SEFO

Spain in year two of the pandemic

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Letter from the Editors

Although the global economic environment remains unfavourable on the whole, there is a sense of cautious optimism over the outlook for the global economy in the months ahead, as vaccination campaigns progress, setting the tone for improvement. This optimism is clearly biased towards the US, where the vaccination effort is making fast progress, restrictions are gradually being lifted and President Biden has announced a massive new fiscal stimulus package. In Europe, despite a weak start to the year, the recovery is also on the horizon, albeit less certain.

Within this context, we kick off the March issue of *Spanish and International Economic & Financial Outlook (SEFO)* by providing our latest set of forecasts for the Spanish economy, as well as an in-depth snapshot of Spain's fiscal outlook two years into the pandemic, with a focus at the sub-central level.

Based on provisional figures, Spain's GDP contracted by 11% in 2020, with 70% of the decline concentrated in sectors most dependent on human contact — retail, transport, hospitality and artistic and leisure activities. Available indicators suggest that the economy weakened again in early 2021, with a markedly uneven impact across sectors. In light of restrictions on mobility and businesses, as well as the slow progress on the vaccination front, our growth forecasts have

been cut to 5.7% in 2021, one point less than in previous projections. In 2022, growth should reach 6.3%, a 0.1 percentage point increase from the last set of forecasts. However, there are downside risks relating to insolvency rates and corporate debt levels. In addition, although the combination of investments and reforms is crucial for transformation purposes in the medium- and long-term, in the short-term the recovery depends more on the plight of Spain's tourism sector. Baseline assumptions see the tourism sector staging a gradual recovery from the second quarter on, such that tourism receipts this summer come close to last year's levels (which were less than a quarter of pre-crisis levels). By 2022, tourism should have made up 75% of the ground lost due to the crisis.

Next, we assess the performance of one of Spain's key sectors – the real estate sector – throughout this crisis relative to the previous one, as well as provide some insights as to the future outlook for the housing market. Many market observers have expressed concerns that the COVID-19 crisis could create vulnerabilities within the Spanish housing sector, leading to negative knock-on effects for the wider economy. However, Spain's housing sector has performed better than many had initially anticipated. For example, in December 2020, new mortgages topped €5.4 billion, the highest reading since mid-2010. This favourable performance can largely

be explained by government policies, such as furlough schemes and mortgage moratoria, that have protected Spanish consumers' income, while ultra-low interest rates have ensured demand for housing has remained strong. Imbalances and market dislocations observed in the past appear to have corrected. Residential investment currently accounts for 5.4% of nominal GDP in Spain, which contrasts with the highs of 2006, when residential investment reached 11.8% of nominal GDP. Also, the spread between the gross rental yield and the 10-year sovereign bond yield is at a high, indicating that the presence of speculative demand in the rental market is much lower than it was in 2006-2013. Lastly, the debt burden and housing affordability indicators also look much better than in 2008. Going forward, bigger corrections in volumes than prices are expected. However, the prospect of ongoing government support and European recovery funds suggest that the sector is more likely to evolve than collapse as a result of the current crisis.

We then analyze the impact of the pandemic on Spain's fiscal performance. The pandemic has had the dual effect of raising public deficit levels and reducing government revenue. In Spain, deficit increases differ across the various levels of government, with the central government's deficit rising to 7.82% against the regional governments' surplus of 0.29% up to the end of November 2020. This divergence is due to the extraordinary level of financial support provided by the federal government to the sub-central governments. However, updated data from December is expected to show that the regional governments dropped back into deficit by year-end. Some regions like the Basque region and Navarre are forecast to run a deficit of 2% or more while the Canary Islands should record a surplus. The deficit outlook for 2021 is clouded by uncertainty and will be influenced by Spain's sensitivity to changes in GDP, the scale of discretionary measures, and the extent to which loans channelled by ICO become non-performing. Spain's independent fiscal authority (AIReF) is forecasting an increase in the regional government deficit from 0.6% to 0.8%, with differences across regions persisting into 2021.

Notably, Spain's regions also differ in terms of their debt levels, with Valencia presenting a leverage ratio of 46.7%, triple that of the Canary Islands. These divergences mean solutions that involve debt forgiveness or risk-pooling would likely prove divisive.

Relatedly, we look at healthcare spending in Spain, pre and post the COVID-19 crisis, providing a country-level international comparison as well as taking a look at the breakdown of health spending across the regions. With EU fiscal rules frozen due to the COVID-19 crisis, the Spanish government has some scope to increase spending on health services, which has been low compared to peer countries. However, upward pressure on healthcare expenditure will likely extend beyond the pandemic. Analysis of healthcare spending patterns per capita by age and gender categories alongside demographic projections shows Spain's healthcare spending will grow by over 10.83 billion euros between 2018 and 2030. However, this spending will not be evenly dispersed across Spain's regions. One source of increased spending will be investment in healthcare technology, which will translate into constant average annual spending growth of 2.2%. Despite its already high ranking for health digitalisation initiatives, Spain is expected to allocate additional spending to enhance system interconnectivity, improve patient empowerment and prevent and monitor chronic conditions. Such e-Health initiatives imply a 1.5% increase in estimated health expenditure. Other areas requiring additional spending include recruiting and retaining healthcare workers as well as the expansion and upgrading of healthcare technology. The likely consolidation of those higher spending levels in the future needs to be framed by criteria related to efficiency, value creation and programme assessments (spending reviews). An independent assessment is the only way to ensure that the additional funds injected help to build a more favourable position for responding to potential future health emergencies.

As regards the financial sector, we explore the phenomenon of popular capitalism, a rising

trend evidenced by the latest events taking place in the GameStop/Robinhood/Reddit scheme, and its potential implications. In the wake of the financial crisis, new financial market trends have emerged such as the disconnect between financial signals and the real economy, the accumulation of bargaining power in certain investment arenas, and the impact of shareholder activism on corporate governance and valuations. Although shareholder activism has traditionally been more prolific in the US, the percentage of campaigns launched in Europe has been on the rise, prompting responses by both governments and corporations. More recently, a novel form of shareholder activism has developed, coined 'populist activism', which differs from traditional shareholder activism in terms of liquidity and suitability for retail investors. Perhaps the best example of this new investment activity is the purchase of GameStop shares by retail investors coordinating over Reddit. These actions had unforeseen consequences for both the retail investors who may have lacked the knowledge to properly assess their risk-taking as well as for institutional investment funds.

We close this issue with an analysis of Spain's corporate sector. Among the factors that will have a significant impact on the speed and intensity of Spain's economic recovery are economic policy measures, including both those which provide direct aid for viable companies at risk of insolvency, as well as those that incentivize Spain's commitment to a digital, green and social transition.

Along these lines, first, we provide an assessment of the impact of the pandemic on Spain's corporates and what has and still needs to be done to help viable Spanish companies. The protracted length and intensity of the COVID-19 crisis means that the initial measures designed to ensure the flow of financing to the corporate sector are no longer sufficient. In response to the first wave of COVID-19, the Spanish government provided loan guarantees to nearly one million enterprises, most of which are SMEs. While these loans involved attractive conditions, they

nonetheless count as debt and have reversed a decade's long deleveraging effort in the Spanish corporate sector. A wave of bankruptcies would have a deleterious effect on Spain's productive fabric at a time when the economy's recovery is highly vulnerable to shocks. However, any response to this potential risk must look beyond a rise in insolvency filings. Instead, efforts should also be made to reinforce the corporate sector's financial structure so as to support investments in digitalisation and sustainability. Spain should consider adopting the highly targeted approach of other countries that utilise a wide variety of instruments and bolster the role of the private sector. Within this context, the Spanish government's recent approval of a new 11 billion-euro aid package for SMEs and the self-employed, comprised of a direct aid fund, debt restructuring, and business recapitalization is a welcome development.

Finally, we examine one of the key factors that firms need to consider if they want to maintain competitive advantage — investment in intangible assets and its important implications for digitalisation. Digitalisation has become a key focus of the EU, as evidenced by the allocation of Next Generation EU funds to support the digital transformation of the EU economy. This is because of its potential to boost growth, and by extension, social welfare. However, the digitalisation of Europe's economy will be dependent on investments in intangible assets, which in some cases are considered 'expenses' rather than investments according to national accounting systems. Examples of intangible assets include design, market research, specific human capital training and organisational capital. Unfortunately, Spain lags behind when it comes to investing in intangible assets, standing second last in the EU and significantly behind the EU average. Importantly, investment in intangible assets is rarely financed through bank loans, with firms instead relying on own funds or private equity. However, policy shifts could help channel more bank credit to investments in intangibles. For example, governments could issue guarantees for these loans so as to reduce the potential risks

faced by banks. As well, the introduction of a supporting factor for banks' risk weighted asset (RWA) calculations along the lines of what is used for loans to SMEs and infrastructure investments could also help increase bank lending.

What´s Ahead (Next Month)

Month	Day	Indicator / Event
April	6	Social Security registrants and official unemployment (March)
	9	Industrial production index (February)
	14	CPI (March)
	15	Financial Accounts Spanish Economy (4th. quarter)
	15	Foreign trade report (January)
	22	ECB monetary policy meeting
	29	Labour Force Survey (1st. quarter)
	29	Preliminary CPI (April)
	30	Retail trade (March)
	30	Non-financial accounts, State (March)
	30	Non-financial accounts: Central Government, Regional Governments and Social Security (February)
	30	Preliminary GDP (1st. quarter)
	30	Balance of payments monthly (February)
May	5	Social Security registrants and official unemployment (April)
	7	Industrial production index (March)
	14	CPI (April)
	17	Eurogroup meeting
	17	Foreign trade report (March)
	28	Retail sales (April)
	31	Non-financial accounts, State (April)
	31	Non-financial accounts: Central Government, Regional Governments and Social Security (March)
	31	Preliminary CPI (May)
	31	Balance of payments monthly (March)

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What Matters
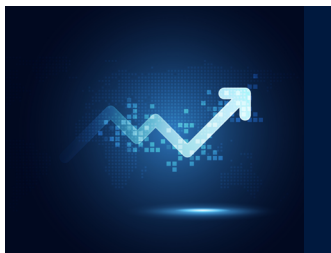
5   The economic outlook following the third wave of COVID-19

Restrictions on mobility and businesses, as well as the slow progress on the vaccination front, will delay the recovery of the Spanish economy. The result is a cut in growth projections for 2021 by one percentage point, to 5.7%. Looking further ahead, the strength of the expansion will depend heavily on business insolvency rates and the extent to which tourism will be able to rebound.

Raymond Torres and María Jesús Fernández

15   Spain's housing market in times of crisis: Will this time be different?

Unlike the previous financial crisis, the housing sector has proven to be resilient throughout most of the pandemic, with mortgages and housing transactions rebounding after an initial dip. Given that debt burdens are lower and housing affordability stronger than in previous years, the sector appears more likely to evolve than collapse.

José Ramón Diez Guijarro

25   Sub-central finances: Year two of the pandemic

While the Spanish central government's debt and deficit increased significantly as a result of the pandemic, regional governments' finances emerged in relatively better shape thanks to extraordinary support from the former. That said, there are notable differences across the regions both in terms of debt and deficit levels, which could make the transition back to normality a challenge.

Santiago Lago Peñas

35 Spain's healthcare spending: Projections pre and post COVID-19

Analysis of healthcare spending patterns per capita by age and gender categories alongside demographic projections shows Spain's healthcare spending will grow by over 10.83 billion euros between 2018 and 2030. While this increase in spending is necessary to bring Spain closer to international benchmarks, it will require an independent assessment to ensure the efficient allocation of funds.

Susana Borraz, A.F.I.

51 New forms of investor activism and the shift in market outlook

The emergence of 'populist activism' best exemplified by the volatility in GameStop shares is distinct from previous forms of shareholder activism and entails risks for both institutional investment funds and retail investors. While Spanish regulators believe existing laws would render such activity illegal in Spain, other potential sources of volatility this year could still pose risks for financial markets participants.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

59 The challenge of recapitalising Spain's corporate sector

The intensity and duration of the COVID-19 crisis has raised the risk of a potential insolvency crisis in Spain's corporate sector. In order to avoid this, targeted measures that utilise a variety of instruments, involve the role of the private sector, and reform bankruptcy procedures will be key.

Irene Peña and Pablo Guijarro, A.F.I.

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Raymond Torres and María Jesús Fernández

Abstract: Based on provisional figures, Spain's GDP contracted by 11% in 2020, with 70% of the decline concentrated in sectors most dependent on human contact — retail, transport, hospitality and artistic and leisure activities. Available indicators suggest that the economy weakened again in early 2021, with a markedly uneven impact across sectors. In light of restrictions on mobility and businesses, as well as the slow progress on the vaccination front, growth forecasts have been cut to 5.7% in 2021, one point less than in previous projections. In 2022, growth should reach 6.3%, a 0.1 percentage point increase from the last set of forecasts. However, there are downside risks relating to insolvency rates and corporate debt levels. In addition, although the combination of investments and reforms is crucial for transformation purposes in the medium- and long-term, in the

short-term, the recovery depends more on the plight of Spain's tourism sector. Baseline assumptions see the tourism sector staging a gradual recovery from the second quarter on, such that tourism receipts this summer come close to last year's levels (which were less than a quarter of pre-crisis levels). By 2022, tourism should have made up 75% of the ground lost due to the crisis.

Introduction

Spanish GDP suffered an unprecedented contraction of 11% in 2020 as a result of the pandemic, with the impact differing significantly across sectors. Following the sharp corrections sustained in the first two quarters, the economy recovered strongly in the third quarter, before progressing only modestly in the fourth quarter. As for the start of 2021, currently available data, particularly employment indicators, point to a fresh contraction. High infection rates in Spain and the rest of Europe, coupled with the slow vaccine rollout, have pushed back the possibility of a significant and sustained recovery until at least the early summer.

The forecasts remain shrouded by significant uncertainty. GDP growth is highly dependent on variables whose evolution is difficult to predict in the current climate. Tourism will be particularly key, even more so than receipts from the Next Generation EU funds, at least in the short-term.

Assuming that tourist activity in 2021 largely repeats last summer's volumes, and that from that point it recovers to reach around 80% of pre-crisis levels by year-end 2022, we estimate that GDP would register growth of 5.7% this year and 6.3% next year.

Recent developments

According to the provisional figures reported by the National Statistics Office (INE), during the last quarter of 2020, GDP registered growth of 0.4%. Although this is better than anticipated, it is insufficient to achieve the momentum needed to make up for all the lost ground during the first half of the year. Moreover, that growth stemmed mainly from an uptick in public consumption. Private consumption recovered much less, while all components of investment as well as exports suffered setbacks.

Exports of goods and tourism services both weakened in the fourth quarter of 2020, with the marginal recovery observed in tourism during the third quarter evaporating later on. Specifically, volumes returned to levels witnessed during the time of lockdown as a result of the restrictions adopted in both Spain and across Europe to contain the second wave of the pandemic.

Altogether, based on provisional figures, GDP contracted by 11% in 2020. Only primary and public services sectors registered growth. Stripping them out, the contraction in Gross Value Added (GVA) in private non-farming sectors was 14%. Within that group, the impact of the crisis was very uneven. In the sectors most affected —retail, transport, hospitality and artistic and leisure activities— the GVA contraction was 24%, compared to 8.5% in the other sectors. This means that 70% of the GDP wiped out in 2020 came from those hard-hit sectors.

The indicators released so far this year suggest that GDP has contracted again in early 2021. In January, both the manufacturing and the services PMIs fell for several reasons: tighter restrictions in response to rising infection rates; historic snowfall in January; and, in the case of the manufacturing sector, interruptions in the flow of supplies from Asian factories as a result of insufficient maritime shipping capacity, which increased transport costs.

> " According to the provisional figures reported by the National Statistics Office (INE), during the last quarter of 2020, GDP registered growth of 0.4%. "

Exhibit 1   **Social Security contributors and subsidised employment**

Millions of people

■ Effective employment ■ Subsidised employment (furlough and self-employed on benefits)

Sources: Funcas estimates based on Ministry of Inclusion, Social Security and Immigration data.

In addition, rail and air passenger traffic as well as tourist arrivals have contracted again following lacklustre growth in December. The trend in Social Security contributors in January has held up fairly well in year-on-year terms, but effective employment, measured as contributors less employees on furlough and self-employed professionals on benefits, registered the second-ever biggest drop in the month of January. In February the PMIs recovered, but jobs fell again, calling into question the possibility of an economic recovery in the short-term (Exhibit 1).

Forecasts for 2021 and 2022

All signs suggest that Spain's economic recovery will be on hold until at least the summer. The prolongation of restrictions on businesses and mobility, coupled with the slow progress on the vaccination front, is weighing on both private consumption and tourism. Weak internal demand is being exacerbated by contractions in some of Spain's main

export markets, especially in Europe, where the indicators are similarly headed south, particularly in Germany and France [1].

Things should turn around during the second half of the year, however, as the vaccination effort leads to falling infection rates and the easing of restrictions. This should facilitate a recovery in private spending and international mobility. Elsewhere, public investment is set to increase in the second half of the year, to the extent that the European Commission endorses Spain's recovery plan projects. The external environment should also improve, particularly in the US, boosted by the American Rescue Act, a fiscal stimulus package equivalent to around 9% of US GDP (the second most expansionary in the country's history).

Given the weak start to the year and the downturn in expectations for the main European trading partners, we have cut our

" Weak internal demand is being exacerbated by contractions in some of Spain's main export markets, especially in Europe. "

growth forecast for 2021 by one percentage point to 5.7% [2]. This weaker forecast is driven mainly by lower estimated growth in private consumption as a result of households' reluctance to spend in the face of a prolonged health crisis. We continue to expect a partial recovery in investment, framed by the stimulus anticipated from the European funds. We have revised our forecasts for public consumption upwards (shaped by the acceleration in public spending observed during the final stretch of 2020 and the knock-on effect this year). Internal demand is expected to contribute 6.1 percentage points to growth, with foreign trade eroding it by 0.4 percentage points (down from our last estimate for a positive contribution of 0.8 percentage points), due to the later than initially forecast recovery in tourism (Table 2).

The fiscal stimulus expected during the second half of 2021 should carry over to next year. Indeed, for 2022, we are estimating growth of 6.3%, up 0.1 percentage points from our last set of forecasts. The key recovery drivers will be operating at full throttle. Private consumption should register strong growth thanks to the release of some of the surplus savings built up during the crisis. Meanwhile, tourism should normalise steadily, and the fiscal stimulus measures funded by the European recovery funds will be even greater than this year, once the operating procedures are up and running (Exhibit 2). In all, both internal demand and foreign trade are expected to make a clear-cut positive contribution (4.9 percentage points and 1.3 percentage points, respectively).

Exhibit 2   **Expected European funds and estimation of pent-up demand in 2021**

Billions of euros
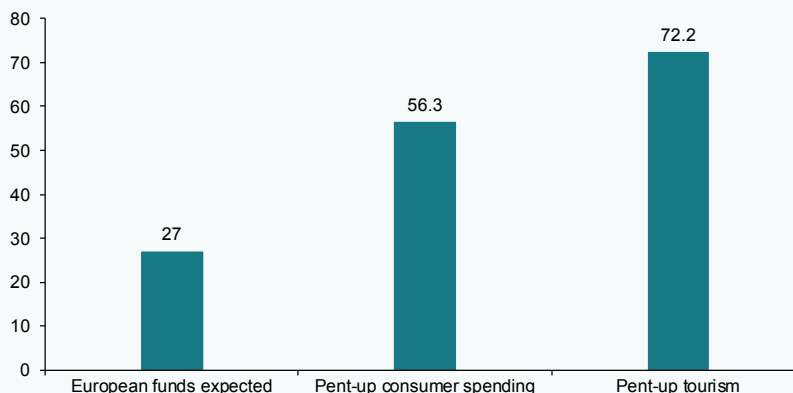
Source: Funcas estimates.

> " In the first two months of 2021 alone, nearly 20,000 enterprises filed for insolvency. "

The recovery should facilitate the re-incorporation of furloughed workers, which means that the impact on job creation will be limited. The unemployment rate is estimated at 15.7% at the end of the projection horizon, compared to 14.1% before the crisis.

The external surplus is expected to narrow in 2021, shaped largely by the rally in oil prices, but should increase in 2022 thanks to the recovery in tourism. The public deficit, however, will remain high at 8% of GDP in 2021 and 6.7% in 2022. These forecasts imply growth in public debt of around 190 billion euros over the two-year period. The ratio of debt to GDP should remain at around 118% thanks to the growth in nominal GDP.

We are expecting the rate of inflation to tick up to 1.5% on average this year, driven by higher oil prices and price recovery in some of the sectors that suffered sharp price contraction last year on account of the crisis, such as hotels, air travel and tourist packages. In 2022, inflation should fall back slightly. However, there is a risk of higher inflation if demand comes back stronger than supply in the sectors that are suffering greater destruction of their productive capacity, such as tourism and hospitality.

Main risks

The materialisation of these forecasts depends on side stepping the downside risks associated with management of the pandemic, effectiveness of economic policy and the passage of reforms. More pressing,

however, is the speed of vaccination rollout and its effectiveness.

The intensity of the recovery will be proportionate to the effectiveness of the support measures extended to viable businesses at risk of insolvency. The crisis is not only destroying swaths of the productive fabric in the sectors hit hardest but is also increasing business indebtedness and reducing the capital base. In the first two months of 2021 alone, nearly 20,000 businesses disappeared, putting an end to the green shoots observed during the last part of 2020 (Exhibit 3). Importantly, smaller companies are more exposed to the risk of insolvency.

Policy effectiveness could weigh on the pace of economic recovery once normality resumes. The challenge is to design a support plan that is effective and targeted exclusively at viable companies with the aim of safeguarding as much of the productive fabric as possible but without fuelling zombie companies. The propping up of non-viable companies, in addition to implying the ineffective allocation of public funds, would impede the recovery of those enterprises that are viable. Indeed, banks would keep dubious loans on their balance sheets, which would undermine the credit flowing to promising projects and therefore weigh on potential output, as has happened in Italy and particularly in Japan [3]. The government has just adopted a plan to support businesses, including both direct transfers to the hardest-hit sectors (worth 7 billion euros, to be implemented by regional governments) and financial measures to prevent insolvency

> " Market expectations depend on the ability to articulate a reform agenda, and adapt measures to both the prevailing situation and the digital, green and social transformation objectives. "

Exhibit 3

Change in the number of enterprises between December 2020 and February 2021, by number of employees
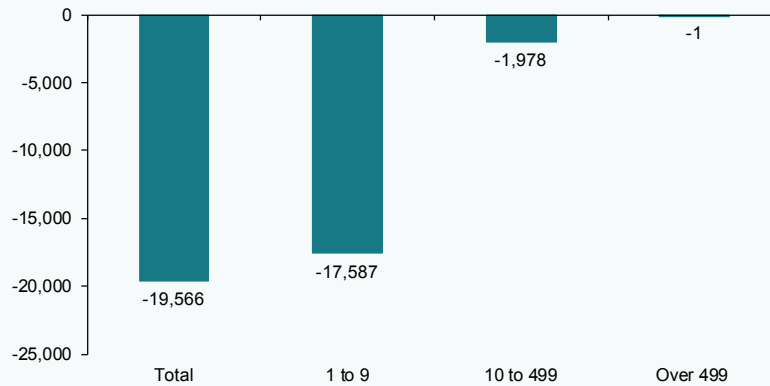
Source: Spanish Ministry of Labour and Social Economy.

(for a total of 4 billion euros). The plan comes late in comparison with other European countries, and its impact will depend crucially on two factors: its swift implementation by the regions; and the extent to which it effectively targets viable businesses.

Lastly, as with all recoveries, market expectations play a crucial role. This depends on the ability to articulate a reform agenda, and adapt measures to both the prevailing situation and the digital, green and social transformation objectives. The very management of the European funds also requires structural reforms [4].

In light of these challenges, it is important to keep a close eye on tourism. The sector has entered its second year of crisis with many companies on the verge of bankruptcy. The forecasts are based on the assumption that

the sector will stage a gradual recovery after the second quarter, such that tourism receipts this summer come close to last year's levels (which were less than a quarter of pre-crisis levels). We are estimating growing momentum throughout the rest of the projection period, with tourism reaching 80% of pre-crisis level at the end of 2022. This means making up 75% of the ground lost due to the crisis by the end of 2022 (Exhibit 4).

If normalisation were to come faster, and the sector reached 50% of pre-crisis levels over the summer and 95% by year-end 2022, estimated GDP growth would rise to 7% in 2021 and 6.7% in 2022 (1.3 and 0.4 percentage points more than estimated in the baseline scenario).

The pessimistic scenario in which tourists remain too cautious to travel would push back

" If tourists remain too cautious to travel, this would push back the tourism recovery to 2022, with estimated GDP growth falling to 4.2% in 2021 and 5.3% in 2022. "

Exhibit 4 **Assumptions about tourist service exports**

Numbers rebased to 4Q19 = 100
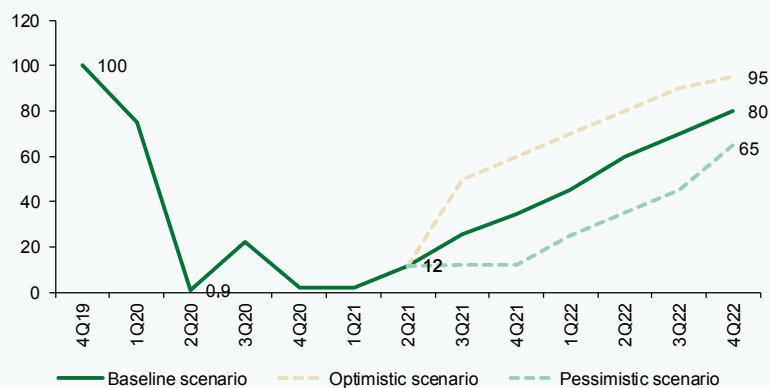
Source: Funcas estimates.

the tourism recovery to 2022. As a result, estimated GDP growth would fall to 4.2% in 2021 and 5.3% in 2022 (respectively 1.5 and 1 percentage points less than estimated in the baseline scenario). Additionally, in the pessimistic scenario, the risk of company

insolvencies would be very high, requiring sector restructuring.

Lastly, it is important to note that although the combination of investments and reforms is crucial for transformation purposes in

Table 1 **Contribution of tourism to the growth forecasts**

Percentage points

	2021	2022
Baseline forecasts	*5.7*	*6.3*
1) Contribution by the European funds	0.7	1.1
2) Contribution by tourism	1.5	1.0
3) Other	3.5	4.2
Optimistic scenario (50% of normal summer season)	*7.0*	*6.7*
Pessimistic scenario (12% of normal summer season)	*4.2*	*5.3*

Source: INE.

Table 2   **Economic forecasts for Spain, 2021-2022**

Annual rate of change in percentages, unless otherwise indicated

	Actual data				Funcas forecasts		Change from last set of forecasts (a)	
	1996-2007 average	2008-2013 average	2014-2019 average	2020	2021	2022	2021	2022
1. GDP and components, constant prices								
GDP	3.7	-1.3	2.6	-11.0	5.7	6.3	-1.0	0.1
Final consumption, households and NPISHs	3.7	-2.1	2.2	-12.4	6.1	4.8	-1.3	-2.5
Final consumption, government	4.2	0.9	1.4	4.5	4.4	2.5	2.7	2.0
Gross fixed capital formation	6.1	-7.6	4.5	-12.4	8.6	8.2	0.7	-1.2
Construction	5.5	-10.7	3.9	-15.8	7.0	10.1	-0.8	4.3
Capital goods and other products	7.5	-2.7	5.0	-9.0	10.1	6.5	2.1	-6.3
Exports of goods and services	6.5	1.8	4.0	-20.9	7.1	14.7	-4.7	7.3
Imports of goods and services	8.7	-4.0	4.4	-16.8	8.9	10.5	-1.2	3.0
Domestic demand (b)	4.4	-3.1	2.6	-9.0	6.1	4.9	0.2	-1.1
Net exports (b)	-0.7	1.8	0.0	-1.9	-0.4	1.3	-1.2	1.1
GDP, current prices: - billions of euros	--	--	--	1,120.0	1,193.7	1,279.9	--	--
- % change	7.3	-0.8	3.4	-10.0	6.6	7.2	-1.3	-0.1
2. Inflation, employment and unemployment								
GDP deflator	3.5	0.5	0.8	1.1	0.9	0.9	-0.2	-0.1
Household consumption deflator	3.1	1.7	0.7	0.1	1.5	1.3	0.6	0.0
Total employment (national accounts, FTEs)	3.3	-3.4	2.5	-7.5	4.3	2.9	1.7	-3.1
Unemployment rate (Spanish labour force survey)	12.5	20.2	18.8	15.5	16.2	15.7	-0.8	0.2
3. Financial equilibrium (% of GDP)								
National savings rate	16.7	18.8	21.7	20.8 (c)	21.3	22.6	-0.9	0.1
- of which, private savings	13.3	22.9	23.6	29.3 (c)	27.1	27.2	-0.7	2.9
National investment rate	26.7	21.7	19.4	20.2	20.8	21.1	0.5	0.2
- of which, private investment	17.9	17.8	17.2	17.7 (c)	17.9	18.5	0.2	0.3
Current account surplus/(deficit)	-4.5	-2.9	2.3	0.7 (c)	0.5	1.5	-1.4	-0.2
Spain's net lending (+) or borrowing (-) position	-3.7	-2.4	2.7	1.0 (c)	1.2	2.2	-1.0	0.4
- Private sector	-3.8	6.4	6.6	11.9 (c)	9.3	8.9	-1.5	1.7
- Govt. deficit excl. financial sector bailout debt	-0.9	-8.1	-3.9	-10.9 (c)	-8.0	-6.7	0.6	-1.2
Government debt, EDP criteria	52.2	67.6	98.4	117.1	118.7	117.8	-2.1	-0.6
4. Other variables								
Eurozone GDP	-0.3	0.7	1.7	-6.8	4.3	4.8	-0.7	1.3
Household savings rate (% of GDI)	9.5	8.8	6.4	15.2 (c)	12.2	9.5	-1.0	0.7
Gross borrowings, households (% of GDI)	93.3	128.5	102.0	89.8 (c)	82.3	77.2	0.6	0.7
Gross borrowings, non-financial corporates (% of GDP)	91.5	133.4	103.1	105.8 (c)	98.8	91.7	-1.8	-3.9
Spain's gross external borrowings (% of GDP)	60.6	162.4	168.3	195.4 (c)	186.5	175.1	3.2	0.3
12-month Euribor (annual %)	3.74	1.90	0.01	-0.30	-0.50	-0.45	-0.04	0.00
Yield on 10Y Spanish bonds (annual %)	5.00	4.74	1.58	0.38	0.20	0.35	0.00	0.00

(a) Percentage-point change between the current estimates and the last set of forecasts.
(b) Contribution to GDP growth in percentage points.
Sources: 1996-2020 (except (c)): INE and Bank of Spain; (c) and forecasts 2021-2022: Funcas.

the medium- to long-term, in the short term the recovery depends more on the plight of Spain's tourism sector (Table 1).

Notes

[1] Refer to European Commission (2021). *Winter 2021 Forecasts*, February 2021. https://ec.europa.eu/info/sites/info/files/economy-finance/ip144_en_1.pdf

[2] Refer to Funcas (2021). *Previsiones macroeconómicas para España 2021-2022*, 19 February 2021. https://www.funcas.es/textointegro/previsiones-para-la-economia-espanola-2021-2022/

[3] Refer to Gandrud, C. and M. Hallerberg (2017). How not to create zombie banks: lessons for Italy from Japan. *Bruegel Policy Contribution*, Issue No. 6

[4] For an estimate of the impact of the reforms and European funds on the Spanish economic recovery, refer to Torres, R. and Fernández, M. J. (2021). Rising COVID-19 cases dampen economic forecasts, *SEFO,* Volume 9, No. 5 (September 2020).

Raymond Torres and María Jesús Fernández. Economic Perspectives and International Economy Division, Funcas

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Spain's housing market in times of crisis: Will this time be different?

Unlike the previous financial crisis, the housing sector has proven to be resilient throughout most of the pandemic, with mortgages and housing transactions rebounding after an initial dip. Given that debt burdens are lower and housing affordability stronger than in previous years, the sector appears more likely to evolve than collapse.

José Ramón Diez Guijarro

Abstract: Many market observers have expressed concerns that the COVID-19 crisis could create vulnerabilities within the Spanish housing sector, leading to negative knock-on effects for the wider economy. However, Spain's housing sector has performed better than many had initially anticipated. For example, in December 2020, new mortgages topped €5.4 billion, the highest reading since mid-2010. This favourable performance can largely be explained by government policies, such as furlough schemes and mortgage moratoria, that have protected Spanish consumers' income, while ultra-low interest rates have ensured demand for housing has remained strong. Imbalances and market dislocations observed in the past appear to have corrected. Residential investment currently accounts for 5.4% of nominal GDP in Spain, which contrasts with the highs of 2006, when residential investment reached 11.8% of nominal GDP. Also, the spread

between the gross rental yield and the 10-year sovereign bond yield is at a high, indicating that the presence of speculative demand in the rental market is much lower than it was in 2006-2013. Lastly, the debt burden and housing affordability indicators also look much better than in 2008. Going forward, bigger corrections in volumes than prices are expected. However, the prospect of ongoing government support and European recovery funds suggest that the sector is more likely to evolve than collapse as a result of the current crisis.

Introduction

The housing market plays a crucial role in macroeconomic stability. Its tight links to both the real economy and the financial system make it a spillover sector with the potential to amplify imbalances in either direction through multiple channels (wealth effect, loan non-performance, *etc.*). That became painfully obvious in Spain during the economic crisis of 2008. After the housing market bubble burst, the country witnessed a sharp contraction in construction sector employment, a collapse in prices and a surge in loan non-performance that ended up hurting the solvency of numerous banks and threatened to spread to the rest of the eurozone. Against that backdrop, one of the most pertinent questions at this juncture of the pandemic-induced crisis is will things be different this time? Could the sector end up destabilising the Spanish economy?

Situation in the housing market

One of the characteristics of the COVID-19 crisis is its asymmetric impact across countries, regions and sectors. The Spanish economy is proving to be one of the hardest hit, due to the high importance of the economic activities most reliant on social interaction, such as tourism and hospitality, where business metrics are at levels not seen since the late

1960s (foreign tourist arrivals, *etc.*). Other sectors, however, such as the pharmaceutical and food sectors have performed very well, responding flexibly to the changes in consumption patterns triggered by the pandemic.

The housing market is performing better than feared at the onset of the pandemic. The bad memories of the sector's role during Spain's last major recession and the fear of a drastic deterioration in the main drivers of demand (employment, household income, *etc.*) prompted worries that a sharp correction in volumes and house prices could spark a new downward spiral. That analysis failed to take into consideration the absence of major imbalances in the market (unlike in 2008) or the potential momentum from new trends such as working from home and the green transition.

In fact, transaction volumes corrected very severely during the first weeks of the crisis (-57%), along with new mortgages (-20%). This is not surprising given the impediments to closing transactions in person (strict lockdown, closure of property registrars, *etc.*). However, from July the market began to recover, correcting much of the contraction sustained during the first half, thanks to pent up demand during the months of harsher restrictions and strong off-plan sales at developers. The second half of 2020 was marked by positive signals in terms of transaction volumes, prices and mortgage flows, a good barometer for measuring the sector's momentum. In December 2020, new mortgages topped €5.4 billion in Spain, the highest reading since mid-2010 and a year-on-year growth of 18.2%. That growth was the highest in the eurozone, ahead of Germany (10.5%), Portugal (8.1%), the Netherlands (6.9%), Ireland (6.7%) and Austria (6.3%). The upward trend in new mortgages since the summer was sufficient to push the

" Transaction volumes corrected very severely during the first weeks of the crisis (-57%), along with new mortgages (-20%). "

Exhibit 1 **New home sales**
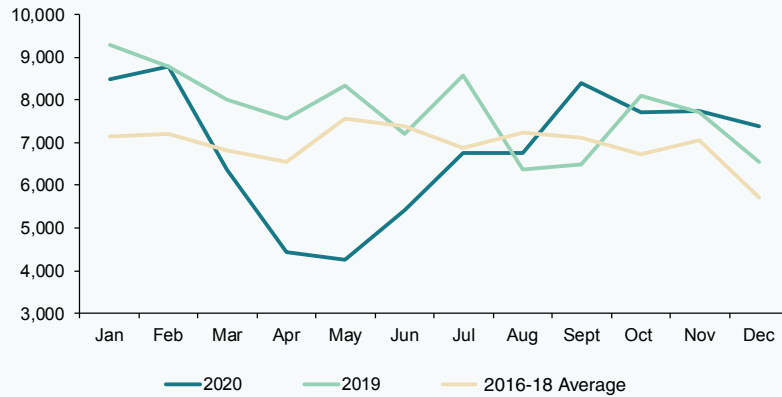
Source: INE.

overall 2020 balance into positive territory (+0.9% to €44 billion), whereas back in April and June the contractions of around 50% foreshadowed a correction of at least 25%.

That back and forth was shaped, according to the latest bank loan survey, by the materialisation of purchase decisions deferred during the spring, as well as the emergence of new and different consumer needs. Indeed, the quarterly statistics published by the property registry reveals growing interest in houses with larger floor areas and open spaces (111 square metres is the new all-time high for the average new house size), as well as a surge in demand for single-family homes,

Exhibit 2 **Second-hand home sales**

Source: INE.

which account for nearly one out of every four transactions and could explain the growth in the average mortgage loan size. Also, with rates ultra-low and lending competition intense, the share of fixed-rate mortgage loans is increasing. In 2020, that percentage rose to over 44% of new loans, compared to 34% in 2019 and 6% five years ago. In sum, we are seeing shifts in home buyer preferences that are set to change demand dynamics in the future.

The trend is very similar if we analyse housing transactions. In December 2020, 36,109 homes were sold in Spain (the best December since 2007), marking growth for the second month in a row (+3.7%) and reaffirming the recovery in demand. While the improvement was widespread in December, the uptick in sales of new homes (+13% year-on-year) was much stronger than that in second-hand homes (+1.6%), largely because the purchases closed before the onset of the pandemic were not cancelled, unlike at the start of the last crisis, indicating that expectations have not changed radically this time round. Demand strengthened as the year unfolded, although the annual balance was negative, at 417,768 transactions (down 89,700 from 2019). That gradual normalisation of activity is shaping the price stability observed in the market, despite the odd blip in the middle of the year. The repeat-sales house price index (IPVVR) shows a rebound in prices in the fourth quarter of 2020 (+1.0% for the quarter), which more than offset the weakness evidenced in previous quarters. Thanks to

that year-end momentum, the year-on-year rate remained in positive territory (1.6% for the arithmetic index and 2.2% for the average index). In short, the easing already observed in price momentum before the arrival of COVID-19 has intensified but we are not seeing significant price correction. That being said, the indicators have been affected by market inactivity and the lack of inputs, so it is too soon to say that the sector is out of the woods, especially as the gap between supply and demand prices could widen as agents wait for the uncertainty to dissipate.

In a nutshell, since the summer, the housing market has performed better than initially expected. At the start of the pandemic, the fear was that we would see a significant correction in sales and prices. In the absence of more bad news on the economic front and pending the final snapshot of the impact of the crisis on the job market, the most likely hypothesis is that this time the housing market correction will be far more digestible than in the last crisis, with a bigger impact on transaction volumes than prices.

Market adjustments and imbalances

The trend in the key housing market indicators in the months following the onset of the crisis has been supported by certain economic policy responses (furloughs, moratoria, *etc.*) that have shielded household income and cushioned the initial impact of the pandemic. However, given the significant and ongoing uncertainty as to the trajectory of the crisis and when the extraordinary support measures

might be rolled back, it is important to consider possible structural imbalances in the housing sector to assess its vulnerability in the event of a potential economic deterioration.

The first litmus test is the weight of residential investment in GDP and the trend in that metric since the last crisis. Residential investment currently accounts for 5.4% of nominal GDP in Spain, which is below the average for both Spain (7.2%) and the EMU (5.6%) over the last 25 years. That situation contrasts with the highs of 2006, when residential investment reached 11.8% of nominal GDP in Spain, nearly twice the EMU average (6.7%). These numbers suggest that many of the excesses of the last crisis have been corrected and activity levels are currently very much in line with those of Spain's main EU peers.

Another way of analysing the situation is to compare new housing development with household formation (potential demand).

In 2020, that alignment was almost perfect (89,600 new households compared to 86,548 permits), again contrasting with the situation in 2008 when house permits (nearly 900,000) were virtually double household formation (450,000). The same reading is gleaned from the high absorption of finished housing by the market in 2020 (83,878 completed houses compared to 82,543 new home purchases). Housing supply therefore appears to be closely aligned with demand without any signs of surplus production. However, certain developers may be adjusting their output for the new paradigm, thereby "phasing in" their developments to test the strength of demand and reduce risks. At any rate, considering that household formation ground to a halt in the wake of COVID-19, it is possible we could see a shortfall of new housing in the near term, unlike what happened in 2008.

On the price front, the distance from previous highs remains significant (over 23%) and,

Exhibit 3 **Investment in housing**
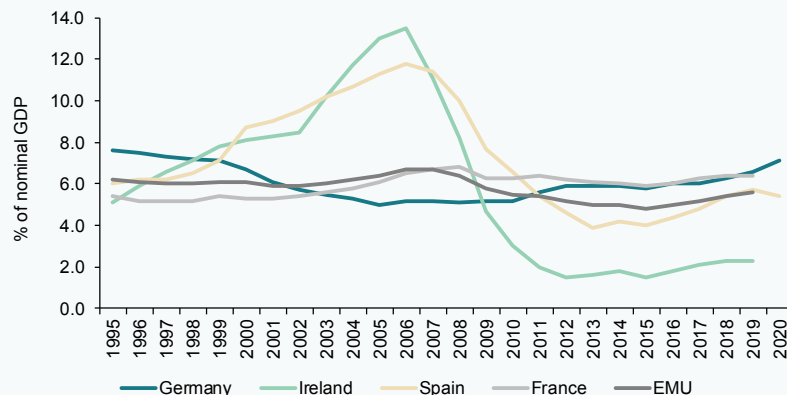
Source: Eurostat.

Exhibit 4 **New housing supply and demand**

700,000
600,000
500,000
400,000
300,000
200,000
100,000
0

Last 12 months

08 09 10 11 12 13 14 15 16 17 18 19 20

— Housing permits   — New home sales   — Housing completions

Sources: INE and MITMA.

more importantly, some of the relative valuations measures are very far from what might be considered 'stretched'. For example, the spread between the gross rental yield (3.7%) and the 10-year sovereign bond yield (0.3%) is at a high, indicating that the presence of speculative demand in the rental market is much lower than it was in 2006-2013, when the gross rental yield was lower than the sovereign bond yield in Spain. Only an investor expecting sharp price gains would be willing to buy assets with an annual return that is lower than the risk-free rate of return.

The debt burden and housing affordability indicators also look much better than in 2008. Buying an average sized home in Spain requires 7.3 years' pre-tax income, down from nine years at the height of the bubble (6 years during the low of 2014-2016). Nor are household debt servicing burdens excessive,

particularly in comparison with Spain's EU peers. In Spain, just 8.5% of households have to cover house-related expenses (rent or mortgage payments) of over 40% of their disposable income, which is below the EU average (9.8%) and below the figures in Italy, Germany and the UK, among other countries. Moreover, household leverage (94.1% of GDI) has come down very significantly since 2007 (133.8%) with households earmarking just €3.55 billion to mortgage debt service in 2020 (€40.12 billion in 2008). Meanwhile, housing affordability, measured as the percentage of income a household has to devote to mortgage payments each month, lies at a reasonably comfortable level (31.3%), well below the 2008 peak of 52.4%. The stability of prices in recent quarters and the expectation that interest rates will remain at current levels for quite some time suggest that is unlikely that the debt service burden will revisit worrying levels

" The difference between the gross rental yield and the 10-year sovereign bond yield is at a high, indicating that the presence of speculative demand in the rental market is much lower than it was in 2006-2013. "

Exhibit 5   **Housing investment/Gross household income**
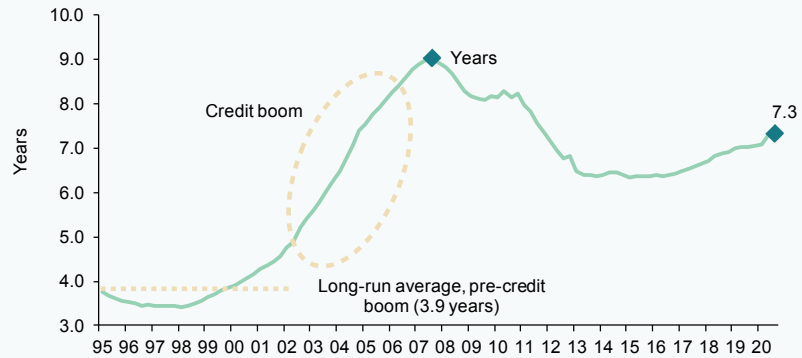
Source: Bank of Spain.

in the medium-term. Here the key, however, is for the growth in household income to keep pace with the growth in housing prices.

Lastly, the improvement in affordability is not attributable to an "excessive" easing of borrowing terms. The average mortgage loan term stands at 23.9 years, compared to 28.3 years in 2008, while the percentage of mortgages awarded at a loan-to-value (LTV) of over 80% remains near the low (9.5% of the total). On the supply side, the financial sector has reduced its exposure to the construction and development sectors to under 20% of their corporate loan books, compared to 50% in 2008 (30% in the EU). In general, therefore, it can be said that the excesses of the previous decade have been reduced by a

Exhibit 6   **Annual household debt burden**

Source: Bank of Spain.

very significant degree, which means that the sector's ability to absorb the inevitable shock the crisis will produce, sooner or later, is also substantially better.

A comparison with the state of the sector across Europe yields similar conclusions. Using the data published by the European Mortgage Federation, the five countries with the highest relative burden of housing costs were Sweden (outstanding residential loan balance of 89.2% of GDP), the Netherlands (89%),

Denmark (83.2%), Luxembourg (56.1%) and Belgium (55.7%). Expressed in terms of household income, the most leveraged nations were the Netherlands (outstanding residential loan balance equivalent to 183% of household disposable income), Sweden (177.8%), Denmark (173.3%), Luxembourg (154%) and the UK (100.6%). In Spain, outstanding residential loans represent 39.2% of GDP and 62.7% of household disposable income. Those ratios, following years of household deleveraging in Spain, are below the EMU average (44.2% and 73.6%, respectively).

Table 1

Housing market indicators

Percentage

	2004	2007	Today	
Residential investment as % of GDP	10.7	11.8	5.4	🟢
Household borrowings as % of GDI	98.7	133.8	94.1	🟢
Household debt service burden as % of GDI	13.1	18.0	11.1	🟢
House prices / Household GDI (years)	7.4	8.9	7.3	🟢
% of income devoted to mortgage payments	36.2	50.8	31.3	🟢
% with tax deductions*	29.3	46.5		
Average term of new mortgages (months)	293	336	282	🟡
LTV on new mortgage loans	64.1	62.8	65.2	🟡
Loans with LTV > 80%	15.3	12.9	9.5	🟢
Purchases with mortgage financing		164	72	🟢
Outstanding residential loans / GDP	39	57	39	🟢
Outstanding residential loans / disposible income	61	93	63	🟢
Permits / household formation	1.7	1.4	0.9	🟢
Purchase of new homes / Completed homes	0.5	0.6	1.0	🟢
Rental yield	3.9	2.9	3.7	🟡

Note: *The purchase of primary residences was deductible until 01/01/2013. Colored spheres refer to the evolution of the situation with respect to the previous crisis. Green indicates improvement, yellow indicates little change, red indicates deterioration relative to the previous crisis.

Sources: Banco de España, MITMA and INE.

> " In Spain, outstanding residential loans represent 39.2% of GDP and 62.7% of household disposable income. "

A situation that contrasts starkly with that of 2008, when the stock of residential loans accounted for 90% of Spanish disposable income (65% in the EMU).

The deleveraging effort (in May 2021 the stock of residential loans will have been in decline for a decade) has improved Spain's positioning relative to Europe in terms of the debt burden assumed to purchase a home and virtually eliminated the excesses of a decade ago. The European Systemic Risk Board (ESRB), the body tasked with macroprudential supervision of the EU financial system and the prevention and mitigation of systemic risk since 2020, has a similar take. In its recent report (April 2020), in the section devoted to residential real estate risk monitoring, Spain was not part of the group of countries that were issued warnings (Czech Republic, Germany, France, Iceland and Norway) or that which received recommendations (Belgium, Denmark, Luxembourg, the Netherlands and Sweden).

Conclusions

Despite the fears and concerns at the start of the crisis, the housing market has not emerged as one of the sectors most affected by the pandemic in Spain. Following a drastic initial correction, activity levels have recovered quicker and with greater intensity than in other sectors and the key indicators have virtually revisited pre-pandemic levels. House prices have extended the slowing momentum observed pre-COVID-19, but the initially feared sharp correction has not materialised.

The policies devised to protect the economic agents' income (furlough schemes, mortgage moratoria, *etc.*) and to maintain ultra-lax financing conditions have propped up that performance.

It is true that the market is characterised by many asymmetries, between: regions; new and second-hand housing; and, resident and non-resident demand. In general, however, the feeling is that this time around the housing sector is not at the epicentre of the crisis, as there are no signs of overheating, over-valuation, surplus supply or excessively lax financing terms. Moreover, the financial situation of Spain's households is more robust than it was during the last crisis. The market may nevertheless need to rebalance and reconfigure in response to potential shifts in demand patterns (search for larger houses, further away from cities and with green spaces) and digest the correction we may see in the rental market. It seems more likely we will see bigger corrections in volumes than prices.

It looks like the housing market will play a different role than in the last crisis. Particularly if the macroeconomic support policies are left in place as long as is necessary and Spain leverages the European recovery funds for refurbishment and energy efficiency programmes.

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> " The deleveraging effort has improved Spain's positioning relative to Europe in terms of the debt burden assumed to purchase a home and virtually eliminated the excesses of a decade ago. "

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José Ramón Diez Guijarro. IE Business School and CUNEF

Sub-central finances: Year two of the pandemic

While the Spanish central government's debt and deficit increased significantly as a result of the pandemic, regional governments' finances emerged in relatively better shape thanks to extraordinary support from the former. That said, there are notable differences across the regions both in terms of debt and deficit levels, which could make the transition back to normality a challenge.

Santiago Lago Peñas

Abstract: The pandemic has had the dual effect of raising public deficit levels and reducing government revenue. In Spain, deficit increases differ across the various levels of government, with the central government's deficit rising to 7.82% against the regional governments' surplus of 0.29% up to the end of November 2020. This divergence is due to the extraordinary level of financial support provided by the federal government to the sub-central governments. However, updated data from December is expected to show that the regional governments dropped back into deficit by year-end. Some regions like the Basque region and Navarre are forecast to run a deficit of 2% or more while the Canary Islands should record a surplus. The deficit outlook for 2021 is clouded by uncertainty and will be influenced by Spain's sensitivity to changes in GDP, the scale of discretionary measures, and the extent to which loans channelled by ICO become non-performing. Spain's independent fiscal authority (AIReF) is forecasting an increase in the regional government deficit

from 0.6% to 0.8%, with differences across regions persisting into 2021. Notably, Spain's regions also differ in terms of their debt levels, with Valencia presenting a leverage ratio of 46.7%, triple that of the Canary Islands. These divergences mean solutions that involve debt forgiveness or risk-pooling would likely prove divisive.

Introduction [1]

As expected, the COVID-19 pandemic has had a severely adverse impact on Spain's public finances in 2020. The combination of the structural deficit of around 3% carried over from 2019, the cyclical deficit associated with a GDP contraction of over 10% and the countervailing measures taken on the employment, business and public services fronts correctly foreshadowed a double-digit deficit. By as early as last May, Lago Peñas (2020a) had already estimated a public deficit of 11.5% of GDP or higher.

The corollary of that significant hole in Spain's public finances was a sharp rise in public debt and an even bigger jump as a percentage of GDP due to the severe contraction in output. The Bank of Spain's figures reveal an increase in the debt-to-GDP ratio from 95.5% at the end of 2019 to 117% by December 2020. However, the increase in debt differs across the various levels of government, with the central government's debt ratio having taken the biggest hit due to its ring-fencing of the regional and local governments' finances. This strategy is set to continue in 2021 with similar implications for the debt ratios of different levels of government.

In order to analyse these developments in detail, this paper consists of three sections. In the first section, we analyse available data and the outlook for the final 2020 figures. The authorities will not officially announce these numbers until the end of March and Eurostat will then validate or revise them in April. We also look at the differing deficit trends and drivers at the sub-central government levels. The subsequent section presents the outlook for 2021 in light of the general state budget for 2021 (2021-GSB) and public and private forecasters' current estimates for growth and the deficit. The next section tackles questions relating to regional government financing in the short- and medium-term. The paper ends with a brief analysis of the current debt situation at the regional level.

2020 budget outturn

Exhibit 1 depicts the preliminary budget outturn as of November 30th, 2020. As is customary, the figures exclude the local governments as the multiplicity of local entities results in data collection delays. The figures for the same period of 2019 are provided for comparative purposes. The two points that stand out from the exhibit are the surge in the deficit, which rises five-fold (from 1.58% to 7.82%) and the surplus posted at the regional government level: +0.29%. In short, the central government has channelled extraordinary funds to the regional governments so that they could increase their spending on those essential services affected by the pandemic (health and education) without generating a deficit. Local governments as a whole are expected to end the year with a deficit of close to zero, putting an end to the surpluses recorded in recent years (AIReF, 2020b).

Although official data at the international level makes comparison difficult, all countries have approved measures that support their sub-central governments (OECD, 2020). Nevertheless, the extent to which Spain has shielded its regional governments is likely to be one of the greatest, if not the greatest. Spain has shielded its regional governments primarily by transferring the full amount of funds planned prior to the onset of the pandemic plus an extraordinary 16 billion

> " The Bank of Spain's figures reveal an increase in the debt-to-GDP ratio from 95.5% at the end of 2019 to 117% by December 2020. "

> " Spain has shielded its regional governments primarily by transferring the full amount of funds planned prior to the onset of the pandemic plus an extraordinary 16 billion euros. "

Exhibit 1   **Budget outturn. Deficit (-) or surplus (+) in the first 11 months of 2020 by subsector, excluding local government**

As a percentage of GDP
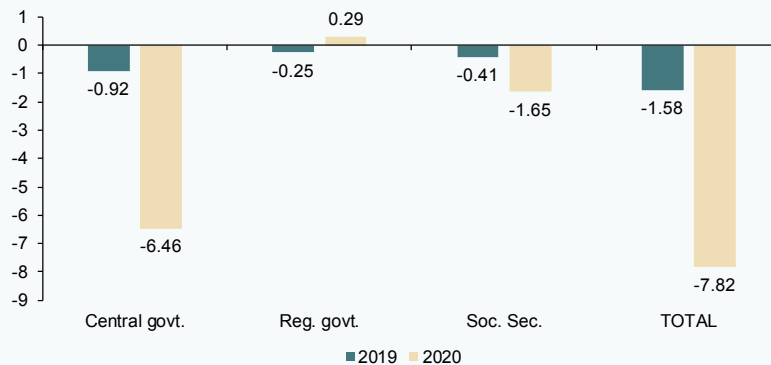
Source: Authors' own elaboration based on Ministry of Finance report (2021a).

euros. [2] Although the central government boosted the non-finance income of the Social Security by 14%, spending rose sharply (22%) due to the combined effect of the furlough scheme as well as the extraordinary benefits provided to self-employed professionals forced to close their businesses, to domestic staff left without work, and to COVID-19 sufferers in the form of temporary disability leave.

However, the picture is set to deteriorate considerably by the end of the year, primarily because all levels of government have yet to disclose the full extent of their 2021 planned expenditure. The left-hand side of Exhibit 2 shows the deficit forecasts for 2020 as per the latest Funcas forecasts, as well those of AIReF (2020b), the Bank of Spain's baseline scenario (2020), and the Spanish government's forecasts as per its 2021-GSB (Ministry of Finance, 2020). [3] The figures

> " The Canary Islands are expected to record a surplus in 2020, while the Basque region and Navarre are forecast to run a deficit of 2% or more. "

Forecasts for Spain public deficit in 2020 and 2021

As a percentage of GDP
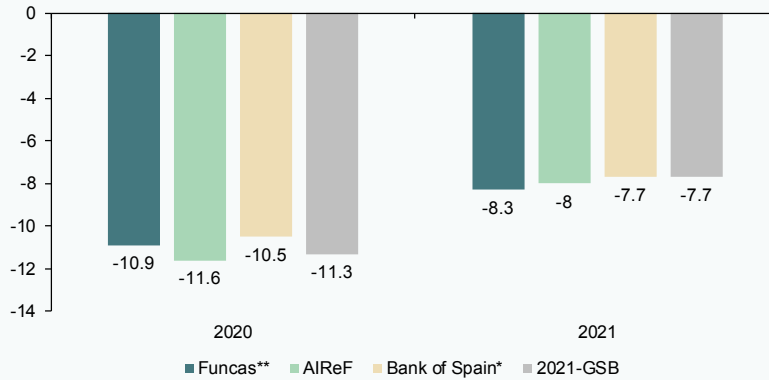
*Sources: Author's own elaboration based on Ministry of Finance (2020), Bank of Spain (2020, *baseline scenario), AIReF (2020b) and Funcas (**for 2020, Funcas year-end forecast, for 2021, Funcas March Forecast Panel (Funcas, 2021).*

range from AIReF and the Ministry at 11.6% and 11.3%, respectively to 10.9% (Funcas) and 10.5% (Bank of Spain).

Broken down by region, the figures forecast by AIReF (2020a) for 2020 and 2021 reveal

significant dispersion. The regions are presented in the order of magnitude of their forecasted 2020 deficits. As already noted, the level of expenditure accounted for is set to increase sharply in December 2020. Specifically, the surplus as of November

Forecast deficit (-) or surplus (+) by regional government

As a percentage of GDP
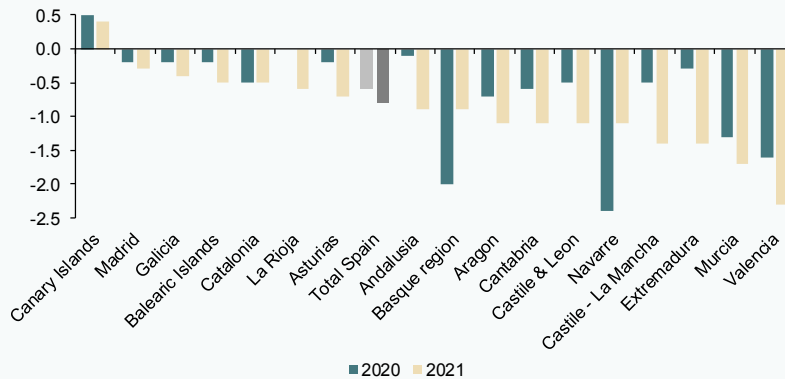
Source: Author's own elaboration based on AIReF (2020a).

> " Spain ranked 33rd out of 37 advanced economies in the IMF's ranking of discretionary measures' fiscal impact. "

(+0.29) is expected to fall back into deficit territory at year-end of 0.6%, along the lines of the levels as observed in 2019 (-0.55%). That being said, the situation is expected to vary considerably from one region to the next. The Canary Islands are expected to record a surplus in 2020. Conversely, the Basque region and Navarre are forecast to run a deficit of 2% or more. This is because their financing systems do not include the overestimated advance payments, payments on account, or the portion of the extraordinary 16-billion-euro fund tied to the loss of revenues, from which the other regions benefit. Murcia and Valencia are expected to report deficits of around 1.5%, in part due to their reduced financing per adjusted inhabitant. Lastly, six regions are set to present deficits of under 0.2% of GDP (Madrid, Galicia, Balearics, La Rioja, Asturias and Andalusia), with the rest falling between that 0.2% threshold and the average deficit of 0.6%. This outlook for the end of the year coincides with the estimates previously made by Conde-Ruíz *et al.* (2020). Nevertheless, it is conceivable that the deficit will come in slightly lower than estimated, judging by several reports about the state of the regional governments' treasury positions compared to 2019.

Outlook for 2021

The economic forecasts for 2021 remain clouded by a high degree of uncertainty, as is evident in the use of scenario-based analysis and the speed with which the forecasters are updating their estimates. Growth in 2021 will depend to a large extent on how long restrictions on mobility and social interaction last and the speed and effectiveness of the ongoing vaccination effort. This economic uncertainty impacts the deficit forecasts in three ways.

Firstly, the Spanish public deficit is highly sensitive to every point change in GDP. The most recent estimates of the impact of the cycle, measured by the output gap, on the budget balance rank Spain as one of the countries with the highest elasticities in the European Union, at around -0.6 (Mourre, Poissinier and Lausegger, 2019).

Secondly, the scale of the discretionary measures matters significantly. Although Spain has trailed the average value of discretionary measures enacted across advanced economies, Spain's measures did have a significant impact on the deficit in 2020 and could do so again in 2021. Exhibit 4, prepared using the International Monetary Fund's data on the scale of those measures with a fiscal impact across 37 advanced economies, expressed as a percentage of GDP, ranks Spain in thirty-third place. Only Korea, Portugal, Finland, and Slovakia have passed smaller packages. Nevertheless, the measures represent over 3% of Spanish GDP.

Lastly, there is the possibility that an unquantifiable portion of the pandemic-related state-guaranteed loans channelled via ICO, the official credit institute (capped at 140 billion euros, of which 90 billion euros had been deployed by January 31st, 2021), [4] could become non-performing, so adding to the deficit and public debt figures. The sooner and faster the recovery comes, the fewer business failures we will face.

The right-hand side of Exhibit 2 provides the 2021 deficit forecasts for the same four bodies. The Funcas consensus and AIReF forecasts are more pessimistic than the government in its 2021-GSB, although the disparity is smaller. In general, the estimates point to a moderate correction in the deficit of around 3.5 percentage points of GDP. The high elasticity of the budget balance to the output gap plays to Spain's advantage in 2021. The deficit correction is compatible with GDP growth in the region of the consensus forecasts

" The 2021-GSB contemplates a slight reduction in income under the regional financing system; however, the regional governments will directly manage 18.79 billion of the new European Community funds, which will push those administrations' budgets to record highs "

Exhibit 4   **Magnitude of fiscal measures in advanced economies in response to the COVID-19 pandemic**

As a percentage of GDP
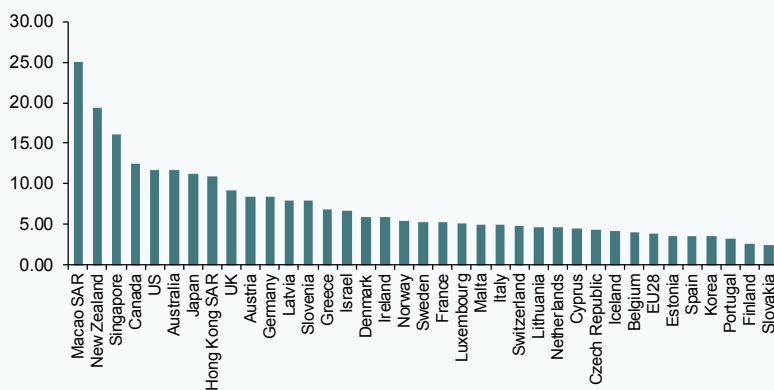
Source: Author's own elaboration using the Fiscal Policies Database *(imf.org).*

compiled by Funcas (5.9% as of March 2021). Nevertheless, a detailed analysis of the 2021-GSB, such as that done by Sanz and Romero (2021), raises questions about some of the revenue and expenditure headings that could weigh on that budget consolidation process.

Turning to the regional governments' finances, the idea is to extend the policy of shielding them from the impacts of the pandemic. The 2021-GSB contemplates a slight reduction in income under the regional financing system from 116 billion euros in 2020 to 114 billion euros in 2021. Money from the extraordinary COVID Fund is also forecast to decrease from 16 billion euros in 2020 to 13.49 billion euros in 2021. However, the regional governments

will directly manage 18.79 billion of the new European Community funds for bolstering the economy, funds that are set to push those administrations' budgets to record highs in 2021 (Ministry of Finance, 2021b).

Regional government deficits are expected to increase slightly in 2021. Exhibit 3 shows the AIReF's forecasts for 2021 too. Spain's independent fiscal authority is forecasting an increase in the regional government deficit from 0.6% to 0.8%, which is nevertheless below the threshold stipulated by the central government. Once again, the situation will differ from one region to the next. The Basque region and Navarre should see their finances improve significantly, fuelled by the

> " It is important that the regional governments fully understand that the funding collected in 2020 and 2021 is extraordinary and not recurrent. "

anticipated economic recovery, while Castile-La Mancha, Extremadura and Valencia will see theirs deteriorate notably.

Upcoming regional financing agenda

The risk of significant financial shortages was high for Spain's regional governments in 2020 and 2021 due to their spending structures and limited ability to generate new sources of income. The central government's solution gave them the funds and liquidity they needed, surpassing most regional leaders' and analysts' expectations. Having addressed the sufficiency issue in the short-term, a few new challenges are gathering on the horizon.

First, it is important that the regional governments fully understand that the funding collected in 2020 and 2021 is extraordinary and not recurrent. It is vital, therefore, to make a clear distinction when identifying and allocating those funds so that the regions do not view these funds as a permanent strategy for financing recurring expenditure.

Second, the governance model used to manage to the Next Generation EU Fund is highly centralised, not fully taking advantage of a state as decentralised as Spain. It is not easy to identify and develop good projects with proven knock-on effects that absorb billions of euros and fit with the priorities established by the European Union in just a few months. It is essential to work fast and bring as much expertise to the task as possible. To help with that task, Spain boasts regional governments that are well positioned to play a key role in championing, defining, and articulating those projects.

Third, it is unclear what role the regional and local governments are expected to play when it comes to supporting those sectors hardest hit by the pandemic. Significantly, the risk of business failures in the absence of temporary support is high. It is true that the sub-central governments have relatively more fiscal margin than the central government to offer support. Local governments' advantages include healthy finances and surpluses built up in the past while regional governments benefit from the transfer of ordinary and extraordinary funds. It is not clear, however, that the reliance on a variety of different sub-central potential support mechanisms is the best strategy. Specifically, municipalities and regions have differing degrees of fiscal flexibility and the existence of significant financial externalities in the economic system could trigger payment default issues that ripple beyond local or regional borders. The approval in the extraordinary meeting of the Council of Ministers on March 12th, 2021, of a package of direct aid of 7 billion euros to be managed by the regional governments aims to address this issue. However, its implementation raises, once again, doubts. If it is a question of compensating regional governments for the extra cost of the pandemic and the collapse of their income, it is reasonable that these variables are used to determine regional distribution. But if the final recipients of the funds are the impacted

> " The tightening of fiscal governance needs to include a review of the sub-central fiscal rules as part of a reform process already underway at the European level. "

companies and the program is financed by the central government, the logical thing would be that all the companies that certify that they comply with the requirements established by the central government should be able to access the common fund on equal terms, without a prior territorial distribution based on the macroeconomic impact of the pandemic in each region, as it seems will be the approach taken.

Fourth, the regional governments will have to repay surplus settlements in 2022 and 2023. That problem, however, can be easily resolved by repeating the settlements in 2008 and 2009. This would involve deferring their payment over a sufficiently long period of time and offsetting them against settlements due. Bear in mind that the expected size of the settlements payable is substantially smaller this time.

Fifth, it is inevitable that the fiscal consolidation course that will kick off in 2022 or 2023 will also affect the regional governments. It is therefore necessary to sort out another three processes that were underway before the pandemic: reforming the regional financing system against the backdrop of an overhaul of the Spanish tax system; supporting the return of regional authorities to the financial markets for debt placement purposes; and, tightening fiscal governance to enhance budget stability at the regional level. The latter needs to include a review of the sub-central fiscal rules as part of a reform process already underway at the European level.

Final thoughts about regional debt sustainability

This last section focuses on the debt accumulated by the regional governments, comparing the situation in Spain with that of

Exhibit 5 **Regional government debt-to-GDP in Spain and OECD federal countries**
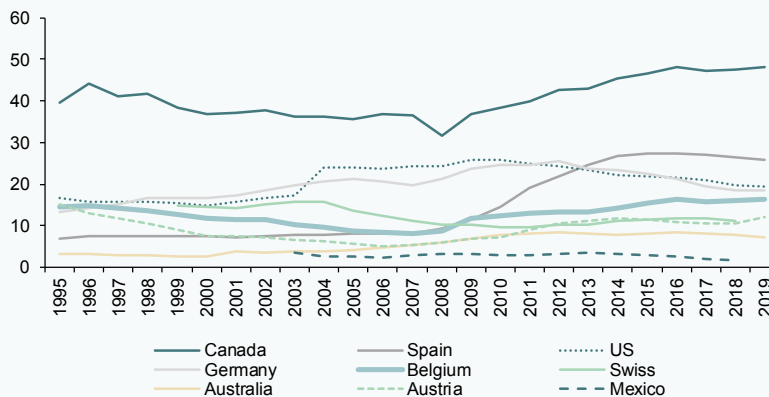
Source: Author's own elaboration based on http://www.oecd.org/tax/federalism/fiscal-decentralisation-database/

> " According to the Bank of Spain's statistics, 185 billion out of the 302 billion euros of regional debt is owed to the so-called Regional Financing Fund (61%). "

the developed federal states and examining the interregional differences.

To achieve our first objective, we used the OECD's database to construct Exhibit 5. The figures are expressed as a percentage of GDP. As a general rule, public debt increased across the board in 2020, so that we will see a step change when the new data are available.

In Spain, the regional governments' debt has increased only slightly in absolute terms, as they are expected to end the year with close to balanced budgets. According to the Bank of Spain's statistics, the regional debt calculated for Excessive Deficit Procedure (EDP) purposes increased from 295 billion euros to 302 billion euros (a little over 2%) between the fourth quarter of 2018 and the third quarter of 2020. However, the contraction in nominal GDP will trigger a very significant increase in

the leverage ratio, of over 10%. Specifically, that ratio increased from 23.7% to 26.3% (+11%) over those three quarters. Although the GDP contraction has been smaller in other developed countries, it is likely that deficits and borrowings at the intermediate levels of government will increase by more than in Spain, so that Spain's relative position does not change substantially with respect to 2019.

Until the Great Recession that began in 2008, Spain's regional borrowings had been trending flat, at well below 10% of GDP, putting it within the OECD group of federal countries with the least indebted intermediate governments. That situation has changed drastically since then. Leverage embarked on a swift and steady rise over the following decade, stabilising at around 25%. Today, only Canada presents a higher subnational leverage ratio.

Exhibit 6 **Regional borrowings as of September 30th, 2020**

As a percentage of regional GDP
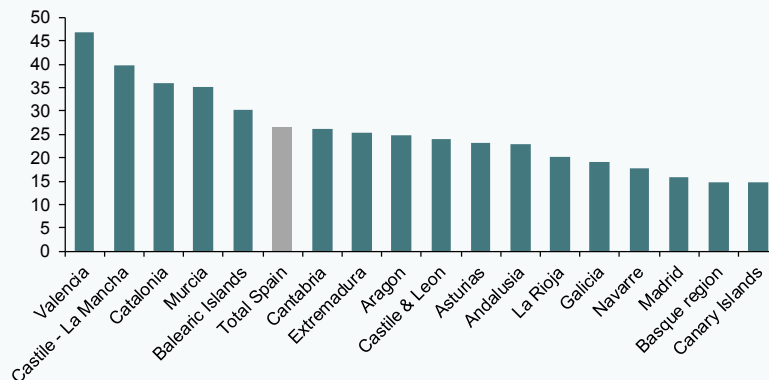
Source: Author's own elaboration based on Bank of Spain data (www.bde.es).

Again, there is significant interterritorial diversity in the leverage ratio. As shown in Exhibit 6, as of September 30th, 2020, Valencia presented a leverage ratio of 46.7%, triple that of the Canary Islands (14.7%), the least indebted region. This means that the debt burden and the related sustainability issues are similarly uneven. It is also true that short- and medium-term interest rates remain at record lows and the creditor for most of that debt is the central government, via the extraordinary liquidity mechanisms. According to the Bank of Spain's statistics, 185 billion out of the 302 billion euros of regional debt is owed to the so-called Regional Financing Fund (61%). However, the use of these mechanisms is also highly varied across the regions, making it hard to come up with solutions. Whereas that percentage is below 10% in some regions, in Catalonia it stands at over 80%: 62.4 billion euros out of a total 78.3 billion euros. For these reasons, solutions that involve debt forgiveness or risk-pooling would prove divisive.

Notes

[1] The author would like to thank Diego Martínez (UPO) for his valuable input and Fernanda Martínez and Alejandro Domínguez for their assistance.

[2] Refer to Lago Peñas (2020b) for further details.

[3] https://www.europapress.es/economia/fiscal-00347/noticia-montero-avanza-deficit-cerro-2020-torno-113-pib-aboga-pge-expansivos-2022-20210103112247.html

[4] Refer to Informe de seguimiento de la Línea Avales COVID-19 [Covid-19 Guarantee Line Monitoring Report] on the ICO website: https://www.ico.es

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Santiago Lago Peñas. Professor of Applied Economics and Director of GEN, University of Vigo

Spain's healthcare spending: Projections pre and post COVID-19

Analysis of healthcare spending patterns per capita by age and gender categories alongside demographic projections shows Spain's healthcare spending will grow by over 10.83 billion euros between 2018 and 2030. While this increase in spending is necessary to bring Spain closer to international benchmarks, it will require an independent assessment to ensure the efficient allocation of funds.

Susana Borraz

Abstract: With EU fiscal rules frozen due to the COVID-19 crisis, the Spanish government has some scope to increase spending on health services, which has been low compared to peer countries. However, upward pressure on healthcare expenditure will likely extend beyond the pandemic. Analysis of healthcare spending patterns per capita by age and gender categories alongside demographic projections shows Spain's healthcare spending will grow by over 10.83 billion euros between 2018 and 2030. However, this spending will not be evenly dispersed across Spain's regions. One source of increased spending will be investment in healthcare technology, which will translate into constant

average annual spending growth of 2.2%. Despite its already high ranking for health digitalisation initiatives, Spain is expected to allocate additional spending to enhance system interconnectivity, improve patient empowerment and prevent and monitor chronic conditions. Such e-Health initiatives imply a 1.5% increase in estimated health expenditure. Other areas requiring additional spending include recruiting and retaining healthcare workers as well as the expansion and upgrading of healthcare technology. The likely consolidation of those higher spending levels in the future needs to be framed by criteria related to efficiency, value creation and programme assessments (spending reviews). An independent assessment is the only way to ensure that the additional funds injected help to build a more favourable position for responding to potential future health emergencies.

Introduction

The analysis presented in this paper began before the onset of the pandemic and was aimed at assessing the impact of demographic projections on healthcare spending between now and 2030, leaving all other factors constant, at the national and regional levels. Relying solely on a demographic scenario, the variability of other key factors, such as technology and its impact on expected spending, was incorporated at the end of the projection horizon (complementary scenario). Although the activation of the Stability and Growth Pact escape clause has put the previously established budget consolidation roadmap temporarily on hold, a gradual return to the stability targets for deficit, debt and public spending is expected.

The conclusions reached in the demographic analysis combine the current population projections by age and gender categories with the patterns in healthcare spending per capita in each bracket. The findings confirm that demographics are not the main source of pressure on healthcare spending in terms of GDP. This source of pressure will, however, be relatively higher in regions with an estimated differential increase in the older segments of their populations.

That said, the pandemic has altered these projections radically for 2020 and possibly for all of 2021, too. One aim of the sizeable amounts of non-reimbursable state funds earmarked for the regional governments is to cover emerging healthcare and education spending needs during these two years. However, it is unclear how long this additional spending will last and what scope it will take. The impact on spending in the medium-term will depend on the sources of upward pressure on the key expenditure headings in response to the COVID-19 crisis. These include the review of public health system staffing and remuneration, system digitalisation and the reinforcement of the public health function. It will also depend on the opportunity the regional authorities have to attract additional funds via the Recovery and Resilience Facility (RRF) and REACT-EU schemes. It is likely we will see an increase in the level of healthcare spending as a percentage of GDP that warrants the recalibration of the Spanish stability rules and regulations.

Healthcare spending scenarios and expected impact of the pandemic in the medium-term

The COVID-19 pandemic has highlighted the scale of the resources needed to handle exceptional demand for essential services, particularly healthcare services. One of the first decisions taken by the Spanish federal government during the first half of 2020 was the authorisation of an extraordinary

" There are three key components of health spending: specialist and hospital care; primary care; and, pharmaceutical spending (prescriptions). "

16 billion euro fund for the regional governments (the COVID-19 Fund) to support regional governments in their response to the crisis. Of the total, 9 billion euros covered healthcare needs and 2 billion facilitated the adaptation of education services. As the crisis has yet to abate, the general state budget for 2021 contemplates similar measures. Specifically, the budget envisages additional extraordinary regional funding of 13.47 billion euros. Moreover, the regional governments are given greater room for fiscal manoeuvring by easing their deficit targets to 1.1% of GDP, framed by the temporary suspension of the fiscal rules. However, the sources of regional funding do not stop there. Regional governments will have access over the coming years to the European funds channelled via the Recovery and Resilience Facility (RRF) and REACT-EU initiative. [1]

The new world order being forged by coronavirus necessitates reflection on the sufficiency of healthcare spending. Until relatively recently, the OECD was focused on the risks to fiscal sustainability associated with a return to pre-crisis health spending growth rates. According to projections drawn up in 2019, the OECD [2] forecast average annual growth in total health spending per capita across all OECD countries of 2.7%, compared to average estimated GDP growth of 2.1%.

Given the demographic challenge facing the Spanish economy, the initial interest focused on calibrating the scope of that impact on the outlook for social spending and, above all, determining whether that outlook, which has been dubbed the "pure demographic" scenario, could jeopardise delivery of the fiscal rules and to what extent the outlook varies from one region to the next. In the specific case of health spending, the technology factor is incorporated to arrive at a more realistic proxy. With the onset of the pandemic, it is necessary to go one step further and factor in the expectations for the consolidation of public health spending at structurally higher levels.

Drawing up health spending projections based on per capita spending curves by age and gender

In the health arena, the main studies used in the preparation of these health spending projections rely on a combination of: (i) health spending patterns by age and gender categories that are constant over time; and, (ii) demographic forecasts based on various scenarios. [3, 4]

That was the basic approach used for these spending projections in a "pure" scenario, in which spending is driven exclusively by forecast demographic trends. To compile those projections, per-capita spending curves are estimated for each of the *three key components of health spending*: specialist and hospital care; primary care; and pharmaceutical spending (prescriptions).

The per-capita spending curves obtained for each component in Spain take the form [5] of J-curves, in which spending is high during the first year of life, after which it falls sharply. From the age of 49, spending starts to gradually rise, with the growth in hospital care expense far more pronounced among men. [6]

Having estimated the patterns in spending per capita by age category and gender, it was then possible to layer in the demographic projections of the Spanish National Statistics Institute (INE) by region until 2030 to obtain results for

Estimated curve in the per-capita cost of hospital care, 2015-2017
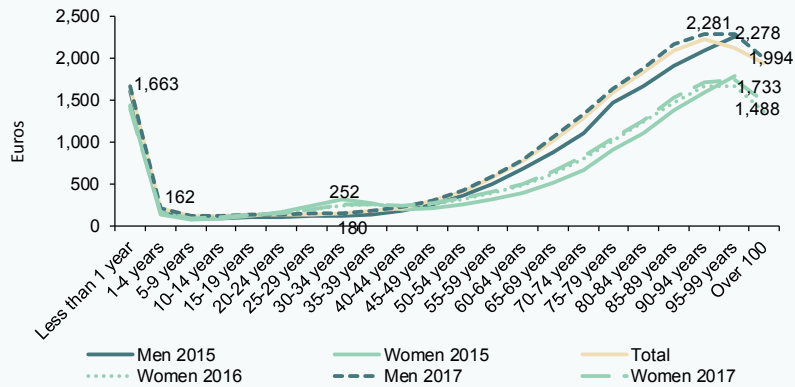
Sources: Hospital Discharge Records in the National Health System. CMBD. From 2016 on, Diagnosis Related Groups (DRGs), INE and author's own elaboration.

the expected growth in total health spending due exclusively to demographic trends.

The resulting overall healthcare spending projections point to growth, driven exclusively by demographic trends, of over 10.83 billion euros between 2018 and 2030. On average, cumulative growth amounts to 17% by the end of the period, translating into annual growth of 1.27%. If we assume growth in real GDP that

Estimated curve in the per-capita cost of primary care, 2017
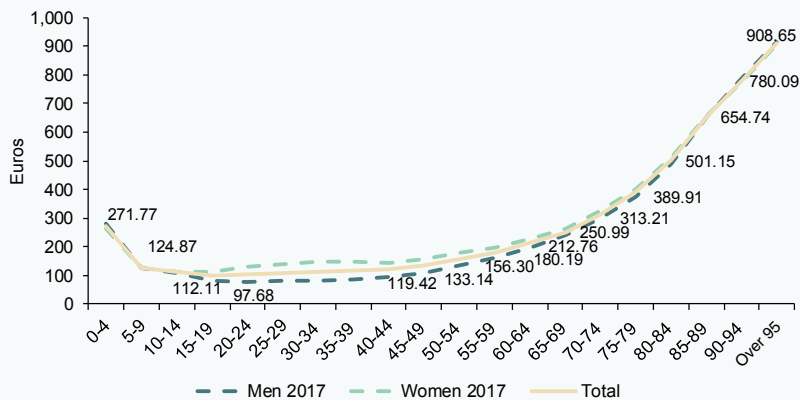
Sources: Ministry of Health Statistic Portal. Management Intelligence Area. SIAP (primary care information system), INE and author's own elaboration.

> " Analysis shows a healthcare spending gap between the fastest and slowest growth regions of over 2 percentage points during the 12 year projection period. "

is minimally higher in the coming years, population ageing will not on its own drive growth in spending as a percentage of GDP.

In terms of the breakdown by region, the results point to an uneven trend in healthcare spending, with a gap between the fastest and slowest growth regions of over 22 percentage points during the 12 year projection period. The regions expected to experience the greatest pressure on spending

for demographic reasons are the Canary and Balearic Islands, with cumulative growth of over 30% with respect to the base year, followed by Madrid at 24%. Those regions are expected to experience sharp population growth relative to other regions, particularly in the older age brackets (> 65s and > 80s). At the other end of the spectrum, regions such as Castile & Leon, Asturias, Extremadura and Galicia are expected to see far lower growth rates that are significantly below the regions' projected rise in GDP .

Exhibit 3   **Trend in total health spending by region. Projection horizon: 2018-2030**

Base year: 2018
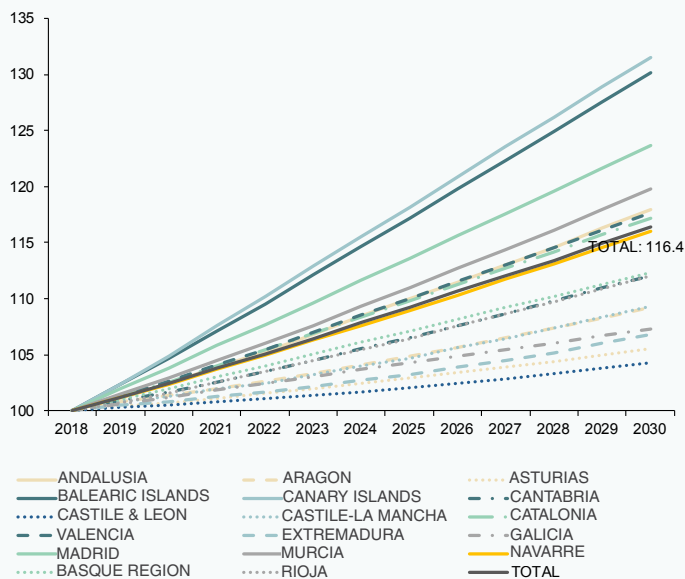
Source: Author's own elaboration.

Exhibit 4

Forecast change between 2018 and 2030 in the total population, in > 65s and > 80s , and projected health spending and change in elderly population, in > 65s and > 80s, in pp

Percentages

Legend:
- Pop. change, 2030-2018
- Chg. >65s
- Ageing >80s/total (right axis)
- Chg. >80s
- Chg. in health spending, 2030-2018
- Ageing >65s/total (right axis)
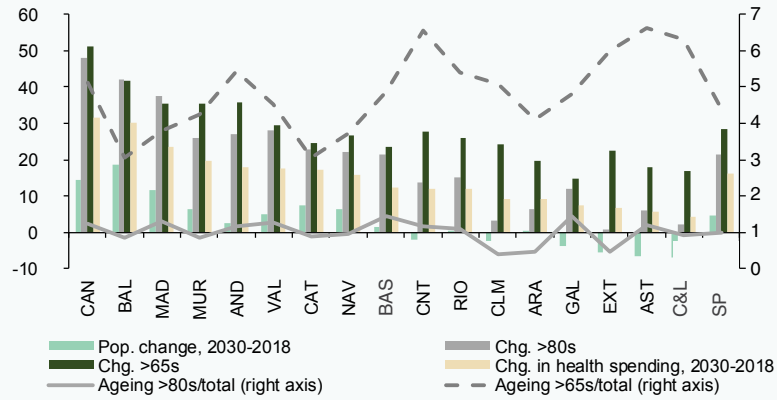
Sources: INE and author's own elaboration.

Adding the technology factor into the purely demographic mix

As we have seen, demographic trends on their own are not expected to prove a source of upward pressure on health spending as a percentage of GDP in aggregate terms. Instead, other factors affect that growth more significantly.

Among these factors, health technology deserves special attention. Some authors have shown that it does not have a simple and unidirectional effect on health spending. In fact, although there are technologies that can save costs, such as telemedicine, there is a broad consensus in the health economics literature that health technology leads to, on aggregate, an increase in spending. The OECD has recently compiled different estimates of this impact on health spending and concludes that technological change could explain an annual increase of 0.9%. Given its significance, the technological factor, together with the demographic structure and prevalence, are the main determinants of this growth in spending. [7]

Adding in the technology factor boosts the forecast growth in health spending to almost 30% over the starting level of 2018, which translates into constant average annual growth of 2.2%. Using those growth estimates, in a scenario of pre-pandemic fiscal rules, the spending rule [8] would be breached in nearly every region. Had the pandemic not occurred, it is likely that health spending would have increased on account of both factors by just under 0.3 percentage points of GDP. That increase is, however, highly variable from one region to the next. In the Balearic and the Canary Islands, the projected increase would exceed one percentage point, whereas

> " Adding in the technology factor boosts the forecast growth in health spending to almost 30% over the starting level of 2018. "

in others, such as Galicia and Castile & Leon, spending would not increase in terms of GDP. [9] However, COVID-19 has altered those initial estimates due to the shock inflicted during the most critical years of the pandemic (2020 and 2021) and the likelihood that post-pandemic dynamics will result in structurally higher spending levels in the medium- and longer-term.

An estimation of the possible impact of the pandemic on health care spending

Although it initially looked as if the extra health spending needs might prove temporary, the duration of the health emergency, small budget allocations, and the urgency of speeding up the digitalisation of health services are raising expectations for spending in the years beyond the pandemic.

While the health emergency has highlighted the vulnerability of the system in times of crises, the health centers have also demonstrated their notable strengths during the crisis. These include a compelling capacity for organisational adaptation; flexibility and versatility in managing available resources; and, the ability to modify routines and protocols and to adopt new solutions, innovations and ways of cooperating in a short period of time. [10] However, that organisational success has not stopped certain structural cracks from appearing. According to the European Commission (EC), the Spanish health system had offered good health outcomes until now despite a relatively low level of investment. [11] In signalling the system's weakness, the EC pointed to investment in physical infrastructure and shortcomings in the recruitment and working conditions of healthcare workers.

The strain placed on the system has revealed that hospitals were not prepared for a shock of this calibre given their capacity, available infrastructure or their production capabilities. As for staffing, the pressure was concentrated initially in the hospitals but later spread to the primary care system, which already entered 2020 in a fragile state and with diminished appeal for new professionals. [12] The pandemic also highlighted the need for improvement in areas of lesser significance, such as coordination of medical and social care and, above all, the need to reinforce the functioning of public healthcare (preventive medicine) in order to better prepare for possible future shocks.

The prevailing situation points to demand for new resources to address pandemic-driven healthcare needs and to pave the way for a convergence towards international benchmarks. However, increased spending alone does not necessarily generate the desired impacts in terms of value. It is also important to make further progress on operational efficiency and management, an area in which some of Spain's neighbours have already embarked, [13] alongside enhanced evaluation of interventions, programmes and public policies. In a context of freely flowing European funds and expansionary budgets, it is important to ward off the risk of introducing ineffective programmes. [14]

Framed by those forces, the likely scenario is a "policy of reinforcing" health care spending that will increase the end projections [15] via anticipated upward pressure on certain headline spending categories.

E-Health development

E-Health has been a cornerstone of the digital transformation for several years. Its associated benefits include: electronic health records; data analytics and big data as a foundation for the integration of artificial intelligence and machine learning; telemedicine; telecare;

> " According to the European Commission, the Spanish health system had offered good health outcomes until now despite a relatively low level of investment. "

mobile devices for monitoring and controlling physiological parameters; and e-commerce for pharmaceutical and health products (m-Health). The pandemic has shined an even brighter light on the potential implied by these applications. Indeed, healthcare digitalisation is part of the universe of objectives enshrined in the Digital Spain 2025 Agenda.

Spain boasts a long track record in health digitalisation. It ranks favourably internationally, thanks especially to its electronic health record development and the provision of certain services online. [16] Bertelsmann Stiftung's Digital Health Index awards Spain a score of 71.4 out of 100, which places it near to the top of the table, not far behind leaders like Estonia, Canada and Denmark. In overall terms, though, the digitalisation effort remains far from complete, with enhancing system interconnectivity a particular concern.

Spain could also improve patient empowerment, with a particular focus on the prevention and monitoring of chronic conditions, many of which are associated with ageing. The aim is to facilitate more active patient participation by means of easy access to the contents of their electronic health records and to encourage them to provide information. This would have the added benefit of also detecting their healthcare needs sooner. There is also a need to continue to make progress on the availability of enhanced remote functionality in respect of medical care, along with other advances enabled by mobile devices and apps (m-Health). [17]

Nevertheless, the available international comparisons do not factor in some of the major advances made in recent years, such as the 2019 implementation of the Interoperable e-Prescription scheme [18] or the creation at the end of 2020 of a General Secretariat for Digital Health, Information and Innovation within the National Health Service, to which the latter's departments of digital health and IT systems will report.

Having analysed the situation and the objectives still to be achieved, the next step is to attempt to quantify the amount of public funds that will be earmarked to health digitalisation and the potential convergence timeline for attaining the targets that have been set. A report issued by the COTEC Foundation for innovation whose title translates as *Digitalisation in Health. Digital medical records as the driver of healthcare system transformation [*19] reveals that in 2017, Spain earmarked 696 million euros to health information and communication technology (0.06% of GDP). That figure is a mere 1.2% of the overall healthcare budget, which is significantly behind the investment levels observed in the countries at the forefront of digital transformation, which invest roughly 2-3% of their public health budgets in technology. [20, 21, and 22]

Targeting investment in e-Health of 2.5% of the public health spend (the average for the subset of benchmark countries) would imply an increase of almost 1.5% in estimated healthcare expenditure. An effort of that scale would have increased spending by 1.07 billion euros [23] in 2018.

> " The impact on public spending of increasing the density of nursing jobs would be 1.88 billion euros. "

Recruitment and remuneration of health workers

The need to take immediate steps in this arena was set down in the Ruling by the Committee for Social and Economic Restructuring, which included the reinforcement of human resource policies as a priority issue. Among the various lines of action, it underscored the need to introduce professional planning and development policies at the National Health Service level and to roll out a specific human resource plan for improving remuneration. Against that backdrop, a scenario of reinforcement along two dimensions emerges: (i) expanding the density of health professionals; and, (ii) enhancing remuneration policies.

Again, taking international benchmarks as our reference, [24] the most noteworthy difference arises in the density of nursing personnel, which stands at 5.9 in Spain, in contrast with over 10 in Denmark, France, the Netherlands, Ireland and Germany. In contrast, in terms of medical doctors per 1,000 inhabitants, Spain is much closer in line with the EU frontrunners.

To estimate the need for practitioners in the years to come, the conclusions reached in the paper whose title translates as *Estimation of supply and demand for specialist doctors. Spain: 2018-2030* [25] is of particular interest. In its baseline scenario, the authors forecast growth in demand for specialist practitioners of 8.9% between 2018 and 2030. [26] Using their growth estimate through to 2030, and assuming that all vacancies are covered in full, the Spanish healthcare system will need 13,291 additional practitioners [27] during that time horizon, which would translate into average annual growth of 0.71% from the base year.

| Exhibit 5 | **Estimated impact on public spending (in millions of euros) of a combined simulation of workforce reinforcement and enhanced remuneration** |
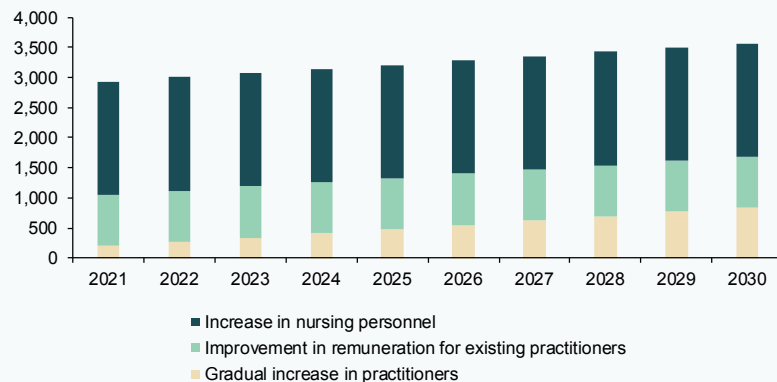
Source: Author's own elaboration.

Per-capita spending on preventive medicine, 2018

USD, current prices, current PPP
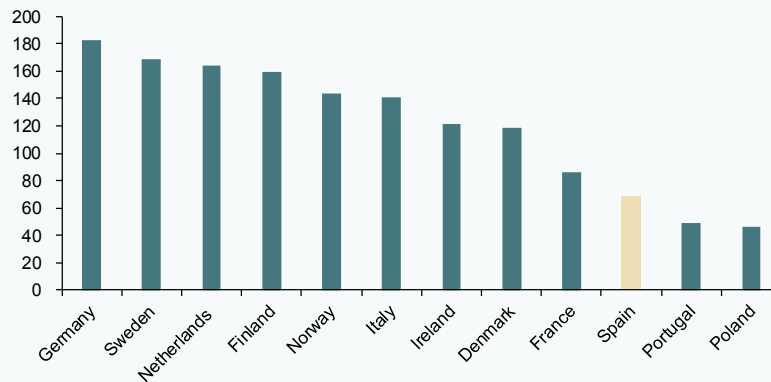
Source: OECD.

To quantify the expansion of the healthcare workforce it is necessary to address the remuneration question in order to create the incentives needed to reduce emigration rates of healthcare professionals. The OECD publishes data about the relationship between the remuneration earned by medical practitioners and the average wage in each country. Spain ranks below the international benchmarks, such as Portugal and Denmark, where the ratio of medical professional salaried income to the country's average wage averages 2.7/2.6. That dual effort–healthcare workforce and remuneration– could imply an additional budget allocation ranging from 1 billion euros in 2021 to almost 1.7 billion euros at the end of 2030.

Lastly, the staffing shortfall issue is most notable in the case of nursing personnel from a comparative standpoint. Spain presents a density of just 5.9 jobs for every 1,000 inhabitants, in marked contrast with the readings for Norway, Finland, Ireland, Denmark and the UK. Looking to 2030,

assuming a target density of 7 nursing jobs for every 1,000 inhabitants, the workforce will increase by 1.1 for every 1,000 inhabitants. The impact on public spending of that measure would be 1.88 billion euros, assuming the average earnings estimated for 2020. In sum, the potential upward revision of public health spending in the medium- and longer- term in the wake of the pandemic suggests an overall increase in healthcare expenditure of 3.5 billion euros in 2030, equivalent to 0.27% of real GDP.

Reinforcement of the functioning of public health (preventive medicine)

Another weakness of the National Health Service highlighted by the pandemic is the insufficient development of the public health, or preventive medicine, function in relation to other European countries. In Spain, expenditure on preventive medicine is virtually negligible, accounting for just 1.1% of the total health spend. [28] Notably, the WHO

> " In Spain, expenditure on preventive medicine is virtually negligible, accounting for just 1.1% of the total health spend. "

> " Investment in national health system hospital high-tech equipment amounted to 320 million euros in 2018, 0.5% of the total health spend. "

Exhibit 7   **Public spending on preventive medicine over GDP, 2018**

Percentage
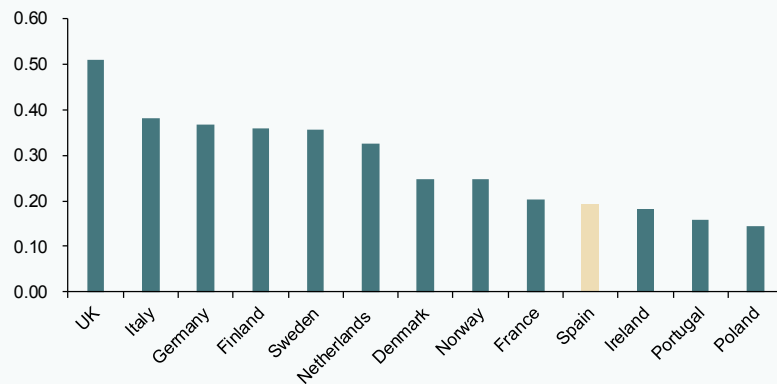
Source: OECD.

and OECD have for some time been urging nations to reinforce areas such as preventive medicine, the promotion of healthy habits and the monitoring and prevention of chronic diseases, which are especially important in the context of an ageing population and longer life expectancies.

By comparison with other countries, Spanish spending on preventive medicine [29] ranks towards the bottom in per-capita terms at constant prices and purchasing power parity. Countries such as Germany, the UK, Sweden and Italy spent more than twice as much as Spain on preventive medicine per person in 2018.

Given the distance between Spain and the top-ranked countries, a minimum target could be to at least double allocated public funds. The public cost incurred at the regional government level [30] (as recorded in the satellite public health spending account for

2018) amounted to 668.5 million euros. Doubling the regional government allocation would increase the budget by 0.056% of nominal GDP (base year: 2018).

Expansion and upgrade of high-tech health equipment

The assessment of the need for investment in high-tech health equipment in Spain in the coming years is based on the conclusions reached in the report corresponding to the second phase of the Spending Review by Spain's independent fiscal institute, AIReF, *Hospital spending of the National Health System: drugs and investment in capital goods* which discusses the need to expand and upgrade the stock of high-tech hospital equipment. The available data suggest that investment in national health system hospital high-tech equipment amounted to 320 million euros in 2018, 0.5% of the total health spend, divided almost evenly between

the purchase and maintenance of equipment. That is a very insignificant percentage of total health spending, particularly considering the importance of technology to health outcomes and cost savings. The report draws three main conclusions:

- Spain ranks relatively poorly in terms of equipment per inhabitant by comparison with the OECD average.

- The stock of medical imaging equipment installed in Spain is more obsolete than the European average. COCIR [31] data suggest that approximately 40% of the equipment installed in Spain is over 10 years old. [32]

- However, the intensity level or use of that technology in Spain is low, particularly in CAT scanners, gamma cameras and mammography devices, with marked differences from one region to the next.

AIReF recommends embarking on a strategy for investing in high-tech equipment so as to facilitate convergence between the Spanish national health system and the European average in terms of funding and modernisation. Assuming the replacement of the equipment that has exceeded its useful life and convergence towards the OECD average in terms of equipment per million inhabitants, estimates of investment in 2018 and 2019 [33] stand at around 608 million euros, with 299.5 million euros going to upgrades and 308.8 million going to new equipment. Nevertheless, the post-pandemic paradigm may imply a significant incentive for generating the related plans and responses against the backdrop of a joint governance framework, such as that proposed in the Social and Economic Restructuring Committee's findings.

Conclusions

This paper models the potential public health spend in Spain between now and 2030 in light of forecasted demographic trends, an acceleration of the digital transformation and consolidation over time of structurally higher spending in order to reinforce specific functions and policies deemed critical during the pandemic. In sum, the pending targets modelled for each of the aspects itemised above total 5.13 billion euros in real terms, which is approximately 7.4% of estimated real expenditure without considering the pandemic. The new health spending paradigm in terms of real GDP will be conditioned not only by the growth anticipated in non-financial expenditure, but also the base effect derived from the significant GDP contraction triggered by the pandemic. As indicated in Exhibit 8, the level of spending over real GDP is set to increase by a very significant 1.3 percentage points [34] and will stay at close to 7.1% until 2030, [35] which is equivalent to 1.2 percentage points more than that estimated in a pre-pandemic model. Such an increase in health spending in terms of GDP would realign Spain with the international context in relative terms, [36] nudging it potentially slightly above the OECD average.

The pandemic has highlighted the need to bring Spanish health spending per capita in line with the EU average in order to better prepare the country for responding to the economic sustainability challenge. The temporary freezing of fiscal rules in 2020 and 2021 gives the government some scope to increase spending levels without breaching rules, particularly the spending rule, which limits growth in spending to the rate of growth in potential output. The likely consolidation of those higher spending levels in the future needs to be framed by criteria related to efficiency, value creation and programme

> " The level of spending over real GDP is set to increase by a very significant 1.3 percentage points and will stay at close to 7.1% until 2030. "

Exhibit 8 **Regional government spending on healthcare over real GDP, assuming reinforcement and consolidation post-pandemic *versus* the pre-pandemic scenario**
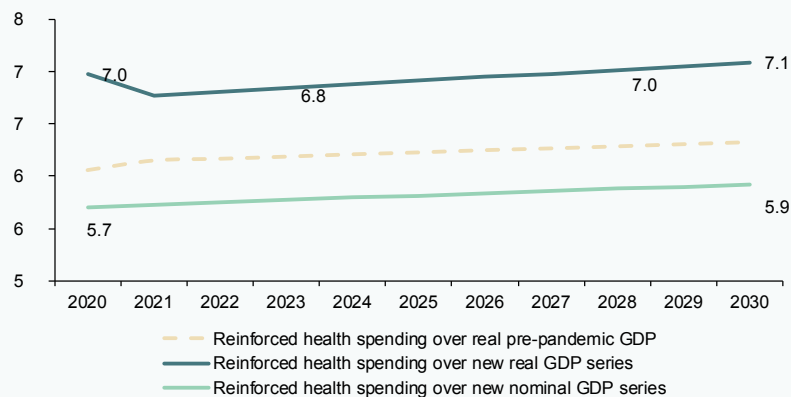
Source: Author's own elaboration.

assessments (spending reviews). A realistic outlook for health spending, which adds the digitalisation factor into the demographic mix, warrants thinking about essential service management and the implications for budget sustainability.

Notes

[1] These funds are designed to facilitate the transformation of the Spanish economy, the goals for public sector digitalisation and primary care reinforcement set down in the REACT-EU scheme, which will undoubtedly have a significant impact.

[2] OECD. Projections of health expenditure. *Health at a Glance 2019*. Lorenzoni, L. *et al.* (2019). Health Spending Projections to 2030: New results based on a revised OECD methodology. *OECD Health Working Papers*, No. 110. OECD.

[3] This study relies on the projections compiled by Spain's national statistics office, the INE, for each region, to 2030.

[4] A key source was the study published by Ahn, García and Herce (2005).

[5] A common health spending pattern was used for each region.

[6] Different sources of information are used to estimate the spending patterns for each component. In the case of hospital care, there is a database that enables the correlation of incidence (number of cases diagnosed) of each disease or hospital "product" by age category with the average cost. That information is taken from the Diagnosis Related Groups (DRGs).

Specifically, the so-called *Hospital Discharge Records in the National Health System. CMBD. From 2016 on. Diagnosis Related Groups.* That database provides a statistical proxy for the unit costs associated with each product. Therefore, a single cost pattern is used and the regional trend inferred by layering in the various population projections, then applying those forecasts to spending levels in the base year for each component of health spending region by region.

[7] Other factors for consideration include prices, income and GDP.

[8] Drawn up in real terms with pre-pandemic data and formulated for this exercise in a cumulative manner with respect to the estimates made for each year.

[9] Note that the INE's projections point to declining populations in those regions.

[10] Antares Consulting. (2020). *European health systems in transformation. Ideas to promote a change in Spain*. January.

[11] Council Recommendation on the 2020 National Reform Programme of Spain and delivering a Council opinion on the 2020 Stability Programme of Spain. May 5th, 2020.

[12] Conference titled *Retos actuales y post-COVID para el Sistema Nacional de Salud [Present and post-COVID challenges for the national health system]*. Tribute to Ernest Lluch at Barcelona City Council. November 27th, 2020 Beatriz González López-Valcárcel.

[13] Antares Consulting (2020). *European health systems in transformation. Ideas to promote a change in Spain*. January.

[14] Beatriz González López-Valcárcel Conference. November 2020.

[15] For this part of the analysis, projections are run for the regions as a whole.

[16] A description of how to implement a nationwide system of patient summaries, e-prescriptions, online appointments and patient portals was included in the so-called *Plan Avanza 2* (2009-2015).

[17] Mobile apps for the provision of routine services.

[18] That initiative means that all of the regional governments can generate e-prescriptions that can be filled in other regions.

[19] COTEC Foundation for Innovation. *Digitalización en Salud. La Historia Clínica Digital como motor de transformación del sistema sanitario.*

[20] SEIS (Spanish Society for Health IT) (2015).

[21] Measured in terms of total real public spending in Spain in 2017, it accounts for 0.96%.

[22] The statistics available about public spending on e-Health by country are very limited. Italy is one of the few countries to have published information in this respect. In 2020, public spending on e-Health amounted to 1.62 billion euros, equivalent to 0.08% of GDP and 1.3% of the public health spend.

[23] Calculated as a percentage of total healthcare expenditure regardless of the level of government at which it is incurred. For the purposes of our impact calculations, we assume that the regional authorities would manage 92% of the additional expenditure, *i.e.*, around 981 million euros.

[24] The international comparisons of healthcare workforces for both general practitioners and nursing should be limited to the national health systems that are financed from general taxes and offer universal coverage (the Beveridge model): the UK, Italy, Scandinavia and Spain (refer to the Funcas blog post by Félix Lobo titled *¿Qué sistemas sanitarios están mejor preparados para responder a la COVID-19?*, which translates as *Which health systems are best prepared to respond to COVID-19?*)

[25] Revised edition (January 2019) of *Estimación de la oferta y demanda de médicos especialistas. España 2018-2030*. Written by Barber Pérez P. and González López-Valcárcel B. from the Health Economy Team at the University of Las Palmas in Gran Canary Island.

[26] Demand would increase in line with the demographic forecasts modelled by the INE, while supply would be partially conditioned by a concentration of retirements between now and 2024, contracting 1.2%.

[27] Using data published on the Ministry of Health's Portal — Health in Figures, in 2018, it was reported that 149,342 medical practitioners were working for the National Health Service, of whom 24% were assigned to primary care, with the rest in hospital care, A&E and specialist training.

[28] However, it is a budget allocation that involves the three levels of government in Spain: central, regional and local.

[29] The terms public health and preventive medicine are used interchangeably.

[30] Our approach has been to focus on the impact on regional spending. However, the public health effort should be reinforced at all levels of government.

[31] COCIR is the European Trade Association representing the medical imaging, radiotherapy, health ICT and electromedical industries.

[32] Medical Imaging Equipment. Age profile and density. Ed. 2019.

[33] The two years in which the investment requirement numbers were run by the AIReF.

[34] Which tends to decline sharply due to the forecasts for economic recovery in 2021.

[35] Recall that the numbers are limited to regional health spend and do not factor in the areas managed by the state and local governments, which would push the total higher.

[36] Per inhabitant, the impact would be lower and the repositioning more moderate.

Susana Borraz. A.F.I. - Analistas Financieros Internacionales, S.A.

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New forms of investor activism and the shift in market outlook

The emergence of 'populist activism' best exemplified by the volatility in GameStop shares is distinct from previous forms of shareholder activism and entails risks for both institutional investment funds and retail investors. While Spanish regulators believe existing laws would render such activity illegal in Spain, other potential sources of volatility this year could still pose risks for financial markets participants.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: In the wake of the financial crisis, new financial market trends have emerged such as the disconnect between financial signals and the real economy, the accumulation of bargaining power in certain investment arenas, and the impact of shareholder activism on corporate governance and valuations. Although shareholder activism has traditionally been more prolific in the US, the percentage of campaigns launched in Europe has been on the rise, prompting responses by both governments and corporations. More recently, a novel form of shareholder activism has developed, coined 'populist activism', which differs from traditional shareholder activism in terms of liquidity and suitability for retail investors. Perhaps the best example of this new investment activity is the purchase of GameStop shares by retail investors coordinating over Reddit. These actions had unforeseen consequences for both the retail investors who may have lacked the knowledge to properly assess their risk-taking as well as for institutional investment funds. While Spanish

regulators believe that existing laws would make such collaboration illegal in Spain, there are other areas of potential risk for financial market participants such as an uptick in inflation and pressure on the bond market, which will warrant close attention throughout the second half of this year.

Introduction: Markets, real economy and activism

The pandemic has been a watershed moment for the securities markets. Before the onset of COVID-19 there were already signs of change in the structure of the fixed-income and equity markets and their related trading patterns. Following several months of uncertainty due to lockdowns, rising infection rates, and the vaccination effort, four of those transformational changes are re-appearing. Firstly, it is relatively hard to connect financial signals with the real economy, as several factors point to a certain divergence between the two. Secondly, bargaining power is accumulating in certain investment arenas and algorithmic automated trading is gaining ground. Thirdly, there are growing signs that shareholder activism is altering corporate governance and company valuations, not only in the US but also, increasingly, in Europe. Fourthly, new forms of investing are emerging, such as that coined "populist activism", which has implications that are difficult to calibrate.

Regarding the distinction between the equity markets and the real economy, academic theory holds that the markets predict economic performance. This means that there are phases during which financial markets' performance does not coincide with that of the the macroeconomic aggregates they purport to anticipate. Although markets currently predict that the economy will recover once COVID-19 vaccinations become widespread, we are seeing swings and valuation differences across sectors that often appear decoupled from fundamentals. One of the explanations for this phenomenon is the abundance of liquidity, which is driving investors to switch between high risk investing to excessive caution in very short time spans, fuelled by rumours and fleeting opportunities. These trading patterns have affected the valuations of pharmaceutical companies as well as cryptocurrencies, such as bitcoin. It is worth noting, however, that the proliferation of so-called fat tail risks (pandemics, global cyberattacks, violent protests) of late makes it difficult to identify those fundamentals. Another plausible explanation is that we have yet to identify major composition changes in financial markets. There is a significant performance gap between tech stocks and other equities. That fragmentation is echoed in the real economy, which is at a crossroads in its transformation from analogue to digital. That transformation is unleashing a productivity crisis in which ageing populations, typically lagging behind, in advanced economies are generating intergenerational conflicts. A third explanation is the existence of a major monetary trap. With rates ultra-low or even negative in real terms and a proliferation of financing options, aggressive speculative plays are rife. If inflation returns, the tides of monetary policy will turn and we will have to live with the consequences. There is no institutional precedent for economic and price buoyancy, coupled with protracted quantitative easing.

Despite increasing market complexity, a growing number of platforms have expanded the capacity and reach of retail investing. However, it is possible that these unsophisticated retail investors lack the knowledge needed for the kinds of investments they are making. Importantly,

> " Although markets currently predict that the economy will recover once COVID-19 vaccinations become widespread, we are seeing swings and valuation differences across sectors that often appear decoupled from fundamentals. "

> " While the fixed-income and equities markets appear to have recovered from the first major lockdown in 2020, volatility remains considerable and uncertainties continue to abound in 2021. "

a lot of trading today is channelled through automated systems programmed using algorithms to calibrate portfolios with hardly any human intervention. The speed at which those systems operate and the criteria they are articulated around increase the complexity and the cognitive distance between the retail investor and the functioning of the market.

Those investment trends are coinciding with sophisticated movements to alter management decisions at large enterprises via shareholder activism. Specifically, hedge funds and other sophisticated large investors build up shareholdings in companies that, without taking majority positions, give them sufficient influence to sway strategic decision-making at those firms. To maximize their influence, they take aggressive positions and make them public, achieving significant about-faces in decisions related to investment/

division sales, executive appointments, M&A strategy, *etc*. As analysed later on in this paper, movements of that nature have been proliferating in the post-financial crisis economy and there are arguments both for and against them.

Recently, retail investors have joined forces to channel sizeable funds through commission-free, mobile-based platforms in order to bring about valuation changes through large, aggregated positions. The most notorious example of this phenomenon was spearheaded on the Robinhood platform with investors coordinating via Reddit.

This combination of changes in investor attitudes comes at a key juncture for the markets with potential implications for Spain. As shown in Exhibit 1, although the fixed-
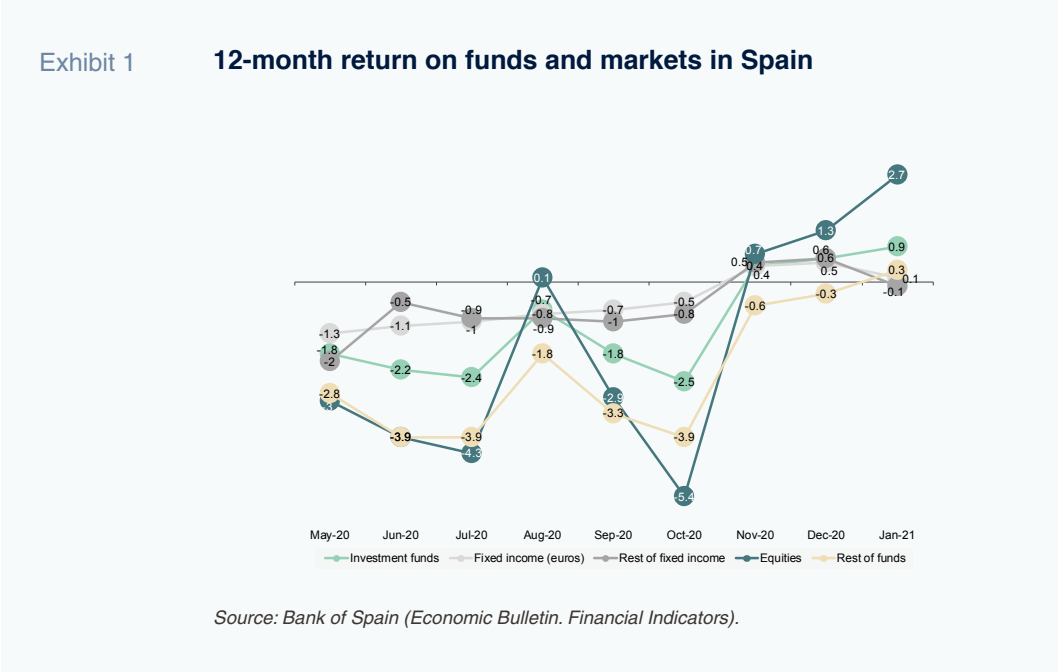
Exhibit 1   **12-month return on funds and markets in Spain**

Source: Bank of Spain (Economic Bulletin. Financial Indicators).

income and equities markets appear to have recovered from the first major lockdown in 2020, volatility remains considerable and uncertainties continue to abound in 2021.

In the following sections, we analyse the implications that these new forms of shareholder and 'street' activism could have on the markets and the scope for them to flourish in Spain. We also analyse the key challenges facing the Spanish securities markets, with an eye on the second half of 2021, when we could see important changes in the economic situation and outlook.

Shareholder activism, populist activism and retail investor positioning

The financial crisis triggered major bank restructuring on both sides of the Atlantic but also significant corporate restructuring, mainly due to the debt assumed by a sizeable number of corporations. Against this backdrop, there is increasing talk about the role of the so-called activist funds in financial markets. These activist investors have targeted a range of different types of investment funds that take equity positions in companies and use their direct influence to bring about changes in companies' management or strategic decisions, *e.g.*, asset sales, dividend distributions or M&A deals. Detractors view these shareholder activists as opportunists that build positions in vulnerable companies, take decisions with a short-term horizon and unwind their positions as soon as the companies' share prices recover. Others believe these investors are injecting efficiency into the market by addressing productivity or viability problems.

Those capital (and sometimes debt) position tend to be built in listed entities of substantial size. Sometimes they trigger negotiations that lead to the resolution of certain viability or management issues. Other times they lead to conflicts that delay essential decision-making at the companies. Activism of that kind has intensified in the post-crisis environment. The need to find new investors, new methods of placing debt, or ways of making debt more sustainable has become more pressing, prompting issuers to also look overseas.

According to Lazard (Table 1), shareholder activism has been growing in recent years and only fell slightly in 2020 as a result of the pandemic. Although shareholder activism has traditionally been more prolific in the US, the percentage of campaigns launched in Europe has been on the rise. Significantly. these developments have set off a chain reaction. First, given that many of these companies are strategic in their home markets, governments are quick to respond to initiatives launched by activist investors. Corporations have also responded by developing new defensive

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Table 1

Shareholder activism campaigns worldwide

Percentage

	2016	2017	2018	2019	2020
No. of campaigns launched	187	212	249	209	182
US	66	61	58	59	45
Europe	21	25	24	23	32
RoW	13	14	18	18	23

Source: Lazard, 2020 Review of Shareholder Activism.

> " Shareholder activism has traditionally been more prolific in the US but the percentage of campaigns launched in Europe has been on the rise. "

strategies. Of particular note are the so-called poison pills strategy, whereby existing shareholders are allowed to acquire new shares at significant discounts, thus thwarting hostile takeovers by activist investors. However, in a competitive environment with low levels of liquidity and an insufficient number of investment opportunities, shareholder activism is destined to play an increasingly prominent role in the years to come.

In recent months, a new form of activism has emerged among primarily unsophisticated retail investors. The most noteworthy example of this is seen in the case of GameStop, which was targeted by retail investors between the end of January and beginning of February 2021. This phenomenon, also known as "populist activism", consists of gathering thousands of small investors together to drive the price of a specific stock higher. Advocates view their actions as merely a response to short positions (bets that a stock price will move lower) taken by some of the large investment funds that hope to reap the rewards of a price correction as a company's fortunes crumble. GameStop sells physical video games at a time when the sector is becoming increasingly virtual. As with many other "analogue" companies, a number of investment funds had built up considerable short positions in it. The online forum WallStreetBets (where participants talk about market and share price trends) published a series of posts on Reddit, the social news aggregation and discussion website, calling for investors to collaborate

in building up long positions in GameStop. The call met with success and the resulting investment positions were channelled through the Robinhood app, a retail investor stock trading platform in the US. The investments placed through Robinhood not only drove GameStop's share price higher, they forced the funds that had bet in the other direction to also buy shares of GameStop to minimise their losses.

However, the effect of the subsequent correction in GameStop's share prices brought about several negative consequences. As shown in Exhibit 2, the aggregation of information permitted by the new platforms enabled by social media (such as Reddit) increases, at least initially, retail investors' market power. However, this investment activity entailed certain risks which many retail investors may have been unaware of. The vast demand for GameStop shares increased clearinghouse deposit requirements. Robinhood, however, did not have enough liquidity to post the money required. Meanwhile the investments in GameStop multiplied and similar strategies were pursued at other companies and even in commodities such as silver. Robinhood was forced to raise investment funds to cover its rising deposit requirements. Specifically, they raised 3.4 billion dollars, with investors now commanding a meaningful shareholding in Robinhood, which could distance it from its retail origins. This form of investment activism was also subject to risk investor bias, or as its more colloquially known, the

> " None of the company's fundamentals justified the rally in GameStop's shares, which gained as much as 2,400% at the peak, going on to correct sharply as most of the positions were unwound. "

Exhibit 2   **Populist activism: Information, risks and implications**

Aggregation of information	Aggregation of investment	Risks	Implications

• Social media
  • Reddit
    • WallStreetBets
	• Counter bets
	  • Robinhood
	    • GameStop
	    • Silver
		• Liquidity
		  • Clearing houses
		• Legal
		  • Federal investigation
		• Market
		  • Back to fundamentals
		• FOMO
		  • Blind retail investing
			• Change in shareholder control
			  • Robinhood forced to raise funds
			• Fortuitous changes in returns
			  • Automated trading

Source: Authors' own elaboration.

fear of missing out (FOMO). However, none of the company's fundamentals justified the rally in GameStop's shares, which gained as much as 2,400% at the peak, going on to correct sharply as most of the positions were unwound. Lastly, it is hard to make out where the losses fell in the wake of such significant ups and down. It has been reported that the automated trading platforms sustained some of the heaviest losses, while the hedge funds racked up mixed results, with some making a profit and others taking hits, both of which were unexpected.

The investor movements generated by WallStreetBets on Reddit and the risks accumulated by Robinhood have prompted an investigation by the US Congress regarding the potential risks for financial stability and consumer protection. It is worth analysing the likelihood of something similar happening in Europe and specifically in Spain, where retail investors recently pushed shares of Tubacex

8% higher through a coordinated action via Telegram (emulating Reddit). Although the Spanish securities market regulator (CNMV) did not intervene in that instance, it has said that a movement of the scale and implications of that witnessed in the US is impossible in Spain. The regulators argue that such activity would be considered "market manipulation" and therefore illegal in Spain under existing legislation. Nevertheless, it looks as if those types of events, specifically the aggregation of information or sudden concentration of investments, could generate market distortions that will warrant supervisory and regulatory attention in the near future. Moreover, the phenomenon has spread to the arena of cryptocurrencies. The recent concentration of purchases of bitcoin (by Tesla, for example) has similarly fuelled messaging, expectations and retail investments in high-risk assets whose valuations appear disconnected with their underlying fundamentals.

> " Regulators argue that populist activism would be considered *market manipulation* and therefore illegal in Spain under existing legislation. "

> " Market corrections remain a distinct possibility in the second half of the year if vaccination progress overlaps with both additional fiscal stimulus and highly expansionary monetary policy. "

Outlook for the Spanish securities markets

It is conceivable that the different forms of activism and the volatility around traditional assets (stocks and bonds) as well as unconventional assets (cryptocurrencies) are related with protracted misalignments in some markets. The benchmark in recent years has been the US market and the extraordinary performance of the BigTech stocks. Although things are unlikely to change significantly in the first half of 2021, market corrections remain a distinct possibility in the second half of the year if vaccination progress overlaps with both additional fiscal stimulus and highly expansionary monetary policy.

We have already seen some signs of tensions in the bond markets in early 2021. Yields have been rising and markets appear closer to reaching the tipping point (the breakeven rate) that could trigger a possible mass sell-off in bonds (estimated at when the cost of US 10-year Treasuries approaches the 3% mark). That uncertainty in the bond markets could spill over to equities if inflation returns stronger than expected, effectively increasing the market cost of bonds. In the European markets, the effect on both public and private debt could be even more significant, particularly for Spain. It will therefore be important to watch how some of the current sources of uncertainty play out over the course of 2021. Will prices advance gradually, alongside a degree of monetary tightening, facilitating investor repositioning without too much upheaval? If, on the other hand, tension in the debt markets increases, the economic recovery could coincide with considerable corrections and stock price volatility.

It is in this context that debates over the possibility of extreme options, such as debt forgiveness by the European Central Bank or haircuts on loans extended to companies during the pandemic are occurring. However, far from correcting existing imbalances, such actions would only exacerbate them. Moreover, there is the risk of setting a negative precedent in terms of investor and business expectations.

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

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The challenge of recapitalising Spain's corporate sector

The intensity and duration of the COVID-19 crisis has raised the risk of a potential insolvency crisis in Spain's corporate sector. In order to avoid this, targeted measures that utilise a variety of instruments, involve the role of the private sector, and reform bankruptcy procedures will be key.

Irene Peña and Pablo Guijarro

Abstract: The protracted length and intensity of the COVID-19 crisis means that the initial measures designed to ensure the flow of financing to the corporate sector are no longer sufficient. In response to the first wave of COVID-19, the Spanish government provided loan guarantees to nearly one million enterprises, most of which are SMEs. While these loans involved attractive conditions, they nonetheless count as debt and have reversed a decade's long deleveraging effort in the Spanish corporate sector. A wave of bankruptcies would have a deleterious effect on Spain's productive fabric at a time when the economy's recovery is highly vulnerable to shocks. However, any response to this potential risk must look beyond a rise in insolvency filings. Instead, efforts should also be made to reinforce the corporate sector's financial structure so as to support investments in digitalisation and sustainability. Spain should consider adopting the highly targeted approach of other countries that utilise a wide variety of instruments and bolster the role

of the private sector. Within this context, the Spanish government's recent approval of a new 11 billion-euro aid package for SMEs and the self-employed, comprised of a direct aid fund, debt restructuring, and business recapitalization is a welcome development.

A deeper and longer than expected crisis

The risk of business failures rises the longer the pandemic drags on. What was initially considered a liquidity issue could transform into a solvency crisis with the potential to be even more widespread than the last financial crisis, which was more limited sector-wise.

Importantly, state loan guarantees had a stabilizing effect during the initial lockdown. These guarantees prevented a collapse in financial flows as manufacturing plants were forced to shut.

Nearly one million enterprises, most of which are SMEs (including self-employed professionals), have benefitted from the loan

guarantees. The government scheme provided attractive cost and repayment terms (initial maturity of five years, later extended to eight) and grace periods (initially, one year, then lengthened to two).

Despite these attractive terms, guaranteed loans are still nonetheless debt, and as such have to be repaid. They also imply a fresh spike in indebtedness after a decade of non-stop deleveraging in the corporate sector.

Between 2010 and 2020, Spain's corporate sector deleveraged considerably, while its capitalisation (weight of own funds over total assets) increased by nearly 10 percentage points. However, the crisis has spurred a substantial accumulation of corporate debt that has wiped out almost half of the improvement in capitalisation observed over the course of the last decade. Significantly, the impact of the crisis on corporate financial health has been extremely uneven. In the sectors hit hardest by the crisis, (*i.e.*, those most exposed to activities more reliant on physical presence or contact), the

Table 1

Overview of the guarantees applied for by company size as of January 2021

	Snapshot of guarantees applied for		
	SMEs and the self-employed	Non-SMEs	Total guarantee scheme
Transactions (nº.)	940,846	18,140	958,986
Guarantees applied for (€ m)	64,875	23,144	88,019
Financing (€ m)	81,165	34,711	115,876

Source: ICO, Afi.

> " Other governments have rolled out mechanisms targeted specifically at strategic SMEs (Germany) or SMEs in general (Hungary). "

deterioration in solvency has been far greater. Also, the fallout from the crisis is likely to be far more intense for SMEs, which are more financially vulnerable.

The Bank of Spain, using a sample gleaned from its corporate balance sheet database, estimates that the percentage of SMEs experiencing financial pressure has increased from 13% in 2019 to 40% (30% of large enterprises) and that the percentage of insolvencies could go nearly as high as 20%.

Although a wave of bankruptcies would have a deleterious effect on Spain's productive fabric, any response must look beyond a rise in insolvency filings. Instead, efforts should also be made to reinforce the corporate sector's financial structure so as to support investments in digitalisation and sustainability.

The case for extending the scope of current measures

For large and/or strategic companies, the financial support programme rolled out last year earmarked an initial sum of 10 billion euros for their recapitalisation channelled through the state's investment arm, SEPI. However, the remaining enterprises —neither large nor strategic— that account for over 90% of the nearly 3.3 million firms in Spain, had not been targeted with any recapitalisation mechanisms, despite their greater financial vulnerability.

The need to tackle recapitalisation or at least some form of partial debt relief is becoming more and more pressing. Indeed, the European Commission recently sent out a consultation asking member states for feedback about the possibility of offering some form of partial forgiveness on the guaranteed debt extended to those companies that have

seen a significant fall in business volumes. That initiative would be benchmarked against the Payment Protection Program (PPP) in the US, under which over 6 million companies (whose revenue has contracted by over 30%) have benefitted —to the tune of more than 600 trillion dollars— from debt forgiveness.

To complement those partial debt relief measures (or as an alternative thereto), Spain's companies, particularly its smallest firms, need significant recapitalising, an effort that will require the design of hybrid public-private initiatives in order to augment the limited stock of available public funds.

An international comparison

The urgent need to recapitalise the corporate sector is not an issue specific to Spain. In recent months, several countries have deployed measures designed to reinforce their companies' capital structures, taking a range of approaches.

■ Several countries, including Spain, as a first step, have focused clearly on their medium- and large-sized enterprises (Finland, Ireland, Italy and Lithuania, for example).

■ Other governments have rolled out mechanisms targeted specifically at strategic SMEs (Germany) or SMEs in general (Hungary).

■ Some countries' measures have focused exclusively on start-ups (Netherlands and UK).

The table reveals common characteristics of these public support schemes:

■ They contemplate a wide variety of instruments, not just common equity but

Table 2

Snapshot of the capital reinforcement measures adopted outside Spain

Country	Instrument type	Amount committed (€)	Target	Key points
Finland	Ordinary shares and convertible bonds	150 million	Medium and large	Co-investment with existing shareholders as a rule
Germany	Ordinary shares	2,600 million	Small and large	Qualifying SMEs and start-ups must be considered strategic
Hungary	Ordinary shares	1,000 million	SMEs, start-ups and strategic firms	Four equity programmes underpinned by co-investment principle
Ireland	Ordinary shares and hybrid instruments	2,000 million	Medium and large	Permits investment in a broad variety of instruments, from ordinary shares to convertible bonds
Italy	Ordinary shares	N/A	Medium and large	Permits investment in a broad variety of instruments, from ordinary shares to convertible bonds
Latvia	Preferred shares	125 million	Large	Public-private co-investment principle
Lithuania	Ordinary shares	Up to 1,000 million	Medium and large	Combines the use of the state budget with new public debt and sums raised from private investors
Netherlands	Ordinary shares	32 million	Start-ups	The state is participating in closed-end venture capital funds by extending them interest-free loans
UK	Ordinary shares and hybrid instruments	600 million	Start-ups	The state to finance start-ups, along with private investors, via the extension of convertible loans

Source: OECD, Afi.

also preferred shares and even convertible debt instruments.

■ They are geared towards bolstering the role of private sector investment. In that context, the private equity sector has a clear role to play in reinforcing equity.

■ Lastly, the terms strategic and viable are explicitly associated with virtually all the

schemes. This is essential to preventing such mechanisms from propping up companies whose viability might already have been in doubt prior to the crisis.

The above schemes demonstrate that it is feasible to extend current measures to other important parts of the Spanish economy. The next section outlines specific approaches that facilitate this extension.

Focus of the newest measures introduced in Spain

The Spanish government has just passed a new 11 billion-euro aid package for SMEs and the self-employed, broken down as follows:

■ Direct aid fund for SMEs and the self-employed, which encompasses the bulk of the funds (7 billion euros);

■ Debt restructuring fund of 3 billion euros; and,

■ Business recapitalisation fund of 1 billion euros.

Below is a description of the key characteristics of each core component:

Direct aid

The direct aid fund, with an envelope of 7 billion euros, is targeted at covering the fixed costs of business whose revenue contracted by at least 30% between 2019 and 2020. The regional governments will be in charge of distributing those funds, while the tax authorities will be tasked with verifying the revenue shortfall for eligibility purposes. The funds are expected to be made available to the regional authorities by the end of April. The purpose of the aid is to cover payables accumulated since March 2020 (supplier payments, wages, leases and borrowings).

This direct aid package is in turn sub-divided into two tranches:

■ 5 billion euros for the mainland regional governments, to be allocated using the same criteria as are used to allocate the REACT-EU funds; and,

■ 2 billion euros for the Canary and Balearic Islands.

The coverage level will depend on the size of the recipient businesses and their tax regimes. The regional governments will be able to cover up to 40% of the contraction in revenue for micro-enterprises and self-employed professionals and 20% for other companies. In parallel, the scheme assigns a fixed amount of 3,000 euros for self-employed professionals who pay tax under the objective assessment scheme, and sums ranging between 4,000 and 200,000 euros for other companies. The regional governments have yet to set the criteria for divvying up these new funds.

Financial restructuring

The fund earmarked for debt restructuring transactions has an envelope of 3 billion euros. It is targeted at firms that have secured state-guaranteed bank loans in the context of the pandemic. This package will include haircuts as a last resort. Coordination of this mechanism will be left in the hands of the banks, in the form of a code of best practices, taking advantage of their reach and business solvency knowledge.

The fund will intervene in three ways:

■ Extension of the state-backed loan maturity terms, in addition to the extensions awarded in November 2020, and extension of the deadline for applying for such loans until December 31st, 2021;

■ Conversion of credit facilities into profit-participating loans, via the state guarantee; and,

■ Direct fund transfers for reducing principal on the loans arranged with state guarantees in the context of the pandemic.

In each arrangement, the state will assume the percentage it guaranteed (80% of the amount of credit in most cases) and the banks will bear the rest.

Business recapitalisation

The last vehicle, endowed with one billion euros, will be used to refloat SMEs, via COFIDES, the state development company, emulating the model pursued by the SEPI, the state's industrial investment arm, for large and strategic enterprises. As with the latter, the new fund will have a range of investment instruments —debt, equity and quasi-equity— and the investments will imply state participation in the recipients' future earnings. The state will invest in the recapitalised entities for eight years at most. The requirements for the recapitalisation mechanism include:

- Keeping the company operating until June 30th, 2022;

- Agreeing to not pay dividends; and,

- Agreeing to not increase senior management pay for two years.

Other schemes worth contemplating

Further development of market infrastructure

There is also scope for facilitating growth companies' access to the capital markets via market infrastructure such as BME Growth. [1] This refers to the creation of investment tax breaks and the subsidising of costs for public offerings and/or public investments in the share offerings of listed companies (similar to what is being done with the fixed-income instruments being listed on MARF). Such initiatives could increase the size of the market, its investor base and its depth.

The "democratisation" of equity investing in smaller-sized enterprises could also provide benefits. Efforts have already been made in the REIT segment, where the combination of stock exchange listings and benign regulatory and tax regimes have enabled real estate developments to attract equity financing via the capital markets.

Such an approach should be designed to tackle the two major limitations faced by private equity firms when it comes to investing in smaller-sized companies- limited research and investment oversight capabilities. The idea would be to create aggregated instruments that eliminate the investment selection and monitoring effect and facilitate direct investment by professional investors in an end vehicle.

Simplification of rules and flexibility of payments

We have outlined in detail the need to halt the rise in corporate insolvency through targeted recapitalisation. However, the reality is that for many companies, these measures will not arrive in time or in sufficient size.

Other initiatives are needed to target viable companies that require urgent debt restructuring if liquidation is to be avoided. The idea is to speed up and simplify court and out-of-court insolvency procedures to prevent bankruptcies. Currently, these proceedings are protracted and costly. [2]

Introduction of such simplified rules and flexibility with payment plans could increase the likelihood that non-viable SMEs exit and viable ones in temporary distress are restructured immediately.

> " The idea would be to create aggregated instruments for investing in smaller sized companies that eliminate the investment selection and monitoring effect and facilitate direct investment by professional investors in an end vehicle. "

It is also important to recall that the public sector is, alongside the banks, one of these distressed companies' main creditors and its unwillingness to exonerate public debt, such as taxes, loans from ICO and other public bodies and social security payments, has traditionally played against the successful conclusion of such proceedings.

Reforms should:

- Encourage pre-insolvency mechanisms with a preventative aim;

- Speed up and reduce the costs of insolvency proceedings; and,

- Allow the public administration to take part in debt restructuring agreements.

Conclusions

The protracted length and intensity of the COVID-19 crisis means that the initial measures designed to ensure the flow of financing to the corporate sector are no longer sufficient. The deployment of measures designed to reinforce Spain's ailing companies' capital structures is essential for tackling the ensuing challenge of modernising the productive model, with digitalisation and sustainability as the key levers. The decision to extend the measures passed in 2020 is therefore very welcome, as is the focus on SMEs, with new vehicles that do not exclude any business, regardless of whether or not they have availed of the state-backed loan facilities.

Notes

[1] The BME Growth is a sub-market of Bolsas y Mercados Españoles, the Spanish company that deals with the organizational aspects of the Spanish stock exchanges and financial markets,

which includes the stock exchanges in Madrid, Barcelona, Bilbao and Valencia.

[2] According to the OECD, 25 of its members have not systematically regulated special procedures for SME insolvencies. However, during the pandemic, countries such as Switzerland and the US did roll out specific measures for simplifying those mechanisms, including temporary relief from payment obligations for financially distressed companies and, in the US, increased access to a streamlined restructuring process for small businesses by broadening the debt-limit eligibility threshold. Introduction of such simplified rules and flexibility with payment plans could increase the probability of success and speed of viable SME restructuring.

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Digitalisation and intangible assets: Unlocking bank lending

Spain's lacklustre investment in intangible assets needs to be addressed if the country is to reap the productivity gains of the digital transformation. Initiatives such as the extension of government guarantees for loans used to invest in intangibles as well as the introduction of a supporting factor for banks' RWA calculations could help increase bank lending to this category, which has lagged far behind other funding sources.

Joaquín Maudos

Abstract: Digitalisation has become a key focus of the EU, as evidenced by the allocation of Next Generation EU funds to support the digital transformation of the EU economy. This is because of its potential to boost growth, and by extension, social welfare. However, the digitalisation of Europe's economy will be dependent on investments in intangible assets, which in some cases are considered 'expenses' rather than investments according to national accounting systems. Examples of intangible assets include design, market research, specific human capital training and organisational capital. Unfortunately, Spain lags behind when it comes to investing in intangible assets, standing second to last in the EU and significantly behind the EU average. Importantly, investment in intangible assets is rarely financed through bank loans, with firms instead relying on own funds or private equity. However, policy shifts could help channel more bank credit to investments in intangibles. For example, governments could issue guarantees for these loans so as to reduce

the potential risks faced by banks. As well, the introduction of a supporting factor for banks' risk weighted asset (RWA) calculations along the lines of what is used for loans to SMEs and infrastructure investments could also help increase bank lending.

Introduction [1]

One of the aims of the European Reconstruction Fund is to finance the push towards greater digitalisation, in tandem with other important objectives such as the green transition, social inclusion and gender equality. This is good news for Europe, which has lagged behind other regions' embrace of digitalisation. Advancing on the digital transformation of the European economy is vital to making it more competitive and thereby increasing the wellbeing (income) of its citizens.

It is well established that boosting competitiveness requires productivity gains, the latter being one of the most important sources of economic growth. Importantly, digitalisation has the potential to generate these sought after productivity gains.

Digitalisation refers to technologies such as the internet of things, artificial intelligence, big data, blockchain, cloud computing and e-commerce, to name just a few. For all those technologies it is important to invest in intangible assets such as R&D, databases, software, design, digital skillsets, *etc*. To support the digital transition it is necessary to step up investment in those assets, which, in turn requires an increase in funding. The lockdown measures necessitated by COVID-19 have shown that those companies that were already digitalised to a degree were better able to mitigate the effects of the crisis, thanks to remote working and e-commerce capabilities. Going forward, it will be essential to invest further in those technologies and digital skillsets.

The extensive empirical evidence in the area of intangible assets provides several key conclusions (Mas, 2020): a) Intangible assets are a very important source of productivity gains. Indeed, the countries with the highest productivity levels are those that invest the most in intangible assets; b) Intangible assets need to complement tangible assets in order to maximise the productivity gains. They are, therefore, complementary and not 'either or' investments; c) Although intangible assets have been increasing in all countries, there are significant differences between countries and those differences partially explain the productivity gaps; d) The EU lags the US in terms of investment in intangibles and Spain lags the EU; and, e) Investment in intangible assets in Spain is mainly financed via own funds or private equity; the bank financing that predominates in other countries is very scant in Spain.

Against that backdrop, the purpose of this paper is to emphasise the importance of shifting how investments in intangible assets are financed. We present certain proposals for increasing the weight of bank financing, which is currently very low. To do so, we first analyse intangible asset investment intensity in Spain by means of a comparative analysis at the international level. We also analyse the breakdown of those investments to demonstrate the correlation with income standards. A simple comparison between GDP per capita and intangibles investment in the US and EU already evidences the positive correlation between the two variables, a correlation that holds with other countries. This analysis shows that Spain presents GDP per capita and productivity levels below the European average (10% below the EU-27 average and 19.3% below the eurozone average in the case of GDP per capita), which is partially attributable to its lower relative investment in intangible assets (33% lower in terms of

> " Spain presents GDP per capita and productivity levels below the European average, which is partially attributable to its lower relative investment in intangible assets. "

> " In terms of investment in tangible assets (as a percentage of GDP), Spain ranks above the European average and also ahead of major economies such as the UK, France and Italy. "

its weight in GDP). Given the importance of intangible assets in furthering the economy's digital transformation, attractive financing conditions for the investments in intangible assets are needed. This in turn requires the articulation of measures to encourage banks to provide that financing, including a change in the banks' capital requirements.

Investment intensity in intangible assets: Spain in the EU context

Analysis of the importance of intangible assets has sparked growing academic interest, as evidenced by the number of papers published on this subject. Focusing on those published in the last decade, authors such as Timmer *et al.* (2011), Corrado *et al.* (2013 and 2016), Melachroinos and Spence (2013), Muntean (2014), Archaya (2016), and Corrado, Haskel and Jona-Lasinio (2017), among others, have demonstrated how higher investment in intangible assets is responsible for a significant portion of economic growth. The work done by Fox *et al.* (2017) and McGrattan (2017) also demonstrates the importance of intangible asset investment intensity as it relates to productivity differences across sectors. There is also evidence of the importance of intangible assets in explaining growth differentials at the regional level (Marrocu, Paci and Pontis (2012); Dettori, Marrocu and Paci (2012) and Mas and Quesada (2019), with the latter focusing on the Spanish regions).

Traditionally, intangible assets were generated by means of investment in software, databases, R&D, entertainment, mineral exploration and artistic originals. That list has since grown to include other types of assets, although in many cases these are considered expenses rather than investments by the national accounting system (and therefore not part of GDP). That said, several authors

(such as Corrado *et al.,* 2015) consider certain expenses as capital and, therefore, an investment. These include design, advertising, marketing research, specific human capital training and organisational capital.

Using the extended definition of intangible assets, Exhibit 1 provides a snapshot of the investment intensity [2] in 2017 in Spain and the universe of countries for which comparable information was available. The numbers show that the effort in Spain is among the lowest, at 5.6% of expanded GDP (including the intangible assets "beyond GDP"). The only other country with a lower level of investment intensity is Greece, which is 4.3 percentage points below the EU average (8.3%) and far behind economies such as France and the UK.

Spain's positioning in the European context changes radically if we look at its investment intensity in tangible assets (capital goods, machinery, infrastructure, *etc.*). From this perspective, Spain ranks above the European average (19.1% *vs.* 17.5%) and also ahead of major economies such as the UK, France and Italy.

Thus, in analysing the breakdown of total investment, distinguishing between tangible and intangible assets, the weight of tangibles in the total mix is much higher in Spain, at 77%, which is 9 percentage points above the EU average. In fact, that is the highest weighting of any of the countries analysed. The corollary is that Spain is the country with the lowest weight of investment in intangibles (23% or 9 points below the EU average).

Breaking the information down by asset class, as is done in Exhibit 2, which compares Spain with the EU average, evidences the fact that Spain faces a problem of low investment intensity across all types of intangible assets other than investment in brand image (advertising and market research). The biggest

Exhibit 1   Weight of intangible asset investment in extended GDP. 2017

Percentage
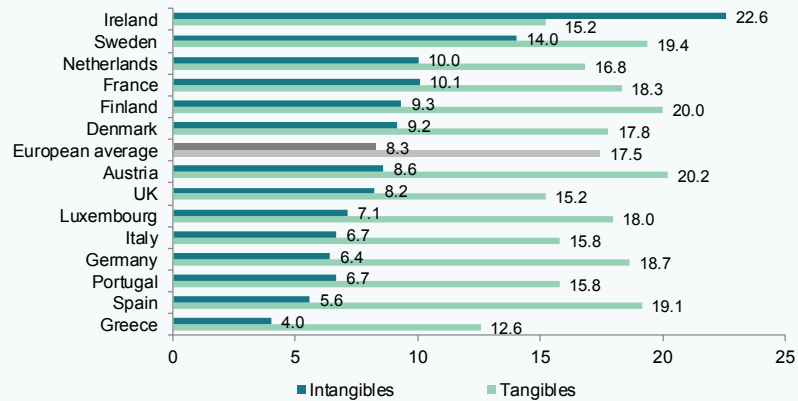
Note: The EU-15 does not include Belgium. Extended GDP includes investments in intangible assets that the national accounts do not consider investments (design, advertising, market research, firm-specific human capital and organisational change).

Sources: EU KLEMS, Eurostat, INTAN-Invest, BBVA-Ivie Foundation, Cotec-Ivie and author's own elaboration.

gaps with respect to the EU are observed in investments in R&D (1.2 percentage points below the average) and organisational change (0.9 percentage points below).

The positive influence investment in intangible assets has on productivity jumps out from Exhibit 3, which depicts the relationship between productivity per hour worked

Exhibit 2   Breakdown of investment in intangible assets over extended GDP. All sectors, 2017

Percentage points
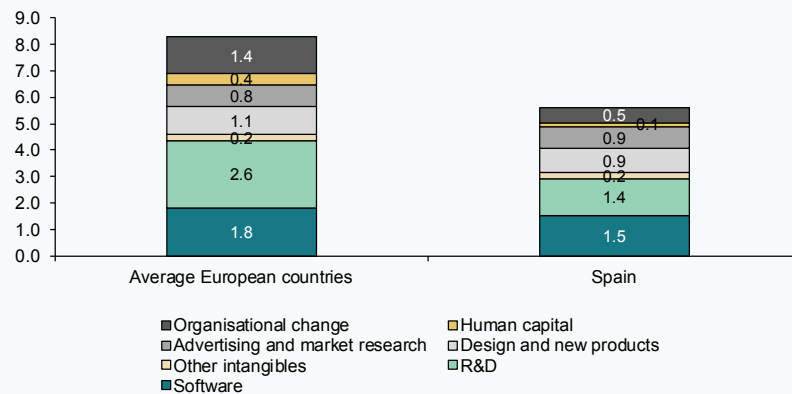
Note: See note under Exhibit 1.

Sources: EU KLEMS, Eurostat, INTAN-Invest, BBVA-Ivie Foundation, Cotec-Ivie and author's own elaboration.

Exhibit 3   **Productivity (extended GDP per hour worked) and weight of investment in intangible assets over total investment in the EU, 2017**
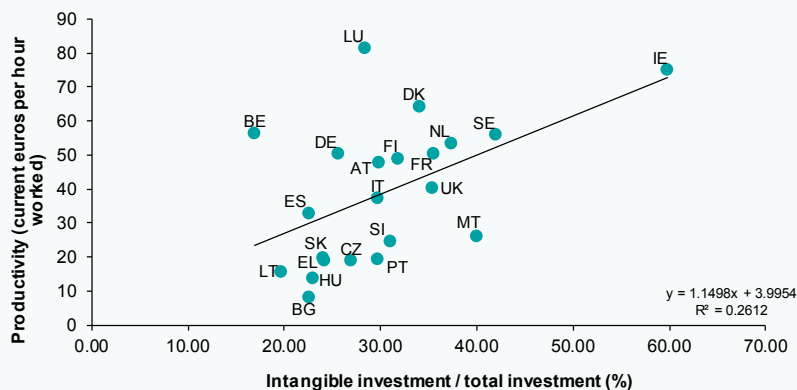
Note: See note under Exhibit 1.

Sources: EU KLEMS, Eurostat, INTAN-Invest, BBVA-Ivie Foundation, Cotec-Ivie and author's own elaboration.

and the weight of investment in intangible assets in total investment. The same positive correlation holds when comparing the weight of investment in intangible assets (whether in terms of total investment or extended GDP) and GDP per capita. Namely, the richest countries are those with the highest intangible asset investment intensities.

Proposals for increasing investment in intangible assets

Investment in intangible assets does not materialise in a stock of tangible capital (unlike investments in properties or machinery, capital goods, infrastructure, *etc.*). However, this does not mean that intangible assets lack residual value. Because the assets are intangible and imply higher risk for lenders (returns on such investments, such as R&D, are more uncertain), using them as collateral

for a loan is difficult. As a result, firms usually rely on funds or private equity rather than debt when investing in intangible assets.

Intangible asset investments constitute a niche business opportunity for the banks for two reasons. First, investment in intangible assets has significantly outgrown investment in tangible assets in recent years. Second, the digital transformation should drive continued higher intensity in the investment of intangible assets. However, capitalising on these opportunities depends on whether measures are taken to reduce the risks assumed by the banks in this kind of financing. Those measures could take the form of adjustments to the banks' capital regulations or public guarantees to protect the banks against potential losses.

> " There are two precedents for incentives articulated by means of a supporting factor in the RWA calculation: SME lending and certain classes of strategic infrastructure. "

On the regulatory front, banks' capital requirements (in terms of their risk-weighted assets, or RWAs) are designed to ensure they hold sufficient capital buffers to cover unexpected losses. Risk assessments therefore determine the capital weightings assigned to each type of asset. However, those rules must align with the ability to stimulate the provision of credit to certain sectors, assets or companies in a bid to enhance social wellbeing. Notably, there are two precedents for incentives articulated by means of a supporting factor in the RWA calculation: SME lending and certain classes of strategic infrastructure.

In the case of SME lending, the support factor in the capital requirements is designed to make it easier for banks to lend to SMEs, considering these firms' unique characteristics (due to their size, they are highly dependent on bank financing) and importance in the economy (in the EU-28, SMEs account for two-thirds of employment and 56% of added value). In the context of the COVID-19 crisis, the EU decided to reinforce that supporting factor. In the so-called CRR quick fix package, the date of effectiveness of the revised supporting factor was brought forward by one year (to June 28th, 2020).

Regarding bank exposures to entities that operate or finance physical structures or facilities, systems and networks and provide or support essential public services (the infrastructure supporting factor), the quick fix package also included a reduction in the capital allocation requirements (which also took effect on June 28th, 2020), designed specifically to stimulate investments of that nature.

Additional support to stimulate bank financing for intangible asset investments in Europe should be considered for several reasons:

(i) their importance as a source of productivity gains; (ii) their growing importance in the context of the digital transition as outlined by the European recovery packages such as the Next Generation EU funds; (iii) the relative underdevelopment of EU capital markets by comparison with the US markets; and, (iv) banks' need for new business opportunities, particularly in areas with strong growth prospects.

The provision of public guarantees for intangible asset financing is another potential tool. In the context of the pandemic, governments have issued loan guarantees to ensure credit reaches those companies experiencing difficulties. Loan guarantees that protect banks against losses from loans made for investments in intangibles could also be justified. The extension of loan guarantees would increase investment in intangibles, drive productivity gains, and bolster the banks' business volumes.

Conclusions

The analysis conducted in this paper, focused on intangible asset investment intensity in Spain compared with that of other European countries, yields the following conclusions:

■ Spain suffers from low productivity that is partially attributable to its relatively low investment in intangible assets. Specifically, its investment intensity, expressed as the ratio of investment to GDP is 33%, or 2.7 percentage points, lower than the EU average (5.6% *vs*. 8.3%). Of the European countries for which that same information is available, Spain is the country that invests the least in intangible assets as a percentage of total investment (9 percentage points below the average).

■ The productivity and per-capita GDP gaps between Spain and the rest of Europe

could be reduced by means of digital transformation, a transition that requires investing in intangible assets. This is supported by the EU, which has made digitalisation one of the four cornerstones of its economic recovery plan, an area set to receive at least 20% of EU funds.

■ Since financing intangible assets is riskier, companies have tended to use their own funds or rely on private equity to fund their investments in place of bank loans. Given the importance of intangible assets to the digitalisation effort and unlocking productivity gains, banks should be encouraged to provide more financing for these types of investments. Two policy approaches are worth exploring: a) a change in banks' capital requirements by introducing a supporting factor for RWA calculations, emulating those already introduced for loans to SMEs and certain infrastructure investments; and, b) public guarantees securing bank loans that fund investments in intangibles, where the state would assume a percentage of the losses the banks could incur, thus sharing the risk associated with this type of investment in a bid to boost growth, and by extension, social wellbeing.

For bank capital regulation 'purists', the RWA calculation should reflect the riskiness of assets and exceptions in the form of supporting factors should be avoided. However, without arguing against that theory, the regulations also need to consider economic well-being in the long-term and the factors on which that depends, one of which is enhanced productivity, which will be fuelled by digitalisation. In a recent Op-Ed piece for the *Financial Times,* the President of Banco Santander highlighted the need for a regulatory reset conducive to facilitating the twin green and digital transitions. If such a reset were to stimulate bank lending for investments in intangible assets, the digital transformation would accelerate. One strategy highlighted by Ana Botín relates to the calculation of risk weightings on bank assets, with an eye to freeing up capital to back new loans. That is precisely one of the proposals put forward in this paper: a supporting factor

in the RWA calculation for intangible asset financing.

Notes

[1] This paper falls under the scope of research projects ECO2017-84828-R (Spanish Ministry of the Economy, Industry and Competitiveness) and AICO2020/217 (Valencian Government).

[2] Defined as the ratio between investments made and expanded GDP, *i.e.,* adding in the assets deemed investments even though the national accounting system does not include them in GDP.

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

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 consumer and user protection in cases of social and economic vulnerability (Royal Decree-law 1/2021, published in the *Official State Journal* on January 20th, 2021)

Royal Decree-law 1/2021 modifies the following standards:

■ The General Consumer and User Protection Act. The new legislation defines the term "vulnerable individual consumer". In the context of specific consumer relations, vulnerable consumers refer to physical persons who, individually or collectively, on account of their personal, economic, educational or social circumstances, find themselves, whether on a regional, sector-specific or temporary basis, in a position of particular subordination, defencelessness or vulnerability that prevents them from being able to exercise their rights as consumers on an equal footing.

■ Royal Decree-law 11/2020 (March 31th, 2020) adopting complementary urgent measures in the social and economic arenas to mitigate the impact of COVID-19. Article 1 bis is modified to cover situations in which eviction proceedings affect economically vulnerable people without alternative living arrangements, including during criminal proceedings in which the eviction affects individuals who were never legally entitled to live in the houses being repossessed.

Bank of Spain Circular amending the Risk Information Register Circular and the Transparency Circular (Circular 1/2021, published in the *Official State Journal* on December 30th, 2021)

The key changes to Circular 1/2013 on the Risk Information Circular relate to the following measures:

■ Payment institutions, including those that exercise their freedom of establishment and freedom to offer services that provide credit, and electronic money institutions, including those that exercise their freedom of establishment and freedom to offer services that provide credit, have been added to the universe of entities required to submit information to the Register.

■ The Circular establishes the scope of the information to be reported by such payment and electronic money institutions, which coincides with the reduced statement template.

■ The amount of accumulated risk exposure of an institution's customer to be included in the information the Bank of Spain passes on to the institutions for the purpose of assessing the creditworthiness of their customers has been reduced from 9,000 to 1,000 euros.

■ The maximum amount of time the Bank of Spain has to send its feedback reports to the reporting institutions has been set at 21 calendar days from the date of the last submitted report.

■ The Circular adds the new information being requested of the credit institutions as a result of the COVID-19 crisis.

Elsewhere, the changes made to Circular 5/2012 on transparency are related to official benchmark interest rates. Specifically, it stipulates the following:

■ It introduces four new benchmark indices based on different EURIBOR tenors (1-week, 1-month, 3-month and 6-month), the euro short-term rate (€STR) and any other index expressly stipulated by means of a

resolution from the General Secretariat of the Treasury and International Financing.

- It also establishes the definitions and calculation methodology for the new indices.

- The process for determining the average rate of mortgages awarded for more than three years for the purchase of unsubsidised homes granted by credit institutions in Spain has been updated.

- The nomenclature of the 1-year EURIBOR rate has been updated and the source used for its calculation replaced with a new source, such that the Bank of Spain will now publish and replicate the information compiled by the EURIBOR's administrator, the European Money Markets Institute (EMMI).

- The source of the data for the IRS at the 5-year tenor has also been changed and the change in the administrator of the underlying index from ISDA to ICE Benchmark Administration has been noted.

- MIBOR has been eliminated from the list of official benchmark interest rates, although it continues to be a valid benchmark for transactions arranged prior to January 1st, 2000, and the Bank of Spain will continue to publish it monthly online and in the official state journal.

Bank of Spain Circular 8/2015 on the information for the entities and branches that pay into the Credit Institutions Deposit Guarantee Scheme (Circular 2/2021, published in the *Official State Journal* on February 2th, 2021)

Circular 8/2015 has been modified to reflect the changes introduced via Royal Decree 217/2008. It envisages coverage by the Deposit Guarantee Scheme (hereinafter, the "Scheme") in the event of the resolution of a credit institution where the balances are held by investment service providers in special-purpose and temporary cash accounts opened in the name of the investment service

provider on behalf of its customers at an entity declared bankrupt. Specifically Circular 8/2015 was amended in order to:

- Establish the manner in which the credit institutions and branches that pay into the Scheme need to compile the new information for determining the bases for calculating their contributions to the Scheme and how they should submit it to the Bank of Spain and keep records thereof.

- Introduce additional information requirements for institutions and branches participating in the Scheme to enable the latter to cooperate at the European level. Specifically, the Scheme will have to periodically provide the deposit guarantee scheme of the host Member State in which the institutions participating in the Spanish Scheme have established branches with information about the aggregate balance of eligible and secured deposits of each deposit holder.

The Circular will take effect on June 30th, 2021.

Royal Decree-law enacting measures designed to reduce the gender pay gap and other social security and economic matters (Royal Decree-law 31/2021, publishes in the *Official State Journal* on February 3rd, 2021)

In relation to the financial matters addressed in Royal Decree-law 3/2021, it is worth highlighting the transposition into Spanish law of the extension of the deadline for applying for the moratoria agreed by the EBA in the revision of its Guidelines on payment moratoria (EBA/GL/2020/15), as a result of the ongoing development of the pandemic Europe-wide. More specifically, the new legislation establishes the following:

- The deadline for applying for payment moratoria on loans, mortgaged or otherwise, has been extended to March 30th, 2021. The deadlines for applying for the moratoria extended to the tourism and road passenger transportation sectors are automatically extended under the terms of the EBA Guidelines.

- Beneficiaries are permitted to request the application of any payment moratoria up to the nine-month limit stipulated in the new EBA Guidelines. What that means is that those who have not previously applied for a payment moratorium or suspension and those who have availed of one or more moratoria or suspensions for a total accumulated period of less than nine months can apply for any of the available moratoria for up to the nine month limit.

- Spain's official credit institute, the ICO, is empowered to obtain individual company credit ratings from the Bank of Spain so as to comply with its obligation to report information about the assistance awarded via the national grants database.

Spanish economic forecasts panel: March 2021*

Funcas Economic Trends and Statistics Department

2021 GDP growth estimate trimmed by 0.4pp to 5.9%

During the last quarter of 2020, Spanish GDP registered growth of 0.4% according to the provisional figures, which was higher than the consensus forecast. That performance was shaped by positive domestic demand which more than offset the weakness in exports. In 2020 as a whole, the economy contracted by 11%.

The first-quarter indicators available to date are not encouraging: industrial output contracted in January; effective employment (social security contributors less those on furlough and self-employment benefits) fell sharply in January-February; and foreign tourist arrivals retreated once again, after a slight improvement in December.

As a result of the recent downturn in expectations, the GDP forecast for 2021 has been trimmed by 0.4 percentage points to 5.9%. That figure is in line with the most recent estimates issued by the international organisations and the Bank of Spain but lower than the government's projections (dated to last October). As for the quarterly profile, the consensus forecasts point to a GDP contraction of 0.4% in the first quarter, compared to estimated growth of 0.5% as per the last Panel survey. The forecasts for the following quarters have also been trimmed to 1.7% in 2Q21, 2.9% in 3Q21 and 1.9% in 4Q21 (Table 2). Note, however, that these figures could vary significantly depending on how the vaccination effort progresses.

Domestic demand is expected to contribute six percentage points (up 0.1 percentage points from the January consensus forecast), while trade is expected to detract from growth by 0.1 percentage points (down from +0.4 percentage points). It is worth highlighting the upward revision to the public spending forecast and the downward revision to all items of investment (Table 1).

The economy is expected to grow by 5.6% in 2022

This was the first survey to ask for estimates for 2022. The consensus forecast is for GDP growth of 5.6%, implying a 0.3 percentage point slowdown with respect to the 2021 forecast. However, half of the analysts think growth will pick up in 2022, with the other half forecasting a slowdown. That consensus estimate exceeds that of both international organisations and the Bank of Spain.

The contribution by domestic demand is estimated at 5.1 percentage points. Within that overall trend, public and private consumption, as well as investment in machinery and equipment, are expected to slow, while construction would accelerate (Table 1). Net exports, meanwhile, would make a 0.5 percentage point contribution, driven by the anticipated recovery in tourism.

Upward revision in inflation projections

The start of the year was marked by a considerable rally in oil prices, which, combined with other factors —some of which are transient—, has lifted inflation, leaving behind the negative year-on-year rates observed since April 2020. Inflation is expected to remain in positive territory over the coming months (Table 3).

The consensus forecast has been raised by 0.3 percentage points since the last survey, to an annual average rate of 1.1%. The forecast for 2022 is for inflation of 1.2%. In terms of core inflation, although the forecast for 2021 is unchanged at 0.7%, it has been increased slightly to 1% in 2022.

The year-on-year rates forecast for December 2021 and December 2022 are 1.5% and 1.3%, respectively.

Unemployment expected to rise to 16.7% in 2021

According to the social security contributor numbers, job destruction in January and February

was not particularly noteworthy by comparison with prior years. However, the number of people on furlough or self-employed benefits has increased considerably, implying the loss of 370,000 effective jobs. The only time in the entire series in which effective employment decreased by that much was in the same period of 2009. It is worth noting, however, that the employment and unemployment figures are highly distorted by the fact that the people on furlough are included within the employment ranks.

The consensus forecast for employment, in terms of full-time equivalents, is for an increase of 3.4% in both 2021 —up 0.2 percentage points from the last survey— and 2022. The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for productivity and unit labour costs (ULC). Productivity is expected to gain 2.5% this year, down 0.6 percentage points from the last survey, and 2.2% in 2022. ULCs, meanwhile, are forecast to contract by 1.5% in 2021 and by 0.6% in 2022, having risen sharply in 2020. Again, the trend in these variables should be interpreted with caution due to the impact of the furloughs.

The average annual rate of unemployment is expected to increase to 16.7% in 2021 (down 0.5 percentage points from the last set of forecasts) and to fall back to 15.5% in 2022.

Rebound in external surplus

In 2020, according to provisional figures, the current account surplus amounted to 8 billion euros, down 70% year-on-year. That significant contraction was the result of the collapse in tourism receipts.

The consensus forecast is for a surplus equivalent to 1.1% of GDP in 2021 (down 0.1 percentage points from January), widening to 1.3% in 2022.

Consensus public deficit forecasts: 8.3% of GDP in 2021 and 6% in 2022

In the first 11 months of the year, the deficit at all levels of government except for the local corporations stood at 87.6 billion euros, compared to 19.6 billion euros at the same juncture of 2019. The deterioration is the result of a 22.2 billion euros drop in revenue coupled with growth of 45.8 billion euros in spending, of which around 35 billion euros

is related to the pandemic. Public debt, meanwhile, increased by 122.4 billion euros to 117.1% of GDP in 2020.

The analysts are expecting the overall deficit to come down over the next two years. The forecast for 2021 is for a deficit of 8.3% of GDP (which is 0.6 percentage points higher than government predictions), declining to 6% in 2022.

External environment expected to improve in the coming months

According to the confidence indicators available to February, business sentiment has improved markedly, with the IHS Markit overall business confidence reading at its highest level in three years. The optimism is clearly biased towards the US, where the vaccination effort is making fast progress, restrictions are gradually being lifted and President Biden has announced a massive new fiscal stimulus package. In China, too, businesses are revising their investment and hiring plans upwards. In Europe, despite a weak start to the year, the recovery is also on the horizon, albeit less clearcut. Higher shipping and raw material costs are, however, a common concern.

The OECD has revised its global growth forecast upwards, to 5.6% in 2021 (up 1.4 percentage points from December) and to 4% in 2022 (up 0.3 percentage points). China and the US are expected to lead that recovery, without driving a sharp uptick in inflation that would oblige the central banks to roll back their monetary stimulus measures. The eurozone is expected to register growth of close to 4% throughout the projection horizon.

In sum, although the external environment remains unfavourable on the whole, as is reflected in the analysts' assessments, the outlook should begin to brighten as the vaccination campaign moves forward. Thus, a wide majority of analysts expect a turnaround within the next six months, both within the EU and beyond. That appraisal is more upbeat than in January.

Tension in bond markets

Since the January survey, debt markets have been under considerable strain, pricing in the prospect of 'reflation' and a possible change in monetary policy

regimes. The central banks, starting with the Federal Reserve and followed by the ECB, have reiterated their commitment to leaving the monetary stimuli in place for as long as necessary. Their reaction has contained pressure on interest rates, at least for the time being. Nevertheless, the yields on benchmark sovereign bonds have increased from their January lows and the spread between the yields on either side of the Atlantic has widened. The yield on the 10-year Spanish bond, which had traded in negative territory of late, widened to almost 0.5% towards the end of February, though falling back since then to close to 0.25%. The 12-month EURIBOR has etched out a similar pattern, climbing from under -0.51% in January to -0.48% at the time of writing this Panel.

Against that backdrop, the analysts believe that the upward movement in interest rates will be somewhat more pronounced than previously estimated. However, they expect rates to remain at low levels in absolute terms (Table 2).

Slight euro depreciation

In light of the growing interest rate spread, the euro has depreciated slightly against the dollar to trade at around 1.20 ($0.04 down from January levels). The analysts believe the exchange rate will remain close to current levels throughout 2021.

Macroeconomic policy should remain expansionary

The analysts unanimously consider that monetary and fiscal policies are expansionary and virtually all of them believe they should remain so for the coming months (Table 4). No major change in the ECB's benchmark rates are expected over the projection horizon.

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %
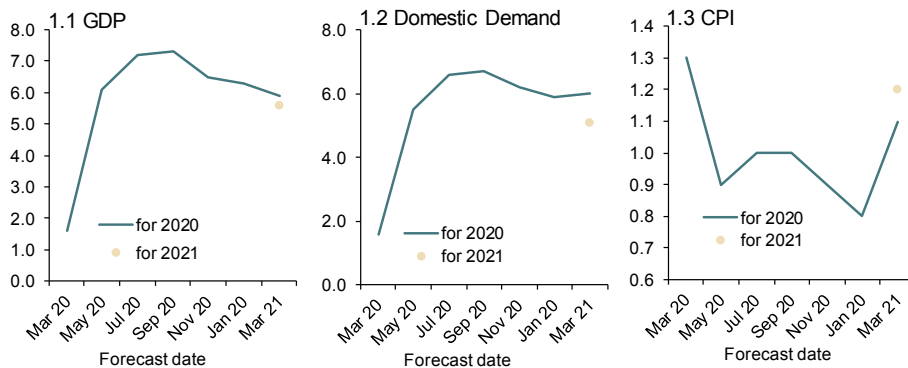
Source: Funcas Panel of Forecasts.

Spanish economic forecasts panel: March 2021*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – March 2021

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand[3]	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	6.4	5.8	7.7	6.2	6.0	4.9	9.9	5.2	10.5	5.6	7.4	5.4	7.3	5.5
Axesor Rating	5.6	5.4	7.0	4.0	4.4	1.7	3.7	6.7	7.8	4.9	4.2	8.8	--	--
BBVA Research	5.5	7.0	6.6	6.6	3.5	2.4	7.9	15.4	9.7	14.8	7.0	14.8	5.6	7.2
Bankia	5.7	6.2	6.7	5.2	4.9	2.3	5.5	9.8	9.9	10.1	3.5	12.0	6.3	5.4
CaixaBank Research	6.0	4.4	7.9	3.5	6.3	2.4	5.6	7.5	12.7	8.0	0.8	7.1	7.3	4.1
Cámara de Comercio de España	5.9	4.5	6.2	4.2	3.5	2.6	6.4	8.9	12.3	11.0	4.0	5.7	5.6	4.3
Cemex	5.5	7.0	6.3	6.5	3.0	2.5	6.0	9.3	8.9	9.1	6.0	10.0	5.3	6.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	6.2	5.0	6.3	4.8	3.1	1.5	8.2	6.3	11.3	5.6	8.1	8.3	5.8	4.0
Centro de Predicción Económica (CEPREDE-UAM)	8.5	5.7	8.6	4.7	5.0	0.7	11.7	6.9	16.6	5.5	10.8	9.2	8.7	4.3
CEOE	5.4	6.2	6.8	7.5	3.7	0.6	4.8	11.0	8.2	11.3	3.0	11.9	5.0	5.5
Equipo Económico (Ee)	6.5	4.2	5.3	4.0	1.1	3.5	7.5	4.6	6.9	4.8	8.1	5.0	5.7	3.0
Funcas	5.7	6.3	6.1	4.8	4.4	2.5	8.6	8.2	10.1	6.5	7.0	10.1	6.2	5.0
Instituto Complutense de Análisis Económico (ICAE-UCM)	5.6	5.8	6.2	5.2	4.0	2.4	7.7	8.7	9.8	8.5	6.3	8.4	6.1	5.5
Instituto de Estudios Económicos (IEE)	4.5	5.7	6.2	7.3	3.6	0.6	2.7	9.7	5.5	9.2	0.6	10.9	4.2	5.1
Intermoney	6.7	4.5	6.9	4.0	3.4	2.2	7.6	7.9	11.1	5.5	5.5	10.6	7.0	5.1
Mapfre Economics	6.1	6.3	5.8	6.1	3.0	1.4	7.8	8.6	--	--	--	--	4.9	5.3
Repsol	5.7	5.2	7.1	3.5	5.9	3.6	3.7	7.6	9.1	6.8	1.0	10.1	6.2	4.2
Santander	6.0	7.0	8.7	6.4	3.9	0.4	4.5	14.3	11.6	20.6	-0.4	8.4	6.1	6.5
Metyis	4.5	5.5	5.0	5.0	4.0	3.5	4.7	7.1	5.0	9.0	5.0	7.0	4.7	5.1
Universidad Loyola Andalucía	5.6	5.2	6.5	5.4	2.6	2.0	7.2	8.1	8.2	7.8	9.7	8.5	5.7	5.3
CONSENSUS (AVERAGE)	5.9	5.6	6.7	5.2	4.0	2.2	6.6	8.6	9.8	8.7	5.1	9.1	6.0	5.1
Maximum	8.5	7.0	8.7	7.5	6.3	4.9	11.7	15.4	16.6	20.6	10.8	14.8	8.7	7.2
Minimum	4.5	4.2	5.0	3.5	1.1	0.4	2.7	4.6	5.0	4.8	-0.4	5.0	4.2	3.0
Change on 2 months earlier[1]	-0.4	--	-0.1	--	1.8	--	-1.5	--	-2.1	--	-2.3	--	0.1	--
- Rise[2]	1	--	9	--	18	--	5	--	5	--	5	--	9	--
- Drop[2]	13	--	8	--	0	--	12	--	10	--	11	--	6	--
Change on 6 months earlier[1]	-1.4	--	-1.0	--	2.8	--	-3.4	--	-3.6	--	-4.6	--	-0.6	--
Memorandum items:														
Government (October 2020)[4]	7.2 / 9.8	--	8.3 /10.7	--	0.5 / 2.6	--	6.9 /14.2	--	--	--	--	--	6.1 /9.3	--
Bank of Spain (December 2020)	8.6 / 4.2	4.8 / 3.9	10.3 / 3.8	5.2 / 4.5	0.6 / 1.4	-0.7 / -1.6	10.4 / 8.5	8.3 / 7.4	--	--	--	--	8.0 / 4.1	4.5 / 3.7
EC (February 2021)	5.6	5.3	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2021)	5.9	4.7	--	--	--	--	--	--	--	--	--	--	--	--
OECD (March 2021)	5.7	4.8	--	--	--	--	--	--	--	--	--	--	--	--

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

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

[3] Contribution to GDP growth, in percentage points.

[4] Forecasts for a baseline scenario as well as a scenario that includes investment funded by the EU recovery plan.

Table 1 (Continued)

Economic Forecasts for Spain – March 2021

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

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Wage earnings[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[6]	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	12.2	10.9	15.6	7.7	0.7	1.5	--	--	--	--	5.1	2.5	16.1	15.0	1.4	1.3	-7.8	-5.3
Axesor Rating	12.6	9.2	14.1	5.1	0.9	1.1	0.7	0.8	--	--	--	--	16.9	15.7	0.9	1.1	-8.0	-6.0
BBVA Research	10.9	13.7	11.8	15.1	0.7	1.2	--	--	0.7	4.2	4.7	4.5	17.0	13.9	1.1	0.9	-8.9	-5.6
Bankia	7.9	14.5	8.4	12.8	1.3	1.4	0.7	1.0	1.7	1.3	3.7	3.6	16.4	14.7	0.5	1.0	--	--
CaixaBank Research	6.6	7.6	7.8	6.6	1.1	1.5	0.3	1.0	0.9	1.7	1.6	2.1	16.5	15.3	1.6	2.1	-8.8	-6.3
Cámara de Comercio de España	16.4	8.3	13.8	8.0	1.3	1.1	0.8	1.1	--	--	2.1	3.9	18.6	17.0	1.1	0.7	-7.5	-5.5
Cemex	9.7	12.7	9.5	10.1	1.2	1.4	0.8	1.0	--	--	3.2	4.0	--	--	1.0	1.5	-9.0	-6.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	10.7	12.1	9.9	10.2	1.5	1.9	0.8	1.8	--	--	3.1	4.1	17.2	15.8	1.1	1.3	-8.2	-5.8
Centro de Predicción Económica (CEPREDE-UAM)	12.1	13.2	13.0	8.7	1.3	1.2	--	--	1.9	1.7	6.2	3.5	14.3	13.2	0.9	1.0	-6.9	-5.0
CEOE	6.6	9.4	5.0	6.7	1.2	0.5	0.5	0.6	0.6	1.1	2.1	4.5	16.9	14.8	1.2	1.5	-9.0	-6.0
Equipo Económico (Ee)	15.4	7.1	11.1	6.4	0.8	0.9	0.7	0.7	0.7	1.2	4.6	2.8	16.6	16.1	0.9	1.2	-8.8	-7.9
Funcas	7.1	14.7	8.9	10.5	1.5	1.3	0.8	1.1	0.7	0.3	4.3	2.9	16.2	15.7	0.5	1.5	-8.0	-6.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	8.9	12.4	10.5	11.9	1.0	1.3	0.7	0.8	--	--	4.0	3.6	16.8	15.0	1.0	1.0	-8.8	-5.7
Instituto de Estudios Económicos (IEE)	6.6	8.9	5.4	6.7	1.2	0.5	0.5	0.6	0.5	0.9	1.8	4.0	17.1	15.4	1.0	1.2	-9.0	-6.0
Intermoney	10.9	10.5	12.5	12.1	1.5	1.4	0.8	--	--	--	4.7	2.3	15.9	15.5	0.5	0.3	-8.0	--
Mapfre Economics	11.8	10.2	7.8	8.1	0.9	0.7	1.0	1.2	--	--	0.4	2.6	17.2	16.4	1.9	1.5	-6.5	-4.1
Repsol	9.8	11.1	9.8	8.3	1.3	1.5	0.9	1.1	0.8	1.1	4.0	3.5	16.0	15.7	1.2	1.5	-9.0	-6.5
Santander	8.3	12.1	9.3	11.0	1.8	1.2	0.6	1.0	2.0	2.0	1.7	3.1	16.9	16.3	1.4	2.0	--	--
Metyis	7.5	12.0	8.0	10.0	0.6	1.2	1.0	1.2	--	--	3.5	4.0	16.5	16.0	0.8	1.5	-9.0	-7.0
Universidad Loyola Andalucía	11.0	7.5	11.2	7.7	0.9	1.3	0.5	1.0	--	--	3.5	3.6	18.0	17.2	1.1	1.0	-7.5	-6.4
CONSENSUS (AVERAGE)	10.2	10.9	10.2	9.2	1.1	1.2	0.7	1.0	1.0	1.6	3.4	3.4	16.7	15.5	1.1	1.3	-8.3	-6.0
Maximum	16.4	14.7	15.6	15.1	1.8	1.9	1.0	1.8	2.0	4.2	6.2	4.5	18.6	17.2	1.9	2.1	-6.5	-4.1
Minimum	6.6	7.1	5.0	5.1	0.6	0.5	0.3	0.6	0.5	0.3	0.4	2.1	14.3	13.2	0.5	0.3	-9.0	-7.9
Change on 2 months earlier[1]	-1.9	--	-1.0	--	0.3	--	0.0	--	0.0	--	0.2	--	-0.5	--	-0.1	--	0.1	--
- Rise[2]	2	--	4	--	14	--	6	--	6	--	9	--	3	--	5	--	7	--
- Drop[2]	15	--	12	--	2	--	5	--	1	--	6	--	14	--	6	--	6	--
Change on 6 months earlier[1]	-3.7	--	-2.5	--	0.1	--	-0.2	--	-0.2	--	-0.1	--	-1.1	--	-0.2	--	-0.9	--
Memorandum items:																		
Government (October 2020)[8]	11.7 / 18	--	8.6 / 17.1	--	--	--	--	--	0.4	--	5.6 / 7.2	--	16.9/ 16.3	--	1.9/0.8	--	-7.7	--
Bank of Spain (December 2020)	11.9 / 8.0	8.2 / 7.3	10.6 / 8.2	7.7 / 7.1	0.7/ 0.5 [7]	1.3 /0.9[7]	0.6/ 0.2[8]	1.1 /0.6 [8]	--	--	8.6 /5.0 [9]	4.7/3.3 [9]	17.1/ 20.5	14 / 18.1	--	--	-6.7 /-9.6	-4 / -7.1
EC (February 2021)	--	--	--	--	0.8[7]	1.1 [7]	--	--	--	--	--	--	--	--	--	--	--	--
IMF (January 2021)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
OECD (March 2021)	--	--	--	--	..	..	..	..	--	--	--	--	--	--	--	--	--	--

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

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

[3] Average earnings per full-time equivalent job.

[4] In National Accounts terms: Full-time equivalent jobs.

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

[6] Excluding financial entities bail-out expenditures.

[7] Harmonized Index of Consumer Prices (HICP).

[8] Harmonized Index excluding energy and food.

[9] Hours.

Table 2

Quarterly Forecasts – March 2021

	21-I Q	21-II Q	21-III Q	21-IV Q	22-I Q	22-II Q	22-III Q	22-IV Q
GDP[1]	-0.4	1.7	2.9	1.9	0.9	0.9	0.8	0.7
Euribor 1 yr [2]	-0.47	-0.46	-0.44	-0.41	-0.38	-0.35	-0.34	-0.31
Government bond yield 10 yr [2]	0.20	0.26	0.30	0.37	0.46	0.54	0.62	0.71
ECB main refinancing operations interest rate [2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ECB deposit rates [2]	-0.50	-0.50	-0.50	-0.49	-0.48	-0.48	-0.44	-0.44
Dollar / Euro exchange rate [2]	1.21	1.21	1.21	1.21	1.20	1.21	1.21	1.21

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

Table 3

CPI Forecasts – March 2021

Year-on-year change (%)					
Feb-21	Mar-21	Apr-21	May-21	Dec-21	Dec-22
0.0	0.6	1.1	1.3	1.5	1.3

Table 4

Opinions – March 2021

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	1	19	17	3	0
International context: Non-EU	2	1	17	18	2	0
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	0	20	0	1	19
Monetary policy assessment[1]	0	0	20	0	0	20

[1] *In relation to the current state of the Spanish economy.*

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*
Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
				Chain-linked volumes, annual percentage changes							
2014		1.4	1.7	-0.7	4.1	3.0	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	3.1	5.4	2.6	2.0	1.0
2017		3.0	3.0	1.0	6.8	6.7	6.9	5.5	6.8	3.1	-0.2
2018		2.4	1.8	2.6	6.1	9.3	3.1	2.3	4.2	3.0	-0.5
2019		2.0	0.9	2.3	2.7	1.6	3.7	2.3	0.7	1.4	0.6
2020		-11.0	-12.4	4.5	-12.4	-15.8	-9.0	-20.9	-16.8	-9.0	-1.9
2021		5.7	6.1	4.4	8.6	7.0	10.1	7.1	8.9	6.1	-0.4
2022		6.3	4.8	2.5	8.2	10.1	6.5	14.7	10.5	4.9	1.3
2019	I	2.2	1.1	2.2	5.7	5.3	6.1	1.1	0.8	2.1	0.1
	II	2.1	0.4	2.4	1.3	2.7	0.1	3.2	-0.1	0.9	1.2
	III	1.8	1.2	2.2	2.8	0.9	4.7	2.7	2.0	1.5	0.3
	IV	1.7	1.0	2.6	0.9	-2.2	4.1	2.1	0.3	1.0	0.7
2020	I	-4.2	-6.0	3.8	-5.2	-6.9	-3.5	-5.6	-5.3	-4.0	-0.2
	II	-21.6	-24.9	3.2	-24.5	-25.9	-23.0	-37.8	-32.5	-19.0	-2.6
	III	-9.0	-10.4	3.8	-9.1	-13.1	-5.1	-19.3	-15.4	-7.3	-1.7
	IV	-9.1	-8.3	7.0	-11.0	-17.5	-4.6	-20.6	-14.1	-6.4	-2.6
2021	I	-4.1	-2.0	5.6	-6.7	-13.0	-0.4	-16.2	-10.6	-1.9	-2.2
	II	17.9	23.0	5.3	19.7	13.5	25.8	30.5	28.8	17.1	0.8
	III	3.9	3.6	4.9	5.3	6.4	4.3	7.7	8.7	4.1	-0.2
	IV	7.0	3.1	2.0	18.9	24.6	14.0	15.5	14.9	6.7	0.4
				Chain-linked volumes, quarter-on-quarter percentage changes							
2019	I	0.5	0.4	0.2	1.2	0.0	2.3	0.3	-0.2	-1.8	2.4
	II	0.4	-0.3	0.9	-0.3	-0.4	-0.3	1.5	0.3	-1.8	2.1
	III	0.4	0.8	0.6	1.1	-0.6	2.7	0.2	1.3	-1.1	1.4
	IV	0.4	0.1	0.9	-1.0	-1.3	-0.6	0.2	-1.1	-0.1	0.5
2020	I	-5.3	-6.6	1.4	-4.9	-4.7	-5.1	-7.3	-5.8	-18.1	12.8
	II	-17.9	-20.3	0.3	-20.6	-20.7	-20.5	-33.1	-28.5	-62.0	44.1
	III	16.4	20.3	1.2	21.7	16.6	26.6	29.9	27.0	60.4	-44.0
	IV	0.4	2.4	4.0	-3.1	-6.3	-0.1	-1.4	0.4	3.8	-3.4
2021	I	-0.1	-0.2	0.0	-0.4	0.4	-1.0	-2.2	-1.9	0.1	-0.2
	II	0.9	0.0	0.0	1.9	3.4	0.5	4.2	3.0	2.3	-1.3
	III	2.6	1.3	0.8	7.1	9.4	5.0	7.2	7.2	10.0	-7.4
	IV	3.4	1.9	1.2	9.4	9.7	9.2	5.7	6.1	13.7	-10.3
		Current prices (EUR billions)	Percentage of GDP at current prices								
2014		1,032	59.4	19.6	17.8	8.8	8.9	33.5	30.4	96.9	3.1
2015		1,078	58.5	19.5	18.0	8.7	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	8.6	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	9.0	9.7	35.1	31.5	96.4	3.6
2018		1,204	58.2	18.7	19.5	9.7	9.7	35.1	32.4	97.3	2.7
2019		1,245	57.3	18.9	19.9	10.0	9.9	34.9	31.9	97.0	3.0
2020		1,120	56.0	22.3	19.6	9.6	10.0	30.4	28.8	98.4	1.6
2021		1,194	56.5	22.1	20.2	9.7	10.5	30.9	30.3	99.3	0.7
2022		1,280	56.0	21.3	20.6	10.1	10.5	33.4	31.7	98.4	1.6

*Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

Quarterly change — Annual change
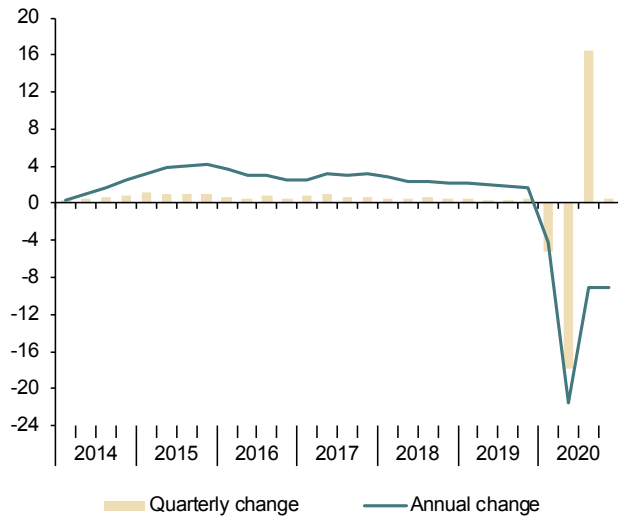
Chart 1.2 - Contribution to GDP annual growth

Percentage points

GDP — Domestic demand — Net exports
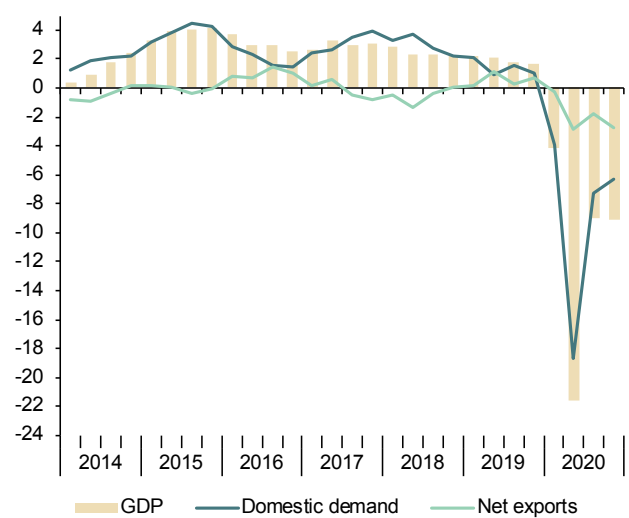
Chart 1.3 - Final consumption

Annual percentage change

National consumption — Private consumption
Public consumption
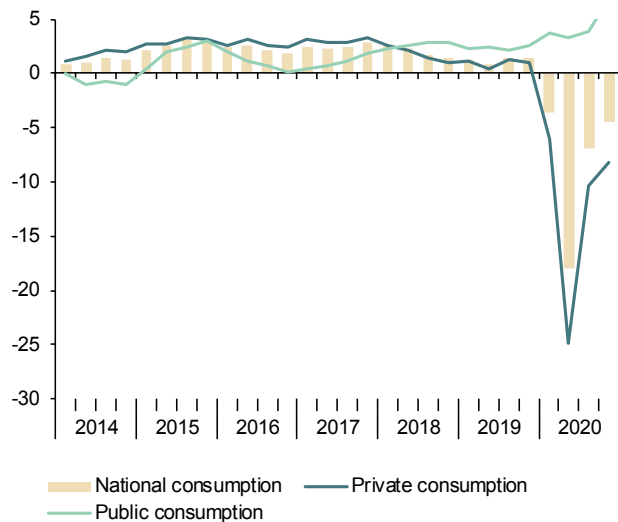
Chart 1.4 - Gross fixed capital formation

Annual percentage change

Total — Construction — Equipment & other products
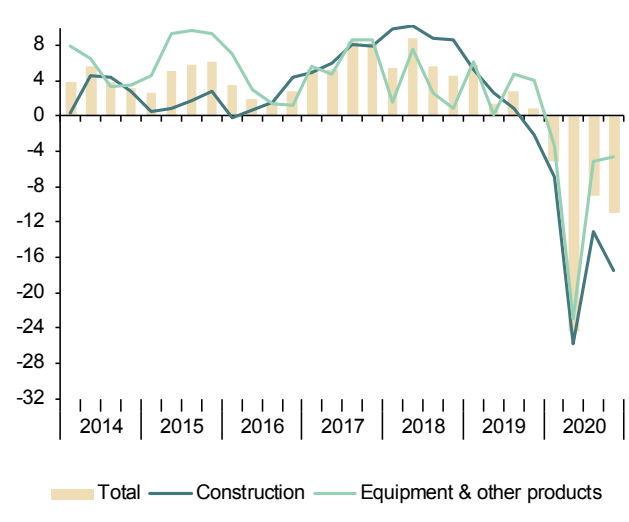
Table 2

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					
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		3.1	-3.7	4.0	5.7	2.0	3.3	2.5	3.5	1.9
2018		2.5	7.5	0.6	0.0	4.1	2.6	1.0	3.1	1.8
2019		2.1	-2.3	1.7	1.2	4.3	2.2	1.2	2.6	0.1
2020		-10.8	4.7	-9.4	-10.7	-15.9	-11.2	1.4	-15.2	-13.0
2019	I	2.4	0.7	0.7	0.3	6.8	2.5	0.8	3.0	0.7
	II	2.3	-4.4	1.6	0.7	5.8	2.4	1.5	2.7	0.2
	III	2.0	0.0	2.4	1.9	3.2	1.9	1.0	2.2	0.0
	IV	1.9	-5.3	2.1	2.0	1.7	2.2	1.5	2.4	-0.3
2020	I	-3.7	0.1	-5.2	-5.9	-6.6	-3.3	0.9	-4.6	-8.8
	II	-21.5	6.5	-23.7	-27.2	-27.5	-21.6	-0.2	-28.4	-22.6
	III	-8.9	3.7	-4.4	-4.9	-11.0	-10.2	1.7	-14.0	-10.4
	IV	-8.9	8.7	-4.3	-4.7	-18.2	-9.8	3.3	-14.0	-10.3
					Chain-linked volumes, quarter-on-quarter percentage changes					
2019	I	0.6	-4.0	0.7	0.6	1.4	0.7	0.4	0.7	0.1
	II	0.4	-2.7	0.7	0.3	0.6	0.5	0.6	0.4	-0.2
	III	0.4	1.4	0.7	0.7	-0.3	0.3	0.0	0.5	-0.1
	IV	0.5	0.1	-0.1	0.4	-0.1	0.7	0.4	0.7	-0.2
2020	I	-4.9	1.4	-6.4	-7.2	-6.9	-4.7	-0.1	-6.1	-8.3
	II	-18.1	3.4	-18.9	-22.4	-21.9	-18.5	-0.5	-24.6	-15.3
	III	16.5	-1.2	26.2	31.5	22.5	14.9	1.8	20.7	15.6
	IV	0.5	4.9	-0.1	0.5	-8.1	1.1	2.1	0.7	-0.1
		Current prices EUR billions)				Percentage of value added at basic prices				
2014		940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015		978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016		1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017		1,053	3.1	16.2	12.5	5.9	74.8	18.1	56.7	10.3
2018		1,090	3.1	16.1	12.3	6.1	74.7	17.9	56.8	10.5
2019		1,129	2.9	16.1	12.3	6.4	74.5	18.0	56.5	10.3
2020		1,023	3.4	16.3	12.2	6.2	74.1	20.6	53.5	9.5

Seasonally and Working Day Adjusted.

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

Total   Industry   Construction   Services
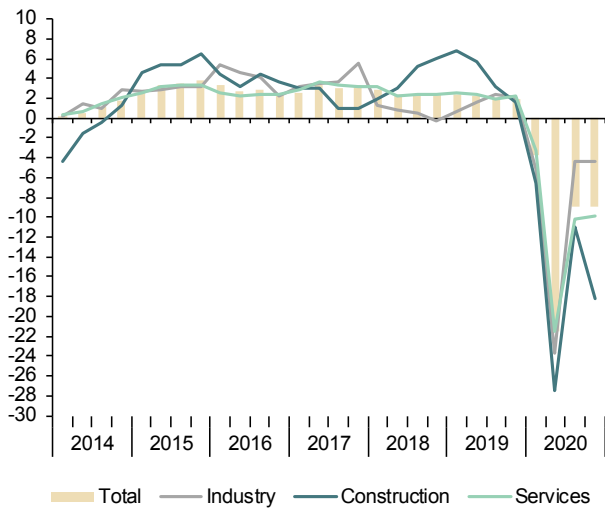
Chart 2.2 - GVA, Industry

Annual percentage change

Total   Extractive and utilities   Manufacturing
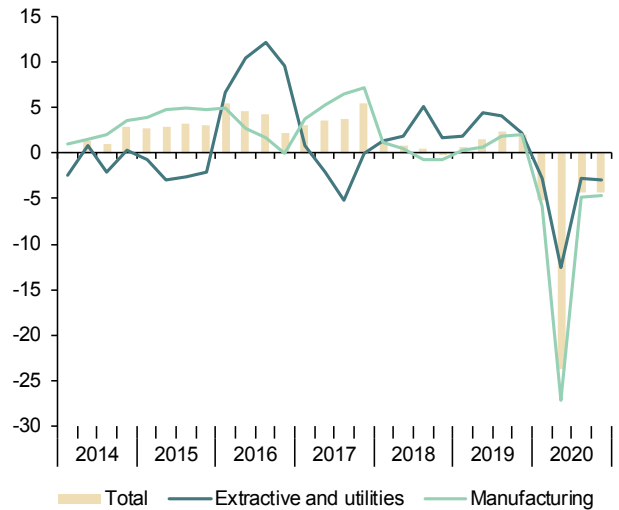
Chart 2.3 - GVA, services

Annual percentage change

Total
Public administration, health, education
Other services
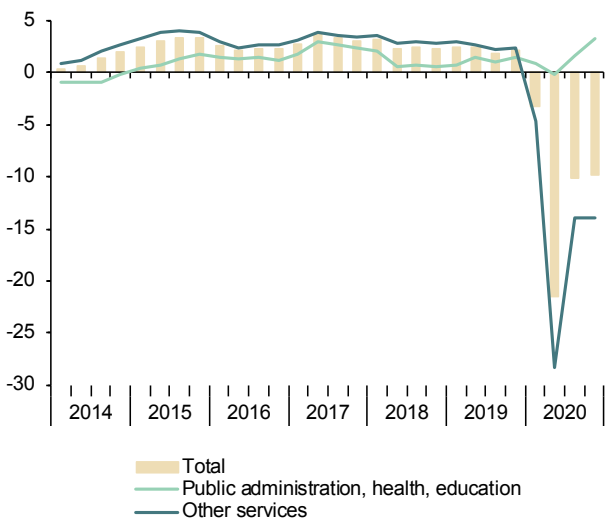
Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

■ Services
■ Construction
■ Industry
■ Agriculture, forestry and fishing
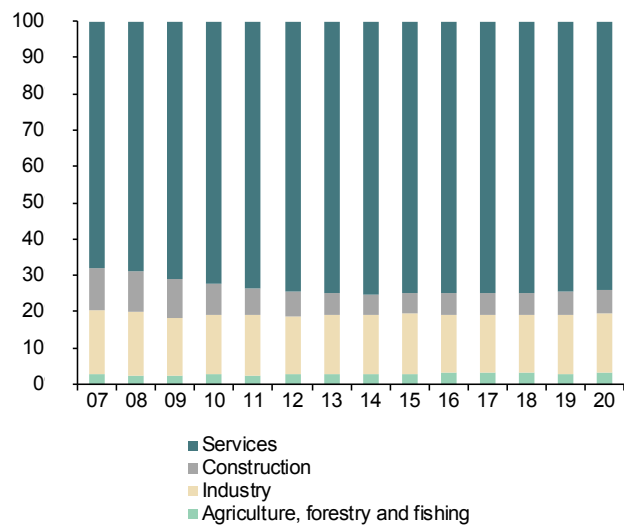
Table 3

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													
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		106.1	98.4	107.8	102.1	94.7	92.9	108.1	88.6	122.0	107.0	87.7	89.9
2018		108.7	101.0	107.6	103.1	95.8	92.8	108.2	90.5	119.6	107.9	90.2	90.9
2019		110.8	103.3	107.3	105.3	98.1	93.8	109.5	92.4	118.5	109.0	92.0	90.6
2020		98.6	95.5	103.2	107.1	103.7	98.1	97.8	85.4	114.5	106.7	93.2	91.0
2021		104.2	99.6	104.6	107.8	103.1	96.7	--	--	--	--	--	--
2022		110.8	102.5	108.0	108.1	100.1	93.0	--	--	--	--	--	--
2019	I	110.2	102.7	107.3	104.4	97.3	93.8	108.8	91.9	118.4	108.4	91.5	91.5
	II	110.6	103.1	107.3	105.2	98.1	93.9	109.1	92.4	118.1	108.8	92.1	90.8
	III	111.0	103.2	107.5	105.6	98.3	93.9	109.8	93.0	118.1	109.1	92.3	91.0
	IV	111.4	104.1	107.1	105.8	98.8	93.6	110.3	92.4	119.4	109.9	92.1	89.1
2020	I	105.6	102.1	103.4	105.8	102.3	97.5	102.3	92.2	110.9	108.5	97.8	98.0
	II	86.7	84.1	103.1	108.3	105.0	99.4	79.4	77.9	101.9	104.3	102.3	98.8
	III	100.9	97.5	103.5	106.5	102.9	97.0	104.5	85.1	122.8	105.9	86.2	84.9
	IV	101.3	98.4	103.0	108.0	104.9	98.7	105.0	86.6	121.3	107.7	88.7	84.5
Annual percentage changes													
2014		1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3
2015		3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6
2016		3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4
2017		3.0	2.9	0.1	0.7	0.6	-0.7	5.7	3.0	2.5	1.4	-1.1	-0.4
2018		2.4	2.6	-0.2	1.0	1.2	0.0	0.0	2.1	-2.0	0.8	2.9	1.1
2019		2.0	2.3	-0.3	2.1	2.4	1.0	1.2	2.2	-0.9	1.1	2.0	-0.3
2020		-11.0	-7.5	-3.8	1.7	5.7	4.6	-10.7	-7.5	-3.4	-2.2	1.3	0.4
2021		5.7	4.3	1.3	0.7	-0.6	-1.5	--	--	--	--	--	--
2022		6.3	2.9	3.3	0.3	-2.9	-3.8	--	--	--	--	--	--
2019	I	2.2	2.8	-0.6	1.9	2.5	1.2	0.3	1.6	-1.3	1.2	2.5	0.8
	II	2.1	2.5	-0.4	2.3	2.8	1.3	0.7	2.0	-1.3	1.2	2.5	0.3
	III	1.8	1.8	0.1	2.3	2.2	0.8	1.9	3.1	-1.1	1.0	2.1	0.4
	IV	1.7	2.1	-0.4	1.9	2.3	0.7	2.0	1.9	0.1	1.0	0.9	-2.7
2020	I	-4.2	-0.5	-3.7	1.3	5.1	4.0	-5.9	0.4	-6.3	0.1	6.8	7.2
	II	-21.6	-18.4	-3.9	2.9	7.1	5.9	-27.2	-15.7	-13.7	-4.1	11.0	8.8
	III	-9.0	-5.5	-3.7	0.8	4.7	3.2	-4.9	-8.5	4.0	-2.9	-6.6	-6.7
	IV	-9.1	-5.4	-3.8	2.1	6.1	5.4	-4.7	-6.3	1.6	-2.0	-3.6	-5.1

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

- Compensation per job
- Employment productivity
- Nominal unit labour cost
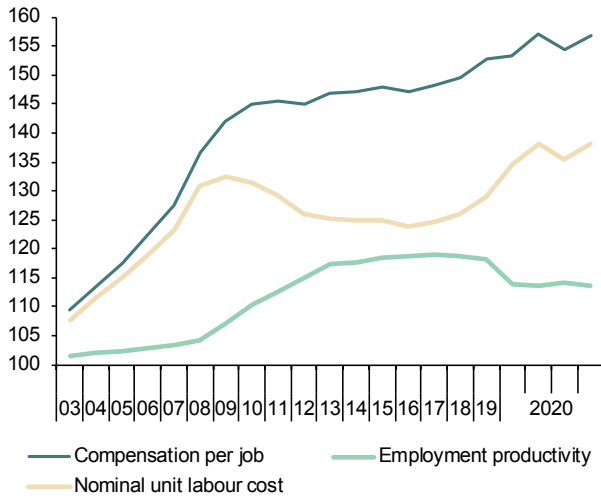
Chart 3.2 - Real ULC, total economy

Index, 2000=100

- Nominal unit labour cost
- GDP deflator
- Real unit labour cost (1)
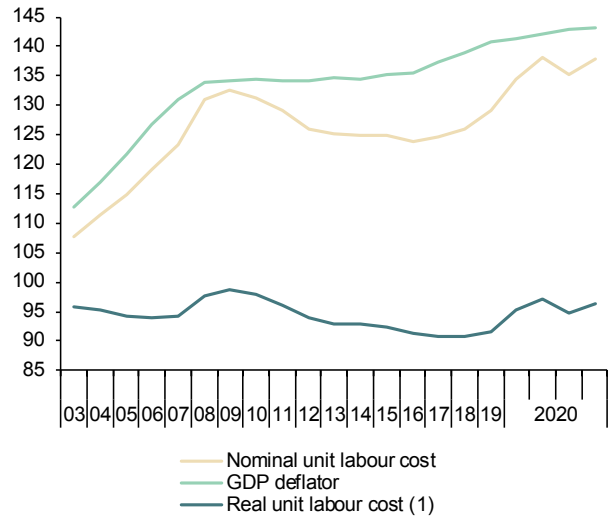
(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

- Compensation per job
- Employment productivity
- Nominal unit labour cost
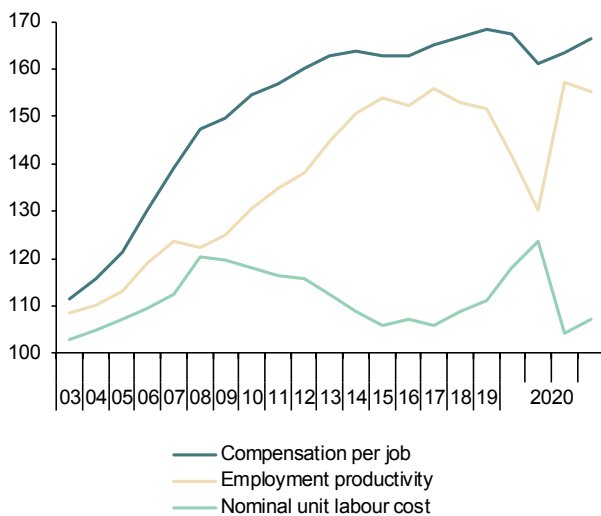
Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100

- Nominal unit labour cost
- GVA deflator
- Real unit labour cost (1)
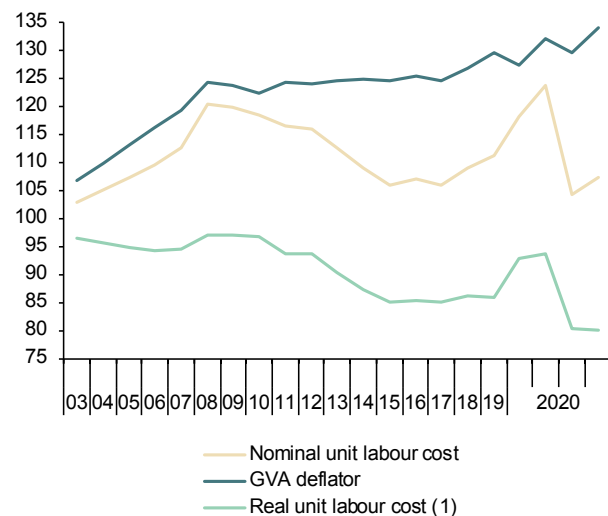
(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition
Forecasts in yellow

	Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
	EUR Billions, 4-quarter cumulated transactions							Percentage of GDP					
2014	1,032.2	473.5	455.4	1,017.7	815.4	202.3	184.8	45.9	44.1	19.6	17.9	1.7	2.1
2015	1,077.6	492.9	472.6	1,066.7	840.1	226.5	204.7	45.7	43.9	21.0	19.0	2.0	2.7
2016	1,113.8	503.7	495.8	1,104.8	860.5	244.3	208.9	45.2	44.5	21.9	18.8	3.2	3.4
2017	1,161.9	523.7	518.4	1,152.2	894.4	257.7	225.5	45.1	44.6	22.2	19.4	2.8	3.0
2018	1,204.2	544.9	533.2	1,194.7	925.0	269.7	246.5	45.2	44.3	22.4	20.5	1.9	2.4
2019	1,244.8	571.0	546.4	1,233.7	948.7	285.0	258.6	45.9	43.9	22.9	20.8	2.1	2.5
2020	1,120.0	542.0	478.1	1,109.5	876.0	233.5	226.0	48.4	42.7	20.8	20.2	0.7	1.0
2021	1,193.7	569.5	508.8	1,192.3	938.2	254.1	247.8	47.7	42.6	21.3	20.8	0.5	1.2
2022	1,279.9	583.1	568.5	1,278.6	988.8	289.9	270.5	45.6	44.4	22.6	21.1	1.5	2.2
2019 I	1,214.5	551.7	535.4	1,205.3	931.2	274.1	252.7	45.4	44.1	22.6	20.8	1.8	2.2
II	1,225.0	558.7	538.8	1,215.3	937.2	278.1	255.0	45.6	44.0	22.7	20.8	1.9	2.4
III	1,234.7	564.9	542.1	1,224.3	942.9	281.4	257.8	45.7	43.9	22.8	20.9	1.9	2.4
IV	1,244.8	571.0	546.4	1,233.7	948.7	285.0	258.6	45.9	43.9	22.9	20.8	2.1	2.5
2020 I	1,235.1	573.9	535.7	1,225.7	942.8	282.9	256.2	46.5	43.4	22.9	20.7	2.2	2.5
II	1,170.8	554.1	506.7	1,161.6	901.8	259.8	240.5	47.3	43.3	22.2	20.5	1.6	1.8
III	1,146.7	547.2	495.5	1,137.2	886.5	250.7	234.7	47.7	43.2	21.9	20.5	1.4	1.3
IV	1,120.0	542.0	478.1	1,109.5	876.0	233.5	226.0	48.4	42.7	20.8	20.2	0.7	1.0
	Annual percentage changes							Difference from one year ago					
2014	1.2	1.3	0.1	1.7	1.3	3.0	5.2	0.1	-0.5	0.3	0.7	-0.3	-0.5
2015	4.4	4.1	3.8	4.8	3.0	12.0	10.8	-0.1	-0.3	1.4	1.1	0.3	0.5
2016	3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017	4.3	4.0	4.6	4.3	3.9	5.5	8.0	-0.2	0.1	0.3	0.7	-0.4	-0.4
2018	3.6	4.0	2.8	3.7	3.4	4.6	9.3	0.2	-0.3	0.2	1.1	-0.8	-0.6
2019	3.4	4.8	2.5	3.3	2.6	5.7	4.90	0.6	-0.4	0.5	0.3	0.2	0.0
2020	-10.0	-5.1	-12.5	-10.1	-7.7	-18.1	-12.6	2.5	-1.2	-2.1	-0.6	-1.4	-1.5
2021	6.6	5.1	6.4	7.5	7.1	8.8	9.6	-0.7	-0.1	0.5	0.6	-0.2	0.2
2022	7.2	2.4	11.7	7.2	5.4	14.1	9.2	-2.1	1.8	1.3	0.3	1.0	1.0
2019 I	3.5	4.4	2.3	3.7	3.2	5.3	10.3	0.4	-0.5	0.4	1.3	-0.9	-0.7
II	3.5	4.7	2.3	3.5	3.1	5.2	8.2	0.5	-0.5	0.4	0.9	-0.5	-0.3
III	3.4	4.8	2.2	3.4	2.7	5.9	7.2	0.6	-0.5	0.5	0.7	-0.2	-0.1
IV	3.4	4.8	2.5	3.3	2.6	5.7	4.9	0.6	-0.4	0.5	0.3	0.2	0.0
2020 I	1.7	4.0	0.1	1.7	1.3	3.2	1.4	1.0	-0.7	0.3	-0.1	0.4	0.3
II	-4.4	-0.8	-6.0	-4.4	-3.8	-6.6	-5.7	1.7	-0.7	-0.5	-0.3	-0.2	-0.5
III	-7.1	-3.1	-8.6	-7.1	-6.0	-10.9	-9.0	2.0	-0.7	-0.9	-0.4	-0.5	-1.1
IV	-10.0	-5.1	-12.5	-10.1	-7.7	-18.1	-12.6	2.5	-1.2	-2.0	-0.6	-1.5	-1.5

(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

- Gross national income
- National consumption
- Gross national income
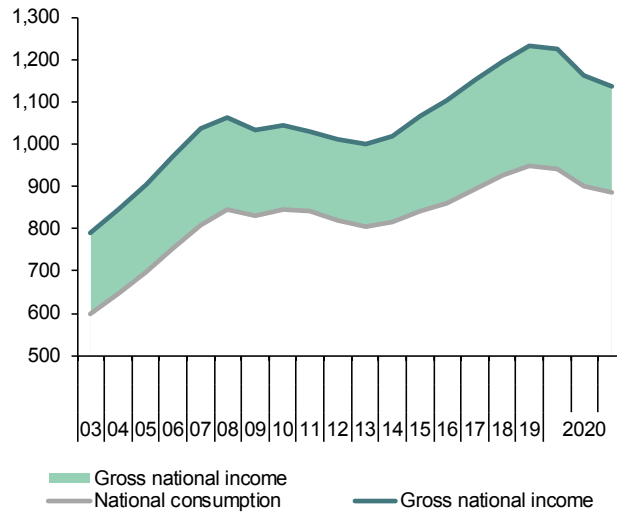
Chart 4.2 - National income, consumption and saving rate

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

- Saving rate (right)
- GNI (left)
- Consumption (left)
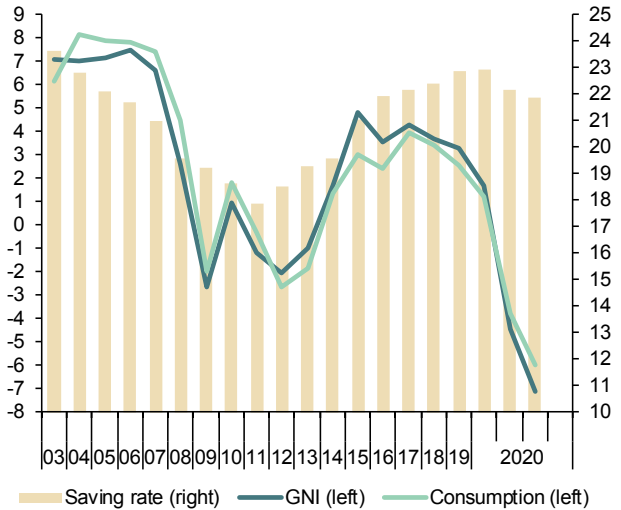
Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

- Compensation of employees
- Gross operating surplus
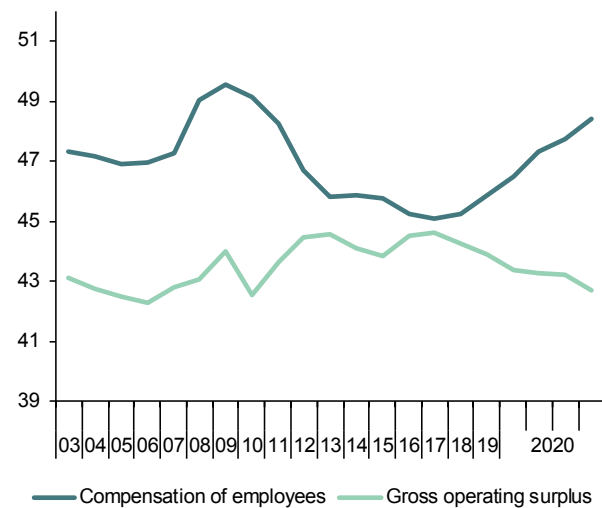
Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

- Current Account Balance (right)
- Investment rate (left)
- Saving Rate (left)
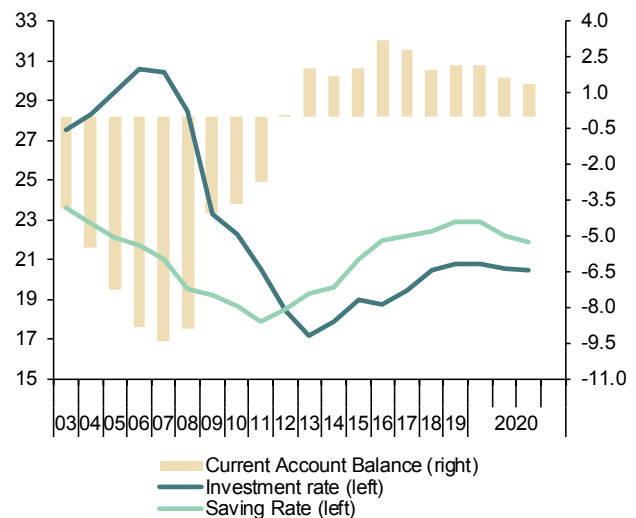
Table 5

National accounts: Household and non-financial corporations accounts
Forecasts in yellow

		Households						Non-financial corporations					
		Gross disposable income (GDI)	Final con-sumption expen-diture	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions, 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions, 4-quarter cumulated operations			Percentage of GDP		
2014		656.2	612.7	41.5	30.2	6.3	2.9	1.0	228.7	171.7	127.7	16.6	12.4	4.7
2015		682.2	630.2	49.0	30.5	7.2	2.8	1.7	241.0	185.1	140.4	17.2	13.0	4.4
2016		700.6	648.3	49.2	31.8	7.0	2.9	1.4	255.3	196.2	149.2	17.6	13.4	4.4
2017		722.9	678.1	41.8	36.8	5.8	3.2	0.2	267.0	200.7	160.6	17.3	13.8	3.6
2018		744.9	700.3	41.8	40.9	5.6	3.4	-0.1	272.9	201.2	177.1	16.7	14.7	2.2
2019		764.6	713.8	48.0	42.5	6.3	3.4	0.3	281.6	218.2	187.5	17.5	15.1	2.7
2020		742.5	626.8	113.0	35.0	15.2	3.1	6.8	232.1	184.1	158.9	16.4	14.2	2.5
2021		771.7	674.9	94.1	35.4	12.2	3.0	4.7	250.0	195.4	174.8	16.4	14.6	2.0
2022		794.1	716.2	75.2	38.6	9.5	3.0	2.7	278.6	215.7	193.9	16.9	15.1	1.9
2018	IV	744.9	700.3	41.8	40.9	5.6	3.4	-0.1	272.9	201.2	177.1	16.7	14.7	2.2
2019	I	749.6	704.2	42.9	42.0	5.7	3.5	-0.1	274.4	204.0	180.6	16.8	14.8	2.2
	II	756.9	706.8	47.9	42.2	6.3	3.4	0.3	276.9	207.7	184.2	16.9	15.0	2.2
	III	760.7	710.6	47.1	42.7	6.2	3.5	0.2	278.1	210.2	185.1	17.0	15.0	2.3
	IV	764.6	713.8	48.0	42.5	6.3	3.4	0.3	281.6	218.2	187.5	17.5	15.1	2.7
2020	I	767.0	703.9	60.4	41.6	7.9	3.4	1.3	271.8	207.5	183.7	16.8	14.9	2.1
	II	748.5	662.1	83.8	37.2	11.2	3.2	3.8	250.0	198.2	171.1	16.9	14.6	2.4
	III	744.9	647.0	94.9	37.0	12.7	3.2	4.9	240.9	187.4	164.7	16.3	14.4	2.1
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2014		0.0	1.8	-19.8	-2.7	-1.6	-0.1	-1.0	0.0	2.5	11.3	0.2	1.1	-0.6
2015		4.0	2.9	18.1	1.1	0.9	-0.1	0.7	5.4	7.8	10.0	0.5	0.7	-0.3
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.9	6.0	6.2	0.4	0.4	0.0
2017		3.2	4.6	-15.2	15.7	-1.3	0.3	-1.2	4.6	2.3	7.7	-0.3	0.4	-0.8
2018		3.0	3.3	0.1	11.2	-0.2	0.2	-0.3	2.2	0.3	10.2	-0.6	0.9	-1.4
2019		2.6	1.9	14.9	3.8	0.7	0.0	0.4	3.2	8.4	5.9	0.8	0.4	0.5
2020		-2.9	-12.2	135.2	-17.5	8.9	-0.3	6.5	-17.6	-15.6	-15.2	-1.1	-0.9	-0.2
2021		3.9	7.7	-16.7	1.0	-3.0	-0.2	-2.0	7.7	6.1	10.0	-0.1	0.5	-0.5
2022		2.9	6.1	-20.1	9.1	-2.7	0.1	-2.0	11.4	10.4	10.9	0.5	0.5	0.0
2018	IV	3.0	3.3	0.1	11.2	-0.2	0.2	-0.3	2.2	0.3	10.2	-0.6	0.9	-1.4
2019	I	2.9	2.9	4.7	15.3	0.1	0.3	-0.3	1.9	0.6	9.5	-0.5	0.8	-1.2
	II	3.3	2.5	18.6	12.3	0.8	0.3	0.3	2.0	1.0	9.5	-0.5	0.8	-1.2
	III	3.0	2.2	17.9	10.7	0.8	0.2	0.3	2.0	3.0	6.2	-0.1	0.4	-0.4
	IV	2.6	1.9	14.9	3.8	0.7	0.0	0.4	3.2	8.4	5.9	0.8	0.4	0.5
2020	I	2.3	-0.1	40.9	-1.0	2.2	-0.1	1.5	-0.9	1.7	1.7	0.0	0.0	-0.1
	II	-1.1	-6.3	75.2	-11.8	4.9	-0.3	3.5	-9.7	-4.6	-7.1	0.0	-0.4	0.3
	III	-2.1	-8.9	101.4	-13.3	6.5	-0.2	4.7	-13.4	-10.9	-11.0	-0.7	-0.6	-0.3

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

Net lending (-) or borrowing(+) (right)
Saving rate (left)
Gross Capital Formation (left)
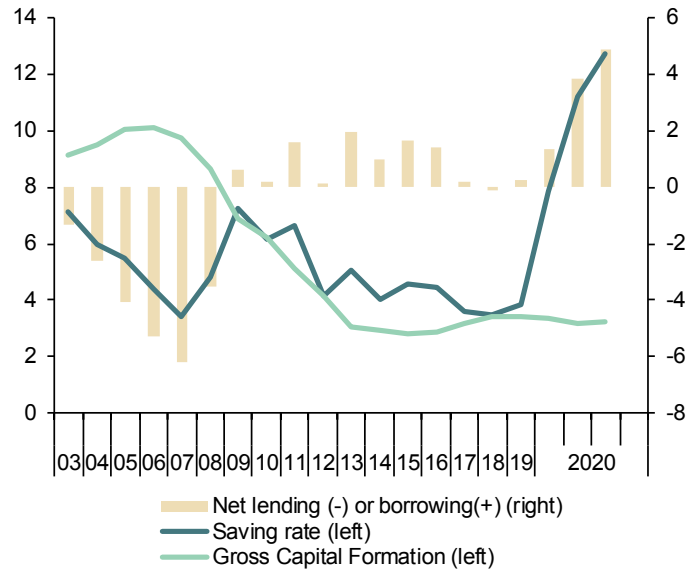
Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

Net lending (-) or borrowing(+) (right)
Saving rate (left)
Gross Capital Formation (left)
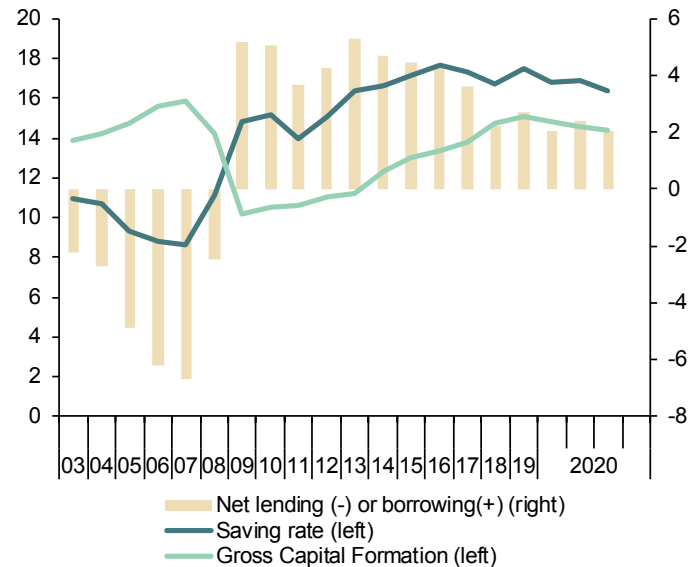
Table 6

National accounts: Public revenue, expenditure and deficit
Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		Taxes on production and imports	Taxes on income and wealth	Social contributions	Capital and other revenue	Total	Compensation of employees	Intermediate consumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expenditure	Total		
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8 +9+10+11	13=5-12	14
EUR Billions, 4-quarter cumulated operations															
2014		118.5	104.4	129.0	52.7	404.6	115.0	56.3	35.5	198.5	32.4	28.0	465.7	-61.1	-59.7
2015		126.4	107.1	131.5	52.1	417.2	119.2	59.0	32.4	198.6	35.4	28.3	473.0	-55.8	-55.2
2016		128.9	110.0	135.6	50.3	424.8	121.5	58.7	30.7	203.0	30.4	28.4	472.7	-48.0	-45.6
2017		135.1	116.9	142.4	49.1	443.5	123.5	59.9	29.3	207.4	30.6	28.0	478.7	-35.1	-34.6
2018		141.2	127.3	149.5	53.8	471.7	127.6	62.1	29.3	216.6	36.4	29.6	501.6	-29.9	-29.8
2019		142.8	129.2	160.7	55.1	487.8	134.5	64.5	28.4	229.6	34.8	31.6	523.4	-35.6	-35.6
2020		124.0	121.1	161.4	51.9	458.4	141.2	69.8	25.0	263.6	37.7	43.2	580.5	-122.1	-122.1
2021		133.6	126.2	162.4	66.0	488.2	145.0	77.2	25.5	254.0	44.7	37.6	584.1	-95.9	-95.9
2022		142.0	130.5	161.6	78.9	513.0	148.2	82.4	26.8	255.9	52.7	33.4	599.3	-86.3	-86.3
2018	IV	141.2	127.3	149.5	53.8	471.7	127.6	62.1	29.3	216.6	36.4	29.6	501.6	-29.9	-29.8
2019	I	142.5	127.1	152.5	55.0	477.1	129.4	62.9	28.9	219.5	36.4	30.5	507.4	-30.3	-30.5
	II	142.4	129.0	155.3	55.2	481.8	131.7	63.2	29.3	224.0	36.3	31.1	515.7	-33.9	-33.8
	III	143.2	130.8	158.0	55.8	487.8	132.9	63.7	28.8	226.0	37.3	32.1	520.8	-33.0	-32.9
	IV	142.8	129.2	160.7	55.1	487.8	134.5	64.5	28.4	229.6	34.8	31.6	523.4	-35.6	-35.6
2020	I	141.4	130.3	161.6	55.7	488.9	135.7	66.0	27.9	232.8	36.7	31.9	531.0	-42.1	-42.1
	II	131.8	126.2	160.8	52.8	471.5	136.9	66.6	26.6	249.0	36.7	36.9	552.8	-81.3	-81.3
	III	128.5	127.0	161.3	51.8	468.6	138.5	67.6	26.1	255.2	36.4	37.9	561.7	-93.1	-93.1
Percentage of GDP, 4-quarter cumulated operations															
2014		11.5	10.1	12.5	5.1	39.2	11.1	5.5	3.4	19.2	3.1	2.7	45.1	-5.9	-5.8
2015		11.7	9.9	12.2	4.8	38.7	11.1	5.5	3.0	18.4	3.3	2.6	43.9	-5.2	-5.1
2016		11.6	9.9	12.2	4.5	38.1	10.9	5.3	2.8	18.2	2.7	2.6	42.4	-4.3	-4.1
2017		11.6	10.1	12.3	4.2	38.2	10.6	5.2	2.5	17.9	2.6	2.4	41.2	-3.0	-3.0
2018		11.7	10.6	12.4	4.5	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019		11.5	10.4	12.9	4.4	39.2	10.8	5.2	2.3	18.4	2.8	2.5	42.1	-2.9	-2.9
2020		11.1	10.8	14.4	4.6	40.9	12.6	6.2	2.2	23.5	3.4	3.9	51.8	-10.9	-10.9
2021		11.2	10.6	13.6	5.5	40.9	12.1	6.5	2.1	21.3	3.7	3.1	48.9	-8.0	-8.0
2022		11.1	10.2	12.6	6.2	40.1	11.6	6.4	2.1	20.0	4.1	2.6	46.8	-6.7	-6.7
2018	IV	11.7	10.6	12.4	4.5	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019	I	11.7	10.5	12.5	4.5	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
	II	11.6	10.5	12.7	4.5	39.3	10.7	5.2	2.4	18.3	3.0	2.5	42.0	-2.8	-2.8
	III	11.6	10.6	12.8	4.5	39.5	10.8	5.2	2.3	18.3	3.0	2.6	42.2	-2.7	-2.7
	IV	11.5	10.4	12.9	4.4	39.2	10.8	5.2	2.3	18.4	2.8	2.5	42.1	-2.9	-2.9
2020	I	11.4	10.5	13.1	4.5	39.5	11.0	5.3	2.3	18.8	3.0	2.6	42.9	-3.4	-3.4
	II	11.2	10.8	13.7	4.5	40.2	11.7	5.7	2.3	21.2	3.1	3.2	47.2	-6.9	-6.9
	III	11.2	11.1	14.1	4.5	40.9	12.1	5.9	2.3	22.3	3.2	3.3	49.0	-8.1	-8.1

Source: IGAE and Funcas (Forecasts).

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

Percentage of GDP, 4-quarter moving averages

Net lending or borrowing (right)
Revenue (left)
Expenditure (left)
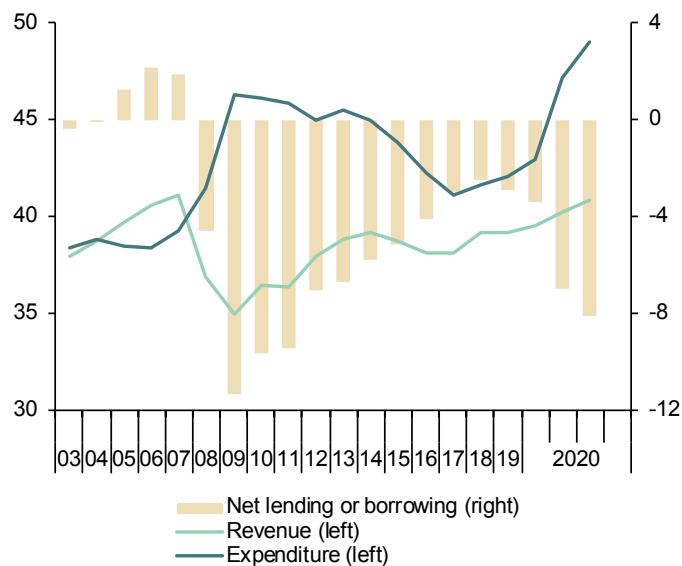
(a) Excluding financial entities bail-out expenditures.

Chart 6.2 - Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

Rest
Capital expenditure
Social benefits and transfers in kind
Interests
Compensation of employees
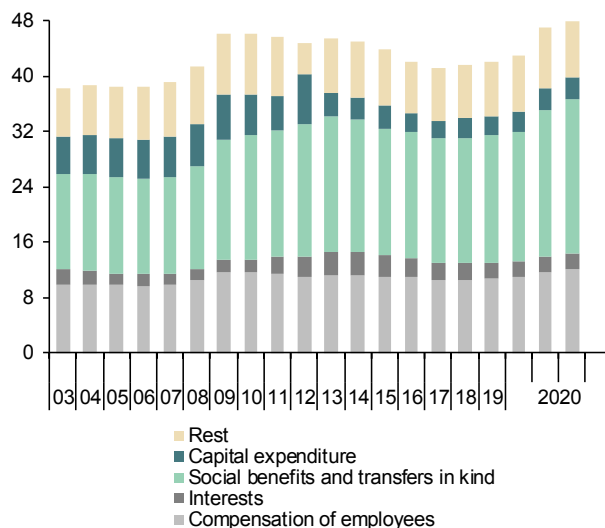
Table 7

Public sector balances, by level of Government
Forecasts in yellow

		Net lending (+)/ net borrowing (-) (a)					Debt				
		Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	Total Government (consolidated)
		EUR Billions, 4-quarter cumulated operations					EUR Billions, end of period				
2014		-35.9	-18.7	5.5	-10.6	-59.7	990.4	237.9	38.3	17.2	1,039.4
2015		-28.2	-18.9	4.6	-12.9	-55.2	965.2	263.3	35.1	17.2	1,070.1
2016		-25.7	-9.5	7.0	-17.4	-45.6	989.7	277.0	32.2	17.2	1,104.6
2017		-20.6	-4.2	6.9	-16.8	-34.6	1,030.3	288.1	29.0	27.4	1,145.1
2018		-15.7	-3.3	6.5	-17.3	-29.8	1,065.6	293.4	25.8	41.2	1,173.4
2019		-16.4	-7.1	3.7	-15.9	-35.6	1,083.7	295.1	23.2	55.0	1,188.9
2020		--	--	--	--	-122.1	1,190.7	303.5	22.0	85.4	1,311.3
2021		--	--	--	--	-95.9	--	--	--	--	1,417.0
2022		--	--	--	--	-86.3	--	--	--	--	1,507.5
2019	I	-17.8	-3.3	5.9	-15.3	-30.5	1,087.3	296.9	26.0	43.1	1,196.7
	II	-17.2	-4.1	5.8	-18.3	-33.8	1,094.4	300.6	26.2	48.7	1,207.4
	III	-11.4	-8.5	4.8	-17.7	-32.9	1,092.6	298.1	25.2	52.4	1,203.8
	IV	-16.4	-7.1	3.7	-15.9	-35.6	1,083.7	295.1	23.2	55.0	1,188.9
2020	I	-16.5	-7.9	3.2	-20.9	-42.1	1,114.3	298.3	22.9	55.0	1,224.6
	II	-54.8	-6.0	1.3	-21.8	-81.3	1,178.4	305.7	25.0	68.9	1,291.1
	III	-63.8	-0.9	2.0	-30.4	-93.1	1,196.8	301.7	23.7	74.9	1,308.1
	IV	--	--	--	--	--	1,190.7	303.5	22.0	85.4	1,311.3
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2014		-3.5	-1.8	0.5	-1.0	-5.8	96.0	23.1	3.7	1.7	100.7
2015		-2.6	-1.8	0.4	-1.2	-5.1	89.6	24.4	3.3	1.6	99.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	88.9	24.9	2.9	1.5	99.2
2017		-1.8	-0.4	0.6	-1.4	-3.0	88.7	24.8	2.5	2.4	98.6
2018		-1.3	-0.3	0.5	-1.4	-2.5	88.5	24.4	2.1	3.4	97.4
2019		-1.3	-0.6	0.3	-1.3	-2.9	87.1	23.7	1.9	4.4	95.5
2020		--	--	--	--	-10.9	106.3	27.1	2.0	7.6	117.1
2021		--	--	--	--	-8.0	--	--	--	--	118.7
2022		--	--	--	--	-6.7	--	--	--	--	117.8
2019	I	-1.5	-0.3	0.5	-1.3	-2.5	89.5	24.4	2.1	3.5	98.5
	II	-1.4	-0.3	0.5	-1.5	-2.8	89.3	24.5	2.1	4.0	98.6
	III	-0.9	-0.7	0.4	-1.4	-2.7	88.5	24.1	2.0	4.2	97.5
	IV	-1.3	-0.6	0.3	-1.3	-2.9	87.1	23.7	1.9	4.4	95.5
2020	I	-1.3	-0.6	0.3	-1.7	-3.4	90.2	24.1	1.9	4.5	99.1
	II	-4.7	-0.5	0.1	-1.9	-6.9	100.6	26.1	2.1	5.9	110.3
	III	-5.6	-0.1	0.2	-2.7	-8.1	104.4	26.3	2.1	6.5	114.1
	IV	--	--	--	--	--	106.3	27.1	2.0	7.6	117.1

(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

Central Regional
Local Social Security
TOTAL
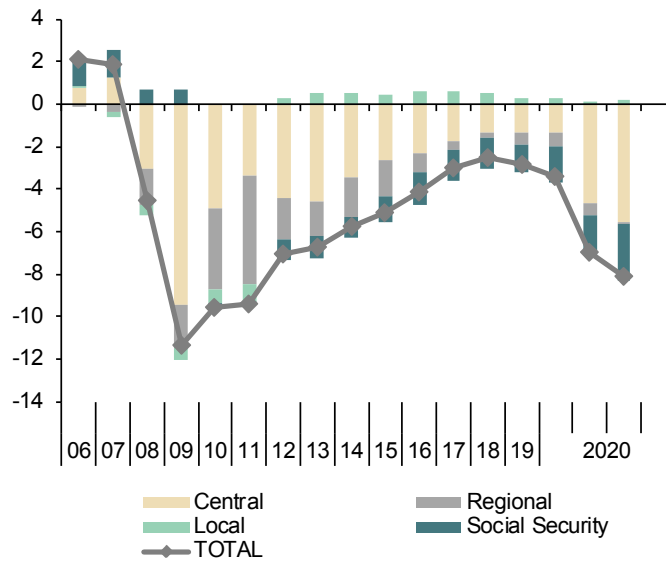
Chart 7.2 - Government debt

Percent of GDP

Central Regional
Local Social Security
TOTAL consolidated
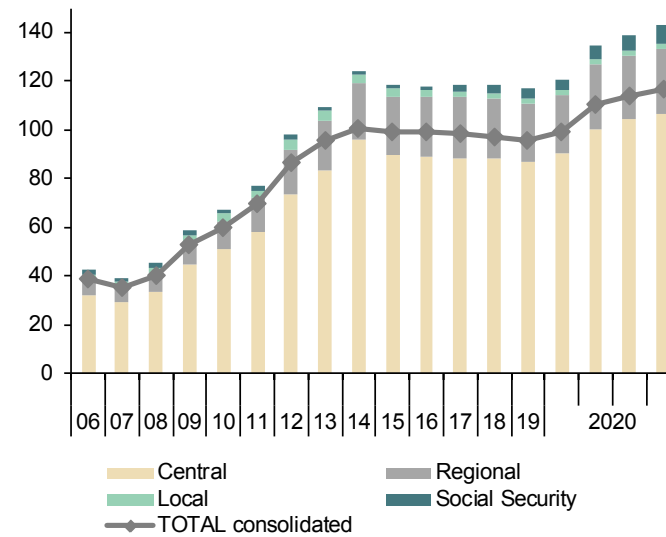
Table 8

General activity and industrial sector indicators (a)

	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing Turnover index deflated	Industrial orders
	Index	Index	Thousands	1,000 GWH	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2013	90.7	48.3	15,855.2	250.0	95.5	2,021.6	48.5	-14.0	93.2	-30.7
2014	100.9	55.1	16,111.1	249.6	96.8	2,022.8	53.2	-7.1	95.4	-16.3
2015	108.1	56.7	16,641.8	253.8	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016	105.9	54.9	17,157.5	253.8	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017	108.8	56.2	17,789.6	258.4	105.1	2,191.0	54.8	1.0	107.1	2.2
2018	108.4	54.6	18,364.5	259.3	105.3	2,250.9	53.3	-0.1	108.4	-0.2
2019	104.6	52.7	18,844.1	251.8	106.1	2,283.2	49.1	-3.9	108.9	-5.1
2020	90.2	41.5	18,440.5	239.4	95.9	2,239.3	47.5	-14.0	99.0	-30.1
2021 (b)	92.3	44.1	18,397.0	46.6	100.1	2,228.1	51.1	-8.1	--	-14.9
2019 II	104.7	52.4	18,808.4	63.2	108.6	2,281.0	49.9	-1.9	109.5	-2.7
III	106.2	52.0	18,885.3	62.2	105.9	2,286.5	48.2	-3.8	108.6	-4.5
IV	102.3	51.9	18,969.0	62.9	104.0	2,291.5	47.2	-4.6	105.2	-7.3
2020 I	101.8	43.3	18,904.2	61.9	98.8	2,284.4	48.2	-2.0	98.9	-7.7
II	78.5	29.4	17,957.3	55.2	83.4	2,201.9	39.4	-27.8	95.2	-53.4
III	90.3	48.5	18,321.9	59.9	100.2	2,227.3	51.4	-11.9	99.3	-38.4
IV	90.1	44.8	18,592.5	61.9	101.4	2,244.1	51.1	-11.0	106.3	-20.9
2021 I (b)	92.3	44.1	18,655.9	41.3	100.9	2,245.5	51.1	-8.1	--	-14.9
2020 Dec	91.5	48.7	18,635.4	20.5	101.6	2,246.5	51.0	-10.6	108.7	-17.0
2021 Jan	93.9	43.2	18,670.2	20.6	100.9	2,245.6	49.3	-6.6	--	-15.8
Feb	90.7	45.1	18,641.5	20.8	--	2,245.4	52.9	-9.6	--	-13.9
Percentage changes (c)										
2013	--	--	-2.9	-2.2	-1.5	-4.4	--	--	-1.9	--
2014	--	--	1.6	-0.2	1.3	0.1	--	--	2.3	--
2015	--	--	3.3	1.7	3.4	2.2	--	--	4.8	--
2016	--	--	3.1	0.0	1.8	2.8	--	--	2.7	--
2017	--	--	3.7	1.8	3.2	3.1	--	--	4.2	--
2018	--	--	3.2	0.3	0.2	2.7	--	--	1.2	--
2019	--	--	2.6	-2.9	0.7	1.4	--	--	0.5	--
2020	--	--	-2.1	-5.0	-9.6	-1.9	--	--	-9.1	--
2021 (d)	--	--	-1.9	-2.0	-1.9	-2.0	--	--	--	--
2019 II	--	--	0.5	-0.8	2.6	0.3	--	--	0.2	--
III	--	--	0.4	-1.6	-2.5	0.2	--	--	-0.8	--
IV	--	--	0.4	1.2	-1.7	0.2	--	--	-3.2	--
2020 I	--	--	-0.3	-1.6	-5.1	-0.3	--	--	-6.0	--
II	--	--	-5.0	-10.9	-15.5	-3.6	--	--	-3.7	--
III	--	--	2.0	8.6	20.1	1.2	--	--	4.3	--
IV	--	--	1.5	3.3	1.2	0.8	--	--	7.1	--
2021 I (e)	--	--	0.3	0.0	-0.5	0.1	--	--	--	--
2020 Dec	--	--	0.1	1.6	0.8	0.1	--	--	2.2	--
2021 Jan	--	--	0.2	0.6	-0.7	0.0	--	--	--	--
Feb	--	--	-0.2	-2.5	--	0.0	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Annual percentage changes

— Social Security affiliates   — Electricity consumption

Chart 8.2 - General activity indicators (II)

Index

— Economic Sentiment (left)   — Composite PMI (right)

Chart 8.3 - Industrial sector indicators (I)

Annual percentage changes

— Social Security affiliates in industry
— IPI
— Turnover

Chart 8.4 - Industrial sector indicators (II)

Index

— Manufacturing PMI (left)
— Industrial confidence (right)

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 m²	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2013	996.8	93.6	-55.6	9.2	6.8	11,727.9	92.9	48.3	286.0	186.5	-15.3
2014	980.3	92.8	-41.4	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	9.9
2015	1,026.7	100.0	-25.3	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	19.4
2016	1,053.9	102.6	-39.6	9.2	12.7	12,851.6	104.2	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	18.3	20.0	14,169.1	122.2	53.9	343.0	276.9	13.9
2020	1,233.1	110.6	-18.4	14.8	16.1	13,849.2	102.9	40.3	91.7	75.6	-26.2
2021 (b)	1,238.0	104.4	-14.2	1.3	--	13,789.8	--	42.4	2.4	2.8	-28.5
2019 II	1,251.8	125.0	-7.8	4.8	5.5	14,135.5	123.0	53.1	92.9	70.5	14.8
III	1,258.7	123.7	-7.4	4.4	4.8	14,208.3	122.6	53.5	88.0	69.7	14.2
IV	1,265.1	118.9	-12.4	3.9	4.5	14,287.9	118.3	53.6	75.4	62.4	11.0
2020 I	1,253.7	111.1	-8.6	3.4	4.7	14,250.7	108.4	42.5	52.5	44.3	7.8
II	1,166.6	107.4	-26.3	3.1	3.3	13,470.8	100.1	28.4	27.4	23.1	-47.1
III	1,250.3	112.1	-24.3	3.5	3.9	13,728.1	101.2	47.3	15.0	13.0	-35.9
IV	1,263.5	117.4	-14.4	4.6	4.2	13,958.9	106.8	43.0	10.5	10.3	-29.4
2021 I (b)	1,259.5	120.3	-14.2	1.8	--	14,020.8	--	42.4	2.9	3.2	-28.5
2020 Dec	1,269.1	118.9	-14.6	1.7	1.3	13,996.5	108.8	48.0	3.2	3.3	-24.3
2021 Jan	1,259.1	120.3	-13.2	1.8	--	14,043.2	--	41.7	2.9	3.2	-27.5
Feb	1,259.9	--	-15.2	--	--	13,998.4	--	43.1	--	--	-29.4
Percentage changes (c)											
2013	-12.2	-7.5	--	23.2	-20.3	-1.5	-2.0	--	1.9	-3.5	--
2014	-1.7	-0.9	--	42.6	2.2	2.3	2.6	--	3.2	4.6	--
2015	4.7	7.8	--	-28.2	42.6	3.6	4.9	--	4.4	6.0	--
2016	2.6	2.6	--	-1.7	29.0	3.4	4.2	--	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	--	30.8	24.5	3.3	5.8	--	-0.2	5.8	--
2019	5.1	9.2	--	10.5	1.3	2.8	4.0	--	0.9	5.3	--
2020	-1.7	-11.3	--	-19.0	-19.8	-2.3	-15.8	--	-73.3	-72.7	--
2021 (d)	-0.9	-0.2	--	-15.4	--	-2.3	--	--	-85.0	-83.6	--
2019 II	0.6	1.7	--	23.7	6.8	0.7	1.0	--	3.2	1.7	--
III	0.6	-1.0	--	0.1	-3.4	0.5	-0.3	--	-5.3	-1.2	--
IV	0.5	-3.9	--	-20.8	-8.8	0.6	-3.6	--	-14.3	-10.4	--
2020 I	-0.9	-6.6	--	-33.2	-10.5	-0.3	-8.3	--	-30.4	-29.0	--
II	-7.0	-3.3	--	-34.6	-39.4	-5.5	-7.7	--	-47.8	-47.8	--
III	7.2	4.3	--	-19.5	-18.9	1.9	1.1	--	-45.3	-43.7	--
IV	1.1	4.7	--	17.0	-7.8	1.7	5.5	--	-29.8	-20.9	--
2021 I (e)	-0.3	2.5	--	51.2	--	0.4	--	--	-16.4	-5.9	--
2020 Dec	0.6	1.2	--	33.3	-14.7	0.1	2.0	--	-8.2	-2.9	--
2021 Jan	-0.8	1.2	--	51.2	--	0.3	--	--	-8.5	-2.6	--
Feb	0.1	--	--	--	--	-0.3	--	--	--	--	--

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

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

Chart 9.1 - Construction indicators (I)

Annual percentage changes and index

S. Security affiliates in construction (left)
Construction confidence index (right)

Chart 9.2 - Construction indicators (II)

Annual percentage changes

Official tenders
Housing permits

Chart 9.3 - Services indicators (I)

Annual percentage changes

Social Security affiliates in services
Turnover
Hotel overnight stays

Chart 9.4 - Services indicators (II)

Index

Services PMI (left)
Services confidence (right)

Table 10

Consumption and investment indicators (a)

		Consumption indicators					Investment in equipment indicators		
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4
2019		107.9	1,375.6	-6.3	119.6	-2.9	220.9	8.8	105.6
2020		100.4	939.1	-22.8	50.8	-25.2	170.8	-22.7	100.0
2021 (b)		--	--	-24.5	1.6	-18.5	--	-18.5	--
2019	II	108.2	345.8	-4.0	34.7	-1.0	56.5	16.4	107.4
	III	108.0	336.0	-5.8	30.5	-6.2	53.6	6.8	105.0
	IV	105.3	303.6	-10.5	24.0	-2.8	48.2	1.2	99.7
2020	I	100.2	242.9	-10.3	16.6	-3.7	40.7	-11.4	94.2
	II	97.6	210.8	-27.9	10.5	-41.4	38.3	-41.0	93.8
	III	100.9	247.7	-26.9	8.5	-32.6	44.4	-28.9	100.8
	IV	105.4	305.2	-26.3	7.6	-23.1	52.1	-9.6	109.4
2021	I (b)	--	--	-24.5	2.3	-18.5	--	-18.5	--
2020	Dec	106.8	108.3	-23.1	2.4	-25.6	18.2	0.8	112.1
2021	Jan	--	--	-23.7	2.3	-19.9	--	-26.9	--
	Feb	--	--	-25.2	--	-17.0	--	-10.1	--
				Percentage changes (c)					
2013		-3.8	4.5	--	-1.4	--	-0.1	--	13.7
2014		1.1	19.9	--	4.1	--	27.8	--	18.4
2015		4.2	22.9	--	5.3	--	31.1	--	14.4
2016		3.9	12.4	--	3.6	--	6.1	--	4.1
2017		0.8	9.1	--	1.4	--	8.5	--	6.4
2018		0.7	6.1	--	0.6	--	10.8	--	2.0
2019		2.3	-3.4	--	2.7	--	-4.0	--	0.2
2020		-6.9	-31.7	--	-57.6	--	-22.6	--	-5.3
2021 (d)		--	--	--	-71.3	--	--	--	--
2019	II	0.9	-0.2	--	6.2	--	-2.1	--	2.9
	III	-0.1	-2.8	--	-12.2	--	-5.2	--	-8.5
	IV	-2.5	-9.7	--	-21.4	--	-10.1	--	-18.8
2020	I	-4.9	-20.0	--	-30.9	--	-15.5	--	-20.1
	II	-2.5	-13.2	--	-36.7	--	-6.1	--	-1.8
	III	3.4	17.5	--	-18.5	--	16.1	--	33.4
	IV	4.4	23.2	--	-10.8	--	17.4	--	38.6
2021	I (e)	--	--	--	-9.4	--	--	--	--
2020	Nov	1.4	6.9	--	-4.3	--	5.0	--	2.6
	Dec	1.4	6.5	--	-4.7	--	4.7	--	2.5
2021	Jan	--	--	--	-5.0	--	--	--	--

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

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

Chart 10.1 - Consumption indicators

Annual percentage changes and balance of responses

- Retail sales (left)
- Industrial orders for consumer goods (right, balance of responses)
- Consumer confidence index (right, balance of responses)

Chart 10.2 - Investment indicators

Annual percentage changes and balance of responses

- Imports of capital goods
- Industrial orders for investment goods (balance of responses)

Table 11a

Labour market (I)
Forecasts in yellow

		Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
	Population aged 16 or more	Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted			Total	Aged 16-24	Spanish	Foreign
										Seasonally adjusted			
	I	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million								Percentage			
2014	38.5	23.0	--	17.3	--	5.6	--	59.6	45.0	24.4	53.2	23.0	34.5
2015	38.5	22.9	--	17.9	--	5.1	--	59.5	46.4	22.1	48.3	20.9	30.5
2016	38.5	22.8	--	18.3	--	4.5	--	59.2	47.6	19.6	44.4	18.7	26.6
2017	38.7	22.7	--	18.8	--	3.9	--	58.8	48.7	17.2	38.6	16.3	23.8
2018	38.9	22.8	--	19.3	--	3.5	--	58.6	49.7	15.3	34.4	14.3	21.9
2019	39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.6	13.2	20.1
2020	39.6	22.7	--	19.2	--	3.5	--	57.4	48.5	15.5	38.3	14.1	24.6
2021	39.8	23.1	--	19.4	--	3.7	--	58.1	48.8	16.2	--	--	--
2022	40.1	23.3	--	19.6	--	3.7	--	58.2	49.1	15.7	--	--	--
2019 I	39.1	22.8	23.5	19.5	20.2	3.4	3.3	60.0	51.6	14.7	35.0	13.8	20.9
II	39.2	23.0	23.6	19.8	20.2	3.2	3.3	60.1	51.6	14.0	33.2	13.1	20.3
III	39.3	23.1	23.7	19.9	20.3	3.2	3.4	60.2	51.6	13.9	31.7	13.1	19.3
IV	39.4	23.2	23.8	20.0	20.5	3.2	3.3	60.2	51.9	13.8	30.5	12.8	20.0
2020 I	39.5	23.0	23.7	19.7	20.4	3.3	3.3	59.9	51.6	14.4	33.0	13.3	21.2
II	39.6	22.0	22.5	18.6	19.0	3.4	3.5	56.8	48.0	15.3	39.6	13.9	24.9
III	39.6	22.9	23.5	19.2	19.6	3.7	3.9	59.3	49.4	16.3	40.4	14.8	25.7
IV	39.6	23.1	23.7	19.3	19.8	3.7	3.8	59.7	50.0	16.1	40.1	14.5	26.6
		Percentage changes (d)							Difference from one year ago				
2014	-0.3	-1.0	--	1.2	--	-7.3	--	-0.4	0.7	-1.7	-2.3	-1.4	-2.5
2015	0.0	-0.1	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0
2016	0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017	0.3	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018	0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9
2019	1.0	1.0	--	2.3	--	-6.6	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020	0.8	-1.3	--	-2.9	--	8.7	--	-1.2	-1.9	1.4	5.7	0.9	4.5
2021	0.5	1.7	--	1.0	--	5.8	--	0.7	0.2	0.6	--	--	--
2022	0.7	0.7	--	1.3	--	-2.3	--	0.0	0.3	-0.5	--	--	--
2019 I	0.9	0.7	0.1	3.2	0.6	-11.6	-2.5	-0.1	1.1	-2.0	-1.4	-1.9	-3.4
II	1.0	0.9	0.4	2.4	0.3	-7.4	0.5	-0.1	0.7	-1.3	-1.5	-1.3	-1.7
III	1.1	1.0	0.4	1.8	0.2	-3.4	1.2	0.0	0.4	-0.6	-1.3	-0.6	-1.3
IV	1.0	1.3	0.4	2.1	0.9	-3.4	-2.5	0.1	0.5	-0.7	-3.0	-0.7	-0.8
2020 I	1.0	0.7	-0.4	1.1	-0.4	-1.2	-0.4	-0.2	0.0	-0.3	-2.0	-0.4	0.4
II	0.9	-4.6	-5.0	-6.0	-6.7	4.3	6.0	-3.3	-3.6	1.3	6.5	0.8	4.7
III	0.7	-0.8	4.4	-3.5	3.0	15.8	12.0	-0.9	-2.1	2.3	8.8	1.7	6.3
IV	0.5	-0.4	0.8	-3.1	1.3	16.5	-1.6	-0.6	-1.9	2.3	9.6	1.6	6.6

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

Source: INE (Labour Force Survey) and Funcas.

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

Annual growth rates and percentage of active population

Unemployment rate (right)
Labour force (growth rate, left)
Employed (growth rate, left)

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

Percentage

Total   Aged 16-24
Spanish   Foreign

Table 11b
Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
							Employees						
								By type of contract					Part-time employment rate (b)
		Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	
		1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
						Million (original data)							
2014		0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91
2015		0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74
2016		0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21
2017		0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97
2018		0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31
2019		0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.95	2.83	14.30
2020		0.77	2.70	1.24	14.49	16.11	3.88	12.23	24.1	3.09	16.51	2.70	14.05
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
2020	I	0.78	2.77	1.28	14.85	16.56	4.14	12.42	25.0	3.12	16.83	2.85	14.47
	II	0.76	2.64	1.17	14.03	15.53	3.47	12.06	22.4	3.08	16.12	2.49	13.36
	III	0.73	2.69	1.25	14.51	16.11	3.89	12.21	24.2	3.07	16.52	2.65	13.84
	IV	0.78	2.69	1.28	14.59	16.24	4.00	12.24	24.6	3.10	16.55	2.80	14.47
		Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
2014		-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1
2015		0.1	4.3	8.1	2.6	3.4	8.3	1.9	1.1	1.1	3.2	1.9	-0.2
2016		5.1	1.6	0.0	2.9	3.1	6.8	1.8	0.9	0.7	3.3	-0.8	-0.5
2017		5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2
2018		-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7
2019		-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.6	0.5	2.3	2.3	0.0
2020		-4.0	-2.3	-2.6	-3.0	-3.4	-11.4	-0.5	-2.2	-0.5	-2.6	-4.6	-0.3
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
2020	I	-6.5	2.2	-0.3	1.4	1.2	-2.2	2.4	-0.9	0.2	1.6	-1.8	-0.4
	II	-5.7	-4.4	-8.4	-6.2	-7.0	-21.1	-1.9	-4.0	-1.2	-4.3	-15.8	-1.5
	III	-2.0	-4.5	-1.6	-3.5	-4.1	-13.0	-0.8	-2.5	-0.5	-3.3	-4.8	-0.2
	IV	-1.5	-2.5	-0.3	-3.6	-3.6	-9.0	-1.7	-1.5	-0.6	-4.3	4.8	1.1

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed.
Source: INE (Labour Force Survey).

Chart 11b.1 - Employment by sector

Annual percentage changes

Agriculture — Industry
Construction — Services

Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

Temporary employment rate (right)
Temporary (left)
Indefinite (left)

Table 12

Index of Consumer Prices
Forecasts in yellow

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2020		100.00	62.46	80.14	24.07	38.40	17.68	9.14	10.72	26.82
Indexes, 2016 = 100										
2015		100.2	99.2	99.2	99.5	98.9	99.2	97.7	109.4	98.7
2016		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2017		102.0	101.1	101.1	100.2	101.6	100.7	102.6	108.0	101.3
2018		103.7	102.1	102.0	100.2	103.1	101.7	105.8	114.7	103.1
2019		104.4	103.0	102.9	100.4	104.6	102.2	107.8	113.2	104.0
2020		104.1	103.6	103.6	100.6	105.4	103.6	111.8	102.4	106.2
2021		105.9	104.2	104.3	101.0	106.1	104.5	113.6	113.0	107.4
2022		106.8	105.1	105.2	101.2	107.4	105.5	114.8	113.8	108.5
Annual percentage changes										
2015		-0.5	0.5	0.6	0.3	0.7	0.9	1.8	-9.0	1.2
2016		-0.2	0.8	0.8	0.5	1.1	0.8	2.3	-8.6	1.3
2017		2.0	1.1	1.1	0.2	1.6	0.7	2.6	8.0	1.3
2018		1.7	0.9	0.9	0.0	1.5	1.0	3.1	6.1	1.8
2019		0.7	1.0	0.9	0.3	1.4	0.5	1.9	-1.2	0.9
2020		-0.3	0.6	0.7	0.2	0.8	1.3	3.7	-9.6	2.1
2021		1.8	0.5	0.7	0.3	0.7	0.9	1.6	10.4	1.2
2022		0.9	0.9	0.9	0.2	1.3	0.9	1.0	0.8	1.0
2021	Jan	0.5	0.4	0.6	0.3	0.5	1.1	2.5	-1.8	1.6
	Feb	0.0	0.1	0.3	0.2	0.1	0.7	2.6	-4.2	1.4
	Mar	1.3	0.2	0.3	0.3	0.2	0.7	2.1	8.1	1.2
	Apr	1.9	0.0	0.1	0.3	-0.1	0.3	0.0	17.2	0.2
	May	2.1	0.1	0.2	0.4	0.0	0.3	1.0	18.3	0.5
	Jun	1.8	0.1	0.2	0.4	-0.1	0.6	1.7	14.5	1.0
	Jul	2.2	0.6	0.7	0.2	0.9	0.9	2.3	13.0	1.4
	Aug	2.3	0.9	1.0	0.3	1.3	1.0	1.9	12.7	1.3
	Sep	2.3	0.8	0.9	0.3	1.1	1.2	1.8	12.5	1.4
	Oct	2.6	1.0	1.1	0.4	1.4	1.3	0.9	14.6	1.2
	Nov	2.5	1.1	1.1	0.4	1.4	1.4	1.5	13.3	1.4
	Dec	2.2	1.1	1.2	0.5	1.5	1.5	1.4	10.1	1.5
2022	Jan	1.1	0.7	0.8	0.1	1.1	1.2	0.5	3.2	1.0
	Feb	1.6	0.9	0.9	0.2	1.3	1.2	0.8	7.5	1.1
	Mar	0.9	0.9	0.9	0.2	1.3	1.1	0.8	0.8	1.0
	Apr	0.8	0.9	1.0	0.2	1.4	1.0	0.8	-0.1	0.9
	May	0.8	0.9	0.9	0.2	1.4	0.9	0.8	-0.2	0.9
	Jun	0.8	1.0	0.9	0.2	1.4	0.9	0.8	-0.3	0.8
	Jul	0.7	0.9	0.9	0.2	1.3	0.8	0.8	-0.6	0.8
	Aug	0.6	0.8	0.8	0.2	1.2	0.8	0.8	-0.6	0.8
	Sep	0.7	0.8	0.8	0.3	1.2	0.8	0.8	-0.4	0.8
	Oct	0.8	0.8	0.8	0.2	1.2	0.8	1.4	0.0	1.0
	Nov	0.8	0.8	0.8	0.2	1.2	0.8	2.0	0.2	1.2
	Dec	0.9	0.8	0.8	0.3	1.2	0.8	2.6	0.3	1.4

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

All-Items — All-Items ex. food and energy
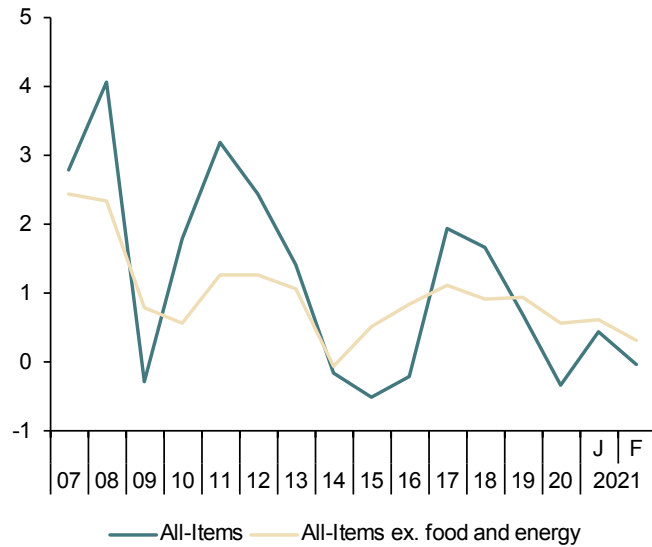
Chart 12.2 - Inflation rate (II)

Annual percentage changes

Non-energy industrial goods — Services
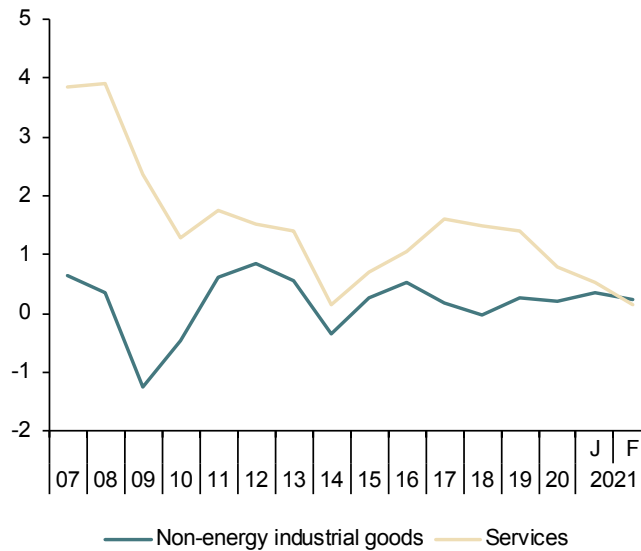
Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m² average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2010=100	2015=100		2007=100			2000=100				
2013		100.1	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014		99.9	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.5	--
2015		100.5	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016		100.8	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.3	--
2017		102.1	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	158.6	--
2019		104.7	103.6	103.2	83.3	79.8	57.7	148.7	146.4	155.7	162.7	--
2020		105.8	99.2	103.1	85.0	78.9	52.8	142.0	138.6	152.5	171.0	--
2021	(b)	--	104.2	105.0	--	--	--	--	--	--	--	--
2019	II	104.6	104.3	103.4	83.0	79.6	59.0	150.6	149.2	155.0	160.5	--
	III	104.7	103.3	103.2	84.3	79.7	58.2	144.3	140.6	155.9	167.0	--
	IV	105.7	102.8	103.0	83.8	80.4	56.5	155.7	155.4	156.6	171.2	--
2020	I	105.0	101.4	103.5	84.7	79.8	58.9	145.3	141.5	156.7	158.6	--
	II	105.8	96.3	102.6	84.8	78.3	50.1	138.1	135.1	147.2	180.2	--
	III	106.2	99.2	102.8	85.7	78.8	49.3	142.7	139.2	153.5	174.2	--
	IV	106.4	99.9	103.6	85.0	78.9	--	--	--	--	--	--
2021	I (b)	--	104.2	105.0	--	--	--	--	--	--	--	--
2020	Nov	--	99.9	103.5	--	--	--	--	--	--	--	--
	Dec	--	100.8	104.0	--	--	--	--	--	--	--	--
2021	Jan	--	104.2	105.0	--	--	--	--	--	--	--	--
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	0.7	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.2	1.0
2017		1.3	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.2	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.5	1.8
2019		1.4	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020		1.1	-4.3	-0.1	2.1	-1.1	-9.2	-3.0	-3.3	-1.9	6.9	1.9
2021	(d)	--	0.9	1.4	--	--	--	--	--	--	--	1.4
2019	II	1.4	0.9	0.3	5.3	3.1	0.9	2.4	2.1	3.6	3.0	2.2
	III	1.3	-2.2	0.1	4.7	3.1	4.5	2.2	1.9	3.0	2.3	2.3
	IV	1.6	-2.3	0.0	3.6	2.1	-0.2	2.3	1.8	4.0	2.7	2.3
2020	I	1.1	-2.7	0.4	3.2	0.3	2.8	0.8	0.7	1.0	4.2	2.0
	II	1.1	-7.7	-0.7	2.1	-1.7	-15.1	-8.3	-9.4	-5.0	12.3	2.0
	III	1.4	-3.9	-0.4	1.7	-1.1	-15.2	-1.1	-1.0	-1.6	4.3	1.9
	IV	0.7	-2.8	0.5	1.5	-1.8	--	--	--	--	--	1.9
2021	I (e)	--	2.8	1.5	--	--	--	--	--	--	--	--
2020	Nov	--	-2.8	0.6	--	--	--	--	--	--	--	1.9
	Dec	--	-1.5	0.8	--	--	--	--	--	--	--	1.9
2021	Jan	--	0.9	1.4	--	--	--	--	--	--	--	1.4

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

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

Chart 13.1 - Housing and urban land prices

Index (2007=100)

Housing (INE)
Housing (M. of Public Works)
Urban Land (M. of Public Works)
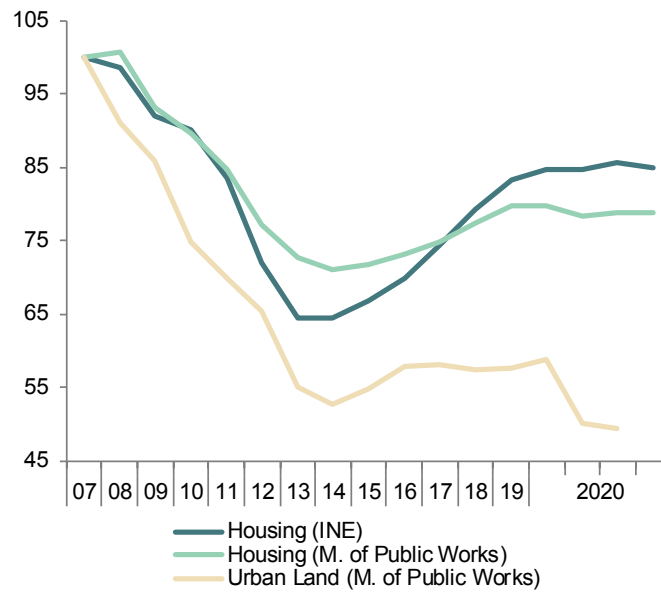
Chart 13.2 - Wage costs

Annual percent change

Total labour cost
Wage cost
Wage increases agreed in collective bargaining
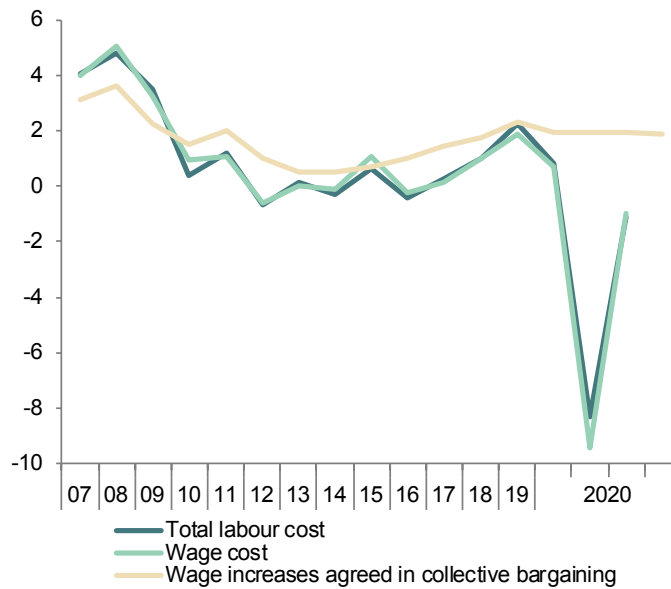
Table 14

External trade (a)

		Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
		Nominal	Prices	Real	Nominal	Prices	Real					
			2005=100			2005=100				EUR Billions		
2014		155.2	109.4	141.9	114.0	107.3	106.3	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
2020		168.4	112.0	150.4	117.4	107.3	109.4	13.2	8.6	-1.1	0.3	1.3
2019	I	183.5	112.8	162.8	137.9	110.1	125.2	14.0	9.5	-3.1	-0.6	0.9
	II	198.4	111.7	177.6	143.4	110.4	129.9	15.0	10.5	-2.3	-0.1	1.0
	III	186.6	112.5	165.9	139.9	109.5	127.8	14.0	9.9	-3.1	-0.9	0.4
	IV	184.9	114.3	161.8	134.0	113.1	118.4	13.9	9.8	-2.2	0.1	0.9
2020	I	175.7	113.4	155.0	129.1	111.1	116.3	13.5	9.0	-2.4	-0.2	0.8
	II	142.6	111.6	127.8	97.0	104.7	92.6	11.1	7.2	-0.5	0.3	1.7
	III	175.7	110.5	159.0	120.0	105.5	113.7	13.9	8.7	-0.7	0.6	1.6
	IV	179.8	112.5	159.8	123.7	107.4	115.1	13.8	9.2	-0.9	0.3	1.2
2020	Oct	179.6	112.6	159.5	123.1	106.5	115.6	14.0	9.0	-0.8	0.6	1.4
	Nov	179.9	113.5	158.5	124.4	107.5	115.7	13.9	9.2	-1.0	0.1	1.3
	Dec	179.8	111.4	161.3	123.6	108.3	114.1	13.6	9.5	-0.8	0.3	0.8
				Percentage changes (b)							Percentage of GDP	
2014		2.0	-0.9	3.0	5.2	-2.3	7.7	3.5	-0.4	-2.4	1.3	1.0
2015		3.8	0.6	3.2	3.5	-2.5	6.1	5.8	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
2020		-10.0	-0.7	-9.3	-14.7	-3.1	-12.0	-7.7	-13.3	-1.2	0.3	1.4
2019	I	0.8	-0.6	1.4	0.3	-3.1	3.6	3.3	-2.8	-3.1	-0.5	0.8
	II	8.1	-0.9	9.1	4.0	0.2	3.8	6.4	10.6	-2.2	-0.1	1.0
	III	-6.0	0.7	-6.6	-2.4	-0.8	-1.6	-6.3	-5.5	-3.0	-0.9	0.4
	IV	-0.9	1.6	-2.5	-4.2	3.4	-7.4	-0.6	-1.3	-2.1	0.0	0.8
2020	I	-5.0	-0.8	-4.2	-3.6	-1.8	-1.8	0.0	0.0	-2.5	-0.2	0.8
	II	-18.8	-1.6	-17.5	-24.9	-5.7	-20.4	0.0	0.0	-0.6	0.3	2.1
	III	23.2	-1.0	24.5	23.7	0.7	22.8	0.0	0.0	-0.7	0.6	1.7
	IV	2.3	1.8	0.5	3.1	1.8	1.2	0.0	0.0	-0.9	0.4	1.2
2020	Oct	0.6	2.6	-2.0	1.8	0.7	1.2	1.4	-0.8	--	--	--
	Nov	0.2	0.8	-0.6	1.1	0.9	0.1	-1.1	2.1	--	--	--
	Dec	-0.1	-1.8	1.7	-0.6	0.8	-1.4	-2.3	3.3	--	--	--

(a) Seasonally adjusted, except for annual data. (b) Percent change from the previous quarter for quarterly data, from the previous month for monthly data.

Source: Ministry of Economy.

Chart 14.1 - External trade (real)

Annual percent change

Exports — Imports
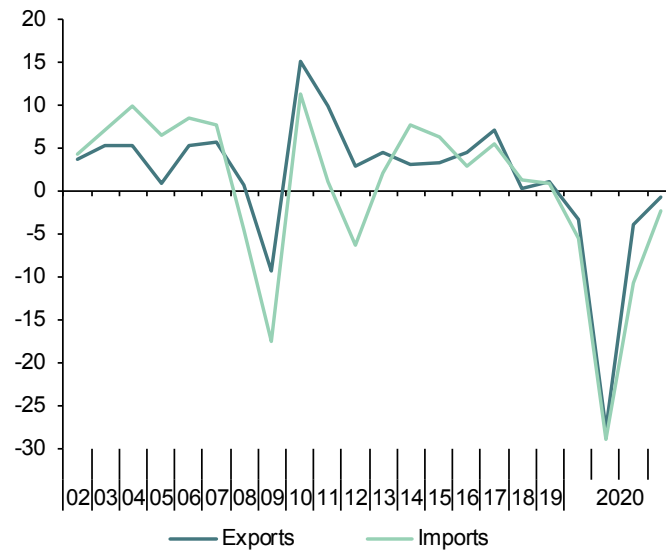
Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

Balance of energy goods
Balance of non-energy goods
Total balance of goods

Table 15

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

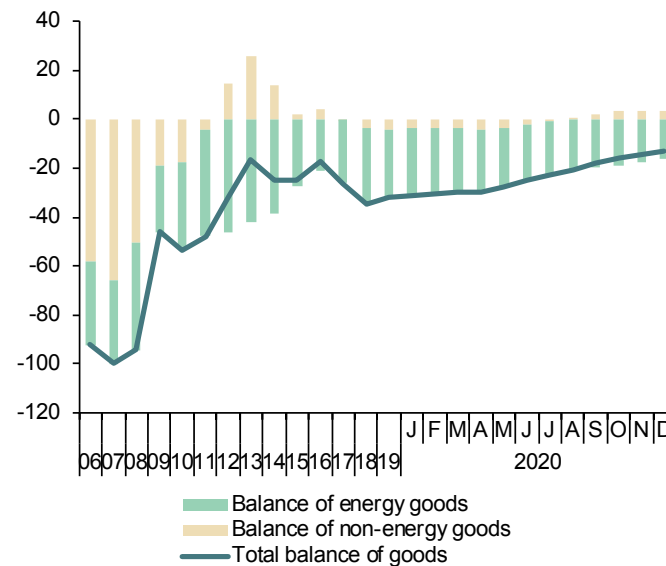|		Current account				Capital account	Current and capital accounts	Financial account					Bank of Spain	Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					
									Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
2014		17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94
2015		21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12
2016		35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34
2017		32.21	-22.04	63.93	0.44	-10.13	2.84	37.80	68.01	12.46	25.08	22.74	7.72	-32.63	-2.42
2018		23.22	-29.68	62.45	2.20	-11.74	5.81	29.03	47.49	-13.35	15.24	46.35	-0.75	-14.25	4.20
2019		26.57	-26.47	63.93	1.86	-12.74	4.21	28.66	61.77	9.97	-50.98	59.32	-8.26	14.82	-5.21
2020 (a)		2.67	-8.10	20.36	0.46	-10.05	2.08	4.75	61.77	10.33	32.46	11.55	7.44	-38.32	18.70
2018	IV	5.47	-7.70	12.93	3.36	-3.12	3.81	9.28	31.95	5.81	-6.10	31.97	0.27	-16.89	5.79
2019	I	-1.36	-8.01	10.37	0.70	-4.43	0.76	-0.60	7.21	6.52	19.73	-18.07	-0.97	-7.42	0.39
	II	10.98	-3.94	18.43	-1.25	-2.27	0.84	11.82	45.79	6.18	11.05	26.37	2.19	-35.09	-1.12
	III	8.66	-9.23	21.65	-0.29	-3.47	0.54	9.20	18.82	-3.73	11.84	9.34	1.37	-7.02	2.60
	IV	8.30	-5.29	13.48	2.69	-2.58	2.08	10.37	17.67	2.21	4.03	11.45	-0.02	-4.49	2.81
2020	I	-0.79	-5.97	8.90	0.52	-4.24	0.68	-0.12	46.43	-2.76	31.55	15.79	1.86	-43.40	3.14
	II	1.53	0.47	3.83	0.01	-2.79	0.59	2.12	1.76	5.14	-3.72	-3.26	3.60	5.62	5.26
	III	1.94	-2.60	7.63	-0.07	-3.02	0.82	2.75	13.58	7.95	4.64	-0.98	1.98	-0.54	10.29
			Goods and Services		Primary and Secondary Income										
2020	Oct	1.29	2.21		-0.92		0.65	1.95	-9.90	-4.13	11.77	-16.58	-0.96	7.98	-3.87
	Nov	3.34	2.22		1.12		0.42	3.76	23.21	0.05	12.08	11.18	-0.10	-19.40	0.05
	Dec	0.73	0.84		-0.11		1.62	2.35	20.66	4.62	9.41	6.53	0.09	-16.79	1.51
Percentage of GDP															
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.8	-1.9	5.5	0.0	-0.9	0.2	3.3	5.9	1.1	2.2	2.0	0.7	-2.8	-0.2
2018		1.9	-2.5	5.2	0.2	-1.0	0.5	2.4	3.9	-1.1	1.3	3.8	-0.1	-1.2	0.3
2019		2.1	-2.1	5.1	0.1	-1.0	0.3	2.3	5.0	0.8	-4.1	4.8	-0.7	1.2	-0.4
2020 (a)		0.3	-1.0	2.5	0.1	-1.2	0.3	0.6	7.5	1.3	4.0	1.4	0.9	-4.7	2.3
2018	IV	1.7	-2.4	4.1	1.1	-1.0	1.2	2.9	10.1	1.8	-1.9	10.1	0.1	-5.4	1.8
2019	I	-0.5	-2.7	3.5	0.2	-1.5	0.3	-0.2	2.4	2.2	6.6	-6.1	-0.3	-2.5	0.1
	II	3.5	-1.2	5.8	-0.4	-0.7	0.3	3.7	14.5	2.0	3.5	8.4	0.7	-11.1	-0.4
	III	2.8	-3.0	7.1	-0.1	-1.1	0.2	3.0	6.2	-1.2	3.9	3.1	0.4	-2.3	0.8
	IV	2.6	-1.6	4.1	0.8	-0.8	0.6	3.2	5.4	0.7	1.2	3.5	0.0	-1.4	0.9
2020	I	-0.3	-2.1	3.1	0.2	-1.5	0.2	0.0	16.0	-1.0	10.9	5.4	0.6	-14.9	1.1
	II	0.6	0.2	1.5	0.0	-1.1	0.2	0.8	0.7	2.1	-1.5	-1.3	1.4	2.2	2.1
	III	0.7	-0.9	2.7	0.0	-1.1	0.3	1.0	4.8	2.8	1.7	-0.3	0.7	-0.2	3.7

(a) Period with available data

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

Income and transfers (current and capital)
Goods and services
Current and capital account
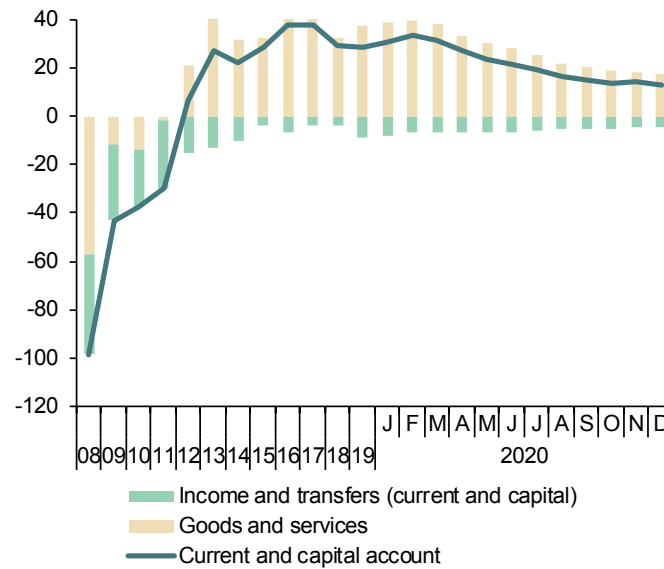
Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

Bank of Spain   Direct investment
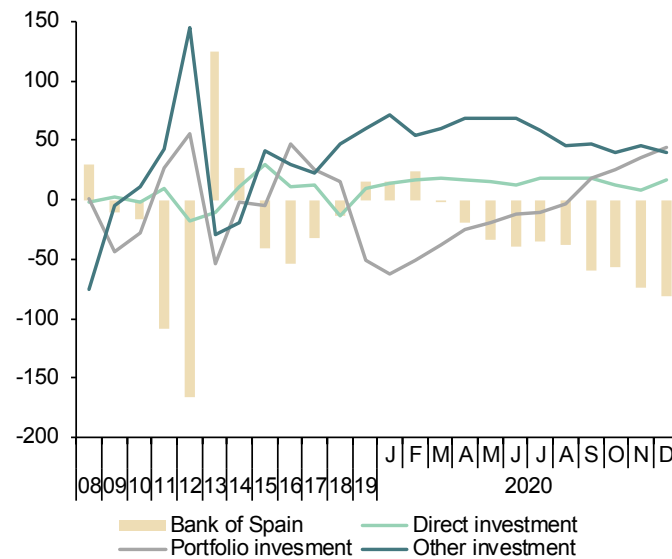Portfolio invesment   Other investment

Table 16

## Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			2015=100			2015=100			1999 1=100
2014		101.0	98.2	102.8	100.6	100.0	100.7	102.1	102.8	99.3	112.2
2015		98.6	96.8	101.8	100.0	100.0	100.0	100.0	100.0	100.0	107.8
2016		97.3	93.6	103.9	99.7	100.3	99.4	96.9	97.9	98.9	108.0
2017		97.3	92.8	104.8	101.7	101.8	99.9	101.2	100.7	100.5	109.7
2018		96.2	91.2	105.5	103.5	103.6	99.9	103.8	103.3	100.4	110.5
2019		96.2	92.3	104.2	104.3	104.8	99.5	103.4	103.7	99.8	109.1
2020		--	--	--	103.9	105.1	98.9	99.8	101.2	98.6	108.5
2021 (b)					103.9	105.3	98.6	103.9	103.0	100.9	108.9
2018	IV	--	--	--	104.4	104.3	100.1	104.7	104.3	100.4	110.5
2019	I	--	--	--	102.9	103.5	99.4	103.8	104.0	99.8	109.0
	II	--	--	--	105.2	105.3	99.9	104.1	103.9	100.2	109.8
	III	--	--	--	104.0	105.1	99.0	103.1	103.4	99.7	108.6
	IV	--	--	--	105.0	105.3	99.6	102.8	103.4	99.5	108.9
2020	I	--	--	--	103.6	104.7	98.9	101.6	102.8	98.8	107.8
	II	--	--	--	104.5	105.5	99.1	97.3	99.9	97.4	108.6
	III	--	--	--	103.4	105.1	98.4	99.7	100.6	99.2	108.2
	IV				104.1	105.0	99.1	100.4	101.3	99.1	109.3
2020	Nov	--	--	--	104.1	104.8	99.4	100.3	101.3	99.0	109.3
	Dec	--	--	--	104.3	105.2	99.2	101.2	101.7	99.5	109.6
2021	Jan	--	--	--	103.9	105.3	98.6	103.9	103.0	100.9	108.9
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2014		-1.7	0.2	-1.9	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-1.1
2015		-2.4	-1.5	-0.9	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-3.9
2016		-1.3	-3.2	2.1	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.2
2017		0.0	-0.9	0.8	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-1.1	-1.8	0.6	1.7	1.7	0.0	2.5	2.6	-0.1	0.8
2019		0.0	1.2	-1.2	0.8	1.2	-0.4	-0.3	0.3	-0.6	-1.3
2020		--	--	--	-0.3	0.3	-0.6	-3.3	-2.5	-0.8	1.0
2021 (c)		--	--	--	0.4	0.9	-0.5	0.7	-0.7	1.4	1.0
2018	IV	--	--	--	1.8	1.8	0.0	2.4	2.8	-0.4	-0.5
2019	I	--	--	--	1.1	1.4	-0.3	1.6	1.9	-0.3	-1.3
	II	--	--	--	1.1	1.4	-0.3	0.8	1.1	-0.3	-1.2
	III	--	--	--	0.4	1.0	-0.6	-1.8	-0.6	-1.2	-1.3
	IV	--	--	--	0.5	1.0	-0.5	-1.8	-0.9	-0.9	-1.4
2020	I	--	--	--	0.7	1.1	-0.4	-2.1	-1.2	-0.9	-1.1
	II	--	--	--	-0.6	0.2	-0.8	-6.5	-3.8	-2.7	-1.1
	III	--	--	--	-0.6	0.0	-0.6	-3.3	-2.8	-0.5	-0.3
	IV	--	--	--	-0.8	-0.3	-0.5	-2.3	-2.0	-0.3	0.4
2020	Nov	--	--	--	-0.8	-0.3	-0.5	-2.4	-2.1	-0.3	0.2
	Dec	--	--	--	-0.6	-0.3	-0.3	-1.2	-1.7	0.5	1.0
2021	Jan	--	--	--	0.4	0.9	-0.5	0.7	-0.7	1.4	1.0

(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

Relative wages — Relative productivity — Relative ULC
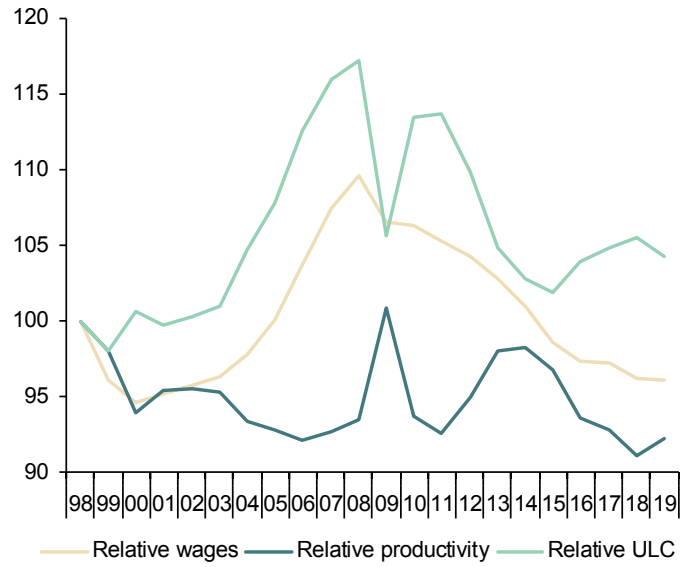
Chart 16.2 - Harmonized Consumer Prices

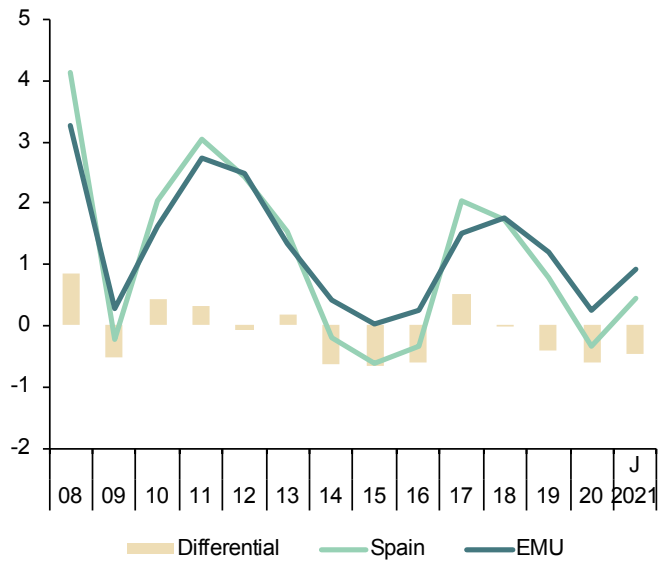Annual growth in % and percentage points


Differential — Spain — EMU

Table 17a

Imbalances: International comparison (I)

(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
Billions of national currency									
2008	-50.7	-207.4	-1,084.5	440.6	6,700.8	10,838.3	-98.8	-49.8	-859.7
2009	-120.6	-577.8	-1,896.6	569.5	7,440.5	12,525.9	-43.7	63.4	-558.6
2010	-102.2	-597.8	-1,863.1	649.2	8,199.1	14,301.9	-39.2	61.5	-491.3
2011	-103.6	-414.4	-1,709.1	743.0	8,658.8	15,501.9	-29.0	89.3	-404.9
2012	-110.7	-364.6	-1,493.3	889.9	9,114.9	16,718.0	0.9	226.2	-201.5
2013	-71.8	-299.3	-977.4	977.3	9,429.4	17,582.1	20.8	281.8	-203.6
2014	-61.1	-250.2	-910.9	1,039.4	9,674.6	18,299.9	17.5	317.0	-79.0
2015	-55.8	-207.7	-842.3	1,070.1	9,792.7	19,072.3	21.8	360.1	-186.4
2016	-48.0	-158.9	-1,009.4	1,104.6	9,973.5	19,991.2	35.4	390.2	-315.2
2017	-35.1	-104.2	-831.8	1,145.1	10,065.8	20,688.3	32.2	410.1	-260.1
2018	-29.9	-53.5	-1,357.9	1,173.4	10,167.0	22,031.9	23.2	400.5	-409.8
2019	-35.6	-74.1	-1,532.8	1,188.9	10,254.7	23,293.5	26.4	364.2	-515.6
2020	-134.4	-981.7	-3,157.5	1,320.6	11,408.2	26,451.0	20.3	291.3	--
2021	-111.9	-761.2	-1,501.7	1,426.2	12,098.8	27,952.7	29.5	312.1	--
Percentage of GDP									
2008	-4.6	-2.2	-7.4	39.7	69.6	73.7	-8.9	-0.5	-5.8
2009	-11.3	-6.2	-13.1	53.3	80.2	86.7	-4.1	0.7	-3.9
2010	-9.5	-6.3	-12.4	60.5	86.0	95.4	-3.7	0.6	-3.3
2011	-9.7	-4.2	-11.0	69.9	88.4	99.7	-2.7	0.9	-2.6
2012	-10.7	-3.7	-9.2	86.3	92.7	103.2	0.1	2.3	-1.2
2013	-7.0	-3.0	-5.8	95.8	94.9	104.7	2.0	2.8	-1.2
2014	-5.9	-2.5	-5.2	100.7	95.2	104.4	1.7	3.1	-0.5
2015	-5.2	-2.0	-4.6	99.3	93.1	104.6	2.0	3.4	-1.0
2016	-4.3	-1.5	-5.4	99.2	92.2	106.6	3.2	3.6	-1.7
2017	-3.0	-0.9	-4.3	98.6	89.7	105.9	2.8	3.7	-1.3
2018	-2.5	-0.5	-6.6	97.4	87.7	106.9	1.9	3.5	-2.0
2019	-2.9	-0.6	-7.2	95.5	85.9	108.7	2.1	3.1	-2.4
2020	-12.2	-8.8	-15.3	120.3	101.7	127.9	1.8	2.6	--
2021	-9.6	-6.4	-6.9	122.0	102.3	128.7	2.5	2.6	--

Source: European Commission Forecasts, Autumn 2020.

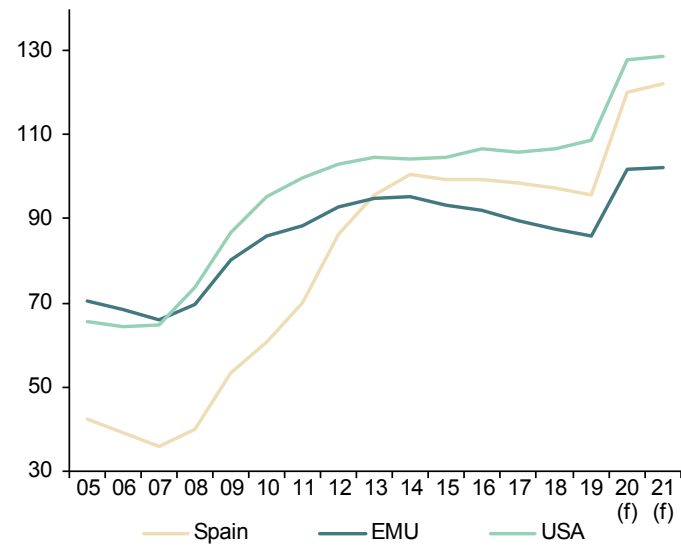**Chart 17a.1 - Government deficit**

Percentage of GDP
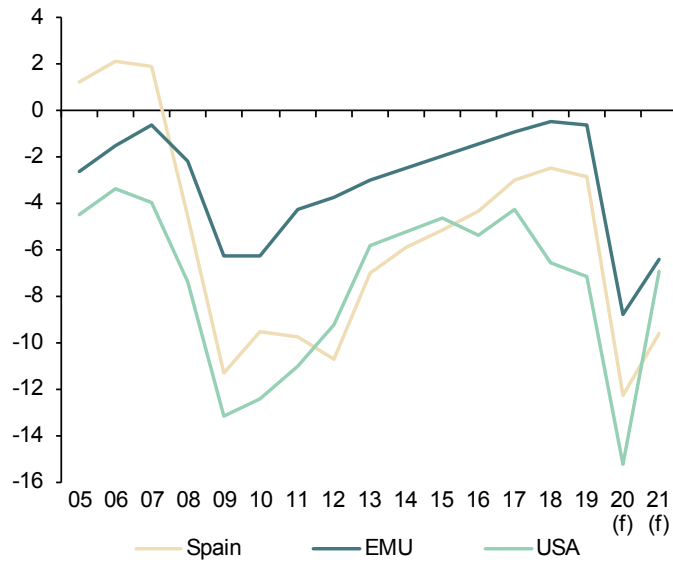
(f) European Commission forecast.

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	4,768.9	12,031.8	954.1	7,018.0	8,143.0
2006	783.5	5,191.3	13,317.1	1,171.9	7,620.4	8,965.8
2007	879.3	5,560.2	14,240.2	1,371.6	8,401.5	10,097.7
2008	916.7	5,773.7	14,109.3	1,460.0	9,061.5	10,663.9
2009	908.9	5,881.0	13,949.9	1,473.5	9,149.0	10,152.6
2010	905.2	6,022.2	13,762.9	1,498.0	9,324.1	10,015.9
2011	877.9	6,105.5	13,634.3	1,458.3	9,695.2	10,261.9
2012	840.9	6,098.7	13,568.9	1,339.2	9,871.9	10,802.8
2013	793.6	6,059.9	13,791.9	1,267.9	9,873.2	11,289.8
2014	757.8	6,067.6	13,915.2	1,207.7	10,329.5	12,044.3
2015	733.3	6,131.1	14,070.7	1,183.7	10,885.9	12,868.6
2016	718.5	6,235.8	14,477.5	1,166.5	11,255.9	13,557.2
2017	711.0	6,397.8	15,014.7	1,153.1	11,460.9	14,544.8
2018	709.6	6,585.7	15,504.8	1,145.6	11,813.1	15,483.5
2019	708.6	6,810.4	16,001.4	1,155.8	12,076.6	16,223.2
	Percentage of GDP					
2005	70.8	56.5	92.3	102.9	83.1	62.5
2006	78.0	58.4	96.4	116.7	85.7	64.9
2007	81.8	59.2	98.5	127.5	89.5	69.9
2008	82.6	60.0	95.9	131.6	94.2	72.5
2009	85.0	63.4	96.5	137.8	98.7	70.3
2010	84.4	63.2	91.8	139.6	97.8	66.8
2011	82.5	62.3	87.7	137.1	99.0	66.0
2012	81.6	62.0	83.8	129.9	100.4	66.7
2013	77.8	61.0	82.2	124.3	99.4	67.3
2014	73.4	59.7	79.4	117.0	101.6	68.7
2015	68.0	58.3	77.1	109.8	103.5	70.6
2016	64.5	57.7	77.2	104.7	104.1	72.3
2017	61.2	57.0	76.8	99.2	102.2	74.4
2018	58.9	56.8	75.2	95.1	101.9	75.1
2019	56.9	57.1	74.7	92.9	101.2	75.7

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

Spain — EMU — USA
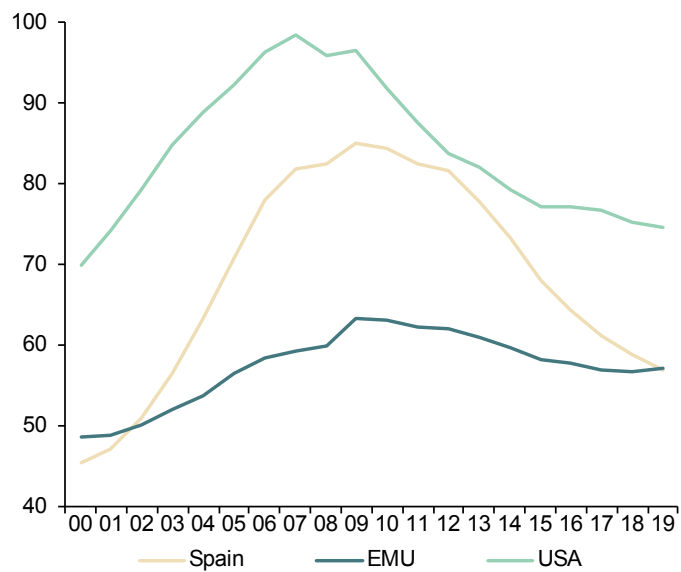
Chart 17b.2 - Non-financial corporations debt

Percentage of GDP

Spain — EMU — USA
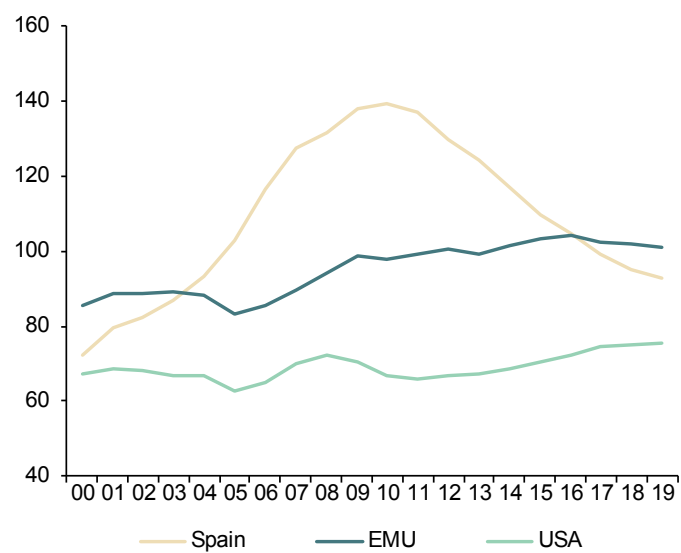
50 Financial System Indicators

Updated: March 15th, 2021

<table>
<tr><th colspan="3">Highlights</th></tr>
<tr><th>Indicator</th><th>Last value available</th><th>Corresponding to:</th></tr>
<tr><td>Bank lending to other resident sectors (monthly average % var.)</td><td>-0.06</td><td>December 2020</td></tr>
<tr><td>Other resident sectors' deposits in credit institutions (monthly average % var.)</td><td>1.8</td><td>December 2020</td></tr>
<tr><td>Doubtful loans (monthly % var.)</td><td>-1.3</td><td>December 2020</td></tr>
<tr><td>Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)</td><td>1,792,462</td><td>February 2021</td></tr>
<tr><td>Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)</td><td>261,210</td><td>February 2021</td></tr>
<tr><td>Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations</td><td>3</td><td>February 2021</td></tr>
<tr><td>"Operating expenses/gross operating income" ratio (%)</td><td>57.68</td><td>September 2020</td></tr>
<tr><td>"Customer deposits/employees" ratio (thousand euros)</td><td>11,258.02</td><td>September 2020</td></tr>
<tr><td>"Customer deposits/branches" ratio (thousand euros)</td><td>86,902.35</td><td>September 2020</td></tr>
<tr><td>"Branches/institutions" ratio</td><td>119.94</td><td>September 2020</td></tr>
</table>

A. Money and Interest Rates

Indicator	Source	Average 2001-2018	2019	2020	2021 February	2021 March 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.1	5.0	12.3	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.5	-0.383	-0.545	-0.530	-0.539	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.9	-0.249	-0.499	-0.483	-0.483	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.6	0.6	0.03	0.42	0.28	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	-	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": The ECB has announced the acceleration of the pandemic bond-buying program as part of its prolonged expansionary monetary policy due to the persistence of COVID-19. Interbank rates remain in negative territory. The 1-year interbank rate went from -0.530% in February to -0.539% in mid-March, and the 3-month Euribor remained at -0.483%. As for the Spanish 10-year bond yield, it has decreased to 0.28%.

B. Financial Markets

Indicator	Source	Average 2001-2016	2018	2019	2020 December	2021 January	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	18.4	84.2	288.7	25.01	32.72	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	18.1	49.2	87.2	11.08	15.58	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.5	1.07	0.01	-	0.11	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.5	1.84	1.2	0.59	0.52	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.6	-0.52	-0.54	-0.82	-0.57	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	701.8	1,164.63	1,311.87	-	-	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.3	-5.9	1.2	0.36	-3.1	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	3.1	-5.3	-7.4	-14.7	-14.3	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	1,015.6	862.6	881.6	804.9	861.4 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,772.1	8,539.9	8,812.9	8,073.7	8,635.4 (a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.8	12.2	13.2	39.0	41.5 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	-	-	-	-	-	Variation for all stocks

B. Financial Markets (continued)

Indicator	Source	Average 2001-2016	2018	2019	2020 December	2021 January	Definition and calculation
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF		-	-	-	-	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF		-	-	-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	1.3	-6.1	-14.4	-2.5	5.3	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	10.3	58.5	30	14.8	-54.8	IBEX-35 shares concluded transactions

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

Comment on "Financial Markets": The stock market continued its upward trend in March amid considerable volatility given the mixed news on COVID-19 vaccinations. The IBEX-35 rose to 8,635 points and the General Index of the Madrid Stock Exchange increased to 861. During January (last month available), there was an increase in transactions with outright spot T-bills to 32.72 and of spot government bonds transactions to 15.58. There was an increase in Ibex-35 futures of 5.3% while options fell by 54.8%.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2017	2018	2019	2020 Q2	2020 Q3	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-1.8	2.4	2.5	1.8	1.3	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	1.9	0.1	2.2	5.4	6.0	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	269.1	280.7	282.0	313.9	322.9	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	64.2	58.9	56.9	60.6	61.2	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.8	-1.6	5.9	3.3	-1.6	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.4	0.1	0.3	7.7	-1.2	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2020Q3, the financial savings to GDP in the overall economy decreased to 1.3%. There was an increase in the financial savings rate of households to 6%. The debt to GDP ratio of the economy reached 322.9%. Finally, there was a decrease in the stock of financial assets on households' balance sheets of 1.6% and a decrease of 1.2% in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2017	2018	2019	2020 November	2020 December	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.1	-4.7	0.2	0.7	-0.06	Lending to the private sector percentage change for the sum of banks. savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	7.0	0.7	0.3	1.1	1.8	Deposits percentage change for the sum of banks. savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	9.95	-0.9	-0.3	0.5	-1.5	Asset-side debt securities percentage change for the sum of banks. savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.3	-8.8	0.5	2.4	0.8	Asset-side equity and shares percentage change for the sum of banks. savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-2.2	-0.6	-1.6	-1.1	-0.7	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.3	-2.3	-1.7	0.6	-1.3	Doubtful loans. Percentage change for the sum of banks. savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.6	-1.4	-1.1	20.4	9.0	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	7.8	-4.1	0.3	-0.1	1.2	Equity percentage change for the sum of banksn u savings banks and credit unions.

Comment on "Credit institutions. Business Development": The latest available data as of December show a decrease in bank credit to the private sector of 0.06%. Data also show an increase of financial institutions deposit-taking of 1.8%. Holdings of debt securities fell by 1.5%. Doubtful loans fell by 1.3% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2017	2018	2019	2020 June	2020 September	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	194	124	122	113	113	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	79	78	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	246,618	189,280	187,472	176,838 (a)	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,047	28,643	27,320	23,340	22,909	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	1,148,156	1,792,462 (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	196,371	261,210 (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	5	3 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2019.

(b) Last data published: February 2021.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In February 2021, recourse to Eurosystem funding by Spanish credit institutions reached 261.2 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 484 billion euros in February 2021 and 3.8 trillion euros for the entire Eurozone banking system.

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

Indicator	Source	Average 2000-2017	2018	2019	2020 Q2	2020 Q3	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	48.8	54.39	53.30	64.03	57.68	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	3,911.03	9,461.19	9,574.38	10,952.96	11,258.02	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	24,735.07	68,190.72	74,450.04	85,243.93	86,902.35	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2017	2018	2019	2020Q2	2020Q3	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	198.71	131.36	123.09	122.34	119.94	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.19	7.2	7.7	7.5	7.9	Branch size indicator
48. "Equity capital (monthly average % var.)	Bank of Spain	0.09	-0.79	0.25	-3.01	0.76	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	48.8	54.39	53.30	-0.18	0.06	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	3,911.03	9,461.19	9,574.38	-2.20	0.88	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2020Q3 there was a relative increase in the profitability of Spanish banks, after the worst effects of COVID-19.

Social Indicators

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) (%)
					Population					
2008	46,157,822	40.8	16.5	78.2	84.3	47.5	24.5	13.1	701,997	33,053
2010	47,021,031	41.1	16.9	79.1	85.1	48.6	25.0	14.0	441,051	39,211
2012	47,265,321	41.6	17.4	79.4	85.1	50.4	26.1	14.3	344,992	51,666
2014	46,771,341	42.1	18.1	80.1	85.7	51.6	27.4	13.4	368,170	66,803
2015	46,624,382	42.4	18.4	79.9	85.4	52.4	28.0	13.2	417,655	74,873
2016	46,557,008	42.7	18.6	80.3	85.8	52.9	28.4	13.2	492,600	71,508
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	592,604	63,754
2018	46,722,980	43.1	19.1	80.5	85.9	53.6	29.3	13.7	715,255	56,745
2019	47,026,208	43.3	19.3	80.9	86.2	53.7	29.6	14.4	827,052	61,338
2020	47,450,795	43.6	19.4			53.5	29.8	15.2		
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.

Households and families

	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 (%)
		Households					**Nuptiality**			
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	14.9	11.2	7.1	6.7				
2020	18,794	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
2019	31.1	1.17	1.59	48.4		
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	1,750,106	667,287	675,971	1,290,455	217,840	50,807,185	4.23
2019	19.3	6.3	30.3	44.7	1,747,087	673,171	714,292	1,309,791●	234,214●		
2020	17.7	6.1	31.3	44.8							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	INE National Accounts

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

INE: Instituto Nacional de Estadística.

● Provisional data.

Table 4

Social protection: Benefits

| | | Contributory benefits* | | | | | | Non-contributory benefits | | | |
| | | Retirement | | Permanent disability | | Widowhood | | | Social Security | | |
	Unemployment total	Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)	Unemployment	Retirement	Disability	Other
2008	1,100,879	4,936,839	814	906,835	801	2,249,904	529	646,186	265,314	199,410	63,626
2010	1,471,826	5,140,554	884	933,730	850	2,290,090	572	1,445,228	257,136	196,159	49,535
2012	1,381,261	5,330,195	946	943,296	887	2,322,938	602	1,327,027	251,549	194,876	36,310
2014	1,059,799	5,558,964	1000	929,484	916	2,348,388	624	1,221,390	252,328	197,303	26,842
2015	838,392	5,641,908	1,021	931,668	923	2,353,257	631	1,102,529	253,838	198,891	23,643
2016	763,697	5,731,952	1,043	938,344	930	2,364,388	638	997,192	254,741	199,762	21,350
2017	726,575	5,826,123	1,063	947,130	936	2,360,395	646	902,193	256,187	199,120	19,019
2018	751,172	5,929,471	1,091	951,838	946	2,359,931	664	853,437	256,842	196,375	16,472
2019	807,614	6,038,326	1,138	957,500	975	2,361,620	712	912,384	259,570	193,122	14,997
2020	1,828,489	6,094,447	1,162	952,704	985	2,352,680	725	1,017,429	261,325	188,670	13,373
2021	1,148,603♦	6,131,527■	1,183■	948,110■	994■	2,347,886■	737■	1,090,027♦	260,300♦	186,059♦	12,700♦
Sources	INEM	INSS	INSS	INSS	INSS	INSS	INSS	INEM	IMSERSO	IMSERSO	IMSERSO

INEM: Instituto Nacional de Empleo.

INSS: Instituto Nacional de la Seguridad Social.

IMSERSO: Instituto de Mayores y Servicios Sociales.

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

■ Data refer to January-February.

♦ Data refer to January.

Table 5

Social protection: Health care

| | Expenditure | | | | Resources | | | | Satisfaction* | | Time on waiting list (days) | |
	Total (% GDP)	Public (% GDP)	Total expenditure ($ per inhabitant)	Public expenditure (per inhabitant)	Medical specialists per 1,000 inhabitants	Primary care doctors per 1,000 people asigned	Specialist nurses per 1,000 inhabitants	Primary care nurses per 1,000 people asigned	With the working of the health system	With medical history and tracing by family doctor or pediatrician	Non-urgent surgical procedures	First specialist consultations per 1,000 inhabitants
2008	8.29	6.10	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.01	6.74	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.09	6.55	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.08	6.36	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.16	6.51	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	8.98	6.34	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.80	6.25	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.90	6.20	3,323	2,341	2.0	0.8	3.5	0.7	6.6	7.5	129	96
2019											115	81
Sources	OECD	OECD	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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

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Notes

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