SEFO

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Spain's outlook for pandemic recovery: Areas of outperformance and pending challenges

funcas

WHAT MATTERS

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Letter from the Editors

Thirteen years after the Global Financial Crisis (GFC), Spain was confronted with a new and unexpected economic shock caused by the pandemic, which had brought the economy to a halt. While both crises represented scenarios that were extremely adverse, the starting points and toolkits necessary to face them were quite distinct. For example, contrary to the case of the previous crisis, the financial and real estate sectors seem to be holding up surprisingly well in response to COVID-19. Conversely, while Spain headed into the GFC in a relatively solid fiscal position, the government today has a much smaller margin to deal with the present crisis. Fortunately, the speed of the EU response relative to 2008 will help fill in this gap in discretionary fiscal support to underpin recovery.

Within this context, the July issue of *Spanish and International Economic & Financial Outlook (SEFO)* takes a look at the better than expected performance across some areas of Spain's public and private sectors throughout the pandemic, as well as highlights outstanding challenges.

This *SEFO* starts out with an assessment of the outlook for the Spanish recovery – first, broadly at the national level, and next, at the level of Spain's provinces. Spain's economy contracted by 0.4% in 1Q21, with all components of demand except investment in capital goods affected. However, second-quarter indicators released to date point to a sharp turnaround. Jobs registered strong growth in May and June, while the manufacturing and services PMI readings rose to near-record levels. Although tourism seemed to be headed towards recovery in May, rising infection rates appear to have weighed on tourist numbers in June. Also, inflation rose from negative rates at the end of last year to 2.7% in June and is expected to rise above 3% by the end of 2021. The forecast for GDP growth in 2021 stands at 6.3% and at 5.8% for 2022. This growth pattern reflects the fact that consumers are spending their precautionary savings faster than anticipated, which should benefit growth this year at the expense of 2022 (the pent-up demand effect). Conversely, the protracted negotiations over the NGEU mean that those funds will have a bigger impact next year (without fully offsetting the pent-up demand effect). Meanwhile, the budget deficit will reach 6.2% in 2022. And, in the absence of measures, debt is expected to increase to nearly 117% of GDP by 2022.

The economic crisis in Spain has been characterised by a triple asymmetric impact in terms of timing, sector and region. That asymmetry explains the differing impacts on the economic front and will also shape the varying speeds of recovery over the coming months. Regarding timing, the crisis began in 2Q20, resulting in a quarterly contraction of 17.8%, with a 17.1% recovery in the following quarter. Customer-facing sectors most affected by the restrictions saw GVA contract at a quarterly rate of 41.4% in 2Q20. Due to their reliance on tourism, the Balearic and Canary Islands, along with certain provinces along the Mediterranean coast, were the regions hit hardest. Our nowcasting model points to quarterly growth of over 3% in 2Q21. Importantly, those sectors most exposed to the restrictions are very labour intensive. As a result, they require less growth than other sectors to increase employment. Specifically, those sectors need activity to grow by 0.24% year-on-year to create jobs, while all other sectors require growth of at least 0.33% year-on-year to increase employment. [1] Nevertheless, the economic and job recovery will continue to be characterised by disparity across sectors and regions.

As regards the financial sector, with the worst of the pandemic seemingly behind us, we take stock of the impact on the banking sector to date. In this respect, we analyse forbearance patterns at Spanish institutions, as well as the provisioning effort until the present, and what we can expect from banks going forward as they plan just how much of their capital will be tied up to secure solvency in the face of some anticipated uptick in loan non-performance.

Curiously, the COVID-19 crisis has yet to translate into an increase in Spanish banks' non-performing loan (NPL) ratio. This is due to government measures implemented to mitigate the impact of the crisis, such as the furlough scheme and payment moratoria. However, there are signs of a deterioration in asset quality. For example, the downward trend in forborne exposures (FBE) of recent years has ground to a halt. The fourth quarter 2020 data reveal an increase in the FBE ratio quarter-over-quarter, a trend worth monitoring in the coming months. A comparison of Spanish banks' forbearance rates to the rest of the eurozone also yields some notable insights. Prior to the crisis, Spanish banks' exposure to forbearance had been falling more intensely than in Europe in recent years, with the gap narrowing 2.9 percentage points since 2015. That said, this ratio was still 0.5 percentage points higher in Spain by year-end 2020. With a share of 20%, this puts Spain at the top of the list of eurozone banking systems in terms of FBEs. Finally, it is worth highlighting that in Spain the percentage of forborne exposures classified as non-performing is 11.5 percentage points above the eurozone average (50.2%) implying greater reliance on the refinancing route when borrowers run into trouble.

Also noteworthy was the significant provisioning effort made by Spanish banks even after the introduction of more accommodating regulation and accounting rules. However, provisioning started to slow in the first quarter of 2021 and there is a debate as to whether it ought to keep pace with 2020. Non-performing exposures should peak by early 2023, rising by around €40 billion between 2021 and 2022, with consumer credit hit especially hard in relative terms. If the provisioning effort of 1Q21 were maintained for all of 2021, the banks would recognise one-third of the estimated balance outstanding in the wake of the 2020 effort this year. Alternatively, the banks could step up their provisioning by 20-25% so that it is completed by the end of 2022.

We then drill down on another important sector where banks have exposures that has performed relatively well during the crisis – the real estate sector. Surprisingly, COVID-19's effect on the Spanish real estate market has been limited. The pandemic occurred during the "mature" housing cycle phase in terms of prices and transaction volumes. While GDP contracted by 17.8% year-on-year in the second quarter of 2020, the contractions in construction and property services amounted to 22.8% and 6.3%, respectively. Between June and September, both activities have recovered, registering growth of 24.8% and 6.4%, respectively. COVID-19 did, however, change the nature of the housing market, with rising demand for larger homes due to home working and declining demand for holiday homes thanks to mobility restrictions. Importantly, significant disparity in house prices exists across Spain's regions. As well, the pandemic had a greater adverse impact on prices of new builds compared to existing homes. That said, COVID-19 had a more uniformly adverse effect on rental prices. In general, the pandemic has shone a spotlight on housing affordability issues.

Subsequently, we examine the challenging outlook for Spain's fiscal consolidation path, where, as in many countries, meaningful progress has been set back by the advent of the COVID-19 crisis, thus making achievement of fiscal targets all the more difficult over the near- to medium-term, particularly without much-needed fiscal reform.

Although Spain's deficit came in lower than expected in 2020, it still ranked highest among the EU-27. While the government's budget deficit forecast of 8.4% for 2021 is very similar to the Funcas consensus forecast of 8.2%, Spain faces a structural deficit in 2022 even higher than the 3.5% observed in 2019. This suggests the return to budget stability will be tough and requires a credible strategy for tackling the debt and deficit challenges to be defined in 2021. Such a strategy will need to cover until at least 2027 and will necessitate higher annual reductions than were being required of the country under the European fiscal rules before the pandemic (-0.65%). In the case of the regional authorities, the situation is more urgent as some of the income transferred in 2020 and 2021 to them by the central government will have to be returned in 2022 and 2023. Also, some regions will face significant financial stress and the reform of the regional financing regime needed to fix the problem remains bogged down. Lastly, the gradual ageing of the Spanish population will exert upward pressure on spending in health and social services, which between them account for over half of the regional budgets.

Finally, we close this issue on a more theoretical note, assessing Spain's institutional framework, taking into consideration current strengths, shortcomings, and the need to implement reforms in this space if the country is to tackle declining productivity.

Between 1996 and 2017, total factor productivity in Spain decreased by 10.5%. Some evidence suggests that certain institutional weaknesses could be a direct cause of the unsatisfactory trend in productivity. For example, the Global Competitiveness Report shows that Spain ranks 23rd on institutional quality compared to higher rankings in areas such as health and physical infrastructure. Notably, Spain is one of the EU countries in which institutional quality has deteriorated the most over the past two decades. This is likely due to the real estate boom and period of sustained growth in abundant and cheap credit during the run up to the financial crisis. Upon closer examination, it becomes apparent that Spain's institutional deficiencies are especially acute in areas such as transparency, the justice system, regulation, and coordination between government levels, which weigh on the country's economic growth. However, one bright spot for Spain is the quality of its democracy, with the country continuing to fall within the Economist Intelligence Unit's group of "full democracies". In light of the COVID-19 crisis and the transition to a digital/green economy, it is especially pressing that Spain address its institutional vulnerabilities. If left unaddressed, the absence of government efficiency could undermine Spain's response to the upcoming changes anticipated in the international economy.

Notes

[1] If the full-time equivalents (FTEs) metric were used, the employment threshold would be higher at an estimated 0.8%.

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What´s Ahead (Next Month)

Month	Day	Indicator / Event
August	3	Social Security registrants and official unemployment (July)
	3	Tourist arrivals (June)
	6	Industrial production index (June)
	13	CPI (July)
	19	Foreign trade report (June)
	30	Retail trade (July)
	30	Preliminary CPI (August)
	31	Balance of payments monthly (June)
September	1	Tourist arrivals (July)
	2	Social Security registrants and official unemployment (August)
	9	ECB monetary policy meeting
	10	Non-financial accounts, State (July)
	10	Non-financial accounts, Regional Governments and Social Security (June)
	10	Eurogroup meeting
	10	Industrial production index (July)
	14	CPI (August)
	20	Foreign trade report (July)
	23	Balance of payments quarterly (2nd quarter)
	23	Quarterly National Accounts (2nd quarter, 2nd release)
	29	Preliminary CPI (September)
	30	Retail trade (August)
	30	Non-financial accounts, State (August)
	30	Non-financial accounts, Regional Governments and Social Security (July)
	30	Non-financial accounts, General Government (2nd quarter)
	30	Quarterly Non-financial Sector Accounts (2nd quarter)
	30	Balance of payments monthly (July)

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What Matters

Regulation and Economic Outlook

Key Facts

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The Spanish economy in recovery mode: Opportunities and challenges

Recent indicators point to a vigorous economic recovery for Spain, with GDP set to grow by 6.3% this year despite rising infection rates, supply chain bottlenecks and a slower than anticipated return of tourists. The challenge is to maintain the expansionary phase, which involves implementing the reforms foreseen in *Next Generation EU* and tackling the legacy of unemployment and public debt.

Raymond Torres and María Jesús Fernández

Abstract: Spain's economy contracted by 0.4% in 1Q21, with all components of demand except investment in capital goods affected. However, second-quarter indicators released to date point to a sharp turnaround. Jobs registered strong growth in May and June, while the manufacturing and services PMI readings rose to near-record levels. Although tourism seemed to be headed towards recovery in May, rising infection rates appear to have weighed on tourist numbers in June. Also, inflation rose from negative rates at the end of last year to 2.7% in June and is expected to rise above 3% by the end of 2021. The forecast for GDP growth in 2021 stands at 6.3% and at 5.8% for 2022. This growth pattern reflects the fact that consumers are spending their precautionary savings faster

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than anticipated, which should benefit growth this year at the expense of 2022 (the pent-up demand effect). Conversely, the protracted negotiations over the NGEU mean that those funds will have a bigger impact next year (without fully offsetting the pent-up demand effect). Meanwhile, the budget deficit will reach 6.2% in 2022. And, in the absence of measures, debt is expected to increase to nearly 117% of GDP by 2022.

Recent performance of the Spanish economy

After a stagnation in the fourth quarter of 2020, Spanish GDP contracted by 0.4% in 1Q21. This was due to the imposition of new restrictions to curb the third wave of the pandemic, and also the effects of the January snowstorm. The contraction affected all components of demand except for investment in capital goods, which has been recovering steadily since the third quarter of last year.

By sector, only services –both public and private– reported growth in gross value added in the first quarter. However, the various sub-sectors performed very unevenly. For example, according to the services sector turnover index, the retail, hospitality and air travel sectors contracted sharply.

As for jobs, although the number of hours worked declined by 2%, the number of job holders, as per the labour force survey, registered growth of 0.5%, pushing unemployment down to 16%.

In contrast with the stalled economic recovery in the fourth quarter of 2020 and the first quarter of 2021, second-quarter indicators released to date point to a sharp turnaround, particularly in May and June, fuelled by the easing of restrictions, the end of the state of emergency, and accelerating vaccination levels. Jobs registered strong growth in both months, while the number of people brought back to work from furlough accelerated.

The manufacturing and services PMI readings rose to near-record levels, while the confidence readings, albeit with ups and downs, are back above pre-pandemic levels in all sectors, including construction and retail (Table 1). This suggests that the impact of supply shortages of certain commodities and microchips, has, so far, been moderate.

Other indicators, such as the number of overnight stays, passenger air travel and tourist arrivals, registered strong growth in May (the last month for which those readings are available), coinciding with the relaxation of mobility restrictions in most European countries.

As for consumption, retail sales (similarly based on data to May) growth remains negative. Spending remains below fourth-quarter 2020 figures. That may be because the growth in spending was largely channelled into services as restrictions on activities and movement were eased. The sharp rebound in hotel stays by Spanish residents, which in May topped 4Q20 levels, corroborates that thesis. In addition, domestic credit card spending during the first week of July was up 7% year-on-year, underpinned by very significant growth in restaurant and tourism spending, while spending on foreign cards increased 70%, [1] confirming that both domestic and foreign tourism consumption started to recover strongly towards the end of the quarter.

Nevertheless, as from the end of June, the tourism sector may have already begun to feel the effects of the surge in transmission due to the spread of the Delta variant. In mid-June,

Table 1

Economic indicators

Comparison between the most recent data available and December 2020 and February 2020

	Growth since Dec-20, in %	Growth since Feb-20, in %	
Industrial production (May index)	5.3	4.0	
Services activity (May index)	2.3	-9.2	
Cement consumption (May)	3.4	1.7	
Social Security contributors (June)	0.9	-1.2	
Contributors net of retention mechanisms (June)	3.3	-4.8	
Exports of goods (June)	8.1	8.2	
Airline passengers (May)	10.3	-76.7	
Tourist arrivals (May)	7.1	-83.5	
Tourist expenditure (May)	17.2	-83.6	
Retail sales (May)	-1.5	-4.2	
Overnight stays, Spanish residents (May)	70.6	-53.9	
Overnight stays, overseas residents (May)	410.5	-72.7	
	June-21	December-20	February-20
Composite PMI	62.4	48.7	51.8
Manufacturing PMI	60.4	51.0	50.4
Services PMI	62.5	48.0	52.1
Economic sentiment indicator	107.2	91.5	103.2
Industrial confidence index	0.2	-10.6	-4.0
Services confidence index	17.9	-24.3	9.9
Retail sales confidence index	7.6	-22.5	1.9
Construction sector confidence index	4.6	-14.6	-9.9
Consumer confidence index	-11.7	-23.1	-7.9

Note: For PMI, a reading of over 50 indicates growth; a reading of less than 50 indicates contraction. The rates of change are calculated using the deseasonalised series.

Sources: INE, Ministry of Inclusion, Social Security and Migration, Customs, Aena, Markit Economics, EC.

flight bookings to Spain were 5.2% above levels for the same week of 2019 (they had trended around 70% below in the early months of the year). However, by the end of the month, bookings were down 23.4% compared to the same period of 2019. [2]

As for exports, since the sharp contraction registered in January, the trend has been very positive. In April, the last month for which export figures are available, volumes in constant prices were back above pre-crisis levels.

> “One of the most noteworthy traits of Spain’s recent economic performance is the rise in inflation, from negative rates at the end of last year to 2.7% in June.”

The balance of payments remained in surplus, a remarkable development considering the collapse in tourism receipts. The first-quarter external accounts presented a deficit of 2 billion euros but the first quarter tends to be seasonally adverse.

One of the most noteworthy traits of Spain’s recent economic performance is the rise in inflation, from negative rates at the end of last year to 2.7% in June. For now, the rise in the headline rate has not affected core inflation, which remains subdued, and is attributable mainly to the reversal of the oil price correction sustained during the early months of the pandemic, as well as more expensive electricity. From August, we will see new base effects, this time in services, so that inflation is expected to exceed 3%. That may be exacerbated by the sharp increases in commodity prices in recent months, as is already apparent in the pronounced increase in the industrial price index.

The first-quarter budget deficit was nearly 5 billion euros higher year-on-year. Note, however, that January and February of 2020 were not yet affected by the pandemic. The April figures already revealed a noteworthy change in trend, thanks mainly to the favourable year-on-year comparison, as much of the economy had come to a halt in April 2020. The resumption of the economic recovery at the start of the second quarter of this year is another factor at work. Tax revenues registered year-on-year growth of 46.8%, while expenditure eased by 9.7%, so that the accumulated deficit for the first four months of the year was smaller than in the same period of 2020.

Forecasts for 2021 and 2022

The economic recovery initiated after the weak start to the year gained traction during the second quarter. This occurred alongside a reduction in uncertainty thanks to higher vaccination rates, the release of pent-up demand accumulated during the crisis, and the recovery in the global economy. As a result, the forecast for GDP growth this year stands at 6.3%, up 0.3 percentage points from the May forecasts. The forecast for 2022 is for growth of 5.8%, down 0.4 percentage points from May, due to the loss of momentum in some of the main drivers of the rebound (Tables 2 and 3).

The revised forecasts –upward in 2021 and downward in 2022– reflect the trend in domestic demand, which is expected to contribute 6 percentage points to GDP growth in 2021, up 0.5 percentage points from May, and 5.3 percentage points in 2022, down 0.4 percentage points. The main factor is the ‘pent-up demand’ effect. It appears that the precautionary savings accumulated during the pandemic are being wound down faster than expected, a phenomenon also being observed in countries further along the recovery path, such as the US. As a result, the boost from private consumption and construction (the aggregates that benefit the

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Table 2

Economic forecasts for Spain, 2021-2022

Annual rate of change in percentages, unless otherwise indicated

	Actual data				Funcas forecasts		Change from last set of forecasts (a)	
	1996-2007 average	2008-2013 average	2014-2019 average	2020	2021	2022	2021	2022
1. GDP and components, constant prices								
GDP	3.7	-1.3	2.6	-10.8	6.3	5.8	0.3	-0.4
Final consumption, households and NPISHs	3.7	-2.1	2.2	-12.1	7.6	4.3	1.4	-1.6
Final consumption, government	4.2	0.9	1.4	3.8	2.5	3.1	-0.6	0.6
Gross fixed capital formation	6.1	-7.6	4.5	-11.4	6.3	10.5	0.0	1.4
Construction	5.5	-10.7	3.9	-14.0	3.6	12.4	1.0	0.8
Capital goods and other products	7.5	-2.7	5.0	-8.8	8.8	8.7	-1.0	1.9
Exports of goods and services	6.5	1.8	4.0	-20.2	11.4	11.9	0.3	1.2
Imports of goods and services	8.7	-4.0	4.4	-15.8	11.1	10.5	1.0	1.0
Domestic demand (b)	4.4	-3.1	2.6	-8.8	6.0	5.3	0.5	-0.4
Net exports (b)	-0.7	1.8	0.0	-2.0	0.3	0.5	-0.2	0.0
GDP, current prices: - billions of euros	--	--	--	1,121.7	1,207.1	1,298.0	--	--
- % change	7.3	-0.8	3.4	-9.9	7.6	7.5	0.6	-0.1
2. Inflation, employment and unemployment								
GDP deflator	3.5	0.5	0.8	1.1	1.2	1.6	0.2	0.3
Household consumption deflator	3.1	1.7	0.7	0.1	2.5	1.6	0.5	0.3
Total employment (national accounts, FTEs)	3.3	-3.4	2.5	-7.5	5.9	2.1	0.5	-0.5
Unemployment rate (Spanish labour force survey)	12.5	20.2	18.8	15.5	15.8	14.7	-0.1	-0.6
3. Financial equilibrium (% of GDP)								
National savings rate	16.7	18.8	21.7	21.1	20.7	22.4	-0.5	0.0
- of which, private savings	13.3	22.9	23.6	28.5	26.2	26.5	-0.9	-0.4
National investment rate	26.7	21.7	19.4	20.5	20.4	21.2	-0.2	0.1
- of which, private investment	17.9	17.8	17.2	17.9	17.8	18.6	-0.1	0.1
Current account surplus/(deficit)	-4.5	-2.9	2.3	0.7	0.2	1.4	-0.4	0.1
Spain's net lending (+) or borrowing (-) position	-3.7	-2.4	2.7	1.1	1.0	2.7	-0.5	-0.1
- Private sector	-3.8	6.4	6.6	12.1	8.9	8.9	-0.9	-0.6
- Govt. deficit excl. financial sector bailout debt	-0.9	-8.1	-3.9	-10.1	-7.9	-6.2	0.4	0.5
Government debt, EDP criteria	52.2	67.6	98.4	120.0	119.2	116.9	-1.0	-1.3
4. Other variables								
Eurozone GDP	2.3	-0.2	1.8	-6.6	4.6	4.8	0.0	0.0
Household savings rate (% of GDI)	9.5	8.8	6.4	14.7	9.8	7.8	-2.0	-0.9
Gross borrowings, households (% of GDI)	93.3	128.5	102.0	94.8	90.0	86.3	0.4	0.3
Gross borrowings, non-financial corporates (% of GDP)	91.5	133.4	103.1	107.7	99.3	91.3	-0.6	-0.6
Spain's gross external borrowings (% of GDP)	94.7	162.4	168.8	199.4	190.5	176.9	0.4	-0.7
12-month Euribor (annual %)	3.74	1.90	0.01	-0.30	-0.49	-0.47	0.00	0.00
Yield on 10Y Spanish bonds (annual %)	5.00	4.74	1.58	0.38	0.40	0.50	0.00	0.00

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

Table 3

Quarterly forecasts for the Spanish economy

Percentage change at constant prices, unless otherwise indicated

Forecasts in shaded area

Period	GDP	Private consumption	Public consumption	GFCF	Exports	Imports	Contrib. to growth GDP (1)		Employ. (2)	Unemp. rate
							Domestic demand	Net exports		
2014	1.4	1.7	-0.7	4.1	4.5	6.8	1.9	-0.5	1.0	24.4
2015	3.8	2.9	2.0	4.9	4.3	5.1	3.9	-0.1	3.2	22.1
2016	3.0	2.7	1.0	2.4	5.4	2.6	2.0	1.0	2.8	19.6
2017	3.0	3.0	1.0	6.8	5.5	6.8	3.1	-0.2	2.9	17.2
2018	2.4	1.8	2.6	6.1	2.3	4.2	3.0	-0.5	2.6	15.3
2019	2.0	0.9	2.3	2.7	2.3	0.7	1.4	0.6	2.3	14.1
2020	-10.8	-12.1	3.8	-11.4	-20.2	-15.8	-8.8	-2.0	-7.5	15.5
2021	6.3	7.6	2.5	6.3	11.4	11.1	6.0	0.3	5.9	15.8
2022	5.8	4.3	3.1	10.5	11.9	10.5	5.3	0.5	2.1	14.7
QoQ change, in %										Unemp. rate
1Q20	-5.4	-6.5	1.1	-4.9	-7.5	-5.8	-4.6	-0.8	-2.0	14.4
2Q20	-17.8	-19.7	0.6	-20.5	-34.0	-28.6	-15.2	-2.6	-17.7	15.3
3Q20	17.1	20.9	1.3	21.5	31.1	26.8	15.4	1.6	16.1	16.3
4Q20	0.0	0.0	1.3	1.0	4.6	6.2	0.4	-0.4	1.2	16.1
1Q21	-0.4	-0.6	-0.1	-0.8	-1.4	-1.3	-0.4	0.0	1.4	16.0
2Q21	2.0	2.5	0.0	0.7	4.3	3.1	1.5	0.4	0.2	15.9
3Q21	3.8	4.4	0.9	2.3	5.7	3.8	3.1	0.6	1.7	15.8
4Q21	1.9	1.1	1.2	3.4	3.1	2.0	1.6	0.4	0.5	15.7
1Q22	0.9	0.4	0.9	2.8	3.1	3.2	0.9	0.0	0.4	15.5
2Q22	0.7	0.3	0.6	2.8	1.7	2.3	0.9	-0.2	0.4	14.7
3Q22	0.7	0.2	0.5	2.0	1.6	1.6	0.6	0.0	0.3	14.4
4Q22	0.5	0.2	0.5	1.7	0.8	1.0	0.6	-0.1	0.1	14.3
(Year-on-year change in %)										
1Q20	-4.3	-5.9	3.5	-5.1	-5.8	-5.3	-4.0	-0.3	-0.6	--
2Q20	-21.6	-24.3	3.3	-24.3	-38.7	-32.6	-18.7	-2.9	-18.5	--
3Q20	-8.6	-9.2	4.0	-9.0	-19.8	-15.7	-6.8	-1.8	-5.6	--
4Q20	-8.9	-9.2	4.5	-7.2	-16.3	-9.4	-6.3	-2.6	-5.2	--
1Q21	-4.2	-3.5	3.2	-3.2	-10.7	-5.2	-2.2	-2.0	-1.9	--
2Q21	18.8	23.1	2.6	22.6	41.0	37.0	17.4	1.4	19.4	--
3Q21	5.4	6.3	2.2	3.2	13.7	12.1	4.7	0.6	4.5	--
4Q21	7.4	7.5	2.0	5.6	12.0	7.7	5.9	1.5	3.8	--
1Q22	8.9	8.5	3.0	9.4	17.1	12.7	7.4	1.5	2.8	--
2Q22	7.5	6.2	3.6	11.7	14.2	11.8	6.7	0.9	2.9	--
3Q22	4.3	2.0	3.2	11.3	9.8	9.4	4.1	0.2	1.6	--
4Q22	2.8	1.1	2.5	9.5	7.3	8.4	3.1	-0.2	1.2	--

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

most from the pent-up demand effect) have been revised significantly higher for 2021 and then lower for 2022 in the case of the former (due to the premature depletion of that phenomenon).

On the other hand, some of the growth in public spending and investment that had been anticipated in 2021 has been pushed back to next year, reflecting the protracted negotiations and approval for the *Next Generation EU (NGEU*). The current forecasts assume the execution of 10 billion euros of *NGEU* funds in 2021 (down 4 billion euros from the May forecasts) and of 26 billion euros in 2022 (unchanged). [3] Those revisions do not, however, offset the pent-up demand effect.

International trade is expected to perform well both years, in line with our previous sets of forecasts. The momentum in goods exports should continue in 2021, in line with the trend-improvement in Spanish firms' market share gains abroad, going on to slow in 2022, when the global recovery is expected to ease. Tourism service exports, meanwhile, should recover in tandem with the gradual resumption of mobility. However, there is significant uncertainty regarding the impact of the virus mutations on travel. Flows are extraordinarily volatile, as many travel and hotel bookings include cancellation clauses related with pandemic developments. For now, we have revised our forecasts for the recovery in tourism downwards as a result of the rapid spread of the Delta variant. Tourism is currently forecast to detract 0.3 percentage points from GDP growth in 2021. Overall, net exports are projected to contribute 0.3 points to growth in 2021 (down from an estimated 0.5 points in May) and 0.5 points in 2022 (unchanged).

The intensity of the global recovery is expected to continue to create bottlenecks in certain strategic supplies, including semiconductors, metals and energy products. All of which will weigh on the recovery, particularly in the more exposed sectors such as the automotive industry, while putting upward pressure on production costs and inflation. The personal consumption expenditure deflator is expected to rise to 2.5% in 2021, up half a percentage point from our last forecasts. The theoretical easing of the bottlenecks should facilitate a reduction in inflation in 2022, to an estimated 1.6% (nevertheless up 0.3 percentage points from our last set of forecasts). Assuming that the increase in the cost of supplies proves transitory, internal prices (the GDP deflator) and salaries would remain under control and therefore act as a buffer against the chronification of inflation.

Despite the deterioration in the terms of trade, Spain will continue to present a current account surplus, which should widen as international tourism recovers. Moreover, Spain is expected to receive sizeable sums under the *NGEU* programme, fuelling a growing net lending position. That outcome reflects the sharp rise in national savings, to record levels in terms of GDP.

The recovery will trickle down to the job market. We are forecasting job creation of close to 500,000 in total over the two years (on a seasonal-adjusted basis). That figure includes the employees on furlough that are brought back to work, which we estimate at around 40% of the 450,000 people still on the scheme as of the end of June.[4] The remaining 60% are expected to become unemployed or economically inactive. As a result, employment would be back at pre-crisis level by the end of 2022 but with a higher number of job-seekers and unemployment rate.

The recovery will also benefit the deficit, thanks to growth in revenue as economic activity

> "The personal consumption expenditure deflator is expected to rise to 2.5% in 2021, up half a percentage point from our last forecasts."

> Our forecasts assume the influx of close to 8.5 billion euros of tourism revenues this summer, which is 40% of the level recorded in the same period of 2019.

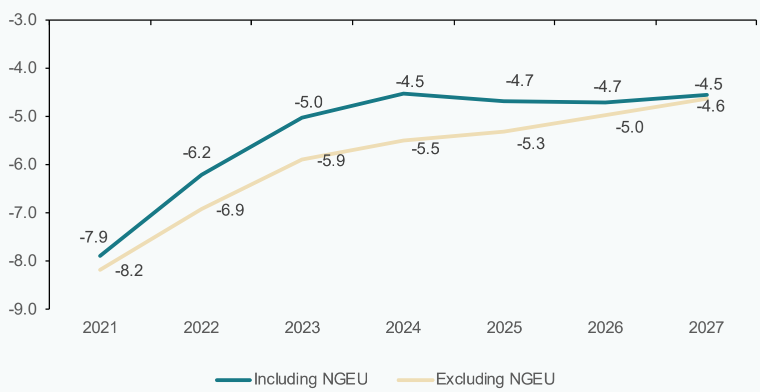
rebounds and a reduction in pandemic-related expenditure needs. Meanwhile, the ECB's debt purchases, coupled with low policy rates, will continue to alleviate the state's financial burden, although we are forecasting a gradual increase in Treasury bond yields. Nevertheless, the deficit will reach 6.2% in 2022, underpinned by a significant structural deficit, with no information at the time of writing on whether measures to tackle the issue in the medium- and longer-term will be introduced. Public debt will also remain high, at close to 117% of GDP.

Risks

Short-term, the big unknown remains the evolution of the pandemic, particularly the reaction to the rapid spread of new variants among the young, unvaccinated segments of the population. The next few weeks will be telling in this respect. Firstly, there is the forecast volume of tourism receipts. Our projections assume the influx of close to 8.5 billion euros of tourism revenues this summer, which is 40% of the level recorded in the same period of 2019. However, the introduction of new travel restrictions in issuer markets could stymie those expectations, weakening an overly indebted business fabric without room for manoeuvre. All of which is exacerbated by the surprising delay in the deployment of the direct transfers for businesses decreed in March, in contrast with the agility with which other European countries have rolled out similar support schemes. Secondly, a spike in case numbers could affect confidence and undermine consumption and investment.

Exhibit 1 **Public deficit**

Percentage of GDP

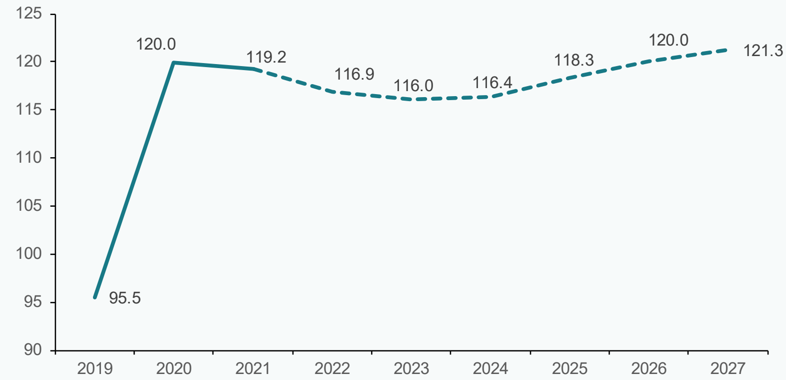


Note: The deficit 'Including NGEU' reflects the direct impact on revenue and expenditure of the NGEU *funds and the indirect impact on GDP.*

Source: Funcas.

Exhibit 2 **Public debt**

Percentage of GDP

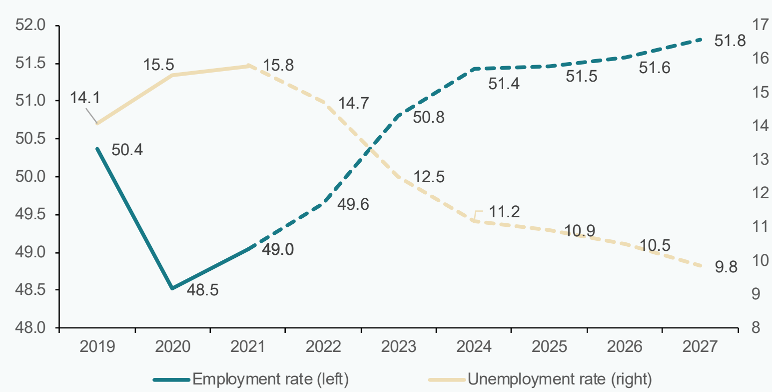


Source: Bank of Spain and Funcas.

The rise in production costs is another risk in the short-term. Should costs remain inflated for longer than we are forecasting, households and businesses could face a significant erosion of their purchasing power, which would weigh on demand. Moreover, if inflation expectations become unanchored, the ECB could feel obliged to tighten monetary conditions, which would translate into higher financial costs for the more indebted governments and sectors. Fortunately, the ECB's recent move to make its inflation targets more flexible has pushed back that prospect for now. [5]

Exhibit 3 **Rates of unemployment and employment**

Percentage



Source: INE and Funcas.

Longer-term, the Spanish economy faces the risk of hysteresis effects in terms of chronic public deficits and unemployment, which have been exacerbated by the pandemic. In a no-policy-change scenario, which assumes continued ultra-low interest rates and full execution of the 70 billion euros of transfers expected under the NGEU programme (an assumption that implies significant improvements in project management and allocation mechanisms), the public deficit would still be around 4.5% of GDP at the end of the European budget period, *i.e.*, 2027 (Exhibit 1). And public debt would stagnate at 120% of GDP, *i.e.*, almost 25 points above pre-pandemic levels (Exhibit 2). Spain is therefore vulnerable to potential monetary policy tightening or the reactivation of the European fiscal rules, which would require drastic cuts over a relatively limited period of time.

As for jobs, although the unemployment rate should come down, the gap relative to Spain's main EU partners could widen (Exhibit 3). Germany and other central and northern European countries are expected to approach full employment, while others, like Portugal, have embarked on reforms to tackle labour market duality and enhance skills. The reforms contemplated in Spain's recovery plan are therefore urgent. That is the only way to improve job prospects for those most affected by the crisis, including youth and other groups that have historically faced difficulties in finding decent work.

Notes

[1] Monitor de consumo | CaixaBank Research.

[2] Global Covid-19 Insight Dashboard for Travel Marketers / Sojern.

[3] The execution forecast –of 10 billion euros in 2021– reflects the spending programmes committed to this year against the European funds. That figure is less than the total European transfers expected this year –9 billion euros in July and another 10 billion euros in December – which are classified as non-financial income for public account purposes. Therefore, the lag between the receipt and spending of the *NGEU* funds could translate into a reduction in the public deficit in 2021 and an increase in subsequent years.

[4] For the purposes of these forecasts, we have assumed that those currently on furlough in the restaurant, hospitality and leisure sectors (approximately 40% of the total) will be re-employed once mobility is fully back to normal. However, we assume that employees in sectors that have fully recovered and remain on furlough (the remaining 60%) will not go back to their jobs, as they may be employed in unviable businesses.

[5] Refer to the ECB's monetary policy strategy statement: https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview_monpol_strategy_statement.en.html

Raymond Torres and María Jesús Fernández. Funcas

COVID-19 and its asymmetric impact in Spain by province: Recent trends and projections

The COVID-19 crisis in Spain has been marked by a triple asymmetrical impact in terms of timing, sector and region. While those sectors and regions hardest hit by the crisis should post strong growth, the recovery will likely be characterised by disparity across sectors and regions in Spain.

María Romero, Juan Sosa and Javier Serrano

Abstract: The economic crisis in Spain has been characterised by a triple asymmetric impact in terms of timing, sector and region. That asymmetry explains the differing impacts on the economic front and will also shape the varying speeds of recovery over the coming months. Regarding timing, the crisis began in 2Q20, resulting in a quarterly contraction of 17.8%, with a 17.1% recovery in the following quarter. Customer-facing sectors most affected by the restrictions saw GVA contract at a quarterly rate of 41.4% in 2Q20. Due to their reliance on tourism, the Balearic and Canary Islands, along with certain provinces along the Mediterranean coast, were the regions hit hardest. Our nowcasting model [1] points to quarterly growth of over 3% in 2Q21. Importantly, those sectors most exposed to the restrictions are very labour intensive. As a result, they require less growth than other

sectors to increase employment. Specifically, those sectors need activity to grow by 0.24% year-on-year to create jobs, while all other sectors require growth of at least 0.33% year-on-year to increase employment. [2] Nevertheless, the economic and job recovery will continue to be characterised by disparity across sectors and regions.

Introduction

The COVID-19 pandemic has been like a tidal wave for the economy, with knock-on effects on a scale not seen in the post-war period. The extent to which productive activity ground to a halt was unprecedented, with the crisis engulfing practically the whole world.

The disruption to economic activity resulted in persistent supply side shocks that are very likely to give way to a demand shock. Services and durable goods consumption are the economic areas most sensitive to economic shocks and the hardest to reconstitute in an uncertain environment.

The economic crisis in Spain has been characterised by a triple asymmetric impact: timing, sectoral and regional. That asymmetry explains the differing impacts on the economic front and will also shape the varying speeds of recovery over the coming months. This paper attempts to quantify that socio-economic impact by focusing on the recent trend and outlook at the individual provincial level in Spain.

Triple asymmetry

The asymmetry of the economic crisis caused by COVID-19 has so far manifested in three key ways:

- *Timing*. The onset of the COVID-19 pandemic during the second half of March 2020 drove a particularly severe economic contraction in 2Q20. Since then, the economy has been trying to catch up on the volume of activity lost in just a few weeks. According to Spain's National Statistics Office, the INE, GDP contracted by a quarterly rate of 17.8% in 2Q20, going on to rebound 17.1% the following quarter.

- *Sectoral*. The sectors most sensitive to the business restrictions are those requiring social contact, which has translated into particularly severe contractions in revenue and employment (albeit contained by the furlough scheme) compared to other sectors of the economy. These sectors include retail, hospitality, transport (particularly air travel) and leisure and cultural activities. Those sectors were deemed 'non-essential' when Spain initiated the state of emergency on March 14th, 2020. Our estimates suggest that on aggregate those sectors' GVA contracted at a quarterly rate of 41.4% in 2Q20, going on to rebound by 50.9% in 3Q20 (leaving it 12% below pre-pandemic levels). The other sectors experienced a much smaller rebound (12% QoQ in 3Q20), having contracted by relatively less the previous quarter.

- *Regional*. Because of their exposure to the hardest-hit sectors and the seasonality of some of the above sectors, the provincial economies most affected have been the Balearic and Canary Islands, along with certain provinces along the Mediterranean coast (Map 1). The Balearic Islands was particularly affected (its economy contracted by 17.4% on average in 2020), evidencing its reliance on the tourism sector and related activities. According to Exceltur (2014), the tourism sector is responsible for 44.8% of the regional economy between direct, indirect and induced effects, which is significantly above the national average (12.4% in 2019) and even other regions heavily exposed to the sector (the equivalent percentage in the Canary Islands was 35% in 2018).

"According to the INE, GDP contracted by a quarterly rate of 17.8% in 2Q20, going on to rebound 17.1% the following quarter."

Map 1 **Impact of the COVID-19 crisis on GVA at the provincial level in 2020**

YoY change, percentage

Sources: INE, Ministry of Inclusion, Social Security and Migration, Afi.

The intensity and uniformity of the economic recovery across Spain's regions will determine the territorial cohesion resulting from this crisis and the economic policies best suited to addressing a potential increase in inequalities.

The trend in social security contributors in 2Q21, coupled with other leading indicators (new car registrations, manufacturing and service PMIs, exports and imports of goods, *etc.*), suggests that the Spanish economy is set to rebound sharply, offsetting the weak start to the year (1Q21 GDP: -0.4%). More specifically, our model points to quarterly growth of over 3% in 2Q21. Judging by the differences at the sector level and in infection rates in each region, that growth is likely to be heterogeneous at the provincial level.

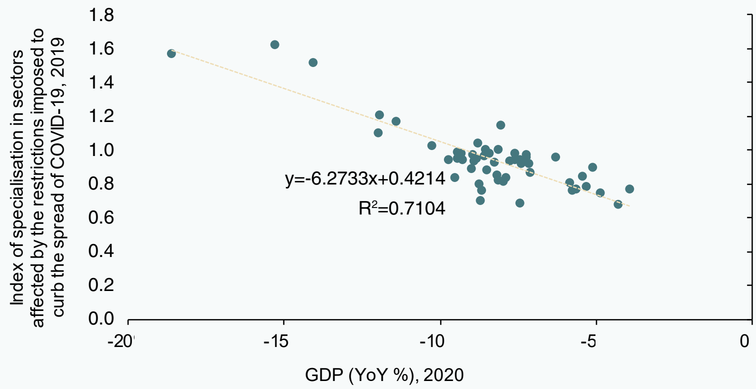
According to our sector-provincial model, the provincial economies set to perform the best in 2Q21 will be those that saw their GDP and employment suffer the most (discounting employees affected by furloughs) in 1Q21 and all of 2020 (Exhibit 2). The Balearic and Canary Islands are expected to report significant economic growth in 2Q21, underpinned by the bright outlook for their tourism sectors during the summer season. Although tourism will remain well below pre-pandemic levels, the sector will make a positive contribution to growth in those regions.

One development that could have accelerated the recovery in the Balearic Islands was the recent decision by the UK to include the islands on its green list for travel (the UK accounts for over 20% of overseas visitors to Spain). However, due to rising infection rates, the British government has moved the Balearic Islands to the amber list. The Canary Islands too will have to wait until further reviews.

“ Our model points to quarterly growth of over 3% in 2Q21. ”

Exhibit 1

GDP and index of specialisation in sectors affected by the restrictions imposed to curb the spread of COVID-19 by province



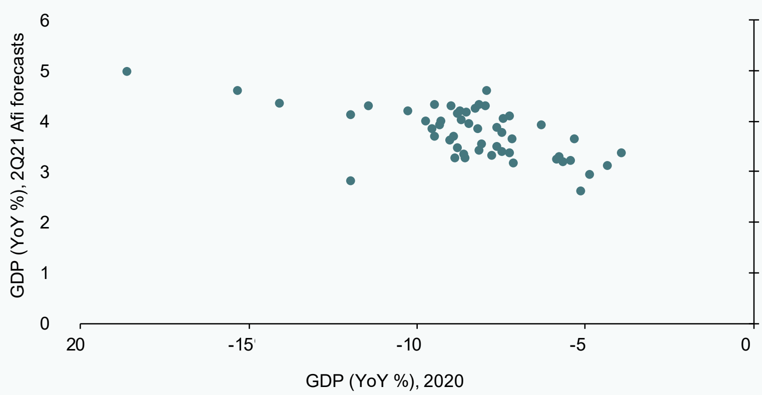
Sources: INE, Ministry of Inclusion, Social Security and Migration, Afi.

The provincial economies' productive specialisation has had economic consequences. Many establishments have remained closed as they continue to wait for the recovery to consolidate and for more tourists to arrive, particularly from abroad, before reopening.

As economic activity begins to take off, employment should grow. The first milestone is likely to be the re-engagement of those currently on furlough, before going on the create jobs with greater intensity, assuming the recovery pans out. Notably, the sectors

Exhibit 2

GDP by province: Year-on-year change in 2020 and 2021



Sources: INE, Ministry of Inclusion, Social Security and Migration, Afi.

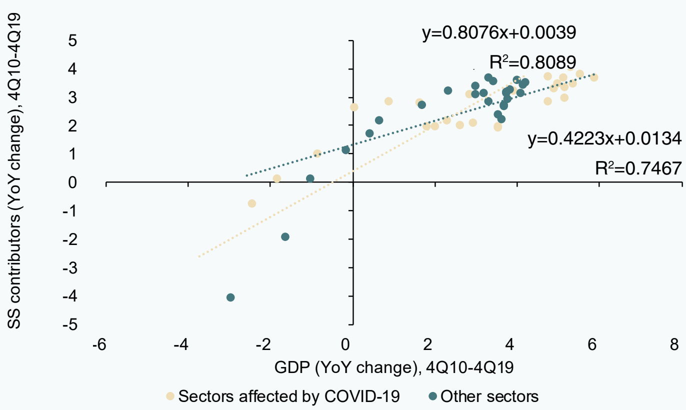
> The sectors that are more sensitive to the COVID-19 restrictions need activity to grow by 0.24% year-on-year to create jobs, while all other sectors require growth of at least 0.33% year-on-year to increase employment.

most affected by the restrictions continue to account for over half of the total on furlough but were also the sectors to bring the greatest number people out of furlough in May.

Those sectors most exposed to the restrictions are very labour intensive. As a result, they require less growth than other sectors to increase employment. This means the pace of the recovery in jobs lost or furloughed could be faster than initially anticipated. Analysing the year-on-year growth in GDP and social security contributors in 2010-2019 yields an estimate of the rate of GDP growth required to generate jobs, *i.e.*, the employment threshold. This is what is known as Okun's Law (Exhibit 3). The sectors that are more sensitive to the COVID-19 restrictions need activity to grow by 0.24% year-on-year to create jobs, while all other sectors require growth of at least 0.33% year-on-year to increase employment. Note that this exercise was conducted using social security contributor numbers, where the year-on-year movements are more pronounced than in full-time equivalents (FTEs), which is the metric that should be used in theory to calculate the employment threshold. If the FTEs metric were used, the employment threshold would be higher at an estimated 0.8%. However, that data is not broken down at the sector level to two digits (NACE codes).

Nevertheless, the growth forecast for the coming years will continue to be marked by disparity at both the sector and regional levels, potentially exacerbating existing inequalities. However, that heterogeneity is

Exhibit 3 **Okun's Law by sector**



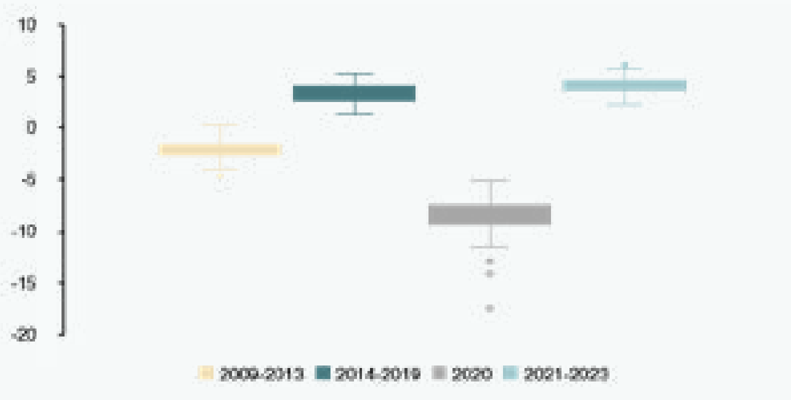
*Note: Employment threshold - Result of the absolute value of α between the coefficient β in relation to the YoY change in social security contributors = α + β*YoY change in GDP + ε.*

Sources: INE, Ministry of Inclusion, Social Security and Migration, Afi.

Exhibit 4

Dispersion in growth by province

Average annual YoY growth, percentage period analysed, forecasts for 2021-23



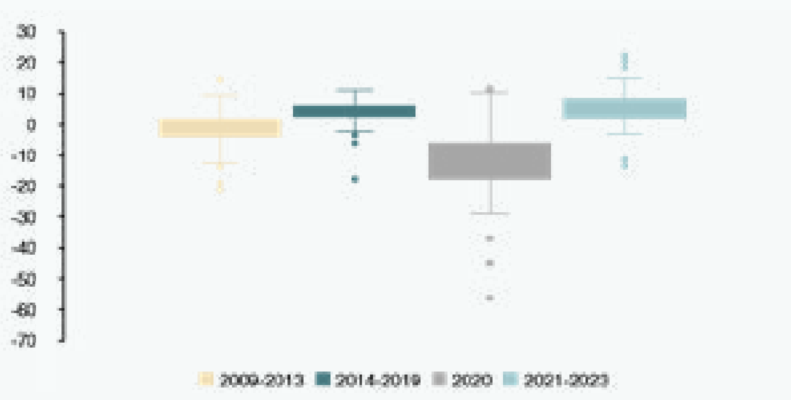
Sources: INE, Ministry of Inclusion, Social Security and Migration, Afi.

not likely to be equivalent to that observed in the wake of the financial crisis (Exhibits 4 and 5). Moreover, the NGEU funds should help mitigate the adverse effects of differing rates of economic recovery, as one of the drivers of the recovery plan is, precisely, regional cohesion and responsiveness to demographic challenges.

Exhibit 5

Dispersion in growth by sector

Average annual YoY growth, percentage, period analysed, forecasts for 2021-2023



Sources: INE, Ministry of Inclusion, Social Security and Migration, Afi.

> The NGEU funds should help mitigate the adverse effects of differing rates of economic recovery, as one of the drivers of the recovery plan is, precisely, regional cohesion and responsiveness to demographic challenges.

Conclusions

The initial fallout from the crisis was marked by an asymmetric impact in terms of timing, sectors and regions affected. The two island chains –Balearic and Canary Islands– will top the growth rankings in 2Q21, after having sustained the biggest contractions in GDP and jobs (discounting the effect of the furlough scheme) in 2020 and even in 1Q21. The sectors most sensitive to the restrictions (retail, tourism, transport and leisure) can create jobs faster than other sections, heralding a potentially faster recovery in employment than initially expected. Nevertheless, the economic and job recovery will continue to be characterised by disparity across sectors and regions.

Notes

[1] A.F.I. has developed an econometric model to analyse the impact of the COVID-19 crisis and the outlook for recovery at the sector and regional levels in Spain. That model, dubbed MSA II, predicts how the Spanish economy will perform in terms of GVA (a measure similar to GDP) and jobs. The model draws on the national accounts published by the INE (for sector GVA at the national and provincial levels) and data published by the Ministry of Inclusion, Social Security and Migration (for the social security contributor and furlough numbers by sector and province). The forecasts encompass 88 sectors, at the two-digit NACE code level, and all 52 Spanish provinces. It is therefore capable of generating forecasts for over 4,500 pairings. Not only does it estimate recent performance, but it can make forecasts over a specific time horizon.

[2] If the full-time equivalents (FTEs) metric were used, the employment threshold would be higher at an estimated 0.8%.

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Exceltur (2019). *Impactur 2018 – Islas Canarias: Estudio del impacto económico del Turismo sobre la economía y el empleo* [Impactur 2018 – Canary Islands: Study of the impact of tourism on the economy and employment] Exceltur. Retrievable online at: https://www.exceltur.org/impactur-2/#

María Romero, Juan Sosa and Javier Serrano. A.F.I. - Analistas Financieros Internacionales, S.A.

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Forbearance patterns at Spanish banks: Impact of COVID-19

Government support measures such as the furlough scheme and payment moratoria have artificially held down a rise in Spanish banks' NPL ratios. However, recent trends in forborne exposures relative to Spain's previous performance and that of the eurozone average suggest NPLs could rise once these measures expire.

Joaquín Maudos

Abstract: Curiously, the COVID-19 crisis has yet to translate into an increase in Spanish banks' non-performing loan (NPL) ratio. This is due to government measures implemented to mitigate the impact of the crisis, such as the furlough scheme and payment moratoria. However, there are signs of a deterioration in asset quality. For example, the downward trend in forborne exposures (FBE) of recent years has ground to a halt. [1] The fourth-quarter 2020 data reveal an increase in the FBE ratio quarter-over-quarter, a trend worth monitoring in the coming months. A comparison of Spanish banks' forbearance rates to the rest of the eurozone also yields some notable insights. Prior to the crisis, Spanish banks' exposure to forbearance had been falling more intensely than in Europe in recent years, with the gap narrowing 2.9 percentage points since 2015. That said, this ratio was still 0.5 percentage points higher in Spain by year-end 2020. With a share of 20%, this puts Spain at the top of the list of eurozone banking systems in terms of FBEs.

Finally, it is worth highlighting that in Spain the percentage of forborne exposures classified as non-performing is 11.5 percentage points above the eurozone average (50.2% *vs.* 38.7%) implying greater reliance on the refinancing route when borrowers run into trouble.

Introduction [2]

Despite the intensity of the economic fallout from the COVID-19 pandemic, Spanish banks' asset quality has not deteriorated. Indeed, the NPL ratio across banks' domestic business stands at 4.53% (as of April 2021), down from 4.8% before the onset of the pandemic one year earlier. In respect of total exposures (*i.e.,* including their overseas businesses), the non-performing exposures ratio also fell in 2020 (from 2.32% to 2.17%), although the trendline was interrupted in the fourth quarter when the ratio rose. Regarding loans and advances, the non-performing ratio declined from 3.13% at year-end 2019 to 2.83% at year-end 2020 and trended lower for the entire period.

The fact that the NPL ratio did not rise in 2020 despite the 10.8% drop in GDP is attributable to the measures taken to mitigate the impact of the crisis on business and household income (such as the furlough scheme). The temporary freezing of certain accounting rules and capital regulations also played a role, excluding assets benefitting from payment moratoria from banks' valuation of non-performing loans. Specifically, the accounting rules have been relaxed so that forborne credit transactions are not classified as 'standard exposures under special monitoring' (using the Bank of Spain's nomenclature) so long as the banks believe there has not been a significant increase in credit risk. Previously, the general rule was that the granting of forbearance measures automatically implied a significant increase in credit risk. The change introduced in June 2020 implies a modification of an earlier Bank of Spain Circular on credit institutions' public and confidential reporting requirements and financial statement templates. This was in response to the recommendations issued by the European Banking Authority (EBA) in the context of the COVID-19 crisis, which aimed to prevent banks from being penalised and ensure they would continue lending.

Although non-performance has not yet increased, the substantial economic impact of COVID-19 means it is expected to do so as soon as the support measures and regulatory hiatus are rolled back. As the Bank of Spain (2021) cautioned in its last *Financial Stability Report,* there are concerning signs, including the 35% increase in business loans classified as 'under special monitoring' (stage 2) in 2020 and the slowdown in the downtrend in forborne exposures (based on data pertaining to banks' Spanish businesses). It will be important to watch how these trends evolve over the coming months as the volume of forbearance could be a leading indicator for non-performance.

The purpose of this paper is to analyse the most recently available information –which dates to year-end 2020– on Spanish banks' forborne exposures (FBEs), comparing their situation with that of the other European banking systems. The analysis includes the domestic and overseas businesses and uses data published by the Bank of Spain (Supervisory Statistics on Credit Institutions) and the ECB (in some instances for significant entities and in others using consolidated banking data).

> "There are concerning signs in the Spanish banking sector, including a 35% increase in business loans classified as 'under special monitoring' (stage 2) in 2020 and a slowdown in the downtrend in forborne exposures."

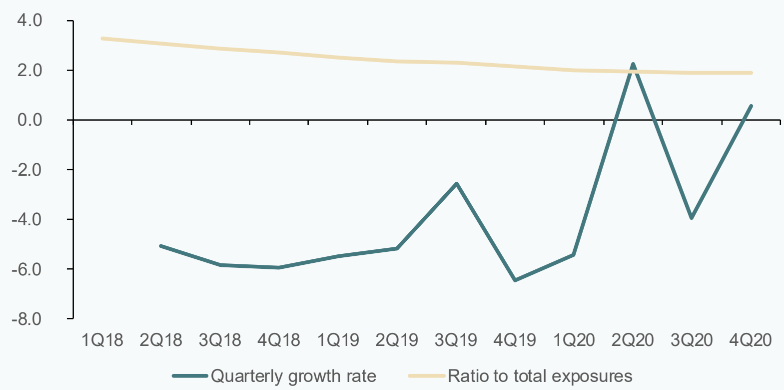
Trend in forbearance as an indicator of asset quality

For Spanish banks' business as a whole (domestic and international), the most recent fourth-quarter 2020 data indicate a pause in the downward trend in the FBE ratio (forborne exposures as a percentage of total exposures) observed in recent years. Specifically, the FBE ratio increased from 1.86% in the third quarter to 1.87% in the fourth, implying a slight increase of 0.53% in the volume of forborne exposures (€420 million). In the second quarter of 2020, FBEs had increased by 2.2%, in contrast with uninterrupted contractions in recent years. However, that quarter the FBE ratio did not increase thanks to the 5.7% growth in total exposures, shaped in part by the increase in credit driven by the provision of state guarantees. At year-end 2020, forborne exposures totalled 79.03 billion euros, down 36% from the first quarter of 2018 (123.23 billion euros).

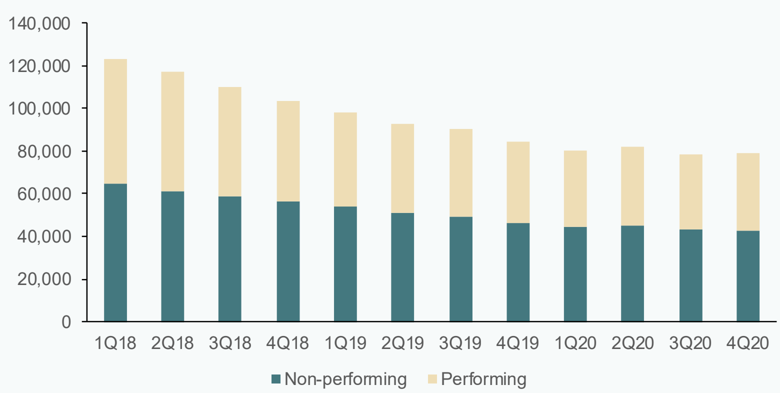
Exhibit 1

Total exposure to forbearance – all Spanish credit institutions

a. Quarterly rate of growth and percentage of total exposures
Percentages



b. Breakdown: Non-performing *vs.* performing
Millions of euros



Source: Bank of Spain.

The analysis of the breakdown of forborne exposures suggests that COVID-19 has not yet had an adverse impact on non-performance. Indeed, the percentage of FBEs classified as non-performing decreased from 55.2% in the first quarter of 2020 to 54% by the fourth. Between the first and second quarters of 2020, the volume of non-performing and performing FBEs both increased (the latter with greater intensity), but between the third and fourth quarters, the volume of non-performing FBEs decreased (by 1.3%), while the volume of performing FBEs increased (by 2.8%), so that the total balance increased by 0.5%. Between 2018 and 2020, non-performing forborne exposures declined by 34%, while performing FBEs fell by 38%.

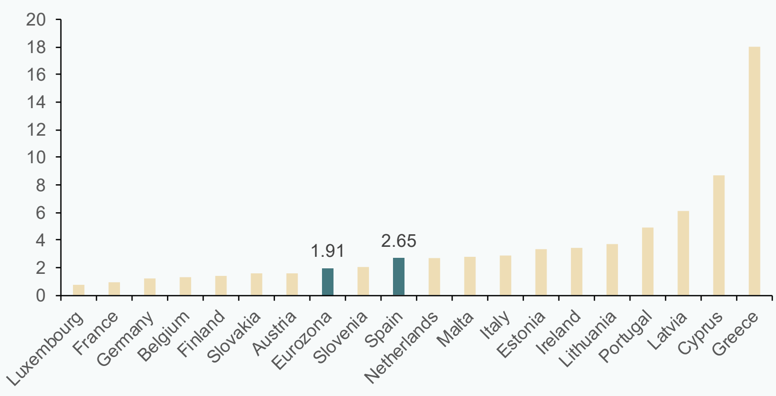
The data published by the ECB enables a comparative analysis at the European level up to the end of 2020 with the caveat that the figures relate to significant entities (those supervised directly by the ECB) and not the entire universe of credit institutions. However, this subset of FBEs represents 93.4% of total system exposures.

The significant entities' FBE ratio similarly increased in the fourth quarter of 2020, from 1.95% to 1.97%, to stand 0.49 percentage points above the EU average. The good news is that the long-standing gap with respect to this average has narrowed significantly in recent years. Between the second quarter of 2015 (earliest reading available) and the end of 2020, that gap has narrowed from 3.39 percentage points to 0.49 percentage points.

To draw a comparison with the rest of the eurozone, we focus on the consolidated banking data, which run until the third quarter of 2020. Using those figures, Spain's

Exhibit 2 **Loan forbearance ratio –consolidated banking data– eurozone, September 2020**

Percentage



Source: ECB.

> "The significant entities' FBE ratio increased in the fourth quarter of 2020, from 1.95% to 1.97%, to stand 0.49 percentage points above the EU average."

most recent NPL ratio of 2.28% is the seventh highest in the list of 19 eurozone countries, behind Estonia (2.99%), Ireland (2.99%), Portugal (3.79%), Lithuania (4.73%), Cyprus (7.10%) and Greece (15.21%). However, relative to the main eurozone economies, Spain's FBE ratio is higher: Italy (2.27%), Germany (1.05%) and France (0.86%).

In the case of loans, the Spanish banks' FBE ratio is 0.74 percentage points above the eurozone average (2.65% *vs.* 1.91%), with that gap having narrowed considerably in recent years, dropping from 5.8 percentage in 2014 to 0.74 percentage points as of the third quarter of 2020. Note that in 2014, Spain's loan forbearance ratio was extremely high (9.76%) at a time when non-performance was much higher than it is today (8.1% *vs.* 2.92% in September 2020).

Weight of forbearance measures in total loans: Performing *vs.* non-performing

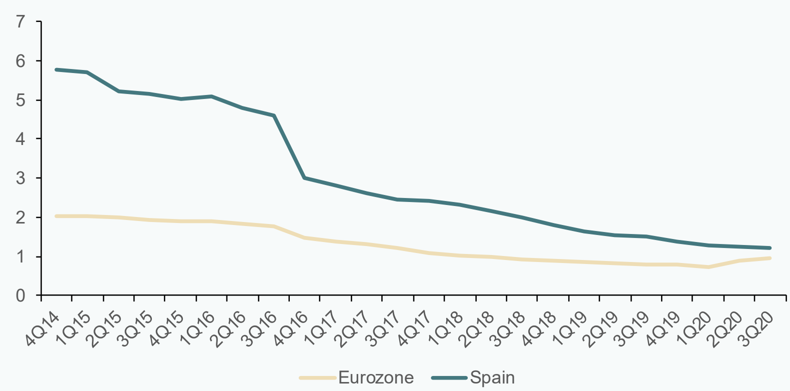
It is worth analysing the weight of forbearance exposures relative to total loans, distinguishing between their classification for risk purposes, *i.e.*, between performing (standard exposures and exposures under special monitoring, using the Bank of Spain's nomenclature) and non-performing (doubtful for arrears or reasons other than arrears). Obviously, the weight of forbearance will be much higher in the latter category than in the former.

Based on data as of the third quarter of 2020, 1.21% of total performing loans in Spain were classified as forborne, which is above the eurozone average of 0.94%. Prior to the pandemic, this ratio had been falling. Although the pace of that downward trend

Exhibit 3 **Weight of forbearance in loans. Consolidated banking data**

Percentage

a. Performing



Source: ECB.

> "Based on data as of the third quarter of 2020, 1.21% of total performing loans in Spain were classified as forborne, which is above the eurozone average of 0.94%."

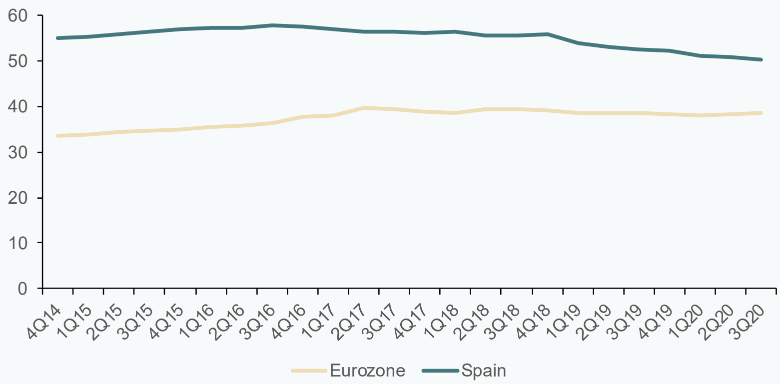
Exhibit 3

Weight of forbearance in loans. Consolidated banking data

Continued

Percentage

b. Non-performing



Source: ECB.

slowed in 2020, the ratio continued to decline. As a result, the gap relative to the eurozone has narrowed by 3.5 percentage point to mark a low in September 2020.

In the case of the non-performing loans, as of September 2020, forborne assets accounted for 50.3% of the total in Spain, which is some 11.5 percentage points above the eurozone average. The gap with respect to the eurozone has tightened by 10 percentage points since 2014, shaped by a 4.8 percentage point drop in the percentage of non-performing forborne loans in Spain and a 5.2 percentage point increase in the rest of the eurozone. COVID-19 does not appear to have driven an increase in that percentage in Spain.

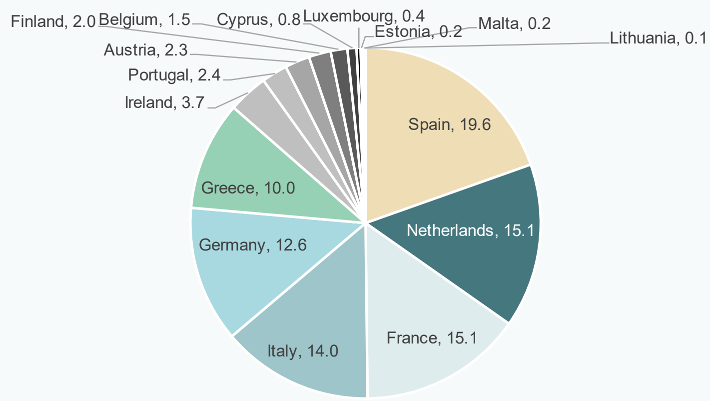
Breakdown of total forborne exposures by country

Looking at significant banks (those supervised directly by the ECB), Spain's FBE ratio topped the list of eurozone countries by volume of FBEs at year-end 2020, accounting for nearly 20% of the European total (Exhibit 4). This is despite the sharp fall in Spain's FBE ratio in recent year. Spain is followed by Netherlands (15.1%), France (15.1%), Italy (14%) and Germany (12.6%). Greece, despite being the European country with the highest FBE ratio (12.9%), accounts for just 10% of the European total in absolute terms. Total forborne exposures in the eurozone amount to €378 billion, which is 1.5% of total exposures.

" Spain's FBE ratio topped the list of eurozone countries by volume of FBEs at year-end 2020, accounting for nearly 20% of the European total. "

Exhibit 4 **Country share of total bank FBEs in the eurozone (significant banks), Fourth quarter 2020**

Percentage



Source: ECB.

The ranking is very similar in the case of non-performing FBEs, with Spain accounting for the highest share in the eurozone (21.1%), followed by France (16.7%), Italy (16.6%) and Greece (13.3%). In the eurozone as a whole, 50.6%, or €191.4 billion, of forborne exposures are non-performing.

Conclusions

As mentioned by the Bank of Spain in its last *Financial Stability Report,* there are already indications of impairment of bank asset quality. Although it is not yet apparent in an increase in the NPL ratio, the volume of loans 'under special monitoring' (stage 2) and the reduced pace of reduction in forborne exposures in the Spanish banking business are tell-tale signs. Adding in the business carried on by banks' international subsidiaries, forborne exposures actually increased in Spain in the fourth quarter of 2020, albeit only slightly, halting the downward trend of previous years. Regarding significant entities, Spanish banks' FBE ratio is 0.5 percentage points above the European average. Spain accounts for 20% of all eurozone bank FBEs, ranking first in the region in terms of absolute exposures. It would be a favourable development to see that percentage come down.

It is also worth monitoring the trend in FBEs in the coming months as it could herald an uptick in non-performance. Indeed, the weight of the consolidated banking groups' FBEs in total non-performing assets is 11.5 percentage points above the eurozone average (50.2% *vs.* 38.7%), suggesting that the Spanish banks are

> "According to a recent IMF study, those banks that face higher non-performance levels are more inclined to grant forbearance measures to riskier borrowers."

more inclined to refinance when borrowers run into difficulties. According to a recent IMF study (2020), which draws on post-COVID-19 evidence, those banks that face higher non-performance levels (in relation to their own funds and provisions) are more inclined to grant forbearance measures to riskier borrowers. This means it is important to track the trend in FBEs given that the percentage of financially vulnerable businesses has increased.

Notes

[1] Forbearance is defined as a concession granted to a counterparty for reasons of financial difficulty (present or foreseeable) that would not be otherwise considered by the lender. Therefore, an increase in forborne exposures (or a slowdown in the rate of reduction) could herald an uptick in non-performance.

[2] This article falls under the scope of research project ECO2017-84828-R of the Spanish Ministry of the Economy, Industry and Competitiveness and AICO2020/217 of the Valencian Government.

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

PROVISIONING OUTLOOK

Decoupling between non-performance and provisions

Surprisingly, Spain saw its banks' non-performance ratio fall during the crisis alongside a significant provisioning effort. However, if banks are to absorb their pandemic-related losses by the end of 2022, they will need to step up their provisioning by 20-25% compared to 1Q2021 levels.

Marta Alberni, María Rodríguez and Federica Troiano

Abstract: Unexpectedly, Spanish banks' non-performance ratio fell during the crisis due to the reduction in the absolute volume of non-performing assets and the increase in the volume of gross credit. Despite an 11% contraction in GDP, Spain's NPL ratio registered an even more pronounced reduction than in other countries. Also noteworthy was the significant provisioning effort made by Spanish banks even after the introduction of more accommodating regulation and accounting rules. However, provisioning started to slow in the first quarter of 2021 and there is a debate as to whether it ought to keep pace with 2020. Non-performing exposures should peak by early 2023, rising by around €40 billion between 2021 and 2022, with consumer credit hit especially hard in relative terms. If the provisioning effort of 1Q21 were maintained for all of 2021, the banks would recognise one-third of the estimated balance outstanding in the wake of the 2020 effort this year. Alternatively, the banks could step

> "The volume of gross credit increased for the first time in a decade in 2020, buoyed by government support measures."

up their provisioning by 20-25% so that it is completed by the end of 2022.

Introduction

With the release of banks' earnings reports for the first quarter of 2021, we now have four sets of quarterly financial statements since the onset of the pandemic. This provides us with enough data to analyse the trend in non-performance and provisions for expected credit losses in the Spanish banking sector. Analysis of these two variables is of particular interest given the degree to which they shaped banks' earnings performance in 2020 and will probably continue to shape them in the years to come.

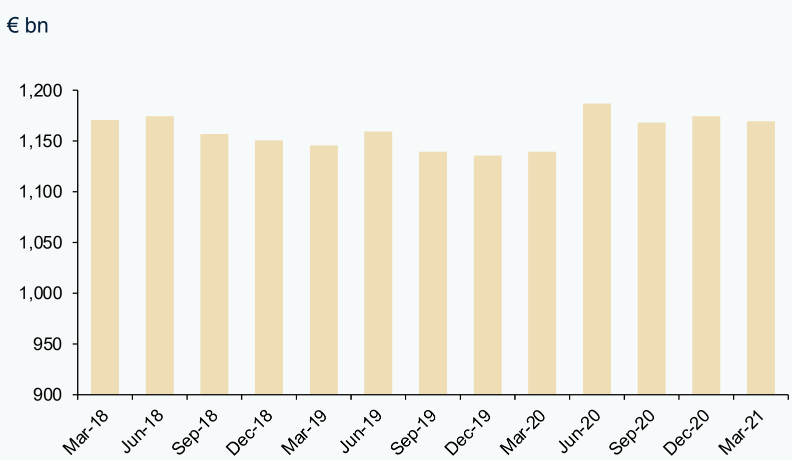
Since the start of the crisis, we are seeing a pronounced mismatch between the trend in non-performance and the cost of risk, the latter measured as the volume of loan-loss provisions over average total assets. More specifically, while non-performance remained stable (even falling a little) during the year of the pandemic, the cost of risk increased sharply in the Spanish banking sector as a whole in 2020.

Declining non-performing loan ratio

The downtrend in the non-performance ratio has been underpinned by two drivers. The first relates to the reduction in the absolute volume of non-performing assets. That trend, contrary to what one would expect in an economic crisis, has been significantly shaped by the impact of the easing of accounting requirements and the explicit borrower support measures (such as the payment moratoria, the state loan guarantees and the furlough scheme), which have played a crucial role in borrowers' ability to keep servicing their loans.

The second driver is the trend in the denominator. The volume of gross credit

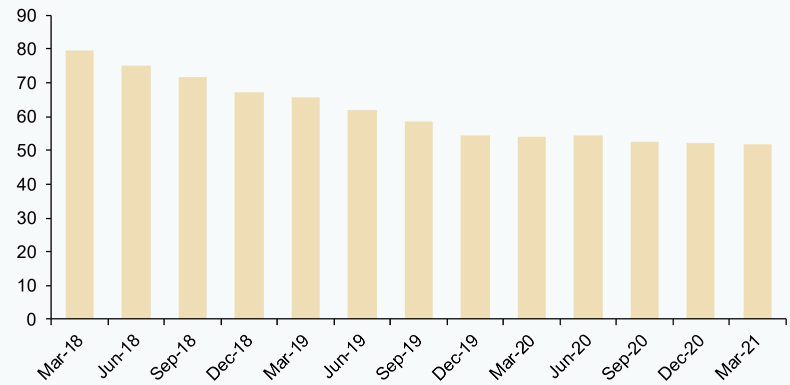
Exhibit 1 **Trend in credit**



Source: Bank of Spain, Afi.

Exhibit 2 **Trend in non-performing exposures**

€ bn

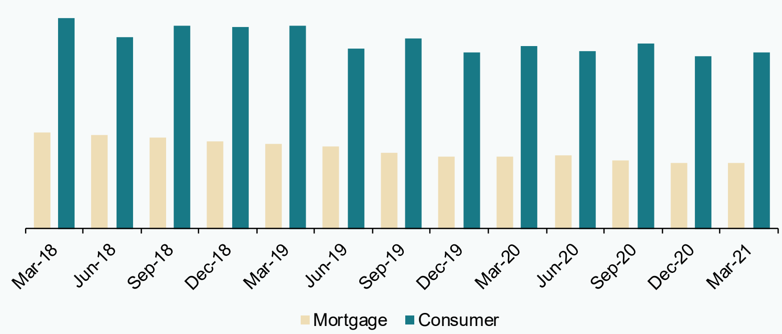


Source: Bank of Spain, Afi.

increased for the first time in a decade in 2020, buoyed by government support measures in the form of public loan guarantees, which was channelled through the official credit institute, the ICO. As a result, business loans registered growth of 10% in 2020. However, businesses' initial need for liquidity fell back considerably in the second half of the year and early 2021. Consequently, Spanish banks' total exposures are now contracting year-on-year.

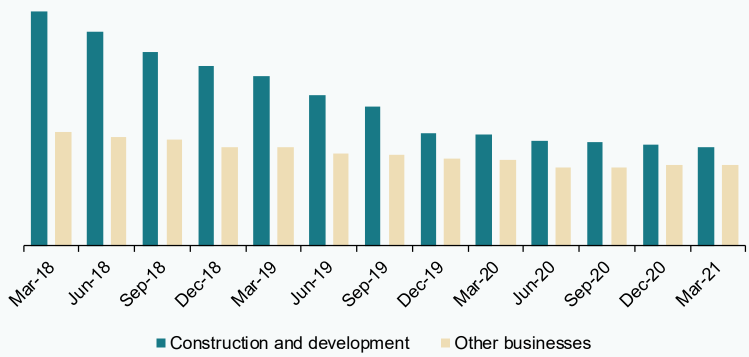
In short, the stability, and even contraction, in non-performing exposures, coupled with the

Exhibit 3 **NPL ratio (%) – household sector**



Source: Bank of Spain, Afi.

Exhibit 4 **NPL ratio (%) – corporate sector**



Source: Bank of Spain, Afi.

growth in gross credit, drove a downtrend in the sector's non-performing loan ratio throughout the COVID-19 crisis.

The stability in the NPL ratio across the Spanish banking system was unexpected considering that Spanish GDP collapsed by 11% in 2020. Also surprising is the fact that the NPL ratio registered a more pronounced reduction in Spain than in other countries whose GDP contracted by less, a clear-cut paradox that breaks with all the statistical models that correlate the two variables. Indeed, as shown in Exhibits 3 and 4, the stability (and even decline) in the NPL ratio was observed across all credit segments, rising only slightly in the consumer credit segment in the first quarter of 2021.

Banks' provisioning efforts

However, the mismatch between non-performance and GDP is not the only paradox that emerged in the banking sector during the pandemic. The other relates to the significant provisioning effort made by Spanish banks, in anticipation of the uptick in non-performance (hence the decoupling). This is unusual given that the regulatory and accounting environments were made laxer specifically to facilitate the deferral of those actions.

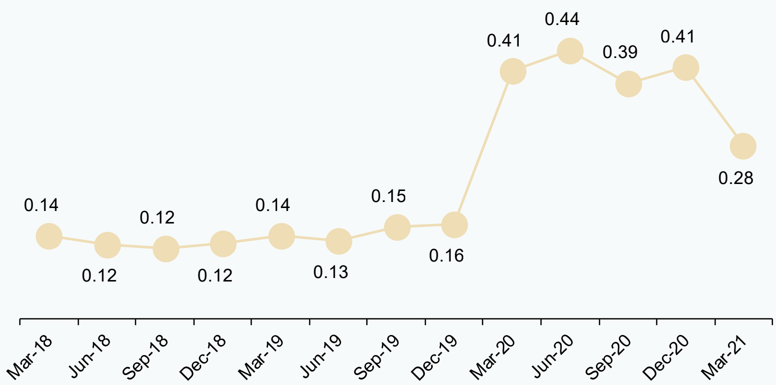
As shown in Exhibit 5, the Spanish banking system has been recognising loan-loss provisions at triple the level it had been recording prior to the pandemic. From what we have seen in the first quarter of 2021, the banks have pulled back significantly on the provisioning front by comparison with 2020 but continue to recognise loan losses at nearly twice the average level observed during the two years prior to the pandemic.

The reduction in provisioning by the banks in the first quarter of this year is probably the

“The Spanish banking system has been recognising loan-loss provisions at triple the level it had been recording prior to the pandemic.”

Exhibit 5 **Cost of credit risk**

Percentage



Source: Bank of Spain, Afi.

reason why regulators and supervisors are urging the banks not to ease up on their front-loading of provisions – with non-performance still expected to rise. Their concern is that the relaxation of provisioning may drive growth in profits that could be used to justify new dividend payments, which were restricted in 2020.

Projected trends in asset impairment and banks' loss absorbing capacity

In the midst of the debate about whether the levels of provisions in 2021 should maintain the pace set in 2020, we believe it is timely to share our outlook for the possible trend in asset impairment and the banks' ability to absorb the losses.

To do that, we have prepared credit impairment projections based on econometric models, introducing adjustments in order to capture a number of different extraordinary aspects that will unquestionably have an impact on banks' fate in the coming months. More specifically, our estimates contemplate the following drivers:

- The economic recovery and expected macroeconomic scenario;
- The volume of savings built up during the crisis, which, judging by the recent trend in bank deposits, is already being released as restrictions are relaxed;
- The impact of the extraordinary measures implemented to mitigate the effects of the crisis, such as the furlough scheme, maturity extensions and grace periods for secured transactions, and the recapitalisation of certain entities; and,
- The advent of the NGEU funds.

Based on those drivers, we expect non-performing exposures to peak towards the end of 2022 or in early 2023, rising by around €40 billion between 2021 and 2022. Non-performing exposures will then improve, with non-performance close to but still just above pre-COVID levels in 2024.

Looking at specific segments, we expect consumer lending will be the hardest hit on a relative basis. Mortgage credit will

> In absolute terms, the business loan segment will take the biggest blow, albeit shaped by considerable differences by sector and region.

fare the best by our estimates, sustaining a slight uptick when the furlough scheme is rolled back.

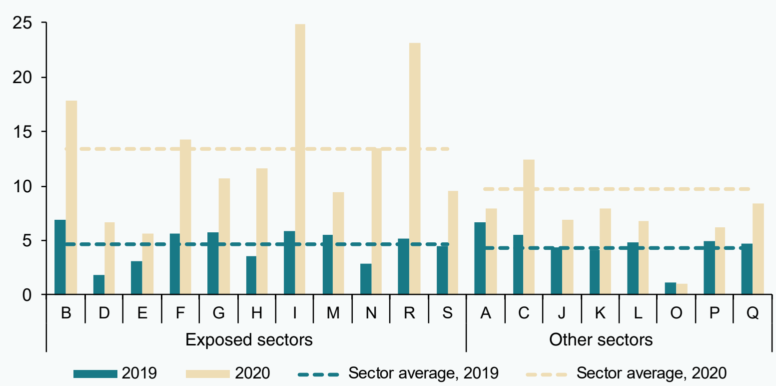
In absolute terms, the business loan segment will take the biggest blow, albeit shaped by considerable differences by sector and region. We are forecasting a significant increase in non-performance in the sectors more exposed to the pandemic (accommodation, arts and entertainment, transport, *etc.*), with only small increases, or even declines, in non-performance in the less-exposed sectors (primary sector, *etc.*). That uneven sector outlook was touched upon in the analysis performed by the European Central Bank in its most recent *Financial Stability Review*. As shown in the following exhibit, the significant increase in transfers from Stage I to Stage II exposures in 2020 (note that Stage III exposures remained flat or even declined) was more intense in the sectors most sensitive to the pandemic, a possible prelude to an increase in non-performance in those sectors.

Given the projected increase in impairment attributable to the effects of the pandemic (of around €40 billion), and assuming average NPL coverage of 60%, the banks would have to recognise around €24 billion of impairment allowances over a three-year time horizon (including 2020). The significant effort made

Exhibit 6

Percentage of Stage I exposures transferred to Stage II each year by sector

4Q19 - 4Q20, percentage of Stage I exposures



Note: Capital letters refer to NACE codes as follows: A – Agriculture; B – Mining; C – Manufacturing; D – Electricity; E – Water supply; F – Construction; G – Trade; H – Transport; I – Accommodation; J – Communication; K – Financials; L – Real estate; M – Professional services; N – Administrative services; O – Public sector; P – Education; Q – Health services; R – Arts and entertainment; and S – Other services.

Source: ECB Financial Stability Review, *May 2021.*

by Spanish banks to front-load their loan-loss provisions in 2020 means they have already recognised roughly half (47%) of the allowances corresponding to the estimated uptick in non-performance. As a result, and based on our estimates for non-performance, Spanish banks would still have to recognise a little over €12 billion of loan impairment allowances against their earnings in 2021 and 2022.

To test the fit between these forecasts and the actions taken by the banks in early 2021, we analysed the first-quarter earnings data for the Spanish banking sector published by the Bank of Spain. Based on those figures, the provisions recognised during the first quarter of this year mark a significant slowdown year-on-year but remain higher than those recorded in 2019. More specifically, the volume of provisions recognised in 1Q21 is practically twice the average recognised in 2018 and 2019 but around 13 basis points below the cost of risk reported in 2020.

If the provisioning effort of 1Q21 were to be maintained for all of 2021, the banks would recognise one-third of the estimated balance outstanding in the wake of the 2020 effort this year. As a result, the adverse effects of the pandemic will be over by the end of 2023, a timeframe that the supervisor will possibly consider overly lax.

If, alternatively, it is deemed desirable to bring the full provisioning effort forward so that it is complete by the end of 2022, the banks would have to step up their provisioning somewhat in 2021 (by a further 20%-25%) compared to that observed during the first quarter.

In terms of the impact on overall system profitability (ROE), we estimate that the difference between spreading out the impact over two versus three years is equivalent to around one percentage point of ROE in 2021. At any rate, the banks' earnings are set to increase very considerably this year compared to 2020, when the system as a whole registered a return of around 1.5%, before factoring in the impairment of goodwill outside of Spain, which put that metric into negative territory.

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The Spanish housing market post COVID-19

While COVID-19 did lead to an initial correction in Spain's housing market, costs of home purchases have continued to rise, albeit with some differences across regions and type of housing. This has furthered a debate around housing affordability, including some misguided calls for rent controls.

Santiago Carbó Valverde and Francisco Rodríguez Fernández

Abstract: Surprisingly, COVID-19's effect on the Spanish real estate market has been limited. The pandemic occurred during the "mature" housing cycle phase in terms of prices and transaction volumes. While GDP contracted by 17.8% year-on-year in the second quarter of 2020, the contractions in construction and property services amounted to 22.8% and 6.3%, respectively. Between June and September, both activities have recovered, registering growth of 24.8% and 6.4%, respectively. COVID-19 did, however, change the nature of the housing market, with rising demand for larger homes due to home working and declining demand for holiday homes thanks to mobility restrictions. Importantly, significant disparity in house prices exists across Spain's regions. As well, the pandemic had a greater adverse impact on prices of new builds compared to existing homes. That said, COVID-19 had a more uniformly adverse effect on rental prices. In general, the pandemic has shone a spotlight on housing affordability issues,

> "The price correction during this crisis has been considerably less intense than during the financial crisis; however, the disparity in price trends from one region to another has not changed."

which Spain had been wrestling with since before the onset of COVIID-19, with numerous initiatives introduced to protect tenants during the crisis. While rental controls have been floated, this would only lead to reduced supply and, ultimately, price growth, further hurting affordability.

Introduction

The financial crisis left a number of economic imbalances with a considerable social impact. The property market spent two decades working through the ensuing problems, in their various manifestations. Firstly, there was the imbalance created by the inordinate growth in construction and in prices, and, subsequently, the loan non-performance sustained when the property bubble burst. The social impact was similarly imbalanced: evictions increased and, despite the price correction, housing, whether for purchase or rent, remained out of reach for large swaths of the population.

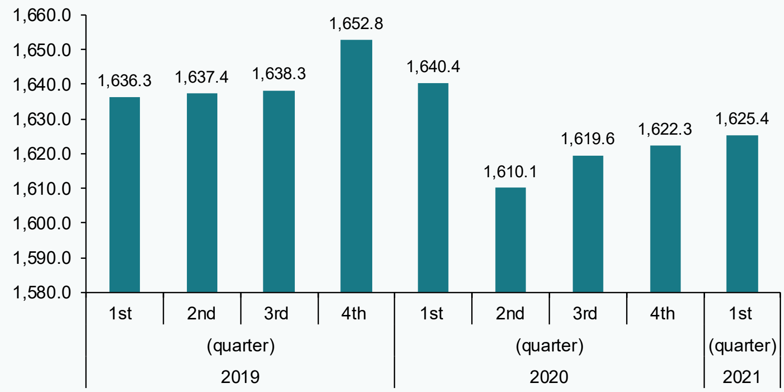
The effect of COVID-19 on the property market originates from the closure of businesses, loss of jobs and restrictions on mobility. In theory, those are temporal issues. However, there are concerns that they could lead to a legacy of more permanent damage. Although the response to this crisis in the form of support mechanisms has been swifter than in the financial crisis, there remain many unanswered questions. Despite the progress being made on the vaccination front, the economic and social effects of the pandemic remain significant and are being felt in the real estate market. As a result, the Spanish government has extended some of the housing-related social relief measures until at least August, as outlined in this paper.

According to the Bank of Spain, the housing market was particularly affected in 2020 because of its position in the housing business cycle. The pandemic occurred during the "mature" phase in terms of prices and transaction volumes (Alves and San Juan, 2021). While GDP contracted by 17.8% year-on-year in the second quarter of 2020, the contractions in construction and property services amounted to 22.8% and 6.3%, respectively. Between June and September, both activities recovered, registering growth of 24.8% and 6.4%, respectively. However, the new restrictions introduced in the wake of the fresh outbreaks in the autumn and winter of 2020 once again took a toll, albeit a more moderate one than during the initial lockdown. In the first quarter of 2021, the construction sector contracted by 4.2% and property services, by 0.5%. The Bank of Spain also noted that the pandemic has triggered changes in the types of housing in demand, shaped by the circumstances created by the lockdown and home-working phenomenon. However, as shown in this paper, the price correction has been considerably less intense than during the financial crisis. What has not changed, however, is the disparity in price trends from one region to another. On the credit side, growth has been, in general, lukewarm, even though monetary policy continues to foster lax lending conditions. As well, we are beginning to see some signs of tighter lending conditions.

Situation and outlook

Spain lacks a uniform and detailed body of statistics for house prices and other indicators. [1] As a result, it is necessary to rely on a range of different public and private sources to monitor unfolding trends. One key source for prices is the appraisal values published by the Ministry of Transport, Mobility and Urban Agenda. Exhibit 1 illustrates the trend in those values before and after the pandemic. Although the variations are not very significant, the exhibit shows how the negative impact was concentrated in the first and, above all, second

Exhibit 1 **Housing appraisal value per square metre in Spain during the pandemic**



Source: Ministry of Transport, Mobility and Urban Agenda and authors' own elaboration.

quarters of 2020. The average appraisal value of unsubsidised housing decreased from 1,652.8 euros/m² in the last quarter of 2019 to 1,640.4 in the first quarter of 2020 and 1,610.1 in the second quarter. Since the third quarter of last year, appraisals have been recovering gradually.

Nevertheless, significant price disparity persists from one region to another. During the first quarter of 2021, when the appraisal value averaged 1,625.4 euros per square metre, the figure was 2,598.6 euros in Madrid, compared to just 833.5 euros in Extremadura. Regional house price disparity is more pronounced than that observed in income and wages and therefore signals differences in housing affordability that have been growing for some time.

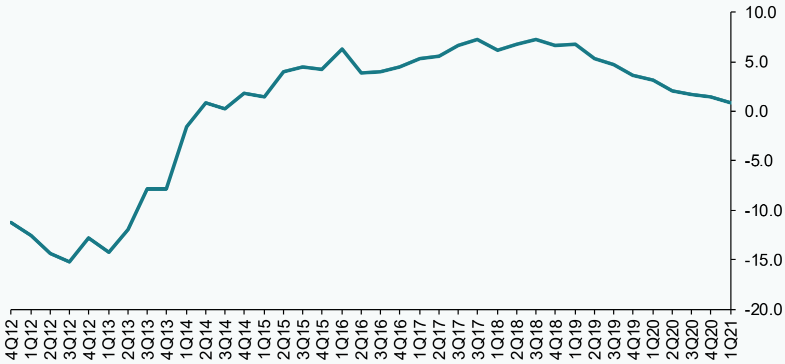
Another source is the house price index compiled by the National Statistics Office, INE. The INE builds its indicator from registry data, making adjustments for the quality of the properties (hedonic modelling). Although there tends to be discrepancy between actual sales values and those reported for property registry purposes, this index does provide a snapshot of the trend in prices over time. Exhibit 2 shows the year-on-year movement in the index. In keeping with the thesis that the property market was reaching a level of maturity or even exhibiting some softness toward the end of 2019, the exhibit shows that growth began to dip under 5% in the final quarters of 2019, with that slowdown continuing and accelerating since the pandemic, easing to 0.9% in the first quarter of 2021.

“The average appraisal value of unsubsidised housing decreased from 1,652.8 euros/m² in the last quarter of 2019 to 1,640.4 in the first quarter of 2020 and 1,610.1 in the second quarter.”

Exhibit 2

House price index in Spain, 2012 - 2021

YoY change



Source: INE and authors' own elaboration.

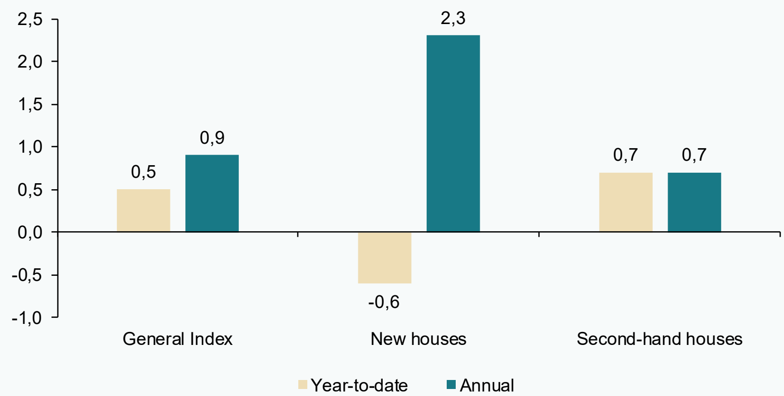
To zoom in on where the price correction has taken place, Exhibit 3 distinguishes between new and second-hand housing. That analysis shows it is the new housing market that sustained a price correction (of 0.6% between January and April 2021), whereas second-hand house prices continued to eke out moderate growth (0.7%). This suggests a degree of retrenchment with respect to new housing developments in an environment of uncertainty for construction, with more limited effects on existing houses.

In order to assess what has happened in transaction volumes and mortgage lending, Exhibit 4 compares the number of mortgages and home sales. The first point to note is that both transaction and mortgage volumes are returning to pre-pandemic levels, although the recovery has further to run in 2021 and 2022. Secondly, the number of transactions is significantly higher than the number of mortgages arranged. Although the correlation is imperfect, it suggests that a lot of the transactions are not being carried out by households in need of financing but rather investors (including institutional investors) that can afford to pay for their acquisitions without relying on a mortgage.

The pandemic has probably had a bigger impact on the rental market than on home ownership as the restrictions on mobility and the remote working phenomenon have boosted rental vacancies and fuelled price cuts. Although there are no official statistics, certain online portals such as Fotocasa maintain that rents may have fallen by around 8% or 10% in Madrid and Barcelona during the pandemic. That same platform estimates that despite the appearance of some recovery early on in the year, rental prices in Spain ended May at 10.42 euros/m², which is down 0.2%

> "The new housing market sustained a price correction of 0.6% between January and April 2021, whereas second-hand house prices continued to eke out moderate growth of 0.7%."

Exhibit 3 **House price index. New and second-hand housing**



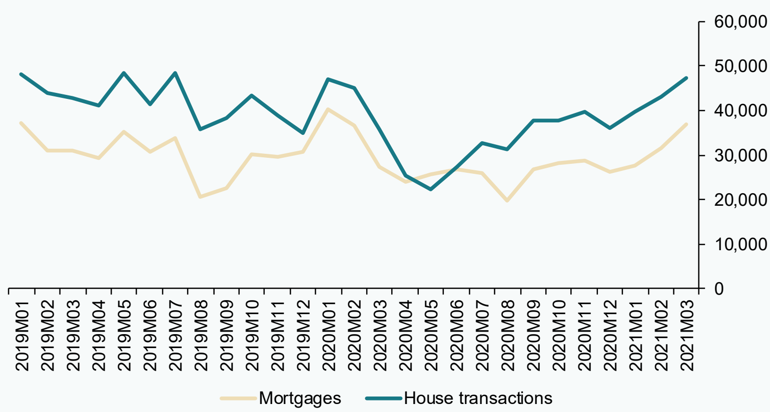
Source: INE and authors' own elaboration.

from April, marking the fourth consecutive month of price correction.

The pandemic has also slowed the momentum in holiday home rentals. This is likely due to lockdowns and mobility restrictions. According to the INE, in February 2021, 294,698 such homes were listed on online platforms, homes with a total of 1,495,578 places (an average of 5.1 per house). By comparison with August 2020, the number of holiday home listings has fallen by 8.3%. The

Exhibit 4 **Home purchase and mortgage transaction volumes in Spain during the pandemic**

EUR millions



Source: INE and authors' own elaboration.

> Online portals such as Fotocasa maintain that rents may have fallen by around 8% or 10% in Madrid and Barcelona during the pandemic.

regions with the highest number of listings are Andalusia (61,574), Catalonia (54,646) and Valencia (49,757).

Conclusion: Housing policies and forecasts

Although the figures suggest the pandemic has had a limited impact on the property market, with transactions slowing and price growth easing, the ad-hoc effects of lockdowns, namely mobility restrictions and job losses, have once again shone the spotlight on affordability issues that Spain had already been wrestling with before the onset of COVID-19. As a result, the Spanish government has opted to extend some of the relief measures put in place for more vulnerable groups of the population. In the rental market, tenants can ask for an extraordinary extension of their lease agreements for up to six months which landlords are obliged to accept on the same terms as the existing agreement, unless they can substantiate they need the property for their own use. It has also extended the stay on evictions and foreclosures until August 9th and rolled over the measures for the deferral of rent for vulnerable households who rent from companies, public entities or large landlords. The temporary financing aid in the form of loans guaranteed by the Official Credit Institute, ICO, for low-income tenants (interest- and commission-free loans with a maturity of between six and ten years) has also been extended. The size of those loans is up to 100% of six months' rent under lease agreements for primary residences, with a ceiling of 5,400 euros, or 900 euros per month.

As for the market outlook, the growth in average unsubsidised house prices is estimated at around 1% in 2021, with a slightly stronger performance of 1% to 2% forecast for 2022. The construction industry looks set to receive a boost in the months to come with up to 1 billion euros of funds from the Recovery and Resilience Facility earmarked to residential building refurbishment and energy conversion.

There is also talk of a number of different initiatives to alleviate the housing affordability problem, particularly in regions characterised by scarce supply and high prices. There are initiatives afoot under the umbrella of the State Housing Plan in collaboration with the regional and local governments to make publicly developed housing available for rent. The Ministry of Transport, Mobility and Urban Agenda, the Ministry of Economic Affairs and Digital Transformation and SAREB, Spain's so-called bad bank, have entered into an agreement to make 5,000 new homes, extendible to 10,000 in the medium-term, available to the regional and local authorities. The Ministry will partially bear the costs of the transfer, refurbishment and work needed to guarantee the habitability of the homes. Those homes will be leased at discounted rents to people facing affordability problems.

There is less agreement about the advisability of rent regulations. The evidence gleaned from the leading academic studies and recent experiences in other European countries is that rent controls and regulations tend to lead

> Growth in average unsubsidised house prices is estimated at around 1% in 2021, with a slightly stronger performance of 1% to 2% forecast for 2022.

to counter-productive decreases in supply and increases in prices.

Notes

[1] For more information about the variety of statistics and their limitations, refer to Carbó Valverde and Rodríguez Fernández (2015).

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The outlook for the deficit: The calm before the storm

It will require a concerted effort to bring down Spain's deficit and debt levels, involving higher annual reductions than those prior to the pandemic. However, it is not just the central government which needs to address this issue, with many regional governments facing financial challenges ahead.

Santiago Lago Peñas

Abstract: Although Spain's deficit came in lower than expected in 2020, it still ranked highest among the EU-27. While the government's budget deficit forecast of 8.4% for 2021 is very similar to the Funcas consensus forecast of 8.2%, Spain faces a structural deficit in 2022 even higher than the 3.5% observed in 2019. This suggests the return to budget stability will be tough and requires a credible strategy for tackling the debt and deficit challenges to be defined in 2021. Such a strategy will need to cover until at least 2027 and will necessitate higher annual reductions than were being required of the country under the European fiscal rules before the pandemic (-0.65%). In the case of the regional authorities, the situation is more urgent as some of the income transferred in 2020 and 2021 to them by the central government will have to be returned in 2022 and 2023. Also, some regions will face significant financial stress and the reform of the regional financing regime needed to fix the problem remains bogged down. Lastly, the gradual ageing of

> Spain reported the highest deficit and sustained the biggest GDP contraction in the European Union (EU-27) in 2020.

the Spanish population will exert upward pressure on spending in health and social services, which between them account for over half of the regional budgets.

Introduction [1]

At 10.1%, Spain's public deficit came in lower than most analysts and the government expected in 2020 (Lago-Peñas, 2021; Ministry of Finance, 2021a). The main reason for this is the significantly smaller than forecast drop in non-financial income. Although GDP contracted by 9.9% (by 10.8% in constant prices according to Spain's National Statistics Office), public revenue at all levels of government decreased by just half as much (-5%).

Nevertheless, according to Eurostat, Spain reported the highest deficit and sustained the biggest GDP contraction in the European Union (EU-27) in 2020. The economic impact of the pandemic has been relatively greater than the impact on the country's health indicators. That is mainly because of the relative weight of the sectors most affected by the restrictions on mobility and social distancing (tourism and hospitality). According to the World Health Organisation (WHO), as of December 31st, 2020, Spain ranked ninth in the EU-27 by number of confirmed cases per million inhabitants.

A sharper correction in GDP in 2020 translates into brighter prospects for recovery in 2021, particularly during the second half of the year when many of the restrictions are removed and vaccination takes off. Nevertheless, the pandemic continues to take a toll on public revenue and spending. Spain's recent history of high public deficits and the size of the economic shock make it particularly important to map out a fiscal consolidation roadmap today for implementation starting from 2022, even before the fiscal rules are reinstated and the European Central Bank's extraordinary debt purchase programme is rolled back. Both factors are making it possible to finance enormous volumes of public debt at a historically low cost. While Spain benefits from calmer market today, the future could become more turbulent if the country fails to implement the necessary reforms.

Against that backdrop, the purpose of this paper is three-fold. First, we will examine the outlook for Spain's public deficit in 2021. Second, we will present scenarios for the medium-term and discuss the necessity of reining in the budget. Third, we conduct a regional analysis, which shows a more acute fiscal situation.

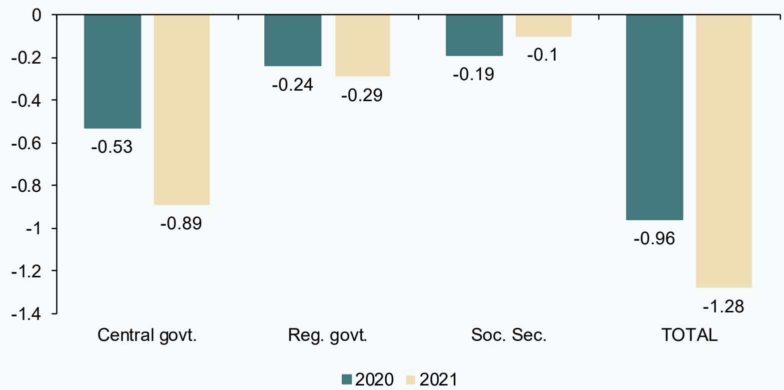
Outlook for Spain's public deficit in 2021

Exhibit 1 shows the preliminary budget numbers for the first quarters of 2020 and 2021. The figures are expressed as a percentage of Spanish GDP. The pandemic is not yet reflected in the first-quarter 2020 figures. That is why those numbers are relatively better (-0.96 *vs.* -1.28), particularly in respect of the central government (-0.53% *vs.* -0.89), which has taken on the main financial burden, transferring money to the sub-central levels.

> Deficit estimates for 2021 hover around 8% and suggest that the government's forecast of 8.4% is fairly reasonable.

Exhibit 1 **Budget outturn. Deficit (-) or surplus (+) in the first three months of 2020 and 2021 by subsector, excluding local government**

Percentage of GDP



Source: Author's own elaboration based on Ministry of Finance report (2021b).

Unlike in an ordinary year, the predictive value of these preliminary budget reports is extremely limited. By way of alternative, the real-time analysis conducted by Spain's independent fiscal authority, AIReF, points to a deficit of 7.8%, albeit framed by a still-wide confidence interval of 6 to 9 percent as of June (AIReF, 2021a).

Exhibit 2 juxtaposes the forecasts of AIReF, the Bank of Spain, Funcas (consensus) and the government. The estimates hover around 8% and suggest that the government's forecast of 8.4% is fairly reasonable. Incidentally, this forecast is slightly more pessimistic than the Funcas consensus forecast of 8.2%.

The projected improvement in the deficit is notably slim. It entails a correction of around 1.7 percentage points. By comparison, the Ministry of Finance (2021c) has forecast a very substantial reduction in the negative output gap in 2020 from -10.4% in 2020 to -5.3% this year. As the output gap is expected to be virtually nil in 2022 (-0.3%), the figures presented on the right side of the exhibit are eye-catching. By 2022, the cyclical deficit should be negligible yet the government is forecasting a deficit of 5% compared to the Funcas consensus forecast of 5.7%. Part of the deficit could still be attributable to discretionary income and expense support measures for tackling the pandemic. However, these measures should be significantly pared back by then. This would suggest a structural deficit in 2022 higher even than the 3.5% observed in 2019. The return to budget stability in 2023 and beyond is going to be very tough.

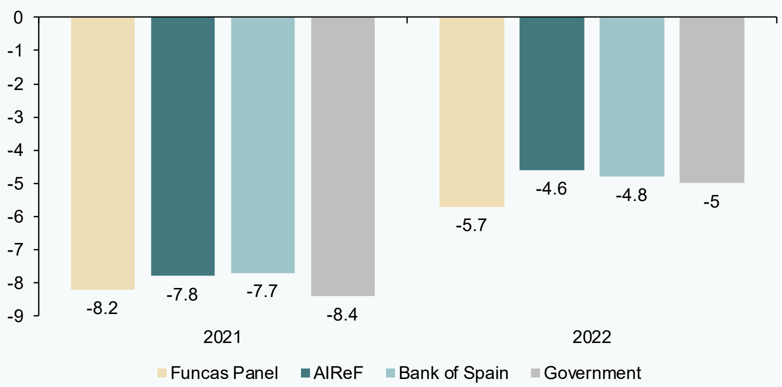
Exhibit 3 depicts the correlation between the observed deficit as a percentage of GDP and

> "According to the IMF, Spain lies at the median in the ranking of EU-27 member states for the size of budgetary fiscal support measures rolled out at the national level in response to the pandemic."

Exhibit 2

Forecasts for Spain's public deficit in 2021 and 2022

Percentage of GDP



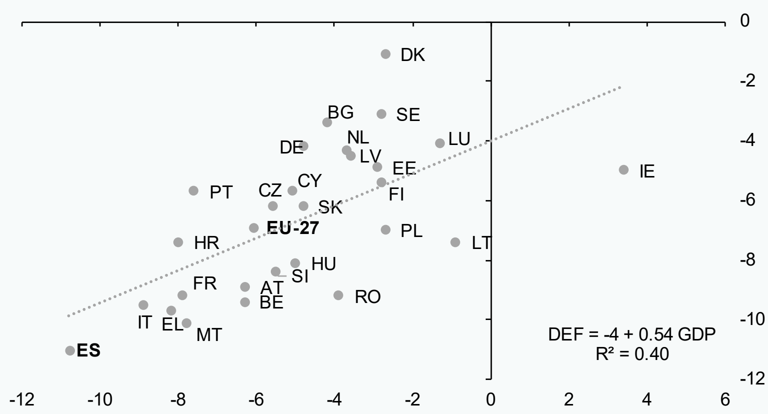
Source: Author's own elaboration based on Spanish Ministry of Finance (2021c), AIReF (2021b) and Funcas (2021).

the contraction in GDP in 2020 across the universe of EU-27 countries. The relationship between the two variables is direct and statistically significant. [2] The slope of the regression line suggests that, on average, for every additional point of GDP correction, a nation's deficit deteriorated by 0.54%. However, the R^2 (0.40) indicates the existence of differences between countries, related mainly with the differences in fiscal responses

Exhibit 3

Correlation between the change in GDP (horizontal axis) and the public deficit (vertical axis)

Percentage



Source: Author's own elaboration based on the Eurostat Statistical Recovery Dashboard.

to the pandemic and in the structural deficit. Spain is the outlier, registering the biggest contraction in GDP and the highest deficit. Its deficit is 1.1 percentage points higher than that predicted by the regression line. The explanation for that deviation lies with the structural component of the deficit rather than a particularly intense discretionary fiscal response to the COVID-19 crisis. According to the IMF's most recent calculations (April 2021), Spain lies at the median in the ranking of EU-27 member states for the size of budgetary fiscal support measures rolled out at the national level in response to the pandemic. [3]

On the 2021-2024 stability programme and beyond

There is broad consensus in the analyst community about the need to wait until the pandemic is behind us and the economy is recovering before starting to implement budget consolidation measures. There is also agreement, however, that it is important to define an effective and credible strategy for tackling the challenges on the public deficit and debt fronts in 2021. Through that prism, the assessment of the 2021-2024 Stability Programme Update is disappointing.

Sanz and Romero (2021) view the deficit-cutting roadmap as optimistic and question the existence of a genuine budget consolidation plan. AIReF, meanwhile talks of the need to round out the fiscal strategy for the medium-term, crafted around the 2021 Programme, by expanding its time horizon and specifying concrete lines of initiative (AIReF, 2021b). The comparison between Spain and Germany is telling. Germany has already extended the horizon of its medium-term budget strategy to 2025 and has a detailed and specific national plan for the entire period. Lastly, AIReF is forecasting a deficit in 2024, assuming no additional measures, of 3.5% and a stock of public debt equivalent to around 115% of GDP.

In short, Spain headed into the pandemic with a hefty legacy deficit, repeated fiscal target misses since early last decade and the deferral of several reforms that are necessary to ensure the sustainability of Spain's public finances (tax system, regional financing, pensions, systematic appraisal of the social return of spending programmes). The pandemic arrived in the context of budget imbalance and outstanding reforms.

The situation requires action now, with the design of a new strategy based on three pillars. First, it is necessary to extend the time horizon of the budget plan. If Germany, with debt-to-GDP of 70% and a deficit of 4.2% in 2020, has adopted a strategy that runs to 2025, Spain's programme needs to cover until at least 2027, as is the case in France.

Second, broad political consensus needs to be reached about the structural deficit roadmap for 2022-2027. Assuming that the target is to eliminate the structural deficit, it would be reasonable to spread the reduction out evenly in time so that the sacrifices are borne across different terms of office and governments. According to the calculations made by the Ministry of Finance (2021c), as set down in the Stability Programme, the structural deficit in 2024, without policy changes, would be 4.2%, a figure AIReF estimates at 4.6%. Elimination of the structural deficit between 2022 and 2027 would certainly require higher annual reductions than were being required of the country under the European fiscal rules before the onset of the pandemic (-0.65%).

It is true, however, that the structural deficit is not a directly observable variable but

“AIReF is forecasting a deficit in 2024, assuming no additional measures, of 3.5% and a stock of public debt equivalent to around 115% of GDP.”

> Although the fiscal rules currently suspended are set to be reformed before their reinstatement in 2023, it is likely that the new framework will not stray far from the previous parameters.

rather requires a degree of estimation. It is also sensitive to shocks and sudden changes in economic conditions. It makes sense, therefore, to take a more sophisticated approach, layering in the spending rule and medium-term debt targets in determining the rate and intensity of consolidation. Although the fiscal rules currently suspended are set to be reformed before their reinstatement in 2023, it is likely that the new framework will not stray far from the previous parameters. As a result, a pact for the gradual elimination of the structural deficit is bound to be aligned with whatever stability targets end up being set for the coming years. It is also important to stress that the agreed deficit-cutting roadmap be compatible with multiple combinations of ratios of spending and tax revenue over GDP. This is a political decision that should be left in the hands of the government in office as the delivery of deficit-cutting targets can be achieved using very different fiscal recipes.

Third, these actions rely on the support and proven expertise of AIReF and the Bank of Spain, a member of the Eurosystem. Both institutions bring the credibility needed to get past the scrutiny of the opposition parties, citizens, the European Commission's supervisory bodies and the international financial markets.

Outlook through the regional prism

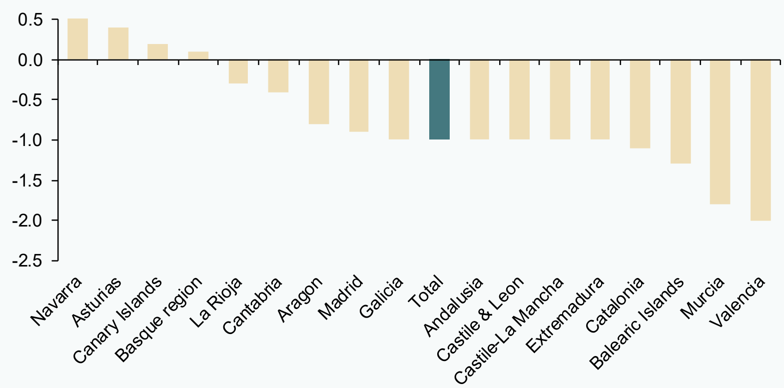
In the case of the regional authorities, the situation is more urgent. The central government has opted to isolate them from the financial effects of the pandemic, with an unprecedented amount of fiscal transfers (Lago-Peñas, 2021; OECD, 2021). The regional governments' deficit in 2020 was equivalent to 0.2% of Spanish GDP. In 2021, the regional authorities' budgets are bigger than ever, thanks to the extraordinary transfers and advent of the Next Generation EU funds. However, that situation is not as positive as it first seems. For instance, some of the income transferred in 2020 and 2021 will have to be returned in 2022 and 2023 when the corresponding financing system settlement calculations are made. First, Díaz and Marín (2021) estimate that in 2020 alone, that effect will lift the deficit by between 0.2% and 1.5%. The differences will have to be paid in 2022. Second, there will also be a step effect in non-financial income in 2022 similar to that observed in 2010 and 2011. However, it will be smaller in scale as the recovery in GDP will be far swifter and tax revenue has not collapsed to the same degree. Third, some regions have been facing particularly intense financial revenue problems and the reform of the regional financing regime needed to fix the problem remains bogged down. Fourth, there is a risk that some of the extraordinary and non-recurring funds provided in 2020 and 2021 could be used to finance recurring budget headings. Again, Díaz and Marín (2021) estimate that 60% of the extraordinary expenditure induced by COVID-19 could become structural. It is hard to believe the figure will ultimately be that high but it is a factor worth monitoring. Fifth, the regional governments are responsible for part of the structural deficit and, therefore, should have to shoulder some of the looming budget consolidation effort. Exhibit 4 provides recent estimates for the structural deficits/surpluses (as a percentage of regional GDP) at the regional government level. The differences from one region to the next stand out, with surpluses of 0.6% in Navarre and 0.4% in Asturias, compared to deficits of 2.0% in Valencia and 1.8% in Murcia.

A sixth factor should also be taken into account that relates to the nature of the public services provided by the regional governments, particularly health and social services, including dependency care, and the

> "There is a risk that some of the extraordinary and non-recurring funds provided in 2020 and 2021 could be used to finance recurring budget headings."

Exhibit 4 **Estimated structural deficit (-) or surplus (+) by regional government**

Percentage of regional GDP



Source: Author's own elaboration based on Díaz and Marín (2021).

outlook for those services in the medium- and long- term. The gradual ageing of the Spanish population will exert upward pressure on spending in both areas, which between them account for over half of the regional budgets. According to the projections compiled by Borras (2021) to 2030, demographic trends, the higher cost of new health technologies, the full implementation of Spain's dependency care act and moderate increases in education expenditure per capita will make it very hard to comply with the "expenditure rule", particularly in the regions facing relatively more intense population ageing (Balearic Islands, Canary Islands, Madrid, Catalonia and Valencia).

There is time to avoid this gloomy prospect by taking certain decisions and making progress on outstanding reforms. In particular:

- It is possible to extend the timeframe for reimbursing the central government for the advance payments made in 2020 and 2021, as was done for the settlements due in respect of 2008 and 2009. Bear in mind that the expected size of the settlements payable will be sufficiently smaller this time.

- Reform of the regional financing regime to reinforce tax revenue autonomy and tighten budget constraints at the regional level is a pressing matter. Engagement between citizens and politicians is the route to negotiating a compatible package of taxes, services and benefits. Until those reforms are negotiated and implemented, it would be reasonable to adopt certain temporary measures to improve financing for the regions with lower financing per inhabitant and to make the personal income tax withholding system more flexible so

> Demographic trends, the higher cost of new health technologies, the full implementation of Spain's dependency care act and moderate increases in education expenditure per capita will put upward pressure on regional budgets.

that the decisions taken by the regional governments quickly impact tax receipts and taxpayers' withholdings.

- Much remains to be done to assess the quality of public spending, particularly in the health arena, given its weight in the budget and the upward pressure on spending, partly due to the advent of new technology. Proposals such as that of Hispanice [4] mark the way forward.

- Fiscal governance needs to be improved at all levels. For that to happen, assuming no changes in the pro-constitution majority, the institutions already in place need to be reinforced. Specifically, the Fiscal and Financial Policy Council, CPFF for its acronym in Spanish, should be beefed up and its internal regime revisited to give the regional governments greater voting power. The regional government heads should meet formally more often to support the work of the CPFF. The inter-governmental bodies that meet to address specific topics should be revitalised as a governance tool, guided by the CPFF when they gather to tackle matters with a financial impact.

- Lastly, it is time to revise the sub-central fiscal rules as part of the process of reviewing those rules at the European level (Martínez, 2020).

Notes

[1] The author would like to thank Diego Martínez López (UPO) for his valuable input and Alejandro Domínguez (GEN-UVigo) for his assistance.

[2] Aside from the probable simultaneous effect of one variable on the other, insofar as the tax cuts or higher spending (= more deficit) may have had some impact on the size of the GDP contraction via effective demand.

[3] https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19. The database considers measures taken since January 2020 and covers measures for implementation in 2020, 2021 and beyond.

[4] Refer to http://www.aes.es/sesion-hispanice/

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Institutional reforms: A source of productivity gains for the Spanish economy

Spain’s declining total factor productivity is partially attributed to institutional weaknesses in areas such as transparency, the justice system, regulation, and government coordination. If left unaddressed, it could undermine Spain’s successful transition to the digital/green economy.

Xosé Carlos Arias

Abstract: Between 1996 and 2017, total factor productivity in Spain decreased by 10.5%. Some evidence suggests that certain institutional weaknesses could be a direct cause of the unsatisfactory trend in productivity. For example, the *Global Competitiveness Report* shows that Spain ranks 23rd on institutional quality compared to higher rankings in areas such as health and physical infrastructure. Notably, Spain is one of the EU countries in which institutional quality has deteriorated the most over the past two decades. This is likely due to the real estate boom and period of sustained growth in abundant and cheap credit during the run up to the financial crisis. Upon closer examination, it becomes apparent that Spain’s institutional deficiencies are especially acute in areas such as transparency, the justice system, regulation, and coordination between

> "Between 1996 and 2017, total factor productivity in Spain decreased by 10.5% (albeit recovering slightly since 2014), compared to growth of 4.5% in the EU as a whole."

government levels, which weigh on the country's economic growth. However, one bright spot for Spain is the quality of its democracy, with the country continuing to fall within the Economist Intelligence Unit's group of "full democracies". In light of the COVID-19 crisis and the transition to a digital/green economy, it is especially pressing that Spain address its institutional vulnerabilities. If left unaddressed, the absence of government efficiency could undermine Spain's response to the upcoming changes anticipated in the international economy.

Introduction

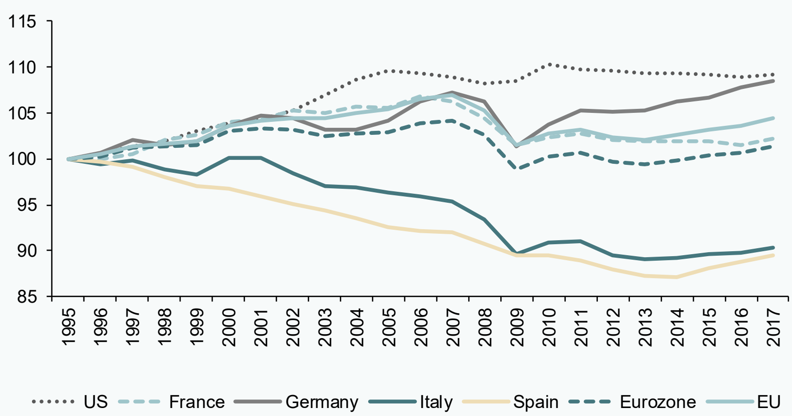
There is a body of literature attesting to the important role institutions play in supporting productive efficiency and economic growth. This paper seeks to apply that idea to the Spanish economy, which has been suffering from low productivity, a phenomenon that has worsened during the last 20 years.

Between 1996 and 2017, total factor productivity (TFP) in Spain decreased by 10.5% (albeit recovering slightly since 2014), compared to growth of 4.5% in the EU as a whole (according the BBVA Foundation and The Conference Board; refer to Exhibit 1). [1] As a result, the gap with the core EU economies has widened significantly, signalling an potential impediment to Spanish economic growth in the long- term.

To explain this phenomenon, analyses has focused on certain key factors. These include low investment in innovation, human capital deficits, and the outsized weight of micro enterprises in the Spanish economy. There are also indications that certain failures in the

Exhibit 1

Trend in total factor productivity in several core economies, 1995-2017



Source: The Conference Board.

> “ Spain ranks 23rd on institutional quality but 7th for physical infrastructure and 1st for health in the *GCR* report. ”

economy's institutional infrastructure could be a direct cause of the unsatisfactory trend in productivity.

Until recently, analytical progress has been hampered by the difficulty of measuring 'institutional quality'. However, during the last 20 years, some international organisations have attempted to quantify variables such as accountability, political stability, government effectiveness and the clarity with which property rights are defined. This has provided a deep database and web of indicators relevant to assessing the efficiency of a given institutional structure. These databases include the *Global Competitiveness Report (GCR)* by the World Economic Forum, *Doing Business (DB) and the Worldwide Governance Indicators,* both by the World Bank Group.

The Spanish economy: Institutional infrastructure

Tables 1 and 2 outline institutional indicator readings for Spain in absolute terms and, more importantly, relative to other countries. The tables yield several interesting takeaways. Firstly, in relation to the more general indicators –those pertaining to 'institutional quality'– Spain ranks somewhere in the middle; it does not stand out within the overall universe of developed economies but is more of a laggard within the EMU states. Specifically, in the global *DB* and *GCR* rankings, Spain placed #30 and #28, respectively, in 2019, which is not too far from its positioning using more conventional economic benchmarks, such as GDP per capita.

With respect to the *GCR* report, Spain clearly ranks less favourably on institutional quality relative to its overall competitiveness. Specifically, it ranks 23rd with a value difference of 10 percentage points (65.1 *vs.* 75.3). Those rankings contrast sharply with its position on other dimensions such as physical infrastructure (7th) and health (1st). All of which leaves us with the idea that, in the broadest sense, the institutional framework constitutes a source of weaknesses that undermines, albeit to a limited degree, the Spanish economy's ability to compete.

Secondly, the trend in the key institutional indicators over the last 25 years is clearly negative. Table 2 plots Spain's performance along the six WGI-Governance Matters indicators since 1996. Spain has deteriorated in five out of six indicators. The rest of the reports reveal similar patterns. The deterioration started in the last phase of growth prior to the financial crisis and accelerated during the years immediately following it, a period that was characterised by tough austerity measures. Exhibit 2 shows that Spain is one of the EU countries in which institutional quality has deteriorated most notably over the past two decades. The most plausible explanation for this adverse trend relates the real estate boom and period of sustained growth in abundant and cheap credit during the run up to the financial crisis. During these years, businesses focused their energy on quickly generating profits and the lines between the public and private spheres often became blurred. This created a propitious context for the relaxation of regulatory oversight and a loss of institutional vigour.

Interestingly, Spain's performance on all international benchmarks turned positive from 2015. For example, in the 2015/16 *GCR*, Spain ranked 65th. This involved climbing 35 spots in just three years. Although that trend may have been partly shaped by certain methodological modifications, the turnaround is clearly positive and consistent with the improvement in the overall competitiveness assessment (with Spain gaining 10 positions) and, above all, the improvement observed in TFP in recent years. In short, over the long-

Table 1

A selection of institutional quality indicators taken from a range of international comparative rankings

	Indicator value (1 – 100)	Position on global ranking
1. Institutional quality (*GCR*, 2019)	65.1	28
2. Institutional quality (*DB*, 2020)	77.9	30
3. Quality of democracy (SGI, 2020)	73 (a)	16 (tied with another 4 countries)
4. Quality of democracy (Economist Intelligence Unit, 2019)	82.9	18
5. Quality of democracy (V-DEM, 2019)	81.5	9
6. Accountability (SGI, 2020)	66 (b)	22
7. Corruption perception (Transparency International, 2019)	62	30
8. Corruption prevention (SGI, 2020)	73	14 (tied with another 8 countries)
9. Rule of law (WJP, 2020)	73	19 (c)
10. Regulatory efficiency (Heritage Foundation, 2020)	66.9	58 (d)
11. Future orientation of government (*GCR*, 2019)	59.5	46
12. Judicial independence (*GCR*, 2019)	4.2 (e)	54
13. Efficiency of legal framework in challenging regulations (*GCR*, 2019)	3.4 (e)	74
14. Efficiency of legal framework in settling disputes (*GCR*, 2019)	3.9 (e)	63
15. Starting a business (*DB*, 2019)	86.9	86
16. Getting electricity (*DB*, 2019)	83	48
17. Registering property (*DB*, 2019)	71.7	58
18. Open Budget Index, 2019	54	44

Notes: (a) Average score for 41 developed countries: 70. (b) Average score for 41 developed countries: 67. (c) Position among 128 countries; in the EU, it ranks 13th. (d) Among 171 countries. (e) Values from 1 to 7.

Sources: World Economic Forum, 2019; Doing Business, 2019; The Economist Intelligence Unit, 2019; World Justice Project, 2020; OECD (2019); Transparency International, 2019.

term the trend is clearly negative, albeit partially mitigated in recent years.

Thirdly, that idea that Spain's institutional infrastructure is a drag on its economy –relative to core EU countries– is far more obvious if we delve into certain specific institutional factors. Here we refer particularly to transparency and accountability, the justice system, the regulatory systems, coordination between the national and subnational governments and public sector governance.

> “Spain is one of the EU countries in which institutional quality has deteriorated most notably over the past two decades.”

Table 2

Governance indicators for the Spanish economy, WGI

1996-2019

Governance indicator	Year	Spain	Developed economies (OECD)
Voice and accountability	2019	82.7	87.2
	2009	88.5	88.1
	1996	89.9	
Political stability and absence of violence	2019	59.1	74.7
	2009	30.3	73.3
	1996	50.5	
Government effectiveness	2019	79.8	87.6
	2009	78	87.6
	1996	90.2	
Regulatory quality	2019	81.7	88.9
	209	84.7	88.5
	1996	84.8	
Rule of law	2019	80.3	87.4
	2009	86.2	87.7
	1996	90.9	
Control of corruption	2019	73.5	85.3
	2009	82.3	86.2
	1996	83.9	

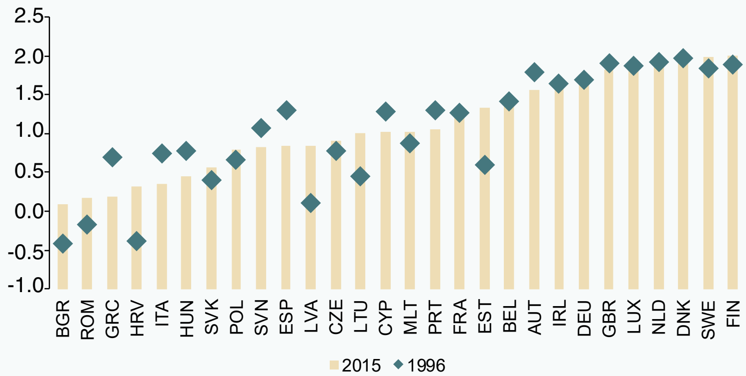
Source: The Worldwide Governance Indicators, 1996-2019. *The World Bank Group.*

In all these matters Spain presents significant institutional deficiencies.

It is important, however, to consider Spain’s integration within the European institutions.

Spain’s membership of the EU ushered in dramatic economic transformations, including at the institutional level. The creation of the Economic and Monetary Union reinforced, at least initially, that trend.

Exhibit 2 **Institutional quality in EU countries, 1996 *vs.* 2015**



Note: Arithmetic average of the Worldwide Governance Indicators (database retrievable online at www.govindicators.org): rule of law, regulatory quality, control of corruption and government effectiveness.

Source: Author's own elaboration.

Many of the institutional changes –from the law establishing the independence of the Bank of Spain to the creation of an independent fiscal authority, AIReF, in 2013– were driven by European powers. However, alongside this institutional trend another more worrying and largely contradictory development occurred. It was assumed that integration in a common monetary area would bring convergence along a host of macroeconomic and institutional variables. However, that has not happened. Instead, numerous indicators reveal that divergences persisted at least until 2015, and in some cases, have become more acute, particularly by comparison with benchmark countries such as Germany and the Scandinavian countries. This phenomenon not only affects Spain; it affects the EMU as a whole and is one of the main and perhaps less-known problems presented by the unification experiment: widening of differences between those countries that are more institutionally efficient (northern and central Europe) relative to the laggards (eastern and southern Europe) (Bayaert, García-Solanes and López-Gómez, 2019).

One bright spot: Quality of democracy

In recent years, this particular matter has been a heated and controversial topic in Spain. The idea that democracy in Spain is low quality is, in fact, the wrong argument and it is important to point that out because its presence is interfering enormously with

> "Many of Spain's institutional changes –from the law establishing the independence of the Bank of Spain to the creation of an independent fiscal authority, AIReF– were driven by European powers."

> “All the accredited international reports that assess the performance of liberal democracies place Spain at the forefront at the global level.”

the debate over the role of the country's institutions. It is true that certain aspects of liberal democracy have deteriorated. However, that is a widespread phenomenon –the so-called democratic recession– that is affecting much of the world.

All the accredited international reports that assess the performance of liberal democracies place Spain at the forefront at the global level. In the report compiled by the University of Gothenburg (V-Dem), Spain ranks 9th, scoring 0.815 out of 1 compared to Denmark, the leader, with a score of 0.858. According to The Economist Intelligence Unit, Spain continues to fall within the group of 'full democracies', placing 18th out of 100 with a score of 8.29, while Norway, the leader, has a score of 9.87. And in the Berstelmann Foundation-SGI report, Spain ranks 16th, tied with four other countries. In the ranking of personal rights compiled by the Social Progress Imperative, Spain placed 15th in 2020 (94.49 out of 100), and on political rights, 19th. Lastly, the *Rule of Law Index* compiled by the World Justice Project also ranks Spain 19th. All these sources rank Spain among the 20 most robust democracies in the world, suggesting Spain benefits from sound democratic institutions. The fact that Spain features within that elite group of democracies is good news for doing business in Spain.

Transparency issues

Transparency International publishes the benchmark annual ranking of countries' corruption levels. Looking at its corruption perception index from 2008 and 2018, Spain has fallen from 26th (61 points out of 100) to 41st (58 points) among 180 countries, signalling significant problems in this area. The planning scandals that affected over one-tenth of Spain's town councils and those related with political parties are the main reasons for this adverse trend (to interpret the time series it is important to consider the lag that tends to affect 'perception' readings). However, in 2019, the situation improved, with Spain ranking 30th, with a score of 62 (an improvement is also observed in the SGI-Berstelmann report). However, that change is not enough. Transparency International believes that an economy such as Spain's should not score fewer than 70 points on the perception index if it wants to maintain a positive image and sufficient level of competitiveness [2].

Spain's significant corruption problem is clearly related to shortcomings in government transparency, independent review and accountability. This has had a perverse effect on economic confidence, constituting a long-term barrier to growth. In the *2019 Open Budget Index*, Spain ranked 44th , scoring 53 points out of 100, below the OECD average of 68 (International Budget Partnership, 2019). That performance puts Spain in the report's 'Limited Available Information' category.

The recent creation of an independent fiscal authority, AIReF, whose mission is to evaluate the public finances and hold the various authorities accountable, is a positive development. Other potential reforms

> “Spain has fallen from 26th (61 points out of 100) to 41st (58 points) in Transparency International's ranking of countries' corruption levels.”

> “The Spanish state generates 10 times more legislation than its German equivalent.”

related with lobbying regulations, limits on parliamentary immunity and the passage of a transparency act, have barely made any progress.

A key problem: The justice system

Based on data published by the World Justice Project, Spain ranks somewhere in the middle in terms of its rule of law performance, placing 19th on the global index and 10th in the EU. The rule of law is guaranteed in Spain and the country does not present a serious or unique problem in this area, with the one exception being an excess of laws. The juxtaposition of laws and regulations at the central and regional levels has created a labyrinth of laws, which citizens and firms find hard to navigate. The Spanish state generates 10 times more legislation than its German equivalent (Sebastián, 2016). Moreover, certain key pieces of legislation are in constant flux, creating an environment of instability and litigation. For example, since 1995, the Penal Code has been amended 30 times and since 2000, the Civil Enforcement Act has undergone over 40 changes (Consejo General de Economistas, 2016). As a result, the number of laws in effect in 2018 was disproportionately high (11,737), having multiplied by four in the last 40 years (Mora-Sanguinetti and Pérez-Valls, 2020). That legislative jungle is a source of incremental transaction costs for all types of contracts.

However, it is the ordinary workings of the justice systems where the most worrying signs of inefficiency are found. The WJP data are satisfactory in relation to personal rights or constraints on government powers (again attesting to the quality of Spain's democracy) but are less encouraging in regulatory enforcement, civil justice and criminal justice, mainly related to unjustified delays in sentencing or effectively implementing regulations.

The judicial system is a blind spot in the Spanish institutional structure. There is a vast body of literature certifying the economic effects of efficient judicial systems, viewed as fundamental for orderly and credible contract execution. This in turn impacts investment and economic activity via the proper functioning of the credit systems, the creation of new companies, average company size and the existence, or otherwise, of distortions in the home ownership and rental markets (Palumbo *et al.*, 2013).

The European Commission publishes a report comparing member states' justice systems called The EU Justice Scoreboard (EUJS). The report assesses a number of variables around three dimensions: efficiency, quality, and independence. Spain fares poorly, ranking outside the top 15 on nearly all measures. For example, it ranked 17th on the estimated time needed to resolve civil, commercial and administrative cases between 2012 and 2018 and 23rd on the case resolution rate. It ranks similarly poorly on the quality indicator –the number of judges per 100,000 inhabitants– but has improved on certain specific items, such as the availability of electronic devices and public access to sentences.

The key issue, however, relates to judicial independence. According to the EUJS, the perceived independence of courts and judges among the general public puts Spain at the back of the group (18th in 2020). The *GCR* report paints a similar picture. In 2019, it ranked Spain 52nd in the world (4.2 points out of 7). This is important as there is evidence of robust correlation between judicial independence and GDP growth.

Regulatory quality and the government efficiency issue

Several studies point to significant differences (7.2 points according to the 2019 *DB* report) between regulatory quality in Spain and the

> "With respect to setting up a company, Spain ranked 86th in the world in 2019, while it ranked 48th for getting electricity and 58th to register a property."

average for the developed economies. Spain therefore presents substantial shortcomings in this area, which manifest in three key ways. Firstly, excessively complex regulations have noteworthy economic consequences. For example, according to Mora-Sanguinetti and Pérez-Valls (2020), they have a significant impact on business demographics, reducing the number of limited-liability companies (which tend to be larger) and increasing the number of individual business owners, which tend to focus on local markets, subject to local legislation. One of the better documented burdens for the Spanish productive landscape is the weight of micro-enterprises (nearly 95% of the total) and the associated deficit of management capital. Potentially a key reason for the less than satisfactory trend in productivity.

Secondly, Spain's regional governments have passed between 60% and 80% of the regulations introduced since the Constitution was created. Many of these regulations are often mutually inconsistent and pose a threat to market unity. Reducing competition between the authorities would reduce the regulatory chaos and fragmentation. According to the European Commission, "the restrictiveness and fragmentation of regulation within Spain prevents companies from benefiting from economies of scale" (EC, 2019).

It is important to underline that the issue is coordination rather than decentralisation. The passage of separate and sometimes mutually inconsistent regulations at the various levels of government, aggravated by instability in the decentralisation model and issues with the distribution of fiscal powers, is one of the considerable institutional deficits affecting the Spanish economy (Martínez-Vázquez, Sánchez Martín and Sanz-Arceaga, 2019).

As for its government organisation systems, Spain lags very far behind its peers in the international comparisons. *DB* includes a series of data regarding the number of steps required and time needed to perform activities that are vital to economic performance, such as setting up a new company, getting electricity or obtaining a building permit. Spain fares very badly on all fronts. With respect to setting up a company, it ranked 86th in the world in 2019, while it ranked 48th for getting electricity and 58th to register a property (Table 1). Also, in 2019, Spain was among the countries furthest behind in selecting, certifying and executing European funds. On the latter measure it ranked fifth last, taking 130 days between receiving a final bid and executing a contract.

These indicators illustrate the impact that government efficiency has on transaction costs in key productive sectors. Of particular concern are Spain's excessive bureaucracy, scant flexibility and diversification, shortfall of skills, and an absence of operating independence. The main consequences are a pronounced trend towards routine work, a lack of initiative and foresight and a shortage of analytical and assessment capabilities.

According to the Quality of Government Institute at Gothenburg University (2015), Spain's public sector ranked 28th in the world on the professionalism index (4.5 on a scale of 1 to 7) and 33rd on impartiality (0.4 on a scale of -1 and 1.5). The scarce presence of a public professional managerial function has to do with the existence of unclear relationships with the political sphere, which compromise conditions of neutrality (the trait that characterises government systems in countries deemed highly efficient) (Lapuente, 2016).

> Spain's track record suggests a lack of preparation for optimal management of the Next Generation EU funds.

Institutional shortcomings after the pandemic

The pandemic has made the issues flagged in this paper particularly acute – and their resolution all the more pressing. In 2020, the *GCR* report, asked about the extent to which the various economies are ready to tackle the challenges ushered in by the pandemic and ensuing recovery effort. Regarding ensuring "public institutions embed strong governance principles and a long-term vision and build trust by serving their citizens, Spain ranked 24th (56.4 points out of 100, compared to the top-ranked Finland, which garnered 78.5 points) (*GCR*, 2020, Special Edition). This is very mediocre performance which raises important questions about Spain's present situation and future prospects.

The pandemic has also highlighted the need for specific structural adjustments, such as the so-called digital/green transition. Governments will play a leading role in that transformation effort. The EU has recognised the opportunity, launching its ambitious *Next Generation EU* recovery packaged. The *NGEU* funds will require the management of vast public investment programmes with significant power to change important economic dynamics over a relatively short period of time (five years). Spain's track record suggests a lack of preparation for optimal management of these funds. A manifesto written in 2020 stated: "Our public sector is better prepared to follow guidelines than to manage environments of change and technological disruption that require managing innovation in a manner that is transparent and open to public scrutiny" (López Casasnovas *et al.*, 2020). Thus, the absence of 'government efficiency' could undermine Spain's response to the upcoming changes anticipated in the international economy. To tackle the issue, the Spanish government recently passed legislation (Royal Decree-Law 36/2020) which remains untested, but which undoubtedly marks a step in the right direction.

Conclusion

The idea that our institutions produce very specific economic outcomes is of great interest in interpreting some of the key weaknesses facing the Spanish economy, particularly the disappointing trend in its total factor productivity. By analysing the institutional quality indicators used in several comparative international studies, it is possible to draw certain conclusions.

The first is that Spain's ranking in all the international institutional quality classifications is, in the broadest terms, mediocre. Although Spain benefits from inclusive political institutions, the flawed institutional structure, which has worsened over the last 25 years, constrains the country's ability to compete and limits its growth prospects.

Secondly, that negative reading is very pronounced in specific institutional aspects, including low regulatory quality, scant transparency, an inefficient justice system,

> Although Spain benefits from inclusive political institutions, the flawed institutional structure constrains the country's ability to compete and limits its growth prospects.

poor intergovernmental coordination, government efficiency issues and excess bureaucracy. The pandemic and the emergence of disruptive forces of the digital/green transition have shone a spotlight on those institutional shortcomings.

Those weaknesses are the source of considerable costs and efficiency problems for the Spanish economy. The good news is that there is significant room for productivity gains by improving institutional quality. It is therefore essential that policymakers prioritise the pursuit of far-reaching reforms in these areas.

Notes

[1] Refer to BBVA Foundation-Ivie: *Esenciales*, 33, 2019.

[2] Note released by Transparency International Spain: "España continúa su mejora en el Índice de Percepción de la Corrupción" [Spain continues to improve its position on the corruption perception index, 2019], January 23rd, 2020.

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Recent key developments in the area of Spanish financial regulation

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

Royal Decree-Law transposing the European Union Directives on empowering competition authorities, anti-money laundering, credit institutions, telecommunications, tax measures, the prevention and remedy of environmental damage, the posting of workers in the framework of the provision of transnational services and consumer protection (Royal Decree-law 7/2021, published in the *Official State Journal* on April 28th, 2021)

Royal Decree-law 7/2021 took effect the day after its publication in the *Official State Journal*, with the exception of certain provisions that will come into effect later. The standards transposed in the financial arena are as follows:

I. Transposition of the Fifth Directive on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing

Amendment of Law 10/2010 (of April 28th, 2010) on the prevention of money laundering and terrorist financing in order to transpose Directive (EU) 2018/843 so as to enhance terrorist financing prevention mechanisms and improve the transparency and availability of information about the beneficial owners of legal persons and other unincorporated entities intervening in legal arrangements.

The amendment includes the following changes:

- The universe of bound parties has been expanded to include providers engaged in exchange services between virtual currencies and fiat currencies and custodian wallet providers and a register has been created to keep record of them.
- The administrator who owns or controls a legal person is added as the beneficial owner.
- The beneficial ownership information of legal persons and trustees has been specified.
- Financial institutions are now required to apply enhanced measures equivalent to those established in the EU to mitigate the risk of money laundering or terrorist financing in certain third countries.
- A new obligation has been introduced for the reporting of cash payments or receipts not accompanied by a natural person in the amount of 10,000 euros or more within 30 days of the movement.
- Prepaid cards and commodities used as highly-liquid stores of value have been added to the universe of 'payment instruments'.
- The legal regime applicable to the temporary intervention of payment establishments has been amended to incorporate the scope for administrative claims against such supervision and the relationship with the cash movement penalty regime.
- Adjustments have been made to the Central Bank Account Register.
- The new legislation establishes the Beneficial Owner Register.

II. Transposition of CRD V

In order to transpose Directive (EU) 2019/878 on capital requirements, the Law 10/2014 (June 26th, 2014) on the structuring, supervision and capital adequacy of credit institutions has been amended. The key takeaways are:

- The Bank of Spain has been given new powers to approve certain financial holding companies and mixed financial holding companies.

- The Bank of Spain is also now obliged to notify the EBA about branch openings and the provision of services in Spain, without a branch, by third-country credit institutions.

- The legislation introduces the requirements that third-country groups whose subsidiaries include two or more credit institutions or at least one credit institution and one investment service provider in the EU must have a single intermediate parent undertaking in the EU, so long as the group has at least 40 billion euros of assets.

- The banks no longer have to formulate and keep a general recovery plan.

- In terms of corporate governance and remuneration, the new legislation stipulates the following:

  - Remuneration policies and practices cannot discriminate on the grounds of gender.

  - The Bank of Spain must be provided with information about loans extended to members of their management body and their related parties.

  - The legislation itemises the categories of staff whose professional activities have a material impact on the institution's risk profile.

  - The deferral period for variable remuneration has been modified.

  - Exemptions have been introduced for certain institutions and staff from the requirements regarding the deferral and pay-out of variable remuneration in instruments and the conservation of discretionary pension benefits.

- As for the capital buffers, these are the relevant changes:

  - The introduction of measures to avoid the double counting of common equity tier 1 (CET1) instruments. As a result, the CET1 used to comply with one of the elements of the combined buffer requirement should be different from the CET1 to meet the other applicable elements of the combined buffer requirement, or other requirements such as their capital ratios or their additional own funds requirements other than the risk of excessive leverage.

  - An additional method for identifying global systemically important banks (G-SIBs) has been introduced.

  - The Bank of Spain has been empowered to require other systemically important institutions (O-SII) to maintain an O-SII buffer of over 3% of total risk exposure.

  - The distribution restriction regime in the event of failure to meet the combined buffer requirement has been revised and restrictions have been imposed in the case of failure to meet the leverage ratio buffer requirement.

- Lastly, the Bank of Spain will take prudential supervision measures in respect of interest rate risk arising from non-trading book activities.

III. Transposition of BRRD II

In order to transpose Directive (EU) 2019/879, the Law 11/2015 (June 18th, 2015) on the restructuring and resolution of failing credit institutions and investment firms has been amended. The key takeaways include:

- The update of resolution plans shall take place after the application of resolution measures or the write-down or conversion of equity instruments and eligible liabilities.

- The resolution authority has been empowered to prohibit certain distributions where they consider that an institution or entity is failing to meet the combined buffer requirement when considered in addition to minimum requirement for own funds and eligible liabilities (MREL).

- A deadline has been introduced for a notified entity to provide the resolution authority with possible measures for addressing or removing the substantive impediments to their resolution.

- Greater detail has been provided for the regulations governing the write-down and conversion of capital instruments and eligible liabilities.

- The MREL calculation has been aligned with the TLAC calculation, so that its denominator must now be expressed as a percentage of the total risk exposure amount and of the total exposure measure of the relevant institution or entity.

- The legislation adds certain liabilities that cannot be used for bail-in purposes and modifies the specific bail-in rules.

- The criteria for setting each entity's MREL will be developed in implementing standards.

- The new legislation delimits the FROB's powers to suspend payment or delivery obligations, enforce security interests or temporarily suspend termination rights.

- It introduces the obligation to include a term in financial contracts under third-country law whereby the parties recognise that the contract may be subject to the exercise of powers by the FROB to suspend or restrict certain rights and obligations.

In order to introduce the provisions made in BRRD II regarding retail investor protection in the marketing and sale of 'bail-inable' debt instruments, the Spanish Securities Act has been amended as follows:

- At least 50% of the issue must be targeted exclusively at professional clients or investors.

- The seller or placement agent must assess the fit for purpose of the instruments for their clients and verify satisfaction of the additional prerequisites for enhanced suitability testing purposes when the client's financial instrument portfolio does not exceed 500,000 euros.

- Such instruments cannot be marketed or sold to retail investors without performance of the suitability test if the minimum denomination of the issue is 100,000 euros.

Law amending the consolidated text of the Corporate Enterprises Act and other financial regulations as regards the encouragement of long-term shareholder engagement at listed companies in order to transpose Directive (EU) 2017/828 into Spanish law (Law 5/2021, published in Spain's *Official State Journal* on April 13th, 2021)

Law 5/2021 introduces amendments regarding the long-term financing raised by listed companies in the capital markets, the transparency regime governing capital markets agents, remuneration of members of the management body and the performance of transactions between a company and its related parties. It took effect 20 days after its publication in the *Official State Journal*.

The key contents of this new piece of legislation are:

- An updated transparency policy for institutional investors, asset managers and proxy advisors. Contemplation of the possibility of obliging the companies that manage the above institutions and entities to draw up and publish an engagement policy.

- The definition of asset managers has been expanded to include investment firms that provide portfolio management services to investors.

- When management companies provide asset management services to insurance firms or pension funds, they must inform the entities with which they have entered into such arrangements as to how their investment strategy is consistent with the profile and duration of their liabilities, and how they contribute to the medium- to long-term performance of their assets.

- As for shareholder identification, entities are entitled to insist on the identification of beneficial owners in addition to the formal shareholders.

- The law itemises the obligations of proxy advisors.

- It also introduces new aspects to related-party transaction regulations.

And it has the effect of triggering other legislative amendments to the following pieces of legislation:

- It introduces the following changes to the Corporate Enterprises Act:

  - It reinforces directors' due diligence requirements.

  - It requires listed company directors to be natural persons and for their positions to be remunerated.

  - It introduces the 'loyalty voting share' concept: a company's bylaws may allow for the grant of additional votes to shares held by an owner on an uninterrupted basis for at least two years.

  - In relation to equity-raising processes, it shortens the minimum term for the exercise of preemptive subscription rights.

  - The regime governing rights issues has been modified to enable its application by smaller-sized companies.

  - The legislation clarifies the regime applicable to Spanish companies whose shares are traded on foreign securities markets only.

  - It introduces a limit applicable to credit institutions with respect to the delegation of the power to waive preemptive subscription rights when issuing convertible bonds.

- It introduces the following changes to the Securities Market Act:

  - It raises the threshold for offers of securities to the public for which it is mandatory to publish a prospectus to 8 million euros. In the case of credit institutions, that threshold was left at 5 million euros.

  - It eliminates the requirement that companies whose shares are listed on a regulated market publish quarterly financial information.

  - It exempts issuers of securities that are not listed joint-stock companies from having to publish an annual corporate governance report.

Law on climate change and energy transition (Law 7/2021, published in the *Official State Journal* on May 21st, 2021)

This law was published in response to the commitments assumed by Spain at the international and European levels to make climate action and the energy transition the fulcrum of its policy. It took effect the day after its publication in the *Official State Journal*. The standards related to the financial arena are the followings:

It requires securities issuers, credit institutions, insurers and all other companies obliged to include a non-financial statement in their management reports to draw up an annual report in which they assess the financial consequences of the risks associated with climate change as a result of the exposure of their specific businesses, itemising the risks of transitioning towards a sustainable economy and the measures being taken to tackle them. The contents of these reports will be determined by Royal Decree within two years of effectiveness of the new law.

It also requires the Bank of Spain, the securities market regulator (CNMV) and the General Directorate of Insurance and Pensions Funds (DGSFP) to formulate, jointly and every two years, a report on the level of alignment with the climate targets set down in the Paris Accord and EU regulations based on future scenarios and climate risk assessments for the Spanish financial system (likewise reporting on mitigating policies).

Resolution enacting the so-called Code of Good Practices for the renegotiation of state-guaranteed debt (Resolution of May 12th, 2021, published in the *Official State Journal* on May 13th, 2021)

Endorsement by the banks of the Code of Good Practices for the renegotiation of state-guaranteed debt (the Code) is voluntary and they have been given one month to notify the authorities, which will publish a list of participating entities and a list of those who, having channelled guarantees, have decided not to endorse it. The entities must also notify their clients as to whether or not they are endorsing the Code.

The participating entities will undertake to implement the following measures upon request by viable firms/self-employed professionals whose financial situation has deteriorated as a result of the pandemic:

- Extend the term of maturity of the transactions secured by public guarantees if the corresponding requirements are met.
- Consider the conversion of financing transactions secured by the state into profit-participating loans (not convertible into equity).
- Consider reducing the amount of outstanding principal of publicly-guaranteed financing transaction with the scope for enforcing the guarantee in the percentage covered.
- Analyse all transactions granted to the applicant between March 17th, 2020, and the date of publication of Royal Decree-Law 5/2021.
- If any of the above measures are applied, the working capital facilities must be left in place until at least December 31st, 2022.

The Code additionally stipulates the following:

- The banks may not make any of the above measures conditional upon the purchase of other products.
- The banks will decide which measures to take in respect of their exposures in accordance with their internal procedures and loan grant and risk policies.
- Application of the measures contemplated is subject to compliance with applicable regulations with respect to State aid.
- A Code Oversight Committee will be set up.
- The banks must furnish the Bank of Spain with the information required by the Code Oversight Committee.
- The Resolution contemplates the creation of coordination and drag-along procedures for all creditors endorsing the Code.

The Resolution also contemplates extending the term of maturity of the guarantees for up to two to five years more.

In relation to the conversion of existing loans into non-convertible profit-participating loans, the public guarantee will be left in place to secure the latter so long as certain requirements are met with respect to all those entities adhering to the Code from which the debtor has obtained secured financing (including a reduction in revenue of 30%).

With respect to the scope for transfers, it will be necessary to renegotiate all debt granted by the entity to the applicant between March 17th, 2020, and date of approval of the Cabinet

Agreement, as well as compliance with certain other requirements. Transfers may not exceed 50% of the amount of principal guaranteed if the drop in revenue is less than 70%, or 75% if the revenue contraction exceeds 70%.

The banks must communicate the application of these measures in respect to the maturity extension and conversion measures until December 1st, 2021, and until December 1st, 2022, with respect to the debt forgiveness measures.

Spanish economic forecasts panel: July 2021*

Funcas Economic Trends and Statistics Department

Consensus forecast for GDP raised to 6.1%...

Spain's GDP contracted by 0.4% in 1Q21, which is 0.1pp less than suggested by the preliminary national quarterly accounts. Domestic demand detracted 0.4pp from growth, while foreign trade had a neutral impact.

The consensus forecast for GDP growth in 2021 has been raised by 0.3pp since our last survey, to 6.1%, due to the smaller than initially anticipated 1Q21 GDP contraction and estimate fine-tuning by the analysts. The various indicators point to a significant recovery in 2Q21, with GDP growth currently expected to average 2.1%. The strong pace of vaccination and turnaround in the tourism indicators since May point to a summer of recovery, albeit clouded by the expansion of the Delta variant, which could end up curtailing current momentum. The consensus forecast is for GDP growth of 3.2% in 3Q21. And in the fourth quarter, growth is estimated at 2% (Table 2).

As for the breakdown of that growth, there have been a few changes since the last survey: an increase in the forecast for investment in machinery and equipment and a slight decrease in forecast investment in construction. Meanwhile, the forecast growth in private spending has been revised upwards while the public spending forecast has been trimmed. The forecast for export growth has been revised upwards and that for import growth, downwards. As a result, domestic demand is now expected to contribute 5.8pp to growth and the foreign sector, 0.3pp, which is up 0.2pp and 0.1pp from the last survey, respectively.

... and for 2022 to 6.1% as well, up 0.4pp

The consensus forecast for GDP growth in 2022 has been revised upwards by 0.4pp to 6.1%. The analysts are looking for quarterly growth of between 0.8 and 1% in the first three quarters, easing slightly in the last quarter of the year (Table 2).

By comparison with 2021, domestic demand is expected to lose a little steam, shaped by lower growth in both public and private consumption, offset by a higher contribution from international trade (Table 1).

CPI higher than predicted in the previous Panel

Energy prices have been fuelling inflation since the start of the year. Headline inflation reached 2.7% in May and June, and is forecast to remain above 2% in the months to come (Table 3). Core inflation, however, is expected to remain subdued.

The consensus forecast is for average inflation of 1.9% in 2021, up 0.3pp from the last set of forecasts. For 2022, that forecast stands at 1.4%, up 0.1pp. The forecast for core inflation this year is unchanged, at 0.7%, and has been revised upwards by 0.1pp, to 1.1%, in 2022.

The year-on-year rates forecast for December 2021 and December 2022 are 2.3% and 1.3%, respectively.

Unemployment to rise to 15.7% in 2021

According to the Social Security contributor readings, following the end of the state of alarm, the growth in effective employment in May and June has been record-breaking: over 600,000 jobs, in seasonally adjusted terms, underpinned by people brought out of furlough as well as significant growth in new contributor numbers.

The consensus forecast for employment, in terms of full-time equivalents, is for an increase of 4.7% in 2021– up 0.8pp from the last survey –and of 3.4% in 2022. 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 gain 1.4% this year, down 0.5pp from the last survey, and 2.7% in 2022, up 0.4pp. ULCs, meanwhile, are forecast to contract by 0.8% in 2021 and by 1.2% in 2022, having risen sharply in 2020; however, the trend in these variables should be interpreted with caution due to the distortion created by the furlough scheme.

The average annual rate of unemployment is expected to increase to 15.7% in 2021 (down 0.4pp from the last set of forecasts) and to fall back to 14.9% in 2022.

Lag in the recovery in the pre-crisis current account surplus

To April, Spain presented a current account deficit of 1.66 billion euros, in line with the deficit of 1.65 billion euros in the same period of 2020, with the deterioration in the trade surplus offset by a narrower income deficit.

The balance of payments deficit presented in the first few months of the year is highly seasonal. In fact, the analysts are forecasting a surplus for the year as a whole, equivalent to 0.9% of GDP, down 0.1pp from the last set of forecasts. The forecast for 2022 has also been cut by 0.1pp to 1.2%.

Better public deficit forecasts

The fiscal deficit, excluding local authorities, amounted to 21.91 billion euros in the first four months of 2021, compared to 28.59 billion euros in the same period of 2020. The improvement was driven by growth in revenue of 9.2 billion euros, which outpace the growth in expenditure of 2.7 billion euros.

The analysts expect the overall deficit to come down this year and next and are currently forecasting 0.3pp smaller deficits in both years than in May. Specifically, they are forecasting a deficit of 8.2% of GDP in 2021 and of 5.7% in 2022, which would imply delivery of the government's target for this year but a miss by 0.7pp in 2022.

Significant improvement in the European economic climate

The recovery has gained traction in the EU and the prospects remain positive despite the spread of the Delta variant and the accompanying health recommendations. Confidence indicators are at record levels (the eurozone PMI has climbed to 60, its highest level in 15 years). New orders are accelerating. Bottlenecks persist, exerting pressure on production costs and weighing on the rebound. Oil prices have rallied considerably, from around $65 per barrel in May until nearly $75 per barrel at the time of writing. Nevertheless, the recovery is proving vigorous. The European Commission is forecasting regional growth of 4.8% in 2021, which is 0.5pp more than predicted in the spring. Outside the EU, the trends are positive on the whole, particularly in the US, in part thanks to Biden's fiscal stimulus package. The Chinese economy continues to grow but is showing significant signs of deceleration, as the recovery runs out of steam and investment weakens.

The analysts' forecasts reflect these trends: they are growing more optimistic regarding the outlook for the European economy. Seven of them now think the EU context is favourable, whereas none did in May. Moreover, the number of positive opinions outweighs the negative ones for the first time since the onset of the pandemic. The outlook for the non-EU environment is trending in a similar, yet less pronounced, direction. With very few exceptions, the analysts agree that the international environment, both within and beyond the EU, will improve in the coming months, an outlook that began to be palpable in our last survey.

Central banks' reassurance about transitory nature of inflation is alleviating pressure on rates

Having reacted to inflationary pressures by bidding the yields required to invest in sovereign debt higher, rate expectations have eased. The fact that the Federal Reserve and, later, the ECB, have made their inflation targets more flexible, coupled with statements insisting that the prevailing bout of inflation will prove transient, appears to have calmed the markets.

The yield on 10Y Spanish bonds has followed that pendulum, rising from the early part of the year until May, and falling back since then to barely over 0.2%, in tandem with the central banks' reactions. The spread over the German bond has oscillated with no clear pattern, suggesting that perceived country risk has not changed. 12-month EURIBOR has barely budged, evidencing the stability in ECB benchmark rates, particularly the rate on the deposit facility, anchored at -0.5%.

As a result, the analysts continue to expect interest rates to trend higher during the projection horizon, albeit remaining low by historical standards (Table 2).

Slight euro appreciation

The euro has appreciated slightly against the dollar since our last report, in tandem with the improvement in the European economic climate. The analysts believe the euro exchange rate will remain close to current levels over the coming months.

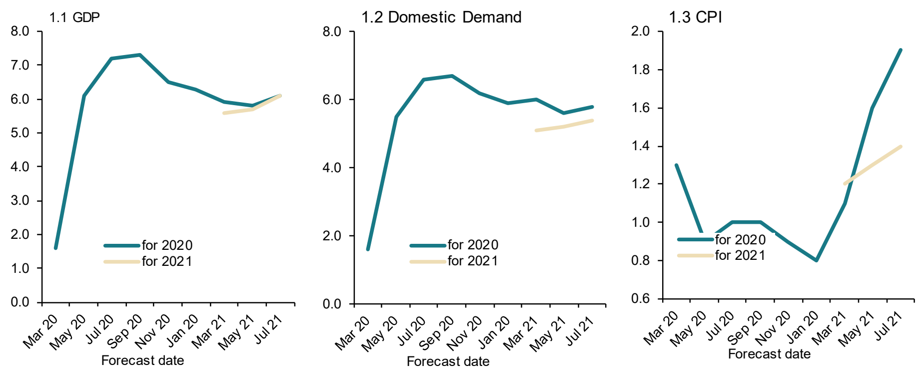
Macroeconomic policy should remain expansionary

Analysts unanimously consider that monetary and fiscal policy are expansionary and virtually all of them believe the macroeconomic policy should remain so for the coming months (Table 4). No significant changes are expected in ECB benchmark rates over the projection horizon.

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

Spanish economic forecasts panel: July 2021*

Funcas Economic Trends and Statistics Department

Table 1

Economic Forecasts for Spain – July 2021

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

	GDP		Household consumption		Public consumption		Gross fixed capital formation		GFCF machinery and capital goods		GFCF construction		Domestic demand[3]	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	6.4	5.8	7.7	4.9	2.5	4.9	9.9	5.2	10.5	5.6	7.4	5.4	6.5	4.9
Axesor Rating	6.0	5.7	6.8	5.1	2.3	0.2	4.2	7.8	8.3	6.8	4.8	8.9	--	--
BBVA Research	6.5	7.0	7.4	6.7	2.8	2.5	9.7	16.4	16.5	12.4	5.0	18.8	6.6	7.6
CaixaBank Research	6.0	4.8	6.6	5.0	3.0	0.6	6.6	5.3	15.9	5.5	-0.1	5.1	6.4	4.2
Cámara de Comercio de España	5.9	6.2	5.9	4.9	4.8	3.3	7.1	11.1	14.0	12.6	4.0	8.4	5.6	6.0
Cemex	6.0	6.3	6.9	6.0	2.4	2.5	7.8	8.5	13.5	6.5	5.5	10.6	5.8	5.6
Centro de Estudios Economía de Madrid (CEEM-URJC)	6.0	5.5	6.8	5.6	2.2	1.5	7.9	6.3	12.5	5.6	6.8	8.3	5.8	4.7
Centro de Predicción Económica (CEPREDE-UAM)	6.4	4.8	6.1	5.7	3.0	1.2	8.4	4.1	15.1	-3.2	4.5	10.3	5.7	4.6
CEOE	5.7	6.0	5.4	5.9	2.4	1.7	5.8	7.6	12.5	8.1	2.4	8.4	4.8	4.1
Equipo Económico (Ee)	6.3	4.9	5.3	4.9	2.6	3.0	5.9	5.8	4.5	5.8	6.9	7.0	5.0	4.6
Funcas	6.3	5.8	7.6	4.3	2.5	3.1	6.3	10.5	8.3	10.2	3.6	12.4	6.0	5.3
Instituto Complutense de Análisis Económico (ICAE-UCM)	6.2	8.8	6.4	9.3	3.8	3.3	6.9	9.1	11.2	13.0	3.0	7.2	6.1	8.0
Instituto de Estudios Económicos (IEE)	5.4	5.7	5.3	5.5	2.4	1.6	5.4	7.4	11.6	8.0	2.3	8.2	4.7	3.9
Intermoney	6.8	6.7	7.7	6.0	3.1	2.3	8.3	8.4	15.6	7.5	4.7	11.0	6.5	5.4
Mapfre Economics	6.0	6.0	6.0	6.6	3.5	1.7	7.3	8.5	--	--	--	--	5.5	5.4
Oxford Economics	6.6	6.1	7.1	6.4	3.2	2.0	8.6	8.5	8.4	5.5	4.5	7.7	6.4	5.5
Repsol	6.1	5.8	6.8	4.3	3.6	3.6	8.6	9.0	17.6	9.0	4.3	10.4	6.1	4.2
Santander	6.0	7.0	6.6	5.3	1.9	0.4	8.8	13.7	16.5	17.7	3.9	9.9	5.9	5.9
Metyis	5.7	5.6	6.7	5.8	2.8	2.0	5.9	7.5	10.0	8.6	5.0	8.2	5.6	5.3
Universidad Loyola Andalucía	6.1	6.6	6.4	6.2	2.8	3.1	7.6	10.8	10.2	11.4	7.9	7.5	5.8	6.4
CONSENSUS (AVERAGE)	6.1	6.1	6.6	5.7	2.9	2.2	7.4	8.6	12.2	8.2	4.6	9.1	5.8	5.3
Maximum	6.8	8.8	7.7	9.3	4.8	4.9	9.9	16.4	17.6	17.7	7.9	18.8	6.6	8.0
Minimum	5.4	4.8	5.3	4.3	1.9	0.2	4.2	4.1	4.5	-3.2	-0.1	5.1	4.7	3.9
Change on 2 months earlier[1]	0.3	0.4	0.3	0.0	-0.5	0.1	0.2	0.6	0.5	0.7	-0.2	0.3	0.2	0.2
- Rise[2]	12	8	11	7	1	7	8	9	12	9	5	8	10	8
- Drop[2]	0	5	4	9	13	3	6	7	3	5	7	5	4	7
Change on 6 months earlier[1]	-0.2	--	-0.3	--	0.7	--	-0.8	--	0.3	--	-2.9	--	-0.1	--
Memorandum items:														
Government (April 2021)	6.5	7.0	7.3	6.9	2.5	1.5	10.3	12.3	--	--	--	--	6.7	6.7
Bank of Spain (June 2021)[4]	6.2	5.8	7.1	5.7	1.9	0.3	8.1	9.3	--	--	--	--	5.9	5.3
EC (July 2021)	6.2	6.3	--	--	--	--	--	--	--	--	--	--	--	--
IMF (April 2021)	6.4	4.7	6.0	3.3	3.9	0.4	8.9	7.5	--	--	--	--	--	--
OECD (May 2021)	5.9	6.3	--	--	--	--	--	--	--	--	--	--	--	--

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

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

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

[4] *Baseline scenario.*

Table 1 (Continued)

Economic Forecasts for Spain – July 2021

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

	Exports of goods & services		Imports of goods & services		CPI (annual av.)		Core CPI (annual av.)		Wage earnings[3]		Jobs[4]		Unempl. (% labour force)		C/A bal. of payments (% of GDP)[5]		Gen. gov. bal. (% of GDP)[6]	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Analistas Financieros Internacionales (AFI)	12.2	10.9	13.2	7.8	1.6	1.3	0.4	1.1	-	-	5.1	2.5	16.1	15.0	0.8	1.1	-7.8	-5.3
Axesor Rating	13.9	9.1	12.9	5.8	1.7	1.4	0.7	0.5	--	--	--	--	15.7	15.6	0.9	1.5	-8.5	-6.0
BBVA Research	12.2	17.2	13.6	20.0	2.0	1.2	0.6	1.2	0.4	2.9	5.6	3.3	15.7	14.2	0.3	-0.3	-7.7	-5.5
CaixaBank Research	11.4	7.7	10.1	5.9	1.7	1.3	0.6	1.3	-0.4	2.1	5.5	3.0	15.7	14.6	1.5	1.6	-8.6	-6.0
Cámara de Comercio de España	14.6	13.7	13.9	12.8	1.8	1.4	0.7	1.0	--	--	3.5	4.6	16.6	15.4	0.9	1.0	-8.0	-6.3
Cemex	10.5	12.4	10.3	10.7	1.8	1.4	0.7	1.0	--	--	4.2	3.0	--	--	1.0	1.5	-8.5	-5.5
Centro de Estudios Economía de Madrid (CEEM-URJC)	9.9	12.1	9.8	10.2	2.0	1.8	0.7	1.7	--	--	3.9	3.0	15.7	14.8	1.1	1.3	-8.7	-5.8
Centro de Predicción Económica (CEPREDE-UAM)	12.5	11.9	10.9	11.8	1.9	1.2	--	--	0.6	1.2	5.9	2.1	15.0	14.0	1.2	1.8	-7.1	-3.4
CEOE	9.0	11.1	6.0	5.1	1.9	0.9	0.5	0.8	0.5	1.1	4.4	4.6	15.4	14.6	1.2	1.5	-8.3	-6.0
Equipo Económico (Ee)	13.9	7.1	11.1	7.0	2.1	1.2	0.9	0.9	0.7	1.2	4.4	3.1	16.6	16.0	1.0	1.2	-8.9	-7.7
Funcas	11.4	11.9	11.1	10.5	2.2	1.4	0.7	1.3	-0.2	0.3	5.9	2.1	15.8	14.7	0.2	1.4	-7.9	-6.2
Instituto Complutense de Análisis Económico (ICAE-UCM)	13.7	18.3	12.5	16.4	1.8	2.1	0.7	1.3	--	--	5.1	5.2	15.5	14.5	0.8	0.2	-7.5	-4.5
Instituto de Estudios Económicos (IEE)	8.3	10.9	6.0	5.0	1.7	0.8	0.4	0.7	0.4	1.0	4.3	4.5	15.5	14.8	1.0	1.2	-8.6	-6.2
Intermoney	12.8	14.8	12.5	11.2	2.1	1.4	0.8	1.4	--	--	5.3	3.4	15.0	14.5	1.1	1.2	-7.7	-5.5
Mapfre Economics	11.0	10.1	9.9	8.7	2.2	1.6	1.0	1.5	--	--	2.5	1.5	15.4	15.0	0.8	1.5	-8.3	-5.8
Oxford Economics	10.1	10.3	10.0	9.1	2.1	1.4	1.0	1.3	--	--	--	--	15.5	15.1	0.9	1.5	-8.1	-5.8
Repsol	18.3	13.0	17.9	11.1	2.1	1.3	0.8	1.1	1.0	1.3	4.0	3.5	16.5	15.7	1.2	1.5	-8.5	-6.0
Santander	10.3	12.2	10.4	9.4	1.9	1.3	0.5	1.1	2.0	2.0	--	--	16.3	15.9	1.0	1.4	--	--
Metyis	10.5	9.9	9.7	8.6	2.0	1.3	0.5	1.1	--	--	5.0	5.5	15.5	14.8	0.9	1.2	-8.8	-6.0
Universidad Loyola Andalucía	11.8	10.8	10.8	10.3	2.1	1.5	0.4	0.6	--	--	5.2	3.5	15.5	14.5	0.9	1.1	-7.5	-5.7
CONSENSUS (AVERAGE)	11.9	11.8	11.1	9.9	1.9	1.4	0.7	1.1	0.6	1.5	4.7	3.4	15.7	14.9	0.9	1.2	-8.2	-5.7
Maximum	18.3	18.3	17.9	20.0	2.2	2.1	1.0	1.7	2.0	2.9	5.9	5.5	16.6	16.0	1.5	1.8	-7.1	-3.4
Minimum	8.3	7.1	6.0	5.0	1.6	0.8	0.4	0.5	-0.4	0.3	2.5	1.5	15.0	14.0	0.2	-0.3	-8.9	-7.7
Change on 2 months earlier[1]	0.2	0.8	-0.1	0.5	0.3	0.1	0.0	0.1	-0.1	0.1	0.8	0.0	-0.4	-0.3	-0.1	-0.1	0.3	0.3
- Rise[2]	7	9	9	11	17	10	5	8	1	3	10	7	1	1	4	5	9	8
- Drop[2]	6	5	6	5	0	4	6	5	3	1	1	6	11	14	7	7	0	2
Change on 6 months earlier[1]	-0.2	--	-0.1	--	1.1	--	0.0	--	-0.4	--	1.5	--	-1.4	--	-0.3	--	0.2	--
Memorandum items:																		
Government (April 2021)	9.2	10.3	10.3	10.0	--	--	--	--	--	--	4.0	2.7	15.2	14.1	--	--	-8.4	-5.0
Bank of Spain (June 2021)	11.9	9.5	11.6	8.4	1.9 (7)	1.2 (7)	0.3 (8)	1.0 (8)	--	--	--	--	15.6	14.7	--	--	-8.2	-4.9
EC (July 2021)	--	--	--	--	2.1 (7)	1.4 (7)	--	--	--	--	--	--	--	--	--	--	--	--
IMF (April 2021)	11.2	11.4	9.0	9.2	1.0	1.3	--	--	--	--	--	--	16.8	15.8	0.9	1.9	-9.0	-5.8
OECD (May 2021)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

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

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

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

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

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

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

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

[8] *Harmonized Index excluding energy and food.*

Table 2

Quarterly Forecasts – July 2021

	21-I Q	21-II Q	21-III Q	21-IV Q	22-I Q	22-II Q	22-III Q	22-IV Q
GDP[1]	-0.4	2.1	3.2	2.0	1.0	0.8	1.0	0.7
Euribor 1 yr [2]	-0.49	-0.48	-0.47	-0.42	-0.40	-0.37	-0.34	-0.31
Government bond yield 10 yr [2]	0.31	0.43	0.42	0.53	0.59	0.64	0.69	0.74
ECB main refinancing operations interest rate [2]	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
ECB deposit rates [2]	-0.50	-0.50	-0.50	-0.50	-0.49	-0.49	-0.49	-0.49
Dollar / Euro exchange rate [2]	1.19	1.21	1.20	1.20	1.20	1.21	1.21	1.21

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

Table 3

CPI Forecasts – July 2021

Year-on-year change (%)

Jun-21	July-21	Aug-21	Sep-21	Dec-21	Dec-22
2.7	2.4	2.4	2.3	2.3	1.3

Table 4

Opinions – July 2021

Number of responses

	Currently			Trend for next six months		
	Favourable	Neutral	Unfavourable	Improving	Unchanged	Worsening
International context: EU	7	7	6	19	1	0
International context: Non-EU	8	3	9	17	3	0
	Is being			Should be		
	Restrictive	Neutral	Expansionary	Restrictive	Neutral	Expansionary
Fiscal policy assessment[1]	0	0	20	1	1	18
Monetary policy assessment[1]	0	0	20	0	1	19

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

Key Facts

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Economic Indicators

Table 1

National accounts: GDP and main expenditure components SWDA*

Forecasts in yellow

		GDP	Private consumption	Public consumption	Gross fixed capital formation			Exports	Imports	Domestic demand (a)	Net exports (a)
					Total	Construction	Equipment & others products				
Chain-linked volumes, annual percentage changes											
2014		1.4	1.7	-0.7	4.1	3.0	5.2	4.5	6.8	1.9	-0.5
2015		3.8	2.9	2.0	4.9	1.5	8.2	4.3	5.1	3.9	-0.1
2016		3.0	2.7	1.0	2.4	1.6	3.1	5.4	2.6	2.0	1.0
2017		3.0	3.0	1.0	6.8	6.7	6.9	5.5	6.8	3.1	-0.2
2018		2.4	1.8	2.6	6.1	9.3	3.1	2.3	4.2	3.0	-0.5
2019		2.0	0.9	2.3	2.7	1.6	3.7	2.3	0.7	1.4	0.6
2020		-10.8	-12.1	3.8	-11.4	-14.0	-8.8	-20.2	-15.8	-8.8	-2.0
2021		6.3	7.6	2.5	6.3	3.6	8.8	11.4	11.1	6.0	0.3
2022		5.8	4.3	3.1	10.5	12.4	8.6	11.9	10.5	5.3	0.5
2020	I	-4.3	-5.9	3.5	-5.1	-6.3	-3.9	-5.8	-5.3	-4.0	-0.3
	II	-21.6	-24.3	3.3	-24.3	-25.4	-23.1	-38.7	-32.6	-18.7	-2.9
	III	-8.6	-9.2	4.0	-9.0	-12.5	-5.4	-19.8	-15.7	-6.8	-1.8
	IV	-8.9	-9.2	4.5	-7.2	-11.5	-2.8	-16.3	-9.4	-6.3	-2.6
2021	I	-4.2	-3.5	3.2	-3.2	-10.7	4.4	-10.7	-5.2	-2.2	-2.0
	II	18.8	23.1	2.6	22.6	15.6	29.6	41.0	37.0	17.4	1.4
	III	5.4	6.3	2.2	3.2	3.4	3.1	13.7	12.1	4.7	0.6
	IV	7.4	7.5	2.0	5.6	9.1	2.5	12.0	7.7	5.9	1.5
2022	I	8.9	8.5	3.0	9.4	15.3	4.3	17.1	12.7	7.4	1.5
	II	7.5	6.2	3.6	11.7	15.0	8.7	14.2	11.8	6.7	0.9
	III	4.3	2.0	3.2	11.3	12.1	10.5	9.8	9.4	4.1	0.2
	IV	2.8	1.1	2.5	9.5	7.8	11.1	7.3	8.4	3.1	-0.2
Chain-linked volumes, quarter-on-quarter percentage changes											
2020	I	-5.4	-6.5	1.1	-4.9	-4.2	-5.6	-7.5	-5.8	-18.3	12.9
	II	-17.8	-19.7	0.6	-20.5	-20.7	-20.2	-34.0	-28.6	-60.6	42.9
	III	17.1	20.9	1.3	21.5	16.7	26.4	31.1	26.8	61.6	-44.6
	IV	0.0	0.0	1.3	1.0	-0.2	2.1	4.6	6.2	1.7	-1.7
2021	I	-0.4	-0.6	-0.1	-0.8	-3.2	1.4	-1.4	-1.3	-1.6	1.2
	II	2.0	2.5	0.0	0.7	2.6	-1.0	4.3	3.1	6.2	-4.2
	III	3.8	4.4	0.9	2.3	4.4	0.5	5.7	3.8	12.6	-8.8
	IV	1.9	1.1	1.2	3.4	5.3	1.5	3.1	2.0	6.2	-4.3
2022	I	0.9	0.3	0.9	2.8	2.3	3.2	3.1	3.2	3.8	-2.8
	II	0.7	0.3	0.6	2.8	2.3	3.2	1.7	2.3	3.5	-2.8
	III	0.7	0.2	0.5	2.0	1.8	2.1	1.6	1.6	2.5	-1.8
	IV	0.5	0.2	0.5	1.7	1.3	2.1	0.8	1.0	2.3	-1.8
		Current prices (EUR billions)	Percentage of GDP at current prices								
2014		1,032	59.4	19.6	17.8	8.8	8.9	33.5	30.4	96.9	3.1
2015		1,078	58.5	19.5	18.0	8.7	9.3	33.6	30.6	97.0	3.0
2016		1,114	58.2	19.1	18.0	8.6	9.4	33.9	29.9	96.0	4.0
2017		1,162	58.4	18.6	18.7	9.0	9.7	35.1	31.5	96.4	3.6
2018		1,204	58.2	18.7	19.5	9.7	9.7	35.1	32.4	97.3	2.7
2019		1,245	57.3	18.9	19.9	10.0	9.9	34.9	31.9	97.0	3.0
2020		1,122	56.0	22.0	19.8	9.8	10.1	30.6	29.1	98.5	1.5
2021		1,207	57.4	21.5	19.8	9.5	10.3	32.6	32.0	99.3	0.7
2022		1,298	56.6	20.9	20.6	10.1	10.5	33.6	32.2	98.6	1.4

Seasonally and Working Day Adjusted.

(a) Contribution to GDP growth.

Source: INE and Funcas (Forecasts).

Chart 1.1 - GDP

Percentage change

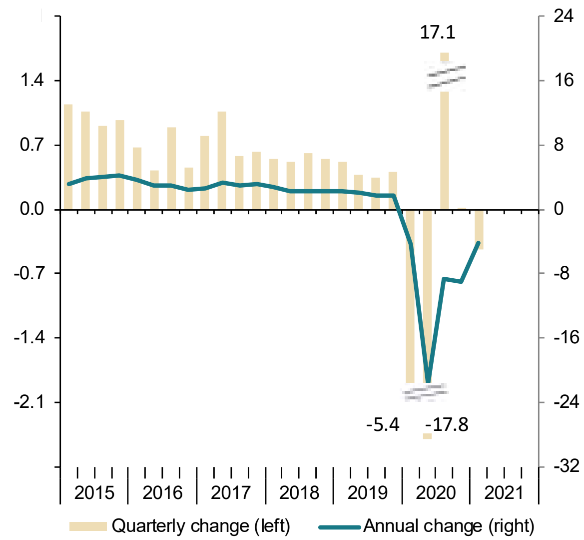


Chart 1.2 - Contribution to GDP annual growth

Percentage points

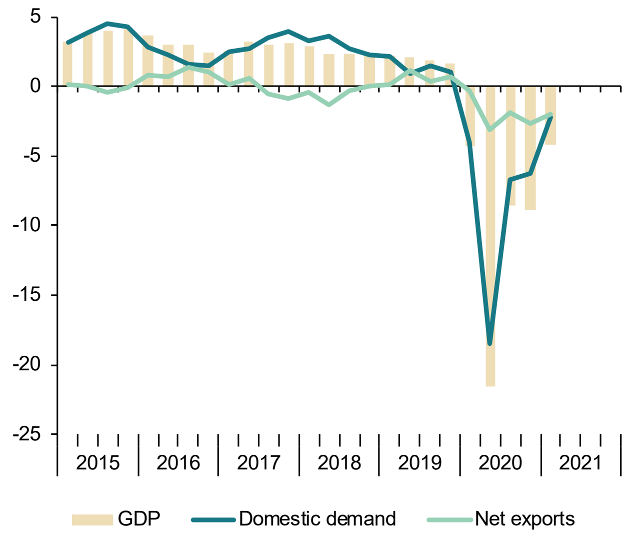


Chart 1.3 - Final consumption

Annual percentage change

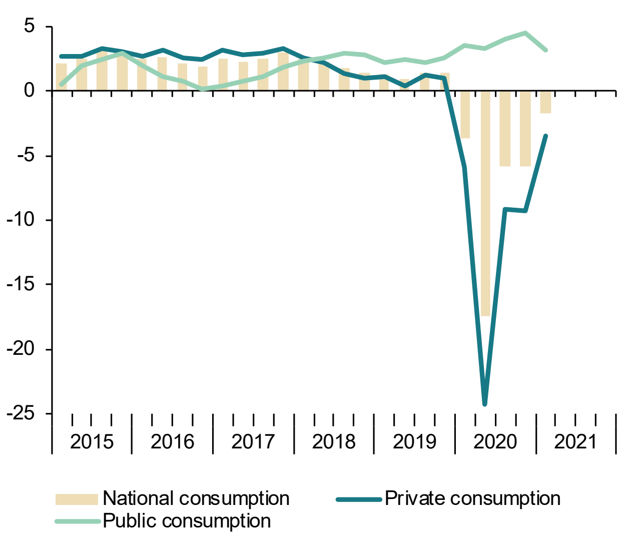


Chart 1.4 - Gross fixed capital formation

Annual percentage change

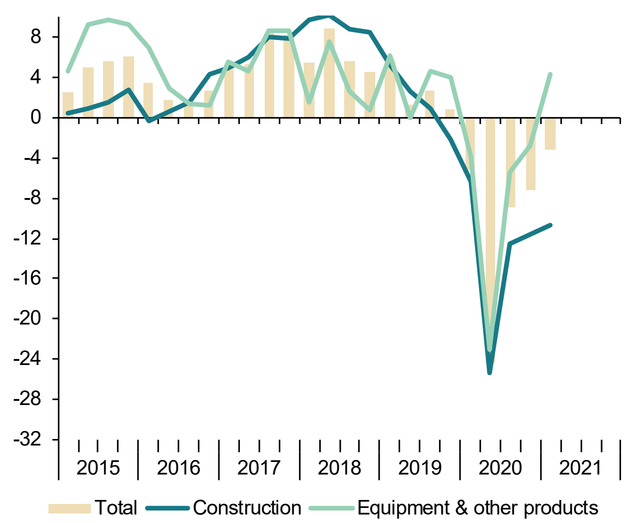


Table 2

National accounts: Gross value added by economic activity SWDA*

		Gross value added at basic prices								
				Industry			Services			
		Total	Agriculture, forestry and fishing	Total	Manufacturing	Construction	Total	Public administration, health, education	Other services	Taxes less subsidies on products
Chain-linked volumes, annual percentage changes										
2015		3.3	4.7	3.0	4.6	5.4	3.1	1.1	3.8	9.6
2016		2.8	4.8	4.1	2.3	3.9	2.4	1.4	2.7	5.2
2017		3.1	-3.7	4.0	5.7	2.0	3.3	2.5	3.5	1.9
2018		2.5	7.5	0.6	0.0	4.1	2.6	1.0	3.1	1.8
2019		2.1	-2.3	1.7	1.2	4.3	2.2	1.2	2.6	0.1
2020		-10.6	5.3	-9.6	-10.7	-14.5	-11.1	1.5	-15.1	-12.9
2021 (a)		-4.3	2.7	0.9	0.7	-10.1	-5.1	4.2	-8.3	-3.2
2019	II	2.3	-4.4	1.6	0.7	5.8	2.4	1.5	2.7	0.2
	III	2.0	0.0	2.4	1.9	3.2	1.9	1.0	2.2	0.0
	IV	1.9	-5.3	2.1	2.0	1.7	2.2	1.5	2.4	-0.3
2020	I	-3.8	1.0	-5.4	-6.2	-6.8	-3.4	0.9	-4.8	-8.9
	II	-21.5	7.6	-24.3	-27.8	-28.3	-21.5	0.1	-28.4	-22.2
	III	-8.5	4.6	-5.0	-5.4	-10.2	-9.6	1.3	-13.1	-9.0
	IV	-8.6	8.2	-3.6	-3.7	-12.7	-10.0	3.5	-14.3	-11.7
2021	I	-4.3	2.7	0.9	0.7	-10.1	-5.1	4.2	-8.3	-3.2
Chain-linked volumes, quarter-on-quarter percentage changes										
2019	II	0.4	-2.7	0.7	0.3	0.6	0.5	0.6	0.4	-0.2
	III	0.4	1.4	0.7	0.7	-0.3	0.3	0.0	0.5	-0.1
	IV	0.5	0.1	-0.1	0.4	-0.1	0.7	0.4	0.7	-0.2
2020	I	-5.1	2.3	-6.6	-7.5	-7.0	-4.8	-0.2	-6.3	-8.4
	II	-18.1	3.7	-19.4	-22.8	-22.6	-18.3	-0.1	-24.5	-14.8
	III	17.1	-1.4	26.4	31.9	24.8	15.5	1.1	21.9	16.9
	IV	0.3	3.4	1.3	2.2	-2.8	0.3	2.6	-0.6	-3.2
2021	I	-0.5	-2.9	-2.3	-3.2	-4.3	0.3	0.6	0.2	0.4
		Current prices EUR billions)	Percentage of value added at basic prices							
2014		940	2.8	16.4	12.4	5.7	75.2	18.7	56.5	9.8
2015		978	3.0	16.4	12.4	5.8	74.9	18.5	56.4	10.1
2016		1,011	3.1	16.2	12.4	5.9	74.8	18.4	56.5	10.2
2017		1,053	3.1	16.2	12.5	5.9	74.8	18.1	56.7	10.3
2018		1,090	3.1	16.1	12.3	6.1	74.7	17.9	56.8	10.5
2019		1,129	2.9	16.1	12.3	6.4	74.5	18.0	56.5	10.3
2020		1,024	3.5	16.3	12.2	6.3	74.0	20.5	53.4	9.6

(a) Period with available data over the same period previous year.

** Seasonally and Working Day Adjusted.*

Source: INE.

Chart 2.1 - GVA by sectors

Annual percentage change

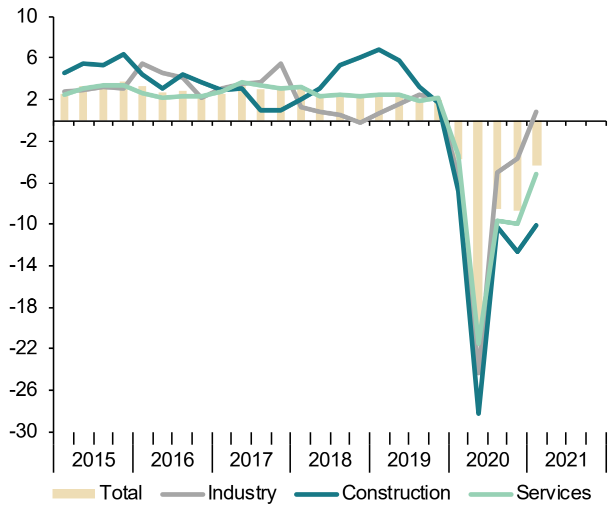


Chart 2.2 - GVA, Industry

Annual percentage change

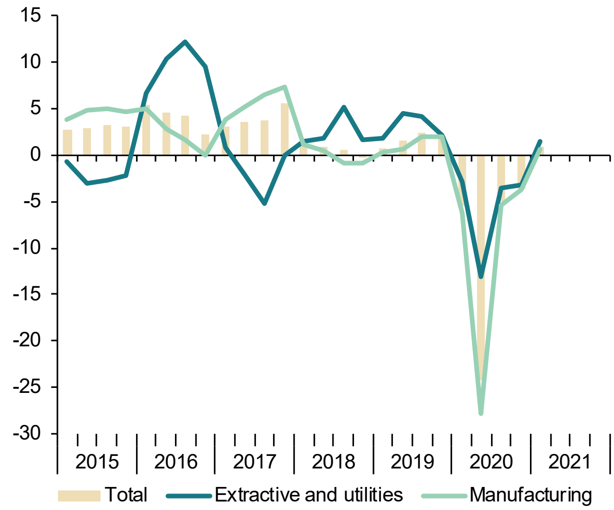


Chart 2.3 - GVA, services

Annual percentage change

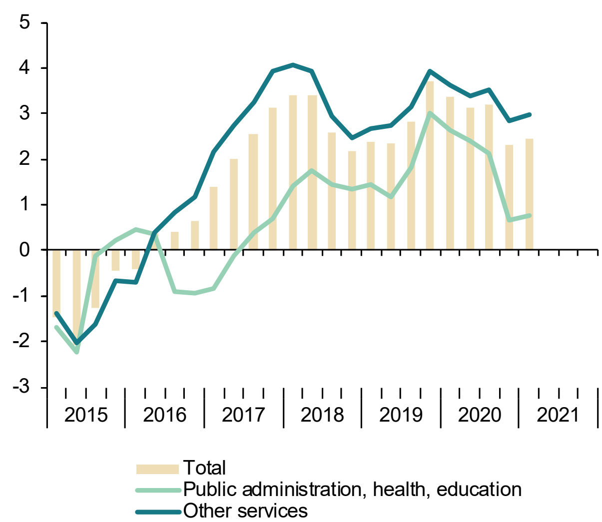


Chart 2.4 - GVA, structure by sectors

Percentage of value added at basic prices

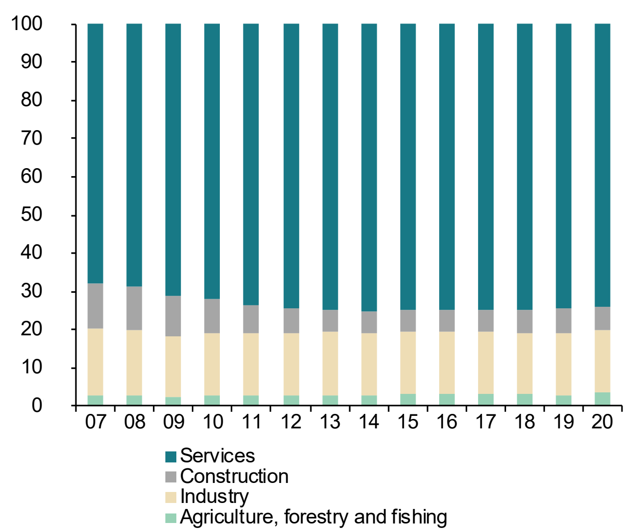


Table 3

National accounts: Productivity and labour costs
Forecasts in yellow

	Total economy						Manufacturing Industry					
	GDP, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)	Gross value added, constant prices	Employment (jobs, full time equivalent)	Employment productivity	Compensation per job	Nominal unit labour cost	Real unit labour cost (a)
	1	2	3=1/2	4	5=4/3	6	7	8	9=7/8	10	11=10/9	12
	Indexes, 2015 = 100, SWDA											
2014	96.3	96.9	99.4	99.4	100.1	100.6	95.6	97.7	97.9	100.7	102.9	102.6
2015	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2016	103.0	102.8	100.2	99.4	99.2	98.9	102.3	103.5	98.9	100.1	101.2	100.4
2017	106.1	105.8	100.3	100.1	99.8	98.2	108.1	106.6	101.4	101.5	100.1	100.1
2018	108.7	108.5	100.1	101.1	100.9	98.1	108.2	108.8	99.4	102.4	103.0	101.2
2019	110.8	111.0	99.8	103.2	103.4	99.1	109.5	111.2	98.5	103.5	105.1	100.9
2020	98.8	102.7	96.2	104.6	108.7	103.2	97.7	102.8	95.1	101.1	106.3	100.9
2021	105.0	108.8	96.6	104.4	108.1	101.3	--	--	--	--	--	--
2022	111.1	111.0	100.1	104.7	104.6	96.4	--	--	--	--	--	--
2019 II	110.6	110.8	99.8	103.1	103.3	99.2	109.1	111.1	98.1	103.2	105.2	101.1
III	111.0	111.0	100.0	103.5	103.5	99.3	109.8	111.8	98.2	103.6	105.4	101.3
IV	111.4	111.9	99.6	103.7	104.1	99.0	110.3	111.1	99.2	104.3	105.1	99.2
2020 I	105.5	109.6	96.2	103.6	107.7	103.0	102.1	110.9	92.0	102.9	111.8	108.6
II	86.7	90.3	96.0	106.2	110.6	105.1	78.8	93.6	84.1	98.8	117.5	110.0
III	101.5	104.8	96.8	104.3	107.7	102.0	103.9	102.2	101.6	100.4	98.8	94.2
IV	101.5	106.1	95.7	104.6	109.3	103.0	106.2	104.4	101.7	101.8	100.1	93.7
2021 I	101.1	107.6	93.9	103.8	110.5	104.4	102.8	103.9	99.0	101.7	102.8	96.5
	Annual percentage changes											
2014	1.4	1.0	0.4	0.3	-0.1	0.1	2.1	-1.9	4.0	0.7	-3.2	-3.3
2015	3.8	3.2	0.6	0.6	-0.1	-0.6	4.6	2.4	2.2	-0.7	-2.9	-2.6
2016	3.0	2.8	0.2	-0.6	-0.8	-1.1	2.3	3.5	-1.1	0.1	1.2	0.4
2017	3.0	2.9	0.1	0.7	0.6	-0.7	5.7	3.0	2.5	1.4	-1.1	-0.4
2018	2.4	2.6	-0.2	1.0	1.2	0.0	0.0	2.1	-2.0	0.8	2.9	1.1
2019	2.0	2.3	-0.3	2.1	2.4	1.0	1.2	2.2	-0.9	1.1	2.0	-0.3
2020	-10.8	-7.5	-3.6	1.4	5.2	4.1	-10.7	-7.5	-3.5	-2.4	1.2	0.1
2021	6.3	5.9	0.4	-0.2	-0.6	-1.8	--	--	--	--	--	--
2022	5.8	2.1	3.6	0.3	-3.2	-4.8	--	--	--	--	--	--
2019 II	2.1	2.5	-0.4	2.3	2.8	1.3	0.7	2.0	-1.3	1.2	2.5	0.3
III	1.8	1.8	0.1	2.3	2.2	0.8	1.9	3.1	-1.1	1.0	2.1	0.4
IV	1.7	2.1	-0.4	1.9	2.3	0.7	2.0	1.9	0.1	1.0	0.9	-2.7
2020 I	-4.3	-0.6	-3.7	1.2	5.0	3.9	-6.2	0.3	-6.5	0.0	6.9	6.7
II	-21.6	-18.5	-3.8	3.0	7.1	5.9	-27.8	-15.8	-14.3	-4.3	11.7	8.8
III	-8.6	-5.6	-3.2	0.7	4.0	2.7	-5.4	-8.6	3.5	-3.0	-6.3	-7.0
IV	-8.9	-5.2	-3.9	0.8	4.9	4.1	-3.7	-6.1	2.5	-2.4	-4.8	-5.5
2021 I	-4.2	-1.9	-2.3	0.3	2.6	1.4	0.7	-6.3	7.5	-1.1	-8.0	-11.2

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

Source: INE and Funcas (Forecasts).

Chart 3.1 - Nominal ULC, total economy

Index, 2000=100

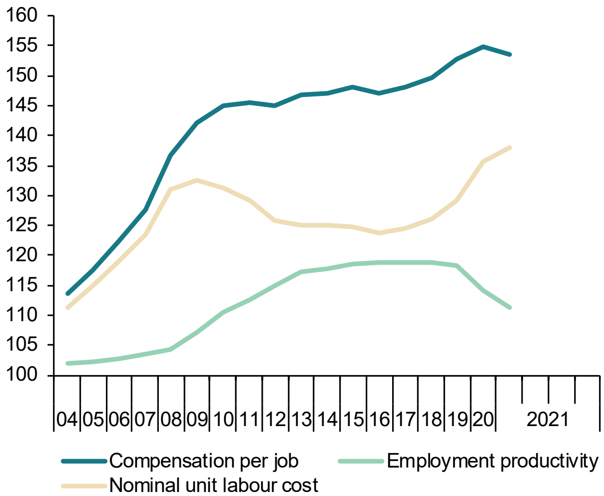
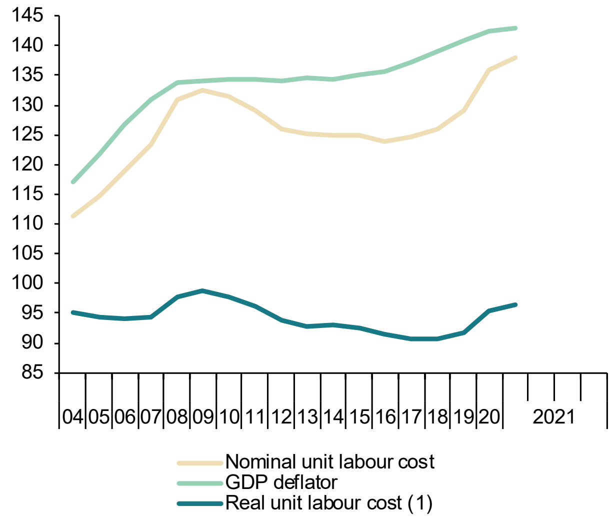


Chart 3.2 - Real ULC, total economy

Index, 2000=100



(1) Nominal ULC deflated by GDP deflator.

Chart 3.3 - Nominal ULC, manufacturing industry

Index, 2000=100

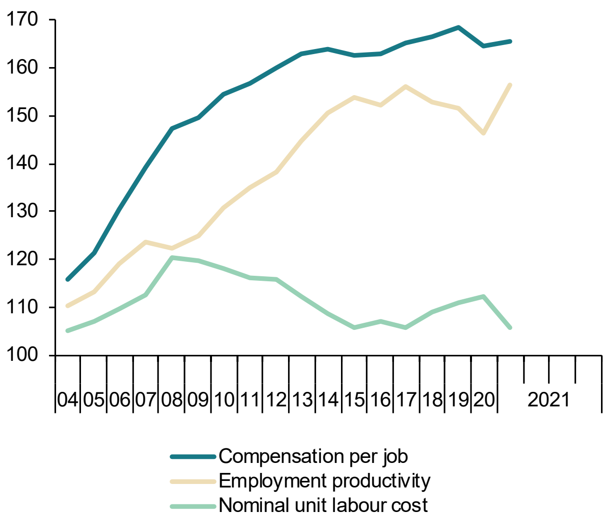
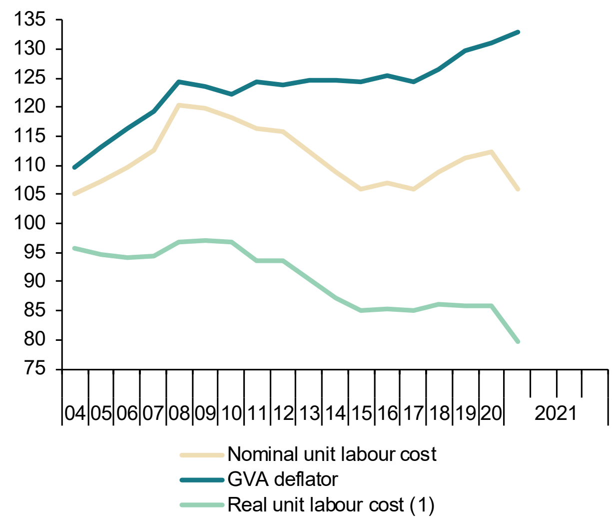


Chart 3.4 - Real ULC, manufacturing industry

Index, 2000=100



(1) Nominal ULC deflated by manufacturing GVA deflator.

Table 4

National accounts: National income, distribution and disposition

Forecasts in yellow

		Gross domestic product	Compen-sation of employees	Gross operating surplus	Gross national disposable income	Final national consum-ption	Gross national saving (a)	Gross capital formation	Compen-sation of employees	Gross operating surplus	Saving rate	Investment rate	Current account balance	Net lending or borrowing
		EUR Billions, 4-quarter cumulated transactions							Percentage of GDP					
2014		1,032.2	473.5	455.4	1,017.7	815.4	202.3	184.8	45.9	44.1	19.6	17.9	1.7	2.1
2015		1,077.6	492.9	472.6	1,066.7	840.1	226.5	204.7	45.7	43.9	21.0	19.0	2.0	2.7
2016		1,113.8	503.7	495.8	1,104.8	860.5	244.3	208.9	45.2	44.5	21.9	18.8	3.2	3.4
2017		1,161.9	523.7	518.4	1,152.2	894.4	257.7	225.5	45.1	44.6	22.2	19.4	2.8	3.0
2018		1,204.2	544.9	533.2	1,194.7	925.0	269.7	246.5	45.2	44.3	22.4	20.5	1.9	2.4
2019		1,244.8	571.0	546.4	1,233.7	948.7	285.0	258.6	45.9	43.9	22.9	20.8	2.1	2.5
2020		1,121.7	540.1	480.4	1,112.4	875.5	236.9	229.5	48.2	42.8	21.1	20.5	0.7	1.1
2021		1,207.1	568.2	521.2	1,202.0	952.7	249.4	246.3	47.1	43.2	20.7	20.4	0.2	1.0
2022		1,298.0	582.9	588.9	1,296.6	1,005.5	291.1	274.8	44.9	45.4	22.4	21.2	1.3	2.7
2019	II	1,225.0	558.7	538.8	1,215.3	937.2	278.1	255.0	45.6	44.0	22.7	20.8	1.9	2.4
	III	1,234.7	564.9	542.1	1,224.3	942.9	281.4	257.8	45.7	43.9	22.8	20.9	1.9	2.4
	IV	1,244.8	571.0	546.4	1,233.7	948.7	285.0	258.6	45.9	43.9	22.9	20.8	2.1	2.5
2020	I	1,234.8	573.6	536.5	1,225.6	942.9	282.8	256.4	46.4	43.5	22.9	20.8	2.1	2.6
	II	1,170.4	553.7	506.9	1,161.7	902.7	259.0	241.1	47.3	43.3	22.1	20.6	1.5	1.9
	III	1,147.5	546.7	496.5	1,138.8	889.3	249.4	235.7	47.6	43.3	21.7	20.5	1.2	1.4
	IV	1,121.7	540.1	480.4	1,112.4	875.5	236.9	229.5	48.2	42.8	21.1	20.5	0.7	1.1
2021	I	1,112.9	536.1	478.2	1,102.9	873.6	229.3	227.7	48.2	43.0	20.6	20.5	0.1	1.0
		Annual percentage changes							Difference from one year ago					
2014		1.2	1.3	0.1	1.7	1.3	3.0	5.2	0.1	-0.5	0.3	0.7	-0.3	-0.5
2015		4.4	4.1	3.8	4.8	3.0	12.0	10.8	-0.1	-0.3	1.4	1.1	0.3	0.5
2016		3.4	2.2	4.9	3.6	2.4	7.8	2.0	-0.5	0.7	0.9	-0.2	1.1	0.7
2017		4.3	4.0	4.6	4.3	3.9	5.5	8.0	-0.2	0.1	0.3	0.7	-0.4	-0.4
2018		3.6	4.0	2.8	3.7	3.4	4.6	9.3	0.2	-0.3	0.2	1.1	-0.8	-0.6
2019		3.4	4.8	2.5	3.3	2.6	5.7	4.9	0.6	-0.4	0.5	0.3	0.2	0.0
2020		-9.9	-5.4	-12.1	-9.8	-7.7	-16.9	-11.2	2.3	-1.1	-1.8	-0.3	-1.5	-1.4
2021		7.6	5.2	8.5	8.1	8.8	5.3	7.3	-1.1	0.4	-0.4	-0.1	-0.4	-0.1
2022		7.5	2.6	13.0	7.9	5.5	16.7	11.6	-2.2	2.2	1.7	0.8	1.0	1.7
2019	II	3.5	4.7	2.3	3.5	3.1	5.2	8.2	0.5	-0.5	0.4	0.9	-0.5	-0.3
	III	3.4	4.8	2.2	3.4	2.7	5.9	7.2	0.6	-0.5	0.5	0.7	-0.2	-0.1
	IV	3.4	4.8	2.5	3.3	2.6	5.7	4.9	0.6	-0.4	0.5	0.3	0.2	0.0
2020	I	1.7	4.0	0.2	1.7	1.3	3.2	1.5	1.0	-0.6	0.3	0.0	0.4	0.3
	II	-4.5	-0.9	-5.9	-4.4	-3.7	-6.8	-5.5	1.7	-0.7	-0.6	-0.2	-0.3	-0.5
	III	-7.1	-3.2	-8.4	-7.0	-5.7	-11.4	-8.6	1.9	-0.6	-1.1	-0.3	-0.7	-1.0
	IV	-9.9	-5.4	-12.1	-9.8	-7.7	-16.9	-11.2	2.3	-1.1	-1.8	-0.3	-1.5	-1.4
2021	I	-9.9	-6.5	-10.9	-10.0	-7.3	-18.9	-11.2	1.7	-0.5	-2.3	-0.3	-2.0	-1.6

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

Source: INE and Funcas (Forecasts).

Chart 4.1 - National income, consumption and saving

EUR Billions, 4-quarter cumulated

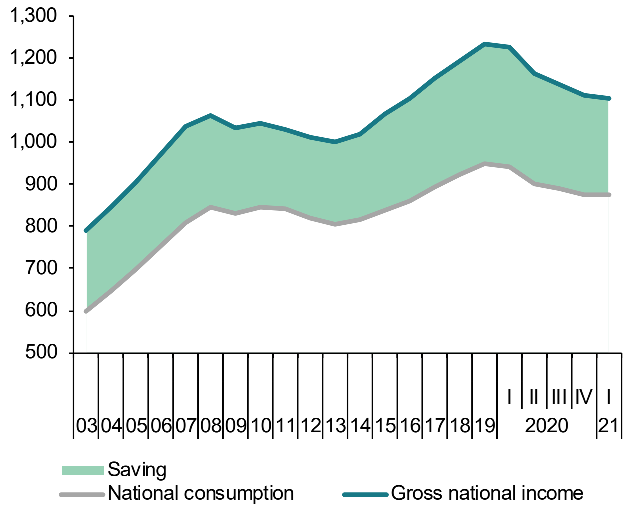


Chart 4.2 - National income, consumption and saving rate

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

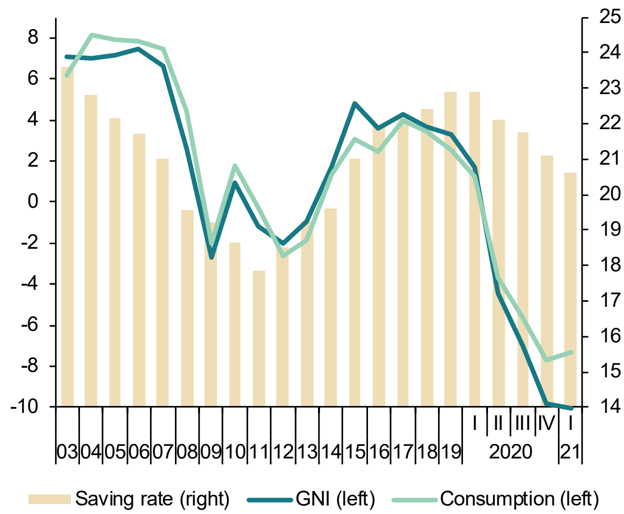


Chart 4.3 - Components of National Income

Percentage of GDP, 4-quarter moving averages

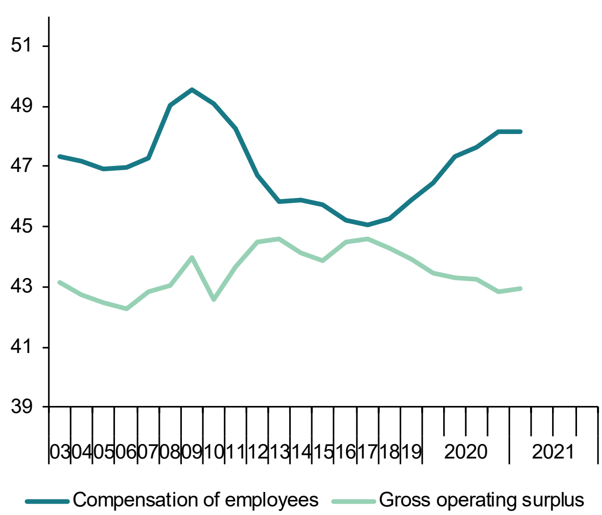


Chart 4.4 - Saving, Investment and Current Account Balance

Percentage of GDP, 4-quarter moving averages

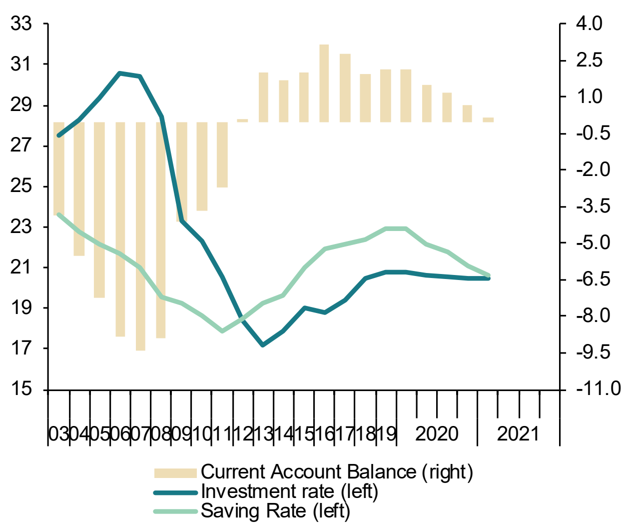


Table 5

National accounts: Household and non-financial corporations accounts

Forecasts in yellow

		Households							Non-financial corporations					
		Gross disposable income (GDI)	Final consumption expenditure	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing	Gross operating surplus	Gross saving	Gross capital formation	Saving rate	Gross capital formation	Net lending or borrowing
		EUR Billions, 4-quarter cumulated operations				Percentage of GDI	Percentage of GDP		EUR Billions, 4-quarter cumulated operations			Percentage of GDP		
2014		656.2	612.7	41.5	30.2	6.3	2.9	1.0	228.7	171.7	127.7	16.6	12.4	4.7
2015		682.2	630.2	49.0	30.5	7.2	2.8	1.7	241.0	185.1	140.4	17.2	13.0	4.4
2016		700.6	648.3	49.2	31.8	7.0	2.9	1.4	255.3	196.2	149.2	17.6	13.4	4.4
2017		722.9	678.1	41.8	36.8	5.8	3.2	0.2	267.0	200.7	160.6	17.3	13.8	3.6
2018		744.9	700.3	41.8	40.9	5.6	3.4	-0.1	272.9	201.2	177.1	16.7	14.7	2.2
2019		764.6	713.8	48.0	42.5	6.3	3.4	0.3	281.6	218.2	187.5	17.5	15.1	2.7
2020		739.6	628.2	108.8	35.7	14.7	3.2	6.5	230.6	181.4	159.1	16.2	14.2	2.4
2021		771.4	693.2	75.7	36.9	9.8	3.1	3.0	256.7	197.7	173.1	16.4	14.3	2.5
2022		799.5	734.7	62.2	39.9	7.8	3.1	1.6	286.9	221.3	196.2	17.0	15.1	3.1
2019	II	756.9	706.8	47.9	42.2	6.3	3.4	0.3	276.9	207.7	184.2	16.9	15.0	2.2
	III	760.7	710.6	47.1	42.7	6.2	3.5	0.2	278.1	210.2	185.1	17.0	15.0	2.3
	IV	764.6	713.8	48.0	42.5	6.3	3.4	0.3	281.6	218.2	187.5	17.5	15.1	2.7
2020	I	767.8	703.9	61.2	41.6	8.0	3.4	1.4	271.5	207.4	183.7	16.8	14.9	2.1
	II	748.7	662.1	84.1	37.3	11.2	3.2	3.9	250.1	198.5	171.6	16.9	14.6	2.4
	III	746.7	648.5	95.2	37.1	12.8	3.2	4.9	241.8	188.4	165.5	16.4	14.4	2.1
	IV	739.6	628.2	108.8	35.7	14.7	3.2	6.5	230.6	181.4	159.1	16.2	14.2	2.4
2021	I	737.5	620.6	114.1	35.8	15.5	3.2	7.0	229.0	179.1	159.7	16.1	14.4	2.3
		Annual percentage changes				Difference from one year ago			Annual percentage changes			Difference from one year ago		
2014		0.0	1.8	-19.8	-2.7	-1.6	-0.1	-1.0	0.0	2.5	11.3	0.2	1.1	-0.6
2015		4.0	2.9	18.1	1.1	0.9	-0.1	0.7	5.4	7.8	10.0	0.5	0.7	-0.3
2016		2.7	2.9	0.5	4.2	-0.2	0.0	-0.3	5.9	6.0	6.2	0.4	0.4	0.0
2017		3.2	4.6	-15.2	15.7	-1.3	0.3	-1.2	4.6	2.3	7.7	-0.3	0.4	-0.8
2018		3.0	3.3	0.1	11.2	-0.2	0.2	-0.3	2.2	0.3	10.2	-0.6	0.9	-1.4
2019		2.6	1.9	14.9	3.8	0.7	0.0	0.4	3.2	8.4	5.9	0.8	0.4	0.5
2020		-3.3	-12.0	126.6	-16.0	8.4	-0.2	6.3	-18.1	-16.9	-15.1	-1.4	-0.9	-0.3
2021		4.3	10.3	-30.5	3.5	-4.9	-0.1	-3.5	11.3	9.0	8.8	0.2	0.2	0.1
2022		3.6	6.0	-17.8	8.0	-2.0	0.0	-1.5	11.8	11.9	13.4	0.7	0.8	0.5
2019	II	3.3	2.5	18.6	12.3	0.8	0.3	0.3	2.0	1.0	9.5	-0.5	0.8	-1.2
	III	3.0	2.2	17.9	10.7	0.8	0.2	0.3	2.0	3.0	6.2	-0.1	0.4	-0.4
	IV	2.6	1.9	14.9	3.8	0.7	0.0	0.4	3.2	8.4	5.9	0.8	0.4	0.5
2020	I	2.4	0.0	42.8	-0.9	2.3	-0.1	1.6	-1.1	1.6	1.7	0.0	0.0	-0.1
	II	-1.1	-6.3	75.6	-11.6	4.9	-0.3	3.6	-9.7	-4.4	-6.8	0.0	-0.4	0.3
	III	-1.8	-8.7	102.2	-13.1	6.6	-0.2	4.8	-13.1	-10.4	-10.6	-0.6	-0.6	-0.2
	IV	-3.3	-12.0	126.6	-16.0	8.4	-0.2	6.3	-18.1	-16.9	-15.1	-1.4	-0.9	-0.3
2021	I	-4.0	-11.8	86.5	-14.0	7.5	-0.1	5.6	-15.7	-13.7	-13.1	-0.7	-0.5	0.2

Source: INE and Funcas (Forecasts).

Chart 5.1 - Households: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

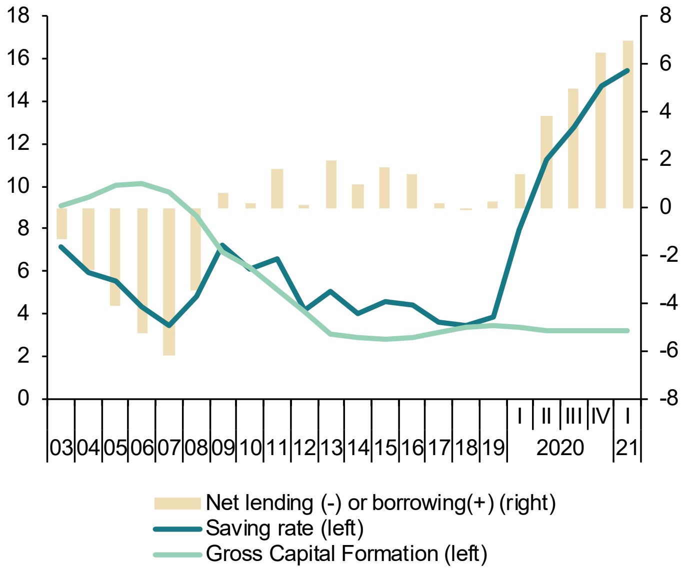


Chart 5.2 - Non-financial corporations: Net lending or borrowing

Percentage of GDP, 4-quarter moving averages

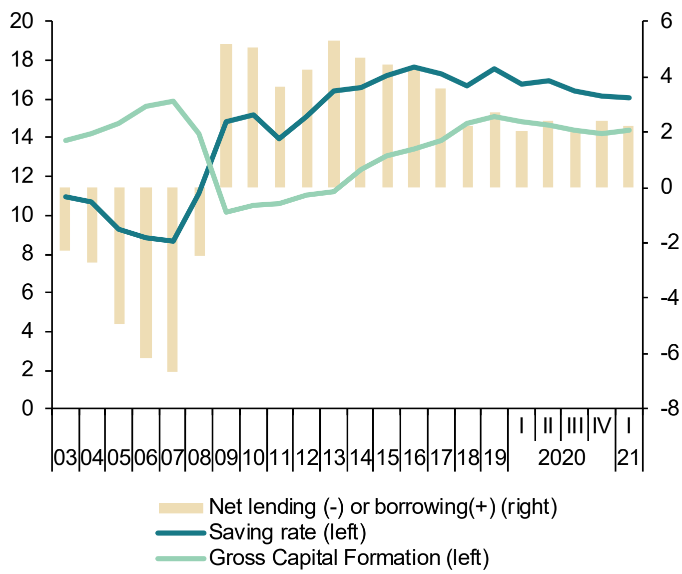


Table 6

National accounts: Public revenue, expenditure and deficit

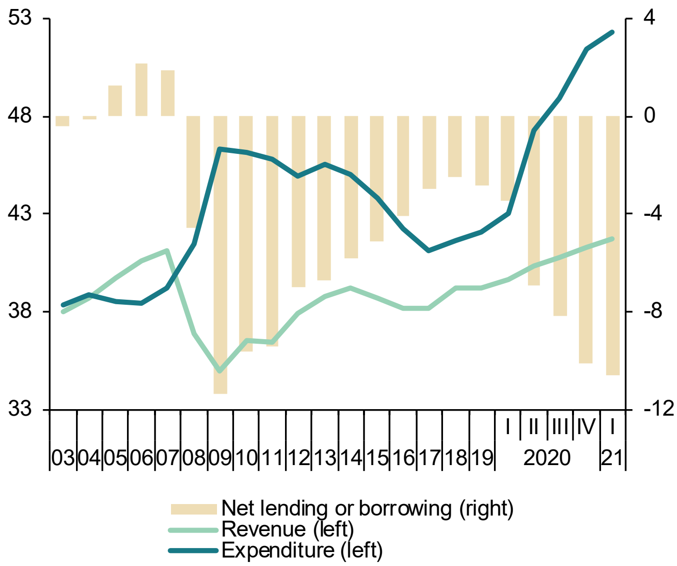
Forecasts in yellow

		Non financial revenue					Non financial expenditures								Net lending(+)/ net borrowing(-)	Net lending(+)/ net borrowing (-) excluding financial entities bail-out expenditures
		Taxes on produc-tion and imports	Taxes on income and wealth	Social contribu-tions	Capital and other revenue	Total	Compen-sation of employees	Interme-diate con-sumption	Interests	Social benefits and social transfers in kind	Gross capital formation and other capital expenditure	Other expendi-ture	Total		
		1	2	3	4	5=1+2+3+4	6	7	8	9	10	11	12=6+7+8 +9+10+11	13=5-12	14
		EUR Billions, 4-quarter cumulated operations													
2014		118.5	104.4	129.0	52.7	404.6	115.0	56.3	35.5	198.5	32.4	28.0	465.7	-61.1	-59.7
2015		126.4	107.1	131.5	52.1	417.2	119.2	59.0	32.4	198.6	35.4	28.3	473.0	-55.8	-55.2
2016		128.9	110.0	135.6	50.3	424.8	121.5	58.7	30.7	203.0	30.4	28.4	472.7	-48.0	-45.6
2017		135.1	116.9	142.4	49.1	443.5	123.5	59.9	29.3	207.4	30.6	28.0	478.7	-35.1	-34.6
2018		141.2	127.3	149.5	53.8	471.7	127.6	62.1	29.3	216.6	36.4	29.6	501.6	-29.9	-29.8
2019		142.8	129.2	160.7	55.1	487.8	134.5	64.5	28.4	229.6	34.8	31.6	523.4	-35.6	-35.6
2020		126.0	125.3	161.9	50.2	463.3	140.5	66.6	25.2	261.7	50.9	41.5	586.4	-123.1	-113.2
2021		137.6	131.0	164.2	59.7	492.5	146.1	69.8	26.7	258.0	43.2	44.1	587.8	-95.3	-95.3
2022		146.4	135.1	164.8	76.7	523.0	149.3	73.8	27.9	262.4	52.8	37.1	603.4	-80.4	-80.4
2019	I	142.5	127.1	152.5	55.0	477.1	129.4	62.9	28.9	219.5	36.4	30.5	507.4	-30.3	-30.5
	II	142.4	129.0	155.3	55.2	481.8	131.7	63.2	29.3	224.0	36.3	31.1	515.7	-33.9	-33.8
	III	143.2	130.8	158.0	55.8	487.8	132.9	63.7	28.8	226.0	37.3	32.1	520.8	-33.0	-32.9
	IV	142.8	129.2	160.7	55.1	487.8	134.5	64.5	28.4	229.6	34.8	31.6	523.4	-35.6	-35.6
2020	I	141.7	130.6	161.6	55.8	489.7	135.6	65.4	27.9	234.2	37.0	32.2	532.3	-42.6	-42.6
	II	131.6	126.6	161.4	53.1	472.8	136.8	65.6	26.6	250.4	37.1	37.5	553.9	-81.1	-81.1
	III	128.1	126.7	161.4	51.8	468.0	138.3	65.9	26.0	255.6	37.1	38.8	561.7	-93.7	-93.7
	IV	126.0	125.3	161.9	50.2	463.3	140.5	66.6	25.2	261.7	50.9	41.5	586.4	-123.1	-113.2
2021	I	126.0	126.0	163.3	48.5	463.7	142.4	66.1	25.4	265.7	49.2	42.9	591.7	-128.0	-117.9
		Percentage of GDP, 4-quarter cumulated operations													
2014		11.5	10.1	12.5	5.1	39.2	11.1	5.5	3.4	19.2	3.1	2.7	45.1	-5.9	-5.8
2015		11.7	9.9	12.2	4.8	38.7	11.1	5.5	3.0	18.4	3.3	2.6	43.9	-5.2	-5.1
2016		11.6	9.9	12.2	4.5	38.1	10.9	5.3	2.8	18.2	2.7	2.6	42.4	-4.3	-4.1
2017		11.6	10.1	12.3	4.2	38.2	10.6	5.2	2.5	17.9	2.6	2.4	41.2	-3.0	-3.0
2018		11.7	10.6	12.4	4.5	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
2019		11.5	10.4	12.9	4.4	39.2	10.8	5.2	2.3	18.4	2.8	2.5	42.1	-2.9	-2.9
2020		11.2	11.2	14.4	4.5	41.3	12.5	5.9	2.2	23.3	4.5	3.7	52.3	-11.0	-10.1
2021		11.4	10.9	13.6	4.9	40.8	12.1	5.8	2.2	21.4	3.6	3.7	48.7	-7.9	-7.9
2022		11.3	10.4	12.7	5.9	40.3	11.5	5.7	2.2	20.2	4.1	2.9	46.5	-6.2	-6.2
2019	I	11.7	10.5	12.5	4.5	39.2	10.6	5.2	2.4	18.0	3.0	2.5	41.7	-2.5	-2.5
	II	11.6	10.5	12.7	4.5	39.3	10.7	5.2	2.4	18.3	3.0	2.5	42.0	-2.8	-2.8
	III	11.6	10.6	12.8	4.5	39.5	10.8	5.2	2.3	18.3	3.0	2.6	42.2	-2.7	-2.7
	IV	11.5	10.4	12.9	4.4	39.2	10.8	5.2	2.3	18.4	2.8	2.5	42.1	-2.9	-2.9
2020	I	11.5	10.6	13.1	4.5	39.6	11.0	5.3	2.3	18.9	3.0	2.6	43.1	-3.4	-3.4
	II	11.2	10.8	13.8	4.5	40.4	11.7	5.6	2.3	21.4	3.2	3.2	47.3	-6.9	-6.9
	III	11.2	11.0	14.1	4.5	40.8	12.1	5.7	2.3	22.3	3.2	3.4	48.9	-8.2	-8.2
	IV	11.2	11.2	14.4	4.5	41.3	12.5	5.9	2.2	23.3	4.5	3.7	52.3	-11.0	-10.1
2021	I	11.3	11.3	14.7	4.4	41.7	12.8	5.9	2.3	23.9	4.4	3.9	53.2	-11.5	-10.6

Source: IGAE and Funcas (Forecasts).

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

Percentage of GDP, 4-quarter moving averages



(a) Excluding financial entities bail-out expenditures.

Chart 6.2 - Public sector: Main expenditures

Percentage of GDP, 4-quarter moving averages

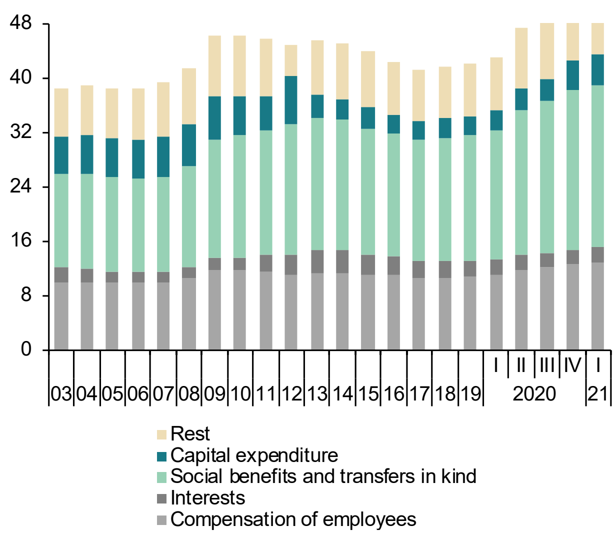


Table 7

Public sector balances, by level of Government

Forecasts in yellow

		Net lending (+)/ net borrowing (-) (a)					Debt				
		Central Government	Regional Governments	Local Governments	Social Security	TOTAL Government	Central Government	Regional Governments	Local Governments	Social Security	Total Government (consolidated)
		EUR Billions, 4-quarter cumulated operations					EUR Billions, end of period				
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		-15.7	-3.3	6.5	-17.3	-29.8	1,047.3	293.4	25.8	41.2	1,173.4
2019		-16.4	-7.1	3.7	-15.9	-35.6	1,061.2	295.1	23.2	55.0	1,188.8
2020		-84.1	-2.3	2.9	-29.7	-113.2	1,206.6	303.6	21.9	85.4	1,345.4
2021		--	--	--	--	-95.3	--	--	--	--	1,438.9
2022		--	--	--	--	-80.4	--	--	--	--	1,517.3
2019	II	-17.2	-4.1	5.8	-18.3	-33.8	1,072.0	300.6	26.2	48.7	1,207.4
	III	-11.4	-8.5	4.8	-17.7	-32.9	1,070.3	298.1	25.2	52.4	1,203.8
	IV	-16.4	-7.1	3.7	-15.9	-35.6	1,061.2	295.1	23.2	55.0	1,188.8
2020	I	-15.8	-8.1	3.6	-22.3	-42.6	1,094.9	298.3	22.9	55.0	1,224.5
	II	-54.8	-6.3	2.2	-22.2	-81.1	1,159.2	305.7	25.0	68.9	1,291.0
	III	-64.7	-1.6	3.3	-30.7	-93.7	1,177.7	301.9	23.7	74.9	1,308.2
	IV	-84.1	-2.3	2.9	-29.7	-113.2	1,206.6	303.6	21.9	85.4	1,345.4
2021	I	-89.3	-3.1	3.6	-29.1	-117.9	1,247.9	307.3	22.1	85.4	1,392.7
		Percentage of GDP, 4-quarter cumulated operations					Percentage of GDP				
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	87.0	24.4	2.1	3.4	97.4
2019		-1.3	-0.6	0.3	-1.3	-2.9	85.3	23.7	1.9	4.4	95.5
2020		-7.5	-0.2	0.3	-2.6	-10.1	107.6	27.1	2.0	7.6	119.9
2021		--	--	--	--	-7.9	--	--	--	--	119.2
2022		--	--	--	--	-6.2	--	--	--	--	116.9
2019	II	-1.4	-0.3	0.5	-1.5	-2.8	87.5	24.5	2.1	4.0	98.6
	III	-0.9	-0.7	0.4	-1.4	-2.7	86.7	24.1	2.0	4.2	97.5
	IV	-1.3	-0.6	0.3	-1.3	-2.9	85.3	23.7	1.9	4.4	95.5
2020	I	-1.3	-0.7	0.3	-1.8	-3.4	88.7	24.2	1.9	4.5	99.2
	II	-4.7	-0.5	0.2	-1.9	-6.9	99.0	26.1	2.1	5.9	110.3
	III	-5.6	-0.1	0.3	-2.7	-8.2	102.6	26.3	2.1	6.5	114.0
	IV	-7.5	-0.2	0.3	-2.6	-10.1	107.6	27.1	2.0	7.6	119.9
2021	I	-8.0	-0.3	0.3	-2.6	-10.6	112.1	27.6	2.0	7.7	125.1

(a) Excluding financial entities bail-out expenditures.

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

Chart 7.1 - Government deficit

Percent of GDP, 4-quarter cumulated operations

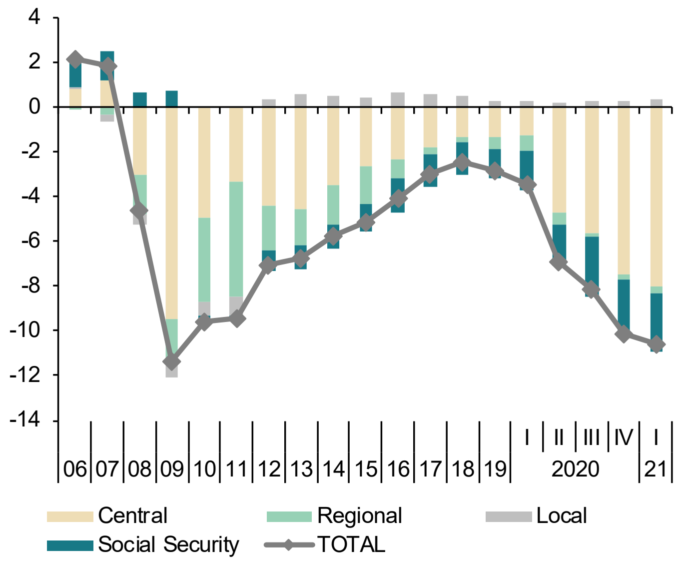


Chart 7.2 - Government debt

Percent of GDP

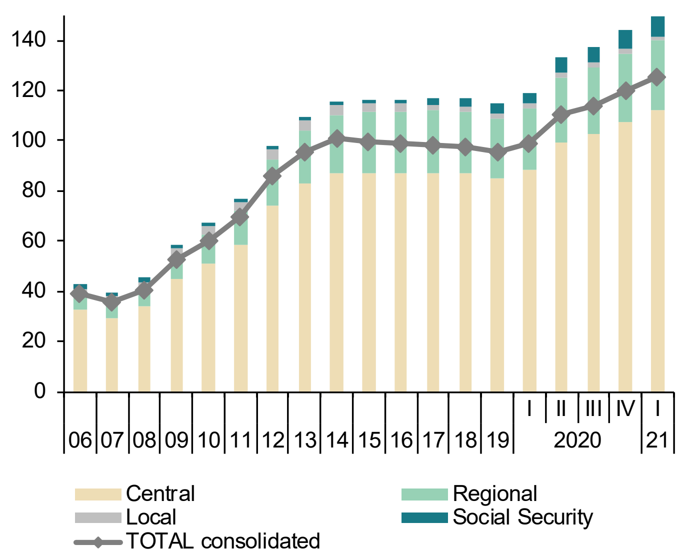


Table 8

General activity and industrial sector indicators (a)

		General activity indicators				Industrial sector indicators					
		Economic Sentiment Index	Composite PMI index	Social Security Affiliates (f)	Electricity consumption (temperature adjusted)	Industrial production index	Social Security Affiliates in industry	Manufacturing PMI index	Industrial confidence index	Manufacturing Turnover index deflated	Industrial orders
		Index	Index	Thousands	1,000 GWH	2015=100	Thousands	Index	Balance of responses	2015=100 (smoothed)	Balance of responses
2013		90.7	48.3	15,855.2	247.6	95.5	2,021.6	48.5	-14.0	93.2	-30.7
2014		100.9	55.1	16,111.1	247.2	96.8	2,022.8	53.2	-7.1	95.3	-16.3
2015		108.1	56.7	16,641.8	251.4	100.0	2,067.3	53.6	-0.3	100.0	-5.4
2016		105.9	54.9	17,157.5	252.1	101.8	2,124.7	53.1	-2.3	102.7	-5.4
2017		108.8	56.2	17,789.6	256.4	105.1	2,191.0	54.8	1.0	107.1	2.2
2018		108.4	54.6	18,364.5	257.9	105.3	2,250.9	53.3	-0.1	108.4	-0.2
2019		104.6	52.7	18,844.1	251.2	106.1	2,283.2	49.1	-3.9	108.9	-5.1
2020		90.2	41.5	18,440.5	239.1	95.9	2,239.3	47.5	-14.0	98.8	-29.8
2021	(b)	100.5	52.5	18,624.1	124.5	103.6	2,246.3	56.1	-2.4	103.5	-7.2
2019	III	106.2	52.0	18,885.3	61.9	105.9	2,286.5	48.2	-3.8	108.6	-4.5
	IV	102.3	51.9	18,969.0	62.5	104.2	2,291.5	47.2	-4.6	105.3	-7.3
2020	I	101.8	43.3	18,904.2	61.6	99.0	2,284.4	48.2	-2.0	99.2	-7.8
	II	78.5	29.4	17,957.3	55.1	83.0	2,201.9	39.4	-27.8	95.6	-53.3
	III	90.3	48.5	18,321.9	59.7	100.3	2,227.3	51.4	-11.9	99.0	-38.8
	IV	90.1	44.8	18,592.5	61.6	101.7	2,244.1	51.1	-11.0	103.3	-19.6
2021	I	93.8	46.1	18,634.2	61.4	101.4	2,245.5	53.1	-7.3	105.5	-13.5
	II (b)	107.2	58.9	18,666.3	61.4	105.2	2,258.5	59.2	2.5	106.4	-0.9
2021	Apr	106.0	55.2	18,578.6	20.5	103.0	2,250.1	57.7	2.6	106.4	-3.4
	May	108.3	59.2	18,615.3	20.5	107.4	2,259.7	59.4	4.6	--	1.6
	Jun	107.2	62.4	18,804.9	20.6	--	2,265.8	60.4	0.2	--	-0.8
					Percentage changes (c)						
2013		--	--	-2.9	-2.2	-1.5	-4.4	--	--	-1.9	--
2014		--	--	1.6	-0.1	1.3	0.1	--	--	2.3	--
2015		--	--	3.3	1.7	3.4	2.2	--	--	4.9	--
2016		--	--	3.1	0.3	1.8	2.8	--	--	2.8	--
2017		--	--	3.7	1.7	3.2	3.1	--	--	4.3	--
2018		--	--	3.2	0.6	0.2	2.7	--	--	1.2	--
2019		--	--	2.6	-2.6	0.7	1.4	--	--	0.5	--
2020		--	--	-2.1	-4.8	-9.6	-1.9	--	--	-9.3	--
2021	(d)	--	--	1.2	4.5	14.0	0.4	--	--	10.2	--
2019	III	--	--	0.4	-1.7	-2.2	0.2	--	--	-0.8	--
	IV	--	--	0.4	0.9	-1.6	0.2	--	--	-3.1	--
2020	I	--	--	-0.3	-1.4	-5.0	-0.3	--	--	-5.8	--
	II	--	--	-5.0	-10.6	-16.1	-3.6	--	--	-3.7	--
	III	--	--	2.0	8.4	20.8	1.2	--	--	3.6	--
	IV	--	--	1.5	3.2	1.4	0.8	--	--	4.4	--
2021	I	--	--	0.2	-0.3	-0.3	0.1	--	--	2.1	--
	II (e)	--	--	0.2	0.0	3.7	0.6	--	--	0.9	--
2021	Apr	--	--	-0.1	0.0	1.2	0.2	--	--	0.4	--
	May	--	--	0.2	0.6	4.3	0.4	--	--	--	--
	Jun	--	--	1.0	-0.5	--	0.3	--	--	--	--

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

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

Chart 8.1 - General activity indicators (I)

Annual percentage changes

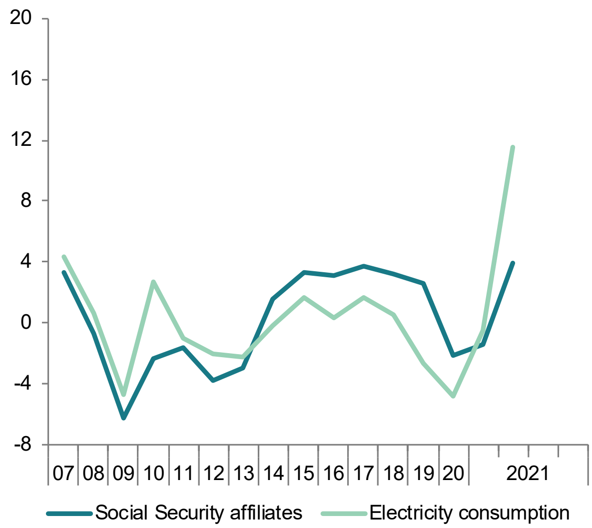


Chart 8.2 - General activity indicators (II)

Index

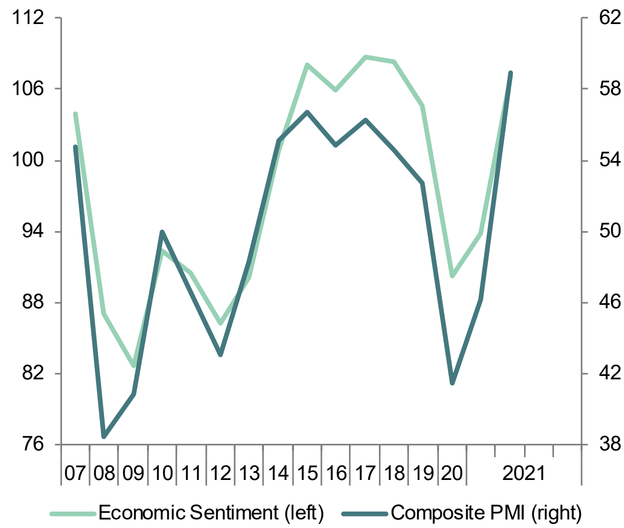


Chart 8.3 - Industrial sector indicators (I)

Annual percentage changes

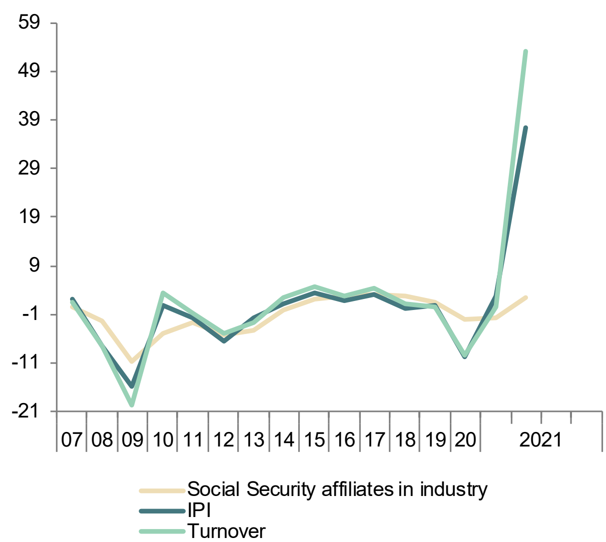


Chart 8.4 - Industrial sector indicators (II)

Index

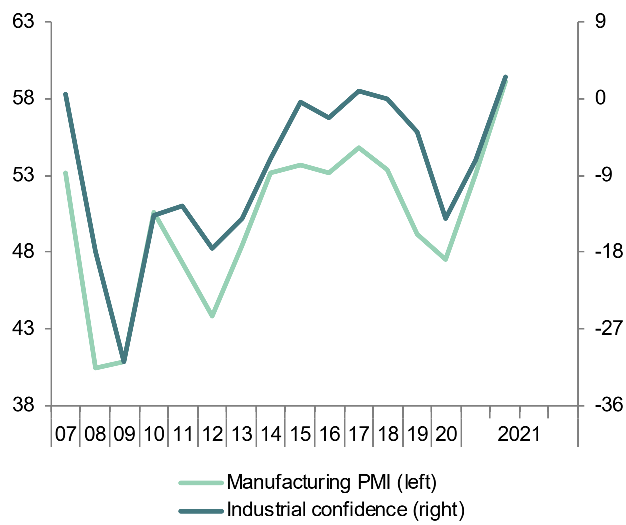


Table 9

Construction and services sector indicators (a)

		Construction indicators					Service sector indicators					
		Social Security Affiliates in construction	Industrial production index construction materials	Construction confidence index	Official tenders (f)	Housing permits (f)	Social Security Affiliates in services (g)	Turnover index (nominal)	Services PMI index	Hotel overnight stays	Passenger air transport	Services confidence index
		Thousands	2015=100 (smoothed)	Balance of responses	EUR Billions (smoothed)	Million m²	Thousands	2015=100 (smoothed)	Index	Million (smoothed)	Million (smoothed)	Balance of responses
2013		996.8	93.6	-55.6	9.2	6.8	11,727.9	92.9	48.3	286.0	186.5	-15.3
2014		980.3	92.8	-41.4	13.1	6.9	11,995.5	95.3	55.2	295.3	194.9	9.9
2015		1,026.7	100.0	-25.3	9.4	9.9	12,432.3	100.0	57.3	308.2	206.6	19.4
2016		1,053.9	102.6	-39.6	9.2	12.7	12,851.6	104.1	55.0	331.2	229.4	17.8
2017		1,118.8	111.5	-26.9	12.7	15.9	13,338.2	111.0	56.4	340.6	248.4	22.5
2018		1,194.1	114.2	-4.6	16.6	19.8	13,781.3	117.5	54.8	340.0	262.9	21.7
2019		1,254.9	124.8	-7.0	18.3	20.0	14,169.1	122.2	53.9	343.0	276.9	13.9
2020		1,233.1	110.6	-18.4	14.1	16.1	13,849.2	102.9	40.3	91.6	75.6	-26.2
2021 (b)		1,272.3	123.0	-4.8	8.7	6.1	13,967.0	106.5	51.6	19.6	26.8	-7.7
2019	III	1,258.7	123.7	-7.4	4.4	4.8	14,208.3	122.7	53.5	86.6	69.7	14.2
	IV	1,265.1	118.9	-12.4	3.9	4.5	14,287.9	118.2	53.6	76.5	62.4	11.0
2020	I	1,253.7	111.1	-8.6	3.4	4.7	14,250.7	108.4	42.5	52.9	44.2	7.8
	II	1,166.6	107.4	-26.3	3.1	3.3	13,470.8	100.3	28.4	26.9	22.8	-47.1
	III	1,250.3	112.1	-24.3	3.3	3.9	13,728.1	101.3	47.3	14.5	12.6	-35.9
	IV	1,263.5	117.5	-14.4	4.1	4.2	13,958.9	105.8	43.0	11.3	10.3	-29.4
2021	I	1,261.4	121.9	-11.8	5.1	4.5	14,000.3	110.3	44.3	12.9	11.6	-25.5
	II (b)	1,281.0	125.7	2.2	4.1	1.6	14,008.1	113.3	58.8	11.2	15.4	10.2
2021	Apr	1,273.8	124.9	-0.1	2.0	1.6	13,933.9	113.3	54.6	5.3	4.6	3.7
	May	1,282.1	126.5	2.2	2.1	--	13,955.4	--	59.4	5.9	5.1	8.9
	Jun	1,287.0	--	4.6	--	--	14,135.1	--	62.5	--	5.7	17.9
					Percentage changes (c)							
2013		-12.2	-7.5	--	23.2	-20.3	-1.5	-2.0	--	1.9	-3.5	--
2014		-1.7	-0.9	--	42.6	2.2	2.3	2.6	--	3.2	4.6	--
2015		4.7	7.8	--	-28.2	42.6	3.6	4.9	--	4.4	6.0	--
2016		2.6	2.6	--	-1.7	29.0	3.4	4.1	--	7.4	11.0	--
2017		6.2	8.7	--	37.1	24.8	3.8	6.6	--	2.8	8.3	--
2018		6.7	2.5	--	30.8	24.5	3.3	5.8	--	-0.2	5.8	--
2019		5.1	9.2	--	10.4	1.3	2.8	4.0	--	0.9	5.3	--
2020		-1.7	-11.3	--	-22.7	-19.8	-2.3	-15.8	--	-73.3	-72.7	--
2021 (d)		5.1	22.2	--	74.5	11.4	1.1	7.7	--	-53.6	-38.1	--
2019	III	0.6	-1.0	--	0.2	-3.4	0.5	-0.3	--	-2.3	-1.2	--
	IV	0.5	-3.8	--	-20.6	-8.8	0.6	-3.7	--	-11.7	-10.4	--
2020	I	-0.9	-6.6	--	-33.2	-10.5	-0.3	-8.3	--	-30.8	-29.2	--
	II	-7.0	-3.3	--	-35.9	-39.4	-5.5	-7.5	--	-49.2	-48.4	--
	III	7.2	4.4	--	-24.1	-18.9	1.9	1.0	--	-45.9	-45.0	--
	IV	1.1	4.8	--	5.9	-7.8	1.7	4.4	--	-22.2	-18.2	--
2021	I	-0.2	3.7	--	53.2	-4.1	0.3	4.3	--	14.5	12.5	--
	II (e)	1.6	3.1	--	99.7	102.2	0.1	2.7	--	30.4	33.4	--
2021	Apr	0.7	1.2	--	92.4	102.2	-0.2	1.3	--	12.0	10.6	--
	May	0.7	1.3	--	106.9	--	0.2	--	--	12.0	11.3	--
	Jun	0.4	--	--	--	--	1.3	--	--	--	10.9	--

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

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

Chart 9.1 - Construction indicators (I)

Annual percentage changes and index

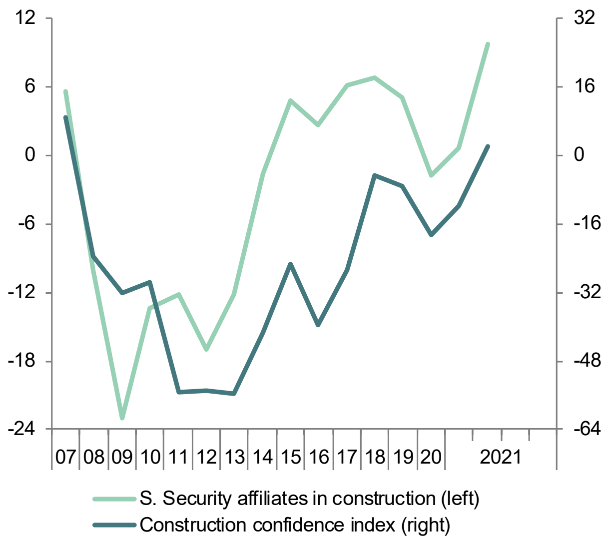


Chart 9.2 - Construction indicators (II)

Annual percentage changes

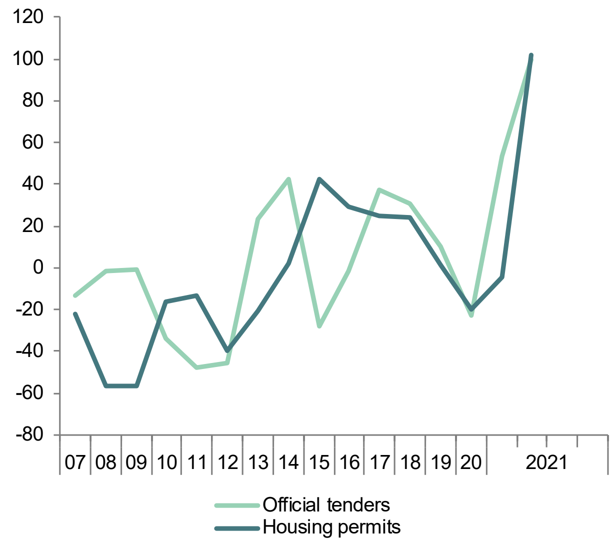


Chart 9.3 - Services indicators (I)

Annual percentage changes

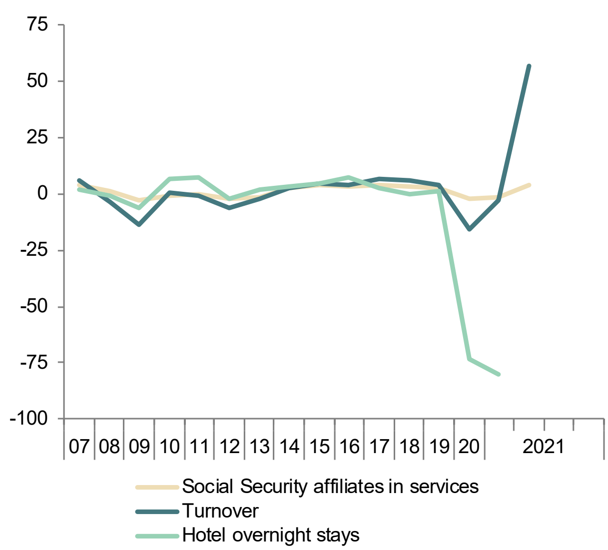


Chart 9.4 - Services indicators (II)

Index

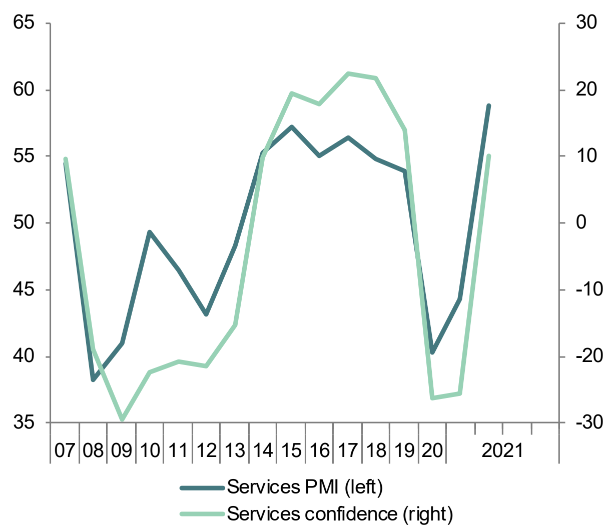


Table 10

Consumption and investment indicators (a)

		Consumption indicators					Investment in equipment indicators		
		Retail sales deflated	Car registrations	Consumer confidence index	Hotel overnight stays by residents in Spain	Industrial orders for consumer goods	Cargo vehicles registrations	Industrial orders for investment goods	Imports of capital goods (volume)
		2015=100 (smoothed)	Thousands (smoothed)	Balance of responses	Million (smoothed)	Balance of responses	Thousands (smoothed)	Balance of responses	2005=100 (smoothed)
2013		95.0	742.3	-28.1	100.6	-21.8	107.6	-33.5	68.9
2014		96.0	890.1	-14.5	104.7	-9.1	137.5	-16.5	81.6
2015		100.0	1,094.0	-4.7	110.3	-3.1	180.3	0.2	93.3
2016		103.9	1,230.1	-6.3	114.2	-1.4	191.3	-0.2	97.2
2017		104.7	1,341.6	-3.4	115.8	2.2	207.6	4.9	103.3
2018		105.4	1,424.0	-4.2	116.5	-5.6	230.0	12.4	105.4
2019		107.9	1,375.6	-6.3	119.6	-2.9	220.9	8.8	105.6
2020		100.4	939.1	-22.8	50.8	-25.2	170.8	-22.7	100.0
2021 (b)		97.9	395.0	-16.6	13.4	-16.9	84.3	-1.1	107.1
2019	III	108.0	335.7	-5.8	30.1	-6.2	53.6	6.8	105.0
	IV	105.4	304.3	-10.5	27.0	-2.8	48.6	1.2	99.8
2020	I	100.5	246.3	-10.3	20.1	-3.8	41.3	-11.4	94.5
	II	97.9	214.5	-27.9	13.0	-41.5	38.7	-41.0	94.1
	III	100.4	238.7	-26.9	10.7	-32.6	44.3	-28.9	100.7
	IV	102.7	256.5	-26.3	9.9	-23.0	49.6	-9.6	107.7
2021	I	103.6	252.4	-22.1	9.7	-18.1	52.4	-13.7	112.3
	II (b)	104.2	167.1	-11.1	7.0	-15.7	35.9	11.4	114.8
2021	Apr	104.1	83.5	-11.6	3.4	-16.0	17.8	6.7	114.8
	May	104.3	83.6	-9.9	3.5	-15.8	18.0	12.6	--
	Jun	--	--	-11.7	--	-15.3	--	15.0	--
					Percentage changes (c)				
2013		-3.8	4.5	--	-1.4	--	-0.1	--	13.7
2014		1.1	19.9	--	4.1	--	27.8	--	18.4
2015		4.2	22.9	--	5.3	--	31.1	--	14.4
2016		3.9	12.4	--	3.6	--	6.1	--	4.1
2017		0.8	9.1	--	1.4	--	8.5	--	6.4
2018		0.7	6.1	--	0.6	--	10.8	--	2.0
2019		2.3	-3.4	--	2.7	--	-4.0	--	0.2
2020		-6.9	-31.7	--	-57.5	--	-22.6	--	-5.3
2021 (d)		9.1	39.7	--	-16.6	--	65.2	--	23.7
2019	II	0.9	-0.3	--	1.3	--	-2.4	--	2.6
	III	-0.2	-2.9	--	-1.8	--	-4.8	--	-8.1
	IV	-2.3	-9.4	--	-10.1	--	-9.4	--	-18.2
2020	I	-4.7	-19.1	--	-25.6	--	-15.0	--	-19.8
	II	-2.6	-12.9	--	-35.5	--	-6.3	--	-1.8
	III	2.5	11.3	--	-17.2	--	14.4	--	31.6
	IV	2.3	7.5	--	-7.8	--	12.1	--	30.6
2021	I(e)	0.9	-1.6	--	-2.0	--	5.5	--	18.2
2021	Mar	0.2	-0.5	--	2.3	--	1.2	--	1.1
	Apr	0.2	-0.1	--	3.5	--	1.0	--	1.1
	May	0.2	0.1	--	4.2	--	1.0	--	--

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

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

Chart 10.1 - Consumption indicators

Annual percentage changes and balance of responses

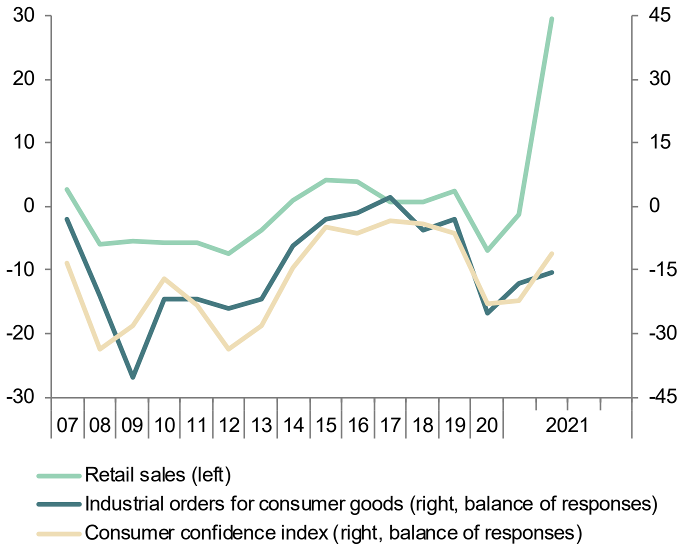


Chart 10.2 - Investment indicators

Annual percentage changes and balance of responses

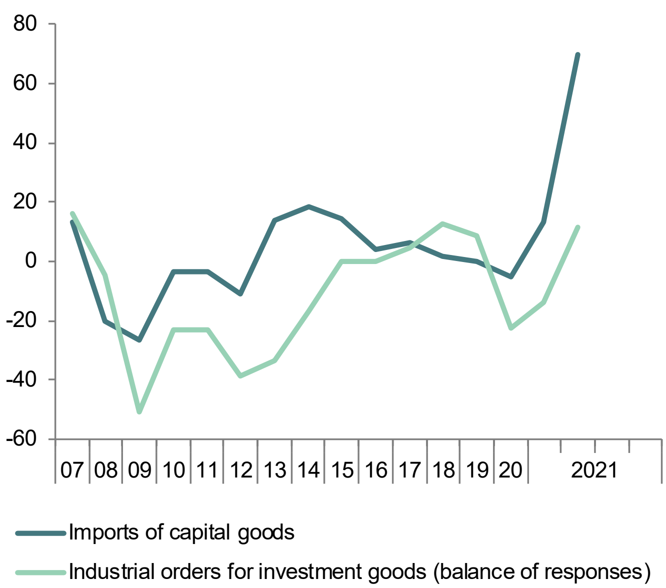


Table 11a

Labour market (I)

Forecasts in yellow

		Population aged 16 or more	Labour force		Employment		Unemployment		Participation rate aged 16 or more (a)	Employment rate aged 16 or more (b)	Unemployment rate (c)			
			Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Seasonally adjusted		Total	Aged 16-24	Spanish	Foreign
		1	2=4+6	3=5+7	4	5	6	7	8	9	10=7/3	11	12	13
		Million							Percentage					
2014		38.5	23.0	--	17.3	--	5.6	--	59.6	45.0	24.4	53.2	23.0	34.5
2015		38.5	22.9	--	17.9	--	5.1	--	59.5	46.4	22.1	48.3	20.9	30.5
2016		38.5	22.8	--	18.3	--	4.5	--	59.2	47.6	19.6	44.4	18.7	26.6
2017		38.7	22.7	--	18.8	--	3.9	--	58.8	48.7	17.2	38.6	16.3	23.8
2018		38.9	22.8	--	19.3	--	3.5	--	58.6	49.7	15.3	34.4	14.3	21.9
2019		39.3	23.0	--	19.8	--	3.2	--	58.6	50.4	14.1	32.6	13.2	20.1
2020		39.6	22.7	--	19.2	--	3.5	--	57.4	48.5	15.5	38.3	14.1	24.6
2021		39.8	23.2	--	19.5	--	3.7	--	58.3	49.0	15.8	--	--	--
2022		40.1	23.3	--	19.9	--	3.4	--	58.2	49.7	14.7	--	--	--
2019	II	39.1	23.0	23.0	19.8	19.7	3.2	3.3	58.7	50.3	14.0	33.2	13.1	20.3
	III	39.2	23.1	23.1	19.9	19.8	3.2	3.3	58.6	50.2	13.9	31.7	13.1	19.3
	IV	39.3	23.2	23.1	20.0	19.9	3.2	3.2	58.7	50.6	13.8	30.5	12.8	20.0
2020	I	39.4	23.0	23.1	19.7	19.9	3.3	3.2	58.4	50.3	14.4	33.0	13.3	21.2
	II	39.5	22.0	21.9	18.6	18.5	3.4	3.4	55.5	46.9	15.3	39.6	13.9	24.9
	III	39.6	22.9	22.9	19.2	19.1	3.7	3.8	57.7	48.1	16.3	40.4	14.8	25.7
	IV	39.6	23.1	23.0	19.3	19.3	3.7	3.7	58.1	48.7	16.1	40.1	14.5	26.6
2021	I	39.6	22.9	23.0	19.2	19.4	3.7	3.5	57.9	49.0	16.0	39.5	14.4	26.2
		Percentage changes (d)							Difference from one year ago					
2014		-0.3	-1.0	--	1.2	--	-7.3	--	-0.4	0.7	-1.7	-2.3	-1.4	-2.5
2015		0.0	-0.1	--	3.0	--	-9.9	--	-0.1	1.4	-2.4	-4.9	-2.1	-4.0
2016		0.1	-0.4	--	2.7	--	-11.4	--	-0.3	1.2	-2.4	-3.9	-2.2	-3.8
2017		0.3	-0.4	--	2.6	--	-12.6	--	-0.4	1.1	-2.4	-5.9	-2.4	-2.8
2018		0.6	0.3	--	2.7	--	-11.2	--	-0.2	1.0	-2.0	-4.2	-2.0	-1.9
2019		1.0	1.0	--	2.3	--	-6.6	--	0.0	0.7	-1.2	-1.8	-1.1	-1.8
2020		0.8	-1.3	--	-2.9	--	8.7	--	-1.2	-1.9	1.4	5.7	0.9	4.5
2021		0.5	2.0	--	1.6	--	4.1	--	0.8	0.5	0.3	--	--	--
2022		0.7	0.6	--	2.0	--	-6.5	--	-0.1	0.6	-1.1	--	--	--
2019	II	0.9	0.9	0.4	2.4	0.3	-7.4	0.5	-0.1	0.7	-1.3	-1.5	-1.3	-1.7
	III	1.0	1.0	0.2	1.8	0.1	-3.4	1.1	0.0	0.4	-0.6	-1.3	-0.6	-1.3
	IV	1.1	1.3	0.4	2.1	0.9	-3.4	-3.0	0.1	0.5	-0.7	-3.0	-0.7	-0.8
2020	I	1.0	0.7	-0.2	1.1	-0.3	-1.2	0.3	-0.2	0.0	-0.3	-2.0	-0.4	0.4
	II	1.0	-4.6	-5.0	-6.0	-6.7	4.3	6.1	-3.2	-3.5	1.3	6.5	0.8	4.7
	III	0.9	-0.8	4.2	-3.5	2.8	15.8	11.8	-0.9	-2.1	2.3	8.8	1.7	6.3
	IV	0.7	-0.4	0.8	-3.1	1.3	16.5	-2.2	-0.6	-1.8	2.3	9.6	1.6	6.6
2021	I	0.5	-0.6	-0.3	-2.4	0.5	10.3	-4.7	-0.5	-1.3	1.6	6.5	1.1	5.0

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

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

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

Annual growth rates and percentage of active population

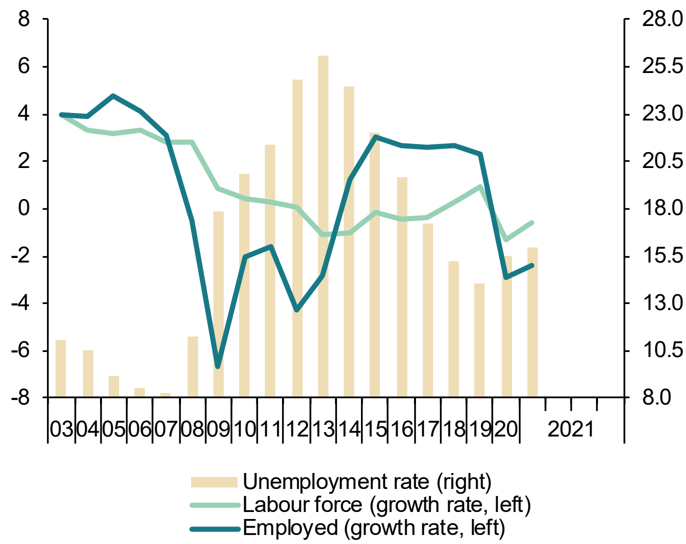


Chart 11a.2 - Unemployment rates, S.A.

Percentage

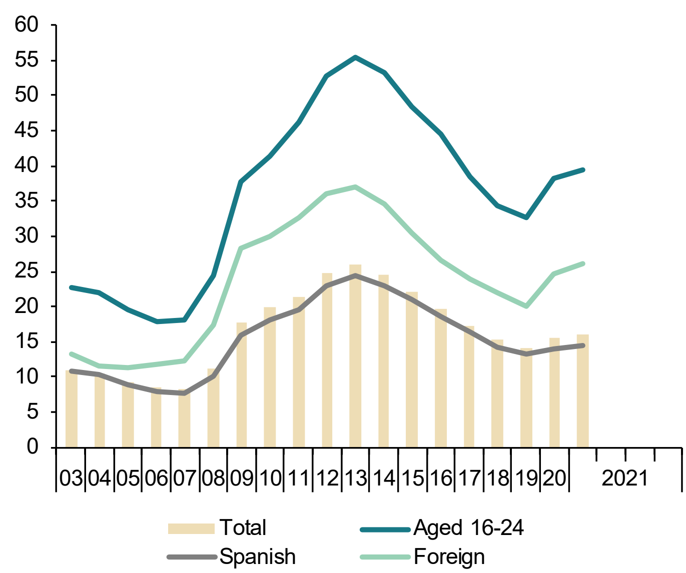


Table 11b

Labour market (II)

		Employed by sector				Employed by professional situation					Employed by duration of the working-day		
						Employees							
							By type of contract						
		Agriculture	Industry	Construction	Services	Total	Tempo-rary	Indefinite	Temporary employment rate (a)	Self employed	Full-time	Part-time	Part-time employment rate (b)
		1	2	3	4	5=6+7	6	7	8=6/5	9	10	11	12
		Million (original data)											
2014		0.74	2.38	0.99	13.23	14.29	3.43	10.86	24.0	3.06	14.59	2.76	15.91
2015		0.74	2.48	1.07	13.57	14.77	3.71	11.06	25.1	3.09	15.05	2.81	15.74
2016		0.77	2.52	1.07	13.97	15.23	3.97	11.26	26.1	3.11	15.55	2.79	15.21
2017		0.82	2.65	1.13	14.23	15.72	4.19	11.52	26.7	3.11	16.01	2.82	14.97
2018		0.81	2.71	1.22	14.59	16.23	4.35	11.88	26.8	3.09	16.56	2.76	14.31
2019		0.80	2.76	1.28	14.94	16.67	4.38	12.29	26.3	3.11	16.95	2.83	14.30
2020		0.77	2.70	1.24	14.49	16.11	3.88	12.23	24.1	3.09	16.51	2.70	14.05
2021(c)		0.80	2.64	1.26	14.50	16.10	3.83	12.27	23.8	3.10	16.51	2.70	14.04
2019	II	0.81	2.76	1.28	14.95	16.69	4.40	12.29	26.4	3.12	16.85	2.95	14.90
	III	0.75	2.82	1.27	15.04	16.79	4.48	12.31	26.7	3.08	17.09	2.79	14.03
	IV	0.79	2.76	1.28	15.13	16.85	4.40	12.45	26.1	3.12	17.30	2.67	13.38
2020	I	0.78	2.77	1.28	14.85	16.56	4.14	12.42	25.0	3.12	16.83	2.85	14.47
	II	0.76	2.64	1.17	14.03	15.53	3.47	12.06	22.4	3.08	16.12	2.49	13.36
	III	0.73	2.69	1.25	14.51	16.11	3.89	12.21	24.2	3.07	16.52	2.65	13.84
	IV	0.78	2.69	1.28	14.59	16.24	4.00	12.24	24.6	3.10	16.55	2.80	14.47
2021	I	0.80	2.64	1.26	14.50	16.10	3.83	12.27	23.8	3.10	16.51	2.70	14.04
		Annual percentage changes							Difference from one year ago	Annual percentage changes			Difference from one year ago
2014		-0.1	1.0	-3.5	1.7	1.5	5.3	0.4	0.9	-0.4	1.1	1.9	0.1
2015		0.1	4.3	8.1	2.6	3.4	8.3	1.9	1.1	1.1	3.2	1.9	-0.2
2016		5.1	1.6	0.0	2.9	3.1	6.8	1.8	0.9	0.7	3.3	-0.8	-0.5
2017		5.8	5.0	5.1	1.9	3.2	5.6	2.3	0.6	-0.1	2.9	1.0	-0.2
2018		-0.8	2.3	8.3	2.5	3.3	3.8	3.1	0.1	-0.5	3.5	-1.9	-0.7
2019		-1.9	2.0	4.6	2.4	2.7	0.6	3.5	-0.6	0.5	2.3	2.3	0.0
2020		-4.0	-2.3	-2.6	-3.0	-3.4	-11.4	-0.5	-2.2	-0.5	-2.6	-4.6	-0.3
2021(d)		1.7	-4.6	-1.3	-2.3	-2.8	-7.5	-1.2	-1.2	-0.6	-1.9	-5.3	-0.4
2019	II	-1.6	1.5	5.0	2.5	2.7	1.0	3.3	-0.4	1.0	0.9	11.9	1.3
	III	-2.9	3.3	2.4	1.7	2.2	-0.7	3.3	-0.8	-0.3	1.6	2.8	0.1
	IV	-3.8	2.0	0.3	2.5	2.4	-0.5	3.4	-0.8	0.3	3.8	-7.7	-1.4
2020	I	-6.5	2.2	-0.3	1.4	1.2	-2.2	2.4	-0.9	0.2	1.6	-1.8	-0.4
	II	-5.7	-4.4	-8.4	-6.2	-7.0	-21.1	-1.9	-4.0	-1.2	-4.3	-15.8	-1.5
	III	-2.0	-4.5	-1.6	-3.5	-4.1	-13.0	-0.8	-2.5	-0.5	-3.3	-4.8	-0.2
	IV	-1.5	-2.5	-0.3	-3.6	-3.6	-9.0	-1.7	-1.5	-0.6	-4.3	4.8	1.1
2021	I	1.7	-4.6	-1.3	-2.3	-2.8	-7.5	-1.2	-1.2	-0.6	-1.9	-5.3	-0.4

(a) Percentage of employees with temporary contract over total employees. (b) Percentage of part-time employed over total employed. (c) Average of available data. (d) Change of existing data over the same period last year.

Source: INE (Labour Force Survey).

Chart 11b.1 - Employment by sector

Annual percentage changes

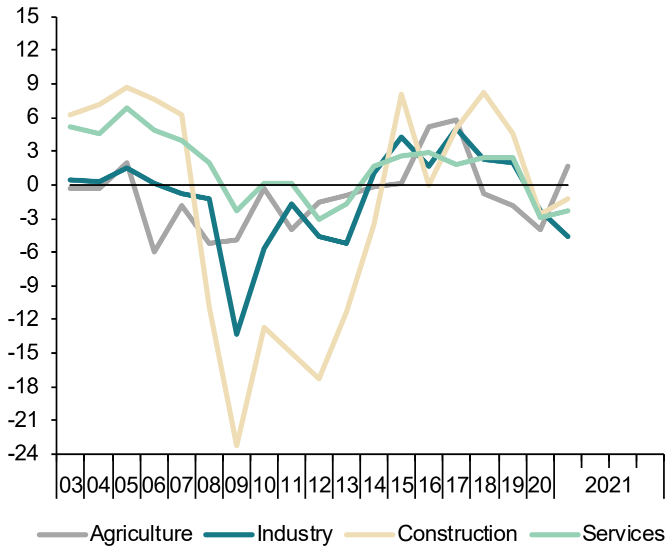


Chart 11b.2 - Employment by type of contract

Annual percentage changes and percentage over total employees

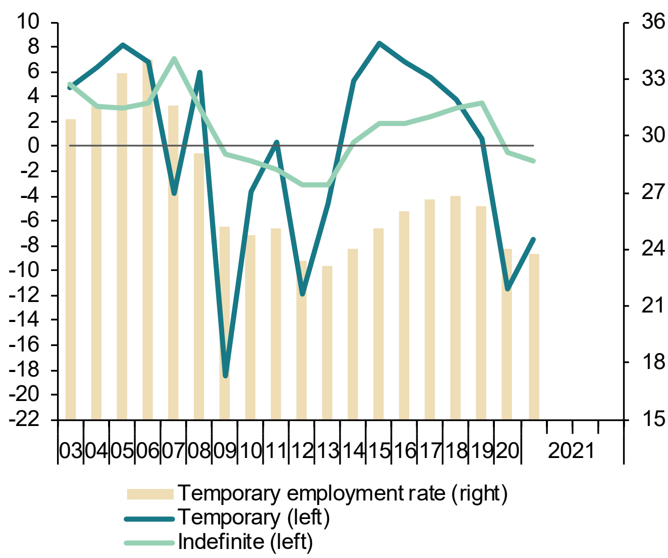


Table 12

Index of Consumer Prices

Forecasts in yellow

		Total	Total excluding food and energy	Excluding unprocessed food and energy				Unprocessed food	Energy	Food
				Total	Non-energy industrial goods	Services	Processed food			
% of total in 2020		100.00	62.46	80.14	24.07	38.40	17.68	9.14	10.72	26.82
Indexes, 2016 = 100										
2015		100.2	99.2	99.2	99.5	98.9	99.2	97.7	109.4	98.7
2016		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2017		102.0	101.1	101.1	100.2	101.6	100.7	102.6	108.0	101.3
2018		103.7	102.1	102.0	100.2	103.1	101.7	105.8	114.7	103.1
2019		104.4	103.0	102.9	100.4	104.6	102.2	107.8	113.2	104.0
2020		104.1	103.6	103.6	100.6	105.4	103.6	111.8	102.4	106.2
2021		106.7	104.3	104.4	101.3	106.1	104.6	113.3	119.5	107.4
2022		108.6	105.8	105.9	101.8	108.3	106.0	113.9	125.3	108.5
Annual percentage changes										
2015		-0.5	0.5	0.6	0.3	0.7	0.9	1.8	-9.0	1.2
2016		-0.2	0.8	0.8	0.5	1.1	0.8	2.3	-8.6	1.3
2017		2.0	1.1	1.1	0.2	1.6	0.7	2.6	8.0	1.3
2018		1.7	0.9	0.9	0.0	1.5	1.0	3.1	6.1	1.8
2019		0.7	1.0	0.9	0.3	1.4	0.5	1.9	-1.2	0.9
2020		-0.3	0.6	0.7	0.2	0.8	1.3	3.7	-9.6	2.1
2021		2.5	0.7	0.8	0.7	0.7	1.0	1.4	16.7	1.1
2022		1.8	1.4	1.4	0.5	2.0	1.3	0.6	4.9	1.0
2021	Jan	0.5	0.4	0.6	0.3	0.5	1.1	2.5	-1.8	1.6
	Feb	0.0	0.1	0.3	0.2	0.1	0.7	2.6	-4.2	1.4
	Mar	1.3	0.1	0.3	0.3	0.0	0.6	2.6	8.4	1.3
	Apr	2.2	-0.1	0.0	0.4	-0.4	0.3	0.2	21.4	0.3
	May	2.7	0.1	0.2	0.5	-0.1	0.2	1.4	24.0	0.6
	Jun	2.7	0.1	0.2	0.7	-0.3	0.7	1.4	23.5	0.9
	Jul	3.2	0.7	0.8	0.6	0.8	1.0	1.9	22.2	1.3
	Aug	3.3	1.0	1.1	0.8	1.2	1.2	1.3	22.3	1.2
	Sep	3.4	1.1	1.2	1.0	1.2	1.4	1.0	21.9	1.3
	Oct	3.8	1.4	1.4	1.1	1.6	1.5	0.1	24.7	1.0
	Nov	3.8	1.5	1.5	1.2	1.7	1.7	0.7	23.2	1.4
	Dec	3.4	1.5	1.6	1.2	1.7	1.8	0.6	19.8	1.4
2022	Jan	2.4	1.2	1.3	0.8	1.4	1.7	-0.3	12.7	1.0
	Feb	3.2	1.4	1.4	0.9	1.7	1.7	0.0	18.7	1.1
	Mar	2.5	1.5	1.5	0.8	1.9	1.7	-0.5	11.9	0.9
	Apr	2.2	1.7	1.6	0.8	2.2	1.5	-0.3	7.6	0.9
	May	1.9	1.6	1.6	0.8	2.2	1.5	-0.4	6.0	0.8
	Jun	1.6	1.7	1.6	0.7	2.3	1.3	0.3	2.4	1.0
	Jul	1.4	1.6	1.5	0.4	2.3	1.1	0.4	1.2	0.9
	Aug	1.3	1.5	1.4	0.3	2.2	1.1	0.6	0.8	0.9
	Sep	1.2	1.4	1.3	0.1	2.1	1.1	0.8	0.7	1.0
	Oct	1.1	1.2	1.2	0.0	2.0	1.1	1.4	0.3	1.2
	Nov	1.2	1.2	1.2	0.0	2.0	1.0	2.0	0.3	1.3
	Dec	1.3	1.3	1.3	0.0	2.2	0.9	2.6	0.3	1.5

Source: INE and Funcas (Forecasts).

Chart 12.1 - Inflation rate (I)

Annual percentage changes

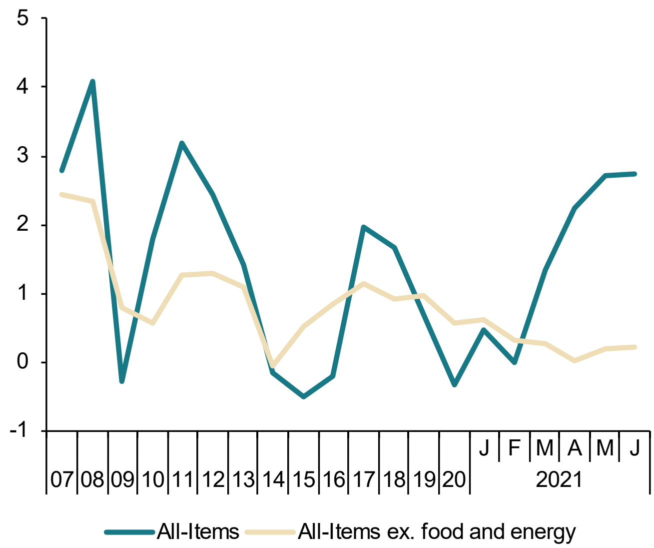


Chart 12.2 - Inflation rate (II)

Annual percentage changes

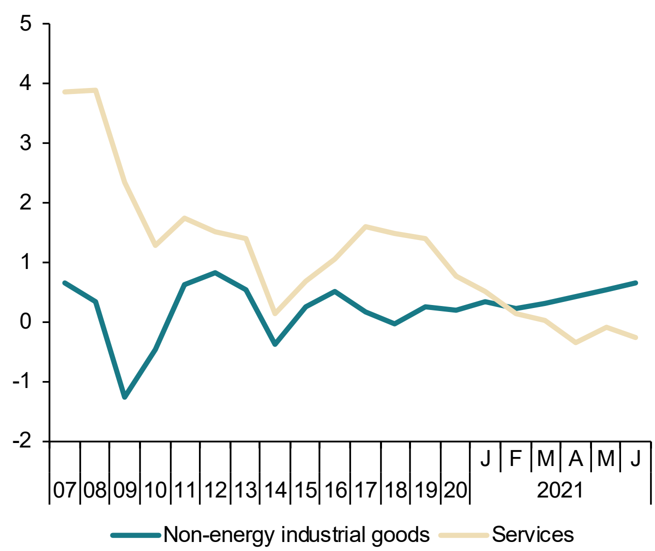


Table 13

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	
		2015=100	2015=100		2007=100			2000=100				
2013		99.7	103.5	100.5	64.3	72.7	55.1	143.8	141.1	152.2	155.2	--
2014		99.5	102.1	99.7	64.5	71.0	52.6	143.3	140.9	150.7	155.5	--
2015		100.0	100.0	100.0	66.8	71.7	54.9	144.2	142.5	149.6	156.5	--
2016		100.3	96.9	99.6	70.0	73.1	57.8	143.6	142.1	148.3	156.2	--
2017		101.6	101.1	101.9	74.3	74.8	58.2	144.0	142.3	149.1	156.2	--
2018		102.8	104.1	103.0	79.3	77.4	57.3	145.4	143.8	150.6	158.5	--
2019		104.3	103.6	103.2	83.3	79.8	57.7	148.7	146.4	155.7	162.7	--
2020		105.4	99.2	103.1	85.0	78.9	52.3	145.4	142.6	154.1	173.3	--
2021 (b)		106.4	106.1	107.4	85.4	79.0	49.0	147.3	142.9	160.7	163.5	--
2019	III	104.7	103.3	103.2	84.3	79.7	58.2	144.3	140.6	155.9	167.0	--
	IV	105.7	102.8	103.0	83.8	80.4	56.5	155.7	155.4	156.6	171.2	--
2020	I	105.0	101.4	103.5	84.7	79.8	58.9	145.3	141.5	156.7	158.6	--
	II	105.7	96.3	102.6	84.8	78.3	50.1	138.1	135.1	147.2	180.2	--
	III	106.1	99.2	102.8	85.7	78.8	49.3	142.7	139.2	153.5	174.1	--
	IV	106.6	99.9	103.6	85.0	78.9	51.0	155.5	154.4	159.1	180.5	--
2021	I	106.4	104.0	106.2	85.4	79.0	49.0	147.3	142.9	160.7	163.5	--
	II (b)	--	109.2	109.2	--	--	--	--	--	--	--	--
2021	Mar	--	105.2	107.3	--	--	--	--	--	--	--	--
	Apr	--	108.4	108.5	--	--	--	--	--	--	--	--
	May	--	110.1	109.8	--	--	--	--	--	--	--	--
						Annual percent changes (c)						
2013		0.4	0.6	0.7	-10.6	-5.8	-15.7	0.2	0.0	0.6	0.3	0.5
2014		-0.2	-1.3	-0.8	0.3	-2.4	-4.6	-0.3	-0.1	-1.0	0.2	0.5
2015		0.5	-2.1	0.3	3.6	1.1	4.3	0.6	1.1	-0.7	0.6	0.7
2016		0.3	-3.1	-0.4	4.7	1.9	5.3	-0.4	-0.3	-0.8	-0.2	1.0
2017		1.3	4.4	2.3	6.2	2.4	0.8	0.2	0.1	0.5	0.0	1.4
2018		1.2	3.0	1.1	6.7	3.4	-1.6	1.0	1.0	1.0	1.5	1.8
2019		1.4	-0.4	0.1	5.1	3.2	0.7	2.2	1.9	3.4	2.6	2.3
2020		1.1	-4.3	0.0	2.1	-1.1	-9.4	-2.2	-2.6	-1.0	6.5	1.9
2021 (d)		1.3	7.0	4.0	0.9	-0.9	-16.9	1.4	1.0	2.6	3.1	1.6
2019	III	1.3	-2.2	0.1	4.7	3.1	4.5	2.2	1.9	3.0	2.3	2.3
	IV	1.6	-2.3	0.0	3.6	2.1	-0.2	2.3	1.8	4.0	2.7	2.3
2020	I	1.1	-2.7	0.4	3.2	0.3	2.8	0.8	0.7	1.0	4.2	2.0
	II	1.1	-7.7	-0.7	2.1	-1.7	-15.1	-8.3	-9.4	-5.0	12.3	2.0
	III	1.3	-3.9	-0.4	1.7	-1.1	-15.2	-1.1	-0.9	-1.6	4.3	1.9
	IV	0.8	-2.8	0.5	1.5	-1.8	-9.7	-0.1	-0.7	1.6	5.4	1.9
2021	I	1.3	2.6	2.6	0.9	-0.9	-16.9	1.4	1.0	2.6	3.1	1.6
	II (e)	--	13.4	6.3	--	--	--	--	--	--	--	--
2021	Mar	--	6.4	3.9	--	--	--	--	--	--	--	1.5
	Apr	--	13.0	5.4	--	--	--	--	--	--	--	1.6
	May	--	15.3	7.1	--	--	--	--	--	--	--	1.6

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

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

Chart 13.1 - Housing and urban land prices

Index (2007=100)

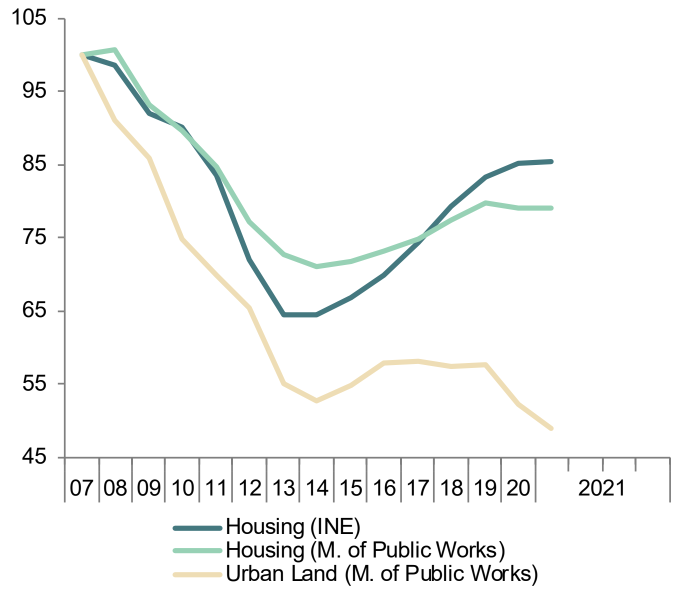


Chart 13.2 - Wage costs

Annual percent change

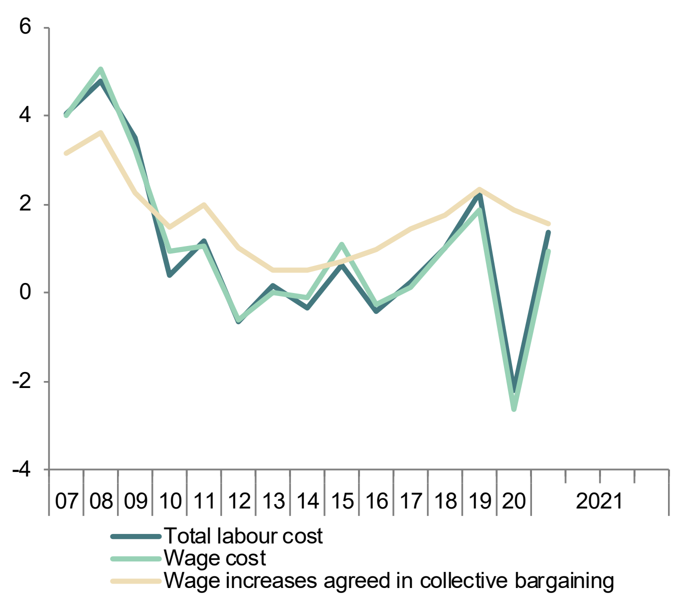


Table 14

External trade (a)

		Exports of goods			Imports of goods			Exports to EU countries (monthly average)	Exports to non-EU countries (monthly average)	Total Balance of goods (monthly average)	Balance of goods excluding energy (monthly average)	Balance of goods with EU countries (monthly average)
		Nominal	Prices	Real	Nominal	Prices	Real					
		2005=100			2005=100			EUR Billions				
2014		155.2	109.4	141.9	114.0	107.3	106.3	11.4	8.7	-2.1	1.1	0.4
2015		161.2	110.1	146.5	118.0	104.6	112.9	12.0	8.9	-2.1	0.2	0.2
2016		165.4	108.2	153.0	117.5	101.3	116.1	12.5	8.8	-1.4	0.3	0.4
2017		178.2	108.9	163.7	129.8	106.1	122.4	13.6	9.5	-2.2	0.0	0.6
2018		184.0	112.1	164.2	137.2	110.9	123.8	14.1	9.7	-2.9	-0.3	0.7
2019		187.7	112.9	166.3	138.4	110.8	125.0	14.3	9.9	-2.6	-0.3	0.8
2020		168.5	112.1	150.5	117.9	107.4	109.5	13.2	8.6	-1.1	0.3	1.3
2021(b)		192.3	115.9	165.8	134.0	112.0	119.6	15.1	9.4	-1.1	0.3	1.6
2019	II	196.8	111.7	176.2	142.6	110.4	129.2	14.8	10.4	-2.3	-0.2	1.0
	III	186.7	112.5	166.0	139.7	109.5	127.6	13.9	10.0	-3.1	-0.9	0.3
	IV	185.9	114.3	162.7	134.5	113.1	118.9	14.0	9.8	-2.2	0.1	0.9
2020	I	176.2	113.4	155.5	129.6	111.1	116.7	13.6	9.0	-2.5	-0.2	0.9
	II	141.4	111.6	126.7	96.3	104.7	91.9	11.0	7.1	-0.5	0.3	1.7
	III	175.8	110.5	159.1	119.7	105.5	113.5	13.8	8.8	-0.6	0.7	1.6
	IV	181.0	112.5	160.9	124.3	107.4	115.7	14.0	9.2	-0.8	0.4	1.2
2021	I	186.9	115.2	162.3	129.8	110.6	117.3	14.9	9.1	-1.1	0.6	1.7
2021	Feb	187.9	114.5	164.1	131.3	111.1	118.2	14.7	9.4	-1.3	0.5	1.1
	Mar	199.9	116.9	170.9	137.7	113.3	121.5	15.8	9.8	-1.0	0.9	2.2
	Apr	208.3	118.0	176.6	146.7	115.8	126.6	16.5	10.2	-1.6	0.1	1.5
		Percentage changes (c)								Percentage of GDP		
2014		2.0	-0.9	3.0	5.2	-2.3	7.7	3.5	-0.4	-2.4	1.3	1.0
2015		3.8	0.6	3.2	3.5	-2.5	6.1	5.3	1.8	-2.3	0.2	0.2
2016		2.6	-1.7	4.4	-0.4	-3.1	2.8	4.7	-0.1	-1.6	0.3	0.4
2017		7.7	0.7	7.0	10.5	4.7	5.5	8.3	6.9	-2.3	0.0	0.7
2018		3.3	3.0	0.3	5.7	4.5	1.2	3.9	2.5	-2.9	-0.3	0.7
2019		2.0	0.7	1.3	0.9	-0.1	0.9	1.8	2.2	-2.5	-0.3	0.8
2020		-10.2	-0.7	-9.5	-14.8	-3.1	-12.4	-8.2	-13.1	-1.2	0.3	1.4
2021(d)		16.9	2.8	13.7	10.3	2.3	7.8	21.5	10.3	--	--	--
2019	II	7.0	-0.9	8.0	3.1	0.2	2.9	4.8	10.2	-9.0	-0.7	3.8
	III	-5.2	0.7	-5.8	-2.1	-0.8	-1.3	-5.9	-4.1	-11.8	-3.4	1.3
	IV	-0.4	1.6	-2.0	-3.7	3.4	-6.8	0.5	-1.7	-8.2	0.3	3.4
2020	I	-5.2	-0.8	-4.5	-3.6	-1.8	-1.8	-2.8	-8.7	-9.9	-0.8	3.4
	II	-19.8	-1.6	-18.5	-25.7	-5.7	-21.2	-19.4	-20.4	-2.4	1.3	8.2
	III	24.4	-1.0	25.6	24.3	0.7	23.4	25.4	22.8	-2.4	2.8	6.5
	IV	2.9	1.8	1.1	3.9	1.8	2.0	1.2	5.6	-3.4	1.6	5.0
2021	I	3.3	2.4	0.9	4.4	3.0	1.4	6.5	-1.5	-4.7	2.6	7.1
2021	Feb	8.6	0.5	8.0	9.1	3.5	5.4	4.1	16.3	--	--	--
	Mar	6.4	2.1	4.2	4.8	2.0	2.8	7.9	4.0	--	--	--
	Apr	4.2	0.9	3.3	6.5	2.3	4.2	4.3	4.2	--	--	--

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

Source: Ministry of Economy.

Chart 14.1 - External trade (real)

Annual percent change

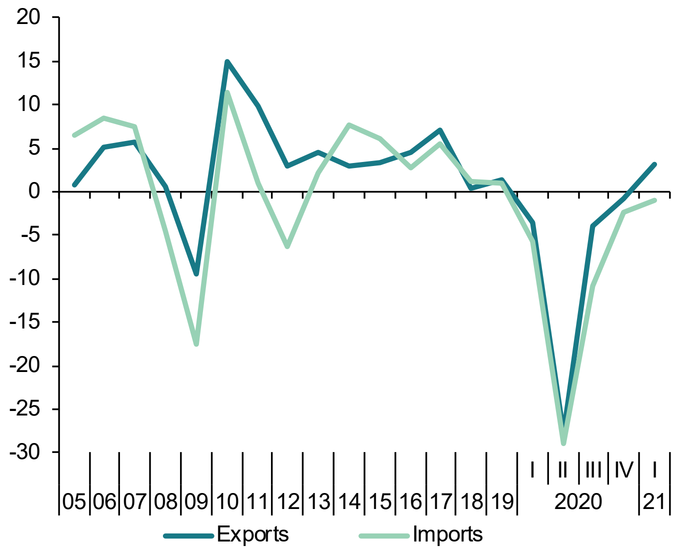


Chart 14.2 - Trade balance

EUR Billions, moving sum of 12 months

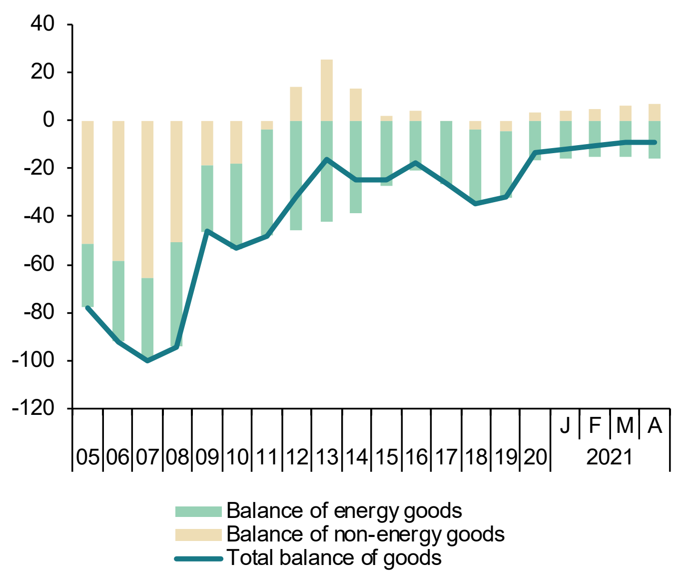


Table 15

Balance of Payments (according to IMF manual)

(Net transactions)

		Current account					Capital account	Current and capital accounts	Financial account						
									Financial account, excluding Bank of Spain					Bank of Spain	Errors and omissions
		Total	Goods	Services	Primary Income	Secondary Income			Total	Direct investment	Porfolio investment	Other investment	Financial derivatives		
		1=2+3+4+5	2	3	4	5	6	7=1+6	8=9+10+11+12	9	10	11	12	13	14
								EUR billions							
2014		17.54	-21.26	53.25	-3.79	-10.67	4.54	22.08	-10.00	10.68	-2.67	-19.03	1.01	27.14	-4.94
2015		21.83	-20.68	53.44	-0.24	-10.69	6.98	28.80	69.47	30.07	-5.16	40.75	3.81	-40.79	-0.12
2016		35.37	-14.28	58.70	2.75	-11.80	2.43	37.80	89.49	11.19	46.65	29.09	2.57	-54.02	-2.34
2017		32.21	-22.04	63.93	0.44	-10.13	2.84	35.05	68.01	12.46	25.08	22.74	7.72	-32.63	0.33
2018		23.22	-29.68	62.45	2.20	-11.74	5.81	29.03	47.49	-13.35	15.24	46.35	-0.75	-14.25	4.20
2019		26.57	-26.47	63.93	1.86	-12.74	4.21	30.78	10.05	9.97	-50.98	59.32	-8.26	14.82	-5.92
2020		7.71	-9.08	25.83	5.36	-14.39	5.03	12.74	98.35	15.66	54.21	32.79	-4.32	-81.47	4.14
2021	(a)	-2.06	-2.30	3.55	0.80	-4.10	0.85	-1.21	3.15	-3.27	3.69	1.05	1.69	-3.00	1.36
2019	II	10.98	-3.94	18.43	-1.25	-2.27	0.84	11.82	45.79	6.18	11.05	26.37	2.19	-35.09	-1.12
	III	8.66	-9.23	21.65	-0.29	-3.47	0.54	9.20	18.82	-3.73	11.84	9.34	1.37	-7.02	2.60
	IV	8.30	-5.29	13.48	2.69	-2.58	2.08	10.37	17.67	2.21	4.03	11.45	-0.02	-4.49	2.81
2020	I	-0.46	-6.09	8.88	0.86	-4.12	1.03	0.57	46.43	-2.76	31.55	15.79	1.86	-43.40	2.46
	II	1.65	0.51	3.83	-0.07	-2.61	0.78	2.43	1.76	5.14	-3.72	-3.26	3.60	5.62	4.95
	III	2.00	-2.69	7.66	-0.04	-2.93	0.94	2.94	13.58	7.95	4.64	-0.98	1.98	-0.54	10.11
	IV	4.52	-0.82	5.46	4.61	-4.74	2.28	6.80	6.23	2.14	-7.38	11.19	0.28	5.70	5.14
2021	I	-2.06	-2.30	3.55	0.80	-4.10	0.85	-1.21	3.15	-3.27	3.69	1.05	1.69	-3.00	1.36
			Goods and Services		Primary and Secondary Income										
2021	Feb	-1.51	0.81		-2.32		0.25	-1.26	9.37	-2.54	-0.42	10.80	1.53	-10.10	0.53
	Mar	0.54	0.80		-0.27		0.44	0.97	-23.80	2.15	-4.02	-23.71	1.78	28.78	4.01
	Apr	0.40	0.98		-0.58		0.65	1.05	9.39	0.27	-0.87	9.66	0.33	-8.26	0.08
								Percentage of GDP							
2014		1.7	-2.1	5.2	-0.4	-1.0	0.4	2.1	-1.0	1.0	-0.3	-1.8	0.1	2.6	-0.5
2015		2.0	-1.9	5.0	0.0	-1.0	0.6	2.7	6.4	2.8	-0.5	3.8	0.4	-3.8	0.0
2016		3.2	-1.3	5.3	0.2	-1.1	0.2	3.4	8.0	1.0	4.2	2.6	0.2	-4.9	-0.2
2017		2.8	-1.9	5.5	0.0	-0.9	0.2	3.0	5.9	1.1	2.2	2.0	0.7	-2.8	0.0
2018		1.9	-2.5	5.2	0.2	-1.0	0.5	2.4	3.9	-1.1	1.3	3.8	-0.1	-1.2	0.3
2019		2.1	-2.1	5.1	0.1	-1.0	0.3	2.5	0.8	0.8	-4.1	4.8	-0.7	1.2	-0.5
2020		0.7	-0.8	2.3	0.5	-1.3	0.4	1.1	8.8	1.4	4.8	2.9	-0.4	-7.3	0.4
2021	(a)	-0.7	-0.8	1.3	0.3	-1.5	0.3	-0.4	1.1	-1.2	1.3	0.4	0.6	-1.1	0.5
2019	II	3.5	-1.2	5.8	-0.4	-0.7	0.3	3.7	14.5	2.0	3.5	8.4	0.7	-11.1	-0.4
	III	2.8	-3.0	7.1	-0.1	-1.1	0.2	3.0	6.2	-1.2	3.9	3.1	0.4	-2.3	0.8
	IV	2.6	-1.6	4.1	0.8	-0.8	0.6	3.2	5.4	0.7	1.2	3.5	0.0	-1.4	0.9
2020	I	-0.2	-2.1	3.1	0.3	-1.4	0.4	0.2	16.0	-1.0	10.9	5.4	0.6	-15.0	0.8
	II	0.7	0.2	1.5	0.0	-1.0	0.3	1.0	0.7	2.0	-1.5	-1.3	1.4	2.2	2.0
	III	0.7	-1.0	2.7	0.0	-1.0	0.3	1.0	4.8	2.8	1.6	-0.3	0.7	-0.2	3.6
	IV	1.5	-0.3	1.8	1.5	-1.6	0.8	2.3	2.1	0.7	-2.5	3.7	0.1	1.9	1.7
2021	I	-0.7	-0.8	1.3	0.3	-1.5	0.3	-0.4	1.1	-1.2	1.3	0.4	0.6	-1.1	0.5

(a) Period with available data.
Source: Bank of Spain.

Chart 15.1 - Balance of payments: Current and capital accounts

EUR Billions, 12-month cumulated

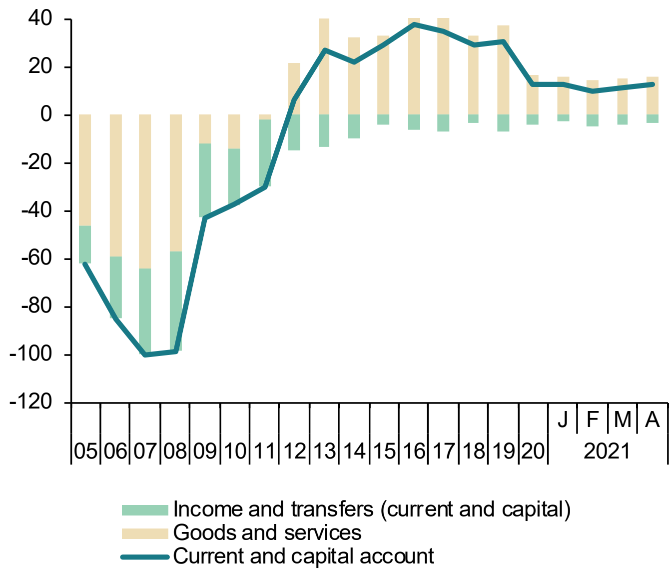


Chart 15.2 - Balance of payments: Financial account

EUR Billions, 12-month cumulated

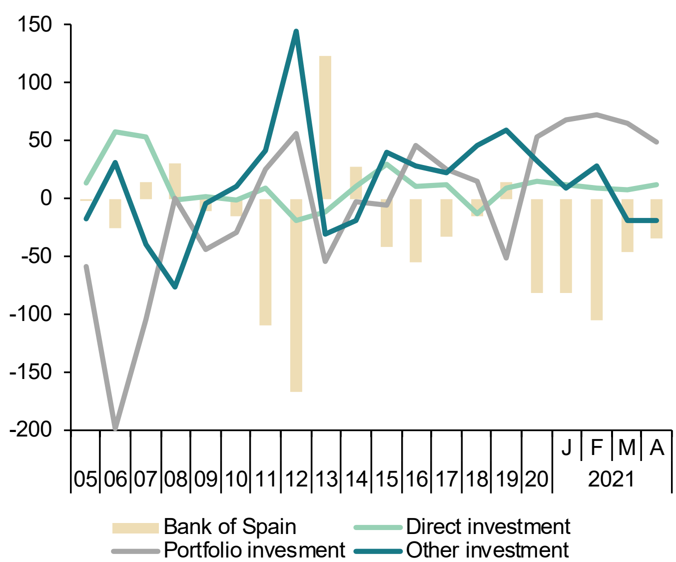


Table 16

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
2014		102.2	99.8	102.5	100.6	100.0	100.7	102.1	102.8	99.3	112.2
2015		99.4	100.0	99.3	100.0	100.0	100.0	100.0	100.0	100.0	107.8
2016		98.1	96.8	101.3	99.7	100.3	99.4	96.9	97.9	98.9	108.0
2017		97.7	96.5	101.3	101.7	101.8	99.9	101.2	100.7	100.5	109.7
2018		97.0	94.9	102.3	103.5	103.6	99.9	103.8	103.3	100.4	110.5
2019		96.6	95.9	100.7	104.3	104.8	99.5	103.4	103.7	99.8	109.1
2020		94.6	96.8	97.7	103.9	105.1	98.9	99.8	101.2	98.6	108.5
2021 (b)		--	--	--	105.5	106.6	99.0	105.9	105.0	100.9	108.7
2019	III	--	--	--	104.0	105.1	99.0	103.1	103.4	99.7	108.6
	IV	--	--	--	105.0	105.3	99.6	102.8	103.4	99.5	108.9
2020	I	--	--	--	103.6	104.7	98.9	101.6	102.8	98.8	107.8
	II	--	--	--	104.5	105.5	99.1	97.3	99.9	97.4	108.6
	III	--	--	--	103.4	105.1	98.4	99.7	100.6	99.2	108.2
	IV	--	--	--	104.1	105.0	99.1	100.4	101.4	99.0	109.3
2021	I	--	--	--	104.1	105.8	98.4	104.1	104.0	100.1	108.2
	II	--	--	--	106.9	107.4	99.5	108.7	106.6	102.0	--
2021	Apr	--	--	--	106.4	107.1	99.3	107.9	106.0	101.8	109.3
	May	--	--	--	107.0	107.4	99.6	109.4	107.1	102.1	109.7
	Jun	--	--	--	107.4	107.7	99.7	--	--	--	--
		Annual percentage changes					Differential	Annual percentage changes		Differential	Annual percentage changes
2014		-1.7	0.2	-1.9	-0.2	0.4	-0.6	-1.3	-1.5	0.2	-1.1
2015		-2.8	0.3	-3.1	-0.6	0.0	-0.6	-2.0	-2.8	0.8	-3.9
2016		-1.3	-3.2	2.0	-0.3	0.3	-0.6	-3.1	-2.1	-1.0	0.2
2017		-0.4	-0.3	0.0	2.0	1.5	0.5	4.5	2.8	1.7	1.5
2018		-0.7	-1.7	1.0	1.7	1.7	0.0	2.5	2.6	-0.1	0.8
2019		-0.5	1.1	-1.6	0.8	1.2	-0.4	-0.3	0.3	-0.6	-1.3
2020		-2.0	0.9	-3.0	-0.3	0.3	-0.6	-3.3	-2.5	-0.8	0.6
2021 (c)		--	--	--	1.4	1.4	0.0	5.5	3.0	2.5	0.6
2019	II	--	--	--	1.1	1.4	-0.3	0.8	1.1	-0.3	-1.2
2019	III	--	--	--	0.4	1.0	-0.6	-1.8	-0.6	-1.2	-1.3
	IV	--	--	--	0.5	1.0	-0.5	-1.8	-0.9	-0.9	-1.4
2020	I	--	--	--	0.7	1.1	-0.4	-2.1	-1.2	-0.9	-1.1
	II	--	--	--	-0.6	0.2	-0.8	-6.5	-3.8	-2.7	-1.1
	III	--	--	--	-0.6	0.0	-0.6	-3.3	-2.8	-0.5	-0.3
	IV	--	--	--	-0.8	-0.3	-0.5	-2.3	-2.0	-0.3	0.4
2021	I	--	--	--	0.5	1.1	-0.6	2.5	1.2	1.3	0.4
	II	--	--	--	2.3	1.8	0.5	11.7	6.7	5.0	--
2021	Apr	--	--	--	2.0	1.6	0.4	11.2	6.0	5.2	1.0
	May	--	--	--	2.4	2.0	0.4	13.1	7.5	5.6	1.2
	Jun	--	--	--	2.4	1.9	0.5	--	--	--	--

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

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

1998=100

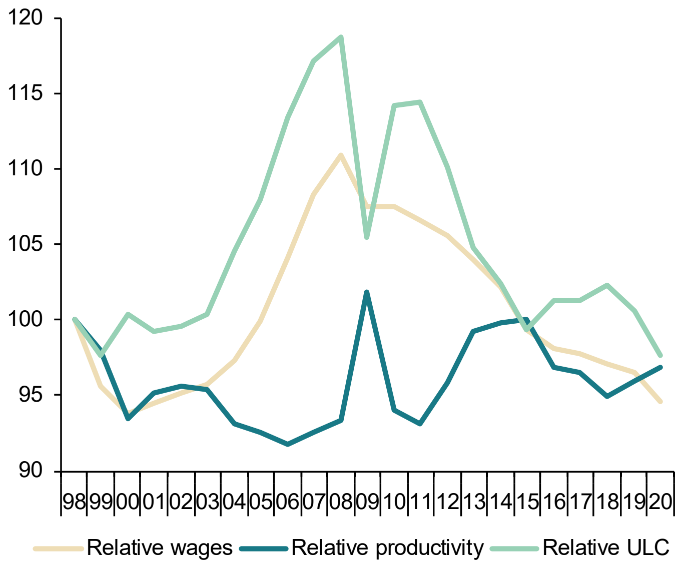


Chart 16.2 - Harmonized Consumer Prices

Annual growth in % and percentage points

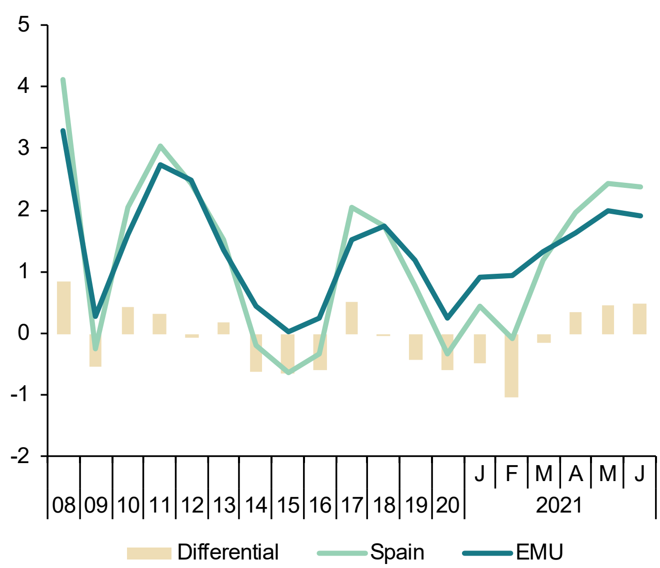


Table 17a

Imbalances: International comparison (I)

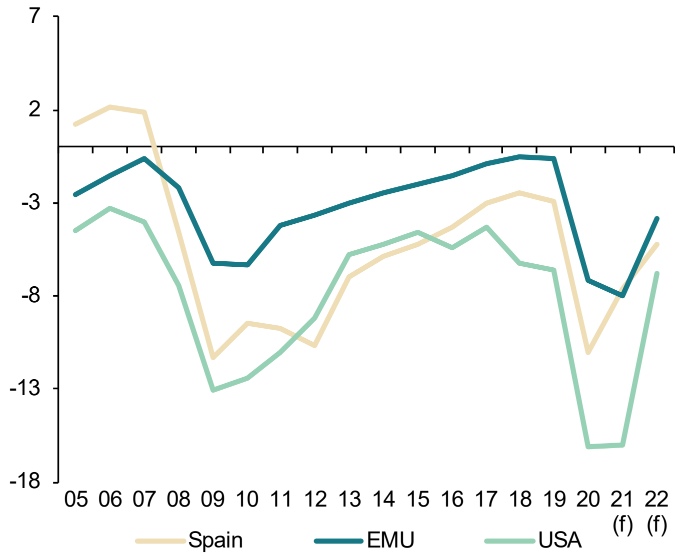
(In yellow: European Commission Forecasts)

	Government net lending (+) or borrowing (-)			Government consolidated gross debt			Current Account Balance of Payments (National Accounts)		
	Spain	EMU	USA	Spain	EMU	USA	Spain	EMU	USA
	Billions of national currency								
2008	-50.7	-208.1	-1,084.5	440.6	6,700.8	10,844.6	-98.8	-49.8	-677.1
2009	-120.6	-578.4	-1,896.6	569.5	7,440.5	12,535.2	-43.7	63.4	-368.7
2010	-102.2	-598.4	-1,863.1	649.2	8,199.1	14,316.3	-39.2	61.4	-431.3
2011	-103.6	-415.0	-1,709.1	743.0	8,658.8	15,518.1	-29.0	89.5	-461.7
2012	-110.7	-365.9	-1,493.3	889.9	9,114.9	16,740.3	0.9	226.7	-441.3
2013	-71.8	-300.1	-977.3	977.3	9,429.4	17,597.5	20.8	282.2	-360.4
2014	-61.1	-250.8	-910.4	1,039.4	9,674.6	18,328.2	17.5	316.7	-365.6
2015	-55.8	-208.5	-837.2	1,070.1	9,792.7	19,089.9	21.8	359.8	-423.7
2016	-48.0	-159.5	-1,003.6	1,104.6	9,973.5	19,986.4	35.4	389.5	-407.4
2017	-35.1	-103.9	-839.2	1,145.1	10,066.3	20,642.2	32.2	408.9	-391.5
2018	-29.9	-53.2	-1,282.7	1,173.4	10,167.6	21,972.3	23.2	399.7	-467.8
2019	-35.6	-75.4	-1,419.1	1,188.8	10,255.0	23,188.6	26.4	365.1	-502.8
2020	-123.1	-820.4	-3,365.4	1,345.6	11,334.6	26,673.0	7.4	342.1	-613.4
2021	-91.1	-951.1	-3,634.5	1,434.1	12,242.3	30,851.3	-0.7	367.3	-774.1
2022	-67.4	-483.4	-1,645.8	1,512.5	12,755.8	32,218.7	3.6	387.7	-818.1
	Percentage of GDP								
2008	-4.6	-2.2	-7.4	39.7	69.6	73.7	-8.9	-0.5	-4.6
2009	-11.3	-6.2	-13.1	53.3	80.2	86.8	-4.1	0.7	-2.6
2010	-9.5	-6.3	-12.4	60.5	86.0	95.5	-3.7	0.6	-2.9
2011	-9.7	-4.2	-11.0	69.9	88.4	99.8	-2.7	0.9	-3.0
2012	-10.7	-3.7	-9.2	86.3	92.7	103.4	0.1	2.3	-2.7
2013	-7.0	-3.0	-5.8	95.8	94.9	104.8	2.0	2.8	-2.1
2014	-5.9	-2.5	-5.2	100.7	95.2	104.6	1.7	3.1	-2.1
2015	-5.2	-2.0	-4.6	99.3	93.1	104.7	2.0	3.4	-2.3
2016	-4.3	-1.5	-5.4	99.2	92.2	106.6	3.2	3.6	-2.2
2017	-3.0	-0.9	-4.3	98.6	89.7	105.6	2.8	3.6	-2.0
2018	-2.5	-0.5	-6.2	97.4	87.7	106.6	1.9	3.4	-2.3
2019	-2.9	-0.6	-6.6	95.5	85.8	108.2	2.1	3.1	-2.3
2020	-11.0	-7.2	-16.1	120.0	100.0	127.4	0.7	3.0	-2.9
2021	-7.6	-8.0	-16.0	119.6	102.4	135.6	-0.1	3.1	-3.4
2022	-5.2	-3.8	-6.8	116.9	100.7	133.7	0.3	3.1	-3.4

Source: European Commission Forecasts, Spring 2021.

Chart 17a.1 - Government deficit

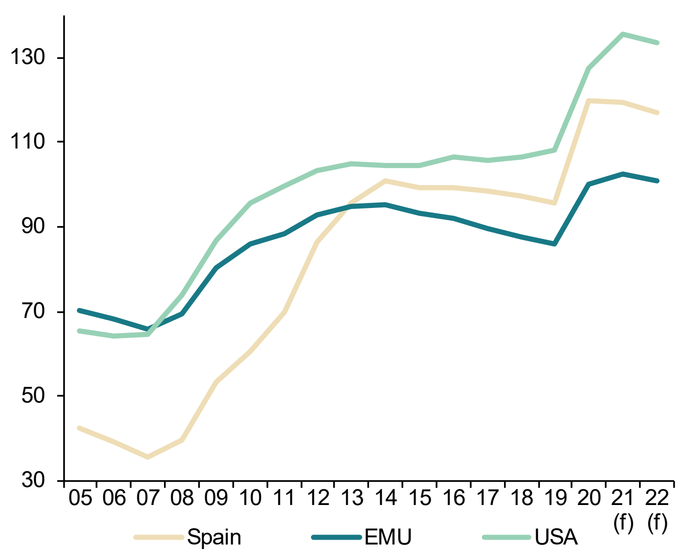
Percentage of GDP



(f) European Commission forecast.

Chart 17a.2 - Government gross debt

Percentage of GDP



(f) European Commission forecast.

Table 17b

Imbalances: International comparison (II)

	Household debt (a)			Non-financial corporations debt (a)		
	Spain	EMU	USA	Spain	EMU	USA
	Billions of national currency					
2005	656.2	4,768.9	12,031.8	954.1	7,018.0	8,151.5
2006	783.5	5,191.3	13,317.1	1,171.9	7,620.4	8,971.7
2007	879.3	5,560.2	14,240.3	1,371.6	8,401.5	10,104.4
2008	916.7	5,773.7	14,109.4	1,460.0	9,061.5	10,678.6
2009	908.9	5,881.0	13,950.0	1,473.5	9,149.0	10,161.4
2010	905.2	6,022.2	13,762.4	1,498.0	9,324.1	10,027.1
2011	877.9	6,105.5	13,633.6	1,458.3	9,695.2	10,271.6
2012	840.9	6,098.7	13,567.9	1,339.2	9,871.9	10,814.1
2013	793.6	6,059.9	13,790.8	1,267.9	9,873.2	11,327.3
2014	757.8	6,067.6	13,912.2	1,207.7	10,329.5	12,095.6
2015	733.3	6,131.1	14,079.6	1,183.7	10,885.9	12,904.4
2016	718.5	6,235.8	14,492.3	1,166.5	11,255.9	13,556.6
2017	711.0	6,397.8	15,031.5	1,153.2	11,460.9	14,513.3
2018	709.6	6,585.7	15,505.6	1,145.6	11,813.1	15,464.4
2019	708.6	6,810.4	16,011.1	1,156.7	12,076.6	16,211.9
2020	701.3	--	16,638.2	1,207.8	--	17,705.9
	Percentage of GDP					
	Percentage of GDP					
2005	70.8	56.5	92.3	102.9	83.1	62.5
2006	78.0	58.4	96.4	116.7	85.7	64.9
2007	81.8	59.2	98.5	127.5	89.5	69.9
2008	82.6	60.0	95.9	131.6	94.2	72.6
2009	85.0	63.4	96.5	137.8	98.7	70.3
2010	84.4	63.2	91.8	139.6	97.8	66.9
2011	82.5	62.3	87.7	137.1	99.0	66.1
2012	81.6	62.0	83.8	129.9	100.4	66.8
2013	77.8	61.0	82.2	124.3	99.4	67.5
2014	73.4	59.7	79.4	117.0	101.6	69.0
2015	68.0	58.3	77.2	109.9	103.5	70.8
2016	64.5	57.7	77.3	104.7	104.1	72.3
2017	61.2	57.0	76.9	99.3	102.2	74.3
2018	58.9	56.8	75.2	95.1	101.9	75.0
2019	56.9	57.1	74.7	92.9	101.2	75.6
2020	62.5	--	79.5	107.7	--	84.6

(a) Loans and debt securities.

Sources: Eurostat and Federal Reserve.

Chart 17b.1 - Household debt

Percentage of GDP

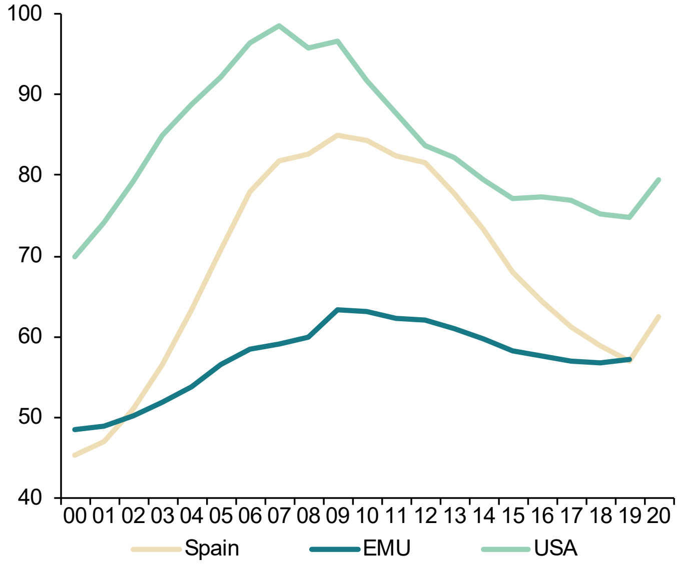
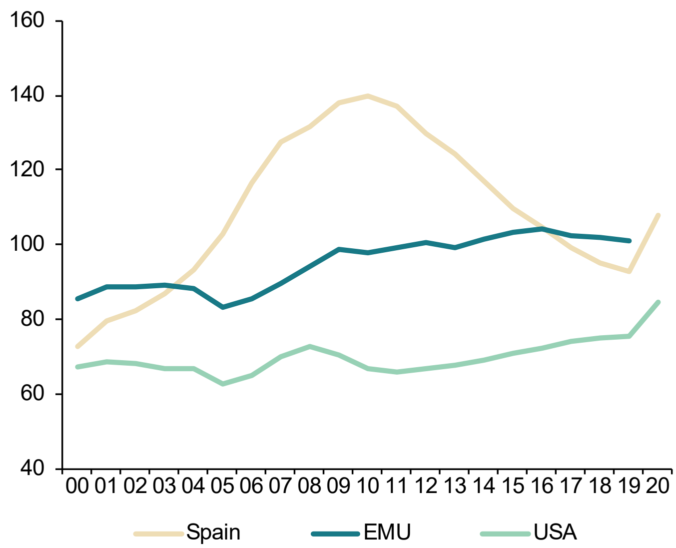


Chart 17b.2 - Non-financial corporations debt

Percentage of GDP



50 Financial System Indicators

Updated: June 30th, 2021

Highlights		
Indicator	Last value available	Corresponding to:
Bank lending to other resident sectors (monthly average % var.)	-0.01	April 2021
Other resident sectors' deposits in credit institutions (monthly average % var.)	-0.01	April 2021
Doubtful loans (monthly % var.)	0.03	April 2021
Recourse to the Eurosystem L/T (Eurozone financial institutions, million euros)	2,106,995	May 2021
Recourse to the Eurosystem L/T (Spanish financial institutions, million euros)	290,074	May 2021
Recourse to the Eurosystem (Spanish financial institutions million euros) - Main refinancing operations	3	May 2021
"Operating expenses/gross operating income" ratio (%)	53.94	March 2021
"Customer deposits/employees" ratio (thousand euros)	11,353.55	March 2021
"Customer deposits/branches" ratio (thousand euros)	94,303.53	March 2021
"Branches/institutions" ratio	113.15	March 2021

A. Money and Interest Rates

Indicator	Source	Average 2001-2018	2019	2020	2021 May	2021 June 30	Definition and calculation
1. Monetary Supply (% chg.)	ECB	5.1	5.0	12.3	8.4	-	M3 aggregate change (non-stationary)
2. Three-month interbank interest rate	Bank of Spain	1.5	-0.383	-0.545	-0.535	-0.545	Daily data average
3. One-year Euribor interest rate (from 1994)	Bank of Spain	1.9	-0.249	-0.499	-0.481	-0.484	End-of-month data
4. Ten-year Treasury bonds interest rate (from 1998)	Bank of Spain	3.6	0.6	0.03	0.47	0.50	Market interest rate (not exclusively between account holders)
5. Corporate bonds average interest rate	Bank of Spain	3.9	-	-	-	-	End-of-month straight bonds average interest rate (> 2 years) in the AIAF market

Comment on "Money and Interest Rates": The ECB has announced that it will maintain its expansionary monetary policy. Although inflation is forecast to rise above the ECB's target, the Bank believes inflationary pressure will be temporary. Interbank rates slightly fell in June. The 1-year interbank rate decreased from -0.481% in May to -0.484% in June, and the 3-month Euribor fell from -0.535% to -0.545% over the same period. As for the Spanish 10-year bond yield, it increased to 0.50%.

B. Financial Markets

Indicator	Source	Average 2001-2018	2019	2020	2021 March	2021 April	Definition and calculation
6. Outright spot treasury bills transactions trade ratio	Bank of Spain	22.1	288.7	28.8	35.76	33.81	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
7. Outright spot government bonds transactions trade ratio	Bank of Spain	19.8	87.2	18.5	15.27	14.58	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
8. Outright forward treasury bills transactions trade ratio	Bank of Spain	0.5	0.01	0.34	0.11	0.04	(Traded amount/outstanding balance) x100 in the market (not exclusively between account holders)
9. Outright forward government bonds transactions trade ratio	Bank of Spain	0.6	1.2	0.63	0.64	0.43	(Traded amount/outstanding balance) in the market (not exclusively between account holders)
10. Three-month maturity treasury bills interest rate	Bank of Spain	0.5	-0.54	-0.54	-0.57	-0.58	Outright transactions in the market (not exclusively between account holders)
11. Government bonds yield index (Dec1987=100)	Bank of Spain	727.5	1,311.87	1,289.02	-	-	Outright transactions in the market (not exclusively between account holders)
12. Madrid Stock Exchange Capitalization (monthly average % chg.)	Bank of Spain and Madrid Stock Exchange	0.1	1.2	-0.6	4.0	3.3	Change in the total number of resident companies
13. Stock market trading volume. Stock trading volume (monthly average % var.)	Bank of Spain and Madrid Stock Exchange	2.6	-7.4	10.7	30.3	-17.9	Stock market trading volume. Stock trading volume: change in total trading volume
14. Madrid Stock Exchange general index (Dec 1985=100)	Bank of Spain and Madrid Stock Exchange	1,007.1	881.6	718.9	855.09	874.6 (a)	Base 1985=100
15. Ibex-35 (Dec 1989=3000)	Bank of Spain and Madrid Stock Exchange	9,703.6	8,812.9	7,347.3	8,580.0	8,821.2 (a)	Base dec1989=3000
16. Madrid Stock Exchange PER ratio (share value/profitability)	Bank of Spain and Madrid Stock Exchange	15.6	13.2	15.1	41.2	20.1 (a)	Madrid Stock Exchange Ratio "share value/ capital profitability"
17. Long-term bonds. Stock trading volume (% chg.)	Bank of Spain and Madrid Stock Exchange		-		-	-	Variation for all stocks

B. Financial Markets (continued)

Indicator	Source	Average 2001-2018	2019	2020	2021 March	2021 April	Definition and calculation
18. Commercial paper. Trading balance (% chg.)	Bank of Spain and AIAF		-		-	-	AIAF fixed-income market
19. Commercial paper. Three-month interest rate	Bank of Spain and AIAF		-		-	-	AIAF fixed-income market
20. IBEX-35 financial futures concluded transactions (% chg.)	Bank of Spain	0.9	-14.4	5.1	12.4	-9.6	IBEX-35 shares concluded transactions
21. IBEX-35 financial options concluded transactions (%chg.)	Bank of Spain	12.9	30	35.4	26.6	-63.1	IBEX-35 shares concluded transactions

(a) Last data published: June 30th, 2021.

Comment on "Financial Markets": The stock market's upward trend came to a halt in June. During the first half of 2021, the Ibex-35 grew 9.3%. The IBEX-35 increased to 8,821 points and the General Index of the Madrid Stock Exchange to 874. In April (last month available), there was a fall in transactions of outright spot T-bills to 33.81 and of spot government bonds transactions to 14.58. There was a 9.6% decrease in transactions of Ibex-35 futures while options fell by 63.1%.

C. Financial Saving and Debt

Indicator	Source	Average 2008-2017	2018	2019	2020 Q3	2020 Q4	Definition and calculation
22. Net Financial Savings/GDP (National Economy)	Bank of Spain	-1.8	2.4	2.5	1.4	1.1	Difference between financial assets and financial liabilities flows over GDP
23. Net Financial Savings/GDP (Households and non-profit institutions)	Bank of Spain	1.9	0.1	2.2	5.5	7.3	Difference between financial assets and financial liabilities flows over GDP
24. Debt in securities (other than shares) and loans/GDP (National Economy)	Bank of Spain	269.1	280.7	282.0	322.9	335.3	Public debt. non-financial companies debt and households and non-profit institutions debt over GDP
25. Debt in securities (other than shares) and loans/GDP (Households and non-profit institutions)	Bank of Spain	64.2	58.9	56.9	61.1	62.5	Households and non-profit institutions debt over GDP
26. Households and non-profit institutions balance: financial assets (quarterly average % chg.)	Bank of Spain	0.8	-1.6	5.9	-1.6	1.8	Total assets percentage change (financial balance)
27. Households and non-profit institutions balance: financial liabilities (quarterly average % chg.)	Bank of Spain	-1.4	0.1	0.3	-1.2	0.3	Total liabilities percentage change (financial balance)

Comment on "Financial Savings and Debt": During 2020Q4. the financial savings to GDP in the overall economy decreased to 1.1% of GDP. There was an increase in the financial savings rate of households to 7.3%. The debt to GDP ratio of the economy reached 335.3%. Finally, there was an increase in the stock of financial assets on households' balance sheets of 1.8% and a 0.3% rise in the stock of financial liabilities.

D. Credit institutions. Business Development

Indicator	Source	Average 2001-2017	2018	2019	2021 March	2021 April	Definition and calculation
28. Bank lending to other resident sectors (monthly average % var.)	Bank of Spain	6.1	-4.7	0.2	0.5	-0.01	Lending to the private sector percentage change for the sum of banks, savings banks and credit unions.
29. Other resident sectors' deposits in credit institutions (monthly average % var.)	Bank of Spain	7.0	0.7	0.3	0.4	-0.01	Deposits percentage change for the sum of banks, savings banks and credit unions.
30. Debt securities (monthly average % var.)	Bank of Spain	9.95	-0.9	-0.3	-0.4	-1.1	Asset-side debt securities percentage change for the sum of banks, savings banks and credit unions.
31. Shares and equity (monthly average % var.)	Bank of Spain	9.3	-8.8	0.5	0.5	0.06	Asset-side equity and shares percentage change for the sum of banks, savings banks and credit unions.
32. Credit institutions. Net position (difference between assets from credit institutions and liabilities with credit institutions) (% of total assets)	Bank of Spain	-2.2	-0.6	-1.6	-0.5	-0.5	Difference between the asset-side and liability-side "Credit System" item as a proxy of the net position in the interbank market (month-end).
33. Doubtful loans (monthly average % var.)	Bank of Spain	-0.3	-2.3	-1.7	-0.5	0.03	Doubtful loans. Percentage change for the sum of banks, savings banks and credit unions.
34. Assets sold under repurchase (monthly average % var.)	Bank of Spain	2.6	-1.4	-1.1	10.6	-2.6	Liability-side assets sold under repurchase. Percentage change for the sum of banks, savings banks and credit unions.
35. Equity capital (monthly average % var.)	Bank of Spain	7.8	-4.1	0.3	-1.2	-0.1	Equity percentage change for the sum of banks, savings banks and credit unions.

Comment on "Credit institutions. Business Development": The latest available data as of April show a decrease in bank credit to the private sector of 0.01%. Data also show a fall in financial institutions' deposit-taking of 0.01%. Holdings of debt securities decreased by 1.1%. Doubtful loans increased by 0.03% compared to the previous month.

E. Credit institutions. Market Structure and Eurosystem Refinancing

Indicator	Source	Average 2000-2017	2018	2019	2020 December	2021 January	Definition and calculation
36. Number of Spanish credit institutions	Bank of Spain	194	124	122	113	112	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	78	79	Total number of foreign credit institutions operating in Spanish territory
38. Number of employees	Bank of Spain	246,618	189,280	187,472	175,185	175,185 (a)	Total number of employees in the banking sector
39. Number of branches	Bank of Spain	40,047	28,643	27,320	22,589	21,612	Total number of branches in the banking sector
40. Recourse to the Eurosystem: long term (total Eurozone financial institutions) (Euro millions)	Bank of Spain	318,141	527,317	762,540	1,774,798	2,106,995 (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	260,971	290,074 (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	3	3 (b)	Open market operations: main long term refinancing operations. Spain total

(a) Last data published: December 2020.

(b) Last data published: May 2021.

Comment on "Credit institutions. Market Structure and Eurosystem Refinancing": In May 2021, recourse to Eurosystem funding by Spanish credit institutions reached 290.07 billion euros.

MEMO ITEM: From January 2015 the ECB also offers information on the asset purchase programs. The amount borrowed by Spanish banks in these programs reached 516 billion euros in May 2021and 4 trillion euros for the entire Eurozone banking system.

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

Indicator	Source	Average 2000-2017	2018	2019	2020 Q4	2021 Q1	Definition and calculation
43. "Operating expenses/gross operating income" ratio	Bank of Spain	48.8	54.39	53.30	45.15	53.94	Operational efficiency indicator. Numerator and denominator are obtained directly from credit institutions´ P&L accounts
44. "Customer deposits/ employees" ratio (Euro thousands)	Bank of Spain	3,911.03	9,461.19	9,574.38	11,013.27	11,353.55	Productivity indicator (business by employee)
45. "Customer deposits/ branches" ratio (Euro thousands)	Bank of Spain	24,735.07	68,190.72	74,450.04	89,305.57	94,303.53	Productivity indicator (business by branch)

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

Indicator	Source	Average 2000-2017	2018	2019	2020 Q4	2021 Q1	Definition and calculation
46. “Branches/institutions” ratio	Bank of Spain	198.71	131.36	123.09	117.23	113.15	Network expansion indicator
47. “Employees/branches” ratio	Bank of Spain	6.19	7.2	7.7	8.1	7.7	Branch size indicator
48. “Equity capital” (monthly average % var.)	Bank of Spain	0.09	-0.79	0.25	1.29	-2.3	Credit institutions equity capital variation indicator
49. ROA	Bank of Spain	0.43	0.57	0.59	0.07	0.3	Profitability indicator, defined as the “pre-tax profit/average total assets”
50. ROE	Bank of Spain	5.88	4.25	6.96	0.95	3.6	Profitability indicator, defined as the “pre-tax profit/equity capital”

Comment on “Credit institutions. Efficiency and Productivity, Risk and Profitability”: During 2021Q1, there was a relative increase in the profitability of Spanish banks after the worst effects of COVID-19.

Social Indicators

Table 1

Population

Population										
	Total population	Average age	65 and older (%)	Life expectancy at birth (men)	Life expectancy at birth (women)	Dependency rate	Dependency rate (older than 64)	Foreign-born population (%)	New entries (all nationalities)	New entries (EU-28 born) (%)
2008	46,157,822	40.8	16.5	78.2	84.3	47.5	24.5	13.1	701,997	33,053
2010	47,021,031	41.1	16.9	79.1	85.1	48.6	25.0	14.0	441,051	39,211
2012	47,265,321	41.6	17.4	79.4	85.1	50.4	26.1	14.3	344,992	51,666
2014	46,771,341	42.1	18.1	80.1	85.7	51.6	27.4	13.4	368,170	66,803
2015	46,624,382	42.4	18.4	79.9	85.4	52.4	28.0	13.2	417,655	74,873
2016	46,557,008	42.7	18.6	80.3	85.8	52.9	28.4	13.2	492,600	71,508
2017	46,572,132	42.9	18.8	80.4	85.7	53.2	28.8	13.3	592,604	63,754
2018	46,722,980	43.1	19.1	80.5	85.9	53.6	29.3	13.7	715,255	56,745
2019	47,026,208	43.3	19.3	80.9	86.2	53.7	29.6	14.4	827,052	61,338
2020	47,450,795	43.6	19.4	79.6●	85.1●	53.5	29.8	15.2	523,618	41,708
2021●	47,344,649	43.8	19.7			53.4	30.2	15.4		
Sources	EPC	EPC	EPC	ID INE	ID INE	EPC	EPC	EPC	EVR	EVR

ID INE: Indicadores Demográficos INE.

EPC: Estadística del Padrón Continuo.

EVR: Estadística de Variaciones Residenciales.

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

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

● *Provisional data*

Table 2

Households and families

	Households				Nuptiality					
	Households (thousands)	Average household size	Households with one person younger than 65 (%)	Households with one person older than 65 (%)	Marriage rate (Spanish)	Marriage rate (foreign population)	Divorce rate	Mean age at first marriage, men	Mean age at first marriage, women	Same sex marriages (%)
2008	16,742	2.71	12.0	10.2	8.5	8.4	2.39	32.4	30.2	1.62
2010	17,174	2.67	12.8	9.9	7.2	7.9	2.21	33.2	31.0	1.87
2012	17,434	2.63	13.7	9.9	7.2	6.7	2.23	33.8	31.7	2.04
2014	18,329	2.51	14.2	10.6	6.9	6.5	2.17	34.4	32.3	2.06
2015	18,376	2.54	14.6	10.7	7.3	6.5	2.08	34.8	32.7	2.26
2016	18,444	2.52	14.6	10.9	7.5	6.8	2.08	35.0	32.9	2.46
2017	18,512	2.52	14.2	11.4	7.4	7.0	2.11	35.3	33.2	2.67
2018	18,581	2.51	14.3	11.5	7.1	6.6	2.04	35.6	33.4	2.90
2019	18,697	2.52	14.9	11.2	7.1	6.7	1.95	36.0	33.9	3.90●
2020	18,794	2.52	15.0	11.4	3.8	4.1				
2021■	18,864	2.51								
Sources	LFS	LFS	EPF	EPF	ID INE	ID INE	ID INE	ID INE	ID INE	MNP

Table 2 (Continued)

Households and families

	Fertility					
	Median age at first child, women	Total fertility rate (Spanish women)	Total fertility rate (Foreign women)	Births to single mothers (%)	Abortion rate	Abortion by Spanish-born women (%)
2008	29.3	1.36	1.83	33.2	11.8	55.6
2010	29.8	1.30	1.68	35.5	11.5	58.3
2012	30.3	1.27	1.56	39.0	12.0	61.5
2014	30.6	1.27	1.62	42.5	10.5	63.3
2015	30.7	1.28	1.66	44.4	10.4	65.3
2016	30.8	1.27	1.72	45.8	10.4	65.8
2017	30.9	1.25	1.71	46.8	10.5	66.1
2018	31.0	1.20	1.65	47.3	11.1	65.3
2019	31.1	1.17	1.59	48.4	11.5	64.1
2020	31.2	1.12	1.45			
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-March*

Table 3

Education

	Educational attainment				Students involved in non-compulsory education					Education expenditure	
	Population 16 years and older with primary education (%)	Population 30-34 with primary education (%)	Population 16 years and older with with tertiary education (%)	Population 30-34 with tertiary education (%)	Pre-primary education	Secondary education	Vocational training	Under-graduate students	Post-graduate studies (except doctorate)	Public expenditure (thousands of €)	Public expenditure (%GDP)
2008	32.1	9.2	16.1	26.9	1,763,019	629,247	472,604	1,377,228	50,421	51,716,008	4.63
2010	30.6	8.6	17.0	27.7	1,872,829	672,213	555,580	1,445,392	104,844	53,099,329	4.91
2012	28.5	7.5	17.8	26.6	1,912,324	692,098	617,686	1,450,036	113,805	46,476,414	4.47
2014	24.4	6.1	27.2	42.3	1,840,008	690,738	652,846	1,364,023	142,156	44,846,415	4.32
2015	23.3	6.6	27.5	40.9	1,808,322	695,557	641,741	1,321,698	171,043	46,597,784	4.31
2016	22.4	6.6	28.1	40.7	1,780,377	687,595	652,471	1.303.252	190,143	47,578,997	4.25
2017	21.4	6.6	28.5	41.2	1,767,179	676,311	667,984	1,287,791	209,754	49,458,049	4.24
2018	20.5	6.4	29.2	42.4	1,750,106	667,287	675,971	1,290,455	217,840	50.807.185	4.23
2019	19.3	6.3	30.3	44.7	1,747,087	673,171	714,292	1,309,791●	234,214●	53,052,700	4.26
2020	17.7	6.1	31.3	44.8							
2021■	16.6	5.4	32.2	46.3							
Sources	LFS	LFS	LFS	LFS	MECD	MECD	MECD	MECD	MECD	MECD	INE National Accounts

LFS: Labor Force Survey.

MECD: Ministerio de Educación, Cultura y Deporte.

INE: Instituto Nacional de Estadística.

● *Provisional data.*

■ *Data refer to January-March*

Table 4

Social protection: Benefits

	Contributory benefits*							Non-contributory benefits			
		Retirement		Permanent disability		Widowhood			Social Security		
	Unemployment total	Total	Average amount (€)	Total	Average amount (€)	Total	Average amount (€)	Unemployment	Retirement	Disability	Other
2008	1,100,879	4,936,839	814	906,835	801	2,249,904	529	646,186	265,314	199,410	63,626
2010	1,471,826	5,140,554	884	933,730	850	2,290,090	572	1,445,228	257,136	196,159	49,535
2012	1,381,261	5,330,195	946	943,296	887	2,322,938	602	1,327,027	251,549	194,876	36,310
2014	1,059,799	5,558,964	1000	929,484	916	2,348,388	624	1,221,390	252,328	197,303	26,842
2015	838,392	5,641,908	1,021	931,668	923	2,353,257	631	1,102,529	253,838	198,891	23,643
2016	763,697	5,731,952	1,043	938,344	930	2,364,388	638	997,192	254,741	199,762	21,350
2017	726,575	5,826,123	1,063	947,130	936	2,360,395	646	902,193	256,187	199,120	19,019
2018	751,172	5,929,471	1,091	951,838	946	2,359,931	664	853,437	256,842	196,375	16,472
2019	807,614	6,038,326	1,138	957,500	975	2,361,620	712	912,384	259,570	193,122	14,997
2020	1,828,489	6,094,447	1,162	952,704	985	2,352,680	725	1,017,429	261,325	188,670	13,373
2021	1,090,693	6,137,933■	1,185■	947,757■	994■	2,350,330■	738■	1,044,689	261,360	185,622	12,563
Sources	INEM	INSS	INSS	INSS	INSS	INSS	INSS	INEM	IMSERSO	IMSERSO	IMSERSO

INEM: Instituto Nacional de Empleo.

INSS: Instituto Nacional de la Seguridad Social.

IMSERSO: Instituto de Mayores y Servicios Sociales.

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

■ *Data refer to January-May.*

◆ *Data refer to January-April.*

Table 5

Social protection: Health care

	Expenditure				Resources				Satisfaction*		Time on waiting list (days)	
	Total (% GDP)	Public (% GDP)	Total expenditure ($ per inhabitant)	Public expenditure (per inhabitant)	Medical specialists per 1,000 inhabitants	Primary care doctors per 1,000 people asigned	Specialist nurses per 1,000 inhabitants	Primary care nurses per 1,000 people asigned	With the working of the health system	With medical history and tracing by family doctor or pediatrician	Non-urgent surgical procedures	First specialist consultations per 1,000 inhabitants
2008	8.29	6.10	2,774	2,042	1.8	0.8	3.0	0.6	6.4	7.0	71	59
2010	9.01	6.74	2,886	2,157	1.8	0.8	3.2	0.6	6.6	7.3	65	53
2012	9.09	6.55	2,902	2,095	1.8	0.8	3.1	0.6	6.6	7.5	76	53
2014	9.08	6.36	3,057	2,140	1.8	0.8	3.1	0.7	6.3	7.5	87	65
2015	9.16	6.51	3,180	2,258	1.9	0.8	3.2	0.7	6.4	7.5	89	58
2016	8.98	6.34	3,248	2,293	1.9	0.8	3.3	0.6	6.6	7.6	115	72
2017	8.8	6.25	3,370	2,385	1.9	0.8	3.4	0.6	6.7	7.5	106	66
2018	8.90	6.20	3,323	2,341	2.0	0.8	3.5	0.7	6.6	7.5	129	96
2019	9.00	6.40	3,616	2,560		0.8		0.7			115	81
Sources	OECD	OECD	OECD	OECD	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS	INCLASNS

OECD: Organisation for Economic Co-operation and Development.

INCLASNS: Indicadores clave del Sistema Nacional del Salud.

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

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Notes

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