21,837	23,558	-20.66	7.88	3.44
Risk protection	4,865	4,848	5,016	-0.35	3.47	-
Savings	22,658	16,989	18,542	-25.02	9.14	-
Technical provisions – Life	194,786	194,110	195,707	-0.35	0.82	1.89

Source: ICEA.

Table 2

Trend in provisions in life, 2019-1Q22

Segment	Technical provisions / Net assets (million euros)			Change 2020/2019 (%)	Change 2021/2020 (%)	Change 1Q22/1Q21 (%)
	2019	2020	2021			
Risk protection	6,450	6,572	6,914	1.9	5.2	2.3
Dependency	29	36	38	24.7	4.9	-7.5
Savings/Retirement	188,307	187,501	188,770	-0.4	0.7	-0.2
Pension insurance	12,343	12,098	11,400	-2.0	-5.8	-5.9
Deferred capital	50,326	49,004	47,775	-2.6	-2.5	-3.3
Annuities and temporary income	89,989	89,129	88,449	-1.0	-0.8	-0.9
Transformation of net worth into annuity	2,594	2,418	2,433	-6.8	0.6	-2.3
Systematic individual savings plans	14,457	14,441	14,629	-0.1	1.3	-1.1
Long-term individual savings plans	4,321	4,397	4,321	1.7	-1.7	-6.2
Asset-related (risk taker)	14,277	16,016	19,764	12.2	23.4	18.8
Total life insurance	194,786	194,110	195,707	-0.3	0.8	-0.1
Pension plans managed by insurance entities	46,168	48,278	61,846	4.6	28.1	17.3
Total insurance entities	240,955	242,388	257,568	0.6	6.3	3.4

Source: ICEA.

Table 3

Insurers' earnings performance 2019-2021

(Data restated for 100%)	Result from retained insurance (million euros)			Change 2020/2019 (%)	Change 2021/2020 (%)
	FY 19	FY 20	FY 21		
Technical account					
Non-life	3,466	4,156	3,322	19.9	-20.1
Motor	898	1,503	891	67.4	-40.7
Multi-risk	534	467	341	-12.5	-27.0
Health	631	941	715	49.1	-24.0
Other non-life	1,403	1,244	1,376	-11.3	10.6
Life	2,397	2,125	2,539	-11.3	19.5
Total life and non-life	46,168	48,278	61,846	4.6	28.1
Non-technical account	240,955	242,388	257,568	0.6	6.3

Source: ICEA.

a whole) in spite of the pandemic, coupled with favourable trends in claims, has meant that the sector's earnings have not suffered in recent years. In 2020, the extraordinarily low level of claims, shaped by the lockdown and mobility restrictions, drove the sector's profitability to levels not seen for many years (5.8 billion euros). The recovery in claims during the gradual return to normality in 2021 left sector profits a little above pre-crisis levels.

In short, the sector has once again displayed tremendous resilience. Moreover, notwithstanding obvious asymmetries across the various segments, it has navigated the complexity wrought by the unexpected COVID crisis with notable success. The role of the insurance business in bolstering the banks' earnings, which took a heavy hit in 2020 due to the fallout from the pandemic, was also noteworthy. Recall that the Spanish banks have significant positions in the bancassurance business, particularly in the non-life segment, of which it controls more than half (Manzano, 2017).

Outlook for the insurance sector in the shifting economic and financial environment

Less buoyant growth expectations, a sharp increase in inflation, and the end of zero and negative rates (with markets expecting a period of sustained central bank rate hikes) are ingredients for a major shift accelerated by the 'end' of the COVID crisis. The shift in each factor is of sufficient magnitude to trigger some manner of response by the insurance sector, with differing impacts from one segment to another.

In the case of non-life insurance, the current robust growth in demand for coverage (except for motor insurance) may slow over the coming quarters as the economy decelerates, which leading indicators suggest is already occurring. However, despite the recent downward revisions by the leading international and national organisations, the Spanish economy is still expected to grow by 4% in 2022 and by around 3% in 2023. These projected rates of economic expansion mean that Spain is on track to experience some of the highest levels of forecast growth among major economies and by historical standards. In the new context, it is also likely that less cyclical businesses, including multi-risk and health insurance, which have been posting sustained annual growth of over 5% during the last 15 years, further bolstered by the health crisis (Exhibit 1), are likely to extend their current momentum. Meanwhile, the more cyclical businesses –motor and other non-life insurance –should find a solid floor if growth materialises at the levels currently forecast.

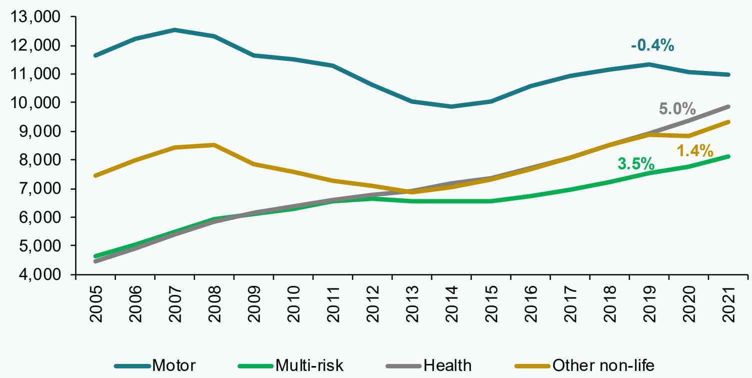
In nominal terms, inflation should also boost revenue, although the ultimate impact on the earnings of the entities active in non-life is not clear. The ability to pass on the evident increase in claims costs to end prices (by hiking premiums) in the current context of high inflation will vary significantly from one segment to the next. The 'ease' with which the health insurance business has historically been able to raise its premiums, given the strength in demand for its products, contrasts developments in the motor insurance business, which although still the biggest generator of revenue is very mature and extremely competitive.

Management of costs and the ability to pass higher costs on to premium prices for new coverage will be essential to determining the ultimate impact on the players' earnings, especially in the context of posting robust double digits overall margins in recent years.

> "In 2020, the extraordinarily low level of claims, shaped by the lockdown and mobility restrictions, drove the sector's profitability to levels not seen for many years."

Exhibit 1 **Trend in premiums by line**

Million euros



Source: Authors´ calculations based on Bloomberg data.

In the short-term, the speed of the increase in rates and widening of credit spreads along with the current rout in the stock market will be bad news for investment portfolios in the non-life business. Life insurance portfolio valuations will also be adversely affected, but if we compare the Spanish market to other European markets, the impact should be more moderate thanks to the active pursuit of flow matching that is characteristic of the Spanish insurance industry.

What will likely experience a dramatic change in the life business is its orientation. Yield curve 'normalisation' will create the conditions, which have been absent for some time, for renewed development of traditional life and savings products. These products have languished for years against the backdrop of zero or even negative rates. To justify investment in these traditional products, which continue to account for the bulk of the market, as shown in Table 2, agents need to perceive that the current inflationary pressures will eventually be reined in by central banks. Nevertheless, the prevailing high levels of uncertainty and the downturn in markets are not the ideal environment for renewed demand for traditional life and savings products. This also holds true for alternative products, such as unit-linked products, that have historically garnered a very small share of the Spanish market by comparison with other major European markets. Unit-linked products had been booming in recent years in the wake of the market rally and the drying up of net demand for products with guaranteed rates in the prevailing conditions. Considering all these factors, it is not easy to make short-term projections for the life insurance business. However, barring a major economic

> "Yield curve 'normalisation' will create the conditions, which have been absent for some time, for renewed development of traditional life and savings products."

or financial crisis, we do believe that, on balance, the new rate climate will usher in brighter prospects.

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Revenue and employment at Spanish manufacturing firms reach pre-pandemic levels

Spain's manufacturing industry has overcome the pandemic induced bust, but sector level trends appear to be diverging. In most sectors, revenue and employment are above pre-pandemic levels, while other sectors have used the pandemic to find efficiencies and downsize workforces, with the transportation material sector struggling with shortages and the green transition.

María José Moral

Abstract: At the headline level, the Spanish manufacturing industry appears to have fully overcome the harsh effects of the pandemic, with revenue and hiring back to pre-pandemic levels. However, the new geopolitical paradigm and supply side frictions are weighing on growth once more. The situation in the transport materials sector is of particular concern, with revenue and employment still 10% and 8% below 2019 levels. Meanwhile, other sectors have fully recovered and have grown revenues and workforces above pre-pandemic levels, except for the textile and clothing and the paper, publishing, and graphic arts sectors. While revenue is back above pre-pandemic levels for these two sectors, firms have taken advantage of the pandemic to find efficiencies and downsize their labour forces. At the opposite end of the spectrum, sectors experiencing strong sales growth, such as the

food, beverage and tobacco and chemicals and pharmaceuticals sectors, are generating new jobs.

Introduction

The economic collapse triggered by the pandemic in March 2020 sent the manufacturing sector into free fall (Moral, 2021). Two years on, it is timely to analyse how Spain's manufacturing firms have fared and gauge whether indicators of their economic performance have reached pre-pandemic levels. To assess this, we analyse the quarterly sales and employment figures reported by firms to the Spanish tax authorities (AEAT) in their VAT and employer tax withholdings. Our starting point for comparison is the first quarter of 2019, as the impact of the pandemic had already become apparent in the data for the first quarter of 2020. The figures and the data used are presented with a quarterly frequency.

We first look at the key trends for the manufacturers as a whole. We then analyse the trends in sales in Spain relative to exports, and in employment, across nine manufacturing sub-sectors. Understanding the nature of the recovery from the pandemic-related shock is key to detecting potential weaknesses that may emerge in the face of new sources of uncertainty, including the war in Ukraine and the associated surge in oil prices and shortage of supplies.

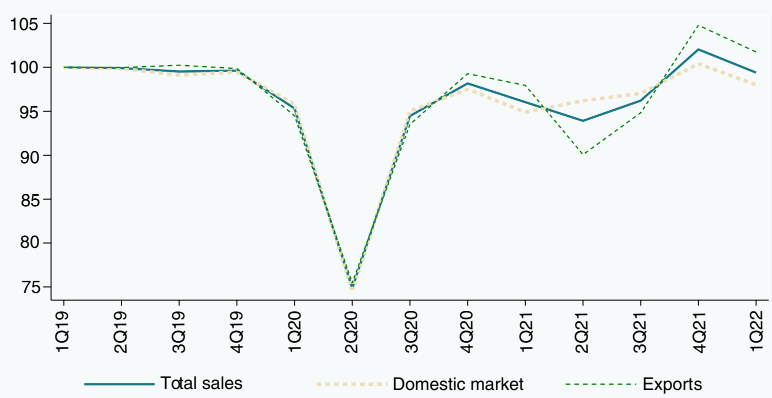
Spain's manufacturing firms' earnings have recovered

To assess the performance of Spanish manufacturing firms, we review quarterly firm sales and employment figures from the first quarter of 2019 to the first quarter of 2022. These indicators are sourced from data firms submit to tax authorities related to VAT returns and employer tax witholdings reports. [1] The data used (from Spain's VESGEP survey) is highly representative of Spain's manufacturing sector in that it accounts for 98.4% of total sales revenue and 99.7% of the exports of manufacturing firms of all sizes. The VAT returns itemise total revenue and distinguish between home market sales and exports. Exhibit 1 provides the trend in those variables in index form, rebased to the first quarter of 2019.

The sector bounced back rapidly from the collapse in activity triggered by the pandemic

Exhibit 1 **Sales generated by Spanish manufacturing firms**

1Q19-1Q22, index rebased to 100 = 1Q19



Source: Author's calculations based on VESGEP (AEAT) data.

> “Based on the recovery prior to the first quarter of 2022, it is fair to conclude that the manufacturers overcame the rout generated by the pandemic.”

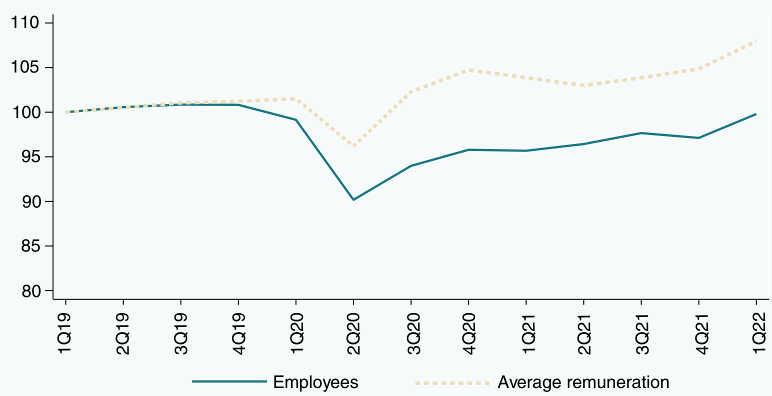
in the second quarter of 2020 (as evidenced by the pronounced “V” shape of the exhibit). The initial recovery in manufacturing activity was excellent, with Spain’s manufacturers’ sales running just 1.81% below their 2019 levels at the end of 2020. However, the worsening of the pandemic and increase in COVID transmission at the start of 2021 (when the vaccination effort was still very nascent) stalled the initial recovery, and it wasn’t until the second half of 2021 that vigorous growth resumed. By the end of 2021, sales were tracking above pre-pandemic levels by 2.0%.

The most recent data available, for the first quarter 2022, reveal a modest pause in the recovery trend, with sales dipping 0.6% below their 2019 level. This weakness reflects the shortage of certain manufacturing inputs and the onset of war in Ukraine on February 20th, 2022. Based on the recovery prior to the first quarter of 2022, it is fair to conclude that the manufacturers overcame the rout generated by the pandemic. At present, however, fresh sources of uncertainty around energy prices, the availability of supplies, as well as rising inflation and interest rates, are set to weigh on manufacturers’ earnings throughout 2022.

Exports have played an important role in the recovery of sales, despite experiencing more volatility compared to domestic sales (volatile export demand pre-dates recent geopolitical events). Over the three-year period analysed, the reported value of revenue from exports by Spanish manufacturers increased by 1.7% in real terms.

Exhibit 2 **Employees and remuneration at manufacturing firms**

Index rebased to 100 = 1Q19



Note: Remuneration is calculated by dividing reported pre-tax wage earnings by the number of recipients.

Source: Author’s calculations based on VESGEP (AEAT) data.

> In the wake of the pandemic, job destruction was curtailed by the implementation of the furlough scheme.

The recovery in manufacturing activity is evident in the quarterly Business Turnover Index but is less obvious in manufacturers' quarterly gross value added. [2] Accordingly, the analysis of the real sales figures provided by the tax authorities generates more precise, conclusive, and compelling results about the state of the manufacturing firms.

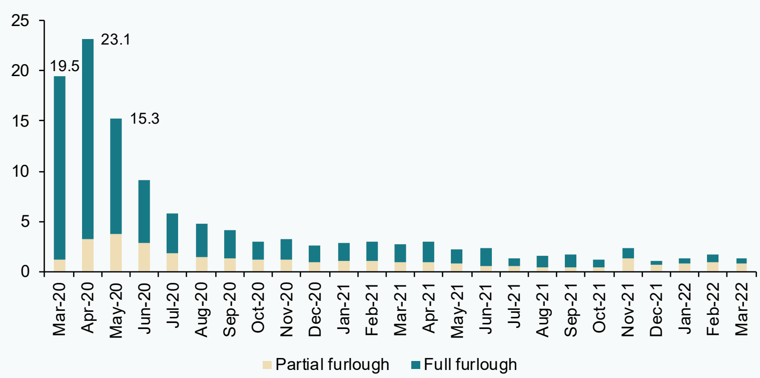
The trend in employees and their average remuneration (Exhibit 2) suggests that the destruction of jobs caused by the pandemic was far less severe than the contraction in sales (10% *versus* 25%). This contrasts with previous episodes in Spain, where during times that production activity had contracted, employment tended to fall far more intensely. In the wake of the pandemic, job destruction was curtailed by the implementation of the furlough scheme. The furlough job protection mechanism was activated in March 2020. As part of this scheme, the government covered up to 70% of the affected employees' earnings. During the first three months under the scheme, it was applied to 19.5%, 23.1% and 15.3%, respectively for each month, of the manufacturing industry's employees (Exhibit 3). By June 2020, that figure dropped to 10% and by September 2020, just 4.1% of manufacturing sector employees remained on furlough.

Despite having contracted less severely, the return to pre-pandemic employment levels was slow. Nevertheless, by the first quarter of 2022, manufacturers reported that they were paying social security contributions for the same number of employees as in the first quarter of 2019.

It is worth examining a detail related to the recovery in average employee earnings.

Exhibit 3 **Manufacturing sector employees on furlough**

As a percentage of total manufacturing sector employees



Note: Here we distinguish between those on full furlough (in respect of their full working day) and those on partial furlough (in respect of a portion of their working hours).

Source: Author's calculations based on Ministry of Inclusion, Social Security and Migration data.

Normally, as was the case in 2019, over short periods of time, average employee earnings should tend to be stable and generally smooth, given that this data series is deflated and adjusted for seasonality and calendar effects. However, average employee earnings experienced a steep fall in the second quarter of 2020, and rapid partial recovery, why?

The exceptional volatility in this series can be explained by two factors. First, some employees were only furloughed for part of their working hours. In the first quarter of 2020, one out of every five employees on furlough were on “temporary suspension”. Employers only paid employees on partial suspension for the hours effectively worked and that remuneration was obviously considerably lower than their normal remuneration and was topped up by the furlough payments. A second explanation is that some companies topped up the remuneration of their furloughed employees so that they were computed as recipients of salaries in the corresponding social security filings, but obviously those amounts were significantly below their normal salaries.

Separately, this last hypothesis becomes evident by examining data on salaries per hour effectively worked, which is tracked by the Harmonised Salary Cost Index (compiled by the INE). Salaries per hour effectively worked increased by 5.2% in the first quarter of 2020. This may be because some of the remuneration paid went to employees who did not effectively complete any hours of work for the reporting companies, and not because those employees’ salaries were raised.

Nevertheless, having overcome the extraordinary shock induced by the pandemic, at the end of 2020, average remuneration was 4.7% higher than the year before. Considering that by then most of the employees on furlough were back at work and employment was not back at pre-pandemic levels, that increase in average earnings is attributable more to a change in the worker mix than an actual increase in average earnings. It appears that the employees that were let go were, on average, less skilled and had been on their employers’ payroll for less time so that the workers who kept their jobs had, on average, higher salaries.

In 2021, average remuneration did not change significantly overall. However, in the first quarter of 2022, average remuneration increased by 3.1% quarter-on-quarter, and in this episode the growth is not attributable to the furlough arrangement. Moreover, given that the remuneration figures are deflated, the rebound is not attributable to an increase in salaries in response to the spike in inflation at the end of 2021. Therefore, the growth in average remuneration in the early months of 2022 suggests that employees are gaining purchasing power. This development may be related to implementation of Royal Decree-Law 32/2021 (of December 28th, 2021) on urgent labour reform measures. [3]

Sector level trends

In this section, we explore these trends in more detail, distinguishing between nine manufacturing sub-sectors, [4] namely: “Metallurgy and non-metallic minerals”, “Machinery and equipment (installation and repairs)”, “Transport materials”, “Chemicals and pharmaceuticals”, “Food, beverage and tobacco”, “Textiles and clothing (including footwear)”, “Paper, publishing and graphic arts”, “Wood, cork and furniture”, and “Other manufactured goods”. Table 1 presents the percentage change in total sales (distinguishing between domestic sales and exports) and employees between the first quarters of 2022 and 2019 for each of these sub-sectors.

The breakdown in Table 1 shows that, on average, the recovery observed was not even across the various manufacturing sub-sectors. To further highlight the differences in Table 1, the sub-sectors have been ranked in order of the laggards to the leaders in sales recovery.

The transport materials sector appears to be experiencing the greatest difficulty recovering to its pre-pandemic sales levels, [5] with the slow recovery of this sector generating a drag on the overall picture. That sector’s home-market sales have fallen by 19.7% in three years. Also worrying is the transport material sector’s export trends. This sector exports about 80% of its production, and exports are down 3.3% over the previous 3 years. Although this sector has been significantly affected

Table 1 **Manufacturing sub-sectors: Sales and employees in 1Q22**

Percentage change compared to 1Q19

Sector	Total sales	Sales Spanish market	Exports	Employees
"Transport materials"	-10.26	-19.74	-3.30	-8.23
"Metallurgy and non-metallic minerals"	0.68	0.65	0.76	-1.42
"Textiles and clothing"	2.44	-1.49	10.91	-10.84
"Chemicals and pharmaceuticals"	2.46	-8.79	21.05	6.51
"Food, beverages and tobacco"	3.44	2.67	6.02	5.58
"Machinery and equipment"	4.28	6.88	0.20	1.25
"Other manufactured products"	5.27	4.01	7.37	1.63
"Paper, publishing and graphic arts"	7.38	8.30	3.65	-6.85
"Wood, cork and furniture"	11.19	8.72	21.36	0.88

Note: Sectors have been ranked in order of smallest to largest change in total sales.

Source: Author's calculations based on VESGEP (AEAT) data.

by the shortage of supplies and parts, other sectors which have encountered similar issues are nevertheless reporting growth in sales by comparison with 2019.

The key to understanding the decline in domestic sales and exports for the transport materials sector is that it is immersed in a transformational process shaped by the sustainable mobility thrust, [6] to which it has yet to fully adjust. The problem goes beyond the lack of chips, which will eventually be resolved. Changing the sector's product mix is a slow process, and in reality the production of electric vehicles remains marginal in Spain. In 2020, just 7.3% of the vehicles produced in Spain fall into the 'alternative vehicles' category, which includes battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), standard hybrid vehicles and gas-powered vehicles (ANFAC, 2020).

The chemicals and pharmaceuticals sector was obviously the most resilient in 2020 due to the growth in demand for medicines and other disinfectant and cleaning products (Moral, 2021). The upshot is that over the last three years, the sector's overall sales growth of 2.5% has been underpinned by stellar exports, with employee numbers increasing 6.5% by

"The key to understanding the decline in output for the transport materials sector is that it is immersed in a transformational process shaped by the sustainable mobility thrust, to which it has yet to fully adjust."

comparison with 2019. The food, beverage and tobacco sector is not far behind, reporting growth in sales and net employment of 3.4% and 5.6%, respectively.

Exports have also played a crucial role in other sectors' healthy performances, particularly in textiles and clothing where, despite a drop in sales in Spain, overall sales are up 2.4% compared to 2019 due to strong export gains. Despite strong exports, this sector has taken advantage of the pandemic shock to downsize, reducing its workforce by 10.8% over the three-year period. In paper, publishing and graphic arts, employment also decreased by 6.9% while sales revenue increased by 7.4%. Although the loss of jobs in these two sectors has been precipitated by the pandemic, the origin of this trend lies with more complex problems affecting their overall business models. The textile sector is navigating a very serious offshoring problem. In Spain, it nevertheless boasts leading global players. In paper, publishing and graphic arts, the issue is the shift in the business model to digital devices away from paper products (newspapers, books, magazines, advertising, *etc.*), which has forced it to move the business into –less labour intensive– editing and design.

Conclusions

The main takeaway from this analysis of Spanish manufacturing firms' performance is that they have recovered from the shock generated by the pandemic with sales in all segments of the manufacturing spectrum, except for transport materials, higher in 2022 than in 2019. Not all sectors have revisited their 2019 employment levels with some, including the textile and clothing and the paper, publishing, and graphic arts sectors, using the pandemic rout as an opportunity to downsize workforces. At the opposite end of the spectrum, sectors experiencing strong sales growth, such as the food, beverage and tobacco and chemicals and pharmaceuticals sectors are generating new jobs.

Notes

[1] That data used have been adjusted for seasonality and calendar effects. In addition, the monetary variables have been deflated (AEAT, 2021).

[2] Data on gross value added are published in the quarterly *National Accounts*. Both indicators are compiled by Spain's National Statistics Office (INE).

[3] Although firms had all the first quarter of 2022 to implement several of the changes in contract types.

[4] The "Oil refining" sector is not included due to its relationship with the energy sector.

[5] Moral (2020) analyses the sector's performance during the first few months of the pandemic.

[6] Refer to the debate set down in issue number 171 of *Papeles de Economía Española* (2022).

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María José Moral. UNED and Funcas

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)

CNMV Circular 2/2022 approving the templates for notifying significant shareholdings and issuer trades in own shares (published in the *Official State Journal* on June 8th, 2022)

The Circular stems from the improvements made to corporate governance and capital markets aspects by Spanish Law 5/2021. Specifically, the CNMV has updated its templates for notifying significant shareholdings and issuer trades in own shares and repealed Circular 8/2015. Updates will take effect 60 days after publication and the parties bound by it will have to use the new templates for any notices they are required to make from that date onwards.

In broad terms, Circular 2/2022 introduces the following changes:

- It includes the requirement to make disclosures about loyalty voting rights. In a new development, the positions´ shareholders are required to report the additional voting rights associated with loyalty shares conferred (*i.e.,* shares that confer additional voting rights to their holders if they hold their shares for a given period of time).

- Disclosures regarding double voting rights are also required. Significant shareholders must indicate the number of additional voting rights conferred via loyalty shares and the number of shares for which that double voting entitlement has yet to be acknowledged. Those disclosures are already required in issuers' annual corporate governance reports.

- The templates concerning directors, officers and their close contacts and regarding remuneration schemes have been repealed.

- The instructions for filling out the treasury share template clarify that the calculation of the percentage of own shares held as treasury stock does not factor into loyalty share rights, if any.

- The wording of the instructions has also been fine-tuned.

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Spanish economic forecasts panel: July 2022*

Funcas Economic Trends and Statistics Department

Consensus 2022 GDP forecast trimmed 0.1pp to 4.2%

The revised first-quarter GDP figure revealed growth of 0.2%, shaped by a slump in private consumption and a sharp increase in investment in capital goods and in exports of non-tourism services. Tourism service exports continued to recover, albeit at a slower rate than in the two preceding quarters due to the restrictions imposed in a number of countries towards the end of the year in an attempt to curtail the spread of the Omicron variant.

Leading indicators for the second quarter point to accelerating growth, fuelled by services, especially a major recovery in tourism. Sector sources are expecting the summer season to be nearly as strong as before the pandemic. Nevertheless, towards the end of the year, growth could come under pressure from the sharp rise in inflation, the uncertainty surrounding the war in Ukraine and its impact on the energy markets (particularly gas supplies).

Growth for the second and third quarters is estimated at 0.4%-0.5%, whereas the consensus forecast for the last quarter is for growth of 0.3%, down from the levels forecast at the time of the May survey (Table 2). As a result, the consensus forecast for GDP growth in 2022 has been trimmed by 0.1pp to 4.2%, with net trade expected to contribute 1.6 percentage points of the total, the highest level since 2012, thanks to the normalisation of international tourism.

Uncertainty weighing on forecasts for 2023

The lower rate of growth now forecast for the second half of the year has a more pronounced effect on the 2023 forecast, which, as a result of the reduced carryover effect, has been cut by 0.5pp to 2.5%. Quarterly growth is expected to gather momentum as the year unfolds, with rates forecast at between 0.7% and 1% (Table 2). Net trade is expected to detract slightly from growth in 2023.

Inflation continues to top expectations

In June, the headline inflation rate increased to 10.2%, significantly above expectations, with core inflation also rising sharply to 5.5%.

The average rate of headline inflation forecast for this year has been increased once again, to 7.9%, up one percentage point from May, while the headline inflation forecast for 2023 has also been revised upwards by 0.9 points to 3.1%. Recall that just last January, the consensus forecast for this year was for an average annual rate 3.5%. The forecasts for core inflation have been increased by similar amounts to 4.6% and 3.3% for 2022 and 2023, respectively.

Brighter outlook for unemployment

The favourable trend in unemployment in the first quarter, coupled with ongoing healthy job dynamics throughout the second quarter, according to the Social Security contributor reports, have prompted the analysts to raise their forecasts for growth in employment and lower their forecasts for unemployment. Specifically, the average unemployment rate estimated for this year has been lowered by 0.2pp to 13.5%, falling to 13.1% in 2023.

The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULC). Productivity per FTE job is expected to increase by 0.8% this year and by 0.1% in 2023. Meanwhile, ULCs are expected to increase by 1.8% in 2022 and by 2.5% in 2023.

Trade surplus continues

To April, Spain presented a current account deficit of 4.13 billion euros, compared to a surplus of 535 million euros in the same period of 2021, as a result of sharp deterioration of the trade surplus and a wider income deficit.

The balance of payments deficit presented in the first few months of the year is highly seasonal. In fact, the analysts are forecasting a surplus for the year as a whole equivalent to 0.5% of GDP, down 0.1pp from the last set of forecasts. The consensus forecast for 2023 has been raised by 0.2pp to 0.9%.

Public deficit projected at 4.7% in 2023

The fiscal deficit, excluding local authorities, amounted to 7.89 billion euros in the first four months of 2022, compared to 26.87 billion euros in the same period of 2021. The improvement was driven by growth in revenue of 16 billion euros and a reduction in expenditure of 3 billion euros. The improvement is evident across all levels of government.

The analysts expect the overall deficit to come down this year and next. They have lowered their deficit forecasts for 2022 and 2023 by 0.3pp and 0.1pp, respectively, compared to May. Specifically, they are forecasting a deficit of 5.2% of GDP in 2022 and of 4.7% in 2023. Note that those forecasts are more pessimistic than those of the Spanish government and the Bank of Spain.

Geopolitical tensions and the energy crisis are clouding the international outlook

Concern about global economic prospects has intensified since the last survey. The OECD's June forecasts call for global growth of 3% this year, down almost 1.5 points from its prior estimate, and the organisation has flagged the risk of stagflation. The invasion of Ukraine has compounded existing tensions in the energy and commodity markets, spilling over to other prices and driving inflation to levels not seen in the developed world since the 1980s. Importing nations, notably the EU, are facing a loss of purchasing power that is weighing on the recovery expected in the wake of the pandemic. The inflationary environment is prompting monetary policy tightening, with the Federal Reserve at the fore, followed by the ECB.

Virtually all of the analysts surveyed view the external climate as unfavourable, both in the EU and beyond, an assessment unchanged from the last Panel. Moreover, a wide majority of analysts believe this negative environment will persist or deteriorate in coming months.

The central banks' task is becoming thornier

Monetary policy faces the tricky task of curbing inflation without derailing the recovery and sparking new financial risks. The main central banks have accelerated the reversal of their monetary stimuli. In June, the ECB put an end to its debt purchase programme, forcing the member states to finance their new issues in the market, without the direct support of the central bank. It is also getting ready to raise its key rates (emulating the Federal Reserve which has already increased its benchmark rate three times and announced further increases for the months to come). The challenge is to contain second-round effects from energy inflation without sparking financial fragmentation in the eurozone of the calibre seen in 2011. Indeed, when sovereign risk premiums began to rise last month, the ECB stepped in with an extraordinary meeting, announcing the upcoming rollout of an anti-fragmentation instrument, the details of which are still unknown.

The markets have taken stock of the shift in monetary policy. 12-month forward EURIBOR (the leading indicator for the trend in the deposit facility rate, controlled by the ECB) has increased from close to 0.25% in May to nearly 1% at the time of writing. The yield on Spain's 10-year bonds has widened slightly since May and is currently trading at around 2.3%. The risk premium stands at around 110 basis points, down from the level at which it was trading before the ECB's extraordinary meeting.

The analysts believe that market rates will continue to climb higher throughout the projection period (Table 2). The consensus forecast is that EURIBOR will reach 1.8% by the end of 2023, compared to 1% in May, and that the yield on the 10-year bond will end up at 3%, up 0.5pp from the May forecast.

Euro depreciation against the dollar

The markets believe the US economy is better positioned than the European economy to withstand the geopolitical and energy shocks, as is evident in the forecast trend in interest rates. That spread is drawing capital flows to the US and is in turn mirrored in the trend in the rate of exchange between the two regions' currencies. The dollar is currently trading at close to parity, compared to $/€1.04 in May. The analysts expect the euro to continue to trade below the long-run average exchange rate throughout the projection period (Table 2).

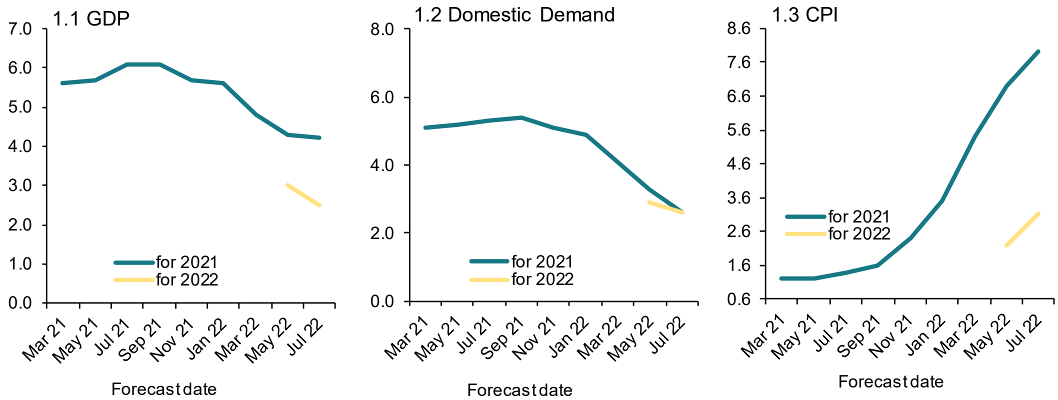
Macroeconomic policy remains expansionary

The analysts remain virtually unanimous about the expansionary character of the prevailing macroeconomic policies (Table 4). A growing number of them believes, however, that those policies should be more neutral with respect to the cycle, or even contractionary. Lastly, the ECB is expected to start to increase one of its key rates –the deposit facility rate– sharply from the third quarter, to around 1%, which is 75 bps more than was expected at the time of our last survey.

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

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

Spanish economic forecasts panel: July 2022*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – July 2022

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

	GDP[1]		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand[3]	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Analistas Financieros Internacionales (AFI)	4.3	3.0	1.6	4.0	1.5	0.9	5.9	2.5	10.4	3.3	2.1	2.2	2.5	2.9
BBVA Research	4.1	1.8	1.9	2.3	-0.3	1.6	9.8	6.9	17.2	4.4	4.5	8.7	3.0	3.1
CaixaBank Research	4.2	2.4	1.5	3.1	0.0	0.8	6.7	3.6	12.4	2.5	2.4	4.3	2.2	2.7
Cámara de Comercio de España	4.3	2.8	2.0	2.0	0.6	0.7	4.5	2.7	10.6	5.3	1.2	1.2	2.8	2.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	3.9	2.0	1.8	2.8	1.0	0.1	6.6	3.2	9.5	4.5	5.0	2.5	2.6	2.2
Centro de Predicción Económica (CEPREDE-UAM)	4.9	2.6	1.3	3.3	1.0	1.2	8.4	6.5	12.7	5.2	4.3	7.3	2.6	3.6
CEOE	4.2	3.2	3.1	2.7	2.2	1.3	7.4	5.4	12.2	6.8	3.3	4.7	3.1	2.7
Equipo Económico (Ee)	4.4	3.1	2.2	2.5	2.1	1.9	6.4	4.9	6.4	5.9	4.8	4.1	3.1	3.4
EthiFinance Ratings	4.3	2.9	1.4	3.3	1.7	1.5	6.9	5.9	--	--	--	--	--	--
Funcas	4.2	2.0	1.8	2.0	0.6	1.5	5.0	2.8	9.1	1.0	1.1	3.8	2.1	2.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	4.0	2.6	3.0	2.8	0.9	1.4	6.7	5.9	12.9	7.0	3.3	6.6	3.0	2.9
Instituto de Estudios Económicos (IEE)	3.9	2.8	3.0	2.4	2.3	1.7	5.7	4.6	7.9	7.0	2.9	2.8	2.7	2.5
Intermoney	3.9	2.4	1.0	3.0	0.6	1.5	6.4	4.3	8.3	4.8	4.4	3.8	2.0	1.9
Mapfre Economics	4.1	3.0	1.9	1.8	0.9	0.9	7.2	2.3	--	--	--	--	2.6	3.3
Oxford Economics	4.5	2.0	2.7	2.8	0.3	1.7	7.2	3.9	4.8	2.5	4.2	5.1	2.6	2.4
Repsol	3.7	2.3	1.3	1.2	-0.8	0.7	6.0	1.7	13.9	1.8	-0.4	1.5	1.6	1.1
Santander	4.0	2.5	1.5	2.8	0.8	0.9	6.0	6.9	11.3	8.8	1.5	5.1	2.5	3.1
Metyis	3.8	2.5	2.4	3.2	1.2	1.3	6.4	3.8	12.3	4.2	3.3	3.8	3.1	2.9
Universidad Loyola Andalucía	4.1	2.6	3.0	2.3	2.0	2.1	8.7	9.8	10.0	5.0	3.2	3.6	3.3	2.3
CONSENSUS (AVERAGE)	4.2	2.5	2.0	2.6	1.0	1.2	6.7	4.6	10.7	4.7	3.0	4.2	2.6	2.6
Maximum	4.9	3.2	3.1	4.0	2.3	2.1	9.8	9.8	17.2	8.8	5.0	8.7	3.3	3.6
Minimum	3.7	1.8	1.0	1.2	-0.8	0.1	4.5	1.7	4.8	1.0	-0.4	1.2	1.6	1.1
Change on 2 months earlier[1]	-0.1	-0.5	-0.9	-0.2	-0.4	-0.2	0.7	-1.1	2.5	-1.2	-0.8	-1.3	-0.7	-0.3
- Rise[2]	2	1	2	5	2	4	9	4	11	3	4	2	1	7
- Drop[2]	7	11	13	7	11	8	5	9	1	8	8	9	11	7
Change on 6 months earlier[1]	-1.4	--	-3.3	--	-1.0	--	-1.3	--	2.7	--	-4.6	--	-2.3	--
Memorandum items:														
Government (April 2022)	4.3	3.5	4.1	2.7	2.0	2.2	9.3	7.5	11.1	5.9	5.2	8.6	4.6	3.6
Bank of Spain (June 2022)	4.1	2.8	1.4	4.9	-0.2	0.4	6.5	2.1	--	--	--	--	2.1	3.2
EC (May 2022)	4.0	3.4	0.8	3.8	-0.5	0.4	8.3	5.8	13.0	5.5	4.2	6.8	2.0	3.4
IMF (April 2022)	4.8	3.3	5.2	3.4	0.6	0.4	4.5	5.2	--	--	--	--	4.0	3.0
OECD (June 2022)	4.1	2.2	0.1	3.2	1.2	1.3	7.4	4.7	--	--	--	--	--	--

[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 – July 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]	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Analistas Financieros Internacionales (AFI)	12.4	3.4	7.5	3.1	7.2	2.5	4.6	2.9	--	--	2.9	1.4	13.4	13.0	0.4	1.1	-5.0	-3.8
BBVA Research	14.4	3.1	11.8	6.7	7.9	3.2	5.0	4.0	2.6	3.8	3.8	0.6	13.0	12.9	--	--	--	--
CaixaBank Research	10.9	1.6	5.4	2.2	8.0	2.6	4.6	3.0	3.4	3.4	3.8	1.7	13.0	12.6	0.1	1.3	-5.5	-4.8
Cámara de Comercio de España	11.5	4.5	6.8	4.4	7.6	3.3	4.1	3.0	--	--	3.2	1.9	13.9	13.4	0.8	0.4	-5.9	-5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	12.1	4.8	8.6	5.3	8.2	4.6	5.9	4.3	--	--	2.8	1.8	13.3	12.8	0.5	0.0	-5.1	-4.2
Centro de Predicción Económica (CEPREDE-UAM)	15.2	4.2	9.2	7.0	8.6	3.4	--	--	1.7	2.7	3.6	1.1	14.0	13.9	1.1	1.7	-5.8	-4.8
CEOE	11.3	6.9	8.3	6.0	7.2	2.2	4.5	3.0	2.0	1.8	3.1	2.8	13.7	12.9	0.0	0.5	-5.2	-4.5
Equipo Económico (Ee)	11.5	2.8	8.2	3.9	8.1	4.0	4.6	4.1	3.0	2.4	3.0	2.1	13.1	12.7	0.9	0.7	-5.0	-4.4
EthiFinance Ratings	14.9	2.6	11.0	3.0	7.8	2.9	4.8	2.0	--	--	--	--	13.6	13.1	0.5	0.8	-5.0	-4.1
Funcas	13.0	3.3	7.4	3.6	8.8	4.8	4.9	3.9	2.5	3.5	3.1	1.1	12.7	11.8	0.7	0.2	-4.7	-4.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	10.3	5.6	7.2	6.9	8.5	3.0	4.7	3.4	--	--	3.0	1.6	13.4	13.0	0.9	0.7	-5.0	-4.7
Instituto de Estudios Económicos (IEE)	9.4	6.3	5.8	5.6	7.5	2.5	5.0	3.0	2.0	1.8	3.0	2.4	14.1	13.5	-0.5	0.0	-5.5	-4.9
Intermoney	11.5	3.5	6.4	4.8	7.2	2.4	3.6	2.0	--	--	6.7	13.2	14.2	13.2	0.6	--	-5.6	-4.8
Mapfre Economics	12.2	2.6	6.3	1.0	8.2	3.6	4.7	4.2	2.5	2.0	3.2	-0.2	13.3	14.3	0.8	2.9	-4.7	-5.3
Oxford Economics	11.7	1.7	6.3	2.8	7.7	2.4	4.5	2.0	--	--	--	--	13.0	13.4	0.6	1.5	-5.2	-4.7
Repsol	11.4	8.8	5.3	6.1	8.5	2.9	4.8	2.9	3.5	2.0	3.1	1.7	13.6	12.9	0.0	0.5	-4.7	-4.8
Santander	11.1	0.7	7.3	2.5	7.6	3.2	4.3	3.8	--	--	--	--	13.5	13.4	--	--	--	--
Metyis	12.3	3.8	7.2	4.9	7.3	2.9	3.4	2.4	--	--	3.0	2.8	13.3	12.8	1.0	0.9	-5.2	-5.0
Universidad Loyola Andalucía	11.4	4.4	7.9	3.5	7.9	2.4	4.6	5.1	--	--	2.9	2.4	13.7	12.9	--	--	--	--
CONSENSUS (AVERAGE)	12.0	3.9	7.6	4.4	7.9	3.1	4.6	3.3	2.6	2.6	3.4	2.4	13.5	13.1	0.5	0.9	-5.2	-4.7
Maximum	15.2	8.8	11.8	7.0	8.8	4.8	5.9	5.1	3.5	3.8	6.7	13.2	14.2	14.3	1.1	2.9	-4.7	-3.8
Minimum	9.4	0.7	5.3	1.0	7.2	2.2	3.4	2.0	1.7	1.8	2.8	-0.2	12.7	11.8	-0.5	0.0	-5.9	-5.5
Change on 2 months earlier[1]	1.3	-1.5	-0.1	-1.0	1.0	0.9	1.0	0.9	0.2	0.3	0.5	0.5	-0.2	-0.1	-0.1	0.2	0.3	0.1
- Rise[2]	11	1	6	1	17	18	16	16	5	5	8	3	2	2	4	2	6	2
- Drop[2]	4	13	9	12	0	0	0	0	1	0	1	6	10	5	3	4	2	3
Change on 6 months earlier[1]	0.8	--	-1.9	--	4.4	--	2.6	--	0.9	--	-0.6	--	-0.7	--	-0.8	--	0.2	--
Memorandum items:																		
Government (April 2022)	7.8	6.2	9.1	6.5	--	--	--	--	--	--	3.0	1.7	12.8	11.7	-0.4	-0.3	-5.0	-3.9
Bank of Spain (June 2022)	12.5	2.9	7.0	4.0	7.2 [7]	2.6 [7]	3.2 [8]	2.2 [8]	--	--	4.6 [9]	1.5 [9]	13.0	12.8	--	--	-4.6	-4.5
EC (May 2022)	13.6	4.6	8.3	4.8	6.3 [7]	1.8 [7]	3.9 [8]	2.7 [8]	2.8	3.0	3.3	1.6	13.4	13.0	1.8	2.1	-4.9	-4.4
IMF (April 2022)	8.6	3.7	0.6	3.0	5.3	1.3	--	--	--	--	--	--	13.4	13.1	0.3	0.4	-7.0	-5.3
OECD (June 2022)	13.7	2.5	7.5	4.8	8.1 [7]	4.8 [7]	4.5 [8]	4.5 [8]	--	--	--	--	13.6	13.9	1.0	0.1	-5.0	-4.2

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

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

[3] *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 – July 2022

	22-I Q	22-II Q	22-III Q	22-IV Q	23-I Q	23-II Q	23-III Q	23-IV Q
GDP[1]	0.2	0.5	0.4	0.3	0.7	0.9	1.0	0.9
Euribor 1 yr [2]	-0.24	0.84	1.15	1.41	1.65	1.80	1.82	1.82
Government bond yield 10 yr [2]	1.22	2.63	2.59	2.74	2.86	2.96	2.97	2.98
ECB main refinancing operations interest rate [2]	0.00	0.00	0.48	0.88	1.20	1.33	1.42	1.46
ECB deposit rates [2]	-0.50	-0.50	0.03	0.40	0.69	0.87	0.94	0.99
Dollar / Euro exchange rate [2]	1.10	1.06	1.04	1.04	1.05	1.06	1.06	1.07

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

Table 3

CPI Forecasts – July 2022

Year-on-year change (%)					
Jun-22	Jul-22	Aug-22	Sep-22	Dec-22	Dec-23
10.2	9.1	8.6	7.8	6.1	2.3

Table 4

Opinions – July 2022
Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	2	17	0	8	11
International context: Non-EU	1	2	16	1	10	8
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	4	15	3	8	8
Monetary policy assessment[1]	1	3	15	8	8	3

[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											
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	4.6	3.1	4.3	-2.8	12.1	14.7	13.9	4.7	0.5
2022		4.2	1.8	0.6	5.0	1.1	8.7	13.0	7.4	2.1	2.1
2023		2.0	2.0	1.5	2.8	3.8	2.0	3.3	3.6	2.0	0.0
2021	I	-4.1	-6.5	4.4	-3.3	-10.5	4.8	-6.7	-3.9	-3.1	-1.0
	II	17.8	22.6	4.1	20.6	11.2	31.5	40.4	40.6	17.6	0.2
	III	3.5	1.8	3.5	0.3	-5.5	6.6	16.1	13.2	2.4	1.1
	IV	5.5	4.1	0.4	2.8	-3.9	9.7	17.9	13.1	3.8	1.8
2022	I	6.3	4.8	-0.4	6.8	0.6	12.8	18.1	11.7	4.0	2.3
	II	5.8	1.4	0.1	5.7	0.2	11.1	19.1	8.2	2.2	3.7
	III	3.6	1.4	0.3	5.6	1.8	9.4	11.9	7.4	1.9	1.7
	IV	1.4	-0.1	2.3	1.9	2.0	1.9	4.5	2.8	0.7	0.7
Chain-linked volumes. quarter-on-quarter percentage changes											
2021	I	-0.5	-2.5	1.0	-0.5	-4.0	3.2	1.0	0.4	-0.7	0.2
	II	1.1	4.8	0.5	-0.1	1.3	-1.5	1.3	5.9	2.5	-1.3
	III	2.6	0.6	0.6	0.3	-1.0	1.6	7.5	1.8	0.7	1.9
	IV	2.2	1.4	-1.6	3.1	-0.2	6.2	7.2	4.5	1.2	1.0
2022	I	0.2	-1.9	0.1	3.4	0.4	6.2	1.1	-0.8	-0.5	0.7
	II	0.7	1.4	1.0	-1.0	1.0	-3.0	2.2	2.5	0.8	-0.1
	III	0.5	0.5	0.8	0.2	0.5	0.0	1.0	1.1	0.5	0.0
	IV	0.0	0.0	0.4	-0.5	0.0	-1.0	0.2	0.1	0.0	0.0
		Current prices (EUR billions)	Percentage of GDP at current prices								
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		1,205	55.6	21.4	20.1	9.9	10.2	34.9	33.4	98.5	1.5
2022		1,315	56.4	20.4	20.3	9.6	10.7	38.6	37.0	98.4	1.6
2023		1,392	57.1	20.0	20.3	9.6	10.7	39.2	38.0	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

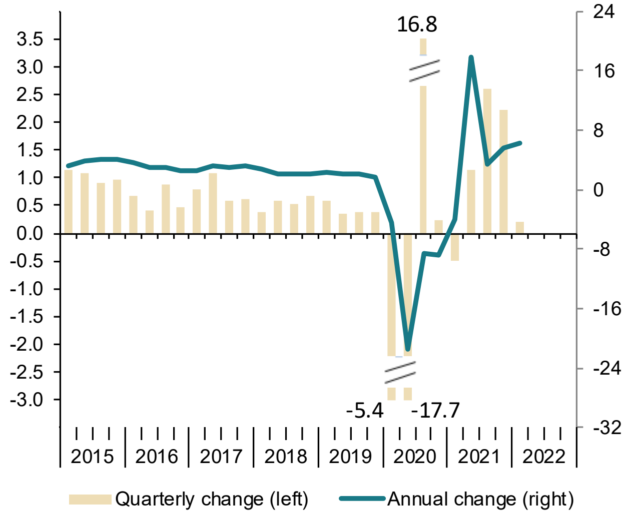


Chart 1.2 - Contribution to GDP annual growth

Percentage points

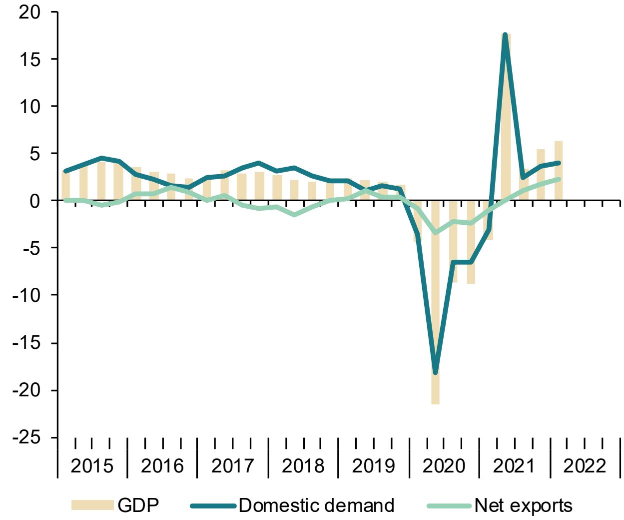


Chart 1.3 - Final consumption

Annual percentage change

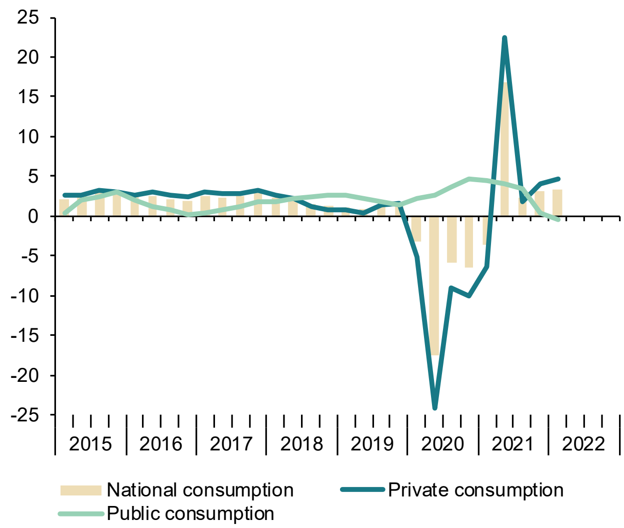


Chart 1.4 - Gross fixed capital formation

Annual percentage change

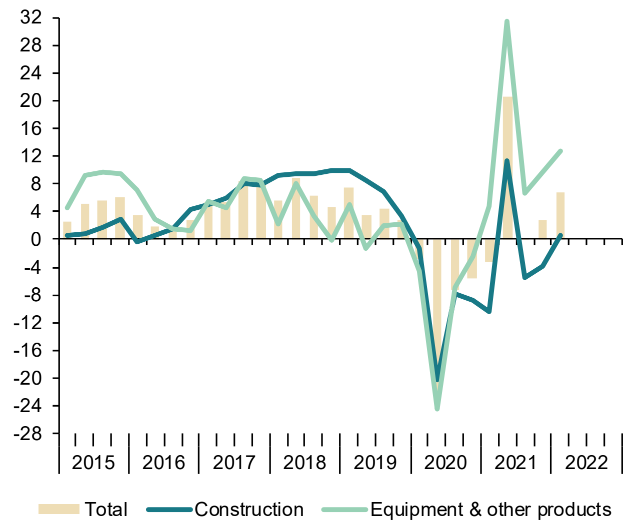


Table 2

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		5.0	-3.7	5.2	5.9	-3.4	6.0	3.1	7.2	6.7
2020	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	-4.4	-0.4	0.2	-0.3	-9.7	-5.0	3.4	-7.8	-1.2
	II	17.4	-5.1	23.5	29.3	11.5	17.8	5.0	23.5	21.8
	III	3.5	-4.3	-0.3	0.4	-8.8	5.8	3.2	6.8	2.9
	IV	5.5	-4.7	1.3	-0.1	-3.6	7.7	0.8	10.4	5.4
2022	I	6.3	-2.3	0.9	1.4	0.7	8.4	1.1	11.1	6.0
Chain-linked volumes. quarter-on-quarter percentage changes										
2020	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	-0.8	-5.6	-1.4	-2.2	-4.4	-0.1	-0.1	-0.2	2.4
	II	0.7	-1.3	-1.3	-1.2	-3.8	1.6	1.8	1.5	5.8
	III	3.3	-1.3	1.5	2.5	1.4	4.0	-0.5	5.8	-4.1
	IV	2.3	3.6	2.6	0.9	3.4	2.1	-0.4	3.0	1.3
2022	I	-0.1	-3.2	-1.8	-0.8	-0.1	0.5	0.2	0.5	3.1
		Current prices EUR billions)	Percentage of value added at basic prices							
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
2021		1,089	3.0	16.9	12.5	5.7	74.3	20.0	54.3	10.6

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

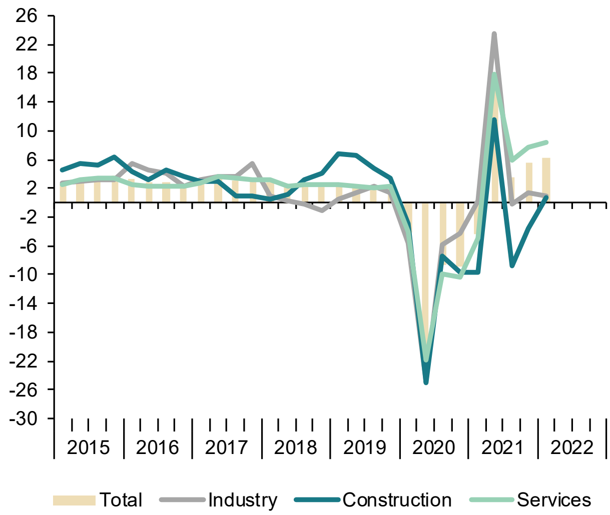


Chart 2.2 - GVA. Industry

Annual percentage change

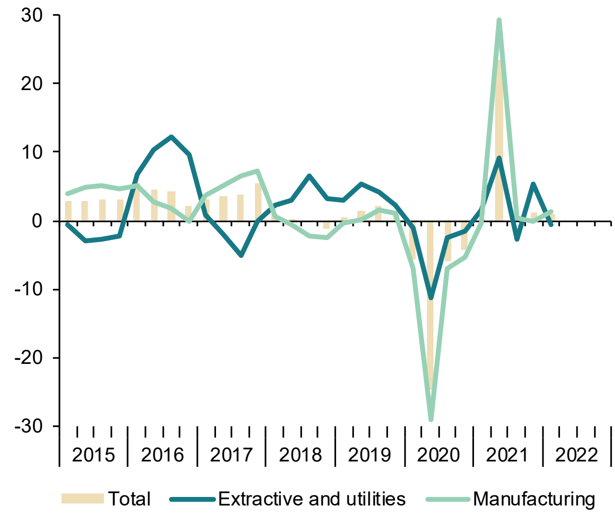


Chart 2.3 - GVA. services

Annual percentage change

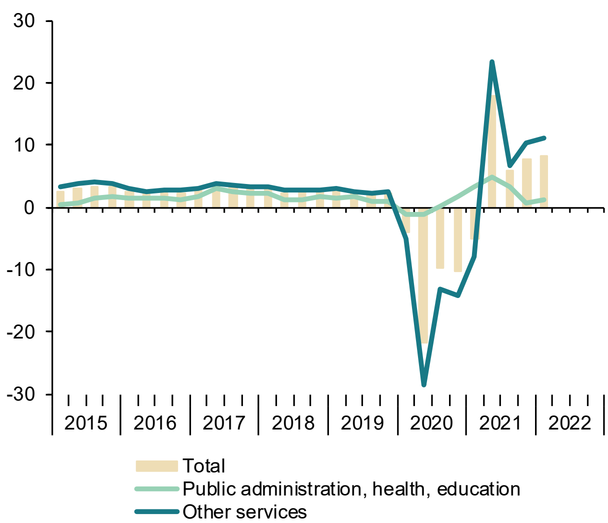


Chart 2.4 - GVA. structure by sectors

Percentage of value added at basic prices

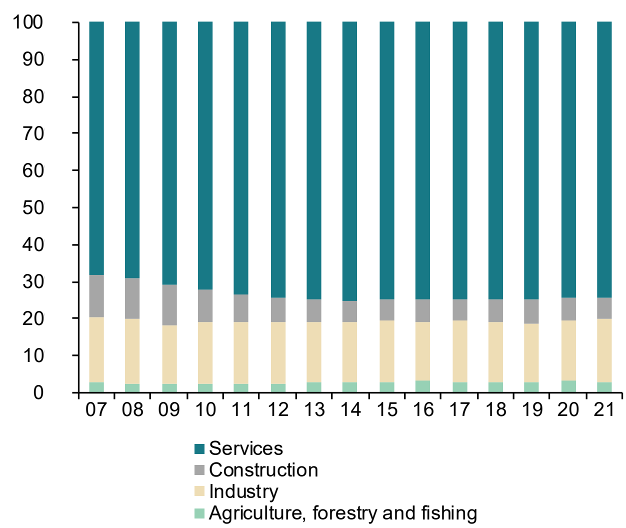


Table 3

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											
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	98.9	102.3	103.5	98.9	100.1	101.2	100.4
2017		106.1	105.8	100.3	100.1	99.8	98.2	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	100.3	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		103.9	109.3	95.0	105.1	110.7	102.8	100.2	103.4	96.8	102.1	105.4	94.2
2022		108.3	112.7	96.0	107.8	112.2	99.5	--	--	--	--	--	--
2023		110.4	114.0	96.9	111.5	115.1	98.4	--	--	--	--	--	--
2020	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	101.1	107.0	94.5	106.0	112.2	106.1	99.6	102.3	97.3	103.0	105.9	97.0
	II	102.2	107.0	95.6	103.9	108.7	102.4	98.4	102.6	95.9	101.6	106.0	96.7
	III	104.9	111.3	94.3	105.1	111.5	103.3	100.9	102.9	98.0	103.9	106.0	95.6
	IV	107.2	112.0	95.7	105.5	110.2	99.6	101.8	105.8	96.2	99.9	103.8	88.1
2022	I	107.4	112.7	95.4	106.8	112.0	102.0	101.0	104.6	96.6	103.2	106.9	94.4
		Annual percentage changes											
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	1.7	0.7	1.1	-0.5	1.6	2.1	0.1
2020		-10.8	-7.6	-3.5	1.3	5.0	3.8	-12.1	-7.7	-4.7	-2.4	2.4	-0.9
2021		5.1	6.6	-1.4	-0.6	0.8	-1.4	5.9	1.9	3.9	0.3	-3.5	-7.2
2022		4.2	3.1	1.1	2.5	1.4	-3.2	--	--	--	--	--	--
2023		2.0	1.1	0.9	3.5	2.6	-1.1	--	--	--	--	--	--
2020	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	-4.1	-2.3	-1.8	1.4	3.3	2.0	-0.3	-6.5	6.6	-1.7	-7.8	-12.9
	II	17.8	18.9	-1.0	-3.7	-2.8	-3.7	29.3	11.1	16.3	1.2	-13.0	-12.9
	III	3.5	6.3	-2.6	-0.5	2.2	0.2	0.4	1.9	-1.5	3.2	4.8	1.3
	IV	5.5	5.8	-0.3	0.0	0.3	-3.8	-0.1	2.5	-2.6	-1.0	1.6	-5.1
2022	I	6.3	5.3	1.0	0.8	-0.2	-3.9	1.4	2.2	-0.8	0.2	1.0	-2.7

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC. total economy

Index. 2000=100

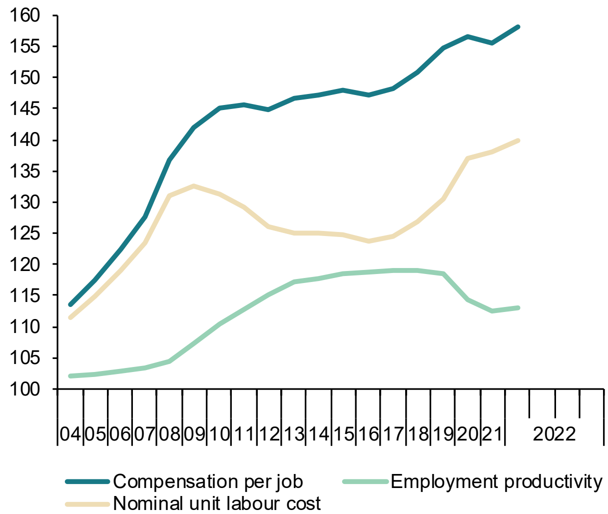
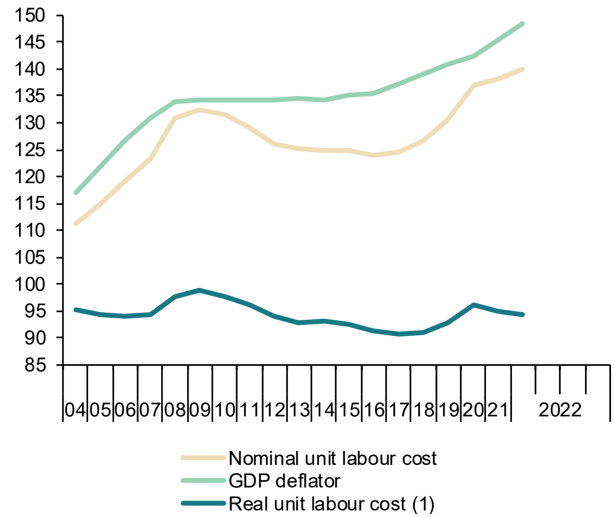


Chart 3.2 - Real ULC. total economy

Index. 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC. manufacturing industry

Index. 2000=100

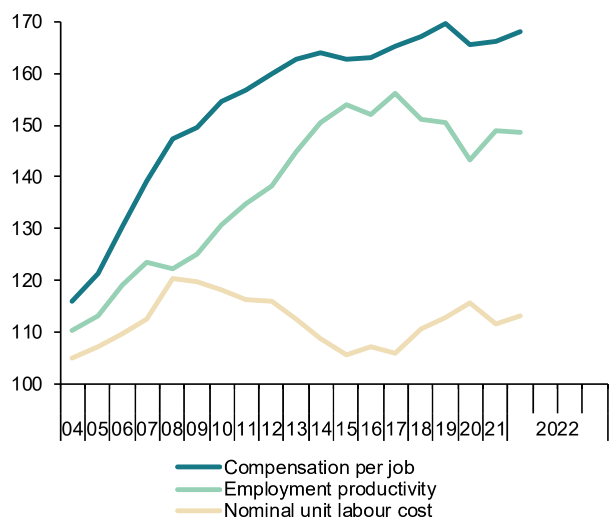
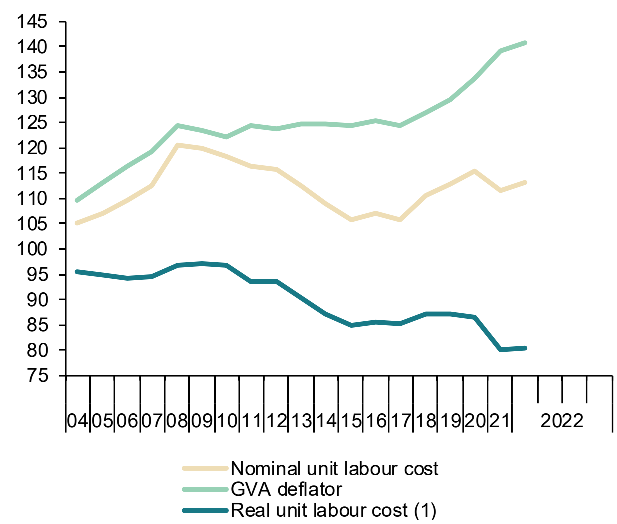


Chart 3.4 - Real ULC. manufacturing industry

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					
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		1,205.1	573.0	507.3	1,198.4	927.8	270.6	259.1	47.5	42.1	22.5	21.5	1.0	1.9
2022		1,315.4	608.1	570.2	1,304.4	1,010.6	293.8	283.9	46.2	43.3	22.3	21.6	0.7	2.9
2023		1,391.9	636.9	605.1	1,376.6	1,074.1	302.5	300.2	45.8	43.5	21.7	21.6	0.2	1.9
2020	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	1,113.3	541.3	471.5	1,105.0	866.3	238.7	231.8	48.6	42.4	21.4	20.8	0.6	1.2
	II	1,160.0	556.6	488.5	1,153.4	902.1	251.3	243.2	48.0	42.1	21.7	21.0	0.7	1.3
	III	1,175.8	564.9	489.4	1,169.0	911.5	257.4	247.8	48.0	41.6	21.9	21.1	0.8	1.7
	IV	1,205.1	573.0	507.3	1,198.4	927.8	270.6	259.1	47.5	42.1	22.5	21.5	1.0	1.9
2022	I	1,235.0	582.9	521.5	1,228.9	948.1	280.8	267.7	47.2	42.2	22.7	21.7	1.1	1.6
		Annual percentage changes							Difference from one year ago					
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	-1.8
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		7.4	5.4	6.5	7.5	6.2	12.1	11.6	-0.9	-0.4	0.9	0.8	0.1	0.7
2022		9.2	6.1	12.4	8.8	8.9	8.6	9.6	-1.3	1.3	-0.1	0.1	-0.2	1.0
2023		5.8	4.7	6.1	5.5	6.3	3.0	5.7	-0.5	0.1	-0.6	0.0	-0.6	-1.0
2020	II	-4.6	-0.7	-6.5	8.0	-3.6	85.5	17.1	1.9	-0.9	10.8	3.9	6.9	-0.4
	III	-7.2	-3.2	-8.6	4.9	-5.6	72.8	14.3	2.0	-0.7	10.1	3.9	6.2	-1.2
	IV	-9.8	-5.6	-11.9	1.7	-7.9	63.5	11.5	2.2	-1.0	9.7	4.0	5.7	-1.5
2021	I	-9.7	-6.4	-11.0	-9.8	-8.2	-15.4	-10.2	1.7	-0.6	-1.4	-0.1	-1.3	-1.3
	II	-0.8	-0.3	-2.6	-0.8	0.0	-3.3	0.1	0.3	-0.8	-0.6	0.2	-0.7	-0.6
	III	2.5	2.5	-0.5	2.6	2.6	2.6	4.1	0.0	-1.3	0.0	0.3	-0.3	0.3
	IV	7.4	5.4	6.5	7.5	6.2	12.1	11.6	-0.9	-0.4	0.9	0.8	0.1	0.7
2022	I	10.9	7.7	10.6	11.2	9.4	17.6	15.5	-1.4	-0.1	1.3	0.9	0.4	0.4

(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

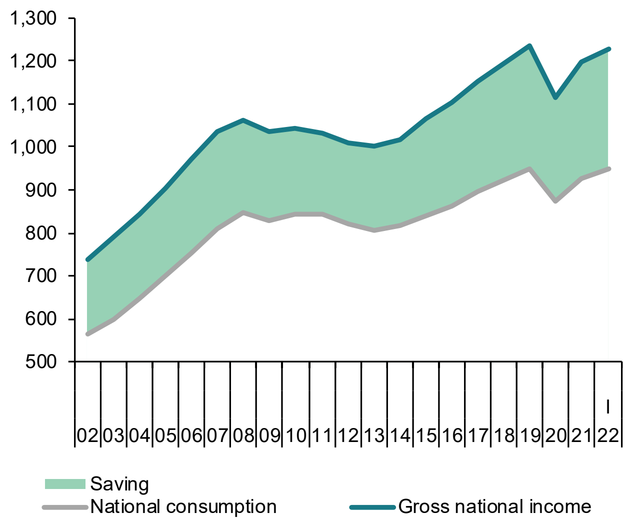


Chart 4.2 - National income. consumption and saving rate

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

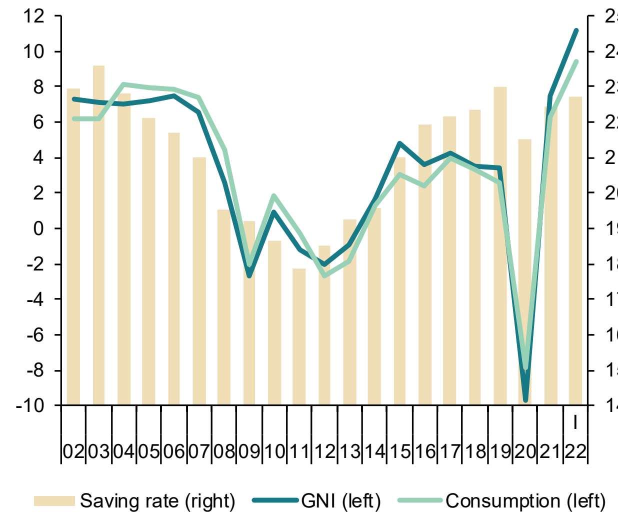


Chart 4.3 - Components of National Income

Percentage of GDP. 4-quarter moving averages

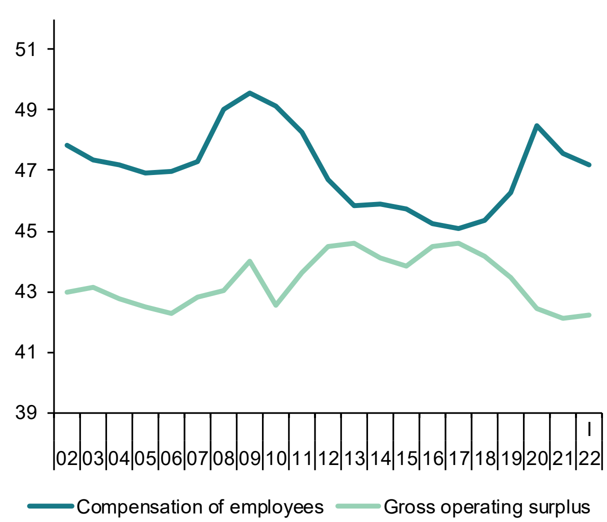


Chart 4.4 - Saving. Investment and Current Account Balance

Percentage of GDP. 4-quarter moving averages

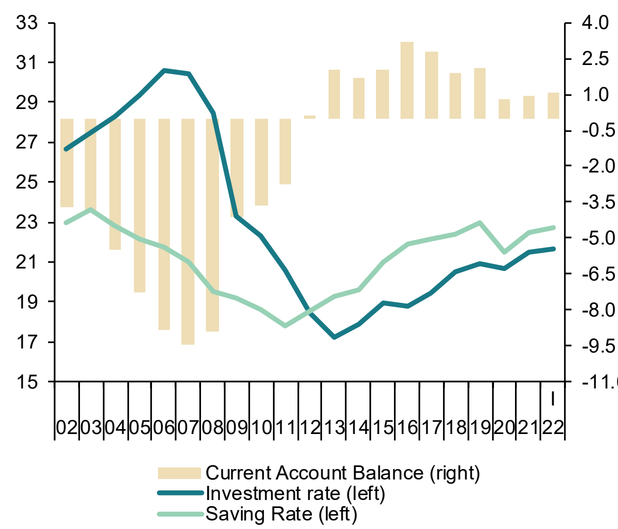


Table 5

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		
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		758.7	669.7	86.5	69.6	11.4	5.8	1.6	250.4	192.6	153.3	16.0	12.7	3.9
2022		804.2	742.0	59.7	55.6	7.4	4.2	0.2	277.0	207.2	183.7	15.8	14.0	3.0
2023		852.8	794.8	55.6	50.1	6.5	3.6	0.3	296.1	220.2	205.7	15.8	14.7	2.0
2020	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	740.7	616.1	120.9	46.1	16.3	4.1	6.6	222.6	178.3	152.5	16.0	13.7	2.9
	II	750.4	648.6	97.7	52.5	13.0	4.5	3.8	236.8	185.3	156.5	16.0	13.5	3.0
	III	752.0	654.3	94.9	58.6	12.6	5.0	3.1	237.8	186.3	152.2	15.8	12.9	3.4
	IV	758.7	669.7	86.5	69.6	11.4	5.8	1.6	250.4	192.6	153.3	16.0	12.7	3.9
2022	I	765.3	692.0	70.6	74.4	9.2	6.0	-0.1	260.2	201.9	154.9	16.3	12.5	4.4
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
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		2.2	6.6	-21.8	68.7	-3.5	2.1	-4.5	11.5	6.6	-0.9	-0.1	-1.1	1.1
2022		6.0	10.8	-31.0	-20.0	-4.0	-1.5	-1.4	10.6	7.6	19.8	-0.2	1.2	-0.9
2023		6.0	7.1	-7.0	-10.0	-0.9	-0.6	0.1	6.9	6.3	12.0	0.0	0.8	-1.0
2020	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	60.3	8.4	6.7	0.7	4.1	-15.6	-8.0	-17.1	0.3	-1.2	1.9
	II	-1.1	-2.0	4.3	31.2	0.7	1.1	-0.7	-2.5	-3.3	-7.8	-0.4	-1.0	1.0
	III	-0.2	0.9	-6.9	41.6	-0.9	1.4	-2.1	1.2	1.2	-6.1	-0.2	-1.2	1.4
	IV	2.2	6.6	-21.8	68.7	-3.5	2.1	-4.5	11.5	6.6	-0.9	-0.1	-1.1	1.1
2022	I	3.3	12.3	-41.6	61.2	-7.1	1.9	-6.8	16.9	13.3	1.6	0.3	-1.2	1.5

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP. 4-quarter moving averages

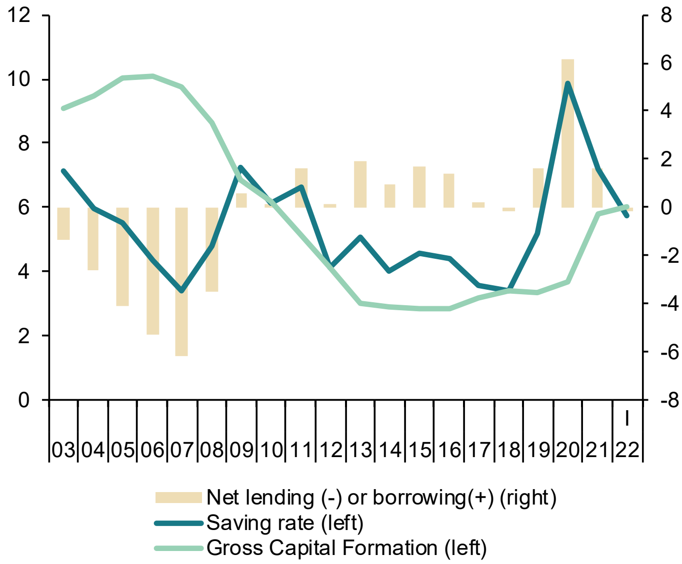


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP. 4-quarter moving averages

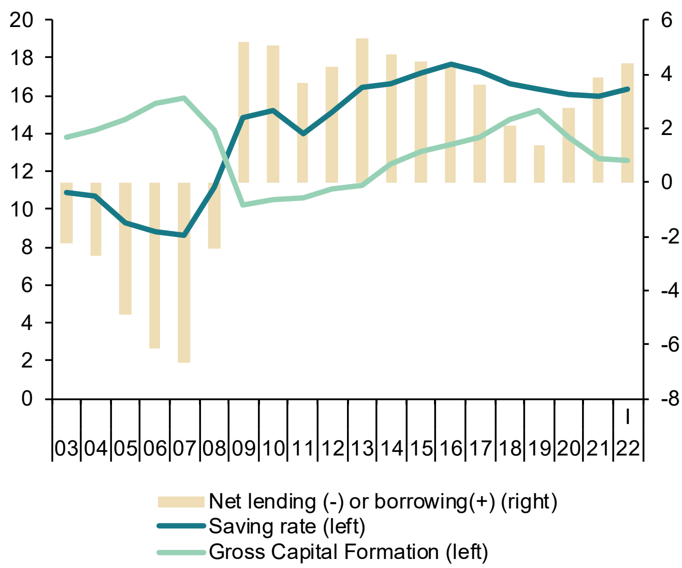


Table 6

National accounts: Public revenue. expenditure and deficit

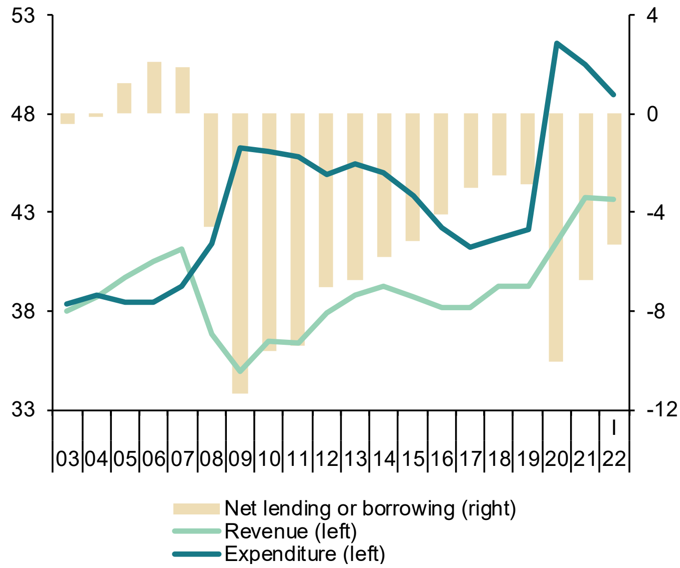
Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		Taxes on produc-tion and imports	Taxes on income and wealth	Social contribu-tions	Capital and other revenue	Total	Compen-sation of employees	Interme-diate con-sumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expendi-ture	Total		
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8 +9+10+11	13=5-12	14
		EUR Billions. 4-quarter cumulated operations													
2015		126.4	107.1	131.5	52.5	417.6	119.2	59.0	32.8	198.6	36.9	28.3	474.8	-57.2	-55.2
2016		128.9	110.0	135.6	50.8	425.3	121.5	58.7	30.7	203.0	30.8	28.4	473.1	-47.9	-45.6
2017		135.1	116.9	142.4	49.5	444.0	123.5	59.9	29.3	207.4	31.8	28.1	480.0	-36.1	-34.8
2018		141.2	127.3	149.5	54.2	472.1	127.6	62.1	29.3	216.6	37.9	29.8	503.3	-31.2	-30.0
2019		143.0	129.1	160.7	55.7	488.5	134.7	64.7	28.4	229.6	37.7	31.6	526.6	-38.1	-35.7
2020		126.5	125.3	162.2	51.5	465.5	140.5	66.5	25.2	262.2	44.8	41.5	580.7	-115.2	-113.1
2021		146.2	143.5	172.5	64.8	527.0	147.4	71.3	26.1	264.0	58.8	42.2	609.8	-82.8	-81.5
2022		157.8	148.3	177.9	78.4	562.4	150.3	75.2	27.2	272.2	60.2	38.8	623.9	-61.5	-61.5
2023		166.9	156.4	187.0	75.9	586.2	153.3	79.1	31.3	292.9	57.0	34.3	648.1	-63.2	-63.2
2020	II	131.9	126.6	161.6	53.7	473.8	137.0	65.0	26.6	250.3	40.4	37.5	556.8	-83.1	-80.9
	III	128.4	126.7	161.5	52.4	469.0	138.4	65.4	26.0	255.9	40.8	38.8	565.4	-96.4	-94.2
	IV	126.5	125.3	162.2	51.5	465.5	140.5	66.5	25.2	262.2	44.8	41.5	580.7	-115.2	-113.1
2021	I	126.5	126.1	164.1	50.4	467.1	142.4	67.7	25.4	267.4	46.7	43.0	592.6	-125.5	-123.3
	II	136.3	132.2	166.5	53.8	488.9	144.8	68.9	25.5	260.8	46.9	39.9	586.8	-97.9	-96.2
	III	141.7	133.6	169.7	58.7	503.8	146.4	70.1	25.3	261.6	52.3	40.3	595.9	-92.1	-90.8
	IV	146.2	143.5	172.5	64.8	527.0	147.4	71.3	26.1	264.0	58.8	42.2	609.8	-82.8	-81.5
2022	I	152.7	147.3	174.1	65.3	539.4	148.6	72.7	26.4	263.5	53.7	41.4	606.2	-66.9	-65.7
		Percentage of GDP. 4-quarter cumulated operations													
2015		11.7	9.9	12.2	4.9	38.8	11.1	5.5	3.0	18.4	3.4	2.6	44.1	-5.3	-5.1
2016		11.6	9.9	12.2	4.6	38.2	10.9	5.3	2.8	18.2	2.8	2.6	42.5	-4.3	-4.1
2017		11.6	10.1	12.3	4.3	38.2	10.6	5.2	2.5	17.9	2.7	2.4	41.3	-3.1	-3.0
2018		11.7	10.6	12.4	4.5	39.2	10.6	5.2	2.4	18.0	3.1	2.5	41.8	-2.6	-2.5
2019		11.5	10.4	12.9	4.5	39.3	10.8	5.2	2.3	18.5	3.0	2.5	42.3	-3.1	-2.9
2020		11.3	11.2	14.5	4.6	41.5	12.5	5.9	2.3	23.4	4.0	3.7	51.8	-10.3	-10.1
2021		12.1	11.9	14.3	5.4	43.7	12.2	5.9	2.2	21.9	4.9	3.5	50.6	-6.9	-6.8
2022		12.0	11.3	13.5	6.0	42.8	11.4	5.7	2.1	20.7	4.6	2.9	47.4	-4.7	-4.7
2023		12.0	11.2	13.4	5.5	42.1	11.0	5.7	2.2	21.0	4.1	2.5	46.6	-4.5	-4.5
2020	II	11.3	10.8	13.8	4.6	40.5	11.7	5.6	2.3	21.4	3.5	3.2	47.6	-7.1	-6.9
	III	11.2	11.1	14.1	4.6	40.9	12.1	5.7	2.3	22.3	3.6	3.4	49.3	-8.4	-8.2
	IV	11.3	11.2	14.5	4.6	41.5	12.5	5.9	2.3	23.4	4.0	3.7	51.8	-10.3	-10.1
2021	I	11.4	11.3	14.8	4.5	42.0	12.8	6.1	2.3	24.0	4.2	3.9	53.3	-11.3	-11.1
	II	11.7	11.4	14.3	4.6	42.1	12.5	5.9	2.2	22.5	4.0	3.4	50.5	-8.4	-8.3
	III	12.0	11.4	14.4	5.0	42.8	12.4	6.0	2.1	22.2	4.4	3.4	50.6	-7.8	-7.7
	IV	12.1	11.9	14.3	5.4	43.7	12.2	5.9	2.2	21.9	4.9	3.5	50.6	-6.9	-6.8
2022	I	12.4	11.9	14.1	5.3	43.7	12.0	5.9	2.1	21.3	4.3	3.4	49.1	-5.4	-5.3

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

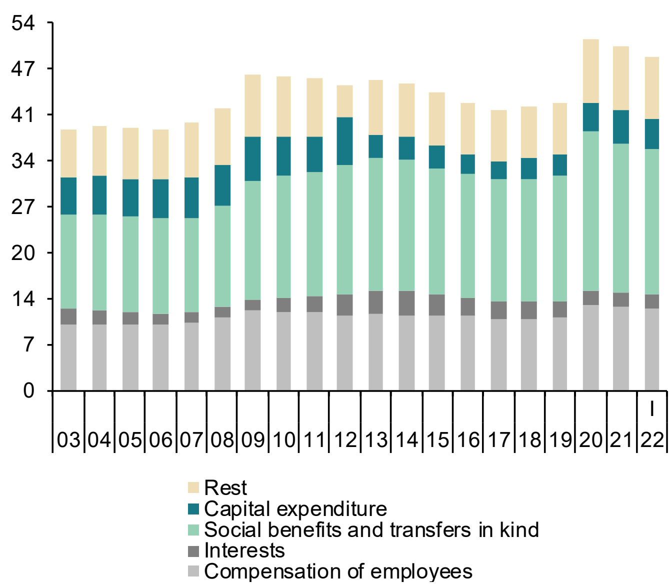


Table 7

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				
2015		-28.2	-18.9	4.6	-12.9	-55.2	982.9	263.3	35.1	17.2	1,113.7
2016		-25.7	-9.5	7.0	-17.4	-45.6	1,008.9	277.0	32.2	17.2	1,145.1
2017		-20.6	-4.2	6.7	-16.8	-34.8	1,049.8	288.1	29.0	27.4	1,183.4
2018		-15.7	-3.3	6.3	-17.3	-30.0	1,082.8	293.4	25.8	41.2	1,208.9
2019		-16.4	-7.3	3.8	-15.9	-35.7	1,095.8	295.1	23.2	55.0	1,223.4
2020		-84.2	-2.4	2.9	-29.3	-113.1	1,206.6	304.0	22.0	85.4	1,345.8
2021		-72.1	-0.3	3.3	-12.3	-81.5	1,280.0	312.6	22.1	97.2	1,427.2
2022		--	--	--	--	-61.5	--	--	--	--	1,497.7
2023		--	--	--	--	-63.2	--	--	--	--	1,560.9
2020	II	-54.5	-6.6	2.5	-22.2	-80.9	1,193.3	305.7	25.0	68.9	1,325.1
	III	-64.7	-2.0	3.5	-30.9	-94.2	1,211.9	301.9	23.7	74.9	1,342.4
	IV	-84.2	-2.4	2.9	-29.3	-113.1	1,206.6	304.0	22.0	85.4	1,345.8
2021	I	-94.0	-3.3	3.2	-29.3	-123.3	1,247.8	307.7	22.1	85.4	1,393.1
	II	-74.6	-2.2	3.8	-23.2	-96.2	1,273.4	312.0	22.7	91.9	1,424.7
	III	-84.3	4.6	3.7	-14.7	-90.8	1,281.4	312.3	22.3	91.9	1,432.3
	IV	-72.1	-0.3	3.3	-12.3	-81.5	1,280.0	312.6	22.1	97.2	1,427.2
2022	I	--	--	--	--	-65.7	1,306.7	309.7	22.4	99.2	1,453.9
		Percentage of GDP. 4-quarter cumulated operations					Percentage of GDP				
2015		-2.6	-1.8	0.4	-1.2	-5.1	91.2	24.4	3.3	1.6	103.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	90.6	24.9	2.9	1.5	102.8
2017		-1.8	-0.4	0.6	-1.4	-3.0	90.4	24.8	2.5	2.4	101.9
2018		-1.3	-0.3	0.5	-1.4	-2.5	90.0	24.4	2.1	3.4	100.5
2019		-1.3	-0.6	0.3	-1.3	-2.9	88.1	23.7	1.9	4.4	98.3
2020		-7.5	-0.2	0.3	-2.6	-10.1	107.5	27.1	2.0	7.6	120.0
2021		-6.0	0.0	0.3	-1.0	-6.8	106.2	25.9	1.8	8.1	118.4
2022		--	--	--	--	-4.7	--	--	--	--	113.9
2023		--	--	--	--	-4.5	--	--	--	--	112.1
2020	II	-4.7	-0.6	0.2	-1.9	-6.9	102.1	26.1	2.1	5.9	113.3
	III	-5.6	-0.2	0.3	-2.7	-8.2	105.7	26.3	2.1	6.5	117.1
	IV	-7.5	-0.2	0.3	-2.6	-10.1	107.5	27.1	2.0	7.6	120.0
2021	I	-8.4	-0.3	0.3	-2.6	-11.1	112.1	27.6	2.0	7.7	125.1
	II	-6.4	-0.2	0.3	-2.0	-8.3	109.8	26.9	2.0	7.9	122.8
	III	-7.2	0.4	0.3	-1.3	-7.7	109.0	26.6	1.9	7.8	121.8
	IV	-6.0	0.0	0.3	-1.0	-6.8	106.2	25.9	1.8	8.1	118.4
2022	I	--	--	--	--	-5.3	105.8	25.1	1.8	8.0	117.7

(a) Excluding financial entities bail-out expenditures.

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

Chart 7.1 - Government deficit

Percent of GDP. 4-quarter cumulated operations

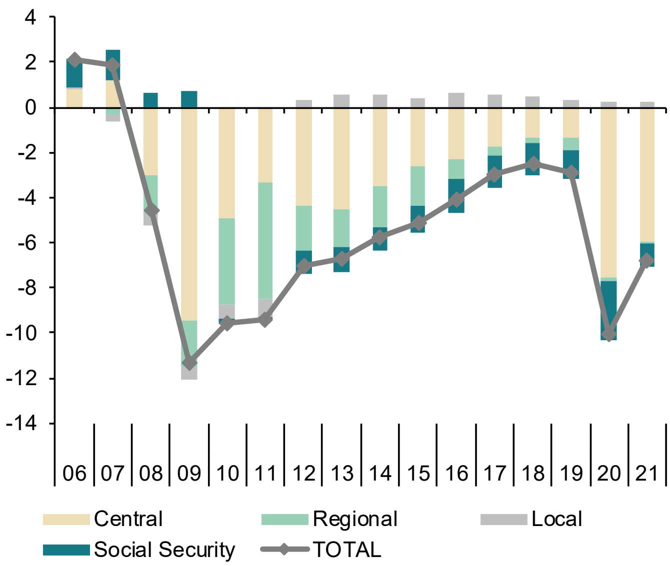


Chart 7.2 - Government debt

Percent of GDP

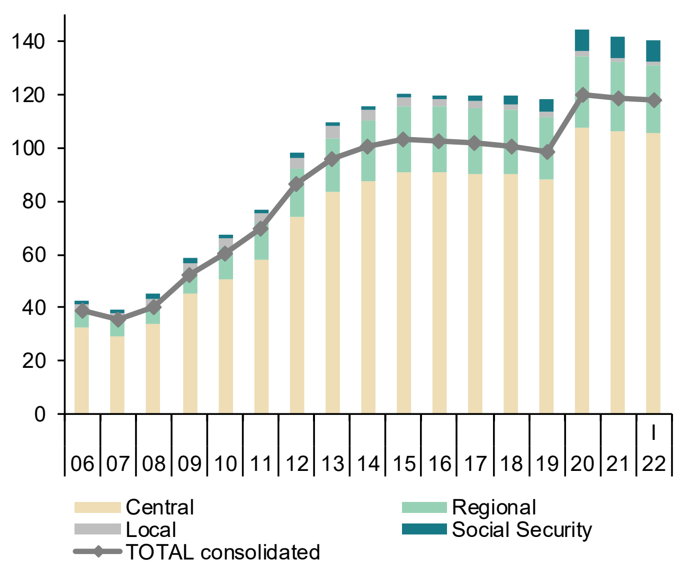


Table 8

General activity and industrial sector indicators (a)

		General activity indicators				Industrial sector indicators					
		Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing Turnover index deflated	Industrial orders
		Index	Index	Thousands	1.000 GWH	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2014		100.0	55.1	16,111.1	247.2	96.8	2,022.8	53.2	-7.5	95.3	-16.3
2015		107.7	56.7	16,641.8	251.4	100.0	2,067.3	53.6	-0.6	100.0	-5.4
2016		106.0	54.9	17,157.5	252.1	101.8	2,124.7	53.1	-2.1	102.7	-5.4
2017		109.2	56.2	17,789.6	256.4	105.1	2,191.0	54.8	1.4	107.1	2.2
2018		107.9	54.6	18,364.5	257.9	105.3	2,250.9	53.3	-0.5	108.4	-0.2
2019		104.7	52.7	18,844.1	251.2	106.1	2,283.2	49.1	-3.6	108.9	-5.1
2020		90.0	41.5	18,440.5	239.1	95.9	2,239.3	47.5	-13.6	98.9	-30.0
2021		105.1	55.3	18,910.0	244.3	102.9	2,270.4	57.0	0.6	104.2	-1.5
2022 (b)		105.4	53.8	19,512.8	121.4	106.1	2,308.8	54.5	3.9	102.0	9.9
2020	III	91.0	48.5	18,321.9	59.7	99.8	2,227.3	51.4	-10.4	102.8	-38.8
	IV	92.2	44.8	18,592.5	61.8	102.9	2,244.1	51.1	-8.4	107.1	-20.2
2021	I	97.4	46.1	18,634.2	61.4	103.4	2,245.5	53.1	-4.6	104.1	-12.7
	II	105.2	58.9	18,666.3	61.3	102.3	2,258.5	59.2	-0.1	102.8	-0.9
	III	108.7	59.6	19,018.8	60.1	101.7	2,280.7	58.8	2.3	103.9	-0.5
	IV	109.2	56.6	19,320.5	61.1	104.6	2,296.9	56.9	4.9	106.4	8.0
2022	I	108.4	52.5	19,494.7	59.7	105.0	2,311.0	55.8	6.9	101.9	11.6
	II (b)	102.3	55.0	19,588.1	19.9	106.0	2,318.3	53.2	0.8	106.8	8.2
2022	Apr	100.2	55.7	19,542.3	19.9	106.1	2,314.1	53.3	-1.1	106.8	8.2
	May	104.3	55.7	19,575.3	19.9	105.9	2,319.2	53.8	1.4	--	6.4
	Jun	102.4	53.6	19,646.6	19.9	--	2,321.7	52.6	2.2	--	9.9
					Percentage changes (c)						
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	--	--	2.8	--
2017		--	--	3.7	1.7	3.2	3.1	--	--	4.2	--
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	-9.6	-1.9	--	--	-9.3	--
2021		--	--	2.5	2.2	7.3	1.4	--	--	5.5	--
2022 (d)		--	--	4.8	-2.6	2.5	2.8	--	--	-1.4	--
2020	III	--	--	2.0	8.6	23.8	1.2	--	--	24.9	--
	IV	--	--	1.5	3.5	3.1	0.8	--	--	4.2	--
2021	I	--	--	0.2	-0.6	0.4	0.1	--	--	-2.9	--
	II	--	--	0.2	-0.2	-1.0	0.6	--	--	-1.3	--
	III	--	--	1.9	-1.8	-0.6	1.0	--	--	1.1	--
	IV	--	--	1.6	1.5	2.8	0.7	--	--	2.4	--
2022	I	--	--	0.9	-2.3	0.4	0.6	--	--	-4.2	--
	II (e)	--	--	0.5	0.1	1.0	0.3	--	--	4.8	--
2022	Apr	--	--	0.2	1.3	2.1	0.0	--	--	12.1	--
	May	--	--	0.2	0.5	-0.2	0.2	--	--	--	--
	Jun	--	--	0.4	1.5	--	0.1	--	--	--	--

(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

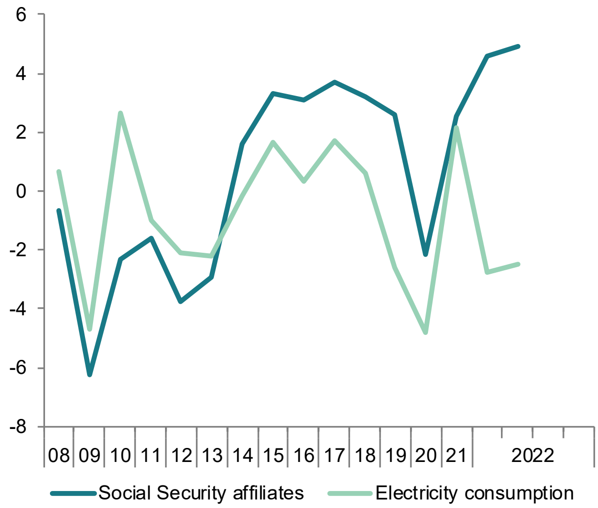


Chart 8.2 - General activity indicators (II)

Index

Chart 8.3 - Industrial sector indicators (I)

Annual percentage changes

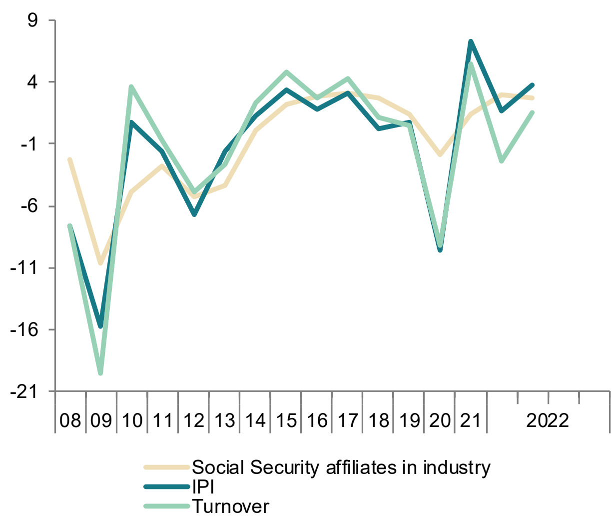


Chart 8.4 - Industrial sector indicators (II)

Index

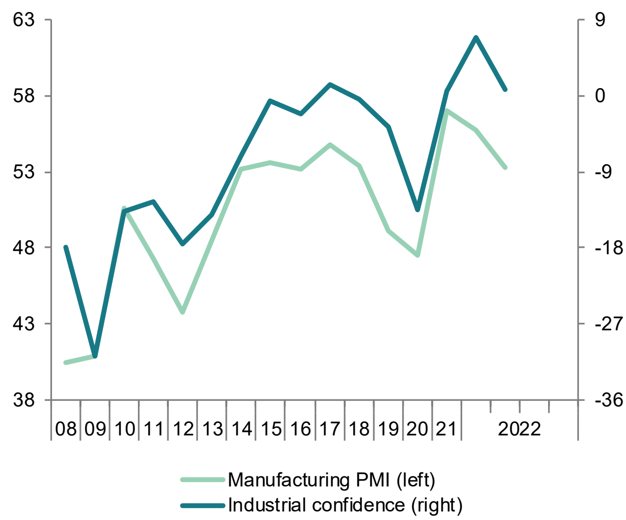


Table 9

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
2014		980.3	92.8	-40.8	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	8.8
2015		1,026.7	100.0	-26.6	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	18.9
2016		1,053.9	102.6	-39.1	9.2	12.7	12,851.6	104.2	55.0	331.2	229.4	18.2
2017		1,118.8	111.5	-25.1	12.7	15.9	13,338.2	111.1	56.4	340.6	248.4	22.9
2018		1,194.1	114.2	-6.0	16.6	19.8	13,781.3	117.5	54.8	340.0	262.9	21.2
2019		1,254.9	124.8	-7.7	18.2	20.0	14,169.1	122.2	53.9	343.0	276.9	13.9
2020		1,233.1	110.7	-17.4	14.1	16.1	13,849.2	102.9	40.3	92.2	75.6	-25.6
2021		1,288.6	124.2	-1.9	23.7	19.7	14,235.1	119.2	55.0	172.6	119.4	8.3
2022 (b)		1,320.9	126.9	7.2	8.2	6.6	14,779.7	130.2	54.0	96.8	80.3	17.0
2020	III	1,250.3	117.7	-24.3	2.9	3.9	13,728.1	104.4	47.3	24.3	16.9	-32.5
	IV	1,263.5	119.4	-9.6	4.9	4.2	13,958.9	108.9	43.0	14.9	12.7	-23.5
2021	I	1,261.4	121.1	-7.1	4.2	4.5	14,000.3	111.0	44.3	13.0	10.6	-15.9
	II	1,281.0	125.3	0.8	6.4	5.0	14,008.1	115.8	58.8	23.0	16.4	8.4
	III	1,300.4	124.2	-2.4	6.4	5.1	14,327.0	120.2	59.6	57.8	39.4	19.1
	IV	1,312.3	125.8	1.2	6.8	5.2	14,604.4	129.8	57.4	68.9	49.4	21.6
2022	I	1,321.7	126.1	3.9	6.0	5.4	14,769.3	134.3	52.2	66.6	48.7	16.2
	II (b)	1,318.0	128.3	10.5	2.2	1.2	14,867.7	143.1	55.9	52.3	39.0	17.7
2022	Apr	1,311.9	123.8	9.0	2.2	1.2	14,828.8	143.1	57.1	25.1	18.4	16.0
	May	1,318.7	132.7	21.0	--	--	14,854.0	--	56.5	27.1	20.6	17.8
	Jun	1,323.5	--	1.5	--	--	14,920.3	--	54.0	--	--	19.4
					Percentage changes (c)							
2014		-1.7	-0.9	--	42.6	2.2	2.3	2.6	--	3.2	4.6	--
2015		4.7	7.8	--	-28.2	42.6	3.6	4.9	--	4.4	6.0	--
2016		2.6	2.6	--	-1.7	29.0	3.4	4.2	--	7.4	11.0	--
2017		6.2	8.6	--	37.1	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	--	10.1	1.3	2.8	4.0	--	0.9	5.3	--
2020		-1.7	-11.3	--	-22.8	-19.8	-2.3	-15.8	--	-73.1	-72.7	--
2021		4.5	12.2	--	68.1	22.7	2.8	15.9	--	87.1	57.8	--
2022 (d)		3.8	3.4	--	22.5	8.8	5.8	22.3	--	384.6	354.8	--
2020	III	7.2	28.2	--	-36.4	-18.9	1.9	24.4	--	1,190.7	1,295.7	--
	IV	1.1	1.5	--	16.1	-7.8	1.7	4.3	--	-38.5	-24.9	--
2021	I	-0.2	1.4	--	24.3	-4.1	0.3	1.9	--	-13.0	-16.6	--
	II	1.6	3.4	--	118.1	48.9	0.1	4.3	--	77.4	54.5	--
	III	1.5	-0.9	--	118.4	31.4	2.3	3.8	--	151.2	140.6	--
	IV	0.9	1.3	--	38.3	23.8	1.9	7.9	--	19.2	25.5	--
2022	I	0.7	0.2	--	44.6	20.1	1.1	3.5	--	-3.4	-1.5	--
	II (e)	-0.3	1.8	--	-13.6	-22.7	0.7	6.6	--	17.8	20.0	--
2022	Apr	-0.4	2.9	--	-13.6	-22.7	0.3	7.0	--	3.5	1.9	--
	May	0.5	7.2	--	--	--	0.2	--	--	7.8	11.8	--
	Jun	0.4	--	--	--	--	0.4	--	--	--	--	--

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

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

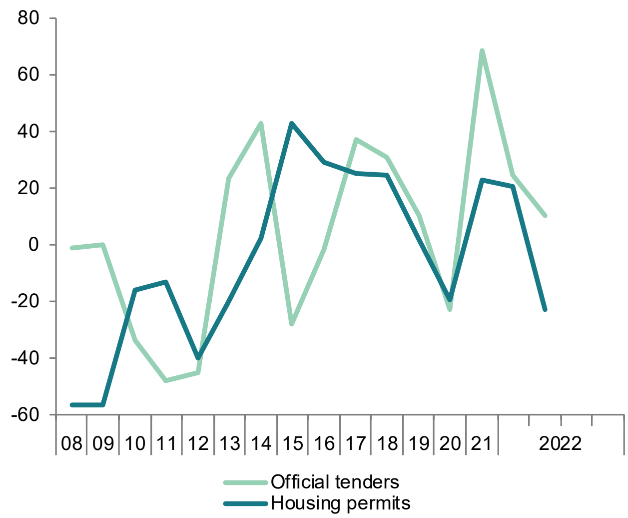


Chart 9.3 - Services indicators (I)

Annual percentage changes

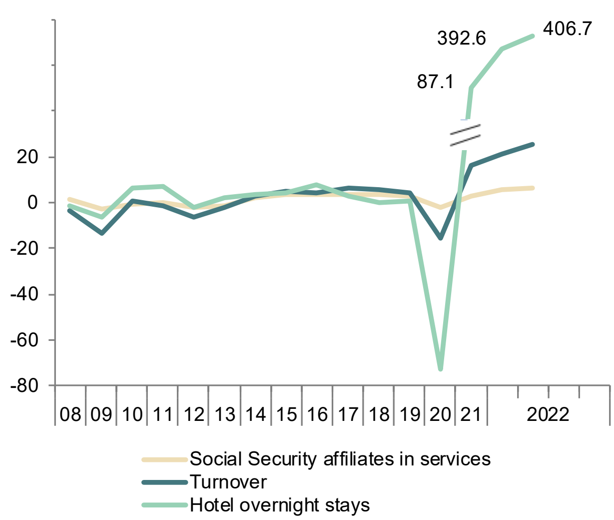


Chart 9.4 - Services indicators (II)

Index

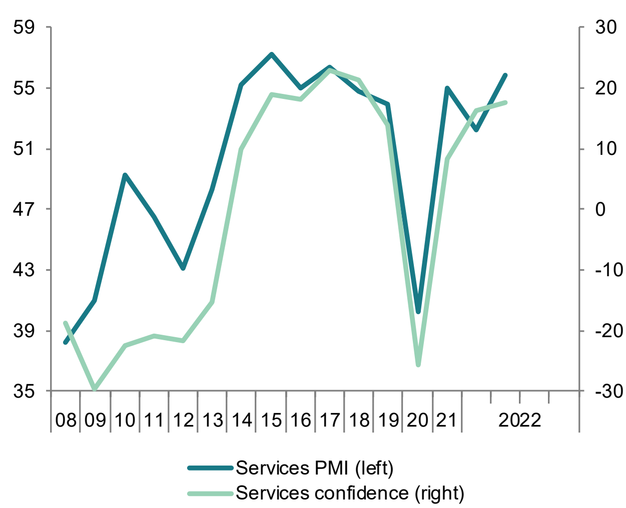


Table 10

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)
2014		96.0	890.1	-15.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.9	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.2	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-2.8	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.4	116.5	-5.6	230.0	12.4	105.4
2019		107.9	1,375.6	-6.4	119.6	-2.9	220.9	8.8	105.6
2020		100.4	939.1	-22.7	51.2	-25.5	170.8	-22.7	100.0
2021		103.9	953.7	-12.8	90.7	-11.5	186.9	4.7	111.1
2022 (b)		98.8	360.5	-21.9	37.8	2.3	65.5	31.8	118.8
2020	III	104.5	302.9	-26.4	17.0	-32.8	52.7	-28.9	101.3
	IV	105.2	301.5	-24.7	9.5	-23.7	52.7	-9.6	107.7
2021	I	102.2	199.0	-18.8	8.8	-18.4	50.4	-13.7	110.4
	II	103.8	250.7	-10.1	15.6	-15.2	49.2	11.4	110.9
	III	104.1	244.3	-9.0	30.7	-10.8	43.6	6.4	111.7
	IV	105.9	256.6	-13.0	28.0	-1.7	43.1	14.7	114.9
2022	I	102.6	188.6	-17.5	25.8	1.3	38.2	33.8	120.1
	II (b)	105.3	151.0	-26.2	20.7	3.3	25.7	29.8	123.7
2022	Apr	105.3	70.9	-27.1	10.2	0.3	13.0	26.6	123.7
	May	105.3	80.2	-22.9	10.5	4.7	13.5	26.4	--
	Jun	--	--	-28.6	--	4.9	--	36.6	--
					Percentage changes (c)				
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		3.5	1.6	--	77.3	--	9.4	--	11.1
2022 (d)		0.9	-8.7	--	178.4	--	-22.3	--	11.0
2020	II	-14.9	-57.6	--	-93.5	--	-40.8	--	-0.6
	III	18.9	179.6	--	965.7	--	110.0	--	32.7
	IV	0.7	-0.5	--	-44.1	--	0.0	--	27.6
2021	I	-2.8	-34.0	--	-7.3	--	-4.2	--	10.7
	II	1.5	26.0	--	77.0	--	-2.4	--	1.7
	III	0.3	-2.6	--	96.2	--	-11.4	--	2.8
	IV	1.8	5.0	--	-8.8	--	-1.2	--	12.1
2022	I(e)	-3.1	-26.5	--	-7.9	--	-11.2	--	19.4
2022	Mar	-4.4	-23.3	--	-5.8	--	-13.6	--	1.5
	Apr	5.4	27.9	--	19.0	--	6.8	--	1.4
	May	0.0	13.1	--	2.6	--	3.7	--	--

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

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

Chart 10.1 - Consumption indicators

Annual percentage changes and balance of responses

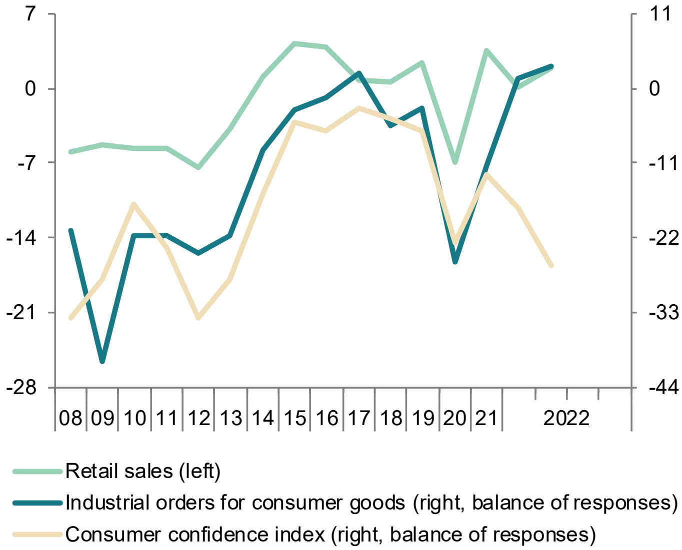


Chart 10.2 - Investment indicators

Annual percentage changes and balance of responses

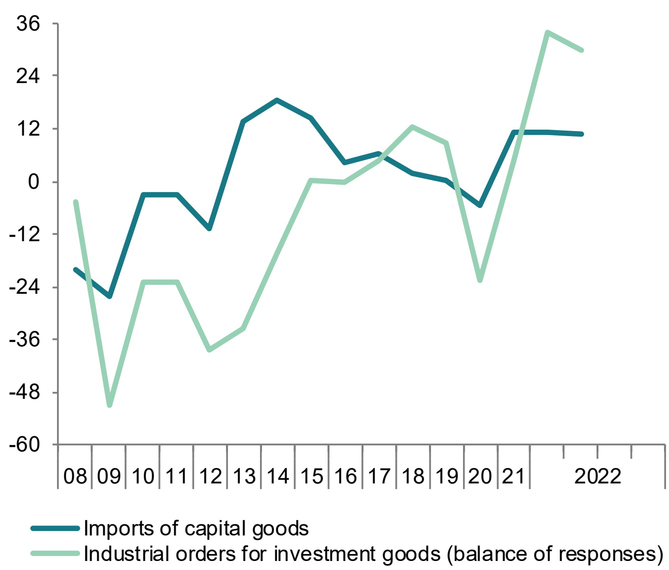


Table 11a

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				Original	
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2015		38.5	22.9	--	17.9	--	5.1	--	59.6	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	--	58.7	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		39.7	23.2	--	19.8	--	3.4	--	58.5	49.9	14.8	34.9	13.5	23.1
2022		39.8	23.4	--	20.3	--	3.1	--	58.7	50.8	13.4	--	--	--
2023		40.0	23.6	--	20.6	--	3.0	--	59.0	51.4	12.9	--	--	--
2020	II	39.6	22.0	21.9	18.6	18.6	3.4	3.4	55.5	46.9	15.4	38.8	13.9	24.9
	III	39.6	22.9	22.8	19.2	19.0	3.7	3.7	57.5	48.1	16.3	41.2	14.8	25.7
	IV	39.6	23.1	23.0	19.3	19.3	3.7	3.7	58.1	48.7	16.2	40.9	14.5	26.6
2021	I	39.6	22.9	23.1	19.2	19.4	3.7	3.7	58.3	49.0	15.8	38.7	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	37.6	13.9	23.8
	III	39.6	23.4	23.3	20.0	19.9	3.4	3.4	58.7	50.2	14.5	31.6	13.5	21.7
	IV	39.7	23.3	23.3	20.2	20.1	3.1	3.1	58.6	50.7	13.4	31.5	12.2	20.9
2022	I	39.8	23.3	23.4	20.1	20.4	3.2	3.1	59.0	51.2	13.2	28.9	12.5	21.3
		Percentage changes (d)							Difference from one year ago					
2015		0.0	-0.2	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0
2016		0.1	-0.5	--	2.7	--	-11.5	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.3	--	2.6	--	-12.5	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9
2019		1.0	0.9	--	2.3	--	-6.8	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		0.8	-1.3	--	-2.9	--	8.8	--	-1.2	-1.9	1.4	5.7	0.9	4.5
2021		0.2	2.1	--	3.0	--	-2.8	--	1.1	1.3	-0.7	-3.4	-0.6	-1.5
2022		0.5	0.8	--	2.5	--	-8.6	--	0.2	1.0	-1.4	--	--	--
2023		0.4	0.8	--	1.5	--	-3.1	--	0.3	0.5	-0.5	--	--	--
2020	II	0.9	-4.6	-4.6	-6.0	-6.0	4.3	4.3	-3.2	-3.5	1.3	6.4	0.8	4.7
	III	0.7	-0.8	-1.0	-3.5	-3.6	15.8	14.6	-1.0	-2.1	2.2	8.6	1.7	6.3
	IV	0.5	-0.4	-0.5	-3.1	-3.2	16.5	16.0	-0.6	-1.9	2.3	9.6	1.6	6.6
2021	I	0.3	-0.6	-0.4	-2.4	-2.4	10.3	11.2	-0.4	-1.3	1.7	6.6	1.1	5.0
	II	0.2	5.6	5.7	5.7	5.8	5.2	5.1	3.0	2.6	-0.1	-1.3	0.1	-1.2
	III	0.1	2.4	2.3	4.5	4.4	-8.2	-8.9	1.2	2.1	-1.8	-9.6	-1.3	-3.9
	IV	0.2	1.0	0.9	4.3	4.3	-16.6	-16.4	0.4	2.0	-2.8	-9.5	-2.3	-5.7
2022	I	0.3	1.7	1.5	4.6	4.7	-13.1	-15.3	0.7	2.1	-2.6	-9.8	-2.0	-4.9

(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

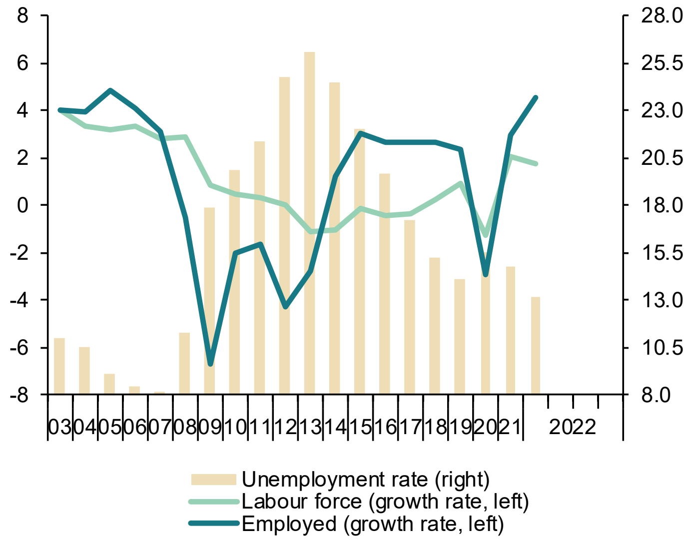


Chart 11a.2 - Unemployment rates

Percentage

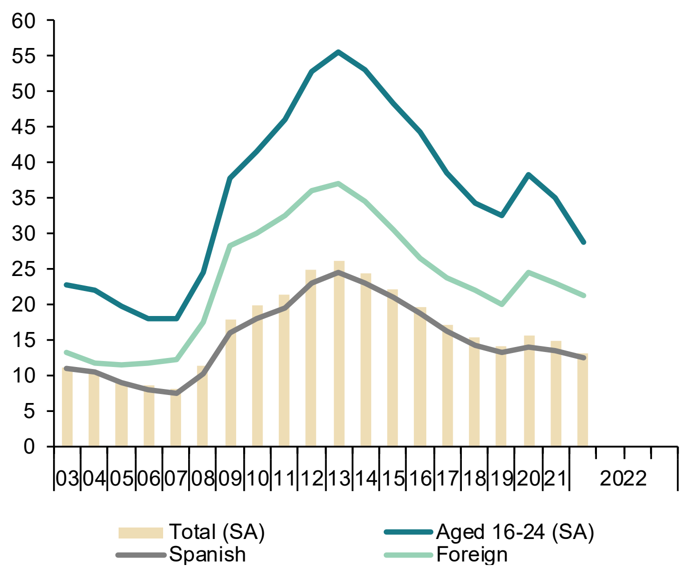


Table 11b

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		0.80	2.70	1.29	14.98	16.63	4.17	12.46	25.1	3.15	17.03	2.74	13.87
2022 (c)		0.83	2.70	1.32	15.24	16.93	4.10	12.83	24.2	3.16	17.28	2.81	13.99
2020	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
	IV	0.84	2.77	1.29	15.29	16.97	4.31	12.67	25.4	3.21	17.45	2.74	13.56
2022	I	0.83	2.70	1.32	15.24	16.93	4.10	12.83	24.2	3.16	17.28	2.81	13.99
		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		4.9	0.1	3.8	3.3	3.2	7.6	1.8	1.0	1.8	3.2	1.7	-0.2
2022 (d)		3.7	2.1	4.3	5.1	5.1	7.0	4.5	0.4	1.7	4.6	4.2	0.0
2020	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
	IV	7.4	2.7	0.4	4.8	4.5	7.7	3.5	0.8	3.5	5.5	-2.2	-0.9
2022	I	3.7	2.1	4.3	5.1	5.1	7.0	4.5	0.4	1.7	4.6	4.2	0.0

(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

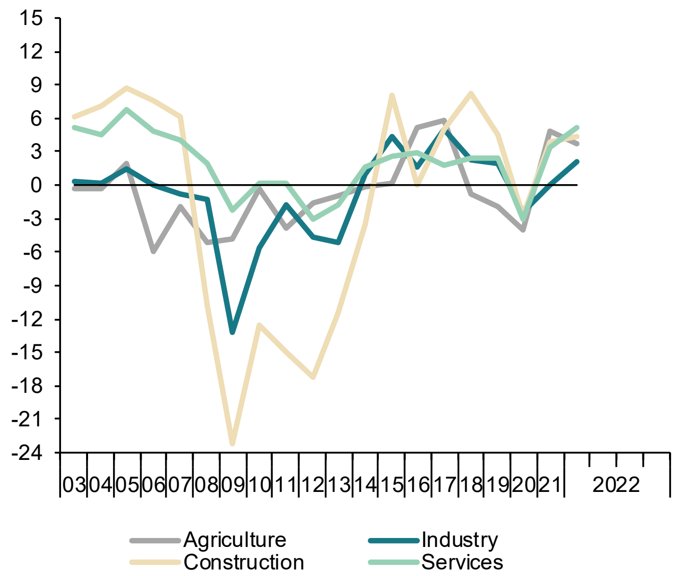


Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

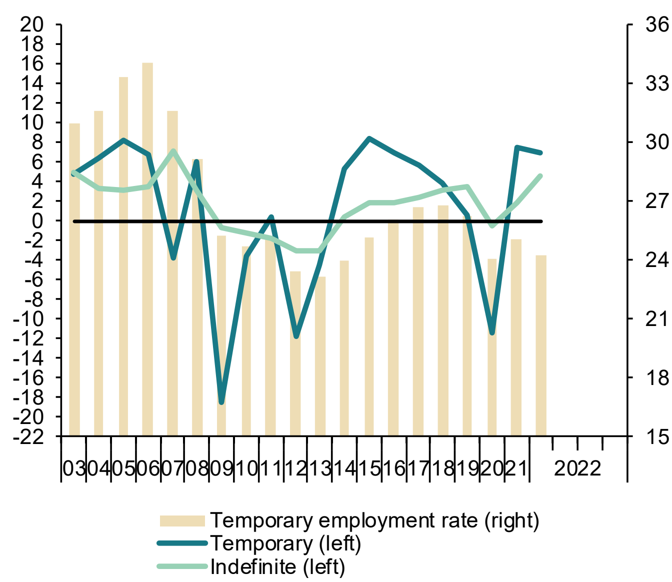


Table 12

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 2021		100.00	62.28	79.09	23.28	39.01	16.81	8.92	11.98	25.73
Indexes. 2021 = 100										
2016		93.2	96.0	95.8	98.7	94.4	95.3	87.4	80.6	92.6
2017		95.0	97.0	96.8	98.9	95.9	96.0	89.6	87.1	93.8
2018		96.6	97.9	97.7	98.9	97.3	96.9	92.4	92.4	95.5
2019		97.3	98.9	98.5	99.2	98.7	97.5	94.2	91.3	96.3
2020		97.0	99.4	99.2	99.4	99.4	98.7	97.7	82.5	98.4
2021		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2022		107.9	103.6	104.8	103.6	103.6	109.1	109.4	127.1	109.3
2023		112.2	107.3	108.7	106.2	108.0	113.6	117.1	132.3	114.8
Annual percentage changes										
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		7.9	3.6	4.8	3.6	3.6	9.1	9.4	27.1	9.3
2023		4.0	3.6	3.7	2.4	4.3	4.1	7.0	4.1	5.1
2022	Jan	6.1	2.0	2.4	2.4	1.7	4.0	5.2	33.0	4.4
	Feb	7.6	2.4	3.0	3.0	2.0	5.3	5.0	44.3	5.2
	Mar	9.8	2.7	3.4	3.2	2.4	6.2	6.7	60.9	6.4
	Apr	8.3	3.3	4.4	3.3	3.3	8.7	10.5	33.7	9.3
	May	8.7	3.5	4.9	3.6	3.4	10.0	10.1	34.2	10.1
	Jun	8.5	3.8	5.1	3.8	3.7	10.3	11.1	28.9	10.6
	Jul	8.7	4.2	5.6	4.0	4.2	10.6	11.0	27.7	10.7
	Aug	8.6	4.5	5.9	4.1	4.6	10.9	10.5	24.6	10.8
	Sep	7.9	4.3	5.7	4.1	4.4	11.1	11.6	19.0	11.3
	Oct	7.0	4.2	5.6	4.0	4.2	11.1	12.4	11.9	11.5
	Nov	7.1	4.1	5.6	4.0	4.2	11.0	10.7	13.5	10.9
	Dec	6.1	4.3	5.6	4.0	4.5	10.5	8.6	7.7	9.8
2023	Jan	6.0	4.2	5.4	3.3	4.8	9.8	9.0	7.5	9.5
	Feb	5.4	4.1	5.0	3.0	4.7	8.3	9.5	5.4	8.7
	Mar	3.0	4.3	4.9	3.1	4.9	7.5	7.3	-9.9	7.4
	Apr	4.2	3.9	4.1	3.0	4.4	4.9	3.8	5.2	4.5
	May	3.8	3.8	3.7	2.6	4.5	3.6	4.0	4.4	3.7
	Jun	3.7	3.6	3.5	2.5	4.2	3.3	3.8	4.9	3.5
	Jul	3.6	3.4	3.3	2.2	4.0	2.9	3.6	6.0	3.2
	Aug	3.9	3.2	3.0	2.1	3.8	2.6	9.0	5.9	4.8
	Sep	3.9	3.2	3.0	2.0	3.9	2.3	8.7	5.9	4.5
	Oct	3.8	3.2	3.0	2.0	4.0	2.0	8.5	5.9	4.3
	Nov	3.8	3.3	3.0	1.9	4.1	1.7	8.3	5.9	4.0
	Dec	3.5	3.1	2.7	1.8	3.9	1.4	8.1	5.2	3.7

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

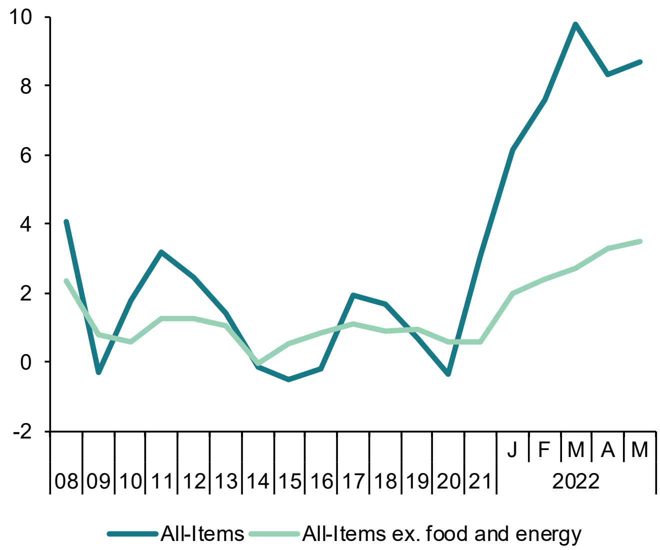


Chart 12.2 - Inflation rate (II)

Annual percentage changes

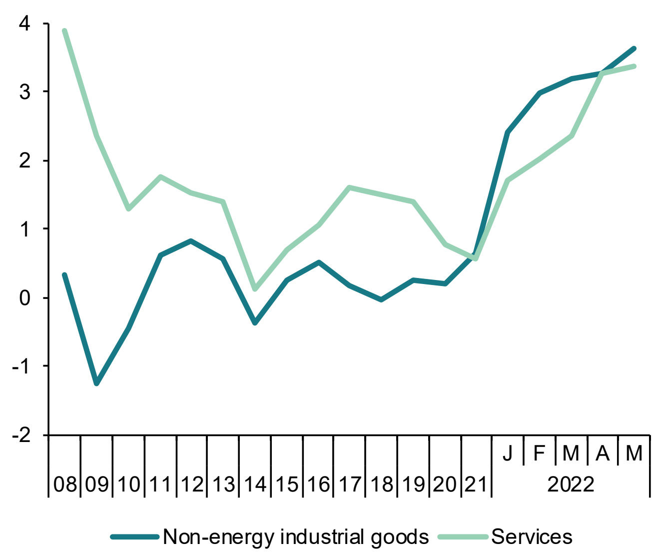


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices: Total	Industrial producer prices: Excluding energy	Housing prices: Housing Price Index (INE)	Housing prices: m² average price (M. Public Works)	Urban land prices (M. Public Works)	Labour Costs Survey: Total labour costs per worker	Labour Costs Survey: Wage costs per worker	Labour Costs Survey: Other cost per worker	Labour Costs Survey: Total labour costs per hour worked	Wage increase agreed in collective bargaining
		2015=100	2015=100		2007=100			2000=100				
2014		99.5	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.5	--
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	155.6	162.7	--
2020		105.4	99.2	103.1	85.0	78.9	52.3	145.4	142.6	154.1	173.4	--
2021		107.7	116.4	110.4	88.2	80.6	54.3	153.9	151.5	161.5	172.3	--
2022 (b)		109.8	151.2	122.2	92.7	84.3	58.3	154.2	150.3	166.2	165.5	--
2020	III	105.9	99.2	102.8	85.7	78.8	49.3	142.7	139.2	153.5	174.1	--
	IV	106.1	99.9	103.6	85.0	78.9	51.0	155.5	154.4	159.1	180.6	--
2021	I	105.8	104.0	106.2	85.4	79.0	49.0	147.3	142.9	160.7	163.4	--
	II	106.2	110.3	109.5	87.5	80.2	58.3	156.4	154.6	161.8	170.9	--
	III	107.9	118.2	111.4	89.3	80.8	52.4	149.7	146.2	160.3	175.2	--
	IV	110.6	132.9	114.4	90.4	82.4	57.5	162.5	162.2	163.3	179.6	--
2022	I	109.8	147.1	119.6	92.7	84.3	58.3	154.2	150.3	166.2	165.5	--
	II (b)	--	157.3	126.0	--	--	--	--	--	--	--	--
2022	Mar	--	154.6	122.0	--	--	--	--	--	--	--	--
	Apr	--	156.6	125.4	--	--	--	--	--	--	--	--
	May	--	158.0	126.6	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
2014		-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.5
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.6	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.1	1.0
2017		1.3	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		2.2	17.3	7.0	3.7	2.1	3.7	5.9	6.3	4.8	-0.6	1.5
2022 (d)		3.9	42.5	13.8	8.5	6.7	19.1	4.7	5.2	3.4	1.3	2.4
2020	III	1.6	-3.9	-0.4	1.7	-1.1	-15.2	-1.1	-1.0	-1.6	4.3	1.9
	IV	1.0	-2.8	0.5	1.5	-1.8	-9.7	-0.1	-0.7	1.6	5.5	1.9
2021	I	1.2	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	1.9	19.1	8.4	4.2	2.6	6.2	4.9	5.0	4.4	0.6	1.5
	IV	4.3	33.1	10.4	6.4	4.4	12.7	4.5	5.1	2.7	-0.5	1.5
2022	I	3.9	41.5	12.7	8.5	6.7	19.1	4.7	5.2	3.4	1.3	2.4
	II (e)	--	42.6	15.1	--	--	--	--	--	--	--	--
2022	Mar	--	47.0	13.7	--	--	--	--	--	--	--	2.4
	Apr	--	44.5	15.6	--	--	--	--	--	--	--	2.4
	May	--	43.6	15.3	--	--	--	--	--	--	--	2.4

(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)

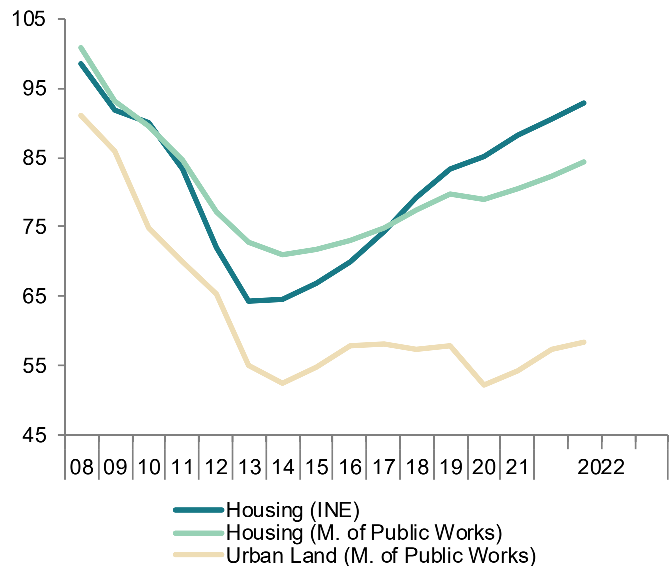


Chart 13.2 - Wage costs

Annual percent change

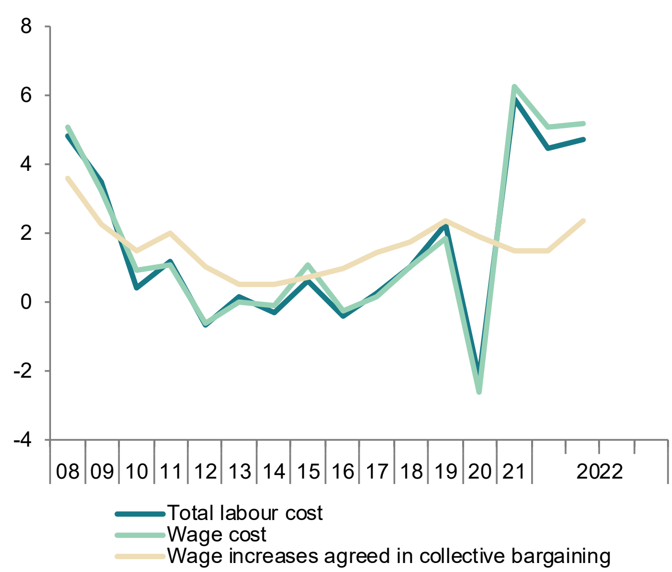


Table 14

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		170.1	112.1	151.8	118.9	107.4	110.8	13.2	8.8	-1.1	0.3	1.3
2021		204.3	120.9	168.9	147.6	118.1	125.0	16.3	10.1	-2.2	0.1	2.1
2022(b)		238.0	136.7	174.1	186.3	135.9	137.1	19.1	11.1	-5.5	-1.1	2.9
2020	II	140.7	111.6	126.1	96.1	104.7	91.8	11.0	7.0	-0.5	0.2	1.7
	III	176.4	110.5	159.7	120.2	105.5	114.0	13.8	8.8	-0.6	0.6	1.5
	IV	180.9	112.5	160.8	123.8	107.4	115.2	14.0	9.2	-0.7	0.5	1.2
2021	I	187.3	115.2	162.6	129.9	110.6	117.4	14.8	9.2	-1.1	0.7	1.8
	II	208.8	119.4	174.9	145.8	115.8	125.9	16.4	10.3	-1.4	0.5	1.9
	III	210.6	122.4	172.0	150.4	119.6	125.8	16.7	10.3	-2.1	0.3	2.4
	IV	215.6	126.2	170.9	164.4	124.1	132.4	17.1	10.6	-4.1	-0.9	2.2
2022	I	232.9	134.8	172.7	181.0	134.4	134.6	19.1	10.8	-5.1	-1.2	3.1
2022	Feb	239.3	132.1	181.2	182.4	136.0	134.1	19.4	11.2	-4.6	-0.6	3.3
	Mar	234.8	134.1	175.0	181.1	127.9	141.7	19.5	10.6	-4.9	-0.7	3.1
	Apr	253.2	141.9	178.4	202.2	140.1	144.3	20.0	12.5	-6.6	-1.0	2.9
	Mar	234.8	139.4	168.4	181.1	134.2	135.0	19.5	10.6	-4.9	-0.7	3.1
		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		-9.4	-0.7	-8.8	-14.1	-3.1	-11.4	-8.2	-11.1	-1.2	0.3	1.4
2021		20.1	7.9	11.3	24.2	10.0	12.8	23.8	14.5	-2.2	0.1	2.0
2022(d)		23.2	17.2	5.1	39.0	20.8	15.0	19.2	18.0	--	--	--
2020	II	-20.3	-1.6	-19.0	-25.9	-5.7	-21.4	-19.3	-21.8	-2.7	1.0	8.2
	III	25.4	-1.0	26.6	25.0	0.7	24.2	25.7	25.0	-2.6	2.7	6.2
	IV	2.6	1.8	0.7	3.0	1.8	1.1	1.1	4.9	-3.0	1.9	5.1
2021	I	3.5	2.4	1.1	5.0	3.0	1.9	6.4	-0.8	-4.6	2.7	7.3
	II	11.5	3.6	7.6	12.3	4.7	7.2	10.8	12.6	-5.8	2.1	7.7
	III	0.9	2.6	-1.6	3.2	3.2	-0.1	1.6	-0.2	-8.2	1.0	9.3
	IV	2.4	3.0	-0.7	9.3	3.8	5.3	2.2	2.5	-15.5	-3.2	8.2
2022	I	8.0	6.9	1.1	10.1	8.3	1.6	0.0	1.8	-19.3	0.0	11.8
2022	Feb	6.6	-4.8	12.0	1.7	-2.8	4.6	5.8	8.0	--	--	--
	Mar	-1.9	1.6	-3.4	-0.7	-6.0	5.7	0.1	-5.4	--	--	--
	Apr	7.9	5.8	1.9	11.6	9.6	1.9	2.8	17.2	--	--	--

(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. (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

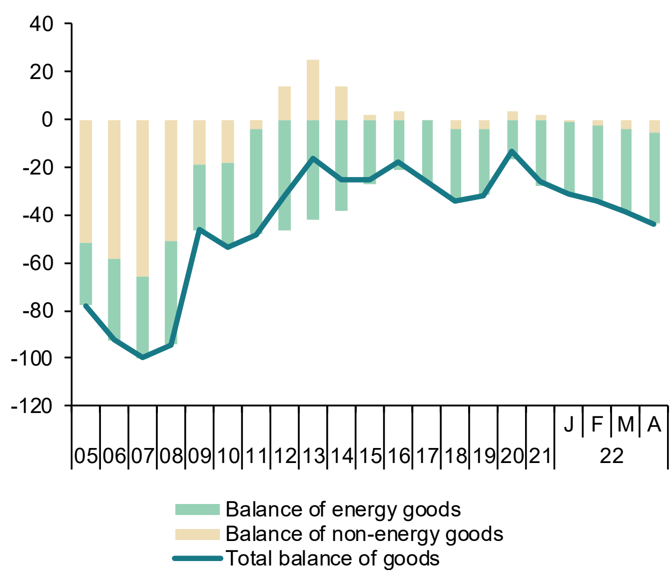


Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
									Financial account. excluding Bank of Spain					Bank of Spain	
		Total	Goods	Services	Primary Income	Secondary Income			Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
		EUR billions													
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		11.11	-20.68	38.59	6.17	-12.97	11.18	22.29	13.17	-13.15	-0.58	22.71	4.19	16.03	6.90
2022 (a)		-3.65	-13.96	12.71	1.05	-3.46	1.47	-2.17	-3.27	-2.70	-25.18	24.50	0.11	1.74	0.65
2020	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	-0.40	-1.49	3.78	1.15	-3.84	1.10	0.71	2.10	-4.56	3.66	1.33	1.67	-3.00	-1.61
	II	2.48	-1.24	6.52	0.84	-3.64	1.88	4.36	24.11	-16.20	15.43	24.71	0.16	-14.40	5.35
	III	4.49	-7.21	14.19	0.40	-2.89	3.08	7.58	7.05	-2.24	2.20	6.41	0.68	6.88	6.36
	IV	4.53	-10.74	14.10	3.77	-2.60	5.12	9.65	13.38	6.14	-6.16	16.97	-3.57	-3.72	0.01
2022	I	-3.65	-13.96	12.71	1.05	-3.46	1.47	-2.17	-3.27	-2.70	-25.18	24.50	0.11	1.74	0.65
			Goods and Services		Primary and Secondary Income										
2022	Feb	-0.78	0.75		-1.53		0.39	-0.39	2.72	0.54	5.86	-5.05	1.37	-1.26	1.85
	Mar	0.29	0.54		-0.25		0.82	1.11	24.96	-0.73	-0.86	25.16	1.39	-18.17	5.67
	Apr	-0.48	1.51		-1.99		0.74	0.26	-34.81	0.18	20.05	-56.45	1.41	33.23	-1.84
		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		0.9	-1.7	3.2	0.5	-1.1	0.9	1.8	1.1	-1.1	0.0	1.9	0.3	1.3	0.6
2022 (a)		-1.2	-4.5	4.1	0.3	-1.1	0.5	-0.7	-1.1	-0.9	-8.1	7.9	0.0	0.6	0.2
2020	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	-0.1	-0.5	1.4	0.4	-1.4	0.4	0.3	0.8	-1.6	1.3	0.5	0.6	-1.1	-0.6
	II	0.8	-0.4	2.2	0.3	-1.2	0.6	1.5	8.0	-5.4	5.1	8.2	0.1	-4.8	1.8
	III	1.5	-2.4	4.8	0.1	-1.0	1.0	2.5	2.4	-0.8	0.7	2.2	0.2	2.3	2.1
	IV	1.4	-3.3	4.3	1.2	-0.8	1.6	2.9	4.1	1.9	-1.9	5.2	-1.1	-1.1	0.0
2022	I	-1.2	-4.5	4.1	0.3	-1.1	0.5	-0.7	-1.1	-0.9	-8.1	7.9	0.0	0.6	0.2

(a) Period with available data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions. 12-month cumulated

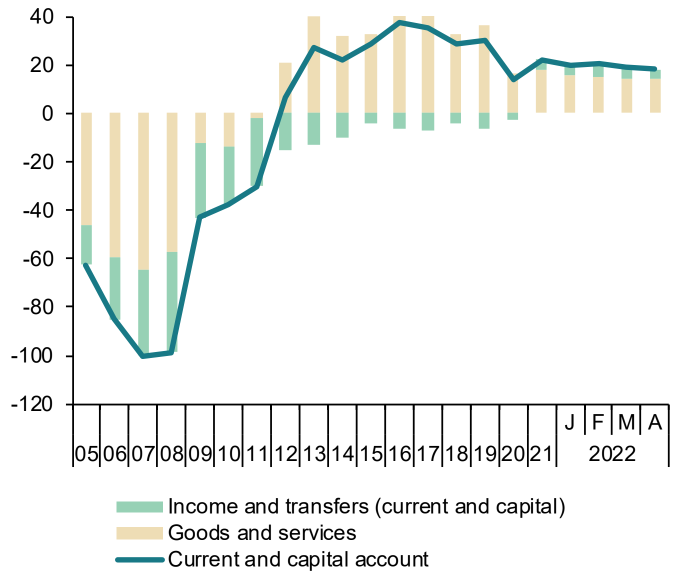


Chart 15.2 - Balance of payments: Financial account

EUR Billions. 12-month cumulated

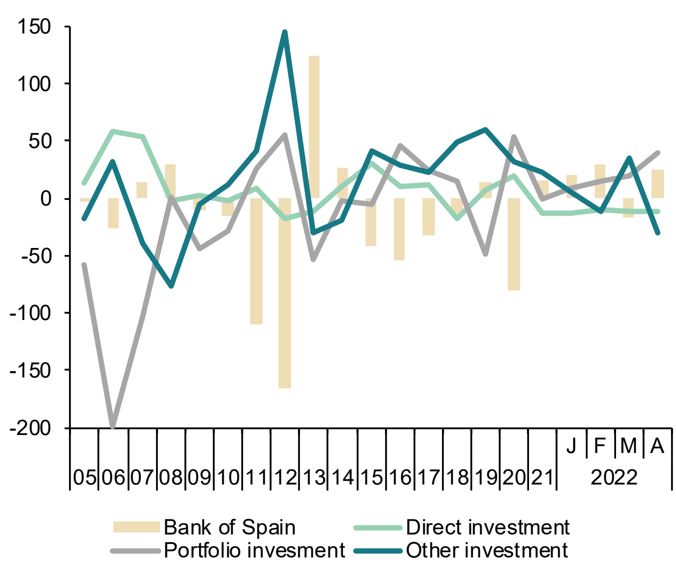


Table 16

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	99.7	102.6	100.6	100.0	100.7	102.1	102.8	99.3	112.2
2015		99.4	99.9	99.4	100.0	100.0	100.0	100.0	100.0	100.0	107.8
2016		98.1	96.7	101.4	99.7	100.3	99.4	96.9	97.9	98.9	108.0
2017		97.7	96.4	101.4	101.7	101.8	99.9	101.2	100.7	100.5	109.7
2018		97.4	93.3	104.4	103.5	103.6	99.9	103.8	103.3	100.4	110.5
2019		97.6	94.0	103.9	104.3	104.8	99.5	103.4	103.7	99.8	109.1
2020		95.4	93.3	102.2	103.9	105.1	98.9	99.8	101.2	98.6	108.5
2021		97.1	94.9	102.4	107.0	107.8	99.3	114.6	111.0	106.2	108.9
2022 (b)		--	--	--	114.4	114.2	100.2	143.3	133.2	107.6	108.8
2020	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	128.3	120.4	106.6	109.4
2022	I	--	--	--	112.3	112.3	100.0	139.9	130.5	107.2	108.9
	II	--	--	--	116.5	116.0	100.4	--	--	--	
2022	Abr	--	--	--	115.2	115.1	100.1	147.8	136.8	108.0	108.7
	May	--	--	--	116.0	116.1	100.0	149.2	137.9	108.2	108.7
	Jun	--	--	--	118.2	117.0	101.0	--	--	--	--
		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	13.0
2015		-2.8	0.2	-3.0	-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	-0.4	0.0	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-0.3	-3.2	2.9	1.7	1.7	0.0	2.5	2.6	-0.1	0.8
2019		0.2	0.7	-0.5	0.8	1.2	-0.4	-0.3	0.4	-0.6	-1.3
2020		-2.3	-0.7	-1.6	-0.3	0.3	-0.6	-3.6	-2.5	-0.8	-0.6
2021		1.8	1.6	0.1	3.0	2.6	0.4	14.8	9.7	5.1	0.4
2022 (c)		--	--	--	8.4	7.1	1.3	35.8	25.0	10.8	0.1
2020	III	--	--	--	-0.6	0.0	-0.6	-0.6	0.0	-0.6	-0.3
	IV	--	--	--	-0.8	-0.3	-0.5	-0.8	-0.3	-0.5	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	27.8	18.8	9.0	0.1
2022	I	--	--	--	7.9	6.1	1.8	34.3	25.4	8.9	0.7
	II	--	--	--	8.9	8.0	0.9	--	--	--	--
2022	Abr	--	--	--	8.3	7.4	0.9	37.0	29.1	7.9	-0.6
	May	--	--	--	8.5	8.1	0.4	36.5	28.8	7.7	-0.8
	Jun	--	--	--	10.0	8.6	1.4	--	--	--	--

(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

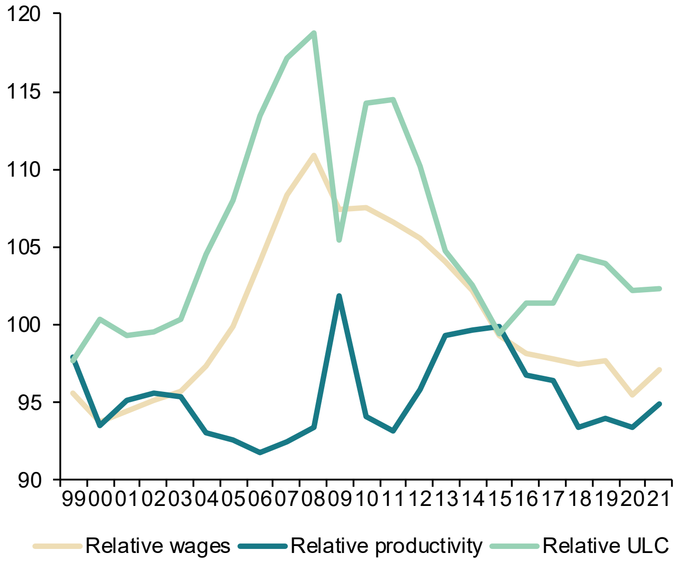


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

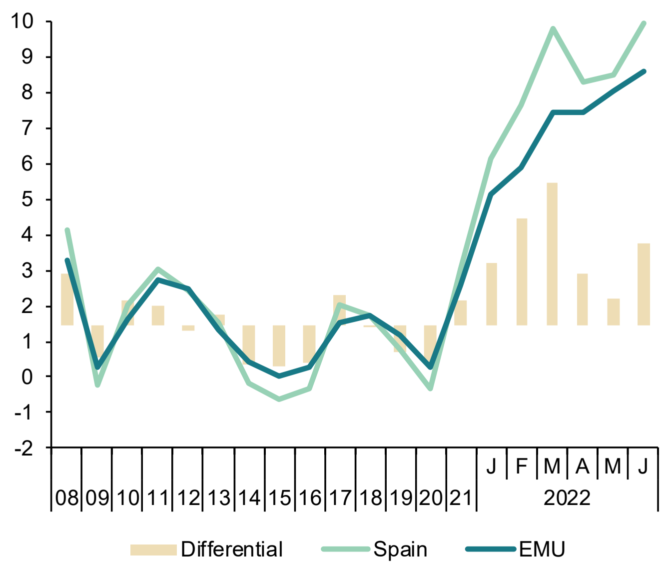


Table 17a

Imbalances: International comparison (I)

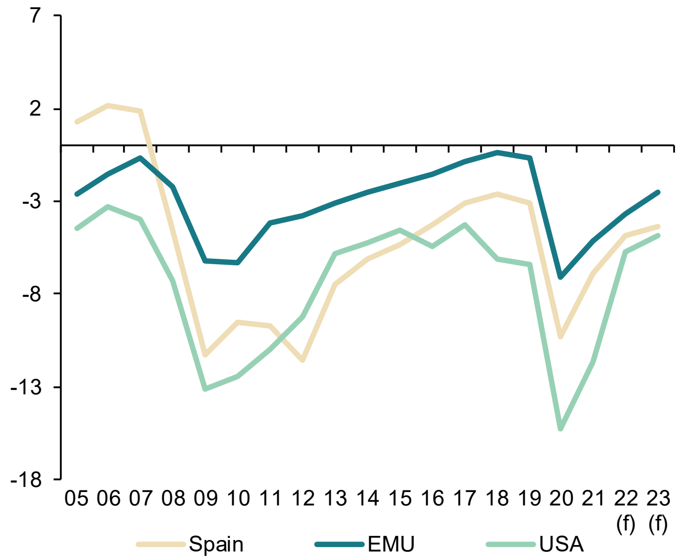
(In yellow: European Commission Forecasts)

	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	6,705.0	10,699.8	-98.8	-49.1	-704.2
2009	-120.6	-578.3	-1,896.6	569.5	7,444.7	12,311.3	-43.7	64.9	-383.1
2010	-102.2	-598.3	-1,863.1	649.2	8,189.2	14,025.2	-39.2	59.1	-439.8
2011	-103.6	-416.1	-1,709.1	743.0	8,648.5	15,222.9	-29.0	88.5	-460.3
2012	-119.1	-374.6	-1,493.3	927.8	9,142.2	16,432.7	0.9	230.0	-423.9
2013	-76.8	-305.4	-977.3	1,025.7	9,466.9	17,352.0	20.8	285.1	-352.1
2014	-63.1	-253.1	-910.4	1,084.8	9,709.1	18,141.4	17.5	320.1	-376.2
2015	-57.2	-210.1	-837.2	1,113.7	9,828.8	18,922.2	21.8	359.2	-424.7
2016	-47.9	-159.7	-1,010.1	1,145.1	10,003.7	19,976.8	35.4	390.5	-403.7
2017	-36.1	-105.3	-833.7	1,183.4	10,089.5	20,492.7	32.2	414.5	-372.9
2018	-31.2	-51.9	-1,261.8	1,208.9	10,188.2	21,974.1	22.6	418.0	-440.3
2019	-38.1	-79.6	-1,363.9	1,223.4	10,273.2	23,201.4	26.2	343.4	-479.8
2020	-115.2	-806.9	-3,198.8	1,345.8	11,321.6	27,747.8	9.3	301.1	-587.1
2021	-82.8	-625.7	-2,680.4	1,427.2	11,945.1	29,617.2	11.5	386.0	-828.7
2022	-63.2	-483.5	-1,445.5	1,496.4	12,389.7	31,072.6	23.5	308.9	-979.4
2023	-60.3	-342.3	-1,297.1	1,563.7	12,796.9	32,340.5	28.5	396.4	-913.0
	Percentage of GDP								
2008	-4.6	-2.2	-7.3	39.7	69.7	72.4	-8.9	-0.5	-4.8
2009	-11.3	-6.2	-13.1	53.3	80.3	85.0	-4.1	0.7	-2.6
2010	-9.5	-6.3	-12.4	60.5	85.9	93.2	-3.7	0.6	-2.9
2011	-9.7	-4.2	-11.0	69.9	88.3	97.6	-2.7	0.9	-3.0
2012	-11.6	-3.8	-9.2	90.0	92.9	101.1	0.1	2.3	-2.6
2013	-7.5	-3.1	-5.8	100.5	95.3	103.0	2.0	2.9	-2.1
2014	-6.1	-2.5	-5.2	105.1	95.5	103.4	1.7	3.1	-2.1
2015	-5.3	-2.0	-4.6	103.3	93.4	103.9	2.0	3.4	-2.3
2016	-4.3	-1.5	-5.4	102.8	92.5	106.9	3.2	3.6	-2.2
2017	-3.1	-0.9	-4.3	101.9	89.9	105.2	2.8	3.7	-1.9
2018	-2.6	-0.4	-6.1	100.5	87.8	107.0	1.9	3.6	-2.1
2019	-3.1	-0.7	-6.4	98.3	85.7	108.6	2.1	2.9	-2.2
2020	-10.3	-7.1	-15.3	120.0	99.2	132.8	0.8	2.6	-2.8
2021	-6.9	-5.1	-11.7	118.4	97.4	128.8	1.0	3.2	-3.6
2022	-4.9	-3.7	-5.7	115.1	94.7	123.4	1.8	2.4	-3.9
2023	-4.4	-2.5	-4.9	113.7	92.7	122.1	2.1	2.9	-3.4

Source: European Commission Forecasts. Spring 2022.

Chart 17a.1 - Government deficit

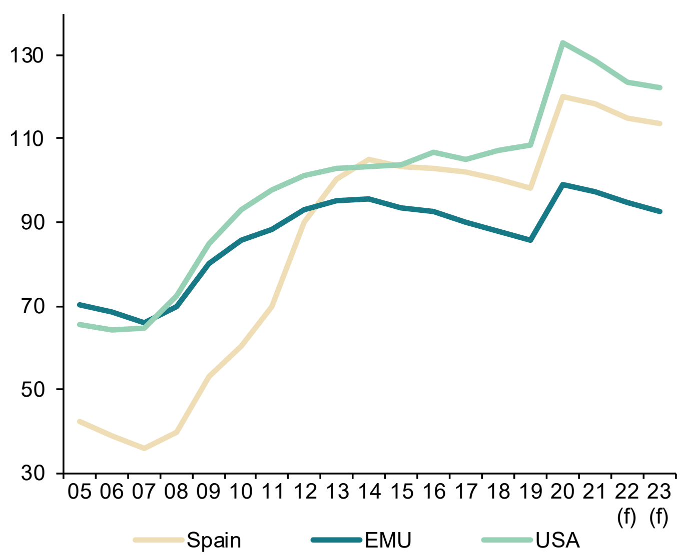
Percentage of GDP



(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	12,116.1	954.1	7,273.3	8,182.7
2006	783.5	5,193.1	13,421.3	1,171.9	7,914.9	9,002.8
2007	879.3	5,561.2	14,351.1	1,371.6	8,673.8	10,137.1
2008	916.7	5,774.0	14,219.1	1,460.0	9,363.5	10,710.5
2009	908.9	5,880.7	14,057.1	1,473.5	9,458.0	10,192.8
2010	905.2	6,021.5	13,865.5	1,498.0	9,696.1	10,060.9
2011	877.9	6,104.5	13,735.1	1,458.3	10,085.7	10,298.3
2012	840.9	6,097.0	13,667.4	1,339.2	10,245.9	10,840.5
2013	793.6	6,057.7	13,899.6	1,267.9	10,273.1	11,353.4
2014	757.8	6,064.6	14,018.1	1,203.7	10,645.3	12,122.3
2015	733.3	6,127.9	14,190.7	1,183.7	11,194.0	12,933.5
2016	718.5	6,232.8	14,601.0	1,166.5	11,534.4	13,590.6
2017	711.0	6,395.1	15,145.8	1,146.6	11,711.1	14,552.6
2018	709.6	6,582.3	15,601.0	1,138.0	12,016.1	15,535.9
2019	707.7	6,809.2	16,091.1	1,150.1	12,385.1	16,287.1
2020	700.4	7,000.7	16,705.0	1,200.7	12,810.8	17,754.7
2021	704.1	--	17,932.5	1,237.1	--	18,573.4
	Percentage of GDP					
2005	70.8	56.5	92.9	102.9	86.1	62.8
2006	78.0	58.4	97.1	116.7	89.0	65.2
2007	81.8	59.2	99.1	127.5	92.4	70.0
2008	82.6	60.0	96.3	131.6	97.3	72.5
2009	85.0	63.4	97.1	137.8	102.0	70.4
2010	84.4	63.2	92.1	139.6	101.7	66.9
2011	82.5	62.3	88.0	137.1	103.0	66.0
2012	81.6	62.0	84.1	129.9	104.2	66.7
2013	77.8	61.0	82.5	124.3	103.4	67.4
2014	73.4	59.6	79.9	116.6	104.6	69.1
2015	68.0	58.2	77.9	109.9	106.4	71.0
2016	64.5	57.6	78.1	104.7	106.7	72.7
2017	61.2	57.0	77.8	98.7	104.4	74.7
2018	59.0	56.7	76.0	94.6	103.6	75.7
2019	56.9	56.8	75.3	92.4	103.3	76.2
2020	62.4	61.4	80.0	107.0	112.4	85.0
2021	58.4	--	78.0	102.7	--	80.8

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

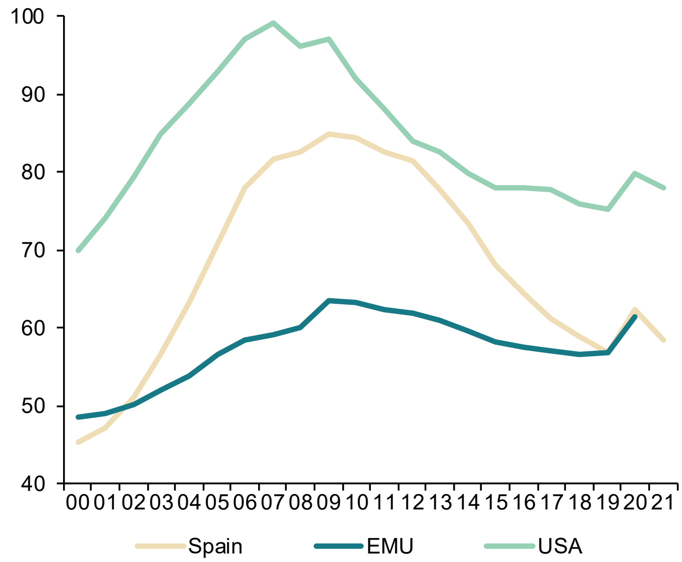
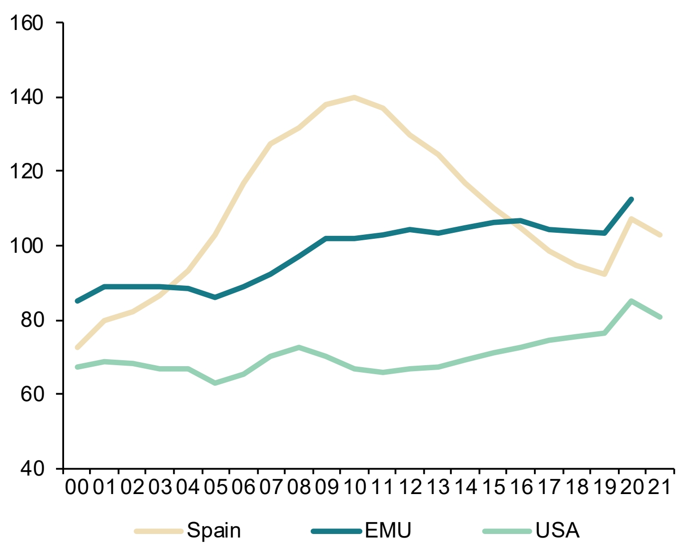


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: June 30th, 2022

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	0.7	April 2022
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.3	April 2022
Doubtful loans (monthly % var.)	-0.5	April 2022
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	2,198,845	May 2022
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	289,689	May 2022
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	16	May 2022
"Operating expenses/gross operating income" ratio (%)	53.15	March 2022
"Customer deposits/employees" ratio (thousand euros)	13,310.65	March 2022
"Customer deposits/branches" ratio (thousand euros)	118,280.77	March 2022
"Branches/institutions" ratio	95.68	March 2022

A. Money and Interest Rates

Indicator	Source	Average 2001-2019	2020	2021	2022 May	2022 June	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.1	12.3	6.9	5.6	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.4	-0.545	-0.572	-0.338	-0.191	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.8	-0.499	-0.501	0.390	1.068	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.4	0.03	0.5	2.1	2.7	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.8	1.3	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": Monetary authorities have shown increased concerns over inflation, which has reached very high levels and seems to be long-lasting. Central banks have reacted increasing interest rates more than expected. In this context, interbank rates increased in June. The 1-year interbank rate went from 0.390% in May to 1.068% in June, and the 3-month Euribor increased from -0.338% to -0.191% over the same period. As for the Spanish 10-year bond yield, it increased to 2.7%.

B. Financial Markets

Indicator	Source	Average 2001-2018	2019	2020	2022 May	2022 June	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	22.1	288.7	28.8	15.26	31.17	(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	10.88	12.25	(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	0.03	0.03	(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	0.30	0.46	(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	-0.47	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	1.2	2.4	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	-15.9	-12.4	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	1,007.1	881.6	718.9	855.3	807.7 (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	8,584.2	8,098.7 (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	153	127 (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	2022 May	2022 June	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	-346	95	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	12.9	30	35.4	0	333	IBEX-35 shares concluded transactions

(a) Last data published: June 30th, 2022.

Comment on "Financial Markets": The stock market fell in June amid substantial volatility mainly due to uncertainty related to inflation and macroeconomic projections. The IBEX-35 decreased to 8,099 points, and the General Index of the Madrid Stock Exchange to 808. During June (last month available), there was an increase in transactions of outright spot T-bills to 31.17 and also of spot government bonds transactions to 12.25. There was an increase in IBEX-35 futures of 95% and of options of 333%.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2018	2019	2020	2021 Q3	2021 Q4	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-1.4	2.5	1.2	1.7	1.9	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	3.8	2.7	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	327.4	318.6	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	59.8	58.4	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.5	5.9	1.8	-0.8	2.7	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	-0.7	0.8	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2021Q4. the financial savings to GDP in the overall economy increased by 1.9%. There was an increase in the financial savings rate of households of 2.7%. The debt to GDP ratio of the economy reached 319%. Finally, there was an increase in the stock of financial assets on households' balance sheets of 2.7% and of 0.8% in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2019	2020	2021	2022 March	2022 April	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	5.2	-0.1	0.2	0.1	0.7	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	6.3	0.6	0.3	1.2	-0.3	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	8.8	0.8	-0.7	1.8	1.3	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	7.9	-0.2	0.1	-0.3	-0.6	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	-2.0	-1.9	0.5	1.6	2.0	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	-0.4	-0.8	-0.4	-1.4	-0.5	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	2.2	-0.4	0.6	5.8	3.3	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	6.7	-0.3	-0.1	-1.3	-1.1	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 April show an increase in bank credit to the private sector of 0.7%. Data also show a decrease in financial institutions' deposit-taking of 0.3%. Holdings of debt securities grew 1.3%. Doubtful loans decreased 0.5% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2018	2019	2020	2021 December	2022 March	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	179	114	113	110	111	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	84	82	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	231,976	176,838	175,185	164,101	164,101 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	37,607	23,851	22,589	19,015	18,467	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	2,206,332	2,198,845 (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	289,545	289,689 (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	16	16 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2020.

(b) Last data published: May 31th, 2022.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In May 2022, recourse to Eurosystem funding by Spanish credit institutions reached 289.7 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 616 billion euros in May 2022 and 4.9 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 Q4	2022 Q1	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	49.11	53.30	54.90	54.18	53.15	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	12,137.18	13,310.65	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	27,149.27	74,450.04	89,952.10	111,819.77	118,280.77	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2018	2019	2020	2021 Q4	2022 Q1	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	194.96	123.09	116.74	98.01	95.68	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.24	7.7	8.1	9.2	8.8	Branch size indicator
48. "Equity capital" (monthly average % var.)	Bank of Spain	0.04	0.25	-2.4	0.6	0.2	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.43	0.59	0.4	0.5	0.4	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	5.78	6.96	-0.7	6.9	5.3	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2022Q1, there was a relative decrease 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	47,385,107	43.8	19.6	80.2	85.8	53.4	30.1	15.5	662,173	62,324
2022●	47,435,597	44.1	20.0			53.5	30.7	15.8		
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	18,919	2.50	15.6	11.0	6.3	5.6				3.4
2022■	19,040	2.49								
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	1.13	1.47	47.6	10.3	65.8
2021	31.6	1.16	1.38			
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-March.

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 (millions 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	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	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	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	4.32
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,598	4.31
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1.303.252	190,143	47,579	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	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	4.23
2019	19.3	6.3	30.3	44.7	1,749,597	673,740	706,533	1,296,379	237,118	53,053	4.26
2020	17.7	6.1	31.3	44.8	1,622,353●	684,804●	772,417●	1,340,632●	248,460●	55,266●	4.93●
2021	16.4	5.8	32.3	46.7							
2022■	16.1	5.9	32.3	48.7							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	MECD

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

● Provisional data.

■ Data refer to January-March.

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	922,856	6,165,349	1,190	949,765	994	2,353,987	740	969,412	262,177	184,378	11,892
2022	749,377●	6,232,104■	1,249■	951,732■	1,035■	2,351,739■	776■	904,440●	264,308■	182,159■	11,005■
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-May.

■ Data refer to January-April.

Table 5

Social protection: Health care

	Expenditure		Resources				Satisfaction*		Time on waiting list (days)	
	Public expenditure (% GDP)	Public expenditure (millions of €)	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	6.1	67,344	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	6.6	71,136	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	6.3	64,734	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	6.2	63,507	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	6.2	66,489	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	6.1	67,724	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	6.0	69,312	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	6.0	72,157	2.0	0.8	3.5	0.7	6.6	7.5	129	96
2019	6.1	75,929	2.0	0.8	3.5	0.7			115	81
2020	7.6●	85,383●	2.0	0.8	3.7	0.7			148	99
2021									121	75
Sources	EUROSTAT	EUROSTAT	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

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".*

● Provisional data.

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Notes

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