

## Spain's economy and financial sector in the face of Covid-19

### WHAT MATTERS

Spanish economic policy  
in response to **Covid-19**

**The Spanish banking** sector  
in 2020: Renewed risks

European and Spanish banks:  
Dominating the **primary debt**  
**markets**

**Low corporate tax revenue**  
in Spain: A comparative  
analysis

**Spain's agricultural sector:**  
Rising discontent *versus*  
economic reality

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# SEFO

SPANISH AND INTERNATIONAL  
ECONOMIC & FINANCIAL OUTLOOK

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# Letter from the Editors

2020 started off on a positive note. Global recession risks had decreased relative to 2019 – supported by reduced trade tensions between the US and China, increased probabilities for an orderly Brexit, and accommodative monetary policy. In January, conditions were largely expected to improve this year, giving way to a modest recovery. By March, all of this had changed. The global expansion of the coronavirus outbreak, which had already prompted a downgrade in Chinese macroeconomic forecasts, coupled with declining oil prices, forced international organizations, rating agencies and financial institutions to notably revise downward world GDP forecasts. In its March interim forecasts, the OECD estimated that global GDP would be 2.4% this year, a 0.5% percentage point cut from its November forecast, but it now looks like we have already moved well beyond even the more severe scenario envisaged then.

At the time of publication of the March issue of *Spanish and International Economic & Financial Outlook (SEFO)*, several EU countries and the US had declared a state of emergency. This may further deteriorate growth expectations for a prolonged period of time, even heightening the risk of recession in some of these regions. At this stage we do not know the length that such emergency measures will remain in place, nor whether or not Covid-19 will be transient or a more longer-term shock. However, we think it is important

to point out the emergence of these new significant downside risks and their potential implications, in particular for the Spanish economy and financial sector.

In this issue of *SEFO*, we start by assessing Spanish economic policy in response to Covid-19. The Covid-19 health crisis poses a major challenge for economic policy due to the unprecedented nature of the shock and because the repercussions will be significant. GDP is expected to drop sharply in the first half of the year, followed by a rebound in the second half, resulting in a contraction for the whole of 2020 of an estimated 3% – etching out a U-shaped recovery. Compared to other more alarmist predictions, that scenario is already playing out in countries hit by the virus earlier, such as China and South Korea. In 2021, the Spanish economy could grow by 2.8%. The emergency measures announced to date by the Spanish government and the ECB in response to the situation are a necessary first step; however, the authorities will have to continue to fine-tune the intensity of their stimuli depending on the duration of the crisis with the aim of safeguarding productive structures, preserving jobs at sustainable businesses and ensuring that the rebound materialises as anticipated.

As for the financial sector, 2019 was a challenging year for Spanish banks, as was the case for most European banks. The downward

revision to macroeconomic forecasts and the associated shift in monetary policy, prolonging the outlook for ultra-low rates, was largely responsible for the fact that Spain's six largest banks saw their aggregate net profit decline by 18.4% to 13.59 billion euros in 2019. That correction, which was in line with the dip observed in the rest of the eurozone, in conjunction with cross-cutting geopolitical and structural shocks (trade and technology tensions, respectively) and ad-hoc developments of an unforeseen magnitude (particularly the Covid-19 virus) are having a very adverse impact on the banking industry's market value. The large-scale measures approved by the Spanish government, particularly those related to an ambitious financing and public-private guarantee scheme, together with the measures announced by the ECB –a 750 billion euro asset purchase programme for the eurozone– are intended to mitigate this impact. The difficulties facing banks are not confined to the impact interest rates are having on asset prices, but also the issues being encountered in driving business volumes. On the one hand, regulatory pressure is considerable and loan approval policies are particularly cautious. On the other hand, demand for credit remains limited. That explains why, despite the low level of interest rates and NPL ratios of well below 5%, year-on-year growth in private sector financing remains stagnant. There are several potential drivers of bank profitability, such as improved efficiency/asset quality, as well as investor perceptions of undervaluation. However, it remains to be seen whether or not some of the recent, unforeseen shocks will prove transitory, potentially dissipating in the coming months.

We also look at the dominant role of European and Spanish banks as issuers in the primary debt markets ahead of compliance with regulatory capital requirements. Financial markets' propitious start to the year has led to the intensification of issuance in the European and Spanish primary fixed-income markets. Issuers' swift reactions to benign market conditions, coupled with strong investor take-up in light of ultra-low rates, has been even more apparent in the banking sector, which has been taking

advantage of the momentum to address regulatory pressure deriving from the upcoming deadline for compliance with the resolution directive, specifically, the minimum requirement for own funds and eligible liabilities (MREL). Within this context, two trends have emerged. On the one hand, having maxed out the allowances for certain instruments (convertibles bonds, CoCos and subordinated debt) that dominated issuance volumes up until 2017, banks are switching to issuance of lower-cost liabilities, such as senior non-preferred debt, which qualifies for MREL purposes. In parallel, there has been a 'democratisation' trend in issuance, with smaller-sized entities tapping the markets more than before. According to our estimates, European and Spanish banks will need to raise another 250 billion and 50 billion euros of eligible instruments, respectively, to comply with the MREL deadline set for 2024. Thus, we anticipate banks to remain dominant players in the primary fixed-income markets for the coming years.

Covid aside, we then examine fiscal issues in Spain related to low corporate taxation. Tax revenue from corporate income tax has not recovered to pre-crisis levels in Spain. That is an anomaly in the European Union and comparable only to the situation in Italy. The government is contemplating the passage of measures this year which would increase annual corporate tax revenue by approximately 1.5 billion euros. Implementation of those measures depends on the ability of the minority government led by Pedro Sánchez to garner the support needed to pass the 2020 budget. The government is also assessing the possibility of enacting a new tax on BigTech which according to official estimates would generate annual tax revenue of around 1 billion euros. In any event, settlement of that tax has been postponed until the end of the year pending an agreement on a global minimum level of corporate tax on technology giants and other large multinationals which is currently under discussion at the OECD.

Lastly, we analyse the situation of a sector that has received increased attention from the

local media – the agricultural sector. Despite the emergence of some slightly negative trends in 2019, according to official data, the Spanish agricultural sector has enjoyed a favourable decade from a productive standpoint. Importantly, the sector's performance was resilient in the face of the Great Recession, when other significant productive sectors of the Spanish economy experienced a collapse. While last year's performance was further complicated by the introduction of US tariff hikes, which had a disproportionately adverse impact on certain agricultural sub-sectors, such as olive production, at the overall sector level, the recent trends in Spanish farming prices and salaries do not clearly explain the negative sentiment and rising social discontent within the sector at present. Within this context, it is plausible that the current tensions within the sector are more a product of other issues, such as uncertainty over EU agricultural support programs, as well as social issues, such as rural depopulation and ageing, the lack of business succession in certain communities, harsh working conditions and a lack of a healthy work-life balance. Although targeted public policies may contribute to improving the sector's current conditions, a more meaningful solution to the sector's challenges calls on farmers themselves to conduct a critical assessment of the situation and, where necessary and possible, improve their business acumen.

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## What's Ahead (Next Month)

Month	Day	Indicator / Event	
April	2	Social Security registrants and official unemployment (March)	
	3	Industrial production index (February)	
	15	CPI (March)	
	15	Financial Accounts Spanish Economy (4 <sup>th</sup> . quarter 2018)	
	21	Foreign trade report (January)	
	28	Labour Force Survey (1 <sup>st</sup> . quarter 2019)	
	29	Retail trade (March)	
	30	Non-financial accounts, State (March)	
	30	Non-financial accounts: Central Government, Regional Governments and Social Security (February)	
	30	Preliminary CPI (April)	
	30	Preliminary GDP (1 <sup>st</sup> . quarter 2019)	
	30	Balance of payments monthly (February)	
	30	ECB monetary policy meeting	
	May	5	Social Security registrants and official unemployment (April)
		8	Industrial production index (March)
14		CPI (April)	
18		Eurogroup meeting	
19		Foreign trade report (March)	
28		Non-financial accounts, State (April)	
28		Non-financial accounts: Central Government, Regional Governments and Social Security (March)	
28		Retail sales (April)	
28		Preliminary CPI (May)	
29	Balance of payments monthly (March)		

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# What Matters



## 3 **Spanish economic policy in response to Covid-19**

The health crisis unleashed by the Covid-19 pandemic is one of the greatest challenges facing the global economy since the Great Depression, prompting a contraction of Spanish GDP this year of an estimated 3.0%. The speed and timing of the recovery will depend in part on the duration of the pandemic, as well as on the scale and efficacy of domestic and EU stimulus measures.

Raymond Torres and María Jesús Fernández

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## 13 **The Spanish banking sector in 2020: Renewed risks**

A lower for longer rates outlook, together with an increased regulatory burden and limited demand for credit, weighed heavily on Spanish banks' profitability in 2019. For 2020, it remains to be seen whether recently announced stimulus measures by both the Spanish government and the ECB can help banks mitigate some of the adverse impact of emergent external shocks, in particular Covid-19.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

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## 21 **European and Spanish banks: Dominating the primary debt markets**

Favourable market conditions and the need for compliance with regulatory capital requirements have driven a surge in European, and in particular Spanish, banks' primary debt markets issuance. Even as banks continue to take advantage of newer, less costly MREL-eligible instruments, the estimated shortfall to meeting average MREL levels means European banks will continue to be significant issuers in fixed-income markets over the coming years.

Desirée Galán, Javier Pino and Fernando Rojas, A.F.I.

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### 31 **Low corporate tax revenue in Spain: A comparative analysis**

Unlike the situation of most EU-15 countries, Spanish corporate income tax revenues are yet to recover to their pre-crisis peak. The government is contemplating several measures aimed at addressing low corporate tax take; however, both domestic and international political considerations are delaying speedy implementation.

Desiderio Romero-Jordán and José Félix Sanz-Sanz

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### 41 **Spain's agricultural sector: Rising discontent versus economic reality**

Despite experiencing some recent tensions in 2019, the Spanish agricultural sector has performed relatively favourably over the past decade. Given the lack of strong economic justification to support a deterioration within the sector, it is plausible that the rising discontent among Spain's farmers may be explained by a combination of other factors.

José Colino Sueiras

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## Regulation and Economic Outlook

### **Recent key developments in the area of Spanish financial regulation** 53

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

### **Spanish economic forecasts panel: March 2020** 59

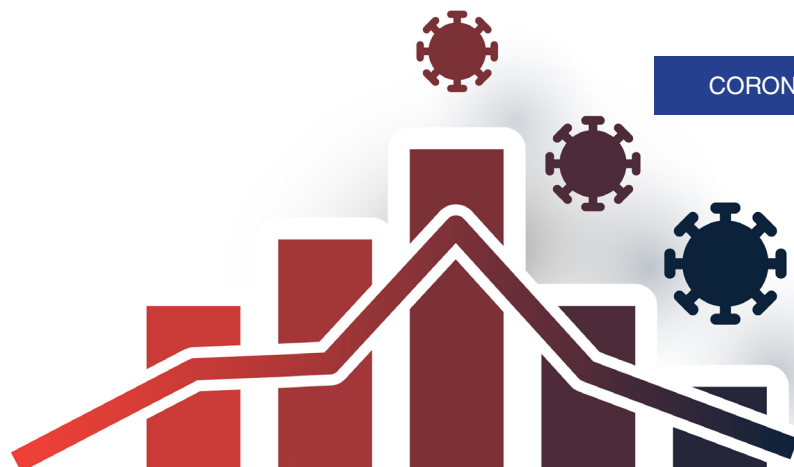
Funcas Economic Trends and Statistics Department

## Key Facts

### **Economic Indicators** 69

### **Financial System Indicators** 107

### **Social Indicators** 113



# Spanish economic policy in response to Covid-19

The health crisis unleashed by the Covid-19 pandemic is one of the greatest challenges facing the global economy since the Great Depression, prompting a contraction of Spanish GDP this year of an estimated 3.0%. The speed and timing of the recovery will depend in part on the duration of the pandemic, as well as on the scale and efficacy of domestic and EU stimulus measures.

Raymond Torres and María Jesús Fernández

**Abstract:** The Covid-19 health crisis poses a major challenge for economic policy due to the unprecedented nature of the shock and because the repercussions will be significant. GDP is expected to drop sharply in the first half of the year, followed by a rebound in the second half, resulting in a contraction for the whole of 2020 of an estimated 3% – etching out a U-shaped recovery. Compared to other more alarmist predictions, that scenario is

already playing out in countries hit by the virus earlier, such as China and South Korea. In 2021, the Spanish economy could grow by 2.8%. The emergency measures announced to date by the Spanish government and the ECB in response to the situation are a necessary first step; however, the authorities will have to continue to fine-tune the intensity of their stimuli depending on the duration of the crisis with the aim of safeguarding productive

structures, preserving jobs at sustainable businesses and ensuring that the rebound materialises as anticipated.

## Introduction

The health crisis unleashed by the Covid-19 pandemic is one of the greatest challenges facing the global economy since the Great Depression. The crisis has no precedent in recent history insofar as it combines a supply shock – a hit to productive capacity –with a demand shock– a sharp slump in international and home-market demand, coupled with tight restrictions on the movement on people (with ripple effects on both supply and demand). Moreover, in contrast to previous recessionary episodes, this one stems from circumstances unrelated to the economy and its severity will depend in part on factors that are not within human control, such as the seasonality of the virus, its ability to mutate, and its global reach.

The purpose of this article is to identify the key challenges for economic policy that arise from Covid-19. It is important to underline the many constraints on this exercise, due to the exceptional nature of the crisis, the announcement of sizeable monetary and fiscal stimulus measures and the uncertainty prevailing internationally. The analysis is based on the assumption that the health crisis will be limited in time, so that the confinement measures can start to be relaxed before the Summer in Spain, as well as the rest of Europe and the US. It assumes, therefore, that the biggest impact will be concentrated in April and May, gradually easing in the ensuing months, with activity beginning to normalize during the third quarter.

That assumption is underpinned by the precedents in China and South Korea, which

have managed to flatten the coronavirus expansion curve, facilitating a recovery in productive activity. Moreover, the estimates take into account the measures recently announced by the Spanish government in the context of the state of emergency [1] and by the ECB. [2]

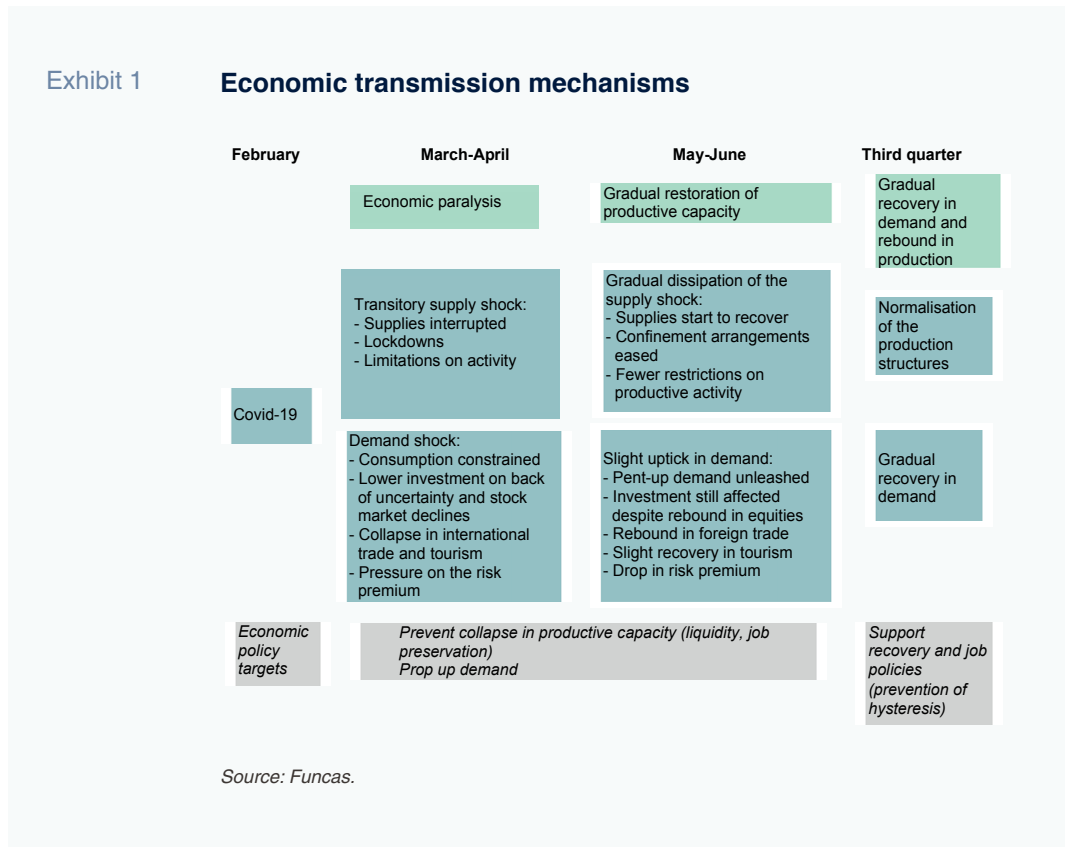
Nevertheless, the lack of comparable historical precedent, coupled with prevailing uncertainty regarding the duration of the crisis and the extent to which it will spread internationally, makes it hard to analyse the public policy response. The contents of this paper, therefore, should be viewed as preliminary and subject to update as the pandemic unfolds.

## Coronavirus and the Spanish economy: Transmission mechanisms

From the economic standpoint, the virus, coupled with the measures taken in efforts to try and contain it, are equivalent to a supply shock with a drastic albeit transitory impact on productive capacity. That shock translates into a reduction in the inputs needed for manufacturing, with a particularly significant impact on the sectors more dependent on global supply chains. Other factors shutting down activity are the lockdown of most of the available workforce, who cannot work remotely or travel, and the closure order affecting commercial establishments other than those selling food, essential goods and pharmaceutical or health products.

These supply-side effects would directly affect –at varying degrees– the manufacturing, construction, retail, hospitality, leisure and culture sectors, amounting to around 14% of GDP (under conservative assumptions).

“ A conservative estimate suggests that supply-side effects, which would directly affect –at varying degrees– the manufacturing, construction, retail, hospitality, leisure and culture sectors, could reach nearly 14% of the Spanish economy. ”



The virus will also undermine demand. Firstly, because one of the key transmission channels of this health crisis will be consumption, which will slump sharply in March and April. To estimate the scale, we made assumptions about the potential trend in the 12 groups of goods and services into which the Household Budget Survey classifies expenditure, factoring in their relative weights in total household expenditure. We also assumed a recovery in pent-up consumption in certain groups of goods over the following months, and, subsequently, a return to more stable spending patterns, albeit below pre-crisis levels.

Framed by all of these assumptions, consumer spending would contract sharply in the first

and second quarters, and recover in the rest of the year progressively, so as to reach the moderate pace of growth observed prior to the crisis.

Investment is the second transmission channel, due mainly to decision-making paralysis: investments will be postponed or cancelled altogether, as uncertainty could take some time to dissipate even after the virus is under control.

Exports are set to fall sharply as a result of the spread of the virus across Europe and the US. To estimate by how much, we start from our predictions for a contraction of eurozone GDP of 4% in 2020 and growth of 2% in 2021.

“ The impact on tourism is expected to be particularly dramatic, this being the demand component estimated to erode GDP the most. ”

“ One of the biggest sources of uncertainty lies with the severity the lockdown measures will reach in the European countries not as badly affected to date and in the US. ”

These assumptions are less pessimistic than those of certain prestigious research houses such as Morgan Stanley (-5% in 2020), Capital Economics (-6%) or JP Morgan (-11.4%). [3] We also looked at the drop in activity in China and South Korea as references.

The impact on exports of tourism services is expected to be particularly dramatic, this being the demand component estimated to erode GDP the most. The return to normality is likely to be much slower in this sector, which probably will not reach pre-pandemic levels until next year. The collapse in tourism will detract sharply from GDP growth via its impact on the external sector, with the drop in imports as a result of the contraction in domestic demand not expected to be a sufficiently mitigating factor.

One of the biggest sources of uncertainty lies with the severity the lockdown measures

will reach in both the European countries not as badly affected to date and in the US. If measures as disruptive as those taken in countries such as Spain and Italy were to become widespread, the impact on exports would be even greater than contemplated in the present projections.

In short, more than forecasts, the numbers presented here should be seen as a simulation of the impact Covid-19 would have on the Spanish economy under the above-detailed assumptions and scenarios.

The outcome would be a contraction in GDP of close to 10% in the first half of the year, followed by a rebound during the second half, as productive activity gets back on its feet and demand begins to recover, although without reaching pre-crisis levels (Exhibit 2). GDP would contract by 3% in 2020 taken as

**Exhibit 2 Economic projections prior to the health crisis and current outlook**

Spain. GDP growth. Quarterly rates



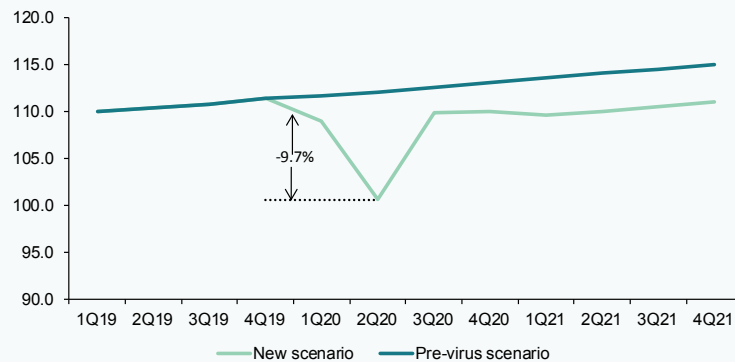


## Exhibit 2

**Economic projections prior to the health crisis and current outlook**

Spain GDP. Rebased to 2015 = 100

(Continued)



Source: Funcas estimates.

a whole. The anticipated recovery during the second half of the year of much of the activity foregone would drive growth of 2.8% in 2021. The idea is that the economic trend would be close to U-shaped (and not V-shaped because in some sectors, notably tourism, the return to normality would be relatively slow). [4] As already mentioned, these estimates are less alarmists than some of the most recent predictions. The difference might reflect our assumption that the Spanish economy would broadly follow the patterns registered in the countries hit earlier by the virus, such as China and South Korea.

In general, and despite the economic rebound anticipated in the second half of the year, it will be some time before we see normalisation in the trend in household savings, which are initially bound to rise sharply due to the confinement measures and later trend lower in keeping with the recovery. Corporate investment decisions will similarly take some time to settle. As a result, we estimate that the pre-crisis GDP level would not be revisited until mid-2022.

The impact on employment is expected to be severe but, to some extent, largely limited in time. Most of the jobs lost would be regenerated during the second half of the year, with the sectors affected by the supply shock and those related with tourism expected to suffer longer-term consequences.

**The role of economic policy**

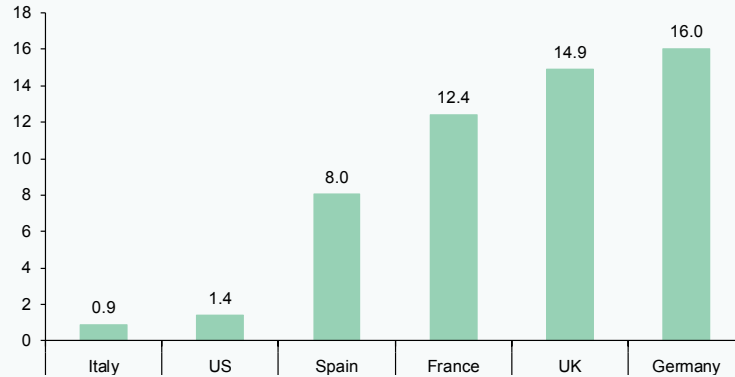
The recovery expected from the second half of the year relies on the assumption that the economic policy response will rise to the occasion (in addition to the assumption that the health crisis would last for a relatively limited period of time). The policy response modelled assumes, firstly, measures designed to prevent the closure of businesses: loans on favourable terms with government collateral, and state guarantees to facilitate the payment of invoices and taxes. The scale of the measures contained in the emergency decree amounts to 100 billion euros, close to 8% of GDP, a level that could be doubled depending on the bank lending triggered by the loan guarantees. That volume is somewhat lower than in neighbouring countries such as Germany but higher than currently planned in Italy (Exhibit 3).

Exhibit 3

**Economic policies to mitigate the crisis: International comparison (% of GDP, with information until March 20<sup>th</sup>)**

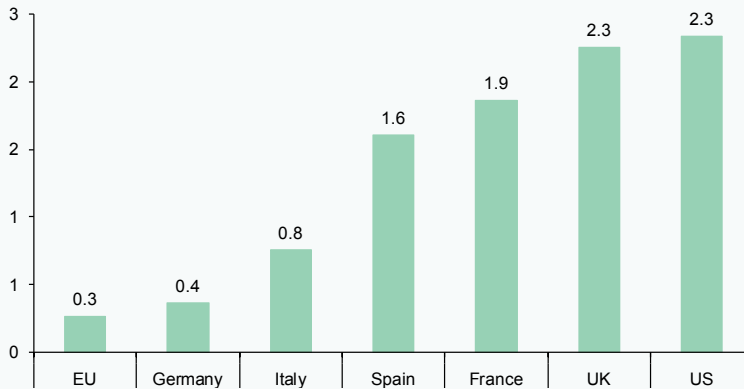
**Liquidity support measures for businesses**

State-backed loans and guarantees, % of GDP



**Public spending and fiscal stimulus measures**

Budget allocations for job preservation and demand support, % of GDP



Source: Funcas, based on Spanish Ministry of the Economy and equivalent national sources.

Secondly, the strategy includes measures which, unlike the public loan guarantees, entail government spending or a reduction in tax revenue. They include measures designed to preserve jobs at sustainable companies (temporary layoffs, shorter working hours) and others intended to shore up income for the most vulnerable groups. In the Spanish government's plan, these measures amount to

close to 20 billion euros, or 1.6% of GDP. In other countries, such as the US and the UK, the budget plans also include tax cuts and public investments, so that the scale of their interventions is significantly higher (Exhibit 3). An added difficulty specific to Spain is the persistence of the high percentage of people on short-term employment contracts. For those individuals, the employment preservation

“ The deficit is expected to rise sharply, to 5.5% of GDP in 2020, due to the dual impact of erosion of the revenue base and growth in public expenditure and the fiscal impact of the emergency measures; consequently, public debt as a % of GDP will increase by 10 percentage points relative to baseline. ”

measures are not as effective as for those with stable contractual arrangements as companies are reluctant to renew short-term contracts in an unfavourable economic climate. Moreover, Spain sees very significant temporary hiring volumes in the months of May and June to cover peak season needs in the tourism sector (nearly 400,000 people). Many of those hires will not take place this year due to the protracted duration of the impact on the sector. And, the individuals concerned will not benefit from the employment measures either.

As a result, the deficit is expected to rise sharply, to 5.5% of GDP in 2020 (three points above the pre-crisis baseline scenario), due to the dual impact of erosion of the revenue base

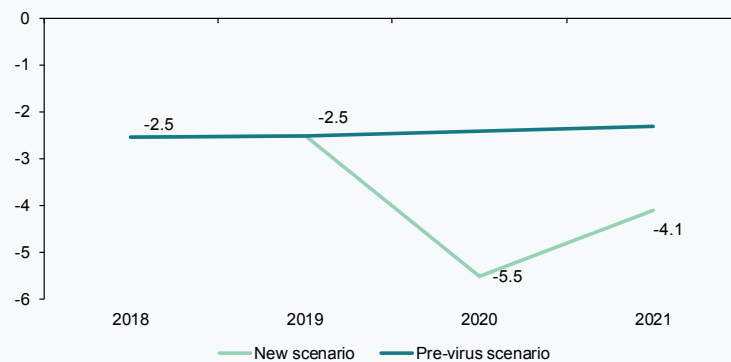
and growth in public expenditure as a result of the temporary shut-down in activity and the fiscal impact of the measures rolled out in response to the health crisis (Exhibit 4). Public debt will also reverse the moderate downward trend of recent years, rising to close to 104% of GDP, *i.e.*, 10 percentage points above the baseline scenario forecast. The spike in public debt would be driven by the deficit incurred in 2020 and 2021 and the likely growth in liabilities as a result of the guarantees extended to certain companies which find themselves unable to repay their loans.

Another source of transmission risk, in addition to wider spread and a more protracted impact of the virus than modelled, is that the

Exhibit 4

### General government deficit and debt projections prior to the health crisis and current outlook

Spain. Deficit. % of GDP

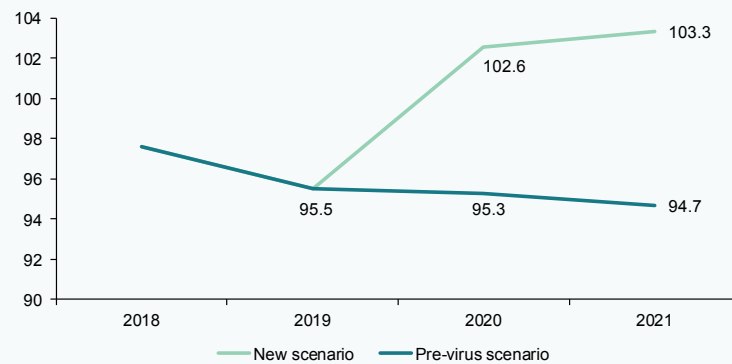


#### Exhibit 4

### General government deficit and debt projections prior to the health crisis and current outlook

Spain. Debt. % of GDP

(Continued)



Source: Funcas estimates.

situation will translate into a financial and debt crisis, sending risk premiums wider. Here the European Central Bank has a key role to play, as was evident in the sharp recent increase in the Spanish country risk premium in the wake of certain remarks by the President of the ECB. However, the risk premium has since narrowed slightly, thanks to the 750 billion euro public and private bond repurchase programme announced by the ECB on March 18<sup>th</sup>.

Obviously, avoiding excessive widening of risk premiums is essential to helping states execute their health crisis response plans while keeping their productive structures poised for the foreseeable future recovery.

#### Conclusions and risks

In short, the pandemic is expected to have a severe impact on the Spanish economy, particularly during the first half of the year. Economic activity should recover during the second half, albeit without making up all the ground lost, so that Spanish GDP would contract by 3% in 2020. Although these estimates are less pessimistic than certain

analysts' predictions, they are based on the experience observed in Asian economies hit earlier by the virus, which are beginning to stabilise.

The biggest risk facing the Spanish economy is that the pandemic will prove longer-lasting than generally assumed. As already noted, these preliminary estimates are based on the assumption that the health crisis will start to improve from May, paving the way for relaxation of the emergency measures and lockdown and the normalisation of production chains. That is the situation being observed in countries which were at the epicentre of the crisis before it shifted to Europe. Logically, if fresh outbreaks of the virus were to occur during the Summer or subsequent months, the economy would suffer and the recovery would take longer to materialise.

Another area of uncertainty relates to the European Union's response, which is vastly insufficient. Thus, in a recent survey targeted at many of the analysts who participate in the Funcas Panel, nearly all called for a greater role for European fiscal policy. [5] The rollout

of a Europe-wide emergency plan, financed by eurobonds, would be a step in the right direction. An initiative of that calibre, or greater involvement by the European Stability Mechanism, would be very welcome if the hardest hit countries, such as Italy, find it difficult to stabilize, unleashing a fresh wave of market tensions.

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## Notes

- [1] In particular, Royal Decree-Law 8/2020 (March 17<sup>th</sup>, 2020) on urgent and extraordinary measures for combating the economic and social fallout from COVID-19.
- [2] The latest measure announced was the 750 billion euro asset repurchase programme announced on March 18<sup>th</sup>.
- [3] See Capital Economics (2020), JP Morgan (2020) and Markets Insider (2020).
- [4] That trend is in line with other recent forecasting exercises, such as that of Deutsche Bank (2020).
- [5] <https://www.funcas.es/covid-19/Encuesta-sobre-el-impacto-internacional-del-Covid-19>

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# The Spanish banking sector in 2020: Renewed risks

A lower for longer rates outlook, together with an increased regulatory burden and limited demand for credit, weighed heavily on Spanish banks' profitability in 2019. For 2020, it remains to be seen whether recently announced stimulus measures by both the Spanish government and the ECB can help banks mitigate some of the adverse impact of emergent external shocks, in particular Covid-19.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

**Abstract:** 2019 was a challenging year for the Spanish banking sector, as was the case for most European banks. The downward revision to macroeconomic forecasts and the associated shift in monetary policy, prolonging the outlook for ultra-low rates, was largely responsible for the fact that

Spain's six largest banks saw their aggregate net profit decline by 18.4% to 13.59 billion euros in 2019. That correction, which was in line with the dip observed in the rest of the eurozone, in conjunction with cross-cutting geopolitical and structural shocks (trade and technology tensions, respectively)

and *ad hoc* developments of an unforeseen magnitude (particularly the Covid-19 virus) are having a very adverse impact on the banking industry's market value. The large-scale measures approved by the Spanish government, particularly those related to an ambitious financing and public-private guarantee scheme, together with the measures announced by the ECB –a 750 billion euro asset purchase programme for the eurozone– are intended to mitigate this impact. The difficulties facing banks are not confined to the impact interest rates are having on asset prices, but also the issues being encountered in driving business volumes. On the one hand, regulatory pressure is considerable and loan approval policies are particularly cautious. On the other hand, demand for credit remains limited. That explains why, despite the low level of interest rates and NPL ratios of well below 5%, year-on-year growth in private sector financing remains stagnant. Specifically, financing for households increased by just 0.26% year-on-year last year, while corporate lending inched just 0.01% higher, down significantly from growth of 1.26% in 2018. Spanish banks continue to face considerable difficulties in 2020. There are several potential drivers of bank profitability, such as improved efficiency/asset quality, as well as investor perceptions of undervaluation. However, it remains to be seen whether or not some of the recent, unforeseen shocks will prove transitory, potentially dissipating in the coming months.

## Introduction

It is difficult to reach cruising altitude in a context where unforeseen challenges continue to materialize. That is what would appear to be the case of the banking sector. Every time sector stock prices and profits are expected to begin their recovery, the materialization of delays or impediments alter those expectations.

The Spanish banks are no exception. Even in the face of this difficult environment, their profit generation has been relatively stable in recent years. Nevertheless, as with most of the sector in Europe and beyond, profitability remains the most pressing challenge. One of the biggest obstacles recently encountered by the sector was the shift in monetary policy direction in 2019. What in mid 2019 looked like an anticipated increase in interest rates, ended up as a prolongation of the prevailing expansionary measures and zero or negative rates policies [1]. However, monetary obstacles were not the only stumbling blocks. The value ascribed by the market to Europe's banking industry is suffering from geopolitical factors and a significant downturn in macroeconomic prospects related to Covid-19.

In the first quarter of 2020, economic instability and trade tensions have left a particular mark on emerging economies, including some in Latin America, where Spanish banks' interests are especially significant. There also remains some uncertainty about how the financing and liquidity markets will function post Brexit, although the supervisory authorities have gotten ahead of the main concerns, announcing plans to fine-tune certain measures before the end of the transition period, currently scheduled for the end of this year. However, the biggest unexpected development affecting the banking sector and, in general, valuation and economic expectations in the first quarter, and presumably well into the second, has been the emergence of the coronavirus originated in Wuhan (China). Its spread beyond China and, specifically in Europe, triggered sharp share price corrections towards the end of February and above all in March, from which the banks were not immune. The ultimate impact of the pandemic remains uncertain. What is clear is that all sectors (with very few exceptions) will suffer a significant decline.

“ The biggest unexpected development affecting the banking sector and, in general, valuation and economic expectations in the first quarter, and presumably well into the second, has been the spread of the coronavirus- the final impact of which is still unclear. ”



Leaving these risks aside, the start of 2020 was also marked by certain regulatory announcements. Specifically, the European Banking Authority (EBA) announced additional details regarding the upcoming round of stress tests scheduled for this year, the results of which were to be published on July 31<sup>st</sup>. [2] The methodology had been published in November 2019 but additional important details were announced on January 31<sup>st</sup>, including the macroeconomic scenarios to be modelled. This will be the EBA's fifth set of stress tests. As with the last two rounds, they will not be articulated around a 'pass or fail' threshold. The philosophy underlying that approach is for the results of the tests to serve as an input for the supervisor –the European Systemic Risk Board (ESRB)– as part of its Supervisory Review and Evaluation Process (SREP).

The baseline scenario contemplates cumulative growth in GDP in the eurozone of 3.9% between 2020 and 2022, with unemployment stable at 5.3% all three years. In keeping with the concerns regarding the prolongation of expansionary monetary policy measures, it is worth highlighting a new assumption modelled by the EBA, specifically the possibility in the adverse scenario that rates will remain at historically low levels, described as the 'lower for longer' narrative. In the adverse scenario, GDP is forecast to notch up a cumulative contraction of 4.3% between 2020 and 2022, making it the most severe scenario contemplated to date. The 'lower for longer' rates assumption increases the severity of the scenario due to the sudden change in expectations that any financial shock can produce in this context, given that, as the EBA itself states, investors may be 'not fully pricing in' risk within this environment. The adverse scenario also assumes that unemployment in the eurozone would increase by 3.5 percentage points by 2022, that the advanced economies'

stock indices would correct by 25% over that timeframe and that real estate prices would fall 16%.

### The Spanish banks' results

The last quarter of 2019 was a dampener for expectations for the European banking industry, with Spanish banks being no exception. The confirmation that monetary policy would remain extraordinarily expansionary was a negative development for banks whose funding costs in the current environment are very close to the rate earned by lending, impeding the banks' basic function of taking short-term deposits and lending longer term. The decision to extend the quantitative easing measures was attributable to the persistence of low inflation and the downward revision to European growth prospects- particularly, in certain economies such as Italy's, where the banking sector's relative weakness is very pronounced by comparison with other eurozone countries.

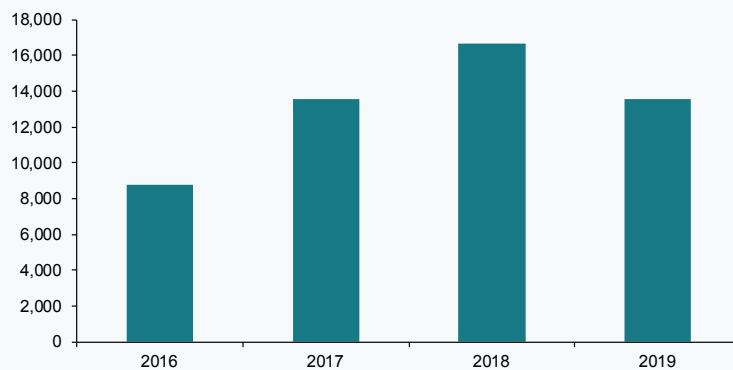
The economic climate is largely responsible for the fact that the six largest Spanish banks reported an aggregate net profit of 13.59 billion euros in 2019, down 18.4% from 2018, as is shown in the first panel of Exhibit 1. It is important to note that when monetary policy took another twist, investors reacted by repricing the banking sector. That repricing affected all of Europe. Moreover, that has been the trend prevailing in recent years: the performance in the Euro Stoxx Banks index (second panel of Exhibit 1) is closely correlated to the Spanish banks' earnings performance. As noted in earlier papers written by us for this publication, many in the analyst community have said repeatedly that a significant number of the Spanish banks are somewhat undervalued in the stock market but the monetary policy shifts and economic projections have been working against the expected recovery.

“ The difficulties facing the banks are not confined to the impact interest rates are having on asset prices, but also the issues being encountered in driving business volumes. ”

Exhibit 1

### Net profit of the six largest Spanish banks vs. the Euro Stoxx Banks (2016-2019)

First panel: Profits (millions of euros)  
 Second panel: The Euro Stoxx Banks index



Sources: The individual banks' financial statements and Euro Stoxx© Banks.

Covid-19 aside, the difficulties facing the banks are not confined to the impact interest rates are having on asset prices but also the issues being encountered in driving business volumes. On the one hand, because regulatory pressure is considerable and loan approval policies are particularly cautious. On the other hand, because demand for credit remains limited. That explains why the year-on-year growth in private sector financing remains stagnant, despite the low level of rates (Exhibit 2). Although no longer contracting, as was the case between 2013 and 2017, growth was lower

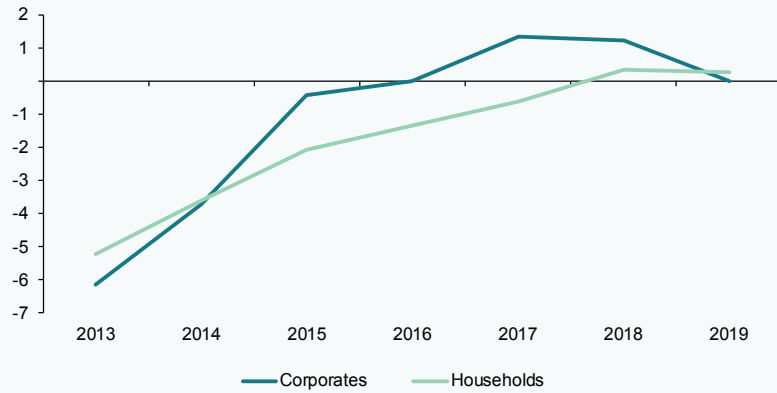
in 2019 than in 2018. Specifically, financing for households increased by just 0.26% year-on-year last year, while corporate lending inched just 0.01% higher, down significantly from growth of 1.26% in 2018.

Even though they are finding it hard to generate income, Spanish banks continue to improve their asset quality. Indeed, the drop in non-performance is one of the most noteworthy developments of late. Exhibit 3 illustrates, in the first panel, the volume of private sector credit outstanding and non-

Exhibit 2

**Year-on-year change in household and corporate financing in Spain (2013-2019)**

Percentages



Source: Bank of Spain and authors' own elaboration.

performing assets. Between 2013 and 2019, the balance of credit outstanding to other resident sectors declined by a cumulative 18.4%, but non-performing assets contracted by 71.7% over the same timeframe. In the

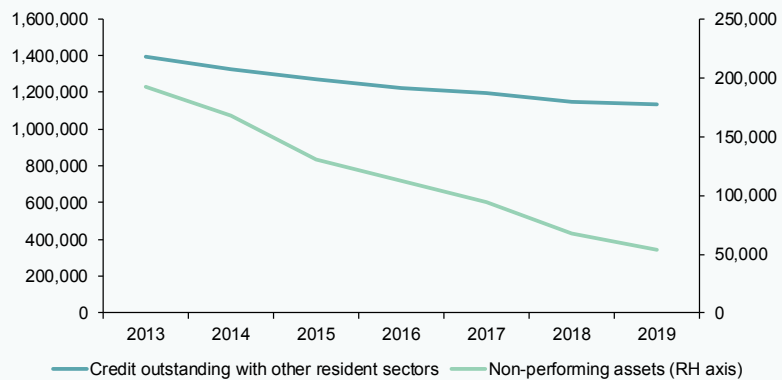
second panel of Exhibit 3, we see that as of December 2019, the banks' non-performance ratio stood at 4.78%, the lowest level since September 2009 and far below the highs of close to 14% in 2013.

Exhibit 3

**Credit extended to other resident sectors, non-performance and NPL ratio (2013-2019)**

First panel: Credit and non-performing assets (millions of euros)

Second panel: NPL ratio (percentage)



“ As of December 2019, the banks’ non-performance ratio stood at 4.78%, the lowest level since September 2009 and far below the highs of close to 14% in 2013. ”

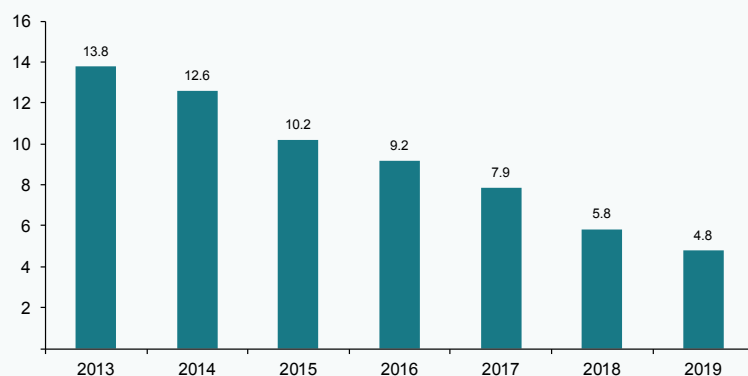
Exhibit 3

### Credit extended to other resident sectors, non-performance and NPL ratio (2013-2019)

First panel: Credit and non-performing assets (millions of euros)

Second panel: NPL ratio (percentage)

(Continued)



Source: Bank of Spain and authors’ own elaboration.

### Current situation and prospects

Spanish banks continue to face considerable challenges in 2020. In recent years a lot of their efforts have gone into managing the legacy from the Great Recession. On the one hand, by addressing non-performance. On the other hand, from a more ideological standpoint, attempting to tackle the not always proportionately allocated blame for the crisis and the ramifications on their image. In parallel, it has become apparent,

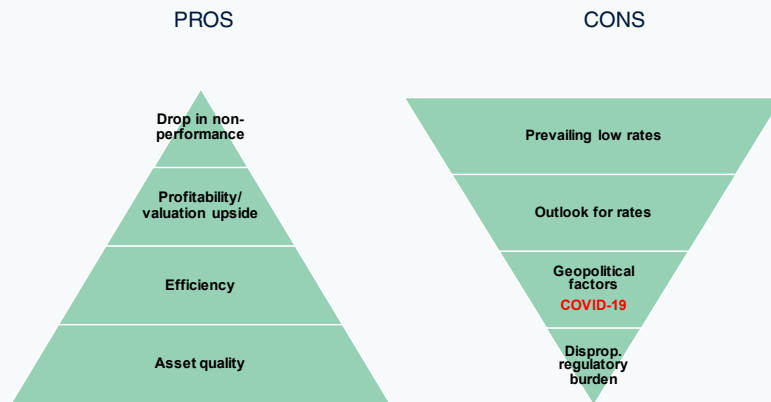
as has been embraced by the sector itself, that, as with most service providers, financial intermediation services are destined for digitalisation, underpinned by lighter cost structures.

Exhibit 4 lists the pros and cons faced by the banks in terms of making up some of the ground lost profitability-wise. The stark reality of the current situation calls for an initial assessment of the cons. The expansion of the coronavirus, Covid-19, a phenomenon affecting most

“ There is general agreement that the regulatory reforms undertaken in the wake of the crisis were largely necessary to restoring financial stability and confidence in the longer-term; however, the resulting regulatory burden is at times beginning to become excessive. ”

“ The new financial transactions tax does not seem the optimal solution as banks, in addition to paying their corporate income tax, already make sizeable contributions to the deposit guarantee scheme. ”

Exhibit 4 **Recovery in bank profitability: Pros and cons**



Source: Authors' own elaboration.

sectors, adds negative downward pressure for the banks in a year in which they were hoping to see their share prices start to recover. The hit taken by the banks' market values has been very significant. At the time of writing this article, both the Spanish government and the ECB have announced very sizeable plans for tackling this crisis in which the banks will be required to play a leading role. Upcoming editions of this publication will cover the impact of Covid-19 on the financial sector's activity and the impact of the mitigating policies put into place.

Taking a longer-term perspective, the banks have strengthened their position thanks to the asset quality effort and drop in non-performance in recent years. Also, the cost-to-income efficiency presented by the Spanish banks in the European context is a long-standing comparative advantage; and, as a corollary, underpins a positive

long-term assessment by most investors. There are other factors in play, however, that have been pushing back materialisation of those favourable longer-term prospects. Nevertheless, monetary conditions, referred to above, are in a category of their own, due to the low absolute level of rates but also the expectation that they are not likely to change significantly for a protracted period of time. Elsewhere, the regulatory burden. There is general agreement –even across financial sector players– that the regulatory reforms undertaken in the wake of the crisis included many measures that were necessary to restoring financial stability and confidence in the longer-term. However, compliance is beginning to become a bureaucratic burden, sometimes overlapping, and not always reasonable. Specifically, a new financial transactions tax for banks does not seem to be an optimal solution. It is important to note that in addition to paying their corporate

income tax like any company, the banks have to make sizeable contributions to the deposit guarantee scheme (1.1 billion euros in 2019). That regulatory framework is, moreover, generating a competitive disadvantage vis-à-vis other current and potential competitors from the worlds of FinTech and BigTech.

## Notes

[1] For an extensive review of the effects of negative interest rates on the banking sector and, in general, the European financial system, refer to the Funcas report, “Intermediation below zero: The effects of negative interest rates on banks’ performance and lending”, by Santiago Carbó Valverde, Pedro Cuadros Solas and Francisco Rodríguez Fernández: <https://www.funcas.es/docsInst/Ibz.pdf>

[2] Note that at the time of writing this article, the EBA had just announced its decision to delay the stress test exercise until 2021 to allow banks to focus on operational continuity.

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# European and Spanish banks: Dominating the primary debt markets

Favourable market conditions and the need for compliance with regulatory capital requirements have driven a surge in European, and in particular Spanish, banks' primary debt markets issuance. Even as banks continue to take advantage of newer, less costly MREL-eligible instruments, the estimated shortfall to meeting average MREL levels means European banks will continue to be significant issuers in fixed-income markets over the coming years.

Desirée Galán, Javier Pino and Fernando Rojas

**Abstract:** Financial markets' propitious start to the year has led to the intensification of issuance in the European and Spanish primary fixed-income markets. Issuers' swift reactions to benign market conditions, coupled with strong investor take-up in light of ultra-low rates, has been even more

apparent in the banking sector, which has been taking advantage of the momentum to address regulatory pressure deriving from the upcoming deadline for compliance with the resolution directive, specifically, the minimum requirement for own funds and eligible liabilities (MREL). Within this context,

two trends have emerged. On the one hand, having maxed out the allowances for certain instruments (convertibles bonds, CoCos and subordinated debt) that dominated issuance volumes up until 2017, banks are switching to issuance of lower-cost liabilities, such as senior non-preferred debt, which qualifies for MREL purposes. In parallel, there has been a ‘democratisation’ trend in issuance, with smaller-sized entities tapping the markets more than before. According to our estimates, European and Spanish banks will need to raise another 250 billion and 50 billion euros of eligible instruments, respectively, to comply with the MREL deadline set for 2024. Thus, we anticipate banks to remain dominant players in the primary fixed-income markets for the coming years. [1]

## Introduction

The propitious start to the year in the financial markets has prompted intensification of issuance in the European and in Spanish fixed-income markets. That swift reaction to benign market conditions, coupled with strong investor take-up in light of ultra-low rates, has been even more apparent in the banking sector, in Europe and in Spain. The financial sector has been taking advantage of the momentum to address regulatory pressure deriving from the upcoming deadline for complying with the resolution directive, *i.e.*, the minimum requirement for own funds and eligible liabilities (MREL).

It is worth highlighting two trends attributable to the recent wave of fixed-income issuance by Spanish banks. On the one hand, having issued high volumes of the more subordinated instruments in recent years (CoCos and subordinated bonds), banks are now switching to lower-cost liabilities, such as senior non-preferred debt, which has the added advantage of computing for MREL purposes. On the other

hand, the number of issuers has increased considerably and the presence of smaller-sized entities is on the rise.

It should not come as a surprise, therefore, that in Spain, to a greater extent even than in Europe, the banking sector has dominated the market of private sector issuers in the early weeks of the year, significantly outweighing issuance across the rest of the corporate universe.

## Issuance volumes and yields (‘correlation’ between yields and volumes)

Borrowing conditions have improved considerably in recent months. Two of the key sources of risk weighing on the markets in 2019 dissipated towards the end of the year with: (i) a rapprochement between the US and China, which materialised in phase one of a trade agreement between the two economic powers; and, (ii) definitive approval of an ‘orderly Brexit’.

All of that encouraged issuers to tap the primary debt markets during the early weeks of the year. Issuance cooled off a little, however, during the second half of January due to fears over the Coronavirus outbreak in China.

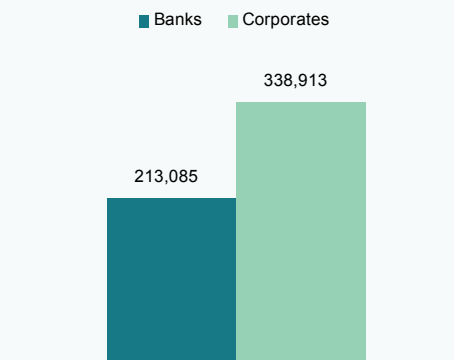
Although the banks typically concentrate their issuance volumes in the early part of the year, that effort has clearly been more intense this year. The more than 6 billion euros of debt issued by Spanish banks in January 2020 is triple the amount issued in January 2019. Moreover, Spanish banks issued more debt than all the other private sectors together and accounted for nearly 18% of all debt issued by European banks that month.

“ Two key trends have emerged year-to-date: Banks have been issuing lower-cost MREL-eligible instruments; and, smaller-sized entities have been increasingly tapping the market. ”



**Exhibit 1 Issuance volumes in Europe in 2019**

Millions of euros



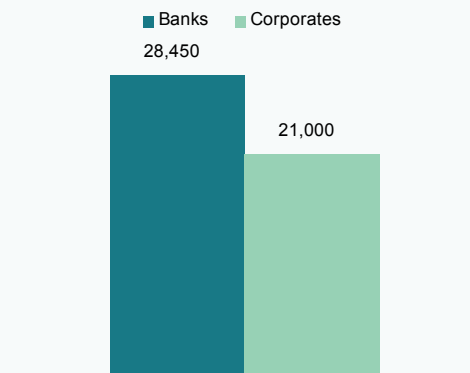
Source: Afi, Reuters.

Analysing the breakdown of the issues by instrument reveals a growing shift towards instruments with loss-absorbing capacity (CoCos, subordinated debt and senior non-preferred debt), as part of the banks' efforts

to meet MREL requirements. MREL-eligible instruments represent over 50% of the volume issued by the Spanish banks in the past year, whereas covered and senior bonds predominate in Europe.

**Exhibit 2 Issuance volumes in Spain in 2019**

Millions of euros



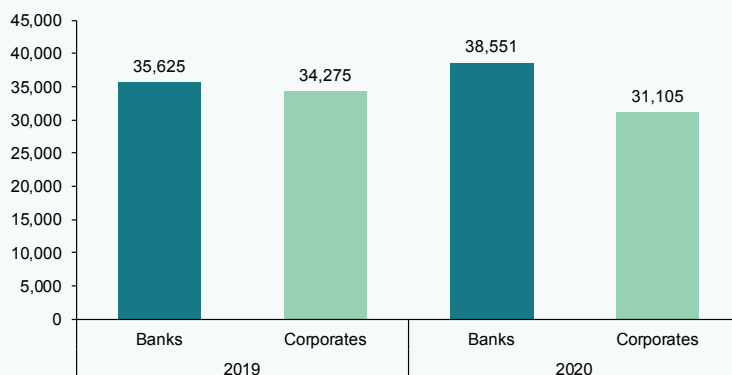
Source: Afi, Reuters.

“ The more than 6 billion euros of debt issued by Spanish banks in January 2020 is triple the amount issued in January 2019, with Spanish banks issuing more debt than all the other private sectors together and accounting for nearly 18% of all debt issued by European banks that month. ”

Exhibit 3

### Issuance volumes in Europe in January 2020 vs. January 2019

Millions of euros

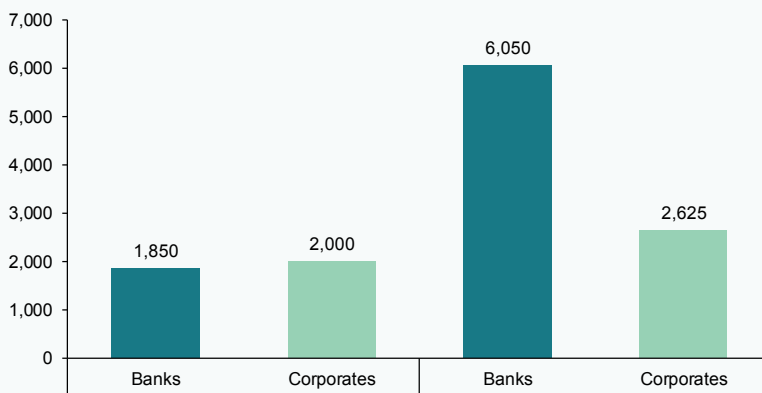


Source: Afi, Reuters.

Exhibit 4

### Issuance volumes in Spain in January 2020 vs. January 2019

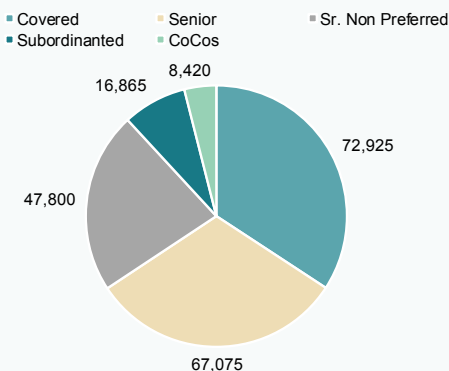
Millions of euros



Source: Afi, Reuters.

**Exhibit 5 Bank issues in Europe**

2019, millions of euros



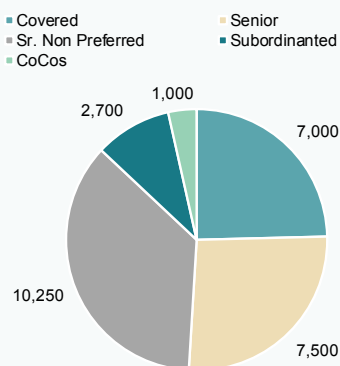
Source: Afi, Reuters.

The growth in issuance of MREL-eligible instruments has to do not only with intensification of the effort to comply with the regulatory requirements (analysed in the upcoming section) but also with the clear-cut improvement in the associated issuance terms, as shown in Exhibit 7.

The difference in yields among the various instruments reflects subordination in terms of loss absorption: CoCos being the most expensive, followed by subordinated debt, with senior non-preferred debt in third place – this being the newest instrument to be regulated in Spain. Senior non-preferred

**Exhibit 6 Bank issues in Spain**

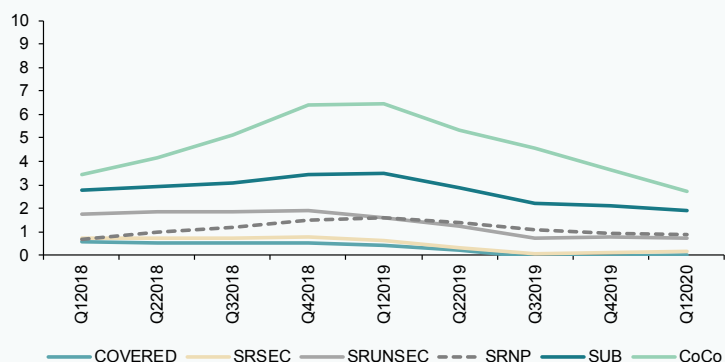
2019, millions of euros



Source: Afi, Reuters.

## Exhibit 7 Average yield on European issues

Percentage



Source: Afi, Reuters.

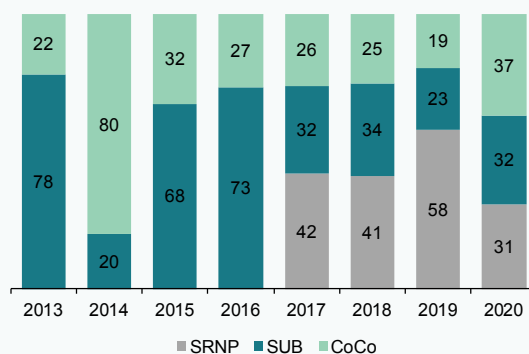
debt was made eligible for MREL purposes in Spain in 2017, offering the banks a much more attractively priced alternative to CoCos and subordinated debt, which explains its high issue volumes as of that same year.

Nevertheless, the significant improvement in issuance terms in recent months has made these instruments even more attractive, both

for new issuers and for refinancing prior 'expensive' issues by exercising the call options they all feature. That is the main factor behind the surge in CoCo issuance observed at the start of 2020, as illustrated in Exhibit 8.

Exercising the call option to refinance on more favourable terms is a logical financial decision, as we have outlined in a prior paper

## Exhibit 8 Breakdown of European issues



Source: Afi, Reuters.

“ The logic behind the MREL requirement is to create a buffer, such that, in the event that a financial entity is deemed ‘failing or likely to fail’ by the supervisor, it would have the capacity to absorb enough losses and subsequently recapitalise, minimising the need to resort to public aid. ”

(Berges, Pelayo and Pino, 2019), and is not related to higher or lower capital levels or market signals. The banks simply exercise the call option in the event that it is cheaper to issue new CoCo. Otherwise, the call option is not exercised.

Beyond these decisions, driven by purely financial and market considerations, banks’ issuance plans are being heavily shaped by the implementation timeline and readiness for MREL compliance against the backdrop of the new bank resolution regulations.

### **MREL: Requirements and readiness**

The Minimum Requirement for own funds and Eligible Liabilities (MREL) constitutes an additional regulatory requirement (in addition to the capital requirements) for the banks. It is a preventative measure designed to prepare an entity for a hypothetical declaration by the supervisor that the entity is ‘failing or likely to fail’, thus triggering resolution.

The idea, therefore, is to create a buffer such that the entities have the capacity to absorb enough losses and subsequently recapitalise. [2] All of which using their own funds and liabilities (bail-in), with the aim of minimising the need to resort to public aid (bail-out), as happened during the last crisis.

The MREL is determined at the individual level (entity by entity) by the Single Resolution Board (SRB) for significant entities, with the national competent authorities determining the thresholds for the less significant entities. The precise level depends on the entity’s risk profile and other aspects that could impede resolution (structural complexity, interconnections, critical functions, *etc.*), in addition to the chosen resolution strategy.

As was the case with the new capital requirements (Basel III), the MREL will be phased in. The phase-in is important as the MREL will require a major effort in terms of the volume of issuance of eligible instruments, which the market will have to digest gradually.

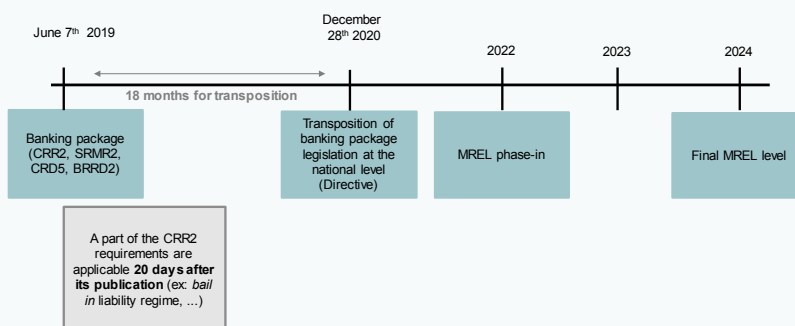
As shown in Exhibit 9, January 1<sup>st</sup>, 2024, is the deadline for MREL compliance by the banks, in keeping with the recently published BRRD II, although they have to comply with a binding interim requirement by 2022.

The smaller-sized banks are being allowed a certain amount of flexibility: the authorities could extend the deadline for smaller financial institutions beyond 2024, depending on an entity’s situation, issuance capacity, instrument renewal or financing structure, particularly entities with a predominance of

“ Upcoming MREL deadlines are, prompting banks to shift their issuance strategies to focus on MREL-eligible instruments; on average, the MREL for European banks is 26% of their risk-weighted assets, compared to around 23% in Spain. ”

Exhibit 9

**MREL implementation timeline**



Sources: AfI, SRB, European Commission.

deposits and CET1 capital, *i.e.*, limited access to the markets.

In short, pressing deadlines are prompting banks to shift their issuance strategies to focus on instruments that compute for MREL purposes, buoyed by low rates and investor appetite for the attractive coupons those instruments offer them.

Given the heterogeneity of business models and diversity of internal model calibration, among other factors, as noted before, the MREL will be ‘tailored’ for each entity.

Judging by the MREL levels already set for the banks by the SRB and analysing a sample of 30 significant banks in Europe, the MREL calibrated for the European banks is around 26% of their risk-weighted assets on average, compared to 23% in Spain. By way of comparison, Table 1 illustrates the levels reported by the EBA in its recently published EBA Quantitative Report on MREL for the entire sample under the umbrella of the SRB. The EBA estimates the average requirements by three categories: the global systemically important institutions (G-SIIs), other systemically important institutions (O-SIIs) and, other entities (Other). The levels

Table 1 **EBA estimated MREs and current levels**

Percentage

Category/Range	EBA		
	MREL Requirement	Subordinated Requirement	Level
G-SIIs	26.5	22.52	20.7-32.8
O-SIIs	24.1-26.4	13.5+CBR	21.5-33.5
Other banks	25	19	18.9-34.6

Source: EBA.

determined are: i) an average of 26.5% for the G-SIIs; ii) between 24.1% and 26.4% for the O-SIIs; and iii) approximately 25% for those categorized as Other.

Beyond the business model considerations or lower complexity vis-à-vis resolution, the lower MREL determined for the Spanish banks relative to their European counterparts may have to do with different risk-weighted asset (RWA) densities. Some of the major European banks are well known for presenting relatively low RWA densities as a result of application of their internal risk models, currently the subject of intense market scrutiny. In fact, the initial attempts at calibrating the MREL referred to total assets, which is a far more transparent metric than RWA. However, the advisability of aligning the MREL with the G-SIIs' total loss-absorbing capacity (TLAC) requirements meant that the MREL was ultimately defined as a percentage of RWAs rather than total assets. It may well be that by way of 'gesture', the banks presenting less dense RWAs on account of application of their internal models have been asked for a higher MREL.

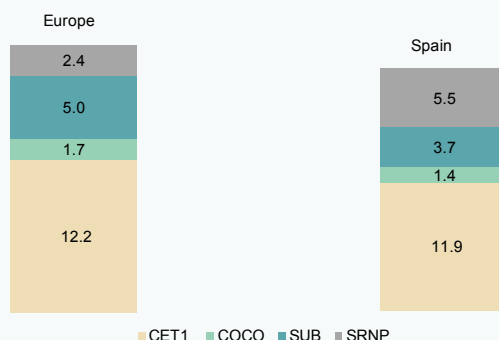
Regardless, what is important is to analyse the current distance to compliance with those requirements. Exhibit 10 shows that the European banks currently report an MREL of around 23%, *i.e.*, roughly 3 percentage

points below the average threshold. In Spain, the current average MREL is around 19%. The comparison between the current situation (as of year-end 2019 for some of the banks and June 2019 for others) and the estimated average threshold suggests that European banks will have to issue an additional 250 billion euros of eligible instruments, and the Spanish banks, around 50 billion euros. That issuance requirement could rise a little as a result of implementation of the finalization of Basel III (or Basel IV), particularly the introduction of the 'output floor' for the RWAs calculated using internal models, which will have a far bigger impact on banks (mainly on the German and French banks) whose RWAs benefit more from those models.

Turning back to the EBA's analysis, the estimated current situation for each of the three categories is as follows: between 20.7% and 32.8% for the G-SIIs; between 21.5% and 33.5% for the O-SIIs; and between 18.9% and 34.6% for the rest. On aggregate, according to the EBA, the European banks will need to raise around 180 billion euros of eligible funding. The difference between our calculations and those of the EBA may be attributable to:

- Different sample space used in the calculations.

Exhibit 10 MREs for the European and Spanish banks



Source: Afi, Reuters.

- Our estimates of the MREL currently presented by the banks consider instruments to be eligible down to senior non-preferred debt, *i.e.*, excluding senior preferred debt and corporate term deposits of more than one year.
- We assumed that the CET1 capital [3] used to meet the MREL as a percentage of RWA is not included in the CBR, [4] in keeping with the new banking package. [5]
- As the SRB establishes in the new 2020 policy (on request), the new requirement must comply in parallel, with MREL over the leverage ratio (LRE) in order to complement the MREL over RWAs. As a function of the levels presented by the banks over total exposure (total assets plus off-balance sheet exposures), we have estimated a percentage increase for some of the banks with lower LREs.

## Conclusions

European and in particular Spanish banks have taken advantage of the favourable market climate towards the end of 2019 and beginning of 2020 to accelerate their fixed-income issuance. So much so that the volumes issued by the Spanish banks so far in 2020 exceed the amount issued by the rest of the corporates combined, such that the banks are clearly dominating the primary markets.

Within the issuance volumes, we are witnessing a clear-cut shift towards MREL-eligible instruments, which now consist of more options and on which spreads have narrowed considerably during the past year. That has enabled issuers to refinance their more expensive issues (CoCo) by duly exercising their call options.

In addition to the favourable market context, the intense pace of issuance activity by the Spanish and European banks is being driven by the proximity of the MREL deadlines. We estimate that the Spanish banks will have to issue another 50 billion euros of eligible instruments in order to comply, with the equivalent requirement for European banks as a whole estimated at 250 billion euros.

## Notes

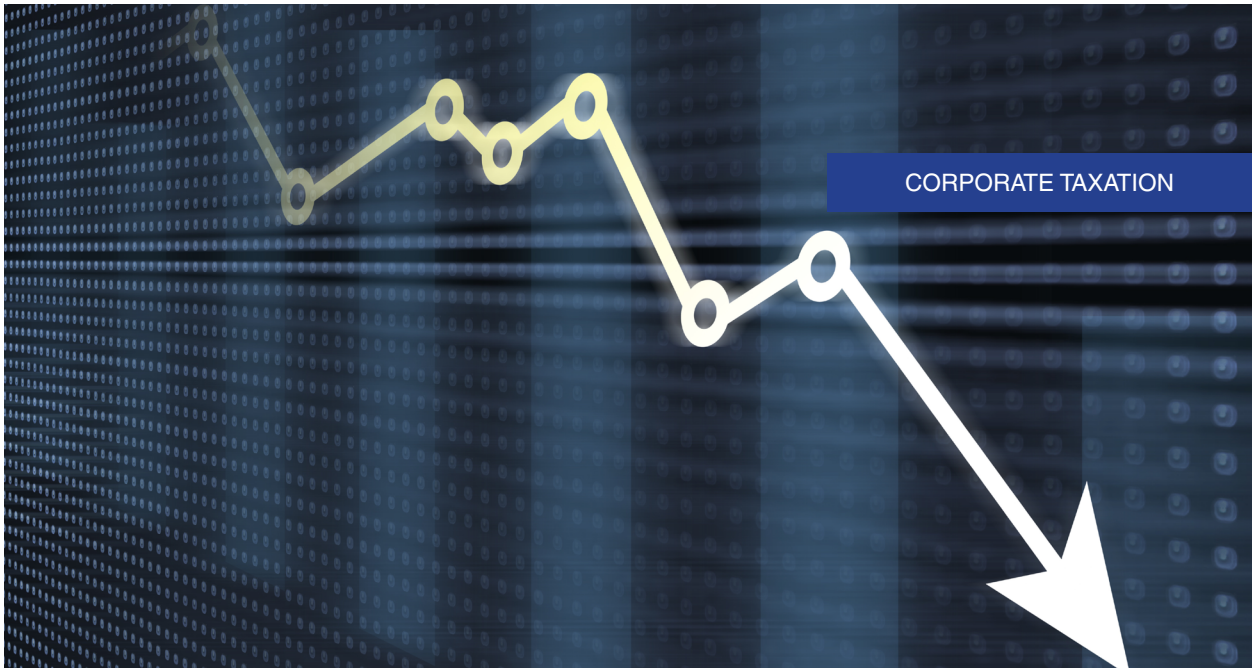
- [1] This article was completed in the first week of March. At that time, the effects of the current crisis caused by COVID-19 and the decisions made by the different European institutions and governments to counteract them were unknown. However, these decisions do not invalidate the analysis presented below.
- [2] This will depend on the resolution strategy, as both the SRB and the recently published BRRD II distinguish between the following situations: full bail-in, sale of business, bridge bank, asset management company. The regulations permit adjustments in the MREL –upwards or downwards– as a function of the chosen strategy.
- [3] CET1: Common equity tier 1.
- [4] CBR: Capital buffer requirement.
- [5] Also contemplated in the consultation on MREL Policy 2020, published by the SRB last February.

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# Low corporate tax revenue in Spain: A comparative analysis

Unlike the situation of most EU-15 countries, Spanish corporate income tax revenues are yet to recover to their pre-crisis peak. The government is contemplating several measures aimed at addressing low corporate tax take; however, both domestic and international political considerations are delaying speedy implementation.

Desiderio Romero-Jordán and José Félix Sanz-Sanz

**Abstract:** Tax revenue from corporate income tax has not recovered to pre-crisis levels in Spain. That is an anomaly in the European Union and comparable only to the situation in Italy. The government is contemplating the passage of measures this year which would increase annual corporate tax revenue by approximately 1.5 billion euros.

Implementation of those measures depends on the ability of the minority government led by Pedro Sánchez to garner the support needed to pass the 2020 budget. The government is also assessing the possibility of enacting a new tax on BigTech which according to official estimates would generate annual tax revenue of around 1 billion euros.

“ A decade after the onset of the Great Recession, CIT revenue has yet to rebound from its tremendous slump- with the forecast slowdown in Spain this year set to further weigh on revenue recovery. ”

In any event, settlement of that tax has been postponed until the end of the year pending an agreement on a global minimum level of corporate tax on technology giants and other large multinationals which is currently under discussion at the OECD.

### Prevailing low corporate tax revenue in Spain: An outlier [1]

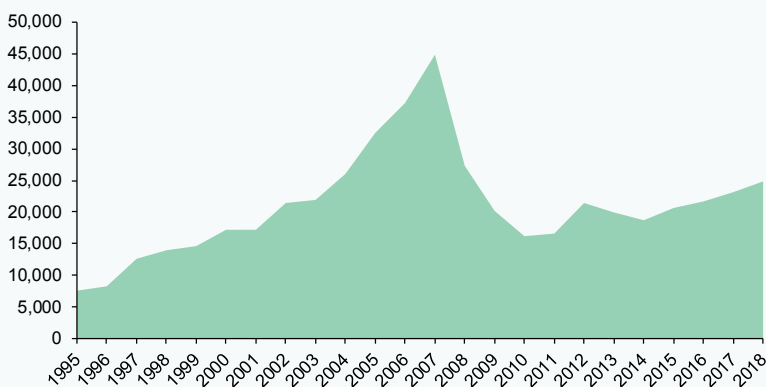
Spain’s public deficit target for 2019 was 2% of GDP. However, pending the publication of official final number, reputable economic organisations, think-tanks and research houses, such as the Bank of Spain, BBVA Research and Funcas estimate that the deficit came in at between 2.4% and 2.5% of GDP. The impaired health of public finances, coupled with the European Commission’s call for structural reforms, has revived debate about the Spanish tax system’s revenue sufficiency.

One of the issues receiving the most attention has been the low level of corporate income tax (CIT) receipts. Some of the measures taken in the wake of the 2008 crisis were designed to boost corporate tax receipts, *e.g.*, earlier payments on account, limits on the offset of losses and on the deductibility of interest costs and depreciation charges and the elimination of accelerated depreciation schemes.

CIT is a pillar of the Spanish tax system. Traditionally, it has been Spain’s third largest source of tax revenue after personal income tax (PIT) and value added tax (VAT). [2] However, its contribution has been undermined considerably by the last major recession. As shown in Exhibit 1, the 2008 crisis halted the trend of sharp growth in CIT revenue observed since the mid-1990s. [3] CIT revenue peaked in 2007 at 44.82 billion euros. In the next three years –2008, 2009

Exhibit 1 Corporate income tax revenue

Millions of euros, 1995-2018



Source: AEAT (2020).

and 2010— revenue would decline by 39.1%, 26.1% and 19.8%, respectively. Over that short period of time, CIT revenue plummeted by 63.9% from its peak to just 16.2 billion euros in 2010. Albeit marked by ups and downs, corporate tax revenue embarked on a slow recovery in 2011, underpinned by the economic recovery as well as changes in the structure of the tax. However, a decade on from the onset of the crisis, CIT revenue has yet to rebound from its tremendous slump. The economic slowdown forecast for Spain in 2020 will weigh on that recovery in revenue. Funcas is currently estimating GDP growth of -3.0 in 2020, down from 2.0% in 2019. [4]

The sharp drop in CIT revenue between 2008 and 2010, and its impact with respect to current levels, may be described as anomalous for several reasons. Firstly, the collapse in CIT revenue during the crisis was greater than that experienced in VAT revenue (particularly intense between 2007 and 2009) and in PIT revenue. [5] Secondly, PIT and VAT receipts were back at their pre-crisis levels by 2014. Conversely, according to the most recent data available, which date to 2018, CIT revenue has yet to overcome its slump. In fact, 2018 CIT revenue accounted for just 55.4% of the 2007 peak. [6] That low relative revenue level is an outlier within the former EU-15 and only comparable with the situation in Italy (64.8%).

For comparative purposes, Table 1 shows, for the former EU-15 (including the UK), the year in which CIT revenue peaked, the impact of the crisis on tax receipts in 2007-2009, the ratio of revenue in 2018 with respect to the peak level and the number of years elapsing until the pre-crisis revenue level was regained. The information provided in Table 1 yields the following conclusions:

- Virtually every nation registered peak revenue in 2007 or 2008. As noted earlier, Italy and Spain are the only former EU-15 states where CIT revenue was not back at pre-crisis levels by 2018. The relative revenue ratio in both countries, 0.6 in Spain and 0.7 in Italy, is clearly below the EU-15 average of 1.3.

- In 2007-2009, CIT revenue in Spain plunged 63%, compared to a decline of 27.3% in Italy. Germany (-24.7%), Denmark (-25.2%), Greece (-25.8%), Ireland (-27.3%) and the Netherlands (-31.3%) dealt with revenue slumps on par with that of Italy. Despite those differences, Spain and Italy reached 2018 with relatively similar revenue percentages with respect to pre-crisis peaks. The reason is that CIT revenue has grown by 2.7% per annum on average in Italy since 2011, compared to 6.0% in Spain.

- The other 13 member states of the former EU-15 have surpassed pre-crisis revenue levels, albeit taking very different lengths of time to do so. The revenue recovery timeframe has ranged between a low of four years in Finland and 11 in Denmark, the only exception being Luxembourg, which took just a year. The average number of years required has been 7.4.

In this context of slow recovery in revenue, the coalition agreement reached in Spain last December included structural changes to corporate income tax which are expected to drive a net increase in revenue of approximately 1.5 billion euros. [7] Effectiveness of the measures would have a net impact equivalent to 6.0% of 2018 revenue. However, implementation depends on parliamentary approval of the 2020 budget. The government expects to push the related legislation through next June. However, it is highly uncertain whether the minority government headed up by Pedro Sánchez will be able to pass the 2020 budget.

The tax changes specifically contemplate the following three measures: (i) establishment of a minimum rate of taxation for large companies; (ii) limitations on tax-exempt dividends between parents and subsidiaries; offset by; (iii) a reduction in the statutory rate applicable to SMEs with revenue of less than one million euros. The first measure essentially entails setting a minimum tax rate of 15% of taxable income; it will only apply to large companies. [8] Specifically, the measure will affect groups that file their taxes under the tax consolidation regime, no matter

Table 1 **CIT revenue relative to peak in former EU-15 member states**

Countries	Year in which CIT revenue peaked pre-crisis	Rate of change 2007-2009 (%)	2018 relative to peak (times)	No. of years needed to get back to peak revenue
Germany	2007	-24.7	1.4	8
Austria	2008	-17.8	1.4	7
Belgium	2007	-21.2	1.7	6
Denmark	2006	-25.2	1.0	11
Spain	2007	-63.0	0.6	Not reached
Finland	2008	-1.6	1.2	4
France	2008	-20.3	1.1	9
Greece	2008	-25.8	1.9	5
Ireland	2005	-27.3	1.5	10
Italy	2007	-27.3	0.7	Not reached
Luxembourg	2006	+16.8	2.0	1
Netherlands	2008	-31.3	1.3	8
Portugal	2008	-19.4	1.1	10
UK	2007	-8.1	1.1	9
Sweden	2007	-7.5	1.3	8

Source: Authors' own elaboration based on Eurostat figures.

their revenue, and companies outside of that regime that report revenue of 20 million euros or more. The second measure is a change in the threshold for the double taxation exemption from 100% to 95% to comply with the European parent-subsidiary directive. The government estimates that the two measures, combined, will drive an increase in revenue of 1.78 billion euros. [9] Elsewhere, the coalition agreement stipulated a reduction in the statutory rate from 25% to 23% for the smallest SMEs only. The government estimates that measure will cost it 260 million euros in annual CIT revenue. [10]

### Reasons for the low corporate income tax burden in Spain: Low tax base and low average rates

The corporate tax burden relates two aggregate measures: a country's tax revenue (T) to its GDP. With the caveats implicit in a simple comparison of any two aggregate metrics, [11]

the tax-to-GDP ratio provides insight into: (i) the tax burden of a country over time; (ii) the weight and trends in the factors that affect that tax burden; and, (iii) the differences at the international level. The corporate income tax burden can be expressed as follows:

$$TB=T/GDP=B/GDP*T/B=b*t_i$$

where B is taxable income or the tax base,  $b$  is the relative size of the tax base in terms of GDP and  $t_i$  is the implicit rate over taxable income. The implicit rate, as it coined in the Eurostat statistics, is an average rate calculated using macroeconomic aggregates rather than from individual company figures. As is well known, CIT is complex in structure, making it hard to compare across countries. Taxable income is calculated from accounting profit, which is adjusted in several ways, including correction for measurement differences between accounting and tax standards and the offset

of prior-year losses. The amount of tax borne, and the average rate by extension, depends on the prevailing statutory rate of tax, the existence of reduced rates and the catalogue of permitted tax relief. As shown, different combinations of tax bases and average rates can result in similar tax burdens or tax-to-GDP ratios. In other words, a similar burden may derive from a low tax base coupled with a high average rate, a high tax base and a low average rate or a moderate base and average rate. It is important to note, however, that the choice of rate for revenue determination purposes is not neutral with respect to company decisions regarding where to produce and/or invest. Those types of economic effects cannot be thoroughly analysed using aggregate metrics such as the tax burden.

Table 2 shows for 2017, using the latest available data from Eurostat (2019), the breakdown of the CIT tax burden in the former EU-15. Based on the tax burden ranking, and considering the main patterns in terms of tax bases and average rates, the EU-15 countries are classified into four differentiated groups. The first group comprises the three countries with the lowest tax burdens, including Spain, with an average tax-to-GDP ratio of 2.1%. That group is populated by three Mediterranean countries, whose tax burden ranges from 1.9% to 2.3%. The size of the tax bases and rate levels in this group are moderate. Specifically, the size of the tax bases range between 12.9% and 15.4% of GDP, while average rates range between 14.7% and 16.0%. The range of variation in rates is approximately one point and in tax bases, two points.

Group 2 is the biggest of the four, with seven countries. It includes three Scandinavian countries –Sweden, Finland and Denmark–, three central European countries –Germany, Austria and Belgium– and the UK. The

average tax burden in this group is 3.0% and ranges between 2.5% in Austria and 4.1% in Belgium. These countries' tax bases are equivalent to 15.7% of GDP on average, which is 1.9 points above the average for the Mediterranean countries comprising group 1. The average effective rate is 19.0%, *i.e.*, 3.8 points higher than the group 1 average. In comparative terms, the higher tax burden relative to group 1 is attributable to higher bases and higher average rates. However, the difference is starker with respect to rates.

Group 3 contains only two countries: France and Portugal. Their tax burden averages 3.1%, which is very close to the group 2 ratio (3.0%). However, the composition of their bases and rates is notably different to that of the other two groups. The differences are clear to see: smaller tax bases and higher average tax rates. The tax base in group 3 is 10.7% on average, 5 points below that of group 2 and 3.1 points below that of group 1. Meanwhile, the average rates in France and Portugal are the highest in the EU-15. The average CIT rate in group 3 is 29.5%, *i.e.*, 10.5 points above the group 2 average and 14.3 points above the group 1 average. Table 2 reveals how France and Portugal present similar tax-to-GDP ratios as Sweden, the UK and Denmark, albeit underpinned by a very different model based on small tax bases and high average rates.

Lastly, group 4 includes Ireland, Luxembourg and the Netherlands. In recent decades, those three countries have opted for very wide tax bases and very low average tax rates. The model pursued by the countries in group 4 is precisely the opposite of that followed in Portugal and France. As shown in Table 2, the size of the tax base in group 4 ranges from 32.7% in Ireland to 61.6% in Luxembourg, the latter the highest in the EU-15. Conversely,

“ Different combinations of tax bases and average rates can result in similar tax burdens or tax-to-GDP ratios; however, the choice of rate for revenue determination purposes is not neutral with respect to company decisions regarding where to produce and/or invest. ”

Table 2 **Breakdown of the tax burden in the former EU-15 in 2017**

Percentage

Country	Tax burden	Base / GDP	Implicit rate
Group 1			
Greece	1.9	12.9	14.7
Italy	2.1	13.1	16.0
Spain	2.3	15.4	14.9
Group 1 average	2.1	13.8	15.2
Group 2			
Austria	2.5	15.0	16.6
Germany	2.7	16.1	16.7
Finland	2.7	15.5	17.4
Sweden	2.9	14.0	20.7
UK	2.9	15.5	18.7
Denmark	3.1	16.6	18.6
Belgium	4.1	17.1	23.9
Group 2 average	3.0	15.7	19.0
Group 3			
France	2.9	8.5	34.1
Portugal	3.2	12.9	24.8
Group 3 average	3.1	10.7	29.5
Group 4			
Ireland	2.8	32.7	8.5
Netherlands	3.3	36.7	8.9
Luxembourg	5.2	61.6	8.4
Group 4 average	3.8	43.7	8.7

Source: Authors' own elaboration based on Eurostat figures.

the average rates are the lowest in all the EU-15, ranging between 8.4% in Luxembourg and 8.9% in the Netherlands.

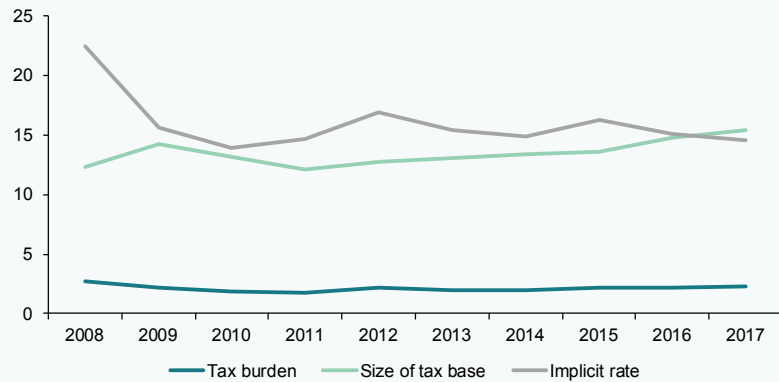
In recent years, corporate tax has been modified a number of times in Spain. We single out the following structural changes. First, the limit on the deductibility of interest expense since 2012. There have been two limits on the deduction of net finance costs (finance costs less finance income) since that date. A relative limit of 30% of taxable income and another absolute limit of 1 million euros. [12] Secondly, since 2011, the ability to utilise tax losses carried forward –in percentage terms–

has been gradually reduced for companies with revenue of over 20 million euros. The ability to offset losses was made even more stringent in 2016, when it was capped at 1 million euros. [13] Lastly, [14] the reduced rate applicable to SMEs with revenue of less than 10 million euros was eliminated in 2015; since then, a single statutory rate of 25% has applied to companies of all sizes. For illustrative purposes, Exhibit 2 shows the aggregate impact of the various measures taken on the size of the tax base and effective rates. It reveals that the relative size of the tax base has been trending slightly higher since 2011. That year, taxable income accounted for

Exhibit 2

### Components of the CIT burden

2008-2017 (percentage)



Source: European Commission (2019). *Taxation trends in the European Union*. Data for the EU member states, Iceland and Norway. Data for Luxembourg. Publications Office of the European Union, 2019.

12.1% of GDP; by 2017 that percentage had climbed to 15.4%. In contrast, there has been no clear effect on the trend in the implicit rate over the same timeframe.

#### Tax revenue foregone due to the BEPS phenomenon: Taxing BigTech

Ever since the 2008 crisis, countries in Europe have been worried about the impact that base erosion and profit shifting (BEPS) to other jurisdictions is having on corporate income tax revenue. As far as we are aware, there are no detailed estimates of the opportunity cost of BEPS for the European Union member states. One exception is the work done by Álvarez-Martínez *et al.* (2018), which offers calculations for the EU members states and other countries such as the UK, Japan and the US. The authors use the European

Commission’s CORTAX general equilibrium model. For Spain, the authors estimated the impact on tax revenue of base erosion and profit shifting to jurisdictions with lower tax burdens (but not tax havens) at 684.7 million euros per annum, which is equivalent to 2.8% of 2018 revenue. Nevertheless, further evidence is required to calibrate the scope of the effect of BEPS on tax revenue in Spain.

Since 2013, the OECD has been spearheading the coordination of anti-BEPS legislation. As a result of that effort, in 2016, the EU published its anti-tax avoidance directive (ATAD) targeting some of these practices. [15] In 2018, the European Commission made two simultaneous proposals for increasing the large technology firms’ tax burden. The first, a far-reaching initiative, is aimed at

“ While the relative size of the tax base has been trending slightly higher from 2011 through 2017, there has been no clear effect on the trend in the implicit rate over the same timeframe. ”

“ For Spain, estimates of the impact on tax revenue of base erosion and profit shifting to jurisdictions with lower tax burdens (but not tax havens) was approximately 684.7 million euros per annum, which is equivalent to 2.8% of 2018 revenue. ”

reforming corporate tax so that it is paid in the jurisdictions in which the companies' service users are located. That proposal is currently being led by the OECD, which expects to reach an agreement with 137 countries at the end of this year for the imposition of a minimum global tax rate on multinational enterprises (MNEs) in all sectors –not just technology firms– that engage with end customers. [16] To that end it has set up two committees: one tasked with establishing the criteria for allocating profits between jurisdictions and another with establishing a minimum tax rate for multinational enterprises, which is likely to be around 13%. As mentioned earlier, that rate is very close to the minimum rate of 15% which the government is planning to impose on large-sized Spanish enterprises. In parallel, given the complexity and time required to strike an agreement of that scale, the Commission is considering a second transitional arrangement which consists of a tax applicable only to BigTech firms which broadly speaking would be levied at 3% of their revenue rather than on their profits. Following the failure to reach consensus within the European Union, the various member states, including Spain and France, have decided to forge ahead unilaterally.

Against that backdrop, at the beginning of the year, the Spanish government initiated the process for approving a tax on technology firms (in Spain it is known as the 'tax on certain digital services'). The structure of the proposed

tax is similar to that passed in France: 3% of the revenue generated by companies with annual revenue of over 750 million euros (and over 3 million euros in Spain) from online advertising and intermediation services and the sale of data. The government expects this new tax to generate revenue of 968 million euros, although the AIREF is forecasting revenue in a range of between 546 and 968 million euros (AIREF, 2019). The tax has yet to be approved; the draft legislation was sent to parliament in February. However, as in France, the Spanish government has decided to temporarily suspend it, pushing back its settlement until the end of the year. In that manner, pending an agreement on global minimum taxation on MNEs, the government avoids the risk of retaliation by the US administration in the form of tariff hikes on Spanish imports. At any rate, judging by the news reports, the Spanish government would appear to be inclined to push ahead with the tax on technology firms if there is no global agreement on minimum MNE taxation.

## Notes

[1] Throughout this analysis we refer to the tax collected under the nationwide regime. It therefore excludes the tax collected in the Basque region and Navarre, which operate under their own regional regimes.

[2] In 2018, CIT revenue was 24.84 billion euros, compared to PIT revenue of 82.56 billion euros and VAT receipts of 70.18 billion euros.

“ The OECD expects to reach an agreement with 137 countries at the end of this year for the imposition of a minimum global tax rate on multinational enterprises (MNEs) in all sectors - not just technology firms - that engage with end customers. ”



- [3] The average effective annual corporate tax rate between 1995 and 2007 was 16.6%.
- [4] Note that the economic slowdown is likely to be far greater on account of the coronavirus. On March 2<sup>nd</sup>, the OECD cut its forecast for global growth by 0.5 percentage points and for growth in the eurozone by 0.3 percentage points.
- [5] Between 2007 and 2009, VAT revenue declined by 40%, while PIT revenue decreased by 12.5%.
- [6] The recovery between 2011 and 2018 –average annual growth of 6.0%– has been clearly insufficient to enable a full rebound from the revenue slump.
- [7] The measures were included by the current administration in the updated version of the Stability Programme for 2019-2021 in 2019.
- [8] The minimum rate will increase to 18% in the case of financial institutions and oil and gas companies.
- [9] The report issued by Spain’s independent fiscal institution, AIREF, estimates a range of between 1.65 and 1.9 billion euros.
- [10] AIREF estimates point to a range for this cost of between 242 and 278 million euros.
- [11] The analysis does not take into consideration the micro breakdown of those variables.
- [12] With those changes, Spain moved to the front of the European action plan (Directive 2016/1164) against base erosion and profit shifting (BEPS) as a result of multinational enterprises’ tax avoidance strategies.
- [13] There has been no time limit on offsetting tax losses since 2015 (the limit used to be 18 years).
- [14] There is no information about what impact the limit on offsetting losses has had on tax receipts. The limit on the deductibility of finance costs increased the tax base by 2.71 billion euros in 2017 (most recent figure available). That same year, the foregone revenue from the existence of reduced rates was 384 million euros.
- [15] Hybrid instruments, international tax transparency and the deductibility of interest expense.
- [16] The agreement is not final but it is possible that only extractive MNEs will be excluded.

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# Spain's agricultural sector: Rising discontent *versus* economic reality

Despite experiencing some recent tensions in 2019, the Spanish agricultural sector has performed relatively favourably over the past decade. Given the lack of strong economic justification to support a deterioration within the sector, it is plausible that the rising discontent among Spain's farmers may be explained by a combination of other factors.

José Colino Sueiras

**Abstract:** Despite the emergence of some slightly negative trends in 2019, according to official data, the Spanish agricultural sector has enjoyed a favourable decade from a productive standpoint. Importantly, the sector's performance was resilient in the face of the Great Recession, when other significant

productive sectors of the Spanish economy experienced a collapse. While last year's performance was further complicated by the introduction of US tariff hikes, which had a disproportionately adverse impact on certain agricultural sub-sectors, such as olive production, at the overall sector level, the

recent trends in Spanish farming prices and salaries do not clearly explain the negative sentiment and rising social discontent within the sector at present. Within this context, it is plausible that the current tensions within the sector are more a product of other issues, such as uncertainty over EU agricultural support programs, as well as social issues, such as rural depopulation and ageing, the lack of business succession in certain communities, harsh working conditions and a lack of a healthy work-life balance. Although targeted public policies may contribute to improving the sector's current conditions, a more meaningful solution to the sector's challenges calls on farmers themselves to conduct a critical assessment of the situation and, where necessary and possible, improve their business acumen.

### **Production and productivity**

For a few months now, the media has been covering the rising tensions within the Spanish agricultural sector. In this paper we show, from a strictly economic standpoint, how the sector has performed relatively favourably over the course of the past decade. As with any sector but perhaps more so in the case of agriculture, social issues affecting the sector need to be approached from multiple perspectives. However, the purpose of this paper is to try to shed some light from a productive standpoint. Moreover, the sector's overall performance does not mean a uniform performance across all of its productive components. The farming income issue goes back a long way in economic literature. [1] Specifically, it is virtually impossible to find a sector policy that does not emphatically declare the need for gradual convergence between average farmer income and that of other sectors. Within this context, we focus on three tools to assess the economic performance of the sector: efficiency; prices; and EU financial support received by farmers, which is not insignificant.

First, it is important to note that Spain's membership in the EU has had a positive impact on its agricultural sector. If, in order to mitigate the sharp year-on-year fluctuations typical of the sector, we work with three-year periods, Spain's contribution to EU-27 GVA [2] increased by two percentage points (pp) between 1996/97/98 and 2016/17/18, rising to a share of 15.3% in the latter three-year period, which is very similar to the shares of France and Italy, having lagged behind those countries by 5pp during the first three-year period. In addition, that figure is significantly higher than the overall Spanish economy's contribution to total EU-27 GVA in 2016/17/18 at 9.0%. [3] It can be argued that these figures, by failing to reflect 2019, could be concealing a collapse in the sector last year that could be responsible for some of the Spanish farmers' discontent in recent months. However, that is not the case. If we go back and look at Spain's quarterly accounts, we observe that the sum of the four quarters for 2019 is below 2018 GVA by 0.5% in both current prices and in volume terms (chained volume series), such that this factor would not appear to explain the current tensions. [4]

During the period analysed between 2007 and 2014, the Spanish economy suffered a serious recession, and it is worth noting that the impact on the agricultural sector was negligible. Given its noncyclical nature, agriculture continued to post its customary year-on-year changes, but its contribution to aggregate GVA varied within a tight range of around 2.65%, showing no clear trend in either direction between 2007 and 2014. That performance should not be underestimated considering the collapse in other significant productive sectors of the Spanish economy during the Great Recession and the massive job destruction experienced.

“ The Spanish agricultural sector's performance during the crisis should not be underestimated, considering the collapse in other significant productive sectors of the Spanish economy. ”

Looking at efficiency, we will analyse it from the point of view of labour productivity in volume terms, specifically measuring GVA at 2015 prices.

Exhibit 1 provides agricultural labour productivity figures (ALP) for the main EU-27 economies. The wide gap with respect to the European average should not come as a surprise. Overall labour productivity is the average of the productivities of its components weighted by their weight in total labour. Therefore, the agriculture sectors of less developed Eastern European economies, which still have large reserves of manpower in rural areas, has a greater weight in the EU-27 agricultural labour productivity figures. [5]

Let's take Spain's three main trading partners as our reference. Spanish ALP per farm worker is only lower than that of France. Focusing specifically on the labour factor in terms of hours worked –which is a far more uniform unit than the number of people employed– we note that Spain's ALP increased to 20.4 euros (2015 prices) in 2016/17/18, a figure which truly reveals its importance if we consider that: a) it is twice the ALP recorded in 1996/97/98,

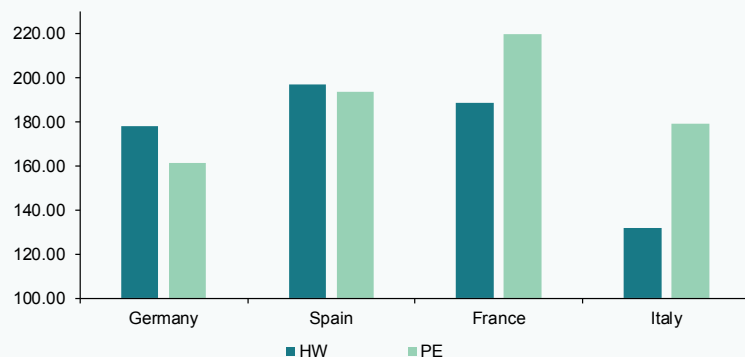
similarly valued at 2015 prices; b) it is higher –without having to adjust for purchasing power parity– than that of Germany or France and significantly higher than that of Italy; c) it is equivalent to 64.9% of the labour productivity per hour for the Spanish economy as a whole, compared to levels of around 40% in the other three economies [6]; d) during the first three-year period, that relative figure was 41.2%, indicating how in Spain ATP gains have far outstripped aggregate labour productivity gains; and, e) for the Spanish economy as a whole, labour productivity per hour worked is just two-thirds that of Germany or France.

Labour productivity is one indicator of efficiency, but it is also the capacity to remunerate the factors of production used. That capacity has to be quantified on the basis of a GVA valuation in current terms, as that is what the remuneration of factors demands. It is therefore necessary to look at the farm prices trend in relative terms, which we will do in the next section. However, one of the key determinants of that capacity –real output generated per unit of work– leads to the conclusion that not only is it very high in the EU-27 context but also, in relation to

Exhibit 1

### Agricultural labour productivity per hour worked (HW) and per person employed (PE)

Three-year period: 2016/17/18. EU-27 = 100 (2015 prices)



Source: Eurostat, Annual National Accounts (ESA, 2010).

“ The relative downturn in prices is at the centre of the agricultural protests in developed countries, and a sign of current times. ”

the Spanish economy’s overall remunerative capacity. The gap has narrowed significantly between the first and last three-year period and, in recent years, the gap between ALP and aggregate LP has been lower than that of Germany, France, Italy and the EU-27. Accordingly, that first component has helped drive a reduction in the gap between unit farm income and aggregate income; however, it may well be that the trend in relative prices and aid received has had the effect of neutralising that traction.

### Prices and salaries

The relative downturn in prices is at the centre of the agricultural protests in developed countries, and a sign of current times. The data show that the prices received by farmers have risen historically by less than those corresponding to the goods and services supplied domestically (GDP), than the prices paid by producers of consumer and capital

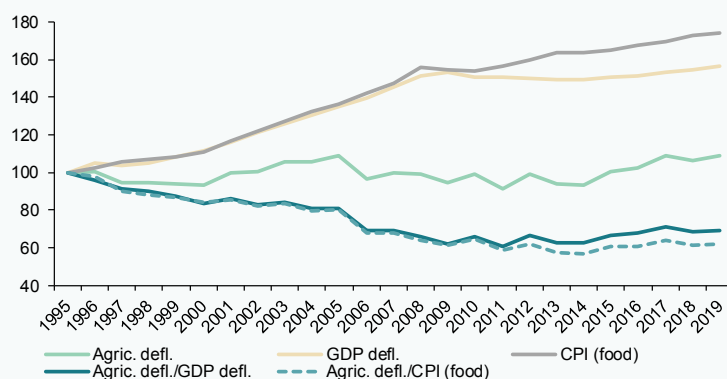
goods and, above all, farm wages (Colino, 1990). Accordingly, only efficiency gains have enabled a fraction of farmers to stay in business, possibly helped by generous CAP grants.

Exhibit 2 provides three price indices which refer exclusively to Spain. We have selected the implicit price deflator for GDP as our synthetic indicator within the complex series of price indices that affect farmers, additionally using the food and non-alcoholic beverages component of CPI as, in recent weeks, both the transformation industry and above all the wholesalers have been at the center of tensions. Indeed, farm prices have barely budged in the last 25 years. Exhibit 2 clearly demonstrates that the price ‘curse’ has been a constant between 1995 and 2019. The agricultural GVA deflator fluctuates within a range of between 90 and 110 and the average of the indices for the 25 years analysed in Exhibit 2 is 99.7: a simple and

Exhibit 2

### Trend in implicit GDP, agricultural GVA deflators and CPI (food and non-alcoholic beverages)

Spain (1995-2019)



Sources: Eurostat, Annual National Accounts and the INE, Living Conditions Survey. CPI.

very clear indication of how stable farm prices have been for the last quarter of a century. In contrast, both the GDP deflator and CPI (food) registered significant growth during the first 12 years of expansion so that farm prices suffered pronounced erosion relative to the first two indices during that period. However, the picture shifts radically from 2008, due to stabilisation in the GDP deflator and the lower pace of growth in consumer food prices. The classic and widening price cuts effect observed during the first phase is replaced by discontinuation of the relative impairment of farm prices, including during the last five years, when the correlation between the various indices – agricultural GVA deflator *versus* GDP deflator and CPI (food) even recovers somewhat. What the official data for the overall sector tell us, therefore, is simply that relative farm prices have been placid during the last 10 years, within the endemic downward trend.

Next we look at the *Economic Accounts for Agriculture*, which provide more granular information, albeit limited to the farming of crops and animals. They include preliminary figures for 2019. Table 1 provides four relevant price indices for farmers. It illustrates, succinctly, that during the last five years, the predominant trend is one of stability. The indices tracking the prices paid for

intermediate goods and services and the prices paid for capital goods have barely increased, totally contradicting the popular argument of harmful increases. The most noteworthy development with respect to prices received is the 4.6% contraction observed in 2019, seemingly insufficient to justify the prevailing unrest, all the more so considering the fact that it is nothing new, as the sector has had to tackle episodes of this kind with frequency in recent decades.

Agricultural wages are another matter and a source of deep concern for the media and even certain authorities (Gómez and Moraleda) due to the allegedly adverse impact of the last two minimum wage increases on farmers. Regarding the minimum wage hike of December 21<sup>st</sup>, 2018, the greater of the two (22.3%), the Ministry's data suggest it had no impact during the first 10 months of 2019 [7]. As important, however, as movements in the indices are the wage levels themselves, to which end, according to Eurostat:

- Wage remuneration –including social security payments– in the Spanish agricultural sector, amounted to 5.95 euros per hour of work in 2019. Hourly wages were even slightly lower than in 2016/17/18, during which period the Spanish figure was considerably worse than that of its large

Table 1 **Agricultural price indices. Spain (2015-2019)**

2015=100	2016	2017	2018	2019
Input 1	Prices paid for intermediate goods and services			
	96.4	96.7	100.4	101.5
Input 2	Prices paid for capital goods			
	99.0	100.2	101.9	104.4
Labour factor	Farming salaries			
	100.6	101.0	100.5	101.9
Output	Prices received by farmers			
	96.3	103.5	102.9	98.2

Source: Eurostat, Prices and agriculture price indices and Spain's Ministry of Agriculture: Agricultural wage indices.

European counterparts, equivalent to 36.7% of the German figure, 29.1% of the French number and 54.9% of Italian pay.

- Recall that hourly ALP was higher in Spain than in those three economies during that three-year period (Exhibit 1). Therefore, the unit labour cost (ULC) [8] in that three-year period was 30.0%, which is very low considering that the ULC for the overall Spanish economy is 62.1%, which is slightly below that of the three benchmark economies. In other words, the gap in agricultural with respect to the aggregate indicators is much bigger in hourly wage terms than in labour productivity terms. [9]
- Latest available data show that in the fourth quarter of 2019, ULCs in the Spanish agricultural sector hit a mere 21.6%, the lowest quarterly reading in 2018 and 2019.

Therefore, at the sector level, the recent trends in Spanish farming prices and salaries do not clearly explain current tensions. To the contrary, both the LP gains and the stabilisation in relative prices have spelled a period of relative prosperity in recent years compared to earlier periods. Prosperity, which in 2019 has been clouded by a series of non-critical issues. Which is not to say that certain sub-sectors are not going through difficult patches at present. That is particularly true for olive producers: the olive oil price index, rebased to 100 in 2015, fell to 68.4 in 2019. Some vegetable producers are also suffering, albeit to a lesser extent, with declines in their price indices of 9.6% from 2015 to 2019. As a result, any agricultural policies designed to mitigate the alleged sector crisis should take a more micro approach addressing the following questions: Which activities are experiencing difficulties that need to be addressed? Which type of farm operations are the most affected? That being said, such policy responses are outside the scope of this paper.

## Income support

One of the classic tensions within the Spanish agricultural sector relates to the neglect of rural issues by the more developed urban community. There are certainly facts supporting this belief. However, it is important to note the aid received under the EU's Common Agricultural Plan (the CAP) [10], which under the Multiannual Financing Framework for 2014-2020 reached an annual average of close to 55 billion euros in the EU-27, 6.5 billion euros of which went to Spanish farming. It is possible to criticise that aid but if nothing else it is important to acknowledge the fact that that financial effort –which represents around 40% of the European budget– was a significant outlay. Note that there are two types of aid: product subsidies [11], which form part of GVA at basic prices; and the so-called 'other support'. The former have been flagging, such that today, the latter constitute the bulk of the public aid received by farmers and breeders through the basic payment and the green payment, which have been decoupled from production quantities. To measure that support, we use gross value added at producer prices (GVA pp) as our benchmark, net of subsidies received, *i.e.*, primary income, or that derived exclusively from the production of agricultural goods.

Exhibit 3 provides the relationship between total income support received and GVA pp. It shows how in the EU-27 as a whole and in its four largest economies, the GVA percentage has declined over the period analysed. Nevertheless, the amount of aid received is considerable, representing one-third of the factor income generated by the sector in the EU-27, albeit marked by wide disparity from one member state to the next. The aid received by the agricultural sector in Spain has always been below the average and stood at close to 25% during the last three-year period- a matter for contention. It should be

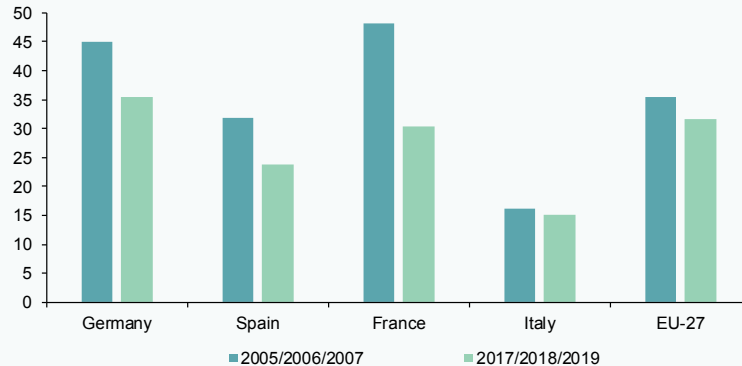
“ At the overall sector level, the recent trends in Spanish farming prices and salaries do not clearly explain current tensions. ”



Exhibit 3

**CAP income support relative to GVA at producer prices EU-27**

Percentages



Source: Eurostat, Economic Accounts for Agriculture.

acknowledged, however, that compared to the situation prior to 1986, Spanish farming has received substantial support from European taxpayers.

We complement the above information by correlating the aid received with the labour factor, measured in annual work units (AWU), a concept which is similar to the full-time equivalent concept used in national accounting. The annual average for 2017/18/19 is 6,000 current euros per AWU. In Spain, that figure rises to 7,500 euros and in Germany to 14,500 euros. Returning to Spain, that annual average was equivalent to 70% of the minimum wage prevailing throughout the three-year period, which should help cement an accurate perception of the scale of the public support received by Spanish agriculture. That being said, the support is very uneven by segment, being well above the

average in cereals, oil seeds, protein crops, cattle breeding and beef and much lower in grain-fed animals and vegetables. In the olive groves, the segment suffering the most from falling prices, aid in relation to output is slightly above the average [12].

The generosity of that support entitles European taxpayers to question its effectiveness and fairness, among other things because it implies a notable opportunity cost considering some of the challenges facing the EU in the global economy in which we operate [13]. In our opinion, the CAP should prioritise the effort to halt depopulation, which calls for significant reinforcement of its second pillar –rural development– and the role the sector can play in mitigating the risks of climate change, with farmers needing to take stock of the fact that they are destined to be one of the most affected constituents. Although it is obvious that certain agricultural

“ The EU’s sector support to Spain’s agricultural sector entitles European taxpayers to question its effectiveness and fairness, among other things because it implies a considerable opportunity cost taking into account some of the EU’s current challenges. ”

activities have a role to play in conserving the environment, this is not always the case. According to Eurostat, in 2018, the agricultural sector was responsible for 15% of total greenhouse gas emissions in the EU-27 (a figure that rises to 19% in Spain). In the context of the sector's contribution to aggregate GVA –less than 2% in the EU-27 and 3% in Spain– we are clearly talking about a productive sector characterised by high emission intensity. Furthermore, since 2008, the first year for which this information is available, overall emissions in Spain have fallen, while clearly rising in the agricultural sector. As a result, the environmental conditionality of the CAP support needs to be reinforced with respect to aspects such as this [14].

### Income and its functional distribution

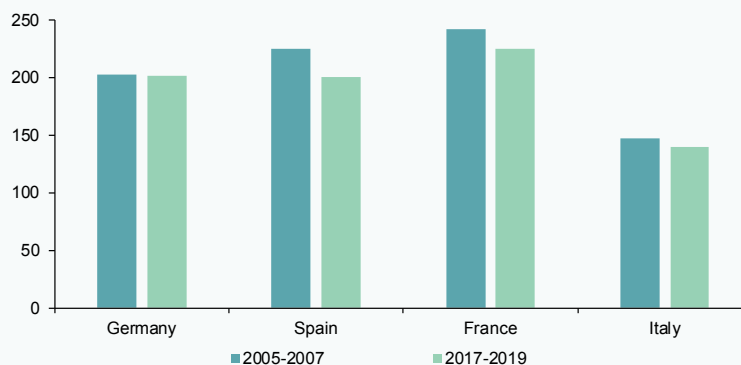
To analyse income and its functional distribution, the most appropriate variable is factor income, which includes primary income and subsidies. Spain ranks first, again using the annual average for the 2017/18/19 three-year period, at very close to 28 billion current euros, with France ranking second. However, Spanish factor income per annual work unit (AWU) (Exhibit 4) was 29,100 euros, which, without correcting for purchasing power parity,

was below the French reading by 11% [15]. That figure stands out very favourably in comparison with virtually all of the main indicators of income in the Spanish economy. The reason for the huge difference in the four major economies with respect to the EU-27 average was outlined in the section analysing labour productivity. The fact that unit income during the three-year period of reference matches that of Germany and exceeds that of Italy only further highlights what an outlier it is. This time around, however, the annual average for 2017/18/19 does mask a negative performance in 2019. Rebased to 2017, Spanish factor income per AWU decreased by 9.2% in current prices and by 11.2% in real terms (using the GDP deflator) in 2019. Here we do have an economic factor that could explain some of the current discontent. It certainly would be a key determinant if it were part of a structural trend, which we believe remains to be confirmed, even though so many in the media and politics have rushed to conclude this is the case.

Statistics published by Spain's Ministry of Agriculture enable a brief analysis of the functional breakdown of the agricultural income the Ministry identifies with national value added (NVA) (Table 2). First, it is worth

Exhibit 4 **Factor income per annual work unit**

EU-27 = 100



Source: Eurostat, Economic Accounts for Agriculture.

Table 2 **Functional distribution of agricultural income. Spain, 2010-2018**

	Net value added	Salaried labour remuneration	Net operating surplus	Rent and lease payments	Interest paid	Entrepreneurial income
2010	100	16.7	83.3	5.1	2.9	75.2
2011	100	17.9	82.1	5.4	3.3	73.5
2012	100	16.2	83.8	5.3	3.0	75.4
2013	100	15.2	84.8	5.2	2.5	77.1
2014	100	16.0	84.0	4.5	2.3	77.2
2015	100	16.2	83.8	4.3	1.8	77.7
2016	100	15.5	84.5	3.9	1.4	79.2
2017	100	15.9	84.1	3.8	1.3	79.0
2018 (E)	100	15.3	84.7	3.7	1.2	79.7

Source: Ministry of Agriculture, Statistics Yearbook. 2018.

noting that the latter variable has performed well between 2010 and 2018, registering cumulative average growth of 2.2% in real terms (using the GDP deflator), offering yet another satisfactory outcome in light of the evolution of the Spanish economy during the first four years of that period. If the pending 2019 figure implies a pause in that upward trajectory, it is still worth reiterating that, during the period for which the data are available, the improvement has been palpable. As for the functional distribution, there has been a low contribution by salaried labour remuneration, which has been trending slightly lower, moreover. Accordingly, the net operating surplus, which comprises the remuneration of capital and self-employed work, accounts for the bulk of agricultural income. Rents and lease payments, coupled with interest paid, are small items and are trending lower. The interest paid by farmers declined from 700 million euros on average per annum in 2010 and 2011 to 373 million

euros in 2017/18, *i.e.*, it has fallen by half, a development that has gone largely unnoticed. In the meantime, entrepreneurial income has increased significantly in absolute and real terms: it grew at a compound average annual rate of 3.6% between 2010 and 2018, contradicting the alleged hardships suffered by the overall sector in recent years.

### Conclusion

Despite popular perception, and notwithstanding the several modest challenges in 2019 –affecting certain sub-sectors within crop production– the Spanish agricultural sector has enjoyed a relatively favourable decade from the strictly productive standpoint, as evidenced by the official statistics. While the discontent in the sector should not be dismissed, we did not find solid economic arguments for the current high level of tensions. Without question, the tariff hikes introduced by Trump (in

“ The interest paid by farmers declined from 700 million euros on average per annum in 2010 and 2011 to 373 million euros in 2017/18, *i.e.*, it has fallen by half, a development that has gone largely unnoticed. ”

effect since October 18<sup>th</sup>, 2019), which are logically affecting the most heavily exported crops (wine, citrus fruits and, in particular, olive oil), are adding further difficulties for activities that are not currently thriving; however, detailed examination of this specific aspect is beyond the scope of analysis. The uncertainty generated around CAP financing against the backdrop of the Multiannual Financing Framework for 2021-2027, rural depopulation, population ageing, the lack of business succession and the harsh working conditions implicit in certain activities that prevent a healthy work-life balance may have a lot more to do with the prevailing discontent than the indicators we have analysed. The scant participation by farmers and breeders in the sale and transformation of their products [16], which is very low in comparison with other member states, may be contributing to some of the prevailing unrest. Addressing that shortfall, however, not only requires public incentives but also a substantial improvement in the sector players' business acumen.

## Notes

- [1] Two classical references by way of illustration: OECD (1964) and OECD (1965).
- [2] Excluding the UK.
- [3] The source used is Eurostat: *Annual National Accounts (ESA, 2010)*. Accordingly, in this heading, the sector comprises the farming of crops and of animals, forestry, fishing and fish farming. The first two categories represent 90% of agricultural output in Spain.
- [4] The 4Q19 figure from Eurostat is only available for four countries as of the time of writing this article (February 24<sup>th</sup>, 2020), including Germany and Spain; that is why the annual 2019 figure is not available for the EU-27, or for France/Italy. In the second halves of 2018 and 2019, Spanish agriculture GVA trended as follows in volume terms (2015=100): Q318 = 90.9; Q418 = 124.2; Q319 = 91.2; Q419 = 118.3. In sum, marked seasonality and a small year-on-year reduction in the fourth quarter.
- [5] For example, agricultural employment in Romania is very similar to sector employment in Germany, Spain and France combined.
- [6] Germany = 39.9%; France = 40.5%; Italy = 38.6%. In the EU-27 as a whole, the ALP share of LP per hour worked falls to 30.1%.
- [7] In 2019, the Ministry's index does not include data for November and December.
- [8] We are referring to the ratio between agricultural income per unit and labour productivity per hour in 1995 prices for both variables, *i.e.*, the fraction of labour productivity which employers have to earmark for paying salaried labour.
- [9] The comparison with the agricultural ULC measure is not meaningful. Note that the ULC measure is only economically meaningful when the percentage of salaried labour reaches a certain threshold, *i.e.*, when the productivity of salaried labour is a good proxy for that of non-salaried labour. In Spain that percentage is 57.4% of hours worked, which is much higher than in France and Italy and, albeit to a lesser degree, lower than in Germany. In all probability, the ALP of salaried labour would be considerably higher than that of non-salaried labour for a simple reason: salaried employees tend to work on larger-scale farming operations, which present much higher than average LP figures. As a result, the ULC measure is considerably overstated for farms where most workers are not on salaries. That is evident in the fact that the ULC is around 100% in the agricultural sectors in Germany, France and Italy, rendering the result non-meaningful. That same bias, albeit to a lesser extent, is also present in the ULC measure for the Spanish agricultural sector.
- [10] Another piece of the puzzle is the significant deficit the former agricultural social security system used to represent; that system has been replaced by two schemes for salaried labour and self-employed agricultural workers. Those reforms do not appear to have significantly changed the fact that farmer pensions, decisive in the living standards of a rural society of advanced age, are largely financed by the general regime contributors.
- [11] The taxes levied on agricultural products in Europe are nil or negligible.
- [12] Source: Spanish Ministry of Agriculture, *National Agriculture Accounting Network*.
- [13] Challenges which are very hard to tackle with a budget that represents 1% of EU-27 GDP.
- [14] For a broader analysis of the sustainability of the Spanish farming sector, refer to Gómez Limón and Reig (2013).

[15] For a detailed study of agricultural income in Spain and the EU, refer to Grande (2018).

[16] A matter beyond the scope of this paper, please refer to Aznar (2013).

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# Recent key developments in the area of Spanish financial regulation

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

## **Royal Decree-Law on urgent measures for the transposition of EU Directives into Spanish Law (Royal Decree-Law 3/2020, published in the official state journal on February 5<sup>th</sup>, 2020)**

Royal Decree-Law 3/2020 transposes several European directives into Spanish law, some of which affect the financial sector. Specifically, Directive (EU) 2016/97 of the European Parliament and of the Council of January 20<sup>th</sup>, 2016, on insurance distribution; Directive (EU) 2016/2341 of the European Parliament and of the Council of December 14<sup>th</sup>, 2016, on the activities and supervision of institutions for occupational retirement provision (IORPs); and Directive (EU) 2017/828 of the European Parliament and of the Council of May 17<sup>th</sup>, 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. The Royal Decree-Law took effect the day after its publication.

Firstly, the transposition of Directive (EU) 2016/97 on insurance distribution is designed to set rules for entering the insurance and reinsurance distribution business, the conditions on which that business must be carried out and the applicable governance, supervisory and penalty regimes, all with the overriding aim of guaranteeing protection of the rights of policyholders and beneficiaries under insurance contracts.

The following aspects stand out:

- It defines an ‘ancillary insurance intermediary’ as any natural or legal person, other than a credit institution or an investment firm, who, for remuneration, takes up or pursues the activity of insurance distribution on an ancillary basis.
- It stipulates that insurance and ancillary insurance intermediaries, insurance brokers and reinsurance brokers, must be registered in the official public register of insurance and reinsurance distributors.
- It allocates competences between the state and the regional governments.
- It regulates the activities of insurance and reinsurance distributors resident or domiciled in Spain and in other European Union member states.
- Insurance and reinsurance undertakings must keep an internal register itemising the employees directly involved in distribution activities and the person in charge thereof. They must also identify a function to ensure correct execution of the endorsed internal policies and procedures in order to monitor that the persons directly involved in insurance distribution activities, the person in charge of the distribution activities and, if warranted, the persons sitting on the management body responsible for the distribution activity are of good repute and possess the appropriate level of knowledge and competence.
- It stipulates the general regime applicable to the activities of insurance agents.
- It establishes conflict resolution mechanisms.
- It introduces insurance product information requirements for customers. Insurance undertakings and intermediaries are required to offer customers of insurance-based investment products guidance on and warnings of the risks associated with

insurance-based investment products or in respect of particular investment strategies proposed; information about all associated costs and charges; and a suitability assessment, if appropriate.

- It regulates packaged or bundled product sales.
- With respect to remuneration, insurance distributors must inform their customers about the type of remuneration they will receive at the pre-contractual stage.
- It introduces product design, approval, oversight and governance requirements for insurance distributors which design products for sale, including the requirement that they specify the identified target market.
- It establishes implementing and supervisory powers, professional secrecy requirements, the requirement to cooperate and exchange information with other competent authorities, responsibilities vis-à-vis the administration and the sanction regime.
- It specifies the requirements for bancassurance operators, notably among which:
  - They must be a credit institution or a specialised lending institution (SLI or EFC for its acronym in Spanish). They may also be a corporate enterprise controlled or invested in by credit institutions or SLIs or their groups.
  - They must present a report indicating the insurance undertaking for which they are distributing insurance, the geographical coverage and the procedures in place for resolving conflicts deriving from customer complaints and claims.
  - They must certify that the person in charge of the distribution activity or, as warranted, the persons sitting on the management body responsible for the distribution activity and all of the persons directly involved in the distribution of the insurance are of

good repute and possess the appropriate level of knowledge and competence.

Secondly, in order to partially transpose Directive (EU) 2016/2341 on the activities and supervision of institutions for occupational retirement provision (IORPs), the consolidated text of the pension plan and pension fund act (enacted via Royal Legislative Decree 1/2002) is amended in order to introduce into Spanish law new matters not regulated until now to ensure the good governance and prudential supervision of IORPs, the provision of adequate information to members and beneficiaries and IORP transparency and legal certainty.

The main areas transposed:

- It establishes the principles which must be held with respect to the information to be provided to prospective members, members and beneficiaries about pension plans and funds to enable them to make informed decisions about their retirement and understand the contents of and trends in their plan rights. The information terms, contents and means of provision are to be established in implementing regulations.
- New duties are vested in the pension fund control committee.
- Rules have been established regarding the prudential supervision to which pension plans and funds and their management firms shall be bound. They include rules regarding technical provisions and how they are financed, own funds requirements, solvency margin, investment rules and investment management. The new regulations itemise the powers vested in the national competent authority, the DGSFP for its acronym in Spanish, in order to enable it to perform its pension system oversight duties and its powers with respect to outsourced functions.
- They introduce the broad guidelines for the IORP governance system and any control bodies, notable among which the following aspects:



- Entities must have an effective governance system equipped to guarantee appropriate and prudent management of their activities and the funds they manage. The system must include written corporate governance policies related with the management of risks and the internal audit function and, if warranted, the actuarial activities performed by the entity and the functions outsourced, as well as an effective internal control system and contingency plans. The governance system must require IORPs to factor environmental, social and governance considerations into their investment decision-making.
- The persons who effectively run the management firms, perform key functions and any persons or entities to which key functions have been outsourced must be of good repute and integrity and possess adequate qualifications, knowledge and experience.
- Entities must establish and apply a remuneration policy in keeping with their internal organisational, size and the nature, scale and complexity of their activities, all of which framed by the principles enshrined in the Directive.
- IORPs must have the following key functions: a risk-management function, an internal audit function, and, where applicable, an actuarial function.
- Every IORP must carry out and document an own-risk assessment at least every three years.
- IORPs may outsource functions, including the key functions, subject to the legally-stipulated exceptions and conditions.
- Lastly, it regulates the exchange of information between the competent authorities of the host and home Member States and permits the transfer of an IORP to an IORP authorised in another Member State.

Thirdly, Royal Decree-Law 3/2020 partially transposes Directive (EU) 2017/828 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, specifically in relation to the matters that affect the insurance sector, with the aim of preventing pressure on undertakings to perform in the short-term. To that end, amendments have been made to Law 20/2015 of July 14<sup>th</sup>, 2015, on the structuring, supervision and capital adequacy of insurance and reinsurance undertakings.

**Bank of Spain Circular amending the Risk Information Register Circular (Circular 1/2020, published in the official state journal on February 5<sup>th</sup>, 2020)**

The purpose of the Circular is to adapt Circular 1/2013 for the provisions of Law 5/2019 (of March 15<sup>th</sup>, 2019) regulating mortgage credit agreements. In addition, it introduces certain amendments in order to: (i) enhance the consistency of the information collected via the Risk Information Register vis-à-vis the requirements set down in the AnaCredit Regulation (Regulation (EU) 2016/867); (ii) clarify which information needs to be submitted with respect to certain transactions; and, (iii) reorganise the form in which the information is presented in some modules and introduce the odd additional dimension. It also introduces certain clarifications with respect to the presentation of claims to the Register.

In broad terms, it introduces the following changes:

- It introduces two new types of reporting entities: credit institutions operating under the freedom of provision of services regime and real estate lenders. It specifies the information they will have to submit and sets the technical requirements for reporting to the Risk Information Register.
- It gives mortgage credit intermediaries access to the credit risk reports on the natural and legal persons registered in the Risk Information Register on the same terms and conditions as the other reporting entities.

- It contemplates the possibility of temporarily restricting access to the Register's data if an entity breaches its reporting requirements in respect of the quality or accuracy required.
- It introduces changes to the data modules which the reporting entities are obliged to submit to the Bank of Spain and exemptions from reporting certain modules.
- The information requirements demanded of the branches of credit institutions from other reporting countries have been eased.
- For the entities that were already reporting prior to effectiveness of Law 5/2019, the first submission of data to the Risk Information Register in keeping with the terms of this Circular will be that corresponding to their April 2020 data, except for the modules related with guarantees, for which the first compliant submission will be that reporting the October 2020 figures.

**Royal Decree on the legal regime governing specialised lending institutions, amending the Companies Register Regulation, Royal Decree 84/2015, of February 13<sup>th</sup>, 2015, implementing the Law on the structuring, supervision and capital adequacy of credit institutions (Royal Decree 309/2020, published in the official state journal on February 25<sup>th</sup>, 2020)**

The purpose of the Royal Decree is to establish the legal regime governing the so-called specialised lending institutions (SLIs or EFCs for their acronym in Spanish), with respect to incorporation, solvency and supervisory regime requirements, duly implementing the provisions of Law 5/2015, of April 27<sup>th</sup>, 2015, on the stimulation of corporate financing. The new legislation takes effect on July 1<sup>st</sup>, 2020, with the exception of the provisions regarding the liquidity buffer and sources of financing and maturity profiles, which will take effect three months after publication of the implementing Bank of Spain Circular and amendment of Royal Decree 84/2015, which will take effect the day after its publication in the official state journal.

In broad terms, the new legislation regulates the following:

- It defines specialised lending institutions as undertakings that, without being credit institutions, but subject to authorisation from the Ministry of Economic Affairs and Digital Transformation, are professionally devoted to carrying out one or more of the activities contemplated in article 6 of Law 5/2015.
- It permits the creation of hybrid legal forms: specialised lending institutions-payment institutions; and specialised lending institutions-electronic money institutions.
- Given that the SLIs are not allowed to take repayable funds from the public in the form of deposits, loans, repurchase agreements, *etc.* no matter the use of proceeds, they are not subject to the deposit guarantee legislation.
- The legislation establishes the requirements for obtaining and maintaining authorisation to operate as an SLI, the grounds for denying such authorisation and the procedure for opening branches abroad.
- The terms of Law 10/2014 shall apply to SLIs with respect to the following areas:
  - Opening of branches, designation of agents and delegation of functions by SLIs.
  - Significant shareholdings, assessment of suitability, conflicts, registration of senior executives, corporate governance and remuneration. However, SLIs with total assets of less than one billion euros are exempt from the requirements to have: appointments and remuneration committees and independent directors.
  - Capital adequacy obligations. The Bank of Spain is entitled to exempt the SLIs that are part of a consolidable group of credit institutions from the individual capital requirements stipulated in the CRR using the same criteria as are used to exempt subsidiaries that are credit institutions.

- SLIs must at all times hold a high quality liquidity buffer deemed sufficient to cover their net cash outflows during a period of grave financial instability and to maintain an appropriate mix of sources of financing and maturity profiles, in order to avoid potential liquidity mismatches that could harm or jeopardise the entity's financial situation.
- SLIs are required to submit the information required for supervisory reporting purposes detailed in Commission Implementing Regulation (EU) 680/2014. However, the Bank of Spain will be broadly empowered to regulate the associated frequency, thresholds and requirements.
- It is up to the Bank of Spain to supervise, at the consolidated level, consolidable groups of SLIs.
- SLIs must have their annual financial statements audited.
- Any procedure applying for authorisation to transform from a bank to an SLI authorised prior to effectiveness of Law 5/2015 that was initiated prior to December 31<sup>st</sup>, 2019, will be governed in keeping with the simplified procedure contemplated in the said Law.
- It regulates SLIs deriving from credit institutions with limited operating scope and share capital of less than 5 million euros.

Lastly, Royal Decree 309/2020 implies:

- The repeal of Royal Decree 692/1996 (of April 26<sup>th</sup>, 1996) on the legal regime governing specialised lending institutions.
- The amendment of the Companies Register Regulation to clarify the fact that it also applies to SLIs.
- The amendment of Royal Decree 84/2015 in order to regulate inscription of expiry in the Companies Register.

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# Spanish economic forecasts panel: March 2020\*

Funcas Economic Trends and Statistics Department

## **GDP growth forecast for 2020 trimmed to 1.5% due to COVID-19**

According to provisional figures, GDP growth accelerated slightly in the last quarter of 2019, with a rebound in exports offsetting a lower contribution from domestic demand. On the basis of this data, 2019 GDP growth would stand at 2%.

The indicators available for the first two months of the year are, in general, weak. However, none of them so far reflect the impact of the coronavirus: the IPI and confidence indicators point to a slowdown, with the exception of a recovery in the PMI and social security contributor numbers in February. The consumer spending and services indicators, particularly those related with tourism, similarly indicate a slowdown.

The consensus forecast for 2020 is for GDP growth of 1.5%, down 0.1 percentage points from the last Panel forecast. Of the 13 analysts who revised their forecasts downwards, 11 said they had done so on account of the impact they expect COVID-19 will have on the economy. [1] Some panelists said they had not yet factored the outbreak into their forecasts, so that there is downside risk to this estimate vis-à-vis the upcoming May Panel. Seventy-seven percent of the panelists believe that the virus will erode annual GDP growth by 0.2 percentage points or less; the remaining 23% expect an impact of between 0.3 and 0.5 percentage points (Exhibit 1).

As for the quarterly breakdown, the consensus forecast is for growth of 0.3% in the first quarter, 0.2% in the second quarter and 0.4% in the last two quarters of the year. Note that two of the analysts think the Spanish economy will contract in the second quarter.

Domestic demand is expected to contribute 1.5 percentage points (down 0.2pp from the January forecasts), while trade is expected to have a neutral impact (compared to -0.1pp in January). The downward revision to the forecast for growth in investment, particularly machinery and equipment, stands out. The forecast for household consumer

spending has been trimmed by 0.2 percentage points, while the estimate for public spending has been raised by 0.1 percentage points.

## **The forecast for 2021 is 1.6%**

This was the first survey asking panellist for 2021 forecasts. The panelists are looking for GDP growth of 1.6% in 2021, up 0.1 percentage points from 2020. They are expecting even growth of 0.4% each quarter (Table 2).

Growth is expected to accelerate slightly in 2021 on the back of a higher contribution by domestic demand, driven mainly by a rebound in investment, expected to ease in 2020. As in 2020, foreign trade is expected to have a neutral impact on growth.

## **Inflation expected to edge slightly higher in 2021**

The year-on-year rate of inflation has decreased since the start of the year and is hovering at around 0.8%. Oil prices, meanwhile, having ended 2019 at around \$70 per barrel, have started the year on a downward trajectory, trading at \$54 per barrel by mid-February. That correction has been exacerbated in recent days with the expansion of COVID-19 and higher production in Saudi Arabia – oil is currently trading at around \$36 per barrel.

Inflation is expected to continue to trend lower until the start of the second quarter. The current forecast is for an annual average rate of 1%. As for 2021, inflation is expected to pick up to 1.3%; however, it is worth highlighting the lack of consensus in this respect, with the forecasts ranging from a low of 0.9% to a high of 1.6%.

The year-on-year inflation rate forecasts for December 2020 and December 2021 are 1.2% and 1.3%, respectively (Table 3).

## **Moderate job growth**

According to the most recent social security contributor numbers, the slowdown in job creation observed towards the end of 2019 continued in

January; although the February figures were unexpectedly strong, a change in trend is not anticipated. Sector-wise, it is worth noting that the manufacturing sector has barely been creating jobs for the past several months.

In terms of full-time equivalent jobs, growth is estimated at 1.4% in 2020, unchanged with respect to the last Panel, and 2021. Those rates of growth would translate into the net creation of around 260,000 jobs each year.

Using the forecasts for growth in GDP, job creation and wage compensation yields implied forecasts for growth in productivity and unit labour costs (ULC): the former is expected to increase by 0.1% in 2020 and by 0.2% in 2021, while ULCs are forecast to increase by 1.9% in 2020 and a further 1.7% in 2021.

The average annual rate of unemployment is expected to continue to fall to 13.6% this year (0.1pp above the last set of forecasts) and to 13.1% in 2021.

### **External surplus expected to persist in 2020 and 2021**

According to the provisional figures, the current account surplus amounted to 23.9 billion euros in 2019, up 2% year-on-year.

The consensus forecast is for a continued current account surplus throughout the projection period: 1.3% of GDP in 2020 (up 0.1pp from the last survey) and 1.2% in 2021.

### **The public deficit looks set to narrow, albeit missing the targets**

In the first 11 months of the year, the deficit at all levels of government except for the local corporations amounted to 20.7 billion euros, up 18% year-on-year. The deterioration was concentrated at the regional governments, which went from recording a surplus to a deficit over that time horizon, more than offsetting the improvement in the Social Security Funds. At the central government level, the deficit was very similar in both periods.

The analysts are forecasting a reduction in the deficit in 2020 to 2.2% of GDP (unchanged from the last set of forecasts) and again in 2021 to 2%, which would be 0.4 and 0.5 percentage points above the government's targets, respectively.

### **Substantial deterioration in the external climate**

The global economy is reeling from the impact of the health crisis which has spread from China to every continent. In February, Chinese manufacturing PMI fell to its lowest level in the series, pointing to a severe contraction in the sector with important ramifications for the rest of the world. Global supply chains have suffered, triggering supply shortages in numerous sectors. In addition to that supply-side shock, which has been particularly harsh in the most affected economies, such as Italy, the spread of COVID-19 has sparked a loss of investor confidence, a stock market decline not seen since the days of Brexit and a sharp correction in oil and other commodity prices. The pandemic has also curtailed the freedom of movement and tourism.

In its most recent published outlook, the OECD cut its forecast for global growth in 2020 by 0.5 percentage points; forecasts for the eurozone were cut by 0.3 percentage points, which would leave growth in the region at a scant 0.8%. Those forecasts assume that the pandemic will be brought under control in the coming months. If the crisis were to endure beyond the summer, global economic growth would be eroded by 1.5 percentage points and the eurozone would go into recession.

Against that backdrop, the panelists have become more pessimistic in their outlook for the external environment, in both the EU and more broadly at the international level. Compared to the January panel, the number of negative assessments of the current economic situation in Europe and globally has increased. The analysts have similarly become more pessimistic about the outlook for the coming months. In contrast to the last Panel, more than half of the analysts now believe the international context will either remain unchanged or deteriorate rather than improve.

### **Monetary policy set to remain expansionary**

Monetary policy is expected to remain markedly expansionary. The outlook for the ECB's benchmark rates and its public and private asset purchase programmes (the PSPP and CSPP programmes) has not changed since January. In addition, in her recent statements, ECB President Christine Lagarde has expressed concerns regarding the risks

implied by the coronavirus crisis for growth and financial stability, opening the door to new liquidity measures which may be announced shortly, in addition to the large stimulus package announced on March 18<sup>th</sup>.

Given the prospect of further monetary easing, 12-month EURIBOR has traded lower, by about 0.1 percentage points since January, to -0.35%. The yield on the 10-year bond remains at low levels, although the spread over the equivalent German sovereign bond (the country risk premium) has widened as a result of growing investor appetite for safe-haven assets in light of the prevailing uncertainty.

The analysts unanimously agree on the expansionary nature of monetary policy. In addition, one in four panelists expect the ECB to introduce new stimulus measures imminently, such as cutting the rate on the deposit facility to -0.6%. The yield on the 10-year bond is barely expected to move in the next few months and is forecast at 0.4% at the end of 2020, down 0.1 percentage points from the last set of forecasts. 12-month EURIBOR is expected to remain in markedly negative territory for the

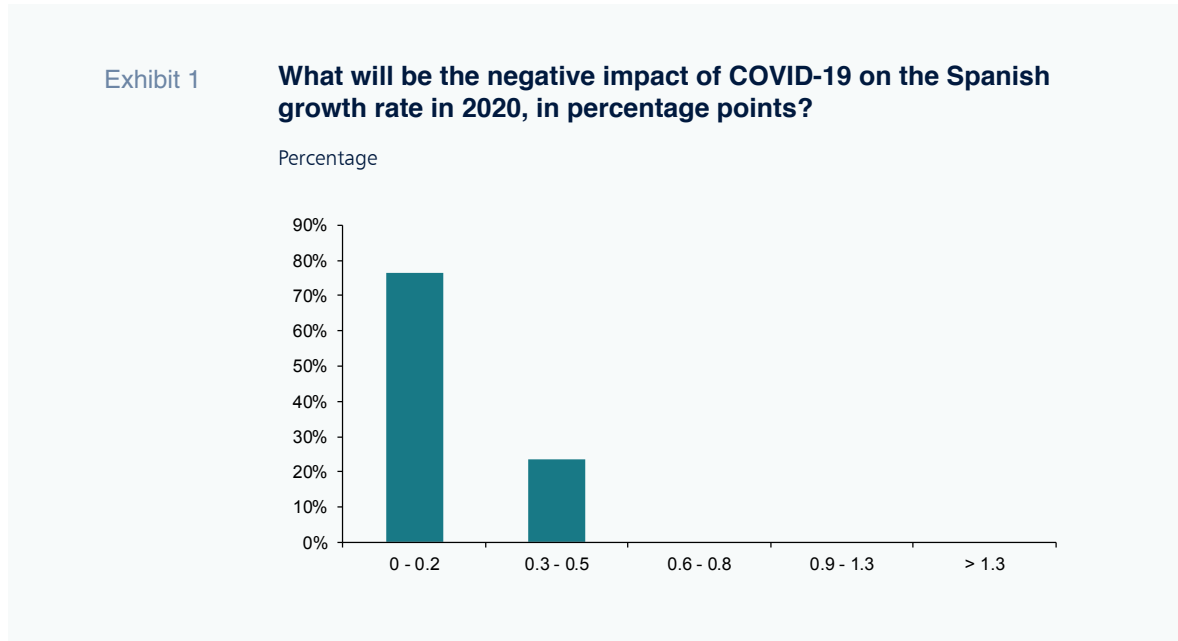
entire forecast horizon, at similar readings to those forecast in January. The majority of analysts believe that the prevailing accommodative monetary policy is what the Spanish economy needs right now (similar stance to that expressed in January).

**Euro appreciation against the dollar**

The euro has appreciated against the dollar since the last Panel, in the wake of pronounced monetary easing by the Federal Reserve, in contrast to the status-quo-stance taken by the ECB (pending decisions to be taken at the next meeting of its Governing Council). The analysts believe that the current exchange rate could prevail until the end of 2020, going on to appreciate slightly in 2021.

**Greater diversity of opinion about fiscal policy**

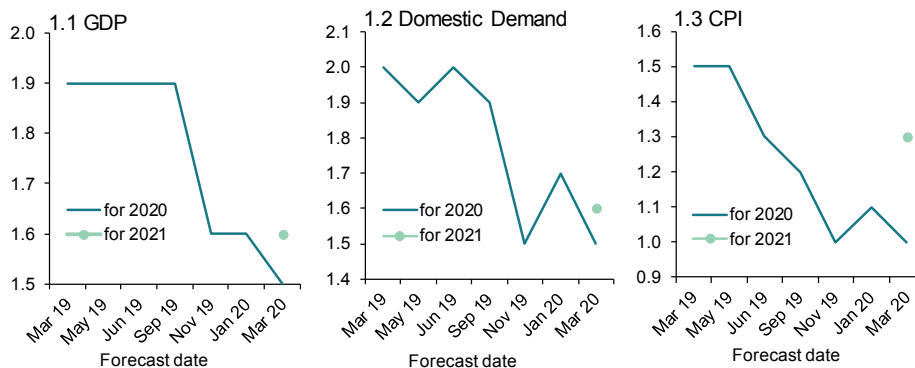
There are signs of a shift in the analysts’ assessment of fiscal policy. While a solid majority of the panelists still view it as expansionary, their opinion about the direction fiscal policy should take is changing: the number of analysts who believe it should be expansionary is increasing as the number calling for tighter policy is diminishing.



## Exhibit 2

### Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

\* The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 20 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly in the months of January, March, May, July, September and November. The responses to the survey are used to produce a “consensus” forecast, which is calculated as the arithmetic mean of the 20 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.



# Spanish economic forecasts panel: March 2020\*

Funcas Economic Trends and Statistics Department

Table 1

## Economic Forecasts for Spain – March 2020

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	1.6	1.7	1.5	1.5	1.9	2.0	2.5	2.2	2.1	2.1	2.7	2.2	1.7	1.7
Axesor	1.7	1.7	1.6	1.5	2.0	1.6	2.3	2.4	1.9	1.9	2.7	3.0	1.8	1.7
BBVA Research	1.6	1.9	1.4	1.6	1.7	1.8	2.6	4.5	3.2	5.1	1.4	3.8	1.7	2.1
Bankia	1.7	1.6	1.5	1.2	2.1	2.0	2.4	3.2	2.4	3.8	1.4	2.3	1.8	1.7
CaixaBank Research	1.5	1.5	1.5	1.3	1.5	1.3	2.8	2.3	1.6	2.3	1.9	2.3	1.9	1.5
Cámara de Comercio de España	1.5	1.6	0.9	1.0	2.5	2.3	1.1	2.0	0.9	2.0	1.2	2.1	1.4	1.6
Cemex	1.4	1.7	1.2	1.3	2.0	2.0	1.9	2.1	2.7	3.0	1.7	1.9	1.4	1.6
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.3	1.7	1.2	1.6	1.8	1.3	1.5	2.8	1.5	4.0	1.3	2.0	1.3	1.7
Centro de Predicción Económica (CEPREDE-UAM)	1.7	1.8	0.9	0.9	1.8	2.1	2.6	3.2	1.9	2.1	1.8	4.2	1.3	1.5
CEOE	1.5	1.4	1.1	1.0	2.1	1.9	1.2	0.9	1.2	1.2	0.6	0.4	1.3	1.2
Equipo Económico (Ee)	1.5	1.5	1.1	1.0	2.1	2.0	2.7	2.5	2.6	2.4	1.3	1.0	1.3	1.2
Funcas	1.4	1.6	1.4	1.4	1.5	1.4	1.1	2.3	1.1	2.5	1.0	2.2	1.4	1.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.4	1.7	1.3	1.6	1.8	1.9	2.5	3.0	3.1	3.7	1.4	2.0	1.5	1.8
Instituto de Estudios Económicos (IEE)	1.3	1.2	0.9	0.8	2.0	1.8	1.0	0.9	1.2	1.2	0.4	0.4	1.2	1.0
Intermoney	1.3	1.7	1.1	1.5	2.0	1.7	1.8	2.9	1.7	3.8	2.0	2.2	1.4	1.8
Mapfre	1.7	1.5	1.4	1.4	1.5	1.4	2.2	2.4	--	--	--	--	1.5	1.4
Repsol	1.4	1.4	0.9	0.8	2.5	2.2	1.4	2.8	0.2	3.1	1.3	2.7	1.1	1.4
Santander	1.3	1.6	0.9	1.2	2.2	1.7	0.6	3.3	0.3	4.3	-1.0	2.2	1.2	1.7
Solchaga Recio & asociados / Y Group Companies	1.3	1.6	1.2	1.3	1.8	2.0	1.4	2.1	2.0	2.5	1.2	2.0	1.4	1.6
Universidad Loyola Andalucía	1.6	1.6	1.4	1.5	1.9	2.0	2.1	2.3	2.5	2.6	1.8	2.2	1.6	1.8
<b>CONSENSUS (AVERAGE)</b>	<b>1.5</b>	<b>1.6</b>	<b>1.2</b>	<b>1.3</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>	<b>2.5</b>	<b>1.8</b>	<b>2.8</b>	<b>1.4</b>	<b>2.2</b>	<b>1.5</b>	<b>1.6</b>
Maximum	1.7	1.9	1.6	1.6	2.5	2.3	2.8	4.5	3.2	5.1	2.7	4.2	1.9	2.1
Minimum	1.3	1.2	0.9	0.8	1.5	1.3	0.6	0.9	0.2	1.2	-1.0	0.4	1.1	1.0
Change on 2 months earlier <sup>1</sup>	-0.1	--	-0.2	--	0.1	--	-0.6	--	-1.3	--	-0.7	--	-0.2	--
- Rise <sup>2</sup>	2	--	2	--	11	--	1	--	1	--	4	--	2	--
- Drop <sup>2</sup>	13	--	14	--	3	--	14	--	15	--	13	--	15	--
Change on 6 months earlier <sup>1</sup>	-0.4	--	-0.4	--	0.3	--	-1.4	--	-1.2	--	-2.2	--	-0.4	--
Memorandum items:														
Government (October 2019)	1.6	1.5	1.5	1.4	2.0	1.8	1.4	1.4	--	--	--	--	--	--
Bank of Spain (December 2019)	1.7	1.6	1.6	1.4	1.7	1.5	3.3	2.5	4.9	2.3	1.6	2.8	--	--
EC (November 2019)	1.6	1.5	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2020)	1.6	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2019)	1.6	1.6	1.8	1.3	1.6	1.1	3.6	3.0	--	--	--	--	2.1	1.6

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

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

Table 1 (Continued)

**Economic Forecasts for Spain – March 2020**

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

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Labour costs <sup>3</sup>		Jobs <sup>4</sup>		Unempl. (% labour force)		C/A bal. of payments (% of GDP) <sup>5</sup>		Gen. gov. bal. (% of GDP) <sup>6</sup>	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	1.9	3.1	2.6	3.1	0.9	1.1	1.0	1.1	--	--	1.5	1.6	13.6	12.8	1.2	1.3	-2.1	-1.8
Axesor	2.6	2.8	2.8	3.0	1.1	1.3	0.8	0.9	--	--	1.7	1.6	13.3	13.0	0.7	0.4	-2.4	-2.4
BBVA Research	2.6	3.4	3.0	4.5	1.1	1.5	1.0	1.3	2.0	1.7	1.4	1.7	13.5	12.5	1.2	0.9	-2.2	-2.0
Bankia	2.7	2.8	3.0	3.3	1.2	1.4	1.1	1.3	1.8	1.5	1.6	1.2	13.5	12.9	1.6	1.4	--	--
CaixaBank Research	2.4	2.4	3.5	2.6	1.0	1.4	1.2	1.4	2.7	2.8	1.7	1.1	13.6	13.2	1.3	1.4	-2.0	-1.7
Cámara de Comercio de España	1.0	1.4	0.9	1.5	1.0	0.9	0.9	0.8	--	--	1.1	1.0	13.7	13.5	1.6	1.5	-2.4	-2.2
Cemex	2.2	2.6	2.4	2.6	1.0	1.1	1.0	0.9	--	--	1.5	1.5	13.5	13.0	1.0	1.0	-2.2	-1.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	0.8	3.6	0.9	4.0	0.7	1.0	1.0	1.0	--	--	1.1	1.7	13.7	12.9	1.1	1.0	-2.5	-2.2
Centro de Predicción Económica (CEPREDE-UAM)	3.4	3.9	2.5	3.2	1.1	1.6	--	--	2.0	1.8	1.4	1.4	13.9	13.5	1.7	0.9	-1.6	-1.6
CEOE	2.6	2.2	2.4	1.8	0.8	1.1	1.0	1.1	1.9	1.7	1.4	1.2	13.8	13.6	1.5	1.6	-2.2	-2.0
Equipo Económico (Ee)	2.1	3.0	1.8	2.5	1.4	1.5	1.3	1.2	1.9	2.0	1.2	1.1	13.6	13.4	0.9	0.6	-2.3	-2.2
Funcas	2.0	3.0	2.3	2.9	0.8	1.1	1.0	1.0	1.1	1.1	1.2	1.4	13.6	12.5	1.7	1.5	-2.4	-2.3
Instituto Complutense de Análisis Económico (ICAE-UJM)	2.4	2.7	2.8	3.1	1.0	1.4	1.0	1.2	2.0	2.1	1.3	1.6	13.4	12.7	1.0	1.0	-2.2	-2.0
Instituto de Estudios Económicos (IEE)	2.5	2.2	2.4	1.8	1.1	1.2	1.1	1.1	1.8	1.6	1.2	1.0	13.9	13.8	1.4	1.5	-2.5	-2.3
Intermoney	1.7	3.5	2.1	4.0	0.9	1.5	0.9	1.4	--	--	1.1	1.5	13.7	13.1	1.2	1.4	-2.2	--
Mapfre	2.3	2.4	2.0	2.3	1.0	1.3	--	--	--	--	2.5	1.9	13.0	12.6	1.2	1.1	-1.9	-1.7
Repsol	0.7	1.6	-0.2	1.8	0.9	1.2	1.0	1.0	2.0	2.0	1.4	1.5	13.6	13.0	1.3	1.4	-2.3	-2.0
Santander	1.5	1.6	1.2	1.8	1.1	1.5	1.2	1.4	2.3	2.0	1.3	1.0	13.6	13.0	1.3	1.4	--	--
Solchaga Recio & asociados / Y Group Companies	2.0	2.4	2.1	2.5	1.0	1.2	1.0	1.2	--	--	1.4	1.7	13.8	13.3	1.7	1.6	-2.2	-1.7
Universidad Loyola Andalucía	2.5	2.2	2.4	2.7	1.1	1.3	0.8	0.9	--	--	1.4	1.0	13.6	13.2	1.4	1.2	-2.0	-1.8
<b>CONSENSUS (AVERAGE)</b>	<b>2.1</b>	<b>2.6</b>	<b>2.1</b>	<b>2.7</b>	<b>1.0</b>	<b>1.3</b>	<b>1.0</b>	<b>1.1</b>	<b>2.0</b>	<b>1.9</b>	<b>1.4</b>	<b>1.4</b>	<b>13.6</b>	<b>13.1</b>	<b>1.3</b>	<b>1.2</b>	<b>-2.2</b>	<b>-2.0</b>
Maximum	3.4	3.9	3.5	4.5	1.4	1.6	1.3	1.4	2.7	2.8	2.5	1.9	13.9	13.8	1.7	1.6	-1.6	-1.6
Minimum	0.7	1.4	-0.2	1.5	0.7	0.9	0.8	0.8	1.1	1.1	1.1	1.0	13.0	12.5	0.7	0.4	-2.5	-2.4
Change on 2 months earlier <sup>1</sup>	-0.3	--	-0.7	--	-0.1	--	-0.1	--	0.3	--	0.0	--	0.1	--	0.1	--	0.0	--
- Rise <sup>2</sup>	5	--	3	--	3	--	2	--	5	--	6	--	14	--	8	--	2	--
- Drop <sup>2</sup>	10	--	14	--	9	--	7	--	1	--	11	--	2	--	5	--	5	--
Change on 6 months earlier <sup>1</sup>	-0.3	--	-0.5	--	-0.2	--	-0.2	--	0.2	--	-0.2	--	0.7	--	0.8	--	-0.3	--
Memorandum items:																		
Government (October 2019)	2.7	3.1	2.6	2.9	--	--	--	--	--	--	1.4	1.4	13.6	13.0	--	--	-1.8	-1.5
Bank of Spain (December 2019)	2.3	2.9	3.3	3.2	1.2 <sup>(7)</sup>	1.4 <sup>(7)</sup>	1.4 <sup>(8)</sup>	1.5 <sup>(8)</sup>	--	--	1.3	1.4	13.8	13.1	--	--	-2.1	-1.8
EC (November 2019)	--	--	--	--	1.2 <sup>(7)</sup>	1.3 <sup>(7)</sup>	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2020)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (November 2019)	1.3	2.2	3.0	2.5	1.1 <sup>(7)</sup>	1.3 <sup>(7)</sup>	1.3 <sup>(7)</sup>	1.3 <sup>(7)</sup>	--	--	0.9	1.3	14.1	13.6	1.3	1.2	-1.8	-1.4

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

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

<sup>3</sup> Average earnings per full-time equivalent job.

<sup>4</sup> In National Accounts terms: full-time equivalent jobs.

<sup>5</sup> Current account balance, according to Bank of Spain estimates.

<sup>6</sup> Excluding financial entities bail-out expenditures.

<sup>7</sup> Harmonized Index of Consumer Prices (HIPC).

<sup>8</sup> HIPC excluding energy and food.

Table 2

**Quarterly Forecasts – March 2020**

	20-I Q	20-II Q	20-III Q	20-IV Q	21-I Q	21-II Q	21-III Q	21-IV Q
GDP <sup>1</sup>	0.3	0.2	0.4	0.4	0.4	0.4	0.4	0.4
Euribor 1 yr <sup>2</sup>	-0.3	-0.3	-0.3	-0.3	-0.26	-0.25	-0.24	-0.20
Government bond yield 10 yr <sup>2</sup>	0.3	0.3	0.4	0.4	0.49	0.55	0.59	0.63
ECB main refinancing operations interest rate <sup>2</sup>	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00
ECB deposit rates <sup>2</sup>	-0.5	-0.5	-0.5	-0.5	-0.48	-0.47	-0.47	-0.46
Dollar / Euro exchange rate <sup>2</sup>	1.1	1.1	1.1	1.1	1.12	1.12	1.12	1.12

Forecasts in yellow.

<sup>1</sup> Qr-on-qr growth rates.

<sup>2</sup> End of period.

Table 3

**CPI Forecasts – March 2020**

Year-on-year change (%)					
Mar-20	Apr-20	May-20	Jun-20	Dec-20	Dec-21
0.7	0.7	0.7	0.9	1.2	1.3

Table 4

**Opinions – March 2020**

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	3	17	5	9	6
International context: Non-EU	0	3	17	5	9	6
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment <sup>1</sup>	0	3	17	2	13	4
Monetary policy assessment <sup>1</sup>	0	0	20	0	4	16

<sup>1</sup> In relation to the current state of the Spanish economy.

## Notes

- [1] The cut-off date for the panelist forecasts captured within this panel may not reflect the full impact of the extension of COVID-19. The expansion of the virus globally, and in particular within Europe, since the last set of panel forecasts was recorded has led to the declaration of a state of emergency within the US and several EU countries. This may lead to further deterioration of growth expectations for a prolonged period of time, even heightening the risk of recession in some of these regions. It is too early to estimate the exact magnitude of the negative impact from COVID-19 and related events - at this stage we do not know the length that such emergency measures will remain in place, nor whether or not COVID-19 will be transient or a longer-term shock. However, we think it is important to point out the emergence of these new significant downside risks and their potential implications.

# Key Facts\*

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Economic Indicators	Page 69
Financial System Indicators	Page 107
Social Indicators	Page 113

\*The forecasts contained in the following tables were assembled before the declaration of the state of emergency in Spain in response to COVID-19.

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# Economic Indicators

Table 1

## National accounts: GDP and main expenditure components SWDA\*

Forecasts in yellow

	GDP	Private consumption	Public consumption	Gross fixed capital formation				Equipment & others products	Exports	Imports	Domestic demand (a)	Net exports (a)	
				Total	Construction								
					Total	Housing	Other constructions						
Chain-linked volumes, annual percentage changes													
2013	-1,4	-2,9	-2,1	-3,8	-8,2	-7,6	-8,7	1,3	4,4	-0,2	-2,9	1,4	
2014	1,4	1,7	-0,7	4,1	3,0	9,9	-2,6	5,2	4,5	6,8	1,9	-0,5	
2015	3,8	2,9	2,0	4,9	1,5	-3,2	5,7	8,2	4,3	5,1	3,9	-0,1	
2016	3,0	2,7	1,0	2,4	1,6	8,9	-4,8	3,1	5,4	2,6	2,0	1,0	
2017	2,9	3,0	1,0	5,9	5,9	11,5	0,2	5,9	5,6	6,6	3,0	-0,1	
2018	2,4	1,8	1,9	5,3	6,6	7,7	5,3	4,1	2,2	3,3	2,6	-0,3	
2019	2,0	1,1	2,2	1,9	0,8	3,0	-1,8	3,0	2,3	1,2	1,5	0,4	
2020	1,4	1,4	1,5	1,1	1,0	2,8	-1,5	1,1	2,0	2,3	1,4	0,0	
2021	1,6	1,4	1,4	2,3	2,1	1,8	2,5	2,5	3,0	2,9	1,5	0,1	
2019	I	2,2	1,1	2,3	4,7	4,0	3,1	5,1	5,4	0,4	-0,1	2,0	0,2
	II	2,0	0,8	2,2	0,9	2,1	3,6	0,4	-0,1	2,1	-0,2	1,2	0,8
	III	1,9	1,4	2,2	2,4	0,9	2,0	-0,5	4,0	3,0	3,1	1,8	0,1
	IV	1,8	1,2	2,2	-0,3	-3,5	3,5	-11,9	2,8	3,7	2,1	1,2	0,6
2020	I	1,5	1,6	1,7	0,9	-0,8	3,6	-6,3	2,5	2,5	3,2	1,7	-0,1
	II	1,2	1,3	1,8	0,8	-0,3	2,8	-4,2	1,7	0,0	0,8	1,5	-0,3
	III	1,4	1,1	1,5	-0,5	0,5	3,2	-3,1	-1,4	2,9	1,8	0,9	0,4
	IV	1,4	1,4	1,1	3,2	4,6	1,6	8,7	1,8	2,4	3,5	1,7	-0,3
2021	I	1,5	1,0	1,4	1,3	1,8	1,0	2,8	0,8	3,1	2,1	1,1	0,4
	II	1,9	1,5	1,4	2,2	1,8	1,5	2,1	2,6	4,6	4,0	1,6	0,3
	III	1,6	1,5	1,4	2,6	2,2	1,9	2,6	3,0	2,3	2,5	1,6	0,0
	IV	1,5	1,5	1,5	3,2	2,7	2,8	2,6	3,8	1,9	3,0	1,8	-0,3
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2019	I	2,1	0,8	2,5	5,5	1,4	3,7	-1,2	9,7	2,5	1,6	1,7	0,4
	II	1,4	0,6	1,7	-0,6	0,0	3,8	-4,5	-1,2	6,1	4,5	0,8	0,7
	III	1,6	3,4	2,2	7,1	-1,3	-0,2	-2,7	15,8	0,0	7,2	4,0	-2,3
	IV	2,1	0,0	2,5	-12,1	-13,2	6,9	-34,2	-11,0	6,3	-4,6	-1,6	3,7
2020	I	0,9	2,5	0,4	10,7	13,1	4,1	26,2	8,2	-2,0	6,1	3,6	-2,7
	II	0,1	-0,4	2,0	-0,9	2,2	0,8	4,1	-3,9	-3,9	-4,7	-0,1	0,2
	III	2,4	2,2	1,2	1,8	1,6	1,2	2,0	2,0	12,1	11,2	1,8	0,6
	IV	2,0	1,4	0,8	1,6	1,9	0,4	4,1	1,2	4,1	2,0	1,3	0,8
2021	I	1,5	0,8	1,6	2,7	1,4	1,6	1,2	4,1	0,8	0,4	1,3	0,2
	II	1,5	1,6	2,0	2,7	2,2	2,8	1,2	3,2	1,6	2,8	1,8	-0,3
	III	1,5	2,0	1,2	3,5	3,3	2,8	4,1	3,6	2,8	4,9	2,1	-0,6
	IV	1,5	1,6	1,2	4,1	4,1	4,1	4,1	4,1	2,4	4,1	1,9	-0,4
	Current prices (EUR billions)	Percentage of GDP at current prices											
2013	1.020	59,0	19,9	17,4	8,7	3,9	4,8	8,7	33,0	29,0	96,1	3,9	
2014	1.032	59,4	19,6	17,8	8,8	4,2	4,6	8,9	33,5	30,4	96,9	3,1	
2015	1.078	58,5	19,5	18,0	8,7	4,0	4,6	9,3	33,6	30,6	97,0	3,0	
2016	1.114	58,2	19,1	18,0	8,6	4,4	4,2	9,4	33,9	29,9	96,0	4,0	
2017	1.162	58,4	18,6	18,7	9,0	4,8	4,2	9,6	35,2	31,6	96,4	3,6	
2018	1.202	58,3	18,6	19,4	9,6	5,3	4,3	9,8	35,1	32,4	97,3	2,7	
2019	1.245	57,6	18,7	20,0	10,0	5,7	4,2	10,1	34,8	32,0	97,3	2,7	
2020	1.279	57,5	18,7	20,2	10,0	5,8	4,2	10,2	35,1	32,4	97,3	2,7	
2021	1.318	57,3	18,6	20,5	10,2	6,0	4,2	10,3	35,5	32,8	97,2	2,8	

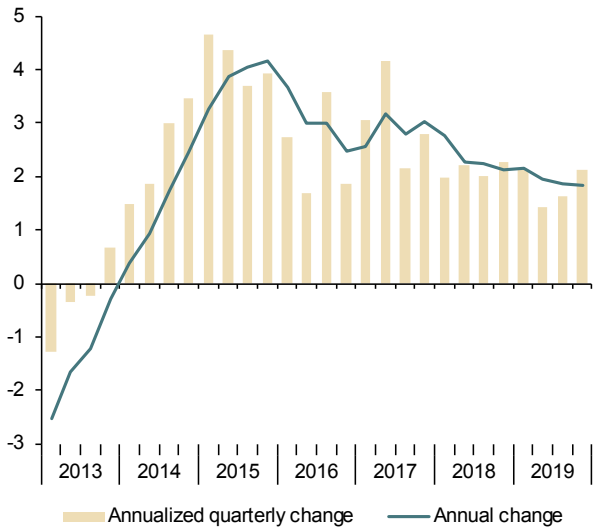
\* Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

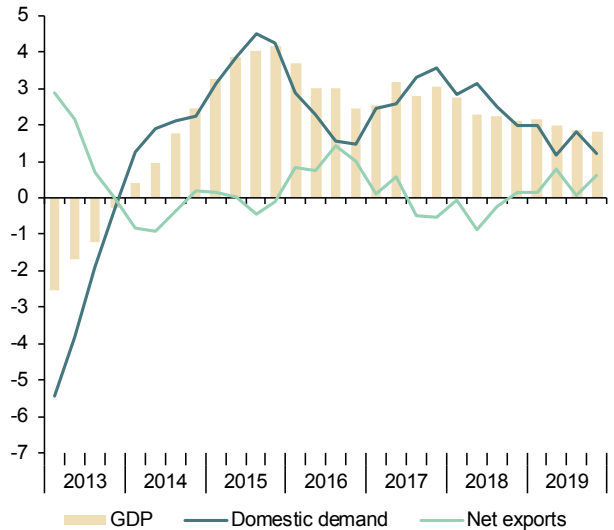
**Chart 1.1 - GDP**

Percentage change



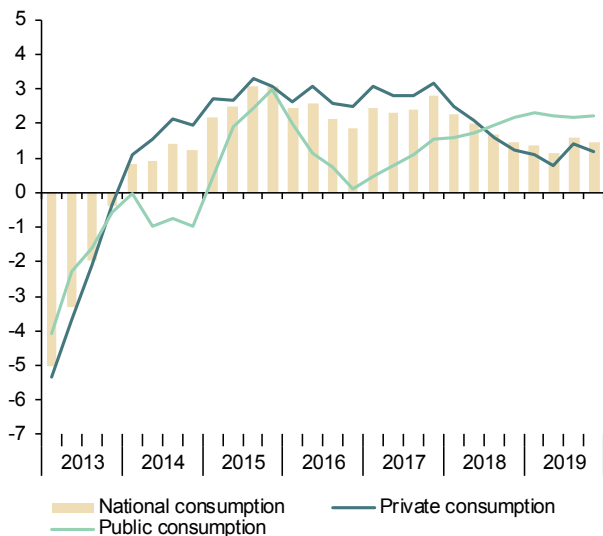
**Chart 1.2 - Contribution to GDP annual growth**

Percentage points



**Chart 1.3 - Final consumption**

Annual percentage change



**Chart 1.4 - Gross fixed capital formation**

Annual percentage change

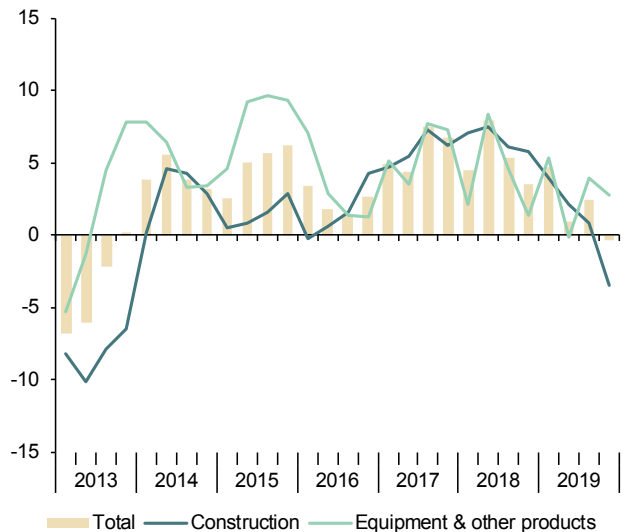




Table 2

**National accounts: Gross value added by economic activity SWDA\***

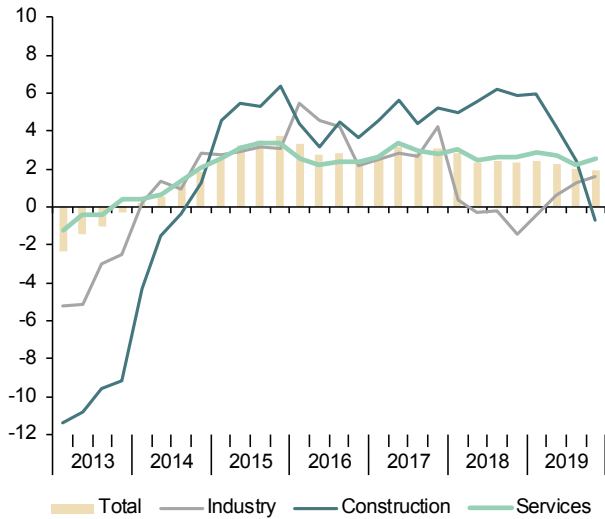
		Gross value added at basic prices								
		Industry				Services				
		Total	Agriculture, forestry and fishing	Total	Manufacturing	Construction	Total	Public administration, health, education	Other services	Taxes less subsidies on products
Chain-linked volumes, annual percentage changes										
2013		-1.3	13.9	-4.0	-1.0	-10.3	-0.4	0.2	-0.7	-3.1
2014		0.9	-1.3	1.3	2.1	-1.3	1.1	-0.7	1.7	6.1
2015		3.3	4.7	3.0	4.6	5.4	3.1	1.1	3.8	9.6
2016		2.8	4.8	4.1	2.3	3.9	2.4	1.4	2.7	5.2
2017		2.9	-3.0	3.1	4.9	4.9	2.9	1.5	3.4	2.8
2018		2.5	5.9	-0.4	0.7	5.7	2.7	1.7	3.0	1.2
2019		2.2	-2.6	0.7	0.5	2.9	2.6	2.0	2.8	0.0
2018	I	2.8	5.9	0.4	1.7	5.0	3.0	1.9	3.4	2.4
	II	2.4	7.8	-0.3	1.2	5.5	2.5	1.2	2.9	1.5
	III	2.4	3.0	-0.2	0.2	6.2	2.6	1.8	2.9	0.8
	IV	2.3	6.9	-1.5	-0.3	5.9	2.7	2.0	2.9	0.0
2019	I	2.4	0.1	-0.5	0.0	6.0	2.9	2.1	3.1	-0.5
	II	2.2	-4.5	0.6	0.0	4.2	2.7	2.2	2.8	-0.7
	III	2.0	0.1	1.2	0.6	2.4	2.2	1.8	2.4	0.3
	IV	1.9	-6.0	1.6	1.3	-0.7	2.5	1.9	2.8	1.0
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate										
2018	I	2.0	10.5	-1.7	-0.7	4.4	2.3	1.4	2.5	1.9
	II	2.4	8.3	-1.9	0.5	8.2	2.6	1.0	3.1	0.3
	III	2.3	-12.6	-0.3	-1.3	5.7	3.3	3.3	3.2	-0.6
	IV	2.6	25.0	-1.9	0.2	5.3	2.5	2.1	2.7	-1.4
2019	I	2.4	-15.2	2.2	0.8	4.7	3.0	2.0	3.4	-0.1
	II	1.7	-10.0	2.6	0.3	1.3	2.0	1.6	2.1	-0.8
	III	1.5	5.3	2.2	1.1	-1.6	1.4	1.5	1.4	3.4
	IV	2.2	-3.0	-0.6	3.0	-6.7	3.7	2.4	4.2	1.5
		Current prices EUR (billions)	Percentage of value added at basic prices							
2012		948	2.6	16.3	12.1	6.6	74.5	18.5	56.0	8.7
2013		932	2.9	16.4	12.2	5.8	74.9	18.9	56.0	9.4
2014		940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015		978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016		1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017		1,053	3.1	16.2	12.6	6.0	74.7	18.0	56.7	10.3
2018		1,088	3.1	15.9	12.4	6.2	74.8	18.0	56.9	10.5
2019		1,128	3.0	15.7	12.2	6.5	74.9	18.0	56.8	10.3

\* Seasonally and Working Day Adjusted.

Source: INE.

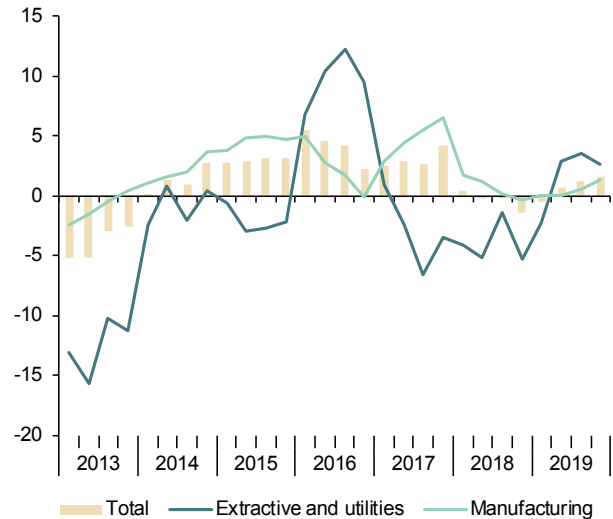
**Chart 2.1 - GVA by sectors**

Annual percentage change



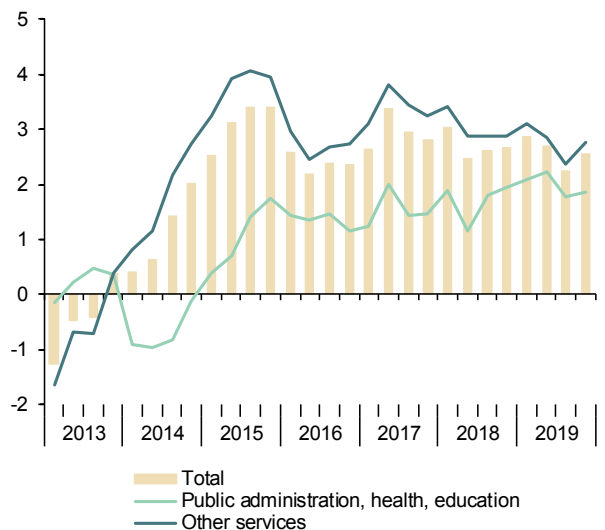
**Chart 2.2 - GVA, Industry**

Annual percentage change



**Chart 2.3 - GVA, services**

Annual percentage change



**Chart 2.4 - GVA, structure by sectors**

Percentage of value added at basic prices

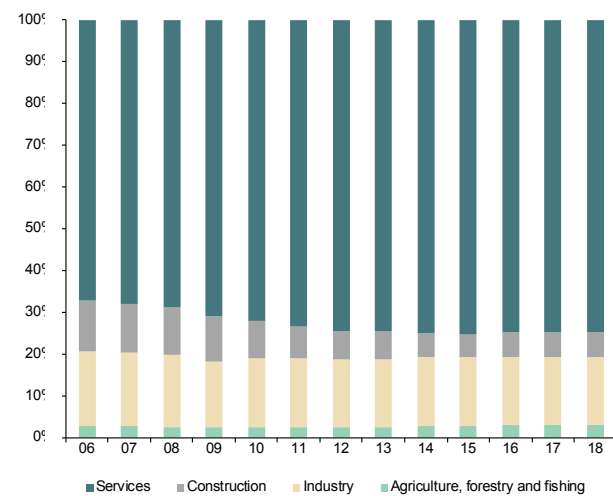


Table 3

### National accounts: Productivity and labour costs

Forecasts in yellow

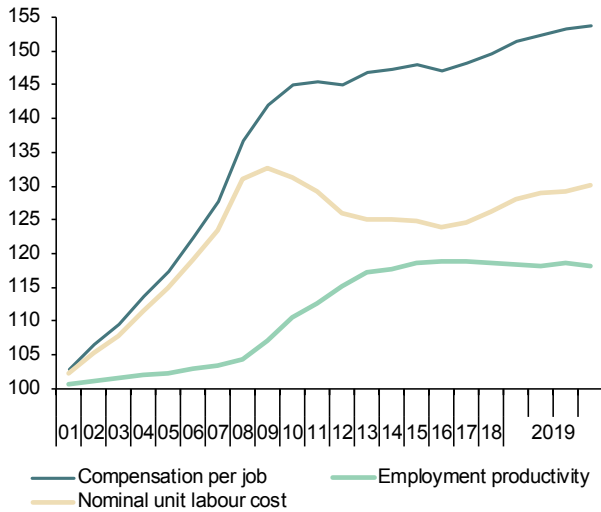
	Total economy						Manufacturing Industry						
	GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	
	1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12	
Indexes, 2010 = 100, SWDA													
2012	96.4	92.4	104.3	99.9	95.7	96.1	94.6	87.6	108.0	103.6	95.9	98.8	
2013	95.0	89.3	106.4	101.1	95.1	95.1	93.7	82.7	113.2	105.4	93.1	95.3	
2014	96.3	90.2	106.8	101.4	95.0	95.2	95.6	81.2	117.7	106.1	90.2	92.2	
2015	100.0	93.0	107.5	102.0	94.9	94.6	100.0	83.1	120.3	105.4	87.6	89.8	
2016	103.0	95.6	107.7	101.4	94.1	93.5	102.3	86.0	119.0	105.5	88.7	90.2	
2017	106.0	98.3	107.8	102.1	94.7	92.9	107.3	89.2	120.3	106.5	88.5	89.4	
2018	108.5	100.8	107.6	103.2	95.9	92.9	108.0	91.0	118.7	107.0	90.1	90.0	
2019	110.6	103.1	107.3	105.3	98.1	93.7	108.5	92.6	117.3	108.1	92.2	90.8	
2020	112.1	104.4	107.5	106.4	99.1	93.4	--	--	--	--	--	--	
2021	113.9	105.8	107.7	107.6	99.9	93.0	--	--	--	--	--	--	
2018	I	107.6	99.8	107.9	102.6	95.1	92.7	108.1	90.9	118.9	106.4	89.5	89.9
	II	108.2	100.5	107.7	102.8	95.4	92.6	108.2	91.1	118.7	106.6	89.8	89.5
	III	108.8	101.2	107.5	103.4	96.2	93.3	107.9	91.0	118.5	107.1	90.3	90.0
	IV	109.4	101.9	107.3	103.9	96.8	93.2	107.9	90.9	118.7	107.9	90.9	90.8
2019	I	110.0	102.5	107.3	104.4	97.4	93.7	108.1	91.8	117.8	107.7	91.4	90.7
	II	110.3	103.0	107.2	105.0	98.0	93.5	108.2	92.4	117.1	108.1	92.2	90.9
	III	110.8	103.1	107.5	105.7	98.3	93.7	108.5	93.5	116.1	107.9	93.0	91.7
	IV	111.4	103.9	107.2	106.0	98.9	93.7	109.3	92.6	118.0	108.8	92.2	89.8
Annual percentage changes													
2012	-3.0	-5.0	2.1	-0.4	-2.5	-2.4	-5.8	-8.1	2.4	2.0	-0.4	0.0	
2013	-1.4	-3.3	2.0	1.3	-0.7	-1.1	-1.0	-5.5	4.8	1.7	-2.9	-3.5	
2014	1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3	
2015	3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6	
2016	3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4	
2017	2.9	2.8	0.0	0.7	0.7	-0.7	4.9	3.7	1.1	1.0	-0.2	-0.9	
2018	2.4	2.5	-0.2	1.0	1.2	0.1	0.7	2.0	-1.3	0.5	1.8	0.7	
2019	2.0	2.3	-0.3	2.0	2.4	0.8	0.5	1.7	-1.2	1.1	2.3	0.8	
2020	1.4	1.2	0.2	1.1	0.9	-0.3	--	--	--	--	--	--	
2021	1.6	1.4	0.2	1.1	0.9	-0.4	--	--	--	--	--	--	
2018	I	2.8	2.6	0.2	0.6	0.4	-0.8	1.7	3.6	-1.8	0.4	2.3	0.8
	II	2.3	2.4	-0.1	0.9	1.0	-0.1	1.2	2.9	-1.7	0.5	2.3	0.6
	III	2.2	2.5	-0.2	1.3	1.5	0.6	0.2	1.5	-1.3	0.9	2.3	0.8
	IV	2.1	2.7	-0.6	1.3	1.9	0.6	-0.3	0.2	-0.5	0.0	0.6	0.8
2019	I	2.2	2.7	-0.6	1.8	2.4	1.1	0.0	1.0	-1.0	1.2	2.2	0.9
	II	2.0	2.5	-0.5	2.2	2.7	1.1	0.0	1.4	-1.4	1.3	2.7	1.6
	III	1.9	1.8	0.0	2.2	2.1	0.5	0.6	2.7	-2.0	0.8	2.9	1.8
	IV	1.8	2.0	-0.1	2.1	2.2	0.5	1.3	1.8	-0.5	0.8	1.4	-1.1

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

Source: INE and Funcas (Forecasts).

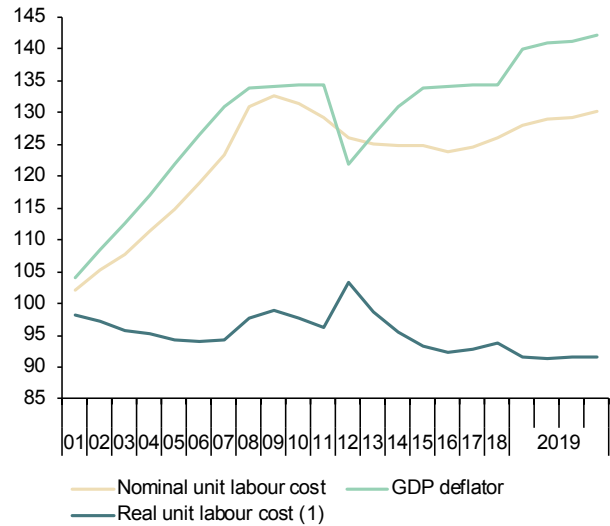
**Chart 3.1 - Nominal ULC, total economy**

Index, 2000=100



**Chart 3.2 - Real ULC, total economy**

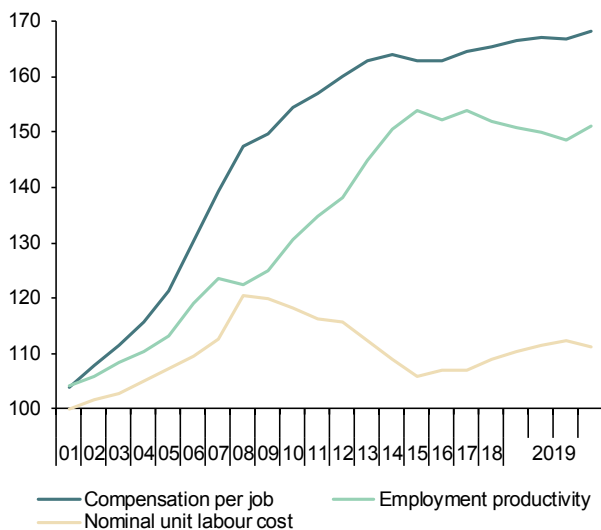
Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

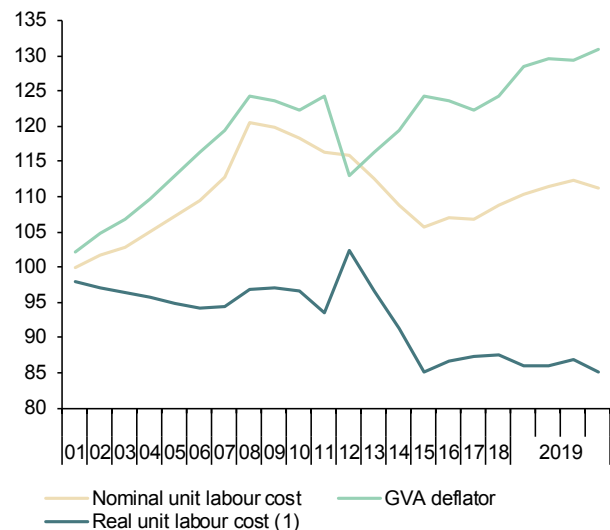
**Chart 3.3 - Nominal ULC, manufacturing industry**

Index, 2000=100



**Chart 3.4 - Real ULC, manufacturing industry**

Index, 2000=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

### National accounts: National income, distribution and disposition

Forecasts in yellow

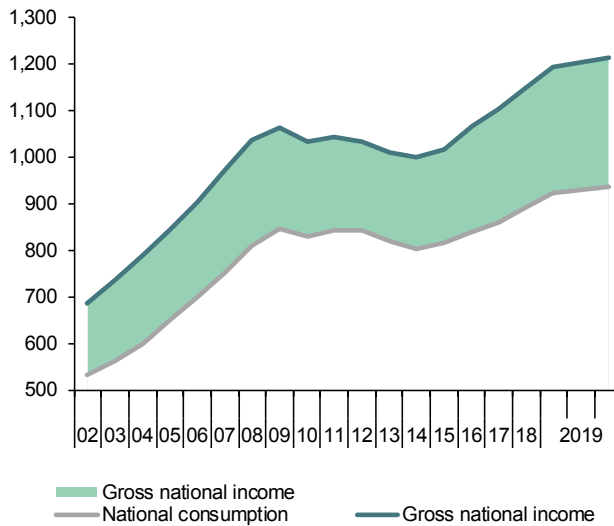
	Gross domestic product	Compensation of employees	Gross operating surplus	Gross national disposable income	Final national consumption	Gross national saving (a)	Gross capital formation	Compensation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing	
	EUR Billions, 4-quarter cumulated transactions							Percentage of GDP						
2013	1,020.3	467.5	455.0	1,001.1	804.6	196.5	175.7	45.8	44.6	19.3	17.2	2.0	2.6	
2014	1,032.2	473.5	455.4	1,017.7	815.4	202.3	184.8	45.9	44.1	19.6	17.9	1.7	2.1	
2015	1,077.6	492.9	472.6	1,066.7	840.1	226.5	204.7	45.7	43.9	21.0	19.0	2.0	2.7	
2016	1,113.8	503.7	495.8	1,104.8	860.5	244.3	208.9	45.2	44.5	21.9	18.8	3.2	3.4	
2017	1,161.9	523.4	518.7	1,151.4	894.6	256.8	225.7	45.1	44.6	22.1	19.4	2.7	2.9	
2018	1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4	
2019	1,244.8	570.5	546.1	1,234.6	950.4	280.8	260.1	45.8	43.9	22.6	20.9	1.7	2.5	
2020	1,279.0	585.5	556.7	1,266.7	976.9	289.8	270.8	45.8	43.5	22.7	21.2	1.5	1.8	
2021	1,317.6	602.3	574.6	1,304.0	1,002.3	301.8	282.4	45.7	43.6	22.9	21.4	1.5	1.8	
2018	I	1,173.2	528.1	524.1	1,161.7	902.1	259.6	228.9	45.0	44.7	22.1	19.5	2.6	2.9
	II	1,182.9	533.1	527.0	1,172.8	909.0	263.8	234.9	45.1	44.5	22.3	19.9	2.4	2.7
	III	1,192.2	538.7	529.1	1,181.7	917.2	264.6	239.1	45.2	44.4	22.2	20.1	2.1	2.5
	IV	1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019	I	1,212.4	551.2	534.1	1,202.8	931.3	271.5	251.5	45.5	44.1	22.4	20.7	1.7	2.1
	II	1,223.2	557.9	537.9	1,213.5	938.2	275.3	254.5	45.6	44.0	22.5	20.8	1.7	2.2
	III	1,233.9	564.0	541.6	1,223.4	944.4	279.0	258.4	45.7	43.9	22.6	20.9	1.7	2.1
	IV	1,244.8	570.5	546.1	--	950.4	--	260.1	45.8	43.9	--	20.9	--	--
	Annual percentage changes							Difference from one year ago						
2013	-1.0	-2.9	-0.8	-1.0	-1.8	2.9	-7.6	-0.9	0.1	0.7	-1.2	2.0	2.0	
2014	1.2	1.3	0.1	1.7	1.3	3.0	5.2	0.1	-0.5	0.3	0.7	-0.3	-0.5	
2015	4.4	4.1	3.8	4.8	3.0	12.0	10.8	-0.1	-0.3	1.4	1.1	0.3	0.5	
2016	3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7	
2017	4.3	3.9	4.6	4.2	4.0	5.1	8.1	-0.2	0.1	0.2	0.7	-0.5	-0.5	
2018	3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5	
2019	3.5	4.8	2.7	--	2.8	--	6.2	0.5	-0.4	--	0.5	--	--	
2020	2.8	2.6	1.9	2.6	2.8	3.2	4.1	0.0	-0.4	0.1	0.3	-0.2	-0.7	
2021	3.0	2.9	3.2	2.9	2.6	4.1	4.3	-0.1	0.1	0.2	0.2	0.0	0.0	
2018	I	4.4	3.9	4.9	4.0	3.8	4.4	8.3	-0.2	0.2	0.0	0.7	-0.7	-0.5
	II	4.0	3.9	4.0	4.0	3.6	5.6	9.3	0.0	0.0	0.3	1.0	-0.6	-0.5
	III	3.8	4.0	3.3	3.8	3.5	4.7	8.3	0.1	-0.2	0.2	0.8	-0.6	-0.5
	IV	3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019	I	3.3	4.4	1.9	3.5	3.2	4.6	9.9	0.4	-0.6	0.3	1.2	-1.0	-0.8
	II	3.4	4.6	2.1	3.5	3.2	4.4	8.3	0.5	-0.6	0.2	0.9	-0.7	-0.6
	III	3.5	4.7	2.4	3.5	3.0	5.5	8.1	0.5	-0.5	0.4	0.9	-0.5	-0.3
	IV	3.5	4.8	2.7	--	2.8	--	6.2	0.5	-0.4	--	0.5	--	--

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

Source: INE and Funcas (Forecasts).

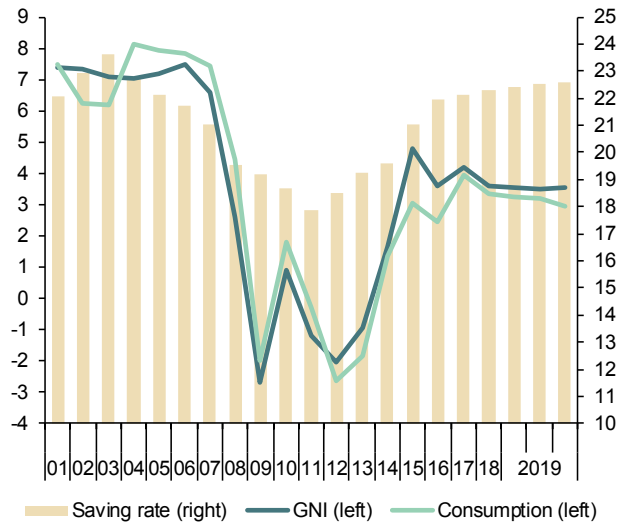
**Chart 4.1 - National income, consumption and saving**

EUR Billions, 4-quarter cumulated



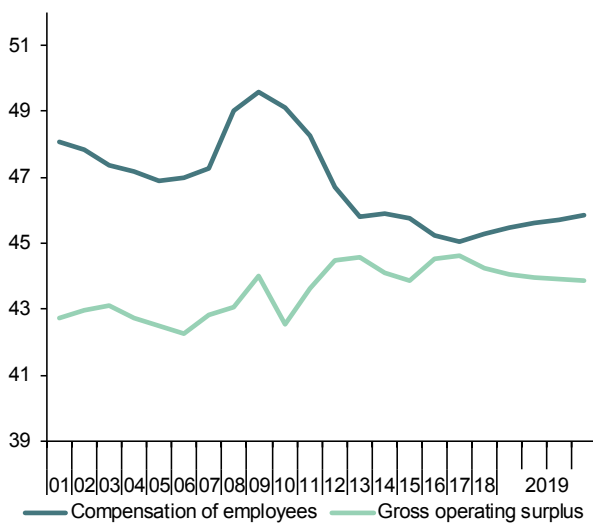
**Chart 4.2 - National income, consumption and saving rate**

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



**Chart 4.3 - Components of National Income**

Percentage of GDP, 4-quarter moving averages



**Chart 4.4 - Saving, Investment and Current Account Balance**

Percentage of GDP, 4-quarter moving averages

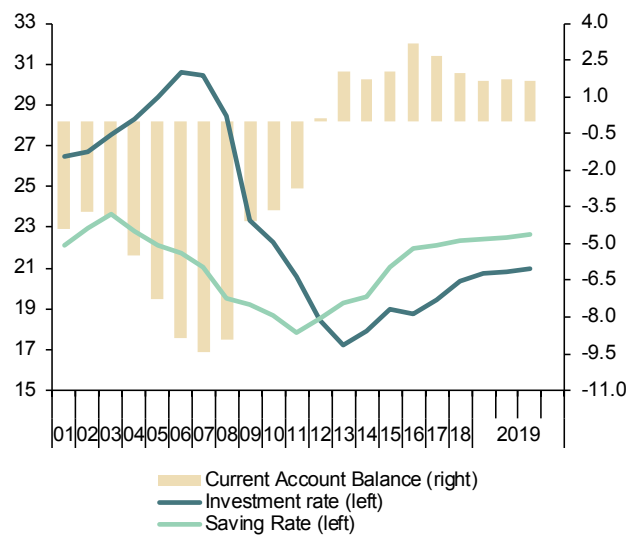


Table 5

**National accounts: Household and non-financial corporations accounts**

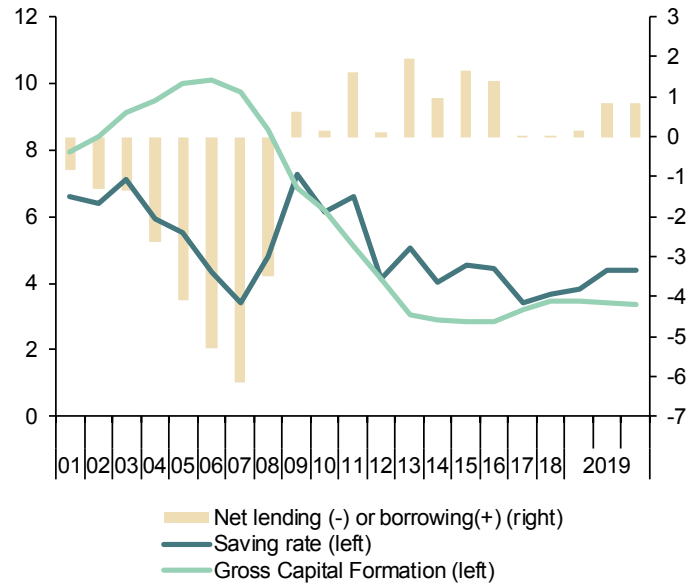
Forecasts in yellow

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

Source: INE and Funcas (Forecasts).

### Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages



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

Percentage of GDP, 4-quarter moving averages

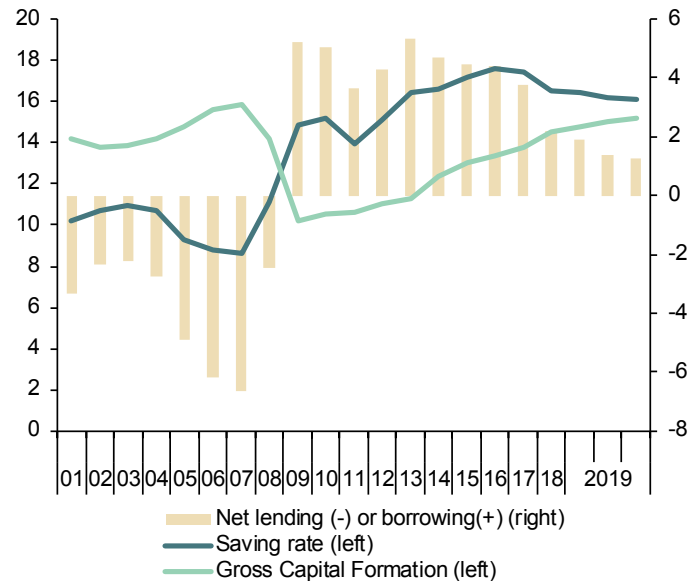




Table 6

### National accounts: Public revenue, expenditure and deficit

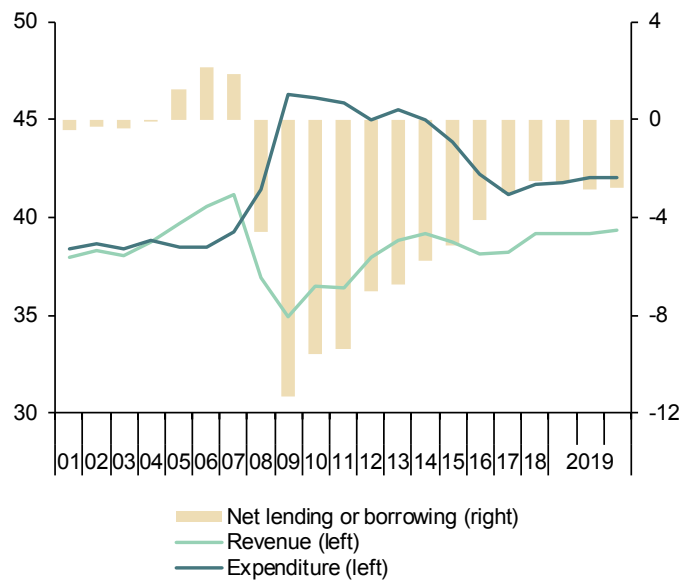
Forecasts in yellow

	Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing(-) excluding financial entities bail-out expenditures	
	Taxes on production and imports	Taxes on income and wealth	Social contributions	Capital and other revenue	Total	Compensation of employees	Intermediate consumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expenditure	Total			
	1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8+9+10+11	13=5-12	14	
	EUR Billions, 4-quarter cumulated operations														
2013	112.8	102.2	126.9	53.9	395.9	114.4	55.7	31.3	198.8	35.2	32.3	467.6	-71.8	-68.5	
2014	118.5	104.4	129.0	52.7	404.6	115.0	56.3	35.4	198.5	32.4	28.1	465.7	-61.1	-59.7	
2015	126.4	107.1	131.5	52.1	417.2	119.2	59.0	35.5	198.6	35.4	25.3	473.0	-55.8	-55.2	
2016	128.9	110.0	135.6	50.3	424.8	121.5	58.7	32.4	203.0	30.4	26.7	472.7	-48.0	-45.6	
2017	135.1	116.9	142.4	49.1	443.5	123.5	59.9	30.7	207.4	30.6	26.6	478.7	-35.1	-34.6	
2018	140.9	127.3	149.4	53.4	471.0	127.6	62.1	29.3	216.3	36.3	29.9	501.5	-30.5	-30.4	
2019	145.7	131.5	159.9	53.2	490.3	133.1	63.9	29.3	229.5	37.2	28.3	521.2	-30.9	-30.9	
2020	149.6	135.7	164.7	53.0	503.0	136.5	65.2	28.1	237.1	37.6	29.5	534.1	-31.1	-31.1	
2021	154.0	140.5	169.4	54.5	518.3	139.8	66.4	27.6	245.5	38.5	30.7	548.5	-30.1	-30.1	
2017	IV	135.1	116.9	142.4	49.1	443.5	123.5	59.4	29.3	207.4	30.6	28.5	478.7	-35.1	-34.6
2018	I	136.6	118.7	144.3	49.3	448.8	124.0	59.6	29.0	208.8	32.2	29.5	483.0	-34.2	-33.8
	II	138.4	120.1	146.0	50.5	455.1	124.8	60.3	28.9	210.5	33.8	29.4	487.7	-32.6	-32.5
	III	139.5	123.0	147.7	51.2	461.4	126.0	60.8	29.3	213.3	34.0	29.6	493.3	-31.8	-31.7
	IV	140.9	127.3	149.4	53.4	471.0	127.6	61.5	29.3	216.3	36.3	30.4	501.5	-30.5	-30.4
2019	I	142.3	127.0	152.4	53.8	475.5	129.2	62.2	28.7	219.2	36.5	31.1	507.0	-31.4	-31.6
	II	142.3	129.0	155.3	53.4	480.0	131.5	62.5	29.0	223.8	36.7	31.5	515.0	-35.1	-35.0
	III	143.0	130.8	157.6	53.5	484.8	132.5	63.1	28.4	225.8	37.3	32.1	519.1	-34.3	-34.2
	Percentage of GDR, 4-quarter cumulated operations														
2013	11.1	10.0	12.4	5.3	38.8	11.2	5.5	3.1	19.5	3.4	3.2	45.8	-7.0	-6.7	
2014	11.5	10.1	12.5	5.1	39.2	11.1	5.5	3.4	19.2	3.1	2.7	45.1	-5.9	-5.8	
2015	11.7	9.9	12.2	4.8	38.7	11.1	5.5	3.3	18.4	3.3	2.3	43.9	-5.2	-5.1	
2016	11.6	9.9	12.2	4.5	38.1	10.9	5.3	2.9	18.2	2.7	2.4	42.4	-4.3	-4.1	
2017	11.6	10.1	12.3	4.2	38.2	10.6	5.2	2.6	17.9	2.6	2.3	41.2	-3.0	-3.0	
2018	11.7	10.6	12.4	4.4	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5	
2019	11.7	10.6	12.8	4.3	39.4	10.7	5.1	2.4	18.4	3.0	2.3	41.9	-2.5	-2.5	
2020	11.7	10.6	12.9	4.1	39.3	10.7	5.1	2.2	18.5	2.9	2.3	41.8	-2.4	-2.4	
2021	11.7	10.7	12.9	4.1	39.3	10.6	5.0	2.1	18.6	2.9	2.3	41.6	-2.3	-2.3	
2017	IV	11.6	10.1	12.3	4.2	38.2	10.6	5.1	2.5	17.9	2.6	2.5	41.2	-3.0	-3.0
2018	I	11.7	10.1	12.3	4.2	38.3	10.6	5.1	2.5	17.8	2.7	2.5	41.2	-2.9	-2.9
	II	11.7	10.2	12.4	4.3	38.5	10.6	5.1	2.4	17.8	2.9	2.5	41.3	-2.8	-2.7
	III	11.7	10.3	12.4	4.3	38.8	10.6	5.1	2.5	17.9	2.9	2.5	41.4	-2.7	-2.7
	IV	11.7	10.6	12.4	4.4	39.2	10.6	5.1	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019	I	11.7	10.5	12.6	4.4	39.2	10.7	5.1	2.4	18.1	3.0	2.6	41.8	-2.6	-2.6
	II	11.6	10.5	12.7	4.4	39.2	10.7	5.1	2.4	18.3	3.0	2.6	42.1	-2.9	-2.9
	III	11.6	10.6	12.8	4.3	39.3	10.7	5.1	2.3	18.3	3.0	2.6	42.1	-2.8	-2.8

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

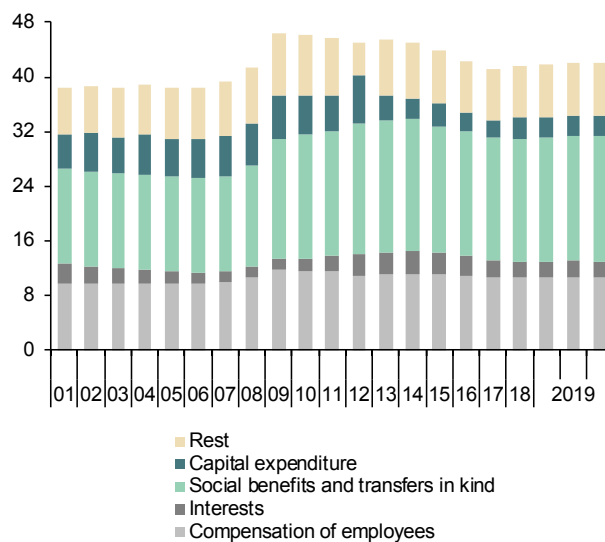


Table 7

**Public sector balances, by level of Government**

Forecasts in yellow

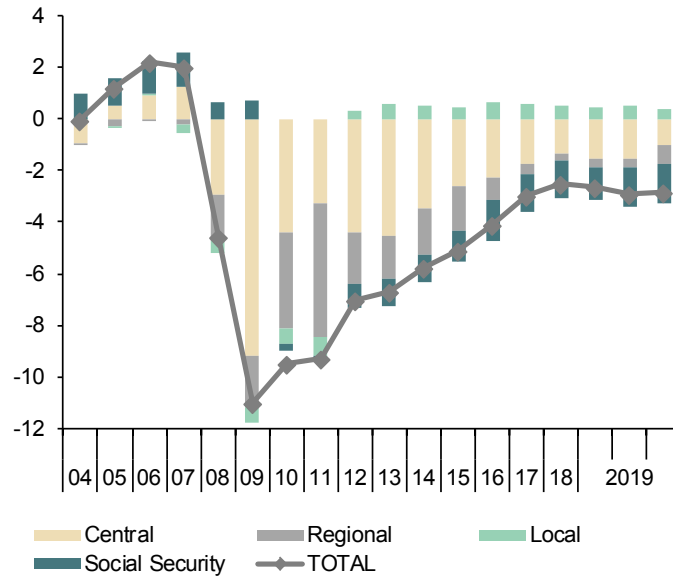
	Net lending (+)/ net borrowing (-) (a)					Debt					
	Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	Total Government (consolidated)	
	EUR Billions, 4-quarter cumulated operations					EUR Billions, end of period					
2013	-46.5	-16.4	5.7	-11.3	-68.5	849.4	210.5	42.1	17.2	977.3	
2014	-35.9	-18.7	5.5	-10.6	-59.7	901.4	237.9	38.3	17.2	1,039.4	
2015	-28.2	-18.9	4.6	-12.9	-55.2	939.3	263.3	35.1	17.2	1,070.1	
2016	-25.7	-9.5	7.0	-17.4	-45.6	968.4	277.0	32.2	17.2	1,104.6	
2017	-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1	
2018	-15.9	-3.3	6.1	-17.4	-30.4	1,047.2	293.4	25.8	41.2	1,173.3	
2019	--	--	--	--	-30.9	--	--	--	--	1,205.7	
2020	--	--	--	--	-31.1	--	--	--	--	1,235.8	
2021	--	--	--	--	-30.1	--	--	--	--	1,264.9	
2017	IV	-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018	I	-21.4	-3.1	6.7	-16.0	-33.8	1,029.0	289.7	29.0	27.4	1,162.1
	II	-18.6	-2.9	5.5	-16.5	-32.5	1,034.9	293.4	29.4	34.9	1,166.0
	III	-18.0	-2.9	5.2	-16.0	-31.7	1,048.7	292.4	28.0	34.9	1,177.7
	IV	-15.9	-3.3	6.1	-17.4	-30.4	1,047.2	293.4	25.8	41.2	1,173.3
2019	I	-18.5	-3.4	5.6	-15.3	-31.6	1,069.8	296.9	26.0	43.1	1,200.5
	II	-18.4	-4.1	5.8	-18.3	-35.0	1,075.9	300.6	26.2	48.7	1,211.4
	III	-12.5	-8.6	5.0	-18.1	-34.2	1,074.2	298.1	25.2	52.4	1,207.8
		Percentage of GDP, 4-quarter cumulated operations				Percentage of GDP					
2013		-4.6	-1.6	0.6	-1.1	-6.7	83.3	20.6	4.1	1.7	95.8
2014		-3.5	-1.8	0.5	-1.0	-5.8	87.3	23.1	3.7	1.7	100.7
2015		-2.6	-1.8	0.4	-1.2	-5.1	87.2	24.4	3.3	1.6	99.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	86.9	24.9	2.9	1.5	99.2
2017		-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018		-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019		--	--	--	--	-2.5	--	--	--	--	96.9
2020		--	--	--	--	-2.4	--	--	--	--	96.6
2021		--	--	--	--	-2.3	--	--	--	--	96.0
2017	IV	-1.8	-0.4	0.6	-1.5	-3.1	90.0	25.6	2.6	2.4	101.9
2018	I	-1.9	-0.3	0.6	-1.4	-3.0	90.5	25.5	2.5	2.4	102.2
	II	-1.6	-0.3	0.5	-1.4	-2.8	90.1	25.5	2.6	3.0	101.5
	III	-1.5	-0.2	0.4	-1.4	-2.7	90.3	25.2	2.4	3.0	101.4
	IV	-1.4	-0.3	0.5	-1.5	-2.6	89.3	25.0	2.2	3.5	100.0
2019	I	-1.6	-0.3	0.5	-1.3	-2.7	90.4	25.1	2.2	3.6	101.5
	II	-1.5	-0.3	0.5	-1.5	-2.9	90.2	25.2	2.2	4.1	101.6
	III	-1.0	-0.7	0.4	-1.5	-2.8	89.4	24.8	2.1	4.4	100.5

(a) Excluding financial entities bail-out expenditures.

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

**Chart 7.1 - Government deficit**

Percent of GDP, 4-quarter cumulated operations



**Chart 7.2 - Government debt**

Percent of GDP

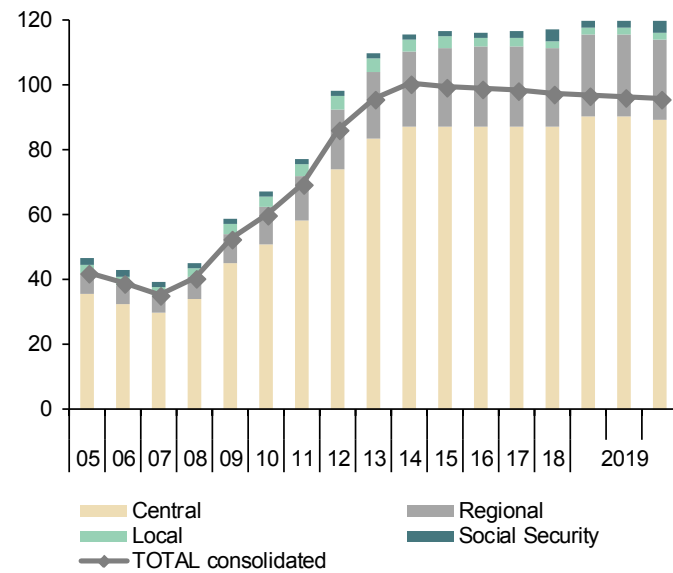


Table 8

**General activity and industrial sector indicators (a)**

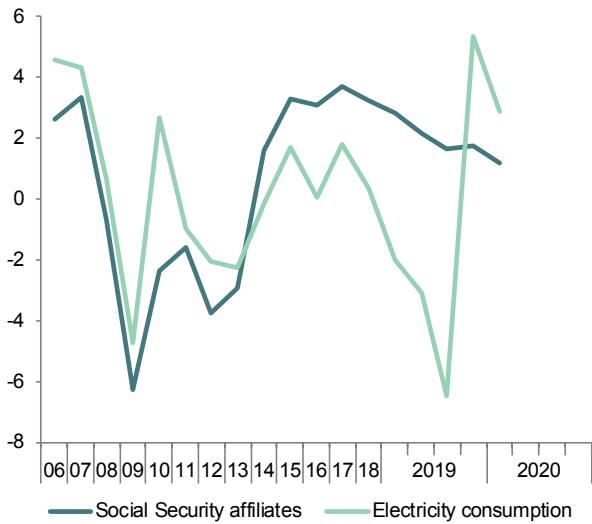
	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing Turnover index deflated	Industrial orders
	Index	Index	Thousands	1,000 GWH	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2013	90.1	48.3	15,855.2	250.0	95.5	2,021.6	48.5	-14.0	94.2	-30.7
2014	100.5	55.1	16,111.1	249.6	96.8	2,022.8	53.2	-7.1	96.1	-16.3
2015	107.8	56.7	16,641.8	253.8	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016	105.6	54.9	17,157.5	253.8	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017	108.4	56.2	17,789.6	258.4	105.0	2,191.0	54.8	1.0	107.0	2.2
2018	108.0	54.6	18,364.5	259.3	105.3	2,250.9	53.3	-0.1	108.6	-0.2
2019	104.1	52.7	18,844.1	252.4	106.1	2,283.2	49.1	-3.9	109.0	-4.8
2020 (b)	102.1	51.7	18,756.3	47.8	102.8	2,274.3	49.6	-4.6	--	-8.9
2018 II	109.5	55.4	18,292.7	64.7	105.2	2,246.5	53.8	1.2	109.2	2.9
III	106.4	52.7	18,427.6	65.6	105.4	2,257.0	52.4	-2.6	109.2	-2.4
IV	105.9	53.7	18,579.7	64.2	105.0	2,265.5	51.8	-1.9	109.0	-2.4
2019 I	104.8	54.5	18,709.6	63.8	106.2	2,274.0	51.1	-3.8	109.0	-5.9
II	104.3	52.4	18,808.6	63.3	106.7	2,281.1	49.9	-4.6	109.0	-2.7
III	105.6	52.0	18,884.6	62.3	106.3	2,286.5	48.2	-2.0	109.0	-4.6
IV	101.8	51.9	18,967.3	63.1	105.5	2,291.1	47.2	-5.2	108.8	-6.3
2020 I (b)	102.1	51.7	19,022.3	42.4	105.1	2,292.1	49.6	-4.6	--	-8.9
2019 Dec	102.7	52.7	18,986.0	21.0	105.0	2,292.0	47.4	-2.6	108.8	-2.9
2020 Jan	101.5	51.5	19,004.3	21.1	105.1	2,292.0	48.5	-5.2	--	-10.0
Feb	102.7	51.8	19,040.4	21.1	--	2,292.3	50.7	-4.0	--	-7.9
Percentage changes (c)										
2013	--	--	-2.9	-2.2	-1.6	-4.4	--	--	-2.6	--
2014	--	--	1.6	-0.2	1.3	0.1	--	--	2.0	--
2015	--	--	3.3	1.7	3.4	2.2	--	--	4.1	--
2016	--	--	3.1	0.0	1.8	2.8	--	--	2.7	--
2017	--	--	3.7	1.8	3.2	3.1	--	--	4.3	--
2018	--	--	3.2	0.3	0.2	2.7	--	--	1.5	--
2019	--	--	2.6	-2.6	0.7	1.4	--	--	0.3	--
2020 (d)	--	--	1.7	-0.7	-2.2	0.9	--	--	--	--
2018 II	--	--	3.0	-2.8	-3.6	2.1	--	--	0.4	--
III	--	--	3.0	5.6	0.7	1.9	--	--	-0.1	--
IV	--	--	3.3	-8.3	-1.4	1.5	--	--	-0.5	--
2019 I	--	--	2.8	-2.0	4.5	1.5	--	--	0.0	--
II	--	--	2.1	-3.1	2.0	1.2	--	--	0.1	--
III	--	--	1.6	-6.5	-1.5	1.0	--	--	-0.3	--
IV	--	--	1.8	5.3	-3.0	0.8	--	--	-0.5	--
2020 I (e)	--	--	1.2	2.9	-1.4	0.2	--	--	--	--
2019 Dec	--	--	0.1	-1.4	-1.2	0.0	--	--	0.0	--
2020 Jan	--	--	0.1	1.0	0.2	0.0	--	--	--	--
Feb	--	--	0.2	0.9	--	0.0	--	--	--	--

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

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

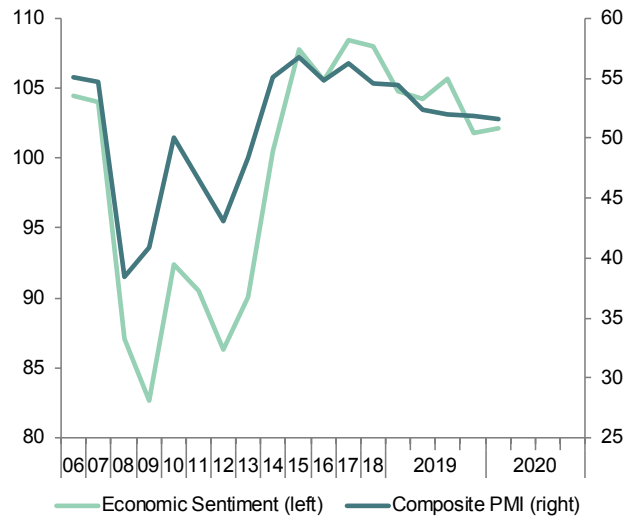
**Chart 8.1 - General activity indicators (I)**

Annualized percent change from previous period



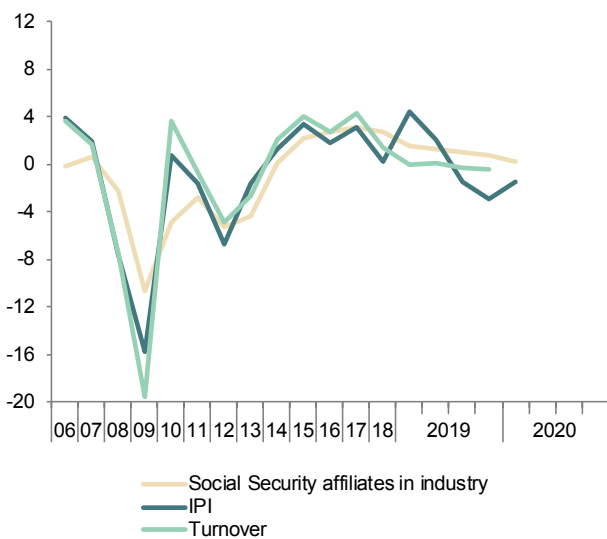
**Chart 8.2.- General activity indicators (II)**

Index



**Chart 8.3 - Industrial sector indicators (I)**

Annualized percent change from previous period



**Chart 8.4 - Industrial sector indicators (II)**

Index



Table 9

**Construction and services sector indicators (a)**

	Construction indicators					Service sector indicators					
	Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
	Thousands	2015=100 (smoothed)	Balance of responses	EUR Billions (smoothed)	Million m <sup>2</sup>	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2012	1,135.5	101.2	-54.9	7.4	8.5	11,909.7	94.8	43.1	280.7	193.2	-21.5
2013	996.8	93.6	-55.6	9.2	6.8	11,727.9	92.9	48.3	286.0	186.5	-15.3
2014	980.3	92.8	-41.4	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	9.9
2015	1,026.7	100.0	-25.3	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	19.4
2016	1,053.9	102.6	-39.6	9.2	12.7	12,851.6	104.2	55.0	331.2	229.4	17.8
2017	1,118.8	111.5	-26.9	12.7	15.9	13,338.2	111.0	56.4	340.6	248.4	22.5
2018	1,194.1	114.2	-4.6	16.6	19.8	13,781.3	117.5	54.8	340.0	262.9	21.7
2019	1,254.9	124.8	-7.0	18.4	20.0	14,169.1	122.2	53.9	343.2	274.4	13.9
2020 (b)	1,248.8	107.3	-7.7	1.5	--	14,110.3	--	52.2	16.0	33.7	10.6
2018 II	1,183.1	113.8	-4.1	3.9	5.2	13,724.7	117.1	55.8	85.3	65.5	23.5
III	1,205.4	115.9	-8.3	4.4	4.9	13,829.7	118.7	52.6	85.7	66.4	21.6
IV	1,224.0	118.9	-1.6	4.9	5.0	13,943.7	120.0	54.0	86.2	67.5	18.0
2019 I	1,244.7	122.4	-0.6	5.0	5.2	14,041.7	121.1	55.3	86.4	68.3	15.5
II	1,252.8	124.2	-7.8	4.8	5.5	14,134.8	122.0	53.1	86.5	68.7	14.8
III	1,258.3	124.7	-7.4	4.5	4.8	14,208.2	122.7	53.5	86.6	68.9	14.2
IV	1,264.3	124.9	-12.4	4.3	4.5	14,287.5	123.4	53.6	87.1	69.5	11.0
2020 I (b)	1,269.8	124.9	-7.7	1.4	--	14,348.2	--	52.2	29.2	46.6	10.6
2019 Dec	1,264.4	124.9	-13.9	1.4	1.5	14,311.5	123.7	54.9	29.1	23.2	11.3
2020 Jan	1,267.8	124.9	-5.5	1.4	--	14,334.3	--	52.3	29.2	23.3	11.2
Feb	1,271.9	--	-9.9	--	--	14,362.2	--	52.1	--	23.3	9.9
Percentage changes (c)											
2012	-17.0	-28.2	--	-45.5	-39.9	-2.2	-6.1	--	-2.1	-5.0	--
2013	-12.2	-7.5	--	23.2	-20.3	-1.5	-2.0	--	1.9	-3.5	--
2014	-1.7	-0.9	--	42.6	2.2	2.3	2.6	--	3.2	4.6	--
2015	4.7	7.8	--	-28.2	42.6	3.6	4.9	--	4.4	6.0	--
2016	2.6	2.6	--	-1.7	29.0	3.4	4.2	--	7.4	11.0	--
2017	6.2	8.7	--	37.1	24.8	3.8	6.6	--	2.8	8.3	--
2018	6.7	2.5	--	30.9	24.5	3.3	5.8	--	-0.2	5.8	--
2019	5.1	9.2	--	11.3	1.3	2.8	4.0	--	0.9	4.4	--
2020 (d)	2.3	0.5	--	-38.8	--	2.3	--	--	2.9	3.1	--
2018 II	6.4	2.8	--	35.3	23.5	2.9	6.0	--	0.4	5.3	--
III	7.7	7.4	--	28.1	32.7	3.1	5.6	--	1.7	5.9	--
IV	6.3	11.0	--	30.7	23.3	3.3	4.4	--	2.5	6.9	--
2019 I	7.0	12.1	--	33.1	11.0	2.8	3.7	--	1.0	4.9	--
II	2.6	6.2	--	23.8	6.8	2.7	3.1	--	0.1	1.9	--
III	1.8	1.4	--	1.8	-3.4	2.1	2.4	--	0.5	1.7	--
IV	1.9	0.7	--	-13.1	-8.8	2.2	2.3	--	2.3	3.1	--
2020 I (e)	1.8	0.0	--	-15.7	--	1.7	--	--	2.3	2.8	--
2019 Dec	0.0	0.0	--	-14.4	3.6	0.2	0.2	--	0.3	0.3	--
2020 Jan	0.3	0.0	--	-38.8	--	0.2	--	--	0.3	0.3	--
Feb	0.3	--	--	--	--	0.2	--	--	--	0.3	--

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

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

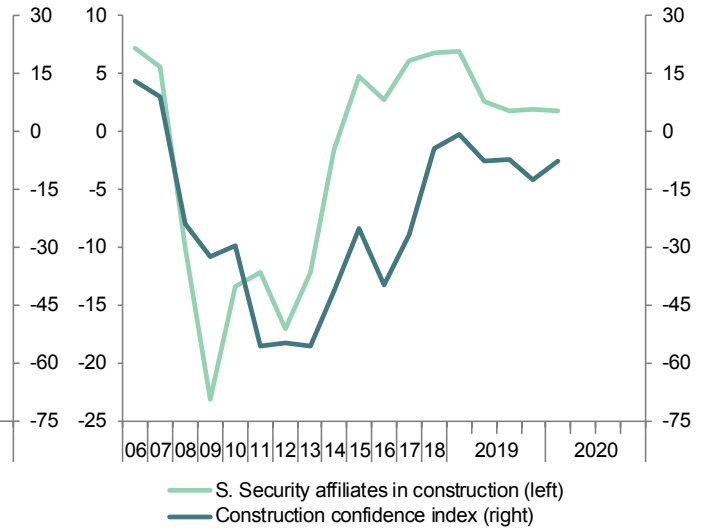
**Chart 9.1 - Construction indicators (I)**

Annualized percentage changes from previous period and index



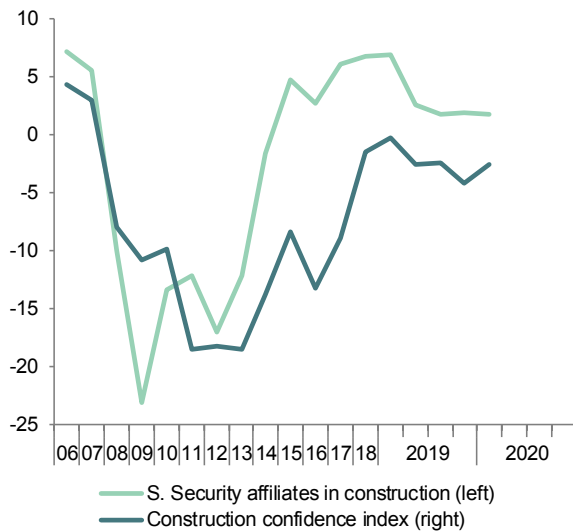
**Chart 9.2 - Construction indicators (II)**

Annualized percentage changes from previous period



**Chart 9.3 - Services indicators (I)**

Annualized percentage change from previous period



**Chart 9.4 - Services indicators (II)**

Index

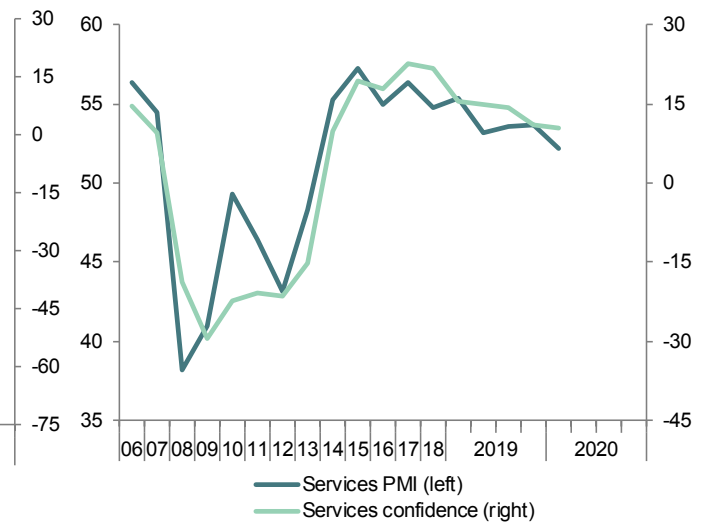




Table 10

**Consumption and investment indicators (a)**

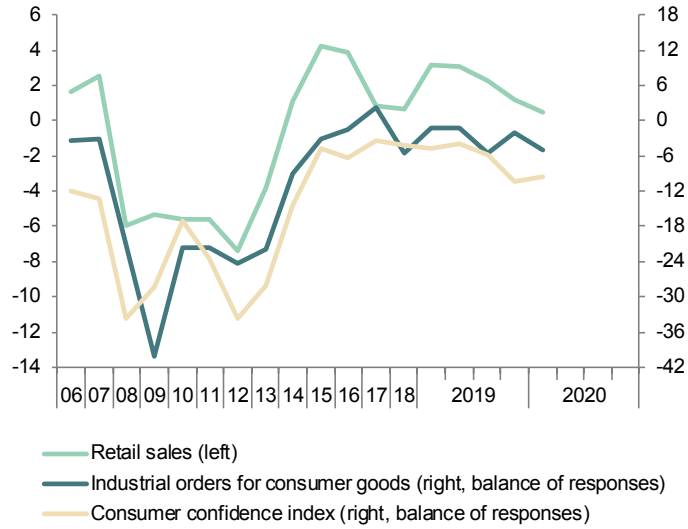
	Consumption indicators					Investment in equipment indicators			
	Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)	
	2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)	
2012	98.8	710.6	-33.7	102.1	-24.2	107.7	-38.6	60.6	
2013	95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9	
2014	96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6	
2015	100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3	
2016	103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2	
2017	104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3	
2018	105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4	
2019	107.9	1,375.6	-6.3	119.5	-2.5	220.9	8.8	105.6	
2020	(b) 109.4	199.4	-9.7	5.7	-5.1	31.6	-7.7	--	
2018	II	105.3	361.8	-3.0	29.0	-5.1	57.7	15.7	106.0
	III	105.5	357.7	-3.7	29.2	-10.4	58.1	11.3	106.8
	IV	106.1	345.3	-6.2	29.6	-6.3	57.6	8.8	106.1
	2019	I	106.9	340.0	-4.8	29.8	-1.3	56.8	10.9
II		107.7	340.4	-4.0	29.9	-1.3	55.7	16.4	106.7
III		108.3	341.1	-5.8	29.9	-5.5	54.4	6.8	105.8
IV		108.6	337.8	-10.5	29.9	-2.0	52.9	1.2	102.3
2020	I (b)	108.7	220.7	-9.7	10.0	-5.1	34.5	-7.7	--
2019	Dec	108.7	111.9	-12.1	10.0	-0.6	17.5	5.4	100.7
2020	Jan	108.7	110.9	-11.5	10.0	2.0	17.3	-4.3	--
	Feb	--	109.9	-7.9	--	-12.3	17.2	-11.2	--
Percentage changes (c)									
2012	-7.4	-12.1	--	-8.4	--	-24.2	--	-10.9	
2013	-3.8	4.5	--	-1.4	--	-0.1	--	13.7	
2014	1.1	19.9	--	4.1	--	27.8	--	18.4	
2015	4.2	22.9	--	5.3	--	31.1	--	14.4	
2016	3.9	12.4	--	3.6	--	6.1	--	4.1	
2017	0.8	9.1	--	1.4	--	8.5	--	6.4	
2018	0.7	6.1	--	0.6	--	10.8	--	2.0	
2019	2.3	-3.4	--	2.6	--	-4.0	--	0.2	
2020	(d) 1.6	-5.9	--	3.5	--	-12.9	--	--	
2018	II	0.1	3.5	--	0.2	--	8.1	--	7.8
	III	0.7	-4.5	--	2.7	--	2.7	--	2.9
	IV	2.2	-13.1	--	4.8	--	-3.6	--	-2.5
	2019	I	3.1	-6.0	--	3.1	--	-5.0	--
II		3.0	0.5	--	1.3	--	-7.8	--	2.0
III		2.3	0.8	--	-0.2	--	-9.1	--	-3.4
IV		1.2	-3.8	--	0.1	--	-10.4	--	-12.6
2020	I (e)	0.5	-7.7	--	0.9	--	-8.2	--	--
2019	Dec	0.1	-0.7	--	0.1	--	-0.9	--	-1.6
2020	Jan	0.1	-0.9	--	0.1	--	-0.8	--	--
	Feb	--	-0.9	--	--	--	-0.8	--	--

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

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

### Chart 10.1 - Consumption indicators

Percent change from previous period and balance of responses



### Chart 10.2 - Investment indicators

Percent change from previous period and balance of responses

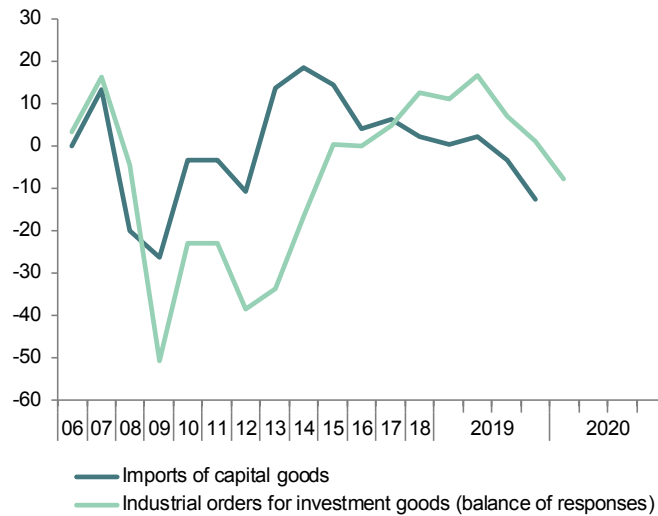


Table 11a

### Labour market (I)

Forecasts in yellow

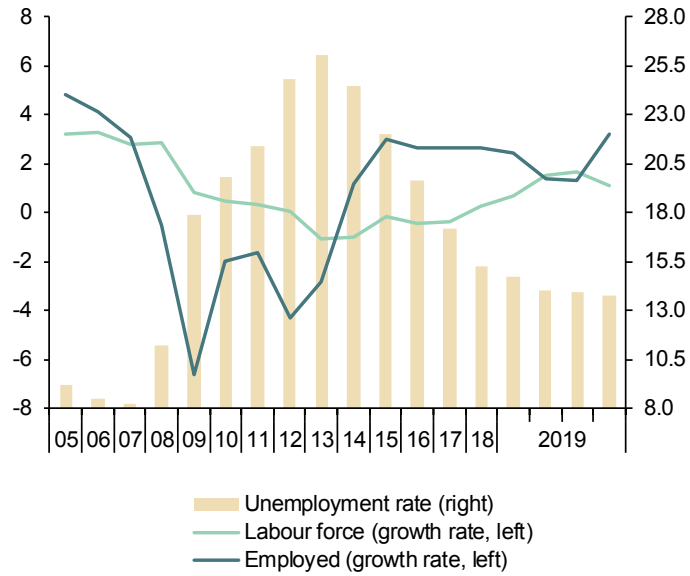
	Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)				
		Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted			Total	Aged 16-24	Spanish	Foreign	
		I	2=4+6	3=5+7	4	5	6			7	Seasonally adjusted			
										Percentage				
										10=7/3	11	12	13	
										Million				
2013	38.6	23.2	--	17.1	--	6.1	--	60.0	44.4	26.1	55.5	24.4	37.0	
2014	38.5	23.0	--	17.3	--	5.6	--	59.6	45.0	24.4	53.2	23.0	34.5	
2015	38.5	22.9	--	17.9	--	5.1	--	59.5	46.4	22.1	48.3	20.9	30.5	
2016	38.5	22.8	--	18.3	--	4.5	--	59.2	47.6	19.6	44.4	18.7	26.6	
2017	38.7	22.7	--	18.8	--	3.9	--	58.8	48.7	17.2	38.6	16.3	23.8	
2018	38.9	22.8	--	19.3	--	3.5	--	58.6	49.7	15.3	34.4	14.3	21.9	
2019	39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.6	13.2	20.1	
2020	39.6	23.2	--	20.0	--	3.2	--	58.6	50.5	13.7	--	--	--	
2021	39.8	23.2	--	20.3	--	2.9	--	58.3	50.9	12.6	--	--	--	
2018	I	38.8	22.7	22.8	18.9	19.0	3.8	3.8	58.7	48.9	16.7	36.3	15.7	24.3
	II	38.8	22.8	22.8	19.3	19.2	3.5	3.6	58.7	49.4	15.3	34.7	14.3	21.9
	III	38.9	22.9	22.8	19.5	19.3	3.3	3.5	58.6	49.6	14.6	33.0	13.7	20.6
	IV	39.0	22.9	22.8	19.6	19.4	3.3	3.4	58.5	49.8	14.4	33.5	13.5	20.8
2019	I	39.1	22.8	22.9	19.5	19.6	3.4	3.3	58.5	50.0	14.7	35.0	13.8	20.9
	II	39.2	23.0	23.0	19.8	19.6	3.2	3.3	58.6	50.0	14.0	33.2	13.1	20.3
	III	39.3	23.1	23.1	19.9	19.7	3.2	3.4	58.7	50.1	13.9	31.7	13.1	19.3
	IV	39.4	23.2	23.1	20.0	19.8	3.2	3.3	58.7	50.3	13.8	30.5	12.8	20.0
Percentage changes (d)								Difference from one year ago						
2013	-0.5	-1.1	--	-2.8	--	4.1	--	-0.4	-1.1	1.3	2.6	1.5	1.1	
2014	-0.3	-1.0	--	1.2	--	-7.3	--	-0.4	0.7	-1.7	-2.3	-1.4	-2.5	
2015	0.0	-0.1	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0	
2016	0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8	
2017	0.3	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8	
2018	0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9	
2019	1.0	1.0	--	2.3	--	-6.6	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8	
2020	0.8	0.6	--	1.1	--	-2.3	--	-0.1	0.2	-0.4	--	--	--	
2021	0.6	0.1	--	1.4	--	-7.9	--	-0.3	0.4	-1.1	--	--	--	
2018	I	0.4	-0.1	-0.2	2.4	2.0	-10.8	-10.3	-0.3	0.9	-2.0	-5.3	-2.1	-1.2
	II	0.5	0.5	0.6	2.8	4.2	-10.8	-16.2	-0.1	1.1	-1.9	-4.8	-2.0	-1.7
	III	0.6	0.3	0.5	2.5	2.8	-10.9	-11.5	-0.2	1.0	-1.8	-3.0	-1.8	-2.1
	IV	0.8	0.5	0.6	3.0	2.7	-12.3	-10.8	-0.3	1.0	-2.1	-3.9	-2.0	-2.8
2019	I	0.9	0.7	0.7	3.2	2.4	-11.6	-8.6	-0.2	1.1	-2.0	-1.4	-1.9	-3.4
	II	1.0	0.9	1.5	2.4	1.4	-7.4	2.3	-0.1	0.7	-1.3	-1.5	-1.3	-1.7
	III	1.1	1.0	1.7	1.8	1.3	-3.4	4.0	0.0	0.4	-0.6	-1.3	-0.6	-1.3
	IV	1.0	1.3	1.1	2.1	3.2	-3.4	-10.6	0.1	0.5	-0.7	-3.0	-0.7	-0.8

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

Source: INE (Labour Force Survey) and Funcas.

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

Annual / annualized quarterly growth rates and percentage of active population



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

Percentage

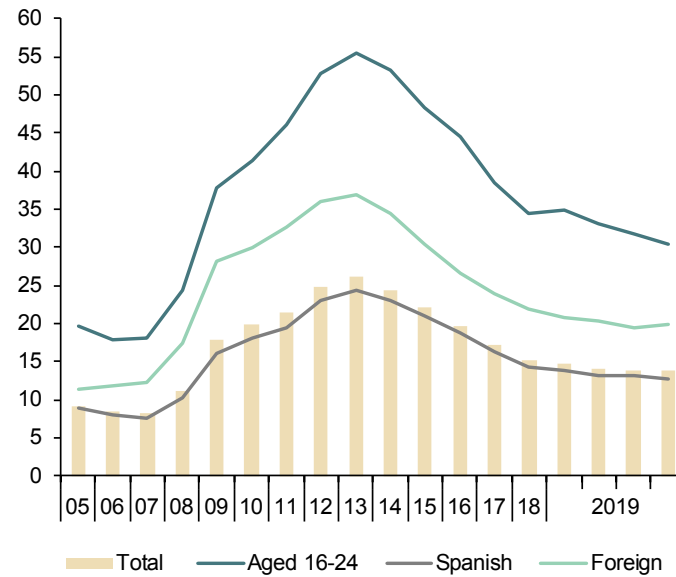


Table 11b

**Labour market (II)**

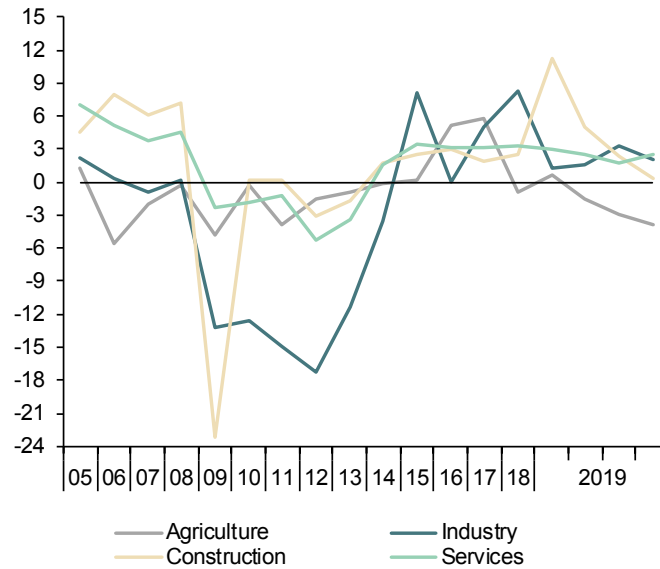
	Employed by sector				Employed by professional situation				Employed by duration of the working-day				
	Agriculture	Industry	Construction	Services	Employees			Self employed	Full-time	Part-time	Part-time employment rate (b)		
					Total	By type of contract							
						Tempo- rary	Indefinite					Temporary employment rate (a)	
1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12		
Million (original data)													
2012	0.74	2.48	1.16	13.24	14.57	3.41	11.16	23.4	3.06	15.08	2.55	14.49	
2013	0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.80	
2014	0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91	
2015	0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74	
2016	0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21	
2017	0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97	
2018	0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31	
2019 (c)	0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.95	2.83	14.30	
2017	I	0.85	2.57	1.08	13.94	15.34	3.95	11.39	25.8	3.10	15.56	2.87	15.59
	II	0.83	2.64	1.13	14.21	15.69	4.21	11.48	26.8	3.12	15.94	2.87	15.26
	III	0.78	2.67	1.15	14.45	15.91	4.36	11.55	27.4	3.14	16.32	2.73	14.31
	IV	0.82	2.71	1.14	14.32	15.92	4.25	11.67	26.7	3.08	16.19	2.81	14.77
2018	I	0.83	2.68	1.15	14.21	15.79	4.12	11.67	26.1	3.08	16.06	2.81	14.91
	II	0.82	2.72	1.22	14.58	16.26	4.36	11.90	26.8	3.09	16.71	2.64	13.63
	III	0.77	2.73	1.24	14.79	16.43	4.51	11.93	27.4	3.09	16.81	2.71	13.90
	IV	0.83	2.71	1.28	14.75	16.45	4.42	12.03	26.9	3.11	16.67	2.89	14.80
2019	I	0.84	2.71	1.28	14.64	16.36	4.23	12.12	25.9	3.11	16.57	2.90	14.90
	II	0.81	2.76	1.28	14.95	16.69	4.40	12.29	26.4	3.12	16.85	2.95	14.90
	III	0.75	2.82	1.27	15.04	16.79	4.48	12.31	26.7	3.08	17.09	2.79	14.03
	IV	0.79	2.76	1.28	15.13	16.85	4.40	12.45	26.1	3.12	17.30	2.67	13.38
Annual percentage changes								Difference from one year ago	Annual percentage changes			Difference from one year ago	
2012	-1.6	-4.6	-17.3	-3.0	-5.3	-11.8	-3.1	-1.7	1.1	-5.3	2.3	0.9	
2013	-0.9	-5.2	-11.4	-1.7	-3.5	-4.6	-3.1	-0.3	0.4	-4.3	6.0	1.3	
2014	-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1	
2015	0.1	4.3	8.1	2.6	3.4	8.3	1.9	1.1	1.1	3.2	1.9	-0.2	
2016	5.1	1.6	0.0	2.9	3.1	6.8	1.8	0.9	0.7	3.3	-0.8	-0.5	
2017	5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2	
2018	-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7	
2019 (d)	-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.5	0.5	2.3	2.3	0.0	
2018	I	-1.6	4.1	6.5	2.0	2.9	4.4	2.4	0.4	-0.5	3.2	-2.1	-0.7
	II	-1.2	3.3	7.2	2.6	3.6	3.6	3.6	0.0	-1.2	4.8	-8.1	-1.6
	III	-1.1	2.1	7.4	2.4	3.3	3.5	3.2	0.1	-1.5	3.0	-0.4	-0.4
	IV	0.6	-0.1	11.9	3.0	3.3	3.9	3.1	0.2	1.1	2.9	3.2	0.0
2019	I	0.7	1.2	11.2	3.0	3.6	2.7	3.9	-0.2	1.0	3.2	3.1	0.0
	II	-1.6	1.5	5.0	2.5	2.7	1.0	3.3	-0.4	1.0	0.9	11.9	1.3
	III	-2.9	3.3	2.4	1.7	2.2	-0.7	3.3	-0.8	-0.3	1.6	2.8	0.1
	IV	-3.8	2.0	0.3	2.5	2.4	-0.5	3.4	-0.8	0.3	3.8	-7.7	-1.4

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

Source: INE (Labour Force Survey).

**Chart 11b 1.- Employment by sector**

Annual percentage changes



**Chart 11b.2 - Employment by type of contract**

Annual percentage changes and percentage over total employees

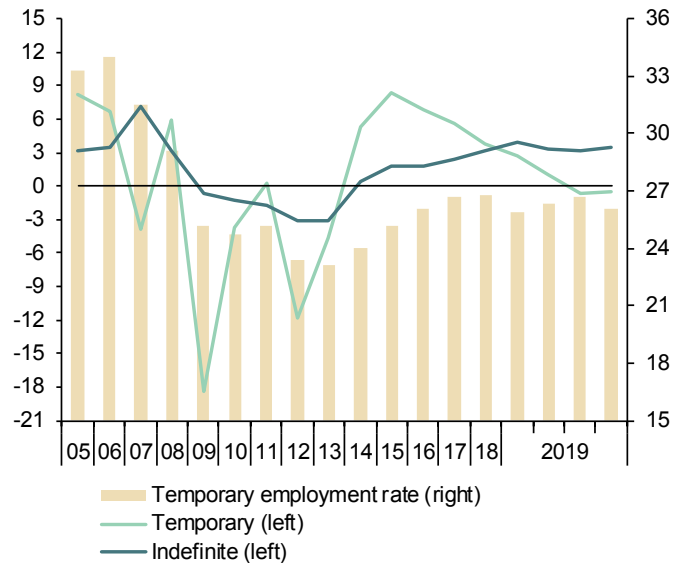


Table 12

### Index of Consumer Prices

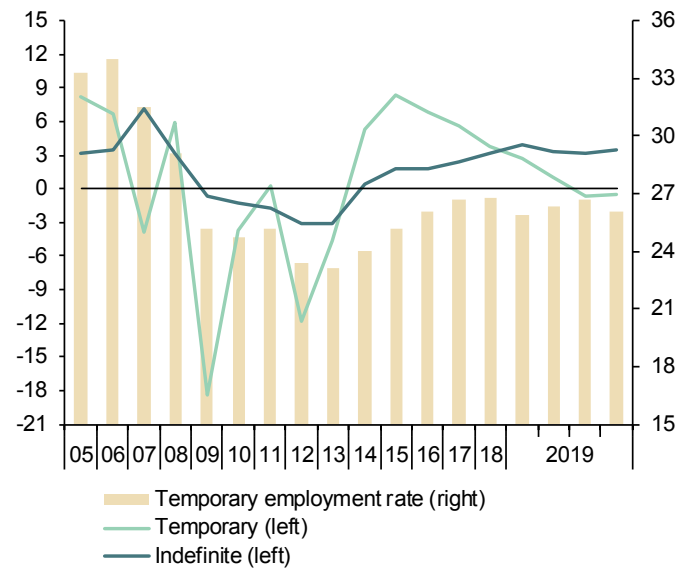
Forecasts in yellow

	Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food	
			Total	Non-energy industrial goods	Services	Processed food				
% of total in 2018	100.00	66.27	80.76	25.15	41.12	14.49	7.29	11.95	21.78	
Indexes, 2016 = 100										
2014	100.7	98.7	98.6	99.2	98.3	98.2	96.0	120.3	97.6	
2015	100.2	99.2	99.2	99.5	98.9	99.2	97.7	109.4	98.7	
2016	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
2017	102.0	101.1	101.1	100.2	101.6	100.7	102.6	108.0	101.3	
2018	103.7	102.1	102.0	100.2	103.1	101.7	105.8	114.7	103.1	
2019	104.4	103.0	102.9	100.4	104.6	102.2	107.8	113.2	104.0	
2020	105.0	104.1	104.0	100.7	106.1	103.4	109.8	109.2	105.4	
2021	106.6	105.2	105.0	101.0	107.7	104.2	112.0	114.3	106.7	
Annual percentage changes										
2014	-0.2	0.0	0.0	-0.4	0.1	0.4	-1.2	-0.8	-0.1	
2015	-0.5	0.5	0.6	0.3	0.7	0.9	1.8	-9.0	1.2	
2016	-0.2	0.8	0.8	0.5	1.1	0.8	2.3	-8.6	1.3	
2017	2.0	1.1	1.1	0.2	1.6	0.7	2.6	8.0	1.3	
2018	1.7	0.9	0.9	0.0	1.5	1.0	3.1	6.1	1.8	
2019	0.7	1.0	0.9	0.3	1.4	0.5	1.9	-1.2	0.9	
2020	0.6	1.1	1.1	0.3	1.5	1.1	1.9	-3.6	1.4	
2021	1.5	1.0	1.0	0.3	1.5	0.8	2.0	4.7	1.2	
2020	Jan	1.1	1.0	1.0	0.3	1.4	1.0	3.5	0.0	1.8
	Feb	0.7	1.1	1.2	0.4	1.5	1.3	2.7	-3.3	1.8
	Mar	-0.1	1.1	1.1	0.4	1.5	1.2	2.7	-9.7	1.7
	Apr	-0.6	1.1	1.1	0.4	1.6	1.2	2.2	-13.1	1.5
	May	-0.4	1.1	1.1	0.3	1.6	1.2	1.7	-11.5	1.3
	Jun	0.2	1.1	1.1	0.3	1.5	1.1	0.9	-6.2	1.0
	Jul	0.4	1.1	1.1	0.4	1.5	1.2	0.9	-4.8	1.1
	Aug	0.8	1.0	1.0	0.3	1.5	1.0	1.1	-1.1	1.0
	Sep	1.2	1.0	1.1	0.3	1.5	1.1	1.9	1.3	1.4
	Oct	1.1	1.0	1.0	0.2	1.5	1.0	1.9	1.0	1.3
	Nov	1.1	1.0	1.0	0.1	1.5	1.0	1.6	1.9	1.2
	Dec	1.3	1.0	1.0	0.2	1.5	1.2	1.9	2.9	1.4
2021	Jan	1.1	1.0	1.0	0.2	1.5	1.2	2.0	1.2	1.4
	Feb	1.3	1.0	1.0	0.2	1.5	0.8	2.2	3.0	1.3
	Mar	2.0	1.0	1.0	0.2	1.5	0.8	2.5	9.4	1.4
	Apr	2.4	1.0	1.0	0.2	1.5	0.8	2.8	12.6	1.5
	May	2.2	1.0	1.0	0.2	1.5	0.8	3.0	10.5	1.5
	Jun	1.9	1.0	1.0	0.2	1.5	0.8	3.3	7.8	1.6
	Jul	1.7	1.0	1.0	0.3	1.5	0.8	2.7	5.7	1.4
	Aug	1.4	1.0	1.0	0.3	1.5	0.8	2.2	3.3	1.3
	Sep	1.1	1.0	1.0	0.3	1.5	0.8	1.6	1.6	1.1
	Oct	1.1	1.0	1.0	0.3	1.5	0.9	1.1	1.4	0.9
	Nov	1.0	1.0	1.0	0.3	1.5	0.8	0.6	1.2	0.7
	Dec	0.9	1.1	1.0	0.3	1.5	0.8	0.0	1.0	0.5

Source: INE and Funcas (Forecasts).

**Chart 12.1 - Inflation Rate (I)**

Annual percentage changes



**Chart 12.2 - Inflation rate (II)**

Annual percentage changes

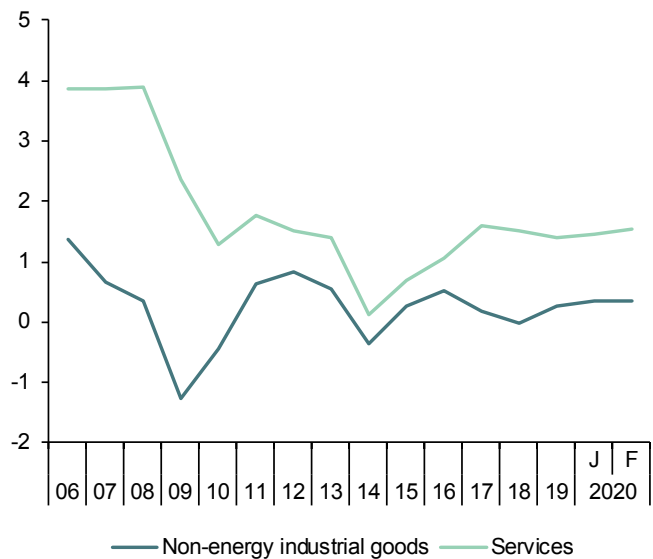




Table 13

**Other prices and costs indicators**

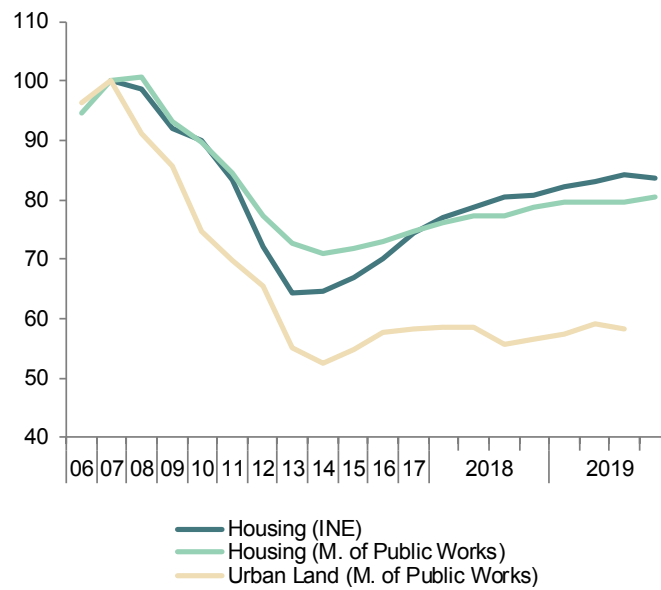
	GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining	
		Total	Excluding energy	Housing Price Index (INE)	m <sup>2</sup> average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked		
		2010=100	2015=100	2007=100			2000=100					
2013	100.1	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--	
2014	99.9	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.4	--	
2015	100.5	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--	
2016	100.8	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.2	--	
2017	102.2	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.3	--	
2018	103.3	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--	
2019	104.9	103.6	103.2	83.3	79.8	58.2	148.7	146.4	155.7	162.8	--	
2020 (b)	--	103.5	103.6	--	--	--	--	--	--	--	--	
2018	II	103.2	103.4	103.1	78.8	77.2	58.5	147.0	146.2	149.6	155.6	--
	III	103.3	105.6	103.1	80.5	77.3	55.7	141.3	138.0	151.4	163.3	--
	IV	103.9	105.2	103.0	80.9	78.7	56.6	152.2	152.7	150.6	166.8	--
2019	I	104.0	104.2	103.0	82.1	79.6	57.3	144.1	140.5	155.2	152.2	--
	II	104.9	104.3	103.4	83.0	79.6	59.0	150.6	149.2	155.0	160.4	--
	III	105.0	103.3	103.2	84.3	79.7	58.2	144.3	140.6	155.9	167.0	--
2020	IV	105.7	102.8	103.0	83.8	80.4	--	155.7	155.4	156.6	171.4	--
2020	I (b)	--	103.5	103.6	--	--	--	--	--	--	--	--
2019	Nov	--	102.7	103.0	--	--	--	--	--	--	--	--
	Dec	--	102.3	103.1	--	--	--	--	--	--	--	--
2020	Jan	--	103.5	103.6	--	--	--	--	--	--	--	--
Annual percent changes (c)												
2013		0.4	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.3	0.5
2014		-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.5
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.6	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.1	1.0
2017		1.4	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.1	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.4	1.8
2019		1.6	-0.4	0.1	5.1	3.2	1.0	2.2	1.9	3.4	2.7	2.3
2020 (d)		--	-0.8	0.6	--	--	--	--	--	--	--	2.0
2018	II	1.0	3.0	1.1	6.8	2.6	-2.1	0.6	0.5	1.0	0.9	1.6
	III	0.9	5.0	1.1	7.2	2.2	-4.3	1.9	1.9	1.9	2.7	1.7
	IV	1.3	3.1	0.8	6.6	0.4	3.0	0.9	0.9	0.7	1.2	1.8
2019	I	1.3	1.9	0.2	6.8	1.5	-2.1	2.1	1.7	3.0	2.4	2.2
	II	1.6	0.9	0.3	5.3	1.2	0.9	2.4	2.1	3.6	3.1	2.2
	III	1.6	-2.2	0.1	4.7	1.6	4.5	2.2	1.9	3.0	2.3	2.3
2020	IV	1.7	-2.3	0.0	3.6	-0.6	--	2.3	1.8	4.0	2.8	2.3
2020	I (e)	--	-0.7	0.5	--	--	--	--	--	--	--	2.0
2019	Nov	--	-2.4	-0.1	--	--	--	--	--	--	--	2.3
	Dec	--	-1.8	0.3	--	--	--	--	--	--	--	2.3
2020	Jan	--	-0.8	0.6	--	--	--	--	--	--	--	2.0

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

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

**Chart 13.1 - Housing and urban land prices**

Index (2007=100)



**Chart 13.2 - Wage costs**

Annual percent change

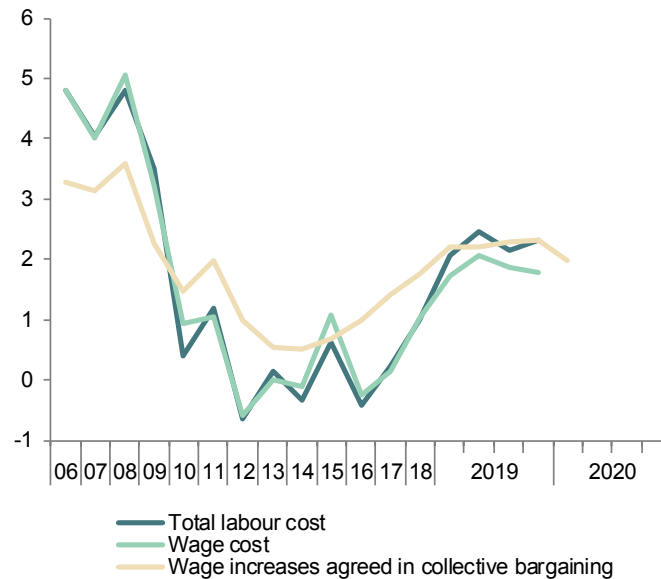


Table 14

**External trade (a)**

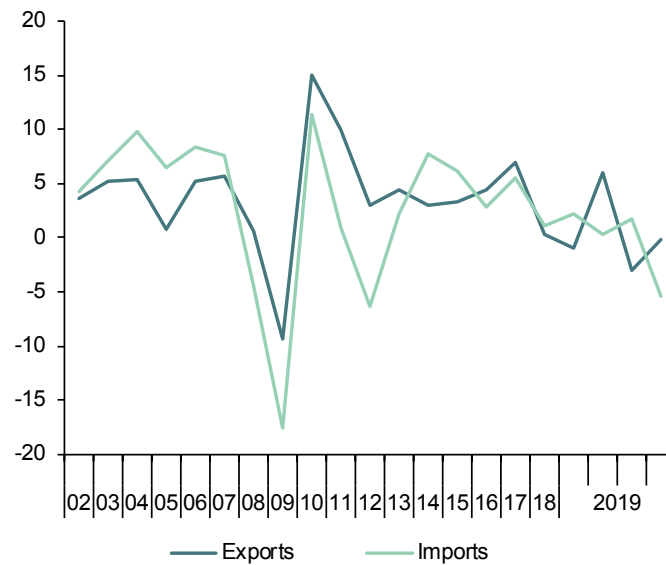
	Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)	
	Nominal	Prices	Real	Nominal	Prices	Real						
	2005=100			2005=100								EUR Billions
2012	145.9	110.7	131.9	110.7	114.7	96.6	11.9	6.9	-2.7	1.2	1.0	
2013	152.1	110.5	137.7	108.3	109.8	98.7	12.3	7.3	-1.4	2.1	1.4	
2014	155.2	109.4	141.9	114.0	107.3	106.3	12.7	7.3	-2.1	1.1	0.9	
2015	161.2	110.1	146.5	118.0	104.6	112.9	13.5	7.3	-2.1	0.2	0.6	
2016	165.4	108.2	153.0	117.5	101.3	116.1	14.2	7.2	-1.4	0.3	1.2	
2017	178.2	108.9	163.7	129.8	106.1	122.4	15.1	7.9	-2.2	0.0	1.3	
2018	184.0	112.1	164.2	137.2	110.9	123.8	15.6	8.1	-2.9	-0.3	1.3	
2019	187.1	112.9	165.9	138.3	110.8	124.9	15.9	8.3	-2.7	-0.4	1.4	
2018	I	185.3	110.9	167.1	135.1	108.2	124.9	15.8	7.9	-2.4	0.1	1.5
	II	182.8	111.3	164.3	136.8	109.1	125.3	15.3	8.1	-3.0	-0.6	0.9
	III	187.3	112.6	166.3	138.1	112.5	122.7	15.7	8.3	-2.7	-0.1	1.5
	IV	186.3	113.5	164.2	139.9	113.7	123.0	15.6	8.3	-3.2	-0.4	1.3
2019	I	183.4	112.8	162.6	138.5	110.1	125.8	15.6	7.9	-3.3	-0.7	1.3
	II	192.5	111.7	172.3	139.1	110.4	126.1	16.1	8.6	-2.2	-0.1	1.8
	III	187.9	112.5	167.1	140.5	109.5	128.3	15.8	8.3	-3.1	-0.9	1.2
	IV	190.6	114.3	166.8	137.3	113.1	121.4	16.0	8.4	-2.1	0.1	1.5
2019	Oct	193.6	115.1	168.2	139.9	112.3	124.6	16.2	8.6	-2.2	0.0	1.6
	Nov	188.7	113.5	166.3	137.6	111.7	123.1	15.9	8.3	-2.4	-0.2	1.3
	Dec	189.5	114.2	165.9	134.5	115.6	116.4	16.0	8.3	-1.7	0.6	1.6
Percentage changes (b)									Percentage of GDP			
2012		5.1	2.1	2.9	-2.0	4.7	-6.3	0.5	14.1	-3.1	1.4	1.2
2013		4.3	-0.2	4.5	-2.2	-4.2	2.1	3.1	6.3	-1.6	2.5	1.7
2014		2.0	-0.9	3.0	5.2	-2.3	7.7	3.5	-0.4	-2.4	1.3	1.0
2015		3.8	0.6	3.2	3.5	-2.5	6.1	5.8	0.4	-2.3	0.2	0.7
2016		2.6	-1.7	4.4	-0.4	-3.1	2.8	5.3	-2.3	-1.6	0.3	1.2
2017		7.7	0.7	7.0	10.5	4.7	5.5	6.5	10.1	-2.3	0.0	1.3
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.4	3.1	-2.9	-0.3	1.3
2019		1.7	0.7	1.0	0.8	-0.1	0.8	1.7	1.7	-2.6	-0.4	1.4
2018	I	-0.1	2.3	-2.3	5.9	2.6	3.2	1.2	-2.4	-2.4	0.1	1.5
	II	-5.3	1.4	-6.6	5.1	3.6	1.5	-3.1	2.1	-3.0	-0.6	0.9
	III	10.2	5.1	4.9	4.1	13.1	-8.0	2.3	2.7	-2.7	-0.1	1.5
	IV	-2.0	3.1	-5.0	5.1	4.1	1.0	-0.7	-0.1	-3.1	-0.4	1.3
2019	I	-6.1	-2.6	-3.6	-3.9	-12.0	9.1	0.1	-4.6	-3.2	-0.7	1.3
	II	21.5	-3.7	26.1	1.9	0.9	1.0	3.5	7.9	-2.1	-0.1	1.7
	III	-9.3	2.8	-11.7	3.9	-3.3	7.4	-1.8	-3.5	-2.9	-0.8	1.1
	IV	5.9	6.6	-0.7	-8.7	14.1	-20.0	1.4	1.4	-2.0	0.1	1.4
2019	Oct	2.7	1.8	0.9	-1.5	2.0	-3.4	2.7	2.6	--	--	--
	Nov	-2.5	-1.4	-1.2	-1.7	-0.5	-1.2	-2.2	-3.2	--	--	--
	Dec	0.4	0.7	-0.3	-2.2	3.4	-5.5	0.6	0.0	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Annualized percent change from the previous quarter for quarterly data, non-annualized percent change from the previous month for monthly data.

Source: Ministry of Economy.

**Chart 14.1 - External trade (real)**

Percent change from previous period



**Chart 14.2 - Trade balance**

EUR Billions, moving sum of 12 months

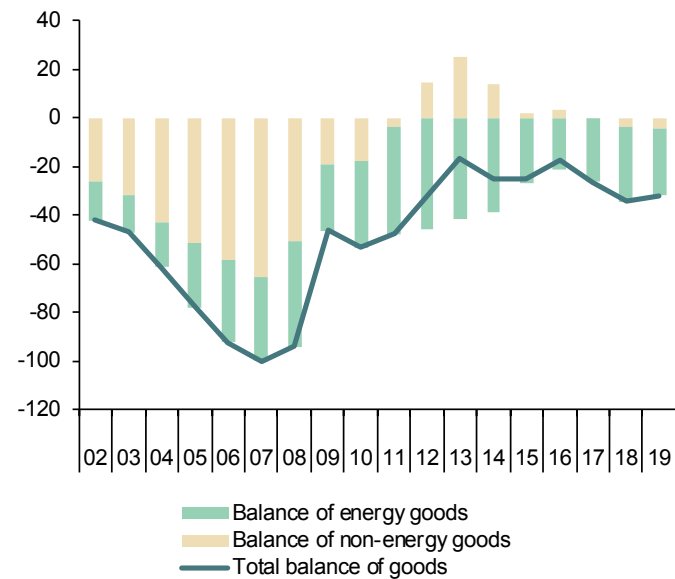


Table 15

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

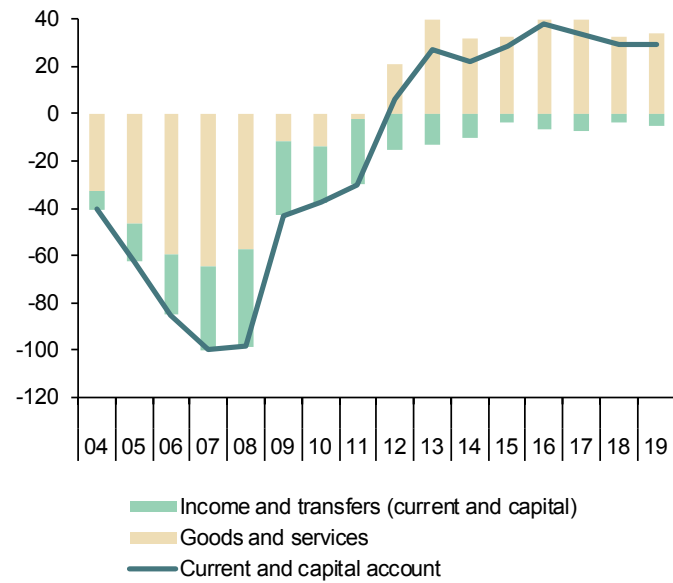
	Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions	
	Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					Bank of Spain		
								Total	Direct investment	Portfolio investment	Other investment	Financial derivatives			
	1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14	
EUR billions															
2012	0.89	-27.98	49.27	-8.25	-12.16	5.39	6.28	174.42	-17.96	55.72	145.01	-8.35	-165.99	2.16	
2013	20.81	-12.61	52.70	-6.82	-12.47	6.19	26.99	-93.14	-10.58	-53.68	-29.92	1.04	124.17	4.04	
2014	17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94	
2015	21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12	
2016	35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34	
2017	31.09	-22.12	63.71	-0.27	-10.23	2.84	33.93	65.31	11.99	25.08	20.77	7.48	-32.63	-1.24	
2018	23.29	-29.33	61.95	2.70	-12.04	5.77	29.05	45.54	-15.19	12.99	46.15	1.58	-14.25	2.23	
2019 (a)	15.55	-23.18	49.50	-0.30	-10.48	1.61	17.16	0.69	8.49	-56.02	54.72	-6.50	21.38	4.91	
2017	IV	8.18	-5.51	13.04	2.00	-1.36	1.32	9.50	6.72	1.61	-7.35	11.41	1.04	5.70	2.91
2018	I	1.33	-5.71	9.68	0.69	-3.33	0.49	1.82	3.11	-3.83	4.07	1.26	1.60	-3.00	-1.72
	II	9.09	-6.35	18.46	-1.00	-2.02	0.67	9.76	21.05	-17.88	16.31	23.47	-0.84	-14.40	-3.11
	III	7.40	-9.56	21.04	-0.63	-3.45	0.89	8.29	5.94	-2.03	1.31	5.80	0.86	6.88	4.52
	IV	5.47	-7.71	12.78	3.64	-3.25	3.72	9.18	15.44	8.55	-8.70	15.62	-0.04	-3.72	2.54
2019	I	-2.35	-8.43	9.99	0.80	-4.71	0.64	-1.71	-1.90	-3.46	-23.65	26.00	-0.79	1.79	1.60
	II	10.12	-4.68	18.06	-1.05	-2.21	0.68	10.80	18.96	8.07	-14.74	26.51	-0.88	-3.93	4.23
	III	7.78	-10.07	21.45	-0.05	-3.56	0.28	8.06	-16.37	3.88	-17.62	2.20	-4.83	23.52	-0.91
			Goods and Services		Primary and Secondary Income										
2019	Oct	2.83	3.77		-0.94	0.33	3.16	-3.53	1.54	5.18	-9.44	-0.81	5.54	-1.15	
	Nov	3.35	2.47		0.89	0.33	3.69	6.97	5.26	-3.14	5.82	-0.98	-3.21	0.08	
	Dec	2.21	1.50		0.71	2.92	5.13	8.92	-0.22	-1.66	11.48	-0.68	-8.67	-4.88	
Percentage of GDP															
2012		0.1	-2.7	4.7	-0.8	-1.2	0.5	0.6	16.8	-1.7	5.4	13.9	-0.8	-16.0	0.2
2013		2.0	-1.2	5.2	-0.7	-1.2	0.6	2.6	-9.1	-1.0	-5.3	-2.9	0.1	12.2	0.4
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.7	-1.9	5.5	0.0	-0.9	0.2	2.9	5.6	1.0	2.2	1.8	0.6	-2.8	-0.1
2018		1.9	-2.4	5.2	0.2	-1.0	0.5	2.4	3.8	-1.3	1.1	3.8	0.1	-1.2	0.2
2017	IV	2.7	-1.8	4.3	0.7	-0.4	0.4	3.1	2.2	0.5	-2.4	3.8	0.3	1.9	1.0
2018	I	0.5	-2.0	3.4	0.2	-1.2	0.2	0.6	1.1	-1.3	1.4	0.4	0.6	-1.0	-0.6
	II	3.0	-2.1	6.1	-0.3	-0.7	0.2	3.2	6.9	-5.9	5.4	7.7	-0.3	-4.7	-1.0
	III	2.5	-3.2	7.1	-0.2	-1.2	0.3	2.8	2.0	-0.7	0.4	2.0	0.3	2.3	1.5
	IV	1.7	-2.4	4.1	1.2	-1.0	1.2	2.9	4.9	2.7	-2.8	5.0	0.0	-1.2	0.8
2019	I	-0.8	-2.8	3.4	0.3	-1.6	0.2	-0.6	-0.6	-1.2	-7.9	8.7	-0.3	0.6	0.5
	II	3.2	-1.5	5.7	-0.3	-0.7	0.2	3.4	6.0	2.6	-4.7	8.4	-0.3	-1.2	1.3
	III	2.5	-3.3	7.0	0.0	-1.2	0.1	2.6	-5.4	1.3	-5.8	0.7	-1.6	7.7	-0.3

(a) Period with available data.

Source: Bank of Spain.

**Chart 15.1 - Balance of payments: Current and capital accounts**

EUR Billions, 12-month cumulated



**Chart 15.2 - Balance of payments: Financial account**

EUR Billions, 12-month cumulated

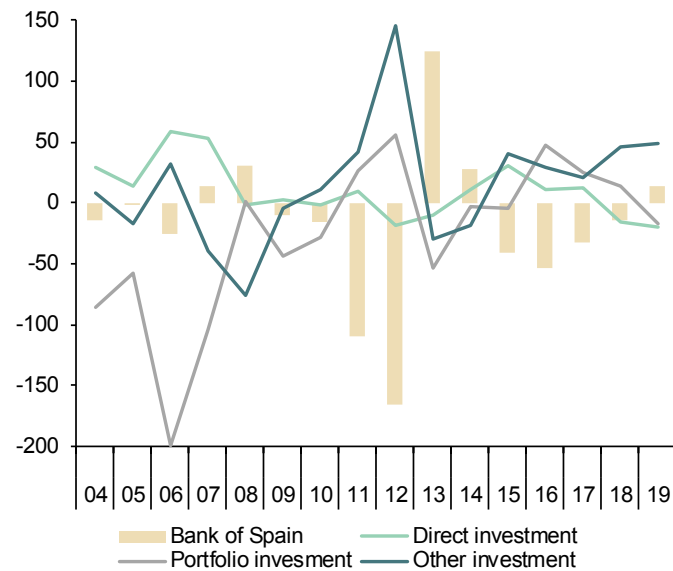


Table 16

**Competitiveness indicators in relation to EMU**

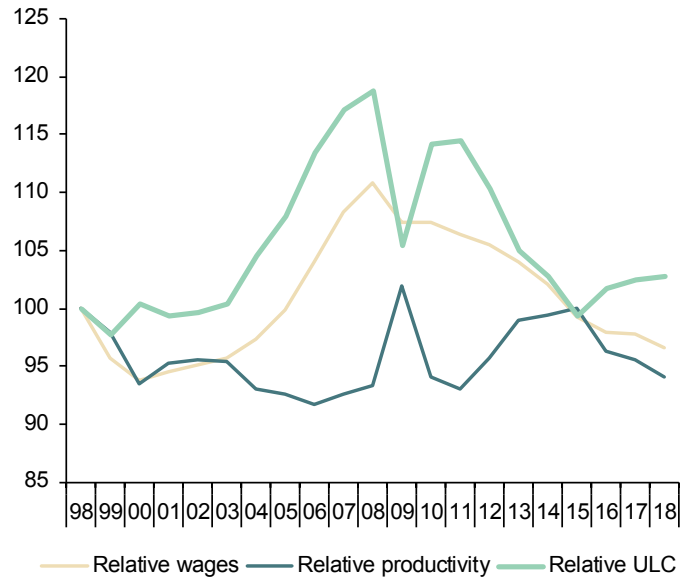
	Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries 1999 I = 100	
	Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU		
	1998=100			2015=100			2015=100				
2012	105.6	95.7	110.2	99.3	98.2	101.1	102.9	104.6	98.3	111.0	
2013	104.0	99.0	105.0	100.8	99.5	101.3	103.5	104.4	99.1	113.3	
2014	102.1	99.4	102.7	100.6	100.0	100.7	102.1	102.8	99.3	112.2	
2015	99.3	100.0	99.4	100.0	100.0	100.0	100.0	100.0	100.0	107.7	
2016	97.9	96.3	101.7	99.7	100.3	99.4	96.9	97.9	98.9	107.7	
2017	97.8	95.5	102.4	101.7	101.8	99.9	101.2	100.7	100.5	109.3	
2018	96.6	94.0	102.7	103.5	103.6	99.9	103.8	103.3	100.4	110.2	
2019	--	--	--	104.3	104.8	99.5	103.4	103.7	99.8	108.7	
2020	(b)	--	--	103.4	104.5	99.0	103.3	103.6	99.7	107.4	
2018	I	--	--	101.7	102.1	99.7	102.2	102.1	100.1	110.2	
	II	--	--	104.1	103.8	100.3	103.2	102.8	100.4	110.9	
	III	--	--	103.6	104.1	99.5	105.0	104.0	100.9	109.7	
	IV	--	--	104.4	104.3	100.1	104.7	104.3	100.4	110.1	
2019	I	--	--	102.9	103.5	99.4	103.8	104.0	99.8	108.6	
	II	--	--	105.2	105.3	99.9	104.1	103.9	100.2	109.4	
	III	--	--	104.0	105.1	99.0	103.1	103.4	99.7	108.1	
	IV	--	--	105.0	105.3	99.6	102.8	103.4	99.5	108.5	
2019	Dec	--	--	104.9	105.4	99.5	102.4	103.5	98.9	108.2	
2020	Jan	--	--	103.4	104.4	99.1	103.3	103.6	99.7	107.4	
	Feb	--	--	103.4	104.6	98.9	--	--	--	--	
Annual percentage changes							Differential	Annual percentage changes		Differential	Annual percentage changes
2012	-0.8	3.0	-3.7	2.4	2.5	-0.1	3.8	2.9	0.9	2.3	
2013	-1.5	3.4	-4.7	1.5	1.3	0.2	0.6	-0.2	0.8	2.1	
2014	-1.8	0.4	-2.2	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-1.0	
2015	-2.7	0.6	-3.3	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-4.1	
2016	-1.4	-3.6	2.3	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.0	
2017	-0.1	-0.9	0.8	2.0	1.5	0.5	4.5	2.8	1.7	1.5	
2018	-1.2	-1.5	0.3	1.7	1.7	0.0	2.5	2.6	-0.1	0.9	
2019	--	--	--	0.8	1.2	-0.4	-0.3	0.3	-0.6	0.0	
2020	(c)	--	--	1.0	1.3	-0.3	0.9	0.5	0.4	-1.2	
2018	I	--	--	1.1	1.1	0.0	0.8	0.0	0.8	2.2	
	II	--	--	1.8	1.8	0.0	2.8	0.0	2.8	1.7	
	III	--	--	2.3	2.3	0.0	4.2	0.0	4.2	0.2	
	IV	--	--	1.8	1.8	0.0	2.4	0.0	2.4	-0.5	
2019	I	--	--	1.1	1.4	-0.3	1.6	0.0	1.6	-1.5	
	II	--	--	1.1	1.4	-0.3	0.8	0.0	0.8	-1.3	
	III	--	--	0.4	1.0	-0.6	-1.8	0.0	-1.8	-1.4	
	IV	--	--	0.5	1.0	-0.5	-1.8	0.0	-1.8	-1.5	
2019	Oct	--	--	0.2	0.7	-0.5	-2.3	-1.4	-0.9	-1.5	
	Nov	--	--	0.5	1.0	-0.5	-1.8	-1.1	-0.7	-1.4	
	Dec	--	--	0.8	1.3	-0.5	--	--	--	-1.6	

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

Sources: Eurostat, Bank of Spain and Funcas.

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

1998=100



**Chart 16.2.- Harmonized Consumer Prices**

Annual growth in % and percentage points

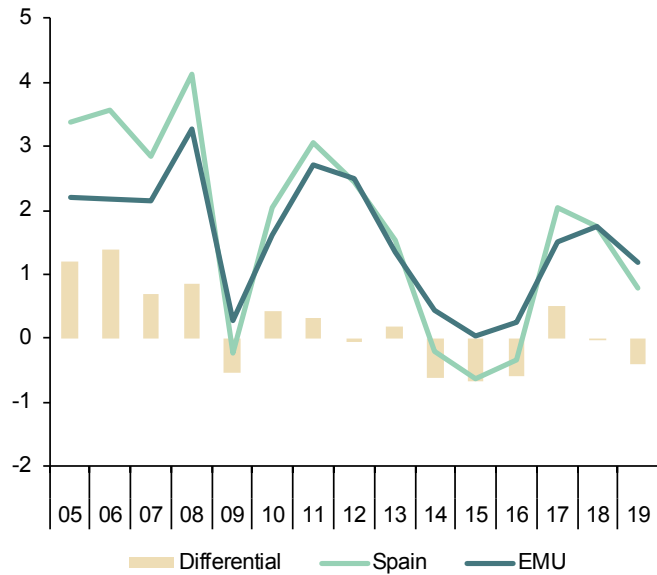




Table 17a

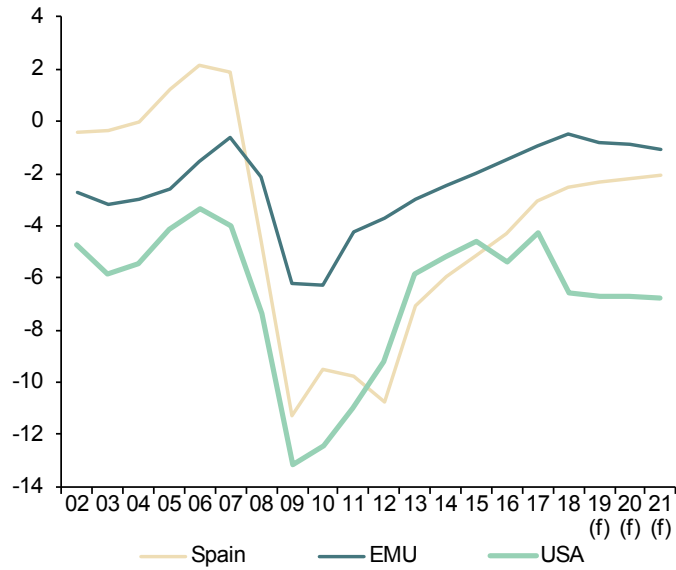
**Imbalances: International comparison (I)**  
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
Billions of national currency									
2007	20.3	-59.9	-576.0	384.7	6,191.6	9,341.2	-101.4	23.2	-728.5
2008	-50.7	-207.5	-1,084.5	440.6	6,700.3	10,838.3	-98.8	-49.9	-866.1
2009	-120.6	-578.0	-1,896.6	569.5	7,440.0	12,525.9	-43.7	63.4	-564.3
2010	-102.2	-597.9	-1,863.1	649.2	8,198.5	14,301.9	-39.2	59.0	-497.7
2011	-103.6	-414.6	-1,709.1	743.0	8,658.2	15,501.9	-29.0	87.1	-412.4
2012	-110.7	-364.6	-1,493.3	889.9	9,115.0	16,718.0	0.9	226.3	-206.8
2013	-71.8	-299.2	-977.4	977.3	9,428.8	17,582.1	20.8	281.2	-208.2
2014	-61.1	-250.2	-910.9	1,039.4	9,674.3	18,299.9	17.5	315.3	-86.4
2015	-55.8	-208.0	-842.3	1,070.1	9,791.3	19,072.3	21.8	361.3	-169.2
2016	-48.0	-156.3	-1,009.4	1,104.6	9,968.4	19,991.2	35.4	390.6	-329.4
2017	-35.1	-103.5	-831.8	1,145.1	10,060.4	20,688.3	31.1	425.5	-399.0
2018	-30.5	-57.9	-1,357.9	1,173.3	10,161.2	22,292.4	23.3	434.0	-520.3
2019	-29.0	-93.3	-1,437.0	1,201.0	10,260.8	23,729.4	29.8	395.1	--
2020	-28.3	-109.8	-1,491.0	1,234.4	10,383.6	25,220.4	32.1	389.7	--
2021	-27.0	-131.0	-1,545.6	1,261.4	10,546.4	26,766.0	33.7	383.4	--
Percentage of GDP									
2007	1.9	-0.6	-4.0	65.9	35.8	64.6	-9.4	0.2	-5.0
2008	-4.6	-2.2	-7.4	69.6	39.7	73.7	-8.9	-0.5	-5.9
2009	-11.3	-6.2	-13.1	80.2	53.3	86.7	-4.1	0.7	-3.9
2010	-9.5	-6.3	-12.4	86.0	60.5	95.4	-3.7	0.6	-3.3
2011	-9.7	-4.2	-11.0	88.4	69.9	99.7	-2.7	0.9	-2.7
2012	-10.7	-3.7	-9.2	92.7	86.3	103.2	0.1	2.3	-1.3
2013	-7.0	-3.0	-5.8	94.9	95.8	104.7	2.0	2.8	-1.2
2014	-5.9	-2.5	-5.2	95.1	100.7	104.4	1.7	3.1	-0.5
2015	-5.2	-2.0	-4.6	93.0	99.3	104.7	2.0	3.4	-0.9
2016	-4.3	-1.4	-5.4	92.2	99.2	106.8	3.2	3.6	-1.8
2017	-3.0	-0.9	-4.3	89.8	98.6	106.0	2.7	3.8	-2.0
2018	-2.5	-0.5	-6.6	87.9	97.6	108.3	1.9	3.8	-2.5
2019	-2.3	-0.8	-6.7	86.4	96.7	110.8	2.4	3.3	--
2020	-2.2	-0.9	-6.7	85.1	96.6	113.6	2.5	3.2	--
2021	-2.1	-1.0	-6.7	84.1	96.0	116.7	2.6	3.1	--

Source: European Commission Forecasts, Autumn 2019.

**Chart 17a.1 - Government deficit**

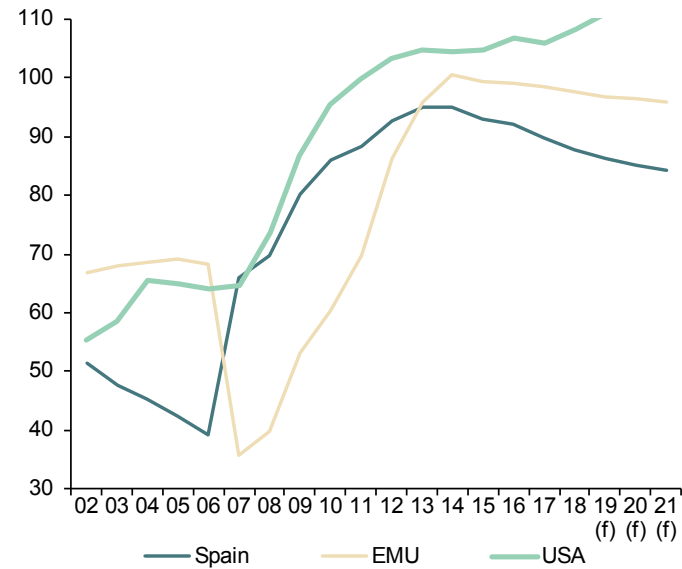
Percentage of GDP



(f) European Commission forecast.

**Chart 17a.2 - Government gross debt**

Percentage of GDP



(f) European Commission forecast.

Table 17b

**Imbalances: International comparison (II)**

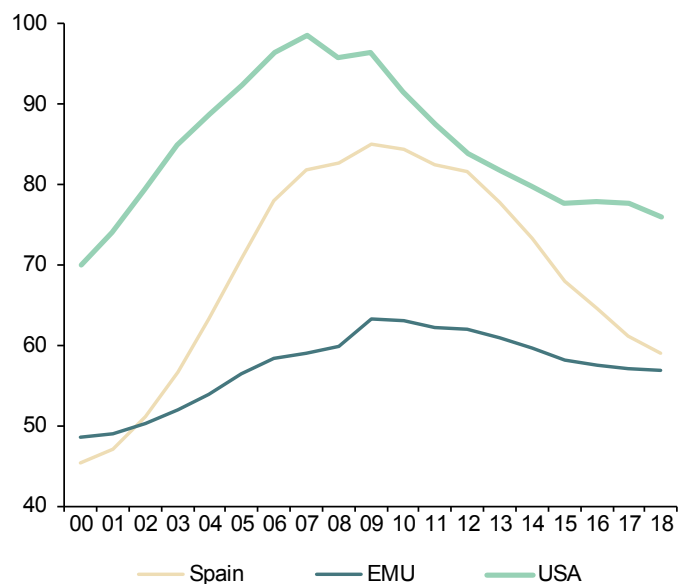
	Household debt (a)			Non-financial corporations debt (a)		
	Spain	EMU	USA	Spain	EMU	USA
Billions of national currency						
2005	656.2	4,762.5	12,034.3	954.1	7,017.9	8,156.9
2006	783.5	5,185.2	13,319.6	1,171.9	7,620.6	8,976.5
2007	879.3	5,553.0	14,242.4	1,371.6	8,395.5	10,105.6
2008	916.7	5,766.2	14,111.6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

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

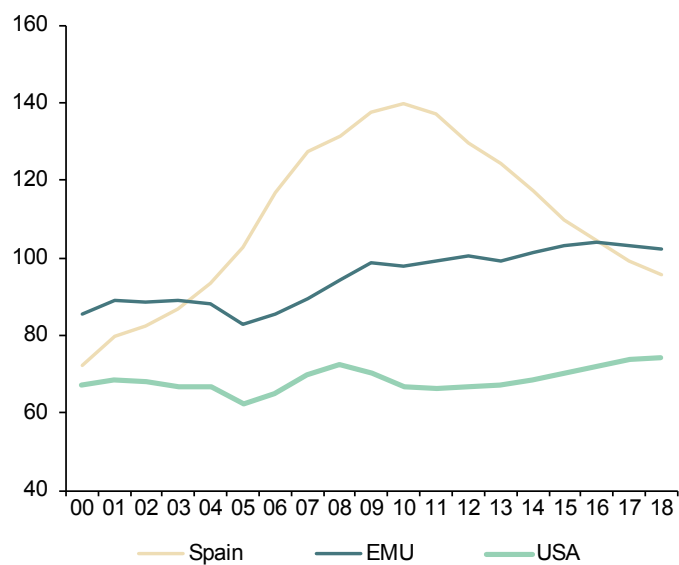
**Chart 17b.1 - Household debt**

Percentage of GDP



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

Percentage of GDP



# 50 Financial System Indicators

Updated: March 15<sup>th</sup>, 2020

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

## A. Money and Interest Rates

Indicator	Source	Average 2001-2017	2018	2019	2020 February	2020 March 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.2	4.1	5.0	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.7	-0.309	-0.354	-0.408	-0.468	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	2.1	-0.117	-0.249	-0.311	-0.368	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.8	1.4	0.6	0.3	0.2	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	1.5	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

*Comment on "Money and Interest Rates": Interbank rates fell during the first half of March, under an uncertain market situation. The 3-month interbank rate fell from -0.408% in February to -0.468%, and the 1-year Euribor decreased from -0.311% to -0.368%. Monetary policy has accentuated its expansionary stance with the latest decisions of the ECB, significantly expanding the stimulus program due to the concerns surrounding the effects of Covid-19. As for the Spanish 10-year bond yield, it fell to 0.2%.*

## B. Financial Markets

Indicator	Source	Average 2001-2016	2017	2018	2019 December	2020 January	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	16.3	54.60	84.19	47.96	41.26	(Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	17.5	27.60	49.25	22.93	32.51	(Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.4	3.46	1.07	0.15	0.04	(Traded amount/outstanding balance) ×100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.3	4.76	1.84	0.33	0.69	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.7	-0.7	-0.52	-0.58	-0.49	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec 1987=100)	Bank of Spain	676.8	1,127.1	1,164.63	1,279.32	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	0.4	-1.3	-5.9	1.9	-1.4	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	3.2	2.2	-5.3	-0.6	-10.7	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	1,013.32	1,055.4	862.6	950.9	659.9 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,732.1	10,451.5	8,539.9	9,549.2	6,629.6 (a)	Base dec 1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.8	15.8	12.2	15.2	11.8 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	5.3	-	-	-	-	Variation for all stocks

## B. Financial Markets (continued)

Indicator	Source	Average 2001-2016	2017	2018	2019 December	2020 January	Definition and calculation
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	1.6	-	-	-	-	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	2.2	-	-	-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	1.4	0.6	-6.14	10.5	-1.5	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	10.6	5.8	58.5	108.3	-85.2	IBEX-35 shares concluded transactions

(a) Last data published: March 15<sup>th</sup>, 2020.

Comment on "Financial Markets": During January, there was a decrease in transactions with outright spot T-bills to 41.26 and an increase of spot government bonds transactions to 32.51. Due to the uncertainty around coronavirus, the stock market has registered a substantial fall in the first half of March with the IBEX-35 decreasing to 6,230 points, and the General Index of the Madrid Stock Exchange down to 660. There was also a decrease in Ibx-35 futures and options of 1.5% and 85.2%, respectively.

## C. Financial Saving and Debt

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

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

## D. Credit institutions. Business Development

Indicator	Source	Average 2001-2016	2017	2018	2019 November	2019 December	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.5	-0.4	-4.7	1.2	-1.1	Lending to the private sector percentage change for the sum of banks, savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	7.3	2.4	0.7	1.1	0.7	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	108.1	-3.7	-0.9	0.3	-1.1	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.9	0.7	-8.8	-0.3	1.6	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	-2.3	-1.7	-0.6	-1.9	-1.4	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.1	-3.8	-2.3	-1.3	-4.9	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	-3.0	-3.5	-1.4	-1.1	5.0	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	8.4	-1.2	-4.1	0.3	1.0	Equity percentage change for the sum of banks and savings banks and credit unions.

*Comment on "Credit institutions. Business Development": The latest available data as of December show a fall in bank credit to the private sector of 1.1%. Data also show an increase of financial institutions' deposit-taking of 0.7%. Holdings of debt securities fell 1.1%. Doubtful loans decreased 4.9% compared to the previous month.*



## E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2001-2015	2016	2017	2019 June	2019 September	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	194	124	122	115	115	Total number of banks, savings banks and credit unions operating in Spanish territory
37. Number of foreign credit institutions operating in Spain	Bank of Spain	75	82	83	83	84	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	246,618	189,280	187,472	181,999(a)	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,047	28,643	27,320	25,408	24,855	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	318,141	527,317	762,540	714,781	616,069 (b)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem: long term (total Spanish financial institutions) (Euro millions)	Bank of Spain	65,106	138,455	170,445	164,162	130,400 (b)	Open market operations and ECB standing facilities. Spain total
42. Recourse to the Eurosystem (total Spanish financial institutions): main refinancing operations (Euro millions)	Bank of Spain	20,270	1,408	96	180	42 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2018.

(b) Last data published: January 2020.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In February 2020, recourse to Eurosystem funding by Spanish credit institutions reached 130.4 billion euro.

MEMO ITEM: From January 2015, the ECB also offers information on the asset purchase programs. The amount borrowed by Spanish banks in these programs reached 336 billion euro in February 2020, and 2.6 trillion euro for the entire Eurozone banking system.

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

Indicator	Source	Average 2000-2013	2015	2016	2017	2018	2019 Q3	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	50.89	50.98	54.18	54.03	54.39	55.74	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions' P&L accounts
44. "Customer deposits/employees" ratio (Euro thousands)	Bank of Spain	3,519.51	5,595.62	5,600.48	6,532.25	9,461.19	9,774.41	Productivity indicator (business by employee)
45. "Customer deposits/branches" ratio (Euro thousands)	Bank of Spain	21,338.27	36,791.09	39,457.04	47,309.12	68,190.72	71,572.44	Productivity indicator (business by branch)

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

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

*Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2019Q3, most of the profitability and efficiency indicators improved for Spanish banks. Productivity indicators have also improved since the restructuring process of the Spanish banking sector was implemented.*

# Social Indicators

Table 1

## Population

Population										
	Total population	Average age	65 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (women)	Dependency rate	Dependency rate (older than 64)	Foreign-born population (%)	New entries (all nationalities)	New entries (EU-28 born) (%)
2008	46,157,822	40.8	16.5	78.2	84.3	47.5	24.5	13.1	726,009	28.4
2010	47,021,031	41.1	16.9	79.1	85.1	48.6	25.0	14.0	464,443	35.6
2012	47,265,321	41.6	17.4	79.4	85.1	50.4	26.1	14.3	370,515	36.4
2014	46,771,341	42.1	18.1	80.1	85.7	51.6	27.4	13.4	399,947	38.0
2015	46,624,382	42.4	18.4	79.9	85.4	52.4	28.0	13.2	455,679	36.4
2016	46,557,008	42.7	18.6	80.3	85.8	52.9	28.4	13.2	534,574	33.4
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	637,375	30.1
2018	46,722,980	43.1	19.1	80.5	85.9	53.6	29.3	13.7	760,804	25.8
2019	47,026,208	43.3	19.3			53.7	29.6	14.4		
Sources	EPC	EPC	EPC	ID INE	ID INE	EPC	EPC	EPC	EVR	EVR

ID INE: Indicadores Demográficos INE.

EPC: Estadística del Padrón Continuo.

EVR: Estadística de Variaciones Residenciales.

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

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

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	1.62
2010	17,174	2.67	12.8	9.9	7.2	7.9	2.21	33.2	31.0	1.87
2012	17,434	2.63	13.7	9.9	7.2	6.7	2.23	33.8	31.7	2.04
2014	18,329	2.51	14.2	10.6	6.9	6.5	2.17	34.4	32.3	2.06
2015	18,376	2.54	14.6	10.7	7.3	6.5	2.08	34.8	32.7	2.26
2016	18,444	2.52	14.6	10.9	7.5	6.8	2.08	35.0	32.9	2.46
2017	18,512	2.52	14.2	11.4	7.4	7.0	2.11	35.3	33.2	2.67
2018	18,581	2.51	14.3	11.5	7.1	6.6	2.04	35.6	33.4	2.90
2019	18,697	2.52								
Sources	LFS	LFS	EPF	EPF	ID INE	ID INE	ID INE	ID INE	ID INE	MNP

Table 2 (continued)

**Households and families**

	Fertility					
	Median age at first child, women	Total fertility rate (Spanish women)	Total fertility rate (Foreign women)	Births to single mothers (%)	Abortion rate	Abortion by Spanish-born women (%)
2008	29.3	1.36	1.83	33.2	11.8	55.6
2010	29.8	1.30	1.68	35.5	11.5	58.3
2012	30.3	1.27	1.56	39.0	12.0	61.5
2014	30.6	1.27	1.62	42.5	10.5	63.3
2015	30.7	1.28	1.66	44.4	10.4	65.3
2016	30.8	1.27	1.72	45.8	10.4	65.8
2017	30.9	1.25	1.71	46.8	10.5	66.1
2018	31.0	1.20	1.65	47.3	11.1	65.3
Sources	ID INE	ID INE	ID INE	ID INE	MSAN	MSAN

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

Marriage rate: Number of marriages per thousand population.

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

Divorce rate: Number of divorces per thousand population.

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

Table 3

**Education**

	Educational attainment				Students involved in non-compulsory education					Education expenditure	
	Population 16 years and older with primary education (%)	Population 30-34 with primary education (%)	Population 16 years and older with tertiary education (%)	Population 30-34 with tertiary education (%)	Pre-primary education	Secondary education	Vocational training	Under-graduate students	Post-graduate studies (except doctorate)	Public expenditure (thousands of €)	Public expenditure (%GDP)
2008	32.1	9.2	16.1	26.9	1,763,019	629,247	472,604	1,377,228	50,421	51,716,008	4.63
2010	30.6	8.6	17.0	27.7	1,872,829	672,213	555,580	1,445,392	104,844	53,099,329	4.91
2012	28.5	7.5	17.8	26.6	1,912,324	692,098	617,686	1,450,036	113,805	46,476,414	4.47
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846,415	4.32
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,597,784	4.31
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1,303,252	190,143	47,578,997	4.25
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458,049	4.24
2018	20.5	6.4	29.2	42.4	1,747,374 •	667,426 •	677,083 •	1,293,892 •	214,528 •		
2019	19.3	6.3	30.3	44.7							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	Contabilidad Nacional del INE

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

INE: Instituto Nacional de Estadística.

• Provisional data.

Table 4

**Social protection: Benefits**

	Contributory benefits*							Non-contributory benefits			
	Unemployment total	Retirement		Permanent disability		Widowhood		Unemployment	Social Security		
		Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)		Retirement	Disability	Other
2008	1,100,879	4,936,839	814	906,835	801	2,249,904	529	646,186	265,314	199,410	63,626
2010	1,471,826	5,140,554	884	933,730	850	2,290,090	572	1,445,228	257,136	196,159	49,535
2012	1,381,261	5,330,195	946	943,296	887	2,322,938	602	1,327,027	251,549	194,876	36,310
2014	1,059,799	5,558,964	1000	929,484	916	2,348,388	624	1,221,390	252,328	197,303	26,842
2015	838,392	5,641,908	1,021	931,668	923	2,353,257	631	1,102,529	253,838	198,891	23,643
2016	763,697	5,731,952	1,043	938,344	930	2,364,388	638	997,192	254,741	199,762	21,350
2017	726,575	5,826,123	1,063	947,130	936	2,360,395	646	902,193	256,187	199,120	19,019
2018	751,172	5,929,471	1,091	951,838	946	2,359,931	664	853,437	256,842	196,375	16,472
<b>2019</b>	807,614	6,038,326	1,138	957,500	975	2,361,620	712	912,384	259,570	193,122	14,997
2020	939,666♦	6,098,363■	1,150■	959,764■	982■	2,362,144■	719■	977,427♦	260,950♦	191,196♦	14,066♦
Sources	BEL	BEL	BEL	BEL	BEL	BEL	BEL	BEL	IMSERSO	IMSERSO	IMSERSO

BEL: Boletín de Estadísticas Laborales.

IMSERSO: Instituto de Mayores y Servicios Sociales.

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

■ Data refer to January-February.

♦ Data refer to January.

Table 5

**Social protection: Health care**

	Expenditure				Resources				Satisfaction		Patients on waiting list (days)	
	Total (% GDP)	Public (% GDP)	Total expenditure (\$ per inhabitant)	Public expenditure (per inhabitant)	Medical specialists per 1,000 inhabitants	Primary care doctors per 1,000 people assigned	Specialist nurses per 1,000 inhabitants	Primary care nurses per 1,000 people assigned	With the working of the health system	With medical history and tracing by family doctor or pediatrician	Non-urgent surgical procedures	First specialist consultations
2008	8.29	6.10	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.01	6.74	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.09	6.55	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.08	6.36	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.16	6.51	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	8.98	6.34	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.84	6.25	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.90	6.20	3,323	2,341		0.8		0.7	6.6	7.5	129	96
2019											115	81
Sources	OECD	OECD	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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# Notes

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