SEFO

SPANISH AND INTERNATIONAL
ECONOMIC & FINANCIAL OUTLOOK

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Spain and the EU: Assessment of policy responses to COVID-19

funcas

WHAT MATTERS

The Great Lockdown of the **Spanish economy**

Official financing aid in response to COVID-19: Timeliness and sufficiency

Capital and liquidity relief in response to COVID-19: Implications for the Spanish banks

Assessing the range of **government guarantees:** State support for the MARF

Spanish banks' preparedness for the COVID-19 crisis: A European comparison

Spanish fiscal support measures: Boosting corporate liquidity in response to COVID-19

COVID-19: A tsunami for **public finances**

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Letter from the Editors

In response to being one of the European countries hardest hit by COVID-19, Spain has implemented some of the strictest confinement measures not only in the EU, but in the world. Therefore, while forecasting must be made with a caveat given the dynamic nature of the pandemic, the country is expected to experience one of the most severe recessions this year within the EU, with equally negative consequences for jobs and public finances. Within this context, the May issue of *Spanish and International Economic & Financial Outlook (SEFO)* sets out to assess the myriad of recent public policy responses to COVID-19 –at the international, EU and national levels– aimed at supporting the real economy through channelling liquidity to households and businesses. We also provide a snapshot of how these measures may impact Spain's economic outlook, financial sector, and fiscal balances.

We start off this issue by analysing the impact of the lockdown measures on Spain's real economy. Economic restrictions imposed on March 13th, as well as broader global dynamics, will have a material impact on previously published forecasts. For this reason, Funcas has updated its economic projections. Our baseline scenario now predicts GDP will contract by 8.4% in 2020, with the public deficit and debt levels reaching over 10% and nearly 114% of GDP, respectively. Data indicate that retail, accommodation, food services, cultural and sports activities, and personal services sectors are the most directly affected by lockdown measures. The only sectors expected to end the year with a similar level of GDP prior to the COVID-19 crisis are the primary sector, the mining and energy industries, healthcare and education. As expected, employment levels have also deteriorated, though much less than in earlier crises thanks to short-time work arrangements. Indeed, 3.3 million employees are registered as part of a government sponsored furlough scheme. Although the external sector is expected to make a small positive contribution to GDP, tourism receipts and exports have fallen significantly. Importantly, the Spanish economy's ability to rebound will largely depend on the maintenance of jobs at sustainable enterprises, the rapid implementation of government programmes, and the Spanish Treasury's ability to capture financing at reasonable terms.

We then examine the numerous policy responses, the objective of which is to provide liquidity to Spanish corporates and households in the midst of the crisis: (i) through financial support measures (liquidity enhancement, state-guarantees, and supervisory relief); and, (ii) fiscal support mainly in the form of tax deferral schemes. Lastly, we take a look at the anticipated fiscal implications these measures will have for Spain's public finances.

First, we look at the timeliness and sufficiency of EU and Spanish financial support measures, as well as possible implications for banks. Financing policies are essential in the context of a public health pandemic that results in the paralysis of economic activity. However, the effectiveness of these policies will hinge on the duration of

lockdown measures as well as the timely and effective disbursement of funds to the real economy. At present, the forcefulness and direct nature of US policy contrasts with the uneven and issue-ridden nature of the European response to the COVID-19 crisis, which could lead to greater divergence within Europe. EU member states have issued aid primarily in the form of state guarantees for loans provided by banks to companies facing difficulties. In Spain, 200 billion euros has been earmarked for public-private financing schemes, but the roll out has been gradual. While state guarantees are expected to cushion the effect of a rise in NPLs, there will be a time lag. In the EU, aid has also been mostly directed at stimulating bank lending, with the ECB having stepped up its buyback programme. Having rejected the idea of 'coronabonds', the EU is expected to announce a new reconstruction fund later this year. However, looking forward, it is possible that the bloc's uneven response will result in an asymmetric recovery across the EU.

Drilling down on financial support measures, first we focus on regulatory and supervisory relief for the banking sector in an efforts to achieve the effective transmission of these liquidity support measures to corporates. Regulatory and supervisory authorities have adopted temporary measures to shore up banks' in advance of the expected rise in defaults and in recognition of their key role in the transmission mechanism for financial aid. Banks will be able to operate below the capital conservation buffer (CCB), the Pillar 2 Guidance, and liquidity coverage ratio. In Spain, the sum of the CCB and average Pillar 2 Guidance would release around 58 billion euros for the Spanish banking system. Regulators have also relaxed collateral measures, such as lowering the minimum size threshold for domestic credit claims from 25,000 euros to zero. This will provide liquidity to support additional measures, such as public guarantees used to ensure credit flows to SMEs and the self-employed, which is especially important in Spain given that SMEs account for over 99.9% of all companies. Additionally, the ECB's decision to accept less than investment grade debt is significant given the potential for ratings downgrades and the fact that sovereign debt accounts for approximately 10% of the Spanish banks' total assets. However, since Spanish banks are predominately retail focused, regulatory loosening that targets market risk and volatility in financial markets will have less of an effect on the industry.

Apart from the supervisory support, we look at the state guarantee structures. The Spanish government has introduced a 100 billion euro guarantee scheme, dispersed across successive tranches that are being adjusted based on the experiences of previous disbursements. The first tranche (20 billion euros) was allocated evenly between SMEs (including the self-employed) and large enterprises, while the scheme's second tranche was earmarked in full to the SME segment (including self-employed individuals). Of the total guarantees extended as of early May, 66% had secured SME loans, while 34% supported large enterprise loans. A key novelty of the third tranche is the addition of 4 billion euros to underwrite fixed-income securities (commercial paper) issued by companies listed on Spain's alternative fixed-income exchange, the MARF. This initiative will be applicable to commercial paper with terms of maturity of up to 24 months. The guarantees provided for commercial paper issued on the MARF have a maximum size of 70%, implying a leverage effect of 143%, such that 4 billion euros of guarantees could drive total commercial paper issuance of around 5.7 billion euros.

To determine the ultimate efficacy of these measures and how they may impact the Spanish financial sector, as reference, we include a snapshot of Spanish banks' performance alongside EU peers on key metrics. With a capital adequacy level 4.2 percentage points higher than in 2008, Spanish banks appear better positioned to withstand the economic fallout from COVID-19 than during the previous financial crisis. Notably, Spanish banks boast above-average profitability and efficiency compared to their eurozone peers, their loan-to-deposit gap has improved, and they have a healthy buffer of liquid assets. That said, the IMF and the European Commission are forecasting a bigger contraction in GDP in Spain (8%-9.4%) than in the eurozone (7.5%-7.7%). Although government-backed guarantees, the aid rolled out to prop up business and household income and the easing of bank regulations may help cushion the impact of the crisis on the banks, a GDP contraction of that magnitude will drive non-performance higher and require the recognition of provisions. Moreover, although the Spanish banking sector's solvency ratio

is significantly above regulatory requirements, it is 2.3 percentage points below the eurozone average. Furthermore, even though a deep restructuring effort has left Spanish banks among the most efficient in Europe, efficiency has deteriorated in recent years. As a result, Spain's banks will need to continue with their cost-cutting efforts and reduce their capacity even further in order to weather the COVID-19 crisis.

Next, we focus on a comparative assessment of fiscal support measures, essentially tax deferral schemes, across the EU to help boost liquidity for Spanish individuals and businesses. As stated previously, current forecasts for the Spanish economy suggest that the COVID-19 pandemic will result in a significant economic contraction in 2020. Faced with that scenario, the government has passed a raft of employment, fiscal and financial measures to mitigate the destruction of jobs and businesses. One of the most significant initiatives is the deferred payment of state taxes and social security contributions by six months. That deferral option is longer than the two to four months granted in some other European countries. However, the scale and reach of the initiative in Spain are significantly smaller than its equivalent in Germany, France, Italy, Denmark and Belgium, for example. In addition, these countries have offered direct grants or subsidies to firms, not just tax deferrals. One of the reasons for that difference is the fact that in Spain, taxes can only be deferred by companies with revenue of less than six million euros in 2019. For this reason, the authors of this article believe that the government may want to consider a more decisive commitment to prop up corporate liquidity and pre-empt job losses. While this would inevitably result in a higher deficit over the short-term, it could pay off in the long-run by providing the economy with a stronger foundation upon which to stage a recovery after the health crisis has abated.

Lastly, we close this *SEFO* exploring how the recently approved fiscal support measures may impact government finances. Economic figures published in April by Eurostat suggest that Spain's fiscal consolidation has experienced a setback. Unfortunately, this setback may become even greater given the economic paralysis caused by COVID-19. The uncertainty surrounding the COVID-19 crisis makes forecasting both growth and the deficit extremely difficult and has contributed to a wide range of forecasts published by the Bank of Spain, the IMF, BBVA and Funcas. These institutions have forecasted a GDP contraction of between 6.8% and 12.4% with the public deficit ranging from 7.2% to 11.0%. Though much of the deficit reflects the impact of the recession and the costs of one-off fiscal measures, there remains an important structural component. Indeed, Spain's structural deficit is among the highest in the European Union, with the EU Commission calculating a cyclically-adjusted budget deficit for Spain at slightly over 3% in 2020.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
June	2	Social Security registrants and official unemployment (May)
	4	ECB monetary policy meeting
	5	Industrial production index (April)
	11	Eurogroup meeting
	12	CPI (May)
	18	Foreign trade report (April)
	18-19	European Council meeting
	24	Balance of payments quarterly (1st quarter 2020)
	26	Retail trade (May)
	29	Preliminary CPI (June)
	30	Non-financial accounts, State (May)
	30	Non-financial accounts, Regional Governments and Social Security (April)
	30	Non-financial accounts, General Government (1st quarter 2020)
	30	Balance of payments monthly (April)
	30	Quarterly Non-financial Sector Accounts (1st quarter 2020)
	30	Quarterly National Accounts (1st quarter 2020, 2nd release)
July	2	Social Security registrants and official unemployment (June)
	6	Industrial production index (May)
	14	CPI (June)
	15	Quarterly Financial Accounts (1st quarter 2020)
	16	ECB monetary policy meeting
	17	Foreign trade report (May)
	28	Labour Force Survey (2nd quarter 2020)
	29	Retail trade (June)
	30	Preliminary CPI (July)
	30	Non-financial accounts, State (June)
	30	Non-financial accounts, Regional Governments and Social Security (May)
	31	Preliminary Quarterly National Accounts (2nd quarter 2020)
	31	Balance of payments monthly (May)

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What Matters

Regulation and Economic Outlook

Key Facts

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The Great Lockdown of the Spanish economy

In view of the depth of the global crisis, and taking into consideration key domestic imbalances that predate it, Funcas has revised its economic forecasts for Spain. Our baseline scenario now predicts an economic contraction of 8.4%, with adverse effects on unemployment, the deficit, public debt levels, and GDP remaining below pre-crisis levels until 2023.

Raymond Torres and María Jesús Fernández

Abstract: Economic restrictions imposed on March 13th, as well as broader global dynamics, will have a material impact on previously published forecasts. For this reason, Funcas has updated its economic projections. Our baseline scenario now predicts GDP will contract by 8.4% in 2020, with the public deficit and debt levels reaching over 10% and nearly 114% of GDP, respectively. Data indicate that retail, accommodation, food services, cultural and sports activities, and personal services sectors are the most directly affected by lockdown measures. The only sectors expected to end the year with a similar level of GDP prior to the COVID-19 crisis are the primary sector, the mining and energy industries, healthcare and education. As expected, employment levels have also deteriorated, though much less than in earlier crises thanks to short-time work arrangements. Indeed, 3.3 million employees are registered as part of a government sponsored furlough scheme. Although the external sector is expected to make a small positive

contribution to GDP, tourism receipts and exports have fallen significantly. Importantly, the Spanish economy's ability to rebound will largely depend on the maintenance of jobs at sustainable enterprises, the rapid implementation of government programmes, and the Spanish Treasury's ability to capture financing at reasonable terms.

Introduction

According to the IMF, the COVID-19 crisis poses the biggest challenge for the global economy since the Second World War (IMF, 2020). The dual supply and demand shocks triggered by the pandemic and lockdown measures, coupled with the collapse in international trade, have caused an economic paralysis across continents.

The crisis began its extension in Spain in early March due to a slowdown in demand from the countries hit by the first wave of COVID-19. Alongside the declaration of a state of emergency, the Spanish government introduced restrictions on economic activity and individual mobility, which have further expanded the impact of the crisis.

Funcas conducted preliminary estimates of those impacts in March, assuming a more limited state of emergency than ultimately implemented, as wells as a V-shaped recovery of the global economy, which was in line with the international organisations' forecasts at the time (Torres and Fernández, 2020). This paper updates this early assessment, layering in more recent predictions for the global economy and key imbalances in the Spanish economy that predate the pandemic.

Performance since the onset of the pandemic

The economic indicators for the first two months of the year pointed to a continuation of the expansion at a similar pace to that observed in the previous quarters, with GDP growth of around 0.4% and job creation even rising in February. By March, however, the indicators exhibited sharp contractions, attributable to economic restrictions imposed on March 13th to contain COVID-19. Data from April, the first full month affected by the lockdown measures, showed an even more pronounced decline. Recall that the sectors most directly affected by the closures –retail, accommodation, food services, cultural and sports activities, and personal services– represent nearly 15% of GDP and have a knock-on effect for the rest of the economy, equivalent to about 6% of GDP.

On the consumption front, retail sales have plummeted abruptly, falling below levels not seen since 2013. In April, car registrations were a fraction of normal levels, even though the consumer confidence index remains above its historic low.

Although the April manufacturing PMI and confidence readings were also above the lows observed during the last recession (Exhibit 1), available data points to a collapse in manufacturing activity. The service sector is even more affected by the pandemic containment measures. The services PMI reading dropped to unprecedented levels in April, with overnight stays and passenger air traffic in March alone falling by 46% and 60%, compared to January-February levels, respectively (Exhibit 2).

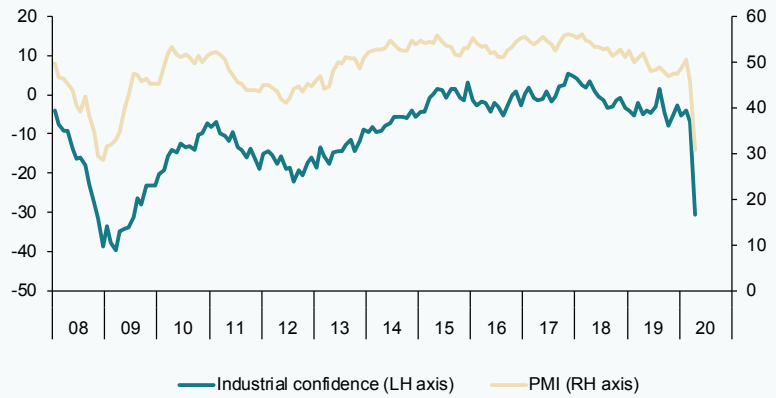
The impact on the construction sector has also been sizeable, as revealed by the sharp drop apparent in cement consumption and Social Security contributor numbers in the sector. Note that the construction and real estate activities were already showing clear signs of cooling before the pandemic.

> "Retail, accommodation, food services, cultural and sports activities, and personal services represent nearly 15% of GDP and have a knock-on effect for the rest of the economy equivalent to around 6% of GDP."

Exhibit 1

Industrial activity

Indexed



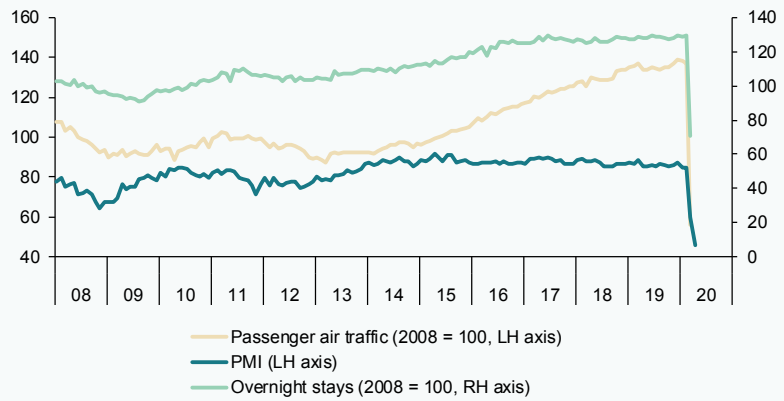
Sources: European Commission and Markit Economics.

The Social Security contributor numbers provide a more accurate picture of how COVID-19 is affecting employment (Exhibit 4). Contributor numbers fell by almost 900,000 during the second half of March (from when the state of emergency was declared), stabilising somewhat in April, with a net loss of 47,000 contributors over the course of the month. The daily increase in the number of official jobseekers also eased in April compared to the second half of March. At the end of April, the number of employees under

Exhibit 2

Services activity

Indexed

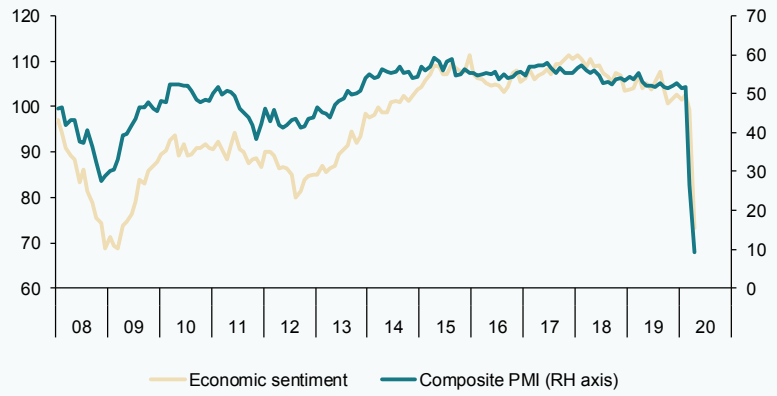


Sources: INE, AENA and Markit Economics.

Exhibit 3

Overall economic activity

Indexed



Sources: European Commission and Markit Economics.

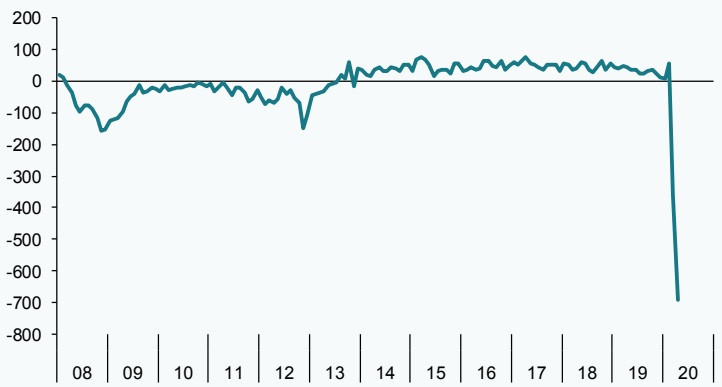
the government sponsored furlough scheme (ERTEs for its acronym in Spanish) amounted to 3.3 million. There is no doubt that this scheme has proved most helpful in containing job losses, for now.

The national accounts for the first quarter of the year, while still provisional and subject to potentially significant revision, evidence the scale of the impact of COVID-19, even though the pandemic only affected the last three

Exhibit 4

Social Security contributors

Monthly increase in '000 (SCA data)

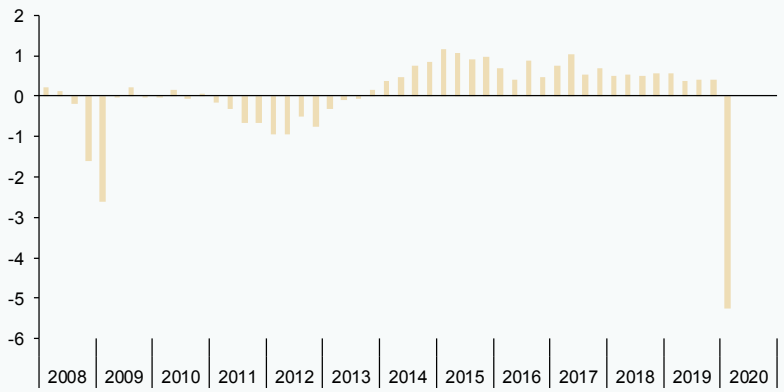


Source: Spanish Ministry of Inclusion, Social Security and Migration.

Exhibit 5

GDP

Quarter-on-quarter rate of growth



Source: INE.

weeks of the reporting period. GDP contracted by 5.2% compared to the previous quarter, the biggest drop in the series (Exhibit 5). This was marked by unprecedented declines in all components of demand, with the exception of public expenditure, the only item to register growth. On the supply side, the worst hit sectors were retail, hospitality and transportation, the arts and leisure activities, followed by construction and, lastly, manufacturing. Nevertheless, the full economic impact of the health crisis will not be apparent until the second-quarter figures are released.

The global economy is also reeling from the effects of COVID-19. China's GDP contracted by 6.8% in the first quarter. Preliminary estimates for the eurozone put the first-quarter decline in GDP at 3.8%. In the US, the contraction was less pronounced –at 1.2%– as widespread transmission and the corresponding shelter-in-place measures came somewhat later than in Europe; however, leading indicators, such as jobless claims have risen to unprecedented levels, foreshadowing an economic impact as severe as other developed economies.

Commodity prices have collapsed and stress has returned to the financial markets. In terms of the latter, a sharp correction in share prices has occurred, volatility is on the rise, risk premiums are spiking and capital is being withdrawn from emerging markets. Nearly every country has imposed lockdown measures, border closures and economic restrictions. Governmental economic policy responses have generally been targeted at propping up the income of affected workers

> "The external environment is strongly unfavourable, with preliminary estimates for the eurozone pointing to a first-quarter decline in GDP of 3.8%."

> “Spain’s economy is expected to contract by 8.4% this year and is not expected to return to pre-crisis GDP levels until 2023.”

and providing businesses with liquidity, while the central banks have been rolling out liquidity measures in sizeable quantities.

Estimated impact by sector and for the Spanish economy as a whole

Our forecasts are underpinned by these trends and assume that the lockdown will last until mid-May, a few weeks longer than our March estimates. In addition, the easing of the lockdown measures will be slower than initially anticipated, which will have a particularly adverse impact on the sectors more dependent on mobility. The numbers also factor in the emergency measures announced by the Spanish government in March, since expanded to include new initiatives designed to keep businesses afloat until the lockdown is over. Lastly, we assume that the recession will not spill over to the financial sector; specifically, we assume that the ECB’s efforts to contain sovereign risk premiums will be successful (if these assumptions do not hold, the impact would be much worse, as we will outline later).

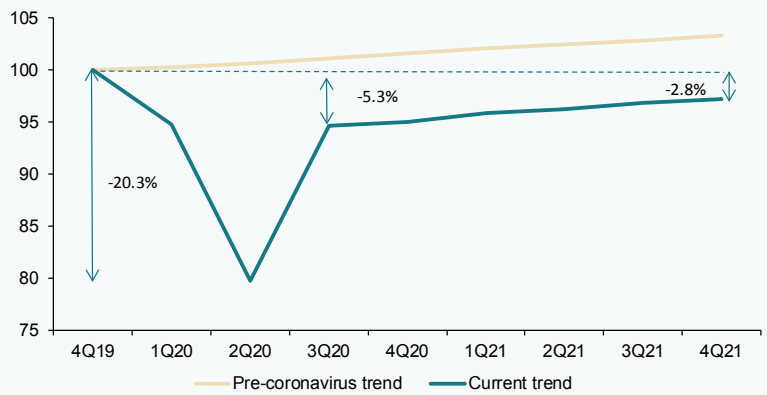
With those assumptions in mind, we estimate that the Spanish economy will sustain an unprecedented contraction during the first half of the year and embark on a recovery from the third quarter, as the lockdown measures are gradually rolled back (Exhibit 6). Despite a rebound in the second half of the year, the economy will contract by 8.4% in 2020 as a whole. The recovery is expected to last for all of 2021, although by the end of that year the economy will not have made up all the ground lost as a result of the Great Lockdown. We forecast that Spain will not return to pre-crisis GDP levels until 2023.

These estimates are based on a simulation of the possible impact of the economic

Exhibit 6

GDP

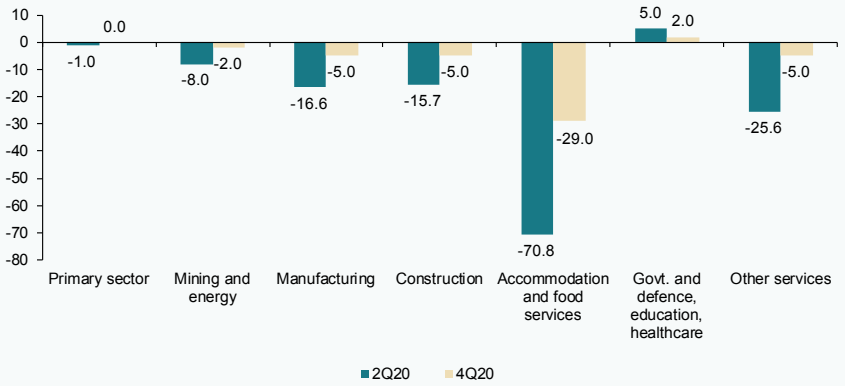
4Q19 = 100



Source: Spanish Ministry of Inclusion, Social Security and Migration.

Exhibit 7 **Change in GVA post-coronavirus, by sector**

GVA in the second and fourth quarters of 2020, compared to the fourth quarter of 2019, in %



Source: Funcas' forecasts.

restrictions on each sector of the economy, and their performance once the restrictions are eased. The assumptions regarding the impact of the lockdown on each sector during the state of emergency and, including each sector's subsequent performance, are necessarily arbitrary; however, they are deemed plausible in light of observations in the Asian economies that were hit by the coronavirus earlier. The results, aggregated into seven major sector categories, are provided in Exhibit 7. [1]

The only sectors expected to end the year with a similar level of GDP prior to the COVID-19 crisis are the primary sector, the mining and energy industries, healthcare and education. Accommodation and food services will be the hardest hit: GDP in those sectors is expected to be 29% lower year-on-year at the end of 2020.

The shock will also be severe on the demand side. Households will cut back on spending due to the lockdown restrictions, erosion of their disposable income and an increase in precautionary savings, a phenomenon also observed during the 2009 crisis. [2] We estimate that the household savings rate will rise to 14.3% of gross disposable income, topping the peak reached during the financial crisis.

The impact on investment will be even more significant. This is due to the paralysis of economic activity, a downturn in business expectations, and an environment of tremendous uncertainty. The purchase of capital goods is expected to suffer disproportionately, registering an unparalleled contraction. In total, domestic demand is expected to subtract over seven percentage points from GDP.

> "The household savings rate is expected to rise to 14.3% of gross disposable income, topping the peak reached during the financial crisis."

Exports, meanwhile, will suffer from the collapse in the global economy. According to the WTO, global trade will contract by 13% this year (a figure that could be multiplied by a factor of almost three depending on the duration of the pandemic and the persistence of trade barriers). Sales of Spanish goods overseas may fare a little better. However, tourism receipts are on course to register an unprecedented plunge, offsetting the less adverse trend in exports in other sectors. Imports are also set to fall, in line with the forecast for internal demand. However, the external sector as a whole is expected to make a small positive contribution to GDP.

The positive contribution by foreign trade will be tangible in the country's net lending position, which will remain in significant surplus, higher than that recorded in 2019. The drop in the energy bill as a result of the collapse in oil prices will be a contributing factor. The forecasts assume that oil prices (per barrel of Brent) will firm from $30 in March to $45 by the end of the year.

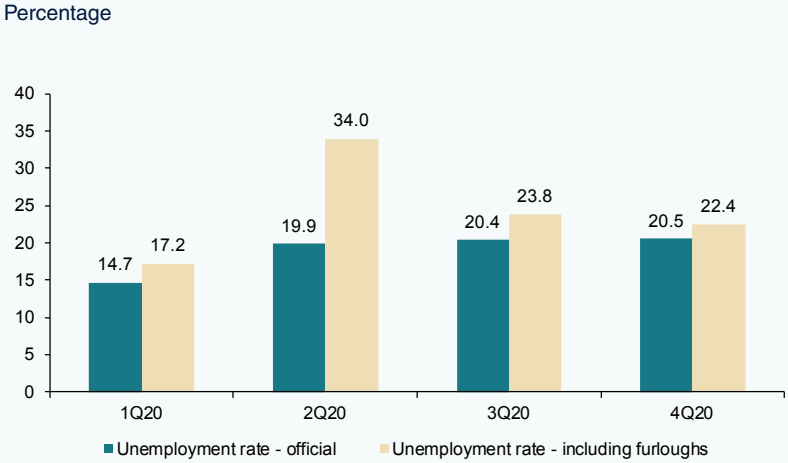
The drop in energy prices, coupled with the recession, is expected to lead to stagnation in consumer prices and a decline in the GDP deflator. The terms of trade will thus improve, one of the few bright spots in this set of projections.

We estimate that job losses will reach 900,000 on average in 2020. If we layer in the jobs affected by the government-sponsored furlough scheme (ERTE), the impact on average annual employment rises to 2.3 million (in terms of full-time equivalents). For the purposes of Spain's official records (national accounts and the labour force survey), the people affected by the scheme are considered occupied and are not included in the unemployment rate. Unemployment is expected to rise to close to 19% on average in 2020 and fall back to 17% in 2021. If the employees affected by the furlough schemes were recorded as unemployed, the unemployment rate would rise to 24.4% (Exhibit 8).

The public deficit is set to widen significantly as a result of the recession and the mitigation measures rolled out in response to the coronavirus. Tax revenue could fall by 58.2 billion euros compared to 2019, while spending is expected to increase by 25.9 billion euros, putting the public deficit at 119.3 billion

Exhibit 8

Unemployment rate with and without furloughed employees

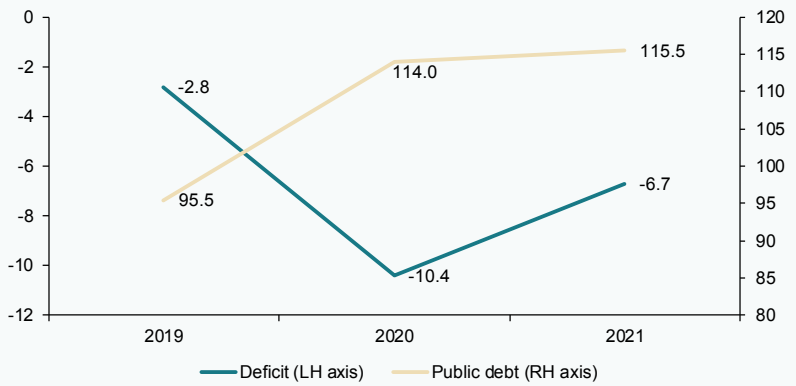


Source: Funcas' forecasts.

Exhibit 9

Deficit and public debt

% of GDP



Source: Funcas' forecasts and Bank of Spain.

euros (compared to 32.9 billion euros in 2019), or over 10% of GDP. Driven by the subsequent recovery, the deficit could ease to 6.7% in 2021, which would leave debt at close to 115% of GDP, 20 percentage points above the pre-crisis level (Exhibit 9).

Key role of economic policy

These estimates are framed by an uncommon degree of uncertainty, most notably on account of the fact that we do not know how long the pandemic and its international transmission will last. Furthermore, it is unclear how effective the economic policy response will prove.

Firstly, the Spanish economy's ability to rebound will depend largely on the success of the measures aimed at curtailing the closure of businesses. The reduction in the number of businesses registered with the Social Security Administration in March –almost 100,000 (7.4% of total existing firms)– shows that this is one of the biggest risks facing Spain. The creation of a soft credit and government guarantee line totalling 100 billion euros is a step in the right direction, although small by comparison with the measures being rolled out in neighbouring economies (Exhibit 10). The loan guarantees and moratoriums, while substantial, similarly fall in the bottom half of the ranking. Moreover, the aid being extended to SMEs and the self-employed consists primarily of guarantees and soft loans, whereas other countries are also providing direct subsidies or grants. Denmark, notably, is compensating its SMEs in proportion to the income lost as a result of COVID-19.

Elsewhere, the financial crisis has taught us that the maintenance of jobs at sustainable

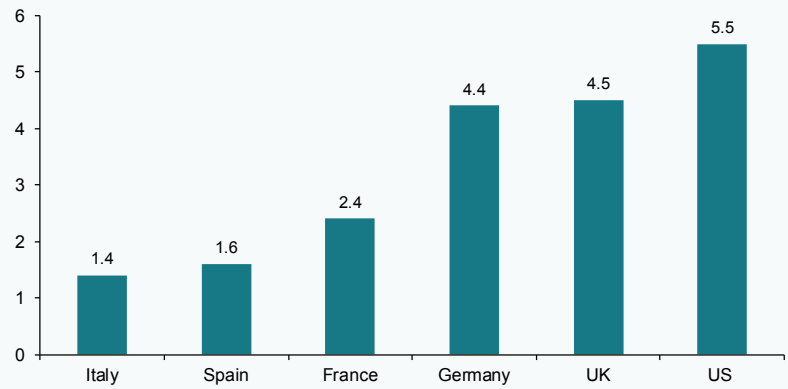
> "Driven by the subsequent recovery, the deficit could ease from over 10% in 2020 to 6.7% in 2021, which would leave public debt at close to 115% of GDP, 20 points above the pre-crisis level."

Exhibit 10

Funds earmarked to fiscal and liquidity measures

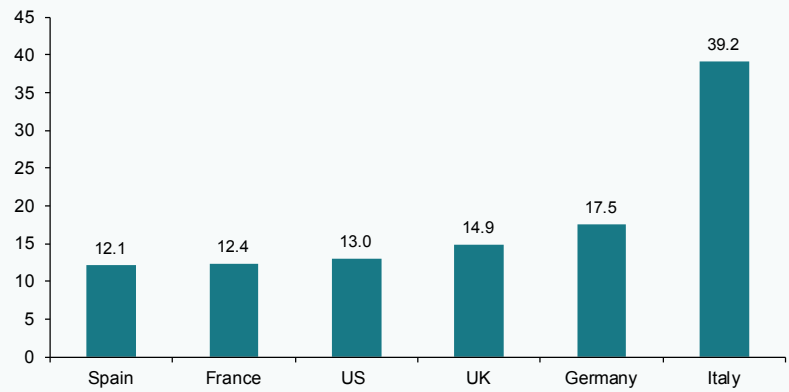
10.1. Fiscal stimulus (furloughs, subsidies for self-employed, *etc.*)

% of GDP



10.2. Liquidity measures (loans, guarantees and moratoriums)

% of GDP



Source: Funcas' forecast based on national sources.

enterprises can play an essential role as an automatic stabiliser. Against that backdrop, the sharp increase in the number of employees covered by the furlough schemes is a positive development in cushioning the impact of the crisis on employment. However, the Spanish job market is characterised by a high percentage of employees on short-term contracts who do not usually benefit from these schemes. In other countries, like Germany, the employment measures specifically cover these vulnerable groups, reducing the risk of long-term unemployment.

Lastly, policy effectiveness depends on the institutional capacity to implement the programmes in a rapid and well-targeted manner. The emergence of bottlenecks in the management of the measures, such as the loan guarantees and employment policies, could impede the flow of funds and trigger a slew of bankruptcies. Public servant job

> “Although Spain’s risk premium has widened, it remains at a manageable level thanks notably to the asset purchase programmes of the ECB.”

mobility, a common practice in the UK and South Korea, for example, can help alleviate such situations. In Spain, we are seeing the temporary redeployment of public servants in some sectors, such as healthcare, but not in others.

Importantly, the intensity of the recovery will also depend on the terms on which the Spanish Treasury can capture financing. According to its pre-crisis schedule, the Treasury was planning to issue around 10 billion euros a month in 2020 (to refinance and fund the public deficit, which was moderate at the time). However, issuance volumes need to be scaled up considerably to cover the deficit generated by the crisis and the private debt which the state will indirectly inherit as a result of its assumption of private sector liabilities.

For now, that financing has been locked-in thanks to several exceptional bond issues, covering the Treasury’s needs for the next few months. Moreover, the ECB has expanded its government bond repurchase activity, via its special pandemic programme (PEPP), while easing country issuer limits. Thus, although the country risk premium has widened by close to 150 basis points, it remains at a manageable level.

However, if policy is not successful in propping up the real economy and the risk premium were to soar, the scenario would shift significantly. An increase in the risk premium of over 400 basis points (to put it close to the level reached in 2011) coupled with a sharp increase in bankruptcies would drive an economic contraction of 12.5% and push unemployment to 24%, 4.1 and 5.2 percentage points higher than our baseline scenario for 2020, respectively. In 2021, the gap would widen even further (Exhibit 11). That scenario of heightened uncertainty

Exhibit 11 **Baseline scenario compared to risk scenario**

11.1. GDP growth

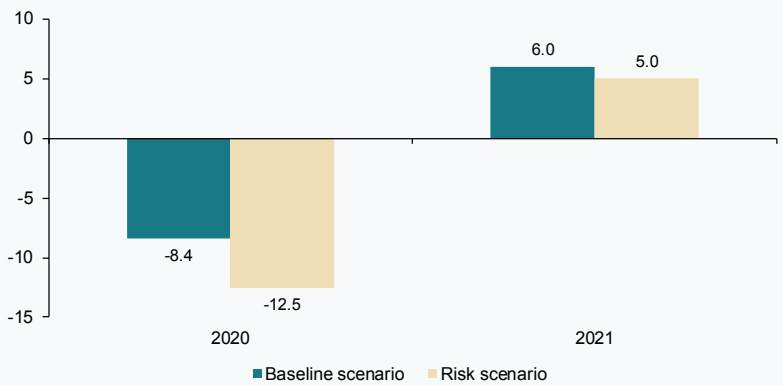
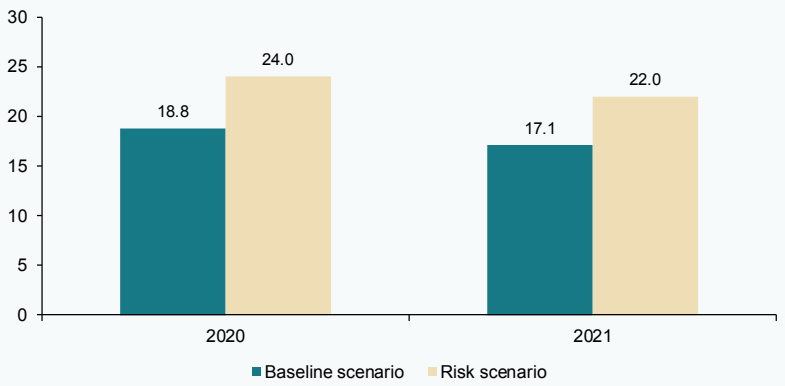


Exhibit 11

Baseline scenario compared to risk scenario

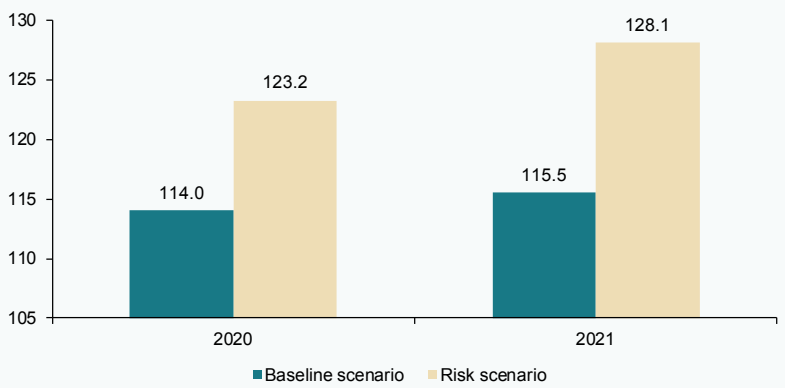
11.2. Unemployment rate

(Continued)



11.3. Public debt

% of GDP



Source: Funcas' forecasts.

would also imply a considerable risk of financial sector contagion.

In short, current circumstances mean Spanish economic policy faces a dual challenge. Firstly, it needs to take decisive action, underpinned by well-designed policies, to position the economy for a rebound as the lockdown is rolled back. Secondly, it needs to secure financing on reasonable terms in order to limit the risk of financial crisis. Unfortunately, the first initiative puts strong upward pressure on the public deficit, complicating the second task, which is financing the deficit, while keeping the risk premium under control. A tension which will have to be managed carefully over the coming months.

Notes

[1] For the purpose of these estimates, the various sectors' activity is measured in terms of gross value added (GVA), which is a very close proxy for GDP.

[2] As for household consumption, we conducted a similar simulation exercise to project the trend in expenditure on each of the categories included in the Household Budget Survey, using the contraction sustained in each expenditure category during the 2009 recession as our reference for the likely trend after the lockdown.

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

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Official financing aid in response to COVID-19: Timeliness and sufficiency

In contrast with the US, the state support measures adopted in Spain and the EU have mainly taken the form of credit guarantees and liquidity support rather than direct aid. While there is still scope to expand these support mechanisms, there is a growing sense that the EU's uneven response will result in an asymmetric recovery across member states.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: Financing policies are essential in the context of a public health pandemic that results in the paralysis of economic activity. However, the effectiveness of these policies will hinge on the duration of lockdown measures as well as the timely and effective disbursement of funds to the real economy. At present, the forcefulness and direct nature of US policy contrasts with the uneven and issue-ridden nature of the European response to the COVID-19 crisis, which could lead to greater divergence within Europe. EU member states have issued aid primarily in the form of state guarantees for loans provided by banks to companies facing difficulties. In Spain, 200 billion euros has been earmarked for public-private financing schemes, but the roll out has been gradual. While state guarantees are expected to cushion the effect of a rise in NPLs, there will be a time lag. In the EU, aid

has also been mostly directed at stimulating bank lending, with the ECB having stepped up its buyback programme. Having rejected the idea of 'coronabonds', the EU is expected to announce a new reconstruction fund later this year. However, looking forward, it is possible that the bloc's uneven response will result in an asymmetric recovery across the EU.

Introduction: Tackling a 'COVID-crunch'

Although it is hard to compare the COVID-19 crisis with the financial crisis of just over a decade ago, the transmission effect is common to both. In a globalised market, the transmission of risks is swift; a short circuit in one place can have highly adverse ripple effects in others. Nevertheless, the COVID-19 crisis is a new phenomenon, without precedent in terms of its scale and the constraints it imposes on the broader economy. The measures required to deal with the health problems imply major economic restrictions such as lockdowns and social distancing. The international experience to date shows that the extent of those constraints depends on how quickly a country responds and its technological readiness. COVID-19 infection and mortality rates have been far more limited in those countries where higher volumes of resources were put to work to detect and control outbreaks. However, most governments still adopted varying degrees of lockdown measures. The effects of these measures will largely depend on those financial policies introduced to mitigate and overcome the effects of this crisis, with specific focus on actions that prevent a credit crunch, or in this instance, a 'COVID-crunch'.

Lockdown is equivalent to a heart attack or induced coma for the economy. If it lasts too long, the aftereffects could be significant. In a country like Spain, there are numerous businesses and households unable to carry out their normal activities remotely or online. As a result, many have lost their jobs or been placed on furlough. It is vital that the economy receives the financing it needs to transition from the pre-COVID-19 situation to the post-COVID-19 paradigm. The effectiveness of any such financing is conditional upon two factors:

1) The duration of the lockdown measures; and,

2) The timely and effective disbursement of financing to the real economy.

In the US, the reaction has been somewhat comparable to the policy response during the last financial crisis. Although the effectiveness of US measures to contain the virus has been and remains a matter of debate, the economic policy reaction was swift. The initial injection of $2.2 trillion in March, a programme which the federal government subsequently increased to $3 trillion at the end of April, is equivalent to 13.6% of US GDP. The money has been earmarked to help companies, provide funds to overwhelmed medical service providers and aid for families in need. Specific measures include the provision of $350 billion in loans for small companies and $250 billion to supplement unemployment insurance. Every household with an annual income of under $75,000 has received $1,200 directly, plus $500 for every minor under the age of 17 in their care. Those measures were supported by a new expansionary shift in the Federal Reserve's monetary policy, which included benchmark rate cuts to between 0%-0.25% and the roll out a $700 billion asset buyback plan.

The forcefulness and direct nature of the US intervention contrasts with the uneven and issue-ridden nature of the European response to the crisis. The European limitations have constrained the intervention of member state governments and, to a lesser degree, the ECB's response. In this article, we provide

> "The US government has injected the equivalent of 13.6% of US GDP into the economy."

> "Spain's six largest banks have already recognized loan-loss provisions related to COVID-19 of around 6 billion euros, resulting in an aggregate first-quarter loss of 1.05 billion euros."

an overview of the financial aid measures rolled out in Spain and in the EU and analyse their effectiveness. Note, however, that the unprecedented nature of this crisis means there is no established framework for this form of analytical assessment. The IMF has compared the economic policies in response to COVID-19 with those of a war economy (see Dell'Ariccia *et al.,* 2020). The IMF flags two dimensions for framing the financing issue:

- *The distinction between liquidity and solvency*. Economic policy should not be limited to liquidity measures that enable companies to service their payment obligations. Instead, it should also aim to reinforce, via public-private schemes, the solvency of businesses, regardless of their size. That is the only way to ensure businesses retain their ability to invest and fund themselves going forward. In short, economic policy should encourage a virtuous circle that cannot be broken.

- *Identifying the role of financing, liquidity and solvency for households, businesses of differing sizes and financial institutions*. For households, the most commonly deployed liquidity measures are the deferral of taxes and suspension of rent payments, while solvency measures include the expansion of unemployment insurance and benefits. For businesses, liquidity measures may include the deferral of loan or tax payments. They can also take the form of debt repurchases by central banks or the securitisation of their debt under public-private schemes. Policymakers can boost businesses' solvency through subsidies that support employment or offset the loss of sales. That being said, the most effective and direct measure is to inject equity, often in the form of profit-participating loans. As for the financial sector, liquidity initiatives tend to be restricted to central bank intervention, while on the solvency front, the supervisory authorities can consider easing capital requirements.

Importantly, the banks have an active role to play in this crisis by extending financing to alleviate the pressure COVID-19 places on businesses and households. The banks are far more solvent than they were at the onset of the 2008 crisis. The Spanish banks have decided that the best course of action is to recognise upfront the losses they expect to accrue as a result of COVID-19. Spain's six largest banks have already recognized loan-loss provisions related to COVID-19 of around 6 billion euros, resulting in an aggregate first-quarter loss of 1.05 billion euros. That strategy should allow them to move through this crisis in a realistic manner and with sufficient loss-absorbing buffers.

Measures approved in Spain and neighbouring European economies

Table 1 summarises the key actions taken by the governments of Spain, France, Germany and Italy to mitigate the financial effects of COVID-19. In most instances, the bulk of the aid consists of the provision of state guarantees for loans provided by banks to companies

> "Spain's Royal Decree-Law 8/2020 contemplates a guarantee scheme of up to 100 billion euros as collateral for loans by banks to businesses and self-employed individuals."

Table 1 **Financial aid in Spain, France, Germany and Italy in response to COVID-19**

	Spain	France	Germany	Italy
Mortgage relief	Yes, by law	No, but the Bank of France is pushing for private initiatives	No	Yes, by law
Public investment banking or equity investments	No	No	Yes, with 100 billion euros for direct recapitalisations	Not in general but Alitalia has been bailed out
Public guarantees for private credit	Yes, up to 100 billion euros via Spain's official credit institute, the ICO (with the banks expected to extend up to another 100 billion euros of credit)	Yes, up to 300 billion euros via the public vehicle BpiFrance	Yes, up to 400 billion euros, via the public vehicle KfW	Yes, up to 5 million euros per business (no overall cap)
Deferral of taxes	Yes	Yes, and some tax cuts	Yes, and easing of bankruptcy laws	Yes
Direct support scheme for businesses	No	No	Direct aid for the self-employed and SMEs	No
Unemployment benefits	Unemployment benefits and furlough scheme	Unemployment benefits	Unemployment benefits	Unemployment benefits

Notes: (1) The table emphasises the measures with a financial impact; there may be others of a social nature and additional coverage; and, (2) The table does not include aid in the form of recapitalisation measures authorised by the EU under the Temporary Framework for State Aid, which is analysed in the last section.

Source: Authors' own elaboration from central government announcements across the EU and the European Commission's public aid scoreboard.

facing difficulties. In those countries hit the hardest –Spain and Italy– the governments have also approved the suspension of mortgage payments for the most vulnerable households. In Germany, however, the government has opted to provide businesses with direct aid of as much as 100 billion euros to reinforce their solvency. Germany has also made bankruptcy laws more flexible and provided direct transfers to the self-employed and SMEs.

Spain's financing policies are primarily framed by Royal Decree-Law 8/2020 (March 17th, 2020) on urgent and extraordinary measures for combating the economic and social fallout from COVID-19. In its preamble, the legislation itemises a series of decisions designed to maintain financing flows as well as working capital and liquidity at normal levels "so that businesses and the self-employed can continue to pay their employees and suppliers". The legislation contemplates a guarantee scheme of up to 100 billion euros as collateral for loans by banks to businesses and self-employed individuals. The idea is that the banks, on the

“ The financial measures adopted in Spain reveal the budget restrictions imposed by the fiscal deficit and government debt. ”

basis of those guarantees, will extend up to 100 billion euros of additional financing. The measures also include 17 billion euros of “direct aid for the most vulnerable groups”. Most of that direct aid has to be articulated as a function of the needs of each line of action. Much of this aid will cover direct support for businesses to be borne by the Social Security Administration, Treasury and the State Employment Service. More specifically, it will cover a large part of the costs of the new furlough scheme, known as ERTE for its acronym in Spanish, and the expansion of unemployment benefits.

With respect to public-private support for financing, the legislation states that the “state credit scheme will cover the renewal of loans and new financing extended by credit institutions, specialised lending institutions, electronic money institutions and payment institutions to service [the recipients’] needs deriving, among other things, from invoice management, working capital requirements or other liquidity needs, including financial and tax payments that fall due, to facilitate the maintenance of jobs and mitigate the economic effects of COVID-19”.

Other measures that complement the business liquidity and solvency measures include the deferral for six months of Social Security payments, an extraordinary benefit for self-employed individuals unable to continue to work and ‘compulsory paid furlough’ for sectors whose activities were frozen or interrupted. Spain has also extended the deadlines for filing and paying quarterly tax returns (VAT, personal income tax and corporate tax instalments) for the self-employed and SMEs. As for households, utilities have been banned from cutting off water, electricity or gas supplies and social utility vouchers have been extended. In addition, employees who lose their jobs or a substantial portion of their income (at least 40%) and business owners whose sales collapse (falling more than 40%) are entitled to defer mortgage payments. Lastly, the legislation contemplates providing assistance with rent and evictions have been suspended for six months.

Measures approved by the EU and the ECB

The financial measures adopted in Spain reveal the budget restrictions imposed by the fiscal deficit and government debt. These restrictions make united action by the EU key. However, similar to last crisis, EU intervention has been haphazard. EU action can be divided into three categories: ECB measures; EU aid and financing for the present problems generated by COVID-19; and, the European post-pandemic reconstruction programme (and its financing), which includes economic revitalisation and structural reforms.

With very little room for additional rate cuts at the ECB, early March saw stock market valuations and sentiment collapse. The ECB’s initial reactions were somewhat contradictory and tentative. The central bank expanded its liquidity-injecting asset repurchasing programme by just 120 billion euros. However, on March 19th, it boosted those repurchases to 750 billion euros and introduced the necessary flexibility for their extension (as needed) until at least the end of 2020. The ECB dubbed its plan the Pandemic Emergency Purchase Programme, or PEPP. Adding in the previously contemplated repurchases, the ECB will buy back 1.1 trillion euros of assets by the end of this year and has said if warranted, it could further expand the programme.

It is also worth highlighting the decisions taken by the supervisory authorities to ease certain bank solvency standards. The Bank of Spain published new criteria for loans backed by public support measures on March

> “ SMEs stand to benefit from a 200 billion euro loan guarantee scheme with the support of the European Investment Bank (EIB). ”

20th, increasing flexibility with respect to the classification of certain exposures as non-performing. The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) made announcements in March and April easing certain accounting and provisioning criteria in relation to late payments. Significantly, regulators have provided banks with greater flexibility in terms of capital usage. Banks will be permitted to use existing reserves of 120 billion euros to absorb losses or to finance as much as 1.8 trillion euros. The authorities are giving full flexibility for loans backed by state guarantees. The Basel Committee on Banking Supervision issued recommendations for the temporary easing of the expected credit loss accounting criteria on April 2nd, while on April 6th the ECB temporarily relaxed the capital requirement for market risk. Spain's securities market regulator, the CNMV, had banned short selling until May 18th to prevent speculative trades that could further destabilise volatile stock markets.

Other more procedural measures have been taken to facilitate trading during lockdown, particularly in relation to payments. With the aim of reducing friction on payments of limited amounts, the EBA has given permission to ease identification standards for such transactions, temporarily eliminating the need for two-factor authentication (double ID check) on such payments.

Regarding EU measures to cushion the impact of COVID-19, the Eurogroup approved a 500 billion euro rescue package on April 10th. Firstly, governments can apply for a credit line of up to 240 billion euros under the European Stability Mechanism (ESM) mainly to support domestic financing of healthcare costs. Under the 'safety net for companies', SMEs stand to benefit from a 200 billion euro loan guarantee scheme with the support of the European Investment Bank (EIB). Lastly, the EU is setting up a 100 million euro fund for workers and the self-employed, which will deploy loans to those governments hardest hit by the COVID-19 crisis to help fund short-term work schemes.

The third leg –financial support for the reconstruction effort– is the current focus of European debate following the rejection of the so-called 'coronabonds', mutualised eurobonds to fund the actions taken by member states to fight COVID-19. Since then, the debate has shifted to the establishment of a post-coronavirus reconstruction fund. However, this fund is under ongoing assessment by the Eurogroup, which has yet to reach a consensus on its form. The size of the fund is not final, although there is talk of a sum of 1.5 trillion euros. Division is greatest with respect to how the aid should be dispersed and structured. Some call for direct subsidies (without repayment obligations) to be charged against the European budget. However, most countries have put their weight behind structuring the bulk of the money as loans. This leaves one remaining matter: what type of debt to issue? Although some countries including Spain had proposed the issuance of perpetual debt, it is more likely that the so-called core nations' view will ultimately prevail. This would result in long-dated paper with a set repayment date. The EU does not expect to reach a decision until later this year.

An overview of the various financial measures in Spain and Europe is summarised in the appendix of this article.

Banking sector: Situation and outlook

In evaluating the state of the banking sector in Spain, it is important to note that the last financial crisis is not comparable in many respects. The COVID-19 crisis does not involve some of the constraints that undermined long-term growth and employment during

> “The COVID-19 crisis does not involve some of the constraints that undermined long-term growth and employment during the previous crisis.”

the previous crisis such as the bursting of the real estate bubble, the rapid build-up of debt in the run-up to the crisis and impaired asset quality. With respect to asset quality, the last crisis demonstrated the need for quick intervention. As far as the banking sector is concerned, the creation of financing mechanisms with state guarantees could counteract the credit shock and cushion the rise in non-performance at both the banks and businesses, to the extent the latter can continue to finance their working capital or secure temporary financing to ‘bridge the gap’. As noted earlier, the Spanish banks have opted to take a ‘realistic’ stance upfront, already provisioning sizeable amounts of expected losses in their first-quarter results.

Before the last financial crisis, the non-performing loan ratio in Spain was under 1%. However, it quickly surged to 8% during the first wave of the crisis, topping 13% as a result of the medium-term effects of the second wave, when country risk premiums soared (Exhibit 1). Since then, non-performance has come down significantly, ending 2019 at 4.78% (edging slightly higher to 4.82% in January 2020). The trend in non-performance has varied significantly by sector in recent years. The crisis revealed a credit quality problem that was primarily concentrated in the real estate sector, particularly with developer loans. The weight of the construction industry drove the ratio of non-performance in loans to productive activities to reach over 20% in 2013 (a figure which has returned to 5.53% as of December 2019). Although mortgage non-performance increased, it peaked at barely above 6% in 2013 and had fallen back to 3.27% by year-end 2019. Non-performance in consumer credit, albeit less significant in absolute terms, peaked at close to 10% in early 2014. Although that ratio had decreased to 4.59% by December 2019, this

Exhibit 1

NPL ratio in Spain: March 2007 - Jan 2020

Percentage

Sources: Bank of Spain and authors’ own elaboration.

> The NPL ratio fell to 4.68% at the end of 2019, rising slightly higher to 4.82% in January 2020.

is likely to be the category with the most precarious credit quality over the near term.

In light of the current circumstances, it is expected that the non-performance ratio will increase significantly from the second quarter of the year. It is conceivable, at least initially, that non-performance in consumer credit will rise, but the more significant effects will be felt in corporate lending. Although the extraordinary injection of credit secured by state guarantees will increase the numerator (total volume of credit), the volume of ordinary new transactions is likely to fall. Additionally, the guarantees will cover any increase in non-performance from new credit extended as the state will absorb up to 80% of such exposure. That will help cushion the impact on non-performance, albeit with a time lag, particularly at the end of 2020 and in 2021 (although by the second half of next year, the NPL ratio should start to trend lower as the Spanish economy begins to grow again).

Assessment of the rescue effort

The financial measures approved by the Spanish government and the European authorities constitute a sizeable effort to mitigate the loss of liquidity and solvency caused by COVID-19. However, taken as a whole, or in comparison with those rolled out in other jurisdictions, such as the US, certain potential shortcomings emerge. There are also additional aspects that could be addressed without having to expand the scope of the existing legal framework:

- *Uneven application*. Both Spain and the EU have introduced gradual measures, which could be insufficient to tackle the urgency and depth of the problem. Implementation has also been too gradual and indirect, *e.g.*, the state credit guarantee lines are being rolled out in tranches of 20 billion euros or less. Moreover, the aid extended in Spain and other Southern European countries as a percentage of GDP is low by comparison with other countries, such as Germany, making it highly likely that the exit from this crisis and the ultimate impact on the various banking sectors will be asymmetric.

- *Financing or direct injections?* Confined by budget constraints and a lack of decisiveness and cohesion at the European level, most of the aid, at least at the corporate level, is being issued in the form of credit. Consequently, there is a risk that the money will fail to flow to where it is needed in the economy, or that it will arrive too late.

- *Insufficiently tapped solvency options*. The self-employed and SMEs, which make up a significant proportion of the Spanish and European private sector, are perhaps the most financially vulnerable in the current context. Some highly strategic large companies (*e.g.,* hotels, airlines) may require solvency support in addition to liquidity. Mixed financing schemes, currently rare, which imply short-term support in the form of guaranteed credit plus capital injections for a longer-term solution, make increasing

> Aid extended in Southern EU states as a percentage of GDP is low compared to countries such as Germany, making it highly likely that the exit from this crisis and the ultimate impact on national banking sectors will be asymmetric.

“ The countries with stronger Treasuries will do a better job reaching their companies, which could weaken the Single Market and entrench existing competitive imbalances. ”

sense in this environment. Access to some of the public financing programmes is only possible if applicants can present minimum solvency thresholds in order to hedge risk and avoid bankruptcies. The EU has authorised a Temporary Framework for State Aid to allow national governments to temporarily reinforce the solvency of applicants, possibly without paying enough attention to the potential asymmetry down the line, which could benefit certain countries relative to others. Germany is making intense use of the relaxed rules through its direct business recapitalisation programme structured via KfW, a further example of how asymmetries between European nations could be accentuated post-coronavirus. The countries with stronger Treasuries will do a better job reaching their companies, which could weaken the Single Market and entrench existing competitive imbalances. We already saw this occur in the 2008 financial crisis when some European countries took greater advantage of the previous Temporary Framework for State Aid to recapitalise their banks at the onset of the crisis.

- *Greater reliance on securitisation*. An innovative way of turning vulnerable businesses' short-term debt into long-term paper would be to use securitisation techniques so that the ECB can cushion the impact of the liquidity crisis on these companies. One possibility would be for suppliers to obtain liquidity by securitising their current receivables (recognised in the form of bills of exchange, for example) from a financial institution with public backing (the ICO in Spain or the European Investment Bank, for example). These institutions would bundle tens of thousands of similar securities to create asset-backed securities (ABSs), which could then be used as collateral to obtain long-term liquidity from the ECB. Note that countries such as Italy and France have used these liquidity schemes for their companies on different occasions in recent years without any legal impediment or public resistance from supervisors.

All of the measures implemented –and those that may follow– will be evaluated in time not just on their structural form, but on the effectiveness and timeliness of their actual application. Given that the main sources of uncertainty –how long the pandemic will last and whether there will be fresh outbreaks– persist, it would be advisable to set up more flexible contingency plans to pre-empt in the future the improvisation seen during the current COVID-19 crisis.

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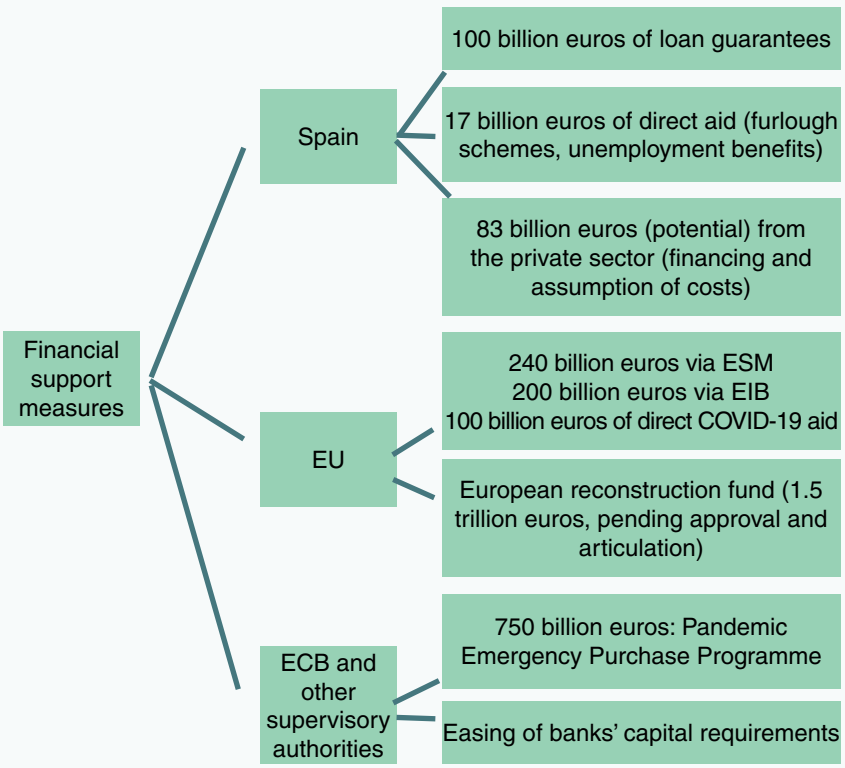
Santiago Carbó Valverde. CUNEF, Bangor University and Funcas

Francisco Rodríguez Fernández. University of Granada and Funcas

Appendix

Financial support measures in Spain and the EU in response to COVID-19



Source: Authors' own elaboration.

Capital and liquidity relief in response to COVID-19: Implications for the Spanish banks

The economic constraints associated with the COVID-19 crisis have prompted regulatory and supervisory authorities to provide Spanish banks with 'relief'. In particular, the temporary release of capital and liquidity buffers, flexibility regarding asset impairment losses, and the expansion of eligible assets as collateral for liquidity auctions will have varying implication for the Spanish banking sector.

Marta Alberni, María Rodríguez and Fernando Rojas

Abstract: Regulatory and supervisory authorities have adopted temporary measures to shore up banks in advance of the expected rise in defaults and in recognition of their key role in the transmission mechanism for financial aid. Banks will be able to operate below the capital conservation buffer (CCB), the Pillar 2 Guidance, and liquidity coverage ratio. In Spain, the sum of the CCB and average Pillar 2 Guidance would release around 58 billion euros for the Spanish banking system. Regulators have also relaxed collateral measures, such as lowering the minimum size threshold for domestic credit claims from 25,000 euros to zero. This will provide liquidity to support additional measures, such

> Banks will be allowed to temporarily operate below the level of capital defined by the capital conservation buffer (CCB), the Pillar 2 Guidance (P2G) and the liquidity coverage ratio (LCR).

as public guarantees used to ensure credit flows to SMEs and the self-employed, which is especially important in Spain given that SMEs account for over 99.9% of all companies. Additionally, the ECB's decision to accept less than investment grade debt is significant given the potential for ratings downgrades and the fact that sovereign debt accounts for approximately 10% of the Spanish banks' total assets. However, since Spanish banks are predominately retail focused, regulatory loosening that targets market risk and volatility in financial markets will have less of an effect on the industry.

Introduction

The intense economic crisis triggered by policies designed to halt the spread of COVID-19 places Spain's banks in the eye of the storm. Banks are the main sector affected by the chain of defaults resulting from the economic restrictions adopted in response to the pandemic. Additionally, banks are the chief transmission mechanism for channelling the financial aid, mainly in the form of guarantees, being rolled out by the authorities to prevent the collapse of a large number of businesses, particularly SMEs and the self-employed.

In light of that dichotomy, the regulatory and supervisory authorities have conceded considerable relief in terms of capital requirements and the accounting treatment of the adverse effects on the economic cycle and on banks' credit risk. Although this relief is highly targeted, authorities have signalled that it will be of a limited duration.

Capital and liquidity relief

Against that backdrop, the European Central Bank's Single Supervisory Mechanism announced on March 12th temporary capital requirements relief for all banks under its supervision. Specifically, banks will be allowed to temporarily operate below the level of capital defined by the capital conservation buffer (CCB), the Pillar 2 Guidance (P2G) and the liquidity coverage ratio (LCR). In addition, the authorities have recommended deactivating the countercyclical capital buffer in the countries in which it had been activated. Notably, this had not been activated in Spain. As well, the ECB will allow banks to issue Additional Tier 1 (CoCo) and Tier 2 instruments (subordinated bonds) to help them meet their Pillar 2 Requirements (P2R).

Similarly, both the ECB and the EBA have sought to alleviate the operational aspects of banks' regulatory obligations. The supervisors have rescheduled on-site inspections and the implementation of remediation actions as well as postponed the 2020 stress tests and resulting recapitalisations.

By announcing these measures in the early stages of the COVID-19 crisis, the European supervisor has attempted to give the banks considerable flexibility and the ability to respond to potentially highly adverse scenarios without damaging their solvency and, by extension, their ability to fund the real economy.

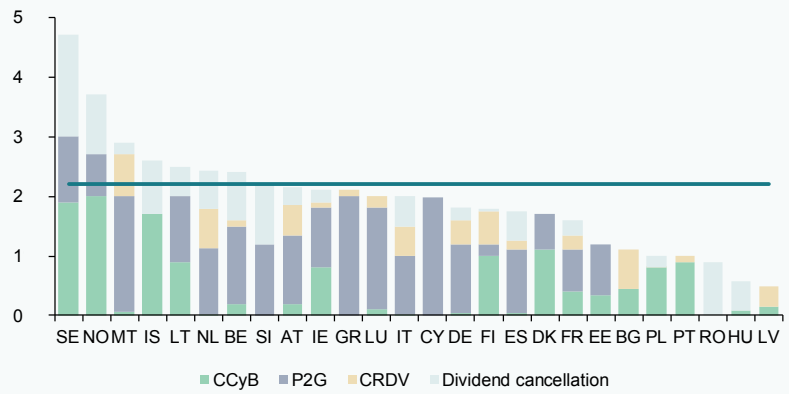
In exchange for this relief, by way of a *quid pro quo,* the European supervisor has urged the

> The capital relief granted by the ECB could represent a release in terms of CET 1 capital of 2.2 percentage points.

Exhibit 1

Estimated capital relief (without considering the CCB)

Percentage



Source: Afi, ECB.

banks to refrain from using breathing room provided by these measures to pay dividends for 2019 or engage in share buy backs. The only exception contemplated relates to banks that are legally obliged to pay dividends, *e.g.*, the dividends associated with participating shares in some cooperatives and dividends already ratified by shareholders in general meeting, which if not paid, could give rise to legal claims.

The goal of these measures is to create a significant capital buffer for absorbing potentially intense impairment losses without jeopardising the solvency of the European banking system. Based on the data published

Table 1

Estimated impact of the ECB measures on capital in Spain

Situation at the end of 2019:	
Computable equity (billion €):	226.1
Capital requirement without ECB exemptions	14.4%
ECB actions:	
P2G	1.5%
CCB	2.5%
Total capital relief in points	4.0%
Total capital relief (billion €)	58.2

Note: Estimates made on the basis of total RWA volumes for the main banks at year-end 2019 (~1.45 trillion euros).

Source: Afi.

> “The sum of the CCB and the average Pillar 2 Guidance (P2G) requirement reduces Spanish banks’ capital requirement by 4% on average, releasing total capital of approximately 58 billion euros for the Spanish banking system as a whole.”

by the EBA, we estimate that the capital relief granted by the ECB could represent a release in terms of CET 1 capital of 2.2 percentage points, albeit varying widely from one country to the next, as shown in Exhibit 1. Notably, this is without considering the use of the CCB, which implies considerable restrictions on the payment of dividends and CoCo coupons not only in the current year but also in subsequent years in order to replenish it.

On the basis of these preliminary estimates, we ran the numbers for Spain, layering in the ability to use the CCB in full, despite restrictions on future dividend payments until that buffer is replenished.

As shown in Table 1, the sum of the CCB and the average Pillar 2 Guidance (P2G) requirement reduces the banks’ capital requirement by 4% on average, releasing total capital of approximately 58 billion euros for the Spanish banking system as a whole.

That release of capital will serve as a line of defence for absorbing the potential asset impairment losses generated by the crisis. The total volume of capital released (58.2 billion euros) represents a truly sizeable percentage (nearly 15%) of the total stock of credit extended to the real economy. This creates a significant safety buffer, especially given the flexibility in accounting for non-performance, which will allow the banks to spread out the impact of their impairment losses, thanks to the non-application of excessively pro-cyclical assumptions in particular.

In addition to the capital requirement relief measures, the European regulatory authorities have eased the criteria for accounting for asset impairment losses with the aim of cushioning the impact of this presumably temporary crisis. Those measures were announced by the SSM and EBA and later echoed by the Bank of Spain. The actions taken can be summarised as follows:

- Exposures covered by legally imposed payment moratoriums related to COVID-19 will not be classified as non-performing.
- Provisions for debtors classified as unlikely to pay and who qualify for government guarantees will benefit from the preferential treatment provided in the Guidance for NPLs.
- The ECB has provided the banks with guidance on the use of forecasts to avoid excessively procyclical assumptions in expected credit loss (ECL) estimations in their IFRS 9 accounting practices.

Notwithstanding the accounting flexibility permitted by the European regulators, the

> “Banks have taken a very prudent approach in their first-quarter 2020 earnings presentations, recognising provisions that are far in excess of those corresponding to a literal interpretation of the accounting standard.”

banks have taken a very prudent approach in their first-quarter 2020 earnings presentations, recognising provisions that are far in excess of those corresponding to a literal interpretation of the accounting standard. By way of illustration, the Spanish banks that have reported first-quarter earnings to date have recognised provisions that more than double the average quarterly asset impairment allowances in 2019. Given that the actual increase in non-performance has been significantly lower so far, the evidence suggests that the banks are prudently anticipating far more adverse future scenarios.

Collateral easing measures

To further complement the capital relief and accounting flexibility measures, the ECB has also rolled out a package of measures designed to facilitate access to liquidity, significantly expanding the range of credit claims that can be used by the banks as collateral for the ECB's liquidity providing operations, subject to the corresponding valuation haircuts (which have been reduced). The ECB has also lowered the credit rating threshold for eligible government debt assets to below investment grade (below BBB-, *i.e.,* high-yield bonds).

In terms of eligible collateral, perhaps the measure of greatest relevance to Spain within the ECB's announcement of April 7th [1] is the lowering of the level of the minimum size threshold for domestic credit claims from 25,000 euros to zero to facilitate the mobilisation of SME/self-employed loans as collateral. Other measures include a temporary increase in the risk tolerance level of credit operations through a general reduction of collateral valuation haircuts by 20% and the introduction of a waiver for debt issued by Greece.

These measure will provide liquidity to support additional measures, such as public guarantees, introduced to ensure credit flows to the segments hit hardest by the crisis: SMEs and the self-employed. Spain's guarantee policy has been evolving in tandem with the measures targeted at SMEs. The first tranche of 20 billion euros was divided 50/50 between SMEs and the self-employed, on the one hand, and all other companies, on the other. The second tranche, also a 20 billion-euro line, was earmarked entirely for SMEs and the self-employed, a pattern expected to be repeated in upcoming tranches.

All of this is particularly important in Spain where, as shown in Table 2, SMEs account for over 99.9% of all companies and their contribution to GVA and jobs is above the European average.

Table 2 **Business landscape: Spain *vs.* EU (2018)**

Percentage

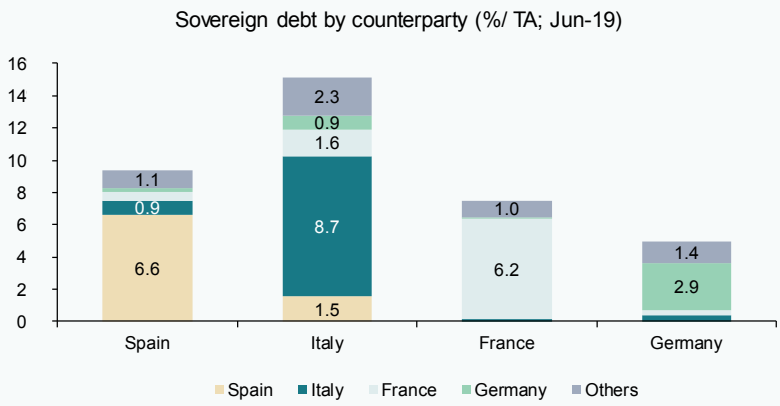
Segment	Number of firms		Employees		Gross Value Added		Productivity	
	Spain	EU-28	Spain	EU-28	Spain	EU-28	Spain	EU-28
	Weight	Weight	Weight	Weight	Weight	Weight	Weight	Weight
Micro	95.0	93.1	41.0	29.4	26.7	20.7	65.1	70.4
Small	4.3	5.8	18.3	20.0	17.7	17.8	96.7	89.0
Medium	0.6	0.9	13.2	17.0	17.9	18.3	135.6	107.6
SME	99.9	99.8	72.4	66.4	62.2	56.8	85.9	85.5
Large firms	0.1	0.1	27.6	27.6	37.8	43.2	137.0	156.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Afi.

Exhibit 2

Banking sector sovereign debt holdings over total assets

Percentage



Sources: ECB, EBA Transparency Exercise, *Afi.*

In addition to easing collateral requirements on April 22nd, the ECB announced it would accept debt rated at less than investment grade (below BBB- and down to BB for all assets and to BB+ for asset-backed securities), *i.e.,* high-yield bonds, as collateral. [2] Although this measure does not relate to government debt only, government debt makes up the most of the banks' fixed-income holdings, as shown in Exhibit 2. Sovereign debt accounts for approximately 10% of the Spanish banks' total assets (compared to 15.1% in Italy and lower percentages in Germany and France). The move is aimed at avoiding potential procyclical dynamics as a result of possible ratings downgrades, which during the last crisis impeded the use of the public debt of certain countries as collateral.

Moreover, the decision to accept high-yield government bonds as collateral aligns with the approval during the last week of April of a new liquidity programme, dubbed PELTRO (Pandemic Emergency Long-Term Refinancing Operations), to complement the traditional TLTRO programmes (aimed at stimulating bank lending to the real economy) and the weekly LTRO auctions.

This new programme, which has been designed without a specific credit transmission objective, unlike the TLTRO programme, is aimed at the repurchasing of banks' sovereign debt holdings with the goal of mitigating any widening in sovereign yields, together with other actions already taken by the ECB.

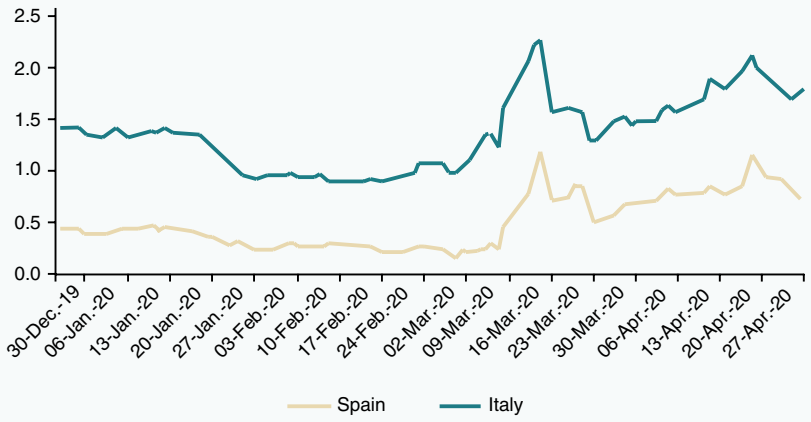
In addition to these measures aimed at providing relief for the banks, and related to the easing of ratings requirements for eligible sovereign bonds and use of the PELTRO programme, it is worth highlighting one last capital relief measure related to market risk requirements even though its impact on Spanish banks will be much lower due to their relatively low exposure to market risks

> "Spanish banks have a lower exposure to market risk on account of their markedly retail banking profiles."

Exhibit 3

10Y bond yields

Percentage



Source: Bloomberg, Afi.

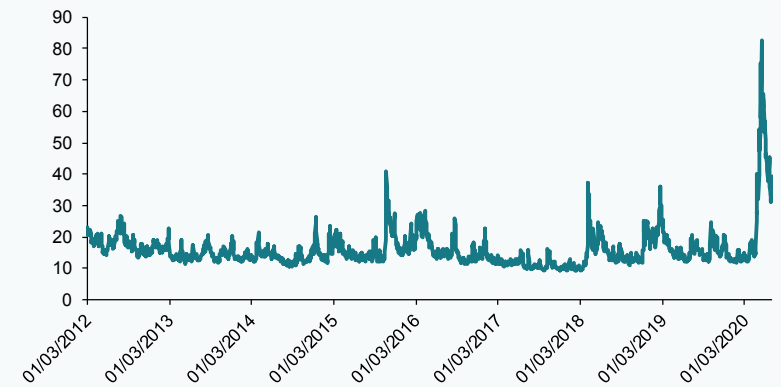
(on account of their markedly retail banking profiles).

Given the potential for error in those estimates, particularly in respect of correlations, the supervisor adds an incremental factor to capital that must be set aside for the market risk deriving from those quantitative estimates.

In the context of the COVID-19 crisis, the relief measure is intended to compensate for the fact that these quantitative estimates have

Exhibit 4

VIX index



Source: Bloomberg, Afi.

risen sharply, due to widespread volatility in all markets and higher correlations across assets.

As illustrated in Exhibits 3 and 4, the data on sovereign bond yields and volatility reveal a considerable increase in the correlation between assets, particularly in yields on peripheral sovereign bonds, while the index that measures market volatility –VIX– has multiplied by around four.

In that context, in which the quantitative estimation parameters point to readings that are much higher than deemed normal, it no longer makes sense to layer in a multiplier.

With this measure, the ECB is pursuing an additional objective: preventing disruption in segments of the financial markets in which the banks could be discouraged from participating as intermediaries and above all as market makers as a result of high associated capital requirements.

Notwithstanding the favourable effects of this measure on market operations, it is likely to have only a small effect on the Spanish banks, strongly oriented toward retail banking relative to market intervention, which means that their market risk accounts for a relatively low percentage of their risk-weighted assets.

Conclusion

As analysed in this paper, the raft of measures rolled out in Spain and Europe provide the banks with significant relief in terms of their capital and liquidity requirements, helping to mitigate the impact of this crisis and enabling them to play a meaningful role in lending financial support to the real economy. We believe, therefore, that the well-intentioned measures reflect an attempt to align the banks' requirements with the exceptional situation being navigated.

It is important to note that all of the measures are temporary in nature, in line with the expected transitory nature of the crisis in which we are engulfed. It would make sense, therefore, that the longer the effects of the crisis are felt, the longer the regulatory and accounting relief measures should be left in place.

Notes

[1] ECB announces package of temporary collateral easing measures - https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200407~2472a8ccda.en.html

[2] ECB takes steps to mitigate impact of possible ratings downgrades on collateral availability - https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200422_1~95e0f62a2b.en.html

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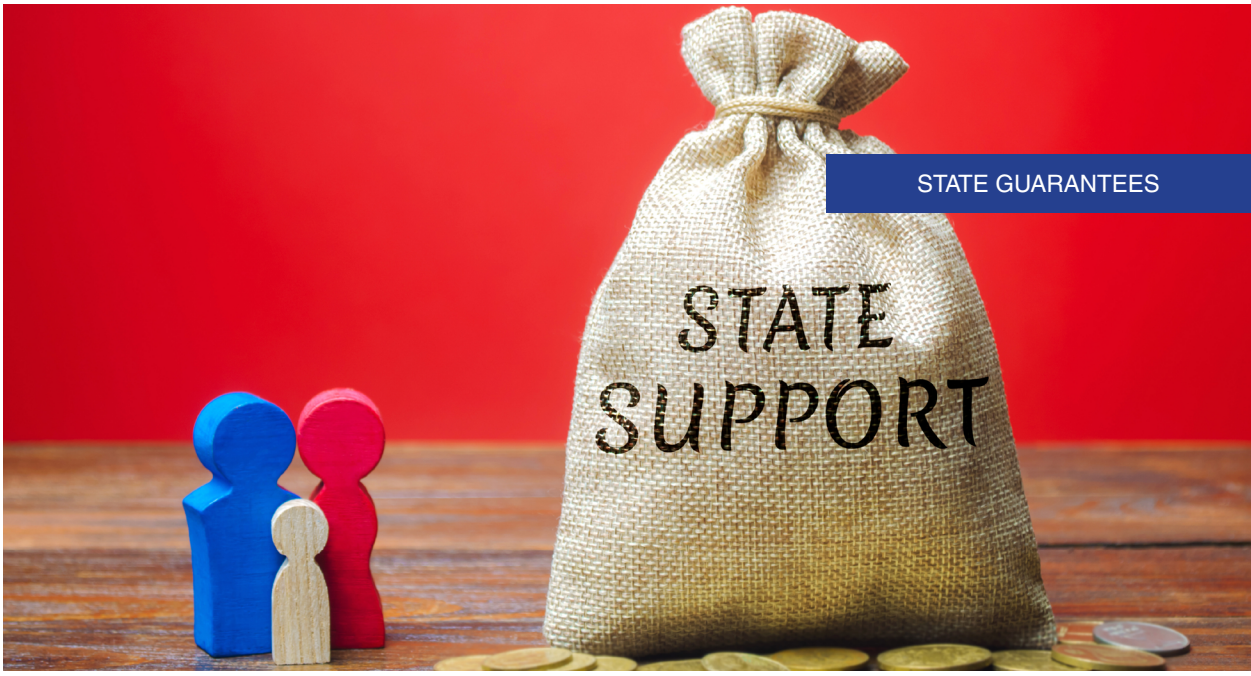


Assessing the range of government guarantees: State support for the MARF

The third tranche of Spain's government-backed guarantee scheme in response to COVID-19 will include the allocation of 4 billion euros to secure commercial paper issued on the alternative fixed-income market (MARF for its acronym in Spanish). The idea is to provide new stimulus for tapping the capital markets, helping to close the long-standing gap between Spain and the main European, as well as Anglo-Saxon, economies.

Angel Berges and Irene Peña

Abstract: The Spanish government has introduced a 100 billion euro guarantee scheme, dispersed across successive tranches that are being adjusted based on the experiences of previous disbursements. The first tranche (20 billion euros) was allocated evenly between SMEs (including the self-employed) and large enterprises, while the scheme's second tranche was earmarked in full to the SME segment (including self-employed individuals). Of the total guarantees extended as of early May, 66% had secured SME loans, while 34% supported large enterprise loans. A key novelty of the third tranche is the addition of 4 billion euros to underwrite fixed-income securities (commercial paper) issued by companies listed on Spain's alternative fixed-income exchange, the MARF. This initiative will be applicable to commercial paper with terms of maturity of up to 24 months. The

> The first two tranches involved a total of 40 billion euros of bank loan guarantees.

guarantees provided for commercial paper issued on the MARF have a maximum size of 70%, implying a leverage effect of 143%, such that 4 billion euros of guarantees could drive total commercial paper issuance of around 5.7 billion euros.

The tranche-based guarantee scheme: Smart evolution

The 100 billion euro guarantee scheme approved by the Spanish government is being dispersed in successive tranches, the characteristics of which are fine-tuned on the basis of the experience gained in prior tranches in order to align supply and demand.

The first two tranches involved a total of 40 billion euros of bank loan guarantees. However, these loans were structured differently in terms of the types of businesses they targeted.

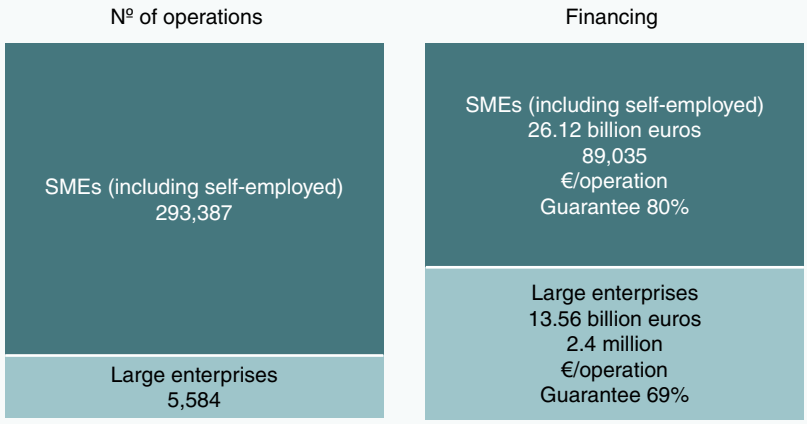
The first tranche (20 billion euros) was allocated evenly between SMEs (including the self-employed) and large enterprises. That 50/50 split mirrored the breakdown of the stock of bank loans outstanding at year-end 2019, composed of SME and large enterprise loans in equal amounts.

In fact, the original idea was to use that SME *vs*. large business loan product mix as of year-end 2019 (in the overall stock of outstanding loans and the various banks' presence in each of the segments) as the criteria for allocating the guarantees among the various banks.

That said, the criteria of outstanding balance of SME and large business loans could have been complemented by additional criteria. For instance, Spain's smallest companies are far more vulnerable financially and have fewer alternatives compared to their larger counterparts, which may warrant increased access to the guarantee scheme.

Exhibit 1

Guarantees extended in the first two tranches (as of May 6th, 2020): Breakdown between SMEs and the self-employed *versus* large enterprises



Source: Spanish Ministry of Economic Affairs and Digital Transformation (2020). [1]

> “Influenced by the fact that the balance of the first tranche allocated to the SMEs was consumed much faster, the scheme’s second tranche was earmarked in full to the SME segment (including self-employed individuals).”

While framed by a similar line of reasoning, and influenced by the fact that the balance of the first tranche allocated to the SMEs was consumed much faster, the scheme’s second tranche was earmarked in full to the SME segment (including self-employed individuals).

That reformulation of objectives for the second tranche has shaped an overall breakdown more in favour of the SME segment, as evident in the synopsis published by the Spanish government (Exhibit 1), summarizing the experience of those first two tranches. That experience has served to guide the disbursement of the third tranche, which we address later in this article.

Of the total guarantees extended as of the publication date of that synopsis, 66% had secured SME loans, while 34% supported large enterprise loans. In both segments, it is worth highlighting the high number of transactions guaranteed and the very low average size of the guarantees extended per transaction (89,000 euros in the SME and self-employed segment and 2.4 million euros in the large enterprise loan segment).

In both segments, the average amounts guaranteed suggest that businesses have used the loans to cover a few months of their working capital needs. This is especially likely for new loans as opposed to refinancing.

The small size per transaction may also signal a surplus demand relative to supply, prompting the banks to allocate the guarantees pro rata in an attempt to partially satisfy as many applicants as possible.

Regardless of whether this is the case, the speed at which businesses are requesting the guarantees (and banks are granting them) places pressure on the government to quickly activate the next tranches. Indeed, the government has already dispersed the third tranche and the next tranches will likely follow soon.

The portion of the third tranche earmarked to bank loan guarantees (20 million euros) has been equally allocated between SMEs and large enterprises. Although that might seem a step back with respect to the second tranche, it may reflect the speed of guarantee concession, which is unquestionably faster at the larger banks, as well as possibly the fact that those same banks have already used up their share of the guarantees. At any rate, if demand for the third tranche indicates the need to support smaller firms, the next tranches could be recalibrated to favour the SME segment once again.

The other key novelty, and the development on which we are going to focus, is the addition of 4 billion euros allocated to underwriting fixed-income securities (commercial paper) issued by companies listed on Spain’s alternative fixed-income exchange, the MARF.

This development could be a step towards incentivizing companies to step up their

> “Of the total guarantees extended as of early May, 66% had secured SME loans, while 34% supported large enterprise loans.”

presence in the securities markets, an area in which the Spanish financial system is lagging other advanced economies.

The MARF: History and development

The MARF was created in October 2013 to facilitate access to the fixed-income capital markets for medium-sized enterprise. Until its creation, businesses of that size faced notable obstacles in tapping the Spanish capital markets.

The creation of the MARF stemmed from the commitments assumed in July 2012 as part of the Memorandum of Understanding on financial sector policy conditionality. Specifically, article 27 stipulates: *Non-bank financial intermediation should be strengthened. In light of the high dependence of the Spanish economy on bank intermediation, the Spanish authorities will prepare, by mid-November 2012, proposals for the strengthening of non-bank financial intermediation including capital market funding and venture capital.*

That gave rise to the creation of an exchange, which is part of the so-called 'alternative fixed-income markets' that are characteristically unregulated but managed by official exchanges. Specifically, the MARF is managed by the AIAF fixed-income exchange run by BME, the company that manages Spain's regulated securities markets.

These alternative markets consist of multilateral trading facilities (MTFs), which gives them greater flexibility and allows them to tailor their rules and procedures. As a result, they can adapt the issuance process to make it faster as well as less costly in terms of red tape for potential issuers, while staying in line with the standards required for securities admission. The MARF is governed by and operated under its own set of rules and a series of circulars.

By the time the MARF was created in Spain, there were already alternative markets in other European economies (*e.g.,* Nordic ABM in Norway created in 2005). Its design features as well as the timing of its creation have been key to the success and growth of the MARF. One of those design attributes is the fact that only qualified investors can invest in MARF-listed securities, which means that the capital raised via this marketplace comes from professional investors, who typically support a 'buy-and-hold' philosophy, which helps injected stability into the securities.

A high degree of selectivity at the beginning in terms of the securities admitted to listing has also helped underpin their favourable performance. To date, none of the securities issued has been prepaid due to default.

Issuers can list both long-term fixed income securities (notes and bonds) and short-dated paper (commercial paper) to cover their liquidity needs on the MARF. Both segments have been highly dynamic. Since its creation, the number of bond and note issues (some of which have since been repaid or refinanced) has totalled 59, with the issuers raising 2.82 billion euros.

As for commercial paper programmes, since the first company registered its first programme in March 2014, a total of 132 programmes have been listed. Note that each commercial paper programme has a term of one year. This means companies have a year to issue the full amount authorised under the programme. The issuers have tended to roll their commercial paper programmes over from one year to the next (with some companies already on their six commercial paper programmes). At present, 47 companies have registered commercial paper programmes with an aggregate maximum issuance limit of 6.47 billion.

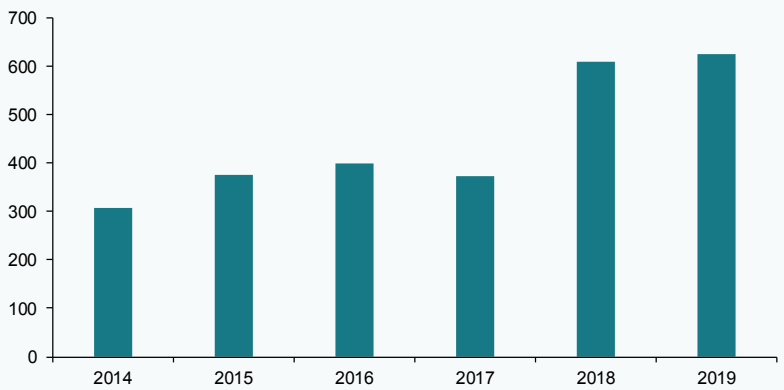
It is important to distinguish between the volume of paper outstanding under the programmes and the total issuance limits. The companies tend to register sizeable programmes which are not used in full (similar to how businesses arrange their bank credit facilities so to have a buffer). However, given that companies are facing a liquidity crunch, it is likely that they will use up more of these programmes to ensure they have enough cash on hand.

Exhibit 2

MARF issues

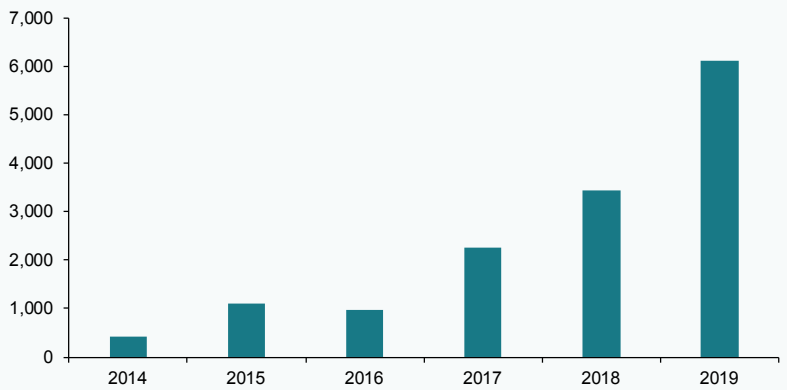
Millions of euros

Bonds and notes



Commercial paper (balance outstanding at year-end)

Millons of euros



Source: Afi, MARF.

As of May 13th, 2020, the listed issuers had issued commercial paper with a face value of 1.91 billion euros (around one-third of the total volume of registered programmes). The commercial paper issues usually mature in less than 12 months (most commonly at 30, 60, 90, 180, 270 or 365 days), although some issuers with longer working capital cycles, such as construction companies, issue longer-dated paper (up to 24 months).

The issuers are highly varied in terms of sector and size. Sector-wise, the MARF has attracted issuers from over 17 different sectors, including the transportation, communication, retail, energy, water,

> Sector-wise, the MARF has attracted issuers from over 17 different sectors.

environment, construction and real estate sectors.

As for company size, the issuer profile varies between bond issuers and commercial paper issuers, although it is increasingly common to see companies participate in both market segments.

By way of generalisation, companies that have listed long-term securities are more likely to hail from the medium-cap segment for which the MARF was designed, with average total assets of 1.2 billion euros (930 million euros if we layer in project financing) and average revenue of around 560 million euros (430 million euros counting project finance issuers).

In the commercial paper segment, large companies have participated frequently alongside medium-sized enterprises, such that average issuer assets climb to 2 billion euros in this segment and revenue, to 1.5 billion euros.

The MARF guarantee programme: Characteristics and impact assessment

Framed by the above assessment of the MARF, particularly its growing role in supportive the diversification of corporate sources of financing, [2] the allocation of the specific tranche of the guarantee scheme to commercial paper issues could help deepen this segment of capital markets in Spain.

The government has allocated 4 billion euros to MARF issue guarantees, applicable to commercial paper with terms of maturity of up to 24 months. The cost will be 30 basis points for guarantees covering up to 12 months and 60 basis points for those covering paper with maturities of between 13 and 24 months.

The guarantees will be issued by Spain's official credit institute, the ICO, in collaboration with BME, under a framework agreement to be executed with each of the non-financial corporates seeking a guarantee for their commercial paper issues and with the placement agents participating in the commercial paper issuance programme.

The guarantees provided for commercial paper issued on the MARF have a maximum size of 70%, implying a leverage effect of 143%, such that 4 billion euros of guarantees could drive total commercial paper issuance of around 5.7 billion euros. That figure is higher than the current volume of commercial paper outstanding and close to the total issuance volume permitted under the programmes currently registered (1.91 billion euros and 6.47 billion euros, respectively). Thus, the scheme should encourage companies already listed on the MARF to speed up the placement of new issues.

Notes

[1] https://www.mineco.gob.es/portal/site/mineco/menuitem.ac30f9268750bd56a0b0240e026041a0/?vgnextoid=06a3d3db29fe1710VgnVCM1000001d04140aRCRD&vgnextchanne

> The cost will be 30 basis points, for MARF guarantees covering up to 12 months and 60 basis points for those covering paper with maturities of between 13 and 24 months.

l=864e154527515310VgnVCM1000001d04140aRCRD

[2] One of the key objectives of the Capital Markets Union (CMU) initiative.

Angel Berges and Irene Peña. A.F.I. -
Analistas Financieros Internacionales, S.A.

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Spanish banks' preparedness for the COVID-19 crisis: A European comparison

Spanish banks' key metrics, such as capital adequacy levels and liquidity buffers, have improved since the last crisis; however, the economic fallout from COVID-19 is projected to have an adverse impact on the sector. Therefore, it is essential that Spain's banks continue their cost-cutting efforts and reduce their capacity, given the expected increase in provisions needed in the coming months to cover the anticipated rise in NPL ratios.

Joaquín Maudos

Abstract: With a capital adequacy level 4.2 percentage points higher than in 2008, Spanish banks appear better positioned to withstand the economic fallout from COVID-19 than during the previous financial crisis. Notably, Spanish banks boast above-average profitability and efficiency compared to their eurozone peers, their loan-to-deposit gap has improved, and they have a healthy buffer of liquid assets. That said, the IMF and the European Commission are forecasting a bigger contraction in GDP in Spain (8%-9.4%) than in the eurozone (7.5%-7.7%). Although government-backed guarantees, the aid rolled

out to prop up business and household income and the easing of bank regulations may help cushion the impact of the crisis on the banks, a GDP contraction of that magnitude will drive non-performance higher and require the recognition of provisions. Moreover, although the Spanish banking sector's solvency ratio is significantly above regulatory requirements, it is 2.3 percentage points below the eurozone average. Furthermore, even though a deep restructuring effort has left Spanish banks among the most efficient in Europe, efficiency has deteriorated in recent years. As a result, Spain's banks will need to continue with their cost-cutting efforts and reduce their capacity even further in order to weather the COVID-19 crisis. [1]

Introduction

In recent weeks, comparisons have been drawn between the COVID-19 crisis and earlier crises, such as the 2008 financial crisis (the Great Recession) and the Great Depression of the 1930s. Although significant uncertainty remains regarding the macroeconomic impact of the COVID-19 pandemic, a growing number of institutions are predicting a fallout not seen since the Great Recession. The IMF is forecasting a contraction in global GDP of -3% in 2020, which is far bigger than that observed in 2009 (-0.1%). The forecasts vary widely by country, with a far more significant impact anticipated in the advanced economies (-6.1%) than in the developing world (-1%). In the eurozone, the region of reference for Spain, the IMF is forecasting a contraction of a -7.5%, with all of the core EU member states likely to suffer a similar degree of economic decline: Germany (-7.0%); France (-7.2%); Italy (-9.1%); and Spain (-8%). The IMF is also forecasting a major contraction –of 6.5%– in the United Kingdom. The European Commission's forecast also points to a drastic fall in GDP in 2020, specifically -7.7% for the eurozone and -9.4% for Spain. Meanwhile, the Bank of Spain is forecasting a correction of between -6.8% and -12.4% depending upon the scenario used.

The real economy and the financial sector are highly intertwined. The banks will not be immune to the consequences of the crisis as a result of several transmission channels: a) the impairment of asset quality which will require higher provisioning as non-performance rises; b) a drop in demand for credit as a result of the gloomier economic outlook on consumption and investment; and, c) a fall in business volumes, which will drive a reduction in non-interest income (*e.g.*, banking fees and commissions).

Given the importance of the banking sector in providing businesses and households with financing, in line with the ECB's forceful action to shore up liquidity and risk premiums, various European governments are introducing public guarantee schemes. These measures are intended to stimulate bank lending by financial institutions against potential losses. More than ever, the banking sector is an important part of the solution to this crisis; hence the need to protect it from having to absorb excessive losses.

Faced with a crisis of the magnitude forecasted by institutions, such as the IMF, the European Commission and the Bank of Spain, it is important to analyse the banks' resilience. This will depend on their health at the onset of the crisis in terms of capital adequacy, profitability, liquidity, efficiency, NPL coverage, asset quality, *etc*. The better positioned they are based on those measures, the greater their ability to assume losses without eroding the capital they are required to hold by regulators.

The purpose of this article is to analyse the Spanish banks' position compared to their

> "In the eurozone, the IMF and EC are forecasting a contraction of 7.5% and 7.7%, respectively, with all of the core EU member states likely to suffer a similar degree of economic decline."

> "In Spain, the solvency ratio has improved by 4.2 percentage points since 2008."

European counterparts in order to illustrate their relative health for handling the economic fallout from COVID-19. To do so, we use the most recent information published by the ECB in its consolidated banking data [2] (CBD) catalogue, grouping the variables into five categories: solvency, asset quality, profitability, efficiency and liquidity. Given the comparisons being made with the 2008 crisis, we also compare the European banks' health today with that of 2008.

Solvency

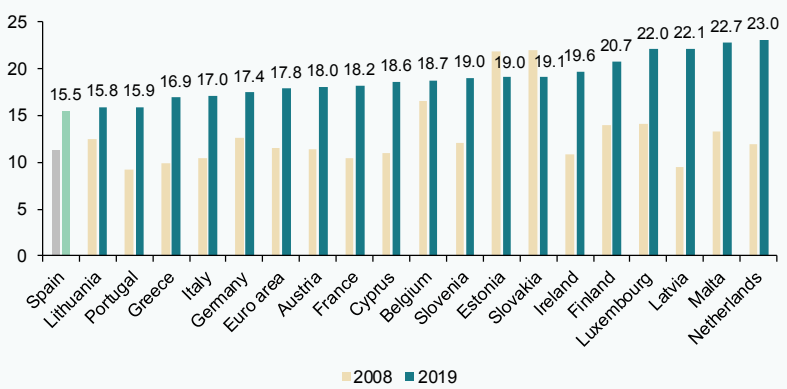
Own funds are important for any business' ability to assume potential losses. The same holds for the banking sector, where capital, reserves and other assets with loss-absorbing capacity ensure that the entities remain solvent. That is why it is important to analyse the European banks' capital buffers, *i.e.,* their own funds in excess of the minimum required under capital adequacy rules.

As shown in Exhibit 1, with the exception of two small countries in the eurozone (Estonia and Slovakia), all of the banking systems are significantly better capitalised today than they were in 2008. The solvency ratio averages 17.8% in the eurozone, which is 6.3 percentage points (pp) above the 2008 average. In Spain, the solvency ratio has improved by 4.2 pp, which is not only a smaller-than-average increase, it is lower than the main European systems' recapitalisation efforts: Germany (4.8 pp), France (7.8 pp) and Italy (6.6 pp). At 15.5%, the Spanish banks solvency ratio is 2.3 pp below the eurozone average, making it the lowest in this peer group. Five eurozone member states (Finland, Luxembourg, Latvia, Malta and the Netherlands) boast a solvency ratio of over 20%. In sum, although the Spanish banks headed into this crisis with a much higher solvency ratio than in 2008, that ratio is the lowest in the eurozone (and the EU, according to the EBA numbers).

Exhibit 1

Solvency ratio

Percentage



Source: ECB.

> Spanish banks' CET1 ratio is 12.2%, the lowest in the eurozone and 2.3 percentage points below the eurozone average.

This indicates that they also have a relatively smaller capital buffer. Note, however, that the Spanish banks' solvency picture would improve if the asset risk weightings did not penalise Spain so heavily.

In terms of Spanish banks' loss-absorbing capacity, it is important to analyse its composition, as not all assets are equal in that respect. Of all assets, common equity tier 1 (CET1) is the highest quality.

In Spain, the CET1 ratio (as a percentage of risk-weighted assets, or RWA) is 12.2%, the lowest in the eurozone and 2.3 pp below the eurozone average. This means that the highest quality assets –CET1– account for 79% of total own funds in Spain, 2.4 pp below the eurozone average. The minimum required level is 4.5%, so that the Spanish banks have a CET1 buffer of 7.7 pp of RWA.

Asset quality

History shows that the economic cycle is the key driver of non-performance at banks, making it likely that the anticipated contraction in GDP will push this indicator higher in the coming months. That phenomenon was particularly evident in Spain in 2008, when non-performance in the domestic banking sector rose from 1% at the start of that year, eventually peaking at 13.6% in 2013. Since then, buoyed by emergence from recession, the NPL ratio has been trending lower, standing at 4.8% today (February 2020).

Looking at the business of the consolidated banking groups (which includes not only the domestic business but also the banks' sizeable foreign operations), the overall NPL ratio (including loans and other exposures) stood at 2.94% as of the third quarter of 2019. This figure is very close to the eurozone average (2.91%) and just 0.4 pp higher than that of 2008. The Greek banking sector presents the highest non-performance ratio by far (33.3%). Among the major banking sectors in the eurozone, Italy's (5.9%) is in the weakest position to withstand the COVID-19 crisis, whereas France's (2.4%) and Germany's (1.2%) present below average NPL ratios.

While starting from a high NPL ratio makes navigating this crisis difficult, not having a high enough NPL coverage ratio exacerbates the problem. In regard to the latter, Spain is in a relatively strong position. The Spanish banking sector has a non-performing loan coverage ratio of 63.5%, which is 3.1 pp above the eurozone average. Among the main European economies, the German banks are by far the best positioned by this measure, with NPL coverage of 88.2%. France also presents an above-average coverage ratio (65.5%), whereas coverage in Italy is 1.9 pp below the eurozone average (58.5%). The Greek banks' situation is worrying as they present the highest NPL ratio as well as a relatively low coverage ratio (48.2%).

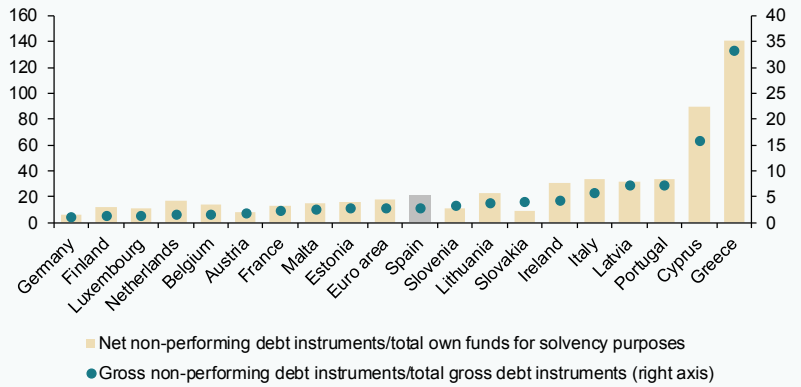
Another valuable indicator in analysing asset quality and banks' overall health is the weight of net non-performing debt instruments

> The amount of potential losses for which provisions have not been recognised represents 20.8% of Spanish banks' own funds, which is 2.9 percentage points above the eurozone average.

Exhibit 2

Gross non-performing debt instruments/total gross debt instruments and net non-performing debt instruments/total own funds for solvency purposes

Percentage



Source: ECB.

relative to own funds for solvency purposes. If provisions are insufficient to cover actual losses, banks will have to earmark own funds to absorb the unexpected losses. By that measure, the Spanish banks are slightly less well positioned, as the amount of potential losses for which provisions have not been recognised represents 20.8% of own funds, which is 2.9 pp above the eurozone average. Germany is the best positioned by that count (non-provisioned potential losses would only absorb 5.8% of the German banks' own funds), with Greece again of greatest concern (140.1%). The situation in France (13.5%) is better than in Spain and below the eurozone average, but Italy is worse off (33.8%). When interpreting this indicator, however, it is important to note that behind those non-performing assets there are guarantees, so that actual losses will vary as a function of the quality and value of those guarantees.

Profitability

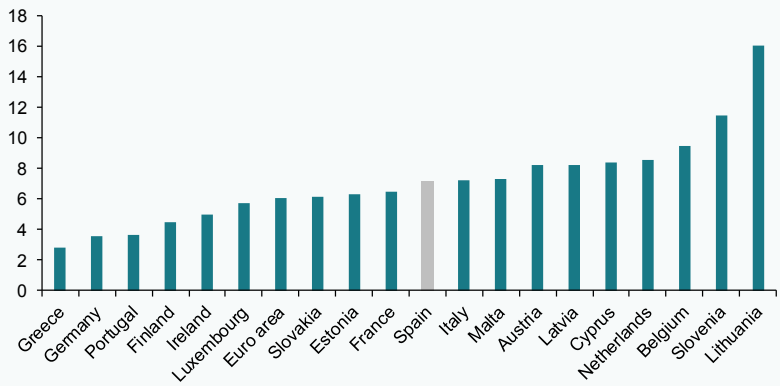
European banks' profitability has been suffering from a combination of factors for some time. These factors include: regulatory requirements (equity and anti-crisis debt is expensive to raise); pressure on net interest margins is huge with interest rates so low; business volumes have declined in the wake of private sector deleveraging; and, competition from other banks and non-banks (shadow banks and Big Tech) has been intensifying. The clearest signal of their depressed profitability is the fact that the banks are trading significantly below book value, with the sector's ROE remaining below the cost of equity. That trading discount has widened since the onset of the COVID-19 crisis.

The most recent figures for the third quarter of 2019 (annualised) put the eurozone banks' ROE at 6.1%, which is below their cost of equity. At 7.1%, the Spanish banks' ROE is above the eurozone average and also higher than that of the banking systems of Germany (3.5%) and France (6.5%), and very similar to that of Italy (7.2%). Greece trails the sector (2.9%), echoing its high NPL ratio. In Spain, the banks' ROE dipped in 2019 compared to 2018 (8.3%). [3]

Exhibit 3

Return on equity (ROE). 3Q19 (annualised)

Percentage



Source: ECB.

Efficiency

Managerial efficiency is a prerequisite if a company is to remain competitive. Efficiency is also a driver of profitability, which requires generating revenue at as low a cost as possible. In the current competitive environment of depressed returns, cost-cutting is a very important tool for boosting efficiency and, by extension, profitability.

Although the Spanish banks are highly efficient in the European context, their cost-to-income ratio has deteriorated in recent years despite the effort made to reduce costs by rationalising capacity (branches and employees). Their cost-to-income ratio in 2019 was 12.7 pp below the eurozone banking average (52.9% *vs.* 65.6%) and well below the ratio presented by the other major European sectors: Germany (74.8%); France (71.7%) and Italy (65.1%). From that perspective, Spanish banks are better positioned to tackle the crisis than their European counterparts.

However, Spanish banks' cost-to-income ratios have increased 6.4 percentage points since 2008 (which implies an increase in the ratio of 13.6%), evidencing an erosion of their efficiency in recent years. The reason is that while gross margins have only increased by 2%, average costs have increased by almost 15.8%. It is therefore important that they reduce capacity in the coming years, all the more so in light of the anticipated decline in profitability due to the COVID-19 crisis. In the domestic market, there is still room for manoeuvre as the Spanish branch network remains among the densest in the EU and also

> "Spanish banks' cost-to-income ratio has increased by nearly 13 percentage points since 2008, evidencing an erosion of their efficiency in recent years."

> "As of May 15th, eurozone banks' excess reserves at the ECB (including the deposit facility) stood at a record high of 2.4 trillion euros."

the most fragmented in terms of employees per branch.

Liquidity

In times of uncertainty, the banks need to build enough of a liquidity buffer to see them through potential funding withdrawals. That is the purpose of the liquidity coverage ratio introduced a few years ago in response to the 2008 financial crisis. That ratio requires banks to hold sufficient high-quality liquid assets to withstand a 30-day stress period.

Using EBA data this time (as the CBD does not provide this information for all countries), we note that each EU banking system is in a comfortable position liquidity-wise, as their coverage ratios are well in excess of the required threshold of 100%. Spain ranks slightly above the EU average (158% *vs.* 150%), with Greece once again the laggard (130%). Malta tops this ranking (390%) while the Spanish banks' liquidity buffer is greater than that of the major EU banking systems.

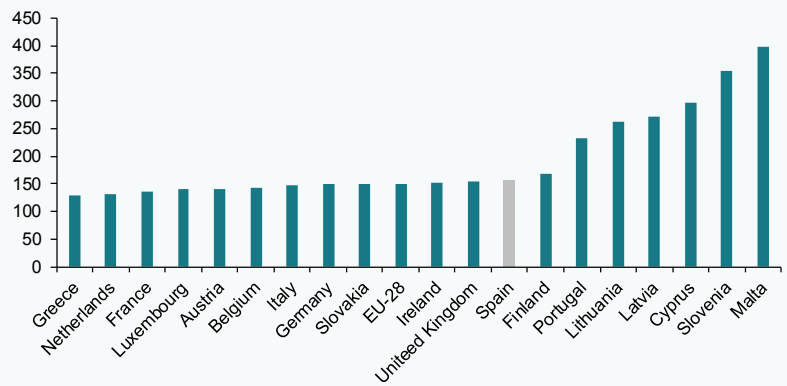
Following sharp deleveraging by the Spanish private sector, the stock of outstanding credit has declined sharply, so that the loan-to-deposit gap has narrowed. For all the consolidated groups, that ratio currently stands at 92.8%, so that the banks are no longer significantly dependent on the wholesale markets. The loan-to deposit ratio is below the eurozone average (99%), indicating that the liquidity gap is smaller in Spain.

A more recent indicator of how the banks are shoring up their liquidity in preparation for the challenge posed by COVID-19 is the

Exhibit 4

Liquidity coverage ratio 2019

Percentage



Source: EBA.

volume of excess reserves held by the banks at the ECB. As of May 15th, eurozone banks' excess reserves stood at a record high of 2.1 trillion euros. Adding in the liquidity deposited with the deposit facility, the figure rises to close to 2.4 trillion euros. The Spanish banks' reserves also stood at a record high of 121.15 billion euros at the end of March, rising to 123.5 billion euros, if money in the deposit facility is included.

Conclusions

- The magnitude of the economic contraction predicted by the IMF and the European Commission (8%-9.4% in Spain and 7.5%- 7.7% in the eurozone, respectively) in the real economy will inevitably impact the banking sector. In the US, the major banks are expecting a sharp increase in non-performance, prompting them to recognise significant provisions in the first quarter of 2020. The same is true of Spanish banks, which between them have more than doubled their first-quarter credit loss provisions compared to the quarterly average in 2019.

- Fortunately, the Spanish banks headed into this crisis with far better capital ratios compared to the 2008 crisis. Their solvency ratio is 4.2 percentage points higher than in 2008 and their own funds are of significantly higher quality (most of their assets have loss-absorbing capacity). The capital buffer (the solvency ratio in excess of 8% of risk-weighted assets) currently stands at 7.5%, which is equivalent to over 110 billion euros. Therefore, even in a scenario so adverse as to imply losses of that scale, the banks would still present a solvency ratio above the required minimum of 8%.

- In addition to that sizeable capital buffer, a significant percentage of the financing being extended by the banks to support businesses affected by COVID-19 is secured by government-backed guarantees, so that the potential losses for the banks are limited on those loans (their exposure is capped at 40% in the case of loans to large enterprises and 20% in the case of SME and self-employed loans).

- Nevertheless, with a colossal GDP contraction looming, non-performance is bound to increase, affecting both corporate borrowers (certain sectors, such as the tourism industry, are being affected particularly hard and are expected to take months to return to any sort of normality) and the retail banking sector (as unemployment rises and disposable income shrinks). As a result, banks will have to increase their provisions against those losses, forcing them to intensify their cost-cutting efforts, one of the few ways in which they can shore up their profitability.

- The banks' efficiency has deteriorated in recent years, due to both the difficulty in lowering costs and the erosion of gross margin. To gain efficiency, the banks will need to step up their efforts to pare back capacity in the coming years, including the closure of more branches. The recent lockdown experience drove an increase in demand for online banking services, which will encourage banks to revise and accelerate their branch closure plans.

- Spanish banks that start from lower profitability and solvency levels are more vulnerable to the fallout from COVID-19, potentially acting as a catalyst for banking consolidation via mergers and acquisitions.

- Focusing on the business in Spain, those banks that have greater exposure to the productive sectors more affected by COVID-19 (such as hotels and restaurants, wholesale and retail sales and transport) are also more vulnerable. These three sectors (140 billion euros) concentrate 26% of the loans to non-financial corporations and 12% of the loans to the private sector. Wholesale and retail sales is the sector with the highest non-performing loan ratio (8.2%) and the one that concentrates the most important part of the total exposure of these three sectors (56%).

- In addition to the direct impact of the COVID-19 crisis on GDP (lower demand for credit, higher non-performance and lower profitability), there are other indirect ramifications for the banks going forward.

Reconstruction of Europe's economies will oblige the ECB to keep rates ultra-low for much longer, implying a significant burden on the banks in their quest to eke out higher margins and returns, already depressed before the onset of COVID-19. Moreover, the risk premium will increase, and the higher cost of equity will make it more expensive to replenish capital. As a result, it will be hard to lift profitability above the return on equity demanded by investors, which is bound to weigh on the banks' share prices.

- In contrast to the 2008 crisis, this crisis is more universal, with the pandemic affecting a large number of countries. Whereas geographic business diversification significantly cushioned the impact of the 2008 crisis for some banks (the biggest banks have very sizeable foreign operations), diversification will offer banks fewer advantages in this crisis, as the countries to which the Spanish banks are more exposed (UK, US, Brazil and Mexico) are also headed for intense economic crises.

Notes

[1] This article falls under the scope of research project ECO2017-84828-R under the Spanish Ministry of the Economy, Industry and Competitiveness.

[2] The most recent CBD information used in this article dates to the third quarter of 2019. Although the ECB publishes data as of year-end 2019 in its supervisory banking statistics, we have opted to use the CBD, which covers a higher percentage of each country's banking systems. The EBA also offers information up until the fourth quarter of 2019, but the sample of banks used (those supervised by the SSM) is smaller than that of the CBD. Although the overall picture portrayed is similar irrespective of the source used, in the countries in which the percentages of assets analysed by the EBA and ECB (the banks supervised by the SSM) differ more notably from that covered by the CBD, some of the indicators deviate. For example, the ROE presented by the German banks is -0.2% according to the EBA (0.3% in 3Q19), 0.08% as per the ECB's supervisory banking statistics and 3.5% using the CBD (data annualised using the 3Q19 number).

[3] The figure reported by the Bank of Spain for all of the Spanish banks puts the 2019 ROE (using data up to December) at 6.8%, down 1.3pp from 2018. The EBA puts that figure at 7%, which is virtually the same as the annualised third-quarter number we use in this article based on the data gleaned from the CBD.

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

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Spanish fiscal support measures: Boosting corporate liquidity in response to COVID-19

Although the Spanish government has introduced significant deferrals of state taxes and social security contributions, the scale and reach of these deferrals is smaller relative to some other EU-15 countries. Consequently, the government could consider expanding its commitments to provide a stronger foundation for Spain's future economic recovery.

Desiderio Romero-Jordán and José Félix Sanz-Sanz

Abstract: Current forecasts for the Spanish economy suggest that the COVID-19 pandemic will result in an economic contraction of between approximately 7% and 13% in 2020. Faced with that scenario, the government has passed a raft of employment, fiscal and financial measures to mitigate the destruction of jobs and businesses. One of the most significant initiatives is the deferred payment of state taxes and social security contributions by six months. That deferral option is longer than the two to four months granted in some other European countries. However, the scale and reach of the initiative in Spain are significantly smaller than its equivalent in Germany, France, Italy, Denmark and Belgium, for example. In addition, these countries have offered direct grants or subsidies to firms, not just tax deferrals. One of the reasons for that difference is the fact that in Spain, taxes can only be deferred by companies with revenue of less than six

> While the government's growth estimates in February were 1.6% for 2020 and 1.5% for 2021, the OECD warned less than a month later that growth in 2020 would be nil or even negative.

million euros in 2019. For this reason, the government may want to consider a more decisive commitment to prop up corporate liquidity and pre-empt job losses. While this would inevitably result in a higher deficit over the short-term, it could pay off in the long-run by providing the economy with a stronger foundation upon which to stage a recovery after the health crisis has abated.

Economic backdrop

Spanish GDP grew by 2% in 2019, down 0.6 percentage points from 2018. It is in this context that the Spanish government presented its macroeconomic forecasts on February 11th, 2020. While these forecasts called for growth of 1.6% in 2020 and 1.5% in 2021, the OECD warned less than a month later that growth in 2020 would be nil or even negative, as a result of the expansion of the COVID-19 virus. [1]

Just a few days after the state of emergency was declared on March 14th, Funcas estimated that the Spanish economy would contract by 3%, assuming that the effects of the pandemic did not extend beyond April. [2] However, the paralysis of all non-essential activities decreed between March 30th and April 9th further exacerbated the sharp deterioration of the Spanish economy already sustained in the first quarter as a result of the lockdown. [3] For this reason, the contraction estimated by various institutions over the course of April, including those compiled by the Spanish government, has been steadily increasing. Those forecasts currently point to a contraction ranging between approximately 7% and 13%, depending on the speed of recovery in the second half of the year (Bosca, Doménech and Ferri, 2020; CEOE, 2020a; Funcas, 2020; Bank of Spain, 2020, IMF, 2020 and Government of Spain, 2020).

Against that backdrop, companies' sales have been plummeting, eroding their cash balances. The Bank of Spain's Business Survey regarding the impact of COVID-19 reveals that 80% of all businesses have seen their sales drop as a result of the pandemic (Bank of Spain, 2020). Spain's employers' association, the CEOE (2020b), has similarly found that liquidity is one of the areas of business management most severely impacted by COVID-19. This liquidity issue is particularly worrying in Spain given the relatively small average size of its enterprises, which leaves them highly vulnerable to financial restrictions (Bank of Spain, 2020).

The government has passed numerous executive orders with specific measures aimed at mitigating the pandemic's economic ramifications. The goal is to minimise the damage caused by COVID-19 to the business landscape using several different instruments. These measures include the deferral of taxes and social security contributions, government-sponsored furlough schemes (ERTEs for their acronym in Spanish), official credit (via the ICO) and moratoriums on business rent and lease agreements. According the Bank of Spain's survey, the highest rated policy tool is the tax deferral scheme, followed by the

> A survey conducted by the Bank of Spain found that 80% of all businesses have seen their sales drop as a result of the pandemic.

> “There are around 3.3 million enterprises in Spain, of which 3.1 million are SMEs with between 0 and 9 employees.”

furlough arrangements and state guarantees. Over 70% of businesses experiencing a reduction in sales have positively rated the deferral of taxes, while close to 50% positively rated the furlough schemes.

This article focuses on the deferral of taxes and social security contributions approved for SMEs and the self-employed at the state level. [4] These measures allow the deferral for six months of personal income tax (PIT) payments by self-employed individuals, valued added tax (VAT), corporate income tax (CIT) and social security contributions (SSC). Deferral, as a means of supporting businesses' liquidity, releases funds that can be used to pay salaries and suppliers. This in turn reduces the risk of bankruptcy. For that reason, tax deferral is one of the measures being used most widely in Europe, as we will demonstrate at the end of this article.

Deferral of payment of tax and social security contributions in Spain

The tax deferral measures approved in Spain are targeted specifically at the self-employed and very small-sized enterprises. Before delving into the measures introduced, Table 1 provides a brief synopsis of the composition and basic characteristics of the Spanish business landscape. Note that the self-employed are unincorporated small- and

Table 1 **Key characteristics of the Spanish business landscape, 2019**

Company size	N	Weight %	Percentage of self-employed	Average no. of employees	Breakdown of enterprises by annual revenue €		
					<2m	2-10m	>10m
SMEs (# employees in brackets)							
No. employees (0)	1,882,745	56.4	67.9%	1	99.8%	0.1%	0.1%
Micro SMEs (1 – 9)	1,303,812	39.6	42.3%	2.6	98.2%	1.7%	0.1%
Small enterprises (10 – 49)	124,475	3.7	5.0%	19.3	66.8%	28.3%	4.9%
Medium enterprises (50 -249)	20,571	0.6	0.0%	98.1	23.4%	38.0%	38.6%
Large enterprises (# employees in brackets)							
Large (>250)	4,594	0.1	0.0%	1,145	8.6%	12.45%	79.0%

Sources: Spanish Ministry of Industry, Commerce and Tourism (2019) and Ministry of Labour and Social Security (2020).

medium-sized enterprises that tend not to have employees. As a result, their earnings are taxed via PIT rather than CIT.

According to Spain's central companies database, DIRCE for its acronym in Spanish, there are around 3.3 million enterprises in Spain, of which 3.1 million are SMEs with between 0 and 9 employees. Specifically, 56.4% are SMEs without employees, of which 68% are self-employed. The remaining 39.6% are micro enterprises (between 1 and 9 employees) with 2.6 employees on average, of which 42% are self-employed. The vast majority of SMEs without employees and micro enterprises fall under the revenue threshold of 2 million euros per annum. Additionally, 66.8% of small-sized enterprises, 23.4% of medium-sized enterprises and 8.6% and large enterprises fall into that category (Spanish Ministry of Industry, Tourism and Commerce, 2020).

Deferral of taxes

The tax payment schedule normally requires SMEs, regardless of whether they are self-employed, to pay [5] PIT withholdings in respect of their employees quarterly, together with their VAT returns. [6] The self-employed also have to make advance payments towards their own PIT. [7] Lastly, enterprises have to make advance payments towards CIT in the months of April, October and December. [8]

By way of illustration, we provide a brief overview of the taxes borne by the self-employed as a benchmark for a very small company. The data presented by the tax authorities show that the annual average net earnings of all self-employed taxpayers was 10,892 euros in 2017, while the advance payments towards PIT during the year averaged 2,087 euros, which is equivalent to approximately 500 euros a quarter (AEAT, 2020a). [9] Meanwhile, the VAT tax returns of the companies filing under the simplified regime yielded an average payment of 1,033 euros in 2018, equivalent to an average of 258 euros per quarter (AEAT, 2020b). What this shows is that a self-employed taxpayer has to pay approximately 750 euros every quarter for advance payments towards PIT and VAT. If they have any employees, they must also pay PIT withholdings and social security contributions of at least 300 euros.

To cushion the liquidity pressures generated by those cash outflows, particularly for smaller-sized companies, the measures passed in response to COVID-19 allow the self-employed and SMEs to defer their PIT, VAT and CIT payments for six months. According to government estimates, that deferral could boost their liquidity by almost 14 billion euros. This fiscal policy is well designed in that it permits the deferral of tax payments until the second half of the year, when the economy is expected to start to recover. However, it comes with restrictions on the payments eligible for deferral in terms of maximum amounts and the maximum size of the beneficiary entities. Those thresholds could significantly undermine the liquidity relief the deferral was intended to provide. The restrictions imposed on the use of the deferral scheme are the following:

- It is limited to those payments due between March 12th and May 30th. That period is insufficient considering that the state of emergency will remain in place until at least the end of May. Moreover, economic activity will take many months to fully recover, especially in certain sectors, making it advisable to extend the deferral of payments due past May 30th in order to provide businesses with ongoing liquidity relief.

> "According to government estimates, PIT, VAT and CIT payment deferrals could boost liquidity levels for SMEs and the self-employed by almost 14 billion euros."

> "The postponement of April tax payments by one month will benefit only the smallest of firms, providing liquidity equivalent to 3.56 billion euros."

- Deferral applications are capped to a total sum of no more than 30,000 euros.
- The deferral scheme is limited to companies with revenues of less than 6 million euros in 2019. [10] As shown in Table 1, SMEs with between 0 and 9 employees will nearly all qualify for this measure, as their annual revenue is less than 2 million euros. However, it would leave out bigger SMEs and even some large companies, which could be facing potentially severe liquidity constraints, particularly in the hospitality and food services sector.
- The beneficiaries must start to pay interest from month three of the deferral. Most other European countries have not introduced a similarly designed penalty.

Additionally, on March 14th, the tax payment schedule was modified to delay April payments by one month. However, that postponement measure was only provided for taxpayers with revenue of less than 600,000 euros in 2019 thereby benefiting just the smallest of firms. The government estimates that this measure will provide liquidity relief to businesses equivalent to 3.56 billion euros.

Lastly, on April 21st, the government said that those subject to the self-employed tax under the objective method would be allowed to calculate their tax under the direct method of estimation. In other words, they can start to pay tax on the basis of their actual earnings rather than by reference to fixed indicators, such as their number of employees, electrical power capacity or the size of their premises in the case of restaurants. In the current environment, direct estimation is more favourable for the self-employed as the probability of incurring losses in the coming quarters is very high, which would make their PIT very low, if not nil. The government estimates that this measure will benefit around 300,000 self-employed taxpayers who currently use the objective method of estimation and that the budgetary impact of this measures will be 1.13 billion euros. (Government of Spain, 2020).

Deferral of social security contributions

Before we analyse the deferral of social security contributions, it is important to note that they are paid monthly in arrears. In the case of the self-employed, the contributions payable in 2020 range from a minimum of 286 euros to a maximum of 1,233 euros. [11] The contribution level selected determines the benefits received in the event of business interruption, sick or accident leave and retirement. Nevertheless, over 60% of the self-employed opt voluntarily to pay in at the minimum level (Ministry of Labour, Migration and Social Security, 2019). For other enterprises, contribution levels are determined by employee job categories. The average contribution per employee ranges between approximately 340 euros in the hospitality sector to 650 euros in the manufacturing industry (Social Security Treasury, 2019).

The government has introduced a six month deferral of social security for enterprises facing business interruption as a result of the state of emergency. There are two mutually incompatible deferral alternatives: deferral by instalment or by moratorium. Deferral by instalment allows tax payers to pay their contributions in instalments over a period of six months, while under the moratorium, the amounts unpaid are settled in full at the end of the six month deferral period. The deferral is available from April to June and the moratorium from May to July. Approval of the moratorium request is automatic following a simple online

> “Spain has given greater weight to financial instruments, mobilising public funds equivalent to 9.1% of GDP to these arrangements, compared to 1.5% for deferrals.”

application, however is not permitted for businesses in every sector. Deferral by instalment, however, must be approved by the government. In order for it to be approved, taxpayers cannot have deferred any taxes prior to March. The moratorium is free of late-payment interest or surcharges whereas the deferral by instalment route carries late-payment interest, albeit at a low rate of 0.5%. The government has estimated the budgetary impact of this measures at 691.2 million euros (Government of Spain, 2020).

The design of the social security contribution deferral scheme is different from the tax deferral scheme in two significant ways. Firstly, there are no revenue-related thresholds. The prerequisite is that applicants have had to cease their business activities on account of the state of emergency. Secondly, there is no limit on eligible payment volumes, unlike in the tax deferral scheme.

International comparisons

Relying on Anderson *et al.* (2020), Table 2 presents the funds earmarked to deferrals and other liquidity measures and guarantees (‘financial instruments’) in response to COVID-19 expressed as a percentage of GDP for a selection of countries. It shows how financial instruments are dominant in Germany (27.2%), France (14.0%), Italy (29.8%) and the UK (14.9%). In contrast, Denmark (7.2%), the

Table 2 **Discretionary fiscal measures in response to COVID-19: Deferrals *vs.* financial instruments**

(As a % of GDP)

Country	Deferrals	Financial instruments
Belgium	3.0	10.9
Denmark	7.2	2.9
France	9.4	14.0
Germany	14.6	27.2
Greece	2.0	0.5
Hungary	8.3	0.0
Italy	13.2	29.8
Netherlands	3.2	0.6
Portugal	11.1	5.5
Spain	1.5	9.1
UK	1.4	14.9
US	2.6	2.6

Note: The values in this table were updated on May 6th, 2020. Given the dynamic nature of the pandemic, and consequently the policy responses by various governments, they are subject to change.

Source: Anderson et al. *(2020).*

> “The limits placed on deferrals (caps on volume of payments deferrable and on revenue for qualification) put Spain at a relative disadvantage, which should be reconsidered.”

Netherlands (3.2%) and Hungary (8.3%) have opted to earmark a higher percentage of funds to deferrals. Spain has given greater weight to financial instruments, mobilising public funds equivalent to 9.1% of GDP to these arrangements, compared to 1.5% for deferrals. However, that 1.5% is far below the funds allocated in neighbouring economies such as Belgium (3.0%), Denmark (7.2%), France (9.4%), Portugal (11.1%), Italy (13.2%) or Germany (14.6%).

Table 3 provides a synopsis of the key characteristics of the deferrals rolled out in the original EU-15 member states. The table provides information about the taxes and contributions affected by the deferral schemes, the periods applicable, the key characteristics of the measures and whether or not they entail late-payment interest or other charges. The information provided in Table 3 yields the following conclusions:

- Most countries allow the deferral of CIT, VAT, PIT and SSC although some limit their coverage to just some of those taxes. For example, in Finland, only corporate income tax can be deferred.

- The deferral term set up in Spain is longer than the period of 2 to 4 months allowed in several of its European counterparts. However, it is shorter than is permitted in the UK and Sweden, where taxes can be deferred for as long as 12 months.

- In addition to the deferral, some countries, such as Denmark, Greece and France

Table 3 **Deferral of taxes and contributions: Key characteristics across the original EU-15**

Country	Deferral measures
Austria	- CIT deferral is permitted for companies affected by COVID-19 - They must apply for deferral by October 31st, 2020 - Social security deferral is automatic in the event of full or partial non-payment - No interest levied
Belgium	- The CIT payment corresponding to March has been deferred by 3 months - VAT return payments have deferred by 2 months - Payment of SSC for the first four months of 2020 has been extended until June - VAT reimbursements are being accelerated for all businesses
Denmark	- Tax and SSC payments can be deferred by 4 months - VAT payments have been delayed by 1 month for large enterprises and until September for the rest - VAT already paid in is reimbursable in certain circumstances
Finland	- The deadline for paying CIT can be extended subject to application - The interest charged on late payments has been cut from 7% to 4%

Table 3

Deferral of taxes and contributions: Key characteristics across the original EU-15

(Continued)

Country	Deferral measures
France	- As a general rule, the payment of direct taxes, indirect taxes other than VAT and SSC can be postponed by up to 3 months - VAT reimbursements are being accelerated - Companies in serious difficulty can apply for tax suspension or a moratoriam on payments which will be assessed on a case by case basis
Germany	- Payments can be deferred for six months if SMEs are in financial difficulty - They have until December 31st, 2020, to apply for the deferral scheme - It covers CIT, VAT and SSC - Tax payers can apply for the reimbursement of advance payments made towards CIT and VAT - No interest levied
Greece	- Tax payments can be deferred by up to 4 months without charge - Possibility of reimbursement of withholdings and advance payments already made
Ireland	- Interest has been suspended on delays in VAT and PIT withholding payments
Italy	- VAT payments for March to May can only be deferred in certain sectors - SSC for April and May can be deferred under certain circumstances - Business disinfection costs will be tax deductible
Luxembourg	- Companies and the self-employed can apply for cancellation of their CIT, PIT and municipal business tax for the first two 4-month tax periods or, alternatively, have the deadline for settlement of those same taxes, and wealth tax, postponed by 4 months
Netherlands	- Deferral of VAT, CIT, PIT and SSC by at least 3 months, subject to application - No penalties
Portugal	- Tax payments can be deferred by at least 2 months without penalties - A VAT exemption has been granted for goods delivered by the government to non-profit organisations
Spain	- Postponement of 6 months in PIT, VAT and CIT for tax payments between March 12th and May 30th - Only for self-employed and SMEs with less than 6 million turnover in 2019 - The maximum limit is 30,000 euros - Interest is paid from the fourth month - Postponement or moratorium of 6 months for SSC paid between April and June
Sweden	- SSC, PIT withholdings and VAT can be deferred by between 3 and 12 months - Businesses can claim back the taxes paid between January and March and pay them one year later
UK	- Application of business rates holidays for certain sectors such as the retail, hospitality and leisure sectors in year 2020/2021 for businesses with revenue of less than £51,000 - In general VAT payable in respect of March to June can be deferred until March 31st, 2021 - Tax payers can apply for deferral of payment of their CIT and PIT withholdings

Note: The measures in this table were updated on May 6th, 2020. Given the dynamic nature of the pandemic, and consequently the policy responses by various governments, they are subject to change.

Sources: KMPG (2020), Tax Foundation (2020), PWC (2020), Freshfields Bruckhaus Deringer (2020), TPA (2020), Baker McKenzie (2020) and authors' own elaboration.

are allowing the reimbursement of taxes already paid.

- Deferral is allowed in general for all companies whose sales have been affected by COVID-19 irrespective of their size, with Spain as an exception.

- Lastly, in most cases there are no penalties for deferring taxes or contributions, with Spain an outlier in this respect, too.

In short, the deferral period of 6 months in Spain is above the 2 to 4 permitted in most European countries. However, the limits placed on deferrals (caps on volume of payments deferrable and on revenue for qualification) put Spain at a relative disadvantage, which should be reconsidered. We believe that the sharp correction Spain is set to face in 2020 requires that the deferrals be as generous as possible in terms of amounts and duration in order to minimise both business and job destruction. In March alone around 100,000 companies closed. A more decisive commitment to propping up business liquidity by redesigning the deferral scheme would probably drive the deficit higher in the short- term. However, it would pay off in the long-term by giving the economy a stronger foundation for its future recovery.

Notes

[1] The first case was confirmed in Spain on January 31st, 2020.

[2] Royal Decree 463/2020, of March 14th, 2020, declaring a state of emergency to manage the health crisis triggered by COVID-19 (published in the Official State Journal on March 14th, 2020).

[3] Hospital and homeland security services, the production and disruption of healthcare and food products and financial and telecommunication services.

[4] Excludes the Basque region and Navarre, which operate under their own regional tax regimes. The regional authorities have also established different formulae for deferring the payment of taxes they collect both directly and indirectly.

[5] In April, July, October and January of the following year.

[6] There are a number of VAT regimes, including several special regimes and the simplified regime, designed specifically for self-employed individuals with annual turnover of less than 250,000 euros.

[7] The percentages of PIT to be paid on account depend on whether the self-employed taxpayer files under the direct or objective estimation regime. For those under the direct estimation regime, 20% of net earnings is withheld, net earnings being calculated by factoring in all income and expenses. Under the objective estimation regime, the percentage ranges between 2% and 4% of earnings, the latter calculated using a procedure that relies on different indicators of business activity.

[8] The CIT advance payment is 18% for enterprises with annual revenue of less than 10 million euros and 23% if revenue is higher.

[9] There are, however, significant differences between the direct and objective estimation regimes. Specifically, the average amount of net earnings estimated using the direct method was 14,337 euros in 2017 and the sum of advance payments towards PIT was 2,522 euros. In contrast, average net earnings under the objective estimation method were 10,340 euros that same year, and the amount of payments made in advance averaged 1,106 euros.

[10] Specifically, 6,010,121.04 euros.

[11] Contribution payments are determined by applying a rate to the contribution bases, the minimum and maximum amounts of which are regulated each year in the state budget. In 2020, the minimum base is 944.40 euros and the maximum base is 4,070.10 euros. The general contribution rate is 30.3%.

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Desiderio Romero-Jordán. Rey Juan Carlos University and the Funcas Public Finance Observatory (OFEP)

José Félix Sanz-Sanz. Madrid's Complutense University and the Funcas Public Finance Observatory (OFEP)

COVID-19: A tsunami for public finances

COVID-19 has placed considerable pressure on Spain's public finances, further complicating the outlook for the country's fiscal consolidation. Though much of the deficit reflects the impact of the recession and the costs of one-off fiscal measures, there remains an important structural component.

Santiago Lago Peñas

Abstract: Economic figures published in April by Eurostat suggest that Spain's fiscal consolidation experienced a setback in 2019. Unfortunately, this setback will become substantially greater given the economic paralysis caused by COVID-19. The uncertainty surrounding the COVID-19 crisis makes forecasting both growth and the deficit extremely difficult and has contributed to a wide range of forecasts published by the Bank of Spain, the European Commission, the AIReF, the IMF, BBVA and Funcas, among others. These institutions have forecasted a GDP contraction of between 6.8% and 12.4% with the public deficit ranging from 7.2% to 11.0%. Though much of the deficit reflects the impact of the recession and the costs of one-off fiscal measures, there remains an important structural component. Indeed, structural deficit is among the highest in the European Union, with the EU Commission calculating a cyclically-adjusted budget deficit for Spain at slightly over 3% in 2020. [1]

Background: 2019 figures and the draft budget for 2020

The public deficit numbers published on April 22nd by Eurostat (2020) were worse than expected. With a deficit equivalent to

> The year-on-year deterioration of 0.29 percentage points in the 2019 deficit is attributable to a narrower surplus at the local government level and a poorer performance at the regional government level.

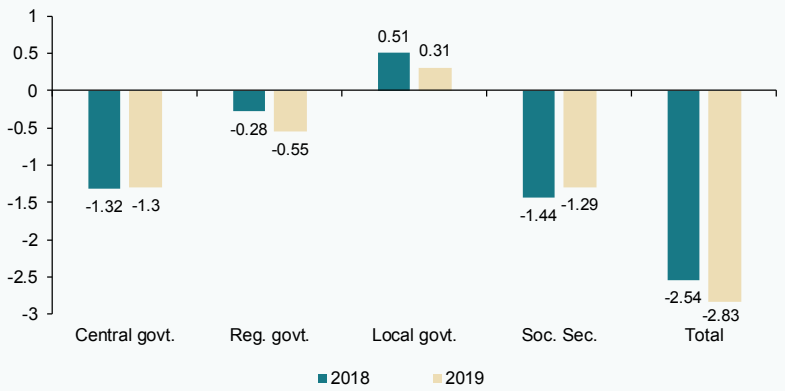
2.83% of Spanish GDP, nearly 0.2 percentage points above the preliminary figure of 2.64% announced by the Spanish government on March 31st (Ministry of Finance, 2020a), the fiscal consolidation effort has clearly suffered a setback. The figure took most analysts by surprise, judging by Funcas' consensus forecasts, which called for a deficit of 2.4% in 2019 (Funcas, 2020a). The difference of over 0.6 percentage points between the final figure and the baseline 2.2% deficit forecast by Spain's independent fiscal institution, the AIReF, stands out (AIReF, 2019) as that institution is usually more accurate in aligning its dynamic forecasts with delivery of the deficit targets. Funcas, the Bank of Spain and Fedea were closer to the mark, forecasting a deficit of 2.5% (Lago-Peñas, 2020).

Exhibit 1 compares the deficits in 2018 and 2019 at the various levels of government and overall. The year-on-year deterioration of 0.29 percentage points is attributable, above all, to a narrower surplus at the local government level as well as a poorer performance at the regional government level (an increase in the deficit of 0.27 percentage points). The main reason for the regional governments' underperformance lies with the 2.5 billion euros (0.2% of GDP) which the central government decided not to transfer to the regional governments. The 2017 change in the management of the VAT regime meant that those funds were not collected. [2] Lastly, the Social Security deficit narrowed slightly, from 1.44% to 1.29% (+0.15).

Exhibit 1

Deficit (-) or surplus (+) in 2018 and 2019 by level of government

Percentage of GDP



Note: Includes the financial aid package, which in 2018 reduced the deficit by 0.01pp and in 2019 increased it by the same amount.

Sources: Author's own elaboration based on Spanish Ministry of Finance (2020a and 2020b) and Eurostat (2020).

> “The EU Commission calculates the Draft Budgetary Plan for 2020 will lead to a 0.1 percentage point deterioration of the structural deficit.”

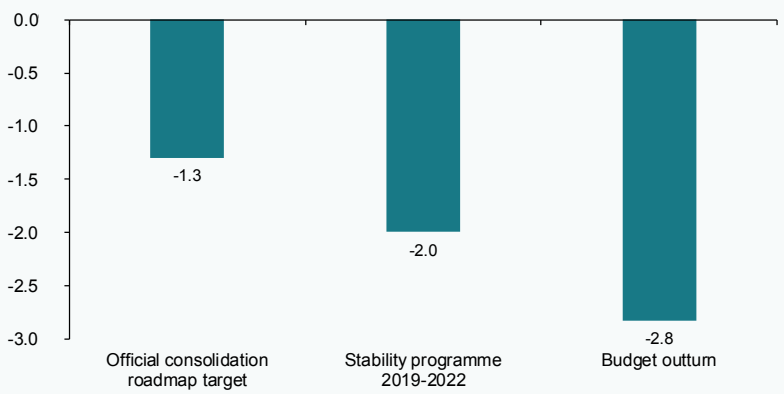
To round out that analysis, Exhibit 2 compares three deficit figures for the overall deficit: the targeted deficit outlined in the fiscal consolidation roadmap that is still in force (approved by the Spanish Cabinet on July 7th, 2017, and ratified by the Parliament for 2018-2020); the deficit featured in the Stability Programme Update 2019-2022; and the budget outturn numbers. It shows how the targets have been missed by a wide margin, despite the fact that the economy registered growth of 2% and the deficit target was raised by 0.7 percentage points (1.3% to 2.0%) from the legally stipulated target.

2020 did not get off to a more auspicious start. No meaningful progress was made on drawing up a General State Budget for 2020 (2020-GSB) in January and February, before COVID-19 thoroughly disrupted the economic and political environment. The reference document was still the Draft Budgetary Plan for 2020 (2020 Plan), which was published and submitted to the European Commission on October 15th, 2019 (Ministry of Finance, 2019). This Plan does not reflect new discretionary spending measures other than the public sector pay increases contemplated under the scope of the multi-year plan backed by the previous Partido Popular government and pension increases. The European Commission did not respond favourably to the 2020 Plan. In its opinion, the Plan meant that the deficit would barely change in 2020 and that the structural deficit would deteriorate by 0.1 percentage point. Conversely, the recommendation contained in the Stability and Growth Pact is a deficit reduction of 0.65% of GDP. The difficulty in reconciling the European Commission’s demands, the measures contemplated in the coalition agreement and the pacts made with a number of parties with more regional interests whose support for

Exhibit 2

2019 deficit: Target and outturn

Percentage of GDP



Source: Author’s own elaboration based on Ministry of Finance (2019 and 2020).

> The differences in GDP estimates only explain 29% of the divergence in the deficit forecasts.

the investiture of Pedro Sánchez placed pressure on government expenditure, undermined the preparation of the 2020-GSB. The COVID-2019 crisis has since buried that process altogether. On March 18th, the Spanish President announced to the Congress of Deputies that it was abandoning the negotiation of a budget for 2020 to concentrate on preparing an "Economic and Social Reconstruction Budget" for 2021, after the public health crisis has been addressed.

Outlook for the public deficit in 2020

It is particularly hard to forecast the deficit in 2020 due to the uncertainty surrounding the nature of the virus and the evolution of the pandemic. These exogenous and unexpected factors will determine the speed of the economic recovery and the possibility of new stoppages during the second half of the year as a result of a potential second wave of infections. That means economic forecasts are being recalibrated faster than ever before, with the potential for further revisions over the coming months. It has also prompted analysts and institutions to work with multiple scenarios in which the figures vary as a function of different assumptions. The Bank of Spain is one such institution (2020). Table 1 provides the latest figures for GDP and the public deficit published by six benchmark economic forecasters, four of which are associated with public institutions (the Bank of Spain, the AIReF, the European Commission and the International Monetary Fund (IMF)), while the other two have been published by private organizations (Funcas and BBVA Research).

The forecasted GDP contraction ranges from 6.8% to 12.4%, corresponding to the best-case (almost full normalcy following an 8-week lockdown) and adverse scenarios (normalcy

Table 1 **Forecasts for GDP growth/contraction and public deficit in 2020**

Percentage

	GDP	Public deficit
IMF (2020)	-8.0	-9.5
Bank of Spain (2020)	-6.8	-7.2
	-9.5	-8.9
	-12.4	-11.0
BBVA Research (2020)	-8.0	-10.8
Funcas (2020)	-7.0	-10.1
European Commission (2020)	-9.4	-10.1
AIReF (2020)	-8.7	-10.9
Government's forecasts-Ministry of Finance (2020b)	-9.2	-10.3

Source: Author's own elaboration.

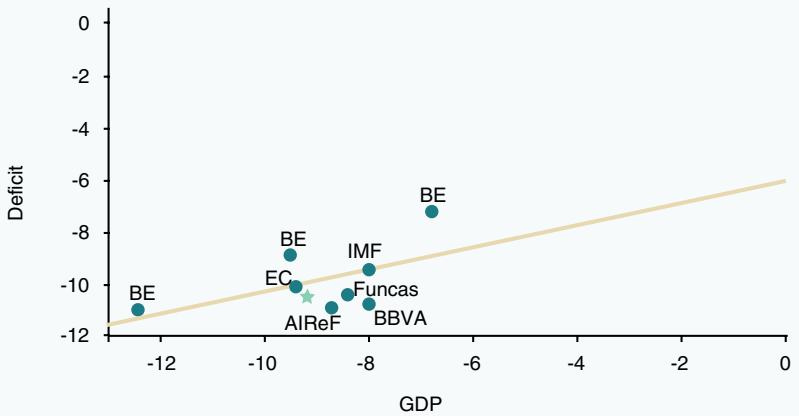
> "The European Commission calculates Spain's cyclically-adjusted budget deficit at slightly over 3% in 2020."

yet to be reached at year-end following a 12-week lockdown) drawn up by the Bank of Spain. The forecasted public deficit falls into a slightly narrower range: from 7.2% to 11.0%. Exhibit 3 shows how the two variables are positively correlated. The regression line has a positive slope (+0.42), albeit marked by substantial dispersion around that line. Notably, the differences in GDP estimates only explain 29% of the differences in the deficit forecasts. There is a nearly one and a half point difference between the forecasts of the IMF and those of BBVA Research in the scenarios that consider an economic contraction of 8%. Also, BBVA and the Bank of Spain (this time in its pessimistic scenario) are forecasting virtually the same public deficit for economic contractions that are over four points apart. The Spanish government, meanwhile, in its Stability Programme Update, published on May 1st (Ministry of Finance, 2020b), is forecasting a GDP contraction of 9.2% and a deficit of 10.34%. A combination that is slightly below the regression line and towards the left (the point marked with a star on the exhibit). The Government's figures would appear to rule out the more optimistic GDP and deficit scenarios. The two most recent estimates by the AIReF and the European Commission, subsequent to those of the Government, reinforce this outlook. The European Commission estimates a drop in GDP of 9.4% and a deficit of 10.1%. For its part, the AIReF considers revenue figures excessive, but nevertheless estimates a deficit figure not too far from the Government's forecast (10.9%), and a slightly lower fall in GDP (8.7%).

Given this wide divergence, we break the forecast deficit down into its three essential components for analytical purposes: the

Exhibit 3

Correlation between public deficit over GDP and percentage change in GDP. Forecasts compiled by various entities in 2020



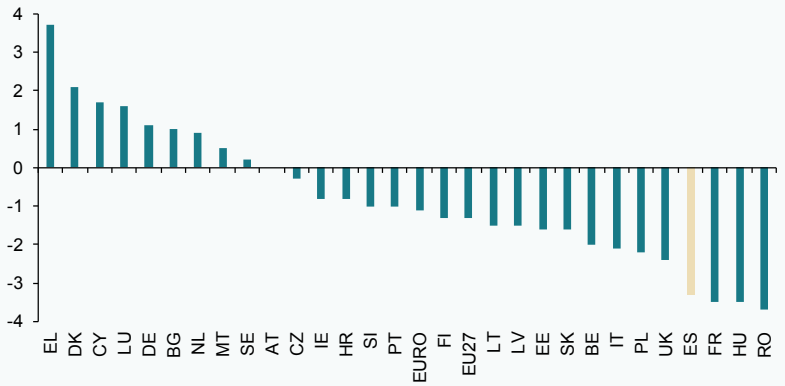
Note: The star denotes the Government's forecast, included in Ministry of Finance (2020b).

Source: Author's own elaboration based on Table 1.

Exhibit 4

Estimated cyclically-adjusted deficit (-) or surplus (+) in 2019

Percentage of GDP



Note: Austria (AT), Belgium (BE), Bulgaria (BG), Cyprus (CY), Czech Republic (CZ), Germany (DE), Denmark (DK), Eurozone (EURO), Estonia (EE), Greece (EL), Spain (ES), European Union-27 (EU27), Finland (FI), France (FR), Croatia (HR), Hungary (HU), Ireland (IE), Italy(IT), Lithuania (LT), Luxembourg (LU), Latvia (LV), Malta (MT), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Sweden (SE), Slovenia (SI), Slovakia (SK), United Kingdom (UK).

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

structural deficit pre-crisis (the part not related to the state of the economy); the cyclical component of the deficit associated with the loss of GDP, which automatically erodes tax revenue and increases spending on benefits such as unemployment; and the discretionary measures taken by the government to combat the crisis.

Spain's structural deficit is among the highest in the European Union, as shown in Exhibit 4. Acknowledging that this variable is not directly observable but rather estimated, the European Commission calculates Spain's cyclically-adjusted budget deficit at slightly over 3% in 2020 (European Commission, 2019). [3]

Next comes the cyclical component of the deficit, which is set to be very significant in 2020. Before the COVID-19 crisis, the European Commission was forecasting GDP growth of 1.5% in Spain in 2020 and an output gap of 1.7% (European Commission, 2019). The average GDP contraction forecast in Table 1 of around 8% implies a widening in the output gap of close to 10 percentage points.

The most recent estimates of the impact of the business cycle, measured by the output gap, on the budget rank Spain as one of the countries with the highest elasticities in the European Union, at around -0.6 (Mourre *et al.,* 2019). If GDP contracts by 9.2% as the Spanish government is forecasting, the output gap would widen to 11% and the cyclical component of the deficit would be around 6.5%.

Lastly, the measures rolled out in Spain to date are among the least significant in the developed world in terms of their impact on the government budget. According to the IMF's estimates (IMF, 2020), the countries that have been most aggressive in terms of discretionary fiscal policy (expenditure and revenue) are Japan, Australia and the US. A

> “The discretionary fiscal measures rolled out in Spain are among the least significant in the developed world in terms of their impact on the government budget.”

second-tier group includes Germany, Canada, the UK and China. Spain falls within the group of countries with less aggressive fiscal policy measures, in line with France and Italy. [4] The Stability Programme Update (Ministry of Finance, 2020b) provides a little more information. According to the Spanish government, the state's discretionary spending measures amount to 28.4 billion euros. However, a gross estimate of the spending measures, which takes into consideration tax deferrals, will reduce revenue by 6.1 billion euros in 2020. Additionally, there are several regional and local government measures estimated at 900 million euros. In total, these measures amount to 35.4 billion euros, equivalent to 3% of GDP.

However, there are three caveats with respect to the figure above. Firstly, the discretionary spending measures include 17.8 billion euros associated with furlough schemes (ERTEs for their acronym in Spanish), the solution adopted by the Spanish government to prevent business interruptions from translating into massive job losses. Without that scheme, job losses would have been significantly higher. Therefore, the funds transferred on account of that furlough scheme reduce unemployment benefits, which are already captured in the cyclical component of the deficit. If we were to add in the impact of the furlough scheme on the deficit, we would be double counting.

In contrast, the government-backed credit line of up to 100 billion euros generates a partial exposure to non-performing loans. Nor should we rule out the possibility that the government could pass additional discretionary measures in the coming weeks and months. For example, the universal basic income scheme, at an advanced stage of debate, due to come into force in May, could imply additional expenditure equivalent to between 0.3 and 0.4 percentage points of GDP. [5]

In short, the sum of the cyclical and structural components of the deficit would put the overall fiscal deficit at close to 9.5% of GDP, assuming the government's macroeconomic scenario materialises as modelled. Uncertainty regarding the discretionary component is greater as that figure is susceptible to new decisions by the government. However, as seen in the previous paragraph, that component is bound to represent at least 2% of GDP, even if we leave aside the potential impact of the government-backed guarantee scheme and assume that the cost of the furlough initiative is fully reflected in the cyclical deficit.

Adding in those discretionary fiscal measures means that the total public deficit is highly likely to rise above 11.5% of GDP in 2020.

Notes

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

[2] This issue is discussed in detail by Lago-Peñas (2020).

[3] The European Commission defines the structural deficit as the cyclically-adjusted budget balance net of one-off and temporary measures.

> “The sum of the cyclical and structural components of the deficit would put the overall fiscal deficit at close to 9.5% of GDP.”

[4] According to estimates compiled by Mapfre Economics (2020), the impact of the direct fiscal measures adopted in response to the COVID-19 crisis are equivalent to 11.9% of GDP in Germany, 9.3% in the US, 4% in China, 2.6% in Japan, 1.9% in France, 1.5% in the UK, 1.4% in Italy and 1.2% in Spain. Although these numbers imply a different ranking compared to those of the IMF, Spain's relative position is similar. The network of EU independent financial institutions has published a detailed analysis of the impact of the pandemic on public budgets but in the case of Spain it only quantifies the number of measures but not their impact (EUIFIS, 2020).

[5] On May 2nd, the President of Spain announced the federal government had approved an additional 16 billion euro fund (1.4% of GDP) for transfers to the regional governments. According to subsequent explanations provided by the Ministry of Finance, that figure is already included in the Stability Programme Update submitted to the European Commission.

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Santiago Lago Peñas. Professor of Applied Economics and Director of the Governance and Economics Research Network (GEN) Vigo University

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 passing certain emergency measures in the economic and public health spheres (Royal Decree-law 6/2020, published in the *Official State Journal* on March 11th, 2020)

The Royal Decree-law introduces a number of economic measures, which in turn imply the amendment of the following laws:

- Law 1/2013 (of May 14th, 2013) on measures for reinforcing mortgage holder protection, debt restructurings and social rent:
  - The suspension of house foreclosures has been extended by a further four years to May 2024. The amendments clarify that the suspension is effective regardless of who stands to benefit from the foreclosure (natural or legal person) and not only when that party is the creditor or anyone acting on behalf of the creditor.
  - The universe of potential beneficiaries has been extended, adding single-parent households with just one minor in their care to the category of particularly vulnerable parties.
  - The threshold on maximum household income used as the reference for determining vulnerability as a function of the number of children and whether or not the household is a single-parent household has been increased.
- Royal Decree 84/2015 (of February 13th, 2015) implementing Spanish Law 10/2014 (of June 26th, 2014), on the regulation, supervision and solvency of credit institutions. The type of existing financial institutions that can apply for transformation into banks has been broadened to include, in addition to credit cooperatives and specialised lending institutions, securities firms, payment institutions and electronic money institutions.
- Law 9/2012 (November 14th, 2012) on the restructuring and resolution of credit institutions. With respect to the legal regime governing the management company for the assets deriving from bank restructuring, SAREB for its acronym in Spanish, credit institutions will not qualify for dissolution if their equity falls below one half of their share capital.

Royal Decree-law on extraordinary urgent measures for mitigating the economic and social impacts of COVID-19 (Royal Decree-law 8/2020, published in the *Official State Journal* on March 18th, 2020)

The key measures passed by means of this piece of legislation are:

1. Moratorium on payments for mortgages taken out to finance the acquisition of a primary residence:
   - Applicable to loan or credit agreements secured by real estate mortgages whose borrower or guarantor falls into one of the economically vulnerable categories defined in the legislation itself, namely:
     a. The mortgage holder has been made redundant or, if a business or freelancer, has sustained a substantial loss of income or drop in sales (of at least 40%).

b. The aggregate income of the members of the household unit does not exceed during the month prior to application for the moratorium the sum equivalent to three times the so-called multiple purpose public income indicator (IPREM for its acronym in Spanish). This figure is grossed up by a factor of 0.1 for each minor or person over the age of 65 in their care (0.15 per child in the case of single-parent households). However, the factor increases to 4 times in the case of disability, dependence or permanent incapacity to work of any member of the household unit and to 5 times in the case of certain instances of borrower disability.

c. Mortgage instalments that are equivalent to 35% or more of the aggregate after-tax income received by the members of the household unit.

d. The household unit, as a consequence of the health emergency, has experienced a change in economic circumstances vis-à-vis housing affordability.

- Borrowers can apply for a moratorium from the day after publication of the legislation and the banks have a deadline of two weeks to implement it. The banks will inform the Bank of Spain of any such developments so that the affected mortgages are not considered for provisioning purposes.

- The moratorium application will imply the suspension of the mortgage debt for the term stipulated and the waiving of the prepayment clause such that the lending institution may not enforce mortgage or related payments or levy ordinary or late payment interest.

- The legislation contemplates consequences for debtors who benefit from the moratorium without meeting the requirements or who purposely manipulate qualification for any of the grounds for 'economic vulnerability'.

2. Liquidity guarantee to keep businesses going:

   - The Ministry of Economic Affairs and Digital Transformation will provide guarantees for financing granted by credit institutions, specialised lending institutions, electronic money institutions and payment institutions. The maximum size of this scheme is 100 billion euros.

   - The limit on net borrowings allowed for Spain's Official Credit Institute, ICO for its acronym in Spanish, to facilitate the provision of additional liquidity to businesses, particularly SMEs and the self-employed, has been expanded by 10 billion euros. The provision of that liquidity will take the form of short-, medium and long-term ICO financing lines to be intermediated by the financial institutions, in keeping with their direct financing policies for larger-sized enterprises.

   - Farm owners who took on loans as a result of the consequences of the drought of 2017 are to be able to negotiate with their banks the extension of the repayment of those loans by up to one year (potentially a grace period).

3. Foreign direct investment in Spain: To prevent companies from outside of the European Union and the European Free Trade Association from taking advantage of the sharp corrections in share prices to take control of strategic businesses, the regime deregulating direct foreign investment in Spain has been suspended in certain sectors to the extent that an investment leads to the investor taking an ownership interest of 10% or implies the assumption of control. The above suspension applies to all other companies in certain instances, if the foreign investor is controlled directly or indirectly by a third country government.

4. Company measures:

   - During the state of emergency, even if not contemplated in their bylaws, the

meetings of the governing bodies of associations, civil societies and corporate enterprises, the governing councils of cooperatives and the boards of trustees of foundations can be held via secure video call with real-time connections and sound and image for those attending remotely. Resolutions can be carried by written vote without the need for a meeting so long as the chairperson so decides and whenever at least two of their members so request. The same rules apply to meetings of steering committees and other compulsory or voluntary committees they may have set up.

- The legal deadline of three months for authorising the issue of financial statements and preparing management reports has been suspended.

- For listed companies, the legislation contemplates measures for holding annual general meetings remotely and extensions for the deadlines for publishing annual financial statements in 2020.

Royal Decree-law passing complementary emergency measures in the social and economic spheres (Royal Decree-law 11/2020, published in the *Official State Journal* on April 1st, 2020)

The key measures passed by means of this piece of legislation are:

1. Measures targeted at households and vulnerable groups:

   - Suspension of eviction proceedings and foreclosures for vulnerable households without residential alternatives.

   - Extraordinary extension of primary residence lease agreements for a maximum term of 6 months.

   - Establishment of measures for obtaining moratoriums on rent owed for economically vulnerable tenants in a primary residence, on the terms and conditions stipulated in the executive order itself.

   - Tenants in a primary residence who are economically vulnerable can ask their landlords, which may include a company, a public housing entity or an established lessor, for the temporary and extraordinary deferral of their rent if the parties have been unable to reach a voluntary agreement.

   - As for certification of the subjective conditions for benefitting from the moratorium, the law provides that if it is not possible to present a given document due to the state of emergency, an affidavit will suffice.

   - Approval of a guarantee line for state coverage of financing provided to socially and economically vulnerable tenants so that the banks can offer temporary financial assistance with repayment terms of up to six years, extendible for another four, free of all charges and interest for the applicant.

2. Mortgage moratorium:

- The scope of application of the moratorium has been expanded to include not only primary residences but also those properties affected by the economic activities carried out by business owners and professionals and residences other than the primary residence that are rented out and from which mortgage holders have ceased to collect rent (from the declaration of the state of emergency until one month after it ends).

- Definition of 'economic vulnerability' for the purposes of the mortgage moratorium and the non-mortgage financing arrangement:

  a. The potential beneficiary has been made redundant or, if a business or freelancer, sustained a loss of income or drop in turnover of at least 40%. The aggregate income of the members of the household

unit has not changed from the earlier definition.

b. Total mortgage instalments on the properties in question plus charges and basic utilities are equivalent to 35% or more of the after-tax income received by the household unit on aggregate.

c. The household unit, as a consequence of the health emergency, has experienced a significant change in economic circumstances vis-à-vis housing affordability.

3 Non-mortgage moratorium:

- The temporary suspension of contractual obligations has been extended to any unsecured loan to the extent that the borrower is a natural person who qualifies as economically vulnerable.
- The economic vulnerability coverage has been expanded to include the suspension of obligations under non-mortgaged loans.
- Borrowers may apply to have their obligations under such loans suspended up until one month after the end of the state of emergency. Having applied for suspension and certified economic vulnerability, the lender must suspend all obligations immediately.
- As with the mortgage moratorium, effectiveness of the suspension does not require an agreement between the parties or the novation of the original agreement. However, if the credit or loan is secured by a registrable claim other than a mortgage or arranged under the so-called register of movable property instalment sales register, the extension of the repayment term implied by the suspension does have to be registered.
- Once the suspension has been applied, the lender must inform the Bank of Spain of its existence and duration. The balances due had the moratorium not been applied will not be considered in arrears. The suspension will apply for three months, with scope for extension via a resolution by the Spanish Cabinet.
- In the event of a contract novation by virtue of an agreement between the lender and borrower in order to modify aspects other than the suspension of obligations, the novation must reflect the suspension and the non-accrual of interest during the term thereof.
- At any rate, during the period of the state of emergency and until freedom of mobility has been fully restored, it will not be possible to place the above deeds on public record, a fact that will not negatively impact the automatic application of the moratorium.
- Suspension of the contractual obligations will take effect from application by the borrower to the lender, duly accompanied by the required documentation, by any means.
- During the term of the suspension agreement, the lender may not demand the payment of instalments (principal or interest), in part or in full. The lenders may not accrue any ordinary or late-payment interest.
- The date of maturity agreed in the contract shall be understood to be automatically extended as a result of the suspension by the duration thereof without modifying the rest of the agreed-upon terms and conditions.

4. Supervisory and penalty regime: Every working day, the lenders supervised by the Bank of Spain must send the latter certain information related to the preceding working day.

5. Other matters:

- Ability to draw on pension plans in the event of unemployment or business shutdown as a result of the health crisis:

During six months from the declaration of the state of emergency, pension plan holders may, exceptionally, monetise their vested rights in the following instances: (i) they find themselves out of work as a result of the furlough scheme; (ii) they are the owner of an establishment not allowed to open to the public; and, (iii) they are duly-registered self-employed individuals who have discontinued their activities.

- Amendment of Royal Decree-law 8/2020:
  - The scope of application of the mortgage moratorium is aligned with that established in Royal Decree-law 11/2020.
  - The amendments add specifications for applying the suspension: Agreement between the parties or a novation is not required for effectiveness but the deeds must be placed on public record and registered with the Property Registry.
  - If a novation is agreed, clauses addressing the suspension of the contractual obligations and non-accrual of interest must be added.
  - Establishment of a period of three months for the suspension of mortgage debt from application of the moratorium.
  - The lenders that are supervised by the Bank of Spain must send it the same information as is contemplated in Royal Decree-law 11/2020, adding the number of loans for which the borrower has asked to have the suspension legally certified.
  - The cost of raising the mortgage moratorium to public deed must be borne by the lender and will be subsidised by 50% in certain instances.
  - Additional extraordinary measures applicable to private-law legal persons and the workings of the governing bodies of listed companies.
  - The term of effectiveness of Royal Decree-law 8/2020 is one month after the end of effectiveness of the state of emergency, irrespective of the measures contemplated with a specific duration. Notwithstanding the foregoing, the term of effectiveness of the measures contemplated in Royal Decree-law 8/2020 can be extended by the Spanish government.
- Amendment of Law 19/2003: Suspension of the regime deregulating direct foreign investment in Spain.
- Amendment of Law 35/2003: Collective investment undertaking management companies are required to reinforce the liquidity of the portfolios under their management and the percentage invested in highly liquid assets. The Spanish securities market regulator (the CNMV) is allowing those same management companies to stipulate a notice period for redemptions from the portfolios under their management (not subject, however, to other constraints such as holding terms, minimum amounts or contemplation in the management rules).
- Amendment of Law 26/2013: Banking foundations pursuing divestment programmes as part of diversification strategies can choose to extend the deadline for meeting their disposal objectives by as much as two years. If they do so, the foundations must set up a reserve fund, to which they are obligated to contribute, every year for which the extension lasts, a sum equivalent to at least 50% of the amount received from investee credit institutions as a result of dividend distributions.

The measures contemplated in Royal Decree-law 11/2020 will remain in effect until one month after the end of the state of emergency. However, the measures contemplated for a

specific timeframe will be bound by the latter. That said, the Spanish government can extend such measures via executive order.

Royal Decree-law on extraordinary complementary measures in support of the economy and jobs (Royal Decree-law 15/2020, published in the *Official State Journal* on April 22th, 2020)

The key economic measures passed include:

1. Economic and social measures:
   - Establishment of the terms of pension fund withdrawals.
   - In relation to the guarantee line for state coverage of financing provided to socially and economically vulnerable tenants as a consequence of COVID-19, the facility is capped at 1.2 billion euros.
2. Measures for reinforcing corporate financing:
   - Natural or legal persons who are tenants party to a lease agreement over a property for use other than as a residence may ask the lessor, which may constitute a company, a public housing entity or an established lessor, for a moratorium on the payment of rent within one month from the date of effectiveness of this piece of legislation. If the landlord does not fall into one of the above categories, the use of the security deposit as payment mechanism is permitted.
   - Application of the suspension on mortgage debt during the three-month period contemplated in Royal Decree-law 8/2020 will not be bound by the provisions of the Law regulating mortgage loan agreements.
   - The mortgage moratorium will be placed on public record unilaterally by the lender, as is the case with the moratorium on unsecured loans.
3. Amendment of Royal Decree-law 8/2020:
   - Expansion of the scope of the guarantee line to include CERSA (a public entity which provides guarantees for SMEs) and commercial paper programmes listed on the AIAF fixed-income exchange and the alternative fixed-income exchange.
   - Establishment of December 31st, 2020, as the deadline for awarding the guarantee line.
4. Amendment of Royal Decree-law 11/2020:
   - With respect to the qualification for economic vulnerability, specification that the members of the household unit are disabled must include a certified disability of a severity of 33% or higher.
   - Automatic application of the moratorium, regardless of whether the suspension has been formally arranged.
   - A rebate for 50% of notary fees for the novation of non-mortgage loans with a floor of 25 euros and a cap of 50 euros.

Spanish economic forecasts panel: May 2020*

Funcas Economic Trends and Statistics Department

GDP growth forecast for 2020 drastically cut to -9.5% due to COVID-19

Spain's GDP contracted by 5.2% in the first quarter of 2020, according to the provisional numbers released by the National Statistics Office, the largest drop in the series. This contraction is due to the lockdown measures and business restrictions decreed during the second half of March in response to COVID-19. National demand detracted 5% from growth while foreign trade reduced GDP by 0.3%. Looking to the start of the second quarter, the leading indicators point to an unprecedented collapse in economic activity.

This is the first Panel since the state of emergency was declared. The consensus GDP forecast is for a contraction of the 9.5%; all of the analysts have drastically reduced their estimates (Table 1). The quarterly pattern forecast is as follows: -13.4% in 2Q20, +9.4% in 3Q20 and +3.6% in 4Q20 (Table 2).

The -9.5% forecast for 2020 is shaped by a GDP erosion of 8.9 percentage points as a result of the collapse in domestic demand and a loss of 0.6 points via trade. All the analysts agree that every component of private sector demand (consumption and investment) will contract sharply. International trade is similarly expected to shrink significantly. According to all the forecasts, the only component of GDP set to grow is public spending, thanks to the measures rolled out to shore up the economy.

The forecast for 2021 at 6.1%

The consensus forecast is that GDP will grow by 6.1% in 2021 (below the level forecast by the Spanish government and the European Commission), underpinned by growth of 1.1%, 1.3% and 1% in the first three quarters and 0.6% in the fourth (Table 2). Those numbers imply a partial recovery only, so that at the end of 2021, Spanish GDP would still be three percentage points below year-end 2019 levels.

The rebound in 2021 is expected to be driven mainly by a renewed domestic demand –forecast to contribute 5.4 percentage points to growth– with all components recovering except for public spending, whose growth is expected to ease. The foreign sector is expected to contribute 0.7 percentage points to growth in 2021.

Negative inflation in 2020

The global spread of the coronavirus has driven an unprecedented correction in crude oil prices, which has trickled through to inflation, which came in at 0% in March and -0.7% in April (compared to growth of close to 1% in the first two months of the year).

Inflation is expected to remain in negative territory until at least the middle of the third quarter, for an average annual rate of -0.4%. The forecast for 2021 is for inflation of 0.9%. Note, however, that there are significant differences in the various analysts' forecast for inflation for both years.

The year-on-year rates forecast for December 2020 and December 2021 are -0.7% and 1.5%, respectively (Table 3).

Collapse in job creation

The *Labour Force Survey* revealed a 0.4% seasonally adjusted drop in employment in the first quarter. The rate of unemployment was 14.4%, 0.3 percentage points below that of 1Q19. Note, however, that those individuals affected by the COVID-19 furlough scheme (ERTE for its acronym in Spanish) are not included in the official unemployment figures.

The number of Social Security contributors declined by nearly one million between March 13th and March 31st, while the number of employees affected by the furlough scheme climbed to 3.3 million.

According to the consensus forecasts, employment, in full-time equivalent terms, will decrease by 7.6% in 2020 and increase by 4.4% in 2021. Using the forecasts for growth in GDP, job creation and

wage compensation yields implied forecasts for growth in productivity and unit labour costs (ULC): the former is expected to decrease by 1.9% in 2020 and increase by 1.7% in 2021, while ULCs are forecast to increase by 3.2% in 2020 and decrease by 1.9% in 2021.

The average annual rate of unemployment is expected to increase to 20.2% in 2020, 6.6 percentage points above the level forecast in the last edition of the survey, falling back to 17.9% in 2021.

Larger external surpluses forecast for 2020 and 2021

Spain recorded a current account surplus of 24.9 billion euros in 2019, up 7% from 2018. In the first two months of 2020, the trade balance improved year-on-year, while the income deficit narrowed, so that the current account deficit improved by 2.7 billion euros.

The consensus forecasts call for a current account surplus of 1.5% of GDP in 2020 (up 0.2 percentage points) and 1.5% in 2021 (up 0.3 percentage points).

Public deficit set to soar in 2020 and 2021

The public deficit in 2019 was 2.8% of GDP, up from the deficit of 2.5% recorded in 2018. The Social Security narrowed its deficit; the local governments recorded a smaller surplus; and the central government recorded a similar deficit in both years.

The analysts are forecasting an increase in the total deficit in the next two years: to 10.8% of GDP in 2020 and 7.1% in 2021. Those forecasts are in line with those of other institutions such as the Bank of Spain and the European Commission.

The global and European economies are similarly in recession

The main economic indicators point to an unprecedented global recession. The global and eurozone March PMI and confidence readings fell sharply and the April readings have gone on to plummet to levels not seen since comparable indicators were introduced. The service sector readings are down by more than the manufacturing sector equivalents, no doubt because the lockdown and business restriction measures decreed in response to the pandemic are hitting the sector –particularly tourism– harder.

Growth estimates for the first quarter confirm the trends portrayed by the leading indicators. GDP in the US and China, the world's two largest economies, contracted by 4.8% and 6.8%, respectively, while the eurozone's economy shrank by 3.8%.

In its spring forecasts, the IMF predicted a contraction in the global economy of 3% this year, which is significantly greater than the impact of the last financial crisis in 2009. It believes that the global economy will grow again in 2021, specifically by 5.8%. The IMF believes that the European economies will be hit particularly hard. That prognosis is endorsed by the European Commission in its most recent forecasts, which suggest that eurozone GDP will contract by 7.7% in 2020, going on to rebound by 6.3% in 2021.

Against that backdrop, the analysts all agree that the overall and EU-specific external environment is unfavourable for Spain's economic outlook. However, half of the analysts believe that the international climate could improve in the months to come, a somewhat less pessimistic outlook than expressed in our last report.

Unanimous appraisal of the extraordinary expansionary monetary policy measures

In light of the extraordinarily complex situation, central banks have rolled out exceptional liquidity and state financing measures. The ECB has set up a new 750 billion euro government debt repurchase programme to cover the costs of the pandemic (the PEPP). It has also eased the restrictions on sovereign bond asset eligibility to make room for unforeseen contingencies. The rules for the use of corporate bonds as collateral by the banks have also been relaxed to include high-yield paper. Those measures, coupled with the rollout of government-backed guarantee schemes, which in Spain amount to 100 billion euros, are designed to curtail the liquidity issues facing businesses, particularly SMEs and the self-employed, and prevent a slew of bankruptcies.

Despite that arsenal, the markets have become more stressed during the state of emergency. 12-month EURIBOR has firmed to -0.1%, up nearly 0.2 percentage points from March. The

yield on Spain's 10-year government bonds has also increased, to nearly 0.9%, while the country risk premium (spread compared to the German sovereign bond) has doubled since our last report, to 135 basis points.

The analysts unanimously agree that monetary policy is expansionary and should remain so for the coming months. Although interest rates are still expected to climb gradually higher during the projection horizon, they are forecast to remain at relatively moderate levels, facilitating the funding of the measures taken in response to the pandemic.

Slight euro appreciation forecast

Since the March assessment, in the wake of the deterioration of the European economy and easing of monetary policy, the euro has depreciated slightly against the dollar. However, the analysts are expecting a slight recovery, to 1.12 by the end of 2021, appreciation of close to 0.3 percentage points from current levels.

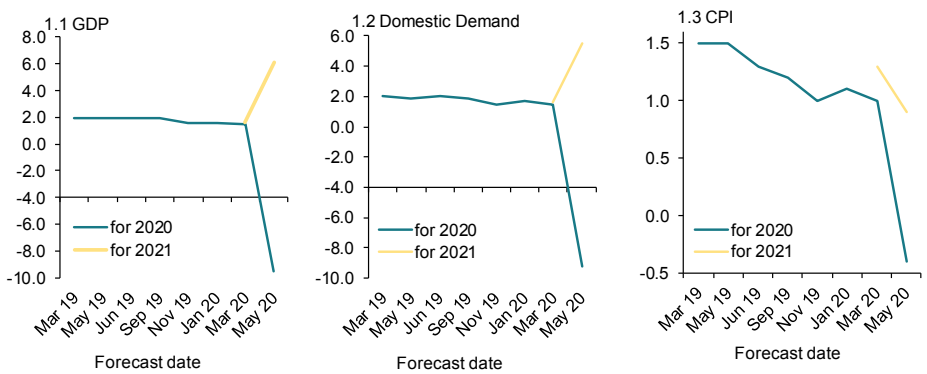
Fiscal policy needs to prop up the economy

The last survey revealed an incipient rethink about the direction fiscal policy should take, a trend reinforced in this survey. Today the analysts agree that fiscal policy has turned expansionary. Moreover, all but two believe that this is the direction fiscal policy should take for the months to come. None of the analysts are calling for fiscal policy tightening at present.

Exhibit 1

Change in forecasts (Consensus values)

Annual rates in %



Source: Funcas Panel of Forecasts.

** The Spanish Economic Forecasts Panel is a survey run by Funcas which consults the 18 research departments listed in Table 1. The survey, which dates back to 1999, is published bi-monthly in the months of January, March, May, July, September and November. The responses to the survey are used to produce a "consensus" forecast, which is calculated as the arithmetic mean of the 18 individual contributions. The forecasts of the Spanish Government, the Bank of Spain, and the main international organisations are also included for comparison, but do not form part of the consensus forecast.*

Spanish economic forecasts panel: May 2020*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – May 2020

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	-8.9	6.2	-15.6	6.6	5.1	4.7	-9.3	4.0	-11.7	5.0	-7.9	2.9	--	--
Axesor	-10.8	6.9	-8.0	5.1	4.3	1.0	-25.2	8.7	-33.1	9.5	-15.2	7.5	-10.3	6.0
BBVA Research	-8.0	5.7	-8.7	3.4	2.6	0.9	-28.9	7.9	-28.6	13.0	-31.6	1.9	-11.0	4.7
CaixaBank Research	-7.2	6.9	-9.9	6.9	6.4	4.5	-12.6	10.8	-10.6	11.4	-16.9	10.3	-7.1	7.0
Cámara de Comercio de España	-10.6	4.3	-12.6	6.5	6.2	3.8	-18.8	-1.8	-20.1	5.9	-22.7	-3.4	-11.1	3.6
Cemex	-9.5	5.0	-11.3	5.5	2.5	1.0	-17.6	7.9	-31.0	12.2	-10.5	5.5	-9.5	4.8
Centro de Estudios Economía de Madrid (CEEM-URJC)	-9.2	6.8	-10.5	6.3	5.2	-3.0	-22.2	11.7	-41.0	28.0	-18.0	8.0	-9.4	4.9
Centro de Predicción Económica (CEPREDE-UAM)	-6.6	6.3	-8.1	8.1	3.0	-0.6	-5.8	5.1	-9.0	7.7	-6.9	5.1	-5.4	5.5
CEOE	-10.2	5.9	-10.7	5.9	5.4	-1.1	-28.7	10.6	-38.5	18.3	-25.1	9.0	-10.7	4.7
Equipo Económico (Ee)	-10.0	7.2	-12.7	8.4	4.5	-0.5	-17.7	7.7	-20.7	7.2	-22.6	8.3	-10.3	6.2
Funcas	-8.4	6.0	-10.6	9.9	5.1	0.2	-17.5	2.1	-18.3	2.1	-16.6	2.2	-8.8	6.1
Instituto Complutense de Análisis Económico (ICAE-UCM)	-8.5	5.6	-9.0	6.7	5.5	4.5	-17.8	4.3	-22.8	8.0	-20.3	5.4	-7.8	5.7
Instituto de Estudios Económicos (IEE)	-11.0	5.5	-11.3	5.4	5.0	-0.8	-29.5	8.9	-39.0	10.6	-26.4	9.2	-11.3	4.1
Intermoney	-9.4	6.8	-10.2	6.7	6.3	3.6	-21.3	7.5	-23.5	8.1	-19.6	6.8	-8.7	5.9
Mapfre Economics	-8.2	1.7	-8.8	1.6	3.4	2.0	-9.5	-1.0	--	--	--	--	-0.1	0.0
Repsol	-11.9	9.5	-15.9	18.9	7.3	3.5	-16.7	7.3	-9.4	13.2	-26.8	6.5	-11.5	10.9
YGroup Companies	-13.0	6.5	-15.0	6.0	6.0	1.0	-31.9	14.0	-40.0	20.0	-35.0	15.0	-14.2	6.0
Universidad Loyola Andalucía	-9.8	7.2	-10.5	7.3	4.3	0.1	-21.8	12.5	-16.5	14.2	-26.8	12.3	-9.8	6.8
CONSENSUS (AVERAGE)	-9.5	6.1	-11.1	7.0	4.9	1.4	-19.6	7.1	-24.3	11.4	-20.5	6.6	-9.2	5.5
Maximum	-6.6	9.5	-8.0	18.9	7.3	4.7	-5.8	14.0	-9.0	28.0	-6.9	15.0	-0.1	10.9
Minimum	-13.0	1.7	-15.9	1.6	2.5	-3.0	-31.9	-1.8	-41.0	2.1	-35.0	-3.4	-14.2	0.0
Change on 2 months earlier[1]	-11.0	4.5	-12.3	5.7	3.0	-0.4	-21.5	4.6	-26.1	8.6	-21.9	4.4	-10.7	3.9
- Rise[2]	0	18	0	18	18	7	0	15	0	16	0	14	0	16
- Drop[2]	18	0	18	0	0	11	18	3	17	1	17	2	17	1
Change on 6 months earlier[1]	-11.1	--	-12.3	--	3.2	--	-22.0	--	-27.0	--	-22.8	--	-10.7	--
Memorandum items:														
Government (February 2019)	-9.2	6.8	-8.8	4.7	2.5	1.8	-25.5	16.7	--	--	--	--	--	--
Bank of Spain (December 2019)[3]	-6.8/-12.4	5.5/8.5	-6.8/-11.9	3.9/5.2	--	--	--	--	-33.3/-57.4	4.9/42.6	--	--	--	--
EC (February 2020)	-9.4	7.0	-10.7	8.9	5.8	0.4	-20.7	10.3	-23.0	12.0	--	--	--	--
IMF (January 2020)	-8.0	4.3	--	--	--	--	--	--	--	--	--	--	--	--

[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] *Range reflecting less adverse to more adverse scenarios.*

Table 1 (Continued)

Economic Forecasts for Spain – May 2020

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

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Labour costs[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[6]	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Analistas Financieros Internacionales (AFI)	-16.5	7.2	-18.5	7.8	-0.3	0.7	0.7	0.8	--	--	-6.3	2.6	19.5	17.7	1.4	1.4	-10.0	-6.8
Axesor	-26.3	11.2	-22.9	7.0	-0.1	1.1	1.0	1.0	--	--	-6.0	3.0	20.0	17.0	1.9	1.9	-9.5	-6.3
BBVA Research	-26.6	9.3	-38.3	4.4	-0.6	0.7	0.3	0.6	3.6	-7.5	-6.8	4.1	20.5	17.3	1.4	1.2	-10.8	-6.6
CaixaBank Research	-14.9	5.5	-15.0	5.7	0.2	1.6	0.8	1.0	2.3	2.8	-5.1	5.1	19.3	15.9	1.2	1.5	-9.8	-6.0
Cámara de Comercio de España	-20.1	13.6	-24.5	13.3	0.9	0.7	0.8	0.8	--	--	-8.7	-1.8	19.2	20.1	1.2	1.3	-10.1	-7.4
Cemex	-13.1	7.9	-14.3	7.9	0.0	1.0	0.7	0.8	--	--	-6.7	3.5	20.0	18.0	1.5	1.5	-11.5	-7.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	-17.2	15.5	-19.1	10.6	0.0	1.4	0.8	0.8	--	--	-5.5	2.8	19.4	17.7	1.4	1.0	-11.2	-7.0
Centro de Predicción Económica (CEPREDE-UAM)	-15.7	10.5	-13.0	8.3	0.0	1.6	--	--	1.5	1.6	-5.9	5.4	18.3	13.3	1.0	-0.2	-7.7	-4.4
CEOE	-24.5	11.6	-28.1	7.3	0.2	1.3	1.1	1.1	2.0	0.8	--	--	19.5	20.7	2.0	1.5	-11.0	-7.0
Equipo Económico (Ee)	-20.5	15.4	-22.4	13.2	-0.7	-0.4	-0.5	-0.3	1.2	0.0	-9.5	4.7	21.1	18.6	0.4	0.9	-14.1	-8.6
Funcas	-19.3	17.1	-21.4	19.3	0.0	1.5	0.9	0.9	--	--	-5.4	2.4	18.8	17.1	1.6	1.2	-10.4	-6.7
Instituto Complutense de Análisis Económico (ICAE-UCM)	-13.6	10.2	-12.0	10.8	-0.2	0.6	0.9	0.9	0.5	0.7	-6.1	3.8	18.9	17.0	1.5	1.0	-10.2	-6.5
Instituto de Estudios Económicos (IEE)	-25.2	12.0	-25.2	7.0	0.0	1.2	1.0	1.0	1.8	0.5	--	--	20.5	22.0	2.2	1.8	-11.5	-7.5
Intermoney	-21.1	13.5	-20.5	12.3	-0.5	1.1	0.3	0.9	--	--	-7.0	5.3	20.9	17.9	1.3	1.2	-11.3	-7.2
Mapfre Economics	-10.9	2.6	-8.6	0.0	-2.9	-0.2	--	--	--	--	--	--	20.4	18.7	1.5	1.7	-7.6	-7.4
Repsol	-18.1	2.6	-17.9	2.7	-3.0	0.4	-4.0	0.8	-2.5	-0.5	-10.7	13.1	24.0	15.1	-1.4	1.1	-14.0	-10.5
YGroup Companies	-33.0	14.0	-38.0	12.0	-0.5	0.5	0.5	0.5	--	--	-15.0	5.0	22.0	20.0	3.0	4.0	-14.0	-9.0
Universidad Loyola Andalucía	-25.6	13.8	-29.4	10.7	0.2	0.7	0.7	0.9	--	--	-10.1	6.8	20.9	17.9	3.2	2.4	-10.5	-6.3
CONSENSUS (AVERAGE)	-20.1	10.7	-21.6	8.9	-0.4	0.9	0.4	0.8	1.3	-0.2	-7.6	4.4	20.2	17.9	1.5	1.5	-10.8	-7.1
Maximum	-10.9	17.1	-8.6	19.3	0.9	1.6	1.1	1.1	3.6	2.8	-5.1	13.1	24.0	22.0	3.2	4.0	-7.6	-4.4
Minimum	-33.0	2.6	-38.3	0.0	-3.0	-0.4	-4.0	-0.3	-2.5	-7.5	-15.0	-1.8	18.3	13.3	-1.4	-0.2	-14.1	-10.5
Change on 2 months earlier[1]	-22.2	8.1	-23.7	6.2	-1.4	-0.4	-0.6	-0.3	-0.7	-2.1	-9.0	3.0	6.6	4.8	0.2	0.3	-8.6	-5.1
- Rise[2]	0	18	0	16	0	4	2	1	2	0	0	14	18	17	12	10	0	0
- Drop[2]	18	0	18	2	18	12	14	12	5	7	15	1	0	1	6	6	18	17
Change on 6 months earlier[1]	-22.4	--	-24.0	--	-1.4	--	-0.7	--	-0.4	--	-9.0	--	6.9	--	0.4	--	-8.8	--
Memorandum items:																		
Government (October 2019)	-27.1	11.6	-31.0	9.3	--	--	--	--	--	--	-9.7	5.7	19.0	17.2	--	--	-10.3	--
Bank of Spain (December 2019)[8]	-13.2/-19	19/22.2	-14.5/-22.4	12.7/15.5	..	..	..	..	--	--	--	--	18.3/21.7	17.5/19.9	--	--	-7.2/-11	-5.2/-7.4
EC (November 2019)	-19.8	11.9	-21.1	12.4	0.0 [7]	1.0 [7]	--	--	0.5	0.7	-8.7	6.1	18.9	17.0	3.2	2.7	-10.1	-6.7
IMF (January 2020)	--	--	--	--	-0.3	0.7	--	--	--	--	--	--	20.8	17.5	2.2	2.4	-9.5	-6.7

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

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

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

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

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

[6] *Excluding financial entities bail-out expenditures.*

[7] *Harmonized Index of Consumer Prices (HIPC).*

[8] *Range reflecting less adverse to more adverse scenarios.*

Table 2

Quarterly Forecasts – May 2020

	20-I Q	20-II Q	20-III Q	20-IV Q	21-I Q	21-II Q	21-III Q	21-IV Q
GDP[1]	-5.2	-13.4	9.4	3.6	1.1	1.3	1.0	0.6
Euribor 1 yr [2]	-0.3	-0.2	-0.2	-0.2	-0.18	-0.17	-0.21	-0.15
Government bond yield 10 yr [2]	0.5	0.8	0.8	0.8	0.91	0.93	0.96	1.00
ECB main refinancing operations interest rate [2]	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00
ECB deposit rates [2]	-0.5	-0.5	-0.5	-0.5	-0.50	-0.50	-0.50	-0.50
Dollar / Euro exchange rate [2]	1.1	1.1	1.1	1.1	1.11	1.11	1.11	1.12

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

Table 3

CPI Forecasts – May 2020

Year-on-year change (%)					
Apr-20	May-20	Jun-20	Jul-20	Dec-20	Dec-21
-0.7	-0.8	-0.6	-0.4	-0.7	1.5

Table 4

Opinions – May 2020

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	0	18	9	6	3
International context: Non-EU	0	0	18	9	6	3
	Is being			**Should be**		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	0	18	0	2	16
Monetary policy assessment[1]	0	0	18	0	0	18

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

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation				Equipment & others products	Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction							
						Total	Housing	Other constructions					
Chain-linked volumes, annual percentage changes													
2013		-1.4	-2.9	-2.1	-3.8	-8.2	-7.6	-8.7	1.3	4.4	-0.2	-2.9	1.5
2014		1.4	1.7	-0.7	4.1	3.0	9.9	-2.6	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	-3.2	5.7	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	8.9	-4.8	3.1	5.4	2.6	2.0	1.0
2017		2.9	3.0	1.0	5.9	5.9	11.5	0.2	5.9	5.6	6.6	3.0	-0.1
2018		2.4	1.8	1.9	5.3	6.6	7.7	5.3	4.1	2.2	3.3	2.6	-0.3
2019		2.0	1.1	2.3	1.8	0.8	2.9	-1.7	2.7	2.6	1.2	1.5	0.5
2020		-8.4	-10.6	5.1	-17.5	-16.6	-17.5	-15.4	-18.3	-19.4	-21.5	-8.6	0.2
2021		6.0	9.9	0.2	2.2	2.2	3.6	0.5	2.1	17.4	19.3	6.0	0.1
2019	I	2.2	1.2	2.3	4.8	4.0	3.0	5.2	5.6	0.8	0.4	2.1	0.1
	II	2.0	0.7	2.3	0.5	1.7	3.7	-0.7	-0.7	2.6	-0.2	1.1	1.0
	III	1.9	1.3	2.2	1.4	0.0	2.3	-2.9	2.8	3.6	2.7	1.5	0.4
	IV	1.8	1.2	2.4	0.6	-2.2	2.8	-8.2	3.4	3.3	2.1	1.3	0.5
2020	I	-4.1	-6.6	3.6	-6.7	-11.9	-10.6	-13.6	-1.4	-6.3	-7.4	-4.2	0.1
	II	-19.6	-22.8	5.1	-21.1	-22.8	-24.8	-20.3	-19.3	-33.7	-26.5	-16.3	-3.3
	III	-5.0	-5.9	5.6	-21.0	-16.3	-17.0	-15.5	-25.6	-19.9	-26.3	-6.5	1.5
	IV	-5.0	-7.1	5.9	-21.2	-15.2	-17.6	-12.0	-26.9	-17.4	-25.5	-7.1	2.1
2021	I	1.1	4.8	3.0	-12.6	-5.0	-4.2	-6.1	-19.4	-1.8	-3.1	0.8	0.4
	II	20.8	27.6	0.0	6.9	9.4	13.3	4.6	4.5	42.2	27.4	16.0	4.8
	III	2.2	4.3	-0.7	7.3	2.4	3.0	1.6	12.7	19.5	28.0	3.6	-1.3
	IV	2.3	6.1	-1.4	9.7	3.1	3.5	2.6	17.2	17.0	30.0	4.8	-2.5
Chain-linked volumes, quarter-on-quarter percentage changes													
2019	I	0.6	0.4	0.6	1.5	0.4	0.9	-0.2	2.6	1.0	0.9	-1.8	2.4
	II	0.4	-0.1	0.5	-0.8	-0.5	1.1	-2.3	-1.0	1.6	0.5	-1.8	2.1
	III	0.4	0.8	0.6	1.1	-0.8	0.1	-2.0	3.0	0.1	1.4	-1.1	1.5
	IV	0.4	0.1	0.7	-1.2	-1.3	0.8	-3.9	-1.2	0.6	-0.8	-0.2	0.6
2020	I	-5.2	-7.3	1.8	-5.8	-9.6	-12.3	-6.0	-2.1	-8.4	-8.4	-20.0	14.8
	II	-15.9	-17.5	2.0	-16.1	-12.8	-15.0	-10.0	-19.0	-28.1	-20.2	-50.7	34.8
	III	18.7	23.0	1.0	1.2	7.5	10.5	4.0	-5.0	20.9	1.7	51.0	-32.3
	IV	0.3	-1.2	1.0	-1.4	0.0	0.0	0.0	-3.0	3.7	0.2	-2.9	3.2
2021	I	0.9	4.5	-1.0	4.4	1.3	2.0	0.3	8.0	8.9	12.5	12.5	-11.5
	II	0.5	0.5	-1.0	2.6	0.4	0.5	0.3	5.0	4.2	4.9	2.1	-1.7
	III	0.5	0.5	0.3	1.6	0.7	0.5	1.0	2.5	1.6	2.1	2.5	-2.0
	IV	0.4	0.5	0.3	0.8	0.7	0.5	1.0	0.8	1.5	1.8	1.9	-1.5
		Current prices (EUR billions)	Percentage of GDP at current prices										
2013		1,020	59.0	19.9	17.4	8.7	3.9	4.8	8.7	33.0	29.0	96.1	3.9
2014		1,032	59.4	19.6	17.8	8.8	4.2	4.6	8.9	33.5	30.4	96.9	3.1
2015		1,078	58.5	19.5	18.0	8.7	4.0	4.6	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	8.6	4.4	4.2	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	9.0	4.8	4.2	9.6	35.2	31.6	96.4	3.6
2018		1,202	58.3	18.6	19.4	9.6	5.3	4.3	9.8	35.1	32.4	97.3	2.7
2019		1,245	57.6	18.7	20.0	10.0	5.7	4.3	10.0	34.9	32.0	97.2	2.8
2020		1,151	55.7	21.6	18.1	9.1	5.1	4.0	9.0	29.7	26.0	96.3	3.7
2021		1,233	58.0	20.4	17.4	8.8	5.0	3.8	8.7	32.8	29.4	96.7	3.3

** Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

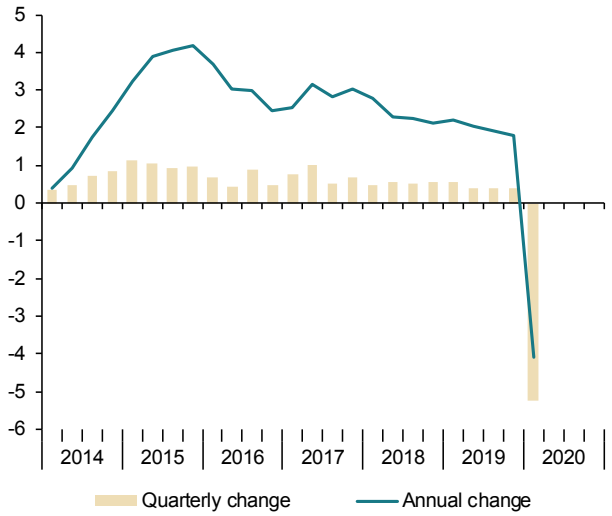


Chart 1.2 - Contribution to GDP annual growth

Percentage points

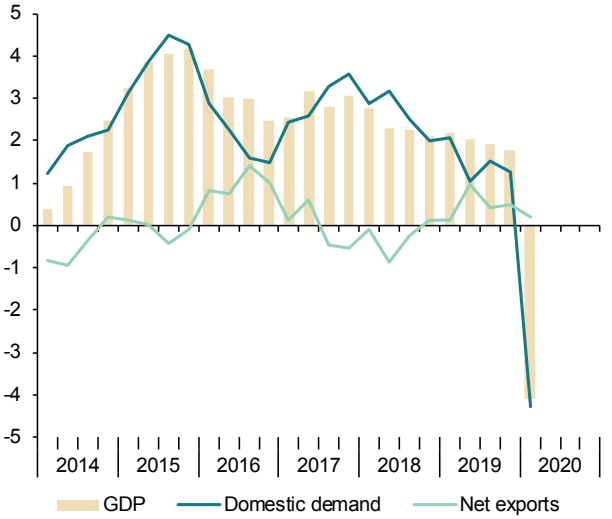


Chart 1.3 - Final consumption

Annual percentage change

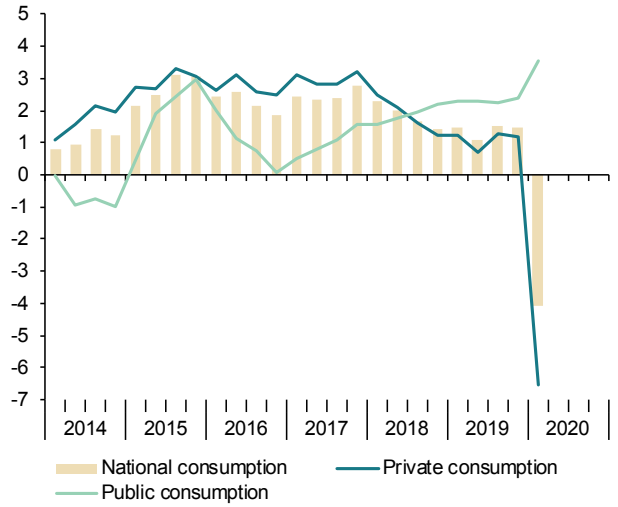


Chart 1.4 - Gross fixed capital formation

Annual percentage change

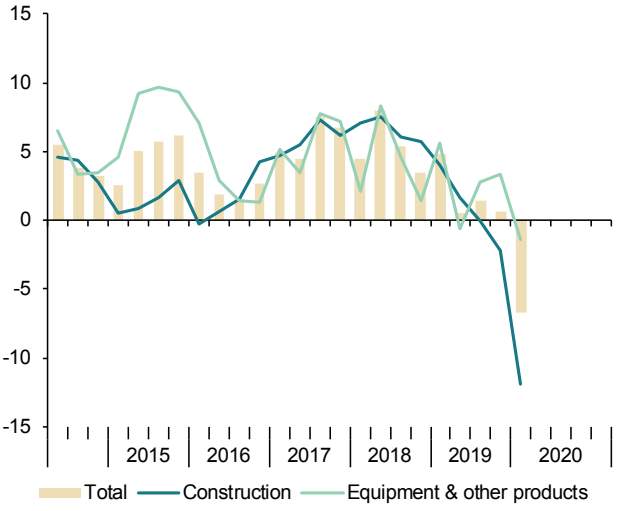


Table 2

National accounts: Gross value added by economic activity SWDA*

		Gross value added at basic prices								
				Industry			Services			
		Total	Agriculture, forestry and fishing	Total	Manufacturing	Construction	Total	Public administration, health, education	Other services	Taxes less subsidies on products
		Chain-linked volumes, annual percentage changes								
2013		-1.3	13.9	-4.0	-1.0	-10.3	-0.4	0.2	-0.7	-3.1
2014		0.9	-1.3	1.3	2.1	-1.3	1.1	-0.7	1.7	6.1
2015		3.3	4.7	3.0	4.6	5.4	3.1	1.1	3.8	9.6
2016		2.8	4.8	4.1	2.3	3.9	2.4	1.4	2.7	5.2
2017		2.9	-3.0	3.1	4.9	4.9	2.9	1.5	3.4	2.8
2018		2.5	5.9	-0.4	0.7	5.7	2.7	1.7	3.0	1.2
2019		2.2	-2.6	0.6	0.4	3.5	2.6	2.0	2.8	-0.1
2018	I	2.8	5.9	0.4	1.7	5.0	3.0	1.9	3.4	2.4
	II	2.4	7.8	-0.3	1.2	5.5	2.5	1.2	2.9	1.5
	III	2.4	3.0	-0.2	0.2	6.2	2.6	1.8	2.9	0.8
	IV	2.3	6.9	-1.5	-0.3	5.9	2.7	2.0	2.9	0.0
2019	I	2.5	-0.1	-0.4	0.1	6.3	2.9	2.2	3.1	-0.5
	II	2.3	-4.5	0.5	0.0	4.5	2.8	2.4	2.9	-0.7
	III	2.1	0.0	1.0	0.7	2.5	2.4	1.9	2.6	0.1
	IV	1.9	-5.4	1.2	0.7	0.9	2.4	1.7	2.6	0.9
2020	I	-4.0	-2.5	-2.2	-2.8	-8.6	-4.1	2.0	-6.0	-4.8
		Chain-linked volumes, quarter-on-quarter percentage changes								
2018	I	0.5	2.5	-0.4	-0.2	1.1	0.6	0.3	0.6	0.5
	II	0.6	2.0	-0.5	0.1	2.0	0.6	0.2	0.8	0.1
	III	0.6	-3.3	-0.1	-0.3	1.4	0.8	0.8	0.8	-0.2
	IV	0.7	5.7	-0.5	0.0	1.3	0.6	0.5	0.7	-0.4
2019	I	0.6	-4.2	0.7	0.3	1.4	0.8	0.5	0.9	-0.1
	II	0.4	-2.5	0.5	0.0	0.4	0.6	0.5	0.6	-0.1
	III	0.4	1.3	0.4	0.3	-0.6	0.4	0.3	0.5	0.6
	IV	0.4	0.1	-0.4	0.1	-0.3	0.6	0.4	0.7	0.5
2020	I	-5.2	-1.4	-2.7	-3.2	-8.1	-5.6	0.8	-7.6	-5.7
		Current prices EUR billions)	Percentage of value added at basic prices							
2013		932	2.9	16.4	12.2	5.8	74.9	18.9	56.0	9.4
2014		940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015		978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016		1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017		1,053	3.1	16.2	12.6	6.0	74.7	18.0	56.7	10.3
2018		1,088	3.1	15.9	12.4	6.2	74.8	18.0	56.9	10.5
2019		1,130	2.9	15.8	12.2	6.5	74.8	18.0	56.8	10.2

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

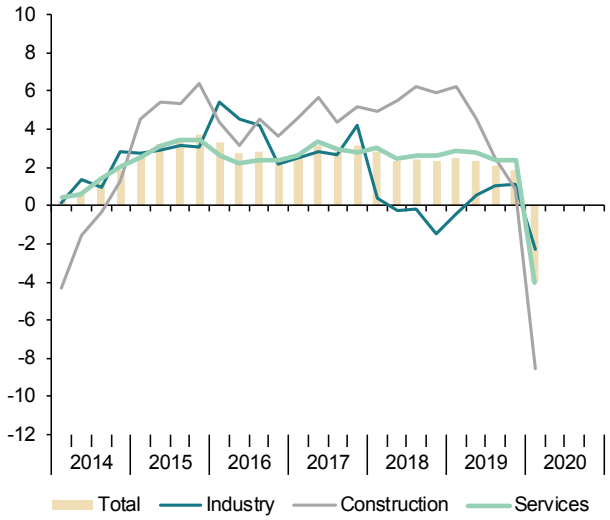


Chart 2.2 - GVA, Industry

Annual percentage change

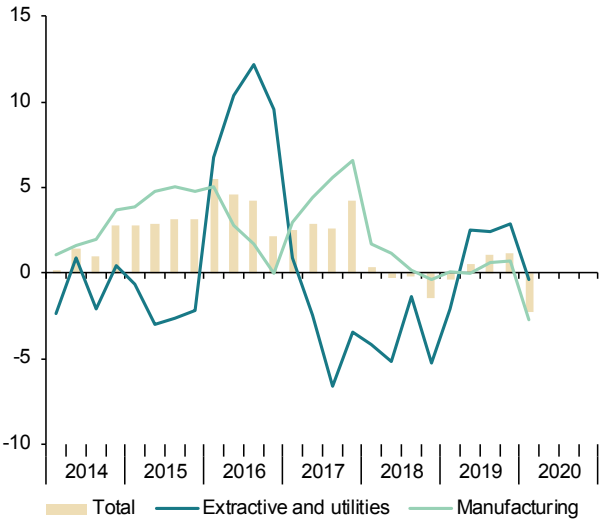


Chart 2.3 - GVA, services

Annual percentage change

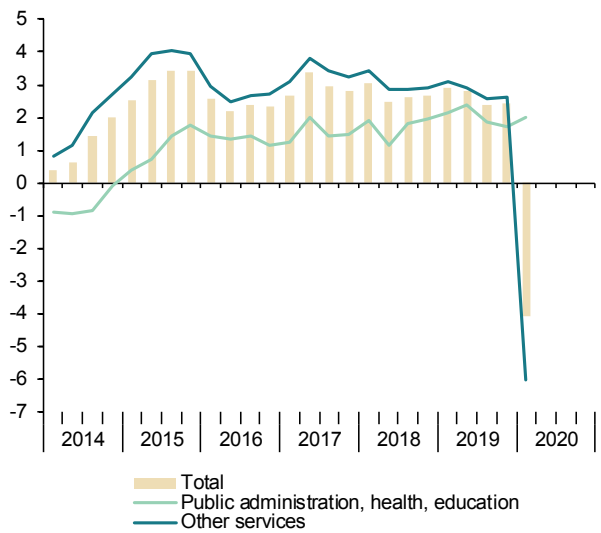


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

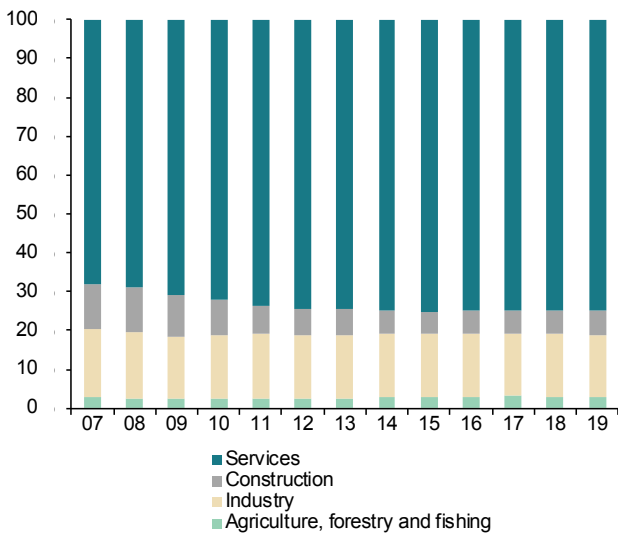


Table 3

National accounts: Productivity and labour costs

Forecasts in yellow

		Total economy						Manufacturing Industry					
		GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)
		1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
		Indexes, 2010 = 100, SWDA											
2013		95.0	89.3	106.4	101.1	95.1	95.1	93.7	82.7	113.2	105.4	93.1	95.3
2014		96.3	90.2	106.8	101.4	95.0	95.2	95.6	81.2	117.7	106.1	90.2	92.2
2015		100.0	93.0	107.5	102.0	94.9	94.6	100.0	83.1	120.3	105.4	87.6	89.8
2016		103.0	95.6	107.7	101.4	94.1	93.5	102.3	86.0	119.0	105.5	88.7	90.2
2017		106.0	98.3	107.8	102.1	94.7	92.9	107.3	89.2	120.3	106.5	88.5	89.4
2018		108.5	100.8	107.6	103.2	95.9	92.9	108.0	91.0	118.7	107.0	90.1	90.0
2019		110.7	103.1	107.3	105.3	98.1	93.6	108.4	92.6	117.1	108.0	92.2	90.3
2020		101.3	97.6	103.8	--	--	--	--	--	--	--	--	--
2021		107.4	99.9	107.5	--	--	--	--	--	--	--	--	--
2018	I	107.6	99.8	107.9	102.6	95.1	92.7	108.1	90.9	118.9	106.4	89.5	89.9
	II	108.2	100.5	107.7	102.8	95.4	92.6	108.2	91.1	118.7	106.6	89.8	89.5
	III	108.8	101.2	107.5	103.4	96.2	93.3	107.9	91.0	118.5	107.1	90.3	90.0
	IV	109.4	101.9	107.3	103.9	96.8	93.2	107.9	90.9	118.7	107.9	90.9	90.8
2019	I	110.0	102.5	107.3	104.5	97.3	93.5	108.2	91.8	117.9	107.8	91.4	90.4
	II	110.4	103.0	107.2	105.1	98.0	93.6	108.2	92.4	117.2	107.9	92.1	90.2
	III	110.9	103.1	107.6	105.7	98.3	93.8	108.6	93.5	116.2	107.5	92.6	90.6
	IV	111.3	103.9	107.1	105.8	98.8	93.6	108.7	92.6	117.3	108.9	92.8	89.8
2020	I	105.5	101.9	103.5	106.6	103.0	97.7	105.2	92.3	113.9	108.9	95.6	93.1
		Annual percentage changes											
2013		-1.4	-3.3	2.0	1.3	-0.7	-1.1	-1.0	-5.5	4.8	1.7	-2.9	-3.5
2014		1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3
2015		3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6
2016		3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4
2017		2.9	2.8	0.0	0.7	0.7	-0.7	4.9	3.7	1.1	1.0	-0.2	-0.9
2018		2.4	2.5	-0.2	1.0	1.2	0.1	0.7	2.0	-1.3	0.5	1.8	0.7
2019		2.0	2.3	-0.3	2.0	2.3	0.7	0.4	1.7	-1.3	0.9	2.3	0.3
2020		-8.4	-5.4	-3.2	--	--	--	--	--	--	--	--	--
2021		6.0	2.4	3.5	--	--	--	--	--	--	--	--	--
2018	I	2.8	2.6	0.2	0.6	0.4	-0.8	1.7	3.6	-1.8	0.4	2.3	0.8
	II	2.3	2.4	-0.1	0.9	1.0	-0.1	1.2	2.9	-1.7	0.5	2.3	0.6
	III	2.2	2.5	-0.2	1.3	1.5	0.6	0.2	1.5	-1.3	0.9	2.3	0.8
	IV	2.1	2.7	-0.6	1.3	1.9	0.6	-0.3	0.2	-0.5	0.0	0.6	0.8
2019	I	2.2	2.7	-0.5	1.8	2.4	0.9	0.1	1.0	-0.9	1.3	2.2	0.5
	II	2.0	2.5	-0.5	2.2	2.7	1.1	0.0	1.4	-1.3	1.2	2.6	0.9
	III	1.9	1.8	0.1	2.2	2.1	0.5	0.7	2.7	-2.0	0.4	2.4	0.6
	IV	1.8	2.0	-0.2	1.9	2.1	0.3	0.7	1.8	-1.1	0.9	2.1	-1.0
2020	I	-4.1	-0.6	-3.6	2.0	5.8	4.4	-2.8	0.6	-3.3	1.0	4.5	3.0

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

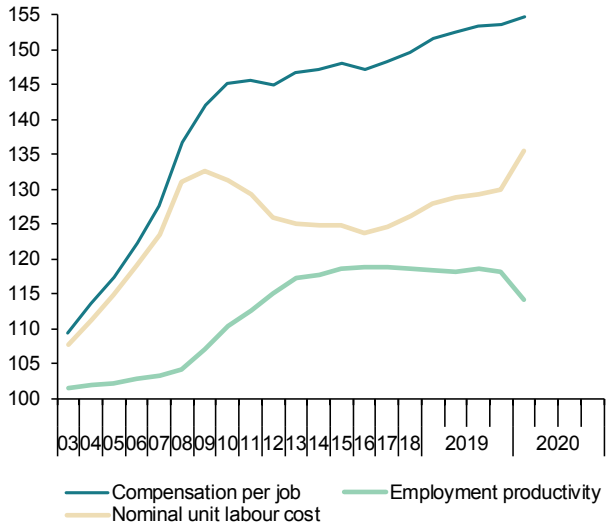
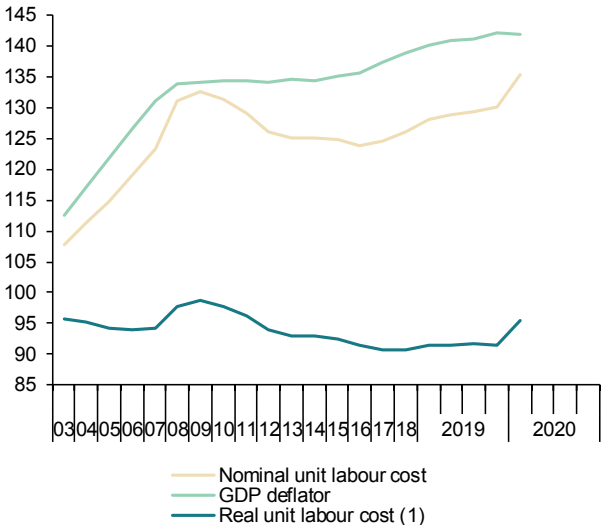


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

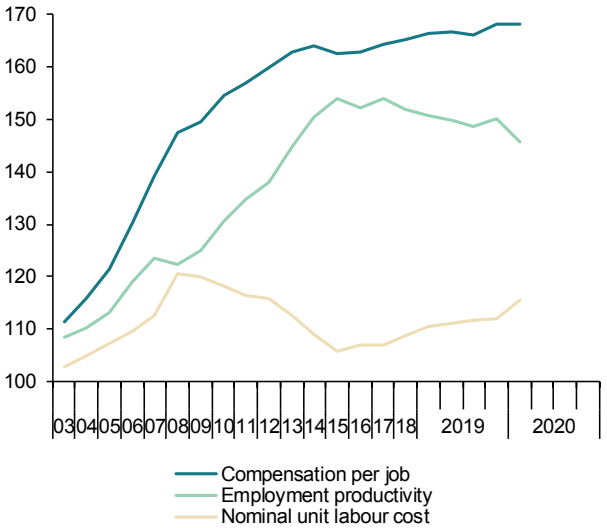
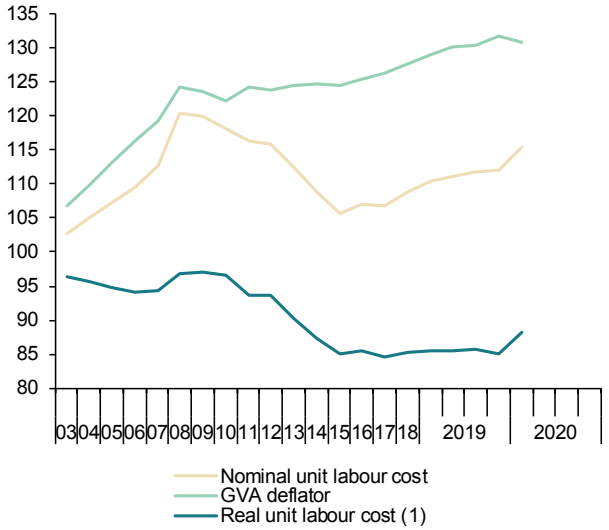


Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions, 4-quarter cumulated transactions							Percentage of GDP					
2013		1,020.3	467.5	455.0	1,001.1	804.6	196.5	175.7	45.8	44.6	19.3	17.2	2.0	2.6
2014		1,032.2	473.5	455.4	1,017.7	815.4	202.3	184.8	45.9	44.1	19.6	17.9	1.7	2.1
2015		1,077.6	492.9	472.6	1,066.7	840.1	226.5	204.7	45.7	43.9	21.0	19.0	2.0	2.7
2016		1,113.8	503.7	495.8	1,104.8	860.5	244.3	208.9	45.2	44.5	21.9	18.8	3.2	3.4
2017		1,161.9	523.4	518.7	1,151.4	894.6	256.8	225.7	45.1	44.6	22.1	19.4	2.7	2.9
2018		1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019		1,245.3	570.4	547.9	1,235.3	950.5	284.8	259.6	45.8	44.0	22.9	20.8	2.0	2.3
2020		1,150.6	491.6	547.1	1,130.1	888.9	241.3	219.0	42.7	47.5	21.0	19.0	1.9	2.1
2021		1,232.7	554.9	555.0	1,206.8	965.7	241.1	225.9	45.0	45.0	19.6	18.3	1.2	1.4
2018	I	1,173.2	528.1	524.1	1,161.7	902.1	259.6	228.9	45.0	44.7	22.1	19.5	2.6	2.9
	II	1,182.9	533.1	527.0	1,172.8	909.0	263.8	234.9	45.1	44.5	22.3	19.9	2.4	2.7
	III	1,192.2	538.7	529.1	1,181.7	917.2	264.6	239.1	45.2	44.4	22.2	20.1	2.1	2.5
	IV	1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019	I	1,213.1	551.2	535.1	1,203.2	931.6	271.5	251.5	45.4	44.1	22.4	20.7	1.7	2.1
	II	1,223.9	558.0	539.3	1,214.5	938.5	275.9	254.6	45.6	44.1	22.5	20.8	1.7	2.3
	III	1,234.5	564.2	543.4	1,224.7	944.5	280.2	258.2	45.7	44.0	22.7	20.9	1.8	2.3
	IV	1,245.3	570.4	547.9	1,235.3	950.5	284.8	259.6	45.8	44.0	22.9	20.8	2.0	2.3
2020	I	1,236.5	574.4	535.3	--	943.6	--	258.5	46.5	43.3	--	20.9	--	--
		Annual percentage changes							Difference from one year ago					
2013		-1.0	-2.9	-0.8	-1.0	-1.8	2.9	-7.6	-0.9	0.1	0.7	-1.2	2.0	2.0
2014		1.2	1.3	0.1	1.7	1.3	3.0	5.2	0.1	-0.5	0.3	0.7	-0.3	-0.5
2015		4.4	4.1	3.8	4.8	3.0	12.0	10.8	-0.1	-0.3	1.4	1.1	0.3	0.5
2016		3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017		4.3	3.9	4.6	4.2	4.0	5.1	8.1	-0.2	0.1	0.2	0.7	-0.5	-0.5
2018		3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019		3.6	4.7	3.0	3.6	2.8	6.2	6.0	0.5	-0.2	0.6	0.5	0.1	-0.1
2020		-7.6	-13.8	-0.2	-8.5	-6.5	-15.3	-15.6	-3.1	3.5	-1.9	-1.8	-0.1	-0.2
2021		7.1	12.9	1.4	6.8	8.6	-0.1	3.1	2.3	-2.5	-1.4	-0.7	-0.7	-0.7
2018	I	4.4	3.9	4.9	4.0	3.8	4.4	8.3	-0.2	0.2	0.0	0.7	-0.7	-0.5
	II	4.0	3.9	4.0	4.0	3.6	5.6	9.3	0.0	0.0	0.3	1.0	-0.6	-0.5
	III	3.8	4.0	3.3	3.8	3.5	4.7	8.3	0.1	-0.2	0.2	0.8	-0.6	-0.5
	IV	3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019	I	3.4	4.4	2.1	3.6	3.3	4.6	9.9	0.4	-0.6	0.3	1.2	-1.0	-0.8
	II	3.5	4.7	2.3	3.6	3.2	4.6	8.4	0.5	-0.5	0.2	0.9	-0.7	-0.5
	III	3.6	4.7	2.7	3.6	3.0	5.9	8.0	0.5	-0.4	0.5	0.9	-0.4	-0.2
	IV	3.6	4.7	3.0	3.6	2.8	6.2	6.0	0.5	-0.2	0.6	0.5	0.1	-0.1
2020	I	1.9	4.2	0.0	--	1.3	--	2.8	1.0	-0.8	--	0.2	--	--

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

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

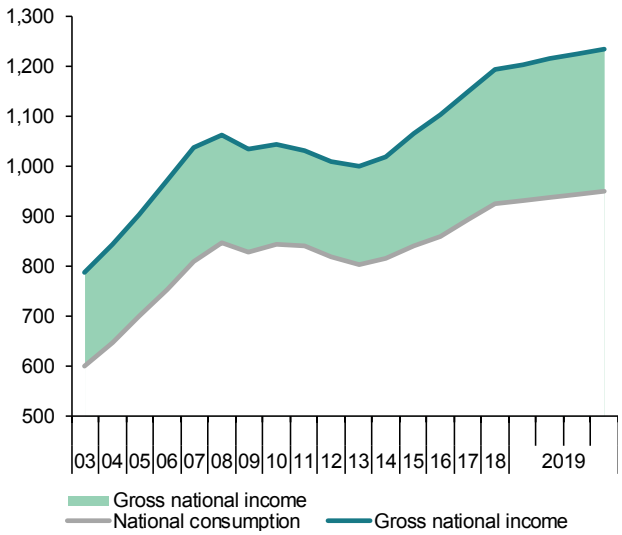


Chart 4.2 - National income, consumption and saving rate

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

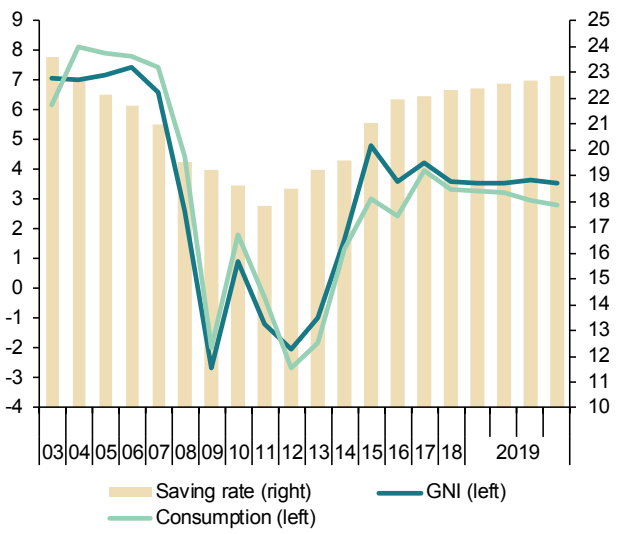


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

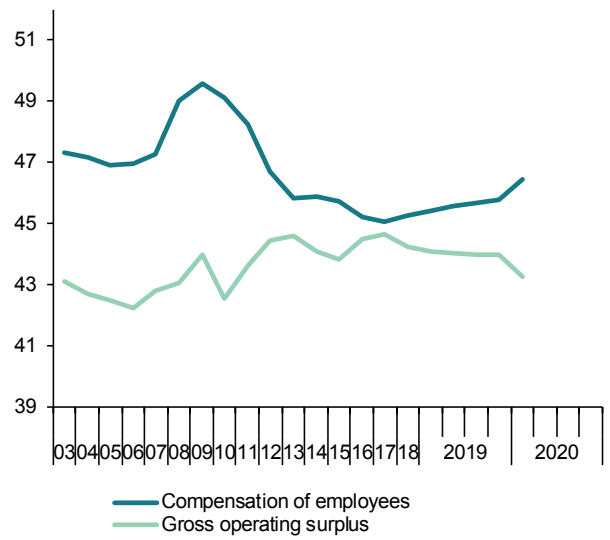


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

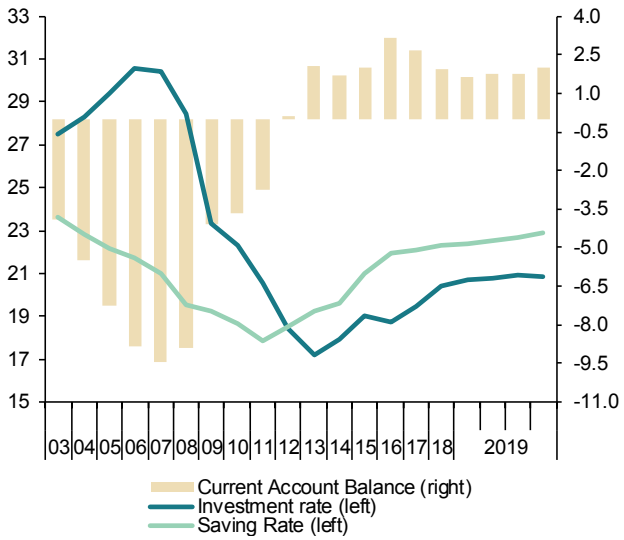


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions, 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions, 4-quarter cumulated operations			Percentage of GDP		
2013		655.9	601.7	51.7	31.0	7.9	3.0	1.9	228.6	167.4	114.7	16.4	11.2	5.3
2014		656.2	612.7	41.5	30.2	6.3	2.9	1.0	228.7	171.7	127.7	16.6	12.4	4.7
2015		682.2	630.2	49.0	30.5	7.2	2.8	1.7	241.0	185.1	140.4	17.2	13.0	4.4
2016		700.6	648.3	49.2	31.8	7.0	2.9	1.4	255.3	196.2	149.2	17.6	13.4	4.4
2017		721.1	678.2	39.8	37.1	5.5	3.2	0.0	266.8	202.1	160.1	17.4	13.8	3.8
2018		747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019		777.2	717.3	57.2	40.6	7.4	3.3	1.1	276.8	204.0	191.7	16.4	15.4	1.3
2020		752.2	640.9	108.6	33.5	14.4	2.9	6.3	233.4	178.6	161.8	15.5	14.1	1.7
2021		787.6	714.7	70.1	35.2	8.9	2.9	2.6	222.5	170.1	166.4	13.8	13.5	0.5
2018	I	727.0	684.3	39.8	37.0	5.5	3.2	0.0	268.4	203.9	163.6	17.4	14.0	3.6
	II	734.0	689.5	41.6	38.3	5.7	3.2	0.1	269.5	204.6	166.7	17.3	14.1	3.4
	III	739.7	695.5	41.5	39.3	5.6	3.3	0.0	270.0	202.2	172.1	17.0	14.5	2.7
	IV	747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019	I	754.4	705.5	46.3	42.0	6.1	3.5	0.1	271.4	200.2	179.8	16.5	14.8	1.9
	II	765.7	709.1	54.1	41.5	7.1	3.4	0.8	273.5	199.4	184.6	16.3	15.1	1.5
	III	770.6	713.5	53.9	41.2	7.0	3.3	0.8	274.6	200.7	187.6	16.3	15.2	1.4
	IV	777.2	717.3	57.2	40.6	7.4	3.3	1.1	276.8	204.0	191.7	16.4	15.4	1.3
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2013		-0.4	-2.0	20.9	-27.0	1.4	-1.1	1.8	0.6	7.4	0.5	1.3	0.2	1.0
2014		0.0	1.8	-19.8	-2.7	-1.6	-0.1	-1.0	0.0	2.5	11.3	0.2	1.1	-0.6
2015		4.0	2.9	18.1	1.1	0.9	-0.1	0.7	5.4	7.8	10.0	0.5	0.7	-0.3
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.9	6.0	6.2	0.4	0.4	0.0
2017		2.9	4.6	-19.3	16.8	-1.5	0.3	-1.4	4.5	3.0	7.3	-0.2	0.4	-0.7
2018		3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019		3.9	2.4	29.2	-1.9	1.4	-0.2	1.1	2.5	2.6	9.5	-0.2	0.8	-1.0
2020		-3.2	-10.7	89.9	-17.5	7.1	-0.3	5.2	-15.7	-12.5	-15.6	-0.9	-1.3	0.5
2021		4.7	11.5	-35.4	5.1	-5.5	-0.1	-3.7	-4.7	-4.7	2.8	-1.7	-0.6	-1.2
2018	I	3.2	4.2	-9.8	9.5	-0.8	0.2	-0.7	4.1	2.4	9.2	-0.3	0.6	-1.0
	II	3.3	3.7	-2.3	11.5	-0.3	0.2	-0.5	3.2	4.0	8.6	0.0	0.6	-0.6
	III	3.6	3.6	4.6	10.0	0.0	0.2	-0.1	2.9	2.5	10.0	-0.2	0.8	-1.0
	IV	3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019	I	3.8	3.1	16.2	13.4	0.7	0.3	0.1	1.1	-1.8	9.9	-0.9	0.9	-1.6
	II	4.3	2.8	30.1	8.3	1.4	0.1	0.8	1.5	-2.5	10.7	-1.0	1.0	-1.9
	III	4.2	2.6	30.0	4.9	1.4	0.0	0.9	1.7	-0.7	9.0	-0.7	0.7	-1.4
	IV	3.9	2.4	29.2	-1.9	1.4	-0.2	1.1	2.5	2.6	9.5	-0.2	0.8	-1.0

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

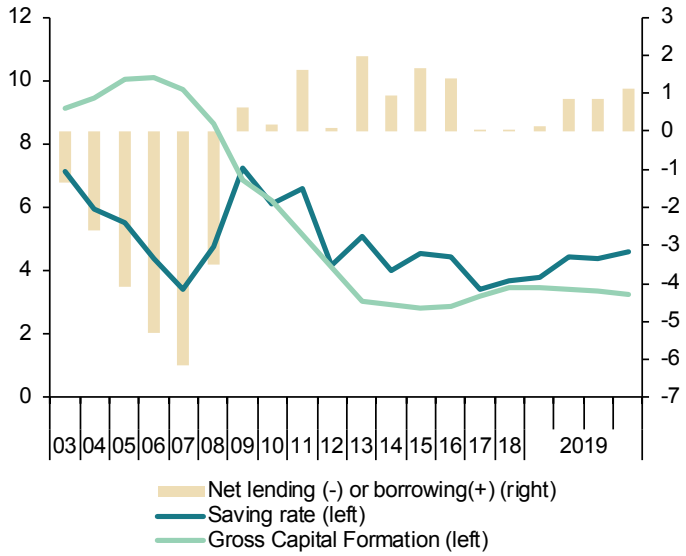


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

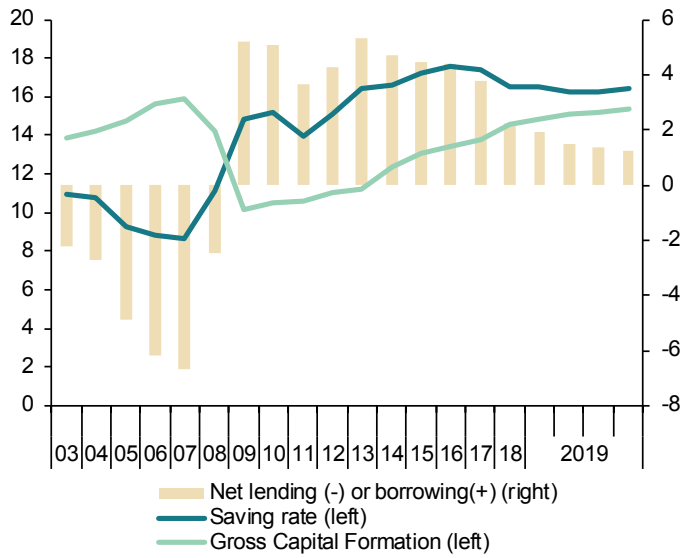


Table 6

National accounts: Public revenue, expenditure and deficit

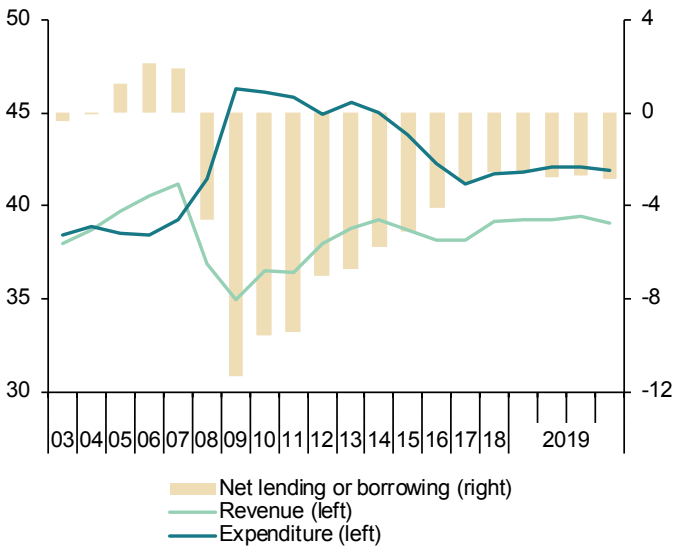
Forecasts in yellow

		Non financial revenue					Non financial expenditures							Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		Taxes on production and imports	Taxes on income and wealth	Social contributions	Capital and other revenue	Total	Compensation of employees	Intermediate consumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expenditure	Total		
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8+9+10+11	13=5-12	14
		EUR Billions, 4-quarter cumulated operations													
2013		112.8	102.2	126.9	53.9	395.9	114.4	55.7	35.4	198.8	35.2	28.1	467.6	-71.8	-68.5
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		140.9	127.3	149.4	53.4	471.0	127.6	62.1	29.3	216.3	36.3	29.8	501.5	-30.5	-30.4
2019		142.7	129.2	160.5	54.3	486.8	134.1	64.2	28.5	229.6	34.1	31.5	521.9	-35.2	-35.2
2020		127.5	116.4	130.6	53.6	428.1	136.7	68.7	29.5	250.3	30.6	32.1	547.8	-119.7	-119.7
2021		138.9	123.4	152.5	55.1	469.9	139.5	68.7	34.9	245.8	31.0	32.6	552.4	-82.5	-82.5
2018	I	136.6	118.7	144.3	49.3	448.8	124.0	60.1	29.0	208.8	32.2	28.9	483.0	-34.2	-33.8
	II	138.4	120.1	146.0	50.5	455.1	124.8	60.9	28.9	210.5	33.8	28.8	487.7	-32.6	-32.5
	III	139.5	123.0	147.7	51.2	461.4	126.0	61.4	29.3	213.3	34.0	29.1	493.3	-31.8	-31.7
	IV	140.9	127.3	149.4	53.4	471.0	127.6	62.1	29.3	216.3	36.3	29.8	501.5	-30.5	-30.4
2019	I	142.3	127.0	152.4	54.6	476.3	129.3	62.7	28.9	219.2	36.3	30.7	507.2	-30.8	-31.0
	II	142.2	128.9	155.2	54.7	481.0	131.6	63.0	29.3	223.8	36.1	31.2	515.1	-34.2	-34.1
	III	143.0	130.8	157.9	55.3	486.9	132.7	63.5	28.8	225.8	37.0	32.1	520.0	-33.0	-33.0
	IV	142.7	129.2	160.5	54.3	486.8	134.1	64.2	28.5	229.6	34.1	31.5	521.9	-35.2	-35.2
		Percentage of GDP, 4-quarter cumulated operations													
2013		11.1	10.0	12.4	5.3	38.8	11.2	5.5	3.5	19.5	3.4	2.8	45.8	-7.0	-6.7
2014		11.5	10.1	12.5	5.1	39.2	11.1	5.5	3.4	19.2	3.1	2.7	45.1	-5.9	-5.8
2015		11.7	9.9	12.2	4.8	38.7	11.1	5.5	3.0	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	4.4	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	39.1	10.8	5.2	2.3	18.4	2.7	2.5	41.9	-2.8	-2.8
2020		11.1	10.1	11.4	4.7	37.2	11.9	6.0	2.6	21.8	2.7	2.8	47.6	-10.4	-10.4
2021		11.3	10.0	12.4	4.5	38.1	11.3	5.6	2.8	19.9	2.5	2.6	44.8	-6.7	-6.7
2018	I	11.7	10.1	12.3	4.2	38.3	10.6	5.1	2.5	17.8	2.7	2.5	41.2	-2.9	-2.9
	II	11.7	10.2	12.4	4.3	38.5	10.6	5.1	2.4	17.8	2.9	2.4	41.3	-2.8	-2.7
	III	11.7	10.3	12.4	4.3	38.8	10.6	5.2	2.5	17.9	2.9	2.4	41.4	-2.7	-2.7
	IV	11.7	10.6	12.4	4.4	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019	I	11.7	10.5	12.6	4.5	39.2	10.7	5.2	2.4	18.1	3.0	2.5	41.8	-2.5	-2.6
	II	11.6	10.5	12.7	4.5	39.3	10.7	5.1	2.4	18.3	2.9	2.5	42.1	-2.8	-2.8
	III	11.6	10.6	12.8	4.5	39.4	10.7	5.1	2.3	18.3	3.0	2.6	42.1	-2.7	-2.7
	IV	11.5	10.4	12.9	4.4	39.1	10.8	5.2	2.3	18.4	2.7	2.5	41.9	-2.8	-2.8

Source: IGAE and Funcas (Forecasts).

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

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures.

Chart 6.2.- Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

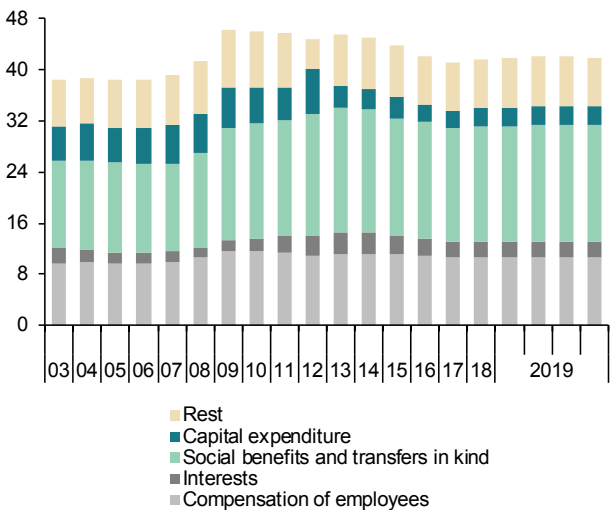


Table 7

Public sector balances, by level of Government

Forecasts in yellow

		Net lending (+)/ net borrowing (-) (a)					Debt				
		Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	Total Government (consolidated)
		EUR Billions, 4-quarter cumulated operations					EUR Billions, end of period				
2013		-46.5	-16.4	5.7	-11.3	-68.5	849.4	210.5	42.1	17.2	977.3
2014		-35.9	-18.7	5.5	-10.6	-59.7	901.4	237.9	38.3	17.2	1,039.4
2015		-28.2	-18.9	4.6	-12.9	-55.2	939.3	263.3	35.1	17.2	1,070.1
2016		-25.7	-9.5	7.0	-17.4	-45.6	968.4	277.0	32.2	17.2	1,104.6
2017		-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018		-15.9	-3.3	6.1	-17.4	-30.4	1,047.3	293.4	25.8	41.2	1,173.3
2019		-16.2	-6.8	3.8	-16.1	-35.2	1,061.2	295.1	23.2	55.0	1,188.9
2020		--	--	--	--	-119.7	--	--	--	--	1,311.6
2021		--	--	--	--	-82.5	--	--	--	--	1,423.7
2018	I	-21.4	-3.1	6.7	-16.0	-33.8	1,029.0	289.7	29.0	27.4	1,162.1
	II	-18.6	-2.9	5.5	-16.5	-32.5	1,034.9	293.4	29.4	34.9	1,166.0
	III	-18.0	-2.9	5.2	-16.0	-31.7	1,048.7	292.4	28.0	34.9	1,177.7
	IV	-15.9	-3.3	6.1	-17.4	-30.4	1,047.3	293.4	25.8	41.2	1,173.3
2019	I	-18.0	-3.2	5.5	-15.3	-31.0	1,066.0	296.9	26.0	43.1	1,196.7
	II	-17.3	-3.9	5.5	-18.4	-34.1	1,072.0	300.6	26.2	48.7	1,207.4
	III	-11.5	-8.2	4.6	-17.8	-33.0	1,070.3	298.1	25.2	52.4	1,203.8
	IV	-16.2	-6.8	3.8	-16.1	-35.2	1,061.2	295.1	23.2	55.0	1,188.9
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2013		-4.6	-1.6	0.6	-1.1	-6.7	83.3	20.6	4.1	1.7	95.8
2014		-3.5	-1.8	0.5	-1.0	-5.8	87.3	23.1	3.7	1.7	100.7
2015		-2.6	-1.8	0.4	-1.2	-5.1	87.2	24.4	3.3	1.6	99.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	86.9	24.9	2.9	1.5	99.2
2017		-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018		-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019		-1.3	-0.5	0.3	-1.3	-2.8	85.2	23.7	1.9	4.4	95.5
2020		--	--	--	--	-10.4	--	--	--	--	114.0
2021		--	--	--	--	-6.7	--	--	--	--	115.5
2018	I	-1.8	-0.3	0.6	-1.4	-2.9	87.7	24.7	2.5	2.3	99.1
	II	-1.6	-0.2	0.5	-1.4	-2.7	87.5	24.8	2.5	2.9	98.6
	III	-1.5	-0.2	0.4	-1.3	-2.7	88.0	24.5	2.3	2.9	98.8
	IV	-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019	I	-1.5	-0.3	0.5	-1.3	-2.6	87.9	24.5	2.1	3.6	98.6
	II	-1.4	-0.3	0.4	-1.5	-2.8	87.6	24.6	2.1	4.0	98.7
	III	-0.9	-0.7	0.4	-1.4	-2.7	86.7	24.1	2.0	4.2	97.5
	IV	-1.3	-0.5	0.3	-1.3	-2.8	85.2	23.7	1.9	4.4	95.5

(a) Excluding financial entities bail-out expenditures.

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

Chart 7.1 - Government deficit

Percent of GDP, 4-quarter cumulated operations

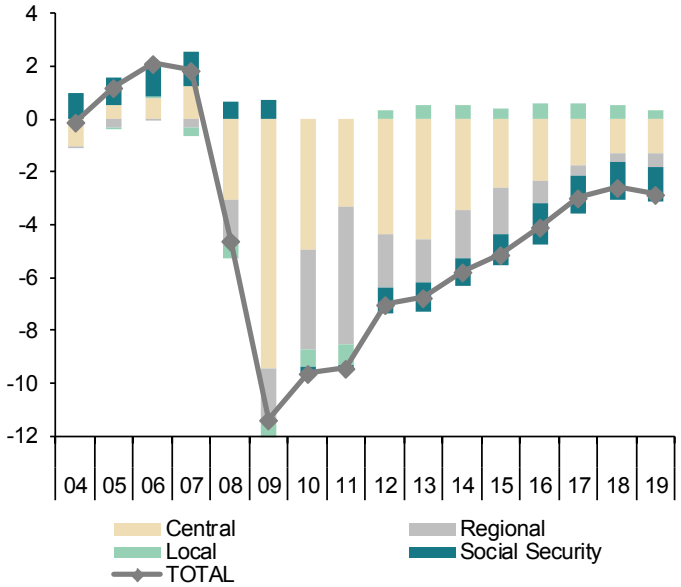


Chart 7.2 - Government debt

Percent of GDP

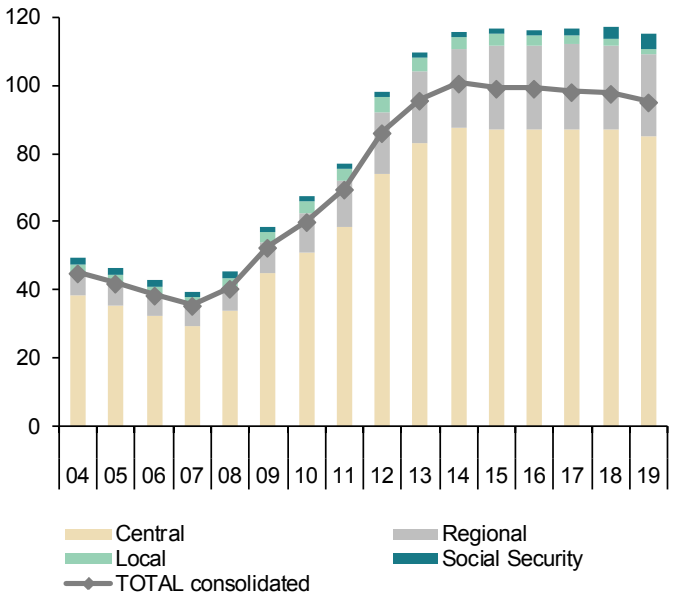


Table 8

General activity and industrial sector indicators (a)

	General activity indicators				Industrial sector indicators					
	Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing Turnover index deflated	Industrial orders
	Index	Index	Thousands	1,000 GWH	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2013	90.1	48.3	15,855.2	250.0	95.5	2,021.6	48.5	-14.0	93.2	-30.7
2014	100.5	55.1	16,111.1	249.6	96.8	2,022.8	53.2	-7.1	95.3	-16.3
2015	107.8	56.7	16,641.8	253.8	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016	105.6	54.9	17,157.5	253.8	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017	108.4	56.2	17,789.6	258.4	105.0	2,191.0	54.8	1.0	107.1	2.2
2018	108.0	54.6	18,364.5	259.3	105.3	2,250.9	53.3	-0.1	108.4	-0.2
2019	104.1	52.7	18,844.1	252.3	106.1	2,283.2	49.1	-3.9	108.9	-4.8
2020 (b)	94.2	34.8	18,521.0	84.7	101.1	2,251.8	43.8	-11.7	103.6	-18.5
2018 III	106.4	52.7	18,428.1	65.4	105.4	2,257.0	52.4	-2.6	108.9	-2.4
IV	105.9	53.7	18,580.7	64.1	104.9	2,265.6	51.8	-1.9	108.8	-2.4
2019 I	104.8	54.5	18,708.3	63.8	106.3	2,273.9	51.1	-3.8	108.9	-5.8
II	104.3	52.4	18,808.4	63.2	106.7	2,281.0	49.9	-4.6	109.0	-2.7
III	105.6	52.0	18,885.3	62.5	106.3	2,286.5	48.2	-2.0	108.9	-4.5
IV	101.8	51.9	18,969.0	63.0	105.4	2,291.5	47.2	-5.2	108.8	-6.3
2020 I	101.2	43.3	18,912.0	61.7	100.5	2,283.6	48.2	-5.4	108.7	-8.6
II (b)	73.3	9.2	18,051.9	17.7	--	2,207.3	30.8	-30.7	--	-48.2
2020 Feb	102.7	51.8	19,039.2	20.0	104.7	2,292.1	50.4	-4.0	108.7	-7.9
Mar	99.3	26.7	18,693.8	19.6	92.2	2,266.6	45.7	-7.0	--	-7.9
Apr	73.3	9.2	18,051.9	19.2	--	2,207.3	30.8	-30.7	--	-48.2
					Percentage changes (c)					
2013	--	--	-2.9	-2.2	-1.6	-4.4	--	--	-2.0	--
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	--	--	2.8	--
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	-2.7	0.7	1.4	--	--	0.5	--
2020 (d)	--	--	-0.3	-6.2	-5.8	-0.5	--	--	-0.7	--
2018 III	--	--	0.7	1.0	0.1	0.5	--	--	-0.1	--
IV	--	--	0.8	-2.0	-0.4	0.4	--	--	-0.1	--
2019 I	--	--	0.7	-0.5	1.3	0.4	--	--	0.1	--
II	--	--	0.5	-1.0	0.4	0.3	--	--	0.1	--
III	--	--	0.4	-1.0	-0.4	0.2	--	--	-0.1	--
IV	--	--	0.4	0.8	-0.8	0.2	--	--	-0.1	--
2020 I	--	--	-0.3	-2.1	-4.6	-0.3	--	--	-0.1	--
II (e)	--	--	-4.5	-14.1	--	-3.3	--	--	--	--
2020 Feb	--	--	0.2	0.9	0.1	0.0	--	--	0.0	--
Mar	--	--	-1.8	-6.9	-11.9	-1.1	--	--	--	--
Apr	--	--	-3.4	-10.1	--	-2.6	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Annual percentage changes

Chart 8.2.- General activity indicators (II)

Index

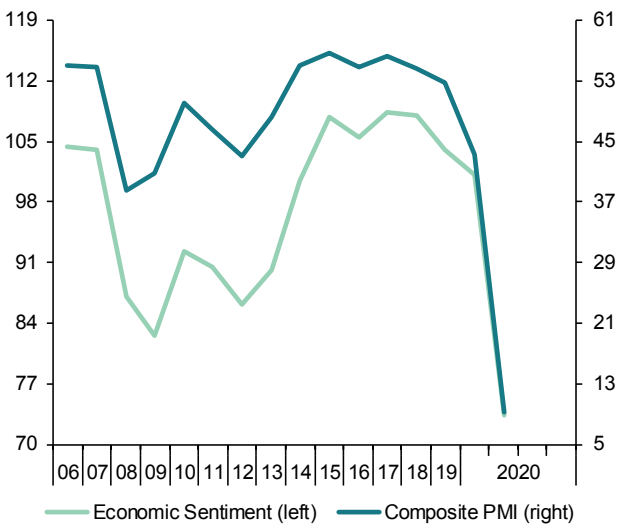


Chart 8.3 - Industrial sector indicators (I)

Annual percentage changes

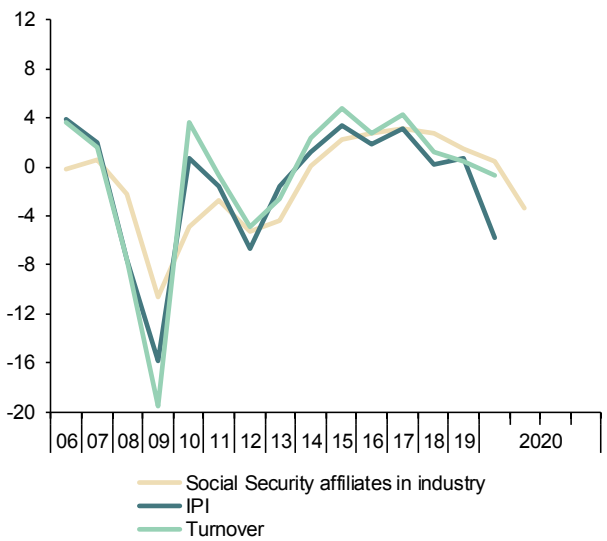


Chart 8.4 - Industrial sector indicators (II)

Index

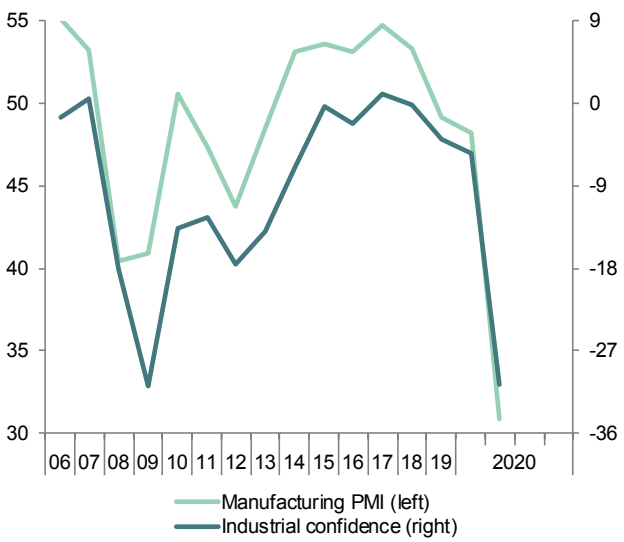


Table 9

Construction and services sector indicators (a)

		Construction indicators					Service sector indicators					
		Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
		Thousands	2015=100 (smoothed)	Balance of responses	EUR Billions (smoothed)	Million m^2	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2012		1,135.5	101.2	-54.9	7.4	8.5	11,909.7	94.8	43.1	280.7	193.2	-21.5
2013		996.8	93.6	-55.6	9.2	6.8	11,727.9	92.9	48.3	286.0	186.5	-15.3
2014		980.3	92.8	-41.4	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	9.9
2015		1,026.7	100.0	-25.3	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	19.4
2016		1,053.9	102.6	-39.6	9.2	12.7	12,851.6	104.2	55.0	331.2	229.4	17.8
2017		1,118.8	111.5	-26.9	12.7	15.9	13,338.2	111.0	56.4	340.6	248.4	22.5
2018		1,194.1	114.2	-4.6	16.6	19.8	13,781.3	117.5	54.8	340.0	262.9	21.7
2019		1,254.9	124.8	-7.0	18.2	20.0	14,169.1	122.2	53.9	343.2	274.4	13.9
2020	(b)	1,212.3	114.6	-13.2	3.4	3.4	13,932.4	113.7	33.6	42.0	41.8	-6.1
2018	III	1,205.9	115.8	-8.3	4.4	4.9	13,829.6	118.7	52.6	85.0	66.4	21.6
	IV	1,224.8	119.0	-1.6	4.9	5.0	13,943.8	120.0	54.0	85.6	67.6	18.0
2019	I	1,244.3	122.6	-0.6	5.0	5.2	14,041.0	121.1	55.3	86.2	68.9	15.5
	II	1,251.8	124.6	-7.8	4.8	5.5	14,135.5	122.0	53.1	86.8	69.7	14.8
	III	1,258.7	124.7	-7.4	4.5	4.8	14,208.3	122.7	53.5	86.6	69.5	14.2
	IV	1,265.1	123.3	-12.4	4.0	4.5	14,287.9	123.4	53.6	83.2	66.3	11.0
2020	I	1,255.9	119.3	-8.6	3.4	5.1	14,258.1	124.1	42.5	74.3	57.1	7.8
	II (b)	1,136.5	--	-27.0	--	--	13,591.3	--	7.1	--	--	-47.9
2020	Feb	1,272.5	119.4	-9.9	1.1	1.8	14,360.7	124.3	52.1	24.8	19.1	9.9
	Mar	1,226.7	117.5	-10.5	1.0	--	14,081.1	--	23.0	23.4	17.7	2.3
	Apr	1,136.5	--	-27.0	--	--	13,591.3	--	7.1	--	--	-47.9
		Percentage changes (c)										
2012		-17.0	-28.2	--	-45.5	-39.9	-2.2	-6.1	--	-2.1	-5.0	--
2013		-12.2	-7.5	--	23.2	-20.3	-1.5	-2.0	--	1.9	-3.5	--
2014		-1.7	-0.9	--	42.6	2.2	2.3	2.6	--	3.2	4.6	--
2015		4.7	7.8	--	-28.2	42.6	3.6	4.9	--	4.4	6.0	--
2016		2.6	2.6	--	-1.7	29.0	3.4	4.2	--	7.4	11.0	--
2017		6.2	8.7	--	37.1	24.8	3.8	6.6	--	2.8	8.3	--
2018		6.7	2.5	--	30.9	24.5	3.3	5.8	--	-0.2	5.8	--
2019		5.1	9.2	--	9.9	1.3	2.8	4.0	--	0.9	4.4	--
2020	(d)	-2.1	-6.4	--	-32.3	-1.2	0.1	2.5	--	-21.6	-20.5	--
2018	III	2.0	1.8	--	27.9	32.7	0.8	1.4	--	0.4	1.5	--
	IV	1.6	2.7	--	30.3	23.3	0.8	1.1	--	0.7	1.9	--
2019	I	1.6	3.0	--	32.6	11.0	0.7	0.9	--	0.7	1.8	--
	II	0.6	1.6	--	23.7	6.8	0.7	0.8	--	0.7	1.2	--
	III	0.6	0.1	--	1.6	-3.4	0.5	0.6	--	-0.3	-0.2	--
	IV	0.5	-1.2	--	-17.8	-8.8	0.6	0.6	--	-3.9	-4.6	--
2020	I	-0.7	-3.2	--	-31.9	-1.1	-0.2	0.5	--	-10.7	-13.8	--
	II (e)	-9.5	--	--	--	--	-4.7	--	--	--	--	--
2020	Feb	0.3	-1.4	--	17.9	5.4	0.2	0.2	--	-4.7	-6.3	--
	Mar	-3.6	-1.6	--	-64.4	--	-1.9	--	--	-5.6	-7.6	--
	Apr	-7.4	--	--	--	--	-3.5	--	--	--	--	--

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

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

Chart 9.1 - Construction indicators (I)

Annual percentage changes and index

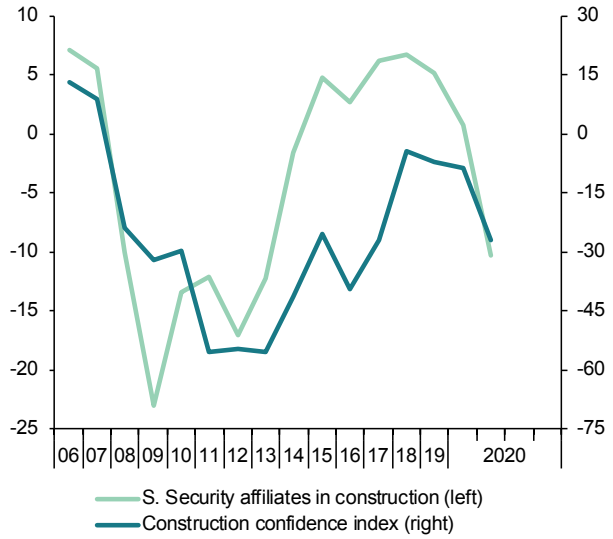


Chart 9.2 - Construction indicators (II)

Annual percentage changes

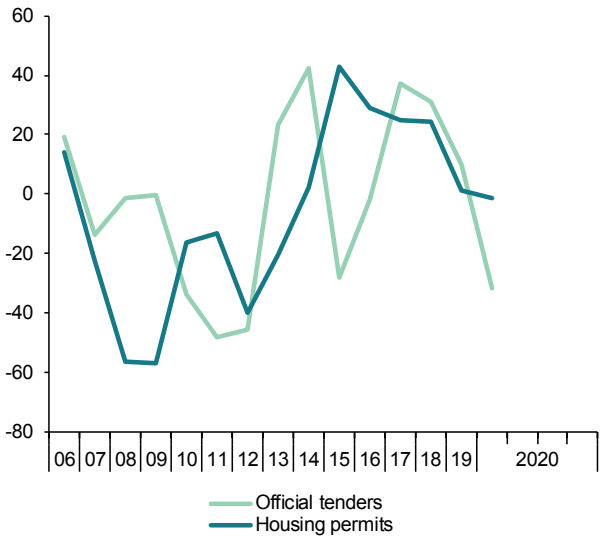


Chart 9.3 - Services indicators (I)

Annual percentage changes

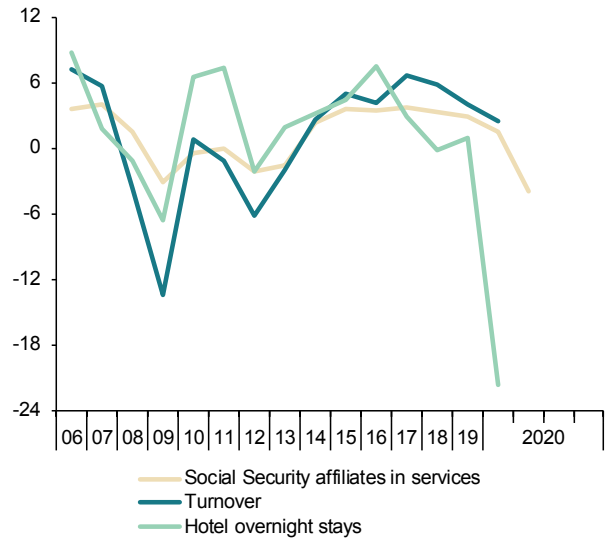


Chart 9.4 - Services indicators (II)

Index

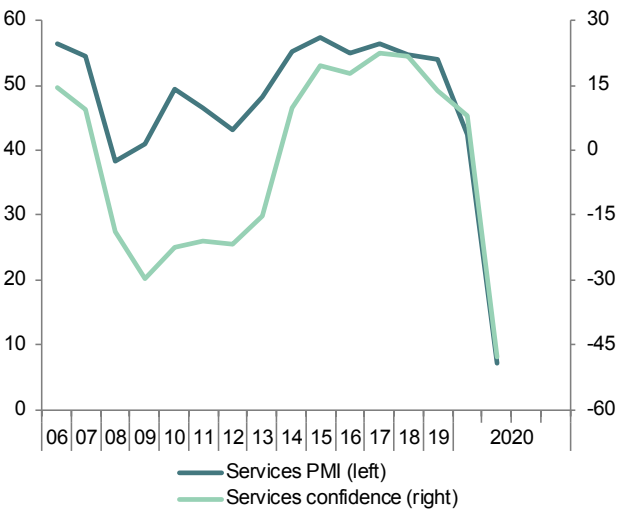


Table 10

Consumption and investment indicators (a)

		Consumption indicators					Investment in equipment indicators		
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)
2012		98.8	710.6	-33.7	102.1	-24.2	107.7	-38.6	60.6
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4
2019		107.9	1,375.6	-6.3	119.4	-2.6	220.9	8.8	105.6
2020 (b)		98.0	241.3	-15.1	15.7	-11.4	39.4	-18.5	97.2
2018	III	105.5	357.1	-3.7	29.2	-10.4	58.0	11.3	106.8
	IV	106.1	345.5	-6.2	29.5	-6.3	57.6	8.8	106.0
2019	I	107.1	342.4	-4.8	29.9	-1.5	57.2	10.9	105.9
	II	108.1	345.4	-4.0	30.3	-1.4	56.5	16.4	106.3
	III	108.5	343.9	-5.8	30.3	-5.5	54.7	6.8	105.9
	IV	107.4	320.4	-10.5	28.8	-1.9	50.3	1.2	104.6
2020	I	103.7	259.8	-10.3	25.1	-3.4	41.6	-11.5	104.2
	II (b)	--	--	-29.2	--	-35.1	--	-39.5	--
2020	Feb	103.7	86.9	-7.9	8.4	-11.9	13.9	-11.2	104.3
	Mar	102.0	77.8	-11.6	7.8	-0.7	12.6	-18.9	--
	Apr	--	--	-29.2	--	-35.1	--	-39.5	--
		Percentage changes (c)							
2012		-7.4	-12.1	--	-8.4	--	-24.2	--	-10.9
2013		-3.8	4.5	--	-1.4	--	-0.1	--	13.7
2014		1.1	19.9	--	4.1	--	27.8	--	18.4
2015		4.2	22.9	--	5.3	--	31.1	--	14.4
2016		3.9	12.4	--	3.6	--	6.1	--	4.1
2017		0.8	9.1	--	1.4	--	8.5	--	6.4
2018		0.7	6.1	--	0.6	--	10.8	--	2.0
2019		2.3	-3.4	--	2.5	--	-4.0	--	0.2
2020 (d)		-3.7	-30.1	--	-22.8	--	-29.5	--	-1.3
2018	II	0.0	0.8	--	0.1	--	1.9	--	7.9
	III	0.2	-1.1	--	0.7	--	0.6	--	2.8
	IV	0.6	-3.2	--	1.2	--	-0.7	--	-2.9
2019	I	0.9	-0.9	--	1.3	--	-0.7	--	-0.4
	II	0.9	0.9	--	1.3	--	-1.4	--	1.5
	III	0.4	-0.4	--	-0.2	--	-3.0	--	-1.6
	IV	-1.1	-6.8	--	-4.8	--	-8.0	--	-4.7
2020	I (e)	-3.4	-18.9	--	-12.9	--	-17.3	--	-1.4
2020	Jan	-1.2	-6.7	--	-4.5	--	-6.1	--	0.0
	Feb	-1.5	-8.6	--	-5.7	--	-7.6	--	0.1
	Mar	-1.7	-10.5	--	-6.8	--	-9.1	--	--

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

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

Chart 10.1 - Consumption indicators

Annual percentage changes and balance of responses

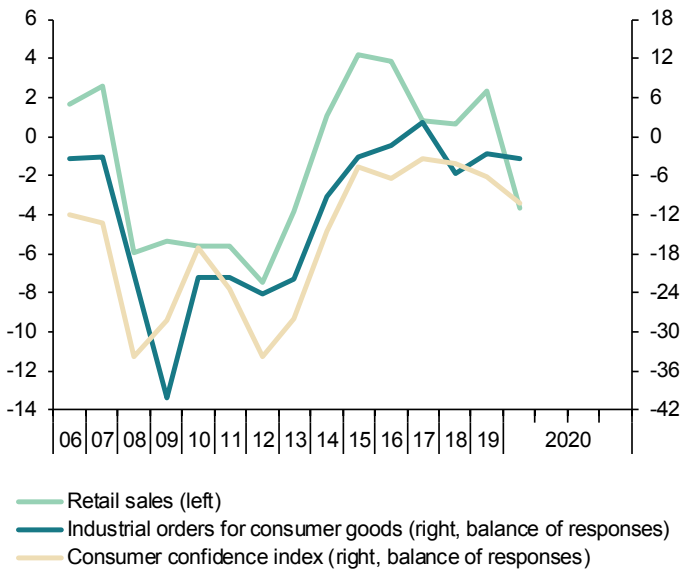


Chart 10.2 - Investment indicators

Annual percentage changes and balance of responses

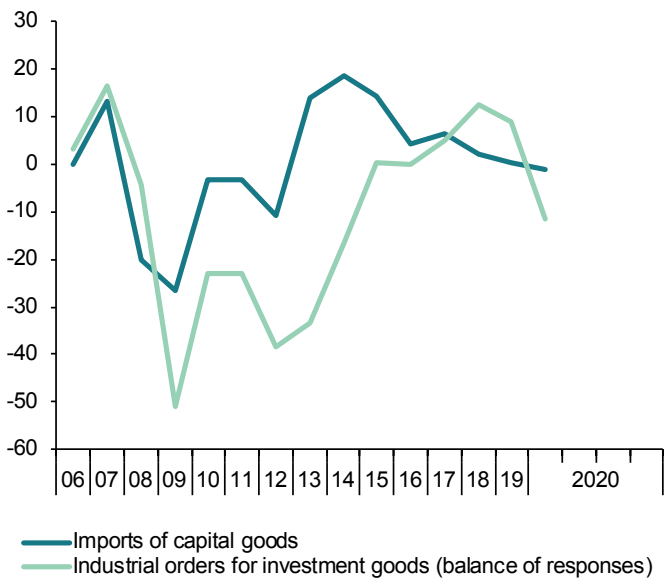


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
											Total	Aged 16-24	Spanish	Foreign
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted					
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2013		38.6	23.2	--	17.1	--	6.1	--	60.0	44.4	26.1	55.5	24.4	37.0
2014		38.5	23.0	--	17.3	--	5.6	--	59.6	45.0	24.4	53.2	23.0	34.5
2015		38.5	22.9	--	17.9	--	5.1	--	59.5	46.4	22.1	48.3	20.9	30.5
2016		38.5	22.8	--	18.3	--	4.5	--	59.2	47.6	19.6	44.4	18.7	26.6
2017		38.7	22.7	--	18.8	--	3.9	--	58.8	48.7	17.2	38.6	16.3	23.8
2018		38.9	22.8	--	19.3	--	3.5	--	58.6	49.7	15.3	34.4	14.3	21.9
2019		39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.6	13.2	20.1
2020		39.3	23.1	--	18.7	--	4.3	--	58.6	47.6	18.8	--	--	--
2021		39.5	23.1	--	19.2	--	4.0	--	58.5	48.5	17.1	--	--	--
2018	I	38.8	22.7	22.7	18.9	19.0	3.8	3.8	58.6	48.9	16.7	36.3	15.7	24.3
	II	38.8	22.8	22.8	19.3	19.2	3.5	3.6	58.7	49.4	15.3	34.7	14.3	21.9
	III	38.9	22.9	22.8	19.5	19.3	3.3	3.5	58.6	49.6	14.6	33.0	13.7	20.6
	IV	39.0	22.9	22.8	19.6	19.4	3.3	3.4	58.6	49.8	14.4	33.5	13.5	20.8
2019	I	39.1	22.8	22.9	19.5	19.6	3.4	3.3	58.5	50.0	14.7	35.0	13.8	20.9
	II	39.2	23.0	23.0	19.8	19.6	3.2	3.3	58.6	50.0	14.0	33.2	13.1	20.3
	III	39.3	23.1	23.0	19.9	19.7	3.2	3.4	58.6	50.0	13.9	31.7	13.1	19.3
	IV	39.4	23.2	23.1	20.0	19.8	3.2	3.3	58.7	50.3	13.8	30.5	12.8	20.0
2020	I	39.5	23.0	23.0	19.7	19.8	3.3	3.3	58.3	50.0	14.4	33.0	13.3	21.2
		Percentage changes (d)							Difference from one year ago					
2013		-0.5	-1.1	--	-2.8	--	4.1	--	-0.4	-1.1	1.3	2.6	1.5	1.1
2014		-0.3	-1.0	--	1.2	--	-7.3	--	-0.4	0.7	-1.7	-2.3	-1.4	-2.5
2015		0.0	-0.1	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0
2016		0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9
2019		1.0	1.0	--	2.3	--	-6.6	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		0.2	0.1	--	-5.4	--	33.4	--	-0.1	-2.8	4.7	--	--	--
2021		0.5	0.3	--	2.4	--	-8.8	--	-0.1	0.9	-1.7	--	--	--
2018	I	0.4	-0.1	-0.1	2.4	0.5	-10.8	-2.9	-0.3	0.9	-2.0	-5.3	-2.1	-1.2
	II	0.5	0.5	0.2	2.8	1.1	-10.8	-4.4	-0.1	1.1	-1.9	-4.8	-2.0	-1.7
	III	0.6	0.3	0.1	2.5	0.7	-10.9	-2.9	-0.2	0.9	-1.8	-3.0	-1.8	-2.1
	IV	0.8	0.5	0.2	3.0	0.7	-12.3	-2.6	-0.2	1.1	-2.1	-3.9	-2.0	-2.8
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	1.1	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	-2.4	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

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

Source: INE (Labour Force Survey) *and Funcas.*

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

Annual growth rates and percentage of active population

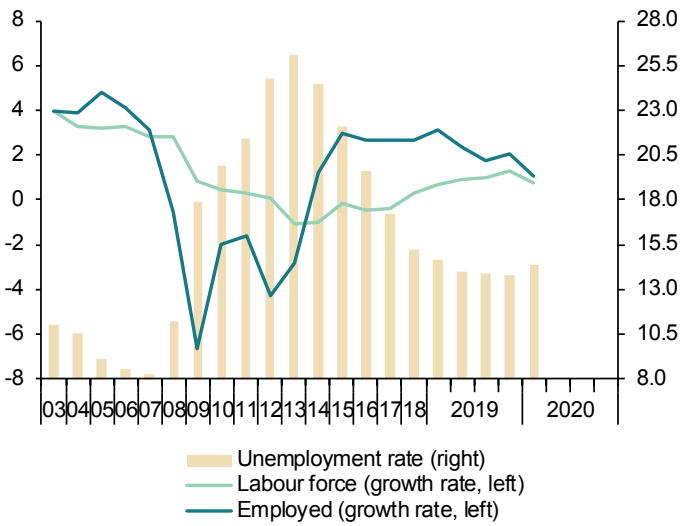


Chart 11a.2 - Unemployment rates, S.A.

Percentage

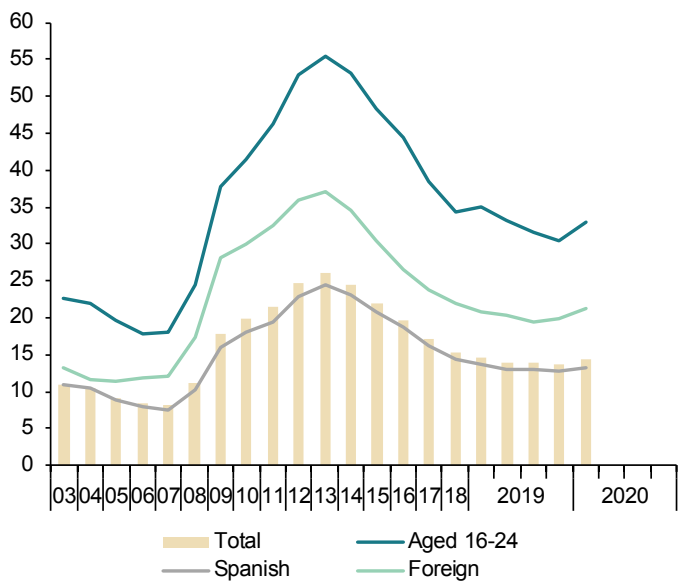


Table 11b

Labour market (II)

	Employed by sector				Employed by professional situation					Employed by duration of the working-day		
					Employees							
						By type of contract						
	Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	Part-time employment rate (b)
	1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
	Million (original data)											
2013	0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.80
2014	0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91
2015	0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74
2016	0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21
2017	0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97
2018	0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31
2019	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 (c)	0.78	2.77	1.28	14.85	16.56	4.14	12.42	25.0	3.12	16.83	2.85	14.47
2018 I	0.83	2.68	1.15	14.21	15.79	4.12	11.67	26.1	3.08	16.06	2.81	14.91
II	0.82	2.72	1.22	14.58	16.26	4.36	11.90	26.8	3.09	16.71	2.64	13.63
III	0.77	2.73	1.24	14.79	16.43	4.51	11.93	27.4	3.09	16.81	2.71	13.90
IV	0.83	2.71	1.28	14.75	16.45	4.42	12.03	26.9	3.11	16.67	2.89	14.80
2019 I	0.84	2.71	1.28	14.64	16.36	4.23	12.12	25.9	3.11	16.57	2.90	14.90
II	0.81	2.76	1.28	14.95	16.69	4.40	12.29	26.4	3.12	16.85	2.95	14.90
III	0.75	2.82	1.27	15.04	16.79	4.48	12.31	26.7	3.08	17.09	2.79	14.03
IV	0.79	2.76	1.28	15.13	16.85	4.40	12.45	26.1	3.12	17.30	2.67	13.38
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
	Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
2013	-0.9	-5.2	-11.4	-1.7	-3.5	-4.6	-3.1	-0.3	0.4	-4.3	6.0	1.3
2014	-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1
2015	0.1	4.3	8.1	2.6	3.4	8.3	1.9	1.1	1.1	3.2	1.9	-0.2
2016	5.1	1.6	0.0	2.9	3.1	6.8	1.8	0.9	0.7	3.3	-0.8	-0.5
2017	5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2
2018	-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7
2019 (d)	-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.5	0.5	2.3	2.3	0.0
2018 I	-1.6	4.1	6.5	2.0	2.9	4.4	2.4	0.4	-0.5	3.2	-2.1	-0.7
II	-1.2	3.3	7.2	2.6	3.6	3.6	3.6	0.0	-1.2	4.8	-8.1	-1.6
III	-1.1	2.1	7.4	2.4	3.3	3.5	3.2	0.1	-1.5	3.0	-0.4	-0.4
IV	0.6	-0.1	11.9	3.0	3.3	3.9	3.1	0.2	1.1	2.9	3.2	0.0
2019 I	0.7	1.2	11.2	3.0	3.6	2.7	3.9	-0.2	1.0	3.2	3.1	0.0
II	-1.6	1.5	5.0	2.5	2.7	1.0	3.3	-0.4	1.0	0.9	11.9	1.3
III	-2.9	3.3	2.4	1.7	2.2	-0.7	3.3	-0.8	-0.3	1.6	2.8	0.1
IV	-3.8	2.0	0.3	2.5	2.4	-0.5	3.4	-0.8	0.3	3.8	-7.7	-1.4
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

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

Source: INE (Labour Force Survey).

Chart 11b 1.- Employment by sector

Annual percentage changes

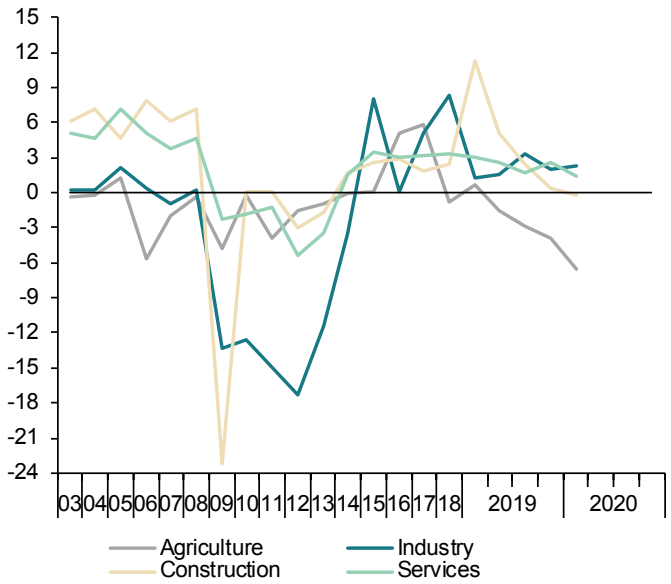


Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

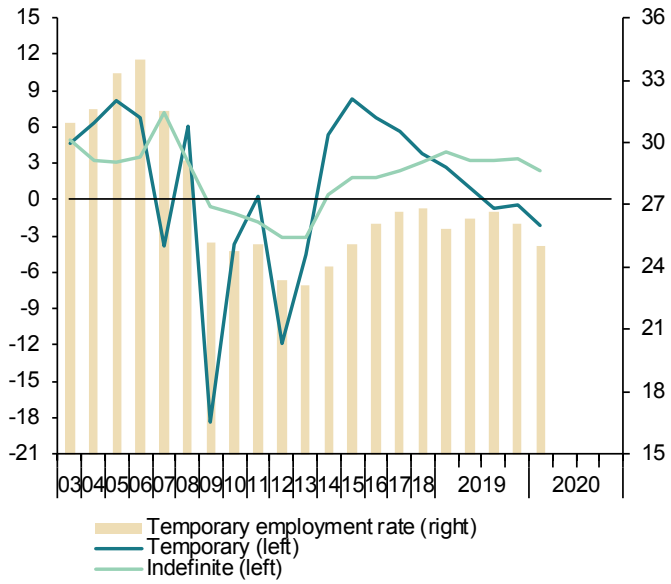


Table 12

Index of Consumer Prices

Forecasts in yellow

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2019		100.00	65.72	80.55	24.81	40.91	14.83	7.51	11.95	22.34
Indexes, 2016 = 100										
2014		100.7	98.7	98.6	99.2	98.3	98.2	96.0	120.3	97.6
2015		100.2	99.2	99.2	99.5	98.9	99.2	97.7	109.4	98.7
2016		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2017		102.0	101.1	101.1	100.2	101.6	100.7	102.6	108.0	101.3
2018		103.7	102.1	102.0	100.2	103.1	101.7	105.8	114.7	103.1
2019		104.4	103.0	102.9	100.4	104.6	102.2	107.8	113.2	104.0
2020		104.2	103.9	103.9	100.7	105.8	104.1	113.7	100.4	107.2
2021		105.3	104.8	104.9	100.9	107.1	105.4	117.2	100.8	109.2
Annual percentage changes										
2014		-0.2	0.0	0.0	-0.4	0.1	0.4	-1.2	-0.8	-0.1
2015		-0.5	0.5	0.6	0.3	0.7	0.9	1.8	-9.0	1.2
2016		-0.2	0.8	0.8	0.5	1.1	0.8	2.3	-8.6	1.3
2017		2.0	1.1	1.1	0.2	1.6	0.7	2.6	8.0	1.3
2018		1.7	0.9	0.9	0.0	1.5	1.0	3.1	6.1	1.8
2019		0.7	1.0	0.9	0.3	1.4	0.5	1.9	-1.2	0.9
2020		-0.2	0.8	1.0	0.2	1.2	1.8	5.5	-11.3	3.1
2021		1.0	0.9	0.9	0.2	1.2	1.2	3.0	0.4	1.9
2020	Jan	1.1	1.0	1.0	0.3	1.4	1.0	3.5	0.0	1.8
	Feb	0.7	1.1	1.2	0.4	1.5	1.3	2.7	-3.3	1.8
	Mar	0.0	1.0	1.1	0.3	1.4	1.4	3.9	-9.7	2.2
	Apr	-0.7	0.9	1.1	0.3	1.3	1.9	6.9	-17.1	3.5
	May	-1.0	0.9	1.1	0.2	1.3	1.9	6.4	-18.5	3.4
	Jun	-0.6	0.8	1.0	0.2	1.1	1.9	5.5	-14.9	3.1
	Jul	-0.6	0.8	1.0	0.3	1.0	2.0	5.6	-15.0	3.2
	Aug	-0.4	0.7	0.9	0.2	1.0	1.8	5.7	-13.1	3.1
	Sep	-0.2	0.7	1.0	0.2	1.0	2.1	6.6	-11.8	3.6
	Oct	-0.2	0.7	0.9	0.1	1.0	2.0	6.5	-12.1	3.6
	Nov	-0.1	0.6	0.9	0.1	1.0	2.2	6.2	-10.8	3.5
	Dec	0.2	0.7	1.0	0.2	1.0	2.3	6.6	-9.4	3.8
2021	Jan	-0.1	0.7	1.0	0.1	1.0	2.3	6.6	-10.8	3.7
	Feb	0.1	0.7	0.9	0.2	1.0	1.9	6.9	-9.3	3.6
	Mar	0.7	0.7	0.9	0.2	1.0	1.7	6.0	-3.7	3.1
	Apr	1.3	0.7	0.8	0.2	1.1	1.2	2.8	4.1	1.7
	May	1.5	0.8	0.9	0.2	1.1	1.1	3.0	6.1	1.8
	Jun	1.5	0.9	0.9	0.2	1.3	1.1	3.3	4.9	1.8
	Jul	1.5	0.9	1.0	0.2	1.3	1.1	2.7	4.7	1.6
	Aug	1.4	1.0	1.0	0.3	1.4	1.0	2.2	3.8	1.4
	Sep	1.3	1.0	1.0	0.3	1.4	1.0	1.6	2.9	1.2
	Oct	1.2	1.0	1.0	0.3	1.4	0.9	1.1	2.8	1.0
	Nov	1.0	1.0	1.0	0.3	1.4	0.9	0.6	1.9	0.8
	Dec	0.9	1.0	1.0	0.3	1.4	0.8	0.0	1.1	0.6

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation Rate (I)

Annual percentage changes

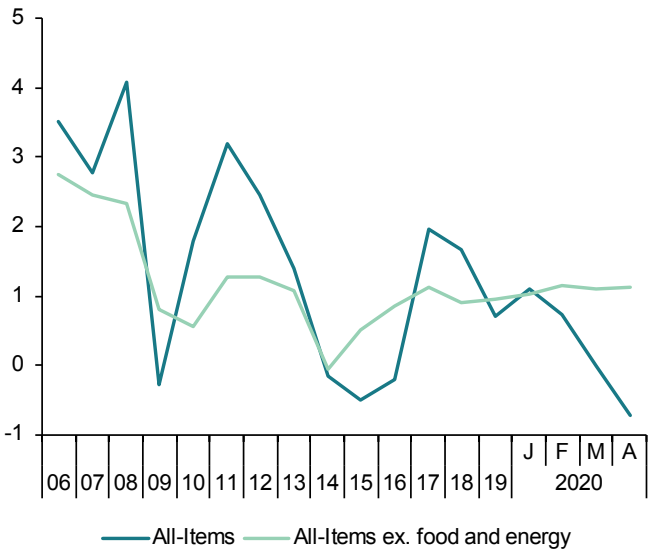


Chart 12.2 - Inflation rate (II)

Annual percentage changes

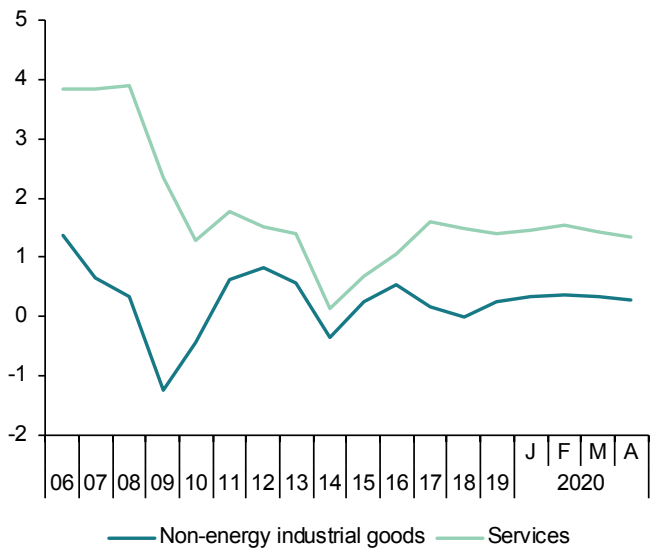


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^2 average price (M. Public Works)		Total labour costs per worker	Wage costs per worker	Other cost per worker	Total labour costs per hour worked	
		2010=100	2015=100		2007=100			2000=100				
2013		100.1	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014		99.9	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.4	--
2015		100.5	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016		100.8	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.2	--
2017		102.2	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.3	--
2018		103.3	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019		104.9	103.6	103.2	83.3	79.8	57.7	148.7	146.4	155.7	162.8	--
2020 (b)		105.5	101.3	103.5	--	--	--	--	--	--	--	--
2018	II	103.2	103.4	103.1	78.8	77.2	58.5	147.0	146.2	149.6	155.6	--
	III	103.3	105.6	103.1	80.5	77.3	55.7	141.3	138.0	151.4	163.3	--
	IV	103.9	105.2	103.0	80.9	78.7	56.6	152.2	152.7	150.6	166.8	--
2019	I	104.2	104.2	103.0	82.1	79.6	57.3	144.1	140.5	155.2	152.2	--
	II	104.8	104.3	103.4	83.0	79.6	59.0	150.6	149.2	155.0	160.4	--
	III	104.9	103.3	103.2	84.3	79.7	58.2	144.3	140.6	155.9	167.0	--
	IV	105.8	102.8	103.0	83.8	80.4	56.5	155.7	155.4	156.6	171.4	--
2020	I (b)	105.5	101.3	103.5	--	--	--	--	--	--	--	--
2020	Jan	--	103.3	103.6	--	--	--	--	--	--	--	--
	Feb	--	101.9	103.6	--	--	--	--	--	--	--	--
	Mar	--	98.8	103.4	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
2013		0.4	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.3	0.5
2014		-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.5
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.6	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.1	1.0
2017		1.4	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.1	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.4	1.8
2019		1.6	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.7	2.3
2020 (d)		1.3	-2.7	0.5	--	--	--	--	--	--	--	2.0
2018	II	1.0	3.0	1.1	6.8	2.6	-2.1	0.6	0.5	1.0	0.9	1.6
	III	0.9	5.0	1.1	7.2	2.2	-4.3	1.9	1.9	1.9	2.7	1.7
	IV	1.3	3.1	0.8	6.6	0.4	3.0	0.9	0.9	0.7	1.2	1.8
2019	I	1.4	1.9	0.2	6.8	1.5	-2.1	2.1	1.7	3.0	2.4	2.2
	II	1.6	0.9	0.3	5.3	1.2	0.9	2.4	2.1	3.6	3.1	2.2
	III	1.6	-2.2	0.1	4.7	1.6	4.5	2.2	1.9	3.0	2.3	2.3
	IV	1.7	-2.3	0.0	3.6	-0.6	-0.2	2.3	1.8	4.0	2.8	2.3
2020	I (e)	1.3	-2.7	0.5	--	--	--	--	--	--	--	2.0
2020	Feb	--	-2.3	0.6	--	--	--	--	--	--	--	2.0
	Mar	--	-5.0	0.2	--	--	--	--	--	--	--	2.0
	Apr	--	--	--	--	--	--	--	--	--	--	2.0

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

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

Chart 13.1 - Housing and urban land prices

Index (2007=100)

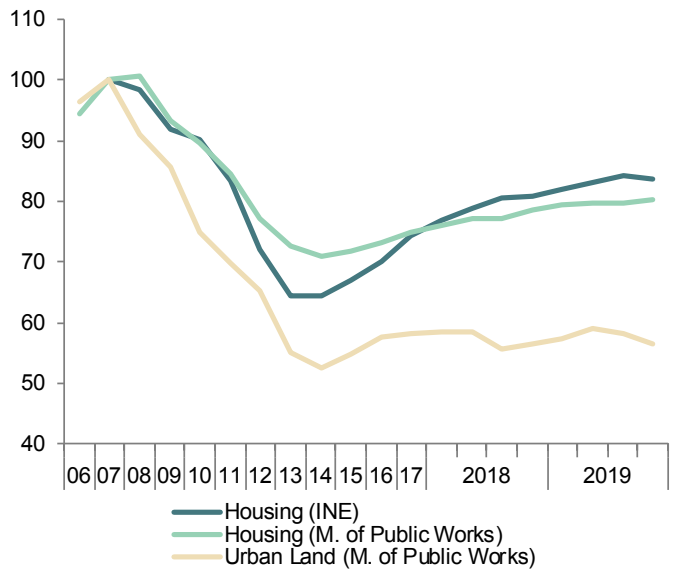


Chart 13.2 - Wage costs

Annual percent change

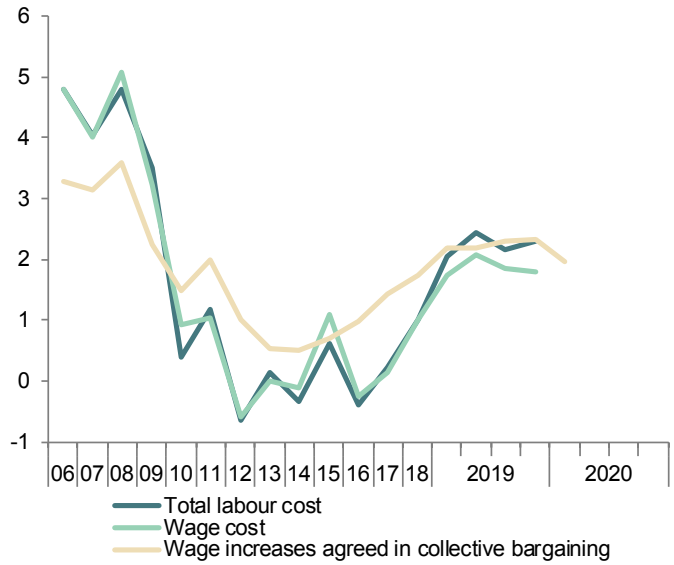


Table 14

External trade (a)

		Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
		Nominal	Prices	Real	Nominal	Prices	Real					
		2005=100			2005=100			EUR Billions				
2013		152.1	110.5	137.7	108.3	109.8	98.7	12.3	7.3	-1.4	2.1	1.4
2014		155.2	109.4	141.9	114.0	107.3	106.3	12.7	7.3	-2.1	1.1	0.9
2015		161.2	110.1	146.5	118.0	104.6	112.9	13.5	7.3	-2.1	0.2	0.6
2016		165.4	108.2	153.0	117.5	101.3	116.1	14.2	7.2	-1.4	0.3	1.2
2017		178.2	108.9	163.7	129.8	106.1	122.4	15.1	7.9	-2.2	0.0	1.3
2018		184.0	112.1	164.2	137.2	110.9	123.8	15.6	8.1	-2.9	-0.3	1.3
2019		187.1	112.9	165.9	138.3	110.8	124.9	15.9	8.3	-2.7	-0.4	1.4
2020 (b)		188.6	113.4	166.3	137.9	111.5	123.7	14.3	9.3	-2.8	-0.9	1.0
2018	I	185.4	110.9	167.2	135.1	108.2	124.9	14.2	9.5	-2.4	0.1	0.8
	II	182.7	111.3	164.2	136.7	109.1	125.3	13.7	9.7	-3.0	-0.6	0.3
	III	187.2	112.6	166.2	138.1	112.5	122.7	14.1	9.9	-2.7	-0.1	0.9
	IV	186.4	113.5	164.2	139.9	113.7	123.1	14.0	9.9	-3.2	-0.4	0.6
2019	I	183.6	112.8	162.8	138.5	110.1	125.8	13.9	9.6	-3.2	-0.7	0.6
	II	192.4	111.7	172.2	139.1	110.4	126.0	14.5	10.1	-2.2	-0.1	1.1
	III	187.8	112.5	167.0	140.5	109.5	128.3	14.1	9.9	-3.1	-0.9	0.6
	IV	190.7	114.3	166.8	137.4	113.1	121.4	14.4	10.0	-2.1	0.1	0.8
2019	Dec	189.7	114.2	166.0	134.5	115.6	116.4	14.4	9.9	-1.7	0.6	1.0
	Jan	188.5	112.3	167.9	138.5	112.5	123.2	14.6	9.6	-2.6	-0.1	1.1
	Feb	188.7	114.5	164.8	137.3	110.5	124.2	14.5	9.7	-2.3	-0.1	0.6
		Percentage changes (c)								Percentage of GDP		
2013		4.3	-0.2	4.5	-2.2	-4.2	2.1	3.1	6.3	-1.6	2.5	1.7
2014		2.0	-0.9	3.0	5.2	-2.3	7.7	3.5	-0.4	-2.4	1.3	1.0
2015		3.8	0.6	3.2	3.5	-2.5	6.1	5.8	0.4	-2.3	0.2	0.7
2016		2.6	-1.7	4.4	-0.4	-3.1	2.8	5.3	-2.3	-1.6	0.3	1.2
2017		7.7	0.7	7.0	10.5	4.7	5.5	6.5	10.1	-2.3	0.0	1.3
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.4	3.1	-2.9	-0.3	1.3
2019		1.7	0.7	1.0	0.8	-0.1	0.8	1.7	1.7	-2.6	-0.4	1.4
2020 (d)		3.5	1.0	2.5	0.2	2.7	-2.4	4.6	1.9	--	--	--
2018	I	0.0	0.6	-0.5	1.4	0.6	0.8	1.2	-1.6	-2.4	0.1	0.8
	II	-1.5	0.4	-1.8	1.2	0.9	0.3	-3.4	1.4	-3.0	-0.6	0.3
	III	2.5	1.3	1.2	1.0	3.1	-2.0	2.8	2.0	-2.7	-0.1	0.9
	IV	-0.4	0.8	-1.2	1.3	1.0	0.3	-1.0	0.4	-3.1	-0.4	0.6
2019	I	-1.5	-0.7	-0.9	-1.0	-3.1	2.2	-0.4	-3.1	-3.2	-0.7	0.6
	II	4.8	-0.9	5.8	0.4	0.2	0.2	4.3	5.6	-2.1	-0.1	1.1
	III	-2.4	0.7	-3.0	1.0	-0.8	1.8	-2.5	-2.2	-3.0	-0.9	0.5
	IV	1.5	1.6	-0.1	-2.2	3.4	-5.4	1.8	1.1	-2.0	0.1	0.8
2019	Dec	0.5	0.7	-0.1	-2.3	3.4	-5.6	1.2	-0.5	--	--	--
	Jan	-0.6	-1.7	1.1	3.0	-2.7	5.9	0.9	-2.9	--	--	--
	Feb	0.1	2.0	-1.8	-0.9	-1.7	0.9	-0.2	0.6	--	--	--

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

Source: Ministry of Economy.

Chart 14.1 - External trade (real)

Annual percent change

Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

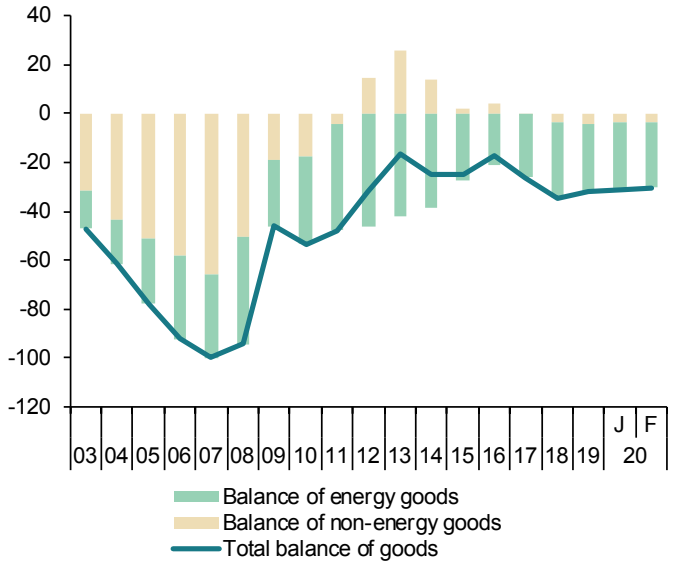


Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Financial account, excluding Bank of Spain					Bank of Spain	
									Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
2013		20.81	-12.61	52.70	-6.82	-12.47	6.19	26.99	-93.14	-10.58	-53.68	-29.92	1.04	124.17	4.04
2014		17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94
2015		21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12
2016		35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34
2017		31.09	-22.12	63.71	-0.27	-10.23	2.84	37.80	65.31	11.99	25.08	20.77	7.48	-32.63	-5.11
2018		23.29	-29.33	61.95	2.70	-12.04	5.77	29.05	45.54	-15.19	12.99	46.15	1.58	-14.25	2.23
2019		24.90	-28.14	63.30	2.52	-12.77	4.07	26.95	71.82	10.48	-50.40	67.12	-8.18	14.82	-4.68
2018	I	1.33	-5.71	9.68	0.69	-3.33	0.49	1.82	11.73	4.78	-4.37	10.28	1.04	-14.93	-5.03
	II	9.09	-6.35	18.46	-1.00	-2.02	0.67	9.76	17.02	16.71	1.58	-1.29	0.03	-9.04	-1.78
	III	7.40	-9.56	21.04	-0.63	-3.45	0.89	8.29	8.78	2.78	3.73	-0.22	2.47	0.07	0.56
	IV	5.47	-7.71	12.78	3.64	-3.25	3.72	9.18	31.95	5.81	-6.10	31.97	0.27	-16.89	5.88
2019	I	-1.99	-8.46	10.25	0.68	-4.45	0.76	-1.22	7.21	6.52	19.73	-18.07	-0.97	-7.42	1.01
	II	10.57	-4.37	18.14	-1.03	-2.17	0.74	11.31	45.79	6.18	11.05	26.37	2.19	-35.09	-0.61
	III	8.19	-9.66	21.49	-0.09	-3.55	0.55	8.75	18.82	-3.73	11.84	9.34	1.37	-7.02	3.05
	IV	8.12	-5.64	13.41	2.96	-2.61	2.02	10.14	17.67	2.21	4.03	11.45	-0.02	-4.49	3.05
			Goods and Services		Primary and Secondary Income										
2019	Dec	2.19	1.59		0.60		1.36	3.55	13.89	-0.26	-0.54	15.36	-0.68	-8.69	1.65
2020	Jan	-1.73	0.49		-2.21		0.25	-1.48	-6.02	-0.95	-14.30	11.93	-2.70	2.91	-1.63
	Feb	1.33	1.86		-0.53		0.18	1.51	-16.35	-0.59	-4.46	-10.19	-1.11	13.16	-4.70
Percentage of GDP															
2013		2.0	-1.2	5.2	-0.7	-1.2	0.6	2.6	-9.1	-1.0	-5.3	-2.9	0.1	12.2	0.4
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.7	-1.9	5.5	0.0	-0.9	0.2	3.3	5.6	1.0	2.2	1.8	0.6	-2.8	-0.4
2018		1.9	-2.4	5.2	0.2	-1.0	0.5	2.4	3.8	-1.3	1.1	3.8	0.1	-1.2	0.2
2019		2.0	-2.3	5.1	0.2	-1.0	0.3	2.2	5.8	0.8	-4.0	5.4	-0.7	1.2	-0.4
2018	I	0.5	-2.0	3.4	0.2	-1.2	0.2	0.6	4.1	1.7	-1.5	3.6	0.4	-5.2	-1.8
	II	3.0	-2.1	6.1	-0.3	-0.7	0.2	3.2	5.6	5.5	0.5	-0.4	0.0	-3.0	-0.6
	III	2.5	-3.2	7.1	-0.2	-1.2	0.3	2.8	3.0	0.9	1.3	-0.1	0.8	0.0	0.2
	IV	1.7	-2.4	4.1	1.2	-1.0	1.2	2.9	10.1	1.8	-1.9	10.2	0.1	-5.4	1.9
2019	I	-0.7	-2.8	3.4	0.2	-1.5	0.3	-0.4	2.4	2.2	6.6	-6.1	-0.3	-2.5	0.3
	II	3.3	-1.4	5.7	-0.3	-0.7	0.2	3.6	14.5	2.0	3.5	8.4	0.7	-11.1	-0.2
	III	2.7	-3.2	7.0	0.0	-1.2	0.2	2.9	6.2	-1.2	3.9	3.1	0.4	-2.3	1.0
	IV	2.5	-1.7	4.1	0.9	-0.8	0.6	3.1	5.4	0.7	1.2	3.5	0.0	-1.4	0.9

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

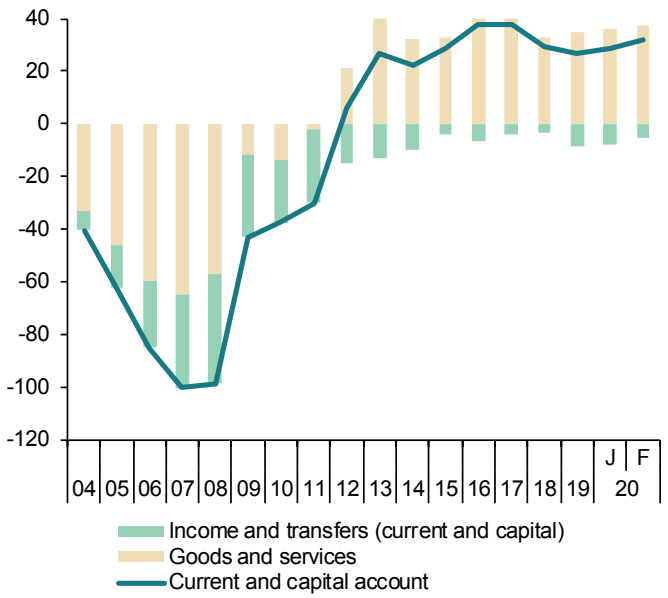


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

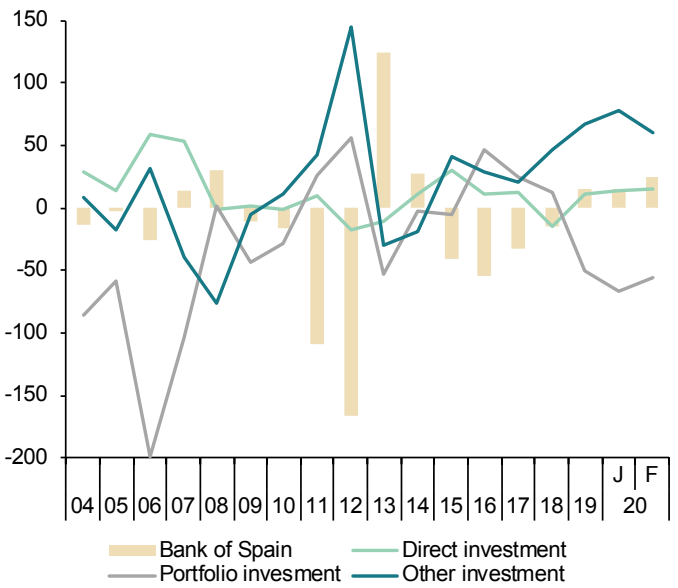


Table 16

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			2015=100			2015=100			1999 I =100
2013		102.8	98.1	104.8	100.8	99.5	101.3	103.5	104.4	99.1	113.2
2014		101.0	98.2	102.8	100.6	100.0	100.7	102.1	102.8	99.3	112.1
2015		98.6	96.8	101.8	100.0	100.0	100.0	100.0	100.0	100.0	107.6
2016		97.3	93.6	103.9	99.7	100.3	99.4	96.9	97.9	98.9	107.6
2017		97.3	92.8	104.8	101.7	101.8	99.9	101.2	100.7	100.5	109.1
2018		96.2	91.2	105.5	103.5	103.6	99.9	103.8	103.3	100.4	110.1
2019		96.2	92.3	104.2	104.3	104.8	99.5	103.4	103.7	99.8	108.5
2020 (b)		--	--	--	103.8	104.7	99.1	101.6	102.8	98.9	107.2
2018	I	--	--	--	101.7	102.1	99.7	102.2	102.1	100.1	110.1
	II	--	--	--	104.1	103.8	100.3	103.2	102.8	100.4	110.7
	III	--	--	--	103.6	104.1	99.5	105.0	104.0	100.9	109.5
	IV	--	--	--	104.4	104.3	100.1	104.7	104.3	100.4	110.0
2019	I	--	--	--	102.9	103.5	99.4	103.8	104.0	99.8	108.5
	II	--	--	--	105.2	105.3	99.9	104.1	103.9	100.2	109.3
	III	--	--	--	104.0	105.1	99.0	103.1	103.4	99.7	108.0
	IV	--	--	--	105.0	105.3	99.6	102.8	103.4	99.5	108.4
2020	I	--	--	--	103.6	104.7	98.9	101.6	102.8	98.9	107.2
2020	Feb	--	--	--	103.4	104.6	98.9	102.2	103.1	99.1	106.6
	Mar	--	--	--	104.0	105.1	98.9	99.4	101.6	97.8	107.7
	Apr	--	--	--	104.4	--	--	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2013		-1.4	3.2	-4.5	1.5	1.3	0.2	0.6	-0.2	0.8	2.0
2014		-1.7	0.2	-1.9	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-1.0
2015		-2.4	-1.5	-0.9	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-4.1
2016		-1.3	-3.2	2.1	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.0
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	0.9
2019		0.0	1.2	-1.2	0.8	1.2	-0.4	-0.3	0.3	-0.6	0.0
2020 (c)		--	--	--	0.4	1.1	-0.7	-1.8	-0.7	-1.1	-1.2
2018	I	--	--	--	1.1	1.1	0.0	0.8	0.0	0.8	2.2
	II	--	--	--	1.8	1.8	0.0	2.8	0.0	2.8	1.7
	III	--	--	--	2.3	2.3	0.0	4.2	0.0	4.2	0.2
	IV	--	--	--	1.8	1.8	0.0	2.4	0.0	2.4	-0.5
2019	I	--	--	--	1.1	1.4	-0.3	1.6	0.0	1.6	-1.5
	II	--	--	--	1.1	1.4	-0.3	0.8	0.0	0.8	-1.3
	III	--	--	--	0.4	1.0	-0.6	-1.8	0.0	-1.8	-1.4
	IV	--	--	--	0.5	1.0	-0.5	-1.8	0.0	-1.8	-1.5
2020	I	--	--	--	0.7	1.1	-0.4	-2.1	0.0	-2.1	-1.2
2020	Feb	--	--	--	0.9	1.2	-0.3	-1.6	-0.9	-0.7	-1.5
	Mar	--	--	--	0.1	0.7	-0.6	-4.1	-2.4	-1.7	-0.9
	Apr	--	--	--	-0.6	--	--	--	--	--	--

(a) EMU excluding Irland and Spain. (b) Period with available data. (c) Growth of available period over the same period of the previous year.
Sources: Eurostat, Bank of Spain and Funcas.

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

1998=100

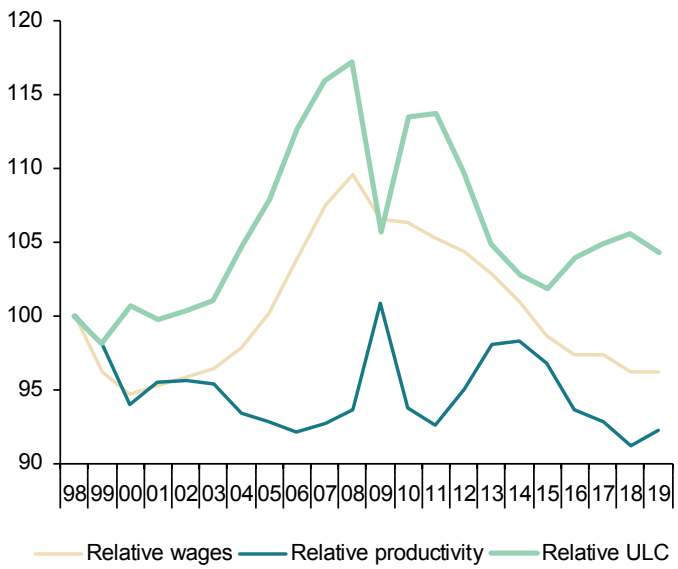


Chart 16.2.- Harmonized Consumer Prices

Annual growth in % and percentage points

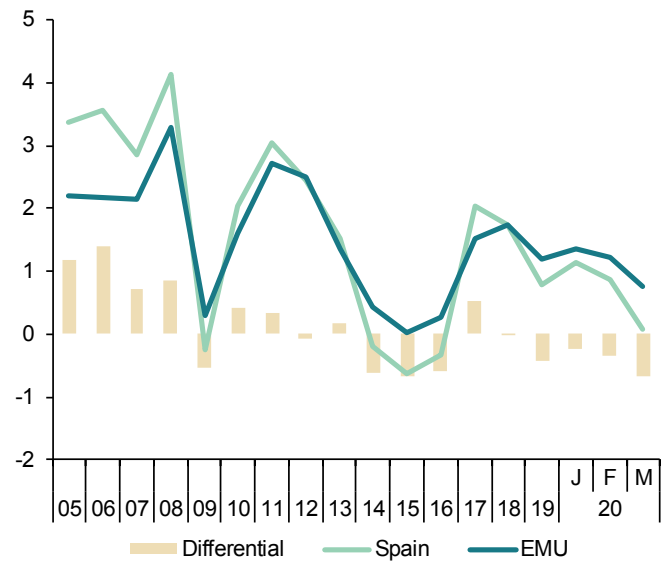


Table 17a

Imbalances: International comparison (I)

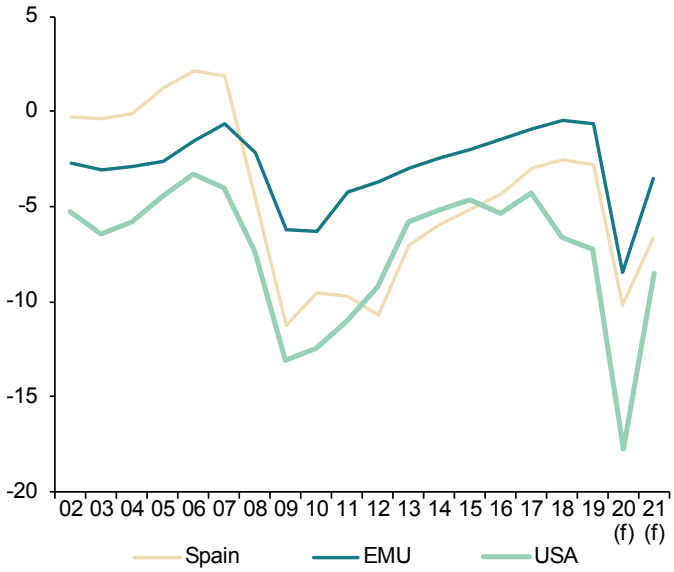
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
				Billions of national currency					
2007	20.3	-59.8	-576.0	384.7	6,192.2	9,341.2	-101.4	23.2	-728.5
2008	-50.7	-207.4	-1,084.5	440.6	6,700.8	10,838.3	-98.8	-49.9	-866.1
2009	-120.6	-577.8	-1,896.6	569.5	7,440.5	12,525.9	-43.7	63.4	-564.3
2010	-102.2	-597.8	-1,863.1	649.2	8,199.1	14,301.9	-39.2	59.0	-497.7
2011	-103.6	-414.5	-1,709.1	743.0	8,658.8	15,501.9	-29.0	87.1	-412.4
2012	-110.7	-364.6	-1,493.3	889.9	9,114.9	16,718.0	0.9	226.3	-206.8
2013	-71.8	-299.3	-977.4	977.3	9,429.4	17,582.1	20.8	281.2	-208.2
2014	-61.1	-250.2	-910.9	1,039.4	9,674.6	18,299.9	17.5	315.3	-86.4
2015	-55.8	-208.2	-842.3	1,070.1	9,792.7	19,072.3	21.8	361.3	-169.2
2016	-48.0	-157.8	-1,009.4	1,104.6	9,970.0	19,991.2	35.4	390.6	-329.4
2017	-35.1	-108.0	-831.8	1,145.1	10,061.7	20,688.3	31.1	423.6	-399.0
2018	-30.5	-53.0	-1,357.9	1,173.3	10,161.1	22,369.1	23.3	432.1	-520.3
2019	-35.2	-77.0	-1,549.1	1,188.9	10,250.4	23,806.4	25.2	398.5	-608.0
2020	-114.5	-941.8	-3,541.7	1,307.9	11,440.5	27,127.7	36.1	374.1	--
2021	-81.7	-424.4	-1,813.2	1,389.6	11,855.4	28,987.7	32.7	432.6	--
				Percentage of GDP					
2007	1.9	-0.6	-4.0	35.8	65.9	64.6	-9.4	0.2	-5.0
2008	-4.6	-2.2	-7.4	39.7	69.6	73.7	-8.9	-0.5	-5.9
2009	-11.3	-6.2	-13.1	53.3	80.2	86.7	-4.1	0.7	-3.9
2010	-9.5	-6.3	-12.4	60.5	86.0	95.4	-3.7	0.6	-3.3
2011	-9.7	-4.2	-11.0	69.9	88.4	99.7	-2.7	0.9	-2.7
2012	-10.7	-3.7	-9.2	86.3	92.7	103.2	0.1	2.3	-1.3
2013	-7.0	-3.0	-5.8	95.8	94.9	104.7	2.0	2.8	-1.2
2014	-5.9	-2.5	-5.2	100.7	95.1	104.4	1.7	3.1	-0.5
2015	-5.2	-2.0	-4.6	99.3	93.0	104.7	2.0	3.4	-0.9
2016	-4.3	-1.5	-5.4	99.2	92.2	106.8	3.2	3.6	-1.8
2017	-3.0	-1.0	-4.3	98.6	89.8	106.0	2.7	3.8	-2.0
2018	-2.5	-0.5	-6.6	97.6	87.8	108.7	1.9	3.7	-2.5
2019	-2.8	-0.6	-7.2	95.5	86.0	111.1	2.0	3.3	-2.8
2020	-10.1	-8.5	-17.8	115.6	102.7	136.2	3.2	3.4	--
2021	-6.7	-3.5	-8.5	113.7	98.8	136.6	2.7	3.6	--

Source: European Commission Forecasts, Spring 2020.

Chart 17a.1 - Government deficit

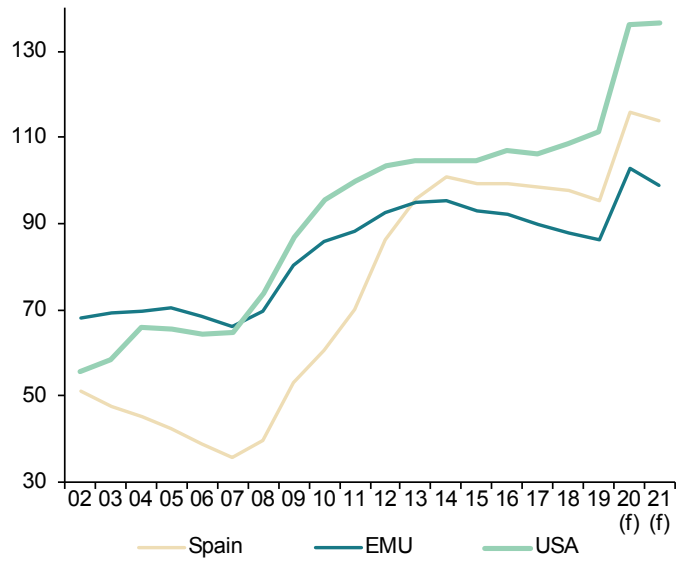
Percentage of GDP



(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	4,762.5	12,033.2	954.1	7,017.9	8,145.7
2006	783.5	5,185.2	13,318.5	1,171.9	7,620.6	8,968.7
2007	879.3	5,553.0	14,241.5	1,371.6	8,395.5	10,100.3
2008	916.7	5,766.2	14,110.4	1,460.0	9,066.5	10,666.3
2009	908.9	5,873.6	13,951.1	1,473.5	9,157.2	10,155.2
2010	905.2	6,016.4	13,735.6	1,498.0	9,327.9	10,016.6
2011	877.9	6,100.3	13,586.7	1,458.3	9,705.2	10,271.7
2012	840.9	6,092.8	13,586.5	1,339.2	9,879.5	10,774.9
2013	793.6	6,053.6	13,722.9	1,267.9	9,871.2	11,241.1
2014	757.8	6,060.3	13,971.2	1,207.7	10,315.6	11,972.3
2015	733.3	6,121.2	14,164.4	1,183.7	10,878.5	12,772.9
2016	718.5	6,225.6	14,593.8	1,162.8	11,236.6	13,447.1
2017	711.0	6,387.2	15,147.2	1,150.3	11,553.0	14,389.4
2018	709.6	6,572.7	15,615.6	1,154.6	11,877.7	15,318.2
2019	708.6	--	16,148.6	1,159.7	--	16,058.0
			Percentage of GDP			
2005	70.8	56.4	92.3	102.9	83.0	62.5
2006	78.0	58.3	96.4	116.7	85.7	64.9
2007	81.8	59.1	98.5	127.5	89.4	69.9
2008	82.6	59.9	95.9	131.6	94.2	72.5
2009	85.0	63.3	96.6	137.8	98.8	70.3
2010	84.4	63.1	91.6	139.6	97.9	66.8
2011	82.5	62.3	87.4	137.1	99.1	66.1
2012	81.6	61.9	83.9	129.9	100.5	66.5
2013	77.8	60.9	81.8	124.3	99.3	67.0
2014	73.4	59.6	79.7	117.0	101.4	68.3
2015	68.0	58.2	77.7	109.8	103.4	70.1
2016	64.5	57.6	78.0	104.4	103.9	71.9
2017	61.2	57.0	77.6	99.0	103.1	73.7
2018	59.0	56.8	75.9	96.1	102.7	74.4
2019	56.9	--	75.4	93.1	--	74.9

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

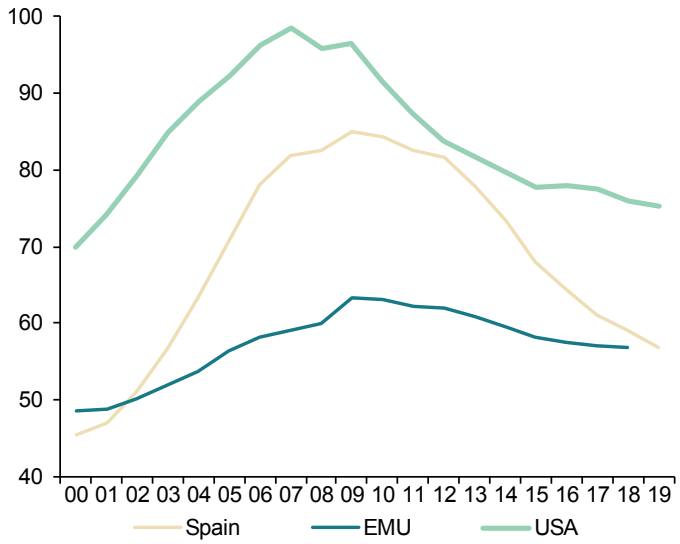
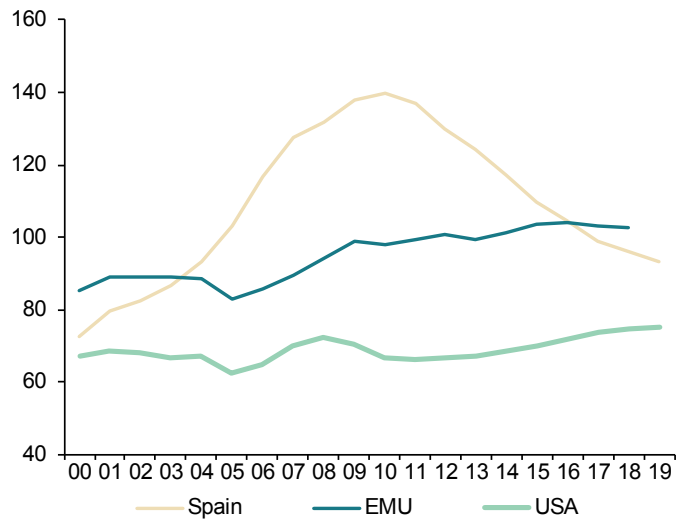


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: May 15th, 2020

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.3	February 2020
Other resident sectors' deposits in credit institutions (monthly average % var.)	0.4	February 2020
Doubtful loans (monthly % var.)	-1.1	February 2020
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	895,688	April 2020
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	167,524	April 2020
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	2	April 2020
"Operating expenses/gross operating income" ratio (%)	53.30	December 2019
"Customer deposits/employees" ratio (thousand euros)	9,574.38	December 2019
"Customer deposits/branches" ratio (thousand euros)	74,450.04	December 2019
"Branches/institutions" ratio	123.09	December 2019

A. Money and Interest Rates

Indicator	Source	Average 2001-2017	2018	2019	2020 April	2020 May 15	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.2	4.1	5.0	-	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.7	-0.309	-0.354	-0.273	-0.253	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	2.1	-0.117	-0.249	-0.118	-0.068	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.8	1.4	0.6	0.8	0.8	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	1.5	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": Interbank rates increased during the first half of May, under an uncertain market situation. The 3-month interbank rate increased from -0.273% in April to -0.253%, and the 1-year Euribor increased from -0.118% to -0.068%. Monetary policy has accentuated its expansionary stance with the latest decisions of the ECB, significantly expanding the stimulus program due to the concerns surrounding the effects of COVID-19. As for the Spanish 10-year bond yield, it remained around 0.8%.

B. Financial Markets

Indicator	Source	Average 2001-2017	2018	2019	2020 February	2020 March	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	18.4	84.2	288.7	33.96	23.79	(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	27.40	16.74	(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	0.01	0.50	(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	0.39	0.44	(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	-0.45	-0.29	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	-6.3	-20.9	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	-8.3	66.7	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	1,015.6	862.6	881.6	870.0	639.8 (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	8,723.2	6,474.9 (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	15.1	11.4 (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 2001-2017	2018	2019	2020 February	2020 March	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	26.2	42.5	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	10.3	58.5	30	11.1	-53.3	IBEX-35 shares concluded transactions

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

Comment on "Financial Markets": During March, there was a decrease in transactions with outright spot T-bills to 23.79 and of spot government bonds transactions to 16.74. Due to the uncertainty around coronavirus, the stock market has registered a fall in the first half of May with the IBEX-35 decreasing to 6,475 points, and the General Index of the Madrid Stock Exchange up to 640. There was an increase in Ibex-35 futures of 42.5% and a fall in options of 53.3%.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2015	2017	2018	2019 Q3	2019 Q4	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-2.3	2.0	1.5	2.2	2.3	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.1	0.5	0.1	2.4	2.2	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	261.5	287.4	280.7	288.9	282.0	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	64.6	61.3	58.9	57.4	56.9	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.5	3.8	-1.6	-0.3	1.5	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.5	-0.1	0.1	-1.5	0.3	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2019Q4. the financial savings to GDP in the overall economy increased 2.3% of GDP. There was an increase in the financial savings rate of households of 2.2%. The debt to GDP ratio of the economy reached 282%. Finally, the stock of financial assets on households' balance sheets registered a growth of 1.5%, and there was also an increase of 0.3% in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2017	2018	2019	2020 January	2020 February	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.1	-4.7	0.2	-0.3	-0.3	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	-1.4	0.4	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	-2.9	0.7	Asset-side debt securities percentage change for the sum of banks. savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.3	-8.8	0.5	0.5	-1.2	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	-1.4	-1.2	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	0.4	-1.1	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	-9.8	-10.8	Liability-side assets sold under repurchase. Percentage change for the sum of banks. savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	7.8	-4.1	0.3	0.2	-0.1	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 February show a fall in bank credit to the private sector of 0.3%. Data also show an increase of financial institutions deposit-taking of 0.4%. Holdings of debt securities fell 1.2%. Doubtful loans decreased 1.1% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2016	2017	2018	2019 September	2019 December	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	187	122	115	115	114	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	83	83	84	81	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	237,662	187,472	181,999	181,999 (a)	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	38,895	27,320	26,011	24,855	23,851	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	327,735	762,54	725,445	686,874	895,688 (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	68,891	170,445	167,421	145,835	167,524 (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	19,286	96	167	97	2 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2018.

(b) Last data published: April 2020.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In April 2020, recourse to Eurosystem funding by Spanish credit institutions reached 167.5 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 356 billion euro in February 2020, and 2.8 trillion euro for the entire Eurozone banking system.

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

Indicator	Source	Average 2000-2015	2016	2017	2018	2019	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	49.3	54.18	54.03	54.39	53.30	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	3,641.63	5,600.48	6,532.25	9,461.19	9,574.38	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	22,404.08	39,457.04	47,309.12	68,190.72	74,450.04	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2015	2016	2017	2018	2019	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	207.16	139.84	122.22	131.36	123.09	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.1	7.05	6.97	7.2	7.7	Branch size indicator
48. "Equity capital (monthly average % var.)	Bank of Spain	0.10	-0.62	0.84	-0.79	0.25	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.44	0.26	0.44	0.57	0.59	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	6.19	3.12	3.66	4.25	6.96	Profitability indicator, defined as the "pre-tax profit/equity capital"

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

Social Indicators

Table 1

Population

Population										
	Total population	Average age	65 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (women)	Dependency rate	Dependency rate (older than 64)	Foreign-born population (%)	New entries (all nationalities)	New entries (EU-28 born) (%)
2008	46,157,822	40.8	16.5	78.2	84.3	47.5	24.5	13.1	726,009	28.4
2010	47,021,031	41.1	16.9	79.1	85.1	48.6	25.0	14.0	464,443	35.6
2012	47,265,321	41.6	17.4	79.4	85.1	50.4	26.1	14.3	370,515	36.4
2014	46,771,341	42.1	18.1	80.1	85.7	51.6	27.4	13.4	399,947	38.0
2015	46,624,382	42.4	18.4	79.9	85.4	52.4	28.0	13.2	455,679	36.4
2016	46,557,008	42.7	18.6	80.3	85.8	52.9	28.4	13.2	534,574	33.4
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	637,375	30.1
2018	46,722,980	43.1	19.1	80.5	85.9	53.6	29.3	13.7	760,804	25.8
2019	47,026,208	43.3	19.3			53.7	29.6	14.4		
2020●	47,431,256	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.

● *Provisional data.*

Table 2

Households and families

	Households				Nuptiality					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Marriage rate (Spanish)	Marriage rate (foreign population)	Divorce rate	Mean age at first marriage, men	Mean age at first marriage, women	Same sex marriages (%)
2008	16,742	2.71	12.0	10.2	8.5	8.4	2.39	32.4	30.2	1.62
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								
2020■	18,774	2.53								
Sources	LFS	LFS	EPF	EPF	ID INE	ID INE	ID INE	ID INE	ID INE	MNP

Table 2 (continued)

Households and families

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

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

Marriage rate: Number of marriages per thousand population.

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

Divorce rate: Number of divorces per thousand population.

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

■ *Data refer to January-March.*

Table 3

Education

	Educational attainment				Students involved in non-compulsory education					Education expenditure	
	Population 16 years and older with primary education (%)	Population 30-34 with primary education (%)	Population 16 years and older with with tertiary education (%)	Population 30-34 with tertiary education (%)	Pre-primary education	Secondary education	Vocational training	Under-graduate students	Post-graduate studies (except doctorate)	Public expenditure (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	675,942	1,293,892●	214,528●	50.807.185	4.23
2019	19.3	6.3	30.3	44.7							
2020■	18.5	6.1	30.7	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.

■ *Data refer to January-March.*

● *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■	935,339	6,098,020	1,153	959,451	984	2,361,318	720	987,545	258,312	194,941	15,553
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-March.*

Table 5

Social protection: Health care

	Expenditure				Resources				Satisfaction		Patients on waiting list (days)	
	Total (% GDP)	Public (% GDP)	Total expenditure ($ per inhabitant)	Public expenditure (per inhabitant)	Medical specialists per 1,000 inhabitants	Primary care doctors per 1,000 people 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
2008	8.29	6.10	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.01	6.74	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.09	6.55	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.08	6.36	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.16	6.51	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	8.98	6.34	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.84	6.25	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.90	6.20	3,323	2,341		0.8		0.7	6.6	7.5	129	96
2019											115	81
Sources	OECD	OECD	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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Notes

Orders or claims:

Funcas
Caballero de Gracia, 28
28013 Madrid (España)
Teléfono: 91 596 54 81
Fax: 91 596 57 96
publica@funcas.es
www.funcas.es

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9772254388005

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