SEFO

SPANISH AND INTERNATIONAL ECONOMIC & FINANCIAL OUTLOOK

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Spain: Assessing real estate and credit markets ahead of an anticipated slowdown

funcas

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Letter from the Editors

The publication of the November issue of *Spanish and International Economic & Financial Outlook (SEFO)* follows Spain's recent general election – the fourth in a four-year period. As the winning Socialist party seeks to form a stable coalition amid investor uncertainty, doubts have resurfaced over the country's ability to withstand internal and external shocks in the context of a likely slowdown.

Against this backdrop, this month's *SEFO* starts off by assessing the situation and outlook for two key historical sources of imbalances that have raised concerns in the lead up to an economic slowdown – the real estate market and the credit market. As regards both types of risks, we find that the potential impact from these on the broader economy is estimated to be significantly reduced compared to that observed in the last financial crisis.

Several years into the post-crisis recovery, the Spanish housing market is showing signs of a slowdown. This has sparked debate among analysts as to whether Spain is set to experience the bursting of another housing bubble. An examination of a broad set of indicators to assess the state of the housing sector reveals that a property bubble has not formed in Spain. Moreover, the data suggest that any fallout from the prospective slowdown in the real estate sector on the broader economy will probably be moderate. While both real estate prices and transaction volumes are likely to ease in the coming years, especially in certain urban areas where prices have grown at particularly high rates, we do not expect a significant correction. This outlook is based on the fact that prices, household borrowing and housing affordability indicators are still at reasonable levels. Lastly, in a low-probability scenario where there is a market overcorrection, the end of the real estate cycle would still have a limited impact on the Spanish economy.

In its *World Economic Outlook* report in October 2019, the IMF noted a considerable slowdown in the eurozone, with growth in Spain expected to ease to 1.8% in 2020. While there is no indication that a recession is looming, emerging economic dynamics suggest credit and real estate risks should be watched closely. Typically, growth in both these risks has accompanied financial crises in Spain. For example, the estimated probability of default in 1977 and 2009 was 20% and 13.8%, respectively, while the correction in house prices from peak levels stood at 33.3% and 45% for both those years. Interestingly, contemporary data show moderate price level growth in Spanish real estate compared to the run-up to the recent financial crisis, suggesting the real estate market does not pose a risk of amplification in the face of the anticipated cyclical slowdown of the Spanish economy. Furthermore, lending to both businesses and households has remained timid since 2017. Still, concerns have focused on Spain's public debt, which is equivalent to 98% of GDP. Taken together, these data suggest Spain is headed for a soft landing alongside that of the global economy.

We then take a step back and evaluate the implications of current financial conditions and regulatory requirements on the Spanish debt market, *i.e.*, spurring issuance of diverse fixed income instruments, including sustainable, social, green bonds, and finally contingent convertible bonds (CoCos), a tool many banks have used to fulfil more stringent capital requirements in recent years.

After muted activity in 2018, this year has seen intense growth in private fixed-income issuance by Spanish issuers. Specifically, bond issuance by the Spanish private sector during the first 10 months of 2019 is 23% higher year-on-year and already above the volume issued in all of 2018. This can be attributed to several factors, including the collapse in sovereign yields and the persistence of record-low credit spreads. The banking sector is spearheading the growth in issuance and a shift in the types of debt instruments issued. Non-financial corporate debt issuance is growing at a slower pace, albeit faster than in 2018, in an environment that continues to be shaped by diversification of sources of financing, interest rate refinancing and term lengthening. Particularly noteworthy is the expansion of foreign bond issuance among this segment and the fact that almost all bonds issued this year had maturities of at least 5 years. Lastly, data show the gradual maturing of the fixed-income market for medium-sized enterprises (known as MARF) and sharp growth in the issuance of green, social and sustainable bonds, segments in which the Spanish issuers are emerging as global pioneers.

CoCos have emerged as one of the most popular instruments for recapitalisation in the European banking sector. In Spain alone, the 22 billion euros of CoCos issued over the last five years account for around 60% of Spanish banks' capital-raising efforts. From the banks' perspective, CoCos are an attractive funding instrument given their tier 1 status. For investors, these bonds' appeal is undoubtedly driven by the fact that they have substantially outperformed issuers' ordinary shares. That said, CoCos stand out for their dichotomous nature, underpinned by the two financial options they provide for issuers –prepayment and conversion. These options offer a distinctly asymmetric performance for investors depending on the issuer's financial health. Under normal conditions, the bonds generate attractive returns for investors; however, in the event of recapitalisation, CoCo buyers stand to lose their entire investment. In analysing the main factors behind a CoCo's coupon value, it was determined that this value is correlated to measures of financial health, such as Tier 1 capital adequacy (CET1), risk profiles (RWA/TA) and banks' price-to-book values (PBV), with the combination of the latter two variables increasing in statistical significance.

The last section of the November *SEFO* deals with the topic of internationalisation. As the global economy faces challenges to overcome the current bout of rising protectionism, and its subsequent negative spill-over effects on economic expansion and trade, we analyse how banks' internationalisation and geographic diversification strategy's have helped them compensate for periods of domestic market weakness. We also look at Spain's internationalisation process on a broader scale, focusing on key risks and challenges facing a further deepening of this trend for the Spanish economy, and specifically for Spanish companies.

The profitability of geographically-diversified Spanish banking groups is 43%

higher than that of their domestic business, evidencing the advantages of an international strategy. The key factor explaining the profitability premium is the high net interest margin earned by Spanish banks' subsidiaries in third country places of business. This feature has become all the more impactful given the decline in eurozone interest rates. For example, consolidated groups' net interest margin is more than twice (2.01%) that of the Spanish banking business (0.93%). While the level of international expansion of the Spanish banking system is high relative to that of many other systems (overseas investments accounted for 44% of the total), their geographic diversification is lower by comparison with the major European economies and the US. Notably, there are some ad-hoc risks to consider in countries where Spanish banks are active, such as Turkey and Argentina. Nevertheless, analysis shows that diversification has mitigated banks' overall risk exposure. However, the benefits associated with diversification will remain limited within the eurozone until the EU completes its Banking Union.

The international expansion of Spanish companies as well as the broader Spanish economy between 2000 and 2018 is generally viewed as a success. In relative terms, Spanish exports kept pace with the growth in German exports over the same period, while significantly outperforming export growth in Italy and France. Data also indicate that the Spanish economy is now more open than either the Italian or French economies. Nevertheless, there are risks and challenges associated with the internationalisation of Spain's economy. Some challenges, such as the deficit in the balance of trade in goods and the tendency for micro-enterprises (fewer than 10 employees) to dominate the export market, have been longstanding. However, new risks have also recently emerged. While export indicators are slowing sharply, many of the world's largest economies are turning inwards and questioning the pre-existing model of international trade based on predefined and predictable rules. It is in this context that it becomes essential for Spain's companies to improve their level of competitiveness and overcome barriers to further international expansion.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
December	3	Social Security registrants and official unemployment (November)
	4	Eurogroup meeting
	5	Industrial production index (October)
	12	ECB monetary policy meeting
	12-13	European Council meeting
	13	CPI (November)
	20	Foreign trade report (October)
	23	Non-financial accounts: Central Government, Regional Governments and Social Security (October)
	23	Non-financial accounts, State (November)
	26	Balance of payments quarterly (3rd quarter)
	27	Retail trade (November)
	30	Balance of payments monthly (October)
	30	Preliminary CPI (December)
	30	GDP (3rd quarter)
	30	Quarterly sector accounts (3rd quarter)
January	3	Social Security registrants and official unemployment (December)
	11	Industrial production index (November)
	15	CPI (December)
	15	Financial Accounts Institutional Sectors (3rd quarter)
	23	ECB monetary policy meeting
	28	Labour Force Survey (4th quarter)
	30	Retail trade (December)
	31	Preliminary CPI (January)
	31	Balance of payments monthly (November)
	31	GDP (4th quarter), advance estimate

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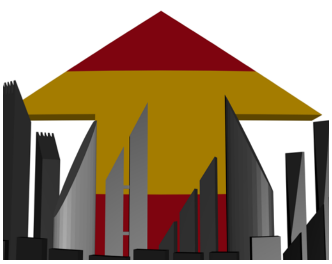
What Matters


financial
instruments



Regulation and Economic Outlook

Key Facts

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The Spanish housing market: Current situation and short-term outlook

While growth in the Spanish housing market is starting to slow, data show little evidence supporting that a real estate bubble is set to burst. In the worst-case scenario, the Spanish real estate market would reach the end of its cycle with only a limited impact on the broader economy.

Carlos Ocana P. de Tudela and Raymond Torres

Abstract: Several years into the post-crisis recovery, the Spanish housing market is showing signs of a slowdown. This has sparked debate among analysts as to whether Spain is set to experience the bursting of another housing bubble. An examination of a broad set of indicators to assess the state of the housing sector reveals that a property bubble has not formed in Spain. Moreover, the data suggest that any fallout from the prospective slowdown in the real estate sector on the broader economy will probably be moderate. While both real estate prices and transaction volumes are likely to ease in the coming years, especially in certain urban areas where prices have grown at particularly high rates, we do not expect a significant correction. This outlook is based on the fact

> "Unless the economy slows by more than is currently expected, there is still room for additional growth in the present housing cycle, albeit marked by regional differences."

that prices, household borrowing and housing affordability indicators are still at reasonable levels. Lastly, in a low-probability scenario where there is a market overcorrection, the end of the real estate cycle would still have a limited impact on the Spanish economy.

Introduction

Following several years of healthy growth, data from the last few months indicate the housing market is beginning to show signs of a slowdown. Though these trends are clear, opinions differ as to: (i) what stage of the cycle we are at; (ii) the outlook for the market in the quarters to come; and, (iii) the consequences for the broader economy of any prolonged slowdown. The purpose of this paper is to provide answers to those questions, based on a brief overview of the information at hand.

Situation in the housing market

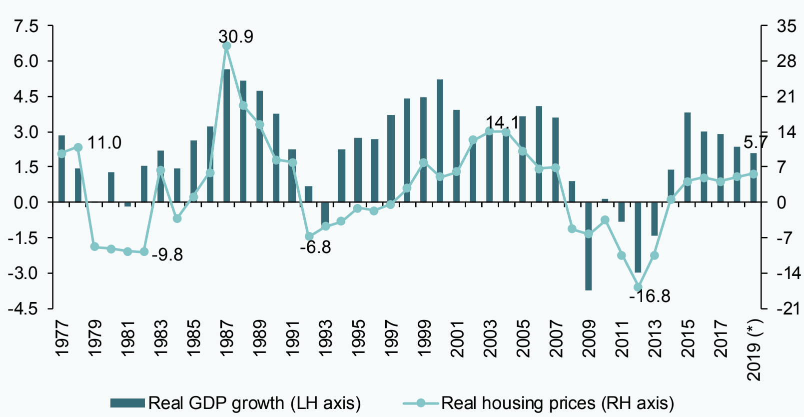
The real estate cycle is closely correlated with the economic cycle

By linking different data series, it is possible to analyse the trend in house prices as far back as the 1970s (Exhibit 1). Over that timeframe, we can discern four cycles. The first, marked by numerous ups and downs, is characterised by very high rates of growth in the mid-70s until prices corrected at the start of the second oil crisis. The second cycle coincides with Spain's entry into the European Community and concludes with the recession of the early 1990s.

The third housing market boom emerged in the aftermath of that recession. During this period, the economy once again began to post significant growth and, with somewhat of a lag, the housing market also began to expand, registering its highest growth rates within the century (of close to 14% in 2003-2004). House prices continued to rise for another three years, going on to correct with the onset of the last financial crisis, moving virtually hand in hand with the evolution of the Spanish economy.

Exhibit 1

Trend in housing prices and GDP, year-on-year rates of change



(*) Q2 for GDP and Q1 for housing prices.
Sources: BIS, INE and Funcas (linked series).

> “During the second quarter of this year, the national statistics office’s series showed year-on-year growth of 5.3% in housing prices.”

Lastly, in the wake of the economic recovery, the housing market embarked on its fourth growth cycle, with prices continuing to expand until today.

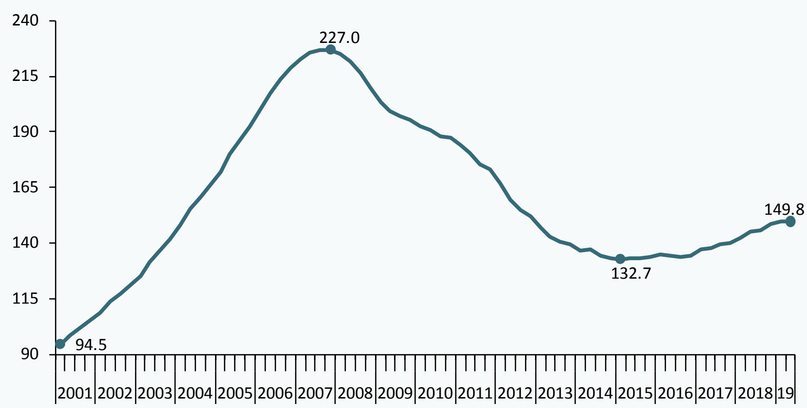
There is therefore a strong correlation between Spanish economic growth and the housing cycle. That leads us to believe that unless the economy slows by more than is currently expected, there is still room for additional growth in the present housing cycle, albeit marked by regional differences, which we will analyse further on. Recall that Funcas' projection for 2019 is for GDP growth of 1.9%. In 2020 and 2021, according to Funcas, the Spanish economy is expected to grow by 1.5% and 1.8%, respectively. [1]

The market is currently showing signs of flagging…

House prices have risen for four years running, albeit exhibiting a loss of momentum since the start of this year. Indeed, during the second quarter, the national statistics office's series showed year-on-year growth of 5.3%, a considerable slowdown compared to the records in the earlier stages of recovery. The slowdown is even more pronounced if we look at the main price index tracked by the state appraisal company, TINSA, which shows 3.1% growth in the second quarter, compared to growth of nearly 5% a year earlier (Exhibit 2).

The main reason for the slowdown in the rate of growth in housing prices is a slump in demand. In the first quarter, the growth in the number of solicitor-registered transactions dropped to an annual rate of 2.2%, compared to 9.5% in 2018 and 16.3% in 2017 (Exhibit 3).

Exhibit 2 **Trend in housing prices, indexed to 2001=100 (nominal values)**



Source: TINSA.

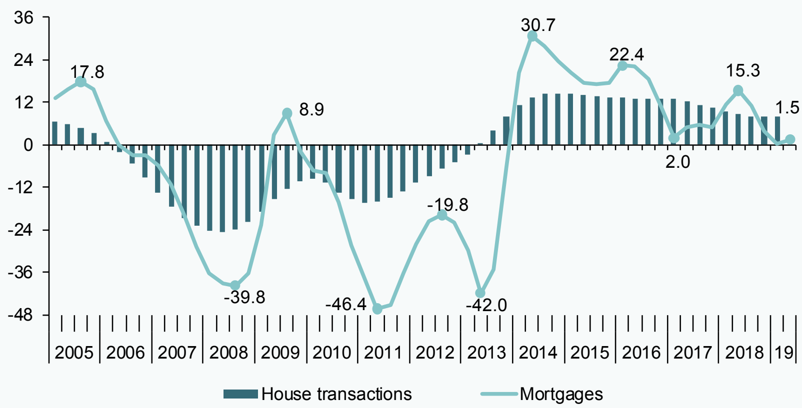
> “The main reason for the slowdown in housing prices is a slump in demand.”

> New housing permits continue to grow at double-digit rates, though from low levels.

Exhibit 3

Real estate transactions and housing mortgages

Annualised QoQ rate of change in %, smoothed data series



Sources: INE, Ministry of Public Works and Funcas (seasonally adjusted).

Mortgage volumes, which had been slowing for the last two years, actually declined in the second quarter of this year. Although the introduction of new regulations may have put the brakes on mortgage lending activity, the slowdown is also evident in the preceding period.

Supply, on the other hand, continues to increase, albeit at differing levels of intensity depending on the indicator used and starting from very low levels in the aftermath of the crisis (Exhibit 4). The supply of new housing continues to expand at double-digit rates. In May, the number of housing permits reached 108 thousand, compared to 90 thousand a year earlier. Nevertheless, that number is still six times smaller than at the height of the housing bubble. In addition, the stock of unsold housing remains at roughly half a million units. Other indicators point to a slowdown in investment. For example, cement consumption has been slowing since the second quarter of this year.

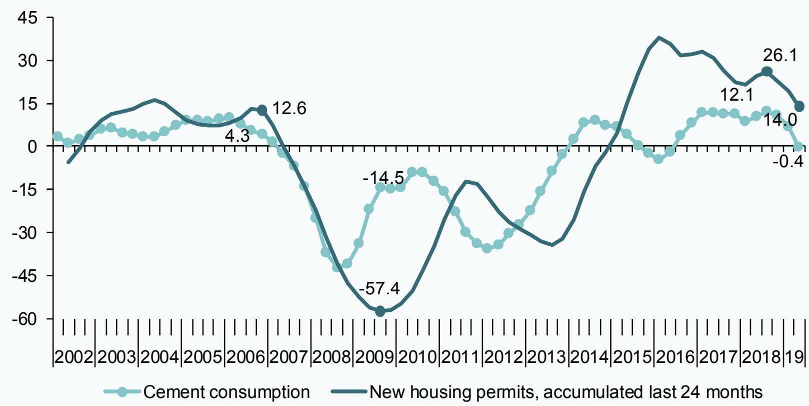
...but there are no signs of significant imbalances

Although the market appears to be entering a phase of slower growth, the situation is not comparable to the bursting of the real estate

> Prices remain nearly 20% below pre-crisis levels and the difference expressed in terms of average transaction values is even larger, at 33%.

Exhibit 4 **Supply side indicators in the construction sector**

Annualised QoQ rate of change in %, smoothed data series



Source: INE, Ministry of Public Works and Funcas (seasonally adjusted).

bubble a decade ago. First, prices remain nearly 20% below pre-crisis levels and the difference expressed in terms of average transaction values is even larger, at 33%.

In addition, the household debt service burden (mortgage principal and interest payments) stands at around 33% of disposable income, which is close to the long-run average and well below the peak of over 50% of 2008 (Exhibit 5).

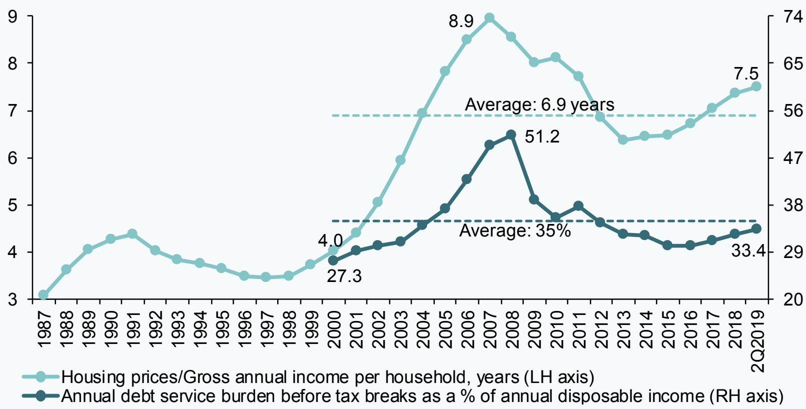
Until 2007/2008, when the housing boom came to a sudden halt, the financial burden for home-buyers increased consistently, peaking at record levels (8.9 years of gross annual income per household and at 51.2% of annual disposable income). Both indicators went on to fall between 2013 and 2015, before recovering in recent years. Measured in terms of annual disposable income, the debt service burden has barely increased and remains below the long-run average. However, measured in terms of the years of gross income needed to buy a home, it has increased and has been trending slightly (by 6 months) above the long-run average since 2017.

Elsewhere, the tightening in the housing market has been concentrated in just a few of the main city centres and tourist destinations. While the last bubble was forming between 2000 and 2006, nearly all of the provinces registered annual inflation of over 5% (Exhibit 6). Price inflation of that level is currently only observed in 10 provinces. This includes the major provincial capitals of Barcelona, Madrid and Seville and the provinces that have benefited the most from the boom in tourism, such as Castellon, Mallorca, Malaga, Santa Cruz de Tenerife and Valencia, as well as Navarre and Valladolid. At the other end of the spectrum, prices continue to contract

> “Between 2000 and 2006, while the last bubble was forming, nearly all of the provinces registered annual housing inflation rates of over 5%.”

Exhibit 5

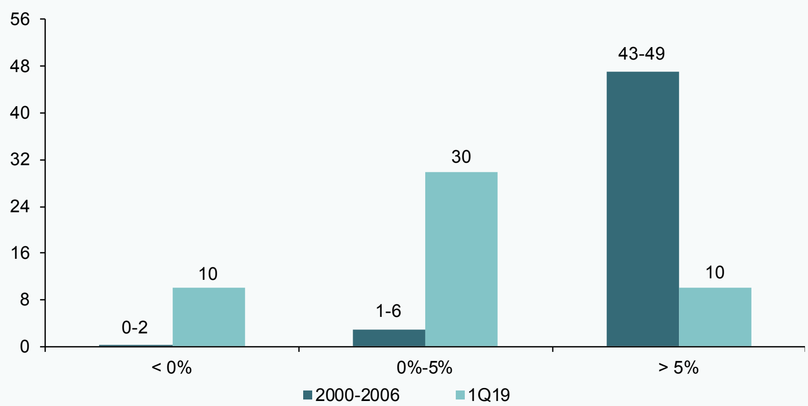
Housing affordability indicators, in years and % of income



Source: Bank of Spain.

Exhibit 6

Breakdown of provinces by housing price growth rates (# of provinces)



Source: Ministry of Public Works.

in 10 provinces (compared to none during the last bubble) while many others have remained relatively stable. Note that in 14 provinces, average housing prices remain 60% below the peak reached before the crisis.

Nor are there signs of overheating on the supply side. House production is approaching the demand trendline. Moreover, the sector's weight in the Spanish economy has decreased. Investment in construction, which peaked at over 20% of GDP prior to the crisis, has fallen by half. And construction sector jobs have etched out a similar path, falling from 11.8% of total employment prior to the crisis to 6.3%, a reading which is close to the European average. Construction output is also on a downward trend since the start of the year, but

> "Over the past year, new home mortgage volumes contracted by 3%, while the percentage of non-performing mortgage loans has fallen considerably."

from low levels - in 2018 the sector produced 41% less than in 2008.

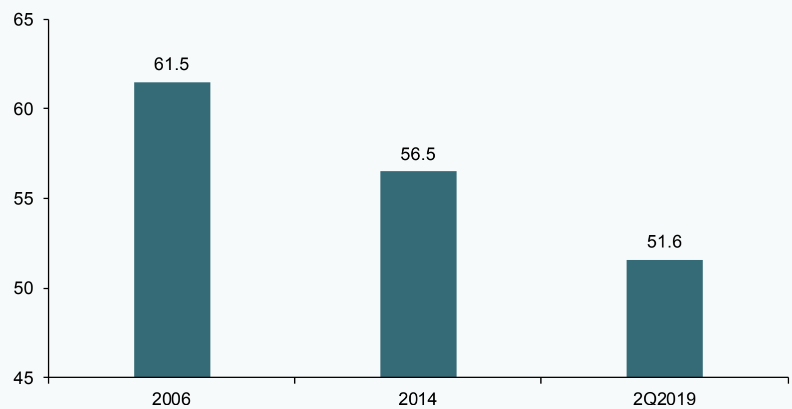
Lastly, no bubble can be detected in mortgage lending. The outstanding balance of bank loans taken on to finance the purchase or refurbishment of housing continues to shrink, having expanded at rates of over 35% during the construction boom in the 2000s. Moreover, over the last year, new home mortgage volumes contracted by 3%, while the percentage of non-performing mortgage loans has fallen considerably.

Mortgage lending activity contracted during the real estate market correction following the crisis. Once the recovery began, mortgage lending gained momentum and has continued to recover, other than for a short period in 2016 and the current dip. Indeed, in recent months it is worth noting that in addition to the signs of slowdown observable in the housing market, the drop in mortgage lending activity is mainly attributable to the new mortgage legislation, which has had the effect of delaying the execution of a large number of contracts. That one-off impact is expected to reverse in the medium term (the less-negative August reading suggests this may already be happening). It is also worth highlighting the reduction in banks' relative exposure to the real estate sector (Exhibit 7).

In comparison with most European countries, the Spanish real estate market is showing few signs of overheating. A recent report by the European Systemic Risk Board (ESRB) shows that housing prices in Spain are 8% above the estimated historical average, [2] compared to a European average of 10%. That is significantly below the values observed in Austria, Belgium, France, the UK and Sweden, among others (ESRB, 2019). Although the historical average need not necessarily coincide with the equilibrium price, other indicators presented in the report point in the same direction. For example, Spanish households present

Exhibit 7

Bank loans earmarked for housing and construction as a percentage of total bank loans (in 2006, 2014 and as of 2Q19)

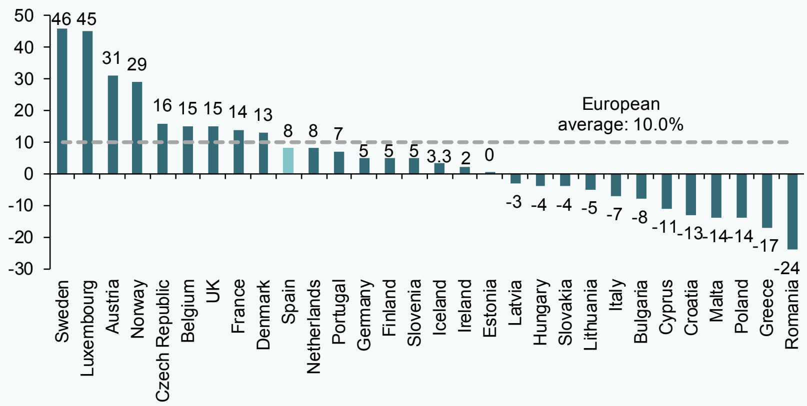


Source: Bank of Spain.

> “A recent report by the European Systemic Risk Board (ESRB) shows that housing prices in Spain are 8% above the estimated historical average, compared to a European average of 10%.”

Exhibit 8

Deviation of price-to-income ratio from long-term average, as % of gross disposable income of households



Source: ESRB (September 2019).

relatively favourable borrowing levels. Their debt service burden (capital and interest) is below the European average. And, banks' exposure to real estate risk is similarly moderate compared to the European average, expressed in terms of both percentage asset exposure and non-performance.

The rental market, where inflation is high, is a different story. Demand in this segment has increased as mortgage terms have tightened. This trend is exacerbated by shifting priorities among the younger age categories and job seekers in search of mobility.

Outlook

In the short term, the most likely scenario is a slowdown in price growth...

Based on the data, it is likely that we are at the end of a real estate growth cycle, consistent with the observed gradual slowdown in transaction volumes and prices. That means that the market is not likely to collapse as it did between 2008 and 2015, but rather give back some of the gains registered in the most sought-after areas.

That scenario is underpinned by Funcas' forecasts for growth until 2021, which are in turn based on the global slowdown resulting from trade and geopolitical tensions, a cooling off in China and, more recently, the US. The European economy is suffering from this situation, in addition to the uncertainty surrounding Brexit. These factors, coupled with internal dynamics, are affecting Spanish trade, the investment climate and consumer confidence. In short, in the scenario contemplated by Funcas, the economy will expand by 1.9% this year, 1.5% in 2020, going on to recover slightly and grow by 1.8% in 2021.

The anticipated economic slowdown, which will take a toll on households' disposable

> "The Spanish economy is set to expand by 1.9% this year, 1.5% in 2020, going on to recover slightly and grow by 1.8% in 2021."

income, will curb demand for housing. Households are also likely to become more cautious about investments due to the downturn in the economy and growing uncertainty about their job stability. By way of reference, if the historical housing price to GDP elasticity were to hold, housing prices would increase by just 2.5% in 2020 and 0% in 2021. A movement of that magnitude would not have a significantly adverse effect on either the economy in general or on banks' assets in particular.

Note that historical elasticities need not necessarily hold in the current environment. For example, they could fall due to reduced demographic pressure or, conversely, increase due to the limited appeal of alternative investment opportunities in a context of low interest rates and high equity price volatility. As a result, the numbers above should not be taken as a price forecast but rather an initial proxy.

...even if prices were to overcorrect, the consequences for the economy would be limited

Even in the event of a market overcorrection, the consequences for the Spanish economy would be limited. The fact is that for as long as there are comparable data, economic growth of under 2% has gone hand in hand with a drop in real house prices (the only exception being 2014, when prices ticked slightly higher due to the onset of the economic recovery).

Based on the corrections observed at the end of prior growth cycles, we assume that prices could trend gradually towards that level observed since 2000. Specifically, the drop in prices observed in previous real estate recessions (1979-1982 and 1992-1995) totalled the size of the price increases accumulated during the period of growth. Applying that trend to the current situation would imply a price correction of around 8%, which would leave housing prices back at the levels observed in early 2003.

The consequences for the economy of a correction of that magnitude would be smaller than during the last recession (2007-2013). This is due to the price accumulation with respect to the long-term average of just 8%, *i.e.*, nearly five times smaller than during the last real estate bubble. [3] In addition, the price corrections would likely be concentrated in certain cities and coastal regions, the only areas to have seen significant price growth in recent years (unlike during the last bubble, which was fairly widespread geographically, as noted above). As a result, the wealth effect on household consumption would be limited.

Elsewhere, the impact of the price correction on banks' assets would also be limited since the market boom has been driven by cyclical growth and not overexposure to mortgages. Loans to developers and to finance house purchases or refurbishments have fallen as a percentage of total bank loans and are approaching the European average.

> "Housing price corrections would likely be concentrated in certain cities and coastal regions, the only areas to have seen significant price growth in recent years."

Nor do we expect a significant correction in the construction sector, which has steered clear of the supply glut that characterised the last bubble (see analysis above).

Final observations

An analysis of the last 50 years shows that, historically, the real estate sector has always moved in tandem with the economic cycle. As a result, with the Spanish economy entering a slowdown, the growth in housing prices can be expected to ease in the coming years. The impact of the end of this cycle will probably be moderate thanks to the fact that this time around there is no evidence of significant imbalances in the real estate market of the kind on display in prior crises. Specifically, we have analysed housing prices, household debt in relation to income, banks' exposure to the mortgage segment and the size of the construction sector. In all cases, we note that the imbalances are significantly smaller than at the start of the last crisis, concluding that the economic impact of any market correction will similarly be smaller.

Lastly, interest rates and borrowing terms are expected to remain favourable for a protracted period of time, shaped by the ECB's monetary policy (Borio, 2019 and IMF, 2019). That should prop up demand in the short term, albeit posing risks to financial stability in the longer term.

Notes

[1] For further analysis of the slowdown in the Spanish economy, refer to Torres and Fernández, 2019.

[2] The existence of a difference with respect to the historical average need not necessarily imply an imbalance. In Spain, for example, other indicators, such as affordability, are below the long-run averages. Moreover, estimation of the equilibrium price requires detailed empirical analysis of the trends in supply and demand which go beyond the scope of this paper.

[3] As noted earlier, by 'over-valuation' we mean a deviation in cost-to-income ratios from long-term averages. It is, therefore, a purely statistical concept, which does not necessarily reflect a housing market imbalance.

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Spain's current slowdown: Reduced real estate and financial risks

The Spanish economy is entering a period of slower growth compared to the rate of expansion experienced in recent years. Nevertheless, close analysis shows that growth in credit and real estate risks is not accompanying this economic slowdown, with both types of risks having eased considerably since 2009.

Santiago Carbó Valverde, Pedro Cuadros Solas and Francisco Rodríguez Fernández

Abstract: In its *World Economic Outlook* report in October 2019, the IMF noted a considerable slowdown in the eurozone, with growth in Spain expected to ease to 1.8% in 2020. While there is no indication that a recession is looming, emerging economic dynamics suggest credit and real estate risks should be watched closely. Typically, growth in both these risks has accompanied financial crises in Spain. For example, the estimated probability of default in 1977 and 2009 was 20% and 13.8%, respectively, while the correction in house prices from peak levels stood at 33.3% and 45% for both those years. Interestingly, contemporary data show moderate price level growth in Spanish real

estate compared to the run-up to the recent financial crisis, suggesting the real estate market does not pose a risk of amplification in the face of the anticipated cyclical slowdown of the Spanish economy. Furthermore, lending to both businesses and households has remained timid since 2017. Still, concerns have focused on Spain's public debt, which is equivalent to 98% of GDP. Taken together, these data suggest Spain is headed for a soft landing alongside that of the global economy.

Introduction

In a global economic environment dominated by monetary flows and the memory of the recent financial crisis, any reference to terms such as "contraction" or "recession" sparks fear and weighs adversely on household and corporate expectations. However, semantic nuances are extraordinarily important in this context, both in interpreting the main global macroeconomic projections and predicting what could happen in each country. In the case of Spain, most of the estimates suggest a looming slowdown, without any signs, for the time being, of risks indicative of a contraction or recession. Nevertheless, slower growth with GDP headed to below 2% does raise a series of questions: How prepared is the economy for finding its way back to stronger growth? What pace of job creation can we expect to see with easing economic activity? And, above all, are there risks of a darker economic outlook or fresh crisis? Assuming the probability of the latter scenario materialising is very low, this paper outlines the financial and real estate conditions that have typically spurred episodes of intense financial instability (most notably the crises of 1977 and 2009), comparing them with those prevailing in Spain today. [1]

The IMF published its latest *World Economic Outlook* report on October 15th. It states that: "After slowing sharply in the last three quarters of 2018, the pace of global economic activity remains weak. Momentum in manufacturing activity, in particular, has weakened substantially, to levels not seen since the global financial crisis. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade. A notable shift toward increased monetary policy accommodation-through both action and communication-has cushioned the impact of these tensions on financial market sentiment and activity, while a generally resilient service sector has supported employment growth. That said, the outlook remains precarious."

In that context, the IMF cut its forecasts for global GDP growth for 2019 to 3%, the lowest level since 2008 and a 0.3 percentage point downgrade from April 2019. Nevertheless, the IMF expects that growth will "pick up to 3.4% in 2020 (a 0.2 percentage point downward revision compared with April), primarily reflecting a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, as well as both emerging and developed markets in Europe that are under macroeconomic strain". However, the Fund is not ruling out a weaker scenario, noting that: "with uncertainty about prospects for several of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more subdued pace of global activity could well materialise".

Taking a closer look at the eurozone, the IMF is projecting growth of 1.2% in 2019 and 1.4% in 2020. The report notes that: "the outlook is also slightly weaker for Spain, with growth projected to slow gradually from 2.6% in 2018 to 2.2% in 2019 and 1.8% in 2020 (0.1 percentage points lower than in April)".

> "The IMF cut its forecasts for global GDP growth for 2019 to 3%, the lowest level since 2008 and a 0.3 percentage point downgrade from April 2019."

> "According to the IMF, the consolidated debt of Spanish companies, households and non-profit institutions serving households stood at 132.1% of GDP in 2Q2019, 5.2 percentage points below the previous year."

Overall the figures point to a considerable slowdown in the eurozone, which will also be felt in Spain, albeit somewhat less intensely.

The IMF also refers to room for fiscal manoeuvring relative to debt levels, stating that: "In countries with high debt, including France, Italy, and Spain, fiscal buffers should be rebuilt gradually while protecting investment". Those debt issues risk becoming more dangerous –in the context of downside risk to GDP growth– when they spread to the private sector. In that regard, Spain appears to have made significant progress. On October 15th, the Bank of Spain published its financial accounts for the economy, highlighting in its press release that: "the consolidated debt of Spanish companies, households and non-profit institutions serving households stood at 1.62 billion euros as of the second quarter of 2019, which is 132.1% of GDP, 5.2 percentage points below the previous year. The consolidated debt of the non-financial firms was equivalent to 73.4% of GDP and that of households and NPISHs 58.6%." One day later, the IMF published its *Global Financial Stability Report*, in which it said the following with respect to Spain: "In some countries that were hit the hardest by the global and euro area financial crises, such as Ireland and Spain, household debt has now moderated, and house prices have fallen in real terms."

It is worth highlighting the fact that prolonged contractionary episodes which involve credit and real estate issues are the most damaging and those most likely to generate more severe crises. Those problems are absent today. By way of reference, Table 1 provides a series of indicators from the last two major financial

Table 1 **What history tells us (1977 I 2009): Financial and real estate issues and the probability of a financial crisis**

	1977	2009
Estimated probability of default (%)	20	13.8
Estimated write-downs (€ m)	38,000	40,078
Duration (years)	9	5
Fiscal cost/GDP	16.8	5.4
Increase in unemployment rate (net)	13	17
Cumulative increase in public debt (start of crisis = 100)	220	222
Correction in house prices from peak levels (%)	33.3	45
Duration of house price correction (years)	4	7

Sources: Demirgüc-Kunt and Sobaci (2001), Reinhart and Rogoff (2009), The World Bank Database of Banking Crises (2018 update), The World Bank Financial Structure Database (2018 update), the Bank of Spain, the FROB (Spanish fund for orderly bank restructuring), the INE (Spanish Statistics Institute), and authors' own elaboration.

> In Spain, prolonged contractionary episodes which involve credit and real estate issues are the most damaging and those most likely to generate more severe crises - those problems are absent today.

crises in Spain, those of 1977 and 2009, gleaned from several international databases used in various studies about global financial instability.

Using non-performing loans (NLP) as a proxy, data show that during the last two major crises in Spain, the probabilities of default were high (particularly in 1977). The NPL ratio in Spain has been trending lower for six years in a row now and the outlook is for further improvement. Moreover, the fiscal cost (including bailouts, aid and other contingent or quasi-fiscal liabilities, such as guarantees) reached 16.8% in 1977 and an estimated 5.4% during the last crisis (according to the World Bank). The economic consequences were more diverse. The unemployment rate shot up a net 17 percentage points during the last crisis, while house prices corrected by 45% over a six-year period. However, all of these risks (unemployment, credit quality and house prices) have since dissipated. Public debt levels are perhaps the most pressing concern, as well as posing the biggest challenge going forward.

Recent trends in the sources of financial and real estate risk

If there is one common denominator in the recent major financial crises in Spain, it is the build-up of imbalances in the real estate sector. Exhibit 1 depicts the trend in the National Statistics Institute's house price index between 2007 and 2019 (until 2Q19, the latest figure available), rebased to 2015 levels. It reveals a considerable correction in house prices between 2007 and 2013, followed by a phase of normalisation, with prices holding at moderate levels until 2015. Since then, prices have been trending moderately higher. Evidence available for 2019 points to a slowdown in price growth, suggesting that demand for housing is easing. This indicates considerably more moderate price levels compared to those observed in the run-up to the crisis. It does not appear that the real estate sector is producing risks that could jeopardise the outlook for a soft landing for the economy as a whole.

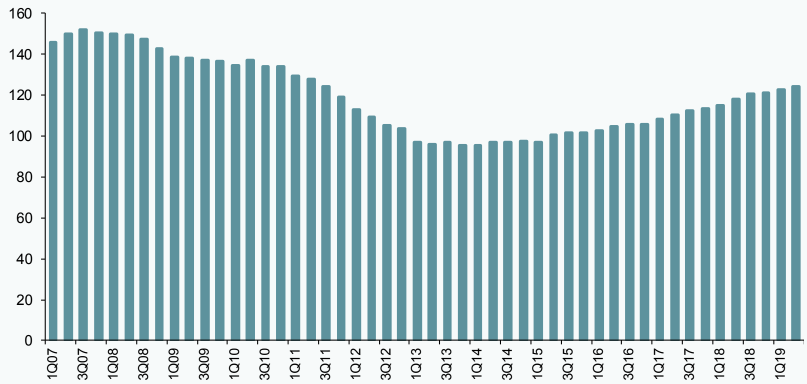
If moderation is the word that best describes the Spanish real estate market's situation, stagnation is the term that captures the state of health in the lending industry, as depicted in Exhibit 2. The volume of loans extended to households and companies fell almost continually between 2010 and 2017. Since then, there has been timid growth in business lending (particularly to SMEs) and only scant growth in loans to households (driven mainly by consumer finance). Those trends suggest we are a long way from a credit bubble. Indeed, funding markets have not shown a great degree of liveliness. This situation constitutes a source of concern for the monetary authorities, due more to the lack of activity than any excess thereof.

Regardless, the risks on the credit side are more related to quality than volume. Exhibit 3 shows how financial institutions' NPL ratio

> Financial institutions' NPL ratio has come down significantly from the peak of 13.9% in 2013 to 5.6% by the second quarter of 2019.

Exhibit 1

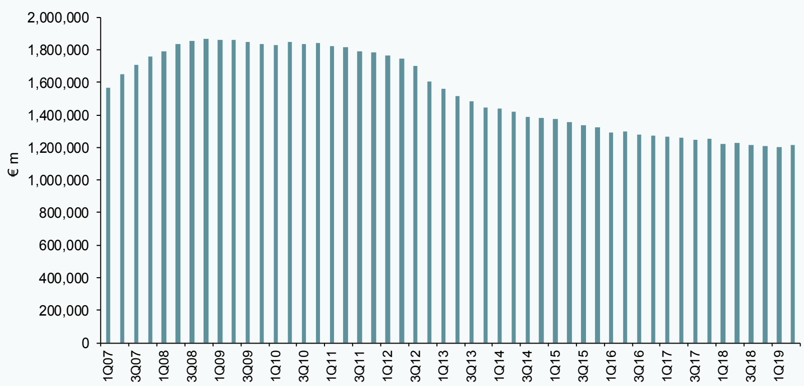
House price index (2007-2019), rebased to 100 = 2015



Source: INE and authors' own elaboration.

Exhibit 2

Lending to the private sector: 2007-2019



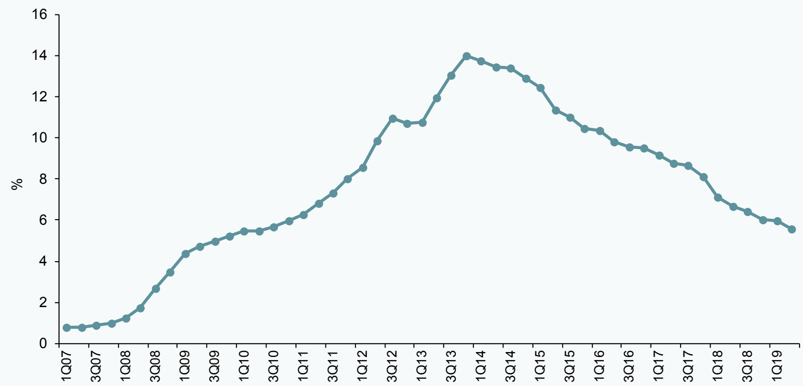
Source: Bank of Spain and authors' own elaboration.

has come down significantly from the peak of 13.9% in 2013 to 5.6% by the second quarter of 2019. The size of the reduction evidences both the effort made to reduce exposure to impaired assets, the legacy of the last crisis, as well the improving creditworthiness of new loans.

How have the main financial and real estate risks evolved between 2009 and 2019? Table 2 shows the trend over time for a universe of relevant indicators. Note that the construction sector accounted for over 10% of GDP when the crisis reached Spain. In 2019, it represents 5.90%, a level at which it has been fairly stable in recent years.

As for corporate and household borrowings over GDP, the figures show significant deleveraging by the private sector, from 204% of GDP in 2009 to 132% as of the second quarter of 2019.

Exhibit 3 **Non-performing loan ratio (2007-2019)**



Source: Bank of Spain and authors' own elaboration.

In parallel with the deleveraging undertaken by households and companies, the banking sector has downsized: consolidated assets have gone from the equivalent of 332% of GDP in 2012 –in the midst of the sovereign debt crisis– to 212% in 2019.

The moderation in real estate prices is also obvious in the housing affordability indicators. Although this aspect requires looking at a broad spectrum of indicators (including the geographic location of the stock of housing and prices by region), the average wage requirement for buying a house has declined from 13.6 years in 2007 to 7.3 in 2019.

Spain's public debt burden must still be addressed. Following a surplus in 2007, the fiscal requirements generated by the crisis drove a wedge in the public finances, with the public deficit peaking at above 10% in 2012. Although considerable progress has been made on reining in the deficit, Spain's public debt is equivalent to 98% of GDP, according to the Bank of Spain (as of August, latest figure available). For the time being, that debt is being financed at a low cost, as the bond repurchases by the ECB and prevailing low interest rates in general have driven the yield on public debt down to 0.72% on average in 2019 (to October).

It is also worth highlighting that the unemployment rate, a leading indicator of credit quality, continues to come down in Spain, 13.92% by the third quarter of 2019. This is after having peaked at over 25% during the sovereign debt crisis in 2012 and 2013.

Barring the scant margin for fiscal stimuli as a result of the public debt burden, Spain appears to be headed for a soft landing as anticipated for the global economy, unrestrained by the key amplifying risk factors: credit and real estate.

Conclusion: A slowdown marked by fewer real estate and credit risks

This paper analyses the financial and real estate risk factors characteristic of the last two

> "Although considerable progress has been made on reining in the deficit, Spain's public debt is equivalent to 98% of GDP."

Table 2 **Selection of macroeconomic, financial and real estate indicators (2007-2019)**

	Weight of construction in GDP (%)	Consolidated debt of companies, households and NPISHs over GDP (/%)	Weight of bank assets over GDP (%)	Years' wages needed to buy a house	Public sector balance (%)	10Y govt. bond yield	Unemployment rate (%)
2007	10.51	193	274	13.6	1.89	4.31	8.57
2008	10.41	197	291	12.1	-4.57	4.37	13.79
2009	10.06	204	303	11.2	-11.28	3.97	18.66
2010	8.16	203	303	10.5	-9.53	4.25	20.11
2011	6.91	198	320	9.5	-9.74	5.43	22.56
2012	6.08	189	332	7.0	-10.74	5.85	25.77
2013	5.27	178	297	7.0	-7.04	4.56	25.73
2014	5.16	168	282	7.0	-5.92	2.72	23.70
2015	5.24	156	256	7.0	-5.18	1.74	20.90
2016	5.33	147	238	7.2	-4.31	1.38	18.63
2017	5.44	140	228	7.3	-3.02	1.55	16.55
2018	5.63	133	214	7.6	-2.54	1.42	14.45
2019 (a)	5.90	132	212	7.3	-2.14	0.72	13.92

(a) Latest figures available (annual average to October in the case of interest rates).

Sources: Bank of Spain, INE, Sociedad de Tasación and authors' own elaboration.

major crises in Spain compared to today. The main conclusions are:

- The anticipated economic slowdown is expected to be less pronounced in Spain than in the rest of the eurozone and is unlikely to be accompanied by exacerbating credit or real estate risks.

- The last two major crises in Spain (1977 and 2009) were marked by credit (private sector) and house price bubbles. The slowdown currently unfolding in Spain does not indicate the presence of similar risks. In fact, lending activity is stagnant, with growth, albeit scant, in just a few specific segments (SMEs, consumer loans). Additionally, the weight of the construction sector in GDP has been reduced and remains stable and real estate prices are increasing along a very moderate path.

- One of the main reasons for the reduction in financial risks since the last crisis is the considerable delveraging effort made by the household and corporate segments, whose borrowings have declined by 72 percentage points of GDP since 2010.

Overall, the Spanish economy is heading into a cyclical slowdown in which neither credit nor house price risks appear to represent potential sources of amplification. Nevertheless, the relationship between public and private debt and possible changes in borrowing costs as a result of a shift in monetary policy in the medium and long term probably remain the biggest challenges and sources of uncertainty for both Spain and the global economy.

Notes

[1] Note that the analysis contained in this paper cannot and does not purport to encompass the possibility of episodes of financial instability in the international arena in the coming months or years. There are well-documented risks, primarily associated with accumulation of debt and both its riskiness and sustainability, which need to be duly managed and monitored. However, they are not the direct subject of the analysis performed in this article.

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Momentum in bond placement by the Spanish private sector

Spanish private-sector bond issuance in 2019 has already surpassed 2018 levels, underpinned by low sovereign yields and credit spreads. Especially noteworthy are the profiles of these bond issues, which have longer maturities and include new products, such as CoCos, green, social and sustainable bonds.

José Manuel Amor, Salvador Jiménez, Irene Peña and Javier Pino

Abstract: After muted activity in 2018, this year has seen intense growth in private fixed-income issuance by Spanish issuers. Specifically, bond issuance by the Spanish private sector during the first 10 months of 2019 is 23% higher year-on-year and already above the volume issued in all of 2018. This can be attributed to several factors, including the collapse in sovereign yields and the persistence of record-low credit spreads. The banking sector is spearheading the growth in issuance and a shift in the types of debt instruments issued. Non-financial corporate debt issuance is growing at a slower pace, albeit faster than in 2018, in an environment that continues to be shaped by

diversification of sources of financing, interest rate refinancing and term lengthening. Particularly noteworthy is the expansion of foreign bond issuance among this segment and the fact that almost all bonds issued this year had maturities of at least 5 years. Lastly, data show the gradual maturing of the fixed-income market for medium-sized enterprises (known as MARF) and sharp growth in the issuance of green, social and sustainable bonds, segments in which the Spanish issuers are emerging as global pioneers.

Strong momentum in Spanish private fixed-income issuance in 2019

The primary fixed-income market for private sector issuers (plain bonds issued by non-financial corporates and banks) [1] in Spain is exhibiting strong momentum in 2019, compared with low issuance volumes throughout 2018. Last year's market weakness was attributable to several factors. The first relates to intense issuance volumes in prior years. This was due to strong investor demand in an environment of growing liquidity and the corporate sector's desire to diversify its sources of financing. Second, heightened uncertainty, prompted by the onset of the trade war between the US and China, the populist coalition government formed in Italy and the Brexit negotiations between the UK and the European Union brought the primary market to a virtual standstill in the last quarter of 2018.

The Spanish debt capital market has benefitted this year from intense easing of financial conditions in the eurozone. This is due to a sharp change in policy direction towards additional monetary accommodation by the European Central Bank (ECB) relative to its message the year before. In the secondary market, the yields demanded in the corporate and bank segments have narrowed substantially, which is attributable to the collapse in sovereign bond yields, as well as a sharp drop in credit risk spreads.

Spain's corporate and financial issuers have taken advantage of these circumstances to finance themselves on very favourable terms (pricing and maturities) in the capital markets. Looking at the data to September, the volume of long-term bonds issued by the private sector in Spain was above the nine-month averages for the last four years. In October, issuance activity slowed slightly, as a result of some volatility in credit spreads. While on a smaller scale, there are parallels with the standstill observed during the summer, intensified this year by a reduction in investor appetite in the face of escalation of the trade war between the US and China and signs of growing weakness in the European economy. However, in the first 10 months of 2019, bond issuance in the private sector in Spain (54.9 billion euros) is 23% higher year-on-year and is already above the volume issued in all of 2018 (Exhibit 1).

Issuance in the financial sector, mainly by banks, is dominating the private primary market in 2019 (Exhibit 2), accounting for 70% of total issuance volumes. That in turn reflects the banks' high financing requirements (particularly the need to issue liabilities with loss-absorbing capacity), as well as the still-low weight of wholesale market funding in Spain's corporate sector, which remains highly dependent on bank loans. Indeed, despite having increased in recent years, the number of companies with the ability to raise financing through the debt capital markets is small in comparison with the other major eurozone economies.

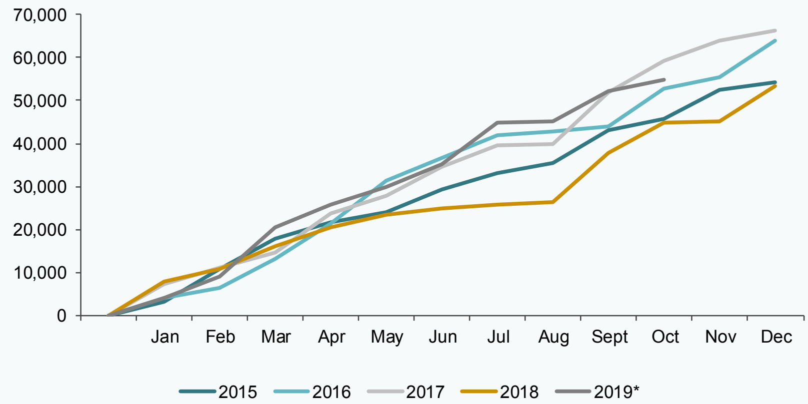
Spanish banks have issued over 38 billion euros of bonds in the first 10 months of the year, compared to a little under 31 billion euros in the same period of 2018, translating into year-on-year growth of 24%. Beyond the

> "In the first 10 months of 2019, bond issuance in the private sector in Spain reached 54.9 billion euros, above the volume seen for all of 2018."

Exhibit 1

Balance of long-term bonds issued by private-sector issuers in Spain in EUR

Millions of euros

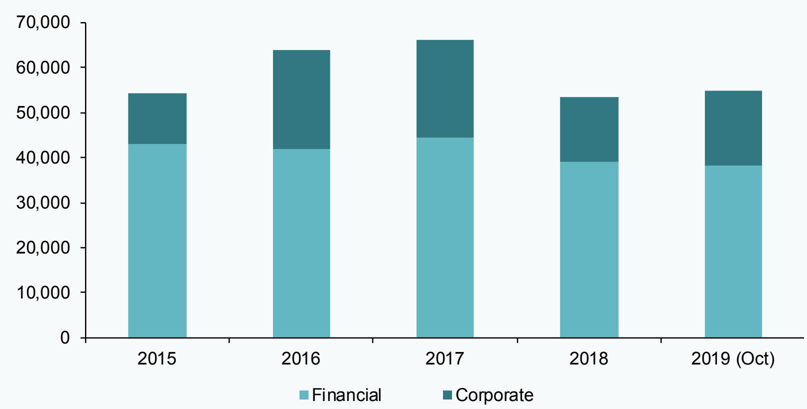


*Data through October.
Source: Afi, Bloomberg.

Exhibit 2

Breakdown of long-term bonds issued in Spain in EUR by financial *vs.* non-financial corporate sectors

Millions of euros



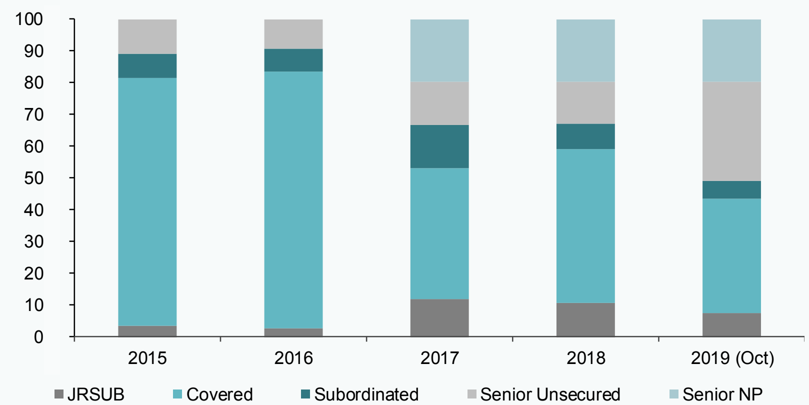
Source: Afi, Bloomberg.

incentive of record-low financing costs, the main reason for the sharp increase in the banks' use of the primary fixed-income markets is a shortfall of organic capital generation vis-à-vis their capital and total loss-absorbing capacity requirements. Those requirements are similarly responsible for the shift in the issuance mix by banks in recent years. In 2015, covered bonds accounted for nearly 80% of total funds raised in the primary market, whereas so far in 2019, that segment represents a scant 36% of total issuance (total

> "In 2015, covered bonds accounted for nearly 80% of total funds raised in the primary market, whereas so far in 2019, that segment represents a scant 36% of total issuance."

Exhibit 3 **Breakdown of long-term bond issues by Spanish banks by type**

% of total



Source: Afi, Bloomberg.

issuance volumes have also fallen). Contingent convertible bonds, known as CoCos, have also lost significance. Their share of total issuance volumes has declined from 11.7% in 2017 to 7.4% so far in 2019. That downtrend reflects the fact that Spanish banks were the entities with the highest asset volumes, which meant they faced the most pressing need to issue this type of security in order to quickly meet the regulators' demands. In recent quarters, we have seen smaller-sized entities tapping the capital markets for assets of this kind, resulting in smaller issuance volumes. It is also worth highlighting the role played by another class of fixed-income securities with the capacity to absorb losses, namely senior non-preferred debt. These bonds rank senior to subordinated bonds but junior to senior unsecured bonds (also known as senior preferred). Since 2017, the first year in which Spanish banks began to issue this type of security, senior non-preferred debt has accounted for 20% of all wholesale funding issued by the banking sector each year.

The negative impact of uncertainty on non-financial corporates last summer

Bond issuance by non-financial corporates is also running 19% higher measured year-on-year (16.5 billion euros *versus* 13.9 billion euros in 10M18). Until the summer months, the pace of new issuance was even stronger, nearing levels seen in 2016, a year of record issuance, in parallel with the increase in debt repurchases by the ECB to a monthly figure of 80 billion euros (Exhibit 4). The slump in issuance observed in July, and more intensely in August, is a result of the markets' increased risk aversion, which dampened

> “The volume of non-financial corporate bonds placed so far this year is 9% lower than in the same period of 2017 and almost 15% lower than in the first 10 months of 2016.”

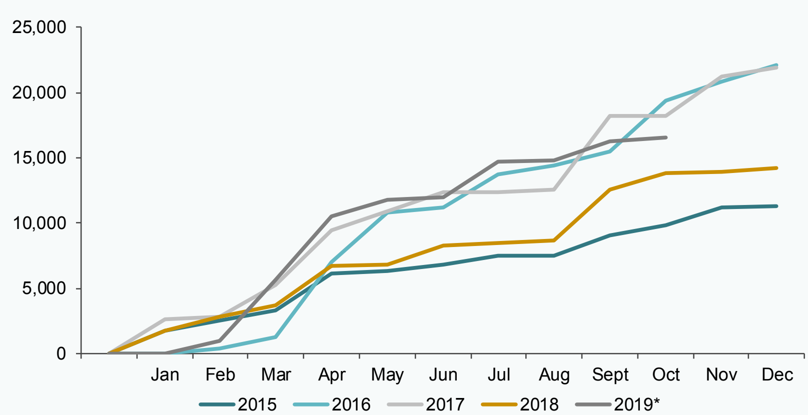
corporate bond investors' risk appetite (along with appetite for other asset classes such as equities). This has meant that despite renewed momentum in September and October, the volume of bonds placed so far this year is 9% lower than in the same period of 2017 and almost 15% lower than in the first 10 months of 2016.

It is still uncertain whether a strong enough recovery in the last couple of months of the year will support total issuance volumes similar to those of 2016 and 2017. Such a recovery may be buoyed by new repurchases by the ECB (at a monthly pace of 20 billion euros, nearly 3 billion euros of which is expected to correspond to the Corporate Sector Purchase Programme (CSPP)), as well as an improvement in market sentiment as a result of the reduced probability of a no-deal Brexit, progress on trade talks between the US and China, and some signs of stabilisation in the global economy.

The intensity of investor demand is a key aspect underpinning the strong momentum observed in the primary market for bond issues by non-financial corporates in 2019. Exhibit 5 shows how, on a recurring basis throughout the year, most of the offers have been placed at a final cost (reoffer yield) substantially lower than the initial price guidance provided during the placement process. That intensity of demand has translated to the secondary market, where the spreads on most issues have tightened relative to the yields at which they were placed.

Exhibit 4 **Balance of long-term bonds issued by Spanish non-financial corporates in EUR**

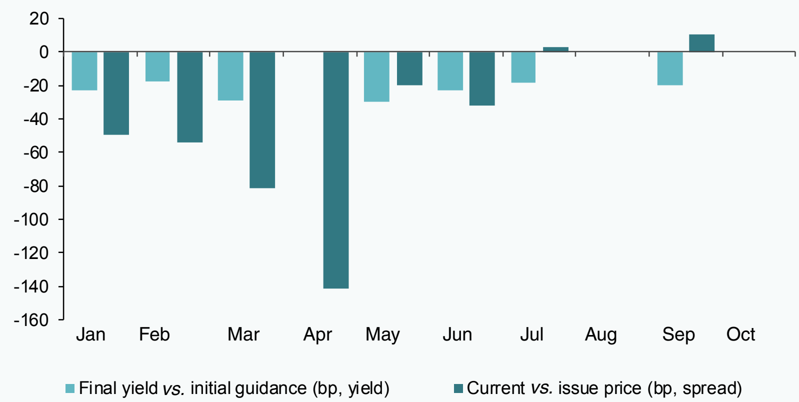
Millions of euros



**Data through October.*
Source: Afi, Bloomberg.

Exhibit 5

Bonds issued by Spanish corporates: Issue launch parameters and performance on the secondary market

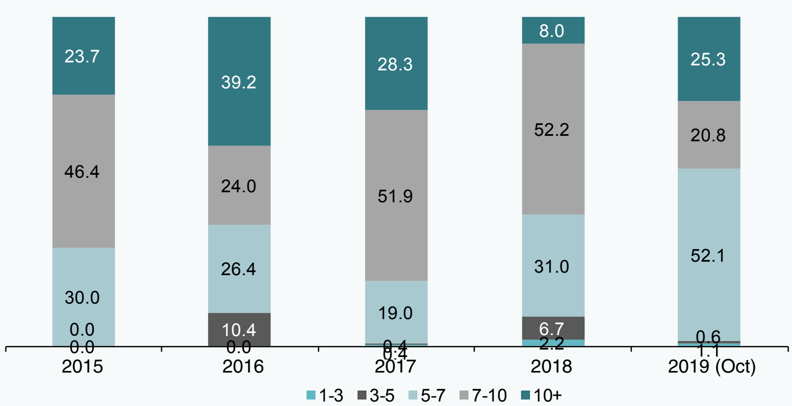


Source: Afi, Bloomberg.

Exhibit 6

Breakdown of long-term corporate bond issues by maturity

% of total



Source: Afi, Bloomberg.

Looking at issuance volume by maturity, nearly all non-financial corporate bonds issued in 2019 have been placed at a term of five years or longer, with over 25% of the total placed at more than 10 years (Exhibit 6). That is a direct consequence of sovereign yields at record lows and flattening of sovereign yield curves. As well, strong investor appetite for credit risk

> “Between 2013 and October 2019, the MARF has channelled 2.67 billion euros of bonds, notes and commercial paper for an aggregate outstanding balance of 12.23 billion euros.”

has compressed the credit risk premium right along the curve. Credit spread curves have also flattened, prompting corporate issuers to seek longer-term financing.

Lastly, another important factor is the issuance structure (or market) chosen by Spanish corporates for their bond placements. Exhibit 7 shows how the strong growth in issuance activity since 2016 has increasingly taken the form of foreign bond placements (those placed in currencies other than the euro and in that currency's domestic market) and global bonds, the latter primarily by the major Spanish multinationals and generally in US dollars. Although the bulk of issuance remains eurobonds and domestic bonds mainly issued in euros, the market and currency diversification trends are noteworthy.

MARF, Spain's alternative corporate bond market, gains traction

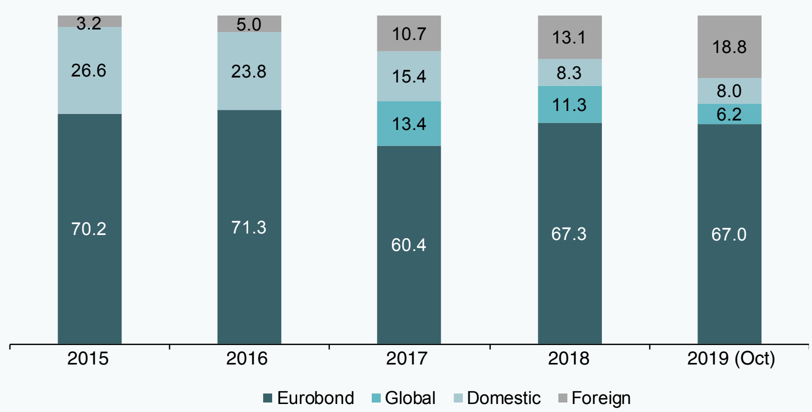
Spain's large-cap companies are not the only active issuers at present. Medium-cap enterprises have also been able to tap the extraordinary market conditions to improve their capital structures in recent years. Most of the issues by companies in this size segment, in contrast to the norm for the larger issues, have been traded in Spain on the Alternative Fixed-Income Market known as the MARF. This was established in 2013 with the goal of providing Spanish corporates with a more agile and flexible issuance environment.

Between 2013 and October 2019, the MARF has channelled 2.67 billion euros of bonds, notes and commercial paper for an aggregate outstanding balance of 12.23 billion euros.

Exhibit 7

Breakdown of long-term corporate bond issues by market of issuance

% of total



Source: Afi, Bloomberg.

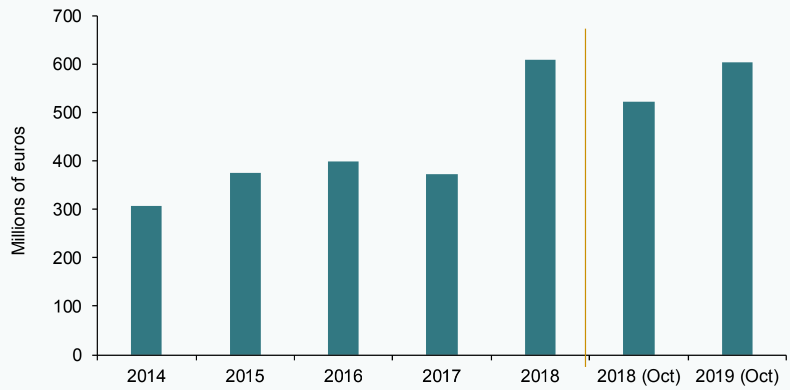
Even more noteworthy than the issuance volumes is the number of issuers, which include 78 new names, issuers which until the creation of this market had not participated in the fixed-income capital markets.

This market has displayed consistent growth momentum and an ability to draw new companies and types of securities. The factors driving this momentum include better knowledge on the part of management teams of the benefits of diversifying their sources of financing as well as the increased appetite for these products among the institutional investor community, mainly the Spanish segment.

As for the characteristics of the issues, most of the bonds issued (46%) cover terms of over five years, while 30% are issued at maturities of up to 10 years and 23% longer than 10 years

Exhibit 8

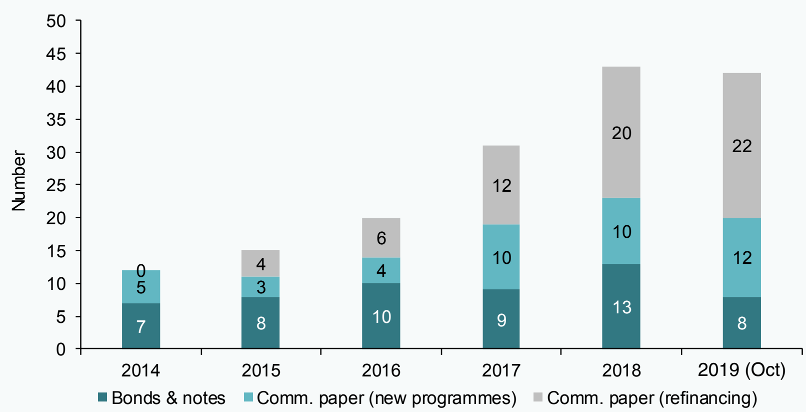
Annual issuance volumes of bonds and notes on MARF



Source: Afi, BME.

Exhibit 9

No. of issues and commercial paper programmes registered annually on MARF



Source: Afi, BME.

> "Spanish issuers consistently rank in the global top 10 for primary market issuance of green, social and sustainable bonds."

(this longer-dated paper tends to be associated with the financing of infrastructure or energy projects). By type of instrument, the MARF has admitted bonds and notes with an average issue size of 34 million euros, project financing bonds with an average size of 62 million euros and commercial paper programmes with an average maximum outstanding balance of 113 million euros to trading. The financial institutions also list secured and subordinated debt securities for capital purposes.

One last aspect of note with respect to the trend in issuance volumes on the MARF is the growing breadth in the use of proceeds. Although growth funding has always been an objective, in the first few years after its creation, the approach was more conservative, with issuers tending to refinance existing debt, particularly bank debt, in order to switch to longer-dated bonds. In recent years, however, the bonds are increasingly being placed to finance new investment projects. The growing openness can be attributed to the MARF's rising prestige among issuers, combined with higher investor confidence in the projects they bring to the market.

Spanish corporates: Meaningful players in the green, social and sustainable bond market

Green, social and sustainable bonds are those whose proceeds are used exclusively to finance environmental and/or social projects. Worldwide, the outstanding balance of these bonds accounts for a scant 700 billion dollars, compared to an overall global bond market of 92 trillion dollars. Nevertheless, this segment has been registering exponential growth in recent years and is expected to increase in importance. A growing number of investors are factoring socially responsible investment criteria into their portfolio allocation decisions, while climate change related priorities are increasingly gaining the attention of both companies and governments.

Spanish issuers are playing a prominent role in this market, consistently ranking in the global top 10 in terms of primary market issuance. That performance is all the more striking considering the fact that Spain's biggest issuer, the Public Treasury, has yet to issue bonds of this nature, in contrast to some of its peers in other European economies, such as Poland, France, Belgium, Ireland and the Netherlands. That said, it is expected to do so in 2020.

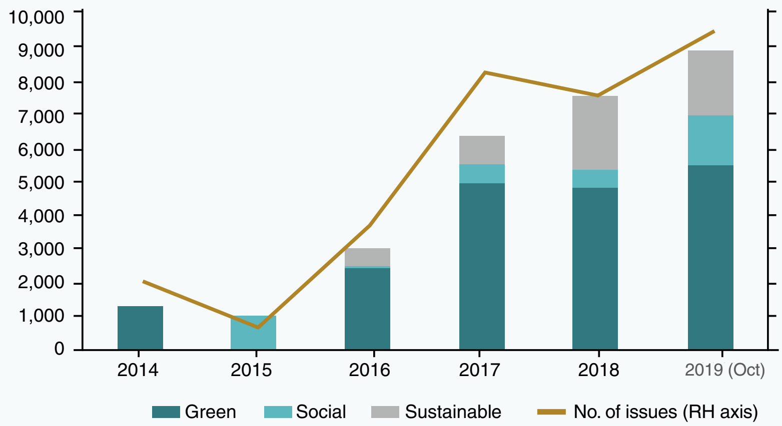
Exhibit 10 illustrates the gradual growth in issuance volumes and number of issuers since 2015. In 2019 (to October), 12 different issuers have issued nearly 9 billion euros of these bonds via 15 different placements. The average issue size has risen to 600 million euros.

A unique characteristic of the Spanish market is the relative importance of social and sustainable bonds compared to green bonds. Since 2018, the former have accounted for over 35% of the total, compared to levels of just over 15% in Europe. That trend reflects the fact that some of the most important issuers in this market in Spain are the regional governments and the state credit

> "Social and sustainable bonds account for 35% of total green, social and sustainable bond issuance in Spain compared to 15% in Europe."

Exhibit 10

Green, social and sustainable bond issuance volumes (millions of euros) and no. of issues by Spanish issuers



Source: Afi, Bloomberg.

institution, the ICO, agents whose activity is fundamentally social.

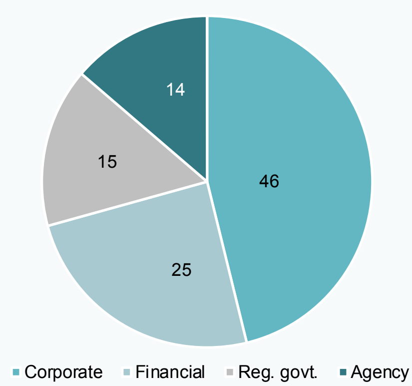
Exhibit 11 also reveals the greater significance of the corporate sector relative to the banks, despite the latter's larger presence in the overall bond market in Spain. This dynamic can be attributed to a large non-financial corporate in the energy sector, which has become a leader in green bond fund-raising, having issued nearly 10 billion euros of green bonds.

Entities are not limiting their issuance to just senior unsecured debt. One of Spain's

Exhibit 11

Breakdown of green, social, and sustainable bond issuance, 2014-2019*

Percentage



** To October 2019.*

Source: Afi, Bloomberg.

largest banks, for example, has issued several senior non-preferred bonds and one of its largest energy companies has been issuing subordinated green bonds every year since 2017.

That tells us that it is a market whose diversity, in terms of issuer and issue type, is set to increase, along with its importance within the fixed-income universe. Some of the factors expected to underpin that growth include increasing involvement by the central banks in trying to actively foster this type of financing and a growing number of investment funds that factor environmental, social and governance (ESG) criteria into their investment decision-making.

Conclusion

A series of factors are expected to fuel continued strong momentum in the primary bond markets for Spanish banks and corporates: (i) ultra-low rates that are highly likely to remain low for a protracted period of time; (ii) ample liquidity, which has an associated cost in the current negative rate climate, nudging investors to assume greater credit risk; (iii) the banks' need to continue to meet their regulatory capital requirements (liabilities with loss-absorbing capacity); (iv) a slow but steady shift from bank to capital markets financing, ushering in new issuers; and, (v) new financing instruments, such as sustainable alternatives, which could prompt certain issuers to finance their eligible projects using green, social and/or sustainable bonds rather than bank credit. Nevertheless, for such momentum to occur, it will be necessary to dispel existing uncertainty and doubts over the cyclical outlook. The expectations of future support from those European governments that have fiscal space could help counter these doubts at a time when monetary policy is showing clear signs of having run its course.

Notes

[1] Securitisations are not analysed in this paper.

José Manuel Amor, Salvador Jiménez, Irene Peña and Javier Pino. A.F.I. - Analistas Financieros Internacionales S.A.

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CoCos (AT1) *versus* capital (CET1) at Spanish and European banks

CoCos have proven to be popular instruments among banks to raise tier 1 capital and for investors in search of yields. However, the dichotomous structure of CoCos leaves investors exposed to either reap considerable benefits or potentially suffer significant losses, with coupon values highly dependent on the issuer's financial health.

Ángel Berges, Alfonso Pelayo and Javier Pino

Abstract: Contingent convertible bonds (CoCos) have emerged as one of the most popular instruments for recapitalisation in the European banking sector. In Spain alone, the 22 billion euros of CoCos issued over the last five years account for around 60% of Spanish banks' capital-raising efforts. From the banks' perspective, CoCos are an attractive funding instrument given their tier 1 status. For investors, these bonds' appeal is undoubtedly driven by the fact that they have substantially outperformed issuers' ordinary shares. That said, CoCos stand out for their dichotomous nature, underpinned by the two financial options they provide for issuers —prepayment and conversion.

> "In the first quarter of 2019, CoCo issuance totalled 104 billion euros in the Euro Area, nearly a third of total owned funds."

These options offer a distinctly asymmetric performance for investors depending on the issuer's financial health. Under normal conditions, the bonds generate attractive returns for investors; however, in the event of recapitalisation, CoCo buyers stand to lose their entire investment. In analysing the main factors behind a CoCo's coupon value, it was determined that this value is correlated to measures of financial health, such as Tier 1 capital adequacy (CET1), risk profiles (RWA/TA) and banks' price-to-book values (PBV), with the combination of the latter two variables increasing in statistical significance.

The role of CoCos in European and Spanish bank recapitalisation

In the wake of the financial crisis, European banks have felt the pressure to shore up capital. It is in this context that contingent convertible bonds (popularly known as CoCos) have emerged as a core bank recapitalisation instrument at both the European level and in Spain, where banks are among the most active issuers of this class of security.

The main reason is that CoCos qualify as one of the highest calibres of capital —Additional Tier 1 or AT1— for regulatory purposes, due to their status as perpetual instruments. Furthermore, CoCos can be converted into shares if the level of top tier capital —Common Equity Tier 1 or CET1— falls below a pre-defined threshold. This gives CoCos full loss-absorbing capacity, the requirement for qualifying as tier 1 capital.

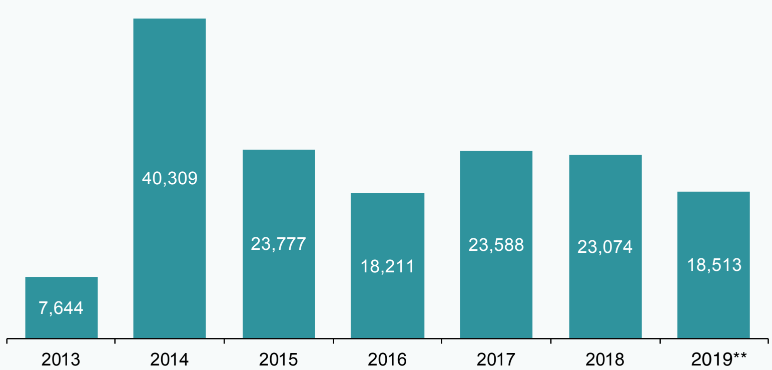
European banks began issuing CoCos in 2013, following publication of Regulation EU 575/2013 (the CRR) and the Bank Recovery and Resolution Directive (BRRD), with the aim of reinforcing their capital ratios.

Since then, CoCos have emerged as one of the instruments most widely used by banks for recapitalisation purposes. By the first

Exhibit 1

CoCos issued by the main European banks*

Volume in € m

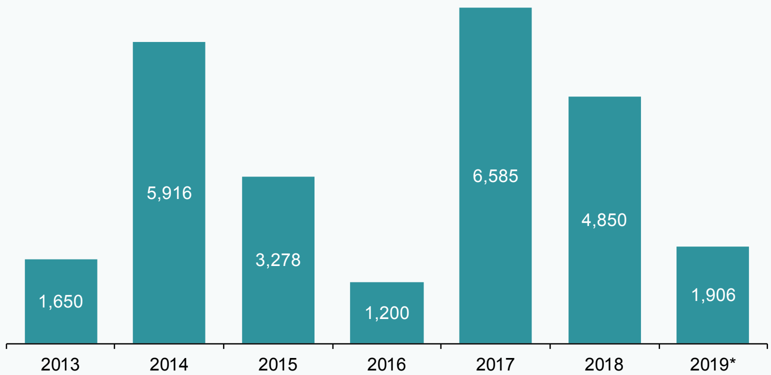


**Including UK.*

*Source: Afi, Reuters (**latest figure available: 3Q19).*

Exhibit 2 **CoCos issued by the main Spanish banks**

Volume in € m



*Source: Afi, Reuters (*latest figure available: 3Q19).*

quarter of 2019, Euro Area CoCo issuance totalled 104 billion euros, nearly a third of total owned funds. This share rises to above 50% if other subordinate instruments (Tier 2) are considered. Notably, the 22 billion euros of CoCos issued in Spain over the last five years, from 2014 to 2018, account for around 60% of Spanish banks' capital-raising effort.

It is noteworthy, however, that CoCos have lost some significance as a percentage of total issuance compared to earlier years, as many of the Spanish banks have already issued large volumes of these types of securities to meet regulatory demands early on. Nevertheless, given the significance of CoCos for capital-raising efforts by Spanish and European banks, as well as their role as a new, complementary asset class for investors, we have analysed the main characteristics of these instruments as distinct from shares and their relative performance from the investor standpoint.

Financial nature of CoCos: The epitome of asymmetry

In explaining the financial nature of a contingent convertible bonds as distinct from an ordinary share, it is important to note that from the investor perspective, this class of security is equivalent to a perpetual bond that pays a very high coupon. In exchange, the investor grants the issuer two starkly different options.

The first option is a prepayment option (call option), usually at par, during any of the annual windows the bank has from year five after the bonds are issued. The issuer exercises that call option depending on market conditions. Banks typically only prepay the bonds if they are able to place a new issue on the market for better terms than were secured when issuing the original CoCos. That option implies a market risk for the investor which includes generic factors (interest rates, market sentiment, *etc.*) as well as other considerations specific to the issuer (risk premiums).

The second option is converting the bond into shares in the event that its tier 1 capital (CET1) falls below a certain threshold or 'trigger' that could put the entity on a path towards resolution. That second option (a put option bought by the issuer) implies an unambiguous 'tail risk' for the investor with a low probability of materialisation but highly adverse implications. In such an event, the CoCo holder would probably lose his entire investment.

> "Under normal circumstances, CoCos will generate a very high return (6% or 7%), albeit for a period of time that is uncertain due to the potential call."

It is therefore clear that CoCos are an extraordinarily asymmetric security in terms of their investor return scenarios. Under normal circumstances, they will generate a very high return (6% or 7%), albeit for a period of time that is uncertain due to the potential call. This gives the issuer the option of prepaying it, and the possible triggering of the limit on coupon payments (the so-called maximum distribution amount or MDA).

Above all, CoCos entail a marginal risk whereby virtually the entire investment is lost in the event that the resolution-related conversion is triggered. That residual risk is entity-specific, related to the issuer's proximity to the event that triggers conversion.

This stark asymmetry (high coupon under normal circumstances *vs.* loss of nearly all capital under more adverse circumstances), coupled with the complexity implicit in the security's accompanying options, is the reason why CoCos are considered a sophisticated product and not appropriate for retail investors.

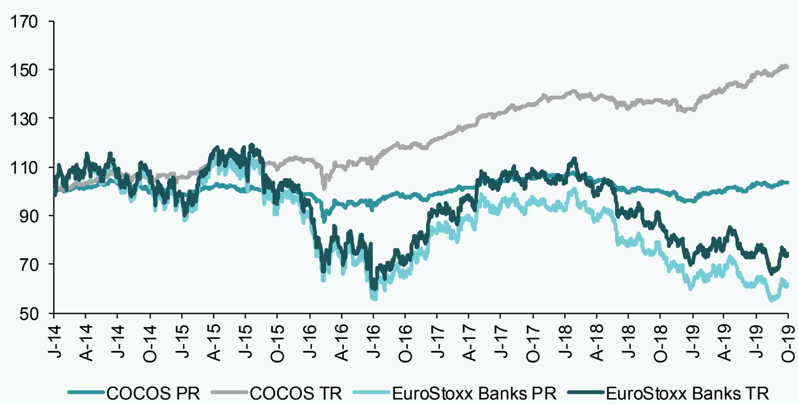
Past performance: CoCos *versus* ordinary shares

CoCos have played a significant role in the recapitalisation of Spanish banks during the last five years. As a result, they have become an attractive alternative to ordinary shares for both issuing banks and the institutional investor community, the only investors qualified to invest in CoCos. It is this expanding role that has prompted analysis of the relative performance of CoCos and other equity instruments in different markets.

Exhibit 3 illustrates these securities' performance since the start of 2014 (which is when CoCo issuance began on a widespread basis), analysing the CoCos' price and coupon and ordinary shares' dividends separately. Exhibit 4 complements that analysis by

Exhibit 3

Trend in total return and price return: European CoCo index *vs.* Euro Stoxx bank index

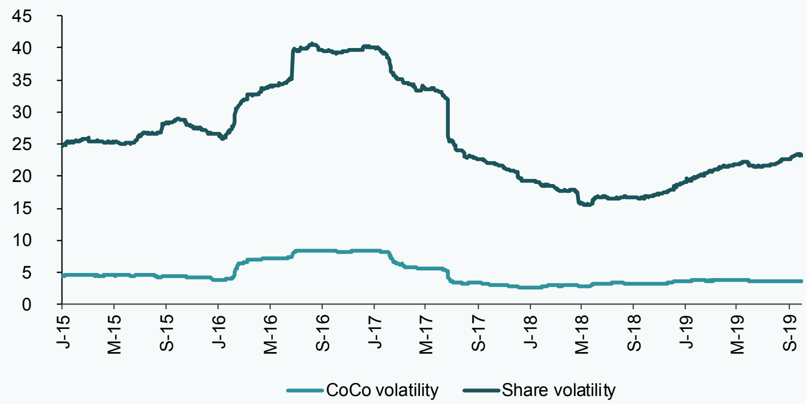


Sources: Afi, ICE, Bloomberg.

Exhibit 4

Volatility in European bank stocks *versus* CoCos

Percentage



Sources: Afi, ICE, Bloomberg.

depicting the trend in the price volatility of the two instruments over the same time horizon.

The exhibit show a correlation (0.5) between the CoCo and share price index, albeit with far lower volatility (around one-quarter) in the case of the CoCos. This means that during market rallies, the banks' shares outperform their CoCos, but during corrections, CoCo prices fall by far less than the corresponding share prices. Overall, for the period analysed, which has been dominated by bear markets, the share price index has corrected by 40%, while the CoCo price index has gained 3.5%.

However, the main performance differential in favour of the CoCos becomes apparent when we layer in the coupon/dividend feature, as shown on the total return exhibit. In the case of the shares, the dividend component contributed a return of just 10 percentage points to the accumulated return during the five-year period analysed. Conversely, CoCos' coupons contributed nearly 50 percentage points. In terms of total return, the European banks' CoCo index has significantly outperformed the corresponding stock index (+50% *vs*. -25%) during the five-year period. This is because under adverse trading conditions, they endured much smaller price losses while continuing to accrue a high coupon.

Given the importance of CoCos' coupons from an investor standpoint, we conducted an across-the-board analysis for a broad sample of European banks (including Spanish institutions), in an attempt to pinpoint which factors determine the different coupons the market demands from one issuer to the next. As we noted in the previous section, the CoCo accrues a high coupon in exchange for the

"In terms of total return, the European banks' CoCo index has significantly outperformed the corresponding stock index (+50% *vs*. -25%)."

> CoCos' effective yield is inversely correlated to the issuing banks' CET1 ratios, however, the correlation has little explanatory power.

risk assumed by the investor in giving the issuer the two options: the prepayment call and conversion into shares in the event of resolution. Thus, the coupon payable by the various issuers should bear a relationship with the relative 'distance to resolution'.

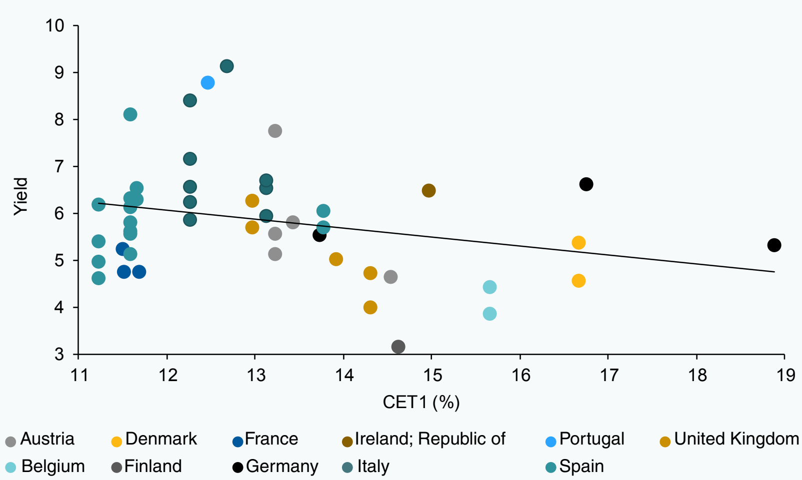
As this 'distance to resolution' concept is not directly observable, we have used three proxy indicators we believe could indicate the distance from such an event and therefore explain the different coupons carried by the CoCos issued to date by European banks.

The first and most obvious proxy is Tier 1 capital adequacy (CET1), as it is a shortfall or dip below a certain minimum threshold of CET1 that triggers conversion and potentially leads to resolution. Exhibit 5 illustrates how the effective yield (nominal coupon, adjusted for the market price) on the various CoCos issued is inversely correlated to the issuing banks' CET1 ratios. This means banks with less of a CET1 buffer are obliged to pay a higher coupon for their CoCos. However, the correlation holds little explanatory power, prompting us to look at other variables.

The second proxy relates to the extent of the issuing bank's risks, understood as the ratio of risk-weighted assets over total assets (RWA/TA). As shown in Exhibit 6 for the sample of European banks analysed, the effective yield demanded by investors on CoCos is positively and significantly correlated with RWA.

The last proxy for the distance to resolution is a market variable —the ratio of market to book value (PBV)— for each of the banks analysed. The rationale for using that proxy is as follows: when valuing the banks' assets in relation to their book value, the market may be sending a 'signal' regarding those assets' intrinsic value and a possible shortfall of own funds in accounting terms. Exhibit 7 illustrates

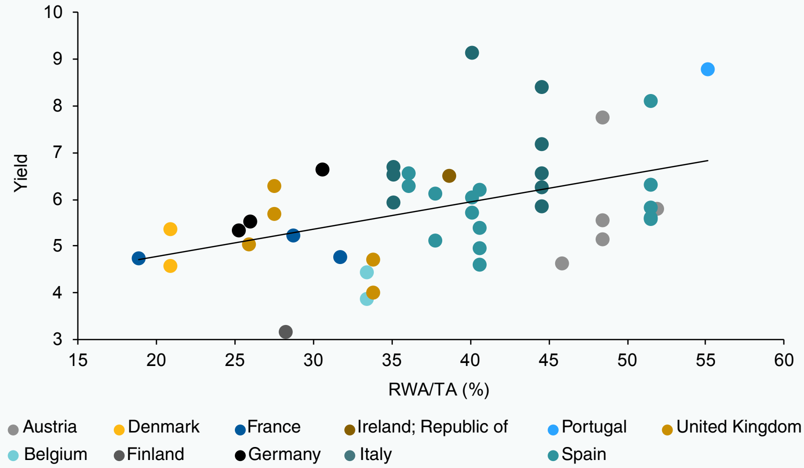
Exhibit 5 **Yield on CoCos *vs.* CET1**



Source: Afi, Reuters.

Exhibit 6

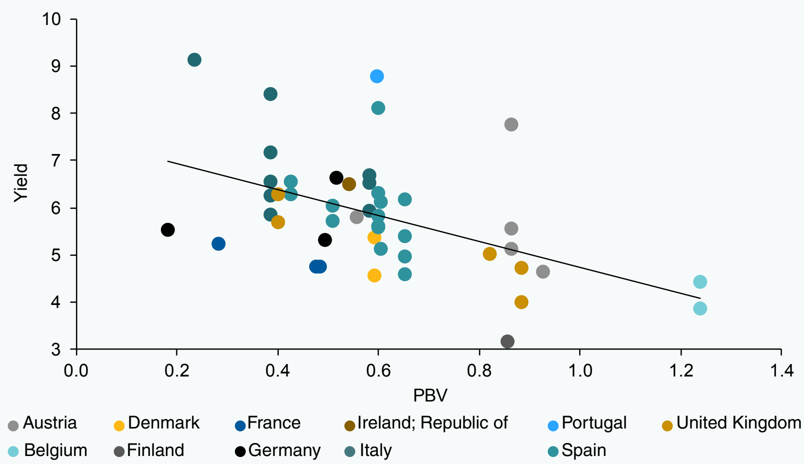
Yield on CoCos *vs.* RWA/TA



Source: Afi, Reuters.

Exhibit 7

Yield on CoCos *vs.* PBV



Source: Afi, Reuters.

the clear and significant inverse correlation between the effective yield on CoCos and their PBV ratios.

Lastly, to take an umbrella approach to explaining the difference in yields on the various CoCos issued, we conducted a multiple regression analysis with the three variables used as proxies for distance to resolution. In that analysis, the CET1 proxy ceases to be statistically significant, while the statistical significance of the other two proxies considered together increases. We excluded CET1 from the analysis, which yielded an explanatory power of 48% for the variation in yields among the issuers.

> "It is precisely that 'tail risk' that makes it advisable to channel investment in CoCos through vehicles (funds) whose investments are broadly diversified across a large number of issuers."

Table 1 **Multiple regression analysis: CoCo yields *vs.* PBV and RWA/TA**

	Coeficients	t statistic	Probability
Intercept	5.16	7.96	0.00
PBV	-2.94	-4.85	0.00
RWA/AT	0.06	4.45	0.00
R^2 coeficient	48%		

Source: Afi, Reuters.

Conclusion

The analysis performed highlights the significance of CoCos for both issuer banks and institutional investors, the only investors qualified to buy these complex securities.

For European banks, and especially Spanish banks, CoCos have emerged as the prime instrument for reinforcing their capital since CoCos were awarded AT1 status.

From the investor standpoint, CoCos have clearly outperformed banks' stocks. They present markedly lower volatility (less than one quarter), so that their price performance is much smoother during periods of stock market volatility. Additionally, the high coupon they accrue on a recurring basis gives investors' a 'buffer' (self-insurance) vis à vis the extreme scenario (resolution) in which they could stand to see their entire investment wiped out.

It is precisely that 'tail risk' that makes it advisable to channel investment in CoCos through vehicles (funds) whose investments are broadly diversified across a large number of issuers.

That being said, and framed by that diversification disclaimer, analysis shows that for a broad sample of European banks which have issued CoCos, the yield paid by each is correlated with different measures of their 'financial health', including their Tier 1 capital adequacy (CET1), risk profiles (RWA/TA) and their price-to-book values (PBV).

Ángel Berges, Alfonso Pelayo and Javier Pino. A.F.I. - Analistas Financieros Internacionales S.A.

Spanish banks: Benefits of international exposure and geographic diversification

Spanish banks' increased exposure to foreign markets has helped them offset the pain associated with the recent financial crisis and downward trajectory of eurozone interest rates. Going forward, significant progress on the EU's Banking Union will be needed to support diversification within the eurozone.

Joaquín Maudos

Abstract: The profitability of geographically-diversified Spanish banking groups is 43% higher than that of their domestic business, evidencing the advantages of an international strategy. The key factor explaining the profitability premium is the high net interest margin earned by Spanish banks' subsidiaries in third country places of business. This feature has become all the more impactful given the decline in eurozone interest rates. For example, consolidated groups' net interest margin is more than twice (2.01%) that of the Spanish banking business (0.93%). While

the level of international expansion of the Spanish banking system is high relative to that of many other systems (overseas investments accounted for 44% of the total), their geographic diversification is lower by comparison with the major European economies and the US. Notably, there are some ad-hoc risks to consider in countries where Spanish banks are active, such as Turkey and Argentina. Nevertheless, analysis shows that diversification has mitigated banks' overall risk exposure. However, the benefits associated with diversification will remain limited within the eurozone until the EU completes its Banking Union. [1]

Introduction

The still-recent crisis experienced by the Spanish banks has evidenced the benefits of international expansion and geographic business diversification. The banks that committed strategically to international operations weathered the crisis better than their domestic peers. Specifically, stronger performances in higher-margin overseas banking markets has enabled them to offset the issues faced in their home-market businesses. This is reflected in the higher profitability of consolidated groups (a measure which includes their foreign businesses) relative to that of individual banks (which measures the profitability of the domestic banks).The return on equity (ROE) achieved by Spanish banks in 2018 —5.7%— rises by 2.5 percentage points when the Spanish banks' overseas business operations are considered. This result confirms that diversification mitigates risk and that Spanish banks as a whole are more profitable than the domestic Spanish banking business alone.

With this in mind, the goal of this paper is to analyse the advantages international expansion and geographic diversification have brought the Spanish banking sector. To do so, we first compare the Spanish banks' international exposure and coverage with that of a broad sample of countries for which there is information available. Secondly, we highlight the advantages associated with international expansion by looking at several financial parameters for consolidated groups compared to those of the individual entities. The paper concludes with a section outlining the key takeaways from the Spanish banks' experience with international expansion.

Banking business: International exposure

As shown in Exhibit 1, using Bank of International Settlements (BIS) data as of year-end 2018, the Spanish banking sector's international exposure is relatively high. Overseas investments account for 44% of the investments total, which is above the levels observed for the other major European economies: 27% in Germany; 26% in Italy; and 36% in France. The US banks present lower international exposure (somewhat logical given the size and profitability of their home market): exposure to third countries accounts for 23% of sector assets, just over half of the Spanish level. On the other hand, the British banking sector boasts greater international exposure, at 48% of total assets, 4 percentage points above the Spanish level. Of the countries for which the BIS provides information, the level of international exposure varies widely from a low of 4% in Turkey to a high of 64% in Finland. Taiwanese banks do not present significant international exposure: overseas assets represent just 21% of their total investments.

"The return on equity (ROE) achieved by Spanish banks in 2018 —5.7%— rises by 2.5 percentage points when the Spanish banks' overseas business operations are considered."

Exhibit 1

International exposure by banking sector: Weight of foreign investments relative to total assets (consolidated data). 2018

Percentage

Source: BIS.

Geographic business diversification

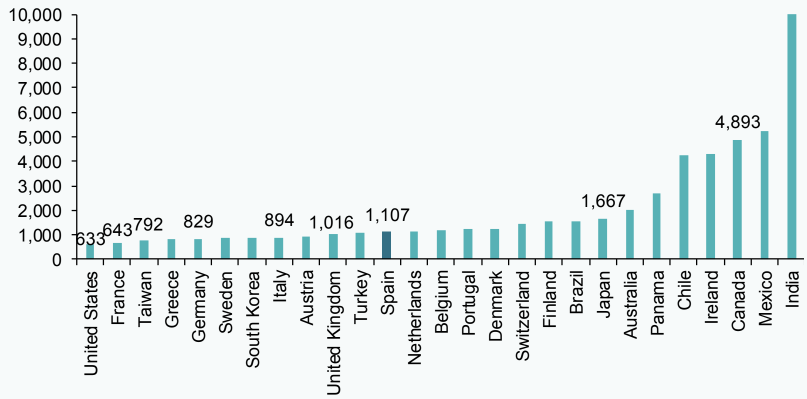
The level of geographic diversification of Spanish banks' international footprint is small in relation to the US and other European economies such as Germany, Italy, France, and the UK. However, it is greater than that of Japan or Canada (Exhibit 2). Here, it is useful to consider the Herfindahl index, which is calculated by squaring the market shares in each country and ranges between 0 and 10,000, the latter indicating a situation in which 100% of assets are concentrated in a single country. Used as our proxy for concentration, the opposite of diversification, the reading produced for Spain is 1,107, compared to readings of 633 for the US, 643 for France, 829 for Germany, 894 for Italy and 1,016 for the UK. Note that the top 10 destinations for investments by the Spanish banks account for 82.3% of the total, compared to 64.2% in the US, 66.5% in Germany, 70.9% in Italy, 68.6% in France and 71.6% in the UK.

As shown in Exhibit 3, three countries account for nearly half of Spanish banks' international business (the UK, US and Brazil), with five representing nearly two-thirds (adding in Mexico and Portugal). The breakdown of the Spanish banking sector's exposure to these countries is as follows: 24.3%, UK; 14.5%, US; 9.4%, Brazil; 9.2%, Mexico; and 6.5%, Portugal. Additional jurisdictions with percentages of over 2% include Italy (4.1%); Turkey (3.8%); France (3.6%); Germany (3.6%); Chile (3.2%) and Poland (3.1%). The other countries (Spain has investments, albeit marginal in as many as 165 countries) comprise the remaining 14.6%. The eurozone accounts for 22.5% of Spain's international investments.

> "The UK, US and Brazil account for nearly half of Spanish banks' international business."

Exhibit 2

Level of geographic concentration of the various national banking sectors' foreign businesses. Herfindahl index. 2018



Source: BIS.

Given that the UK is the country to which Spanish banks are most exposed, it is logical that uncertainty over Brexit has fed concerns over the potential impact on Spain's economy in general and its banking sector in particular. The UK's share of 24.3% of all of Spanish banks' overseas business represents around 383 billion euros.

There are other countries where uncertainty has also spread to the banking sector. This includes Turkey, whose currency has depreciated sharply, and Argentina, which is in recession and the subject of an IMF bailout. However, at 59 billion euros in Turkey and 21 billion euros in Argentina, this exposure is much smaller than Spanish banks' position in the UK.

Changes in the geographic breakdown of Spanish banks' overseas investments

Has the geographic breakdown of Spanish banks' overseas investments shifted in the wake of the crisis? If we compare the current breakdown with that of 2008, focusing on exposures of over 2%, we observe a significant reduction in exposure to the UK, which has gone from 30% in 2008 to 24.3% in 2018. Exposure to Mexico has also declined from 10.5% to 9.2%, while Venezuela has dropped off the 2% threshold list from 2.1% to 0.1%. On the other hand, Turkey has gained in importance. It now accounts for 3.8% of Spanish banks' exposure compared to barely anything in 2008. Similar developments have occurred in the US (+3.3 percentage points) and Poland (+2.8 percentage points).

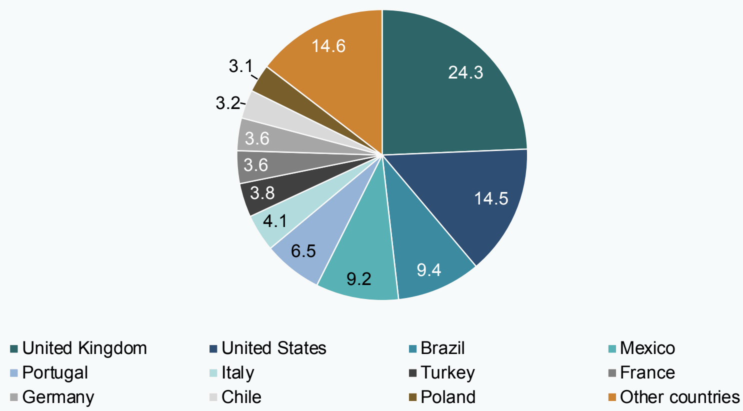
If we use the Herfindahl index once again to measure the geographic diversification of the banking industry, we note how diversification increased between 2008 and 2018, with the index decreasing by 229 percentage points.

> "Exposure to the UK has gone from 30% in 2008 to 24.3% in 2018."

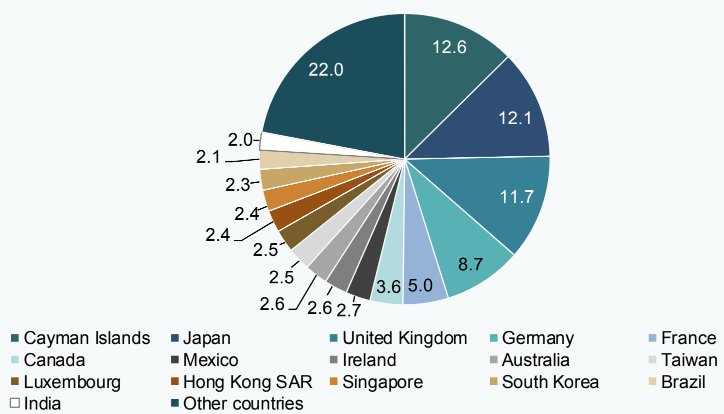
Exhibit 3

Geographic breakdown of international exposure by banking sector 2018

Spain



USA



Italy

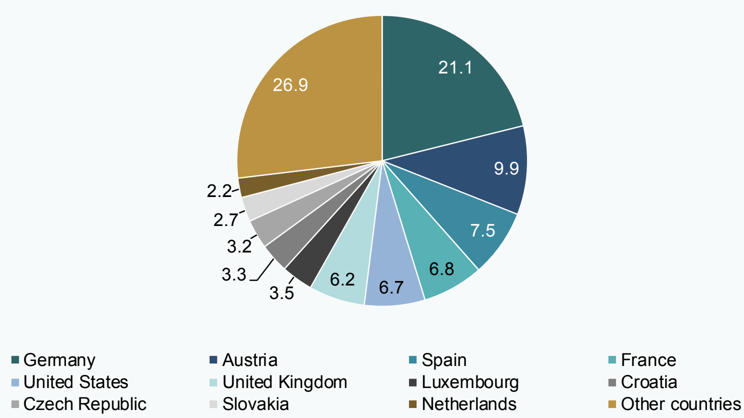
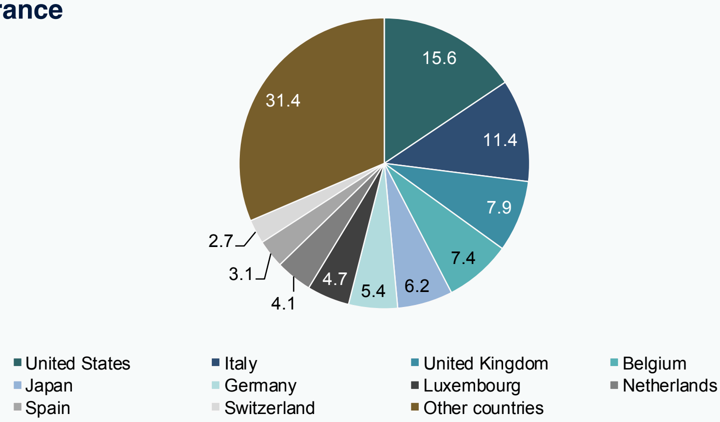


Exhibit 3

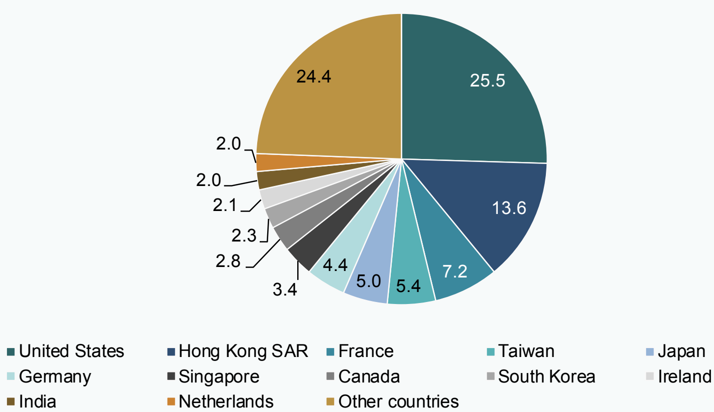
Geographic breakdown of international exposure by banking sector 2018

(Continued)

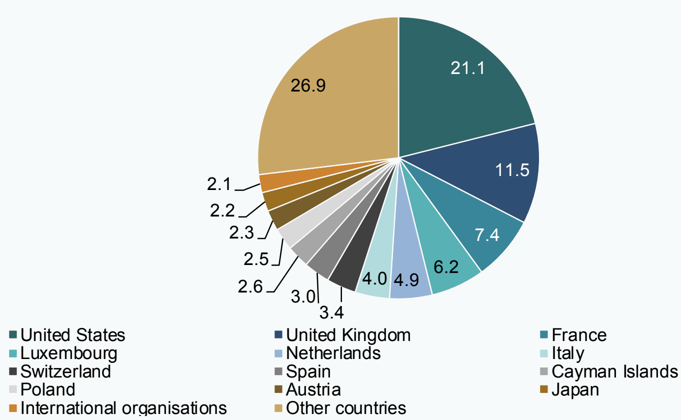
France



UK



Germany



Source: BIS.

Table 1 **Weight of each country in Spanish banks' overseas investments**

	2018 (%)	Change with respect to 2008 (pp)
United Kingdom	24.3	-5.6
United States	14.5	3.3
Brazil	9.4	0.2
Mexico	9.2	-1.3
Portugal	6.5	-0.1
Italy	4.1	0.0
Turkey	3.8	3.7
France	3.6	-0.1
Germany	3.6	-0.3
Chile	3.2	-0.5
Poland	3.1	2.8

Source: BIS.

International expansion and earnings performance

An intuitive way of analysing the benefits of international expansion for the banking sector is to compare the financial soundness indicators of the consolidated groups with those of the individual entities. The ECB offers the former figures for a sample of entities that includes virtually the entire Spanish banking sector. For the latter information, the Bank of Spain publishes the balance sheets and income statements of the deposit-taking entities for their domestic businesses.

In 2018, the consolidated assets of Spanish deposit-takers amounted to 3.55 trillion euros, which is 42% greater than the business in Spain. In absolute terms, that translates into a difference of around 1.05 trillion euros.

The best indicator of the benefits generated by international expansion and geographic diversification relates to profitability. Specifically, the consolidated groups consistently present higher profitability than the Spanish business in terms of both return on assets (ROA) and return on equity (ROE). In the first instance, the profitability gap was at one point very wide, particularly during the years of crisis in which Spanish banks, whose home market businesses were highly exposed to the real estate crash, had to write down millions of euros of impaired assets. The most recent figure dates from 2018 and points to an ROA for the consolidated groups 24% above that of the business in Spain (0.61% *vs.* 0.49%). As for ROE, the difference between the consolidated groups and the individual entities is similarly large, standing at 43% in 2018 (8.2% *vs.* 5.7%).

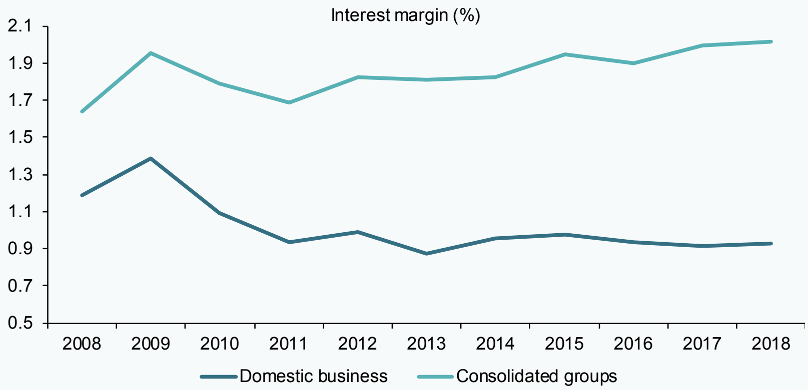
Analysing the banks' various income statement margins, it becomes clear that the net interest margin is the most significant factor in explaining the higher profitability of

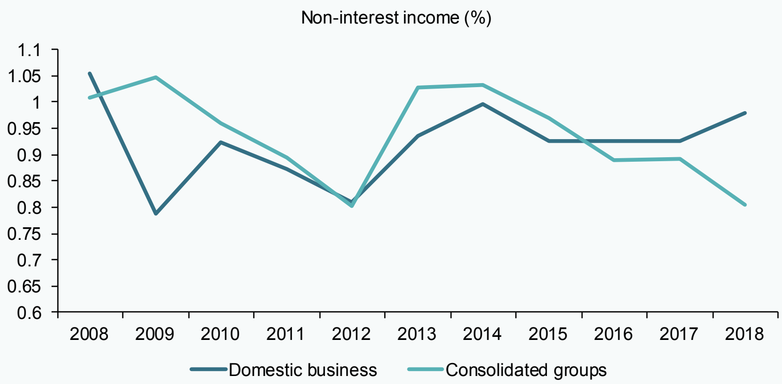
> "In 2018, the consolidated assets of Spanish deposit-takers amounted to 3.55 trillion euros, which is 42% greater than the business in Spain."

Exhibit 4

Margins, efficiency and profitability in the Spanish banking sector

Percentages





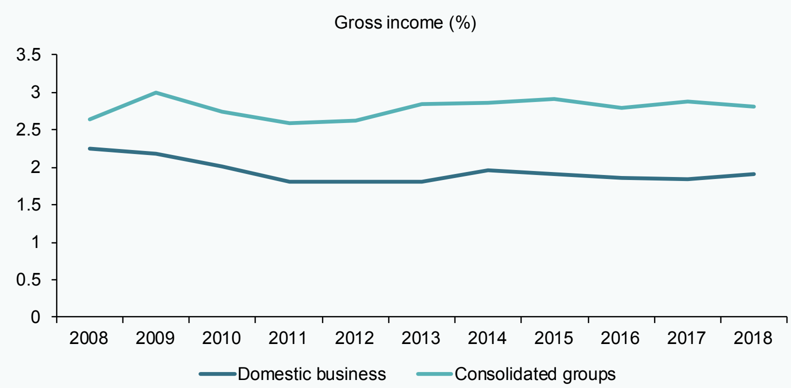
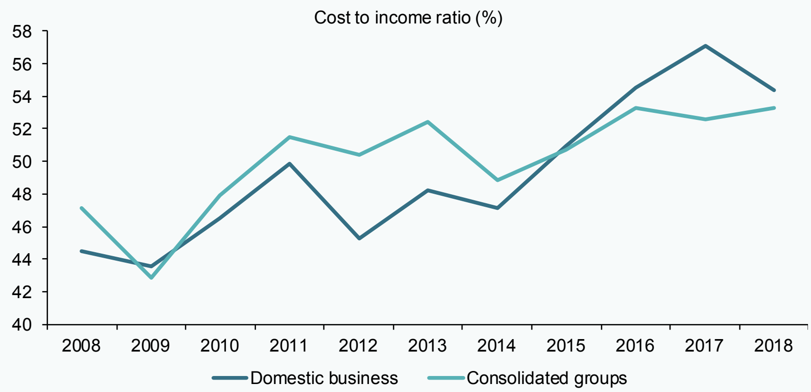


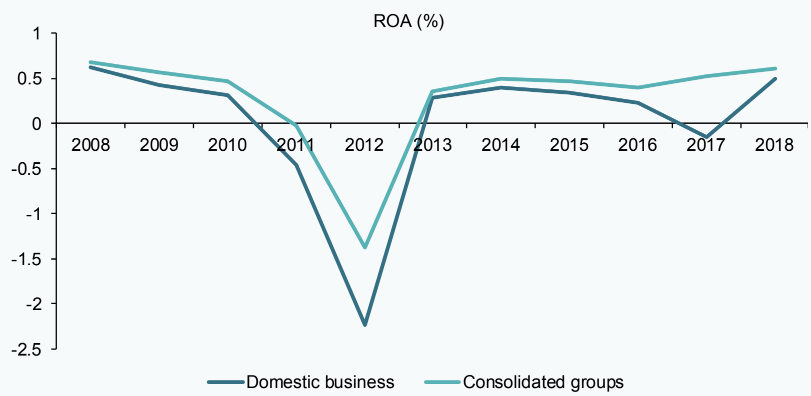
Exhibit 4

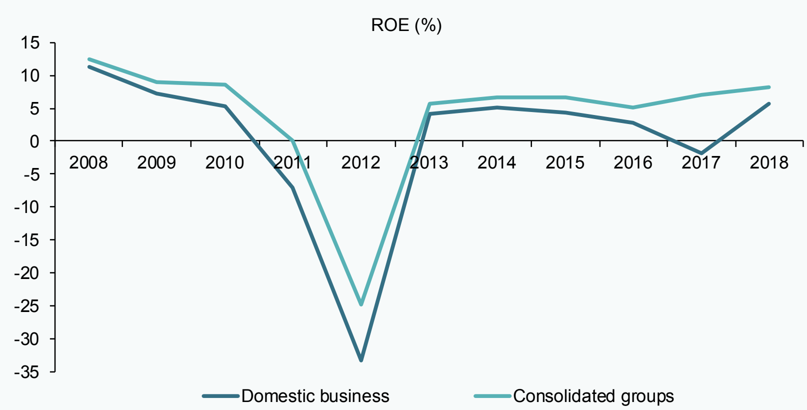
Margins, efficiency and profitability in the Spanish banking sector

Percentages

(Continued)







Sources: ECB and Bank of Spain.

the consolidated groups. Whereas before the 2008 crisis the net interest margin including overseas businesses was 38% higher than that earned in the domestic business, since 2015, the consolidated groups' margin has been over twice that of the individual entities. Notably, the margin in Spain has been heavily influenced by the decline in EURIBOR, the benchmark rate most widely used in loans extended in Spain, which has fallen significantly. As a result, the net interest margin has declined by 22% since 2008 to 0.93% in 2018. In contrast, the consolidated groups' net interest margin has increased by 23% to 2.01% in 2018, which is 116% above the margin earned in the domestic business.

Although the net interest margin contracted in Spain between 2008 and 2013 in parallel with the downtrend in the EURIBOR, it has since remained relatively constant as EURIBOR has continued to fall. Moreover, since EURIBOR entered negative territory in 2016, the net interest margin has remained steady, even widening slightly in 2018. This suggests that Spanish banks have been able to navigate the complex terrain of ultra-low rates. The defence of their margins is a prerequisite for profitability recovery and business viability.

Turning to banks' other revenue streams (dividends, fees and commissions, trading income, *etc.*), their weight in assets is not significantly different looking at the domestic business on a standalone basis and when factoring in the overseas business. Between 2009 and 2015, the weight of those revenue sources was somewhat higher in the case of the consolidated groups, but since then it has increased on the domestic business side, standing at 0.98% *vs.* 0.80% in 2018.

Given that the net interest margin increases sharply when the overseas business is considered and the fact that the weight of other sources of revenue is not very different between the consolidated groups and domestic business, the gross margin is much lower in Spain. Specifically, in 2018, the gross margin including banks' overseas businesses was 47% higher (2.81% *vs.* 1.91%).

Similarly, there is no major difference in efficiency, using the cost-to-income ratio as our proxy. Efficiency has deteriorated in recent years in both cases. Despite efforts to reduce costs, the gross margin has been falling faster.

Takeaways from international expansion

- The crisis has had a much bigger impact on the Spanish banking business and the net interest margin in Spain has suffered the consequences of the downtrend in eurozone interest rates. Nevertheless, the sizeable difference in the net interest margin for those banks with overseas business (in 2018: NIM of 0.93% in the domestic business vs. 2.01% adding in the overseas business) has enabled the consolidated groups to consistently present higher profitability than they attain in Spain, evidencing the importance of their international strategies.

- In 2018, the ROE including the business of the overseas subsidiaries, was 43% higher than that of the domestic business (8.2% *vs.* 5.7%). Thus, although the banks are still not delivering the returns investors require in either instance (the cost of capital is estimated at 10%), the problem is greater in the domestic business, where margins are under tremendous pressure from the ECB's long-standing, ultra-low benchmark rates. Having businesses exposed to different benchmark rates reinforces the benefits of geographically diversifying the banking business.

> "Since EURIBOR entered negative territory in 2016, Spanish banks' net interest margin has remained steady, even widening slightly in 2018."

- Although *ad-hoc* risks have taken a toll on some of the banks, the diversification of their investments across several countries has mitigated that cost, providing strong evidence in support of the premise that diversification reduces risk, all this despite the fact that the Spanish banks' overseas investments are less geographically diversified than the US or other major European banking sectors.

- The international expansion strategy pursued by Spanish banks through foreign subsidiaries that are independent of their parent has benefits for the home country banks by minimising and ring-fencing risks. Although this multinational banking strategy (via subsidiaries) is more costly than the alternative of pursuing business abroad via cross-border activities (conducted by the parent), it has proven more profitable on account of the higher margins earned abroad. [2]

- Looking forward, risk diversification via the internationalisation of the banking business requires, from the European perspective, completion of the Banking Union with a common deposit guarantee scheme. A single market for banking would also stimulate cross-border mergers within Europe, reinforcing the level of integration, which the recent crisis had stymied. Moreover, cross-border mergers avoid increasing concentration in home markets, making them more desirable from an anti-trust standpoint. What is evident is that the drop in cross-border activity in the European Union (including a decline in the number of cross-border mergers) is an indicator that the market is not integrated and that there are multiple barriers to such integration that need to be dismantled (tax, legal, bureaucratic, *etc.*), as expressed by the ECB. However, even if those barriers are eliminated, integration will not advance unless the differences in the health of the various European banking sectors are reduced (such as differences in NPL ratios, efficiency, profitability, capital adequacy, etc.), this perhaps being the main reason why some countries do not want to mutualise risks, a prerequisite for the completion of the Banking Union.

Notes

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

[2] See Argimón (2019).

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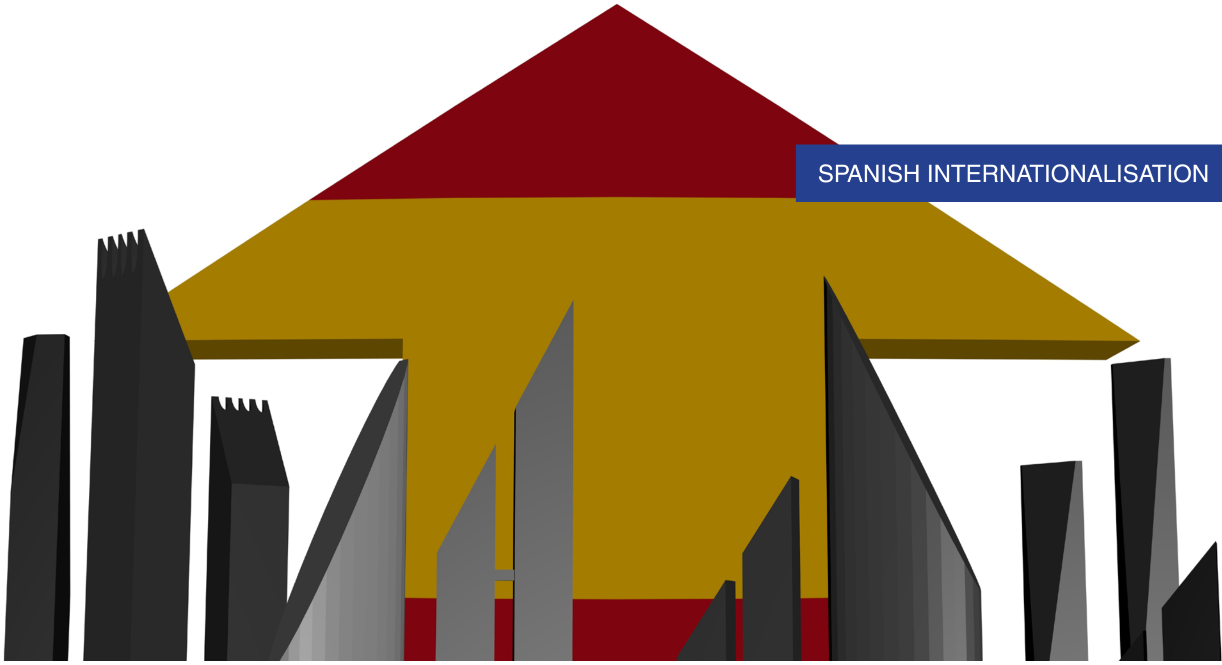


Opening up of the Spanish economy: Recent performance and pending reforms

Economic growth in Spain has been accompanied by a marked increase in trade and openness. Nevertheless, there are challenges associated with the internationalisation of Spain's economy, including a deteriorating trade balance within the context of a slowdown in global growth and trade, together with increased protectionism and uncertainty over the fate of existing trade relationships.

Ramon Xifré

Abstract: The international expansion of Spanish companies as well as the broader Spanish economy between 2000 and 2018 is generally viewed as a success. In relative terms, Spanish exports kept pace with the growth in German exports over the same period, while significantly outperforming export growth in Italy and France. Data also indicate that the Spanish economy is now more open than either the Italian or French economies. Nevertheless, there are risks and challenges associated with the internationalisation of Spain's economy. Some challenges, such as the deficit in the balance of trade in goods and the tendency for micro-enterprises (fewer than 10 employees) to dominate the export market,

> Since 2014, the Spanish economy has registered growth of over 3% without incurring a trade deficit - a phenomenon not observed in nearly five decades.

have been longstanding. However, new risks have also recently emerged. While export indicators are slowing sharply, many of the world's largest economies are turning inwards and questioning the pre-existing model of international trade based on predefined and predictable rules. It is in this context that it becomes essential for Spain's companies to improve their level of competitiveness and overcome barriers to further international expansion.

Introduction

Foreign trade has made a vital contribution to overcoming the economic and financial crisis which broke out in Spain in 2008. Notably, in the period since the crisis, we have witnessed a phenomenon not observed in nearly five decades. Since 2014, the Spanish economy has registered growth of over 3% without incurring a trade deficit (Myro, 2018). That trend suggests a degree of structural improvement in the Spanish economy. Insofar as the economy's sources of growth become more diversified and external demand relatively more important, the economy becomes less dependent on internal demand, thus etching out a more sustainable growth trajectory.

Such a scenario is consistent with an increase in the economy's openness. The role of the international markets as a source of growth has been consistently increasing for both the Spanish and European economies (Torres, 2019). For this reason, it is important to analyse the recent trend in the Spanish external sector and consider the main barriers to further expansion abroad.

This analysis comes at a time when the international economic environment, and more worryingly, the international institutional architecture itself, are showing significant signs of instability (Feás and Steinberg, 2019; Torres, 2019). The forecasts for growth in global GDP and trade have been revised downwards and significant questions about the basic rules of international trade linger. In this uncertain environment, it is all the more important to analyse the recent trend in and outlook for the Spanish external sector, along with the corresponding reforms that remain outstanding.

Recent trends

Spanish exports have performed exceptionally well since 2000 in comparison with the four major eurozone economies (Germany, France, Italy and Spain). Exhibit 1 shows total exports of goods at current prices rebased to 2000 values. It reveals that Spanish exports have grown the second fastest (behind only Germany, Europe's export powerhouse), with growth taking off from 2010. In fact, at current prices, Spanish exports grew by nearly as much as German exports between 2000 and 2018.

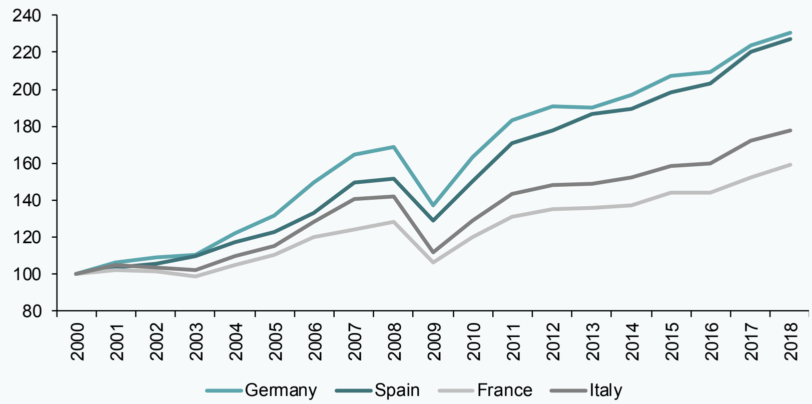
The expansion of international trade is also evident in the increased level of openness of the Spanish economy. Exhibit 2 depicts that openness (exports plus imports measured over GDP) for the same group of four countries. It shows that Spain is the second most open country among the major eurozone economies. The Spanish economy increased its openness by just over 7 percentage points

> Spain is the second most open country among the major eurozone economies.

Exhibit 1

Exports of goods at current prices

Index 2000 = 100

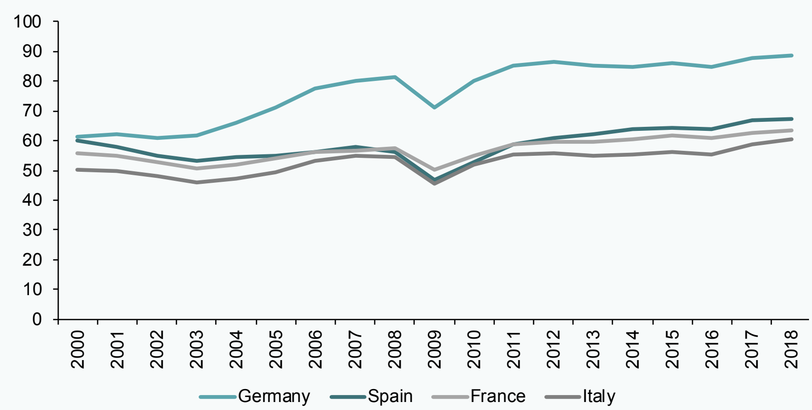


Source: Eurostat.

Exhibit 2

Openness of the economy

% of GDP



Source: Eurostat.

of GDP between 2000 and 2018, from 60.1% to 67.5%.

Exhibit 3 breaks down this openness into two components (exports and imports over GDP).

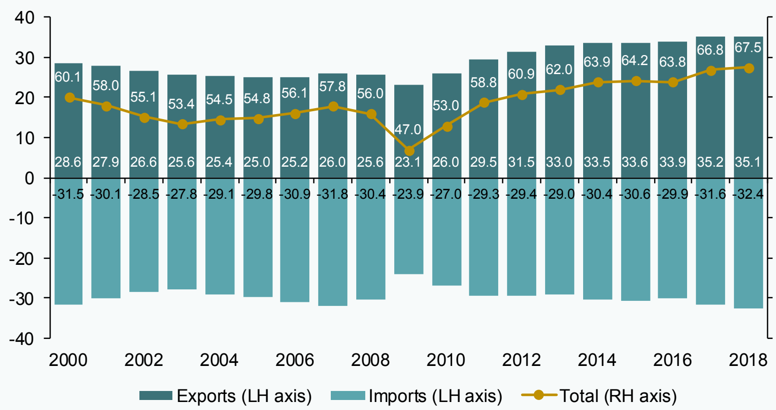
It shows that of the more than seven percentage point increase in its openness, less than one percentage point corresponds to the increase in imports; the bulk corresponds to the increase in exports.

These figures suggest that the international expansion of the Spanish economy has had a positive impact from a macroeconomic perspective. Next, we analyse other components of Spain's expanding trade activity.

Exhibit 3

Openness, broken down by exports and imports

% of GDP



Source: Eurostat.

Exhibit 4 shows the overall balance of trade and the balances for goods and services.

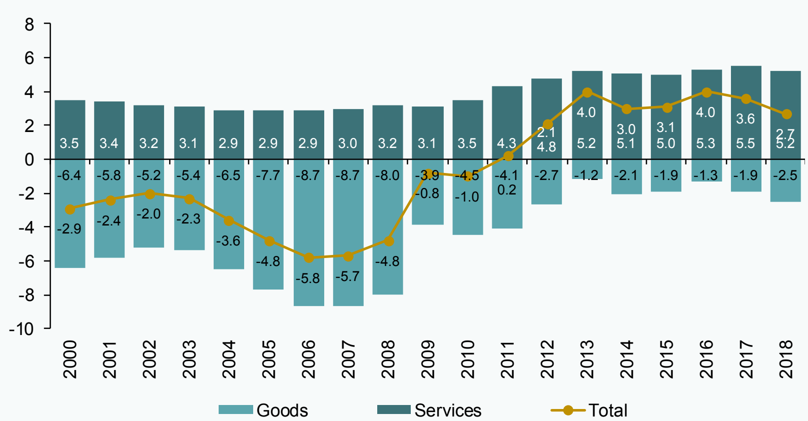
Firstly, it is worth noting that although the trade balance (exports less imports) improved substantially between 2006 and 2013, moving from a deficit of 6% of GDP to a surplus of 4%, that trend halted in 2013. In fact, for the last two years for which these data are available (2017 and 2018), the trade balance has deteriorated year-on-year.

Secondly, as shown in Exhibit 4, the balance of trade in goods has never been in surplus. This is mainly due to the energy trade deficit. As a result, the overall trade surplus relied

Exhibit 4

Balance of trade in goods, services and total

% of GDP



Source: Eurostat.

> "After posting average year-on-year growth of 4.3% between 2014 and 2017, goods exports have grown at just 1.9%."

entirely on the strong contribution by service exports (tourism and related sectors).

Thirdly, Exhibit 5 analyses the year-on-year trend in exports and imports in real terms (movements in the chain-linked volume series) between the first quarter of 2014 and the second quarter of 2019 (latest figures available). Table 1 presents the average year-on-year growth in two consecutive sub-periods: from the first quarter of 2014 to the fourth of 2017; and from the first quarter of 2018 to the second of 2019.

This analysis shows the rate of real growth in exports having slowed sharply during the second sub-period, with the pronounced slump in growth in goods exports especially noteworthy. After posting average year-on-year growth of 4.3% between 2014 and 2017, goods exports have grown at less than a third of that rate (1.3%). This loss of exporting momentum has driven the overall rate of growth in goods and service exports down from 5% to 2%. As shown in Exhibit 5, for the last two quarters for which we have information (the first two quarters of 2019), growth in exports has picked up again. Equally significant is the fact that since mid-2018, the rate of growth in imports has fallen steadily, so that in the first two quarters of 2019, Spanish imports declined in real terms for the first time since their post-crisis recovery.

It is highly likely that the economic environment and international political climate are at least partially responsible for these fluctuations. Thus, it will be important to pay attention to the trend in real export growth over the coming months.

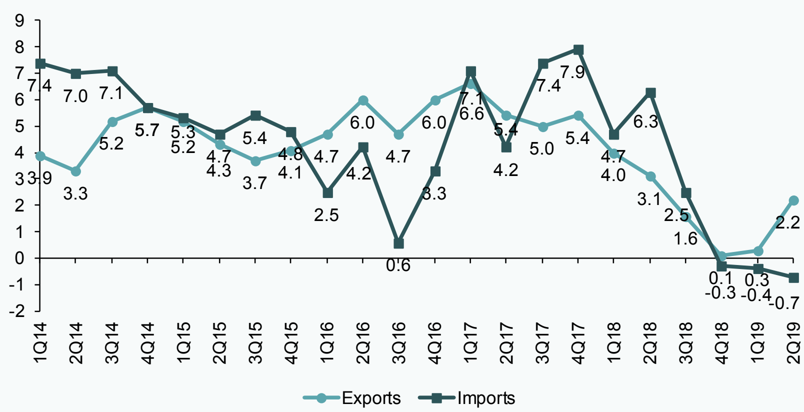
Lastly, the landscape of exporting firms in Spain is markedly different in structure

Exhibit 5

Spanish exports and imports of goods and services

Year-on-year rate of change (%)

Chain-linked volume series. Seasonally and working-day adjusted



Source: INE (CNTR).

Table 1

Spanish exports and imports of goods and services

Percentage

Chain-linked volume series. Seasonally and working-day adjusted

	1Q14 – 4Q17	1Q18 – 2Q19
A. Goods and services		
Exports	5.0	1.9
Imports	5.3	2.0
B. Goods		
Exports	4.3	1.3
Imports	5.0	0.6
C. Services		
Exports	6.6	3.2
Imports	6.9	8.7

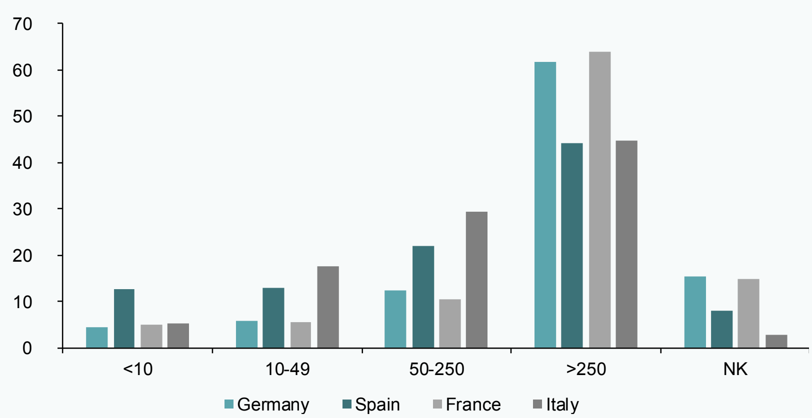
Source: INE (CNTR).

in comparison with the main eurozone economies. Exhibit 6 provides the breakdown of the value added of exporting firms by company size, measured by the number of employees. That breakdown shows that micro-enterprises (firms with fewer than 10 employees) are over-represented in Spain. While in the other three economies, micro-enterprises account for a share of between 3% and 5% of value added in exports, in Spain

Exhibit 6

Breakdown of export value added by company size category (defined by number of employees); 2017

Percentage



Note: NK = Size unknown.

Source: Eurostat.

these small-sized companies account for 13%. Micro-enterprises tend to face a series of issues in terms of competitiveness and the ability to innovate and/or raise funding. The over-representation of (relatively) small-sized companies in the export chain is similarly displayed in the next two company size categories.

Internationalisation today: Context and barriers

As already noted, the loss of export momentum in Spain is largely attributable to the new international context. In the first part of this section, we outline the contributing macroeconomic or environmental factors. In the second part, we allude to the various barriers to international expansion facing Spanish companies. These may weigh more heavily on the smaller-sized enterprises which, as we have shown, contribute an atypically high share to the value added in exports. We consulted a range of sources for this section (Xifré, 2014, 2017, 2018; Ministry of Industry, Commerce and Competitiveness, 2017; De Lucio *et al.*, 2018; Feás and Steinberg, 2019; Torres, 2019).

Factors defining the new international and institutional landscape in which Spanish exporting firms are operating

- A crisis, or at the very least uncertainty, regarding the outlook for multilateralism and international trade relations based on relatively stable and predictable rules.

- The growing importance of decision-making that factors in the global value chains (GVCs) and the growing complexity of those chains, with the dividing line between manufacturing and services becoming increasingly blurred.

- New formulae for doing business internationally and new competitiveness factors, often based on digital platforms and online commerce.

- A diversity of players invested in supporting the international expansion of the Spanish economy and its companies: the central government, the regional governments, certain EU initiatives and even the occasional private or public-private initiative. A growing need for coordination among these players.

Key barriers to international expansion by Spanish enterprises

- Internal barriers – These can be summed up as the scarcity or weakness of two types of factors:

  - Resources: human resources, knowledge, skills and financing.

  - Competitiveness, specifically price-cost competitiveness (productivity, efficiency and all manner of costs, including energy, labour, utilities, *etc.*) as well as other drivers of competitiveness (product quality, differentiation, technology intensity levels, post-sales service, *etc.*).

- External barriers – Although these factors have a very significant effect on exporting success, companies have limited influence over them, at least when acting alone:

  - Ability to obtain reliable, relevant and up-to-date information about destination markets; ability to pinpoint value-adding business opportunities.

  - Ability to overcome barriers to accessing destination markets; business negotiations.

  - Access to a network of reliable and value-adding business relationships: customers, suppliers, trade partners, *etc.*

Conclusion

The opening up of the Spanish economy since the advent of the euro in 2000 can, judging by the trend in certain key metrics, be described as a success. Between 2000 and 2018, Spanish exports, measured at current prices, grew by nearly as much as German exports. This is almost 30% more than Italian exports and 40% more than French exports. Of the four major eurozone economies, the Spanish economy presents the second highest level of openness to international markets. The increase in the level of openness of the Spanish economy between 2000 and 2018 is mainly attributable to relative growth in exports, and only very marginally to growth in imports.

Nevertheless, both the Spanish economy and Spanish firms face several challenges. For one, the aggregate trade surplus is still reliant on receipts from tourism, as the balance of trade in goods remains chronically negative (largely due to the perennial deficit in energy goods). As for the corporate landscape, Spanish micro-sized exporting firms (with fewer than 10 employees) continue to generate 10 times more value added than the companies in this size category in other major eurozone economies. Lastly, in recent quarters, real growth in exports and imports has slowed perceptibly.

The slump in Spanish trade comes at a time when globalisation is in question, in part due to the protectionist measures taken by certain states. Unfortunately, there are signs that these changes may amount to more than a cyclical slowdown. It is plausible that the very model of trade relations based on stable and predictable rules is in crisis. All of this makes it more important than ever for the Spanish companies that do business abroad to modernise by overcoming long-standing challenges but also by striving to position themselves strategically vis-à-vis emerging trends. There is also a growing need for a more meaningful contribution and coordination by all actors, including the public sector, as well as public and private entities.

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Recent key developments in the area of Spanish financial regulation

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

Draft Bank of Spain Circular amending Circular 8/2015, addressed to institutions and branches participating in the Deposit Guarantee Scheme for Credit Institutions, on information for determining the basis for calculating their contributions (published on the Bank of Spain's website on October 3rd, 2019)

The aim of the draft circular is to clarify how the new information required under changes made by Royal Decree 1464/2018 to Royal Decree 217/2008 should be incorporated into the "Information for determining the basis for calculating contributions to the Deposit Guarantee Scheme" and "Itemised registry of deposits received" statements. The changes introduced by the above Royal Decree stipulate coverage by the Deposit Guarantee Scheme, in the event of a credit institution's resolution, of the balances held by investment service providers in special-purpose and temporary cash accounts opened in the name of the investment service provider on behalf of its customers at an entity declared bankrupt. It also states that when investment service providers deposit customers' cash at a credit institution, they must itemise the balances corresponding to each customer individually and provide information periodically to the credit institution in question.

The draft Circular also introduces additional information requirements for institutions and branches participating in the Deposit Guarantee Scheme to ensure compliance with the Scheme's obligation to cooperate at the European level. Specifically, the obligations under Royal Decree 2606/1996, as modified in Royal Decree 1012/2015, require that the Spanish Scheme must provide information periodically to the deposit guarantee scheme of the host member state in which the institutions participating in the Spanish Scheme have established branches. This includes information about each deposit holders' aggregate balance of eligible and secured deposits.

The consultation ended on October 23rd. The new Circular is slated to take effect on June 30th, 2020.

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Spanish economic forecasts panel: November 2019*

Funcas Economic Trends and Statistics Department

GDP growth forecast at 2% in 2019, down 0.2pp from the last survey

According to Spain's national statistics office, GDP expanded an estimated 0.4% in the third quarter, in line with the previous quarter. The industrial sector staged a recovery from the non-existent or even negative growth of previous quarters, despite the slowdown foreshadowed by most indicators.

The consensus forecast is for growth of 2% in 2019, down 0.2pp from the last survey, which did not yet reflect the downward revision of the national accounting figures. All of the analysts surveyed have lowered their estimates since September.

The expected composition of estimated 2019 growth has also shifted: net exports are now expected to contribute 0.5pp (compared to a 0.1pp contribution in the last survey), while domestic demand is expected to contribute 1.5pp, down 0.6pp from the September consensus estimate. The forecast for private consumption has been cut by 0.6pp since the last report (with all analysts lowering their estimates), while the forecast for public consumption has been revised upwards by 0.3pp. It is worth highlighting the 0.9pp reduction in estimated investment in capital goods, particularly construction, where the forecast has been reduced by 1.7pp to 2.4%. As for foreign trade, the forecast for import growth has been lowered by 0.4pp to 0.7%, whereas the forecast for export growth has been raised by 0.3pp to 1.9%.

The forecast for 2020 has been cut to 1.6%

For 2020, 18 out of the 19 analysts have trimmed their growth forecasts, leaving the consensus at 1.6%, down 0.3pp from September. The quarterly pattern is expected to be flat, at around 0.4% (Table 2), down 0.1pp from the last survey. The slowdown is mainly attributed to lower export growth.

Inflation forecasts continue to be trimmed

Inflation has been coming down throughout the year, levelling off at 0.1% in September and October, mainly due to the drop in energy prices. For 2019, analysts are currently forecasting average inflation (CPI) of 0.7%, down 0.1pp from September. In 2020, they are looking for a slight uptick, to 1%. As for core inflation, the consensus forecast is for 0.9% in 2019 and 1.1% in 2020, down 0.1pp from the last set of forecasts. The year-on-year rates of change in December of this year and next are currently forecast at 0.8% and 1.2%, respectively (Table 3).

Slowing job creation

According to the economically-active survey (EPA), job creation was very modest in the third quarter. Nevertheless, unemployment fell to 13.9%, which is down 0.7pp year-on-year. Although growth in social security contributor numbers remained weak to September, the October figure took the market by surprise, fuelled mainly by the services sector and notably within the latter, the public sector. The trend in unemployment (in terms of both the EPA and official unemployment numbers) is less favourable than that in employment, due to growth in the active population.

The consensus forecasts for growth in employment are for 2.2% in 2019 and 1.4% in 2020 (down 0.2pp from September). The forecasts for growth in GDP, job creation and wage compensation yield implied forecasts for growth in productivity and unit labour costs (ULC). Productivity is expected to drop by 0.2pp this year (last forecast: 0%), going on to rise 0.2pp in 2020. ULCs, meanwhile, are expected to increase by 2.1% in 2019 (down 0.2pp from the September report) and 1.5% in 2020.

The average annual unemployment rate is expected to continue to decline to 14.1% in 2019 and 13.3% in 2020 (down 0.2pp and 0.4pp from the last survey, respectively).

Stronger external surplus

The Bank of Spain has recently revised its historical balance of payments series substantively. As a result, the current account surplus in 2018 was revised upwards from 0.9% of GDP to 1.9%.

To August, Spain presented a surplus of 15.13 billion euros, compared to 16.53 billion euros in the first eight months of 2018, shaped by erosion of the trade surplus and an increase in the income deficit.

Following the Bank of Spain's revision, the analyst community has revised their estimates upwards. As a result, they are currently forecasting a current account surplus of 1.4% of GDP this year and of 1.1% in 2020, up 0.8pp and 0.6pp from the September consensus forecasts, respectively.

Slight improvement in 2020 public deficit forecast

The public deficit to August (at all levels of government except for the local authorities) was 2.09 billion euros higher year-on-year. The deterioration is attributable to growth in the social security deficit and a fresh deficit at the regional government level, compared to a surplus in 8M18, more than offsetting the consolidation observed at the state level.

Analysts continue to forecast a deficit of 2.3% of GDP this year, while they are expecting a deficit of 2% in 2020. Those numbers would imply missing the government's targets by 0.3pp in both years.

External environment remains adverse

The main indicators are pointing to a sharp economic slowdown, globally and in the European Union, in line with the trend anticipated in the September assessment. Although manufacturing remains the sector suffering the most, services are also losing steam.

As a result, the main international organisations have cut their forecasts in recent weeks. In its October *World Economic Outlook (WEO)*, the IMF is forecasting global growth of 3% in 2019, the lowest level since the Great Recession and down 0.3pp from its April *WEO*. It believes growth could recover in 2020, to 3.4%, down 0.2pp from its last forecast. The improvement is expected to be driven by a recovery in emerging markets, while advanced economies are expected to remain weak. The IMF has warned that the US and Chinese economies could slow by more than expected, particularly if prevailing trade tensions prove protracted.

Likewise, in its Autumn forecasts, the European Commission cut its forecast for eurozone growth to 1.1% in 2019 (down 0.1pp from its last forecast and nearly half of the level it was projecting one year ago) and 1.2% in 2020 (down 0.2pp). The European economy, highly dependent on exports, is one of the most exposed to the stagnation in international trade.

Nearly all the analysts see the external environment as unfavourable. There have been no major changes on that front since the last survey. However, they have become slightly less pessimistic about the outlook for the months to come, perhaps on account of a potential truce in the trade war between the US and China. A few analysts are anticipating an improvement in the external environment, compared to none in September, whereas only three are expecting additional deterioration, down from eight in September.

Monetary policy set to remain expansionary with rates staying at reduced levels

Markets have priced in the major monetary policy decisions taken by the ECB in September in an attempt to tackle the economic slowdown and inflationary weakness: resumption of the asset purchase programme (APP); deposit rate cut; introduction of a tiered scheme for surplus bank reserves; and, a new round of long-term refinancing operations (TLTRO–III).

The 12-month EURIBOR remains in negative territory, largely unchanged from September, while the yield on 10-year Spanish bonds remains low, despite having moved slightly higher in recent weeks.

The analysts' assessment of the monetary situation is largely unchanged, with all of the opinion that monetary policy is expansionary. They also agree that these conditions will persist throughout the coming months. The yield on the 10-year bond is barely expected to move in the near term and is forecast at 0.60% at the end of 2020, down from the last forecast of 0.65%. The 12-month EURIBOR is expected to remain in negative territory for all of the forecast horizon, at similar levels to those forecast in September. Lastly, the majority of analysts continue to believe that the prevailing accommodative monetary policy is what the Spanish economy needs right now.

Euro largely stable against the dollar

Since September, the euro has been trading sideways against the dollar, oscillating at around 1.11. Analysts believe that monetary policy easing in the US, potentially more pronounced than in Europe, could lead to a slight appreciation of the euro against the dollar in the quarters to come. They are forecasting an exchange rate of EUR/USD1.12 at the end of the projection period, down USD0.02 from the last survey.

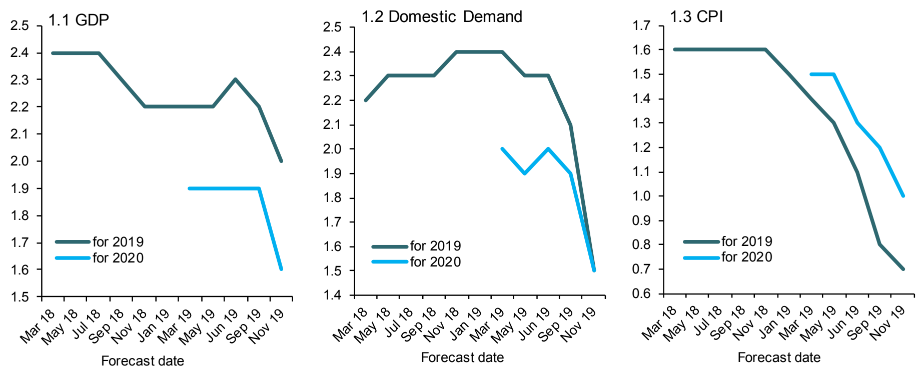
Most analysts view fiscal policy as expansionary

Most analysts continue to view fiscal policy as expansionary, as they did in September. Nor has their opinion changed with respect to what stance fiscal policy should take, with most believing it should be neutral.

Exhibit 1

Change in forecasts (Consensus values)

(Annual rates in %)



Source: Funcas Panel of Forecasts.

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

Spanish economic forecasts panel: November 2019*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – November 2019

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	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Analistas Financieros Internacionales (AFI)	1.9	1.7	1.1	1.4	2.1	1.9	2.8	2.5	4.8	1.9	1.4	3.1	--	--
Axesor	2.0	1.6	1.0	1.2	1.8	1.3	3.6	2.2	2.4	1.9	3.6	2.6	1.6	1.4
BBVA Research	1.9	1.6	0.8	1.3	2.0	1.7	2.3	3.0	1.6	2.6	2.9	2.6	1.3	1.7
Bankia	1.9	1.5	0.8	0.9	2.2	2.1	2.8	2.4	2.8	2.0	3.4	3.1	1.5	1.5
CaixaBank Research	1.9	1.5	0.8	1.2	2.0	1.5	2.6	2.7	2.4	2.7	3.1	2.6	1.4	1.6
Cámara de Comercio de España	2.0	1.7	1.1	1.2	2.3	2.2	3.1	2.8	4.0	3.8	2.9	2.6	1.7	1.9
Cemex	2.0	1.6	1.1	1.3	2.1	1.7	2.7	2.3	3.9	3.0	2.1	2.3	1.6	1.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	2.0	1.6	1.0	1.2	2.2	1.5	2.9	2.5	3.4	2.6	2.5	2.5	1.6	1.5
Centro de Predicción Económica (CEPREDE-UAM)	2.0	1.7	1.1	0.9	2.3	1.6	2.3	2.8	3.1	2.6	1.6	2.4	1.6	1.3
CEOE	2.0	1.6	0.9	1.2	2.1	2.0	2.3	1.8	2.3	2.0	2.9	1.4	1.3	1.4
Equipo Económico (Ee)	2.0	1.8	1.5	1.5	1.9	1.8	2.5	3.0	2.4	2.5	3.0	3.7	1.6	1.7
Funcas	1.9	1.5	0.7	0.9	2.1	1.5	2.2	1.8	1.3	1.0	3.2	2.6	1.3	1.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.9	1.5	1.4	1.3	1.7	1.3	2.5	2.2	2.8	2.5	2.9	2.2	1.6	1.3
Instituto de Estudios Económicos (IEE)	1.9	1.5	0.9	1.1	2.1	1.9	2.3	1.6	2.2	2.0	2.9	1.3	1.3	1.3
Intermoney	1.9	1.6	1.1	1.2	2.2	1.5	2.4	2.2	3.6	2.1	1.7	2.2	1.6	1.5
Repsol	1.8	1.5	0.9	1.1	2.3	2.4	2.6	2.8	6.1	7.5	0.7	-0.1	1.6	1.5
Santander	2.0	1.7	1.2	1.5	2.3	1.9	2.7	2.4	5.0	4.4	1.4	1.0	1.7	1.8
Solchaga Recio & asociados / Y Group Companies	2.0	1.6	1.3	1.3	2.2	1.5	2.3	3.1	3.8	3.0	1.8	3.4	1.7	1.8
Universidad Loyola Andalucía	2.0	1.6	1.2	1.4	2.2	1.7	2.3	1.6	3.4	1.9	1.8	1.5	1.6	1.5
CONSENSUS (AVERAGE)	2.0	1.6	1.1	1.2	2.1	1.7	2.6	2.4	3.2	2.7	2.4	2.3	1.5	1.5
Maximum	2.0	1.8	1.5	1.5	2.3	2.4	3.6	3.1	6.1	7.5	3.6	3.7	1.7	1.9
Minimum	1.8	1.5	0.7	0.9	1.7	1.3	2.2	1.6	1.3	1.0	0.7	-0.1	1.3	1.2
Change on 2 months earlier[1]	-0.2	-0.3	-0.6	-0.4	0.3	0.1	-0.9	-0.9	-0.1	-0.3	-1.7	-1.3	-0.6	-0.4
- Rise[2]	0	0	0	1	15	11	1	2	8	3	0	2	0	2
- Drop[2]	19	18	19	18	2	4	18	17	11	14	19	17	16	15
Change on 6 months earlier[1]	-0.2	-0.3	-0.7	-0.5	0.2	0.1	-1.4	-0.9	-1.1	-0.7	-2.0	-1.1	-0.8	-0.4
Memorandum items:														
Government (October 2019)	2.1	1.8	0.9	1.2	2.0	1.5	3.1	3.0	--	--	--	--	--	--
Bank of Spain (September 2019)	2.0	1.7	1.0	1.3	1.8	1.3	2.3	3.4	2.3	2.9	2.3	3.9	--	--
EC (November 2019)	1.9	1.5	0.8	1.0	2.0	1.5	2.5	2.5	1.9	2.3	--	--	--	--
IMF (October 2019)	2.2	1.8	1.5	1.5	1.6	1.1	2.9	2.7	--	--	--	--	1.8	1.7
OECD (May 2019)	2.2	1.9	1.7	1.6	1.9	1.6	3.8	3.9	--	--	--	--	2.2	2.1

[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.*

Table 1 (Continued)

Economic Forecasts for Spain – November 2019

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]	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Analistas Financieros Internacionales (AFI)	1.9	3.1	0.9	3.4	0.7	0.8	1.0	1.2	--	--	2.2	1.9	14.2	13.3	1.6	1.2	-2.0	-1.8
Axesor	2.3	2.6	0.8	3.0	0.8	1.3	1.1	1.1	0.6	0.4	2.3	1.6	14.1	13.5	1.7	1.2	-2.3	-2.0
BBVA Research	2.0	2.9	0.2	3.4	0.7	1.1	--	--	2.7	2.8	2.2	1.4	14.1	13.3	1.6	1.4	-2.3	-1.9
Bankia	2.1	2.1	0.7	2.0	0.7	1.3	0.9	1.1	2.1	1.6	2.3	1.4	13.9	12.9	0.7	0.5	--	--
CaixaBank Research	2.4	2.6	0.8	3.1	0.7	1.0	0.9	1.2	2.1	2.7	2.2	1.6	13.9	12.6	1.7	1.5	-2.3	-2.0
Cámara de Comercio de España	1.8	2.1	1.0	3.0	0.6	1.1	0.9	1.1	--	--	2.1	1.0	14.2	13.6	1.9	1.4	-2.4	-2.1
Cemex	1.8	1.2	0.8	1.0	0.7	1.0	0.9	1.0	--	--	2.2	1.5	14.1	13.2	1.5	1.0	-2.5	-2.0
Centro de Estudios Economía de Madrid (CEEM-URJC)	1.8	2.7	0.6	2.6	0.8	1.2	0.9	1.2	--	--	2.1	1.3	14.1	13.4	0.8	0.7	-2.5	-2.1
Centro de Predicción Económica (CEPREDE-UAM)	2.0	3.0	0.8	2.1	0.7	1.0	--	--	2.4	1.6	2.2	1.3	14.2	13.8	1.7	1.2	-2.1	-1.7
CEOE	1.7	1.9	-0.1	1.8	0.7	0.8	0.9	1.1	2.2	1.9	2.2	1.6	14.1	13.2	1.2	0.8	-2.3	-2.0
Equipo Económico (Ee)	2.0	2.5	0.8	2.6	0.7	1.3	0.9	1.2	1.8	1.5	2.1	1.6	14.0	13.2	0.9	0.8	-2.5	-2.3
Funcas	2.0	2.8	0.2	2.1	0.7	1.0	0.9	1.0	1.9	1.1	2.2	1.1	14.1	13.0	1.6	1.9	-2.4	-2.5
Instituto Complutense de Análisis Económico (ICAE-UCM)	1.4	2.4	0.9	2.7	0.8	1.2	0.8	1.0	--	--	2.0	1.3	14.0	13.1	0.7	0.6	-2.3	-2.1
Instituto de Estudios Económicos (IEE)	1.6	1.9	-0.1	1.7	0.7	0.8	0.9	1.1	2.1	1.8	2.1	1.5	14.1	13.1	1.0	0.6	-2.4	-2.2
Intermoney	1.6	2.8	0.8	2.6	0.7	0.9	0.8	1.0	--	--	2.2	1.5	14.0	13.2	1.5	1.5	-2.4	--
Repsol	1.7	1.8	0.8	2.2	0.7	1.1	0.9	1.0	1.6	1.5	2.2	1.5	14.0	13.2	0.6	0.3	-2.3	-2.0
Santander	1.7	1.8	0.9	2.2	0.7	1.1	0.9	1.3	1.6	1.8	2.2	1.1	14.1	13.6	1.7	1.6	--	--
Solchaga Recio & asociados / Y Group Companies	1.9	2.1	0.9	2.6	0.7	1.0	0.8	1.0	--	--	2.3	1.6	14.2	13.7	1.7	1.5	-2.4	-2.0
Universidad Loyola Andalucía	1.9	2.2	0.8	1.8	0.6	0.8	0.9	0.8	--	--	2.1	1.6	14.1	13.4	1.7	1.4	-2.3	-2.0
CONSENSUS (AVERAGE)	1.9	2.3	0.7	2.4	0.7	1.0	0.9	1.1	1.9	1.7	2.2	1.4	14.1	13.3	1.4	1.1	-2.3	-2.0
Maximum	2.4	3.1	1.0	3.4	0.8	1.3	1.1	1.3	2.7	2.8	2.3	1.9	14.2	13.8	1.9	1.9	-2.0	-1.7
Minimum	1.4	1.2	-0.1	1.0	0.6	0.8	0.8	0.8	0.6	0.4	2.0	1.0	13.9	12.6	0.6	0.3	-2.5	-2.5
Change on 2 months earlier[1]	0.3	-0.1	-0.4	-0.2	-0.1	-0.2	0.0	-0.1	0.0	-0.1	0.0	-0.2	0.2	0.4	0.8	0.6	0.0	-0.1
- Rise[2]	14	7	5	6	0	0	2	1	6	2	4	0	19	18	15	16	2	1
- Drop[2]	2	9	10	9	14	13	5	10	3	4	10	15	0	0	0	0	7	7
Change on 6 months earlier[1]	0.2	-0.3	-1.2	-0.5	-0.6	-0.5	-0.1	-0.1	0.1	-0.1	0.2	-0.3	0.3	0.6	0.7	0.5	0.0	-0.1
Memorandum items:																		
Government (October 2019)	1.7	2.3	0.1	2.0	--	--	--	--	2.1	2.2	2.3	2.0	13.8	12.3	1.8	1.6	-2.0	-1.7
Bank of Spain (September 2019)	2.2	3.0	0.5	3.2	0.8 [7]	1.1 [7]	1.1 [8]	1.4 [8]	--	--	1.8	1.3	14.1	13.6	--	--	-2.4	-1.8
EC (November 2019)	2.0	2.3	0.5	2.0	0.9 [7]	1.1 [7]	--	--	2.4	2.2	2.2	1.0	13.9	13.3	2.4	2.5	-2.3	-2.2
IMF (October 2019)	2.4	3.3	1.3	2.9	0.7	1.0	--	--	1.5	1.3	2.2	1.4	13.9	13.2	0.9	1.0	-2.2	-1.9
OECD (May 2019)	0.8	3.7	0.6	4.3	1.0 [7]	1.6 [7]	1.0 [8]	1.5 [8]	1.8	2.0	2.3	1.6	13.8	12.7	0.8	0.7	-2.0	-1.4

[1] *Difference in percentage points between the current month's average and that of two months earlier (or six months earlier).*
[2] *Number of panellists revising their forecast upwards (or downwards) since two months earlier.*
[3] *Average earnings per full-time equivalent job.*
[4] *In National Accounts terms: full-time equivalent jobs.*
[5] *Current account balance, according to Bank of Spain estimates.*
[6] *Excluding financial entities bail-out expenditures.*
[7] *Harmonized Index of Consumer Prices (HIPC).*
[8] *HIPC excluding energy and food.*

Table 2

Quarterly Forecasts – November 2019

	19-I Q	19-II Q	19-III Q	19-IV Q	20-I Q	20-II Q	20-III Q	20-IV Q
GDP[1]	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Euribor 1 yr [2]	-0.11	-0.19	-0.34	-0.31	-0.30	-0.29	-0.27	-0.26
Government bond yield 10 yr [2]	1.13	0.52	0.19	0.30	0.37	0.44	0.53	0.60
ECB main refinancing operations interest rate [2]	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01
Dollar / Euro exchange rate [2]	1.13	1.13	1.10	1.11	1.12	1.12	1.12	1.12

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

Table 3

CPI Forecasts – November 2019

Year-on-year change (%)					
Nov-19	Dec-19	Jan-20	Feb-20	Dec-19	Dec-20
0.4	0.8	0.9	0.8	0.8	1.2

Table 4

Opinions – November 2019

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	0	1	18	2	14	3
International context: Non-EU	0	3	16	3	13	3
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	4	15	6	12	1
Monetary policy assessment[1]	0	0	19	0	6	13

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

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation					Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction			Equipment & others products				
						Total	Housing	Other constructions					
Chain-linked volumes, annual percentage changes													
2012		-3.0	-3.3	-4.2	-7.4	-10.4	-5.3	-15.0	-3.4	0.9	-5.8	-4.9	2.0
2013		-1.4	-2.9	-2.1	-3.8	-8.2	-7.6	-8.7	1.3	4.4	-0.2	-2.9	1.4
2014		1.4	1.7	-0.7	4.1	3.0	9.9	-2.6	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	-3.2	5.7	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	8.9	-4.8	3.1	5.4	2.6	2.0	1.0
2017		2.9	3.0	1.0	5.9	5.9	11.5	0.2	5.9	5.6	6.6	3.0	-0.1
2018		2.4	1.8	1.9	5.3	6.6	7.7	5.3	4.1	2.2	3.3	2.6	-0.3
2019		1.9	0.7	2.1	2.2	3.2	3.8	2.5	1.3	2.0	0.2	1.3	0.6
2020		1.5	0.9	1.5	1.8	2.6	3.2	1.9	1.0	2.8	2.1	1.2	0.3
2021		1.8	1.0	1.4	3.5	3.2	4.6	1.3	3.8	3.6	3.1	1.5	0.2
2018	I	2.8	2.5	1.6	4.5	7.1	11.5	2.2	2.1	4.0	4.7	2.9	-0.1
	II	2.3	2.1	1.7	7.9	7.5	8.2	6.8	8.3	3.1	6.3	3.2	-0.9
	III	2.2	1.6	1.9	5.3	6.1	7.1	4.9	4.6	1.6	2.5	2.5	-0.2
	IV	2.1	1.2	2.2	3.5	5.7	4.4	7.3	1.4	0.1	-0.3	2.0	0.1
2019	I	2.2	1.0	2.2	4.8	4.2	3.2	5.5	5.3	0.3	-0.4	1.9	0.3
	II	2.0	0.6	2.2	1.0	2.9	4.2	1.3	-0.8	2.2	-0.7	1.0	1.0
	III	2.0	1.5	2.5	2.0	-0.7	1.8	-3.7	4.7	2.3	2.0	1.8	0.2
	IV	1.7	1.5	2.5	3.0	-0.7	2.4	-4.3	6.6	2.3	3.5	2.0	-0.3
2020	I	1.5	1.6	2.2	1.9	-0.8	1.9	-4.1	4.5	1.8	3.2	1.9	-0.4
	II	1.4	1.8	2.1	2.5	-0.8	1.1	-3.2	5.7	0.8	2.8	2.0	-0.6
	III	1.5	1.0	1.5	2.0	2.6	3.0	2.0	1.4	3.7	3.2	1.3	0.3
	IV	1.7	1.0	1.2	2.4	2.5	3.2	1.4	2.4	4.3	3.2	1.3	0.4
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate													
2018	I	2.0	1.4	2.1	0.8	8.5	9.2	7.5	-5.9	1.5	0.8	1.7	0.3
	II	2.2	1.7	1.9	14.9	7.4	1.7	14.6	22.5	-0.6	4.9	4.0	-1.8
	III	2.0	0.9	2.5	0.9	3.6	6.1	0.8	-1.5	-3.8	-5.6	1.5	0.5
	IV	2.3	0.8	2.3	-1.9	3.5	0.8	6.8	-6.9	3.6	-0.9	0.7	1.5
2019	I	2.2	0.7	2.2	5.9	2.5	4.4	0.3	9.2	2.3	0.3	1.5	0.7
	II	1.6	0.1	1.8	-0.8	1.8	5.5	-2.5	-3.3	6.9	3.6	0.4	1.2
	III	1.7	4.3	3.6	5.2	-10.0	-3.5	-17.6	22.1	-3.3	5.2	4.6	-2.9
	IV	1.1	1.0	2.4	1.8	3.6	3.2	4.1	0.0	3.6	4.9	1.4	-0.3
2020	I	1.4	1.0	1.0	1.6	1.9	2.4	1.2	1.2	0.0	-1.0	1.1	0.3
	II	1.4	1.0	1.2	1.6	1.9	2.4	1.2	1.2	2.8	2.0	1.1	0.3
	III	2.1	1.0	1.2	3.1	3.0	4.1	1.6	3.2	8.7	7.0	1.4	0.7
	IV	1.9	1.0	1.2	3.6	3.0	4.1	1.6	4.1	5.7	4.9	1.5	0.4
		Current prices (EUR billions)	Percentage of GDP at current prices										
2012		1,031	59.5	20.0	18.5	9.9	4.6	5.3	8.6	31.5	29.4	97.9	2.1
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	10.0	4.0	4.6	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	9.9	4.4	4.2	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	10.3	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		1,238	57.6	19.1	19.7	9.9	5.7	4.2	9.8	35.0	32.2	97.2	2.8
2020		1,271	57.3	19.1	19.8	10.0	6.0	4.1	9.8	35.4	32.5	97.1	2.9
2021		1,307	56.9	19.0	20.3	10.3	6.3	4.1	10.0	36.1	33.2	97.1	2.9

** Seasonally and Working Day Adjusted.*

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

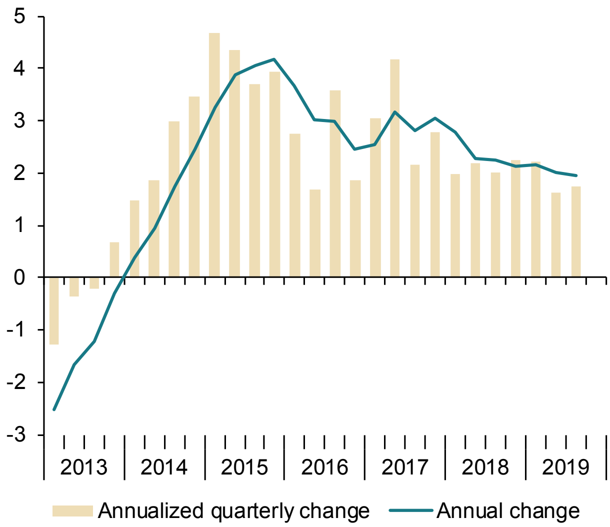


Chart 1.2 - Contribution to GDP annual growth

Percentage points

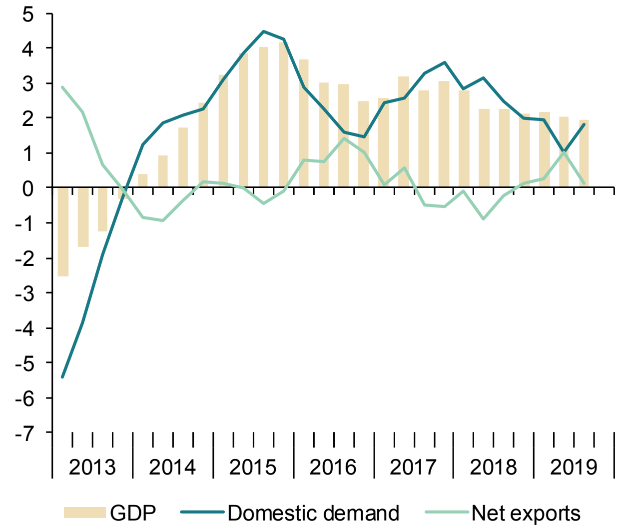


Chart 1.3 - Final consumption

Annual percentage change

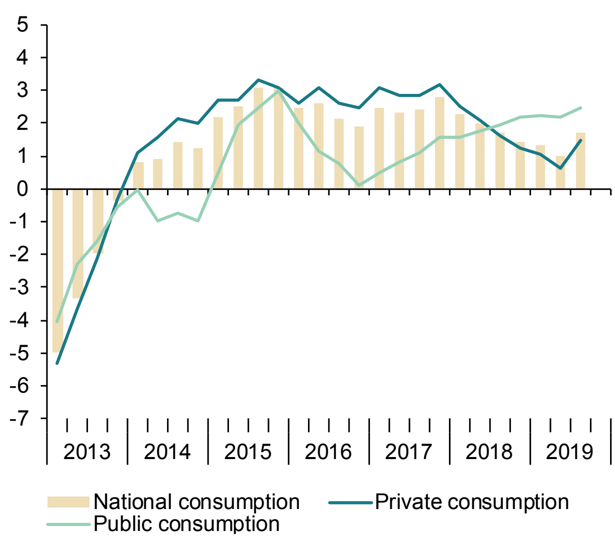


Chart 1.4 - Gross fixed capital formation

Annual percentage change

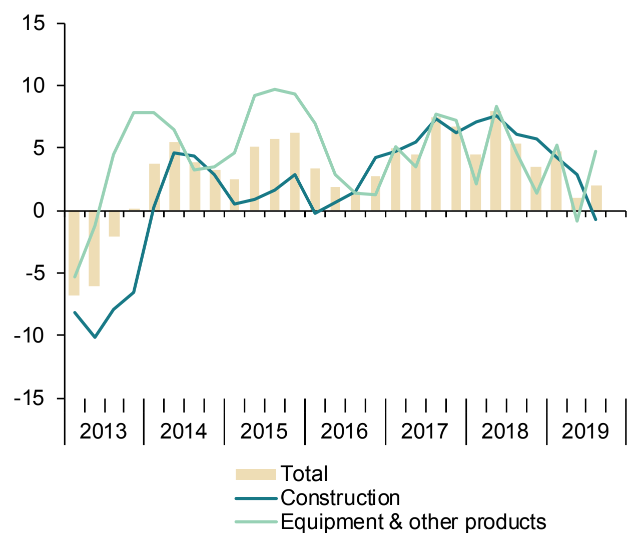


Table 2

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										
2012		-2.9	-9.4	-5.3	-5.8	-9.6	-1.4	-1.7	-1.3	-3.8
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
2017	IV	3.1	0.9	4.2	6.6	5.2	2.8	1.5	3.2	2.3
2018	I	2.8	5.9	0.4	1.7	5.0	3.0	1.9	3.4	2.4
	II	2.4	7.8	-0.3	1.2	5.5	2.5	1.2	2.9	1.5
	III	2.4	3.0	-0.2	0.2	6.2	2.6	1.8	2.9	0.8
	IV	2.3	6.9	-1.5	-0.3	5.9	2.7	2.0	2.9	0.0
2019	I	2.4	0.0	-0.7	-0.1	6.4	2.9	2.1	3.2	-0.5
	II	2.3	-4.6	0.2	-0.3	5.2	2.8	2.3	2.9	-0.4
	III	2.2	0.1	1.8	1.2	2.4	2.4	1.9	2.6	-0.6
Chain-linked volumes, quarter-on-quarter percentage changes, at annual rate										
2017	IV	2.9	7.7	3.2	2.3	6.5	2.4	1.5	2.6	1.8
2018	I	2.0	10.5	-1.7	-0.7	4.4	2.3	1.4	2.5	1.9
	II	2.4	8.3	-1.9	0.5	8.2	2.6	1.0	3.1	0.3
	III	2.3	-12.6	-0.3	-1.3	5.7	3.3	3.3	3.2	-0.6
	IV	2.6	25.0	-1.9	0.2	5.3	2.5	2.1	2.7	-1.4
2019	I	2.5	-15.4	1.2	0.1	6.4	3.2	1.8	3.7	-0.1
	II	1.7	-10.4	2.0	-0.2	3.4	2.0	1.8	2.1	0.7
	III	2.1	6.0	6.0	4.9	-5.2	1.8	1.7	1.8	-1.6
		Current prices EUR billions)	Percentage of value added at basic prices							
2012		948	2.6	16.3	12.1	6.6	74.5	18.5	56.0	8.7
2013		932	2.9	16.4	12.2	5.8	74.9	18.9	56.0	9.4
2014		940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015		978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016		1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017		1,053	3.1	16.2	12.6	6.0	74.7	18.0	56.7	10.3
2018		1,088	3.1	15.9	12.4	6.2	74.8	18.0	56.9	10.5

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

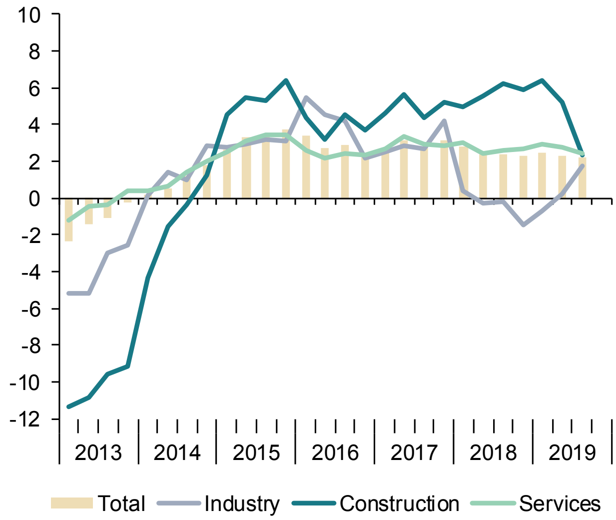


Chart 2.2 - GVA, Industry

Annual percentage change

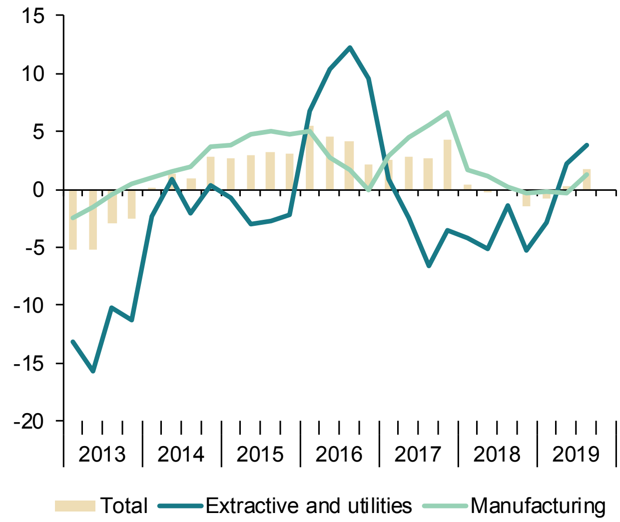


Chart 2.3 - GVA, services

Annual percentage change

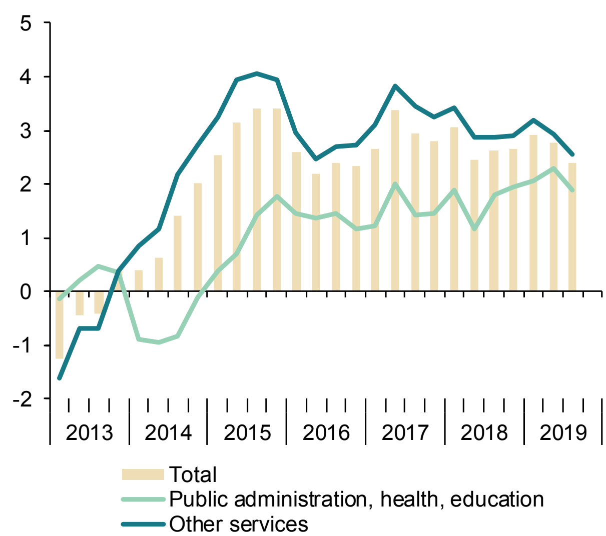


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

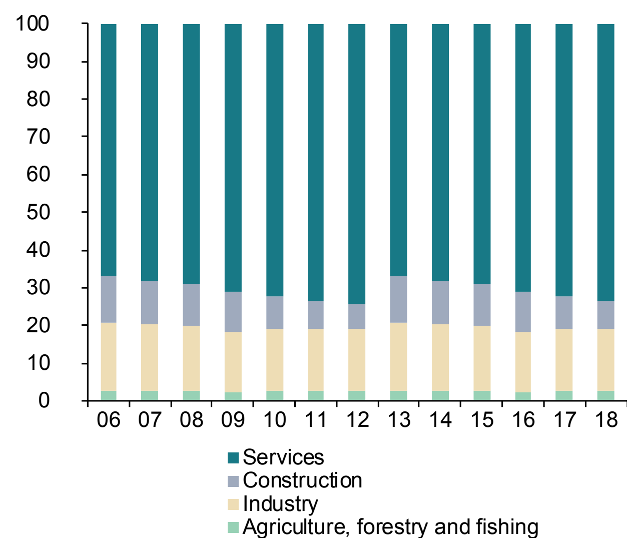


Table 3

National accounts: Productivity and labour costs

Forecasts in yellow

		Total economy						Manufacturing Industry					
		GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)
		1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
Indexes, 2010 = 100, SWDA													
2012		96.4	92.4	104.3	99.9	95.7	96.1	94.6	87.6	108.0	103.6	95.9	98.8
2013		95.0	89.3	106.4	101.1	95.1	95.1	93.7	82.7	113.2	105.4	93.1	95.3
2014		96.3	90.2	106.8	101.4	95.0	95.2	95.6	81.2	117.7	106.1	90.2	92.2
2015		100.0	93.0	107.5	102.0	94.9	94.6	100.0	83.1	120.3	105.4	87.6	89.8
2016		103.0	95.6	107.7	101.4	94.1	93.5	102.3	86.0	119.0	105.5	88.7	90.2
2017		106.0	98.3	107.8	102.1	94.7	92.9	107.3	89.2	120.3	106.5	88.5	89.4
2018		108.5	100.8	107.6	103.2	95.9	92.9	108.0	91.0	118.7	107.0	90.1	90.0
2019		110.6	103.0	107.3	105.2	98.0	94.0	--	--	--	--	--	--
2020		112.2	104.2	107.7	106.3	98.7	93.6	--	--	--	--	--	--
2021		114.2	105.8	108.0	107.5	99.6	93.4	--	--	--	--	--	--
2017	IV	107.1	99.3	107.9	102.5	95.0	92.7	108.3	90.8	119.3	107.9	90.4	90.1
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	97.4	93.8	107.9	91.8	117.6	107.6	91.5	90.6
	II	110.4	103.0	107.2	105.2	98.1	93.5	107.9	92.4	116.8	107.8	92.3	90.2
	III	110.9	103.1	107.6	105.7	98.2	93.6	109.2	93.5	116.8	107.7	92.2	90.8
Annual percentage changes													
2012		-3.0	-5.0	2.1	-0.4	-2.5	-2.4	-5.8	-8.1	2.4	2.0	-0.4	0.0
2013		-1.4	-3.3	2.0	1.3	-0.7	-1.1	-1.0	-5.5	4.8	1.7	-2.9	-3.5
2014		1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3
2015		3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6
2016		3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4
2017		2.9	2.8	0.0	0.7	0.7	-0.7	4.9	3.7	1.1	1.0	-0.2	-0.9
2018		2.4	2.5	-0.2	1.0	1.2	0.1	0.7	2.0	-1.3	0.5	1.8	0.7
2019		1.9	2.2	-0.3	1.9	2.2	1.1	--	--	--	--	--	--
2020		1.5	1.1	0.4	1.1	0.7	-0.4	--	--	--	--	--	--
2021		1.8	1.5	0.2	1.1	0.9	-0.2	--	--	--	--	--	--
2017	IV	3.0	2.9	0.1	0.8	0.6	-0.9	6.6	4.1	2.4	1.9	-0.5	-1.1
2018	I	2.8	2.6	0.2	0.6	0.4	-0.8	1.7	3.6	-1.8	0.4	2.3	0.8
	II	2.3	2.4	-0.1	0.9	1.0	-0.1	1.2	2.9	-1.7	0.5	2.3	0.6
	III	2.2	2.5	-0.2	1.3	1.5	0.6	0.2	1.5	-1.3	0.9	2.3	0.8
	IV	2.1	2.7	-0.6	1.3	1.9	0.6	-0.3	0.2	-0.5	0.0	0.6	0.8
2019	I	2.2	2.7	-0.6	1.9	2.5	1.2	-0.1	1.0	-1.1	1.1	2.3	0.8
	II	2.0	2.5	-0.5	2.4	2.8	1.0	-0.3	1.4	-1.6	1.1	2.8	0.8
	III	2.0	1.8	0.1	2.2	2.1	0.4	1.2	2.7	-1.4	0.6	2.1	0.8

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

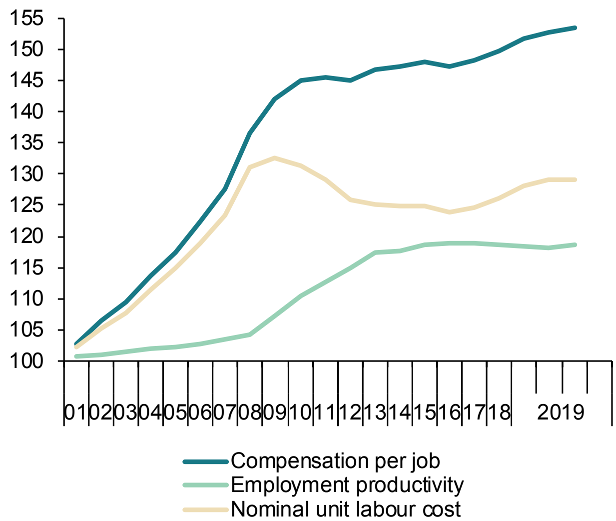
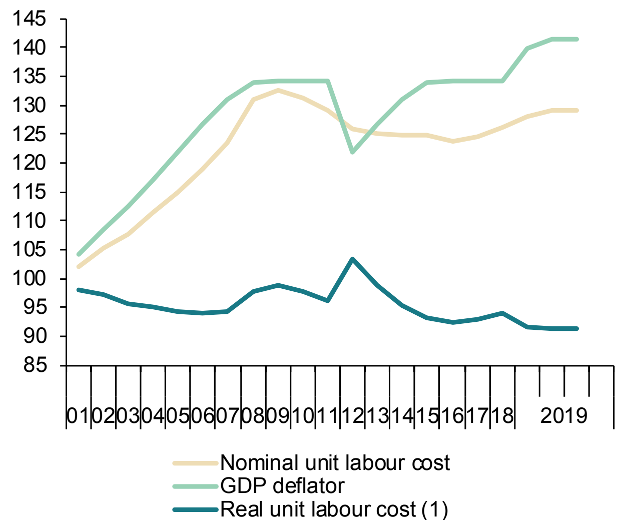


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

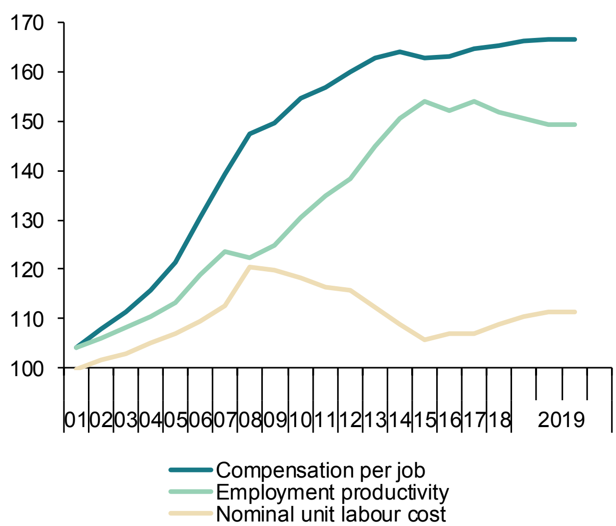
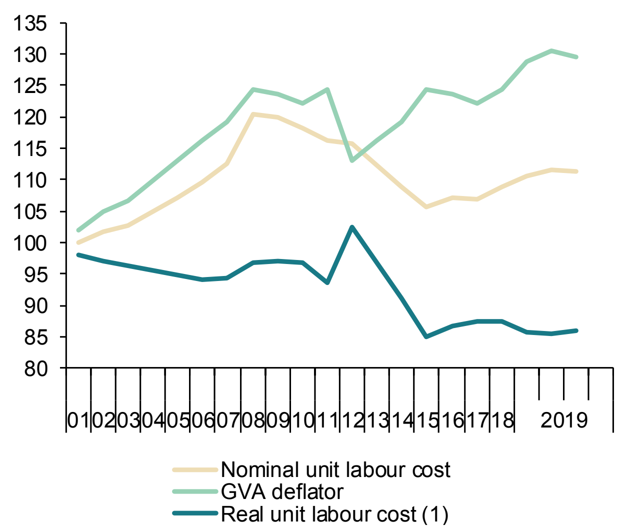


Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100



(1) Nominal ULC deflated by GDP 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					
2012		1,031.1	481.4	458.5	1,010.7	819.7	191.0	190.1	46.7	44.5	18.5	18.4	0.1	0.6
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		1,238.3	568.7	537.8	1,224.1	948.9	275.2	255.3	45.9	43.4	22.2	20.6	1.6	2.0
2020		1,270.6	583.0	552.0	1,258.0	969.9	288.1	263.3	45.9	43.4	22.7	20.7	2.0	2.3
2021		1,307.1	600.1	567.0	1,294.7	992.2	302.5	277.1	45.9	43.4	23.1	21.2	1.9	2.3
2017	IV	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	I	1,173.2	528.1	524.1	1,161.7	902.1	259.6	228.9	45.0	44.7	22.1	19.5	2.6	2.9
	II	1,182.9	533.1	527.0	1,172.8	909.0	263.8	234.9	45.1	44.5	22.3	19.9	2.4	2.7
	III	1,192.2	538.7	529.1	1,181.7	917.2	264.6	239.1	45.2	44.4	22.2	20.1	2.1	2.5
	IV	1,202.2	544.6	531.8	1,192.9	924.6	268.2	244.9	45.3	44.2	22.3	20.4	1.9	2.4
2019	I	1,212.4	551.3	533.9	1,202.7	931.4	271.3	251.3	45.5	44.0	22.4	20.7	1.6	2.1
	II	1,224.0	558.3	538.2	1,214.1	938.6	275.6	254.3	45.6	44.0	22.5	20.8	1.7	2.2
	III	1,235.2	564.5	542.6	--	945.6	--	257.6	45.7	43.9	--	20.9	--	--
		Annual percentage changes							Difference from one year ago					
2012		-3.1	-6.2	-1.2	-2.1	-2.6	0.6	-13.1	-1.6	0.8	0.7	-2.1	2.8	3.0
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		3.0	4.4	1.1	2.6	2.6	2.6	4.2	0.6	-0.8	-0.1	0.2	-0.3	-0.4
2020		2.6	2.5	2.6	2.8	2.2	4.7	3.1	0.0	0.0	0.5	0.1	0.4	0.3
2021		2.9	2.9	2.7	2.9	2.3	5.0	5.3	0.0	0.0	0.4	0.5	-0.1	0.0
2017	IV	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	I	4.4	3.9	4.9	4.0	3.8	4.4	8.3	-0.2	0.2	0.0	0.7	-0.7	-0.5
	II	4.0	3.9	4.0	4.0	3.6	5.6	9.3	0.0	0.0	0.3	1.0	-0.6	-0.5
	III	3.8	4.0	3.3	3.8	3.5	4.7	8.3	0.1	-0.2	0.2	0.8	-0.6	-0.5
	IV	3.5	4.0	2.5	3.6	3.4	4.4	8.5	0.2	-0.4	0.2	0.9	-0.7	-0.5
2019	I	3.3	4.4	1.9	3.5	3.3	4.5	9.8	0.5	-0.6	0.2	1.2	-1.0	-0.8
	II	3.5	4.7	2.1	3.5	3.3	4.5	8.3	0.5	-0.6	0.2	0.9	-0.7	-0.5
	III	3.6	4.8	2.6	--	3.1	--	7.8	0.5	-0.5	--	0.8	--	--

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

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

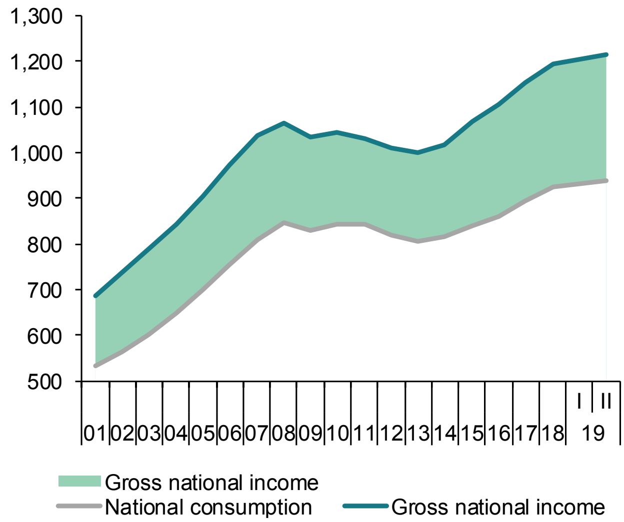


Chart 4.2 - National income, consumption and saving rate

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

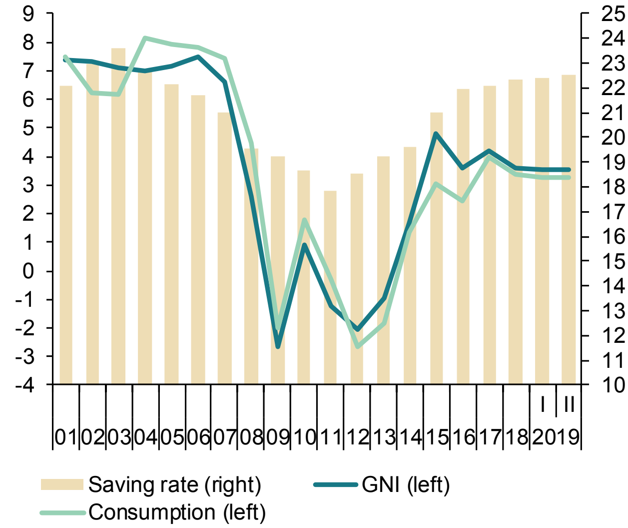


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

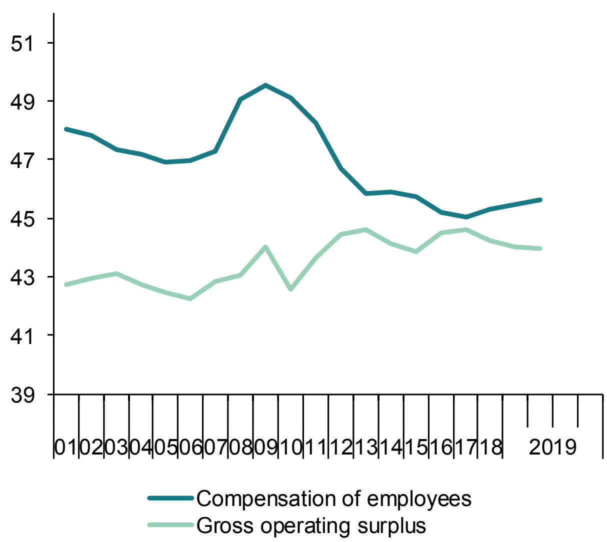


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

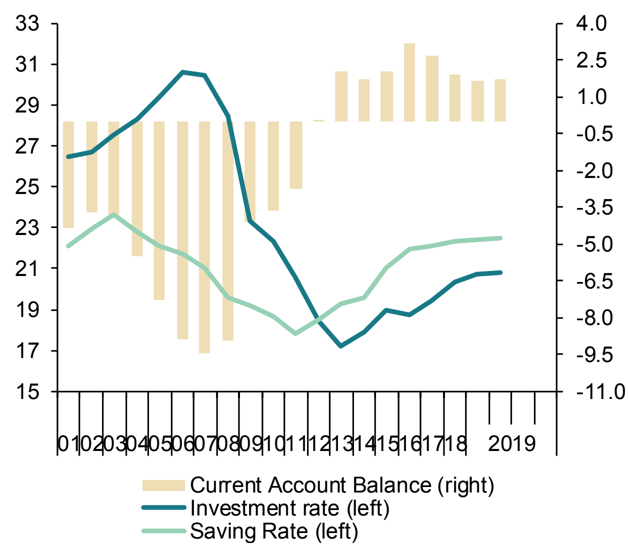


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions, 4-quarter cumulated operations				Percentage of GDP			EUR Billions, 4-quarter cumulated operations			Percentage of GDP		
2012		658.2	613.7	42.8	42.5	6.5	4.1	0.1	227.3	155.9	114.2	15.1	11.1	4.3
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		776.9	713.0	61.1	46.5	7.9	3.8	1.1	271.2	195.8	180.5	15.8	14.6	1.4
2020		793.5	727.5	63.2	49.7	8.0	3.9	1.0	279.3	207.3	185.1	16.3	14.6	1.9
2021		812.1	743.6	65.7	53.5	8.1	4.1	0.9	289.2	211.5	194.4	16.2	14.9	1.5
2017	III	713.7	671.3	39.7	35.8	5.6	3.1	0.1	262.4	197.2	156.5	17.2	13.6	3.7
	IV	721.1	678.2	39.8	37.1	5.5	3.2	0.0	266.8	202.1	160.1	17.4	13.8	3.8
2018	I	727.0	684.3	39.8	37.0	5.5	3.2	0.0	268.4	203.9	163.6	17.4	14.0	3.6
	II	734.0	689.5	41.6	38.3	5.7	3.2	0.1	269.5	204.6	166.7	17.3	14.1	3.4
	III	739.7	695.5	41.5	39.3	5.6	3.3	0.0	270.0	202.2	172.1	17.0	14.5	2.7
	IV	747.9	700.8	44.3	41.4	5.9	3.4	0.0	270.0	198.8	175.0	16.5	14.6	2.2
2019	I	755.0	705.5	46.8	42.0	6.2	3.5	0.2	271.1	199.2	179.6	16.4	14.8	1.9
	II	766.9	709.1	55.3	41.6	7.2	3.4	0.9	272.9	198.0	184.3	16.2	15.1	1.4
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2012		-5.2	-1.3	-39.2	-22.0	-3.6	-1.0	-1.5	-1.3	4.8	1.1	1.1	0.5	0.6
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	1.7	38.0	12.3	1.9	0.3	1.1	0.4	-1.5	3.1	-0.7	0.0	-0.8
2020		2.1	2.0	3.4	6.8	0.1	0.2	-0.1	3.0	5.9	2.6	0.5	0.0	0.5
2021		2.3	2.2	4.0	7.6	0.1	0.2	-0.1	3.5	2.0	5.0	-0.1	0.3	-0.5
2017	III	2.7	4.5	-20.5	15.0	-1.6	0.3	-1.4	3.9	-0.6	6.2	-0.8	0.3	-1.2
	IV	2.9	4.6	-19.3	16.8	-1.5	0.3	-1.4	4.5	3.0	7.3	-0.2	0.4	-0.7
2018	I	3.2	4.2	-9.8	9.5	-0.8	0.2	-0.7	4.1	2.4	9.2	-0.3	0.6	-1.0
	II	3.3	3.7	-2.3	11.5	-0.3	0.2	-0.5	3.2	4.0	8.6	0.0	0.6	-0.6
	III	3.6	3.6	4.6	10.0	0.0	0.2	-0.1	2.9	2.5	10.0	-0.2	0.8	-1.0
	IV	3.7	3.3	11.3	11.6	0.4	0.2	0.0	1.2	-1.6	9.4	-0.9	0.8	-1.5
2019	I	3.9	3.1	17.6	13.4	0.7	0.3	0.2	1.0	-2.3	9.8	-1.0	0.8	-1.7
	II	4.5	2.8	32.9	8.5	1.5	0.2	0.9	1.3	-3.3	10.6	-1.1	1.0	-2.0

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

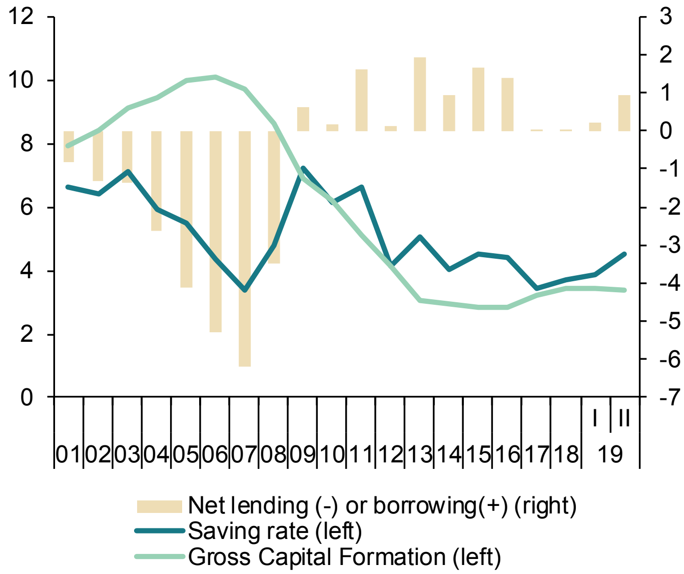


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

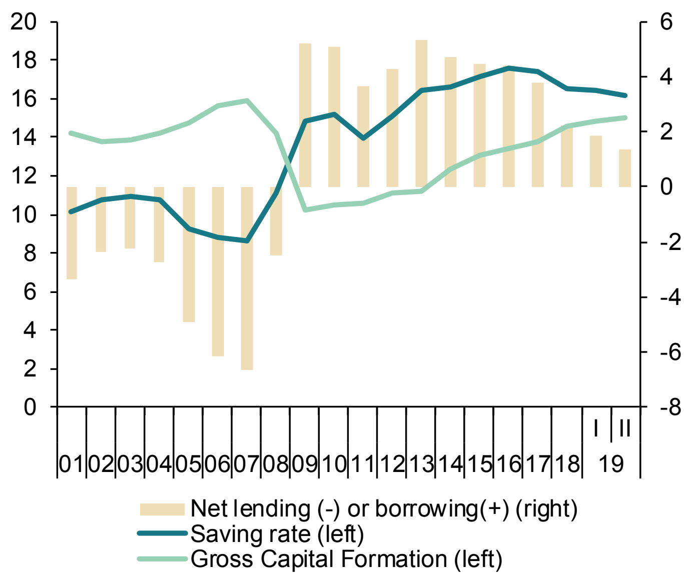


Table 6

National accounts: Public revenue, expenditure and deficit

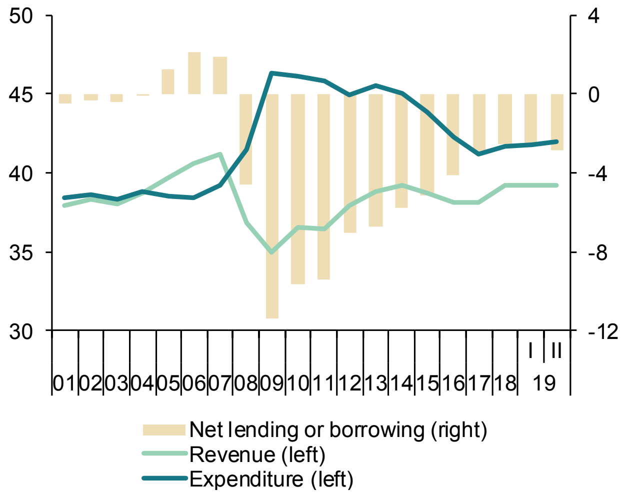
Forecasts in yellow

		Gross value added	Taxes on production and imports receivable	Taxes on income and weath receivable	Social contributions receivable	Compensation of employees	Interests and other capital incomes payable (net)	Social benefits payable	Subsidies and net current transfers payable	Gross disposable income	Final consumption expenditure	Gross saving	Net capital expenditure	Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		1	2	3	4	5	6	7	8	9=1+2+3+4-5-6-7-8	10	11=9-10	12	13=11-12	14
		EUR Billions, 4-quarter cumulated operations													
2012		143.0	105.0	103.0	129.8	113.6	20.6	167.9	19.2	159.5	206.0	-46.5	64.2	-110.7	-72.4
2013		143.5	112.4	102.2	126.9	114.4	23.7	170.4	20.4	156.0	202.9	-46.8	25.0	-71.8	-68.5
2014		143.5	118.0	104.4	129.0	115.0	25.0	170.7	20.5	163.8	202.7	-38.9	22.2	-61.1	-59.7
2015		147.6	126.0	107.1	131.5	119.2	23.4	170.2	21.4	177.9	209.9	-32.0	23.8	-55.8	-55.2
2016		149.8	128.4	110.0	135.6	121.5	22.0	173.7	20.8	185.7	212.3	-26.5	21.4	-48.0	-45.6
2017		152.2	134.5	116.9	142.4	123.5	21.8	177.3	20.3	203.1	216.3	-13.2	21.9	-35.1	-34.6
2018		156.7	140.4	127.3	149.4	127.6	21.5	185.2	21.4	218.1	223.8	-5.7	24.8	-30.5	-30.4
2019		166.0	146.5	132.4	162.2	133.4	21.5	199.1	22.1	231.1	235.9	-4.8	25.3	-30.1	-30.1
2020		170.1	150.4	136.2	165.6	137.0	21.2	205.6	22.3	236.2	242.4	-6.2	25.7	-31.9	-31.9
2021		174.2	155.0	140.6	170.4	140.6	20.7	210.2	22.1	246.5	248.6	-2.1	26.3	-28.4	-28.4
2017	III	151.1	133.8	117.7	140.5	122.6	21.8	175.9	20.3	202.6	214.8	-12.2	21.7	-33.9	-33.4
	IV	152.2	134.5	116.9	142.4	123.5	21.8	177.3	20.3	203.1	216.3	-13.2	21.9	-35.1	-34.6
2018	I	152.9	136.0	118.7	144.3	124.0	21.5	178.5	21.2	206.7	217.5	-10.8	23.4	-34.2	-33.8
	II	153.8	137.9	120.1	146.0	124.8	20.9	180.0	20.8	211.3	219.0	-7.6	25.0	-32.6	-32.5
	III	155.2	138.9	123.0	147.7	126.0	20.9	182.7	20.8	214.5	221.2	-6.7	25.1	-31.8	-31.7
	IV	156.7	140.4	127.3	149.4	127.6	21.5	185.2	21.4	218.1	223.8	-5.7	24.8	-30.5	-30.4
2019	I	158.4	141.9	127.0	152.4	129.3	20.6	187.9	22.1	219.9	226.3	-6.4	24.7	-31.1	-31.3
	II	160.8	141.7	129.0	155.3	131.6	21.0	192.2	22.6	219.2	229.3	-10.0	24.6	-34.6	-34.6
		Percentage of GDP, 4-quarter cumulated operations													
2012		13.9	10.2	10.0	12.6	11.0	2.0	16.3	1.9	15.5	20.0	-4.5	6.2	-10.7	-7.0
2013		14.1	11.0	10.0	12.4	11.2	2.3	16.7	2.0	15.3	19.9	-4.6	2.4	-7.0	-6.7
2014		13.9	11.4	10.1	12.5	11.1	2.4	16.5	2.0	15.9	19.6	-3.8	2.1	-5.9	-5.8
2015		13.7	11.7	9.9	12.2	11.1	2.2	15.8	2.0	16.5	19.5	-3.0	2.2	-5.2	-5.1
2016		13.4	11.5	9.9	12.2	10.9	2.0	15.6	1.9	16.7	19.1	-2.4	1.9	-4.3	-4.1
2017		13.1	11.6	10.1	12.3	10.6	1.9	15.3	1.7	17.5	18.6	-1.1	1.9	-3.0	-3.0
2018		13.0	11.7	10.6	12.4	10.6	1.8	15.4	1.8	18.1	18.6	-0.5	2.1	-2.5	-2.5
2019		13.4	11.8	10.7	13.1	10.8	1.7	16.1	1.8	18.7	19.1	-0.4	2.0	-2.4	-2.4
2020		13.4	11.8	10.7	13.0	10.8	1.7	16.2	1.8	18.6	19.1	-0.5	2.0	-2.5	-2.5
2021		13.3	11.9	10.8	13.0	10.8	1.6	16.1	1.7	18.9	19.0	-0.2	2.0	-2.2	-2.2
2017	III	13.2	11.7	10.2	12.2	10.7	1.9	15.3	1.8	17.6	18.7	-1.1	1.9	-3.0	-2.9
	IV	13.1	11.6	10.1	12.3	10.6	1.9	15.3	1.7	17.5	18.6	-1.1	1.9	-3.0	-3.0
2018	I	13.0	11.6	10.1	12.3	10.6	1.8	15.2	1.8	17.6	18.6	-0.9	2.0	-2.9	-2.9
	II	13.0	11.7	10.2	12.4	10.6	1.8	15.2	1.8	17.9	18.5	-0.6	2.1	-2.8	-2.7
	III	13.0	11.7	10.3	12.4	10.6	1.8	15.3	1.7	18.0	18.6	-0.6	2.1	-2.7	-2.7
	IV	13.0	11.7	10.6	12.4	10.6	1.8	15.4	1.8	18.1	18.6	-0.5	2.1	-2.5	-2.5
2019	I	13.1	11.7	10.5	12.6	10.7	1.7	15.5	1.8	18.1	18.6	-0.5	2.0	-2.6	-2.6
	II	13.1	11.6	10.5	12.7	10.8	1.7	15.7	1.8	17.9	18.7	-0.8	2.0	-2.8	-2.8

Source: INE 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 revenues

Percentage of GDP, 4-quarter moving averages

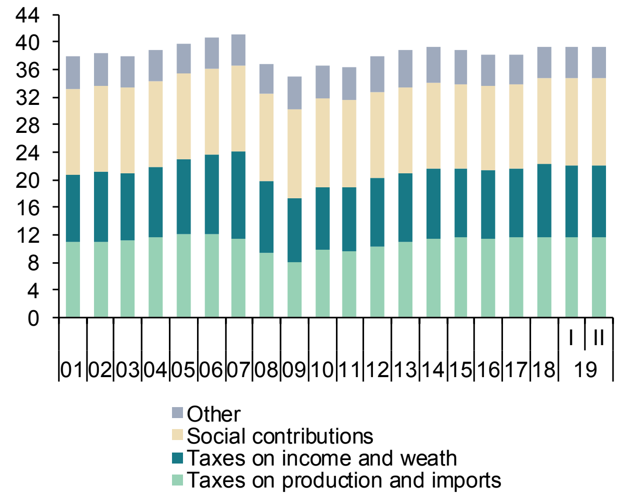


Chart 6.3.- Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

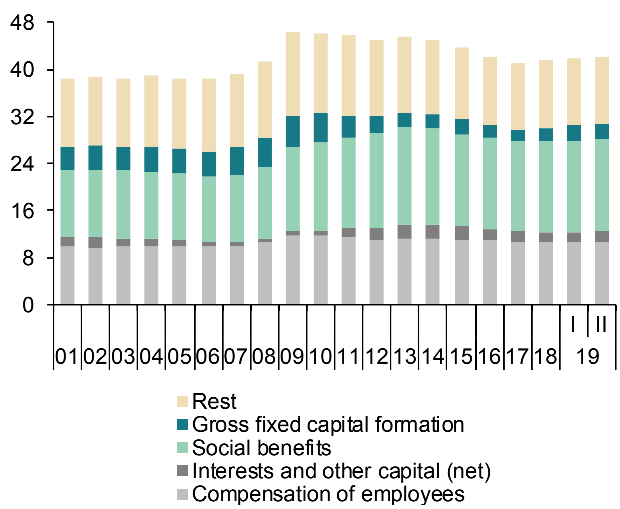
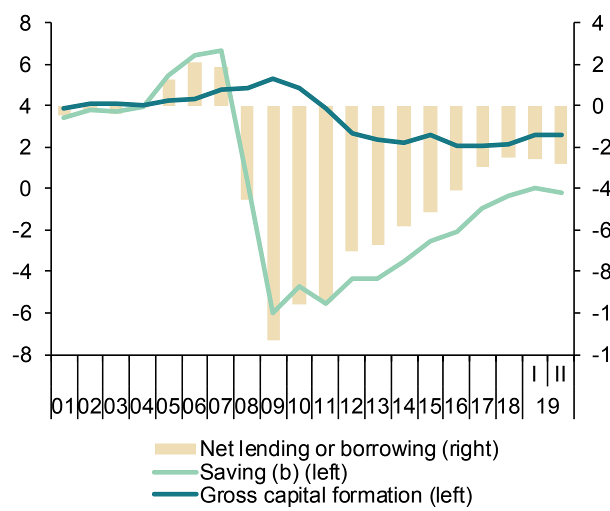


Chart 6.4 - Public sector: Saving, investment and deficit (a)

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures
(b) Including net capital transfers

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				
2012		-45.1	-20.6	3.3	-10.0	-72.4	761.2	189.2	44.0	17.2	889.9
2013		-46.5	-16.4	5.7	-11.3	-68.5	849.4	210.5	42.1	17.2	977.3
2014		-35.9	-18.7	5.5	-10.6	-59.7	901.4	237.9	38.3	17.2	1,039.4
2015		-28.2	-18.9	4.6	-12.9	-55.2	939.3	263.3	35.1	17.2	1,070.1
2016		-25.7	-9.5	7.0	-17.4	-45.6	968.4	277.0	32.2	17.2	1,104.6
2017		-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018		-15.9	-3.3	6.1	-17.4	-30.4	1,047.2	293.4	25.8	41.2	1,173.3
2019		--	--	--	--	-30.1	--	--	--	--	1,202.4
2020		--	--	--	--	-31.9	--	--	--	--	1,233.3
2021		--	--	--	--	-28.4	--	--	--	--	1,260.6
2017	III	-15.6	-6.7	7.1	-18.2	-33.4	999.1	284.4	30.5	23.2	1,137.0
	IV	-20.6	-4.2	6.9	-16.8	-34.6	1,011.5	288.1	29.0	27.4	1,145.1
2018	I	-21.4	-3.1	6.7	-16.0	-33.8	1,029.0	289.7	29.0	27.4	1,162.1
	II	-18.6	-2.9	5.5	-16.5	-32.5	1,034.9	293.3	29.4	34.9	1,165.9
	III	-18.0	-2.9	5.2	-16.0	-31.7	1,048.7	292.4	28.0	34.9	1,177.7
	IV	-15.9	-3.3	6.1	-17.4	-30.4	1,047.2	293.4	25.8	41.2	1,173.3
2019	I	-18.4	-3.1	5.6	-15.3	-31.3	1,069.8	296.9	26.0	43.1	1,200.4
	II	-18.2	-3.7	5.8	-18.3	-34.5	1,075.5	300.6	26.2	48.7	1,210.9
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
2012		-4.4	-2.0	0.3	-1.0	-7.0	73.8	18.3	4.3	1.7	86.3
2013		-4.6	-1.6	0.6	-1.1	-6.7	83.3	20.6	4.1	1.7	95.8
2014		-3.5	-1.8	0.5	-1.0	-5.8	87.3	23.1	3.7	1.7	100.7
2015		-2.6	-1.8	0.4	-1.2	-5.1	87.2	24.4	3.3	1.6	99.3
2016		-2.3	-0.9	0.6	-1.6	-4.1	86.9	24.9	2.9	1.5	99.2
2017		-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018		-1.3	-0.3	0.5	-1.4	-2.5	87.1	24.4	2.1	3.4	97.6
2019		--	--	--	--	-2.4	--	--	--	--	97.1
2020		--	--	--	--	-2.5	--	--	--	--	97.1
2021		--	--	--	--	-2.2	--	--	--	--	96.4
2017	III	-1.4	-0.6	0.6	-1.6	-2.9	87.0	24.8	2.7	2.0	99.0
	IV	-1.8	-0.4	0.6	-1.4	-3.0	87.1	24.8	2.5	2.4	98.6
2018	I	-1.8	-0.3	0.6	-1.4	-2.9	87.8	24.7	2.5	2.3	99.2
	II	-1.6	-0.2	0.5	-1.4	-2.7	87.5	24.8	2.5	3.0	98.6
	III	-1.5	-0.2	0.4	-1.3	-2.7	88.1	24.6	2.4	2.9	98.9
	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	88.2	24.5	2.1	3.5	98.9
	II	-1.5	-0.3	0.5	-1.5	-2.8	87.8	24.6	2.1	4.0	98.9

(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

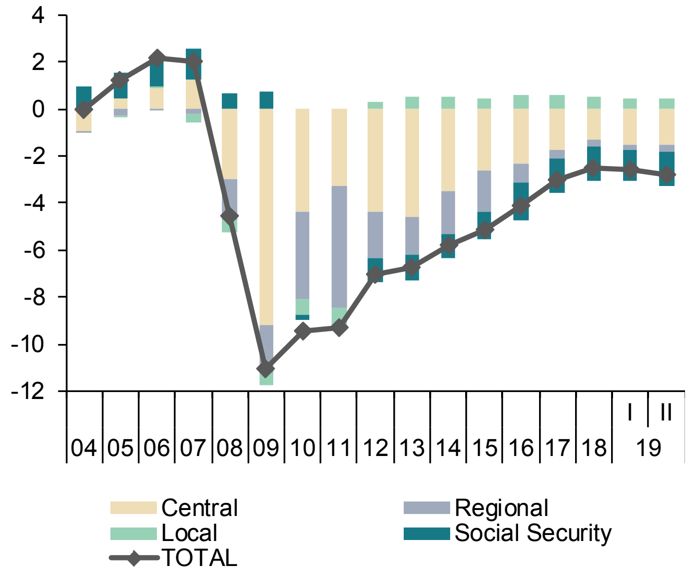


Chart 7.2 - Government debt

Percent of GDP

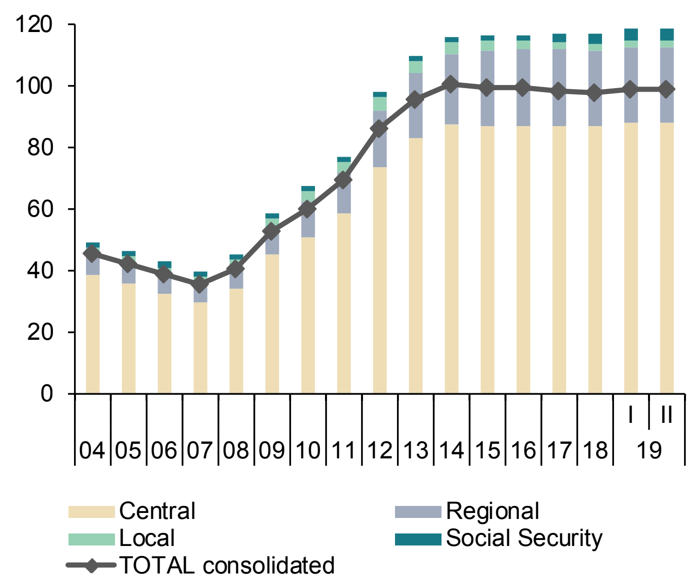


Table 8

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	Manufac turing 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
2012		86.3	43.1	16,335.3	255.7	97.1	2,113.9	43.8	-17.6	96.7	-37.1
2013		90.6	48.3	15,855.2	250.0	95.5	2,021.6	48.5	-14.0	94.2	-30.7
2014		100.7	55.1	16,111.1	249.6	96.8	2,022.8	53.2	-7.1	96.1	-16.3
2015		107.6	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		108.3	56.2	17,789.6	258.4	105.0	2,191.0	54.8	1.0	107.0	2.2
2018		108.0	54.6	18,364.5	259.3	105.3	2,250.9	53.3	-0.1	108.6	-0.2
2019 (b)		104.8	52.8	18,824.5	208.3	106.3	2,281.6	49.5	-3.9	108.3	-5.3
2018	I	109.6	56.6	18,155.0	65.3	106.1	2,234.7	55.3	2.8	109.1	1.2
	II	109.4	55.4	18,292.3	64.8	105.2	2,246.4	53.8	1.2	109.2	2.9
	III	106.7	52.7	18,431.8	65.3	105.5	2,257.1	52.4	-2.6	109.2	-2.4
	IV	106.4	53.7	18,580.5	64.1	104.9	2,265.9	51.8	-1.9	109.0	-2.4
2019	I	105.2	54.5	18,701.5	63.8	106.1	2,273.7	51.1	-3.8	109.1	-5.9
	II	104.8	52.4	18,808.9	63.2	106.8	2,280.6	49.9	-4.6	109.4	-2.7
	III	105.6	52.0	18,894.6	62.6	106.7	2,286.7	48.2	-2.0	109.6	-4.6
	IV (b)	101.2	51.2	18,963.8	21.0	--	2,290.4	46.8	-7.9	--	-13.6
2019	Aug	107.3	52.6	18,893.3	20.9	107.2	2,287.0	48.8	1.6	109.7	-0.2
	Sep	104.2	51.7	18,926.4	20.9	106.3	2,288.6	47.7	-4.6	--	-7.1
	Oct	101.2	51.2	18,963.8	20.9	--	2,290.4	46.8	-7.9	--	-13.6
					Percentage changes (c)						
2012		--	--	-3.7	-2.1	-6.7	-5.3	--	--	-4.9	--
2013		--	--	-2.9	-2.2	-1.6	-4.4	--	--	-2.6	--
2014		--	--	1.6	-0.2	1.3	0.1	--	--	2.0	--
2015		--	--	3.3	1.7	3.4	2.2	--	--	4.1	--
2016		--	--	3.1	0.0	1.8	2.8	--	--	2.7	--
2017		--	--	3.7	1.8	3.2	3.1	--	--	4.3	--
2018		--	--	3.2	0.3	0.3	2.7	--	--	1.5	--
2019 (d)		--	--	2.7	-2.9	0.9	1.5	--	--	0.7	--
2018	I	--	--	3.0	-0.6	-5.9	3.1	--	--	1.6	--
	II	--	--	3.1	-3.1	-3.4	2.1	--	--	0.4	--
	III	--	--	3.1	3.6	1.0	1.9	--	--	-0.3	--
	IV	--	--	3.3	-7.4	-2.3	1.6	--	--	-0.6	--
2019	I	--	--	2.6	-1.8	4.6	1.4	--	--	0.4	--
	II	--	--	2.3	-3.9	2.9	1.2	--	--	0.9	--
	III	--	--	1.8	-3.7	-0.4	1.1	--	--	1.0	--
	IV (e)	--	--	1.5	3.6	--	0.7	--	--	--	--
2019	Aug	--	--	0.2	-0.2	0.6	0.1	--	--	0.1	--
	Sep	--	--	0.2	0.6	-0.8	0.1	--	--	--	--
	Oct	--	--	0.2	0.5	--	0.1	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Annualized percent change from previous period

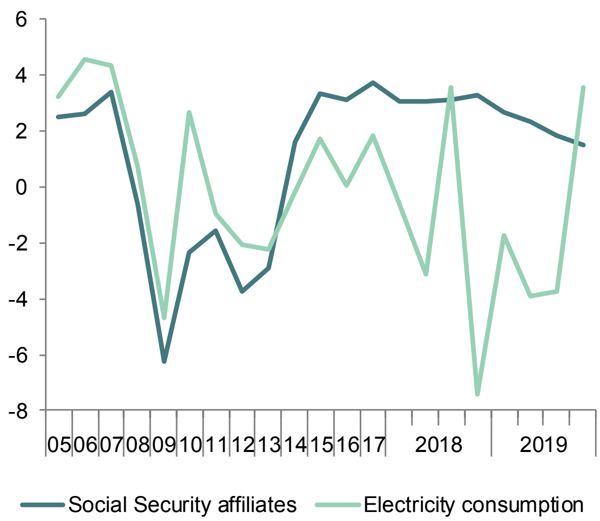


Chart 8.2.- General activity indicators (II)

Index

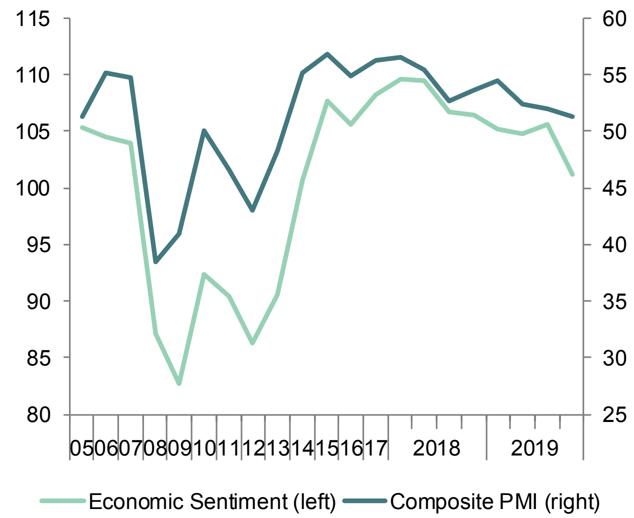


Chart 8.3 - Industrial sector indicators (I)

Annualized percent change from previous period

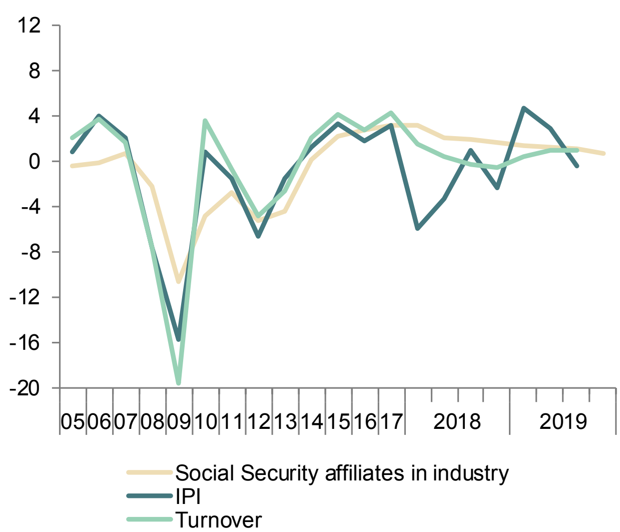


Chart 8.4 - Industrial sector indicators (II)

Index

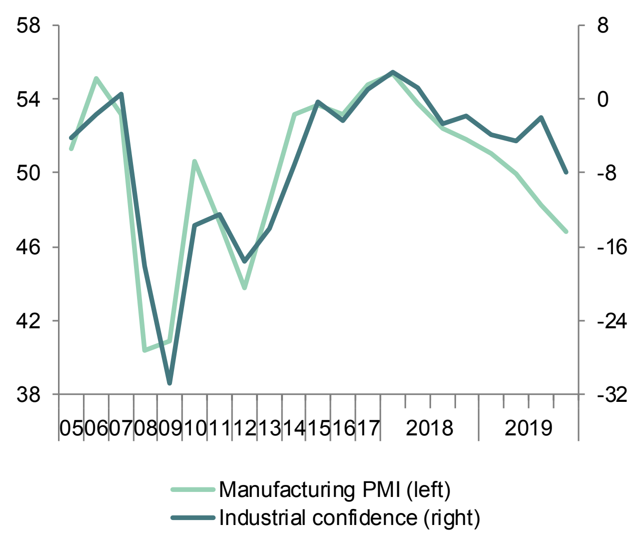


Table 9

Construction and services sector indicators (a)

	Construction indicators					Service sector indicators					
	Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
	Thousands	2015=100 (smoothed)	Balance of responses	EUR Billions (smoothed)	Million m²	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2012	1,135.5	101.2	-54.9	7.4	8.5	11,907.2	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 (b)	1,254.1	124.8	-5.5	14.6	14.0	14,150.4	120.6	53.9	277.4	214.2	14.4
2018 I	1,164.0	112.9	-4.3	3.8	4.7	13,624.9	115.4	56.8	85.3	64.6	23.5
II	1,182.5	113.6	-4.1	3.9	5.2	13,724.8	117.1	55.8	85.3	65.4	23.5
III	1,206.4	115.8	-8.3	4.4	4.9	13,830.9	118.7	52.6	85.7	66.4	21.6
IV	1,224.2	119.1	-1.6	5.0	5.0	13,944.0	120.0	54.0	86.3	67.6	18.0
2019 I	1,243.6	122.6	-0.6	5.1	5.2	14,038.7	121.1	55.3	86.6	68.4	15.5
II	1,252.6	123.9	-7.8	4.9	5.5	14,134.9	122.2	53.1	86.5	68.6	14.8
III	1,260.0	123.1	-7.4	4.5	3.2	14,211.8	122.9	53.5	86.1	68.5	14.2
IV (b)	1,266.0	--	-7.9	--	--	14,267.2	--	52.7	--	--	10.6
2019 Aug	1,259.7	123.1	-8.4	1.5	1.0	14,211.6	123.0	54.3	28.7	22.8	14.4
Sep	1,263.0	122.7	-10.3	1.4	--	14,237.7	--	53.3	28.6	22.8	14.4
Oct	1,266.0	--	-7.9	--	--	14,267.2	--	52.7	--	--	10.6
				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	8.6	--	37.2	24.8	3.8	6.6	--	2.8	8.3	--
2018	6.7	2.4	--	31.0	24.5	3.3	5.8	--	-0.2	5.8	--
2019 (d)	5.5	9.4	--	31.0	4.2	2.9	4.6	--	1.3	4.5	--
2018 I	5.4	0.3	--	59.1	18.9	3.3	6.4	--	-0.5	5.8	--
II	6.5	2.4	--	35.3	23.5	3.0	6.0	--	0.2	5.2	--
III	8.3	7.8	--	28.5	32.7	3.1	5.5	--	1.7	6.1	--
IV	6.0	12.1	--	32.1	23.3	3.3	4.4	--	3.0	7.4	--
2019 I	6.5	12.2	--	36.1	11.0	2.7	3.9	--	1.3	4.9	--
II	2.9	4.4	--	27.8	6.8	2.8	3.5	--	-0.6	1.1	--
III	2.4	-2.5	--	2.6	-10.4	2.2	2.4	--	-1.8	-0.2	--
IV (e)	1.9	--	--	--	--	1.6	--	--	--	--	--
2019 Aug	0.2	-0.4	--	-9.3	-16.0	0.2	0.2	--	-0.2	0.0	--
Sep	0.3	-0.4	--	17.6	--	0.2	--	--	-0.2	0.0	--
Oct	0.2	--	--	--	--	0.2	--	--	--	--	--

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

Sources: European 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)

Annualized percentage changes from previous period and index

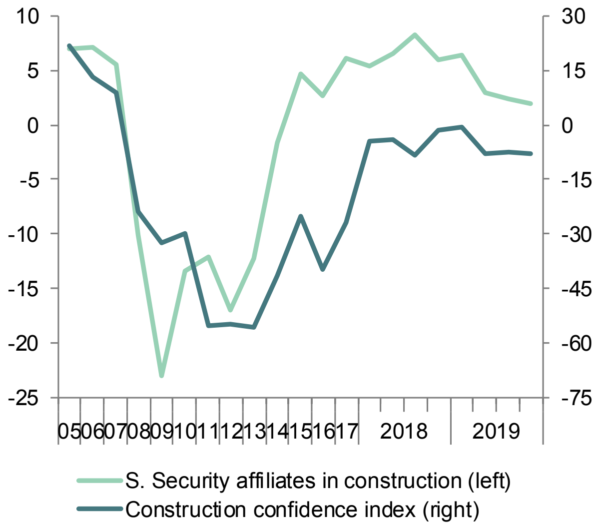


Chart 9.2 - Construction indicators (II)

Annualized percentage changes from previous period

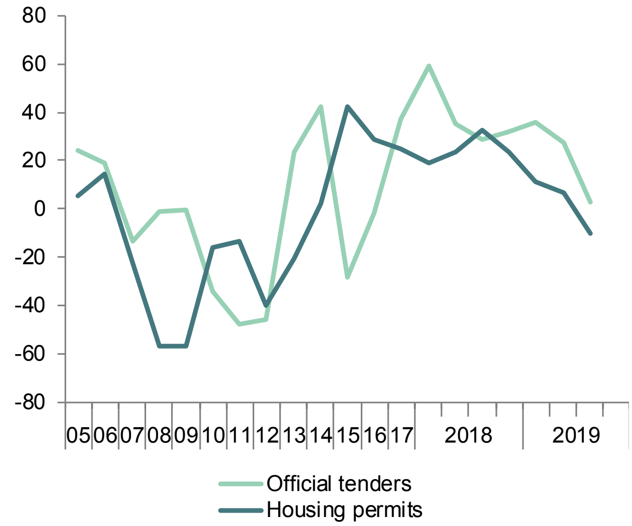


Chart 9.3 - Services indicators (I)

Annualized percentage change from previous period

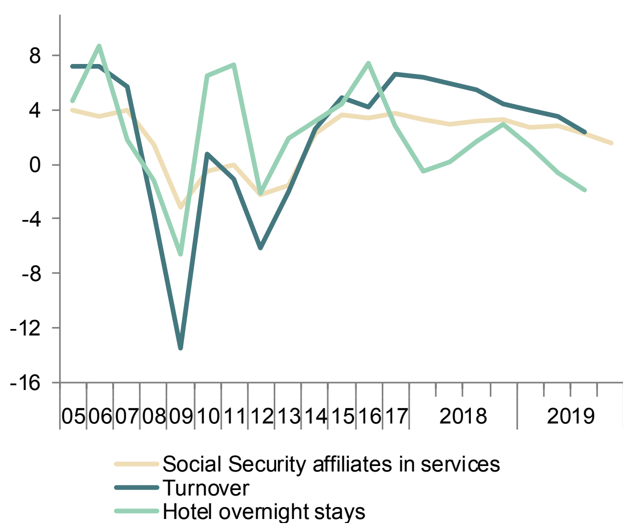


Chart 9.4 - Services indicators (II)

Index

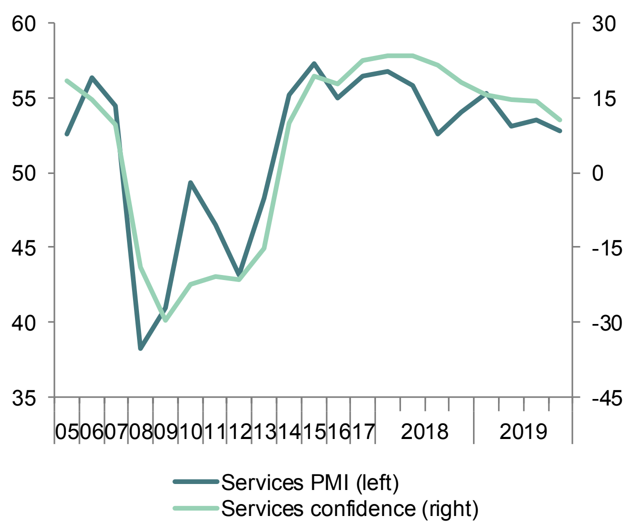


Table 10

Consumption and investment indicators (a)

		Consumption indicators					Investment in equipment indicators		
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)
2012		98.8	710.6	-33.7	102.1	-24.2	107.7	-38.6	60.6
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4
2019 (b)		105.9	1,053.4	-5.3	96.5	-3.3	165.7	10.0	102.9
2018	I	105.3	358.5	-3.9	29.0	-0.4	56.6	13.8	104.0
	II	105.3	361.8	-3.0	29.0	-5.1	57.7	15.7	106.2
	III	105.5	357.9	-3.7	29.2	-10.4	58.1	11.3	106.9
	IV	106.0	344.8	-6.2	29.6	-6.3	57.5	8.8	105.9
2019	I	106.8	338.5	-4.8	29.8	-3.5	56.8	10.9	105.7
	II	107.7	339.8	-4.0	30.0	-2.0	55.7	16.4	106.3
	III	108.6	345.4	-5.8	30.0	-4.2	54.5	6.8	106.5
	IV (b)	--	--	-9.1	--	-3.8	--	-2.2	--
2019	Aug	108.6	115.1	-6.2	10.0	-4.6	18.2	10.3	106.5
	Sep	108.9	115.9	-6.2	10.0	-4.4	18.0	-0.3	--
	Oct	--	--	-9.1	--	-3.8	--	-2.2	--
					Percentage changes (c)				
2012		-7.4	-12.1	--	-8.4	--	-24.2	--	-10.9
2013		-3.8	4.5	--	-1.4	--	-0.1	--	13.7
2014		1.1	19.9	--	4.1	--	27.8	--	18.4
2015		4.2	22.9	--	5.3	--	31.1	--	14.4
2016		3.9	12.4	--	3.6	--	6.1	--	4.1
2017		0.8	9.1	--	1.4	--	8.5	--	6.4
2018		0.7	6.1	--	0.6	--	10.8	--	2.0
2019 (d)		2.3	-5.9	--	3.6	--	-3.6	--	-0.2
2017	IV	0.3	14.3	--	1.2	--	15.8	--	-1.6
2018	I	0.4	7.8	--	0.1	--	12.0	--	5.4
	II	0.1	3.8	--	0.1	--	8.5	--	8.5
	III	0.7	-4.3	--	2.5	--	2.8	--	2.7
	IV	2.0	-13.9	--	4.9	--	-4.1	--	-3.8
2019	I	3.0	-7.0	--	3.6	--	-5.2	--	-0.7
	II	3.4	1.6	--	2.0	--	-7.1	--	2.3
	III (e)	3.3	6.7	--	0.4	--	-8.3	--	0.8
2019	Jul	0.3	0.5	--	0.0	--	-0.7	--	0.0
	Aug	0.3	0.7	--	0.0	--	-0.8	--	0.0
	Sep	0.3	0.7	--	-0.1	--	-0.9	--	--

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

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

Chart 10.1 - Consumption indicators

Percent change from previous period and balance of responses

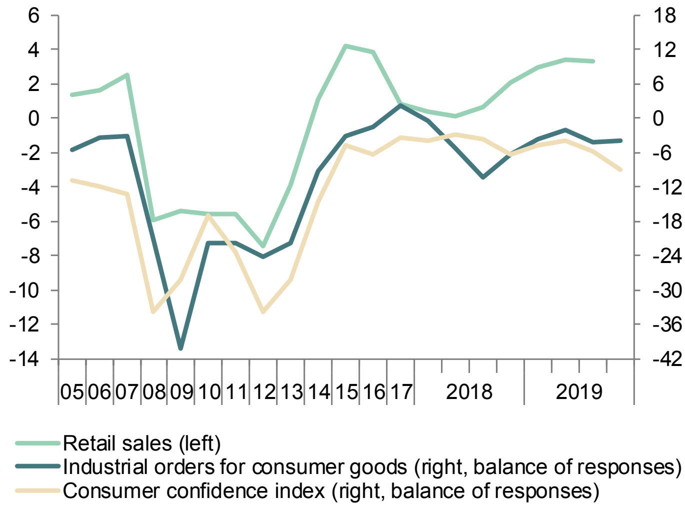


Chart 10.2 - Investment indicators

Percent change from previous period and balance of responses

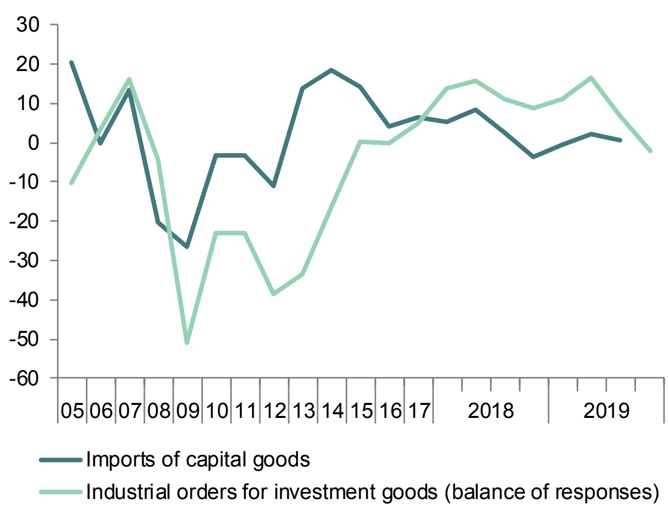


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
											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					
2012		38.8	23.4	--	17.6	--	5.8	--	60.4	45.4	24.8	52.9	23.0	35.9
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	--	19.7	--	3.2	--	58.6	50.3	14.1	--	--	--
2020		39.5	23.0	--	20.0	--	3.0	--	58.1	50.5	13.0	--	--	--
2021		39.7	23.1	--	20.3	--	2.8	--	58.1	51.0	12.1	--	--	--
2017	IV	38.7	22.8	22.8	19.0	18.9	3.8	3.9	58.8	48.8	16.5	37.5	15.6	23.6
2018	I	38.8	22.7	22.7	18.9	19.0	3.8	3.8	58.7	49.0	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	19.5	3.3	3.4	58.6	49.9	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	19.6	3.2	3.4	58.6	50.0	13.9	31.7	13.1	19.3
		Percentage changes (d)							Difference from one year ago					
2012		-0.5	0.0	--	-4.3	--	15.9	--	0.4	-2.3	3.4	6.7	3.5	3.3
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	0.8	--	2.2	--	-6.6	--	-0.1	0.6	-1.1	--	--	--
2020		0.7	-0.1	--	1.2	--	-8.0	--	-0.5	0.2	-1.1	--	--	--
2021		0.5	0.5	--	1.5	--	-6.2	--	0.0	0.5	-0.9	--	--	--
2017	IV	0.3	0.1	0.3	2.6	1.7	-11.1	-5.9	-0.2	1.1	-2.1	-5.5	-2.3	-1.1
2018	I	0.4	-0.1	-0.3	2.4	1.9	-10.8	-10.6	-0.3	0.9	-2.0	-5.3	-2.1	-1.2
	II	0.5	0.5	0.6	2.8	4.1	-10.8	-16.1	-0.1	1.1	-1.9	-4.8	-2.0	-1.7
	III	0.6	0.3	0.5	2.5	2.5	-10.9	-9.7	-0.2	0.9	-1.8	-3.0	-1.8	-2.1
	IV	0.8	0.5	0.8	3.0	3.4	-12.3	-12.6	-0.2	1.1	-2.1	-3.9	-2.0	-2.8
2019	I	0.9	0.7	0.7	3.2	2.5	-11.6	-9.3	-0.1	1.1	-2.0	-1.4	-1.9	-3.4
	II	1.0	0.9	1.3	2.4	1.0	-7.4	3.0	-0.1	0.7	-1.3	-1.5	-1.3	-1.7
	III	1.1	1.0	1.3	1.8	0.4	-3.4	7.1	0.0	0.4	-0.6	-1.3	-0.6	-1.3

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

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

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

Annual / annualized quarterly growth rates and percentage of active population

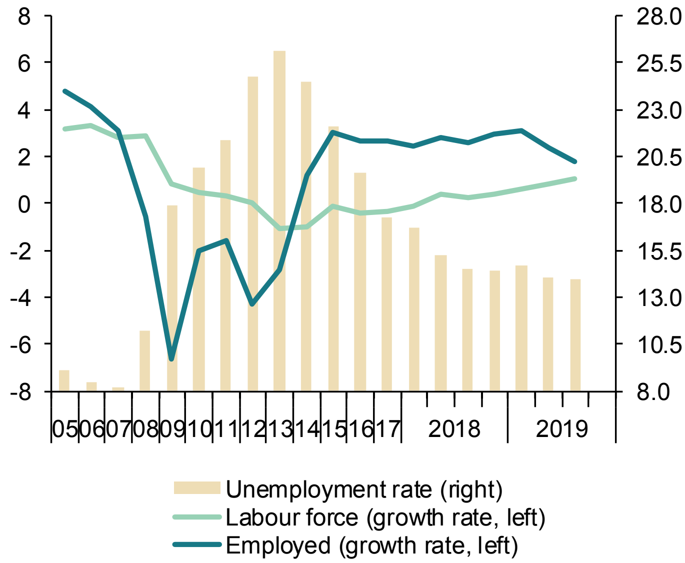


Chart 11a.2 - Unemployment rates, S.A.

Percentage

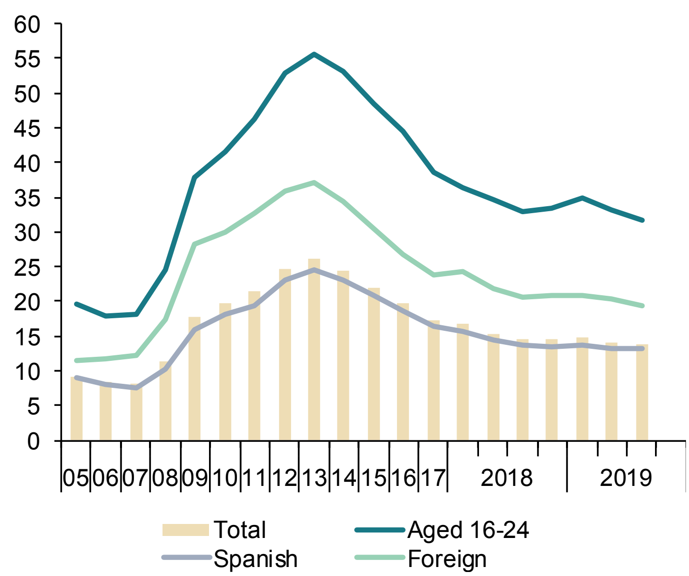


Table 11b

Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
						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)											
2012		0.74	2.48	1.16	13.24	14.57	3.41	11.16	23.4	3.06	15.08	2.55	14.49
2013		0.74	2.36	1.03	13.02	14.07	3.26	10.81	23.1	3.07	14.43	2.71	15.80
2014		0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91
2015		0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74
2016		0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21
2017		0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97
2018		0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31
2019 (c)		0.80	2.76	1.28	14.88	16.61	4.37	12.24	26.3	3.10	16.84	2.88	14.61
2017	IV	0.82	2.71	1.14	14.32	15.92	4.25	11.67	26.7	3.08	16.19	2.81	14.77
2018	I	0.83	2.68	1.15	14.21	15.79	4.12	11.67	26.1	3.08	16.06	2.81	14.91
	II	0.82	2.72	1.22	14.58	16.26	4.36	11.90	26.8	3.09	16.71	2.64	13.63
	III	0.77	2.73	1.24	14.79	16.43	4.51	11.93	27.4	3.09	16.81	2.71	13.90
	IV	0.83	2.71	1.28	14.75	16.45	4.42	12.03	26.9	3.11	16.67	2.89	14.80
2019	I	0.84	2.71	1.28	14.64	16.36	4.23	12.12	25.9	3.11	16.57	2.90	14.90
	II	0.81	2.76	1.28	14.95	16.69	4.40	12.29	26.4	3.12	16.85	2.95	14.90
	III	0.75	2.82	1.27	15.04	16.79	4.48	12.31	26.7	3.08	17.09	2.79	14.03
		Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
2012		-1.6	-4.6	-17.3	-3.0	-5.3	-11.8	-3.1	-1.7	1.1	-5.3	2.3	0.9
2013		-0.9	-5.2	-11.4	-1.7	-3.5	-4.6	-3.1	-0.3	0.4	-4.3	6.0	1.3
2014		-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1
2015		0.1	4.3	8.1	2.6	3.4	8.3	1.9	1.1	1.1	3.2	1.9	-0.2
2016		5.1	1.6	0.0	2.9	3.1	6.8	1.8	0.9	0.7	3.3	-0.8	-0.5
2017		5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2
2018		-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7
2019 (d)		-1.2	2.0	6.1	2.4	2.8	0.9	3.5	-0.5	0.6	1.9	5.8	0.5
2017	IV	0.5	5.1	6.0	2.1	3.5	4.4	3.2	0.2	-1.5	3.3	-1.0	-0.5
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

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

Source: INE (Labour Force Survey).

Chart 11b 1.- Employment by sector

Annual percentage changes

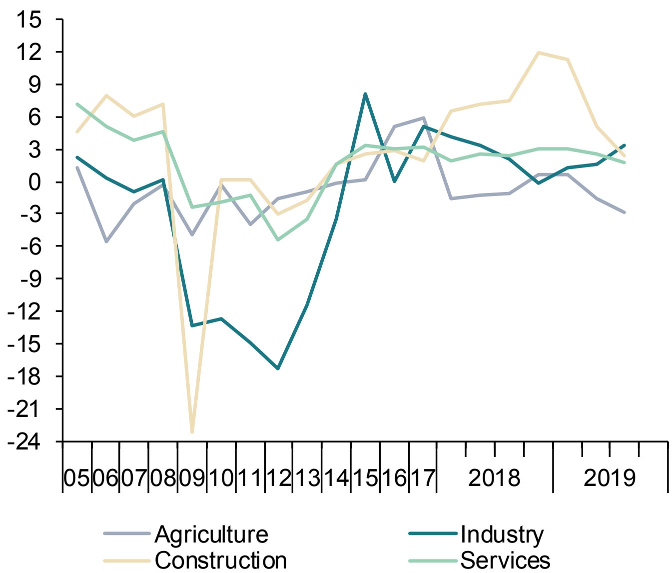


Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

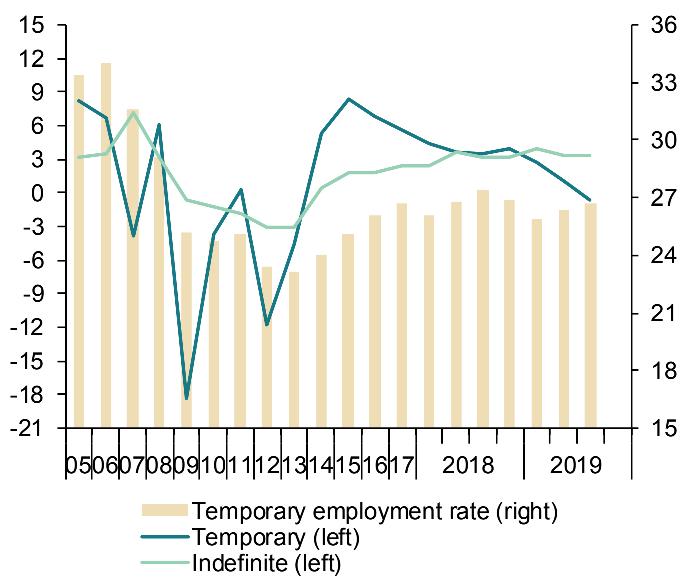


Table 12

Index of Consumer Prices

Forecasts in yellow

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2018		100.00	66.27	80.76	25.15	41.12	14.49	7.29	11.95	21.78
Indexes, 2016 = 100										
2013		100.9	98.7	98.5	99.6	98.1	97.9	97.3	121.3	97.7
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	104.5	102.3	107.9	113.3	104.1
2020		105.4	104.2	103.9	100.9	106.1	103.0	110.3	113.0	105.4
Annual percentage changes										
2013		1.4	1.1	1.4	0.6	1.4	3.1	3.6	0.0	3.2
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	0.6	2.0	-1.2	1.0
2020		1.0	1.1	1.0	0.4	1.5	0.7	2.3	-0.3	1.3
2019	Jan	1.0	0.9	0.8	0.1	1.4	0.4	2.3	1.5	1.0
	Feb	1.1	0.7	0.7	0.1	1.1	0.4	3.4	2.6	1.4
	Mar	1.3	0.7	0.7	0.2	1.1	0.4	2.0	5.6	0.9
	Apr	1.5	1.1	0.9	0.2	1.7	0.3	1.8	5.4	0.8
	May	0.8	0.8	0.7	0.2	1.2	0.3	1.0	1.3	0.6
	Jun	0.4	1.0	0.9	0.2	1.4	0.4	0.6	-2.6	0.5
	Jul	0.5	0.9	0.9	0.3	1.4	0.5	1.6	-2.4	0.9
	Aug	0.3	1.0	0.9	0.4	1.4	0.6	1.5	-4.5	0.9
	Sep	0.1	1.1	1.0	0.4	1.5	0.6	1.3	-6.6	0.8
	Oct	0.1	1.1	1.0	0.5	1.4	0.7	1.8	-6.5	1.1
	Nov	0.4	1.1	1.1	0.5	1.5	0.9	2.9	-5.8	1.6
	Dec	1.1	1.1	1.1	0.4	1.5	1.3	4.2	-1.2	2.2
2020	Jan	1.1	1.1	1.1	0.4	1.5	1.2	4.6	-0.9	2.3
	Feb	0.9	1.1	1.1	0.4	1.5	1.0	3.8	-2.0	1.9
	Mar	0.7	1.1	1.0	0.5	1.5	0.7	3.8	-3.1	1.7
	Apr	0.6	1.1	1.0	0.5	1.5	0.5	3.3	-4.1	1.4
	May	0.5	1.1	1.0	0.5	1.5	0.3	2.8	-3.8	1.1
	Jun	0.9	1.1	1.0	0.5	1.5	0.3	1.9	0.0	0.8
	Jul	0.9	1.1	1.0	0.5	1.5	0.5	1.7	-0.2	0.9
	Aug	1.0	1.0	1.0	0.4	1.4	0.6	1.6	1.1	0.9
	Sep	1.2	1.1	1.1	0.4	1.4	1.0	2.1	1.6	1.4
	Oct	1.2	1.1	1.0	0.4	1.5	1.0	1.6	1.6	1.2
	Nov	1.3	1.0	1.0	0.3	1.5	1.0	0.6	3.5	0.8
	Dec	1.2	1.0	1.0	0.3	1.4	1.0	-0.5	3.3	0.5

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation Rate (I)

Annual percentage changes

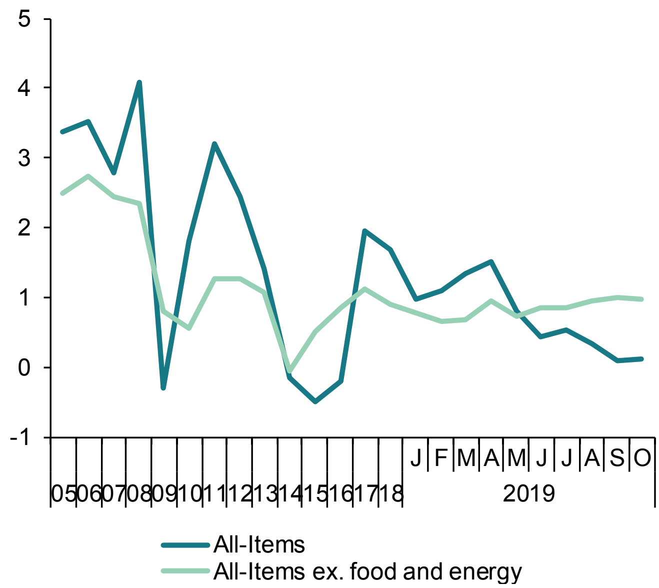


Chart 12.2 - Inflation rate (II)

Annual percentage changes

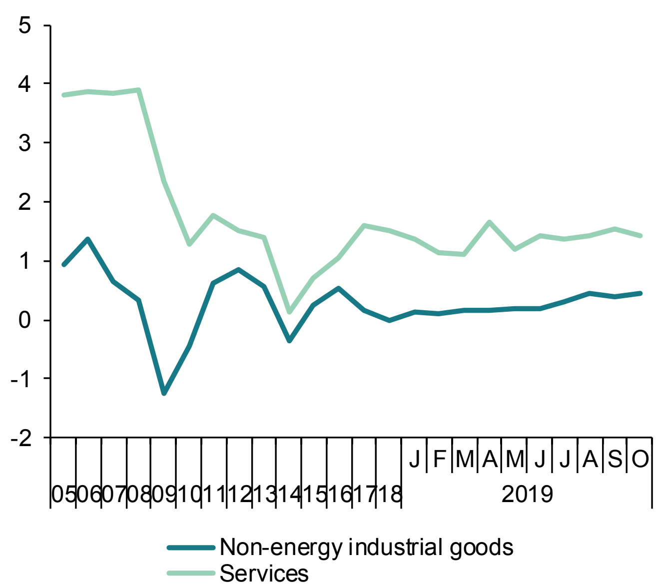


Table 13

Other prices and costs indicators

		GDP deflator (a)	Industrial producer prices		Housing prices		Urban land prices (M. Public Works)	Labour Costs Survey				Wage increase agreed in collective bargaining
			Total	Excluding energy	Housing Price Index (INE)	m^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				
2012		99.7	102.9	99.8	72.0	77.2	65.4	143.6	141.1	151.3	154.7	--
2013		100.1	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014		99.9	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.5	--
2015		100.5	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016		100.8	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.3	--
2017		102.2	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 (b)		104.7	103.9	103.2	82.5	79.6	58.2	147.4	144.9	155.1	156.3	--
2017	IV	102.6	102.1	102.2	75.8	75.8	54.9	150.9	151.3	149.5	164.9	--
2018	I	102.7	102.2	102.9	76.9	76.2	58.5	141.2	138.1	150.7	148.6	--
	II	103.2	103.4	103.1	78.8	77.2	58.5	147.0	146.2	149.6	155.6	--
	III	103.3	105.6	103.1	80.5	77.3	55.7	141.3	138.0	151.4	163.3	--
	IV	103.9	105.2	103.0	80.9	78.7	56.6	152.2	152.7	150.6	166.8	--
2019	I	104.0	104.2	103.0	82.1	79.6	57.3	144.1	140.5	155.2	152.2	--
	II	105.1	104.3	103.4	83.0	79.6	59.0	150.6	149.2	155.0	160.4	--
	III (b)	105.1	103.3	103.2	--	--	--	--	--	--	--	--
2019	Jul	--	104.3	103.3	--	--	--	--	--	--	--	--
	Aug	--	102.7	103.2	--	--	--	--	--	--	--	--
	Sep	--	102.8	103.2	--	--	--	--	--	--	--	--
Annual percent changes (c)												
2012		-0.1	3.8	1.7	-13.7	-8.7	-6.4	-0.6	-0.6	-0.8	-0.1	1.0
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 (d)		1.6	0.2	0.2	6.0	3.8	-0.6	2.3	1.9	3.3	2.8	2.3
2017	IV	1.5	2.6	2.1	7.2	0.9	-10.9	0.7	0.5	1.5	0.7	1.4
2018	I	1.2	0.8	1.4	6.2	1.4	-2.6	0.7	0.8	0.3	1.0	1.5
	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	1.2	1.9	0.2	6.8	1.5	-2.1	2.1	1.7	3.0	2.4	2.2
	II	1.8	0.9	0.3	5.3	1.2	0.9	2.4	2.1	3.6	3.1	2.2
	III (e)	1.7	-2.2	0.1	--	--	--	--	--	--	--	2.3
2019	Aug	--	-2.6	0.0	--	--	--	--	--	--	--	2.3
	Sep	--	-3.3	0.1	--	--	--	--	--	--	--	2.3
	Oct	--	--	--								2.3

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

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

Chart 13.1 - Housing and urban land prices

Index (2007=100)

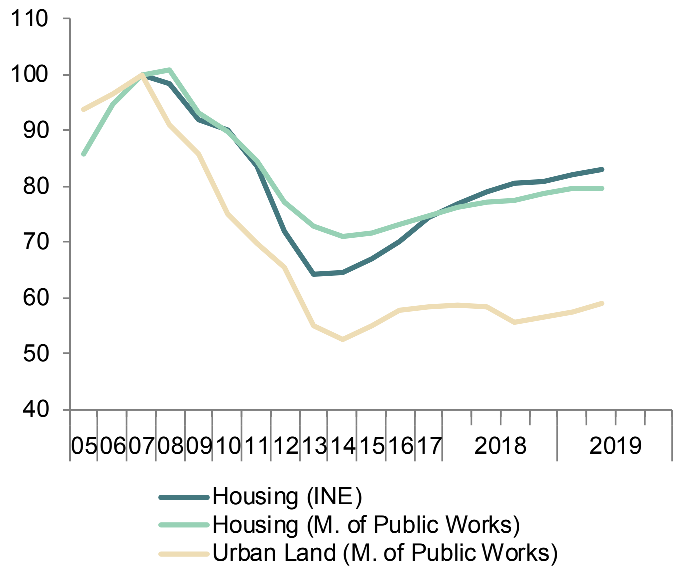


Chart 13.2 - Wage costs

Annual percent change

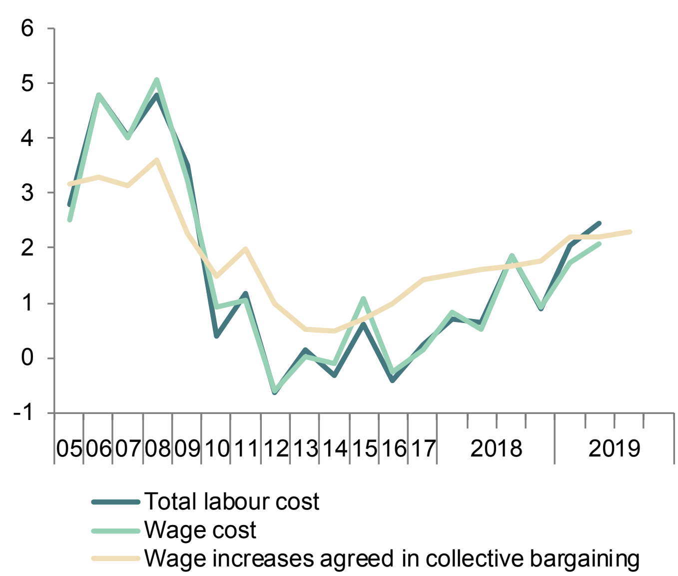


Table 14

External trade (a)

		Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
		Nominal	Prices	Real	Nominal	Prices	Real					
		2005=100			2005=100			EUR Billions				
2012		145.9	110.7	131.9	110.7	114.7	96.6	11.9	6.9	-2.7	1.2	1.0
2013		152.1	110.5	137.7	108.3	109.8	98.7	12.3	7.3	-1.4	2.1	1.4
2014		155.2	109.4	141.9	114.0	107.3	106.3	12.7	7.3	-2.1	1.1	0.9
2015		161.2	110.1	146.5	118.0	104.6	112.9	13.5	7.3	-2.1	0.2	0.6
2016		165.4	108.2	153.0	117.5	101.3	116.1	14.2	7.2	-1.4	0.3	1.2
2017		178.2	108.9	163.7	129.8	106.1	122.4	15.1	7.9	-2.2	0.0	1.3
2018		183.9	112.1	164.1	136.9	110.9	123.5	15.6	8.2	-2.8	-0.3	1.3
2019(b)		187.9	112.2	167.4	138.9	110.0	126.4	15.8	8.2	-2.6	-0.1	1.6
2017	III	179.6	108.8	165.0	130.2	105.1	123.9	14.9	8.2	-2.1	-0.1	1.2
	IV	185.4	110.2	168.2	133.2	107.5	123.9	15.6	8.1	-2.0	0.1	1.4
2018	I	185.4	110.9	167.2	135.0	108.2	124.8	15.8	7.9	-2.3	0.2	1.5
	II	182.8	111.3	164.3	136.7	109.1	125.2	15.3	8.1	-3.0	-0.6	1.0
	III	186.9	112.6	165.9	138.4	112.5	122.9	15.6	8.3	-2.8	-0.2	1.4
	IV	186.5	113.5	164.3	139.9	113.7	123.0	15.6	8.3	-3.1	-0.3	1.3
2019	I	183.5	112.8	162.8	138.4	110.1	125.7	15.6	7.9	-3.2	-0.6	1.3
	II	192.5	111.7	172.3	139.0	110.4	126.0	16.1	8.5	-2.2	0.0	1.8
2019	Jun	192.2	111.3	172.6	138.0	108.7	126.9	16.1	8.5	-2.0	0.3	1.9
	Jul	189.3	114.0	166.0	138.7	111.2	124.8	15.9	8.4	-2.6	-0.4	1.3
	Aug	185.6	110.3	168.3	140.6	107.1	131.2	15.7	8.1	-3.4	-1.1	1.1
		Percentage changes (c)								Percentage of GDP		
2012		5.1	2.1	2.9	-2.0	4.7	-6.3	0.5	14.1	-3.1	1.4	1.2
2013		4.3	-0.2	4.5	-2.2	-4.2	2.1	3.1	6.3	-1.6	2.5	1.7
2014		2.0	-0.9	3.0	5.2	-2.3	7.7	3.5	-0.4	-2.4	1.3	1.0
2015		3.8	0.6	3.2	3.5	-2.5	6.1	5.8	0.4	-2.3	0.2	0.7
2016		2.6	-1.7	4.4	-0.4	-3.1	2.8	5.3	-2.3	-1.6	0.3	1.2
2017		7.7	0.7	7.0	10.5	4.7	5.5	6.5	10.1	-2.3	0.0	1.3
2018		3.2	3.0	0.2	5.4	4.5	0.9	3.1	3.5	-2.8	-0.3	1.3
2019(d)		1.1	0.9	0.3	1.2	0.5	0.6	1.1	1.2	--	--	--
2017	III	0.9	4.1	-3.1	8.7	1.7	6.8	-1.6	3.8	-2.2	-0.1	1.2
	IV	13.8	5.3	8.1	9.5	9.4	0.1	5.3	-0.3	-2.0	0.1	1.4
2018	I	-0.1	2.3	-2.3	5.7	2.6	3.1	1.1	-2.2	-2.4	0.2	1.5
	II	-5.6	1.4	-6.9	4.9	3.6	1.3	-3.1	1.8	-3.0	-0.6	1.0
	III	9.3	5.1	4.0	5.1	13.1	-7.1	1.7	3.2	-2.8	-0.2	1.4
	IV	-0.7	3.1	-3.7	4.4	4.1	0.3	0.0	-0.4	-3.1	-0.3	1.3
2019	I	-6.3	-2.6	-3.8	-4.2	-12.0	8.9	-0.1	-4.5	-3.1	-0.6	1.3
	II	21.0	-3.7	25.6	1.9	0.9	1.0	3.5	7.5	-2.1	0.0	1.8
2019	Jun	-0.3	0.3	-0.5	-2.6	-0.6	-2.0	0.6	-1.9	--	--	--
	Jul	-1.5	2.4	-3.9	0.5	2.3	-1.7	-1.8	-1.0	--	--	--
	Aug	-1.9	-3.3	1.4	1.4	-3.7	5.2	-0.8	-4.0	--	--	--

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

Source: Ministry of Economy.

Chart 14.1 - External trade (real)

Percent change from previous period

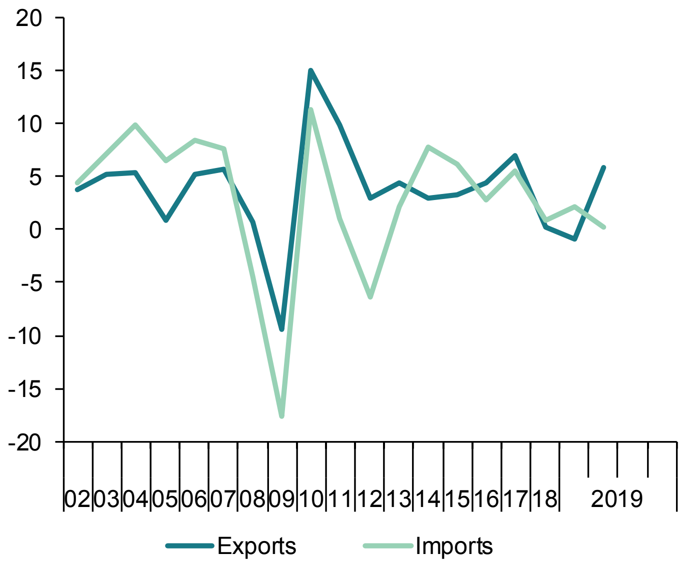


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

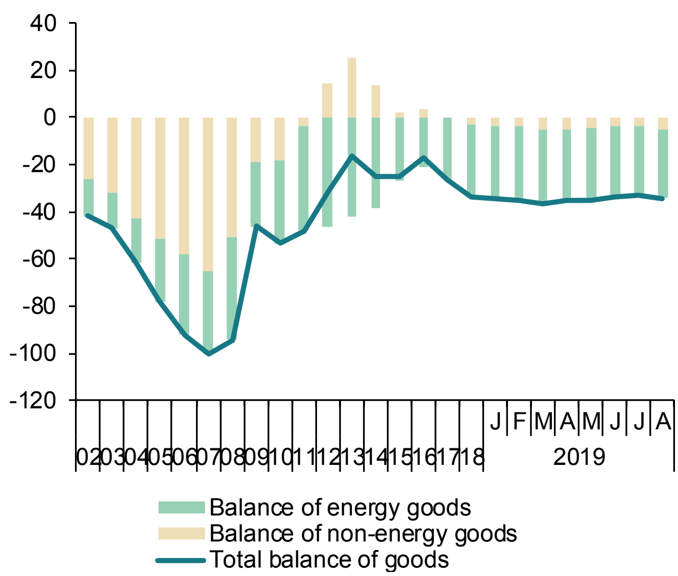


Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						Errors and omissions
									Financial account, excluding Bank of Spain					Bank of Spain	
		Total	Goods	Services	Primary Income	Secondary Income			Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
EUR billions															
2012		0.89	-27.98	49.27	-8.25	-12.16	5.39	6.28	174.42	-17.96	55.72	145.01	-8.35	-165.99	2.16
2013		20.81	-12.61	52.70	-6.82	-12.47	6.19	26.99	-93.14	-10.58	-53.68	-29.92	1.04	124.17	4.04
2014		17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94
2015		21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12
2016		35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34
2017		31.09	-22.12	63.71	-0.27	-10.23	2.84	33.93	65.31	11.99	25.08	20.77	7.48	-32.63	-1.24
2018		23.29	-29.33	61.95	2.70	-12.04	5.77	29.05	45.54	-15.19	12.99	46.15	1.58	-14.25	2.23
2019 (a)		8.58	-13.10	28.16	0.34	-6.83	1.32	9.90	18.47	8.84	-39.36	50.67	-1.68	-2.15	6.43
2017	III	10.83	-7.33	22.48	-1.09	-3.22	0.58	11.41	13.47	7.56	4.64	-0.62	1.88	-0.54	1.51
	IV	8.18	-5.51	13.04	2.00	-1.36	1.32	9.50	6.72	1.61	-7.35	11.41	1.04	5.70	2.91
2018	I	1.33	-5.71	9.68	0.69	-3.33	0.49	1.82	3.11	-3.83	4.07	1.26	1.60	-3.00	-1.72
	II	9.09	-6.35	18.46	-1.00	-2.02	0.67	9.76	21.05	-17.88	16.31	23.47	-0.84	-14.40	-3.11
	III	7.40	-9.56	21.04	-0.63	-3.45	0.89	8.29	5.94	-2.03	1.31	5.80	0.86	6.88	4.52
	IV	5.47	-7.71	12.78	3.64	-3.25	3.72	9.18	15.44	8.55	-8.70	15.62	-0.04	-3.72	2.54
2019	I	-2.35	-8.43	9.99	0.80	-4.71	0.64	-1.71	-1.90	-3.46	-23.65	26.00	-0.79	1.79	1.60
	II	10.93	-4.67	18.18	-0.46	-2.12	0.68	11.60	20.37	12.30	-15.70	24.67	-0.89	-3.93	4.84
			Goods and Services		Primary and Secondary Income										
2019	Jun	3.84	4.66		-0.82		0.26	4.10	5.76	6.76	-19.92	19.36	-0.44	-1.71	-0.05
	Jul	3.24	5.28		-2.04		0.26	3.50	-0.25	2.83	-0.11	0.02	-2.99	0.61	-3.14
	Aug	3.32	4.15		-0.83		0.08	3.40	0.12	2.28	-3.73	2.37	-0.80	6.06	2.78
Percentage of GDP															
2012		0.1	-2.7	4.7	-0.8	-1.2	0.5	0.6	16.8	-1.7	5.4	13.9	-0.8	-16.0	0.2
2013		2.0	-1.2	5.2	-0.7	-1.2	0.6	2.6	-9.1	-1.0	-5.3	-2.9	0.1	12.2	0.4
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.7	-1.9	5.5	0.0	-0.9	0.2	2.9	5.6	1.0	2.2	1.8	0.6	-2.8	-0.1
2018		1.9	-2.4	5.2	0.2	-1.0	0.5	2.4	3.8	-1.3	1.1	3.8	0.1	-1.2	0.2
2017	III	3.8	-2.5	7.8	-0.4	-1.1	0.2	4.0	4.7	2.6	1.6	-0.2	0.7	-0.2	0.5
	IV	2.7	-1.8	4.3	0.7	-0.4	0.4	3.1	2.2	0.5	-2.4	3.8	0.3	1.9	1.0
2018	I	0.5	-2.0	3.4	0.2	-1.2	0.2	0.6	1.1	-1.3	1.4	0.4	0.6	-1.0	-0.6
	II	3.0	-2.1	6.1	-0.3	-0.7	0.2	3.2	6.9	-5.9	5.4	7.7	-0.3	-4.7	-1.0
	III	2.5	-3.2	7.1	-0.2	-1.2	0.3	2.8	2.0	-0.7	0.4	2.0	0.3	2.3	1.5
	IV	1.7	-2.4	4.1	1.2	-1.0	1.2	2.9	4.9	2.7	-2.8	5.0	0.0	-1.2	0.8
2019	I	-0.8	-2.8	3.4	0.3	-1.6	0.2	-0.6	-0.6	-1.2	-7.9	8.7	-0.3	0.6	0.5
	II	3.5	-1.5	5.8	-0.1	-0.7	0.2	3.7	6.5	3.9	-5.0	7.8	-0.3	-1.2	1.5

(a) Period with available data.

Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

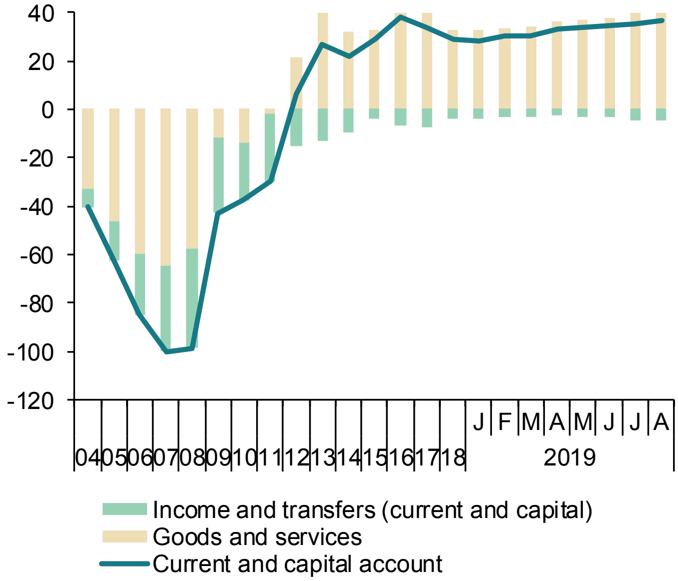


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

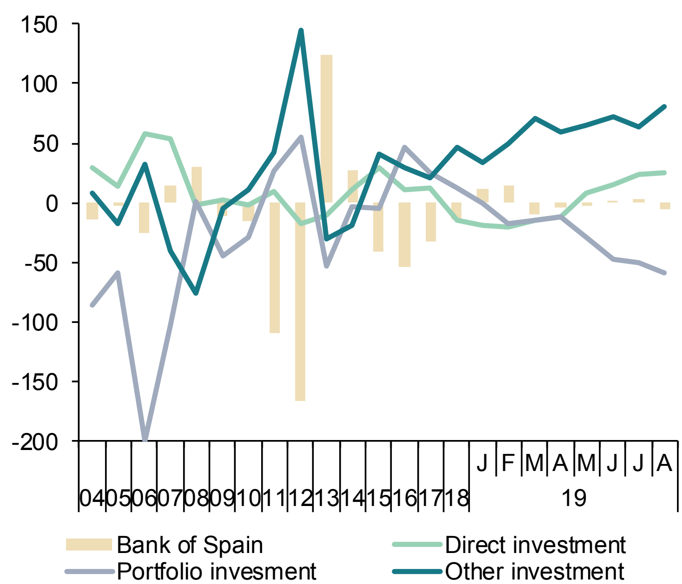


Table 16

Competitiveness indicators in relation to EMU

		Relative Unit Labour Costs in manufacturing (Spain/Rest of EMU) (a)			Harmonized Consumer Prices			Producer prices			Real Effective Exchange Rate in relation to developed countries
		Relative hourly wages	Relative hourly productivity	Relative ULC	Spain	EMU	Spain/EMU	Spain	EMU	Spain/EMU	
		1998=100			2015=100			2015=100			1999 I =100
2012		105.6	95.7	110.2	99.3	98.2	101.1	102.9	104.6	98.3	111.7
2013		104.0	99.0	105.0	100.8	99.5	101.3	103.5	104.4	99.1	113.4
2014		102.1	99.4	102.7	100.6	100.0	100.7	102.1	102.8	99.3	112.4
2015		99.3	100.0	99.4	100.0	100.0	100.0	100.0	100.0	100.0	108.8
2016		97.9	96.3	101.7	99.7	100.3	99.4	96.9	97.9	98.9	108.7
2017		97.8	95.5	102.4	101.7	101.8	99.9	101.2	100.7	100.5	110.2
2018		96.6	94.0	102.7	103.5	103.6	99.9	103.8	103.3	100.4	110.9
2019 (b)		--	--	--	104.1	104.6	99.5	103.6	103.7	99.9	109.6
2017	III	--	--	--	101.3	101.8	99.5	100.8	100.4	100.3	110.1
	IV	--	--	--	102.6	102.4	100.2	102.2	101.4	100.8	111.3
2018	I	--	--	--	101.7	102.1	99.7	102.2	102.1	100.1	110.7
	II	--	--	--	104.1	103.8	100.3	103.2	102.8	100.4	111.4
	III	--	--	--	103.6	104.1	99.5	105.0	104.0	100.9	110.3
	IV	--	--	--	104.4	104.3	100.1	104.7	104.3	100.4	110.9
2019	I	--	--	--	102.9	103.5	99.4	103.8	104.0	99.8	109.5
	II	--	--	--	105.2	105.3	99.9	104.1	103.9	100.2	110.3
2019	Jul	--	--	--	104.0	104.9	99.1	103.9	103.5	100.4	109.3
	Aug	--	--	--	103.9	105.1	98.9	102.6	103.1	99.5	109.0
	Sep	--	--	--	104.3	105.3	99.0	102.7	103.4	99.3	109.0
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2012		-0.8	3.0	-3.7	2.4	2.5	-0.1	3.8	2.9	0.9	2.3
2013		-1.5	3.4	-4.7	1.5	1.3	0.2	0.6	-0.2	0.8	1.5
2014		-1.8	0.4	-2.2	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-0.9
2015		-2.7	0.6	-3.3	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-3.1
2016		-1.4	-3.6	2.3	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	-0.1
2017		-0.1	-0.9	0.8	2.0	1.5	0.5	4.5	2.8	1.7	1.3
2018		-1.2	-1.5	0.3	1.7	1.7	0.0	2.5	2.6	-0.1	0.6
2019 (c)		--	--	--	0.8	1.1	-0.3	0.2	0.8	-0.6	-1.1
2017	III	--	--	--	1.8	1.4	0.4	3.6	2.5	1.1	-1.4
	IV	--	--	--	1.6	1.4	0.2	2.7	2.3	0.4	-1.9
2018	I	--	--	--	1.1	1.1	0.0	0.8	1.4	-0.6	-3.4
	II	--	--	--	1.8	1.8	0.0	2.8	2.5	0.3	-3.5
	III	--	--	--	2.3	2.3	0.0	4.2	3.6	0.6	-3.0
	IV	--	--	--	1.8	1.8	0.0	2.4	2.8	-0.4	-2.6
2019	I	--	--	--	1.1	1.4	-0.3	1.6	1.9	-0.3	-1.0
	II	--	--	--	1.1	1.4	-0.3	0.8	1.1	-0.3	-0.5
2019	Jul	--	--	--	0.6	1.0	-0.4	-0.6	-0.3	-0.3	-0.9
	Aug	--	--	--	0.4	1.0	-0.6	-2.2	-0.9	-1.3	-1.1
	Sep	--	--	--	0.2	0.8	-0.6	-2.7	-0.9	-1.8	-1.5

(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

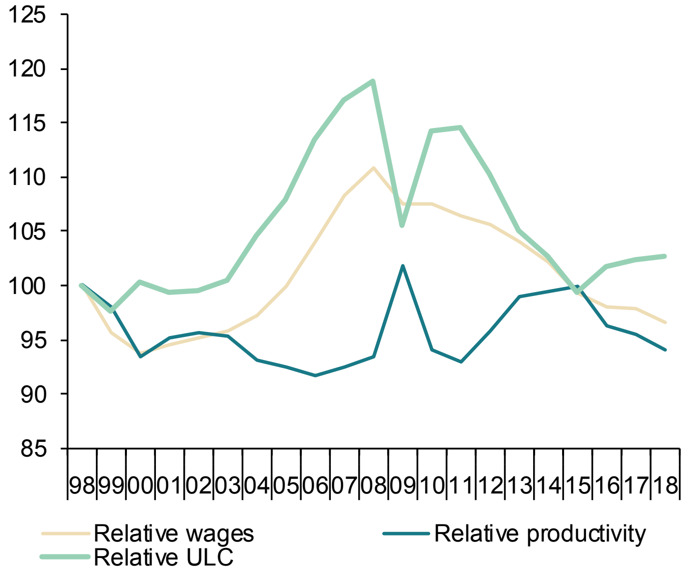


Chart 16.2.- Harmonized Consumer Prices

Annual growth in % and percentage points

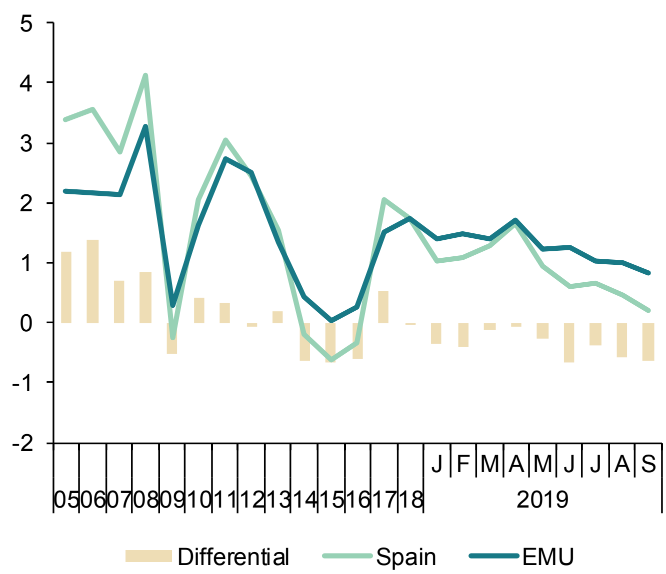


Table 17a

Imbalances: International comparison (I)

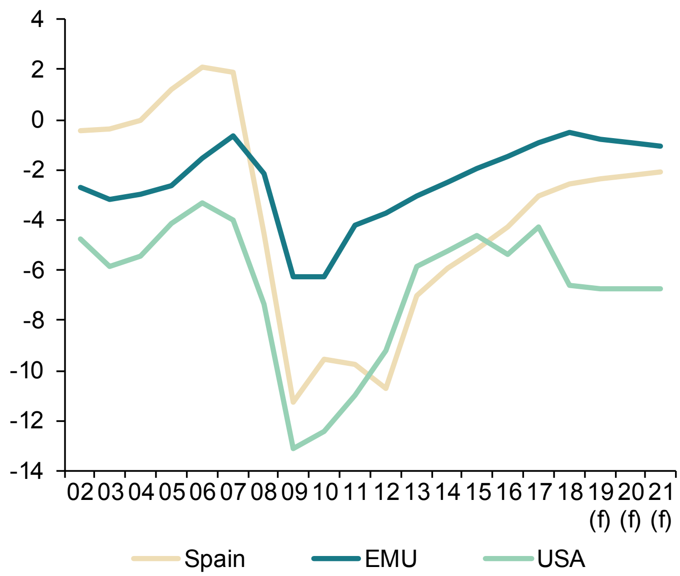
(In yellow: European Commission Forecasts)

	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	-59.9	20.3	384.7	6,191.6	9,341.2	-101.4	23.2	-728.5
2008	-50.7	-207.5	-50.7	440.6	6,700.3	10,838.3	-98.8	-49.9	-866.1
2009	-120.6	-578.0	-120.6	569.5	7,440.0	12,525.9	-43.7	63.4	-564.3
2010	-102.2	-597.9	-102.2	649.2	8,198.5	14,301.9	-39.2	59.0	-497.7
2011	-103.6	-414.6	-103.6	743.0	8,658.2	15,501.9	-29.0	87.1	-412.4
2012	-110.7	-364.6	-110.7	889.9	9,115.0	16,718.0	0.9	226.3	-206.8
2013	-71.8	-299.2	-71.8	977.3	9,428.8	17,582.1	20.8	281.2	-208.2
2014	-61.1	-250.2	-61.1	1,039.4	9,674.3	18,299.9	17.5	315.3	-86.4
2015	-55.8	-208.0	-55.8	1,070.1	9,791.3	19,072.3	21.8	361.3	-169.2
2016	-48.0	-156.3	-48.0	1,104.6	9,968.4	19,991.2	35.4	390.6	-329.4
2017	-35.1	-103.5	-35.1	1,145.1	10,060.4	20,688.3	31.1	425.5	-399.0
2018	-30.5	-57.9	-30.5	1,173.3	10,161.2	22,292.4	23.3	434.0	-520.3
2019	-29.0	-93.3	-29.0	1,201.0	10,260.8	23,729.4	29.8	395.1	--
2020	-28.3	-109.8	-28.3	1,234.4	10,383.6	25,220.4	32.1	389.7	--
2021	-27.0	-131.0	-27.0	1,261.4	10,546.4	26,766.0	33.7	383.4	--
				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	-1.4	-5.4	99.2	92.2	106.8	3.2	3.6	-1.8
2017	-3.0	-0.9	-4.3	98.6	89.8	106.0	2.7	3.8	-2.0
2018	-2.5	-0.5	-6.6	97.6	87.9	108.3	1.9	3.8	-2.5
2019	-2.3	-0.8	-6.7	96.7	86.4	110.8	2.4	3.3	--
2020	-2.2	-0.9	-6.7	96.6	85.1	113.6	2.5	3.2	--
2021	-2.1	-1.0	-6.7	96.0	84.1	116.7	2.6	3.1	--

Source: European Commission Forecasts, Autumn 2019.

Chart 17a.1 - Government deficit

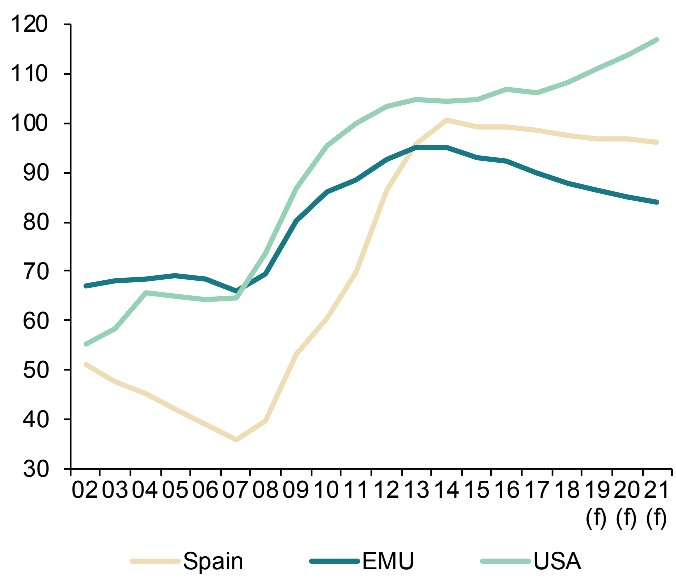
Percentage of GDP



(f) European Commission forecast.

Chart 17a.2 - Government gross debt

Percentage of GDP



(f) European Commission forecast.

Table 17b

Imbalances: International comparison (II)

	Household debt (a)			Non-financial corporations debt (a)		
	Spain	EMU	USA	Spain	EMU	USA
	Billions of national currency					
2005	656.2	4,762.5	12,034.4	954.1	7,017.9	8,155.9
2006	783.5	5,185.2	13,319.7	1,171.9	7,620.6	8,975.5
2007	879.3	5,553.0	14,242.4	1,371.6	8,395.5	10,104.6
2008	916.7	5,766.2	14,111.6	1,460.0	9,066.5	10,671.1
2009	908.9	5,873.6	13,952.6	1,473.5	9,157.2	10,159.2
2010	905.2	6,016.4	13,737.1	1,498.0	9,327.9	10,018.6
2011	877.9	6,100.3	13,588.1	1,458.3	9,705.2	10,273.7
2012	840.9	6,092.8	13,588.3	1,339.2	9,879.5	10,778.2
2013	793.4	6,053.4	13,725.4	1,267.9	9,871.3	11,245.1
2014	757.5	6,060.1	13,974.0	1,209.9	10,317.7	11,976.0
2015	733.0	6,120.9	14,167.0	1,184.0	10,877.6	12,792.3
2016	718.2	6,226.2	14,585.7	1,164.1	11,237.8	13,466.3
2017	710.7	6,388.6	15,130.1	1,153.3	11,535.6	14,406.2
2018	709.4	6,571.9	15,594.8	1,148.4	11,850.8	15,315.1
	Percentage of GDP					
2005	70.8	56.4	92.3	102.9	83.0	62.6
2006	78.0	58.3	96.4	116.7	85.7	65.0
2007	81.8	59.1	98.6	127.5	89.4	69.9
2008	82.6	59.9	95.9	131.6	94.2	72.5
2009	85.0	63.3	96.6	137.8	98.8	70.3
2010	84.4	63.1	91.6	139.6	97.9	66.8
2011	82.5	62.3	87.4	137.1	99.1	66.1
2012	81.6	61.9	83.9	129.9	100.5	66.5
2013	77.8	60.9	81.8	124.3	99.3	67.0
2014	73.4	59.6	79.7	117.2	101.4	68.3
2015	68.0	58.2	77.7	109.9	103.4	70.2
2016	64.5	57.6	77.9	104.5	103.9	72.0
2017	61.2	57.0	77.5	99.3	103.0	73.8
2018	59.0	56.8	75.8	95.5	102.5	74.4

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

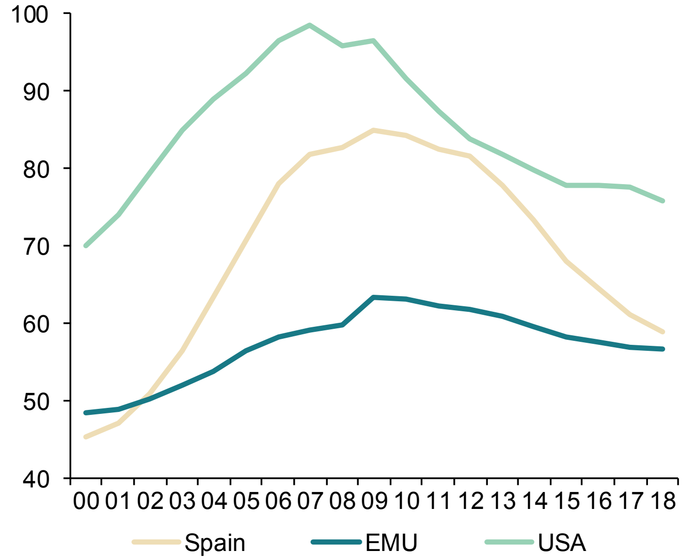
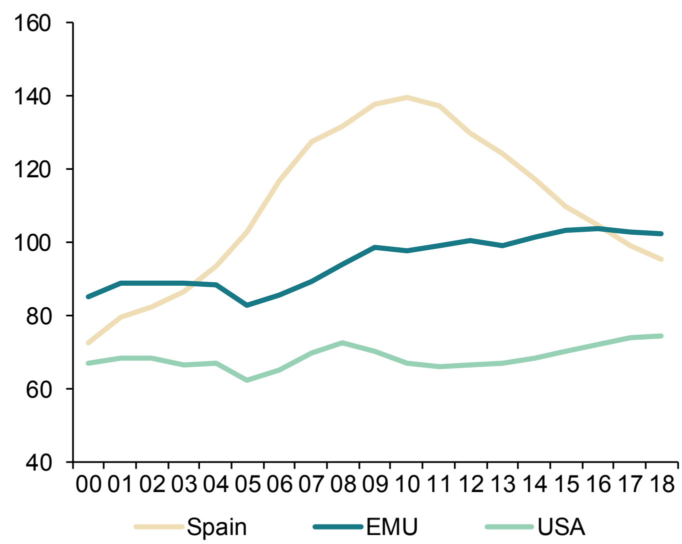


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: October 31st, 2019

Highlights

Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.5	August 2019
Other resident sectors' deposits in credit institutions (monthly average % var.)	0.4	August 2019
Doubtful loans (monthly % var.)	-0.3	August 2019
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	686,874	September 2019
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	145,835	September 2019
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	97	September 2019
"Operating expenses/gross operating income" ratio (%)	54.39	December 2018
"Customer deposits/employees" ratio (thousand euros)	9,461.19	December 2018
"Customer deposits/branches" ratio (thousand euros)	68,190.72	December 2018
"Branches/institutions" ratio	109.28	December 2018

A. Money and Interest Rates

Indicator	Source	Average 2001-2016	2017	2018	2019 September	2019 October	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.6	4.7	4.1	5.5	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.9	-0.329	-0.309	-0.417	-0.413	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	2.2	-0.186	-0.117	-0.330	-0.304	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	4.0	1.5	1.4	0.1	0.3	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	1.4	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 October. The 3-month interbank moved from -0.417% in September to -0.413%, and the 1-year Euribor increased from -0.330% to -0.304%. Although there is an upward trend, these figures are still negative and still reflect the latest decisions of the ECB, significantly expanding the stimulus program. As for the Spanish 10-year bond yield, it increased to 0.3%.

B. Financial Markets

Indicator	Source	Average 2001-2016	2017	2018	2019 August	2019 September	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	16.3	54.60	84.19	164.20	288.74	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	17.5	27.60	49.25	80.02	87.22	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.4	3.46	1.07	0.34	0	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.3	4.76	1.84	1.36	1.00	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.7	-0.7	-0.52	-0,52	-0,56	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	676.8	1,127.1	1,164.63	1,298.81	1,324.94	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.4	-1.3	-5.9	-1.3	3.8	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	3.2	2.2	-5.3	-32.2	17.3	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	1,013.32	1,055.4	862.6	881.6	923.4 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,732.1	10,451.5	8,539.9	8,812.90	9,257.5 (a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.8	15.8	12.2	13.2	13.6 (a)	Madrid Stock Exchange Ratio “share value/ capital profitability”
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange	5.3	-	-	-	-	Variation for all stocks

B. Financial Markets (continued)

Indicator	Source	Average 2001-2016	2017	2018	2019 August	2019 September	Definition and calculation
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF	1.6	-	-	-	-	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF	2.2	-	-	-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	1.4	0.6	-6.14	13.8	-14.4	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	10.6	5.8	58.5	0	30	IBEX-35 shares concluded transactions

(a) Last data published: October 31st, 2019.

Comment on "Financial Markets": During September, there was an increase in transactions with outright spot T-bills to 288.7% and also of spot government bonds transactions to 87.2%. The stock market has registered significant volatility in October with the IBEX-35 at 9,258 points, and the General Index of the Madrid Stock Exchange at 923. There was also an increase in Ibex-35 options of 30%.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2015	2017	2018	2019 Q1	2019 Q2	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-2.3	2.0	1.5	2.1	2.2	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	2.1	0.5	0.1	1.2	1.9	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	286.9	288.6	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	64.6	61.3	58.9	58.2	58.5	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	2.4	3.4	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	-0.3	1.5	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2019Q2, the financial savings to GDP in the overall economy increased to 2.2% of GDP. There was also an increase in the financial savings rate of households to 1.9%. The debt to GDP ratio of the economy reached 288.6%. Finally, the stock of financial assets on households' balance sheets registered an increase of 3.4%, and there was a 1.5% growth in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2016	2017	2018	2019 July	2019 August	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.5	-0.4	-4.7	-0.8	-0.5	Lending to the private sector percentage change for the sum of banks. savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	7.3	2.4	0.7	-1.6	0.4	Deposits percentage change for the sum of banks. savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	108.1	-3.7	-0.9	-2.1	-1.0	Asset-side debt securities percentage change for the sum of banks. savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.9	0.7	-8.8	1.5	-0.3	Asset-side equity and shares percentage change for the sum of banks. savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-2.3	-1.7	-0.6	-0.2	-0.2	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	-0.1	-3.8	-2.3	-3.1	-0.3	Doubtful loans. Percentage change for the sum of banks. savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	-3.0	-3.5	-1.4	-3.5	1.1	Liability-side assets sold under repurchase. Percentage change for the sum of banks. savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	8.4	-1.2	-4.1	0.4	-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 August show a fall in bank credit to the private sector of 0.5%. Data also show a growth of financial institutions deposit-taking of 0.4%. Holdings of debt securities fell 1%. Doubtful loans decreased 0.3% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2001-2015	2016	2017	2018 December	2019 March	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	194	124	122	115	115	Total number of banks, savings banks and credit unions operating in Spanish territory
37. Number of foreign credit institutions operating in Spain	Bank of Spain	75	82	83	83	81	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	246,618	189,280	187,472	181,999(a)	-	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,047	28,643	27,320	26,011	25,755	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	318,141	527,317	762,540	722,083	686,874 (b)	Open market operations and ECB standing facilities. Eurozone total
41. Recourse to the Eurosystem: long term (total Spanish financial institutions) (Euro millions)	Bank of Spain	65,106	138,455	170,445	167,161	145,835 (b)	Open market operations and ECB standing facilities. Spain total
42. Recourse to the Eurosystem (total Spanish financial institutions): main refinancing operations (Euro millions)	Bank of Spain	20,270	1,408	96	231	97 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2018.

(b) Last data published: September 2019.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In September 2019, recourse to Eurosystem funding by Spanish credit institutions reached 145.8 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 330 billion euro in August 2019, and 2.6 trillion euro for the entire Eurozone banking system.

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

Indicator	Source	Average 2000-2013	2014	2015	2016	2017	2018	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	50.89	47.27	50.98	54.18	54.03	54.39	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions´ P&L accounts
44. "Customer deposits/ employees" ratio (Euro thousands)	Bank of Spain	3,519.51	5,892.09	5,595.62	5,600.48	6,532.25	9,461.19	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	21,338.27	40,119.97	36,791.09	39,457.04	47,309.12	68,190.72	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2013	2014	2015	2016	2017	2018	Definition and calculation
46. "Branches/institutions" ratio	Bank of Spain	205.80	142.85	229.04	139.84	122.22	109.28	Network expansion indicator
47. "Employees/branches" ratio	Bank of Spain	6.1	6.8	6.57	7.05	6.97	7.20	Branch size indicator
48. "Equity capital (monthly average % var.)	Bank of Spain	0.11	0.07	0.01	-0.62	0.84	-0.79	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.45	0.49	0.39	0.26	0.44	0.57	Profitability indicator, defined as the "pre-tax profit/average total assets"
50. ROE	Bank of Spain	6.27	6.46	5.04	3.12	3.66	4.25	Profitability indicator, defined as the "pre-tax profit/equity capital"

Comment on "Credit institutions. Efficiency and Productivity, Risk and Profitability": During 2018, 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) (%)
2006	44,708,964	40.6	16.7	77.7	84.2	47.5	24.6	10.8	840,844	37.6
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	39.3
2018	46,722,980	43.1	19.1	80.5•	85.9•	53.6	29.3	13.7	760,804	25.8
2019•	47,007,367	43.4	19.3			53.6	29.6	14.3		
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 (%)
2006	15,856	2.76	11.6	10.3	9.3	9.5	2.86	32.2	29.7	2.08
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	2.10	35.3	33.2	2.67
2018	18,581	2.51	14.3	11.5	6.9•	6.4•				2.90
2019■	18,680	2.52								
Sources	LFS	LFS	EPF	EPF	ID INE	ID INE	ID INE	ID INE	ID INE	MNP

Table 2 (continued)

Households and families

	Fertility					
	Median age at first child, women	Total fertility rate (Spanish women)	Total fertility rate (Foreign women)	Births to single mothers (%)	Abortion rate	Abortion by Spanish-born women (%)
2006	29.3	1.31	1.69	28.4	10.6	
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	1.70	45.8	10.4	65.8
2017	30.9	1.25	1.71	46.8	10.5	66.1
2018	31.0	1.19	1.63			
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).

• Provisional data.

■ Data refer to January-September.

Table 3

Education

	Educational attainment				Students involved in non-compulsory education					Education expenditure	
	Population 16 years and older with primary education (%)	Population 30-34 with primary education (%)	Population 16 years and older with with tertiary education (%)	Population 30-34 with tertiary education (%)	Pre-primary education	Secondary education	Vocational training	Under-graduate students	Post-graduate studies (except doctorate)	Public expenditure (thousands of €)	Public expenditure (%GDP)
2006	32.9	8.4	15.6	25.3	1,557,257	630,349	445,455	1,405,894	16,636	42,512,586	4.22
2008	32.1	9.2	16.1	26.9	1,763,019	629,247	472,604	1,377,228	50,421	51,716,008	4.63
2010	30.6	8.6	17.0	27.7	1,872,829	672,213	555,580	1,445,392	104,844	53,099,329	4.91
2012	28.5	7.5	17.8	26.6	1,912,324	692,098	617,686	1,450,036	113,805	46,476,414	4.47
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846,415	4.32
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,597,784	4.31
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1.303.252	190,143	47,578,997	4.25
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458,049	4.24
2018	20.5	6.4	29.2	42.4	1,747,374●	667,426●	677,083●	1,293,892●	214,528●		
2019■	19.4	6.4	30.2	44.7							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	Contabilidad Nacional del INE

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

INE: Instituto Nacional de Estadística.

• Provisional data.

■ Data refer to January-September.

Table 4

Social protection: Benefits

	Contributory benefits*							Non-contributory benefits			
		Retirement		Permanent disability		Widowhood			Social Security		
	Unemployment total	Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)	Unemployment	Retirement	Disability	Other
2006	720,384	4,809,298	723	859,780	732	2,196,934	477	558,702	276,920	204,844	82,064
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	790,808■	6,029,367●	1,137●	956,807●	975●	2,360,761●	711●	902,139■	259,147■	193,685■	15,207■
Sources	BEL	BEL	BEL	BEL	BEL	BEL	BEL	BEL	IMSERSO	IMSERSO	IMSERSO

BEL: Boletín de Estadísticas Laborales.

IMSERSO: Instituto de Mayores y Servicios Sociales.

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

■ Data refer to January-September.

● Data refer to January-October.

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
2006	7.8	5.6	2,391	1,732	1.6	0.7	2.8	0.6	5.6	7.0	70	54
2008	8.3	6.1	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.0	6.7	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.1	6.6	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.1	6.4	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.2	6.5	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	9.0	6.3	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.8	6.3	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.9	6.2	3,323	2,341					6.6	7.5		
Sources	OECD	OECD	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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Notes

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